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Shionogi & Co., Ltd. Integrated Report 2024



SHIONOGI

Shionogi & Co.,Ltd.



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

SHIONOGI
INTEGRATED REPORT

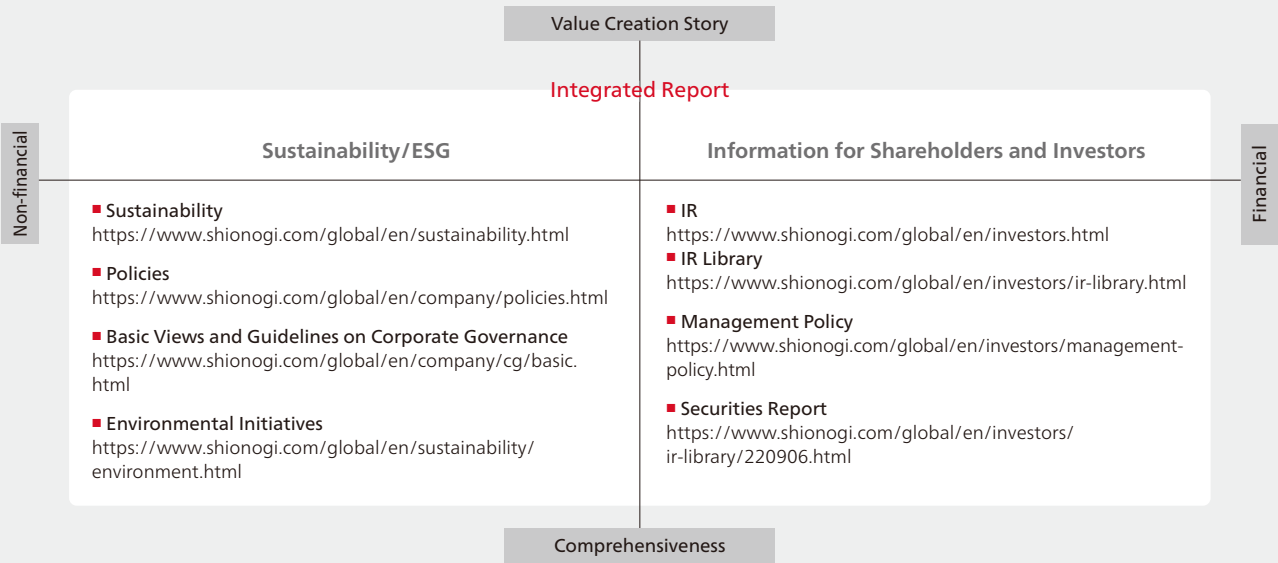
2024

Year ended March 31, 2024

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SHIONOGI's Presence and Created Value	Creating Value by Confronting Social Issues	Evolving as a Healthcare Innovator to Transform Progress into Value	Solving Social Issues through Our Business Activities and Creating Value for the Future	Strengthening the Foundation for Value Creation	
					
How will SHIONOGI respond to increasingly sophisticated and diverse healthcare needs and demonstrate its significance? We discuss the foundational thinking of SHIONOGI, provide an overview of SHIONOGI's past, present, and future, and describe our vision.	We feature how SHIONOGI tackles the social issue of infectious diseases and establishes a sustainable business foundation. Furthermore, Mr. Balasegaram, representative of GARDP, and Vice Chairman Sawada discuss the response to antimicrobial resistance (AMR), which has become a major issue in recent years.	We present the progress of the Medium-Term Business Plan for the material issues SHIONOGI has identified, as well as the key points and thinking behind the investment/financial strategies for continued growth. We also describe the four strengths for realizing growth and the mechanism for value creation.	We present strategies for each business to realize medium to long-term value creation and R&D strategies that are the source of value creation. Furthermore, we discuss strategies to maximize the abilities of human capital, which is corporate value itself, and maximize results.	Promoting sustainability leads to sustainable improvement of corporate value and reduction of capital costs. We explain SHIONOGI's supply chain, human rights, and climate change initiatives, as well as the corporate governance structure, including the role of the Board of Directors that leads the Company.	We present the results of financial and non-financial activities and the value obtained from them in chronological data.
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Information Disclosure System



Scope of Reporting, etc.

Editorial policy
In order for stakeholders to better understand SHIONOGI's corporate value, we conduct integrated reporting based on integrated thinking.

Period covered
Results for fiscal 2023 (April 1, 2023 to March 31, 2024). Some of the activities after the same period are included.

Target organizations
This report covers 50 Group companies (the Company, 43 consolidated subsidiaries, 4 affiliated companies, and 2 jointly controlled entities). The scope of our environmental activities covers all of Shionogi & Co., Ltd. Business sites and major domestic Group companies, with some indicators also covering major overseas Group companies.

Reference guidelines
IFRS Foundation "International Integrated Reporting Framework," "GRI (Global Reporting Initiative) Sustainability Reporting Standards," "ISO 26000," Ministry of the Environment's "Environmental Reporting Guidelines 2018," and Ministry of Economy, Trade and Industry's "Guidance for Collaborative Value Creation 2.0"

Shareholders and investors **Employees**
Customers **Society**
SHIONOGI's stakeholders

SHIONOGI aims to build a sustainable society by creating corporate and social value through engagement with its four stakeholder groups: shareholders and investors, customers, society, and employees.

Forward-looking statements
This report contains forward-looking statements. These statements are based on expectations in light of the information currently available, assumptions that are subject to risks, and uncertainties which could cause actual results to differ materially from these statements. Risks and uncertainties include general domestic and international economic conditions, such as general industry and market conditions, and changes of interest rates and currency exchange rates. These risks and uncertainties particularly apply to forward-looking statements concerning existing products and those under development. Product risks and uncertainties include, but are not limited to: completion and discontinuation of clinical trials; obtaining regulatory approvals; claims and concerns about product safety and efficacy; technological advances; adverse outcome of important litigation; domestic and foreign healthcare reforms; and changes of laws and regulations.

For existing products, there are also manufacturing and marketing risks, which include, but are not limited to, inability to build manufacturing capacity to meet demand, unavailability of raw materials, and competition with other companies' products. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events, or otherwise. This report contains information on pharmaceuticals (including compounds under development), but this information is not intended to make any representations or advertisements regarding the efficacy of these pharmaceuticals nor provide medical advice of any kind.

Our Group Philosophy

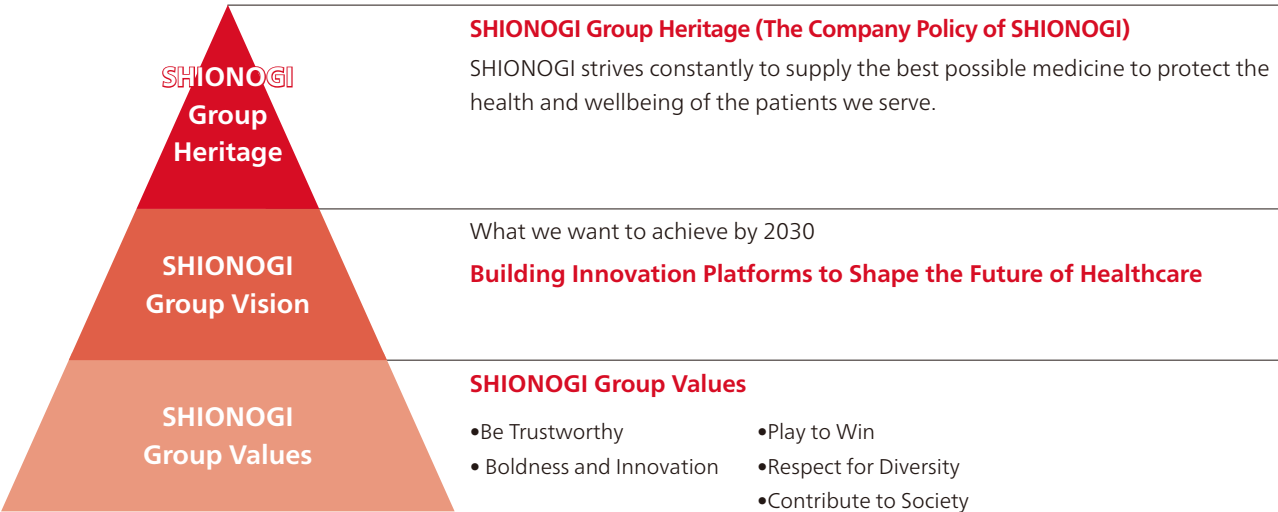
SHIONOGI strives constantly
to supply the best possible medicine
(healthcare solutions)
to protect the health and wellbeing of
the patients we serve.

The unwavering purpose of the SHIONOGI Group’s corporate activities is expressed in the opening of the SHIONOGI Group Heritage as the image of what SHIONOGI should be and the Company’s social existence values. By accurately ascertaining healthcare needs that are growing more advanced and diverse, we will respond with the most appropriate healthcare solutions surpassing the boundaries of a pharmaceutical company.

*SHIONOGI denotes the SHIONOGI Group.



SHIONOGI’s Philosophy



Building Innovation Platforms to Shape the Future of Healthcare
SHIONOGI Group Vision
What we want to achieve by 2030



Appearance after Vision is realized		
Continuously creating innovative products/services, with a well-established and rapidly-growing global business	Continuing to offer solutions to health issues facing society	Excellent business persons who never take a break from building their expertise and capabilities, leveraging their individual strengths and creating new value

SHIONOGI
Value

1

➤ Financial and Non-Financial Value as Well as Fields

SHIONOGI's Pharmaceuticals for Infectious Diseases

Acute Infectious Diseases



● **Finibax** (doripenem)
Finibax is a carbapenem antibiotic launched in 2005. It is used for the treatment of severe infections as a drug that is highly effective against bacteria that are resistant to many other antibacterial drugs.

Infectious Diseases Requiring a Long Period of Treatment



● **Tivicay** (dolutegravir)
Tivicay is an anti-HIV drug launched in 2013. With excellent efficacy and safety, and because it is less likely to cause drug resistance, it contributes to the treatment and improved quality of life for people living with HIV around the world.

Acute Infectious Diseases



● **Xofluza** (baloxavir marboxil)
Xofluza is an influenza antiviral drug with a different mechanism of action launched in 2018. It has established a strong reputation not only for its therapeutic effect but also for the convenience of its single dose treatment against influenza.

AMR



● **Fetroja** (cefiderocol)
Fetroja is a treatment against multidrug-resistant Gram-negative bacterial infection launched in 2020. As a drug that can be a life-saving trump card for patients who previously had no treatment options, it contributes to the treatment of patients around the world.

Infectious Diseases Requiring a Long Period of Treatment



● **Cabenuva** (cabotegravir + rilpivirine)
Cabenuva is a long-acting anti-HIV drug launched in 2020 as a therapeutic and in 2021 as a prophylactic agent. It helps to improve the quality of life of patients because it can treat or prevent HIV with a single injection every two months.

Acute Infectious Diseases

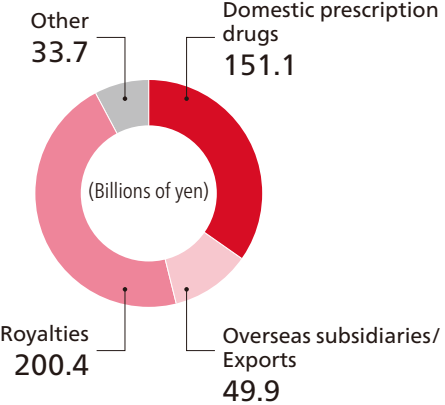


● **Xocova** (ensitrelvir)
Xocova is a domestically produced oral COVID-19 treatment drug launched in November 2022 under the emergency approval system. The drug obtained normal approval in March 2024. It contributes to the treatment of COVID-19 as the only drug that can be used by patients who are not at risk of severe illness.

SHIONOGI in Numbers

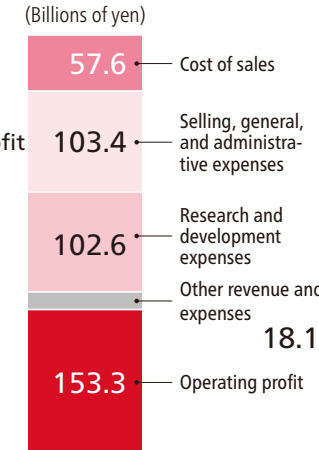
Finances (FY2023)

Revenue
¥435.1 billion



(Billions of yen)

Operating profit margin
35.2%



(Billions of yen)

Pipeline (as of June 2024)

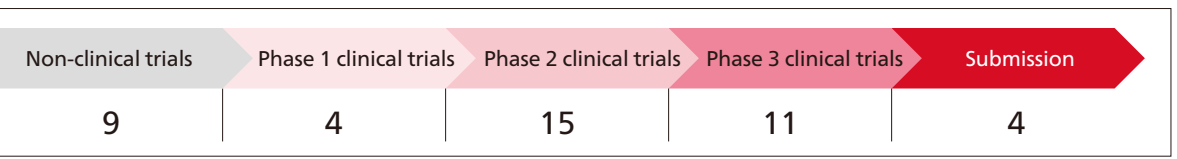
Number of pipeline products
43

Main fields

Infectious diseases 19
QOL diseases 24

Internally-discovered pipeline ratio
66%

New*3 business (includes items already being provided)
7



*3 Healthcare solutions other than pharmaceuticals and vaccines

Market and Performance

HIV

Royalty revenue from ViiV Healthcare Limited (FY2023)
¥195.8 billion

Market information

Anti-HIV Drug Market (2023)
Approx. ¥4.3 trillion*1

Number of companies providing the market with long-acting formulations
2

*1 The top two companies account for approximately 88% of the market share. Calculated based on the financial results of major pharmaceutical companies selling anti-HIV drugs in the fourth quarter of 2023.

Market forecast for long-acting formulations (annual)

By 2031
Treatment
Approx. £6.0 billion
(¥1,092.0 billion*2)

By 2031
Prevention
Approx. £3.2~4.0 billion
(¥582.4~728.0 billion*2)

Performance

ViiV's market share
2015: 16.7% ➤ 2023: 27.0%

AMR

Number of countries where Fetroja (cefiderocol) can be provided through partnerships with GARDP and CHAI (as of the end of 2023)
135 countries

Market information

If effective AMR measures are not taken by 2050

Estimated annual AMR-related deaths (2050)
Approx. 10 million

Estimated economic impact
\$100 trillion (accumulated)

Performance

Cefiderocol sales (FY2023)

U.S.
¥14.5 billion
+45.4% (YoY)

Europe
¥10.7 billion
+62.0% (YoY)

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SHIONOGI Value 2 > Roadmap for the Future and Impact

In order to realize SHIONOGI's vision of "Building Innovation Platforms to Shape the Future of Healthcare," we have identified Material Issues (materiality), formulated the Medium-Term Business Plan "Shionogi Transformation Strategy 2030 (STS2030)," and have been working on it. As the path to the SHIONOGI Group Vision became clearer, we reviewed our strategy in June 2023 and announced the STS2030 Revision. We aim to accelerate our global growth, reach our sales target of ¥800.0 billion by FY2030, and realize the SHIONOGI Group Vision.

SHIONOGI's Material issues (Materiality)

Material issues to create value by solving healthcare social issues

Protect people from the threat of infectious diseases

Contributing to a healthy and prosperous life

Create innovation

Improve access to healthcare

Material issues to reduce negative impacts on customers and society

Supply socially responsible products and services

Strengthen supply chain management

Respect human rights

Protect the environment

Material issues to support the realization of a sustainable society and the growth of SHIONOGI

Develop and secure human resources to support growth

Ensure compliance

Strengthen governance

2030
SHIONOGI Group Vision
Building Innovation Platforms to Shape the Future of Healthcare

* Healthcare as a Service: Provide a range of healthcare services in line with customer needs, rather than only providing pharmaceuticals.

STS2030 Revision > P.37

Growth through Transformation



Main fields

Infectious diseases with a high impact that threaten society > P.68

QOL diseases with a high social impact > P.70

FY2023 Results

FY2025 Targets

FY2030 Targets

Revenue

¥435.1 billion

¥550.0 billion

¥800.0 billion

Overseas sales CAGR
(excluding royalty income)

17.4%
(Starting from FY2022)

50%
(Starting from FY2022)

15%
(Starting from FY2025)

EBITDA

¥188.7 billion

¥200.0 billion

SHIONOGI Value 3 > History of Value Formation

Both the world and SHIONOGI have changed significantly over time, but we have not forgotten our founding spirit, and our head office is still located where we were founded, in Osaka. Here, we describe how SHIONOGI has grown in response to the changes that have taken place over the past century and a half.

1870s-1930s

1878 Founded

On March 17, 1878, his 24th birthday, Gisaburo Shiono, Sr., who learned about the drug wholesaling business from his father, Kichibei, strikes out on his own and establishes a drug wholesaling business named Shiono Gisaburo Shoten.

1909 Registered the corporate emblem FUNDOSH

The brand symbol, derived from the “counterweight” used to weigh medicines on a scale, stands as a symbol of accuracy, honesty and trust, and represents SHIONOGI's commitment.

FUNDOSH from the Edo era

Group brand symbol (From July 2021)

1910 Constructed the Shiono Seiyakusho manufacturing plant

1919 Shiono Gisaburo Shoten and Shionogi Seiyakusho K.K. merged and reorganized to form Shionogi Shoten Co., Ltd.

1940s-1990s

1943 Renamed the Company Shionogi Seiyaku K.K. (currently, Shionogi & Co., Ltd.)

1957 SHIONOGI's Company Policy (currently, SHIONOGI Group Heritage) established

A “basic policy” was established to serve as our eternal goal in passing down SHIONOGI's unique philosophy and commitment cultivated since our founding. As a result, we are able to move forward without losing sight of our basic direction as a pharmaceutical company, which is “to serve people's health.”

1983 Construction of the Kanegasaki Plant

The Kanegasaki Plant was built in the town of Kanegasaki, Isawa-gun, Iwate Prefecture where a large factory site was secured as one of our key factories, based on a long-term plan for the future expansion of our pharmaceutical manufacturing facilities.

Kanegasaki Plant

1998 Establishment of the SHIONOGI Code of Conduct

The SHIONOGI Code of Conduct was established to complement the SHIONOGI Group Heritage as a criterion for behavior so that the Company could flexibly adapt to changes in the operating environment and fulfill needs of society.

2000s

2001 Establishment of Shionogi USA, Inc. (currently, Shionogi Inc.)

2008 Acquisition of Sciele Pharma, Inc. (currently, Shionogi Inc.) in the U.S.

2010s

2011 Acquisition of C&O Pharmaceutical Technology (Holdings) Ltd. in China

2012 Establishment of Shionogi Ltd. (currently, Shionogi B.V.)

2020s

2020 Establishment of Ping An-Shionogi Co., Ltd.

2022 Launch of new corporate brand

2023 STS2030 Revision

STS2030 Phase 2 was launched ahead of the original plan after the path to achieving the Vision became clearer.

First Medium-Term Business Plan (FY2000-FY2004)	Second Medium-Term Business Plan (FY2005-FY2009)	Third Medium-Term Business Plan (FY2010-FY2013)	Fourth Medium-Term Business Plan (FY2014-FY2019)	STS2030 (FY2020-FY2030)
—Establishing a Foundation—	—Accelerating Progress—	—SONG for the Real Growth—	—Shionogi Growth Strategy 2020 (SGS2020)—	—Shionogi Transformation Strategy 2030 (STS2030)—

History of Products in Each Product Portfolio

Infectious diseases	1911 The syphilis treatment <i>Salvarsan</i>	1959 The sulfonamide drug <i>Sinomim</i>	1981 The glycopeptide antibiotic <i>Vancomycin</i>	2005 The carbapenem antibiotic <i>Finibax</i>	2010 The influenza antiviral drug <i>Rapiacta</i>	2020 A multidrug-resistant Gram-negative bacterial infection treatment <i>Fetroja</i> (cefiderocol)
		1961 The antiprotozoal agent <i>Flagyl</i>	1982 The oxacephem antibiotic <i>Shiomarin</i>		2013 The anti-HIV drug <i>Tivicay</i>	The long-acting anti-HIV drug <i>Cabenuva</i> (cabotegravir + rilpivirine)
QOL diseases	1909 Our first in-house drug, the anti-indigestion <i>Antacidin</i>	1976 The synthetic antibacterial agent <i>Baktar</i>	1988 The oxacephem antibiotic <i>Flumarin</i>	2018 The influenza antiviral drug <i>Xofluza</i>	2014 The anti-HIV drug <i>Triumeq</i>	The IgG/IgM antibody test kit for COVID-19 (research reagent)
			1997 The cephem antibiotic <i>Flomox</i>			2022 The COVID-19 treatment <i>Xocova</i> (ensitrelvir)
QOL diseases		1950 The analgesic <i>Sedes</i>	1977 The neuropsychiatric agent <i>Wintermin</i>	2001 The pain treatment drug <i>morphine hydrochloride injection solution Shionogi</i>	2010 The antidepressant drug <i>Cymbalta</i>	2016 The hypercholesterolemia treatment <i>Crestor OD tablets</i>
		1957 The neuropsychiatric agent <i>Vegetamin</i>	1989 The persistent cancer pain treatment <i>MS Contin</i>	2003 The cancer pain analgesic <i>OxyContin</i>	2012 The injectable cancer pain analgesic <i>OxiFast</i>	2017 The cancer pain treatment <i>Methapain</i>
QOL diseases		The neuropsychiatric agent <i>Novamin</i>	The sleep aid <i>Rhythmy</i>	2005 The hyperlipidemia treatment <i>Crestor</i>	The hypertension treatment <i>Aimix</i>	The chronic cancer pain treatment <i>OxyContin TR tablets</i>
		1965 The antidepressant <i>Surmontil</i>		2007 The cancer pain treatment powder <i>Oxinorm</i>	2013 The hypertension treatment <i>Irtara</i>	The attention-deficit/hyperactivity disorder treatment <i>Intuniv</i>
QOL diseases				2008 The hypertension treatment <i>Irbetan</i>	2015 The allergen immunotherapy <i>Actair</i>	The opioid-induced constipation treatment <i>Symproic</i>
				The acne vulgaris treatment <i>Differin</i>	The thrombocytopenia treatment <i>Mulpleta</i>	2019 The attention-deficit/hyperactivity disorder treatment <i>Vyvanse</i>
QOL diseases				The idiopathic pulmonary fibrosis treatment <i>Pirespa</i>		

Healthcare issues addressed by SHIONOGI

Infectious diseases

Pain and central nervous system

Lifestyle-related diseases

QOL diseases (including obesity, dementia, hearing impairment, pediatric diseases and rare diseases, and sleep disorders)

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Message from the CEO



Isao Teshirogi, Ph.D.

Representative Director,
President and CEO

We continue to strive for transformation, aiming to become a true global company to realize our SHIONOGI Group Vision.

Progress toward realizing SHIONOGI Group Vision, strategies bearing fruit

The year fiscal 2023 saw the loss of many precious lives due to natural disasters both in Japan and abroad, including the Noto Peninsula Earthquake that occurred early in the New Year, as well as wars. Once again, we offer our sincere condolences to those who have passed away and those affected by disasters, and express our sympathies to those who are still forced to live under difficult circumstances. Furthermore, it was also a year in which economic risks increased through currency fluctuations and social anxiety spread, but given these circumstances, it is likely that various events that cannot be captured within the conventional framework will continue to occur in fiscal 2024 and beyond, requiring us to further raise our level of

preparedness and vigilance against risks. On the other hand, even in this rapidly changing environment, we feel that the pharmaceuticals and healthcare solutions provided by SHIONOGI are bringing peace of mind to many people, fulfilling our role as a HaaS* company. We will continue to strongly uphold our basic policy: SHIONOGI strives constantly to supply the best possible medicine (healthcare solutions) to protect the health and wellbeing of the patients we serve, and as a united group, we will continue to face head-on the diversifying societal and customer needs and work toward their resolution.

* Healthcare as a Service: Providing various healthcare services to meet the needs of customers, not being limited to the provision of pharmaceuticals.

Review of fiscal 2023 business (results and progress in the first year of STS2030 Revision)

In the first fiscal year of Phase 2 (FY2023-FY2025) of the Medium-Term Business Plan "Shionogi Transformation Strategy 2030 Revision (STS2030 Revision)" which started in June 2023, we were able to grow our business steadily, achieving record-high performance for the second consecutive term in terms of revenue and operating profit since our founding. Regarding revenue, we fell short of the annual target of 450 billion yen by approximately 15 billion yen, but this was due to the COVID-19 pandemic and the overall prescription rate of antiviral drugs falling below expectations, and I feel that our efforts to strengthen our sales capabilities, which we have identified as a point of reinforcement, are steadily progressing. In particular, we were able to achieve results beyond expectations in stabilizing our HIV business and acute infectious disease business, as well as the global sales of cefiderocol for multidrug-resistant bacteria, and I have high expectations for further growth in the future.

Among several achievements, I would first like to explain about our HIV business. When we announced the Medium-Term Business Plan STS2030 in June 2020, before the revision, SHIONOGI's biggest challenge was how to overcome the HIV product patent cliff expected around 2028 and achieve regrowth. However, as a result of SHIONOGI's partner company, ViiV Healthcare, rapidly advancing a paradigm shift in HIV infection treatment, the business premise has greatly changed, and the patent cliff for dolutegravir-related products, which were initially expected to be oral treatments, has effectively disappeared. In other words, SHIONOGI's royalty income will not turn to decline after

fiscal 2028, and stable growth can be expected in the future. This is based on the fact that ViiV Healthcare's strategy is functioning, and the market transition to long-acting (LA) injectable drugs centered on cabotegravir, which SHIONOGI created, is progressing smoothly. We recognize this as a result of being able to meet the true needs of patients who want to eliminate the burden and anxiety of daily oral medication, want to live a life without being conscious of HIV, and don't want others to know that they are infected with HIV. Currently, GSK, the parent company of ViiV Healthcare, is also sending out strong messages externally about the growth of the HIV business, similar to SHIONOGI, indicating that the growth of the HIV business is progressing with a very high degree of certainty. Furthermore, SHIONOGI and ViiV Healthcare continue to pursue new research and development aiming for further growth and stabilization of the HIV business. Regarding HIV infection treatment and prevention based on cabotegravir, we are working to further reduce the burden on patients by changing from administration once every 2 months to once every 4 months. Additionally, the development of S-365598, which was created by SHIONOGI and out-licensed to ViiV Healthcare, is progressing smoothly, aiming for treatment and prevention with injections once every 6 months.

Next, I'd like to discuss the stabilization of revenue from acute infectious disease drugs, such as *Xocova* and *Xofluza*. For the three years since the COVID-19 pandemic occurred, that is, from fiscal 2020 to fiscal 2022, the prevalence of influenza virus was extremely low. As a result, sales of

Message from the CEO

Progress of STS Phase 2

➤ Top-line growth

- Domestic business: Successfully expanded our own sales mainly in the category of infectious disease drugs
Revenue from domestic business **increased by 46.4 billion yen** from the previous fiscal year excluding non-recurring factors
- Royalty income: Oral two-drug regimens and LA formulations grew dramatically
Increased by 25.7 billion yen from the previous fiscal year as ViiV achieved steady business growth
- Overseas business: Steady progress in cefiderocol
Revenue **increased by 7.4 billion yen** from the previous fiscal year mainly through growth in the European and US businesses

➤ Profit growth

- Flexible cost management in response to changes in top line
Achieved growth in operating profit after recognizing several non-recurring expenses
- Invested aggressively toward establishing growth drivers

➤ Status of main KPIs

	STS Phase 1	STS Phase 2			STS Phase 3
	FY2022	FY2023 (Target)	FY2023 (Results)	FY2025	FY2030
Revenue	426.7 billion yen	450.0 billion yen	435.1 billion yen	550.0 billion yen	800.0 billion yen
Overseas sales CAGR* (excluding royalty income)	—	—	17.4% (Starting from FY2022)	50% (Starting from FY2022)	15% (Starting from FY2025)
EBITDA	175.6 billion yen	167.0 billion yen	188.7 billion yen	200.0 billion yen	—

* CAGR (Compound Annual Growth Rate)

influenza related products, such as *Xofluza* and *Rapiacta*, were dropped to almost zero for a period, and we faced the difficulty of relying mainly on products that are greatly affected by epidemics. However, since the launch of *Xocova*, we have been able to offer treatments for acute respiratory infections caused by different types of viruses, namely COVID-19 and influenza. As a result, our business has become less susceptible to the prevalence of specific viruses. Consequently, in fiscal 2023, we were able to consistently secure a certain level of sales throughout the year, regardless of the prevalence of either virus. This demonstrates the value of having treatments for multiple types of viruses and bacteria that cause acute infections, and we view it very positively as a new business model that realizes stabilization of revenue. To further expand this type of product and strengthen our disease portfolio, we are currently developing S-337395, a candidate for RSV infection treatment, at the fastest pace possible. Furthermore, we are actively working on the overseas expansion of *Xocova*, aiming to build a business model that is more stable throughout the year by increasing the number of countries where it is sold and not depending on specific infection areas. In addition to these, we aim to make this business more sustainable by combining measures such as stockpiling and cooperating purchases with various countries. Acute infection disease businesses are considered high-risk ventures due to their significant susceptibility to outbreak patterns. Nevertheless, SHIONOGI aims to continue its research and development efforts against infectious diseases by continuing to evolve its business model through these initiatives. We are strongly committed to this path because we recognize it as SHIONOGI's essential mission to ensure people's safety and security.

The third point is about the expansion of global sales of cefiderocol. Cefiderocol has seen significant sales growth in Europe and the U.S. due to the accumulation of real-world evidence and the promotion of proper use. This

demonstrates not only the potential of the drug itself but also the increased sales capability of our European and American group companies. These elements are bringing bright prospects for SHIONOGI's future global expansion. Also, in Europe, we have signed a sales agreement with Sobi for Central and Eastern Europe, expanding the number of countries where our products are sold. Furthermore, in China, our new drug application has been accepted, and sales expansion is expected after approval is obtained. Sales have also begun in Japan, and cefiderocol has been selected as a target drug for the Japanese pull incentive, the Antimicrobial Resistance Support Program. Antimicrobial resistance (AMR) is a global issue, and we are preparing to provide cefiderocol to low- and middle-income countries (LICs/MICs) through collaboration with GARDP and CHAI. SHIONOGI will continue to improve global access to cefiderocol and contribute to liberation from the threat of AMR infections. Furthermore, we aim to establish a strong global sales system that will allow us to sell our own products in Asia, the U.S., and Europe by applying the know-how cultivated in the global expansion of cefiderocol to other drugs.

Even in a rapidly changing environment, SHIONOGI continues to practice stable management. We believe this is largely due to our ability to identify management issues early and take proactive measures to address them. We have always shared management issues across the Company with a view to 10 and 20 years ahead, and found and implemented solutions for issues, such as the patent expiration of the cholesterol-lowering drug *Crestor* on and after 2016 and the expected patent expiration of the anti-HIV drug dolutegravir around 2028. This approach has minimized the impact of major patent expirations on our performance while improving profit margins. One of SHIONOGI's characteristics is its strong management style that consistently achieves the profit targets we announce. By continuously

creating innovation while practicing thorough cost management, we have achieved a very high operating profit margin of over 30% for eight consecutive years. This strong commitment to achieving targets and high operating profit margin is SHIONOGI's great strength, and we will continue to pursue highly efficient management that is resilient to environmental changes. As a result, we will continue management that is trusted by our stakeholders.

While we achieved the best management performance in our history, we were unable to meet the pre-specified primary endpoints in both the SCORPIO-HR trial of *Xocova*, which we aimed to expand globally, and the Phase 2 trial of the anti-obesity drug S-309309. Of course, drug development is always accompanied by risks, and looking globally, the number of development compounds that failed to achieve their main evaluation items seems to be increasing in recent years. Nevertheless, we fully accept the fact that these trial results did not meet the expectations of our stakeholders, including patients. However, SHIONOGI will never give up and will fulfill its social mission. This is because we believe that both *Xocova* and S-309309 will

become the best medicines necessary to protect people's health. The results of the SCORPIO-HR trial for *Xocova* showed similar results to the SCORPIO-SR trial, which was the main trial for obtaining regular approval in Japan, and SHIONOGI is confident in the potential of this drug and its clinical trial results. Therefore, based on the evidence we have accumulated so far, we are continuing to work toward obtaining approval globally, including in Europe, the U.S., and Asia. Regarding S-309309, based on the results of the Phase 2 trial, we are gathering further data in non-clinical studies and considering what medical needs it can meet. Believing that the Company's true strength is tested in difficult times, we are working on all of these initiatives with an unyielding spirit.

As we also showed at the R&D briefing in June, SHIONOGI has many unique and promising compounds other than *Xocova* and S-309309, and we are actively investing with a view to the needs of the world 10 and 20 years from now. We are confident that each of these pipelines has the potential to meet medical needs, so we hope you will continue to keep an eye on their development in the future.

Accelerating efforts toward realizing the SHIONOGI Group Vision

SHIONOGI is transforming from a drug discovery-based pharmaceutical company to a HaaS company that provides various healthcare services according to our customers' needs, not limited to providing pharmaceuticals, in order to realize our Vision (the SHIONOGI Group Vision) for 2030: Building Innovation Platforms to Shape the Future of Healthcare. In

STS Phase 2 (FY2023-FY2025), to achieve further corporate growth based on our robust HIV business, we will maximize our assets centered on expanding sales both domestically and internationally, while developing global sales systems and strengthening our competitive research and development pipeline through active investment.

Realizing further growth in the infectious disease area

In Japan, COVID-19 transitioned from a Pandemic Influenza (The Novel Influenza and Other Diseases) (equivalent to Class 2) to a Class 5 infectious disease in May 2023, and our daily lives are returning to pre-pandemic conditions. However, we believe that COVID-19 will continue to change its form and nature, and will continue to have a certain impact on our health and lives. To achieve stable corporate growth while facing such infectious disease threats, it is essential for SHIONOGI to build a sustainable business model. Therefore, we aim to stabilize and further grow our infectious disease business by advancing total care initiatives that go beyond just providing therapeutic drugs, and by maximizing the value of our in-house developed treatments. Specifically, three points that need to be strengthened are: (1) realization of Test to Treat, leading to early diagnosis and early treatment, (2) continuous commitment to HIV infection research, and (3) response to future pandemics.

One of the top priorities in the infectious disease business is deeper penetration of *Xocova* in the domestic market and its global expansion. To achieve this, we will

continue activities to make society widely recognize the importance of early suppression of virus levels in infected patients and thoroughly promote the importance of Test to Treat. All these efforts directly address the common issues of improving diagnosis rates and the resulting improvement in treatment rates. For acute infectious diseases, such as influenza, diagnosis and treatment rates are lower overseas compared to Japan. The background to this is the hypothesis that patients are not receiving appropriate treatment because accurate, simple, and inexpensive diagnostic drugs are not widely available. Based on this hypothesis, we are acquiring and researching new technologies and assets, such as image diagnosis and saliva testing, and accelerating research and development in the diagnostic field. Through these efforts, we will work to realize Test to Treat globally, enabling diagnosis of infectious diseases from anywhere, anytime, and by anyone, leading to appropriate treatment.

Also, regarding HIV infection, one of the world's three major infectious diseases, advances in anti-HIV drugs have

Message from the CEO

made it possible for people infected with HIV to live lives similar to healthy people without developing AIDS throughout their lives. However, it is an undeniable fact that HIV is still highly lethal and has significant unmet needs. SHIONOGI, which has been continuing research and development related to HIV for over 30 years, believes it is our crucial responsibility to continue investing management resources actively in this area and pursue drug discovery research. Specifically, while HIV prevention can be achieved with a single drug, treatment still requires the combination of two or more drugs. Therefore, we continue to focus on creating new compounds that are more effective, safer, and less burdensome for patients. These include partner drugs with mechanisms different from integrase inhibitors (such as dolutegravir and cabotegravir), which are key drugs in HIV treatment, as well as preventive drugs with improved convenience. With the smooth progress of these efforts, we are increasingly confident that we can not only improve the quality of life for people living with HIV infection but also further strengthen the revenue base of our HIV business beyond 2030.

Furthermore, we must not let the world's awareness of future pandemics and AMR fade. In a situation where we don't know what kind of pathogen will become prevalent, the speed of initial response when a new infectious disease occurs is extremely important. Therefore, SHIONOGI is creating a platform for a broad range of antiviral drugs that are effective against various viruses so that we can respond quickly when they occur. As a measure against AMR, after acquiring Qpex Biopharma, we established a new research base for bacterial infections in the U.S. and are accelerating research and development. Infectious disease

Development of solutions for QOL diseases that are globally in demand

In addition to the infectious disease business, another important area SHIONOGI focuses on is QOL diseases with high social impact. SHIONOGI recognizes that its drug discovery capabilities, cultivated over many years, are a major strength, but there are risks associated with over-reliance on these capabilities and being too biased toward internal scientific interests. Such an attitude may cause us to overlook existing and future needs. To avoid this risk, it is important to constantly monitor customer and social trends and accurately identify issues that are expected to remain unresolved and increase in the future, that is, future unmet needs. Against this background, in STS2030 Revision, we have newly identified contributing to a healthy and prosperous life as a material issue (materiality) and are actively working to contribute to diseases where we can maximize SHIONOGI's strengths in areas with significant future unmet needs.

The significance of addressing QOL diseases lies in the fact that these diseases can be the cause of serious illnesses.

countermeasures are a global issue, and it is important to accurately grasp the needs and situations as early as possible. Therefore, we will deepen our cooperation with public institutions, such as the National Institutes of Health (NIH) and the Biomedical Advanced Research and Development Authority (BARDA), a division of the U.S. Department of Health and Human Services, and actively engage in research and development for difficult-to-address infectious diseases. In addition, regarding the vaccine business, SHIONOGI's first vaccine was approved in Japan, marking a step forward. In the future, in addition to platforming COVID-19 vaccines, we will energetically develop universal vaccines and nasal vaccines as next-generation vaccines. Also, to realize the 100 Days Mission, we will actively promote external collaborations and establish a system that can provide socially necessary vaccines at an early stage. Furthermore, detection initiatives, such as wastewater surveillance services that may prevent pandemics, are also important. We established AdvanSentinel Inc. in 2022, aiming for early social implementation by strengthening industry-academia-government collaboration, such as establishing a new Laboratory of International Wastewater-based Epidemiology at the University of Tokyo and advancing research on detection methods for highly pathogenic avian influenza viruses.

Detection, prevention, diagnosis, treatment, and global expansion. These are important roles that SHIONOGI, which has focused on infectious disease research for over 60 years and provided many infectious disease drugs to society, should play. As a leading company in infectious diseases, we will continue to develop solutions for unmet needs globally with our own efforts.

For example, sleep apnea syndrome and hearing loss are closely related to increased risk of central nervous system diseases, such as dementia and depression. Similarly, obesity is widely recognized as a factor that increases the risk of hypertension, diabetes, cardiovascular diseases, and other conditions. Many diseases, such as hypercholesterolemia, hypertension, and diabetes, can now be controlled to some extent with existing therapeutic drugs, but the number of patients continues to increase. SHIONOGI aims to make a significant contribution to human health by addressing more fundamental causes of diseases to respond to these wide-ranging health risks. In recent years, the introduction of innovative treatments for obesity by overseas companies has stimulated potential needs and rapidly expanded the market. Even if the current market is immature, it has been shown that a single therapeutic drug can be the catalyst for creating a new market. Another significance of addressing QOL diseases is to respond to unmet needs that may emerge 10 or 20 years from now, which are not yet visible.



As it is quite possible that diseases that were not seen 10 years ago, such as hearing loss caused by earphones, may appear due to environmental changes, we will work on developing various solutions while anticipating future unmet needs.

QOL diseases, which are similar to lifestyle-related diseases, are an area where SHIONOGI can maximize its strength in small-molecule drug discovery. These diseases often have long-lasting symptoms and require continuous treatment. For such diseases, small-molecule drugs that are highly effective, safe, orally administrable, and affordable for patients are required. While many pharmaceutical companies are currently concentrating their management resources on research and development of antibodies and gene therapies, SHIONOGI is re-recognizing the importance of small-molecule drug discovery. While the strength of small-molecule drug discovery is a big advantage in QOL

Strengthening the management foundation for transformation into a true global company

In today's rapidly changing and unpredictable society, wise decision-making is required for companies to respond flexibly and change with a sense of speed, without being bound by past successful experiences. SHIONOGI has worked initially in Japan to make decision-making more sophisticated by visualizing processes and improving traceability. As SHIONOGI's unique decision-making method, that is, a method of making decisions based on a comprehensive judgment of the future impact on the Company rather than the conventional monetary criteria, has begun to take shape, we will work on expanding this globally as the next step. To realize this, it is not sufficient to simply have Japanese employees stationed at overseas group companies for communication as before, but we believe it is necessary to actively invite employees and executives of overseas group companies to be stationed at the global head office in Japan. Furthermore, in a world where we must be increasingly conscious of management based on human capital management, it is inevitable to work on globalization that considers the diversity and mobility of human resources. It is clear that when the Company

diseases, our knowledge of the diseases themselves is not yet sufficient. To address this issue, we are accelerating the speed of drug discovery by strengthening external collaborations and maximizing their knowledge and resources, in addition to SHIONOGI's research. A specific example is the establishment of a joint venture with Apnimed in the U.S. Apnimed is an expert in the field of sleep apnea syndrome and has a strong development network and high expertise in clinical settings. By combining this with SHIONOGI's small-molecule drug discovery capabilities, we can provide more efficient solutions that meet clinical needs.

Also, as the declining birthrate and aging population progress, it is extremely important to maintain social productivity in the future, and we consider the pediatric field, which is responsible for future society, to be an important theme. In particular, addressing difficult-to-solve rare diseases in children is important, and we are focusing on countermeasures for these diseases.

By advancing these efforts using the globally competitive speed we acquired in the process of developing treatments for COVID-19, we will meet the expectations of various stakeholders.

implements large-scale changes, such as globalization, it is difficult to respond with only human resources with existing skill sets. Therefore, we are making all-out efforts to promote structural reforms toward globalization, such as implementing a special retirement program, establishing a joint venture company with Accenture for indirect operations of Shionogi Business Partner (SBP), which is responsible for shared services of the domestic group, and introducing a new personnel system to recruit external human resources with advanced specialized skills. Under these circumstances, we believe that true globalization cannot be achieved unless the head office becomes diverse.

To embody "Discover, manufacture, and market" as a true global function, we will not only globalize research and development and sales but also head office functions, aiming for a SHIONOGI where it is normal to see people of various nationalities working together toward the realization of the 2030 Vision with the same goals, no matter where you go in SHIONOGI. To realize this, we have also made the decision to move our head office from our founding location to a place suitable as a global head office from fiscal 2025.

To our stakeholders

SHIONOGI has made a new start toward realizing the SHIONOGI Group Vision and continued efforts to solve material issues (materiality). We will continue to accelerate globalization and contribute to your health and fruitful life

in the future. We will strive to remain a trusted partner for all our stakeholders, and we ask for your continued guidance and support.

Why does SHIONOGI fight infectious diseases?

Infectious diseases have had significant impacts on humanity many times in the past. It is predicted that the history of battles against infectious diseases is likely to repeat again in the future. Because SHIONOGI has been facing infectious diseases for many years, we can provide solutions. SHIONOGI will continue to provide solutions at the forefront of infectious disease countermeasures and grow together with society.

Social issues surrounding infectious diseases

In recent years, the world has faced new threats from infectious diseases. For example, COVID-19 spread worldwide as a pandemic, claiming many lives and having enormous impacts on economies and societies. Infectious diseases such as Ebola hemorrhagic fever, Zika virus infection, and dengue fever are also spreading over wide areas due to globalization and climate change.

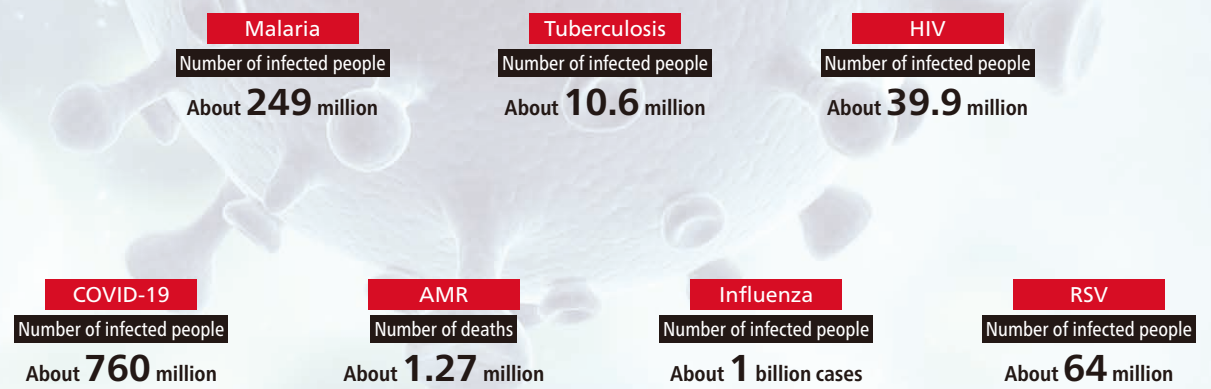
The increasing population density in large cities and the development of transportation infrastructure in modern society facilitate the rapid spread of infectious diseases and make them difficult to control. Therefore, the risk of occurrence of the next pandemic remains high.

Moreover, the three major infectious diseases - malaria, HIV/AIDS, and tuberculosis - remain significant threats. Malaria claims millions of lives every year, many of them children in sub-Saharan Africa. Although the number of people infected with HIV/AIDS is decreasing, more than a million people are still newly infected worldwide every year. While treatments exist for some of these infectious diseases, they are not sufficiently meeting unmet needs.

Furthermore, the increase in resistant bacteria due to the overuse and misuse of antibiotics is a serious problem. Multidrug-resistant bacterial infections are difficult to treat, and it is expected that resistant bacteria will increase further in the future.

To address these threats from infectious diseases, it is necessary to continuously promote prevention and countermeasures such as international cooperation, development of new treatments, and improvement of public health.

Number of patients with major infectious diseases*



* <https://www.who.int/news-room/fact-sheets> (Accessed at the end of August 2024)
<https://www.niaid.nih.gov/diseases-conditions/respiratory-syncytial-virus-rsv> (Accessed at the end of May 2024)

Why does SHIONOGI fight infectious diseases?

Social impact of infectious diseases

Unlike other diseases such as cancer, infectious diseases are transmitted from animals to humans and from humans to humans. Due to this characteristic, infectious diseases can spread rapidly around the world, having a significant impact not only on individuals but also on society as a whole in various aspects of economy, healthcare, and society.

COVID-19: recurring pandemics

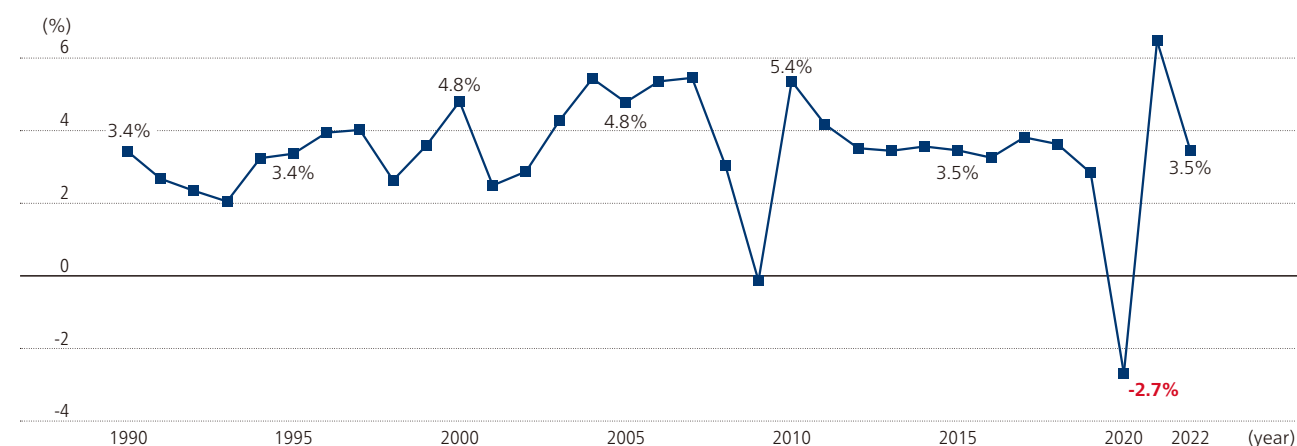
The COVID-19 pandemic had serious impacts worldwide. Economically, according to the International Monetary Fund (IMF), the global economy contracted by 2.7% in 2020, resulting in a loss of about \$2 trillion. Many businesses were forced into bankruptcy or downsizing, and in the U.S., the unemployment rate reached 14.8% in April 2020, the worst in history. There were also significant impacts on education, with UNICEF reporting that about 170 million children lost educational opportunities due to school closures. While the shift to online learning progressed, there was a gap in learning opportunities between children with and without internet access and devices, leading to a decline in academic performance and an expansion of social inequality. People's lifestyles changed

dramatically, with remote work becoming common and increases in feelings of loneliness and stress. Especially elderly people and those with underlying health conditions were forced into greater isolation due to their high risk of infection.

Looking back at history, pandemics have occurred repeatedly. Examples include the Black Death in the 14th century, the Spanish flu in the early 20th century, and the new influenza A (H1N1) in 2009. The Spanish flu killed about 50 million people worldwide and significantly stagnated economic activity. The possibility of new pandemics occurring in the future is very high. For example, reports from the World Health Organization (WHO) and scientists highlight concerns about the increase in emerging zoonotic diseases. Population growth, environmental changes, and increased contact between animals and humans are increasing the risk of emergence and spread of new pathogens.

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Duke Global Health Institute <https://globalhealth.duke.edu/news/statistics-say-large-pandemics-are-more-likely-we-thought>

Trend in global real GDP growth rate



Source: Created based on the International Monetary Fund (IMF) "World Economic Outlook, April 2024"

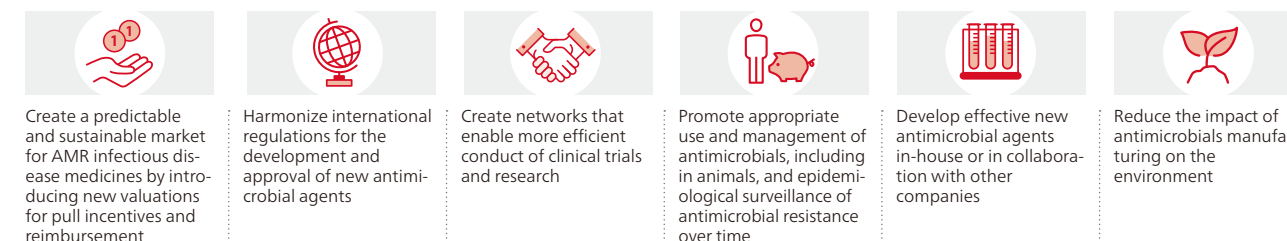
Antimicrobial resistance (AMR): the threat of a silent pandemic

AMR is a global threat that poses a danger to the lives of infected patients and that will potentially cause serious direct and indirect losses to society.

The Review on Antimicrobial Resistance*¹ published in 2016 estimated that if no countermeasures are taken, the number of deaths due to AMR could swell to 10 million per year by 2050, and the cumulative loss to global economic output

could reach \$100 trillion. Based on this, the number of deaths would reach the astonishing figure of one person every 3 seconds by 2050, with a loss of over \$10 thousand per person. Furthermore, a paper*² based on a predictive statistical model published in the LANCET journal in 2022 reported that in 2019, 1.27 million deaths worldwide were directly caused by AMR infections, and 4.95 million deaths were associated with bacterial AMR. This far exceeds the number of deaths from HIV/AIDS (0.86 million) and malaria (0.64 million).

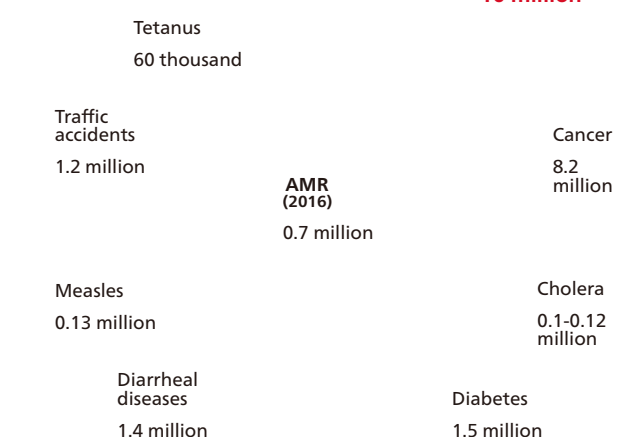
SHIONOGI's view on actions needed to address AMR



AMR infections make routine surgeries, childbirth, and cancer treatments much more dangerous. They cause treatment difficulties, prolonged hospital stays, and worsened clinical outcomes, ultimately leading to increased medical costs and decreased productivity, weakening healthcare systems. The impact on public health is particularly severe in low-income countries (LICs) and lower-middle-income countries (LMICs), where the number of deaths is expected to be highest. The increasing silent pandemic of AMR threatens our future health and safety, exacerbates global inequality, and endangers global development.

*1 https://amr-review.org/sites/default/files/160525_Final%20paper_with%20cover.pdf
*2 [https://www.thelancet.com/action/showPdf?pii=S0140-6736\(2821%2902724-0](https://www.thelancet.com/action/showPdf?pii=S0140-6736(2821%2902724-0)

Annual number of deaths by cause



The difficulties of the infectious disease business

While infectious diseases have a large social impact and need to be addressed, the number of pharmaceutical companies continuing research and development is decreasing due to business difficulties.

For example, looking at the global acute infectious disease market, market predictability is lower compared to other disease areas, and even if drug development succeeds, there are many cases where investment cannot be recovered, leading to bankruptcy or acquisition. Even major pharmaceutical companies are withdrawing from the

market one after another, citing inability to recover the enormous research and development costs and production facility maintenance costs.

If this situation continues, the number of specialized personnel conducting research in the infectious disease field with scarce investment will also decrease, and the market will increasingly lose vitality, expanding a negative spiral. While addressing infectious diseases is an indispensable effort for society, it must be said that it is an extremely challenging business model for pharmaceutical companies.

Economic value (impact) of cefiderocol in AMR infection treatment

Analysis by the National Institute for Health and Care Excellence (NICE)*³ shows that cefiderocol has very high health economic effectiveness as a treatment for severe multidrug-resistant Gram-negative bacterial infections. NICE typically values 1 QALY*⁴ at £20,000 to £30,000. The INHB*⁵ of cefiderocol is estimated to be about 16,200 QALYs over a 20-year model period. This translates to a monetary value of £324 to £486 million, indicating that treatment with cefiderocol brings significant benefits to patients' quality of life and life expectancy.

*3 <https://www.nice.org.uk/guidance/hte2/chapter/4-Committee-discussion#economic-evidence>

*4 QALY: Abbreviation for quality-adjusted life years. An indicator to evaluate quality of life (QOL) and life years together. QOL is numerically expressed with perfect health as "1" and death as "zero," and multiplied by life years to calculate QALY. In cost-effectiveness evaluations, higher QALY indicates higher effectiveness.

*5 INHB: Abbreviation for Incremental Net Health Benefit. A method to evaluate the increase in health effects brought by new medical technology or treatment together with the associated cost increase.

Why does SHIONOGI fight infectious diseases?

SHIONOGI’s efforts toward establishing a sustainable infectious disease business

SHIONOGI continues to engage in research and development and provide solutions to fulfill its responsibility as a leading company in infectious diseases, while many companies are withdrawing. However, this is not just for social significance or responsibility, but because we are confident that SHIONOGI can make the infectious disease business sustainable.

To establish a sustainable infectious disease business, SHIONOGI combines infectious disease areas with different characteristics in a balanced manner. Specifically, we target infectious diseases requiring a long period of treatment and preventive vaccines that can form a healthy pipeline

with stable revenue, as well as acute infections and AMR, for which it is difficult to predict revenue, but which are essential, in our portfolio. We are working to ensure business sustainability by clearly recognizing the characteristics and social positioning of each, establishing optimal business models, and combining them to diversify risks and opportunities. Furthermore, we are stabilizing the business by expanding the infectious disease business not only domestically but also globally. By having the ability to provide products tailored to the needs of each region and respond quickly, we continue to contribute to infectious disease countermeasures worldwide.

Strategies for the infectious disease business

Build a stable business foundation by contributing to many patients

Infectious diseases requiring a long period of treatment

Cultivate new markets that address unmet needs

- Provide new solutions for HIV infections
- Develop a new therapeutic drug (olorofim) for fungal infections with high mortality rate
- Research and develop new treatments for infectious diseases with strong unmet needs (tuberculosis, malaria, nontuberculous mycobacterial (NTM) diseases, etc.)

Vaccines

Grow vaccines into the next earnings driver as a core business

- Launch COVID-19 and influenza vaccines
- Expand business globally, including Asia
- Establish new technologies that become strengths (nasal, universal vaccines, etc.)

Build a sustainable business model

Acute infectious diseases (COVID-19, influenza, etc.)

Global growth of therapeutic drugs

- Global growth of *Xocova* and *Xofluza*
- Expand the disease portfolio through continued research and development activities

Total care initiatives

- Strengthen diagnostic capabilities, growth of vaccines and wastewater surveillance services

AMR

Create sustainable markets together with society

- Global expansion of *Fetroja* (cefiderocol)
- Continuous efforts toward push and pull incentives

Build a stable business foundation by contributing to many patients
Infectious diseases requiring a long period of treatment

Infectious diseases requiring a long period of treatment can expect stable revenue over a certain period without being affected by epidemics, and currently form a major revenue pillar for SHIONOGI. SHIONOGI is working on the world’s three major infectious diseases - HIV/AIDS, tuberculosis, and malaria. In the HIV field in particular, we have created dolutegravir and cabotegravir through collaboration with ViiV Healthcare, and these compounds are contributing to many people living with HIV. The anti-HIV drug market has reached about 4.2 trillion yen as of 2023, and ViiV Healthcare boasts the second-largest market share in the industry. Furthermore, ViiV Healthcare has established a

significant lead in long-acting (LA) injectable formulations, which are expected to grow in the HIV market, and continued growth is expected in the future. SHIONOGI is also strengthening collaborations with public institutions and partners in the fields of tuberculosis and malaria to develop new treatments.

Royalty Business > P.58

Vaccine business

For the vaccine business, we can build a stable business model with relatively low dependence on patents as generic drugs do not enter the market. Furthermore, this business allows us to secure revenue while contributing to the health of many people since vaccines are also administered to healthy individuals. Also, due to high entry barriers and limited competition, it is possible to maintain a

competitive advantage in the market. SHIONOGI entered the vaccine business in 2020 by acquiring UMN Pharma. Since then, we have steadily strengthened our capabilities in research, development, and manufacturing, and in June 2024, we obtained domestic manufacturing and marketing approval for *Covgoze*, SHIONOGI’s first recombinant protein vaccine. In the future, we will accumulate achievements as a vaccine manufacturer by advancing the development of COVID-19 variant vaccines and influenza vaccines, while also focusing on research and development of universal vaccines and nasal vaccines to enhance competitiveness. Through these efforts, SHIONOGI aims to achieve 100 billion yen in revenue from the vaccine business by fiscal 2030 and grow it into a pillar of revenue.

Vaccine Business > P.62

Build a sustainable business model

Acute infectious diseases

Acute infectious diseases are particularly difficult to manage as a business among infectious diseases because revenue is greatly affected by epidemic waves due to their nature. SHIONOGI is working to stabilize the acute infection business through multiple measures. Particularly important are establishing multiple disease portfolios, providing total care beyond just therapeutic drugs, and realizing a business model in cooperation with the government.

In fiscal 2023, we were able to achieve stable revenue without being greatly affected by epidemics by having two kinds of drugs for acute infectious diseases—anti-influenza virus drugs and a COVID-19 therapeutic drug. Currently, we are also developing solutions for multiple acute respiratory infections including RSV infection, and are working towards further stabilization. In addition, regarding the provision of total care, for COVID-19, we were able to demonstrate results through the provision of therapeutic drugs, wastewater surveillance services, and diagnostic drugs. We are currently advancing the development of *Xocova* for pediatric use and preventive indications, further expanding total care for COVID-19. In the future, we aim to further increase value for individual patients by expanding this approach to other diseases such as influenza and providing comprehensive care.

Domestic Business > P.48

AMR

While AMR is a high-priority social issue at global, regional, and national levels, the development of new antibiotics to address this issue is very difficult and unlikely to generate profits from a business perspective. Therefore, SHIONOGI is working to build new business models such as pull incentives in collaboration with the government to secure sus-

tainable revenue.

SHIONOGI developed *Fetroja* (cefiderocol), the world’s first siderophore cephalosporin antibacterial drug, and began sales in the U.S. and Europe from 2020. Cefiderocol is becoming a growth driver for the overseas business as prescriptions increase while promoting proper use through the accumulation of evidence in clinical practice. In addition, the adoption of pull incentive models is progressing in cooperation with governments of various countries. In Japan, in November 2023, *Fetroja* was selected as the first target drug for the Anti-Bacterial Drug Assurance Support Project, which guarantees a certain amount of revenue for pharmaceutical companies handling antibacterial drug sales.

Domestic Business > P.48

Overseas Business > P.54

Global expansion

To make the infectious disease business sustainable, one of the important challenges for SHIONOGI is to expand the range of product deployment not only domestically but also to Asia, the U.S., and Europe through our own efforts. We have already accelerated efforts towards global expansion of cefiderocol, and SHIONOGI is also leading global expansion of the COVID-19 therapeutic drug *Xocova*. Furthermore, to expand access to medicines in low- and middle-income countries (LICs/MICs), we are advancing initiatives in collaboration with GARDP, CHAI, and MPP.

As the global expansion of our products increases, SHIONOGI is also focusing on strengthening global sales capabilities. In terms of human resources, we are developing a framework for global recruitment and strengthening marketing personnel. In addition, in conjunction with efforts to improve medical access, we are promoting global oversight of Market Access, Government Affairs, and Medical Affairs functions, and aim to establish a strong global sales system by strengthening coordination of marketing and supply chains in Japan, the U.S., Europe, and Asia.

Overseas Business > P.54



Why does SHIONOGI fight infectious diseases?

Access to Medicine

Takuko Sawada
Director and Vice Chairperson
of the Board, SHIONOGI

and

Manica Balasegaram
Executive Director, GARDP

Dialogue



Takuko Sawada

Was appointed Director of the Company in 2015 and Vice President in 2018. Since fiscal 2020, has supervised the Integrated Disease Care Division, Corporate Strategy Division, Pharmaceutical Commercial Division and DX Promotion Division to achieve the Medium-Term Business Plan “Shionogi Transformation Strategy 2030 (STS2030)” and its revised version, “STS2030 Revision.” Became Vice Chairperson of the Board in July 2022.

Manica Balasegaram

Has led GARDP since its creation in 2016. With over 20 years of experience working in global health, Dr. Balasegaram is a global health leader and medical professional specializing in infectious diseases and clinical development. He has worked as a doctor and researcher in countries across sub-Saharan Africa and Southern Asia, focusing on humanitarian emergencies.

The silent pandemic of increasing antimicrobial resistance (AMR) is said to be a problem worldwide, and within this, it is particularly concerning that it will become serious in low- and middle-income countries (LMICs). SHIONOGI, through the conclusion of a licensing agreement including technology transfer with GARDP, and a tripartite partnership

agreement adding CHAI, aims to improve access to antibiotics in LMICs. Manica Balasegaram, Executive Director of GARDP and Takuko Sawada, Director and Vice Chairperson of the Board of SHIONOGI, discuss how their partnership on the cefiderocol access project will contribute to tackling this urgent issue.

The necessity to improve access

Q Access to the right drugs is regarded as critical in the fight against AMR. Can you say a few words on the topic?

Balasegaram We can define access as bringing products or services to the world. In the private sector, it is simply called marketing, but from a public health perspective, we typically look at what healthcare systems need, what tools

can have a significant impact and how we can ensure equity in this equation. Antibiotics have a particular status in that regard, since they are an integrated component of healthcare delivery. They play an essential role in treating patients, from surgery to oncology to critical care. So we cannot talk about healthcare without including antibiotics. We need both innovation, to create the right tools, and sustainable access.

Q Dr. Balasegaram mentioned innovation, as there is no access without innovation. What challenges do you encounter at SHIONOGI with respect to innovation?

Sawada As you mentioned, innovation and access are key components of the fight against AMR. Speaking of innovation, the challenge is that the number of researchers in this field is decreasing worldwide. We must promote the health of the market and provide an attractive environment so that many young researchers will enter this field. And the problem of access may become serious even in developed countries. For example, there are some AMR therapeutic drugs that are approved in the U.S. but cannot be sold in places like the EU because they cannot secure a price that matches the cost. On the other hand, antibiotics classified as “Reserve” are effective against infections that respond to normal antibiotics, but they must be used for appropriate patients such as those with carbapenem-resistant bacterial infections, and should not be used widely or carelessly. Even when supplying to LMICs, it is necessary to establish a system that can comply with stewardship in each country’s medical system, and ensure continuous surveillance and monitoring of proper use. This is because doing this will also make it possible to distribute our products. Such establishment of medical systems and education need to be carried out extensively and cannot be done by a single company. Governments, NGOs, and industries need to broadly share information and collaborate.

Balasegaram We are definitely seeing a cascading effect, with the broken market leading to a significant slowdown in innovation and a lack of brain power which further impedes innovation. To reverse that trend, we have to recognize that government and policy play an important role in creating favorable conditions and, when it comes to AMR, no one country can do it alone. If innovation is not supported by a nurturing environment, the pipeline dries up and the portfolio of antibiotics becomes redundant. And if we don’t talk about access, it is hard to convince countries that they must support innovation if they won’t see any of the benefits. So focusing on one or the other exclusively is a misguided way of thinking about the issue.

Q How does One Health fit into the issue of AMR?

Balasegaram One Health can be a tricky concept for policymakers to understand. It refers to a global approach

encompassing human health, animal health and agriculture. Since we use antibiotics across the board, AMR definitely qualifies as a One Health issue. For us, it could mean asking how to use what we know about the effect of antibiotics on human health to improve animal health, for example.

Sawada The One Health approach is very important. In addition to use in agriculture, livestock, and fisheries, the pharmaceutical industry also needs to avoid the environmental impact of antibiotics during manufacturing. Because bacteria exist everywhere in the environment surrounding us, such as inside living organisms, in the soil, and in water, antibiotics scattered in the environment cause the production of resistant bacteria. Therefore, as a company involved in pharmaceutical manufacturing, we consider wastewater management during manufacturing to be very important. On the other hand, the manufacture of antibiotics is very complex, and when manufacturing β-lactam (penicillin and cephem) antibiotics, there is the difficulty that antibiotics other than β-lactam antibiotics cannot be manufactured at that manufacturing site, and it must be a dedicated factory. In other words, there are also the challenges that investment is difficult unless a stable required quantity can be foreseen, and that it is difficult to respond to sudden increases in demand.

Balasegaram You bring up a very important point which is the issue of manufacturing. The One Health components that are particularly important here are the environment and quality-assured manufacturing, which I see as a basic prerequisite. Manufacturing is to us a central piece of our collaboration. The development phase, including manufacturing, is frequently where it gets complicated, and unfortunately a lot of funders and governments do not recognize that additional investment is necessary. The “D” is often the neglected child of “R&D,” and we have to address this issue globally, particularly with antibiotics, as lack of funds could lead to shortages, high cost of goods and, more importantly, a diminished ability to fight environmental contamination and implement One Health.

The cefiderocol access project serves as a very important pathfinder initiative, as we must not only look at access, but also work to create a more sustainable global supply infrastructure in a responsible, cost-effective manner. It requires that we work with companies like Orchid on the manufacturing side. It also required SHIONOGI to take a calculated risk in partnering with us, and we both had to establish risk mitigation plans. There are many factors at play here with cefiderocol, including the setting up of new

Why does SHIONOGI fight infectious diseases?

infrastructure with good, sterile conditions. We must also guarantee quality to meet WHO Prequalification.

Addressing all these issues related to access takes years, and picking the right partners is key.

A closer look at SHIONOGI and GARDP’s access initiative: the cefiderocol access project

Q You’ve explained the challenges related to access; let’s now move towards the solutions. GARDP, CHAI and SHIONOGI have entered a partnership. What were you aiming for and what were you each looking for in a partner?

Sawada Regardless of the future, currently, the areas that our Group companies can cover are limited, but on the other hand, we strongly recognized the public health importance and need for access to this drug around the time when the approval of cefiderocol came into view. This is because we developed HIV treatment drugs through joint development with ViiV, which are provided to the market by ViiV, but we had been partnering with MPP from the development stage to provide them to LMICs. However, although regulatory procedures are relatively similar, unlike antiviral disease treatments, diagnostic methods for selecting appropriate treatments are not simple for AMR treatments, and the way of dealing with them is very different, including cooperation among doctors, pharmacists, and laboratory technicians. We needed partners who would understand the regulations and medical



environment of each country, properly recognize the unique problems of bacterial infections, and be passionate about promoting surveillance, education, system building, and proper use. Before that, we had been talking with GARDP, who had been looking for neonatal sepsis treatment drugs, about other drugs, and when we consulted with them, GARDP was about to launch this program with CHAI, so we were happy to move the conversation forward. We are grateful that they launched this program at a very good time, and we are also pleased that we will be able to deliver cefiderocol to patients who need it in new regions.

Balasegaram GARDP is a relatively young organization: we were launched as a concept in 2016 and became a legal entity in 2018. We have spent the last few years building a health portfolio, with a mission to accelerate the development and access of antimicrobials with a public health impact in LMICs. We rapidly defined our scope, which includes serious bacterial infections for adults, children and neonates, as well as sexually transmitted infections. We then looked to build portfolio projects to work directly with partners to accelerate development and access.

Cefiderocol is the first treatment ready to go into the access phase. The project was different than others that we were pursuing because the drug was already available to

patients in many countries, but still a new technology. When we approached SHIONOGI, you told us that there were not many options for difficult-to-treat Gram-negative infections but this one looked interesting. That was the primary point of interest for us: the clinical utility of the drug.

Next, we tried to identify the areas where we could contribute the most. We set up innovative licensing agreements, looked at alternatives for quality-assured supply, searched for partners who could really commercialize this drug in LMICs, and then prioritized the target markets for introduction. Since we do not have extensive financial resources, we have to work smartly and sustainably, and that’s where public-private partnerships are key. We have various governments and funders among our partners, as well as companies like SHIONOGI and Orchid. The collaboration with SHIONOGI is very important for GARDP, because it will set a template and leave behind lessons for future projects.

Sawada We indeed see it as our responsibility at SHIONOGI to work on introducing this highly useful reserve antibiotic in countries with weaker healthcare systems, and are truly grateful for the opportunity to engage in this partnership.

Q What have you achieved in the last couple of years and what upcoming milestones should we look forward to?

Balasegaram First, we signed a license agreement between GARDP and SHIONOGI, and then a collaboration agreement between CHAI, GARDP and SHIONOGI.



We were then able to move to the next crucial phase: identifying a partner. We deliberately took our time to properly select this partner and, in the third quarter of 2023, we signed a sub-licensing and manufacturing agreement with Orchid. We are now in the technology transfer process between SHIONOGI and Orchid, and Orchid is currently setting up new facilities. Going forward, we will need to validate manufacturing processes, test batches, submit to the relevant regulatory authorities and look at the World Health Organization for an expression of interest. With your support, we will also start to identify relevant partners for commercial agreements.

We view this collaboration as a long-term partnership. The pathway to patients, with all the steps I have previously described, will probably take us to 2027, and then we will

focus on effective roll-out. So this will be a continuous process and we will learn many different lessons along the way.

Q You’ve probably been asked when cefiderocol would be finally available in the target markets?

Sawada I am concerned that you might think that we can respond quickly in this case as well because, regarding COVID-19 vaccines, we were able to build a system to supply hundreds of millions of people in a short period of time and provide products. This time, we have gained a wonderful partner in Orchid, but new equipment is also needed, and it will take at least 2-3 years to complete the technology transfer, obtain approval as a manufacturing site, and for Orchid to actually provide products. During that time, I hope we can proceed with environmental improvements to enable proper use in accordance with stewardship.

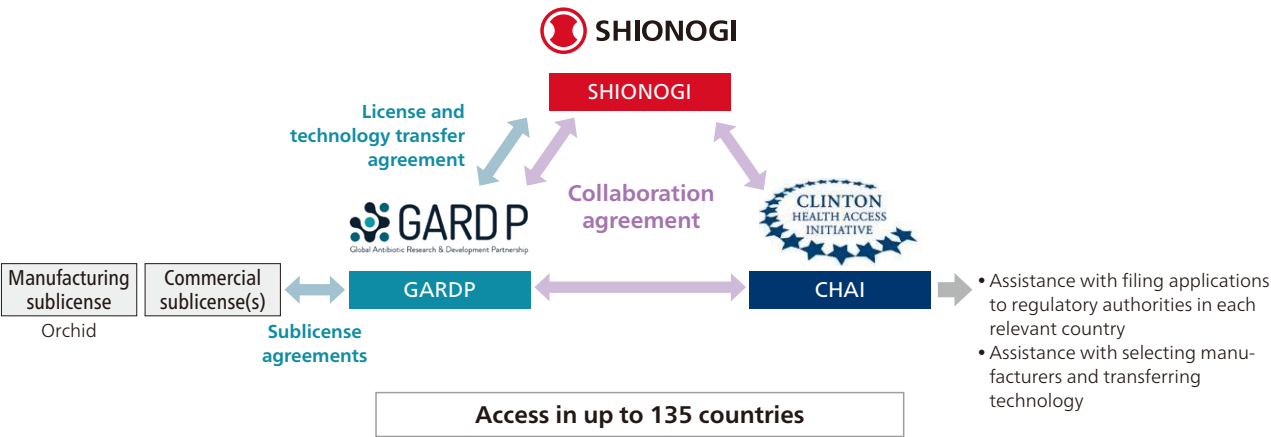
Balasegaram I believe expectations should be tempered, because we are dealing with a broken market and introducing a product in countries with limited resources, among other challenges. The ambition of both SHIONOGI and GARDP is to go as fast as we can but we have to be careful, avoid cutting corners and remain aware of the mismatch between resources and need.

Q Would you like to speak about the role the Japanese government can play?

Sawada The Japanese government can have an impact through the G7 and G20. Funding is important, but it is also important to lead the world in terms of policy, and since Japan is also a country that has been successful in suppressing the occurrence of multidrug-resistant Gram-negative bacterial infections, I think educational support from that perspective would also be effective.

Balasegaram The Japanese government has been a critical partner for us and came on board quite early. It continues to play a very strong role in universal health coverage, which to me is key to strengthening healthcare systems and ensuring more sustainable funding. It has been a key supporter of global health initiatives, including GARDP. It is important that the people of Japan understand what remarkable progress and achievements have been done by both the public and the private sector. I also want to give my personal thanks to SHIONOGI. We at GARDP are not a company, we have a partnership model, so leveraging the power of our partners is how we will achieve our mission.

Partnership on the cefiderocol access project



SHIONOGI Story

1

Evolving as a Healthcare Innovator to Transform Progress into Value

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Key Points

- SHIONOGI's achievements in addressing material issues in FY2023
- The four strengths SHIONOGI has cultivated and the value creation mechanism based on these strengths
- Progress of the Medium-Term Business Plan STS2030 Phase 2 and initiatives for FY2024
- Investment and financial strategies leading to growth and shareholder return policy

Risks and Opportunities

SHIONOGI analyzed and assessed its risks and opportunities based on changes in the internal and external environments and its time frame, identified the material issues (materialities) that must be addressed in the long term, and developed STS2030 Revision as its Medium-Term Business Plan. We will continue to assess the impacts SHIONOGI and society have on each other, and reflect such assessment in our initiatives to promote activities aimed at resolving issues.



Medium-Term Business Plan
STS2030 Revision
➤ P.37

Creating value through solutions to
social issues of healthcare

Strengthening the company platform
and contributing to a sustainable society

Environmental Changes/Social Needs	
Perception of the environment surrounding society and the healthcare industry	■ The global epidemic of COVID-19 and subsequent lifestyle changes
	■ Further expansion of the scope of corporate social responsibility
	■ Aging of developed countries' populations and rise of emerging countries
	■ Accelerating investment in the children of the future
	■ Structural changes in the healthcare industry
	■ Restricted access to medical care
	■ International instability
	■ Technical innovation and evolution, including digitalization, and greater use of data
	■ Growth of the global market for prescription drugs, and contraction of the Japanese market
	■ Global warming
Perception of the internal environment	■ Transformation to realize the SHIONOGI Group Vision
	■ Promotion of workstyle reforms
	■ Numbers of pipelines, imbalance in R&D progress
	■ High reliance on royalty business
	■ Lower patent cliff risks

Risks	Opportunities
• Contraction in market for infectious disease drugs as awareness of hygiene increases	• Globalization of infectious diseases due to climate change
• Human rights violations, risks affecting stable supply, business delays, continuity, and deterioration of credit-worthiness by the Company and its suppliers due to the following events • Deterioration in relations with local communities • Human rights, environmental, and compliance/governance issues • Greater information security risks	• Increased expectations and demand for global infectious disease countermeasures • Increasing demand for wellbeing and social participation in all generations • Rising needs for prevention, presymptomatic conditions, self-medication needs, and related market expansion • Promoting access to medical care • Creating solutions through technological innovation • Achieving stable supply, customer satisfaction, and reliability in the Company and its suppliers in the following events: • Continuous improvement of stable supply and quality assurance • Care for human rights and the environment
• Collapse of existing business models through disruptive innovation • Lack of human resources to realize SHIONOGI Group Vision • Loss of business opportunities as nothing is done in emerging countries • Higher hurdles to drug discovery and lower research efficiency • Decrease in productivity/outflow of human resources	• Construction of a business that does not rely on patents • Enhance employee awareness of transformation, to create innovation and enhance their ability to respond to change • Secure human resources by expanding the environment in which diverse human resources can play active roles

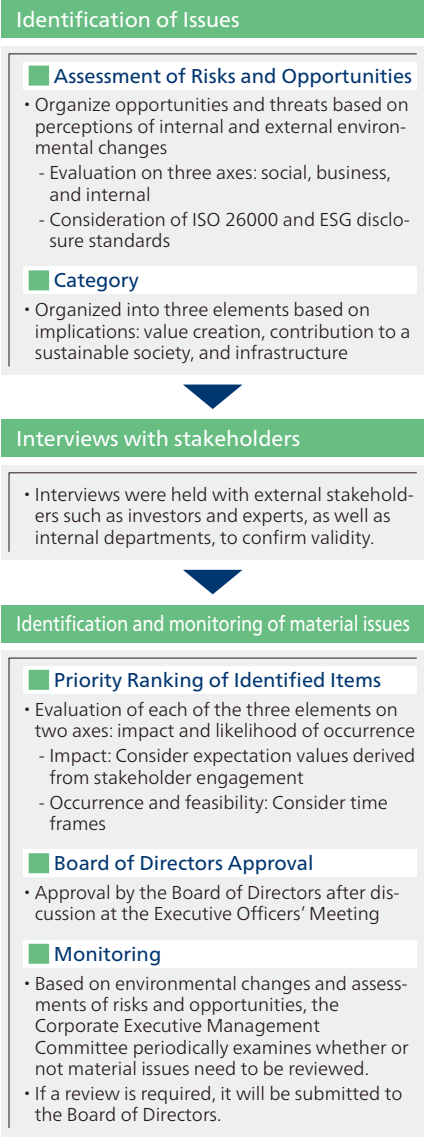
Material Issues	
Material issues to create value by solving healthcare social issues	Protect people from the threat of infectious diseases ➤ P.16, P.48, P.54, P.58, P.62, P.66
	Contributing to a healthy and prosperous life ➤ P.48, P.54, P.62, P.66
	Create innovation ➤ P.62, P.66
	Improve access to healthcare ➤ P.22, P.54, P.62
Material issues to reduce negative impacts on customers and society	Supply socially responsible products and services ➤ P.84
	Strengthen supply chain management ➤ P.82
	Respect human rights ➤ P.85
	Protect the environment ➤ P.86
Material issues to support the realization of a sustainable society and the growth of SHIONOGI	Develop and secure human resources to support growth ➤ P.74
	Ensure compliance ➤ P.102
	Strengthen governance ➤ P.90, P.92

SHIONOGI’s Material Issues

In fiscal 2023, we reviewed the risks and opportunities in light of changes in the internal and external environments and confirmed that the risks and opportunities as well as material issues identified in fiscal 2022 remain unchanged. On the other hand, for the following reasons, the material issues were partially revised and new indicators for each were established and approved by the Board of Directors.

- “Contribute to sustainable social security” was integrated into “Improve access to health-care” because it is a necessary element to realize “Improve access to healthcare.”
- “Create innovation” was added, as continued innovation is necessary to achieve “Protect people from the threat of infectious diseases” and “Contributing to a healthy and prosperous life.”

The Material Issue Identification Process



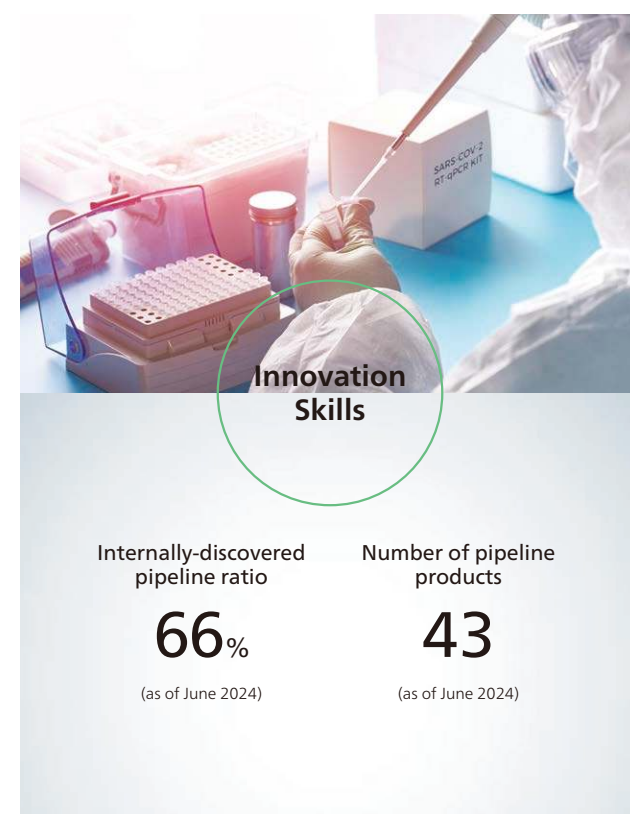
	Material issues	Indicators	Results of Main Initiatives	SDGs we contribute to particularly
Material issues to create value by solving healthcare social issues	Protect people from the threat of infectious diseases ➤ P.16, P.48, P.54, P.58, P.62, P.66	• Promote the appropriate use of infectious disease drugs to control antimicrobial resistance (AMR) and other issues • Growth/sales of drugs for the treatment of infectious diseases • Realization of a total care platform for infectious diseases, and global expansion and sales of vaccines • Initiatives for priority infectious diseases*1 to prepare for future pandemics	• Sales of infectious disease drugs: ¥82.9 billion (Japan) • Infectious disease drug pipeline: 13 • Pipeline of vaccines to prevent infectious diseases: 6 • Number of activities to disseminate correct knowledge about infectious diseases using webinars and other means: 17	
	Contributing to a healthy and prosperous life ➤ P.48, P.54, P.62, P.66	• Growth/sales of QOL disease drugs • Realization of a total care platform for QOL diseases, and penetration of DTx into medical care • Provision of appropriate information and support to children, parents, and workers	• Sales of QOL disease drugs*2: ¥68.2 billion (Japan) • Pipeline of drugs for the treatment of QOL diseases: 24 • Number of participants in awareness-raising seminars to promote understanding of developmental disorders: 2,398	
	Create innovation ➤ P.62, P.66	• Creation of technology/innovation and social implementation • Number of drugs newly migrated to Phase 2/3 • Number of drugs in Phase 2/3 • Creation of solutions other than pharmaceuticals	• Number of drugs in pipeline: 43 • Healthcare solutions other than pharmaceuticals and vaccines: 7	
Material issues to reduce negative impacts on customers and society	Improve access to healthcare ➤ P.22, P.54, P.62	• Provision of products and services to LICs/ LMICs • Strengthening of regional infrastructure and information provision to improve access to healthcare • Ensuring of access to pharmaceuticals where products have yet to be approved	• Number of countries where ensitrelvir can be provided through partnership with MPP: 117 • Number of countries where cefiderocol can be provided through partnerships with GARDP and CHAI: 135 • Inclusion in the WHO Model Lists of Essential Medicines • Number of countries where ViiV provides dolutegravir/cabotegravir: More than 140 countries • Total number of people who received medical services through the Mother to Mother SHIONOGI Project: 160,151 (October 2015 to November 2023)	
	Supply socially responsible products and services ➤ P.84	• Avoidance of customer disadvantages caused by quality issues • Realization of high-quality and stable supply through the development of continuous manufacturing technology for multiple products and DX • Zero serious health hazards caused by products and services	• Promotion of activities such as fostering a Quality Culture • Management supervision through audits of plants	
	Strengthen supply chain management ➤ P.82	• Creation of a system to achieve zero product shortages • Ongoing critical supplier assessments and dialogues	• Assessment by FY2023 Questionnaire or EcoVadis: 68 • Multi-sourcing of suppliers and production plants • Establishment of a system of cooperation with suppliers for stable supply • Number of companies SHIONOGI has engaged through interviews or briefings: 29	
Material issues to support the realization of a sustainable society and the growth of SHIONOGI	Respect human rights ➤ P.85	• Continued implementation of human rights due diligence	• Statement based on the Modern Slavery Act • Implementation of human rights impact assessments	
	Protect the environment ➤ P.86	• Achievement of the SHIONOGI Group EHS Action Targets (environment)	• Greenhouse gas (GHG) emissions (Scope 1 & 2: market-based): 72,023 t-CO₂ • Total energy consumption: 333,595 MWh • Percentage of electricity from renewable energy: 40.8%	
	Develop and secure human resources to support growth ➤ P.74	• Securing of a competitive and diverse workforce • Development of global human resources • Diversification of management personnel • Achievement of the SHIONOGI Group EHS Action Targets (Health and safety) • Achievement of health and productivity management targets	• Completion of employee skill assessment • Education and training expenses per person: ¥81 thousand • Utilization rate of self-investment support: 46.5% • Ratio of female managers: 14.7% • Frequency rate: 0.24 • Health checkup reception rate: 100% • Percentage of employees who smoke: 3.2%	
	Ensure compliance ➤ P.102	• Monitoring of compliance and promotional activities	• Implementation of Global Compliance & Quality Week • Implementation of compliance awareness survey of all employees and provide related feedback to all organizational units	
	Strengthen governance ➤ P.90, P.92	• Evaluation of the effectiveness of the Board of Directors and implementation of continuous improvement measures	• Skill matrix reviews • Performance review of the President by the Nomination Advisory Committee • Dialogue between shareholders/investors and outside directors	

*1 Infectious diseases in which it is necessary to ensure the availability of medical countermeasures (MCM) including pharmaceuticals and medical devices that are of high importance to crises, such as saving lives, controlling epidemics, and maintaining social activities, in public health crisis management.

*2 Domestic prescription drug sales, excluding sales of infectious disease drugs.

SHIONOGI's Strengths

Four strengths supporting SHIONOGI's growth acquired as a discovery-based pharmaceutical company

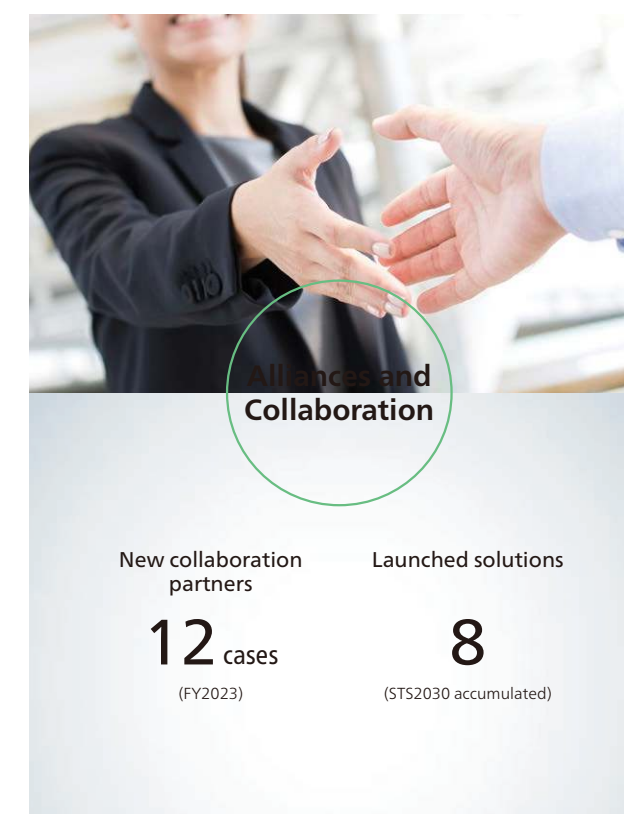


As a result of our commitment to in-house drug development as a discovery-based pharmaceutical company and focus on R&D activities, we have maintained an internally-discovered pipeline ratio that exceeds 60% (as of June 2024). We are working to evolve the highly efficient small-molecule drug discovery engine, a strength we acquired by taking on the challenge of creating COVID-19 therapeutic drugs and vaccines under a unique system and using the valuable learning gained from that experience. In addition, we are taking on the challenge of acquiring various drug discovery modalities such as vaccines, peptides, nucleic acids, and antibodies, and are expanding our scope of challenges to solve a wide range of healthcare issues.



During our more than sixty years of research and development in the field of infectious disease, we have delivered therapeutic drugs for numerous infectious diseases. While many companies withdraw from the infectious disease field because of low market predictability and profitability, we have obtained knowledge of and technology related to infectious diseases that others cannot match, a world-class bacterial library, and advanced research facilities to manage those by continuing to invest in the field. Furthermore, we will expand our activities to provide total care that goes beyond therapeutic drugs to combat the threat of infectious diseases.

Although the needs of customers and the world have continued to change with the times, we still earnestly create and deliver new value by pursuing "accuracy," "honesty," and "trust" in response to healthcare needs regardless of the age. Therefore, the efforts of our predecessors have changed over the years into the four strengths that support SHIONOGI. We continue to take on the challenge of refining these strengths and creating a healthcare future.



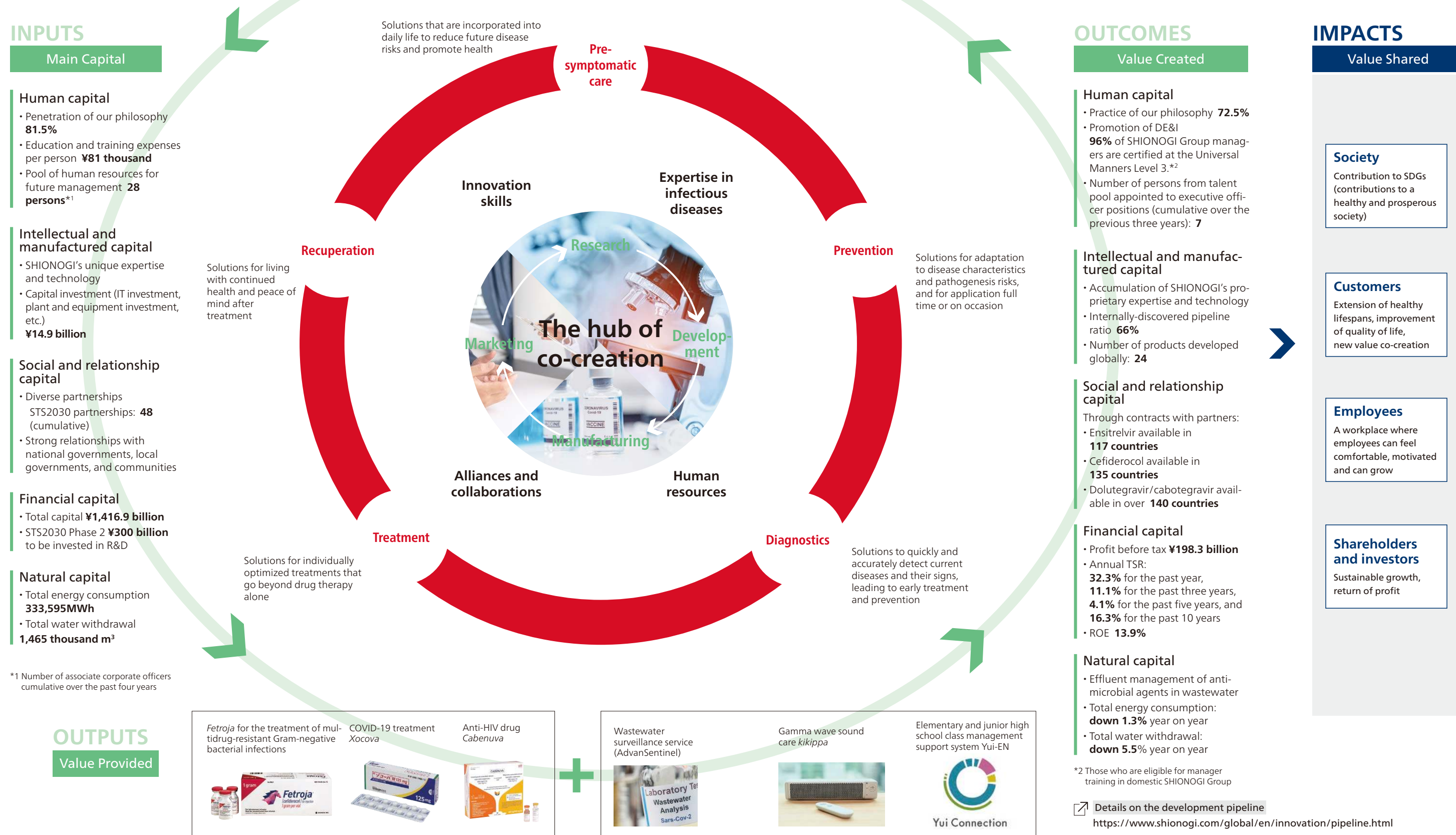
To more broadly and quickly deliver new value, we have formed alliances with the most appropriate partners and accumulated the ability to create win-win relations for generating sustainable growth for both SHIONOGI and our partners at the various stages of the pharmaceutical business, including capturing new modalities, promoting research and development, and maximizing product value. As technology evolves, various companies that possess new ideas and technologies have entered the healthcare field. Leveraging SHIONOGI's ability to build relationships, we will respond to increasingly sophisticated healthcare needs as the core of co-creation.



Each and every employee of SHIONOGI is the source of the Company's sustainable growth and new value creation. To appropriately forecast future healthcare needs and create new value, it is necessary to develop not only managers who promote reforms but also independent-minded human resources responsible for resolving future problems. At SHIONOGI, we have created an environment in which human resources with diverse values can make the most of their capabilities by clearly indicating the image of what employees should be and providing opportunities for future growth.

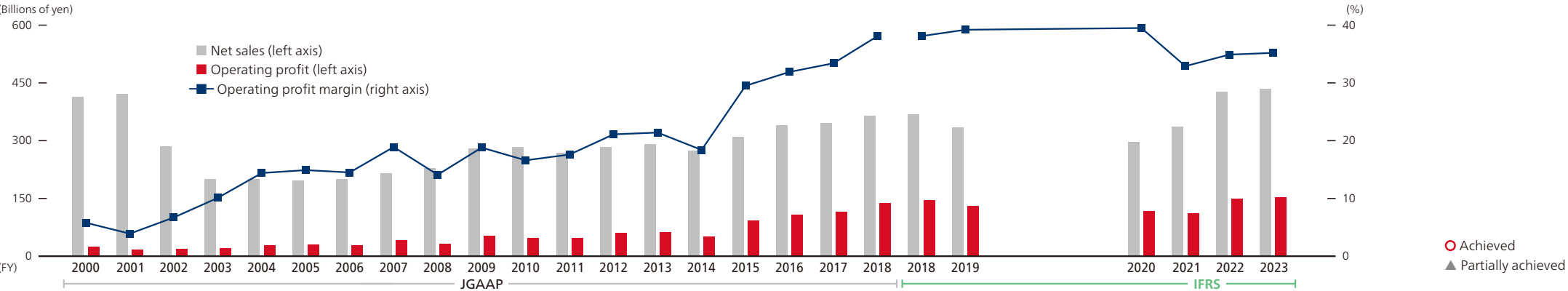
Value Creation Process

We will provide a range of healthcare services (HaaS) in line with customer needs, rather than only providing pharmaceuticals, to achieve total care.



Medium-Term Business Plan

Looking back at our previous Medium-Term Business Plans



	First Medium-Term Business Plan (FY2000 – FY2004)	Second Medium-Term Business Plan (FY2005 – FY2009)	Third Medium-Term Business Plan (FY2010-FY2013)	Fourth Medium-Term Business Plan (FY2014 – FY2019)
	Focus on pharmaceutical business —Establishing a Foundation	Expansion of R&D and establish- ment of global structure —Accelerating Progress	Toward global growth —SONG for the Real Growth	Grow as a drug discov- ery-based pharmaceutical company —Shionogi Growth Strategy 2020 Update Grow sustainably as a drug discovery-based pharma- ceutical company contribut- ing to a more vigorous society through improved healthcare KPIs —Shionogi Growth Strategy 2020
	(Billions of yen) FY2004 actual	(Billions of yen) FY2009 actual	(Billions of yen) FY2013 actual	(Billions of yen) FY2016 actual
	Net sales 199.4	Net sales 278.5	Net sales 289.7	Net sales 338.9
	Net income 18.9	Operating income 52.4	Operating income 61.9	New product sales 62.9
	R&D expenses 29.4	Net income 38.6	Operating margin 21.4%	Ordinary income 151.8
	ROE 6.4%	R&D expenses 51.8	R&D expenses 53.6	ROIC 13.8%
		ROE 11.9%		CCC 7.7months
				Ratio of proprietary discovered drugs 67%
				ROE 18.0%
				DOE 4.7%
Accomplishments	○ Establishing a foundation • Transferred/sold drug wholesaling, agrochemical, clinical laboratory, industrial chemicals, and capsule businesses and focused on prescription drugs ▲ R&D • Established overseas joint venture Shionogi-GlaxoSmithKline Pharmaceuticals, LLC (present-day Shionogi-ViiV Healthcare LLC) and launched joint R&D of anti-HIV agent ▲ Overseas business • Established foundation for global development (established Shionogi Inc.)	○ Clarifying target areas • Strengthened the two areas of metabolic diseases and pain, in addition to infectious diseases, another SHIONOGI strength, grown to a level where we can establish a pipeline ▲ Establishing strong sales • Developed Crestor into a key product with domestic sales of ¥23.0 billion ○ Overseas business • Obtained U.S. sales network through the acquisition of Sciele Pharma, Inc. • Conducted joint development of anti-HIV drug with GSK	○ Growth centered on new drugs • Implemented in-house global development (Phase 3 clinical trials) • Discovered 12 development products and obtained PoC for at least 50% ○ Japan business • Grew 8 strategic products and improved the sales ratio • Crestor and Cymbalta obtained the number-one market share ▲ Overseas business • Launched Osphena • Introduced to Europe and China ○ Earnings structure • Revised agreements for out-li-censed products • Strengthened cost-control capabilities	○ We accomplished the following regarding the 4th Medium-Term Business Plan (SGS2020) and achieved the main KPIs given in SGS*2020 (ordinary profit, efficiency KPI, and share-holder return KPIs) ○ Continued launch of internally-discovered products • Xofluza, Mulpleta, Symproic, cefiderocol, cabotegravir ○ Strengthening of business operations • Improvement of cost management • Global development of all internally-discovered products, launches in overseas markets *1 SGS stands for Shionogi Growth Strategy.
Issues	• Response to the volatile drug industry • Establishing second and third target areas in addition to the infectious disease area	• Identifying research seeds and expanding early phase drug discov-ery programs • Improving clinical predictability • Quickly formulating strategies and making decisions related to global development • Achieving sales targets and adjust-ing sales expenses • Reducing indirect division costs	• The speed at which the value of new products is maximized remained an issue • The U.S. business was still unprofitable • New products (Cymbalta, Mulpleta, Actair, and Osphena) were capturing market share at too slow a pace • Stagnant per-employee operat-ing profit (excluding royalties)	Maximize value of new products • Cymbalta and Intuniv have achieved growth, but targets are unmet • Issues with information provision concerning Xofluza have emerged (insufficient marketing capabilities overall) Grow overseas businesses • US business: Targets not met for strategic products (Osphena, Symproic) • Still in process of establishing business infrastructure for the EU and China Improve per-employee productivity

Overview of STS2030 Phase 2

In STS2030 Phase 2, we set “global top-line growth centered on the infectious disease area” and “establishment of growth drivers through aggressive investment” as the basic policies for business growth, and we are addressing three challenges: 1. Creating new value for customers and society, 2. Foundations that support the realization of a sustainable society and the growth of SHIONOGI, and 3. Reduce negative impacts on customers and society. For Creating new value for customers and society, we have identified four areas: 1. Protect people from the threat of infectious diseases, 2. Contribute to a healthy and prosperous life, 3. Create innovation, and 4. Improve access to healthcare. We will provide solutions for infectious diseases with high impact that threaten society and QOL diseases with high social impact.

Basic policy of STS2030 Phase 2

Global top-line growth especially in the infectious disease area

We will achieve sales expansion centered on the COVID-19 treatment Xocova and influenza treatment Xofluza, while advancing efforts towards global top-line growth centered on the multidrug-resistant Gram-negative bacterial infection treatment Fetroja. In the HIV franchise, ViiV Healthcare’s oral two-drug regimen and long-acting (LA) formulations are growing steadily. In the future, we aim to create ultra-long-acting (ULA) formulations to improve patients’ QOL.

Establishment of growth drivers through aggressive investment

Through aggressive investment, we will strengthen our pipe-line and achieve growth in new business groups centered on the vaccine business. Furthermore, in addition to conventional infectious diseases, we will establish growth drivers that meet the unmet needs of QOL diseases with high social impact, such as obesity and sleep disorders.

Main KPIs*4

	STS Phase 1	STS Phase 2		STS Phase 3
	FY2022	FY2023	FY2025	FY2030
Revenue	426.7 billion yen	435.1 billion yen	550.0 billion yen	800.0 billion yen
Overseas sales CAGR (excluding royalty income)	—	17.4% (Starting from FY2022)	50% (Starting from FY2022)	15% (Starting from FY2025)
EBITDA	175.6 billion yen	188.7 billion yen	200.0 billion yen	—

*4 FY2022 and FY2023 are actual figures, FY2025 and beyond are target figures.

STS*2 Phase 1 (FY2020-FY2022)			
Building Innovation Platforms to Shape the Future of Healthcare Realizing our Transformation			
■ Achievement of main KPIs Parentheses indicate target in STS2030 (Billions of yen)			
	KPI	FY2020	FY2021
Growth	Revenues	¥297.2	¥335.1
	Core operating profit*3	¥94.0	¥110.6
	Core operating profit margin	31.6%	33.0%
	Overseas revenue ratio	16.2%	22.3%
	Internally-discovered pipeline ratio	71%	73%
Shareholder return	EPS	365 yen	378 yen
	DOE	4.1%	3.8%
	ROE	13.9%	12.5%

*2 STS stands for Shionogi Transformation Strategy.
*3 Income adjusted for non-recurring items (impairment loss, gain on sale of property, plant and equipment, etc.) from operating profit

Main results

- Expansion of products discovered internally
 - Obtained emergency domestic approval for COVID-19 treatment Xocova
 - Strengthened overseas business
 - Achieved growth of the HIV franchise
- Progress of products and services other than prescription drugs
 - Filed application for domestic approval of COVID-19 vaccine
 - Established Yui Connection and began operations
 - Concluded marketing partnership agreement for insomnia treatment app
 - Began wastewater surveillance service
 - Launched sales of gamma wave sound care kikippa
- Governance enhancement
 - Implemented new internal decision-making process
 - Continued manager education

Lessons and points to strengthen for transformation

Lessons from the COVID-19 experience

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

Points to strengthen for transformation

- Marketing capabilities – Ability to deliver globally –
- Pipeline – Investment in unmet needs –
- Strengthen the Company platform – Improve business speed; strengthen human resources –

Lacking capabilities for addressing environmental changes

Medium-Term Business Plan

Progress of STS2030 Phase 2

Achievements and initiatives in FY2023

The SHIONOGI Group Vision (2030 Vision) set as a goal in STS2030 made further progress toward realization in fiscal 2023. Regarding COVID-19, in addition to developing therapeutic drugs, we strongly promoted the development of preventive vaccines, for which there is a high social need. With the full efforts of the SHIONOGI Group, we were able to obtain domestic manufacturing and marketing approval for the COVID-19 preventive vaccine *Covgoze* in June 2024.

Growth of new products

In product and service development, we aim to launch more than 10 products from the current development pipeline by fiscal 2030, and we have been advancing efforts toward global growth through the growth of existing assets and aggressive investments in product introductions. Regarding the growth of existing assets, SHIONOGI has been expanding sales of *Fetroja* in Europe and the U.S., and by fiscal 2023, we were able to establish an environment to deliver *Fetroja* to patients in Japan and Taiwan as well. Regarding *Xocova*, following the acquisition of regular approval in Japan in March 2024, we will continue to work on top-line growth centered on domestic sales while accelerating global expansion.

Progress in vaccine development

Based on the achievement of obtaining domestic manufacturing and marketing approval for the COVID-19 preventive vaccine *Covgoze* in June 2024, we are advancing the acquisition of sustainable development competitiveness for vaccine formulations. We are developing variant vaccines in addition to the original strain vaccine to establish a vaccine platform and aim for timely market supply of vaccine formulations containing strains recommended by WHO. SHIONOGI is also

working on the research and development of intranasal vaccines and universal vaccines against the entire sarbecovirus subfamily, aiming to acquire competitiveness to win against global competition in the respiratory infection market. Currently, the selection of development antigens for universal vaccines has been completed, and we are advancing various studies aiming for clinical entry within fiscal 2024.

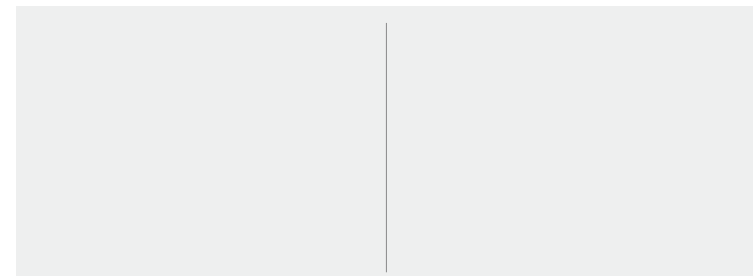
HaaS business development

In the HaaS business, in addition to expanding the OTC drug business and CDMO business, we are actively creating the platform service business through co-creation with various partners leveraging SHIONOGI's strengths. For example, addressing severe sleep disorders is one of our efforts toward QOL diseases with high social impact. The joint venture established by SHIONOGI and U.S.-based Apnimed in November 2023 will combine SHIONOGI's small-molecule drug discovery capabilities and ability to create best-in-class compounds with Apnimed's experienced clinical-stage drug discovery team, advanced knowledge including a strong network of clinical facilities for sleep disorder medicine, and excellent translational research. By leveraging the strengths of both companies, we aim to create more rapid and promising solutions that could not be realized without mutual cooperation.

Evolution of research and development in the infectious disease area

Infectious disease countermeasures are a major public health challenge, and building true partnerships involving all stakeholders, including not only pharmaceutical companies but also governments, academia, and society, is necessary. Furthermore, to further improve the quality and speed

Growth of new products



of research and development, strengthening external collaboration including business investments is important. SHIONOGI has focused on increasing productivity by collaborating with optimal partners in areas that are difficult to advance on our own. In fiscal 2023, we further strengthened external collaborations with life science/healthcare companies, international organizations, venture capital firms, and academia. As one example, we established a new joint research laboratory at Osaka University as a base to rapidly promote research on COVID-19 through industry-academia collaboration. SHIONOGI provides the COVID-19 therapeutic drug *Xocova*, while Osaka University provides personnel with specialized knowledge and medical systems, and the laboratory conducts clinical research to evaluate the efficacy and safety of *Xocova* for post-COVID-19 conditions (fatigue, shortness of breath, hair loss, decreased concentration, etc.).

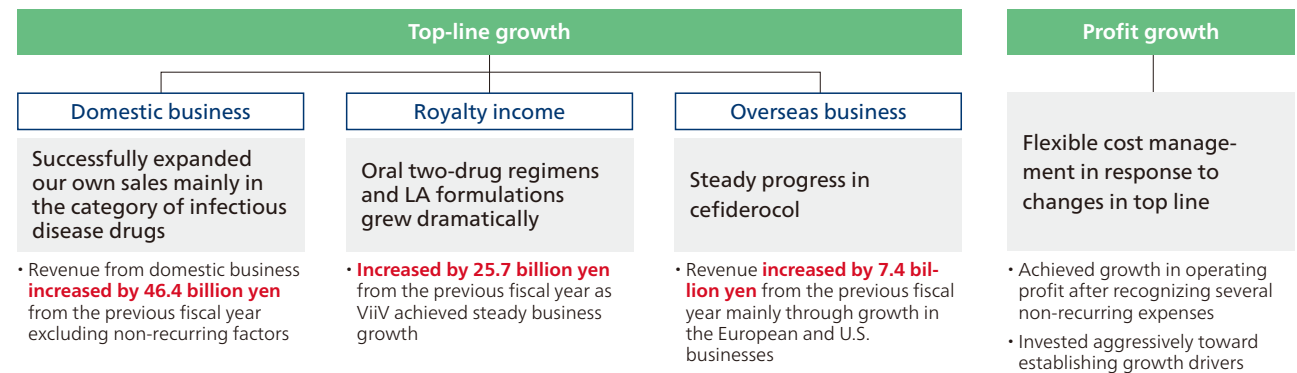
We also continue comprehensive collaboration with Nagasaki University, which has strengths in malaria research - one of the three major infectious diseases - aiming to create development candidates for antimalarial drugs. Both parties serve as the core of co-creation and are strengthening collaboration with external organizations to eradicate malaria.

Regarding business investments, in FY2023, we were able to acquire research and development capabilities, new assets, and networks with external organizations in the U.S. through the full acquisition of Qpex Biopharma, which has strengths in antibacterial drug research and development. In the future, we will continue to effectively utilize the capabilities acquired through business investments and make aggressive investments after determining appropriate value, while further promoting the introduction and establishment of growth drivers and strengthening global functions.

Progress of HIV business by ViiV Healthcare

The HIV business is growing steadily due to strong sales of ViiV Healthcare's two-drug combination products (*Dovato*, *Juluca*) and long-acting (LA) formulations (*Cabenuva*, *Apretude*). In the future, we will realize continuous growth by further promoting market penetration of the LA formulation treatment *Cabenuva* and preventive drug *Apretude*, as well as developing ultra-long-acting (ULA) formulations that enable treatment or prevention of HIV infection with administration once every three months or more.

Achievements in FY2023



Social issues to be addressed



In STS2030 Phase 2, we are advancing efforts to address three challenges: 1. Create new value for customers and society, 2. Reduce negative impacts on customers and society, and 3. Foundations that support the realization of a sustainable society and the growth of SHIONOGI. For Create new value

for customers and society, we have identified four areas: 1. Protect people from the threat of infectious diseases, 2. Contribute to a healthy and prosperous life, 3. Create innovation, and 4. Improving access to healthcare. As diseases to be addressed for area 1. Protect people from the threat of

infectious diseases and 2. Contribute to a healthy and prosperous life, we target diseases with high impact that threaten society and QOL diseases with high social impact, and we will realize the provision of solutions tailored to each disease. For 4. Improving access to healthcare, we will form partnerships with international organizations that have excellent schemes to resolve elements that are different in complex ways in each country and region to advance initiatives.

To achieve this, it is necessary to Transform into an organization that can create new value and transition to a further growth phase. While evolving focused strategies such as global strategy and investment/financial strategy, we will accelerate Transformation initiatives to realize activities that can win against global competition. Furthermore, through dialogue with stakeholders, we will respond to various sustainability issues and strengthen ESG management to lead to the strengthening of the management foundation and contribution to a sustainable society.

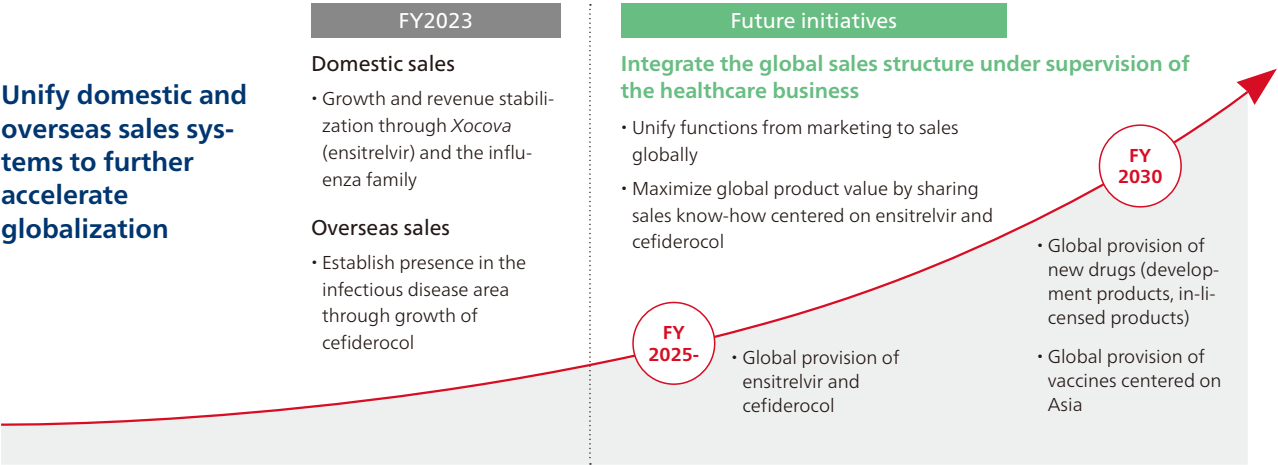
Challenges to be addressed in FY2024

Efforts against infectious diseases

In fiscal 2024, to fulfill our responsibility as a leading company in infectious diseases, we will strengthen our global sales system for full-scale expansion of SHIONOGI products so that we can provide each product to those who need it. As part of these efforts, we will adapt the learnings from rapid decision-making and bold resource allocation in our efforts against COVID-19 to all operations. We will also further accelerate the global expansion of SHIONOGI products by unifying the domestic and overseas sales systems. Furthermore, we will strengthen global corporate functions and transform operations by strengthening human resources to improve business efficiency further.

In fiscal 2023, we were able to realize a stable revenue structure with influenza treatment drugs and COVID-19 treatment drugs, but we will continue to promote the proper use of infectious disease treatment drugs while

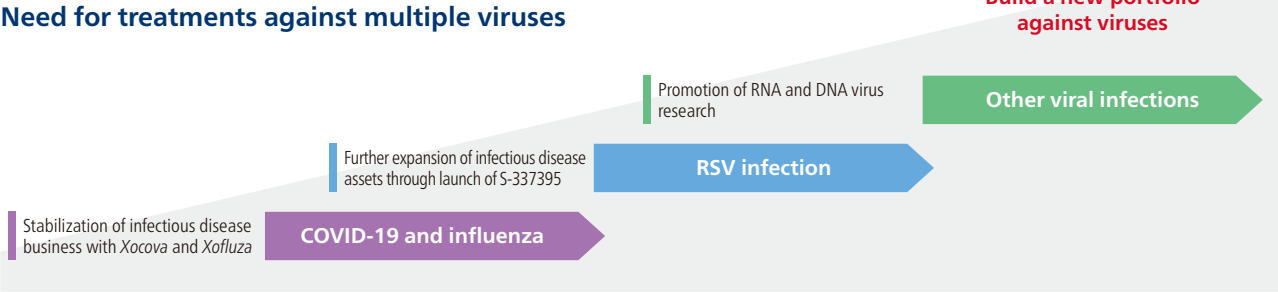
Strengthen the global sales system for full-scale expansion of SHIONOGI products



Initiatives to win against global competition



Toward stabilization of the acute infectious disease business model



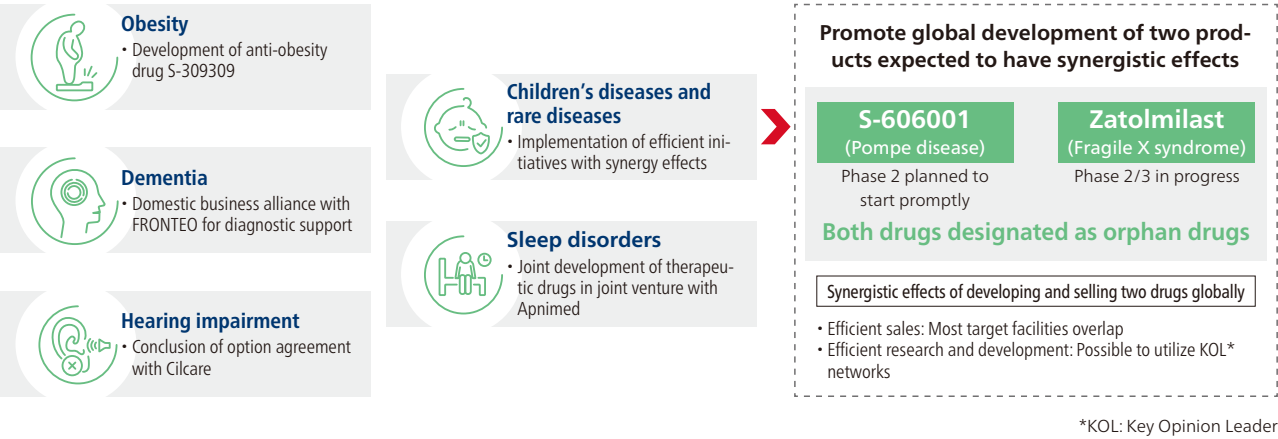
further expanding sales. In addition, to further stabilize the infectious disease business, it is necessary to have treatments for multiple viruses. In the future, we will promote further expansion of infectious disease assets through the launch of the RSV treatment S-337395, and aim to build a new portfolio against other viruses through the promotion of RNA and DNA virus research.

Efforts toward QOL diseases

In STS2030 Revision, we have identified QOL diseases with high social impact as a focus area and are advancing research and development for obesity, dementia, hearing impairment, and others. Furthermore, we were able to advance the development of zuranolone, a fast-acting and highly convenient antidepressant, and SDT-001, a digital therapeutic app for ADHD, as planned. To respond to important healthcare needs in society such as children's diseases, rare diseases, and sleep disorders, including these diseases, and to create innovations not limited to prescription drugs, we will advance global development by

leveraging SHIONOGI's strengths centered on small-molecule drug discovery while utilizing partnerships and external networks. In May 2024, we entered into a license agreement with U.S.-based Maze Therapeutics for the introduction of S-606001 (MZE001), a new therapeutic drug candidate for Pompe disease, a rare disease. Pompe disease is a congenital metabolic disorder that causes various symptoms such as muscle weakness, walking difficulties, respiratory disorders, and cardiac dysfunction, and new treatment options are needed. zatolmilast, a therapeutic drug candidate for Fragile X syndrome being jointly developed with SHIONOGI's group company Tetra Therapeutics, received orphan drug designation from the U.S. Food and Drug Administration (FDA) in 2018, rare pediatric disease designation in 2023, and orphan drug designation from the European Commission in 2024. By advancing the global development of these two drugs, synergistic effects in efficient research, development, and sales are expected.

Promote global development of therapeutic drugs for QOL diseases with high social impact



Investment and Financial Strategy

We aim to realize the SHIONOGI Group Vision and maximize corporate value by implementing investment and financial strategies that lead to growth.

Financial strategy

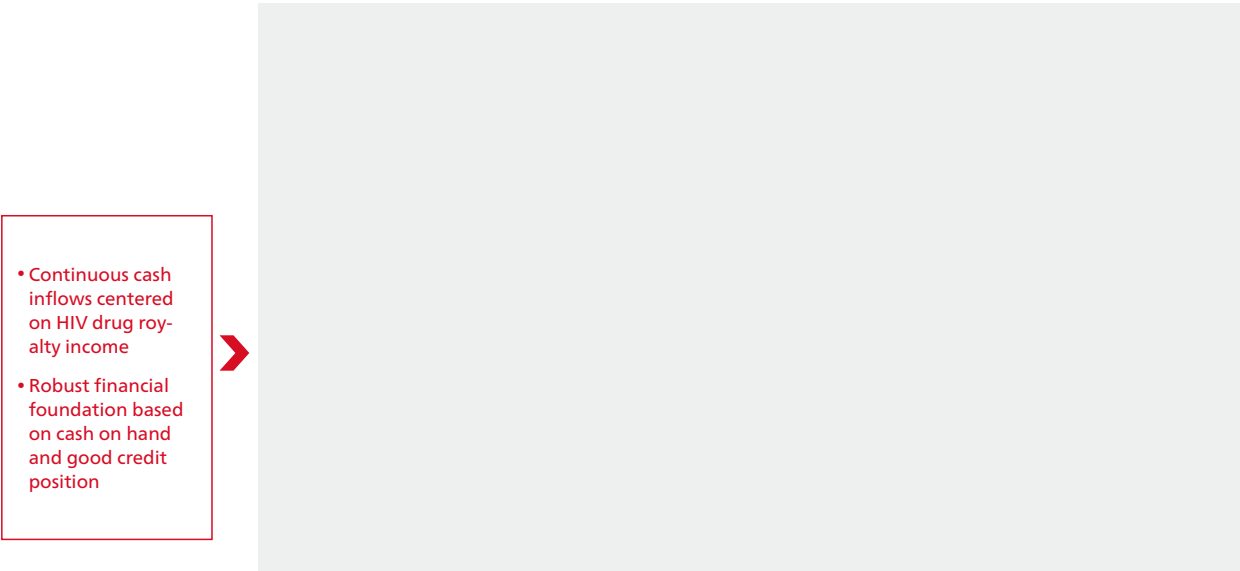
SHIONOGI is working to create innovative proprietary drugs and maximize product value by leveraging its strengths developed as a drug discovery-based pharmaceutical company. In addition to maximizing royalties from outside partners, SHIONOGI is also strengthening its own sales and expanding the introduction and sales of new products at overseas Group companies, thereby enhancing business growth and profitability in each of the regions it covers globally. To achieve that, it is necessary to acquire even greater global competitiveness, primarily for pharmaceuticals in the infectious disease field, such as *Xocova* and *Fetroja*, and grow new business groups outside of ethical drugs. Currently, SHIONOGI is actively pursuing the creation of vaccine and new healthcare solution businesses through co-creation with diverse partners that leverage SHIONOGI's strengths. By expanding these portfolios, we aim to secure high profit margins and build a stable management base.

In STS2030 Revision, the global growth strategy is positioned as one of the most important strategies to focus on, and SHIONOGI aims to realize the SHIONOGI Group Vision by setting the basic policy of Achieve global top-line growth and establishment of growth drivers through aggressive investment, especially in the infectious disease

area. To achieve this, it is necessary to establish a robust financial foundation that will enable us to make aggressive investments to realize this policy.

In STS2030 Phase 2, we expect to generate continuous cash inflows, mainly from HIV drug royalties from *ViiV*, which together with the current cash on hand, will provide the resources for investments. At the same time, we believe that we have a robust financial foundation that leverages our favorable credit standing, as Rating and Investment Information, Inc. has rated SHIONOGI AA-, or above investment grade, in terms of issuer credit rating. In fiscal 2023, we posted revenues of ¥435.1 billion, up 2.0% year on year, and operating profit of ¥153.3 billion, up 2.9%, marking a record high for the second consecutive fiscal year. In STS2030 Revision, SHIONOGI changed the profit indicator from core operating profit to EBITDA, and this has been shown both internally and externally as our stance to actively promote strategic investments. In fiscal 2023, EBITDA increased by 7.5% year-on-year to ¥188.7 billion, and we have made a good start toward our STS2030 Phase 2 targets (fiscal 2025: revenues of ¥550 billion and EBITDA of ¥200 billion).

Overall picture of investment and financial strategies



Investment management aware of the cost of capital

SHIONOGI focuses on the manufacture and sale of new drugs created from the research and development of innovative prescription drugs, as well as the licensing business, and operates OTC drug and CDMO businesses based on the concept of providing healthcare solutions. We are also actively expanding our businesses, with plans to promote new vaccine and healthcare solution businesses through collaboration with diverse partners. These new ventures will be evaluated for investment based on their potential synergies with existing businesses.

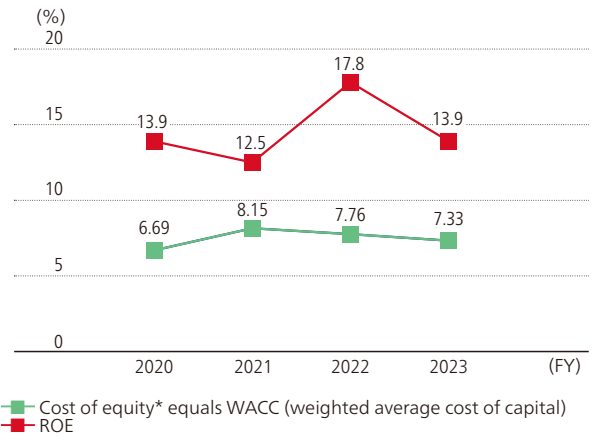
We recognize that the fluctuations in earnings of each business differ as we operate multiple businesses, and that we need to manage them appropriately as a Group. The manufacturing and marketing of prescription drugs and the royalty business represent our most profitable businesses. While these businesses can earn stable profits through the patent system, there is a risk that the profits of the products will decline significantly when the exclusive sales period ends. In contrast, the OTC Drug, CDMO, and Vaccine businesses are considered to have a relatively small degree of dependence on patents and relatively little fluctuations in earnings. For this reason, we recognize the importance not only of creating synergies between businesses but also of stabilizing the earnings of the entire Group.

In order to reflect the cost of capital in investment decisions, we regularly survey and analyze SHIONOGI's WACC and cost of equity. In addition, hurdle rates are set for each

business and region as a basis for investment decision-making. The hurdle rate for each business is established with reference to the cost of equity of similar operating companies, and these are also regularly investigated and analyzed, and if there is a significant change, it is reported to the Board of Directors and addressed.

We believe that we will be able to appropriately manage our business portfolio through this type of investment management, and we will continue to maintain ROE that exceeds the cost of equity for the Group as a whole.

WACC and ROE in STS2030



*Interest-bearing debt procured externally during the above period is zero.

Investment strategy for achieving targets

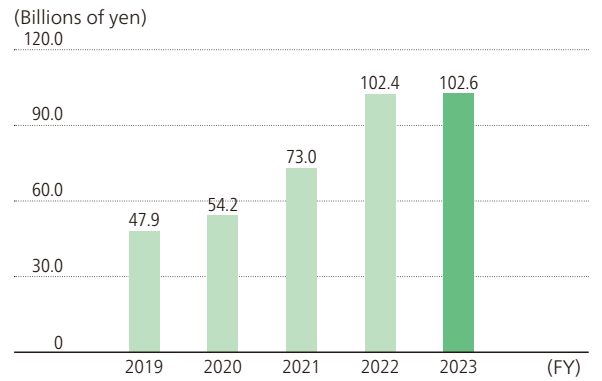
Investments for establishment of growth drivers

As part of SHIONOGI's R&D disease strategy, we are focusing on domains where unmet needs exist and where SHIONOGI's strengths can be maximized. To this end, we are working on diseases posing a large threat to society, including respiratory infections such as COVID-19, and QOL diseases with a high social impact, including obesity, sleep disorders, and hearing loss. We invested more than ¥100 billion in research and development in fiscal 2023, as we did in fiscal 2022. In the infectious disease area, we are scrutinizing the importance of total care as a whole, concentrating our personnel on prevention (development of various vaccine products), treatment (building an anti-viral portfolio) and diagnostics (antimicrobial susceptibility measurement, etc.) for promoting R&D investment to realize Test to Treat on a global scale.

In terms of QOL diseases, we are investing in a number of product lines, including S-309309, an oral treatment for obesity which we are aiming to grow globally, zatolmilast, a treatment for Fragile X syndrome, and redasemtide for

acute ischemic stroke. In addition, we have established a joint venture with Apnimed, an expert in the field of sleep disorders, and have acquired option rights for a promising small molecule compound from Cilcare for hearing loss. In this manner, we are moving ahead with investments that tap into new focus domains through collaboration with partners.

R&D investments



Investment and Financial Strategy

M&A policy

The points of enhancement in STS2030 Revision include strengthening sales capabilities, reinforcing the pipeline, and strengthening the management base, all of which are initiatives aimed at accelerating global expansion. That is why we are constantly looking for M&A and licensing opportunities to strengthen our distribution capabilities globally, strengthen our late-stage global pipeline, and strengthen our R&D through the expansion of the latest technologies and new modalities.

In June 2023, we announced our acquisition of all of the shares of Qpex Biopharma, Inc. and established the Qpex US lab in San Diego, a hub for biotechnology. Working closely with SHIONOGI’s R&D departments and U.S. government agencies, we are actively pursuing research and development for bacterial infections on a global scale, leveraging strengths of SHIONOGI and Qpex Biopharma, Inc. While it is difficult to reach an agreement on attractive business development opportunities and price-for-value, we will continue to act swiftly to achieve opportunities such as the acquisition of Qpex Biopharma, Inc. as a wholly owned subsidiary.

Other investment examples

Conclusion of limited partner investment agreement with LSP Dementia Fund

- Strengthening research capabilities in the central nervous system domain
- Expanding our pipeline
- Strengthening the innovation ecosystem in the central nervous system domain

Establishment of a joint venture with Apnimed

- Forming strong partnerships in the domain of sleep apnea syndrome
- Promoting the development of new therapeutic drug candidates

Conclusion of an option agreement with FunPep Co., Ltd. for allergy vaccines

- Acquiring optional rights for anti-IgE antibody-inducing vaccines

Cash allocation in STS2030 Revision

As an investment strategy, under STS2030 Revision we plan to invest ¥300 billion in R&D investments over three years, and to invest in inorganic growth for further growth, regardless of the amount of money while assessing the value of each project. In our financial strategy, we will set financial KPIs for the end of fiscal 2025 with the aim of strengthening shareholder returns and improving capital efficiency, which will lead to further enhancement of corporate value.

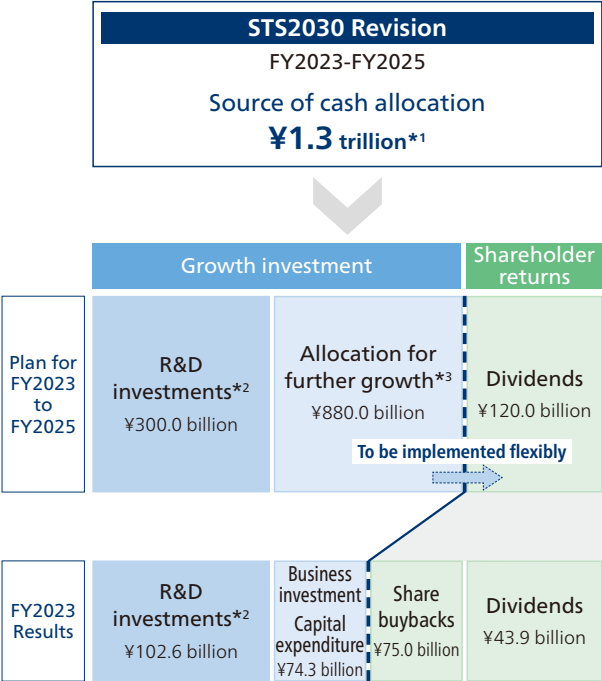
In fiscal 2023, we worked to stabilize earnings in the infectious disease business by further penetrating the market for the COVID-19 treatment Xocova in domestic prescription drugs and expanding sales of the influenza family

centered on *Xofluza*. In addition, we were able to generate robust cash inflows due to the expansion of internal sales of cefiderocol in the overseas business and the strong HIV drug royalty income and dividends received from ViiV. We also reduced eight cross-shareholdings, and we plan to use these funds for future growth investments.

As for cash allocation in fiscal 2023, we spent ¥102.6 billion on R&D, ¥16.6 billion on capital investments, and ¥57.7 billion on business investments (M&A, investments, licensing, etc.) in terms of investment strategy. We are making aggressive business investments to establish future earnings drivers, such as making Qpex Biopharma, Inc. a wholly owned subsidiary and establishing a joint venture with Apnimed. In terms of financial strategy, in addition to dividends of ¥43.9 billion, we implemented ¥75.0 billion of share buybacks as a flexible capital policy that takes into account business development, such as business performance trends and investment opportunities.

Going forward, we will continue to invest in growth in order to achieve global top-line growth especially in the infectious disease area, and develop growth drivers through aggressive investment, using funds from the sale of real estate and divestment of cross-shareholdings, as well as cash on hand, with a focus on cash inflows from the business side, which can be expected on an ongoing basis.

Cash allocation in STS2030 Revision



SHIONOGI Story

2

Solving Social Issues through Our Business Activities and Creating Value for the Future

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Royalty Business	58
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Key Points

- Strategy based around four businesses that realize SHIONOGI’s growth
- Royalty business achieving industry-top-class operating profit margins
- Establish growth drivers to meet healthcare needs
- Approach to developing human resources who are the agents of change and building a human resource portfolio



Domestic Business

We aim to further enhance our presence in our home market of Japan by focusing on growth in the infectious disease area of prescription drugs, including *Xocova*, *Xofluza*, and *Fetroja*, along with strong growth in the OTC drug business and providing healthcare services beyond pharmaceuticals.

Policy

- Growth of prescription drugs, especially in the infectious disease area
- Expand lineup to meet self-care needs
- Realize total care by combining new businesses

Strategy

- Growth of acute infectious disease treatment drugs
- Expand the lineup of switch OTC drugs
- Provide solutions for prevention and diagnosis, not just treatment drugs

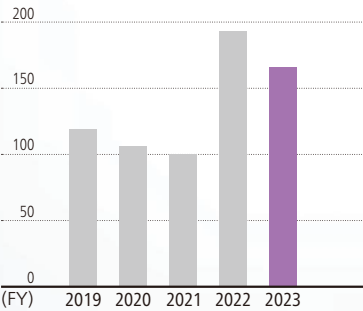
Material issues to focus on

Protect people from the threat of infectious diseases

Contributing to a healthy and prosperous life

Revenue*

(Billions of yen)



* Revenue from domestic prescription drugs and OTC and quasi-drugs

Message from the Senior Executive Officer in charge of the Healthcare Business Supervisory Unit

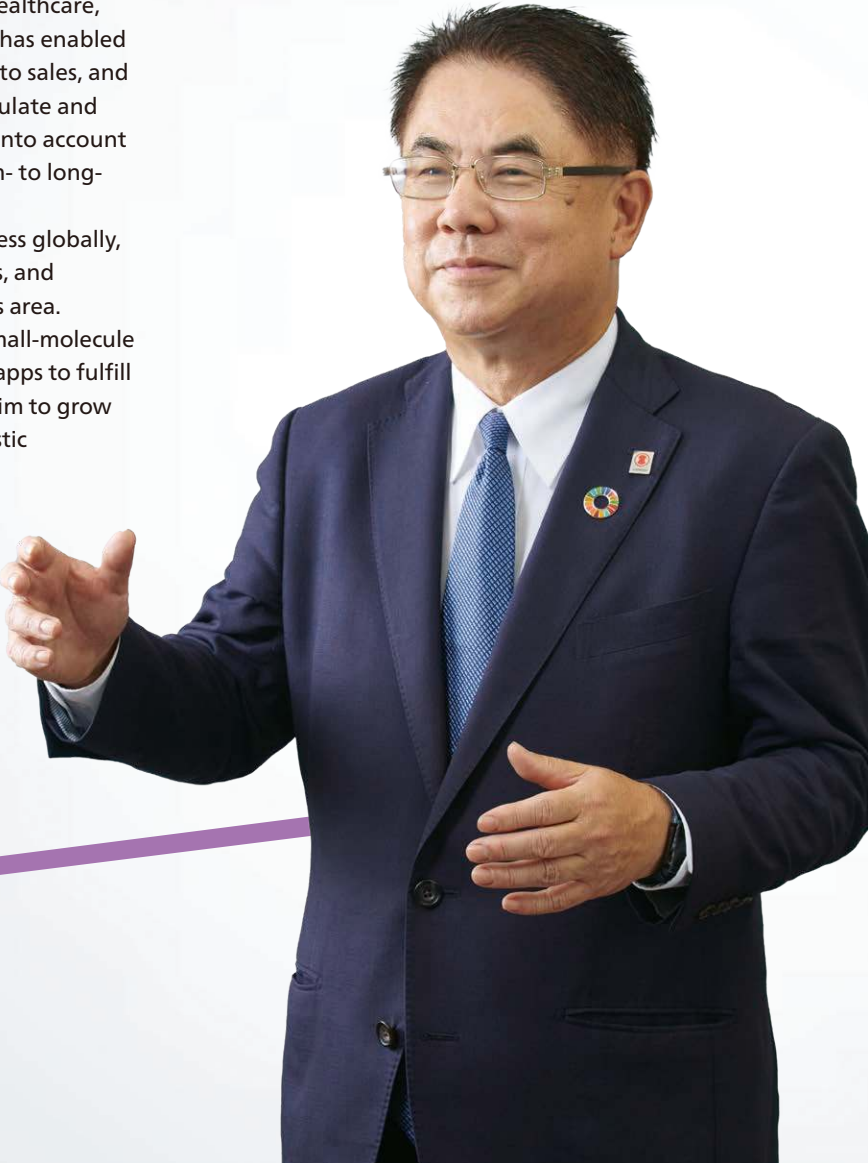
Aiming for topline growth as All SHIONOGI

SHIONOGI has set a goal of 800 billion yen in revenue by fiscal 2030 in STS2030 Revision, and global growth is key to achieving this goal. To this end, in April 2024, we reorganized the Healthcare Business Supervisory Unit to be responsible for all of SHIONOGI's sales, including Shionogi Inc. (SI: U.S.), Shionogi B.V. (SBV: Europe), Ping An-Shionogi (PSCN: China), Taiwan Shionogi and other group companies in Asia, and Shionogi Healthcare, which is responsible for the OTC drug business. This has enabled us to oversee a series of operations from marketing to sales, and we have established a system that allows us to formulate and execute optimal strategies for each country, taking into account time frames such as current, short-term and medium- to long-term, as well as regional characteristics.

We will continue to develop our healthcare business globally, covering presymptomatic care, prevention, diagnosis, and treatment, with infectious diseases as our main focus area. Furthermore, we will not only focus on traditional small-molecule drugs but also utilize new modalities such as digital apps to fulfill our role as a healthcare provider. In fiscal 2024, we aim to grow our top line by focusing on the growth of our domestic prescription drug business centered on *Xocova* and *Xofluza*, further overseas expansion of *Xocova* and *Fetroja*, and maximizing newly approved products and the OTC drug business.

Toshinobu Iwasaki, Ph.D.

Senior Executive Officer,
Senior Vice President,
Healthcare Business Supervisory Unit



Domestic prescription drug business

Establishing a system that is not affected by infectious disease outbreaks

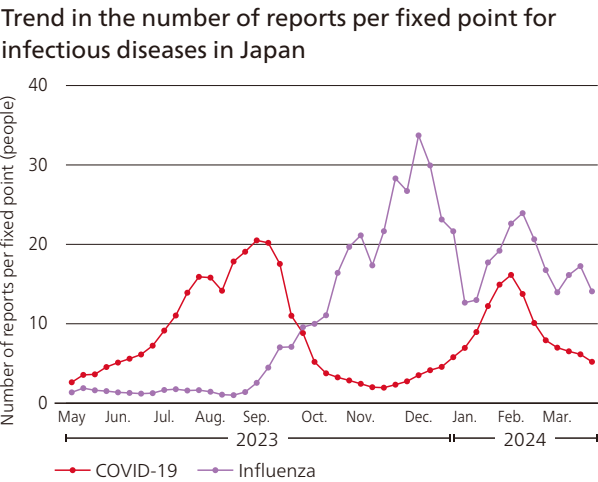
Acute infectious diseases such as influenza and COVID-19 repeat a cycle of rapid outbreaks and subsidence, making their prediction difficult and resulting in significant market uncertainty. On the other hand, as we have experienced firsthand with the COVID-19 pandemic, when a pandemic occurs, society suffers greatly, and we have learned the importance of being prepared in normal times. To continue promoting the acute infectious disease business, which is essential for the world, SHIONOGI is working to establish a sustainable business model in a highly uncertain market by leveraging our strengths in the infectious disease area.

For example, from 2023 to 2024, influenza and COVID-19 repeated alternating or simultaneous outbreaks. If we

only had a treatment drug for one infectious disease, revenue would decrease with the end of the outbreak, but by having two acute infectious disease drugs - an anti-influenza treatment and a COVID-19 treatment - we achieved stable revenue. In the future, we will realize a sustainable business model for acute infectious diseases that is not affected by outbreaks by preparing treatment drugs for multiple viruses, including RSV, and combining solutions such as prevention and diagnosis, not just treatment drugs.

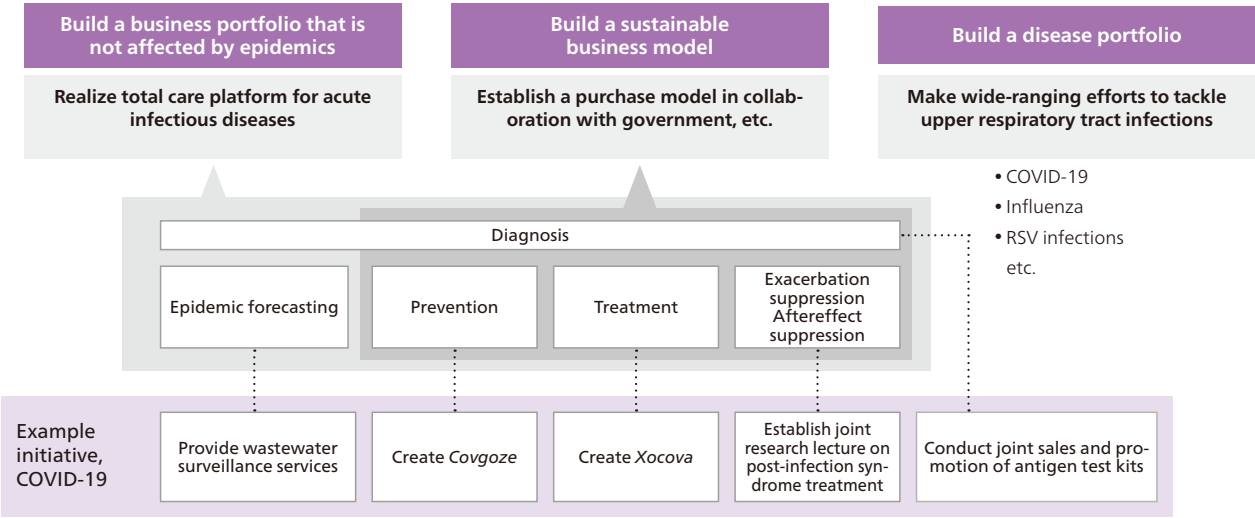
Distribution start and regular approval of Xocova

Xocova received emergency approval in November 2022, and due to its high medical necessity, distribution began under government purchase. Initially, because the drug was under the special circumstances of emergency approval, prescriptions were only allowed at some registered facilities. Also, prescriptions required paper-based patient consent documents, which carried a risk of infection spread. Therefore, we worked to build evidence to clarify the value of taking Xocova and established an online consent method using smartphones to reduce the risk of infection. As a result, the convenience of the drug itself, which can be used regardless of the presence or absence of risk factors for severe illness, and efforts to reduce the risk of infection during medical care were appreciated, and after the start of general distribution in March 2023, Xocova has been delivered to more medical institutions and is widely used. In addition, based on safety data from more than 900,000 patients accumulated during the emergency approval period, efficacy, and favorable results from Phase 3 trials conducted in Asia (mainly Japan), we obtained regular approval in March 2024.



Stable revenue structure achieved by having two drugs: influenza treatment and COVID-19 treatment

Offer total care globally that goes beyond medicines building a sustainable business model



Promoting proper use and realizing early diagnosis and early treatment

For acute respiratory infections, it is important to eliminate pathogens early through early diagnosis and early treatment to prevent worsening prognosis. SHIONOGI provides Xocova as an acute infectious disease treatment drug, as well as Xofluza and Rapiacta as anti-influenza treatments. Furthermore, we are also co-promoting the ImunoAce series used for diagnosis of these diseases.

In the future, we will continue to promote the proper use of these products and realize early diagnosis and early treatment to contribute to patients suffering from influenza and COVID-19.

Domestic sales and information provision of Fetroja started

The antimicrobial resistance (AMR) problem is a social issue that requires urgent attention on a global scale and should be addressed with high priority. To save patients with AMR infections, it is essential to use antibiotics effective against AMR, but on the other hand, to prevent new AMR from developing, it is important to use them minimally after identifying patients who need them. Against this background, we started providing drug susceptibility test reagents (for research use) simultaneously with the domestic launch of Fetroja in December 2023, preparing for susceptibility testing of bacteria to this drug promptly after launch. Additionally, Fetroja was selected as the first target drug for the new antibiotic securing support project trial introduced by the Ministry of Health, Labor and Welfare as part of AMR countermeasures. This project aims to promote AMR countermeasures by creating a mechanism where the government provides a certain amount of support for the revenue decrease that companies incur when they cooperate with the national AMR measures (maintaining appropriate sales volume levels) while encouraging the development of antibiotics.

SHIONOGI will continue to provide next-generation drugs by promoting the proper use of antibiotics and ensuring business sustainability to contribute to solving the AMR problem.

Strengthening the sales system using IT and DX

Due to the spread of COVID-19 infections and work style reforms for doctors, the methods of obtaining information sought by healthcare professionals are diversifying. To respond to these diversifying needs, SHIONOGI is developing a system and utilizing data to provide information with a good balance between digital channels and real information provision activities. As part of developing an information provision system that utilizes digital technology, we renewed our website for healthcare professionals in June 2023. We have built a platform that aggregates information needed in medical settings for the products we handle and their disease areas, allowing healthcare professionals to search efficiently. Additionally, in order to provide timely information tailored to each customer's needs, we are developing a foundation that can centrally manage internal and external data and advancing various analyses. In particular, by introducing a customer management system, we have built a customer-centric environment that visualizes information provision activities conducted by SHIONOGI, regardless of digital or real, in a timely manner. Currently, we are strengthening the data linkage function for overall information provision activities to deliver necessary information at appropriate times for each customer.

Furthermore, through Stream-I, Inc., a joint venture with M3, Inc., which operates the medical portal site m3.com, we are also working on building an AI-powered information provision model. We will strive to understand customer needs in a timely manner and provide appropriate information by analyzing various internal and external information.

FOCUS 1 Message from an employee

Efforts towards regular approval of Xocova

As Xocova was the first drug approved under the emergency approval system, there was no precedent for the necessary application materials for transitioning from emergency approval to regular approval, and we needed to consult with the authorities multiple times. Furthermore, there were many issues that needed to be addressed simultaneously, such as switching from a national purchase product to a drug price listing, packaging label requirements, and periodic side effect monitoring at the safety measures committee and corresponding responses. We considered countermeasures while cooperating and collaborating with many departments within the Company, responded quickly, and obtained regular approval on March 5, 2024. In the future, we will continue to contribute to the treatment of COVID-19 by providing medical professionals with a large amount of clinical data, including the effects of this drug on symptom improvement and viral reduction.

Chie Kishimoto
Vice President,
Regulatory Affairs Department

New businesses

Progress of new*1 businesses

To grow as a Haas*2 company as stated in STS2030 Revision, SHIONOGI is advancing activities to provide new value to society as a healthcare provider while leveraging the know-how and experience we have cultivated as a drug discovery-based pharmaceutical company.

One example is the infectious disease risk detection business of AdvanSentinel Inc., established in January 2022 in cooperation with Shimadzu Corporation. AdvanSentinel Inc. is developing a wastewater surveillance service that monitors pathogens in wastewater, and is contributing to society by working with relevant ministries and multiple local governments to grasp the infection situation and provide information. On the other hand, in Asian countries including Japan, wastewater surveillance is not yet fully developed, and further advancement in research is necessary toward future social implementation. Therefore, to establish the technical foundation for wastewater surveillance and widely disseminate efforts toward its social implementation

to the world, we established the Laboratory of International Wastewater-based Epidemiology as a social collaboration course at the University of Tokyo in March 2024, together with Shimadzu Corporation.

In addition, SHIONOGI has started providing new services such as the gamma wave sound TV speaker *kikippa* and the service for elementary and junior high school teachers, Yui-EN. To make such services widely useful, it is important not only to develop the services themselves but also to work toward social implementation. As we are doing with wastewater surveillance services, we aim to provide healthcare services that go beyond just providing pharmaceuticals according to customer needs in each phase of pre-illness care, prevention, diagnosis, treatment, and prognosis by advancing development and efforts toward social implementation in parallel.

*1 Healthcare solutions other than pharmaceuticals and vaccines
*2 Healthcare as a Service: Providing various healthcare services according to customer needs, not limited to providing pharmaceuticals

New business list

Name of product/service		Summary of product/service	
Products and services currently offered	Wastewater surveillance service	Visualization of infection risks through early detection of infectious diseases, epidemic forecasting, and monitoring of the prevalence of mutant genes	AdvanSentinel
	Gamma wave sound TV speaker <i>kikippa</i>	A speaker that converts TV sound into gamma wave sound, aiming to improve the quality of life for the elderly	ガンマ波サウンドケア <i>kikippa</i>
	Elementary and junior high school class management support system Yui-EN	Supporting classroom management by proposing teaching methods suited to individual students and sharing them with other teachers	Yui Connection

— FOCUS 2 — Message from the President of Yui Connection Co., Ltd.

Aiming for a society where everyone can play an active role

Since the start of our business in October 2022, we have been delivering the Yui-EN service for elementary and junior high school teachers to educational sites. Yui-EN automatically analyzes the needs of school life from the results of a multifaceted and multidimensional assessment of 82 items covering physical, emotional, lifestyle, and learning aspects of students, and presents an educational guidance plan tailored to each student's individuality.

The deep understanding of students gained from the 82-item assessment enables awareness of changes in students and sharing of perspectives. This is then used for smooth information handover during grade advancement and school transitions, and for collaborative guidance and response by teachers.

In educational settings, teachers enhance each other's diverse experiences synergistically and connect them to the growth and learning of students. By adding support through Yui-EN, an educational guidance plan tailored to each individual's uniqueness, we believe it is possible to provide value that is more closely aligned with students and their parents. Through this cycle, we will create and provide society with Yui Connection's unique value of nurturing growth where everyone's individuality is utilized and everyone can shine and play an active role in society without exception.



Shuichi Takano
President
Yui Connection Co., Ltd.

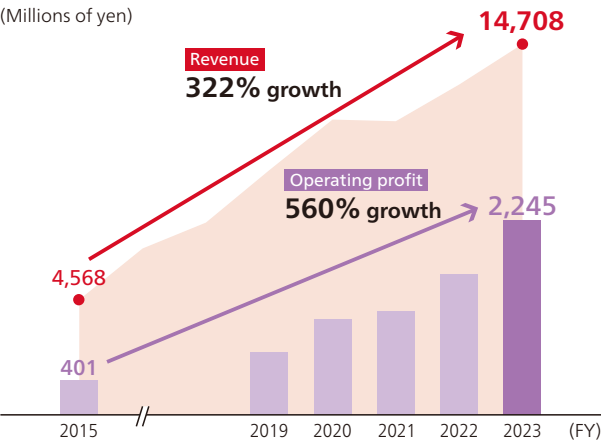
OTC drugs (Over-the-Counter Drugs)

Growth of Shionogi Healthcare

Shionogi Healthcare Co., Ltd. is a group company responsible for the self-care area within SHIONOGI, providing OTC drugs, health foods, healthcare services, and more. Since its spin-off in April 2016, it has been steadily growing while expanding its business areas.

As we seek to realize the SHIONOGI Group Vision, amidst the recent increase in self-care demand, we are actively promoting the launch of switch products from prescription drugs to OTC drugs and new initiatives such as *kikippa*, focusing on the areas of infectious diseases, skin, pain, and healthcare services. In fiscal 2023, due to the intermittent outbreaks of infectious diseases throughout the year, sales of the Pro series for infectious disease control (*Pylon PL Granules Pro*, *Medicon Cough Suppressant Tablets Pro*, *Mucodyne Expectorant Tablets Pro*) remained steady. As a result, in fiscal 2023, Shionogi Healthcare achieved growth for the fifth consecutive term and recorded its highest ever performance.

Performance trends of Shionogi Healthcare



Promotion of self-medication

We believe that as global aging progresses and self-care becomes increasingly important from a social security perspective, raising individual awareness of health management will become more crucial. Shionogi Healthcare, with the business concept of Gentle and precise self-care for all people, will contribute to extending healthy life expectancy worldwide not only by providing quality and safety-focused OTC drugs and health foods but also by promoting easy-to-use universal design and new healthcare services.

Expansion of switch OTC drug lineup

As awareness of self-medication increases, we have been leading the OTC drug industry by launching switch OTC drugs such as *Rinderon Vs*, *Pylon PL Granules Pro*, and *Medicon Cough Suppressant Tablets Pro* since fiscal 2020. In fiscal 2023, we have expanded our lineup to meet the needs for infectious disease control for cold symptoms, coughs, and phlegm by adding the new switch OTC drug *Mucodyne Expectorant Tablets Pro* to the Pro series of infectious disease brands (*Pylon PL Granules Pro*, *Medicon Cough Suppressant Tablets Pro*). We will continue to respond to customers' self-care needs by adding attractive products to our self-care lineup.



Pylon PL Granules Pro



Medicon Cough Suppressant Tablets Pro



Mucodyne Expectorant Tablets Pro

— FOCUS 3 — Message from the President of Shionogi Healthcare Co., Ltd.

Challenge to proper use of OTC drugs

In recent years, the abuse of OTC drugs has gained attention as a social issue, and media reports on overdoses among young people have increased. Shionogi Healthcare, as part of its social mission as a company promoting self-medication, is working on measures to address these abuse issues. We have initiated an abuse prevention project ahead of other companies and are promoting proper use through multilayered awareness activities. We are conducting on-site investigations of abuse cases in collaboration with experts and drug dependency support organizations, raising awareness among distribution and store sales staff, setting up empty boxes at stores in abuse-prone areas, and holding study sessions in school education. We will continue to strive for the realization of a society where OTC drugs are used correctly.



Satoru Yoshimoto
President & CEO
Shionogi Healthcare Co., Ltd.



Overseas Business

SHIONOGI will enhance the product value of cefiderocol by accumulating further evidence and prepare for the development and launch of ensitrelvir, establishing a business model specialized in infectious diseases, particularly in hospitals. Additionally, by focusing on improving healthcare access in low- and middle-income countries (LICs/MICs) through collaboration with international organizations, we will globally promote the realization of the Company Policy of SHIONOGI.

Policy

- Establishing presence in hospitals through infectious disease business

Strategy

- U.S.: Enhancing presence as a top manufacturer of infectious disease treatment drugs centered on *Fetroja* (cefiderocol)
- Europe: Building optimal business models for each country and region using partnering and market incentive models
- China: Entering the new drug business centered on ensitrelvir and cefiderocol
- Taiwan: Early expansion of *FETROJA* (cefiderocol)

Material issues to focus on

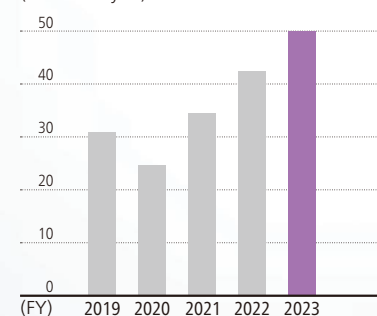
Protect people from the threat of infectious diseases

Contributing to a healthy and prosperous life

Improve access to healthcare

Revenue*

(Billions of yen)



* Sales revenue from overseas subsidiaries/ exports

Message from the CEO of Shionogi Inc.

Shionogi Inc. is on a transformational journey to create a stronger U.S. business and achieve its STS2030 Revision strategy.

Products and people are at the core of our approach. We believe that through hiring and developing the best people to launch and develop the innovative products in our pipeline and those acquired through business development, we can transform our business in the U.S. and create significant value for society at large.

In the past five years, Shionogi Inc. has become profitable, built a strong hospital-based commercial organization, and implemented the best hospital-based antibiotic launch in the industry. With headquarters support we have grown our pipeline, and added exciting assets through Qpex and Maze deals, and are currently preparing for the launch of ensitrelvir and zatolmilast.

Shionogi Inc. is now seen as a market leader in infectious disease and AMR support in the U.S. We are excited about the opportunity ahead and remained focused on demonstrating to the U.S. marketplace that SHIONOGI is a company committed to identifying unmet needs and harnessing the full potential of science to treat challenging human diseases.



Nathan McCutcheon
Shionogi Inc. President and CEO

Message from the CEO of Shionogi B.V.

Shaping the future of healthcare in Europe

Having grown our business significantly in recent years, we are determined to continue to expand our capabilities, cementing our position as a leader in infectious disease and pandemic preparedness while enhancing people's quality of life.

We have built a solid foundation, with over 300 staff, geographical reach across Europe's key markets, and core capabilities from clinical development and distribution through to market access and medical affairs.

To continue to contribute to STS2030 Revision, we will expand our thriving hospital specialty business, establish ourselves as a go-to partner for like-minded organizations wanting to shape the future of healthcare in Europe and prioritize our people so we attract and retain the very best talent.

Our ground-breaking deals such as the innovative reimbursement schemes we negotiated for *Fetroja* (cefiderocol) demonstrate our commitment to the open collaboration, fresh imagination and bold action that will enable us to tackle the biggest public health threats facing society.



Huw Tippet
Shionogi B.V. CEO

Message from the CEO of Ping An-Shionogi Co., Ltd.

Contributing to SHIONOGI's global expansion by launching new drug business in the Asian region

Ping An-Shionogi Co., Ltd., established in 2020 as a joint venture with Ping An Insurance (Group) Company of China Ltd., is facing a major turning point in shifting from the conventional generic drug business to the new drug business. In China, we are preparing for the development and launch of new drugs discovered by SHIONOGI, such as ensitrelvir and cefiderocol, and new drug candidates independently discovered by Ping An-Shionogi are also scheduled to start clinical trials in fiscal 2024. For other Asian regions, we are preparing for early entry centered on ensitrelvir and cefiderocol to contribute to SHIONOGI's global sales expansion.

Ping An-Shionogi will continue to work to provide the best possible healthcare solutions to protect the health and wellbeing of the patients we serve in China and other Asian regions, including not only SHIONOGI's innovative new drugs but also new drugs discovered by ourselves.



Tatsumori Yoshida
Chairman and CEO of
Ping An-Shionogi Co., Ltd.

Overseas group companies

Highlights

Antimicrobial resistance (AMR) is a more serious problem in low- and middle-income countries (LICs/MICs) than in developed countries, and we recognize the need to provide *Fetroja* (cefiderocol) widely around the world to achieve our material issue of Protect people from the threat of infectious diseases.

Therefore, SHIONOGI positions cefiderocol as a main product for global business expansion and sells it under the product names *Fetcroja* (Europe), *Fetroja* (U.S.), *Fetroja* (Japan), and *FETROJA* (Taiwan) in various countries and regions worldwide, reaching sales of 25 billion yen in fiscal 2023. In the UK, it has become a drug subject to payment through a pull incentive under a contract with the National Health Service (NHS England and Improvement: NHSE&I). Additionally, cefiderocol is listed on the WHO Model Lists of Essential Medicines. In LICs/MICs, we are preparing to provide cefiderocol to patients who need it through a tri-partite partnership agreement with GARDP/CHAI. We are addressing AMR by including provisions on proper use in these partnership agreements.

Initiatives of Shionogi Inc.

In the U.S., Shionogi Inc. is leading efforts to accumulate real-world evidence based on the excellent antibacterial power of *Fetroja* with its unique mechanism and clinical effectiveness, while developing promotional activities to market its usefulness. Since its launch in 2020, *Fetroja* has been widely adopted by major hospitals across the U.S. and prescribed to many patients with severe infections as a key drug for treating nosocomial infections, contributing to

Expansion of global sales system

To expand not only our current main product cefiderocol but also *Xocova* (ensitrelvir) and vaccines globally, we need to consolidate marketing and sales functions and speed up decision-making. Therefore, from April 2024, we have added group companies in the U.S., Europe, China, and Taiwan to the Healthcare Business Supervisory Unit, which was previously centered on Japanese business, creating a system where marketing and sales strategies for all SHIONOGI businesses can be discussed under the supervisory unit. We have also established a new Global Healthcare Business Supervision Meeting attended by the CEOs of group companies in the U.S., Europe, and China, enabling timely decision-making on important measures necessary to achieve goals as All SHIONOGI.

The Healthcare Business Supervisory Unit, as the unit responsible for All SHIONOGI's sales, will work to strengthen global sales capabilities along with improving medical access in accordance with the SHIONOGI Group Heritage (SHIONOGI's company policy), and provide the best possible vital medicines to as many patients as possible worldwide.

their treatment. As a result, *Fetroja* sales exceeded \$100M for the first time in fiscal 2023, and the US business achieved revenue and profit growth for the third consecutive year.

For further business expansion, we will strengthen activities in low-share areas for *Fetroja* while expanding sales areas to include Hawaii and Puerto Rico. Additionally, in fiscal 2024, we will proceed with preparations for sales in line

with the application/approval schedule and negotiations with authorities for obtaining approval of ensitrelvir,

enhancing SHIONOGI's presence in the U.S. as a top manufacturer of infectious disease treatments.

Initiatives of Shionogi B.V.

In Europe, with Shionogi B.V. in the Netherlands serving as the base, commercial teams in the five major countries (UK, Germany, France, Spain, Italy) are collaborating to develop promotional activities to market the usefulness of *Fetcroja*. In the UK, we have been implementing sales of *Fetcroja* based on a pull incentive contract with the government since fiscal 2023. In Western and Northern Europe, Shionogi B.V. conducts sales activities directly, while in Central and Eastern Europe (Bulgaria, Croatia, Czech

Republic, Hungary, Poland, Romania, Slovakia, Slovenia, Cyprus, Estonia, Greece, Latvia, Lithuania), we have licensed sales rights to Sobi and provide *Fetcroja* through alliance activities. For other countries, we are securing access to *Fetcroja* for patients with severe infections who need it through the Early Access Program.

We will continue to strengthen alliances with other companies and collaboration with government agencies in each country.

Initiatives of Ping An-Shionogi

In China, the application for cefiderocol was accepted in August 2024. Clinical trials for naldemedine are progressing as planned, with applications scheduled to be submitted sequentially from fiscal 2024. Regarding ensitrelvir, we are negotiating with authorities while considering the situation in various countries, including the U.S.

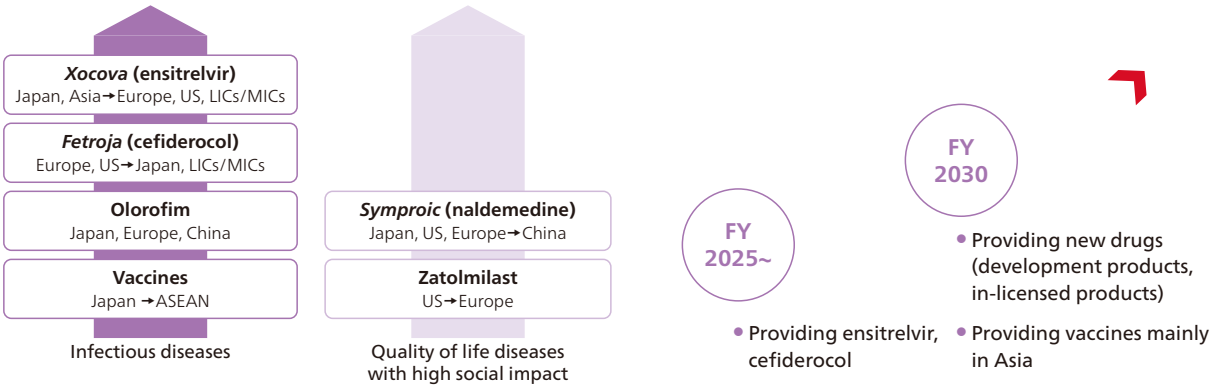
At this timing when Ping An-Shionogi is preparing for the launch of these innovative new drugs created by SHIONOGI, we are transforming our business structure from a conventional generic drug-centered business to one centered on new drugs. As AMR is also becoming a serious social issue in various Asian countries, we are preparing to

deliver cefiderocol as soon as possible. In Singapore, we have obtained approval through the Special Access Route, in the same way as ensitrelvir, and it is already available for prescription at some medical institutions.

Ping An-Shionogi will strengthen its business foundation in China and elsewhere in Asia with new drugs created by SHIONOGI, and in the future, by providing healthcare solutions including new drugs created by Ping An-Shionogi itself, we will further expand our business in China and elsewhere in Asia, contributing to SHIONOGI's global business development.

Supply the best possible medicines worldwide in accordance with the SHIONOGI Group Heritage

Providing solutions (including pharmaceuticals) globally by strengthening sales capabilities as well as improving access to healthcare



FOCUS 4 Message from an employee

The U.K. subscription model – a panacea for sustainable access for reserve antibiotics in Europe?

The U.K. de-linked or subscription pilot was so successful that it is being permanently rolled out in England as the mechanism for funding access to *Fetcroja* (cefiderocol). Other devolved nations may soon follow England's lead.

In contrast, currently there are no other subscription models in Europe and no plans from any other countries to adopt this approach.

However, there is more progress in Europe with 'revenue guarantee' models. Like subscription models, these are intended to provide a guaranteed level of revenue as an incentive to companies. However, as distinct from subscription models, that level of revenue is typically much smaller, and therefore intended to provide a local reward to launch ('access' incentive) rather than a global reward for investment ('R&D' incentive). This approach has been adopted in Sweden, and is now being considered more broadly for an EU-wide system by the Health Emergency Response Authority (HERA* at the European Commission).

In all three scenarios SHIONOGI (with *Fetcroja*) has been a central player - in the UK subscription model, the Swedish revenue guarantee and discussions with HERA.

Whilst currently there are limited prospects for further subscription models in Europe, there are likely to be other guarantee systems and SHIONOGI is well-placed to capitalize on any opportunities that arise.

* Health Emergency Response Authority



Jo Taylor
Executive Director of Corporate
and Government Affairs
Shionogi B.V.



Royalty Business

One of SHIONOGI’s revenue pillars is royalty income. We develop a business model that sets us apart from other pharmaceutical companies and maintain a top-class operating profit margin in the industry by continuously creating innovative new drugs through our strengths in creating innovations and licensing them out to partner companies.

HIV franchise

Relationship between ViiV Healthcare Limited and SHIONOGI

Currently, the HIV franchise is the mainstay of SHIONOGI’s royalty income. The HIV franchise consists of products including dolutegravir and cabotegravir, which are integrase inhibitors arising from innovation at SHIONOGI, and are sold by the HIV specialty pharma firm ViiV Healthcare Limited. Depending on the global sales of these products, SHIONOGI receives a fixed royalty, and we plan to continue to receive the same rates after the launch of generic drugs.

SHIONOGI also holds a 10% stake in ViiV Healthcare Limited and receives 10% of the dividend paid by ViiV Healthcare Limited on a quarterly basis, in addition to royalties. Since these royalties and dividends do not involve sales costs, they are a source of important profits for SHIONOGI and enable strategic investments such as further research and development.

History of HIV treatment and the contribution of SHIONOGI

When you are infected with HIV (Human Immunodeficiency Virus), your immune cells are destroyed, your immune function is reduced, and you are more susceptible to various diseases. In 1981, the first HIV infection was confirmed in the U.S., and there are currently about 40 million HIV infections reported worldwide, affecting the lives of many people.

The state in which a disease is caused by HIV infection is called AIDS, and it was once thought that HIV infection was

Global epidemic status

(Unit: million people)					
Year	2000	2005	2010	2020	2023
People living with HIV	27.2 [24.6–30.4]	29.4 [26.6–32.9]	32.0 [29.0–35.8]	38.7 [35.0–43.2]	39.9 [36.1–44.6]
New HIV infections	2.8 [2.3–3.6]	2.5 [2.0–3.2]	2.1 [1.7–2.7]	1.5 [1.2–1.9]	1.3 [1.0–1.7]
AIDS-related deaths	1.8 [1.4–2.3]	2.0 [1.6–2.6]	1.3 [1.0–1.7]	0.73 [0.57–0.94]	0.63 [0.50–0.82]

From UNAIDS “FACT SHEET 2024”

directly related to death. However, with the advancement of anti-HIV drugs, it has been possible to continue treatment and suppress the growth of HIV even if you are infected with HIV, so that you can live the same life as a healthy person without developing AIDS for the rest of your life. However, HIV is characterized by its tendency to acquire drug resistance, and it is extremely important to continue research and development in preparation for the development of resistance.

SHIONOGI has been continuously working on HIV infection since the creation of dolutegravir, an HIV integrase inhibitor that has excellent efficacy and safety and rarely leads to drug resistance.

Growth through the provision of *Tivicay*, an innovative integrase inhibitor

The emergence of the innovative third-generation integrase inhibitor, dolutegravir, which has a high resistance barrier making it less susceptible to drug resistance and excellent safety, has greatly changed the methods of HIV treatment. Traditionally, the need to take many drugs several times a day and the occurrence of side effects were issues, leading to lower patient adherence. However, with the advent of dolutegravir, which allows for completion of treatment with a single dose per day, the burden on patients has been greatly reduced. As a result, an improvement in adherence has led to an increased success rate of treatment and a decrease in mortality rate.

Thus, the provision of dolutegravir has further advanced

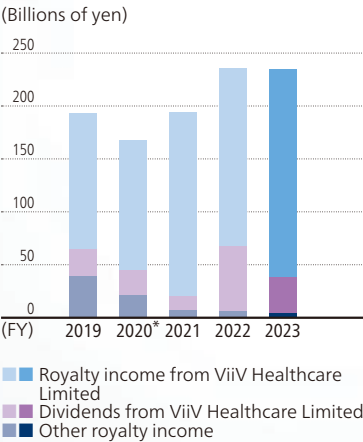
the treatment of HIV infections, expanding the availability of more effective and manageable therapies for patients, and treatment based on integrase inhibitors has become the standard. As a result, ViiV Healthcare Limited has experienced significant growth, focusing on the standalone drug, *Tivicay*, and the combination drug, *Triumeq*, both of which include dolutegravir.

Additional growth due to the launch of the two-drug regimen

On the other hand, since it is necessary to continue taking therapeutic drugs for life to treat an HIV infection, the need for improved quality of life (QOL) by reducing the side effects associated with long-term use such as reduced bone density and renal dysfunction, and reducing the frequency of further dosing, has gradually increased. ViiV Healthcare Limited pioneered development to address this need.

The strategy it has taken to reduce side effects is to reduce the number of drugs taken. It started the development of a two-drug combination with dolutegravir as the key drug, and launched *Juluca* and *Dovato*. Due to the concern of resistance, the view that it is difficult to reduce the number of drugs to two or less was common at that time, but by using dolutegravir with its high resistance barrier as the key drug, ViiV Healthcare Limited was able to successfully develop a two-drug formulation. Sales of these products have been successfully expanding, contributing to the current market share of ViiV Healthcare Limited.

Royalty income



ViiV Healthcare Limited’s dolutegravir and cabotegravir products

Oral regimens

Provision of breakthrough integrase inhibitors



Tivicay
Dolutegravir
• Indications: Treatment of HIV-1 infection
• Released: August 2013 (US)



Triumeq
Dolutegravir + Lamivudine + Abacavir
• Indications: Treatment of HIV-1 infection
• Released: August 2014 (US)

Reduction of patient burden by reducing the number of doses



Dovato
Dolutegravir + Lamivudine
• Indications: Treatment of HIV-1 infection
• Released: April 2019 (US)



Juluca
Dolutegravir + Rilpivirine
• Indications: Treatment of HIV-1 infection
• Released: November 2017 (US)

Long-acting (LA) formulations

Treatment and prevention now possible with one dose every two months

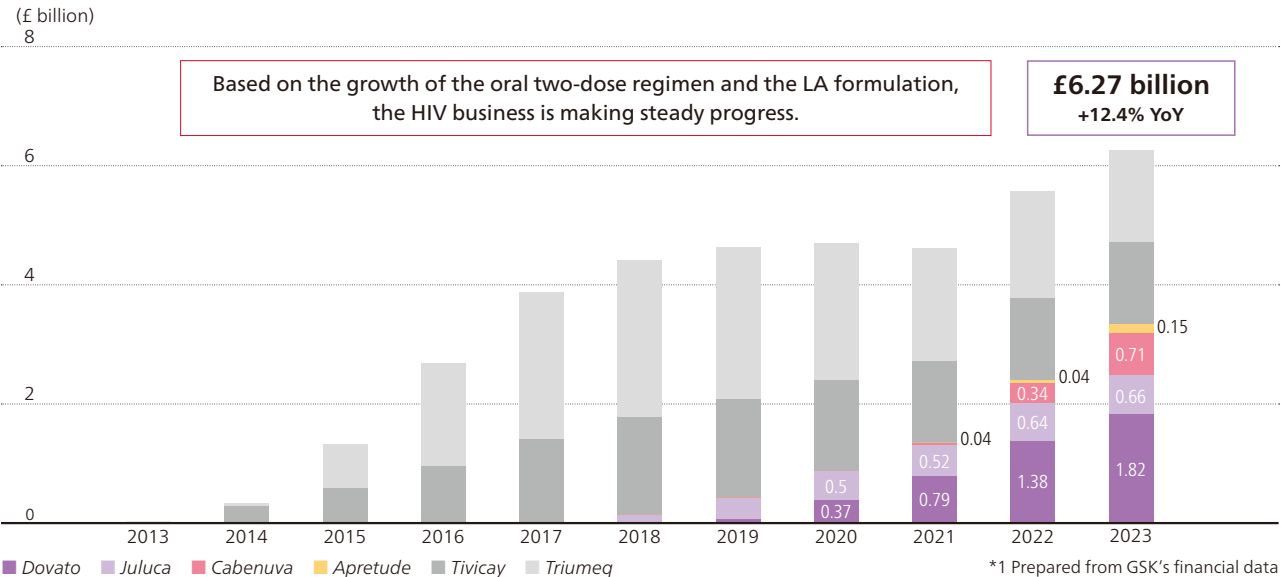


Cabenuva
Cabotegravir + Rilpivirine
• Indications: Treatment of HIV-1 infection
• Released: February 2021 (US)



Apretude
Cabotegravir
• Indications: Pre-exposure prevention of HIV-1 infection
• Released: January 2022 (US)

Sales Trends of ViiV Healthcare Limited’s Dolutegravir and Cabotegravir Products*1



Further leap forward with the launch of long-acting (LA) formulations

One of the measures we have taken to further improve patient QOL is the development of long-acting (LA) formulations with two injections. It is a psychological burden for many patients to remember that they are infected with HIV on a daily basis every time they take medication. In addition, there are fears that others will find out about the infection when taking oral drugs, and concerns about forgetting to take them.

In order to eliminate these unmet needs, ViiV Healthcare Limited has developed *Cabenuva*, an injection formulation containing cabotegravir that requires only one dose every two months. *Cabenuva* showed superiority over oral drugs in suppressing viral load in a clinical trial of patients with medication adherence challenges. In addition, about 90% of the patients who participated in the study said that they preferred *Cabenuva* to oral drugs. These efficacy and QOL

improvements have been highly regarded, and the shift from the existing oral drug market to *Cabenuva* is progressing smoothly.

In addition, cabotegravir contributes not only to HIV treatment but also to the prevention of HIV infection. In the past, it was necessary to take oral drugs every day, but with the release of *Apretude* (cabotegravir), it is possible to prevent HIV infection with one dose every two months. In countries such as the U.S., which are aiming to eradicate new HIV cases, there is a particularly high need for such long-acting drugs for HIV prevention, and this is expected to lead to the greater growth of the prevention market and increased market share.

At present, only ViiV Healthcare Limited offers LA formulations with integrase as the key drug. The company’s focus on unmet needs and pioneering efforts have led to its dominance in the current LA formulation market.

HIV market prospects and future initiatives

Future prospects of the HIV market

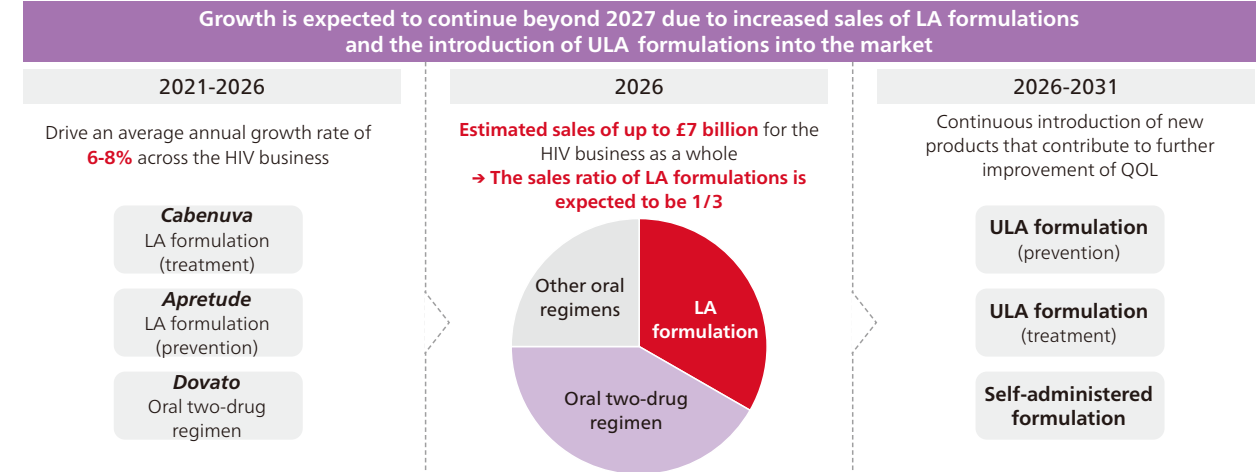
In September 2023, in response to changes in the contemporary situation and market environment, ViiV Healthcare Limited updated its medium- to long-term HIV franchise outlook. The company raised its forecast for average annual sales growth from mid-single digits to 6-8% from 2021 to 2026, and expects HIV franchise sales of up to £7 billion in 2026. In addition, with further penetration of existing LA formulations and the introduction of ultra-long-acting (ULA) formulations requiring only a single dose every three months or more, it is expected that the market for LA formulations will continue to expand after 2026. Specifically, the

company expects the share of LA products in the overall HIV market to be 30% of £20 billion in the treatment market and 80% of £4-5 billion in the prevention market by 2031.

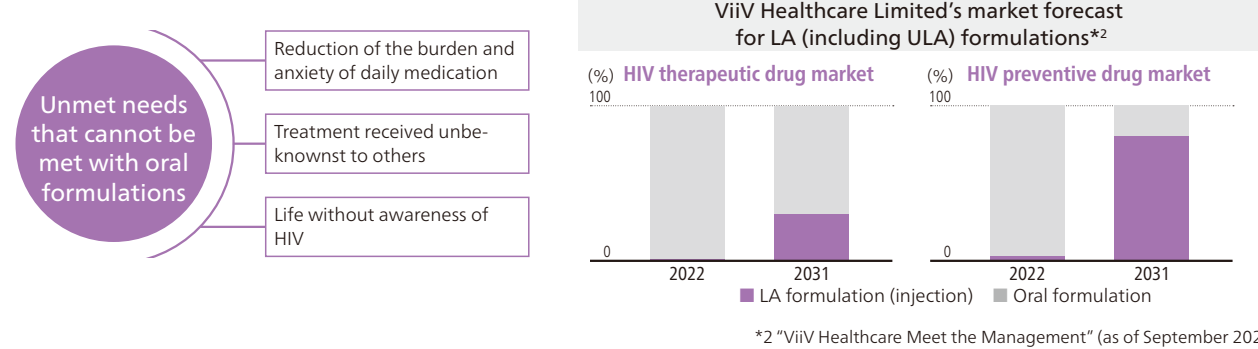
Responding to further unmet needs with ultra-long-acting (ULA) formulations

In the future, increasing attention will be paid to improving the QOL of patients in the treatment and prevention of HIV infection. Virus checks are required several times a year in the course of treatment and prevention, but if the frequency of medication can be reduced and medication can be administered at the time of virus check hospital visits to

Sales expansion of the three main products



Unmet needs and market forecast in the HIV field



enable treatment and prevention, it will be possible to greatly reduce the burden on the patient’s life.

To meet these needs, ViiV Healthcare Limited is not only strengthening the position of existing LA formulations, but also developing ULA formulations that require only one dose every three months or more, and self-administered formulations. This will allow those who are receiving treatment and those who wish to prevent infection to choose the method that best suits their lifestyle and health. As a result, it is expected that HIV infection treatment and prevention will take a more flexible and individualized approach, which will further reduce the burden on people’s lives.

ViiV Healthcare Limited is advancing the development of multiple ULA formulations. Among these are CAB-ULA, a formulation that doubles the concentration of cabotegravir and extends the duration of blood concentration maintenance. This candidate aims to enable the treatment and prevention of HIV with a single dose every four months, and ViiV Healthcare Limited plans to launch it as a prophylactic drug in 2026 and as a therapeutic drug in 2027. Also being developed is S-365598 (ViiV’s development number: VH4524184), an integrase inhibitor created by SHIONOGI and licensed to ViiV Healthcare Limited. This formulation

aims to enable the treatment and prevention of HIV with a single dose every six months and is currently in clinical trials.

Efforts to strengthen dominance in the HIV field

SHIONOGI and ViiV Healthcare Limited continue to provide solutions that meet the needs of patients based on superior integrase inhibitors. The accumulation of clinical experience and safety information over many years of use of integrase inhibitors will continue to be a major strength. To further solidify this advantage, SHIONOGI continues to invest many research resources in the HIV field. In particular, we are advancing research on integrase inhibitors that are administered once every six months with a high resistance barrier, and we are also advancing research on partner drugs that have different mechanisms of action than integrases.

R&D Activities > P.66

SHIONOGI will continue to meet the needs of patients and create new solutions to achieve growth together with society by balancing patient QOL improvement and maximizing the profitability of the HIV franchise.



Vaccine Business

The vaccine business is an important element in realizing total care for infectious diseases and is a stable revenue base that is less affected by patent expirations. As it is an important business for SHIONOGI’s global business expansion, we aim for early stabilization of the business.

Vision

- Promotion of research and development of vaccines targeting respiratory infections
- Technology development aimed at improving medical access

Strategy

- Establishing a platform for COVID-19 vaccines
- Gaining competitiveness through the development of universal vaccines and nasal vaccines
- Expansion to Asia, Europe, and low- and middle-income countries (LICs/MICs)

Material issues to focus on

Protect people from the threat of infectious diseases

Create innovation

Improve access to healthcare



Message from the Senior Executive Officer in charge of the Supply Supervisory Unit

Delivering vaccines needed by society

In the vaccine business, we have reorganized into a new organizational structure that integrates research, production, and sales functions from April 2024. We aim to achieve the mission “we will create vaccines needed by society and supply them to the market in a timely and stable manner to liberate society from the threat of infectious diseases and contribute to safety and security. By realizing these goals at an early stage, we will establish the vaccine business as a core business of SHIONOGI and contribute to increasing corporate value.” The key points we focus on to achieve this mission are speed, innovation, stable production, and business strategy.

Regarding speed, we will enhance our ability to discover, develop, and manufacture vaccines for recommended variant strains each year in a timely manner. For innovation, we will deliver the universal COVID-19 vaccine S-567123 and nasal vaccine, discovered through external collaborations, to the market as soon as possible. We will also take on the challenge of new innovations that can be applied to other vaccines, such as developing convenient formulations like single-liquid preparations, exploring broad and powerful backup antigens that further develop S-567123, and selecting highly effective and safe adjuvants. For stable production, we will establish a manufacturing platform based on robust process settings to stably supply these products in large quantities. We are developing our business strategy as the axis for advancing these activities and implementing necessary initiatives.

Through the execution of our business strategy, we will meet medical needs by creating and delivering vaccines needed by society in a timely and stable manner, while achieving STS2030 Revision.

Koji Hanasaki, Ph.D.

Senior Executive Officer,
Senior Vice President,
Supply Supervisory Unit



Vaccine business

Initiatives and prospects for the vaccine business

Humanity has fought various infectious diseases in the past, but the recent pandemic caused by SARS-CoV-2 has made us recognize that we are still not free from the threat of infectious diseases. In addition to the importance of proper diagnosis and treatment of infectious diseases, we have also re-recognized the importance of prevention to avoid such pandemics. SHIONOGI is working not only on diagnosis and treatment but also on prevention through vaccines against the threat of bacterial and viral infections. Currently, we are focusing on developing respiratory infection vaccines such as COVID-19 prevention vaccines and influenza prevention vaccines, aiming to enhance SHIONOGI's total care for infectious diseases (outbreak prediction, prevention, diagnosis, treatment, suppression of severe cases).

SHIONOGI obtained domestic manufacturing and marketing approval for Covgoze, a monovalent prevention vaccine for the original strain of COVID-19, on June 24, 2024. Covgoze is a purely domestically produced recombinant protein vaccine developed with subsidies from the Ministry of Economy, Trade and Industry, the Ministry of Health, Labor and Welfare, and AMED (Japan Agency for Medical Research and Development). In the future, we will develop it as a vaccine platform to respond to variant strains and build a system to supply vaccines against the latest variant strains to the market in a timely manner.

We are also developing a universal vaccine against SARS-CoV-2 to prepare for the next pandemic. We aim to create a vaccine that broadly induces immunity against the

Sarbecovirus subgenus, including SARS-CoV-2, and expect it to contribute to the suppression of severe cases not only during pandemics but also through regular vaccination during normal times.

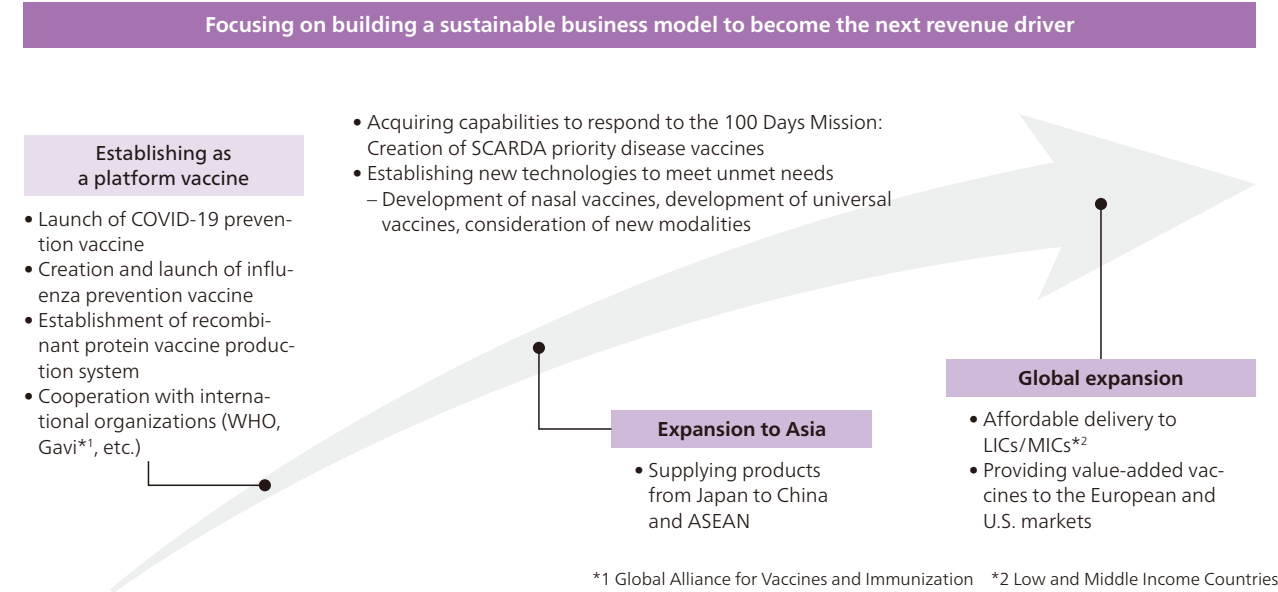
Furthermore, to take prevention of respiratory infections one step further, we are also working on the development of nasal vaccines. In particular, vaccines using cCHP (cationic nanogel delivery system) can effectively induce immunity in the respiratory mucosa, which is a site of infection, and the whole body, by administering them nasally without the pain of traditional injections. Also, compared to conventional injectable vaccines, the administration is simpler, which increases the need to distribute them to emerging countries where medical environments are not well-established from the perspective of medical access.

By supplying these vaccines to Japan, elsewhere in Asia, and the world, we will realize SHIONOGI's Company policy of Research, produce, and promote globally in the world of vaccines as well.

Efforts towards universal vaccines

Although the initial confusion of COVID-19 has subsided, new variants continue to emerge, leaving significant unmet needs. Moreover, the currently available COVID-19 prevention vaccines are not fully capable of addressing unknown coronaviruses of animal origin, such as those from bats, so society's anxiety about future pandemics has not been completely eliminated. SHIONOGI recognizes the remaining social anxiety regarding coronavirus infections as an important issue and is participating in the research and development strategy for priority disease vaccines

Initiatives and prospects for the vaccine business



Creation of universal vaccine antigens

Aiming to create vaccine antigens effective against new variants and even the next pandemic

The world we aim for with universal vaccines

- Save many lives by vaccinating early in a pandemic
 - Create vaccines that can save lives in the early stages, which could not be achieved in the recent COVID-19 pandemic
- Contribute to the prevention of severe cases by inducing strong immunity through vaccination as a seasonal vaccine during normal times
 - Prevent new pandemics

Targeted vaccine profile

- Usable as a COVID-19 prevention vaccine during normal times
- Usable in emergencies caused by SARS-CoV and other Sarbecovirus infections
- Higher safety than existing vaccines

Coronavirus phylogenetic tree

Key points of universal antigen design

Protein structure stabilization	Changes in protein dynamic properties
Optimization of broad-spectrum activity	Control of epitopes

*3 The novel coronavirus (SARS-CoV-2) and SARS coronavirus (SARS-CoV), which belong to a group of viruses in the Betacoronavirus genus of the Coronaviridae family, belong to the Sarbecovirus subgenus

designated by SCARDA (Strategic Center of Biomedical Advanced Vaccine Research and Development for Preparedness and Response), working on the research and development of universal vaccines.

The universal vaccine S-567123 is designed to be effective against a wide range of variant strains, including SARS-CoV-2 variants and unknown coronaviruses that may cause the next pandemic, by introducing amino acid mutations into the spike protein used as an antigen in Covgoze, controlling glycosylation, and making modifications using sequences common among mutant viruses. In the design process, we collaborated with KOTAI Biotechnologies, Inc. to confirm computer simulation-based design methods. Furthermore, by applying SHIONOGI's advanced small-molecule drug discovery engine to macromolecules and maximizing SHIONOGI's strengths, we have established

methods to optimize numerous candidate antigen proteins efficiently. In the future, we will also promote research and development of vaccines with unprecedented new mechanisms of action through detailed immunological analysis in collaboration with the National Institute of Infectious Diseases.

SHIONOGI aims to establish the usefulness of universal vaccines at the clinical stage and deliver them to the world as soon as possible, contributing to the realization of a society where people can live with peace of mind by removing the threat of coronavirus pandemics from the world. Moreover, not only for coronavirus infections but also for influenza and other infectious diseases, we will continue to create vaccines with various characteristics needed by society and realize SHIONOGI's material issue of Protect people from the threat of infectious diseases.

FOCUS 5 Message from an employee

Toward stable supply of vaccines

Even if excellent candidate antigens for vaccines are created, it's just a pipe dream without production technology that can supply them to the market. To realize manufacturing that can consistently ensure quality, advanced technology that cannot be acquired overnight is necessary. To respond to infectious diseases in a timely manner, considerable development speed is required, and there is also increased demand for technology. To establish production capabilities that can provide necessary vaccines at a speed in line with society's expectations, we will build a production system based on the technologies and know-how we have cultivated through daily experimental studies.

Yuya Nagato
Vaccine Process 2 Group
Vaccine Manufacturing Technology Research Laboratory



R&D Activities

In addition to the infectious diseases posing a large threat to society that we have been working on so far, we will strengthen our efforts on QOL diseases posing a large threat to society and foster growth drivers. We will address the needs that exist in the patient process, which we consider as the journey that patients go through from the pre-illness and prevention stages to disease progression and prognosis.

Vision

Create innovation not limited to prescription drugs, responding to important healthcare needs in society without being bound by preconceived notions.

Strategy

Identify important unmet needs and address them using overall capabilities

- Select healthcare issues that are predicted to remain unsolved and increase in the future
- Provide the best solutions using SHIONOGI's own strengths + external networks
- Global development system, rapid and flexible resource allocation, and clear prioritization

Material issues to focus on

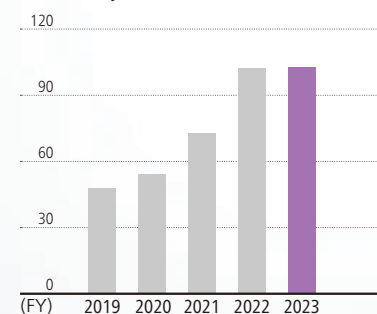
Protect people from the threat of infectious diseases

Contributing to a healthy and prosperous life

Create innovation

Trends in R&D expenses

(Billions of yen)



Message from the Senior Executive Officer in charge of the R&D Supervisory Unit

Achieving STS2030 Revision and building a strong pipeline for growth through FY2030 and beyond

SHIONOGI has learned from the COVID-19 pandemic that speed and concentration of resources are important. We also learned from past experiences that we can become too focused on our internal scientific interests and, as a result, lose sight of rapid changes in the external environment in terms of unmet needs, competitor actions, and opportunities for collaborations that could accelerate our efforts. Utilizing what we learned from these experiences, we are working to improve the productivity, quality and speed of our research and development to successfully deliver world-leading solutions to the challenging unmet needs we have chosen to address, augmenting our internal strengths with the unique capabilities of external alliance partners with unique specialized expertise. Moreover, not bound by preconceived notions, we aim to generate healthcare innovations beyond pharmaceuticals.

In the field of infectious diseases, which continues to be our major focus, we seek to create comprehensive solutions for total care, including therapeutic drugs for acute infections, diagnostic technologies supporting a test-and-treat paradigm, as early, appropriate treatment clearly results in the best outcomes, vaccines for prevention, solutions for chronic infectious diseases such as HIV that release patients from the disease burden as completely as possible, and a comprehensive strategic approach to the ongoing threat posed by antimicrobial resistance (AMR).

In our activities outside of infectious disease, in quality of life (QOL) diseases, we want to relieve patients of not only the immediate impact of these diseases but also their consequences, the chain reactions of downstream impact on their lives and the lives of their families. For example, obstructive sleep apnea leads, over time, to increased rates of dementia, as is also the case with hearing impairment and obesity and with loss of mobility. By addressing these diseases, we also can reduce their overall impact on functional life span that results from this disease cascade, addressing unmet needs at a scale that has not yet been made visible.

We will strive to build a pipeline that ensures the achievement of the STS2030 Revision and continuous growth after 2030, with a potential clearly visible to all of our stakeholders.

John Keller, Ph.D.

Senior Executive Officer, Senior Vice President, R&D Supervisory Unit



Efforts against infectious diseases with high impact that threaten society

Policy for infectious disease efforts

At SHIONOGI, we aim to establish combinations of solutions including not only therapeutic drugs but also epidemic forecasting, prevention, and diagnosis for various infectious diseases. In particular, we believe that appropriate selection of therapeutic drugs for acute infectious diseases brings high benefits to patients, and we aim to realize an environment

globally where patients can be diagnosed and treated quickly (Test to Treat) when needed. We also consider infectious diseases that require long-term treatment, such as HIV infection and malaria, as well as antimicrobial resistance (AMR) to be major social issues, and we are working on providing solutions to meet unmet needs for these issues and building a stable business foundation.

Focus areas in infectious diseases

While honing our strengths in infectious disease drug discovery, utilize external collaborations to satisfy global unmet medical needs			
	Acute infectious diseases	Antimicrobial resistance (AMR)	Infectious diseases requiring a long period of treatment
	• Viral infections • Pandemic	• Antibiotic-resistant bacteria • Antifungal-resistant fungi	• HIV • Malaria
Examples of targeted pathogens	Influenza virus SARS-CoV2 RS virus Epidemic viruses in general	Resistant Gram-negative bacteria (Pseudomonas, Acinetobacter, Enterobacteriaceae, etc.) Resistant fungi Nontuberculous mycobacterial infections (<i>M.avium</i> , <i>M.abscessus</i>) Tuberculosis	HIV Malaria
Launched and development pipeline products (excluding vaccines)	Xofluza, Rapiacta Xocova (ensitrelvir), S-892216 S-337395	Fetroja (cefiderocol) S-649228 S-743229 Olorofim	Dolutegravir Cabotegravir S-365598

Severe infectious diseases including antimicrobial resistance (AMR)

AMR is also called a silent pandemic and is an urgent issue that could become a serious global public health threat. SHIONOGI has developed cefiderocol, the world's first siderophore cephalosporin antibiotic, and launched sales in the U.S. and Europe in 2020. *Fetroja* (cefiderocol) is also listed on the WHO Model Lists of Essential Medicines and has been highly evaluated globally, including being eligible for reimbursement systems such as pull incentive models in cooperation with national administrations. This is contributing widely to the resolution of AMR.

On the other hand, it is extremely important to continuously promote research and development against AMR to prepare for future threats. To strengthen R&D functions related to AMR, SHIONOGI fully acquired Qpex Biopharma, Inc., which has led AMR drug discovery in the U.S. for many years, in July 2023. Furthermore, to realize new AMR drug discovery combining Qpex's rich experience and capabilities with SHIONOGI's strengths, we opened Qpex US Lab., a new research and development base in San Diego, U.S., in June 2024. Currently, we are advancing clinical development of the injectable S-649228 combining the new β -lactamase inhibitor xeruboractam with cefiderocol, and the

oral treatment S-743229 combining xeruboractam with ceftibuten. We are also working to expand the product pipeline of new AMR antibiotics utilizing networks with academia, startup companies, and U.S. government agencies.

In addition, SHIONOGI is preparing to respond to severe infectious diseases with drugs other than cefiderocol. In particular, for invasive aspergillosis fungal infections with high mortality rates, we are advancing Phase 3 trials in Europe and Asia for olorofim, which was in-licensed from F2G.

Research efforts in the HIV field

SHIONOGI has long been involved in drug discovery research for HIV and has created and out-licensed dolutegravir, cabotegravir, and S-365598 to ViiV Healthcare. Currently, we are investing 38% of our human resources for chemistry, which are the starting point for manufacturing, in HIV research to meet the remaining unmet needs in HIV infection. In particular, we are focusing on creating ultra-long-acting (ULA) formulations that are Last-in-Class. We are advancing research aimed at integrase inhibitors with dosing frequencies of once every 6 months, low dose and low volume, and excellent resistance barriers. We have already identified promising new integrase inhibitors and

Policy for research and development against bacterial infections (antibiotics)

Started research and development against bacterial infections globally at Qpex US Lab.



ARE San Diego Tech Center, where Qpex US Lab. was opened

Established Qpex US Lab., a new drug discovery base

- Activities leveraging the strengths of Qpex US Lab.
 - Based in San Diego, a center for biotech, activating collaboration with academia & startups
 - Further promotion of research and development against AMR

Actively engaging in research and development against difficult bacterial infections to prepare for future threats, in collaboration with public institutions such as NIH*1 and BARDA*2

*1 NIH: National Institutes of Health

*2 BARDA: Biomedical Advanced Research and Development Authority

are accelerating research aimed at early entry into clinical trials. We are also researching combination drug candidates for ULA formulations and have identified two promising compounds with mechanisms of action different from integrase inhibitors.

With the multiple compounds that SHIONOGI has out-licensed so far, ViiV Healthcare has established a significant lead in the long-acting formulation market. We will continue our efforts to solidify this advantage and to improve the quality of life for many people living with HIV.

Initiatives related to malaria therapeutic and prophylactic drugs

Malaria is an infectious disease carried by Anopheles mosquitoes, which primarily inhabit tropic and subtropical regions. According to WHO reports, over 600,000 people, mainly children under 5 years old, still die every year, preventive vaccines are not sufficiently effective, and parasite

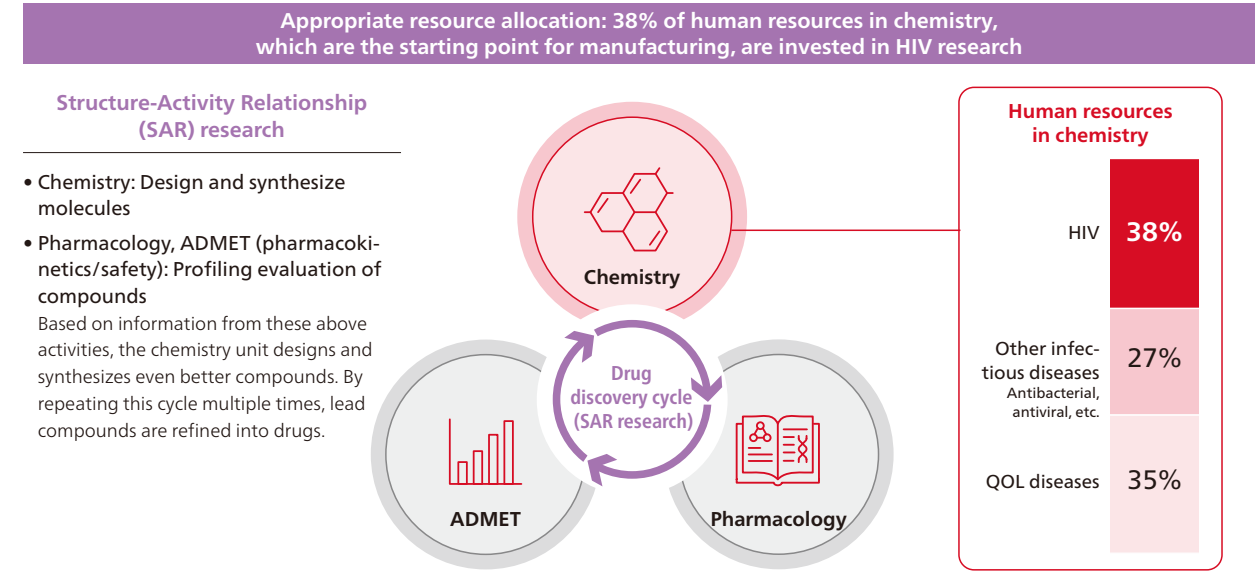
resistance to existing treatments is increasing. SHIONOGI signed a comprehensive collaboration agreement with Nagasaki University, which has strengths in malaria research, in 2019 and is advancing drug discovery research related to malaria prevention and treatment. Two themes from this joint research, creation of treatment drugs with immediate and parasitocidal effects even against existing drug-resistant strains*3 (April 2023) and creation of long-acting preventive drugs*4 (May 2024), were selected by GHIT Fund.*5 We are working to create development candidates that can provide peace of mind and safety, such as high immediacy and convenience that can prevent onset during the epidemic season with a single dose, facing the unmet needs of communities suffering from malaria.

*3 Three-party collaboration including Nagasaki University and MMV (Medicines for Malaria Venture)

*4 Four-party collaboration including Nagasaki University, MMV, and the National Institute of Infectious Diseases

*5 GHIT: Global Healthcare Innovative Technology

Allocation of human resources in research laboratories



Efforts towards QOL diseases with a high social impact

Approach to QOL disease-related efforts

The QOL disease areas that SHIONOGI focuses on include hearing impairment, sleep disorders, and obesity. These diseases already affect a large portion of the population and can be considered social problems resulting not only from aging but also from other lifestyle changes. These diseases trigger a chain of other serious conditions, shorten the healthspan, and in many cases, the actual lifespan as well.

For example, moderate to severe hearing impairment has been reported to be associated with a 60% increase in the incidence of dementia. Obstructive sleep apnea is associated with a 40% reduction in 8-year survival rate, a 50% increase in memory disorder risk, and a 30% increase in heart attack risk. Obesity is not only associated with cardiovascular disease but also increases the risk of dementia, blindness, and depression. These diseases are complexly interrelated, and the root causes differ for each patient. Therefore, the necessary treatment also varies greatly for each patient. Appropriate treatment requires correctly diagnosing the disease mechanism for each patient, but in many cases, the necessary diagnostic tools do not yet exist, or are too complex or expensive for routine use. Therefore, SHIONOGI is pursuing new diagnostic technologies in parallel with treatment efforts to enable identification of appropriate treatment methods for each patient. Also, as these complex disease areas have problems that cannot be solved by drug treatment alone, we will work on non-drug therapies including digital therapeutics and device-enhanced approaches.

Sleep apnea syndrome

Obstructive sleep apnea syndrome (OSAS), a serious sleep disorder, is one of the diseases with high social impact related to decreased labor productivity, and also has risks of complications with chronic diseases such as hypertension, diabetes, cardiovascular diseases, and stroke. If left untreated, it is suggested that lifespan is significantly reduced. In November 2023, SHIONOGI established a joint venture company Shionogi-Apnimed Sleep Science, LLC with Apnimed, Inc. to solve challenges in sleep disorders. By combining SHIONOGI’s small-molecule drug discovery capabilities with Apnimed’s advanced scientific capabilities, development track record, and global clinical research network, we aim to create promising solutions for OSAS.

Based on the results of domestic clinical trials of S-600918, we found the possibility of bringing clinically meaningful therapeutic effects against sleep apnea and



hypopnea by combining drugs with different mechanisms. Clinical trials using S-600918 and combined drugs are scheduled to begin during fiscal 2024. The pathology of OSAS is formed by various factors intricately intertwined, and their impact differs for each patient. By addressing multiple mechanisms, we will establish a system to provide multiple solutions according to the factors of OSAS.

Pediatric and rare diseases (Pompe disease, Fragile X syndrome)

SHIONOGI is developing zatmilast as a treatment for Fragile X syndrome, a rare pediatric disease. To further strengthen our efforts in this area, we have in-licensed S-606001, a new drug candidate for Pompe disease, from Maze Therapeutics. Since hospitals and KOLs* treating Pompe disease and Fragile X syndrome often overlap, synergistic effects can be expected in research, development, and sales implementation.

Pompe disease is a genetic disorder caused by decreased activity or deficiency of acid α-glucosidase, an enzyme necessary for glycogen breakdown in cells, resulting in glycogen accumulation in muscles and causing various symptoms such as muscle weakness and walking difficulties. Current treatment mainly involves enzyme replacement therapy (ERT) through infusion, but there are challenges in sustaining symptom improvement with monotherapy alone, and many patients bear the burden of frequent hospital visits. Therefore, new treatment options such as oral medications are in demand. The in-licensed S-606001 is an oral small-molecule therapeutic with a different mechanism of action from existing ERT, so therapeutic effects are expected not only as a monotherapy but also in combination with ERT. The effect of reducing muscle glycogen concentration has already been confirmed in Phase 1 trials, and we are planning to expedite the commencement of Phase 2 trials.

*KOL: Key Opinion Leader



Hearing impairment

With the daily use of earphones becoming commonplace, earphone-induced hearing impairment is increasing, and it is said that about 1.1 billion young people worldwide are potentially at risk of hearing impairment. The market for hearing impairment treatments is expected to grow at an annual rate of about 6%, reaching about 1.8 trillion yen by 2030. On the other hand, there are still no effective treatments, and current treatments are generally targeted therapy.

SHIONOGI is advancing efforts to provide solutions for hearing impairment, and in 2024, we acquired option rights for two promising small-molecule compounds (CIL001, CIL003) from the biotechnology company Cilcare. For CIL001, a hearing impairment treatment candidate for which we acquired option rights, auditory nerve protective effects have been confirmed in non-clinical studies, and Phase 2a trials are scheduled to begin in fiscal 2025. We plan to decide on exercising the option rights based on the results of this trial, among other factors.

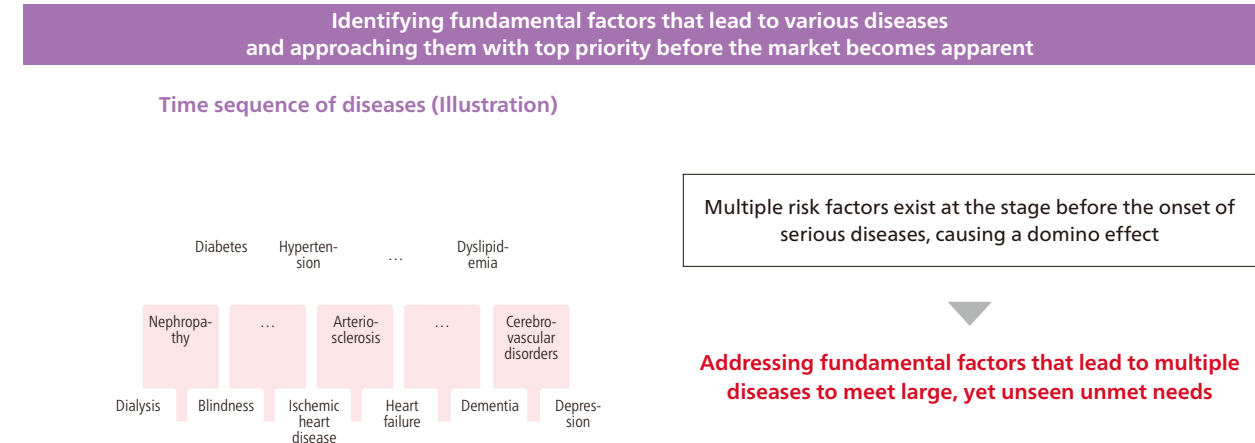


Obesity

SHIONOGI is developing S-309309, an MGAT-2 inhibitor, as an anti-obesity drug. This drug has a new mechanism of action as an anti-obesity drug, characterized by a balance of safety and efficacy. Existing GLP-1 receptor agonists have high weight loss effects but face challenges such as muscle mass reduction due to rapid weight loss and side effects, and S-309309 is expected to contribute to resolving these unmet needs.

In Phase 2 clinical trials, S-309309 could not achieve the weight loss target of 5% body weight reduction, but on the other hand, we were able to confirm high safety and good tolerability, as well as a trend towards weight loss. Currently, we are considering new approaches including combinations with other anti-obesity drugs with different mechanisms of action and weight maintenance after weight loss with GLP-1 receptor agonists, while also advancing licensing activities to leverage the potential of this drug.

Significance of addressing QOL diseases with high social impact



SHIONOGI’s pipeline to support growth

Infectious diseases (as of July 29, 2024)

Preclinical	Phase 1	Phase 2	Phase 3	Submission	
• S-567213 COVID-19 Universal Vaccine • S-872600 Influenza nasal vaccine • S-875670 COVID-19 nasal vaccine • S-540956 Nucleic acid adjuvant • S-554110 Nontuberculous mycobacterial infection	• S-337395 RSV infections • S-892216 COVID-19 treatment • S-743229 AMR (Complex urinary tract infection) • S-649228 AMR (Gram-negative bacteria infection)	• S-337395 RSV infections	• Cefiderocol AMR (Gram-negative bacteria infection) • Cefiderocol Gram-negative bacterial infection (Pediatric) • S-268023 COVID-19 Prophylactic vaccine (XBB 1.5) • S-268019 COVID-19 Vaccine (Ages 5-19)	• Ensitrelvir*1 COVID-19 treatment • Ensitrelvir COVID-19 prevention • Ensitrelvir COVID-19 treatment (Ages 6-11) • F901318 (Olorofim) Invasive Aspergillosis	• Ensitrelvir*2 COVID-19 treatment • Baloxavir Influenza virus infection (Granules, < 20kg)
Out license		• S-365598 HIV infection	• Baloxavir Influenza virus infection (Transmission)	• Baloxavir Influenza virus infection (Pediatric, < 1 year old)	

*1 Phase 2/3, Phase 3 ongoing *2 Korea, Singapore

Quality of life diseases with high social impact (as of July 29, 2024)

Preclinical	Phase 1	Phase 2	Phase 3	Submission	
• S-540956 Nucleic acid adjuvant • S-109802 Post-stroke spasticity • S-898270 Dementia • S-740792 Gait disorders associated with multiple sclerosis	• S-151128 Chronic pain • S-588210 Solid tumor	• S-309309 Obesity • S-531011*1 Solid tumor • Rizmoic*2 Opioid-induced constipation (pediatric) • S-588410 Bladder cancer • S-488210 Head and neck squamous cell carcinoma	• S-005151*3 (Redasemtide) Acute ischemic stroke • S-005151 (Redasemtide) Epidermolysis bullosa • BPN14770 (Zatolmilast) Alzheimer's disease • ADR-001*4 Decompensated liver cirrhosis • S-222611 (Epertinib) Malignant tumor • S-723595 Type 2 diabetes	• S-812217 (Zuranolone) Depression • GRT7039 (Resiniferatoxin) Pain associated with knee osteoarthritis • BPN14770*5 (Zatolmilast) Fragile X Syndrome • S-588410 Esophageal cancer • SR-0379 Cutaneous ulcer • Naldemedine Opioid-induced constipation	• SDT-001 ADHD (pediatric)

*1 Phase 1b/2 ongoing *2,4 Phase 1/2 ongoing *3 Global Phase 2b ongoing *5 Phase 2b/3 ongoing

Healthcare solutions under development other than drugs and vaccines

SDT-001	Digital therapeutic app for pediatric ADHD patients	
SUSMED’s Med CBT-i app for insomnia	App for the treatment of insomnia disorders	
AI program for diagnostic support (SDS-881)	An AI program that determines the possibility of cognitive decline equivalent to mild cognitive impairment (MCI) or dementia from natural conversations between healthcare professionals and examinees Service expansion planned for depression	

Outline of healthcare solutions

About SDT-001

SDT-001 is a digital therapeutic app targeting pediatric patients with Attention Deficit Hyperactivity Disorder (hereinafter “ADHD”). We submitted a manufacturing and marketing approval application in February 2024, and are currently preparing for market launch.

ADHD treatment using SDT-001 shows potential as a new option different from conventional ADHD treatments, as it can be implemented without constraints on time or place.

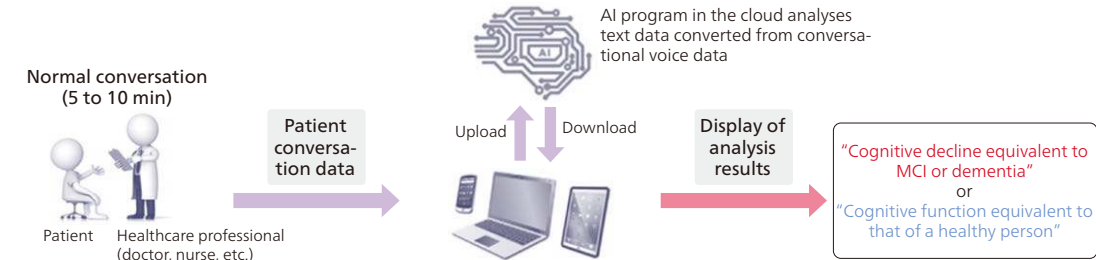
Also, as part of the preparations for market launch, we are progressing with the establishment of commercial channels for digital therapeutic apps and the construction of a new system that leverages the characteristics of digital therapeutic apps. We believe that the use of this new system can contribute to improving the quality of treatment, such as enabling doctors to easily confirm information that was previously obtained through medical interviews during consultations.



About the AI program for diagnostic support (SDS-881)

As a measure against dementia, it is considered important to start diagnosis, necessary prevention, and treatment from the stage of mild cognitive impairment (MCI), to delay the progression of dementia and prevent the need for nursing care. With the emergence of new treatments that slow the progression of dementia, the importance of early diagnosis has increased further.

We are advancing the development of SDS-881, a medical device that determines the presence or absence of cognitive impairment equivalent to MCI or dementia, and an AI model that accurately performs classification judgments of cognitive impairment has already been completed. We are now making preparations for the final verification trial, aiming for regulatory approval.



Human Capital Management

Material Issue Develop and secure human resources to support growth

In order to realize the SHIONOGI Group Vision, we are continuously striving to develop human resources who embody the SHIONOGI Way “Be the best that you can be to take on new challenges by constantly improving and expanding your capabilities,” that employees should strive towards, and to enhance the environment in which they can maximize their abilities.

Ideal State	Develop strong individuals who can win in global competition by embodying the SHIONOGI Way, and build an organization that makes the most of its diverse human resources	
Issues/Needs	- Integrate human resources data and enhance analytical capabilities to build an optimal human resources portfolio - Advance educational programs that encourage autonomous learning and growth. Utilize Off-JT/OJT	- Further develop a personnel system that enables human resources with outstanding strengths that attract others to play active roles, and a workplace environment that allows diverse and flexible work styles - Maintain and improve the health status of each employee through the promotion of health management, so that they can maximize their potential and contribute to the Company

Approach to human capital

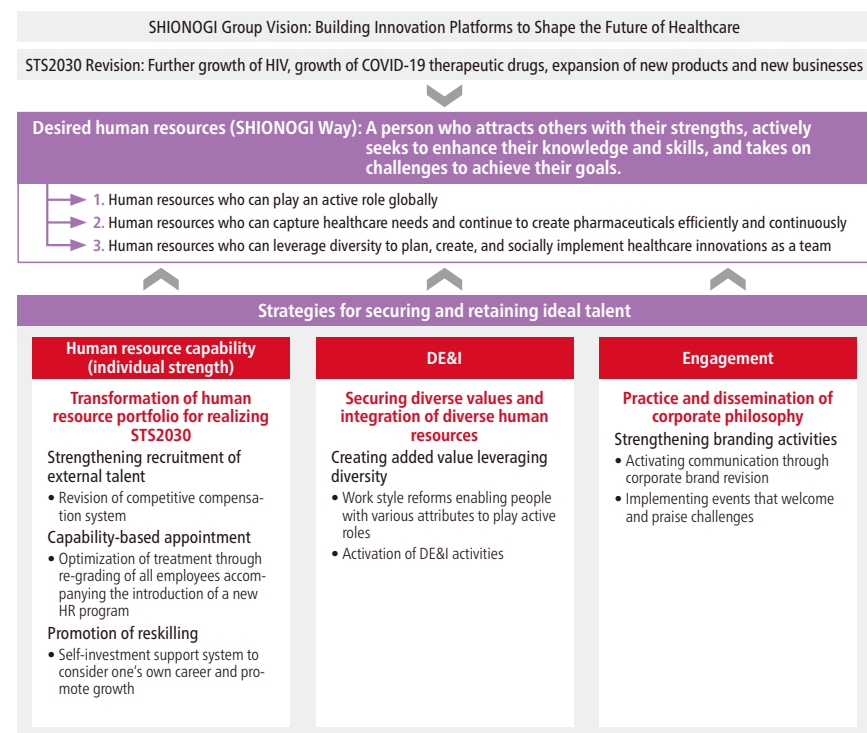
SHIONOGI has set forth in STS2030 Revision to Transform from a drug discovery-based pharmaceutical company to a HaaS company and grow through business Transformation. It is none other than each employee of the SHIONOGI Group who will realize this growth through Transformation.

SHIONOGI’s human capital management is defined as advancing the acquisition and internal integration of new capabilities by multiplying human resource capability

(individual strength), DE&I (Diversity, Equity & Inclusion), and engagement to execute the growth scenario.

We have defined the vision for human resources (SHIONOGI Way) as “Be the best that you can be to take on new challenges by constantly improving and expanding your capabilities,” and are accelerating the execution of the growth scenario through planning and implementing various human resources measures, including the human resources (HR) program.

Material issues
Protect people from the threat of infectious diseases
Contributing to a healthy and prosperous life
Create innovation
Improve access to healthcare
Supply socially responsible products and services
Strengthen supply chain management
Respect human rights
Protect the environment
Develop and secure human resources to support growth
- Securing of a competitive and diverse workforce - Development of global human resources - Diversification of management personnel - Achievement of the EHS Action Goals (health and safety) - Achievement of health and productivity management targets
Ensure compliance
Strengthen governance



Message from the Senior Executive Officer in charge of the Corporate Supervisory Unit

Aiming to maximize SHIONOGI’s results through employee development and retention

SHIONOGI is Transforming from a drug discovery-based pharmaceutical company centered on prescription drugs to a HaaS company that provides optimal solutions for healthcare challenges, including but not limited to prescription drugs. At the same time, we are taking on the challenge of expanding full-scale global sales, starting with ensitrelvir and cefiderocol.

To realize such Transformation, it is necessary to consider and execute optimal allocation so that management resources (people, things, money, time, information) are used effectively and efficiently, considering social changes and needs, and progress of internal activities. Corporate Supervisory manages business resources through planning, execution support, and monitoring of company-wide strategies, and provides support to increase the probability of achieving each department’s plans by proposing optimal resource allocation. Furthermore, we will lead the sustainable growth of the SHIONOGI Group through advanced decision-making as well as strengthened risk management and governance.

While the issues to be solved by Corporate Supervisory are diverse, we believe that strengthening human capital, namely the development and retention of employees who are the agents of change, is particularly important during this period of major business model Transformation. To develop strong individuals who can play active roles globally and build an organization that leverages diverse human resources, we will enhance educational programs, promote DE&I, and build a human resource portfolio that realizes optimal personnel placement. Through these activities, we will enhance activities in each organization of SHIONOGI and contribute to the realization of the SHIONOGI Group Vision.

Kazuhiro Hatanaka

Senior Executive Officer,
Senior Vice President,
Corporate Supervisory Unit



Building a human resource portfolio

To realize the SHIONOGI Group Vision, it is necessary to build a robust human resource portfolio based on management strategy. SHIONOGI is significantly changing its business model to become a HaaS company while aiming for global business growth. To materialize this, it is important to acquire capabilities in advanced areas such as IT/DX, and for each employee to properly understand DE&I and acquire the skills that are required globally. At SHIONOGI, with the revision of the new HR program in fiscal 2023, we have formulated specific skills and necessary skills for each job type, as well as definitions of each skill level mentioned

above. Furthermore, we have been working on visualizing skill levels by conducting skill assessments for each employee. As a result, it has become possible to strategically execute optimal personnel placement, internal talent development, and external human resource acquisition to fill lacking skills and capabilities. Additionally, employees can now understand the gap between the required skill level and their current position, and use this for promoting independent-minded ability and career development. We will continue to work on understanding employees' skills and acquiring lacking skills and capabilities.

Career development at SHIONOGI

Independent-minded talent development

At SHIONOGI, as a result of our efforts to visualize skill levels, many employees have begun to voluntarily engage in further self-improvement towards acquiring skill requirements. On the other hand, SHIONOGI believes that the Company has a responsibility to provide opportunities for employee growth, and is creating an environment where employees can practice growth-oriented initiatives.

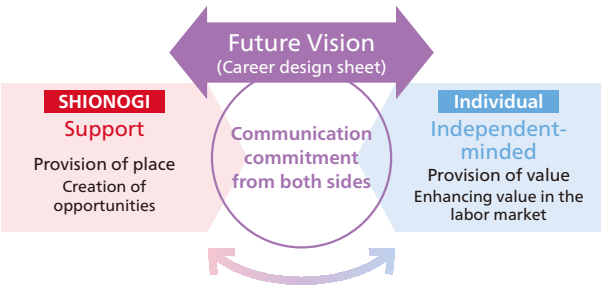
We have introduced an internal recruitment system to support employees' independent-minded career development. This system aims to support employees who raise their hands and take on challenges, and to further enhance organizational strength. Also, to promote career development, we provide opportunities such as interviews with managers using the Career Design Sheet, a tool for considering and describing one's career, career interviews with career advisors where employees can receive support from experts and gain learning opportunities, and career training opportunities tailored to each life stage and career stage. Furthermore, we provide opportunities for managers, who are in the position to guide and support employees most closely, to update their skills and knowledge for supporting the careers of their subordinate employees. As

a system to support employees who are trying to grow and transform themselves, we have introduced a self-investment support program that provides educational expense support of up to 250,000 yen per person per year for what employees want to learn, and we are continuously expanding this program.

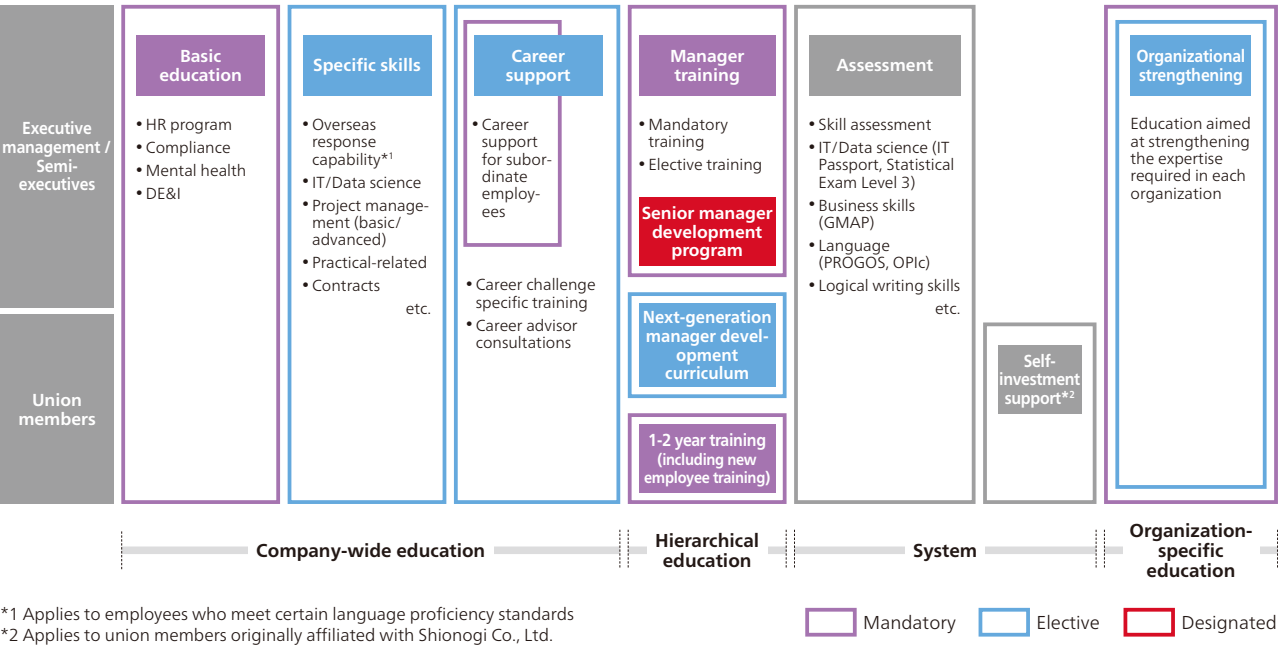
In the midst of intense environmental changes, we will provide opportunities for employees to raise their hands and take on challenges, and further enhance organizational strength to develop independent-minded human resources who are motivated to work responsibly towards SHIONOGI's global success and connect individual growth with organizational growth.

Training system and education and training expenses

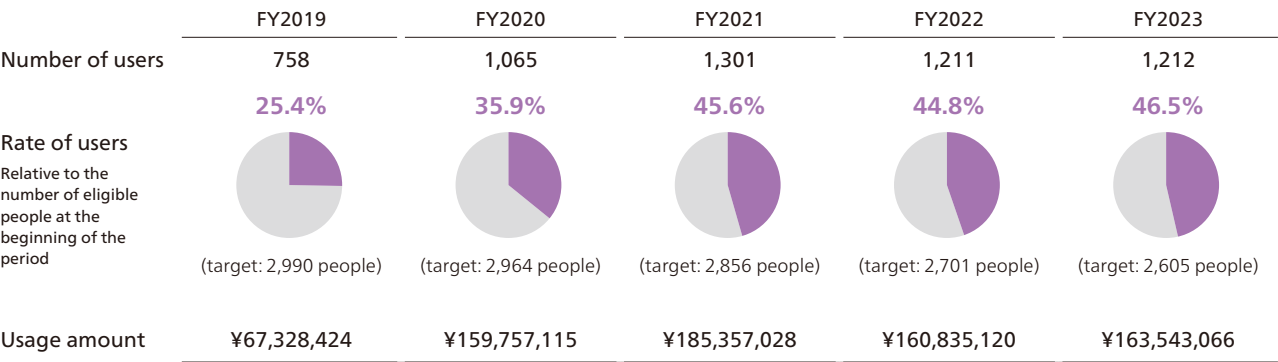
We are implementing various development measures based on the principle of independent-minded practice towards embodying the SHIONOGI Way, which is our vision for human resources. As examples of specific development measures, in addition to mandatory training for all employees (compliance, DE&I, etc.), we provide training opportunities focusing on manager training, career support, and specific skill enhancement. At the same time, as mentioned earlier, we have formulated definitions for each skill level and are visualizing skill levels. As part of this initiative, in fiscal 2023, we conducted an English speaking ability assessment for all employees. As a result of this initiative, the proportion of language learning in self-investment support in fiscal 2023 increased significantly in both amount and number of cases compared to fiscal 2022, suggesting that awareness-raising towards required skills and skill improvements has progressed.



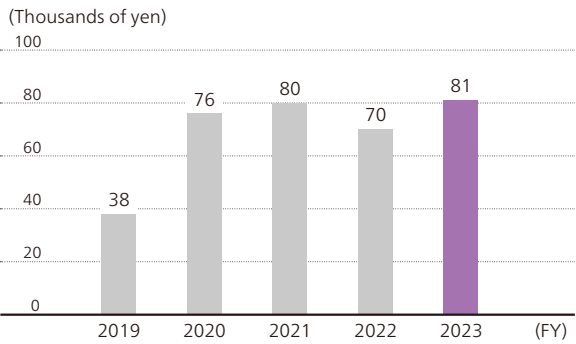
Overall picture of company-wide education measures



Self-investment support system usage results

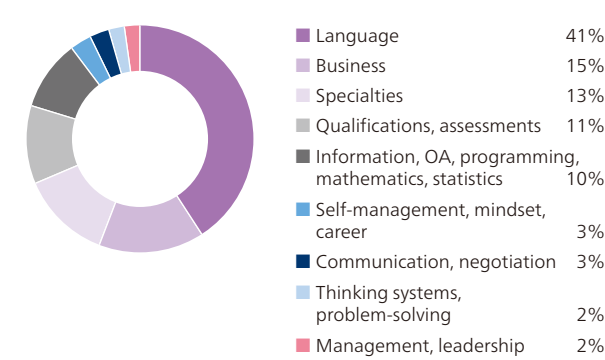


Trend of education and training expenses per person*3



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

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



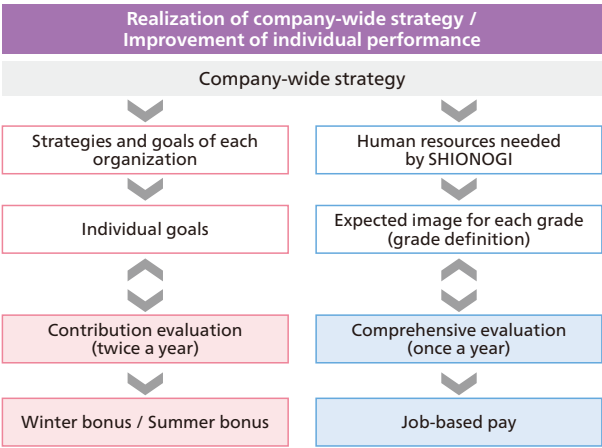
Evaluation and compensation system

We believe that appropriately conducting evaluations and compensation in a balanced manner for employees who boldly take on high goals necessary to achieve STS2030 Revision, based on understanding their current position and challenges for promotion, leads not only to employees’ own growth and market value enhancement but also to their sense of achievement. At SHIONOGI, we introduced a new HR program in October 2023 that more clearly emphasizes the concepts of employee challenge and sense of achievement. When introducing the system, we first appropriately graded employees according to their current roles, allowing employees to know their position, understand the roles and expectations the Company has for them, and be evaluated based on job grade definitions and behavioral examples. We also implemented a system where grade changes are possible based on single-year evaluations, and new employees can be promoted as early as their fifth year.

Regarding compensation, we have established a system with market-competitive compensation levels, where employees are rewarded with compensation commensurate with their contributions to the Company, regardless of age, if they are evaluated as having made significant

contributions. In addition to securing a raise rate through appropriate evaluations, we have implemented raises including increases in basic salary for two consecutive years in 2023 and 2024, taking into account the impact of recent price increases. In fiscal 2023, considering that both sales revenue and operating profit reached record highs, the average annual income also reached its highest level ever.

Overview of the evaluation system



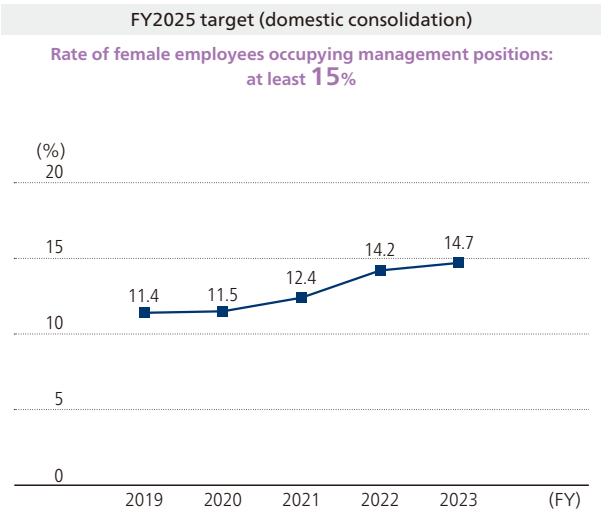
We will continue to promote DE&I and work style reform to realize a work environment where diverse human resources can demonstrate their abilities.



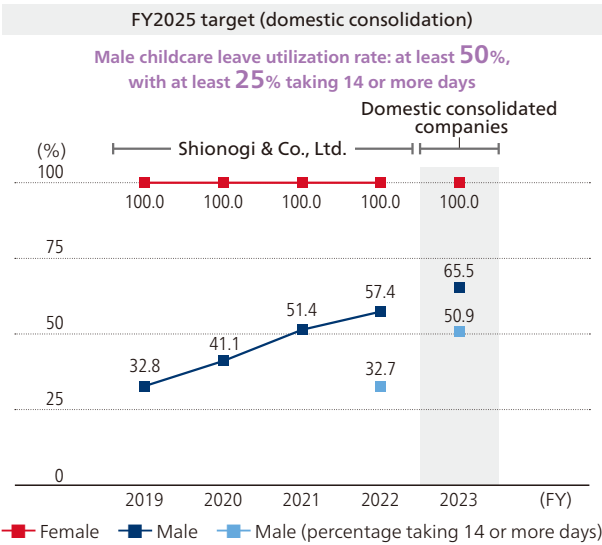
Promotion of DE&I

Realizing flexible work styles according to life events SHIONOGI emphasizes DE&I from the perspective of innovation creation, aiming for sustainable management and fulfillment of social responsibility. We consider work style reform to be an important initiative in DE&I, and we are creating an environment where diverse employees can work fairly regardless of gender, age, or nationality. As a result, the percentage of female managers and the rate of male employees taking childcare leave have been increasing year by year.

Ratio of female managers (domestic consolidation)



Acquisition rate of childcare leave



Health and productivity management

Health and productivity management promotion system

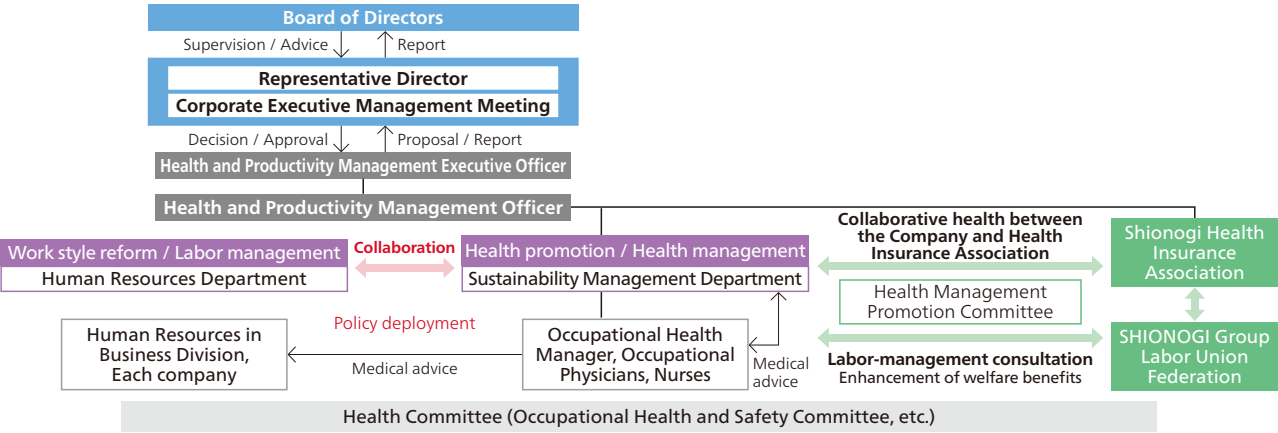
SHIONOGI regards employee health management as one of the important themes of human capital management and promotes health management under the SHIONOGI Group Health and Productivity Management Policy. We will realize employee well-being and achieve sustainable corporate value enhancement and contribution to society.

To this end, we have established a health promotion system in which the Senior Executive Officer in charge of the health

and productivity management organization is the Health and Productivity Management Executive Officer, while the Corporate Executive Management Meeting determines policies and action plans and monitors activities. We have also formulated a strategy map to strengthen the PDCA cycle.

Furthermore, we promote collaborative health activities with the Shionogi Health Insurance Association, sharing monthly activities and health information analysis results for discussion, and considering health management policies and action plans.

Health and productivity management promotion system



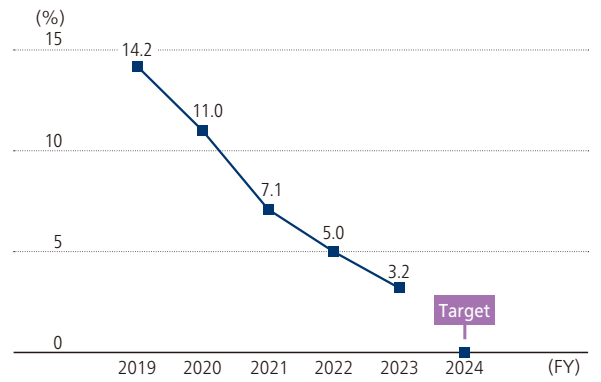
Health promotion measures

The results of the regular health checkups in fiscal 2022 showed that SHIONOGI employees have issues with obesity, lipids, liver function, and drinking habits risks. Therefore, in fiscal 2023, we held an online seminar focusing on improving eating habits by Kirin Beverage Company, Limited. A survey of seminar participants showed high motivation for behavioral change. On the other hand, we believe that to promote health management at a high level, it is necessary to plan measures based on more advanced data analysis. Therefore, we commissioned JMDC Inc., which has built and provides medical Big Data of over 14 million people, to analyze

employee health data from multiple perspectives. Furthermore, as a first step in addressing gender-specific health issues, we conducted an employee survey by Flora Co., Ltd. To solve the issues extracted from these analyses and surveys, in fiscal 2024, we will work on improving the workplace environment through literacy improvement in cooperation with the Shionogi Health Insurance Association. We will continue to regularly analyze data and use it for considering measures and verifying their effectiveness.

In addition, under the SHIONOGI Group Smoke-Free Declaration, SHIONOGI is strengthening and promoting non-smoking measures to protect all people related to SHIONOGI from health damage caused by active and passive smoking. In fiscal 2023, we reached out to employees by sending messages from the Representative Director, President and CEO, and the SHIONOGI Group Occupational Health Manager. As a result, the smoking rate, which was 14.2% in fiscal 2019, decreased to 3.2% as of fiscal 2023.

Smoking rate targets and results



Meal seminar



SHIONOGI Story

3

Strengthening the Foundation for Value Creation

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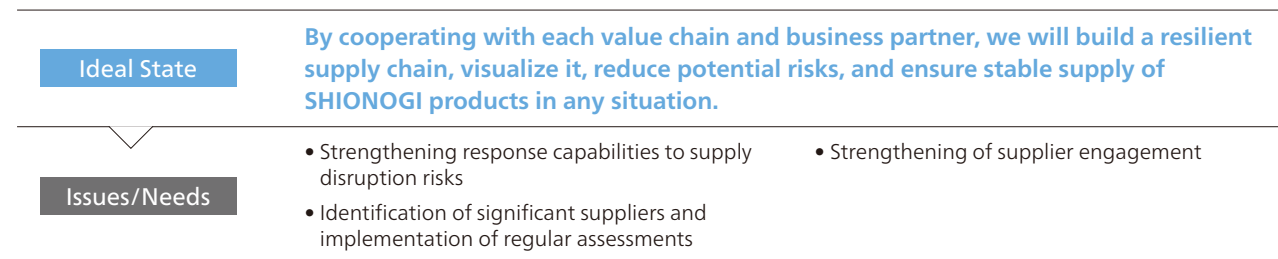


Key Points

- ☐ Build trust relationships with business partners
- ☐ Initiatives for respecting human rights
- ☐ Address environmental issues
- ☐ Corporate governance structure and related initiatives

Material Issue Strengthen Supply Chain Management

In order for a company to fulfill its social responsibilities, it is important for SHIONOGI to build relationships of trust and collaborate not only within its own corporate group but also with its business partners. SHIONOGI is strengthening its supply chain management by collaborating with its suppliers, building a resilient supply chain, visualizing it, and reducing potential risks based on the SHIONOGI Group Procurement Policy and the SHIONOGI Group Business Partner Code of Conduct, which define the basic concepts for conducting procurement activities based on honesty, accuracy, fairness, and transparency.



Towards stable supply

SHIONOGI is working to build a resilient supply chain that can flexibly respond to environmental, geopolitical, economic, and technological risks to ensure that pharmaceutical supply is never interrupted under any circumstances.

Specifically, we are visualizing and analyzing risks in the procurement and manufacturing of raw materials and products in the supply chain, and advancing diversification of procurement sources such as multi-sourcing suppliers and product manufacturing sites and diversifying logistics routes according to the importance of risks. On the other hand, for raw materials and products that can only be supplied by specific business partners, we are taking measures such as securing a certain amount of inventory. In response to the recent supply shortage of antimicrobial agents, we have established

a domestic manufacturing system for bulk antimicrobial APIs in our Group, and have defined response procedures to enable rapid supply in the event of unforeseen circumstances such as pandemics and earthquakes. Furthermore, when selecting new business partners, we identify procurement risks and take countermeasures in advance, and after starting trading, we confirm the achievement level with KPIs specified as a common language, working collaboratively with business partners to improve the supply chain.

We are expanding these efforts for stable supply to various business partners in the supply chain, helping them understand SHIONOGI's approach, and building a business continuity system in cooperation to ensure that supply from each business partner is not interrupted.

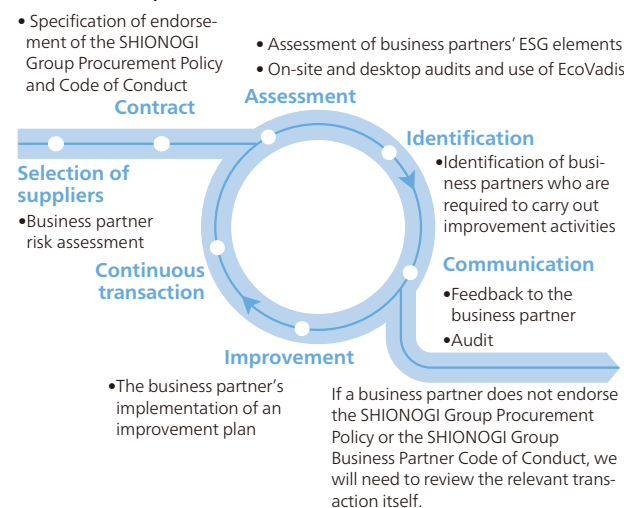
Assessments for sustainable procurement

SHIONOGI is advancing initiatives for sustainable procurement that consider human rights, working environment, global environment, and ethics, in addition to QCD (Quality, Cost, Delivery) efforts, based on the SHIONOGI Group Procurement Policy. We are realizing responsible procurement by advancing an assessment flow that evaluates suppliers' efforts towards human rights and the environment, and encourages improvement based on dialogue.

Identification of important suppliers

Among over 4,000 suppliers, SHIONOGI identifies as important suppliers those that meet any of the following requirements: large trading amount, antimicrobial resistance-related items, development products and products that should continue to be supplied from the perspective of social responsibility and company management,

Sustainable procurement assessment flow



procurement items with high human rights risk or large environmental impact, considering that they are particularly necessary for the stable supply of products and services to the market. The selection of important suppliers is confirmed and updated annually, taking into account trading amounts, SHIONOGI's product composition and development status, and changes in the external environment related to human rights and the environment.

Supplier evaluations and engagement

We evaluate risks such as environment, labor safety, and human rights at suppliers and identify issues by obtaining cooperation for questionnaires and audits based on the SHIONOGI Group Procurement Policy and the SHIONOGI Group Business Partner Code of Conduct, focusing on important suppliers.

When starting trading with new suppliers, we exchange contracts that include agreement to the SHIONOGI Group Business Partner Code of Conduct. For new contracts, we have obtained agreement from all suppliers who started trading since fiscal 2022, and for suppliers with ongoing trading, we are proceeding with contract renewals and memorandum agreements.

In risk assessment, we use EcoVadis, a rating platform for evaluating corporate social responsibility and sustainable

procurement, to conduct fairer and more objective evaluations efficiently. In fiscal 2023, we requested cooperation from 76 important suppliers and completed evaluations for 49 companies that responded. Furthermore, based on procedures that define risk categories and management methods, we confirm and evaluate risks using questionnaires provided by PSCI* for suppliers of important development products and pharmaceutical raw materials, and conduct on-site audits. During on-site audits, we also conduct individual supplier risk confirmations such as safety evaluations of manufacturing processes and evaluations of locally applicable regulations. For issues identified through audits, we agree on corrective action plans with suppliers and have them proceed with improvement activities. In fiscal 2023, we conducted 23 questionnaire-based evaluations of suppliers and 10 on-site audits.

Additionally, to enhance the effectiveness of supplier engagement, we conducted interviews and study sessions to support human rights and climate change-related initiatives for 29 suppliers. We will continue to conduct supplier confirmations, evaluations, and audits, and continue engagement such as encouraging and supporting correction of identified issues.

* Pharmaceutical Supply Chain Initiative

Initiatives in logistics

Since January 2023, we have started joint transportation compliant with Good Distribution Practice (GDP) guidelines for the first time in the pharmaceutical industry, in collaboration with other pharmaceutical companies and logistics support companies. Currently, the number of other pharmaceutical companies has increased from 2 to 5 since the start, and we are working to reduce the number of vehicles in

operation by increasing transport loading efficiency, thereby alleviating driver shortages and reducing CO₂ emissions.

Furthermore, we are advancing the diversification of logistics routes to flexibly respond to geopolitical risks, aiming to build a system that can maintain stable supply even in emergencies.

For more information about our initiatives for supply chain management, please visit our website.
<https://www.shionogi.com/global/en/sustainability/society/supply-chain-management.html>

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6 Message from an employee

DX utilization initiatives for stable supply of pharmaceuticals

For the stable supply of pharmaceuticals, it is important to improve the accuracy of medium- to long-term demand forecasts and procurement plans, as well as to quickly detect changes in the external environment such as the spread of infectious diseases and respond promptly and flexibly. SHIONOGI is working on building a system to grasp the inventory and sales status of pharmaceuticals circulating in the market in a timely manner by utilizing DX. Furthermore, we are advancing the visualization of the entire supply chain, including overseas parts, with the aim of identifying supply chain issues and reducing risks. Through these efforts, we strive to deliver necessary pharmaceuticals to patients that require them when they are needed.

Yui Suzuki
GSC Management 2 Group
Global Supply Chain Strategy
Department

Material Issue Supply Socially Responsible Products and Services

It is SHIONOGI’s duty as a life-related company to protect people’s health by providing a stable supply of essential, high-quality products and services. We are working Groupwide to ensure high-quality and safety so that stakeholders can use SHIONOGI products and services with confidence.

Ideal State	Delivering high-quality SHIONOGI products and services along with peace of mind to society while striving to respond responsibly to ensure credibility and stable supply.	
Issues/Needs	- Ensuring a responsible reliability assurance system - Entrenchment of quality culture*1 extending to the entire supply chain	Ensuring safety for patients and clinical trial subjects
*1 Corporate culture that gives top priority to quality		

Initiatives related to quality

Responsible reliability assurance system, fostering quality culture

In recent years, there have been several incidents in Japan related to violations of legal compliance in pharmaceutical manufacturing. In order to prevent similar incidents from occurring, SHIONOGI has clearly defined the roles and responsibilities of Representative Executive Officer of marketing authorization holder, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (Pharmaceuticals and Medical Devices Act), and has established an appropriate management system based on the three-role system of the Pharmaceutical Officer, the quality assurance officer and the Safety Management Officer. In addition, we are working to foster a quality culture not only domestically but also in Group companies in the U.S., Europe, Asia, and other countries around the world, as well as in related supply chains, striving to improve the mindset of strict compliance. Furthermore, we conduct planned and necessary ad hoc audits and follow-ups of domestic and overseas manufacturing sites, efficiently and with high quality management and supervision.

Quality improvement initiatives at production sites

Shionogi Pharma Co., Ltd., which is responsible for the production area within SHIONOGI, is continuously working to improve quality under a company-wide system to provide

high-quality products and services that meet customer needs and social expectations. Previously, maintaining and improving quality was the responsibility of each factory, and there was a risk that efforts to solve quality issues might be left behind when production plans were proceeding under tight schedules. Therefore, from fiscal 2023, when quality issues are recognized at a factory, members of the Quality Assurance Department and Technology Development Department visit the factory to work quickly on solving issues with factory members under a company-wide system. Also, as part of the quality culture fostering activities, we are taking top-down and bottom-up approaches to thoroughly communicate that quality improvement is the highest priority initiative. As a top-down approach, we hold town hall meetings at each factory once a quarter, where top management continuously explains the importance of quality. On the other hand, as a bottom-up approach, we conduct surveys on quality and compliance twice a year, picking up even minor cases to attempt early resolution of issues. As a result of these efforts, in fiscal 2023 we received multiple inspections from Japanese and U.S. authorities, but no major issues were identified. In addition, Shionogi Pharma is developing continuous production technology. While cost reduction and accelerated development speed are among its objectives, there is also an expectation that quality will ultimately improve as production processes become automated and standardized.

Raising awareness of safety

The SHIONOGI Group Drug Safety Policy prioritizes ensuring the safety of patients and clinical trial subjects. We have built a global pharmacovigilance system in cooperation with the entire Group to collect and evaluate all safety information from the development stage to post-marketing, and to promptly implement necessary safety measures. In fiscal 2023, we started initiatives to reform

pharmacovigilance processes to respond to the expansion of global development and product provision. Also, to properly implement safety measures, it is most important to understand the significance of collecting and evaluating safety information. We strive to raise awareness of safety by providing regular education to medical representatives and conducting education for all employees.

Material Issue Respect Human Rights

SHIONOGI recognizes the importance of respecting the human rights of all stakeholders in the course of its business activities. We promote initiatives that are in line with the SHIONOGI Group Human Rights Policy, which was established based on the UN Guiding Principles on Business and Human Rights (UNGPs).

Ideal State	We have established a human rights due diligence mechanism and can implement initiatives for respecting human rights in accordance with UNGPs.	
Issues/Needs	- Statement in accordance with the Modern Slavery Act - Ongoing implementation of human rights due diligence	Activities to improve issues incorporating the opinions of experts

Human rights risk assessment

In fiscal 2020, we conducted a risk assessment related to business and human rights in each organization with 61 heads of organization. Based on the opinions of human rights experts, we identified risks to be addressed as a priority, created response plans for the risks, and obtained

approval from the Board of Directors. Subsequently, we report on the progress of response plans and propose plans for the next fiscal year to the Board of Directors twice a year, advancing initiatives while receiving advice and approval.

Human rights impact assessment

Based on PSCI*2 reports and desktop research conducted by the Caux Round Table Japan, we have identified cellulose, glass, ethanol, and aluminum as important commodities handled by SHIONOGI. We have been actively communicating with our primary suppliers to understand the potential human rights risks associated with these commodities. In fiscal 2023, we maintained direct communication with major suppliers and confirmed that no negative impacts have materialized for these important

commodities purchased by SHIONOGI. We also continued to investigate the situation of technical intern trainees in Japan and confirmed that there is no acceptance of such trainees at SHIONOGI or its suppliers.

*2 Pharmaceutical Supply Chain Initiative

For details on the human rights impact assessment, please refer to our company website.
<https://www.shionogi.com/global/en/sustainability/society/respect-human-rights.html#9>.

UK Modern Slavery Act

Based on the UK’s Modern Slavery Act 2015, we have been annually disclosing a statement approved by the Board of Directors, starting from fiscal 2021.

For details of the statement, please refer to our company website.
<https://www.shionogi.com/shionogi/global/en/sustainability/society/respect-human-rights.html#10>.

Comment from an external expert

Hiroshi Ishida
Executive Director and Secretary General
Caux Round Table Japan

Through the human rights due diligence process based on the UNGPs that SHIONOGI has been implementing, when human rights concerns arise in the manufacturing regions of raw materials and materials or in the labor conditions of foreign workers in Japan, SHIONOGI has established a management system that can implement initiatives from an external perspective reflecting requests from rights holders, NGOs, and experts. SHIONOGI conducted a survey on technical intern trainees at its factories and COVID-19 related companies and confirmed that they are not accepting such trainees. We expect SHIONOGI to continue conducting regular surveys on the employment situation at suppliers and others to confirm whether they are newly hiring foreign workers, and to create a system for routine engagement with rights holders.

March 22, 2024

Material Issue **Protect the Environment**

SHIONOGI has formulated the SHIONOGI Group EHS Policy and the SHIONOGI Group EHS Code of Conduct, and has identified climate change, antimicrobial resistance (AMR), resource conservation and resource circulation, water risk and water resources, and environmental management and governance as environmental materiality. In addition, we have set SHIONOGI Group EHS Action Targets as medium- to long-term goals and are working on activities to achieve these goals throughout the value chain, including planning and promoting environmental investments.

Ideal State	Contribution to a sustainable society through preservation of the global environment	
Issues/Needs	- Planning and implementing specific environmental measures to achieve the SHIONOGI Group EHS Action Targets - Further promotion of climate change measures	- Organization and expansion of disclosure of biodiversity-related information - Promote strict controls of chemical substances, including the supply chain

Reconsideration of environmental materiality and SHIONOGI Group EHS Action Targets

SHIONOGI has identified consideration for the environment as a material issue to address in order to contribute to a sustainable society. Furthermore, we have collected and listed environmental issues surrounding SHIONOGI from the perspectives of changes in the business environment, the status of initiatives within the Group, requirements from stakeholders, and external expert knowledge, and evaluated them on two axes: impact on the sustainability of global ecosystems and impact on stakeholders, to identify

priority issues as environmental materiality. In recent years, discussions on environmental aspects looking beyond 2030, which is the target year for the SDGs, have intensified, as seen in the IPCC*1 Sixth Assessment Report released in March 2023 and G7 meetings. In light of these environmental changes and internal and external movements such as the further expansion of SHIONOGI's business, we recognized the importance of promoting environmental responses from a more long-term and strategic

perspective, such as strengthening the connection between business plans and investment plans and the environment, and added environmental management and governance to our environmental material issues. We have also reviewed the SHIONOGI Group EHS Action Targets, which were set as medium-term goals up to fiscal 2024, updated them to targets up to fiscal 2035, and established a system to consider and promote more strategic and challenging measures. In addition, for items such as water usage and waste generation, which increase in proportion to the expansion of production activities, we have considered and set targets for indicators that reflect the

contribution to reduction of environmental load at each business site while responding to future increases in manufacturing due to business expansion. We will continue to strengthen our efforts on issues identified as environmental material issues and aim to achieve the SHIONOGI Group EHS Action Targets, thereby achieving a high level of balance between business expansion and environmental consideration, and focusing on the sustainable development of the SHIONOGI Group and society as a whole. *1 IPCC: Intergovernmental Panel on Climate Change *2 BSI: British Standards Institution

For details on environmental materiality, please refer to our company website. <https://www.shionogi.com/global/en/sustainability/environment/materiality.html>

Environmental management and governance

SHIONOGI recognizes the need to address each issue identified as an environmental material issue more strategically and with a sense of unity as a Group. We are expanding the EHS management and governance system, which has been established primarily at major domestic sites such as factories and research facilities, to encompass the entire global supply chain. This includes collaborating more closely with overseas group

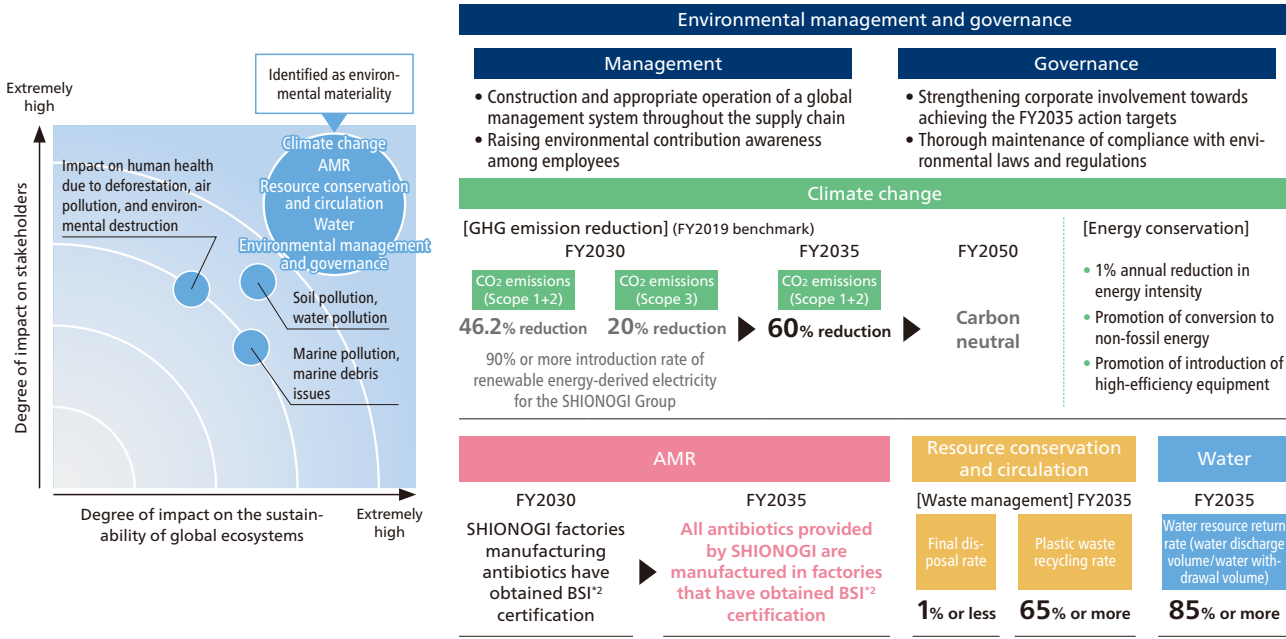
companies and suppliers. We will align with future business plans to achieve the medium- to long-term SHIONOGI Group EHS Action Targets set for fiscal 2035. This includes refining environmental impact predictions and involving management and corporate functions in formulating and implementing plans to introduce facilities that combine productivity and efficiency with environmental performance.

Efforts to address climate change

SHIONOGI has set Science Based Targets (SBT) as its 2030 greenhouse gas emission reduction target aimed at achieving carbon neutrality by 2050, and obtained approval from the SBT initiative in June 2021. In addition, in the SHIONOGI Group EHS Action Targets reconsidered in fiscal 2023, we have set a goal of reducing greenhouse gas (CO2) emissions by 60% compared to fiscal 2019 by fiscal 2035. To achieve the SBT target for fiscal 2030, we are promoting the introduction of renewable energy-derived electricity at SHIONOGI's major sites. In fiscal 2023, we completed

the introduction of renewable energy-derived electricity at the major sites of Shionogi & Co., Ltd. and raised the introduction rate to 40% for the entire Group. In the future, we plan to promote introduction at each business site of Shionogi Pharma Co., Ltd., which is responsible for manufacturing functions, and complete introduction at all major SHIONOGI sites by fiscal 2030. We are also considering further promotion of the use of non-fossil energy towards achieving the fiscal 2035 target.

Environmental materiality and the SHIONOGI Group EHS Action Targets (Environment)



Risk management

We assess risks and opportunities that may have a significant impact on the future business environment, including climate change, as important and likely to occur within the enterprise risk management system, and are steadily implementing countermeasures. In our climate change scenario analysis, we comprehensively identify the transition risks, physical risks, and opportunities that will affect our business activities, analyze the magnitude of the financial impact and business resilience of each item in 2030 by dividing them into the 1.5°C and 4°C scenarios with reference to the following reference sources, and then evaluate response priorities and formulate response policies and countermeasures.

For the table of risks and opportunities and details, please refer to our company website.
<https://www.shionogi.com/global/en/sustainability/environment/results/climate/tcf.html>

Response to AMR

In addition to the inappropriate use of antibiotics, the discharge of antibiotics from factories is also a contributing factor to the emergence of AMR. As a company with over half a century of experience in providing antibiotics, SHIONOGI is committed to strict environmental management in the manufacturing process. We conduct regular audits (AMR audits) to assess the environmental discharge management of antibiotics in our own factories and those of our suppliers, as part of our efforts to address the risk of AMR generation.

By fiscal 2023, we had completed initial audits for all suppliers involved in the manufacture of antibiotics provided by SHIONOGI. Currently, we are engaging in discussions

Risks and opportunities

We have identified three risks and opportunities with relatively large financial impacts due to climate change: (1) introduction of carbon pricing, (2) impacts on raw materials procurement due to localized extreme weather and temperature rises, and (3) sea level rise. Assuming that all three of these identified risks and opportunities materialize, we have calculated that the negative financial impact on the profit target for 2030, the final year of the Medium-Term Business Plan STS2030 announced in 2020, would be about 10%. In STS2030 Revision announced in 2023, we aim for further expansion of profits, so we judge that the resilience of our business to potential future climate change scenarios is sufficiently guaranteed.

with some suppliers who did not comply with environmental discharge standards during the audit. We are working on establishing corrective policies and following up on their responses.

Furthermore, to ensure transparency and demonstrate our commitment to responsible antibiotic manufacturing, we are exploring the possibility of obtaining the "BSI AMR Kitemark certification". This international certification system aims to minimize the risk of AMR in antibiotic manufacturing. We plan to implement this certification at major manufacturing sites in the future. We remain dedicated to promoting responsible actions throughout the antibiotic manufacturing supply chain.

Resource conservation and resource circulation initiatives

SHIONOGI promotes minimization of resource use in corporate activities, prevention of waste generation, reuse, and recycling, and is developing optimal manufacturing and packaging that considers resource conservation and resource circulation in product manufacturing from the stage of clinical development of pharmaceuticals.

Shionogi Pharma Co., Ltd., which is responsible for SHIONOGI's manufacturing, is not only thoroughly implementing proper disposal of plastics generated in the product manufacturing process and packaging process but also reducing the amount of plastic use itself. Specifically, in addition to changing the materials and thickness of

packaging containers, we are gradually switching to bio-mass plastics with less environmental impact and adopting high-quality recycled plastics after confirming that they do not affect product quality and stable supply. In addition, we are participating in the Resource Circulation Project composed of multiple industries, and have implemented horizontal recycling technology for label backing paper jointly developed in labels used for ampoule injections and packaging boxes, achieving a significant reduction in the disposal of backing paper.

For details on the Resource Circulation Project, please refer to our company website.
<https://www.shionogi.com/global/en/company/journal/20240516.html>

Efforts to address water risks

High-quality water is essential for business activities like pharmaceutical research, development, and manufacturing. We acknowledge the need to monitor and manage physical water risks from an environmental perspective. These risks include drought, water pollution, river flooding, and inundation due to heavy rainfall.

To assess these risks, SHIONOGI annually uses the World

Resources Institute (WRI) Aqueduct and hazard maps from local governments in Japan. We also evaluate water risks when selecting suppliers.

Currently, the water risks at our business sites are low. However, due to climate change, we will continue to monitor and take appropriate measures to ensure business continuity in the face of increasing risks.

Approach to biodiversity

People engage in various activities, including business, by utilizing the abundant resources provided by diverse ecosystems. SHIONOGI is committed to mitigating the negative impacts of its business operations, including suppliers, on the environment, focusing on specific environmental material issues such as AMR, climate change, resource conservation and circulation, and water. By preserving natural capital, we believe we can contribute to the maintenance and expansion of biodiversity, in line with the SHIONOGI

Group EHS Policy and SHIONOGI Group EHS Code of Conduct.

In fiscal 2023, we joined the "30by30 Alliance for Biodiversity," an initiative involving voluntary companies, local governments, and organizations. We support the goal of accelerating efforts to achieve the 30by30 target and will enhance our activities towards achieving nature positivity.

Evaluation from external stakeholders

We were selected as an "A List company" for the second year in a row in both the "Climate Change" and "Water Security" categories by CDP, an international environmental non-profit organization. Additionally, we received the highest rating as a "Supplier Engagement Leader" for four consecutive years in the "Climate Change" category. Furthermore, we became the first pharmaceutical company

to be certified as an "Eco-First Company" by the Ministry of the Environment's "Eco-First Program."



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7

Waste utilization initiatives

Horizontal recycling technology for label backing paper wins four awards domestically and internationally

The horizontal recycling technology for backing paper used in product labels, created by the Resource Recycling Project jointly operated by six diverse companies*1 including Shionogi Pharma Co., Ltd., won four awards*2 domestically and internationally, including the 2023 Japan Packaging Contest Appropriate Packaging Award. The creation of a new recycling technology through the integration of the Arterial Industry side that produces products and the Venous Industry side that collects and reuses waste has been highly evaluated.

Shionogi Pharma Co., Ltd. applies this technology to labels used for ampoule injections and packaging boxes, contributing to the reduction of industrial waste and CO₂ emissions.

*1 NEION Film Coatings Corp., TOYOBO CO., LTD., TOPPAN INFOMEDIA CO., LTD., Mitsui Bussan Chemicals Co., Ltd., YAMATO BOX CHARTER CO., LTD., Shionogi Pharma Co., Ltd.
*2 Japan Packaging Contest 2023 Appropriate Packaging Award, 6th EcoPro Award Excellence Award, AsiaStar Award 2023 (Eco Package Category), 51st Environmental Award Excellence Award

A photograph showing a group of seven people, four men and three women, standing on a stage. They are all dressed in formal business attire. Each person is holding a white certificate or award plaque. Behind them is a backdrop with Japanese text, including '第51回 環境賞贈賞式' (51st Environmental Award Presentation Ceremony).

Message from the Chairperson of the Board



Keiichi Ando
Independent Outside Director

Career History
After graduating from the Faculty of Economics at The University of Tokyo, Keiichi Ando joined Sanmei Bank Limited (now Sanmei-Mitsui Banking Corporation). He worked his way up to Representative Director and Deputy President and Executive Officer of the Bank, and then moved on to become Representative Director and President and CEO of NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD. He also served as an outside director of the company (current year from 2019). Currently, he is a corporate director of Tokai Marine Chain Co. and an outside director of DAIHEN Corporation. In addition to practical experience, he has gained a wide range of financial information and a wide range of knowledge in business and finance in the field of an operating company, the transformed business model, and formulating a long-term growth strategy to grow the company's business value.

Regarding the effectiveness of SHIONOGI's corporate governance

What kind of discussions were held in the Board of Directors meetings regarding the new HaaS strategy?

Transformation into a HaaS company means a significant change in the business model. We had intense discussions in the Board of Directors meetings and other forums, including whether SHIONOGI can maintain its corporate value and social value in the future.

We recognize that society and customer needs have changed from mere drug-based treatment to how to protect their health comprehensively, including prevention, diagnosis, and prognosis. In fact, DTx and healthcare solutions aimed at pre-illness and prevention have begun to emerge, and we believe this trend will accelerate globally in the future. Based on this recognition, when we reconsidered the conventional pharmaceutical business, there was a discussion that continuing a one-dimensional approach might

pose a very large business risk, and that SHIONOGI also needs to properly respond to diversifying needs. From the perspective that there are changes in social and customer needs, and that SHIONOGI also needs to change in response to them, this led to the idea of transforming into a HaaS company, resulting in the formulation of STS2030 and the current STS2030 Revision. On the other hand, we believe that the pharmaceutical business will remain the core, even as we aim to create a wide range of healthcare solutions. We recognize that it is important to proceed with the transformation into a HaaS company while honing SHIONOGI's strengths as a drug discovery-based pharmaceutical company and thinking about how to create synergies with the pharmaceutical business.

Do you think KPIs or similar measures have been adequately discussed for the above strategies?

Of course, we receive reports on the progress of these strategies. However, we also recognize that as part of our accountability to stakeholders, we need to properly disclose these strategies, including indicators. In aiming for transformation from a business centered on pharmaceuticals to a HaaS company, how far has SHIONOGI's transformation progressed, and is it contributing to revenue as planned? Also, in a world where society demands corporate social responsibility, how will SHIONOGI fulfill its

responsibility? Is SHIONOGI, which claims to solve social issues, truly contributing to society? We believe we need to clearly demonstrate these points.

SHIONOGI has reviewed its material issue indicators based on the progress of internal activities and recent social trends. While we recognize that there are still many areas for improvement, we would like to continuously improve while engaging in dialogue with stakeholders about the progress and challenges regarding these indicators.

From an outside director's perspective, how do you feel about successor development?

First, as a premise, the pharmaceutical industry has a very long business span, including drug discovery activities. Therefore, it is not at all a world where the top management of companies changes every four or six years like in other industries. On the other hand, naturally, if problems arise in terms of the abilities or performance of the top management, we must, as the Nomination Advisory Committee, engage in thorough discussions and begin the process of selecting a successor. I believe this is the most important responsibility as an outside director. For this reason, it is important for the members of the Nomination Advisory Committee, including myself, to understand the successor candidates and carefully assess their suitability, and we must also keep an eye on the development status of the next generation of Corporate Officer candidates,

which is one step before successor candidates.

At SHIONOGI, four heads of Business Units participate in Board of Directors meetings. We have them listen carefully to the discussions at Board of Directors meetings and, if necessary, ask for their opinions. By setting up such opportunities, we allow them to gain various experiences and also use these as occasions to assess their suitability as successors.

Regarding the development of Associate Corporate Officers who are candidates for the next generation of Corporate Officers, we set up opportunities several times a year for outside directors to have discussions with these Associate Corporate Officers. This allows outside directors to properly recognize the Associate Corporate Officers and consider candidates for the next Corporate Officer with a clear understanding of their faces and names.

Thinking about the future, what are your thoughts on the current composition of the Board of Directors and the number of Board members?

I recognize that the current outside directors consist of diverse members, including those with various management experiences and those with deep expertise. Opinions and questions are raised from meaningful perspectives and expert viewpoints, which I believe are very valuable for the Company in determining its direction. On the other hand, as SHIONOGI aims to transform into a HaaS company, its business areas are expanding, including stabilizing the infectious disease business, expanding the overseas business, promoting DX, and collaborating with other industries. Considering this point, I believe we need to

strengthen governance to realize our growth strategy towards 2030. As a direction for strengthening the Company, I think we need to expand human resources with capabilities and expertise, and review the current composition of directors. In addition, we need to conduct a zero-based review rather than assuming the current organizational structure. I would like to proceed with considerations that include the possibility of changing from the current Company with an Audit & Supervisory Board structure to a new form.

Corporate Governance

Material Issue Strengthen governance

To ensure business execution based on appropriate management decisions, SHIONOGI has strengthened the monitoring function of the Board of Directors. The Board of Directors deliberates on matters mainly relating to the Company's corporate philosophy/policy, business plans, and important matters concerning business execution, by tapping into the management experience and professional knowledge of outside directors and outside auditors. This has resulted in the establishment of a framework in which each executive

organization ascertains the progress of business execution related to matters for which a management decision was made and reports to the Corporate Executive Management Meeting, the Board of Directors, etc., on a timely basis.

SHIONOGI has opted to be a company with a board of corporate auditors to ensure such duties are performed in a legally compliant and smooth manner by linking the Board of Directors' monitoring function, the corporate auditors' audit function, and business audits by the Internal Control Department.

Features of SHIONOGI's corporate governance

Consider balancing among our four types of stakeholders

SHIONOGI incorporates the perspectives of its four groups of stakeholders—customers, society, shareholders and investors, and employees—in maintaining transparent and proper business management that treats its stakeholders fairly and is responsive to the expectations of society.

Emphasis not only on complying but also on explaining

SHIONOGI has no plans to mechanically comply with all the items contained in the Corporate Governance Code. It is important that we always strive for the best governance system, clearly express our thoughts about points with which we will not comply, and thoroughly discuss any differences of opinion with outsiders.

Diversity of the Board of Directors and Board of Auditors

To further strengthen our framework in view of the progress in our business development, SHIONOGI is building the necessary framework from the standpoint of diversity and such factors as expertise and experience. We have appointed two female directors and one female auditor, as well as directors and auditors with a wide diversity of skills and age groups.

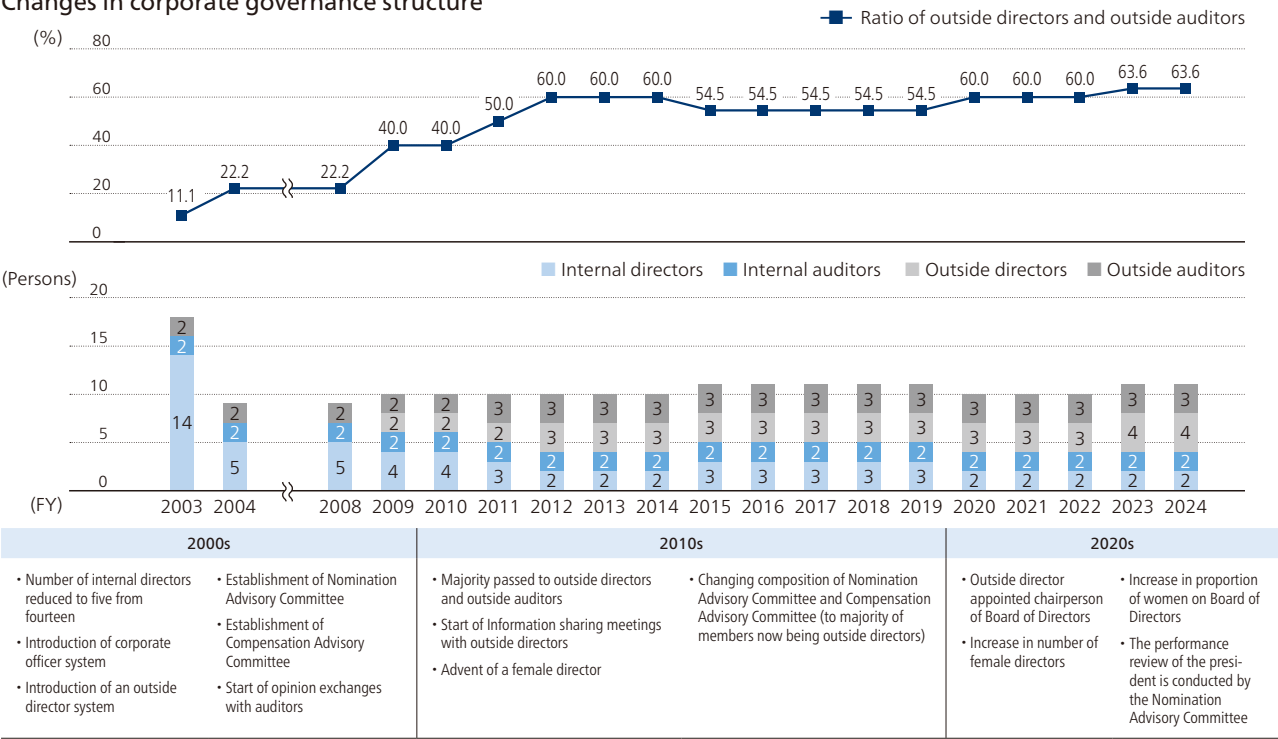
Management transparency

A majority of SHIONOGI's directors and auditors are independent and outside officers, which increases the transparency of our management. Also, based on our Disclosure Policy, we continue to disclose our corporate information to all of our stakeholders in a fair, timely, and appropriate manner.

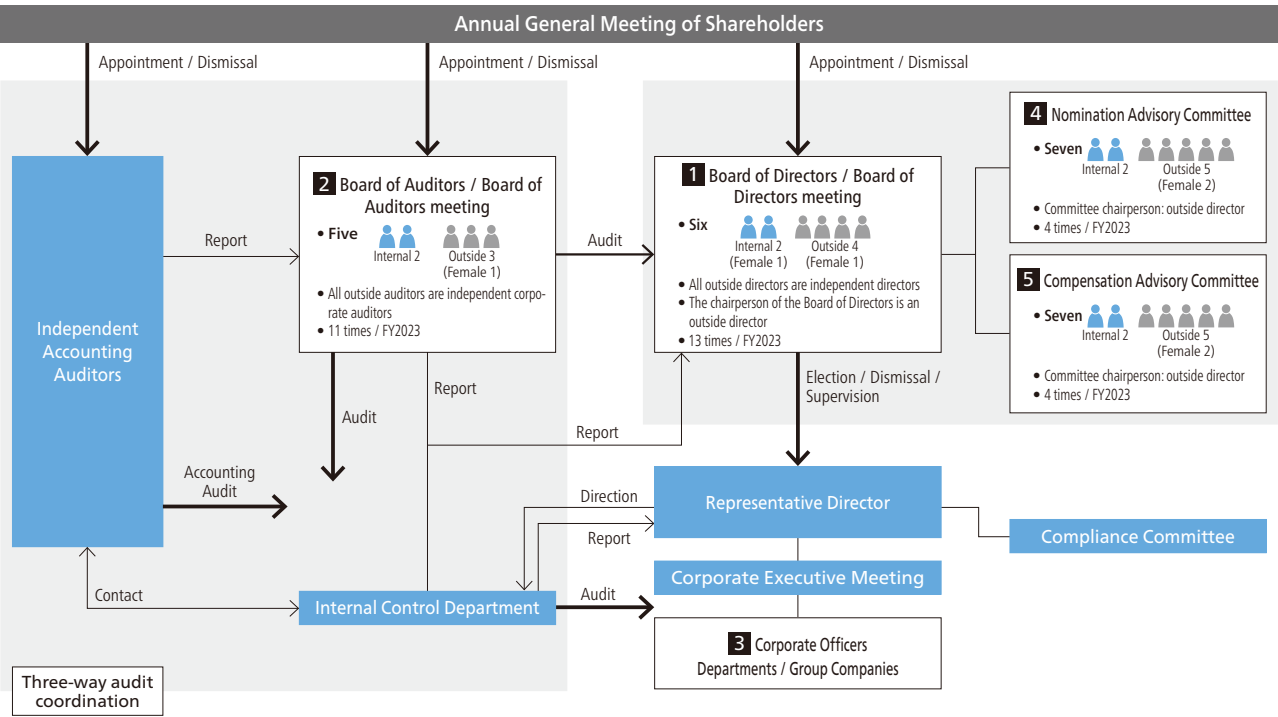
Status of compliance with the Corporate Governance Code

We comply with all the principles of the Corporate Governance Code. For more information, please see our Corporate Governance Report.
https://www.shionogi.com/content/dam/shionogi/global/company/cg/basic/pdf/cg_report_en_202407.pdf

Changes in corporate governance structure



Corporate governance structure (As of July 1, 2024)



1 Board of Directors / Board of Directors meeting
Chair: Keiichi Ando (Outside Director)

At the 158th Annual General Meeting of Shareholders held in June 2023, the Board of Directors was expanded by one outside director to a six-member board in order to further enhance oversight of the directors' execution of their duties and to build more highly transparent and equitable management from the perspective of all stakeholders. Two of the six directors are women. In addition, four members of the board are independent outside directors, all of whom are aware of SHIONOGI's corporate responsibility, contributing to greater transparency in management. The Board of Directors is chaired by an independent outside director and in principle held once a month.

2 Board of Auditors / Board of Auditors meeting

To ensure that the directors and each organization in SHIONOGI conduct their duties in a legally compliant and appropriate manner, the Company has established systems to enable members of the Board of Auditors and the Internal Control Department, which is responsible for conducting internal audits, to carry out audits and exchange opinions with the representative directors to take necessary measures. The Board of Auditors consists of two standing auditors and three outside auditors. The members of the Board of Auditors attend meetings of key management bodies, such as the Board of Directors meeting and the Corporate Executive Management Meeting, providing their opinions as necessary. Also, in accordance with corporate auditing standards, members of the Board of Auditors conduct business and accounting audits to verify the legality and validity of the duties carried out by the directors and corporate officers

responsible for business execution. Furthermore, the Board of Auditors receives reports on the content of accounting audits from the accounting auditors, and also conducts exchanges of opinions and other such responses. They also receive regular reports from the Internal Control Department on the content of internal audits. Additionally, through exchanges of opinions, they promote cooperation among corporate auditors, the independent accounting auditors, and the internal auditing unit.

3 Business execution framework

SHIONOGI has introduced an executive officer system to support dynamic and flexible business operations, enabling the Group to respond rapidly to changes in the operating environment. Business execution is conducted by 10 divisions across four organizations: the R&D Supervisory Unit, Healthcare Business Supervisory Unit, Supply Supervisory Unit, and Corporate Supervisory Unit. From April 2024, we transitioned to a system that strongly promotes the expansion of global business by consolidating overseas group companies under the Healthcare Business Supervisory Unit and establishing a system to supervise the healthcare business globally.

The Corporate Executive Management Meeting deliberates on important matters related to the execution of duties and important management matters, and is composed of internal directors, standing corporate auditors, and parties responsible for business execution. In principle, the Corporate Executive Management Meeting meets once a week, and important matters affecting management are deliberated by the Meeting and then decided by the Board of Directors.

Corporate Governance

4 Nomination Advisory Committee
Chair: Keiichi Ando (Outside Director)

The Nomination Advisory Committee consists of four outside directors, the Representative Director, President and CEO, one outside auditor, and one standing auditor, with an outside director serving as the chairperson. Discussions are held on topics such as the balance of expertise on the Board of Directors including outside directors, criteria for selecting directors, judgments on whether the president should continue based on performance evaluations (performance reviews) of the Representative Director, and the selection of executive officers from perspectives such as strengthening management support departments and promoting research activities. In addition, opportunities are set for outside officers to have dialogue with each executive officer and major organizational heads through proposals and reports to the Board of Directors and informal meetings with Associate Corporate Officers, to confirm management executive talent responsible for business execution and discuss their development plans and progress.

5 Compensation Advisory Committee
Chair: Hiroshi Ozaki (Outside Director)

The Compensation Advisory Committee consists of four outside directors, the Representative Director, President and CEO, one outside auditor, and one standing auditor, with an outside director serving as the chairperson. In fiscal 2023, discussions were mainly held on confirming compensation levels and various compensation ratios, performance evaluations of directors and executive officers for the previous fiscal year, performance evaluation indicators for the current fiscal year, and the ideal

compensation system for officers, executive officers, and employees, including stock-based compensation.

6 Outside officer and the President opinion exchange
7 Informal meetings with outside officers, executive officers, and Associate Corporate Officers

Meetings that serve as a venue for the outside officers and the President to exchange opinions are in principle held three times per year. These opinion exchanges take place with the objective of enhancing the quality of discussions at the Board of Directors meetings. Opinion exchange meetings are convened with outside directors, all of the corporate auditors, and the Representative Director, President and CEO in attendance, and topics for discussion include recent trends in the health-care industry and Company business, as well as plans for executive training and the status of that training. Three meetings were held in fiscal 2023. In addition, informal meetings were held bringing together outside officers, executive officers, and Associate Corporate Officers who are future executive officer candidates, to deepen outside officers’ understanding of the development status of management executive candidates.

8 Outside officer information exchange/study sessions

In order to deepen understanding of SHIONOGI’s business, outside officer information exchange and study sessions, which are attended by outside officers and senior management of SHIONOGI, are held. In fiscal 2023, one meeting was held in March 2024. In that study session, the theme was Fiscal 2024 Drug Price Revision, and information was shared about the current pharmaceutical pricing system in Japan and the impact of its revision on SHIONOGI's business.

Skills required of directors and the Board of Directors

To realize SHIONOGI’s corporate philosophy Basic Policy globally and achieve the Medium-Term Management Plan STS2030 Revision, we believe it is necessary for the Company to make transparent, fair, prompt, and decisive decisions based on the perspectives of customers, society, shareholders, and employees. To enhance the supervisory function of the Board of Directors

over business execution, increase management transparency, and promote highly fair management, we aim for individual directors and the Board of Directors to possess diverse skills in an appropriate balance, including experience in general corporate management, insight into the healthcare industry, international experience, and deep knowledge of SDGs/sustainability.

Succession plan

Discussions on succession plans are centered around the Nomination Advisory Committee. SHIONOGI believes that continuous creation of innovation is essential for companies to conduct sustainable management and continue to fulfill their social responsibilities, and we place importance on the fact that innovation creation is related to diversity and inclusion. To this end, we focus on developing diverse human resources and will realize management sustainability through leadership development measures for young leaders by strengthening the

executive management layer with the President’s Management Seminar and practical management experience through appointments to Group company executive positions. We select executive officers who are candidates for management positions considering their experience and achievements, referencing the skills listed in the skill matrix, and practice skill diversification and strength integration by having them experience business execution in multiple organizations and departments.

List of requirements of main areas of expertise / areas of particular contribution expected

Skills	Requirements
Corporate management / Management strategy	• Experience and achievements in corporate management and business management • Leadership to reflect and drive management strategies by balancing the interests of all stakeholders based on social issues
Finance / Accounting / Taxation	• High-level expertise in finance, accounting, and taxation to execute accurate financial reporting and investment decisions that realize business growth
Law / Compliance / Intellectual property	• High-level expertise to promote compliance with laws and regulations in each country where business is conducted and thorough compliance • High-level expertise to promote highly efficient intellectual property strategies that contribute to protecting SHIONOGI's rights
Science / Technology / Innovation	• Management experience in product and service research and development • High-level expertise to drive the demonstration of innovation combining cutting-edge science, technology, digital, and IT
Sales / Marketing	• Strategic management experience in marketing and sales of various products and services
Manufacturing / Quality / Supply chain	• Procurement of raw materials considering business issues in the supply chain and impact on the global environment • Management experience in manufacturing high-quality products and their stable supply
Global business	• Business management experience, achievements, and demonstration of leadership overseas • Deep knowledge and understanding of business environments and business practices in each country
Personnel and labor affairs / Human capital development / D&I	• Consideration and respect for diversity in nationality, individual thoughts, beliefs, religions, and cultures, customs, and lifestyles of each country and region • Experience in building and maintaining a workplace environment and work style where each Group employee can continuously learn and improve their abilities daily, and contribute to business growth by demonstrating their abilities
Corporate governance	• Knowledge and work experience to enhance the effectiveness of the Board of Directors and lead to maintaining and enhancing corporate value through the construction and practice of an appropriate management supervision system
Risk management	• Expertise to realize sustainable business growth by identifying opportunities and threats from changes in the business environment, implementing countermeasures for identified risks, and directing them
SDGs / Sustainability	• Work experience, knowledge, and expertise to promote activities to fulfill corporate social responsibility by recognizing social issues such as the global environment, human rights, and medical access, setting them as important issues for the Company, and working to solve them
Partnering / M&A / New business development	• Experience, expertise, and foresight in acquiring business opportunities including M&A for further corporate growth, practicing management integration processes, creating new businesses, and establishing competitive advantages through partnering

Skill matrix (as of September 30, 2024)

Directors			Skills											
Name	Age	Number of years in post	Corporate management/ Management strategy	Finance/ Accounting/ Taxation	Law/ Compliance/ Intellectual property	Science/ Technology/ Innovation	Sales/ Marketing	Manufacturing/ Quality/ Supply chain	Global business	Personnel and labor affairs/ Human capital development/ D&I	Corporate governance	Risk management	SDGs/ Sustainability	Partnering / M&A / New business development
Representative Director, President and CEO Isao Teshirogi, Ph.D.	64	22	●		●	●		●	●		●	●	●	●
Director and Vice Chairperson of the Board Takuko Sawada	69	9	●			●	●		●	●	●	●	●	●
Independent Outside Director Keiichi Ando	72	8	●	●					●	●	●	●	●	●
Independent Outside Director Hiroshi Ozaki	74	5	●			●	●	●	●		●	●	●	●
Independent Outside Director Fumi Takatsuki	49	4			●				●	●	●	●	●	
Independent Outside Director Takaoki Fujiwara	72	1	●				●			●	●		●	

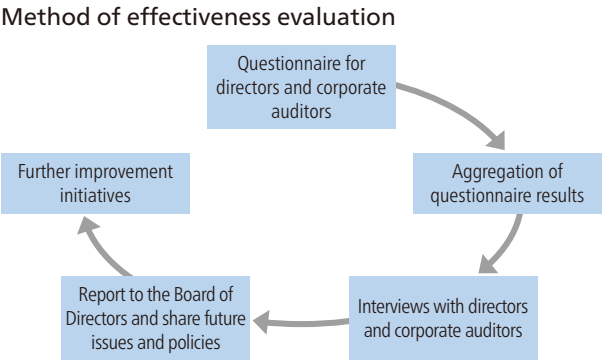
Auditors			Skills											
Name	Age	Number of years in post	Corporate management/ Management strategy	Finance/ Accounting/ Taxation	Law/ Compliance/ Intellectual property	Science/ Technology/ Innovation	Sales/ Marketing	Manufacturing/ Quality/ Supply chain	Global business	Personnel and labor affairs/ Human capital development/ D&I	Corporate governance	Risk management	SDGs/ Sustainability	Partnering / M&A / New business development
Standing Corporate Auditor Akira Okamoto	69	9			●		●			●	●	●	●	
Standing Corporate Auditor Noriyuki Kishida	64	–			●		●			●	●	●	●	
Independent Outside Auditor Tsuguoki Fujinuma	79	5		●	●				●		●	●	●	
Independent Outside Auditor Shuichi Okuhara	56	4	●	●		●				●	●			●
Independent Outside Auditor Yoriko Goto	65	1	●	●					●	●	●	●	●	

Example of Nomination Advisory Committee deliberations	Implementation of performance review for Representative Director, President and CEO and succession planning
Implementation of performance review for Representative Director, President and CEO	As one of the advanced initiatives to encourage the Representative Director, who is responsible for business execution, to fulfill his responsibilities with a sense of urgency when steering management, and to consider changing the Representative Director if necessary, a performance review was conducted in December 2023. The reason for conducting this was primarily based on the idea that it is important for the Representative Director to express his intention to continue in the next fiscal year, and that the next fiscal year's executive officers should be considered after receiving a positive evaluation from the Nomination Advisory Committee. At the Nomination Advisory Committee where the performance review was conducted, the Representative Director, President and CEO explained the achievements that could be evaluated to some extent and the items that had not yet been achieved. In addition, he gave an explanation of future goals. Based on the explanation from the Representative Director, President and CEO, the Nomination Advisory Committee members, excluding the Representative Director, President and CEO, discussed the performance of the Representative Director, President and CEO, comprehensively evaluated him from quantitative and qualitative perspectives, and decided to approve the continuation of the president's term. Opinions were expressed by outside committee members regarding issues with the performance review method itself and the ideal form of succession planning. Specifically, many opinions were raised regarding the operation for the next fiscal year and beyond, such as the need to establish a system to evaluate the continuation of the term from both quantitative and qualitative aspects by clearly setting goals for the Representative Director, President and CEO, and to have outside committee members communicate their expectations and questions to the Representative Director, President and CEO in advance, and have discussions based on the responses on the day of the review. Additionally, questions were asked about emergency response in case of contingencies and succession planning in case business progresses smoothly, as delays in successor development could be a detriment when judging whether to continue the term. Based on these opinions, it was decided to continue performance reviews in the next fiscal year and beyond, and to continuously discuss how to proceed, including confirming the status of succession planning.

Example of Board of Directors deliberations	Discussion on establishing a joint venture with Apnimed Inc.
Board of Directors report and resolution details	We have continued discussions with Apnimed Inc. to conduct joint research aimed at developing Apnimed's development candidates and creating next-generation treatments for obstructive sleep apnea syndrome (OSAS). As a result, a proposal was made to conclude a contract for establishing a joint venture aimed at joint research and development without licensing, as Apnimed has a promising pipeline for OSAS, understands the disease background at a high level, has an implementation system for clinical research through close collaboration with Brigham and Women's Hospital (BWH), and has a science-based strategy that aligns with SHIONOGI's research strategy, toward achieving STS2030 Revision, and the proposal was approved.
Main discussions	There was an opinion that this area would be a good project to realize growth as a HaaS company centered on providing pharmaceuticals if it was focused on, as there are no effective treatments and other treatments such as CPAP (Continuous Positive Airway Pressure) are being used. On the other hand, it was pointed out as a risk that the existence of compounds that Apnimed is advancing would affect Apnimed's future contribution to the JV, and the success or failure of those predecessor compounds would affect Apnimed's own survival. Discussions were held on the approach and response policy to these concerns.

Analysis/Evaluation of effectiveness

The overall effectiveness of the Board of Directors for fiscal 2023 was analyzed and evaluated by the Board of Directors based on questionnaires and interviews with each director and auditor, focusing on "6. Directors and Board of Directors (1) Structure, (3) Roles and Responsibilities, (6) Operation" based on SHIONOGI's "Basic Views and Guidelines on Corporate Governance."



Results of analysis and evaluation for fiscal 2023 and response policy for fiscal 2024

Response policy and implementation status for fiscal 2023	• Consideration of the ideal Board of Directors including organizational design and support system • Consideration of agenda setting and revision of Board of Directors regulations • Consideration of measures to enhance further information sharing with outside officers • Consideration of operation method for informal meetings with Associate Corporate Officers
Evaluation results for fiscal 2023	Regarding structure While the necessary structure is currently secured from various aspects including expertise and experience and from the perspective of diversity, future challenges were raised, such as the need to select next-generation successor candidates and appoint foreign directors from the perspectives of diversity including expertise and succession, considering the expansion and changes in SHIONOGI's business. Regarding roles and responsibilities Regarding reporting and supervision of management executive development status, reports continued to be made at the outside officers and president opinion exchange meetings and informal meetings between executive officers, Associate Corporate Officers, and outside officers were held. There were also regular reports on compliance and risk management and opinions were collected at Board of Directors meetings. Furthermore, multiple proposals and reports related to sustainability and human capital were made, deliberated on, and resolved by the Board of Directors. Based on these activities, as a future challenge, it was suggested that discussion of risks should be enhanced, such as appropriately submitting to the Board of Directors reports on the progress of the updated Medium-Term Management Plan and changes in risks related to business development. Regarding operation To further activate discussions at Board of Directors meetings, regular pre-explanations on Board of Directors agenda items continued to be held and reports were made on matters resolved by the Board of Directors as appropriate. As challenges, opinions were expressed on enhancing measures to deepen understanding of SHIONOGI's business, efficient proceedings of Board of Directors meetings, and utilizing opportunities outside the Board of Directors, in order to further enrich discussions.
Response policy for fiscal 2024	Based on these evaluation results, we will continue to make improvements to ensure that the Board of Directors becomes even more effective in the future. The response policy for improvement is as follows: • Consideration of committee operation based on succession and human capital investment • Consideration of reporting methods on business execution status including challenges for becoming a HaaS company (creation of new businesses) • Consideration of meeting system to enhance the effectiveness of the Board of Directors • Organization of agenda items for Board of Directors meetings in anticipation of changes in external environment and organizational design

Remuneration for directors and corporate auditors

Process for determining remuneration

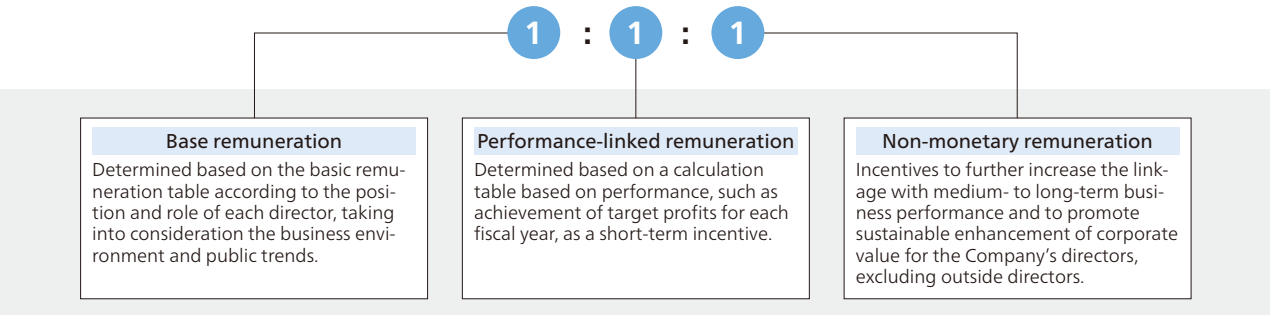
The Compensation Advisory Committee, which consists of a majority of outside directors, deliberates carefully on the matter of officers’ compensation and discusses the ideal state of and various issues concerning remuneration for

directors and corporate officers, verifies the levels of compensation every year, and deliberates the compensation system and performance evaluation system for the following fiscal year.

Composition of remuneration

The targeted ratio for each type of remuneration for directors is set at base remuneration: performance-linked remuneration*1, etc.: non-monetary remuneration*1, etc. = 1:1:1 on the premise that all KPIs are achieved.

*1 Performance-linked remuneration, etc. consists of executive bonuses, and non-monetary remuneration, etc. consists of restricted stock.



Remuneration framework

Total director remuneration is determined within limits set by resolution of the General Meeting of Shareholders. This consists of base monthly remuneration, performance-linked bonuses determined by results for the fiscal year and other factors, and since fiscal 2018, restricted stock compensation (medium-term performance-linked and long-term). Also, outside directors receive only base remuneration.

Base remuneration is determined based on the base remuneration table according to the position and role of directors with due consideration of the management environment and global trends.

Bonus is paid as cash remuneration, which reflects performance indicators (operating profit excluding sales of assets, etc., consolidated net income and other total performance evaluation as directors) to heighten the awareness of improving performance for each fiscal year. As short-term incentives, they are determined based on the calculation table according to performance such as achievement of targeted profits and other factors in each fiscal year and paid in June of each year.

Stock-based compensation is granted in July of each year based on the stock-based compensation table according to directors’ rank and job responsibilities. For medium-term performance-linked stock compensation in particular, the performance evaluation will be based on the degree of achievement in fiscal 2025 for the portion to be granted in the three years from fiscal 2023 through fiscal 2025 (Phase 2) during the STS2030 Revision (fiscal 2023 through fiscal 2030) to determine the ratio of lifting the transfer restriction (100% to 0%). Performance evaluations use such

quantitative indicators as revenue, overseas net sales, CAGR, EBITDA, ROE and the ranking in total shareholder return (TSR) among 11 industry peers including SHIONOGI (relative TSR) and also incorporate the status of sustainability compliance, and the status of investments. Additionally, 50% of the stock-based compensation amount converted at the stock price at the time of transfer restriction lifting is paid as monetary compensation at the time of transfer restriction lifting.

The Compensation Advisory Committee discusses the ratio of remuneration by type for executive directors in consideration of remuneration levels, using as its benchmark companies that have a similar business size to SHIONOGI and are included among the relevant business types and categories. The Board of Directors, in respect of the recommendations given by the Compensation Advisory Committee, determines the details of the remuneration system, etc. so that the ratio of remuneration by type is in line with the recommendations. The policy for determination thereof is set in accordance with the Policy for Determination of Details of Individual Remuneration, etc. for Directors. In addition, pursuant to the resolution at the Board of Directors meeting held on February 22, 2021, it is considered appropriate that base remuneration and individual bonus amounts, etc. are evaluated and determined by a person who bears the ultimate management responsibility, and thus, such evaluation and determination are entrusted to the Representative Director, President and CEO. The Compensation Advisory Committee deliberates the policy and criteria for the entrustment and provides the Board of

Directors with the results as recommendations for their resolution, and the Representative Director, President and CEO, to whom such determination is entrusted, shall make decisions in accordance with said recommendations and the abovementioned resolution by the Board of Directors.

Regarding the guideline for the ratio of each type of remuneration, etc., as a result of revising the medium-term performance-linked stock-based compensation table from fiscal 2021 to place more emphasis on performance and take the shareholders’ perspective, the system is designed so that for directors, assuming 100% achievement of KPIs, the ratio of base remuneration : performance-linked remuneration, etc. : non-monetary remuneration, etc. is approximately 1:1:1.

As a result, the proportion of base remuneration for the current fiscal year is about 36%, due to the achievement status of the current profit target and the impact of stock prices on stock-based compensation. The Board of Directors confirms that the details of individual remuneration, etc. for directors for the current fiscal year are in line with the policy for determination through deliberations and reports at Board of Directors and Compensation Advisory Committee meetings.

Auditor remuneration is unified into a fixed monthly base remuneration within the total remuneration range determined by resolution of the General Meeting of Shareholders.

Actual remuneration

Actual remuneration for fiscal 2023 was as follows.

Total amount of remuneration for Directors and Corporate Auditors (fiscal 2023) (Millions of yen)

Category	Persons	Total amount of remuneration, etc. by type			
		Base remuneration	Performance-linked remuneration, etc.*2	Non-monetary remuneration, etc.*3	Total
Directors (of which Outside Directors)	6 (4)	227 (70)	156 (-)	117 (-)	501 (70)
Corporate Auditors (of which Outside Corporate Auditors)	6 (4)	124 (54)	- (-)	- (-)	124 (54)
Total	12	351	156	117	625

Total consolidated remuneration, etc. by director (fiscal 2023) (Millions of yen)

Name	Position	Total amount of remuneration, etc. by type			
		Base remuneration	Performance-linked remuneration, etc.*2	Non-monetary remuneration, etc.*3	Total
Isao Teshirogi	Director	96	96	80	272
Takuko Sawada	Director	60	60	37	157

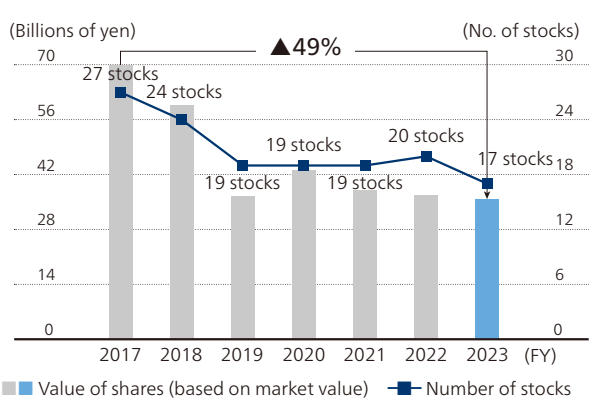
*2 The amount of “Performance-linked remuneration, etc.” above is the amount of provision for Directors’ bonuses for the fiscal year.
*3 The amount of “Non-monetary remuneration, etc.” above is the amount recorded as an expense in the fiscal year.

Cross-shareholdings

The business rationality for continuing to hold cross-shareholdings is verified annually at the Board of Directors. Considering the relationship with capital costs, cross-shareholdings are held only if it is judged to enhance SHIONOGI’s corporate value and contribute to sustainable growth, and otherwise, they are gradually sold considering stock prices and market trends. In fiscal 2023, eight stocks were reduced.

Regarding the exercise of voting rights, the pros and cons are judged by multiple departments including the Corporate Department in light of the internal policy on the exercise of voting rights, and the rights are exercised. If there are doubts about the content of the proposal, measures such as requesting explanations from the issuing company are taken, and responses are made in accordance with the cross-shareholding policy. We will continue to fulfill our responsibilities as shareholders in the future.

Trend of cross-shareholdings (Listed stock, market value)



Members of Boards

(as of July 1, 2024)



Directors			
1	Isao Teshirogi, Ph.D.	80,050 shares	
Representative Director, President and CEO			
April	1982	Joined the Company	
January	1999	General Manager, Secretary Office and General Manager, Corporate Planning Department	
June	2002	Director of the Company	
October	2002	General Manager, Corporate Planning Department	
April	2004	Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division	
April	2006	Senior Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division	
April	2007	Senior Executive Officer	
April	2008	Representative Director and President of the Company	
June	2021	Outside Director of Sumitomo Mitsui Banking Corporation (incumbent)	
March	2022	Outside Director of AGC Inc. (incumbent)	
July	2022	Representative Director, President and CEO of the Company (incumbent)	
June	2024	Outside Director of Japan Exchange Group, Inc. (incumbent)	
Major concurrent posts: Outside Director of Sumitomo Mitsui Banking Corporation Outside Director of AGC Inc. Outside Director of Japan Exchange Group, Inc.			
2	Takuko Sawada	51,100 shares	
Director and Vice Chairperson of the Board			
April	1977	Joined the Company	
April	2002	Executive General Manager, Pharmaceutical Development Division	
April	2007	Officer and Executive General Manager, Pharmaceutical Development Division	
April	2010	Executive Officer and Executive General Manager, Pharmaceutical Development Division	
April	2011	Senior Executive Officer and Executive General Manager, Global Development Office	
April	2013	Senior Executive Officer and Senior Vice President, Global Development Office, and Pharmaceutical Development Division	
April	2014	Senior Executive Officer and Senior Vice President, Global Pharmaceutical Development Division	
April	2015	Senior Executive Officer and Senior Vice President, Corporate Strategy Division	
June	2015	Director of the Company and Senior Executive Officer and Senior Vice President, Corporate Strategy Division	
October	2015	Senior Executive Officer and Senior Vice President, Corporate Strategy Division, and General Manager, Corporate Planning Department	
April	2016	Senior Executive Officer and Senior Vice President, Corporate Strategy Division	
April	2017	Senior Executive Officer and Senior Vice President, Corporate Strategy Division	
April	2018	Director of the Company and Executive Vice President	
April	2020	Director of the Company and Executive Vice President and Senior Vice President of Integrated Disease Care Division	
July	2022	Director and Vice Chairperson of the Board (incumbent)	
June	2023	Outside Director of Konica Minolta Inc. (incumbent)	
Major concurrent posts: Outside Director of Konica Minolta Inc.			
3	Keiichi Ando	0 shares	
Independent Outside Director			
April	1976	Joined Sumitomo Bank Limited (now Sumitomo Mitsui Banking Corporation)	
April	2003	Executive Officer, Sumitomo Mitsui Banking Corporation	
April	2006	Managing Executive Officer, Sumitomo Mitsui Banking Corporation	
April	2009	Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation	
April	2010	Representative Director and Deputy President and Executive Officer, Sumitomo Mitsui Banking Corporation	
April	2012	Representative Director and President, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD.	
July	2012	Representative Director and President and CEO, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD.	
June	2016	Outside Director of the Company (incumbent)	
June	2016	Representative Director and President, GINSEN CO., LTD.	
June	2017	Outside Director of Tsubakimoto Chain Co. (incumbent)	
June	2019	Outside Director of DAIHEN Corporation (incumbent)	
Major concurrent posts: Outside Director, Tsubakimoto Chain Co. Outside Director of DAIHEN Corporation			
4	Hiroshi Ozaki	0 shares	
Independent Outside Director			
May	1972	Joined Osaka Gas Co., Ltd.	
June	2000	Director, Osaka Gas Co., Ltd.	
June	2002	Director and Tokyo Representative, Osaka Gas Co., Ltd., on loan to the Japan Gas Association	
June	2005	Managing Director and General Manager of LNG Terminal and Power Generation Business Unit, Osaka Gas Co., Ltd.	
June	2007	Managing Director and General Manager of Commercial & Industrial Energy Business Unit, Osaka Gas Co., Ltd.	
April	2008	Representative Director and President, Osaka Gas Co., Ltd.	
June	2008	Director, Osaka Gas Chemicals Co., Ltd.	
June	2009	Representative Director and President, Operating Executive Officer, Osaka Gas Co., Ltd.	
June	2009	Director of OGIS-RI Co., Ltd.	
June	2011	Outside Director of Asahi Broadcasting Corporation (now Asahi Broadcasting Group Holdings Corporation)	
April	2015	Representative Director and Chairman, Osaka Gas Co., Ltd.	
June	2019	Outside Director of the Company (incumbent)	
January	2021	Director and Senior Advisor, Osaka Gas Co., Ltd.	
June	2021	Senior Advisor, Osaka Gas Co., Ltd. (incumbent)	
June	2021	Outside Director, The Royal Hotel Ltd. (incumbent)	
June	2024	Outside Director of Hiroshima Gas Co., Ltd. (incumbent)	
Major concurrent posts: Outside Director of The Royal Hotel, Ltd. Outside Director of Hiroshima Gas Co., Ltd.			
5	Fumi Takatsuki	0 shares	
Independent Outside Director			
October	2000	Registration of Attorney at Law	
October	2000	Joined Oike Law Offices	
December	2003	Joined Anderson Mori & Tomotsune Law Offices	
February	2004	Service at Beijing Office of Anderson Mori & Tomotsune Law Offices	
April	2006	Joined Oh-Ebashi LPC & Partners	
January	2009	Partner of Oh-Ebashi LPC & Partners (incumbent)	
June	2020	Outside Director of the Company (incumbent)	
June	2023	Outside Corporate Auditor of Sankyo Seiko Co., Ltd. (incumbent)	
June	2024	Outside Corporate Auditor of Daikin Industries, Inc. (incumbent)	
Major concurrent posts: Partner of Oh-Ebashi LPC & Partners Outside Corporate Auditor of Sankyo Seiko Co., Ltd. Outside Corporate Auditor of Daikin Industries, Inc.			

Auditors			
7	Akira Okamoto	6,657 shares	
Standing Corporate Auditor			
April	1978	Joined the Company	
April	2006	General Manager, Business Support Center	
April	2007	General Manager, General Affairs & Personnel Department	
April	2008	General Manager, Human Resources Department	
April	2011	General Manager, Internal Control Department	
June	2015	Standing Corporate Auditor of the Company (incumbent)	
8	Noriyuki Kishida	6,639 shares	
Standing Corporate Auditor			
April	1984	Joined the Company	
October	2004	General Manager, Corporate Communications Office	
April	2009	General Manager, Corporate Communications Office and Secretary Office	
April	2011	General Manager, Human Resources Department	
April	2017	Corporate Officer and General Manager, Human Resources and General Administration Department	
April	2020	Senior Executive Officer, Senior Vice President, Administration Division and Head, Human Resources Department	
October	2020	Senior Executive Officer and Senior Vice President, Administration Division	
July	2021	Senior Executive Officer and Senior Vice President, Administration Division and General Manager of Legal Affairs Department	
July	2022	Senior Executive Officer and Senior Vice President, Corporate Supervisory Unit	
June	2024	Standing Corporate Auditor of the Company (incumbent)	
9	Tsuguoki Fujinuma	1,000 shares	
Independent Outside Auditor			
April	1969	Joined Horie Morita Accounting Firm	
June	1970	Joined Arthur & Young Accounting Firm	
May	1986	Partner and Representative Partner of Asahi Shinwa Accounting Firm (now KPMG AZSA LLC)	
July	1993	Managing Partner of Ota Showa & Co. (now Ernst & Young ShinNihon LLC) (Resignation in June 2007)	
May	2000	President of the International Federation of Accountants	
July	2004	Chairman and President of the Japanese Institute of Certified Public Accountants	
February	2005	Trustee of the IFRS Foundation Trustees	
July	2007	Advisor of the Japanese Institute of Certified Public Accountants (incumbent)	
August	2007	Outside Director of Tokyo Stock Exchange Group, Inc. (now Japan Exchange Group)	
October	2007	Governor of Tokyo Stock Exchange Regulation (now Japan Exchange Regulation)	
April	2008	Specially appointed Professor of Chuo Graduate School of Strategic Management (Business School)	
June	2008	Outside Corporate Auditor of Sumitomo Corporation	
June	2008	Outside Corporate Auditor of Takeda Pharmaceutical Company Limited	
June	2008	Outside Director of Nomura Holdings, Inc.	
June	2008	Outside Director of Nomura Securities Co., Ltd.	
July	2008	Outside Director of Sumitomo Life Insurance Company	
February	2009	Trustee and Vice Chairman of the IFRS Foundation Trustees	
April	2010	Visiting Professor at Kansai University (incumbent)	
May	2010	Outside Corporate Auditor of Seven & i Holdings Co., Ltd.	
April	2015	Fellow (incumbent) and Advisory Board Member at Chuo University Business School	
July	2017	Auditor, Chiba Gakuen Educational Association (incumbent)	
June	2018	Chairman of the Association of Certified Fraud Examiners Japan	
June	2019	Outside Corporate Auditor of the Company (incumbent)	
June	2023	Councilor of Association of Certified Fraud Examiners Japan	
Major concurrent posts: Auditor, Chiba Gakuen Educational Association			
10	Shuichi Okuhara	0 shares	
Independent Outside Auditor			
April	1994	Joined Andersen Consulting Co., Ltd. (now Accenture Japan Ltd.)	
January	1998	Joined Nippon Venture Capital Co., Ltd.	
June	2008	Director and Manager of Investment Department, Nippon Venture Capital Co., Ltd.	
April	2009	Representative Director and President of Nippon Venture Capital Co., Ltd.	
June	2019	Representative Director and Chairman of Nippon Venture Capital Co., Ltd. (incumbent)	
June	2020	Outside Corporate Auditor of the Company (incumbent)	
Major concurrent posts: Representative Director and Chairman of Nippon Venture Capital Co., Ltd			
11	Yoriko Goto	0 shares	
Independent Outside Auditor			
November	1983	Joined Deloitte Haskins and Sells International (now Deloitte Touche Tohmatsu LLC)	
June	1996	Partner of Deloitte Touche Tohmatsu Limited (now Deloitte Touche Tohmatsu LLC)	
June	2007	Japan Leader of Global Financial Services Industry, Deloitte Touche Tohmatsu Limited	
October	2010	Managing Partner of Financial Services Industry, Deloitte Touche Tohmatsu LLC	
October	2013	Member of Executive Committee of Deloitte Touche Tohmatsu LLC and Member of Board of Deloitte Touche Tohmatsu Limited	
June	2018	Chairperson of the Board of Deloitte Touche Tohmatsu LLC and Deloitte Tohmatsu Group, and Member of Board of Deloitte Touche Tohmatsu Limited	
November	2018	Member of Board of Deloitte Asia Pacific Limited	
October	2022	President of Yoriko Goto CPA Office (incumbent)	
October	2022	Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation (incumbent)	
June	2023	Outside Corporate Auditor of the Company (incumbent)	
Major concurrent posts: Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation			

Number of the Company's share owned

Corporate Officers			
Senior Executive Officers		Corporate Officers	
Koji Hanasaki, Ph.D.		Takeshi Shiota, Ph.D.	
John Keller, Ph.D.		Takeki Uehara, Ph.D.	
Toshinobu Iwasaki, Ph.D.		Yoshinori Yurugi	
Kazuhiro Hatanaka		Satoru Yoshimoto	
Ryuichi Kiyama, Ph.D.		Masashi Deguchi, Ph.D.	
		Yasunori Aoyama, Ph.D.	
		Tetsuya Numa	
		Yosuke Miharuru	

Material Issue **Ensure Compliance**

In the SHIONOGI Group Code of Conduct and the SHIONOGI Group Compliance Policy, SHIONOGI defines compliance as indispensable for the survival and development of a company and as not limited to compliance with laws, rules, and regulations, but also includes compliance with social norms and ethical behavior as a company and as a member of society. All officers and employees comply strictly with these policies.

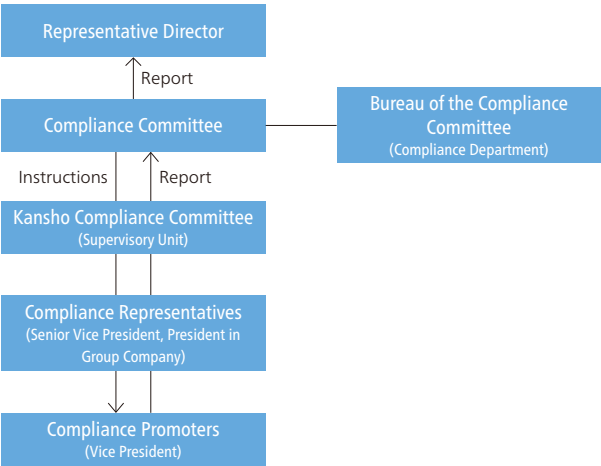


Compliance promotion initiatives

Compliance promotion structure

SHIONOGI positions compliance as the foundation of all business activities and promotes thorough compliance with each officer and employee understanding its importance. SHIONOGI has established a Compliance Committee that plays a role in identifying potential risks throughout the business process and formulating countermeasures. Each organization head becomes a compliance promoter, thoroughly implementing compliance and supporting the compliance culture by reflecting it in actual operations.

Compliance promotion structure (as of July 2024)



For details on compliance initiatives, please visit our website.
<https://www.shionogi.com/global/en/company/compliance.html>

Promoting compliance activities

In the process of realizing the SHIONOGI Group Vision, new tasks that are distinct from previous ones are emerging. Accordingly, from a compliance perspective, there is an increasing number of cases requiring new responses and complex judgments that we have not experienced before. To respond to these environmental changes, SHIONOGI has established a Compliance Department and is strengthening compliance activities, including basic actions such as thorough legal compliance. First, we are conducting zero-based compliance risk assessments and working on renewing compliance activities. We are also advancing the sophistication of systems and structures to respond sensitively to changes in society, the business environment, and laws and regulations. Furthermore, we are continuously providing education and training to deepen understanding of compliance and respond to newly relevant laws. Through these efforts, we aim to foster a corporate culture where all officers and employees prioritize compliance in their actions.

Also, to respond to increasingly global business, we are strengthening cooperation with overseas group companies and developing consistent compliance policies and systems as SHIONOGI. Prioritizing compliance and contributing to society through fair corporate activities is at the core of SHIONOGI's corporate philosophy. Understanding and thorough implementation of compliance should be continuously improved, and by instilling this spirit throughout the organization without letting it wither, we aim to strengthen stakeholder trust and further grow and develop SHIONOGI.

Risk Management

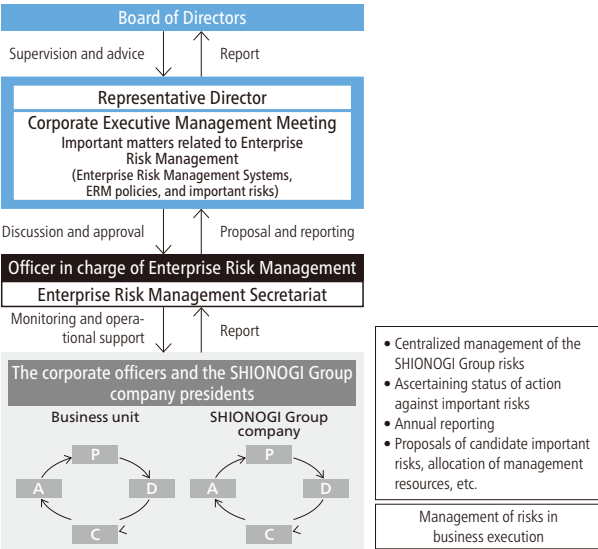
As the pace of social transformation increases, the uncertainties affecting business strategies and their execution continue to change into more diverse and complex forms. To achieve the transformation aimed for in STS2030 Revision and realize further growth, it is essential for SHIONOGI to properly manage risks that exist both inside and outside the Group. We aim to foster a risk culture and further strengthen resilience by strategically managing both offensive and defensive risks.

Promotion of risk management

SHIONOGI has established an Enterprise Risk Management system as an important mechanism of management strategy and management foundation, with the Corporate Supervisory Unit overseeing SHIONOGI's risk management as the enterprise risk management officer and promoting risk management. In each business division and group company, executive officers and group company presidents extract and evaluate risks considering the impact on group management and probability of occurrence, define risk owners for each risk, and take proactive countermeasures. The enterprise risk management officer compiles risk information for the entire Group, identifies significant risks that may have a major impact on performance and management at the Corporate Executive Management Meeting and Board of Directors, and reports on the progress of response status. Also, opinions and advice from directors and auditors are received and reflected in improvement efforts. In fiscal 2023, recognizing the need to strengthen top-down risk management that determines response policies for risks inherent in business, in addition to the so-called bottom-up risk management to suppress risk manifestation

in business execution, we began reviewing the conventional risk management process to enhance resilience to recent environmental changes.

Risk management structure



Crisis management/Incident management

In the event of a crisis, we prioritize protecting human life and ensuring safety, promptly take measures to minimize damage and prevent recurrence, and continue the business. To this end, we regularly review the BCP (Business Continuity Plan) and improve its effectiveness by addressing issues identified in drills. We have also established a response system where, when an incident occurs,

information is promptly communicated to management, and the organization in which the incident occurred or site manager cooperates. To realize this mechanism, we are fostering a culture of "Bad News Fast/First" where negative information is reported quickly, and conducting media response training for Corporate Officers and above, assuming incident occurrence.

	Initiative	Content
FY2021	IT-BCP Construction	Construction of enterprise BCP considering recovery of critical systems
FY2022	BCP training	BCP desktop exercise for management
	Media training	Conducting mock press conferences for management
	ERM leader education for each department and group company	Introduction of enterprise risk management system
	Promotion of Bad News Fast/First	Discussion as an agenda item in the Compliance Committee
FY2023	Media training	Conducting mock press conferences for management
	Strengthening crisis management system	Reorganization of crisis management/incident management system Revision of crisis management regulations and employee education

Risk Management

Main business risks

At SHIONOGI, we categorize risks that could have a material impact on performance and business as either business strategy-related risks (risks inherent in strategic decision-making, or that could hinder the implementation of the strategy) or business execution-related risks (risks that impact business execution that support business targets). The following table shows the important risks we are

aware of currently. In addition to these risks, we identified risks that could impact SHIONOGI’s performance or business, which include litigation, natural disasters and pandemics, and financial market and exchange rate trends, and are moving forward with a response to each risk. The following, however, are not all the risks that SHIONOGI faces.

1. Summary of business strategy-related risks

Risk summary		Main response
Global growth, centered on the infectious disease field	We aim to create a sustainable business as a total disease approach by building an optimal revenue model combining efforts in acute infectious diseases, infectious diseases requiring long-term treatment, and vaccines. We are undertaking not only business activities, such as development, filing for and obtaining approval, marketing, and sales in Europe, the U.S., and Asia, but also health improvement activities, including expanding into low- and middle-income countries. Even so, if initially envisioned development plans and marketing strategies are delayed or fail or we are unable to create expected future therapeutic drugs or vaccines or generate related earnings, this could have a material impact on performance.	• Promotion of sales and proper use of acute respiratory infection treatment drugs • Expansion of sales of antimicrobial resistance (AMR) treatment drugs • Development of acute respiratory infection prevention vaccines • Research and development of long-acting HIV infection treatment and prevention drugs • Research and development of new treatments for tuberculosis, malaria, and non-tuberculous mycobacterial diseases • Create products and services that achieve total care for infectious diseases • Implementation of global development and approval applications, and further development of overseas production, distribution, and sales systems • Negotiations with governments and regulatory authorities in each country, including expansion of pull incentives
Pipeline expansion	Drug research and development requires a long period and large investment, and there is a possibility that expected effects may not be obtained and approval may not be granted. To form an attractive pipeline, in addition to the research and development technologies that SHIONOGI has cultivated, it is essential to acquire new modalities and utilize external networks. We must also foster businesses other than the pharmaceutical business and balance those businesses in order to transform our business model, which overemphasizes earnings from patents.	• Take on the challenge of new modalities and technologies • Promote manufacturing through co-creation with outside parties • Actively invest in growth drivers, such as in-licensing • Develop human resources to ensure leading R&D capabilities • Maintain a high internally discovered pipeline ratio • Develop innovative treatment options not limited to therapeutic drugs • Develop services necessary to create an environment in which all people can actively participate
Human capital management	To achieve growth through transformation, it is necessary for SHIONOGI to become a community of human resources with strengths that attract others, and therefore, we focus on human capital management. Obstacles, such as failures related to measures and capturing human resources, could undermine this transformation and have a material impact on performance.	• Reinforce mid-career hiring • Reform the HR system • Implement workstyle reforms so that various types of people can actively participate • Hold events that welcome and praise challenges
Digital transformation	We are working on DX in all activities to accelerate decision-making speed and realize new value creation based on data. If DX initiatives falter, this could have a material impact on not only SHIONOGI’s performance but also increase in corporate value.	• Build global IT foundation • Implement AI-driven drug discovery, transform our business models and operations using AI • Develop software as medical device and disease detection algorithms to diagnose and treat illnesses • Create a data use platform to increase operational efficiency and create new value • Implement training measures to produce digital core human resources

2. Summary of business execution-related risks

Risk summary and concerns about risk realization		Main response
Quality	We manufacture products and conduct commissioned production in line with pharmaceutical affairs-related laws and regulations, including GMP and ICH Guidelines. In addition, we undergo inspections by the Ministry of Health, Labour and Welfare, FDA, EMA, and other regulatory authorities, and are licensed to conduct manufacturing and marketing. However, if there are quality problems, IoT failures, or similar problems, this could result in the following. • Decline in reputation derived from products • Business suspension, etc. resulting from quality defects, suspension of shipments, recalls, or administrative action due to inconsistencies between approval documents and actual manufacturing conditions • Recalls and important findings of inspections by the authorities due to incomplete information • Deterioration in trust in the Company	• Establishment and promotion of the SHIONOGI Group Quality Policy • Understanding and penetration of the importance of quality • Promote such activities as fostering a quality culture • Conduct control and oversight activities through plant audits, etc. • Strengthening of Bad News Fast/First system through liaison meetings with relevant internal departments
Supply chain management	If there is a natural disaster, such as a major earthquake, storm, or flood, or pandemic, or our supply chain is impacted by a geopolitical event or some sustainability-related issue, such as human rights or the environment, this could result in the following risks. • Suspension of plant operation • Difficulty in procuring raw materials and products • Disruption of logistics networks and stagnation of information • Major impact on stable supply of pharmaceuticals	• Conduct inventory management based on standards for the amount of inventory held • Create a domestic system for APIs that are used in some products risk • Examine diversification of raw material suppliers in order to ensure a stable supply of products • Set BCP products and conduct regular reviews • Conduct due diligence and monitoring of suppliers and request improvements • Consideration for business partners in accordance with the Multi-stakeholder Policy • Smooth cooperation with trading wholesalers and discussion/planning of disaster countermeasures • Transparency of wholesaler inventory and market inventory • Review of crisis management system and crisis management regulations

IT security and information management	If IT security is threatened due to careless or intentional acts by employees and outsourcing companies, or cyber attacks by malicious third parties, the following risks are anticipated: • Difficulty in continuing business due to suspension of important systems • Outflow of confidential information, including personal information • Legal damages, such as claims for compensation for damages, costs related to subsequent response, etc. • Decline in performance and reputation	• Appoint a CIO who oversees information management, a CDO who has control over data and document use and management, and Global Head of IT who is responsible for operating IT • Establish and promote the SHIONOGI Group Global Privacy Policy • Establish rules related to information management based on laws, regulations, and guidelines • Provide education to employees on the importance of information management and personal information and compliance with personal information protection-related laws and ordinances. • Move forward with projects to build an IT-BCP system • Create IT infrastructure and reinforce information security foundation and improve its operation • Conduct a fundamental group-wide review of the network based on global security assessment
Adverse drug reaction (ADR)	After the launch of pharmaceuticals, we implement necessary measures to ensure their safety and proper use, but if unexpected ADR occurs or there are omissions or delays in ADR reports, the following risks are anticipated: • Termination of sales and recall of products • Litigation seeking compensation for health hazards • Impact on performance and reputation	• Build and reinforce a system to appropriately collect, analyze, evaluate, and report information on adverse reactions and similar issues • Educate all employees to curb the spread of adverse reactions and control damage • Obtain insurance for medical damage compensation based on adverse reactions
Compliance	We recognize the following as important risks: acts and behavior that violate laws, deviate from social norms, or violate ethics in business activities, based on an awareness of not simply complying with laws, regulations, rules, etc., but also following social norms, and acting ethically as a company and member of society. If such a risk materializes, this could result in the following. • Decline in reputation • Loss of stakeholders’ trust • Damage to business performance and financial condition	• Formulate and promote the SHIONOGI Group Compliance Policy • Raise awareness of compliance throughout the Group by holding a Global Compliance Week & Quality Week • Operate a compliance promotion system appropriate to the organizational structure • Hold Compliance Committee meetings, which a Representative Director chairs • Report Compliance Committee activities to the Board of Directors • Use message from the President to talk about compliance • Conduct compliance awareness survey of all employees and provide related feedback to all organizational units • Create five checkpoints for employees to review the pros and cons of their own actions, and dissemination of these checkpoints to all employees
Environment and safety	If there is the chance of an incident that could impact the environment, ecosystem, or safety of workers in a business activity process, such as research, development, or manufacture of pharmaceuticals, and they actually cause an incident, it could result in the following. • Suspension of facility operation and equipment and cost of response and recovery • Litigation seeking compensation for damages and payment of compensation • Decline in performance and reputation	• Reinforce governance by formulating the SHIONOGI Group EHS Policy and the SHIONOGI Group EHS Code of Conduct • Create an EHS Integrated Management System • Review environmental material issues and medium-term action plan related to EHS • Reinforce ISO 14001 and ISO 45001 or equivalent management system operation • Comply with related laws and ordinances, set independent management standards and targets that are even stricter, and implement response • Establish and operate SOPs related to setting exposure standards for worker exposure to active pharmaceutical ingredients
Partnerships with other companies	We collaborate with business partners to strengthen businesses that leverage each other’s strengths, but this entails the following risks. • Use of the Company’s technology and know-how for purposes other than those intended • Litigation due to unintentional and unauthorized use of other company’s technology and infringement on intellectual property rights • Leak of confidential information • Decline in brand image, reputation, and investor confidence due to leakage of confidential information	• Eliminate differences in awareness through extensive dialogues and maintain and improve trust • Conclude contracts that factor in matters related to compensation for damages and anticipated risks • Conduct regular inspections of intellectual property to survey problems and infringement risk • Build a monitoring system and other information management systems that incorporate encryption, strengthen access controls, and prevent unauthorized access • Minimize shared information and establish information sharing rules • Build a system to monitor use of shared information and access logs • Conduct multi-faceted due diligence • Regularly audit and evaluate partnerships in order to quickly discover problems and improvements • Establish a specialized organization for alliance management and accumulate know-how
Intellectual property	If a third party infringes on the intellectual property rights of SHIONOGI or its products infringe on those of a third party, this could result in the following risks. • Damage to business performance and financial position due to loss of expected earnings • Dispute or litigation to protect the intellectual property • Payment of compensation for damages • Injunction on manufacturing and marketing the product • Damage to the corporate brand and reputation	• Establish appropriate rights to and management system for intellectual property and continually monitor third party’s rights infringements • Conduct freedom-to-operate searches in business activities • Create a system to prevent rights infringements based on such activities as conducting intellectual property due diligence in in-licensing and out-licensing activities • Regular employee education through e-learning, etc.
Systems and administration	The trends in administrative policies such as medical insurance system reform, drug cost containment measures, and regulatory changes related to drug development and manufacturing may affect performance, and if these materialize, the following risks are anticipated: • Reduced predictability of prescription drug business • Price calculation that deviates from the value of created innovation • Delays in research and development of pharmaceuticals, vaccines, etc., and supply concerns	• Create innovative solutions and provide at a price acceptable to society • Construction of evidence showing the value of created innovation • Promote initiatives through industry organization activities • Obtaining and promptly addressing the latest information on various regulations

 See our website for details on Risk Management.
<https://www.shionogi.com/global/en/sustainability/governance/risk-management.html>

Data Section

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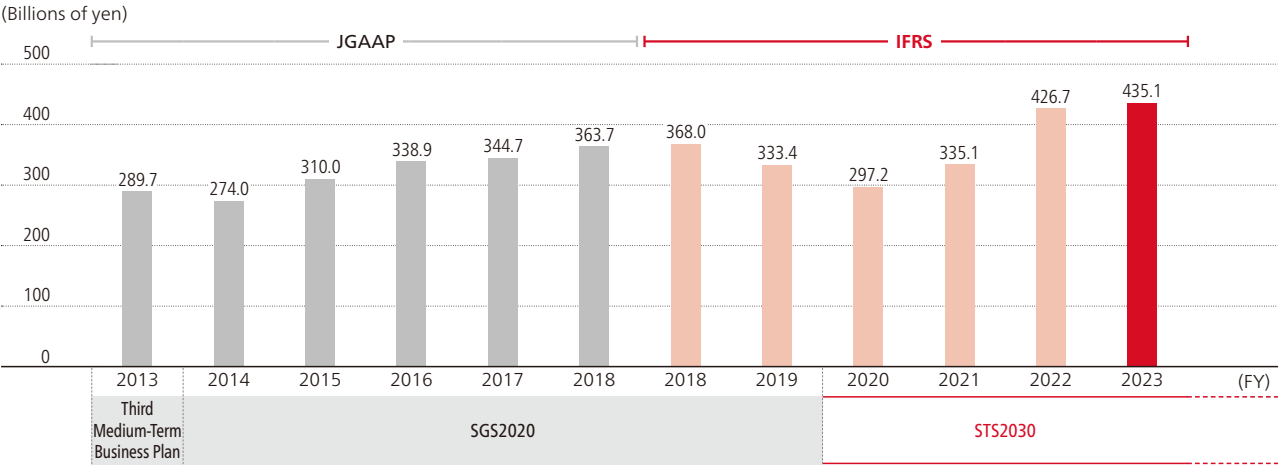
Key Points

- ☐ Results and evaluation of financial and non-financial activities
- ☐ Chronological financial and non-financial data
- ☐ Identification of stakeholders and engagement results

Financial Highlights / Non-Financial Highlights

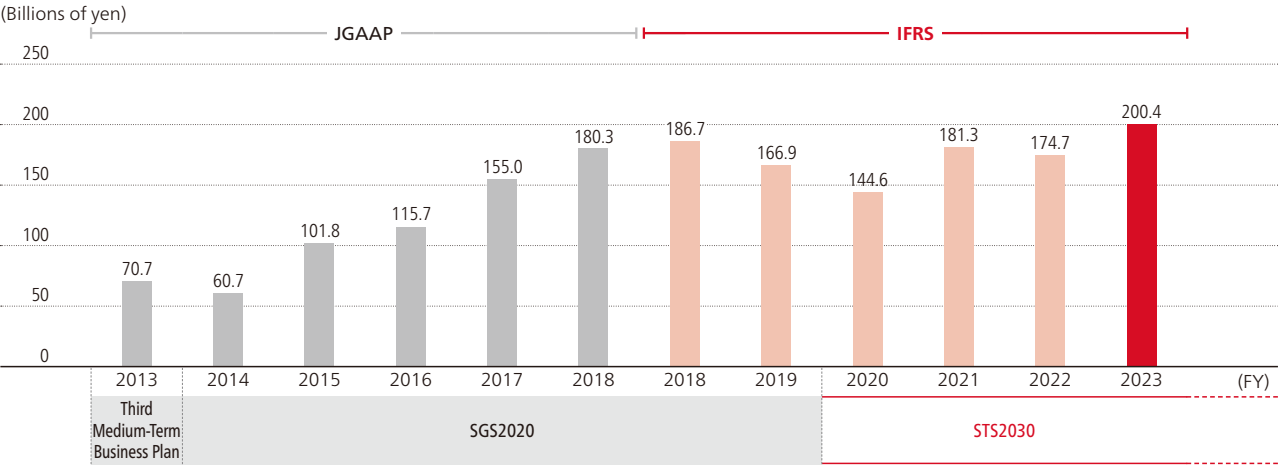
SHIONOGI has adopted International Financial Reporting Standards (IFRS) from fiscal 2019. The financial figures for fiscal 2018 are shown according to both Japanese Generally Accepted Accounting Principles (JGAAP) and IFRS.

Revenue



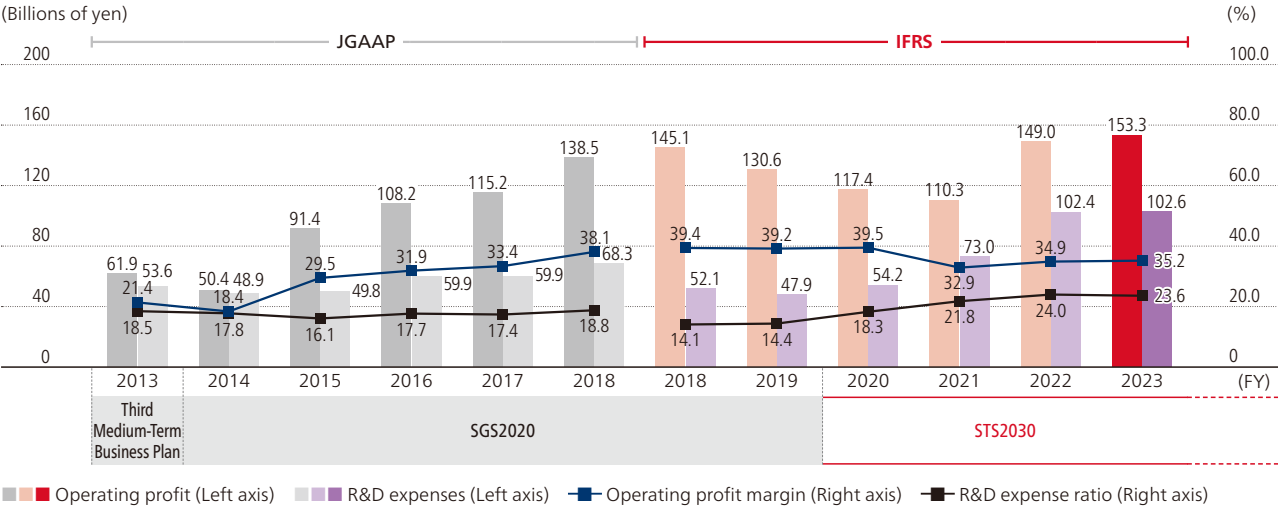
Revenue totaled ¥435.1 billion (up 2.0% year on year, including a one-time payment associated with the transfer of licenses for ADHD drugs). In FY2022, we recorded ¥100.0 billion in revenue from the purchase of the COVID-19 treatment drug *Xocova* by the Japanese government, and as a result of steady growth in each business, including increased sales of infectious disease drugs in Japan and overseas and an increase in royalty income, revenue in FY2023 exceeded that of FY2022, setting a record high for the second consecutive year.

Royalty income



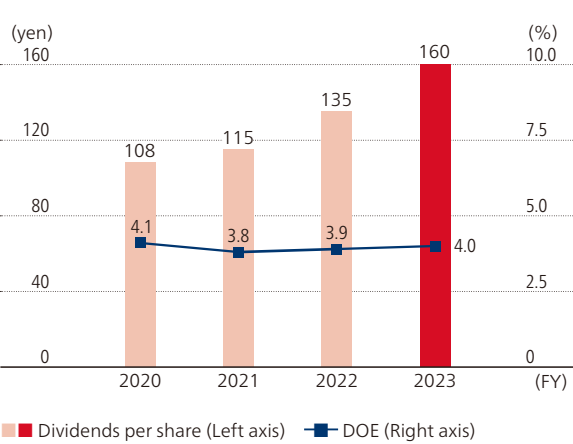
Royalty income from ViiV totaled ¥195.8 billion, up 16.2% year-on-year, driven by growth in HIV franchise sales owing to rapid growth in oral two-drug and long-acting (LA) formulations. In addition, royalty income from Roche was ¥1.2 billion in FY2023 driven by the increase in sales of *Xofluza*, which was licensed out. Royalty income from AstraZeneca amounted to ¥1.4 billion from royalty income from *Crestor* sales. Based on the above results, royalties income in FY2023 rose 14.7% from the previous fiscal year to ¥200.4 billion.

Operating profit/Operating profit margin/R&D expenses/R&D expense ratio

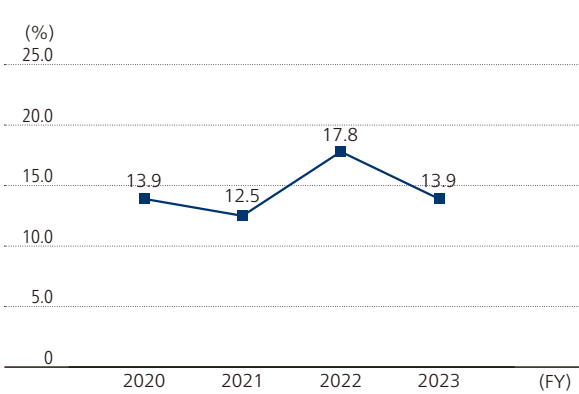


While maintaining high operating profit, we are actively investing in building a pipeline for future growth. In FY2023, expenses increased significantly due to aggressive investments in COVID-19-related projects and focus projects, the implementation of a special early retirement program, and the recording of an impairment loss associated with the revision of zatolmilast's development plan for Alzheimer's disease. With steady growth in each business, operating profit totaled ¥153.3 billion, up 2.9% year-on-year.

Dividends per share/DOE



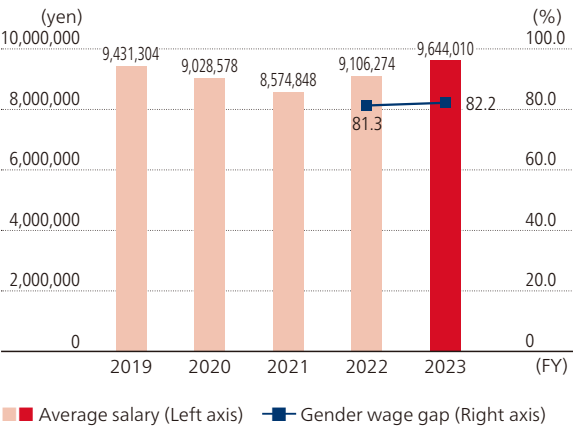
ROE



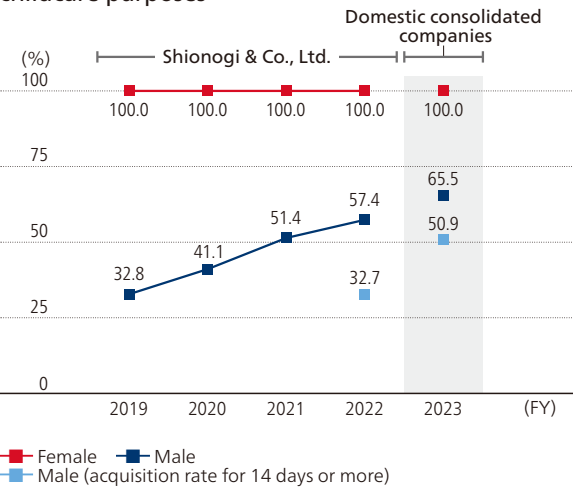
Financial Highlights / Non-Financial Highlights

Unless otherwise specified, the figures are calculated based on Shionogi & Co., Ltd.

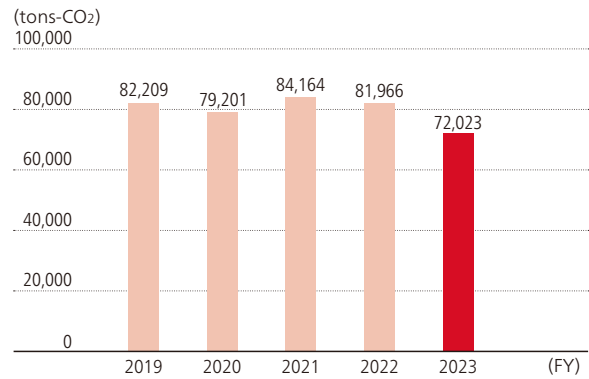
Average salary/Wage disparities between male and female employees



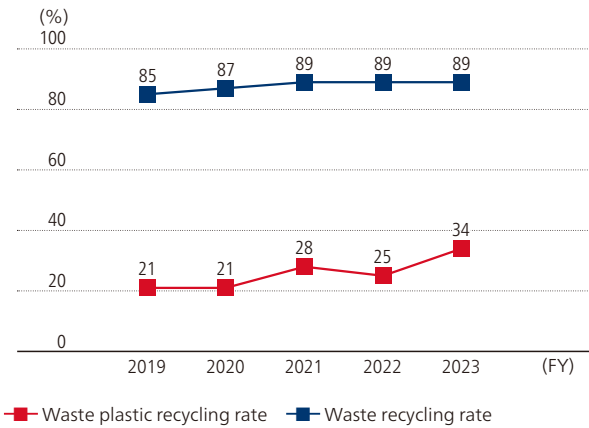
Acquisition rate of childcare leave/days off for childcare purposes



GHG emissions (Scope 1 and 2*1, 2)

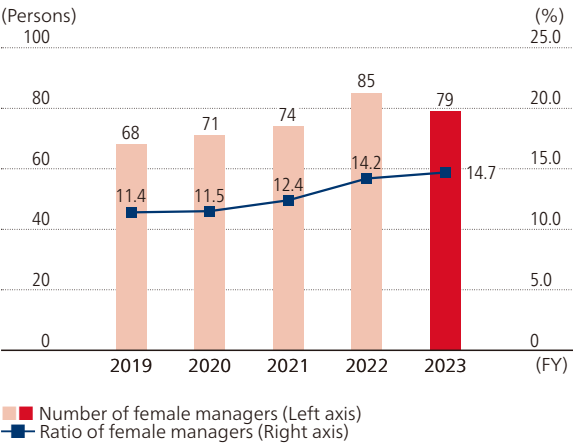


Waste plastic recycling rate/Waste recycling rate (Domestic consolidated companies)

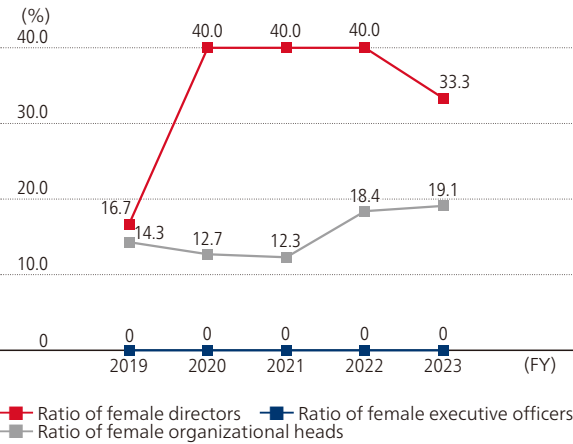


*1 Scope 2 emissions are calculated using the market-based method.
*2 Including Nanjing Plant (Nanjing Chang'ao Pharmaceutical Co., Ltd.). Emissions from UMN Pharma, Inc. and Nagase Medicals Co., Ltd. (currently Shionogi Pharma Co., Ltd., Itami Plant), which constitute the boundary for SBT targets, included as of fiscal 2019.

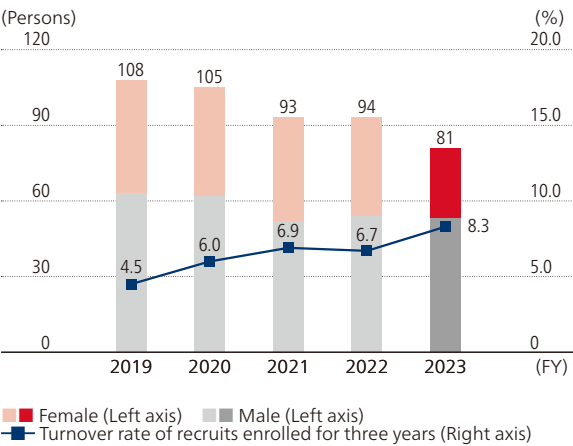
Number of female managers/Ratio of female managers (Domestic consolidated companies)



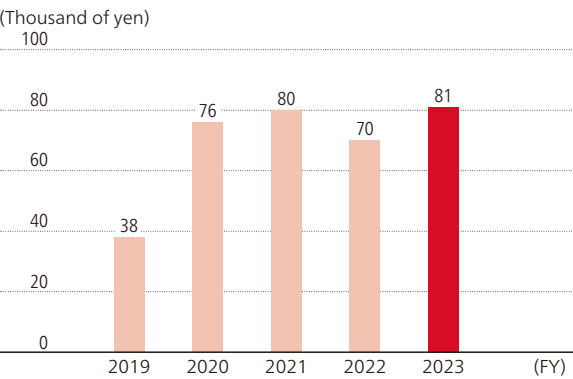
Ratio of female directors / Ratio of female executive officers / Ratio of female organizational heads



Number of new recruits/Turnover rate of recruits enrolled for three years



Education and training expenses per person (Domestic consolidated companies)



External evaluation

	FY2021	FY2022	FY2023
CDP	Climate change: A- Water Security: A- Supplier Engagement Leader	Climate change: A Water Security: A Supplier Engagement Leader	Climate change: A Water Security: A Supplier Engagement Leader
FTSE	3.7	3.6	4.3
MSCI	AA	AA	AA
DJSI	53 points	63 points	66 points
S&P		The Sustainability Yearbook Member	The Sustainability Yearbook Member
S&P/JPX Carbon Efficient Index	Fifth decile	Sixth decile	Sixth decile
SOMPO Sustainability Index	Selected	Selected	Selected
Toyo Keizai CSR Ranking	53rd of 1,631 companies	52nd of 1,702 companies	56th of 1,714 companies
Survey on Health and Productivity Management	Certified Health & Productivity Management Outstanding Organizations	Certified Health & Productivity Management Outstanding Organizations	Certified Health & Productivity Management Outstanding Organizations
Others	Japan Sports Agency Sports Yell Company	Japan Sports Agency Sports Yell Company Ministry of the Environment Eco-First Company D&I Award Best Workplace	Japan Sports Agency Sports Yell Company Ministry of the Environment Eco-First Company D&I Award Best Workplace

Non-Financial Data

For social and environmental data, we have received third-party assurance to enhance their reliability. Data for fiscal 2023 that has been assured by KPMG AZSA Sustainability Co., Ltd. is marked with a third-party assurance mark .

Indicators		Unit	FY2019	FY2020	FY2021	FY2022	FY2023	Remarks
Society: Information on employees (Information about only Shionogi & Co., Ltd. unless otherwise stated)								
No. of employees	Consolidated	person	5,222 (4,527)	5,485 (4,617)	5,693 (4,507)	5,680 (4,468)	4,959 (3,996)	The figures in parentheses are calculated for domestic consolidated companies
	Shionogi & Co., Ltd.	person	2,667	2,589	2,510	2,458	2,117	
	Ratio of female employees	%	24.1 (32.2)	25.4 (32.7)	25.8 (33.8)	26.4 (34.5)	26.4 (35.0)	The figures in parentheses are calculated for domestic consolidated companies
Average age	Total	years old	41.3	41.2	41.6	42.1	40.9 (43.1)	Excluding seconded persons The figures in parentheses are calculated for domestic consolidated companies
	Male	years old	41.9	41.8	42.2	42.7	41.3 (43.2)	
	Female	years old	39.2	39.3	39.7	40.5	39.7 (42.8)	
Length of service	Total	year	15.9	15.7	16.0	16.5	15.1 (16.1)	Excluding seconded persons The figures in parentheses are calculated for domestic consolidated companies
	Male	year	16.1	16.0	16.3	16.6	15.2 (16.0)	
	Female	year	15.0	15.0	15.2	16.0	14.8 (16.3)	
Average salary		yen	9,431,304	9,028,578	8,574,848	9,106,274	9,644,010	
Wage disparities between male and female employees	All workers	%	—	—	—	81.3	82.2	
	Of which regular employees	%	—	—	—	79.8	80.6	
	Of which non-regular employees	%	—	—	—	95.3	98.7	
No. of new recruits (Domestic consolidated companies)	Total	person	108	105	93	94	81	Recruits who will enter the Company on April 1 of the following fiscal year
	Male	person	63	62	52	55	53	
	Female	person	45	43	41	39	28	
Turnover rate of recruits enrolled for three years		%	4.5	6.0	6.9	6.7	8.3	Recruits who entered the Company on April 1 three years ago
Employee turnover rate		%	3.6	3.5	4.8	3.9	6.0	Including retirement-age employees (excluding those retiring due to early retirement programs, as they are counted separately)
Voluntary employee turnover rate		%	1.8	1.7	3.4	2.4	4.1	
No. of labor union members		person	2,806	2,728	2,606	2,484	2,182	100% participation every year
Employment rate of people with disabilities		%	2.0 (2.6)	2.0 (2.7)	1.8 (2.7)	1.7 (2.7)	1.6 (2.4)	As of the end of March. The figures in parentheses are calculated for special cases in affiliated companies; Shionogi Smile Heart Co., Ltd. established in April 2018 and certified as a special subsidiary company in July 2018.
No. of female managers		person	39 (68)	37 (71)	40 (74)	48 (85)	49 (79)	As of April 1 of the following fiscal year. The figure in parentheses is calculated for domestic consolidated companies
Ratio of female managers		%	10.7 (11.4)	10.4 (11.5)	11.4 (12.4)	14.0 (14.2)	14.5 (14.7)	As of April 1 of the following fiscal year. The figure in parentheses is calculated for domestic consolidated companies
Ratio of female heads of organizations		%	14.3	12.7	12.3	18.4	19.1	As of April 1 of the following fiscal year
Ratio of female corporate officers		%	0/10 0.0	0/10 0.0	0/10 0.0	0/14 0.0	0/17 0.0	As of April 1 of the following fiscal year
Ratio of female members of the Board		%	16.7	40.0	40.0	40.0	33.3	As of April 1 of the following fiscal year
Utilization rate of self-investment support		%	—	35.6	45.6	44.8	46.5	A system supporting voluntary learning for union members (up to 250,000 yen per year)
Education and training expenses per person		thousand yen	38	76	80	70	81	(Education and training expenses + Self-investment support amount) / Number of employees (domestic consolidation)

Indicators		Unit	FY2019	FY2020	FY2021	FY2022	FY2023	Remarks
Society: Information on labor management (Information about only Shionogi & Co., Ltd. unless otherwise stated)								
Annual regular working hours for employees		hour	1,845	1,837	1,762	1,680	1,673	
No. of paid holidays (Maximum)		day	21	21	21	21	21	The number of legal annual holidays based on the Labor Standards Act is up to 20 days.
Average No. of paid holidays taken by employees		day	12.6	12.6	13.0	14.8	13.7	
No. of male employees who have taken childcare leave/days off for childcare purposes		person	—	—	—	—	51 (72)	Non-consolidated data The figures in parentheses are calculated for domestic consolidated companies
Acquisition rate of childcare leave/days off for childcare purposes	Male	%	32.8	41.1	51.4	57.4	61.5 (65.5)	Rate of employees who have taken childcare leave during the fiscal year when their baby was born
	Female	%	100	100	100	100	100 (100)	The figures in parentheses are calculated for domestic consolidated companies
Acquisition rate of 14 days or more of childcare leave/days off for childcare purposes for male employees		%	—	—	—	32.7	48.2 (50.9)	Rate of employees who have taken 14 days or more of childcare leave during the fiscal year when their baby was born
Average no. of childcare leave/days off for childcare purposes taken by male employees		day	—	—	—	—	33 (32)	Non-consolidated data The figures in parentheses are calculated for domestic consolidated companies
No. of employees who have taken nursing care leave	Male	person	1	0	0	0	0	Total number
	Female	person	4	1	1	0	0	
No. of employees who have worked on short work hours due to child rearing	Male	person	1	1	2	0	0	Total number
	Female	person	136	130	146	55	52	
No. of employees who have taken volunteer leave		person	1	1	1	1	2	
No. of employees who have taken leave for bone marrow transplant donors		person	1	1	0	1	1	
Frequency rate			0.19 (—)	0.19 (—)	0.20 (—)	0.21 (—)	0.00 (0.24 )	The figures in parentheses are calculated for domestic consolidated companies
Severity rate			0.0002	0.0047	0.0049	0.0021	0.0000	
Legal violations with serious fines or other sanctions		case	0	0	0	0	0	
Society: Health (Domestic consolidated companies)								
Implementation rate of health literacy education		%	—	92	78	93	96	The minimum value among training attendance rates is listed
Smoking rate		%	14.2	11.0	7.1	5.0	3.2	
Deviation rate of stress response		—	55	55	54	55	49	Change in calculation criteria from FY2023
Rate of health checkup attendance		%	100	100	100	100	100	
Society: Compliance (Domestic consolidated companies)								
No. of employee disciplinary dismissals due to violation of anti-corruption acts*		case	0	0	0	0	0	* The U.S. Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act, the Unfair Competition Prevention Act in Japan, etc.
Fines, penalties and costs of settlement related to violation of anti-corruption acts*		yen	0	0	0	0	0	

Indicators			Unit	FY2019	FY2020	FY2021	FY2022	FY2023
Environment								
Greenhouse gas (GHG)	Total of Scope 1, 2 and 3	(Location-based)	tons-CO ₂	240,624	209,439	230,473	230,700	233,888
		(Market-based)	tons-CO ₂	232,355	203,048	226,362	223,077	214,942
	Total of Scope 1 and 2	(Location-based)	tons-CO ₂	85,208	81,730	88,275	89,589	90,970
		(Market-based)	tons-CO ₂	76,939	75,339	84,164	81,966	72,023
	Scope 1		tons-CO ₂	37,519	37,537	41,264	41,376	40,373
		(Intensity per unit of sales)	tons-CO ₂ /¥1 million	0.1125	0.1263	0.1231	0.0970	0.0928
	Scope 2	(Location-based)	tons-CO ₂	47,690	44,193	47,011	48,212	50,597
		(Intensity per unit of sales)	tons-CO ₂ /¥1 million	0.1431	0.1487	0.1403	0.1130	0.1163
	Scope 2	(Market-based)	tons-CO ₂	39,421	37,802	42,900	40,589	31,650
		(Intensity per unit of sales)	tons-CO ₂ /¥1 million	0.1182	0.1272	0.1280	0.0951	0.0727
	Total of Scope 3		tons-CO ₂	155,416	127,709	142,198	141,111	142,919
	Category 1		tons-CO ₂	103,838	90,753	71,462	80,608	81,528
Energy consumption	Category 2		tons-CO ₂	38,139	22,047	53,847	41,742	41,663
	Category 3		tons-CO ₂	5,732	5,710	6,424	6,468	3,894
	Other categories		tons-CO ₂	7,706	9,199	10,464	12,293	15,834
	Total energy consumption		MWh	299,760	305,339	333,548	337,921	333,595
	(Intensity per unit of sales)		MWh/¥1 million	0.8992	1.0275	0.9953	0.7920	0.7667
	Electricity		MWh	93,245	92,111	102,436	106,154	110,202
	Renewable energy-derived electricity		MWh	0	0	612	3,308	44,988
	Usage rate		%	0.0	0.0	0.6	3.1	40.8
	Total water withdrawal		thousand m ³	1,400	1,356	1,535	1,550	1,465
	Total water discharge		thousand m ³	1,178	1,146	1,287	1,369	1,334
	Waste generated*		t	3,062	4,180	5,170	5,766	6,111
	Waste recycled rate*		%	85	87	89	89	89
Water	Plastic waste recycled rate*		%	21	21	28	25	34
	Waste landfilled rate*		%	1.03	0.58	0.94	1.01	0.78
	Industrial waste discharged		t	—	—	1,367	1,411	1,456
	Specially controlled industrial waste discharged		t	—	—	3,642	4,197	4,449
	Number of environmental complaints*		case	0	0	3	2	0

* Calculated for domestic consolidated companies

Calculation methods for social and environmental performance data

Frequency rate

Boundary of calculation	Target: Employees at all domestic SHIONOGI Group business sites (regular employees and fixed-term employees working full-time (re-employed, commissioned, contracted, etc.), transferred employees (full-time))		
Calculation methods	Number of injuries and deaths due to occupational accidents: Number of injuries and deaths due to occupational accidents (those resulting in one or more days of lost work, excluding commuting accidents) per million actual working hours Total actual working hours: Total of regular working hours and overtime hours for the target employees		

Greenhouse gas (GHG) and energy consumption

Boundary of calculation	Scope 1 and 2		SHIONOGI Group (excluding overseas Group companies [administrative offices]): SHIONOGI Group companies in Japan and Nanjing Plant (Nanjing Chang'ao Pharmaceutical Co., Ltd.)
	Scope 3	Category 1 Category 2 Category 3 Other categories	Shionogi & Co., Ltd. and Shionogi Pharma Co., Ltd. SHIONOGI Group companies in Japan SHIONOGI Group companies in Japan SHIONOGI Group companies in Japan (UMN Pharma, Inc. is not included in Category 4 and Category 12 of the Other categories)
Calculation methods	Energy consumption		SHIONOGI Group (excluding overseas Group companies [administrative offices]): SHIONOGI Group companies in Japan and Nanjing Plant (Nanjing Chang'ao Pharmaceutical Co., Ltd.)
	IndicatorsCalculation methods		
Scope 1	CO ₂ emissions resulting from fuel use Calculation methods: Based on "Greenhouse Gas Emissions Accounting and Reporting Manual (Ver.5.0)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan CO ₂ emission factors: Based on "Greenhouse Gas Emissions Accounting and Reporting Manual (Ver. 5.0)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan		
	Scope 2		
Scope 2	CO ₂ emissions resulting from purchase of electricity and steam Calculation methods: Based on "Greenhouse Gas Emissions Accounting and Reporting Manual (Ver. 5.0)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan CO ₂ emission factors: Electricity (Japan) (location-based): National average emission factors from "Emission Factors by Power Suppliers (for the calculation of GHG emissions by specified emitters) (FY2022 results)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan (December 22, 2023) Electricity (Japan) (market-based): Adjusted emissions factors from "Emission Factors by Power Suppliers (for the calculation of GHG emissions by specified emitters) (FY 2022 results)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan (December 22, 2023) Electricity (China) (both location-based and market-based): fiscal 2022, 2023: National Grid Average Emission Factor (2022) in Climate Letter [2023] No. 43 of the Office of the Ministry of Ecology and Environment of China /before fiscal 2021: Emissions Factors (2019) of the International Energy Agency (IEA) Steam (both location-based and market-based): Emissions factors from "Greenhouse Gas Emissions Accounting and Reporting Manual (Ver. 5.0)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan		
	Category 1	CO ₂ emissions from activities up to the manufacturing of raw materials, parts, purchased goods, and sales-related materials, etc. (hereafter goods purchased) Calculation methods: Based on "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.6)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan, the emissions are calculated by multiplying the purchase price by the emission factor for "Pharmaceuticals" in "[5] Emission Factor Based on the Input-Output Table" in "The Database on Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.4)" of the Ministry of the Environment of Japan. The purchase price includes transportation costs associated with the purchase of purchased goods and does not include amounts related to the purchase of services other than the above.	
Scope 3	Category 2	CO ₂ emissions resulting from the construction and manufacturing of own capital goods Calculation methods: Based on "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.6)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan, calculated by multiplying the acquisition cost of capital goods by the emissions factor for "Pharmaceuticals" in "[6] Emissions Factor per Unit Price of Capital Goods" in "The Database on Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.4)" of the Ministry of the Environment of Japan	
	Category 3	CO ₂ emissions resulting from procurement of fuels required for the generation of electricity purchased Calculation methods: Based on "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.6)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan, calculated using "[7] Emission Unit Values per Use of Electricity and Heat" in "The Database on Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.4)" of the Ministry of the Environment of Japan	
	Other categories	Total of Categories 4, 5, 6, 7 and 12, excluding Categories 8, 9, 10, 11, 13, 14 and 15 that are not included in our own corporate activities or are reported under other categories Calculation methods: Based on "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.6)" of the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan	
Energy consumption	Total energy consumption	Total calorie-converted values for purchased energy (gasoline, other fuel oils, LPG, LNG, town gas, electricity, steam) Calculation method: Fuel is expressed as the sum of calories calculated using calorie conversion factors under "Ordinance for Enforcement of the Act on Rationalizing etc. Energy Use" converted into MWh units with a rate of 3.66J per MWh. Note that calorie conversion factors disclosed by providers were used for town gas. Electricity is expressed as the sum of purchase volumes (MWh) without conversion to primary energy.	
	Electricity	Amount of electricity purchased from power suppliers (Including renewable energy-derived electricity purchased from power companies)	

Total water withdrawal/Total water discharge

Boundary of calculation:	SHIONOGI Group (excluding overseas Group companies [administrative offices]): SHIONOGI Group companies in Japan and Nanjing Plant (Nanjing Chang'ao Pharmaceutical Co., Ltd.)		
Calculation method:	Total water withdrawal: Sum of water drawn from tap water, industrial water, and groundwater Total water discharge: Sum of water discharged to sewers and rivers (for business sites where discharge is not measured, total water withdrawal is considered as total water discharge)		

Industrial waste discharged/Specially controlled industrial waste discharged

Boundary of calculation:	SHIONOGI Group's domestic production sites and research facilities		
Calculation method:	Industrial waste discharged: Total industrial waste (excluding specially controlled industrial waste) discharged from business sites Specially controlled industrial waste discharged: Total specially controlled industrial waste discharged from business sites		

11-Year Financial Summary

Third Medium-Term Business Plan
SONG for the Real Growth
Progress toward global growth

Shionogi Growth Strategy 2020

Grow as a drug discovery-based
pharmaceutical company
(April FY2014-September FY2016)

Grow sustainably as a drug discovery-based pharmaceutical
(October FY2016-March FY2020)

company contributing to a more vigorous society through improved healthcare

Shionogi Transformation Strategy 2030

Building Innovation Platforms to Shape the Future of Healthcare

JGAAP	2014	2015	2016	2017	2018	2019
■ For the years ended March 31: (Millions of yen)						
Net sales	¥ 289,717	¥ 273,991	¥ 309,973	¥ 338,890	¥ 344,667	¥ 363,721
Japan	185,017	184,591	178,473	194,011	166,013	154,036
Overseas	34,000	28,700	29,700	29,207	23,623	29,427
Royalty	70,700	60,700	101,800	115,670	155,030	180,258
Cost of sales	77,993	82,189	74,758	77,777	73,911	54,880
Selling, general and administrative expenses	149,848	141,436	143,808	152,934	155,537	170,303
Operating income	61,875	50,365	91,406	108,178	115,219	138,537
Ordinary income	62,225	77,880	100,869	123,031	138,692	166,575
Profit before income taxes	63,188	82,051	97,452	122,695	137,378	170,343
Profit attributable to owners of parent	40,618	44,060	66,687	83,879	108,866	132,759
Net cash provided by operating activities	79,496	45,604	102,290	111,903	129,790	145,684
Net cash used in investing activities	(20,040)	(31,696)	(32,894)	(31,643)	(51,238)	(36,349)
Net cash used in financing activities	(53,798)	(46,211)	(18,525)	(57,411)	(53,893)	(87,011)
Research and development expenses	53,605	48,870	49,787	59,907	59,945	68,325
Capital investments	8,962	8,163	9,943	9,659	5,678	7,900
Depreciation and amortization	12,912	12,672	12,578	13,362	15,972	16,479
■ As of March 31: (Millions of yen)						
Property, plant and equipment, net	¥ 78,976	¥ 77,022	¥ 78,673	¥ 78,788	¥ 75,956	¥ 74,653
Intangible assets	72,824	80,328	71,626	91,125	75,060	54,769
Total assets	580,566	595,067	631,599	661,499	711,463	778,741
Total long-term liabilities	33,721	48,427	45,739	44,692	34,056	17,203
Total net assets	467,836	478,883	513,877	526,211	604,840	672,429
■ Per share amounts: (Yen)						
Profit attributable to owners of parent	¥ 121.29	¥ 132.67	¥ 204.83	¥ 259.88	¥ 342.71	¥ 424.31
Net assets	1,385.11	1,456.70	1,564.73	1,638.46	1,911.36	2,144.33
Dividend	46	52	62	72	82	94
■ Profitability and valuation metrics:						
Operating profit margin (%)	21.4	18.4	29.5	31.9	33.4	38.1
R&D expense ratio (%)	18.5	17.8	16.1	17.7	17.4	18.8
Equity ratio (%)	79.9	79.7	80.7	79.0	84.5	85.7
Return on equity (ROE) (%)	9.2	9.4	13.6	16.3	19.4	20.9
Return on assets (ROA) (%)	10.8	13.2	16.4	19.0	20.2	22.4
Price-to-book ratio (PBR) (times)	1.4	2.7	3.4	3.5	2.9	3.2
Price-to-earnings ratio (PER) (times)	15.8	30.2	25.9	22.1	16.0	16.2
Payout ratio (%)	37.9	39.2	30.3	27.7	23.9	22.2
Share buybacks (billions of yen)	—	30.0	—	35.0	29.4	50.0
Shares issued and outstanding (shares)	351,136,165	351,136,165	351,136,165	329,136,165	324,136,165	316,786,165

Notes: 1. From the fiscal year ended March 31, 2015, the Company has adopted a new accounting standard for research and development expenses (business research expenses). This change has been reflected in figures for the fiscal year ended March 31, 2014.
2. In the fiscal year ended March 31, 2019, the Company changed the presentation method for tax effect accounting. The change has been reflected in figures for the fiscal year ended March 31, 2015, and subsequent periods.
3. International Financial Reporting Standards (IFRS): Accounting standards defined by the non-government organization International Accounting Standards Board (IASB) headquartered in London.
4. IFRS adopted from the fiscal year ended March 31, 2020.

International Financial Reporting Standards (IFRS)	2019	2020	2021	2022	2023	2024
■ For the years ended March 31: (Millions of yen)						
Revenue	¥ 367,960	¥ 333,371	¥ 297,177	¥ 335,138	¥ 426,684	¥ 435,081
Japan	150,749	135,707	127,902	119,516	209,489	151,114
Overseas	30,465	30,796	24,645	34,367	42,498	49,913
Royalty	186,745	166,867	144,629	181,253	174,696	200,359
Cost of sales	(55,591)	(56,782)	(52,523)	(55,415)	(62,246)	(57,602)
Selling, general and administrative expenses	(87,668)	(95,094)	(91,902)	(91,771)	(97,775)	(99,651)
Research and development expenses	(52,058)	(47,949)	(54,249)	(72,996)	(102,392)	(102,640)
Operating profit	145,081	130,628	117,438	110,312	149,003	153,310
Profit before tax	174,043	158,516	143,018	126,268	220,332	198,283
Profit attributable to owners of parent	137,191	122,193	111,858	114,185	184,965	162,030
EBITDA	—	—	—	—	175,649	188,745
Net cash provided by operating activities	165,000	131,940	109,039	102,068	177,867	154,284
Net cash used in investing activities	(56,256)	(29,144)	(5,261)	(96,204)	(48,292)	5,922
Net cash used in financing activities	(89,912)	(88,174)	(43,891)	(36,615)	(84,123)	(126,853)
Capital investments	7,900	9,954	27,371	27,274	12,559	14,887
Depreciation and amortization	14,431	14,115	14,779	16,351	17,165	18,323
■ As of March 31: (Millions of yen)						
Property, plant and equipment, net	¥ 70,986	¥ 71,350	¥ 90,883	¥ 108,893	¥ 112,085	¥ 114,586
Intangible assets	47,804	51,705	76,558	81,223	96,309	117,621
Total assets	938,540	873,695	998,992	1,150,601	1,311,800	1,416,918
Total equity	813,087	765,203	864,550	993,285	1,121,878	1,252,562
Non-current liabilities	29,303	27,372	34,261	32,920	31,369	30,448
■ Per share amounts: (Yen)						
Basic earnings per share	¥ 438.47	¥ 395.71	¥ 365.03	¥ 378.75	¥ 621.31	¥ 558.51
Equity attributable to owners of parent per share	2,598.16	2,518.74	2,806.67	3,236.21	3,737.76	4,356.65
Dividend	94	103	108	115	135	160
■ Profitability and valuation metrics:						
Operating profit margin (%)	39.4	39.2	39.5	32.9	34.9	35.2
R&D expense ratio (%)	14.1	14.4	18.3	21.8	24.0	23.6
Ratio of equity attributable to owners of parent (%)	86.2	87.6	84.7	84.8	83.9	87.2
Return on equity attributable to owners of parent (ROE) (%)	17.8	15.5	13.9	12.5	17.8	13.9
Return on assets (ROA) (%)	19.4	17.5	15.3	11.7	17.9	14.5
Price-to-book ratio (PBR) (times)	2.6	2.1	2.1	2.3	1.6	1.8
Price-to-earnings ratio (PER) (times)	15.6	13.4	16.3	19.9	9.6	13.9
Payout ratio (%)	21.4	26.0	29.6	30.4	21.7	28.6
Share buybacks (billions of yen)	50.0	50.0	50.0	—	49.4	75.0
Shares issued and outstanding (shares)	316,786,165	316,786,165	311,586,165	311,586,165	307,386,165	307,386,165

Consolidated Financial Statements

Consolidated statement of financial position

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Assets		
Non-current assets		
Property, plant and equipment	¥ 112,085	¥ 114,586
Goodwill	9,819	15,287
Intangible assets	96,309	117,621
Right-of-use assets	6,482	9,440
Investment property	26,382	27,768
Other financial assets	247,711	292,321
Deferred tax assets	22,100	13,526
Other non-current assets	6,716	42,158
Total non-current assets	527,607	632,712
Current assets		
Inventories	57,919	64,916
Trade receivables	109,774	122,830
Other financial assets	254,131	215,761
Other current assets	53,142	22,607
Cash and cash equivalents	309,224	358,090
Total current assets	784,192	784,205
Total assets	1,311,800	1,416,918

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Equity and liabilities		
Equity		
Share capital	¥ 21,279	¥ 21,279
Capital surplus	15,204	14,242
Treasury shares	(63,074)	(137,889)
Retained earnings	940,606	1,065,913
Other components of equity	186,030	271,778
Equity attributable to owners of parent	1,100,046	1,235,325
Non-controlling interests	21,832	17,236
Total equity	1,121,878	1,252,562
Liabilities		
Non-current liabilities		
Lease liabilities	6,397	8,753
Other financial liabilities	4,844	7,649
Retirement benefit liability	12,867	7,994
Deferred tax liabilities	5,916	4,360
Other non-current liabilities	1,343	1,691
Total non-current liabilities	31,369	30,448
Current liabilities		
Lease liabilities	3,014	2,867
Trade payables	14,005	14,808
Other financial liabilities	29,720	31,118
Income taxes payable	42,217	20,844
Other current liabilities	69,595	64,267
Total current liabilities	158,552	133,907
Total liabilities	189,921	164,355
Total equity and liabilities	1,311,800	1,416,918

Consolidated Financial Statements

Consolidated statement of profit or loss

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Revenue	¥ 426,684	¥ 410,073
Profit from license transfer	—	25,008
Cost of sales	(62,246)	(57,602)
Gross profit	364,437	377,479
Selling, general and administrative expenses	(97,775)	(99,651)
Research and development expenses	(102,392)	(102,640)
Amortization of intangible assets associated with products	(3,720)	(3,728)
Other income	3,899	6,194
Other expenses	(15,445)	(24,342)
Operating profit	149,003	153,310
Finance income	75,829	51,674
Finance costs	(4,500)	(6,701)
Profit before tax	220,332	198,283
Income tax expense	(35,836)	(37,708)
Profit	184,496	160,575
Profit attributable to		
Owners of parent	184,965	162,030
Non-controlling interests	(469)	(1,455)
Profit	184,496	160,575
Earnings per share		(Yen)
Basic earnings per share	621.31	558.51
Diluted earnings per share	621.10	558.32

Consolidated statement of comprehensive income

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Profit	¥ 184,496	¥ 160,575
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	2,823	14,673
Remeasurements of defined benefit plans	986	1,434
Total of items that will not be reclassified to loss	3,809	16,107
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	20,538	76,835
Effective portion of cash flow hedges	405	505
Share of other comprehensive income of investments accounted for using equity method	—	112
Total of items that may be reclassified to profit or loss	20,943	77,453
Total other comprehensive income, net of tax	24,753	93,560
Comprehensive income	209,249	254,135
Comprehensive income attributable to		
Owners of parent	209,007	254,978
Non-controlling interests	242	(842)
Comprehensive income	209,249	254,135

Consolidated statement of changes in equity

(Millions of yen)								
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of April 1, 2022	¥21,279	¥14,455	¥(57,857)	¥832,958	¥164,824	¥975,661	¥17,624	¥993,285
Profit				184,965		184,965	(469)	184,496
Total other comprehensive income, net of tax					24,041	24,041	712	24,753
Comprehensive income	—	—	—	184,965	24,041	209,007	242	209,249
Purchase of treasury shares			(49,420)			(49,420)		(49,420)
Disposal of treasury shares		31	170			202		202
Disposal of treasury shares for trust fund		(17,749)	17,752			3		3
Cancellation of treasury shares		(26,280)	26,280			—		—
Dividends				(36,156)		(36,156)		(36,156)
Changes in ownership interest in subsidiaries		748				748	3,965	4,714
Transfer from other components of equity to retained earnings				2,835	(2,835)	—		—
Other		43,997		(43,997)		—		—
Balance as of March 31, 2023	21,279	15,204	(63,074)	940,606	186,030	1,100,046	21,832	1,121,878
Profit				162,030		162,030	(1,455)	160,575
Total other comprehensive income, net of tax					92,948	92,948	612	93,560
Comprehensive income	—	—	—	162,030	92,948	254,978	(842)	254,135
Purchase of treasury shares			(75,013)			(75,013)		(75,013)
Disposal of treasury shares		(3)	198			195		195
Dividends				(43,919)		(43,919)		(43,919)
Changes in ownership interest in subsidiaries		(961)				(961)	(3,752)	(4,714)
Transfer from other components of equity to retained earnings				7,199	(7,199)	—		—
Other		3		(3)		—		—
Balance as of March 31, 2024	21,279	14,242	(137,889)	1,065,913	271,778	1,235,325	17,236	1,252,562

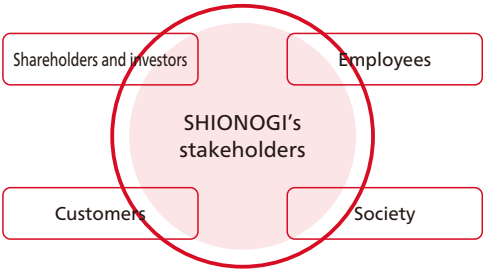
Consolidated statement of cash flows

(Millions of yen)		
	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from operating activities		
Profit before tax	¥ 220,332	¥ 198,283
Depreciation and amortization	17,165	18,323
Impairment losses (reversals of impairment losses)	11,758	8,262
Finance income and finance costs	(71,461)	(44,866)
Decrease (increase) in trade and other receivables	13,941	(12,372)
Decrease (increase) in inventories	(11,699)	(6,337)
Increase (decrease) in trade and other payables	7,738	(5,817)
Other	(32,245)	13,286
Subtotal	155,530	168,762
Interest and dividends received	49,716	49,324
Interest paid	(94)	(164)
Income taxes refund (paid)	(27,284)	(63,637)
Net cash provided by operating activities	177,867	154,284
Cash flows from investing activities		
Payments into time deposits	(398,933)	(187,354)
Proceeds from withdrawal of time deposits	341,883	264,792
Purchase of property, plant and equipment	(11,858)	(12,693)
Purchase of intangible assets	(25,329)	(15,574)
Purchase of investments	(83,335)	(97,490)
Proceeds from sales and redemption of investments	125,974	84,599
Payments for acquisition of subsidiaries	—	(16,079)
Payments for sale of subsidiaries	—	(296)
Payments for acquisition of shares of equity-method affiliates	—	(11,121)
Other	3,305	(2,856)
Net cash provided by (used in) investing activities	(48,292)	5,922
Cash flows from financing activities		
Repayments of lease liabilities	(3,158)	(3,080)
Purchase of treasury shares	(49,539)	(75,182)
Dividends paid	(36,142)	(43,876)
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	(4,714)
Capital contribution from non-controlling interests	4,714	—
Other	3	—
Net cash used in financing activities	(84,123)	(126,853)
Effect of exchange rate changes on cash and cash equivalents	9,352	15,512
Net increase (decrease) in cash and cash equivalents	54,803	48,866
Cash and cash equivalents at beginning of period	254,420	309,224
Cash and cash equivalents at end of period	309,224	358,090

Engagement with Stakeholders

Creating corporate and social value through stakeholder engagement

Based on the SHIONOGI Group Heritage, SHIONOGI recognizes that its social mission is multifaceted. This includes continuously discovering, developing, and supplying useful and highly safe pharmaceuticals, contributing to the improvement of the health and medical care of people around the world through the promotion of their proper use, and contributing to the realization of a high quality of life. Through engagement with the four stakeholders of shareholders and investors, customers, society, and employees, we aim to create corporate and social value and realize a sustainable society.



Approaching our diverse stakeholders: Active dissemination of information

In order to reach a broad range of stakeholders, SHIONOGI is focusing on actively disseminating information to the press and the general public using various tools such as its website and social media. In December 2023, we began disseminating information on our website in the form of the SHIONOGI Journal. Journal articles introduce various challenges at SHIONOGI, such as our efforts to integrate with Qpex Biopharma, Inc., a bio-venture, and the challenge of

realizing cognitive function care in daily life with Pixie Dust Technologies, Inc. Going forward, we will continue to share information on a wide range of challenges.



To view SHIONOGI Journal, visit our website using the link below.
<https://www.shionogi.com/global/en/company/journal.html>

Engagement channel

Website
<https://www.shionogi.com/global/en/>

X
@SHIONOGI_JP
SHIONOGI (Japanese only)

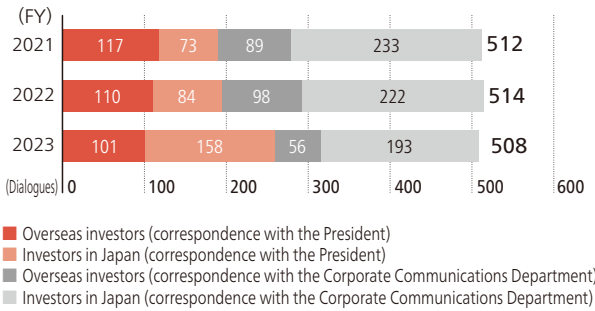
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Instagram
@shionogi_official
SHIONOGI (Japanese only)

IR activities

In FY2023, in addition to financial results briefings and Medium-Term Business Plan briefings for institutional investors, securities analysts, and members of the media, we held our first sustainability meeting as SHIONOGI. In the past, we have disseminated sustainability information through our integrated report and other means, but with the aim of providing more stakeholders with a deeper understanding of our sustainability initiatives and approach, outside directors also took the stage at the sustainability meeting to hold discussions with participants. In addition, we held an online company information session for individual investors and a tour of our research laboratories for securities analysts.

Number of dialogues with investors



Glossary

Page*	Term	Explanation
2	SHIONOGI Group Heritage	SHIONOGI's corporate philosophy. Our basic policy and the foundation that makes up the core of all of our activities.
2	SHIONOGI Group Vision (2030 Vision)	SHIONOGI's vision for 2030 of "building innovation platforms to shape the future of healthcare."
4	Acute infectious diseases	Infectious diseases are those in which the period between infection and the onset of symptoms is short, and the progression of symptoms is rapid.
4	Infectious diseases requiring a long period of treatment	Includes infectious diseases, such as tuberculosis, which affect a patient for several years after onset, infectious diseases with a long period from infection to onset, such as HIV (human immunodeficiency virus), and infectious diseases that are difficult to distinguish between carrier and onset such as HBV (hepatitis B virus).
4	ViiV Healthcare Limited	A specialty pharma firm in the HIV infection domain invested in by GSK, Pfizer and SHIONOGI.
4	Royalties	Usage fees received by a company in accordance with the nature of the associated contract in return for permitting the use of intellectual property rights held by that company.
5	Xocova (ensitrelvir)	Xocova is an oral COVID-19 treatment drug produced in Japan. It is marketed under the brand name Xocova (Japan). The generic name (name of the active ingredient) is ensitrelvir.
5	Fetroja (cefiderocol)	Fetroja is a treatment against multidrug-resistant Gram-negative bacterial infections. It is marketed under the brand names Fetroja (Japan and U.S.), Fetcroja (Europe) and FETROJA (Taiwan). The generic name (name of the active ingredient) is cefiderocol.
5	AMR	Stands for antimicrobial resistance. Indicates the decreasing effectiveness or ineffectiveness of antimicrobial drugs.
5	Multidrug-resistant	A state in which numerous antimicrobial drugs have limited effectiveness or are ineffective.
5	Non-clinical study	Testing that evaluates the efficacy, safety, and pharmacokinetics of drug candidate compounds and medical devices in vitro and using animal experiments without targeting humans. Synonymous with preclinical studies.
5	Clinical trial	A trial conducted to verify the effectiveness, safety and other aspects of candidate compounds, medical equipment, etc. as they apply to humans.
5	GARDP	Stands for the Global Antibiotic Research and Development Partnership. A Swiss-based NPO that develops new therapeutic drugs for infections caused by AMR.
5	CHAI	Stands for Clinton Health Access Initiative. A global health organization that works towards saving the lives of people in low- to middle-income countries (LICs/MICs) and mitigating the burden of illness.
7	HaaS	Stands for Healthcare as a Service. Refers to the Provision of a range of healthcare services in line with customer needs, rather than only the provision of pharmaceuticals.
11	Patent cliff	Refers to a considerable decline in sales caused by the replacement of pharmaceuticals with their generic counterparts once patents on the former expire.
12	Pull incentive	A mechanism to increase the predictability of pharmaceutical companies by separating their sales volumes from profits so that pharmaceutical companies can sustainably invest in the research and development of new drugs and treatments.
13	Total care	Care for ailments overall that includes pre-symptomatic, preventive, diagnostic and recuperative care in addition to treatment.
13	Three major infectious diseases	Refers to HIV/AIDS, tuberculosis and malaria, which are all global concerns.
14	NIH	Abbreviation for National Institutes of Health, part of the U.S. Department of Health and Human Services and the world's largest biomedical research organization.
14	BARDA	Stands for the Biomedical Advanced Research and Development Authority, which is based in the U.S. Part of the U.S. Department of Health and Human Services, BARDA supports research and development to address threats to national public health.

Page*	Term	Explanation
14	Universal vaccine	A vaccine that aims to provide immunity against multiple virus strains or multiple types of pathogens with a single vaccine.
14	100 Days Mission	An international goal to achieve the practical application of diagnostics, vaccines and therapeutics within 100 days of WHO's declaration of a "public health emergency of international concern."
14	Wastewater surveillance service	Service for investigating the state of spreading of local infectious diseases by detecting pathogens in wastewater.
21	MPP	Stands for Medicines Patent Pool. Refers to an international non-profit organization established to improve access to medicines for infectious diseases such as HIV/AIDS, tuberculosis and malaria.
30	Continuous manufacturing	A system through which raw materials or mixtures thereof are continuously fed to the manufacturing process, and homogeneous, high-quality products are manufactured on an ongoing basis through production control and quality control methods that were appropriately configured based on scientific knowledge. This system can be expected to yield shorter development times, higher efficiency through manpower- and space-saving, and advanced quality assurance for pharmaceuticals.
30	EHS	Stands for Environment, Health and Safety.
31	WHO Model Lists of Essential Medicines	Refers to types of pharmaceuticals believed to be required in order to maintain modern healthcare standards as formulated by the WHO. Contains approx. 500 pharmaceutical articles as sample selections upon gathering important pharmaceuticals.
32	Small-molecule drug discovery engine	SHIONOGI's proprietary internal drug discovery system and expertise that enables us to bring forth innovative small-molecule pharmaceuticals with speed and efficiency.
32	Bacterial library	A stock of bacterial strains from past years that are used in R&D for new antimicrobial drugs and for other applications.
35	Gamma wave	A type of brain wave pattern that is mainly involved in the state of alertness, advanced brain activity, and the execution of cognitive functions.
37	HIV franchise	A product lineup that contains the anti-HIV drugs dolutegravir and cabotegravir discovered by SHIONOGI as components.
38	OTC drug	A general-use pharmaceutical that can be purchased at a pharmacy, drugstore or other such location without a prescription. OTC stands for Over The Counter.
38	CDMO	Stands for Contract Development and Manufacturing Organization. An organization for pharmaceutical development and manufacture on consignment.
41	ADHD	Stands for Attention Deficit/Hyperactivity Disorder.
57	Special Access Route	Singapore's own regulatory system for importing and supplying unapproved therapeutic drugs. To use it, applications must be filed from each doctor belonging to a medical institution.
65	KOTAI Biotechnologies, Inc.	A biotechnology company established based on research results at Osaka University. As a group of experts in information analysis of immunity and protein structure, the company conducts research and development in collaboration with many research institutes, universities, and pharmaceutical companies, etc.
87	SBT	Stands for Science Based Targets. Refers to science-based greenhouse gas emission reduction targets consistent with the levels required by the Paris Agreement, an international framework for addressing climate change.
87	TCFD	Stands for Task Force on Climate-Related Financial Disclosures. An organization established to consider climate-related information disclosures and financial institutions' responses.
89	30by30	A target to effectively conserve at least 30% of land and sea as healthy ecosystems by 2030 with the goal of halting and reversing biodiversity loss by 2030 (Nature Positive).

* Indicates page where the term first appears.

Third-Party Assurance

Independent Assurance Report

To the Representative Director, President and CEO of Shionogi & Co., Ltd.

We were engaged by Shionogi & Co., Ltd. (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with “

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting the Kanegasaki Plant of Shionogi Pharma Co., Ltd. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Keisuke Inoue
Keisuke Inoue, Director
KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
October 29, 2024

Notes to the Reader of Independent Assurance Report:
This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

Attestation of Validity

On the issuance of the SHIONOGI Integrated Report 2024

SHIONOGI publishes its integrated reports to provide our stakeholders with a better understanding of our efforts.

In Integrated Report 2024, representing our ninth such report, we illustrate our efforts to achieve Revision STS2030, our Medium-Term Business Plan, as well as our efforts to achieve top-line growth globally, mainly in the field of infectious diseases, and to strengthen our pipeline for further growth in the future. The report explains while incorporating feature articles related to access to healthcare, which is a social issue unique to the pharmaceutical sector. In addition, the report adopts a magazine design style so that readers can see SHIONOGI’s activities over the medium to long term, such as showing the continuous progress of major initiatives and changes in indicators regarding SHIONOGI’s response to material issues (materiality).

This report was produced with the cooperation of relevant organizations of SHIONOGI, with the Sustainability Management Department, Corporate Communications Department, and Corporate Planning Department playing a central role in discussions. As the senior executive officer responsible for the production of the report, I attest that the process of preparing the report is legitimate and that its content is accurate.

SHIONOGI will continue to evolve and grow as a company that pursues innovation, continuously challenges itself to create the future of healthcare, and contributes to solving social issues on a global scale. We hope that this report will help readers to better understand these efforts. We will continue striving to further enhance these reports so they will serve as an aid in dialogues with our stakeholders. Please give us your honest feedback and requests upon reading this report.



Kazuhiro Hatanaka

Senior Executive Officer,
Senior Vice President,
Corporate Supervisory Unit and Corporate
Strategy Division

External evaluation

ESG index



FTSE4Good



FTSE Blossom
Japan Index



FTSE Blossom
Japan Sector
Relative Index

2024 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2024 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



External recognition related to IR and sustainability



Commitment to society



SHIONOGI has endorsed and supported the United Nations Global Compact. See our website for more information.

<https://www.shionogi.com/global/en/sustainability/ungc.html>

Corporate Information / Stock Information

Corporate Data (As of March 31, 2024)

Company Name	Shionogi & Co., Ltd.
Established	March 17, 1878
Incorporated	June 5, 1919
Paid-in Capital	¥21,279 million
Number of Employees	4,959 (Consolidated)
Fiscal Year-End	March 31
Website	https://www.shionogi.com/global/en/

Stock Information (As of March 31, 2024)

Stock (Securities) Listings

Tokyo (#4507) (Shares listed in 1949)

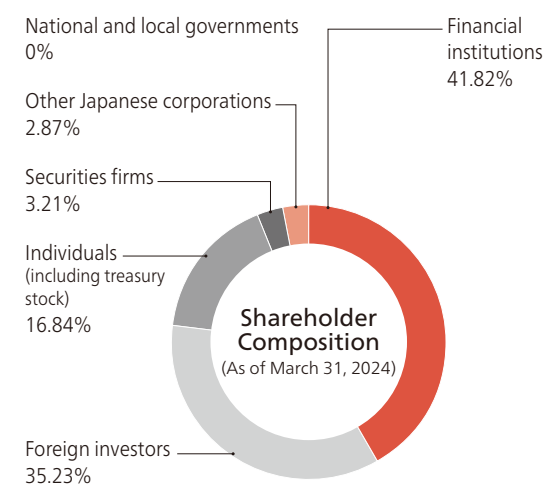
Stock Status

Common Stock Authorized: 1,000,000,000 shares
Issued: 307,386,165 shares
(Including 20,894,588 shares of treasury stock)
Number of shareholders: 68,435

Major Shareholders

Name	Number of shares (Thousands)	Percent-age of total shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	56,082	19.57
Custody Bank of Japan, Ltd. (Trust account)	23,981	8.37
SUMITOMO LIFE INSURANCE COMPANY	18,604	6.49
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	9,485	3.31
NIPPON LIFE INSURANCE COMPANY	8,409	2.93
BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED	6,356	2.21
STATE STREET BANK WEST CLIENT - TREATY 505234	5,639	1.96
JP Morgan Securities Japan Co., Ltd.	4,453	1.55
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	3,650	1.27
JP MORGAN CHASE BANK 385781	3,430	1.19

Shareholder Composition



* The Company owns 20,894,588 shares of treasury shares but the Company is not included in the major shareholders listed above (top 10).
* The percentage of total is calculated as the proportion of shares to 286,491,577 shares of total issued stock (excluding 20,894,588 shares of treasury shares).