Shionogi & Co., Ltd.

1st Quarter of Fiscal 2022 Financial Results

August 1, 2022

Presentation

Kyokawa: Okay, let's get started.

Hello. My name is Kyokawa and I'm the Vice President, Corporate Communications Department at SHIONOGI & CO., LTD. Thank you all for joining us today despite your busy schedules.

We will now begin the financial results briefing for Shionogi for Q1 of the fiscal year ending March 31, 2023.

First, let me introduce today's speakers.

John Keller, Senior Executive Officer, Senior Vice President, R&D Supervisory Unit.

Kyokawa: Next, Toshinobu Iwasaki, Senior Executive Officer, Senior Vice President, Healthcare Business Supervisory Unit and Pharmaceutical Commercial Division.

Kyokawa: Next, Ryuichi Kiyama, Senior Executive Officer, Senior Vice President, Corporate Strategy, Division and Corporate Planning Department.

Kyokawa: Next, Takeki Uehara, Corporate Officer, Senior Vice President, Drug Development and Regulatory Science Division.

Kyokawa: Lastly, Susumu Mitsumori, Vice President, Finance & Accounting Department.

Kyokawa: First, Mr. Mitsumori will give an overview of the financial results. Then, Mr. Kiyama will discuss the Company's business strategy. Afterwards, we will take your questions.

The session is scheduled to end at 15:45. Please note that simultaneous interpretation capability will be available for today's briefing.

Let us begin immediately. Mr. Mitsumori, please go ahead.

Agenda

1. **Overview of Q1 FY2022 Financial Results (P.3-9)**
2. **Main Activities and Achievements in Q1 FY2022(P.10-15)**
3. **Actions for Establishment of a Sustainable Infectious Disease Business（P.16-19）**
   - **Actions for Acute Infectious Disease**
   - **Progress of HIV Franchise by ViiV Healthcare**

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Mitsumori: I will now give an overview of the Q1 financial results.

Financial Results

(Unit: B yen)

	FY2022				FY2021	Y on Y	
	Forecasts		Apr.-Jun. results	Achievement (%)	Apr.-Jun. results	Change (%)	Change (B yen)
	Full year	1H					
Revenue	400.0	180.0	**71.8**	**39.9**	69.0	**4.2**	**2.9**
Operating profit	120.0	57.0	**12.4**	**21.8**	18.8	**(33.9)**	**(6.4)**
Core operating profit*	120.0	57.0	**12.7**	**22.2**	19.4	**(34.7)**	**(6.7)**
Profit before tax	168.0	86.0	**40.3**	**46.9**	22.9	**75.7**	**17.4**
Profit attributable to owners of parent	136.0	71.5	**34.7**	**48.6**	32.2	**7.7**	**2.5**

Revenue, profit before tax, and profit attributable to owners of parent increased year on year while continuing to invest in COVID-19 related projects

Exchange Rate (average)	FY2022 Forecasts	FY2022 Apr.-Jun. results
USD ($) – JPY (¥)	125	129.73
GBP (£) – JPY (¥)	160	163.09
EUR (€) – JPY (¥)	135	138.26

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

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These are the consolidated business results.

The H1 and full-year forecasts are shown here.

For the April-June period, sales revenue was JPY71.8 billion, operating profit was JPY12.4 billion, core operating profit was JPY12.7 billion, profit before tax was JPY40.3 billion, and quarterly profit attributable to the parent was JPY34.7 billion.

In terms of revenue, profit before tax, and profit attributable to owners of parent, we achieved YoY increases despite continued investment in COVID-19-related projects. However, as we will show here, at this point in time we have not yet received any revenue related to COVID-19, so if you look at the progress rate toward the H1 forecast, the numbers look a little poor. The figures in the next slide exclude forecasts for COVID-19-related products.

Regarding foreign exchange rates, as shown here, the yen has depreciated overall.

Financial Results
(Excluding forecasts for COVID-19 related products)

Described by excluding the following items from 1H forecast

- Revenue of COVID-19 related products 45 billion yen
- Cost of sales associated with sales of COVID-19 related products

(Unit: B yen)

	FY2022			FY2021	Y on Y	
	Forecasts 1H	Apr.-Jun. results	Achievement (%)	Apr.-Jun. Results	Change (%)	Change (B yen)
Revenue	135.0	**71.8**	**53.2**	69.0	**4.2**	**2.9**
Operating profit	17.5	**12.4**	**71.0**	18.8	**(33.9)**	**(6.4)**
Core operating profit	17.5	**12.7**	**72.4**	19.4	**(34.7)**	**(6.7)**
Profit before tax	46.5	**40.3**	**86.7**	22.9	**75.7**	**17.4**
Profit attributable to owners of parent	42.0	**34.7**	**82.7**	32.2	**7.7**	**2.5**

Base business excluding revenue from COVID-19 related products progresses steadily against 1H and full year forecasts

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Here are the earnings excluding forecasts for COVID-19 related products.

Here, two items are excluded from the H1 forecast mentioned earlier. The sales of COVID-19-related products, forecast to be approximately JPY45 billion, and the cost of sales associated with sales of COVID-19-related products, are both excluded here.

As you can see, as before, sales revenue remains unchanged at JPY71.8 billion, but 1H progress against forecasts is 53.2%, and all other items, including operating profit, core operating profit, and profit attributable to the parent, exceed 50%. As you can see, the base business is very strong.

Statement of Profit or Loss

	FY2022				FY2021	Y on Y	
	Forecasts		Apr.-Jun. results	Achievement (%)	Apr.-Jun. results	Change (%)	Change (B yen)
	Full year	1H					
Revenue	400.0	180.0	**71.8**	**39.9**	69.0	**4.2**	**2.9**
Cost of Sales	88.0	31.5	**12.9**	**41.1**	12.3	**5.0**	**0.6**
	22.0	17.5	18.0		17.9		
Gross profit	312.0	148.5	**58.9**	**39.7**	56.6	**4.0**	**2.3**
Selling, general& administrative expenses, R&D expenses total	190.0	91.0	**45.9**	**50.5**	37.3	**23.2**	**8.6**
	47.5	50.6	63.9		54.1		
Selling, general& administrative expenses	120.0	59.0	**23.4**	**39.7**	22.6	**3.7**	**0.8**
	30.0	32.8	32.6		32.7		
R&D expenses	70.0	32.0	**22.5**	**70.4**	14.7	**53.0**	**7.8**
	17.5	17.8	31.4		21.4		
Other income & expenses	(2.0)	(0.5)	**(0.5)**	**107.3**	(0.5)	**(0.9)**	**0.0**
Operating profit	120.0	57.0	**12.4**	**21.8**	18.8	**(33.9)**	**(6.4)**
	30.0	31.7	17.3		27.3		
Core operating profit	120.0	57.0	**12.7**	**22.2**	19.4	**(34.7)**	**(6.7)**
	30.0	31.7	17.6		28.1		
Finance income & costs	48.0	29.0	**27.9**	**96.2**	4.1	**572.5**	**23.7**
Profit before tax	168.0	86.0	**40.3**	**46.9**	22.9	**75.7**	**17.4**
	42.0	47.8	56.1		33.3		
Profit attributable to owners of parent	136.0	71.5	**34.7**	**48.6**	32.2	**7.7**	**2.5**

(Unit: B yen)

Main Variation Factors (Y on Y)

- **Revenue**
  - Increase: Domestic sales of Intuniv® and Vyvanse®
    : Sales of Cefiderocol in the US and Europe
    : Royalty income (HIV franchise)
- **R&D**
  - Increase: Investment in R&D activities related to COVID-19
- **Finance income & costs**
  - Increase in income
    : Receipt of dividends from ViiV which was scheduled to be received in 4th quarter of FY2021
    : Increased dividends due to ViiV receipt of lump sum payment from settlement with Gilead
    (Both are transient factors)
- **Profit attributable to owners of parent**
  Received in 1Q of FY2021 refund regarding a favorable Judgement on the complaint for the rescission of tax reassessment by Osaka Regional Taxation Bureau

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This is the consolidated statement of profit or loss. This is the statement that includes the COVID-19-related items.

In terms of sales revenue, the ADHD family in Japan and cefiderocol and HIV royalties have been strong. This will be explained in detail on the next slide.

Cost of sales was JPY12.9 billion, and gross profit was JPY58.9 billion. As for expenses, R&D expenses are slightly higher against forecasts because of investment in COVID-19 projects. But overall expenses, including selling, general, and administrative expenses, are well controlled.

Operating profit was JPY12.4 billion.

In addition, financial income and expenses amounted to JPY27.9 billion, a significant increase from the previous year. For this side, we have received the dividend from ViiV, which was scheduled to be received in Q4 of FY2021. And we have received Increased significantly the dividend from the previous year due to ViiV receipt of lump sum payment from settlement with Gilead.

Quarterly profit attributable to owners of parent have increased from the previous year. Although the rate of increase appears to be a little low, this is due to a refund from the Osaka Regional Taxation Bureau in the previous fiscal year.

Revenue by Segment

	FY2022 Forecasts Full year	FY2022 Forecasts 1H	FY2022 Apr.-Jun. results	FY2022 Achievement (%)	FY2021 Apr.-Jun. results	Y on Y Change (%)	Y on Y Change (B yen)
Prescription drugs	78.6	35.5	**19.0**	**53.5**	23.5	**(19.0)**	**(4.5)**
Overseas subsidiaries/export	41.6	18.1	**8.8**	**48.7**	9.3	**(5.3)**	**(0.5)**
Shionogi Inc.	13.0	6.0	**3.0**	**50.1**	4.7	**(36.2)**	**(1.7)**
Fetroja®	-	-	**1.8**	**-**	1.2	**40.6**	**0.5**
Ping An-Shionogi*/C&O	14.8	6.3	**2.5**	**40.1**	2.4	**7.4**	**0.2**
Shionogi BV(Europe)	8.4	3.4	**1.9**	**55.0**	0.9	**108.6**	**1.0**
Contract manufacturing	14.8	6.3	**3.4**	**53.7**	3.7	**(10.2)**	**(0.4)**
OTC and quasi-drug	13.4	6.3	**1.9**	**30.8**	2.5	**(21.2)**	**(0.5)**
Royalty income	140.4	68.2	**38.4**	**56.3**	29.6	**29.7**	**8.8**
HIV franchise	133.9	67.0	**37.3**	**55.7**	28.8	**29.3**	**8.5**
Crestor®	-	-	**-**	**-**	-	**-**	**-**
Others	6.5	1.2	**1.1**	**91.5**	0.8	**42.6**	**0.3**
COVID-19 related products**	110.0	45.0	**-**	**-**	-	**-**	**-**
Others	1.2	0.6	**0.3**	**51.6**	0.4	**(13.8)**	**(0.1)**
Total	400.0	180.0	71.8	**39.9**	69.0	**4.2**	**2.9**

(Unit: B yen)

Main Variation Factors (Y on Y)

- **Prescription drugs**
  - Increase: Sales of Intuniv® and Vyvanse®
  - Decrease: Sales of Cymbalta®
- **Overseas subsidiaries/export**
  - US: Increase: Sales of cefiderocol (Fetroja®)
    : Decrease: Received in 1Q of FY2021 a one-time payment for the transfer of FORTAMET® sales rights, etc. (2.2 B yen)
  - EU: Increase: Sales of cefiderocol (Fetcroja®)
- **Royalty income**
  - HIV franchise
    : Increase: Increase in sales and the impact of foreign exchange

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* OTC and quasi-drugs also include in revenue of joint venture ** Revenue from S-217622 (Ensitrelvir Fumaric Acid) and S-268019

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Next, sales revenue by business segment.

Domestic sales of prescription drugs for the April-June period totaled JPY19 billion, 53.5% of the H1 forecast. Sales of ADHD family Intuniv and Vyvanse have been strong. Other items are also performing well, as I will explain in the slides that follow.

The decrease from the previous year was JPY4.5 billion. This is due to the influence of launch of Cymbalta's generic medicine.

Exports of overseas subsidiaries for the period from April to June totaled JPY8.8 billion. Although Ping An-Shionogi struggled in China, Shionogi Inc. and Shionogi B.V. are performing well, with strong sales of cefiderocol. The total overseas progress rate against the H1 forecast is about 50%.

Royalty income from the HIV franchise was JPY37.3 billion, an increase of JPY8.5 billion over the previous year. The increase in ViiV sales and the impact of foreign exchange rates had a large positive impact on the results.

Revenue Forecasts for Prescription Drugs in Japan

(Unit: B yen)

	FY2022				FY2021	Y on Y	
	Forecasts		Apr.-Jun. results	Achievement (%)	Apr.-Jun. results	Change (%)	Change (B yen)
	Full year	1H					
Intuniv®	19.5	9.0	**4.7**	**51.6**	3.6	**29.5**	**1.1**
Vyvanse®	1.1	0.5	**0.3**	**65.0**	0.1	**105.8**	**0.2**
Infectious disease drugs	13.4	4.3	**2.1**	**47.8**	2.1	**(2.3)**	**(0.0)**
Influenza franchise	5.1	0.3	**0.1**	**21.2**	0.0	**108.4**	**0.0**
Cymbalta®	6.1	3.1	**1.7**	**53.8**	6.8	**(75.6)**	**(5.2)**
OxyContin® franchise	4.5	2.3	**1.2**	**52.0**	1.3	**(4.4)**	**(0.1)**
Symproic®	3.3	1.5	**0.8**	**51.9**	0.6	**31.7**	**0.2**
Actair®	0.6	0.3	**0.1**	**45.5**	0.1	**18.0**	**0.0**
Mulpleta®	0.1	0.1	**0.0**	**46.5**	0.0	**(12.4)**	**(0.0)**
Pirespa®	2.4	1.2	**0.7**	**57.5**	1.0	**(29.0)**	**(0.3)**
Others	27.6	13.3	**7.5**	**56.4**	7.9	**(4.4)**	**(0.3)**
Crestor®	3.3	1.7	**1.1**	**62.5**	1.4	**(25.7)**	**(0.4)**
Prescription drugs	78.6	35.5	**19.0**	**53.5**	23.5	**(19.0)**	**(4.5)**

<Products included in infectious disease drugs>

- Xofluza®
- Rapiacta®
- Brightpoc®Flu・Neo

- FINIBAX®
- Flumarin®
- Flomox®

- Shiomarin®
- Vancomycin
- Baktar®

- Flagyl®
- ISODINE®

Influenza franchise

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Regarding Prescription drugs in domestic, Intuniv and Vyvanse have made significant progress in the ADHD family. In particular, the Intuniv business increased by 29.5% compared to the previous year.

Progress against the H1 forecast is over 50% for almost all items, so we would say that the domestic market is solid.

Results up to the 1st Quarter and Future efforts

Achievements up to the 1st Quarter

- **Revenue and each profit items excluding COVID-19 related products are steadily progressing against the 1H and full year forecasts**
  - Smooth progress in domestic, overseas business and royalty income
- **Making progress in COVID-19 projects**
  - Started Global Phase 3 of COVID-19 therapeutic
  - Initiated the submission of an application for COVID-19 therapeutic drug

To achieve the full year forecasts

- **There are no revisions to the forecast at this time, and the full-year forecast is expected to be achieved**
- **Maximize the value of COVID-19 related projects**
  - Domestic and Global provision of COVID-19 therapeutic drug
  - Domestic application and provision of COVID-19 vaccine

Achieve full-year forecasts by maximizing the value of COVID-19 related projects, and focus on initiatives for medium- to long-term growth

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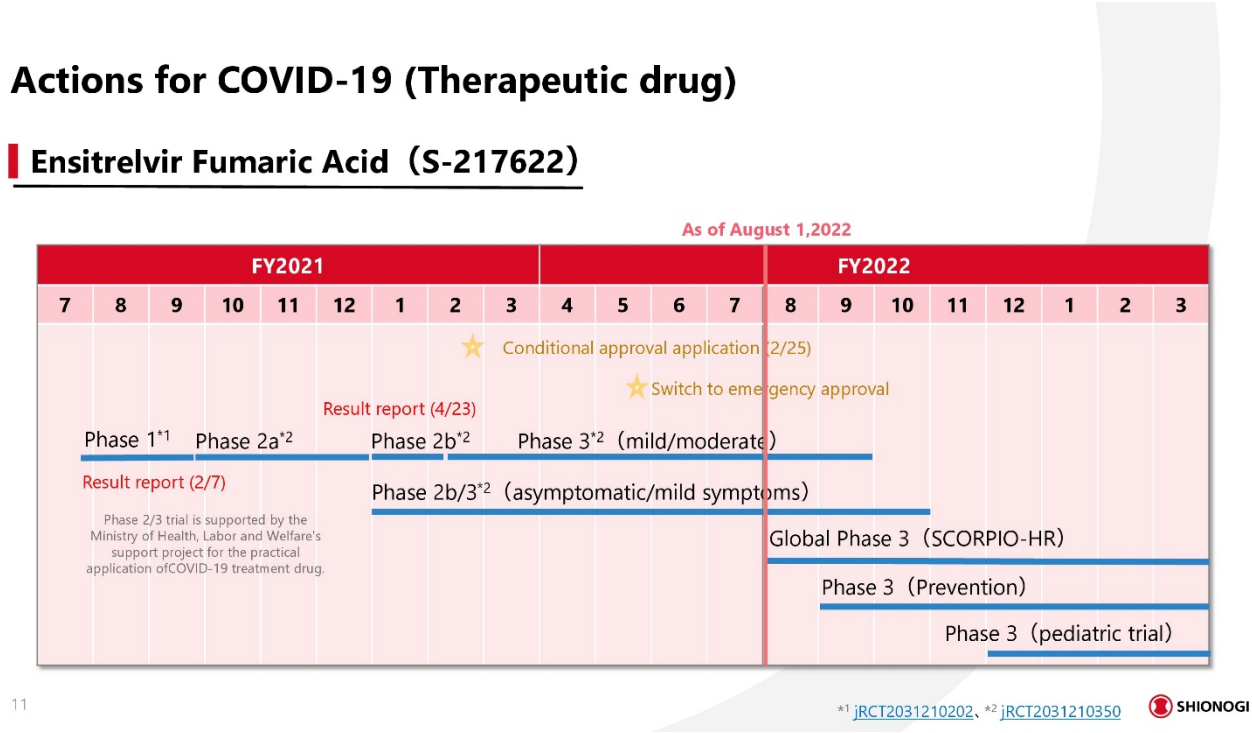
These are the Q1 results and future initiatives.

As I have already explained, sales revenue and each profit item, excluding COVID-19, are on track against the 1H and full year forecasts.

As for the progress of COVID-19 projects, we will explain this in detail later.

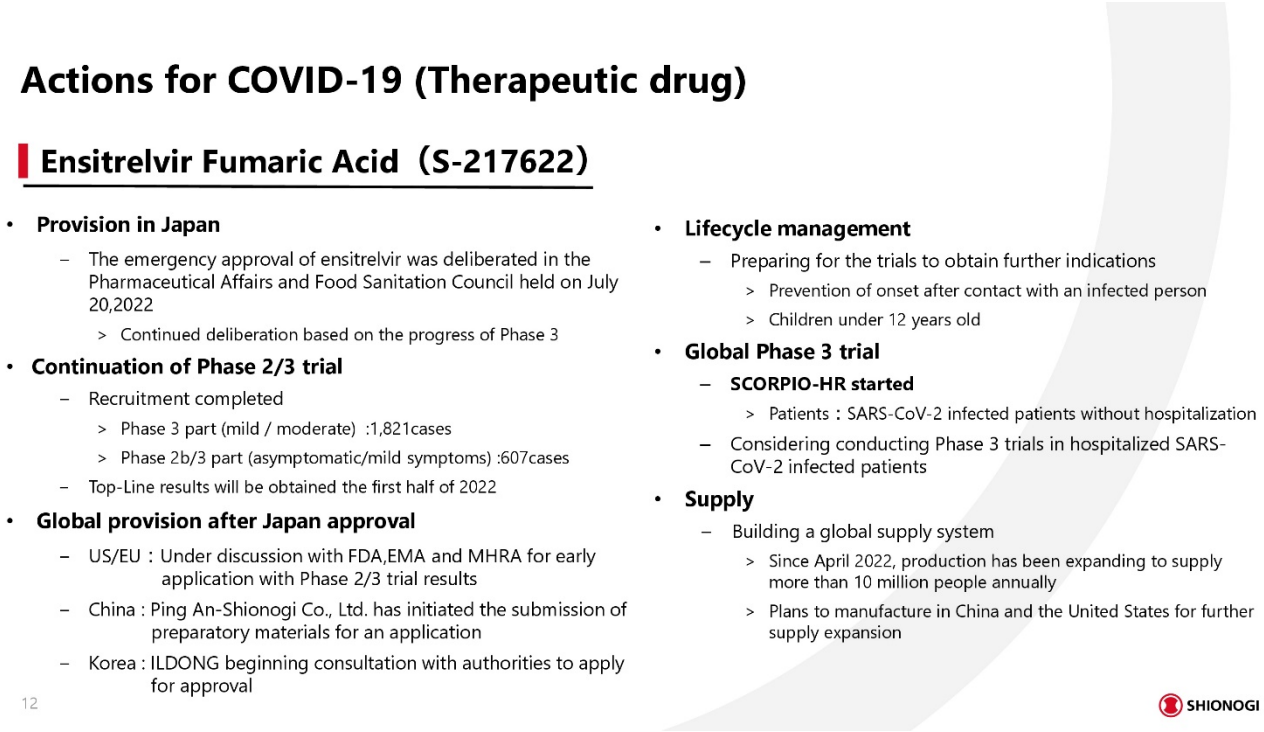
As for the achievement of the full-year forecast results, we currently expect to achieve the full-year forecast results without any revision.

That is all from me.



Kiyama: I will now continue with an explanation of the main initiatives and results for Q1.

The schedule for the COVID-19 drug Ensitrelvir Fumarate Acid (S-217622) is shown there.



At the joint subcommittee meeting held on July 20, deliberations on emergency approval were held, but considering the steady progress of the Phase 3 part, deliberations were to continue.

Regarding the status of the Phase 2/3 trial, we have already completed the enrollment of patients for both the Phase 3 and Phase 2b/3 part. In all, 2,925 patients have been enrolled in the Phase 2/3 trial. The preliminary results of Phase 3 will be available in first half of the year.

Overseas, in Europe and the US, we have begun discussions with the FDA and EMA, with a view to submitting an application as soon as possible based on the results of this trial. In Asia, especially in China, Ping An-Shionogi Co., Ltd. has already initiated submission of preparatory materials for an application, as we announced on July 4.

In terms of lifecycle management, we are also in the process to obtain further indications to include preventative use and pediatric use.

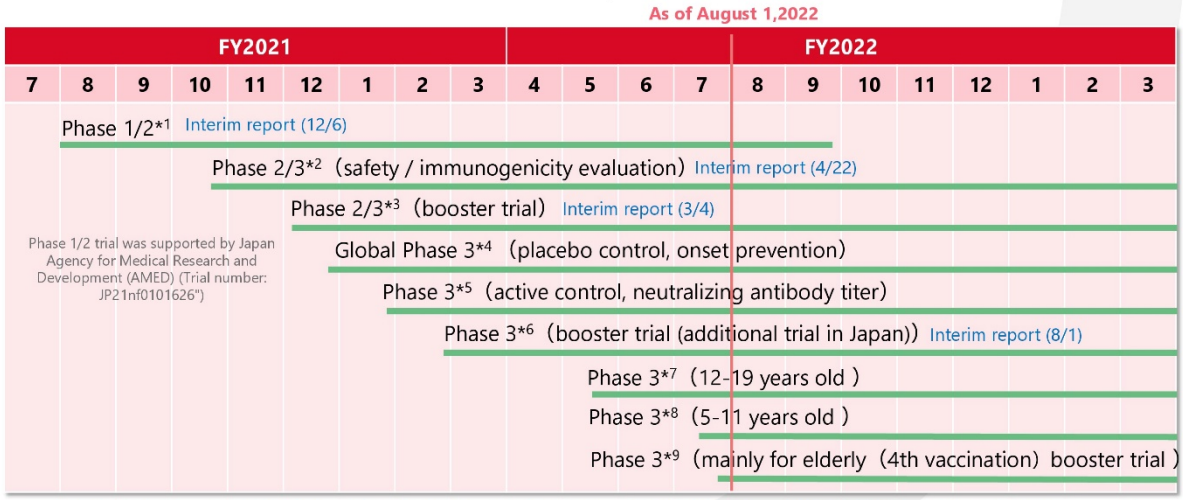
We have agreed on the protocol for the global Phase 3 trial with the FDA and have initiated the trial. The SCORPIO-HR will be similar to the Japanese trial, with the primary endpoint of time to resolution of COVID-19 symptoms in patients with SARS-CoV-2 infection without hospitalization.

In addition, a trial involving hospitalized patients infected with SARS-CoV-2 is also under consideration. Each of these trials is planned to be conducted with about 1,500 patients.

Finally, in terms of supply, our own production is underway to supply more than 10 million doses per year. We are in the process of building a global supply system by transferring technology to CDMOs in China and the US to further expand supply.

Actions for COVID-19 (vaccine)

S-268019 (recombinant protein vaccine)



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*1 jRCT2031210269、*2 jRCT2031210383、*3 jRCT2031210470、*4 NCT05212948、*5 jRCT2051210151 、*6 jRCT2031210613、*7 jRCT2031220063、*8 jRCT2011220011、*9 jRCT2031220224

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Here you will find the progress schedule for the S-268019 vaccine.

Actions for COVID-19 (vaccine)

S-268019 (recombinant protein vaccine)

- **Active control, neutralizing antibody titer trial**
  - Superiority verification trial over VAXZEVRIA (AstraZeneca)
    - > Details of the results will be disclosed in paper, etc in 1H FY2022
- **Phase 3 booster trial (additional trial in Japan)**
  - For adults aged 20 to 64 years who received SPIKEVAX (Moderna) twice and elderly people aged 65 years or older who received COMIRNATY (Pfizer) or SPIKEVAX twice
  - Confirmed good efficacy and safety
- **Lifecycle management**
  - Initiated the following 3 trials
    - > The trial in 12-19 years old subjects
    - > The trial in 5-11 years old subjects
    - > The booster trial (4th vaccination) mainly for elderly
- **Provision use in Japan**
  - Scheduled to apply for manufacturing and marketing approval during 1H

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Supported by AMED issue number JP21nf0101626 in investigational drug manufacturing in each clinical trial

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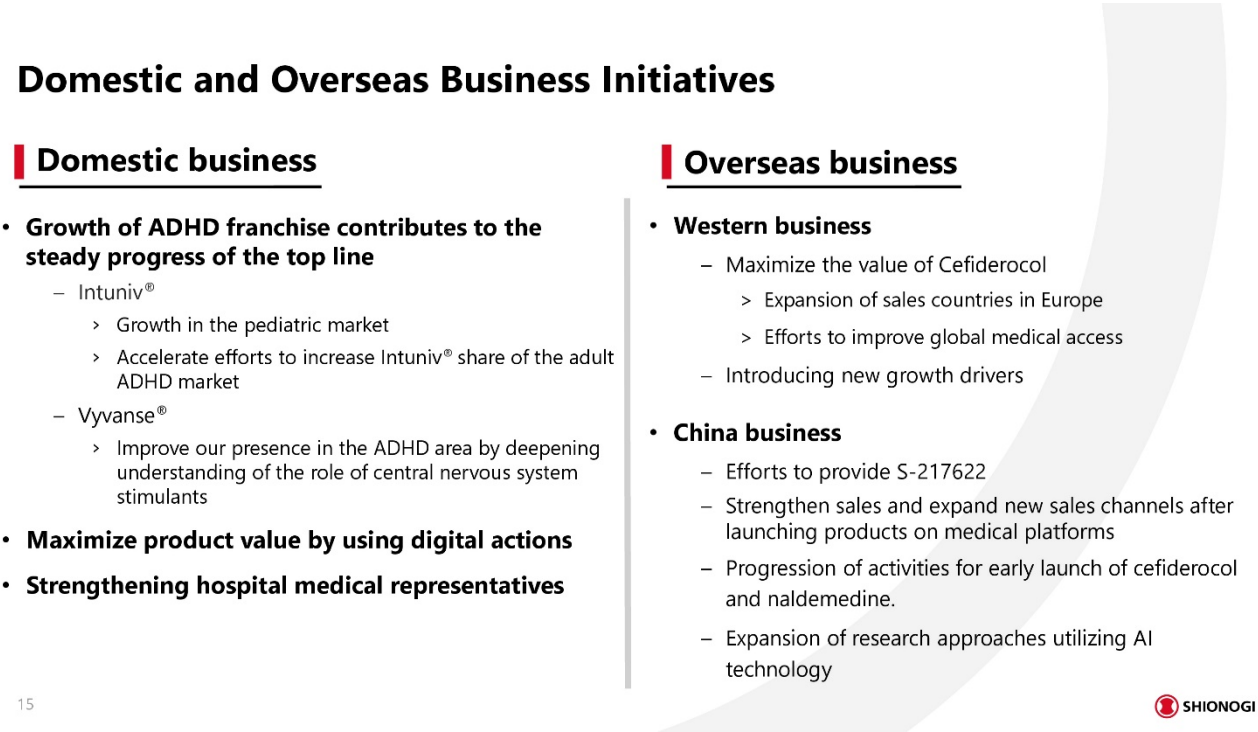
We are in discussions with AstraZeneca to disclose the data from the neutralizing antibody titer comparison trial for VAXZEVRIA. We plan to publish the data in a paper during first half of the year.

The phase 3 booster trial that is being conducted has also confirmed favorable efficacy and safety.

We have the data necessary to file an application in Japan, including these trials, and are working to submit the full package, including the first dose and additional doses, during first half of the year.

We have also initiated a new trial for adolescents and children, as well as a trial of the 4th vaccination. We are preparing to make it available to as many people as possible.



As for the domestic business, sales of Intuniv and Vyvanse increased YoY, and are on track to meet our forecasts. In particular, the market penetration of Intuniv in adult patients is progressing, and we expect further growth in the future.

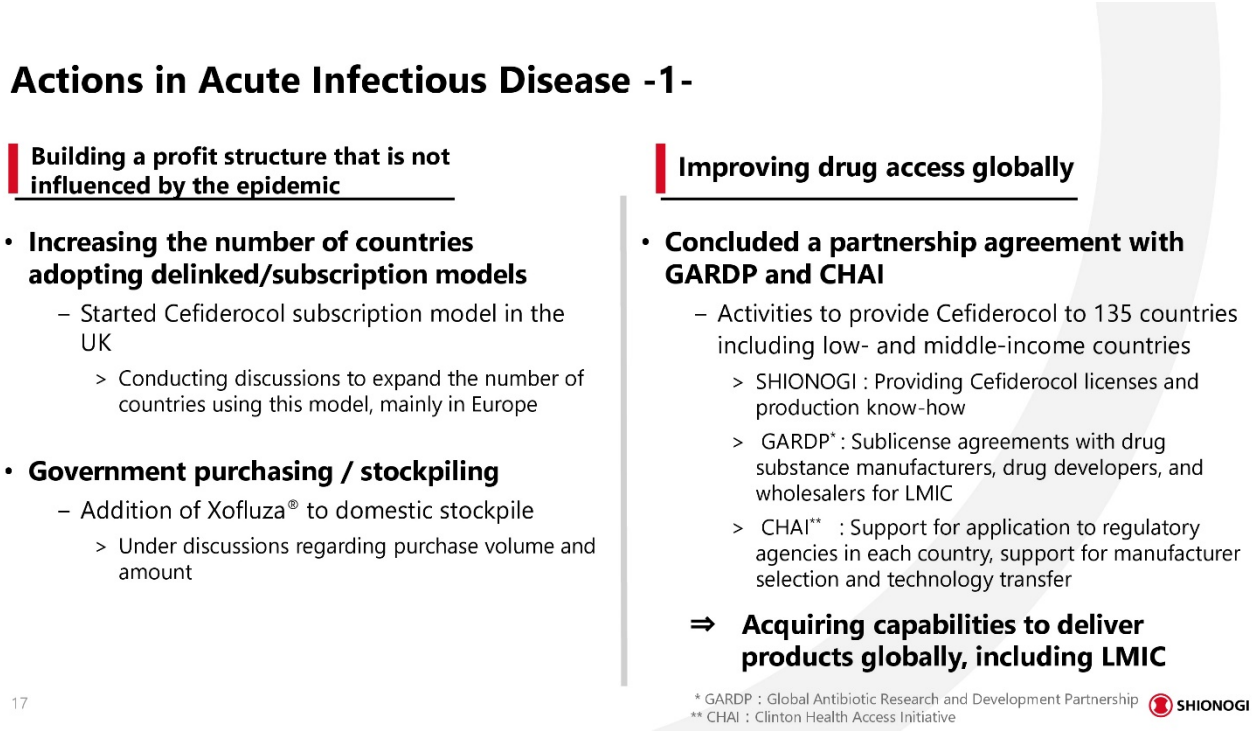
We aim to achieve top-line growth by further promoting digital measures and strengthening our efforts in the hospital area, which has been a focus to date.

As you can see on the right side, with respect to our overseas business, we will further maximize the value of cefiderocol in Europe and the US by expanding the number of countries where the product is sold and by expanding the number of countries to which the subscription model is applied. In addition, as I will show in later slides, we have introduced a new antifungal drug for marketing in Europe and China.

Regarding the growth drivers for our overseas business, we will aggressively invest in activities for newly introduced products in parallel with our own products.

In our China business, we have started to provide preliminary materials for the S-217622 drug application. We are also in discussions with various partners for manufacturing of S-217622 in China.

While maximizing the value of S-217622 in China, we also intend to promote our “Ping An Good Doctor” initiative, sales expansion in new sales channels, and new drug development.



Continuing on, we are working to build a sustainable infectious disease business.

As we have repeatedly mentioned, we recognize the need to establish a stable profit structure for acute infectious diseases, so that profits are not affected by epidemics.

As one of our efforts, we have been promoting the adoption of subscriptions for cefiderocol. In Q1 of this fiscal year, payment by subscription-type reimbursement started in the UK. We are in discussions with various countries to expand the use of this model to other countries, especially in Europe.

In addition, Xofluza has been newly added to the stockpile of drugs in Japan. Currently, we are in the process of conducting consultations, including the purchase volume and amount.

As we have already announced, we have started working with GARDP and CHAI to improve access to infectious disease drugs on a global basis. By taking on their respective roles, the three companies will aim to provide cefiderocol to a number of countries, including low- and middle-income countries.

Although we have been relying on partners such as Roche and ViiV to date, we will take the opportunity presented by this collaboration to build capability to supply infectious disease drugs on a global basis.

Actions in Acute Infectious Disease -2-

Execution of a license agreement for a new antifungal agent olorofim* (F2G)

- **Therapeutic challenges for invasive aspergillosis**
  - Mortality approaches 100% without effective treatment**
    - › Existing therapies have severe limitations including toxicity, resistance, and drug-drug interactions
- **Expectations for olorofim**
  - Oral preparation with a new mechanism of action different from existing drugs
  - Global Phase 3 trial ongoing
- **Commercial strategy**
  - Synergies with information provision activities regarding cefiderocol
    - › High presence cultivated in the area of severe infectious diseases
    - › Efficient sales activities due to overlap of most target facilities and doctors
  - Expansion in marketable Europe and China (Asia)

By aggressively investing in fungal diseases with high unmet medical needs, strengthen infectious disease business in Europe and China, and accelerate medium- to long-term growth of overseas business

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* Part of strategic business investment in the medium-term business plan "Shionogi Transformation Strategy (STS2030)
** Lancet. 2016;387:760–769, N Engl J Med 2002; 347:408-415, Clin. Infect. Dis. 2010;50:1091–1100

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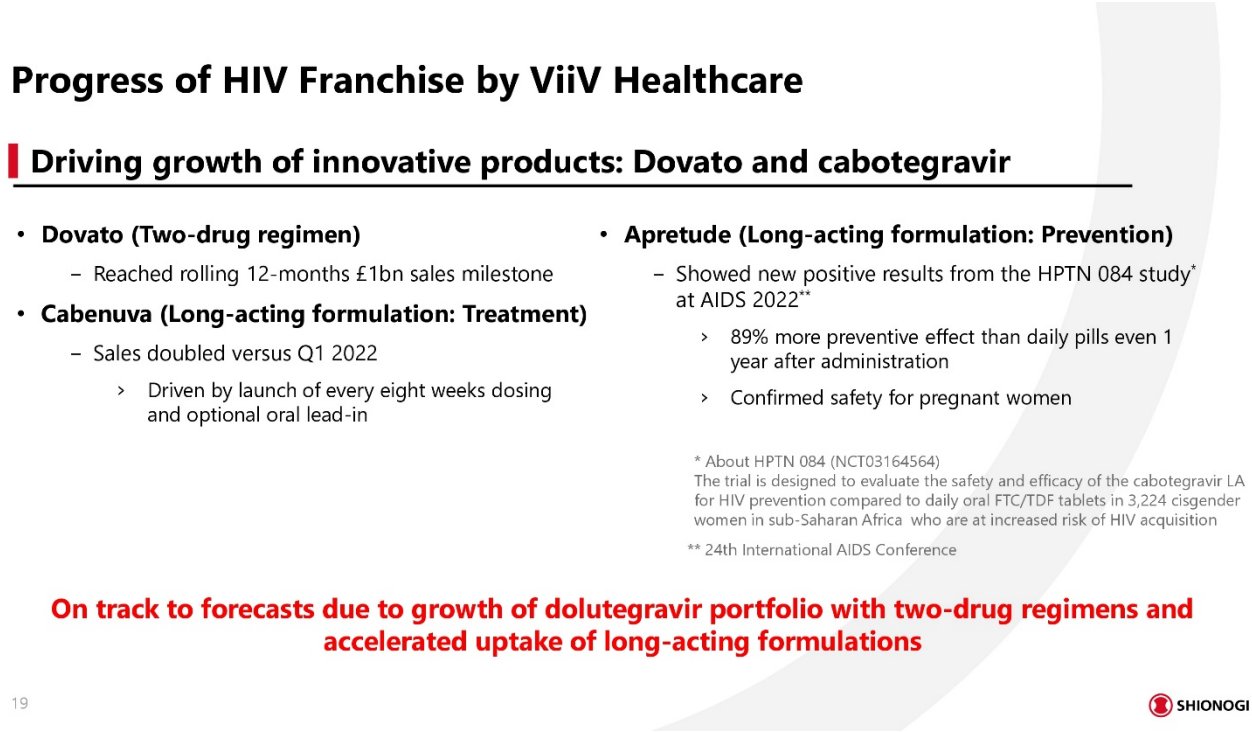
As I mentioned on the slide covering our overseas business, we have signed an agreement with F2G for the exclusive development and marketing of a new antifungal drug, olorofim, in the European and Asian regions.

Invasive aspergillosis, the target disease of olorofim, has low treatment satisfaction due to problems such as resistance and treatment tolerability. New treatment options are needed. Olorofim is an orally administered drug with a novel mechanism of action and has already demonstrated high efficacy .

We expect that this product will be a growth driver for our future business in Europe and China, as we can expect synergies in the provision of information with cefiderocol, which is also a product for severe infectious diseases.



Finally, there is the progress of the HIV franchise by ViiV Healthcare.

Sales of Dovato reached 1 billion pounds in the last 12 months. In addition, sales of Cabenuva for the April-June period nearly doubled over the previous quarter. The results of an additional analysis of the HPTN 084 study of Apretude, which demonstrated that Apretude maintained a greater than 89% prophylactic efficacy at one year post-dose versus the oral pills, as well as confirmed safety in pregnant women. This concludes my presentation.

Question & Answer

Yamaguchi : I am Yamaguchi from Citi. Thank you very much.

First, I'd like to ask your thoughts on the results. I understand that there is no impact on the full-year results due to delays in the review for oral drugs.

I suppose that in future scheduling, although the full-year result will not be affected, it will be necessary to make savings somewhere else in H1 of the year. Is that what you are anticipating?

Mitsumori : We still think it is possible to receive approval for S-217622 in H1 of the fiscal year. That is why we are not considering any revision at this time.

Yamaguchi : Understood. On the same topic, I'd like to ask about getting the results for Phase 3 part of S-217622.

You just said that you are considering H1 of the year, but I was under the impression that the data would come out around the end of August or September. As for the top line, is this also being pushed back a bit? Could you say anything about your expectations for the top line?

Uehara : Thank you for your question. Uehara here.

As you mentioned, we are now in the process of preparing for the final database lock for the Phase 3 part. Although case registration has been completed, it will take some time to complete the database lock after all the various tests, such as data cleanup and virus tests, have been completed. This is because we are acquiring data on a very large number of patients.

We cannot give a specific date at this time, but as you mentioned, we are preparing to release the initial top-line data in some form between August and September.

Yamaguchi : Understood. Thank you very much.

Finally, the breakout sessions were open to the public, and as an external participant, it was very helpful for me in many ways. I am sure the question of whether to conduct another similar event in the future will be a challenge for the subcommittee. Is there a possibility that it will be done again in public? I fully understand that it is not Shionogi's decision to make, but I would be grateful to hear your opinion.

Uehara : You are right, it is not up to us to decide. Authorities have decided to hold a joint meeting of the subcommittees in order to discuss the EUA under the new mechanism of emergency approval.

If we wait for the results of the Phase 3 part and then apply for approval, I honestly believe that there is some debate as to whether or not this is really an approval for emergency use. This is exactly what we are discussing with authorities. We are discussing how we can create an environment in which this drug can be used as quickly as possible within this timeline and this kind of plan.

Yamaguchi : I understand. That's all from me. Thank you very much.

Ueda : Ueda, Goldman Sachs.

I would like to know your thoughts on the positioning of S-217622.

We have seen the efficacy, safety, and drug-to-drug interaction profiles, and Pfizer has announced that they will be conducting long COVID trials as well. I would like to know what kind of indications you think S-217622 will be used for at this point.

In addition, I would like to know if Shionogi thinks it is necessary to develop a successor drug to S-217622, a next-generation drug that improves on it.

Uehara : Thank you very much.

At present, S-217622 is ongoing Phase 2/3 trial, and we are developing this drug for use in a wide range of patients with mild and moderate disease, regardless of risk factors.

Pfizer and Merck have already developed two oral drugs, but they are contraindicated in pregnant women (molnupiravir), have a risk of DDI, presences of liver damage, kidney damage. Each drug has its own characteristics. So, we believe that our drug has the potential to be used as a new drug option.

In this situation, one of the characteristics of our drug is that there is currently no evidence of viral rebound, which is a characteristic of paxlovid and other drugs that cause symptoms to reappear after treatment is completed. Our drug has the potential to be used more widely and stably.

In addition, we are now writing a bit about additional lifecycle management, as we are seeing definite antiviral effects. We plan to conduct prophylaxis trials to prevent the onset of transmission of the disease in family members who have been in close contact with an infected person, or trials for therapeutic purposes in pediatric patients, or for severely hospitalized patients to prevent death and aggravation.

We have received offers to use this drug from a variety of sources, so we are developing it first for the current patient population with mild to moderate disease that does not require hospitalization, but once the first application is approved, we are planning and preparing various trials so that it can be used for a wide range of patients.

Regarding the backup program from a research perspective, as you are already aware, we have many researchers working on this, and various studies are underway. A few issues with S-217622 have been identified, and we are now in the process of research and development of new drugs to overcome these issues.

Ueda : Thank you very much. Regarding that backup program, for example, do you have any timeline you can give us at this point, such as when to start clinical trials or anything like that?

Kiyama : Kiyama here.

As for the backup program, we started it up very early on. It is not too difficult for our researchers to increase in vitro activity by a hundred or a thousand-fold, and we have already found one compound that is extremely active compared to S-217622.

As you know, drug development cannot proceed without subsequently passing kinetic, safety, and various other tests, so we are currently focusing on multiple compounds and a small number of compounds for higher-level evaluation. If there are no problems, we would like to aim for clinical entry by the end of this year, but we do not know where we will hit a snag, so it would be difficult to give a firm commitment. Thank you.

Ueda : Thank you very much. My second question is also related to S-217622. I would like to know Shionogi's view on what the authorities think about how new viral mutations affect the emergency approval process.

At present, I still think that it is a virus with characteristics that are very difficult to develop drugs for. For example, before the key opens, are there any discussions on how to flexibly review the evaluation items according to the epidemic situation or the characteristics of the virus? Can you tell us what Shionogi thinks and what you are discussing in terms of future development?

Uehara : Thank you for your question.

As you mentioned, the virus is changing, and the human side of the infection is also changing, given the ongoing vaccination. That makes demonstrating the clinical efficacy of a coronavirus medication all the more difficult, and it's a problem companies are facing worldwide.

We have also started SCORPIO-HR trial, a global trial for infected, non-hospitalized patients with one or more risk factors. We are discussing how to define high-risk patients and how to evaluate appropriate endpoints while continuing to run the trial and amending the protocol.

In addition to such global activities, Japanese Phase 2/3 trial is also underway, and the Phase 2a part and 2b part are now showing their respective characteristics.

Then there is the timing of the database lock, which is currently taking place. Once again, we would like to discuss with our medical experts and coordinating physicians who are working with us on the trial, and we will continue to discuss with the authorities on how to finalize the endpoints and deliver the results of the Phase 3 part.

Ueda : Understood. Thank you very much. This concludes my questions.

Kohtani : I am Kohtani from Nomura Securities. I have two questions.

The first is about S-27622. I understand from the two meetings that even if the law changes, nothing will change unless the members who deliberate on it are replaced. This still requires a Phase 3 part, and even if it were to be used normally, the authorities have rejected it twice this time, so I think the success of the Phase 3 part is now required more than ever before.

So, what I would like to ask you now is the probability of success. The most important piece of information was not included in this briefing material. On page 14 of Dr. Yotsuyanagi's document at the Council meeting, there was a graph showing the time to symptom resolution in the Phase 2b part of S-217622. I believe this will be the endpoint you are working on now in the Phase 3 part. Looking at this, the Kaplan-Meier curve is already split at the 144th hour, so I think it was quite clearly significant versus placebo after that time.

What I want to understand is the reproducibility of this. I wonder if the differences in symptom resolution in Phase 2b part can be reproduced in Phase 3 part. Phase 2b part includes an Omicron strain, as I recall, so out of the 12 symptoms, I think most of the cases were probably the four respiratory symptoms and fever. Since Phase 3 part includes also an Omicron strain, can the differences in symptom resolution be reproduced in Phase 3 part in the same way to some extent?

I would also like to ask, first of all, if the main evaluation item fails, what secondary evaluation items are available, and if multiple items can be achieved, is there still a chance of approval?

Uehara : Thank you for your question.

As for the endpoints of the Phase 3 part, as Dr. Yotsuyanagi mentioned, we are currently specifying the time to symptom resolution.

The results show that the time until the 12 symptoms disappear completely, or more specifically, until the symptoms excluding the pre-existing symptoms disappear, and the patient returns to their pre-infection state, is about three days shorter.

It is only a Phase 2b part in Phase 2/3 trial, so the number of cases per group is a little more than a hundred. This means that the part is not yet powerful enough to show a statistically significant difference. As you have read, we are seeing a clean Kaplan-Meier split, and we are in a situation where we hope to see efficacy with similar endpoints for Phase 3 part.

Phase 2b part started in Japan from January onward, which was followed by the transition from Phase 2b part to Phase 3 part in early spring and then in summer, is conducted in multiple countries, including Japan, South Korea, and Vietnam. Although expected to be minor, the impact of changing prevalent strains on such timelines may occur.

Naturally, we believe in the potential of the drug and are hopeful that it will prove effective. However, we cannot give you a definite figure on the percentage of success.

Kohtani : Maybe we don't know yet, but have you heard that the symptoms are different between Korea and Vietnam?

Uehara : At this point, the main symptoms of Omicron strains, mainly respiratory symptoms, have been observed in all countries, so we do not think that the characteristics of the symptoms are very different.

Kohtani : I understand. Thank you very much.

Secondly, regarding HIV, I was surprised to see GlaxoSmithKline's financial results this time. Sales of cabotegravir have finally started to increase considerably. Of course, this was the first intramuscular injection for HIV and training was required. There was also a lead-in period of taking pills for a month, and insurance reimbursement for the pills and injections, and various other issues like that.

Looking at the results this time, is it correct to understand that the once-per-two-month formulation was approved in February and that the once-per-month lead-in is no longer required, and that this is the reason for the increase?

Also, at the last meeting, Mr. Keller mentioned that patients and doctors are very cautious about switching because of the coronavirus pandemic. I was wondering if you could also tell us how the switch market is changing.

Lastly, at the GlaxoSmithKline presentation, it was mentioned that the doctors in Los Angeles have a very long list of people who are switching to cabotegravir, and that some of them are having to wait. Why are they waiting in the first place? I would appreciate it if you could tell me if this is because there are not enough medical personnel, or if there is some other reason.

Keller : Keller here.

First, regarding Cabenuva, we are pleased to see that growth is exceeding our targets. I think that the oral lead-in is gone, and then the bimonthly gains are being understood, which is leading to uptake.

Regarding the effect of coronavirus on switching, we believe that there is still a negative effect in the 25% to 35% range. However, we are optimistic. We are quite confident it will work out by the end of the year. Of course, it is very difficult to predict.

Also, regarding the logistical aspects, for example, the introduction of J-CODE, which is necessary for insurance reimbursement, has been improved for several months. It is very important that the procedures have been simplified. The same is true for Apretude.

Then there is the fact that the physician must also establish a process for administering this drug. There is no 100% overlap between clinics where Cabenuva is administered or where Apretude is used. The overlap is about 60%.

While many clinics have a Cabenuva prescribing process, many other facilities that are new to starting Apretude prescribing do not yet have experience and are building processes.

Kohtani : Thank you very much. I would like to confirm one point, that the switch market recovery is a little slower than expected. On the other hand, you say that sales of Cabenuva are good, so does that mean that demand and interest are very high?

Keller : Yes. You are right.

Kohtani : Thank you very much.

Hashiguchi : I am Hashiguchi. Thank you.

The first question is about oral COVID-19 medications. In each region, what are the key factors in the choice of treatment? If you think there are markets where S-217622 would be a good fit and markets where S-217622 would not be a good fit, based on the treatment system of each region or the way physicians and patients think about healthcare, would you be willing to share your thoughts on this?

Even now, I believe that Pfizer's and Merck's drugs have very different market shares in different countries. Various people mentioned the Japanese doctors' way of thinking at the recent joint meeting of the subcommittees, so I had a vague idea of what they were thinking. I would like to know your thoughts on Korea, Vietnam, China, Europe, and the United States, where S-217622 is being developed.

Keller : Keller here.

As you say, the concept differs from country to country. First of all, before I begin, I would like to tell you that the pandemic itself is spreading worldwide. And Omicron is spreading quickly. We are the only company that is producing data in this environment.

In the United States, paxlovid is being taken up very rapidly. It was originally used in high-risk cases, but now it is used for other things besides high-risk cases. And as for the rebound issue, we will have to wait and see what impact this will have. The results of paxlovid and molnupiravir trials are based on inpatient results, which came out during the Delta phase. Then it moved into the Omicron phase, and now it is widely prescribed.

In Europe, treatment with antiviral drugs for influenza is not widely practiced, and this hesitation is further reflected in the low number of prescriptions for oral treatment of coronaviruses. I think our data will tell us how things will develop in the Omicron phase. Europe, on the whole, is slow in its utilization. Culturally, the same is true for coronavirus.

Uehara : In Japan, we are basically thinking in the same way as Western countries at this point. Currently, however, the use of paxlovid and molnupiravir is limited to high-risk patients, in the form of emergency-use approval based on efficacy data in patients at risk prior to the Omicron outbreak.

As for our drug, I would like to reiterate that we are examining the therapeutic effects of the drug, including for patients without risk factors. We expect that our drug can be used in a wider range of target segments.

Keller : Regarding South Korea, where the pandemic is currently in a very rapid phase. Therefore, Korean society wants to introduce oral drugs as soon as possible.

China has a zero-coronavirus policy. How would oral drugs fit in a zero-coronavirus policy? If the government changes to a with-coronavirus policy along with the rest of the world, the amount used will be different, but it is difficult to say.

Overall, however, I believe that needs will emerge regarding oral therapeutics, as needed.

Hashiguchi : Thank you very much.

One more question. This is regarding the vaccine, S-268019. Can you comment on whether the results of the benefit verification study for Vaxzevria met the primary endpoint?

Also, I think you have told the media before that you would file an application around June or July. Now that we are in August, I would appreciate your comments on the sense of the timeline for the preparation of this application, and if there is anything that has changed from what was originally envisioned.

Uehara : Thank you for your question.

First of all, the verification results of superiority to Vaxzevria are scheduled to be published in a paper. As background, since we have been provided with drugs, we are currently going through the process of disclosing the results of the study. We were in no way disappointed with the results.

In terms of the timeline for the application for approval based on the results of the clinical trials, the data packages for the non-clinical and clinical trials are being prepared in turn. We are now working on issues from various perspectives, including manufacturing, in order to bring the product to the market and have many people use it. We are currently preparing to deliver the product as soon as possible.

Hashiguchi : Thank you very much. That is all.

Sakai : This is Sakai. I have two questions.

One thing that was pointed out in the joint subcommittee meeting was that there is a so-called lead time, or window period, of 72 hours, from the time a patient is actually diagnosed as positive to the time that S-217622 is actually administered. I think it was pointed out that the number of copies of the virus in the body, has already reached its peak.

There was no place for Shionogi to refute this, of course, on the spot, but if this question had been asked, how would Shionogi has answered it? I think some of the committee members answered that 72 hours is the actual amount of time needed in actual clinical practice. This is my first question.

Uehara : Thank you for your question.

Regarding the time from onset of disease, both Merck's and Pfizer's drugs were tested with dosing within five days of onset of disease.

We also conduct the same study with our drugs, which are administered within five days. If we may share some specific data, about half of them registered within 72 hours, and about half of them took the medication between 72 hours and five days, so there were some who took the medication early and some who took it a little later.

As for the characteristics of actual patients, while they felt something at home on the first day and developed a fever, many of them would rather wait and see what happens for a day rather than go to the hospital immediately. In such a situation, the patient goes to the hospital, and then to the outpatient fever clinic, where they are examined, and the next day we get the results of PCR, and from there, it is decided whether or not they will enter the clinical trial.

In the current clinical setting, even if it is determined to be positive, it is not possible to receive a prescription immediately.

In the US and other countries, we have heard that there is a 'test and treat' program whereby patients who test positive at pharmacies and other facilities can immediately receive a prescription and begin treatment.

As far as the characteristics of our drug and the data up to the Phase 2b part are concerned, the efficacy of the drug has been confirmed in patients within five days as well as within 72 hours, so we are conducting Phase 3 part in the current study design within five days.

Sakai : I understand. Thank you very much.

Next, I wanted to ask a question about the figures, I think it was page five. In terms of sales revenue without the figure of COVID-19, JPY45 billion is subtracted from sales for the 1H forecast. From operating profit, the figure is JPY39.5 billion.

I don't intend to say anything because I think these are just assumed figures. But if there is no change in other assumptions and the COVID-19 related sales of JPY45 billion in 1H are postponed, Is it correct to understand the guidance that there is such an impact on profits?

Mitsumori : Thank you.

As explained in the slide here, we have removed the JPY45 billion of sales revenue from COVID-19 and the associated cost of sales, as an assumption, and the rest is as it is, with no deviation as an assumption. The R&D expenses related to COVID-19 have been included as they are.

Sakai : I understand. Thank you very much.

Wakao : My name is Wakao from JPMorgan. Thank you.

Regarding S-217622, could you please provide a little more detail around the timing of the next review?

As for the top line, you mentioned August/September, but when do you think it will be reconsidered after that? I thought the joint subcommittee would submit the summary report in November, so I was wondering if it would be after that. Can you tell us about the timing of the reconsideration?

Uehara : Thank you for your question.

We are now in the process of discussing how to proceed. Since this is a new system, the situation differs greatly as to whether you can continue to deliberation for approval within the framework of this emergency approval, or whether we can deliberation for approval under a different arrangement. Please understand that at this time, we are unable to give you a specific answer as to what and when.

Wakao : I understand. Then, as a scenario, if, hypothetically, and with regard to the Phase 3 part, it could be discussed at a relatively early stage if it is within the framework of the emergency approval system. On the other hand, if it is a regular review, the summary report will be submitted again in November, and then there will be time for the MHLW to review it, so it will be a little further down the road.

Uehara : You are correct.

Wakao : Understood. Thank you very much.

Regarding China, Korea and Vietnam. As for China, when will you apply? As for Korea and Vietnam, my understanding so far is that if something is approved in Japan, it will also be approved in Korea and Vietnam. Is that correct? That is all.

Keller : The submission of preparation materials for a new drug application has already started in China. Discussions have begun with the authorities on how to proceed in the future.

Then about Korea, we are currently discussing this and may do so without waiting for Japan.

Next is Vietnam, which has not yet been cleared. We will probably be involved as much as possible, and we will have parallel discussions with the authorities.

Wakao : I understand. With regard to China, when do you see that next step?

Keller : We will be in a better position to answer after being informed by the government. We have already started providing information to the government and are currently waiting for feedback.

Wakao : I understand. Thank you very much. That is all.

Kumagai : This is Kumagai, Mitsubishi UFJ Morgan Stanley.

I would like to know briefly about olorofim. Regarding the schedule for Phase 3 trial, I see in the clinical trials that it was supposed to end in September 2024. Is it correct to say that this is the trial for application purposes?

Also, I would like to know more about the difference with the existing voriconazole, and the mechanism of action. That is all.

Uehara : Thank you for your question.

I believe that the trial you are referring to is a Phase 3 trial, which is being conducted mainly in the US. In addition to this trial, we are preparing to conduct trials for additional indications separately. We are currently conducting additional clinical trials to ensure that the drug can be used in various countries, including obtaining data for the Asian region.

Kumagai : What is the mechanism of action and how does it differ from existing drugs?

Keller : There are high levels of resistance to existing first-line drugs. And olorofim has a very different profile. We believe it is more effective against these types of infections. We expect that there will be a response to infections that do not respond to existing medications.

Kumagai : Thank you very much.

Muraoka : Hello, this is Muraoka, Morgan Stanley. Thank you very much.

I would like to ask about S-217622 in China. I know there are a lot of unknowns, but can you tell me if the drug will get approval in China based on the assumption that Japan's approval is granted? Is there a possibility that Korea will move forward faster, as you mentioned earlier, but in the same way, separate from Japan?

Also, I don't know if it is the Chinese government, local or central, but what is your understanding of their intentions for stockpiling?

Keller : It is too early to say about stockpiling. Currently, we are still talking about registration.

China, as you know, is a country with many drug classifications. Various criteria are in place. This would include medical needs or other factors to consider. The speed of approval compared to Japan will depend on which classification the Chinese government chooses to use. At this stage, either is possible.

We are currently in discussions with the Chinese government on this point.

Muraoka : I understand.

One more thing, sorry. I believe that Shionogi will be quite profitable this fiscal year if it successfully achieves its performance goals. How will the profits be used? Would you consider M&A, investment, shareholder return, buybacks, or something like that? It would be helpful if you could give me some kind of priority in your thinking.

Keller : Mr. Kiyama will come back to the topic of M&A.

As for licensing, of course we are always looking. There are some innovative companies. But even so, there is also a lot of competition. Major corporation as well, all have very aggressive M&A campaigns. Those are essentially without budgetary constraints. One issue is that we have to compete with such competition, and the other is that we are facing a very difficult situation in terms of financing.

Of course, we would like to expand our portfolio and continue to explore innovative ideas.

Kiyama : This is Kiyama. I don't think I can give you a very interesting answer.

We would still like to continue to look for opportunities to make the initial strategic investments that will help us achieve STS2030.

With regard to shareholder returns, our company is always working to increase shareholder returns, sharing the growth of the company with our shareholders.

Muraoka : I understand. That is all. Thank you very much.

Kyokawa : Thank you very much. Thank you for your many questions.

This concludes the briefing on the financial results for Q1 of the fiscal year ending March 31, 2023.

Thank you all very much for your participation.