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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.

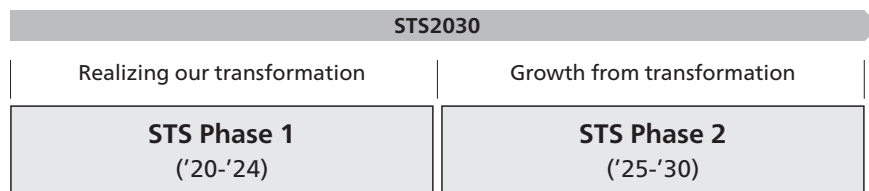
During this period when the entire world was hit by the COVID-19 pandemic, SHIONOGI was able to meet the threat head-on, and learned many lessons from the experience, including a renewed awareness of the impact infectious diseases have on the world and the importance of developing products and solutions 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.

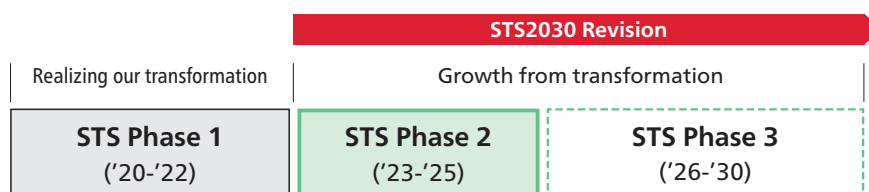
Background to the STS2030 Revision

- **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**

Previous plan



New Plan



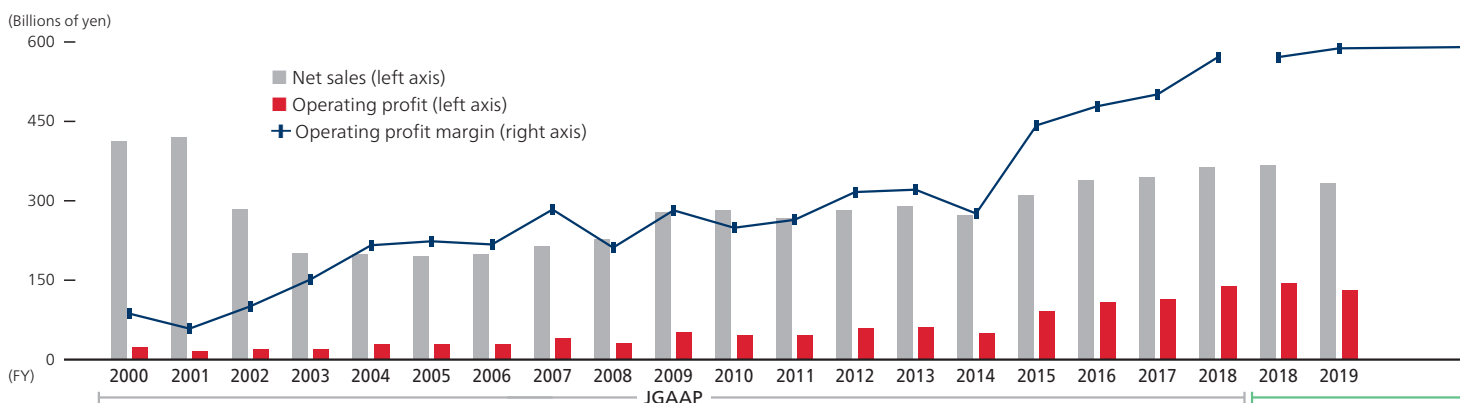
**Achieve 2030
Vision as a
HaaS* company**

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

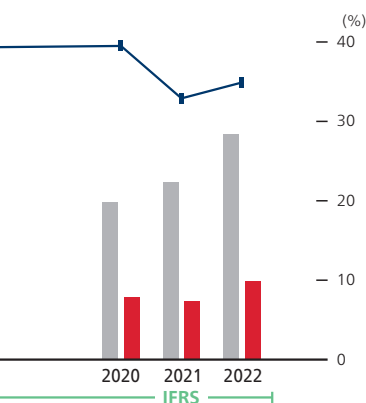
Medium-Term Business Plan

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 Update → 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"> Establishing a foundation Transferred/sold drug wholesaling, agrochemical, clinical laboratory, industrial chemicals, and capsule businesses and focused on prescription drugs R&D Established overseas joint venture Shionogi-GlaxoSmithKline Pharmaceuticals, LLC (present-day Shionogi-ViiV Healthcare LLC) and launched joint R&D of anti-HIV agent Overseas business Established foundation for global development (established Shionogi Inc.) 	<ul style="list-style-type: none"> Clarifying target areas 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 Establishing strong sales Developed Crestor into a key product with domestic sales of ¥23.0 billion Overseas business Obtained U.S. sales network through the acquisition of Sciele Pharma, Inc. Conducted joint development of anti-HIV drug with GSK 	<ul style="list-style-type: none"> Growth centered on new drugs Implemented in-house global development (Phase 3 clinical trials) Discovered 12 development products and obtained PoC for at least 50% Japan business Grew 8 strategic products and improved the sales ratio Crestor and Cymbalta obtained the number-one market share Overseas business Launched <i>Osphena</i> Introduced to Europe and China Earnings structure Revised agreements for out-licensed products Strengthened cost-control capabilities 	<ul style="list-style-type: none"> We accomplished the following regarding the 4th Medium-Term Business Plan (SGS2020) and achieved the main KPIs given in SGS*2020 (ordinary profit, efficiency KPI, and shareholder return KPIs) Continued launch of internally-discovered products <i>Xofluza</i>, <i>Mulpleta</i>, <i>Symproic</i>, <i>cefiderocol</i>, <i>cabotegravir</i> Strengthening of business operations Improvement of cost management Global development of all internally-discovered products, launches in overseas markets <p>*1 SGS stands for Shionogi Growth Strategy.</p>
Issues	<ul style="list-style-type: none"> Response to the volatile drug industry Establishing a second and third target area in addition to the infectious disease area 	<ul style="list-style-type: none"> Identifying research seeds and expanding early phase drug discovery programs Improving clinical predictability Quickly formulating strategies and making decisions related to global development Achieving sales targets and adjusting sales expenses Reducing indirect division costs 	<ul style="list-style-type: none"> The speed at which the value of new products is maximized remained an issue The U.S. business was still unprofitable New products (<i>Cymbalta</i>, <i>Mulpleta</i>, <i>Actair</i>, and <i>Osphena</i>) were capturing market share at too slow a pace Stagnant per-employee operating profit (excluding royalties) 	<ul style="list-style-type: none"> Maximize value of new products <i>Cymbalta</i> and <i>Intuniv</i> have achieved growth, but targets are unmet Issues with information provision concerning <i>Xofluza</i> have emerged (insufficient marketing capabilities overall) Grow overseas businesses US business: Targets not met for strategic products (<i>Osphena</i>, <i>Symproic</i>) Still in process of establishing business infrastructure for the EU and China Improve per-employee productivity



STS*2 Phase 1 (FY2020-FY2022)

Main results

- **Expansion of products discovered internally**
 - Obtained emergency domestic approval for COVID-19 treatment *Xocova*
 - 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
 - Established Yui Connection and began operations
 - Concluded marketing partnership agreement for insomnia treatment app
 - Began wastewater surveillance service
 - Launched sales of gamma wave sound care *kikippa*
- **Governance enhancement**
 - Implemented new internal decision-making process
 - Continued manager education

*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

- **Lessons from the COVID-19 experience**
 - Renewed recognition of the threat of infectious diseases
 - Importance of the discovery of drugs for unmet needs
 - Lack of ability to deliver globally
 - Importance of business speed

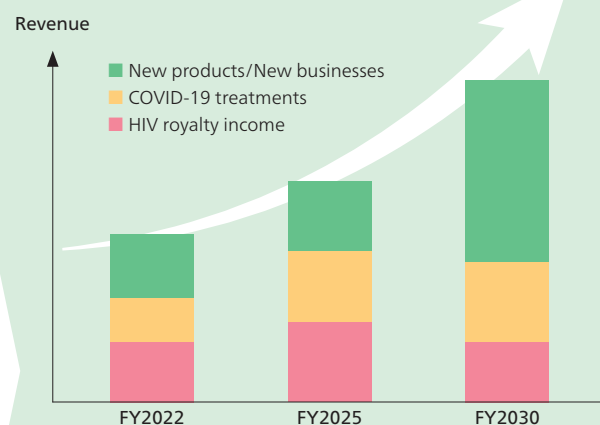
Lacking capabilities for addressing environmental changes

- **Points to strengthen for transformation**
 - Marketing capabilities – Ability to deliver globally –
 - Pipeline – Investment in unmet needs –
 - Strengthen company platform – Improve business speed; strengthen human resources –

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.

Medium-Term Business Plan

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 *kikippa*, 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.

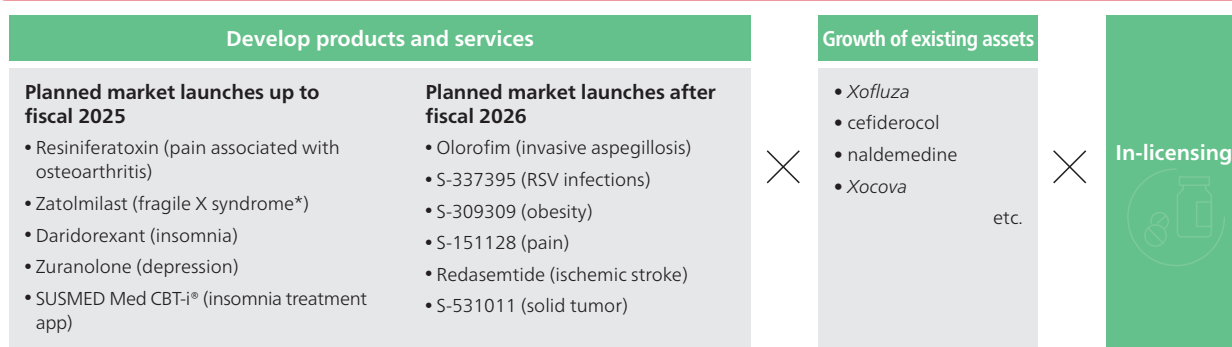
STS2030 Phase 2 basic policy

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

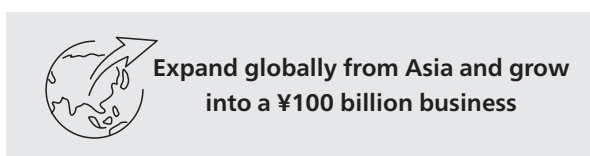
Social issues to be addressed, etc.

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"> • Protect people from the threat of infectious diseases P.44 • Contribute to a healthy and prosperous life P.50 • Contribute to sustainable social security P.54 • Improve access to healthcare 	<ul style="list-style-type: none"> • Protect the environment P.80 • Respect human rights P.79 • Supply socially responsible products and services P.78 	<ul style="list-style-type: none"> • Secure human resources to support growth P.68 • Strengthen supply chain management P.77 • Ensure compliance P.98 • Strengthen governance P.87

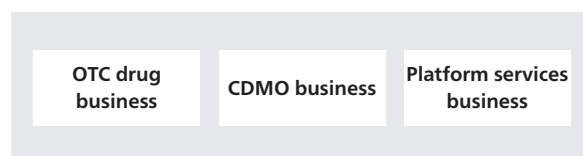
Grow new products



Growth of the vaccine business



Business development based on our strengths



* 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*¹ as growth indicators to be achieved. Based on the fact that we will aggressively invest in growth, we have set EBITDA*² 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.

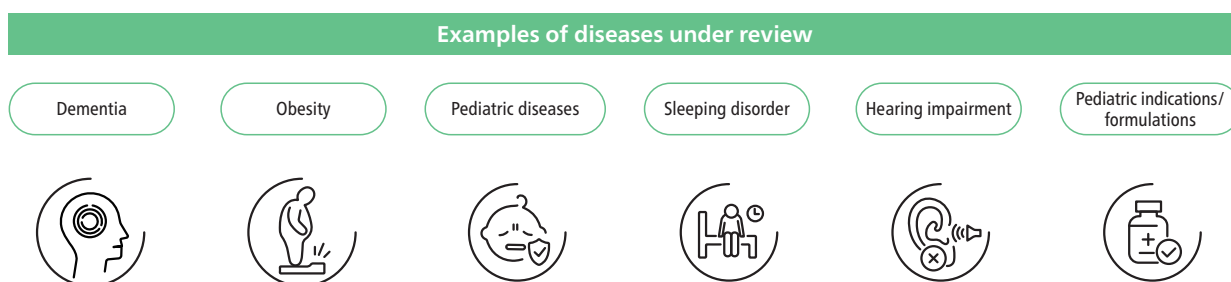
To achieve a speed comparable to that of mega pharma companies with our limited management resources, we discussed resource allocation and risks to be taken, and even temporarily suspended other disease projects, so that at one point, we concentrated as much as 80% of our R&D on COVID-19. The lessons 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.

Ideal State

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

<p>Provide solutions for a wide range of acute infectious diseases</p> <p>Further handle serious infectious diseases that include AMR bacteria</p>	<p>Initiatives targeting HIV infections</p> <p>Initiatives targeting mycobacterium tuberculosis (TB)/ Nontuberculous mycobacterial (NTM) diseases</p> <p>Initiatives targeting malaria</p>	<p>Building and bolstering a vaccine business</p>
Initiatives	Indicators	
<ul style="list-style-type: none"> Providing products and services for acute infectious diseases 	<ul style="list-style-type: none"> Number of acute infectious disease-related pipelines: 4 products Number of serious infectious disease-related pipelines: 2 products Number of countries where products are eligible for pull incentives for serious infectious diseases: 2 countries Number of countries where cefiderocol can be supplied through partnership with GARDP and CHAI: 135 countries Number of contracts for wastewater surveillance services 	
<ul style="list-style-type: none"> Providing products and services for infectious diseases requiring a long period of treatment 	<ul style="list-style-type: none"> Number of HIV-related products in pipeline: 1 product Further contributing to improvement of QOL with cabotegravir Developing antimycobacterial disease drugs, antimalarial drugs and a malaria vaccine 	
<ul style="list-style-type: none"> Building a vaccine business 	<ul style="list-style-type: none"> Providing a COVID-19 vaccine Establishing vaccine manufacturing facilities 	

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

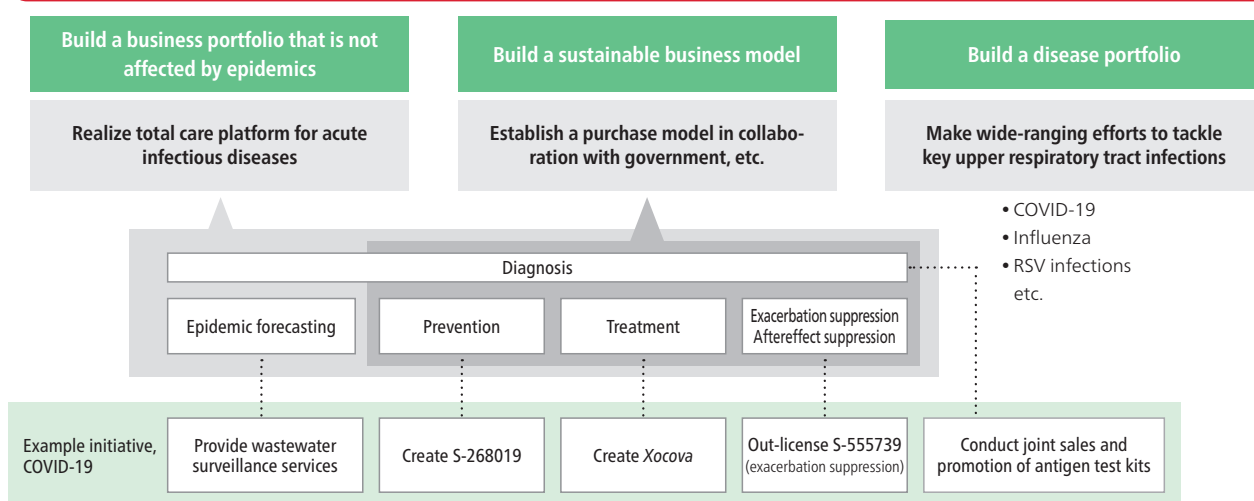
Sustainable business that is not impacted by epidemics

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 *Rapivacta*. 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

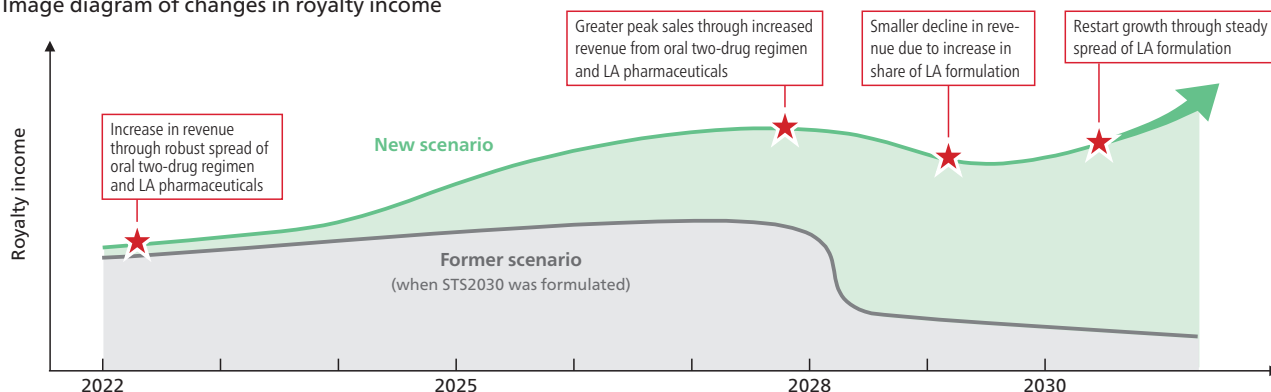
regions. According to a WHO report, more than 240 million people contract the disease annually, particularly in tropical regions, and more than 600,000 of those, primarily children under five, die. The effectiveness of prophylactic vaccines is insufficient and protozoa resistant to existing therapeutic 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

Growth of current products	Growth for future HIV products
<ul style="list-style-type: none"> • Strong growth of oral two-drug regimen (<i>Dovate</i>, etc.) and smooth launch of LA pharmaceuticals* (<i>Cabenuva</i>, <i>Apretude</i>, etc.) <p>* LA pharmaceuticals: long-acting pharmaceuticals</p>	<ul style="list-style-type: none"> • Expand LA pharmaceuticals and S-365598, a next-generation pipeline product that meets unmet needs in the field of HIV (extremely long-acting pharmaceuticals) • In-house drug-discovery research on combination drugs for extremely long-acting pharmaceuticals

Image diagram of changes in royalty income



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.

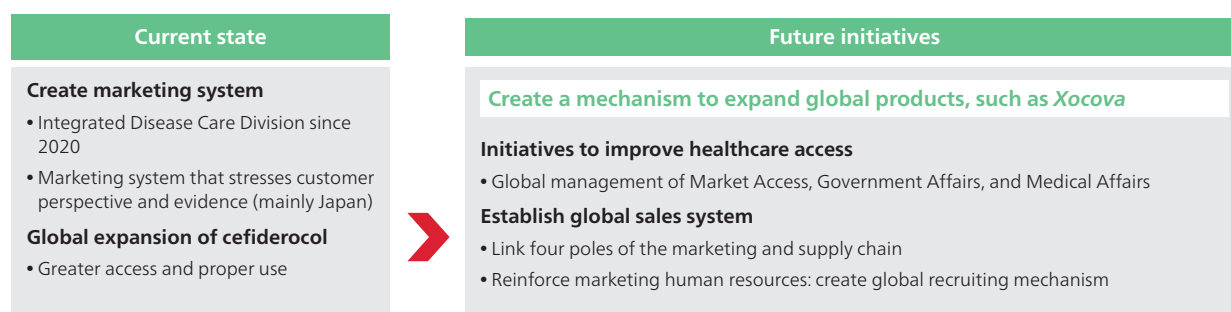
Acceleration of global expansion and strengthening of global sales capabilities

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

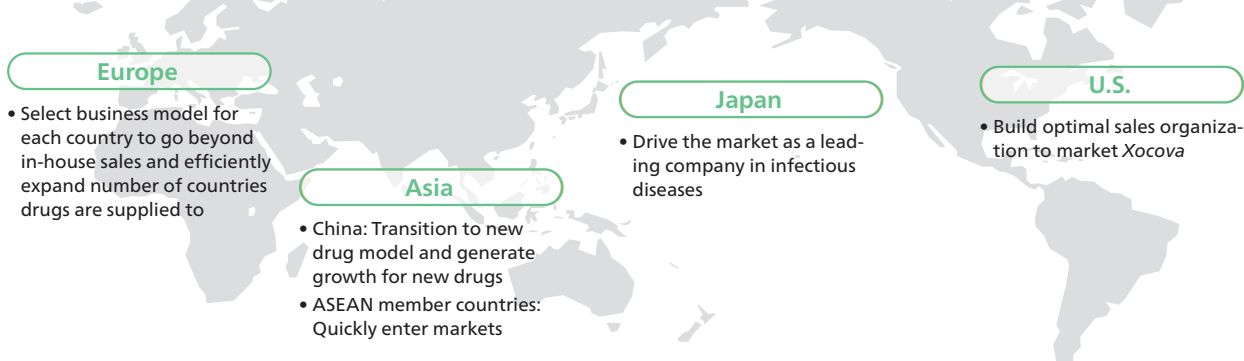
expand access to ensitrelvir in LICs/LMICs, we concluded sub-licensing agreement with a generic drug manufacturer based on the Medicines Patent Pool.

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



Various regional plans



Create Value by Solving Social Issues

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
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Initiatives	Indicators
<ul style="list-style-type: none"> Creation of products and services for psychoneurological diseases, which have a high level of unmet medical needs 	<ul style="list-style-type: none"> Number of psychoneurological diseases-related pipelines: 7 products
<ul style="list-style-type: none"> Provision of optimal treatment choices for the causes of pain 	<ul style="list-style-type: none"> Number of pain-related pipelines: 3 products
<ul style="list-style-type: none"> Securing of new assets to deal with the super-aging society 	<ul style="list-style-type: none"> Number of oncology-related pipelines: 5 products
<ul style="list-style-type: none"> Programs to promote public understanding of disease traits and the problems of people affected 	<ul style="list-style-type: none"> Number of educational activities held via webinars, etc. Number of support services provided in the area of developmental disorders

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

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

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)

 : Global development

Nonclinical	Phase 1	Phase 2	Phase 3		Submission
<ul style="list-style-type: none">• S-872600 Influenza nasal vaccine• S-875670 COVID-19 nasal vaccine• S-540956 Nucleic acid adjuvant• S-554110 Nontuberculous mycobacterial infection	<ul style="list-style-type: none">• S-337395 RSV infections• S-892216 COVID-19 Therapeutics		<ul style="list-style-type: none">• Olorofim (F901318) Invasive aspergillosis• cefiderocol Aerobic Gram-negative bacterial infections (pediatric)• S-268019 COVID-19 Prophylactic vaccine• S-268019 Prophylactic vaccine for COVID-19 (adolescents and school children)	<ul style="list-style-type: none">• ensitrelvir *¹ COVID-19 treatment• ensitrelvir COVID-19 prevention• ensitrelvir COVID-19 treatment (children aged 5-11)	<ul style="list-style-type: none">• ensitrelvir *² COVID-19 treatment• S-268019*³ COVID-19 Prophylactic vaccine• cefiderocol*⁴ Various infectious diseases• baloxavir Influenza virus infection (granules, <20kg)• baloxavir*⁵ Influenza virus infection (ages 5-11, treatment and prevention)
Out license	<ul style="list-style-type: none">• S-365598 HIV infection	<ul style="list-style-type: none">• S-555739 (asapiprant) Treatment by suppressing aggravation of COVID-19	<ul style="list-style-type: none">• baloxavir Influenza virus infection (children under 1 year old)	<ul style="list-style-type: none">• baloxavir Influenza virus infection (transmission suppression)	<ul style="list-style-type: none">• baloxavir (USA) Influenza virus infection (children, 1 year or older)

*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)

 : Global development

Nonclinical	Phase 1	Phase 2	Phase 3	Submission
<ul style="list-style-type: none"> • S-540956 Nucleic acid adjuvant • S-109802 Post-stroke spasticity 	<ul style="list-style-type: none"> • S-151128 Chronic pain • S-588210 Solid tumor 	<ul style="list-style-type: none"> • S-309309 Obesity • S-531011 *² Solid tumor • BPN14770 (Zatolmilast) Alzheimer's disease • S-588410 Bladder cancer • S-588410 Bladder cancer • S-488210 Head and neck squamous cell carcinoma 	<ul style="list-style-type: none"> • S-005151 *¹ (redasemtide) Acute ischemic stroke • S-005151 (redasemtide) Epidermolysis bullosa • BPN14770 (zatolmilast) Alzheimer's disease • Rizmoic *³ Opioid-induced constipation (pediatric) • ADR-001 *⁴ Decompensated liver cirrhosis • S-222611 (epertinib) Malignant tumor 	<ul style="list-style-type: none"> • S-812217 (zuranolone) Depression • GRT7039 (resiniferatoxin) Pain associated with osteoarthritis of the knee • BPN14770 *⁵ (zatolmilast) Fragile X Syndrome • SDT-001 Inattentive ADHD (pediatric) • S-588410 Esophageal cancer • SR-0379 Cutaneous ulcer
Out license	<ul style="list-style-type: none"> • S-723595 Type 2 diabetes 			

*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.	AdvanSentinel
	<i>kikippa</i>	Using gamma wave sound to improve quality of life for the elderly.	ガンマ波サウンドケア kikippa
	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.	 Yui Connection
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*

Create Value by Solving Social Issues

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 <ul style="list-style-type: none"> Providing solutions different than prescription drugs Promotion of self-medication Developing innovative therapies P.52 Promoting proper use Improving affordability P.55 Strengthening healthcare systems P.55 		Indicators <ul style="list-style-type: none"> Number of solutions and number of partners Year-on-year revenue growth of OTC drugs: +14.2% 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 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 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 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
<ul style="list-style-type: none"> • Partners: GARDP and CHAI • Solution: Cefiderocol • Number of countries where it can be provided: 135 countries • Sub-license agreements: 1 company
HIV
<ul style="list-style-type: none"> • Partner: ViiV • Solutions: Dolutegravir and cabotegravir • Number of countries where provided: 140 countries or more
COVID-19
<ul style="list-style-type: none"> • 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 (UHC), 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.

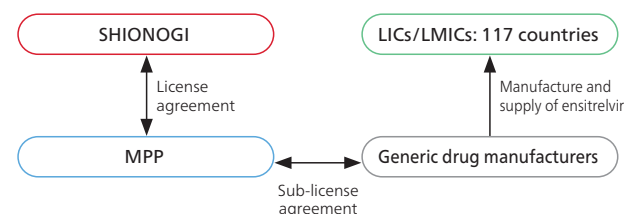
SHIONOGI believes that it is especially useful to form partnerships with international organizations that have excellent solutions to the various issues of access to healthcare in LICs/LMICs. We have formed partnerships with MPP through GARDP and CHAI for the multidrug-resistant gram-negative bacterial 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.

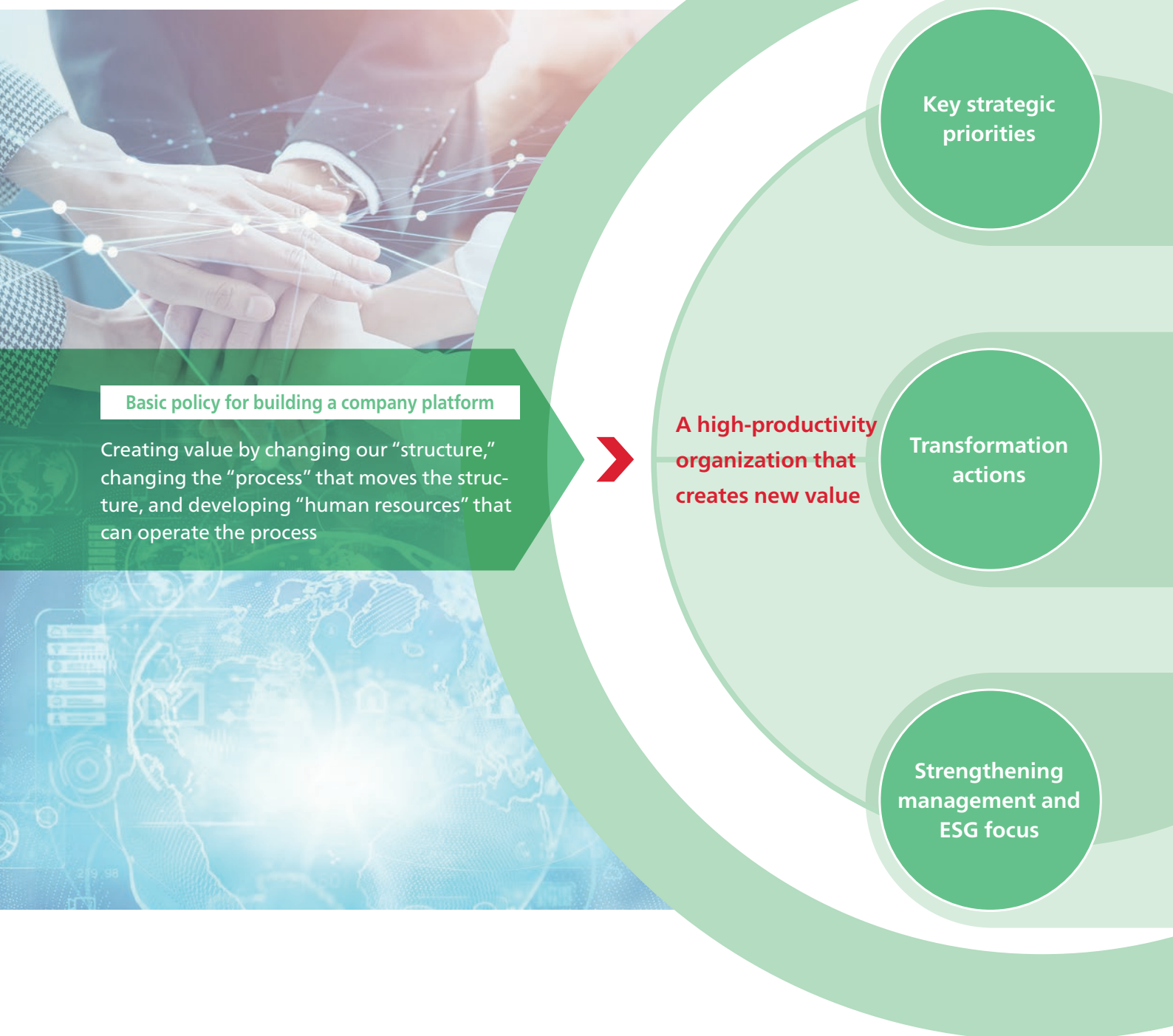
* Maximizing effects by having multiple organizations (companies, governments, NGOs/NPOs, etc.) work together to resolve social issues

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.



- Investment and financial strategy
- Global growth strategy

In STS2030 Revision, we position our global growth strategy as one of our highest priority strategies. To deliver the value of solutions that SHIONOGI creates to even more patients and tie that to our growth, we are actively moving forward with expanding globally and increasing our global sales capabilities.

Leveraging our firm financial foundation that is based on continued, stable royalties from the HIV franchise, we will also actively invest in both R&D to capture new growth drivers and businesses to build a business portfolio immune from the outside environment.

- Key actions to win in the global competition (speed, corporate functions, DX transformation)

We must continually transform ourselves so that we can compete globally and maintain growth at a time when the environment we operate in is rapidly changing. During the three years since we announced STS2030, we have made progress on several fronts, including building an IT foundation, fundamentally reforming administrative operations, and transforming the work processes and in-house decision-making that we learned through our work to create COVID-19 drugs to compete with leading global companies. Through STS2030 Revision, we will strengthen global corporate functions and work to further increase work efficiency by transforming operations through the promotion of DX.

- Strengthening human capital management
- Growing in harmony with society while considering the environment and human rights

Recognizing that one of the important changes in the environment is the broader scope of social responsibilities that companies should fulfill, we work to solve social issues through our business activities and promote ESG management that takes into consideration all ESG issues, including the environment and human rights. Reinforcing human capital is an urgent task in order to move forward with these initiatives, and we are creating an environment in which diverse human resources can make the most of their performance by ensuring a worker friendly environment and work-life balance and creating an appropriate remuneration system. By doing this, we will achieve sustainable growth and create social value.

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.

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 use 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.

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

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.

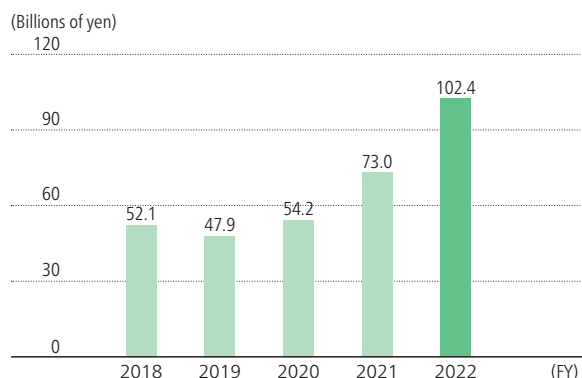
Business investment

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

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.

R&D expenses



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 β -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

Strengthening the Company Platform

Priority Strategies Investment and Financial Strategy

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.

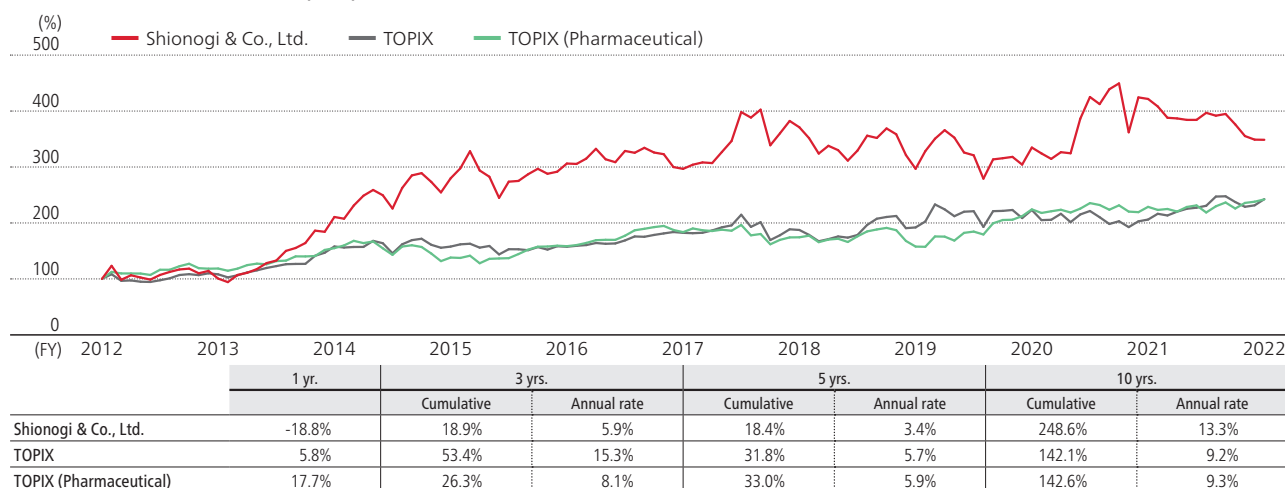
In STS2030 Revision, we tout a policy of achieving a sustainable expansion of corporate value that is stable in the long term and have set a dividend on equity (DOE) attributable to owners of the parent of 4% as a shareholder return target. Other target shareholder return indicators are earnings per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

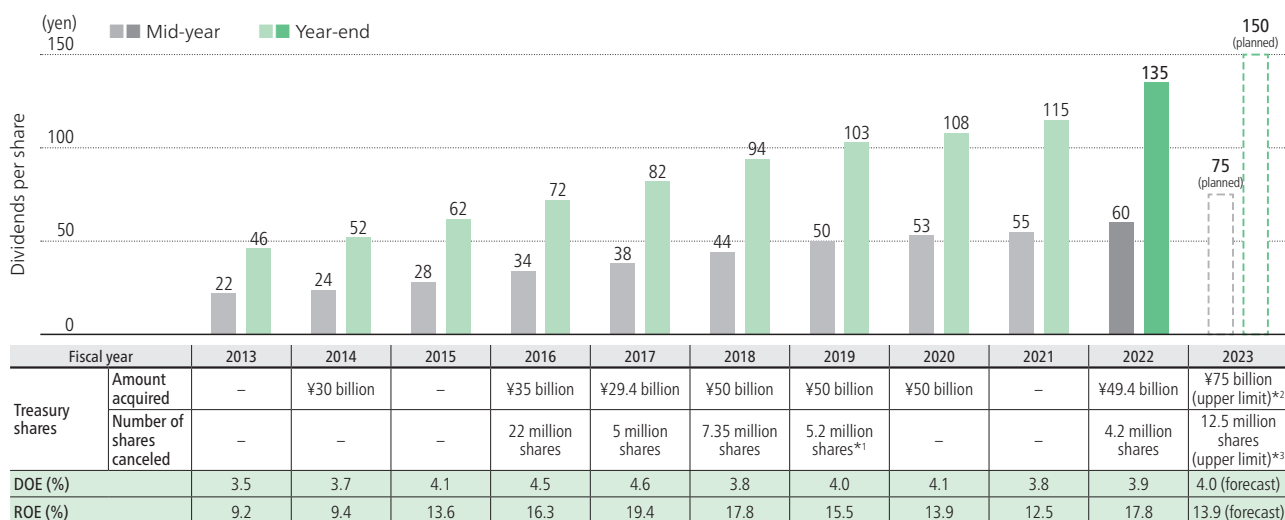
As for shareholder return policies other than dividends, we plan to acquire and retire up to 12.50 million shares (or 75.0 billion yen), 4.2% of issued shares, in fiscal 2023. The goal is to increase shareholder return and raise capital efficiency to further enhance corporate value by implementing a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

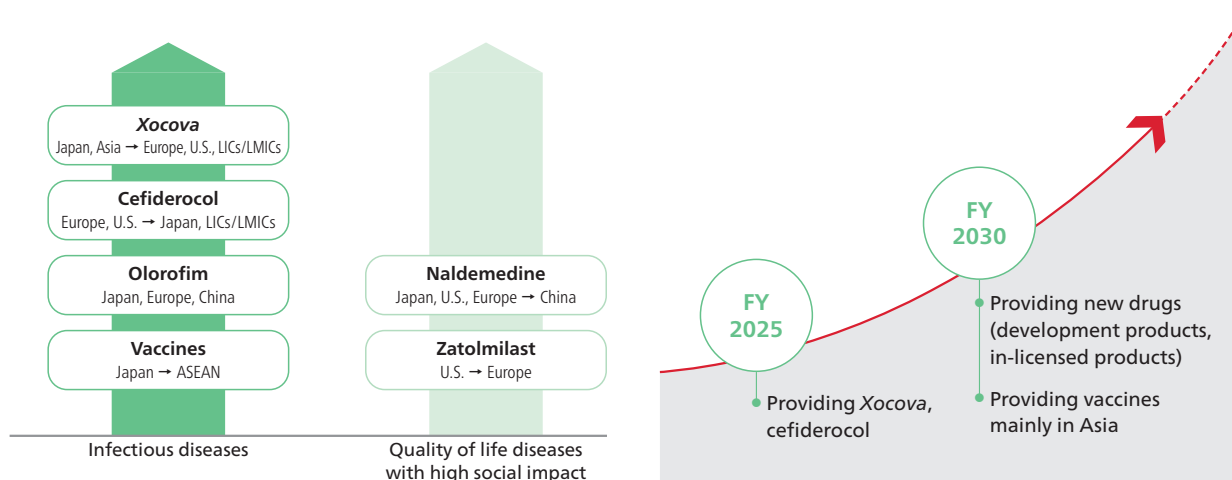
Also, in a global pandemic such as that caused by COVID-19, international cooperation is necessary. If suppliers can

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.

Achieve operational transformation/value creation globally, leveraging our experience from COVID-19 drug discovery

STS2030 Phase 1 results

Increased speed and improved business infrastructure

- Rolled out new business processes learned from drug discovery during the COVID-19 pandemic
- Abolished previous approval system
- Fundamental business process improvement: established JV for indirect operations with Accenture
- IT platform development: globally compliant with security and privacy protection requirements



Strengthening of global corporate functions

- Redefined corporate functions following the globalization of business operations
- Strengthened global strategy, global governance and stakeholder engagement

Realization of DX transformation

- Business mode/operational reform: Increased drug discovery efficiency and market inventory forecasting using AI
- Creation of value through data utilization: Created value through development of SaMD* and disease detection algorithm

* Software as a Medical Device: Medical device programs aimed at diagnosing and treating diseases

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



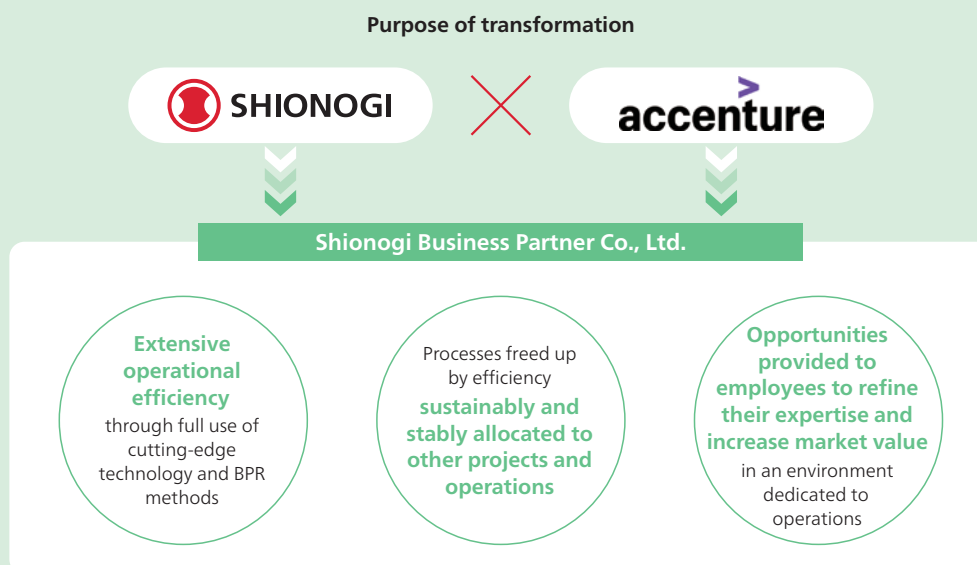
Establishment of Joint Venture with Accenture

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.



Strengthening the Company Platform

Strengthen ESG Management Human Capital Management

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"> Clarification of necessary skill requirements Build a competitive compensation system Number of employees reassigned through internal recruitment - FY2022: 34, FY2023: Not implemented Number of mid-career hires: 50 		
Develop human resources with outstanding strengths	<ul style="list-style-type: none"> Strengthen monitoring of human development systems Education and training expenses: 152 million yen Percentage using self-investment assistance programs: 44.8 % Number of applicants for the side work system: 66 		
Foster an environment and culture in which everyone can work comfortably	<ul style="list-style-type: none"> Ongoing implementation of work style reforms and stimulation of employee communication Engagement survey response rate: 92.9% Percentage of female managers: 14.2% Percent taking childcare leave: Female: 100.0% / Male: 57.4% 		
Promotion of health management (health management and occupational health and safety)	<ul style="list-style-type: none"> Percentage of employees receiving health checkups: 100.0% Stress check examination rate: 91.3% Percentage of highly stressed stress subjects: 4.3% Smoking rate: 5.0% Frequency rate: 0.21 Severity rate: 0.0021 		

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		
	<ul style="list-style-type: none"> Formulate the SHIONOGI Way 	<ul style="list-style-type: none"> Visualize capability requirements for each organization Promote internal human resource mobility 	<ul style="list-style-type: none"> 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		
	<ul style="list-style-type: none"> Start operating new training programs in line with the SHIONOGI Way Strengthen manager education 	<ul style="list-style-type: none"> Incorporate the SHIONOGI Way into behavioral evaluation items Expand self-investment assistance programs 	<ul style="list-style-type: none"> 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		
	<ul style="list-style-type: none"> Introduce telecommuting on a pilot basis Establish the Diversity and Inclusion Logo Introduce a support system for balancing work and medical treatment 	<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> 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

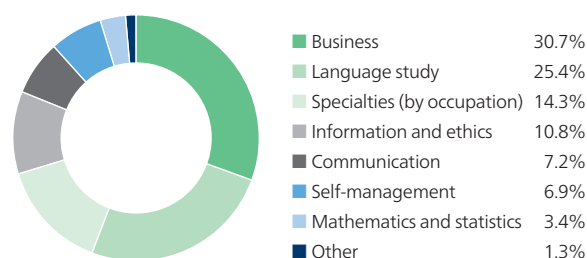
to a managerial position, regardless of age and number of years on the job, if his/her skills are up to par. Job terms would then be dynamically adapted to the role performed.

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.

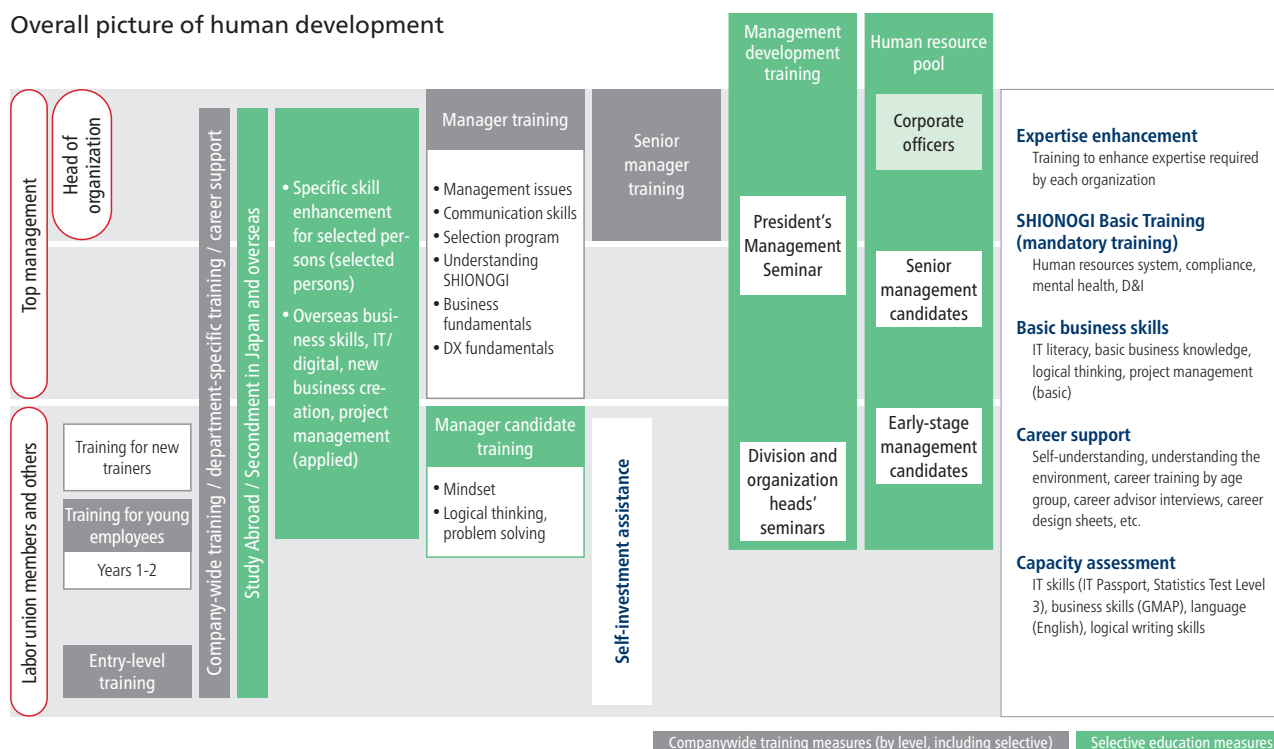
Breakdown of self-investment assistance program utilization (by field)



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

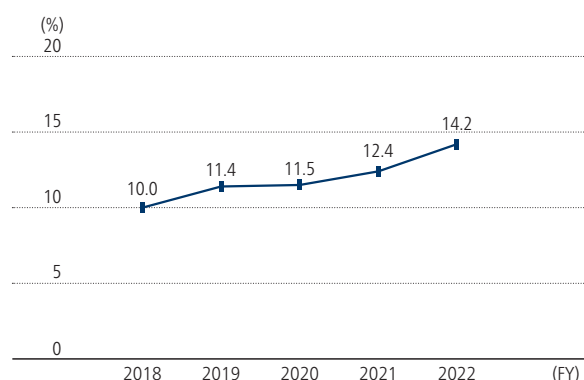
Owner Action Plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace, have been increasing every year. By continuing to work on DE&I, and by reforming work styles and

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)

FY2025 target (Domestic consolidation)

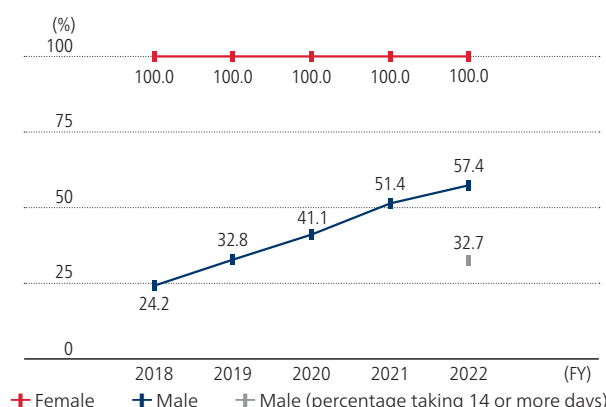
Rate of female employees occupying management positions: at least 15%



Acquisition rate of childcare leave

FY2025 target (domestic consolidation)

Male childcare leave utilization rate: at least 50%, with at least 25% taking 14 or more days



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

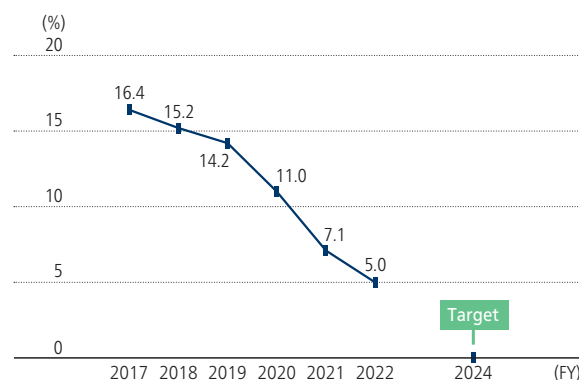
At SHIONOGI, the results of health checkup questionnaires suggested that there were issues with employees' sleeping habits. Therefore, from the viewpoint of improving employee performance by enhancing their health, we positioned sleep as one of our priority themes for FY2022. We conducted a survey by 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".