In its Company Policy instituted in 1957, the Shionogi Group has set forth the goal of its corporate activities as being “to strive constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve.” This eternal and unwavering corporate philosophy is a statement of our vision and value to society. Our operations as a pharmaceutical company inherently contribute to society, and we believe that implementing this philosophy promotes the fulfillment of our social responsibilities as a corporation.

We have also formulated the Shionogi Charter of Conduct to guide our efforts in conducting corporate activities that are suited to a truly rich and vibrant civil society as a corporate citizen and as a pharmaceutical manufacturer with awareness of social responsibility based on high ethical values. In recent years, more and more has been expected of companies in terms of corporate social responsibility (CSR). In line with this trend, Shionogi is actively implementing CSR activities such as creating innovative pharmaceuticals and developing specialized human resources so as to fulfill its corporate responsibility to the economy, society and the environment, and to earn the trust and understanding of society as a good corporate citizen.

Shionogi Charter of Conduct

As a company that contributes to the maintenance and improvement of the health of people around the world as well as their comfortable lives, Shionogi formulated the Charter of Conduct in the hope that our activities can benefit all stakeholders, including patients, shareholders and the general public, and lead to the growth of individual employees. All Shionogi employees pledge to act in the spirit of the Charter of Conduct, and senior management takes responsibility for serving as role models themselves and for rigorously ensuring the Charter of Conduct is understood. At the same time, we pledge to establish and refine effective internal systems for conforming with the Company’s rules.

1. Actions as a corporate citizen
   1. Compliance
   2. External relations
   3. Transactions and distribution
   4. Information management and disclosure
   5. Anti-social forces
   6. Environmental protection
   7. Social contribution activities

2. Actions as a pharmaceutical company
   1. Discovery of original and innovative pharmaceuticals and provision of affordable pharmaceuticals
   2. Drug development under proper procedures
   3. Strict compliance with pharmaceutical-related laws and regulations
   4. Stable supply of high-quality pharmaceuticals
   5. Promotion of proper use after manufacture and sale

3. Actions as Shionogi
   1. Raison d’être
   2. Trust from society
   3. Individual and organizational growth
   4. Respect for the individual and acceptance of diversity
   5. Tradition and transformation
   6. Fulfilling and satisfying workplace

(Established in April 1998. Revised in April 2012.)
In order to earn the trust of society, Shionogi is channeling all its efforts into ensuring the quality, safety and credibility of Shionogi-branded products. Pharmaceutical products impact directly on human lives, so we constantly pay careful attention to risk management, working to ensure strict quality control in all activities involving Shionogi products – not just manufacturing, but also areas such as raw material procurement, based on the Shionogi Group’s Procurement Policy. In accordance with the strict laws and regulations in Europe and the US, we also comply fully with inspections by regulatory authorities, employing a pharmaceutical quality management system to build, maintain, and improve our capacity to efficiently and consistently supply leading products worldwide.

In recent years, product quality, customer satisfaction and appropriate usage of medicines have become increasingly important issues for pharmaceutical manufacturers, while new regulations such as ICH-Q10\(^1\) have been developed globally, requiring even closer monitoring of drug manufacturing activities through the establishment of pharmaceutical quality systems and management review processes.

Based on its mission of supplying pharmaceutical products of reliable efficacy, safety, and quality, the Shionogi Group works to ensure patients around the world can use Shionogi products with peace of mind. To realize this goal, the Group complies with the Shionogi Product Policy and strictly adheres to the Pharmaceutical Affairs Law and all other regulations governing processes from R&D through to product launch (GxP\(^2\)), actively working to enhance the reputation of the Shionogi brand.

Going forward, the Shionogi Group will work to deliver a sustained increase in corporate value to earn even higher levels of trust from medical professionals and other stakeholders.

---

\(^1\) ICH-Q10 is a pharmaceutical quality system based on quality concepts developed by the International Organization for Standardization (ISO).

\(^2\) GxP is a general abbreviation for Good Practice Standards – namely, GLP (Good Laboratory Practice), GMP (Good Manufacturing Practice), GCP (Good Clinical Practice), GVP (Good Pharmacovigilance Practice) and GPSP (Good Post-marketing Study Practice).

---

**Shionogi Product Policy**

In order to provide the highest quality of medicine essential for protection of the health of people, the entire quality of activities relating to the products must be superior. To this end, Shionogi hereby establishes the Shionogi Product Policy and executes it.

**Pursuit of Product Quality**

In order to contribute to the enhancement of people's health and medical treatment, Shionogi continuously pursues globally acceptable and excellent product quality based on sound science, throughout the stages from research and development to manufacturing and sales.

**Customer Satisfaction**

Shionogi considers what is needed by customers such as patients and gives them reassurance by steadily supplying medicine that is reliable.

**Appropriate Use**

By providing accurate information, Shionogi promotes appropriate use of Shionogi products.

**To realize the above,**

**Assurance of Reliability**

Shionogi shall aim to provide superior products, always operate based on virtuous moral standards, and comply with laws and regulations. Shionogi shall reinforce risk management from a long-term viewpoint and assume the social accountability as a pharmaceutical corporation. Shionogi shall be supportive of environmental protection and promote activities friendly to the earth. Shionogi shall confirm that all operations related to the product are appropriate, and that the reliability of Shionogi products is assured.

**Management Resources**

Shionogi shall appropriately distribute management resources, and construct and maintain a system necessary for this purpose.

(Established in November 2010)
The Shionogi Group has started developing treatments for tuberculosis and malaria through the Global Health Innovative Technology (GHIT) Fund, aiming to play its part in improving healthcare and patient treatment in developing countries.

For Shionogi, a company that has focused on drug research in the infectious disease field for many years, this is a very important initiative to help save the lives of the many people who suffer from infections today. Roughly one-third of the world’s population has a latent tuberculosis infection, with 8.8 million new cases each year and 1.4 million associated deaths.

Amid limited progress worldwide in combating tuberculosis, we have also teamed up with the international non-profit Global Health Innovative Technology Fund (GHIT Fund) to start a screening program aimed at identifying promising candidates for effective tuberculosis treatments from our library of drug compounds.

Based on our strong partnership with the TB Alliance, we are leveraging the Group’s experience and strengths in the infectious disease field to deliver new drugs to tuberculosis patients as soon as possible. This is part of our wider mission as a pharmaceutical company to contribute to the health of people in developing countries and around the world.

The GHIT Fund is an international non-profit foundation dedicated to advancing the development of new medicines in Japan to control diseases that are endemic in developing countries, including HIV/AIDS, tuberculosis, malaria and neglected tropical diseases (NTDs).

Currently, there are over 1 billion people worldwide, mainly in developing countries, who are affected by diseases that can only be controlled with new drugs. The GHIT Fund was set up to utilize Japan’s expertise and unused medical technologies to create new drugs, vaccines and diagnostic agents more quickly and reliably, delivering them to people in real need, especially in developing countries where the diseases are endemic. Through these efforts, the fund also aims to stimulate innovation in Japan, helping the country to become one of the leader players in the global health field.

Investor Relations that Address Equity Market Needs

Shionogi was selected in third place in the pharmaceuticals category of the 2013 Awards for Excellence in Corporate Disclosure, which are presented by the Securities Analysts Association of Japan (SAAJ). The selection process is carried out by securities analysts, who examine the investor relations (IR) activities of listed companies. Corporate disclosure is assessed using a range of criteria, including the quality, quantity and timing of disclosures.

Shionogi was praised for its disclosure of useful information that meets the needs of shareholders and investors, and for its active IR program. The program includes results briefings involving senior managers who clearly explain the Group’s management strategies, individual IR meetings that provide further information, and specific briefings to explain developments in R&D and the HIV business. Building on this positive and objective feedback from securities analysts, who are familiar with companies in many sectors, the whole Group, including senior managers, will work to increase Shionogi’s corporate value by promoting even closer communication with shareholders and investors and by conducting IR activities that address the needs of the equity market.
We are cultivating an autonomous workforce through our Career Development Program, based on the belief that people are the source of the Company’s competitiveness.

Shionogi has introduced a human resources system that places great emphasis on producing results and behavior modification, with the aim of developing strong individuals and growing an organization that can compete globally. Our performance evaluation system is based on grading according to duties and remuneration that reflects wage rates. This promotes the development of our personnel while contributing to the achievement of organizational goals. In this way, we are encouraging all our employees to grow as individuals as they work towards achieving challenging targets.

Our basic stance on human resource development is that people are the source of the Company’s competitiveness. Guided by this thinking, we help employees to build their careers at Shionogi from the moment they join us until they retire through our Career Development Program.

Going forward, we will continue to focus on cultivating autonomous employees, seeking to develop personnel who can grow as individuals and contribute to the growth of the organization through their own behavior modification. This will mean harnessing the strengths of all our employees and emphasizing their individuality so that work is rewarding and motivating for them every day.

Promoting Work-Life Balance

Shionogi believes that achieving work-life balance is vital to realizing its Company Policy and is thus promoting work-life balance in connection with the various situations people face in life, such as raising children, caring for relatives and engaging in personal development. The policy states that in order to supply the best possible medicines, our employees can feel satisfied and fulfilled and find greater richness in their lives by meeting their responsibilities and enhancing their skills and qualities as a human being. In June 2013, Shionogi was granted “Kurumin” certification by the Ministry of Health, Labour and Welfare’s Osaka Labour Bureau under the Act on Advancement of Measures to Support Raising Next-Generation Children1. This certification, which recognizes Shionogi as a company that supports child raising, was awarded in light of our efforts to increase support for child raising based on the General Employer Action Plan.

Maintaining and Improving Employee Health Based on the Shionogi Health Declaration

Under the Company Policy of Shionogi, our purpose is “to strive constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve.” As part of our efforts to realize this goal, we have formulated the Shionogi Health Declaration, which states our overriding commitment to maintaining and improving the health of all our employees, as well as their families, who give them support. Specifically, we have teamed up with our health insurance association to provide a wider range of measures aimed at maintaining and promoting the health of our employees.

In terms of mental health initiatives, Shionogi has specialized physicians working as onsite industrial physicians and has established a counseling system that includes an outside employee assistance program (EAP)2. In these and other ways, the Company is implementing a comprehensive range of measures in line with the Japanese Ministry of Health, Labour and Welfare’s “four care policy”: self-care, managerial care, on-site industrial staff healthcare and external resource-based care.

1 This law sets out the roles of the state, local public agencies, companies and citizens in order to create healthy environments for raising future generations of children.

2 A program that provides support for employees’ mental health.

No. of Employees on Childcare Leave/ Shorter Working Hours for Childcare / Flexible Working Hours

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees on Childcare Leave</th>
<th>Shorter Working Hours for Childcare</th>
<th>Flexible Working Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>100</td>
<td>150</td>
<td>200</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Efforts to Preserve the Environment

In conducting its business activities, the Shionogi Group is aware that it has an important corporate social responsibility to give appropriate consideration to the global and local environments. To reduce the environmental impact of all our business activities, we have established Shionogi Group Environmental Protection Plan Targets in accordance with “The Shionogi Group’s Basic Environmental Policy.” We conduct a range of environmental preservation activities that give consideration to global environmental protection, resource protection and harmony with the natural environment.

Environmental Management System

Shionogi has acquired ISO 14001 certification for four business sites with a large environmental impact, namely manufacturing divisions and a research division. Shionogi Analysis Center Co., Ltd., a subsidiary that has operations at those business sites, has also secured ISO 14001 certification. In addition, Shionogi Pharma Chemicals Co., Ltd., a domestic manufacturing subsidiary, has secured this certification. We conduct internal environmental audits to confirm the status of environmental management systems, ensure compliance with environment-related laws and regulations and check whether environmental risk is being managed appropriately.

In fiscal 2013, in order to appropriately manage the environmental impact of our overseas manufacturing sites, we assigned an environmental manager and an environmental risk control manager at our Chinese pharmaceutical company, C&O Pharmaceutical Technology (Holdings) Limited (C&O), and worked to assess the company’s environmental impact.

Compliance with Environmental Laws and Regulations

Shionogi is required to comply with a wide range of environmental regulations covering areas such as industrial waste management, energy management, prevention of atmospheric and water pollution and the handling of chemical substances. All our business sites share information about revisions to these regulations and ensure compliance with them through training and manual-based procedures. In fiscal 2013, an internal investigation revealed that some waste fluid was handled without confirming whether it contained genetically modified organisms. In another case, the concentration of sodium azide in a reagent was not accurately verified. In both cases, we reported the incidents to the relevant authorities and reinforced our training and management systems to prevent further incidents.

C&O Nanking Plant

<table>
<thead>
<tr>
<th>Waste generated</th>
<th>CO₂ emissions</th>
<th>Water usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>288 tons</td>
<td>6,748 tons</td>
<td>161,000 tons</td>
</tr>
</tbody>
</table>

Benefits of upgrades to the plant’s energy supply facility:

- Overcome the issue of reduced electricity supplies from power companies
- Ensure stable supplies of energy due to special high-voltage transmission equipment that is highly reliable
- Achieve low-carbon society targets set by the Federation of Pharmaceutical Manufacturers’ Associations of Japan*
- Increase energy efficiency by 10%
- Eliminate the risk of prolonged power outages

Third-party Opinion

To improve the reliability and transparency of our environmental activity disclosures, we have asked experts at the Institute for Environmental Management Accounting (IEMA) to assess our environmental stance and environmental management status and to provide advice about future activities.

Professor Dr. Katsuhiko Kokubu
Dean of Graduate School of Business Administration, Kobe University and Director of IEMA

Eriko Nashioka
Representative Director of IEMA and Certified Public Accountant/Certified Tax Accountant

Kanegasaki Plant LNG supply facility
We are currently working to reduce the Group’s total environmental impact by implementing initiatives under Phase 4 of the Shionogi Group Environmental Protection Plan (fiscal 2011 to fiscal 2015). The results of activities in fiscal 2013 are as follows:

**Targets of Phase 4 of the Shionogi Group Environmental Protection Plan: Fiscal 2013 Results**

**01. Promote measures to conserve energy and counter global warming**
- Reduce CO₂ emissions by 23% compared with the fiscal 2005 benchmark year (fiscal 2020).
- Reduce the Basic Unit for Energy by an annual average of 1%.
- Promote the introduction of highly energy-efficient equipment and facilities.

**02. Strengthen conservation of resources and waste disposal measures**
- Reduce the amount of waste generated by 10% compared with the fiscal 2010 benchmark year (20% reduction by fiscal 2020).
- Promote zero emissions

**03. Strengthen management of chemical substances**
- Reduce atmospheric emissions of dichloromethane in the manufacture of active pharmaceutical ingredients (APIs) by 50% compared with the fiscal 2010 benchmark year.
- Control the use and atmospheric emission of chemical substances.
- Promote the proper treatment and management of polychlorinated biphenyls (PCBs).

**04. Promote understanding of biodiversity**
- Properly preserve and expand endangered plant species in the Company’s botanical gardens.
- Conduct education on biodiversity and related laws and regulations.

**05. Promote the introduction of low-emission vehicles**
- Use only hybrid or electric vehicles for cars lent to MRs (except in cold regions).

### Fiscal 2013 Environmental Protection Plan Targets and Results

<table>
<thead>
<tr>
<th>Measure</th>
<th>Targets</th>
<th>FY2010 Actual</th>
<th>FY2011 Actual</th>
<th>FY2012 Actual</th>
<th>FY2013 Actual</th>
<th>FY2015 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ emissions (tons)</td>
<td>Benchmark Fiscal Year Actual</td>
<td>95,629</td>
<td>94,553</td>
<td>89,155</td>
<td>83,927</td>
<td>73,693</td>
</tr>
<tr>
<td></td>
<td>FY2011 Target</td>
<td>90,201</td>
<td>94,553</td>
<td>89,155</td>
<td>83,927</td>
<td>73,693</td>
</tr>
<tr>
<td></td>
<td>FY2012 Target</td>
<td>90,201</td>
<td>94,553</td>
<td>89,155</td>
<td>83,927</td>
<td>73,693</td>
</tr>
<tr>
<td></td>
<td>FY2013 Target</td>
<td>88,999</td>
<td>94,553</td>
<td>89,155</td>
<td>83,927</td>
<td>73,693</td>
</tr>
<tr>
<td></td>
<td>FY2020 Target</td>
<td>88,999</td>
<td>94,553</td>
<td>89,155</td>
<td>83,927</td>
<td>73,693</td>
</tr>
</tbody>
</table>

### Conservation of resources and waste disposal measures

Building on efforts in the previous fiscal year, we worked to improve manufacturing processes, recover valuable materials from waste liquids and waste plastic, and reduce the volume of waste liquids and other materials through the application of the 3Rs: reduce, reuse and recycle. As a result, the volume of waste generated was reduced by 14% compared with the benchmark year and the landfill disposal rate improved to 1.4%.

### Management of chemical substances

At the Kanegasaki Plant, we took a number of steps to reduce atmospheric emissions of dichloromethane, such as introducing detection devices to prevent leaks and adjusting the desorption settings for adsorption recovery equipment. All PCB waste was treated in high-level waste facilities and supervisors were selected to appropriately manage low-level waste facilities.

### Biodiversity

We carried out appropriate management of endangered plant species at the Company's botanical gardens at the Aburahi Facilities. We also used visual training aids to raise awareness of biodiversity and conducted training at the research division about the Law Concerning the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms.

### Introduction of low-emission vehicles

Building on progress in the previous fiscal year, we continued to introduce hybrid vehicles. In fiscal 2013, hybrid vehicles accounted for 90.7% of all vehicles lent to MRs (excluding cold regions in Japan).