

FY2024 Sustainability Meeting

December 4, 2024
Shionogi & Co., Ltd.



SHIONOGI

Agenda

01

Sustainable Growth of SHIONOGI

(P. 3-10)

Isao Teshirogi, Ph.D. Chief Executive Officer

02

SHIONOGI's Human Capital Strategy

(P. 11-23)

- **Human Capital Strategy Overview**
Officer, Senior Vice President, Corporate Supervisory Unit and Corporate Strategy Division
Kazuhiro Hatanaka, Senior Executive
- **Overview of the Actions**
Human Resources Department and Human Capital Strategy Office
Takaho Kawamoto, Vice President,

03

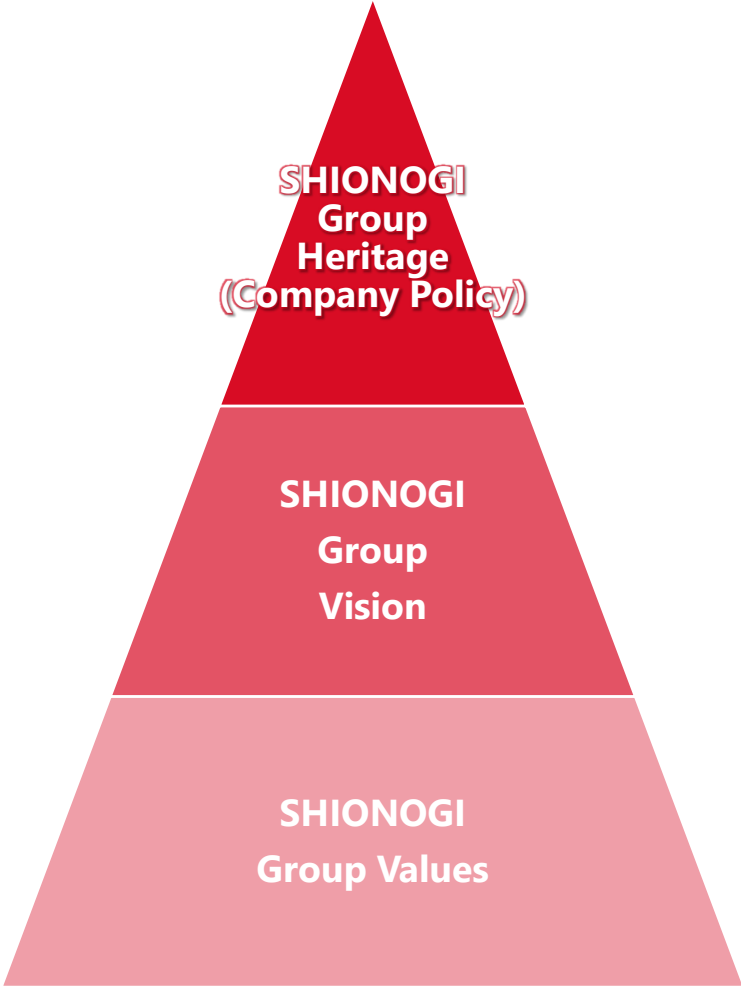
Corporate Governance

(P. 24-33)

- **SHIONOGI's Governance Framework**
 - **Nomination Advisory Committee**
Isao Teshirogi
Keiichi Ando, Outside Director
 - **Compensation Advisory Committee**
Hiroshi Ozaki, Outside Director

1. Sustainable Growth of SHIONOGI

SHIONOGI's Management Philosophy



SHIONOGI Group Heritage (The Company Policy of SHIONOGI)

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

What we want to achieve by 2030 (the 2030 Vision)

Building Innovation Platforms to Shape the Future of Healthcare

SHIONOGI Group Values

Be trustworthy

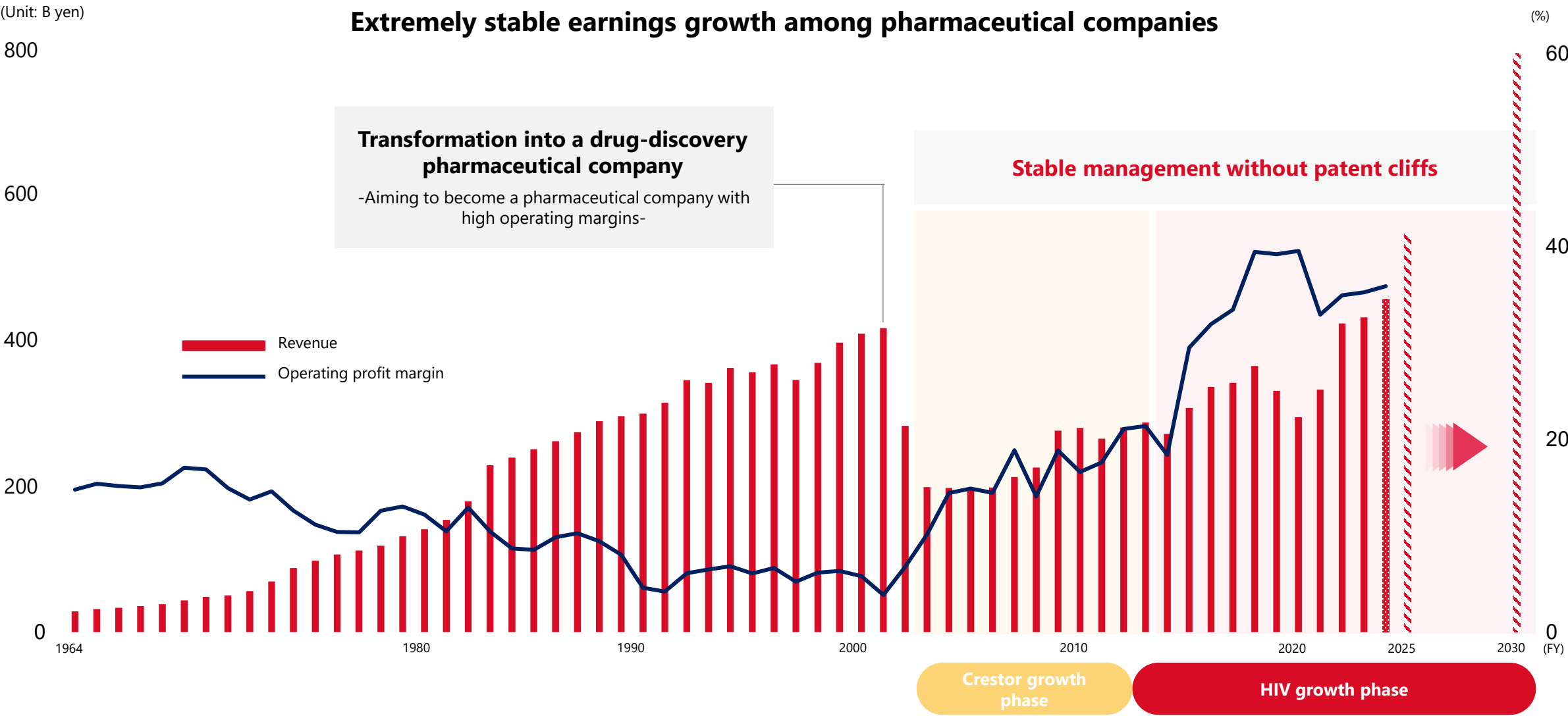
Be dauntless in spirit

Contribute to society and coexist

Be bold

Build greatness out of diversity

Sustainable Growth of SHIONOGI



* Figures for 2024, 2025, and 2030 are projections.

Stable Management Without Patent Cliffs: Crestor Growth Phase

Pursued a business model that maximizes the value of in-house developed products

Maximization of value of in-house developed products through partnering

Hypercholesterolemia treatment: Creation of Crestor (launched in 2003)



Out-licensing of Crestor to AstraZeneca

- Due to a lack of global marketing expertise, it was decided to out-license the product to a megapharmaceutical company to maximize value
- Transformed into a company with high operating margins

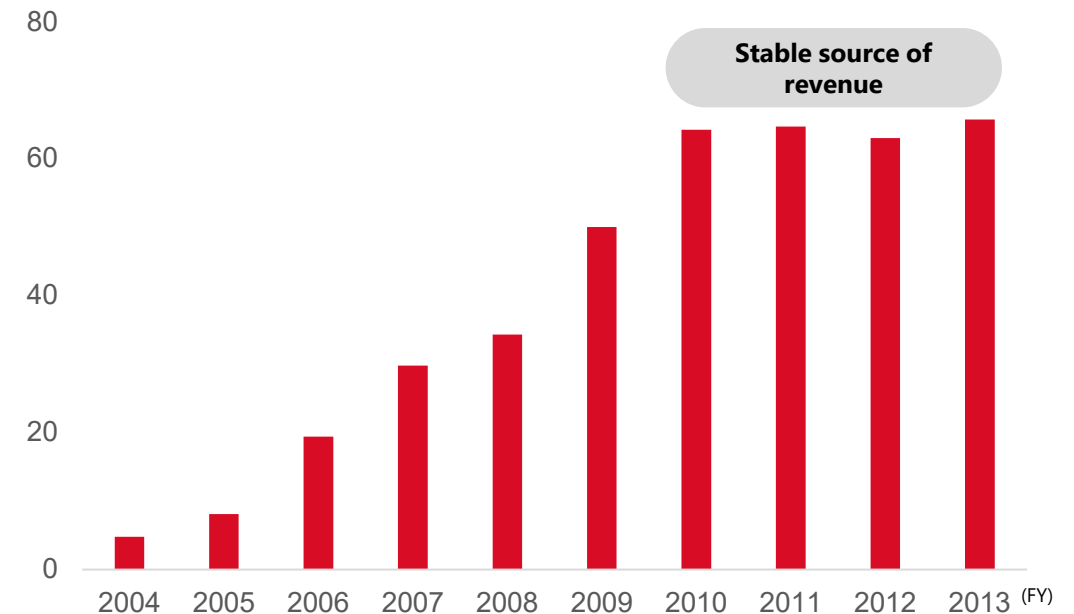


A blockbuster on a global basis

- Contributed to SHIONOGI's growth with royalty income exceeding 65 billion yen at its peak
- Patent expired in 2016-17 (patent cliff)

(Unit: B yen)

Crestor royalty revenue



Became the core of a stable business in a few years

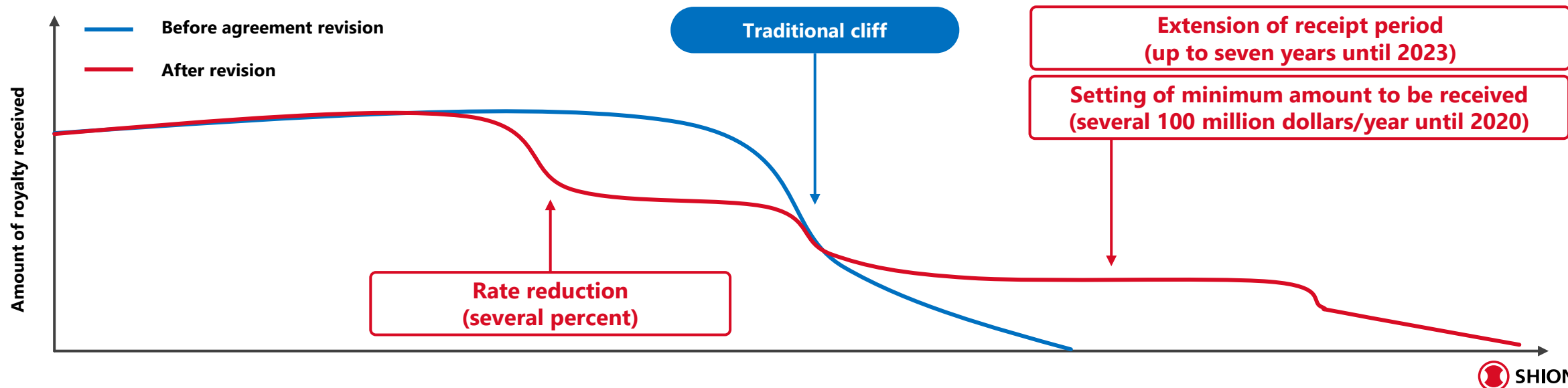
Stable Management Without Patent Cliffs: Crestor Growth Phase

Mitigated patent cliff impact through agreement revisions to ensure next phase of growth

Agreement revisions for a win-win relationship

Reduced royalty rate for two years and extended receipt period

- AstraZeneca: Made investments to expand sales of new drugs
- SHIONOGI: Mitigated sudden decline in royalty income



Stable Management Without Patent Cliffs: HIV Growth Phase

Sustained growth from combination of Crestor cliff response and growth from dolutegravir

Establishment of a royalty business model

HIV treatment: Creation of Tivicay (dolutegravir) (launched in 2013)



Out-licensing of dolutegravir to ViiV

- Received royalty income based on sales of dolutegravir-related products.

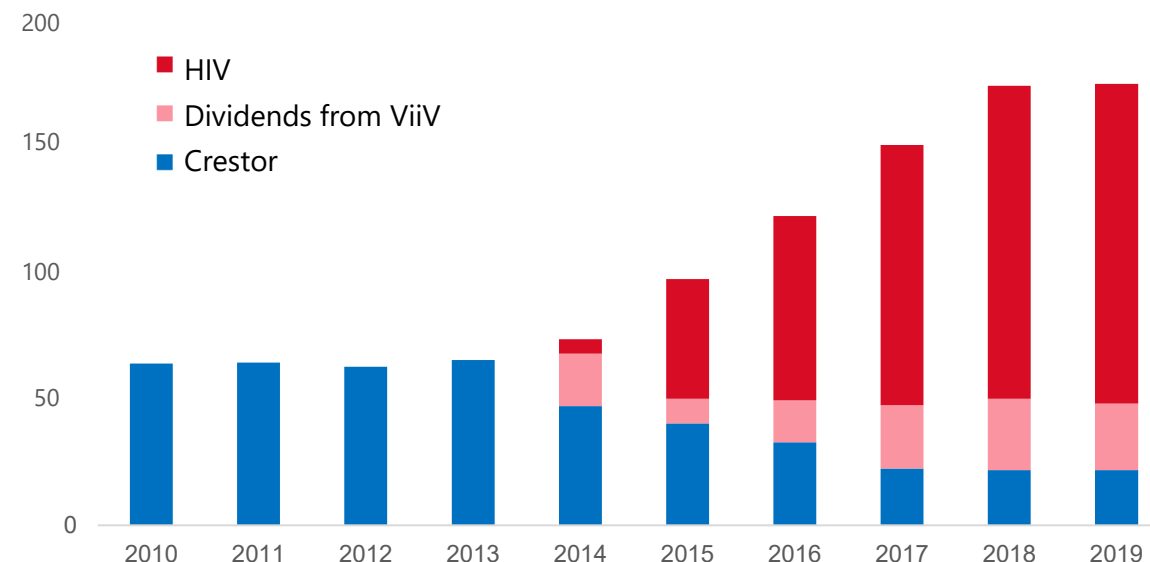


Establishment of mechanism to strengthen collaboration with partners

- Possession of 10% stake in ViiV and the right to nominate one director
 - Received dividends from ViiV as a shareholder
 - Deep understanding of ViiV's strategies

(Unit: B yen)

Royalty/dividend income



Overcame patent cliff without major revenue declines

Stable Management Without Patent Cliffs: Overcoming Patent Cliff for Oral Anti-HIV Drug

Managed patent cliff through efforts to develop drugs that address unmet needs and evolution of business model

Emergence of LA* formulations and advance of ULA*² formulations



Robust growth of HIV business until 2030

The patent cliff for dolutegravir, expected to occur around 2028, is not expected to decline significantly until 2030 due to higher-than-expected growth in LA formulations and oral two-drug regimens.



Development of HIV business as a stable foundation beyond 2030

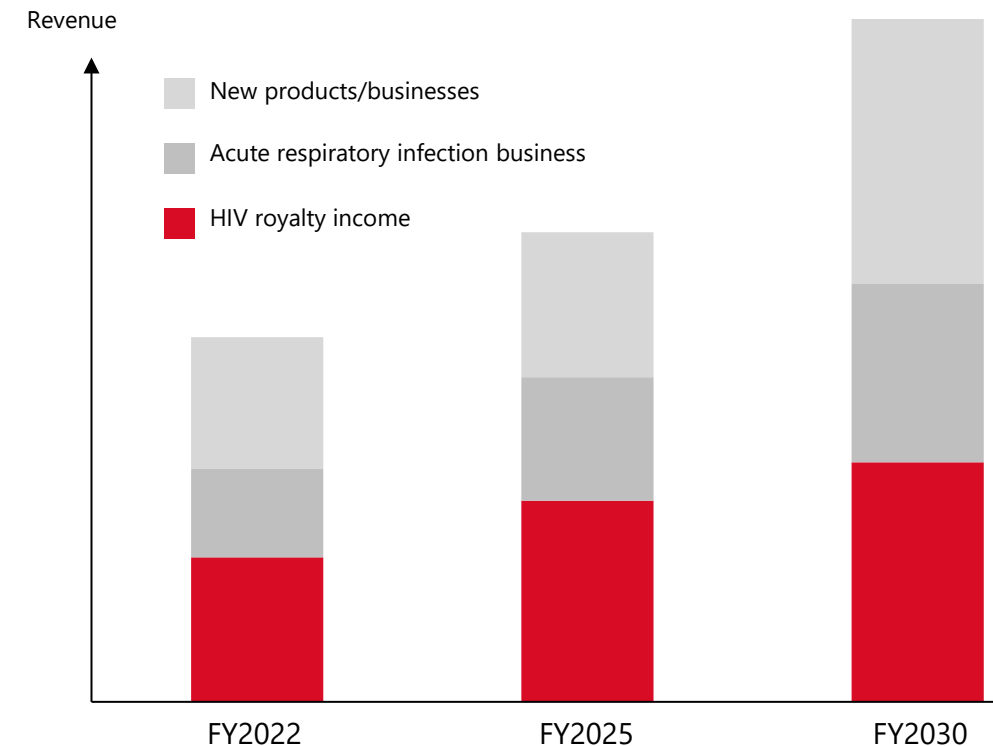
—Developing an injectable drug administered once every six months—

S-365598: New integrase inhibitor out-licensed to ViiV

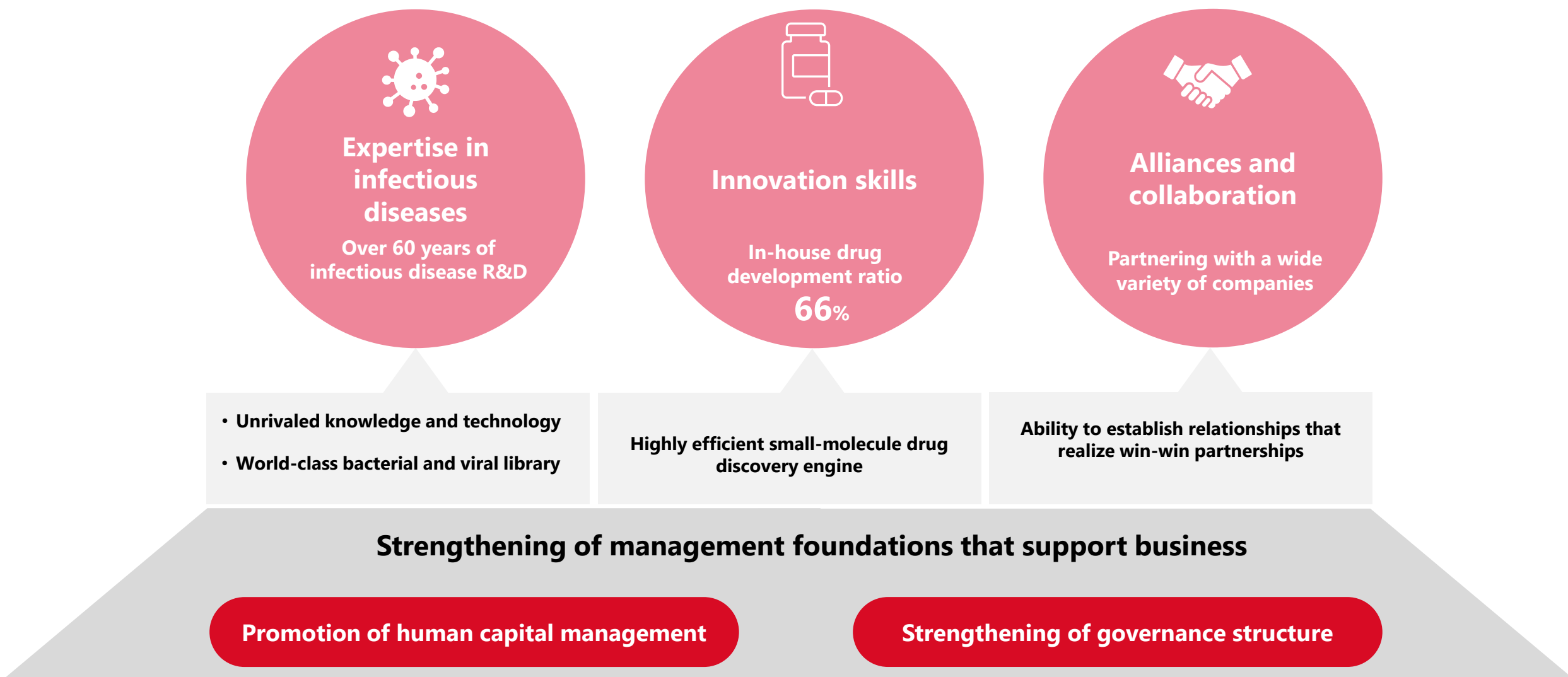
S-917091: Candidate of partner drug with a new mechanism

Growth toward realizing the 2030 Vision

Illustration of growth*³



Strengths and Management Foundations Supporting SHIONOGI's Growth



2. SHIONOGI's Human Capital Strategy

- Human Capital Strategy Overview
- Overview of the Actions

SHIONOGI's Vision in Human Capital

Vision

Develop strong individuals who can win in global competition by embodying the SHIONOGI Way, and build an organization that makes the most of its diverse human resources

Desired human resources "SHIONOGI Way"

A person who attracts others with his/her strengths, actively seeks to enhance knowledge and skills, and takes on challenges to achieve goals



- Human resources who can play an active role globally
- Human resources who can capture healthcare needs and continue to create pharmaceuticals efficiently and continuously
- Human resources who can leverage diversity to plan, create, and socially implement healthcare innovations as a team

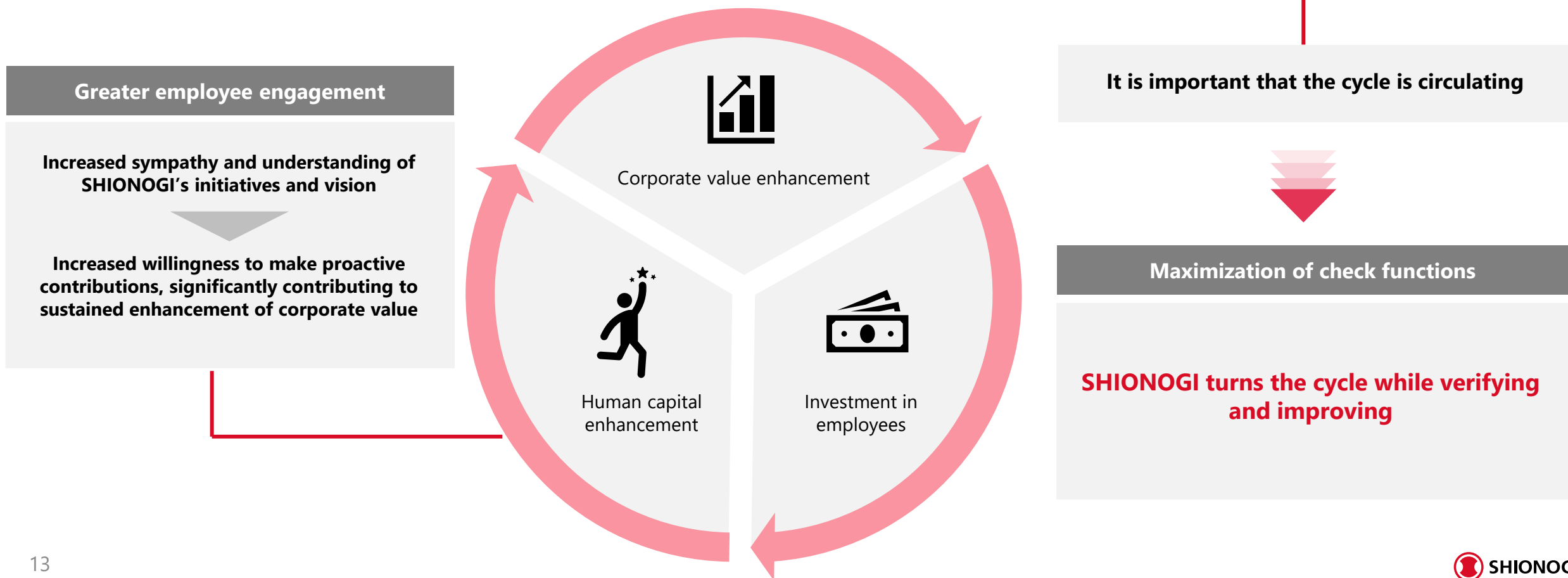
Basic strategy

SHIONOGI's Human Capital Strategy

Human Capital Management at SHIONOGI (1)

**Promote human capital management based on the idea
that greater employee engagement leads to corporate value enhancement**

SHIONOGI's concept of human capital management



Human Capital Management at SHIONOGI (2)

Turn the cycle for corporate value enhancement while verifying and improving based on engagement surveys

Our approach to the use of engagement surveys



Analysis through periodic surveys

- Monitoring the engagement status of the entire Group starting from FY2023
- Set one KPI and four sub-KPIs as key indicators and conduct annual surveys



Implementation of measures

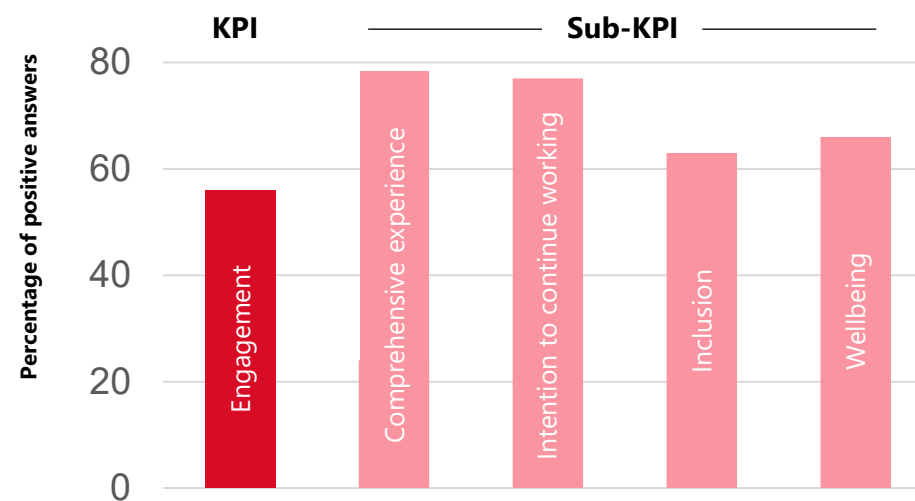
- Analyze entire Group and each company/organization, and implement measures according to characteristics
- Each organization head plays a central role in formulating and implementing measures against company/organization-specific issues



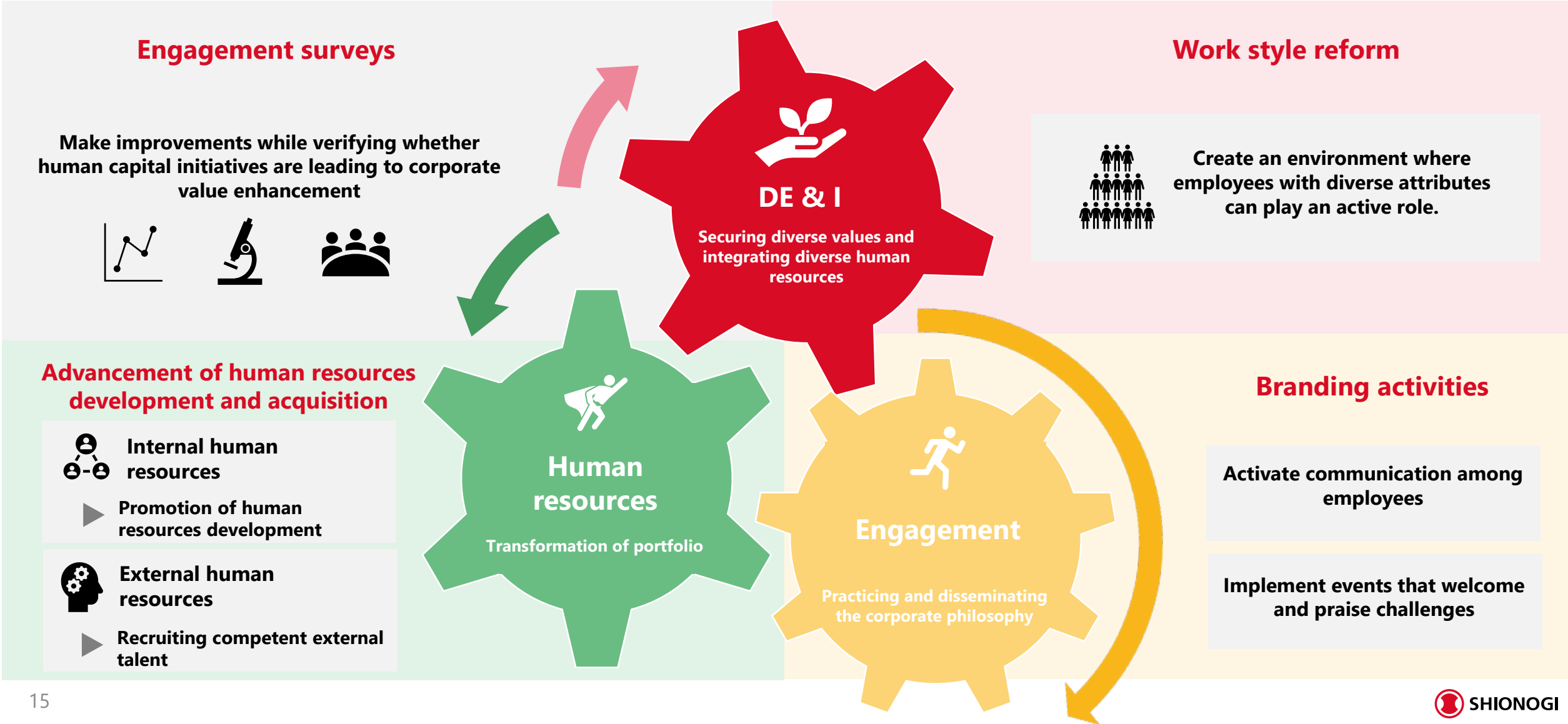
Communication tools

- Discuss characteristics and points for improvement unique to the organization to optimize the human resource portfolio
- Activate communication with outside stakeholders by disclosing the results

FY2023 results for key indicators



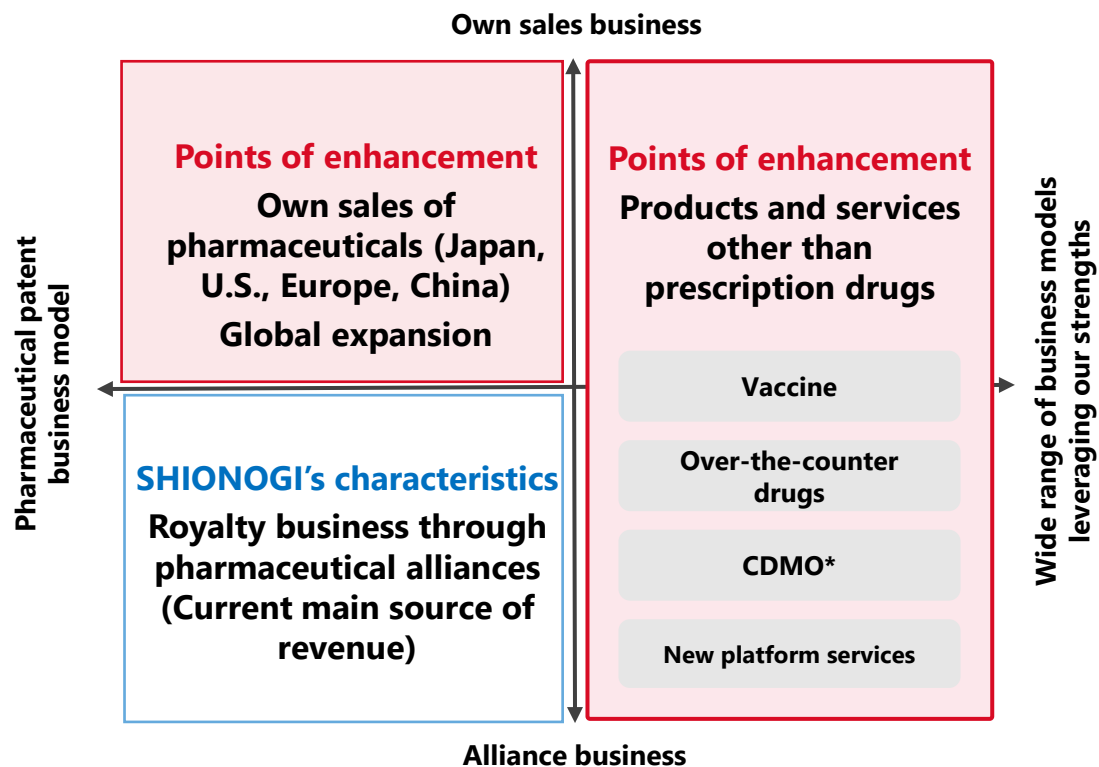
Human Capital Strategy to Realize the 2030 Vision



The Need to Change Human Resource Portfolio Due to Transformation of Business Model

Accelerate the strengthening of insufficient capabilities to realize the 2030 Vision

Expansion of business through business model transformation



Human resources to be expanded



Global human resources

Human resources with global business experience or sufficient capability to handle international matters



DX/IT personnel

Human resources who can promote digital transformation (DX) and use IT technologies to improve management efficiency further



Specialized human resources

Human resources with experience and technology in new businesses in which SHIONOGI is involved, such as the vaccine business

Transformation of Human Resource Portfolio: Advancement of Human Resources Development and Acquisition

**Advance human resources development and acquisition
by defining the skill level required for each job and conducting assessments**

Defining jobs and skills and conducting assessments

- Establish three job ranks for each job category
- Define the skill level required for each job category and job rank in terms of specialized and general skills

Image of defining job skills

Job category	IT project manager		
Rank	Entry	Member	Lead
Specialized skills	Project planning skills: Lv. ○; Is able to do XX		
	Project promotion skills: Lv.○; Is able to do XX		
General skills	Overseas response: Lv. ○; Is able to do XX		
	DX/IT: Lv. ○; Is able to do XX		



What can be achieved



Autonomous career development encouraged

Enables career development based on the gap between the required skill level and the individual's current skill level



Efficient recruitment activities

Clarify the desired candidate profile to ensure the acquisition of truly necessary personnel



Quantification of human resources quality

Enables the quantification of not only the number of personnel but also the quality of the person by measuring and tracking the level of each skill

Transformation of Human Resource Portfolio: Introducing a New HR System

Transforming to a system designed to promote challenge and fulfillment



Grade system

- Make job grades commensurate with current roles **through “re-grading”**
- Enable promotion by authority within the organization to **realize flexible staffing in each organization**
- Increase compensation for high performers to **increase the number of people willing to take on the challenge of higher roles**



Evaluation system

- Enable promotion and demotion grades based on single-year evaluations to **allow for flexible treatment in accordance with roles**
 - * Promotion is possible in as little as four years
- Have salary increase and bonus amounts determined after the evaluation to **encourage managers to focus on appropriate evaluation rather than monetary values**



Compensation system

- **Competitive compensation design to attract the necessary talent**
- Make the compensation system commensurate with contributions to the company, **regardless of age, etc.**

**Appoint personnel based
on capability**

**Strengthen recruitment
of external talent**

Transformation of Human Resource Portfolio: Other Initiatives

Promoting the utilization of internal and external human resources while encouraging employee turnover to transform the human resource portfolio



Special early retirement program - Initiative to encourage employee turnover -

- This is the first implementation in 20 years since the business structure transformation in 2003, with 301 applicants
- The goal is not to reduce personnel costs, but to transform the talent portfolio necessary to realize the 2030 Vision



Strategic mid-career recruitment - Acquiring capabilities from outside -

- Focus on recruiting DX/IT personnel and personnel with global work experience
- Around 55 career hires have been confirmed for the fiscal year 2024 (with a maximum hiring capacity of 120)



Internal recruitment system - Utilizing internal human resources -

- Supports employees who volunteer to take on challenges and helps to further enhance organizational capability

Securing Diverse Values and Integrating Diverse Human Resources: Work Style Reforms at SHIONOGI

- **Create an environment where employees with diverse attributes and values can play an active role**
- **Build momentum to encourage voluntary reskilling and skills upgrading**

Work style reform initiatives introduced



Self-investment support system

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



Review of prescribed working hours

Implemented to realize productive work styles

Use the time saved to perform valuable activities and carry out reforms



Elective 4-day work week

Supports skills upgrading and self-improvement initiatives
Responds to employees' individual circumstances to realize diverse workstyles



Alleviation of side-job standards

Supports employees who voluntarily take on challenges
Gives back to the company and utilizes the experience obtained outside

Initiatives to Increase Employee Engagement

Promoting sympathy toward SHIONOGI's initiatives through enhanced branding activities and various measures



SHIONOGI Infectious Disease Weeks

- Initiatives to encourage people inside and outside the company to "understand and relate to SHIONOGI's infectious disease initiatives"

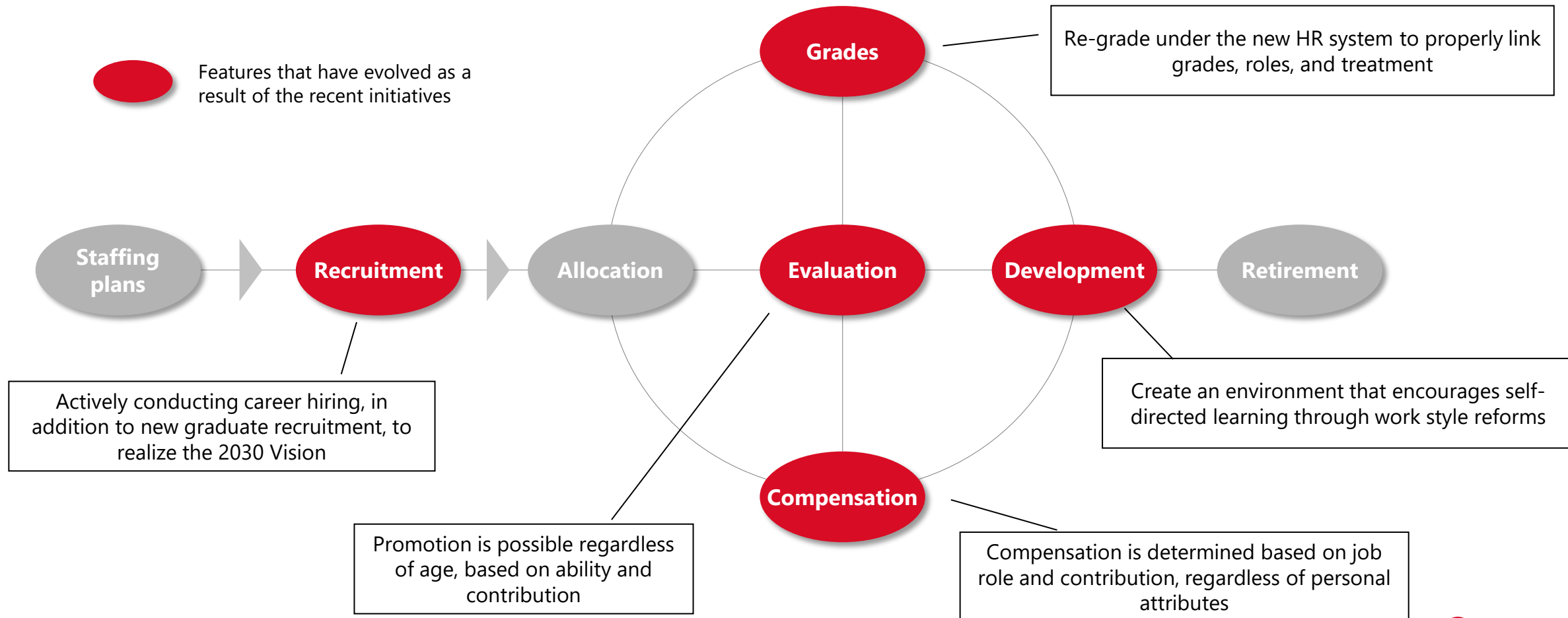


President's Award - SING of the Year -

- The President's Award event, now in its 12th year, aims to make it a place for SHIONOGI's employees to appreciate, praise, and improve each other

Where SHIONOGI's Human Capital Strategy Stands Today

Progressing steadily toward SHIONOGI's vision in human capital through the introduction of a new HR system and work style reforms



Points to Strengthen in the Human Capital Strategy to Realize the 2030 Vision

Past evolution points

Development of environment and frameworks

- Appointment of internal and external personnel based on ability and contribution through the revision of the personnel system
- Development of an environment where employees with diverse attributes can play an active role.
- An environment that encourages reskilling and skills upgrading

Future points of enhancement

Globalization

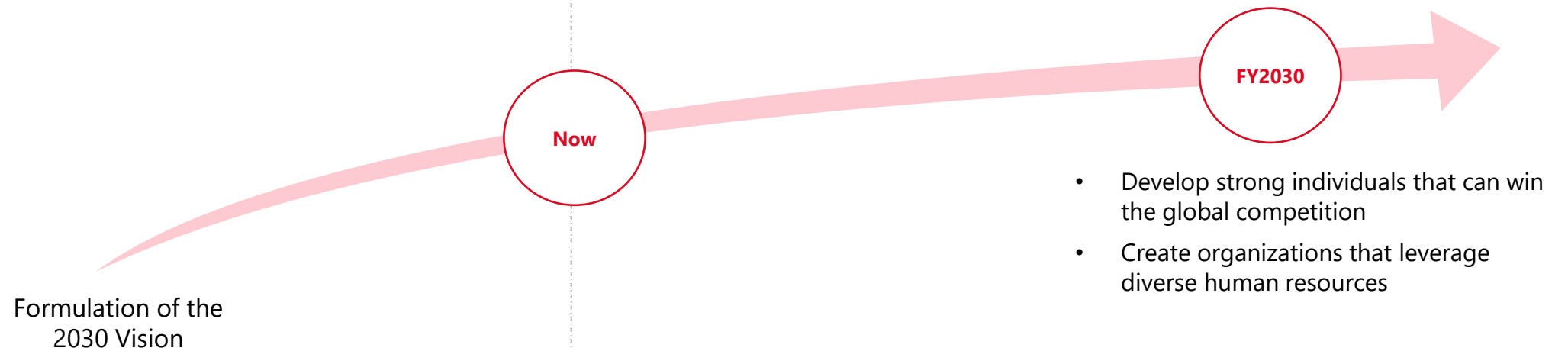
- Globalization of personnel systems and talent management

Transformation into an optimal human resource portfolio

- Acquisition of necessary expertise, position control, and visibility of talent

Development of an autonomous career culture

- Further spread of voluntary reskilling and skills upgrading



3. Corporate Governance

- SHIONOGI's Governance Framework
 - Nomination Advisory Committee
 - Compensation Advisory Committee

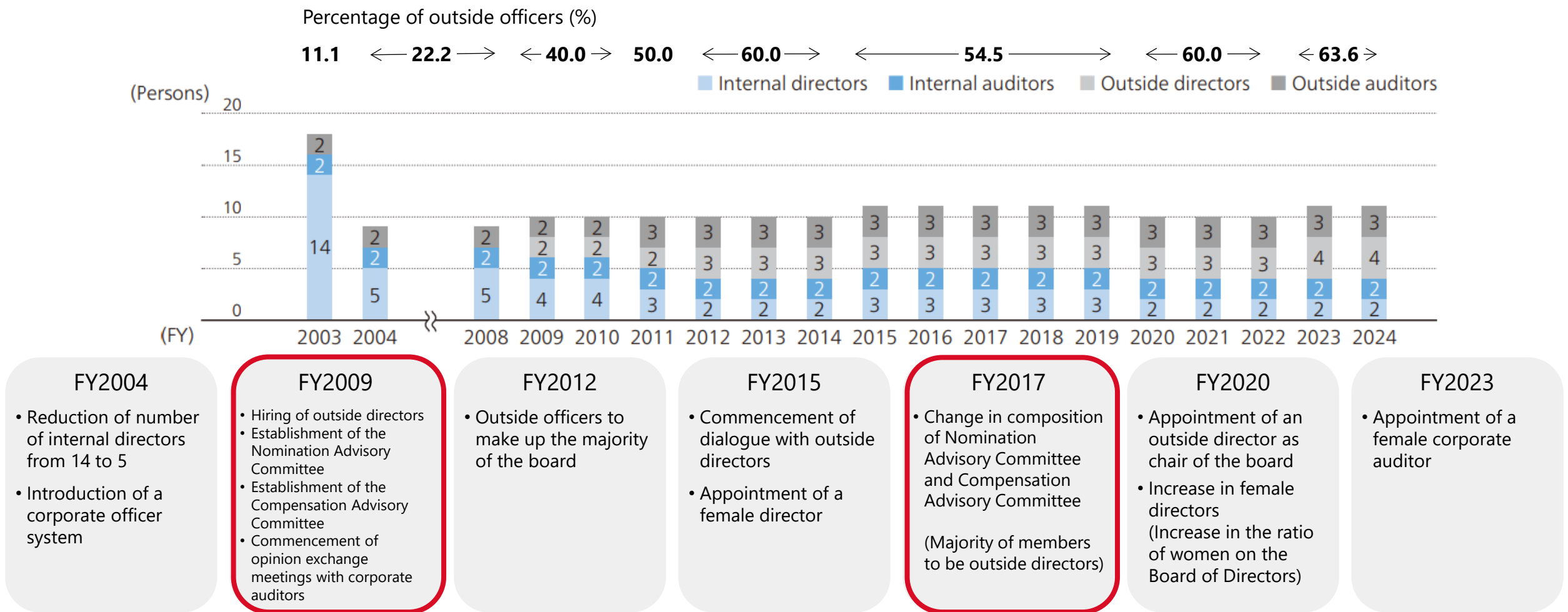
Directors/Auditors



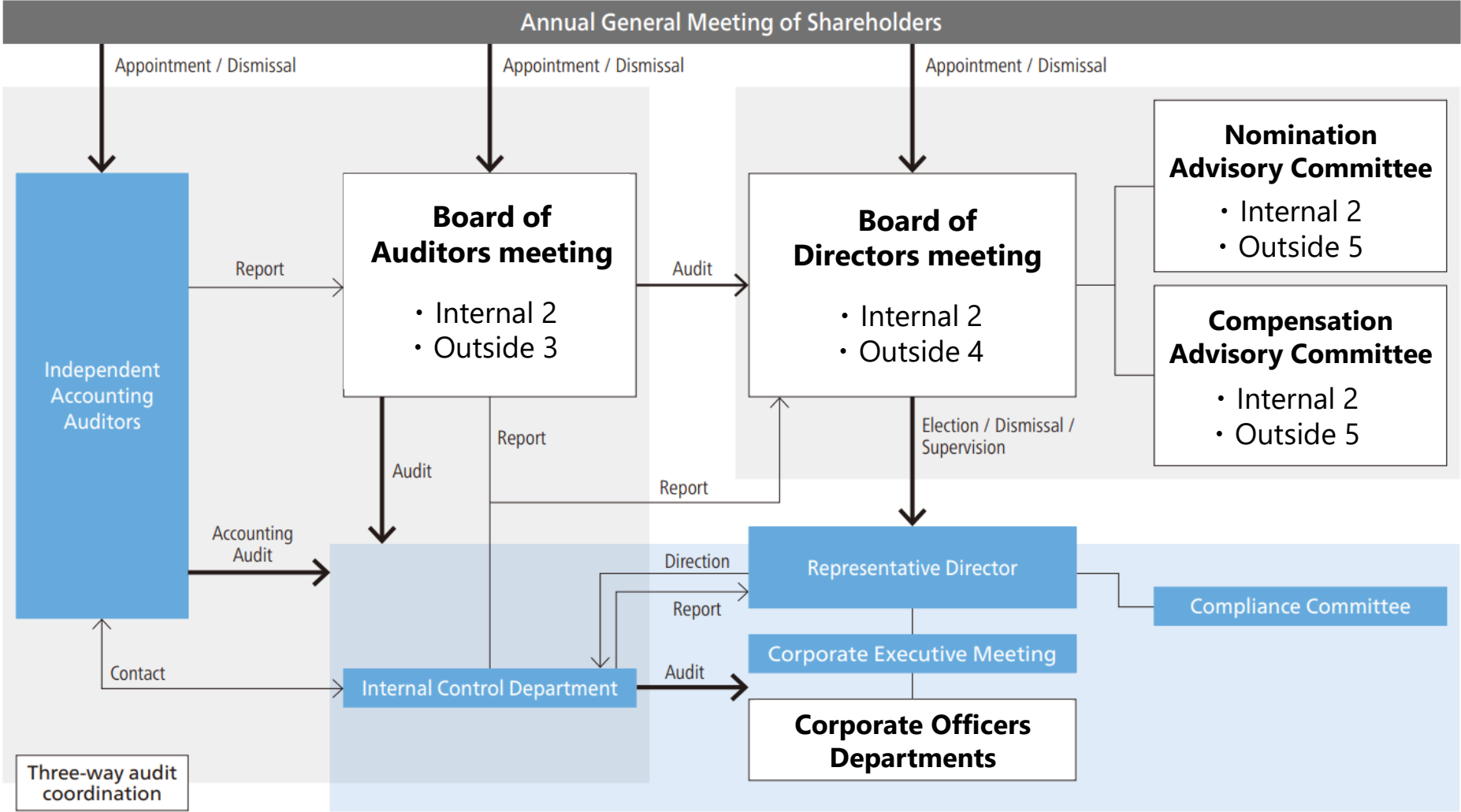
	Name	Number of years in post	Bord of Directors	Nomination Advisory Committee	Compensation Advisory Committee
①	Representative Director, President and CEO Isao Teshirogi (64/Male)	22 years	○	○	○
②	Director and Vice Chairperson of the Board Takuko Sawada (69/Female)	9 years	○	-	-
③	Independent Outside Director Keiichi Ando (72/Male)	8 years	Chairperson ○	Chairperson ○	○
④	Independent Outside Director Hiroshi Ozaki (74/Male)	5 years	○	○	Chairperson ○
⑤	Independent Outside Director Fumi Takatsuki (49/Female)	4 years	○	○	○
⑥	Independent Outside Director Takaoki Fujiwara (72/Male)	1 year	○	○	○

	Name	Number of years in post	Bord of Directors	Board of Auditors	Nomination Advisory Committee	Compensation Advisory Committee
⑦	Standing Corporate Auditor Akira Okamoto (69/Male)	9 years	○	○	-	○
⑧	Standing Corporate Auditor Noriyuki Kishida (64/Male)	-	○	○	○	-
⑨	Independent outside Auditor Tsuguoki Fujinuma (79/Male)	5 years	○	○	-	-
⑩	Independent outside Auditor Shuichi Okuhara (56/Male)	4 years	○	○	-	-
⑪	Independent outside Auditor Yoriko Goto (65/Female)	1 year	○	○	○	○

Corporate Governance Transition



Corporate Governance Structure



Number of Executives 11 people

Outside Officer 64%

Diversity
Proportion of women 27%

Organizational Design

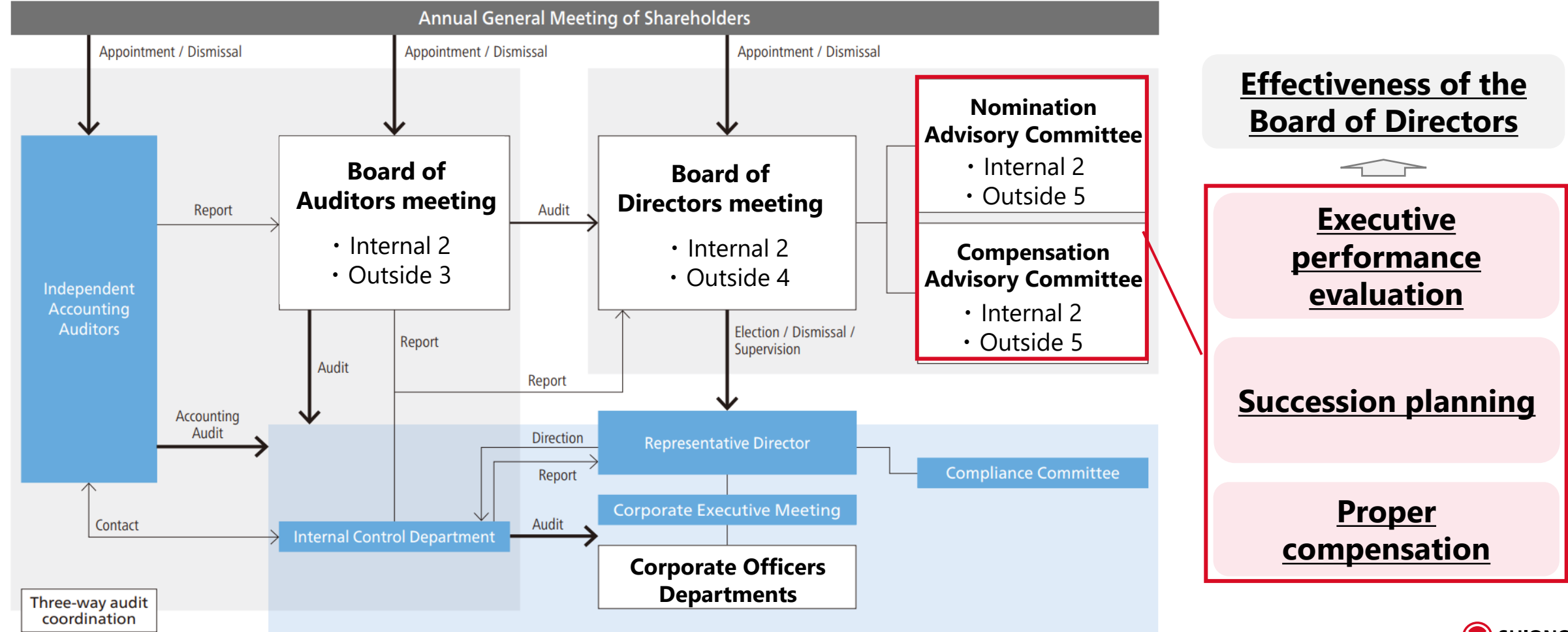
Currently considering the ideal organizational design to achieve sustainable growth

	Management type	Hybrid type	Monitoring type
Main roles of the Board of Directors	Place emphasis on management decision-making (Many decisions on individual business execution matters)	Gradually shift focus to supervisory functions while limiting the scope of individual business execution matters	Specialize in management oversight
Number of outside directors	several people	About one-third to half	At least a majority
Roles of outside directors	Mainly advising	Both advisory and supervisory roles are expected.	Mainly supervising
Concept of the Board of Directors	"Bring an outside perspective (of outside directors) to the Board of Directors"	(Intermediate)	"The executive side provides information to the Board of Directors, which consists primarily of independent outside directors"
Agenda of Board meetings	Often a large number of items for resolution (Of the decisions on individual business execution matters, only those of less importance are delegated to the executive side)	(Intermediate)	Few items for resolution, mostly items to report (Decisions on individual business execution matters are delegated to the executive side significantly)



Toward Strengthening Management Supervisory Functions

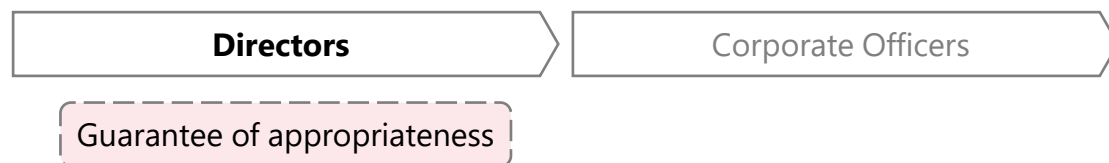
Board succession reforms have been initiated to continuously maintain and improve governance oversight functions



Nomination Advisory Committee: Implementation Details

A performance review of CEO began in FY2023

What was implemented



Performance review of CEO

- CEO explained to members of the Nomination Advisory Committee about accomplishments, recognition of problems, and future prospects
- Committee members other than CEO discussed CEO's performance
⇒ It was decided that CEO could continue in his position

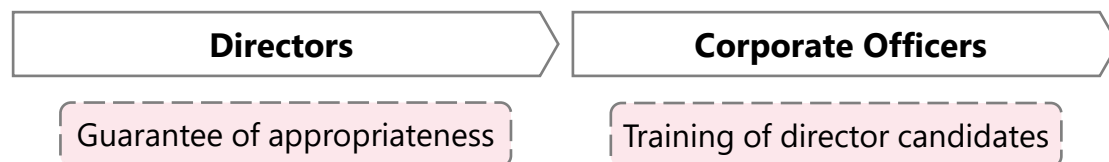
Feedback at the Nomination Advisory Committee

- We would like the review to focus on medium-term goals rather than on single-year performance
- The most important thing is succession planning, and We should be able to review the candidate and his/her training plans

Nomination Advisory Committee: Future Prospects

Extend evaluation to other officers and strengthen succession planning

Future prospects



Strengthening of outside directors' supervisory functions

- Continuation and expansion of performance reviews
 - Evaluate of progress toward medium-term goals
 - Extend the review to succession plans
- Re-examination of criteria for appointment of CEO and directors
- Preparation and periodic reviews of the list of candidates
- Mutual reviews of outside directors

Adding depth to succession planning

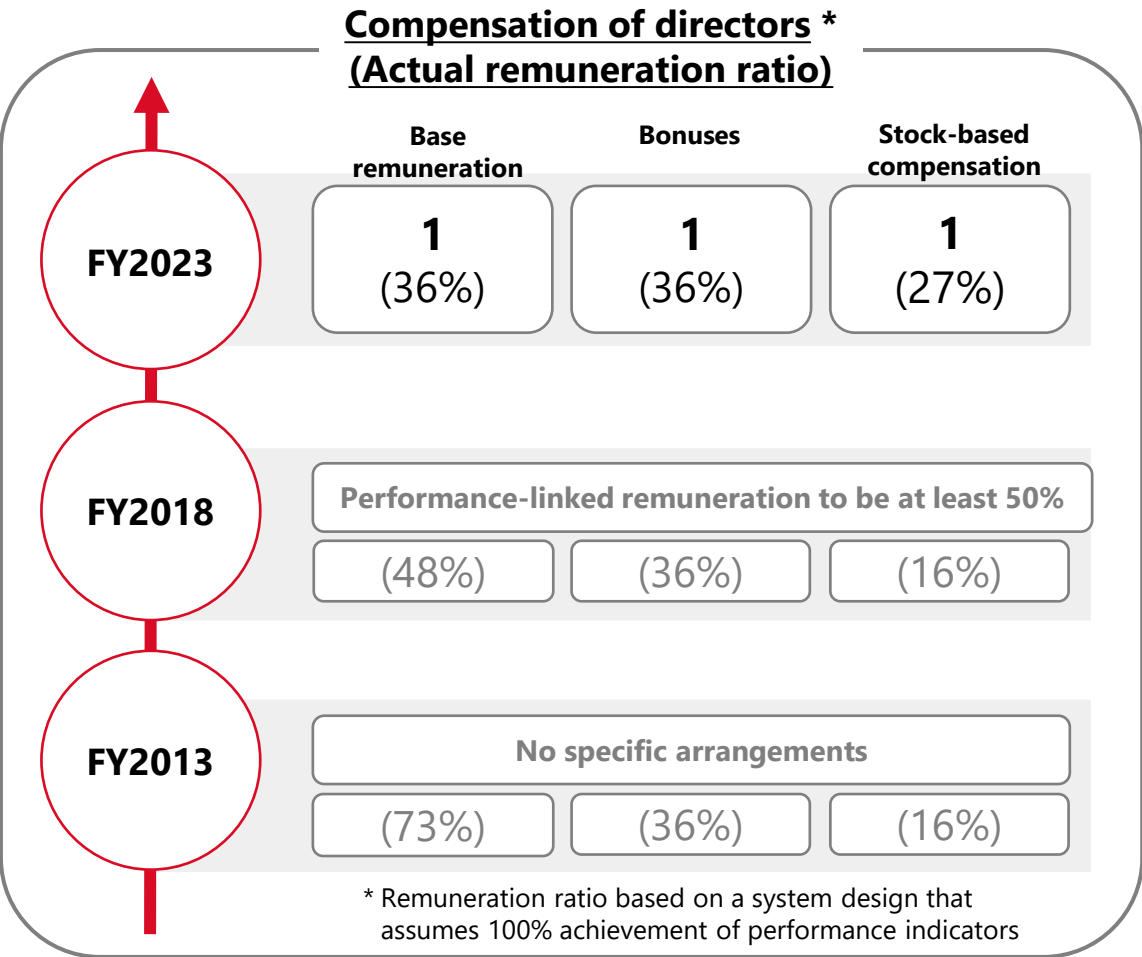
- Strengthening the roles of the Nomination Advisory Committee
 - Monitor the executive side's succession planning
 - Confirm the character of the successor candidate through dialogue

Re-examining the skills matrix and using it for training

- Delete basic skills such as corporate governance from the skills matrix and integrate them into directors appointment criteria
- Facilitate the training of corporate officers as director candidates by evaluating them on two bases: the skills matrix that includes basic skills; and the appointment criteria

Compensation Advisory Committee: Discussions and Results (1)

Increase remuneration linked not only to short-term performance, but also to medium- to long-term performance



A compensation design oriented toward performance (especially medium- to long-term)

Remuneration level and ratio

- Remuneration level: Consider business conditions and public trends
- **Remuneration ratio: Base compensation, bonuses, stock-based compensation**
1 1 1
- Links with performance:
 - Short-term: Annual budget ⇒ Performance-linked bonus
 - Medium-term: Medium-term management plan ⇒ Medium-term performance-linked stock-based compensation
 - Long-term: Share price ⇒ Long-term stock-based compensation

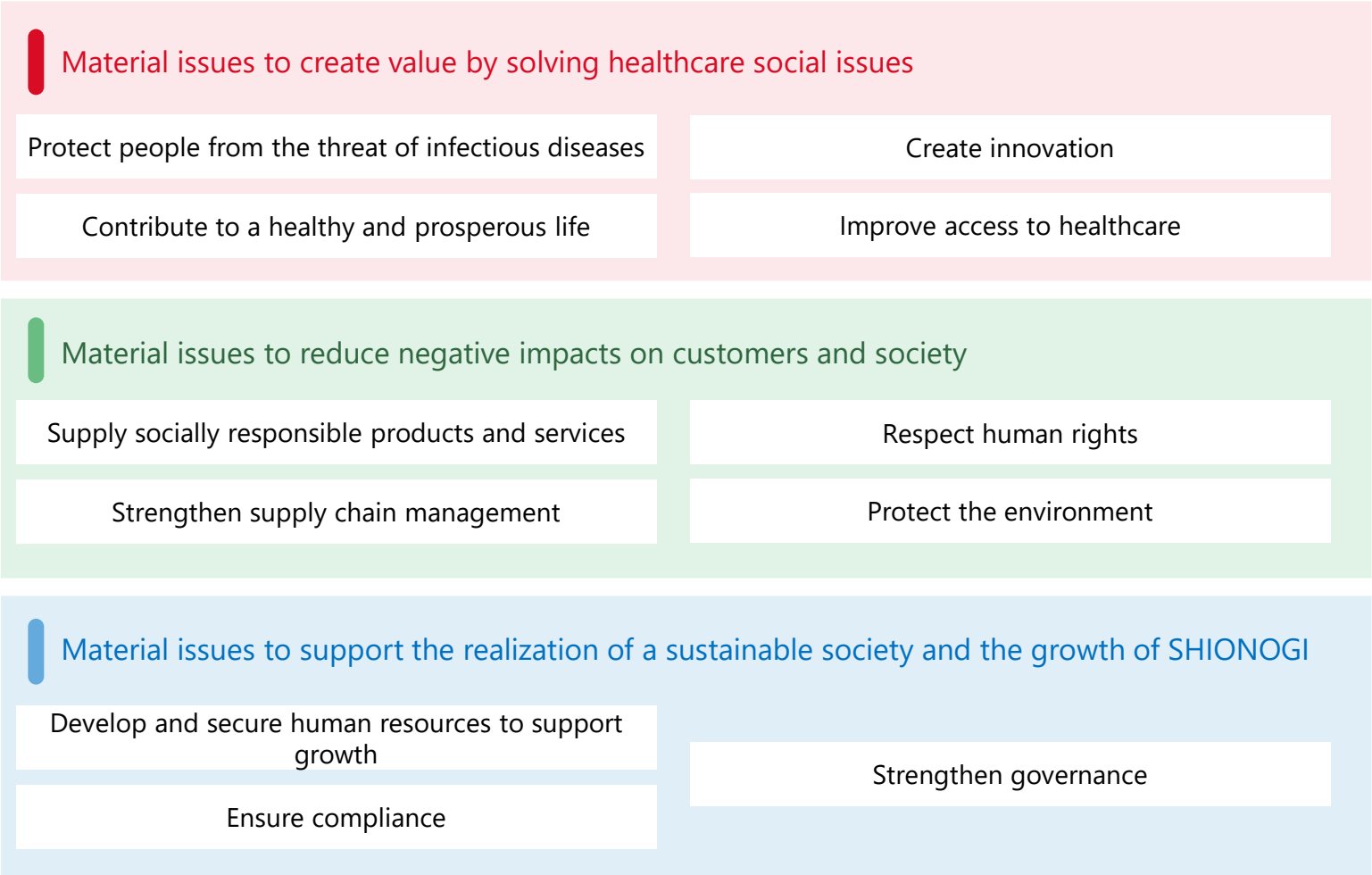
Compensation Advisory Committee: Discussions and Results (2)

Encourage the sharing of value with shareholders by increasing stock-based compensation

Stock-based compensation	FY of introduction		
	Directors	Corporate Officers	Organization heads
Stock options	FY2011 (Abolished in 2018)	—	—
Long-term stock-based compensation	FY2018	FY2018	—
Medium-term performance-linked stock-based compensation	FY2018	FY2024	FY2024

Appendix

SHIONOGI's Material Issues (Materiality)



SHIONOGI Group Vision

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

Indicators for Developing and Securing Diverse Human Resources to Support SHIONOGI's Growth

Developing and securing competitive and diverse human resources

Number of employees transferred through internal recruitment (FY2021-2023 sum total) (Domestic consolidated companies)

34

Number of mid-career hires (FY2023 sum total) (Domestic consolidated companies)

35

Number of users of side-job program (FY2023) (Domestic consolidated companies)

152

Work engagement* (Global consolidated companies)

3.69 Pt

* Utrecht Work Engagement Scale

Number of persons appointed as associate corporate officer (As of April 2024)

16

Includes four foreign employees

Promotion from associate corporate officer to corporate officer (April 2022-April 2024 sum total)

7

Percentage of female directors (FY2023) (Non-consolidated)

33%

Percentage of female heads of organizations (FY2023) (Non-consolidated)

19.1%

Number of female managers/percentage of female managers (FY2023, domestic consolidated companies)

14.7%

Average salary/Gender pay gap (FY2023, Non-consolidated)

82.2%

Number of new graduate recruits/Turnover rate of new graduate recruits after three years (FY2023, domestic consolidated companies)

81

Average number of paid holidays taken (FY2023, non-consolidated)

13.7 days

Acquisition rate of childcare leave (domestic consolidated companies)

Female: 100% Male: 65.5% (acquisition rate of 14 days or more: 50.9%)

Promoting occupational health and safety

Frequency rate (FY2023, domestic consolidated companies)

0.24

Severity rate (FY2023, non-consolidated)

0.0000

Frequency rate: Number of employees killed or injured in occupational accidents per one million total working hours
Severity rate: Number of work days lost per one thousand total working hours

Promotion of health and productivity management

Health examination rate (FY2023, domestic consolidated companies)

100%

Rate of stress check examination (FY2023, domestic consolidated companies)

93.8%

Percentage of employees on mental health leave (FY2023, domestic consolidated companies)

0.7%

Percentage of smokers (FY2023, domestic consolidated companies)

3.2%

Other Major Indicators on Sustainability

Protect the environment

New initiatives in FY2023

- **Revision of environmental materiality**
- **Establishment of medium- to long-term (FY2035) goals**

In consideration of internal and external trends, we set a goal to drive a more strategic and integrated environmental response globally

Reduction of CO₂ emissions FY2023 results

Scope 1+2 **12.4%**
reduction*

Scope 3
Category 1 **21.5% reduction***

Plastic waste reuse/recycling rate

FY2023 results
34%

*Compared to FY2019

Water consumption

FY2023 results

Domestic consolidated companies **1,343 thousand m³ or less**

Global consolidated companies **1,465 thousand m³ or less**

Respect human rights

SHIONOGI Group Human Rights Policy



Statement on the Modern Slavery Act 2015 and human



Understanding of labor situation in production areas of raw and other materials

Survey of raw material
production areas for
important items
**1 item, 1 region
Completed**

Interviews with top
suppliers of four
important items
Completed

Survey of labor situation of foreign technical intern trainees

SHIONOGI Group companies and major
suppliers of COVID-19-related products

Completed (no acceptance)

Strengthen supply chain management

FY2023 questionnaire or EcoVadis assessment

**68
companies**

EcoVadis assessment (Sum total for up to March 2024)

**121
companies**

Percentage of suppliers meeting defined criteria

83.2%

FY2023 Percentage of newly contracted suppliers agreeing to the Code of Conduct*

100%

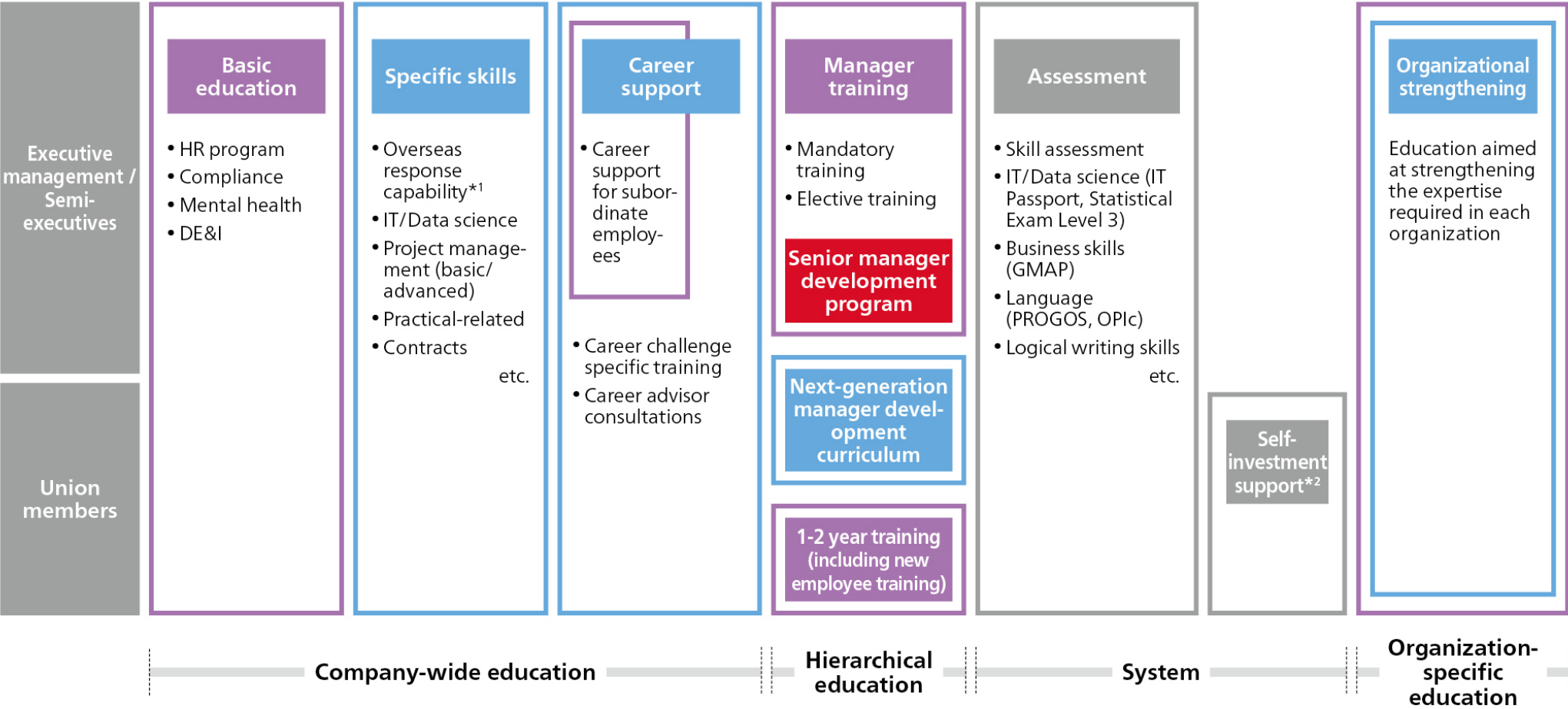
* SHIONOGI Group Business Partner Code of Conduct

Number of suppliers that have carried out direct engagement related to sustainability challenges

28 companies
(14 climate change-related; 14 human
rights-related)

Career Development at SHIONOGI (1)

Overall picture of company-wide education measures

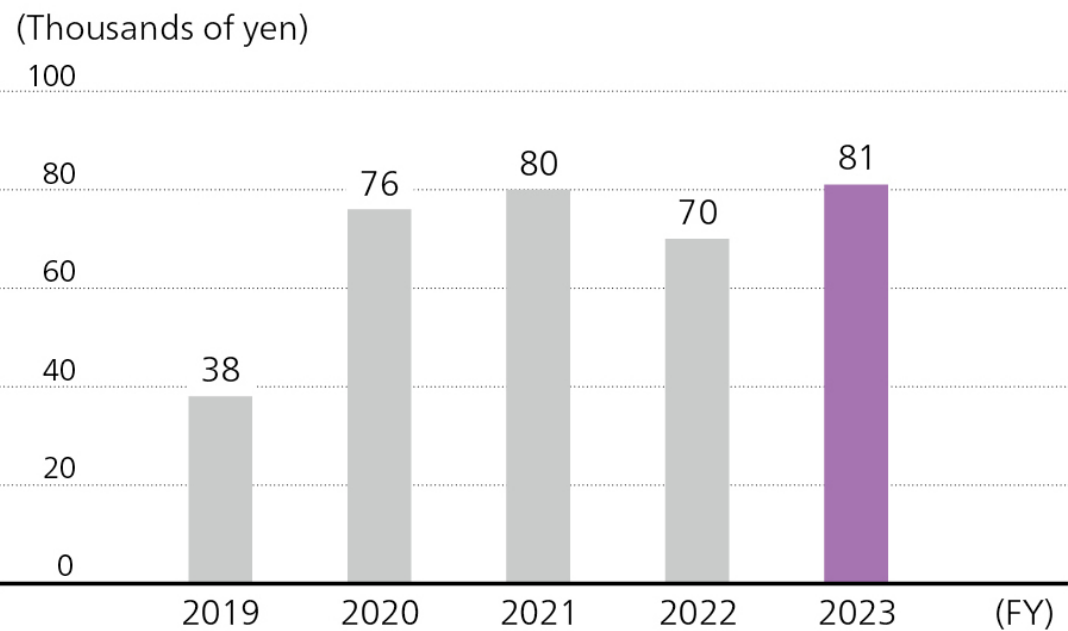


*1 Applies to employees who meet certain language proficiency standards
 *2 Applies to union members originally affiliated with Shionogi Co., Ltd.

 Mandatory
 Elective
 Designated

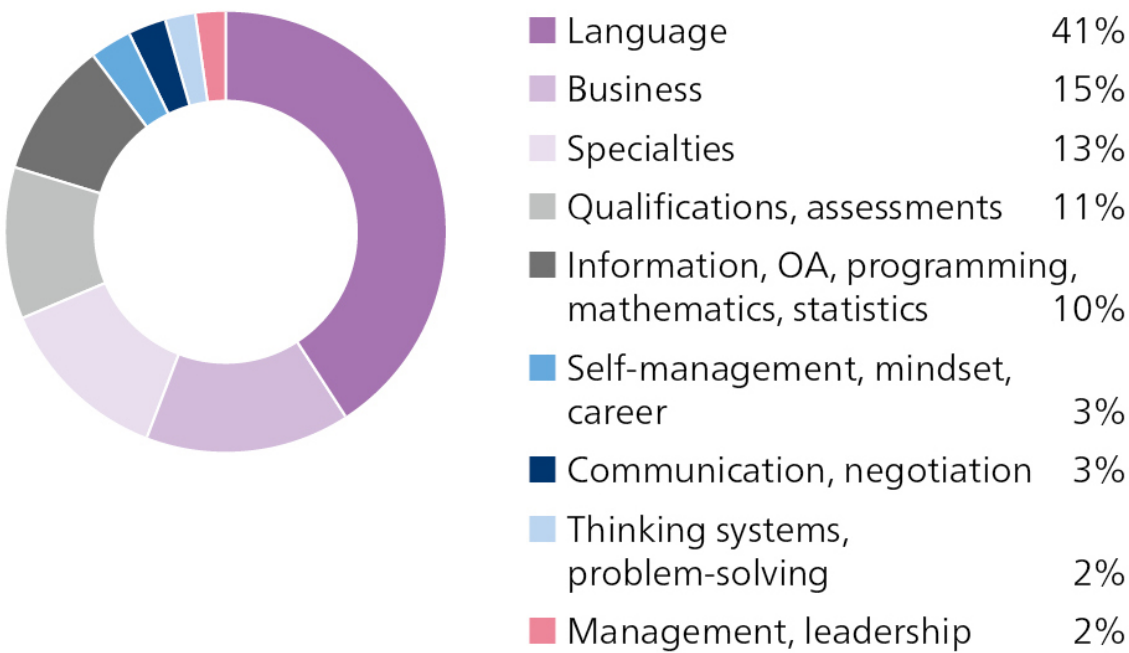
Career Development at SHIONOGI (2)

Trend of education and training expenses per person*3



*3 (Education and training expenses + Self-investment support amount) / Number of employees (domestic consolidated)

Breakdown of self-investment support program utilization (by field / based on number of cases)



Career Development at SHIONOGI (3)

Self-investment support system usage results

