Shionogi & Co., Ltd.

2nd Quarter of Fiscal 2026 Financial Results Conference Call

October 30, 2026

Presentation

Kyokawa: It is time for us to begin. Thank you very much for attending our financial results briefing today. I am Kyokawa, Vice President, Corporate Communications Department of Shionogi & Co., Ltd.

We will now begin the SHIONOGI's financial results briefing for Q2 of FY2026.

Let me introduce today's presenters. Isao Teshirogi, Ph.D. Representative Director, President and CEO.

Teshirogi: I am Teshirogi. Thank you.

Kyokawa: Next is John Keller, Ph.D. Director and Senior Excecutive Officer, Senior Vice President, R&D Supervisory Unit.

Keller: I am John Keller. Thank you.

Kyokawa: Next is Toshinobu Iwasaki, Ph.D. Senior Executive Officer, Senior Vice President, Healthcare Business Supervisory Unit.

Iwasaki: I am Iwasaki. Thank you.

Kyokawa: Next is Masako Kudou, Corporate Officer, Senior Vice President, Corporate Strategy Division.

Kudou: I am Kudou. Thank you.

Kyokawa: Finally, Takuji Fujiwara, Vice President, Accounting and Finance Department.

Fujiwara: I am Fujiwara. Thank you.

Agenda

01	**Overview of 1st Half (Interim Period) FY2026 Financial Results**	**(P.3-9)**
02	**FY2026 Financial Forecasts**	**(P.10-21)**
03	**Acquisition of IntraBio**	**(P.22-29)**
04	**Financial Policy**	**(P.30-32)**

SHIONOGI

Kyokawa: Today, Mr. Teshirogi will first provide an overview of our financial results for Q2 of FY2026 and our outlook for the future. Following that, Mr. Iwasaki and Mr. Keller will present details on each business segment, and we will conclude with a question-and-answer session.

We will now begin our briefing. CEO Teshirogi, please begin.

Teshirogi: Thank you once again for attending today. I will begin by providing a brief overview, after which I would like to invite any questions that you may have.As a preliminary note, we usually provide an update on the progress of our R&D pipeline, including at the interim stage. However, our R&D meeting will be held in mid-November, three weeks from now. We are preparing a three-hour program covering development and research capabilities. Rather than providing an incomplete update today and repeating the same information, we have not included the R&D pipeline or its progress in today's materials. This does not mean that we will not take questions on R&D. However, there is no R&D presentation today, and the Senior Vice President, Drug Development and Regulatory Science Division, who normally sits here, is not present. Mr. Keller and I will answer any related questions.

Financial Results (Consolidated)

Revenue and all profit items exceeded our first-half forecasts, with significant year-on-year growth

Unit: B yen

	FY2026				FY2025	Y on Y	
	Full-year forecast	1H forecast	1H results	Achievement (%)	1H results*1	Change (%)	Change
Revenue	700.0	340.0	**350.4**	**103.1**	213.0	**64.5**	**137.4**
Operating profit	220.0	96.0	**115.2**	**120.0**	74.0	**55.8**	**41.3**
Profit before tax	220.0	96.0	**107.3**	**111.7**	97.6	**9.9**	**9.7**
Profit attributable to owners of parent	210.0	108.0	**119.5**	**110.7**	83.0	**44.0**	**36.5**
EBITDA*2	315.0	152.0	**174.6**	**114.8**	85.8	**103.4**	**88.7**

*1 FY2025 results were revised following completion of the PPA related to the acquisition of the JT Group's pharmaceutical business
*2 Earnings Before Interest, Taxes, Depreciation, and Amortization: Operating profit added depreciation and adjusted for one-time factors (impairment losses, gain on sale of property, plant and equipment, etc.)

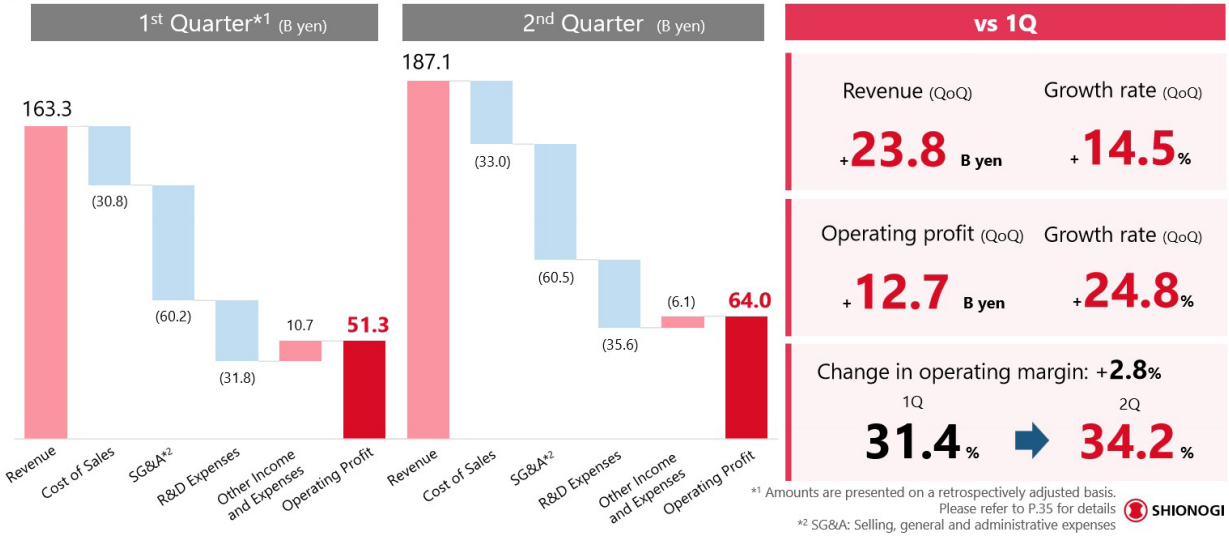
SHIONOGI

Now, let's start with page four, which shows our H1 results.

Revenue was JPY350.4 billion, up 64.5% year on year and representing 103% achievement against our first-half forecast. Operating profit was JPY115.2 billion, up 55.8% year on year and representing 120% achievement against forecast. Profit before tax was JPY107.3 billion, or 111.7% of our forecast. Until last year, dividends from ViiV were recorded in finance income. From this fiscal year, our share of profit under the equity method, net of amortization, is recorded above operating profit. The effect largely offsets, so the increase in profit before tax was relatively small. Profit attributable to owners of the parent was JPY119.5 billion, up 44%. As discussed at the first-quarter briefing, the deferred tax asset remains recognized, so final profit recovered relative to profit before tax. EBITDA more than doubled to JPY174.6 billion, or 115% of our target. Given the change in the presentation of ViiV-related items, EBITDA now exceeds royalty income for the first time in some time. This indicates that cash-generating capacity from the business has strengthened considerably and that the transition to a more profitable operating structure is progressing. Overall, I believe the first half represented a reasonably solid performance.

Growth Continued into the 2nd Quarter

Continued quarter-on-quarter growth in both revenue and operating profit, achieving sales expansion and improved profitability



Page 5 presents the first and second quarters after reflecting the PPA for ViiV. Appendix page 35 shows how we revised the first-quarter figures. In the first quarter, revenue had been included without amortization, which drew considerable criticism. The PPA is not yet final, but we believe the ViiV figures shown are close to final. The figures for the edaravone business and the former JT pharmaceutical business are final. The chart decomposes what the first and second quarters would have looked like on that basis. Revenue, growth and operating profit all show stepwise growth from the first quarter to the second quarter. The operating margin improved from 31% to 34%, and was slightly below 33% for the first half as a whole. We intend to continue moving the business in this direction.

Statement of Profit or Loss (Consolidated)

	FY2026				FY2025	YoY Change	
	Full-Year Forecast	1H Forecast	1H Results	Achievement (%)	1H Results*1	(%)	Amount
Revenue	700.0	340.0	**350.4**	**103.1**	213.0	**64.5**	**137.4**
Cost of Sales	17.1 120.0	18.8 64.0	18.2 **63.8**	**99.7**	14.0 29.9	**113.3**	**33.9**
Gross Profit	580.0	276.0	**286.6**	**103.8**	183.1	**56.6**	**103.5**
SG&A*2 and R&D Expenses Total	56.4 395.0	57.9 197.0	53.7 **188.1**	**95.5**	50.2 106.9	**75.9**	**81.2**
Selling, General and Administrative Expenses	34.3 240.0	34.7 118.0	34.4 **120.6**	**102.2**	25.6 54.5	**121.4**	**66.2**
R&D Expenses	22.1 155.0	23.2 79.0	19.2 **67.4**	**85.4**	24.6 52.4	**28.6**	**15.0**
Other Income and Expenses	35.0	17.0	**16.7**	**98.5**	(2.2)	-	**18.9**
Operating Profit	31.4 220.0	28.2 96.0	32.9 **115.2**	**120.0**	34.7 74.0	**55.8**	**41.3**
Finance Income and Costs	-	-	**(8.0)**	-	23.6	**(133.8)**	**(31.6)**
Profit before Tax	31.4 220.0	28.2 96.0	30.6 **107.3**	**111.7**	45.8 97.6	**9.9**	**9.7**
Profit Attributable to Owners of Parent	210.0	108.0	**119.5**	**110.7**	83.0	**44.0**	**36.5**

Main Variation Factors (YoY)

Revenue
- Increase: Royalty income, domestic prescription drugs, overseas subsidiaries / exports

Cost of Sales
- Increase: Sales of Torii Pharmaceutical and one-off expenses related to the inventory revaluation of edaravone

SG&A Expenses
- Increase: Amortization of intangible assets related to the JT Group's pharmaceutical business and edaravone business; sales-related expenses for the U.S. business; and SG&A expenses of Torii Pharmaceutical

R&D Expenses
- Increase: R&D expenses of the former JT pharmaceutical business and Torii Pharmaceutical

Other Income and Expenses
- Increase: Share of profit of ViiV Healthcare accounted for using the equity method*3
- Decrease: Losses associated with the divestiture of the Chinese subsidiaries Shenzhen Liancheng Medicine Co., Ltd. and Nanjing Chang'ao Pharmaceutical Co., Ltd.*4

Finance Income and Costs
- Decrease: Change in the accounting treatment of dividends received from ViiV Healthcare*5 and foreign exchange losses

Profit attributable to owners of parent
- Increase: Reduction in tax expense due to the recognition of deferred tax assets

*1 FY2025 results were revised following the completion of the PPA related to the acquisition of the JT Group's pharmaceutical business *2 Selling, general and administrative expenses *3 PPA: Purchase Price Allocation; provisional accounting treatment prior to completion *4 Details: P.19 *5 Dividends received from ViiV Healthcare, which were recognized as finance income (dividend income) in the statement of profit or loss in the previous fiscal year, are now reflected in "Investments accounted for using the equity method" (non-current assets) in the statement of financial position

Turning to page 6, cost of sales increased by JPY 33.9 billion year on year.

With a full six months of contribution from Torii Pharmaceutical products, the cost of sales for these products was approximately ¥18.0 billion. Revenue was approximately ¥40.0 billion, resulting in a cost ratio of around 45%. By our standards, this remains high, although only one year has passed since the transaction was fully completed.

Regarding this point, of the synergies we anticipated when we acquired Torii Pharmaceutical, I believe we have done well in terms of increasing sales. However, when it comes to reducing costs, we still have a long way to go, and we recognize this as a major challenge.

In addition, there was a revaluation of inventory for the edaravone business. Although this is a onetime expense, it amounted to just over JPY11 billion. This expense will not recur from the next fiscal year onward, but it is included in this one. The increase in cost of sales also reflects higher costs associated with products such as Quviviq and Zurzuvae as their sales grow, which has pushed the figure somewhat higher. However, we believe that overall, cost of sales remains within a range that we can control.

Next, regarding SG&A and R&D expenses, as I mentioned earlier, I won't specify exact figures at this time, but I believe you've all generally calculated the amortization expenses for the edaravone business, the former JT pharmaceutical business, and ViiV. These SG&A expenses include certain costs, such as those related to Torii Pharmaceutical and a portion of personnel expenses from the former JT pharmaceutical business which means the figures are, in fact, temporarily inflated.

We are also spending as planned on preparations for the commercialization of ensitrelvir in the U.S., and those expenses are reflected in the results. As a result, expenses are somewhat higher, but on a basis excluding amortization expenses, I don't think the increase is that significant.

R&D expenses were up by JPY15 billion compared to the previous year. We are reviewing our pipeline to ensure we allocate resources where they are needed and avoid spending where they aren't. I expect to provide more details on this, and other matters as well, at our R&D meeting in three weeks, but our current assessment is that we are on track.

Other income includes our share of ViiV Healthcare profit under the equity method, net of amortization, for the first and second quarters. We also recorded a loss of approximately ¥7.2 billion, mainly related to the remaining book value of the Nanjing plant, following the sale of our generic drug business in China. We believe this has effectively completed the cleanup of our China operations.

From our perspective, these have been difficult negotiations that have taken quite a bit of time over the past year or so, but we feel we've reached a satisfactory conclusion.

In terms of strengthening our corporate foundation—moving beyond just pursuing M&A or boosting sales in the US—we conducted a thorough review of our existing, long-standing business operations. Our China business, for instance, had been generating an annual operating loss of roughly JPY2.5 billion to JPY3 billion. I believe that by eliminating these losses, we believe we can further improve up our P&L.

Operating profit was JPY115.2 billion, a 55% increase.

Regarding finance income and expenses, there was a change in the accounting treatment of dividends from ViiV Healthcare, resulting in a decrease year on year. While we did see positive net finance income in Q1, interest payments on our borrowings have also begun. The largest factor was a foreign exchange loss on a loan made by SHIONOGI to Shionogi B.V. in connection with the acquisition of additional shares in ViiV Healthcare, due to the appreciation of the yen. This had no impact on cash flow, but resulted in a loss on the P&L.

As a result, these factors had a significant impact, limiting the increase in pretax profit to 10%. However, due to the recognition of deferred tax assets, which I mentioned during the Q1 results, we saw a benefit of over JPY30 billion.

Consequently, our profit attributable to owners of the parent was JPY119.5 billion, representing a 44% increase.

We will be happy to provide further details in response to any questions you may have.

Revenue by Segment

Unit: B yen

	FY2026				FY2025	YoY	
	Full-year forecast	1H forecast	1H results	Achievement (%)	1H results	Change (%)	Change
Prescription drugs	178.6	79.9	**74.3**	**93.0**	36.8	**101.7**	**37.5**
Overseas subsidiaries/export	175.2	85.4	**95.0**	**111.2**	30.6	**210.2**	**64.4**
Shionogi Inc. (U.S.)	138.7	68.0	**74.0**	**108.9**	13.6	**445.6**	**60.5**
RADICAVA*	101.7	51.8	**50.9**	**98.2**	-	-	**50.9**
Fetroja	-	-	**22.6**	-	13.0	**73.7**	**9.6**
Shionogi B.V. (Europe)	22.6	11.1	**13.1**	**118.7**	9.8	**33.8**	**3.3**
Fetcroja	-	-	**10.4**	-	7.6	**36.9**	**2.8**
Shionogi China	5.3	2.5	**2.7**	**107.4**	3.0	**(8.8)**	**(0.3)**
Others	8.7	3.8	**5.1**	**133.6**	4.3	**20.6**	**0.9**
Contract manufacturing	14.4	7.7	**6.6**	**86.5**	7.1	**(6.7)**	**(0.5)**
OTC and quasi-drugs	18.8	8.3	**7.8**	**93.4**	7.9	**(1.0)**	**(0.1)**
Royalty income	310.6	157.7	**165.4**	**104.9**	129.3	**27.9**	**36.1**
HIV franchise	276.0	139.1	**148.5**	**106.7**	125.8	**18.0**	**22.7**
Others	34.6	18.6	**16.9**	**90.8**	3.5	**381.8**	**13.4**
Others	2.3	0.9	**1.2**	**137.8**	1.2	**2.4**	**0.0**
Total	700.0	340.0	**350.4**	**103.1**	213.0	**64.5**	**137.4**

Main Variation Factors (YoY)

Domestic Prescription Drugs

Increase: Sales of Torii Pharmaceutical, Radicut and Quviviq
Decrease: Sales of acute respiratory virus infection drugs

Overseas Subsidiaries/Exports

Increase: RADICAVA sales, U.S.
Government procurement of Fetroja
Sales of cefiderocol in the U.S. and Europe
(U.S.: Fetroja, Europe: Fetcroja)

Royalty Income

Increase: HIV franchise (sales by ViiV Healthcare)
Others: Royalties related to the former JT pharmaceutical business

7

***Growth rate of RADICAVA revenue in the U.S. and Canada: (1.5%)**
Apr.–Sep. 2026: 319.0 MUSD (sales at SHIONOGI Group); Apr.–Sep. 2025: 323.7 MUSD (RADICAVA sales at Tanabe Pharma)

SHIONOGI

On page seven, what I'd like to point out here is that, despite virtually no contribution from Xocova in Japan during the first six months, we feel that sales in Japan have become quite stable.

Looking at the figures, sales in Japan were JPY 74.0 billion, while SHIONOGI Inc. recorded JPY 74.0 billion. The latter includes a portion of one year's worth of pull incentives for Fetroja, but even taking that into account, overseas sales, including those in the U.S. and Europe, exceeded sales in Japan. I believe this trend will continue in that direction.

In Japan, Torii Pharmaceutical-related products, Radicut and Quviviq are performing broadly in line with expectations. Torii Pharmaceutical-related products grew approximately 17% year on year. Radicut and Quviviq are also performing very well. Quviviq, in particular, has performed very well since four-week prescriptions became available one year after its launch. Influenza and COVID-19 patient numbers vary with epidemic conditions, so we manage the business using market-share targets. For Xocova, we monitor its share of oral COVID-19 treatments. For Xofluza, we monitor its share of all influenza prescriptions, including generic Tamiflu. Both are tracking in line with target, and domestic commercial execution is progressing well.

In the United States, for RADICAVA, our objective this year is to take over the franchise built by Tanabe Pharma and at least maintain sales while establishing a base capable of generating sustainable revenue. We are gaining confidence that the PMI is progressing successfully. Fetroja is benefiting not only from U.S. government purchases but also from strong prescription demand. In Europe, Fetroja grew by just under 40%, demonstrating solid growth.

In HIV, oral products such as Dovato remain strong, while LAI products including Cabenuva and Apretude are performing particularly well. The HIV franchise grew by 18%. Royalty income from products originating from the former JT pharmaceutical business, including Mekinist and Stribild, was also in line with our expectations, and the increase contributed directly to overall royalty growth. Year on year, HIV franchise royalty income increased by ¥22.7 billion, and other royalty income increased by ¥13.4 billion. Overall, royalty income remained strong.

Domestic Prescription Drug Revenue

Unit: B yen

	FY2026				FY2025	YoY	
	Full-year forecast	1H forecast	1H results	Achievement (%)	1H results	Change (%)	Change
Acute Respiratory Virus Infection Drugs	41.6	16.2	**4.9**	**30.0**	8.7	**(44.0)**	**(3.8)**
Quviviq	6.7	2.9	**4.0**	**137.6**	0.4	**843.0**	**3.6**
Zurzuvae	4.0	1.1	**0.4**	**42.4**	-	**-**	**0.4**
Radicut	7.0	3.5	**3.5**	**101.2**	-	**-**	**3.5**
Symproic	6.4	3.1	**3.5**	**111.6**	2.9	**19.4**	**0.6**
OxyContin franchise	4.9	2.5	**2.3**	**93.6**	2.3	**0.9**	**0.0**
Torii Pharmaceutical-related products*	77.6	36.8	**39.4**	**107.1**	5.5	**614.4**	**33.9**
Others	30.5	13.8	**16.2**	**117.1**	17.0	**(4.6)**	**(0.8)**
Prescription drugs	178.6	79.9	**74.3**	**93.0**	36.8	**101.7**	**37.5**

Acute respiratory virus infection drugs

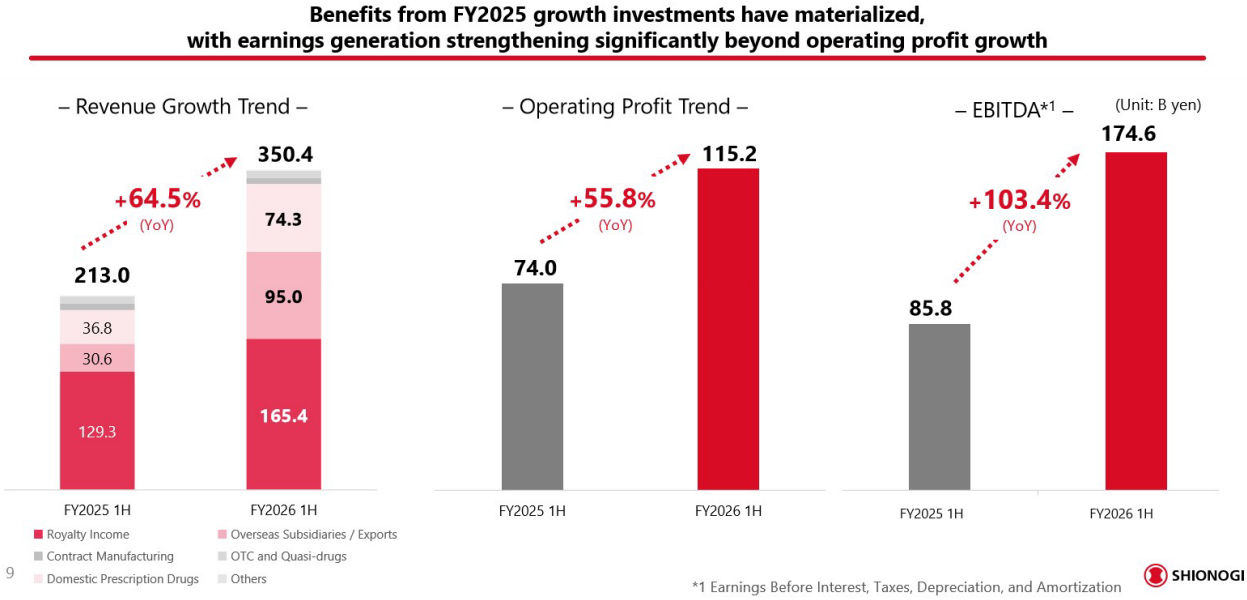
- Anti-SARS-CoV-2 drug: Xocova
- Anti-influenza virus drugs: Xofluza, Rapiacta

***Torii Pharmaceutical-related products**
Growth rate: 17.3%
Apr.–Sep. 2026: 39.43 B yen (sales of Torii-related products at SHIONOGI Group)
Apr.–Sep. 2025: 33.61 B yen (sales of Torii-related products at JT Group's pharmaceutical business)

SHIONOGI

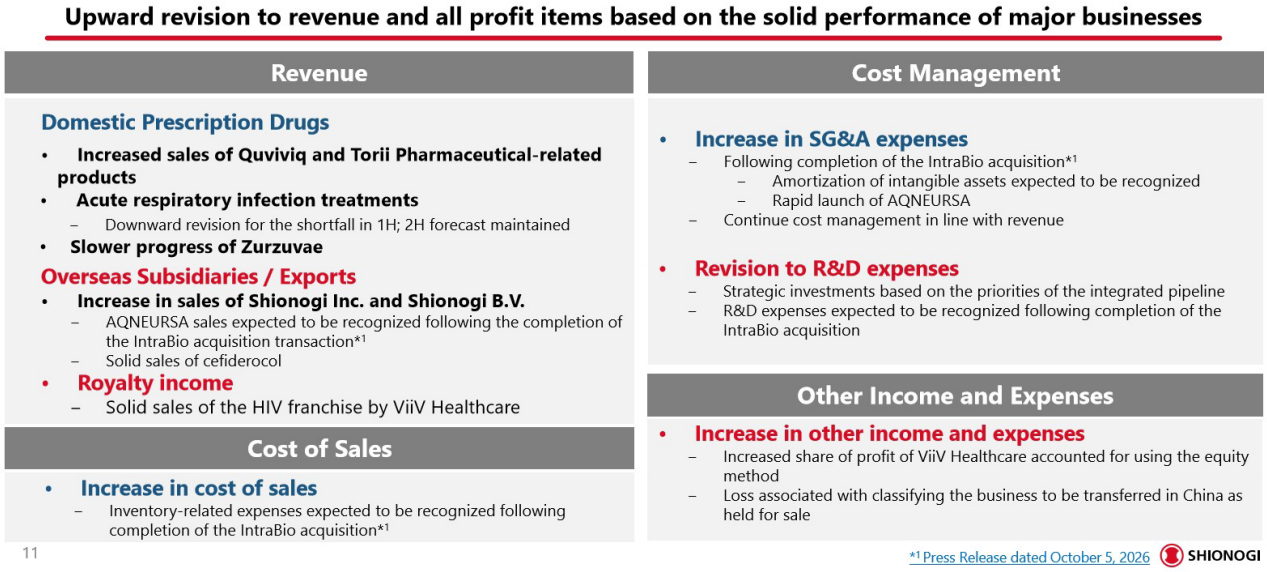
On page 8, Zurzuvae has been on the market for only six months since its March 2026 launch. We may have set a somewhat bullish forecast for the first year, and we need to reassess how CNS products perform in their first year. Nevertheless, the number of detailing activities, physician acceptance and response to nationwide seminars have been very encouraging. We expect growth going forward, although the first half was somewhat challenging. Other products are performing at or above expectations, particularly Torii Pharmaceutical-related products, which grew 17%, giving us considerable confidence.

Summary of FY2026 1H Achievements



On page 9, the colors in the chart are intended to show that each component is contributing to sales growth. Growth was broad based rather than dependent solely on RADICAVA in the United States. Japan, the United States, other regions and royalties all grew steadily. This was also reflected in operating profit. As I mentioned earlier, royalty income totaled ¥165.4 billion, while EBITDA exceeded ¥170.0 billion. We believe this demonstrates that our earnings power has strengthened considerably.

Revision of Assumptions Underlying the Financial Forecasts



Please turn to page 11. Regarding IntraBio, Keller or Iwasaki will discuss that later.

Following three major M&A transactions, our corporate functions have gained experience. For IntraBio, we now have a reasonable view of the timing of closing, revenue recognition and amortization. The second-half forecast includes items we can reasonably estimate, including inventory step-ups for the edaravone business and IntraBio, although we have taken a conservative approach where uncertainty remains. Based on our experience with these three M&A transactions, we have incorporated what we can reasonably anticipate into our second-half forecast.

In the chart, factors increasing profit are shown in red and factors decreasing profit in blue. Shionogi Inc., Shionogi B.V. and royalty income remain solid. In domestic prescription drugs, Quviviq and Torii Pharmaceutical-related products should continue on their current trajectories. Influenza products have been performing well since September, while we have adopted a conservative view of COVID-19.

We now have better visibility into the overall amortization framework and can more clearly determine how much underlying SG&A expenses excluding amortization to use. We also now have increasing visibility into the R&D personnel expenses of the former JT pharmaceutical business, which allows us to determine the broad level of underlying R&D expenses. We will also discuss our approach to R&D spending at the R&D meeting, but for the time being, we have included somewhat conservative, higher expense assumptions, including IntraBio. Following this quarter's results, investors should also have greater clarity around ViiV Healthcare-related figures and should be able to apply that clarity to full-year modeling. The sale of the China generic business will eliminate its operating loss. While modest SG&A expenses will be needed to launch new products, they are not expected to be significant. We are now ready to consider how to expand our business in China from a zero base.

Revision of Financial Forecasts

Revenue, operating profit, and profit attributable to owners of the parent are expected to reach record highs, further strengthening cash generation

Unit: B yen

	FY2026			FY2025	YoY	
	Initial forecast	Revised forecast	Revised amount	Results*1	Change (%)	Change
Revenue	700.0	**720.0**	**20.0**	499.7	**44.1**	**220.3**
Operating profit	220.0	**230.0**	**10.0**	170.3	**35.1**	**59.7**
Profit before tax	220.0	**220.5**	**0.5**	242.5	**(9.1)**	**(22.0)**
Profit attributable to owners of parent	210.0	**212.5**	**2.5**	209.2	**1.6**	**3.3**
EBITDA*2	315.0	**336.0**	**21.0**	187.7	**79.0**	**148.3**

*1 FY2025 results were revised following completion of the PPA related to the acquisition of the JT Group's pharmaceutical business
*2 Earnings Before Interest, Taxes, Depreciation, and Amortization: Operating profit added depreciation and adjusted for one-time factors (impairment losses, gain on sale of property, plant and equipment, etc.)

SHIONOGI

On page 12, after considering internal budgets and external disclosure, we have made a modest upward revision. Revenue is revised upward by ¥20.0 billion to ¥720.0 billion, operating profit by ¥10.0 billion to ¥230.0 billion, profit before tax by ¥0.5 billion to ¥220.5 billion, and profit attributable to owners of the parent by ¥2.5 billion to ¥212.5 billion. EBITDA is ¥336.0 billion, almost double the first-half level. Year-on-year growth is 44.1% for revenue and 35.1% for operating profit. Profit before tax is affected by the large ViiV Healthcare dividend in the prior year, interest on borrowings and assumptions for yen appreciation.

Statement of Profit or Loss (Consolidated)

Unit: B yen

	FY2026 Full-year forecast			FY2026 2H forecast			FY2025	YoY	
	Initial forecast	Revised forecast	Revised amount	Initial forecast	Revised forecast	Revised amount	Full-year results*1	Change (%)	Change
Revenue	700.0	**720.0**	**20.0**	360.0	**369.6**	**9.6**	499.7	44.1	220.3
Cost of Sales	17.1% 120.0	**17.4% 125.0**	**5.0**	15.6% 56.0	**16.6% 61.2**	**5.2**	16.6% 82.9	50.8	42.1
Gross Profit	580.0	**595.0**	**15.0**	304.0	**308.4**	**4.4**	416.8	42.7	178.2
SG&A*2 + R&D Expenses	56.4% 395.0	**56.3% 405.0**	**10.0**	55.0% 198.0	**58.7% 216.9**	**18.9**	51.4% 257.0	57.6	148.0
Selling, General and Administrative Expenses	34.3% 240.0	**36.8% 265.0**	**25.0**	33.9% 122.0	**39.1% 144.4**	**22.4**	26.9% 134.2	97.5	130.8
R&D Expenses	22.1% 155.0	**19.4% 140.0**	**(15.0)**	21.1% 76.0	**19.6% 72.6**	**(3.4)**	24.6% 122.8	14.0	17.2
Other Income & Expenses	35.0	**40.0**	**5.0**	18.0	**23.3**	**5.3**	10.5	279.7	29.5
Operating Profit	31.4% 220.0	**31.9% 230.0**	**10.0**	34.4% 124.0	**31.0% 114.8**	**(9.2)**	34.1% 170.3	35.1	59.7
Finance Income & Costs	-	**(9.5)**	**(9.5)**	-	**(1.5)**	**(1.5)**	72.2	-	(81.7)
Profit Before Tax	31.4% 220.0	**30.6% 220.5**	**0.5**	34.4% 124.0	**30.6% 113.2**	**(10.8)**	48.5% 242.5	(9.1)	(22.0)
Profit Attributable to Owners of Parent	210.0	**212.5**	**2.5**	102.0	**93.0**	**(9.0)**	209.2	1.6	3.3

*1 FY2025 results were revised following the completion of the PPA related to the acquisition of the JT Group's pharmaceutical business
*2 Selling, general and administrative expenses

For the second-half P&L, the main internal discussion points are cost of sales, underlying SG&A expenses excluding amortization and R&D spending. Relative to the internal budget, we have disclosed slightly lower revenue and slightly higher costs. Finance income and expenses are forecast at negative ¥9.5 billion, which makes the increase in profit before tax appear relatively limited. We have limited experience managing borrowings and foreign-currency exposure of this scale. The forecast is conservative, and we intend to explore ways to recover funds invested in Shionogi B.V. in connection with the acquisition of shares in ViiV Healthcare as early as possible and minimize foreign exchange risk.

Revenue by Segment

Unit: B yen

	FY2026 Full-year forecast			FY2026 2H forecast			FY2025	YoY	
	Initial forecast	Revised forecast	Revised amount	Initial forecast	Revised forecast	Revision	Full-year results	Change (%)	Change
Prescription drugs	178.6	**172.0**	**(6.7)**	98.7	**97.7**	**(1.0)**	123.5	39.3	48.5
Overseas subsidiaries/exports	175.2	**191.3**	**16.0**	89.8	**96.2**	**6.5**	65.0	194.4	126.3
Shionogi Inc. (U.S.)	138.7	**150.5**	**11.8**	70.8	**76.5**	**5.7**	28.7	423.6	121.8
RADICAVA	101.7	**100.3**	**(1.4)**	49.9	**49.4**	**(0.5)**	-	-	100.3
Shionogi B.V. (Europe)	22.6	**25.3**	**2.8**	11.5	**12.2**	**0.7**	20.8	22.0	4.6
Shionogi China	5.3	**5.2**	**(0.0)**	2.7	**2.5**	**(0.2)**	6.2	(16.1)	(1.0)
Others	8.7	**10.2**	**1.6**	4.8	**5.1**	**0.3**	9.2	10.6	1.0
Contract manufacturing	14.4	**13.3**	**(1.2)**	6.8	**6.6**	**(0.2)**	15.1	(12.1)	(1.8)
OTC drugs	18.8	**17.3**	**(1.5)**	10.5	**9.6**	**(0.9)**	15.0	15.3	2.3
Royalty income	310.6	**323.5**	**12.9**	152.9	**158.1**	**5.3**	278.6	16.1	44.9
HIV franchise	276.0	**289.0**	**13.0**	136.9	**140.6**	**3.7**	261.3	10.6	27.7
Others	34.6	**34.5**	**(0.1)**	16.0	**17.5**	**1.6**	17.3	99.5	17.2
Others	2.3	**2.7**	**0.4**	1.4	**1.4**	**0.0**	2.5	5.3	0.1
Total	700.0	**720.0**	**20.0**	360.0	**369.6**	**9.6**	499.7	44.1	220.3

SHIONOGI

Page 14 shows the breakdown by business. RADICAVA is forecast at ¥100.3 billion for the full year. Fetroja and Fetcroja continue to perform very well. For China, although revenue is forecast at ¥5.2 billion, the remaining business should contribute positively to operating profit because the cost base will be much lighter. HIV royalties remain strong and other royalties are progressing as planned, supporting a ¥20.0 billion upward revision to the revenue forecast to ¥720.0 billion.

Domestic Prescription Drug Revenue

Unit: B yen

	FY2026 Full-year forecast			FY2026 2H forecast			FY2025	YoY	
	Initial forecast	Revised forecast	Revised amount	Initial forecast	Revised forecast	Revision	Full-year results	Change (%)	Change
Acute Respiratory Virus Infection drugs	41.6	**30.2**	**(11.3)**	25.3	**25.3**	**(0.0)**	33.8	(10.6)	(3.6)
Quviviq	6.7	**8.9**	**2.3**	3.7	**4.9**	**1.2**	2.6	245.5	6.3
Zurzuvae	4.0	**1.0**	**(3.0)**	3.0	**0.6**	**(2.4)**	0.5	105.4	0.5
Radicut	7.0	**7.0**	**0.0**	3.5	**3.5**	**0.0**	-	-	7.0
Symproic	6.4	**7.0**	**0.6**	3.3	**3.5**	**0.2**	6.1	15.0	0.9
OxyContin franchise	4.9	**4.6**	**(0.3)**	2.4	**2.3**	**(0.1)**	4.4	3.6	0.2
TORII Pharmaceutical-related products*	77.6	**79.2**	**1.6**	40.8	**39.8**	**(1.0)**	40.5	95.3	38.6
Other	30.5	**34.0**	**3.5**	16.7	**17.8**	**1.1**	35.5	(4.2)	(1.5)
Prescription drugs	178.6	**172.0**	**(6.7)**	98.7	**97.7**	**(1.0)**	123.5	39.3	48.5

Acute Respiratory Infection Drugs

- Anti-SARS-CoV-2 drug: Xocova
- Anti-influenza virus drugs: Xofluza, Rapiacta

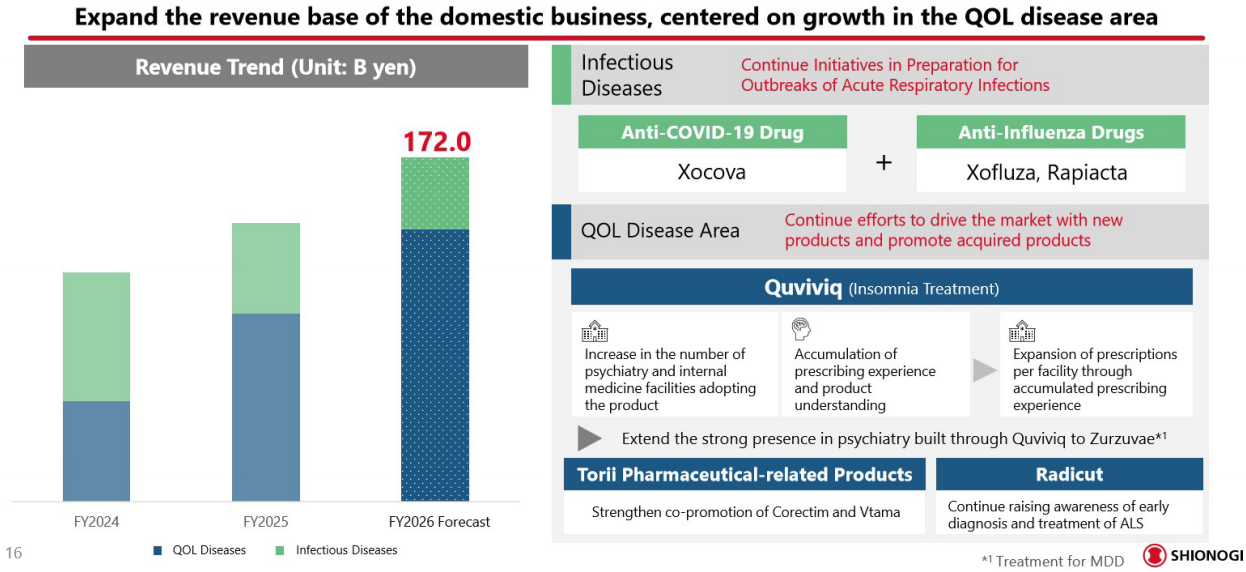
15

SHIONOGI

For domestic prescription drugs on page 15, sales of the influenza products, including Rapiacta and Xofluza, are comparatively predictable, while we have taken a conservative view of Xocova. Quviviq and Torii Pharmaceutical-related products remain strong. However, the shortfall in Xocova and Zurzuvae cannot be fully offset, resulting in a downward revision of ¥6.7 billion to ¥172.0 billion. Even so, ¥172.0 billion is the highest domestic-sales level SHIONOGI has forecast in some time, and it is less dependent on seasonality. I believe Mr. Iwasaki's team has strengthened its ability to deliver results.

Regarding our domestic operations, Iwasaki will take it from here.

Growth of Domestic Business



Iwasaki: Please see page 16.

As shown in the graph on the left, we project that our domestic business will reach JPY172 billion in FY2026, driven by growth in the QOL disease segment.

To achieve this goal, let's start with the infectious diseases sector. In preparation for outbreaks of COVID-19 and influenza, we are continuing to prepare for the supply and distribution of Xocova and Xofluza, as well as providing information about these products.

As for Xocova, our market share is currently close to 70%. In addition, regarding antiviral drugs for influenza, particularly Xofluza, the market share stands at just under 50%, driven by the expansion of its indication to include younger children and the introduction of a granule formulation.

In terms of the raw figures, the numbers for H1 were quite low, largely due to the trends in influenza outbreaks, but our market share has actually grown. Therefore, we remain confident that if an outbreak occurs, we will be able to meet our projections for H2.

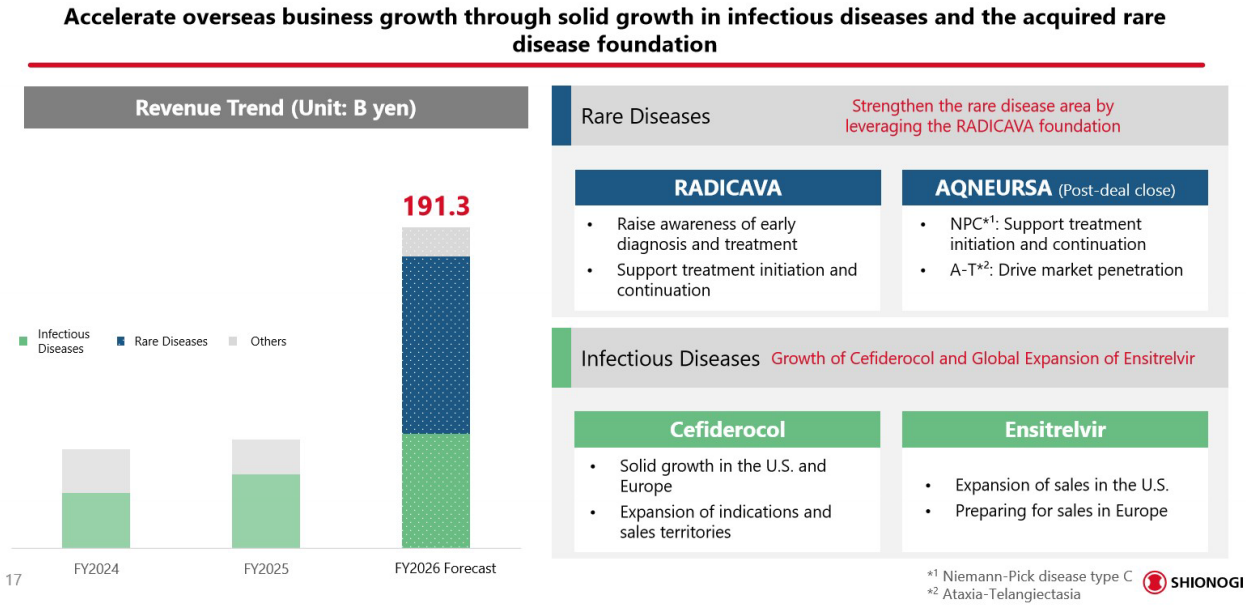
While there are still some uncertainties, we recognize that we must further strengthen the foundation for the QOL disease area, and we are therefore focusing our efforts on activities tailored to each product.

With regard to Quviviq in particular, following the lifting of the prescription-duration restriction, we are currently expanding the number of facilities adopting the drug, particularly in the field of internal medicine, and are seeing steady growth.

In addition to this, regarding Torii Pharmaceutical-related products, we are focusing on initiatives in the allergy and dermatology fields. Regarding Corectim and Vtama, we are working to expand our market share through a collaboration with SHIONOGI. In particular, for Vtama, SHIONOGI are working to expand our market share by covering the pediatrics field, which Torii Pharmaceutical 's MRs are not covering.

In addition, regarding Radicut, rather than through our sales efforts, we have a dedicated department focused on industry-government-academia collaboration, and we are using this department as the center of our efforts to raise disease awareness, with a particular emphasis on the early diagnosis and treatment of ALS.

Further Growth of Overseas Business



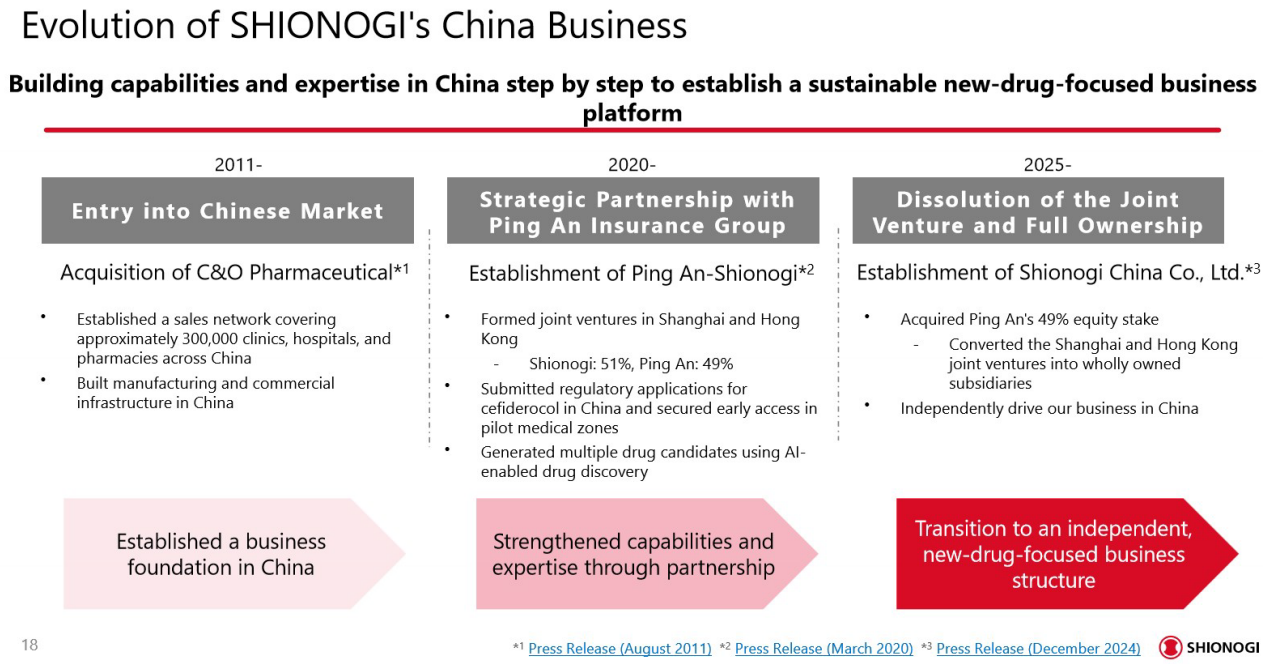
In line with the continued growth of our overseas operations, we project revenue of JPY191.3 billion for FY2026.

In addition to growth in infectious diseases, we are expanding into rare diseases sector, starting with RADICAVA.

By leveraging RADICAVA's sales infrastructure, we will promote early diagnosis of ALS, raise awareness about treatment, and provide support to help patients continue their treatment. We are working to expand the use of this medication by maintaining close collaboration not only with medical institutions, but also with patient advocacy groups and insurance companies.

Following the completion of the IntraBio acquisition, which will bring AQNEURSA into the fold, we will support the initiation and continuation of treatment for patients with Niemann-Pick disease type C (NPC), but we will also work to penetrate the market for ataxia-telangiectasia, for which we recently received approval.

In the field of infectious diseases, we will continue to drive steady growth for cefiderocol in Europe and the United States, and in addition to expanding the regions where it is available, we are moving forward with the global rollout of ensitrelvir. We intend to expand our market in Europe.



About China business.

First, I'd like to briefly review our business operations in China to date.

In 2011, we acquired C&O Pharmaceutical and entered the Chinese market. Through this acquisition, we have secured a sales network that enables us to deliver our products throughout China. We are also establishing a business foundation in China by setting up manufacturing and sales operations there, as well as in Japan.

Subsequently, in 2020, we established a joint venture with China's Ping An Insurance Group. Through this initiative, in addition to submitting an application for approval of cefiderocol in China, we have also achieved its early use in special medical zones. We are also engaged in AI-driven drug discovery and have generated several candidate compounds. It is true that this partnership has yielded significant results.

On the other hand, the launch and expanded sales of generic drugs, which we had high hopes for as part of our collaboration with the Ping An Insurance Group, unfortunately failed to turn around our sluggish performance. Therefore, we found it necessary to review our business portfolio.

Last year, we dissolved our joint venture with the Ping An Insurance Group and made our joint ventures in Hong Kong and Shanghai wholly owned subsidiaries. In addition, as a result of this, we are proceeding with our business operations in China independently and are exploring ways to shift our focus toward new drugs.

Restructuring of the China Business

Decision to divest the generics business in response to changes in the business environment

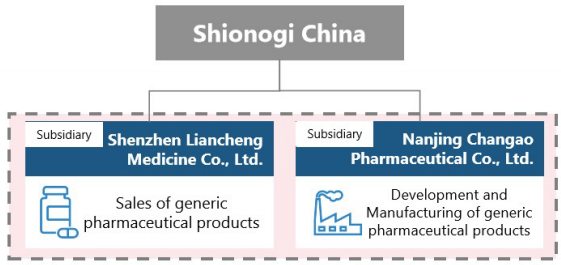
Changes in the Generic Business Environment

- Increasing pricing pressure driven by regulatory and reimbursement reforms
- Intensifying competition



Restructuring

Divestiture of the subsidiaries responsible for the generics business



Recorded a loss of approximately 7.2 B yen following a reassessment of the assets of the companies to be transferred

19

SHIONOGI

As we announced in a press release yesterday, we have decided to sell two of the companies responsible for our generic drug business in China. The environment surrounding generic drugs has undergone significant changes due to regulatory reforms, including pressure to lower prices and other external factors.

As shown in this graph, revenue from SHIONOGI's China operations peaked at JPY12 billion in FY2022 and has been declining since then, falling to JPY6.2 billion last year—roughly half of the peak amount.

In light of these changes in the business environment, we have decided to focus exclusively on the new drug business and have therefore sold two companies—Nanjing Changao Pharmaceutical Co., Ltd., which handles the development and manufacturing of generic drugs, and Shenzhen Liancheng Medicine Co., Ltd., which handles sales—to a company called Zhejiang Gaozhi Pharmaceutical Technology Co., Ltd.

In connection with this sale, we have revised the valuation of the target company's assets and other factors and have recorded a loss of approximately JPY7.2 billion.

That summarizes the background to date.

Growth Strategy for China Business

Aim to establish a new-drug-based business that contributes to global growth



*1 Treatment for Gram-negative bacterial infections *2 Treatment for opioid-induced constipation; distribution agreement concluded with Chia Tai Tianqing
*3 Treatment for invasive aspergillosis
SHIONOGI

Moving forward, I will explain our growth strategy for China in light of these changes.

We have two pillars for growth.

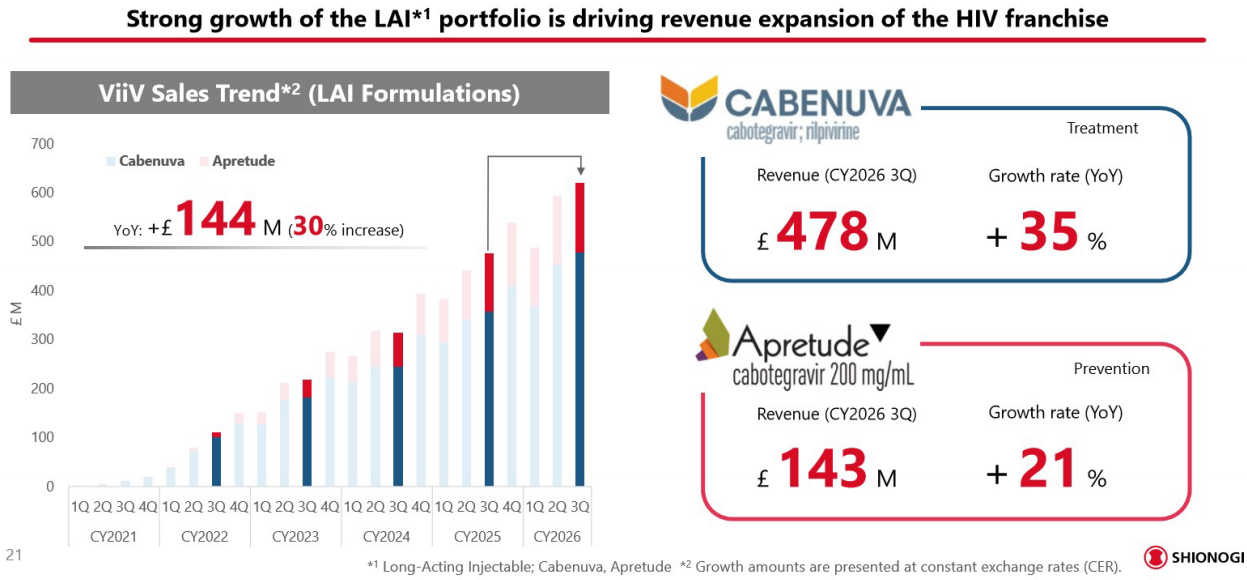
The first is the continued introduction of new drugs. We are currently focusing our efforts on cefiderocol, and since we have also seen positive results with olorofim, we are currently working with the R&D department to plan its introduction.

Also, regarding naldemedine, while we hold the rights to naldemedine and have entered into a sales outsourcing agreement with Chia Tai Tianqing, we have entered into a sales agency agreement with Chia Tai Tianqing, which has a network covering all of China.

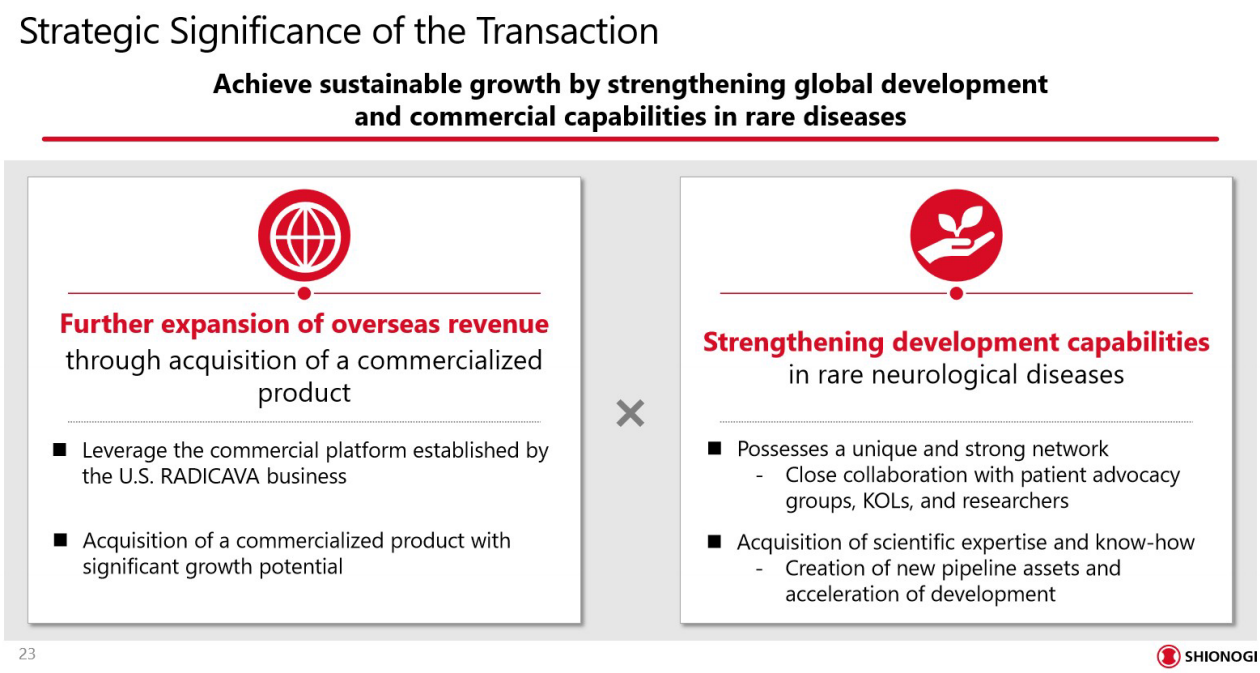
At this point, we are focusing our new drug business in China on cefiderocol and naldemedine, and we are also considering the launch of olorofim in the future.

That's all from me.

Progress of LAI Formulations Supporting the HIV Franchise



Keller: Thank you. For the HIV franchise, as disclosed in GSK's numbers, ViiV had strong growth in the third calendar quarter, up 10% overall. On this slide, we are showing the long-acting injectable franchise only, which grew 30% in the quarter and continues to progress very well, particularly in long-acting injectable treatment, where we are the only entrant and continue to grow consistently at 35% year-on-year.

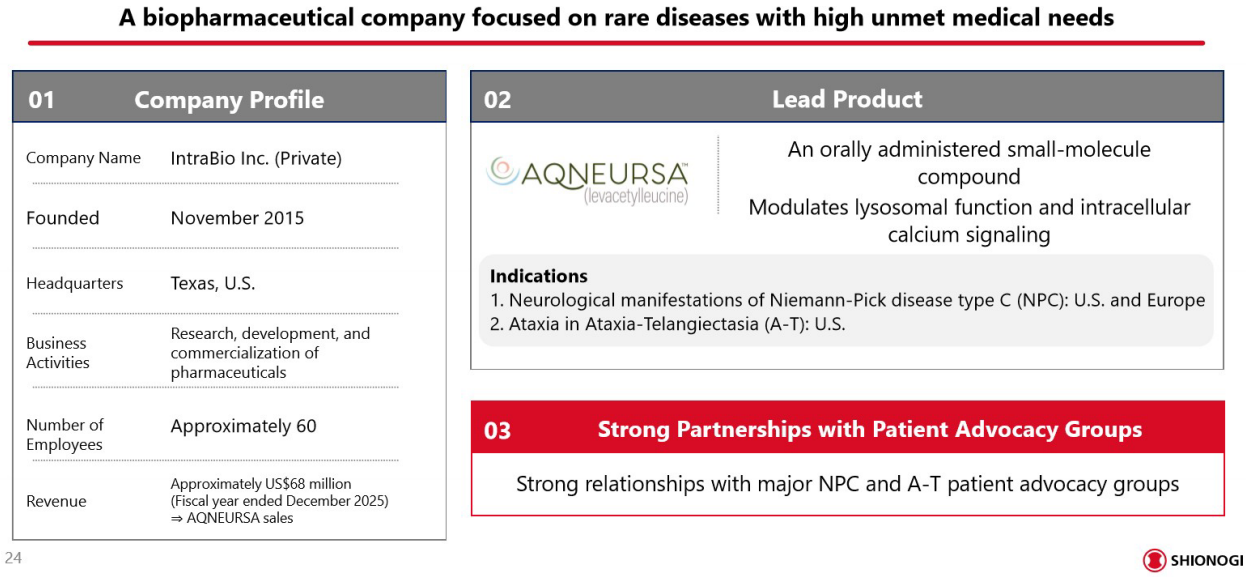


With respect to IntraBio, we are still in the pre-closing period, but we wanted to share a strategic perspective on this acquisition.

IntraBio gives us the opportunity to further expand our overseas revenue, particularly in the rare disease area, through the acquisition of this commercialized product, which is now adding indications and entering a phase with the potential for strong growth.

It also strengthens our development capabilities in rare neurological diseases, both in terms of our KOL and physician network and in terms of our research and development experience, which we can now apply more broadly across the rare disease pipeline.

About IntraBio



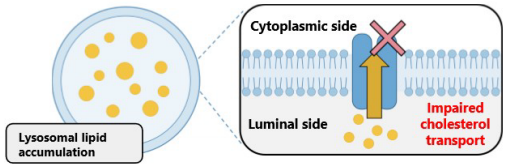
IntraBio itself is a private company headquartered in Texas, USA with about 60 employees. Its lead product is AQNEURSA, an orally administered small-molecule compound that modulates lysosomal function and intracellular calcium signaling.

The approved indication in the U.S. and Europe is Niemann-Pick disease type C. For ataxia-telangiectasia, the product has been approved in the U.S. and filed in Europe. With both of these patient advocacy groups, IntraBio has really been a model for how to establish these relationships throughout development and leading into commercialization.

Niemann-Pick Disease Type C (NPC)

A severe, rare neurodegenerative disease characterized by progressive neurological symptoms that gradually impair activities of daily living

A rare genetic disease characterized by lysosomal dysfunction



Biallelic pathogenic variants in NPC1 or NPC2 impair intracellular lipid trafficking, leading to the accumulation of cholesterol and other lipids in late endosomes and lysosomes and affecting the nervous system and visceral organs

Ataxia (Gait and Balance)	**Cognitive Decline**
Impaired Eye Movements	**Hepatosplenomegaly**

Estimated Incidence[*1]

Approximately 1 in 100,000

Estimated Number of Diagnosed Patients[*2]

U.S.	Five European countries
Approximately 400	Approximately 500

Treatment Options

Current treatment options focus primarily on slowing disease progression

[*1] Christopher A. Wassif, et al. High incidence of unrecognized visceral/neurological late-onset Niemann-Pick disease, type C1, predicted by analysis of massively parallel sequencing data sets https://www.sciencedirect.com/science/article/pii/S1098360021042921?via%3Dihub
[*2] SHIONOGI estimates based on real-world data (RWD), published epidemiological studies, expert surveys, and other sources

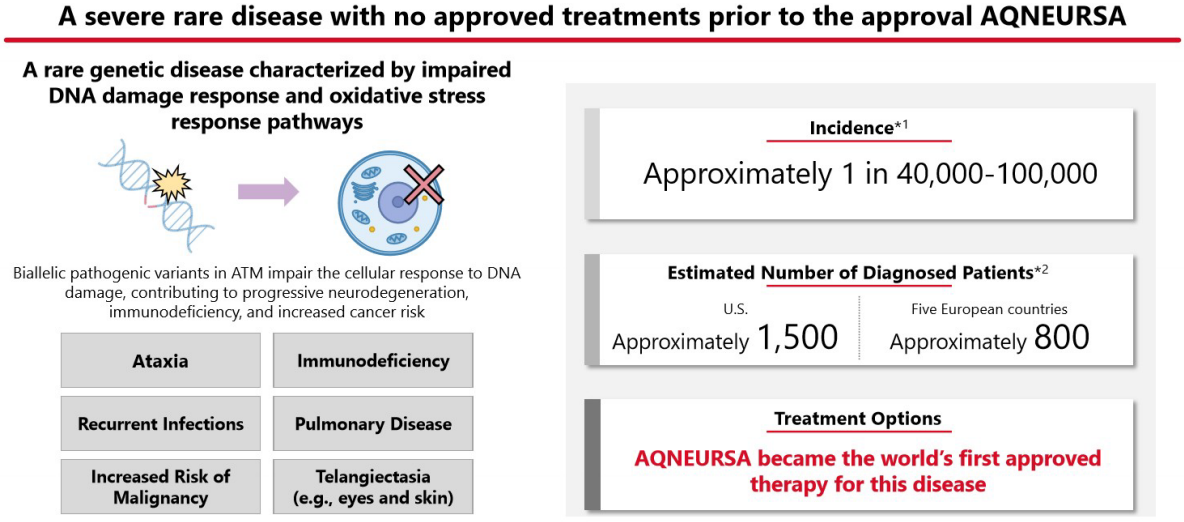
SHIONOGI

For Niemann-Pick disease type C, there are about 400 patients in the U.S. and about 500 in the EU. In those numbers, we have focused on patients who would be accessible to us as our market.

That said, there are definitely potential issues with underdiagnosis, and those numbers could increase once diagnosis is more effectively implemented, particularly throughout Europe.

Niemann-Pick disease type C is a rare neurodegenerative disease characterized by lysosomal dysfunction, particularly involving cholesterol trafficking and lipid metabolism, which affects lysosomal function. This manifests as ataxia, a key symptom affecting gait, balance, and daily mobility, as well as a group of other symptoms, including cognitive decline.

Ataxia-Telangiectasia (A-T)



26 *1 Rothblum-Oviatt C, et al. Ataxia telangiectasia: a review. Orphanet Journal of Rare Diseases. 2016;11:159. https://ojrd.biomedcentral.com/articles/10.1186/s13023-016-0543-7
*2 SHIONOGI estimates based on real-world data (RWD), published epidemiological studies, expert surveys, and other sources
SHIONOGI

Ataxia-telangiectasia is, again, a severe rare genetic disease. Ataxia, as the name suggests, is a key component. Telangiectasia refers to the small blood vessels in areas such as the eyes and nose that become very visible and reddened in these patients. The disease is also characterized by immune dysfunction, an increased risk of malignancy, and a range of other symptoms.

There are about 1,500 patients in the U.S., so roughly three to four times the size of the NPC market in the U.S., and about 800 currently identified patients in European countries. Again, I do believe that greater efforts in diagnosis will be needed in Europe.

AQNEURSA is now the world's first approved therapy for ataxia-telangiectasia.

Phase 3 Trial Results (NPC/A-T)

Delivering the clinically demonstrated improvement in motor function in NPC to patients with A-T as early as possible

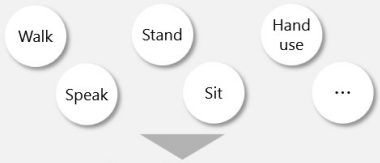
Study Overview (IB1001-301*1 / IB1001-303*2)

Evaluate the safety, tolerability, and efficacy of AQNEURSA (N-acetyl-L-leucine: NALL) in pediatric and adult patients with NPC or A-T

Patients	Pediatric and adult with NPC/A-T patients
Duration	12 weeks
Primary endpoint	Improvement in SARA score*3

SARA Assessment

Daily functional impairments shared by NPC and A-T



Motor function assessment using SARA

Results

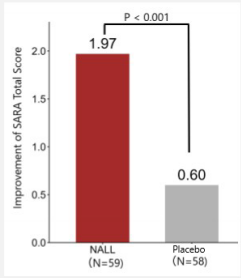
Efficacy

Significant improvement in SARA score
⇒Improved motor function

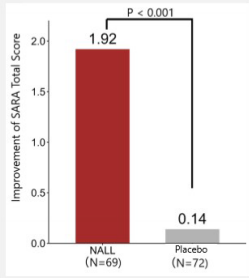
Safety

No serious drug-related adverse events

NPC



A-T



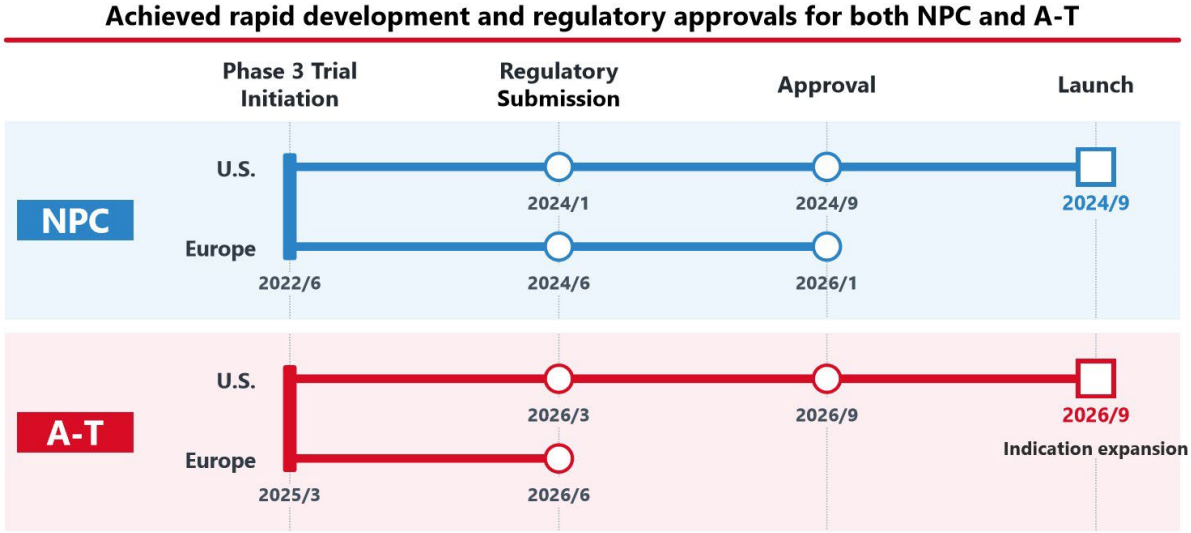
27

*1 Global Phase 3 trial in NPC (NCT05163288) *2 Global Phase 3 trial in A-T (NCT06673056)
*3 SARA: Eight items assessing everyday movements, including walking, standing, sitting, speech and limb coordination

SHIONOGI

The phase three trial results, and we'll go into much more on this on the R&D meeting. But IntraBio has a very unique and powerful trial design that they've used in these studies, a crossover design with the same group of patients, which very clearly shows the effect of the drug and has been successful in achieving the registration and approval in both NPC and A-T in the US and NPC in Europe. And in this case, SARA, the primary endpoint and the primary regulatory endpoint fSARA basically measures daily function, walk, stand, sit, speak. That's the core element of SARA. And clearly directly related to how these patients are able to operate in daily life. And we have shown significant improvement both in NPC and in A-T in a duration of 12 weeks. Next slide, please.

AQNEURSA Development Status

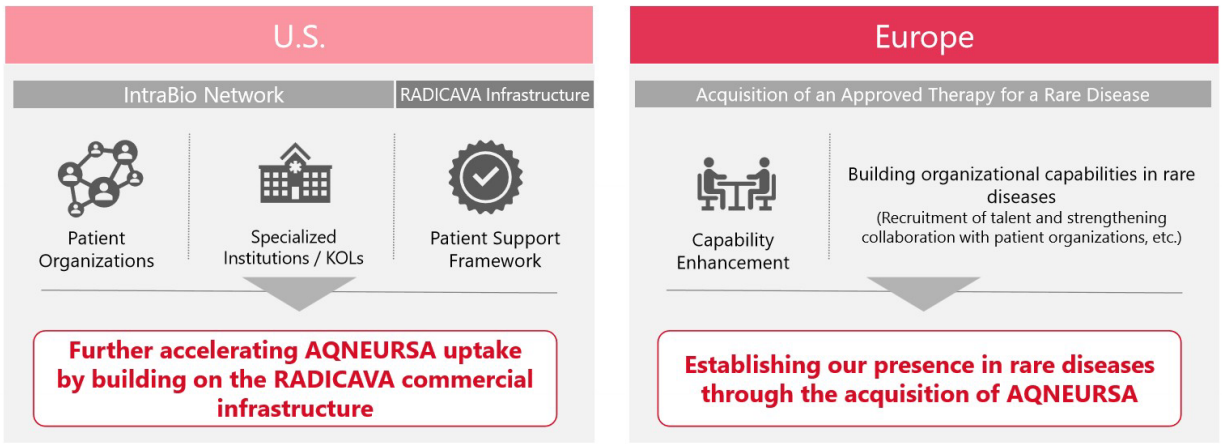


SHIONOGI

As mentioned from a development perspective, NPC is approved in the US and approved in Europe, launched in the US, obviously IntraBio is a small organization. So, the ability to launch in Europe is something we will pick up more aggressively now. With respect to A-T approved and very initially launched in the US, that will be something we'll be coming on board for, and then A-T is filed in Europe and under review. Next slide, please.

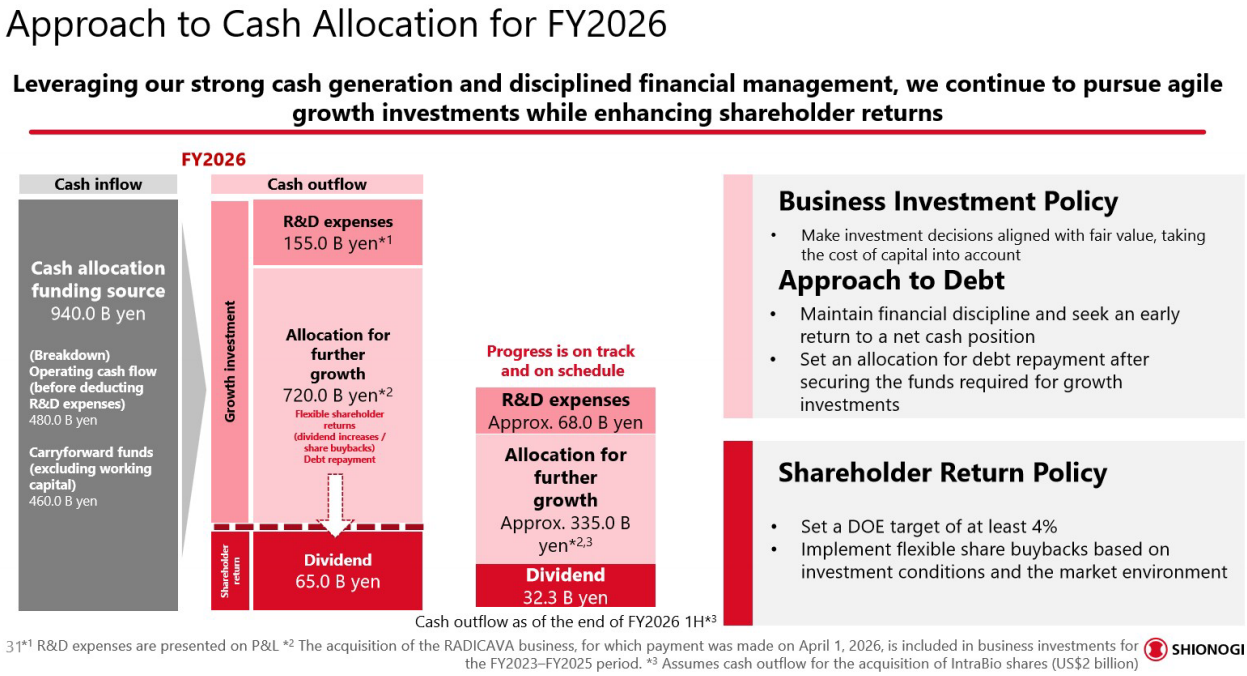
Global Expansion of the Rare Disease Business (Post-deal close)

Accelerating product availability globally, including in the U.S. and Europe, through the acquisition of IntraBio



SHIONOGI

And for the US, this sits very, very nicely on the platform we acquired with RADICAVA. The KOLs overlap greatly, the sites, hospitals treating overlap greatly, how to work with the patient groups, how to communicate, distribution hubs. Also, all of this knowledge we picked up and capability sits very nicely.In Europe, we're more of a newcomer because RADICAVA was not relevant to Europe. But we've been thinking about this a long time. And the Europe group is very much ready to implement the capabilities to proceed with AQNEURSA in Europe. Again, the infrastructure required is not large. And the group in Europe has definitely even been learning from the US and thinking about how to prepare. Thank you.



Teshirogi: Now, I'd like to talk a little about our financial policy, or rather, dividends and other forms of shareholder return.

Please see page 31.

As we have mentioned on several occasions, our medium-term management plan, the previous SHIONOGI Transformation Strategy (STS), effectively concluded with Phase II in FY2025, and we intend to launch the next medium-term management plan starting next fiscal year, FY2027.

Given that there are numerous major M&A transactions from H2 of FY2025 through FY2026, we believe that presenting a medium-term management plan without a clear starting point or a defined baseline would make the plan very difficult to follow.

For this reason, we have explained that we intend to announce the next medium-term management plan in FY2027 or later, and preparations are currently underway accordingly.

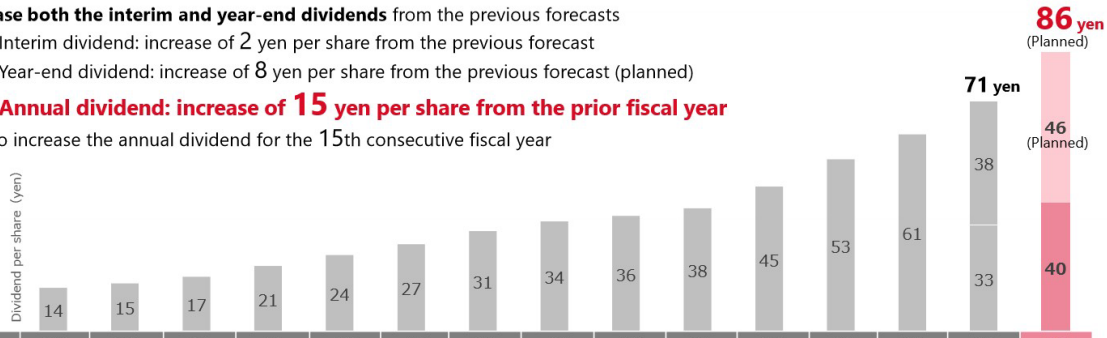
Furthermore, as FY2026 represents a transitional period, we have determined that it would not be appropriate to update our fundamental approach to cash allocation at this time. Instead, we have outlined our current thinking on the matter here.

However, based on our results for H1 of this fiscal year, the Board of Directors discussed that we should convey the message that the three M&A transactions we completed last year are beginning to materialize, at least in terms of cash flow and profit

Further Enhancement of Shareholder Returns

Plan to deliver the largest-ever dividend increase, supported by cash flow growth resulting from our growth investments

- **Increase both the interim and year-end dividends** from the previous forecasts
  - Interim dividend: increase of 2 yen per share from the previous forecast
  - Year-end dividend: increase of 8 yen per share from the previous forecast (planned)
  - **Annual dividend: increase of 15 yen per share from the prior fiscal year**
- Plan to increase the annual dividend for the 15th consecutive fiscal year



	FY	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
Treasury stocks	Buyback (B yen)	-	-	30.0	-	35.0	29.4	50.0	50.0	50.0	-	49.4	75.0	-	-	-
	Cancelation*1 (M shares)	-	-	-	-	6,600	1,500	2,205	1,560*2	-	-	1,260	3,252*3	-	-	-
	ROE(%)	17.5	9.2	9.4	13.6	16.3	19.4	20.9	15.5	13.9	12.5	17.8	13.9	13.1	13.5	-
	DOE(%)	3.7	3.5	3.7	4.1	4.5	4.6	4.6	4.0	4.1	3.8	3.9	4.0	4.0	4.0	4.2 (Forecast)

*1 Effective October 1, 2024, Shionogi implemented a 3-for-1 stock split of its common stock. Dividends and Treasury stock Cancelation are calculated based on the assumption that the stock split was implemented at the beginning of the FY2012*2 Resolution passed on March 30, 2020, and treasury shares canceled on April 6 *3 Resolution passed on July 31, 2023, and treasure shares cancelled on April 17, 2024

We have outlined the sequence of events up to this point below.

We have outlined the developments to date here. The figures shown have been adjusted to reflect the three-for-one stock split.

Our annual dividend increases have generally been in the range of JPY7 to JPY8. Last year, the increase was JPY10, so I believe investors may have expected us to remain broadly in that range this fiscal year as well.

In fact, we initially planned for dividends of JPY38 at the interim and JPY38 at year-end, for an annual total of JPY76.

Looking at the interim dividend alone, the JPY5 increase from JPY33 to JPY38 was already incorporated into our initial plan.

From our perspective, as you can all see, our results for H1 of this fiscal year were very strong, so we believe it is certainly worth taking at least one step further at this point.

While we are increasing the dividend by JPY15, we have traditionally announced interim dividend projections, but regarding the year-end dividend, we have waited to see where things settle before making a decision. Therefore, we have not issued a forecast for the year-end dividend amount at the interim or year-beginning stages.

As for this fiscal year, it's become much easier to see how things are likely to unfold in H2—at least from a cash flow perspective. We therefore decided that it was appropriate to announce the year-end dividend forecast at this stage. We now forecast dividends of JPY40 at the interim and JPY46 at year-end, for an annual total of JPY86, representing a JPY15 year-on-year increase.

At the board meeting, we discussed these three M&A transactions, or rather, four if we include IntraBio, and given the current situation where cash is sitting idle on the balance sheet without generating any revenue

amid rising interest rates, we are moving in this direction: taking calculated risks to go on the offensive, increase sales, boost profits, and strengthen our earning power. Both the Board of Directors and management believe this approach is highly timely.

As a natural extension of that, we felt it would be appropriate for our shareholders to experience the benefits firsthand, which is why we have decided to increase the dividend by a larger margin this time.

As for our approach to cash allocation starting in FY2027 and beyond, we naturally intend to discuss this in more detail as part of our new medium-term management plan.

I have spoken a little longer than intended, so I will conclude my remarks here. I would now be happy to take your questions and hear your comments. Thank you.

Question & Answer

Kyokawa: We will now move on to the question-and-answer session.

Now, Mr. Yamaguchi.

Yamaguchi: My name is Yamaguchi from Citigroup. Thank you.

First, I'd like to ask about the acquired IntraBio. I get the strong impression that this product is a perfect fit for the franchise you've been running so far. I feel like there's also significant potential in the US, but I'm wondering if you have any idea what the peak situation might look like there, including A-T, which has the highest visibility.

On the other hand, I got the sense that there might be some challenges in Europe regarding these kinds of drugs, as well as in terms of franchising. Could you start by telling me what the general view is in Europe?

Iwasaki: In the United States, we believe combined sales for NPC and A-T can exceed $500 million. Europe has roughly half as many patients as the United States, but the number is still substantial.

A key issue is accelerating diagnosis. We are in communication with disease centers in the EU5 and will provide information through those centers. We also understand that there are patients in the Middle East, and we plan to expand sequentially beyond Europe into markets such as the Middle East.

Keller: In Europe, patient organizations already have very high expectations and have proactively contacted us. We can support them through communication and understanding of the data, although not through financial support. In the United States, the A-T patient organization is very active and highly capable, and it is deeply committed to patients

Yamaguchi: The more than $500 million refers to NPC and A-T combined, correct? Understood. Thank you.

The second question actually involves ViiV, or rather, GSK, rather than your company, so since it seems to be related to R&D. I'm just checking to be sure. At the GSK briefing, I think there was a product among ViiV's assets—I believe it's called EXTEND 4M. It became quite a topic of discussion when it emerged that ViiV, or rather, GSK, already possessed that data but hadn't disclosed it. People are wondering if everything's going to be okay.

You may not have much to say about that, but since it's part of your company as well, I would like to hear some of your thoughts if you can.

Thank you.

Keller: First, to clarify, the four-month extension relates to cabotegravir for PrEP administered three times a year and is a PK bridging study. The data have been received internally and are being analyzed. We will then communicate with regulatory authorities and provide an update based on the outcome. There has been some confusion between this study and the treatment study, the CUATRO study. The ongoing analysis does not suggest any negative impact on the treatment study. The PrEP data are also progressing as planned.
Yamaguchi: So, I guess we'll have to wait and see what the data shows. Thank you.

Kyokawa: Mr. Ueda.

Ueda: I am Ueda from Goldman Sachs

First, I'd like to ask you to tell us a little more about RADICAVA's situation in the US. Looking at the numbers alone, I get the impression that while H1 went smoothly, there might be some areas where we fell slightly short. We were told about the deviation from initial projections and that the Company plans to maintain its current status for this fiscal year, but could you please tell us what measures are currently being taken and what changes we can expect starting next fiscal year?

Iwasaki: I, Iwasaki, will answer.

One key is early diagnosis. Final diagnosis is made by neurologists, but patients may first visit orthopedic clinics, so providing information to orthopedic physicians is important.

Even after diagnosis, it takes time for patients to obtain insurance coverage. Through patient organizations, we are engaging with payers to accelerate reimbursement and access to treatment.

Based on real-world evidence, we also seek to increase appropriate add-on use of RADICAVA with existing treatments. We are therefore working at three points: earlier entry into treatment, reimbursement and treatment optimization. **Teshirogi:** I think we'll be able to present data at R&D meeting showing what activities we're conducting as part of medical affairs, including real-world data, and what kind of data is being generated.

Ueda: Thank you. Looking forward to it.

My second point is that I would like you to provide some additional details regarding the cash allocation you explained earlier. You mentioned that the decision to increase the dividend was driven by a very healthy cash flow. Could you elaborate on any other factors that may have contributed to this decision? For instance, has the phase of heavy business investment begun to wind down, or has your confidence grown regarding the resolution of challenges related to the LOE for dolutegravir?

I would appreciate it if you could share any additional context behind this decision.

Teshirogi: Thank you.

ViiV Healthcare and SHIONOGI are modeling the expected trajectory of oral products after the loss of exclusivity. Alignment with GSK and ViiV Healthcare is necessary, but the results are quite close to the hypothesis we have held for some time, which has increased our confidence. Regarding business investment, if attractive opportunities arise, we remain prepared to pursue them.

Ms. Kudo and Mr. Fujiwara serve as the financial gatekeepers, but we believe we retain capacity. We continue discussions regarding several growth opportunities. We modeled multiple cash-flow and repayment scenarios, including a range of cases, and announced the dividend increase after confirming that it remained sustainable across those cases.

Ueda: Thank you. That's all from me.

Kyokawa: Mr. Seki.

Seki: My name is Seki from UBS. Thank you for the explanation.

This is a follow-up regarding EXTEND 4M. Is it correct to interpret this to mean that, since there are no implications for the treatment, the PK and PD aspects of this trial were sound, but GSK's communication regarding other issues has been somewhat unclear?

Keller: The two studies have clearly different objectives and designs. There is no negative implication for the treatment study from the standpoint of study progress. The PK/PD study is currently being analyzed. There is no change to the expected timeline for PrEP approval. This is consistent with GSK's message.

Seki: I have one more question, and I'd like to ask the President. You've just announced a series of about four major deals, and I imagine you've made various assumptions regarding the deal structures and other factors. If you rank these four deals in order of highest IRR, what would the result be?

Fujiwara: For ViiV Healthcare and RADICAVA, where cash flows are relatively visible, returns appear broadly in line with the rates considered in our evaluations. For IntraBio, we cannot yet discuss details, but because the business is at an early stage, we have considerable expectations for the transaction. For the former JT pharmaceutical business and Torii Pharmaceutical, accounting costs are relatively large and it is difficult to calculate a clear IRR at present. The key will be the extent to which research outputs exceed our expected returns.

Seki: Thank you. That's all from me.

Kyokawa: Mr. Hashiguchi.

Hashiguchi: My name is Hashiguchi from Daiwa Securities.

I'd like you to explain once again your approach to allocating resources to your US operations. As I recall, the initial plan included a fairly significant allocation of paper-based resources for both RADICAVA and ensitrelvir. You mentioned that you would reconsider your plans for H2 in light of the situation in H1, what are your thoughts on this now? Please tell us how you view the results for H1 and what plans for H2 have been factored into the earnings forecast you just announced.

Iwasaki: Since RADICAVA is essentially on track, we plan to proceed as scheduled, including the development of medical evidence in medical affairs.

As for the ensitrelvir, the outbreak in the United States was also significantly less severe than expected. However, the number of prescriptions is on the rise. Given that, we've made a significant investment in DTC in particular, and we certainly intend to continue doing so this fiscal year as well.

However, we do collect data on which media channels are most effective, including within our DTC initiatives. Based on historical prescription trends, specifically regarding target age groups and the media channels that best reach them, we are currently evaluating our approach. While we generally intend to maintain our ongoing efforts, we are looking to shift our investment toward more effective methods.

We hold board meetings every three months, so we track things closely during those meetings and continue to make no-go decisions.

Hashiguchi: Thank you. Regarding insurance reimbursement for ensitrelvir, do you think there is a discrepancy between the actual situation and what was anticipated?

Iwasaki: Since the co-payment process is still ongoing, we'll be finalizing the contract in the near future. The contract itself is proceeding smoothly. However, once the contract takes effect, patients will be required to pay a portion of the cost starting early next year. Although the amount is small, we recognize that we will need to monitor how this might negatively affect prescribing behavior going forward.

Hashiguchi: Thank you.

Just one more thing—I suppose it is AQNEURSA, which was acquired through the IntraBio acquisition. What are your thoughts on the possibility of expanding the scope of this application? I think IntraBio originally was considering a wider range of indications. Please share your company's assessment.

Keller: So, the first study currently ongoing is a pivotal study in what is called the CACNA1A disease family. And we are certainly looking at other additional indications, as IntraBio was.

This mechanism has broad implications where you see lysosomal dysfunction and, in some cases, mitochondrial dysfunction. And the trial design works well in those diseases where ataxia is a key manifestation, so there are a number of possibilities.

Teshirogi: We'll cover all of that at R&D meeting. As for NPC, A-T, and CACNA1A, all of the pivotal studies have either been completed or are already underway.

From our perspective, it goes without saying that we need to consider what to do next, and I'd like to use R&D meeting as an opportunity to discuss how we should approach this, including the underlying mechanisms and the disease itself.

Hashiguchi: Thank you.

Kyokawa: Mr. Wakao.

Wakao: Thank you. This is Wakao from JPMorgan. First, I think this will serve as a sort of follow-up to Mr. Ueda's question.

Based on this series of M&A transactions, I began to wonder if the foundation for profit growth and sustainable profit growth is taking shape starting in FY2029, or perhaps even a little earlier, starting in FY2028, once dolutegravir reaches the end of its exclusivity period.

On the other hand, in response to an earlier question, you also mentioned that you are still looking for opportunities. I thought this might differ slightly from my own assessment, so to put it bluntly, could you please tell me whether the Company looks likely to achieve sustained profit growth starting in FY2029 or FY2028 and beyond?

Teshirogi: For the time being, I have indeed plotted a line that represents a nearly linear increase.

Wakao: Thank you. I understand exactly what you're saying, but GSK is taking various measures, such as cutting fixed costs, in preparation for the upcoming LOE. While they are a separate company and perhaps unrelated to you, I just wanted to check, as there might be some sort of spillover effect. Thank you.

As for my second question, it is regarding capital allocation. In the release announcing the dividend increase, it was noted that the policy under the new medium-term management plan would be updated. Given this dividend hike, as well as the outlook for future cash flow, it seems that the Company is now in a position to further strengthen shareholder returns. Is that a fair interpretation?

Teshirogi: Given the significant investment we've made, the fact that the Company is on a growth trajectory and our strong cash flow, it is naturally our obligation to consider shareholder returns, and we are constantly discussing this matter at board meetings. The reason I used the expression "we will start here" is, of course, to indicate that we are considering ways to strengthen shareholder returns.

Wakao: I see. In terms of shareholder returns, there are dividends and share buybacks. I'd like to know if there's a possibility that the balance between the two might shift in the future, for example, whether the

Company plans to increase dividends further at this point, or whether share buybacks are being used as a more flexible strategy.

Teshirogi: Regarding that point, since I am currently conducting a significant amount of IR on a global scale myself, we believe, including our major shareholders, that our sales and profits will move in this direction. Given that interest rates are on the rise and the global economy seems to be quite chaotic, when considering the big picture, we're currently gathering your thoughts on what you all think about this situation.

Naturally, our approach will be to provide that feedback to the Board of Directors, deliberate on what form of value return would be most appropriate, and then reach a decision. At this point, I would prefer to refrain from saying which one we will choose or which one we will prioritize.

Wakao: Thank you. I understand well. That's all from me.

Kyokawa: Mr. Matsubara.

Matsubara: My name is Matsubara from Nomura Securities. Thank you for your explanation.

First, I would like to ask about IntraBio's drug discovery capabilities. From an external perspective, the company has demonstrated efficacy in Niemann-Pick disease that even surpasses that of Zevra Therapeutics. Furthermore, the rapid market launch of AQNEURSA suggests a high level of proficiency in drug discovery. Given your in-depth understanding of the company, I would like to ask you what kind of drug discovery capabilities IntraBio possesses, including synergies related to your rare disease drugs.

Keller: IntraBio has relied for much of its research on certain key academic laboratories, and the skill of these laboratories is translating clinical observations and knowledge of the disease into basic pharmacology and back again.

This was very successful in the case of AQNEURSA. But there are a number of other ideas, which both they have and we have, that we very much want to test this way.

Their skill is in identifying changes, because, honestly, in these diseases, animal models are not so useful. So, their skill in identifying a pathway that may be relevant, quickly checking it with either exploratory molecules or safe molecules, test them in humans, going back, and then looking for drugs that affect the pathway, is something we can connect directly to our small-molecule drug discovery.

Matsubara: The other point is regarding HIV. I believe Q2 was also strong, thanks to the growth of your long-acting products and robust demand. Given that context, the full-year forecast has been revised upward. From my perspective, it seems a bit conservative, but could you explain the rationale behind this plan?

Keller : As for sales, our projections are based on forecasts from GSK and ViiV. Royalty payments, cash flow, and dividends all affect our forecasts.

Teshirogi: Now that the joint venture has gone from three companies to two, I think our input and the flow of information have improved significantly.

On the other hand, as I'm sure you've noticed, we always reschedule the release of our financial results shortly after GSK's because professionals like you all scrutinize both their reporting methods and ours, and if there's a discrepancy, you'll inevitably point it out.

From our perspective, this will involve incorporating to a significant extent what GSK and ViiV plan to release and in what form. The point is that when they become conservative, our figures also become conservative as well.

Kyokawa: Mr. Yamakita.

Yamakita: My name is Yamakita from Jefferies Securities. Thank you for the explanation.

What level of actual performance has been factored into the second-half forecast for IntraBio? In particular, to what extent does the forecast reflect the initial uptake of A-T following its approval in September?

Iwasaki: I, Iwasaki, will answer.

The IntraBio transaction has not yet closed, and SHIONOGI will begin its substantive activities related to A-T after closing.

There are also uncertainties regarding contracts with insurers and payers and the timing of payments. The patient population is substantial. We expect approximately ¥6.0 billion in revenue this fiscal year and hope to reach approximately $350 million next fiscal year. Depending on the timing of closing, the level of profit contribution over the remaining three or four months will vary.

At this stage, it is difficult to estimate separately how much will come from NPC and how much will come from A-T, given the uncertainty regarding the timing of payer contracts and payments.

Yamakita: Thank you.

My second question concerns the use of marketing expenses from next fiscal year onward. My understanding is that this fiscal year may be the period requiring the most concentrated investment in RADICAVA and Xocova, while some additional investment will still be required for IntraBio. Are there any other areas that will require substantial additional investment from next fiscal year onward, or should we expect the increase in marketing expenses to moderate?

Teshirogi: In the medium-term business plan to be announced next year, we will be able to explain more clearly the level of amortization included in SG&A expenses. The research organization of the former JT pharmaceutical business, including its personnel system, will be fully integrated into SHIONOGI in April next year. This will give us much greater visibility into the number of personnel required and the associated costs, including R&D personnel expenses, and will provide a basis for discussing underlying R&D expenses and underlying SG&A expenses separately from amortization.

Even as revenue grows, we may not need to increase underlying R&D and SG&A expenses materially, unless we have a particularly large product or need to establish a new organization and infrastructure requiring additional personnel and investment. We expect to explain this properly in next year's medium-term business plan.

One area that is particularly difficult to estimate is the level of spending required for IT and cyber defense. We had not anticipated cyberattacks intensifying to this extent, and our previous assumptions for IT-related expenses were based on the existing trajectory plus a modest increase. We are also approaching the replacement cycle for SAP, and Mr. Fujiwara's team is reassessing the total IT investment required over multiple years. It is difficult to determine how much of this will affect operating profit in each fiscal year. However, based on a reasonable set of assumptions, we believe these costs are likely to increase.

For pharmaceutical SG&A and R&D expenses, however, cost control and disciplined allocation based on priorities are areas in which we have expertise, and we intend to continue refining that approach. Another priority is reducing the cost of sales of Torii Pharmaceutical-related products. For each product, we have developed detailed plans covering where and in what batch sizes it will be manufactured, the filing for regulatory approval of a second supplier, and the expected timing of that approval. A cost ratio above 40% for Torii Pharmaceutical-related products remains very high by our standards, and we intend to reduce it gradually.

Including these factors, we will continue to consider how best to allocate spending when working backward from our operating profit objectives. Overall, however, we do not believe we are entering a phase in which underlying SG&A expenses will increase significantly.

Yamakita: Thank you. That's all from me.

Kyokawa: Mr. Wada, please go ahead.

Wada: I am Wada from SMBC Nikko Securities. Thank you. I'd like to ask about one thing.

My first question concerns R&D expenses. You lowered the forecast by approximately 10% from the initial plan. The second-half plan is only approximately double the first-half actual amount and does not appear to assume a substantial increase. However, there may be a need for additional spending in the second half on our own programs that have delivered successful Phase 2 results, the acquisition of IntraBio, and the pipeline acquired from the former JT pharmaceutical business. Could you explain the background to the reduction? In addition, the current R&D ratio is indicated at around 20% of revenue. How should we expect this ratio to develop from next fiscal year onward?

Teshirogi: At R&D meeting, we will present a Combined One Table showing our priorities, how we intend to advance development programs, and the areas on which our research activities will focus. Rather than having us prejudge the appropriate level of spending, we believe it would be more practical for investors to review the portfolio and assess whether the implied spending range is reasonable. The appropriate R&D ratio varies from year to year depending on the number of global development programs and their respective phases. Therefore, using a fixed percentage of revenue as the benchmark may not necessarily be appropriate. That said, we do not believe that spending 30% or 40% of revenue on R&D would be appropriate. We will allocate resources according to priority within a defined range, and we currently do not expect the ratio to substantially exceed, for example, 25%.

Wada: Thank you.

Could you also provide an update on Xocova in the US ? My understanding was that you would adjust spending based on sales performance, so I would also appreciate your comments on the balance between the current sales situation and the level of investment.

Iwasaki: As I mentioned earlier, the program is broadly on track. We believe it is still too early to adjust spending solely on the basis of current sales. Awareness has increased substantially through our activities. In addition to ensitrelvir, we want to create a Test-to-Treat environment for future assets such as Secutrelvir and S-337395. Taking this into account, we believe we are still at the investment stage. We will continue to track the balance between profit and investment carefully, but we will not stop investing immediately solely because current sales are limited.

Wada: Thank you.

Kyokawa: It seems there are some questions coming in online, so I will turn to those for a moment.

Mr. Kawamura from SBI Securities , please go ahead.

Kawamura: This is Kawamura from SBI SECURITIES. Thank you for your explanations, and thank you for giving me an opportunity to ask some questions. I have two questions.

First, I would like to follow up on your assessment of the series of M&A transactions and your approach going forward. From the outside, SHIONOGI appears to have established a domestic business structure that is less dependent on infectious-disease epidemics, while in the United States, the franchise in adult and pediatric rare diseases appears to be taking shape. You have indicated that you are not ruling out further acquisitions. From here, are there still missing pieces that you believe must be acquired to support future growth, or has the platform now been established to the extent that future transactions would mainly involve adding products or assets onto that platform? Please share your strategic thinking.

Teshirogi: We believe specialist analysts can understand the strategic rationale behind the four transactions completed to date. We cannot disclose which therapeutic areas or assets we are considering. However, based on the logic of the four transactions, we hope you will trust that a fifth transaction would not leave you wondering why we had pursued it. We are not the type of company that pays an extraordinary amount for an extremely early and highly risky pipeline.

For the former JT pharmaceutical business and Torii Pharmaceutical, a meaningful IRR cannot be calculated without taking a long-term view of how cost of sales and personnel expenses will develop. Nevertheless, I believe you would probably agree that these transactions are contributing positively to both revenue and profit. We are considering whether we can add such businesses or assets as further pieces of our portfolio.

Kawamura: Thank you.

My second question concerns HIV. Merck is developing a once-weekly oral treatment and potentially a once-monthly oral PrEP agent, which may become available around the time dolutegravir loses exclusivity. Questions remain regarding long-term safety and the availability of non-inferiority data compared with bictegravir, and I believe there is still a considerable difference in reliability relative to your products. Do you currently regard these agents as a competitive threat, including among U.S. patients who prefer oral therapy?

Teshirogi: As we have explained several times, treatment and PrEP are essentially different markets. In terms of market value, treatment currently represents approximately 90%, while PrEP represents slightly more than 10%. To use once-weekly oral therapy in treatment, a two- or three-drug regimen would still be required. It therefore needs to be considered within the overall picture of which agents would be combined to create a long-acting oral treatment regimen.

Surveys indicate that if long-acting injectable therapy can be administered once every four to six months, approximately 60% to 70% of patients would accept it. Approximately 20% appear to prefer oral therapy because they dislike injections, while the remaining 10% have other needs, such as self-administered subcutaneous treatment at home. There is a certain need for long-acting oral treatment. However, given questions such as whether to use an integrase inhibitor and how to evaluate the safety of long-acting oral therapy, we believe it is still too early.

Merck's NRTTI is interesting. In PrEP, a once-monthly single-agent oral therapy may appeal to some patients who prefer tablets. The market will need to assess once-monthly oral PrEP relative to injectable PrEP administered once every four to six months. We are naturally interested in long-acting oral therapy and believe it is an area that we need to pursue. We expect LAI to remain the main market. However, to remain well positioned to succeed across both LAI and LAO, we believe it is important to preserve our drug-discovery capabilities, which remain globally competitive.

Kawamura: Thank you. That's all from me.

Kyokawa: Thank you. This concludes the question-and-answer session and the briefing on Shionogi & Co., Ltd.'s financial results for the second quarter of fiscal 2026. Thank you very much for joining us today.

[END]