

SHIONOGI

INTEGRATED REPORT

2021

YEAR ENDED MARCH 31, 2021



Building Innovation Platforms to  
Shape the Future of Healthcare

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#### ■ External evaluation

##### ESG index



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#### ■ Other

Selected by domestic equity managers at the Government Pension Investment Fund as having an "Excellent Integrated Report" (FY2020)  
Selected by domestic equity managers at the Government Pension Investment Fund as having a "Most-Improved Integrated Report" (Three consecutive years since FY2017)

#### ■ Commitment to society

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

#### ■ Editorial Policy

In order for shareholders, investors and other stakeholders to better understand the Shionogi Group's corporate value, this report is an integrated report that includes not only financial information but also management strategies and ESG (Environmental, Social and Governance) information.

#### ■ Period covered

Results for fiscal 2020 (April 1, 2020 to March 31, 2021). Some of the activities after the same period are included.

#### ■ Target organizations

This report covers 55 Group companies (the Company, 51 consolidated subsidiaries, and 3 affiliated companies). The scope of our environmental activities covers all of our business sites and major domestic group companies.

#### ■ Reference Guidelines

IIRC "International Integrated Reporting Framework," "GRI (Global Reporting Initiative) Sustainability Reporting Standards," "ISO 26000," Ministry of the Environment "Environmental Reporting Guidelines (FY2018 version)," and Ministry of Economy, Trade and Industry "Guidance on Value Creation."

\* IIRC was reorganized as the Value Reporting Foundation (VRF) in June 2021.

#### Forward-looking statements

This report contains forward-looking statements. These statements are based on expectations in light of the information currently available, assumptions that are subject to risks, and uncertainties which could cause actual results to differ materially from these statements. Risks and uncertainties include general domestic and international economic conditions, such as general industry and market conditions, and changes of interest rates and currency exchange rates. These risks and uncertainties particularly apply to forward-looking statements concerning existing products and those under development. Product risks and uncertainties include, but are not limited to: completion and discontinuation of clinical trials; obtaining regulatory approvals; claims and concerns about product safety and efficacy; technological advances; adverse outcome of important litigation; domestic and foreign healthcare reforms; and changes of laws and regulations.

For existing products, there are also manufacturing and marketing risks, which include, but are not limited to, inability to build manufacturing capacity to meet demand, unavailability of raw materials, and competition with other companies' products. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events, or otherwise. This report contains information on pharmaceuticals (including compounds under development), but this information is not intended to make any representations or advertisements regarding the efficacy of these pharmaceuticals nor provide medical advice of any kind.



# Our Philosophy



Medicines and beyond, creating  
the next generation of healthcare



## Our Purpose

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

The unwavering purpose of the Shionogi Group’s corporate activities is expressed in the opening of “The Company Policy of Shionogi (Heritage)” as the image of what Shionogi should be and the Company’s social existence values. With the changes taking place in our environment, we are broadening our interpretation of “medicine” to encompass health-care solutions.

Medicines and beyond, creating the next generation of healthcare  
Accelerating Shionogi’s transformation

## Our Philosophy

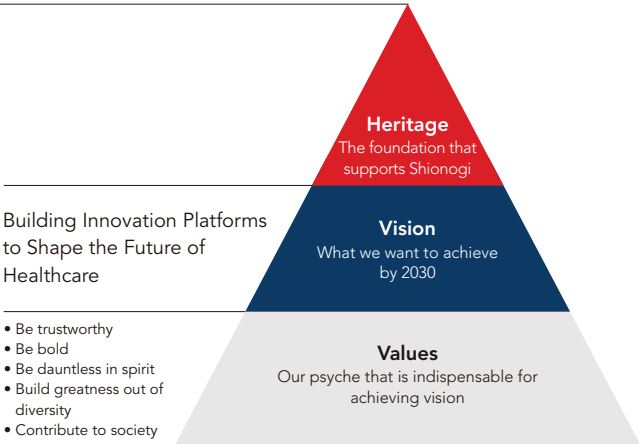
The Company Policy of Shionogi  
Shionogi’s Purpose  
Shionogi strives constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve.

For this purpose, Shionogi will need to  
Pursue the search for even better medicines.  
Produce even better medicines.  
Promote awareness of these better medicines to more people so that more people will be able to use these medicines.  
Research, produce, and promote in an even more economical manner.

For this purpose, Shionogi will need to  
Strive ceaselessly day after day to improve their skills.  
Strive ceaselessly day after day to improve as human beings.

As a result, Shionogi people will  
Find even greater satisfaction in their daily work and in their daily lives.  
Find even greater improvement in the quality of their lives.  
Find even greater prosperity in their lives.

Established in 1957



## Revision of the Code of Conduct

In January 2021, we revised the Shionogi Group Code of Conduct, which sets forth our criteria for all Shionogi people in their daily behavior as embodied in our policy. We will also ask all our business partners to endorse this charter. As a company contributing to the health and well-being of people throughout the world, we will strive to resolve issues affecting all of society and achieve a sustainable and healthy society.

Shionogi Group Code of Conduct <https://www.shionogi.com/global/en/company/business.html>

## Our Stakeholders





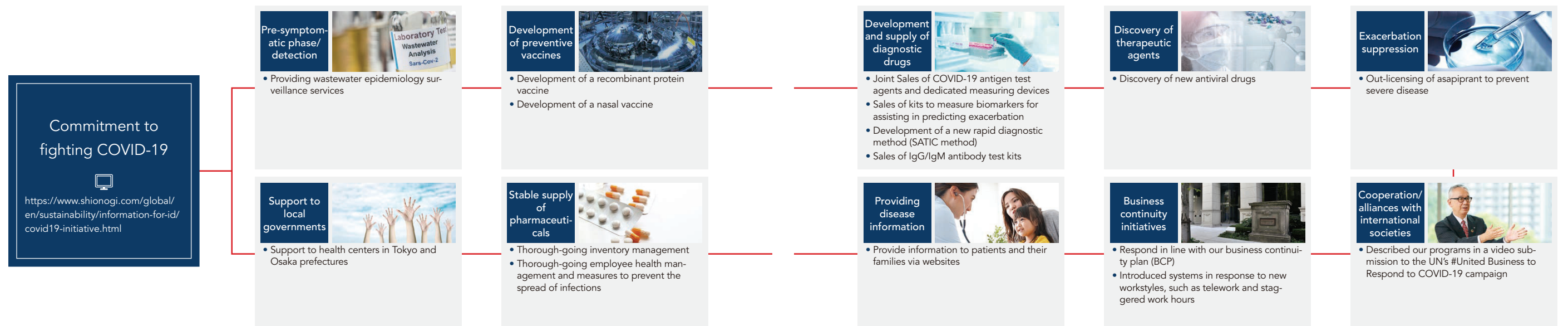


Infectious diseases can take so much away from us



As society remains in disarray from the global spread of COVID-19, as a leading company in infectious diseases, Shionogi is tirelessly pursuing development of a broad range of medical solutions to the COVID-19 pandemic, including therapeutic drugs, vaccines, and diagnostic drugs in collaboration with public institutions, academia, and our partner companies.

"Medicines and beyond, creating the next generation of healthcare."  
Shionogi will continue to challenge.





## Message from the President



**Isao Teshirogi, Ph.D.**  
Representative Director,  
President and CEO

As a leading company in infectious diseases, we seek to provide total care for COVID-19 through a number of approaches, placing our top priority on bringing the pandemic to an early end.

### Looking back on our business in the pandemic year of fiscal 2020

First, I would like to convey my sincere condolences with respect to all who have perished due to COVID-19, and I pray from the bottom of my heart that everyone who has contracted this disease will have a quick recovery and that this pandemic will come to an end as soon as possible. I would also like to express my deep gratitude to all the healthcare workers and others who have been doing everything they can to prevent the spread of this disease.

With our mission to “constantly supply the best possible medicines (healthcare solutions) to protect the health and wellbeing of the patients we serve,” Shionogi has been contributing to healthcare for more than 140 years. The pharmaceutical industry must always strive to continually discover and deliver the medicines that patients need, regardless of disasters or other situations. When Japan experienced the Great East Japan Earthquake a decade ago, it reinforced our commitment to contribute to society by stably supplying needed medicines, and we have been practicing comprehensive risk management, starting from the training of our employees, ever since. As a result, we are proud to say that, during the pandemic of fiscal 2020, we were able to fulfill our social obligation to steadily produce and provide our medicines without any stockouts. However, we did experience our second year of large declines in revenue and profit metrics. The global spread of COVID-19 caused a contraction in the infectious disease field and in the pharmaceutical market overall, and so, while we made proactive growth investments in R&D and other areas, we were unable to cover these expenses with revenues from new products, and this led to regrettable business performance for our shareholders and other stakeholders who had been counting on us. In particular, we did not make enough effort to counteract the expected contractual decline in royalty revenues for Crestor and other factors that we had anticipated in advance. As a company who continues to depend on royalty revenues, at present primarily from our HIV franchise, this represented a gap in our planning and action. From multiple perspectives, it was a year that drove home the importance of early

reconnaissance for changes in our environment and transformation of our corporate culture into one that can rapidly develop and execute a tactical recovery plan. At the same time, fiscal 2020 was also a year in which the issues in our infectious disease business, which could be considered dilemmas, became clearer. For example, the influenza market, which is a major area for us, has now seen large declines for two consecutive years, and revenues from influenza-related products have plunged to almost zero. For society at large, this can be viewed as a favorable trend, resulting from the population adopting strict precautions against contagion of respiratory diseases. However, for those with a business focus in infectious disease in general and influenza in particular, an environment in which the number of influenza patients, which had previously been a relatively consistent 10 million per year, suddenly swings to zero in one year and could conceivably rebound to 30 million or so in the year following, presents a tremendous challenge to navigate and maintain a sustainable business.

Turning to R&D, it was a year that we committed to the pursuit of a range of countermeasures to fight COVID-19, while maintaining steady progress in our key projects. Shionogi has been conducting infectious diseases R&D for more than 60 years, and, over this long history, we have built up a strong track record and knowhow, spanning discovery, development, and production and supply. Therefore, we believe that our mission as a leading company in infectious diseases is to deploy these capabilities to help end the COVID-19 pandemic. With this in mind, we have taken a number of steps, such as the development of Shionogi's first vaccine, research into therapeutic drugs (which is our strength), and the establishment of wastewater epidemiology services that could become a future platform business. However, at this point in time, we regret that we have been unable to live up to society's expectations. In fiscal 2021, we will provide safe and effective solutions for patients and society at an unprecedented speed and make an all-out effort to help bring the pandemic to an early end.

Transformation from a conventional drug discovery-based pharmaceutical company providing medicinal drugs into a HaaS company providing integrated healthcare products and services

#### Advent of the SDG-native, digital-native era

- Trend toward achieving a sustainable society
- Changes in discontinuous social systems and values
- Changes in healthcare needs

#### Sustainability of the existing business

- Large revenue declines in existing pharmaceutical business as patents expire
- Even after overcoming the patent cliff, other patent cliffs will come, and this is not sustainable

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



Shionogi's initiatives vis-à-vis pandemic-induced environmental changes

Shionogi's business environment has changed at an unprecedented speed, and the pandemic has increased societal demands, particularly in healthcare. Some of these changes will probably be irreversible, even after the pandemic is over. With our Company Policy as our compass, Shionogi has been taking a flexible approach to our business as we carefully sense society's needs. Our Medium-Term Business Plan, entitled Shionogi Transformation Strategy 2030 (STS2030), unveiled in 2020, calls for us to achieve business sustainability by transforming ourselves from a drug discovery-based pharmaceutical company specialized in providing medicinal drugs into a HaaS company that provides integrated healthcare products and services. Also, from the standpoint of contributing additional value to society, we have embarked on a new direction, seeking to more comprehensively resolve the problems faced by patients and society. In line with this direction, we are driving our transformation to a more sustainable business model, one able to adapt to the rapid social changes that are now taking place.

Ending the pandemic is an urgent matter, and as a leading company in the area of infectious diseases, we are pursuing initiatives for total care of COVID-19, from the detection and pre-symptomatic stages to prevention, diagnosis, treatment, and suppression of exacerbations. Addressing this pandemic comprehensively will require a suite of linked products and services that extends far beyond medicinal drugs alone and exemplifies what is intended by HaaS.

1 Toward an early and stable domestic vaccine supply

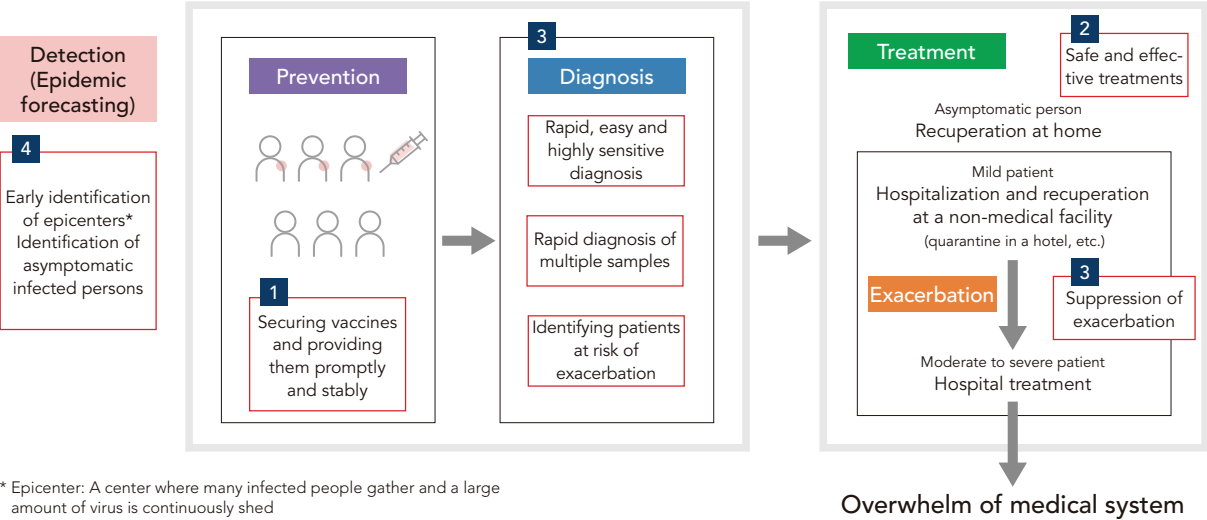
As COVID-19 rages on and variants spread, Japan is awaiting the availability of a domestic vaccine. Japan is the world's number-two country in terms of new drug discovery, and so, rather than being reliant on buying vaccines from overseas, Japan should instead become a vaccine supplier itself. Furthermore, in the event that a highly lethal variant should appear in Japan, a Japanese company will feel the greatest sense of urgency and dedication to make a vaccine to fight it. Shionogi officially entered the vaccine business when it made UMN Pharma into a wholly owned subsidiary in fiscal 2019. The pandemic hit immediately thereafter, so we made the early supply of a COVID-19 vaccine a top priority and have been pouring our efforts into vaccine R&D. As vaccines are now available around the world, it is difficult to conduct large-scale clinical trials on a global basis, so we are

holding ongoing discussions and brain-storming sessions with the relevant government ministries and regulatory authorities regarding flexible administration of the existing approval system, reflecting the need for an alternative evaluation method. Shionogi is developing a recombinant protein COVID-19 vaccine which employs technology commonly used in influenza vaccines and is thus expected to have a good safety profile. Several vaccines using this technology have already been approved and are being used for other diseases in Japan, so we believe that using the same type of technology should gain ready acceptance. For instance, if vaccine booster shots are to be periodically administered going forward, a vaccine with fewer side-effects would be preferable, so if Shionogi's vaccine is proven to be very safe, we will be able to fulfill society's needs. Also, if we use UMN Pharma's vaccine technology, we could simultaneously inoculate not only against SARS-CoV-2 but also against influenza and other viruses as well. We are also doing research on a nasal vaccine. In addition to supporting Japan's national security, we would also like to contribute to global health by providing the world with vaccines from Japan through direct supply or technological transfer.

2 Development of truly safe and effective therapeutic drugs

Even if a superior vaccine becomes available, it will not be 100% effective against the disease, so a supply of safer, more effective antiviral therapeutic drugs will be needed to eliminate people's fears and restore normalcy to society. In fiscal 2020, we selected a compound that is highly effective against SARS-CoV-2 from our compound library and embarked on research. Unfortunately we had to halt development of the initial candidate prior to clinical trials because we determined that this compound would not meet everyone's expectations, for example, for a similar degree of safety to our existing anti-influenza virus drugs. To replace that candidate and move with urgency, we conducted research using various drug-discovery approaches on targets of the specific proteins making up SARS-CoV-2. As a result, over the course of a few months, we generated several interesting leads in the form of medium-sized molecules such as peptides and macromolecules, as well as some promising small-molecule compounds. Among these, in July 2021, we began clinical trials on a small-molecule compound that could become an orally administered antiviral drug. We will continue our fight to meet the needs of society

What Shionogi Wants to Achieve Regarding COVID-19 (are the issues that we aim to solve by providing solutions)



and to relieve the strain on the healthcare system as rapidly as possible.

3 Supply of diagnostic drugs, suppression of exacerbation in disease patients

For COVID-19 and other infectious diseases, the presence of an infection needs to be correctly ascertained. Since it is not possible to ward off such diseases completely through awareness or prevention at the pre-symptomatic stage, infected people—or the pathogens themselves—need to be identified with a rapid diagnostic system, in order to trigger the correct response, such as proper treatment procedures. For COVID-19 in particular, a high proportion of people are asymptomatic or have mild cases compared to conventional viral infections, and the progression of symptoms varies from person to person. Therefore, we believe that the option to address mild/moderate symptomatic cases by having the patient convalesce at home or at a lodging facility, reserving intensive care hospitalization for those individuals at specific risk of severe exacerbation, is key to alleviating pressure on the healthcare system. To address this need, we have launched a Th2 Chemokine (TARC) kit (the HISCL®TARC Assay Kit), TARC being a useful biomarker for predicting exacerbation risk in COVID-19 patients. This product was developed in collaboration with the National Center for Global Health and Medicine. By predicting the risk of COVID-19 exacerbation from the disease's early stages, this test kit makes it possible to make the right choice for each individual, whether it be hospital care for high-risk patients or convalescence at a lodging facility, at home, or elsewhere for low-risk patients. Also, to

suppress exacerbation in high-risk patients, Shionogi has partnered with BioAge Labs, Inc. of the U.S. for the global development of asapiprant (prostaglandin D2 DP1 receptor antagonist, S-555739), which we discovered. Together with the prediction of patients at risk, we will contribute to suppressing exacerbation of disease.

4 Early prediction of outbreaks

Based on joint research with Hokkaido University, we have set up a framework for the early detection and observation of COVID-19 outbreak trends based on wastewater epidemiology. We believe that the social implementation of this framework will enable the early prediction of outbreaks so that steps can be taken to lessen the next wave of the pandemic. While this initiative seems uncharacteristic for a typical pharmaceutical company, it is one that utilizes Shionogi's know-how in dealing with bacteria and viruses, and we have high expectations for this service, which takes advantage of this expertise.

Sustaining and stabilizing our infectious disease business

One company, or the pharmaceutical industry alone, can only go so far in dealing with a global pandemic like COVID-19. Actually, most of Shionogi's initiatives are being implemented through partnerships. The current pandemic has uncovered many issues that are not specific to a single country, including the need to start preparing for pandemics during ordinary times. To protect





people's health and wellbeing, Shionogi wants to continue fighting by employing its capabilities to the greatest extent possible, so that the world may be protected from the threat of another pandemic, once COVID-19 is over. Both preparing in ordinary times and fighting back require the construction of a global collaborative framework and the strengthening of institutions, as well as securing funding for continued R&D and stable production and supply, all of which require alignment amongst governments and administrations worldwide. We there-

fore intend to be to be proactively involved in advocacy programs through partnerships and industry bodies as well in negotiations for the creation of new incentive and reward structures, including subscription models for products and services and strategic reserves. Now that concern and awareness about pandemics is at an all-time high, we will do our utmost to engage in dialog with our many stakeholders for collective understanding and alignment to create a stably growing infectious disease business meeting the needs of society.

## Creating the healthcare of the future

Shionogi's Vision for 2030 is "Building Innovation Platforms to Shape the Future of Healthcare." This Vision speaks directly to our business sustainability, overcoming the upcoming expiration of patents for key products in our drug business, and addressing the shifts in healthcare needs as society changes and social values become more diverse. The current pandemic is accelerating social change, but, even if there had been no pandemic, such changes would have happened eventually. In accordance with our 2030 Vision and STS2030, which we announced in 2020, we are confident that we will be able to deal with dramatic changes in our business environment, if we succeed in our goal of becoming a HaaS company.

Examples of our progress in fiscal 2020 include gaining a great amount of vaccine know-how over the course of the year, and building a vaccine production framework with assistance from the Japanese government. Going forward, we will continue to expand the vaccine business so that we can earn stable profits and increase our contribution to society. Also, programs such as the epidemiology monitoring service using highly sensitive detection technology for COVID-19 in wastewater, represent new fields of business activity for Shionogi. This is a program that arose from the "I want to do it" project, which is a bottom-up initiative for fulfilling our Vision. The "I want to do it" project solicits employee ideas for

new business opportunities that they want to pursue immediately. It challenges them to form an in-house business venture. Every year, we receive many interesting and enthusiastic proposals, so I feel that the culture and framework for internalizing the pursuit of HaaS is spreading throughout the entire company. In addition, our China business, which was established through our new joint venture with China's Ping An Insurance Group, is off to a promising start, despite some initial start-up hurdles, like restrictions on personnel transfers. We started placing Shionogi products on the Ping An Group's online healthcare platform, and sales have begun. The key next growth step for the joint venture is to gain approval in China for Shionogi's innovative drugs, cefiderocol and naldemedine, and discussions in this regard with the Chinese authorities are progressing without delay with the support of our partner, the Ping An Group. We are working steadily to build a platform that offers one-stop healthcare services utilizing both companies' strengths, including AI-led drug discovery and the smart factory concept.

One way that the current pandemic has drastically affected society is that it has accelerated the advancement of digitization. As this advancement proceeds, the healthcare paradigm is shifting and customers' needs continue to evolve. We therefore established the DX

Promotion Division in July 2021 with the goal of facilitating a discontinuous transformation and creating new value in response to these shifts. The DX Promotion Division is responsible for creating healthcare solutions using digital technology, making use of data to support the realization of the solutions, and building IT and security infrastructure. Also, to develop and secure human resources, we are retraining employees to become IT/digital personnel and hiring IT and digital human resources from the outside. Furthermore, we are holding DX training sessions for all managers as part of the PJ-KANAME, so that we can transform our organizational culture and strengthen our IT and digital capabilities company-wide.

We know that reforming how we conduct R&D and reforming our business processes are two points on which we especially need to focus if Shionogi is to transform itself into a HaaS company in the future.

## Accelerating R&D

In response to the current COVID-19 pandemic, Shionogi has been conducting R&D at a pace that is much faster than we previously thought possible. These efforts include moving a candidate vaccine into clinical trials within one year, even though we had no prior experience in this area; identifying of promising candidate compounds for COVID-19 therapeutic drugs, an effort restarted in November 2020 and that took only several months; and launching clinical trials of those drugs in July 2021. At the same time, the world's major pharma companies have worked even faster to develop vaccines, antibodies, and other therapeutic drugs and have begun to supply them commercially. Of course, there are differences in the magnitude of available resources, but we can learn a lot from them, including with respect to the speed of their assessments, and their risk-taking and radically streamlined processes designed for COVID-specific efforts. For Shionogi, it made us aware that we should

reconsider how we conduct R&D, especially during emergencies. I think that our next step should be to see how much we can apply this "emergency" R&D process to "normal" times as well. If this part goes well, I think that we should have enough capability to accelerate our current pipeline development schedule and make it more efficient. By further cultivating our strengths of creativity and expertise as a drug discovery-based pharmaceutical company and continuing to challenge preconceived ideas both internally and externally, we will strive to the best of our ability to become a hub of co-creation, so that companies with different capabilities and from different industries will choose to partner with us to create new healthcare products and businesses.

## More sophisticated decision making

To transform ourselves into a HaaS company, we need to further enhance the speed and quality of our business decision-making process. To date, our decision-making process has had some issues, including the transparency of the discussions and detail of record-keeping, as well as in terms of maintaining traceability sufficient to support third party review. If people are not able to see the rationale behind a certain decision, the proper response to a change in external conditions or emerging project findings may not be apparent, such that subsequent appropriate steps (e.g. suspending the project) may not be taken. Also, such a state of affairs prevents us from learning from our past successes and failures. With the unveiling of STS2030, we are improving our awareness of risk and return and our assessment capabilities, monitoring our organizational decision making as a company, and quickly building a framework that will further enhance our abilities for the future. One year into our plan, we have completed awareness-raising among all managers and have created the physical infrastructure, so we are now focused on improving decision-making speed and quality and tightening the linkage to budgets.

## Shionogi's pledge to all stakeholders

Shionogi lists "protect people worldwide from the threat of infectious diseases" as one of our core objectives. As a leading company in the infectious disease area, and also as a HaaS company, we want to be able to make real contributions to SDGs by achieving total care for COVID-19, which is a pressing social issue. We therefore place top priority on bringing the pandemic to an early end, and thereby restoring the safety and well-being of society. As this

process unfolds, we will continue to drive to achieve further growth of the company and to contribute to creation of a sustainable society through balanced engagement with all four of our major stakeholder groups—our shareholders and investors, our customers, society, and our employees—so that we can apply our capabilities and resources to provide all of them with meaningful value. I request your continuing guidance and support in this endeavor.



# Our History

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

## Chronology

### 1878 Founded

On March 17, 1878, his 24th birthday, Gisaburo Shiono, Sr., who learned about the drug wholesaling business from his father, Kichibe, strikes out on his own and establishes a drug wholesaling business named Shiono Gisaburo Shoten at 12, Doshomachi 3-chome in Osaka.



Founder Gisaburo Shiono, Sr.

### 1886 From Japanese and Chinese medicines to Western medicines

At that time, Western medicines were available through foreign trading houses in Yokohama and Kobe, but they were expensive because drug wholesalers who were not familiar with trading bought the medicines at whatever price the foreign traders asked for. Gisaburo soon added people experienced in trading and fluent in English and imported medicines directly so that even the common people would be able to buy them at a reasonable price.

### 1909 Registered the corporate emblem FUNDOH

Reliability and trust are necessary qualities for corporate management. Since our founding as Shiono Gisaburo Shoten, we have regarded reliability and trust as our most valuable "capital." Shionogi's corporate emblem is derived from the *fundoh*, which is the balance weight traditionally used to weigh medicine on a scale. The *fundoh* also symbolizes "accuracy," "honesty," and "trust," meaning that we always pursue accuracy.



### 1910 Constructed the Shiono Seiyakusho manufacturing plant

A new pharmaceutical manufacturing plant, called Shiono Seiyakusho, was built in Nishinari-gun, Osaka (the present-day Fukushima-ku, Osaka) to formally launch the business of manufacturing new drugs. This gave Shionogi a pharmaceutical division in both name and reality and was also the moment that Shionogi embarked on a new path as a drug manufacturer. Gisaburo's second son and director of the plant, Chojiro, wanted to get the company through tough operating conditions, so he invited Heizaburo Kondo, a doctor of pharmacology who had just returned from studying in Germany, to serve as an advisor.

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

In 1919, the year following the end of World War I, Shiono Gisaburo Shoten, the drug wholesaler led by Gisaburo's eldest son, Shotaro, and Shiono Seiyakusho K.K., the pharmaceutical business led by his second son, Chojiro, were merged in order to further expand the company. The new company was named Shionogi Shoten Co., Ltd. In 1943, the name was changed again, to Shionogi Seiyaku K.K. (the present Shionogi & Co., Ltd. in English) to demonstrate that the company would focus on the drug manufacturing business.

### 1957 Shionogi's Company Policy established

Since our founding, Shionogi has survived the changing times and developed our own philosophy and thinking. Our Company Policy, which is our eternal goal, has enabled us to move forward without losing sight of our basic direction as a pharmaceutical company, which is "to serve people's health."

### 1958 The Detail Person Declaration

The Detail Person Declaration set forth by President Kotaro Shiono stated, "Shionogi's detailing activities will entail enquiring about patients' medical benefit and recommending Shionogi drugs to be used for those patients for whom they are appropriated. You must not focus solely on price and participate in price war." This further clarified that our activities are based on our long-held belief that justice comes before profit.

### 1983 Construction of the Kanegasaki Plant

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



Kanegasaki Plant

### 1998 Establishment of the Shionogi Code of Conduct

The Shionogi Code of Conduct was established to complement the Shionogi Corporate Policy as a criterion for behavior as the company went global and developed into a global corporation. The Company Policy describes our business purpose, while the Code of Conduct sets forth the type of conduct that Shionogi should practice as a member of society and as a pharmaceutical company.

### 2020 Revising our management philosophy

To continue growing as the external environment and values evolve, we need to reflect society's and customers' needs in our targeted Vision and in the Values that are essential to achieving this Vision, and to have the flexibility to take action. We therefore established a new Vision and Values for our Company Policy, which is the foundation we call Heritage that serves as the basis for all of our activities.

1870 1880 1890 1900 1910 1920 1930 1940 1950 1960

1970 1980 1990 2000 2010 2020

## Major products

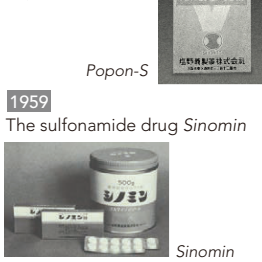
1909  
Our first in-house drug, the anti-indigestion Antacidin



Advertisement for Antacidin

1911  
The syphilis treatment Salvarsan  
1912  
The new cardiac drug, Digitamin

1950  
The analgesic Sedes  
1953  
The multivitamin supplement Popon-S



Sinomin

1982  
The oxacephem antibiotic Shiomar  
1988  
The oxacephem antibiotic Flumarin



Shiomarin

1997  
The cephem antibiotic Flomox

2003  
The cancer pain analgesic OxyContin  
2005  
The hyperlipidemia treatment Crestor  
The injectable cancer pain analgesic OxiFast  
The carbapenem antibiotic Finibax



Finibax

2008  
The hypertension treatment Irbetan  
The acne vulgaris treatment Differin  
The idiopathic pulmonary fibrosis treatment Pirespa

2010  
The anti-influenza virus drug Rapiacta  
The antidepressant drug Cymbalta  
2012  
The injectable cancer pain analgesic OxiFast  
The hypertension treatment Aimix  
2013  
The hypertension treatment Iitra  
2014  
The HIV treatment Tivicay



Tivicay

2015  
The HIV treatment Triumeq  
The allergen immunotherapy Actair  
The thrombocytopenia treatment Mulpleta

2016  
The hypercholesterolemia treatment Crestor OD tablets  
2017  
The cancer pain treatment Methapain  
The attention-deficit/hyperactivity disorder (ADHD) treatment Intuniv  
The opioid-induced constipation treatment Symproic  
The chronic cancer pain treatment OxyContin TR tablets  
2018  
The anti-influenza virus drug Xofluza



Xofluza

2019  
The attention-deficit/hyperactivity disorder (ADHD) treatment Vyvanse

2020  
A siderophore cephalosporin antibiotic Fetroja (cefiderocol)



Fetroja (cefiderocol)

The long-acting HIV treatment Cabenuva (cabotegravir + rilpivirine)  
The IgG/IgM antibody test kit for COVID-19 (research reagent)

## Shionogi and society

### Salvarsan: Shionogi's first step in fighting infectious diseases

In the early 1900s, syphilis was a serious infectious disease for which no cure existed. We started importing Salvarsan in 1911, two years after it was developed overseas in 1909, and this was a major step in the treatment of patients suffering from syphilis.

### Sinomin: Our first in-house developed drug that made a global contribution

In the 1950s, infectious diseases like tuberculosis and pneumonia ranked among the most common causes of death. We therefore began R&D into infectious diseases, having made the management decision to become fully involved in the major social issue of infectious disease. Sinomin, a sulfonamide we discovered in 1959, was out-licensed to Roche of Switzerland, and it has been instrumental in treating infectious diseases throughout the world. Even now, more than 50 years since its launch, it continues to contribute to people's health as Bakter, a combination with trimethoprim.

### Tivicay: Helping to improve quality of life for everyone living with HIV

In 1988, we founded our Laboratory for Medicinal Chemistry Research and began researching HIV and other antiviral medicines. After many failures, we launched the HIV drug Tivicay in 2014. Tivicay possesses superior effectiveness and safety, and it is an HIV integrase inhibitor for which it is difficult to develop resistance. We are therefore making a major contribution to treating people around the world so that they can live with HIV and have a better quality of life.

### Xofluza: An anti-influenza virus drug with a new mechanism of action

We launched the anti-influenza virus drug Xofluza in 2018. By combining the power of our value chain and alliances and utilizing the SAKIGAKE designation system, we were able to obtain approval in Japan and launch the drug with the short time period of about three years from the start of Phase 1 clinical trials. This drug is both effective and convenient, and it is helping influenza patients and their families, as well as the healthcare community.

### Fetroja: The trump card in antimicrobial (AMR) treatment

In 2020, we launched the multi-drug resistant antibiotic Fetroja in the U.S. This drug could become the trump card for saving patients whose lives have been endangered due to the lack of treatment options. We are providing cefiderocol to many countries and regions, including low- and middle-income countries, through alliances and other means by employing Compassionate Use and Early Access Programs (EAP), thus contributing to the treatment of patients.



# Value Creation Model

Shionogi's Company Policy is to strive "constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve." Based on this, we are working on material issues (materiality) so that we will provide new value to customers and society through our business activities and thus attain growth and a sustainable society. Shionogi's value creation process consists of creating innovative products and services as a drug discovery-based pharmaceutical company while resolving social issues and responding to healthcare needs so that we can grow as a company that society needs, and sharing the fruits of these efforts with all our stakeholders. We are going to transform ourselves into a HaaS company that continues developing its strengths cultivated as a drug discovery-based pharmaceutical company that works with diverse partners who possess different strengths to supply healthcare solutions.

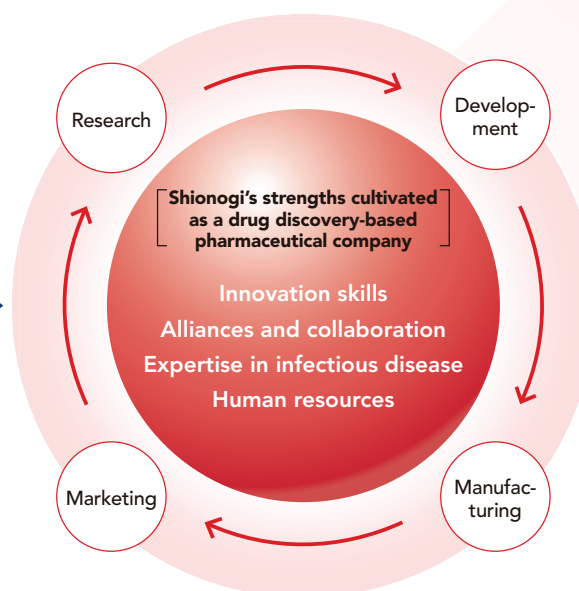
Shionogi strives constantly to supply the best possible solutions to protect the health and wellbeing of the patients we serve.

Material issues addressed by Shionogi [p.24](#)

- Material issues to create new value for customers and society
- Material issues to realize a sustainable society and support Shionogi's growth

## Inputs (FY2020)

- Human capital**
- Employees who share our philosophy **93%** (FY2019)
  - Education & training expenses **¥190 million**  
SCD\* education & training expenses + divisional education and training expenses  
\*Shionogi Career Development Center
  - Human resources development programs and all manager improvement programs
  - Pool of future organizational leadership human resources (cumulative number of new registrations over 5 yrs.) **215 persons**
  - Work-life balance framework
- Intellectual capital**
- Expertise accumulated since our founding
  - R&D expenses **¥54.2 billion**
  - Library of bacterial strains
  - Compound libraries
  - SAR engine (SAR cycle)
- Social and relationship capital**
- Diverse partnerships
  - Assistance based on the expectations of national & local governments and society
  - Brand strength
- Financial capital**
- Total capital **¥999.0 billion**
  - Shareholders' equity **¥864.6 billion**
- Manufactured capital**
- R&D laboratories (Kanzakigawa, Kuise)
  - Group Company facilities (Kane-gasaki, Settsu, Tokushima, UMN Pharma, C&O, etc.)
  - Antimicrobial manufacturing facility
  - Medical narcotic drug manufacturing facility
  - Vaccine manufacturing facility
- Natural capital**
- Energy consumption **1,665 thousand GJ**
  - Water usage **1,217 thousand m<sup>3</sup>**



## Outputs

- Fetroja® (cefiderocol) for the treatment of multidrug-resistant Gram-negative bacterial infections
- Xofluza® anti-influenza virus drug
- Tivicay® anti-HIV drug

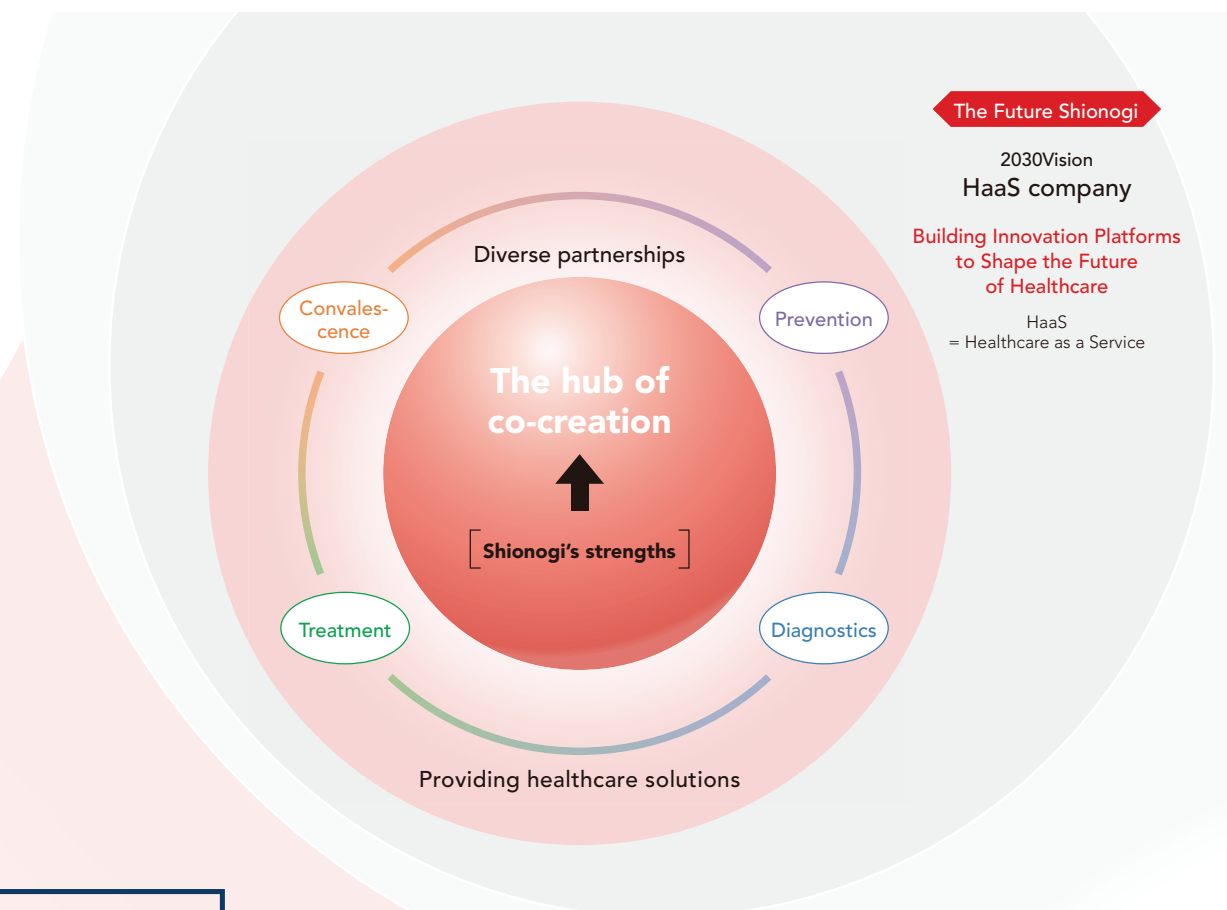
See for details on the development pipeline  
<https://www.shionogi.com/global/en/innovation/pipeline.html>

## Outcomes (as of March 31, 2021)

- Human capital**
- Employees who share our philosophy **94%**
  - Amount of self-investment assistance **¥170 million** (actual)
  - Achievement of work-life balance (percent taking childcare leave **Men 41.1% up 8.3% from prior year**)
  - Number of appointments to organizational leadership from the human resources pool (cumulative number of new appointments over 5 yrs.) **67 persons**
  - Number of new projects launched from the "I want to do it!" employee-initiated program **2 projects**
  - Percent of female managers **11.5% up 0.1% from prior year**
- Intellectual capital**
- Accumulated expertise in R&D, production, distribution, sales and guaranteed reliability of pharmaceutical products
  - Percent of drugs discovered in-house **71%**
- Social and relationship capital**
- Number of countries offering dolutegravir (including the Medicine Patent Pool) More than **140 countries**
  - Number of partnerships for approaching LMICs with cefiderocol **2 partnerships** (as of July 2021)
  - Number of programs where formulation changed to increase accessibility **2 programs** (as of July 2021)
  - Vaccine subsidies Granted **¥37.3 billion (maximum)**
  - Number of subscription-model adopting partner countries **2 countries**
  - Mother to Mother Project with World Vision
- Financial capital**
- Profit before tax **¥143.0 billion**
  - TSR (**14.0%** for the past yr.; **21.0%** for the past 5 yrs.)
  - ROE **13.9%**
- Manufactured capital**
- Facilities with continuous manufacturing capability
  - High-potency manufacturing facility (Nagase)
  - Vaccine manufacturing facility (UNIGEN)
- Natural capital**
- Effluent management of antimicrobial agents in wastewater (audits of relevant suppliers **86% completed**)
  - Greenhouse gas (GHG) emissions (Scopes 1 & 2) Vs. FY2018 **Down 8.9%**
  - Controls on water usage Vs. FY2019 Reduced by **46 thousand m<sup>3</sup>**

## Impact

- Society**
- Contribute to SDGs (contribute to a healthy society)
- Customers**
- Extend healthy lifespans, improve QOL, create new value
- Employees**
- A workplace where one can work safely, a workplace where one can grow and feel satisfaction
- Shareholders/investors**
- Sustainable growth and return of profits

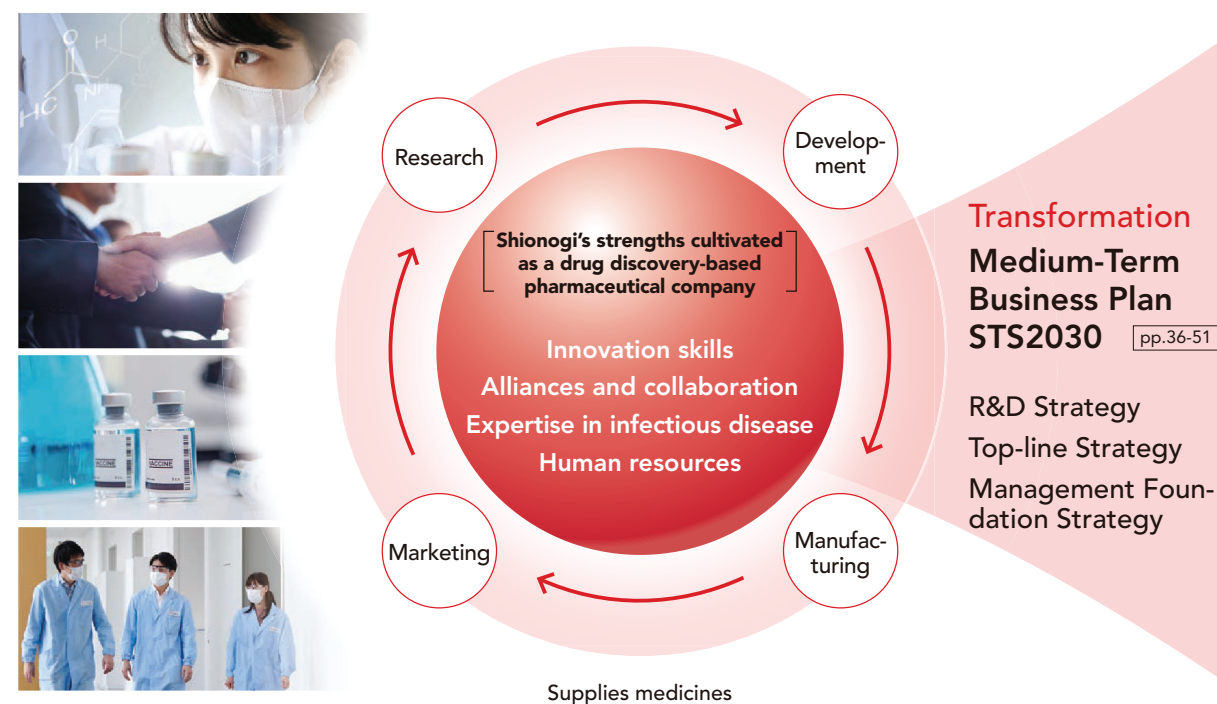




## Transformation into a HaaS Company

If Shionogi is to grow sustainably as a member of society, we need to tackle the problems (needs) of patients and society and continuously create innovations that will solve wide range of healthcare issues affecting customers and society. Day after day we are sparing no effort to achieve our transformation into a HaaS company that provides value beyond the conventional framework of medical treatment and to deliver to more people as soon as possible the value born from our innovations.

### Shionogi now



### Shionogi's strengths

#### ■ Innovation skills

As a drug discovery-based pharmaceutical company, Shionogi is involved in drug discovery activities on a daily basis, especially in-house drug discovery, and we maintain a high ratio of pipeline originated in-house (71% as of March 2021). We are fortifying our small-molecule drug discovery engine, which is one of our strengths, and are tackling a number of drug-discovery modalities, including vaccines, medium-sized molecules such as peptides and nucleic acids, and macromolecule antibodies.

#### ■ Alliances and collaborations

To date, Shionogi has entered into win-win partnerships that are necessary for achieving sustainable growth when we are acquiring modalities, spurring development, maximizing product value, and resolving the various issues facing the pharmaceutical business. We believe that collaborations with diverse partners, both inside and outside our industry, will become increasingly important for dealing with more sophisticated healthcare needs in the future.

#### ■ Expertise in infectious disease

Shionogi has a long history of more than 60 years of R&D in the field of infectious diseases, and we have provided society with very many infectious disease medicines. While many pharmaceutical companies are exiting this low-profit disease area, Shionogi continues to fight against the threat of infectious disease by making investments and expanding therapeutic drugs, disease awareness programs, prevention, diagnostics, and ways to prevent conditions from worsening, which amounts to total care.

#### ■ Human resources

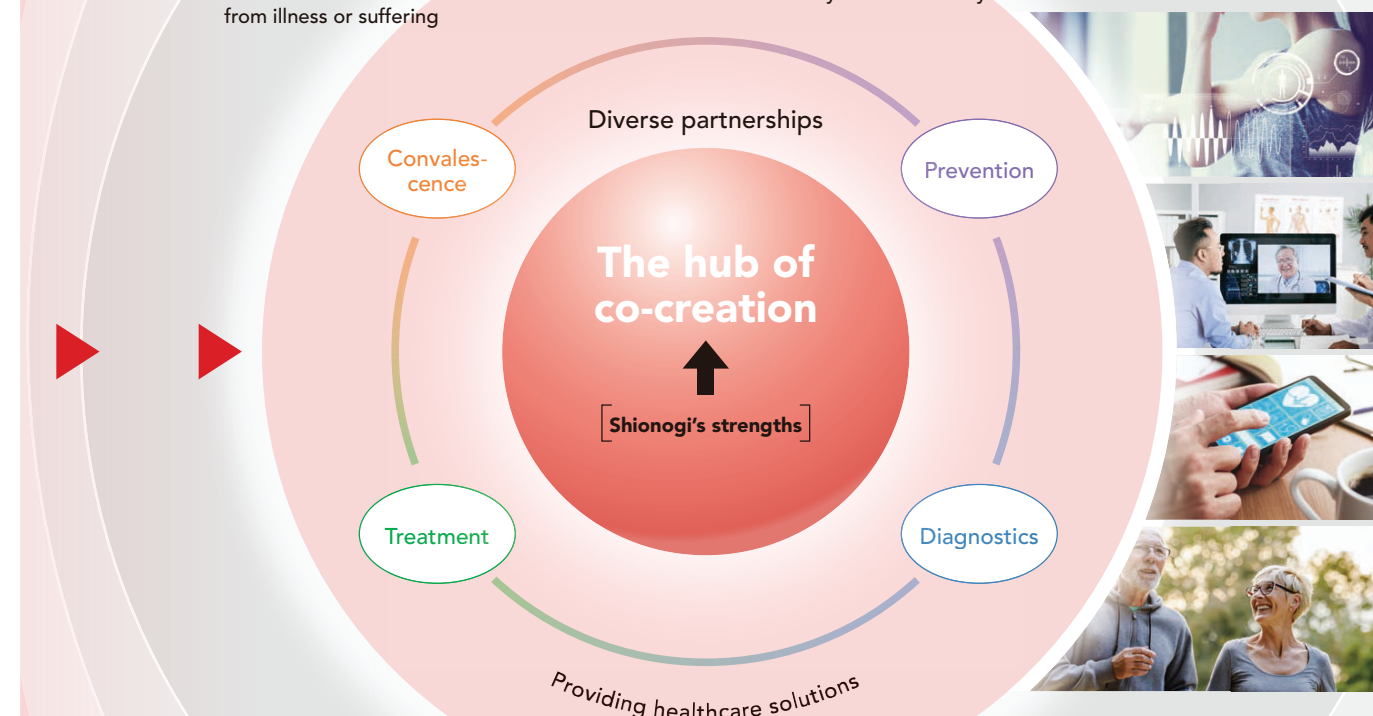
At Shionogi, human resources support the Company's sustainable growth and constitute its source for the creation of new value. We are focusing our efforts on developing managers who will lead in reforming at the workplace and on nurturing independent-minded human resources who will solve the problems of the future. By providing our employees with opportunities for future growth, we are cultivating a corporate culture that will work hard to tackle challenges.

## The Future Shionogi (a HaaS Company)

### 2030 Vision:

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

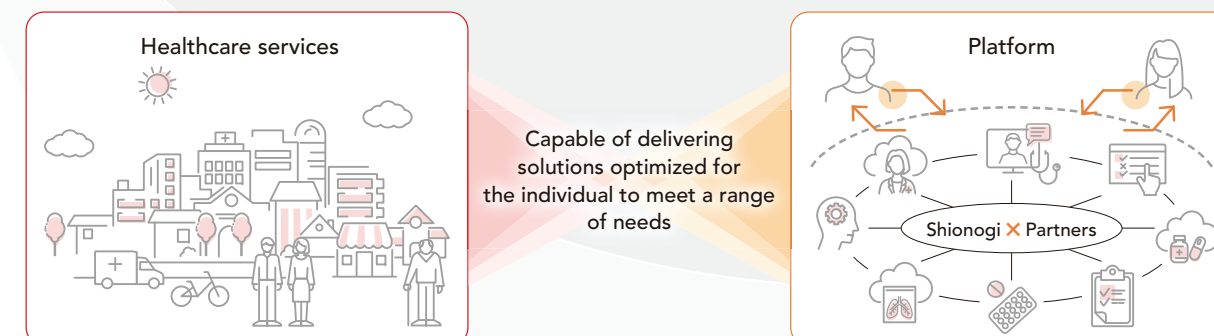
- Collaborate with a wide range of partners to create new added value and provide solutions to the issues faced by patients and society
- Enhance our strengths built up through the discovery of prescription drugs and leverage those strengths to form the core of partnerships
- Work to achieve the SDGs and contribute to the realization of daily life where everyone does not suffer from illness or suffering



### The HaaS concept that Shionogi is pursuing

Healthcare needs are becoming increasingly sophisticated and diverse as we approach an age when patients will choose their healthcare. Shionogi wants to be a company that has an accurate grasp of changing healthcare needs and provides new value in the form of innovative medicines and healthcare products and services for these many needs. We will strive to

become a HaaS company that provides the healthcare solutions that people and society need as we hone our strengths as a drug discovery-based pharmaceutical company, become other industries' partner of choice, and serve as the hub of co-creation that breaks with conventional concepts to open up a new age of healthcare.

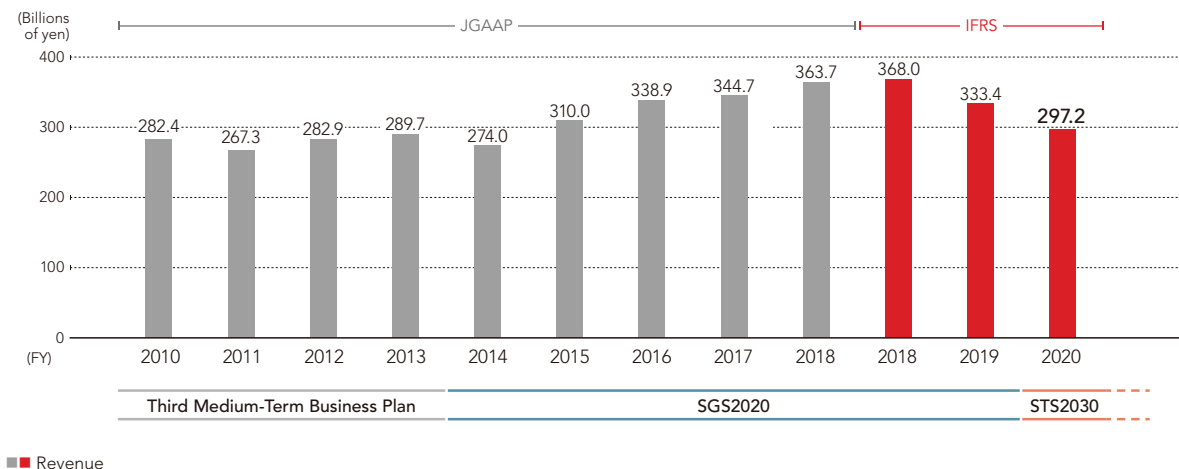




# Financial Highlights

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

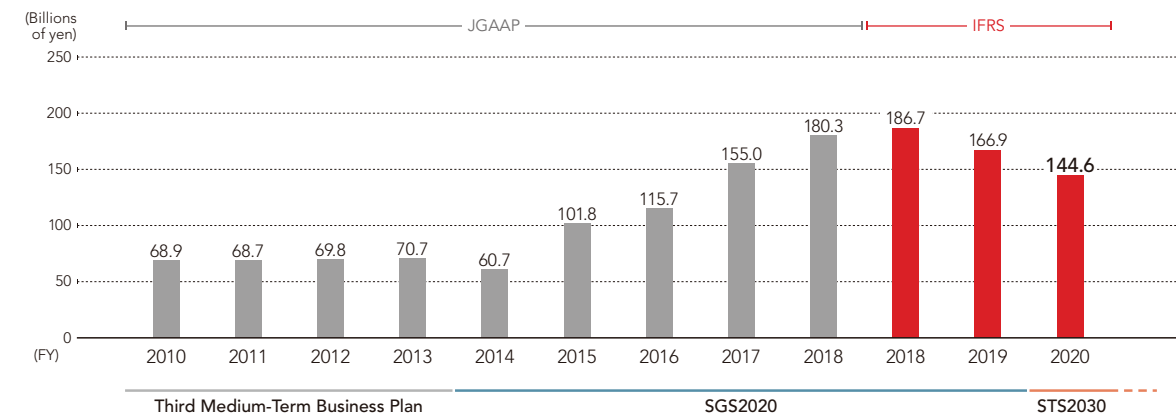
## Revenue



■ Revenue

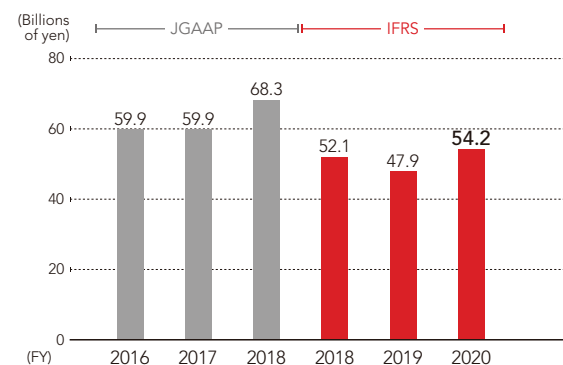
Revenue was ¥297.2 billion, down 10.9% year on year. Domestic prescription drug sales and exports/overseas subsidiary sales were ¥94.7 billion (down 10.9% year on year) and ¥24.6 billion (down 20.0% year on year), respectively, due to the impact of changes in the business environment during COVID-19. Royalty income related to anti-HIV agents from ViiV Healthcare Ltd. was ¥123.4 billion (down 3.7% year on year), due to the effect of exchange rate movements.

## Royalty income

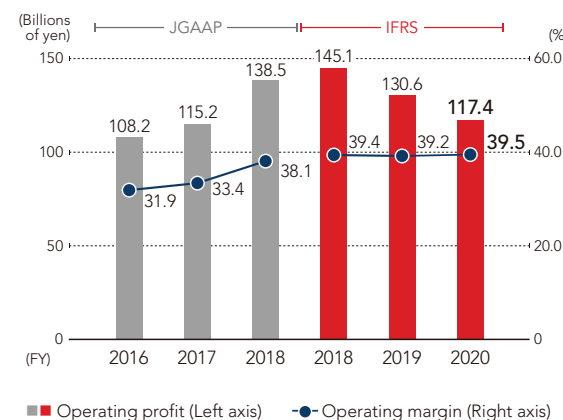


Royalty income was ¥144.6 billion (down 13.3% year on year). Although ViiV Healthcare's global sales of the anti-HIV agents *Tivicay*, *Triumeq*, *Juluca*, and *Dovato* remained firm, exchange rate movements caused sales to decline of 3.7% year over year. Other reasons for the decline were the absence of milestone payments received from Roche in the previous year in connection with progress in global development of *Xofluza* and lower receipts of royalty income from *Crestor* sales since the fourth quarter of fiscal 2020 under the terms of the license agreement with AstraZeneca.

## R&D expenses



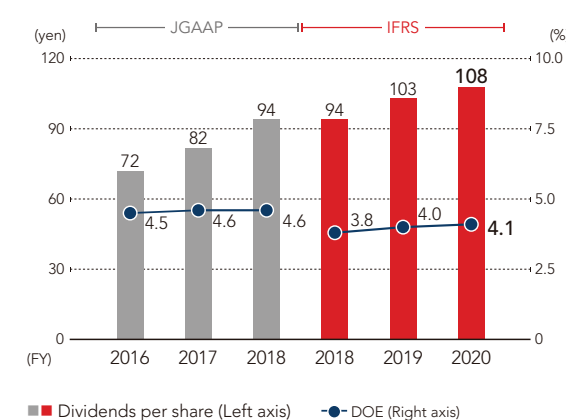
## Operating profit/Operating profit margin



■ Operating profit (Left axis) ● Operating margin (Right axis)

Operating profit was ¥117.4 billion (down 10.1% year on year), due to higher R&D investments in key projects and projects related to COVID-19. Excluding special items, such as the gain on exchange from redevelopment of the Shionogi Shibuya Building, core operating profit was ¥94.0 billion (down 26.2% year on year).

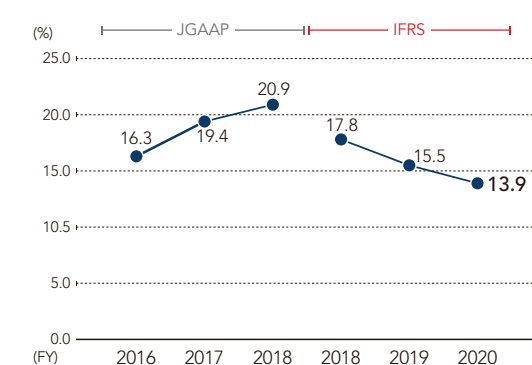
## Dividends per share/DOE



■ Dividends per share (Left axis) ● DOE (Right axis)

Dividends per share were ¥108, up ¥5 from the previous year and our ninth consecutive year of dividend growth. DOE was 4.1%, exceeding our KPI of 4.0%.

## ROE



ROE was 13.9%, exceeding our KPI of 12.5%. This was primarily because, while ROE declined with the adoption of IFRS, this was due to an increase in equity items (equity attributable to owners of parent).



## Non-Financial Highlights

### Code of Conduct signature rate (FY2020)

100%

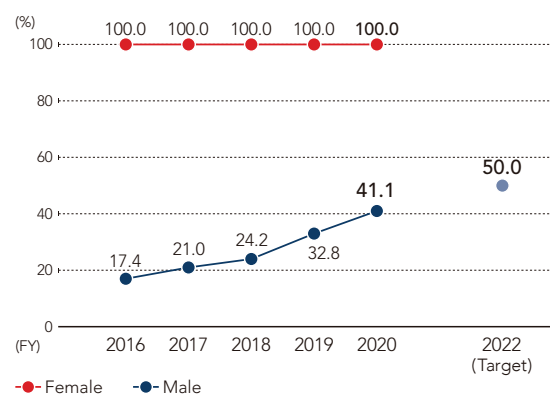
\* Shionogi & Co., Ltd. and its domestic group companies, with some exceptions

### Education and training expenses per person (FY2020)

¥140 thousand

\* (Education and training expenses + amount of self-investment support)/number of employees (Nonconsolidated)

### Acquisition rate of childcare leave



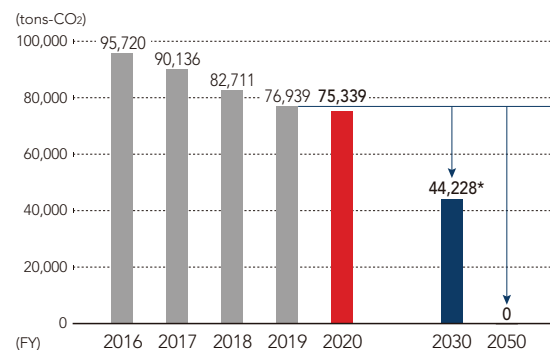
FY2022 target (Male)

Acquisition rate of childcare leave/days off for childcare purposes of 50% or more

### External evaluations

	FY2018	FY2019	FY2020
CDP	Climate change: C Water: No rating	Climate change: A- Water: A	Climate change: A- Water: A
FTSE	Not selected/2.9	Not selected/2.9	Selected/3.4
MSCI	A	AA	AA
DJSI	No response/17 points	No response/19 points	Response/45 points
S&P/JPX Carbon Efficient Index	Third decile	Third decile	Fourth decile
Toyo Keizai CSR Ranking	51st of 1,501 companies	63rd of 1,593 companies	34th of 1,614 companies
SOMPO Sustainability Index	Selected	Selected	Selected
Survey on Health and Productivity Management	Health and Productivity Stocks White 500	White 500	White 500

### GHG emissions (Scope 1 and 2)



FY2030 target\*

FY2050 target

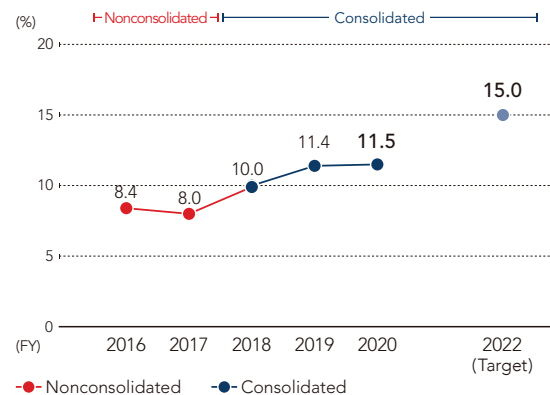
down 46.2% (FY2019

benchmark)

Zero

\* The base year (FY2019) emissions for the FY2030 target (SBT) were 82,209 tons-CO<sub>2</sub>, including the FY2019 emissions of UMN Pharma Inc. and Nagase Medicals Co., Ltd.

### Ratio of female managers



FY2022 target (domestic consolidation)

At least 15% of women occupying management positions

## At a glance

### Ratio of operating profit to revenue (FY2020)

39.5%

### ROE (FY2020)

13.9%

### Ratio of drugs discovered in-house (as of March 31, 2021)

71%

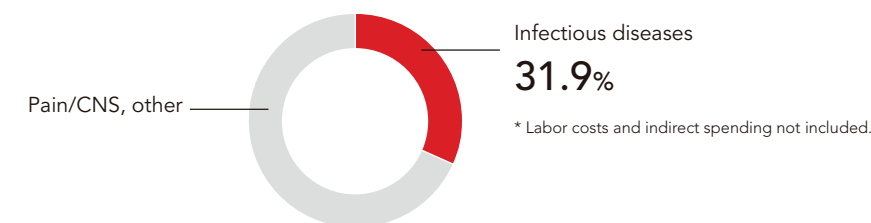
### Infectious disease (COVID-19) pipeline (as of Aug. 2021)

Area	Pipeline	Indication	Status
Infectious disease (COVID-19)	S-268019	Prevention of COVID-19	Japan: Phase 1/2
	S-217622	Treatment of COVID-19	Japan: Phase 1
	S-555739 (asapiprant)	Control of the aggravation of COVID-19	US: Phase2

### 8 core pipeline projects (as of Aug. 2021)

Area	Pipeline	Indication	Status
Infectious disease	S-540956	① Infectious disease ② Cancer	Preparing for Phase 1 clinical trials
Pain/CNS	S-600918 (sivopixant)	① Refractory/unexplained chronic cough	① Phase 2b clinical trials in progress
	S-637880	② Sleep apnea syndrome	② Phase 2a clinical trials in progress
	S-812217 (zuranolone)	Neuropathic low back pain	Phase 2a clinical trials in progress
	BPN14770 (zatolmilast)	① Alzheimer's disease ② Fragile X syndrome	① Phase 2 clinical trials in progress ② Preparing for US Phase 2b and Phase 3 clinical trials
	S-874713	Psychoneurological diseases	Preparing for Phase 1 clinical trials
New growth areas	S-531011	Solid tumors	Preparing for Phase1b/2 clinical trials
	S-005151 (redasemtide)	① Epidermolysis bullosa ② Stroke ③ Osteoarthritis ④ Chronic liver disease	① Preparing for application ② Phase 2 clinical trials in progress ③④ Investigator-initiated trials (Phase 2 clinical trials) in progress

### Proportion of R&D expenses for the infectious disease area (FY2020)



# Risks and Opportunities

In identifying our material issues (materiality), we analyzed and assessed the risks and opportunities for Shionogi from internal and external environmental changes. Going forward, as we pursue these initiatives, we will continuously evaluate our risks and opportunities and reflect them in the Shionogi Group's initiatives with respect to our material issues.

## Risks

### Changes in Society



- Changes in attitudes and lifestyles due to the global spread of COVID-19
- Diversity and changes in values
- Further globalization
- Aging of developed countries' populations, population growth in emerging countries (sudden changes in the economic paradigm)
- Movements toward realizing a sustainable society
- Contraction of the market for infectious disease drugs due to increasing hygiene awareness
- Supply chain disruption due to limits on the movement of people and things
- Damage to the business due to abnormal weather, etc.
- Stronger environmental regulations
- Lower productivity due to changes in work practices
- More awareness regarding personal information

### The Pharmaceutical Industry Environment



- Increase awareness of social security costs
- Ongoing technological progress and data utilization
- Structural changes in the healthcare industry (entry of other industries)
- Diversification and sophistication of healthcare needs
- Restricted access to healthcare due to public health, education, income disparities, and other factors
- Market contraction due to cuts in social security costs (restrictions on drug costs)
- Lower earnings due to a decline in sales of existing products
- Higher hurdles to drug discovery and lower research efficiency
- Occurrence of patient disadvantage due to disruption of stable supplies and lower product quality

### Shionogi's Internal Environment



- Unveiling of STS2030
- Dealing with the patent cliff
- Need to secure and develop the necessary human resources for the business model we seek
- Calls for strengthening transparency and traceability in governance
- Delay in achieving our vision due to employees' perceptions of the vision
- Insufficient global human resources, DX human resources and human resources for new businesses
- Reduced credibility due to insufficient response to greater awareness of ESG
- Occurrence of patient disadvantage due to the dissemination of incorrect information
- Increased information security risks

## Opportunities

- Increased expectations and demand for global infectious disease countermeasures
- Increased global demand for vaccines
- Increased importance of stockpiling infectious disease drugs
- Market expansion from growth of the malaria region
- Market expansion from population growth and economic growth in emerging countries
- Prospect of realizing a society where people can be healthy and live their own lives
- Growing demand to improve quality of life in all regions and countries

- Expectations for drugs with excellent medical economy
- Increased demand for healthcare optimized to the individual
- Greater needs in the prevention and presymptomatic areas, as well as for ethical medicines
- Increase in unmet needs in such areas as psychoneurological diseases, cancer, and autoimmune diseases
- Development of technologies besides medicines that can influence physiological functions
- Utilization of AI and real-world data in drug discovery

- Growth of the pre-symptomatic, prevention, and self-medication markets (growth of business not dependent on patents)
- Dissemination of DX in work practices
- Increased employee awareness about our transformation

### 1 Material issues to create new value for customers and society

- Protect people worldwide from the threat of infectious diseases
- Improve social productivity and extend healthy lifespans
- Contribute to sustainable social security

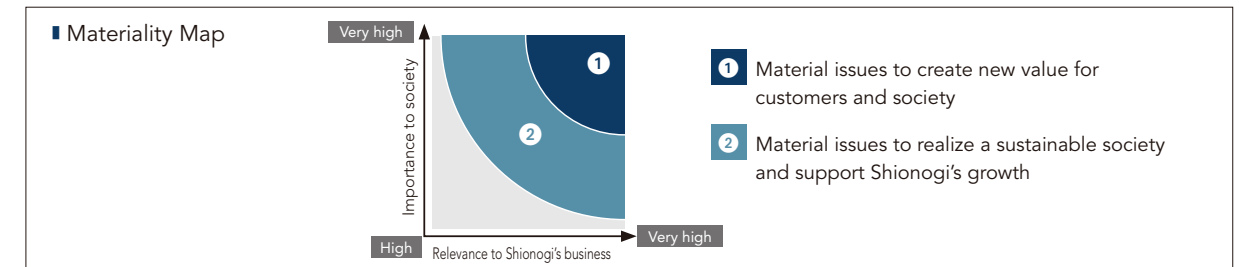
### 2 Material issues to realize a sustainable society and support Shionogi's growth

- Improve access to healthcare
- Secure human resources to support growth
- Respect human rights
- Reinforce supply chain management
- Supply socially responsible products and services
- Strengthen corporate governance
- Ensure compliance
- Protect the environment



# The Shionogi Group's Key Material Issues

Through its business activities and in response to healthcare needs and social issues, Shionogi is growing as a company that society needs and is seeking outcomes that will be shared by our stakeholders. We are therefore identifying material issues (materiality) that we will prioritize in the light of our current situation and needs, as well as our business risks and opportunities. We constantly recognize the importance of growing in coexistence with society as we continue to provide value through our contributions to people's health in the future, and we are addressing these material issues throughout our Group.



Materiality	Response
1 Material issues to create new value for customers and society	<ul style="list-style-type: none"> <li>Protect people world-wide from the threat of infectious diseases</li> <li>Initiatives to fight COVID-19</li> <li>Strengthen readiness for new pandemics (build a stable infectious disease business model)</li> <li>Provide products and services for viral infectious diseases</li> <li>Provide products and services for the three major infectious diseases</li> <li>Provide products and services for severe infectious diseases including AMR</li> </ul>
	<ul style="list-style-type: none"> <li>Improve social productivity and extend healthy lifespans</li> <li>Create products and services for disease areas with high unmet medical needs</li> <li>Raise awareness of the characteristics of the disease and the problems faced by those affected by the disease to promote social understanding</li> </ul>
	<ul style="list-style-type: none"> <li>Contribute to sustainable social security</li> <li>Extension of healthy lifespans through total care</li> <li>Minimize social losses through early prediction of infection status trends</li> </ul>
2 Material issues to realize a sustainable society and support Shionogi's growth	<ul style="list-style-type: none"> <li>Improve access to healthcare</li> <li>Contribute to AMR treatment</li> <li>Supporting maternal and child healthcare in Africa</li> </ul>
	<ul style="list-style-type: none"> <li>Secure human resources to support growth</li> <li>Secure diverse human resources</li> <li>Nurture human resources who possess exceptional strengths</li> <li>Foster an environment and culture in which everyone can work comfortably</li> </ul>
	<ul style="list-style-type: none"> <li>Respect human rights</li> <li>Establish policies</li> <li>Conduct risk assessments</li> </ul>
	<ul style="list-style-type: none"> <li>Reinforce supply chain management</li> <li>Start using EcoVadis, designate high-priority suppliers, and evaluate sustainability</li> </ul>
	<ul style="list-style-type: none"> <li>Supply socially responsible products and services</li> <li>Initiatives for stable supply</li> <li>Strengthen monitoring systems</li> </ul>
	<ul style="list-style-type: none"> <li>Strengthen corporate governance</li> <li>High-performing corporate governance framework</li> <li>Strengthen risk management</li> </ul>
	<ul style="list-style-type: none"> <li>Ensure compliance</li> <li>Instill compliance awareness</li> </ul>
	<ul style="list-style-type: none"> <li>Protect the environment</li> <li>Decrease the environmental impact of the antimicrobial manufacturing process</li> <li>Reduce GHG emissions</li> </ul>

Associated indicators	Particularly contributing SDGs
<ul style="list-style-type: none"> <li>Realization of total care for early termination of COVID-19</li> <li>Ratio of infectious disease area to R&amp;D expenses</li> <li>Pipeline for the infectious disease area</li> <li>Supply of in-house developed vaccines</li> <li>Construction of manufacturing facilities for in-house developed vaccines</li> <li>Contribution to improvement of QOL and acquisition of prophylactic indication by <i>cabotegravir</i></li> <li>Number of people provided with information on proper use</li> </ul>	
<ul style="list-style-type: none"> <li>Psychoneurological diseases, pain, and oncology Pipeline</li> <li>Conduct educational activities using webinars</li> </ul>	
<ul style="list-style-type: none"> <li>Number of products/services in the pre-symptomatic care, prevention, diagnosis, and exacerbation prevention areas</li> <li>Understanding the infection situation through wastewater epidemiology surveys</li> </ul>	
<ul style="list-style-type: none"> <li>Partnering to expand LMIC access</li> <li>Better access to maternal and child healthcare services</li> </ul>	
<ul style="list-style-type: none"> <li>Manager training hours</li> <li>Amount of assistance for self-investment</li> <li>Share of female managers</li> </ul>	
<ul style="list-style-type: none"> <li>Establishment of the Shionogi Group Human Rights Policy</li> <li>Hold workshops for employees/managers</li> </ul>	
<ul style="list-style-type: none"> <li>Number and percentage of suppliers evaluated</li> <li>Number of suppliers meeting the set standards</li> </ul>	
<ul style="list-style-type: none"> <li>No stockouts and no recalls</li> <li>Strict observance of laws and ordinances</li> </ul>	
<ul style="list-style-type: none"> <li>Disclose the topics deliberated by the Board of Directors</li> <li>Build an Enterprise Risk Management framework</li> </ul>	
<ul style="list-style-type: none"> <li>Renewed a handbook for bottom-up compliance that incorporating employee feedback (revised edition)</li> </ul>	
<ul style="list-style-type: none"> <li>Have proper control, including of the supply chain, by 2030 (completion of audit follow-up)</li> <li>Reduce Scope 1+2 by 46.2% and Scope 3 Category 1 by 20% in FY2030 and achieve zero emissions in FY2050.</li> </ul>	



# Shionogi Intensified Its Infectious Disease Efforts

—Taking on the challenge of our new infectious disease business model—



Our mission is to “protect people worldwide from the threat of infectious diseases”  
We continue to work on establishing a sustainable business model and creating new healthcare solutions

Shionogi’s most important materiality is to “protect people worldwide from the threat of infectious diseases,” and we believe that achieving this would be a true contribution to SDGs. As a leader in the infectious disease area, we are working to solve the problems posed by infectious diseases while also establishing a new business model.

## Establishing a new infectious disease business model

The infectious disease business is characterized by large fluctuations in business performance depending on whether such diseases are spreading. Also, it is a business with significant business risks in terms of investment efficiency, because the medicines are used to treat symptoms in acute situations, the treatment periods are short, and dosages are small. However, constant preparation against the threat of infectious diseases is necessary for a society where people can live in peace, and due to our mission, Shionogi intends to remain in the infectious disease business going forward. We are there-

fore rebuilding our infectious disease business model from zero, because we need to ensure its stability and sustainability. We are transitioning from a business model for handling an indeterminate number of infectious disease patients to a business model that will enable us to achieve a certain level of profit stability, despite the ups and downs of the business, through stockpiling, subscription models (fixed payments), and supplies to low- and middle-income countries, along with a stable vaccine business.

Responses	Related indicators
Bolster preparations for future pandemics (build a stable infectious disease business model)	<ul style="list-style-type: none"><li>• Infectious disease area as a percentage of R&amp;D expenses 31.9%</li><li>• Infectious disease related costs in FY2020*1/Core operating profit in FY2019 19%</li><li>• Pipeline for the infectious disease area (including out-licensing) 7 products</li><li>• Number of Shionogi Group infectious disease-related products and services More than 50</li><li>• Number of countries provided with infectious disease-related products and services (including the Medicines Patent Pool) More than 140 countries</li><li>• Cumulative holdings in the bacteria library Approx. 80,000 strains (domestic and foreign strains acquired from 1992 through 2019)</li></ul>

\*1 R&D expenses, SG&A expenses, and surveillance expenses do not include labor and overhead costs; cost of sales and manufacturing expenses include labor costs

## The need for stockpiles

There is no mistaking that the absence of an infectious disease pandemic is a good thing for humanity. However, if no one starts preparing for a pandemic during normal times, when disease breaks out, it will inflict a huge blow on society. Also, if the national government and other public bodies do not have any means for supporting companies that are gathering stockpiles, the number of companies engaged in the infectious disease business is decreasing. We believe that the COVID-19 pandemic was a wake-up call in this regard.

### ■ Procurement and stockpiling by governments and others

Sales of our anti-influenza virus drug Xofluza have been low because there have not been any influenza outbreaks for the past two years. However, just because no outbreaks occurred for two years does not mean that there will be no outbreak in coming years. On the contrary, having no outbreak of a virus for two years is reducing herd immunity and could increase people’s risk of getting sicker and make the next major wave of infectious disease even more serious. Also, we do not know when a pandemic will break out with a strain of the flu virus that has antimicrobial resistance. In anticipation of such a situation, Shionogi is involved in discussions about the need for countries to stockpile a number of medicines with different action mechanisms in normal times.

### ■ The subscription-type reimbursement model

Our multi-drug resistant Gram-negative antibiotic Fetroja (cefiderocol) has been proven effective, and both the UK and Sweden have adopted subscription-type reimbursement models. A subscription-type reimbursement model allows a government to receive a supply of medicines when necessary in exchange for paying a fixed compensation to the developing company, regardless of the volume of drugs concerned. Because a fixed payment is guaranteed, we can get earnings from the drug regardless of whether an outbreak occurs, which stabilizes the business. Going forward, Shionogi will try to increase the number of countries using the subscription-type reimbursement model so that we can have a stable stream of earnings, while also being pandemic-ready and promoting proper use.

### ■ Push incentives\*2

Among our R&D alliances with external organizations, which constitutes a push incentive, are the Broad Spectrum Antimicrobials Program of the Biomedical Advanced Research and Development Authority (BARDA), the Combating Antibiotic-Resistant Bacteria Biopharmaceutical Accelerator (CARB-X), the Global Antibiotic Research and Development Partnership (GARDP), the New Drugs 4 Bad Bugs (ND4BB) program of the Innovative Medicines Initiative (IMI), and the Joint Programming Initiative on Antimicrobial Resistance (JPIAMR), and we have high expectations for their progress.

Also, our efforts to date toward resolving the many issues involved in infectious disease treatment have entailed collaborating with partners in various areas of healthcare and taking initiatives to shape specific solutions. Shionogi has participated in the Global Health Initiative Technology (GHIT) Fund, Japan’s first public-private partnership fund created to advance the research and development of innovative medicines for the treatment of infectious diseases in the developing world, since its inception in 2013.

\*2 Push incentives include funding assistance for R&D, among other items

### ■ Pull incentives\*3

Pull incentives are critical to a continuous supply of new antibiotics that will help patients. To date, there has been much discussion but little tangible action in terms of pull incentives. We recognize that pull incentives have to fit country and regional situations, so we are proposing the implementation of a suite of programs, such as partially delinked or fully delinked market-entry rewards, subscription payment schemes, and government purchases, in addition to innovative, anti-infective-specific, value-based pricing and reimbursement initiatives, such as Diagnosis-Related Group (DRG)-linked reimbursement reform. We welcome the ongoing discussion of pull incentives by governments and other organizations and strongly advocate for quickly moving from discussion to implementation.

\*3 Pull incentives include financial assistance for product launches, among other items





# Protect People Worldwide from the Threat of Infectious Diseases

## Viral infectious disease initiatives p.30

Current Situation

Research and develop solutions for various viruses

- HIV, influenza virus, SARS-CoV-2, norovirus, respiratory syncytial virus (RSV), and others

Build a vaccine business

- Development of a COVID-19 vaccine
- Construction of manufacturing facilities

Issues/Needs

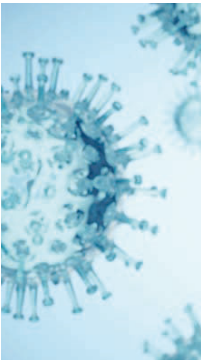
Research and develop solutions for various viruses

- Provide solutions for various viruses
- Provide effective and safe therapeutic drugs for SARS-CoV-2

Build a vaccine business

- Provide a 100% domestically produced COVID-19 vaccine
- Provide a nasal vaccine

Shionogi has been busy trying to provide solutions to various viruses, including HIV, influenza virus, norovirus, and RSV. The infectious disease treatments that Shionogi has given to society so far, such as Tivicay and Xofluza, are the growth drivers that are currently supporting us. We are able to continually create new medicines in the virus field because we are experts in virus characteristics and the diseases that they cause and because we have built a solid platform for the discovery of new infectious disease drugs that can fight the progression of pathogens. We are currently putting top priority on employing our know-how to come up with solutions for COVID-19 (SARS-CoV-2).



Responses	Related indicators
Provide viral infectious disease products and services	<ul style="list-style-type: none"><li>Viral infectious disease-related pipeline (including out-licensing) 6 products</li><li>Provide vaccines developed in-house</li><li>Build manufacturing facilities for vaccines developed in-house</li></ul>

## Develop drugs for the three major infectious diseases p.31

Current Situation

HIV infections

- Launch of the long-acting HIV drug cabotegravir in North America and Europe

Mycobacterium tuberculosis (TB) and Nontuberculous Mycobacteria (NTM)

- Research into new action mechanism mycobacterial treatments

Malaria

- Research into innovative malaria drugs

Issues/Needs

HIV infections

- Further improvements in lifelong drug regimens (fewer side effects and less frequent dosing)
- Development of a prophylactic drug for HIV

TB and NTM diseases

- Provision of effective therapeutic drugs for multi-drug resistant bacteria
- Development of therapeutic drugs that make it easy to complete treatment

Malaria

- Counter drug-resistant malaria
- Development of an effective vaccine

While new infectious diseases such as COVID-19 are considered to be a problem, the three major infectious diseases cannot be controlled and continue to spread over the long term on a global scale, and they pose a serious threat and challenge to global health. At Shionogi, we believe that our infectious disease initiatives are tied to our efforts to achieve SDGs and that these initiatives are the priority business that will produce sustainable growth for both the Company and society. We are broadening the scope of our research from our original strength in HIV research to research into the three major infectious diseases, and we are accomplishing this through a number of external partnerships.



Responses	Related indicators
Provide products and services for the three major infectious diseases	<ul style="list-style-type: none"><li>HIV-related product pipeline (including out-licensing) 2 products</li><li>Obtain approval of cabotegravir for prophylactic use</li><li>Contribute to better quality of life with cabotegravir</li><li>Development of an antimalarial drug and an anti-mycobacterial disease drug through alliances with partners</li></ul>

## Help to tackle serious infectious diseases including AMR bacteria p.32

Current Situation

Availability of cefiderocol

- Launched in the US and Europe
- Using a subscription model for two countries

Industry alliance for AMR

- Joined the AMR Action Fund
- Implement activities to promote the proper use of infectious disease drugs

Issues/Needs

Availability of cefiderocol

- Expand the number of countries using subscription models
- Improving access to cefiderocol

Industry alliance for AMR

- Further promotion of global collaboration to resolve the AMR problem
- Continue activities to promote the proper use of infectious disease drugs

Antimicrobial resistance (AMR) is a serious problem, as it is difficult to detect and spreads relatively slowly. AMR has been referred to as "a slow tsunami that threatens to undo a century of medical progress." Currently, 700,000 people die every year from AMR, and estimates suggest that if nothing is done to address AMR, over 10 million lives will be lost each year by 2050.

To protect people worldwide from the threat of infectious diseases, Shionogi is working to develop new medicines to fight severe infections, including AMR, and is also promoting the proper use of infectious disease drugs. We will continue these efforts so that we can prevent the generation of new drug-resistant bacteria and viruses and so that patients will be able to receive treatment now and in the future.



Responses	Related indicators
Provide products and services for severe infectious diseases including AMR	<ul style="list-style-type: none"><li>Provided cefiderocol through Compassionate Use programs</li><li>Number of countries with subscription model agreements 2 countries</li><li>Number of people given information on proper use on the website or in seminars by the Office for Stewardship to Proper Use of Medicine More than 1 million people to date</li></ul>

## New initiatives for viral infectious diseases

Shionogi is expert in virus characteristics and the diseases that they cause and has given innovative antiviral drugs to society so far, such as anti-HIV drug *Tivicay* and anti-influenza drug *Xofluza*. Shionogi made UMN Pharma, Inc. a wholly owned subsidiary in March 2020, marking our full-scale entry into the vaccine business. The COVID-19 pandemic broke out immediately thereafter, and the development and provision of domestically produced vaccines have been long awaited. So, Shionogi is now tested to demonstrate its true value as a leading company in infectious disease. We are making every effort to advance R&D of COVID-19 therapeutic agents and prophylactic vaccines to restore safety and peace of mind to the world.

### Hopes for vaccines as part of total care for infectious diseases

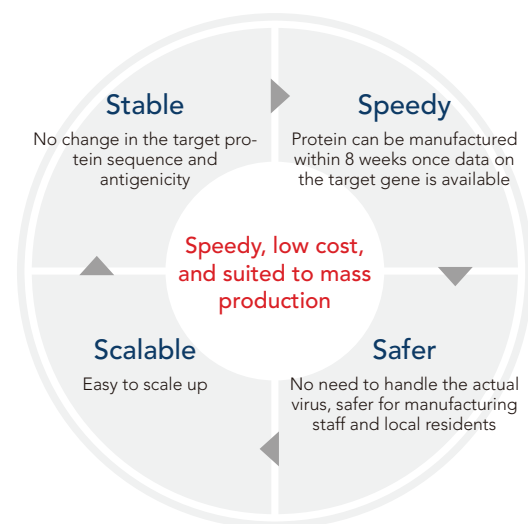
Vaccines prevent infections by inducing a specific immune response through the administration of safe antigens that correspond to the source of the target infection. Ever since the first smallpox vaccine was created by Edward Jenner, vaccines have been used against many infectious diseases and are a key part of modern healthcare. A move into the vaccine business has been one of Shionogi's goals for many years, as part of our drive to deliver total healthcare, not just treatments, for infectious diseases. Shionogi took an important first step under STS2030 when it made UMN Pharma, Inc. a wholly owned subsidiary.

### Ideal vaccine profile and UMN Pharma's proprietary technologies

Prophylactic vaccines are given to healthy people, so they need to be even safer and have greater efficacy than therapeutic agents. Also, for new infectious diseases like COVID-19, which are highly infectious and most people are not immune to, stable manufacturing of a vaccine is key, because vaccines need to be administered to large numbers of people in a short period of time so that the population can achieve herd immunity. UMN Pharma owns a recombinant protein vaccine manufacturing technology called BEVS (baculovirus expression vector system) that can be used to produce a recombinant protein-based vaccine using viral antigen proteins. Compared with conventional vaccines that use attenuated or inactivated viruses, BEVS technology

makes production simple and very safe, and is expected to allow Japan to become a major manufacturer of vaccines. UMN Pharma has been working to develop more effective and convenient influenza vaccines, but the priority has now shifted to finding a vaccine against COVID-19, with no effort being spared in R&D to make the world a safer place and allow the resumption of economic activities.

#### Advantages of BEVS



### Development of a nasal vaccine

In the interest of speed, the COVID-19 vaccine currently under development is an intramuscular injection, but Africa and emerging countries do not have the medical infrastructure to administer injections to multitudes of people. Therefore, from the standpoint of access to healthcare, we are also conducting R&D on a nasal vaccine as a preparation that would be easy to administer anywhere. We have therefore partnered with HanaVax Inc., a drug discovery venture company originating at the University of Tokyo, to speed up research for a nasal vaccine. A nasal vaccine using technology from HanaVax has the merits of being noninvasive, of being able to effectively induce immunity in the respiratory mucosa, which is the area that becomes infected, as well as the entire body, and of not requiring administration by an advanced healthcare system or healthcare professionals. Besides the aspect of Japan's national security, we want to help the entire world by providing a medication from Japan that is easy to use everywhere.

## Develop drugs for the three major infectious diseases

### HIV initiatives

The HIV integrase inhibitor *Tivicay* (generic name: dolutegravir) discovered by Shionogi exhibits superior efficacy and safety and is also associated with minimal risk of drug resistance. *Tivicay* has made a real contribution to both treatment of HIV infection and the Company's growth. It is now positioned as the treatment of choice for HIV in therapeutic guidelines worldwide and is at the top of the WHO's list of recommended treatments. Many HIV-positive people are now being treated with this drug. Until now, treatment for HIV infection involved a lifelong regimen of at least three different types of drugs. Therefore, an additional need appeared, which is to improve patient quality of life by reducing side effects and through less frequent drug dosing, while also maintaining efficacy. *Tivicay* is highly efficacious and not susceptible to the emergence of resistant viral strains. Its use as the key drug in HIV therapy reduces side effects and has allowed patients to be treated with a two-drug combination. This has led to the launch of Juluca (*Tivicay* + rilpivirine) and Dovato (*Tivicay* + lamivudine). In December 2019, Dovato was added to the US guidelines on the management of HIV infection, leading to increased prescribing of this two-drug combination.

To reduce the frequency of drug administration, Shionogi invented a long-acting formulation of the HIV integrase inhibitor cabotegravir (generic name). This medicine is already available in a number of countries, including in the US and Europe, in combination with a long-acting formulation of rilpivirine (U.S. product name: CABENUVA). Clinical studies on once monthly injection demonstrated viral suppression equivalent to current treatment methods, and many participants in clinical trials said that this drug formulation was better than current oral preparation for daily use. Furthermore, an application for a once-every-two-months formulation is also currently under review.

#### Advantages of cabotegravir



**CABENUVA**

rently under review. Shionogi expects that the significant reduction in the number of days taken per year that patient will need to take treatments will help to improve patient QOL and adherence to the drug regimen.

Shionogi has developed cabotegravir as a single-agent HIV prophylaxis drug with high social needs, taking advantage of its first long-acting injectable formulation that is administered once every two months. We have filed for approval in the US and hope to be able to launch the product there sometime in fiscal 2021. Clinical studies have confirmed that injectable cabotegravir is more effective than the current once daily oral pre-exposure prophylactic (PrEP) treatment.

### Initiatives for tuberculosis (TB) and nontuberculous mycobacterial (NTM) diseases

Shionogi started collaborating with Hsiri Therapeutics, Inc. in May 2018 on drug discovery research with the goal of discovering drugs with new mechanisms of action to treat mycobacterial diseases. In October 2019, Hsiri and Shionogi expanded their joint research partnership, signing a new agreement on joint research into different novel mechanisms of action. Shionogi aims to strengthen this partnership with Hsiri while focusing efforts on research into treatments for mycobacterial diseases with new mechanisms of action in order to discover a series of treatments over the medium-to-long term.

### Initiatives for malaria

Every year, over 200 million people develop malaria and over 400,000 people die. This infectious disease occurs mostly in tropical regions, and mortality rates are particularly high among children under five. Malaria hampers economic development. Estimates suggest that if malaria was eradicated, some 10 million lives would be saved and it would have a positive economic effect of around \$4 trillion. Strains resistant to mainstay drugs have started spreading in recent years, and there is a real need for therapeutic agents that are effective against these resistant strains and have a good safety profile. Shionogi has been conducting discovery research by establishing a collaborative system with Nagasaki University since 2019 and with the National Institute of Infectious Diseases and Kitasato University since 2020. These partnerships aim to utilize these institutions' strengths in discovering innovative antimalarial drugs.

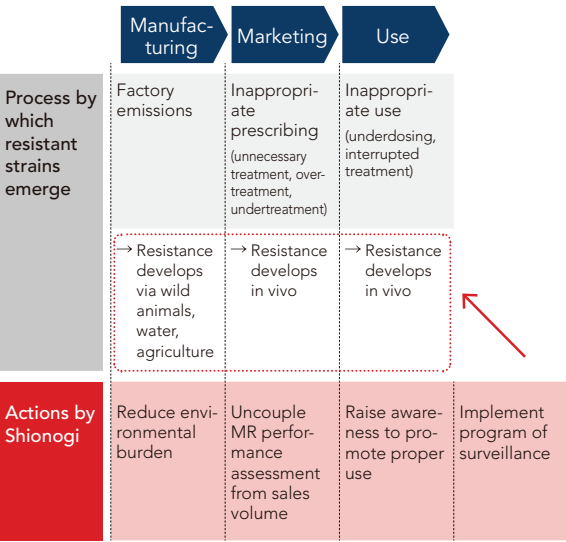


Help to tackle serious infectious diseases including AMR bacteria

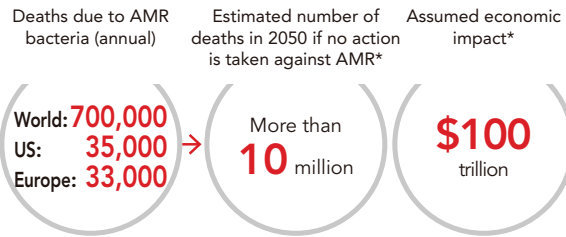
■ Proper use of anti-infectives

Shionogi has a long history of anti-infective R&D, manufacture, marketing, distribution, and programs to ensure their proper use. We believe that our essential responsibility as a company that handles anti-infectives is to take steps to curb the emergence of drug-resistant bacteria and viruses, and the Company is working on programs throughout the value chain.

■ Mechanism by which drug-resistant bacteria and viruses emerge and actions taken to control these



■ Current status of AMR



\* O'Neill, J. Review on Antimicrobial Resistance (2016)

■ Cefiderocol

The rise of Gram-negative bacteria that have acquired resistance to existing treatments is a major issue for healthcare, as they are on the rise and mortality rates are high because they are difficult to treat. Shionogi discovered cefiderocol, the first-ever siderophore cephalosporin antibiotic, as a promising therapeutic option to tackle this issue and launched this drug in the US in February 2020 under the brand name *Fetroja*. Since April 2020, in Europe, cefiderocol is being approved and launched under the brand name *Fetroja*.

Shionogi has a policy governing the supply of unapproved drugs and has established a system that will give patients access to cefiderocol treatment, if they need it, but are in countries where the drug has not yet been launched despite already being approved. Cefiderocol has also been approved by the US Department of Health and Human Services for coverage under the New Technology Add-on Payment (NTAP) program, which is aimed at promoting the introduction of new medical technologies by reimbursing hospitals for in-hospital treatment costs. This is expected to improve access to cefiderocol for patients needing treatment with this drug. Also, the UK and Sweden have each adopted a subscription-type reimbursement model for the drug. (This mechanism allows a government to receive anti-bacterial drugs whenever necessary in exchange for paying a fixed fee to Shionogi.) We will continue working on initiatives to hasten the delivery of products and services to the patients who need them.

See the section "Improve Access to Healthcare" on pp. 60-63 for more information on how we are facilitating access to cefiderocol treatment.

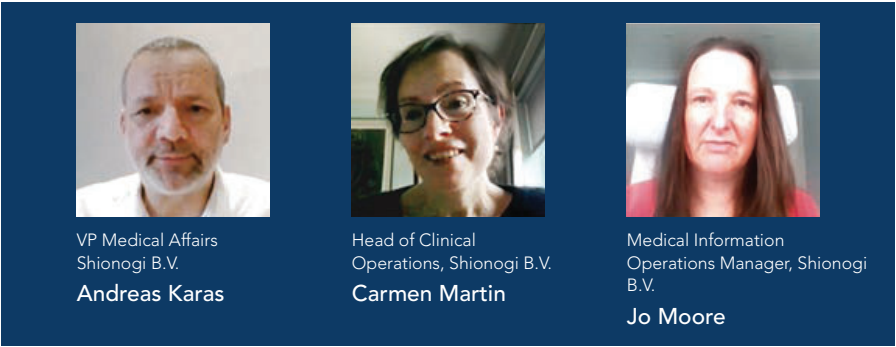


FETROJA (cefiderocol)

■ Cefiderocol Early Access Programs (EAP)

Since 2018, healthcare institutions in many countries, especially in Europe, have been increasingly requesting emergency use of cefiderocol. We therefore launched an internal project for providing patients with early access to cefiderocol, and these EAPs have made it possible for us to provide this medicine to many patients. This project embodies our Values of being dauntless in

spirit and being bold. We expended much labor to get this program off the ground, but because we stuck to our goal of contributing to the prompt treatment of patients, many patients who would have died from serious infections were able to be treated and saved with cefiderocol.



■ Partnerships for achieving our vision

Api Co., Ltd. and Unigen, Inc.

Shionogi is working to optimize manufacturing process for large-scale manufacturing, as well as equip and expand manufacturing facilities. In collaboration with Api Co., Ltd. (drug product manufacturing) and Unigen, Inc. (drug substance manufacturing), the first phase of construction was completed at the end of March 2021, and the manufacturing equip-

ment was ready. We are expanding our manufacturing facilities further, with completion targeted by the end of 2021. Unigen owns proprietary technology for cultivating viral proteins from insect cells and is already engaged in commercial manufacturing of influenza viruses. This cultivation technology can be used to produce a COVID-19 vaccine.

AMR Action Fund



Because AMR is a social issue with high risk that cannot be tackled by a single company alone, 22 major pharmaceutical companies from around the world came together in July 2020 to set up the AMR Action Fund, resolving to invest around US\$1 billion to respond to the AMR threat. The AMR Action Fund aims to provide patients with two to four new antibiotics by 2030 through the initiatives outlined below.

- Investment in companies engaged in R&D for new antibiotics
  - Provision of technological support by the investing pharmaceutical companies
  - Engagement with governments around the world on the formation of a healthy market that is structured to allow the continued development of new antibiotics
- Like-minded companies and foundations will work together on these new initiatives to tackle the threat posed by AMR.

## Special Feature Shionogi's Further Evolution



### ■ A Turbulent Fiscal 2020 and Creating Our Disease Strategy Vision

Fiscal 2020 was a year in which COVID-19 brought about dramatic technological innovations and changes throughout the world. In STS2030, Shionogi is setting the goal of transforming itself into a HaaS company, i.e., a company that provides healthcare services, not just therapeutic drugs. It is therefore incumbent upon us to contribute to society by always grasping these global movements and changes so that we can provide the necessary products and services in response to patients' thoughts and concerns, as well as the needs and issues facing society. We want to provide total care that runs the gamut of diagnostic, prevention, treatment, and other services that patients need and maximize value through synergy, so that we can achieve economic growth as a company. This is the concept behind our disease strategy articulated in STS2030. To execute this disease strategy throughout the company and become a HaaS company needed by all of society, we recruited representatives from our various organizations to develop a Disease Strategy Vision and work with society to achieve this Vision by 2030.

### ■ Our Disease Strategy Vision

The Disease Strategy Vision is a guideline for realizing what Shionogi wants to accomplish by 2030, which is "Building Innovation Platforms to Shape the Future of Healthcare." We selected the keywords, awareness-raising (communicating), prevention (to prevent), diagnosis (to diagnose), treatment (to cure), and care (to protect) from the standpoint of achieving total care by using information throughout the patient journey, from the discovery of symptoms to hospital treatment to prevention of exacerbation and recurrence.

Prevention is key to our Disease Strategy Vision, but in the sense of employing our strengths, it goes without

saying that curing disease is of particular importance. Also, to maximize the impact, Shionogi wants to build a healthcare platform that advances the development and distribution of the critically necessary and innovative products and services throughout its value chain, including the new DX Promotion Division established in July 2021, and from awareness-raising through care.

### ■ The Role of the Integrated Disease Care Division

The Integrated Disease Care Division needs to further broaden and expand strategies to create the values sought by our stakeholders, so that Shionogi can become a HaaS company. We reorganized the New Product Planning Department to strengthen its role and be the department that comes up with a consistent strategy, from research through the post-launch stage. Also, the new Vaccine Business Department was set up as the body overseeing vaccine business, including the COVID-19 vaccine currently under development.

We will continue to work together with the entire value chain and our stakeholders to create a bright future for healthcare based on our new Disease Strategy Vision.

### ■ Our Disease Strategy Vision, a Journey with Society



### ■ STS2030 and the Digital Transformation (DX): "Transformation or Die"

Our growth strategy for STS2030 is to transform our business to one that is not dependent on pharmaceutical patents, and to achieve a major transformation from a drug discovery-based pharmaceutical company into a HaaS company. As a HaaS-creating company, Shionogi will not be able to survive in society if it cannot transform itself faster than the rapidly changing world caused by COVID-19 and provide new value to society.

To create new services that meet the needs of society, we must combine the strengths that we have nurtured as a drug discovery-based pharmaceutical company with the strengths of our various partners to create services that will solve the difficulties of living for more people and raise the level of happiness in society. IT and digital technology are indispensable to creating these new healthcare services, and we need to undergo our own DX transformation and ensure the achievement of STS2030, so that we will be a HaaS-creating company that is the hub of trusted collaboration.

### ■ Establishment of the DX Promotion Division

If we are to achieve STS2030 by taking a DX approach, we first need to make our IT and security foundation stronger and more efficient. The IT and Digital Solutions Department is the IT control tower for the entire company. The department formulates IT strategy, is a global leader in building safe, worry-free, and stable IT and security infrastructures. In addition, for systems that will be introduced into various value chains, we will work to provide overall optimal digital solutions by being involved in implementation projects from a company-wide perspective.

Also, as DX advances, the foundation for data utilization that decides how to collect, store, and manage internal and external information and data and how to use these data to create new value will become an increasingly

important asset. The Data Science Department is building a data control framework that can be used by the entire value chain (VC), is assembling business issues involving the VC, and by using advanced analytical technology and simulation techniques, supports the use of diverse data for improving productivity and creating new value.

Furthermore, providing new value to society is a key direct contributor to Shionogi's growth. The Digital Intelligence Department is promoting a digital transformation plan with our internal and external partners and is encouraging the creation and business development of solutions that prioritize stakeholders.

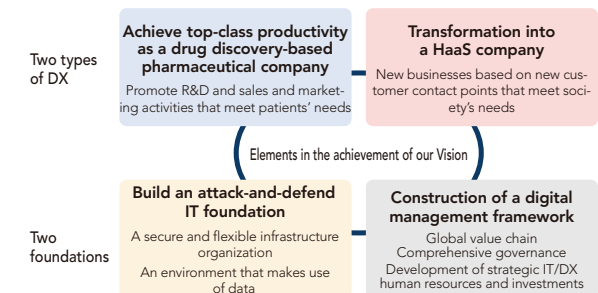
The three departments that constitute the DX Promotion Division together will work tirelessly to promote the construction of a foundation for data utilization, improve company-wide productivity, and create new healthcare solutions through close cooperation with internal and external partners, thereby effecting the necessary transformation to achieve STS2030.

### ■ Shionogi's IT/DX Vision '24

STS2030: Delivering value by providing healthcare as a service  
(Healthcare as a Service: HaaS)

Vision for 2024: Become a trusted hub for co-creation as a HaaS company

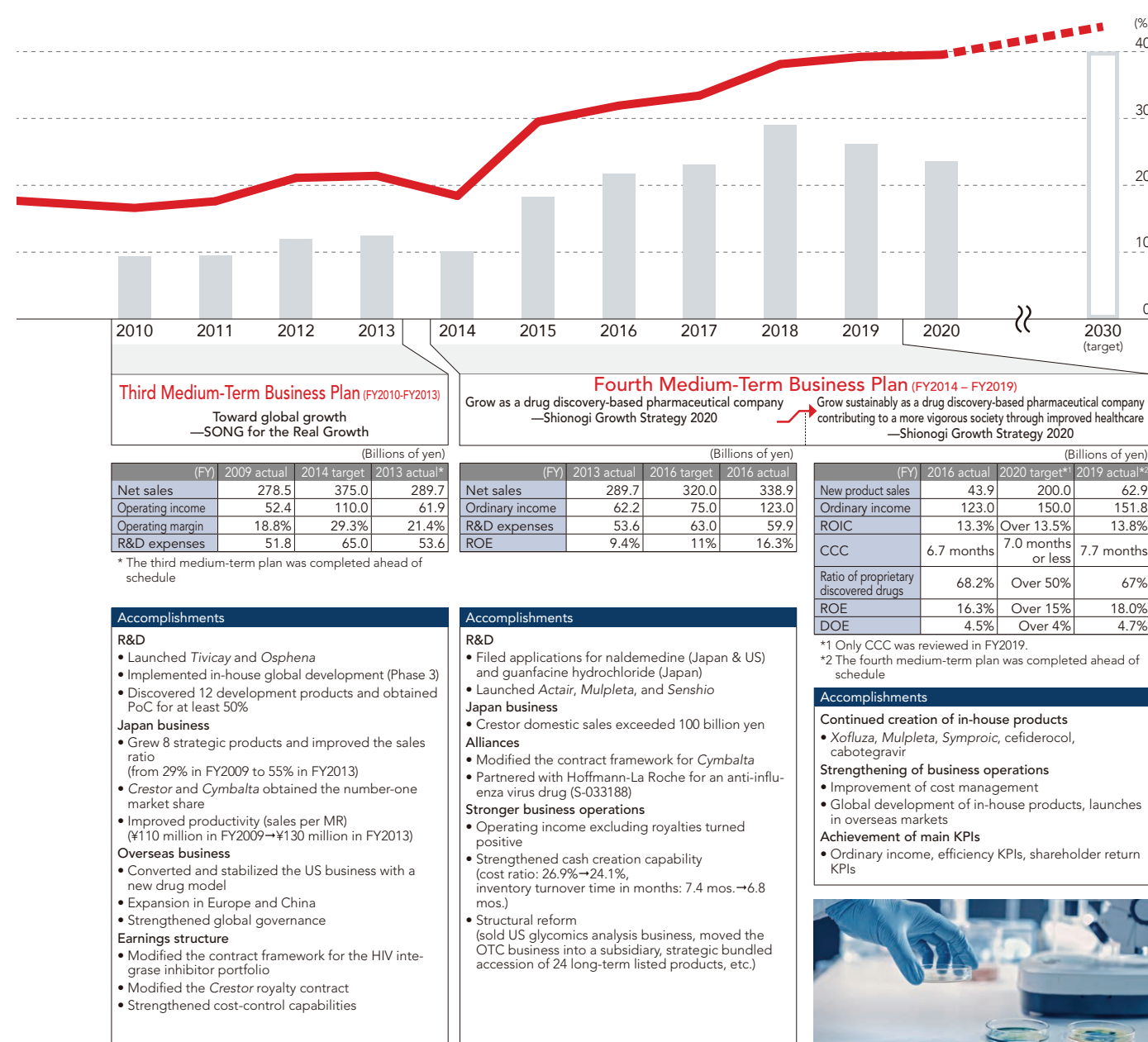
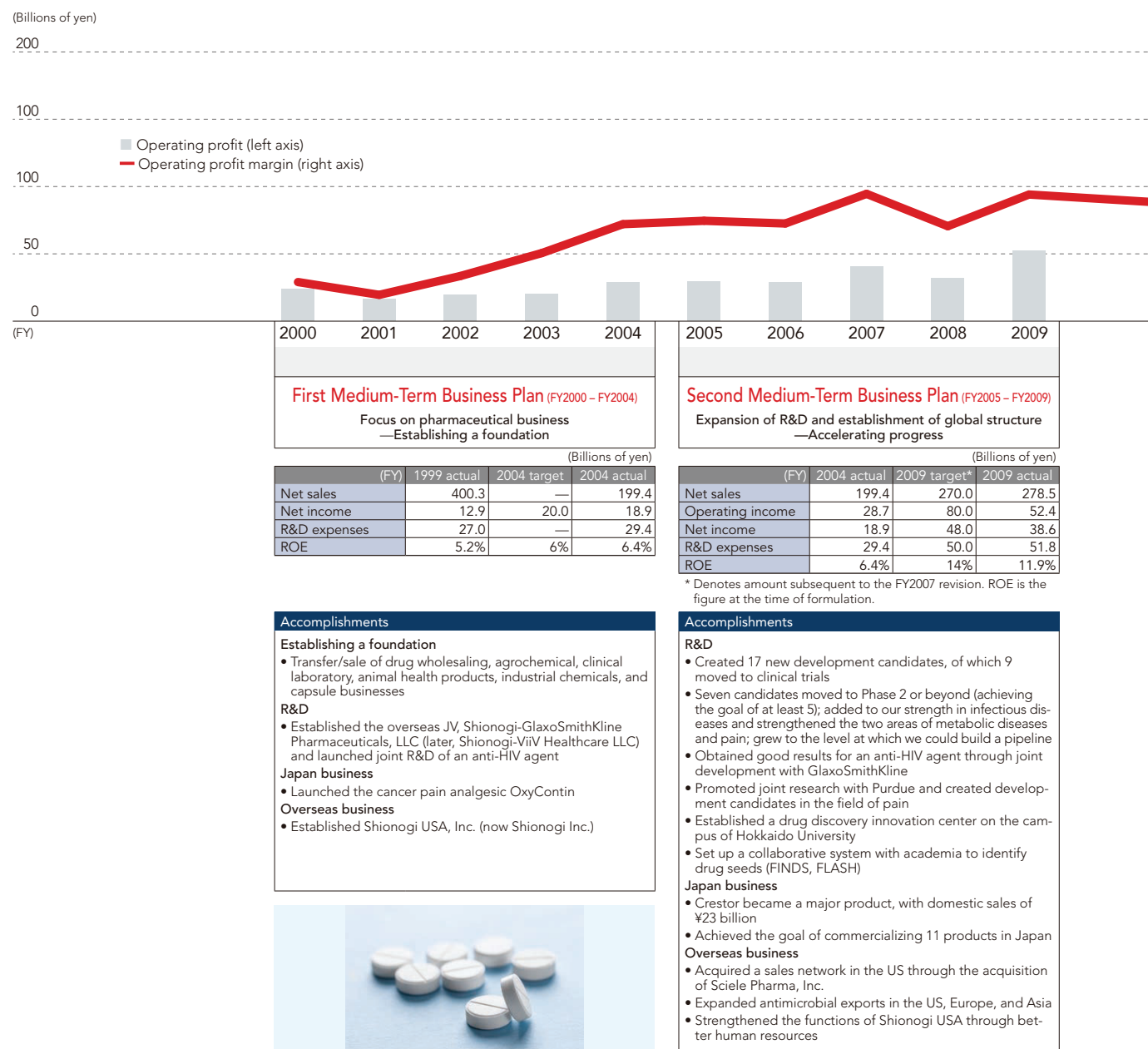
- To do this: ▶▶
- Create an environment in which data can be handled safely and securely
  - Create an environment and human resources that can generate value from data
  - Acquire the IT environment and capability to achieve co-creation





# Medium-Term Business Plan

## Looking Back at Our Previous Medium-Term Business Plans



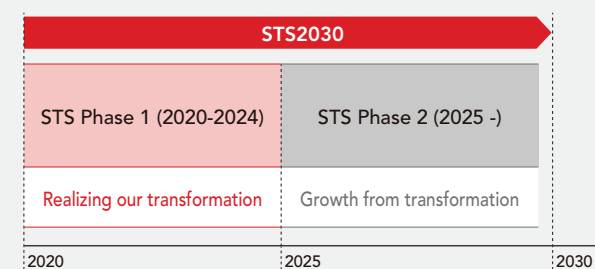
## Shionogi Transformation Strategy 2030

### 2030 Vision ▶ Building Innovation Platforms to Shape the Future of Healthcare

#### Shionogi in 2030

- Continuously creating innovative products/services, with a well-established and rapidly-growing global business
- Continuing to offer solutions to health issues facing society
- Excellent business persons who never take a break from building their expertise and capabilities, leveraging their individual strengths, and creating new value

### Strategy to Achieve 2030 Vision



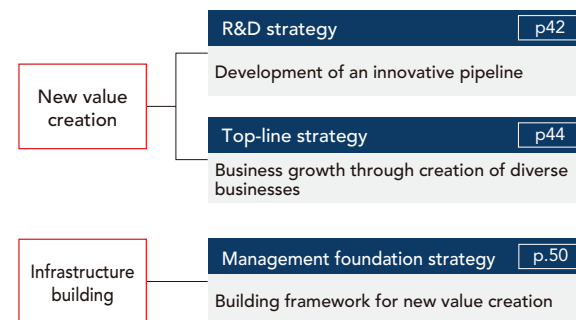
In June 2020, Shionogi created a Vision of what it wants to be in 2030 and devised STS2030 as a strategy for achieving this Vision. In STS2030, we are striving to contribute to our customers and society in resolving social issues, to achieve sustainable growth for Shionogi, and to further improve our corporate value as a HaaS company by ceaselessly providing not only conventional prescription drugs, but innovative healthcare products and services to society. STS2030 is a strategy for dealing with the 2028 patent cliff on our HIV products and 2030 beyond that, and it is divided into Phase 1, which runs through 2024, and Phase 2, which starts in 2025. Over these two stages, we will provide value with our new platform, as outlined in our Vision.

## The Positioning and Goals of STS Phase 1

To overcome the HIV product patent cliff and achieve sustainable growth, we need to accomplish a major transformation away from the style of a drug discovery-based pharmaceutical company, which is supported by earnings from drug patent royalties, and into a HaaS company. In STS Phase 1, we will work on expanding our own sales of medicines in Japan, the US, and China and concentrate on building and strengthening a new business model that is not patent-reliant, while continuing to focus on developing the pipeline products that will serve as our next earnings pillars. While honing our strengths as a drug discovery-based pharmaceutical company, we will consummate our transformation into a HaaS company so that we can ensure a sustainable and stable earnings foundation.

### The Three Strategies for STS Phase 1

To realize transformation to a new growth as a total healthcare company under the basic policy of Phase 1, we have formulated three strategies: an R&D strategy, a top-line strategy, and a management foundation strategy. We will expedite our business transformation by concentrating on strengthening our R&D geared to the next growth drivers and our domestic and overseas businesses and building an infrastructure for new value creation.



### Financial policy

Our financial policy in STS Phase 1 calls for making business investments of ¥500 billion by the end of fiscal 2024, the plan's final year, in order to acquire new growth drivers by building our overseas business and launching new businesses, and we are researching and analyzing various investment candidates. It is also important that we make investments that will augment the earnings of our existing businesses. We are being more proactive about investing in R&D, as we are going to increase R&D expenditures by at least 20% over what we spent in the past five years, and we are also making investments to bolster our domestic product portfolio, which is based on our disease strategy, and are proactively investing in IT in

accordance with our criteria and building a digital infrastructure for achieving growth as a HaaS company. We have tightened our financial decision making for investments that will play a major role in achieving our future Vision by establishing hurdle rates (between 5% and 11%) for growth, different country risks, and each business line.

These business investments and company initiatives will bring revenues to ¥500 billion by fiscal 2024, with overseas revenue ratio increasing by over 50% from strengthening our in-house sales organization overseas, thus bringing sustainable growth to Shionogi. We will implement a shareholder return policy that steadily increases the dividend in line with the Company's growth so that our shareholders can get a sense of how Shionogi is growing. To this end, we will have a flexible capital policy that, besides dividends, also includes share buybacks, cancellation of treasury shares, and elimination of cross-shareholdings, and we will work on increasing our basic earnings per share (EPS), dividend on equity (DOE) attributable to owners of the parent, and return on equity (ROE) attributable to owners of the parent, which are KPIs for our shareholder return.



### Financial KPIs (for FY2024, IFRS)

Growth indicators	Revenues	¥500 billion
	Core operating profit	¥150 billion
	Core operating profit margin	Over 30%
	Overseas revenue ratio (excluding royalties)	Over 50%
	Original pipeline ratio	Over 60%
Shareholder return indicators	EPS	Over ¥480
	DOE	Over 4%
	ROE	Over 15%

## STS Phase 1 Progress in Fiscal 2020

The business environment in which Shionogi operates changed drastically and rapidly in fiscal 2020 due to the COVID-19 pandemic. In addition to the contraction of the market for prescription drugs due to changes in how people receive medical care, the spread of influenza and other infections decreased significantly due to encouragement of infection control, and it was a year in which the sustainability risk of the infectious disease business became apparent, while society became keenly aware of the importance of preparing for possible new future pandemics in normal times. As a leading company in infectious diseases, Shionogi is pouring its management resources into providing society with various prevention, diagnosis, and treatment solutions, and we are also holding meetings with governments and public administrations on building a sustainable infectious disease business model so that we will be prepared to take action when the next pandemic arrives. Also, the COVID-19 crisis forced countries to make huge fiscal expenditures and equity markets rose throughout the world, increasing the prices of investment candidates, so we were unable to make the major business investment needed for acquiring our next growth drivers, as set forth in our financial policy. The initial year of STS2030 was harsh but driven by the social significance of achieving our 2030 Vision, we will complete our transformation into a healthcare platform that is not afraid of change so that we will bring about a sustainable society.

### Progress on the Areas to Be Strengthened

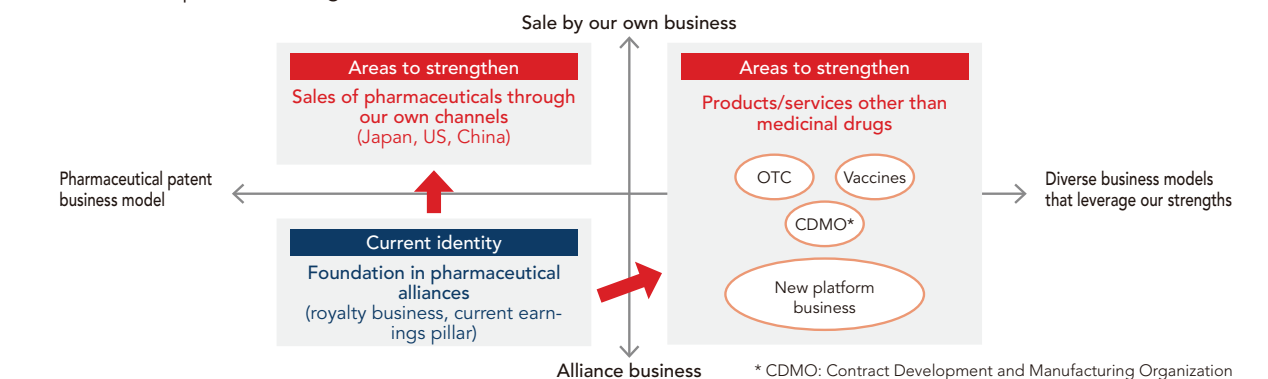
To bring an early end to COVID-19, we are developing a wider range of initiatives from the standpoint of total care, from detection and prevention to diagnosis, treatment and suppression of exacerbation. Besides the development of therapeutic medicines, these include developing a vaccine, furnishing test kits, additional indications for severity prediction markers, and building an automated system for analysis of COVID-19 in wastewater.

ter. Considering the social situation, while we continue to focus on initiatives that provide value to society mainly in the infectious disease area, we are also moving forward in our efforts to provide society with other products and services besides prescription drugs, and we are making steady progress in laying the groundwork for expanding business throughout the entire Group. One initiative is Shionogi Healthcare's launch of two products developed from turning the prescription drug Rinderon-V Ointment/Cream 0.12% into an OTC product and encouraging the proper use of topical medications. We are also working on the initiatives to strengthen our growth foundation as a CDMO\* and stepped up the pace of our growth. These initiatives include the acquisition of Nagase Medicals, which engages in the manufacture of anticancer drugs and other products for Shionogi Pharma and specializes in production technology for highly pharmacologically active agents. In addition, we started discussions to establish a joint venture between Shionogi Pharma and Chiyoda Corporation for the collaborative development of continuous production technology.

In our overseas business, we launched sales of Ping An-Shionogi products on Good Doctor, China's largest online drug and health management platform. We are also in the process of quickly expanding our China business as we prepare to launch cefiderocol in China. To expand sales of cefiderocol and promote the proper use in Europe and the US, we are strengthening our sales organization in the hospital market. Also, with a view to expanding countries that use a subscription-style repayment model, such as the UK and Sweden, we are holding active discussions with authorities in various countries.

We will ensure a stable and growing management foundation for 2030 by pursuing higher profitability through striking a balance between our own sales and our alliances and, even if the patent on a particular product expires, building a durable business model where earnings can remain stable.

### STS2030 —Expansion Through Transformation of Business Models





## Message from the Head of the Corporate Strategy Division



### Investment strategy to increase corporate value

According to the financial strategy set forth in STS2030, Shionogi will invest ¥500 billion by 2024 to strengthen its commercial portfolio, the pipeline, and technological platforms to add and create new growth drivers. It is extremely important for achieving STS2030 goals to expand our product portfolio for the Japanese market, to add marketed and near-term products to drive the top-line and sustainably grow profitability in the US and Europe, and to leverage the multi-faceted platform we are building with Ping An Insurance Group in China. And, as always, out-licensing and creative partnering will be the optimal mechanism to maximize the global potential of certain of our products.

When acquiring assets for our commercial markets and pharmaceutical development pipeline, we are seeking to optimally leverage our existing capabilities and resources. The assets may be accessed through licensing or M&A, but with the emphasis on acquiring products rather than infrastructure, with limited exceptions for highly-specialized or truly complementary cases. Regarding Japan, our mother market, we are seeking products that can be expected to create synergy with existing franchises and/or with the accumulated expertise of our pharmaceutical business, and which can contribute to productivity and profitability in the near and medium term. For the US and EU, we are similarly seeking assets which can contribute quickly, building on the specialized, hospital-focused capabilities we established for the successful cefiderocol launches, or that create synergies with franchises we expect to arise from our own pipeline in the future. In China, in Ping An-Shionogi, a joint venture which draws upon the DX expertise of Ping An Insurance Group, the owner of China's largest online medical care platform, and the deep pharmaceutical expertise of Shionogi, we are establishing a platform that can handle a wide range of products ranging from innovative pharmaceuticals, to branded generics, to vaccines, to OTC products and supplements, as well

as the creation of technological breakthroughs in the creation of HaaS, and can then successfully deliver those new product categories commercially. To accelerate these efforts, we and the Ping An Insurance Group will be looking for new investment opportunities in China and beyond in the Joint Venture's territory.

For R&D, we would like to acquire technologies and candidates that expand our range of modalities and capabilities, with emphasis on our core franchise areas of infectious diseases and CNS. Looking further ahead, to create new healthcare platforms, we will be seeking to create innovative types of flexible alliance networks that allow the pooling of expertise across fields and industries.

Since investment has a multi-year economic effect, it is important to evaluate it from a medium- to long-term perspective. Last year, Shionogi updated its investment valuation and decision-making approach. We always ensure that the investment target is thoroughly examined from a due diligence perspective – scientifically, commercially, and legally – as well as confirming full alignment with STS2030 and our regional and focus area strategies. Risk/reward balance is critical, with investments that have a large business risk often being those that have the most potential impact on future sales and profits, so our analyses must consider a range of scenarios and outcomes, as well as the specific characteristics of regions and markets. Wherever possible, we will seek assets and technologies that are not “one-off” opportunities but rather have the potential to provide continual strategic and/or technological benefit, and to generate additional new potential opportunities, over the medium to long term.

We are keenly aware of the competition for all of these assets, both from other companies with similar product, pipeline, and technology needs, and from the wide range of funding options available to prospective partners from other sources. While seeking these opportunities, we will not, however, lose sight of the fact that valuations must be reasonable and consistent with our stewardship of all our resources. We must therefore ensure that Shionogi is the most attractive partner from

many perspectives, demonstrating world-class capabilities in every aspect, in expertise and scientific excellence, in operational efficiency, in collaboration and alliance management, and also in our record and commitment to ethics and compliance.

### High capital efficiency management which takes the cost of capital into account

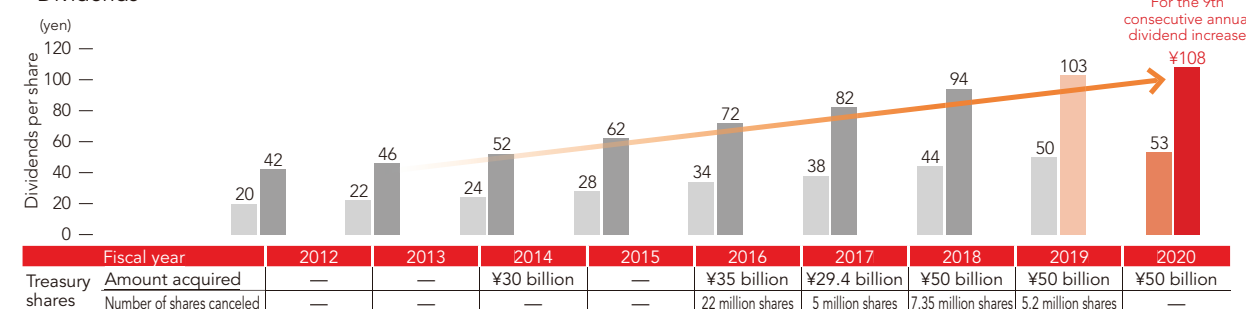
We also incorporate the concept of capital cost into our approach and maintain continual focus on improving the efficiency of our use of capital. Although it is not an external KPI of STS2030, we are assessing our overall goals by using an ROIC tree, based on the concept of return on invested capital (ROIC), and guiding us in improving the efficiency of capital use, the operating profit margin, and the capital turnover ratio. To ensure that projected returns are actually delivered, we have designed a KGI tree that links clearly defined KGIs with specific KPIs, so the steps needed to create value are evident. We monitor the progress of activities against KPIs and, if the expected results are not delivered, we can quickly make the necessary adjustments to our path, correct our course, or refocus to avail ourselves of new opportunities. This allows accurate, targeted and flexi-

ble responses to changing conditions, representing a further evolution of the ROIC management approach under our previous medium-term business plan.

### Shareholder return policy

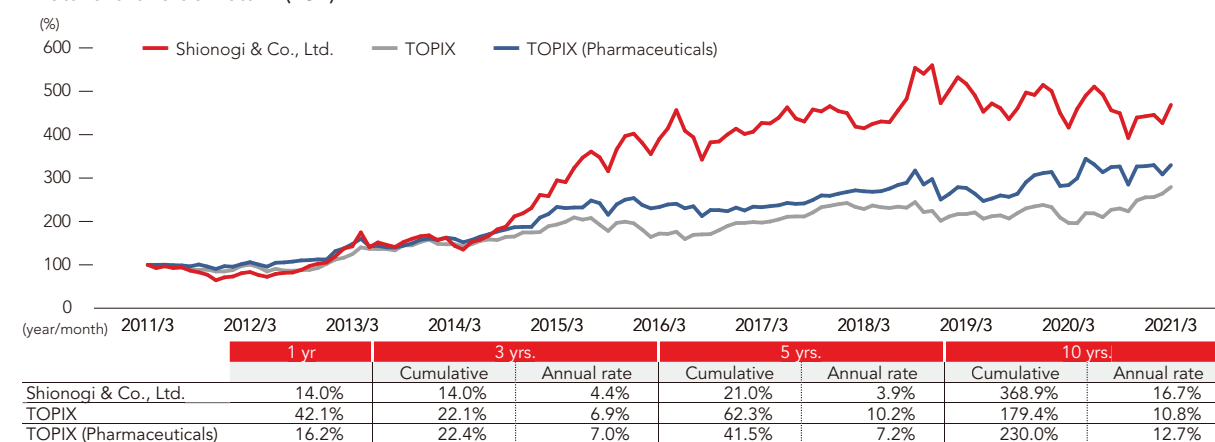
At Shionogi, we are focused on maximizing corporate value while balancing investment in growth and shareholder returns, in order to deliver medium- to long-term profit growth. With respect to dividends, we plan to increase the dividend in a stable manner in line with the growth of corporate value, using a DOE of 4% or more as an index, so that all of our shareholders can consistently get a true feeling for our corporate growth. In fiscal 2020, we paid a dividend of ¥53.00 at the end of the second quarter and ¥55.00 at the end of the fiscal year, resulting in an annual dividend increase of ¥5.00 per share (the 9th consecutive year of dividend increase). Also in fiscal 2020, we acquired treasury stock (8,777,500 shares, a total acquisition amount of approximately ¥50 billion) in order to strengthen shareholder returns and improve capital efficiency. Although it is not a shareholder return index in STS2030, the results of shareholder return measures are reflected in the total shareholder yield (TSR), which has been above the TOPIX average since 2014.

### Dividends



\* Decision made on March 30, 2020, for an April 6 cancellation

### Total shareholder return (TSR)



Notes: 1. Total shareholder 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, 2011, as 100 (with a holding period until March 31, 2021).  
4. The return value is expressed as the rate of increase or decrease in the initial investment amount, which is generally used when measuring the return on investment.

Pioneering the future of healthcare with our accumulated skills in product creation and a system that can flexibly and boldly change priorities

We are working ceaselessly to create results generated by innovation as soon as possible so that we can find optimal solutions to the problems (needs) of patients and society. Using the impact of the COVID-19 pandemic as an opportunity for change, we are implementing various transformation in our R&D.

Pursuing product creation and efficiency in COVID-19 drug discovery

The societal changes caused by the spread of COVID-19 have also induced a major transformation in drug discovery R&D. At Shionogi, we have altered the entire way we think about R&D, as our procedure about drug discovery and the limits of its speed actually turned out to be assumptions based on preconceived notions. As an infectious disease company helping to end COVID-19, Shionogi has issued an internal COVID-19 emergency response declaration, and we are doing everything we can, including revamping facilities and making emergency procurements. Also, about 70% of our researchers are concentrating their resources on discovering drugs for COVID-19, focusing on a COVID-19 vaccine and a small-molecule therapeutic drug. We have seen dramatic changes as a result. It took us only 142 days, faster than other global pharma companies, for our R&D efforts for a small-molecule therapeutic drug to move from synthesis of the first lot to the launch of clinical trials.

Transformation in our research laboratories

The role of the Research Division in STS2030 is to polish our product creation skills so that we can create solutions to social issues. Shionogi's strength lies in its high level of drug discovery, and in the past 10 years we have launched six new drugs globally. On the other hand, some of these products have yet to maximize their value, and there are still issues in understanding and grasping the needs of society and customers in drug discovery. In order to provide solutions that are truly appealing to society and customers, researchers need to further hone their scientific skills to accurately grasp increasingly diverse and sophisticated needs and realize solutions. To this end, we are promoting measures to dispatch researchers to medical sites to experience the "problems" through dialogue with doctors and patients, and measures to widen researchers' perspectives by allowing them to accumulate work experience in other divisions and Group companies. Moreover, to create a vibrant research institute where researchers can collect and disseminate information on their own and gather colleagues to produce results, we have introduced an autonomous research system where researchers are given a certain amount of free discretion to conduct bottom-up research that they want to do, thereby strengthening their science capabilities and encouraging them to exercise their independence. We have also implemented management reforms in the research division, such as bringing in personnel from the sales and development divisions, with the aim of becoming a research institute that can provide solutions to the problems of society and customers at a different level of speed by incorporating the perspectives of development and marketing from the exploratory stage of research and becoming aware of the market from early on. Through these multifaceted efforts, we will transform ourselves into an autonomous group of researchers capable of creating customer happiness through science.

An employee speaks



To discover COVID-19 therapeutics

Yuki Tachibana  
Director, Medicinal Chemistry 1,  
Laboratory for Medicinal Chemistry Research

The conventional thinking about drug discovery says that the chance of becoming a medicine is one in tens of thousands and that it takes five years to get from defining a concept to getting a development candidate. We have mobilized all of our human resources and our accumulated research knowhow to discover therapeutic drugs for COVID-19. Working even on weekends and holidays and as fast as possible, we succeeded in creating a development candidate in about nine months from defining the concept and it took only 13 months to launch clinical trials.

As an infectious disease company, Shionogi will never fail to deliver medicine to the world. We are really fighting as hard as we can, as this is our reason for existence, and all of our efforts so far have been to facilitate each person's strong desire to save the world and bring this to fruition.

Transformation in development

In accordance with the watchwords, "speed" and "creation/maximization of product value," the Drug Development and Regulatory Science Division has not only worked to make our processes based on conventional methodologies more efficient as possible, but has also changed our approach and overhauled our development process from square one. At the same time, we always place "science" at the top of our decision-making list as we absolutely need to get the science right. Even if we emphasize speed and proceed with testing using different methods from the previous ones, we still need to be strict and objective in considering data and to make sure that what we are doing is scientifically persuasive in terms of efficacy and safety to make a go/no go determination. We are therefore sparing no effort in our action to voraciously gather and analyze past cases and latest scientific knowledge, think through them thoroughly, and hold extensive discussions before reaching well thought-out decisions. In particular, in developing a vaccine and therapeutic drugs for COVID-19, we are holding daily discussions, including with senior management, about which patients would receive such solutions, how fast we could provide them, and what kind of development plan we should have for accomplishing this. As we proceed, we are communicating with the regulatory authorities more closely than in the past, and we are discussing how to execute our development plan as soon as possible and based on science.

Eight development pipelines that causes paradigm shifts

While COVID-19 has caused apprehension about clinical trials, in fiscal 2020 we succeeded in staying on schedule with almost all of our programs by acting in response to changes in the external environment, including being flexible in adjusting the number of clinical trials initiated in each region through collaboration among the US, Europe, and Japan. In fiscal 2021, our top priority remains to deliver a COVID-19 vaccine and therapeutic drugs as soon as possible, and we are working on the development of based on core eight projects so that we can provide innovative value.

Promoting development of innovative pipelines

	Pipeline	The world we want	Indications	Initial target	Current status
Infectious disease	S-540956	A platform that improves the efficacy of immunotherapy for a wide range of diseases	① Infectious diseases ② Cancer	①② Clinical trials to have started in 4Q of FY2020	①② Changed to 1Q of FY2021
CNS/pain	S-600918 (sivopixant)	Paradigm shift in treatments for many diseases	① Refractory chronic cough ② Sleep apnea syndrome	① Flash report on Phase 2b expected in 1Q of FY2021 ② Flash report on Japan Phase 2a expected in 1Q of FY2021	①② Proceeding on schedule
	S-637880	A new key mechanism for psychoneurological diseases	Neuropathic low back pain	Flash report on Japan Phase 2a expected in 1Q of FY2022	Proceeding on schedule
	S-812217 (zuranolone)	Efficacy that changes existing concepts of depression treatment	Depression/depressed mental state	Flash report on Japan Phase 2 expected in 3Q of FY2021	Three months ahead of schedule. Flash report expected in 2Q of FY2021
	BPN14770 (zatolmilast)	New option for treating Alzheimer's through improving cognitive function	① Alzheimer dementia ② Fragile X syndrome	① Japan Phase 2 to start in 2Q of FY2021 ② Phase 3 to start in 2Q of FY2021	① Phase 2 started three months ahead of time (1Q of FY 2021) ② Proceeding on schedule
	S-874713	Improve a wide range of psychoneurological diseases, such as addictions, with a new mechanism of action	Various psychoneurological diseases	Clinical trials to start in 4Q of FY2020	Changed to 2Q of FY2021
New growth fields	S-531011	Changing the cancer treatment paradigm through synergies with existing products	Solid carcinoma	Clinical trials to start in 2Q of FY2021	Proceeding on schedule
	S-005151 (redasemtide)	Changing the regenerative medicine paradigm	① Dystrophic epidermolysis bullosa ② Acute ischemic stroke ③ Knee osteoarthritis ④ Cirrhosis of the liver	① Preparing application ② Flash report on Japan Phase 2 expected in 3Q of FY2021 ③ Japan Phase 2 in progress (investigator-initiated trials) ④ Japan Phase 2 in progress (investigator-initiated trials)	① Proceeding on schedule ②③④ Proceeding on schedule





## Top-Line Strategy

### Achieving top-line growth through an optimal strategy for each region

Focusing on therapeutic drugs for key diseases, we are building a stable earnings foundation by covering all diseases through varied approaches that encompass everything from prevention to treatment to convalescence and by providing value that responds to stakeholders' needs. We are also working to improve our global presence by expanding our business in the Japanese, U.S., and Chinese markets and strengthening our European business.

#### Japan

##### ■ Promoting domestic business to achieve our Vision for the Japan business

STS2030 sets "Become an indispensable partner in infectious diseases and psychoneurological diseases/pain" as the Vision for our Japan business. The spread of COVID-19 has limited MRs' opportunities to call on healthcare institutions, which has had a major impact on activities to disseminate information about our domestic drug business. However, we have taken this as an opportunity for change, and even with the various changes taking place in the external environment, we are building a framework that will maintain two-way communication with our customers, including physicians and healthcare professionals. By building a strong, resilient framework for disseminating information in both physical and digital terms, we will always be responsive to diverse customers' needs.

##### ■ Building a structure that is responsive to customers' needs

COVID-19 has changed customers' information needs. More than ever, we are being called on to provide high-quality information by every means of communication, as needs are diversifying with respect to consultations, be they face-to-face, online, or via other formats. As a new initiative to provide information digitally, we have located electronic medical representatives (e-MRs) in certain geographical areas, while we also strengthened our existing product and disease education and our training in two-way communications skills and worked on enhancing the skills required in MR activities. E-MRs support MR activities by providing more detailed, wide-ranging information online, thereby helping to improve the quality of our information dissemination activities.

##### ■ Upgrading online content

As the digitization of society progresses, there is also an increasing need for on-demand information through the

media or websites rather than by consulting with an MR. To meet this need, we updated our owned media for healthcare professionals. This entailed upgrading existing web-conferencing audio-visual functions, as well as content and materials for use in routine healthcare and healthcare institution education, such as videos that provide a broad range of product information and patient education, slides for training in infectious diseases, and materials for patient use. Moreover, on our owned media, we have aired some of the lectures held locally throughout the country, thereby enabling people in local areas to access lectures on medical and pharmaceutical topics and on more detailed medical issues. In addition, we strengthened our partnership with Stream-I, our joint venture with M3, Inc., and are taking a new approach to fusing MRs' real and digital data-providing activities and digital content transmission.

##### ■ Plans for executing our disease strategy

To be able to provide products and services for all diseases, as set forth in our disease strategy, it is essential that we obtain our customers' broad understanding of the solutions (products and services) that Shionogi provides by communicating with the relevant academic societies and with professors who are also opinion leaders and by formulating/revising new healthcare guidance and treatment guidelines. To disseminate and execute the disease strategy in STS2030, we established new hospital MRs. The mission of the hospital MR is to disseminate products and information on diseases in general to local areas and nationwide through programs at key hospitals, notably, university hospitals. Our newly reorganized Pharmaceutical Commercial Division and our Integrated Disease Care Division will collaborate closely to achieve our patient-focused disease strategy, which aligns with the needs of healthcare professionals and patients alike.

#### Overseas

##### ■ Update on changes in our global business to achieve our 2030 Vision

In the year since we set global business expansion as a key strategy in STS2030, we have been accelerating our initiatives aimed at changing our overseas business to focus on three poles: the U.S., Europe, and China. In the U.S. and Europe, we worked on "strengthening our sales capabilities in the hospital and specialist markets focused on cefiderocol," proposed last year, while in China, we established Ping An-Shionogi Co., Ltd., and launched its business. These were the first real steps toward achieving our 2030 Vision. Based on these results, we have made fiscal 2021 a year for further leaps forward.

##### ■ Business expansion with cefiderocol

With no end in sight to the COVID-19 pandemic, interest in infectious diseases has increased around the world, and cefiderocol has drawn greater attention as well. Because we have continued providing data on how to fight antimicrobial resistance (AMR) and promote proper usage, primarily in the U.S. hospital market, many more patients than we had initially expected have benefited from cefiderocol. In Europe as well, we were able to provide information through Early Access Programs (EAPs) in several countries, including launches in the UK and Germany. In addition, cefiderocol has played a role in individual countries' AMR countermeasures, one of which is the adoption of a subscription-type reimbursement model in two European countries.

##### ■ Expanding our China business

In our China business, we established Ping An-Shionogi Co., Ltd., a joint venture with the Ping An Insurance Group, in November 2020 and started collaborating with the Ping An Insurance Group immediately thereafter. This initiative is a true case of building from the ground up to achieve our 2030 Vision, and it constitutes the first big step in our transformation into a HaaS company. As one of the new business models that combines the strengths of both Shionogi & Co., Ltd. and China's Ping An Insurance Group, we started to provide existing generic products and over-the-counter drugs through the Ping An Good Doctor (PAGD) platform, which is China's largest online healthcare platform, thereby we aim to improve our top line. Another initiative that is considered as important as this new platform is the establishment of a new pharmaceutical business in China. Last fiscal year, we started getting ready to develop and launch two products, cefiderocol and naldemedine, and we were able to make steady progress. Going forward, we plan to advance multifaceted initiatives such as expansion of our generic drug business; development and marketing plans for new medicines; new businesses that use the platform; and AI drug development, as well as engage in mutual cooperation with the Ping An Insurance Group so that we can achieve HaaS and push forward to provide the best healthy experiences.

#### An employee speaks



##### Initiatives to Fuse the Real and the Digital

**Tetsuhiro Yamasaki**  
Manager, Promotion Group,  
Sales Dept., Sales Promotion  
Office

We have entered into numerous interdivisional and organizational tie-ups in the awareness that we should not have a structure that relies on either the real or the digital as we move forward with building our structure and with our initiatives vis-à-vis the real and the digital. The important thing is to contribute to both society and healthcare by delivering high-quality information that meets the needs of every patient and healthcare professional in any given situation so that they will have trust in Shionogi's medicines and use them. I would like to continue building this structure and advancing these initiatives.



##### Using real world data to create new medicines and services

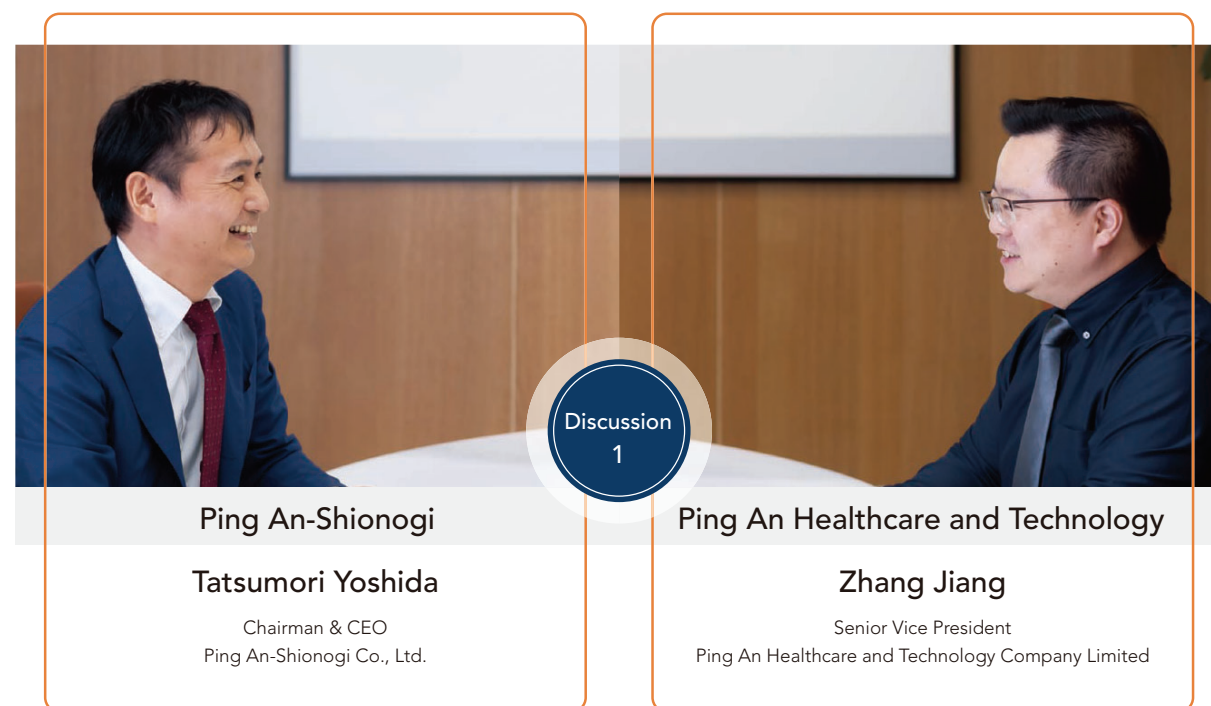
**Hiroyuki Tsubota**  
Vice President and General  
Manager,  
Platform Business Dept,  
Ping An-Shionogi Co., Ltd.

At Ping An-Shionogi, we are trying to create new medicines and services by utilizing real world data from the Ping An Insurance Group and providing the best healthcare solutions to everyone in China through the PAGD. We are already selling three products on PAGD, and are getting ready to add four more. In addition, we have launched initiatives to provide patients who consent with early detection, medical treatment, and the best healthcare services by providing customers with wearable devices and smartphone apps so that we can use the health data we gathered from them. Going forward, I want to be involved in bigger and faster initiatives to create new medicines and services.

Discussion Co-Creation Initiative



Shionogi & Co., Ltd. concluded a contract with China's Ping An Group in July 2020 establishing a joint venture in order to achieve its 2030 Vision and grow sustainably. It will combine massive amounts of healthcare data and science, and aim for value creation that gets more than 3 when adding 1 + 1, and will accelerate rollout in Asia, centered on China.



Ping An-Shionogi

Tatsumori Yoshida

Chairman & CEO  
Ping An-Shionogi Co., Ltd.

Ping An Healthcare and Technology

Zhang Jiang

Senior Vice President  
Ping An Healthcare and Technology Company Limited

Ping An-Shionogi Co., Ltd. has started supplying products over Ping An Good Doctor, a healthcare platform with China's largest user base. With their eyes fixed on future development, Zhang Jiang, Senior Vice President and Chief Investment Officer of Ping An Healthcare and Technology Company Limited, and Tatsumori Yoshida, Chairman and CEO of Ping An-Shionogi, had a discussion.

■ Responding to the various needs of customers: Ping An Good Doctor

**Yoshida:** We have achieved a good start to this collaboration faster than planned—at the time of establishment of Ping An-Shionogi—provision of our products via the online Ping An Health platform, “Ping An Good Doctor (PAGD)”.

**Zhang:** I believe the efforts of Kui Kaipin—Director of Ping An-Shionogi, who has acted as an intermediary between the two companies—have been crucial to this

success. We are grateful for this partnership with Ping An-Shionogi and have high expectations for the future.

**Y:** We believe PAGD sets itself apart from other online healthcare platforms that have their roots in selling products.

**Z:** Exactly. PAGD is a leading healthcare services platform in China. It has 400 million registered users as of 30 June 2021. It has an in-house medical team of about 2,000 members and over 38,000 external medical professionals that use a proprietary artificial intelligence-based healthcare system, and enables 24/7 online medical

examinations and prescription of medicines. On top of all these, it meets the diverse needs of its customers through its tie-ups with offline medical institutions and by providing a wide range of services such as referrals and delivery of medicines.

**Y:** PAGD is making a significant contribution to solving issues unique to China.

**Z:** Yes, a good example is that it has made a significant improvement on the recurring shortages issue of doctors and the resulting long waits at hospitals. Additionally, PAGD is working aggressively to achieve the same level of healthcare services in inland areas of China that have insufficient healthcare infrastructure in urban areas.

**Y:** That's great. I believe PAGD has potential to significantly grow in value as a healthcare platform through the co-creation of new value—such as proposing ways of improving and maintaining the health of patients, preventing and early detection of their health problems, and creating more effective medical solutions—by utilizing the authorized integrated data of PAGD registered users' medical examinations, prescriptions and various test results.

**Z:** Exactly.

■ Expectations for further cooperation to improve sub-optimal health

**Y:** China has the largest population and is the most rapidly changing country in the world. On the other hand, it has various social issues such as an aging population, thus the importance of health management will continue to grow. With this background, PAGD has the potential to become an indispensable total healthcare platform that provides a wide range of solutions useful for people's daily health management, and to go beyond the traditional model of providing online medical care and medicines.

**Z:** In China there is a growing need for healthcare to improve the health of those who are in a state of sub-optimal health—that is, in between healthy and sickness. Thus, we predict over-the-counter (OTC) drugs to play a more significant role. We have high hopes for the business collaboration with Shionogi Healthcare in the OTC sphere because the OTC market is large.

**Y:** We are starting with sales of health foods in online shopping websites however, we aim to develop and sell Shionogi healthcare products that meet the needs of the Chinese market in the future, and develop and sell Ping An-Shionogi proprietary products based on needs assessments using the PAGD platform.

■ Aim for sustainable growth by collecting real-world data and analytical research

**Z:** What makes Ping An-Shionogi proposals attractive is they are based on science. I am very excited because even though we have collaborated with various other pharmaceutical companies, this is the first time with the kind of proposals enabled by Ping An-Shionogi that attractively advance the value of PAGD utilizing scientifically-backed data. A new initiative I find particularly interesting is the collection and analytical research of real-world data. We are accumulating a variety of real-world data such as sleep and physical activity volumes collected from wearable devices of users who gave their permission to participate in this research. The research data is authorized by users and linked to medical testing and treatment data. Ping An-Shionogi is making a positive contribution to people's health by using this data to create healthcare solutions and for artificial intelligence (AI)-based drug discovery. It is a meaningful initiative that builds on the strengths of both PAGD and Ping An-Shionogi.

**Y:** This initiative really owes its very existence to PAGD. Ping An-Shionogi, through collaboration with PAGD, wants to play a role in the healthcare platform business industry by creating solutions from prevention and diagnoses of medical conditions, through to treatment and management of the recovery and recuperation phase. We aim to grow sustainably as a total healthcare company by promoting this business model.

**Z:** Collaboration between Ping An-Shionogi and Ping An Healthcare has growing potential by utilizing the various technologies of the Ping An Group starting with PAGD. We look forward to initiatives that will create new value in the medium to long term.

**Y:** Yes, let's work together so we can provide total healthcare services that meet people's health needs!





Ping An-Shionogi

Tatsumori Yoshida

Chairman & CEO  
Ping An-Shionogi Co., Ltd.

Ping An Group

Xie Guotong

Chief Healthcare Scientist of Ping An Group  
Deputy General Manager of Ping An Technology  
Director of Ping An Healthcare Technology Research Institute  
Ping An Technology Co., Ltd.

Ping An-Shionogi concluded a joint-research agreement with Ping An Technology Co., Ltd., which has a broad range of AI technologies for drug discovery. Ping An Technology's Xie Guotong and Ping An-Shionogi's Tatsumori Yoshida discussed how both companies could work on solving social issues such as improving social productivity and extending healthy lifespans, which are aims of the Shionogi Group.

### ■ Promote drug discovery by effectively using Ping An Technology's AI technology

**Yoshida:** We have many targets in establishing Ping An-Shionogi, and have very high expectations around developing total healthcare solutions including drug discovery utilizing Ping An Technology's world leading AI technology.

**Xie:** Ping An Technology is developing AI technology in various domains such as natural language processing and image analysis and have successfully applied these technologies in a wide range of fields, from fintech to healthcare. With such strong technical support, Ping An Smart Healthcare provides end-to-end solutions for regulatory authorities and the healthcare ecosystem by supporting the government with management of institutions, doctors, diseases and drugs to drive efficient operation of China's healthcare system. We are very confident in our ability to develop healthcare solutions in collaboration with Ping An-Shionogi because of the AI technological strengths we have built up in a wide range of fields.

**Y:** We inked agreements for joint drug discovery straight after Ping An-Shionogi was established because of the

appeal of their AI technology at Ping An Technology. After only three months since starting research for specific diseases, we were able to find promising compounds from amongst more than 500,000 compounds. I'm amazed at this speed.

**X:** Our AI for drug discovery achieved a higher level of precision than world-leading teams from Massachusetts Institute of Technology and Stanford University at a MIT competition to predict the efficacy of antibiotics. However, as we do not have the experience or expertise to apply this AI technology to actual drug discovery, we are extremely fortunate for the opportunity to increase the precision of this technology by applying it in joint research with Ping An-Shionogi. Also, I am pleased that our AI technology is growing stronger than when we began this joint research.

**Y:** Generally, if everything goes according to plan, it takes about two to three years from formation of a research concept to discovery of a promising compound. Taking only three months this time is truly an amazing speed.

**X:** I'm glad we have picked off at a good start. Vital to this three-month speed is Shionogi's drug discovery expertise that supports an original pipeline ratio of over

70%. AI technology is not effective unless it is built up together with the people who will utilize it. I believe we will be able to evolve Ping An Technology's AI technology and Ping An Smart Healthcare's end-to-end solutions to be even more applicable to real-world uses and to use it to help develop amazing potential compounds and services by making the most of our AI technology in jointly discovering drugs using Ping An-Shionogi's drug discovery expertise.

### ■ Contribute to people's health by fusing the strengths of both companies

**Y:** Two of the social issues Shionogi Group is tackling are improving social productivity and extending healthy lifespans. Vital to solving these social issues is finding solutions to psychoneurological diseases that significantly reduce people's quality of life. I believe Ping An Technology's capability of data processing and AI technology and Ping An Smart Healthcare's end-to-end

solutions are vital for discovery of drugs for psychoneurological diseases. So I hope we can develop innovative solutions in the psychoneurological disease area by maximizing both our company's strengths.

**X:** I really hope we can create solutions together for this kind of social problem as there are a great number of people who suffer from psychoneurological diseases in China.

**Y:** Because researchers from pharmaceutical and AI companies are from very different backgrounds, I thought the most important thing would be to form common understanding and relationships built on trust. However, by regularly meeting and discussing matters we have been able to build very good relationships. I have heard there are still technologies that haven't been used in the ongoing projects. Let us contribute to people's health by creating innovative healthcare solutions in terms of both quality and speed by breaking down bottlenecks through a multifaceted approach that unleashes the synergistic impact of our combined strengths.

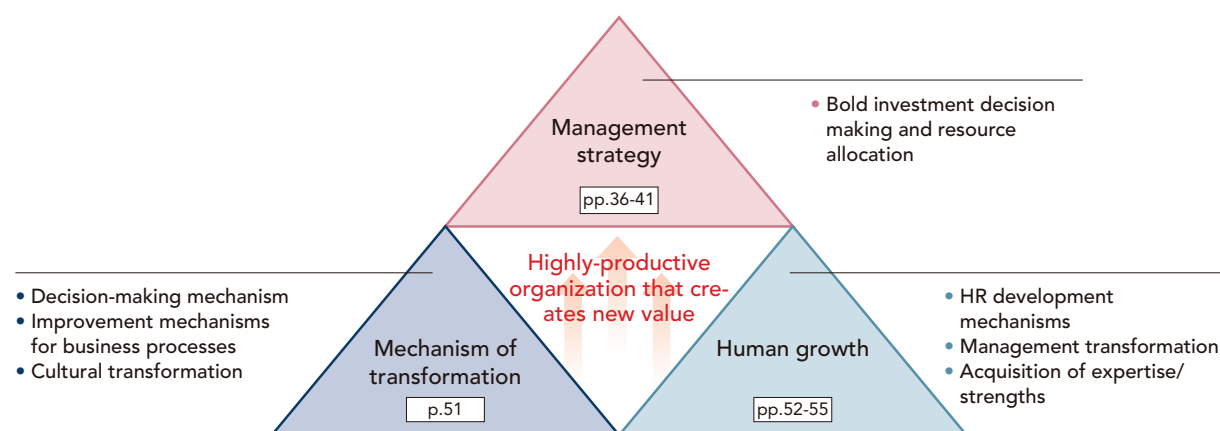
**X:** I am so excited. Let's do it!

	<b>Ping An-Shionogi Co., Ltd.</b> <ul style="list-style-type: none"> <li>• A joint venture between Ping An, China's largest life insurance and financial services company, and Shionogi &amp; Co., Ltd.</li> <li>• Research, development, and sales using big data and artificial intelligence (AI) in the healthcare field</li> <li>• Aim to solve social issues by rolling out new drugs in China</li> </ul>
	<b>Ping An Healthcare and Technology Company Limited</b> <ul style="list-style-type: none"> <li>• A synergistic entity within Ping An Group healthcare ecosystem</li> <li>• Aimed at gaining trust, bringing expertise and providing convenience, PAGD strives to bridge the communication gap between doctors and patients, as well as build China's largest online healthcare platform with the best model and the highest threshold.</li> <li>• Has established several key business segments: online medical services, consumer healthcare, health mall, health management and wellness interaction.</li> </ul>
	<b>Ping An Technology Co., Ltd.</b> <ul style="list-style-type: none"> <li>• Supports the technological side of the Ping An Group's insurance, financial, investment, healthcare, and smart city operations</li> <li>• Specializes in the research and development of biometrics, AI, big data, and cloud technologies</li> <li>• Cooperates with top universities around the world</li> </ul>
	<b>Ping An Smart Healthcare</b> <ul style="list-style-type: none"> <li>• Ping An Smart Healthcare, affiliated to Group subsidiary Ping An Smart City, focuses on four core areas to support the rapid development of China's healthcare system: improving institutional management by empowering health and medical authorities; assisting doctors in diagnosis and treatment; supporting the public health system to manage epidemics and chronic diseases; and facilitating pharmaceutical research. Currently, Ping An Smart Healthcare services are available in 90 Chinese cities and are expanding in overseas markets, serving a total of 20,000 medical organizations and 800,000 doctors.</li> </ul>

## Management Foundation Strategy

### Create value by transforming structure and the processes that shape structure and developing the right human resources to administer processes

To become a HaaS company, we must transform ourselves into a high-productivity organization that can create new value. Therefore, the Corporate Strategy Division, which is responsible for designing and implementing the overall corporate strategy, and the Administration Division, which is responsible for creating mechanisms that enhance effectiveness, have teamed up to build a strong management foundation that can flexibly respond to rapid changes in the environment.



### Infrastructure building for new value creation

To become a HaaS company that creates new value, we need to be in a position where we will be chosen by other companies and industries that have different strengths. This is why Shionogi is speeding up its transformation efforts to become a high-productivity organization that will continue creating new value while honing its strengths as a drug discovery-based pharmaceutical company.

To transform ourselves into an organization that tackles new fields at speeds never before attained and enables bold investment decisions and resource allocation, the Corporate Strategy Division and the Administration Division are spearheading a reorganization of our management foundation. This will center on a transformation mechanism to reform our decision-making and work processes and human resource development. We built and put into operation a system that can make prompt and accurate decisions and monitor and review them. This evaluates the appropriateness of our business risk and increases the transparency and traceability of our decisions in line with the recently established Shionogi Group Decision-Making Policy. As for training human resources responsible for value creation at Shionogi, we are starting educational programs that will upgrade our management ranks, beefing up self-investment assistance, and taking other steps to create an environment in which all employees can continue learning.

### The Decision-making Process (Project K)

To fight with determination against unprecedented events, all of the decision-making processes at Shionogi need to incorporate timely decision making that properly assesses the business risks. Therefore, the Corporate Strategy Division and the Administration Division have teamed up on a transformation project (Project K) that will overhaul our old approval methods and institute a timely and high-quality decision-making process throughout the Group.

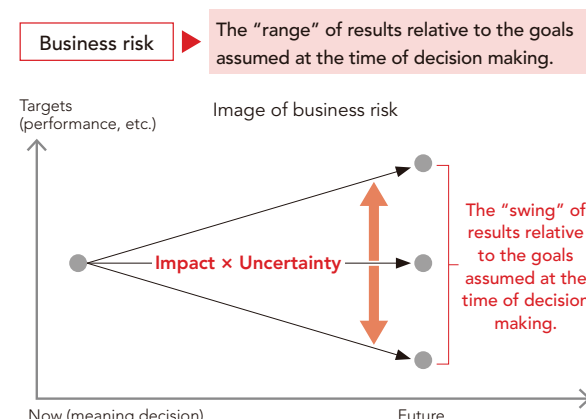
First, the project team formulated the Shionogi Group Decision-Making Policy and organized and revised all rules pertaining to approvals and meetings, then announced them to the entire Company. Next, it installed a Company-wide system for approvals (Shionogi new Approval Management System 2020: SAMS) to centrally manage the necessary information and deliberation processes involved in our decision making and the appropriate reports.

SAMS conducts a multifaceted evaluation of each proposal's business risks and, setting the decision maker according to the level of impact and uncertainty of each proposal, and makes sure that all records of the deliberations and approval can be accessed in the future. Installing this system enables a new dimension of trans-

parency and traceability than previously, which includes reviewing decisions made by specialized departments in the approval process, the post-approval progress, and even the final reports.

In addition, by implementing thorough in-house training on the decision-making process and upgrading every employee's skills in accurate assessment of business risks, planning, and decision making, we are creating a foundation for repeated challenges, even in situations that require that unprecedented decisions be made in an era of drastic change.

### Definition of business risk



- Decision-making in business involves uncertainty to a greater or lesser extent, and the impact can be large or small.
- Understanding the magnitude of decision-making "range" (i.e., business risk) from the perspective of impact and uncertainty and using this information to improve the quality and speed of decision-making.

### Recruiting Manager

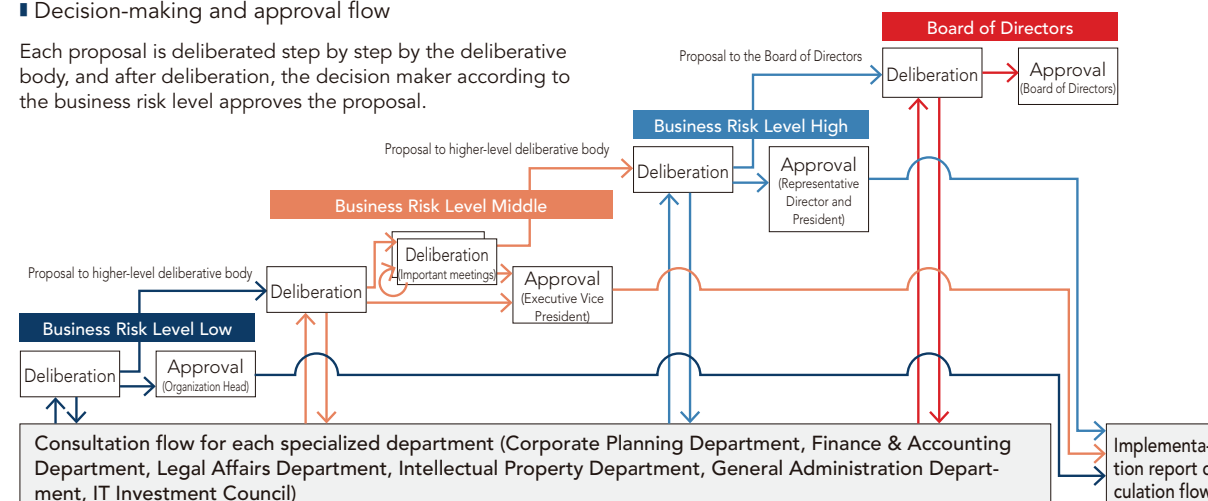
The success of STS2030 hinges on bolstering our managers, as Shionogi's managers are required to support employees' growth, promote transformation of the workplace, and maximize the outputs of the entire organization. With this in mind, in fiscal 2020, we launched PJ-KANAME, a new program for manager development aimed at all domestic managers that stresses managers' personal growth, sophisticated decision-making skills, and a commitment to grow both employees and the organization.

PJ-KANAME offers a wide variety of programs on corporate strategy, organizational behavior, and management of human capital, including such topics as dissemination of the new medium-term business plan, approval processes, goals management and human resources assessments, and labor management. The program is designed to upgrade the level of our management team, as they engage in daily study online, in group training, and self-study. In fiscal 2020, PJ-KANAME held 27 courses that ran for a total of 190 hours, which is equivalent to about 10% of a manager's work hours. By strengthening the qualities that a Shionogi manager should have, we will achieve a higher dimension of sophisticated decision making that incorporates our management and business strategies and our training and management of human resources, which are the fount of competition.

We are solidly behind Project K and PJ-KANAME, which are positioned as the flag bearers for reforming both the hard and soft aspects of the management foundation strategy in STS2030, and these projects will accelerate the pace of Shionogi's transformation as we achieve our Vision of "building innovation platforms to shape the future of healthcare" by 2030.

### Decision-making and approval flow

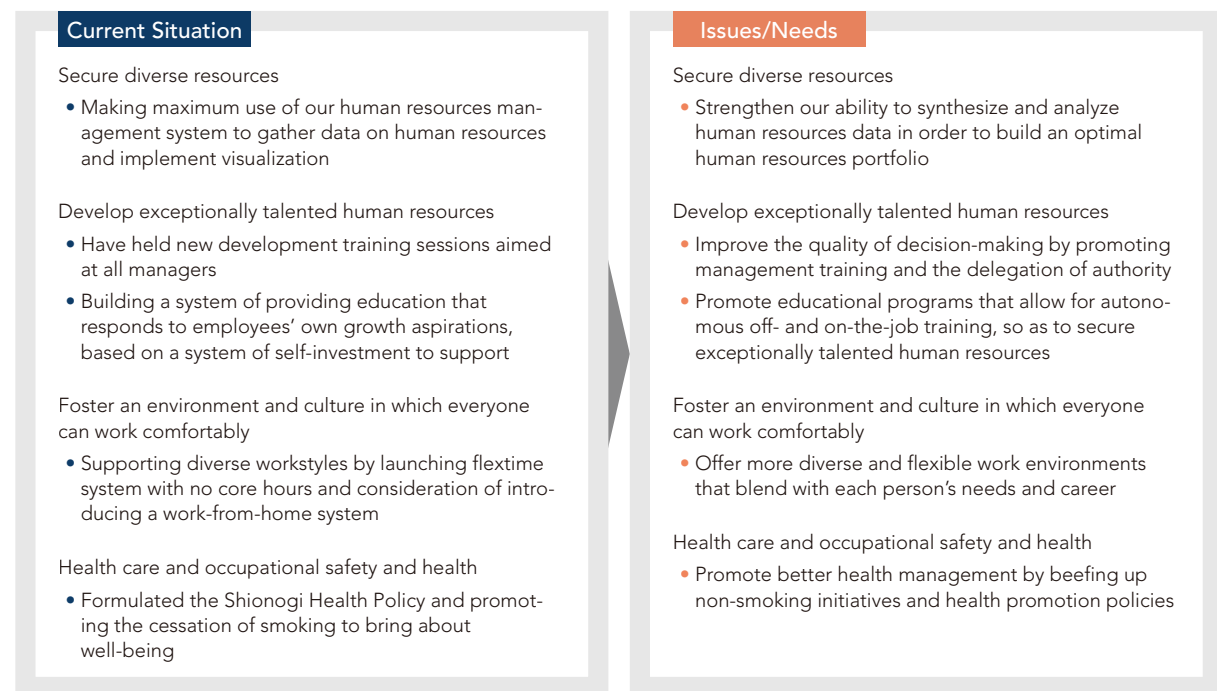
Each proposal is deliberated step by step by the deliberative body, and after deliberation, the decision maker according to the business risk level approves the proposal.





## Secure Human Resources to Support Growth

Based on our principle of human resources development, “People are the source of competitiveness,” we are working to “develop and build strong individuals and organizations capable of surviving global competition.” To achieve STS2030, we are visualizing the necessary human resources that we will need in order to realize human resources development that fosters each person’s talents and an environment in which everyone is motivated to work.



Responses	Related indicators
Secure diverse resources <ul style="list-style-type: none"> <li>Hire by job type</li> <li>Secure specialists</li> </ul>	<ul style="list-style-type: none"> <li>Provide the human resources that each organization needs</li> </ul>
Develop exceptionally talented human resources <ul style="list-style-type: none"> <li>Nurture candidates for top management</li> <li>Nurture independent-minded human resources</li> </ul>	<ul style="list-style-type: none"> <li>Manager training: 190 hours/person, total expenses: ¥100 million</li> <li>Amount of self-investment support: ¥170 million</li> <li>Number of new projects from the employee-led “I want to do it!” program: 2 projects</li> </ul>
Foster an environment and culture in which everyone can work comfortably <ul style="list-style-type: none"> <li>Enable diverse workstyles</li> <li>Become a company where everyone can flourish, regardless of who they are</li> </ul>	<ul style="list-style-type: none"> <li>Continually implement programs to improve workstyles</li> <li>Ratio of female managers: 11.5%</li> <li>Childcare leave acquisition rate: Women: 100%; Men: 41.1%</li> </ul>
Health care and occupational safety and health <ul style="list-style-type: none"> <li>Implement an education program</li> <li>Assess current conditions</li> <li>No-smoking campaign</li> <li>Prevent/reduce workplace accidents</li> </ul>	<ul style="list-style-type: none"> <li>Improve health literacy</li> <li>Health checkup implementation rate: 100%</li> <li>Implement remedial measures as a result of stress checks</li> <li>Ratio of employees who smoke: 11%</li> <li>Work constantly toward improvement, with the goal of 0 workplace accidents <ul style="list-style-type: none"> <li>Severity rate: 0.0047</li> <li>Frequency rate: 0.19</li> </ul> </li> </ul>

### Formulating a vision for human resources (Shionogi Way)

To achieve our 2030 Vision to “Building Innovation Platforms to Shape the Future of Healthcare,” which is part of our Medium-Term Business Plan STS2030, we have set forth a new vision for human resources for the Shionogi Group, called the “Shionogi Way: Be the best that you can be to take on new challenges.” The Shionogi Way consists of the Values that are essential to achieving our Vision as well as the Capability/Knowledge that are skills.

So that each employee will take the initiative to polish their skills and become a human resource with exceptional skills, we are promoting human resources policies that will offer a deeper understanding of Shionogi, such as the acquisition of business skills to increase our market competitiveness, our history and current strategy, and directions for the future.



### Educational Curriculum for Achieving the Shionogi Way

We are building a system that will offer support from various angles to help us develop human resources who will reflect the image set forth in the Shionogi Way. This includes the human resources setup, the challenger incentive system, and education and training.

on the labor market, so that we can pay people according to their work. Bonuses are performance-linked so that each employee will benefit based on meeting his/her challenges in contributing to the Company’s growth.

#### ■ Personnel System

Shionogi has had a job grade-based personnel system since 2013. This system treats employees according to their job grade, regardless of their age, gender, or other traits, and it assesses employees using a combination of a behavioral assessment, which is an absolute evaluation of the behavior that Shionogi desires, and a contribution assessment, which is a relative evaluation of the degree to which each employee is contributing. Starting in fiscal 2021, we are adding our five Values to the behavioral assessment items to reflect the Shionogi Way. We also plan to include all of these Values in the human resources requirements in our human resources system from now on.

With respect to our compensation system, we set compensation at levels that are appropriate for the job based

#### ■ Challenger Incentive System

We continue to award the President’s Prize, the winner being chosen from among entries from Japan and abroad. In addition, we launched the “I want to do it!” project in fiscal 2019 to support voluntary initiatives by Shionogi Group employees, and two ideas that received awards have been commercialized.

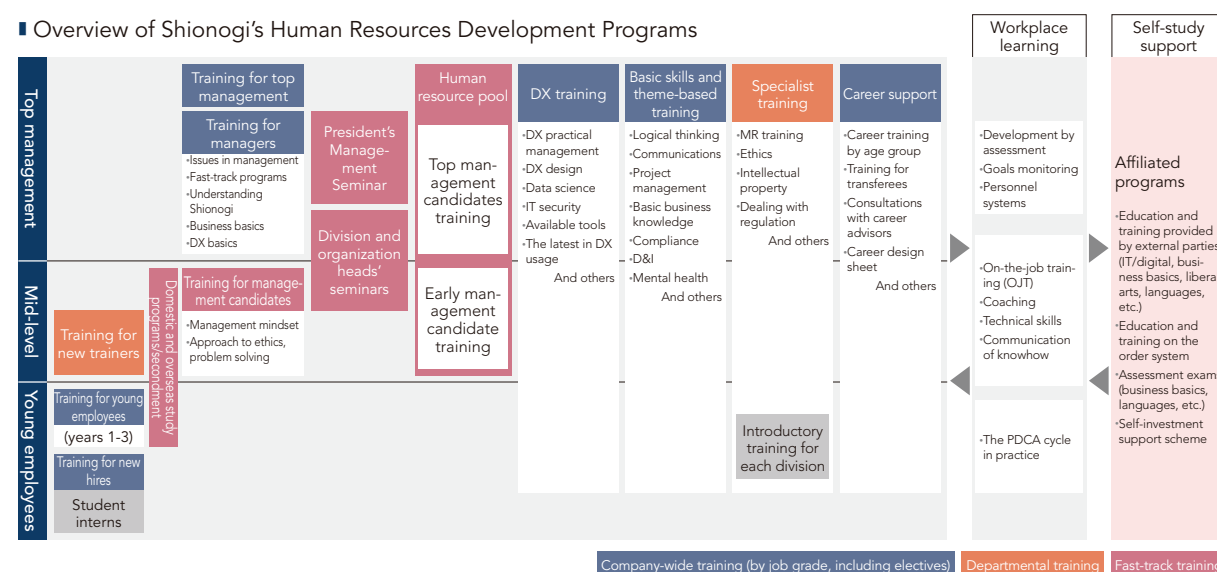
#### ■ Education and Training

We have strengthened and enhanced education and training based on the Shionogi Way, including basic training for boosting key capabilities at all levels, distributing video content that increases Shionogi-oriented knowledge (Shiopedia), and education for managers

that develops management skills so that we have managers who fit the image we desire. Besides offering compulsory training tailored to job grades and business units, we have beefed up what we call affiliated programs, which consist of training through self-learning so that employees can acquire exceptional skills. In addition,

as a self-investment support scheme, since fiscal 2019, we have been offering support of up to ¥250,000 per year to union-level employees for self-investment. In fiscal 2020, about 2,300 people used this system, and support totaled about ¥170 million, more than double the prior year's amounts.

#### Overview of Shionogi's Human Resources Development Programs



An employee speaks



The Shiopedia is an effort to allow all employees to acquire the Shionogi-oriented knowledge that they should have as part of the Shionogi Way in achieving STS2030. This year, the Sustainability Management Department and Shionogi Career Development Center Co., Ltd. formed a production team that sent out explanatory videos on the Integrated Report internally every week. These videos both explained the content of the Integrated Report and described the struggles of the business units to come up with plans and programs. I think that this content enabled me to identify with them and to feel like I am part of a family. As I asked the business units about their initiatives for achieving STS2030, I became aware of the horizontal links between business units, and this gave me the opportunity to think about how my own work is connected with Shionogi's business direction. Viewing the Shiopedia informs employees about the direction and initiatives the Group is taking, and I hope that this initiative brings about a new type of Shionogi-style healthcare.



"I Want to Do It" is a program launched in fiscal 2019 to support original ideas from Shionogi Group employees. The first time that proposals were solicited for the "I want to do it" program, I sent in an idea for surveillance of wastewater for infectious diseases, and this was chosen as a new business. In Europe and North America, COVID-19 has led to major strides in public implementation of wastewater epidemiology surveys, but Japan has fewer COVID-19 cases and the concentration of viruses in wastewater is low, so detection has been extremely difficult using the existing technology. We therefore conducted joint research with Associate Professor Masaaki Kitajima of Hokkaido University to develop a virus detection method that is 100 times more sensitive than the existing one. We have started commercialization based on this world-class technology and are offering this service to national and local government bodies.

## Making the Most of Human Resources Diversity

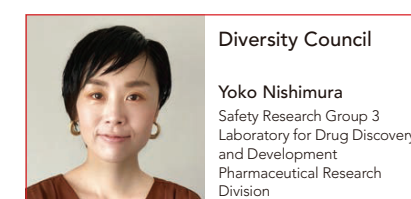
Shionogi offers diverse workstyles so as to provide an environment where each employee can apply his/her skills. In April 2021, we started offering a new workstyle globally in the form of a 24-hour flextime work system that has no core hours. Also, with the expectation of improving productivity by making it easier for all employees to work, we expanded our work-at-home program so that employees will need to go to the office at least five days a month and eliminated the practice of transferring employees without their families.

Besides these improvements, we conducted an engagement survey to assess ourselves and are now

reviewing the situation and coming up with improvements. Specifically, the Human Resources Department is communicating the survey results to employees and holding dialogs with all the Company's divisions so that it can ascertain the particular issues and needs and start making improvements. Through this ongoing initiative, we aim to create a workplace environment where no employee who wants to work at Shionogi will be left out.

The ratio of female managers has been gradually increasing and surpassed 10% in fiscal 2020. Going forward, we will continue to talk with our employees to make further improvements in our system.

An employee speaks



As one of Shionogi's values is having respect for diversity, instituting an organizational culture of diversity and inclusion (D&I) is essential to the achievement of our 2030 Vision. In 2018, Shionogi formed a Diversity Council to formulate a Diversity Vision\* and hold joint promotion events in each organization to achieve this vision.

In fiscal 2020, we created a framework for strengthening D&I in our executive ranks and each organization, and selected members of each of our organizations played a central role in identifying D&I issues in each workplace and worked toward resolving them. We also held training for managers and employees, as well as online gatherings for employees to get to know each other. As D&I has a broad range of meanings, we believe the key to achieving it lies in how it is integrated into our daily operations. The Diversity Council is aiming to create conditions in which each employee can contribute to the Company's performance by acting as a motivating force for diversity inside and outside the Company, and it will continue working with an awareness of providing initiatives that make our hearts resonate with each other.

\* In 2018, we established the Diversity Council to oversee initiatives for promoting diversity and inclusion in each of our organizations and to create a Diversity Vision so that all our employees can work toward diversity and inclusion from the same perspective.

## The Shionogi Health Policy

Shionogi believes that taking steps to address employees' well-being so that they will perform their work energetically is a key part of implementing its basic policy.

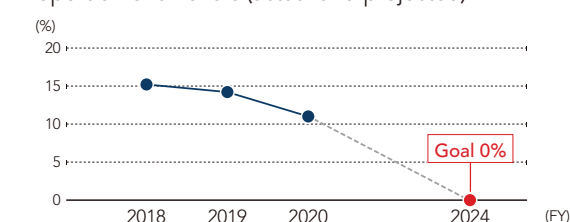
In fiscal 2020, we formulated the Shionogi Health Policy, which supports employees' health from three aspects: improving the health literacy of employees, supporting the maintenance and improvement of the mental and physical condition of employees and their families, and sustaining and continuously improving a supportive and productive working environment, as well as the employees' home environment.

a zero smoking rate among our employees. We want to promote not only the cessation of smoking but also a smoke-free environment for the entire Shionogi Group, so we have embarked on awareness campaigns and non-smoking support initiatives and have launched a stop-smoking project at the request of smokers and non (former) smokers. We will continue our efforts to be smoke-free so that all employees can enjoy a comfortable workplace environment.

### The Shionogi Group's Smoke-Free Declaration

As a key part of our Basic Health Policy, the Shionogi Group issued the Shionogi Group "Smoke-Free" Declaration in April 2020 and strengthened our efforts to have

#### Proportion of smokers (actual and projected)





## Improve Social Productivity and Extend Healthy Lifespans

Shionogi sees much room for improvement in healthy life expectancies and social productivity, even though better public health and advances in medical technology have reduced death rates and resulted in a sharp rise in the global population. The World Health Organization (WHO) defines health as a state of complete physical, mental, and social well-being. In line with this concept, Shionogi is also working to expand healthcare services beyond just pharmaceuticals and to improve social environments, with a focus on psychoneurological disease and pain, which substantially reduce quality of life, so that everyone can live longer, more fulfilling, and more active lives.

Current Situation	Issues/Needs
<p>Create products and services for psychoneurological diseases, which have a high level of unmet medical needs</p> <ul style="list-style-type: none"> <li>Help patients by providing <i>Intuniv</i> and <i>Vyvanse</i>, ADHD treatments that have different action mechanisms</li> </ul> <p>Secure new assets to deal with the super-aging society</p> <ul style="list-style-type: none"> <li>Develop a pipeline in the cancer area</li> </ul> <p>Provide optimal treatment choices for the causes of pain</p> <ul style="list-style-type: none"> <li>Develop chronic pain treatments that have different action mechanisms</li> </ul> <p>Hold programs to promote public understanding of disease traits and the problems of those affected</p> <ul style="list-style-type: none"> <li>Assistance programs for persons with developmental disorders (seminars, study sessions, etc.)</li> <li>Seminars on the proper use of prescription narcotics</li> </ul>	<p>Create products and services for psychoneurological diseases, which have a high level of unmet medical needs</p> <ul style="list-style-type: none"> <li>Provide new treatment choices and further support for ADHD patients</li> </ul> <p>Secure new assets to deal with the super-aging society</p> <ul style="list-style-type: none"> <li>Develop more effective medicines optimized to individual patients</li> </ul> <p>Provide optimal treatment choices for the causes of pain</p> <ul style="list-style-type: none"> <li>Provide several treatment choices that have different action mechanisms</li> </ul> <p>Hold programs to promote public understanding of disease traits and the problems of those affected</p> <ul style="list-style-type: none"> <li>Total support in the area of developmental disorders</li> <li>Awareness-raising programs so that patients suffering from cancer pain can lead more fulfilling and active lives</li> <li>Development of assessment tools for ascertaining educational needs in education setting</li> </ul>

Responses	Related indicators
Create products and services for psychoneurological diseases, which have a high level of unmet medical needs	<ul style="list-style-type: none"> <li>Pipeline to help change the paradigm for treatment of psychoneurological diseases 5 products</li> </ul>
Secure new assets to deal with the super-aging society pipeline	<ul style="list-style-type: none"> <li>Pipeline to help change the paradigm for cancer treatment 2 products</li> </ul>
Provide optimal treatment choices for the causes of pain	<ul style="list-style-type: none"> <li>Pipeline for treatment of pain 4 products</li> </ul>
Hold programs to promote public understanding of disease traits and the problems of those affected	<ul style="list-style-type: none"> <li>Hold awareness activities via webinar</li> <li>Implement total support in the area of developmental disorders</li> <li>Development of assessment tools for ascertaining educational needs in education setting</li> </ul>

### Our disease strategy VISION for psychoneurological diseases/pain

Shionogi has declared in STS2030 that it will focus on psychoneurological diseases and pain as priority diseases in addition to infectious diseases and provide innovative drugs. We are currently marketing therapeutic drugs for depression, ADHD, and pain, and we are engaged in R&D for the discovery of pharmaceuticals in the fields of developmental disorders, psychological disorders, dementia, and pain. With these core medicines, we aim to achieve total care for diseases, including resolution of the various problems that patients experience.

To achieve HaaS in psychoneurological diseases/pain, Shionogi has formulated a five-part disease strategy VISION. Psychoneurological diseases and pain significantly reduce the quality of life of those people who suffer from them. Also, both the symptoms and the environment surrounding these ailments vary widely, so it is not good to adopt a one-size-fits-all approach.

Shionogi is constantly taking steps toward bringing about a world in which these patients can receive the appropriate healthcare products and services in a timely manner.

Bringing about a world in which patients can receive the appropriate healthcare products and services in a timely manner.



### Initiatives for psychoneurological diseases

Psychoneurological diseases, which comprise diseases of the heart and brain, are subject to many prejudices and misunderstandings, so steps need to be taken to impart a correct understanding of these ailments. Also, the appearance and types of symptoms are truly wide-ranging, and it often takes a significant amount of time to form a definitive diagnosis. This results in complaints from patients that they cannot get a proper diagnosis or that their families, friends, colleagues, and others do not understand their situation.

Shionogi is working to provide healthcare that is optimized to the individual's medical history or symptoms through the establishment of technologies and methodologies that are objective and can give rapid diagnoses, even in cases where many symptoms are intermingled in a complex manner. Besides these efforts, we are also working toward achieving total care that incorporates support systems that will enable patients to live fulfilling and comfortable lives.

### Initiatives for pain

Pain occurs through a wide range of different mechanisms and it can be extremely difficult to pinpoint the specific cause. On top of this, individuals experience the pain itself and pain severity in different ways, making objective evaluation difficult. This is because patients are unable to communicate to physicians or other people about what kind of pain they have or the severity of their pain, so they have the problem of not being able to get the proper treatment.

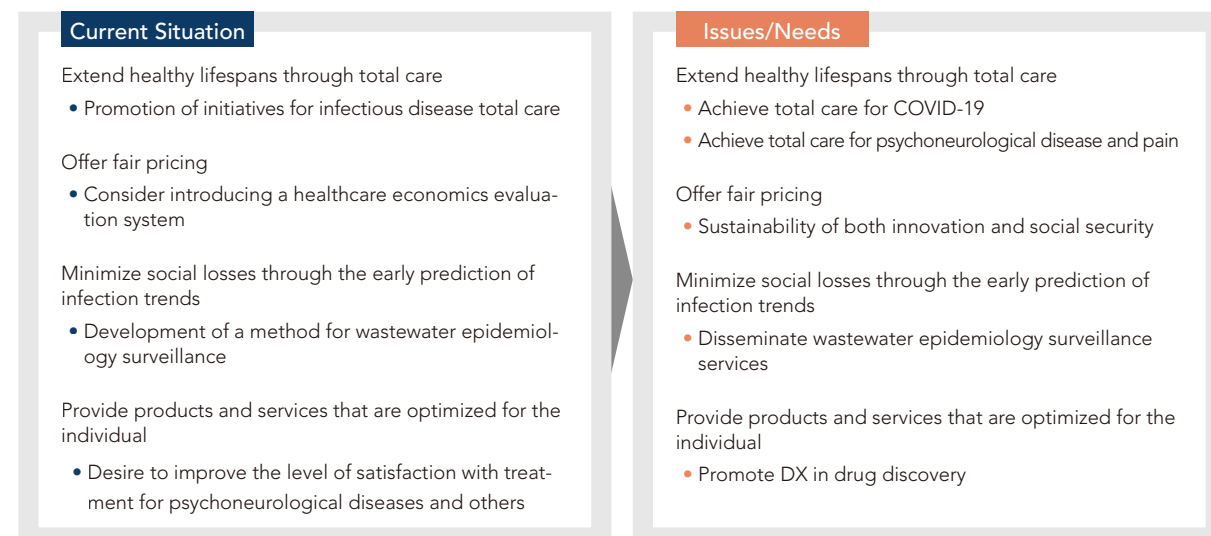
Shionogi is working to develop a way for patients to be able to correctly convey the severity of the pain they are experiencing and a method whereby physicians can quickly and correctly diagnose the cause and severity of pain. We are also aiming to improve quality of life for

patients and the people around them by providing healthcare optimized for the individual from diagnoses that are based on scientific evidence and also offer services that enable people to live with pain.

Shionogi has formulated this VISION for achieving its disease strategy to maximize the value of the healthcare products and services we offer, and our value chain centered on research, development, manufacturing, and marketing is using alliances to execute this strategy. We have pooled our extensive knowledge in collaboration with academia, various corporations, and government bodies so that we can make social contributions by providing optimal solutions for patients' problems.

## Contribute to Sustainable Social Security

Rising social security costs are putting pressure on government finances around the world, especially in industrialized nations, as birth rates decline and the average age of the population increases because people are living longer due to medical advances and better lifestyles. Social security systems are likely to be completely overhauled as a result. In this changing environment, if Shionogi is to continue growing along with society for the next 10 or 20 years, we need to constantly seek how to apply our R&D expertise, skills, and experience to the healthcare services and to build systems that will deliver the right products and services to patients and society. We are aspiring to be a company that is constantly contributing to the sustainability of social security and longer healthy lifespans as we explore the possibilities of SARS-CoV-2 surveillance through wastewater epidemiology, therapeutic and preventative vaccines, healthcare apps and other DTx (Digital Therapeutics), and information services, and drill down into the issues that people face from a total care perspective covering pre-symptomatic and preventive care, diagnosis, treatment, and control of disease severity.



Responses	Related indicators
Extend healthy lifespans through total care	<ul style="list-style-type: none"> <li>Provide products and services ranging from pre-symptomatic care, prevention, diagnosis, and suppression of exacerbation</li> </ul>
Offer fair pricing	<ul style="list-style-type: none"> <li>Provide products and services that are both innovative and medically economic</li> </ul>
Minimize social losses through the early prediction of infection trends	<ul style="list-style-type: none"> <li>Ascertain the status of infection through wastewater epidemiology surveillance</li> </ul>
Provide products and services that are optimized for the individual	<ul style="list-style-type: none"> <li>Drug discovery research that uses diagnostic data and lifestyle data</li> </ul>



### Provide wastewater-based epidemiology surveillance services

In June 2021, we launched a service to survey the spread of SARS-CoV-2 in communities through the use of wastewater-based epidemiologic techniques in regular monitoring of the concentration of virus traces in wastewater. This initiative was the first plan chosen from our "I want to do it" project, which supports ideas proposed by Shionogi employees. The service uses a highly sensitive system for detecting SARS-CoV-2 in wastewater, which we developed jointly with Hokkaido University. We hope that local governments will use this service so that we can help detect infections in communities through the regular monitoring of wastewater from municipal wastewater treatment plants.

SARS-CoV-2 in wastewater. Meanwhile, Japan has had a lower rate of COVID-19 infection per capita compared to those countries, and thus a low concentration of the virus in wastewater, making it difficult to detect the virus in wastewater with existing methods. To overcome this issue, Shionogi has been conducting joint research with Hokkaido University on a highly sensitive technology for the detection of SARS-CoV-2 in wastewater. The technology jointly developed by Shionogi and Hokkaido University has achieved a 100-fold increase in sensitivity compared to conventional methods. We will first engage in social implementation of this technology on SARS-CoV-2 to assist Japanese disease-fighting efforts.

#### Wastewater-based epidemiology surveillance initiative using Japanese technology

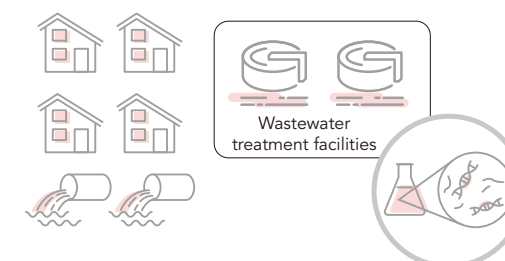
Wastewater-based epidemiology (WBE) is a way to monitor the outbreak and spread of epidemics by measuring the concentration of traces of the virus (genetic information) in wastewater using wastewater-based epidemiologic techniques. SARS-CoV-2 is a virus that can cause severe acute respiratory syndrome, such as pneumonia, and it multiplies in the intestinal tract. It has been reported that the virus is detectable in feces of infected individuals, regardless of the presence of symptoms. Therefore, various countries, including European countries and the United States, have been attempting to estimate the prevalence of infections in communities by detecting

#### Infection prevention countermeasures based on objective indicators

It is difficult to predict when and where, and what kinds of pathogens cause infectious pandemics (global outbreaks) to spread. Wastewater-based epidemiology is an effective way to detect symptoms from an early stage. For COVID-19, it seems that many infected people are asymptomatic, so it is extremely difficult to find out how much the infection has spread. This methodology does not identify individuals but makes it possible to ascertain the status of the infection over a broad area, such as in a community or facility. We therefore hope that it will serve as an objective indicator when municipalities are considering pandemic prevention measures.

#### Services for municipalities

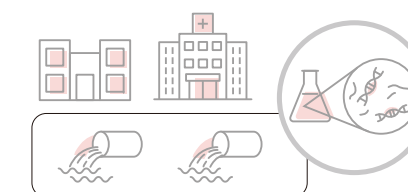
The results of the collected samples can be used as epidemiological indicators to identify the prevalence of SARS-CoV-2, where it is spreading, and convergence in catchment areas.



Measuring traces of the SARS-CoV-2 in wastewater samples  
▶ Detection of infection in catchment areas

#### Services for other facilities

Early detection of infected individuals and the outbreak of clusters at various facilities (such as hospitals, elderly care homes, dormitories and other group housing facilities) is possible, thereby preventing the spread of infection.



Measuring traces of the SARS-CoV-2 in facilities' wastewater  
▶ Identification of infected individuals in the facility



Prompt measures to prevent the spread of infection



## Improve Access to Healthcare

In countries throughout the world, physical, economic, and social problems are causing disparities in people's access to healthcare. Our purpose is embodied in the slogan, "to strive constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve," and we, along with our many partners, are working earnestly to improve access to healthcare so that the value that is generated by our innovations can be delivered to as many people as possible.

Current Situation	Issues/Needs
<p>Contributing to AMR treatment</p> <ul style="list-style-type: none"> <li>• The threat of AMR's spread</li> <li>• Launch of the AMR drug cefiderocol in Europe and the US</li> </ul> <p>Promotion of proper use</p> <ul style="list-style-type: none"> <li>• Insufficient understanding about the proper use of infectious disease drugs</li> </ul> <p>Support for maternal and child health in Africa</p> <ul style="list-style-type: none"> <li>• First-term project: In Narok County, Republic of Kenya, our efforts included maintaining a clinic and water supply facilities, giving guidance to healthcare professionals, and developing healthcare staff</li> </ul> <p>Better access to pharmaceutical information</p> <ul style="list-style-type: none"> <li>• With the aim of eliminating barriers to taking medicine due to impaired hearing, we are holding awareness seminars for healthcare professionals and people with impaired hearing</li> <li>• Improved over-the-counter drug packaging for people with impaired vision as well as non-Japanese people</li> </ul>	<p>Contributing to AMR treatment</p> <ul style="list-style-type: none"> <li>• Better access to cefiderocol in countries where it is not yet approved</li> </ul> <p>Promotion of proper use</p> <ul style="list-style-type: none"> <li>• Various types of educational and awareness programs</li> </ul> <p>Support for maternal and child health in Africa</p> <ul style="list-style-type: none"> <li>• In sub-Saharan Africa, mortality rates remain very high for pregnant women and children under 5</li> <li>• The first-term project strengthened human resources development and the management functions for medicines and established a healthcare system in the activity area</li> <li>• Based on the experience of the first-term project, the second-term project is now underway in Kilifi County, Republic of Kenya</li> </ul> <p>Better access to pharmaceutical information</p> <ul style="list-style-type: none"> <li>• Broad dissemination and continuation of awareness campaigns for healthcare professionals in order to eliminate barriers to taking medicine</li> <li>• Improvement of over-the-counter drug packaging so that anyone can take them properly, ongoing multilingualization of pharmaceutical information, and expansion of the target products</li> </ul>

Responses	Related indicators
Contributing to AMR treatment	<ul style="list-style-type: none"> <li>• Inclusion on the WHO Model List of Essential Medicines</li> <li>• Partnering to improve access in LMICs</li> <li>• Elimination of the drug lag through Compassionate Use</li> </ul>
Promotion of proper use	<ul style="list-style-type: none"> <li>• Supply information to facilitate patients' awareness of proper use</li> </ul>
Support for maternal and child health in Africa (see website for details)	<ul style="list-style-type: none"> <li>• First-term project: Improve access to healthcare services for mothers and children, upgrade nutrition and water hygiene initiatives, strengthen the healthcare system</li> <li>• Second-term project: Maintain healthcare facilities, enlighten local residents, improve the skills of healthcare staff, bolster community healthcare throughout the region by partnering with a high-level hospital to oversee community clinics</li> </ul>
<p> Mother to Mother SHIONOGI Project  <a href="https://www.shionogi.com/global/en/sustainability/society/social-contribution-activities/mtom.html">https://www.shionogi.com/global/en/sustainability/society/social-contribution-activities/mtom.html</a></p>	
<p>Better access to pharmaceutical information</p> <p> Communication Barrier-Free Project (Japanese only)  <a href="https://www.shionogi.com/jp/ja/sustainability/society/social-contribution-activities/cbf.html">https://www.shionogi.com/jp/ja/sustainability/society/social-contribution-activities/cbf.html</a></p>	<ul style="list-style-type: none"> <li>• Hold awareness seminars for healthcare professionals to eliminate barriers to taking medicine</li> <li>• Supply information aimed at eliminating barriers to taking medicine</li> <li>• Institute a universal design for over-the-counter drug packaging</li> </ul>

## Shionogi Global Health Access Policy Statement

Shionogi has formulated the Shionogi Global Health Access Policy Statement and is helping to improve access to healthcare by focusing on the three areas of

developing innovative therapies for unmet medical needs, improving access for patients in need, and strengthening healthcare systems.



### ■ Developing innovative therapies for unmet medical needs

We at Shionogi want to develop better, more innovative treatment techniques for our core therapeutic areas of infectious diseases and psychoneurological diseases/pain so that we can bring about a society in which all people can live comfortably, in safety, and their own way in areas with unmet healthcare needs. Along with our many partners, we are making contributions to global health by developing healthcare solutions that are considered to be truly necessary.

and healthcare system of each country. In addition, so that third-party institutions can use our research results to meet patients' needs in low-income countries and other selected areas, we are not filing patents for our products in the least developed countries, low-income countries and most low- and middle-income countries. We are also dealing with this issue by entering into appropriate partnerships in areas where we lack a distribution network so that Shionogi's products can reach the patients who need them.

### ■ Improving access for patients in need

In developing countries, access to innovative medicines is not always possible due to such reasons as affordability. In consideration of pharmaceutical prices and the accessibility of medicine, Shionogi's responses include product donations, patient assistance programs, and price considerations in accordance with the dynamics

### ■ Strengthening healthcare systems

An effective healthcare system is absolutely essential to improving patients' well-being. Shionogi is making every effort to build healthcare infrastructure in cooperation with everyone who is operating in the actual healthcare environment so that we can overcome complex regional issues.

## Contributing to AMR

### ■ Helping to resolve the issue of AMR with cefiderocol

AMR is an urgent issue that could lead to serious losses in society. If nothing is done to address AMR now, estimates suggest that over 10 million lives will be lost globally each year by 2050. Compared with other disease categories, the infectious disease area is not seen as profitable, which means that many drugmakers have exited the field and few are interested in entering it, and the relevant R&D expertise is gradually being lost. Given

this situation, in 2020, Shionogi became the first company in the world to market cefiderocol, which is a siderophore cephalosporin antibiotic. Cefiderocol is effective against all three types of carbapenem-resistant pathogens (*Acinetobacter baumannii*, and *Enterobacteriaceae*) that the World Health Organization considers as requiring priority action. We believe that with cefiderocol, which was created as a result of R&D that places high importance on AMR countermeasures, we can contribute to the world with our efforts to resolve the serious global problem posed by AMR.

## Thinking on the proper use of cefiderocol

Shionogi has been involved in R&D, manufacturing, sales, and distribution of anti-infective medicines for many years, but as a company responsible for handling infectious disease medications, we believe that our responsibility as a company that handles infectious disease medicines is to promote their proper use, which is critical to prevent the generation of resistant bacteria and resistant viruses. To date, the programs we have implemented throughout our value chain (manufacturing, sales, oversight/surveillance, public awareness programs) have focused on Japan, but the same type of approach to proper use will also be necessary when cefiderocol expands on a global scale. In particular, in areas where people needing healthcare services and medicines cannot get them due to social reasons, such as the healthcare system, public health, and poverty, infectious diseases caused by AMR are more serious, but the infrastructure for the proper use of infectious disease medicines does not exist. We believe that we must resolve this issue when we disseminate cefiderocol.

## Partnering to expand access to cefiderocol in LMICs

We launched cefiderocol in 2020, focusing on developed countries in Europe and North America, but in countries classified as lower middle-income countries (LMICs), not only is there inadequate infrastructure for proper use, but actually getting cefiderocol to those destinations is a problem in itself. Shionogi believes that cefiderocol should be provided to patients around the world, including in LMICs. We therefore decided to enter into partnerships with companies and organizations that share our thinking on proper use because we need to work with them. Then, in July 2021, we entered into a memorandum of understanding (MOU) with the Global Antibiotic Research and Development Partnership (GARD-P) and the Clinton Health Access Initiative (CHAI) on access to required cefiderocol needed for patients with AMR who have limited treatment options in LMIC. As we pursue discussions and cooperation with these two organizations, we are building a system for accelerated delivery of cefiderocol to needy patients throughout the world with the necessary timing.

## Publishing cefiderocol on the WHO Model List of Essential Medicines

Essential medicines are medicines that meet people's top-priority healthcare needs, so medicines chosen for this designation are considered on the basis of patient morbidity rates, evidence regarding efficacy and safety, and relative cost-effectiveness. They are also defined as having a guaranteed product quality and appropriate dosage and formulation, and as being readily available at a price affordable by individuals and the local community. The WHO Model List of Essential Medicines is a list of essential medicines as determined by the World Health Organization (WHO), and many LMICs and other countries use it as an example for compiling lists of critical medications and stockpiling them. About 300 medicines are currently on the list. In November 2020, Shionogi proposed to WHO that cefiderocol be added to the list of essential medicines. As of July 2021, the proposal was being reviewed by experts at WHO. If cefiderocol is added to the WHO Model List of Essential Medicines, we believe that it will facilitate the medicine's inclusion on the essential medicine lists of LMICs and other countries.

## Eliminating drug lag through Compassionate Use

Compassionate Use is a system employed mainly in Europe and the United States whereby, from a humanitarian standpoint, investigational drugs can be used by patients with life-threatening illnesses and serious illnesses that seriously affect their daily lives, but only in cases where there is no fully effective treatment available. Shionogi has established a Policy for the Supply of Investigational Drugs, under which we provide such drugs free of charge in accordance with an appropriate process when the prescribed requirements are met. We also have in place a system for prompt supply, such as making a decision within five days of receiving a supply request. With regard to cefiderocol in particular, in both fiscal 2019 and 2020, we received a large number of supply requests from patients and healthcare-related parties in many countries, and we provided supplies after prompt decision-making. Cefiderocol is gradually becoming available in more countries, but many countries have not yet approved it, so we will continue trying to eliminate the drug lag by utilizing the Compassionate Use system.

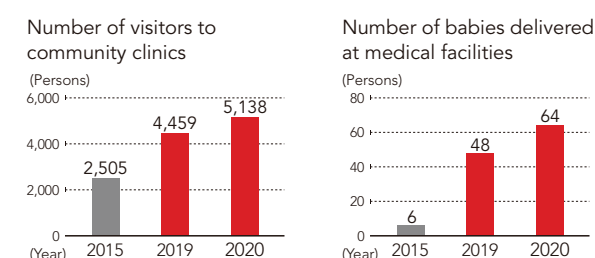
## Support for maternal and child health in Africa: Mother to Mother SHIONOGI Project

In line with its goal of achieving universal health coverage (UHC), Shionogi is promoting the Mother to Mother SHIONOGI Project in Kenya. In the sub-Saharan region south of the Sahara Desert, mortality is extremely high among pregnant women and children under the age of 5, and programs are needed that focus on improving the situation of mothers during pregnancy and childbirth and on the situation of infectious diseases among children. We have partnered with the international NGO World Vision to initiate a program for creating communities that can manage maternal and child health autonomously and sustainably.

### First-Term Project (Narok County, Republic of Kenya, Oct. 2015 – July 2021\*)

To date, we have built community clinics and water supply facilities, given guidance to healthcare professionals, and trained healthcare staff. In 2020, the program had to be temporarily suspended due to COVID-19, but during that time, healthcare staff in Narok County's communities took over and raised residents' awareness and took other steps to advance the program. As a result, clinic visitors and births at the facilities increased, showing that awareness about and the practice of proper hygiene is spreading. Following the project's end, we handed over the community clinic to the County in June 2021 after we strengthened the support system for healthcare staff so that they could continue to share knowledge and change behaviors on their own, and we cre-

#### Results through 2020



First-term project: The community clinic built as part of the support project was transferred to Narok County

ated a support system for the County's Health Department so that it would be able to continue providing services to the clinic. With the cooperation of Nagasaki University and World Vision, we are now evaluating what intervention effects can be seen with respect to maternal and child health, nutrition, and hygiene as a result of the first-term project.

\* We extended the support period after the program was temporarily suspended.

### Second-Term Project (Kilifi County, Republic of Kenya, Apr. 2020 – March 2023 (tentative))

Although the impact of COVID-19 delayed the start of actual programs from the project's beginning, we have embarked on building a maternity ward, started knowledge and technical training and education for healthcare workers, and are sending a mobile clinic to remote areas every month, among other things. In 2021, we will build a water supply facility for the clinic and strengthen and expand community awareness programs.



Second-term project: Instructional visit to a household with malnourished children

Mother to Mother SHIONOGI Project  
<https://www.shionogi.com/global/en/sustainability/society/social-contribution-activities/mtom.html>

### Communications Barrier-free Project (CBF-PJ)

As part of its Vision, Shionogi is implementing the Communication Barrier-free Project (CBF-PJ) to eliminate communication barriers for patients with vision, hearing, and other impairments when they are accessing medicine. The universal packaging for the Sedes series that came out of this project proposal won the METI Manufacturing Bureau Director-General's Prize at the 60th Japan Packaging Convention 2021 (JPC2021). This packaging is designed so that anyone, including people with disabilities and non-Japanese people, can find out how to take the medicine correctly, and customer satisfaction is higher than for the previous packaging. We are thrilled to be able to help more patients use their medicine properly, and we are striving to develop more solutions aimed at achieving our Vision.



Universal packaging for the Sedes series



# Supply Socially Responsible Products and Services

It is Shionogi's duty as a life-related company to protect people's health by providing a stable supply of essential, high-quality products and services. Our entire Group is focused on providing information about product quality, safety, and proper usage so that people will know that they can have peace of mind with a Shionogi product or service.

Current Situation	Issues/Needs
<p>Stable supply</p> <ul style="list-style-type: none"> <li>• A one-stop supply chain control framework of strong, stable supply at Shionogi Pharma</li> <li>• Setting KPIs for timely and proper deliveries of externally sourced goods and strengthening our monthly monitoring and correction measures</li> <li>• Periodic revision and review of supplier/contractor contract terms and implementation of associated risk policies</li> </ul> <p>Strengthen monitoring systems</p> <ul style="list-style-type: none"> <li>• Implementing periodic site inspections at plants, etc., and strengthening the level of oversight in accordance with manufacturing risk</li> <li>• Steady supply of high-quality medicines</li> <li>• Bolstering the Shionogi Group's quality assurance framework</li> </ul> <p>Create an internal framework to ensure proper usage</p> <ul style="list-style-type: none"> <li>• Building an organizational framework based on the Guidelines on Activities to Provide Sales Information on Prescription Drugs</li> </ul>	<p>Stable supply</p> <ul style="list-style-type: none"> <li>• Build a framework that allows for the revision of production plans and responds flexibly to sudden increases in the demand for drugs due to drastic changes in the external environment</li> <li>• Identify latent procurement risks and strengthen the framework for ensuring continuity of policy formulation and execution</li> <li>• Collaborate with suppliers/contractors on measures to deal with BCP</li> </ul> <p>Strengthen monitoring systems</p> <ul style="list-style-type: none"> <li>• Respond with a new plant management system post-COVID (move from on-site supervision to remote supervision)</li> <li>• Respond to customers' diverse needs vis-a-vis product quality by disclosing the countries where the drugs were produced</li> <li>• Deal strictly with compliance violations relating to the production and sales of medicines</li> </ul> <p>Create an internal framework to ensure proper usage</p> <ul style="list-style-type: none"> <li>• Strengthen the operating efficiency and monitoring framework of medical information surveillance to ensure proper usage</li> </ul>
Responses	Related indicators
Stable supply	<p>Initiatives for achieving no stockouts and no recalls</p> <ul style="list-style-type: none"> <li>• Periodic evaluation of suppliers and implementation of remedial and precautionary measures</li> <li>• Handle risk with procurement from multiple suppliers and front-loaded purchasing</li> <li>• Periodic evaluation of contract manufacturers and BCP framework assessments</li> </ul>
Strengthen monitoring systems	<ul style="list-style-type: none"> <li>• Strict observance of laws and ordinances</li> <li>• Build and strengthen remote audit system</li> </ul>
Create an internal framework to ensure proper usage	<ul style="list-style-type: none"> <li>• Use AI to improve the ability and effectiveness of detecting cases of impropriety</li> <li>• Regular meetings of the Promotion Review and Oversight Committee</li> <li>• Introduce training achievement indicators by using specific behavioral objectives, in the areas responsible for marketing information activities</li> <li>• Evaluations when compliance violations occur in the area responsible for marketing information activities</li> </ul>



## Stable supply

Shionogi periodically conducts quantitative assessments of its procurement risk vis-à-vis suppliers and contract manufacturers so that we will never run out of product supplies, and we ask risky suppliers to make improvements, keep a list of alternate suppliers, and procure from multiple companies.

During the COVID-19 crisis in fiscal 2020, we gathered data from other countries and conducted regular checks on our overseas suppliers so that we would not experience any impediments in procuring raw materials, especially from overseas. Also, when deemed necessary, we procured overseas raw materials ahead of time, and therefore had no Japanese domestic inventory stockouts.



## Strengthen monitoring systems

In accordance with the amended Pharmaceutical and Medical Device Act, we are clarifying the scope of the roles and responsibilities of the responsible officers, so that an event like the recent loss of credibility regarding drug manufacturing due to compliance violations will not occur. Based on a framework of proper controls, we continue to bolster our internal standards and every Group company's production and marketing framework, as well as raise awareness through Shionogi Group employee education and training.

Furthermore, the Shionogi Group is attempting to develop compliance-oriented attitudes throughout its supply chain through initiatives to instill a "quality culture."

At the same time, due to COVID-19 limitations on visits, it has been difficult to perform the site inspections that we had been doing. However, we plan to be proactive in initiating remote inspections so that we can implement even more efficient and high-quality control and oversight of our domestic and overseas plants.

## Create an internal framework to ensure proper usage

As pharma companies are now expected to be transparent in their relations with healthcare providers and others, Shionogi is responding to the expectations of healthcare providers, patients, and other stakeholders by observing laws, regulations, and the industry's self-imposed rules and devising its own Shionogi Prescription Drug Promotion Code, which is based on higher ethical standards.

We are also devising an internal framework based on the Ministry of Health, Labour and Welfare's Guidelines on Activities to Provide Sales Information on Prescription Drugs. We separated the Promotional Compliance Office from the area responsible for sales promotion activities, and the office is reviewing promotional materials, monitoring and providing oversight guidance for marketing information activities, and giving appropriate

training to employees. With respect to the Promotional Compliance Office's reviews and supervision and guidance of activities, we received advice from the Review and Supervision Committee, whose members include external third parties, and a reporting system has been put in place so that we will have an internal framework that ensures the dissemination of reliable information.

Furthermore, we have incorporated AI into our tasks for monitoring marketing information activities and are improving the efficiency and quality of our activity surveillance by strengthening our setup to achieve better supervision of activities company-wide.

Through these initiatives, we are aiming to build an appropriate internal framework for promoting the proper usage of medicines and to improve public health.

## Respect Human Rights

Shionogi believes that respect for human rights is very important to the pursuit of its business, and respect for human rights is part of the Shionogi Group Code of Conduct. We promote initiatives that are in line with the UN Guiding Principles on Business and Human Rights (hereinafter, Guiding Principles), and in fiscal 2020, we formulated the Shionogi Group Human Rights Policy and carried out a human rights risks assessment.

Current Situation	Issues/Needs
<ul style="list-style-type: none"> <li>• Our "Approach to Human Rights" published on our website</li> <li>• Company units implement their own risk responses</li> <li>• Hold special education sessions on such topics as compliance and harassment</li> </ul>	<ul style="list-style-type: none"> <li>• Formulation and announcement of a human rights policy aimed at a broader spectrum of business partners</li> <li>• Assessment of human rights risks where no business unit is responsible, human rights due diligence</li> <li>• Education and training on global trends in "business and human rights"</li> </ul>
Responses	Related indicators
Policy formulation	 Formulation of the Shionogi Group Human Rights Policy <a href="https://www.shionogi.com/global/en/company/policies/shionogi-group-human-rights-policy.html">https://www.shionogi.com/global/en/company/policies/shionogi-group-human-rights-policy.html</a>
Implementation of risk assessments	<ul style="list-style-type: none"> <li>• Workshops for employees</li> <li>• Workshops for managers</li> <li>• Training sessions for senior managers</li> <li>• Human rights due diligence</li> </ul>


### Formulation of the Shionogi Group Human Rights Policy

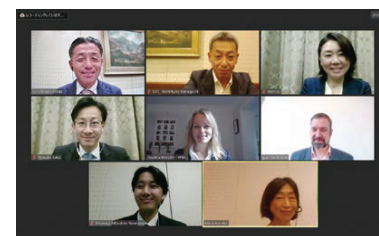
We formulated the Shionogi Group Human Rights Policy based on the Guiding Principles, the Universal Declaration of Human Rights, and other international models. This policy applies to all Shionogi Group executives and employees, and we are also asking all business partners that deal

with our Company's products and services to comply with the policy. In fiscal 2020, we held executive and employee education and training on business and human rights, inviting external experts to participate. We will continue to hold human rights education and training sessions.

### Human rights due diligence

In fiscal 2020, we moved forward with human rights due diligence at Shionogi in dialog with external experts and human rights specialists. So that we could check the state of our risk response, we compiled the human rights risks related to the Company's value chain from the executives and employees who had received human rights education. This risk assessment found issues in the areas of risk assessment concerning labor conditions in manufacturing regions that use raw materials and basic materials and in labor conditions for foreign workers. Therefore, in fiscal 2021, we will be implementing specific programs to help us understand the risks in more detail. See our website for details.

 Human rights initiatives  
<https://www.shionogi.com/global/en/sustainability/society/respect-human-rights/human-rights-policy.html>



Dialog with external experts on human rights (online)

## Reinforce Supply Chain Management

Building relationships of trust and cooperation with suppliers is essential if a company is to fulfill its social responsibilities. In view of the recent changes in the external environment, Shionogi is revising its Procurement Policy and its code of conduct for business partners as a way of strengthening its supply chain management and realizing a sustainable and healthy society.

Current Situation	Issues/Needs
<ul style="list-style-type: none"> <li>• Cite the basic principles set forth by the Pharmaceutical Supply Chain Initiative (PSCI) as a code of conduct that our business partners are required to follow</li> <li>• Assess and manage our business partners based on our own Business Partner Assessment Rules</li> <li>• Risks of global supply chain that can be disrupted due to COVID-19 and other infectious diseases, natural disasters, and geopolitical risks, causing stoppages in procurement and supplies</li> </ul>	<ul style="list-style-type: none"> <li>• Revise our Procurement Policy</li> <li>• Establish "Business Partner Code of Conduct"</li> <li>• Incorporate tools for evaluating suppliers from the perspective of sustainable procurement and multifaceted methods</li> <li>• Establish management methods in accordance with the importance of business partners</li> <li>• Establish a stable supply chain management system by diversifying risks through multi-sourcing and automating business processes</li> </ul>
Responses	Related indicators
Install EcoVadis, decide which suppliers have greatest priority and evaluate their sustainability	<ul style="list-style-type: none"> <li>• Number of supplier evaluations 30 companies, percent evaluated 5% (30 of 593 companies)</li> <li>• Percentage of suppliers meeting the set standards 70% (21 of 30 companies)</li> </ul> <p>(All as of September 2021)</p>
Stable supply of Shionogi products	<ul style="list-style-type: none"> <li>• No stockouts</li> </ul>

### Install EcoVadis, decide which suppliers have greatest priority and evaluate their sustainability

Shionogi has begun revising its Suppliers' EHS/CSR Management Guidance, which sets risk classifications and administrative procedures for business partners, and is ranking and conducting assessments of its business partners in AMR and rare disease medicines and its business partners with high human rights risks.

In addition, we have installed EcoVadis, a rating platform that evaluates companies' social responsibility and sustainability of procurement, to enable more fair and objective CSR evaluations and are assessing our business partners in accordance with the highest priorities.

### Stable supply of Shionogi products

Shionogi analyzes the risks in the procurement and manufacturing of raw materials and products while taking measures to ensure a stable supply by working closely with supply chain business partners. To deal with pandemics, earthquakes, and other unforeseen situations,

we are multi-sourcing suppliers and product manufacturing plants that handle raw materials for high-volume products. We also secure a certain level of inventory for raw materials and products that can only be supplied by that business partner.

### Revising the Procurement Policy and creating a Business Partner Code of Conduct

To achieve a sustainable society, we are now expected to energetically promote a high standard of CSR management not only for ourselves but also for our business partners.

To deal with these changes in the external environment,

Shionogi will revise its Procurement Policy in fiscal 2021 to incorporate new ESG topics. We will also create a new Business Partner Code of Conduct for our business partners to follow and will work to resolve social issues throughout our entire supply chain.



## Protect the Environment

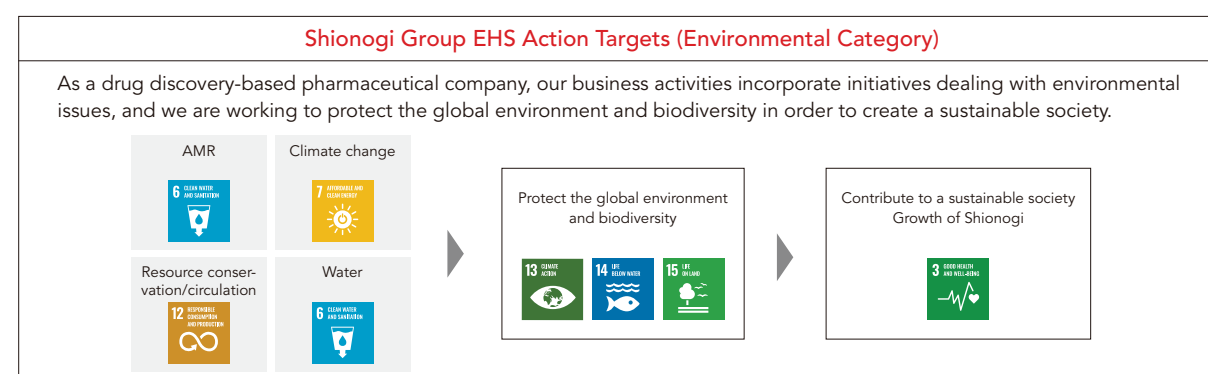
Shionogi believes it is important to address environmental issues such as climate change, conservation of biodiversity, resource conservation and resource recycling, and to aim for the realization of a sustainable society while preserving the global environment.

Shionogi has formulated the Shionogi Group EHS Policy and its accompanying Shionogi Group EHS Action Targets, and we are striving to reduce the burden on the environment caused by our business activities, including by our supply chain.

See our website for more information on our environmental initiatives.  
<https://www.shionogi.com/global/en/sustainability/environment.html>

Environment Report  
<https://www.shionogi.com/shionogi/global/en/investors/ir-library/annual-report-integrated-report.html>

Current Situation	Issues/Needs
<p>AMR</p> <ul style="list-style-type: none"> <li>Establish a system of strict controls at Shionogi plants to reduce the impact of antimicrobials manufacturing on the environment</li> </ul> <p>Climate change</p> <ul style="list-style-type: none"> <li>Set medium- and long-term targets for reducing the volume of greenhouse gas (GHG) emissions</li> <li>Commit to SBT</li> </ul> <p>Resource conservation/circulation</p> <ul style="list-style-type: none"> <li>Set medium-term targets, promote countermeasures against waste</li> </ul> <p>Water</p> <ul style="list-style-type: none"> <li>Conduct a water risk assessment</li> <li>Reduce the volume of water resources used</li> </ul>	<p>AMR</p> <ul style="list-style-type: none"> <li>Strict controls, including over the supply chain</li> </ul> <p>Climate change</p> <ul style="list-style-type: none"> <li>Obtain SBT approval</li> </ul> <p>Resource conservation/circulation</p> <ul style="list-style-type: none"> <li>Set medium- and long-term targets</li> <li>Initiatives to reduce usage of plastic</li> </ul> <p>Water</p> <ul style="list-style-type: none"> <li>Refine the water risk assessment</li> <li>Set medium-term targets for reducing the volume of water resources used</li> </ul>
Responses	Related indicators
<p>AMR</p> <ul style="list-style-type: none"> <li>Reduce the environmental impact of the antibiotic manufacturing process</li> </ul>	<ul style="list-style-type: none"> <li>Strict controls, including of the supply chain, by FY2030 (completion of audit follow-ups)</li> </ul>
<p>Climate change</p> <ul style="list-style-type: none"> <li>Reduce greenhouse gas (GHG) emissions</li> </ul>	<ul style="list-style-type: none"> <li>FY2030: 46.2% reduction for Scopes 1+2; 20% reduction for Scope 3, category 1 (FY2019 benchmark)</li> <li>FY2050: Achieve zero emissions</li> </ul>
<p>Resource conservation/circulation</p> <ul style="list-style-type: none"> <li>Reduce waste and improve recycling rates</li> </ul>	<ul style="list-style-type: none"> <li>FY2030: Recycle 65% of plastic waste</li> </ul>
<p>Water</p> <ul style="list-style-type: none"> <li>Control the volume of water resources used</li> </ul>	<ul style="list-style-type: none"> <li>FY2024: Reduce the volume of water resource usage to 1.34 million m<sup>3</sup> or less</li> </ul>



## AMR

As part of the AMR Industry Alliance's programs, the Shionogi Group is investigating the status of antimicrobial emissions controls and management. We have already completed audits of all of our owned antimicrobial-manufacturing plants, as well as all of our suppliers in Japan, in accordance with the Common Antibiotic Manufacturing Framework published by the AMR Industry Alliance. In FY2019, we began audits of our suppliers outside Japan.



### Selection for AMR Benchmark 2020\*1

Shionogi has been selected for AMR Benchmark 2020 in recognition of its excellent overall AMR control activities. In the manufacturing category, in particular, Shionogi obtained 80, the highest score.



\*1 The world's first report analyzing and evaluating AMR initiatives, issued by the Access to Medicine Foundation, a Netherlands-based NGO

## Climate Change

It is feared that climate change will have a devastating impact on global economy and social systems, and an early transition to a carbon-free society is an urgent social challenge for the entire world. Risks relating to climate change and the process of transitioning to a carbon-free society affect almost all industrial sectors. At Shionogi, we are assessing and working to minimize climate change risks.

To assess the impact of climate change while responding to societal demand for related information disclosure, we are working to improve and expand our information disclosure relating to climate change based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD). See our website for details.

Climate change  
<https://www.shionogi.com/global/en/sustainability/environment/results/climate.html>

### Greenhouse Gas Reduction Targets Approved by the SBT Initiative

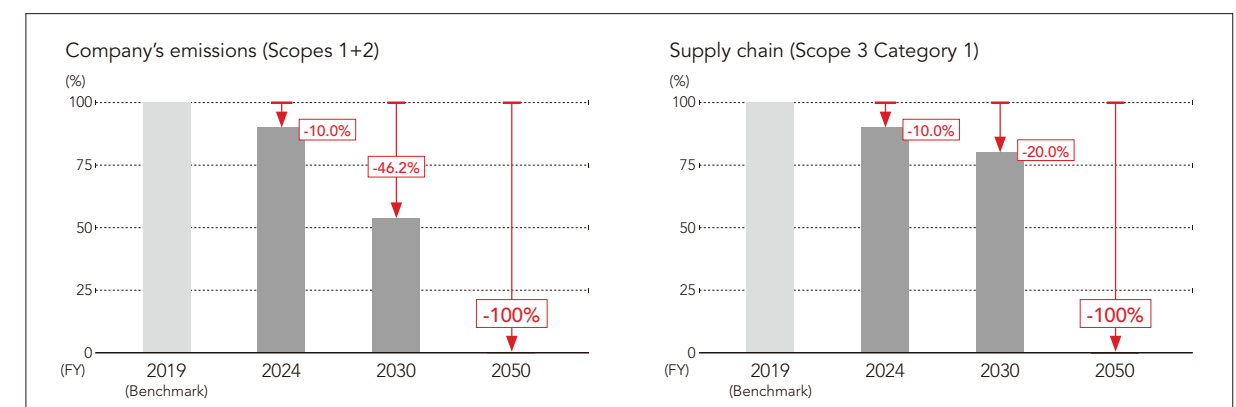
At Shionogi, we have devised a medium- to long-term greenhouse gas emissions reduction plan as a step toward reducing greenhouse gas emissions globally and achieving zero CO<sub>2</sub> emissions by 2050.

This target received the approval of the international environment body SBT\*2 initiative in June 2021.

\*2 SBT stands for Science Based Targets: Targets for reducing emissions based on scientific evidence.



### Greenhouse gas emissions reduction plan



Resource conservation and circulation

One of Shionogi's resource conservation and circulation initiatives is to use biomass bottles and mechanically recycled PET film in our product packaging, and we will continue to expand their use to more products.

Biomass bottles

We use biomass bottles (plant-derived polyethylene bottles) as containers for our Cinal EX Pro chewable tablets, Cymbalta capsules, Irbetan tablets, and Pirespa tablets. Biomass bottles are packaging containers made of polyethylene derived from materials left over in sugarcane processing. By switching from conventional petroleum-derived polyethylene bottles to biomass bottles, we can reduce CO<sub>2</sub> emissions and also conserve fossil fuel resources.



Mechanically recycled PET film

We use mechanically recycled PET (polyethylene terephthalate) film in the packaging (aluminum bags) of *Intuniv*.

Mechanically recycled PET film derives from used PET bottles that undergo several steps: selection, crushing, cleansing, and high-temperature decompression.

The replacement of virgin PET film in the outermost layer of the aluminum bags with mechanically recycled PET film results in reduced CO<sub>2</sub> emissions and fossil fuel conservation while maintaining the quality of the packaged products.



Use of recycled plastic as part of the raw material for bags

Biodiversity


Kelp forest regeneration project

In July 2021 in Hokkaido's Hakodate City, Shionogi Healthcare Co., Ltd. launched the Kelp Forest Regeneration Project, an industry-government partnership with Hakodate City, which aims to preserve natural *Kjellmaniella crassifolia* kelp, which is in danger of extinction, and to propagate the use of farmed *Kjellmaniella crassifolia* kelp.

Shionogi Healthcare is the developer of *Fucoidan*, which uses *Kjellmaniella crassifolia* kelp. Realizing that the areas producing natural *Kjellmaniella crassifolia* kelp are in danger of disappearing, the company launched this regeneration project in fiscal 2019 and is attempting to shift from natural kelp to farmed kelp as the ingredient for *Fucoidan*.

Going forward, we will make even greater efforts to protect natural *Kjellmaniella crassifolia* kelp and promote regional revitalization through accumulated know-how. We also plan to collaborate with academic institutions on improving the quality of farmed *Kjellmaniella crassifolia* kelp.

See the press release below for details.

 Kelp forest regeneration project (Japanese only)  
<https://www.shionogi-hc.co.jp/content/dam/shc/jp/news/2021/07/20210713.pdf>

Aburahi Botanical Gardens

At the Botanical Gardens within the Aburahi Research Center in Shiga Prefecture, we conserve endangered species and rare plants. We are also partnering with government and academia to provide educational support for local children, who are the community leaders of the future. Comprehensive educational support at Aburahi.



Elementary School, a public school in Koga City



*Anemone keiskeana*, a Class II endangered species



*Nymphoides indica*, a near-threatened species

Ensure Compliance

For the Shionogi Group, compliance is the basis for the company's survival and development. Compliance means compliance not only with laws, rules, and regulations, but also with social standards, and it also includes ethical behavior as a company and as a member of society. This stance is set forth in the Shionogi Group Code of Conduct and the Shionogi Group Compliance Policy, and all of our executives and employees are in strict adherence.

Current Situation

- Establishment of Shionogi Group Compliance Policy
- Establishment of a compliance promotion system headed by the Representative Director and President
- The Compliance Promotion Unit was established within the General Administration Department to plan compliance activities, support promotion, conduct education and training, and conduct awareness surveys.
- Compliance promotion by group companies in Japan and overseas
- Early detection of violations and prevention of recurrence through the establishment of an internal reporting desks

Issues/Needs

Aiming for zero compliance violations

- Restructuring of the compliance promotion system involving domestic and overseas group companies
- Collecting on-site opinions and reflecting them in group-wide activities
- Evaluation/review of the whistleblower system in light of the revision of the Whistleblower Protection Act

Responses	Related indicators
Instill compliance awareness	• Renewed to a bottom-up compliance handbook that reflects the opinions of employees
Strengthen tie-ups with compliance Units in each countries	• Verify through progress reports: 5 times
Employee education	• Top managers (division and organization heads): 3 times • Education for compliance officers and promoters: 2 times • Education for new hires: 4 times • Awareness education regarding the revised Code of Conduct: 100% completion rate • Prevention of corruption and bribery (domestic law/international law): 96.5% completion rate
Internal reporting system	• Reorganize reporting desks (for Group companies) • Number of incidents submitted to reporting desks: 40
Compliance awareness survey	• Administered a questionnaire on compliance (100% response rate)

Instilling compliance awareness

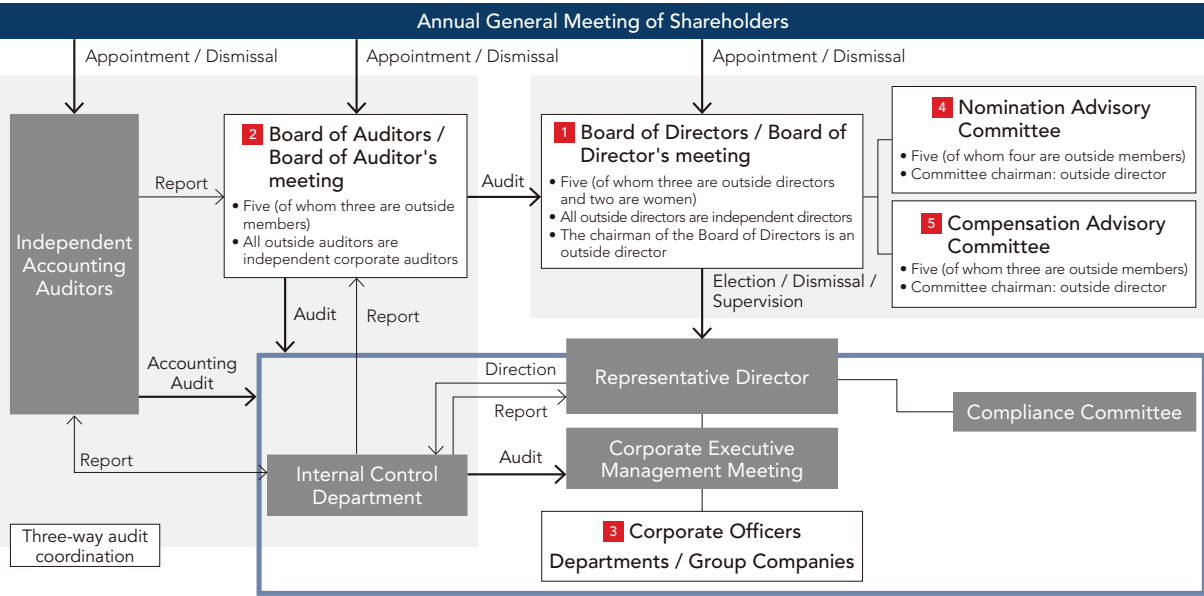
Shionogi's Compliance Handbook serves as the guidepost for addressing questions about compliance, and it is promoting understanding and awareness of the importance of compliance. In particular, in 2020, as the COVID-19 pandemic wrought changes in the social environment, major shifts occurred in workstyles, and as stated in STS2030, opportunities to enter new fields increased as we partnered with other sectors that we had never dealt with before. In other words, we had to possess a high awareness of compliance and develop the ability to behave properly as we needed to make new and difficult

compliance judgments and execute them more promptly. Therefore, rather than taking passive measures, such as trying to increase compliance awareness through messaging from business units responsible for compliance activities, we implemented programs that involved more proactive and specific messaging by having from each employee make a self-determination (expression of intention) about how they are aware of compliance in their own job and at the workplace, and how to put it into action. After compiling these messages, we revised the Shionogi Compliance Handbook (6th edition).



Shionogi has chosen to establish a company with a board of corporate auditors because it will enable the smooth functioning of the management monitoring system by enhancing the auditing function of the corporate auditors and the monitoring function of the Internal Control Department, which is an internal auditing function, and by promoting cooperation between them in order to promote business execution based on appropriate management judgment. In addition, we will separate management and business execution through the Board of Directors, which supervises management and makes decisions based on medium- to long-term management plans, and the business execution framework, which is led by Executive Officers who execute business operations through swift and flexible decision-making. The auditing system consists of the Board of Corporate Auditors, which supervises management and audits business execution, and the Accounting Auditor, which fulfills its roles and responsibilities from an independent standpoint.

Corporate governance structure



**1 Board of Directors / Board of Director's meeting**  
The Board of Directors is chaired by an outside director and in principle meets once per month. To strengthen the Board's oversight of business execution and to promote highly transparent and equitable management by drawing on perspectives from outside the Company, the Board currently consists of five members. Moreover, more than half are outside directors and two are women, which allows the Company to maintain a system that ensures fair and efficient management.  
Also, all three outside directors are independent appointments who understand the Company's corporate responsibility, and they are contributing to increasing transparency in management.

**2 Board of Auditors /Board of Auditor's meeting**  
To ensure that the directors and each organization in the Com-

pany conduct their duties in a legally compliant and appropriate manner, the Company has established systems to enable members of the Board of Auditors and the Internal Control Department, which is responsible for conducting internal audits, to carry out audits and exchange opinions with the representative directors to take necessary measures. The Board of Auditors consists of two standing members and three outside auditors. The members of the Board of Auditors attend meetings of key management bodies, such as the Board of Directors and the Corporate Executive Management Meeting, providing their opinions as necessary. Also, in accordance with corporate auditing standards, members of the Board of Auditors conduct business and accounting audits to verify the legality and validity of the duties carried out by the directors and corporate officers responsible for business execution. They also receive reports from the Internal Control Department and the independent accounting auditors and exchange opinions.

Principal activities for the year

No. of meetings held, other (Times)												
	2020									2021		
	April	May	June	July	August	September	October	November	December	January	February	March
Board of Director's meeting	1	2	1	2	1	1	1	1	1		2	1
Board of Auditor's meeting		2	1	1	1		1	1	1	1		1
Nomination Advisory Committee											1	
Compensation Advisory Committee	1					1					1	
Outside officer/president opinion exchange meetings					1			1				1
Outside officer information exchange/study sessions					1							1

**3 Business execution framework**  
The Company has introduced an executive officer system to support dynamic and flexible business operations, enabling the Group to respond rapidly to significant changes in the operating environment, and it has also established the Corporate Executive Management Meeting as a body to discuss business execution. It is composed of directors, standing members of the Board of Auditors, and the corporate officers responsible for business execution, and it meets every week in principle. The business execution framework consists of nine divisions responsible for research, development, manufacturing technology development, marketing, global business, corporate strategy, healthcare strategy, administration and DX, and the quality assurance organization.

**4 Nomination Advisory Committee**  
The Nomination Advisory Committee consists of the President and Representative Director, three Outside Directors, and one Outside Corporate Auditor, and is chaired by an Outside Director. Topics discussed included the balance of expertise among the members of the Board of Directors, including outside directors, and corporate officer nominations. The committee also delivers reports and makes proposals at Board of Directors meetings and conducts in-house inspections that give outside officers the opportunity to review our human resources by talking with division heads and heads of our major organizations. It was held once in fiscal 2020.

**5 Compensation Advisory Committee**  
The Compensation Advisory Committee consists of the President and Representative Director, three Outside Directors, and one Standing Auditor, and is chaired by an Outside Director. Topics discussed included the performance evaluation of Directors and Executive Officers in fiscal 2019, performance evaluation indicators for fiscal 2020, the release rate of medium-term performance-linked stock compensation, and the ideal form of the executive compensation system, etc. It was held three times in fiscal 2020.

**6 Outside officer/president opinion exchange meetings**  
Meetings that serve as a venue for outside directors and the president to exchange opinions are in principle held three times per year. These opinion exchanges take place with the objective of enhancing the quality of discussions at the Board of Directors' meetings. Opinion exchange meetings are convened with outside directors, all of the corporate auditors, and the president in attendance, and topics for discussion include recent trends in the healthcare industry and Company business, as well as plans for executive training and the status of that training.  
At the fiscal 2020 meetings, there was a proposal from an external officer to check the development status of senior management by having opportunities for dialogue with the management level below the executive officers. In response to this proposal, starting in fiscal 2021, we will set up opportunities for outside directors to engage in dialogue with future executive officer candidates and advisors who will perform functions equivalent to executive officers.

**7 Outside officer information exchange/study sessions**  
In order to deepen understanding of Shionogi's business, the Standing Corporate Auditor hosts the outside officer information exchange and study sessions, which are attended by outside officers and senior management of Shionogi. In fiscal 2020, there were two events on August 31, 2020, and March 22, 2021. At the August study session, members toured the Shionogi Education and Training Center, which is our training and exchange facility, to deepen their understanding of human resource development at Shionogi. The March study session focused on our China business and shared information about the business environment in China (politics, healthcare system, etc.) and related topics, with a view to future business expansion opportunities following the establishment of Ping An-Shionogi.

## Approach to Succession

At Shionogi, appointments to the executive team are among the most important decisions made by the Board of Directors, and these are thoroughly deliberated under the strong leadership of the President. In an era of fast-moving change in the external environment, the criteria for assessing candidates are changing, and the Company recognizes the need to groom successors from various aspects, based on our vision of the Shionogi of

the future. As mentioned above, we have created opportunities for early dialogue between the advisors who will be candidates for future executive officers and outside officers. In addition to the Nomination Advisory Committee, discussions are also held at the outside officer/president opinion exchange meeting, where outside directors provide a great deal of advice. Also, through the president's management seminar, where the President himself does the teaching, we are implementing human resources training that aligns with our qualifications for a successor.

## Deliberations at Board of Directors' Meetings

The Company's Board of Directors engages in lively discussions that incorporate a variety of opinions and advice from outside directors and outside auditors alike. Based on their diverse experience and expertise, each director takes a broad view toward promoting our growth strategy and maximizing value for all our stakeholders while engaging in managerial decision-making and oversight.

The Board of Directors' meetings in fiscal 2020 engaged in lively discussions on a broad variety of topics, including formulation of the new medium-term business plan, establishing a commercial manufacturing

facility for the COVID-19 vaccine, announcement of the year-end dividend and earnings forecast for fiscal 2021, making Tetra Therapeutics a wholly owned subsidiary, and our greenhouse gas reduction target application to the Science Based Targets (SBT) initiative.

As an example of the animated discussions at our Board of Directors' meeting, this section has thumbnail descriptions of the two topics of establishing a commercial manufacturing facility for the COVID-19 vaccine and announcement of the year-end dividend and earnings forecast for fiscal 2021.

The skills matrix on p. 78 illustrates the diverse experience and expertise of our directors, including our outside auditors.

### Example of Deliberation Details 1 : Establishing a Commercial Manufacturing Facility for the COVID-19 Vaccine

The business execution side made a proposal to invest in a facility for the commercial manufacturing of a COVID-19 vaccine before Phase 1 clinical trials begin and to beef up human resources in the R&D area, even though there is risk of failure at the R&D stage and mass manufacturing planning usually does not begin until both Phase 1 and Phase 2 clinical trials are completed and the commercialization decision has been made.

This proposal elicited discussion from the outside directors and outside auditors regarding the terms for using such aid, the facility's operating costs, the potential impact on non-COVID-19 business activities from concentrating resources on COVID-19 initiatives, and other risks and opportunities concerning our business over the medium to long term.

The upshot of these discussions was that, as a leader in infectious diseases and to help bring an early end to the pandemic, we must build a manufacturing system before Phase 1 clinical trials begin, we should bolster our resources dedicated to fighting COVID-19, and we can expect to obtain future synergies with our other businesses. It was therefore decided to make an early facility investment and to funnel human resources into that area.

### Example of Deliberation Details 2 : Announcement of Year-End Dividend and Fiscal 2021 Earnings Forecast

The business execution side proposed an increase in the dividend because financial performance should be recovering as the business grows steadily from now on, after two years of lower revenues and profits. Also, regarding the fiscal 2021 business forecast, they stated that many uncertainties exist that make it difficult to forecast earnings, including "changes in the timing of providing COVID-19 related products and services due to development guidelines and policies" and "changes in the market environment due to the prolongation of the pandemic." They proposed not announcing an earnings forecast, saying that a number of uncertainties could not be incorporated into an earnings forecast, because of concern that a revision of the earnings forecast caused by an unforeseen event every time could cause a market disruption.

In response to this proposal, the outside directors and outside auditors said that when society and the stock market are watching Shionogi as a leader in infectious diseases and its progress in COVID-19 product development, not giving an earnings forecast for fiscal 2021 could lead to speculation about our development of COVID-19 drugs and a vaccine and harm our reputation in society and the stock market. They therefore suggested announcing an earnings forecast that does not incorporate uncertainties and offering a careful explanation to this effect, given that as a leader in infectious diseases, Shionogi needs to take an above-board stance in response to social demands. Likewise, regarding increasing the dividend, a comment was made that financial performance should improve going forward, and the payout ratio should be raised to about 30%.

After this discussion, it was decided to increase the year-end dividend and to announce the earnings forecast without factoring in the uncertainties after explaining them in detail.

## Features of Shionogi's Corporate Governance

### Consider balancing among our four types of stakeholders

Shionogi incorporates the perspectives of its four groups of stakeholders—customers, local communities, shareholders, and employees—in maintaining transparent and proper business management that treats its stakeholders fairly and is responsive to the expectations of local communities.

### Emphasis not only on complying but also on explaining

Shionogi has no plans to mechanically comply with all the items contained in the Corporate Governance Code. It is important that we always strive for the best compliance system, clearly express our thoughts about points with which we will not comply, and thoroughly discuss any differences of opinion with outsiders.

### Diversity of the Board of Directors and Board of Auditors

To further strengthen our framework in view of the progress in our business development, Shionogi is building the necessary framework from the standpoint of diversity and such factors as expertise and experience. Regarding diversity, we have appointed two female directors, and regarding skills, we have appointed directors and auditors with a wide diversity of skills and age groups.

### Management transparency

A majority of Shionogi's directors and auditors are independent and outside officers, which increases the transparency of our management. Also, based on our Disclosure Policy, we continue to disclose our corporate information to all of our stakeholders in a fair, timely, and appropriate manner.

## Changes in Corporate Governance Structure







Members of Boards (as of July 1, 2021)



Section 4 Shionogi's Value-Promoting System  
Corporate Governance

■ Directors

1 Isao Teshirogi, Ph.D.

Representative Director, President and CEO

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

2 Takuko Sawada

Director and Executive Vice President and Senior Vice President of Integrated Disease Care Division

April 1977 Joined the Company  
April 2002 Executive General Manager, Pharmaceutical Development Division  
April 2007 Officer and Executive General Manager, Pharmaceutical Development Division  
April 2010 Executive Officer and Executive General Manager, Pharmaceutical Development Division  
April 2011 Senior Executive Officer and Executive General Manager, Global Development Office  
April 2013 Senior Executive Officer and Senior Vice President, Global Development Office and, Pharmaceutical Development Division  
April 2014 Senior Executive Officer and Senior Vice President, Global Pharmaceutical Development Division  
April 2015 Senior Executive Officer and Senior Vice President, Corporate Strategy Division  
June 2015 Director of the Company and Senior Executive Officer and Senior Vice President, Corporate Strategy Division  
October 2015 Senior Executive Officer and Senior Vice President, Corporate Strategy Division, and General Manager, Corporate Planning Department  
April 2016 Senior Executive Officer and Senior Vice President, Corporate Strategy Division  
April 2017 Senior Executive Officer and Senior Vice President, Corporate Strategy Division  
April 2018 Director of the Company and Executive Vice President  
April 2020 Director and Executive Vice President and Senior Vice President of Integrated Disease Care Division (incumbent)

3 Keiichi Ando

Independent Outside Director

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

4 Hiroshi Ozaki

Independent Outside Director

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

5 Fumi Takatsuki

Independent Outside Director

October 2000 Registration of Attorney at Law  
October 2000 Joined Oike Law Offices  
December 2003 Joined Anderson Mori & Tomotsune Law Offices  
February 2004 Service at Beijing Office of Anderson Mori & Tomotsune Law Offices  
April 2006 Joined Oh-Ebashi LPC & Partners  
January 2009 Partner of Oh-Ebashi LPC & Partners (incumbent)  
June 2020 Outside Director of the Company (incumbent)  
Major concurrent posts:  
Partner of Oh-Ebashi LPC & Partners

■ Auditors

6 Akira Okamoto

Standing Members of the Board of Auditors

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

7 Ikuro Kato

Standing Members of the Board of Auditors

October 1988 Joined the Company  
April 2007 General Manager, Development Research Laboratories  
April 2010 General Manager, Drug Development Research Laboratories  
April 2011 General Manager, Drug Development Research Laboratories and Representative Director and President, Shionogi TechnoAdvance Research & Co., Ltd.  
April 2013 General Manager, Drug Development Research Laboratories and Representative Director and Chairman, Shionogi TechnoAdvance Research & Co., Ltd.  
April 2014 Representative Director and Chairman, Shionogi TechnoAdvance Research & Co., Ltd.  
June 2016 Standing Member of the Board of Auditors of the Company (incumbent)

8 Takaoki Fujiwara

Independent Outside Auditor

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

Major concurrent posts:  
Chairman of the Board of Directors and Representative Director, Hanshin Electric Railway Co., Ltd.  
Outside Director, Sanyo Electric Railway Co., Ltd.

9 Tsuguoki Fujinuma

Independent Outside Auditor

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

10 Shuichi Okuhara

Independent Outside Auditor

April 1994 Joined Andersen Consulting Co., Ltd. (now Accenture Japan Ltd.)  
January 1998 Joined Nippon Venture Capital Co., Ltd.  
June 2008 Director and Manager of Investment Department, Nippon Venture Capital Co., Ltd.  
April 2009 Representative Director and President of Nippon Venture Capital Co., Ltd.  
June 2019 Representative Director and Chairman of Nippon Venture Capital Co., Ltd. (incumbent)  
June 2020 Outside Member of the Board of Auditors of the Company (incumbent)  
Major concurrent posts:  
Representative Director and Chairman of Nippon Venture Capital Co., Ltd.

■ Corporate Officers

Senior Executive Officers

Kohji Hanasaki, Ph.D.

John Keller, Ph.D.

Kazuhiro Hatanaka

Toshinobu Iwasaki, Ph.D.

Noriyuki Kishida

Ryuichi Kiyama, Ph.D.

Corporate Officers

Takeshi Shiota, Ph.D.






Akira Kato, Ph.D.

Yasuyoshi Isou, Ph.D.






Tatsumori Yoshida



Meeting attendance status and skills of Directors (as of July 1, 2021)

Name	Number of years in post	FY2020 attendance			Skills									
		Board of Directors	Nomination Advisory Committee	Compensation Advisory Committee	Management experience	Financial accounting	Law/Compliance/Risk Management	R&D	Sales/Marketing	Manufacturing	IT/Information management	International experience	HR/HR Development	Internal Audit
 <b>Isao Teshirogi, Ph.D.</b> (61/Male) Representative Director, President and CEO	19 years	14/14 (100%)	1/1 (100%)	3/3 (100%)	●		●	●		●		●		
 <b>Takuko Sawada</b> (66/Female) Director and Executive Vice President of the Company, President of Integrated Disease Care Department	6 years	14/14 (100%)	—	—	●			●	●		●	●		
 <b>Keiichi Ando</b> (69/Male) Independent Outside Director	5 years	14/14 (100%) Chairman	1/1 (100%) Committee Chairman	3/3 (100%)	●	●						●	●	
 <b>Hiroshi Ozaki</b> (71 / Male) Independent Outside Director	2 years	13/14 (92.8%)	1/1 (100%)	3/3 (100%) Committee Chairman	●			●		●	●			
 <b>Fumi Takatsuki</b> (46 / Female) Independent Outside Director	1 year	11/11* (100%)	1/1 (100%)	2/2* (100%)			●					●	●	●

Meeting attendance status and skills of Auditors (as of July 1, 2021)

Name	Number of years in post	FY2020 attendance				Skills									
		Board of Directors	Board of Auditors	Nomination Advisory Committee	Compensation Advisory Committee	Management experience	Financial accounting	Law/Compliance/Risk Management	R&D	Sales/Marketing	Manufacturing	IT/Information management	International experience	HR/HR Development	Internal Audit
 <b>Akira Okamoto</b> (65/Male) Standing Member of the Board of Auditors	6 years	14/14 (100%)	10/10 (100%)	—	3/3 (100%)			●		●				●	●
 <b>Ikuo Kato</b> (67/Male) Standing Member of the Board of Auditors	5 years	14/14 (100%)	10/10 (100%)	—	—	●		●	●						
 <b>Takaaki Fujiwara</b> (69/Male) Independent Outside Auditor	3 years	14/14 (100%)	10/10 (100%)	1/1 (100%)	—	●				●				●	
 <b>Tsuguoki Fujinuma</b> (76/Male) Independent Outside Auditor	2 years	14/14 (100%)	10/10 (100%)	—	—		●	●					●		●
 <b>Shuichi Okuhara</b> (53/Male) Independent Outside Auditor	1 year	11/11* (100%)	8/8* (100%)	—	—	●	●					●		●	●

\*This is for the period after taking office on June 23, 2020.

Message from the Chairman of the Board of Directors

Independent Outside Director **Keiichi Ando**

**Biodata**  
Mr. Ando joined the Sumitomo Bank Limited (now Sumitomo Mitsui Banking Corporation) upon graduating from the University of Tokyo's Faculty of Economics. After serving in various positions, including Representative Director and Deputy President of the Bank and Executive Officer and Representative Director and President and CEO of the NEW KANSAI INTERNATIONAL AIRPORT CO., LTD., he has been an Outside Director of the Shionogi Group for the past five years, since 2016. He is currently an Outside Director of Tsubakimoto Chain Co. and an Outside Director of DAIHEN Corporation. With his practical experience as a corporate executive at a financial institution and broad insight into finance, and experience as the CEO of a business firm, he is working to increase Shionogi's corporate value by transforming our business model and devising and implementing our growth strategy.



What has Shionogi done to strengthen its governance?

I believe that as a pharmaceutical company Shionogi has a very serious social responsibility to protect people's health, safety, and well-being. We are implementing very effective corporate governance by aiming for transparency, fairness, and accountability in our decision-making processes and developing solid decision-making functions and oversight functions for our Board of Directors. Currently two of our five board members are women, and more than half are outside directors. The Board Chairman and the heads of the Nomination Advisory Committee and the Compensation Advisory Committee are all outside directors. I therefore believe that we are building a cutting-edge corporate governance framework.

Please tell us about the responsibilities of outside directors and their discussions at Board meetings.

Because we are a pharmaceutical company, outside directors need to have a proper understanding of Board meetings' agenda items. Before the Board meetings, adequate time is always spent having preliminary briefings on the agenda items so that everyone participating will have a common base of knowledge and awareness of the issues, and thus we can have straightforward and detailed discussions that incorporate a wide range of viewpoints. Also, as Board Chairman, I am aware of the timeliness and pertinence of the agenda items. This year, we need to take ample time to discuss issues like our progress in developing COVID-19 treatment medicines and a vaccine, as fighting COVID-19 is our top priority.

Human resources development is one of the key missions of the Board of Directors. For a drug discovery-based pharmaceutical company like Shionogi, the areas requiring

the greatest concentration of resources are human resources and R&D. Our discussions take a long-term view so that 10 years from now, we will have concentrated our management resources, made strategic investments, and steadily nurtured a pipeline (new drug candidates) and the human resources that will carry the next generation forward. As an outside director, I am striving for prompt and bold decision making that arises from lively discussions based on diverse perspectives on how to achieve sustainable growth and increase corporate value over the medium to long term.

What can we expect from Shionogi in the future?

With STS2030, we have unveiled a major direction toward transforming our business model. We aim to fulfill our customers' healthcare needs, and we have partnered with M3 and the Ping An Group to gain a foothold in the field of total healthcare. At the same time, providing solutions to COVID-19 as a leader in infectious diseases is an urgent issue. We have a social responsibility to respond to society's demands for COVID-19 prevention, treatment, and medicines, i.e., total healthcare. Providing solutions for COVID-19 is in fact the touchstone of STS2030.

Also, the world still has many incurable diseases and new medical frontiers, and Shionogi's mission is to create the next growth drivers and come up with solutions to the many social issues involved in the field of healthcare. To become a social institution that truly supports a healthy society and people's health and well-being while also increasing our corporate value for the long term, we will work hand in hand with all our stakeholders to carry out our social responsibilities, share ownership with our stakeholders of our value system of further expanding our strength as a drug discovery-based pharmaceutical company and collaborates as a healthcare provider focusing on healthcare services, and we expect to achieve sustainable growth based on mutual trust.



## Analysis/evaluation of effectiveness

The Board of Directors performed an analysis and assessment of the effectiveness of the Board of Directors in fiscal 2020 that focused on Shionogi's Basic Views and Guidelines on Corporate Governance, Article 6. Directors and the Board, (1) Framework, (3) Roles and Responsibilities, and (6) Operation, by conducting questionnaires and interviews with each director and corporate auditor. Below is a summary of the findings.

### Summary of analysis and evaluation results for FY2020 and response

#### Framework

Our assessment is that the Board of Directors has currently secured the necessary framework from the standpoint of diversity and such factors as expertise and experience.

As a future topic and based on our business expansion and transformation, from the standpoints of further diversity and succession, the need to appoint a foreign national as a director and develop and appoint candidates for the next successor was mentioned. The Board of Directors will continue to consider ways to further strengthen the governance framework while taking into account the status of the Company's business development.

#### Roles and Responsibilities

With regard to reports on the status of management development and overseeing the status of management development, reports were made and opinions exchanged

on an ongoing basis at the Nomination Advisory Committee and outside officer/president opinion exchange meetings. Reports about the status of compliance activities are also made to the Board of Directors twice a year, and opinions were voiced at Board meetings. Furthermore, Activity plans for ESG promotion and their progress were proposed and reported to the Board of Directors twice a year, and related individual measures were proposed and reported to the Board of Directors on a case-by-case basis for deliberation and resolution. Matters identified as future issues included progress reports on the medium-term business plan, and detailed explanations and debate concerning the status of development, selection process and progress of development of management executives. The Board of Directors will continue to consider ways to further flesh out its roles and responsibilities.

#### Operation

To further stimulate discussion at Board of Directors' meetings, we continued to hold preliminary briefings on the agendas of Board of Directors' meetings on a regular basis and delivered the appropriate reports on the matters decided at Board of Directors' meetings. We also went on a site visit to the Shionogi Education and Training Center. As a future topic, a suggestion was made that time be secured for Board of Directors' meetings to further enhance discussions. We will continue to consider ways to enrich management of the Board of Directors.

## Cross-shareholdings

After due consideration of the relationship with the cost of capital, cross-shareholdings are only held in cases where it is judged that they will increase Shionogi's corporate value and contribute to a sustainable improvement of corporate value. In other cases, we are proceeding with sequential sell-offs in consideration of stock prices and market trends.

Since the end of fiscal 2017, the number of stocks and shares held and the value of shareholdings have been reduced by 30% and 38%, respectively. In addition, the economic rationale for continuing to hold individual cross-shareholdings is verified annually at a Board of Directors' meeting.

## Remuneration for directors and corporate auditors

### Process for determining remuneration

The Compensation Advisory Committee deliberates carefully on the matter of directors' compensation and discusses various issues concerning remuneration for directors and executive officers, verifies the levels of remuneration

every year, and deliberates the remuneration system, and performance evaluation system for the following fiscal year.

### Remuneration Framework

Total director remuneration is determined within limits set

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

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

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

Non-monetary remuneration (Stock-based compensation) is granted in July of each year based on the stock-based compensation table according to directors' rank and job responsibilities. For medium-term performance-linked stock compensation in particular, the performance evaluation will be based on the degree of achievement in fiscal 2022 for the portion to be granted in the three years from fiscal 2020 through fiscal 2022 during the STS2030 Phase 1 period (fiscal 2020 through fiscal 2024) to determine the ratio of lifting the transfer restriction (100% to 0%). In addition, when lifting the transfer restriction, 50% of the amount of stock-based compensation, translated into the share price at the time of lifting, is paid as monetary compensa-

tion. Performance evaluations use such quantitative indicators as revenue, overseas net sales, core operating profit, ROE and the ranking in total shareholder return (TSR) among 12 competitors including the Company (relative TSR) and also incorporate the status of ESG, compliance, and development associated with COVID-19.

The Compensation Advisory Committee discusses the ratio of remuneration by type for executive directors in consideration of remuneration levels, using as its benchmark companies that have a similar business size to the Company and are included among the relevant business types and categories, and the Board of Directors, in respect of the recommendations given by the Compensation Advisory Committee, determines the details of the remuneration system, etc. so that the ratio of remuneration by type is in line with the recommendations. The policy for determination thereof is set in accordance with the separately defined "Policy for Determination of Details of Individual Remuneration, etc. for Directors." In addition, pursuant to the resolution at the Board of Directors meeting held on February 22, 2021, it is considered appropriate that base remuneration and individual bonus amount, etc. are evaluated and determined by a person who bears the ultimate management responsibility, and thus, such evaluation and determination are entrusted to Isao Teshirogi, Representative Director and President. The Compensation Advisory Committee deliberates the policy and criteria for the entrustment and provides the Board of Directors with the results as recommendations for their resolution, and Isao Teshirogi, Representative Director and President, to whom such determination is entrusted, shall make decisions in accordance with said recommendations and the above-mentioned resolution by the Board of Directors.

### Remuneration track record

The targeted ratio for each type of remuneration is set at base remuneration: performance-linked remuneration<sup>\*1</sup>, etc.: non-monetary remuneration<sup>\*1</sup>, etc. = 4:3:3 on the premise that all KPIs are achieved.

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

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

### Actual compensation

The ratio of basic remuneration: performance-linked remuneration, etc.: non-monetary remuneration, etc. for fiscal 2020 is 5:2:3.

### Total amount of remuneration for directors and corporate auditors<sup>\*2</sup> (fiscal 2020)

Category	Persons	Total amount of remuneration, etc. by type (Millions of yen)			
		Base remuneration	Performance-linked remuneration <sup>*3</sup>	Non-monetary remuneration <sup>*4</sup>	Total
Directors (of which outside directors)	7 (4)	207 (56)	60 (—)	207 (—)	475 (56)
Corporate auditors (of which outside corporate auditors)	6 (4)	124 (54)	— (—)	— (—)	124 (54)
Total	13	331	60	207	599

<sup>\*2</sup> The above figures include the amount and number of remuneration, etc. paid to one director, one outside director and one outside corporate auditor who retired on June 23, 2020.

<sup>\*3</sup> The amount of "Performance-linked remuneration, etc." above is the amount of provision for directors' bonuses for the fiscal year under review.

<sup>\*4</sup> The amount of "Non-monetary remuneration, etc." above is the amount recorded as an expense in the fiscal year under review.

## Engagement with Stakeholders

### Creating corporate and social value through engagement

Shionogi is working to achieve a sustainable society by creating corporate and social value through optimally balanced engagement with its four groups of stakeholders: shareholders and investors, customers, society, and employees.

#### ■ Shionogi-style "engagement"



### Approaching our diverse stakeholders

Our information dissemination efforts to date have focused on pharmaceutical products for treating diseases and have been targeted at our customers, such as healthcare professionals and patients and their families. However, as Shionogi transitions into a HaaS company providing total care, including during the pre-symptomatic and convalescent stages, we are diversifying the information we provide to our stakeholders so that it will

serve the general public. We need to communicate not just through general media and healthcare professionals but directly through our owned media, so we have beefed up our website and have expanded our communication through social media as well. We intend to broaden these efforts going forward so that we can engage with diverse stakeholders.

### Upgrading the information provided on our website

In May 2020, we refreshed our corporate website so that we would have a framework for providing information on the Shionogi Group to more of our stakeholders. In particular, the web page "Commitment to Fight COVID-19," which we set up to describe our most recent efforts with respect to COVID-19, has become our website's most frequently accessed and widely read page. In June

2021, we refreshed our website for patients and their families. We will continue to improve the accessibility and useability of information so that a broad range of stakeholders will be able to easily obtain the information that they seek.

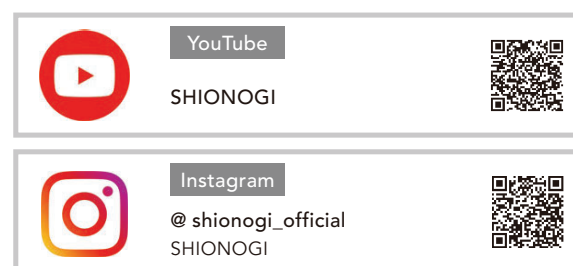
Webpages on our commitment to fight COVID-19  
<https://www.shionogi.com/global/en/sustainability/information-for-id/covid19-initiative.html>

For patients and their families (Japanese only)  
<https://wellness.shionogi.co.jp/>

### Opening official company accounts on social media

We have had a YouTube account since July 2016, and we recently set up accounts on Twitter and Instagram. These are communicating various types of information on Shionogi. By disseminating information using the characteristics of these social media, we are increasing

recognition of Shionogi by expanding our fan base to new groups of people. We also plan to expand the information provided by linking our website and social media accounts.



## Risk Management

Under STS2030, we are aiming to transform our business model and build new healthcare platforms. Business uncertainty is expected to increase in the process of this transformation. If we cannot respond to sudden changes in the environment within and outside the company, we may fail to achieve the goals of STS2030. That could also affect business continuity, so in fiscal 2020 we focused on identifying related risks and worked to build an organization and foster a culture in which information about various business risks are reported to management promptly by departments and other business units.

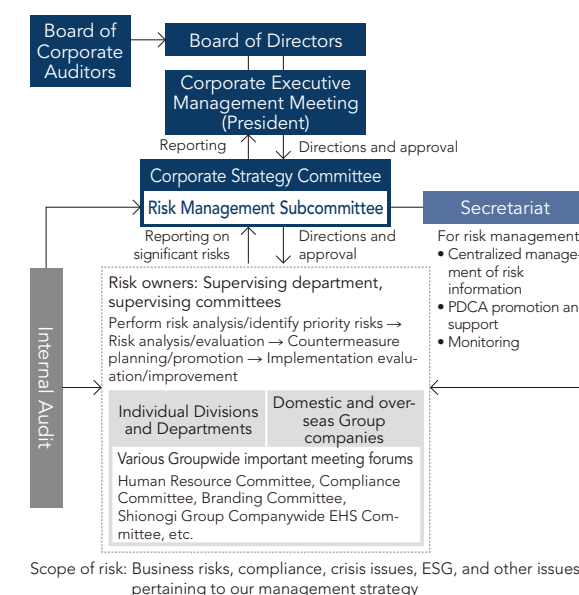
### Building and Promoting an Enterprise Risk Management System

A fundamental of the Shionogi Group is to have each organization identify the positive and negative risks associated with its decision making and business execution and then take the initiative to manage and deal with those risks. As part of our corporate strategy, we have created and implemented a company-wide enterprise risk management system that manages the risks of the entire Group, including such crisis risks as pandemics, natural disasters, terrorism, and cyber-attacks, and responds to such business risks by creating new business opportunities and taking risk avoidance and risk reduction actions. In particular, the Corporate Executive Management Meeting and the Board of Directors deliberate and make decisions on policies for responding to significant risks that could have a major impact on management, and based on the response policy, the supervising department works with the related organizations to implement these measures. In fiscal 2021, we will step up our efforts to rebuild into an organization geared toward company-wide risk management that integrates our organizational goals and culture and work on fostering such a culture.

Based on our by-laws, we are working to manage crisis risk with a view to respecting human life, considering and contributing to local communities, and controlling damage to our corporate value. Specifically, we are working to consolidate and maintain a comprehensive crisis management structure that incorporates a business continuity plan

premised on the occurrence of a major earthquake or pandemic. In addition, in fiscal 2021, we will take further steps, including formulating a business continuity plan that addresses IT infrastructure. Going forward, we will respond to the risks facing us so that we can continue to function smoothly as a pharmaceutical company engaged in work with a critical social mission, such as stable supply of medicines as well as research and development of medicines and prophylactic vaccines for COVID-19.

#### ■ Risk management structure



#### ■ Response to Dichloromethane Leakage at the Kanegasaki Plant

In January 2021, a leakage of about 17 kL of the solvent dichloromethane occurred on the property of the Kanegasaki Plant (in Iwate Prefecture) of Shionogi Pharma Co., Ltd. The direct cause was a piece of ice that had pushed down the handle of the drainage valve at the bottom of the tank, leaving the valve half-open. We are currently taking steps to clean up and prevent spreading to the surrounding area. So far, no leakage outside of the site has been confirmed. Also, we will be implementing appropriate surveillance programs going forward, including sampling and analysis of underground observation points around the plant. We extend our sincere apologies for the trouble that we have caused to the plant's neighbors and everyone else in the surrounding area.

#### ■ Response to the Cyberattack on Taiwan Shionogi

In response to the October 2020 cyberattack on Taiwan Shionogi, we are taking steps to build an IT-BCP by forming a project team to bolster our IT infrastructure and make our business continuity efforts more robust. Also, in addition to bolstering the IT infrastructure, strengthening our data security base, and improving its management, as a result of the cyber-attack at our Taiwan location, we are performing a global security assessment and taking steps toward preventing a recurrence and any outbreaks at our other global sites, and we are strengthening our response, such as by comprehensively reforming the entire Group's network structure.



Business and other risks

Risk category	Summary	Response
Systemic and Regulatory Risk	<ul style="list-style-type: none"><li>There could be an impact from trends with government regulations including revisions to Japan's National Health Insurance (NHI) system and drug price control measures, including the NHI drug price system</li><li>Tougher Japanese and overseas regulations in areas such as the development and manufacturing of pharmaceuticals could present us with additional expenses or make it difficult for our products to comply with regulations</li></ul>	<ul style="list-style-type: none"><li>Provide innovative new drugs at an acceptable price to society</li><li>Build evidence to show the value of the innovations created</li><li>Promote the value of innovation through industry group activities</li><li>Obtain the latest information on revisions to the drug pricing system and related regulations, etc. and promptly make appropriate changes</li></ul>
Risk of Adverse Drug Reactions	<ul style="list-style-type: none"><li>Pharmaceuticals entail the risk of unanticipated adverse drug reactions that could lead to the termination of sales, product recalls, and other outcomes</li></ul>	<ul style="list-style-type: none"><li>Construct systems to appropriately convey side effect and other information</li><li>Educate all employees to limit the spread of side effects and control damage</li><li>Obtain insurance for medical damage compensation based on side effects, etc.</li></ul>
Pharmaceutical R&D Risk	<ul style="list-style-type: none"><li>Pharmaceutical R&amp;D requires substantial commitment of resources and time. In addition, new drugs are subject to numerous uncertainties prior to the start of actual sales</li><li>Drastically reduce the time it takes to conduct R&amp;D globally in order to fight the spread of COVID-19</li></ul>	<ul style="list-style-type: none"><li>Identify development compounds and key drug discovery programs, such as vaccines and medicines to treat COVID-19, and concentrate investments in resources to manage these programs</li><li>Develop efficient drug discovery research; leverage strengths in disease fields and small-molecule drug discovery</li><li>Maintain and improve productivity with global top-level R&amp;D</li><li>To foster new growth areas and improve drug discovery success rates, build drug discovery technology for new drug discovery modalities other than small molecules (such as medium-sized molecule drugs and antibody drugs)</li><li>Invest in the management resources necessary for acquiring technologies such as peptide drugs and vaccines and collaborate with outside parties through alliances</li><li>Undertake rigorous determination of development possibility based on R&amp;D data, accelerate R&amp;D through in-licensing and out-licensing of compounds</li></ul>
Intellectual Property Risk	<ul style="list-style-type: none"><li>Concerns surrounding inadequate protection of the intellectual property of drugs discovered or infringement of the intellectual property of third parties</li><li>Impact of the expiration of intellectual property rights of pharmaceuticals developed and the launch of generics</li></ul>	<ul style="list-style-type: none"><li>Strengthen the appropriate management system for intellectual property rights</li><li>Strengthen the system for preventing infringement by investigating infringement prevention in business activities and conducting intellectual property due diligence on licensing</li></ul>
Risk of Dependence on Certain Products	<ul style="list-style-type: none"><li>Sales declines or discontinuation of sales due to the expiration of intellectual property rights of key products and the accompanying launch of generic products, drug price revisions and the appearance of competitors, the scale of epidemic, or other unforeseen circumstances</li></ul>	<ul style="list-style-type: none"><li>Market launch of product groups and review contracts based on the latest information on drug price systems and competitive position</li><li>Collaborate and express opinions in industry groups that promote the importance and value of innovation creation</li><li>Promote business transformation from pharmaceuticals to provide general healthcare services, including pharmaceuticals</li></ul>
Risk of Partnerships with Other Companies	<ul style="list-style-type: none"><li>Modification or cancellation of agreements, delays or stagnation of alliances with other companies for research, development, manufacturing and joint research in sales, joint development, technology licensing and joint sales</li></ul>	<ul style="list-style-type: none"><li>Judge whether or not to cooperate by analyzing and evaluating from various perspectives</li><li>Enter into agreements that incorporate assumed risks and hold continuous discussions and formulate agreements aimed at risk reduction</li><li>Establish and maintain a governance system with alliances, understanding the risks of alliances, and respond with measures to resolve them</li></ul>
Risk of Natural Disasters or Pandemics	<ul style="list-style-type: none"><li>Closure of offices and suspension of plant operations due to natural disasters such as major earthquakes, climate change-related storms and floods, unforeseen accidents, outbreaks of pandemics, etc., and consequent delays and suspension of product supply</li></ul>	<ul style="list-style-type: none"><li>BCP formulation and training, and plan reviews</li><li>Confirm and request improvement for environmental and safety conditions in response to supplier audits</li><li>Consider diversifying raw material suppliers to ensure the stable supply of products</li></ul>
Risks Related to Environmental Pollution	<ul style="list-style-type: none"><li>Effects on the human body and ecosystems of substances used and generated in the research and manufacturing processes of pharmaceuticals</li><li>Temporary closure of facilities, countermeasures and restoration as well as legal liability attributable to environmental pollution or other hazards</li></ul>	<ul style="list-style-type: none"><li>Establish integrated management system and management regulations for environment, safety and health</li><li>Ensure compliance with laws and regulations, formulate stricter self-management standards and goals, implement responses and measures, and confirm their appropriateness</li></ul>

Risk category	Summary	Response
Capital Market and Foreign Exchange Risk	<ul style="list-style-type: none"><li>Fluctuations in stock and foreign exchange markets could increase retirement benefit obligations and affect royalty income from overseas partners</li></ul>	<ul style="list-style-type: none"><li>Diversify investment of pension assets among multiple investment products</li><li>Utilize forward exchange contracts with respect to foreign exchange fluctuation risk</li></ul>
Risks Related to Securing / Training Human Resources	<ul style="list-style-type: none"><li>Impact of not being able to recruit and train enough people who will think logically from a company-wide viewpoint in supporting the Group's highly efficient management, people who can bring about Shionogi's transformation into a HaaS company with sustainable growth, and people who will lead the resolution of social issues and view as golden opportunities such environmental changes as the employment situation, increasing demand for ESG management; and workstyles for the post-COVID era</li></ul>	<ul style="list-style-type: none"><li>Secure and train human resources with diverse values and expertise</li><li>Practice diversity and inclusion</li><li>Provide opportunities for self-growth and strengthen systems and mechanisms that help individuals realize their potential</li><li>Implement manager education that supports development and human resource development that will contribute to the realization of our 2030 Vision</li><li>Implement business transformation/value creation training that uses IT and digital technology to facilitate our transformation into a HaaS company as set forth in STS2030</li><li>Train prospective executives through attendance at The President's Management Seminar and promotion to group company officers</li></ul>
IT Security and Data Management Risks	<ul style="list-style-type: none"><li>As we use many IT systems and possess a large volume of confidential information, including personal information, in the event that security problems occur or systems are shut down due to carelessness or deliberate actions on the part of employees or outsourcing providers or due to cyber-attacks and viruses from malicious third parties or other causes</li><li>Our business activities, operating performance, financial circumstances, and credit ratings could be seriously affected</li><li>We could be subject to damage claims or other legal claims or incur ex-post facto costs</li></ul>	<ul style="list-style-type: none"><li>Strengthen data management rules, etc. in light of the regulatory system and guidelines and appoint a CIO*1 to be in charge of data management and set policies to protect data and ensure data security, a CDO*2 to be in charge of integrating the use and management of data and documentation, and a global IT head to be in charge of IT management.</li><li>Formulate a global privacy policy regarding personal information</li><li>Make all employees cognizant of the importance of information management and personal information and of the need to obey laws and regulations concerning the protection of personal information</li><li>Launch a project to build an IT-BCP system that can handle cyber-attacks, major disasters, and other crisis events</li><li>Bolster the IT infrastructure, and strengthen the data security base and improve its management</li><li>Perform a global security assessment in response to the cyber-attack on our Taiwan facilities in order to prevent a recurrence and to ward off attacks on our other global locations, and take steps that include a drastic overhaul of our network systems through the entire Group</li></ul>
Compliance Risk	<ul style="list-style-type: none"><li>In executing our business activities, we are subject to regulations and various laws on pharmaceuticals, product liability, and the like, and we are required to uphold very high ethical standards as a pharmaceutical company that is directly involved in people's lives. Therefore, behavior that violates laws and regulations or runs contrary to social needs could lead to a loss or decline in the Group's credibility among its stakeholders and even have an impact on our financial performance.</li></ul>	<ul style="list-style-type: none"><li>As strict compliance is always a top priority in our business endeavors, the topic of compliance will always be addressed in the President's quarterly message</li><li>Work to strengthen compliance awareness among employees</li><li>Formulate a compliance policy and set compliance as a goal in the Shionogi Group Code of Conduct</li><li>Establish a Compliance Committee and Internal Reporting Desks (inside and outside the Company)</li><li>The Compliance Committee, which will meet four times per year and be headed by the President, will discuss compliance-related topics and implement the necessary educational and other programs (harassment, data leaks, bribery prevention, etc.)</li></ul>
Litigation Risk	<ul style="list-style-type: none"><li>Possibility of litigation related to medication side effects, product liability, workplace disputes, fair trading and other issues</li></ul>	<ul style="list-style-type: none"><li>Strengthen internal systems as necessary to reduce risk</li><li>Appropriately respond through consultation with experts such as lawyers and patent attorneys</li></ul>
The Spread of COVID-19	<ul style="list-style-type: none"><li>If our business becomes constrained by the further spread of COVID-19, shutdowns or slowdowns in the procurement of raw materials and other parts of the supply chain could have a significant impact on obtaining a stable supply of medicines</li><li>Restrictions on programs that use MRs to supply information or delays in research and clinical experimentation could have a significant impact on the approval, launch, and commercialization of new products and on the collection and supply of drug safety information and information on proper usage</li></ul>	<ul style="list-style-type: none"><li>Restrict on-site work to prevent the further spread of the pandemic</li><li>Programs to establish new workstyle needed to maintain and improve productivity</li><li>Fulfill our social responsibility as a pharma company by maintaining business continuity through employing our existing pandemic BCP in a response that prioritizes a stable supply of our proprietary drug products</li><li>As a marketing initiative during the pandemic, change the mechanism and content of information supply in accordance with the Ministry of Health, Labour, and Welfare's Guidelines on the Provision of Marketing Information</li></ul>

\*1 CIO: Chief Information Officer \*2 CDO: Chief Data Officer  
The Company is subject to many other risks related to its business activities in addition to the above, so the risks discussed here do not comprise all of the Shionogi Group's risks.

# 11-Year Financial Summary

Third Medium-Term Business Plan	
SONG for the Real Growth Progress toward global growth	Grow as a drug discovery-based pharmaceutical company (FY2014-September FY2016)

JGAAP	2011	2012	2013	2014	2015	2016
For the years ended March 31:						
Net sales	¥282,350	¥267,275	¥282,903	¥289,717	¥273,991	¥309,973
Cost of sales	81,737	77,753	78,574	77,993	82,189	74,758
Selling, general and administrative expenses	153,720	142,518	144,764	149,848	141,436	143,808
Operating income	46,892	47,003	59,565	61,875	50,365	91,406
Ordinary income	45,176	46,093	58,922	62,225	77,880	100,869
Profit before income taxes	33,135	41,494	58,306	63,188	82,051	97,452
Profit attributable to owners of parent	20,026	27,101	66,727	40,618	44,060	66,687
Net cash provided by operating activities	56,528	54,724	59,276	79,496	45,604	102,290
Net cash used in investing activities	(13,947)	(38,290)	(19,959)	(20,040)	(31,696)	(32,894)
Net cash used in financing activities	(27,011)	(27,749)	(37,687)	(53,798)	(46,211)	(18,525)
Research and development expenses	50,921	53,599	53,021	53,605	48,870	49,787
Capital investments	17,967	13,233	11,447	8,962	8,163	9,943
Depreciation and amortization	17,966	16,282	11,912	12,912	12,672	12,578
As of March 31:						
Property, plant and equipment, net	¥ 70,220	¥ 74,282	¥ 78,473	¥ 78,976	¥ 77,022	¥ 78,673
Intangible assets	99,593	106,694	70,464	72,824	80,328	71,626
Total assets	523,242	522,161	574,882	580,566	595,067	631,599
Total long-term liabilities	115,325	92,899	53,041	33,721	48,427	45,739
Total net assets	328,096	347,198	423,633	467,836	478,883	513,877
Per share amounts:						
Profit attributable to owners of parent	¥ 59.80	¥ 80.93	¥ 199.25	¥ 121.29	¥ 132.67	¥ 204.83
Net assets	979.69	1,027.83	1,254.44	1,385.11	1,456.70	1,564.73
Dividend	40	40	42	46	52	62
Other:						
Equity ratio	62.7	65.9	73.1	79.9	79.7	80.7
Return on equity [ROE]	6.0	8.1	17.5	9.2	9.4	13.6
Payout ratio	66.9	49.4	21.1	37.9	39.2	30.3

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

Shionogi Growth Strategy 2020 (SGS2020)	Shionogi Transformation Strategy 2030 (STS2030)
Grow sustainably as a drug discovery-based pharmaceutical company contributing to a more vigorous society through improved healthcare (October FY2016-FY2019)	Building Innovation Platforms to Shape the Future of Healthcare

	2017	2018	2019	International Financial Reporting Standards (IFRS)	2019	2020	2021	2021
							(Millions of yen)	(Thousands of U.S. dollars)
For the years ended March 31:								
	¥338,890	¥344,667	¥363,721	Revenue	¥367,960	¥333,371	¥297,177	\$2,684,290
	77,777	73,911	54,880	Cost of sales	(55,591)	(56,782)	(52,523)	(474,426)
	152,934	155,537	170,303	Selling, general and administrative expenses	(87,668)	(95,094)	(91,902)	(830,122)
	108,178	115,219	138,537	Research and development expenses	(52,058)	(47,949)	(54,249)	(490,018)
	123,031	138,692	166,575	Operating profit	145,081	130,628	117,438	1,060,772
	122,695	137,378	170,343	—	—	—	—	—
	83,879	108,866	132,759	Profit before tax	174,043	158,516	143,018	1,291,833
	111,903	129,790	145,684	Profit attributable to owners of parent	137,191	122,193	111,858	1,010,377
	(31,643)	(51,238)	(36,349)	Net cash provided by operating activities	165,000	131,940	109,039	984,911
	(57,411)	(53,893)	(87,011)	Net cash used in investing activities	(56,256)	(29,144)	(5,261)	(47,528)
	59,907	59,945	68,325	Net cash used in financing activities	(89,912)	(88,174)	(43,891)	(396,452)
	9,659	5,678	7,900	Capital investments	7,900	9,954	27,371	247,232
	13,362	15,972	16,479	Depreciation and amortization	14,431	14,115	14,779	133,494
				As of March 31:				
	¥ 78,788	¥ 75,956	¥ 74,653				(Millions of yen)	(Thousands of U.S. dollars)
	91,125	75,060	54,769	Property, plant and equipment, net	¥ 70,986	¥ 71,350	¥ 90,883	\$ 820,918
	661,499	711,463	778,741	Intangible assets	47,804	51,705	76,558	691,522
	44,692	34,056	17,203	Total assets	938,540	873,695	998,992	9,023,512
	526,211	604,840	672,429	Total equity	813,087	765,203	864,550	7,809,149
				Non-current liabilities	29,303	27,372	34,261	309,471
				Per share amounts:				
	¥ 259.88	¥ 342.71	¥ 424.31				(Yen)	(U.S. dollars)
	1,638.46	1,911.36	2,144.33	Basic earnings per share	¥ 438.47	¥ 395.71	¥ 365.03	\$3.30
	72	82	94	Equity attributable to owners of parent per share	2,598.16	2,518.74	2,806.67	25.35
				Dividend	94	103	108	0.98
				Other:				
	79.0	84.5	85.7				(%)	
	16.3	19.4	20.9	Ratio of equity attributable to owners of parent	86.2	87.6	84.7	
	27.7	23.9	22.2	Return on equity attributable to owners of parent (ROE)	17.8	15.5	13.9	
				Payout ratio	21.4	26.0	29.6	





## Consolidated Financial Statements

## Consolidated statement of financial position

	As of March 31, 2020	(Millions of yen) As of March 31, 2021	(Thousands of U.S. dollars) As of March 31, 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	¥ 71,350	¥ 90,883	\$ 820,918
Goodwill	7,854	9,357	84,525
Intangible assets	51,705	76,558	691,522
Right-of-use assets	4,657	4,827	43,605
Investment property	2,496	26,759	241,704
Other financial assets	202,161	217,437	1,964,028
Deferred tax assets	3,048	11,729	105,952
Other non-current assets	14,394	5,200	46,978
<b>Total non-current assets</b>	<b>357,669</b>	<b>442,754</b>	<b>3,999,232</b>
<b>Current assets</b>			
Inventories	33,818	38,003	343,271
Trade receivables	79,804	78,047	704,969
Other financial assets	171,157	142,151	1,284,002
Income taxes receivable	192	164	1,487
Other current assets	22,191	21,697	195,984
Cash and cash equivalents	208,861	276,173	2,494,567
<b>Total current assets</b>	<b>516,026</b>	<b>556,238</b>	<b>5,024,280</b>
<b>Total assets</b>	<b>873,695</b>	<b>998,992</b>	<b>9,023,512</b>

	As of March 31, 2020	(Millions of yen) As of March 31, 2021	(Thousands of U.S. dollars) As of March 31, 2021
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	¥ 21,279	¥ 21,279	\$ 192,212
Capital surplus	21,025	13,733	124,046
Treasury shares	(77,292)	(57,989)	(523,796)
Retained earnings	708,291	752,248	6,794,764
Other components of equity	91,848	116,836	1,055,340
<b>Equity attributable to owners of parent</b>	<b>765,152</b>	<b>846,108</b>	<b>7,642,566</b>
<b>Non-controlling interests</b>	<b>51</b>	<b>18,442</b>	<b>166,583</b>
<b>Total equity</b>	<b>765,203</b>	<b>864,550</b>	<b>7,809,149</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	4,791	4,608	41,631
Other financial liabilities	4,179	5,242	47,353
Retirement benefit liability	16,089	16,318	147,400
Deferred tax liabilities	1,949	7,749	69,998
Other non-current liabilities	362	341	3,088
<b>Total non-current liabilities</b>	<b>27,372</b>	<b>34,261</b>	<b>309,471</b>
<b>Current liabilities</b>			
Lease liabilities	3,361	3,379	30,523
Trade payables	10,763	9,902	89,450
Other financial liabilities	17,557	21,383	193,148
Income taxes payable	21,886	28,033	253,211
Other current liabilities	27,551	37,481	338,559
<b>Total current liabilities</b>	<b>81,119</b>	<b>100,180</b>	<b>904,891</b>
<b>Total liabilities</b>	<b>108,492</b>	<b>134,442</b>	<b>1,214,363</b>
<b>Total equity and liabilities</b>	<b>873,695</b>	<b>998,992</b>	<b>9,023,512</b>

## Consolidated statement of profit or loss

	Year ended March 31, 2020	(Millions of yen) Year ended March 31, 2021	(Thousands of U.S. dollars) Year ended March 31, 2021
<b>Revenue</b>	¥333,371	¥297,177	\$2,684,290
Cost of sales	(56,782)	(52,523)	(474,426)
<b>Gross profit</b>	276,589	244,654	2,209,864
Selling, general and administrative expenses	(95,094)	(91,902)	(830,122)
Research and development expenses	(47,949)	(54,249)	(490,018)
Amortization of intangible assets associated with products	(3,255)	(3,209)	(28,987)
Other income	4,291	26,403	238,490
Other expenses	(3,951)	(4,257)	(38,456)
<b>Operating profit</b>	130,628	117,438	1,060,772
Finance income	30,504	26,522	239,564
Finance costs	(2,616)	(941)	(8,504)
<b>Profit before tax</b>	158,516	143,018	1,291,833
Income tax expense	(36,322)	(30,956)	(279,622)
<b>Profit</b>	122,194	112,061	1,012,210
<b>Profit attributable to</b>			
Owners of parent	122,193	111,858	1,010,377
Non-controlling interests	1	203	1,834
<b>Profit</b>	122,194	112,061	1,012,210
<b>Earnings per share</b>		(Yen)	(U.S. dollars)
Basic earnings per share	395.71	365.03	\$3.30
Diluted earnings per share	395.28	364.89	3.30

## Consolidated statement of comprehensive income

	Year ended March 31, 2020	(Millions of yen) Year ended March 31, 2021	(Thousands of U.S. dollars) Year ended March 31, 2021
<b>Profit</b>	¥122,194	¥112,061	\$1,012,210
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss			
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(62,544)	(4,677)	(42,253)
Remeasurements of defined benefit plans	503	(96)	(871)
Total of items that will not be reclassified to loss	(62,040)	(4,774)	(43,124)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	(26,247)	36,049	325,624
Effective portion of cash flow hedges	2,474	(5,828)	(52,644)
Total of items that may be reclassified to profit or loss	(23,772)	30,221	272,980
Total other comprehensive (loss) income, net of tax	(85,813)	25,447	229,856
<b>Comprehensive income</b>	36,381	137,509	1,242,066
<b>Comprehensive income attributable to</b>			
Owners of parent	36,594	137,407	1,241,150
Non-controlling interests	(213)	101	916
<b>Comprehensive income</b>	36,381	137,509	1,242,066

## Consolidated statement of changes in equity

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance as of April 1, 2019</b>	¥21,279	¥21,277	¥(28,882)	¥613,483	¥181,616	¥808,774	¥ 4,313	¥813,087
Profit				122,193		122,193	1	122,194
Total other comprehensive income, net of tax					(85,598)	(85,598)	(214)	(85,813)
Comprehensive income	—	—	—	122,193	(85,598)	36,594	(213)	36,381
Purchase of treasury shares			(50,012)			(50,012)		(50,012)
Disposal of treasury shares		(509)	1,602			1,092		1,092
Dividends				(31,134)		(31,134)		(31,134)
Increase by business combination						—	682	682
Changes in ownership interest in subsidiaries		(162)				(162)	(4,779)	(4,942)
Transfer from other components of equity to retained earnings				4,169	(4,169)	—		—
Other		420		(420)		0	49	49
<b>Balance as of March 31, 2020</b>	21,279	21,025	(77,292)	708,291	91,848	765,152	51	765,203
Profit				111,858		111,858	203	112,061
Total other comprehensive income, net of tax					25,548	25,548	(101)	25,447
Comprehensive income	—	—	—	111,858	25,548	137,407	101	137,509
Purchase of treasury shares			(50,013)			(50,013)		(50,013)
Disposal of treasury shares		(4,705)	38,404			33,698		33,698
Cancellation of treasury shares		(30,912)	30,912			—		—
Dividends				(32,543)		(32,543)		(32,543)
Changes in scope of consolidation						—	10,696	10,696
Changes in ownership interest in subsidiaries		(7,593)				(7,593)	7,593	—
Transfer from other components of equity to retained earnings				71	(71)	—		—
Other		35,919		(35,430)	(488)	(0)		(0)
<b>Balance as of March 31, 2021</b>	21,279	13,733	(57,989)	752,248	116,836	846,108	18,442	864,550



	(Thousands of U.S. dollars)							
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of March 31, 2020	\$192,212	\$189,911	\$(698,152)	\$6,397,723	\$ 829,628	\$6,911,322	\$ 463	\$6,911,785
Profit				1,010,377		1,010,377	1,834	1,012,210
Total other comprehensive income, net of tax					230,774	230,774	(918)	229,856
Comprehensive income	—	—	—	1,010,377	230,774	1,241,150	916	1,242,066
Purchase of treasury shares			(451,753)			(451,753)		(451,753)
Disposal of treasury shares		(42,506)	346,893			304,388		304,388
Cancellation of treasury shares		(279,216)	279,216			—		—
Dividends				(293,952)		(293,952)		(293,952)
Changes in scope of consolidation						—	96,616	96,616
Changes in ownership interest in subsidiaries		(68,588)				(68,588)	68,588	—
Transfer from other components of equity to retained earnings				645	(645)	—		—
Other		324,445		(320,029)	(4,416)	(1)		(1)
Balance as of March 31, 2021	192,212	124,046	(523,796)	6,794,764	1,055,340	7,642,566	166,583	7,809,149

Consolidated statement of cash flows


	Year ended March 31, 2020	(Millions of yen) Year ended March 31, 2021	(Thousands of U.S. dollars) Year ended March 31, 2021
<b>Cash flows from operating activities</b>			
Profit before tax	¥158,516	¥143,018	\$1,291,833
Depreciation and amortization	14,115	14,779	133,494
Impairment losses	100	825	7,452
Finance income and finance costs	(29,233)	(25,836)	(233,370)
Decrease in trade and other receivables	21,371	2,993	27,036
Decrease (increase) in inventories	1,158	(3,435)	(31,032)
Decrease in trade and other payables	(5,747)	(2,380)	(21,506)
Other	(9,202)	(16,524)	(149,258)
<b>Subtotal</b>	151,078	113,438	1,024,649
Interest and dividends received	29,565	28,111	253,917
Interest paid	(348)	(256)	(2,314)
Income taxes paid	(48,354)	(32,254)	(291,341)
<b>Net cash provided by operating activities</b>	131,940	109,039	984,911
<b>Cash flows from investing activities</b>			
Payments into time deposits	(200,827)	(230,468)	(2,081,732)
Proceeds from withdrawal of time deposits	174,672	269,696	2,436,059
Purchase of property, plant and equipment	(8,945)	(28,182)	(254,559)
Proceeds from sale of property, plant and equipment	3,427	45	408
Purchase of intangible assets	(2,823)	(4,762)	(43,015)
Payments for acquisition of subsidiaries	(4,525)	(3,636)	(32,849)
Purchase of investments in associates	(4,252)	—	—
Purchase of investments	(99,630)	(120,478)	(1,088,237)
Proceeds from sale of investments	119,485	116,265	1,050,178
Other	(5,725)	(3,739)	(33,780)
<b>Net cash used in investing activities</b>	(29,144)	(5,261)	(47,528)
<b>Cash flows from financing activities</b>			
Repayments of lease liabilities	(3,544)	(3,648)	(32,957)
Purchase of treasury shares	(50,159)	(50,134)	(452,847)
Proceeds from sale of treasury shares	—	33,534	302,902
Dividends paid	(31,122)	(32,529)	(293,829)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(3,367)	(1,575)	(14,233)
Capital contribution from non-controlling interests	49	10,464	94,519
Other	(30)	(0)	(7)
<b>Net cash used in financing activities</b>	(88,174)	(43,891)	(396,452)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(1,560)	7,425	67,075
<b>Net increase in cash and cash equivalents</b>	13,060	67,312	608,007
<b>Cash and cash equivalents at beginning of period</b>	195,800	208,861	1,886,560
<b>Cash and cash equivalents at end of period</b>	¥208,861	¥276,173	\$2,494,567



# Environmental Data and Third-Party Assurance of Environmental Data

## Environmental Data

Shionogi calculates energy consumption and greenhouse gas (GHG) emissions using calorie conversion factors and CO<sub>2</sub> emission factors for fuels and electricity used each fiscal year.

GHG emissions and energy consumption data in fiscal 2020 marked with  were subject to third-party assurance by KPMG AZSA Sustainability Co., Ltd.

Indicators		Unit	2016	2017	2018	2019	2020
Greenhouse gas (GHG)*1	Total of Scope 1, 2 and 3	(Location-based) tons-CO <sub>2</sub>	355,504	287,356	209,171	226,883	200,519
		(Market-based) tons-CO <sub>2</sub>	349,397	286,898	204,031	218,614	194,129
	Total of Scope 1 and 2	(Location-based) tons-CO <sub>2</sub>	101,827	90,595	87,850	85,208	81,730
		(Market-based) tons-CO <sub>2</sub>	95,720	90,136	82,711	76,939	75,339
	Scope 1	tons-CO <sub>2</sub>	46,106	43,456	41,349	37,519	37,537
		(Intensity per unit of sales*2) tons-CO <sub>2</sub> /¥1 million	0.1361	0.1261	0.1124	0.1125	0.1263
	Scope 2	(Location-based) tons-CO <sub>2</sub>	55,721	47,139	46,501	47,690	44,193
		(Intensity per unit of sales*2) tons-CO <sub>2</sub> /¥1 million	0.1644	0.1368	0.1264	0.1431	0.1487
	Scope 2	(Market-based) tons-CO <sub>2</sub>	49,614	46,681	41,362	39,421	37,802
		(Intensity per unit of sales*2) tons-CO <sub>2</sub> /¥1 million	0.1464	0.1354	0.1124	0.1182	0.1272
	Total of Scope 3	tons-CO <sub>2</sub>	253,677	196,761	121,321	141,675	118,789
	Category 3	tons-CO <sub>2</sub>	3,015	2,876	2,798	5,732	5,710
	Other categories*3	tons-CO <sub>2</sub>	250,661	193,885	118,523	135,943	113,079
	Energy consumption*1	Total energy consumption	GJ	1,818,374	1,733,999	1,677,537	1,651,304
		(Intensity per unit of sales*2) GJ/¥1 million	5.366	5.031	4.559	4.953	5.601
Gasoline		kl	1,812	1,749	1,598	1,382	779
Other fuel oils (kerosene, light oil, heavy oil A)		kl	330	54	87	49	64
Liquefied petroleum gas (LPG)		tons	875	808	830	580	347
Liquefied natural gas (LNG)		tons	8,530	8,067	7,932	7,113	7,876
Town gas		thousand Nm <sup>3</sup>	6,978	6,860	6,138	5,771	5,786
Electricity		thousand kWh	94,428	90,497	89,107	93,245	92,111
Steam		GJ	0	0	0	15,863	29,372

\*1 Effective from fiscal 2020 results, UMN Pharma, Inc. has been included in the calculation. However, Nagase Medicals Co., Ltd., which became a consolidated subsidiary in October 2020, is not included in the calculation for fiscal 2020.

\*2 Intensity per unit of sales based on International Financial Reporting Standards (IFRS) is calculated from fiscal 2018 results. (On and before fiscal 2017, the Company calculated the unit of sales based on Japanese GAAP)

\*3 UMN Pharma, Inc. and Nagase Medicals Co., Ltd. are not included in the calculation for fiscal 2020.

## Calculation methods for environmental performance data

Boundary of calculation	Scope 1 and 2:	Shionogi Group (excluding overseas subsidiaries [administrative offices]): Shionogi Group companies in Japan (Nagase Medicals Co., Ltd. is not included in the calculation for fiscal 2020) and the Nanjing Plant of C&O Pharmaceutical Technology (Holdings) Limited
	Scope 3	Category 3: Shionogi Group companies in Japan (Shionogi & Co., Ltd. in or before fiscal 2018) (Nagase Medicals Co., Ltd. is not included in the calculation for fiscal 2020)
		Other category: Shionogi Group companies in Japan (Shionogi & Co., Ltd. in or before fiscal 2018) (UMN Pharma, Inc. and Nagase Medicals Co., Ltd. are not included in the calculation for fiscal 2020)
	Energy consumption:	Shionogi Group (excluding overseas subsidiaries [administrative offices]): Shionogi Group companies in Japan (Nagase Medicals Co., Ltd. is not included in the calculation for fiscal 2020) and the Nanjing Plant of C&O Pharmaceutical Technology (Holdings) Limited

## Calculation methods


Indicators	Calculation methods
Scope 1	CO <sub>2</sub> emissions resulting from fuel use Calculation methods: Based on the "Greenhouse Gas Emissions Accounting and Reporting Manual (Ver. 4.7)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan CO <sub>2</sub> emission factors: Based on the "Greenhouse Gas Emissions Accounting and Reporting Manual (Ver. 4.7)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan
Scope 2	CO <sub>2</sub> emissions resulting from purchase of electricity and steam Calculation methods: Based on the "Greenhouse Gas Emissions Accounting and Reporting Manual (Ver. 4.7)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan CO <sub>2</sub> emission factors: Electricity (Japan) (location-based): National average emission factors from "Emission Factors by Power Suppliers (for the calculation of GHG emissions by specified emitters) (FY2019 results)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan (January 7, 2021) Electricity (Japan) (market-based): Adjusted emissions factors from "Emission Factors by Power Suppliers (for the calculation of GHG emissions by specified emitters) (FY 2019 results)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan (January 7, 2021) Electricity (overseas) (both location-based and market-based): Emissions Factors (2016) of the International Energy Agency (IEA) Steam (both location-based and market-based): Emissions factors from the "Greenhouse Gas Emissions Accounting and Reporting Manual (Ver. 4.7)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan
Scope 3	Category 3 CO <sub>2</sub> emissions resulting from procurement of fuels required for the generation of electricity purchased Calculation methods: Based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.3)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan, calculated using "7. Emission Unit Values per Use of Electricity and Heat" in the "The Database on Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.1)" of the Ministry of the Environment of Japan
	Other categories Total of Categories 1, 2, 4, 5, 6, 7 and 12, excluding Categories 8, 9, 10, 11, 13, 14 and 15 that are not included in our own corporate activities or are reported under other categories Calculation methods: Based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver.2.3)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan
	Total energy consumption Total calorie-converted values for purchased energy (gasoline, other fuel oils, LPG, LNG, town gas, electricity, steam) Calculation methods: Based on the Regulations for Enforcement of the Act on the Rational Use of Energy Calorie conversion factors: Based on the Regulations for Enforcement of the Act on the Rational Use of Energy
Energy consumption	Gasoline Amount of gasoline purchased, including fuel for sales force vehicles
	Other fuel oils Amount of kerosene, light oil, heavy oil A purchased
	Liquefied petroleum gas (LPG) Amount of LPG purchased from gas suppliers
	Liquefied natural gas (LNG) Amount of LNG purchased from gas suppliers
	Town gas Amount of town gas purchased from gas suppliers
	Electricity Amount of electricity purchased from power suppliers
	Steam Amount of steam purchased from steam suppliers

## Independent Assurance Report



### Independent Assurance Report

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

We were engaged by Shionogi & Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental performance indicators marked with "" (the "Indicators") for the period from April 1, 2020 to March 31, 2021 included in its SHIONOGI INTEGRATED REPORT 2021 (the "Report") for the fiscal year ended March 31, 2021.

### The Company's Responsibility

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

### Our Responsibility

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


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

### Conclusion

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

### Our Independence and Quality Control

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

  
KPMG AZSA Sustainability Co., Ltd.  
Osaka, Japan  
October 14, 2021



	Mar. 31, 2017	Mar. 31, 2018	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2021	Remark
Information on the number of employees  (Information about only Shionogi & Co., Ltd. unless otherwise stated)	No. of employees					
	Consolidated	5,511 persons	5,120 persons	5,233 persons (4,554 persons)	5,222 persons (4,527 persons)	The figure in parentheses is calculated for domestic consolidated companies.
	Shionogi & Co., Ltd.	3,911 persons	3,677 persons	3,596 persons	2,667 persons	
	Rate of female employees	28.8%	27.8%	28.1% (32.2%)	24.1% (32.2%)	The figure in parentheses is calculated for domestic consolidated companies.
	Average age					
	Total	41.7 years old	41.4 years old	41.7 years old	41.3 years old	Excluding seconded persons
	Male	42.2 years old	41.9 years old	42.2 years old	41.9 years old	
	Female	40.6 years old	40.0 years old	40.4 years old	39.2 years old	
	Length of service					
	Total	17.4 years	17.3 years	17.3 years	15.9 years	Excluding seconded persons
	Male	17.1 years	16.9 years	17.1 years	16.1 years	
	Female	18.1 years	17.4 years	17.8 years	15.0 years	
	Average salary	9,276,750 yen	9,193,748 yen	9,042,130 yen	9,431,304 yen	
	No. of new recruits					
	Total	91 persons	110 persons	101 persons	94 persons	Recruits who will enter the company on April 1 of the following fiscal year
Information on labor management  (Shionogi & Co., Ltd.)	Male	61 persons	71 persons	59 persons	56 persons	
	Female	30 persons	39 persons	42 persons	38 persons	
	Turnover rate of recruits enrolled for three years	6.5%	6.5%	3.0%	4.5%	Recruit who entered the company on April 1 three years ago
	Turnover rate of employees	1.4%	1.9%	1.6%	1.9%	Excluding retired persons
	No. of labor union members	2,948 persons Rate of union members: 100%	2,758 persons Rate of union members: 100%	3,012 persons Rate of union members: 100%	2,806 persons Rate of union members: 100%	2,728 persons Rate of union members: 100%
	Employment rate of people with disabilities	2.3%	2.2%	2.0% (2.5%)	2.0% (2.6%)	As of the end of March. The figure in parentheses is calculated for special cases in affiliated companies. Shionogi Smile Heart Co., Ltd. established in April 2018 and certified as a special subsidiary company in July 2018.
	No. of female managers	51 persons	47 persons	40 persons (63 persons)	39 persons (68 persons)	As of April 1 of the following fiscal year. The figure in parentheses is calculated for domestic consolidated companies.
	Rate of female managers	8.4%	8.0%	9.9% (10.0%)	10.7% (11.4%)	As of April 1 of the following fiscal year. The figure in parentheses is calculated for domestic consolidated companies. Target: 10% (Domestic consolidation at the end of March 2021)
	Rate of female heads of organizations	6.7%	7.7%	8.6%	14.3%	As of April 1 of the following fiscal year
	Rate of female corporate officers	2/12 16.7%	1/14 7.1%	1/13 7.7%	0/10 0.0%	As of April 1 of the following fiscal year
	Rate of female members of the Board	16.7%	16.7%	16.7%	16.7%	As of April 1 of the following fiscal year
	Annual regular working hours for employees	1,860 hours	1,860 hours	1,852 hours	1,845 hours	
	No. of paid holidays	Up to 24 days	Up to 24 days	Up to 24 days	Up to 21 days	The number of legal annual holidays based on the Labor Standards Act is up to 20 days.
	Average No. of paid holidays taken by employees	13.6 days	12.0 days	12.5 days	12.6 days	
	Acquisition rate of childcare leave					
Health  (Shionogi & Co., Ltd.)	Female	100%	100%	100%	100%	Rate of employees who have taken childcare leave during the year when their baby was born
	Male	17.4%	21.0%	24.2%	32.8%	
	No. of employees who have taken nursing care leave					
	Female	4 persons	4 persons	2 persons	4 persons	Total number
	Male	0 persons	0 persons	0 persons	1 persons	
	No. of employees who have worked on short work hours due to child rearing					
	Female	173 persons	162 persons	119 persons	136 persons	Total number
	Male	2 persons	1 persons	1 persons	1 persons	
	Volunteer leave	0 persons	1 persons	0 persons	1 persons	
	Leave for bone marrow transplant donors	1 persons	0 persons	0 persons	1 persons	
	Frequency rate	0.25	0.39	0.81	0.19	
	Severity rate	0.004	0.003	0.018	0.0002	
	Legal violation / Administrative guidance	0 case	0 case	0 case	0 case	
	Smoking rate	17.1%	16.4%	15.2%	14.2%	
	Rate of stress check attendance	94%	94%	96%	95%	
Environment  (Domestic consolidated companies)	Participation rate in a healthy walk	35.4%	42.2%	41.5%	41.5%	
	Rate of health checkup attendance	100%	100%	100%	100%	
	Rate of employees on leave due to mental disorders	0.5%	0.4%	0.4%	0.5%	
	GHG emissions (Scope 1 and 2)	95,720 tons-CO <sub>2</sub>	90,136 tons-CO <sub>2</sub>	82,711 tons-CO <sub>2</sub>	76,939 tons-CO <sub>2</sub>	75,339 tons-CO <sub>2</sub>
	Total energy consumption (Thousand)	1,818 GJ	1,734 GJ	1,678 GJ	1,651 GJ	1,665 GJ
	Water use (Thousand)	1,528 m <sup>3</sup>	1,389 m <sup>3</sup>	1,315 m <sup>3</sup>	1,263 m <sup>3</sup>	1,217 m <sup>3</sup>
	Amount of waste generated	3,820 tons	3,486 tons	3,824 tons	3,062 tons	4,180 tons
	Recycling rate	79%	78%	81%	83%	87%
	Landfill rate	1.3%	1.0%	0.8%	1.0%	0.6%
	Type 1 chemicals designated under the PRTR Act					
	Amount handled	289 tons	251 tons	274 tons	203 tons	257 tons
	Amount released	63 tons	35 tons	43 tons	34 tons	94 tons
	Amount transferred	148 tons	177 tons	156 tons	131 tons	114 tons
	No. of complaints about the environment	1 case	2 cases	1 case	0 case	0 case
	Number of disciplinary dismissals of employees due to violations of laws for the prevention of corruption and bribery*	—	—	0 case	0 case	0 case
Compliance  (Domestic consolidated companies)	Costs related to fines, punishments, and settlements of violations of laws for the prevention of corruption and bribery*	—	—	0 yen	0 yen	0 yen
	Market capitalization (Shionogi & Co., Ltd.)	¥1,891.9 billion	¥1,743.8 billion	¥2,170.5 billion	¥1,684.4 billion	¥1,854.6 billion
	Donations (consolidated)	¥1,031 million	¥1,020 million	¥949 million	¥1,065 million	¥1,069 million
	Code of Conduct Rate of digital signature*					100%
	Code of Conduct Rate of training participation*					100%
Other						

Corporate Data (As of March 31, 2021)

Company Name	Shionogi & Co., Ltd
Established	March 17, 1878
Incorporated	June 5, 1919
Paid-in Capital	¥21,279 million
Number of Employees	5,485 (Consolidated)
Fiscal Year-End	March 31
Website	https://www.shionogi.com/global/en/

Stock Information (As of March 31, 2021)

■ Stock (Securities) Listings:

Tokyo (#4507) (Shares listed in 1949)

■ Stock Status:

Common Stock Authorized: 1,000,000,000 shares

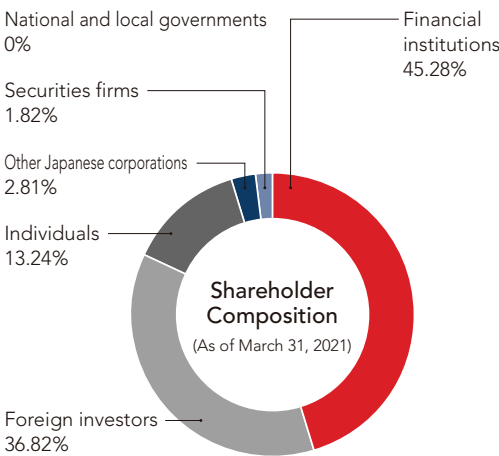
Issued: 311,586,165 shares

(Including 10,122,444 shares of treasury stock)

Note: On April 6, 2020, the Company cancelled 5,200 thousand shares of treasury stock.

Number of shareholders: 56,510

■ Shareholder Composition



Note: Treasury shares included in Individuals.

■ Major Shareholders

Name	Number of shares (Thousands)	Percentage of total shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	41,349	13.71
Custody Bank of Japan, Ltd. (Trust account)	18,663	6.19
Sumitomo Life Insurance Company	18,604	6.17
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	9,485	3.14
JP MORGAN CHASE BANK 385632	9,287	3.08
Nippon Life Insurance Company	8,409	2.78
Custody Bank of Japan, Ltd. (Trust account 7)	7,484	2.48
BNYM TREATY DTT 15	6,982	2.31
BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED	6,356	2.10
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	4,820	1.59

Notes:  
1. The Company owns 10,122,444 shares of treasury shares but the Company is not included in the major shareholders listed above (top 10).  
2. The percentage of total is calculated as the proportion of shares to 301,463,721 shares of total issued stock (excluding 10,122,444 shares of treasury shares).



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