Press Release

Notice Regarding a New Medium-Term Business Plan

Osaka, Japan, June 1, 2020 – Shionogi & Co., Ltd. (Head Office: Osaka, Japan; President and CEO: Isao Teshirogi, Ph.D.; hereafter "Shionogi") today announced that it has formulated its Vision for 2030 and a New Medium-Term Business Plan "Shionogi Transformation Strategy 2030 (STS2030)". STS2030 represents Shionogi's growth strategy looking towards the year 2030, which is divided into two phases; STS Phase 1 defines action plans for the upcoming 5 years, from April 2020 through March 2025 (fiscal [FY] 2020 – FY2024) and STS Phase 2 is the last half, from April 2025 through March 2031 (FY2025 – FY2030). At this time, the Company is disclosing its business approach for the STS Phase 1 period.

1. Positioning of the New Medium-Term Business Plan "STS2030"

In March 2014, Shionogi started the currently ongoing Medium-Term Business Plan "Shionogi Growth Strategy 2020 (SGS2020, FY2014 – FY2020)" as a seven-year plan to attain our vision for 2020 – to grow sustainably as a drug-discovery based pharmaceutical company contributing to a more vigorous society through improved healthcare. We updated the plan in October 2016 to increase our goals even further. Under the vision for 2020, Shionogi has been contributing especially to protecting people worldwide from the threat of infectious disease by continuously launching innovative in-house discovered products, such as the anti-influenza drug Xofluza® and the antibiotic-resistant gram-negative infection drug cefiderocol (Fetroja®/Fetcroja®). Along with the steady growth in global sales of the HIV integrase inhibitor franchise products (Tivicay® and its combination drugs), which were licensed to ViiV Healthcare Ltd., we also focused on management efficiency and worked to improve our cost management capabilities during this period. As a result, we were able to achieve our major management targets for FY2020 ahead of schedule. On the other hand, we still face the following three major challenges: optimizing sales growth of new products, expansion of our overseas business, and improvement of profitability, excluding royalty income.

The environment surrounding the pharmaceutical industry is rapidly changing, reflecting factors including the growing global population, the increased aging of society due to the low birthrate in high-and middle-income countries, as well as environmental changes, such as climate change, that are advancing at a different rate and scale than in the past decade, the associated changes in the prevalence of certain diseases and healthcare needs, the evolution of information technology and innovation through data use, and the diversification of people's values. The pandemic caused by the new coronavirus (SARS-CoV-2) is a severe current example of the impact of a single event on social systems and people's values, which cannot be measured by conventional means. In order for companies to respond to these ever greater and more complex social demands and still sustainably grow, it is essential for them to identify and create new business opportunities through dialogue with stakeholders, and to achieveconsistent growth despite the increasing pace of change in the world, reducing business risks, and leveraging strengths.

Therefore, Shionogi has now formulated its **the New Medium-Term Business Plan "STS2030"**, which is a focused on rapidly addressing the major challenges carried forward from SGS2020 through business transformation, and on overcoming the challenge posed by the patent expiration of our HIV products, which may begin around 2028 (HIV Product Patent Cliff). We are initiating this new strategy to attain sustainable growth even though one year still remains before the original completion date of SGS2020. In STS Phase 1, the first five-year plan, Shionogi will work as a unified team to vigorously promote business reforms and realize "Transformation".

[STS2030 Vision]

The vision for 2030 is **"Building Innovation Platforms to Shape the Future of Healthcare"**. The pharmaceutical industry is continually facing challenges for the sustainability of its business, because of the expiration of patents for mainstay products. In addition, our social mission as a pharmaceutical company requires us address the growing concerns about social security costs and the increasing sophistication and diversification of medical needs, and requires us to contribute to the realization of a healthier, sustainable society.

Shionogi seeks to address the issues facing patients and society by transforming ourselves from a pharmaceutical company that mainly provides ethical drugs to "a healthcare provider" that provides comprehensive healthcare services and continuously offers new value to society. To this end, we must further evolve our strengths as a drug discovery-based pharmaceutical company based on innovation and advanced expertise, while increasingly catalyzing the formation of new healthcare platforms as an attractive company that is chosen by other companies and industries with different strengths.

Shionogi will work to realize our vision by accepting diversity, without fear of change, and by going beyond our conventional concept to "Transform".

2. Financial Goals of the New Medium-Term Business Plan STS2030

KPIs		FY2019 (results)	FY2020	FY2022	**FY2024**	FY2030
Growth	Revenue	333.3 B yen	323.5 B yen	400.0 B yen	**500.0 B yen**	600.0 B yen
	Core operating profit*	128.2 B yen	110.3 B yen	120.0 B yen	**150.0 B yen**	200.0 B yen
	Core operating profit margin	38.5%	34.1%	Over 30%	**Over 30%**	—
	Overseas sales ratio**	18.5%	13.7%	Over 25%	**Over 50%**	—
	Original pipeline ratio	67%	Over 60%	Over 60%	**Over 60%**	—
Shareholder returns	EPS	402 yen	Over 330 yen	Over 370 yen	**Over 480 yen**	—
	DOE	3.7%	Over 4%	Over 4%	**Over 4%**	—
	ROE	15.3%	Over 12.5%	Over 13%	**Over 15%**	—

STS Phase 1 (FY2020 - FY2024), STS Phase 2 (FY2025 -)
IFRS (IFRS reclassified values, DOE and ROE for FY2019 are provisional values that have not been audited)
* Operating income adjusted for one-time factors (asset impairment, gains on sale of tangible assets, etc.)
** excluding royalty income
EPS: Earnings per Share DOE: Dividend on Equity attributable to owners of the parent
ROE: Return on Equity attributable to owners of the parent

3. Basic Policy and Strategy in STS Phase 1 of the New Medium-Term Business Plan

In STS Phase 1, we will pursue R&D and Top-line (sales) strategies to create new value and a transformed management foundation strategy to realize value creation, based on our basic policy of **"Realize transformation to a new growth as a total healthcare company"**.

(1) R&D Strategy

While focusing on infectious and psycho-neurological diseases as our core therapeutic areas, we will also pursue other therapeutic areas with high social and medical need. We will establish a new R&D management system that enables flexible and clear prioritization on our priority programs in accordance with the potential value of each pipeline asset. All of our eight current pipeline focus assets address diseases with high unmet medical needs and have the potential to change the paradigm of treatment for each disease. As for the infectious disease area, we will continue to demonstrate our strengths in this field, in which we have accumulated approximately 60 years of experience, and will work to achieve total care for infectious disease that meets societal and healthcare needs. As part of this effort, we will accelerate the research and development of therapeutic agents and prophylactic vaccines against COVID-19 caused by SARS-CoV-2 infection, which are currently a global threat, as a top priority.

Shionogi will advance our R&D of our innovative pipeline assets and strengthen our response to future patent cliff of HIV products.

(2) Top-line Strategy

In our new top-line strategy, we will focus on Japan, the U.S., and China as our focus areas based on our key disease areas, infectious disease, psycho-neurological disease, and pain, implementing an optimal disease strategy supported by selected partnerships in each area. For each disease, we will seek to provide care across the entire span of the disease process, through a variety of approaches, including prevention and diagnosis, while continuing to focus on therapeutic agents as a core solution. We will then be able to establish a new role as a healthcare provider. The Integrated Disease Care Division overseeing and promoting this disease strategy will establish a framework for delivering our products, and the information needed for people's health, to more people globally, to strengthen our business in each area. To accelerate these strategies, we will leverage the strengths of the alliances we have cultivated to date to develop optimal partnerships for each area.

(3) Management Foundation Strategy

In STS Phase 1, dynamic reinforcement of our management foundation is indispensable to rapidly realize our transformation, focusing on the mechanism of transformation and supporting our human resource growth. Regarding the mechanism of transformation, we will establish more sophisticated decision-making systems supported by advanced data utilization environments, as well as create new business processes that facilitate internal/external collaboration in various ways. In addition, we will establish "Be the best

you can be to take on new challenges" as a new vision for Shionogi's human resources (Shionogi Way), and we will implement measures to develop and strengthen employees as the essential driver of Shionogi's growth and transformation.

4. Balancing Investment for Future Growth and Shareholder Returns

Shionogi will flexibly invest 500 billion yen in total as a business investment in new growth drivers, such as expanding its overseas business and the launch of new business platforms, during the STS Phase 1 period. In addition, we will aggressively promote business investment in domestic businesses, IT, and R&D activities to enhance the profitability of existing businesses. As for the R&D investment, we will increase the amount by at least 20% during this period compared, with the past five years.

Shionogi will continue to stably increase its consolidated dividends, along with our growth in FY2020 and beyond, to return profits to its shareholders, using the key performance indicators of EPS, DOE, and ROE, while addressing societal and economic demands.

Forward-Looking Statements

This announcement 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 rate and currency exchange rate. These risks and uncertainties particularly apply with respect to product-related forward-looking statements. 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 outcomes of important litigation; domestic and foreign healthcare reforms and changes of laws and regulations. Also for existing products, there are manufacturing and marketing risks, which include, but are not limited to, inability to build production capacity to meet demand, unavailability of raw materials and entry of competitive 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.

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