



The 155th Business Report

from April 1, 2019 to March 31, 2020.



Current State of the Shionogi Group

Medium-Term Business Plan

- Shionogi Growth Strategy 2020(SGS2020) -



Medium-Term Business Plan

Shionogi Growth Strategy 2020

(SGS2020)

Start in April, 2014
→ Update in 2016

Steady progress of SGS2020



Main KPIs in SGS2020 were achieved ahead of schedule
(except for sales of new products and CCC)

			JGAAP
	KPI	FY2020 Target (Update '16-)	FY2019 results
Growth	Sales of new products*1	200 B yen	62.9 B yen
	Ordinary Income	150 B yen	151.8 B yen achieved
Efficiency	ROIC*2	Over 13.5%	13.8% achieved
	CCC*3	5.5 months→ 7.0 months	7.7 months
	Original pipeline ratio	Over 50%	67% achieved
Shareholder Return	ROE	Over 15.0%	18.0% achieved
	DOE	Over 4.0%	4.7% (planned) achieved

Business Operations and Results

Our Efforts to Fight COVID-19



Supply chain

- No impact on procurement of raw ingredients etc., production, or inventory – no hindrance to stable supply

Promotion

- Responded to needs of physicians and medical institutions, utilization of e-detail
- Possible impact on influenza family sales due to confusion among the public

R&D

- Some delays in gathering case information from clinical trials in Western countries



No big impact as a whole, and respond as an opportunity to increase productivity, and reinforce our foundation for growth

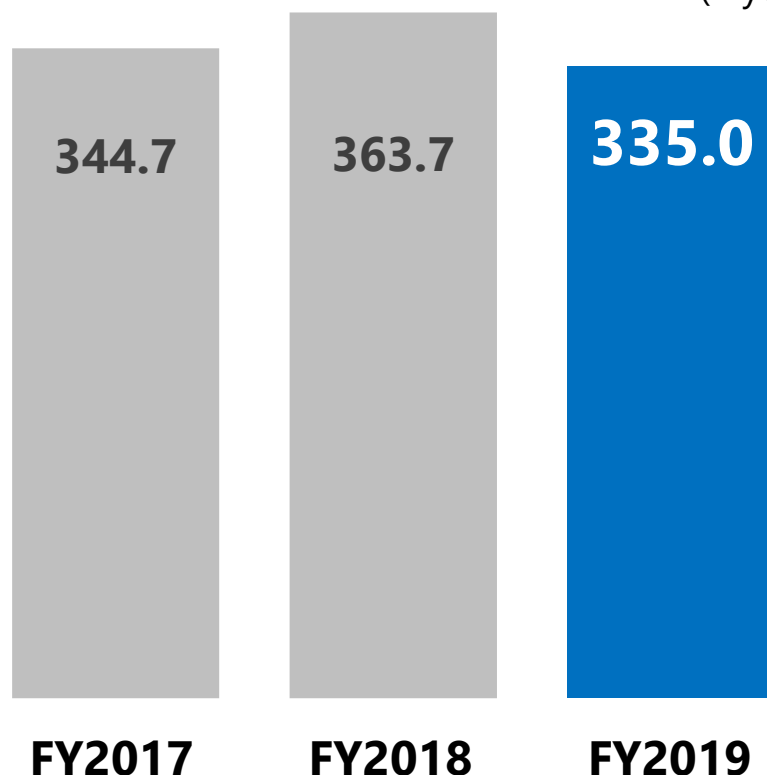
Highlight (1) Net Sales



Net Sales (FY2019)

△7.9% (vs prior FY)

(B yen)



Net Sales Breakdown (B yen)

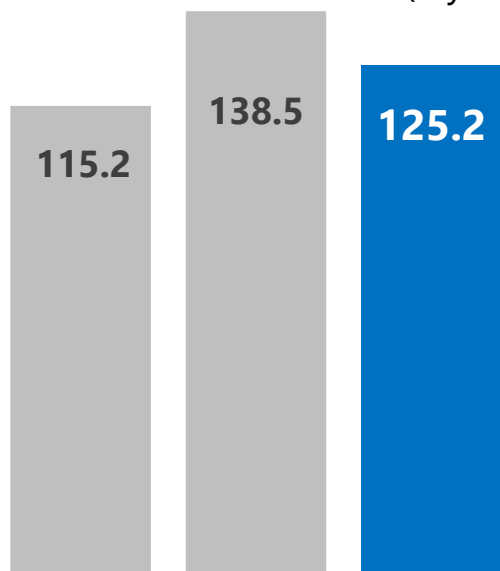
	FY2019		FY2018
Prescription drugs	108.6	↓	128.7
Overseas subsidiaries /export	30.8	↑	29.4
Contract manufacturing	17.6	↑	14.8
OTC and quasi-drug	10.3	↑	8.1
Royalty income	165.6	↓	180.3

Highlight (2) Profit Measures

Operating income

△9.6% (vs prior FY)

(B yen)

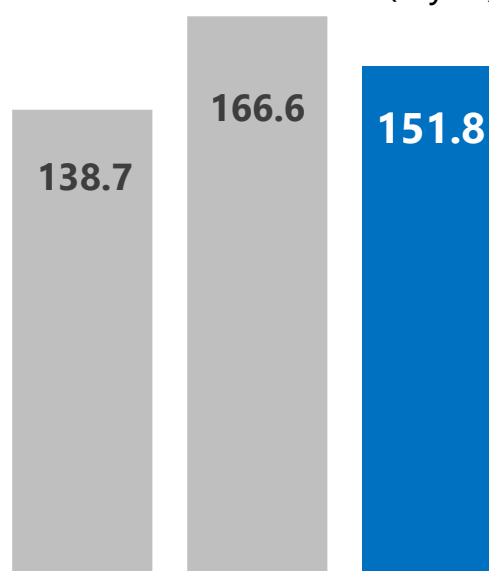


FY2017 FY2018 FY2019

Ordinary income

△8.9% (vs prior FY)

(B yen)

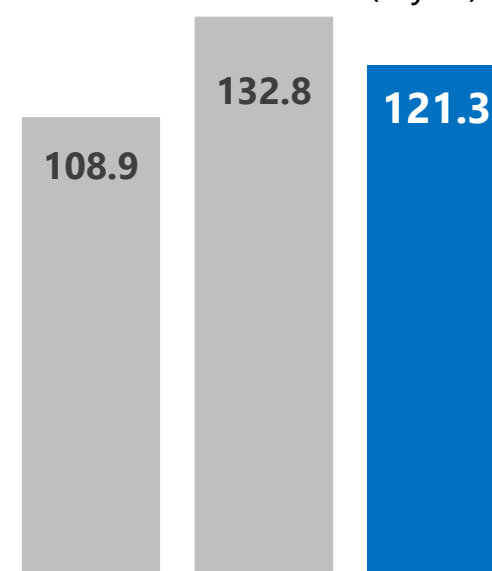


FY2017 FY2018 FY2019

Profit attributable to owners of parent

△8.6% (vs prior FY)

(B yen)

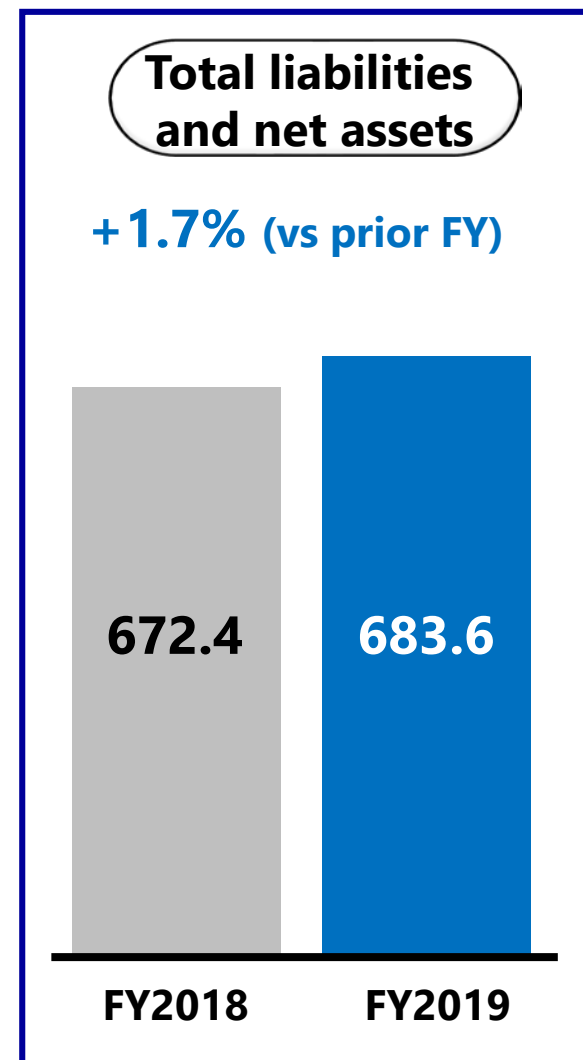
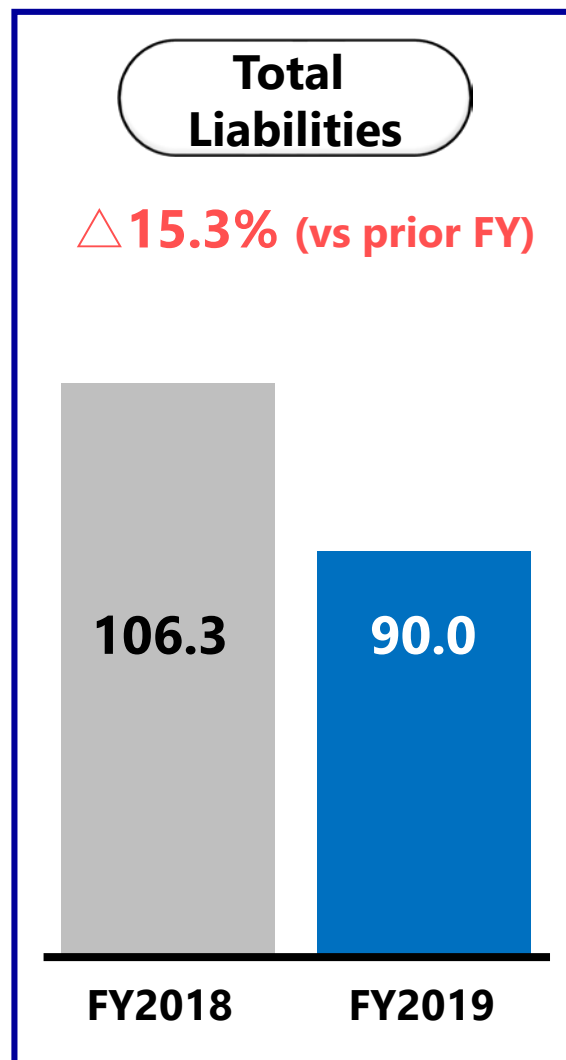
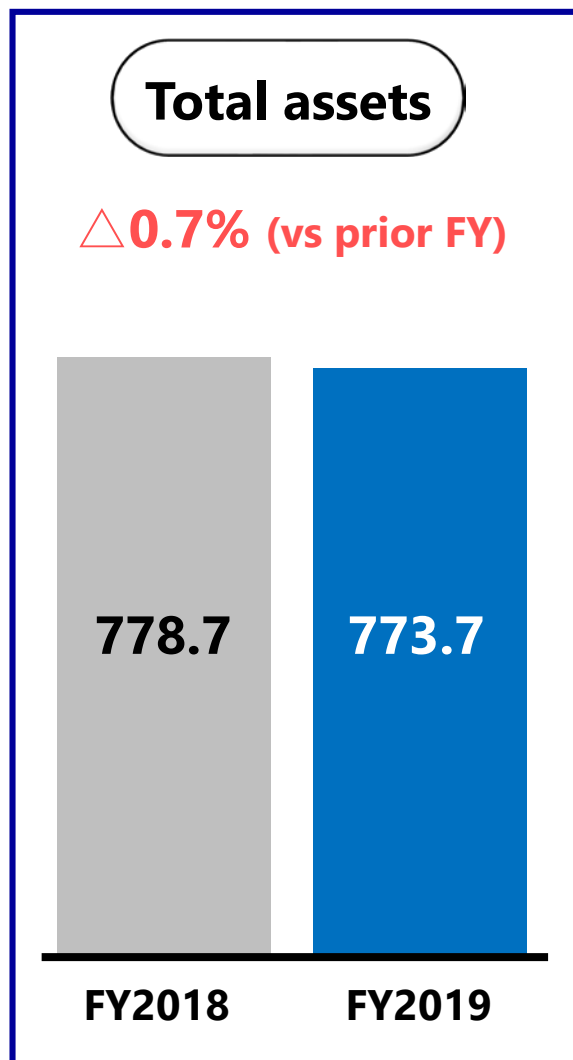


FY2017 FY2018 FY2019

Highlight (3) Summary of Consolidated Balance Sheets



(B yen)



Key Results in FY2019

- 1. Royalties and milestone payments, plus dividend income from ViiV**
- 2. Research and development**
 - Progress of growth drivers toward sustainable growth
- 3. Domestic/overseas business**
- 4. Business innovation**
 - Deliver new value and strengthen our business foundation

① Royalties and Milestone Payments, Plus Dividend Income From ViiV



**Royalties and milestone payments, plus dividend
income stably increased**

208.6 B yen

191.9 B yen

△8.0% (vs prior FY)



FY2018

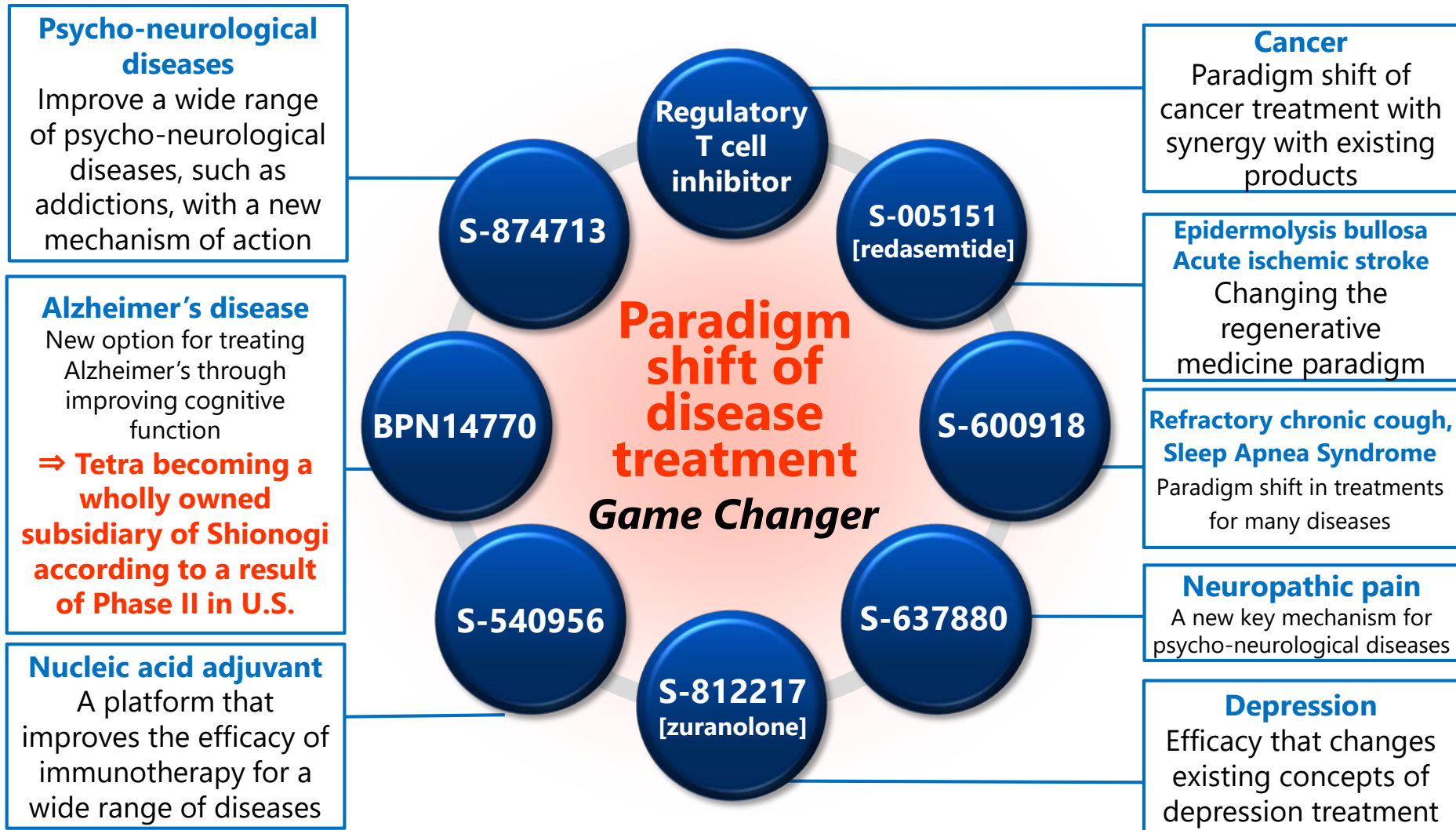


FY2019

(B yen)

- Royalty income from others
- Milestone income from Roche
- Royalty income and dividend income from ViiV
- Royalty income from AstraZeneca

② Research and Development: 8 High Priority Projects



② Research and Development : Progress of Growth Drivers



S-812217 (zuranolone) Depression	Japan: initiation of Phase 2 study U.S.: Phase III study on (Sage)
S-600918 ①Refractory chronic cough, ②Sleep Apnea Syndrome, ③Neuropathic pain	①global : initiation of Phase 2 study ②Japan: initiation of Phase 2 study ③Japan: Phase I study on going
BPN14770 Alzheimer's disease	Japan: Phase 2 study in preparation U.S.: Phase II study completed
S-005151 (Redasemtide) ①Acute ischemic stroke, ②Epidermolysis bullosa	①Japan: follow up study after investigator- initiated Phase II study on going ②Japan: Phase II study on going
S-637880 Neuropathic pain	Japan: Phase I study on going
cefiderocol Aerobic Gram-negative bacterial infection	U.S.: approval (cUTI) NDA submission (HAP/VAP) EU: approval (Aerobic Gram-negative bacterial infection)
Intuniv® ADHD	Japan: approval (adult)
SDT-001 Inattentive ADHD (pediatric)	Japan: start of Phase 2 study



Our Efforts to Fight COVID-19



Treatment: Discovery of Novel Therapeutic Drugs

- Promising lead compounds have been selected in in vitro studies
- Accelerating research activities with the goal of initiating clinical trials in FY2020 after confirming safety of the compounds

Prevention: Discovery of Prophylactic Vaccine

- UMN Pharma Inc., a subsidiary of Shionogi, is pursuing the discovery and development of a recombinant protein vaccine for COVID-19, using their unique technology, "BEVS*"
- Plan to initiate clinical trials in CY2020

Diagnosis: Development and Offering Antibody Test Kit

- IgG/IgM Antibody-test Kit for COVID-19 launched in Japan on June 3rd, 2020
- Business partnership with 3 universities for a novel rapid diagnostic method for viruses on June 22, 2020

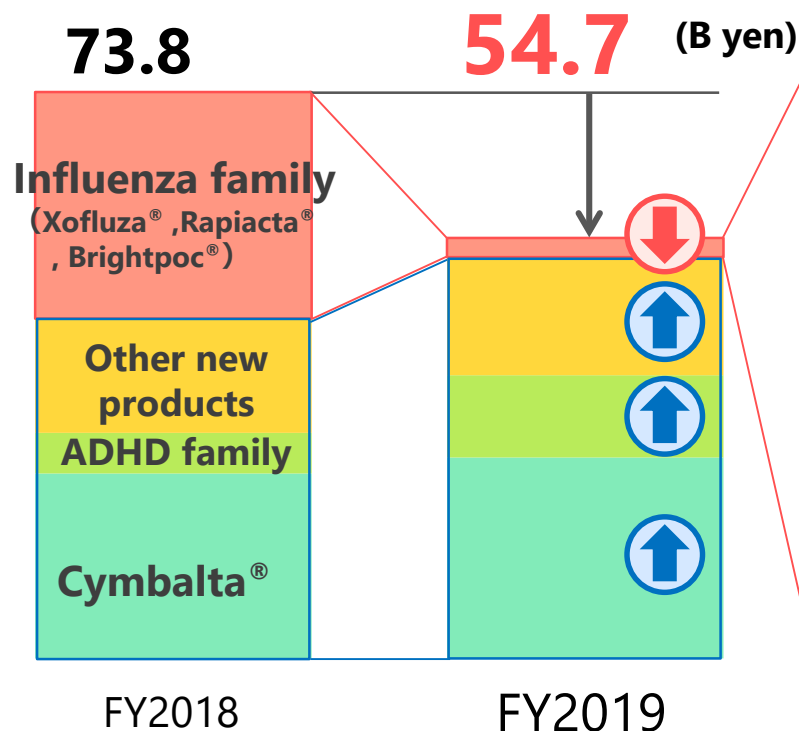
Provide total care for COVID-19

③ Domestic Business : Domestic Sales of Prescription Drugs



**Sales increased excluding sales of Flu-F
(+18.0% vs prior FY)**

Sales of new products*
($\Delta 25.8\%$ vs prior FY)



◆ **Main reason of decrease of sales of Xofluza® ($\Delta 98.4\%$ (vs prior FY))**

- The smallest scale of influenza prevalence in the past ten years
- The lower percentage of adolescent/adult patients
- The impact of some media reports expressing concern over spread of mutant virus

③ Overseas Business



Maximize product value through combination of our own promotion and collaboration with business partners

U.S.

- **Symproic** (naldemedine) :
 - ✓ Termination of the alliance with Purdue and Marketing agreement with BDSI
- **Fetroja** (cefiderocol) :
 - ✓ Initiation of launch

EU

- **Rizmoic**[®] (naldemedine) :
 - ✓ Marketing agreement with Sandoz, Molteni, Ferrer

China

- Sales increase of Rabeprazole
- Signing of the Basic Agreement with Ping An Insurance

Taiwan

- Initiation of launch of Xofluza

④ Business innovation

Building Innovation Platforms

1. Establishment of Stream I



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

- ✓ Digital platform

2. Signing of the Basic Agreement with Ping An Insurance



- ✓ capability to create best-in-class innovative drugs
- ✓ accumulated experience & expertise of R&D
- ✓ Patient-driven drug discovery strategies

- ✓ Healthcare data
- ✓ IT/AI technology
- ✓ Online clinical infrastructure

④ Business innovation



Entry into Vaccine business

3. Expand business in the preventive field by making UMN Pharma a wholly owned subsidiary

- Acquiring UMN's original vaccine technology
- Promote to develop preventive vaccines against COVID-19, influenza infections, etc.

Characteristics of platform technology (BEVS) of UMNs

Four "S" enables stable supplies

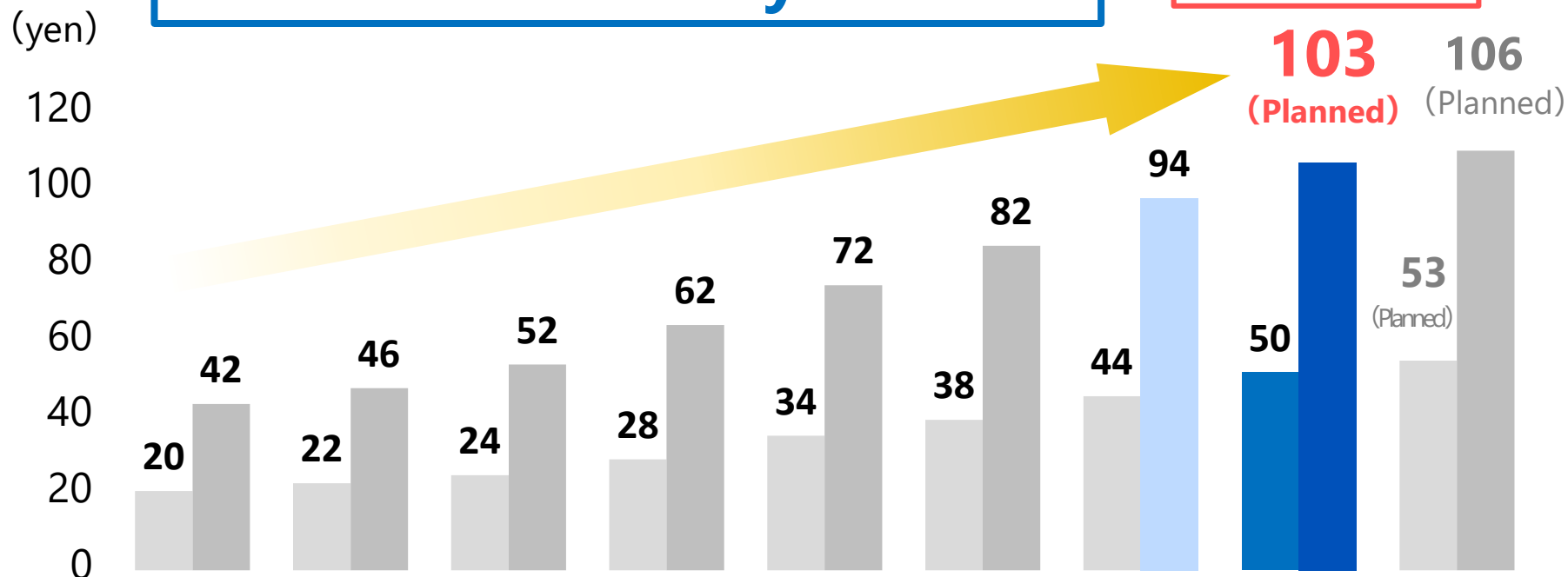
- **Safer:** Only viral genes need to be available
- **Stable:** Antigenicity does not change during manufacturing
- **Scalable:** Complex culture conditions are not required
- **Speedy:** Manufactured early after genetic information is available

Shareholder Return Policy Through Which Shareholders Can Feel Our Growth



Plan to increase dividend for 8 consecutive years

Planning to increase dividend for 8 consecutive years



FY		2012	2013	2014	2015	2016	2017	2018	2019	2020
Treasury stocks	Buyback	-	-	30 B yen	-	35 B yen	29.4 B yen	50 B yen	50 B yen	
	Cancellation	-	-	-	-	22 M shares	5 M shares	7.35 M shares	5.2 M shares*	

Challenges Ahead

Background to the formulation of the new medium-term management plan



SGS2020

<Achievements>

- ◆ Achievement of main KPIs
- ◆ Continuous creation of in-house products
- ◆ Strengthening of business operations etc.

<Issues>

- ◆ Growth of new products
- ◆ Growth of overseas businesses
- ◆ Per-employee productivity* etc.

Changes in External Environment

- ◆ **Disruptions in social system and change in values** (Coronavirus and post-coronavirus as an exemplar)
- ◆ **Innovation driven by technological advances and data utilization**
- ◆ **Narrowing of medical information gap** (Easier for patients to access medical information etc.)

Formulated our Vision for 2030 and a New Medium-Term Business Plan “Shionogi Transformation Strategy 2030 (STS2030)”, and Realize our transformation

Vision 2030

Building Innovation Platforms to Shape the Future of Healthcare

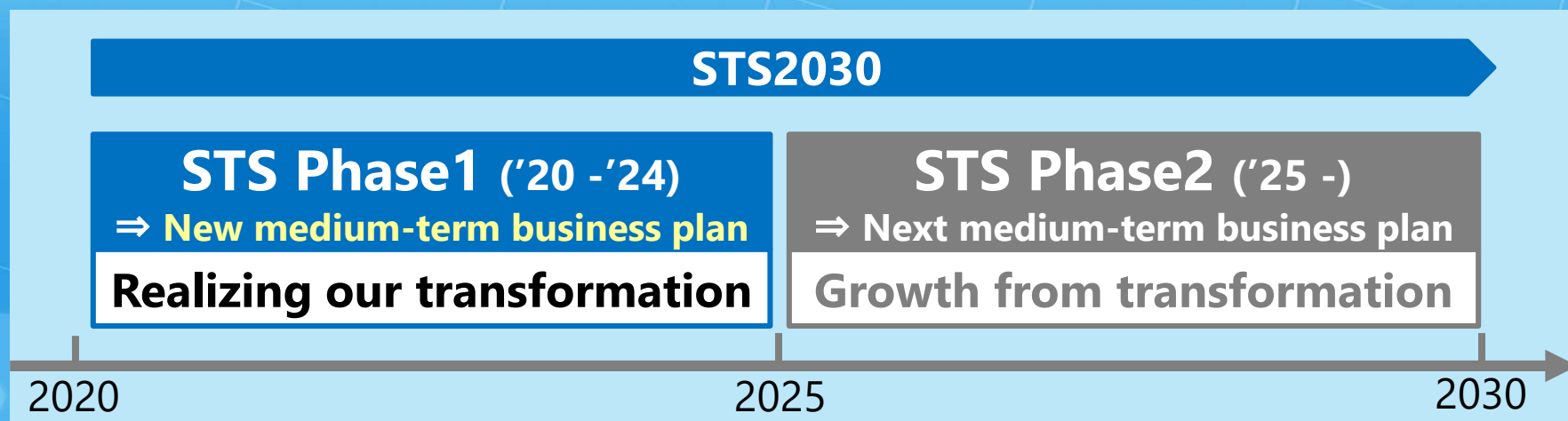
Strategy to Achieve 2030 Vision



Strategy to achieve 2030 Vision

STS2030

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



8 KPIs in the New Medium-Term Plan



	FY2019 IFRS	FY2024 IFRS	FY2019 JGAAP
Revenue	333.4 B yen	500.0 B yen	335.0 B yen
Core operating profit*	127.4 B yen	150.0 B yen	-
Core operating profit margin	38.2%	Over 30%	-
Overseas sales ratio (excl. RYT)	18.5%	Over 50%	18.2%
Original pipeline ratio	67%	Over 60%	67%
EPS	396円	Over 480 yen	393円
DOE	4.0% (planned)	Over 4%	4.7% (planned)
ROE	15.5%	Over 15%	18.0%



Shionogi's Philosophy



Supply the best possible
medicine to protect the
health and well-being of
the patients we serve



Forward-Looking Statements

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