

2030 Vision and New Medium-Term Business Plan
(FY2020 - FY2024)

June 1, 2020

SHIONOGI

2030 Vision - What we want to achieve by 2030 -

Vision 2030

Building Innovation Platforms to Shape the Future of Healthcare

As Shionogi family we promise to:

- **Imagine new ways to deliver innovation, and catalyze the formation of new healthcare platforms**
- **Create innovative products and deliver them worldwide compliantly with high quality at a fair price**
- **Embrace social responsibility and contribute to longer, healthier lives everywhere**

Strategy to Achieve 2030 Vision

Strategy to achieve 2030 Vision

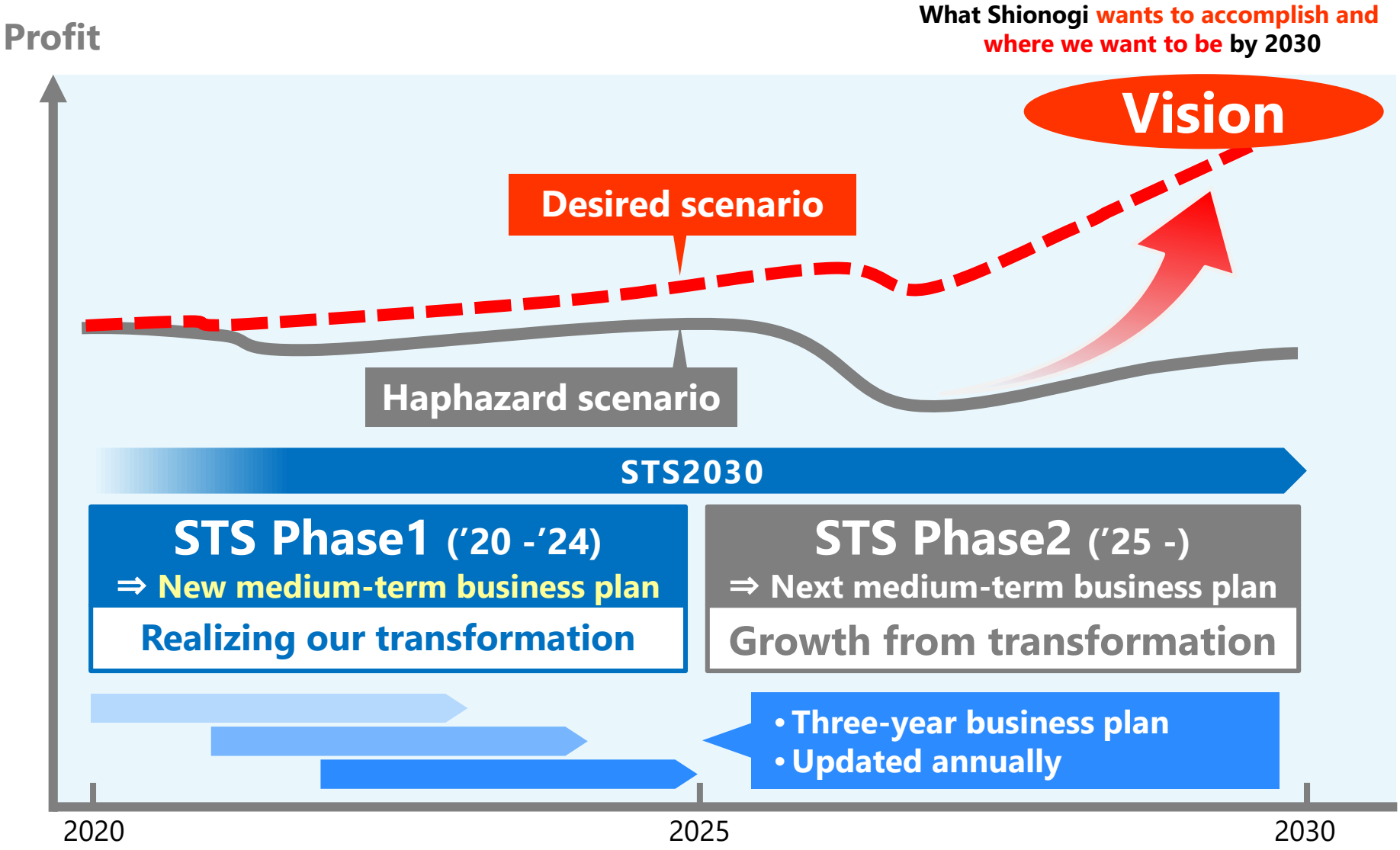
STS2030

- Shionogi Transformation Strategy 2030 -

New growth achieved through business transformation



Relationship between 2030 Vision and STS2030



Agenda

I. Prior Medium-Term Business Plan: Review of SGS2020

II. Current Operational Environment

III. 2030 Vision and Strategy for Realization

IV. New Medium-Term Business Plan

- STS Phase1 (FY2020 – FY2024) -

i. R&D Strategy

ii. Top-Line Strategy

iii. Management Foundation Strategy

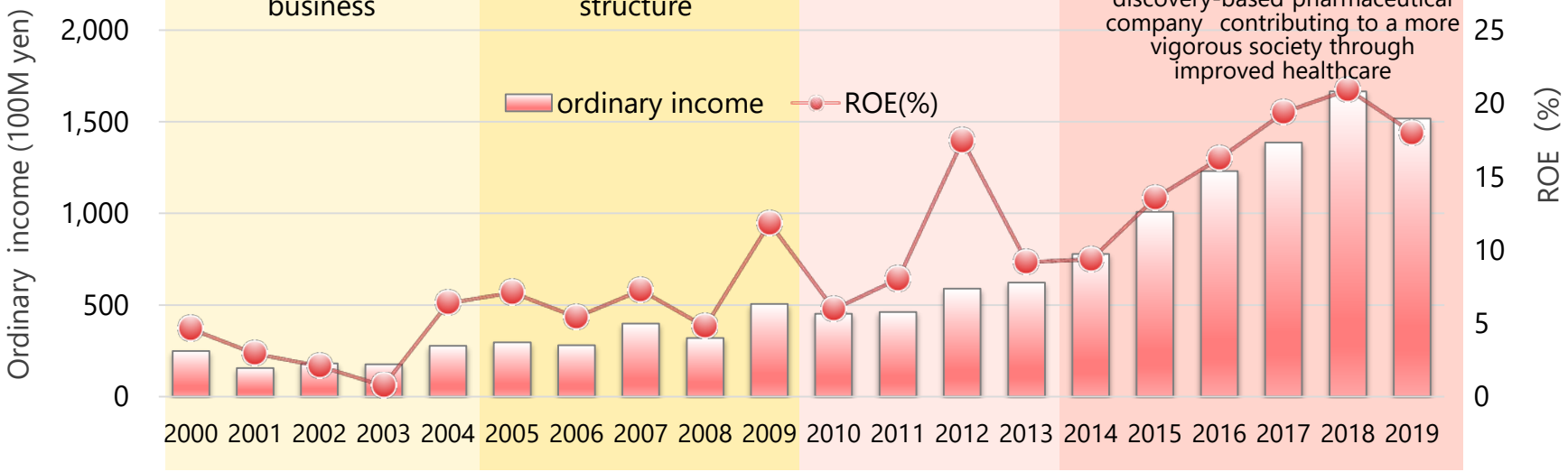
I. Prior Medium-Term Business Plan: Review of SGS2020

Shionogi's Growth History as a Drug-Discovery-oriented Pharmaceutical Company

SONG for you!

Clear Focus as a Drug Discovery-oriented Pharmaceutical Company → **Establishment of RYT* business model** → **Growth through continuous discovery and manufacture of our own drugs** → **Toward new growth stage**

1st MTBP**	2nd MTBP	3rd MTBP	SGS2020 (Update '16-)
Establishing a Foundation	**Accelerating Progress**	**SONG for the Real Growth**	**Shionogi Growth Strategy 2020**
Focus on pharma business	Expansion of R&D and establishment of global structure	Toward global growth	Grow sustainably as a drug discovery-based pharmaceutical company contributing to a more vigorous society through improved healthcare



CRESTOR — Launch in '03

Tivicay dolutegravir — Launch in '13

xofluza (baloxavir marboxil) tablets — Launch in '18

* Royalty revenue
** Medium-Term Business Plan

Japan Generally Accepted Accounting Principles (JGAAP)

KPI Achievement

Sales of new products did not attain the target, but the other main KPIs in SGS2020 were achieved

	KPI	FY2020 Target (Update '16-)	JGAAP FY2019 results	JGAAP FY2018 results	Ref. IFRS*4 FY2019 results
Growth	Sales of new products*1	200 B yen	62.9 B yen	83.1 B yen	62.1 B yen
	Ordinary Income	150 B yen	151.8 B yen	166.6 B yen	-
Efficiency	ROIC*2	Over 13.5%	13.8%	16.5%	14.9%
	CCC*3	5.5 months→ 7.0 months	7.7 months	8.9 months	7.7 months
	Original pipeline ratio	Over 50%	67%	69%	67%
Shareholder Return	ROE	Over 15.0%	18.0%	20.9%	15.5%
	DOE	Over 4.0%	4.7% (planned)	4.6%	4.0% (planned)

*1 New Products were defined in Updates to SGS2020 issued on October 31, 2016 *3 CCC：Cash Conversion Cycle
*2 ROIC: Return on invested capital: After-tax operating income ÷ (Interest bearing debt + Shareholders' equity + Non-controlling interests) × 100 (%) *4 IFRS are provisional values that have not been audited

For details of Conversion from JGAAP to IFRS (B/S), please refer to P,56

SGS2020: Achievements And Remaining Issues

[Achievements*]

- **Continuous creation of in-house products**
  - ✓ Xofluza®, Mulpleta®, Symproic®, cefiderocol**, cabotegravir***
- **Strengthening of business operations**
  - ✓ Improvement of cost management
  - ✓ Global development of in-house products, launches in overseas markets
- **Achievement of main KPIs**
  - ✓ Ordinary income, efficiency KPIs, shareholder-return KPIs

[Issues]

- **Growth 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)
- **Growth of overseas businesses**
  - ✓ US business: Targets not met for strategic products (Osphena®, Symproic®)
  - ✓ Still in process of establishing business infrastructure for the EU and China
- **Per-employee productivity**

"Growth of new products," "growth of overseas businesses," and "productivity improvement" remain pending tasks

* As of FY2019 end ** US product name: Fetroja®, EU product name: Fetcroja®
*** Launched in Canada

II. Current Operational Environment

Changes in External Environment

Society

- **Disruptions in social system and change in values**
  - Coronavirus and post-coronavirus as an exemplar
- **Rapid shifts in economic paradigms**
  - Increase in world's population, aging populations in advanced countries
  - Political instability
- **Actions to achieve Sustainable Development Goals (SDGs)**

Pharmaceutical industry

- **Greater awareness of social security costs**
- **More sophisticated medical needs**
- **Innovation driven by technological advances and data utilization**
  - Emergence of Disruptive Innovation
  - Entry of non-pharma companies into the healthcare industry

Customers

- **Changes in values concerning consumption**
  - From ownership to sharing, from goods to services, etc.
- **Narrowing of medical information gap**
  - Easier for patients to access medical information

Social Issues To Be Tackled By Shionogi

Contribution to SDGs

SUSTAINABLE DEVELOPMENT GOALS

- **SDGs that Shionogi can help to achieve**
  - **Goal 3: Good health and well-being**
  - Goal 8: Decent work and economic growth
  - Goal 9: Industry, innovation, infrastructure
  - Goal 12: Responsible consumption, production
  - Goal 17: Partnerships for the goals



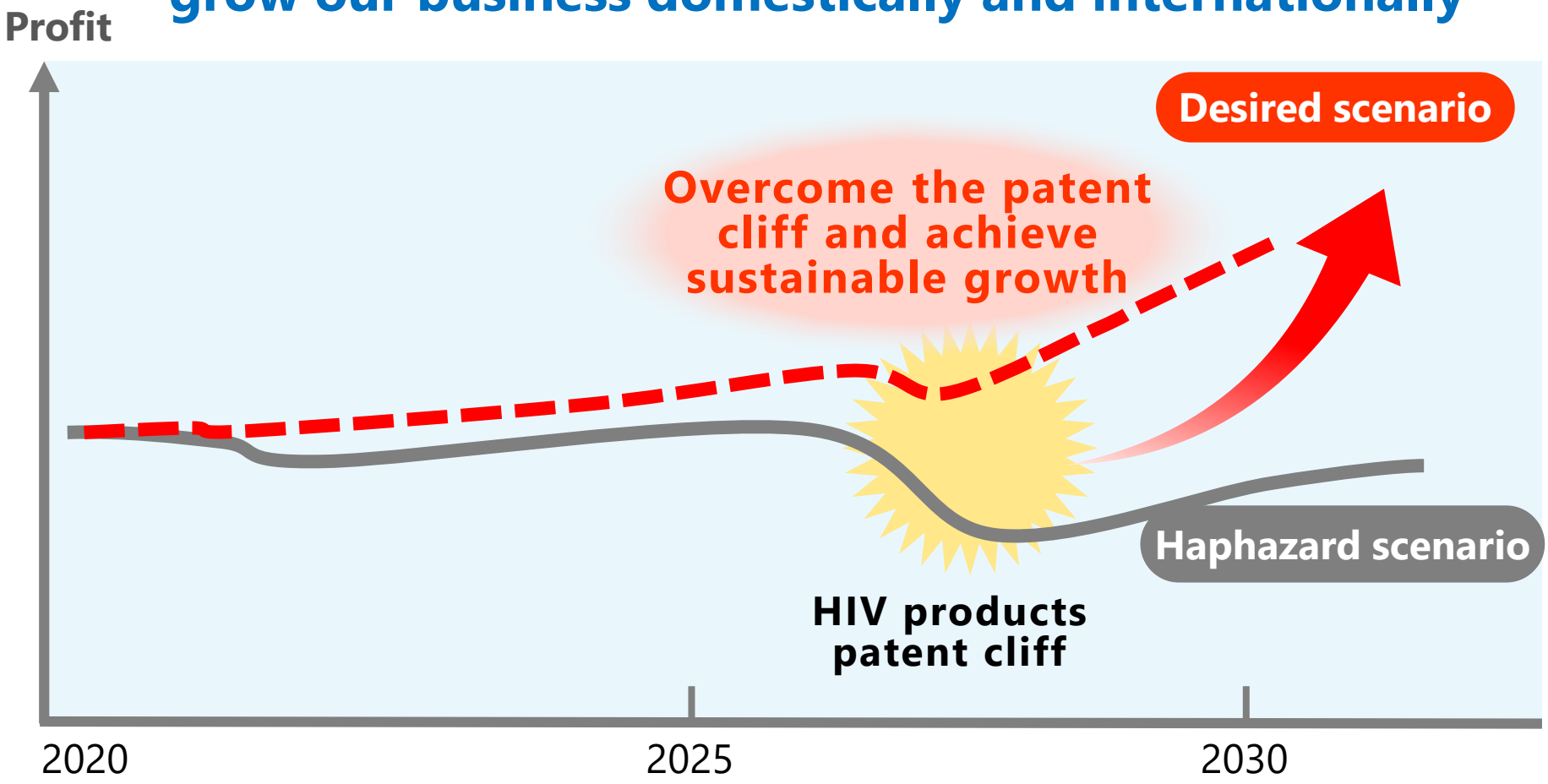
Priority tasks

- **Protect people worldwide from the threat of infectious diseases**
  - **Develop infectious-disease-related products and communicate accurately about them**
  - Three major infectious diseases (HIV, TB, malaria)
  - AMR/viral infectious diseases (influenza, corona, etc.)
- **Improve social productivity and extend healthy lifespans**
  - **Contribute to increasing productivity** (address chronic pain, depression, etc.)
  - **Meet the needs of the super-aging society** (address dementia, cancer, etc.)
- **Contribute to sustainable social security**
  - **Provide medical care optimized for the individual**
  - **Deliver healthcare solutions at prices that are commensurate with their value**

Material issues (materiality) that Shionogi prioritizes are presented on p.55

Important Internal Changes

It is necessary to establish an innovative pipeline to overcome the patent cliff and to create new models to grow our business domestically and internationally

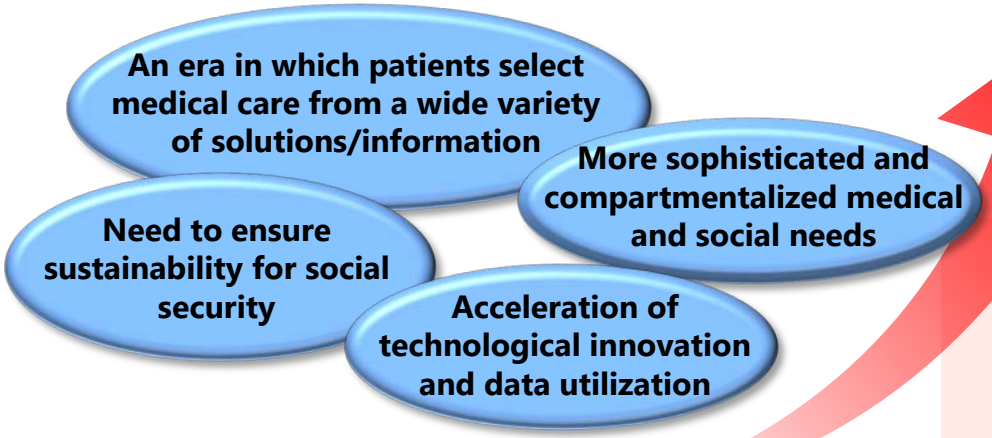


Direction for the New Shionogi

Delivering value by providing healthcare as a service

(Healthcare as a Service：HaaS)

- Generate new value and solve problems faced by patients and society through collaborative invention with a diverse range of partners
- Augment the strengths we have acquired through the discovery and development of "medicinal drugs," and leverage those strengths



Transform

Current Shionogi

Providing medicinal drugs as a drug-discovery-oriented pharmaceutical company

◆Direction for the New Shionogi

Continuously enhance our "strengths" as a drug-discovery-oriented pharma company, become the premier partner for other companies/industries for its unique strengths, build new platforms in the healthcare arena, and provide new value to society as a healthcare provider

Utilizing our Capabilities in the Post-COVID-19 Era

SONG for you!

Deep expertise acquired as drug-discovery-oriented pharma company

Ability to execute with both speed and flexibility

During the COVID-19 pandemic, we are leveraging these capabilities and working with our partners to deliver timely solutions

Development of a SARS-CoV-2 vaccine through joint research with the National Institute of Infectious Diseases

Drug-discovery research with Hokkaido University

Development of antibody-testing kit

Flexibly shift to post-COVID-19 stance

- **Offer total infectious disease care spanning prevention to treatment**
- **Rapidly develop and offer solutions for the disorders likely to emerge in the post COVID-19 era, and thereby help to address the social consequences**

III. 2030 Vision and Strategy for Realization

2030 Vision - What we want to achieve by 2030 -

Vision 2030

Building Innovation Platforms to Shape the Future of Healthcare

As Shionogi family we promise to:

- **Imagine new ways to deliver innovation, and catalyze the formation of new healthcare platforms**
- **Create innovative products and deliver them worldwide compliantly with high quality at a fair price**
- **Embrace social responsibility and contribute to longer, healthier lives everywhere**

Our Vision of Shionogi in 2030

Shionogi in 2030

- **Continuously creating innovative products/services, with a well-established and rapidly-growing global business**
  - Expansion of business model
  - Maintenance of high profit margins and growth after overcoming the patent cliff
- **Continuing to offer solutions to health issues facing society**
  - Freedom from the threat of infectious diseases, better QOL, extension of healthy lifespans, contribution to sustainable social security, and contribution to achieving SDGs
- **Excellent business persons who never take a break from building their expertise and capabilities, leveraging their individual strengths and creating new value**

Strategy to Achieve 2030 Vision

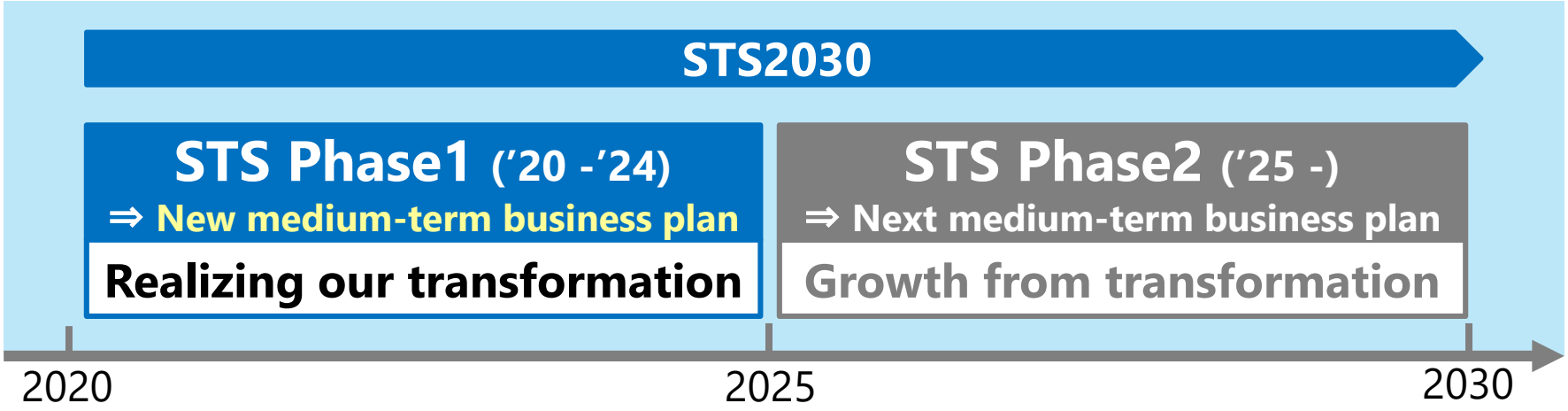
Strategy to achieve 2030 Vision

STS2030

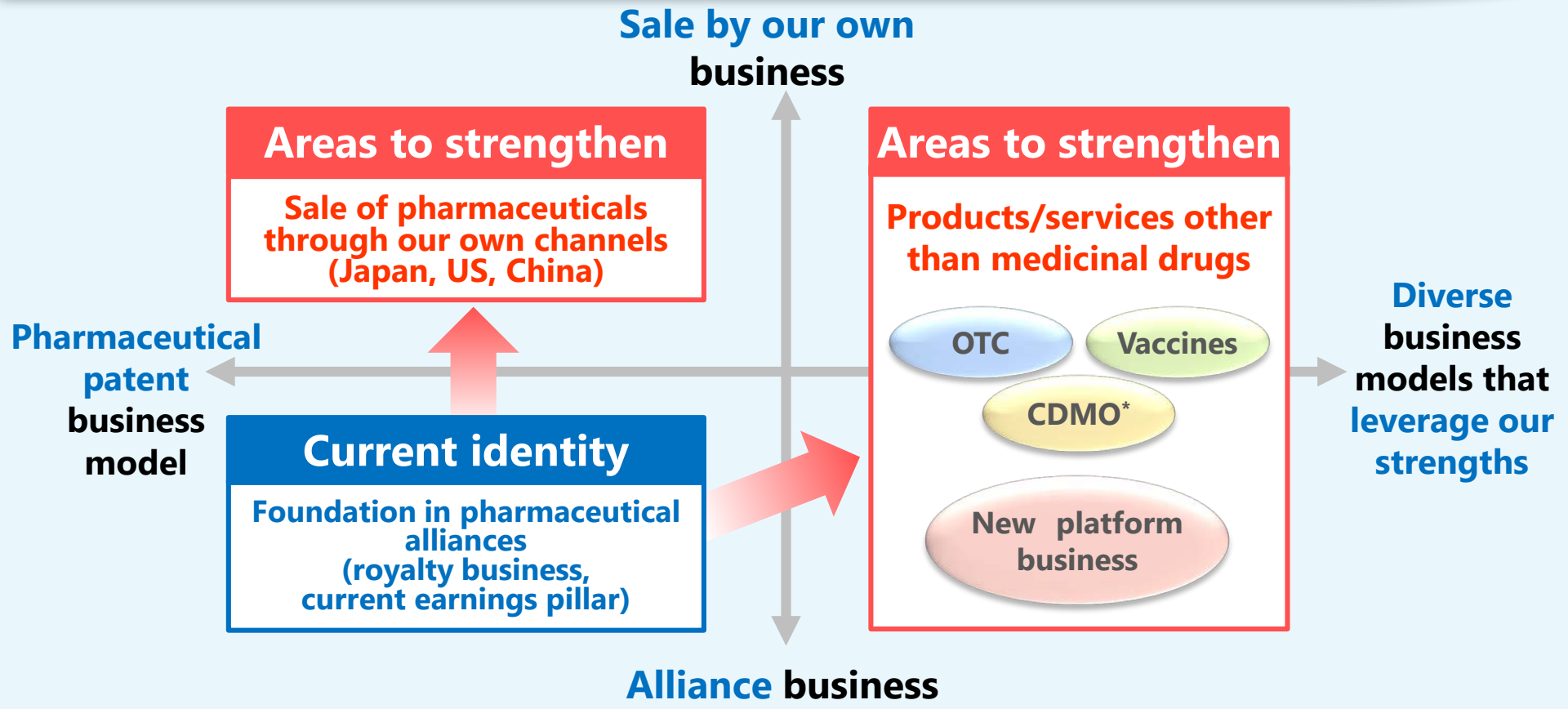
～ Shionogi Transformation Strategy 2030 ～

A new growth strategy through business transformation

- **Evolution from SGS (Growth) to STS (Transformation)**



STS2030 - Expansion Through Transformation of Business Models -



Ensure both high profit margins and a stable financial foundation through multiple new business models

- Balance our own sales capabilities with sales through alliance partners
- Balance “businesses that utilize patents” and “non-patent businesses that utilize strengths”

* Contract Development and Manufacturing Organization

IV. New Medium-Term Business Plan
- STS Phase1 (FY2020 - FY2024) -

i. R&D Strategy
ii. Top-Line Strategy
iii. Management Foundation Strategy

Basic Policy and Strategy for STS Phase1 of Medium-Term Business Plan

STS Phase 1 Basic Policy

Realize transformation to a new growth as a total healthcare company

Three strategies for STS Phase1

New value creation

i. R&D strategy

Development of innovative pipeline

– Overcome the "2028 patent cliff" and develop multiple pipeline assets

ii. Top-Line Strategy

Business growth through creation of diverse businesses

– Strengthen our ability to sell our own products overseas
– Address social needs with new business models
– Build an foundation for new platform businesses

Infrastructure building

iii. Management Foundation Strategy

Building framework for new value creation

– Able to respond flexibly to sudden changes in external/internal environment
– Implement a fundamental internal transformation to establish a robust financial foundation

Financial Policy (STS Phase1)

Financial policy '20-'24

Determine investment criteria and invest in growth opportunities with clear rationale
Achieve both sustainable growth and shareholder returns

Flexible capital strategy

- **Business investment in new growth drivers: 500.0 B yen**
  - Expand overseas businesses
  - Invest in the launch of new businesses
- **Business investment to enhance the profitability of existing businesses**
  - R&D investment: Increase R&D investment by at least 20% during the period compared with the past five years
  - Build a portfolio of products for the domestic market
  - IT investment
- **Shareholder return policy through which shareholders can feel our growth**
  - Stable dividends
  - Enhance capital efficiency through share buybacks, cancellation of treasury shares, and unwinding of cross-shareholdings
  - Establish EPS, DOE, and ROE as related indicators

Investment Appraisal Process

Investment selection criteria

- Investment management based on the science and disease strategy.
- Investment assessment with IRR* and hurdle rate.
- Determine a framework for investment in new businesses

Investment verification

- **Verify all investments**
  - Medium- to long-term (5-10 years) unit
  - Direct/indirect costs
- **Verify investments in each business**

Review investments and enhance precision

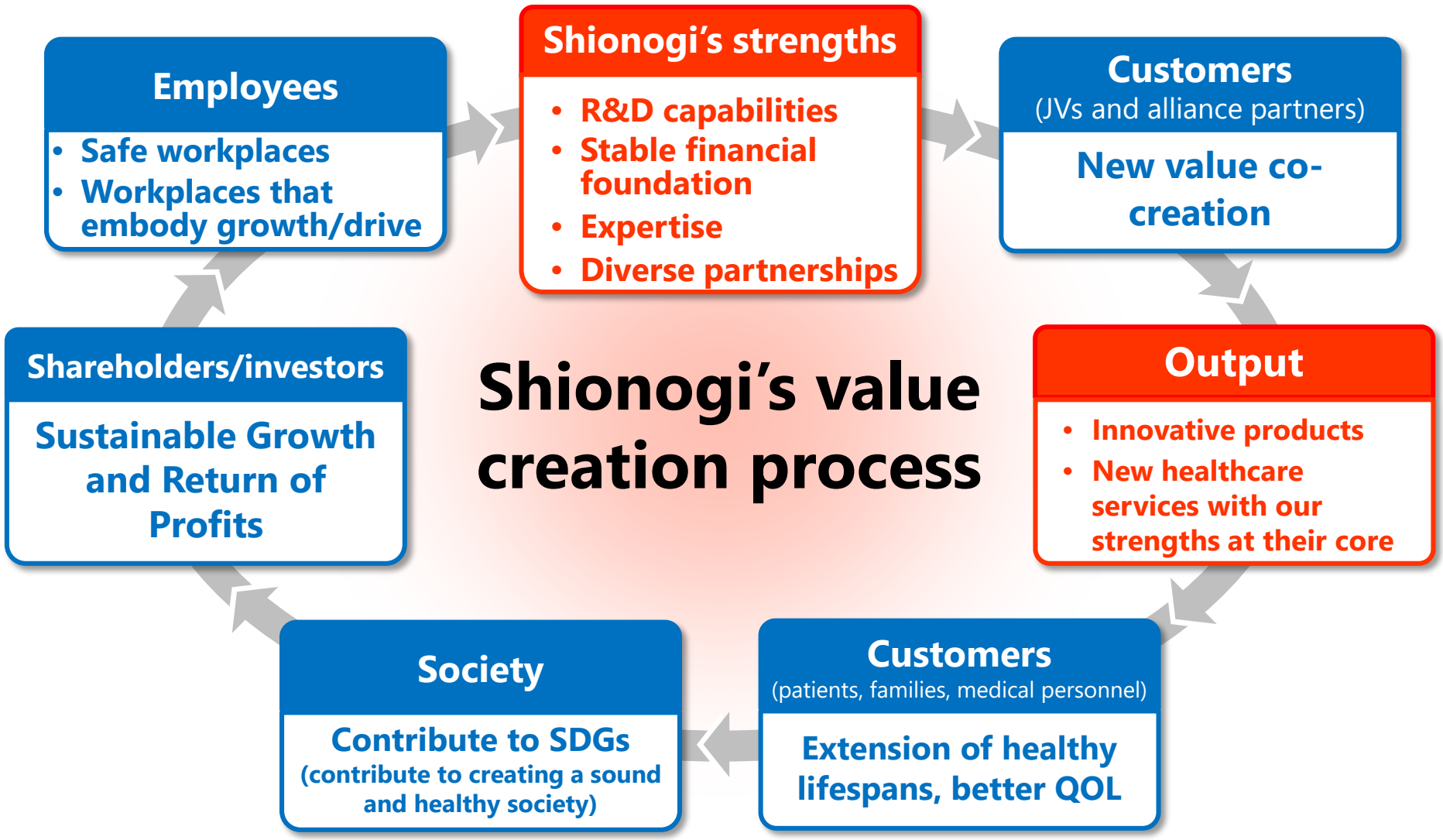
✓**Propose additional investments to successfully implement business plan**

✓**Review resources (indirect costs)**

Appraise investments from a mid/long-term perspective and continuously improve investment effectiveness

* Internal Rate of Return

Delivering Value to Stakeholders



KPIs in the New Medium-Term Plan

SONG for you!

- Continue to increase revenue and maintain an operating profit margin of at least 30% while investing sufficiently in R&D to deal with the patent cliff
- Define KPIs that demonstrate our return on investment from overseas sales
- High original pipeline ratio as a metrics which attracts potential business partners
- Define KPIs related to profitability and shareholder returns, and aim to return value to shareholders in a stable fashion

	KPI	FY2019	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 (excl. RYT)	18.5%	13.7%	Over 25%	**Over 50%**	-
	Original pipeline ratio	67%	Over 60%	Over 60%	**Over 60%**	-
Shareholder return	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%	**Over15%**	-

SHIONOGI

* Core operating profit: Operating income adjusted for one-time factors (asset impairment, gains on sale of tangible assets, etc.)
IFRS (IFRS reclassified values, DOE and ROE for FY2019 are provisional values that have not been audited)

Action to Address Needs of Society

Protect people worldwide from the threat of infectious diseases

- **Help to tackle serious infectious diseases including AMR bacteria**
  - Sell/supply Shionogi's antimicrobial drugs such as cefiderocol globally
- **Develop drugs for the three major infectious diseases**
  - Conduct R&D aimed at conquering HIV, TB, and malaria
- **Battle new and re-emergent infectious diseases**
  - Supply test agents and develop vaccines/therapeutics for COVID-19*1 (new coronavirus)

Improve social productivity and extend healthy lifespans

- **Contribute to improving social productivity**
  - Go beyond supplying medicines for pain and neuropsychiatric disorders to develop and deliver health services to provide comprehensive care from the pre-symptomatic stage to the recuperative stage
- **Contribute to the super-aging society**
  - Develop and deliver new solutions for patients with cognitive impairment
  - Offer new treatment options for cancer

Contribute to sustainable social security・Improve access to healthcare

- **Provide medical care optimized for the individual to enhance economic efficiency in healthcare**
  - Develop new pharmaceuticals and diagnostic tools to deliver customized solutions for pain and neuropsychiatric disorders
- **Provide access to medical care that is not affected by economic conditions or disabilities**
  - Make anti-HIV drugs widely available through patent pool
  - Improve access to medical care in Kenya
  - Eliminate medication barriers faced by persons with disabilities

Execute a disease strategy that integrates business activities with CSR*2/CSV*3 activities

*1 coronavirus disease 2019 *2 Corporate Social Responsibility *3 Creating Shared Value

IV. New Medium-Term Business Plan
- STS Phase1 (FY2020 - FY2024) -

i. **R&D Strategy**

ii. Top-Line Strategy

iii. Management Foundation Strategy

R&D Disease Strategy

For details of R&D strategy, please refer to the presentation materials for the FY2019 R&D Meeting

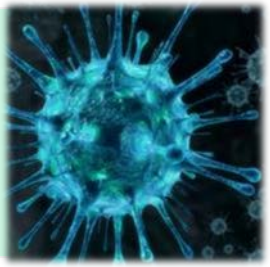
R&D Disease Strategy

While focusing on infectious and psycho-neurological diseases as our core fields, we will pursue other therapeutic areas with high social and medical need, while establishing a new R&D management system that enables flexible and clear prioritization.

Infectious diseases

Provide total care for infectious diseases to meet social and healthcare needs

- ✓ Provide new benefits to HIV/influenza patients
- ✓ Confront infectious diseases that pose a threat to society with top priority
- ✓ Contribute to global health by dealing with refractory infections, including three major infections and AMR



Psycho-neurological diseases

Paradigm shift in the treatment of psycho-neurological diseases

- ✓ Realize optimal therapy through objective diagnosis/stratification
- ✓ Provide a wide range of treatment options through discovery of innovative drugs with new mechanism of action



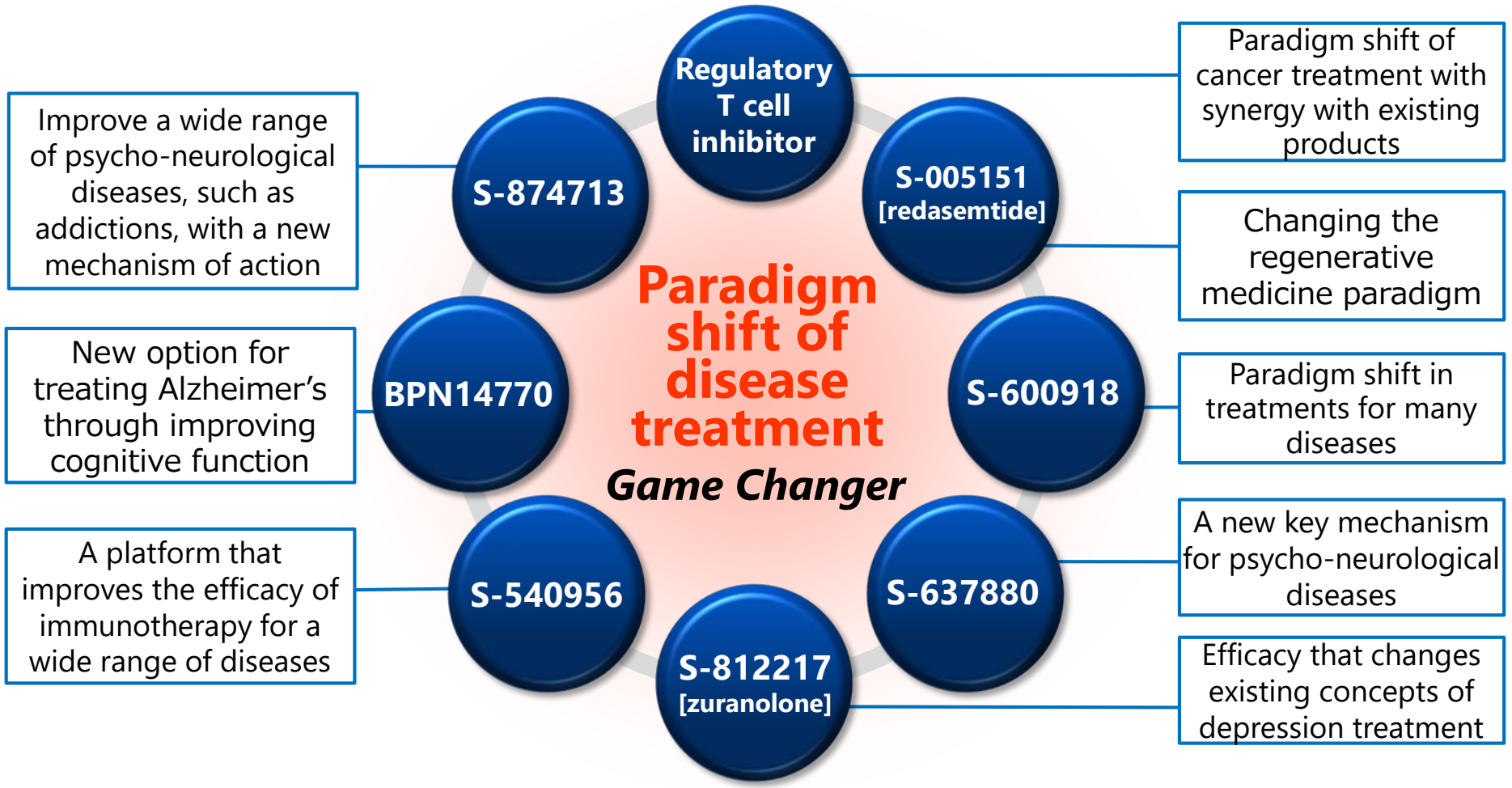
New growth areas

Address diseases with substantial unmet needs affecting many patients

- ✓ Aggressively pursue disease areas with great social need, and to reshuffle priorities flexibly and rapidly according to the potential of "drug seeds"



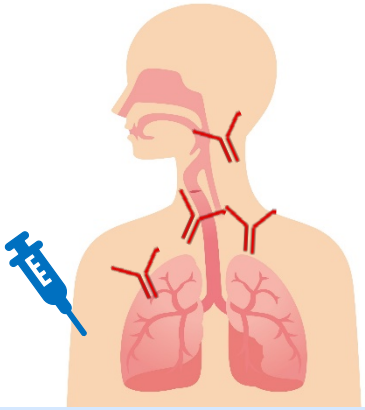
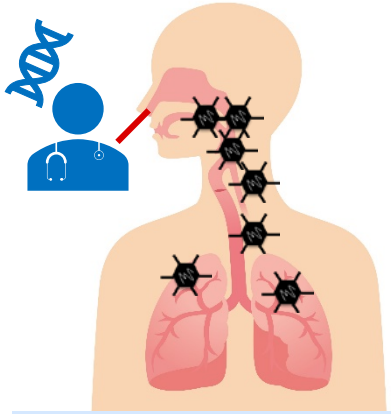
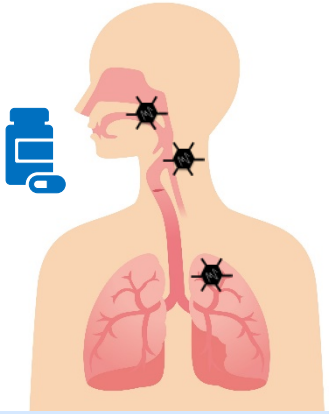
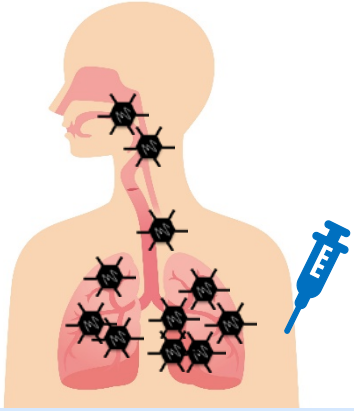
The Outcome We Envision from our Core Pipeline



Creating products and services for diseases with high unmet medical needs

Total Care for Infectious Diseases

Battle against the three major infectious diseases, influenza, refractory infections, and emerging infectious diseases

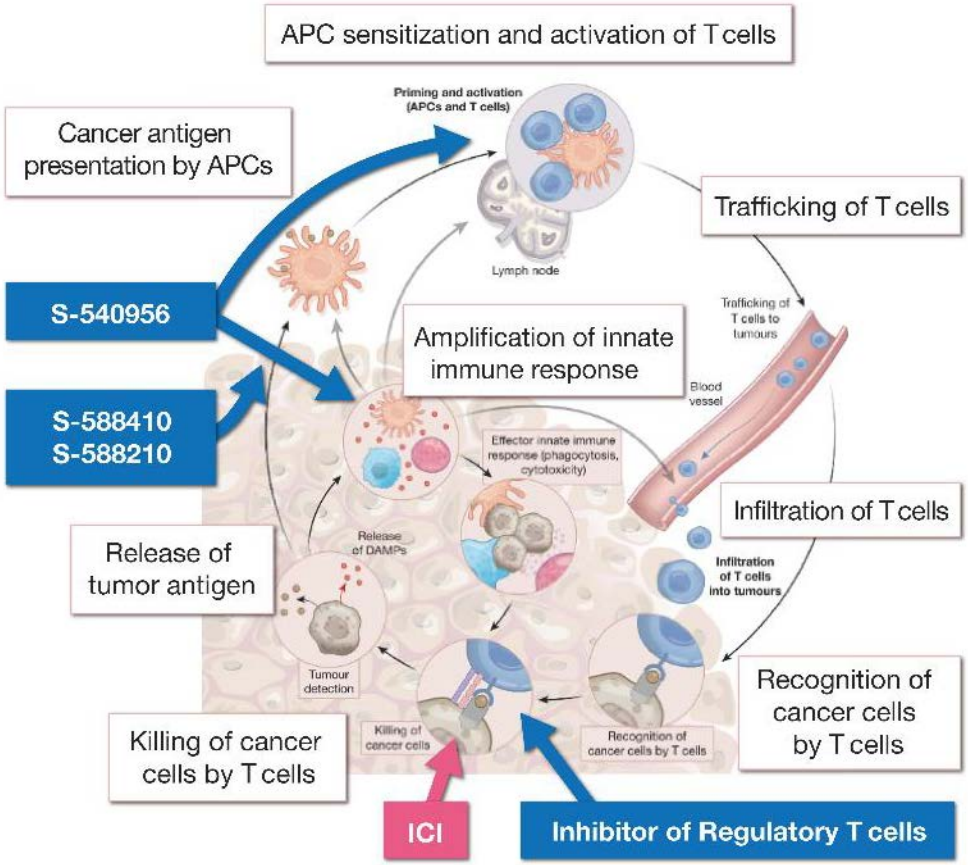
Prevention	Diagnosis	Treatment	Exacerbation suppression
			
Immunity acquisition • Influenza vaccine development • SARS-CoV-2 vaccine development	**Proper diagnosis** • Various diagnostic approaches for influenza • Development of SARS-CoV-2 diagnostic kits	**Elimination/reduction of pathogens** • Pharmaceutical cure for HIV • Therapeutics for malaria • Therapeutics for TB • Therapeutics for COVID-19	**Control of host response** • Treatment / Severity prevention drug targeting host factors

Provide total care for infectious diseases to meet social and healthcare needs

Unique Immuno-Oncology Assets discovered by SHIONOGI

Diverse modalities with different mechanisms

- **Cancer peptide vaccine**
  (S-588410, S-588210)
  - ✓Inducing cancer-specific immune response and cancer cytotoxicity
- **Oligonucleotide-based TLR9 agonist (S-540956)**
  - ✓Activating immune systems and enhances anti-tumor immunity
- **Anti-CCR8 antibody**
  (Regulatory T cell inhibitor)
  - ✓Releasing cancer immunosuppressive mechanisms and exerting strong antitumor effects



Building a cancer platform that enables various treatment approaches

APC：Antigen presenting cells ICI：Immune Checkpoint Inhibitor

Nature. 2019 Oct;574(7776):45-56

Strengthening LCM（Life Cycle Management）Strategy

S-600918

Efficacy potential in a range of diseases through the $P2X_3$ receptor antagonism

Refractory chronic cough	Neuropathic back pain
Phase 2b in progress	Clinical testing notification submission (March 2020)

Sleep apnea syndrome	Pruritus	Hypertension
Clinical testing notification submitted (March 2020)	For future study	

S-005151
（Redasemtide）

Efficacy potential in a range of diseases due to regenerative/anti-inflammatory action

Epidermolysis Bullosa	Acute ischemic stroke
Physician-led clinical testing completed Confirmation of efficacy for epidermolysis bullosa (preliminary findings)	Phase 2 being conducted Non-clinical testing: Effective if administered six hours after stroke

Liver cirrhosis	Knee osteoarthritis	Cardio-myopathy
Preparations for physician-led clinical testing in progress Pursuing based on evidence accumulated through non-clinical research by academia		

Execute an LCM strategy to maximize the value of compounds

IV. New Medium-Term Business Plan
- STS Phase1 (FY2020 - FY2024) -

i. R&D Strategy

ii. Top-Line Strategy

iii. Management Foundation Strategy

Top-Line Strategy

Top-line strategy

Implement an optimal strategy in each area

① Disease strategy

- Priority diseases: infectious diseases and CNS/pain
- Total care for the disease through a variety of approaches centered on therapeutic drugs

② Global strategy

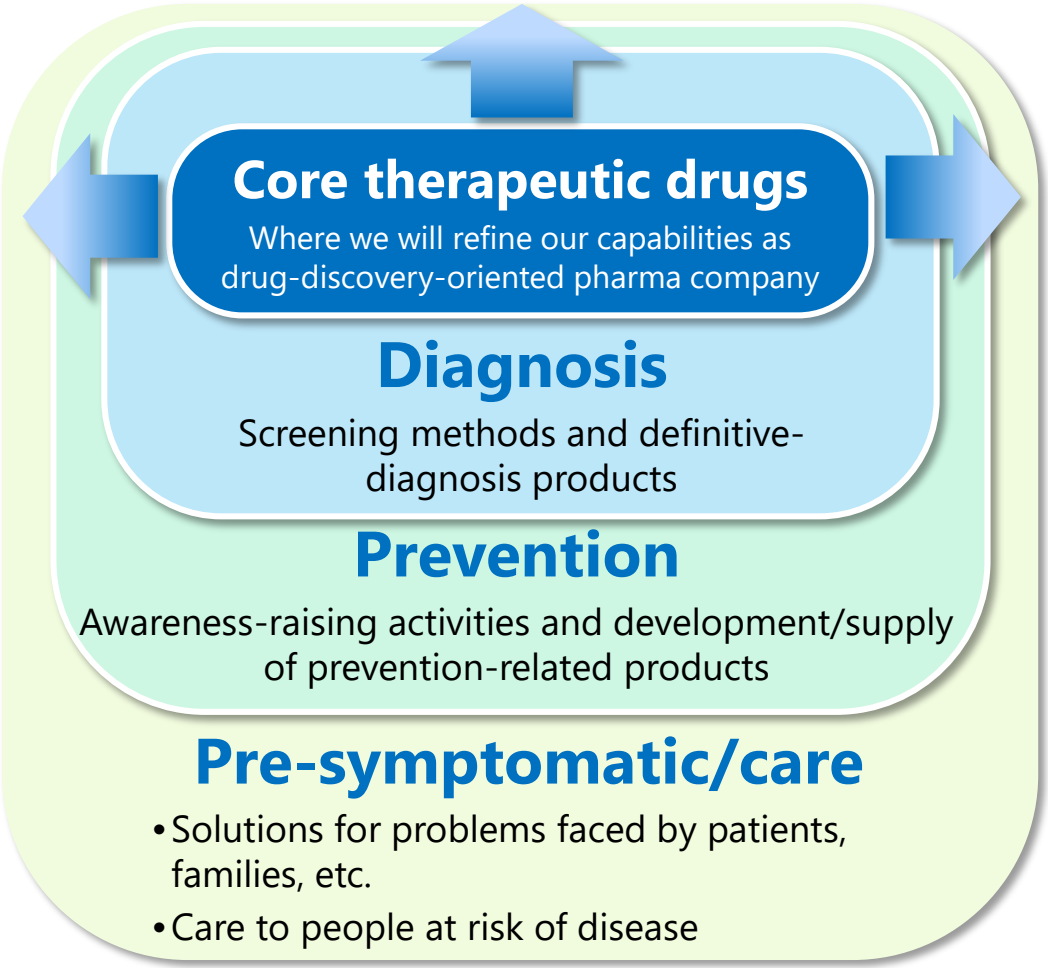
Target areas: Japan, US, and China

③ Partnering strategy

Establish flexible partnerships for each area and disease

① Approach to Disease Strategy

With therapeutic drugs (our strongpoint) at the core, provide a full scope of care through a variety of approaches



Infectious diseases

Provide mechanisms/solutions that protect people from the threat of infectious diseases

CNS/Pain

Build a platform covering everything from prevention/diagnosis to optimal treatment

① Establishment of Integrated Disease Care Division
- Execute Disease Strategy -

SONG for you!

Structured to effectively deliver required products/information to more people globally

➢Cross-value chain, customer-oriented, evidence-focused, data-driven

	R&D	Marketing
New Product Planning Dept.	Portfolio strategy Consistent value creation	
Disease Care Strategy Dept.	Disease strategy / product strategy	
Medical Affairs Dept.	Evidence building / health economics evaluation	
Data Science Office	Data analysis / modeling / simulation	
CSR Dept.	CSR* activities (prevention / disease awareness / proper use promotion)	

* CSR: Corporate Social Responsibility

② Global Strategy



Improve productivity, and pursue new business models

- Expansion through implementation of influenza disease strategy (building a new platform)
- Execution of ADHD disease strategy
- Entry into the vaccine business: First Japan, then the world



Toward the Source of Growth: Swiftly establish a significant and expanding sales contribution

- Establish a sustainable and profitable hospital /specialty business
- Growth from M&A and new business models



Endeavor to offer new healthcare solutions based on data and AI utilization

- Establishment of business foundation through collaboration with Ping An
- Acceleration of expansion across Asia with China as the pivot

② Japan Business Strategy

Japan business vision

Become an indispensable partner in infectious diseases and CNS/pain

➢ **Emphasize customer access and understanding to solve healthcare problems**

Execute disease strategy

- **Establish Integrated Disease Care Division**
  - By building a platform for priority diseases, provide total care from prevention/pre-symptomatic to treatment and recuperation

Rebuild domestic sales structure

- **Information-delivery methods tailored to each customer**
  - MRs: Have a comprehensive understanding of patients and the knowledge/skills that make customers choose them as a advisor
  - Enhance customer access through a digital approach
  - Improve productivity through increased expertise and efficiency

Expand sales of new drugs, especially for influenza (Xofluza® etc.) and ADHD (Intuniv® etc.)

② Platform Business in Japan
- Influenza Service Platform -

SONG for you!

SHIONOGI

M3, Inc.

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

Fusion of strengths through Stream-I

- ✓ Reaching various stakeholders through utilization of digital platform

Solution platform

Infrastructure | Information

Vaccines | Diagnostic drugs/kits | Treatment models | Medicines

Solving a wide range of problems from prevention to treatment

Prevention
- Spread of infection within families, at schools, and in public places
- Propagation of correction prevention methods

Diagnosis
- Numerous silent carriers
- Difficulty of early-stage diagnosis

Treatment
- Threat of pandemic
- Patients in a serious condition

Horizontal utilization of digital platform in post-coronavirus world

Stream-I: Joint venture between Shionogi and M3, Inc.

② US/EU Business Strategy

US/EU business vision

Achieving swift contribution to revenues through growth in the hospital /specialty market

➢ Establish a business foundation and aim for the next stage of growth

Establish a foundation centering on our original products

- **Establish Shionogi's presence in the field of infectious disease centering on FETROJA® / FETCROJA ®** (Severe infectious disease)
- **Build framework for the hospital and specialty markets**
  - Naldemedine POI* (Critical care)
  - S-600918 (Respiratory diseases)





Growth through M&A and new business models

Growth in the field of AMR market where unmet medical need is high

* Post operative ileus** Antimicrobial Resistance

② Chinese Business Strategy
- Chinese Business Platform -

Drug discovery-oriented pharmaceutical company

SHIONOGI

- Demonstrated capability to create best-in-class innovative drugs
- High R&D productivity and accumulated experience & expertise
- Patient-driven drug discovery strategies



Fusion of strengths through Ping Aa

AI Healthcare platform

中国平安 PING AN 金融・科技

- Customer-based "big" healthcare data
- State-of-the-art IT/AI technology
- Online clinical infrastructure

Prevention /Pre-symptomatic | **Diagnosis** | **Treatment Solution** / **Treatment infrastructure** | **Prognosis**

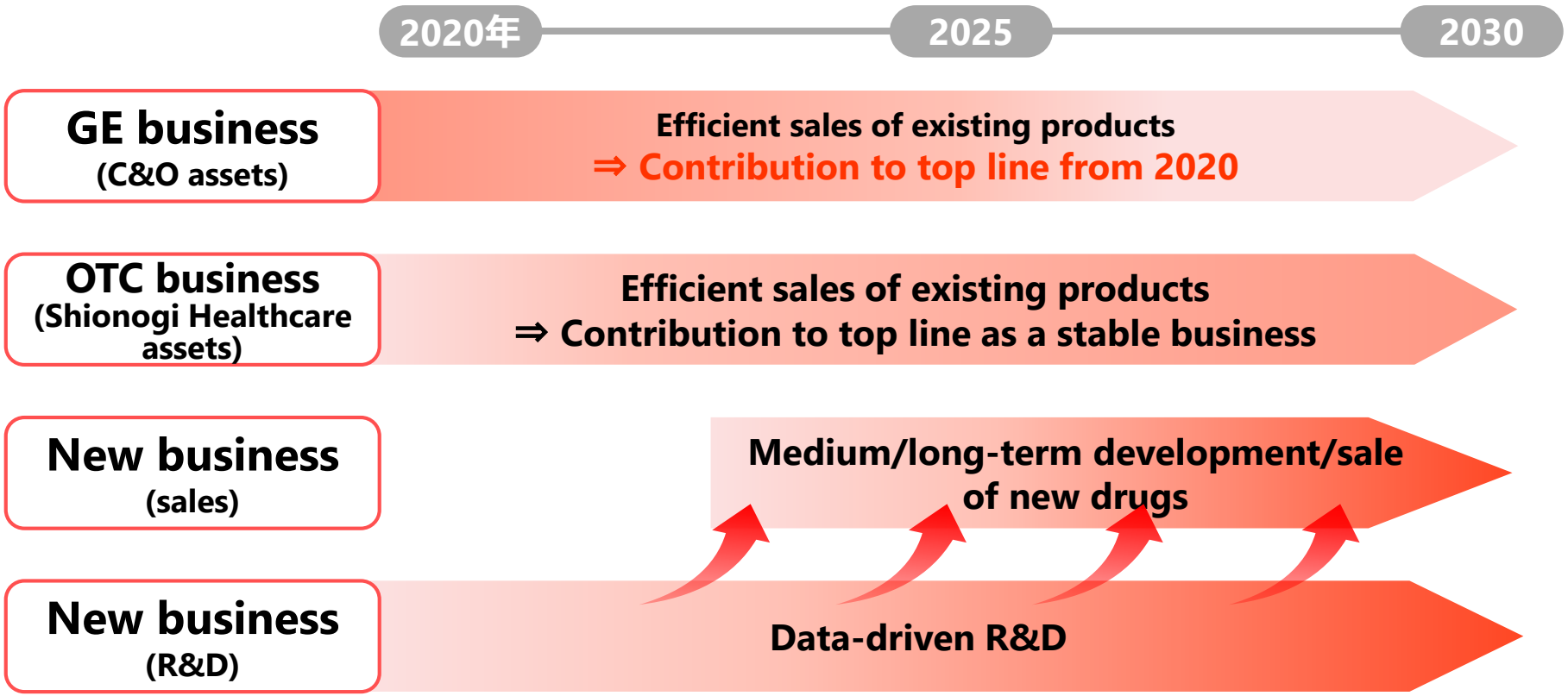
Realize the next evolution of a discovery-oriented healthcare company

Providing healthcare solutions to patients and society, contributing to the everyone's health and creating the future of healthcare

② China Business Strategy

China business vision

Build a sales structure using a new platform to contribute to stable business growth



③ Partnering Strategy

Business model	Summary	Alliance examples
Licensing business model	**Current earnings pillar and will remain important** **Shionogi's R&D capabilities × Big Pharma's sales capabilities** • Maximize our appeal as a drug-discovery-oriented pharmaceutical company providing new medicines to patients across the globe	ViiV Healthcare, gsk, Roche
Diverse business models with new platforms	**Numerous structures (joint ventures, consortiums, business tie-ups, etc.)** • Establish a business foundation that's less dependent to patents • Creating new healthcare business models ↓ • Solve social problems by leveraging individual strengths • Benefit three groups: society, partners, ourselves • Expand business across Asia with China as a pivot	中国平安 PING AN 金融・科技

Execute disease strategy through strength-leveraging partnerships

IV. New Medium-Term Business Plan
- STS Phase1 (FY2020 to FY2024) -

i. R&D Strategy

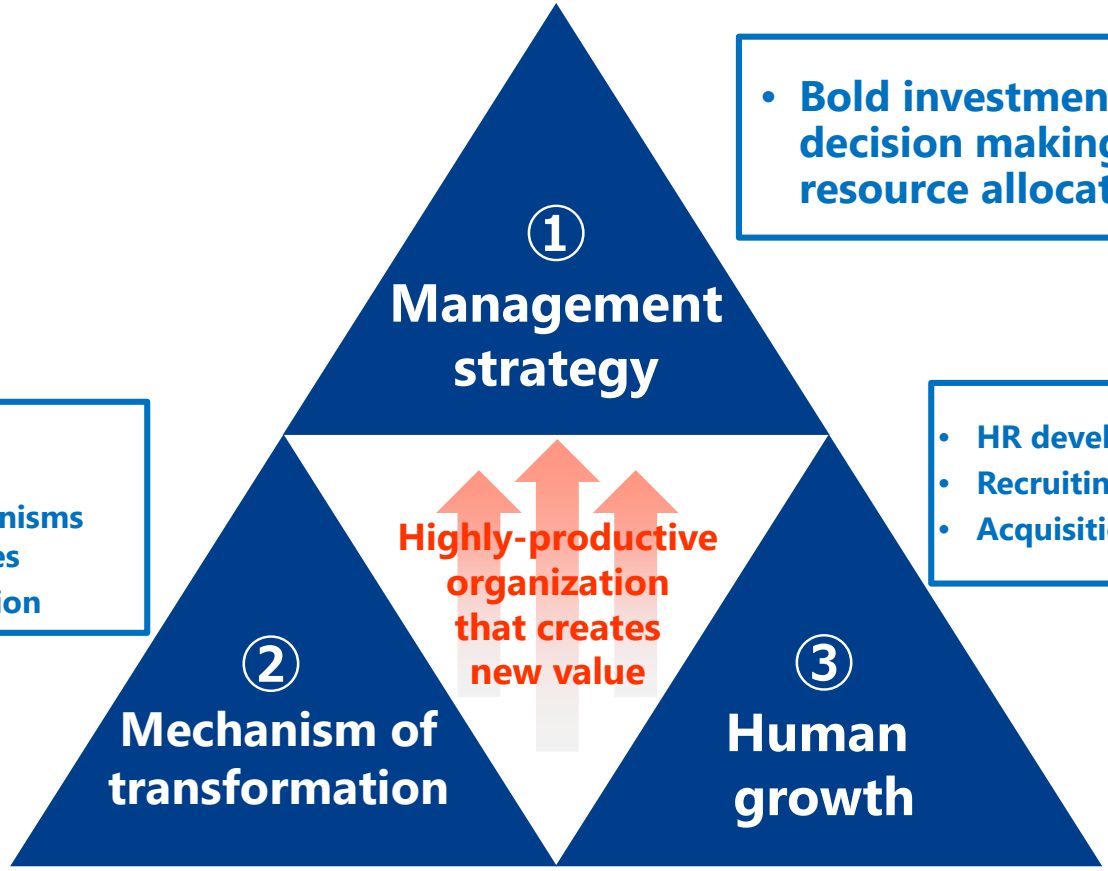
ii. Top-Line Strategy

iii. Management Foundation Strategy

Infrastructure Building for New Value Creation

Basic policy for building an organizational infrastructure

Create value by transforming structure and the processes that shape structure and developing the right human resources to administer processes



- Bold investment decision making and resource allocation

- Decision-making mechanisms
- Improvement mechanisms for business processes
- Cultural transformation

- HR development mechanisms
- Recruiting Manager
- Acquisition of expertise/strengths

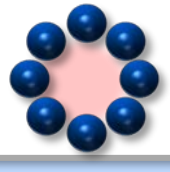
STS Phase1 Management Strategy

Realizing the integrated disease care strategy with a superior pipeline

New disease strategy (p36)



R&D pipeline expansion (p29-33)



Continued strength as a drug-discovery-oriented company

Platform building (p40・44)



Combination of best-in-class capabilities results in co-creation of new platforms

Evolution as a creative HaaS company

While further augmenting our capabilities as a drug-discovery-oriented pharmaceutical company, achieve our transformation flexibly.

② Mechanism of Transformation
Transformation of Decision-Making and Business Processes

More sophisticated decision making

In an era of rapid and dramatic change, an unprecedented decision making is vital

The speed and accuracy of decision making will distinguish success from failure

More sophisticated decision making

- Establish a decision-making system that ensures transparency and traceability
- Build an environment in which decision making can be driven by easy access to raw data

Business process transformation

It's getting hard to address the challenges by conventional frameworks

New mechanisms for solving problems through internal/external collaboration will be necessary.

Business process transformation

- Establish new business processes that facilitate internal/external collaboration in various ways
- Build IT systems that reflect the new business processes to improve productivity

- **Strengthen HR (especially managers, who have essential role in the decision making and process improvement)**

Realize Transformation by reconfiguring the structure of Decision-Making and Business Processes

Human Resources Development

Vision for Shionogi's Human Resources: Shionogi Way

Be the best you can be to take on new challenges

Measures for propagating the Shionogi Way

Developing a challenger mindset

- **Support for employees who learn proactively**
  - ➢ Self-investment support scheme
- **Personnel system that supports a challenger approach**
- **Opportunities for overseas study and external postings**
- **Career design support**

Measures for capability development

- **Strengthening managers, the key to attaining our vision (redefining the model manager and providing education)**
  - ➢ Greater discretion in decision making through delegation of authority, business process transformation
- **HR** training for acquisition of Key Capabilities***
- **Acquisition of specialist skills**
  - ➢ Establishment of mechanisms for developing specialist personnel (expertise required for healthcare services globally)



Shionogi Education and Training Center

* Key Capabilities: Basic competencies that all employees should possess
** Human Resourses

Evolution of Management of Domestic Group Companies

Aim of establishing Group companies: 11 main domestic Group companies*
(of which 9 have been established since FY2017)

- Improved productivity (pursuit of expertise) and diversification of work styles

Further evolution of Group company management

⇒ Each Group company aims to become the best in the sector by boosting its earning power, expertise, and efficiency

- **Reinforce expertise**
- **Expand business scope (establishment of own platform)**
- **Enhance managerial sophistication (stronger governance, medium/long-term strategic planning, more robust finances)**

The growth of Group companies/resources will accelerate the Shionogi Transformation

As of April 2020
* Only wholly-owned subsidiaries are included

Summary - Overview of STS Phase1 ('20 -'24) -

◆ Direction for the New Shionogi

Continuously enhance our strengths as a drug-discovery-oriented pharma company, become the healthcare partner of choice for companies in other industries for our unique strengths, build a new platform in the healthcare arena, and provide new value to society as a healthcare provider

◆ Financial policy

- Business investment in new growth drivers：
  500 B yen
- Business investment in increasing the profitability of existing businesses:
  R&D investment: Increase by at least 20% compared with past five years
- Shareholder return policy
  - ✓ Stable dividends
  - ✓ Flexibility in returning value to shareholders through share buybacks etc.

◆ Three strategies

New value creation

I. R&D strategy - Development of innovative pipelines assets-
①Infectious diseases, ②Psycho-neurological diseases, ③New growth areas

II. Top-Line Strategy - Business growth through creation of diverse businesses-
①Disease strategy, ②Global strategy, ③Partnership strategy

Infrastructure building

iii. Management Foundation Strategy - Infrastructure building for new value creation -
①Management strategy, ②Mechanism of Transformation, ③Human growth

◆ KPIs（FY2024, IFRS）

Growth	Revenue	500.0 B yen
	Core operating profit*	150.0 B yen
	Core operating profit* margin	Over 30%
	Overseas sales ratio (excl. RYT)	Over 50%
	Original pipeline ratio	Over 60%
Shareholder return	EPS	Over 480 yen
	DOE	Over 4%
	ROE	Over15%

* Core operating profit: Operating income adjusted for one-time factors (asset impairment, gains on sale of tangible assets, etc.)

2030 Vision - What we want to achieve by 2030 -



Building Innovation Platforms to Shape the Future of Healthcare

Appendix

Corporate Philosophy

The Company Policy of Shionogi (Heritage)

- Our foundation which supports us and what we should achieve globally -

Vision

- What we want to achieve by 2030 -

Building Innovation Platforms to Shape the Future of Healthcare

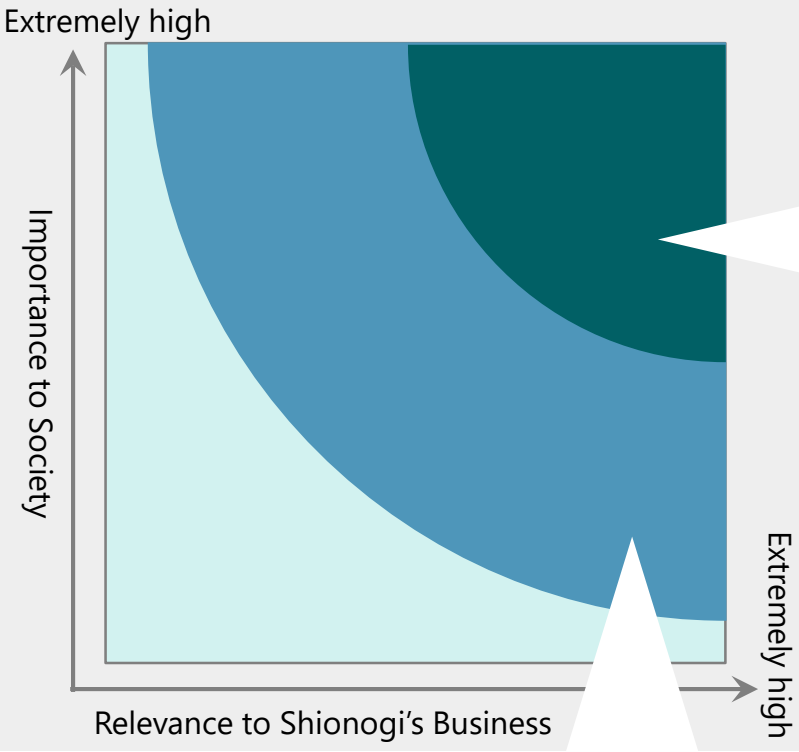
Values

- Our psyche that is indispensable for achieving vision -

- **Be trustworthy**
- **Be dauntless in spirit**
- **Contribute to society**
- **Be bold**
- **Build greatness out of diversity**

Material Issues to Be Tackled by Shionogi (Materiality)

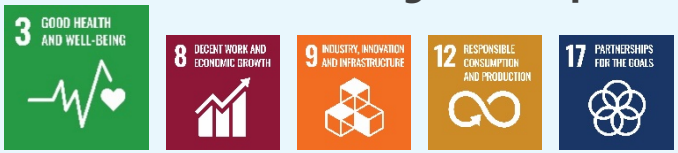
Material issues determined in light of external/internal changes in environment



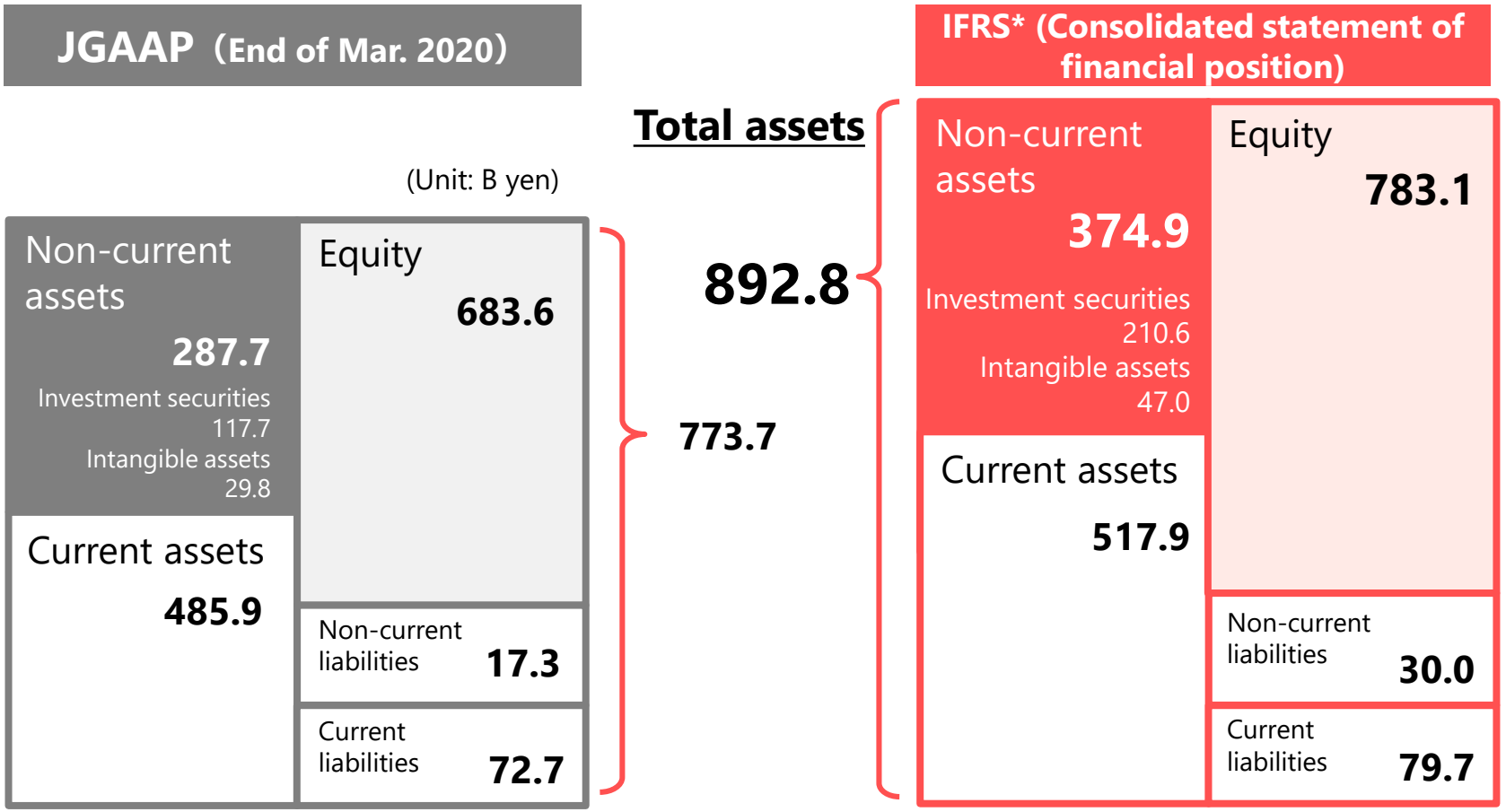
- **Protect people worldwide from the threat of infectious diseases**
  - **Develop infectious-disease-related products and distribute accurate information about them**
  - Big three infectious diseases (HIV, TB, malaria)
  - AMR/viral infectious diseases (influenza, corona, etc.)
- **Improve social productivity and extend healthy lifespans**
  - **Contribute to raising social productivity** (chronic back pain, depression, etc.)
  - **Contribute to the ultra-aged society** (dementia, cancer, etc.)
- **Contribute to sustainable social security**
  - **Provide medical care optimized for the individual**
  - **Deliver at suitable prices that are commensurate with value**

- Improve access to healthcare
- Strengthen corporate governance
- Secure human resources to support growth
- Protect the environment
- Ensure compliance
- Supply socially responsible products and services
- Reinforce supply chain management
- Respect human rights

SDGs that Shionogi can help to achieve



Conversion from JGAAP to IFRS（B/S）

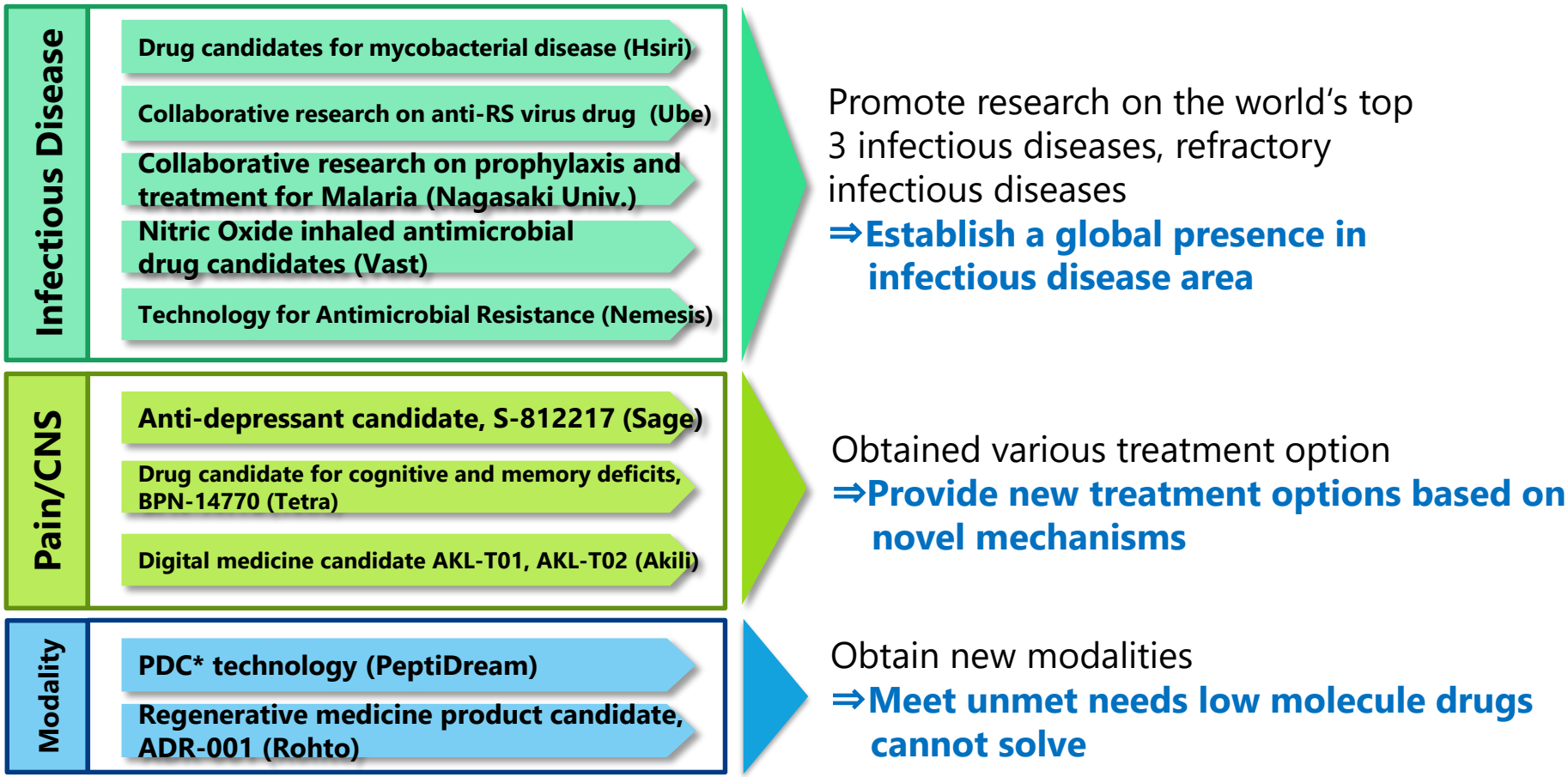


- **Non-current assets (fixed assets) increased mainly** due to market price evaluation of unlisted stocks and recording of in-process R&D expenses as intangible fixed assets.
- **Along with that, capital items also increased.**

* IFRS reclassified values are provisional values that have not been audited

Strategic Investment in FY2018

Obtained pipeline assets and technologies through strategic investment



Collaborated with 10 new partners for beyond 2020

* Peptide drug conjugates

Progress of Strategic Investment*

	Pipeline	Progress since introduction
Infectious Disease	Drug candidates for mycobacterial disease (Hsiri)	Progress in drug discovery research
	Collaborative research on anti-RS virus drug (Ube)	Progress in drug discovery research
	Collaborative research on prophylaxis and treatment for Malaria (Nagasaki Univ.)	Undergoing drug discovery and vaccine research
	Nitric Oxide inhaled antimicrobial drug candidates (Vast)	Research suspended due to physical property issues
	Technology for Antimicrobial Resistance (Nemesis)	Basic research in progress
Pain/CNS	Anti-depressant candidate, S-812217 (Sage)	Japan: Start of Phase I study, Start of Phase II study
	Drug candidate for cognitive and memory deficits, BPN-14770 (Tetra)	US: Completion of Phase II study （Tetra), Tetra has become wholly owned subsidiary
	Digital medicine candidate AKL-T01, AKL-T02 (Akili)	Start of Phase II study
Modality	PDC* technology (PeptiDream)	Multiple peptide drug discovery projects in progress
	Regenerative medicine product candidate, ADR-001 (Rohto)	Progress of Phase I/II study

* As of FY2019 end

Forward-Looking Statements

- Forecast or target figures in this material are neither official forecasts of earnings and dividends nor guarantee of target, achievement and forecasts, but present the midterm strategies, goals and visions. Official earnings guidance should be referred to in the disclosure of the annual financial report (*kessan tanshin*) in accordance with the rules set by Tokyo Stock Exchange.
- Materials and information provided during this presentation may contain so-called "forward-looking statements". These statements are based on current expectations, forecasts and assumptions that are subject to risks and uncertainties which could cause actual outcomes and results to differ materially from these statements.
- Risks and uncertainties include general industry and market conditions, and general domestic and international economic conditions such as interest rate and currency exchange fluctuations. Risks and uncertainties particularly apply with respect to product-related forward-looking statements. Product risks and uncertainties include, but are not limited to, technological advances and patents attained by competitors; challenges inherent in new product development, including completion of clinical trials; claims and concerns about product safety and efficacy; regulatory agency's examination period, obtaining regulatory approvals; domestic and foreign healthcare reforms; trend toward managed care and healthcare cost containment; and governmental laws and regulations affecting domestic and foreign operations.
- For products that are approved, there are manufacturing and marketing risks and uncertainties, which include, but are not limited to, inability to build production capacity to meet demand, unavailability of raw materials, and failure to gain market acceptance.
- Shionogi 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 material is presented to inform stakeholders of the views of Shionogi's management but should not be relied on solely in making investment and other decisions.
- You should rely on your own independent examination of us before investing in any securities issued by our company. Shionogi shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding or changes of target figures or any other use of this material.
- This English presentation was translated from the original Japanese version. In the event of any inconsistency between the statements in the two versions, the statements in the Japanese version shall prevail.