

# Sustainability Meeting

October 19, 2023

Shionogi & Co., Ltd.



**SHIONOGI**

# Agenda

- 1. SHIONOGI's Value Creation**
- 2. Protect People Worldwide from the Threat of Infectious Diseases**
- 3. Promoting Sustainable Business in Harmony with Nature and Society**
- 4. Management Foundation that Supports SHIONOGI's Sustainability**
  - **Human Capital Management**
  - **Corporate Governance**
    - **Effectiveness of the Board of Directors**
- 5. Summary**

# 1. SHIONOGI's Value Creation

# SHIONOGI Philosophy

## 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 people 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 January, 1957)

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

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

**Heritage**

The Company Policy of SHIONOGI

**Vision**

What we want to achieve by 2030

**Values**

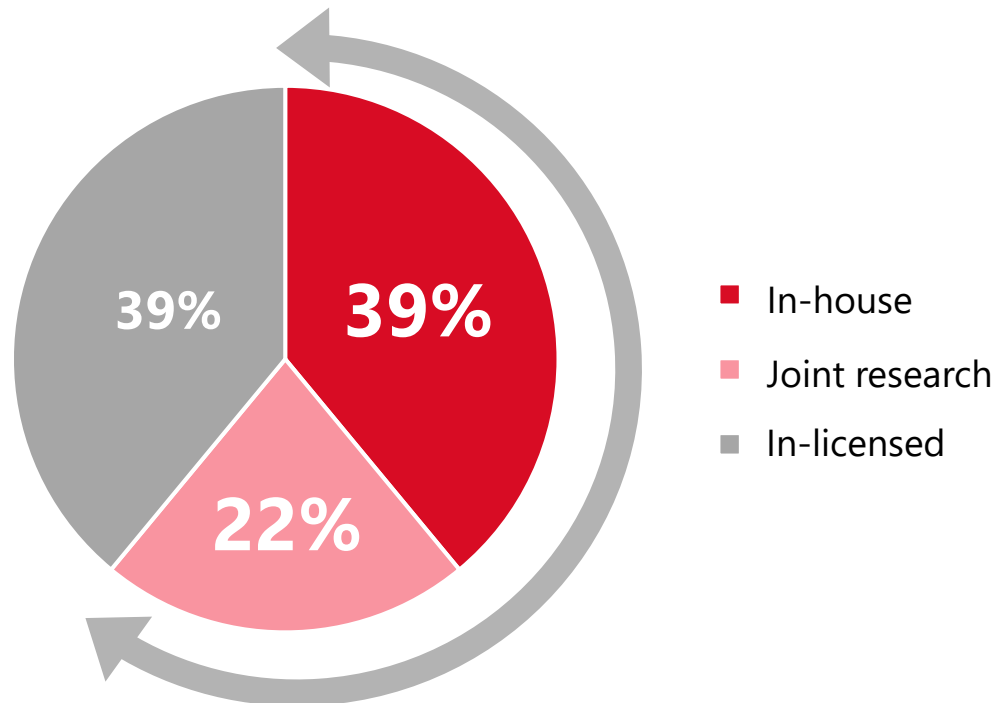
Our psyche that is indispensable for achieving vision

# Characteristics of SHIONOGI as a Drug Discovery-based Pharmaceutical Company

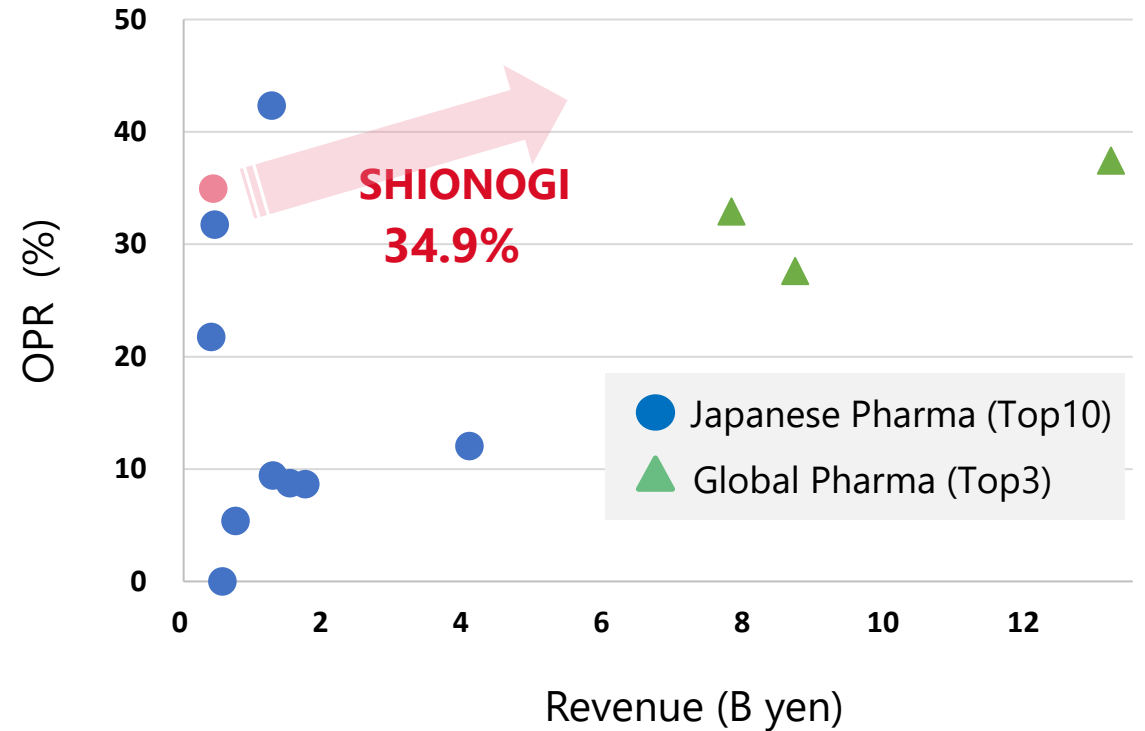
## In-house drug discovery ratio (as of March 2023)

**61%**

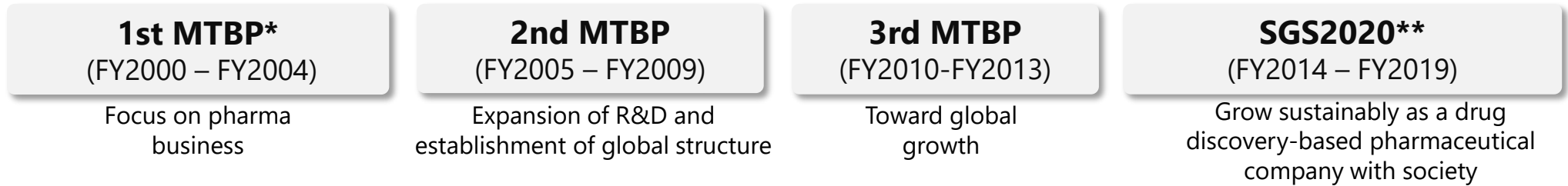
It is said that the in-house drug discovery rate for general pharmaceutical companies is 20-30%.



## Comparison of operating profit ratio of major pharmaceutical companies\*



# Growth Trajectory into a Drug Discovery-based Pharmaceutical Company



"Crestor"  
Launch in 2005



"Finibax"  
Launch in 2005



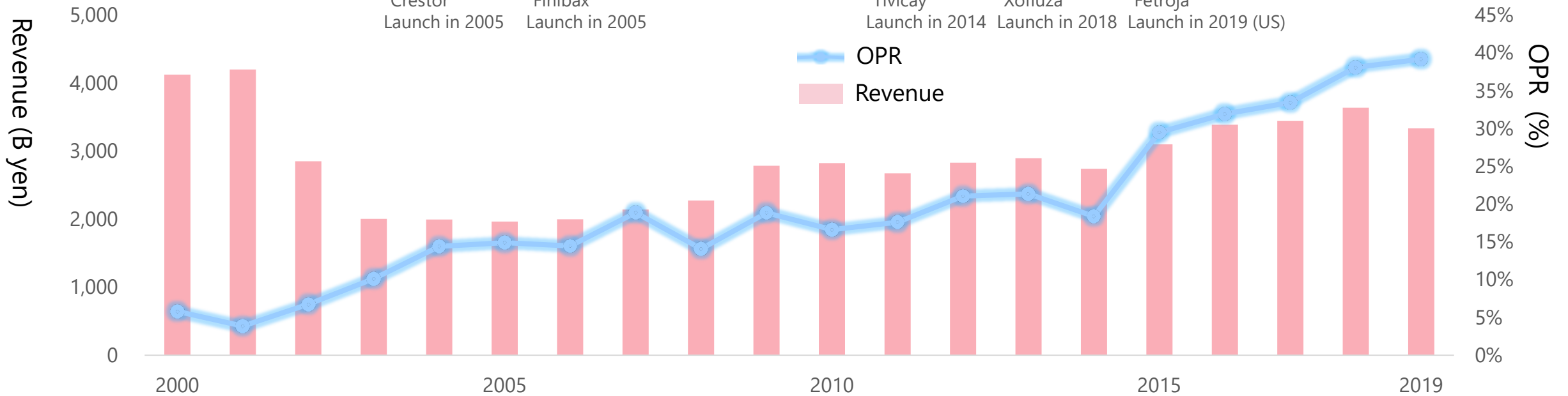
"Tivicay"  
Launch in 2014



"Xofluza"  
Launch in 2018



"Fetroja"  
Launch in 2019 (US)



\* MediumTerm Business Plan \*\* Shionogi Growth Strategy 2020 \*\*\* Shionogi Transformation Strategy 2030

Until 2018 : Japanese Generally Accepted Accounting Principles (JGAAP) After 2019 : International Financial Reporting Standards (IFRS)

# Vision, SHIONOGI Transformation Strategy 2030 (STS2030)

-Announced in June 2020-

## Vision 2030

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

**SHIONOGI Group Vision (2030年 Vision)**

- What SHIONOGI wants to achieve in 2030 -

## Strategy to achieve 2030 Vision

# STS2030

**Realization of Transformation**

**STS Phase1**

('20 - '24)

**Growth through Transformation**

**STS Phase2**

('25 - '30)

# Background to the Establishment of STS2030 –Perception as of June 2020–

## Perception of changes in the external environment

- Society
  - Discontinuous social systems and changing values
  - Rapid changes in the economic paradigm
  - Movement toward the realization of a sustainable society
- Pharmaceutical industry
  - Increased awareness of social insurance costs
  - Sophisticated medical needs
  - Innovation through technological evolution and data utilization
- Customers
  - Changes in values of consumption
  - Reduction in medical information gaps

## Changes in the internal environment

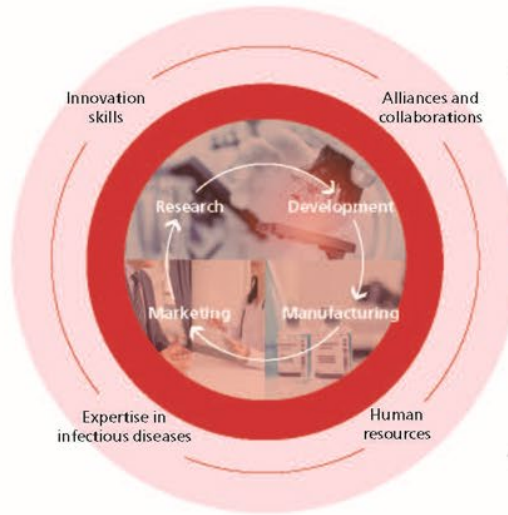
- Only a short time left to 2027/2028 (HIV franchise patent expiration).
  - It takes 10–15 years to launch a product.
- It is difficult to sustain business growth only with prescription drugs.
  - A business model where the greater the success, the greater the impact of patent cliffs.
- There is a need to establish a new business model.



# From a Drug Discovery-based Pharmaceutical Company to a HaaS\* Company -SHIONOGI's new direction-

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

SHIONOGI's Business Model



Transf  
ation  
Towards  
Becoming a  
HaaS Company



Pre-symptomatic care

Recuperation

Prevention

The hub of co-creation

Treatment

Diagnostics

# Transformation into a HaaS company

-Results in 3 years after the announcement of STS2030-

## Providing value as a healthcare service (Healthcare as a Service: HaaS)

- By collaborating with various partners, we will create new added value and solve the problems of patients and society
- Further strengthen the strengths cultivated through the creation of ethical drugs, and leverage those strengths to become the core of collaborative creation

### • Establishment of AdvanSentinel

- Investigation of infection status by sewage monitoring

### • Insomnia treatment app

- Sales partnership agreement with SUSMED

### • ADHD treatment app

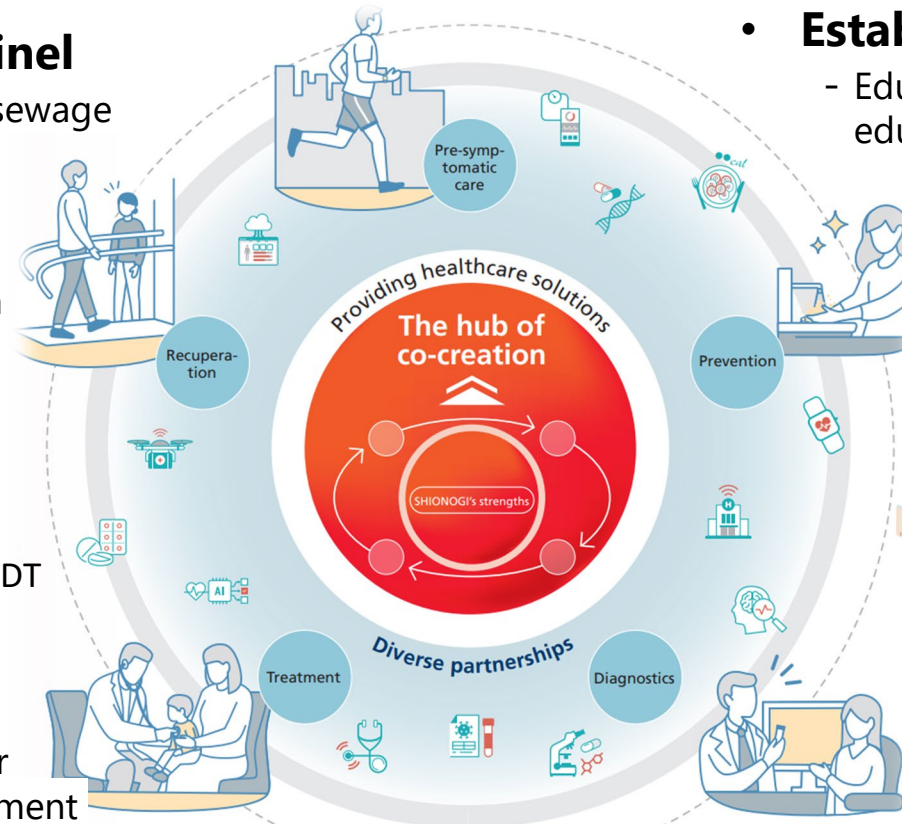
- License agreement from Akili

### • EEG measurement app

- Business alliance agreement with PxDT

### • Creation of ethical drugs

- Strengthen focus areas that SHIONOGI has cultivated so far
- Launched new COVID-19 treatment drug "XOCOVA"



### • Establishment of Yui Connection

- Educational support service that proposes appropriate educational plans for students to teachers

### • Challenge to dementia care by sound stimulation

- Joint research with PxDT

### • Entry into vaccine business

- Development of a COVID-19 vaccine

### • Online medical treatment

- Established a joint venture, Stream-I, with M3.

### • Diagnostic kit

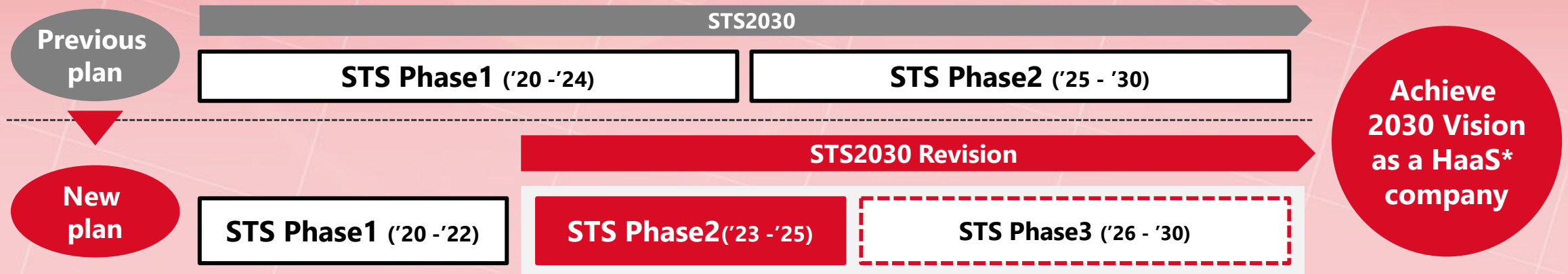
- Development and sales of kits and equipment for diagnosing influenza and COVID-19

# Strategy Revised from STS2030 : STS2030 Revision

A new strategy with a clearer path to the realization of the 2030 Vision

# STS2030 Revision

- **Shionogi Transformation Strategy 2030 Revision** -



# Background to the Establishment of STS2030 Revision

## Lessons from the COVID-19 experience

- Renewed recognition of the threat of infectious diseases
- Importance of the discovery of drugs for unmet needs
- Lack of ability to deliver globally
- Importance of business speed



**Recognition of the lack of capability to respond quickly to changes in the business environment**

## Changing assumptions of the HIV franchise

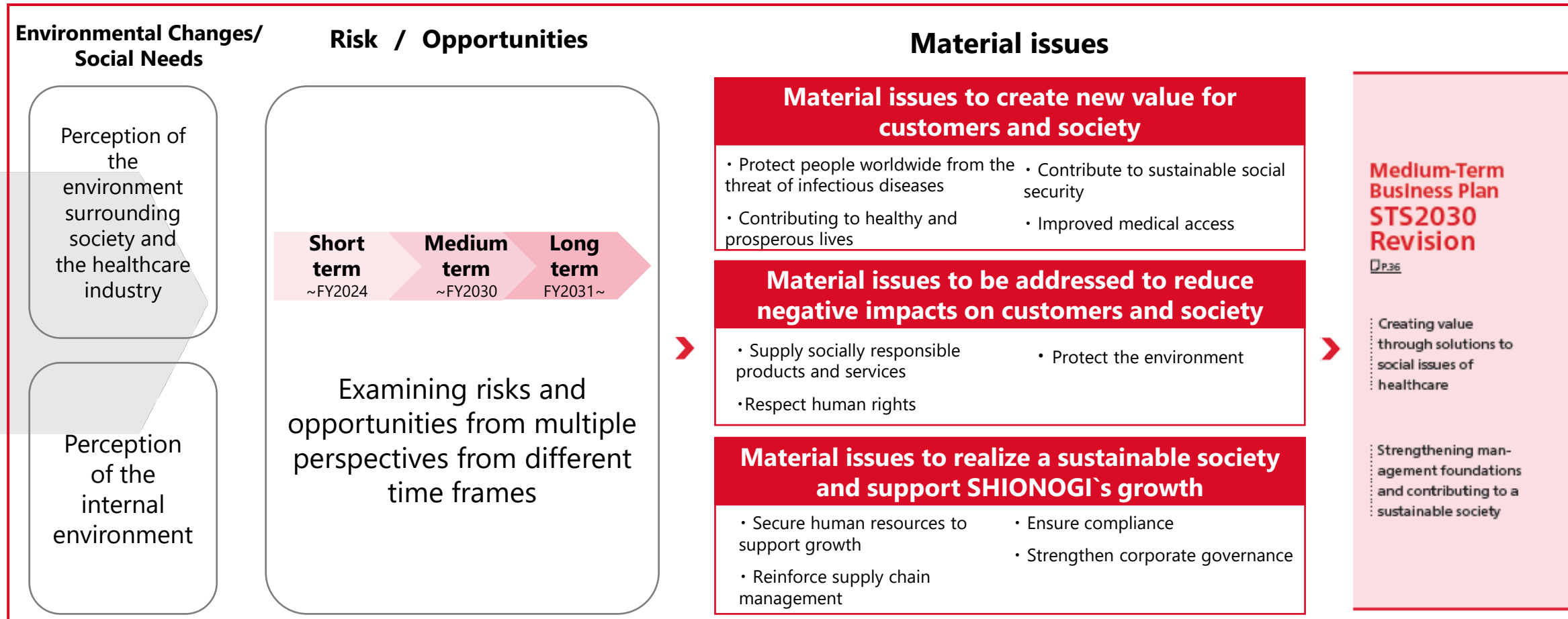
- Expansion of long-acting formulations
- Paradigm shift in HIV treatment



**Further growth of HIV business**

# SHIONOGI's Material Issues

- **Strategies are formulated after discussion at the management meeting and approval by the board of directors.**
- **SHIONOGI's sustainability is the combination of social sustainability and SHIONOGI's growth.**



## **2. Protect People Worldwide from the Threat of Infectious Diseases**

# The Threat of Infectious Diseases Existing Throughout the World

**Since these diseases are transmitted from person to person, their threat is expected to increase on a global basis, including low- and middle-income countries (LMICs).**

- **Three major infectious diseases (HIV/AIDS, tuberculosis, malaria)**
  - Prevalent mainly in LMICs, killing more than 2.5 million people each year.
- **Neglected tropical diseases (NTDs)**
  - Prevalent mainly in tropical areas and consist of 20 types of diseases, including dengue fever, rabies, and Chagas' disease, for which no therapeutic drugs have been developed.
- **Antimicrobial resistance (AMR)**
  - If no effective AMR measures are taken in the future, it is estimated that, by 2050, 10 million people\* will die each year, with an economic impact of \$100 trillion.
- **Pandemics caused by acute infectious diseases (e.g., COVID-19)**
  - More than 670 million people worldwide have been infected with COVID-19, and approx. 6.9 million have died (as of March 13, 2023).
  - The COVID-19 pandemic has had a negative impact on economic growth comparable to the Great Depression (global GDP growth rate in 2020: -3.4%).

# SHIONOGI's Strategy for Sustainable Growth in the Infectious Disease Business

**Globally deploying “total care that goes beyond therapeutic drugs” and a “sustainable business model”**  
**By building a disease portfolio, you can diversify the risk of an epidemic without relying on a single disease**

**Build a business portfolio that is not affected by epidemics**

**Establish a total care platform for acute infectious diseases**

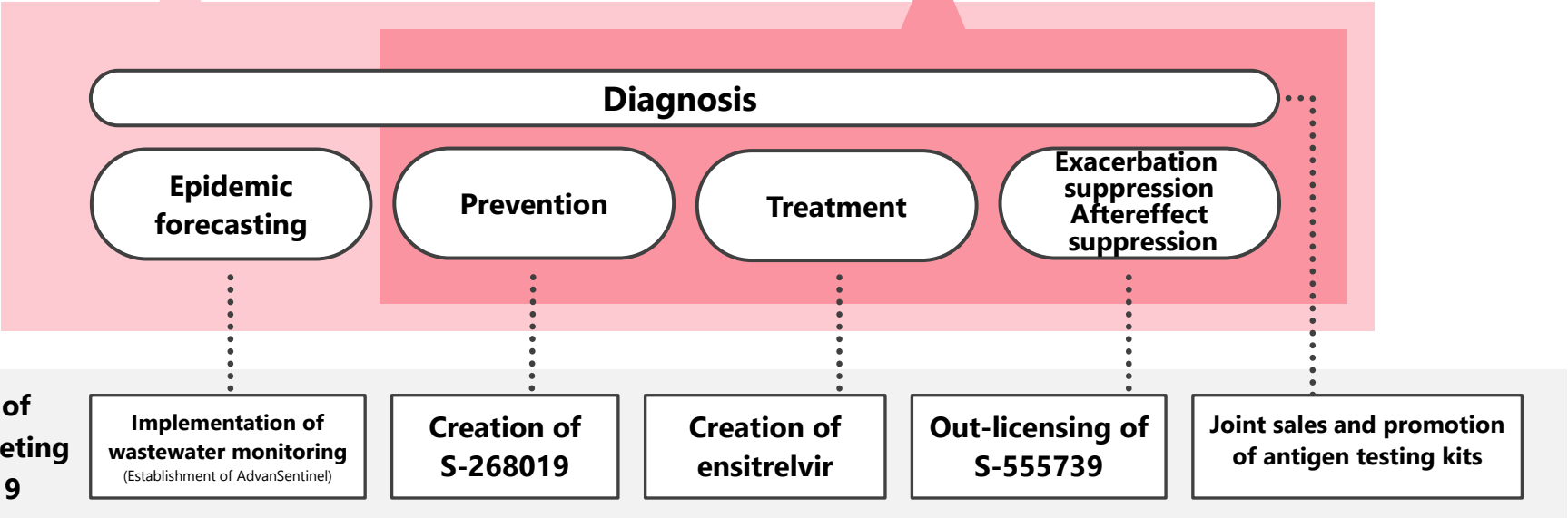
**Build a sustainable business model**

**Establish a purchase model in collaboration with government, etc.**

**Build a disease portfolio**

**Make wide-ranging efforts to tackle key upper respiratory tract infections**

- COVID-19
- Influenza
- RSV and more





# SHIONOGI's Commitment to Infectious Diseases

- Providing therapeutic drugs developed in-house -

**Committed to infectious diseases for over 60 years based on our ability to create innovation and our expertise in infectious diseases**

- SHIONOGI has been researching and developing infectious diseases for more than 60 years and has provided society with many anti-infective drugs.
- SHIONOGI is currently investing more than 50% of our R&D costs in the field of infectious diseases and are developing innovative solutions.

Proportion of R&D expenses for the infectious disease area (FY2021)



\* Labor costs and indirect spending not included.

## Main infectious disease drugs developed in-house

1959	The sulfonamide drug <b>"Sinomin<sup>®</sup>"</b>
1988	The oxacephem antibiotic <b>"Flumarin<sup>®</sup>"</b>
1997	The cephem antibiotic <b>"Flomox<sup>®</sup>"</b>
2005	The carbapenem antibiotic <b>"Finibax<sup>®</sup>"</b>
2014	The HIV treatment <b>"Tivicay"</b>
2018	The anti-influenza virus drug <b>"Xofluza<sup>®</sup>"</b>
2020	A siderophore cephalosporin antibiotic <b>"Fetroja<sup>®</sup>"</b>
2021	The long-acting HIV treatment <b>"Cabenuva"</b>
2022	The antiviral pill for COVID-19 <b>"Xocova<sup>®</sup>"</b>

# SHIONOGI's Commitment to Infectious Diseases

-Japan's first initiative to deliver therapeutic drugs globally-

**Both are first efforts by Japanese companies to provide services to LMICs.**

## Partnership with GARDP\*1 and CHAI\*2



- SHIONOGI and GARDP concluded a license agreement for non-exclusive rights to commercialize Cefiderocol in 135 countries.
- SHIONOGI, GARDP, and CHAI entered into partnership agreement to provide sustainable access to patients in need of Cefiderocol.
  - Signing of sublicense agreement between GARDP and Orchid for the production of antibacterial drugs to provide cefiderocol

## Partnership with MPP\*3



- Concluded an agreement with MPP for the purpose of widely providing LMICs with Ensitrelvir.
  - Signed manufacturing sublicense agreements with seven generic drug manufacturers
- After obtaining regulatory approval, Ensitrelvir can be supplied to 117 countries under this agreement
- Waives royalties on sales in all countries covered by the agreement while COVID-19 remains classified as a Public Health Emergency of International Concern by the World Health Organization.

# External Evaluation of SHIONOGI's Commitment

## Positive feedback from outside regarding AMR initiatives



"SHIONOGI should be very proud of its global leadership against bacterial infections: (1) bringing cefiderocol to the market and then voluntarily licensing it with technology transfer for the world's poorer countries; (2) supporting and working with push incentives like CARB-X, GARDP, and the AMR Action Fund; and (3) advocating for pull incentives in Japan and across the G7. Leadership matters, and Shionogi leads by example. CARB-X is delighted to partner with SHIONOGI as we build a sustainable ecosystem with both push and pull incentives."

KEVIN OUTTERSON, ESQ.  
Executive Director  
CARB-X (Combating Antibiotic Resistant Bacteria)



"From innovating lifesaving therapies to investing in groundbreaking initiatives such as the AMR Action Fund, SHIONOGI is a true leader when it comes to confronting the crisis of antimicrobial resistance. As the threat of AMR continues to evolve, it is encouraging to know that SHIONOGI remains deeply committed to patients affected by drug-resistant infections and clinicians who are facing a dwindling supply of effective therapies."

JOHN ALTER  
Head of External Affairs  
AMR Action Fund

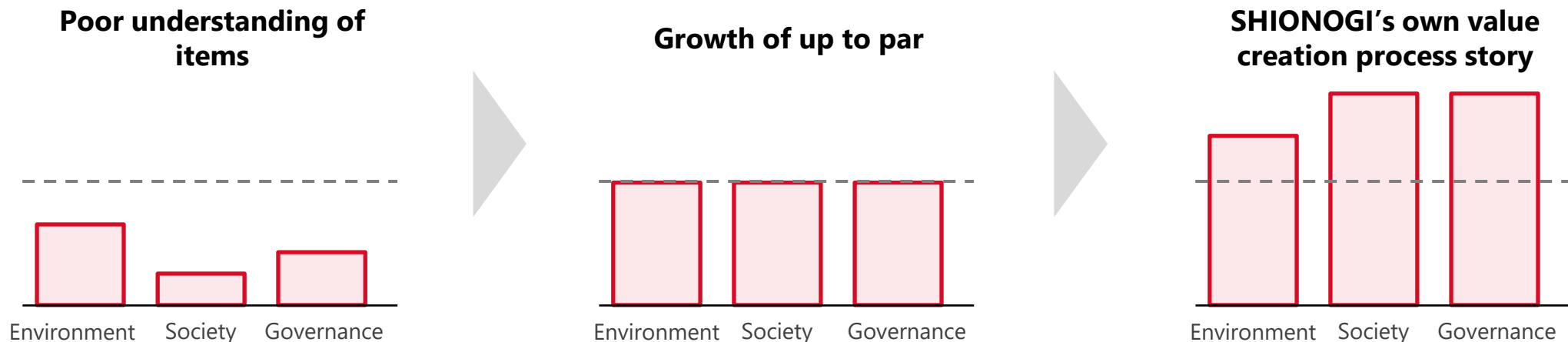
### **3. Promoting Sustainable Business in Harmony with Nature and Society**

# History of SHIONOGI's Sustainability Promotion

## **SHIONOGI was a laggard in sustainability promotion until a few years ago.**

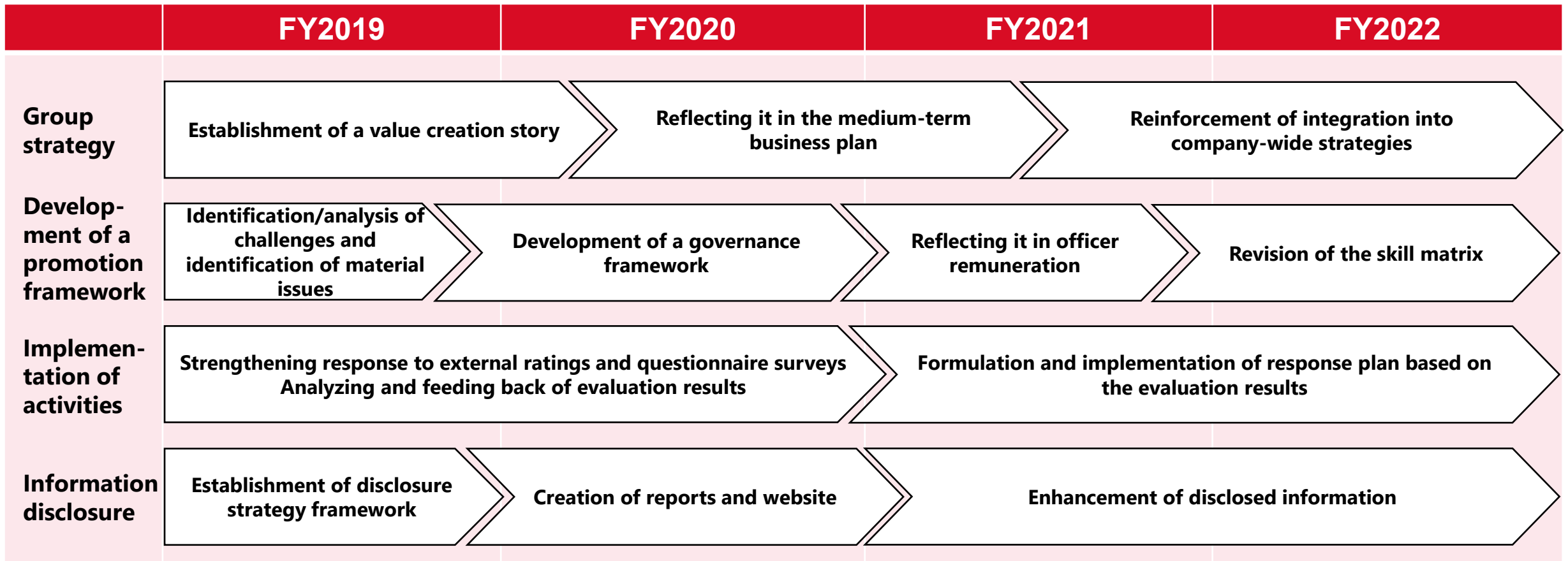
- We failed to present a value creation story linking financial and non-financial aspects.
- There were items that were being implemented but not disclosed and items that were not being implemented.
- Out of line with the disclosure framework, our disclosures were difficult to understand.
- There was a lack of discussion at the board level.

## **Launched promotion activities in 2019 to become a top-tier company**



# Sustainability Activity Promotion Road Map (2019–2022)

**Defining strategies and frameworks for solving social issues, implementing activities, and enhancing disclosure will contribute to improving SHIONOGI's presence.**



# Enhancement of Sustainability Promotion Framework & Activities

**Establishing a dedicated organization and systematically reinforcing sustainability promotion activities lead to increased recognition within the company, including management, and advance the training of dedicated personnel within and outside the organization.**

## **FY2019**

- Established the **ESG Promotion Team** as a virtual organization.
- Identified/analyzed the challenges to be addressed and identified material issues.
- Formulated an activity promotion roadmap and began enhancing information disclosure in line with the framework.

## **FY2020**

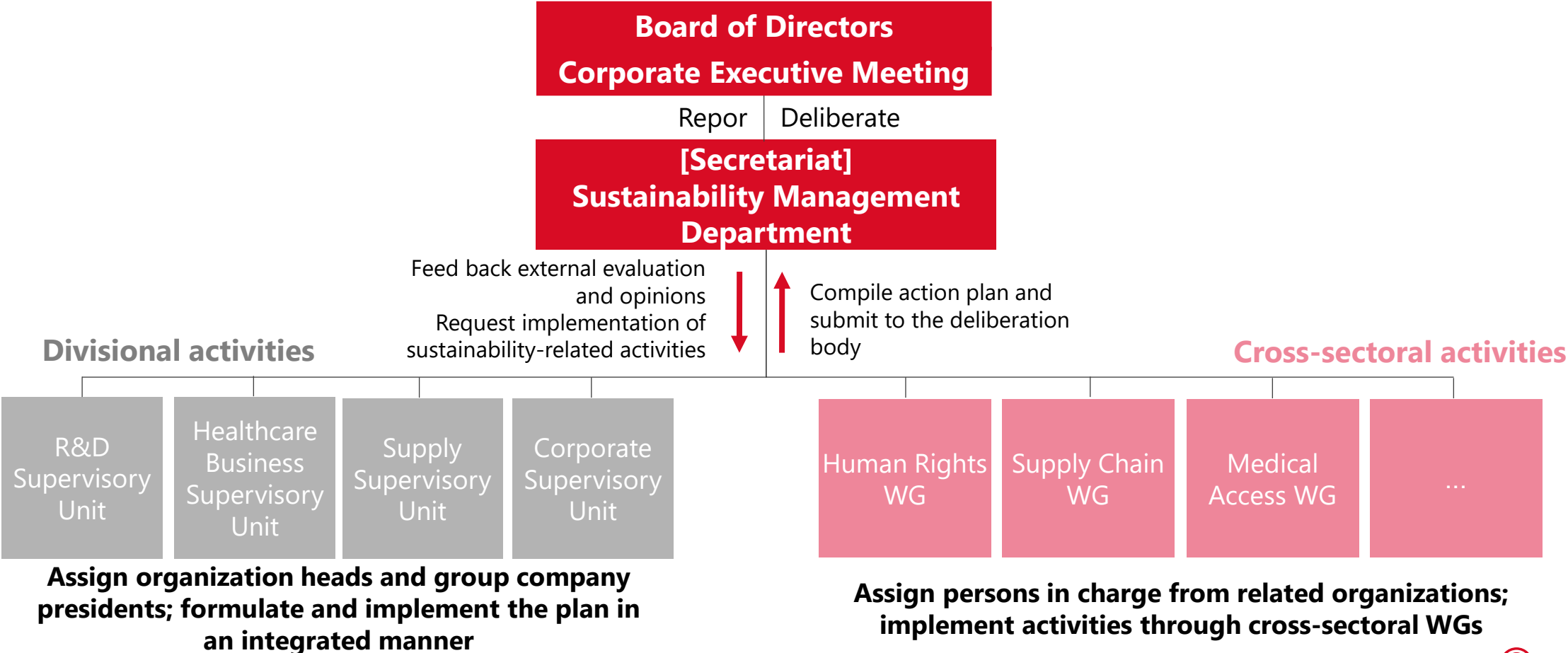
- Established the **Sustainability Management Office** as a dedicated organization.
- Identified material issues, formulated and a roadmap, and implemented the action plan.
- Reporting to the Corporate Executive Meeting and Board of Directors on a regular basis.

## **FY2021-**

- Promoted as the **Sustainability Management Department**.
- Established WGs for each sustainability theme.
- Conducting improvement activities in tandem with the frontline.

# Governance Framework for Sustainability Promotion Activities

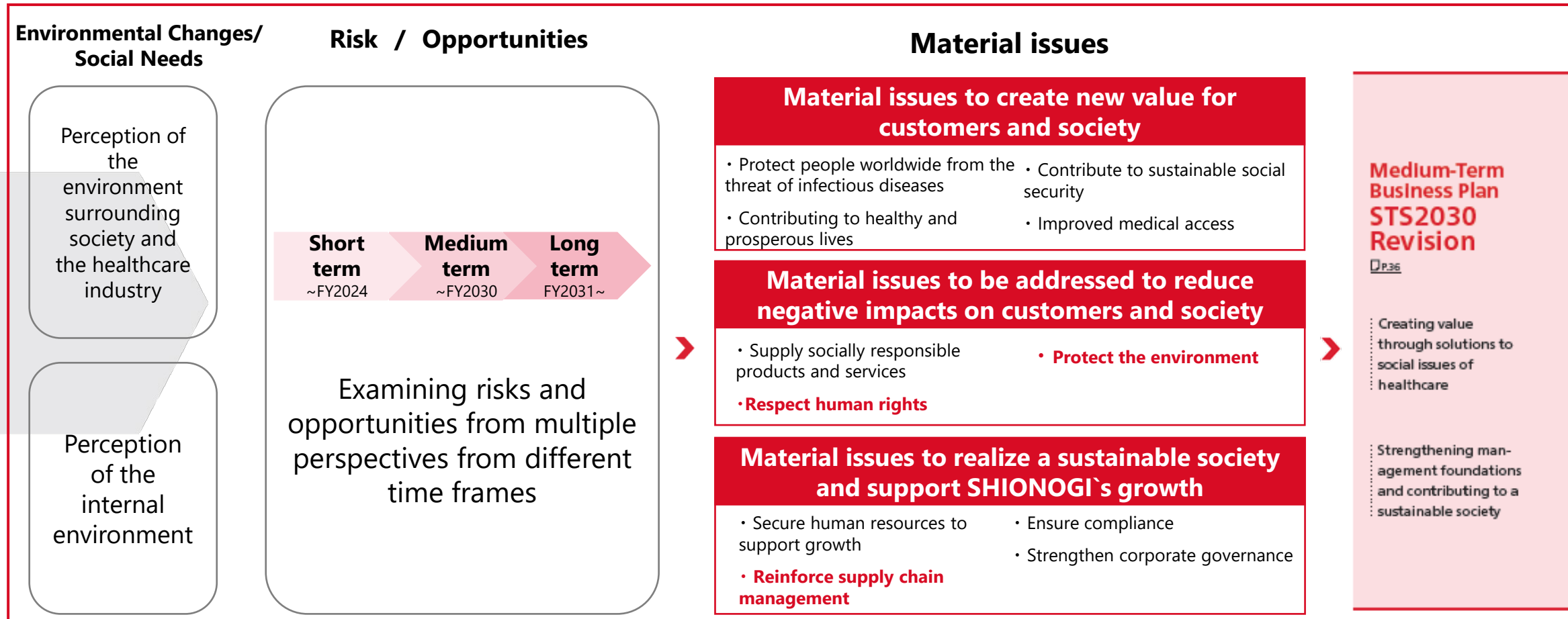
**As secretariat, the Sustainability Management Department supports the planning and operation of the activities, leading them to the next action with feedback from society and management.**





# SHIONOGI's Material Issues

- Strategies are formulated after discussion at the management meeting and approval by the board of directors.
- SHIONOGI's sustainability is the combination of social sustainability and SHIONOGI's growth.



# Environmental Considerations

**Further enhancing initiatives to alleviate environmental impact and protect natural resources.**



Environmental Management

AMR

Climate Change

- **Establishment of the EHS Promotion Office**
  - Developed an EHS management framework.
    - **Identification of “environmental considerations” as a material issue**
      - Formulated policies for climate change, AMR, resource saving and recycling, and water.
- **Responsible manufacturing of antibiotic drugs**
  - Controlling releases from antibiotic drug manufacturing plants.
  - Conducting antibiotic drug supplier audits.
- **Certification by the SBT\* Initiative**
  - Formulated renewable energy adoption plans.
  - Commenced supplier engagement.

- **Disclosure in line with the TCFD\*\* framework**



# Respect for Human Rights

**Keep implementing the due diligence process to continue responding swiftly to human rights issues in the supply chains.**



- **Intensification of human rights issues and growing social demand to address the issues**
  - Guiding Principles for Business and Human Rights (UNGPs) adopted by the United Nations.
- **Statement of corporate stance on human rights issues**
  - Announced SHIONOGI's Principles on Human Rights based on the UNGPs.
  - Established the SHIONOGI Group Human Rights Policy based on the UNGPs.
  - Announced a statement on the Modern Slavery Act 2015 and human trafficking.
- **Identification of human rights issues at SHIONOGI**
  - Held dialogues with outside experts.
- **Implementation of human rights due diligence based on the UNGPs**
  - Carried out a human rights risk assessment.
  - Implemented a human rights impact assessment in the supply chains.
  - Disclosed assessment results and response status.



# Enhancement of Supply Chain Management

## Building sustainable supply chains through continuous supplier engagement.



- **Participation in PSCI\* aimed at promoting CSR procurement**
  - Strengthened consideration not only for the environment, safety, and health, but also for workers' rights and ethics.
- **Implementation of supplier assessment**
  - Conducting supplier assessment using PSCI questionnaires and on-site audits.
  - Introduced EcoVadis, an objective supplier assessment tool.
- **Statement of corporate stance on supply chain management**
  - Revised the SHIONOGI Group Procurement Policy.
  - Established the SHIONOGI Group Business Partner Code of Conduct.
- **Implementation of supplier engagement**
  - Obtained suppliers' consent to the Business Partner Code of Conduct.
  - Holding dialogue on social issues, including those related to the environment and human rights.



# External Evaluation of SHIONOGI

	FY2018	FY2019	FY2020	FY2021	FY2022
<b>CDP</b>	Climate change: C Water security: Unanswered	Climate change: A- Water security: A	Climate change: A- Water security: A SER*: Leader board	Climate change: A- Water security: A- SER*: Leader board	<b>Climate change: A Water security: A Supplier engagement leader</b>
<b>FTSE</b>	2.9	2.9	3.4	3.7	<b>3.6</b>
<b>MSCI</b>	A	AA	AA	AA	<b>AA</b>
<b>DJSI</b>	17 points	19 points	45 points	53 points	<b>63 points The Sustainability Yearbook Member</b>
<b>S&amp;P/JPX Carbon Efficient Index</b>	Third decile	Third decile	Fourth decile	Fifth decile	<b>Sixth decile</b>
<b>SOMPO SNAM Sustainability Index</b>	Selected	Selected	Selected	Selected	<b>Selected</b>
<b>Health management survey</b>	Health & Productivity Stock White 500	White 500	White 500	Health & Productivity Management Outstanding Organization	<b>Health &amp; Productivity Management Outstanding Organization</b>
<b>Integrated report Environmental report</b>	"Most-improved Integrated Report" by GPIF	"Most-improved Integrated Report" by GPIF	"Excellent Integrated Report" by GPIF  Environmental Report Excellence Award in the Environmental Communication Awards	"Excellent Integrated Report" by GPIF  Special Award in the corporate environmental sustainability category of ESG Finance Awards Japan	<b>Silver Award in the WICI Japan Integrated Report Award Second Price in Nikkei Integrated Report Award "Excellent Integrated Report" by GPIF</b>
<b>Other</b>				Recognized as a Sports Yell Company by Japan Sports Agency	<b>Recognized as a Sports Yell Company by Japan Sports Agency Recognized as an Eco-First Company by the Ministry of the Environment Recognized as the Best Workplace in the D&amp;I Award</b>

# Future Issues and Outlook

## Adding depth to company-wide strategies

### What to work on and to what extent

- Initiatives to be complied with
- Initiatives unique to SHIONOGI

### Internal engagement

- Dialogues with management and the organization; mutual understanding

### Setting corresponding indicators

- Refine non-financial targets.

## Global reporting

### Understanding global trends in information disclosure

- Understand trends in sustainability information disclosure standards (e.g., ISSB, CSRD) and share them internally.

### Development of an internal framework

- Gather and disclose information on a consolidated basis, including overseas groups.

### Enhancement of information disclosure

- Effective and efficient reporting methods

## Engagement

### Creation of opportunities for two-way dialogue

- Hold sustainability meetings.

### Promote dialogue with experts and parties concerned.

- Improve the effects of and sense of satisfaction in the initiatives.

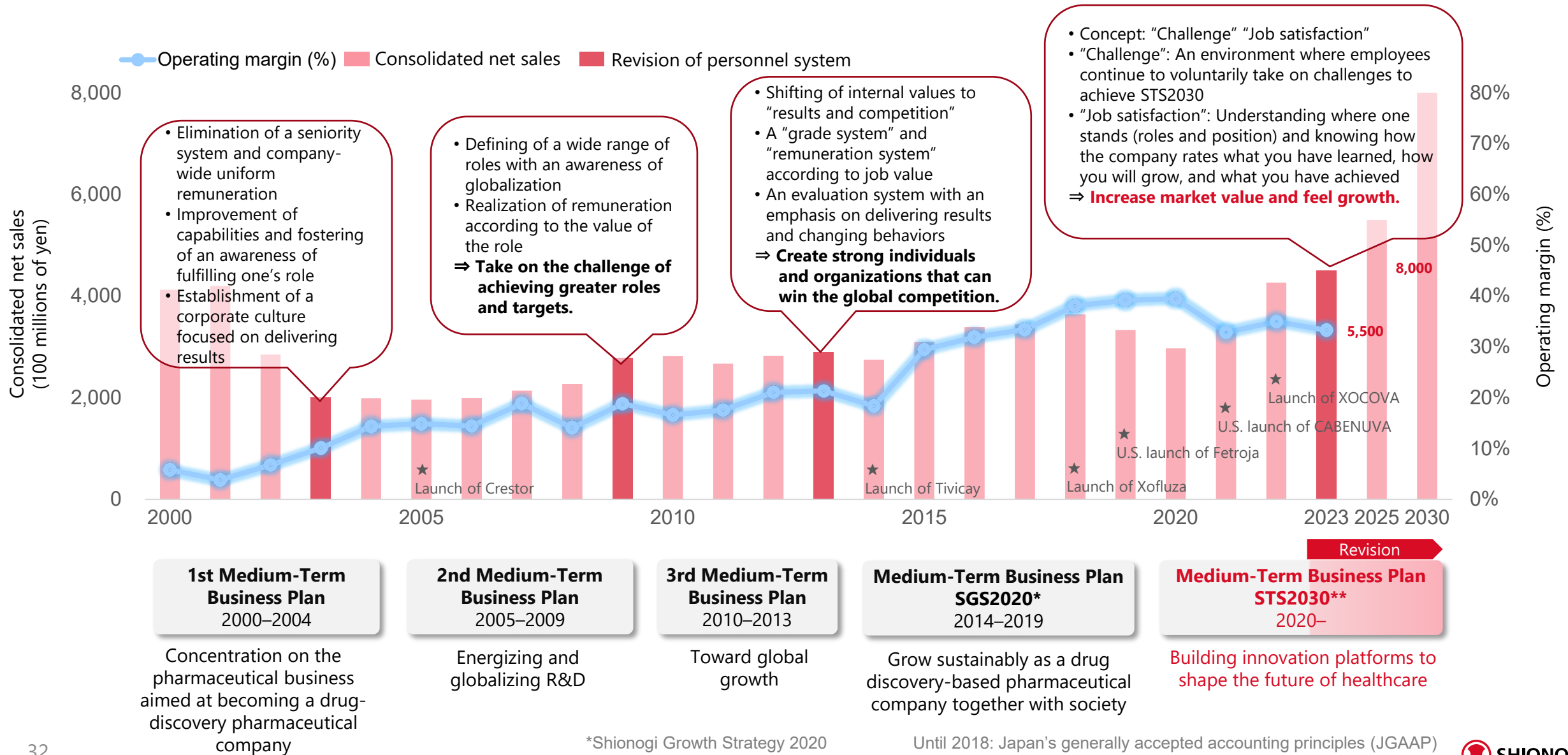
### Feedback to management and improvements

- Promptly share obtained comments internally.
- Promote continuous activity improvements.

## 4. Management Foundation that Supports SHIONOGI's Sustainability

- **Human Capital Management**
- **Corporate Governance**
  - Effectiveness of the Board of Directors

# SHIONOGI's Growth and Transition of the Personnel System



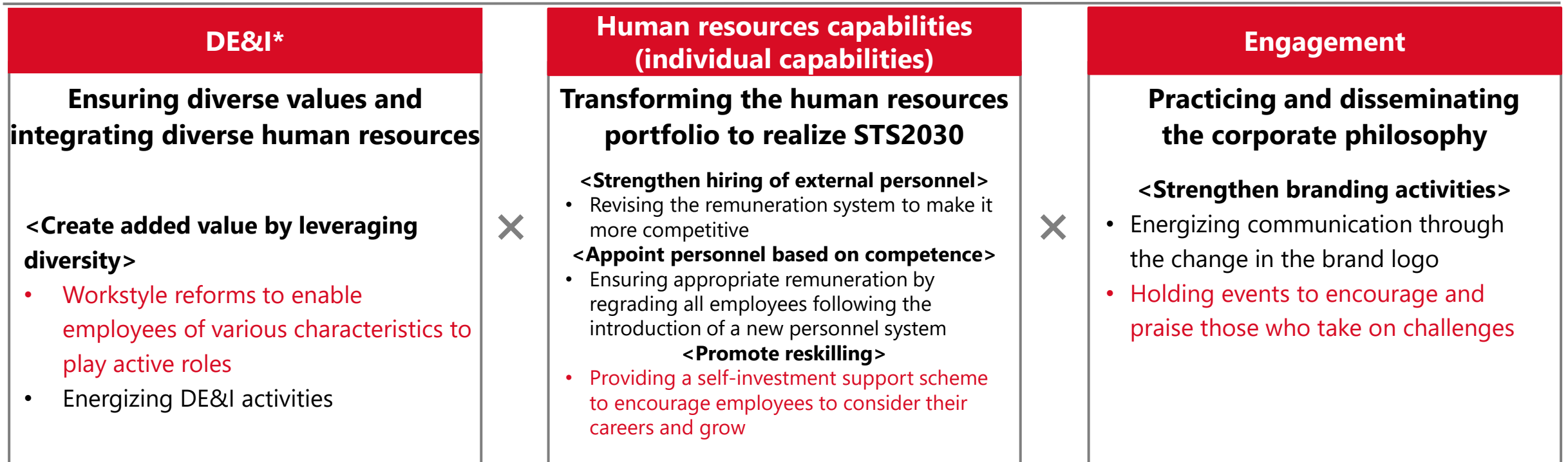


# Human Capital Management for Corporate Transformation

## Acquire new capabilities and integrate them internally to execute the growth scenario

- Acquiring and developing new strengths by leveraging past strengths (business execution capabilities, expertise)
- Assessing the progress of initiatives with KPIs and enhancing dialogue with stakeholders (main KPIs: short-term: execution of succession plan, utilization rate of self-investment support; mid- and long-term: progress of talent management, etc.).
- Implementing a special early retirement program (first time in approx. 20 years)

### Key Points of Human Capital Management



# Vision for SHIONOGI's Human Resources: SHIONOGI Way

## Vision for SHIONOGI's human resources: SHIONOGI Way

**Have strengths that attract others and proactively take on and accomplish challenges, while aggressively improving knowledge and skills**



## Vision for SHIONOGI's managers

**Assist the growth of people and organizations and make wise decisions.  
Innovate and contribute to the development of society and the company**

- To carry out STS2030's enhancement measures and realize the SHIONOGI Group Heritage, all employees of the SHIONOGI Group must meet their required capabilities, actions, and requirements, and achieve growth continuously.
- The SHIONOGI Way and visions for SHIONOGI's managers have been established and presented to the employees to indicate the actions to be taken by and the requirements of the employees and managers of the SHIONOGI Group.

# Workstyle Reforms to Enable Employees of Various Characteristics to Play Active Roles

<b>Self-investment support scheme</b>	<ul style="list-style-type: none"><li>• Introduced as a self-investment support measure with no limitation on the scope of use to bridge the gap between what employees aim to be and what they currently are</li></ul> <p><b>[Scheme outline]</b></p> <ul style="list-style-type: none"><li>• Target users: Union-level employees of SHIONOGI Co., Ltd.</li><li>• Amount of support: 250,000 yen/year</li></ul>
<b>Elective 4-day work week</b>	<ul style="list-style-type: none"><li>• Supports skills improvement and self-improvement initiatives</li><li>• Responds to employees' individual circumstances to realize diverse workstyles</li></ul> <p><b>[Scheme outline]</b></p> <ul style="list-style-type: none"><li>• Target users: Those who prefer a 4-day work week (excluding new graduates who joined the company less than three years ago, managers, and project managers)</li><li>• Days off: Saturdays, Sundays, and a fixed day between Monday and Friday</li></ul>
<b>Alleviation of side-job standards</b>	<ul style="list-style-type: none"><li>• Supports employees who voluntarily take on challenges</li><li>• Gives back to the company and utilizes the experience obtained outside</li></ul> <p><b>[Scheme outline]</b></p> <ul style="list-style-type: none"><li>• The work at SHIONOGI should be designated as the "main job" and the work elsewhere as the "side job," with priority given to the main job.</li><li>• Only allows side jobs with no employment contract, e.g., sole proprietor, freelance, agriculture.</li></ul>

# Events to Encourage and Praise Those Who Take on Challenges



## President's Award - SING of the Year -

- A President's Award event in its 11th year, aimed at making it a place for SHIONOGI's people to appreciate, praise, and enhance each other

## "I Want to Do It"

- A measure that respects employees' desire to take on challenges aimed at realizing the SHIONOGI Group Vision
- Employees are invited to send in proposals, with the adopted proposals turned into projects.
- In past "I Want to Do It," seven ideas were adopted, one of which was successfully commercialized as a wastewater-based epidemiology survey service at AdvanSentinel, a joint venture with Shimadzu Corporation.



## 4. Management Foundation that Supports SHIONOGI's Sustainability

- Human Capital Management
- Corporate Governance
  - Effectiveness of the Board of Directors

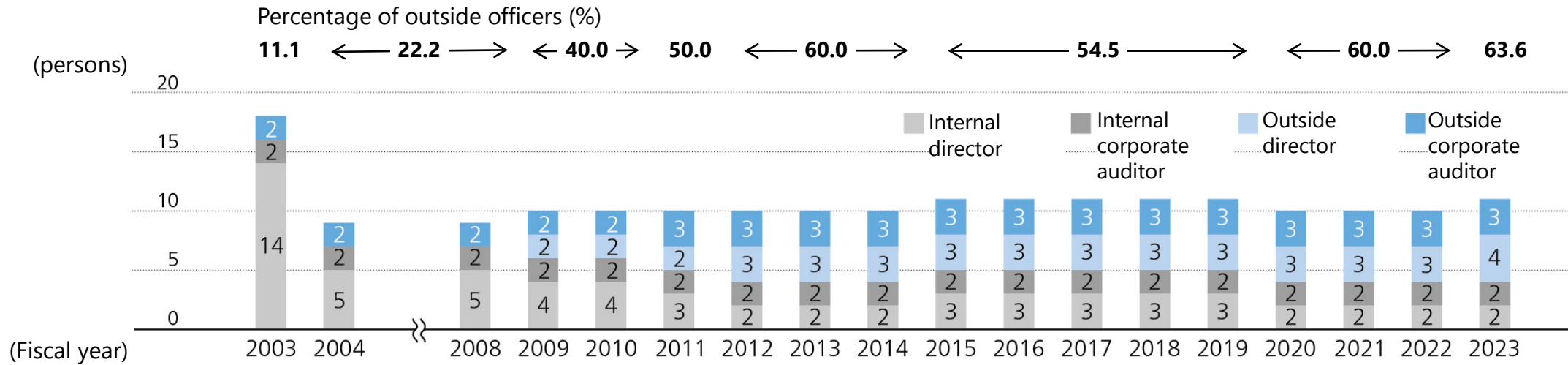
# Directors/Auditors



	Name	Number of years in post	Bord of Directors	Nomination Advisory Committee	Compensation Advisory Committee
①	Representative Director, President and CEO <b>Isao Teshirogi</b> (63/Male)	21years	○	○	○
②	Director and Vice Chairperson of the Board <b>Takuko Sawada</b> (68/Female)	8years	○	-	-
③	Independent Outside Director <b>Keiichi Ando</b> (71/Male)	7years	○	Chairperson ○	○
④	Independent Outside Director <b>Hiroshi Ozaki</b> (73/Male)	4years	○	○	Chairperson ○
⑤	Independent Outside Director <b>Fumi Takatsuki</b> (48/Female)	3years	○	○	○
⑥	Independent Outside Director <b>Takaoki Fujiwara</b> (71/Male)	-	○	○	-

	Name	Number of years in post	Bord of Directors	Board of Auditors	Nomination Advisory Committee	Compensation Advisory Committee
⑦	Standing Corporate Auditor <b>Akira Okamoto</b> (68/Male)	8years	○	○	-	○
⑧	Standing Corporate Auditor <b>Ikuo Kato</b> (69/Male)	7years	○	○	-	-
⑨	Independent outside Auditor <b>Tsuguoki Fujinuma</b> (78/Male)	4years	○	○	-	-
⑩	Independent outside Auditor <b>Shuichi Okuhara</b> (55/Male)	3years	○	○	-	-
⑪	Independent outside Auditor <b>Yoriko Goto</b> (64/Female)	-	○	○	○	-

# Corporate Governance Transition



## FY2004

- Reduction of number of internal directors from 14 to 5
- Introduction of a corporate officer system

## FY2009

- Hiring of outside directors
- Establishment of the Nomination Advisory Committee
- Establishment of the Compensation Advisory Committee
- Commencement of opinion exchange meetings with corporate auditors

## FY2012

- Outside officers to make up the majority of the board

## FY2015

- Commencement of dialogue with outside directors
- Appointment of a female director

## FY2017

- Change in composition of Nomination Advisory Committee and Compensation Advisory Committee
- (Majority of members to be outside directors)

## FY2020

- Appointment of an outside director as chair of the board
  - Increase in female directors
- (Increase in the ratio of women on the Board of Directors)

## FY2023

- Appointment of a female corporate auditor

# Corporate Officer

## Corporate Director

**Isao Teshirogi**



- Corporate management/Management strategy
- Science/Technology/Innovation
- Global business
- Risk management
- SDGs/Sustainability
- Law/Compliance/Intellectual property
- Manufacturing/Quality/Supplychain
- Corporate governance

**Takuko Sawada**



- Corporate management/Management strategy
- Science/Technology/Innovation
- Global business
- Risk management
- SDGs/Sustainability
- Sales/Marketing
- Personnel and labor affairs/Human capital development/DE&I
- Corporate governance

## Standing Corporate Auditor

**Akira Okamoto**



- Risk management
- SDGs/Sustainability
- Sales/Marketing
- Personnel and labor affairs/Human capital development/DE&I
- Law/Compliance/Intellectual property
- Corporate governance

**Ikuo Kato**






- Risk management
- SDGs/Sustainability
- Corporate management/Management strategy
- Science/Technology/Innovation
- Law/Compliance/Intellectual property
- Corporate governance







# Outside officer

## Abundant experience as a manager

 <p><b>Keiichi Ando</b></p>	<p>Corporate management/Management strategy</p> <p>Finance/Accounting/Taxation</p>	<p>Global business</p>	<p>Risk management</p>
		<p>Personnel and labor affairs/Human capital development/DE&amp;I</p>	<p>SDGs /Sustainability</p>
		<p>Corporate governance</p>	
 <p><b>Hiroshi Ozaki</b></p>	<p>Corporate management/Management strategy</p>	<p>Science/Technology/Innovation</p>	<p>Global business</p>
		<p>Sales/Marketing</p>	<p>Risk management</p>
		<p>Manufacturing/Quality /Supplychain</p>	<p>SDGs /Sustainability</p>
		<p>Corporate governance</p>	
 <p><b>Takaoki Fujiwara</b></p>	<p>Corporate management/Management strategy</p>	<p>Sales/Marketing</p>	<p>Personnel and labor affairs/Human capital development/DE&amp;I</p>
			<p>SDGs /Sustainability</p>
		<p>Corporate governance</p>	

To achieve STS2030 Revision, obtain the necessary points, recommendations, and advice for transparent, fair, prompt, and bold decision-making from outside officers with diverse experience and skills.

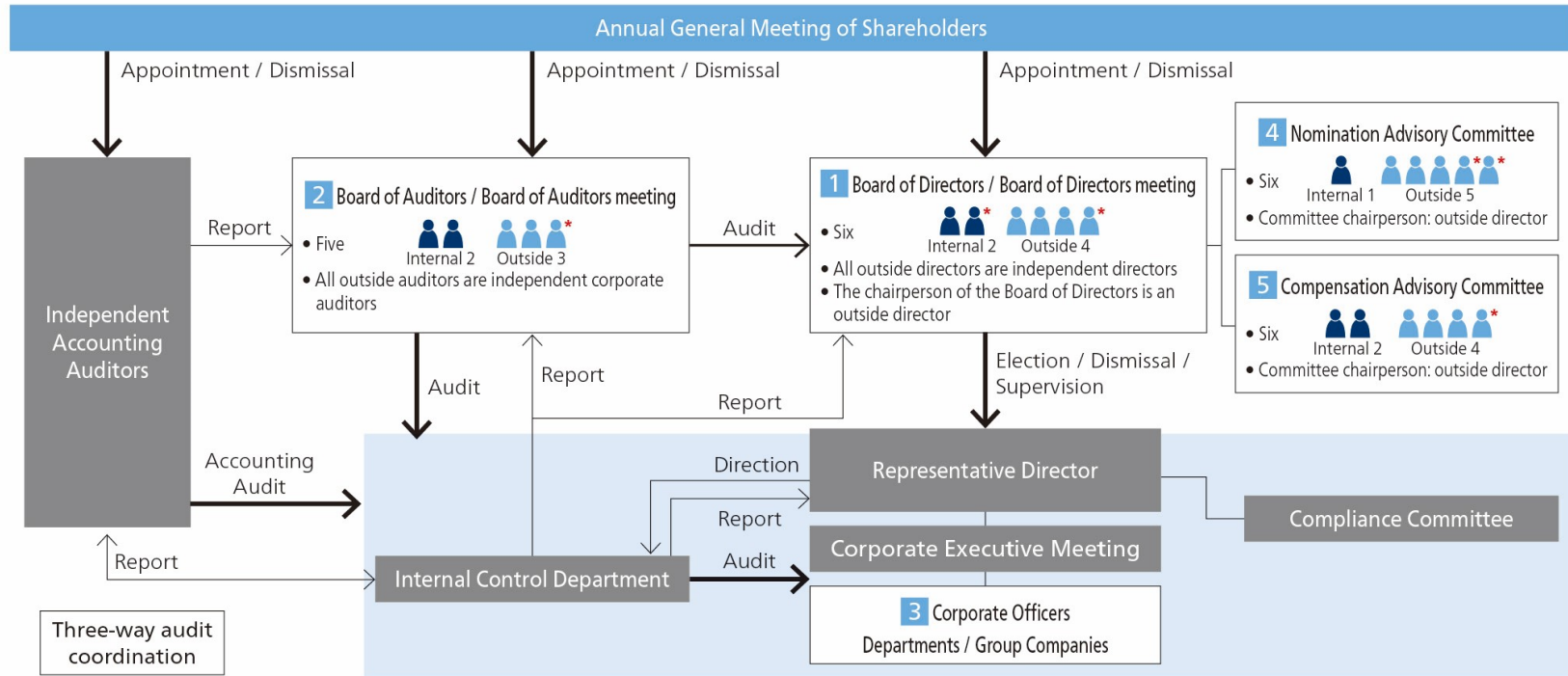
## Advice from an expert perspective

 <p><b>Fumi Takatsuki</b></p>	<p>Law/Compliance /Intellectual property</p>	<p>Global business</p>	<p>Risk management</p>
		<p>Personnel and labor affairs/Human capital development/DE&amp;I</p>	<p>SDGs /Sustainability</p>
		<p>Corporate governance</p>	
 <p><b>Tsuguoki Fujinuma</b></p>	<p>Finance/Accounting/Taxation</p>	<p>Global business</p>	<p>Risk management</p>
	<p>Law/Compliance /Intellectual property</p>		<p>SDGs /Sustainability</p>
		<p>Corporate governance</p>	
 <p><b>Shuichi Okuhara</b></p>	<p>Corporate management/Management strategy</p>	<p>Science/Technology/Innovation</p>	
	<p>Finance/Accounting/Taxation</p>		<p>Personnel and labor affairs/Human capital development/DE&amp;I</p>
			<p>Corporate governance</p>
 <p><b>Yoriko Goto</b></p>	<p>Corporate management/Management strategy</p>	<p>Global business</p>	<p>Risk management</p>
	<p>Finance/Accounting/Taxation</p>	<p>Personnel and labor affairs/Human capital development/DE&amp;I</p>	<p>SDGs /Sustainability</p>
		<p>Corporate governance</p>	

# Toward Strengthening Management Supervisory Functions

**Highly transparent management and quick and decisive decision-making** by strengthening management and supervisory functions and separating business execution

Corporate governance structure (As of July1,2023)



## Board of Directors

- Various measures to improve effectiveness
- Strengthening management and supervision functions

## Business Execution Framework

- Review of organizational structure
- Reforming the decision-making process

# Initiatives to Ensure Effectiveness of the Boards

## Advance briefing of agenda items to outside officers

- Ensure earlier provision of materials.
- Provide advance briefing of matters requiring in-depth discussions or matters requiring background information.

## Opinion exchange meetings between outside officers and the president

- A place for free and open exchange of opinions to facilitate deeper discussions at board meetings
- Theme: A wide range of themes including industry trends, SHIONOGI's business, and management training plans and training status
- Attendees: Representative Director, President and CEO, outside directors, outside corporate auditors, standing corporate auditors

## Information exchange and study meetings with outside officers

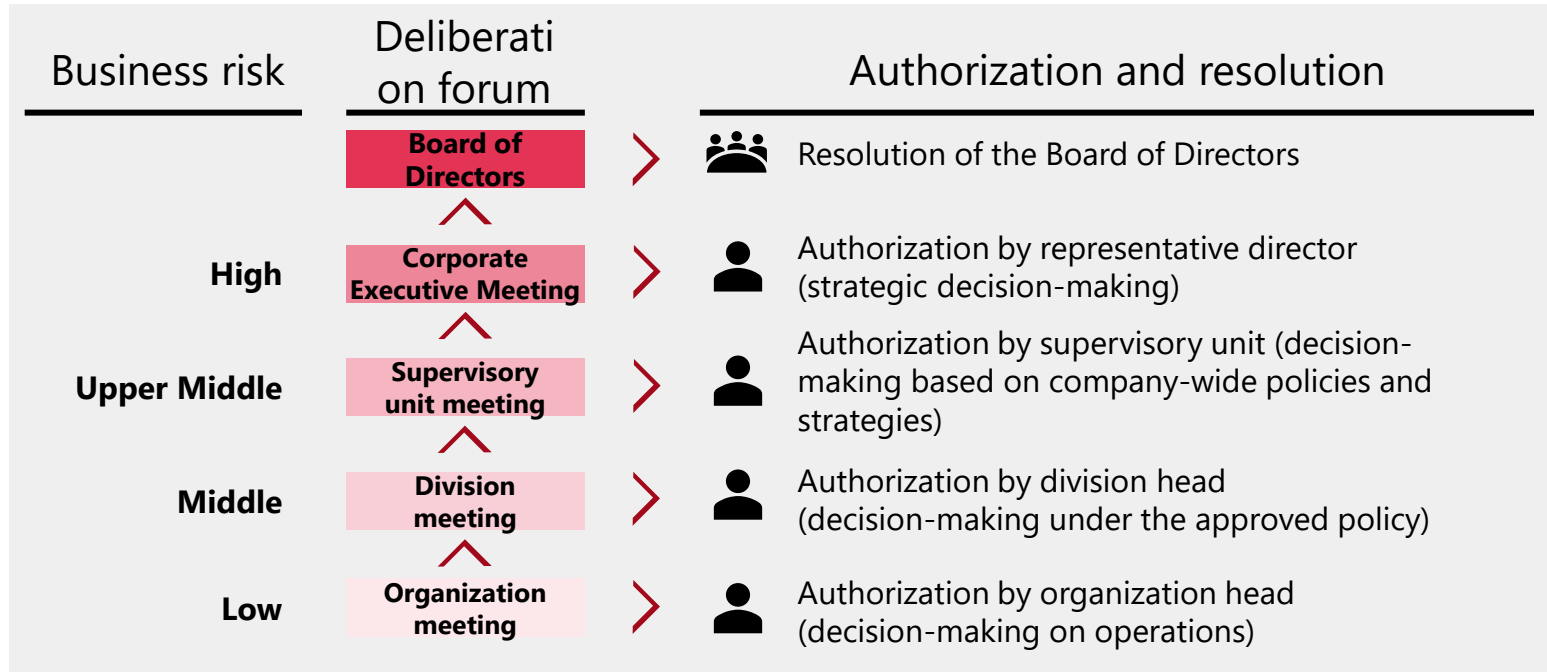
- Study meetings by management and outside officers to deepen understanding of the industry and SHIONOGI's business
- Study meetings held in FY2022:
  - SHIONOGI Group's R&D strategy
  - The progress of DX at SHIONOGI

## Analysis and evaluation of effectiveness by a third-party organization

- A questionnaire consisting of 60 questions on the framework, roles and responsibilities, and operation of the Board of Directors (47 multiple-choice questions, 13 open-ended questions)
- An interview with each officer after the questionnaire
- Utilization of a third-party organization
- SHIONOGI's scores were above the average of other companies in all multiple-choice questions.

# Transformation of the Decision-Making Process

## Improving the speed, transparency, and traceability of decision-making



### Establishing a scheme that enables sophisticated decision-making according to the business risk

- Determine business risk (“deviation” of the actual result from the goal) comprehensively based on uncertainty\* and degree of impact\*\*.
- Determine the impact on the company comprehensively based not on the conventional standard of monetary impact but on the size of business risk.
- Operate an authorization system that carries out centralized recording and managing of all processes related to decision-making.

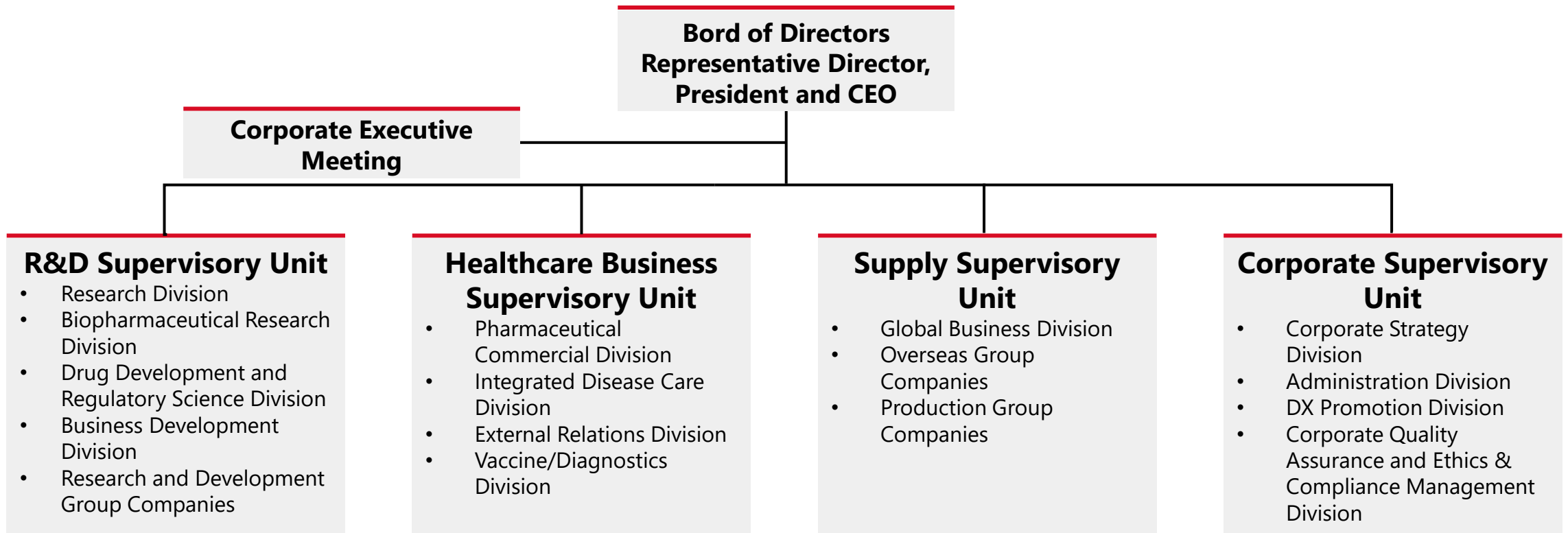
\*Uncertainty: “Difficulty of work,” “timing of the manifestation of results of decision-making,” etc.

\*\*Degree of impact: “Scope of impact related to the decision-making,” “size of impact that accompanies the result of the decision-making,” etc.

# SHIONOGI's Business Execution System

**Clarify the location of responsibility for business execution and aim to further improve the quality and speed of decision-making**

- Transition to a system in which each major value chain is in charge (July 2022)



# Senior Management Training System

## Human resources pool

- **Early Management Candidate Training (Topaz Program)**
  - A training program for union-level employees who have the potential to become organization heads within five years
  - Participation in Jr Board activities and various training assessments at SHIONOGI Group companies
- **Senior Management Candidate Training (Diamond Program)**
  - A training program for human resources who can assume the position of organization head at any time
  - Priority participation in manager training (advanced course); in charge of mentoring Topaz personnel
- **Commissioner system**
  - Established as a position for future corporate officer candidates and a position to perform duties similar to those of a corporate officer.

## President's Management Seminar

**Led by the President to train next-generation organization head candidates.**

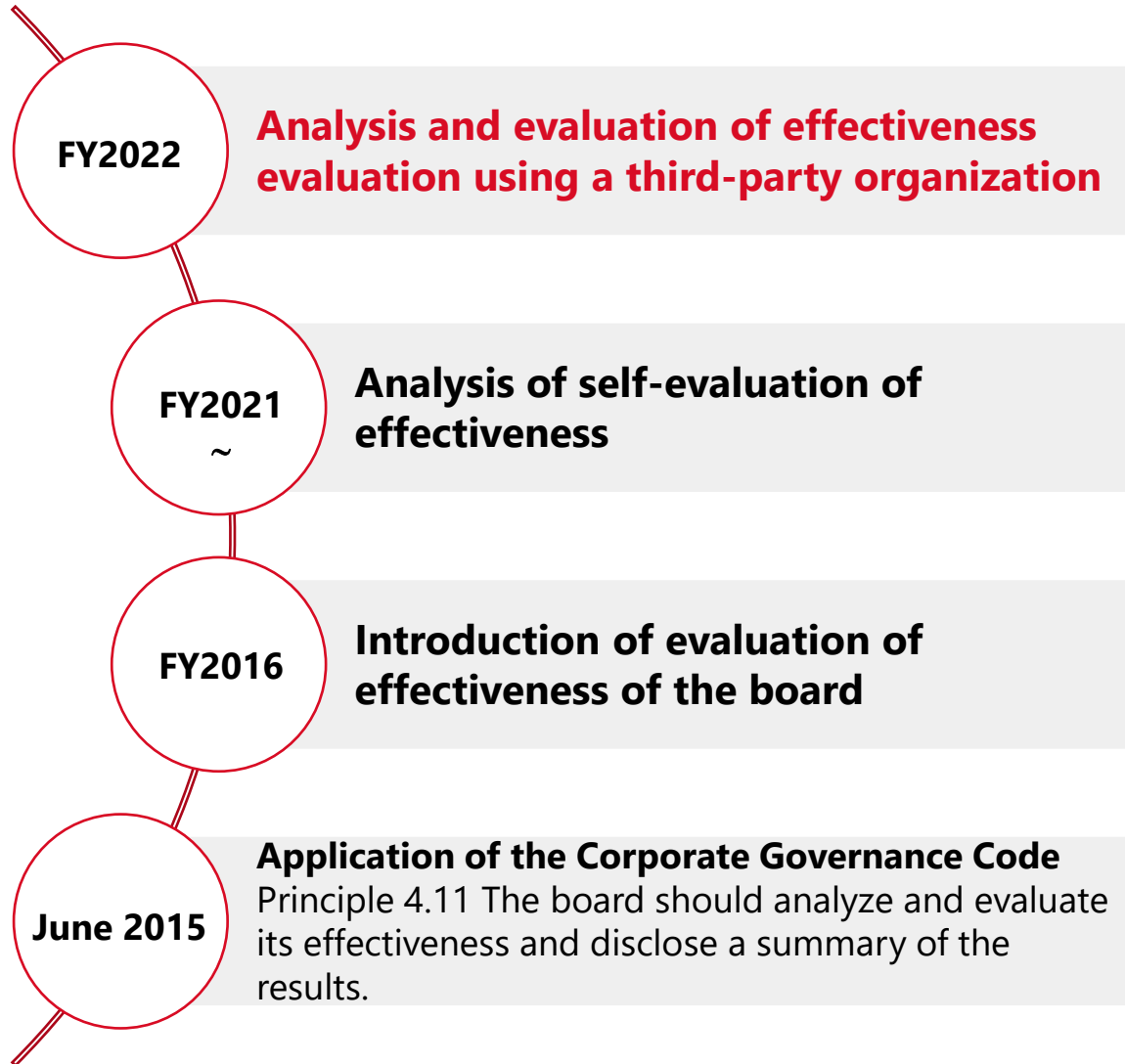
- **Launched in FY2012**
  - The heads of all value chain divisions recommend the participants (7–16 persons).
- **Objective of the President's Management Seminar**
  - To acquire a company-wide perspective (understanding other value chains).
  - Tenacity (performance in the current operations + work on challenging issues; implemented 7–9 times a year)
- **In the 11 years since the launch:**
  - More than 80 people have graduated.
    - > Corporate officer: 10/16 people
    - > Organization head: More than 60% of participants



## 4. Management Foundation that Supports SHIONOGI's Sustainability

- Human Capital Management
- Corporate Governance
  - Effectiveness of the Board of Directors

# History and Performance of the Effectiveness Evaluation



## Responses based on points raised and requests

### Advancements in the framework

- Appointment of an outside officer as chair of the board
- Participation of corporate auditors with knowledge in finance and accounting
- Diversity of directors and corporate auditors

### Advancements in the discussions

- Matters concerning the formulation and progress of medium-term management plans
- Matters concerning sustainability
- Matters concerning compliance, risk management, and internal control systems

### Advancements in the operation

- Implementation of efficient advance briefing
- Objectivity and transparency of the Nomination and Compensation Advisory Committees
- Facilitation of understanding of the healthcare industry and SHIONOGI
- Establishment of a dialogue forum with the next corporate officer class



# FY2022 Effectiveness Evaluation Using a Third-Party Organization

## Objective and background

- To ensure objectivity and gain insights into new discussion points from the questionnaire that covers the latest topics.
- Assessing relative to other companies through score comparisons

## Questionnaire results (rated on a 5-point scale)

- **SHIONOGI's scores were above the average of other companies in all 47** comparable questions.

### Questions in which SHIONOGI's scores significantly exceeded the average scores of other companies

1. Advance provision of materials for the Board of Directors
2. Potential management risks and how to address them; discussions on the risk management system, etc.
3. Design of the management remuneration system and board discussions on the decision of specific remuneration amounts
4. Appropriate supervision over the training of successors of the Chief Executive Officer (CEO), etc. (one of the three questions with the lowest scores at SHIONOGI)
5. Basic sustainability policy, initiatives to improve it, and disclosures
6. Identification of actions to be taken regarding sustainability from a risk and opportunity perspective and reflecting them in management strategies
7. That the internal directors speak from a company-wide perspective as supervisors of business management and contribute to fostering free and open discussions
8. Sharing the discussions at the Nomination and Compensation Advisory Committees with the Board of Directors

# FY2022 Self-Evaluation of Effectiveness Summary of Interview Results

## Discussions

## Operation

## Framework

### Points to be commended

- Increase in the number of reports on the progress of STS2030
- Quality and sufficiency of discussions on sustainability

- Timing of providing materials for the Board of Directors
- Atmosphere of board meetings enabling free and open discussions
- Quality and sufficiency of discussions

- Number of personnel appropriate for the business scale
- Percentage of outside officers
- Diverse attributes, experience, and expertise

### Points for further improvement

- Discussions for DX promotion
- Expansion and utilization of human capital
- Setting non-financial KPIs

- Increasing advance provision of information for higher quality and sufficiency of discussions
- Support system for directors and corporate auditors

- Governance structure and number of personnel in view of business domain expansion
  - Enhancement of global skills
- Increase in opportunity of dialogue with commissioners
- Successor training

## 5. Summary

# Succession at SHIONOGI

## SHIONOGI's initiatives

- ① Building a talent pool at three levels: Early Management Candidate Training (Topaz), Senior Management Candidate Training (Diamond), and commissioners
- ② Holding dialogue between commissioners and outside officers at least twice a year to check the commissioners' aptitude as a corporate officer from the perspective of an outside officer
- ③ Checking the candidate personnel and exchanging opinions from internal and external perspectives at opinion exchange meetings between outside officers and the president
- ④ Discussing at the Nomination Advisory Committee and receiving advice from outside officers in light of processes throughout the year, including the candidate's performance and skills and evaluations of ② and ③

## Our approach to top management selection

- Emphasis is placed on the candidate's management skills and ability to execute on challenges toward transforming the business model, in recognition of SHIONOGI's management risks and business risks and in line with environmental changes.
- The term of office should be long term, based on the assumption that qualities such as compliance and integrity are maintained.
  - Since R&D of pharmaceuticals takes more than 10 years, a short term of office makes it difficult to make management decisions from a long-term perspective.

# Appendix

# SHIONOGI's Main Related Indicators Regarding Sustainability (1)

## Protect the environment

### CO2 emission target

FY2030 (compared to FY2019)

FY2050

Scope1+2 **46.2%reduction\***

**zero**

Scope3  
Category 1 **20%reduction\***

\* Target approved by the SBTi

### Audit targets for AMR-related suppliers

Initial audit  
FY2024

**100%**

**implementation**

follow up  
FY2030

**100%**

**implementation**

waste plastic  
Recycling rate target

FY2030

**65%**

Water resource input

FY2024

**1,340thousand  
m3 or less**

## Respect human rights

SHIONOGI Group  
human rights policy



Modern Slavery Act and  
Human Trafficking  
Statement



Understanding labor conditions in manufacturing  
regions that produce raw materials and basic materials

Investigation of raw  
material production areas  
for important items

**1 item/1 region  
completion**

Interviews with top  
Suppliers dealing with four  
important items

**completion**

Investigation of the working conditions of foreign  
technical intern trainees

own group and  
Major suppliers of COVID-19 related products

**Completed (no acceptance)**

## Supply socially responsible Products and services

2022 Questionnaire or  
EcoVadis Assessment

**100  
companies**

EcoVadis evaluation  
(total until March 2023)

**101  
companies**

Meet the criteria you set  
Supplier percentage

**87.1%**

2022 new contract supplier  
Percentage of agreement  
with code of conduct\*

**100%**

\*"SHIONOGI Group Business Partner Code of Conduct"

Number of suppliers directly engaged on  
sustainability issues

**29companies**  
(15 climate change-related cases,  
14 human rights-related cases)

# SHIONOGI's Main Related Indicators Regarding Sustainability (2)

## Secure diverse human resources

Total number of employees reassigned through the internal recruitment system(2020-2022)

**57 people**

Total number of mid-career hires(2020-2022)

**119 people**

Associate Corporate Officer elect (as of July 2023)

**16 people**

Appointment from Associate Corporate Officer to executive officer (total until July 2023)

**6 people**

Four of them are foreign employees.

## Develop exceptionally talented human resources

Education and training expenses (FY2022 domestic consolidated)

**152 million yen**

Percentage using self-investment assistance programs (FY2022 non-consolidated)

**44.8%**

IT/digital human resources Lv.1 (equivalent to passing IT passport)

**1,074 people**

Number of applicants for side job system (2022)

**132 people**

## Foster an environment and culture in which everyone can work comfortably

work engagement (Utrecht score)

**3.49Pt**

Percentage of female managers: (FY2022 domestic consolidated)

**14.2%**

FY2023 target 15%

Percent taking childcare leave (FY2022 non-consolidated)

**100% female / 57.4% male**

2023 target

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

## Promotion of Health Management

Percentage of employees receiving health checkups (FY2022 domestic consolidated)

**100%**

Stress check examination rate (FY2022 domestic consolidated)

**91%**

Mental health leave rate (FY2022 domestic consolidated)

**0.7%**

Smoker rate (FY2022 domestic consolidated)

**5.0%**

Frequency rate (FY2022 non-consolidated)

**0.21**

Severity rate (FY2022 non-consolidated)

**0.0021**

Frequency rate: Number of casualties due to industrial accidents per 1 million cumulative actual working hours

Severity rate: Total number of working days lost per 1,000 total actual working hours

# Forward-Looking Statements

- Forecast or target figures in this material are neither official forecasts of earnings and dividends nor guarantee of target, achievement and forecasts, but present the midterm strategies, goals and visions. Official earnings guidance should be referred to in the disclosure of the annual financial report (*kessan tanshin*) in accordance with the rules set by Tokyo Stock Exchange.
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