

# SHIONOGI INTEGRATED REPORT 2023

Year ended March 31, 2023

Building Innovation Platforms to Shape the **Future** of Healthcare



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**SHIONOGI**

Shionogi & Co.,Ltd.

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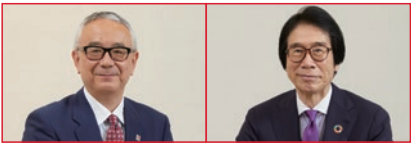
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Forward-looking statements

This report contains forward-looking statements. These statements are based on expectations in light of the information currently available, assumptions that are subject to risks, and uncertainties which could cause actual results to differ materially from these statements. Risks and uncertainties include general domestic and international economic conditions, such as general industry and market conditions, and changes of interest rates and currency exchange rates. These risks and uncertainties particularly apply to forward-looking statements concerning existing products and those under development. 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.

For existing products, there are also manufacturing and marketing risks, which include, but are not limited to, inability to build manufacturing capacity to meet demand, unavailability of raw materials, and competition with other companies' products. The Company 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 report contains information on pharmaceuticals (including compounds under development), but this information is not intended to make any representations or advertisements regarding the efficacy of these pharmaceuticals nor provide medical advice of any kind.

External evaluation

■ ESG index

FTSE4Good

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

2023 MSCI ESG Leaders Indexes Constituent

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

S&P/JPX Carbon Efficient Index

2023 Sompo Sustainability Index

Morningstar GenDi J Japan ex-REIT Gender Diversity Top Index

STOXX Indices by Sector

Member 2023/2024 Platinum Career Index

■ External recognition related to IR and sustainability

CDP Supplier Engagement Leader 2022

CDP A List 2022 Climate Water

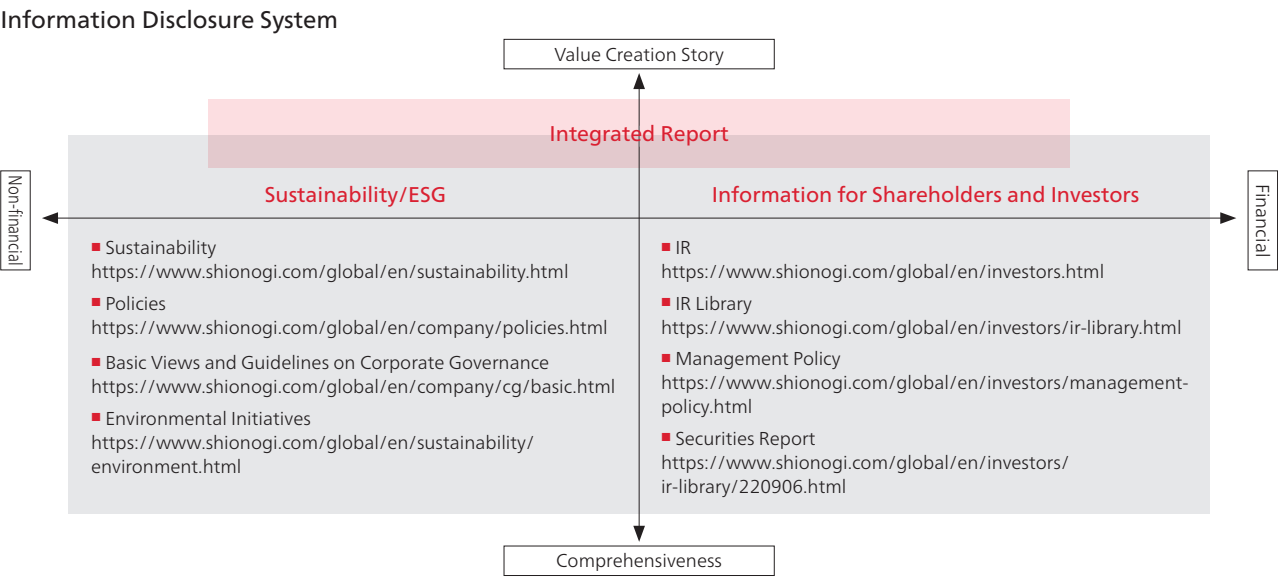
2023 D&I Award Best Workplace for diversity & inclusion

■ Other

Selected by domestic equity managers at the Government Pension Investment Fund as having an "Excellent Integrated Report" (third consecutive year from FY2020)

Commitment to society

SHIONOGI has endorsed and supported the United Nations Global Compact. See our website for more information.  
<https://www.shionogi.com/global/en/sustainability/ungc.html>



Scope of Reporting, etc.

Editorial Policy: In order for stakeholders to better understand SHIONOGI's corporate value, we conduct integrated reporting based on integrated thinking.

Period covered: Results for fiscal 2022 (April 1, 2022 to March 31, 2023). Some of the activities after the same period are included.

Target organizations: This report covers 49 Group companies (the Company, 45 consolidated subsidiaries, 3 affiliated companies, and 1 jointly controlled entity). The scope of our environmental activities covers all of Shionogi & Co., Ltd. business sites and major overseas group companies. For some indicators, major overseas group companies are also included in the scope of coverage.

Reference Guidelines: ISSB "International Integrated Reporting Framework," "GRI (Global Reporting Initiative) Sustainability Reporting Standards," "ISO 26000," Ministry of the Environment "Environmental Reporting Guidelines 2018," and Ministry of Economy, Trade and Industry "Guidance for Collaborative Value Creation"

Shareholders and investors

Employees

SHIONOGI's stakeholders

Customers

Society

SHIONOGI aims to build a sustainable society by creating corporate and social value through engagement with its four stakeholder groups: shareholders and investors, customers, society, and employees.



# SHIONOGI strives constantly to supply the best possible medicine (healthcare solutions) to protect the health and wellbeing of the patients we serve.

The unwavering purpose of the SHIONOGI Group's corporate activities is expressed in the opening of the SHIONOGI Group Heritage as the image of what SHIONOGI should be and the Company's social existence values. By accurately ascertaining healthcare needs that are growing more advanced and diverse, we will respond with the most appropriate healthcare solutions surpassing the boundaries of a pharmaceutical company.

We will also accelerate SHIONOGI's transformation into a company people need.

\*SHIONOGI denotes the SHIONOGI Group

## Our Philosophy

### SHIONOGI Group Heritage

The Company Policy of SHIONOGI

SHIONOGI's Purpose

SHIONOGI strives constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve.

For this purpose, SHIONOGI will need to

Pursue the search for even better medicines.

Produce even better medicines.

Promote awareness of these better medicines to more people so that more people will be able to use these medicines.

Research, produce, and promote in an even more economical manner.

For this purpose, SHIONOGI will need to

Strive ceaselessly day after day to improve their skills.

Strive ceaselessly day after day to improve as human beings.

As a result, SHIONOGI people will

Find even greater satisfaction in their daily work and in their daily lives.

Find even greater improvement in the quality of their lives.

Find even greater prosperity in their lives.

Established in 1957

### SHIONOGI Group Vision (Vision 2030)

Building Innovation Platforms to Shape  
the Future of Healthcare

### SHIONOGI Group Values

- Be Trustworthy
- Boldness and Innovation
- Play to Win
- Respect for Diversity
- Contribution to Society

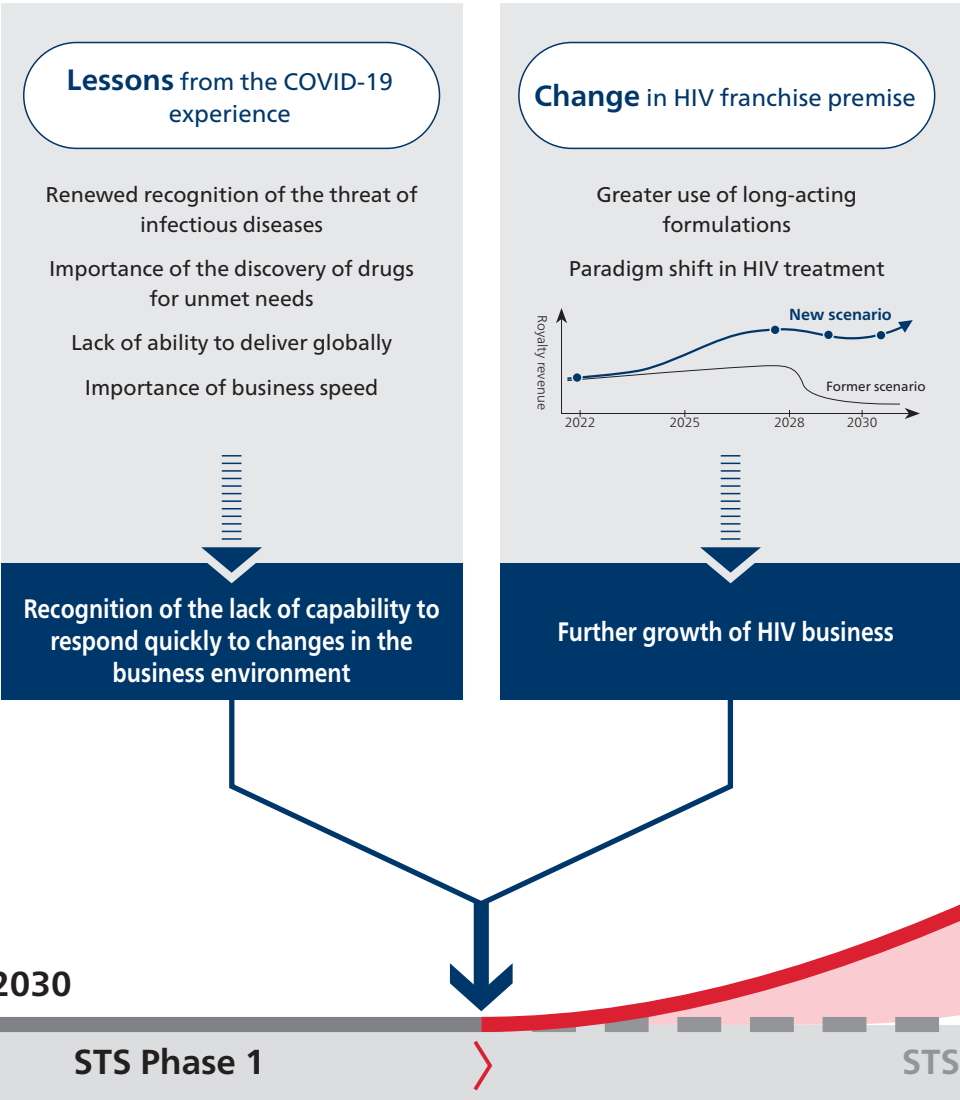


Why this Revision?

No change in direction  
Accelerate transformation to create HaaS

To achieve the Vision of “building innovation platforms to shape the future of healthcare,” SHIONOGI announced the Medium-Term Business Plan SHIONOGI Transformation Strategy 2030 (STS2030) and moved forward with implementing that strategy. As a result of the efforts over the past three years, major progress has been made toward achieving the SHIONOGI Group Vision and the path to that goal has grown clearer. Therefore, we revised the strategy in June 2023 and released STS2030 Revision. With the goal of transforming into an HaaS company,\* we will quickly and forcefully move forward to generate growth through this transformation.

\* Healthcare as a Service: Provide a range of healthcare services in line with customer needs, rather than only providing pharmaceuticals.



STS2030 Revision

STS Phase 3

Evolve into HaaS Company

**What has been strengthened in STS2030 Revision**

- Strengthens sales capabilities**  
Capability to deliver globally
- Reinforces the pipeline**  
Invests in unmet needs
- Strengthens the company platform**  
Improves business speed and reinforces human resources



## Message from the CEO

Utilizing the results and learning from COVID-19,  
we will mark a new beginning with STS2030 Revision  
aimed at realizing SHIONOGI Group Vision (2030 Vision)



**Isao Teshirogi, Ph.D.**

Representative Director,  
President and CEO

Three years of results and learning for making our 2030 Vision a reality

### Looking back on business during STS2030 Phase 1 (fiscal 2020 to fiscal 2022)

In aiming to realize the SHIONOGI Group Vision of “building innovation platforms to shape the future of healthcare,” we formulated the SHIONOGI Transformation Strategy 2030 (STS2030) in June 2020 as a strategy for making this vision a reality. Since then, the entire company has worked as one following this strategy toward this end.

Just before SHIONOGI announced STS2030, cases of novel coronavirus (SARS-CoV-2) were confirmed, and from there, the virus spread around the world in the blink of an eye, drastically transforming our world and our very way of life. Since the declaration of the COVID-19 pandemic in March 2020, SHIONOGI’s operating environment, too, has changed significantly. Nevertheless, we have continued to move forward over the past three years with the desire to “save people” from the threat of infectious diseases and “save society from the pandemic.” In order to provide solutions that help to solve this social issue and the unprecedented consequences of recent years “as quickly as possible,” we undertook a bold shift of our resources, at one point committing 80% of our R&D resources to COVID-19-related services. While we received understanding and encouragement from many stakeholders regarding this management decision, we also heard many complaints about the progress of results and concerns about growth investment. It is true that our vaccine has yet to be approved, and it remains difficult to determine exactly where to allocate resources amid uncertainty about infection trends. This is precisely why we need to take outside comments seriously. However, it is also true that SHIONOGI has been able to obtain many “results” and “learning” to grow strongly as a company through its efforts over the past three years, and these were the driving force behind the upward revision to STS2030.

### Major results and learning during the three years since the announcement of STS2030

Here, I would like to discuss three major results and learnings over the past three years. The first is the expansion of in-house products. The biggest achievement was the acquisition of emergency approval for ensitrelvir (brand name Xocova in Japan), which is a treatment for COVID-19, and we were finally able to deliver Xocova to medical professionals and patients in Japan who need antiviral treatment. During this period, companies have been conducting R&D on COVID-19 by leveraging their respective strengths, and antibody drugs and serum therapy to reduce the severity of cases have appeared at a relatively early timing. From the beginning, as with influenza, SHIONOGI has said, “Society can only return to normal once there are preventive

vaccines, rapid diagnostic agents, and an oral antiviral drug that can be easily administered and that reduces the virus itself.” Based on this thinking, we have focused on the development of small-molecule oral therapeutic drugs that leverage our strengths. Looking at the world, there are only a limited number of pharmaceutical companies that can research, develop, and produce antiviral drugs in a short period of time. We started our research with a mission not to see if it would work, but rather because there was no one else capable. The first order of business was to begin the general review of a compound library (a storage system for compound groups in which structural information and experimental data are centrally managed for the search of candidate substances) of data accumulated over many years. We were able to identify a candidate compound as soon as we started the search. Similar to our anti-virus for influenza, because we aimed for a drug that could be widely used by the general public, we decided that we could not proceed to clinical trials if there were concerns about the balance between efficacy and safety. Immediately after this decision, in December 2020, we succeeded in creating a lead compound\* that would become Xocova in another research project that had been launched from scratch in parallel, and from there, we were able to run R&D at top speed and bring Xocova to market in about two years.

\* Lead compound: A compound which becomes more activated than hit compound (an activated compound identified in screening tests of the compound library) through in vivo evaluation or other means. It is the basis for further improvement of activity, solubility, stability, pharmacokinetics, safety, etc. through chemical synthesis.

Naturally, there are voices questioning whether we could have accomplished this sooner, and there was a time when we felt remorse because we were not being useful to the world, but as the medical field and social environment change at a dizzying pace, and the virus itself continues to mutate, I believe that we have reached the present as a result of assessing the situation each time and doing the best we could at that time while repeating decision-making. In order to link these results to the next level of growth, it is essential that we analyze why we lagged behind other companies globally. As a manufacturer of drugs for infectious diseases, we are proud that our know-how is a strength that other companies simply do not have, but in terms of how much we were committed to strengthening that know-how in anticipation of the pandemic, I can look back and say that we could have done more. In a situation where it is not known when and what kind of virus will appear, it is necessary to further strengthen the compound library that acts



Message from the CEO

Looking back on STS2030 Phase 1: main accomplishments

Expansion of products discovered internally

- Obtained emergency approval of Xocova for COVID-19 treatment
- Strengthened overseas business
- Achieved growth of the HIV franchise

Progress of products and services other than prescription drugs

- Filed application for domestic approval of COVID-19 vaccine
- Provided new products and services in infectious disease and CNS areas

Governance enhancement

- Implemented new internal decision-making process
- Continued manager education

Financial KPIs

KPI		Parentheses indicate STS2030 targets		
		FY2020	FY2021	FY2022
Growth	Revenues	¥297.2 billion	¥335.1 billion	¥426.7 billion (¥400.0billion)
	Core operating profit*	¥94.0 billion	¥110.6 billion	¥158.5 billion (¥120.0billion)
	Core operating profit margin	31.6%	33.0%	37.1% (Over 30%)
	Overseas revenue ratio	16.2%	22.3%	16.9% (Over 25%)
	Internally-discovered pipeline ratio	71%	73%	61% (Over 60%)
Shareholder return	EPS	¥365	¥378	¥619 (Over ¥370)
	DOE	4.1%	3.8%	3.9% (Over 4%)
	ROE	13.9%	12.5%	17.8% (Over 13%)

\* Operating profit adjusted for one-time factors (impairment losses, gain on sale of property, plant and equipment, etc.)

on virus-specific enzymes, and we have already started this process. As a result, if the same situation occurs in the future, I think that the initial response of 6 to 8 months can be further shortened. Because SHIONOGI experienced the difficulties of clinical trials during the pandemic, we are strongly aware of the importance of breaking through conventional wisdom and shortening the R&D timeline on a weekly and monthly basis through in-depth discussions.

Second, our launch of “offer products and services other than prescription drugs” is one of our major accomplishments. From the perspective of total care for COVID-19 with the aim of ending the pandemic as soon as possible, we have expanded the scope of our business to include the provision of solutions such as detection (epidemic prediction), prevention, diagnosis, and prevention of severe cases at almost the same time as the development of therapeutic drugs, which has been our strength. Specifically, we established AdvanSentinel Inc. through joint investment with Shimadzu Corporation, launched a new business for the social implementation of wastewater surveillance services, and focused on the development of SHIONOGI’s first preventive vaccine and the development and marketing of diagnostic kits and equipment. In terms of prognosis, we are currently accumulating evidence on the reduced risk of developing long COVID. While concentrating resources in the field of infectious diseases, especially COVID-19, we have provided educational support services through the newly established Yui Connection Co., Ltd. We have also jointly developed “Gamma Wave Sound” with Pixie Dust Technologies, Inc. with the potential to care for cognitive functions in day-to-day living based on the common concept of “cognitive function care that blends into daily life,” releasing a device called *kikippa* that modulates the sound of TVs and other devices to gamma wave sounds. Under STS2030, we have evolved from a “drug discovery pharmaceutical company” that mainly provides prescription drugs

to a “Healthcare as a Service (HaaS) company” that offers healthcare services. We have also set our business direction as solving the issues faced by patients and society more comprehensively, and this policy will not waver even in STS2030 Revision. Over the past three years, we have been able to show a part of the HaaS model advocated by SHIONOGI by developing total care surrounding diseases and launching various new businesses to solve challenges. Of course, at this stage we really cannot call these results accomplishments. Yet, during the course of these three years, we have dramatically improved our ability to create something from nothing based on science and lead it to commercialization in a short period of time, expand the range of customers from patients and healthcare professionals to society, and deepen collaboration with partners from different industries and local governments.

The third point is to strengthen the company platform, especially “governance enhancement.” By completely revamping the internal decision-making process and building a system that allows us to record and track the execution of business processes including “when, where, who, what, and how” with complete transparency, and by further clarifying the responsibility for business execution by reorganizing the organization into four broad areas of jurisdiction, we can now make decisions more promptly and collaborate between organizations according to risk level. Naturally, we worked diligently to properly educate managers about these intentions as the lead actor and to incorporate them into our employees’ day-to-day work.

These results and learning have also had a positive effect on our finances. In fiscal 2022, while investing more than 100 billion yen in R&D, the largest amount ever in SHIONOGI’s history, we were able to attain record highs in revenues and all profit items, not to mention achieve the main KPIs set at the time of formulating STS2030. Even as the environment and outlook surrounding SHIONOGI

changed rapidly, we are proud that we have taken our business management capabilities to a higher level in terms of where to record sales and how to optimize expenses in anticipation of growth in the next few years.

To realize our 2030 Vision based on STS2030 Revision, we must deliver products and services created by leveraging our strengths to markets around the world. In other words, we

need to strengthen our sales and marketing capabilities, including in the supply chain. Expanding the pipeline to respond to social issues and unmet needs is also an issue for further transformation. Leveraging our stable earnings base and robust financial base, we intend to vigorously and rapidly promote reforms while actively collaborating with various partners, including international organizations.

Steady progress of our HIV franchise

In addition to the three “growths” mentioned above, one of the major changes in the situation since we formulated STS2030 is that the HIV business has progressed extremely well. Initially, we thought that the biggest challenge was how to overcome the challenges associated with the expiration of the patent (patent cliff) for the HIV drug dolutegravir, which is due around 2028, and how to regrow, but in recent years, there has been a steady paradigm shift in HIV treatment, causing the business premise to change significantly. SHIONOGI’s new product line, based on the two integrase inhibitors dolutegravir and cabotegravir, has penetrated the market faster than expected through partner ViiV Healthcare Limited, and in fiscal 2022 it has achieved results that far exceeded ViiV Healthcare’s previous annual growth rate of mid-single-digit percentages. Since the late 1990s, three-drug combination therapy has become the mainstream for HIV treatment as a response to the problem of resistance. After the advent of integrase inhibitors, which are particularly safe and have excellent resistance profiles, three-drug therapy based on integrase inhibitors such as dolutegravir have become the focal point of treatment. From the time it was recognized that HIV is a disease that can be adequately managed with drugs began to take hold, ViiV Healthcare was the first to begin developing a two-drug combination therapy based on dolutegravir. It was clear that two-drug therapy was better than three-drug in terms of patient burden and safety, but at that time, the reaction in the medical field and the stock market was frigid due to concerns about tolerance. Nevertheless, we were able to embark on development and achieve the results we have now for two reasons. First was the conviction that we were entering an era in which patients were looking for an improvement of quality of life (QOL) as a social issue in the HIV field, and second was that both ViiV Healthcare and

SHIONOGI believed in the potential of dolutegravir more than anyone else. The two-drug combination products including dolutegravir created in this way are steadily increasing their market share. ViiV Healthcare, which established oral two-drug therapy, has been working on the development of a long-acting formulation using two-drug injections since the same time. Oral medications taken daily are still the mainstream for HIV treatment. In addition to the burden of having to take medication daily, oral medications not only remind patients that they are HIV-infected every time they take one, but also causes the anxiety that others will find out. Listening to these market voices, what emerged was *Cabenuva*, an injectable drug that administers two drugs containing cabotegravir once every two months, which was introduced to address unmet needs that could not be met by oral drugs. At the time of launch, it was strongly affected by the COVID-19 pandemic and efforts to reduce medical consultations, but now it is demonstrating its potential and is steadily promoting a shift from the existing oral drug market. Cabotegravir contributes to the prevention of HIV as a single agent and as a long-acting injectable drug. In countries such as the United States, which are aiming to eradicate new HIV cases, there is a particularly high need for such long-acting drugs for HIV prevention, and this is expected to lead to the greater growth of the prevention market and increased market share. Due to these changes in the market, the patent cliff that was initially envisioned has virtually disappeared, and further growth can be expected depending on the progress of the pipeline, such as the out-licensed S-365598, which is expected to further extend the dosing interval, and we are more confident about the future prospects. SHIONOGI’s role in the medium- to long-term partnership with ViiV Healthcare has also become clearer.

Moving from STS2030 to STS2030 Revision

Working to make our 2030 Vision a reality

Based on the results and learnings of these three years of efforts and the steady progress of the HIV business, the path toward realizing our Vision 2030 has become clearer, so in June 2023, we updated STS2030 and announced



Message from the CEO



STS2030 Revision. The three pillars of growth in STS2030 Revision are “continued growth of HIV franchise,” “continuous growth of COVID-19 treatments,” and “expansion of new products and businesses” through proactive R&D and

business investments. Based on these, we will accelerate our global growth, achieve our upwardly revised revenue target of 800 billion yen for fiscal 2030, and make our Vision 2030 a reality.

Embodying the ability to “research, produce and promote” as a truly global corporation

SHIONOGI must now work on deploying the solutions created by the Group globally using its own efforts. Of course, depending on the area, product positioning, and target market, we will continue to choose to collaborate with other companies, but we will do our utmost to advance to the next stage as a company, keeping in mind how to maximize the value brought about by our innovation from the early stages of R&D. In Phase 2 (fiscal 2023 to fiscal 2025), which has been renewed based on the Revision, we will position this three-year period as a time to embody our ability to “research, produce and promote” as a truly global corporation, with a focus on delivering the results of Phase 1 (fiscal 2020 to fiscal 2022) globally.

First, we will accelerate the global trial of the COVID-19 treatment *Xocova*, which is the greatest achievement of STS2030 Phase 1, and expand it to Asian countries such as China and South Korea, as well as Europe and the United States, and promote preventive indications and development of pediatric applications to maximize product value.

In addition, we will continue to focus on R&D of new therapeutic agents that can be used by more people by overcoming the weaknesses of *Xocova*. While some stakeholders may have suggested that the pandemic has already ended and that investment in COVID-19 treatments and vaccines is no longer necessary, SARS-CoV-2 is expected to continue to have a certain impact on our lives as it mutates. And when a new variant appears, it is clear that it will spread through the world in the blink of an eye due to the flow of people. Therefore, it is important to work with our stakeholders to prepare for future emergencies such as the resurgence of infections, the emergence of highly virulent strains, and pandemics caused by new pathogens, and we believe that this is our mission as a global leader in infectious disease drugs. In addition to providing solutions such as therapeutic drugs and vaccines, we would like to respond to the needs of society by aiming to build a system that can provide total care for infectious diseases as an issue facing society as a whole, from early detection of epidemics to post-treatment follow up.

Establishing a sustainable infectious disease business model

Establishing a sustainable infectious disease business model is what we must work toward to grow as a business while addressing the threat of infectious diseases. Infectious diseases can be described in one word, but as with acute infectious diseases such as COVID-19 and seasonal influenza, whose revenues are easily affected by epidemics, infectious diseases requiring a long period of treatment, such as HIV/AIDS and malaria, which are the world’s three major infectious diseases, and even preventive vaccines, SHIONOGI divides these into several portfolios, such as “symptoms when infected,” “what solutions should be used to solve them,” and “what kind of people need them?” While clearly aware of the characteristics and social position of each business, we will establish an

optimal business model and work to diversify risks and opportunities by combining these models to ensure sustainability as a business. In addition, in terms of “delivering” to the world, cooperation with international organizations is indispensable. Given that infectious diseases are brought about by pathogens that are borderless, can affect anyone, even healthy people, and tend to have more serious consequences in developing countries with weak healthcare systems, developing and selling products only in specific developed countries does not represent a real solution. We will continue to engage in dialogue with stakeholders so that we can contribute to the realization of universal health coverage, including in low- and middle-income countries (LICs/

LMICs), in collaboration with partners such as GARDP and MPP, while receiving certain rewards, mainly in markets in

high-income countries.

Developing growth drivers with proactive investments

We must continue to refine the long-standing “drug discovery capabilities” that SHIONOGI has cultivated as a core strength. Over the next three years, we will invest a total of 300 billion yen to promote R&D that maximizes the value of existing and products under development, as well as actively introduce assets. In addition to continuing to focus on infectious diseases, we will strengthen our efforts for QOL diseases, which have a high social impact. Examples include pain, depression, dementia, and obesity, which we have been working on. Additionally, we have identified sleep disorders, hearing loss, and diseases unique to children. At the research level, interesting ideas and evidence have emerged in addition to these diseases.

The key to cultivating growth drivers is to carefully observe customers and society and identify issues (unmet needs) that are expected to increase without being resolved in the future. At SHIONOGI, we regard the process that patients follow from the pre-symptomatic and prevention stage to disease progression and prognosis as a disease journey, and identify the needs that exist in this process. Once we identify the needs to focus on, we will demonstrate SHIONOGI’s strengths in terms of how quickly we can deliver solutions that contribute to a healthy and prosperous life while taking risks through our approach to the quick solutions and bold resource allocation learned during COVID-19.

Human capital management for realizing our 2030 Vision

In STS2030 Revision, SHIONOGI reiterated its intention to realize growth through business transformation by transforming from a drug discovery pharmaceutical company to a HaaS company that provides various healthcare services that meet customer needs in addition to providing pharmaceuticals. The growth brought about through this transformation will be realized by none other than each and every employee of the SHIONOGI Group. As we pick up the pace from STS2030 Phase 1, we will need to take on many unprecedented challenges with a sense of urgency, but in order to achieve this, existing strengths and expertise alone are not enough, and each and every employee must acquire new skills and abilities and continue to grow. I have repeatedly discussed this in the quarterly messages I share with employees. Looking at the past three years, though, the disparity in capabilities between employees who are eager to acquire new skills and abilities by utilizing the self-investment support system and those who are struggling to take steps to change has become apparent. To continue to grow as a company, we

must develop human resources who can continue to learn and change, and we must provide an environment that offers a good sense of job satisfaction. As part of these efforts, we have revamped our personnel system, revised the grades of all employees according to their roles, and are working to build a system that allows us to better evaluate human resources who have taken on challenges. In addition, we have decided to accelerate the review of our talent portfolio by implementing an early retirement program. Going forward, we will actively promote skills and abilities that are lacking from outside the company to expand our human capital. A company’s commitment will be tested by its ability to successfully develop and operate systems and mechanisms. I promise to continue to incorporate the thoughts and intentions of those who have long contributed to SHIONOGI and society, and to manage the company with an even greater sense of urgency. In addition, I will work together with employees who are eager to take on challenges to achieve STS2030 Revision and make our 2030 Vision a reality.

Message to stakeholders

SHIONOGI has re-defined a clear path to realizing the 2030 Vision as STS2030 Revision and made a new start. Although direction itself has not changed since the formulation of STS2030 in 2020, as a truly global company, we will create value through solving social issues surrounding healthcare, such as SHIONOGI’s material issues of “protect people from the threat of infectious diseases,” “contribute

to a healthy and prosperous life,” “contribute to sustainable social security” and “improve access to healthcare.” We will continue to take on the challenge of transformation so that stakeholders around the world will recognize us as a partner that will be needed in the future. I ask for your continued guidance and support as we move forward.



# Dialogue between President Isao Teshirogi and Professor Kunio Ito

— Facilitated by Ms. Yoshiko Sato —

## Human Capital Management Practices at SHIONOGI

SHIONOGI clearly stated its policy on human capital management and its commitment to promote human capital management in the STS2030 Revision. President Teshirogi and Professor Kunio Ito discussed the direction SHIONOGI is taking.



Isao Teshirogi, Ph. D.

Representative Director, President and CEO, Shionogi & Co., Ltd.

Graduated from the University of Tokyo, Faculty of Pharmaceutical Sciences, and joined SHIONOGI in 1982. He was sent to the New York office in the U.S. in 1987. He returned to Japan in 1991 and was assigned to the Business Development Department. He was transferred to Shionogi Qualicaps, Inc. that manufactures capsules from 1994 to 1997, where he was again stationed in the U.S. After returning to Japan, he worked in the President Unit and was assigned to General Manager, Secretary Office and the General Manager, Corporate Planning Department in 1999. In 2002 he became a Director, in 2004 the Executive General Manager of the Pharmaceutical Research & Development Division, in 2006 a Senior Executive Officer, in April 2008 Representative Director and President, and has been in his current position from June 2022.

Kunio Ito

Director, Center for CFO Education and Research, Hitotsubashi University

Graduated from Hitotsubashi University, Faculty of Commerce and Management. He has served as Dean of the Graduate School of Commerce and Management and Dean of the Faculty of Commerce and Management at the same university, and as Vice President of the same university. The "Ito Report," which summarized the results of the METI Study Group he chaired, was influential both in Japan and overseas. From May, 2019, has served as the chair of the TCFD consortium, which is a group for companies working to mitigate climate change. In September 2020, he published the "Ito Report for Human Capital Management" as a result of the METI study group on sustainable corporate value enhancement and human capital, which he chaired, and in May 2022, he produced "Ito Report 2.0." In August of the same year, he became Chairman of the newly established Human Capital Management Consortium. He is also the chairman of the Digital Governance in the Age of Society 5.0 study group and for the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, the chairman of the evaluation committee for digital transformation securities.

### Facilitator

#### Yoshiko Sato

Executive Managing Director and Chief Research Fellow, Japan Investor Relations Association

Graduated from Keio University, Faculty of Economics. Joined Nihon Keizai Shimbun, Inc. and was transferred to the Japan Investor Relations Association in March 1993. She became the Chief Research Fellow in 2003, Secretary General in 2007, and Executive Managing Director in 2015. She continues to work to improve corporate value and develop the capital market, mainly through Japan Investor Relations Association (JIRA) seminars and newsletter. In addition to lecturing and writing, she also focuses on dialogue with companies and investors.



**Sato** Today, the environment surrounding companies is undergoing major change. While innovation is required to respond to the changing environment, the importance of the human resources and organizations that support this innovation is growing as never before. Professor Ito published the "Human Resources Edition Ito Report 2.0" in 2022, and President Teshirogi presented SHIONOGI's human capital management policy in the medium-term management plan STS2030 Revision in June 2023. In this special feature, we would like to begin with the topic of what human capital management is.

First, President Teshirogi, as the top person in management, how do you plan to bring about human capital management under the STS2030 Revision to achieve the SHIONOGI Group Vision that SHIONOGI wants to be, by 2030? Could you talk about this in light of the new personnel system that is scheduled to be introduced in October?

**Teshirogi** The SHIONOGI Group Vision is to build innovative platforms in order to shape the future of healthcare. This is an indication that we, as a pharmaceutical company, will not only provide drugs as in the past, but also become a company that comprehensively and totally provides services for healthcare. This is called "Healthcare as a Service" (HaaS).

SHIONOGI has always excelled at providing drugs for infectious diseases to reduce the number of bacteria, viruses, and other pathogens that have invaded the body, but in the course of our group's concerted efforts to address the threat of the COVID-19 pandemic, we realized that simply creating and providing drugs to treat infectious diseases as we had in the past was not enough to meet the needs of the world. For example, in addition to vaccines

and diagnostic reagents for prevention, we also need drugs to control the severity of disease so that symptoms do not become prolonged and spread to various organs and blood vessels, leading to serious illness. We must also consider more efficient epidemic forecasting and prevention by society as a whole. Therefore, unless we can provide total solutions for COVID-19, we will not be able to meet the needs of society.

Our goal is to help patients and their families return to normal life as quickly as possible. We believe that providing value to those in need by delivering solutions that are not limited to drugs and helping them return to a normal life, is truly a service industry. We are working to provide solutions to the problems of patients and society, from prevention and detection to diagnosis, treatment, control of serious illness, and prognosis management. This is the goal of HaaS.

In order to achieve HaaS, we have to think about what we can do with limited resources, and the same goes for DX and the issue of human resources. Human resources are necessary to achieve sustainable growth, but we cannot employ an infinite number of people. Therefore, it is necessary to have a personnel system and mindset that can respond to the types and depths of capabilities required, which change with the times. Specifically, we are considering designing a human resource system in which we present a company-wide human resource policy that defines the capabilities we seek as a company every two to three years, and where retraining and reskilling proceed within a certain time frame for personnel who are a mismatch. Of course, procuring the missing personnel from outside sources is also an option. Although this is a difficult task, we believe that the company will not grow unless its approach to human resources is taken as the basis of its management plan.

## The human resources portfolio required for business model transformation

**Sato** In his "Ito Report for Human Capital Management," Professor Ito raises the issue that Japanese companies have become conservative and have not been able to motivate everyone to change, and that they do not have a human resources strategy.

President Teshirogi also talked about recognizing the challenges of human capital management. Could you share your opinions on this topic?

**Ito** Behind what President Teshirogi said, I believe there is a discernment of, and a sense of crisis, that a major change in the business model is necessary to achieve sustainable growth for SHIONOGI. At the same time, I sensed his determination and resolve to make this happen.

Every company now includes reform of its business model and management strategy in their medium-term management plans. However, unless the human resource portfolio is matched to the business model transformation, it will not be feasible. The changes in human resource policies and system that President Teshirogi is talking about are about shifting to a management style that places human capital at the center.

HaaS is a bold shift in business model and management strategy in the sense that it goes beyond a narrow medical focus on drug discovery. The key to success will be to increase the capability of human resources and match them with management strategies and business models with a high degree of precision. To build an optimal human





resource portfolio, it is necessary to make the capabilities and skills of each individual employee visible in detail and disseminate this information to each department.

In the business model envisioned by President Teshirogi, there are the capabilities that should be possessed by both the core integrated producer-type personnel who can envision the HaaS image, and the highly specialized personnel who are responsible for this image. Without a grand human resource portfolio strategy, I think it will be difficult to increase the feasibility of HaaS, and I would like to hear President Teshirogi's thoughts on this point.

**Teshirogi** We make staffing decisions based on various personnel evaluations, but it can be difficult for employees to be convinced that they are suited for a particular assignment. We encourage employees up to their 30s to experience a variety of jobs and think about whether they want

to be an integrated producer or specialize in a particular field. However, this is not an easy task. This is because the abilities that you consider to be your strengths may not always be objectively correct. Therefore, it is necessary for employees to experience both integrated and specialized operations at as young an age as possible, and then determine their own aptitudes.

To build an ideal human resource portfolio that increases the feasibility of our strategy, we need to create a highly convincing combination of management and experts by successfully reconciling personnel evaluations with the individual's perception of his or her aptitudes. In this difficult environment, if everyone's vectors are not aligned, it will be a huge loss for the company, so I believe it is important to cultivate an eye for correctly evaluating human resources.

## Individual autonomy in career development leads directly to corporate growth

**Ito** As President Teshirogi mentioned, there are areas where employees are unaware of their own capabilities, abilities, and what they may or may not be suited to. The average Japanese company does not have a personnel system that allows for self-discovery or self-insight, and employees are transferred at the convenience of the company. Instead of voluntarily suggesting what they want to do, they follow the orders of personnel transfers. As a result, employees lose the chance to build autonomy and realize their potential. I believe that this approach has lost its usefulness in the face of increasing global competition. What is important is individual autonomy in career development, and I believe that companies need to encourage autonomy through suggestions rather than giving orders.

**Teshirogi** SHIONOGI has long since adopted an internal open recruitment system to support employees' individual autonomy in career development. However, when employees raise their hand, they are asked to submit an application form stating the reason why they wish to be

transferred and what they can do at the new location. At that time, the Human Resources Department prepares a rough draft about personnel transfers based on the system, but the decision is made by the Corporate Executive Meeting. This is an indication that personnel transfers are not primarily the responsibility of the Human Resources Department, but are management matters, and should be approved at the level of the Vice Presidents of each division or the members of the Corporate Executive Meeting.

On the other hand, verification several years after a transfer is a weak area. The company has hypothesized how human resources will develop as a result of transfers at their own request, but the major issue is that the results have not been verified. The company needs to verify the results of transfers made through the internal open recruitment system, which is difficult for the organization to see, to understand if the personnel are being developed as initially hypothesized, and if so, why, and if not, why not.



**Sato** As for the issues to be addressed when incorporating human resource strategies into management strategies, Professor Ito mentioned the issue of having individuals develop their capabilities in an independent manner based on their capabilities, rather than a conventional personnel system, and President Teshirogi mentioned the issue of verifying and sustaining these and other aspects over the medium to long term.

While I think the HaaS that President Teshirogi is promoting is wonderful, I am also concerned that some employees may feel uncomfortable with the idea that they thought they joined a drug-discovery type company. How should the mindset and targets be set, including the personnel system? I would appreciate it if Professor Ito could give us his opinion on this point.

**Ito** So, SHIONOGI is changing from the single business model of being drug discovery-centered, to a complex platform business. This is an amazing transformation because it is a transformation of the business model itself. Some employees will wait until they are told by the company about their roles, while others will take the initiative and think about, and choose, their roles. To accomplish this grand transformation, I think it's necessary to give the employees an entrepreneurial, or almost entrepreneurial, type of mindset where they want to solve the problems that are out there right now.

What investors are most interested in is the feasibility of transforming the business model. Even if a company has a great management strategy and business model, they will want to know whether the human resources who will carry

it out are following and whether reskilling is being carried out in a way that matches the company's goals, and I think this is a point that will be emphasized in future information disclosure.

**Teshirogi** I believe that a company's existence is meaningless without growth. The best way to achieve growth is not only quantitatively but also qualitatively, but the first step for a company is to make steady progress toward the numbers it promises to the outside world, toward its medium-term management plan and long-term goals. In our dialogue with investors, it is necessary to talk not only about quantitative growth in terms of operating results, but also about the ongoing progress of the underlying qualitative growth, such as our response to human resource issues, product portfolio, and alliances.

**Ito** The human resource strategy is considered non-financial, but no matter how great the human resource strategy is as non-financial strategy, investors and other stakeholders will not be convinced without a story of how it is organically linked to HaaS and how it will generate cash flow in the future. Individual autonomy in career development is certainly important, but simply saying, "We are easy to work for," is not going to make the creation of cash flow from the implementation of management strategy very robust. As a result, the promised figures will not be reached and credibility will suffer.

President Teshirogi is well aware of this, and has earned a very high level of trust from investors. And from an IR perspective, too, I believe that he has actually demonstrated very high performance and has achieved results.

## Challenges in promoting the HaaS business model

**Sato** SHIONOGI has stated that it will focus on the infectious disease business, but I think that the infectious disease business is generally volatile and difficult to forecast. Why do you intend to transform yourself into a HaaS

company centered on the infectious disease business?

**Teshirogi** The first of SHIONOGI's material issues is to protect people from the threat of infectious diseases. It is best



for people to be free from infectious diseases, and it is better if epidemics don't occur. To this end, we believe that the big challenge is to make the infectious disease business what we call a fire extinguisher model, which is useful in times of trouble but is usually kept in a corner.

To achieve this, we are stabilizing the vaccine business, for which there is a certain need every year in terms of preparing for infectious diseases, and we have also started a service to forecast infectious disease outbreaks from sewage and other social infrastructure as part of our HaaS initiative. And since, unfortunately, some infectious disease outbreaks occur every year, we believe that having a portfolio of several therapeutic drugs and the stockpiling of infectious disease drugs by governments, based on their understanding of the infectious disease business, will support the business.

In light of the fear and anxiety that COVID-19 has caused the world, I believe that taking on this business model is significant for humanity and governments. By forming a portfolio that covers a wide range of infectious diseases, I want people to feel the significance of SHIONOGI's existence. I believe that all healthcare businesses have risks, and infectious diseases are not a business model that is special for having a particularly high risk.

**Ito** When it comes to responding to unmet needs beyond medicine with HaaS, for example, the fire extinguisher model requires a process that integrates everything from pre-symptomatic states and prediction to international cooperation, which requires organizational capability,

particularly DX. Without a database of things like the probability of infectious disease outbreaks from examining air quality and sewage conditions, we cannot make hypotheses, but the capabilities, or skills, we have up to now are not enough, so reskilling is essential for advancing the HaaS business model.

In addition, it is necessary to form dynamic alliances with partners who are knowledgeable in the various specialties. For example, when considering a global alliance, it is necessary to consider how many optimal human resources are being developed, or to recruit such personnel from outside the company on a career basis.

**Teshirogi** Considering how to promote DX within the company and how much literacy of digital transformation must be raised in order to do so, and the fact that the health information of each individual should be given the most consideration of all personal information, and because it involves very sensitive issues, building data is quite difficult worldwide. I believe that it will be necessary to have not only DX, such as conversion to data, but also the ability to sense the needs of the world.

As stated in the STS2030 Revision, the biggest challenge for SHIONOGI is to respond to globalization. For example, it is not so easy to establish a personnel system that is attractive to human resources around the world. It will be difficult unless we create a diversified world within our headquarters, including consideration of how to communicate our HR, legal, accounting, and other systems as a global headquarters.

## Aiming to change the culture of the company through dialogue

**Ito** Changing the culture of a company, including its personnel system, requires a grand design for the company. In doing so, it will be difficult without aligning the motivation and mentality of individual employees. It is important for supervisors and department heads to be aware of this when they have discussions with employees. Dialogue is time-consuming and difficult, but it is important when making major changes in the organization and culture.

**Teshirogi** I agree with you, we must do this, even if it takes time. After getting into 2023, we resumed the "Exchange of opinions with the President" meetings, which had been suspended due to the COVID-19 pandemic, and we are visiting each organization to have dialogues with employees. When we announced the STS2030 Revision, we shot a video message for employees, and employees who watched it were able to sense the significance of the

Revision, and I think this kind of engagement is very important.

I believe the balance of dialogue with our four types of stakeholders is important, and I realize that when disclosing our medium-term management plan or introducing the new personnel system, I still keenly feel the need to allocate a quarter of my time to dialogue with employees. In 2023, I also plan to spend time in dialogue with investors and outside experts.

**Sato** Professor Ito, too, said that the linkage of management and human resource strategies requires making things visible, pointing out issues from various sources, and improving them together. So, yes, dialogue is important.

## The president also has important human capital for the company

**Ito** Human capital management has become quite widespread, but its targets are assumed to be executives and younger employees. However, the president also has important human capital for a company, and I believe that the president's reskilling and use of time as human capital has a significant impact on organizational performance. If the president's allocation of resources in the form of time or capital is inappropriate, good performance will not be achieved. If the president himself is going to change the business model, he must naturally take the initiative in his own reskilling.

**Teshirogi** I serve as an outside director for a financial institution and a chemical company. Being an outside director is a position where I have the responsibility to speak up and say what needs to be done to make a good company, and I feel that this is the largest experience I have had as far as my own reskilling. I have experienced how the company acts in response to what I say, and I feel the responsibility for what I say. To do this, I need to study the fundamentals of finance and the global chemical market to be able to speak intelligently.

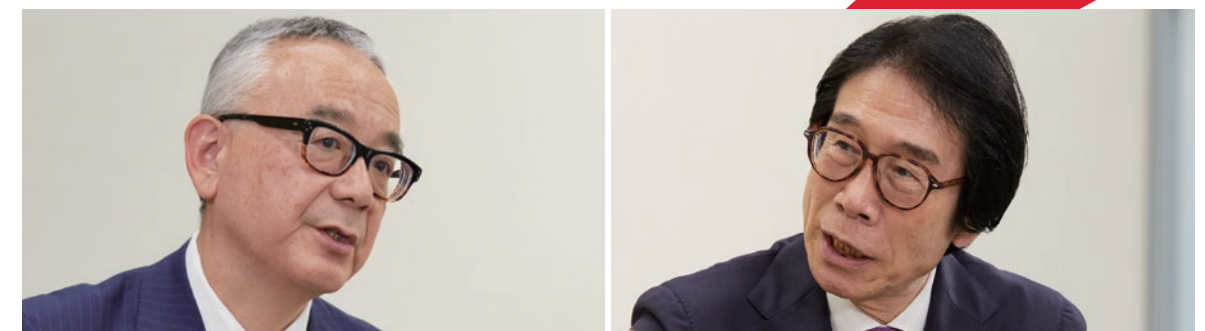
As an outside director, I have had the opportunity to be a part of a company other than my own, with people who work and think very hard, and to be able to contribute to that company is something that I would not have been able to understand unless I had experienced it myself. This has been the best learning experience for me as a president, and has been a very important experience for my self-discipline.

**Ito** I call 2023 the first year of human capital disclosure. It is important for top management's philosophy to talk

about what kind of company they want to be and what kind of employees they want the company to consist of. I believe that there is happiness not only for the employees but also for the company, and by promoting disclosure and dialogue that can be read as a positive cycle of happiness for both employees and the company, stakeholders will have a deeper trust in SHIONOGI and will be more willing to invest.

**Sato** Now that Professor Ito has summarized the key point of human capital management, do you, President Teshirogi, have any last words?

**Teshirogi** If we are to grow globally, the most important thing we must do is to globalize our head office functions, and although this is the area in which SHIONOGI is weakest, we will move quickly and strongly in this area. Because SHIONOGI has always had its head office functions in Japan, when making rules, we need to think about making them globally applicable. If our employees feel that we have globalized our head office functions in a way that goes hand in hand with the growth of the company, then I believe that SHIONOGI is taking a good step toward 2030. I look forward to our employees working even harder.







# I

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## Refining our strengths as a drug discovery-based pharmaceutical company and shape a better future for healthcare



### Finances

(FY2022)

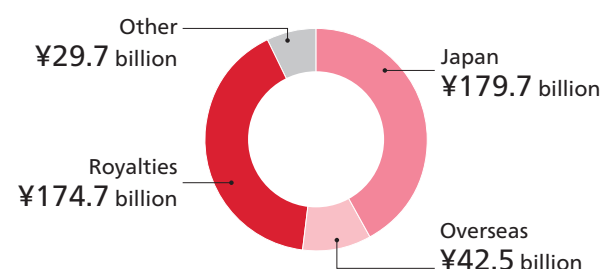


Revenue

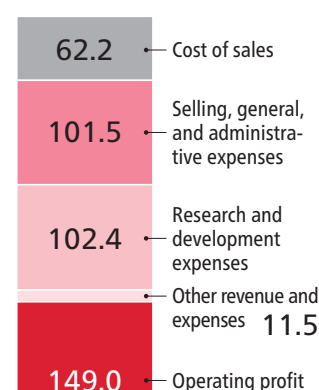
¥426.7 billion

Operating profit margin

34.9%



(Billions of yen)



### Pipeline

(as of March, 2023)

Number of pipeline products

33

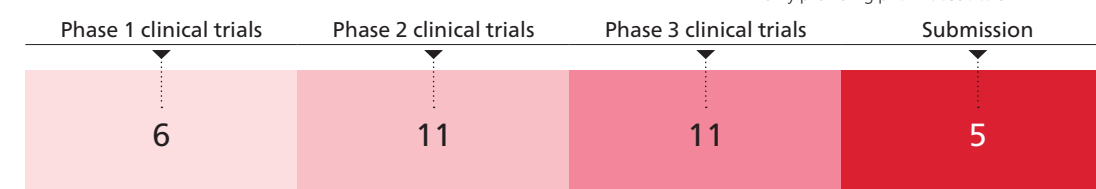
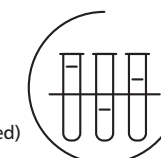
Internally-discovered pipeline ratio

61%

HaaS\*1 business (includes items already being provided)

5

\*1 HaaS: Abbreviation for "Healthcare as a Service." To provide a range of healthcare services in line with customer needs, rather than only providing pharmaceuticals.



### Market and Performance

#### HIV

Royalty revenue from ViiV Healthcare Limited (FY2022)



#### Market information

Number of people infected with HIV (as of 2022)

Approx. 39.00 million

Newly infected people (2022)

1.30 million

Market forecast for long-acting formulations (annual)

By 2030  
Approx. £4.0-£5.0 billion  
(¥640.0-¥800.0 billion\*2)

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Approx. £4.0-£5.0 billion  
(¥640.0-¥800.0 billion\*2)

#### Performance

Sales of long-acting formulations (2022)

Treatment  
£0.34 billion  
(¥54.4 billion\*2)

Prevention  
£0.04 billion  
(¥6.4 billion\*2)

\*2 Assuming exchange rate of ¥160/£1

#### AMR

(Antimicrobial resistance)

Number of countries where cefiderocol can be provided (as of 2022)



#### Market information

If effective AMR measures are not taken by 2050

Estimated annual AMR-related deaths (2050)

Approx. 10.00 million

Estimated economic impact

\$100 trillion (accumulated)

#### Performance

Cefiderocol sales (FY2022)

U.S.  
¥10.0 billion  
+59.5% (YoY)

Europe  
¥6.6 billion  
+85.2% (YoY)



Our History

SHIONOGI's Pharmaceuticals for Infectious Diseases

Acute Infectious Diseases

● *Finibax*

*Finibax* is a carbapenem antibiotic launched in 2005. It is used for the treatment of severe infections as a drug that is highly effective against bacteria that are resistant to many other anti-bacterial drugs.

Infectious Diseases Requiring a Long Period of Treatment

● *Tivicay*

*Tivicay* is an anti-HIV drug launched in 2014. With excellent efficacy and safety, and because it is less likely to cause drug resistance, it contributes to the treatment and improved quality of life for people living with HIV around the world.

Acute Infectious Diseases

● *Xofluza*

*Xofluza* is an influenza antiviral drug with a different mechanism of action launched in 2018. It has established a strong reputation not only for its therapeutic effect but also for the convenience of its single dose treatment against influenza.

AMR

● *Fetroja* (U.S.)/*Fetroja* (Europe)

*Fetroja/Fetroja* is a treatment against multidrug-resistant Gram-negative bacterial infection launched in 2020. As a drug that can be a life-saving trump card for patients who previously had no treatment options, it contributes to the treatment of patients around the world.

Infectious Diseases Requiring a Long Period of Treatment

● *Cabenuva, Apretude*

*Cabenuva* is a long-acting anti-HIV drug launched in 2020 and *Apretude* is a long-acting HIV prophylactic drug launched in 2021. They help to improve the quality of life of patients because they can treat or prevent HIV with a single injection every two months.

Acute Infectious Diseases

● *Xocova*

*Xocova* is a domestically produced oral COVID-19 treatment drug launched in 2022 under the emergency approval system. It contributes to the treatment of COVID-19 as the only drug that can be used by patients who are not at risk of severe illness.

Our History

1870—1930

1878 **Founded**  
On March 17, 1878, his 24th birthday, Gisaburo Shiono, Sr., who learned about the drug wholesaling business from his father, Kichibei, strikes out on his own and establishes a drug wholesaling business named Shiono Gisaburo Shoten.

1909 **Registered the corporate emblem FUNDOH**  
The brand symbol, derived from the “counterweight” used to weigh medicines on a scale, stands as a symbol of accuracy, honesty and trust, and represents SHIONOGI’s commitment.

1910 **Constructed the Shiono Seiyakusho manufacturing plant**

1919 **Shiono Gisaburo Shoten and Shionogi Seiyakusho K.K. merged and reorganized to form Shionogi Shoten Co., Ltd.**

1940—1990

1943 **Renamed the Company Shionogi Seiyaku K.K. (now Shionogi & Co., Ltd.)**

1957 **SHIONOGI’s Company Policy (now SHIONOGI Group Heritage) established**  
A “basic policy” was established to serve as our eternal goal in passing down SHIONOGI’s unique philosophy and commitment cultivated since our founding. As a result, we are able to move forward without losing sight of our basic direction as a pharmaceutical company, which is “to serve people’s health.”

1983 **Construction of the Kanegasaki Plant**  
The Kanegasaki Plant was built in the town of Kanegasaki, Isawa-gun, Iwate Prefecture where a large factory site was secured as one of our key factories, based on a long-term plan for the future expansion of our pharmaceutical manufacturing facilities.

1998 **Establishment of the SHIONOGI Code of Conduct**  
The SHIONOGI Code of Conduct was established to complement the SHIONOGI Group Heritage as a criterion for behavior so that the company could flexibly adapt to changes in the operating environment and fulfill needs of society.

2000

First Medium-Term Business Plan (FY2000-FY2004)  
—Establishing a foundation—

2001 **Establishment of Shionogi USA, Inc. (currently, Shionogi Inc.)**

2008 **Acquisition of Sciele Pharma, Inc. (currently, Shionogi Inc.) in the United States**

2010

Second Medium-Term Business Plan (FY2005-FY2009)  
—Accelerating progress—

2011 **Acquisition of C&O Pharmaceutical Technology (Holdings) Ltd. in China**

2012 **Establishment of Shionogi Ltd. (currently, Shionogi B.V.)**

2020

Third Medium-Term Business Plan (FY2010-FY2013)  
—SONG for the Real Growth—

2020 **Establishment of Ping An-Shionogi Co., Ltd.**

2022 **Launch of new brand**

2023 **STS2030 Revision**  
STS2030 Phase 2 was launched ahead of the original plan after the path to achieving the Vision became clearer.

Fourth Medium-Term Business Plan (FY2014-FY2019)  
—Shionogi Growth Strategy 2020 (SGS2020)—

ST52030 (FY2020-FY2030)  
—Shionogi Transformation Strategy 2030 (STS2030)—

History of Products in Each Product Portfolio

Infectious Diseases

1911

● The syphilis treatment *Salvarsan*

1959

● The sulfonamide drug *Sinomin*

1961

● The antiprotozoal agent *Flagyl*

1976

● The synthetic antibacterial agent *BAKTAR*

1981

● The glycopeptide antibiotic *Vancomycin*

1982

● The oxacephem antibiotic *Shiomarin*

1988

● The oxacephem antibiotic *Flumarin*

1997

● The cephem antibiotic *Flomox*

2005

● The carbapenem antibiotic *Finibax*

2010

● The influenza antiviral drug *Rapiacta*

2014

● The anti-HIV drug *Tivicay*

2015

● The anti-HIV drug *Triumeq*

2018

● The influenza antiviral drug *Xofluza*

2020

● A multidrug-resistant Gram-negative bacterial infection treatment *Fetroja* (cefiderocol)  
● The long-acting anti-HIV drug *Cabenuva* (cabotegravir + rilpivirine)  
● The IgG/IgM antibody test kit for COVID-19 (research reagent)  
2022  
● The COVID-19 treatment *Xocova*

Psychoneurological Diseases and Pain

1909

● Our first in-house drug, the anti-indigestion *Antacidin*

1950

● The analgesic *Sedes*

1957

● The neuropsychiatric agent *Vegetamin*  
● The neuropsychiatric agent *Novamin*

1965

● The antidepressant *Surmontil*

1977

● The neuropsychiatric agent *Wintermin*

1989

● The persistent cancer pain treatment *MS Contin*  
● The sleep aid *Rhythmy*

2001

● The pain treatment drug morphine hydrochloride injection solution *Shionogi*

2003

● The cancer pain analgesic *OxyContin*

2007

● The cancer pain treatment powder *Oxinorm*

2010

● The antidepressant drug *Cymbalta*

2012

● The injectable cancer pain analgesic *OxiFast*

2017

● The cancer pain treatment *Methapain*  
● The chronic cancer pain treatment *OxyContin TR tablets*  
● The attention-deficit/hyperactivity disorder (ADHD) treatment *Intuniv*  
● The opioid-induced constipation treatment *Symproic*

2019

● The attention-deficit/ hyperactivity disorder (ADHD) treatment *Vyvanse*

Other Diseases

2005

● The hyperlipidemia treatment *Crestor*

2008

● The hypertension treatment *Irbetan*  
● The acne vulgaris treatment *Differin*  
● The idiopathic pulmonary fibrosis treatment *Pirespa*

2012

● The hypertension treatment *Aimix*

2013

● The hypertension treatment *Irra*

2015

● The allergen immunotherapy *Actair*  
● The thrombocytopenia treatment *Mulpleta*

2016

● The hypercholesterolemia treatment *Crestor OD tablets*

Both the world and SHIONOGI have changed significantly over time, but we have not forgotten our founding spirit, and our head office is still located where we were founded, in Osaka’s Doshomachi. Here, we describe how SHIONOGI has grown in response to the changes that have taken place over the past century and a half.

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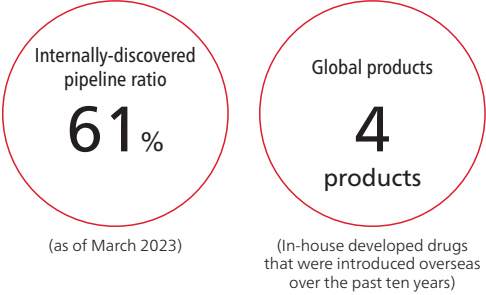
Four strengths supporting SHIONOGI's growth  
acquired as a discovery-based pharmaceutical  
company

Although the needs of customers and the world have continued to change with the times, we still earnestly create and deliver new value by pursuing "accuracy," "honesty," and "trust" in response to healthcare needs regardless of the age. Therefore, the efforts of our predecessors have changed over the years into the four strengths that support SHIONOGI. We continue to take on the challenge of refining these strengths and creating a healthcare future.



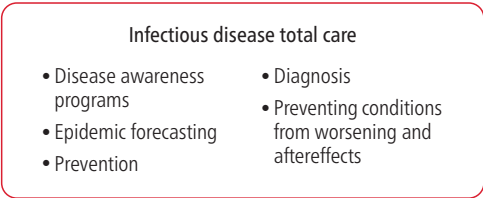
Innovation Skills

As a result of our commitment to in-house drug development as a discovery-based pharmaceutical company and focus on R&D activities, we have maintained an internally-discovered pipeline ratio that exceeds 60% (as of March 2023). In addition to evolving the highly efficient small-molecule drug discovery engine, a strength we acquired by taking on the challenge of creating COVID-19 therapeutic drugs and vaccines under a unique system and using the valuable learning gained from that experience, we will take on the challenge of capturing various drug discovery modalities, including vaccines, peptides, nucleic acids, and antibodies. We are also refining our ability to ascertain unmet medical needs developed as we confronted various diseases and expanding the breadth of challenges to resolve a wide range of healthcare problems that cannot resolved with traditional therapeutic drugs.



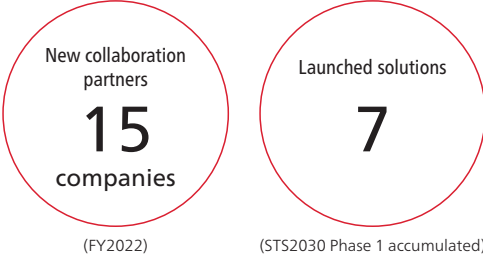
Infectious Disease Know-how

During our more than sixty years of research and development in the field of infectious disease, we have delivered therapeutic drugs for numerous infectious diseases. While many companies withdraw from the infectious disease field because of low market predictability and profitability, we have obtained knowledge of and technology related to infectious diseases that others cannot match, a world-class bacteria library, and advanced research facilities to manage those by continuing to invest in the field. In addition to further refining these strengths and expanding activities to disease awareness programs, epidemic forecasting, prevention, diagnostics, and ways to prevent conditions from worsening and aftereffects, we will confront the threat of infectious diseases by providing healthcare that is not limited to therapeutic drug.



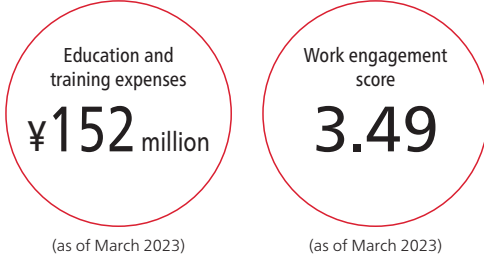
Alliances and Collaboration

To more broadly and quickly deliver new value, we have formed alliances with the most appropriate partners and accumulated the ability to create win-win relations for generating sustainable growth for both SHIONOGI and our partners at the various stages of the pharmaceutical business, including capturing new modalities, promoting research and development, and maximizing product value. As technology evolves, various companies that possess new ideas and technologies have entered the healthcare field. We will meet more advanced healthcare needs by leveraging as much as possible our ability to build relations that we have acquired and taking on the challenge of partnering in new ways.



Human Resources

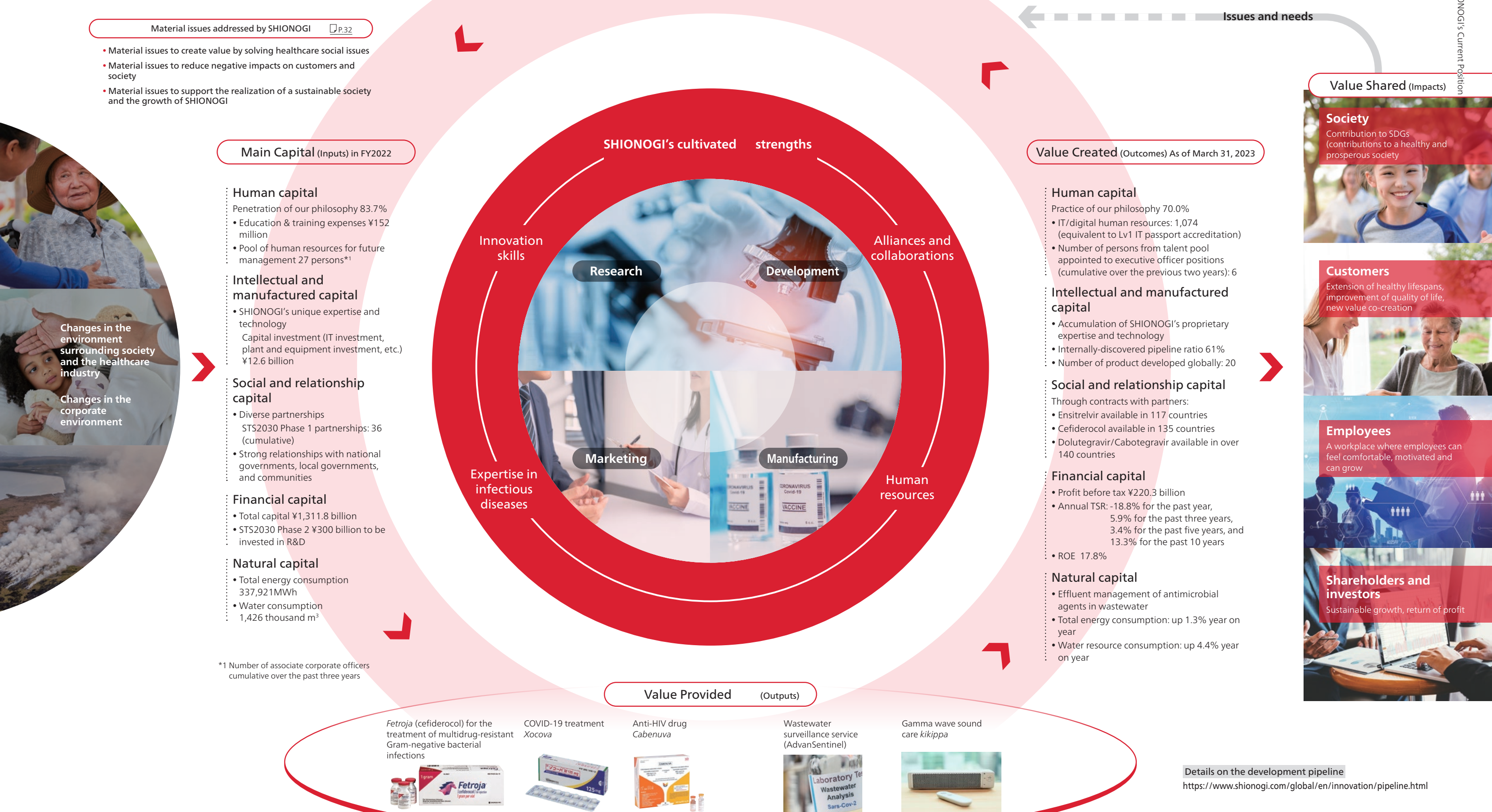
Each and every employee of SHIONOGI is the source of the Company's sustainable growth and new value creation. To appropriately forecast future healthcare needs and create new value, it is necessary to develop not only managers who promote reforms but also independent-minded human resources responsible for resolving future problems. At SHIONOGI, we focus on fostering a corporate climate for employees to work hard to tackle challenges by clearly indicating the image of what employees should be and providing opportunities for future growth. In addition, by continuing to implement workstyle reforms and appropriately evaluating employees, we have created an environment in which human resources with diverse values can make the most of their capabilities.





## Value Creation Process

SHIONOGI strives constantly to supply the best possible **healthcare solutions** to protect the health and wellbeing of the patients we serve

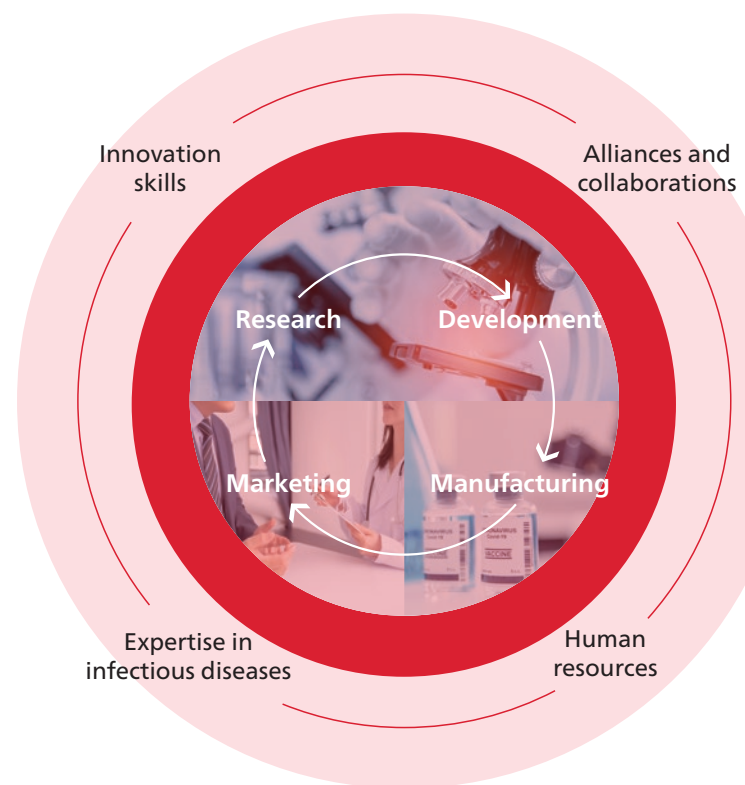




## Growth as a HaaS Company

# SHIONOGI Group Vision Building Innovation Platforms to Shape the Future of Healthcare

SHIONOGI's Business Model



**Towards  
Becoming a  
HaaS Company**

*Transformation*

While we have an abundance of various information to make use of, the needs in the healthcare field are becoming increasingly sophisticated and diverse. We are on the verge of transforming into a society where people choose their own solutions to protect, promote, and heal their own health. SHIONOGI will thoroughly refine its accumulated strengths to become the partner of choice for a wide variety of companies, breaking through stereotypes to meet the needs of people and society. We are going to transform ourselves into a HaaS company that opens a new era of healthcare as **the hub of co-creation**.

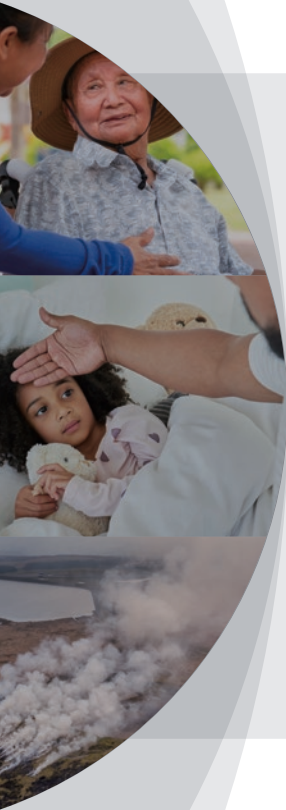
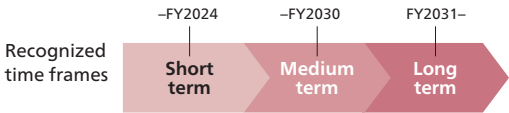




Risks and Opportunities

In revising its medium-term business plan STS2030 to STS2030 Revision, SHIONOGI analyzed and assessed its risks and opportunities based on changes in the internal and external environment and its time frame, and reviewed the material issues (materialities) that must be addressed. By classifying materialities into the three categories of “Material issues to create value by solving healthcare social issues,” “Material issues to reduce negative impacts on customers and society,”

and “Material issues to support the realization of a sustainable society and the growth of SHIONOGI,” we believe we can clarify our thinking and find more effective specific actions when considering our response policies, leading to more propulsive initiatives. We will continue to assess the impacts SHIONOGI and society have on each other, and reflect such assessment in our initiatives to promote activities aimed at resolving issues.



Perception of the environment surrounding society and the healthcare industry

- Environmental Changes/  
Social Needs
- The global epidemic of COVID-19 and subsequent lifestyle changes
  - Further expansion of the scope of corporate social responsibility
  - Aging of developed countries' populations and rise of emerging countries
  - Accelerating investment in the children of the future
  - Structural changes in the healthcare industry
  - Restricted access to medical care
  - International instability
  - Technical innovation and evolution, including digitalization, and greater use of data
  - Growth of the global market for prescription drugs, and contraction of the Japanese market
  - Global warming

Perception of the internal environment

- Transformation to realize the SHIONOGI Group Vision
- Promotion of workstyle reforms
- Numbers of pipelines, imbalance in R&D progress
- High reliance on royalty business
- Lower patent cliff risks

Risks	Opportunities
<ul style="list-style-type: none"><li>• Contraction in market for infectious disease drugs as awareness of hygiene increases</li><li>• Human rights violations, risks affecting stable supply, business delays, continuity, and deterioration of credit-worthiness by the Company and its suppliers due to the following events<ul style="list-style-type: none"><li>• Deterioration in relations with local communities</li><li>• Human rights, environmental, and compliance/governance issues</li></ul></li><li>• Greater information security risks</li></ul>	<ul style="list-style-type: none"><li>• Globalization of infectious diseases due to climate change</li><li>• Increased expectations and demand for global infectious disease countermeasures</li><li>• Increasing demand for wellbeing and social participation in all generations</li><li>• Rising needs for prevention, presymptomatic conditions, self-medication needs, and related market expansion</li><li>• Promoting access to medical care</li><li>• Creating solutions through technological innovation</li><li>• Achieving stable supply, customer satisfaction, and reliability in the company and its suppliers in the following events:<ul style="list-style-type: none"><li>• Continuous improvement of stable supply and quality assurance</li><li>• Care for human rights and the environment</li></ul></li><li>• Construction of a business that does not rely on patents</li><li>• Enhance employee awareness of transformation, to create innovation and enhance their ability to respond to change</li><li>• Secure human resources by expanding the environment in which diverse human resources can play active roles</li></ul>

Material Issues
<p>Material issues to create value by solving healthcare social issues</p> <ul style="list-style-type: none"><li>Protect people from the threat of infectious diseases P.44</li><li>Contributing to a healthy and prosperous life P.50</li><li>Contribute to sustainable social security Improve access to healthcare P.54</li></ul> <p>Material issues to reduce negative impacts on customers and society</p> <ul style="list-style-type: none"><li>Supply socially responsible products and services P.78</li><li>Respect human rights P.79</li><li>Protect the environment P.80</li></ul> <p>Material issues to support the realization of a sustainable society and the growth of SHIONOGI</p> <ul style="list-style-type: none"><li>Secure human resources to support growth P.68</li><li>Strengthen supply chain management P.77</li><li>Ensure compliance P.98</li><li>Strengthen governance P.87</li></ul>

Medium-Term Business Plan STS2030 Revision

P.36

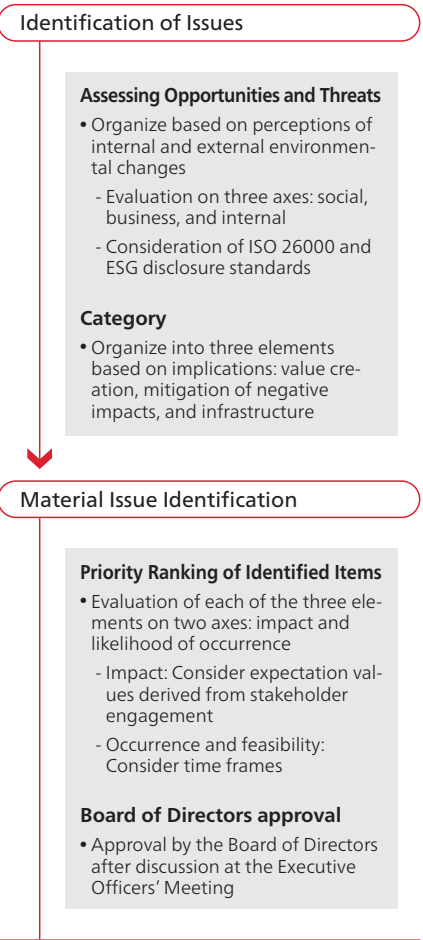
Creating value through solutions to social issues of healthcare


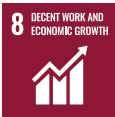


Strengthening the company platform and contributing to a sustainable society

SHIONOGI's Material Issues

Through its business activities and in response to healthcare needs and social issues, SHIONOGI is growing as a company that society needs and aims to share outcomes with our stakeholders. SHIONOGI is therefore identifying material issues (materiality) that we will prioritize in the light of our current situation and needs, as well as our business risks and opportunities.

The Material Issue Identification Process



	Material issues	Major initiatives	Main relevant indicators and evaluation axes (figures in bold are shown on the corresponding page)	SDGs we contribute to particularly		
Material issues to create value by solving healthcare social issues	Protect people from the threat of infectious diseases <a href="#">P.44</a>	Provide products and services for acute infectious diseases	<ul style="list-style-type: none"><li>Number of acute infectious disease-related pipelines</li><li>Number of countries adopting pull-type incentives for severe infectious diseases</li></ul>			
		Providing products and services for infectious diseases requiring a long period of treatment	<ul style="list-style-type: none"><li>Number of HIV-related product pipelines</li><li>Development of anti-malarial drugs, etc.</li><li>Contribution to improvement of QOL with cabotegravir</li></ul>			
		Build a vaccine business	<ul style="list-style-type: none"><li>Provide COVID-19 vaccine</li><li>Development of next-generation vaccines</li></ul>			
	Contributing to a healthy and prosperous life <a href="#">P.50</a>	Discover products and services for disease areas with high unmet medical needs	<ul style="list-style-type: none"><li>Number of psychoneurological diseases-related pipelines</li><li>Number of oncology-related pipelines</li><li>Numbers of products and services for other quality of life diseases with high social impact</li></ul>			
		Raise awareness of the characteristics of the disease and the problems faced by those affected by the disease to promote social understanding	<ul style="list-style-type: none"><li>Number of educational activities conducted using webinars</li><li>Number of support services provided in the area of developmental disorders</li></ul>			
	Contribute to sustainable social security	Providing solutions different from pharmaceuticals	<ul style="list-style-type: none"><li>Numbers of solutions and partners</li></ul>			
		Promote self-medication	<ul style="list-style-type: none"><li>Number and sales results of OTC drugs</li></ul>			
	Improve access to healthcare <a href="#">P.54</a>	Create an environment of improved access	<ul style="list-style-type: none"><li>Number of countries provided with ensitrelvir</li><li>Number of countries that can be provided with cefiderocol through partnerships with GARDP and CHAI</li><li>Listing on WHO Model Lists of Essential Medicines</li><li>Number of countries where ViiV provides dolutegravir and cabotegravir</li></ul>			
		Strengthen health care systems	<ul style="list-style-type: none"><li>Improve the health of pregnant and lactating women and children under 5 years of age</li><li>Operation of independent health services</li></ul>			
	Material issues to reduce negative impacts on customers and society	Supply socially responsible products and services <a href="#">P.78</a>	Stably supply of products and services		<ul style="list-style-type: none"><li>Management of procurement, production, and distribution to prevent shortages by grasping changes in the supply-demand balance</li><li>Conduct regular/non-regular discussions with suppliers to ensure stable procurement</li><li>Support for strengthening relationship with contract manufacturers and maintaining their business continuity plans (BCP)</li></ul>	
Strengthening legal compliance and monitoring			<ul style="list-style-type: none"><li>Ensure strict observance of laws, regulations, and guidelines related to the manufacture and sale of pharmaceutical products</li></ul>			
Respect human rights <a href="#">P.79</a>		Address human rights issues	<ul style="list-style-type: none"><li>Statement based on the Modern Slavery Act</li><li>Implementation of human rights impact assessments</li></ul>			
Protect the environment <a href="#">P.80</a>		Climate change: Reduce greenhouse gas (GHG) emissions	<ul style="list-style-type: none"><li>Disclosure under the TCFD</li><li>FY2030: Reduce Scope 1+2 by 46.2% and Scope 3 Category 1 by 20% (relative to FY2019); FY2050: Achieve zero emissions</li></ul>			
		AMR: Reduce the impact of antimicrobials manufacturing on the environment	<ul style="list-style-type: none"><li>Have proper control, including of the supply chain, by FY2030 (completion of audit follow-up)</li></ul>			
Material issues to support the realization of a sustainable society and the growth of SHIONOGI		Secure human resources to support growth <a href="#">P.68</a>	Securing a competitive and diverse workforce	<ul style="list-style-type: none"><li>Clarification of skill requirements</li><li>Competitive compensation system</li><li>Number of employees reassigned through the internal open recruitment system</li><li>Number of mid-career hires</li></ul>		
			Nurture human resources who possess exceptional strengths	<ul style="list-style-type: none"><li>Strengthen monitoring of human development</li><li>Education and training costs</li><li>Percentage of employees using assistance programs for self-investment</li><li>Number of people applying for side work</li></ul>		
			Foster an environment and culture in which everyone can work comfortably	<ul style="list-style-type: none"><li>Continuous implementation of work style reforms and revitalization of employee communication</li><li>The degree of penetration of management philosophy</li><li>Percentage of female managers</li><li>Percentage of employees taking childcare leave</li></ul>		
			Promotion of health management (health management and occupational health and safety)	<ul style="list-style-type: none"><li>Health checkup reception rate</li><li>Stress checks, percentage of highly stressed persons</li><li>Percentage of employees who smoke</li><li>Severity rate</li><li>Frequency rate</li></ul>		
		Strengthen supply chain management <a href="#">P.77</a>	Identification of key suppliers and supplier sustainability assessment	<ul style="list-style-type: none"><li>Assessment by FY2022 Questionnaire or EcoVadis</li><li>Number of EcoVadis rated companies</li><li>Percentage of suppliers meeting established criteria</li></ul>		
	Interviews and briefings on sustainability issues		<ul style="list-style-type: none"><li>Percentage of suppliers that agree with the procurement code of conduct</li><li>Number of companies promoting positions through interviews or briefings</li></ul>			
	Ensure compliance <a href="#">P.98</a>	Strengthening our compliance system in Japan	<ul style="list-style-type: none"><li>Establishing Supervisory Unit Compliance Committees</li><li>Strengthening collaboration with domestic and overseas compliance promotion organizations</li></ul>			
	Strengthen governance <a href="#">P.87</a>	High-performing corporate governance framework	<ul style="list-style-type: none"><li>Efficacy assessment by third-party assessment organization</li><li>Skill matrix reviews</li></ul>			
		Strengthen risk management	<ul style="list-style-type: none"><li>Classifying company-wide risks into strategic risks and execution risks</li></ul>			





# II

## SHIONOGI in the Future

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## Building Innovation Platforms to Shape the Future of Healthcare

### SHIONOGI Group Vision (2030 Vision)

- What we want to achieve by 2030 -

### Appearance after Vision is realized



Continuously creating innovative products/services, with a well-established and rapidly-growing global business

- Expansion of business model
- Maintenance of high profit margins and growth after overcoming the patent cliff



Continuing to offer solutions to health issues facing society

- Protect people from the threat of infectious disease, better QOL, children's growth and a vibrant and prosperous life, contribution to sustainable social security, and contribution to achieving SDGs



Excellent business persons who never take a break from building their expertise and capabilities, leveraging their individual strengths and creating new value

## Revision of STS2030 and its background

In June 2020, SHIONOGI set forth its 2030 Vision as what it hopes to accomplish by 2030, and formulated the Shionogi Transformation Strategy 2030 (STS2030), as a strategy to realize the Vision, and we have been working on it ever since.

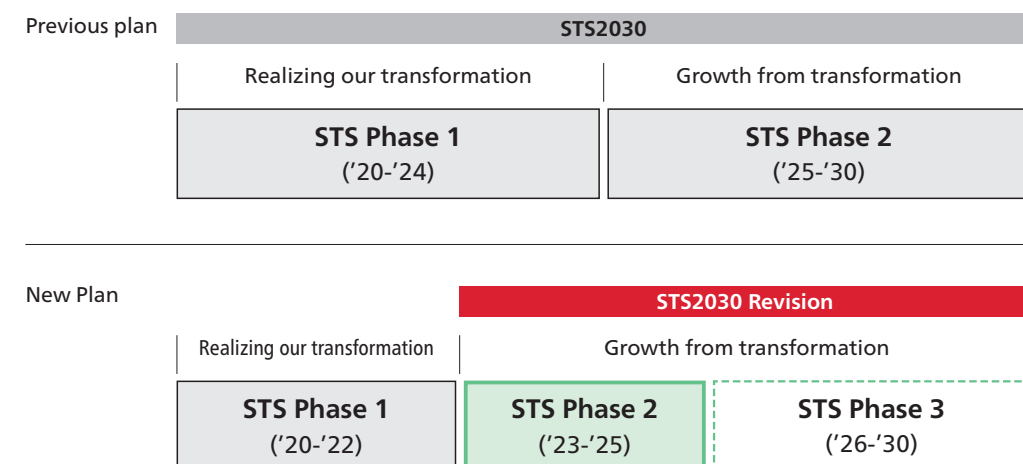
As a result, we have been able to transform the drug discovery process, including obtaining emergency approval in Japan for *Xocova*, a COVID-19 treatment, at a completely unprecedented speed. In addition to expanding global sales of its own products, such as cefiderocol, a treatment for multidrug-resistant Gram-negative bacterial infections, SHIONOGI has also been expanding its non-prescription pharmaceutical products and services, including SHIONOGI's first vaccine, and first sewage epidemiological survey service. In addition, in the HIV area, *Cabenuva* (cabotegravir and rilpivirine) and other products are expanding favorably, and market penetration of the prophylactic *Apretude* is making significant progress. With the significant progress of ViiV's efforts to shift its HIV franchise to a product line centered on the long-acting cabotegravir, the patent cliff from the patent expiration of the anti-HIV drug dolutegravir has shrunk significantly from what was expected at the time of the STS2030 release, to the point where rapid re-growth can now be expected.

During this period when the entire world was hit by the COVID-19 pandemic, SHIONOGI was able to meet the threat head-on, and learned many lessons from the experience, including a renewed awareness of the impact infectious diseases have on the world and the importance of developing products and solutions in line with unmet needs. On the other hand, we have also identified areas where SHIONOGI has shortcomings, and issues that need to be improved. These include the fact that even if we are able to develop products and solutions, we cannot fully provide their value if we lack the ability to deliver them globally, and that we cannot survive unless we quickly acquire the capability to respond to an era in which the speed attained in COVID-19 drug discovery is becoming the standard.

Since our initial assumptions have changed significantly and the path toward realization of the 2030 Vision has become clearer as a result of the lessons we learned and issues we recognized through our efforts, we have decided to terminate STS2030 Phase 1 ahead of schedule and position the three-year period from FY2023 to FY2025 as the new STS2030 Phase 2, to accelerate growth through transformation. In addition, we will develop a new plan for the period from FY2026 to FY2030 as STS2030 Phase 3.

### Background to the STS2030 Revision

- **Significant progress toward achieving the 2030 Vision was made over the first three years of STS Phase 1**  
⇒ The road to achieving the 2030 Vision has become clearer
- **Initiating a new growth phase in STS Phase 2, raising financial targets**



Achieve 2030 Vision as a HaaS\* company

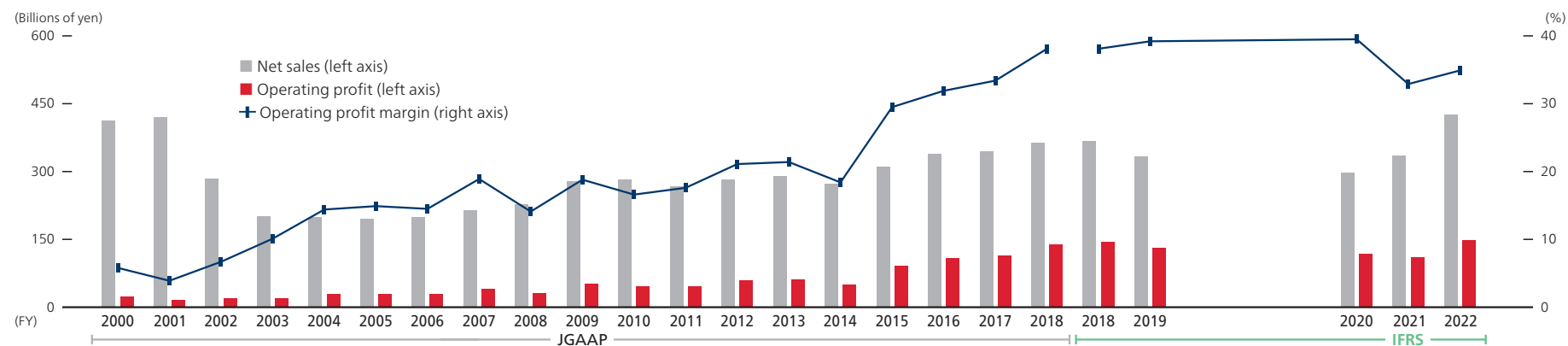
\* Healthcare as a Service: Provide a range of healthcare services in line with customer needs, rather than only providing pharmaceuticals



## Medium-Term Business Plan

SHIONOGI has become more confident of achieving the key KPIs set out in STS2030 Phase 1 and for the next step of growth by realizing solutions to combat the threat of COVID-19, addressing the issue of patent expiry for anti-HIV drugs, a key source of revenue, and providing products and services that go beyond pharmaceuticals as a HaaS company. Therefore, we announced STS2030 Revision that updates Phase 2 and later and incorporates this into a more specific plan.

### Looking back at our previous Medium-Term Business Plans



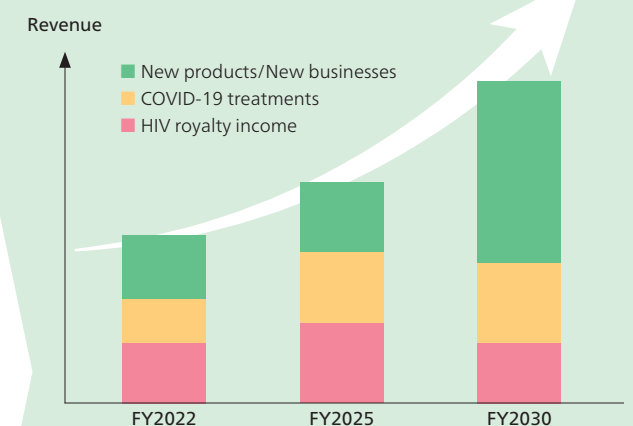
	First Medium-Term Business Plan (FY2000 – FY2004)	Second Medium-Term Business Plan (FY2005 – FY2009)	Third Medium-Term Business Plan (FY2010-FY2013)	Fourth Medium-Term Business Plan (FY2014 – FY2019)
	Focus on pharmaceutical business —Establishing a foundation	Expansion of R&D and establishment of global structure —Accelerating progress	Toward global growth —SONG for the Real Growth	Grow as a drug discovery-based pharmaceutical company —Shionogi Growth Strategy 2020  Grow sustainably as a drug discovery-based pharmaceutical company contributing to a more vigorous society through improved healthcare KPIs —Shionogi Growth Strategy 2020
Accomplishments	<ul style="list-style-type: none"> <li>Establishing a foundation</li> <li>Transferred/sold drug wholesaling, agrochemical, clinical laboratory, industrial chemicals, and capsule businesses and focused on prescription drugs</li> <li>R&amp;D</li> <li>Established overseas joint venture Shionogi-GlaxoSmithKline Pharmaceuticals, LLC (present-day Shionogi-ViiV Healthcare LLC) and launched joint R&amp;D of anti-HIV agent</li> <li>Overseas business</li> <li>Established foundation for global development (established Shionogi Inc.)</li> </ul>	<ul style="list-style-type: none"> <li>Clarifying target areas</li> <li>Strengthened the two areas of metabolic diseases and pain, in addition to infectious diseases, another SHIONOGI strength, grown to a level where we can establish a pipeline</li> <li>Establishing strong sales</li> <li>Developed <i>Crestor</i> into a key product with domestic sales of ¥23.0 billion</li> <li>Overseas business</li> <li>Obtained U.S. sales network through the acquisition of Sciele Pharma, Inc.</li> <li>Conducted joint development of anti-HIV drug with GSK</li> </ul>	<ul style="list-style-type: none"> <li>Growth centered on new drugs</li> <li>Implemented in-house global development (Phase 3 clinical trials)</li> <li>Discovered 12 development products and obtained PoC for at least 50%</li> <li>Japan business</li> <li>Grew 8 strategic products and improved the sales ratio</li> <li><i>Crestor</i> and <i>Cymbalta</i> obtained the number-one market share</li> <li>Overseas business</li> <li>Launched <i>Osphena</i></li> <li>Introduced to Europe and China</li> <li>Earnings structure</li> <li>Revised agreements for out-licensed products</li> <li>Strengthened cost-control capabilities</li> </ul>	<ul style="list-style-type: none"> <li>We accomplished the following regarding the 4th Medium-Term Business Plan (SGS2020) and achieved the main KPIs given in SGS*12020 (ordinary profit, efficiency KPI, and shareholder return KPIs)</li> <li>Continued launch of internally-discovered products</li> <li><i>Xofluza</i>, <i>Mulpleta</i>, <i>Symproic</i>, <i>cefiderocol</i>, <i>cabotegravir</i></li> <li>Strengthening of business operations</li> <li>Improvement of cost management</li> <li>Global development of all internally-discovered products, launches in overseas markets</li> </ul>
Issues	<ul style="list-style-type: none"> <li>Response to the volatile drug industry</li> <li>Establishing a second and third target area in addition to the infectious disease area</li> </ul>	<ul style="list-style-type: none"> <li>Identifying research seeds and expanding early phase drug discovery programs</li> <li>Improving clinical predictability</li> <li>Quickly formulating strategies and making decisions related to global development</li> <li>Achieving sales targets and adjusting sales expenses</li> <li>Reducing indirect division costs</li> </ul>	<ul style="list-style-type: none"> <li>The speed at which the value of new products is maximized remained an issue</li> <li>The U.S. business was still unprofitable</li> <li>New products (<i>Cymbalta</i>, <i>Mulpleta</i>, <i>Actair</i>, and <i>Osphena</i>) were capturing market share at too slow a pace</li> <li>Stagnant per-employee operating profit (excluding royalties)</li> </ul>	<ul style="list-style-type: none"> <li>Maximize value of new products</li> <li><i>Cymbalta</i> and <i>Intuniv</i> have achieved growth, but targets are unmet</li> <li>Issues with information provision concerning <i>Xofluza</i> have emerged (insufficient marketing capabilities overall)</li> <li>Grow overseas businesses</li> <li>US business: Targets not met for strategic products (<i>Osphena</i>, <i>Symproic</i>)</li> <li>Still in process of establishing business infrastructure for the EU and China</li> <li>Improve per-employee productivity</li> </ul>

STS*2 Phase 1 (FY2020-FY2022)			
Main results			
<ul style="list-style-type: none"> <li>Expansion of products discovered internally</li> <li>Obtained emergency domestic approval for COVID-19 treatment <i>Xocova</i></li> <li>Strengthened overseas business</li> <li>Achieved growth of the HIV franchise</li> <li>Progress of products and services other than prescription drugs</li> <li>Filed application for domestic approval of COVID-19 vaccine</li> <li>Established Yui Connection and began operations</li> <li>Concluded marketing partnership agreement for insomnia treatment app</li> <li>Began wastewater surveillance service</li> <li>Launched sales of gamma wave sound care <i>kikippa</i></li> <li>Governance enhancement</li> <li>Implemented new internal decision-making process</li> <li>Continued manager education</li> </ul>			
*2 STS stands for Shionogi Transformation Strategy.			
Achievement of main KPIs			
Parentheses indicate target in STS2030			
KPI	FY2020	FY2021	FY2022
Revenues	¥297.2 billion	¥335.1 billion	¥426.7 billion (¥400.0 billion)
Core operating profit*3	¥94.0 billion	¥110.6 billion	¥158.5 billion (¥120.0 billion)
Core operating profit margin	31.6%	33.0%	37.1% (Over 30%)
Overseas revenue ratio	16.2%	22.3%	16.9% (Over 25%)
Internally-discovered pipeline ratio	71%	73%	61% (Over 60%)
EPS	¥365	¥378	¥619 (Over ¥370)
DOE	4.1%	3.8%	3.9% (Over 4%)
ROE	13.9%	12.5%	17.8% (Over 13%)
*3 Income adjusted for non-recurring items (impairment loss, gain on sale of property, plant and equipment, etc.) from operating profit			
Lessons and points to strengthen for transformation			
<ul style="list-style-type: none"> <li>Lessons from the COVID-19 experience</li> <li>Renewed recognition of the threat of infectious diseases</li> <li>Importance of the discovery of drugs for unmet needs</li> <li>Lack of ability to deliver globally</li> <li>Importance of business speed</li> <li>Points to strengthen for transformation</li> <li>Marketing capabilities – Ability to deliver globally –</li> <li>Pipeline – Investment in unmet needs –</li> <li>Strengthen company platform – Improve business speed; strengthen human resources –</li> </ul>			
			Lacking capabilities for addressing environmental changes

### New growth image

In STS2030 Phase 1, we generally achieved key KPIs through the expansion of products discovered internally, the launch of products and services other than prescription drugs, and governance enhancement. In STS2030 Phase 2, we will accelerate growth through further growth of the HIV drug business centered on long-acting pharmaceutical products, growth of COVID-19 treatments, and expansion of new products and businesses, based on the basic policy of “achieve global top-line growth especially in the infectious disease area” and “establishment of growth drivers through aggressive investment.”

### New growth to realize the 2030 Vision



#### Revision of HIV royalty forecast

Sales of ViiV Healthcare’s HIV franchise have been strong, driven by strong launches of oral two-drug regimens such as *Dovato* and long-acting formulations such as *Cabenuva*. Going forward, we will achieve continuous growth by significantly advancing market penetration of *Cabenuva* and the long-acting prophylactic drug *Apretude*, as well as by creating next-generation new therapeutics/prophylactic drug candidates such as S-365598. As a result, patent cliffs due to the expiration of patents for some anti-HIV drugs are expected to shrink significantly and grow again more quickly than expected at the time of STS2030 publication.

#### COVID-19 treatments

Although it is winding down, the COVID-19 pandemic continues to impact the health and lives of many people around the world. It is expected that the virus will mutate repeatedly while evading immunity, and become endemic. For this reason, we believe that there will continue to be a need for treatments. We aim for sustainable growth by accumulating new evidence of *Xocova*, providing it globally, and continuing to focus on the creation of excellent new therapeutics that can be used by more people.

#### Expansion of new products and new businesses

We plan to launch more than 10 new products in the prescription drug business by fiscal 2030 from the current development pipeline, and we will expand globally through the growth of existing assets and the introduction of products buoyed by aggressive investment. In the vaccine business, we aim to expand globally while building results and gaining competitiveness.

STS2030 Phase 1 results

In 2020, when SHIONOGI formulated the STS2030 Medium-Term Management Plan, the biggest challenge facing SHIONOGI was the patent cliff issue for our HIV franchise, which has been a major growth driver to date. The patent for dolutegravir, an oral drug, is due to expire between 2027 and 2028, and how to compensate for the decline in revenue and achieve further growth was an urgent issue for SHIONOGI to offset the decline in revenue. As one of the measures to address this issue, in STS2030, we set a vision for SHIONOGI to achieve growth by continuously creating innovative health-care products and services as a HaaS company. We have positioned the five years until fiscal 2024 as Phase 1, a preparation period, and have continued our activities with the goal of realizing the transformation necessary to make this vision a reality.

The three outcomes of the three years from fiscal 2020 to fiscal 2022 are the expansion of products discovered internally, launch of products and services other than prescription drugs, and governance enhancement.

For details of governance enhancement, see page 64.

**Expansion of products discovered internally**

SHIONOGI has worked to expand sales of cefiderocol in Europe and the United States, and to provide it to low- and middle-income countries (LICs/LMICs) through licensing and partnership agreements with GARDP and CHAI, creating an environment to deliver cefiderocol to patients around the world who need it as a treatment option for multidrug-resistant gram-negative infections. In addition, in the HIV franchise, we are working with Viiv Healthcare to develop *Cabenuva*, a long-acting injectable for the treatment of HIV infection, to further improve the satisfaction of HIV patients. In response to the COVID-19 pandemic which has disrupted the entire world, SHIONOGI has made a concerted effort to develop therapeutic drugs. As a result, we developed *Xocova*, the first COVID-19 drug produced in Japan for patients with mild to moderate illness. We obtained emergency approval in Japan for *Xocova*, and currently we are working on development in Europe, the United States, and Asia.



**Launch of products and services other than prescription drugs**

Services as a HaaS company, which is the goal of STS2030, have also emerged over the past three years. Regarding COVID-19, in addition to the development of therapeutics, we strongly promoted the development of a preventive vaccine for which societal needs are high. Since it marked the first product after SHIONOGI entered the vaccine business, we faced various issues, but we were able to make a company-wide effort to tackle these issues and apply for domestic approval by the end of fiscal 2022.

Outside of the infectious disease field, we are beginning to produce results as an HaaS company. In October 2022, we established Yui Connection Co., Ltd., which was initially founded as “Yui-EN,” an educational support service for elementary and junior high schools. Through the Yui-EN business, we will contribute to the realization of individualized, optimal education and the efficiency of resources in the field of educational by visualizing educational needs through observation of students’ school life, and work to resolve challenges faced by children’s generation.

SHIONOGI is also tackling challenges faced by the elderly. With the goal of cognitive function care that blends into daily life using gamma wave sound, SHIONOGI and Pixie Dust Technologies, Inc. have taken the lead in researching and developing gamma wave modulation technology, and in April 2023, we launched *kikipa*, which converts television sound into gamma wave sound with 40Hz modulation. We aim to realize a society where dementia can be prevented and cognitive function can be improved naturally in daily life.

In addition, SUSMED, Inc.’s insomnia treatment app, which has been developed as a non-pharmaceutical solution, received medical device manufacturing and marketing approval in February 2023. SHIONOGI has entered into a commercialization agreement with SUSMED, Inc. to provide as many patients as possible with new treatment options that do not rely on conventional therapeutic drugs.

Overview of STS2030 Phase 2

In STS2030 Phase 2, we will address the following three issues: “create value by solving healthcare social issues,” “reduce negative impacts on customers and society,” and “support the realization of a sustainable society and the growth of SHIONOGI” with our basic policy for business growth set as “achieve global top-line growth especially in the infectious disease area and establishment of growth drivers through aggressive investment.”

In creating value by solving healthcare social issues, we have identified “protect people from the threat of infectious diseases,” “contribute to a healthy and prosperous life,” “contribute to sustainable social security,” and “improve

access to healthcare” as social issues to be addressed. We will provide solutions for diseases posing a large threat to society and QOL diseases with a high social impact.

This requires transforming into an organization to create new value and transition into a further growth phase. In addition to clarifying our “focus strategies” such as global strategies and investment/financial strategies, and accelerating “transformation initiatives” to realize them, we will respond to various issues related to sustainability through dialogue with stakeholders and strengthen ESG management, which will lead to a stronger company platform and contribute to a sustainable society.

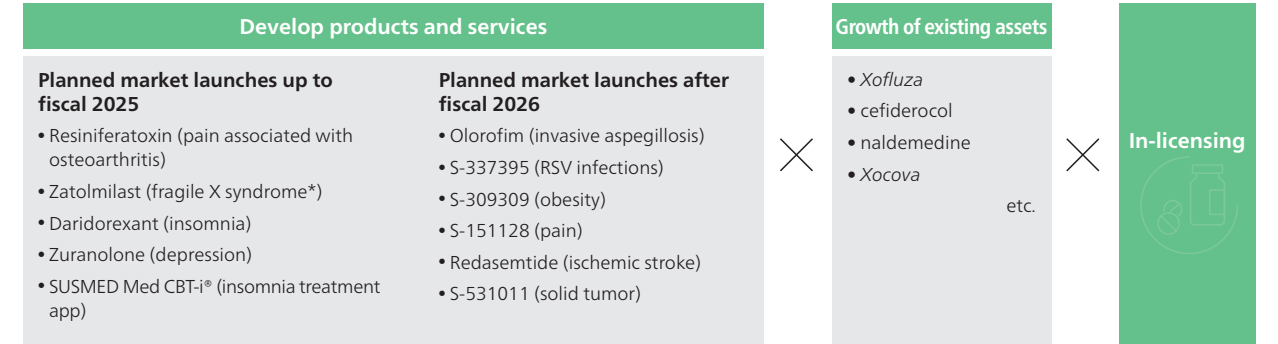
STS2030 Phase 2 basic policy

• Achieve global top-line growth and establishment of growth drivers through aggressive investment, especially in the infectious disease area

Social issues to be addressed, etc.

Create value by solving healthcare social issues (Contribute to solving healthcare-related social issues)	Reduce negative impacts on customers and society	Foundations that support the realization of a sustainable society and the growth of SHIONOGI
<ul style="list-style-type: none"><li>• Protect people from the threat of infectious diseases <a href="#">P.44</a></li><li>• Contribute to a healthy and prosperous life <a href="#">P.50</a></li><li>• Contribute to sustainable social security <a href="#">P.54</a></li><li>• Improve access to healthcare</li></ul>	<ul style="list-style-type: none"><li>• Protect the environment <a href="#">P.80</a></li><li>• Respect human rights <a href="#">P.79</a></li><li>• Supply socially responsible products and services <a href="#">P.78</a></li></ul>	<ul style="list-style-type: none"><li>• Secure human resources to support growth <a href="#">P.68</a></li><li>• Strengthen supply chain management <a href="#">P.77</a></li><li>• Ensure compliance <a href="#">P.98</a></li><li>• Strengthen governance <a href="#">P.87</a></li></ul>

Grow new products



Growth of the vaccine business

Expand globally from Asia and grow into a ¥100 billion business

Business development based on our strengths

OTC drug business

CDMO business

Platform services business

\* Genetic central neurological diseases exhibited by Autism Spectrum Disorder.



Review of management indicators

In STS2030 Phase 1, we beat the fiscal 2022 targets set for the six items of revenue, core operating profit, core operating profit margin, internally-discovered pipeline ratio, basic net income per share (EPS), and return on equity attributable to owners of parent (ROE) by expanding the number of internally-discovered products, including the COVID-19 treatment *Xocova*, advancing products and services other than prescription drugs, and strengthening the management base through governance reforms.

STS2030 Revision sets revenue and overseas sales CAGR\*<sup>1</sup> as growth indicators to be achieved. Based on the fact that we will aggressively invest in growth, we have set EBITDA\*<sup>2</sup> instead of core operating profit as an indicator of profit to measure earnings power.

By achieving global sales centered on infectious diseases and business growth through aggressive investment, we have set sales targets for fiscal 2025 of ¥550 billion (forecast for fiscal 2023 of ¥450 billion), a 50% CAGR for overseas sales excluding royalty income starting in fiscal 2022, and EBITDA of ¥200 billion. We have also revised upward our final sales target for fiscal 2030, from the initial ¥600 billion to ¥800 billion.

\*1 CAGR stands for compound annual growth rate.  
\*2 EBITDA stands for earnings before interest, taxes, depreciation, and amortization

Major KPIs

	STS2030 Phase1	STS2030 Phase2		STS2030 Phase3
	FY2022	FY2023	FY2025	FY2030
Revenue	¥426.7 billion	¥450.0 billion	¥550.0 billion	¥800.0 billion
Overseas sales CAGR (excluding royalty income)	—	—	50% (starting from fiscal 2022)	15% (starting from fiscal 2025)
EBITDA	¥177.9 billion	¥167.0 billion	¥200.0 billion	—

Collaborating with stakeholders to contribute to solving healthcare-related social issues

As a HaaS company, it is essential for SHIONOGI to collaborate with stakeholders by “creating value by solving healthcare social issues,” “reducing negative impacts on customers and society,” and “building foundations that support the realization of a sustainable society and the growth of SHIONOGI” as described in the previous page.

By experiencing the COVID-19 pandemic, SHIONOGI has learned the importance of closely understanding the issues (unmet needs) of society and customers and providing solutions that meet their true needs. However, it is difficult to create solutions that go beyond pharmaceuticals that solve healthcare-related social issues with the conventional capabilities we have cultivated, deliver them globally, and execute with the speed to make them a reality ahead of other competitors. As the core of co-creation, SHIONOGI will promote investments and alliances regardless of business domain or company size in order to build a business model that can grow together with partners with strengths

different from our own.

For these investments and partnerships to be successful, SHIONOGI employees must continue to grow by constantly mastering the necessary competencies, adapting to new businesses and gaining experience. Through various measures for human capital management, we will create a diverse workplace where employees can work with peace of mind with opportunities for growth, and provide an environment where employees, who are important stakeholders of SHIONOGI, can compete together and make each other better.

We will promote our business activities so that shareholders and investors can trust the sustainable growth of SHIONOGI through various activities aimed at solving healthcare-related social issues. In addition, we will return the profits earned through our business so that shareholders and investors can genuinely feel the growth of the company.

Addressing unmet needs

SHIONOGI’s mission is to address unmet medical needs and safeguard the health of people around the world. Until now, SHIONOGI has focused mainly on treatment to address needs, but there are various potential needs ranging from disease prediction, prevention, diagnosis, prognosis, and even for society to live alongside diseases. SHIONOGI has a broad concept of healthcare, considers unresolved issues that are expected to increase in the future as unmet needs, and aims to create and deliver various solutions to realize total care that can meet all needs.

As an area of focus, we will continue to tackle infectious diseases because of the high degree of impact that threatens society. In addition, we will also focus on QOL diseases with a high social impact, such as dementia, obesity, sleep disorders, and hearing impairment. Furthermore, in anticipation that maintaining productivity will become an important social issue in the future amid the declining birthrate and aging population, we will actively work to expand pediatric indications for pediatric diseases such as ADHD and existing drugs, recognizing that the pediatric field, which offers a bright future, is an important theme in STS2030 Revision. In addition to the efficacy and safety of prescription drugs, we recognize that improving detailed needs such as ease of administration is also an important issue. In 2021, we launched *Baktar Mini*, a smaller version of the antibacterial agent *Baktar*, which was difficult for young children to swallow due to its large tablets.

Flexible utilization of resources

As we strive to respond to the needs of society, SHIONOGI believes that the most important issue is to deliver the necessary solutions to society and patients as soon as possible,

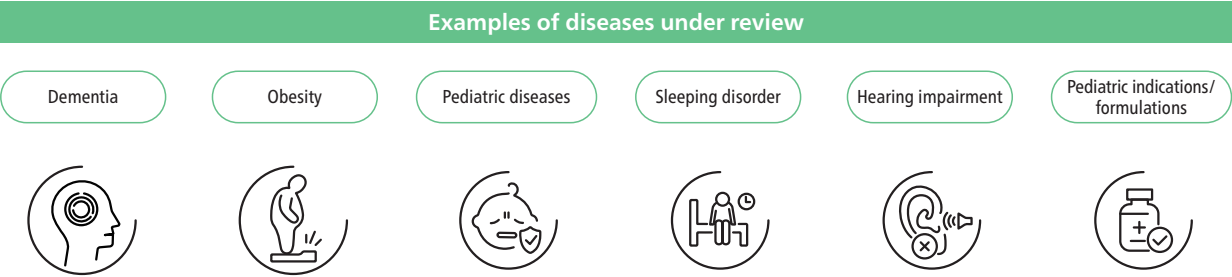
especially when the entire world faces unprecedented fear and confusion such as that during the COVID-19 pandemic. Behind our ability to obtain emergency approval for *Xocova* in the shortest amount of time in SHIONOGI’s history was our strong will to focus on speed even if means taking on risks, while looking beyond the status quo.

To achieve a speed comparable to that of mega pharma companies with our limited management resources, we discussed resource allocation and risks to be taken, and even temporarily suspended other disease projects, so that at one point, we concentrated as much as 80% of our R&D on COVID-19. The lessons learned from this bold and flexible resource allocation were enormous, and we were able to identify many challenges for the future.

In order to increase the speed and turnover of R&D, we must break away from SHIONOGI’s previous focus on in-house drug discovery, which has also been one of its strengths. SHIONOGI will incorporate and utilize the R&D capabilities that it has enhanced not only in its own origin seeds, but also from all over the world. To that end, we plan to improve our ability to search for seeds and to form networks in the future. Once the needs to be addressed by SHIONOGI have been clearly defined, we will create an environment in which R&D departments can fully devote themselves to the development of solutions by adding accurate and prompt judgments of needs to be addressed by management to the R&D decision-making process in order to maximize the ability to execute.

By combining rapid decision-making, bold resource allocation, and SHIONOGI with external development know-how, we will maximize R&D efficiency and deliver at an early stage innovative solutions that many patients have been waiting for.

QOL diseases with a high social impact  
(children’s growth, achieving a healthy and prosperous life)



Create Value by Solving Social Issues

Protect Pople from the Threat of Infectious Diseases

Material Issue Protect people from the threat of infectious diseases

The COVID-19 pandemic taught the world that infectious diseases are a major problem for people’s health and the safety and well-being of society, and that various solutions that go beyond therapeutic drugs are important to solve that problem. Touting “protecting people worldwide from the threat of infectious diseases” as a material issue (materiality), SHIONOGI will continue to move toward to achieve that goal.

<div>Ideal State</div>	Providing wide-ranging solutions and making contributions to protect people from the threat of infection through total care as a leading company in infectious diseases	
Issues/Needs		
<div>Provide solutions for a wide range of acute infectious diseases</div> <div>Further handle serious infectious diseases that include AMR bacteria</div>	<div>Initiatives targeting HIV infections</div> <div>Initiatives targeting mycobacterium tuberculosis (TB)/ Nontuberculous mycobacterial (NTM) diseases</div> <div>Initiatives targeting malaria</div>	<div>Building and bolstering a vaccine business</div>
Initiatives	Indicators	
<div>• Providing products and services for acute infectious diseases</div>	<div>• Number of acute infectious disease-related pipelines: 4 products</div> <div>• Number of serious infectious disease-related pipelines: 2 products</div> <div>• Number of countries where products are eligible for pull incentives for serious infectious diseases: 2 countries</div> <div>• Number of countries where cefiderocol can be supplied through partnership with GARDP and CHAI: 135 countries</div> <div>• Number of contracts for wastewater surveillance services</div>	
<div>• Providing products and services for infectious diseases requiring a long period of treatment</div>	<div>• Number of HIV-related products in pipeline: 1 product</div> <div>• Further contributing to improvement of QOL with cabotegravir</div> <div>• Developing antimycobacterial disease drugs, antimalarial drugs and a malaria vaccine</div>	
<div>• Building a vaccine business</div>	<div>• Providing a COVID-19 vaccine</div> <div>• Establishing vaccine manufacturing facilities</div>	

Infectious diseases that threaten society

Humans have repeatedly battled infectious diseases since ancient times. Looking back throughout history, one can find numerous pandemics that have caused terror in society, including smallpox, plague, Spanish flu, and COVID-19 in 2019. Working to develop countermeasures to COVID-19, SHIONOGI created the therapeutic drug Xocova quicker than it has ever done before and obtained emergency authorization to use it in Japan in November 2022. Even now, when vaccinations are progressing and COVID-19 has been reclassified as a class 5 infectious disease, there are repeated

waves of infections, and Xocova is expected to continue to contribute to numerous patients in the future. As a leading company in infectious disease, SHIONOGI will move forward with freeing people from the threat of infectious diseases by not only maintaining its work to tackle both acute infectious diseases, such as COVID-19 and influenza, and infectious diseases caused by drug-resistant bacterium resistant to antibiotics, and infectious diseases requiring a long period of treatment, including HIV infections, tuberculosis and malaria, but also providing various other solutions.

Developing vaccines aimed at total care for infectious diseases

When you look at the global acute infectious disease market, you see cases of companies that undertake successful

drug development that fail to pay back their investment and subsequently go bankrupt or are acquired because not

only is the market less predictable than in other disease areas, but also more powerful drugs are used only when other drugs are not effective in terms of proper use to prevent the development of new resistant bacteria or viruses. Major pharmaceutical companies, too, are withdrawing from this market one after another, citing an inability to recoup their huge R&D costs and maintenance costs for manufacturing facilities. If this situation continues, the number of specialized personnel conducting research in the area of infectious diseases, where investment is scarce, will also decrease, and the market will become less and less dynamic—a vicious circle that will keep growing. Although dealing with infectious diseases is an indispensable initiative for society, it is an extremely challenging business model for pharmaceutical companies.

At SHIONOGI, we plan to build an infectious disease business that is sustainable overall, by combining “infectious diseases requiring a long period of treatment” and “vaccines,” both of which make it possible to establish a sound product pipeline through stable earnings, and “acute infectious diseases,” which offer difficult to predict profitability. For this business model to function, the important issue is how to manage the acute infectious disease business, an issue that a single company on its own cannot solve. Because of COVID-19, careful consideration regarding solutions to problems faced by international society have begun to accelerate for various reasons, including renewed recognition of the importance of reinforcing preparations against international health threats, such as AMR, centered on G7 countries. In Japan, too,

society as a whole is beginning to accelerate its efforts to strengthen preparedness. For example, domestic countermeasures related to such issues as ensuring therapeutic drugs through market incentives to combat drug resistance and promoting R&D based on international collaboration and industry-academia collaboration are clearly included in the so-called Basic Policy 2023—that is, Basic Policy on Economic and Fiscal Management and Reform 2023 approved by the Cabinet in June 2023. In addition to the pull incentives represented by the subscription model and stockpiling, we believe that enhancing mechanisms to promote pipeline formation through push incentives, which support the promotion of research and development, will help maintain stability in the infectious disease market, and as a result, enhance preparedness for new pandemics. Of course, companies that receive incentives must always be prepared to make their maximum contribution in the event of an emergency, including the drugs they provide and the human resources to respond. It is essential that not only companies but also society as a whole have a system to continuously tackle infectious diseases. We aim to become a company that can grow sustainably with society by establishing a platform that provides total care for infectious diseases to prevent recurring pandemics or otherwise minimize their damage and building a stable business model.

Strategies for the infectious disease business

Build a sustainable business model

Acute infectious diseases (COVID-19, influenza, etc.)

Global growth of therapeutic drugs

- Xocova, Xofluza, and continuing R&D activities

Total care initiatives

- Growth of the diagnosis, vaccine, and wastewater monitoring businesses

Antimicrobial resistance (AMR)

Work with society to create sustainable markets

- Introduce cefiderocol globally
- Continued call for pull and push incentives

Build a stable business base by contributing to large numbers of patients

Infectious diseases requiring a long period of treatment

Cultivate new markets that address unmet needs

- Provide new solutions for HIV infections
- Develop a new therapeutic drug (olorofim) for fungal infections with high mortality rate
- Research and develop new treatments for infectious diseases with strong unmet needs (tuberculosis, malaria, nontuberculous mycobacterial (NTM) diseases, etc.)

Total care, including vaccines

Grow vaccines into the next earnings driver as a core business

- Launch COVID-19 and influenza vaccines
- Expand business globally, including Asia
- Establish new technologies that become strengths (nasal, universal vaccines, etc.)

Strengthen diagnostic capabilities

- Provide simple diagnosis solutions (home test kits, etc.)



## Create Value by Solving Social Issues

Protect People from the Threat of Infectious Diseases

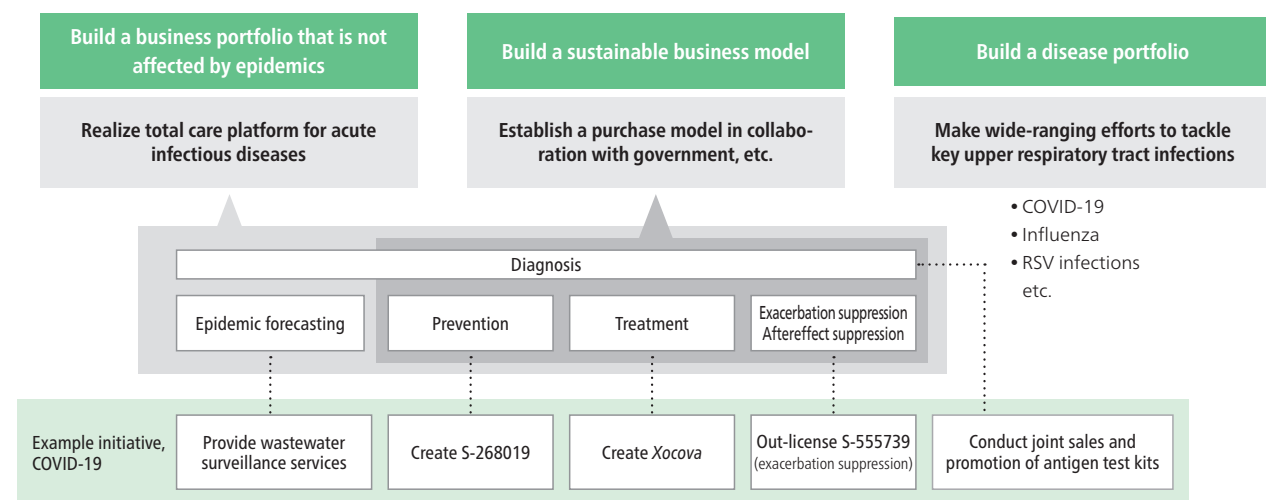
### Sustainable business that is not impacted by epidemics

Because acute infectious diseases, such as COVID-19 and influenza, have a major impact on society when there is an epidemic, it is important to prepare for their threat in regular times. However, acute infectious diseases rapidly spread and then die down, and it is difficult to forecast them, making marketability extremely uncertain. Therefore, to continue to push forward with acute infectious diseases as a business, it is necessary to establish a sustainable business

model that is resistant to the outside environment.

In addition to developing total care for various infectious diseases by combining solutions that go beyond therapeutic drugs, we aim to establish a sustainable infectious disease business model through an incentive model linked to governments and other parties and similar systems and introducing those globally.

Offer total care globally that goes beyond medicines building a sustainable business model



### Initiatives related to and outlook for acute infectious diseases and AMR

Since 2019, SHIONOGI's highest priority has been moving forward with its response to the COVID-19 pandemic. Although the chaos caused by the pandemic has faded to a certain extent, COVID-19 is expected to spread again when new variants arise. As patients with COVID-19 live very limited lives because of the serious condition caused by the disease, it is important to keep an eye on conditions growing worse and the aftereffect called "long COVID." Based on our idea that protecting even more people from COVID-19 leads to a true solution to this social problem, we are pursuing new value for Xocova and working to provide it to Asia, the U.S., Europe, and other regions. We are also moving forward with the development of the successor drug S-892216 as a new solution for elderly people taking multiple drugs and pregnant women who cannot use Xocova. We launched a phase 1 clinical trial of S-892216 in Japan in May 2023.

On the other hand, it is clear that treatment solutions alone are insufficient to meet society's need for protection from COVID-19. As various types of evidence have been collected, numerous needs have come to light, including those

related to people wanting to avoid infections and the illness growing serious and not wanting to suffer from after-effects. We aim to provide total care that goes beyond therapeutic drugs in order to meet all needs related to COVID-19.

During the COVID-19 pandemic, various different needs arose in society, including those related to epidemic forecasting, prevention, diagnosis, treatment, and exacerbation and aftereffect suppression. As a leading company in infectious diseases, we develop and provide solutions to society's needs. In response to "epidemic forecasting" needs, we established AdvanSentinel Inc., a joint venture with Shimadzu Corporation that provides wastewater surveillance services using a wastewater epidemiology approach. As for "prevention" needs, we filed for approval of S-268019 in November 2022 and out-licensed S-555739, which is expected to be an exacerbation suppression solution, to BioAge Labs. Turning to "diagnosis" needs, we concluded a joint sales agreement with TAUNS Laboratories, Inc. regarding COVID-19 antigen test kit products and worked to meet the needs of medical institutions.

In this way, we will achieve total care for infectious diseases through multiple approaches not limited to therapeutic drugs and expand that globally, and thus transform the extremely uncertain acute infectious diseases business into a sustainable business.

Until now, we have made contributions to serious viral respiratory tract infectious diseases through the development and distribution of such products as the COVID-19 therapeutic drug Xocova and the influenza antiviral drugs Xofluza and Rapiacta. On the other hand, there are still viral

respiratory tract infectious diseases for which there are insufficient treatments, and one of those is RSV infections, which are a serious disease for infants. In collaboration with UBE Corporation, we are moving forward with joint research and development of RNA-dependent RNA polymerase inhibitor S-337395, a candidate therapeutic drug for RSV infections, and in fiscal 2022, we launched a phase 1 clinical trial. Based on the idea of total care, we will continue to ascertain the latent needs of society and implement initiatives to leverage our strengths in the field of acute infectious diseases in order to protect even more patients from infectious diseases.

### Acute infectious diseases, including antimicrobial resistance (AMR)

AMR is called a silent pandemic, and it is estimated that if effective measures are not implemented, about 10 million will die annually through 2050, making it a threat that could cause a major global crisis. SHIONOGI is actively working to tackle serious infectious diseases, such as AMR. Having created cefiderocol, the world's first siderophore cephalosporin antibiotic, we launched sales in the U.S. and Europe in 2020. Included on the WHO Model Lists of Essential Medicines, cefiderocol is eligible for New Technology Add-on Payments from the U.S. Department of Health and Human Services for promoting the introduction of new technology, and has been selected for a pull incentive introduced in both England and Sweden on a trial basis. Furthermore, it is contributing to a global solution to AMR. For example, through partnerships with GARDP and CHAI, we are making cefiderocol accessible in LICs/LMICs where AMR has a serious impact. We are also simultaneously undertaking activities that promote the proper use of infectious disease therapeutic drugs and strict controls on

environmental emissions of antibiotics during the manufacturing process in order to prevent the emergence of new drug-resistant bacteria. SHIONOGI's initiatives targeting AMR have been highly rated by outside organizations and were selected as an AMR Benchmark in 2021.

In addition to cefiderocol, we are moving forward with preparations to combat other serious infectious diseases. In 2022, we obtained, from F2G Ltd., European and Asian development and distribution rights to olorofim, a treatment for invasive aspergillosis, a fungus infection with a high case mortality rate. In June 2023, we transformed Qpex Biopharma, Inc. into a wholly owned subsidiary to strengthen AMR-related R&D functions. Leveraging Qpex Biopharma's promising development product and antibiotic R&D capacity and its network with various regulatory authorities, including U.S.-based Biomedical Advanced Research and Development Authority (BARDA), we will move forward with the development of new treatments for serious infectious diseases such as AMR.

### Initiatives related to and outlook for infectious diseases requiring a long period of treatment

#### Outlook of the HIV business

HIV/AIDs, tuberculosis, and malaria are called the three main global infectious diseases that steal the lives of many people throughout the world. Having quickly launched research on HIV, SHIONOGI created dolutegravir and cabotegravir and out-licensed them to ViiV. These compounds and their combinations have contributed to improved QOL for numerous HIV patients throughout the world.

With an eye on drug regime adherence, an issue for treating HIV infections, SHIONOGI and ViiV have taken on the development of long-acting pharmaceuticals as one solution. In partnership with ViiV, we have approached the needs of patients suffering from HIV and pursued solutions, which resulted in the development of cabotegravir, a long-acting pharmaceutical. This caused a paradigm shift in

long-acting treatment methods in the HIV market. We are now developing S-365598, an extremely long-acting pharmaceutical that surpasses cabotegravir, with the goal of making it the future standard therapeutic drug for HIV. We aim to realize a world in which HIV infected people are able to easily maintain treatment by spreading the use of long-acting pharmaceuticals.

SHIONOGI will achieve growth with society by always dealing with the needs of patients and both providing patients with greater QOL and maximizing earnings from the HIV franchise through the continued creation of new solutions.

#### Initiatives related to malaria therapeutic drug

Malaria is an infectious disease carried by Anopheles mosquitoes, which primarily inhabit tropic and subtropical

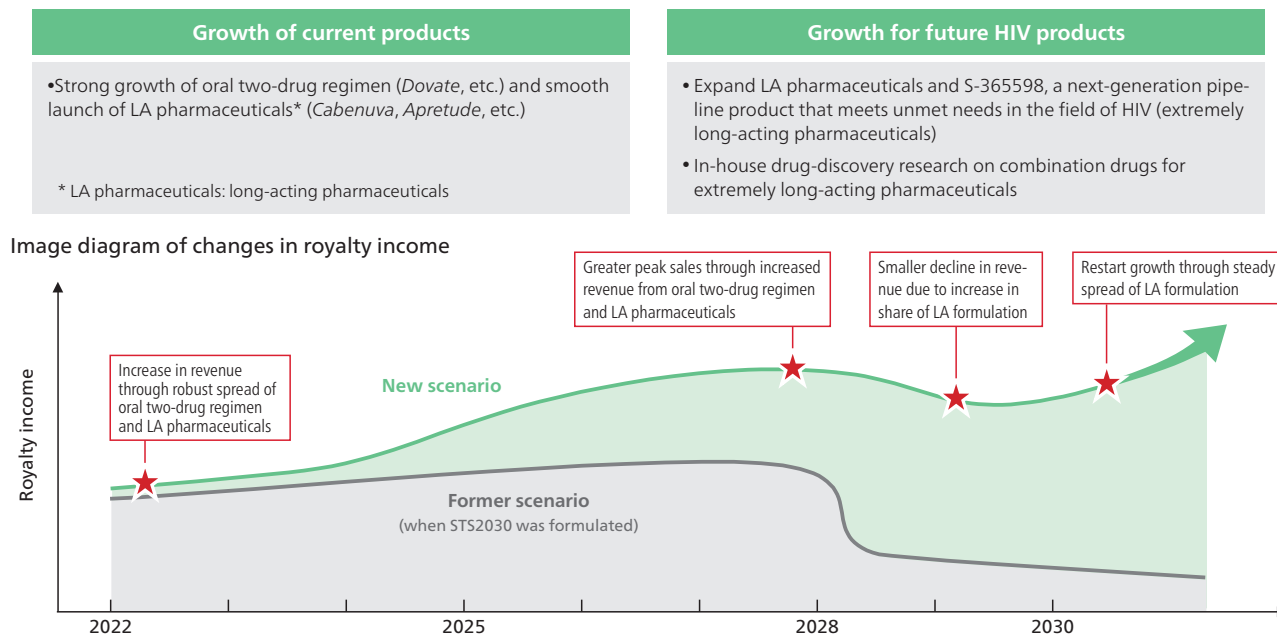
## Create Value by Solving Social Issues

Protect People from the Threat of Infectious Diseases

regions. According to a WHO report, more than 240 million people contract the disease annually, particularly in tropical regions, and more than 600,000 of those, primarily children under five, die. The effectiveness of prophylactic vaccines is insufficient and protozoa resistant to existing therapeutic drugs are increasing, which has created massive healthcare needs. Having concluded a comprehensive collaboration agreement related to infectious diseases, particularly

malaria, with Nagasaki University in 2019, we are moving forward with research on malaria prevention and treatment. In terms of promising candidate compounds discovered through this joint research, we are accelerating research on new malaria therapeutic drugs and the creation of development candidates by concluding a triparty joint research agreement with Medicines for Malaria Venture (MMV) in March 2023.

Continued growth will be achieved through the continuous introduction of products that meet patients' needs



### Initiatives related to and outlook for vaccine business

Touting growth as a HaaS company in STS2030, we have entered the vaccine business as a first step to achieve total care for infectious diseases that goes beyond traditional therapeutic drugs. In 2022, we filed for approval for our COVID-19 vaccine, our vaccine business's first solution. Through 2025, we will give the highest priority to acquiring further experience as a vaccine manufacturer and building up our strengths, the source of competitiveness.

Our goal through 2030 is to acquire the ability to respond to 100 days missions, too, and contribute to the creation of vaccines for priority diseases, a Strategic Center of Biomedical Advanced Vaccine Research and Development for Preparedness and Response (SCARDA) project. It is necessary to establish new technologies, such as that for nasal and universal vaccines, and examine different modalities from recombinant protein, and we will invest a wide range of resources into these initiatives.

Starting in 2030, we want to move forward with gaining experience from previous R&D and introducing products

globally and provide not only LICs/LMICs with products at an affordable price but also value added vaccines to the European and U.S. markets.

We will focus on building a sustainable business model for the vaccine business and develop the business into a key earnings driver for SHIONOGI in 2030 and after by making steady progress with these initiatives.

The greatest challenge that COVID-19 presents is the recurring waves of infections as variants with new genetic mutations arise. We think that developing a universal vaccine effective against all variants is a promising response to this issue, and are moving forward with developing such a vaccine. Coronaviruses are broadly classified into the sarbecovirus genus. We are moving forward with design research on a universal sarbecovirus vaccine antigen with KOTAI Biotechnologies, Inc. and have been able to confirm the expected ability to induce neutralizing antibodies. Vaccines that use this new antigen are expected to be effective vaccines for both variants that could arise in the future and the

next pandemic caused by a completely different coronavirus because it can selectively induce neutralizing antibodies in areas where variants of the sarbecovirus, including coronavirus, do not readily arise.

There are also concerns of the simultaneous spread of influenza, which there has not been a major wave of in the past couple of years, and COVID-19. Demand for influenza vaccines is expected to remain strong for years to come, and we, too, are working to create and introduce such a vaccine. Furthermore, we will strive to establish a global manufacturing and distribution system for vaccines so that

we can deliver SHIONOGI's recombinant protein vaccine not only in Japan but also Asia.

By continuing to invest in these kinds of innovative technologies, SHIONOGI will be able to acquire the strength and competitiveness of a vaccine maker and raise its presence in the vaccine market. Our goal is to grow from a Japanese vaccine manufacturer to an Asian vaccine manufacturer by expanding our supply network from Japan to China and ASEAN member countries through a reinforced manufacturing system.

### Acceleration of global expansion and strengthening of global sales capabilities

One of the important issues for transforming the infectious disease business into a sustainable business is for SHIONOGI to expand its products beyond Japan to Asia, U.S., and Europe through its own capabilities. Having already accelerated initiatives to introduce cefiderocol globally, we are taking the lead in promoting initiatives to expand the COVID-19 therapeutic drug Xocova globally. We have already filed for approval for Xocova in Korea and Taiwan and are preparing to do the same in China. We obtained fast track designation from the U.S. Food and Drug Administration, which speeds up the screening process to encourage the development of new treatment methods for serious diseases, drugs that may meet unmet needs, and similar products. Furthermore, to

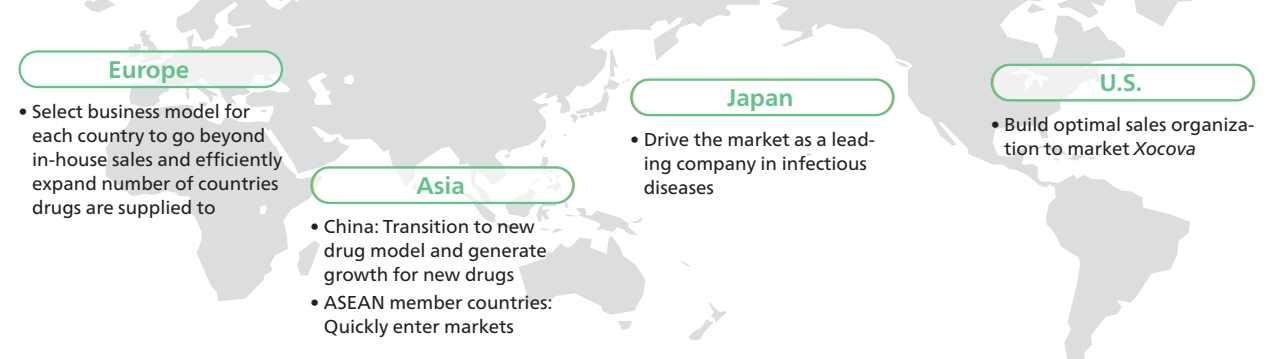
expand access to ensitrelvir in LICs/LMICs, we concluded sub-licensing agreement with a generic drug manufacturer based on the Medicines Patent Pool.

We will focus on reinforcing our global sales capabilities through the global expansion of our own products. In addition to promoting global management of our Market Access, Government Affairs, and Medical Affairs functions in conjunction with initiatives to improve healthcare access, we will establish a robust global sales system by increasing cooperation between the four poles of our marketing and supply chain—that is, Japan, U.S., Europe, and Asia. For human resources, too, we will create a global recruiting mechanism to strengthen marketing human resource.

#### Strengthening of global functions

Current state	Future initiatives
<b>Create marketing system</b> <ul style="list-style-type: none"> <li>• Integrated Disease Care Division since 2020</li> <li>• Marketing system that stresses customer perspective and evidence (mainly Japan)</li> </ul> <b>Global expansion of cefiderocol</b> <ul style="list-style-type: none"> <li>• Greater access and proper use</li> </ul>	<b>Create a mechanism to expand global products, such as Xocova</b> <ul style="list-style-type: none"> <li><b>Initiatives to improve healthcare access</b> <ul style="list-style-type: none"> <li>• Global management of Market Access, Government Affairs, and Medical Affairs</li> </ul> </li> <li><b>Establish global sales system</b> <ul style="list-style-type: none"> <li>• Link four poles of the marketing and supply chain</li> <li>• Reinforce marketing human resources: create global recruiting mechanism</li> </ul> </li> </ul>

#### Various regional plans





Contributing to a Healthy and Prosperous Life

Material Issue Contributing to a healthy and prosperous life

In addition to physical and mental health, it is also important to address unmet needs in society so that people can continue to create value and lead vibrant lives in good physical and mental health, and in connection with society. SHIONOGI will go on contributing to the realization of a vibrant society where people can live healthy and enriched lives, by addressing the needs of people and society and providing optimal solutions.

Ideal State		Contribution to a society in which everyone can live longer, more fulfilling, and more active lives	
Issues/Needs			
Provision of additional support and new treatment options for psychoneurological disease patients	Provision of treatment options with mechanisms of action different from those of existing medicines	Provision of more effective solutions optimized for individual patients	Total support for patients with disabilities Provision of enhanced support for social issues involving developmental disorders Further strengthening of cooperation with municipalities and educational organizations
Initiatives		Indicators	
<ul style="list-style-type: none"><li>Creation of products and services for psychoneurological diseases, which have a high level of unmet medical needs</li></ul>		<ul style="list-style-type: none"><li>Number of psychoneurological diseases-related pipelines: 7 products</li></ul>	
<ul style="list-style-type: none"><li>Provision of optimal treatment choices for the causes of pain</li></ul>		<ul style="list-style-type: none"><li>Number of pain-related pipelines: 3 products</li></ul>	
<ul style="list-style-type: none"><li>Securing of new assets to deal with the super-aging society</li></ul>		<ul style="list-style-type: none"><li>Number of oncology-related pipelines: 5 products</li></ul>	
<ul style="list-style-type: none"><li>Programs to promote public understanding of disease traits and the problems of people affected</li></ul>		<ul style="list-style-type: none"><li>Number of educational activities held via webinars, etc.</li><li>Number of support services provided in the area of developmental disorders</li></ul>	

Quality of life diseases with high social impact

SHIONOGI also focuses on “contributing to a healthy and prosperous life” as part of its efforts to address unmet needs. Examples of diseases currently under consideration for “children’s growth” and “achieving a vibrant and prosperous life” include dementia, obesity, pediatric diseases, sleep disorders, hearing impairment, and pediatric indications and formulations.

In addition, one of the development products under focus in STS2030 Phase 2 and currently undergoing clinical trials is resiniferatoxin injection (partner: Grünenthal), a treatment for pain associated with osteoarthritis of the knee. In May 2023, the company received Breakthrough Therapy designation from the U.S. Food and Drug Administration (FDA) based on the results of Phase 1 and Phase 2 studies of this treatment, which showed significant pain reduction and a favorable safety profile. A global Phase 3 study, including Japan, is currently being conducted by Grünenthal, and this designation is expected to make the drug more rapidly available to patients suffering

pain due to osteoarthritis.

Mental health problems are another important issue that needs to be resolved. The 2021 International Survey of the Organisation for Economic Cooperation and Development (OECD) reported that the percentage of Japanese people with depressive symptoms increased from 7.9% in 2013 to 17.3% in 2020, and that the spread of COVID-19, behavioral restrictions associated with infectious disease control, and lifestyle changes are among the factors contributing to the increase in numbers of mental illness patients. SHIONOGI is developing zuranolone (S-812217) as a new treatment option for depression, which has a low response rate to drug treatment and still leaves many patients struggling. In addition, zatolmilast (BPN14770) is being developed for the treatment of fragile X syndrome, a designated incurable disease. The prevalence of fragile X syndrome is estimated to be about 1 in 10,000, and with no drugs approved at this time, it is still a quality-of-life disease with a large unmet need and high social impact.

Furthermore, we recognize that expanding the global deployment of solutions created by SHIONOGI and offering them widely around the world is also an important initiative to meet unmet needs. *Symproic* (brand name in Japan and the U.S.)/*Rizmoic* (brand name in Europe), which is

already on the market in Japan, the U.S. and Europe, is a promising treatment option for patients with opioid-induced constipation (OIC). In recent years, the number of patients with OIC has grown in China as the use of opioid analgesics has increased.

Main focus items in STS2030 Phase 2

<b>Resiniferatoxin (GRT7039)</b> <ul style="list-style-type: none"><li>• Indications: Pain associated with osteoarthritis</li><li>• New analgesic option for patients with inadequate response to existing therapies.</li></ul>	<b>Zuranolone (S-812217)</b> <ul style="list-style-type: none"><li>• Indications: Depression, depressive state</li><li>• New treatment option for depression with low response rates to drug therapy.</li></ul>	<b>Zatolmilast (BPN14770)</b> <ul style="list-style-type: none"><li>• Indications: Fragile X syndrome</li><li>• Patients with fragile X syndrome number around 1 in 10,000, and there is no approved medicine.</li></ul>
<b>Digital apps, devices, etc.</b> <ul style="list-style-type: none"><li>• SUSMED Med CBT-i®: App for sleeping disorder</li><li>• SDT-001: Inattention Symptoms of ADHD (pediatric)</li><li>• <i>kikippa</i>: Brain activation by acoustic stimulation</li></ul>	<b>Daridorexant</b> <ul style="list-style-type: none"><li>• Indications: Insomnia</li><li>• A new option in sleep medication treatment with various reported issues (interrupted sleep, safety, etc.)</li></ul>	<b><i>Symproic</i>/ <i>Rizmoic</i></b> <ul style="list-style-type: none"><li>• Indications: Opioid-induced constipation</li></ul>

HaaS products, business progress

In order to realize its goal of growing as a Healthcare as a Service (HaaS) company as stated in the STS2030 medium-term business plan, SHIONOGI is promoting activities to provide new value to society as a healthcare provider through approaches other than pharmaceuticals, while utilizing the know-how and experience it has accumulated as a conventional drug discovery-based pharmaceutical company.

Japanese people sleep for the least amount of time of any OECD member state, and economic losses due to sleep deprivation are estimated to be as much as 15 trillion yen, making sleep a major issue in modern society. SHIONOGI partnered with SUSMED, Inc. in 2021 to develop an insomnia digital treatment app as a non-pharmaceutical type solution. Despite having limited experience in developing digital apps for use in treatment and encountering various difficulties, SUSMED, Inc. received manufacturing and marketing approval in February 2023. In addition to the insomnia treatment daridorexant, which is being developed jointly with Mochida Pharmaceutical Co., Ltd., we believe that SUSMED, Inc.’s treatment app will lead to the provision of a variety of treatment options for those suffering from insomnia, marking a valuable step toward SHIONOGI’s goal of becoming a HaaS company.

While pharmaceutical treatment is obviously important to improve the quality of life of patients, the problem of polypharmacy, in which multiple medications can cause adverse events in the elderly, is also increasing. Against this backdrop, it is becoming increasingly important to use solutions other than pharmaceuticals for disease prevention, prognosis management, and physical function support.

Diseases of the central nervous system, including sleep disorders, are areas where various physiologically active substances and electrical signals are intricately intertwined, and various phenomena in the process of their transmission lead to symptoms as diseases. SHIONOGI is also developing and offering solutions in the area of the central nervous system that are not limited to specific diseases. In April 2023, Shionogi Healthcare Co., Ltd. in collaboration with Pixie Dust Technologies, Inc., announced the launch of *kikippa*, a gamma wave sound care product. *kikippa* focuses on reports that one of the characteristics of cognitive dysfunction is a decrease in “40 Hz brain wave” activity, which is necessary for cognitive function in the brain. The concept is to improve the quality of life of the elderly by increasing 40-Hz brain waves in daily life while stimulating the auditory sense by switching TV sound to “40-Hz gamma wave sound.”

SHIONOGI has also begun working as a HaaS company in the area of infectious diseases, an area in which it excels. In June 2023, we signed a business alliance agreement with Allm, Inc., a medical ICT venture company, to establish total care for infectious diseases. Allm’s lifesaving and health support app *MySOS* is an application that keeps track of your own and your family’s health and medical records, and supports a smooth response to requests for emergency help and emergency calls. Combining SHIONOGI’s solutions for infectious disease control, such as therapeutic drugs, with Allm’s ICT technology, will create a new healthcare platform, intended to realize a new social model for infectious disease control.

SHIONOGI's Pipeline to Support Growth

Infectious disease (as of July 30, 2023)

Nonclinical	Phase 1	Phase 2	Phase 3	Submission	
<div><div>• S-872600</div>Influenza nasal vaccine</div> <div><div>• S-875670</div>COVID-19 nasal vaccine</div> <div><div>• S-540956</div>Nucleic acid adjuvant</div> <div><div>• S-554110</div>Nontuberculous mycobacterial infection</div>	<div><div>• S-337395</div>RSV infections</div> <div><div>• S-892216</div>COVID-19 Therapeutics</div>		<div><div>• Olorofim (F901318)</div>Invasive aspergillosis</div> <div><div>• cefiderocol</div>Aerobic Gram-negative bacterial infections (pediatric)</div> <div><div>• S-268019</div>COVID-19 Prophylactic vaccine</div> <div><div>• S-268019</div>Prophylactic vaccine for COVID-19 (adolescents and school children)</div>	<div><div>• ensitrelvir *1</div>COVID-19 treatment</div> <div><div>• ensitrelvir</div>COVID-19 prevention</div> <div><div>• ensitrelvir</div>COVID-19 treatment (children aged 5-11)</div> <div><div>• ensitrelvir*4</div>Various infectious diseases</div>	<div><div>• ensitrelvir *2</div>COVID-19 treatment</div> <div><div>• S-268019*3</div>COVID-19 Prophylactic vaccine</div> <div><div>• cefiderocol*4</div>Various infectious diseases</div> <div><div>• baloxavir</div>Influenza virus infection (granules, &lt;20kg)</div> <div><div>• baloxavir*5</div>Influenza virus infection (ages 5-11, treatment and prevention)</div>
<div>Out license</div>	<div><div>• S-365598</div>HIV infection</div>	<div><div>• S-555739 (asapiprant)</div>Treatment by suppressing aggravation of COVID-19</div>	<div><div>• baloxavir</div>Influenza virus infection (children under 1 year old)</div> <div><div>• baloxavir</div>Influenza virus infection (transmission suppression)</div>	<div><div>• baloxavir (USA)</div>Influenza virus infection (children, 1 year or older)</div>	

\*1, \*3 Phase 2/3, Phase 3 in progress

\*2 South Korea

\*4 Japan and Taiwan

\*5 Taiwan

Quality of life diseases with high social impact (as of July 30, 2023)

Nonclinical	Phase 1	Phase 2	Phase 3	Submission
<div><div>• S-540956</div>Nucleic acid adjuvant</div> <div><div>• S-109802</div>Post-stroke spasticity</div>	<div><div>• S-151128</div>Chronic pain</div> <div><div>• S-588210</div>Solid tumor</div>	<div><div>• S-309309</div>Obesity</div> <div><div>• S-531011*2</div>Solid tumor</div> <div><div>• BPN14770 (zatolmilast)</div>Alzheimer's disease</div> <div><div>• S-588410</div>Bladder cancer</div> <div><div>• S-588410</div>Bladder cancer</div> <div><div>• S-488210</div>Head and neck squamous cell carcinoma</div>	<div><div>• S-005151*1 (redasemtide)</div>Acute ischemic stroke</div> <div><div>• S-005151 (redasemtide)</div>Epidermolysis bullosa</div> <div><div>• BPN14770 (zatolmilast)</div>Alzheimer's disease</div> <div><div>• Rizmoic*3</div>Opioid-induced constipation (pediatric)</div> <div><div>• ADR-001*4</div>Decompensated liver cirrhosis</div> <div><div>• S-222611 (epertinib)</div>Malignant tumor</div>	<div><div>• S-812217 (zuranolone)</div>Depression</div> <div><div>• GRT7039 (resiniferatoxin)</div>Pain associated with osteoarthritis of the knee</div> <div><div>• BPN14770*5 (zatolmilast)</div>Fragile X Syndrome</div> <div><div>• SDT-001</div>Inattentive ADHD (pediatric)</div> <div><div>• S-588410</div>Esophageal cancer</div> <div><div>• SR-0379</div>Cutaneous ulcer</div>
<div>Out license</div>	<div><div>• S-723595</div>Type 2 diabetes</div>			






\*1 Global Phase 2b in progress

\*2 Phase 1b/2 in progress

\*3, \*4 Phase 1/2 in progress

\*5 Phase 2b/3 in progress

HaaS business list

	Name of Product/Service	Summary of Product/Service	
Products and services currently offered	Wastewater surveillance service	Visualization of infection risks through early detection of infectious diseases, epidemic forecasting, and understanding of mutant strains.	
	kikippa	Using gamma wave sound to improve quality of life for the elderly.	
	Elementary and junior high school class management support system Yui-EN	Supporting classroom management by proposing teaching methods suited to individual students and sharing them with other teachers.	
Products and services under development	SDT-001	Game-based digital therapy app for improving inattention symptoms in pediatric ADHD.	
	App for insomnia disorders	App for the treatment of insomnia disorders.	

VOICE

Message from the President of Shionogi Healthcare

Aiming to provide value as a healthcare service, not just in pharmaceutical products

In April 2023, Shionogi Healthcare Co., Ltd., in collaboration with Pixie Dust Technologies, Inc. (PxDT), announced the product launch of *kikippa*, a gamma wave sound TV speaker.

Focusing on the potential of 40Hz modulated sound, this speaker is a health care service product created through collaboration among three companies: SHIONOGI is responsible for basic research, PxDT, a technology venture company, is responsible for technology implementation, and SHIONOGI HEALTHCARE CO., LTD. is responsible for distribution and sales to customers.

One of the social issues seen globally these days is the advance of super-aging societies in developed countries. If we define the issue of healthcare as “living better,” we need to look not only at treating disease but also at preventing it, improving prognosis, and supporting physical function, in order to realize a society in which everyone can live a vibrant life in their own way. To realize these goals, it is important to take the perspective of healthcare technology services that combine not only pharmaceuticals but also technology services. In the STS2030 Revision, SHIONOGI has clearly stated its policy to transform itself into a HaaS (Healthcare as a Service) company, and to create new services through collaborative creation by leveraging its strengths.

One solution is *kikippa*, created in collaboration with PxDT, a company with different strengths from SHIONOGI. Using a special technology that modulates sounds such as TV and radio into 40 Hz periodic sounds that have the potential to care for cognitive functions in real time, 40 Hz periodic sounds are blended into the sounds of daily life, allowing people to receive acoustic stimulation in a natural way in their everyday lives. By accumulating further evidence of brain activation and cognitive function improvement through acoustic stimulation, we aim to realize a society in which dementia prevention and cognitive function improvement are possible in daily life.

*kikippa* is the result collaborative creation that combines each company's strengths to tackle social issues and unmet needs: SHIONOGI's knowledge based on drug discovery research, PxDT's outstanding wave control technology, and Shionogi Healthcare's direct connection with consumers, distribution network, and speed. We believe this is exactly the kind of HaaS corporate transformation that SHIONOGI is aiming for.

SHIONOGI will continue to take on the challenge of providing not only pharmaceuticals but also various healthcare services, to realize a society in which people can lead vibrant lives.

Shionogi Healthcare will lead the transformation of SHIONOGI into a HaaS company by focusing on the healthcare experience for customers and creating and providing healthcare services that meet customer needs by going beyond OTC drugs. We hope you will look forward to a dynamically changing SHIONOGI and Shionogi Healthcare.



Satoru Yoshimoto  
Corporate Officer and President,  
Shionogi Healthcare Co., Ltd.



kikippa



Contribute to Sustainable Social Security / Improve Access to Healthcare

Material Issue

Contribute to sustainable social security / Improve access to healthcare

Innovative pharmaceuticals have advanced medicine and contribute greatly to overcoming diseases that were previously difficult to treat. On the other hand, issues are emerging, such as the declining birthrate and aging population, the tight social security spending due to the increasing complexity and higher cost of medical services, and the disparity in medical care access between developed and developing countries. In order to address these issues, SHIONOGI has established four initiatives in the SHIONOGI Group Global Health Access Policy Statement: namely, developing innovative therapies to address unmet needs, promoting proper use of medicines, improving affordability for patients in need, and strengthening healthcare systems.

Ideal State		Provide solutions at acceptable prices/Contribute to universal health coverage (UHC)			
Issues/Needs					
Balance value of innovation with social security costs		Foster awareness of self-medication		Develop solutions for diseases with a large social impact	
				Develop mechanisms that enable appropriate care to be provided to people in need	
Initiatives		Indicators			
• Providing solutions different than prescription drugs		• Number of solutions and number of partners			
• Promotion of self-medication		• Year-on-year revenue growth of OTC drugs: +14.2%			
• Developing innovative therapies <a href="#">P.52</a>		• Pipeline of infectious disease drugs, including those to treat the three major infectious diseases			
		• Pipeline of drugs for QOL diseases with a large social impact			
• Promoting proper use		• Providing information for proper use and understanding diseases (proper use, disease awareness, CBF*)			
		• Enhancing stewardship activities at medical institutions			
		* Initiatives to remove barriers to drug administration in the hearing and/or visually impaired			
• Improving affordability <a href="#">P.55</a>		• Concluded access agreements for ensitrelvir in 117 countries			
		• Executed agreements for access to cefiderocol in 135 countries			
		• Included in the WHO Model Lists of Essential Medicines			
		• Number of countries where ViiV provides dolutegravir and cabotegravir globally: 140 countries or more			
		• Number of countries that have adopted pull-type incentives: 2 countries or more			
• Strengthening healthcare systems <a href="#">P.55</a>		• Programs to improve healthcare infrastructure in LICs/LMICs: 2 countries			
		• Mother to Mother SHIONOGI Project: Prevalence of diarrhea down by 58%			
		• Percentage of childbirth at public health facilities increased twelvefold			

Please see SHIONOGI's website for details on our efforts to strengthen healthcare systems.  
<https://www.shionogi.com/global/en/sustainability/improve-access-to-healthcare/healthcare-systems.html>

Please see SHIONOGI's website for details on our efforts to promote the proper use of our products.  
<https://www.shionogi.com/global/en/sustainability/improve-access-to-healthcare/proper-use.html>

Responding to tight healthcare finances

In developed countries, medical finances are expected to tighten further due to the advancement of aging societies with declining birthrates along with rising social security costs associated with the increasing complexity and higher cost of medical care. SHIONOGI has identified contributing

to a healthy and prosperous life by providing innovative solutions that meet unmet needs as a material issue. At the same time, we recognize that contributing to sustainable social security is also a critical issue to be addressed. While developing solutions using various new modalities,

SHIONOGI will continue to research and develop small-molecule drugs, which is one of its strengths, as well as provide them at prices that are affordable for society.

In addition, in order to control the increase in social security costs, it is important to consider pre-illness, prevention,

Initiatives for achieving UHC

Initiatives to Improve Medical Access in LICs/LMICs  
(As of September 30, 2023)

AMR
• Partners: GARDP and CHAI
• Solution: Cefiderocol
• Number of countries where it can be provided: 135 countries
• Sub-license agreements: 1 company
HIV
• Partner: ViiV
• Solutions: Dolutegravir and cabotegravir
• Number of countries where provided: 140 countries or more
COVID-19
• Partner: MPP
• Solution: Ensitrelvir
• Number of countries where it can be provided: 117 countries
• Sub-license agreements: 7 companies

In order to achieve universal health coverage (UCH), in which everyone can receive appropriate health services such as prevention, treatment, and rehabilitation at a reasonable cost, the disparity in access to medical care globally must be reduced. However, the factors that impede access to medical care, such as economic, distribution, medical systems, and cultural differences in LICs/LMICs are complex and unique to each country and region, and cannot be solved by SHIONOGI alone.

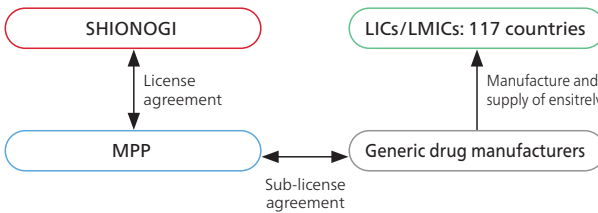
SHIONOGI believes that it is especially useful to form partnerships with international organizations that have excellent solutions to the various issues of access to healthcare in LICs/LMICs. We have formed partnerships with MPP through GARDP and CHAI for the multidrug-resistant gram-negative bacterial infection treatment drug cefiderocol, and ViiV Healthcare for the anti-HIV drugs dolutegravir and cabotegravir. We have also strengthened our efforts in the field of infectious diseases, which is considered to be one of the most important issues related to drug access.

Furthermore, based on the license agreement signed with MPP in October 2022 for the COVID-19 treatment ensitrelvir, through MPP, we signed sub-license agreements with seven generic drug manufacturers in June 2023.

and self-medication to minimize the number of people who reach a condition that requires medical intervention. Shionogi Healthcare Co., Ltd., a Group company, promotes initiatives to control diseases spontaneously through the provision of OTC drugs and health foods.

Regarding COVID-19, the WHO's public health emergency has been lifted, but the number of cases worldwide continues to rise and fall. Through this partnership, we will be able to deliver new treatment options created by SHIONOGI to people living in LICs/LMICs at a fair price.

MPP's business model



Strengthening the healthcare system in LICs/LMICs  
When there are challenges in healthcare systems that exist in developed countries, such as clean medical facilities and healthcare workers, insurance systems and government commitments, delivery of medicines alone will not improve access to healthcare.

Focusing on the fact that sub-Saharan Africa has an extremely high mortality rate among pregnant women and children under 5 years of age, SHIONOGI is working on the Mother to Mother SHIONOGI Project with the goals of improving the health of pregnant and nursing women and children under 5 years of age and operating independent health services in the region.

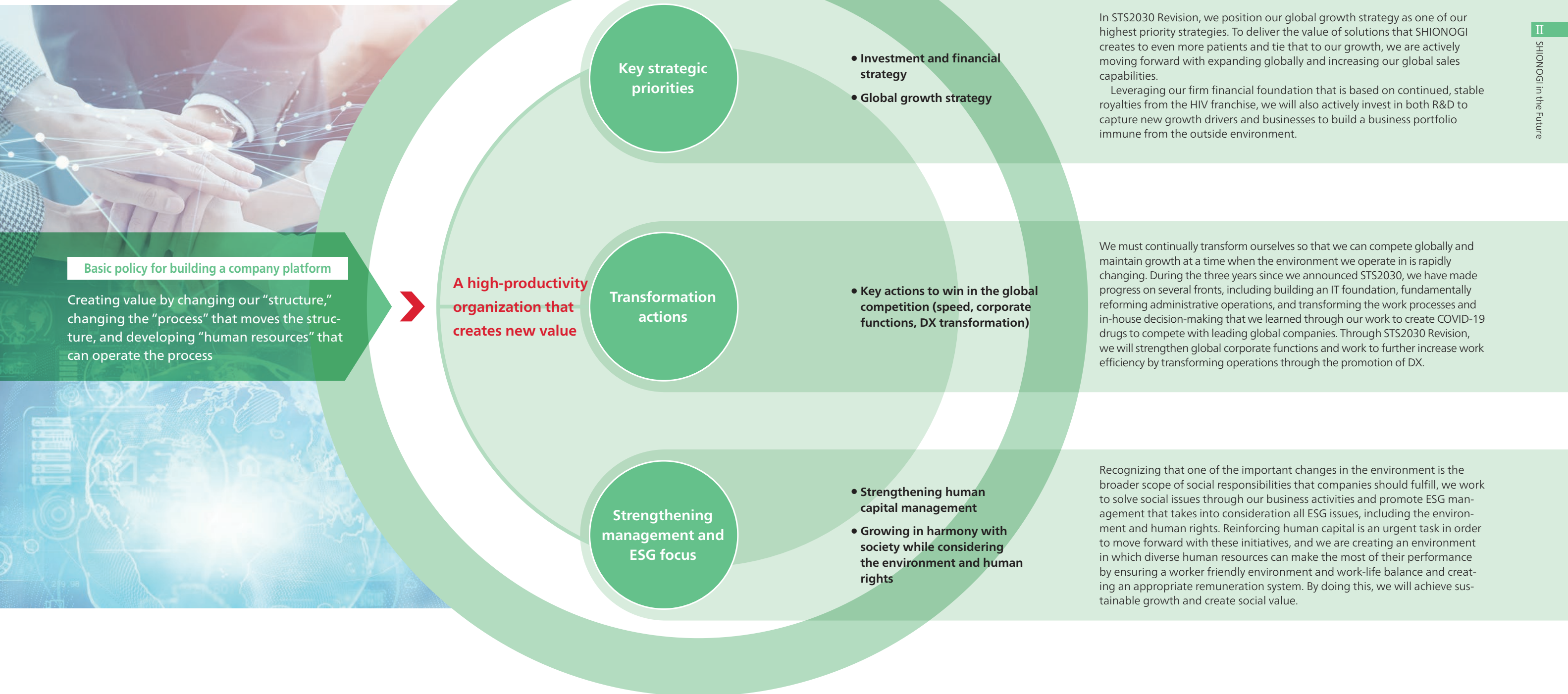
In the third phase of the project, which will begin in fiscal 2023, we will expand our efforts from Kenya to Ghana, and work to improve the health of mothers and children through collective impact\*, which leverages our strengths together with various partners such as companies and NGOs, utilizing the learning and networks gained through the first and second phases of the project. In particular, we will focus on improving access to medical care and sanitation, which are serious issues for LICs/LMICs, and reducing diarrhea, which is a cause of child mortality.

\* Maximizing effects by having multiple organizations (companies, governments, NGOs/NPOs, etc.) work together to resolve social issues

Please see SHIONOGI's website for details on the Mother to Mother SHIONOGI Project.  
<https://www.shionogi.com/global/en/sustainability/society/social-contribution-activities/mtom.html>

## Building a Foundation for Realizing New Value Creation

To achieve further growth, one of the STS2030 Phase 2 goals, it is necessary to transform into a highly productive organization that creates new value extremely efficiently. We are focusing on transforming existing processes and developing human resources to support that by strengthening our company platform that makes it possible to quickly provide new value that is based on society's needs.





Strengthening the Company Platform

Priority Strategies Investment and Financial Strategy

We are aiming to achieve the SHIONOGI Group Vision and maximize corporate value by implementing investment and financial strategies that generate true growth.

In the pharmaceutical business, our major business segment, we are continuing to work to create innovative drugs and maximize product value through the strengths we have acquired as a drug discovery-based pharmaceutical company. In addition to maximizing royalties from outside partners, we will expand new product introductions and redouble our efforts to strengthen our in-house marketing without involving partners at overseas Group companies so that we can improve the growth and profitability of each global region.

Financial strategy

In STS2030 Revision, we aim to achieve the SHIONOGI Group Vision by reinforcing global top-line growth, particularly in the infectious disease field, and fostering growth drivers through active investments. To achieve that, it is necessary to acquire even greater global competitiveness, primarily for pharmaceuticals in the infectious disease field, such as Xocova and cefiderocol, and grow new businesses, including the vaccine business. We will make aggressive investments in order to reinforce resources that support growth, such as human resources, physical assets, and information. As for the financial foundation for this will, we decided to reinforce investments for further growth using

Furthermore, for the HaaS business, we are not only expanding our OTC pharmaceutical and contract development and manufacturing organization (CDMO) businesses but also actively moving forward with the creation of a new healthcare solution business, which includes vaccines, through co-creation with diverse partners that make uses of SHIONOGI’s strengths. Our goal is to expand our business portfolio with the pharmaceutical and HaaS businesses as major pillars, and thus secure a high profit margin and stable management foundation.

funds such as expected cash flows. In STS2030 Phase 2, we expect to continue to generate stable cash flows from royalties related to the HIV franchise from ViiV, and will use those and current financial assets on hand as a source of funds for these investments. Turning to future use of debt, we obtained an AA- rating, which is investment grade, from the Rating and Investment Information, Inc. With this, we will build a foundation to implement aggressive investments. In addition, in STS2030 Revision, we changed the financial KPI from core operating profit to EBITDA in order to communicate our stance toward actively promoting strategic investment to both parties in and outside the company.

Financial foundation

(FY)	2020	2021	2022
Total assets	¥999.0 billion	¥1,150.6 billion	¥1,311.8 billion
Equity attributable to owners of parent	¥846.1 billion	¥975.7 billion	¥1,100.0 billion
Cash and cash equivalents	¥276.2 billion	¥254.4 billion	¥309.2 billion
Ratio of equity attributable to owners of parent to total assets	84.7%	84.8%	83.9%
Payout ratio	29.6%	30.4%	21.7%

Financial KPIs

(FY)	2021 (results)	2022 (results)	2025 (target)
Revenues	¥335.1 billion	¥426.7 billion	¥550.0 billion
Core operating profit	¥110.6 billion	¥158.5 billion	—
Core operating profit margin	33.0%	37.1%	—
EBITDA	—	—	¥200.0 billion
Overseas revenue ratio (excluding royalties)	22.3%	16.9%	—
Overseas sales CAGR	—	—	50% (starting from FY2022)
Internally-discovered pipeline ratio	73%	61%	—
EPS	¥378.75	¥621.31	Over ¥600
DOE	3.8%	3.9%	4%
ROE	12.5%	17.8%	Over 14%

Investment strategy

R&D expenses

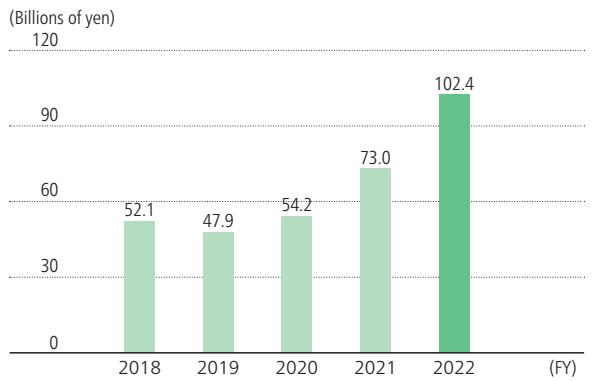
While working on several fronts related to COVID-19, such as therapeutic drugs and vaccines, we are shifting most of our R&D spending from COVID-19 related programs to patient QOL, which has a strong social impact and can be expected to see growth worldwide. In particular, we are focusing many of our resources on S-309309, an oral therapeutic drug for obesity. If we achieve the main evaluation items in the phase 2 clinical trials currently underway, we will be able to establish a unique position with an oral drug in the anti-obesity market that grew substantial due to GLP-1 injectables. Furthermore, we continue to invest in a group of products that are expected to see growth globally, which include the therapeutic drug for fragile X syndrome zatolmilast, the therapeutic drug for invasive aspergillosis olorofim, and redasemtide to treat acute ischemic strokes. In the Japanese market, we are accelerating the development of zuranolone, which can be used for depression. Efforts are also being made to expand our pipeline by increasing investments in a group of products, such as resiniferatoxin, which is expected to impact pain due to osteoarthritis, and SDT-001, SHIONOGI’s first digital treatment application for ADHD.

While construction of the development program, a priority initiative, moved forward, R&D expenses have risen on account of global inflation and the exchange rate. As these are important programs for SHIONOGI, we are moving forward with effective use of CRO, innovative clinical trial design, and effective clinical trial participant strategy and promoting efficient R&D activities through such initiatives as making use of funds from the governments of various countries and other organizations when necessary.

Business investment

We are always searching for M&A and licensing opportunities in order to strengthen our global pipeline at the late development stage and reinforce R&D through an expansion of the latest technologies and new modalities. In June

R&D expenses



2023, we announced that Qpex Biopharma, Inc. would be transformed into a wholly-owned subsidiary, and this M&A will probably play an important role in raising the leadership of SHIONOGI, which continues to battle drug resistance. Although having obtained an appealing business development opportunity, it was difficult to reach agreement on a price commensurate with the value, and we will quickly work to exploit such opportunities as those provided by the transformation of Qpex Biopharma into wholly-owned subsidiary. We are also looking to secure highly specialized assets that create discontinuous aspects of business. Having patient QOL, which has a strong social impact, as a priority R&D field in the STS2030 Phase 2, we are taking on challenges in new fields that SHIONOGI has not traditionally been strong in, such as sleep apnea syndrome and hearing impairment. Therefore, we will not only search for collaborations with biotech partners on the frontline of these fields but also accelerate the expansion of our own capabilities.

In order to establish a sustainable HaaS business that extends beyond the scope of traditional pharmaceuticals, such as developing vaccines and building a new healthcare platform, it is necessary to expand SHIONOGI’s capabilities and make investments both inside and outside the company. By combining the vaccine technology acquired through our work with COVID-19 and the expertise possessed by our partners, we are moving forward with generating appealing innovation, such as universal sarbecovirus vaccines and nasal vaccines. We will continue to capture products, capabilities, and modalities that complement our existing strengths in order to overcome future challenges and raise our presence as a Japanese vaccine manufacturer. Furthermore, we will carefully consider all methods to provide new healthcare value and achieve the SHIONOGI Group Vision, including examining such opportunities as investing in appealing companies, spinning off companies to create new value, establishing joint ventures with business partners, and capturing or providing licenses.

Main investment examples

**Transformed Tetra Therapeutics into wholly-owned subsidiary in fiscal 2020**

- Acquired BPN14770, a candidate drug that improves cognitive functions

**Transformed Qpex Biopharma, Inc. into wholly-owned subsidiary in fiscal 2023**

- Acquired  $\beta$ -lactamase inhibitor with a broad inhibitor spectrum
- Reinforces antibiotic R&D capabilities and network in U.S.

**Concluded limited partnership agreement with LSP Dementia Fund in fiscal 2023**

- Strengthens R&D capabilities in the CNS area
- Expands our own pipeline
- Reinforces innovation ecosystem in the CNS area

Shareholder return

In addition to maximizing corporate value by expanding profit through investments in new growth fields and a reinforced sustainable business management, we have set paying a dividend that makes it possible for investors to truly feel our growth as the foundation of our dividend policy.

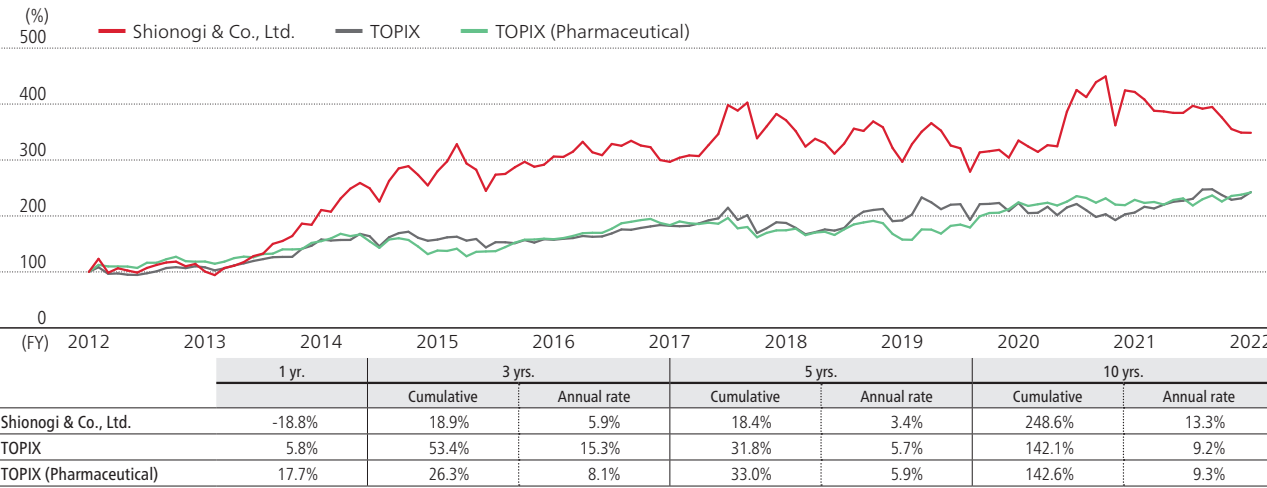
In STS2030 Revision, we tout a policy of achieving a sustainable expansion of corporate value that is stable in the long term and have set a dividend on equity (DOE) attributable to owners of the parent of 4% as a shareholder return target. Other target shareholder return indicators are earnings per share (EPS) of at least 600 yen and return on equity (ROE) attributable to owners of the parent of at least 14%,

so we are returning profits to all of our shareholders by steadily increasing dividends in line with SHIONOGI’s growth.

Our results for fiscal 2022 were a dividend per share of 60 yen at mid-year and 75 yen at year-end, so our full-year dividend of 135 yen was our eleventh consecutive dividend increase.

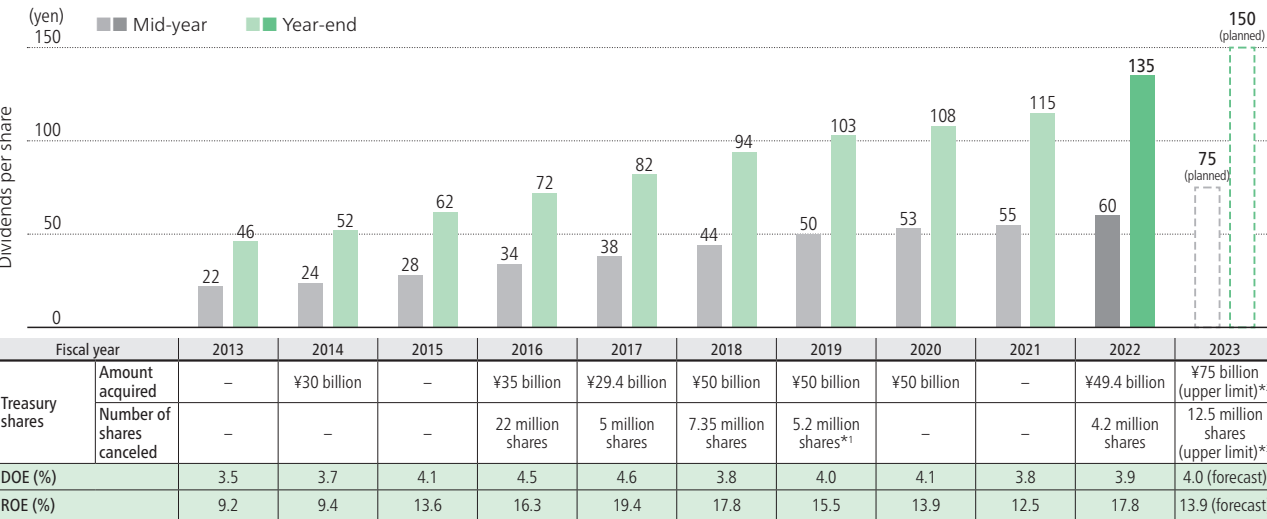
As for shareholder return policies other than dividends, we plan to acquire and retire up to 12.50 million shares (or 75.0 billion yen), 4.2% of issued shares, in fiscal 2023. The goal is to increase shareholder return and raise capital efficiency to further enhance corporate value by implementing a flexible capital policy appropriate for the business environment.

Total shareholders’ return (TSR)



Notes: 1. Total shareholders’ return (TSR): The total return to the shareholder, or the total return on investment, including dividends and capital gains  
2. TSR is calculated as the amount of cumulative dividends plus the change in Shionogi’s stock price, while TOPIX is a stock price index that includes dividends (prepared by Shionogi using data from Bloomberg and other sources)  
3. The values in the graph are TSR-indexed market prices, taking the closing price on March 31, 2013, as 100 (with a holding period until March 31, 2023)

Shareholder return trend



\*1 Resolution passed on March 30, 2020, and treasury shares canceled on April 6  
\*2 Acquisition period: August 1, 2023–March 31, 2024  
\*3 Expect to retire at end of the acquisition period  
Note: Values from fiscal 2018 on were calculated based on IFRS.

Business Administration Office established

The role of the Business Administration Office, which was established in January 2023, is to provide information that supports decision-making to achieve the Medium-Term Business Plan STS2030. For SHIONOGI to create value by leveraging its limited resources, information to make decisions on the optimal resource allocation is particularly important. As the size of overseas sales grows and new business-related initiatives expand, there is a need to gather geographically broader range information, including business information, and analyze and share that information in a timely manner.

Information that the Business Administration Office must supply as the scope of business expands includes information and assumptions related to outlook that makes appropriate decision-making regarding even highly uncertain conditions, such as infectious disease epidemic forecasting, possible. From this perspective, following the establishment of the Business Administration Office and a review of financial reports for management, there was a shift from reports centered on raising issues due to the difference between forecasts and results to solution-proposal reports, which include such non-financial information as the external environment and progress of various bodies, outlooks, and disparities between future outlook and business activity plans.

Our current decision-making process still incorporates, to a significant degree, what is considered common sense from a discovery-based pharmaceutical company perspective, which we have acquired over the years, as an implicit assumption. To grow new businesses, however, we must make decisions using a different approach toward such issues as stance on investments risks and frequency of business plan updates. The Business Administration Office will support decision-making and link that to the creation of value that we provide stakeholders as an HaaS company by clarifying the opportunities and threats of new business fields through analysis of the external environment and indicating such elements as not only the investment standards for new business that take into account SHIONOGI’s risk tolerance and cost of capital but also analysis of in-house resources to determine the allocation of resources to invest in existing businesses and new businesses.

The use of digital technology is a necessity to reinforce these functions. We must strengthen mutual collaboration that goes beyond routine gathering of information in order to become highly efficient and generate synergies as the scale of business and activity volume of the various Group companies grows. In particular, for management resources, there remains substantial room to efficiently gather information in a timely manner using integrated data architecture and system throughout the Group. The goal is to establish a data platform to further increase work efficiency and promote deliberations from the overall optimal perspective in collaboration with the DX Promotion Division.

VOICE



Takuji Fujiwara  
Head of Business  
Administration Office

Message from the Head of Business Administration Office

Contributing to better decision-making and linking that to maximizing value provided

I sense that on account of the increase in initiatives related to new businesses and overseas business expansion, priority items in the Medium-Term Business Plan STS2030 Revision, the issue of linking that to decision-making at SHIONOGI continues to evolve. While providing information and analysis results in response to these changes on a trial-and-error basis, the Business Administration Office is improving work processes and systems so that it can continue to contribute to growth as business undergoes further transformations in the future. Contributing to better decision-making by management, each Group company, and each organization helps maximize value provided to stakeholders, too. There are numerous hurdles to undertaking this transformation, but there is a pleasure in reviewing how work has been done in the past and overcoming one problem after another through teamwork.



## Strengthening the Company Platform

### Priority Strategies Global Growth Strategy

In order to deliver the value of solutions created by SHIONOGI to as many patients as possible, we will aggressively promote global expansion and strengthen our global sales capabilities to expand the scope of our activities as a company, leading to further growth. Expanding the scope of our activities means it is increasingly important to address global risks such as international issues and natural disasters. We must also acquire the capacity to deliver SHIONOGI products rapidly to handle sudden increases in demand for products and solutions, such as that caused by the COVID-19 pandemic. To this end, we are working to build a robust global supply chain through strong systems based on relationships of trust with suppliers and expanding their supply capacity.

#### Improve the resilience of increasingly important supply chain management to strengthen global supply capabilities

##### Lessons from environmental changes

- The ability to rapidly expand manufacturing and supply capacity is critical in contributing to pandemic preparedness
- Procurement and manufacturing systems that are not dependent on specific regions are essential
- Importance of supply chain network management

##### Past actions (STS Phase 1)

- Expansion of product supply countries: Establishing global supply and multi-channel manufacturing of cefiderocol
- Expansion of manufacturing capacity: Establishing production system for global supply of Xocova
- Timely adjustment of supply and demand: Establishing production and supply structures in accordance with the status of applications and approvals in each country

#### Points to strengthen in global supply chains

##### Improvement of global supply speed and capability

- Establishing a global network with preferred CMOs and suppliers

##### Sustainable procurement that takes into consideration the environment, human rights, and occupational health and safety [P.76, P.80](#)

- Strengthening ESG management system in accordance with international norms and standards

##### Establishment of a sustainable distribution system for acute infectious disease drugs

- Effectively utilizing medical resources (encouraging waste reduction)
- Stable supply of antibacterial drugs within Japan

##### Pursuit of quality and efficiency by promoting DX [P.76](#)

- Fostering a Quality Culture
- Refining production planning through DX
- Advances in continuous manufacturing technology

## Increasing global supply speed and capacity

In STS2030 Phase 1, we expanded the supply of cefiderocol, a multidrug-resistant Gram-negative bacterial infection treatment, to low- and middle-income countries in addition to the U.S. and Europe, thereby advancing global expansion. We will similarly build a production and distribution system for global supply of Xocova, a COVID-19 treatment, but as the scope of supply expands, the importance of preparing for risks such as international conflicts and natural disasters on a global level has also increased. In order to

make our business sustainable, we must be able to quickly and accurately assess the status of applications and approvals in each country, as well as the degree of demand for our solutions, and reflect this information in our supply structure. SHIONOGI will build a strong network with preferred CMOs and suppliers, and simultaneously advance refinements to production planning through DX to create a flexible global supply chain.

## Establishing a sustainable distribution system for drugs for acute infectious diseases

Acute infectious diseases, such as COVID-19 and the pandemic associated with its outbreak, are characterized by rapid spread through cross-border human flows and logistical networks. The development of effective therapeutics for yet-unknown infectious diseases is of paramount importance, and ensuring their supply to each region without delay is equally essential. During the COVID-19 pandemic, production facilities and transportation infrastructure were severely impacted on a global level, and SHIONOGI's supply chain was no exception. It reminded us of the need for a sustainable supply structure that can respond to contingencies and rapid changes in demand.

The first step to setting up a sustainable supply structure is establishing a robust supply chain with multiple CMOs and a network of suppliers to diversify risk and increase supply stability. For the future, we are also exploring the possibility of refining demand and inventory management by region by linking real-time epidemiological forecasting with a wastewater epidemiology monitoring system provided by AdvanSentinel Inc.

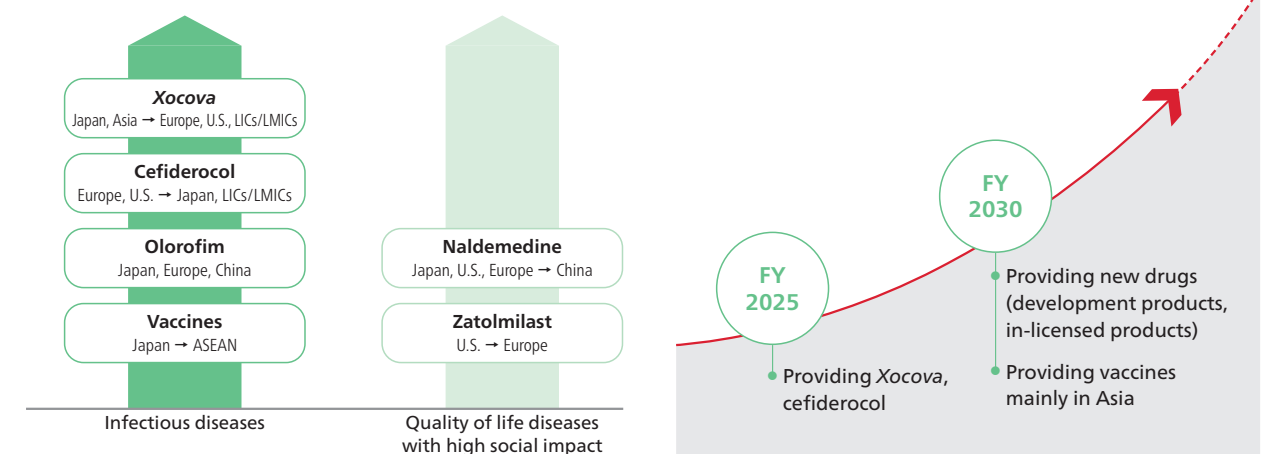
Also, in a global pandemic such as that caused by COVID-19, international cooperation is necessary. If suppliers can

go beyond domestic markets to build a global network that transcends national borders, and if real-time data on epidemic status can also be coordinated and understood among countries, appropriate drug demand forecasting and stockpile planning will be accomplished. SHIONOGI cannot carry out all of these activities without building a network of international partnerships; cross-border collaboration must be fostered among players in government, industry, and academia. Specific activities include those under the head licensing agreement with MPP, which was signed in October 2022. SHIONOGI licensed ensitrelvir to MPP under this agreement, and MPP entered into sub-licensing agreements with a total of seven companies in Vietnam, China, India, and Ukraine in June 2023. This initiative will enable rapid and stable production and supply of ensitrelvir in 117 low- and middle-income countries going forward.

Based on lessons learned from experiences during the COVID-19 pandemic, SHIONOGI will continue to build a sustainable distribution system in preparation for any future pandemics, while strengthening cooperation with external networks.

#### Supply the best possible medicine worldwide in accordance with the SHIONOGI Group Heritage

##### Providing solutions (including pharmaceuticals) globally by strengthening sales capabilities as well as improving access to healthcare



Strengthening the Company Platform

Transformation Initiatives

In order to realize the SHIONOGI Group Vision of “building innovation platforms to shape the future of healthcare,” each and every employee will constantly evolve and continuously create innovative services that resolve social issues. Drawing on the experiences learned from the COVID-19 pandemic, we will realize further transformations and continue to take on the challenge of society’s unmet needs.

Business policy for growth

SHIONOGI aims to help maintain and improve health as well as realize comfortable lives for people around the world by always providing the best medicines (healthcare solutions) necessary to safeguard people’s health. In recent years, with the evolution of technology and the globalization of business, the needs of society and people have grown and become more diverse. In order to move to a further growth phase by creating and providing solutions that meet these needs, SHIONOGI itself must transform into an organization that can create new value.

In STS2030 Revision, SHIONOGI is promoting reforms following a basic policy for its management base that calls for “creating value by transforming our ‘structure,’ changing the ‘process’ that moves the structure, and developing ‘human resources’ that can operate the process.” With regard to the transformation of “structure” and “process,” SHIONOGI has learned the importance of transforming business processes and revamping decision-making

processes through efforts to create COVID-19 treatments and vaccines, and has devised ways to speed up internal decision-making and improve transparency. Going forward, we will continue to refine our speed and accelerate organizational transformation through the globalization of corporate functions and the pursuit of efficiency using digital technology. With regard to the development of human resources, we are strengthening human capital management by setting as three points to strengthen the capabilities necessary to provide healthcare solutions created by SHIONOGI globally, including human resources, diversity, equity and inclusion (DE&I), and engagement.

Furthermore, we recognize that it is important to improve our responses to various issues related to sustainability, such as the environment and human rights, through dialogue with our stakeholders. In order to continue to be indispensable to society, we will promote initiatives to solve each of SHIONOGI’s material issues (materiality).

Governance enhancement

In the three years since the announcement of STS2030, we have made progress in both the traditional pharmaceutical business and non-prescription drug services launched as HaaS. One of the reasons for this is our steady progress in strengthening governance.

In order to provide new value to customers and society through its business activities and achieve sustainable growth while promptly responding to changes in the surrounding environment and needs, SHIONOGI introduced SAMS (SHIONOGI Approval Management System 2020) in 2020 and has been moving toward rapid and advanced decision-making. Continuous education for managers who are actually in a position to make decisions also contributes to skill improvement, and it is becoming possible to record the business process of “when, where, who, what, and how” with complete transparency, and trace the implementation of the determined actions. Transparency and traceability in SAMS, including the speed at which decisions are made, are verified by the Corporate Executive Management Meeting, while the Audit & Supervisory Board Members and the Internal Control Department also monitor and

review them to continue the evolutionary process. Through this, we will continue to transform into a company that can compete globally by implementing the PDCA cycle of decision-making, verification, and consideration, as well as benchmarking ourselves against the world’s most advanced companies and their operations.

With the introduction of SAMS, SHIONOGI’s decision-making process is undergoing a transformation, but SHIONOGI’s organizations must also transform in response to the rapidly changing business environment and social needs and comprehensively solve the problems faced by patients and society. To achieve this, in 2022 we reviewed our organizational structure from the ground up and shifted to a governance structure that oversees each major value chain (R&D, healthcare, supply, corporate). Approximately one year has passed since the introduction of this system, and as the oversight of related organizations in each supervisory unit progresses, discussions beyond the division level become more active, and a system for mutually reconciling opinions compiled by each unit is being established. We believe that the introduction of this system

has clarified where responsibility lies in business execution and has helped to speed up decision-making.

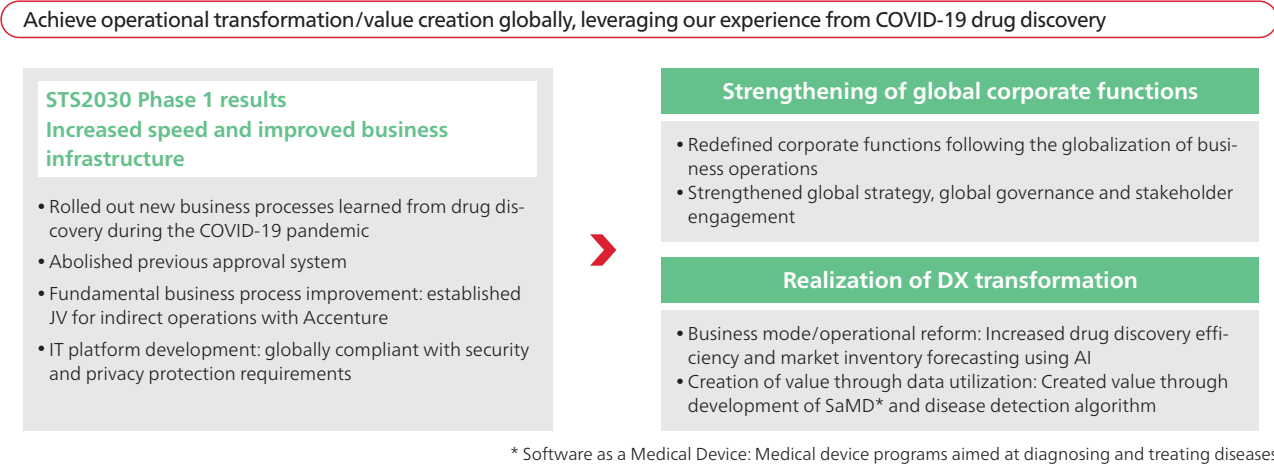
By further learning from the results of these reforms following implementation of STS2030 Phase 1, in STS2030 Phase 2, which begins in fiscal 2023, the entire

organization will be able to make quick and decisive decisions to achieve the goals of the medium-term management plan together, and in the process, realize the SHIONOGI Group Vision of “building innovation platforms to shape the future of healthcare.”

Strengthening global corporate functions

As SHIONOGI accelerates the global expansion of its prescription drug business and its business activities span many countries and regions, the importance of global governance is expected to increase. Compliance with laws and regulations in each country and region is essential to ensure the credibility of SHIONOGI and reduce legal risks. Strategies for addressing various risk factors such as market fluctuations, quality, safety information, and protection of intellectual property rights are also necessary for each region.

Global governance is an essential element for corporate reliability and sustainable growth. We are redefining SHIONOGI’s corporate functions as our business becomes more global in nature. By formulating and implementing global strategies to control and supervise legal compliance and management of various risks, we will achieve sound management and fulfill social responsibilities and strengthen engagement with each stakeholder.



IT and digital transformation

AI-based drug discovery

SHIONOGI is working on business process reform and behavior change through data visualization using an effective DX approach.

SHIONOGI is working on central nervous system (CNS) diseases as QOL diseases with a large social impact, but since CNS diseases are caused by a complex combination of multiple factors, it takes an enormous amount of time and cost to discover drug discovery targets and candidate compounds for therapeutic drugs. To address this, SHIONOGI has formed a business alliance with InveniAI, a company that uses AI-based drug discovery technology. The company’s AI-based drug discovery platform, AlphaMeld®, is a

machine learning algorithm built on data accumulated over the past 10 years. By utilizing this algorithm, it will be possible to efficiently and comprehensively search for drug targets and combinations, thereby reducing the resources required for problem solving and speeding up the drug discovery process.

R&D utilizing digital technology

In the research and development project of COVID-19 treatments, we used in-silico ADME and simulation technology to predict the behavior of drugs in the body using statistical analysis and machine learning. Furthermore, we conducted efficient clinical trials using digital technology



## Strengthening the Company Platform

### Transformation Initiatives

while maintaining high data quality with AI technology. As a result, we were able to obtain emergency approval for our COVID-19 treatment and become the only company in Japan to reach general distribution. These digital transformation initiatives have been praised a great deal externally. We were recognized in “Noteworthy DX Companies 2023” as part of the “Digital Transformation Stocks (DX Stocks) 2023” by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.

Previously, in clinical trial analysis work, analysts with expertise in statistical analysis had to create a program each time in order to accurately execute analysis according to the analysis design document created in advance. SHIONOGI has developed an “artificial intelligence analysis programmer” system that semi-autonomously creates analysis programs in drug development by accumulating information and data in various formats and utilizing AI functions for clinical analysis work requiring advanced skills.

As a result, the standard analysis work time per clinical trial has been reduced by about 30%, making it possible to proceed with clinical trials more efficiently, including more efficient utilization of human resources and reduction of human error.

### Combining real and digital in marketing

In order to provide healthcare professionals with prompt and accurate information, SHIONOGI is promoting the fusion of real information provision activities by MR\* and information provision activities using digital tools. Since the COVID-19 pandemic has led to the desire to diversify the methods of providing information from pharmaceutical companies to healthcare professionals, SHIONOGI is strengthening its digital tools, integrating its existing website for healthcare professionals with our owned site, SHIONOGI.tv, and releasing it as a new site for healthcare professionals.

In pursuit of usability and viewability for healthcare professionals, we newly established a section called Disease Area Information so that healthcare professionals can access information on SHIONOGI’s products in each area. In addition, we enhanced the content of online presentations and online briefing sessions that can be attended by healthcare professionals in distant places, and improved ease of use enabling searches by date and content. After the launch of the new website for healthcare professionals, the total number of users and new users increased, and the single-page view bounce rate of the site improved by 23 points.

SHIONOGI will continue to make full use of real MR activities and information provision activities using digital tools to establish a system where we can quickly and accurately deliver the information required by healthcare professionals.

\* Medical Representative



### Establishment of Joint Venture with Accenture

In the organizational restructuring of July 2022, SHIONOGI aims to further focus on core operations and improve the efficiency of indirect operations. Toward this end, we merged four SHIONOGI companies that have been responsible for shared services: Shionogi Business Partner Co., Ltd., Shionogi Marketing Solutions Co., Ltd., Shionogi General Service Co., Ltd., and Shionogi Career Development Center Co., Ltd., with Shionogi Business Partner as the surviving company, in order to increase the efficiency of business operations such as human resources, general administration, and accounting and finance.

Thereafter, as a result of further accelerating business reforms and continuing to consider measures to improve the expertise of our employees, in July 2023, we transferred 80% of the shares of Shionogi Business Partner Co., Ltd. to Accenture Co., Ltd. and made it a joint venture as a “joint-management shared services company.” Prior to the establishment of this joint venture, Shionogi Pharmacovigilance Center Co., Ltd., which is responsible for part of the SHIONOGI Group’s safety management operations and post-marketing surveillance operations, was also merged with Shionogi Business Partner Co., Ltd. in order to generate synergies with Accenture’s business process managed services related to safety management operations.

Currently, Shionogi Business Partner Co., Ltd., which has marked a new start as a joint venture, is making full use of Accenture’s abundant knowledge and experience, cutting-edge automation tools, and BPR\* methods to standardize business operations and thoroughly improve efficiency and ensure quality through IT investment. This will lead to the success of digital transformation, which is Accenture’s strength. Going forward, Accenture’s know-how will be used to continue to improve the expertise of Shionogi Business Partner Co., Ltd. employees, and by allocating resources created by operational efficiency to new operations, we will receive more market-competitive business support services than ever before, further developing the business of the SHIONOGI Group, and making a significant contribution to the achievement of STS2030 Revision.

\* Business Process Re-engineering: Redesigning existing organizations, systems, and business processes toward the original purpose of the business.

#### Purpose of transformation



#### Shionogi Business Partner Co., Ltd.

**Extensive operational efficiency**  
through full use of cutting-edge technology and BPR methods

Processes freed up by efficiency  
**sustainably and stably allocated to other projects and operations**

**Opportunities provided to employees to refine their expertise and increase market value**  
in an environment dedicated to operations

Material Issue Secure human resources to support growth

In order to realize the SHIONOGI Group Vision, we are continuously striving to develop human resources who embody the “SHIONOGI Way: Be the best that you can be to take on new challenges,” that employees should strive towards, and to enhance the environment in which they can maximize their abilities.

Ideal State		Develop strong individuals who can win in global competition by embodying the SHIONOGI Way, and build an organization that makes the most of its diverse human resources	
Issues/Needs			
Integrate human resources data and enhance analytical capabilities to build an optimal human resources portfolio		Advance educational programs that encourage autonomous learning and growth, and utilize Off-JT/OJT	
		Further develop a personnel system that enables human resources with outstanding strengths to play active roles, and a workplace environment that allows diverse and flexible work styles	
		Maintain and improve the health status of each employee through the promotion of health management, so that they can maximize their potential and contribute to the company	
Initiatives		Indicators	
Secure diverse human resources		<ul style="list-style-type: none"><li>Clarification of necessary skill requirements</li><li>Build a competitive compensation system</li><li>Number of employees reassigned through internal recruitment - FY2022: 34, FY2023: Not implemented</li><li>Number of mid-career hires: 50</li></ul>	
Develop human resources with outstanding strengths		<ul style="list-style-type: none"><li>Strengthen monitoring of human development systems</li><li>Education and training expenses: 152 million yen</li><li>Percentage using self-investment assistance programs: 44.8 %</li><li>Number of applicants for the side work system: 66</li></ul>	
Foster an environment and culture in which everyone can work comfortably		<ul style="list-style-type: none"><li>Ongoing implementation of work style reforms and stimulation of employee communication</li><li>Engagement survey response rate: 92.9%</li><li>Percentage of female managers: 14.2%</li><li>Percent taking childcare leave: Female: 100.0% / Male: 57.4%</li></ul>	
Promotion of health management (health management and occupational health and safety)		<ul style="list-style-type: none"><li>Percentage of employees receiving health checkups: 100.0%</li><li>Stress check examination rate: 91.3%</li><li>Percentage of highly stressed stress subjects: 4.3%</li><li>Smoking rate: 5.0%</li><li>Frequency rate: 0.21</li><li>Severity rate: 0.0021</li></ul>	

STS2030 Phase1 initiatives

In June 2020, we set forth our STS2030 as a strategy to realize the SHIONOGI Group Vision, which defines what SHIONOGI wants to achieve by 2030. In STS2030, SHIONOGI declared its intention to transform itself from a traditional drug discovery-based pharmaceutical company, and to grow as a HaaS company. In order to achieve this transformation, there were two major challenges: to thoroughly hone our strengths as a drug discovery-based pharmaceutical company, which is the core of our business, and to acquire the capability to create business in new fields and domains. In the three years since the announcement of STS2030, we have worked to address these issues by

formulating a new vision of human resources, the “SHIONOGI Way,” and addressing its goals of “Secure diverse human resources,” “Develop human resources with outstanding strengths,” and “Foster an environment and culture in which everyone can work comfortably,” to solidify the groundwork for realizing the transformation.

In order to achieve the STS2030 Revision as updated in June 2023, we will continue to strengthen our internal human resources and promote human resources from outside the company. We will further accelerate the speed of our transformation by integrating our human resource and management strategies, placing the establishment of a

Details of initiatives in the three years following the STS2030 announcement

	FY2020	FY2021	FY2022
Secure diverse human resources	Results Total number of employees reassigned through the internal recruitment system: 57 Total number of mid-career hires: 119		
	Challenges Establish a human resource portfolio management system		
	Formulate the SHIONOGI Way	Visualize capability requirements for each organization Promote internal human resource mobility	Promote Human Capital Dashboard building by integrating human resource management systems
Develop exceptionally talented human resources	Results Cumulative total of education and training expenses: 518 million yen IT/digital human resources: 1,074 (Lv1, equivalent to passing IT Passport)		
	Challenges Strengthen monitoring of the development of necessary human resources		
	Start operating new training programs in line with the SHIONOGI Way Strengthen manager education	Incorporate the SHIONOGI Way into behavioral evaluation items Expand self-investment assistance programs	Grade on the basis of new grading definitions that take into account the SHIONOGI Way Formulate a new human resources system
Foster an environment and culture in which everyone can work comfortably	Results Percentage of female managers: 11.5% → 14.2% Percent taking childcare leave: Female: 100.0% / Male: 57.4%		
	Challenges Implement ongoing measures to improve work styles to balance productivity and wellbeing		
	Introduce telecommuting on a pilot basis Establish the Diversity and Inclusion Logo Introduce a support system for balancing work and medical treatment	Introduce a flextime system and remote work system without core times Introduce a workweek with voluntary three-day weekends Reconsider regular working hours (from 7.75 hours to 7 hours)	Reconsider side work standards Enhance the content of the engagement survey

strong human resource portfolio that will drive our transformation into a HaaS company at the core of SHIONOGI's

human capital management.

Reform of the human resources system to improve human capital

One of the key points of the STS2030 Revision is to strengthen human resources. In order to increase the certainty of achieving the SHIONOGI Group Vision and to strongly promote our transformation into a HaaS company, we must build a robust human resource portfolio that matches the management strategy. To that end, SHIONOGI will introduce a new human resources system in October 2023, designed around the concepts of “challenge” and “satisfaction” for employees. Through this personnel system, SHIONOGI will appropriately evaluate personnel who develop themselves in line with the human resources that SHIONOGI seeks, and who boldly take on the challenge of achieving the difficult goals necessary to achieve STS2030 Revision. The objective is to align the growth vectors of the organization and its human resources by treating employees in a manner that is both motivating and satisfying.

In order to enhance the effectiveness of the new human resources system, SHIONOGI defines the human resources it seeks in each job classification, and provides employees with examples of the behaviors it seeks for each job

classification, to ensure that they are familiar with the system. We are also working to improve the ability of managers to correctly assess the abilities and skills of employees, and to support their development. By fostering each employee's desire to grow and aligning the human resources required by the organization with the skills that individuals need to develop, we will improve our organizational strength and build a robust human resource portfolio.

**Competence-oriented human resource recruitment**

SHIONOGI has always treated employees according to their individual roles and achievements, but in some cases, it has been difficult to promote employees to job levels commensurate with their abilities because, according to the design of the system, it takes time to reach higher job levels. The new human resources system allows for promotion and demotion in job levels on a yearly basis, making it possible, for example, for an employee in his/her 20s to be promoted



## Strengthening the Company Platform

Strengthen ESG Management Human Capital Management

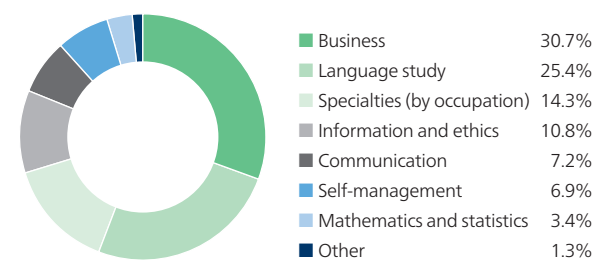
to a managerial position, regardless of age and number of years on the job, if his/her skills are up to par. Job terms would then be dynamically adapted to the role performed.

### Evolution of educational programs to promote growth

SHIONOGI is expanding its human capital, which will be the driving force to achieve the STS2030 Revision, by introducing a human resources system that allows for a more balanced compensation system, aligning company and personal growth vectors, and enhancing its human development program to encourage individual growth.

As the roles and tasks required of employees diversify in the future, reskilling and retraining of individual employees will be the basis for employees to develop their careers autonomously and grow into the people they want to be. As a system to support employees who seek to grow and transform themselves, SHIONOGI introduced a self-investment assistance system in FY2019 that provides educational expense support of up to 250,000 yen per person per year for what each employee wants to learn. We hope to actively encourage the personal growth envisioned by our employees through the full utilization of this program by all employees, except for those in executive positions. In addition, based on the concept of enabling employees to proactively think about their careers and take action at the timing necessary for their individual career milestones, we are continuously expanding the human development program, which has previously been implemented according to age group, by reviewing the program and making it available to employees regardless of age.

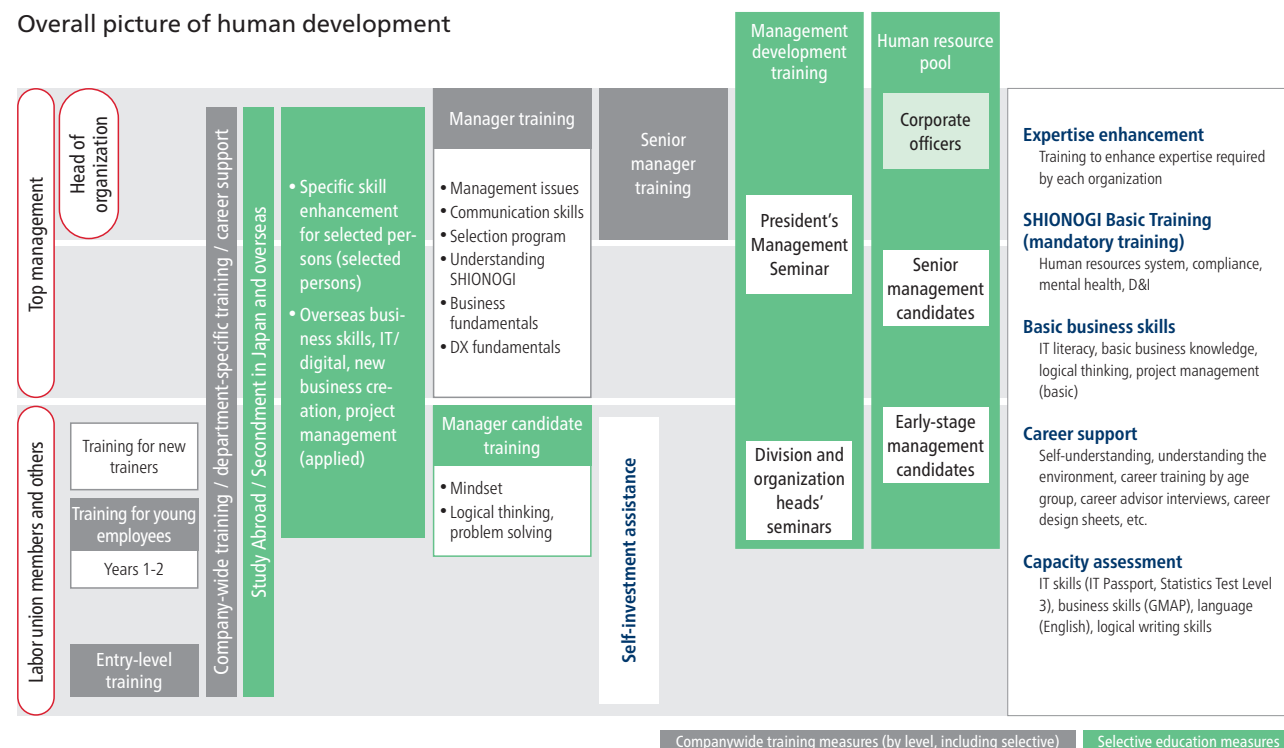
### Breakdown of self-investment assistance program utilization (by field)



### Appointment of highly specialized outside personnel

In the process of realizing the transformation from a drug discovery-based pharmaceutical company to a HaaS company, we believe that there will be an increase in roles and tasks that require expertise and capabilities that differ from those of conventional pharmaceutical companies. In order to deal swiftly with operations that SHIONOGI has not traditionally owned, and to achieve the STS2030 Revision through the creation of new healthcare value, we need to recruit highly specialized human resources from outside the company for needs that cannot be covered by reskilling and retraining internal human resources. The new human resources system creates a competitive compensation system that enables us to hire highly specialized personnel with market value and offer them terms according to their abilities.

### Overall picture of human development



### Work style reform, workplace environment

In advance of the recent human resources system reform, SHIONOGI introduced a work system that enables diverse work styles, and improved the workplace environment to create an attractive working environment for its employees. In the past three years, we have introduced or reviewed various systems, including a flextime system and remote work system with no core time, workweek with voluntary three-day weekends, and a system allowing side work. We have also expanded the number of free addresses at each office and changed floor layouts to accommodate an increase in remote meetings, thereby creating a work environment that is easy for everyone to work in. We will continue our ongoing efforts to create an attractive working environment by utilizing engagement surveys and other means to verify the effectiveness of the introduction and review of various measures, and to identify and improve issues.

### Promotion of DE&I

Continuous innovation is essential for companies to manage their operations sustainably and continue to fulfill their responsibilities to society. SHIONOGI emphasizes the importance of creating innovation as it relates to DE&I. SHIONOGI established a Diversity Vision in 2018 to ensure that all employees share the same perspective in promoting DE&I. In addition, we have established a Diversity Council consisting of members from each organization, Group companies, and the Human Resources Department, with the aim of realizing an environment where diverse employees who wish to work at SHIONOGI can work equally, regardless of gender, age, nationality, or any other attributes.

As a result of these efforts, the percentage of female managers and the percentage of male employees taking childcare leave, which are targets in the General Business

### VOICE



**Hirofumi Nagatome**  
Human Resources Department general manager

### Message from the Human Resources Department general manager

#### Enhancing the capabilities of our employees and the organization as a whole to become a HaaS company

SHIONOGI is on a path to transform itself into a HaaS company by developing the heritage (SHIONOGI's basic policies) inherited from management predecessors and acquiring new strengths, in order to realize the SHIONOGI Group Vision of "Building Innovation Platforms to Shape the Future of Healthcare."

SHIONOGI has established the Five Values, which are the values indispensable to realize our vision, and the "SHIONOGI Way," which is the image of SHIONOGI people as "Be the best that you can be to take on new challenges". Detailed descriptions of the individual values are shown in the table below.

In addition to supporting the active participation of diverse human resources through measures related to various work styles, in October 2023, we revised our personnel system and introduced a system that highly values those who boldly take risks and proactively challenge themselves to achieve high goals.

We will continue to ensure that the Five Values and the SHIONOGI Way are instilled in each and every employee, following up on the operation of various related systems, and resolving any issues that may arise. We will improve the abilities of our employees, who are the driving force behind SHIONOGI's transformation, as well as those of the organization as a whole, and create an environment in which they can maximize their abilities and realize our Vision.

### SHIONOGI's Five Values

Be trustworthy	Be bold	Be dauntless in spirit	Build greatness out of diversity	Contribute to society
To build society's trust in us, we place the utmost importance on honesty, accuracy, fairness, and transparency. As an organization, we will practice strict compliance by ensuring that each individual understands and follows the rules on the basis of high ethical standards, and by checking each other's actions.	The world is constantly changing. Innovation is achieved by being sensitive to these changes, anticipating the future, and acting promptly. We pursue new ideas, and are not afraid to take risks and try new things.	With a healthy sense of competition, we will always set high goals and strive to achieve them. We will maintain a stance of ceaseless progress toward our ultimate goal, even when difficulties confront us along the way.	Respect and acceptance of individual differences and diverse opinions is the source of new ideas and creativity. We collaborate with an open mind and ensure that diversity is part of our organizational culture.	We contribute to society by confronting social issues and providing optimal medicines (healthcare solutions). We aim to develop together with society by contributing to people's health and happiness.

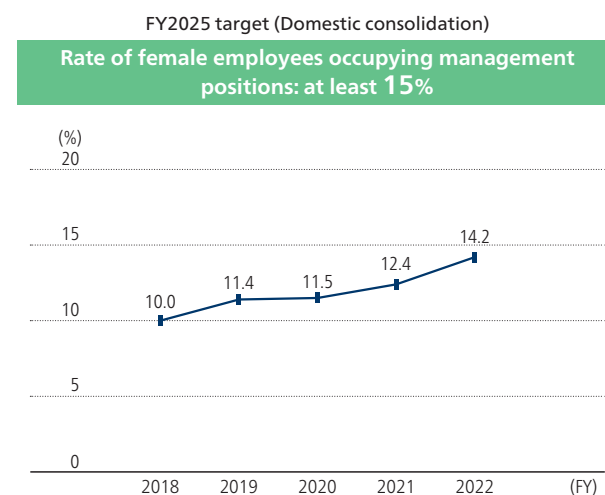
## Strengthening the Company Platform

Strengthen ESG Management Human Capital Management

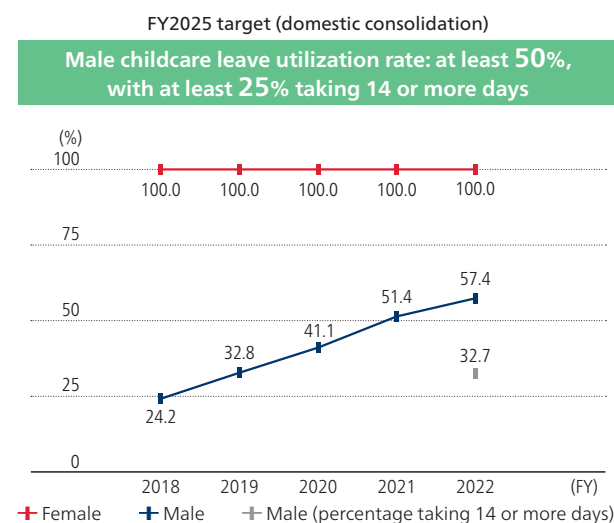
Owner Action Plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace, have been increasing every year. By continuing to work on DE&I, and by reforming work styles and

improving workplace environments, we aim to realize a working environment in which diverse human resources can equally demonstrate their abilities, without being influenced by life events or their respective circumstances.

### Ratio of female managers (Domestic consolidation)



### Acquisition rate of childcare leave



## Health and productivity management

In order to realize the SHIONOGI Group Heritage and the SHIONOGI Group Vision, it is essential that all employees are physically and mentally healthy and able to maximize their performance, and that the lives of employees and their families are enriched. SHIONOGI regards employee health as one of the key themes for human capital management, and promotes health and productivity management under the SHIONOGI Group Health Policy. By actively working to maintain and improve the health of all employees and create a comfortable environment, we will attain employee wellbeing and achieve sustainable growth in corporate value and contribution to society.

Please see SHIONOGI's website for details on SHIONOGI Group Health Policy.

<https://www.shionogi.com/global/en/company/policies/shionogi-group-health-policy.html>

### Health and productivity management Promotion System

SHIONOGI has established a health promotion system in which the senior executive officer in charge of the health and productivity management organization is responsible for health management, while the Executive Council determines health and productivity management policies and action plans and monitors activities. In addition, we have formulated a strategy map to attain health management, and are working to strengthen the PDCA cycle of implementing, evaluating, and improving initiatives to realize the Health Policy.

Furthermore, we promote collaborative health activities with the Shionogi Health Insurance Association to maintain and promote the health of SHIONOGI employees. We mutually share and discuss the results of monthly activities and analysis of health information, and discuss health and productivity management policies and action plans. As a business owner, we also participate in discussions with industrial physicians and other medical staff and the labor union regarding the health services promoted by the Shionogi Health Insurance Association, sharing the results of activities and discussing issues and matters for improvement.

### Health promotion policies

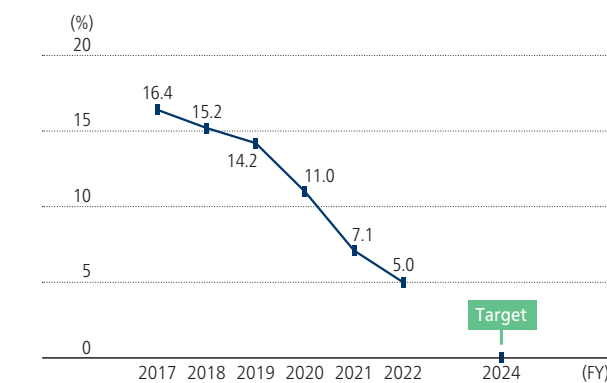
At SHIONOGI, the results of health checkup questionnaires suggested that there were issues with employees' sleeping habits. Therefore, from the viewpoint of improving employee performance by enhancing their health, we positioned sleep as one of our priority themes for FY2022. We conducted a survey by Nishikawa Co., Ltd. on the actual state of employees' sleep, and held a seminar based on the survey results. We also surveyed and published changes in behavior between before and after the seminar, to help instill more desirable sleep habits.

Under the "SHIONOGI Group Smoke-Free Declaration," SHIONOGI is strengthening and promoting anti-smoking measures to protect employees and their families, as well as all people associated with SHIONOGI, from health hazards caused by active and passive smoking.

To date, a project to promote smoking cessation has been formed by volunteer members to provide useful information to both smokers and non-smoking (and formerly smoking) employees. Content includes publishing an e-mail magazine with information on smoking and smoking cessation, sending messages from management, recruiting non-smoking challengers and reporting their achievements, and promoting the project to the organization as a whole. In addition, the company and the Shionogi Health Insurance Association provide support for those who are trying to quit smoking, including smoking cessation treatment and online smoking cessation programs. In FY2022, to further strengthen the effectiveness of the program, we also took individual measures, such as increasing support for smokers from those close to them. As a result, the smoking rate has declined from 16.4% in FY2017 to 5.0% as of FY2022.



### Smoking rate targets and results



### VOICE



**Yuichi Okamoto**  
Shionogi Health Insurance Association  
Managing director

### Message from the managing director of Shionogi Health Insurance Association

#### Proactively working with employers to help extend the healthy lifespan of members

The role of the health insurance association is to pay medical expenses and provide benefits when enrollees become ill or injured, as well as to promote health services for disease prevention and other health promotion. We believe that by preventing disease, we can contribute to the maintenance of health and the extension of healthy lifespan of each and every member, as well as making a significant contribution to the promotion of health and productivity management that increases labor productivity and raises corporate value.

In order to commit "to support employees' wellbeing and to provide meaningful and valuable advances in healthcare," as stated in the SHIONOGI Group Health Policy, it is important for employers and the Health Insurance Association to actively work together, like two wheels of a cart, and implement various measures from their respective standpoints under a clear division of roles. SHIONOGI and the Shionogi Health Insurance Association are strengthening collaborative health to promote health management.

We are working to raise the health awareness of our subscribers, maintain their health, and extend their healthy lifespans so that many of them will realize in the future that "Because I took care of my health back then, I am still able to work with good physical and mental health and motivation".





# III

## Mechanisms Supporting SHIONOGI's Growth

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Responsibility to Society

In order to achieve both business growth and the sustainability of society, responsible corporate behavior is required in all aspects of the supply chain, from the procurement of raw materials to the supply of products and services. SHIONOGI attaches importance to cooperation with business partners and ensures the stable provision of safe products and services that offer peace of mind, and information on proper use. We also strive to reduce the negative impacts of our business activities and promote initiatives so that we continue to be trusted by society.

Ideal State	Delivering high-quality SHIONOGI products and services along with peace of mind to society while striving to respond responsibly to ensure credibility and stable supply
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Issues/Needs

<b>Strengthen Supply Chain Management</b> <ul style="list-style-type: none"><li>• Greater in-house awareness of sustainable procurement, which includes overseas Group companies</li><li>• Establishment of SOP on each aspect of procurement and training</li><li>• Identification of significant suppliers and implementation of regular assessments</li><li>• Strengthening of supplier engagement</li></ul>	<b>Supply Socially Responsible Products and Services</b> <ul style="list-style-type: none"><li>• Production system that can supply products stably and be flexible in response to changes in the operating environment or sudden contingencies</li><li>• Entrenchment of quality culture* extending to the entire supply chain<ul style="list-style-type: none"><li>* Corporate culture that gives top priority to quality</li></ul></li><li>• Timely and appropriate information provision concerning efficacy and safety</li><li>• Securing of quality assurance system compliant with the HaaS* business</li></ul>	<b>Respect Human Rights</b> <ul style="list-style-type: none"><li>• Statement in accordance with the Modern Slavery Act</li><li>• Ongoing implementation of human rights due diligence</li><li>• Human rights risk assessments of suppliers of important items and implementation of on-site audits</li><li>• Activities to improve issues incorporating the opinions of experts</li></ul>
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\* Healthcare as a Service: Provide a range of healthcare services in line with customer needs, rather than only providing pharmaceuticals

Initiatives	Indicators
<ul style="list-style-type: none"><li>• Activities to disseminate the Policy and Code of Conduct</li></ul>	<ul style="list-style-type: none"><li>• Number of employees involved in procurement operations that received SOP training covering response to social issues: 74</li></ul>
<ul style="list-style-type: none"><li>• Identification of significant suppliers and sustainability assessment of suppliers</li></ul>	<ul style="list-style-type: none"><li>• Surveys or assessments conducted using EcoVadis in 2022: 100 companies</li><li>• EcoVadis assessment: cumulative total of 101 companies</li><li>• Ratio of suppliers that satisfy established standards: 87.1%</li></ul>
<ul style="list-style-type: none"><li>• Interviews and briefings on sustainability issues</li></ul>	<ul style="list-style-type: none"><li>• Ratio of new suppliers contracted in fiscal 2022 consenting to the SHIONOGI Group Business Partner Code of Conduct: 100%</li><li>• Number of companies educated with interviews and briefings: human rights-related (14 companies) and climate change-related (15 companies)</li></ul>
<ul style="list-style-type: none"><li>• Stable supply of products and services</li></ul>	<ul style="list-style-type: none"><li>• Management of procurement, production and distribution taking into account changes in supply-demand balance for preventing defective products</li><li>• Routine/non-routine consultations with suppliers to achieve stable supply</li><li>• Support for strengthening relationship with manufacturing contractors and for BCP system maintenance</li></ul>
<ul style="list-style-type: none"><li>• Strengthening of legal compliance and monitoring</li></ul>	<ul style="list-style-type: none"><li>• Strict adherence to laws, ordinances, and guidelines related to production and sales of pharmaceuticals</li><li>• Analysis results of quality culture survey</li></ul>
<ul style="list-style-type: none"><li>• Guarantee of appropriate use and implementation of training programs for timely and appropriate response to medical professional requests</li></ul>	<ul style="list-style-type: none"><li>• Implementation of assessments by compliance review managers and improvements to training</li><li>• Implementation of AI-powered monitoring</li></ul>
<ul style="list-style-type: none"><li>• Responding to human rights issues</li></ul>	<ul style="list-style-type: none"><li>• Statement in accordance with the Modern Slavery Act</li><li>• Conducting human rights impact assessments<ul style="list-style-type: none"><li>• Investigation of labor conditions in manufacturing regions that produce raw materials and basic materials</li><li>• Investigation of labor conditions for foreign workers</li></ul></li><li>• Response to new human rights themes<ul style="list-style-type: none"><li>• Survey on forced labor in the manufacturing of rubber gloves in Malaysia</li></ul></li></ul>

Material Issue Strengthen supply chain management

In order for a company to fulfill its social responsibilities, it is important to build relationships of trust and collaborate not only within its own corporate group but also with its business partners. SHIONOGI is working to strengthen supply chain management by cooperating with suppliers based on the SHIONOGI Group Procurement Policy and the SHIONOGI Group Business Partner Code of Conduct, which define the basic concepts for conducting procurement activities based on honesty, accuracy, fairness, and transparency.

Initiatives for sustainable procurement

We established the SHIONOGI Group Procurement Policy and the SHIONOGI Group Business Partner Code of Conduct and are assessing risks in the supply chain, such as human rights, labor, and the environment, and identifying issues by obtaining cooperation in surveys and audits primarily from significant suppliers. For the issues we have identified, we are working to realize sustainable procurement by engaging with the relevant suppliers and building a PDCA cycle for making improvements cooperatively.

When considering collaboration with new business partners, we evaluate and select companies in accordance with the SHIONOGI Group Procurement Policy, and at the start of business dealings, we sign contracts that include their acceptance of the SHIONOGI Group Business Partner Code

of Conduct. In fiscal 2022, we were able to obtain agreements from all new suppliers. In fiscal 2023, we will expand these initiatives to include business partners with whom we have an ongoing business relationship. In order to address social issues throughout the supply chain, we will work to obtain consent from all business partners and expand efforts for improvement.

To raise awareness of sustainable procurement, we have established and disseminate SOP that stipulate matters related to social issues, such as human rights, labor, and the environment, that employees involved in procurement operations should understand and follow. In fiscal 2022, we provided training to 74 employees involved in procurement operations.

Supplier engagement program

Suppliers that SHIONOGI engages with are selected based on the SHIONOGI Group Procurement Policy and taking into account geopolitical risks and risks specific to the industries and raw materials of our business partners. In fiscal 2022, we revised the selection process, identifying suppliers who met any of the following requirements: large transaction value, items related to antimicrobial resistance (AMR), development and manufacture of products that should continue to be supplied from the perspective of social responsibility and company management, and existence of risks related to human rights and the environment, as “significant suppliers” that are particularly necessary for the stable provision of SHIONOGI products and services to the market.

In order to efficiently conduct fairer and more objective assessments of risk assessments of these significant suppliers, we introduced EcoVadis, a rating platform for the evaluation of corporate social responsibility and sustainable procurement. In fiscal 2022, we asked 116 significant suppliers to cooperate and completed evaluations of the 100 companies that responded. In addition, in order to enhance the effectiveness of supplier engagement, we held briefings and interviews with 29 suppliers to support their human rights practices and climate change-related initiatives. In fiscal 2023, we will continue to engage suppliers who deviate from the standards set by SHIONOGI by encouraging and providing support for corrective actions.

For more information about our initiatives for supply chain management, please visit our website. <https://www.shionogi.com/global/en/sustainability/society/supply-chain-management.html>

Column Initiatives in logistics

In January 2023, we became the first in Japan’s pharmaceutical industry to jointly deliver drugs in accordance with the Good Distribution Practice (GDP) guidelines in collaboration with other pharmaceutical companies and logistics support companies. By increasing loading efficiency and reducing the number of operations through joint delivery, we aim to maintain stable pharmaceutical logistics in compliance with GDP, respond to the 2024 problem in logistics and reduce CO2 emissions.



Material Issue

Supply socially responsible products and services

It is SHIONOGI's duty as a life-related company to protect people's health by providing a stable supply of essential, high-quality products and services. In addition to establishing a system for stable supply so that stakeholders can use SHIONOGI products and services with confidence, we are also working Groupwide to provide high-quality information on quality, safety, and proper use.

Efforts to achieve stable supply

In order to ensure that the supply of products is not interrupted under any circumstances, SHIONOGI regularly assesses risks related to procurement from suppliers such as raw material manufacturers and manufacturing contractors, and takes measures such as promoting improvements, adding alternative suppliers, and establishing redundant procurement for high-risk suppliers. We have also set strict targets for product delivery indicators to strengthen our supply system so that we can deliver SHIONOGI products and services to patients and healthcare professionals in a stable manner.

In fiscal 2022, in addition to continued rising raw materials prices and logistics disruptions due to the COVID-19 pandemic and international conflicts, there were a series of problems within the industry related to the quality of pharmaceuticals. As a result, the supply-demand balance for some items was disrupted due to growing demand for replacement items, and the risk of pharmaceutical supply uncertainty became apparent. Nevertheless, we were able to prevent shortages in the market by flexibly collecting information in Japan and overseas, confirming with each supplier, reviewing production plans, and adjusting shipment volumes.

Fostering a quality culture

In recent years, there have been several incidents in Japan related to violations of legal compliance in pharmaceutical manufacturing. In order to prevent similar incidents from occurring, SHIONOGI is working to foster a quality culture including at Group companies and to advance a mindset of rigorous compliance not only within the Group but also in the supply chain.

In addition, in accordance with the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (Pharmaceuticals and Medical Devices Act), the roles and scope of responsibility

of the officer in charge are clearly defined, and training on legal compliance for SHIONOGI employees is continuously conducted under an appropriate management system based on the three-role system of Pharmaceutical Officer, Quality Assurance Supervisor and Safety Supervisor.

We conduct systematic on-site or remote audits of plants and manufacturing contractors in Japan and overseas, and conduct ad hoc audits of plants and manufacturing contractors where serious events have occurred in the past; thereby ensuring that management supervision is conducted efficiently and with a high level of quality.

Ensuring proper use and developing safety monitoring system

Based on the principles required of pharmaceutical companies to "provide information necessary for the proper use of pharmaceuticals," SHIONOGI focuses on providing and monitoring information based on scientific and objective grounds so that medical professionals can accurately understand the characteristics of SHIONOGI products.

Information provision activities by SHIONOGI that were recognized as inappropriate in the report of the Monitoring Program for Advertisement Activities for Ethical Pharmaceuticals for fiscal 2022 have been reduced. On the other hand, medical professionals have pointed out that it is difficult to obtain appropriate information in a timely

manner due to the excessive caution exercised by pharmaceutical companies in information provision.

In light of this situation, SHIONOGI examines "what constitutes appropriate information provision" from scratch, and implements an annual education program that enables organizations and employees responsible for sales information to practice appropriate information provision with confidence. Furthermore, we are focusing on initiatives to improve the efficiency of these activities through AI-based monitoring and to build a predictive and preventive healthcare compliance system.

Material Issue

Respect human rights

SHIONOGI recognizes the importance of respecting the human rights of all stakeholders in the course of its business activities. We promote initiatives that are in line with the SHIONOGI Group Human Rights Policy, which was established based on the UN Guiding Principles on Business and Human Rights (UNGPs).

Human rights due diligence

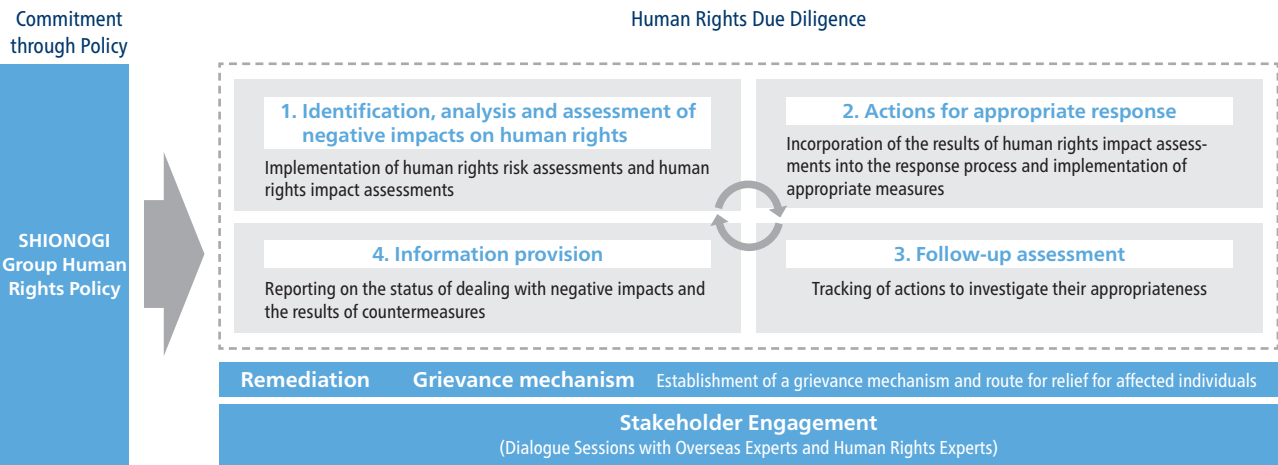
In order to promote the identification, prevention, and reduction of human rights risks, SHIONOGI conducts human rights due diligence on all businesses and narrows down the areas in which risks should be more carefully scrutinized. In fiscal 2022, as in fiscal 2021, as part of the survey on labor conditions in manufacturing areas of raw materials and materials, we conducted direct dialogue with suppliers of glass, ethanol, and aluminum, which are important items, to understand human rights issues throughout the supply chain. In addition, we conducted a survey on foreign technical intern trainees at suppliers of COVID-19-related products and confirmed that they did not have technical intern trainees. Moreover, when we recognize human rights risks that have not been identified in the course of conducting our business, we have put in

place a system that allows us to promptly share information and take countermeasures. As a specific example, in August 2022, after learning that forced labor in the manufacture of rubber gloves in Malaysia had become a problem, we promptly shared the information internally and conducted an investigation into the primary supplier from which SHIONOGI purchased rubber gloves. As a result, it was confirmed that while the product had been purchased in the past, it was not purchased or used at the time the problem was recognized. We will continue to closely monitor such developments in forced labor.

We hold dialogues with overseas human rights experts and reflect their opinions and comments on our efforts in our activities to strengthen our human rights initiatives.

For more information on our human rights initiatives, please visit our website.  
<https://www.shionogi.com/global/en/sustainability/society/respect-human-rights/human-rights-policy.html>

For the opinions and comments received in dialogue with experts, please visit our website.  
<https://www.shionogi.com/shionogi/global/en/sustainability/society/respect-human-rights.html#6>.



Compliance with the Modern Slavery Act

In September 2022, in accordance with the U.K.'s Modern Slavery Act 2015, we announced SHIONOGI's commitment to human rights in a statement. We will continue to promote initiatives for respect for human rights in accordance with the SHIONOGI Group Human Rights Policy established

based on the United Nations Guiding Principles on Business and Human Rights. By disclosing the progress of these efforts, we will demonstrate to all stakeholders SHIONOGI's stance on addressing human rights issues and put them into practice.

Protect the Environment

SHIONOGI is working to address environmental issues to realize a sustainable society through conservation of the global environment. In addition to identifying environmental material issue consisting of climate change, AMR (antimicrobial resistance), resource conservation and resource recycling, and water, we have formulated the SHIONOGI Group EHS Policy, the SHIONOGI Group EHS Code of Conduct, along with the SHIONOGI Group EHS Action Goals based on them. We are now working to reduce the environmental impacts of our corporate activities, including across the supply chain.

Ideal State		Contribution to a sustainable society through preservation of the global environment	
Issues/Needs			
Consider measures to achieve SBT and implement them	Expand climate change-related information disclosure in accordance with the TCFD framework	Promote strict controls of chemical substances, including the supply chain	Close monitoring of developments regarding biodiversity
Activities		Indicators	
<ul style="list-style-type: none"><li>Climate change<ul style="list-style-type: none"><li>Reduce greenhouse gas (GHG) emissions</li></ul></li></ul>		<ul style="list-style-type: none"><li>FY2030: 46.2% reduction for Scopes 1+2; 20% reduction for Scope 3, category 1 (FY2019 benchmark)</li><li>FY2050: Achieve zero emissions</li></ul>	
<ul style="list-style-type: none"><li>AMR<ul style="list-style-type: none"><li>Reduce the environmental impact of the antibiotic manufacturing process</li></ul></li></ul>		<ul style="list-style-type: none"><li>FY2030: Strict controls, including the supply chain (completion of audit follow-ups)</li></ul>	
<ul style="list-style-type: none"><li>Resource conservation/ circulation<ul style="list-style-type: none"><li>Reduce waste and improve recycling rates</li></ul></li></ul>		<ul style="list-style-type: none"><li>FY2030: Recycle 65% of plastic waste</li></ul>	
<ul style="list-style-type: none"><li>Water<ul style="list-style-type: none"><li>Control the volume of water resources used</li></ul></li></ul>		<ul style="list-style-type: none"><li>FY2024: Reduce the volume of water resource usage to 1,340 thousand m<sup>3</sup> or less</li></ul>	

As a corporate group that engages in business activities by investing natural capital, SHIONOGI is deeply aware of the importance of minimizing the negative environmental impacts caused by its business activities as much as possible. We are always conscious of contributing to the conservation of the natural environment and the realization of a sustainable society by efficiently using natural capital such as energy and water and purchased raw materials, providing pharmaceuticals and services, and appropriately managing and treating waste and wastewater generated in the process. With this in mind, we are strengthening

Climate change initiatives

As part of the medium- to long-term SHIONOGI Group EHS Action Targets, we have set “reduce greenhouse gas (CO<sub>2</sub>) emissions” as an indicator aimed at reducing risks related to climate change. In addition, we have set Science Based Targets (SBT) as greenhouse gas emission reduction targets for fiscal 2030 with the aim of achieving carbon neutrality by 2050, and obtained approval from the SBT Initiative in June 2021. To achieve the SBT targets for fiscal 2030, we are gradually introducing electricity derived from renewable energy sources

Environmental and Health and Safety (EHS) initiatives throughout the Group. In fiscal 2022, we revised the SHIONOGI Group EHS Policy and established the SHIONOGI Group EHS Code of Conduct, clarified SHIONOGI’s policy on the environment and the governance system to ensure its viability, and specified concrete actions to promote EHS activities. In addition, in response to the TCFD recommendations that we endorsed in March 2022, we identified climate change risks and opportunities that affect our business activities and disclosed information such as financial impact assessments.

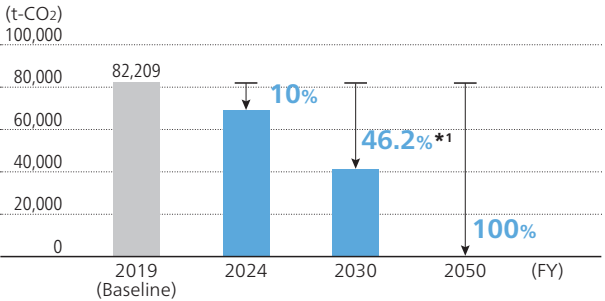
mainly at major business sites such as SHIONOGI Group plants and research laboratories, and are advancing initiatives to reduce CO<sub>2</sub> emissions. In addition to the introduction of renewable energy-derived electricity at the CMC Innovation Center in fiscal 2023, the introduction of renewable energy-derived electricity at the Pharmaceutical Research Center was completed ahead of schedule. SHIONOGI has achieved a 100% introduction rate of renewable energy-derived electricity to the main sites of research laboratories. Going forward,

we plan to promote the introduction of renewable energy-derived electricity, particularly at Shionogi Pharma’s plants, and aim to achieve a 100% introduction rate of renewable energy-derived electricity to the main sites of the SHIONOGI Group by fiscal 2030. We are also targeting an annual 1% improvement in intensity per unit of production and the

introduction of equipment with high energy consumption efficiency, as energy efficiency improvements. In response to the TCFD recommendations that we endorsed in March 2022, we identified climate change risks and opportunities that affect our business activities and disclosed information such as financial impact assessments.

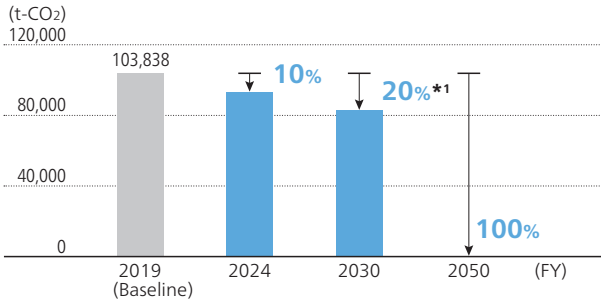
Medium to long-term targets for greenhouse gas emissions (CO<sub>2</sub>)

Our own emissions (Scope 1+2)



\*1 Targets approved by the SBT Initiative

Supply chain emissions (Scope 3 Category 1)



Information disclosures based on the TCFD recommendations

Governance

Our progress on specific measures to address climate change risks is managed by the EHS Management Secretariat. The Senior Executive Officer and Head of the Administration Division serves as the chairperson of the SHIONOGI Group Central EHS Committee and the Energy Conservation Committee as the supervisor in charge of EHS. In total, the decisions of each committee, which meet at least four times a year, are reported to the President, and matters that need to be consulted by a higher-level deliberative body are submitted to the Corporate Executive Management Meeting in advance and an institutional decision such as a resolution of the Board of Directors is obtained. In this way, we have put into place a system to enable more in-depth discussion.

Approaches to risk management and climate change scenario analysis

We assess risks and opportunities that may have a significant impact on the future business environment, including climate change, as important and likely to occur within the enterprise risk management system, and are steadily implementing countermeasures. In our climate change scenario analysis, we comprehensively identify the transition risks, physical risks, and opportunities that will affect our business activities, analyze the magnitude of the financial impact and business resilience of each item in 2030 by dividing them into the 1.5°C and 4°C scenarios with reference to the following reference sources, and then evaluate response priorities and formulate response policies and countermeasures.

- 1.5°C scenario: Average temperature remains below +1.5°C by 2100 compared to the Industrial Revolution
  - Reference climate scenarios: IEA\*<sup>2</sup>-NZE, IPCC\*<sup>3</sup>-1.5, and IPCC AR6 SSP\*<sup>4</sup>-1.9, etc.
  - More stringent measures (carbon tax, environmental regulations, etc.) are introduced, and society as a whole actively works on climate change countermeasures.
- 4°C scenario: Average temperature increases by 4°C in 2100 compared to the Industrial Revolution
  - Reference climate scenarios: IPCC AR6 SSP3-7.0/SSP5-8.5, etc.
  - Stringent measures (carbon tax, environmental regulations, etc.) are not introduced, and natural disasters become more severe and frequent (a world of consequences)

\*2 IEA stands for International Energy Agency  
\*3 IPCC stands for Intergovernmental Panel on Climate Change  
\*4 SSP stands for Shared Socio-economic Pathway

Risks and opportunities

The results of SHIONOGI’s assessment of climate change-related risks and opportunities based on scenario analysis conducted in fiscal 2022 are shown in the table on the next page. We have identified three risks and opportunities arising from climate change, which have a relatively large financial impact: (1) introduction of carbon pricing, (2) impacts on raw materials procurement due to localized extreme weather and temperature rises, and (3) sea level rise. Estimates made at the time of the assessment confirm that even if all identified risks and opportunities were to materialize, the negative financial impact on core operating profit, which had been targeted for 2030, the final year of the medium-term management plan STS2030, would be only



Protect the Environment

about 10%. In the STS2030 Revision revised in June 2023, we aim to further increase earnings compared to the initial

STS2030; thus, we judge that the resilience of our business to possible climate change scenarios is sufficiently ensured.

Assessment of climate change risks and opportunities

Categories		Main risks and opportunities	Details of assumed risks and opportunities	Financial impacts in FY2030*5	
				1.5°C scenario	4°C scenario
Transition risks	Policy	Introduction of Carbon Pricing	New regulations are put into place on manufacturing and procurement activities, such as the introduction and expansion of carbon taxes, emissions regulations, and emissions trading systems	Medium	Small
		Stricter Energy Efficiency Regulations	Energy efficiency regulations on production facilities are strengthened compared to the current Act on Promotion of Global Warming Countermeasures to reduce energy consumption intensity per unit of production by an average of 1% or more per year, resulting in additional capital investment.	Small	Small
Physical risks	Acute	Impacts on Raw Materials Procurement due to Localized Extreme Weather and Temperature Rises	Rising temperatures affect growth, yield, quality, price, etc., making it difficult to procure biological raw materials.	Medium	Medium
		Damage to Supply Chain Facilities Caused by More Severe Storm and Flood Damage	Supply chains are disrupted or shut down due to localized extreme weather (typhoons, torrential rains, etc.) and associated disasters (equipment damage, flooding, power outages, etc.)	Small	Small
	Chronic	Sea Level Rise	Plants and other business sites become inoperable due to sea level rise.	Large	Large
Opportunities	Markets	Cultivation of New Markets and Regions through R&D of New Pharmaceuticals	The technologies and know-how in pharmaceutical R&D cultivated by the SHIONOGI Group are applied to new diseases	Small	Small
		Changeover to Eco-Friendly Low-Carbon Containers and Packaging	Costs are reduced following the changeover to eco-friendly packaging materials	Small	Small

\*5 Financial impact: Large: 10 billion yen or more, medium: 1 billion yen or more to less than 10 billion yen, small: less than 1 billion yen

Identified risks	Risk response policy
Introduction of Carbon Pricing	Carbon pricing has already been introduced in some overseas countries, and the Japanese government is also considering introducing it, so it is relatively likely to be implemented in the medium term. Therefore, we will carry out medium- to long-term activities to reduce SHIONOGI's greenhouse gas emissions and mitigate risks.
Impacts on Raw Materials Procurement due to Localized Extreme Weather and Temperature Rises	As the population of horseshoe crabs decreases due to climate change, it will not be possible to procure lysate reagents made from their blood components and quality tests will not be possible, and the worst case scenario is assumed to be the suspension of shipments of some main pharmaceuticals. However, horseshoe crab conservation activities are being carried out on the reagent manufacturer's side, or even if it becomes difficult to procure lysate reagents, there are alternative reagents using genetically modified proteins. Therefore, although the long-term possibility cannot be ruled out, we judge that the probability of risk occurring in 2030 is extremely low at this time, and we accept this risk.
Sea Level Rise	The long-term trend of sea level rise due to climate change is unquestionable, and we assume that the worst case is the possibility that it will adversely affect the operations of some of SHIONOGI's major sites located in particularly low lying areas. However, the average sea level rise along the Japan coast is projected to be less than 0.2 m from 2031 to 2050. Therefore, although the long-term possibility cannot be ruled out, we judge that the probability of risk occurring in 2030 is extremely low at this time, and we accept this risk.

For details of information disclosure based on TCFD recommendations, please see our website.  
<https://www.shionogi.com/global/en/sustainability/environment/results/climate/tcf.html>

AMR

Antimicrobial resistance (AMR) is when pathogenic microorganisms such as bacteria acquire drug resistance to antimicrobials, making antimicrobials ineffective. Inappropriate use and overdose of antimicrobials are said to be major factors in AMR, but environmental emissions from antimicrobial manufacturing plants are also considered to be one of the factors that create resistant strains of bacteria. This requires countermeasures from various angles.

SHIONOGI, which has provided antimicrobials to society for many years, strictly controls the environmental emissions of antimicrobials in the manufacturing process as a natural responsibility of a company that handles antimicrobials. Since AMR is a global threat, in order to reduce the environmental impact of the antimicrobial manufacturing process, we will conduct audits on AMR not only at SHIONOGI plants that

manufacture antimicrobials, but also at suppliers of APIs and other substances. Through feedback and the implementation of and support for corrective plans, we plan to achieve appropriate management of antimicrobial emissions throughout the supply chain by 2030.

As an example of efforts to control and manage antimicrobial emissions, at the Kanegasaki Plant, which is SHIONOGI's core antimicrobial manufacturing plant, antimicrobials are inactivated in wastewater in each manufacturing building and then discharged via the wastewater treatment facility at the plant. In addition, we conduct an analysis of the concentration of antimicrobials contained in actual wastewater to confirm that the level has no impact even if it is discharged into the natural environment. Currently, we have completed confirmation that all items manufactured at Kanegasaki Plant comply

with environmental emission standards. We have also completed initial audits of all suppliers in Japan and overseas, and confirmed that five out of seven suppliers comply with environmental emission standards. We have implemented

Biodiversity

SHIONOGI recognizes that the four forms of environmental materiality identified as AMR, climate change, resource conservation and resource recycling, and water are all important matters that affect the environment that nurtures diverse organisms, and we believe that addressing these issues, including by our suppliers, over the medium to long term and striving to reduce their impacts will lead to the conservation of biodiversity.

SHIONOGI is also engaged in activities to restore rich natural environments, such as the conservation of more than 1,000 species of plants, including endangered and rare plants, at the Aburahi Botanical Garden, and the protection and restoration of endangered natural Gagome kombu (kelp) through the kelp forest restoration project.

Gagome kombu (kelp) is used as a raw material for products made by Shionogi Healthcare Co., Ltd., but in 2019 we started switching to aquaculture for raw materials, and in fiscal 2022, the changeover rate reached 50%. In fiscal 2024, we aim to fully eliminate the amount of wild Gagome kombu kelp used.

Evaluation from external stakeholders

We were the first pharmaceutical company to be certified as an Eco-First Company under the Eco-First System\*8 promoted by the Ministry of the Environment. This certification recognizes our environmental emission management of antimicrobials and responses to climate change, which SHIONOGI has been working on responsibly as a corporate group that handles infectious disease drugs, as well as the Resource Recycling Project (horizontal recycling of label mounts) of Shionogi Pharma Co., Ltd., and the Kelp Forest Restoration Project (protection of natural Gagome kombu) of Shionogi Healthcare Co., Ltd. These initiatives were evaluated as “advanced, original, and industry-leading business activities,” which is a requirement of certification.

CDP, an international non-profit organization that works on environmental information disclosure, selected SHIONOGI as an “A List Company” with the highest rating in both the fields of “climate change” and “water security.” Out of more than 10,000 companies around the world that were recognized, SHIONOGI became one of 57 companies recognized as an A List Company in both fields. In addition, for the third consecutive year, we were selected for the Supplier Engagement Leaderboard, the highest rating for supplier engagement evaluations in the field

corrective measures for the two companies whose compliance could not be confirmed, and by continuing to follow up, we will promote appropriate management of environmental emissions of antimicrobials throughout our supply chain.

Making points of contact with nature visible

Society has moved to address the issue of biodiversity in various ways, including the adoption of the Kunming-Montreal Global Biodiversity Framework\*6 at COP15 in December 2022, and the announcement of the TNFD Framework\*7 in September 2023. For both of these, companies are required to adopt the LEAP approach—that is, identify and evaluate their businesses’ reliance and impact on biodiversity and biodiversity-related risks and opportunities in their businesses and take the necessary steps to achieve sustainable consumption.

At SHIONOGI, in order to identify our reliance and impact on biodiversity, we launched on initiative to make the points of contact between our businesses and nature visible with an eye toward TNFD Framework-based disclosure. We will also use the results of this visualization analysis to continue to reinforce our activities to preserve biodiversity.

\*6 Kunming-Montreal Global Biodiversity Framework: Framework that incorporates biodiversity-related global targets that should be achieved by 2030, which are continuations of the Aichi Biodiversity Targets, global targets through 2020 adopted at COP10.  
\*7 TNFD: Taskforce on Nature-Related Financial Disclosures (TNFD) is a mechanism for evaluating the reliance on natural capital and impact on the ecosystem and for companies and financial institutions to provide that information to investors and other interested parties.

of climate change. SHIONOGI has identified “protect the environment” as a materiality to be addressed, has established the medium- to long-term SHIONOGI Group EHS Action Targets to contribute to environmental protection, is promoting activities to achieve them, and has established the SHIONOGI Group Business Partner Code of Conduct. We believe that our efforts to comply with these activities when dealing with our business partners in the supply chain with whom we collaborate were also highly evaluated.



\*8 A program in which companies pledge to the Minister of the Environment that they will undertake environmental preservation-related initiatives, which include global warming countermeasures, and waste and recycling related measures, and are then certified by the Minister of the Environment as companies who are undertaking “advanced, original, and leading business activities” in the field of the environment. (Eco-First Commitment: <https://www.env.go.jp/guide/info/eco-first/commitment.html> (Japanese only))

# Dialogue between President Isao Teshirogi and Professor Kunio Ito

— Facilitated by Ms. Yoshiko Sato —

## What Constitutes a Next-Generation Leader?

President Teshirogi sat down with Professor Ito to discuss perspectives he believes are necessary for management and outside directors in order for the Company to implement management with effective governance.



**Isao Teshirogi, Ph.D.**

Representative Director, President and CEO,  
Shionogi & Co., Ltd.



**Kunio Ito**

Director, Center for CFO Education and Research,  
Hitotsubashi University

**Sato** To achieve sustainable growth, the Company will need to develop human resources with leadership skills. What are your thoughts on sustainable succession planning for the president and other executive positions, who are leading SHIONOGI forward?

**Teshirogi** Since it is difficult for people to make decisions 100% objectively based on their own thoughts, and it is not possible for me alone to decide what kind of human resources to promote when considering the future of the Company, we have established the Nomination Advisory Committee composed mainly of outside officers. SHIONOGI established the position of Associate Corporate Officer, one rank below executive officer, two years ago. Appointments to this position are mainly for organization heads including not only those who have worked their way up the corporate ladder, but also those hired mid-career. Outside officers have the opportunity to talk with Associate Corporate Officers at least twice a year so that they can see if Associate Corporate Officers are suitable as the next corporate officers. Although it is difficult to fully understand them with only limited opportunities, we believe that it is important to continue the selection process until the end, referring to both internal and external evaluations, as a process for selecting human resources who will lead SHIONOGI in the future.

**Ito** As President Teshirogi said, people inside the Company are familiar with these candidates because they are looking at them through a lens at a close distance. The role of outside officers is to look at candidates' qualifications from a distance based on their expertise. Having both close and far evaluations increases the probability of selecting the most suitable human resources to lead SHIONOGI in the future.

**Teshirogi** In today's rapidly changing and dynamic environment, it is difficult to determine when to change over top management. I myself have already been president for 16 years, but it generally takes more than 10 years to research and develop pharmaceuticals. When my predecessor, Shiono, handed over the reins to me, he said, "If you only serve a short term of office, you will only look at the short term and not be able to make management decisions from a long-term perspective." There are benefits to serving as president for a prolonged period of time, assuming that compliance and integrity are maintained. It takes about two years just to fully understand the entire company, so it is difficult to be judged by a short term of office such as three years.

**Ito** The timing of when to change over top management is a difficult question. In the past in Japan, it was implicitly thought that if an executive's term of office were limited to four or six years, they could not damage corporate value irreparably even if there were issues in their management.

### Facilitator

**Yoshiko Sato**

Executive Managing Director and  
Chief Researcher, Japan Investor  
Relations Association



outside director. Investors have come to want it too.

**Sato** How do you think the Board of Directors of SHIONOGI has changed, including its diversity?

**Teshirogi** Although SHIONOGI has chosen to be a company with an Audit & Supervisory Board, there are almost no barriers between outside Audit & Supervisory Board Members and Directors, and they speak from the same standing. At the General Meeting of Shareholders in June 2023, the Company increased the number of outside directors by one, and the ratio of internal and external directors is currently 2:4, and 4:7 including the Audit & Supervisory Board members. In the future, I think the Company can increase the number of women and non-Japanese nationals serving as outside directors. As a representative of business execution, the head of each Business Unit participates in the Board of Directors as an observer. This includes a manager who is a foreign national, but he does not feel a language barrier at these meetings. If this kind of communication is possible, I think that outside officers who are foreign nationals will function sufficiently.

**Sato** Professor Ito, what is your ideal board of directors' style?

**Ito** To increase the number of outside officers, and more specifically to increase diversity, it is wonderful to have foreign nationals join the Board of Directors. However, it is also necessary to be aware of the continuity of discussions and avoid sudden changes, such as replacing three to four directors at a time. The purpose is to compensate for any shortfall in skills, and I doubt whether simply addressing diversity such as nationality and increasing the number of directors will increase board effectiveness.

**Teshirogi** After the official board meeting, we can obtain helpful opinions by talking honestly during informal off-site meetings. At SHIONOGI we hold informal meetings called the "outside officer and the president opinion exchange meetings" four times a year involving outside officers and myself.

**Ito** That's right. It is difficult for people in the company to give advice and change the way of thinking of top management. If people outside the company feel that top management is open to listening to the opinions of people outside the company, like President Teshirogi, I think a good cycle will be created in which people outside the company will give more advice.

**Sato** Thank you for your time today.

Now that the effectiveness of the Board of Directors has increased and the Nomination Advisory Committee has begun to function, there is no need to set a scheduled term of office if the Company's governance is working correctly. Basically, I think that a long term of office as a president is good. However, the Company must ensure that this does not negatively affect self-discipline. If the president is such person who can absorb new knowledge, experience, and surprises, such as serving as an outside director of another company, and transform in response to changes in the environment through re-skilling, I believe that the benefits of having him or her work for a long time will outweigh any negatives. In order for the president to become more self-aware objectively, constructive dialogue with the Nomination Advisory Committee is important.

**Sato** Are there people at SHIONOGI originally from outside the Company who can talk frankly about the president's ongoing tenure?

**Teshirogi** I always receive frank opinions from outside directors. The Nomination Advisory Committee begins with the question of whether or not to allow the president to renew his or her term of office. At least once a year, I receive advice from people outside the company about the positives and negatives of the president's tenure, and then I will try to fix the negative. If there is a majority of opinions consider the president no longer fit for duty, dialogue will be held to select the next president from among the candidates at that time.

**Ito** In that respect, outside directors who are members of the Nomination Advisory Committee are placed in a sensitive position. This may be a self-important way to put it, but members of the Nomination Advisory Committee also need to refine themselves. If they do not notice changes in the environment and evaluate the current president only according to old standards, the evaluation will be distorted. Outside directors also need to undergo reskilling.

**Teshirogi** You are right. It will be difficult for outside directors to continue to serve if they do not have other jobs. Based on my own experience, I would like to recommend that current CEOs be in charge of one or two outside directors.

**Ito** Even the same director can take a different stance depending on a position inside or outside the company. It is a great idea for the president or executive vice president to have the experience of standing on the other side. In the past, investors have asked if the president has that kind of time, but I think they will understand if the president contributes to the sustainable growth of the company by having valuable experiences otherwise not possible before as an



## Message from the Chairperson of the Board



**Keiichi Ando**  
Independent Outside Director

### Career History

After graduating from the Faculty of Economics at The University of Tokyo, Ando joined Sumitomo Bank Limited (now Sumitomo Mitsui Banking Corporation). He worked his way up to Representative Director and Deputy President of the Bank and then moved on to become Representative Director, President and CEO of New Kansai International Airport Company, Ltd. Ando also served as an outside director of the Company for seven years from 2016. Currently, he is an outside director of Tsubakimoto Chain Co. and an outside director of DAIHEN Corporation. In addition to practical experience as an executive of a financial institution and a wide range of knowledge in treasury and finance, as the CEO of an operating company he transformed business models and formulated and promoted growth strategies to grow the company's business value.

### As chairperson of the Board, how do you evaluate SHIONOGI's governance and challenges?

The Company has ensured a high level of corporate governance, including by strengthening supervisory functions, separating business execution, pursuing management transparency, undertaking prompt and bold decision-making, and evaluating the effectiveness of the Board of Directors. In FY2022, the Company was able to meet the expectations of society by obtaining emergency approval for the COVID-19 therapeutic drug Xocova and applying for manufacturing and marketing approval of a COVID-19 preventive vaccine. However, the environment surrounding the pharmaceutical industry is becoming increasingly severe. To continue achieving sustainable growth and further increase corporate value, the Company's top priority should be the establishment of growth drivers, such as new businesses and promising drug discovery for medium- to long-term growth. As an outside director serving on the Board of Directors, I recognize that it is increasingly important to actively commit to its business and growth strategies from various angles with a medium- to long-term perspective.

### What skills and talent should directors have to address these challenges?

Looking at the Company's future direction, which includes transformation into a Health as a Service (HaaS) company and expansion of overseas business, directors will need to analyze and recognize the management and business risks that the Company faces over the medium to long term, and thoroughly discuss growth strategies, business model transformation, and progress in anticipation of future changes in the environment. Therefore, it is important for human resources with diverse management experience, expertise, and international business experience to engage in free and vigorous discussions from a broad perspective based on their different perspectives and knowledge. In addition, as part of its corporate social responsibilities, the Company is required to manage business strategies, including contributing to the realization of a sustainable society, so I recognize that further strengthening the management system with a wider range of management personnel is also an issue for the Company's future.

### What are your impressions of the Associate Corporate Officer position established two years ago? Does it pose any challenges?

Strengthening management personnel and succession planning are the most critical issues for management. With regard to human resources who will lead the next generation, the Company is working to identify candidates for management personnel through explanations at the Board meetings and direct discussions and interviews at informal meetings of Associate Corporate Officers, and the Board of Directors receives reports on the status of human resource development and the human resource portfolio, and focuses on strengthening and developing strategic human resources.

With regard to personnel moves involving top management, in addition to the Nomination Advisory Committee, which is chaired by an outside officer, discussions between the President and outside officers involve the exchange of frank opinions, ensuring transparency and accountability in personnel affairs. From the perspective of sustainable growth and raising corporate value, the Board of Directors constantly and objectively assesses the direction, way of thinking, and execution ability to determine their suitability.

### As chairperson of the Nomination Advisory Committee, what are your expectations for the future of the Company's human resources?

The Board of Directors needs to have human resources who are fully aware of the management and business risks that the Company faces, and who can boldly take on the challenge of transforming the business model in response to changes in the environment. In particular, the pharmaceutical industry faces long-term and difficult issues such as medium- to long-term business strategies, creation of promising pipelines, and responses to patent cliffs, so a high level of management and execution skills are required. In order to transform into a HaaS company, I anticipate that the Company will build and develop a human resource portfolio that matches growth and strategic fields, strengthen its R&D capabilities (human resources), and acquire highly skilled human resources.

## Corporate Governance

### Material Issue Strengthen governance

To ensure business execution based on appropriate management decisions, SHIONOGI has strengthened the monitoring function of the Board of Directors, which deliberates on matters mainly relating to the Company's corporate philosophy, business plans, and important matters concerning business execution, by tapping into the management experience and professional knowledge of outside directors and outside auditors. This has resulted in the establishment of a framework in which each executive organization ascertains the progress of business execution related to matters for which a management decision was made and reports to the Corporate Executive Management Meeting, the Board of Directors, etc., on a timely basis.

SHIONOGI has opted to be a company with a board of corporate auditors to ensure such duties are performed in a legally compliant and smooth manner by linking the Board of Directors' oversight function, the corporate auditors' audit function, and business audits by the Internal Control Department.

### Features of SHIONOGI's corporate governance

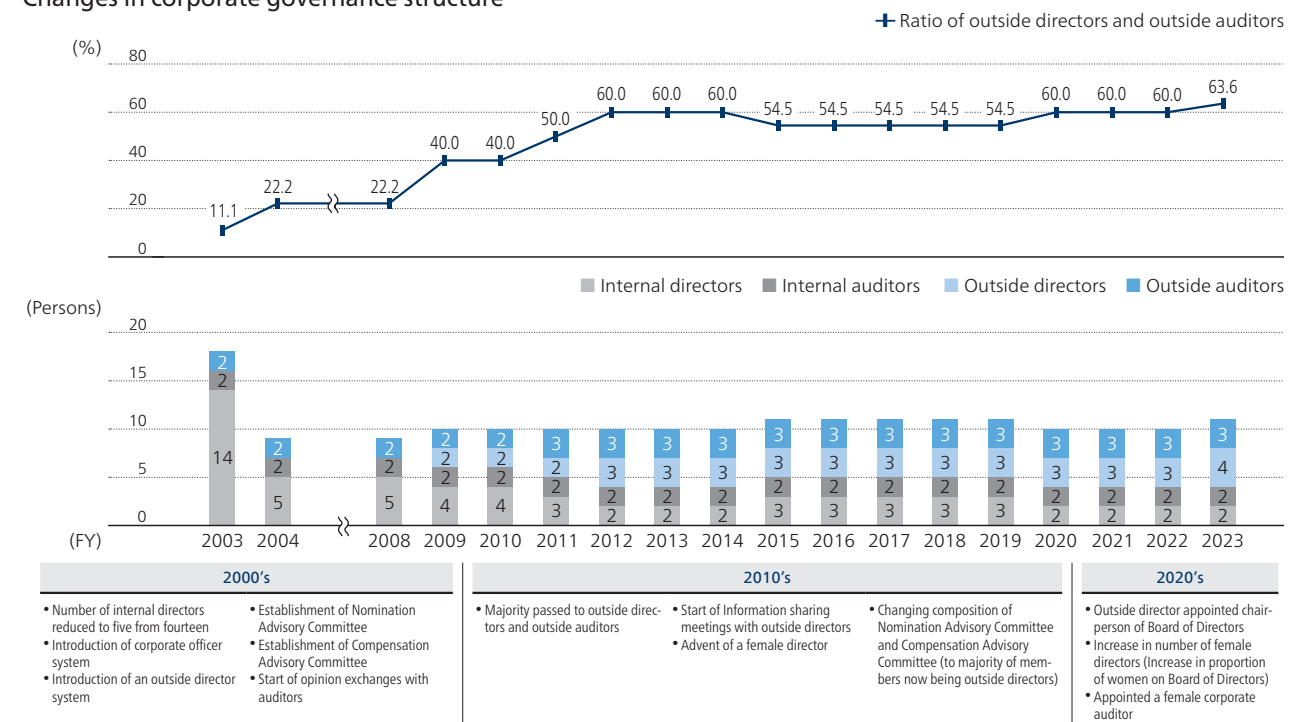
1	Consider balancing among our four types of stakeholders	SHIONOGI incorporates the perspectives of its four groups of stakeholders—customers, society, shareholders and investors, and employees—in maintaining transparent and proper business management that treats its stakeholders fairly and is responsive to the expectations of society.
2	Emphasis not only on complying but also on explaining	SHIONOGI has no plans to mechanically comply with all the items contained in the Corporate Governance Code. It is important that we always strive for the best compliance system, clearly express our thoughts about points with which we will not comply, and thoroughly discuss any differences of opinion with outsiders.
3	Diversity of the Board of Directors and Board of Auditors	To further strengthen our framework in view of the progress in our business development, SHIONOGI is building the necessary framework from the standpoint of diversity and such factors as expertise and experience. We have appointed two female directors and one female auditor, as well as directors and auditors with a wide diversity of skills and age groups.
4	Management transparency	A majority of SHIONOGI's directors and auditors are independent and outside officers, which increases the transparency of our management. Also, based on our Disclosure Policy, we continue to disclose our corporate information to all of our stakeholders in a fair, timely, and appropriate manner.

### Status of compliance with the Corporate Governance Code

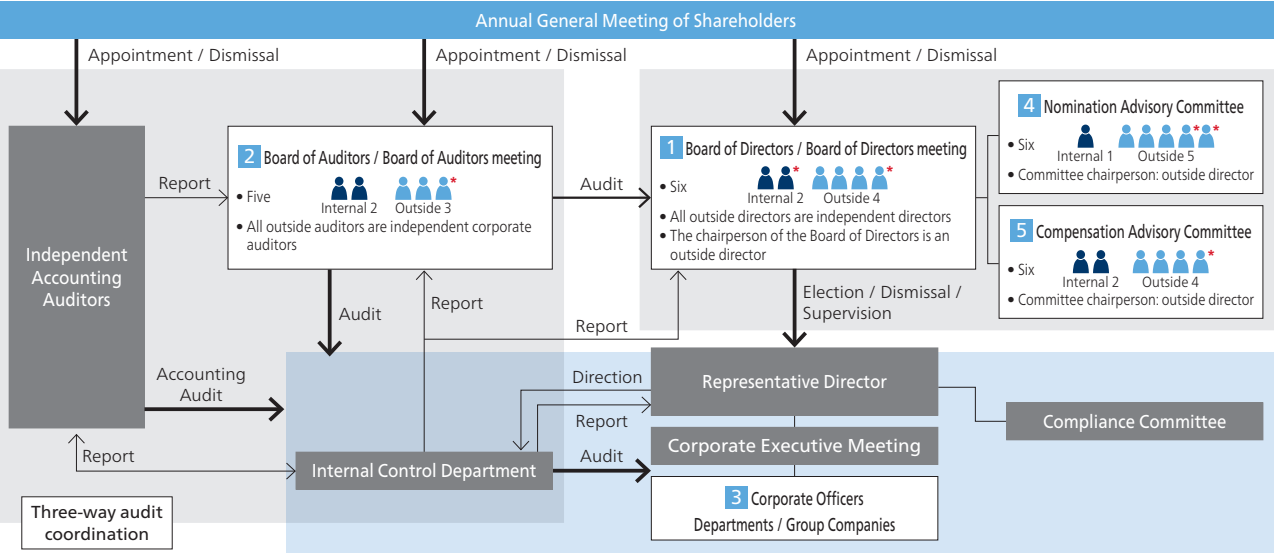
We comply with all the principles of the Corporate Governance Code. For more information, please see our Corporate Governance Report.

[https://www.shionogi.com/content/dam/shionogi/global/company/cg/basic/pdf/cg\\_report\\_en\\_202306.pdf](https://www.shionogi.com/content/dam/shionogi/global/company/cg/basic/pdf/cg_report_en_202306.pdf)

### Changes in corporate governance structure



Corporate governance structure (As of July 1, 2023)



**1 Board of Directors / Board of Directors meeting**  
At the 158th Annual General Meeting of Shareholders held in June 2023, the Board of Directors was expanded by one outside director to a six-member board in order to further enhance oversight of the directors' execution of their duties and to build more highly transparent and equitable management from the perspective of all stakeholders. Two of the six directors are women. In addition, four members of the board are independent outside directors, all of whom are aware of SHIONOGI's corporate responsibility, contributing to greater transparency in management. The Board of Directors is chaired by an independent outside director and in principle held once a month.

**2 Board of Auditors /Board of Auditors meeting**  
To ensure that the directors and each organization in SHIONOGI conduct their duties in a legally compliant and appropriate manner, the Company has established systems to enable members of the Board of Auditors and the Internal Control Department, which is responsible for conducting internal audits, to carry out audits and exchange opinions with the representative directors to take necessary measures. The Board of Auditors consists of two standing members and three outside auditors. The members of the Board of Auditors attend meetings of key management bodies, such as the Board of Directors and the Corporate Executive Management Meeting, providing their opinions as necessary. Also, in accordance with corporate auditing standards, members of the Board of Auditors conduct business and accounting audits to verify the legality and validity of the duties carried out by the directors and corporate officers responsible for business execution. They also receive regular reports from the Internal Control Department on the content of internal audits. Additionally, through exchanges of opinions, they promote cooperation among corporate auditors, the independent accounting auditors, and the internal auditing unit.

**3 Business execution framework**  
SHIONOGI has introduced an executive officer system to support dynamic and flexible business operations, enabling the Group to respond rapidly to changes in the operating environment. Business execution is conducted by 10 divisions across four organizations: the R&D Supervisory Unit, Healthcare Business Supervisory Unit, Supply Supervisory Unit, and Corporate Supervisory Unit.

- **R&D Supervisory Unit:** Research Division, Drug Development and Regulatory Science Division, Biopharmaceutical Research Division
- **Healthcare Business Supervisory Unit:** Pharmaceutical Commercial Division, Integrated Disease Care Division
- **Supply Supervisory Unit:** Global Business Division
- **Corporate Supervisory Unit:** Corporate Strategy Division, Administration Division, DX Promotion Division, Corporate Quality Assurance and Ethics & Compliance Management Division

The Corporate Executive Management Committee deliberates on important matters related to the execution of duties by each executive officer and important management matters, and is composed of internal directors, standing corporate auditors, and parties responsible for business execution. In principle, the Corporate Executive Management Committee meets once a week, and more important matters affecting management are deliberated by the committee and then decided by the Board of Directors.

**4 Nomination Advisory Committee**  
The Nomination Advisory Committee consists of the Representative Director, President and CEO, four outside directors, and one outside corporate auditor, and is chaired by an outside director. The committee reviews the skills of the Board of Directors, including outside directors, and the appointment of corporate officers. In addition, it discusses plans and status

for cultivating personnel candidates for the next batch of executive candidates, as confirmed through proposals and reports at Board of Directors meetings and opportunities for dialogue between outside directors and division heads and associate corporate officers. This committee was held twice in fiscal 2022.

**5 Compensation Advisory Committee**  
The Compensation Advisory Committee consists of the Representative Director, President and CEO, four outside directors, and one standing corporate auditor, and is chaired by an outside director. In fiscal 2022, the main topics of discussion included confirmation of compensation levels and various compensation ratios, performance evaluation of directors and corporate officers for fiscal 2021, performance evaluation indicators for fiscal 2022, and the ideal form of the executive compensation system. This committee was held twice in fiscal 2022.

**6 Outside officer and the President opinion exchange meetings**  
**7 Informal meetings with Associate Corporate Officers**  
Meetings that serve as a venue for the outside officers and the President to exchange opinions are in principle held three times per year. These opinion exchanges take place with the objective of enhancing the quality of discussions at the Board

of Directors meetings. Opinion exchange meetings are convened with outside directors, all of the corporate auditors, and the Representative Director, President and CEO in attendance, and topics for discussion include recent trends in the health-care industry and Company business, as well as plans for executive training and the status of that training. In addition, four rounds of dialogues were held between outside directors and associate corporate officers who are prospective executive officer candidates. In fiscal 2022, the number of participants, the format and frequency of the meetings were adjusted with the aim of deepening discussions, reflecting requests from outside directors based on the previous year's results.

**8 Outside officer information exchange/study sessions**  
In order to deepen understanding of SHIONOGI's business, the Standing Corporate Auditor hosts the outside officer information exchange and study sessions, which are attended by outside officers and senior management of SHIONOGI. In fiscal 2022, the sessions were held twice, once in September 2022 and once in March 2023. The topic of the September study session was "The SHIONOGI Group's R&D Strategy," where information was shared on the status of our R&D for future growth. The topic of the March study session was "status of DX promotion at SHIONOGI," where participants deepened their understanding of efforts to implement DX measures that are essential for future business expansion.

Voluntary committees/meeting activities (titles are as of July 1, 2023)

	Members	Chair/Host	Purpose	Activities in fiscal 2022
4 Nomination Advisory Committee	• Director Ando • Director Ozaki • Director Takatsuki • Director Fujiwara • Corporate Auditor Goto • President Teshirogi	• Director Ando	• Discuss and report to the Board of Directors on the selection of candidates for directors and corporate auditors, the selection of corporate officers, and the selection of associate corporate officers	• Discussed mainly the appointment of corporate officers from the perspective of balancing the expertise of the Board of Directors (including outside directors), strengthening management support organizations, and promoting research activities
5 Compensation Advisory Committee	• Director Ando • Director Ozaki • Director Takatsuki • Director Fujiwara • President Teshirogi • Standing Corporate Auditor Okamoto	• Director Ozaki	• Discuss and report to the Board of Directors on confirmation of compensation levels and various compensation ratios, performance evaluation of directors and corporate officers for the relevant fiscal year, performance evaluation indicators for the next fiscal year, and the ideal form of the executive compensation system, including stock-based compensation	• Discussed mainly confirmation of compensation levels and various compensation ratios, performance evaluation of directors and corporate officers for fiscal 2021, performance evaluation indicators for fiscal 2022, and the ideal form of the executive compensation system, including stock-based compensation
6 Outside officer and the President opinion exchange meetings	• President Teshirogi • Outside directors • All corporate auditors	• President Teshirogi	• Exchange opinions with the aim of improving the quality of discussions at Board of Directors meetings	• Discuss recent trends in the healthcare industry recent and Company business, as well as plans for executive training and the status of that training
7 Informal meetings with Associate Corporate Officers	• Outside directors • All corporate auditors • Associate corporate officers	• Board of Directors secretariat	• Cultivate executives through dialogue with associate corporate officers, who are prospective executive officer candidates	• Four meetings (October 3, October 31, November 28, and December 19, 2022)
8 Outside officer information exchange/study sessions	• Outside directors • All corporate auditors	• Standing corporate auditors	• Deepen understanding of SHIONOGI's business	• September 2022 session, topic: "The SHIONOGI Group's R&D Strategy" • March 2023 session, topic: "Status of DX Promotion at SHIONOGI"

No. of meetings held	2022										2023		
	April	May	June	July	August	September	October	November	December		January	February	March
1 Board of Directors meeting	1	1	1		1	1	2	1	1		1	1	1
2 Board of Auditors meeting		1	2	1		1	2	1	1		1		1
4 Nomination Advisory Committee	1											1	
5 Compensation Advisory Committee	1			1									
6 Outside officer and the President opinion exchange meetings					1			1				1	
7 Informal meetings with Associate Corporate Officers							2	1	1				
8 Outside officer information exchange/study sessions						1							1



Deliberations at Board of Directors meetings

Example1

Receipt of returned *Xofluza* and *Rapiacta* influenza antiviral drugs and recording expenses associated with disposal

Items reported and resolved at the Board of Directors

The following proposal from the executive side was approved by resolution. “The expiration date of ethical drugs is allowed to be extended after their market launch based on the prescribed tests, and the expiration date of products managed in company warehouses can be changed by changing the packaging, but changes after shipment are not allowed. It is difficult to predict appropriate inventory levels for the anti-influenza drugs *Xofluza* and *Rapiacta*, for which demand is influenced not only by seasonality but also epidemics. Until now, products stocked at pharmaceutical wholesalers that have reached their expiration date have been replaced with usable products of the same amount, but this method results in a certain amount of waste each year. In order to address these issues, we will accept the return of products stocked at pharmaceutical wholesalers and record a loss of ¥5.8 billion associated with the disposal of such products, as well as seek new distribution methods to achieve both a reduction in inventory volume and a stable supply at pharmaceutical wholesalers in the future.”

Main discussions

Traditional measures are unable to adjust the amount of inventory on the wholesaler side, so there is a risk that disposal amounts will increase depending on the prevailing conditions. As a company that identifies “environmental friendliness” as a material issue, SHIONOGI recognizes the correctness of this proposal in that it addresses a problem that cannot be overlooked. On the other hand, compared to other industries, the difficulty of establishing a new distribution method is high due to the difficulty of understanding inventory levels and the existence of unique business practices related to customer transactions. Any new distribution method should be well-founded both in concept and logic, and partners should be engaged in discussions about how to shape the delivery system.

Example2

Shionogi Pharma Co., Ltd.'s efforts to improve quality issues

Items reported and resolved at the Board of Directors

The following proposal from the executive side was approved by resolution. “In recent years, there have been cases in the industry where companies have been subject to administrative penalties for product quality and other problems. In addition, the SHIONOGI has also experienced incidents that, if left unchecked, could have developed into serious problems. It is based on this premise and a field investigation by Shionogi Pharma, a manufacturing group, that we propose work to improve quality issues at said subsidiary by addressing aging facilities, building an organizational culture, strengthening organizational management, and enhancing production management.”

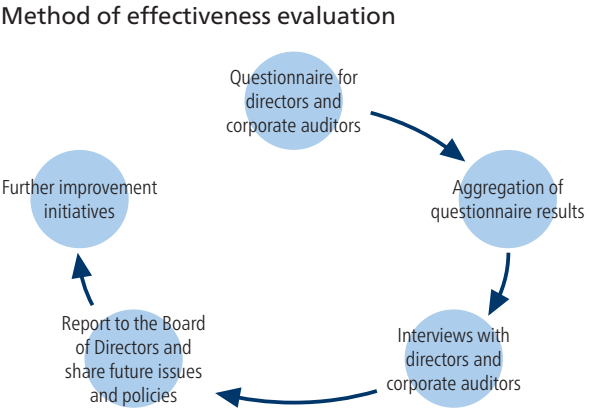
Main discussions

Harnessing digital transformation will save manpower and strengthen coordination among facilities, and maintenance will become more important in light of overall facility balance. In addition, as SHIONOGI becomes more globalized, it will be subject to an increasing number of inspections and other actions outside of Japan from authorities in various countries where it does business, so it is necessary to plan investments with an eye to the future.

While there is a strong tendency to put off dealing with aging facilities due to cost-consciousness, it necessary to establish a system for eliciting feedback from the field regarding problematic facilities. These must then be categorized into items for periodic review and other items, and to take measures such as separate budgets for important facilities.

Analysis/evaluation of effectiveness

SHIONOGI conducted a questionnaire and interviews with each director and corporate auditor from December 2022 to February 2023, analyzing these results and evaluating the effectiveness of the Board of Directors overall for fiscal 2022. This questionnaire items were focused on the items listed in (1) Framework, (3) Roles and Responsibilities, and (6) Operation under 6. Directors and the Board in the Basic Views and Guidelines on Corporate Governance published by SHIONOGI. In order to enhance the objectivity of the effectiveness evaluation in fiscal 2022, a third-party organization was used to prepare the content of the questionnaire and to conduct interviews with each director and corporate auditor.



Summary of analysis and evaluation results for fiscal 2022 and response in fiscal 2023

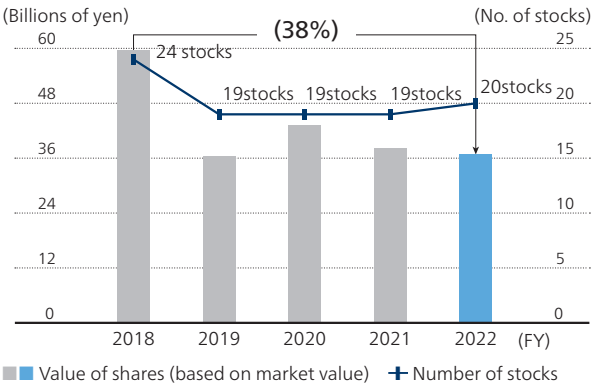
Results of fiscal 2021 evaluation	<ul style="list-style-type: none"><li>Issues identified included enhancement of reporting on non-financial information in addition to implementation of measures in line with management strategies, efficient management to enhance discussions, and enhancement of the board structure, including the succession process.</li></ul>
Response and initiative status in fiscal 2022	<ul style="list-style-type: none"><li>Measures to discussions, such as accelerating the timing of provision of materials to directors and corporate auditors and, as necessary, providing preliminary briefings on board meeting agenda items</li><li>Expanding reporting opportunities for TCFD and other sustainability activities, risk management actions, etc.</li><li>Enhancing opportunities and content of dialogues between the next batch of executive officer candidates and outside officers</li><li>Adjust the skill matrix with a view to SHIONOGI's future vision and confirming the skills of each officer</li></ul>
Results of fiscal 2022 evaluation	<p>A summary of the results of the analysis and evaluation of the overall effectiveness of the Board of Directors for fiscal 2022 is as follows:</p> <ul style="list-style-type: none"><li>Framework<p>While the necessary structure is in place in terms of diversity and various factors including expertise and experience, the need to appoint female directors and directors with expertise in overseas business was identified as an issue for the future in terms of further diversity in light of the expansion and transformation of business. In the interest of succession, the need was also mentioned for human resource development through the President's Management Seminar and the associate corporate officer system, as well as further opportunities for dialogue between outside officers and human resources who will become the next batch of corporate officers.</p></li><li>Roles and responsibilities<p>Regarding discussions at the Board of Directors, progress reports for the STS2030 medium-term business plan and enhancement of sustainability discussions were well-received. However, a number of comments also called for a revision of the medium-term business plan toward growth in the post-pandemic era in light of the launch of the COVID-19 therapeutic drug <i>Xocova</i> and COVID-19 prophylactic vaccine as well as recognition of issues and fuller discussion on the further promotion of DX and utilization of human capital.</p></li><li>Operation<p>In addition to the appropriate control of the items and time for deliberation at meetings of the Board of Directors, the implementation of preliminary briefings to stimulate discussion, improvement of presentation content, and an atmosphere conducive to free and vigorous discussion and exchange of opinions received strong evaluations. Opinions toward further improvement included greater information provision in order to enhance discussions of the Board of Directors, as well as considerations for a support system for the board.</p></li></ul>
Response in fiscal 2023	<p>Agenda items to be submitted to the Board of Directors will continue to be enhanced and a system and operations will be developed in order to facilitate the vigorous discussion necessary for SHIONOGI's sustainable growth. Our responses toward this end are as follows.</p> <ul style="list-style-type: none"><li>Consideration of the ideal state of the Board of Directors and revision of the rules of the Board of Directors</li><li>Further enhancement and utilization of the skill matrix</li><li>Agenda setting and optimization of deliberation time to ensure discussion of items of particular importance</li><li>Enhancement of support system, including further information sharing to outside officers</li><li>Improved management of roundtable meetings with associate corporate officers to develop successor human resources</li></ul>

Cross-shareholdings

Cross-shareholdings are reviewed annually by the Board of Directors to determine whether continued holding presents a business rationale. In light of the relationship with the cost of capital, SHIONOGI maintains such cross-shareholdings only when they are deemed to enhance SHIONOGI's corporate value and contribute to sustainable growth. Otherwise, we proceed with sequential sell-offs in consideration of stock prices and market trends. In fiscal 2022, the number of listed stocks held increased to 20 due to IPOs.

We will continue to fulfill our responsibilities as a shareholder by exercising our voting rights after determining whether to approve or disapprove of the proposals based on the criteria for exercising voting rights.

Trend of cross-shareholdings (Listed stock, market value)



Remuneration for directors and corporate auditors

Process for determining remuneration

The Compensation Advisory Committee deliberates carefully on the matter of officers' compensation and discusses the ideal state of and various issues concerning remuneration for direc-

tors and corporate officers, verifies the levels of compensation every year, and deliberates the compensation system and performance evaluation system for the following fiscal year.

Composition of remuneration

The targeted ratio for each type of remuneration is set at base remuneration: performance-linked remuneration\*<sup>1</sup>, etc.: non-monetary remuneration\*<sup>1</sup>, etc. = 1:1:1 on the premise that all KPIs are achieved.

\*1 Performance-linked remuneration, etc. consists of executive bonuses, and non-monetary remuneration, etc. consists of restricted stock.

1	:	1	:	1
Base remuneration		Performance-linked remuneration		Non-monetary remuneration
Determined based on the basic remuneration table according to the position and role of each director, taking into consideration the business environment and public trends.		Determined based on a calculation table based on performance, such as achievement of target profits for each fiscal year, as a short-term incentive.		Incentives to further increase the linkage with medium- to long-term business performance and to promote sustainable enhancement of corporate value for the Company's directors, excluding outside directors.

Remuneration framework

Total director remuneration is determined within limits set by resolution of the General Meeting of Shareholders. This consists of base monthly remuneration, performance-linked bonuses determined by results for the fiscal year and other factors, and since fiscal 2018, restricted stock compensation (medium-term performance-linked and long-term). Also, outside directors receive only base remuneration.

Base remuneration is determined based on the base remuneration table according to the position and role of directors with due consideration of the management environment and global trends.

Performance-linked remuneration (bonus) is paid as cash remuneration, which reflects performance indicators (core operating profit excluding sales of assets, etc., consolidated net income and other total performance evaluation as directors) to heighten the awareness of improving performance for each fiscal year. As short-term incentives, they are determined based on the calculation table according to performance such as achievement of targeted profits and other factors in each fiscal year and paid in June of each year.

Non-monetary remuneration (stock-based compensation) is granted in July of each year based on the stock-based

compensation table according to directors' rank and job responsibilities. For medium-term performance-linked stock compensation in particular, the performance evaluation will be based on the degree of achievement in fiscal 2022 for the portion to be granted in the three years from fiscal 2020 through fiscal 2022 during the STS2030 Phase 1 period (fiscal 2020 through fiscal 2024) to determine the ratio of lifting the transfer restriction (100% to 0%). Performance evaluations use such quantitative indicators as revenue, overseas net sales, core operating profit, ROE and the ranking in total shareholder return (TSR) among 12 industry peers including SHIONOGI (relative TSR) and also incorporate the status of sustainability compliance, and the status of initiatives associated with COVID-19. For fiscal 2022, we have decided to set the ratio of lifting the transfer restriction at 80% after deliberation and reflection by the Compensation Advisory Committee based on an overall assessment of external evaluations on ESG, status of compliance, and the results of activities related to COVID-19, such as the start of supply of *Xocova*, a drug for the treatment of COVID-19, and the application for approval of a vaccine. In addition, when lifting the transfer restriction, 50% of the amount of stock-based compensation, translated into the share price at the time of lifting, is paid as monetary compensation.

The Compensation Advisory Committee discusses the ratio of remuneration by type for executive directors in consideration of remuneration levels, using as its benchmark

companies that have a similar business size to SHIONOGI and are included among the relevant business types and categories. The Board of Directors, in respect of the recommendations given by the Compensation Advisory Committee, determines the details of the remuneration system, etc. so that the ratio of remuneration by type is in line with the recommendations. The policy for determination thereof is set in accordance with the separately defined "Policy for Determination of Details of Individual Remuneration, etc. for Directors" in our Corporate Governance Report p.12\*<sup>2</sup>. In addition, pursuant to the resolution at the Board of Directors meeting held on February 22, 2021, it is considered appropriate that base remuneration and individual bonus amounts, etc. are evaluated and determined by a person who bears the ultimate management responsibility, and thus, such evaluation and determination are entrusted to the Representative Director, President and CEO. The Compensation Advisory Committee deliberates the policy and criteria for the entrustment and provides the Board of Directors with the results as recommendations for their resolution, and the Representative Director, President and CEO, to whom such determination is entrusted, shall make decisions in accordance with said recommendations and the abovementioned resolution by the Board of Directors.

\*2 Corporate Governance Report  
[https://www.shionogi.com/content/dam/shionogi/global/company/cg/basic/pdf/cg\\_report\\_en\\_202306.pdf](https://www.shionogi.com/content/dam/shionogi/global/company/cg/basic/pdf/cg_report_en_202306.pdf)

Actual remuneration

Actual remuneration for fiscal 2022 was as follows.

		Total amount of remuneration for Directors and Corporate Auditors (fiscal 2022)			
		(Millions of yen)			
Category	Persons	Total amount of remuneration, etc. by type			
		Base remuneration	Performance-linked remuneration* <sup>3</sup>	Non-monetary remuneration* <sup>4</sup>	Total
Directors (of which Outside Directors)	5 (3)	207 (57)	182 (—)	126 (—)	516 (57)
Corporate Auditors (of which Outside Corporate Auditors)	5 (3)	124 (54)	— (—)	— (—)	124 (54)
Total	10	332	182	126	640

		Total consolidated remuneration, etc. by director (fiscal 2022)			
		(Millions of yen)			
Name	Position	Total amount of remuneration, etc. by type			
		Base remuneration	Performance-linked remuneration* <sup>3</sup>	Non-monetary remuneration* <sup>4</sup>	Total
Isao Teshirogi	Director	93	112	86	292
Takuko Sawada	Director	57	70	39	166

\*3 The amount of "Performance-linked remuneration, etc." above is the amount of provision for Directors' bonuses for the fiscal year.  
\*4 The amount of "Non-monetary remuneration, etc." above is the amount recorded as an expense in the fiscal year.



Skills required of directors and the Board of Directors

In order to achieve the growth set forth in the STS2030 Revision, SHIONOGI is taking action under three pillars: 1) further growth of the HIV business, 2) growth of COVID-19 therapeutics, and 3) expansion of new products and businesses. In executing these key strategies, in order to enhance the Board of Directors’ oversight function over business execution, increase the speed and transparency of decision-making, and ensure equitable management, it is necessary to augment the skills required of a Board of Directors and its directors for traditional pharmaceutical companies. These skills should be augmented with the skills needed to work with business partners as a HaaS company to create value that diverges from that of traditional pharmaceutical companies, and to promote the

creation and global provision of that value. Therefore, after reviewing the skills listed so far and considerations at the Nomination Advisory Committee, the Board of Directors passed a resolution in May 2023 to redefine the skill matrix based on what SHIONOGI wants to be in the future. In addition, the Company confirmed which skills each director and corporate auditor possesses.

Going forward, we will continue to study paths toward greater skill sufficient, including by clarifying skill definitions, in order to improve the plausibility and transparency in the selection of officers and to use these in the training of human resources who will become future officer candidates.

need to cultivate successor candidates in a multifaceted fashion based on the vision for the future SHIONOGI. To this end, we have established opportunities for dialogue between outside officers and associate corporate officers, who are prospective executive officer candidates, to identify talent from an early stage. Candidate information is also checked at opinion exchanges between the President and outside officers at the meeting (the aforementioned outside officer and the President opinion exchange meetings). Based on these

exchanges, the Nomination Advisory Committee holds its own discussions, where a great deal of advice is provided by outside directors and outside corporate auditors. In fiscal 2022, four associate corporate officers were newly appointed as corporate officers. In addition, we continue to provide education to human resources who meet successor requirements through the President’s Management Seminar, taught directly by the President who trains executives with strong leadership and enthusiasm.

Succession plan

SHIONOGI regards the selection of its executives as one of the most important decisions of the Board of Directors. In an era

of rapid changes in the external environment, the criteria for evaluating candidates also change, and we recognize the

Officer training

SHIONOGI provides opportunities for directors and corporate auditors to acquire the knowledge necessary to fulfill their roles and responsibilities, and to provide management information on business, finance, organizations, etc., as needed, so that they can express opinions and make proposals with complete candor. In addition, we provide and mediate training opportunities and assist with their costs as needed.

Furthermore, the Company continues to hold outside officer

and the President opinion exchange meetings as well as outside officer information exchange/study sessions. In fiscal 2022, the Company held study sessions on the Group’s R&D strategy and DX initiatives, as well as roundtable discussions with associate corporate officers who are candidates for executive positions, in order to deepen understanding of the business through collaboration and information exchange among outside officers and between outside officers and executives.

Skill matrix (as of September 30, 2023)

	Name	Number of years in post	FY2022 attendance				Skills										
			Board of Directors	Nomination Advisory Committee	Compensation Advisory Committee		Corporate management/ Management strategy	Finance/ Accounting/ Taxation	Law/Compliance/ Intellectual property	Science/ Technology/ Innovation	Sales/Marketing	Manufacturing/ Quality/Supply chain	Global business	Personnel and labor affairs/ Human capital development/D&I	Corporate governance	Risk management	SDGs/ Sustainability
Directors	Representative Director, President and CEO	Isao Teshirogi, Ph.D. (63/Male)	21years	12/12 (100%)	2/2 (100%)	2/2 (100%)		●		●	●	●	●		●	●	●
	Director and Vice Chairperson of the Board	Takuko Sawada (68/Female)	8years	12/12 (100%)	—	—		●			●	●		●	●	●	●
	Independent Outside Director	Keiichi Ando (71/Male)	7years	12/12 (100%) Chairperson	2/2 (100%) Chairperson	2/2 (100%)		●	●				●	●	●	●	●
	Independent Outside Director	Hiroshi Ozaki (73/Male)	4years	12/12 (100%)	2/2 (100%)	2/2 (100%) Chairperson		●			●	●	●		●	●	●
	Independent Outside Director	Fumi Takatsuki (48/Female)	3years	12/12 (100%)	2/2 (100%)	2/2 (100%)				●			●	●	●	●	●
	Independent Outside Director	Takaoki Fujiwara* (71/Male)	—	12/12 (100%)	2/2 (100%)	—		●				●		●	●		●

\* Mr. Takaoki Fujiwara’s listed attendance of Board of Directors meetings is from his tenure as a corporate auditor.

Auditors	Name		Number of years in post	FY2022 attendance					Skills										
				Board of Directors	Board of Auditors	Nomination Advisory Committee	Compensation Advisory Committee		Corporate management/ Management strategy	Finance/ Accounting/ Taxation	Law/Compliance/ Intellectual property	Science/ Technology/ Innovation	Sales/Marketing	Manufacturing/ Quality/Supply chain	Global business	Personnel and labor affairs/ Human capital development/D&I	Corporate governance	Risk management	SDGs/ Sustainability
	Standing Corporate Auditor	Akira Okamoto (68/Male)	8years	12/12 (100%)	11/11 (100%)	—	2/2 (100%)				●		●			●	●	●	●
	Standing Corporate Auditor	Ikuo Kato (69/Male)	7years	12/12 (100%)	11/11 (100%)	—	—		●		●	●					●	●	●
	Independent Outside Auditor	Tsuguoki Fujinuma (78/Male)	4years	12/12 (100%)	11/11 (100%)	—	—			●	●				●		●	●	●
	Independent Outside Auditor	Shuichi Okuhara (55/Male)	3years	12/12 (100%)	11/11 (100%)	—	—		●	●		●				●	●		
	Independent Outside Auditor	Yoriko Goto (64/ Female)	—	—	—	—	—		●	●					●	●	●	●	●





Directors

1 Isao Teshirogi, Ph.D. 68,050 shares  
Representative Director, Chairman and President and CEO

April	1982	Joined the Company
January	1999	General Manager, Secretary Office and General Manager, Corporate Planning Department
June	2002	Director of the Company
October	2002	General Manager, Corporate Planning Department
April	2004	Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division
April	2006	Senior Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division
April	2007	Senior Executive Officer
April	2008	Representative Director and President of the Company
June	2021	Outside Director of Sumitomo Mitsui Banking Corporation (incumbent)
March	2022	Outside Director of AGC Inc. (incumbent)
July	2022	Representative Director, President and CEO of the Company (incumbent)

Major concurrent posts:  
Outside Director of Sumitomo Mitsui Banking Corporation  
Outside Director of AGC Inc.

2 Takuko Sawada 45,600 shares  
Director and Vice Chairperson of the Board

April	1977	Joined the Company
April	2002	Executive General Manager, Pharmaceutical Development Division
April	2007	Officer and Executive General Manager, Pharmaceutical Development Division
April	2010	Executive Officer and Executive General Manager, Pharmaceutical Development Division
April	2011	Senior Executive Officer and Executive General Manager, Global Development Office
April	2013	Senior Executive Officer and Senior Vice President, Global Development Office and, Pharmaceutical Development Division
April	2014	Senior Executive Officer and Senior Vice President, Global Pharmaceutical Development Division
April	2015	Senior Executive Officer and Senior Vice President, Corporate Strategy Division
June	2015	Director of the Company and Senior Executive Officer and Senior Vice President, Corporate Strategy Division
October	2015	Senior Executive Officer and Senior Vice President, Corporate Strategy Division, and General Manager, Corporate Planning Department
April	2016	Senior Executive Officer and Senior Vice President, Corporate Strategy Division
April	2018	Director of the Company and Executive Vice President
April	2020	Director of the Company and Executive Vice President and Senior Vice President of Integrated Disease Care Division
July	2022	Director and Vice Chairperson of the Board (incumbent)
June	2023	Outside Director of Konica Minolta Inc. (incumbent)

Major concurrent posts:  
Outside Director of Konica Minolta Inc.

3 Keiichi Ando 0 shares  
Independent Outside Director

April	1976	Joined Sumitomo Bank Limited (now Sumitomo Mitsui Banking Corporation)
April	2003	Executive Officer, Sumitomo Mitsui Banking Corporation
April	2006	Managing Executive Officer, Sumitomo Mitsui Banking Corporation
April	2009	Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation
April	2010	Representative Director and Deputy President and Executive Officer, Sumitomo Mitsui Banking Corporation
April	2012	Representative Director and President, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD.
July	2012	Representative Director and President and CEO, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD.
June	2016	Outside Director of the Company (incumbent)
June	2016	Representative Director and President, GINSEN CO., LTD.
June	2017	Outside Director of Tsubakimoto Chain Co. (incumbent)
June	2019	Outside Director of DAIHEN Corporation (incumbent)

Major concurrent posts:  
Outside Director, Tsubakimoto Chain Co.  
Outside Director of DAIHEN Corporation

4 Hiroshi Ozaki 0 shares  
Independent Outside Director

May	1972	Joined Osaka Gas Co., Ltd.
June	2000	Director, Osaka Gas Co., Ltd.
June	2002	Director and Tokyo Representative, Osaka Gas Co., Ltd., on loan to the Japan Gas Association
June	2005	Managing Director and General Manager of LNG Terminal and Power Generation Business Unit, Osaka Gas Co., Ltd.
June	2007	Managing Director and General Manager of Commercial & Industrial Energy Business Unit, Osaka Gas Co., Ltd.
April	2008	Representative Director and President, Osaka Gas Co., Ltd.
June	2008	Director, Osaka Gas Chemicals Co., Ltd.
June	2009	Representative Director and President, Operating Executive Officer, Osaka Gas Co., Ltd.
June	2009	Director of OGIS-RI Co., Ltd.
June	2011	Outside Director of Asahi Broadcasting Corporation (now Asahi Broadcasting Group Holdings Corporation)
April	2015	Representative Director and Chairman, Osaka Gas Co., Ltd.
June	2019	Outside Director of the Company (incumbent)
January	2021	Director and Senior Advisor, Osaka Gas Co., Ltd.
June	2021	Senior Advisor, Osaka Gas Co., Ltd. (incumbent)
June	2021	Outside Director, The Royal Hotel Ltd. (incumbent)

Major concurrent posts:  
Outside Director, The Royal Hotel, Ltd.

5 Fumi Takatsuki 0 shares  
Independent Outside Director

October	2000	Registration of Attorney at Law
October	2000	Joined Oike Law Offices
December	2003	Joined Anderson Mori & Tomotsune Law Offices
February	2004	Service at Beijing Office of Anderson Mori & Tomotsune Law Offices
April	2006	Joined Oh-Ebashi LPC & Partners
January	2009	Partner of Oh-Ebashi LPC & Partners (incumbent)
June	2020	Outside Director of the Company (incumbent)
June	2023	Outside Corporate Auditor of Sankyo Seiko Co., Ltd. (incumbent)

Major concurrent posts:  
Partner of Oh-Ebashi LPC & Partners  
Outside Corporate Auditor, Sankyo Seiko Co., Ltd.

6 Takaoki Fujiwara 0 shares  
Independent Outside Director

April	1975	Joined Hanshin Electric Railway Co., Ltd.
June	2005	Director, Hanshin Electric Railway Co., Ltd.
June	2007	Managing Director, Hanshin Electric Railway Co., Ltd.
April	2011	Representative Director and President, Hanshin Electric Railway Co., Ltd.
June	2011	Director, Hankyu Hanshin Holdings, Inc.
April	2015	Chairman and Representative Director, Hanshin Hotel Systems, Co., Ltd.
April	2017	Chairman of the Board of Directors and Representative Director, Hanshin Electric Railway Co., Ltd.
June	2017	Representative Director, Hankyu Hanshin Holdings, Inc.
June	2017	Outside Director, Sanyo Electric Railway Co., Ltd.
December	2017	Director, Hanshin Hotel Systems Co., Ltd.
June	2018	Outside Corporate Auditor of the Company
April	2023	Advisor of Hanshin Electric Railway Co., Ltd. (incumbent)
June	2023	Outside Director of the Company (incumbent)

Auditors

7 Akira Okamoto 6,657 shares  
Standing Corporate Auditor

April	1978	Joined the Company
April	2006	General Manager, Business Support Center
April	2007	General Manager, General Affairs & Personnel Department
April	2008	General Manager, Human Resources Department
April	2011	General Manager, Internal Control Department
June	2015	Standing Corporate Auditor of the Company (incumbent)

8 Ikuo Kato 0 shares  
Standing Corporate Auditor

October	1988	Joined the Company
April	2007	General Manager, Development Research Laboratories
April	2010	General Manager, Drug Development Research Laboratories
September	2010	General Manager, Drug Development Research Laboratories and Representative Director and President, Shionogi TechnoAdvance Research & Co., Ltd.
April	2013	General Manager, Drug Development Research Laboratories and Representative Director and Chairman, Shionogi TechnoAdvance Research & Co., Ltd.
April	2014	Representative Director and Chairman, Shionogi TechnoAdvance Research & Co., Ltd.
June	2016	Standing Corporate Auditor of the Company (incumbent)

Number of the Company's share owned

9 Tsuguoki Fujinuma 1,000 shares  
Independent Outside Auditor

April	1969	Joined Horie Morita Accounting Firm
June	1970	Joined Arthur & Young Accounting Firm
May	1986	Partner and Representative Partner of Asahi Shinwa Accounting Firm (now KPMG AZSA LLC)
July	1993	Managing Partner of Ota Showa & Co. (now Ernst & Young ShinNihon LLC) (Resignation in June 2007)
May	2000	President of the International Federation of Accountants
July	2004	Chairman and President of the Japanese Institute of Certified Public Accountants
February	2005	Trustee and Vice Chairman of the IFRS Foundation Trustees
July	2007	Advisor of the Japanese Institute of Certified Public Accountants (incumbent)
August	2007	Outside Director of Tokyo Stock Exchange Group (now Japan Exchange Group), Inc.
October	2007	Governor of Tokyo Stock Exchange Regulation (now Japan Exchange Regulation)
April	2008	Specially appointed Professor of Chuo Graduate School of Strategic Management
June	2008	Outside Corporate Auditor of Sumitomo Corporation
June	2008	External Outside Corporate Auditor of Takeda Pharmaceutical Company Limited
June	2008	Outside Director of Nomura Holdings, Inc.
June	2008	Outside Director of Nomura Securities Co., Ltd.
July	2008	Outside Director of Sumitomo Life Insurance Company
April	2010	Visiting Professor at Kansai University (incumbent)
May	2010	Outside Corporate Auditor of Seven & i Holdings Co., Ltd.
April	2015	Fellow (incumbent) and Advisory Board Member at Chuo University Business School
July	2017	Auditor, Chiba Gakuen (incumbent)
June	2018	Chairman, Association of Certified Fraud Examiners (AFCE Japan) (incumbent)
June	2019	Outside Corporate Auditor of the Company (incumbent)
June	2023	Councilor of Association of Certified Fraud Examiners Japan (incumbent)

Major concurrent posts:  
Auditor, Chiba Gakuen

10 Shuichi Okuhara 0 shares  
Independent Outside Auditor

April	1994	Joined Andersen Consulting Co., Ltd. (now Accenture Japan Ltd.)
January	1998	Joined Nippon Venture Capital Co., Ltd.
June	2008	Director and Investment manager of Nippon Venture Capital Co., Ltd.
April	2009	Representative Director and President of Nippon Venture Capital Co., Ltd.
June	2019	Representative Director and Chairman of Nippon Venture Capital Co., Ltd. (incumbent)
June	2020	Outside Corporate Auditor of the Company (incumbent)

Major concurrent posts:  
Representative Director and Chairman of Nippon Venture Capital Co., Ltd.

11 Yoriko Goto 0 shares  
Independent Outside Auditor

November	1983	Joined Deloitte Haskins and Sells International (now Deloitte Touche Tohmatsu LLC)
June	1996	Partner of Deloitte Touche Tohmatsu Limited (now Deloitte Touche Tohmatsu LLC)
June	2007	Japan Leader of Global Financial Services Industry, Deloitte Touche Tohmatsu Limited
October	2010	Managing Partner of Financial Services Industry, Deloitte Touche Tohmatsu LLC
October	2013	Member of Executive Committee of Deloitte Touche Tohmatsu LLC and Member of Board of Deloitte Touche Tohmatsu Limited
June	2018	Chairperson of the Board of Deloitte Touche Tohmatsu LLC and Deloitte Tohmatsu Group, and Member of Board of Deloitte Touche Tohmatsu Limited
November	2018	Member of Board of Deloitte Asia Pacific Limited
October	2022	President of Yoriko Goto CPA Office (incumbent)
October	2022	Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation (incumbent)
June	2023	Outside Corporate Auditor of the Company (incumbent)

Major concurrent posts:  
(Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation

Corporate Officers

Senior Executive Officers

Koji Hanasaki, Ph.D.  
John Keller, Ph.D.  
Toshinobu Iwasaki, Ph.D.  
Noriyuki Kishida

Kazuhiro Hatanaka  
Ryuichi Kiyama, Ph.D.  
Yasuyoshi Isou, Ph.D.

Corporate Officers

Takeshi Shiota, Ph.D.  
Akira Kato, Ph.D.  
Tatsumori Yoshida  
Masashi Deguchi, Ph.D.  
Yasunori Aoyama, Ph.D.

Yousuke Miharu  
Takeki Uehara, Ph.D.  
Yoshinori Yurugi  
Satoru Yoshimoto





Ensure Compliance

In the SHIONOGI Group Charter of Conduct and the SHIONOGI Group Compliance Policy, SHIONOGI defines compliance as “indispensable for the survival and development of a company” and as “not limited to compliance with laws, rules, and regulations, but also includes compliance with social norms and ethical behavior as a company and as a member of society”. All officers and employees comply strictly with these policies.

Ideal State	Earning the trust of stakeholders by fulfilling social responsibilities
Needs/Issues	
Preventing reputation damage triggered by noncompliance	
<ul style="list-style-type: none"><li>Unify global compliance standards.</li><li>Visualize compliance activities in each supervisory unit, division, department, and group company.</li><li>Establish a compliance culture consistent with the Company Policy of SHIONOGI.</li></ul>	
Initiatives	Indicators
<ul style="list-style-type: none"><li>Strengthening our compliance system in Japan</li></ul>	<ul style="list-style-type: none"><li>We hold Compliance Committee meetings for all companies, including Group companies in Japan, four times a year. In addition, each supervisory unit holds its own Compliance Committee meetings four times a year.</li><li>To promote more effective initiatives, we have uniformly assigned the role compliance manager of each division and group company to the corresponding general manager or group company president, and the role of compliance promoter in each department to its head.</li></ul>
<ul style="list-style-type: none"><li>Strengthening collaboration with compliance promotion departments in Japan and overseas</li></ul>	<ul style="list-style-type: none"><li>Interviewed all compliance promoters and managers regarding compliance activities, etc.</li><li>Established Global Compliance &amp; Quality Week as an opportunity for all employees to think about compliance and quality.</li><li>Revised global rules for amounts of reimbursement to healthcare professionals.</li><li>Media response training for corporate officers to deal with an event of a major violation.</li><li>Harassment prevention training at the three levels of management, managers, and general employees.</li><li>Information security education.</li><li>Anti-bribe and anti-corruption education.</li><li>Education on compliance and the internal reporting system.</li></ul>
<ul style="list-style-type: none"><li>Employee training</li></ul>	<ul style="list-style-type: none"><li>Number of calls to the reporting desk (n=75).</li><li>Implementation of compliance surveys that include engagement surveys.</li></ul>
<ul style="list-style-type: none"><li>The Internal Reporting System</li><li>Compliance awareness surveys</li></ul>	

Raising compliance awareness

At SHIONOGI, we regard compliance as the cornerstone of all our activities, and we urge each and every officer and employee to understand its importance and to ensure that they act in compliance with it. As we move toward the realization of the STS2030 Revision, there are more and more opportunities than ever before to collaborate with different industries, and we are increasingly faced with difficult decisions in terms of compliance that we have not experienced in the past. In this changing environment, compliance promotion activities must be implemented consistently in accord with company policies in each workplace, so that each employee can think for themselves about what is expected of them by those around them, and do the right thing. In FY2022 we established compliance committees in each supervisory unit in order to implement more detailed compliance activities in each value chain that are better aligned with the actual situation on-site

and in reality. As a result, in addition to compliance risks that demand compliance across all companies, we have identified compliance risks specific to each of the four supervisory units, and established response policies to deal with each risk. Compliance committees in all companies receive reports on initiatives by each supervisory unit, and discuss group-wide compliance issues, leading to the formulation and implementation of countermeasures. In addition, until now the head of each department has been responsible for appointing the compliance promoters for their own organization, but we have now changed the system to one in which the head of the department is the compliance promoter. This reform fosters compliance culture in each organization and makes our activities more effective. We will continue to promote the importance of compliance at SHIONOGI to all employees and nurture a stronger compliance culture.

Risk Management

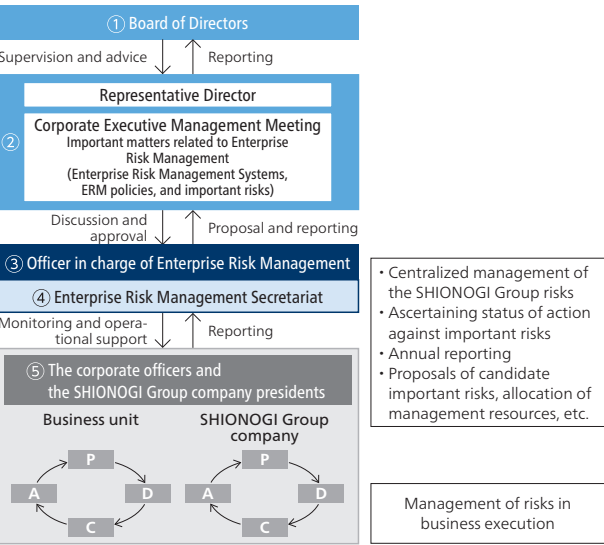
As the transformation of society picks up pace, uncertainties that impact business strategies and the results of those strategies continue to grow more diverse and complex. Appropriately managing risks both within and outside the Group is necessary for SHIONOGI to achieve the transformation envisioned in STS2030 Revision and generate further growth. To further strengthen our resilience, we foster a risk culture by strategically managing both offensive and defensive risks.

Promoting risk management system

At SHIONOGI, our enterprise risk management (ERM) system, a system for coordinating risk management throughout the Group, is an important mechanism for both the corporate strategy and management foundation. The implementation and management of company-wide risk management is based on SHIONOGI and Group companies not only ascertaining and evaluating risks taking into consideration their probability and impact on Group management but also taking the lead in implementing responses based on the Risk Management Plan deliberated on and approved by the Corporate Executive Meeting and Board of Directors. ERM consists of compiling risk information from throughout the Group, reporting on such issues as the state of the response to the Corporate Executive Meeting and Board of Directors, receiving

the opinions and advice of directors and auditors, and reflecting that in improvement initiatives In fiscal 2022, we revised the SHIONOGI Group Enterprise Risk Management Policy, introduced the ERM system, and improved the efficiency of integrated management and monitoring of company-wide risks. In addition, we provide education on the basics of ERM to spread understanding of ERM to all employees and education for the heads of each organization that promotes risk management at workplaces so that ERM is properly implemented. We also offer newly appointed auditors education on the ERM system and ERM policies and SHIONOGI Group's risks, and work to create an environment that fosters active discussions of risk management at all levels of the company, from the workplace to Board of Directors.

Risk management structure



Crisis and incident management

When a crisis occurs, we place the highest priority on protecting people's lives and ensuring safety, and then quickly implement measures to minimize and prevent a repeat of the crisis, and maintain the business. Therefore, we are improving effectiveness by resolving problems with systems, procedures, and related rules uncovered during business continuity plan (BCP) training. We have created a system to deal with incidents. In this system

the management team is quickly provided with relevant information, and the responsible people in the organizational unit in which the incident occurred and the business site collaboratively respond to the incident. To create this type of system, we foster a “bad news fast/first” culture that quickly reports negative news and conduct mock-crisis training for corporate officers and more senior management.

Main business risks

At SHIONOGI, we categorize risks that could have a material impact on performance and business as either “business strategy-related risks,” risks inherent in strategic decision-making, or that could hinder the implementation of the strategy, or “business execution-related risks,” risks that impact business execution that support business targets; assign each risk a risk owner; and promote response plans to leverage uncertainty as an opportunity or mitigate the risk. The Corporate Executive Meeting conducts a regular (around twice a year) check of progress in responding to each risk and implements corrections and improvements.

The following table shows the important risks we are aware of currently. In addition to these risks, we identified risks that could impact SHIONOGI’s performance or business, which include litigation, natural disasters and pandemics, and financial market and exchange rate trends, and are moving forward with a response to each risk. The following, however, are not all the risks that SHIONOGI faces.

1. Summary of business strategy–related risks

	Risk summary	Main response
Global growth, centered on the infectious disease field	By dividing the infectious disease field into “infectious diseases that require long-term treatment,” “vaccines,” and “acute diseases,” we are working to transform each into a sustainable business that is part of the whole disease field through a different strategy for each sub-field. We are undertaking not only business activities, such as development, filing for and obtaining approval, marketing, and sales in Europe, the U.S., and Asia, but also health improvement activities, including expanding into low- and middle-income countries. Even so, if initially envisioned development plans and marketing strategies are delayed or fail or we are unable to create expected future therapeutic drugs or vaccines or generate related earnings, this could have a material impact on performance.	<ul style="list-style-type: none"><li>• Promote the sale and proper use of acute respiratory infection therapeutic drugs</li><li>• Develop acute respiratory infection vaccines</li><li>• Research and develop long-acting HIV therapeutic/prophylactic drugs</li><li>• Research and develop new treatments for such diseases as malaria, tuberculosis, and nontuberculous mycobacterial infection</li><li>• Expand sales of the multidrug-resistant Gram-negative bacterial infection treatment cefiderocol</li><li>• Create products and services that achieve total care for infectious diseases</li><li>• Develop and file for approval of core products overseas and further expand the overseas manufacturing, distribution, and marketing system</li><li>• Negotiate with government and regulatory authorities of various countries regarding such issues as stockpiles and the expansion of subscription-type reimbursement model</li><li>• Improve healthcare access in low- and middle-income countries</li></ul>
Pipeline expansion	Researching and developing pharmaceuticals requires extensive time and massive investments, and because there is the possibility candidate pharmaceuticals will not have the expected efficacy or receive approval, it is necessary to obtain new modalities and employ outside networks to create an attractive pipeline. We must also foster businesses other than the pharmaceutical business and balance those businesses in order to transform our business model, which overemphasizes earnings from patents.	<ul style="list-style-type: none"><li>• Take on the challenge of new modalities and technologies</li><li>• Promote manufacturing through co-creation with outside parties</li><li>• Actively invest in growth drivers, such as in-licensing</li><li>• Develop human resources to ensure leading R&amp;D capabilities</li><li>• Maintain a high internally-discovered pipeline ratio</li><li>• Develop innovative treatment options not limited to therapeutic drugs</li><li>• Develop services necessary to create an environment in which all people can actively participate</li></ul>
Human capital management	To achieve growth through transformation, it is necessary for SHIONOGI to become a community of human resources with exceptional strengths, and therefore, we focus on human capital management. Obstacles, such as failures related to measures and capturing human resources, could undermine this transformation and have a material impact on performance.	<ul style="list-style-type: none"><li>• Reinforce mid-career hiring</li><li>• Reform the HR system</li><li>• Implement workstyle reforms so that various types of people can actively participate</li><li>• Hold events that welcome and praise challenges</li></ul>
Digital transformation	We are implementing a digital transformation (DX) to accelerate decision-making and create new value. If DX initiatives falter, this could have a material impact on not only performance but also increase in corporate value.	<ul style="list-style-type: none"><li>• Build global IT foundation</li><li>• Transform our business models and operations using AI</li><li>• Develop software as medical device (SaMD) and disease detection algorithms to diagnose and treat illnesses</li><li>• Create a data use platform to increase operational efficiency and create new value</li><li>• Implement training measures to produce digital core human resources</li></ul>

2. Summary of business execution–related risks

	Risk summary and concerns about risk realization	Main response
Systems and administration	Government policies, such as medical insurance reforms that anticipate increases in medical costs as society grays, annual revisions to NHI drug prices, and changes in development and manufacturing-related regulations in Japan and overseas, could impact performance. <ul style="list-style-type: none"><li>• Lower predictability of pharmaceutical business</li><li>• Calculation of drug price independently of value of innovation</li><li>• Delay in development of solutions necessary to respond to infectious disease pandemics and supply instability</li></ul>	<ul style="list-style-type: none"><li>• Create innovative solutions and provide at a price acceptable to society</li><li>• Accumulate evidence to prove the created value</li><li>• Promote initiatives through industry organization activities</li><li>• Obtain the latest information on such issues as the drug pricing system and various types of regulations related to R&amp;D, manufacturing, and marketing, and quickly respond</li></ul>
Adverse reaction, etc.	We implement measures necessary to ensure the safety and proper use of pharmaceuticals after they are launched, but if there are unforeseen adverse reactions or other problems, this could result in the following. <ul style="list-style-type: none"><li>• Termination of sales and recall of products</li><li>• Litigation seeking compensation for health hazards</li><li>• Damage to the corporate brand and reputation</li></ul>	<ul style="list-style-type: none"><li>• Build and reinforce a system to appropriately collect, analyze, evaluate, and report information on adverse reactions and similar issues</li><li>• Educate all employees to curb the spread of adverse reactions and control damage</li><li>• Obtain insurance for medical damage compensation based on adverse reactions, etc.</li></ul>

Partnerships with other companies	We collaborate with business partners to strengthen businesses that leverage each other’s strengths, but this entails the following risks. There is also the risk of damaging our corporate value through collaboration with companies that violate ESG-related initiatives, such as resource and environmental protection, safety, and human rights. <ul style="list-style-type: none"><li>• Use of the Company’s technology and know-how for purposes other than those intended</li><li>• Unintentional and unauthorized use of other company’s technology and infringement on intellectual property rights</li><li>• Leak of confidential information by the Company</li><li>• Leak of confidential information by other companies</li><li>• Damage to reputation and trust due to collaboration with companies who conduct business activities that are inconsistent with the Company’s perception of ESG issues</li></ul>	<ul style="list-style-type: none"><li>• Eliminate differences in awareness through extensive dialogues and maintain and improve trust</li><li>• Conclude NDAs that factor in envisioned risks</li><li>• Conclude agreements that clearly state such items as handling intellectual property rights and compensation for damages</li><li>• Conduct regular inspections of intellectual property to survey problems and infringement risk</li><li>• Build a monitoring system and other information management systems that incorporate encryption, strengthen access controls, and prevent unauthorized access</li><li>• Minimize shared information and establish information sharing rules</li><li>• Build a system to monitor use of shared information and logs</li><li>• Regularly audit and evaluate the information management system</li><li>• Conduct multi-faceted due diligence related to trustworthiness, financial state, and legal issues</li><li>• Regularly audit and evaluate partnerships in order to quickly discover problems and improvements</li></ul>
Quality	We manufacture products and conduct commissioned production in line with pharmaceutical affairs–related laws and regulations, including GMP and ICH Guidelines, undergo inspections by the Ministry of Health, Labour and Welfare, FDA, EMA, and other regulatory authorities, and are licensed to conduct manufacturing and marketing. However, if there are quality problems, lot failures, or similar problems, this could result in the following. <ul style="list-style-type: none"><li>• Quality defects, suspension of shipments, recalls, and administrative action due to inconsistencies between approval documents and actual manufacturing conditions</li><li>• Recalls and important findings of inspections by the authorities due to incomplete information</li><li>• Deterioration in trust in the Company due to damage to reputation</li></ul>	<ul style="list-style-type: none"><li>• Formulate a SHIONOGI Group Quality Policy</li><li>• Spread understanding of the importance of quality by holding such events as in-house education events</li><li>• Promote such activities as fostering a quality culture</li><li>• Conduct control and oversight activities through plant audits, etc.</li></ul>
Supply chain management	If there is a natural disaster, such as major earthquake, storm, or flood, or pandemic, or our supply chain is impacted by a geopolitical event or some sustainability-related issue, such as human rights or the environment, this could result in the following. <ul style="list-style-type: none"><li>• Suspension of plant operation</li><li>• Difficult in procuring raw materials and products</li><li>• Major impact on stable supply of pharmaceuticals</li></ul>	<ul style="list-style-type: none"><li>• Conduct inventory management based on standards for the amount of inventory held</li><li>• Create a domestic system for APIs that are used in some products but entail procurement risk</li><li>• Examine diversification of raw material suppliers in order to ensure a stable supply of products (select a second vendor for raw materials that entail high risks)</li><li>• Set priority BCP products and conduct regular reviews</li><li>• Conduct due diligence and monitoring of suppliers and request improvements</li></ul>
IT security and information management	If there is an IT security threat due to an act by an employee, outsourcing service provider, or other entity or an incident such as an attack by a malicious third party, this could result in the following. <ul style="list-style-type: none"><li>• Difficult in continuing business due to suspension of important systems</li><li>• Outflow of confidential information, including personal information</li><li>• Legal damages, such as claims for compensation for damages, costs related to subsequent response, etc.</li><li>• Decline in performance or damage to reputation</li></ul>	<ul style="list-style-type: none"><li>• Appoint a CIO who oversees information management, a CDO who has control over data and document use and management, and Global Head of IT who is responsible for operating IT</li><li>• Establish rules related to information management based on laws, regulations, and guidelines</li><li>• Establish a SHIONOGI Group Global Privacy Policy</li><li>• Provide thorough education to employees on the importance of information management and personal information and the need to comply with personal information protection–related laws and ordinances.</li><li>• Move forward with projects to build an IT-BCP system in case of a crisis such as cyber-attacks or massive disasters</li><li>• Create IT infrastructure and reinforce information security foundation and improve its operation</li><li>• Conduct a fundamental group-wide review of the network based on global security assessment in light of a cyberattack at the Taiwan facilities</li></ul>
Environment and safety	If there is the chance of an incident that could impact the environment, ecosystem, or safety of workers in a business activity process, such as research, development, or manufacture of pharmaceuticals, and the incident actually occurs, it could result in the following. <ul style="list-style-type: none"><li>• Suspension of facility operation and equipment and cost of response and recovery</li><li>• Litigation seeking compensation for damages and payment of compensation</li><li>• Damage to the corporate brand and reputation</li></ul>	<ul style="list-style-type: none"><li>• Reinforce governance by formulating a SHIONOGI Group EHS Policy, SHIONOGI Group EHS Code of Conduct</li><li>• Create an EHS Integrated Management System</li><li>• Reinforce ISO 14001 and ISO 45001 or equivalent management system operation at each office</li><li>• Comply with related laws and ordinances, set independent management standards and targets that are even stricter, and implement response</li></ul>
Compliance	We recognize the following as important risks: acts and behavior that violate laws, deviate from social norms, or violate ethics in business activities, based on an awareness of not simply complying with laws, regulations, rules, etc., but also following social norms, and acting ethically as a company and member of society. If such a risk materializes, this could result in the following. <ul style="list-style-type: none"><li>• Damage to reputation</li><li>• Loss of stakeholders’ trust</li><li>• Damage to business performance and financial condition</li></ul>	<ul style="list-style-type: none"><li>• Add compliance items to SHIONOGI Group Code of Conduct and formulate SHIONOGI Group Compliance Policy</li><li>• Raise awareness of compliance throughout the Company by holding a Global Compliance Week &amp; Quality Week</li><li>• Rebuild the promotion system to match organizational structure</li><li>• Operate an in-house reporting desk in line with the Whistleblower Protection Act</li><li>• Hold regular Compliance Committee meetings, which a Representative Director chairs</li><li>• Report Compliance Committee activities to the Board of Directors</li><li>• Use message from the President to talk about compliance</li><li>• Conduct compliance awareness survey of all employees and provide related feedback to all organizational units</li></ul>
Intellectual property	If a third party infringes on the intellectual property rights of SHIONOGI or SHIONOGI products infringe on those of a third party, this could result in the following. <ul style="list-style-type: none"><li>• Damage to business performance and financial position due to loss of expected earnings</li><li>• Dispute or litigation to protect the intellectual property</li><li>• Payment of compensation for damages</li><li>• Injunction on manufacturing and marketing the product</li><li>• Damage to the corporate brand and reputation</li></ul>	<ul style="list-style-type: none"><li>• Establish appropriate rights to and management system for intellectual property and continually monitor third party’s rights infringement</li><li>• Conduct freedom-to-operate searches in business activities</li><li>• Create a system to prevent rights infringements based on such activities as conducting intellectual property due diligence in in-licensing and out-licensing activities</li></ul>

See our website for details on Risk Management.  
<https://www.shionogi.com/global/en/sustainability/governance/risk-management.html>





# IV

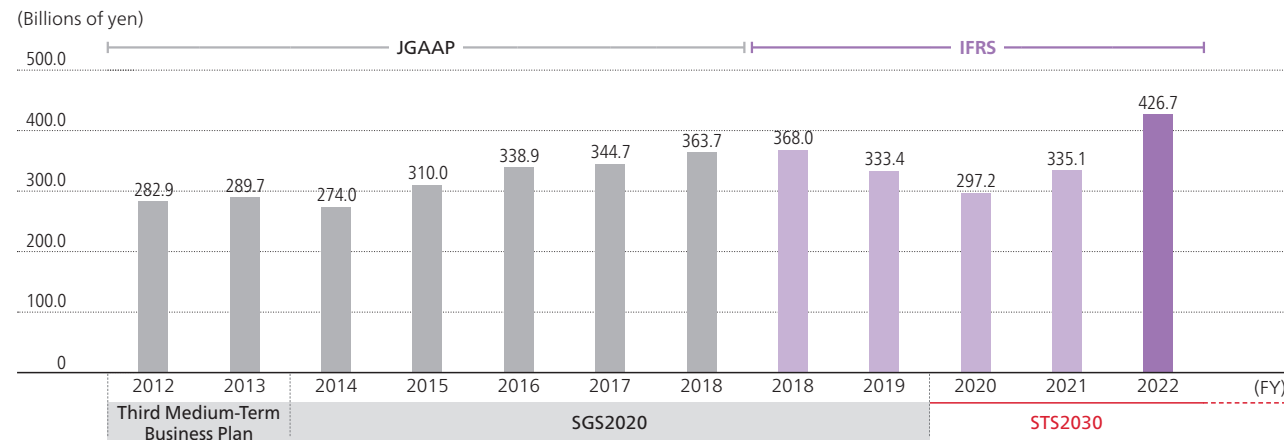
## Performance and Data

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## Financial Highlights / Non-Financial Highlights

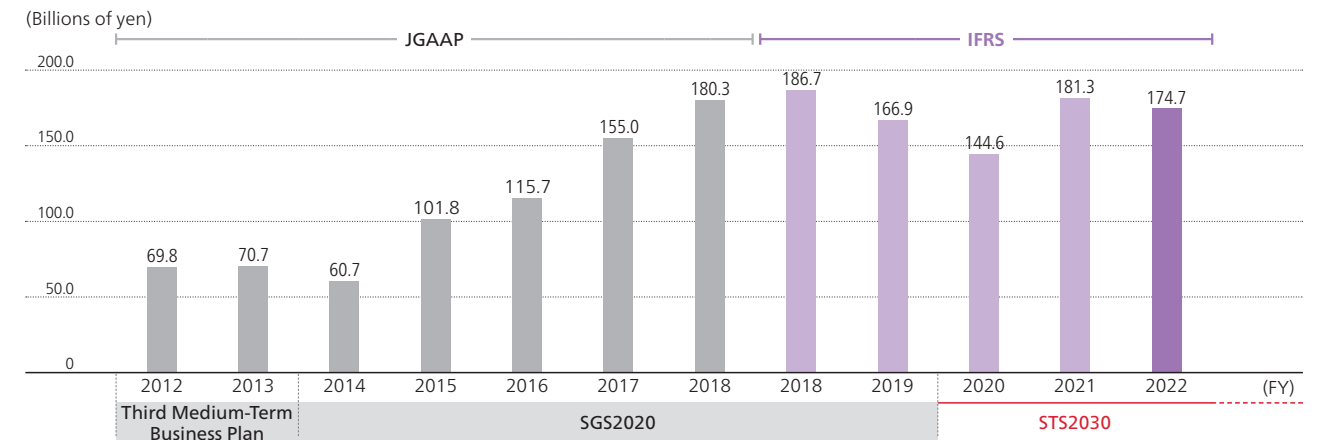
SHIONOGI has adopted International Financial Reporting Standards (IFRS) from fiscal 2019. The financial figures for fiscal 2018 are shown according to both Japanese Generally Accepted Accounting Principles (JGAAP) and IFRS.

### Revenue



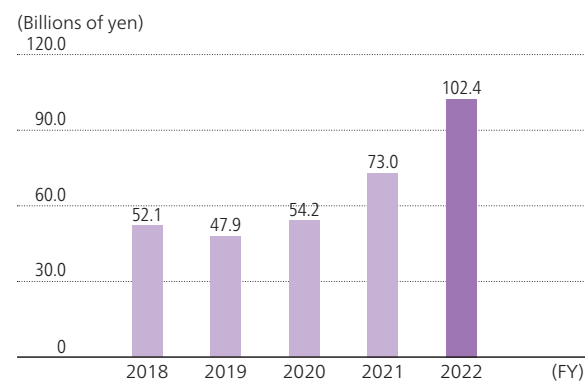
Revenue was ¥426.7 billion, a 27.3 percent increase year on year, reaching a record high. Domestic revenue of prescription drugs were ¥179.7 billion, a 101.7 percent increase year on year, as a result of the acquisition of emergency approval for Xocova, a treatment for COVID-19, revenue from the purchase of two million doses by the Japanese government, and sales from general distribution. Revenue from overseas subsidiary sales and exports was ¥42.5 billion yen, a 23.7 percent increase year on year, due to the growth in sales of cefiderocol in the U.S. and Europe. Royalty income was ¥174.7 billion, a 3.6 percent decrease year on year.

### Royalty income

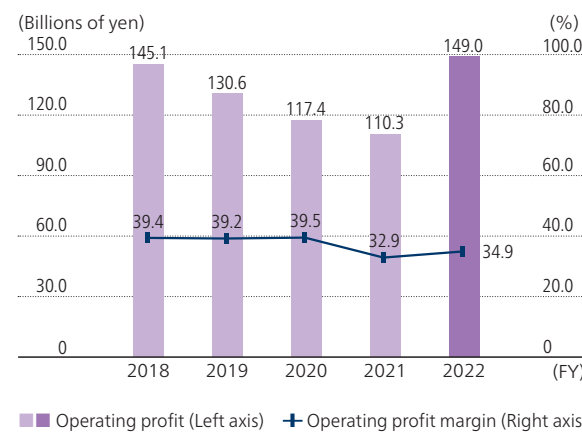


Royalty income from ViiV Healthcare Limited was ¥168.5 billion, a 3.2 percent decrease year on year, despite the rapid growth in sales of the long-acting HIV franchise out-licensed to UK-based ViiV Healthcare Limited and the receipt of a lump-sum payment in fiscal 2021 accompanying the settlement of the patent infringement litigation brought against U.S.-based Gilead Sciences, Inc by ViiV Healthcare Limited. In addition, royalty income from Roche was ¥0.9 billion due to an increase in sales of Xofluza generated from the global influenza epidemic that occurred for the first time in several years. As a result, royalty income for the fiscal year under review was ¥174.7 billion, a 3.6 percent decrease from the previous year.

### R&D expenses

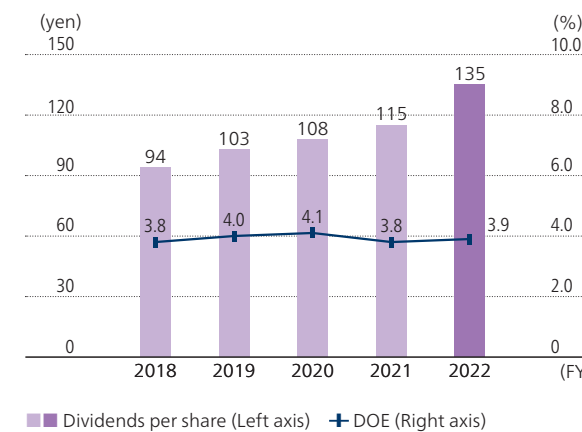


### Operating profit/Operating profit margin



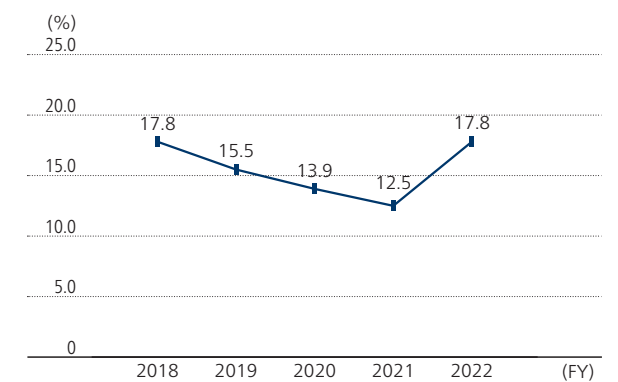
Operating profit was ¥149.0 billion, a 35.1 percent increase year on year due to a significant increase in revenue, despite an increase in R&D expenses resulting from investments in priorities such as COVID-19 treatments and vaccines, as well as impairment losses associated with the revision of the development plan for zatolmilast, an Alzheimer's drug. Core operating profit, which excludes non-recurring items, was ¥158.5 billion, an increase of 43.3 percent year on year.

### Dividends per share/DOE



Dividends per share were ¥135, up ¥20 from the previous year, making this our eleventh consecutive year of dividend growth. The annual dividend increase of ¥20 was the largest ever. DOE was 3.9 percent.

### ROE

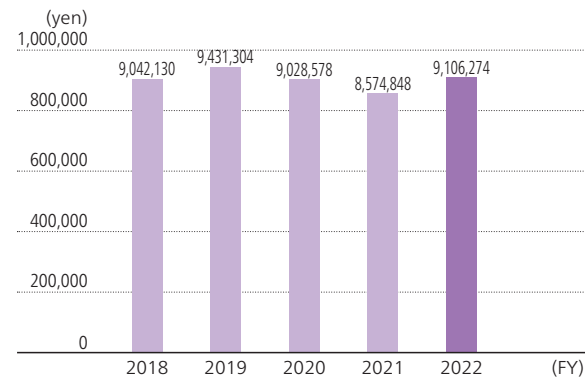


ROE was 17.8 percent. This was because of record high profits despite an increase in equity items (equity attributable to owners of the parent).



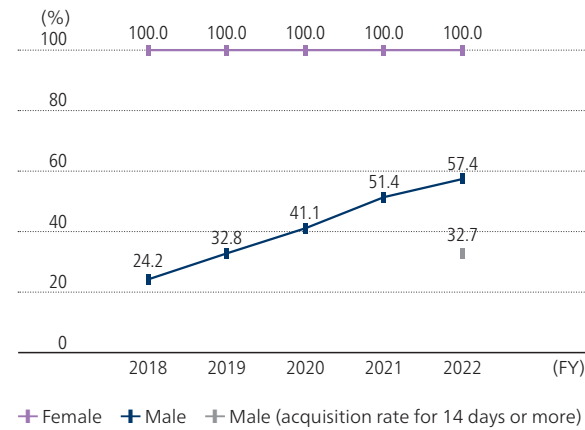
## Financial Highlights / Non-Financial Highlights

### Average salary



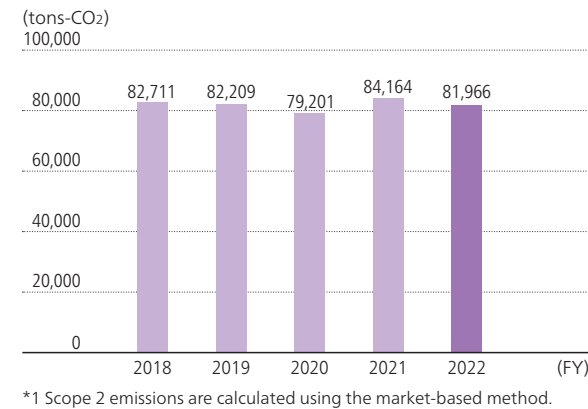
Since we use performance-linked bonuses, the average salary has been declining due to weaker business performance, but increased bonuses awarded for the achievement of R&D milestones bumped average pay up by approximately ¥530,000 from the previous year.

### Acquisition rate of childcare leave



Although the target of “Acquisition rate of childcare leave/days off for childcare purposes of 50 percent or more for male employees” is now achieved regularly, the number of days taken remains low. As a result, from fiscal 2022, we have set a new target of 25 percent acquisition rate of 14 days or more for male employees and started initiatives.

### GHG emissions (Scope 1 and 2\*1)



Although GHG emissions have been on an upward trend in line with the growth of our businesses, we have reduced them from the previous year and achieved our reduction targets for fiscal 2022 by introducing renewable energy ahead of schedule and strengthening emissions controls.

\*1 Scope 2 emissions are calculated using the market-based method.  
\*2 Including Nanjing Plant (Nanjing Chang'ao Pharmaceutical Co., Ltd.). Emissions from UMN Pharma, Inc. and Nagase Medicals Co., Ltd. (currently Shionogi Pharma Co., Ltd., Itami Plant), which constitute the boundary for SBT targets, included as of fiscal 2019.

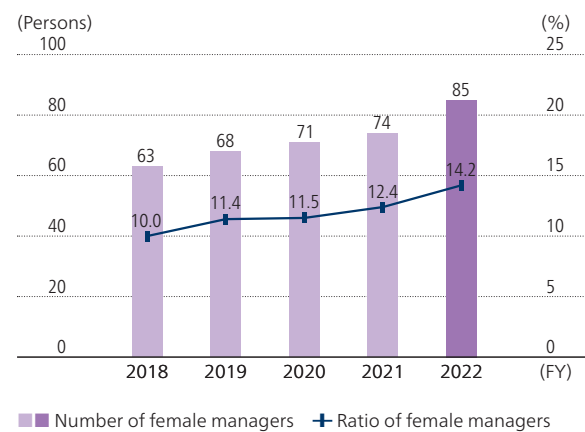
### Code of Conduct signature rate (FY2022)

**100%**  
\* Shionogi & Co., Ltd. and some domestic group companies

### Education and training expenses per person (FY2022)

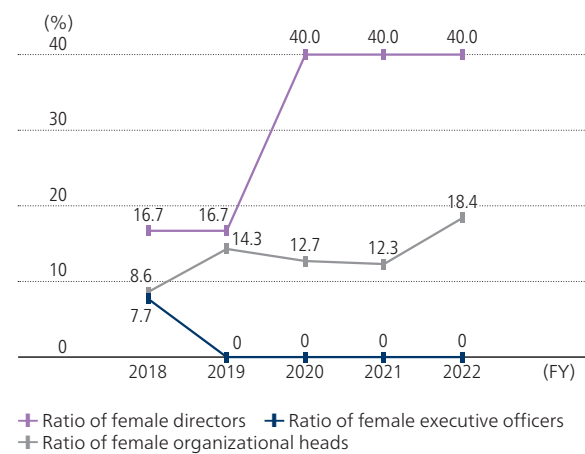
**¥70 thousand**  
\* (Education and training expenses + amount of self-investment support)/number of employees (Domestic consolidation)

### Number of female managers/Ratio of female managers



We were working to achieve our target of the rate of female employees occupying management positions of at least 15 percent by the end of fiscal 2022, but it remained at 14.2 percent. We will continue our efforts to increase the ratio of female managers.  
As of April 1 the following fiscal year

### Ratio of female directors / Ratio of female executive officers / Ratio of female organizational heads



The ratio of female executive officers continues to be 0%, but the ratio of female organizational heads who will serve as future executive officers is steadily increasing. We will strive to increase this ratio by expanding the talent pool as executive candidates.  
As of April 1 the following fiscal year

### External evaluations

	FY2020	FY2021	FY2022
CDP	Climate change: A- Water Security: A- Supplier Engagement Leader	Climate change: A- Water Security: A- Supplier Engagement Leader	Climate change: A- Water Security: A- Supplier Engagement Leader
FTSE	3.4	3.7	3.6
MSCI	AA	AA	AA
DJSI	45 points	53 points	63 points The Sustainability Yearbook Member
S&P/JPX Carbon Efficient Index	Fourth decile	Fifth decile	Sixth decile
SOMPO Sustainability Index	Selected	Selected	Selected
Toyo Keizai CSR Ranking	34th of 1,614 companies	53rd of 1,631 companies	52nd of 1,702 companies
Survey on Health and Productivity Management	White 500	Certified Health & Productivity Management Outstanding Organizations	Certified Health & Productivity Management Outstanding Organizations
Other		Japan Sports Agency Sports Yell Company	Japan Sports Agency Sports Yell Company Ministry of Environment ECO-FIRST Company D&I Award Best Workplace

11-Year Financial Summary

Third Medium-Term Business Plan

SONG for the Real Growth  
Progress toward global growth

Shionogi Growth Strategy 2020

Grow as a drug discovery-based  
pharmaceutical company  
(April FY2014-September FY2016)

Grow sustainably as a drug discovery-based  
(October FY2016-March FY2020)

pharmaceutical company contributing to a more vigorous society through improved healthcare

Shionogi Transformation  
Strategy 2030

Building Innovation Platforms to Shape the  
Future of Healthcare

JGAAP	2013	2014	2015	2016	2017	2018	2019
■ For the years ended March 31: (Millions of yen)							
Net sales	¥ 282,903	¥ 289,717	¥ 273,991	¥ 309,973	¥ 338,890	¥ 344,667	¥ 363,721
Japan	182,503	185,017	184,591	178,473	194,011	166,013	154,036
Overseas	30,600	34,000	28,700	29,700	29,207	23,623	29,427
Royalty	69,800	70,700	60,700	101,800	115,670	155,030	180,258
Cost of sales	78,574	77,993	82,189	74,758	77,777	73,911	54,880
Selling, general and administrative expenses	144,764	149,848	141,436	143,808	152,934	155,537	170,303
Operating income	59,565	61,875	50,365	91,406	108,178	115,219	138,537
Ordinary income	58,922	62,225	77,880	100,869	123,031	138,692	166,575
Profit before income taxes	58,306	63,188	82,051	97,452	122,695	137,378	170,343
Profit attributable to owners of parent	66,727	40,618	44,060	66,687	83,879	108,866	132,759
Net cash provided by operating activities	59,276	79,496	45,604	102,290	111,903	129,790	145,684
Net cash used in investing activities	(19,959)	(20,040)	(31,696)	(32,894)	(31,643)	(51,238)	(36,349)
Net cash used in financing activities	(37,687)	(53,798)	(46,211)	(18,525)	(57,411)	(53,893)	(87,011)
Research and development expenses	53,021	53,605	48,870	49,787	59,907	59,945	68,325
Capital investments	11,447	8,962	8,163	9,943	9,659	5,678	7,900
Depreciation and amortization	11,912	12,912	12,672	12,578	13,362	15,972	16,479
■ As of March 31: (Millions of yen)							
Property, plant and equipment, net	¥ 78,473	¥ 78,976	¥ 77,022	¥ 78,673	¥ 78,788	¥ 75,956	¥ 74,653
Intangible assets	70,464	72,824	80,328	71,626	91,125	75,060	54,769
Total assets	574,882	580,566	595,067	631,599	661,499	711,463	778,741
Total long-term liabilities	53,041	33,721	48,427	45,739	44,692	34,056	17,203
Total net assets	423,633	467,836	478,883	513,877	526,211	604,840	672,429
■ Per share amounts: (Yen)							
Profit attributable to owners of parent	¥ 199.25	¥ 121.29	¥ 132.67	¥ 204.83	¥ 259.88	¥ 342.71	¥ 424.31
Net assets	1,254.44	1,385.11	1,456.70	1,564.73	1,638.46	1,911.36	2,144.33
Dividend	42	46	52	62	72	82	94
■ Profitability and valuation metrics:							
Operating profit margin (%)	21.1	21.4	18.4	29.5	31.9	33.4	38.1
R&D expense ratio (%)	18.7	18.5	17.8	16.1	17.7	17.4	18.8
Equity ratio (%)	73.1	79.9	79.7	80.7	79.0	84.5	85.7
Return on equity (ROE) (%)	17.5	9.2	9.4	13.6	16.3	19.4	20.9
Return on assets (ROA) (%)	10.7	10.8	13.2	16.4	19.0	20.2	22.4
Price-to-book ratio (PBR) (times)	1.5	1.4	2.7	3.4	3.5	2.9	3.2
Price-to-earnings ratio (PER) (times)	9.8	15.8	30.2	25.9	22.1	16.0	16.2
Payout ratio (%)	21.1	37.9	39.2	30.3	27.7	23.9	22.2
Share buybacks (billions of yen)	—	—	30.0	—	35.0	29.4	50.0
Shares issued and outstanding (shares)	351,136,165	351,136,165	351,136,165	351,136,165	329,136,165	324,136,165	316,786,165

Notes: 1. From the fiscal year ended March 31, 2015, the Company has adopted a new accounting standard for research and development expenses (business research expenses). This change has been reflected in figures for the fiscal year ended March 31, 2014.  
2. In the fiscal year ended March 31, 2019, the Company changed the presentation method for tax effect accounting. The change has been reflected in figures for the fiscal year ended March 31, 2015, and subsequent periods.  
3. International Financial Reporting Standards (IFRS): Accounting standards defined by the non-government organization International Accounting Standards Board (IASB) headquartered in London.  
4. IFRS adopted from the fiscal year ended March 31, 2020.

International Financial Reporting Standards (IFRS)	2019	2020	2021	2022	2023
■ For the years ended March 31: (Millions of yen)					
Revenue	¥ 367,960	¥ 333,371	¥ 297,177	¥ 335,138	¥ 426,684
Japan	150,749	135,707	127,902	119,516	209,489
Overseas	30,465	30,796	24,645	34,367	42,498
Royalty	186,745	166,867	144,629	181,253	174,696
Cost of sales	(55,591)	(56,782)	(52,523)	(55,415)	(62,246)
Selling, general and administrative expenses	(87,668)	(95,094)	(91,902)	(91,771)	(97,775)
Research and development expenses	(52,058)	(47,949)	(54,249)	(72,996)	(102,392)
Operating profit	145,081	130,628	117,438	110,312	149,003
—	—	—	—	—	—
Profit before tax	174,043	158,516	143,018	126,268	220,332
Profit attributable to owners of parent	137,191	122,193	111,858	114,185	184,965
Net cash provided by operating activities	165,000	131,940	109,039	102,068	177,867
Net cash used in investing activities	(56,256)	(29,144)	(5,261)	(96,204)	(48,292)
Net cash used in financing activities	(89,912)	(88,174)	(43,891)	(36,615)	(84,123)
Capital investments	7,900	9,954	27,371	27,274	12,559
Depreciation and amortization	14,431	14,115	14,779	16,351	17,165
■ As of March 31: (Millions of yen)					
Property, plant and equipment, net	¥ 70,986	¥ 71,350	¥ 90,883	¥ 108,893	¥ 112,085
Intangible assets	47,804	51,705	76,558	81,223	96,309
Total assets	938,540	873,695	998,992	1,150,601	1,311,800
Total equity	813,087	765,203	864,550	993,285	1,121,878
Non-current liabilities	29,303	27,372	34,261	32,920	31,369
■ Per share amounts: (Yen)					
Basic earnings per share	¥ 438.47	¥ 395.71	¥ 365.03	¥ 378.75	¥ 621.31
Equity attributable to owners of parent per share	2,598.16	2,518.74	2,806.67	3,236.21	3,737.76
Dividend	94	103	108	115	135
■ Profitability and valuation metrics:					
Operating profit margin (%)	39.4	39.2	39.5	32.9	34.9
R&D expense ratio (%)	14.1	14.4	18.3	21.8	24.0
Ratio of equity attributable to owners of parent (%)	86.2	87.6	84.7	84.8	83.9
Return on equity attributable to owners of parent (ROE) (%)	17.8	15.5	13.9	12.5	17.8
Return on assets (ROA) (%)	19.4	17.5	15.3	11.7	17.9
Price-to-book ratio (PBR) (times)	2.6	2.1	2.1	2.3	1.6
Price-to-earnings ratio (PER) (times)	15.6	13.4	16.3	19.9	9.6
Payout ratio (%)	21.4	26.0	29.6	30.4	21.7
Share buybacks (billions of yen)	50.0	50.0	50.0	—	49.4
Shares issued and outstanding (shares)	316,786,165	316,786,165	311,586,165	311,586,165	307,386,165



## Consolidated Financial Statements

### Consolidated statement of financial position

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	¥ 108,893	¥ 112,085
Goodwill	9,638	9,819
Intangible assets	81,223	96,309
Right-of-use assets	3,524	6,482
Investment property	26,672	26,382
Other financial assets	242,479	247,711
Deferred tax assets	12,907	22,100
Other non-current assets	6,055	6,716
<b>Total non-current assets</b>	<b>491,396</b>	<b>527,607</b>
<b>Current assets</b>		
Inventories	45,892	57,919
Trade receivables	122,965	109,774
Other financial assets	210,757	254,131
Income taxes receivable	51	68
Other current assets	25,117	53,074
Cash and cash equivalents	254,420	309,224
<b>Total current assets</b>	<b>659,205</b>	<b>784,192</b>
<b>Total assets</b>	<b>1,150,601</b>	<b>1,311,800</b>

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	¥ 21,279	¥ 21,279
Capital surplus	14,455	15,204
Treasury shares	(57,857)	(63,074)
Retained earnings	832,958	940,606
Other components of equity	164,824	186,030
Equity attributable to owners of parent	975,661	1,100,046
Non-controlling interests	17,624	21,832
<b>Total equity</b>	<b>993,285</b>	<b>1,121,878</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Lease liabilities	3,729	6,397
Other financial liabilities	5,616	4,844
Retirement benefit liability	15,412	12,867
Deferred tax liabilities	7,807	5,916
Other non-current liabilities	354	1,343
<b>Total non-current liabilities</b>	<b>32,920</b>	<b>31,369</b>
<b>Current liabilities</b>		
Lease liabilities	2,945	3,014
Trade payables	16,372	14,005
Other financial liabilities	22,027	29,720
Income taxes payable	17,973	42,217
Other current liabilities	65,078	69,595
<b>Total current liabilities</b>	<b>124,396</b>	<b>158,552</b>
<b>Total liabilities</b>	<b>157,316</b>	<b>189,921</b>
<b>Total equity and liabilities</b>	<b>1,150,601</b>	<b>1,311,800</b>

## Consolidated Financial Statements

## Consolidated statement of profit or loss

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
<b>Revenue</b>	¥ 335,138	¥ 426,684
Cost of sales	(55,415)	(62,246)
<b>Gross profit</b>	279,722	364,437
Selling, general and administrative expenses	(91,771)	(97,775)
Research and development expenses	(72,996)	(102,392)
Amortization of intangible assets associated with products	(3,476)	(3,720)
Other income	3,384	3,899
Other expenses	(4,551)	(15,445)
<b>Operating profit</b>	110,312	149,003
Finance income	16,797	75,829
Finance costs	(841)	(4,500)
<b>Profit before tax</b>	126,268	220,332
Income tax expense	(12,829)	(35,836)
<b>Profit</b>	113,439	184,496
<b>Profit attributable to</b>		
Owners of parent	114,185	184,965
Non-controlling interests	(746)	(469)
<b>Profit</b>	113,439	184,496
<b>Earnings per share</b>		(Yen)
Basic earnings per share	378.75	621.31
Diluted earnings per share	378.63	621.10

## Consolidated statement of comprehensive income

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
<b>Profit</b>	¥ 113,439	¥ 184,496
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	17,846	2,823
Remeasurements of defined benefit plans	(333)	986
Total of items that will not be reclassified to loss	17,513	3,809
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	29,793	20,538
Effective portion of cash flow hedges	1,023	405
Total of items that may be reclassified to profit or loss	30,817	20,943
Total other comprehensive income, net of tax	48,330	24,753
<b>Comprehensive income</b>	161,769	209,249
<b>Comprehensive income attributable to</b>		
Owners of parent	161,865	209,007
Non-controlling interests	(95)	242
<b>Comprehensive income</b>	161,769	209,249

## Consolidated statement of changes in equity

	(Millions of yen)							
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance as of April 1, 2021</b>	¥21,279	¥13,733	¥(57,989)	¥752,248	¥116,836	¥846,108	¥18,442	¥864,550
Profit				114,185		114,185	(746)	113,439
Total other comprehensive income, net of tax					47,679	47,679	650	48,330
<b>Comprehensive income</b>	—	—	—	114,185	47,679	161,865	(95)	161,769
Purchase of treasury shares			(14)			(14)		(14)
Disposal of treasury shares		(5)	147			141		141
Dividends				(33,162)		(33,162)		(33,162)
Transfer from other components of equity to retained earnings				(308)	308	—		—
Other		727		(5)		722	(722)	—
<b>Balance as of March 31, 2022</b>	21,279	14,455	(57,857)	832,958	164,824	975,661	17,624	993,285
Profit				184,965		184,965	(469)	184,496
Total other comprehensive income, net of tax					24,041	24,041	712	24,753
<b>Comprehensive income</b>	—	—	—	184,965	24,041	209,007	242	209,249
Purchase of treasury shares			(49,420)			(49,420)		(49,420)
Disposal of treasury shares		31	170			202		202
Disposal of treasury shares for trust fund		(17,749)	17,752			3		3
Cancellation of treasury shares		(26,280)	26,280			—		—
Dividends				(36,156)		(36,156)		(36,156)
Changes in ownership interest in subsidiaries		748				748	3,965	4,714
Transfer from other components of equity to retained earnings				2,835	(2,835)	—		—
Other		43,997		(43,997)		—		—
<b>Balance as of March 31, 2023</b>	21,279	15,204	(63,074)	940,606	186,030	1,100,046	21,832	1,121,878



Consolidated statement of cash flows


(Millions of yen)		
	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities		
Profit before tax	¥ 126,268	¥ 220,332
Depreciation and amortization	16,351	17,165
Impairment losses	141	11,758
Finance income and finance costs	(15,597)	(71,461)
Decrease (increase) in trade and other receivables	(43,417)	13,941
Decrease (increase) in inventories	(7,133)	(11,699)
Increase (decrease) in trade and other payables	11,686	7,738
Other	15,087	(32,245)
Subtotal	103,387	155,530
Interest and dividends received	24,807	49,716
Interest paid	(87)	(94)
Income taxes paid	(39,324)	(27,284)
Income taxes refund	13,286	—
Net cash provided by operating activities	102,068	177,867
Cash flows from investing activities		
Payments into time deposits	(260,380)	(398,933)
Proceeds from withdrawal of time deposits	234,685	341,883
Purchase of property, plant and equipment	(26,185)	(11,858)
Purchase of intangible assets	(5,379)	(25,329)
Purchase of investments	(139,396)	(83,335)
Proceeds from sales and redemption of investments	99,511	125,974
Other	940	3,305
Net cash used in investing activities	(96,204)	(48,292)
Cash flows from financing activities		
Repayments of lease liabilities	(3,453)	(3,158)
Purchase of treasury shares	(14)	(49,539)
Dividends paid	(33,146)	(36,142)
Capital contribution from non-controlling interests	—	4,714
Other	—	3
Net cash used in financing activities	(36,615)	(84,123)
Effect of exchange rate changes on cash and cash equivalents	8,998	9,352
Net increase (decrease) in cash and cash equivalents	(21,752)	54,803
Cash and cash equivalents at beginning of period	276,173	254,420
Cash and cash equivalents at end of period	254,420	309,224








Non-Financial Data

		Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2022	Mar. 31, 2023	Remarks
Information on the number of employees (Information about only Shionogi & Co., Ltd. unless otherwise stated)	No. of employees						
	Consolidated	5,233 persons (4,554 persons)	5,222 persons (4,527 persons)	5,485 persons (4,617 persons)	5,693 persons (4,507 persons)	5,680 persons (4,468 persons)	The figures in parentheses are calculated for domestic consolidated companies
	Shionogi & Co., Ltd.	3,596 persons	2,667 persons	2,589 persons	2,510 persons	2,458 persons	
	Rate of female employees	28.1% (32.2%)	24.1% (32.2%)	25.4% (32.7%)	25.8% (33.8%)	26.4% (34.5%)	The figures in parentheses are calculated for domestic consolidated companies.
	Average age						
	Total	41.7 years old	41.3 years old	41.2 years old	41.6 years old	42.1 years old	
	Male	42.2 years old	41.9 years old	41.8 years old	42.2 years old	42.7 years old	Excluding seconded persons
	Female	40.4 years old	39.2 years old	39.3 years old	39.7 years old	40.5 years old	
	Length of service						
	Total	17.3 years	15.9 years	15.7 years	16.0 years	16.5 years	
	Male	17.1 years	16.1 years	16.0 years	16.3 years	16.6 years	Excluding seconded persons
	Female	17.8 years	15.0 years	15.0 years	15.2 years	16.0 years	
	Average salary	9,042,130 yen	9,431,304 yen	9,028,578 yen	8,574,848 yen	9,106,274 yen	
	No. of new recruits						
	Total	101 persons	94 persons	71 persons	63 persons	60 persons	
	Male	59 persons	56 persons	37 persons	43 persons	44 persons	Recruits who will enter the company on April 1 of the following fiscal year
	Female	42 persons	38 persons	34 persons	20 persons	16 persons	
	Turnover rate of recruits enrolled for three years	3.0%	4.5%	6.0%	4.5%	3.6%	Recruits who entered the company on April 1 three years ago
	Employee turnover rate (total)	3.3%	3.6%	3.5%	4.8%	3.9%	Including retired persons
	No. of labor union members	3,012 persons	2,806 persons	2,728 persons	2,606 persons	2,484 persons	100% participation every year
Information on labor management (Shionogi & Co., Ltd.)	Employment rate of people with disabilities	2.0% (2.5%)	2.0% (2.6%)	2.0% (2.7%)	1.8% (2.7%)	1.7% (2.7%)	As of the end of March. The figures in parentheses are calculated for special cases in affiliated companies Shionogi Smile Heart Co., Ltd. established in April 2018 and certified as a special subsidiary company in July 2018.
	No. of female managers	40 persons (63 persons)	39 persons (68 persons)	37 persons (71 persons)	40 persons (74 persons)	48 persons (85 persons)	As of April 1 of the following fiscal year. The figure in parentheses is calculated for domestic consolidated companies.
	Rate of female managers	9.9% (10.0%)	10.7% (11.4%)	10.4% (11.5%)	11.4% (12.4%)	14.0% (14.2%)	As of April 1 of the following fiscal year. The figures in parentheses are calculated for domestic consolidated companies. Target: 15% (Domestic consolidation at the end of March 2026)
	Rate of female heads of organizations	8.6%	14.3%	12.7%	12.3%	18.4%	As of April 1 of the following fiscal year
	Rate of female corporate officers	1/13 7.7%	0/10 0.0%	0/10 0.0%	0/10 0.0%	0/14 0.0%	As of April 1 of the following fiscal year
	Rate of female members of the Board	16.7%	16.7%	40.0%	40.0%	40.0%	As of April 1 of the following fiscal year
	Annual regular working hours for employees	1,852 hours	1,845 hours	1,837 hours	1,762 hours	1,680 hours	
	No. of paid holidays	Up to 24 days	Up to 21days	Up to 21 days	Up to 21 days	Up to 21 days	The number of legal annual holidays based on the Labor Standards Act is up to 20 days.
	Average No. of paid holidays taken by employees	12.5 days	12.6 days	12.6 days	13.0 days	14.8 days	
	Acquisition rate of childcare leave						
	Male	24.2%	32.8%	41.1%	51.4%	57.4%	Rate of employees who have taken child-care leave during the fiscal year when their baby was born
	Female	100%	100%	100%	100%	100%	Target: 50% of male rate (at the end of March 2026)
	No. of employees who have taken nursing care leave						
	Male	0 person	1 person	0 person	0 person	0 person	Total number
	Female	2 persons	4 persons	1 person	1 person	0 person	
	No. of employees who have worked on short work hours due to child rearing						
	Male	1 person	1 person	1 person	2 persons	0 person	Total number
	Female	119 persons	136 persons	130 persons	146 persons	55 persons	
Health (Domestic consolidated companies)	Volunteer leave	0 person	1 person	1 person	1 person	1 person	
	Leave for bone marrow transplant donors	0 person	1 person	1 person	0 person	1 person	
	Frequency rate	0.81	0.19	0.19	0.20	0.21	
	Severity rate	0.018	0.0002	0.0047	0.0049	0.0021	
	Legal violations with serious fines or other sanctions	0 case	0 case	0 case	0 case	0 case	
	Smoking rate	15.2%	14.2%	11.0%	7.1%	5.0%	
	Rate of stress check attendance	96%	95%	94%	94%	91%	
	Participation rate in a healthy walk	41.5%	41.5%	40.4%	31.4%	36.2%	
	Rate of health checkup attendance	100%	100%	100%	100%	100%	
	Rate of employees on leave due to mental disorders	0.4%	0.5%	0.5%	0.6%	0.7%	
Environment (Information about domestic consolidated companies only unless otherwise stated)	GHG emissions (Scope 1 and 2)	82,711 tons-CO <sub>2</sub>	82,209 tons-CO <sub>2</sub>	79,201 tons-CO <sub>2</sub>	84,164 tons-CO <sub>2</sub>	81,966 tons-CO <sub>2</sub>	Note 1
	Total energy consumption	314,174MWh	299,760MWh	305,339MWh	335,548MWh	337,921MWh	Note 2
	Water consumption (Thousand)	1,315m <sup>3</sup>	1,263m <sup>3</sup>	1,217m <sup>3</sup>	1,366m <sup>3</sup>	1,426m <sup>3</sup>	
	Amount of waste generated	3,824 tons	3,062 tons	4,180 tons	5,170 tons	5,766 tons	
	Rate of reuse/recycling of plastic waste	13%	21%	21%	28%	25%	
Compliance (Domestic consolidated companies)	Number of disciplinary dismissals of employees due to violations of laws for the prevention of corruption and bribery*	0 case	0 case	0 case	0 case	0 case	* FCPA in the U.S., Bribery Act in the UK, Unfair Competition Prevention Act in Japan, etc.
	Costs related to fines, punishments, and settlements of violations of laws for the prevention of corruption and bribery*	0 yen	0 yen	0 yen	0 yen	0 yen	
	Market capitalization	¥2,170.5 billion	¥1,684.4 billion	¥1,854.6 billion	¥2,346.2 billion	¥1,837.2 billion	Scope: Global
Other	Donations	¥949 million	¥1,065 million	¥1,069 million	¥817 million	¥948 million	Scope: Global Excluding monetary contributions to political or trading organizations from FY2022
	Code of Conduct Rate of digital signature	—	—	100%	100%	100%	Shionogi & Co., Ltd. and group companies excluding some
	Code of Conduct Rate of training participation	—	—	100%	100%	100%	

Note 1: Including Nanjing Plant (Nanjing Chang'ao Pharmaceutical Co., Ltd.). Emissions from UMN Pharma, Inc. and Nagase Medicals Co., Ltd. (currently Shionogi Pharma Co., Ltd., Itami Plant), which constitute the boundary for SBT targets, included as of fiscal 2019. Scope 2 emissions are calculated using the market-based method.  
Note 2: Including Nanjing Plant (Nanjing Chang'ao Pharmaceutical Co., Ltd.). Energy consumption by Nagase Medicals Co., Ltd. (currently Shionogi Pharma Co., Ltd., Itami Plant) included as of fiscal 2021.

Environmental Data

SHIONOGI calculates energy consumption and greenhouse gas (GHG) emissions using calorie conversion factors and CO<sub>2</sub> emission factors for fuels, steam and electricity used each fiscal year.  
GHG emissions and energy consumption data in fiscal 2022 marked with  were subject to third-party assurance by KPMG AZSA Sustainability Co., Ltd.

Indicators			Unit	2018	2019	2020	2021	2022
Greenhouse gas (GHG)	Total of Scope 1, 2 and 3	(Location-based)	tons-CO <sub>2</sub>	223,063	240,624	209,439	230,473	230,700
		(Market-based)	tons-CO <sub>2</sub>	217,924	232,355	203,048	226,362	223,077
	Total of Scope 1 and 2	(Location-based)	tons-CO <sub>2</sub>	87,850	85,208	81,730	88,275	89,589
		(Market-based)	tons-CO <sub>2</sub>	82,711	76,939	75,339	84,164	81,966
	Scope 1		tons-CO <sub>2</sub>	41,349	37,519	37,537	41,264	41,376 
		(Intensity per unit of sales)	tons-CO <sub>2</sub> /¥1 million	0.1124	0.1125	0.1263	0.1231	0.0970
	Scope 2	(Location-based)	tons-CO <sub>2</sub>	46,501	47,690	44,193	47,011	48,212 
		(Intensity per unit of sale)	tons-CO <sub>2</sub> /¥1 million	0.1264	0.1431	0.1487	0.1403	0.1130
	Scope 2	(Market-based)	tons-CO <sub>2</sub>	41,362	39,421	37,802	42,900	40,589 
		(Intensity per unit of sales)	tons-CO <sub>2</sub> /¥1 million	0.1124	0.1182	0.1272	0.1280	0.0951
	Total of Scope 3		tons-CO <sub>2</sub>	135,213	155,416	127,709	142,198	141,111
	Category 1*		tons-CO <sub>2</sub>	105,692	103,838	90,753	71,462	80,608 
	Category 2*		tons-CO <sub>2</sub>	19,486	38,139	22,047	53,847	41,742 
	Category 3		tons-CO <sub>2</sub>	2,798	5,732	5,710	6,424	6,468 
	Other categories		tons-CO <sub>2</sub>	7,237	7,706	9,199	10,464	12,293
Energy consumption	Total energy consumption		MWh	314,174	299,760	305,339	333,548	337,921 
		(Intensity per unit of sales)	MWh/¥1 million	0.8538	0.8992	1.0275	0.9953	0.7920
	Gasoline		kl	1,598	1,382	779	798	716
	Other fuel oils (kerosene, light oil, heavy oil A)		kl	87	49	64	28	31
	Liquefied petroleum gas (LPG)		tons	830	580	347	301	277
	Liquefied natural gas (LNG)		tons	7,932	7,113	7,876	8,330	8,238
	Town gas		thousand Nm <sup>3</sup>	6,138	5,771	5,786	6,961	7,231
	Electricity		MWh	89,107	93,245	92,111	102,436	106,154
	Steam		MWh	0	4,406	8,159	5,314	5,103

\* Emissions are calculated using emission units that take into account consumption tax and local consumption tax from fiscal 2022. Accordingly, emissions before fiscal 2021 are recalculated using emission units that take consumption taxes into account.

Calculation methods for environmental performance data


Boundary of calculation	Scope 1 and 2	SHIONOGI Group (excluding overseas Group companies [administrative offices]): SHIONOGI Group companies in Japan and Nanjing Plant (Nanjing Chang'ao Pharmaceutical Co., Ltd.)
	Scope 3	Category 1 Shionogi & Co., Ltd. and Shionogi Pharma Co., Ltd. (Shionogi & Co., Ltd. in fiscal 2018) Category 2 SHIONOGI Group companies in Japan (Shionogi & Co., Ltd. in fiscal 2018) Category 3 SHIONOGI Group companies in Japan (Shionogi & Co., Ltd. in fiscal 2018) Other categories SHIONOGI Group companies in Japan (Shionogi & Co., Ltd. in fiscal 2018) (UMN Pharma, Inc. is not included in Category 4 and Category 12 of the Other category)
	Energy consumption	SHIONOGI Group (excluding overseas Group companies [administrative offices]): SHIONOGI Group companies in Japan and Nanjing Plant (Nanjing Chang'ao Pharmaceutical Co., Ltd.)

Calculation methods		Calculation methods
Indicators		
Scope 1		CO <sub>2</sub> emissions resulting from fuel use Calculation methods: Based on the "Greenhouse Gas Emissions Accounting and Reporting Manual (Ver. 4.9)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan CO <sub>2</sub> emission factors: Based on the "Greenhouse Gas Emissions Accounting and Reporting Manual (Ver. 4.9)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan
Scope 2		CO <sub>2</sub> emissions resulting from purchase of electricity and steam Calculation methods: Based on the "Greenhouse Gas Emissions Accounting and Reporting Manual (Ver. 4.9)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan CO <sub>2</sub> emission factors: Electricity (Japan) (location-based): National average emission factors from "Emission Factors by Power Suppliers (for the calculation of GHG emissions by specified emitters) (FY2021 results)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan (January 24, 2023, partially revised on May 26) Electricity (Japan) (market-based): Adjusted emissions factors from "Emission Factors by Power Suppliers (for the calculation of GHG emissions by specified emitters) (FY 2021 results)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan (January 24, 2023, partially revised on May 26) Electricity (China) (both location-based and market-based): fiscal 2022: No. 43 National Grid Average Emission Factor (2022) in Climate Letter [2023] No.43 of Office of the Ministry of Ecology and Environment of China /before fiscal 2021: Emissions Factors (2019) of the International Energy Agency (IEA) Steam (both location-based and market-based): Emissions factors from the "Greenhouse Gas Emissions Accounting and Reporting Manual (Ver. 4.9)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan
	Category 1	CO <sub>2</sub> emissions from activities up to the manufacturing of raw materials, parts, purchased goods, and sales-related materials, etc. (hereafter goods purchased) Calculation methods: Based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.5)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan, the emissions are calculated by multiplying the purchase price by the emission factor for "Pharmaceuticals" in "[5] Emission Factor Based on the Input-Output Table" in the "The Database on Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.3)" of the Ministry of the Environment of Japan. The purchase price includes transportation costs associated with the purchase of purchased goods and does not include amounts related to the purchase of services other than the above.
Scope 3	Category 2	CO <sub>2</sub> emissions resulting from the construction and manufacturing of own capital goods Calculation methods: Based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.5)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan, calculated by multiplying the acquisition cost of capital goods by the emissions factor for "pharmaceuticals" in "[6] Emissions factor per unit price of capital goods" in the "The Database on Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.3)" of the Ministry of the Environment of Japan
	Category 3	CO <sub>2</sub> emissions resulting from procurement of fuels required for the generation of electricity purchased Calculation methods: Based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.5)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan, calculated using "7. Emission Unit Values per Use of Electricity and Heat" in the "The Database on Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.3)" of the Ministry of the Environment of Japan
	Other categories	Total of Categories 4, 5, 6, 7 and 12, excluding Categories 8, 9, 10, 11, 13, 14 and 15 that are not included in our own corporate activities or are reported under other categories Calculation methods: Based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver.2.5)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan
Energy consumption	Total energy consumption	Total calorie-converted values for purchased energy (gasoline, other fuel oils, LPG, LNG, town gas, electricity, steam) Calculation method: Fuel is expressed as the sum of calories calculated using calorie conversion factors under the "Ordinance for Enforcement of the Act on Rationalizing etc. Energy Use" converted into MWh units with a rate of 3.6GJ per MWh. Note that calorie conversion factors disclosed by providers were used for town gas. Electricity is expressed as the sum of purchase volumes (MWh) without conversion to primary energy.
	Gasoline	Amount of gasoline purchased, including fuel for sales force vehicles
	Other fuel oils	Amount of kerosene, light oil, heavy oil A purchased
	Liquefied petroleum gas (LPG)	Amount of LPG purchased from gas suppliers
	Liquefied natural gas (LNG)	Amount of LNG purchased from gas suppliers
	Town gas	Amount of town gas purchased from gas suppliers
	Electricity	Amount of electricity purchased from power suppliers
	Steam	Amount of steam purchased from steam suppliers

Third-Party Assurance of Environmental Data

Independent Assurance Report

To the Representative Director, President and CEO of Shionogi & Co., Ltd.

We were engaged by Shionogi & Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental performance indicators marked with "" (the "Indicators") for the period from April 1, 2022 to March 31, 2023 included in its SHIONOGI INTEGRATED REPORT 2023 (the "Report") for the fiscal year ended March 31, 2023.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Tokushima Plant of Shionogi Pharma Co., Ltd. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Shinnosuke Kayumi  
Shinnosuke Kayumi, Director  
KPMG AZSA Sustainability Co., Ltd.  
Osaka, Japan  
October 26, 2023

Notes to the Reader of Independent Assurance Report:  
This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.



Glossary

Page*	Term	Explanation
2	SHIONOGI Group Heritage	SHIONOGI's corporate philosophy. Our basic policy and the foundation that makes up the core of all of our activities.
3	SHIONOGI Group Vision (2030 Vision)	SHIONOGI's vision for 2030 of "building innovation platforms to shape the future of healthcare."
4	HaaS	Stands for Healthcare as a Service. Refers to the Provision of a range of healthcare services in line with customer needs, rather than only the provision of pharmaceuticals.
4	HIV franchise	A product lineup that contains the anti-HIV drugs dolutegravir and cabotegravir discovered by SHIONOGI as components.
4	Royalties	Usage fees received by a company in accordance with the nature of the associated contract in return for permitting the use of intellectual property rights held by that company.
7	Clinical trials	Trials conducted to verify the effectiveness, safety and other aspects of candidate compounds, medical equipment, etc. as they apply to humans.
8	Total care	Care for ailments overall that includes pre-symptomatic, preventive, diagnostic and recuperative care in addition to treatment.
8	Wastewater surveillance service	Service for investigating the state of spreading of local infectious diseases by detecting pathogens in wastewater.
8	Gamma waves	A type of brain wave pattern that is mainly involved in the state of alertness, advanced brain activity, and the execution of cognitive functions.
9	Patent cliff	Refers to a considerable decline in sales caused by the replacement of pharmaceuticals with their generic counterparts once patents on the former expire.
9	ViiV Healthcare Limited	A specialty pharma firm in the HIV infection domain invested in by GSK, Pfizer and SHIONOGI.
10	Acute infectious diseases	Infectious diseases period between infection and the onset of symptoms is short and whose progress in symptoms is rapid.
10	Three major infectious diseases	Refers to HIV/AIDS, tuberculosis and malaria, which are all global concerns.
10	Infectious diseases requiring a long period of treatment	Includes infectious diseases, such as tuberculosis, which affect a patient for several years after onset, infectious diseases with a long period from infection to onset, such as HIV (human immunodeficiency virus), and infectious diseases that are difficult to distinguish between carrier and onset such as HBV (hepatitis B virus).
11	GARDP	Stands for the Global Antibiotic Research and Development Partnership. A Swiss-based NPO that develops new therapeutic drugs for infections caused by antimicrobial-resistant bacteria.
11	MPP	Stands for Medicines Patent Pool. Refers to an international non-profit organization established to improve access to medicines for infectious diseases such as HIV/AIDS, tuberculosis and malaria.
12	TCFD	Stands for Task Force on Climate-Related Financial Disclosures. An organization established to consider climate-related information disclosures and financial institutions' responses.
21	AMR	Stands for Antimicrobial Resistance. Indicates the decreasing effectiveness or ineffectiveness of antimicrobial drugs.
23	Multi-drug resistant	A state in which numerous antimicrobial drugs have limited effectiveness or are ineffective.
24	Small-molecule drug discovery engine	SHIONOGI's proprietary internal drug discovery system and expertise that enables us to bring forth innovative small-molecule pharmaceuticals with speed and efficiency.
24	Bacterial library	A stock of bacterial strains from past years that are used in R&D for new antimicrobial drugs and for other applications.

Page*	Term	Explanation
29	OTC drugs	General-use pharmaceuticals that can be purchased at a pharmacy, drugstore or other such location without a prescription. OTC stands for Over The Counter.
33	CHAI	Stands for Clinton Health Access Initiative. A global health organization that works towards saving the lives of people in low- to middle-income countries and mitigating the burden of illness.
33	WHO Model Lists of Essential Medicines	Refers to types of pharmaceuticals believed to be required in order to maintain modern healthcare standards as formulated by the WHO. Contains approx. 300 pharmaceutical articles as sample selections upon gathering important pharmaceuticals.
41	CDMO	Stands for Contract Development and Manufacturing Organization. An organization for pharmaceutical development and manufacture on consignment.
43	ADHD	Stands for Attention Deficit/Hyperactivity Disorder.
46	Antigen tests	Testing methods that detect particular proteins (antigens) on the target using antibodies of the target to be tested.
47	Qpex Biopharma, Inc.	A biotechnology company working on the discovery and development of new antimicrobials to combat drug-resistant bacteria.
47	BARDA	Stands for the Biomedical Advanced Research and Development Authority, which is based in the U.S.
48	100 days mission	An international goal to achieve the practical application of diagnostics, vaccines and therapeutics within 100 days of WHO's declaration of a "public health emergency of international concern."
48	KOTAI Biotechnologies, Inc.	A biotechnology company established based on research results at Osaka University. As a group of experts in information analysis of immunity and protein structure, the company conducts research and development in collaboration with many research institutes, universities, and pharmaceutical companies, etc.
50	Grünenthal	A pharmaceutical company focused on pain and related diseases working to improve the quality of life for people around the world and realize a pain-free world by providing innovative therapies and cutting-edge technologies.
51	Allm Inc.	A Japanese medical ICT company that aims to eliminate disparities and mismatches in healthcare through the power of ICT and realize fair medical welfare for all.
62	CMO	Stands for Contract Manufacturing Organization.
62	Continuous manufacturing	A system through which raw materials or mixtures thereof are continuously fed to the manufacturing process, and homogeneous, high-quality products are manufactured on an ongoing basis through production control and quality control methods that were appropriately configured based on scientific knowledge. This system can be expected to yield shorter development times, higher efficiency through manpower- and space-saving, and advanced quality assurance for pharmaceuticals.
66	MR	Stands for Medical Representative. Personnel who are in charge of medical information.
80	EHS	Stands for Environment, Health and Safety.
80	SBT	Stands for Science Based Targets. Refers to science-based greenhouse gas emission reduction targets consistent with the levels required by the Paris Agreement, an international framework for addressing climate change.

\* Indicates page where the term first appears.

Attestation of Validity



Noriyuki Kishida  
Senior Executive Officer,  
Senior Vice President,  
Corporate Supervisory Unit

On the issuance of the SHIONOGI Integrated Report 2023

SHIONOGI publishes its integrated reports to provide our stakeholders with a better understanding of our efforts.

"SHIONOGI Integrated Report 2023," our eighth edition issued, details efforts such as "business transformation" and "structural and process transformation" to achieve the medium-term business plan STS2030 Revision announced in June 2023, and explains "SHIONOGI's employee transformation" from the perspective of human capital, which is the driving force behind these efforts, while incorporating it as a feature article. Furthermore, with regard to our response to SHIONOGI's material issues, we have devised the report's layout so that stakeholders can see the Group's activities over the medium to long term, such as showing the progress of major initiatives and changes in indicators.

This report was produced with the cooperation of relevant organizations of SHIONOGI, with the Sustainability Management Department, Corporate Communications Department, and Corporate Planning Department playing a central role in discussions. As the senior executive officer responsible for the production of the report, I attest that the process of preparing the report is legitimate and that its content is accurate.

SHIONOGI will continue to evolve and grow as a company that pursues innovation, continuously challenges itself to create the future of healthcare, and contributes to solving social issues on a global scale. We hope that this report will help readers to better understand these efforts. We will continue striving to further enhance these reports so they will serve as an aid in dialogues with our stakeholders. Please give us your honest feedback and requests upon reading this report.

Engagement with Stakeholders

Approaching our diverse stakeholders

In order to reach out to a wide range of stakeholders, we focus on proactively disseminating information to the press and the public at large through our website, social media, and a variety of other tools. We are also working to enhance information for patients and their families, such as updating disease knowledge, treatment and support information on our website, and revamping various information pages in conjunction with the announcement of STS2030 Revision.



Website

<https://www.shionogi.com/global/en/>



X

@SHIONOGI\_JP  
SHIONOGI



YouTube

SHIONOGI



Instagram

@shionogi\_official  
SHIONOGI

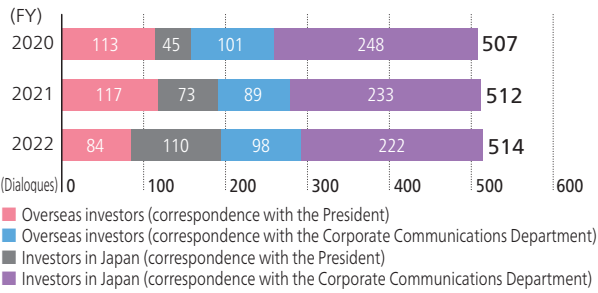
IR activities

In fiscal 2022, in addition to the regular financial results and the R&D Day, SHIONOGI held briefings on COVID-19-related products and HIV business, which are in particularly high demand, as well as briefings for individual investors. Through these various briefings and releases, SHIONOGI disclosed its strategies and progress toward achieving STS2030 and other initiatives as appropriate. In fiscal 2022, we also continued to actively engage in dialogue with investors in Japan and overseas.

Major IR Activities (FY2022)

- Number of dialogues with institutional investors and securities analysts: 514, of which 194 were handled by the Chief Executive Officer
- Briefings for investors and securities analysts: 12

Number of dialogues with investors



Corporate Information/Stock Information

Corporate Data (As of March 31, 2023)

Company Name	Shionogi & Co., Ltd
Established	March 17, 1878
Incorporated	June 5, 1919
Paid-in Capital	¥21,279 million
Number of Employees	5,680 (Consolidated)
Fiscal Year-End	March 31
Website	<a href="https://www.shionogi.com/global/en/">https://www.shionogi.com/global/en/</a>

Stock Information (As of March 31, 2023)

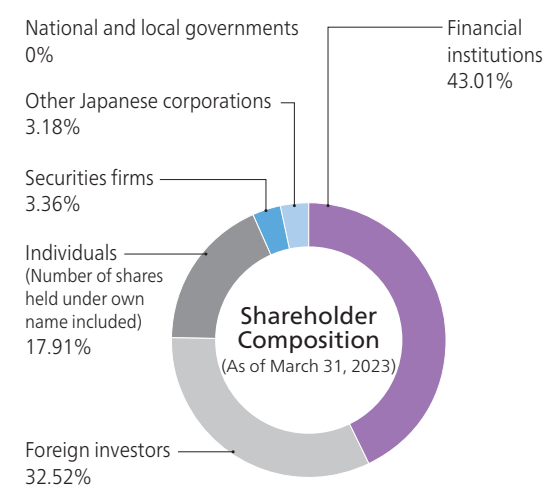
Stock (Securities) Listings

Tokyo (#4507) (Shares listed in 1949)

Stock Status

Common Stock Authorized: 1,000,000,000 shares  
Issued: 307,386,165 shares  
(Including 10,080,279 shares of treasury shares)  
Number of shareholders: 116,364

Shareholder Composition



Note: Treasury shares included in Individuals.

Major Shareholders

Name	Number of shares (Thou-sands)	Percent-age of total shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	57,487	19.33
Custody Bank of Japan, Ltd. (Trust account)	24,189	8.13
Sumitomo Life Insurance Company	18,604	6.25
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	9,485	3.19
Nippon Life Insurance Company	8,409	2.82
BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED	6,356	2.13
STATE STREET BANK WEST CLIENT - TREATY 505234	5,023	1.68
JP MORGAN CHASE BANK 385632	4,822	1.62
Sumitomo Mitsui Banking Corporation	4,595	1.54
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	4,190	1.40

Notes:  
1. The Company owns 10,080,279 shares of treasury shares but the Company is not included in the major shareholders listed above (top 10).  
2. The percentage of total is calculated as the proportion of shares to 297,305,886 shares of total issued stock (excluding 10,080,279 shares of treasury shares).