



# **2030 Vision and New Medium-Term Business Plan (FY2020 - FY2024)**

June 1, 2020



## Vision 2030

# Building Innovation Platforms to Shape the Future of Healthcare

**As Shionogi family we promise to:**

- **Imagine new ways to deliver innovation, and catalyze the formation of new healthcare platforms**
- **Create innovative products and deliver them worldwide compliantly with high quality at a fair price**
- **Embrace social responsibility and contribute to longer, healthier lives everywhere**

# Strategy to Achieve 2030 Vision



Strategy to achieve 2030 Vision

## STS2030

- **Shionogi Transformation Strategy 2030** -  
New growth achieved through business transformation

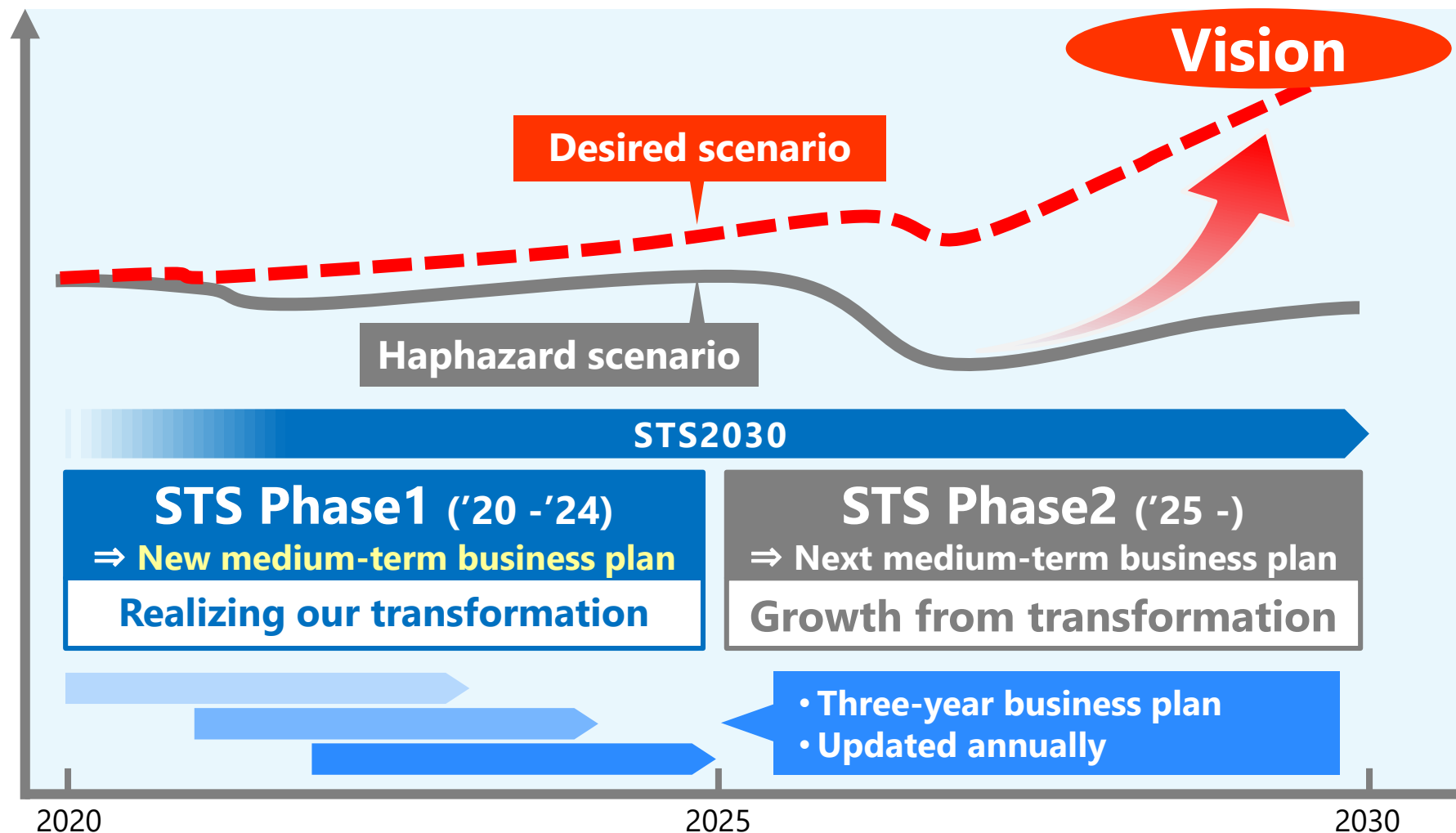


# Relationship between 2030 Vision and STS2030



What Shionogi **wants to accomplish and where we want to be** by 2030

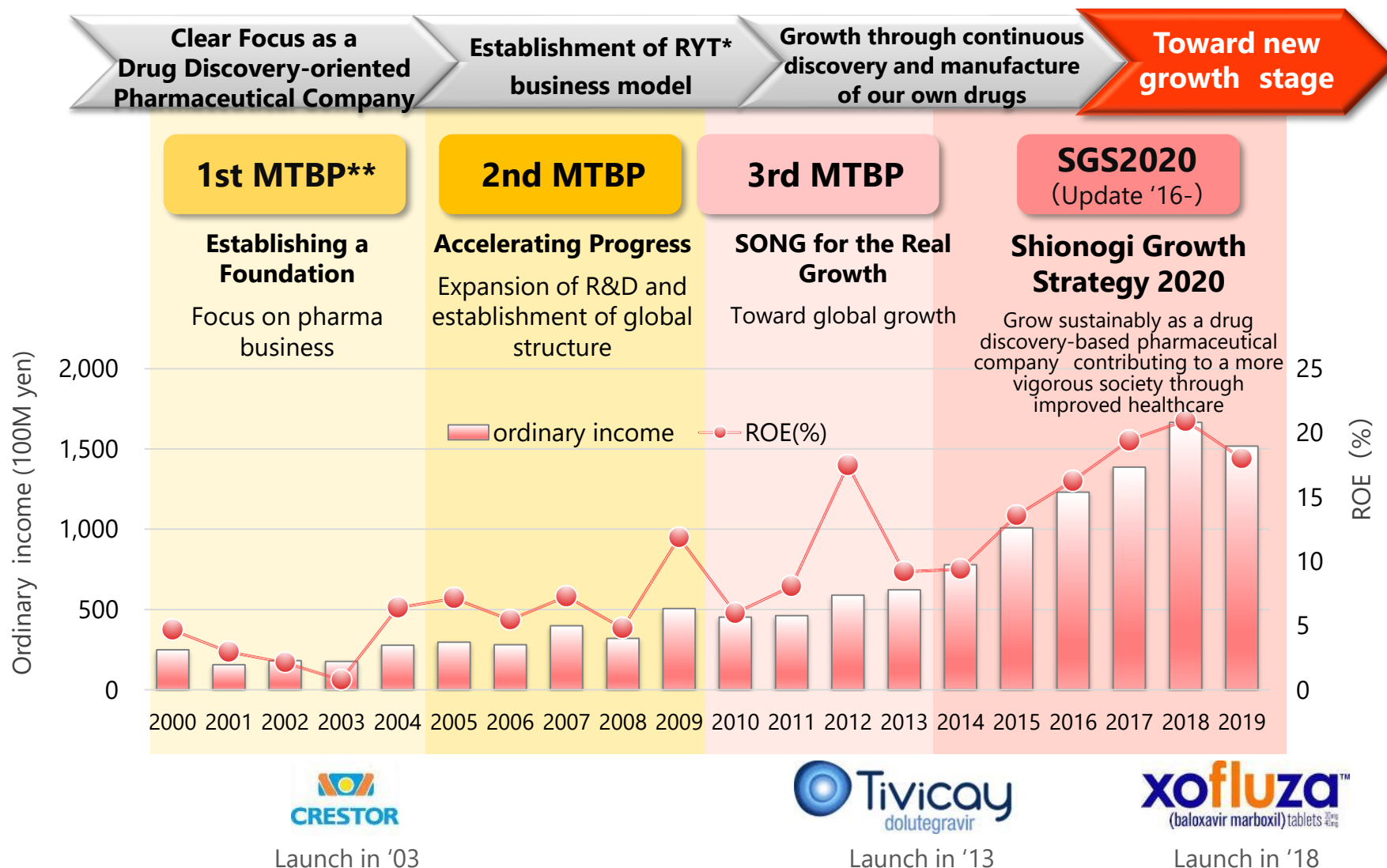
Profit



- I. Prior Medium-Term Business Plan: Review of SGS2020**
- II. Current Operational Environment**
- III. 2030 Vision and Strategy for Realization**
- IV. New Medium-Term Business Plan**
  - STS Phase1 (FY2020 – FY2024) -**
    - i. R&D Strategy**
    - ii. Top-Line Strategy**
    - iii. Management Foundation Strategy**

# **I. Prior Medium-Term Business Plan: Review of SGS2020**

# Shionogi's Growth History as a Drug-Discovery-oriented Pharmaceutical Company



# KPI Achievement



**Sales of new products did not attain the target, but the other main KPIs in SGS2020 were achieved**

			JGAAP		Ref. IFRS*4
	KPI	FY2020 Target (Update '16-)	FY2019 results	FY2018 results	FY2019 results
Growth	Sales of new products*1	200 B yen	62.9 B yen	83.1 B yen	62.1 B yen
	Ordinary Income	150 B yen	151.8 B yen	166.6 B yen	-
Efficiency	ROIC*2	Over 13.5%	13.8%	16.5%	14.9%
	CCC*3	5.5 months→ 7.0 months	7.7 months	8.9 months	7.7 months
	Original pipeline ratio	Over 50%	67%	69%	67%
Shareholder Return	ROE	Over 15.0%	18.0%	20.9%	15.5%
	DOE	Over 4.0%	4.7% (planned)	4.6%	4.0% (planned)

\*1 New Products were defined in Updates to SGS2020 issued on October 31, 2016 \*3 CCC : Cash Conversion Cycle

\*2 ROIC: Return on invested capital: After-tax operating income ÷ (Interest bearing debt + Shareholders' equity + Non-controlling interests) × 100 (%) \*4 IFRS are provisional values that have not been audited

For details of Conversion from JGAAP to IFRS (B/S), please refer to P.56



# SGS2020: Achievements And Remaining Issues



## [Achievements\*]

- **Continuous creation of in-house products**
  - ✓ Xofluza®, Mulpleta®, Symproic®, cefiderocol\*\*, cabotegravir\*\*\*
- **Strengthening of business operations**
  - ✓ Improvement of cost management
  - ✓ Global development of in-house products, launches in overseas markets
- **Achievement of main KPIs**
  - ✓ Ordinary income, efficiency KPIs, shareholder-return KPIs

## [Issues]

- **Growth of new products**
  - ✓ Cymbalta® and Intuniv® have achieved growth, but targets are unmet
  - ✓ Issues with information provision concerning Xofluza® have emerged (insufficient marketing capabilities overall)
- **Growth of overseas businesses**
  - ✓ US business: Targets not met for strategic products (Osphena®, Symproic®)
  - ✓ Still in process of establishing business infrastructure for the EU and China
- **Per-employee productivity**

“Growth of new products,” “growth of overseas businesses,” and “productivity improvement” remain pending tasks

## **II. Current Operational Environment**

# Changes in External Environment

## Society

- **Disruptions in social system and change in values**
  - Coronavirus and post-coronavirus as an exemplar
- **Rapid shifts in economic paradigms**
  - Increase in world's population, aging populations in advanced countries
  - Political instability
- **Actions to achieve Sustainable Development Goals (SDGs)**

## Pharmaceutical industry

- **Greater awareness of social security costs**
- **More sophisticated medical needs**
- **Innovation driven by technological advances and data utilization**
  - Emergence of Disruptive Innovation
  - Entry of non-pharma companies into the healthcare industry

## Customers

- **Changes in values concerning consumption**
  - From ownership to sharing, from goods to services, etc.
- **Narrowing of medical information gap**
  - Easier for patients to access medical information

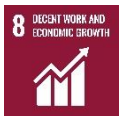
# Social Issues To Be Tackled By Shionogi



## Contribution to SDGs

### SUSTAINABLE DEVELOPMENT GOALS

- **SDGs that Shionogi can help to achieve**
  - **Goal 3: Good health and well-being**
  - Goal 8: Decent work and economic growth
  - Goal 9: Industry, innovation, infrastructure
  - Goal 12: Responsible consumption, production
  - Goal 17: Partnerships for the goals

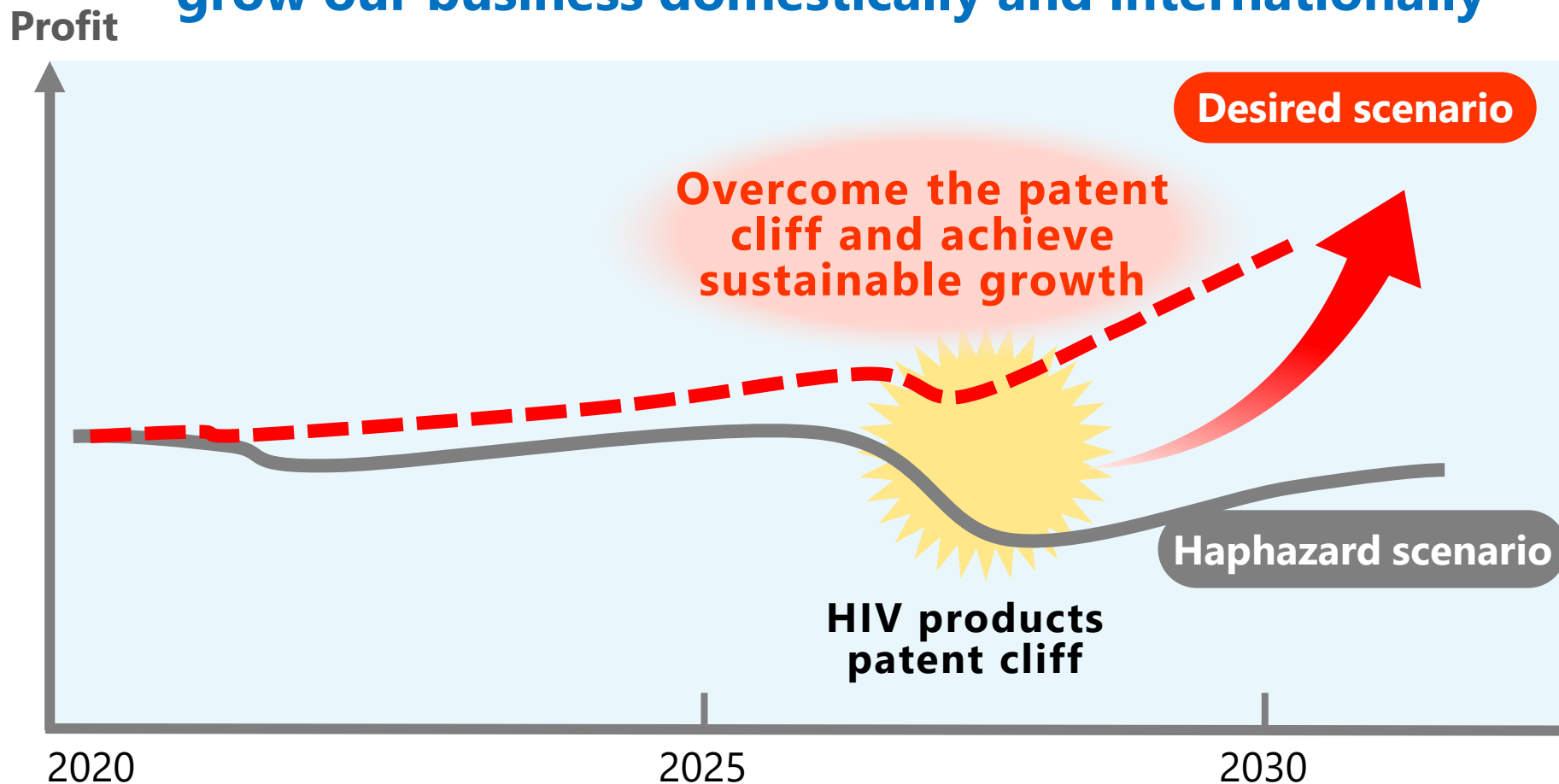


## Priority tasks

- **Protect people worldwide from the threat of infectious diseases**
  - **Develop infectious-disease-related products and communicate accurately about them**
  - Three major infectious diseases (HIV, TB, malaria)
  - AMR/viral infectious diseases (influenza, corona, etc.)
- **Improve social productivity and extend healthy lifespans**
  - **Contribute to increasing productivity**  
(address chronic pain, depression, etc.)
  - **Meet the needs of the super-aging society**  
(address dementia, cancer, etc.)
- **Contribute to sustainable social security**
  - **Provide medical care optimized for the individual**
  - **Deliver healthcare solutions at prices that are commensurate with their value**

# Important Internal Changes

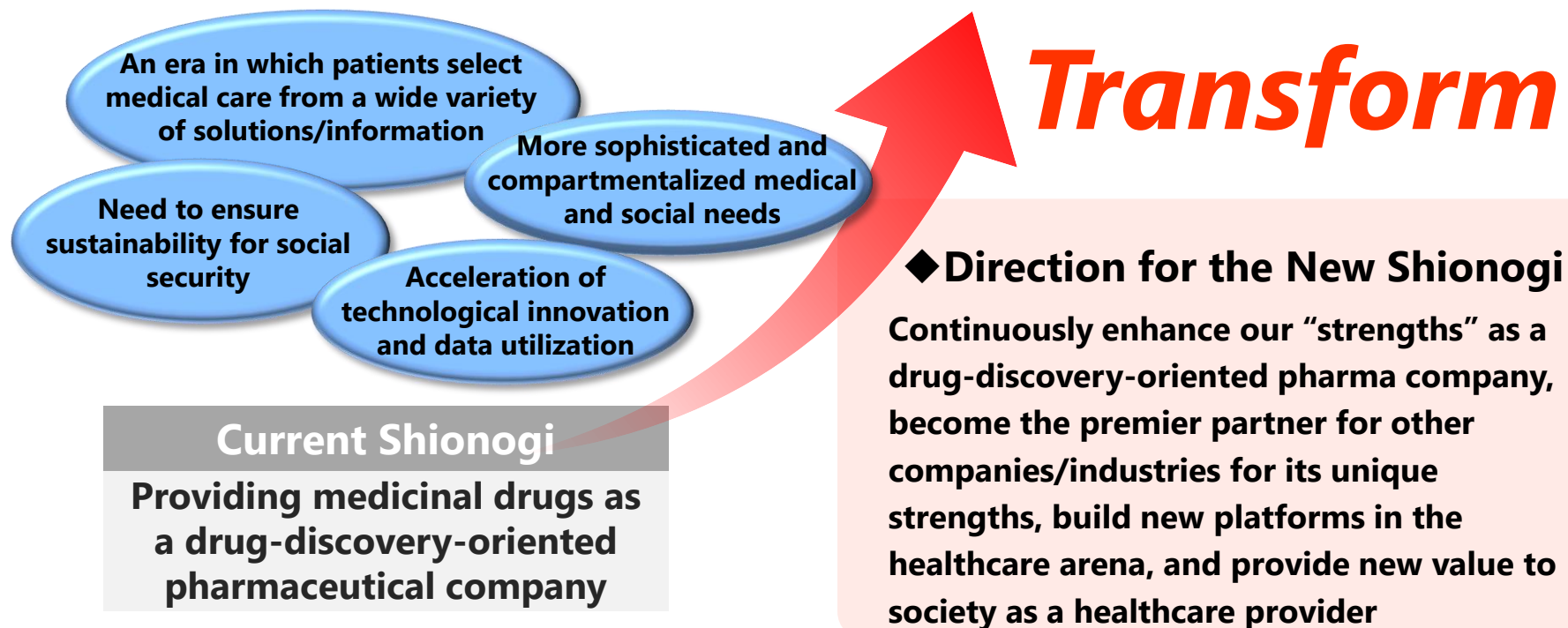
It is necessary to establish an innovative pipeline to overcome the patent cliff and to create new models to grow our business domestically and internationally



## Delivering value by providing healthcare as a service

(Healthcare as a Service : HaaS)

- Generate new value and solve problems faced by patients and society through collaborative invention with a diverse range of partners
- Augment the strengths we have acquired through the discovery and development of “medicinal drugs,” and leverage those strengths



# Utilizing our Capabilities in the Post-COVID-19 Era



**Deep expertise acquired as drug-discovery-oriented pharma company**

**Ability to execute with both speed and flexibility**

**During the COVID-19 pandemic, we are leveraging these capabilities and working with our partners to deliver timely solutions**

Development of a SARS-CoV-2 vaccine through joint research with the National Institute of Infectious Diseases

Drug-discovery research with Hokkaido University

Development of antibody-testing kit

## **Flexibly shift to post-COVID-19 stance**

- **Offer total infectious disease care spanning prevention to treatment**
- **Rapidly develop and offer solutions for the disorders likely to emerge in the post COVID-19 era, and thereby help to address the social consequences**

# **III. 2030 Vision and Strategy for Realization**



## Vision 2030

# Building Innovation Platforms to Shape the Future of Healthcare

**As Shionogi family we promise to:**

- **Imagine new ways to deliver innovation, and catalyze the formation of new healthcare platforms**
- **Create innovative products and deliver them worldwide compliantly with high quality at a fair price**
- **Embrace social responsibility and contribute to longer, healthier lives everywhere**

# Our Vision of Shionogi in 2030



## Shionogi in 2030

- **Continuously creating innovative products/services, with a well-established and rapidly-growing global business**
  - Expansion of business model
  - Maintenance of high profit margins and growth after overcoming the patent cliff
- **Continuing to offer solutions to health issues facing society**
  - Freedom from the threat of infectious diseases, better QOL, extension of healthy lifespans, contribution to sustainable social security, and contribution to achieving SDGs
- **Excellent business persons who never take a break from building their expertise and capabilities, leveraging their individual strengths and creating new value**

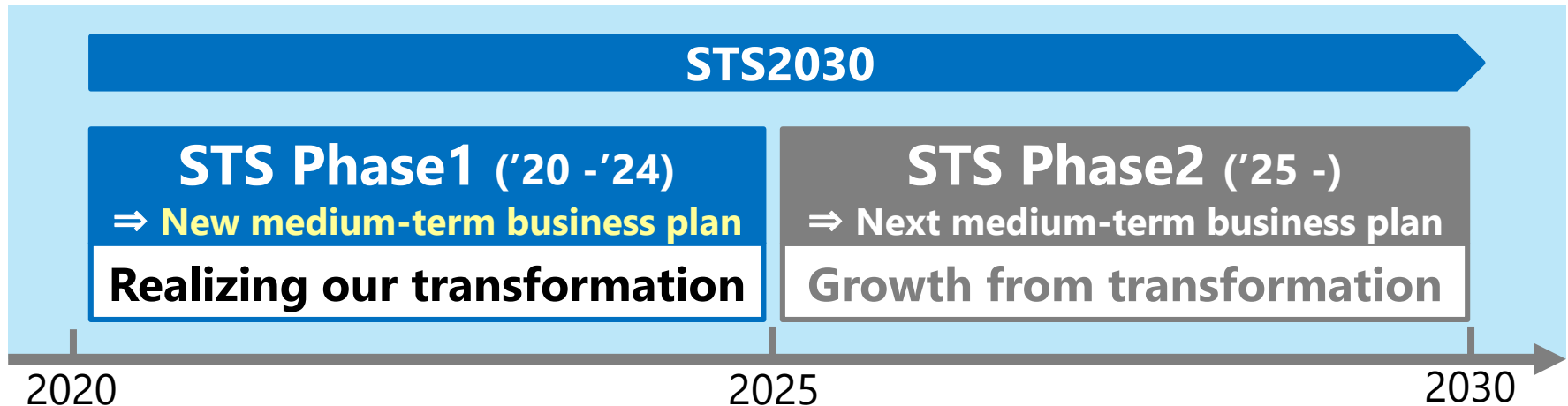
## Strategy to achieve 2030 Vision

# STS2030

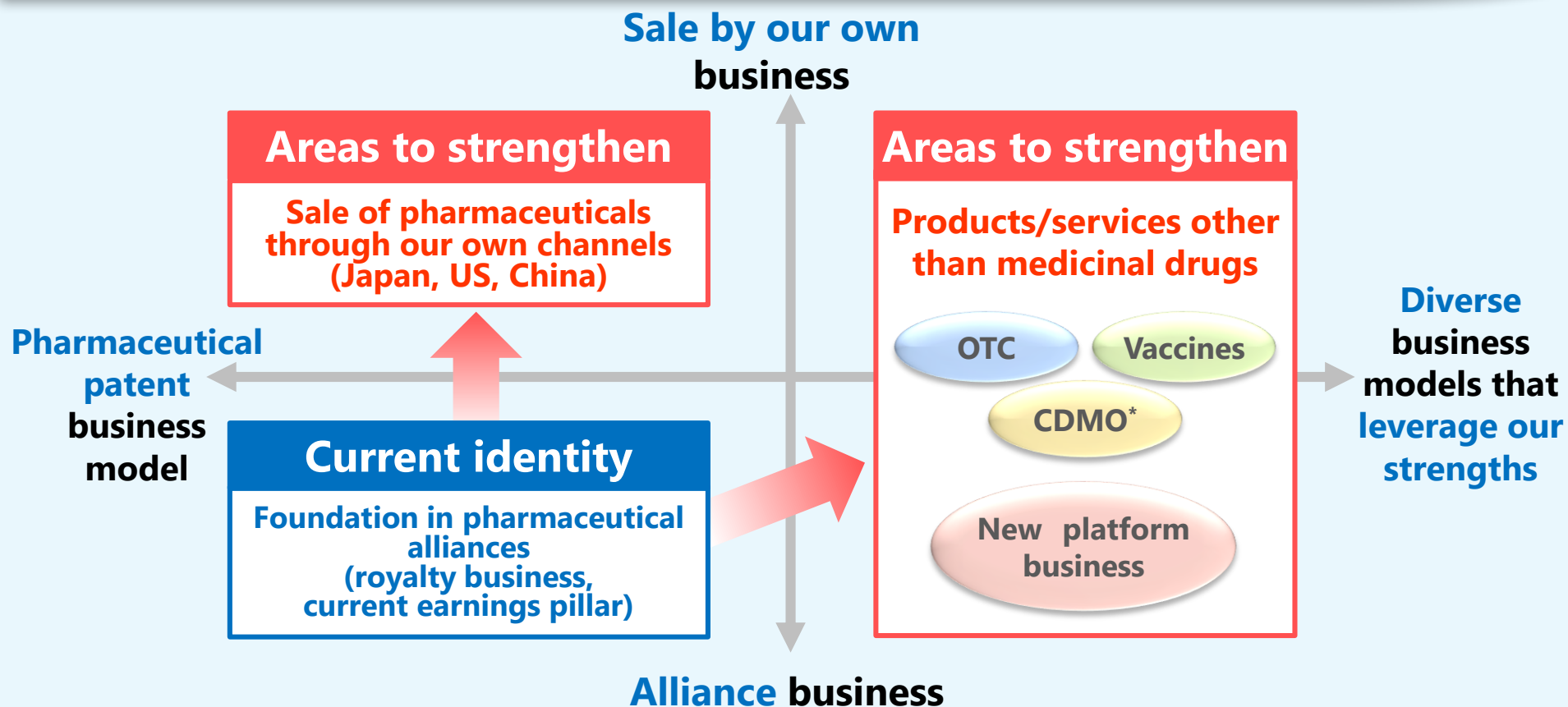
~ Shionogi Transformation Strategy 2030 ~

## A new growth strategy through business transformation

- Evolution from SGS (Growth) to STS (Transformation)



# STS2030 - Expansion Through Transformation of Business Models -



**Ensure both high profit margins and a stable financial foundation through multiple new business models**

- Balance our own sales capabilities with sales through alliance partners
- Balance “businesses that utilize patents” and “non-patent businesses that utilize strengths”

# **IV. New Medium-Term Business Plan**

## **- STS Phase1 (FY2020 - FY2024) -**

- i. R&D Strategy**
- ii. Top-Line Strategy**
- iii. Management Foundation Strategy**

# Basic Policy and Strategy for STS Phase1 of Medium-Term Business Plan



## STS Phase 1 Basic Policy

## Realize transformation to a new growth as a total healthcare company

### Three strategies for STS Phase1

#### New value creation

#### i. R&D strategy



#### Development of innovative pipeline

- Overcome the “2028 patent cliff” and develop multiple pipeline assets

#### ii. Top-Line Strategy



#### Business growth through creation of diverse businesses

- Strengthen our ability to sell our own products overseas
- Address social needs with new business models
- Build an foundation for new platform businesses

#### Infrastructure building

#### iii. Management Foundation Strategy



#### Building framework for new value creation

- Able to respond flexibly to sudden changes in external/internal environment
- Implement a fundamental internal transformation to establish a robust financial foundation

**Financial  
policy  
'20-'24**

**Determine investment criteria and invest in growth opportunities  
with clear rationale**

**Achieve both sustainable growth and shareholder returns**

## Flexible capital strategy

- **Business investment in new growth drivers: 500.0 B yen**
  - Expand overseas businesses
  - Invest in the launch of new businesses
- **Business investment to enhance the profitability of existing businesses**
  - R&D investment: Increase R&D investment by at least 20% during the period compared with the past five years
  - Build a portfolio of products for the domestic market
  - IT investment
- **Shareholder return policy through which shareholders can feel our growth**
  - Stable dividends
  - Enhance capital efficiency through share buybacks, cancellation of treasury shares, and unwinding of cross-shareholdings
  - Establish EPS, DOE, and ROE as related indicators

# Investment Appraisal Process

## Investment selection criteria

- Investment management based on the science and disease strategy.
- Investment assessment with IRR\* and hurdle rate.
- Determine a framework for investment in new businesses

## Investment verification

- **Verify all investments**
  - Medium- to long-term (5-10 years) unit
  - Direct/indirect costs
- **Verify investments in each business**

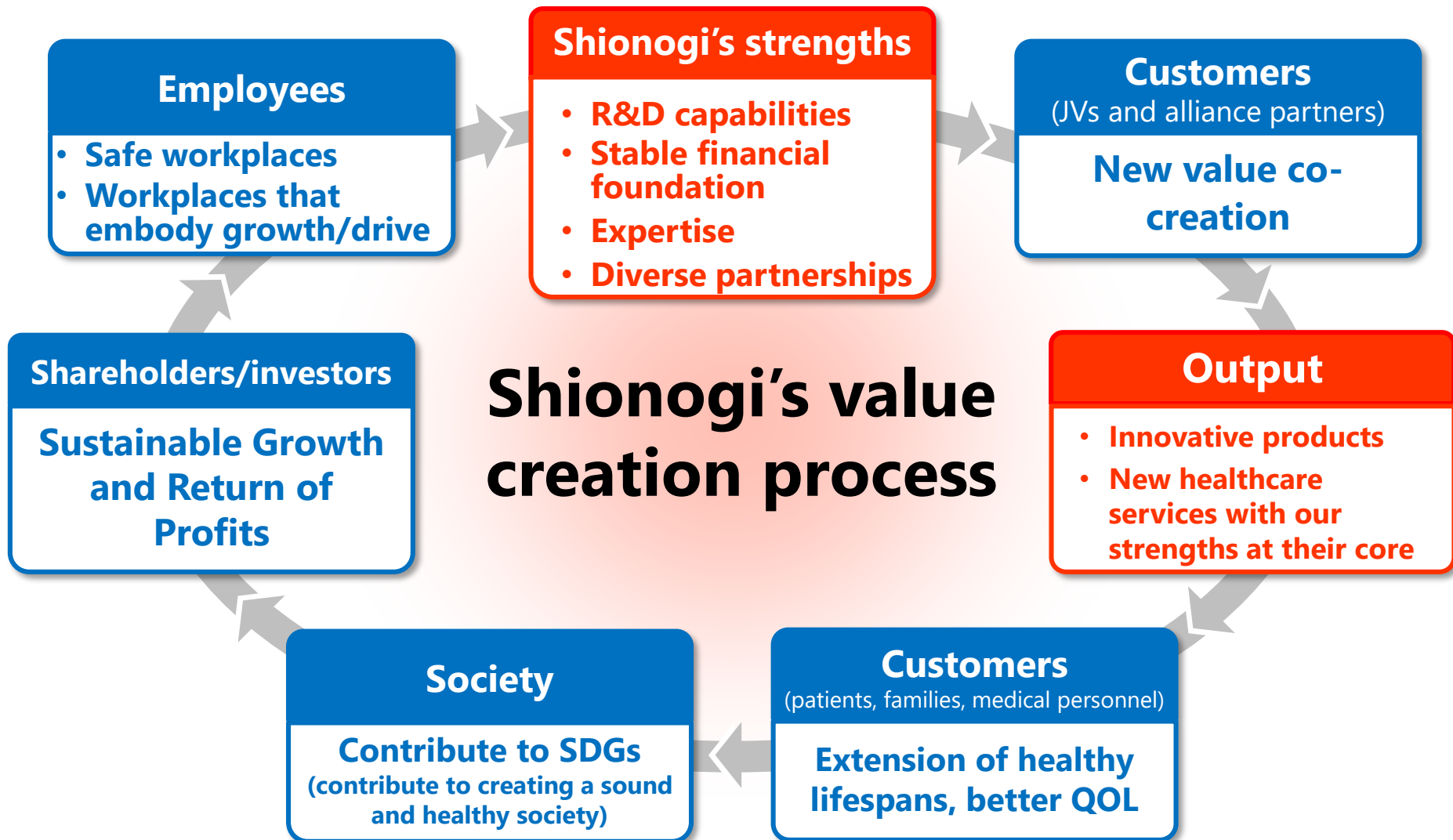
## Review investments and enhance precision

- ✓ Propose additional investments to successfully implement business plan
- ✓ Review resources (indirect costs)

**Appraise investments from a mid/long-term perspective and continuously improve investment effectiveness**



# Delivering Value to Stakeholders



# KPIs in the New Medium-Term Plan



- Continue to increase revenue and maintain an operating profit margin of at least 30% while investing sufficiently in R&D to deal with the patent cliff
- Define KPIs that demonstrate our return on investment from overseas sales
- High original pipeline ratio as a metrics which attracts potential business partners
- Define KPIs related to profitability and shareholder returns, and aim to return value to shareholders in a stable fashion

		KPI	FY2019	FY2020	FY2022	FY2024	FY2030
Growth		Revenue	333.3 B yen	323.5 B yen	400.0 B yen	<b>500.0 B yen</b>	600.0 B yen
		Core operating profit*	128.2 B yen	110.3 B yen	120.0 B yen	<b>150.0 B yen</b>	200.0 B yen
		Core operating profit margin	38.5%	34.1%	Over 30%	<b>Over 30%</b>	-
		Overseas sales ratio (excl. RYT)	18.5%	13.7%	Over 25%	<b>Over 50%</b>	-
		Original pipeline ratio	67%	Over 60%	Over 60%	<b>Over 60%</b>	-
Shareholder return		EPS	402 yen	Over 330 yen	Over 370 yen	<b>Over 480 yen</b>	-
		DOE	3.7%	Over 4%	Over 4%	<b>Over 4%</b>	-
		ROE	15.3%	Over 12.5%	Over 13%	<b>Over15%</b>	-

\* Core operating profit: Operating income adjusted for one-time factors (asset impairment, gains on sale of tangible assets, etc.)

IFRS (IFRS reclassified values, DOE and ROE for FY2019 are provisional values that have not been audited)

# Action to Address Needs of Society



## Protect people worldwide from the threat of infectious diseases

- **Help to tackle serious infectious diseases including AMR bacteria**
  - Sell/supply Shionogi's antimicrobial drugs such as cefiderocol globally
- **Develop drugs for the three major infectious diseases**
  - Conduct R&D aimed at conquering HIV, TB, and malaria
- **Battle new and re-emergent infectious diseases**
  - Supply test agents and develop vaccines/therapeutics for COVID-19\*<sup>1</sup> (new coronavirus)

## Improve social productivity and extend healthy lifespans

- **Contribute to improving social productivity**
  - Go beyond supplying medicines for pain and neuropsychiatric disorders to develop and deliver health services to provide comprehensive care from the pre-symptomatic stage to the recuperative stage
- **Contribute to the super-aging society**
  - Develop and deliver new solutions for patients with cognitive impairment
  - Offer new treatment options for cancer

## Contribute to sustainable social security · Improve access to healthcare

- **Provide medical care optimized for the individual to enhance economic efficiency in healthcare**
  - Develop new pharmaceuticals and diagnostic tools to deliver customized solutions for pain and neuropsychiatric disorders
- **Provide access to medical care that is not affected by economic conditions or disabilities**
  - Make anti-HIV drugs widely available through patent pool
  - Improve access to medical care in Kenya
  - Eliminate medication barriers faced by persons with disabilities

**Mother to Mother**  
SHIONOGI Project



**Execute a disease strategy that integrates business activities with CSR\*<sup>2</sup>/CSV\*<sup>3</sup> activities**

# **IV. New Medium-Term Business Plan**

## **- STS Phase1 (FY2020 - FY2024) -**

- i. R&D Strategy**
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# R&D Disease Strategy

For details of R&D strategy, please refer to the presentation materials for the FY2019 R&D Meeting



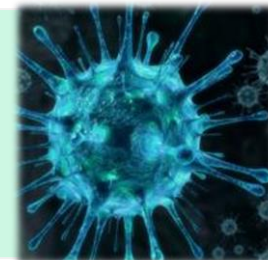
## R&D Disease Strategy

**While focusing on infectious and psycho-neurological diseases as our core fields, we will pursue other therapeutic areas with high social and medical need, while establishing a new R&D management system that enables flexible and clear prioritization.**

### Infectious diseases

#### **Provide total care for infectious diseases to meet social and healthcare needs**

- ✓ Provide new benefits to HIV/influenza patients
- ✓ Confront infectious diseases that pose a threat to society with top priority
- ✓ Contribute to global health by dealing with refractory infections, including three major infections and AMR



### Psycho- neurological diseases

#### **Paradigm shift in the treatment of psycho-neurological diseases**

- ✓ Realize optimal therapy through objective diagnosis/stratification
- ✓ Provide a wide range of treatment options through discovery of innovative drugs with new mechanism of action



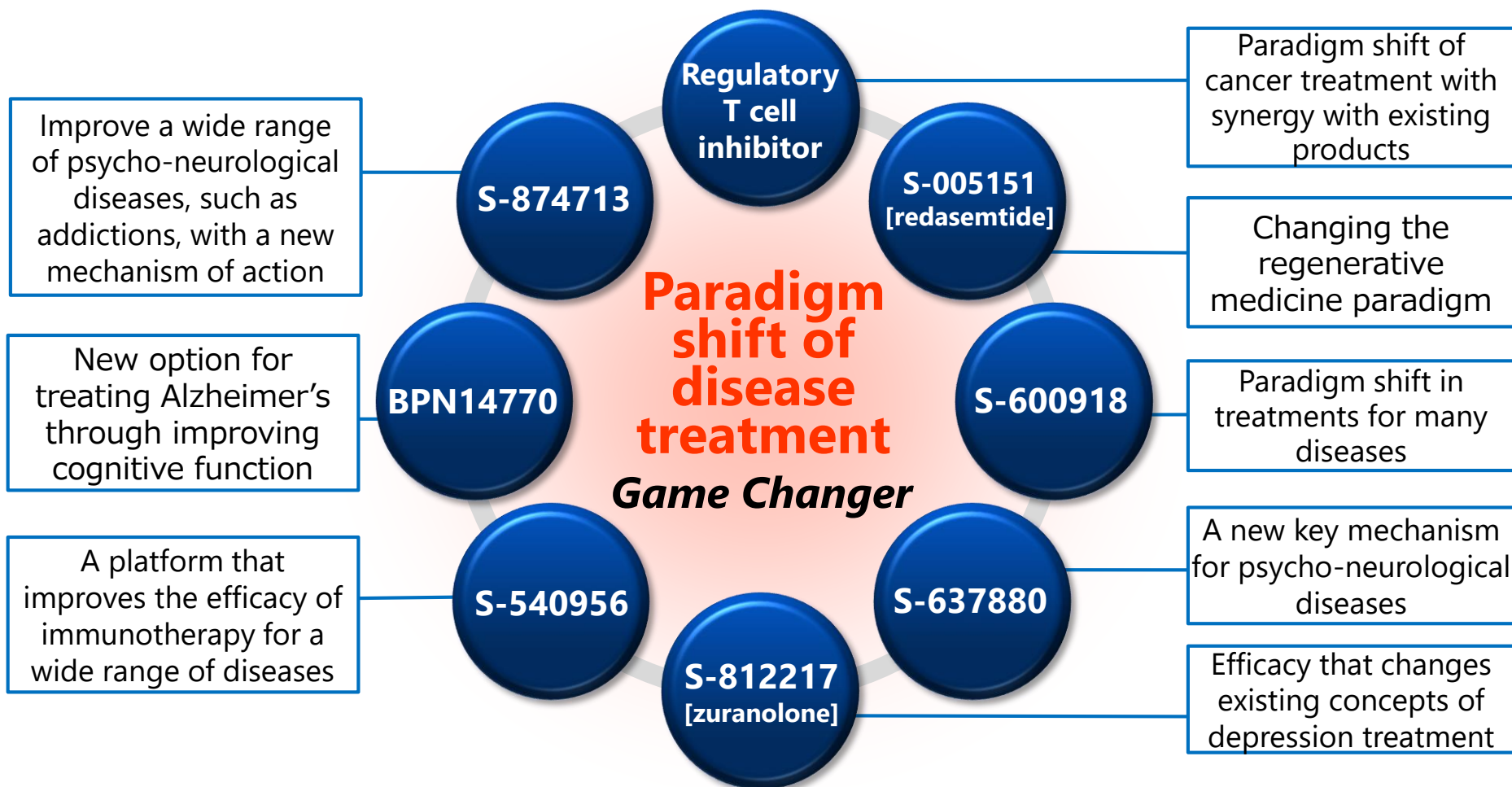
### New growth areas

#### **Address diseases with substantial unmet needs affecting many patients**

- ✓ Aggressively pursue disease areas with great social need, and to reshuffle priorities flexibly and rapidly according to the potential of "drug seeds"



# The Outcome We Envision from our Core Pipeline

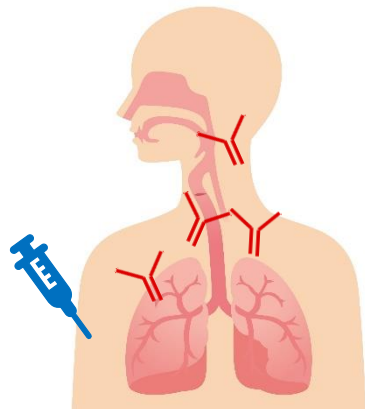


**Creating products and services for diseases  
with high unmet medical needs**

# Total Care for Infectious Diseases

Battle against the three major infectious diseases, influenza, refractory infections, and emerging infectious diseases

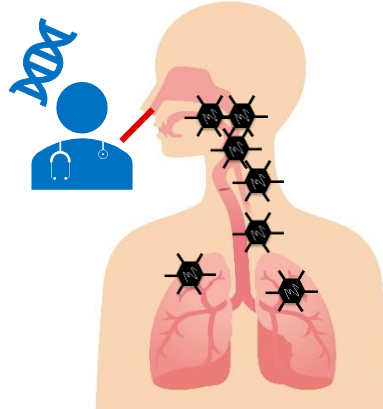
## Prevention



### Immunity acquisition

- Influenza vaccine development
- SARS-CoV-2 vaccine development

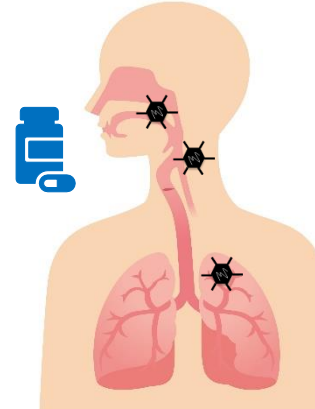
## Diagnosis



### Proper diagnosis

- Various diagnostic approaches for influenza
- Development of SARS-CoV-2 diagnostic kits

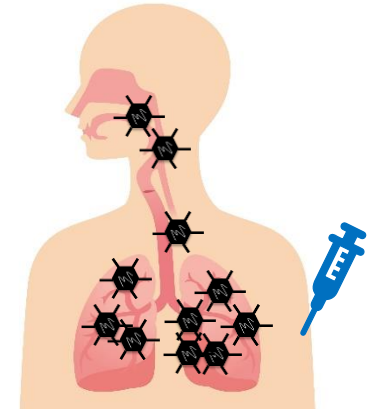
## Treatment



### Elimination/reduction of pathogens

- Pharmaceutical cure for HIV
- Therapeutics for malaria
- Therapeutics for TB
- Therapeutics for COVID-19

## Exacerbation suppression



### Control of host response

- Treatment / Severity prevention drug targeting host factors

Provide **total care for infectious diseases** to meet social and healthcare needs

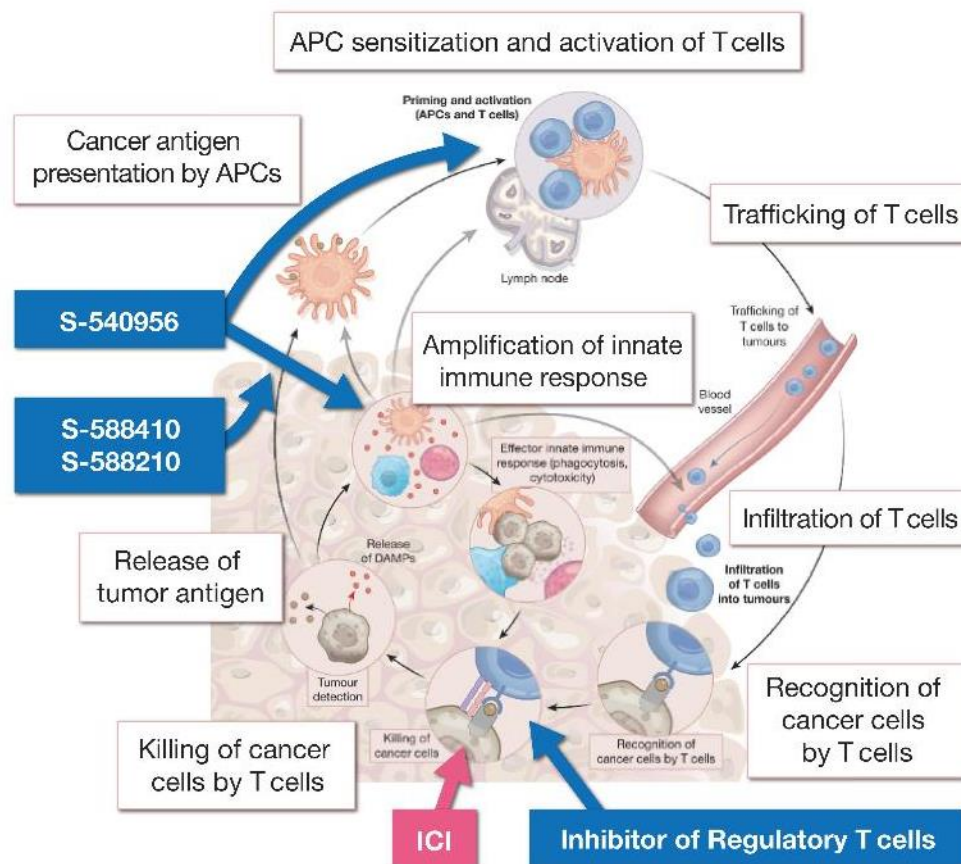


# Unique Immuno-Oncology Assets discovered by SHIONOGI



## Diverse modalities with different mechanisms

- **Cancer peptide vaccine**  
(S-588410, S-588210)
  - ✓ Inducing cancer-specific immune response and cancer cytotoxicity
- **Oligonucleotide-based TLR9 agonist** (S-540956)
  - ✓ Activating immune systems and enhances anti-tumor immunity
- **Anti-CCR8 antibody**  
(Regulatory T cell inhibitor)
  - ✓ Releasing cancer immunosuppressive mechanisms and exerting strong antitumor effects



## Building a cancer platform that enables various treatment approaches





# Strengthening LCM (Life Cycle Management) Strategy



## S-600918

Efficacy potential in a range of diseases through the P2X<sub>3</sub> receptor antagonism

### Refractory chronic cough

Phase 2b in progress

### Neuropathic back pain

Clinical testing notification submission (March 2020)

### Sleep apnea syndrome

Clinical testing notification submitted (March 2020)

### Pruritus

### Hypertension

For future study

## S-005151 (Redasemtide)

Efficacy potential in a range of diseases due to regenerative/anti-inflammatory action

### Epidermolysis Bullosa

Physician-led clinical testing completed

Confirmation of efficacy for epidermolysis bullosa (preliminary findings)

### Acute ischemic stroke

Phase 2 being conducted

Non-clinical testing: Effective if administered six hours after stroke

### Liver cirrhosis

### Knee osteoarthritis

### Cardiomyopathy

Preparations for physician-led clinical testing in progress

Pursuing based on evidence accumulated through non-clinical research by academia

## Execute an LCM strategy to maximize the value of compounds

# **IV. New Medium-Term Business Plan**

## **- STS Phase1 (FY2020 - FY2024) -**

- i. R&D Strategy
- ii. Top-Line Strategy**
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**Top-line  
strategy**

**Implement an optimal strategy in each area**

## ① Disease strategy

- **Priority diseases: infectious diseases and CNS/pain**
- **Total care for the disease through a variety of approaches centered on therapeutic drugs**

## ② Global strategy

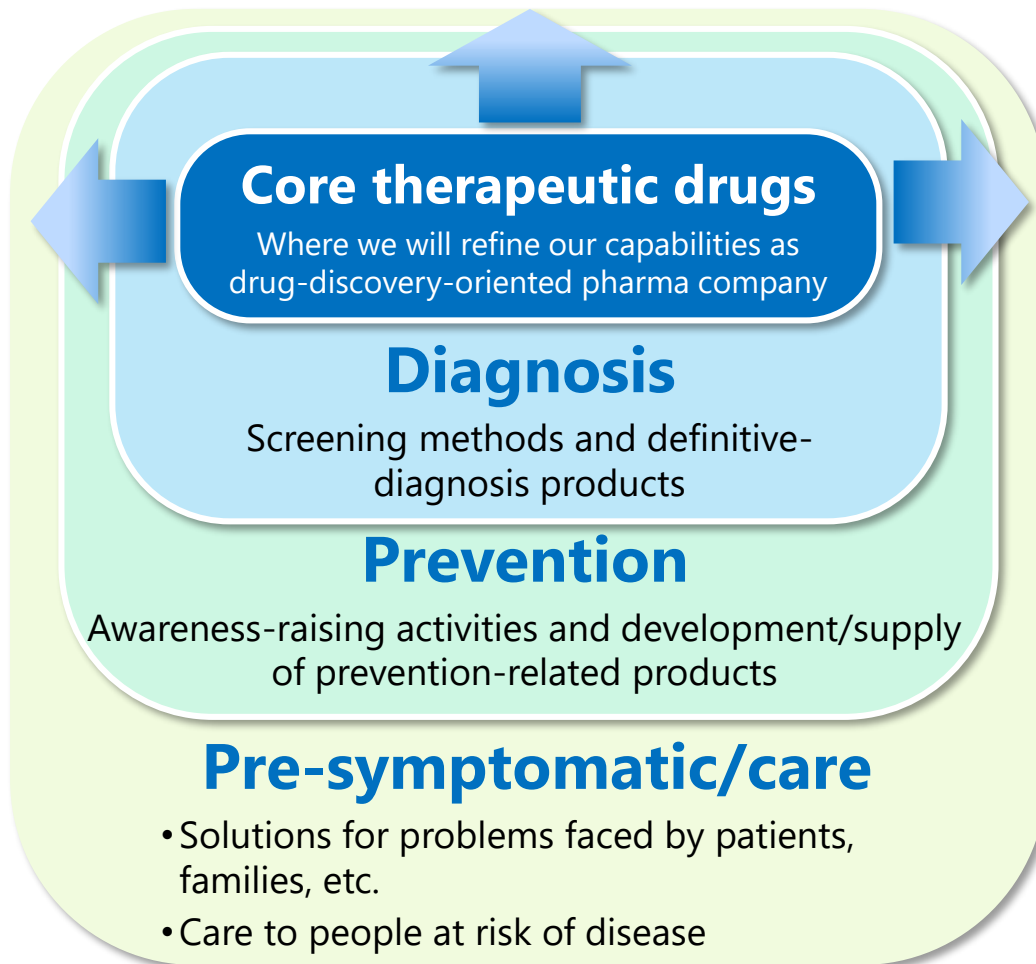
**Target areas: Japan, US, and China**

## ③ Partnering strategy

**Establish flexible partnerships for each area and disease**

# ① Approach to Disease Strategy

With therapeutic drugs (our strongpoint) at the core, provide a full scope of care through a variety of approaches



## Infectious diseases

Provide mechanisms/solutions that protect people from the threat of infectious diseases

## CNS/Pain

Build a platform covering everything from prevention/diagnosis to optimal treatment

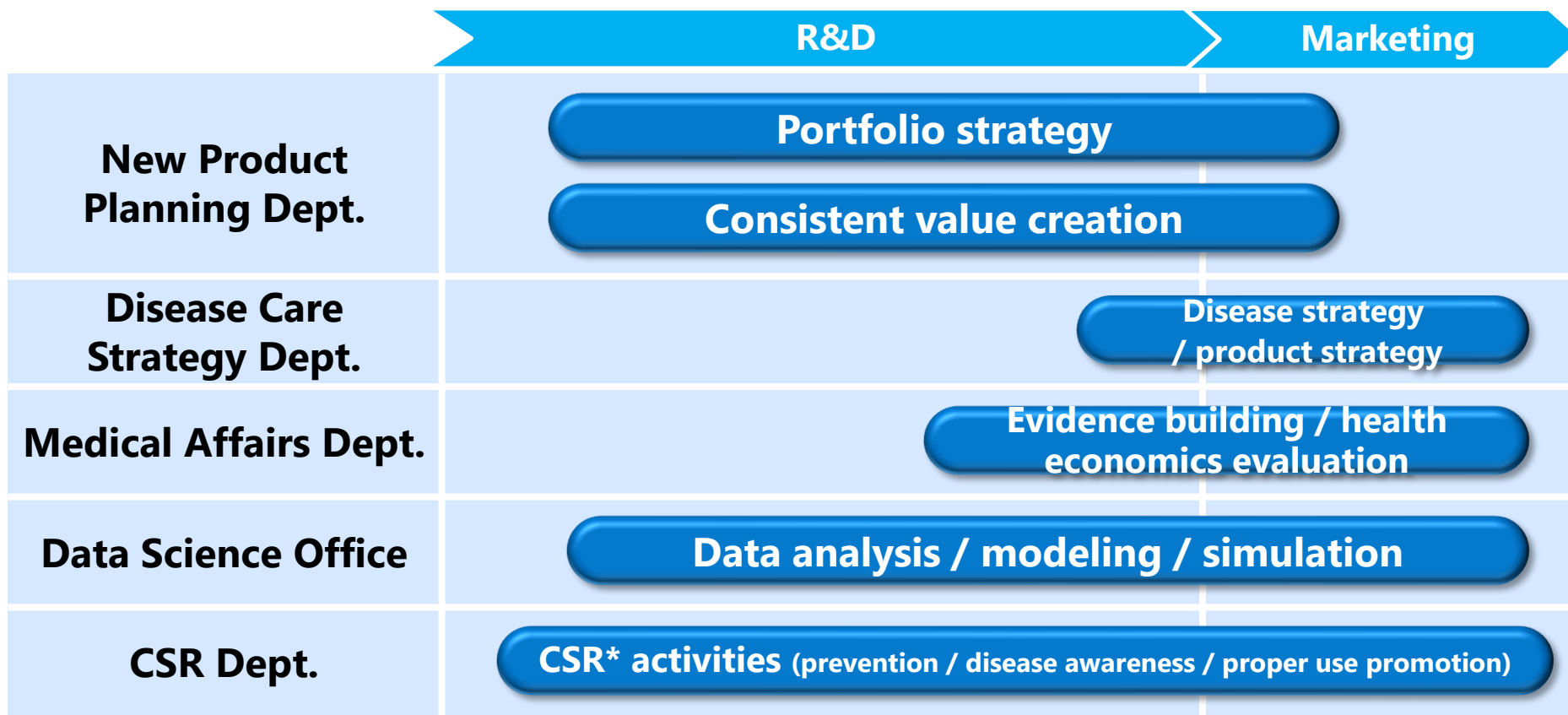
# ① Establishment of Integrated Disease Care Division

## - Execute Disease Strategy -



**Structured to effectively deliver required products/information to more people globally**

➤ Cross-value chain, customer-oriented, evidence-focused, data-driven



## ② Global Strategy



### Japan

#### **Improve productivity, and pursue new business models**

- Expansion through implementation of influenza disease strategy (building a new platform)
- Execution of ADHD disease strategy
- Entry into the vaccine business: First Japan, then the world



### US

#### **Toward the Source of Growth: Swiftly establish a significant and expanding sales contribution**

- Establish a sustainable and profitable hospital /specialty business
- Growth from M&A and new business models



### China

#### **Endeavor to offer new healthcare solutions based on data and AI utilization**

- Establishment of business foundation through collaboration with Ping An
- Acceleration of expansion across Asia with China as the pivot

## ② Japan Business Strategy



Japan  
business  
vision

**Become an indispensable partner in  
infectious diseases and CNS/pain**

➤ **Emphasize customer access and understanding  
to solve healthcare problems**

### **Execute disease strategy**

- **Establish Integrated Disease  
Care Division**

- By building a platform for priority diseases, provide total care from prevention/pre-symptomatic to treatment and recuperation

### **Rebuild domestic sales structure**

- **Information-delivery methods  
tailored to each customer**

- MRs: Have a comprehensive understanding of patients and the knowledge/skills that make customers choose them as a advisor
- Enhance customer access through a digital approach
- Improve productivity through increased expertise and efficiency

**Expand sales of new drugs, especially for influenza  
(Xofluza® etc.) and ADHD (Intuniv® etc.)**

## ② Platform Business in Japan

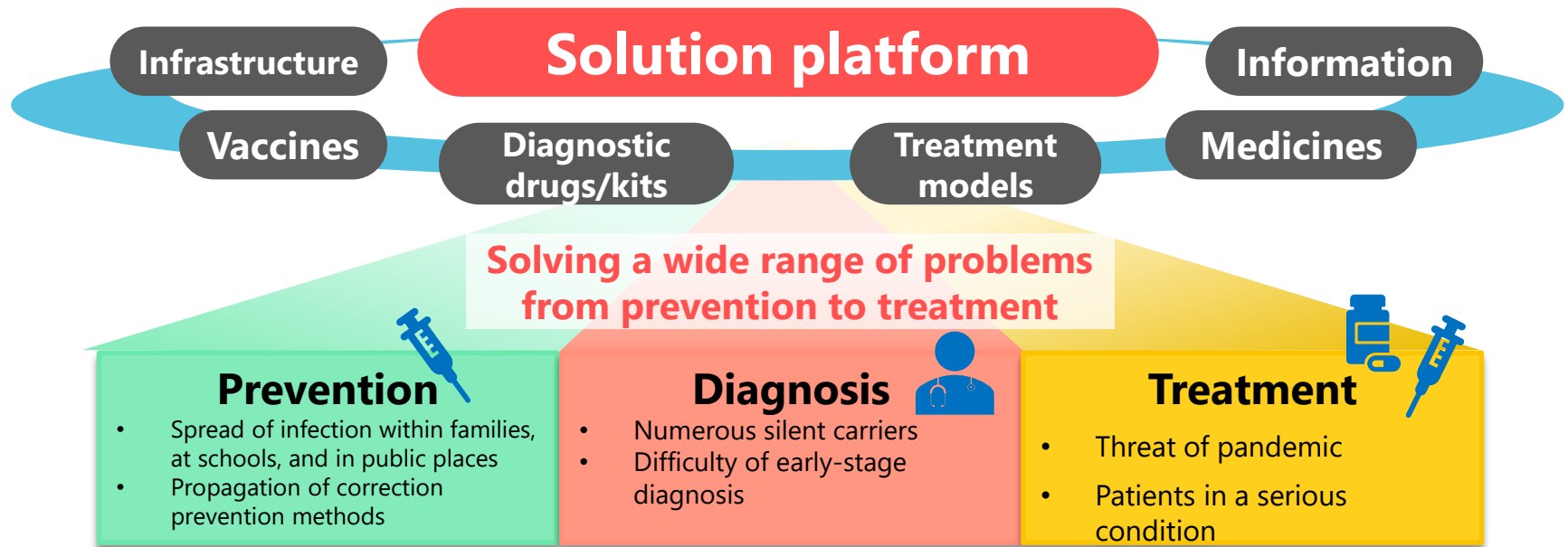
### - Influenza Service Platform -



- ✓ Therapeutic/diagnostic drugs for influenza
- ✓ Development capabilities, sales network

**Fusion of strengths through Stream-I**

- ✓ Reaching various stakeholders through utilization of digital platform



**Horizontal utilization of digital platform in post-coronavirus world**



## ② US/EU Business Strategy

### US/EU business vision

**Achieving swift contribution to revenues through growth in the hospital /specialty market**

- Establish a business foundation and aim for the next stage of growth

### Establish a foundation centering on our original products

- Establish Shionogi's presence in the field of infectious disease centering on **FETROJA® / FETCROJA®** (Severe infectious disease)
- Build framework for the hospital and specialty markets
  - Naldemedine POI\* (Critical care)
  - S-600918 (Respiratory diseases)



**Growth through  
M&A and new  
business models**



**Growth in the field of  
AMR market where  
unmet medical need  
is high**

# ② Chinese Business Strategy

## - Chinese Business Platform -



### Drug discovery-oriented pharmaceutical company



- Demonstrated capability to create best-in-class innovative drugs
- High R&D productivity and accumulated experience & expertise
- Patient-driven drug discovery strategies



**Fusion of strengths  
through Ping Aa**

### AI Healthcare platform



金融 · 科技

- Customer-based "big" healthcare data
- State-of-the-art IT/AI technology
- Online clinical infrastructure

**Prevention  
/Pre-symptomatic**

**Diagnosis**

**Treatment Solution**

**Treatment infrastructure**

**Prognosis**

**Realize the next evolution of a discovery-oriented healthcare company**

**Providing healthcare solutions to patients and society,  
contributing to the everyone's health and  
creating the future of healthcare**

## ② China Business Strategy



China  
business  
vision

Build a sales structure using a new platform to  
contribute to stable business growth

2020年

2025

2030

**GE business**  
(C&O assets)

Efficient sales of existing products  
⇒ **Contribution to top line from 2020**

**OTC business**  
(Shionogi Healthcare  
assets)

Efficient sales of existing products  
⇒ **Contribution to top line as a stable business**

**New business**  
(sales)

Medium/long-term development/sale  
of new drugs

**New business**  
(R&D)

Data-driven R&D

# ③ Partnering Strategy



## Business model

## Summary

## Alliance examples

### Licensing business model

**Current earnings pillar and will remain important Shionogi's R&D capabilities × Big Pharma's sales capabilities**

- Maximize our appeal as a drug-discovery-oriented pharmaceutical company providing new medicines to patients across the globe



### Diverse business models with new platforms

**Numerous structures (joint ventures, consortiums, business tie-ups, etc.)**

- Establish a business foundation that's less dependent to patents
- Creating new healthcare business models



- Solve social problems by leveraging individual strengths
- Benefit three groups: society, partners, ourselves
- Expand business across Asia with China as a pivot

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**Execute disease strategy through strength-leveraging partnerships**

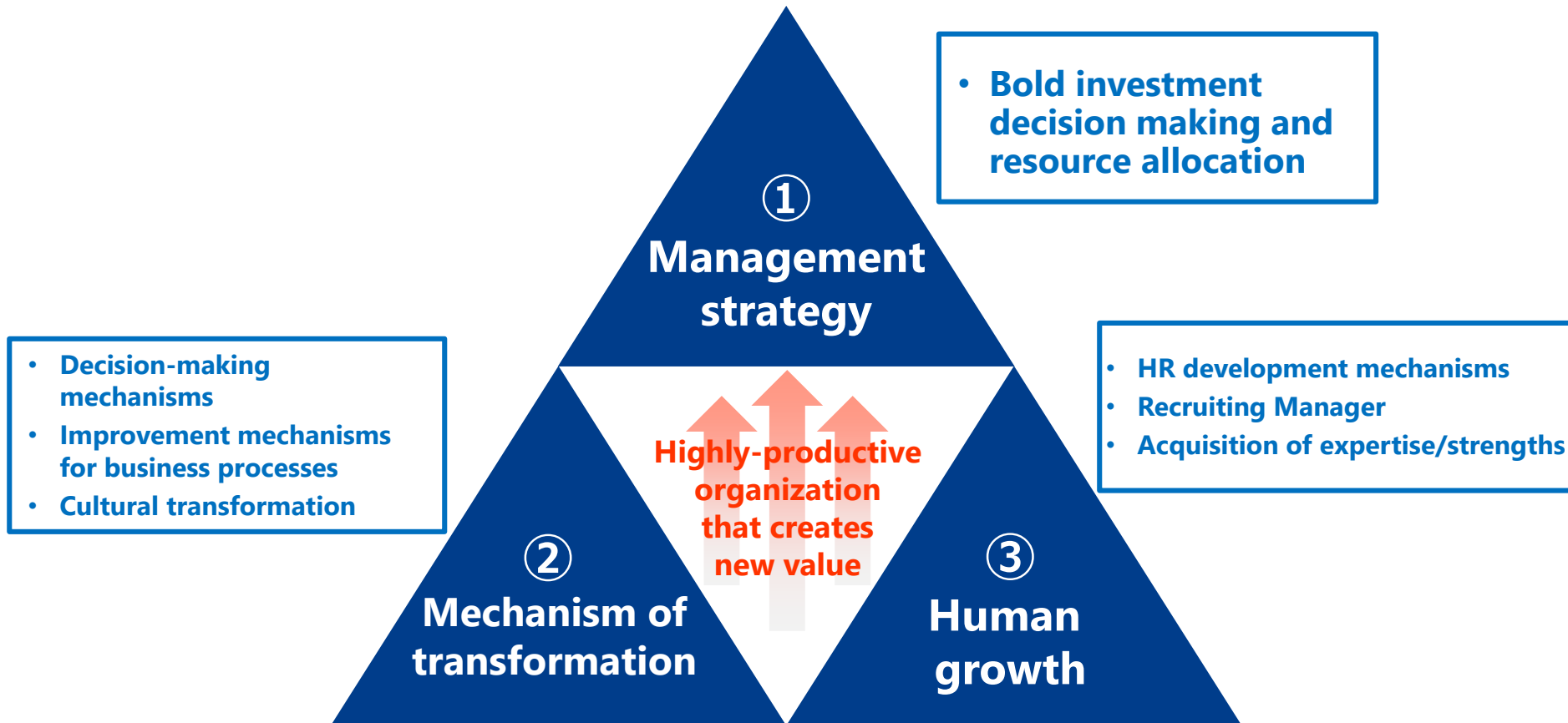
# **IV. New Medium-Term Business Plan**

## **- STS Phase1 (FY2020 to FY2024) -**

- i. R&D Strategy
- ii. Top-Line Strategy
- iii. **Management Foundation Strategy**

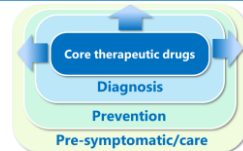
Basic policy  
for building an  
organizational  
infrastructure

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

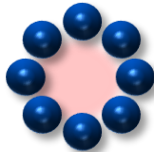


Realizing the integrated disease care strategy with a superior pipeline

## New disease strategy (p36)



## R&D pipeline expansion (p29-33)



**Continued strength as a drug-discovery-oriented company**

## Platform building (p40-44)



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金融 · 科技



Combination of best-in-class capabilities results in co-creation of new platforms

**Evolution as a creative HaaS company**

**While further augmenting our capabilities as a drug-discovery-oriented pharmaceutical company, achieve our transformation flexibly.**

## ② Mechanism of Transformation

# Transformation of Decision-Making and Business Processes



### More sophisticated decision making

In an era of rapid and dramatic change, an unprecedented decision making is vital

**The speed and accuracy of decision making will distinguish success from failure**

### More sophisticated decision making

- Establish a decision-making system that ensures transparency and traceability
- Build an environment in which decision making can be driven by easy access to raw data

- Strengthen HR (especially managers, who have essential role in the decision making and process improvement)

**Realize Transformation by reconfiguring the structure of Decision-Making and Business Processes**

### Business process transformation

It's getting hard to address the challenges by conventional frameworks

**New mechanisms for solving problems through internal/external collaboration will be necessary.**

### Business process transformation

- Establish new business processes that facilitate internal/external collaboration in various ways
- Build IT systems that reflect the new business processes to improve productivity



Vision for  
Shionogi's Human  
Resources:  
Shionogi Way

Be the best you can be  
to take on new challenges

## Measures for propagating the Shionogi Way

### Developing a challenger mindset

- **Support for employees who learn proactively**
  - Self-investment support scheme
- **Personnel system that supports a challenger approach**
- **Opportunities for overseas study and external postings**
- **Career design support**

### Measures for capability development

- **Strengthening managers, the key to attaining our vision (redefining the model manager and providing education)**
  - Greater discretion in decision making through delegation of authority, business process transformation
- **HR\*\* training for acquisition of Key Capabilities\***
- **Acquisition of specialist skills**
  - Establishment of mechanisms for developing specialist personnel (expertise required for healthcare services globally)



**Aim of establishing Group companies:** 11 main domestic Group companies\*  
(of which 9 have been established since FY2017)

- Improved productivity (pursuit of expertise) and diversification of work styles

## **Further evolution of Group company management**

⇒ Each Group company aims to become the best in the sector  
by boosting its earning power, expertise, and efficiency

- Reinforce expertise
- Expand business scope (establishment of own platform)
- Enhance managerial sophistication (stronger governance, medium/long-term strategic planning, more robust finances)

**The growth of Group companies/resources will  
accelerate the Shionogi Transformation**

# Summary - Overview of STS Phase1 ('20 -'24) -



## ◆ Direction for the New Shionogi

Continuously enhance our strengths as a drug-discovery-oriented pharma company, become the healthcare partner of choice for companies in other industries for our unique strengths, build a new platform in the healthcare arena, and provide new value to society as a healthcare provider

## ◆ Three strategies

New value creation

### I. R&D strategy - Development of innovative pipelines assets-

- ① Infectious diseases, ② Psycho-neurological diseases, ③ New growth areas

### II. Top-Line Strategy - Business growth through creation of diverse businesses-

- ① Disease strategy, ② Global strategy, ③ Partnership strategy

### iii. Management Foundation Strategy - Infrastructure building for new value creation -

- ① Management strategy, ② Mechanism of Transformation, ③ Human growth

Infrastructure building

## ◆ Financial policy

- Business investment in new growth drivers : 500 B yen
- Business investment in increasing the profitability of existing businesses:  
R&D investment: Increase by at least 20% compared with past five years
- Shareholder return policy
  - ✓ Stable dividends
  - ✓ Flexibility in returning value to shareholders through share buybacks etc.

## ◆ KPIs (FY2024, IFRS)

Growth

Shareholder return

Revenue	500.0 B yen
Core operating profit*	150.0 B yen
Core operating profit* margin	Over 30%
Overseas sales ratio (excl. RYT)	Over 50%
Original pipeline ratio	Over 60%
EPS	Over 480 yen
DOE	Over 4%
ROE	Over 15%

## Building Innovation Platforms to Shape the Future of Healthcare

# Appendix

## The Company Policy of Shionogi (Heritage)

- Our foundation which supports us and what we should achieve globally -



## Vision

- What we want to achieve by 2030 -

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

## Values

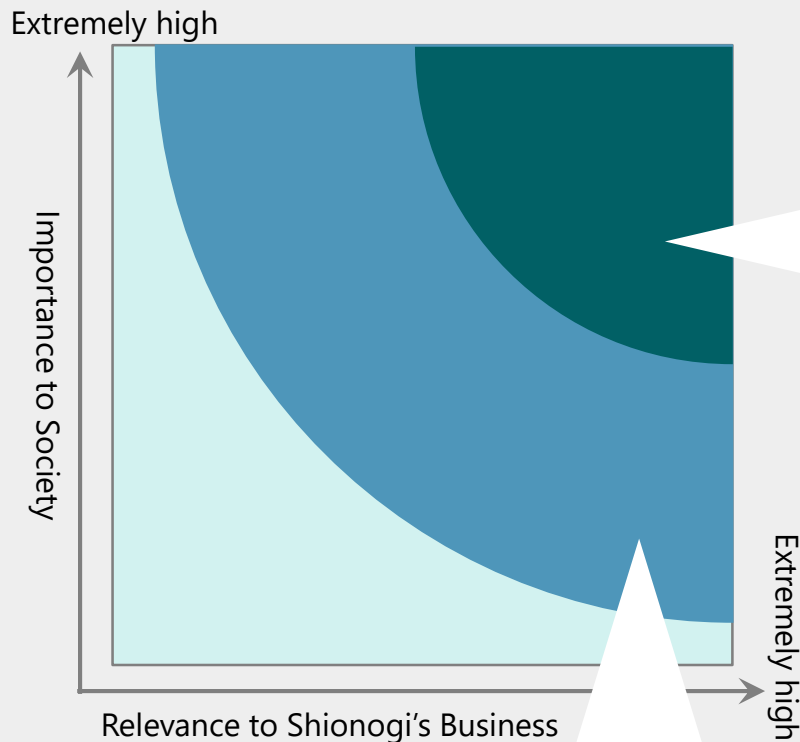
- Our psyche that is indispensable for achieving vision -

- Be trustworthy
- Be bold
- Be dauntless in spirit
- Build greatness out of diversity
- Contribute to society

# Material Issues to Be Tackled by Shionogi (Materiality)



Material issues determined in light of external/internal changes in environment



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

- **Protect people worldwide from the threat of infectious diseases**
  - Develop infectious-disease-related products and distribute accurate information about them
  - Big three infectious diseases (HIV, TB, malaria)
  - AMR/viral infectious diseases (influenza, corona, etc.)
- **Improve social productivity and extend healthy lifespans**
  - Contribute to raising social productivity (chronic back pain, depression, etc.)
  - Contribute to the ultra-aged society (dementia, cancer, etc.)
- **Contribute to sustainable social security**
  - Provide medical care optimized for the individual
  - Deliver at suitable prices that are commensurate with value

SDGs that Shionogi can help to achieve



# Conversion from JGAAP to IFRS (B/S)



## JGAAP (End of Mar. 2020)

(Unit: B yen)

Non-current assets <b>287.7</b> Investment securities 117.7 Intangible assets 29.8	Equity <b>683.6</b>
Current assets <b>485.9</b>	Non-current liabilities <b>17.3</b>
	Current liabilities <b>72.7</b>

## Total assets

**892.8**

**773.7**

## IFRS\* (Consolidated statement of financial position)

Non-current assets <b>374.9</b> Investment securities 210.6 Intangible assets 47.0	Equity <b>783.1</b>
Current assets <b>517.9</b>	Non-current liabilities <b>30.0</b>
	Current liabilities <b>79.7</b>

- **Non-current assets (fixed assets) increased mainly** due to market price evaluation of unlisted stocks and recording of in-process R&D expenses as intangible fixed assets.
- **Along with that, capital items also increased.**



# Strategic Investment in FY2018



## Obtained pipeline assets and technologies through strategic investment

### Infectious Disease

- Drug candidates for mycobacterial disease (Hsiri)
- Collaborative research on anti-RS virus drug (Ube)
- Collaborative research on prophylaxis and treatment for Malaria (Nagasaki Univ.)
- Nitric Oxide inhaled antimicrobial drug candidates (Vast)
- Technology for Antimicrobial Resistance (Nemesis)

Promote research on the world's top 3 infectious diseases, refractory infectious diseases

⇒ **Establish a global presence in infectious disease area**

### Pain/CNS

- Anti-depressant candidate, S-812217 (Sage)
- Drug candidate for cognitive and memory deficits, BPN-14770 (Tetra)
- Digital medicine candidate AKL-T01, AKL-T02 (Akili)

Obtained various treatment option

⇒ **Provide new treatment options based on novel mechanisms**

### Modality

- PDC\* technology (PeptiDream)
- Regenerative medicine product candidate, ADR-001 (Rohto)

Obtain new modalities

⇒ **Meet unmet needs low molecule drugs cannot solve**

## Collaborated with 10 new partners for beyond 2020

# Progress of Strategic Investment\*



	Pipeline	Progress since introduction
Infectious Disease	Drug candidates for mycobacterial disease (Hsiri)	Progress in drug discovery research
	Collaborative research on anti-RS virus drug (Ube)	Progress in drug discovery research
	Collaborative research on prophylaxis and treatment for Malaria (Nagasaki Univ.)	Undergoing drug discovery and vaccine research
	Nitric Oxide inhaled antimicrobial drug candidates (Vast)	Research suspended due to physical property issues
	Technology for Antimicrobial Resistance (Nemesis)	Basic research in progress
Pain/CNS	Anti-depressant candidate, S-812217 (Sage)	Japan: Start of Phase I study, Start of Phase II study
	Drug candidate for cognitive and memory deficits, BPN-14770 (Tetra)	US: Completion of Phase II study (Tetra), Tetra has become wholly owned subsidiary
	Digital medicine candidate AKL-T01, AKL-T02 (Akili)	Start of Phase II study
Modality	PDC* technology (PeptiDream)	Multiple peptide drug discovery projects in progress
	Regenerative medicine product candidate, ADR-001 (Rohto)	Progress of Phase I/II study

# Forward-Looking Statements



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