

Shionogi & Co., Ltd.

Ticker Code: 4507

Notice of Convocation of the 160th Annual General Meeting of Shareholders

● Date and time

Wednesday, June 18, 2025

10:00 a.m.(Reception begins at 9:00 am)

● Location

HERBIS HALL (HERBIS OSAKA B2F)

5-25, Umeda 2-chome, Kita-ku, Osaka 530-0001, Japan

● Items for resolution

No.1 Appropriation of Surplus

No.2 Amendments to Articles of Incorporation

No.3 Election of Six (6) Directors (Other Than Those Who Are Audit and Supervisory Committee Members)

No.4 Election of Five (5) Directors Who Are Audit and Supervisory Committee Members

No.5 Election of One (1) Substitute Director Who Is An Audit and Supervisory Committee Member

No.6 Setting of Amount of Remuneration for Directors (Other Than Those Who Are Audit and Supervisory Committee Members)

No.7 Setting of Amount of Remuneration for Directors Who Are Audit and Supervisory Committee Members

No.8 Determination of Remuneration for the Granting of Restricted Shares to Directors (Other Than Those Who Are Audit and Supervisory Committee Members and Outside Directors)



SHIONOGI



To Our Shareholders:

We would like to express our sincere gratitude for your continued and exceptional support of SHIONOGI. At SHIONOGI, we are guided by our Company Policy (SHIONOGI Group Heritage): “SHIONOGI strives constantly to supply the best possible medicine (healthcare solutions) to protect the health and wellbeing of the patients we serve.” Based on this policy, we are pursuing various initiatives to achieve our Vision for 2030: “Building Innovation Platforms to Shape the Future of Healthcare.”

One of the challenges we have faced in achieving sustainable growth beyond 2030 has been the expected decline in earnings around 2028 due to the patent expiration of oral medications in the HIV franchise (anti-HIV drugs), which are currently our core products. However, with the launch of a long-acting injectable formulation that addresses the strong needs of patients, we now expect to effectively overcome this issue. Accordingly, the focus going forward will shift to how we can drive our next phase of growth. We view FY2025 as a pivotal year in which we must clearly demonstrate both the direction of our growth and our ability to execute it.

In recent years, the environment surrounding the pharmaceutical industry has become increasingly challenging, driven by growing discussions in developed countries regarding drug price reductions. Despite these circumstances, SHIONOGI is committed to continuing its various efforts to remain a company that truly contributes to society by supplying the best possible medicine (healthcare solutions), for the benefit of all our stakeholders, including our supportive shareholders. As a prerequisite for this, we sincerely acknowledge the inappropriate provision of information regarding certain products that occurred during the current fiscal year. The entire company, including our executives, will reflect deeply on this matter, renew our sense of responsibility, and redouble our efforts to ensure thorough compliance. We humbly ask for your continued understanding and unwavering support as we move forward.

Representative Director, President and CEO

手代木 功

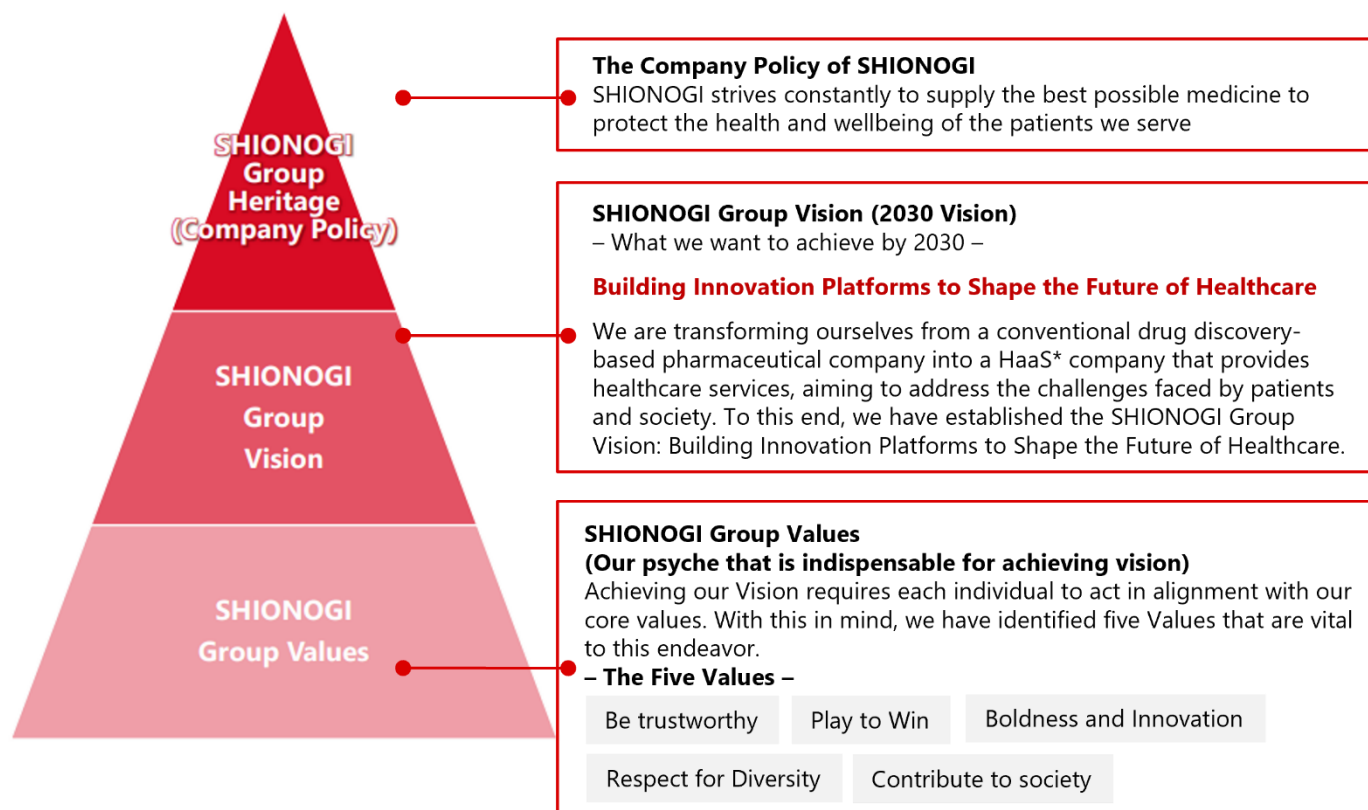
Financial Highlights

Record-high net sales and operating profit achieved for the third consecutive year

- | | |
|--|--|
| ◆ Net sales : ¥438.3 billion (YoY +0.7%) | ◆ Profit before tax : ¥200.8 billion (YoY +1.2%) |
| ◆ Operating profit : ¥156.6 billion (YoY +2.1%) | ◆ Profit attributable to : ¥170.4 billion (YoY +5.2%)
owners of the parent |

The statement at the beginning of the SHIONOGI Group Heritage, “SHIONOGI strives constantly to supply the best possible medicine (healthcare solutions) to protect the health and wellbeing of the patients we serve,” represents our unwavering purpose and the very reason for SHIONOGI's existence.

We are committed to accurately identifying increasingly advanced and diversified healthcare needs, and to meeting them with the best healthcare solutions that transcend the conventional boundaries of a pharmaceutical company.



*Healthcare as a Service (HaaS): Providing a wide range of healthcare services tailored to customer needs, rather than merely supplying pharmaceuticals

SHIONOGI will continue to grow alongside all of our stakeholders, while further strengthening our unique qualities through activities based on our management philosophy (Heritage / Vision / Values).

Corporate Governance

Basic Views on the SHIONOGI's Corporate Governance

In accordance with the Company Policy of SHIONOGI – the Group's management philosophy – we believe our social mission is not only to provide useful and safe medicines, but also to contribute to improving the health and healthcare for people around the world by providing various healthcare services that meet customer needs, thereby contributing to the realization of a high-quality life. Based on our firm belief that strict compliance and efforts to fulfill this social mission translate into greater corporate value, we aim to generate sustained growth and achieve increases in corporate value through constructive communication with stakeholders, supported by transparent and fair management that continuously implements measures to adapt to changes in the operating environment.

The SHIONOGI Group adopts the Company with a Board of Auditors structure and separates business management and business execution, where the Board of Directors is responsible for developing the Group's medium- to long-term plans and making management decisions in accordance therewith, while the Business Execution Framework, which is mainly composed of Corporate Officers, is responsible for business execution through quick and flexible decision-making. The Board of Auditors and the Accounting Auditor form the Audit Framework to oversee management and audit business execution. The Boards and the Frameworks form a structure in which they fulfill their respective roles and responsibilities from an independent standpoint.

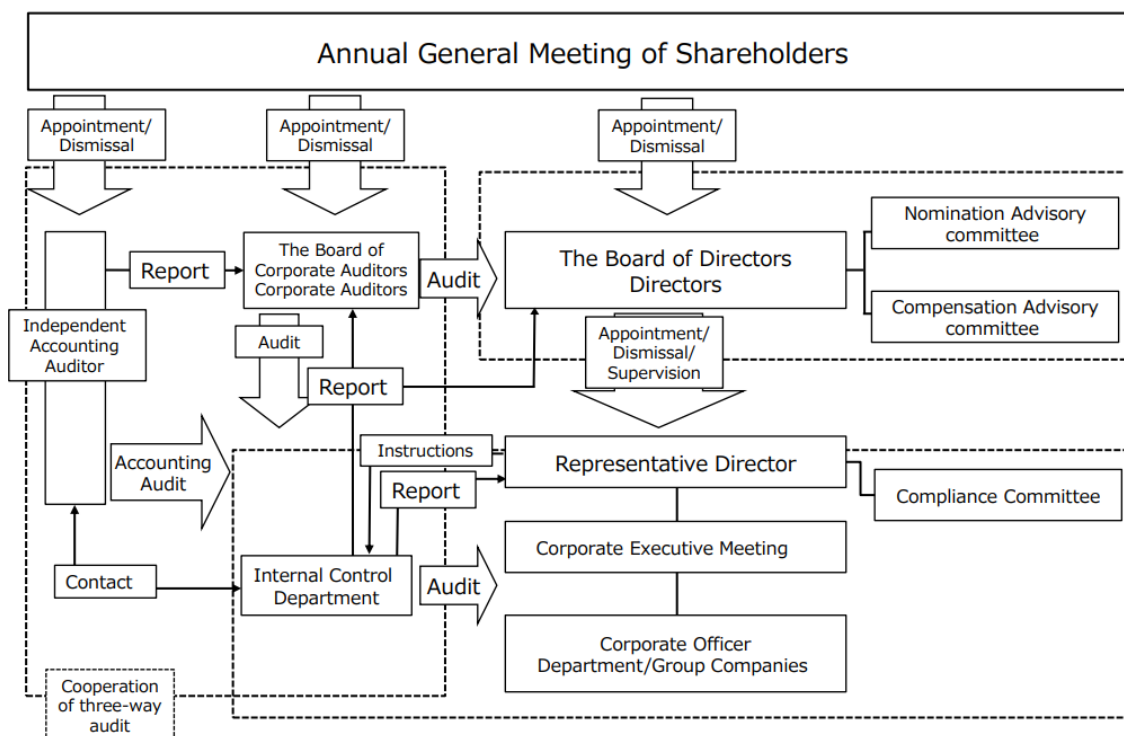
The Board of Directors consists of six members, including four Outside Directors, to further enhance management transparency and accountability to stakeholders. The Board of Directors is advised by the Nomination Advisory Committee and the Compensation Advisory Committee, both of which are chaired by Outside Directors, to provide an impartial and multi-faceted assessment of the aptitude of Directors, the impact of Directors on the management of the Company and the suitability of individuals for particular roles and their respective levels of remuneration.

To further ensure transparency and fairness, the Board of Auditors consists of five members, including three Outside Auditors, who attend important meetings such as the Board of Directors meetings and the Corporate Executive Meeting to audit the execution of duties by Directors.

The Company has introduced a Corporate Officer system to quickly reflect management's intentions in business execution, developed a flexible business execution framework that can respond immediately to changes in the environment and established the Corporate Executive Meeting, consisting of Directors, Standing Auditors, and business execution managers, as an organization to deliberate on business execution.

(As of March 31, 2025)

Corporate Governance System



Analysis and Self-Assessment of the Effectiveness of the Board of Directors

The Board of Directors analyzed and assessed its overall effectiveness in FY2024 by conducting questionnaires and interviews of individual Directors and Auditors, with a focus on (1) Framework, (3) Roles and Responsibilities and (6) Operation in “6. Directors and the Board” in the “Basic Views and Guidelines on Corporate Governance” set by the Company. The following is a summary of the results:

1. Framework

We assess that the Board of Directors currently has the necessary framework in place, such as the election of new foreign and female director candidates, from the standpoint of various attributes, including expertise and experience, and diversity. However, as a future challenge, the need to elect successor candidates and enhance the human resources pool to develop and select director candidates from the standpoint of diversity, including globalization responses and expertise, and succession was raised in light of the expansion and changes in the Company’s business.

The Board of Directors will continue to consider ways to further strengthen the framework, taking into account the future status and direction of business development.

2. Roles and Responsibilities

In terms of reporting and oversight of the status of senior management development, we recognize that significant progress has been made toward succession, including conducting a performance review of the President and creating and using successions sheets for Corporate Officers. The Board of Directors also monitored the development status by continuously providing reports at opinion exchange meetings with Outside Directors and the President and holding meetings between Corporate Officers and Associate Corporate Officers and Outside Directors. Matters related to compliance and risk management continued to be reported regularly to the Board of Directors, who provided opinions. Furthermore, matters related to sustainability and human capital were proposed and reported on multiple times, which were discussed and resolved at Board of Directors meetings.

As future challenges, the Board of Directors expressed its opinion that it should enhance discussions on medium- to long-term management strategies in light of the change in organizational design, and consider the direction of delegation authority and the distinction between matters to be resolved and matters to be reported at Board of Directors meetings.

The Board of Directors will continue to explore ways to improve its roles and responsibilities.

3. Operation

In order to further stimulate discussions at Board of Directors meetings, the Board of Directors has continued to provide periodic pre-briefings on the agendas of Board of Directors meetings and has reported on the progress of matters resolved at the meetings as appropriate. Off-site venues other than Board of Directors meetings were utilized to deepen discussions and enhance information sharing.

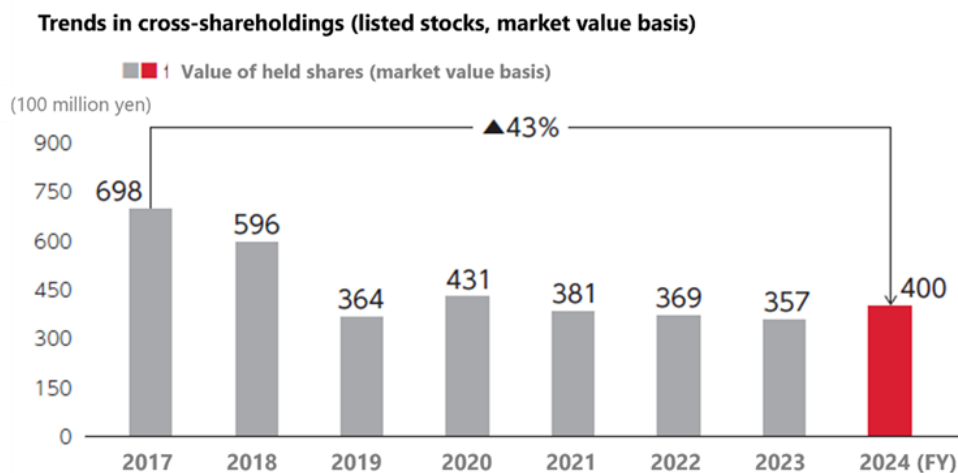
As a future challenge, the Board of Directors identified the need to consider opportunities to provide information to directors other than Audit and Supervisory Committee Members in light of the change in organizational design. Suggestions were made to consider how to brief the Board of Directors, to provide materials earlier and to use opportunities other than Board meetings to further enhance discussions.

The Board of Directors will continue to explore ways to improve its operation.

Cross-Shareholdings

Regarding cross-shareholdings, the Group only holds shares in companies where management judges that holding the shares will enhance the Group's corporate value and contribute to the sustainable growth of its business, in view of the relationship with the cost of capital. Otherwise, the Group sells the shares, taking into account the share price, market trends and other factors.

Since the end of FY2017, we have been reducing cross-shareholdings, resulting in a 43% decrease in the value of cross-shareholdings. Each year, the Board of Directors reviews individual cross-shareholdings to determine whether there is business rationale for continuing the holding.



To All Shareholders

May 27, 2025

(Started to post this notice in the electronic provision measure on May 20, 2025)

Notice of Convocation of the 160th Annual General Meeting of Shareholders

Dear shareholders, Thank you very much for your continued support.

Please be notified that our 160th Ordinary General Meeting of Shareholders will be held as follows.

As for convening the meeting, the Company takes an electronic provision measure and posts the matters subject to the electronic provision measure on the following Internet website as “Notice of Convocation of the 160th Annual General Meeting of Shareholders.”

[SHIONOGI’s website]

<https://www.shionogi.com/global/en/investors/shareholder-information/general-meeting-of-shareholders.html>



The matters are also posted on the following Internet website.

[Website of the Tokyo Stock Exchange]

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>



Please access the website above, enter and search the company name (Shionogi & Co., Ltd.) or stock code (4507), and select “Basic information,” followed by “Documents for public inspection/PR information” to view the information.

If you are unable to attend in person, you may exercise your voting rights via the Internet or with the enclosed proxy form. Please confirm the reference materials concerning the exercise of voting rights provided hereinafter and exercise your voting rights in accordance with the Procedures on Exercise of Voting Rights by 5:00 p.m., Tuesday, June 17, 2025.

Please note that we will perform a live streaming of the meeting so that shareholders can view it at home and other places. If you intend to watch the live streaming, please exercise your voting rights in writing or via the Internet, as it is not possible to exercise your voting rights on the live streaming website.

Yours faithfully,

Isao Teshirogi
Representative Director, President and CEO
Shionogi & Co., Ltd.
1-8, Doshomachi 3-chome, Chuo-ku, Osaka 541-0045, Japan

Annual General Meeting of Shareholders

- 1. Date and time** 10:00 a.m., Wednesday, June 18, 2025 (Reception begins at 9:00 am)
- 2. Location** HERBIS HALL (HERBIS OSAKA B2F)
5-25, Umeda 2-chome, Kita-ku, Osaka 530-0001, Japan
- 3. Agenda**
 - Items to report
 1. The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 160th Fiscal Term (commenced April 1, 2024 and ended March 31, 2025)
 2. The Audit Report of the Consolidated Financial Statements for the 160th Fiscal Term (year ended March 31, 2025) by the Accounting Auditor and the Board of Corporate Auditors
 - Items for resolution
 - Proposal No. 1 Appropriation of Surplus
 - Proposal No. 2 Amendments to Articles of Incorporation
 - Proposal No. 3 Election of Six (6) Directors (Other Than Those Who Are Audit and Supervisory Committee Members)
 - Proposal No. 4 Election of Five (5) Directors Who Are Audit and Supervisory Committee Members
 - Proposal No. 5 Election of One (1) Substitute Director Who Is An Audit and Supervisory Committee Member
 - Proposal No. 6 Setting of Amount of Remuneration for Directors (Other Than Those Who Are Audit and Supervisory Committee Members)
 - Proposal No. 7 Setting of Amount of Remuneration for Directors Who Are Audit and Supervisory Committee Members
 - Proposal No. 8 Determination of Remuneration for the Granting of Restricted Shares to Directors (Other Than Those Who Are Audit and Supervisory Committee Members and Outside Directors)

◎ If any revisions are made to the matters subject to the electronic provision measure, the revised contents will be posted on the websites where they are posted.

◎ The document delivered to shareholders also serves as the document in paper format in which the matters subject to the electronic provision measure are stated based on a request to deliver the document in a paper-based format. Note that the document does not include the following matters pursuant to the law and the provisions of Article 14 of the Company's Articles of Incorporation.

[Business Report] 1. Current State of the SHIONOGI Group, (1) Business Operations and Results, (5) Financial Strategy and Shareholder Return Policy, (6) Shareholder Returns for FY2024, (7) Challenges Ahead, (8) Overview of Operations, (9) Main Operations of the SHIONOGI Group, (10) Main Offices, Plants, and Laboratories of the SHIONOGI Group, (11) Employees, (12) Main Loans from Banks, 2. Stock Data, 3. Stock Acquisition Rights, 4. Board Members (3) Outside Board Members, 5. Independent Accounting Auditor, 6. Systems and Policies of the Company, 7. Other Material Matters

[Consolidated Financial Statements] Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements

[Non-Consolidated Financial Statements] Non-Consolidated Balance Sheets, Non-consolidated Statements of Income, Non-consolidated Statements of Changes in Net Assets, Notes to Non-Consolidated Financial Statements

[Audit Report] Audit Report of Independent Accounting Auditors relating to the Consolidated Financial Statements, Audit Report of Independent Accounting Auditors, Audit Report of the Board of Corporate Auditors

Therefore, the Business Report audited by the corporate auditors, and the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Accounting Auditor and the corporate auditors include the above matters stated in the document sent to shareholders and on each website.

How to Exercise Your Voting Rights

There are three ways to exercise your voting rights

Exercising your voting rights via the Internet



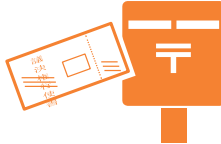
Enter your consent or refusal to the proposals on the designated website for exercising voting rights (as per the next page).

Voting deadline

Entry must be completed
by **5:00 p.m.**,
Tuesday,
June 17, 2025.

See the next page for the method of exercising voting rights using a smartphone.

Mailing the voting form



Indicate your consent or refusal to the proposals on the attached voting form and return it. If no indication of consent or dissent for a proposal is made in the voting form, the vote shall be treated as an intent of consent.

Voting deadline

The form must arrive
by **5:00 p.m.**,
Tuesday,
June 17, 2025.

Attending the General Meeting



Submit the attached voting form at the reception desk.

Date

The meeting will start
at **10:00 a.m.**,
Wednesday,
June 18, 2025.

Notice Regarding Handling of Voting Rights

- If you exercise your voting rights both in writing and through the Internet, we will only accept the exercise of your voting rights through the Internet.
- If you exercise your voting rights more than once through the Internet, we will only accept the last exercise of your voting rights as valid
- The internet access fee to providers and telecommunications carriers and other fees for the usage of the website for exercising voting rights shall be borne by the shareholder.

Procedures on Exercise of Voting Rights through the Internet, etc.

“Smart Voting” (voting by scanning the QR code)

You can log in to the voting service website without entering your voting rights exercise code and password.

- 1 Scan the QR code on the bottom right of the proxy form.



※QR code is a registered trademark of Denso Wave Inc.

- 2 Enter your consent or refusal according to the instructions on the screen.



You can exercise your voting rights only once by “Smart Voting.”

Note

For changing the content of exercise after exercising your voting right, log in by using your voting rights exercise code and password as indicated on the right and exercise your voting right again.

Voting by entering the voting code and password

Voting service website

<https://www.web54.net>



- 1 Access the voting service website.



Click “Proceed to the next step.”

- 2 Enter the “voting rights exercise code” indicated on the proxy form.



Enter the “voting rights exercise code.”

Click “Login.”

- 3 Enter the “password” indicated on the proxy form.



Enter the “password.”

Enter the new password that you will actually use.

Click “Register.”

- 4 Enter your consent or refusal according to the instructions on the screen.

* The above operation screens are for illustration purposes only.

If you have any questions about how to operate your computer, smartphone or mobile phone to exercise your voting rights through the Internet, please call the number on the right.



Sumitomo Mitsui Trust Bank, Limited,
Stock Transfer Agency Web Support Exclusive Line
Tel: 0120-652-031 (toll free)
(Operating hours: 9:00 a.m. – 9:00 p.m.)

To institutional investors

We participate in the “Electronic Voting System Platform” for institutional investors which is operated by ICJ, Inc.

Please view the livestream and submit your questions in advance.


As it is not possible to exercise your voting rights on the livestream website, please exercise your voting rights as soon as possible by referring to “How to Exercise Your Voting Rights” and “Procedures on Exercise of Voting Rights through the Internet, etc.” of this convocation notice.

Livestream through the Internet	Advance acceptance of questions
 <p>Date and time for livestream 10:00 a.m., Wednesday, June 18, 2025 to the ending time of the Annual General Meeting of Shareholders (Streaming will start at 9:30am)</p>	 <p>Period for acceptance of questions From 9:00 a.m., Wednesday, May 28, 2025 to noon Thursday, June 12, 2025</p>


Method of viewing the livestream and submitting questions in advance

- Access the website exclusively set for you
- Enter the “Shareholder code” indicated on the voting form in the “ID” field, and “Postal code” in the “Password” field.
- On the choice screen after log-in, press the button of “View the livestream” if you wish to view the livestream, and the button of “Advance questions” if you wish to raise questions in advance.
- Enter necessary items following the instructions given on the screen.


※ The operation screen is an image




Voting website exclusively for you
<https://4507.ksoukai.jp/>



The voting form





Livestream
button

Advance questions
button

Notes concerning viewing the livestream and advance questions

- We will accept up to **two advance questions per shareholder concerning the subject matters of this general meeting of shareholders**, and answer the questions in which many shareholders are highly interested at the meeting. Please understand in advance that we will not answer individual questions.
- The Company may not be able to livestream the meeting due to unavoidable circumstances. In such a case, a notice will be posted on the Company's website.
- **Only shareholders themselves** are allowed to view the livestream.
- **It is strictly prohibited to film, record, or save the livestream, or publish it on SNS or other media.**
- Please note that problems such as disturbance of video or audio or interruption of livestreaming may occur due to the Internet communication environment and other factors.
- You may not be able to view the livestream depending on your device or network environment.
- Any costs incurred in accessing the website for viewing the livestream (e.g. connection fees, communication fees) should be borne by the shareholder.

If you are not sure about your shareholder code (ID) or postal code (password), please contact the administrator of shareholder registry indicated on the right.

Sumitomo Mitsui Trust Bank, Limited

(Livestream desk for the shareholder's meeting)

Telephone: **0120 - 782 - 041** (Toll free)

(Open from 9:00 a.m. to 5:00 p.m.; except for Saturdays, Sundays and national holidays)

How to view the livestream of the meeting:
Please contact the service desk on the right if you have any questions.

V-cube, Inc.

Telephone: **03 - 6833 - 6262**

(Open from 9:00 a.m. to the end of the meeting on Wednesday, June 18)

REFERENCE MATERIALS CONCERNING THE EXERCISE OF VOTING RIGHTS

Proposals and Reference Matters

No. 1: Appropriation of Surplus

The Company's basic policy is to make aggressive investments in future business development to increase corporate value with a medium-to-long-term perspective along with the growth of its business and to steadily increase dividends.

To return profits to shareholders by steadily increasing the dividend amount in proportion to growth, the Company has made the DOE (Dividend on equity attributable to owners of the parent) ratio a performance indicator and set a target of 4.0% or higher as its policy for allocation of its business results.

Based on this policy, the Company proposes to appropriate retained earnings for the fiscal year ended March 31, 2025 as follows:

(1) Type of dividend assets

Cash

(2) Allocation of dividend assets to the shareholders and total amount of allocation

¥33 per share of common stock

Total amount of dividends: ¥28,369,684,794-

(3) Effective date of dividends

June 19, 2025

Including the interim dividend, cash dividends for the fiscal year ended March 31, 2025 totaled ¥61 per share, an increase of ¥8 per share compared with the previous fiscal year.

No. 2: Amendments to Articles of Incorporation

1. Reason for the Amendments

- (1) By becoming a company with an Audit and Supervisory Committee, we will further strengthen oversight over the Representative Director within the Board of Directors, and on that basis, establish a framework that enables the Board of Directors to determine and distinguish between proposals that should be left to the executive side and proposals that should be discussed by the Board of Directors, thereby enabling the Board to focus on discussing medium- to long-term company-wide strategies with an emphasis on maintaining a balance with each stakeholder and to delegate authority to expedite decision-making. The Audit and Supervisory Committee will use its authority and the internal auditing division to further strengthen the monitoring and oversight of the overall executive decision-making process. While ensuring diversity of skills, etc., we will develop a framework to facilitate the election of additional executive directors with knowledge and experience of SHIONOGI's business, while maintaining a Board of Directors with a majority of Outside Directors, with a view to promote globalization and business model transformation.
- (2) Accordingly, the necessary amendments will be made, including the establishment of new provisions regarding Audit and Supervisory Committee Members and the Audit and Supervisory Committee, the deletion of provisions regarding auditors and the Board of Auditors and the establishment of new provisions regarding changes in the number of Directors and the delegation of important business execution decisions.
- (3) Other necessary amendments, such as the addition, deletion or revision of necessary wording, and adjustments of the number of articles, will be made.

2. Details of the Amendments

Details of the amendments are as follows.

The amendments to the Articles of Incorporation in this proposal will become effective at the conclusion of this General Meeting.

(The amendments are underlined.)

Current Articles of Incorporation	Proposed Amendment
Chapter 1 General Provisions Articles 1 to 3 <Text omitted>	Chapter 1 General Provisions Articles 1 to 3 <Unchanged>
Article 4 (Organ) The Company shall have, in addition to the General Meeting of Shareholders and Directors, a Board of Directors, <u>Auditors, a Board of Auditors</u> and an Accounting Auditor.	Article 4 (Organ) The Company shall have, in addition to the General Meeting of Shareholders and Directors, a Board of Directors, <u>an Audit and Supervisory Committee</u> and an Accounting Auditor.
Article 5 <Text omitted>	Article 5 <Unchanged>
Chapter 2 Shares Articles 6 to 8 <Text omitted>	Chapter 2 Shares Articles 6 to 8 <Unchanged>
Article 9 (Shareholder Register Administrator) <Text omitted> 2 The shareholder register administrator and its handling office shall be appointed by a resolution of the Board of Directors and public notice shall be given with regard thereto. 3 The preparation and keeping of the shareholder register and the share option register of the Company, and other affairs related to the shareholder register and the share option register shall be delegated to the shareholder register administrator and shall not be handled by the Company.	Article 9 (Shareholder Register Administrator) <Unchanged> 2 The shareholder register administrator and its handling office shall be appointed by a resolution of the Board of Directors <u>or by decision of a Director delegated by resolution of the Board of Directors</u> , and public notice shall be given with regard thereto. 3 The preparation and keeping of the shareholder register and the share option register of the Company, and other affairs related to the shareholder register and the share option register shall be delegated to the shareholder register administrator and shall not be handled by the Company.
Article 10 (Rules for Handling Shares) The handling of shares of the Company and fees related thereto shall be governed by laws and regulations, these Articles of Incorporation, and the rules for handling shares established by the Board of Directors.	Article 10 (Rules for Handling Shares) The handling of shares of the Company and fees related thereto shall be governed by laws and regulations, these Articles of Incorporation, and the rules for handling shares established by the Board of Directors <u>or by decision of a Director delegated by resolution of the Board of Directors</u> .

Current Articles of Incorporation	Proposed Amendment
Chapter 3 General Meeting of Shareholders Articles 11 to 12 <Text omitted>	Chapter 3 General Meeting of Shareholders Articles 11 to 12 <Unchanged>
Article 13 (Convener and Chairperson of General Meeting of Shareholders) <Text omitted> 2 Should the President and CEO be unable to act, one of the other Directors shall <u>take the chair</u> in accordance with the order previously determined by the Board of Directors.	Article 13 (Convener and Chairperson of General Meeting of Shareholders) <Unchanged> 2 Should the President and CEO be unable to act, one of the other Directors shall <u>convene the General Meeting of Shareholders and take the chair</u> in accordance with the order previously determined by the Board of Directors.
Articles 14 to 16 <Text omitted>	Articles 14 to 16 <Unchanged>
Chapter 4 Directors and Board of Directors Article 17 (Number of Directors) The number of Directors of the Company shall be <u>three (3) or more and seven (7)</u> or less. <Newly established>	Chapter 4 Directors and Board of Directors Article 17 (Number of Directors) The number of Directors <u>(other than those who are Audit and Supervisory Committee Members)</u> of the Company shall be <u>eight (8)</u> or less. <u>2 The number of Directors of the Company who are Audit and Supervisory Committee Members shall be seven (7) or less.</u>
Article 18 (Election of Directors) The directors shall be elected at a General Meeting of Shareholders. 2 <Text omitted> 3 <Text omitted>	Article 18 (Election of Directors) The directors shall be elected at a General Meeting of Shareholders, <u>distinguishing between those who are Audit and Supervisory Committee Members and those who are not.</u> 2 <Unchanged> 3 <Unchanged>
Article 19 (Representative Directors and Directors with Special Titles) Representative Director(s) of the Company shall be elected by a resolution of the Board of Directors. 2 The Board of Directors may, upon its resolution, appoint one President and CEO, and if necessary, a Chairman of the Board and some other Directors with special titles.	Article 19 (Representative Directors and Directors with Special Titles) Representative Director(s) of the Company shall be elected by a resolution of the Board of Directors <u>from among the Directors (other than those who are Audit and Supervisory Committee Members).</u> 2 The Board of Directors may, upon its resolution, appoint one President and CEO <u>from among the Directors (other than those who are Audit and Supervisory Committee Members),</u> and if necessary, a Chairman of the Board and some other Directors with special titles.
Article 20 (Business Execution of Directors) <Text omitted> 2 If the President and CEO is unable to act, one of the other Directors <u>shall act on his/her behalf in accordance with the order previously determined by the Board of Directors.</u>	Article 20 (Business Execution of Directors) <Unchanged> 2 If the President and CEO is unable to act, one of the other Directors <u>(other than those who are Audit and Supervisory Committee Members), in accordance with the order previously determined by the Board of Directors, shall act on his/her behalf to carry out the resolutions of the Board of Directors and to supervise the Company's operation.</u>

Current Articles of Incorporation	Proposed Amendment
<p>Article 21 (Term of Office of Directors) The term of office of Directors shall expire at the closing of the Annual General Meeting of Shareholders for the fiscal year that ends within one (1) year from the time of their election.</p> <p><Newly established></p> <p><u>2</u> The term of office of a Director <u>who is elected to fill a vacancy or increase the number of Directors shall expire at the time when the term of office of the other currently serving Directors expires.</u></p> <p><Newly established></p> <p><Newly established></p>	<p>Article 21 (Term of Office of Directors) The term of office of Directors <u>(other than those who are Audit and Supervisory Committee Members)</u> shall expire at the closing of the Annual General Meeting of Shareholders for the fiscal year that ends within one (1) year from the time of their election.</p> <p><u>2 The term of office of Directors who are Audit and Supervisory Committee Members shall expire at the closing of the Annual General Meeting of Shareholders for the last fiscal year that ends within two (2) years from the time of their election.</u></p> <p><u>3 The term of office of a Director (other than a Director who is an Audit and Supervisory Committee Member) elected as substitute for a Director (other than a Director who is an Audit and Supervisory Committee Member) who resigned before the expiry of his/her term of office or to increase the number of Directors shall expire at the time when the term of office of the other currently serving Directors (other than those who are Audit and Supervisory Committee Members) expires.</u></p> <p><u>4 The term of office of a Director who is an Audit and Supervisory Committee Member elected as substitute for a Director who is an Audit and Supervisory Committee Member who resigned before the expiry of his/her term of office shall expire at the time when the term of office of the other currently serving Directors who are Audit and Supervisory Committee Members expires.</u></p> <p><u>5 The effective term of a resolution for the election of a Director who is a substitute Audit & Supervisory Committee Member elected pursuant to Article 329, paragraph (3) of the Companies Act shall expire at the beginning of the Annual General Meeting of Shareholders for the last fiscal year that ends within two (2) years from the time of his/her election, unless shortened by such resolution.</u></p>
<p>Article 22 (Remuneration, etc. for Directors) Remunerations, bonuses and other benefits received by Directors from the Company in consideration for their execution of duties (hereinafter referred to as “Remuneration, etc.”) shall be determined by a resolution of a General Meeting of Shareholders.</p>	<p>Article 22 (Remuneration, etc. for Directors) Remunerations, bonuses and other benefits received by Directors from the Company in consideration for their execution of duties (hereinafter referred to as “Remuneration, etc.”) shall be determined by a resolution of a General Meeting of Shareholders, <u>distinguishing between those who are Audit and Supervisory Committee Members and those who are not.</u></p>
<p>Article 23 (Notice of Convocation of the Board of Directors) Notices of convocation of a meeting of the Board of Directors shall be dispatched to each Director <u>and Auditor</u> three (3) days prior to the date set for the meeting; provided, however, that in case of emergency this period may be shortened.</p>	<p>Article 23 (Notice of Convocation of the Board of Directors) Notices of convocation of a meeting of the Board of Directors shall be dispatched to each Director three (3) days prior to the date set for the meeting; provided, however, that in case of emergency this period may be shortened.</p>
<p>Article 24 <Text omitted></p>	<p>Article 24 <Unchanged></p>
<p><Newly established></p>	<p><u>Article 25 (Delegation of Decisions of Execution of Operations to Directors)</u> <u>Pursuant to Article 399-13, paragraph (6) of the Companies Act, the Company may delegate decisions of execution of important operations (excluding matters set forth in items of Article 399-13, paragraph (5)) to Directors by a resolution of the Board of Directors.</u></p>
<p>Articles <u>25</u> to <u>26</u> <Text omitted></p>	<p>Articles <u>26</u> to <u>27</u> <Unchanged></p>

Current Articles of Incorporation	Proposed Amendment
Chapter 5 <u>Auditors and Board of Auditors</u> <u>Article 27 (Number of Auditors)</u> The number of Auditors of the Company shall be three (3) or more and seven (7) or less.	Chapter 5 <u>Audit and Supervisory Committee</u> <Deleted>
<u>Article 28 (Election of Auditors)</u> The Auditors shall be elected at a General Meeting of Shareholders. 2 A resolution to appoint an Auditor shall be made by a majority of the votes of the shareholders present at the meeting where the shareholders holding at least one-third (1/3) of the voting rights of the shareholders entitled to exercise their voting rights at such meeting are present.	<Deleted>
<u>Article 29 (Term of Office of Auditors)</u> The term of office of Auditors shall expire at the closing of the Annual General Meeting of Shareholders for the last fiscal year that ends within four (4) years from the time of their election. 2 The term of office of an Auditor elected as substitute for an Auditor who resigned before the expiry of his/her term of office shall expire at the time when the office term of the predecessor shall have expired.	<Deleted>
<u>Article 30 (Remuneration, etc. for Auditors)</u> Remuneration, etc. for the Auditors shall be determined at a General Meeting of Shareholders.	<Deleted>
<u>Article 31 (Notice of Convocation of the Board of Auditors)</u> Notices of convocation of a meeting of the Board of Auditors shall be dispatched to each Auditor three (3) days prior to the date set for the meeting; provided, however, that in case of emergency this period may be shortened.	<u>Article 28 (Notice of Convocation of the Audit and Supervisory Committee)</u> Notices of convocation of a meeting of the Audit and Supervisory Committee shall be dispatched to each Audit and Supervisory Committee Member three (3) days prior to the date set for the meeting; provided, however, that in case of emergency this period may be shortened.
<u>Article 32 (Limited Liability Contract with Auditors)</u> Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company may conclude a contract with Auditors to limit liability for damages caused by neglect of duties. However, the maximum amount of liability under the contract shall be the amount stipulated by laws and regulations.	<Deleted>
<u>Article 33 (Regulation of the Board of Auditors)</u> The issues related to the Board of Auditors shall be governed by laws and regulations, these Articles of Association, and the Regulation of the Board of Auditors established by the Board of Auditors.	<u>Article 29 (Regulation of the Audit and Supervisory Committee)</u> The issues related to the Audit and Supervisory Committee shall be governed by laws and regulations, these Articles of Association, and the Regulation of the Audit and Supervisory Committees established by the Audit and Supervisory Committee.
Chapter 6 Accounts Article 34 <Text omitted>	Chapter 6 Accounts Article 30 <Unchanged>
<u>Article 35 (Dividends of Surplus)</u> By a resolution of the General Meeting of Shareholders, year-end dividends may be paid to the shareholders or registered share pledgees listed or recorded in the final shareholder register on March 31 of each year. 2 In addition to the previous paragraph, the Company may, by a resolution of the Board of Directors, pay interim dividends to the shareholders or registered share pledgees listed or recorded in the final shareholder register on September 30 of each year.	<u>Article 31 (Dividends of Surplus)</u> By a resolution of the General Meeting of Shareholders, the Company may pay year-end dividends to the shareholders or registered share pledgees listed or recorded in the final shareholder register on March 31 of each year. 2 In addition to the previous paragraph, the Company may, by a resolution of the Board of Directors, pay interim dividends to the shareholders or registered share pledgees listed or recorded in the final shareholder register on September 30 of each year.
Article 36 <Text omitted>	Article 32 <Unchanged>















No. 3: Election of Six (6) Directors (Other Than Those Who Are Audit and Supervisory Committee Members)

The term of office of all six (6) Directors expires at the end of this Annual General Meeting of Shareholders. In addition, if Proposal No. 2, “Amendments to Articles of Incorporation,” is approved as originally proposed and becomes effective, the Company will become a company with an Audit and Supervisory Committee.

To further strengthen management, the Company proposes to elect six (6) Directors (other than those who are Audit and Supervisory Committee members). This proposal will become effective on condition that the amendments to the Articles of Incorporation pursuant to Proposal No. 2, “Amendments to Articles of Incorporation,” take effect.

Candidates for Director (other than those who are Audit and Supervisory Committee members) are deliberated fairly, transparently and rigorously by the Nomination Advisory Committee, which is chaired by an outside director, and decided by the Board of Directors after obtaining the recommendation of the Nomination Advisory Committee.

Candidates for Director are as follows:

Candidate No.	Name	Age		Position and responsibility within the Company	Number of years served as Director	Attendance at Board of Directors meetings
1	Isao Teshirogi	65		Representative Director, President and CEO	23 years	13/13 (100%)
2	Keiichi Ando	73	  	Director	9 years	13/13 (100%)
3	Hiroshi Ozaki	75	  	Director	6 years	13/13 (100%)
4	Takaoki Fujiwara	73	  	Director	2 years (5 years as Corporate Auditor)	13/13 (100%)
5	John Keller	60		Senior Executive Officer, Senior Vice President, R&D Supervisory Unit	-	-
6	Kyoko Hirose	66	  	-	-	-



Director candidate for reappointment



Director candidate for new appointment



Outside director candidate



Independent director registered with Tokyo Stock Exchange

* For the reason for nomination as director candidate, please refer to the career summary of each candidate. Please also refer to the notes for outside director candidates.

No.

1 Isao Teshirogi (December 12, 1959)

Reappointment



Number of years served as Director: 23 years (as at the closing of this Annual General Meeting of Shareholders)

Number of the Company's shares owned: 280,950 shares

Attendance at Board of Directors meetings: 13 / 13 (100%)

■ Career summary, position and responsibility within the Company

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 and CEO 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)

June 2025: Outside Director of Sumitomo Mitsui Financial Group, Inc. (scheduled)

■ Major concurrent posts

- Outside Director, Sumitomo Mitsui Banking Corporation
- Outside Director, AGC Inc.
- Outside Director, Japan Exchange Group, Inc.
- Outside Director, Sumitomo Mitsui Financial Group, Inc. (scheduled)

Reasons for nominating the candidate for Director

Isao Teshirogi became Representative Director and President in 2008. He has actively pushed forward with global research and development and expansion of global business to achieve the Third Medium-Term Business Plan and secured a medium- to long-term profit foundation. After achieving the quantitative targets of “Shionogi Growth Strategy 2020 (SGS2020),” formulated in FY2014, he updated the quantitative targets in October 2016 and also achieved these targets ahead of schedule. In 2020, he started a new Medium-Term Business Plan “Shionogi Transformation Strategy 2030 (STS2030),” that includes the Company’s vision toward 2030, “Building Innovation Platforms to Shape the Future of Healthcare.” As the path toward realizing the 2030 Vision has become clearer due to the plan’s initiatives, he re-established the plan in June 2023 as the “STS2030 Revision” and has vigorously moved forward the business transformation, including globalization and business models, with the aim of achieving further growth. We therefore recommend that you vote for his reelection as a director.

No.

2 Keiichi Ando

(November 5, 1951)

Reappointment

Outside Director

Independent Director



Number of years served as Director 9 years (as at the closing of this Annual General Meeting of Shareholders)

Number of the Company's shares owned 0 shares

Attendance at Board of Directors meetings: 13 / 13 (100%)

■ Career summary, position and responsibility within the Company

April 1976: Joined Sumitomo Bank Limited
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: 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, DAIHEN Corporation

Reasons for nominating the candidate for Outside Director

Keiichi Ando has practical experience as a corporate executive at a financial institution and broad insight on finance. He also coordinated the extremely difficult adjustments between the national government and the governments of Osaka Prefecture and Osaka City for the airport management business of Kansai, which was then at a crossroads, and his experience and insight built the foundation of Kansai Airports, which plays a leading role in the current Kansai economy. At the Company's Board of Directors meetings, he presents many questions and opinions and provides sound advice from the perspective of budget planning and management, capital policies, including investments, and risk management to ensure effective use of important management resources, while, as chair of the Board, taking into account the timeliness and appropriateness of the proposals. Thus, he recognizes the corporate responsibility we should fulfill and makes management decisions with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. We therefore recommend that you vote for his reelection as an outside director.

Notes

- Keiichi Ando is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.
- Keiichi Ando is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is reelected as outside director, he plans to continue as independent director.

3 Hiroshi Ozaki

(March 11, 1950)

Reappointment

Outside Director

Independent Director



Number of years served as Director 6 years (as at the closing of this Annual General Meeting of Shareholders)

Number of the Company's shares owned 0 shares

Attendance at Board of Directors meetings: 13 / 13 (100%)

■ Career summary, position and responsibility within the Company

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:	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, The Royal Hotel, Ltd.
- Outside Director, Hiroshima Gas Co., Ltd.

Reasons for nominating the candidate for Outside Director

Hiroshi Ozaki has abundant practical experience and wide-ranging knowledge in corporate management and organizational management as a manager of a company based in Kansai. He is also the former chairman of the Osaka Chamber of Commerce and Industry, and during his tenure promoted the economic growth of Osaka and Kansai based on the medium-term plan he developed, as well as focusing on promoting the life science industry. At the Company's Board of Directors meetings, he raises many pertinent questions and provides sound advice on business development, including new business investments and business alliances, and risk management, including IT. Accordingly, he makes management decisions with an emphasis on objectivity and neutrality based on his extensive experience and knowledge. We therefore recommend that you vote for his reelection as an outside director.

Notes

- Hiroshi Ozaki is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.
- Hiroshi Ozaki is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is elected as outside director, he plans to be an independent director.

No.

4 Takaoki Fujiwara (February 23, 1952)

Reappointment

Outside Director

Independent Director

Number of years served as Director 2 years (as at the closing of this Annual General Meeting of Shareholders)

Number of years served as Corporate Auditor 5 years

Number of the Company's shares owned 0 shares

Attendance at Board of Directors meetings: 13 / 13 (100%)

■ Career summary, position and responsibility within the Company



April 1975:	Joined Hanshin Electric Railway Co., Ltd.
June 2005:	Director, Hanshin Electric Railway Co., Ltd.
June 2007:	Managing Director, Hanshin Electric Railway Co., Ltd.
April 2011:	President and Representative Director, Hanshin Electric Railway Co., Ltd.
June 2011:	Director, Hankyu Hanshin Holdings, Inc.
April 2015:	Chairman and Representative Director, Hanshin Hotel Systems, Co., Ltd.
April 2017:	Chairman of the Board of Directors and Representative Director, Hanshin Electric Railway Co., Ltd.
June 2017:	Representative Director, Hankyu Hanshin Holdings, Inc.
June 2017:	Outside Director of Sanyo Electric Railway Co., Ltd.
December 2017:	Director, Hanshin Hotel Systems, Co., Ltd.
June 2018:	Outside Corporate Auditor of the Company
April 2023:	Advisor of Hanshin Electric Railway Co., Ltd. (incumbent)
June 2023:	Outside Director of the Company (incumbent)

Reasons for nominating the candidate for Outside Director

Takaoki Fujiwara has extensive practical experience and a wide range of knowledge as a manager of a group of companies engaged in urban transport, real estate and entertainment, mainly in the Kansai area. At the Company's Board of Directors meetings, he provides sound advice, mainly on human resource management, compliance and risk management. Accordingly, he makes decisions that emphasize objectivity and neutrality based on his extensive experience and knowledge. We therefore recommend that you vote for him reelection as an outside director.

Notes

- Takaoki Fujiwara is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.
- Takaoki Fujiwara is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is reelected as an outside director, she will continue to be registered as an independent director.

No.

5 John Keller
(December 14, 1964)

New appointment

Number of the Company's
shares owned 9,000 shares

■ Career summary, position and responsibility within the Company



July 2010:	Joined Shionogi Inc. (SI) Executive Vice President, Corporate Development and Strategy
April 2011:	President and Chief Executive Officer (CEO), SI
April 2013:	Corporate Officer of the Company and President and CEO of SI
April 2017:	Senior Executive Officer of the Company and President and CEO of SI
April 2018:	Senior Executive Officer and Senior Vice President, Global Business Division of the Company
July 2021:	Senior Executive Officer and Senior Vice President, Corporate Strategy Division of the Company
July 2022:	Senior Executive Officer and Senior Vice President, R&D Supervisory Unit of the Company (incumbent)

Reasons for nominating the candidate for Outside Director

John Keller has served as President and CEO of Shionogi Inc., a U.S. subsidiary of the Company, as well as Senior Vice President of the Global Business Division and Senior Vice President of the Corporate Strategy Division of the Company, and has been supervising R&D in general as Senior Vice President of the R&D Supervisory Unit since July 2022. With the aim of achieving our Medium-Term Business Plan, which was re-established as “Shionogi Transformation Strategy 2030 (STS2030) Revision” in June 2023, he has developed numerous pipelines and created new development candidates, as well as engaged in partnerships and licensing activities with research institutions and companies around the world and M&As. We therefore recommend that you vote for his election as a Director.

No.

6 Kyoko Hirose
(March 27, 1959)

Number of the Company's
shares owned

0 shares

New appointment

Outside Director

Independent Director



■ Career summary, position and responsibility within the Company

March 1982:	Joined Hirose Manufacturing Co., Ltd.
March 1983:	Director of Hirose Manufacturing Co., Ltd.
December 2001:	President of Hirose Manufacturing Co., Ltd. (incumbent)
November 2020:	Vice-Chair of the Osaka Chamber of Commerce and Industry (incumbent)
May2022:	Outside Director of Kintetsu Department Store Co., Ltd. (incumbent)
June2024:	Outside Director (Audit and Supervisory Committee Member) of Okumura Corporation (incumbent)

■ Major concurrent posts

- President, Hirose Manufacturing Co., Ltd.
- Outside Director, Kintetsu Department Store Co., Ltd.
- Outside Director (Audit and Supervisory Committee Member), Okumura Corporation

Reasons for nominating the candidate for Outside Director

Kyoko Hirose has abundant practical experience as a manager of a company that manufactures and sells key components of industrial sewing machines on a global scale. She also serves as Vice-Chair of the Osaka Chamber of Commerce and Industry and has wide-ranging knowledge as an economic expert, including in the areas of women's empowerment and diversity. Accordingly, we expect that she will make management decisions with an emphasis on objectivity and neutrality based on her extensive experience and knowledge. We therefore recommend that you vote for her election as an outside director.

Notes

- Kyoko Hirose is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.
- If this proposal is approved and Kyoko Hirose is elected as outside director, the Company plans to designate her as an independent director as defined in the regulations of the Tokyo Stock Exchange, Inc.

Notes:

1. There are no special interests between the candidates and the Company.
2. The Company has concluded contracts with Keiichi Ando, Hiroshi Ozaki and Takaoki Fujiwara that limit their liability stipulated in Section 1, Article 423 of the Companies Act based upon Section 1, Article 427 of the Companies Act and Article 25 of the Articles of Incorporation of the Company. In the event that the candidates are reelected as directors at this Annual General Meeting of Shareholders, the Company will continue to conclude such contracts with the candidates based on the provisions of Article 427, Paragraph 1 of the Companies Act and Article 26 of the Articles of Incorporation of the Company (after the amendment of the Articles of Incorporation pursuant to Proposal No. 2 "Amendments to Articles of Incorporation"). Furthermore, if Kyoko Hirose is elected, the Company plans to enter into the above contract that limits his liability with her.
3. The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company as stipulated in Section 1, Article 430-3 of the Companies Act. The insurance policy will cover compensation for damages, litigation costs and the like (except for exclusions set forth in the insurance policy) if compensation is claimed against a director or officer for damages arising from the execution of his/her duties during the insurance period. Each candidate will be included as an insured person under the insurance policy. The Company bears all premiums for the insurance policy.

No. 4: Election of Five (5) Directors Who Are Audit and Supervisory Committee Members












If Proposal No. 2, “Amendments to Articles of Incorporation,” is approved as originally proposed and becomes effective, the Company will become a company with an Audit and Supervisory Committee.


Accordingly, the Company proposes the election of five (5) Directors who are Audit and Supervisory Committee Members.


This proposal will become effective on condition that the amendments to the Articles of Incorporation pursuant to Proposal No. 2, “Amendments to Articles of Incorporation,” take effect.


In light of the purpose of Article 344-2, paragraph (1) of the Companies Act, the consent of the Board of Auditors has been obtained for this proposal in lieu of the consent of the Audit and Supervisory Committee provided for in said paragraph.

Candidates for Directors who are Audit and Supervisory Committee Members are as follows:

Candidate No.	Name	Age		Position and responsibility within the Company	Number of years served as Director	Attendance at Board of Directors meetings
1	Noriyuki Kishida	64		Standing Corporate Auditor	- (1year as Corporate Auditor)	11/11 (100%)
2	Koji Hanasaki	63		Senior Executive Officer	-	-
3	Shuichi Okuhara	57	  	Corporate Auditor	- (5years as Corporate Auditor)	13/13 (100%)
4	Fumi Takatsuki	49	  	Director	5 years	13/13 (100%)
5	Yoriko Goto	66	  	Corporate Auditor	- (2years as Corporate Auditor)	13/13 (100%)

 Director candidate for new appointment

 Outside director candidate

 Independent director registered with Tokyo Stock Exchange

* For the reason for nomination as director candidate, please refer to the career summary of each candidate. Please also refer to the notes for outside director candidates.

No.

1 Noriyuki Kishida

(August 3, 1960)

New appointment



Number of years served as Corporate Auditor 1 years (as at the closing of this Annual General Meeting of Shareholders)

Number of the Company's shares owned 22,317 shares

Attendance at Board of Directors meetings: 11 / 11 (100%)

Attendance at Board of Auditors meetings: 9 / 9 (100%)

■ Career summary, position and responsibility within the Company

April 1984:	Joined the Company
October 2004:	General Manager, Corporate Communications Office
April 2009:	General Manager, Corporate Communications Office and General Manager, Secretary Office
April 2011:	General Manager, Human Resources Department
April 2017:	Corporate Officer and General Manager of Human Resources and General Affairs Department
April 2020:	Senior Executive Officer and Senior Vice President of Administration Division
July 2021:	Senior Executive Officer, Senior Vice President of Administration Division and General Manager of Legal Affairs Department
July 2022:	Senior Executive Officer and Senior Vice President of Corporate Supervisory Unit
June 2024:	Standing Corporate Auditor of the Company (incumbent)

Reasons for nominating the candidate for Director who is an Audit and Supervisory Committee Member

Noriyuki Kishida has served as the head of administrative units, including the Corporate Communications Office, the Human Resources Department and the Administration Division, and is well-versed in corporate management and corporate governance. He has extensive experience and a wide range of knowledge in corporate management in general, including management strategies, through his track record in promoting internal reforms based on the management infrastructure strategy of the Medium-Term Business Plan “Shionogi Transformation Strategy 2030 (STS2030)” as Senior Vice President of the Corporate Supervisory Unit. Accordingly, we judge that he has the appropriate character and insight to perform the duties of a Director who is an Audit and Supervisory Committee Member and recommend that you vote for his election as a Director who is an Audit and Supervisory Committee Member.

No.
2 Koji Hanasaki
(December 9, 1961)

Number of the Company's
shares owned 39,978 shares

New appointment



■ Career summary, position and responsibility within the Company

April 1986:	Joined the Company
April 2009:	General Manager, Discovery Research Laboratories
April 2010:	Corporate Officer, Executive General Manager, Pharmaceutical Research Division
April 2015:	Corporate Officer, General Manager, Finance & Accounting Department
April 2017:	Senior Executive Officer, General Manager, Finance & Accounting Department
April 2018:	Senior Executive Officer, Senior Vice President, Corporate Strategy Division
July 2021:	Senior Executive Officer, Senior Vice President, Global Business Division
July 2022:	Senior Executive Officer, Senior Vice President, Supply Supervisory Unit
April 2025:	Senior Executive Officer (incumbent)

Reasons for nominating the candidate for Director who is an Audit and Supervisory Committee Member

Koji Hanasaki has served as the head of the Pharmaceutical Research Division, the Corporate Strategy Division and the Global Business Division, and is well-versed in R&D, corporate management and overseas businesses. He has extensive experience and a wide range of knowledge in management in general through his track record in supervising supply chain management, including the manufacturing and stable supply of pharmaceuticals, as Senior Vice President of the Supply Supervisory Unit. Accordingly, we judge that he has the appropriate character and insight to perform the duties of a Director who is an Audit and Supervisory Committee Member and recommend that you vote for his election as a Director who is an Audit and Supervisory Committee Member.

No.

3 Shuichi Okuhara (April 23, 1968)

New appointment

Outside Director

Independent Director

Number of years served as Corporate Auditor 5 years (as at the closing of this Annual General Meeting of Shareholders)

Number of the Company's shares owned 0 shares

Attendance at Board of Directors meetings: 13 / 13 (100%)

Attendance at Board of Auditors meetings: 11 / 11 (100%)



■ Career summary, position and responsibility within the Company

April 1994: Joined Andersen Consulting Co., Ltd. (now Accenture Japan Ltd.)
January 1998: Joined Nippon Venture Capital Co., Ltd.
June 2008: Director and Investment Manager of 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, Nippon Venture Capital Co., Ltd.

Reasons for nominating the candidate for Outside Director who is an Audit and Supervisory Committee Member

Shuichi Okuhara has extensive experience and a wide range of knowledge as a manager of a venture capital firm in a social environment that places importance on innovation through peer or cross-industrial partnerships. He also has professional expertise in finance and accounting as a certified public accountant and carries out audits suitable for the continually changing business environment. At the Board of Directors and Board of Auditors meetings, he provides sound advice, mainly on the healthcare industry in general, including investments and digital technologies. Accordingly, we expect that he will reflect the appropriateness of Directors' management decisions and their execution of duties in the Company's audits from an independent standpoint as an Outside Director, and recommend that you vote for his election as an Outside Director who is an Audit and Supervisory Committee Member.

Notes

- Shuichi Okuhara is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.
- Shuichi Okuhara is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is reelected as an outside director, he will continue to be registered as an independent director.

No.

4 Fumi Takatsuki
(June 24, 1975)

New appointment

Outside Director

Independent Director



Number of years served as Director 5 years (as at the closing of this Annual General Meeting of Shareholders)
Number of the Company's shares owned 0 shares
Attendance at Board of Directors meetings: 13 / 13 (100%)

■ Career summary, position and responsibility within the Company

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, Sankyo Seiko Co., Ltd.
- Outside Corporate Auditor, Daikin Industries, Inc.

Reasons for nominating the candidate for Outside Director who is an Audit and Supervisory Committee Member

Fumi Takatsuki has extensive experience and professional insight from her position as an attorney in international corporate law and in legal response relating to the Chinese life science and healthcare industry. Although she has not been involved in company management in any capacity other than as an outside director in the past, at the Company's Board of Directors meetings, she presents questions particularly concerning business expansion in Asia, including China, from an international corporate legal perspective, as well as providing sound advice on compliance. She makes fair management decisions from a global perspective, giving priority to legal compliance and social norms. Accordingly, we expect that she will reflect the appropriateness of Directors' management decisions and their execution of duties in the Company's audits from an independent standpoint as an Outside Director, and recommend that you vote for her election as an Outside Director who is an Audit and Supervisory Committee Member.

Notes

- Fumi Takatsuki is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.
- Fumi Takatsuki is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is reelected as an outside director, she will continue to be registered as an independent director.
- The Company has paid attorney fees to Oh-Ebashi LPC & Partners, where she is a partner, for certain specific cases involving international corporate legal affairs, an area in which this law firm has expertise. However, that compensation amounts to less than 2% of the total fees received by Oh-Ebashi LPC & Partners, and the Company has no advisory contract or other ongoing contractual relationship with Oh-Ebashi LPC & Partners.

No.

5 Yoriko Goto
(November 11, 1958)

New appointment

Outside Director

Independent Director



Number of years served as Corporate Auditor 2 years (as at the closing of this Annual General Meeting of Shareholders)

Number of the Company's shares owned 0 shares

Attendance at Board of Directors meetings: 13 / 13 (100%)

Attendance at Board of Auditors meetings: 11 / 11 (100%)

■ Career summary, position and responsibility within the Company

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)
June 2025: Outside Director of Sumitomo Mitsui Financial Group, Inc. (scheduled)
June 2025: Outside Director of Sony Group Corporation (scheduled)

■ Major concurrent posts

- Outside Director (Member of the Audit and Supervisory Committee), Sumitomo Mitsui Banking Corporation
- Outside Director, Sumitomo Mitsui Financial Group, Inc. (scheduled)
- Outside Director, Sony Group Corporation (scheduled)

Reasons for nominating the candidate for Outside Director who is an Audit and Supervisory Committee Member

Yoriko Goto has professional expertise in finance and accounting as a certified public accountant and extensive management experience and broad insight through her service as Chairperson of the Board of Deloitte Tohmatsu Group and Deloitte Touche Tohmatsu LLC, among others. She also audits the Company from a financial, accounting and management perspective, and provides sound advice at the meetings of Board of Directors and Board of Auditors, mainly regarding overseas business development, M&A, fund management and compliance. Accordingly, we expect that she will reflect the appropriateness of Directors' management decisions and their execution of duties in the Company's audits from an independent standpoint as an Outside Director, and recommend that you vote for her election as an Outside Director who is an Audit and Supervisory Committee Member.

Notes

- Yoriko Goto is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.
- Yoriko Goto is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange, Inc. If this proposal is approved and she is reelected as outside auditor, the Company plans to continue to designate her as an independent director.

Notes:

1. There are no special interests between the candidates and the Company.
2. The Company has concluded contracts with Noriyuki Kishida, Shuichi Okuhara and Yoriko Goto that limit their liability stipulated in Section 1, Article 423 of the Companies Act based upon Section 1, Article 427 of the Companies Act and Article 32 of the Articles of Incorporation of the Company. The limited amount provided in the contract is the minimum liability limit amount stipulated in Section 1, Article 425 of the Companies Act. In the event that the candidates are reelected as directors at this Annual General Meeting of Shareholders, the Company will continue to conclude such contracts with the candidates based on the provisions of Article 427, Paragraph 1 of the Companies Act and Article 26 of the Articles of Incorporation of the Company (after the amendment of the Articles of Incorporation pursuant to Proposal No. 2 "Amendments to Articles of Incorporation"). Furthermore, if Koji Hanasaki is elected, the Company plans to enter into the above contract that limits his liability with him.
3. The Company has concluded a contract with Fumi Takatsuki that limits her liability stipulated in Article 423, paragraph (1) of the Companies Act based upon Article 427, paragraph (1) of the Companies Act and Article 25 of the Articles of Incorporation of the Company. The maximum amount of compensation under the contract is the minimum liability amount stipulated in Article 425, paragraph (1) of the Companies Act. In the event Fumi Takatsuki is elected, the Company will continue the above limited liability contract with her.
4. The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company as stipulated in Section 1, Article 430-3 of the Companies Act. The insurance policy will cover compensation for damages, litigation costs and the like (except for exclusions set forth in the insurance policy) if compensation is claimed against a director or officer for damages arising from the execution of his/her duties during the insurance period. The candidate will be included as an insured person under the insurance policy. The Company bears all premiums for the insurance policy.

No. 5: Election of One (1) Substitute Director Who Is an Audit and Supervisory Committee Member

If Proposal No. 2, “Amendments to Articles of Incorporation,” is approved as originally proposed and becomes effective, the Company will become a company with an Audit and Supervisory Committee.

Accordingly, in preparation for a shortage in the number of Directors who are Audit and Supervisory Committee Members as provided for in laws and regulations, the Company proposes the election of one (1) substitute Director who is an Audit and Supervisory Committee Member in accordance with Article 329, paragraph (3) of the Companies Act.

This proposal will become effective on condition that the amendments to the Articles of Incorporation pursuant to Proposal No. 2, “Amendments to Articles of Incorporation,” take effect.

The election pursuant to this proposal shall be effective until the beginning of the Annual General Meeting of Shareholders for the last fiscal year that ends within two (2) years from this resolution.

In light of the purpose of Article 344-2, paragraph (1) of the Companies Act, the consent of the Board of Auditors has been obtained for this proposal in lieu of the consent of the Audit and Supervisory Committee provided for in said paragraph.

The candidate for the substitute Director who is an Audit and Supervisory Committee Member is as follows:

Name	Age		Position and responsibility within the Company	Number of years served as Director	Attendance at Board of Directors meetings
Kyoko Hirose	66	Outside Director Independent Director	-	-	-

Reasons for nominating the candidate for Substitute Outside Director who is an Audit and Supervisory Committee Member

Kyoko Hirose has abundant practical experience as a manager of a company that manufactures and sells key components of industrial sewing machines on a global scale. She also serves as Vice-Chair of the Osaka Chamber of Commerce and Industry and has wide-ranging knowledge as an economic expert, including in the areas of women’s empowerment and diversity. Accordingly, we expect that she will make management decisions with an emphasis on objectivity and neutrality based on her extensive experience and knowledge. We therefore recommend that you vote for her election as a substitute Outside Director who is an Audit and Supervisory Committee Member.

Notes

- Kyoko Hirose is a candidate for outside director (other than a director who is an Audit and Supervisory Committee Member). If Proposal No. 3, “Election of Six (6) Directors (Other Than Those Who Are Audit and Supervisory Committee Members),” is approved as originally proposed, Kyoko Hirose will be appointed as a Director other than an Audit and Supervisory Committee Member. However, if the number of Directors who are Audit and Supervisory Committee Members falls short of the number stipulated by law, she will resign from the position of Director other than an Audit and Supervisory Committee Member and will assume the position of Director who is an Audit and Supervisory Committee Member.
- The election of Kyoko Hirose as a substitute Director who is an Audit and Supervisory Committee Member may be revoked by a resolution of the Board of Directors with the consent of the Audit and Supervisory Committee only prior to her assumption of office.
- For Kyoko Hirose’s career summary, etc., please also refer to the description of Proposal No. 3. The registration as an independent director, the limited liability contract and D&O insurance will be the same if she is appointed as a Director who is an Audit and Supervisory Committee Member.

No. 6 : Setting of Amount of Remuneration for Directors (Other Than Those Who Are Audit and Supervisory Committee Members)

If Proposal No. 2, “Amendments to Articles of Incorporation,” is approved as originally proposed and becomes effective, the Company will become a company with an Audit and Supervisory Committee.

The amount of remuneration for Directors of the Company was approved at the 153rd Annual General Meeting of Shareholders held on June 20, 2018 at an annual amount not exceeding 750 million yen (not including the portion of employee salary of Directors who concurrently serve as employees), and remains unchanged. However, due to the transition to a company with an Audit and Supervisory Committee, the Company proposes to abolish this amount and set the new amount of remuneration for Directors (other than those who are Audit and Supervisory Committee Members) at an annual amount not exceeding 2,000 million yen (not including the portion of employee salary for Directors who concurrently serve as employees).

The outline of the Company’s “Policy for Determination of Details of Individual Remuneration, etc. for Directors” is as described in “4. Board Members” of the Business Report in this notice of convocation. If this proposal is approved, the Company’s Board of Directors plans to make necessary revisions to the “Policy for Determination of Details of Individual Remuneration, etc. for Directors” in light of the transition to a company with an Audit and Supervisory Committee and the details of this proposal, while maintaining substantially the same details.

The Company believes that the details of this proposal are reasonable as they have been determined by the Board of Directors in consideration of various factors for each Director (including Outside Directors), including the number of Directors (other than those who are Audit and Supervisory Committee Members) as set forth in the Articles of Incorporation, the expansion of the responsibilities of Directors (other than those who are Audit and Supervisory Committee Members) and recent changes in economic conditions, including an increase in the general level of remuneration for directors, and as they are consistent with the aforementioned “Policy for Determination of Details of Individual Remuneration, etc. for Directors.”

Currently, there are six Directors (including four Outside Directors). If Proposals No. 2, “Amendments to Articles of Incorporation,” and No. 3, “Election of Six (6) Directors (Other Than Those Who Are Audit and Supervisory Committee Members),” are approved as originally proposed, the number of Directors (other than those who are Audit and Supervisory Committee Members) will be six (including four Outside Directors).

This proposal will become effective on condition that the amendments to the Articles of Incorporation in Proposal No. 2 take effect.

No. 7: Setting of Amount of Remuneration for Directors Who Are Audit and Supervisory Committee Members

If Proposal No. 2, “Amendments to Articles of Incorporation,” is approved as originally proposed, the Company will become a company with an Audit and Supervisory Committee at the closing of this General Meeting.

Accordingly, the Company proposes to set the amount of remuneration for Directors who are Audit and Supervisory Committee Members at an annual amount not exceeding 750 million yen.

The Company believes that the details of this proposal are reasonable as they have been determined by the Board of Directors in consideration of various factors, including the responsibilities of Directors who are Audit and Supervisory Committee Members and recent changes in economic conditions.

If Proposals No. 2, “Amendments to Articles of Incorporation,” and No. 4, “Election of Five (5) Directors Who Are Audit and Supervisory Committee Members” are approved as originally proposed, the number of Directors who are Audit and Supervisory Committee Members will be five (including three Outside Directors).

This proposal will become effective on condition that the amendments to the Articles of Incorporation in Proposal No. 2 take effect.

No. 8: Determination of Remuneration for the Granting of Restricted Shares to Directors (Other Than Those Who Are Audit and Supervisory Committee Members and Outside Directors)

At the 153rd Annual General Meeting of Shareholders held on June 20, 2018, the payment of remuneration for the granting of restricted shares (hereinafter, the “Plan”) to the Company’s Directors other than Outside Directors (hereinafter, the “Eligible Directors”) was approved and remains unchanged, with the aim of further increasing the link with the Company’s medium- to long-term business performance, providing incentives for the continuous improvement of the Company’s corporate value and further sharing value with shareholders.

The total number of shares of the Company’s common stock to be issued or disposed of to the Eligible Directors under the Plan based on a resolution of the Board of Directors of the Company is limited to a maximum of 75,000 shares per year for long-term stock-based compensation and medium-term performance-linked stock-based compensation combined. The total amount of monetary compensation claims to be paid under the Plan is limited to a maximum of 750 million yen per year (not including the portion of employee salary of Directors who concurrently serve as employees), together with other compensation for Directors.

As the Company has conducted a 3-for-1 split of its common stock with a record date of September 30, 2024, and as it will become a company with an Audit and Supervisory Committee at the closing of this General Meeting if Proposal No. 2, “Amendments to Articles of Incorporation,” is approved as originally proposed and becomes effective, the “Eligible Directors” will be Directors other than those who are Audit and Supervisory Committee Members or Outside Directors, and the total number of shares of the Company’s common stock to be issued or disposed of will be no more than 250,000 shares per year, taking into account the stock split and the expansion of Directors’ responsibilities in the sustainable enhancement of corporate value going forward.

However, if, after the date of approval of this proposal, there is a stock split (including an allotment of the Company’s common stock without contribution) or a reverse stock split of the Company’s common stock is conducted, or any other event that requires an adjustment to the total number of shares of the Company’s common stock to be issued or disposed of as restricted shares, such total number will be adjusted to a reasonable extent. The total amount of monetary compensation claims to be paid to the Eligible Directors for the granting of restricted shares under the Plan will be an annual amount not exceeding 2,000 million yen (not including the portion of employee salary of Directors who concurrently serve as employees), together with other remuneration to Directors, on condition that Proposal No. 6, “Setting of Amount of Remuneration for Directors (Other Than Those Who Are Audit and Supervisory Committee Members),” is approved as originally proposed.

Other than the revisions regarding these matters, the plan will be the same as the Plan resolved at the 153rd Annual General Meeting of Shareholders held on June 20, 2018. Matters pertaining to the holding period, treatment upon retirement, lifting of restrictions and treatment in the event of a reorganization, etc., under the Plan are as described below.

The Company believes that the details of this proposal are reasonable as they have been determined by the Board of Directors in consideration of the expansion of the responsibilities of Directors (other than those who are Audit and Supervisory Committee Members and Outside Directors) in the sustainable enhancement of corporate value going forward, and as they are consistent with the “Policy for Determination of Details of Individual Remuneration, etc. for Directors.”

Currently, there are two Directors (excluding Outside Directors). If Proposals No. 2, “Amendments to Articles of Incorporation,” and No. 3, “Election of Six (6) Directors (Other Than Those Who Are Audit and Supervisory Committee Members),” are approved as originally proposed, the number of Directors (other than those who are Audit and Supervisory Committee Members) will be two.

This proposal will become effective on condition that the amendments to the Articles of Incorporation in Proposal No. 2 take effect.

(1) Holding period

The Eligible Directors may not transfer, grant a security interest in, or otherwise dispose of the shares of the Company’s common stock allotted under the allotment agreement (hereinafter, the “Allotted Shares”) for a period of three to thirty years from the date of allotment under the allotment agreement (hereinafter, the “Holding Period”) (hereinafter, the “Restrictions”).

(2) Treatment upon retirement

If an Eligible Director resigns before the end of the Holding Period from any of the position as a Director or Corporate Officer of the Company not concurrently serving as Director, the Company shall naturally acquire the Allotted Shares without consideration, unless there is a justifiable reason for such resignation, such as the expiry of the term of office or death.

(3) Lifting of holding restrictions

In the case of long-term stock-based compensation, the Company shall lift the Restrictions on all of the Allotted Shares upon the expiry of the Holding Period on condition that the Eligible Director has continuously held the position stipulated in (2) above during the Holding Period.












In the case of medium-term performance-linked stock-based compensation, in addition to the condition mentioned above, the Company shall lift the Restrictions upon the expiry of the Holding Period for the number of Allotted Shares in accordance with the quantitative targets set forth in the Company's medium-term business plan, such as return on equity (ROE), and the achievement of other performance targets established in advance by the Board of Directors of the Company.

However, if the Eligible Director resigns from the position stipulated in (2) above before the expiry of the Holding Period due to a justifiable reason, such as the expiry of the term of office or death, the number of Allotted Shares to be lifted from the Restrictions and the timing of the lifting of Restrictions shall be reasonably adjusted as necessary. In addition, the Company shall naturally acquire the Allotted Shares for which the Restrictions have not been lifted as of the time immediately following the lifting of the Restrictions.

(4) Treatment in the event of a reorganization, etc

Notwithstanding the provisions of (1) above, if, during the Holding Period, a merger agreement pursuant to which the Company becomes the merged company, a share exchange agreement or share transfer plan pursuant to which the Company becomes a wholly-owned subsidiary or other matters relating to reorganization, etc. are approved at the Company's General Meeting of Shareholders (or the Company's Board of Directors meeting, if such reorganization, etc. does not require approval at a General Meeting of Shareholders), the Restrictions will be lifted prior to the effective date of such reorganization, etc. for the number of Allotted Shares reasonably adjusted based on the period from the commencement date of the Holding Period until the approval date of such reorganization, etc. and the expected achievement of performance targets as of such time by resolution of the Company's Board of Directors. In addition, in cases stipulated above, the Company shall naturally acquire the Allotted Shares for which the Restrictions have not been lifted as of the time immediately following the lifting of the Restrictions.

[Reference] Expected Skill Matrix for after Conclusion of General Meeting of Shareholders

	Name	Age	Position and responsibility within the Company	Number of years served	Board of Directors	Nomination Advisory Committee	Compensation Advisory Committee	Audit and Supervisory Committee
	Isao Teshirogi	65	Representative Director President and CEO	23	●	●	●	
	John Keller	60	Director Senior Executive Officer, Senior Vice President, R&D Supervisory Unit	—	●			
	Keiichi Ando	73	Outside Director	9	◎	●	●	
	Hiroshi Ozaki	75	Outside Director	6	●	●	◎	
	Takaoki Fujiwara	73	Outside Director	2 (5 years as Corporate Auditor)	●	◎	●	
	Kyoko Hirose	66	Outside Director	—	●	●	●	
	Noriyuki Kishida	64	Director Standing Audit and Supervisory Committee Members	— (1 year as Corporate Auditor)	●	●		●
	Koji Hanasaki	63	Director Standing Audit and Supervisory Committee Members	—	●		●	●
	Shuichi Okuhara	57	Outside Director Audit and Supervisory Committee Members	— (5 years as Corporate Auditor)	●			●
	Fumi Takatsuki	49	Outside Director Audit and Supervisory Committee Members	5	●			●
	Yoriko Goto	66	Outside Director Audit and Supervisory Committee Members	— (2 years as Corporate Auditor)	●	●	●	◎

●Participating member ◎Chair

Corporate Management/ Management Strategy	Finance/ Accounting/ Tax Affairs	Personnel & Labor/Human Resources Development/ D&I	Science/ Technology/ Innovation	Production/ Quality/ Supply Chains	Sales/ Marketing	DX promotion	Legal Affairs/ Risk Management
●			●	●			●
●			●		●		
●	●	●					●
●			●	●		●	
●		●			●		
●		●		●			
		●			●		●
	●		●	●			
●	●		●			●	
		●					●
●	●						●

Note: This table shows the areas in which each officer has more specialized skills expected by the SHIONOGI Group, based on each officer’s career history, etc., and does not show all the skills that each individual possesses. Some of the skills that were previously displayed have been consolidated and renamed, and some displays have been omitted, but the importance of each of the skill requirements to our business management has not changed.

The Requirements and Independence Standards

Requirements

1. Outside directors shall have outstanding insights and capabilities based on experience and specialized knowledge in management, and shall be able to exercise them.
2. Outside directors shall recognize their roles, and shall take every opportunity to provide candid opinions and advice to the Company's management.
3. Outside directors shall have a character that facilitates credible working relationships with the Company's management as well as stakeholders.
4. Outside directors shall not act contrary to the interests of shareholders and shall not be interested parties with the Company.

Independence Standards

1. Outside directors shall not be a major shareholder of the SHIONOGI Group (a shareholder who holds 10% or more of the total outstanding shares of the Group or who is one of the Group's top five shareholders), or, if such major shareholder is a corporation or organization, the outside directors and corporate auditors shall not be a director, corporate auditor, executive officer or employee of such corporation or organization.
2. Outside directors shall not be a director, corporate auditors, executive officer or employee of a company of which the SHIONOGI Group is a major shareholder (a company in which the Group holds 10% or more of the voting rights or a company in which the Group is one of the top five shareholders).
3. Outside directors shall not be a director, corporate auditors, executive officer or employee of a major business partner of the SHIONOGI Group.

A "major business partner of the SHIONOGI Group" refers to any of the following:

- a. A business partner for which the amount of payment from the SHIONOGI Group to such business partner accounts for 2% or more of the SHIONOGI Group's consolidated sales on average over the last three business years of the SHIONOGI Group, including the most recent business year.
 - b. A business partner for which the amount of money the SHIONOGI Group has received from such business partner accounts for 2% or more of the SHIONOGI Group's consolidated sales on average over the last three business years of the SHIONOGI Group, including the most recent business year.
4. Outside directors shall not be a director, corporate auditor, executive officer or employee of a company for which the SHIONOGI Group is a major business partner.

A "company for which the Group is a major business partner" refers to any of the following (except in the case where (5) applies):

- a. A company for which the amount of payment from such company to the SHIONOGI Group accounts for 2% or more of the company's consolidated sales on average over the last three business years of the company, including the most recent business year.
 - b. A company for which the amount of money such company has received from the SHIONOGI Group accounts for 2% or more of the company's consolidated sales on average over the last three business years of the company, including the most recent business year.
5. If directors are consultants or accounting or legal professionals, the directors or the corporation or organization to which they belong shall not receive any of the following remuneration from the SHIONOGI Group other than their director or corporate auditor remuneration.
 - a. (For individuals) Remuneration of 10 million yen or more per year
 - b. (For corporations, organizations, etc.) Remuneration equal to or greater than 2% of the consolidated sales of a corporation, institution or the like to which the directors belong or 10 million yen per year, whichever is higher, on average over the last three business years of such corporation, organization or the like, including the most recent business year
 6. Outside directors shall not have a position with a corporation or foundation to which the SHIONOGI Group contributes more than 10 million yen annually.
 7. The tenure of the SHIONOGI Group's outside directors shall not exceed a total of 10 years.

Business Report FY2024 (commenced April 1, 2024 and ended March 31, 2025)

1. Current State of the SHIONOGI Group

(1) Business Operations and Results

1 Summary of Consolidated Results

◆ Overview of Business (IFRS)

Summary of consolidated statement of income for FY2024

		FY2023	FY2024	YoY (%)
Revenue ^{*1}	(¥ in 100 million)	4,351	4,383	0.7%
Operating profit	(¥ in 100 million)	1,533	1,566	2.1%
Core operating profit ^{*2}	(¥ in 100 million)	1,704	1,584	△7.1%
Profit before tax	(¥ in 100 million)	1,983	2,008	1.2%
Profit attributable to owners of parent	(¥ in 100 million)	1,620	1,704	5.2%
EBITDA ^{*3}	(¥ in 100 million)	1,887	1,793	△5.0%

^{*1} Revenue on FY2023 includes a lump-sum income for the transfer of the license of ADHD drugs.

^{*2} Core operating profit: Operating profit adjusted for non-recurring items (e.g. impairment loss, gain on sales of property, plant and equipment)

^{*3} Earnings Before Interest, Taxes, Depreciation and Amortization: Core operating profit plus depreciation and amortization

Revenue was 438.3 billion yen (up 0.7% year on year). While revenue for FY2023 included 25.0 billion yen recorded for the lump-sum payment received due to a transfer of the license of an ADHD treatment drug, revenue for FY2024 exceeded that of the previous year, marking a record high for the third consecutive year, as a result of steady growth in each business, mainly overseas business, and an increase in royalty income.

In terms of profits, expenses increased from the previous fiscal year due to an increase in cost of sales resulting from changes in the composition of products in revenue, as well as an increase in research and development expenses resulting from active investments in major development projects and the effect of foreign exchange rates, and an increase in selling, general and administrative expenses due to global business expansion. On the other hand, the increase in overall expenses was limited partly because of a non-recurring expense incurred for the implementation of a special early retirement program in FY2023. As a result of an increase in revenue due to the expansion of each business, operating profit increased 2.1% to 156.6 billion yen. Profit before tax was 200.8 billion yen, up 1.2% year on year, profit attributable to owners of parent was 170.4 billion yen, up 5.2%, and EBITDA was 179.3 billion yen, down 5.0%.

In the fiscal year under review, we achieved record-high results for revenue and operating profit for the third consecutive year while aggressively making investments in new businesses and growth drivers for global expansion and medium- to long-term growth.

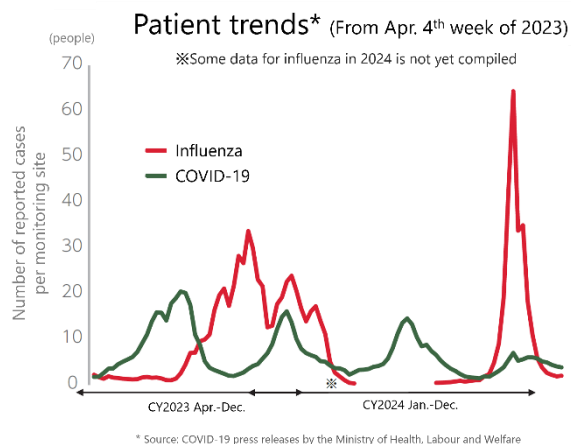
◆ Overview of Assets, etc. (IFRS)

Items of consolidated statement of financial position

		End of FY2023	End of FY2024	YoY (%)
Total assets	(¥ in 100 million)	14,169	15,353	8.4%
Total equity	(¥ in 100 million)	12,526	13,625	8.8%
Total liabilities	(¥ in 100 million)	1,644	1,729	5.2%

Domestic revenue from prescription drugs was 98.8 billion yen (down 34.6% year on year). This was mainly due to the impact of a lump-sum payment of 25.0 billion yen associated with the transfer of a license of an ADHD treatment drug, which was recorded in FY2023, and a decrease in sales of infectious disease drugs. Sales of Xocova decreased due to the extremely weak COVID-19 epidemic compared to the previous year. On the other hand, Xocova's share in the COVID-19 treatment drug market expanded significantly compared to the previous year. Xofluza, an influenza treatment drug, also gained a high market share and recorded steady sales during the spread of influenza this winter.

These products have gained a market share in their respective treatment drug markets as planned and are expected to contribute stably to business performance if the disease spreads again in the future. Total revenue from COVID-19-related products and influenza-related products (Xofluza, Rapiacta) for the fiscal year under review was 51.8 billion yen. In addition, during the fiscal year, sales of QUVIVIQ, an insomnia treatment drug, started in December 2024.



Topics

Launch of QUVIVIQ

– A Therapeutic Drug That Fills Unmet Needs in the Treatment of Insomnia –

QUVIVIQ is a dual orexin receptor antagonist that blocks the binding and activity of the wake-promoting neuropeptides known as orexin. Insomnia is a serious problem for many patients, and there is an unmet need that cannot be adequately addressed by existing treatments. Against this background, QUVIVIQ is expected to contribute to the improvement of insomnia for many patients as a new treatment option.

SHIONOGI is solely responsible for distribution and sales activities in Japan under the commercial partnership agreement with Nxera Pharma Japan Co., Ltd. announced on October 1, 2024. We will continue our efforts to improve the quality of life of patients suffering from insomnia.



3 Overseas Business

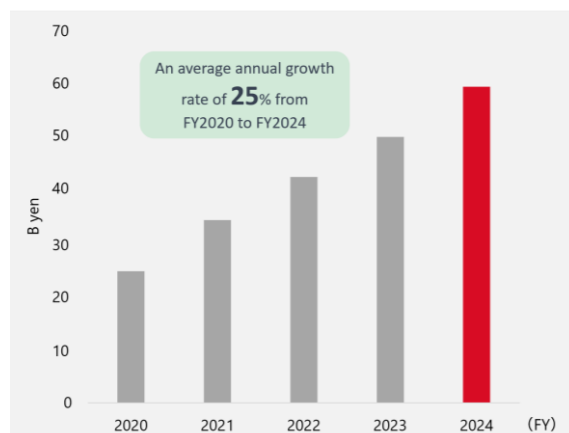
Revenue from the overseas business was 59.1 billion yen (up 18.4% year on year). Due to strong sales of Cefiderocol,^{※1} revenues from businesses in the U.S. and Europe were 23.4 billion yen, a 30.6% increase, and 16.8 billion yen, a 24.0% increase, respectively. The growth of Cefiderocol can be attributed to its market penetration in countries where it is already marketed due to accumulation of clinical evidence. We will continue to promote the growth of our European and U.S. businesses by expanding the number of countries where Cefiderocol is sold, further promoting penetration in countries where it is already marketed, and expanding the number of countries where the subscription-based reimbursement model^{※2} has been adopted.

Revenue in China decreased 18.3% year on year to 8.7 billion yen. However, we made steady progress toward a shift to new drug businesses, such as filing an application for approval of Cefiderocol and achieving the primary endpoint in a Phase 3 clinical study of Naldemedine.

※1 Cefiderocol: Sold under the brand name Fetroja in Japan and the United States and Fetroja in Europe

※2 A reimbursement model which de-links payment from volume of use of antibiotics and under which the government pays a fixed amount of payment to the company that developed them for access to them whenever needed

Revenue of overseas subsidiaries/exports



Topics

Started Business as Shionogi China Co., Ltd.

– Operating in China under a New Structure –

The partnership with Ping An Group of China began with the establishment of a joint venture (JV) in China in November 2020, with the aim of combining Ping An Group's advanced AI and digital technologies with SHIONOGI Group's drug discovery expertise.

Subsequently, as a result of a strategic review to respond to the various changes in the environment in recent years, it was decided in December 2024 to dissolve the JVs and for SHIONOGI to acquire all the shares of the JV, making it a wholly-owned subsidiary. The transition procedures were completed on March 31, 2025, and the company began operating under a new structure as Shionogi China Co., Ltd. on April 1. Going forward, under the new structure, the company will independently promote its business in the Chinese market and accelerate its transformation into a new drug business by launching new drugs, Cefiderocol and Naldemedine, and expanding drug discovery activities in China using AI technology.

Launch of SHIONOGI Products

Cefiderocol (AMR:Gram-negativebacteria infection)	Naldemedine (Opioid-inducedConstipation)
Already Submitted Approval expected in 2025	Phase 3 Milestone Achieved Submission planned for 2025
Ensitrelvir (COVID-19)	Ololofim (Invasive Aspergillosis)
Under Preparation for Submission	Global Phase 3 Trials Ongoing



New Drug Discovery in China

- Continued Drug Discovery Utilizing AI and RWD^{※1} Technology
- Clinical validation is underway for new drug candidates independently developed by SHIONOGI

Candidate Compounds (IPF)

Ongoing Investigator-Initiated Clinical Trials

^{※1} Real world data

◆ Robust royalty and dividend income from ViiV

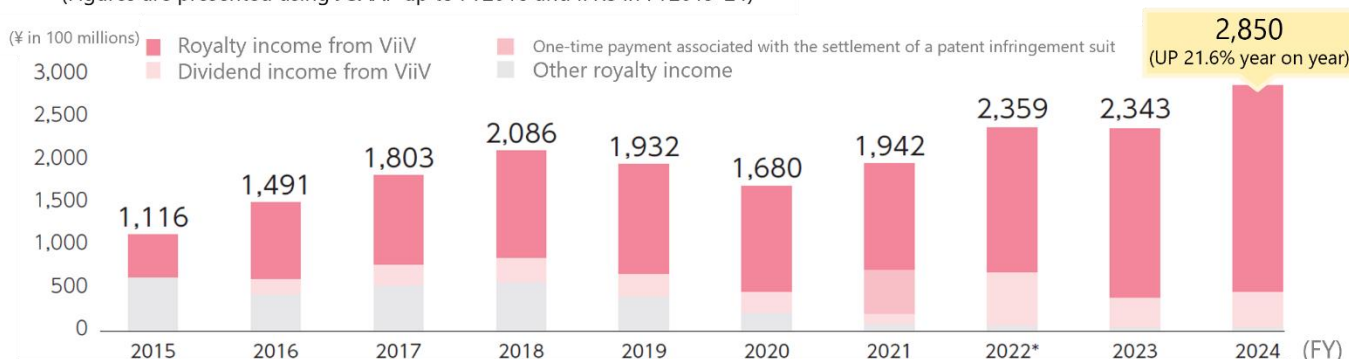
Royalty income from U.K.-based ViiV Healthcare (hereinafter, “ViiV”) increased 22.8% from the previous year to 240.4 billion yen due to strong growth of oral two-drug combinations and long-acting formulations (LA formulations) and foreign exchange effects. Other royalty income was 4.3 billion yen, a 6.8% decrease.

Dividend income from ViiV increased 18.8% to 40.3 billion yen due to steady progress of ViiV’s business.

As a result, total royalty income and dividend income from ViiV for the fiscal year amounted to 285.0 billion yen, an increase of 21.6%, marking a record high.

Royalties and dividend income from ViiV

(Figures are presented using JGAAP up to FY2018 and IFRS in FY2019-24)



* An increase in dividends due to two temporary factors: 1) settlement of a patent infringement lawsuit filed by ViiV against Gilead; and 2) a timing difference in the receipt of dividends for Q4 FY2021

JGAAP: Japan Generally Accepted Accounting Principles

Topics

Expectations for LA Formulations

– Resolving the Unmet Needs of People Living with HIV –

LA formulations of the HIV therapeutic drug Cabenuva and the prophylactic Apretude have shown steady sales growth since their launch as they can resolve important unmet needs for people living with HIV. Further penetration is expected also from the perspective of various clinical evidence, such as real-world evidence showing that 99% of patients who used Cabenuva for one year preferred the LA formulation to the oral formulation.

The unmet needs of people living with HIV

- Desire to be free from the burden and anxiety of daily medication
- Desire to live a life without being constantly reminded of HIV
- Desire not to have their condition known by others
- Desire to suppress the virus safely with fewer drugs

LA formulations sold by ViiV (administered once every two months)



[Cabenuva]

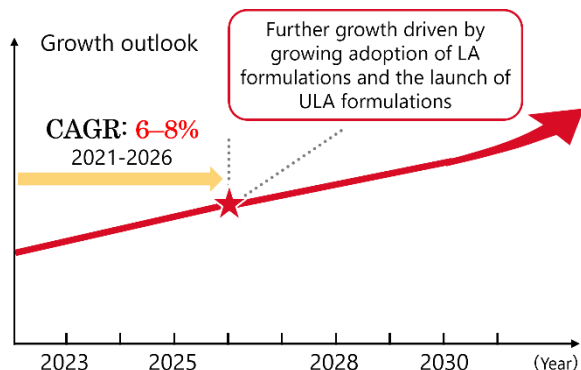
: Cabotegravir + Rilpivirine
- Indication: Treatment of HIV-1 infection



[Apretude]

: Cabotegravir
- Indication: Prevention of HIV infection

◆ Future Growth Prospects for the HIV Business



The HIV business, a core revenue driver for SHIONOGI, is expected to continue to grow strongly and steadily going forward.

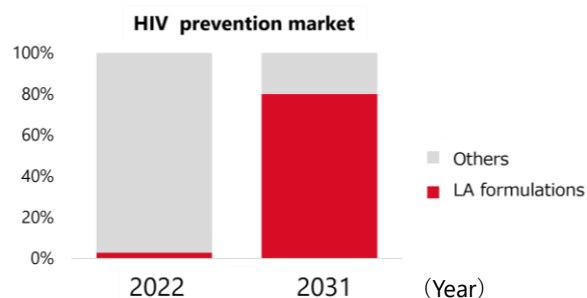
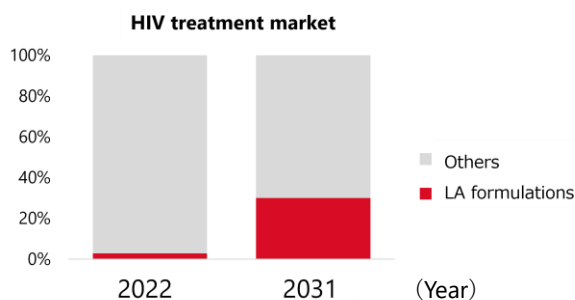
In the short term, ViiV expects its sales to maintain sustainable growth at a compound annual growth rate (CAGR) of 6-8% through 2026. This growth is expected to be driven by increased sales of the LA formulations Cabenuva and Apretude, as well as the oral two-drug combination Dovato.

In the medium to long term, further growth is anticipated following the launch of innovative new products from 2026 onwards, such as ultra-long-acting (ULA) formulations administered once every four or six months, and self-administered formulations.

◆ Market Forecast for LA Formulations (including ULA formulations)*1

ViiV and SHIONOGI believe that the growing adoption of LA formulations, along with the launch of ULA and self-administered formulations, will further accelerate the paradigm shift from oral therapies to LA formulations, thereby increasing their share in the HIV market. Based on market forecasts, LA formulations are expected to account for approximately 30% of the total HIV treatment market and approximately 80% of the HIV prevention market by 2031.

In parallel with ViiV's initiatives, SHIONOGI recognizes its important responsibility to continue investing management resources proactively and advancing drug discovery research for HIV treatment and prevention drugs, including addressing new resistant viruses. These efforts aim to resolve further unmet needs and prepare for future risks, and we are steadily moving them forward.



Size of the treatment market	Approx. 3.9 trillion yen*2
Percentage of LA formulations	Approx. 30%

Size of the prevention market	Approx. 0.8-1.0 trillion yen*2
Percentage of LA formulations	Approx. 80%

*1 ViiV Healthcare Meet the Management (September, 2023)

*2 1 pound is converted to 194 yen.

In FY2024, we actively promoted and advanced our research and development activities, with a focus on COVID-19-related projects and other priority projects.

– Major progress of research projects –

S-892216	COVID-19 Treatment and Pre-exposure Prophylaxis	This is a next-generation 3CL protease inhibitor. Targeting the treatment and prevention of COVID-19, development is underway with two types of formulations: a long-acting formulation and an oral formulation. In FY2024, we made progress in research on the pre-exposure prophylaxis indication for the long-acting formulation and signed an agreement with U.S.-based BARDA to receive a grant of approximately 58.5 billion yen in development support.
S-268024	COVID-19 Preventive Vaccine (JN.1)	This is a COVID-19 preventive vaccine designed to target the JN.1 lineage, which is the recommended strain for vaccination in the 2024/2025 season. In preparation for the development of vaccines that can respond to future recommended strains, we advanced research and initiated a Phase 3 study during FY2024.
S-567123 (Universal Vaccine)	COVID-19 Preventive Vaccine	This is a next-generation vaccine expected to provide protective efficacy against a wide range of variants with a single formulation. Our initial goal is to develop a universal vaccine for COVID-19, and during FY2024, we advanced non-clinical trials and preparations for investigational drug manufacturing.
S-917091	Anti-HIV Drug	This is a candidate anti-HIV drug with a different mechanism of action from integrase inhibitors. During FY2024, we advanced various research projects with the aim of enabling ultra-long-acting HIV treatment (administered once every three months or less frequently) by using it in combination with an integrase inhibitor.
S-898270	Dementia Treatment Drug	This is a candidate treatment expected to improve cognitive functions, including learning and memory. We advanced research with the aim of initiating a Phase 1 study in the first half of FY2025.

Topics

Establishment of a Research and Development Base for the Treatment of Bacterial Infections in the U.S.

SHIONOGI has established Shionogi Qpex Lab, a research and development base for the treatment of bacterial infections, in the U.S. Shionogi Qpex Lab is located in a multi-functional area in San Diego, U.S., where numerous biotechnology companies and research institutions are concentrated. By opening this research and development base for antibiotic drugs in San Diego, one of the leading biotech hubs in the U.S., and facilitating global partnerships with academia, startups, research institutions, and U.S. government agencies, we aim to strengthen our research and development capabilities and expand our product pipeline for antibiotic drugs.



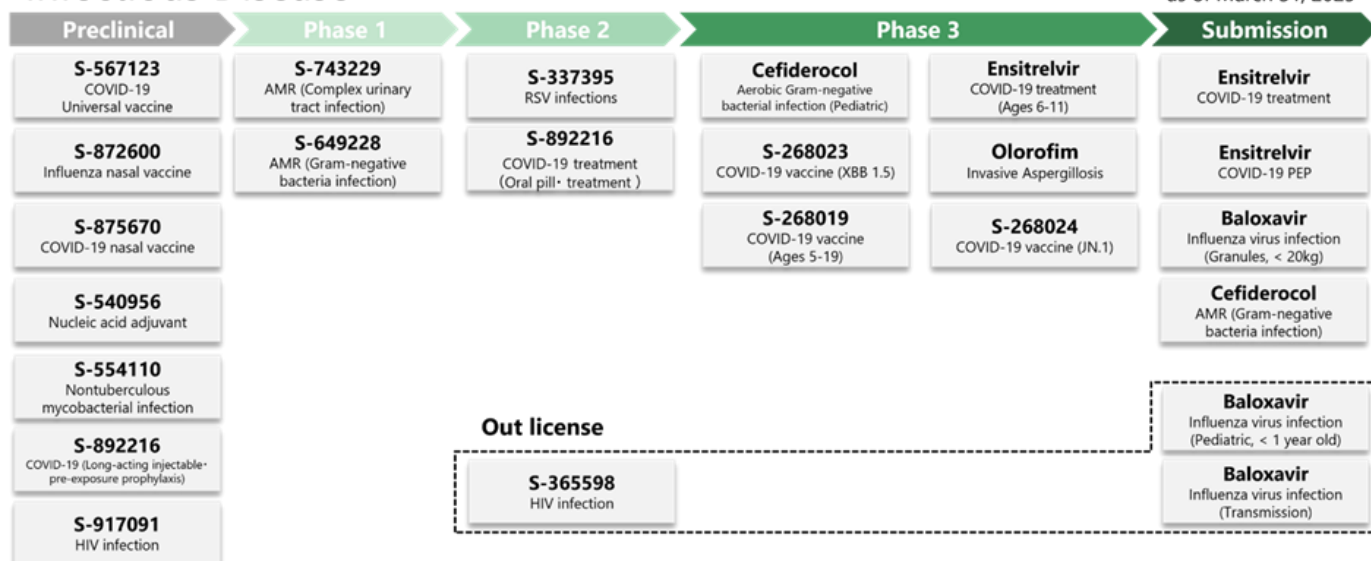
– Major progress of development projects –

Ensitrelvir (Xocova)*	COVID-19 Oral Antiviral Drug	In the global Phase 3 post-exposure prophylaxis trial (SCORPIO-PEP study) conducted in household contacts or cohabitants of COVID-19 patients, the primary endpoint was achieved. This was the world's first clinical study to demonstrate the efficacy of an oral antiviral drug in suppressing the onset of COVID-19. Based on these results, we submitted an application for an additional indication for the prevention of COVID-19 in Japan. For global applications, we are currently engaged in discussions with regulatory authorities, taking into account the results of this study as well as previous clinical trials. In the U.S., we have already initiated a rolling submission for the indication of COVID-19 prevention.
COVGOZE for Intramuscular Injection	COVID-19 Preventive Vaccine (Monovalent: Original Strain)	Unlike the mRNA vaccines that have been mainly used so far, this is a recombinant protein vaccine based on technology that has been widely used both domestically and internationally for many years, with proven efficacy and long-term safety. In FY2024, COVGOZE, SHIONOGI's first vaccine, received manufacturing and marketing approval in Japan for use in initial immunization.
S-337395	Anti-RSV Drug	This is a novel oral treatment for RSV infections. Since there are currently no effective antiviral drugs available for RSV, it is expected to serve as a new treatment option. In FY2024, we achieved the primary endpoint in a Phase 2 human challenge study and made progress toward the initiation of late-stage clinical trials.
Zuranolone	Antidepressant	This is a novel antidepressant with a new mechanism of action different from that of existing drugs and demonstrates efficacy with once-daily oral administration for 14 days. In FY2024, in a Phase 3 study, statistically significant improvements in depressive symptoms, rapid onset of action, and good tolerability compared to the placebo group were confirmed, and we submitted an application for manufacturing and marketing approval in Japan.
S-606001	Pompe Disease Treatment Drug	This is a candidate oral small-molecule treatment for Pompe disease. Pompe disease is a rare disorder, with an estimated 50,000 patients worldwide, and unmet medical needs remain that cannot be fully addressed by existing treatments. Therefore, this agent is expected to serve as a new treatment option. In FY2024, we made progress in a domestic Phase 1 study.
SASS-001	Sleep Apnea Syndrome	This is a candidate oral treatment being co-developed with Apnimed, which has extensive expertise in sleep disorders. In FY2024, we initiated a Phase 2 study.
ENDEAVORRIDE	Therapeutic App for ADHD	This is a therapeutic app designed for pediatric ADHD patients. In FY2024, we obtained manufacturing and marketing approval in Japan based on favorable results from a domestic Phase 3 study.

※ In this material, the product is indicated by its product name, “Xocova,” in Japan, where approval for production and marketing has been obtained, and by its generic name, “Ensitrelvir,” globally, where clinical trials are carried out.

Infectious Disease

as of March 31, 2025



QOL Diseases with High Social Impact


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

(2) Significant Subsidiaries

Company Name	Paid-in Capital	Percentage of Ownership	Main Areas of Business
Shionogi Pharma Co., Ltd.	90 Million Yen	100.0	Manufacturing and contract manufacture of pharmaceutical products and contract testing and analysis
Shionogi Healthcare Co., Ltd.	10 Million Yen	100.0	OTC drug manufacturing and sales
Shionogi Inc.	12 US dollars	100.0	Pharmaceutical clinical development, manufacturing and sales
Shionogi B.V.	630 Thousand UK Pounds	100.0	Pharmaceutical clinical development, manufacturing and sales
Shionogi (Hong Kong) Commerce Limited	361,794 Thousand HK dollars	100.0	Pharmaceutical sales
Shionogi China Co., Ltd.	1,061,224 Thousand Chinese yuan	100.0	Pharmaceutical clinical development, manufacturing and sales

Note:

1. On January 9, 2025, we acquired all shares of Ping An-Shionogi (Hong Kong) Limited, making it a wholly owned subsidiary, and changed its name to Shionogi (Hong Kong) Commerce Limited. In addition, we hold a 100% stake in Shionogi Healthcare Co., Ltd., which is a wholly owned subsidiary of Ping An-Shionogi (Hong Kong) Limited.
2. On March 31, 2025, we acquired all shares of Ping An-Shionogi (China) Co., Ltd., making it a wholly owned subsidiary. Furthermore, as of April 1, 2025, the company's name was changed to Shionogi China Co., Ltd.

(3) Capital Investment

The SHIONOGI Group's capital investment for the fiscal year ended March 31, 2025 totaled 12.3 billion yen. SHIONOGI's primary investment was focused on research and manufacturing facilities.

(4) Fund-raising

Not applicable

(5) Financial Strategy and Shareholder Return Policy

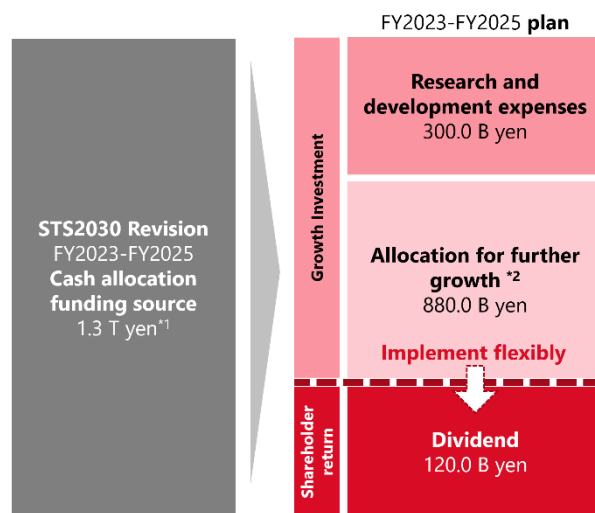
Financial Strategy

SHIONOGI is establishing the necessary financial foundation to achieve “global top-line growth centered on the infectious disease area” and to “cultivate growth drivers through proactive investment.” In addition to allocating approximately 300 billion yen for research and development expenses over the three-year period from FY2023 to FY2025, we also plan to make business investments, such as M&A and in-licensing opportunities, without being constrained by the scale of the investment, provided that the projects are commensurate with their value.

Shareholder Return Policy

SHIONOGI’s basic policy is to implement shareholder return measures that balance growth investment and shareholder returns, with the aim of maximizing corporate value and allowing shareholders to experience medium- to long-term profit growth. In the STS2030 Revision, we have set the following financial KPIs for the end of FY2025: DOE (Dividend on Equity attributable to owners of the parent) of 4%, EPS (Basic Earnings per Share) of 200 yen or more,^{※1} and ROE (Return on Equity attributable to owners of the parent) of 14% or more.

※1 Calculated based on figures after the three-for-one stock split.



*1 Cash on hand (excluding working capital) at the end of FY2023: Approx. 400 B yen
+ *3-year operating cash flow (before deducting R&D expenses)*

*2 Capital investment (including system investment), business investment, etc.

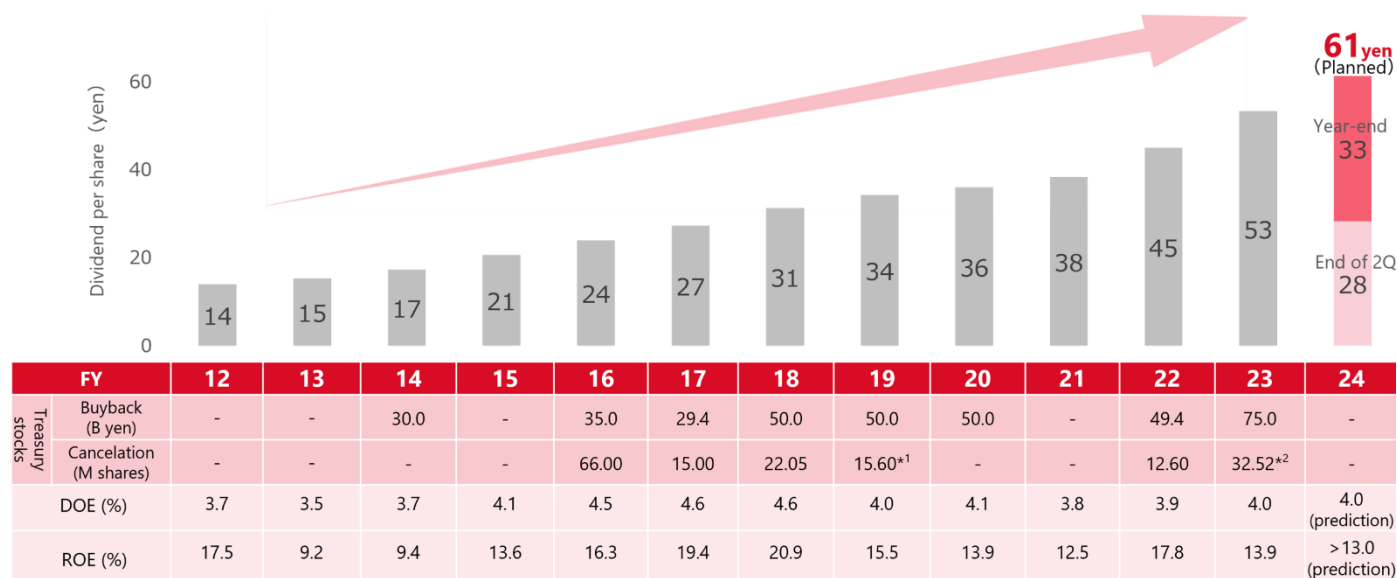
(6) Shareholder Returns for FY2024

As part of the return to shareholders, we plan to distribute a dividend of 28 yen per share as an interim dividend and 33 yen per share as a year-end dividend, totaling 61 yen for the year, marking the 13th consecutive year of increased dividends. Additionally, in order to enhance the liquidity of our stock and make it easier for more people to invest by lowering the amount per investment unit, we conducted a stock split on October 1, 2024, at a ratio of one share to three shares of common stock held by shareholders.

Two shareholder return measures in line with growth in corporate value

Planned continuous increase in dividends	Three-for-one stock split of common stock
<ul style="list-style-type: none"> - The year-end dividend per share is expected to be 33 yen (99 yen before the split) in line with growth. - We plan to increase dividends for 13 consecutive years, allowing shareholders to experience profit growth with us over the medium to long term. 	<ul style="list-style-type: none"> - To enhance the liquidity of our stock and make it easier for more people to invest by lowering the amount per investment unit, we conducted a three-for-one stock split.

Dividends are expected to **increase for the 13th consecutive fiscal year** in line with growth in corporate value.



The Company conducted a stock split at a ratio of one share to three shares, with an effective date of October 1, 2024. The dividend per share and the number of treasury shares to be canceled were calculated based on the assumption that the stock split had been carried out at the beginning of FY2012.

(Amounts are rounded to the nearest whole number.)

※1 Resolve on March 30, 2020 and cancelled on April 6, 2020 ※2 Resolve on July 31, 2023 and cancelled on April 17, 2024

(7) Challenges Ahead

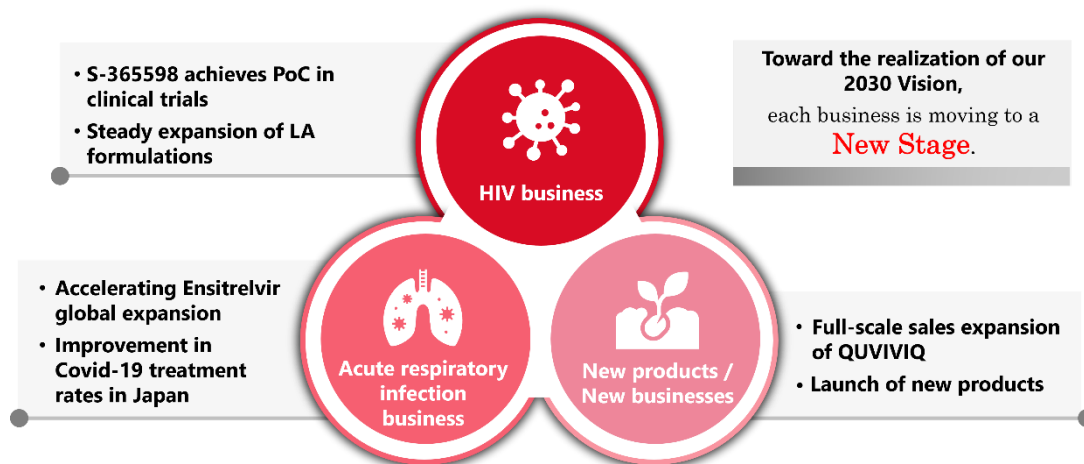
◆ Toward Achieving the Medium-Term Business Plan STS Phase 2

FY2025 marks the final year of STS Phase 2 (FY2023-FY2025) in the medium-term business plan Shionogi Transformation Strategy 2030 Revision (STS2030 Revision), which started in June 2023. To achieve the targets for “revenue,” “overseas sales CAGR,” and “EBITDA” that we have set as growth indicators in STS Phase 2, and to move on to STS Phase 3, we recognize that FY2025 will be a very important year. We aim to achieve these targets not only by driving the growth of the three core pillars that form the foundation of SHIONOGI's business, but also by accelerating business expansion in growth areas through proactive investments.



◆ Growth of Three Core Pillars

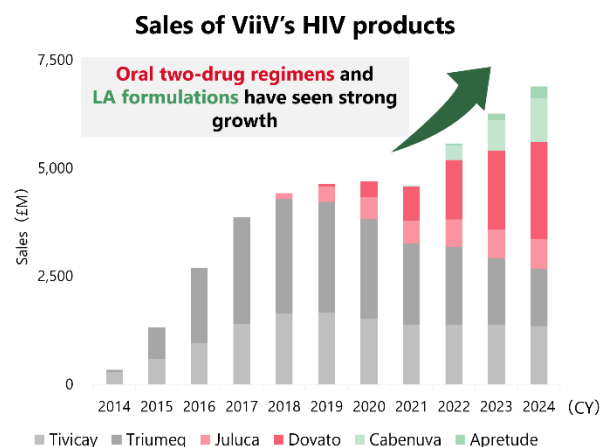
In the STS2030 Revision, we have identified the three core pillars of growth to realize the 2030 Vision: 1) HIV business, 2) acute respiratory infection business, and 3) new products/new businesses. In FY2024, each of these businesses achieved strong growth. In FY2025, the final year of STS Phase 2, we will further accelerate our growth to gain momentum toward STS Phase 3.



■ 1) HIV Business

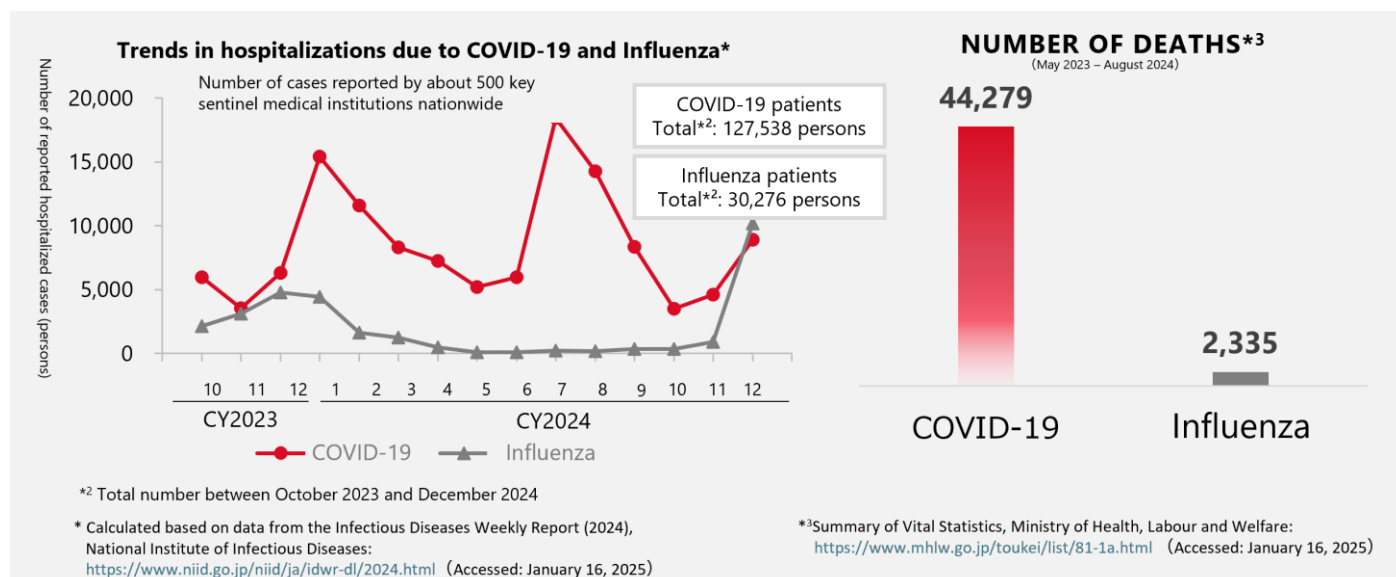
In addition to the steady growth of Dovato and Juluca (shown in red in the figure on the right), which are oral two-drug combination therapies containing the integrase inhibitor dolutegravir developed by SHIONOGI, the HIV treatment drug Cabenuva and the HIV prevention drug Apretude (shown in green in the figure on the right), both LA formulations containing the integrase inhibitor cabotegravir also developed by SHIONOGI, have also experienced strong growth. As a result, ViiV's sales have reached a record high. We expect this growth trend to continue and forecast mid-single-digit growth in 2025.

Furthermore, the development of ultra-long-acting formulations, which enable complete treatment and prevention with administration once every four or six months, is progressing steadily. These formulations are expected to drive further growth, and we believe the HIV business will continue to grow.



■ 2) Acute Respiratory Infection Business

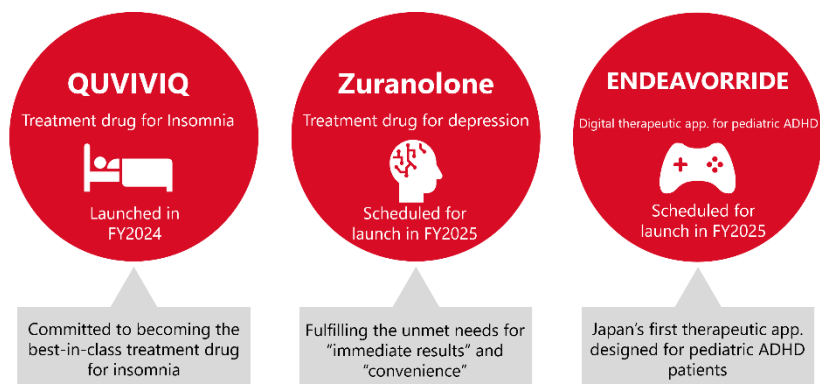
COVID-19 is associated with about four times as many hospitalizations and about 20 times as many deaths as influenza, making it a highly dangerous disease. However, the current treatment rate for COVID-19 (the percentage of positive cases treated with antiviral drugs) is approximately 10-15%, which is extremely low compared to the roughly 80% treatment rate for influenza. As a leading company in infectious diseases, SHIONOGI believes it is our responsibility to work on improving the treatment rate for COVID-19 in order to protect people's health. In FY2025, we will continue to promote various initiatives aimed at raising disease awareness and reducing patients' out-of-pocket costs when receiving medication. Additionally, we will continue to work on the development of Xocova, a COVID-19 treatment drug created by SHIONOGI, with the aim of expanding its availability globally.



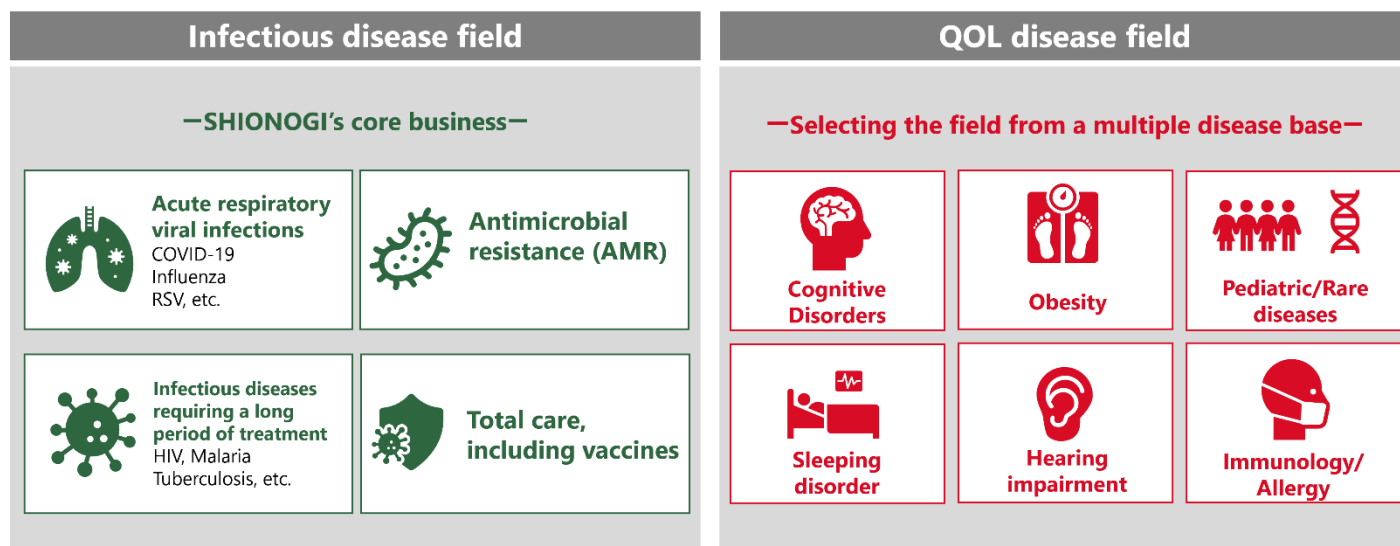
■ 3) New Products / New Businesses

In FY2025, we will continue to promote sales of QUVIVIQ, which was launched in Japan in FY2024, with the aim of further penetration into the market. Furthermore, we will prepare for the launch of ENDEAVORRIDE, which has received approval for the indication of attention-deficit/hyperactivity disorder in childhood, and zuranolone, for which we are currently applying for manufacturing and marketing approval as an antidepressant.

By maximizing the value of existing products and bringing new products to the market, we aim to achieve growth in new disease areas alongside our core infectious disease business.



◆SHIONOGI's R&D Strategy



At SHIONOGI, infectious diseases represent a critical area that forms a pillar of our business, and we have achieved significant growth in the HIV business as well as in the acute respiratory infection business, through products such as Xofluza and Xocova. Going forward, we will promote research into various diseases to identify potential franchise candidates in the QOL-related disease area, just as we have successfully done in the infectious disease business. Currently, to strengthen our research capabilities and increase the probability of clinical success, we are working to improve the accuracy of clinical extrapolation through collaborations with various companies.

(8) Overview of Operations

1) Business Results and Financial Position of the SHIONOGI Group 【IFRS】

(Million of yen)

Classification	FY2020 156 th term	FY2021 157 th term	FY2022 158 th term	FY2023 159 th term	FY2024 160 th term (Fiscal year ended March 31, 2025)
Revenue	297,177	335,138	426,684	435,081	438,268
Operating profit	117,438	110,312	149,003	153,310	156,603
Profit before tax	143,018	126,268	220,332	198,283	200,750
Profit attributable to owners of parent company	111,858	114,185	184,965	162,030	170,435
Research and development expenses	54,249	72,996	102,392	102,640	108,612
Total assets	998,992	1,150,601	1,311,800	1,416,918	1,535,349
Total equity	864,550	993,285	1,121,878	1,252,562	1,362,497
Basic earnings per share	yen 121.68	yen 126.25	yen 207.10	yen 186.17	yen 200.36
Equity attributable to owners of parent per share	yen 935.56	yen 1,078.74	yen 1,245.92	yen 1,452.22	yen 1,600.68
Dividend per share	yen 36.00	yen 38.33	yen 45.00	yen 53.33	yen 61.33
Return on equity attributable to owners of parent company (ROE)	% 13.9	% 12.5	% 17.8	% 13.9	% 13.1
Dividend on equity attributable to owners of the parent company (DOE)	% 4.1	% 3.8	% 3.9	% 4.0	% 4.0

Notes:

1. The figures presented for dividend per share and dividend on equity attributable to owners of the parent are the amounts in the event Proposal No. 1 is approved without changes by the 160th Annual General Meeting of Shareholders.
2. In the 158th fiscal term, SHIONOGI disposed of 9 million of its shares to the trust account of Sumitomo Mitsui Trust Bank, Limited (re-trustee: Custody Bank of Japan, Ltd. (trust account)) relating to the SHIONOGI INFECTIOUS DISEASE RESEARCH PROMOTION FOUNDATION, and treated said shares as treasury stock. Therefore, the number of these shares has been deducted in the calculation of basic earnings per share and equity attributable to owners of parent per share for the 158th period and onward.
3. Revenue of the 159th fiscal term includes a lump-sum income for the transfer of the license of ADHD drugs.
4. The Company conducted a stock split at a ratio of one share to three shares of common stock, with an effective date of October 1, 2024. Accordingly, basic earnings per share, equity attributable to owners of the parent per share, and dividends per share were calculated based on the assumption that the stock split had been carried out at the beginning of the 156th fiscal period.

2) Business Results and Financial Position of the Company

【JGAAP】

(Million of yen)

Classification	FY2020 156 th term	FY2021 157 th term	FY2022 158 th term	FY2023 159 th term	FY2024 160 th term (Fiscal year ended March 31, 2025)
Net sales	260,986	285,948	369,499	345,761	363,309
Operating income	76,192	95,969	133,274	108,978	114,356
Ordinary income	81,714	100,892	134,998	258,621	109,143
Profit (loss)	32,181	90,264	107,367	253,060	86,927
Total assets	617,123	730,120	768,120	840,570	941,227
Net assets	536,405	590,430	612,890	749,494	791,825
Earnings (losses) per share	yen 35.01	yen 99.80	yen 119.51	yen 287.79	yen 101.12
Net assets per share	yen 592.83	yen 652.53	yen 686.88	yen 871.75	yen 920.78

Notes: The Company conducted a stock split at a ratio of one share to three shares of common stock, with an effective date of October 1, 2024. Accordingly, earnings per share and net assets per share were calculated based on the assumption that the stock split had been carried out at the beginning of the 156th fiscal period.

(9) Main Operations of the SHIONOGI Group

The SHIONOGI Group mainly researches & develops, manufactures and sells pharmaceutical products.

(10) Main Offices, Plants, and Laboratories of the SHIONOGI Group

		Name	Location
Domestic	Head Office and Branches	Head Office	Osaka, Osaka Prefecture
		Tokyo Branch Office	Chiyoda-ku, Tokyo
	Sites	Yodoyabashi Office	Osaka, Osaka Prefecture
		Pharmaceutical Commercial Division Office	Osaka, Osaka Prefecture
	Research Laboratories	Shionogi Pharmaceutical Research Center	Toyonaka, Osaka Prefecture
		Shionogi CMC Research Innovation Center	Amagasaki, Hyogo Prefecture
	Plants*2	Settsu Plant	Settsu, Osaka Prefecture
		Kanegasaki Plant	Isawa-gun, Iwate Prefecture
		Tokushima Plant	Tokushima, Tokushima Prefecture
		Itami Plant	Itami, Hyogo Prefecture
Overseas*2		Shionogi Inc.	New Jersey, U.S.
		Shionogi B.V.	Amsterdam, Netherlands
		Shionogi (Hong Kong) Commerce Limited	Hong Kong Special Administrative Region of the People's Republic of China
		Shionogi China Co., Ltd.	Shanghai, People's Republic of China

Notes:

1. In addition to the above list, the Company has business offices in every major city in Japan.
2. Bases in subsidiaries
3. On January 9, 2025, we acquired all shares of Ping An-Shionogi (Hong Kong) Limited, making it a wholly owned subsidiary, and changed its name to Shionogi (Hong Kong) Commerce Limited.
4. On March 31, 2025, we acquired all shares of Ping An-Shionogi (China) Co., Ltd., making it a wholly owned subsidiary. Furthermore, as of April 1, 2025, the company's name was changed to Shionogi China Co., Ltd.

(11) Employees

1) Number of Employees of the Corporate Group

Number of Employees	Y on Y Change
4,955	(Decrease) 4

Note: The number of employees includes personnel that external companies assign to the SHIONOGI Group and excludes personnel that the SHIONOGI Group assigns to external companies and temporary personnel.

2) Number of Employees of the Company

Number of Employees	Y on Y Change	Average Age	Average Number of Years with the Company
2,129	(Increase) 12	41.5	15.2

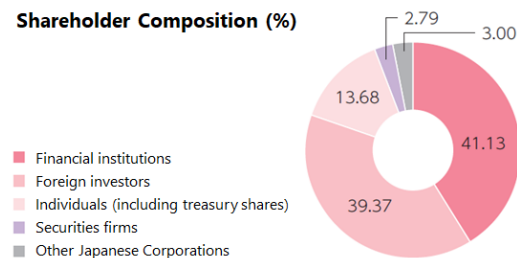
(12) Main Loans from Banks

Not applicable.

2. Stock Data

- 1) Number of shares authorized to be issued: 3,000,000,000
- 2) Number of shares issued: 889,632,195
(including 29,944,777 shares of treasury stock)
- 3) Number of shareholders: 74,799

Shareholder Composition (%)



4) Major shareholders (Top 10)

Name of Shareholder	Number of Shares Held (Thousands of shares)	% of Total
The Master Trust Bank of Japan, Ltd. (Trust account)	154,859	18.01%
Custody Bank of Japan, Ltd. (Trust account)	68,030	7.91%
Sumitomo Life Insurance Company	55,812	6.49%
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	28,455	3.30%
Nippon Life Insurance Company	25,227	2.93%
BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED	19,068	2.21%
STATE STREET BANK WEST CLIENT - TREATY 505234	18,474	2.14%
STATE STREET BANK AND TRUST COMPANY 505001	12,083	1.40%
JP MORGAN CHASE BANK 385781	10,983	1.27%
STATE STREET BANK AND TRUST COMPANY 505103	10,631	1.23%

Notes:

1. The Company owns 29,944,777 shares of treasury stock but the Company is not included in the major shareholders listed above (top 10).
2. The percentage of total is calculated as the proportion of shares to 859,687,418 shares of total issued stock (excluding 29,944,777 shares of treasury stock).

5) Stock Issued as Remuneration to Company Officers during FY2024

The details of stock compensation issued during FY2024 are as follows.

	Number of shares (shares)	Number of persons who received shares (persons)
Directors (excluding Outside Directors)	67,500	2
Outside Directors	—	—
Corporate Auditors	—	—

Note: The Company conducted a stock split at a ratio of one share to three shares of common stock, effective October 1, 2024, and the figures presented reflect the stock split.

6) Other Important Matters Concerning Shares

Based on the resolution passed at the Board of Directors meeting held on August 30, 2024, the Company conducted a stock split as follows.

Purpose of the stock split:

The purpose of the stock split is to enhance the liquidity of the Company's stock and expand the investor base by lowering the amount per investment unit.

Details of the stock split:

With a record date of September 30, 2024, the Company conducted a stock split at a ratio of one share to three shares of common stock held by shareholders listed in the final shareholder register as of that date.

Number of shares increased due to the stock split

(i) Number of shares issued before the stock split:	296,544,065 shares
(ii) Number of shares increased due to the stock split:	593,088,130 shares
(iii) Number of shares issued after the stock split:	889,632,195 shares
(iv) Total number of shares authorized to be issued after the stock split:	3,000,000,000 shares

Schedule of the stock split

Record date: September 30, 2024

Effective date: October 1, 2024

3. Stock Acquisition Rights

1) Stock Acquisition Rights Issued as Remuneration to and held by Company Directors as of March 31, 2025

Title (Issue Date)	Date of issue resolution	Number of stock acquisition rights	Class and number of shares to be issued	Issue price per stock acquisition rights	Exercise price per stock acquisition rights	Stock acquisition rights exercise period	Status of director holdings (Rights holders)
FY2011 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 11, 2011)	June 24, 2011	252	75,600 shares of common stock	113,000 yen	300 yen	July 12, 2011 to July 11, 2041	127 (2)
FY2012 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 12, 2012)	June 27, 2012	316	94,800 shares of common stock	91,700 yen	300 yen	July 13, 2012 to July 12, 2042	213 (2)
FY2013 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 11, 2013)	June 26, 2013	172	51,600 shares of common stock	193,100 yen	300 yen	July 12, 2013 to July 11, 2043	115 (2)
FY2014 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 10, 2014)	June 25, 2014	178	53,400 shares of common stock	190,000 yen	300 yen	July 11, 2014 to July 10, 2044	124 (2)
FY2015 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 9, 2015)	June 24, 2015	99	29,700 shares of common stock	455,400yen	300 yen	July 10, 2015 to July 9, 2045	62 (2)
FY2016 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 8, 2016)	June 23, 2016	85	25,500 shares of common stock	525,700yen	300 yen	July 9, 2016 to July 8, 2046	53 (2)
FY2017 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 7, 2017)	June 22, 2017	85	25,500 shares of common stock	574,200yen	300 yen	July 8, 2017 to July 7, 2047	53 (2)

Notes:

- Each stock acquisition right is exercisable into 300 shares of common stock.
- The issue price is the sum of the fair value of the stock acquisition rights on the allotment date and the amount to be paid upon exercise (¥1 per share) of the stock acquisition rights. The recipients of the allotted stock acquisition rights (stock acquisition rights holders) will have an amount equal to the fair value of the stock acquisition rights deducted from their remuneration as payment.
- During the stock acquisition rights exercise period, Company directors who are stock acquisition rights holders who cease to be a Company director may only exercise their stock acquisition rights during the 10-day period beginning the day immediately following the date of cessation (if the 10th day is a holiday, the next business day), and may only exercise their stock acquisition rights in full, in a single transaction. Other conditions for exercising the rights are stipulated in the Stock Acquisition Rights Agreement concluded between the Company and the stock acquisition rights holders.
- Of the above, FY2011 stock acquisition rights, FY2012 stock acquisition rights, FY2013 stock acquisition rights and FY2014 stock acquisition rights granted to one director were granted before the director was appointed.
- The company does not allot share subscription rights to outside directors and corporate auditors.
- The Company conducted a stock split at a ratio of one share to three shares of common stock, effective October 1, 2024, and the figures presented reflect the stock split.

2) Stock Acquisition Rights Issued as Remuneration to Company Employees during Fiscal 2024

Not applicable.

4. Board Members

(1) Directors and Corporate Auditors (As of March 31, 2025)

Position	Name	Areas of responsibility and other major posts
Representative Director, President and CEO	Isao Teshirogi	Outside Director of Sumitomo Mitsui Banking Corporation Outside Director of AGC Inc. Outside Director of Japan Exchange Group, Inc.
Director and Vice Chairperson of the Board	Takuko Sawada	Outside Director of Konica Minolta Inc.
Director	Keiichi Ando	Outside Director of Tsubakimoto Chain Co. Outside Director of DAIHEN Corporation
Director	Hiroshi Ozaki	Outside Director of The Royal Hotel, Limited Outside Director of Hiroshima Gas Co., Ltd.
Director	Fumi Takatsuki	Partner of Oh-Ebashi LPC & Partners Outside Corporate Auditor of Sankyo Seiko Co., Ltd. Outside Corporate Auditor of Daikin Industries, Inc.
Director	Takaoki Fujiwara	
Standing Corporate Auditor	Akira Okamoto	
Standing Corporate Auditor	Ikuo Kato	
Corporate Auditor	Tsuguoki Fujinuma	Auditor of Chiba Gakuen Educational Association
Corporate Auditor	Shuichi Okuhara	Chairman and Representative Director of Nippon Venture Capital Co., Ltd.
Corporate Auditor	Yoriko Goto	Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation

Notes:

- Directors Keiichi Ando, Hiroshi Ozaki, Fumi Takatsuki and Takaoki Fujiwara are Outside Directors stipulated in Section 15, Article 2 of the Companies Act.
- Auditors Tsuguoki Fujinuma, Shuichi Okuhara and Yoriko Goto are Outside Corporate Auditors stipulated in Section 16, Article 2 of the Companies Act.
- Directors Keiichi Ando, Hiroshi Ozaki, Fumi Takatsuki and Takaoki Fujiwara have each submitted notification as independent directors as stipulated by Tokyo Stock Exchange Group, Inc.
- Auditors Tsuguoki Fujinuma, Shuichi Okuhara and Yoriko Goto have each submitted notification as independent auditors as stipulated by Tokyo Stock Exchange Group, Inc.
- Auditors Tsuguoki Fujinuma, Shuichi Okuhara and Yoriko Goto is qualified as a certified public accountant and has considerable knowledge in the field of financial affairs and accounting.
- Summary of Contracts to Limit Liability
The Company has concluded contracts with all outside directors and outside corporate auditors to limit their liability as stipulated in Section 1, Article 423 of the Companies Act to the amount stipulated in the relevant laws and ordinances under the condition that the requirements stipulated therein are fulfilled.
- Overview of directors and officers, etc. (D&O) liability insurance contract
The Company executed a directors and officers, etc. (D&O) liability insurance contract stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, which covers Directors and Corporate Auditors of the Company and its subsidiary as the insured. Based on the foregoing, the Company will compensate officers, etc. for damages, legal expenses, etc. (excluding, however, exemptions stipulated in the insurance contract) under the insurance contract in cases where they become subject to a claim for damages as a result of execution of their duties during the insurance contract period. The full amount of the insurance premiums for the insurance contract is borne by the Company.
- Directors and Corporate Auditors who retired during FY2024
Corporate Auditor Ikuo Kato (Resigned on June 20, 2024: Due to the expiration of his term of office)

(2) Amount of Remuneration for Directors and Corporate Auditors

Total director remuneration is determined within limits set by resolution of the General Meeting of Shareholders. It encompasses base monthly remuneration, performance-linked bonuses determined by results for the fiscal year and other factors, and restricted stock compensation (medium-term performance-linked and long-term) introduced in FY2018. Outside directors only receive base remuneration.

Base remuneration is determined according to the position and responsibilities of directors with due consideration of the operating environment and social trends.

Bonuses are short-term incentives paid as cash remuneration which reflects performance indicators (core operating profit, consolidated profit and other total performance evaluation as directors excluding sales of assets, etc.) to heighten the awareness of improving performance for each fiscal year, which are determined according to performance such as achievement of targeted profits and other factors in each fiscal year based on a calculation matrix and paid in June of each year. The results of performance indicators for the current fiscal year are as described in "1. Overview of Operations (2) Business Operations and Results."

Stock-based compensation is awarded in July of each year based on a grant table according to the director's position and role. For medium-term performance-linked stock compensation, in particular, for the portion to be granted in three years of Phase 2 between FY2023 and FY2025 out of the period of STS2030 Revision (from FY2023 to FY2030), performance is evaluated based on the degree of achievement in FY2025 using revenue, overseas net sales CAGR, EBITDA, ROE and the rank in total shareholder return (TSR) among 11 competitors including the Company (relative TSR) as quantitative indicators and in consideration of the status of ESG, compliance and investments. The ratio of lifting the transfer restriction (between 100% and 0%) is determined after this. In addition, when lifting the transfer restriction, 50% of the amount of stock-based compensation is paid as monetary compensation calculated by stock price translation at the time of the lifting.

The Compensation Advisory Committee discusses the ratio of remuneration by type for executive directors in consideration of remuneration levels using companies which have the similar business size to the Company and are in the relevant business type and category as the benchmark; and the Board of Directors, in respect for 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 as described in "Policy for Determination of Details of Individual Remuneration, etc. for Directors". In addition, it is considered pursuant to the resolution at the Board of Directors held on February 22, 2021 to be appropriate that evaluation and determination in determining base remuneration and individual bonus amount, etc. are made by a person who bears the ultimate management responsibility, and thus, such evaluation and determination are entrusted to Isao Teshirogi, 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 Isao Teshirogi, Representative Director, President and CEO, to whom such determination is entrusted, shall make decisions in accordance with said recommendations and the resolution at the Board of Directors.

Starting from FY2021, the Company has revised the medium-term performance-linked stock compensation table with the aim of placing greater focus on performance to be able to have shareholders' perspective. As a result, the targeted ratio for each type of remuneration, etc. is set as base remuneration: performance-linked remuneration, etc. : non-monetary remuneration, etc. = 1:1:1 on the premise that all KPIs are achieved. Note: Performance-linked remuneration, etc. is directors' bonuses and non-monetary remuneration, etc. is restricted stock.

As a result, the share of base remuneration in total remuneration in FY2024 is about 37%, due mainly to the impact of the status of achievement of the profit target for the year and the stock price in stock compensation.

Total corporate auditor remuneration is determined within limits set by resolution of the General Meeting of Shareholders. It encompasses base monthly remuneration.

As an advisory body to the Board of Directors, the Company's Compensation Advisory Committee consists of seven members, the majority of whom are outside directors, and is chaired by an outside director. The committee duly considers director and corporate auditor remuneration. In addition, the Compensation Advisory Committee discusses various issues concerning remuneration, etc. for directors and executive officers, verifies the levels of remuneration, etc. every year and deliberates the remuneration system, performance evaluation system, etc. for the following fiscal year.

(Million of yen, except for persons)

Category	Persons remunerated	Total amount of remuneration, etc. by type			
		Base remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	Total
Directors	6	240	136	134	511
(outside directors among directors)	(4)	(84)	(-)	(-)	(84)
Corporate Auditors	6	135	-	-	135
(outside auditors among auditors)	(3)	(60)	(-)	(-)	(60)
Total	12	376	136	134	647

Notes:

1. By resolution of the Ordinary General Meeting of Shareholders, the total amount of remuneration of directors and corporate auditors is limited to no more than 750 million yen for directors (approved by the General Meeting of Shareholders on June 20, 2018: the number of directors at the time of conclusion of said Ordinary General Meeting of Shareholders was six (of which, the number of Outside Directors was three)) and no more than 170 million yen for corporate auditors (approved by the Ordinary General Meeting of Shareholders on June 18, 2019: the number of corporate auditors at the time of conclusion of said Ordinary General Meeting of Shareholders was five).
2. “Performance-linked remuneration, etc.” above is the relevant allowance for directors’ bonuses for FY2024.
3. “Non-monetary remuneration, etc.” above is the relevant expense recognized for FY2024.

<Policy for Determination of Details of Individual Remuneration, etc. for Directors>

1. Basic policy

Remuneration for directors of the Company is based on a remuneration system linked with shareholder interest so that it fully functions as an incentive for a sustainable increase in corporate value, and it is the Company's basic policy to determine remuneration for each director at a proper level according to their job responsibility. More specifically, remuneration for executive directors shall comprise of base remuneration as fixed remuneration, performance-linked remuneration, etc. (bonuses as monetary remuneration) and stock-based compensation, and remuneration paid to outside directors who undertake supervisory functions shall only be base remuneration in light of their duty.

2. Policy concerning determination of amount of remuneration, etc. for each individual with respect to their base remuneration (monetary remuneration) (including policy concerning determination of timing or conditions to provide remuneration, etc.)

Base remuneration for directors of the Company shall be fixed monthly remuneration and be determined based on a base remuneration table established according to their rank and job responsibility and taking into consideration the Company's business results, employees' salary levels and levels at other companies.

3. Policy concerning determination of details of performance-linked remuneration, etc. and non-monetary remuneration, etc. as well as calculation method of amount or number thereof (including policy concerning determination of timing or conditions to provide remuneration, etc.)

Performance-linked remuneration, etc. shall be cash remuneration which reflects performance indicators (KPIs) to heighten the awareness of improving performance for each fiscal year, and paid as bonus in June of every year in an amount calculated according to the degree of achievement against targeted figures for consolidated operating profit and consolidated profit of each fiscal year. The performance indicators to be targeted and the figures thereof shall be set at the time of formulating the Medium-Term Management Plan so that they are in line with the Plan, and reviewed as necessary to accommodate environmental changes taking into account recommendations given by the Compensation Advisory Committee.

Non-monetary remuneration, etc. shall be restricted stock and consist of two parts: the long-term stock-based compensation system which requires current employment as a payment condition; and the medium-term performance-linked stock-based compensation which is linked to business results. For the long-term stock-based compensation system, the number of unit to be granted shall be determined based on the stock-based compensation table established, according to rank and job responsibility, by the Board of Directors after deliberation by the Compensation Advisory Committee.

With respect to the medium-term performance-linked stock-based compensation, the number of units to be granted shall be determined based on the stock-based compensation table established, according to rank and job responsibility, by the Board of Directors after deliberation by the Compensation Advisory Committee. Restricted stock shall be granted in July of every year, and performance is evaluated based on the degree of achievement in FY2025 for the portion to be granted in three years of Phase 2 between FY2023 and FY2025 out of the period of STS2030 Revision (from FY2023 to FY2030) to determine the ratio of lifting the transfer restriction (between 100% and 0%). In addition, when lifting the transfer restriction, 50% of the amount of stock-based compensation is paid as monetary compensation calculated by stock price translation at the time of the lifting. For performance evaluation, revenue, overseas net sales CAGR, EBITDA, ROE and the rank in total shareholder return among 11 competitors including the Company (relative TSR) are used as quantitative indicators, and the determination is made by the Board of Directors, after deliberation on the overall evaluation by the Compensation Advisory Committee in consideration of the status of ESG, compliance and investments.

4. Policy concerning determination of the ratio of the amount of monetary remuneration, the amount of performance-linked remuneration, etc. or the amount of non-monetary remuneration, etc. to the amount of individual remuneration, etc. for directors

The Compensation Advisory Committee discusses the ratio of remuneration by type for executive directors in consideration of remuneration levels using companies which have the similar business size to the Company and are in the relevant business type and category as the benchmark. The Board of Directors (representative directors who are entrusted pursuant to Item 5), in respect for 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, and also the amounts of individual remuneration ensuring consistency with the purposes of the recommendations.

The targeted ratio for each type of remuneration, etc. is set as base remuneration : performance-linked remuneration, etc. : non-monetary remuneration, etc. = 1:1:1 (if all KPIs are achieved).

Note: Performance-linked remuneration, etc. is director and corporate auditor bonuses and non-monetary remuneration, etc. is restricted stock.

5. Matters concerning determination of the details of individual remuneration, etc. for directors

The specific details of the remuneration amount for each individual shall be entrusted to representative directors pursuant to a resolution at the Board of Directors, and the details of the authority shall be the amount of base remuneration for each director based on the base remuneration table and evaluation and allocation of bonuses taking into account results of the business of which the director is in charge.

The Compensation Advisory Committee deliberates the policy and criteria for the entrustment to representative directors and provides the Board of Directors with the results as recommendations for their resolution, and the representative directors who are entrusted as described above shall make determination in accordance with said recommendations and the resolution at the Board of Directors.

The number of stock to be allotted to individual directors as stock-based compensation based on the stock-based compensation table shall be resolved by the Board of Directors taking into account recommendations given by the Compensation Advisory Committee.

The Compensation Advisory Committee shall comprise of seven committee members, a majority of which are outside directors, and an outside director serves as chairperson. In addition to the foregoing, the Compensation Advisory Committee discusses various issues concerning remuneration, etc. for directors and executive officers, verifies the levels of remuneration, etc. every year and deliberates the remuneration system, performance evaluation system, etc. for the following fiscal year.

(3) Outside Board Members

1) Major Activities

Office	Name	Major Activities
Director	Keiichi Ando Attendance at Board of Director meetings 13/13 (100%)	<p>He is expected to recognize the corporate responsibility the Company should fulfill and make management decisions with an emphasis on objectivity and impartiality and a higher-level perspective, without bias toward corporate executives or specific stakeholders. At the Company's Board of Directors meetings, he raises many questions, offers valuable opinions, and provides sound advice on budget planning and management, capital policies, including investments, and risk management. As chair of the Board, he also takes into account the timeliness of the agenda and the effective utilization of important management resources.</p>
Director	Hiroshi Ozaki Attendance at Board of Director meetings 13/13 (100%)	<p>As an executive of a Kansai-based company, he is expected to leverage his extensive practical experience and broad insights in corporate management and organizational operations, to recognize the corporate responsibility the Company should fulfill, and to make management decisions with an emphasis on objectivity and impartiality and a higher-level perspective, without bias toward corporate executives or specific stakeholders. At the Company's Board of Directors meetings, he raises many pertinent questions and provides sound advice regarding business expansion, including new business investments and business alliances, as well as risk management initiatives, including those related to IT.</p>
Director	Fumi Takatsuki Attendance at Board of Director meetings 13/13 (100%)	<p>She is expected to leverage her background as an attorney engaged in international corporate law, along with her extensive experience and specialized knowledge in legal matters related to China's life sciences and healthcare industries, to recognize the corporate responsibility the Company should fulfill, and to make fair management decisions from a global perspective, giving priority to compliance with social norms, laws, and regulations. At the Company's Board of Directors meetings, she asks pertinent questions, particularly regarding business expansion in Asia, including China, from an international corporate law perspective, and provides sound advice on intellectual property and compliance.</p>
Director	Takaoki Fujiwara Attendance at Board of Director meetings 13/13 (100%)	<p>We expect him to play a role in which he utilizes his extensive practical experience and a wide range of knowledge as a manager of a group of companies engaged in urban transport, real estate and entertainment, mainly in the Kansai area and recognizes the corporate responsibility we should fulfill to make management decisions from a higher standpoint with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. In this regard, at Board of Directors meetings, he provides sound advice mainly on human resource management, risk management and compliance.</p>
Corporate Auditor	Tsuguoki Fujinuma Attendance at Board of Director meetings 13/13 (100%) Attendance at Board of Corporate Auditors meetings 11/11 (100%)	<p>He provides sound advice on the appropriateness of directors' management decisions and their execution of duties and on the overall healthcare industry, mainly including investments and digital technologies, from an independent standpoint as a corporate auditor, taking into account his adaptability to the rapidly changing business environment and professional expertise in finance and accounting, sustainability and compliance. At meetings of the Board of Corporate Auditors, he discusses and provides recommendations on significant matters concerning unscheduled audits.</p>
Corporate Auditor	Shuichi Okuhara Attendance at Board of Director meetings 13/13 (100%) Attendance at Board of Corporate Auditors meetings 11/11 (100%)	<p>He is expected to make appropriate recommendations on the validity of management decisions and the execution of duties by directors, from an independent standpoint as an auditor, by leveraging his advanced expertise in finance and accounting to adapt to the rapidly changing business environment. At the Company's Board of Directors meetings, he provides sound advice, mainly regarding investments, M&A, capital costs, and other matters across the healthcare industry. At meetings of the Board of Corporate Auditors, he discusses and provides recommendations on significant matters concerning unscheduled audits.</p>
Corporate Auditor	Yoriko Goto Attendance at Board of Director meetings 13/13 (100%) Attendance at Board of Corporate Auditors meetings 11/11 (100%)	<p>She is expected to make appropriate recommendations on the validity of management decisions and the execution of duties by directors, from an independent standpoint as an auditor, based on her advanced expertise in finance and accounting, together with her extensive management experience and broad insight gained through serving as chairperson of the boards of several companies. At the Company's Board of Directors meetings, she provides sound advice, mainly regarding overseas business expansion, M&A, fund management, and compliance. At meetings of the Board of Corporate Auditors, she discusses and provides recommendations on significant matters concerning unscheduled audits.</p>

2) Relationship of the Company with Companies where Outside Board Members Hold Major Posts

The Company does not have any relationship that should be indicated with the Tsubakimoto Chain Co. and DAIHEN Corporation, where Keiichi Ando serves as an outside director.

The Company does not have any relationship that should be indicated with The Royal Hotel, Ltd. and Hiroshima Gas Co., Ltd., where Director Hiroshi Ozaki serves as an outside director.

The Company does not have an advisory contract with Oh-Ebashi LPC & Partners, where Director Fumi Takatsuki is a partner. However, the Company receives advice from Oh-Ebashi LPC & Partners regarding certain specific cases involving international legal affairs. Furthermore, the Company does not have any relationship that should be indicated with Sankyo Seiko Co., Ltd. and Daikin Industries, Inc., where she serves as an outside corporate auditor.

The Company does not have any relationship that should be indicated with the Chiba Gakuen Educational Association, where Tsuguoki Fujinuma serves as an auditor.

The Company does not have any relationship that should be indicated with Nippon Venture Capital Co., Ltd., where Corporate Auditor Shuichi Okuhara serves as chairman and representative director.

The Company does not have any relationship that should be indicated with Sumitomo Mitsui Banking Corporation, where Corporate Auditor Yoriko Goto serves as an outside director.

5. Independent Accounting Auditor

(1) Name of Independent Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Compensation Paid to Independent Accounting Auditor for the Fiscal Year Ended March 31, 2025

1) Compensation paid to the Independent Accounting Auditor for the fiscal year ended on March 31, 2025:

119 million yen

2) Total of cash and other financial profits payable by the Company and its subsidiaries to the Independent Accounting Auditor:

119 million yen

Notes:

1. The audit agreement entered into between the Independent Accounting Auditor and the Company does not clearly distinguish the amount of the auditor's compensation being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Law, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount in 1 above includes both of these two kinds of amounts.
2. For the amount in 1 above, the Board of Corporate Auditors received explanations from the Independent Accounting Auditor about the audit plan (including audit policies, items, team structure, expected time, and changes from the previous year) and the estimated amount of compensation, performed comparisons with the previous year's plan and actual results, compensation amount and compensation rate per unit of time, and checked and considered the opinions of related internal departments. As a result, the Board of Corporate Auditors judged and agreed that the amount of compensation was reasonable.
3. Some of the Company's subsidiaries are audited by an independent accounting auditor other than the accounting auditor of the Company

(3) Company Policy regarding Dismissal or Decision Not to Reappoint Independent Accounting Auditor

In the event that the Company concludes that the Independent Accounting Auditor falls within the scope of any of the items in Article 340, Paragraph 1 of the Companies Act, its policy is for the Board of Corporate Auditors to dismiss the Independent Accounting Auditor with the consent of all Corporate Auditors.

In addition, in the event that the Company concludes that the appropriateness of the Independent Accounting Auditor's execution of its duties cannot be ensured in light of the criteria for proper evaluation of the Independent Accounting Auditor established by the Company, its policy is not to reappoint the Independent Accounting Auditor by resolution of the Board of Corporate Auditors.

(4) Reason the Board of Corporate Auditors Did Not Make a Decision Not to Reappoint the Independent Accounting Auditor

The Board of Corporate Auditors received a report and requested an explanation from the Independent Accounting Auditor concerning the execution status of duties. The Board of Corporate Auditors conducted a rigorous evaluation and held discussions through an appropriate process based on the Board's Evaluation Criteria for Independent Accounting Auditors. As a result of this process, the Board of Corporate Auditors reached a decision that reappointment was appropriate, but will continue to monitor the Independent Accounting Auditor's operations.

6. Systems and Policies of the Company

The systems to assure appropriate execution of the Directors' duties in accordance with the related regulations and the Articles of Incorporation; and other systems to assure appropriate business operations.

(1) Summary of status of systems to assure appropriate business operations

The status of these systems in the fiscal year ended March 31, 2025 in accordance with the basic policy for construction of systems to assure appropriate business operations (the Basic Policy for Construction and Operation of Internal Control System) is summarized below.

1) Matters concerning directors' execution of duties

The Board of Directors (composed of six directors, including four outside directors) met 13 times in the fiscal year ended March 31, 2025, and made appropriate decisions on important matters that require management's judgment in accordance with laws and regulations, and the Company's Articles of Incorporation. The five corporate auditors supervised directors' execution of their duties.

The Company has the monitoring function in place at the Board of Directors to clarify the executive and supervisory roles of management while facilitating responsive and flexible business operations. For business execution, the Company has adopted the corporate officer system. Important matters concerning business operations are decided efficiently and in accordance with laws by the Board of Directors based on discussions of the Corporate Executive Meeting, which is composed of internal directors, standing corporate auditors and corporate officers responsible for business execution and meets regularly (weekly). Moreover, by having the status of execution of duties by business execution departments and major Group companies reported regularly to the Board of Directors, the Company endeavors to monitor the execution of business.

As a part of its decision-making process, the Company constantly anticipates business risks, interprets positive risks (offensive risks, business opportunities) and negative risks (defensive risks) as being one in the same, and sets criteria for the decision-making levels based on the scale of business risks with the aim of ensuring the execution of duties in a manner that will maximize results. Furthermore, in order to achieve our medium-term business plan, STS2030 Revision, we believe it is important to transform ourselves into an organization capable of making advanced decisions and executing operations efficiently. Accordingly, from FY2022, we have changed our governance structure to one in which officers responsible for business execution, entrusted by the Representative Director, oversee each major value chain. This change aims to clarify responsibilities for business execution and to strengthen collaboration among relevant divisions.

The status of cross-shareholdings and the status of investment of corporate pension funds are reported to and examined by the Board of Directors periodically in accordance with the Basic Views and Guidelines on Corporate Governance.

To ensure the reliability of financial reporting, the Board of Directors performs evaluations of internal controls based on plans, and calls attention to any improvements that are needed.

For protection and management of information, the Company has updated the SHIONOGI Group Information Management Policy and established an information security system, and properly stores and manages information by using electronic records and others, in accordance with laws and regulations.

2) Matters concerning compliance

To assure legal compliance and ethical behavior in its business activities in accordance with the SHIONOGI Group Compliance Policy, the President and CEO repeatedly refers to the importance of corporate ethics in the president's message issued quarterly to all employees. This helps to ensure thorough awareness of compliance among the Group's officers and employees. The Compliance Committee (chaired by President and CEO) holds discussions on compliance issues on a quarterly basis and provides regular compliance training and harassment training to support compliance in business execution departments. The Compliance Committee is also held for each value chain to discuss issues more closely related to operations. To further strengthen the compliance system, the Board of Directors monitors the state of the activities of the Compliance Committee by receiving regular reports from the Committee twice a year. In the event of a serious incident, the frequency of reporting to the Corporate Executive Meeting and the Board of Directors is increased, and the management team personally confirms the implementation status of countermeasures and provides necessary instructions. In the event of a serious incident that could have a significant impact on business management, the incident shall be reported immediately to the Corporate Executive Meeting and the Board of Directors, and the appropriateness of countermeasures will be reviewed. The management will take responsibility for the implementation of such countermeasures. The status of implementation of the countermeasures will be reported to the Board of Directors as appropriate.

To verify the effectiveness of its internal control system, the Company continued monitoring by the Internal Control Department, which is in charge of internal auditing. At the same time, the Company set up a whistleblowing hotline as an internal reporting system in the Compliance Department and an external attorney's office and also set up a harassment hotline and overtime hotline inside the Company and in the Company's labor union, with the aim of promoting prevention and early detection of compliance violations, harassment and overwork, and preventing their recurrence.

3) Matters concerning risk management

In accordance with the SHIONOGI Group Enterprise Risk Management Policy, the Group works to properly manage risks through such actions as creating business opportunities and avoiding or reducing risks. At the same time, the Group has established, as an important framework for its management strategy and management foundation, an Enterprise Risk Management system to supervise Group-wide business risks, including crisis management against pandemics, natural disasters, terrorism, and cyber-attacks. Under this system, each organization within the Company and its Group companies is fundamentally responsible for identifying risks associated with decision-making and business execution, proactively managing them, and implementing appropriate countermeasures.

Especially for significant risks that could impact management, they are identified at the Corporate Executive Meeting and the Board of Directors meetings, and the responsibility for addressing these risks is clearly assigned. The individuals responsible for these risks formulate and implement response plans in cooperation with the relevant organizations, while the Corporate Executive Meeting monitors the progress of these plans.

In addition, the responsible individuals are required to monitor the risks under their responsibility and, taking into account the potential impact and likelihood of occurrence of risks, propose, as necessary, the inclusion of such risks among those to be monitored by the Corporate Executive Meeting. By adopting a risk management system centered around these responsible individuals, we are able to swiftly and flexibly identify issues and formulate countermeasures even during the fiscal year.

Crisis management, in accordance with the crisis management regulations, aims to establish and promote a comprehensive management system, including business continuity plans. The main purpose for implementing this management is to ensure respect for human life, give consideration to and contribute to local communities, and prevent the erosion of corporate value. In the event of a crisis, we aim to respond immediately to the crisis in order to overcome it as soon as possible. To that end, we continuously conduct various drills assuming the occurrence of a crisis on a company-wide basis, including management.

The progress of these activities is regularly reported to the Board of Directors, and by incorporating opinions and advice from both internal and external directors into our initiatives, we have built a system that ensures their effectiveness. And the Internal Control Department, which is in charge of internal audits, implements verifications and evaluations on an independent basis.

4) Matters concerning the Group company management system

Based on the SHIONOGI Group Companies Rules and Regulations, individual departments of the Company manage and support business operation of the Group companies, while the Company dispatches directors and corporate auditors to supervise and audit their execution of duties. In order to enhance the corporate value of the Group as a whole and fulfill its social responsibility, the Company familiarizes Group companies with the Company Policy and the SHIONOGI Group Code of Conduct. In addition, the General Administration Department takes the initiative in promoting appropriate management of Group companies with measures such as training for Group company executives, while the Internal Control Department verifies the appropriateness and effectiveness of business execution at Group companies through internal audits.

5) Matters concerning corporate auditors' execution of duties

Corporate auditors attend Board of Directors meetings, the Corporate Executive Meeting and other key meetings, obtain information related to business execution and management and information related to internal controls in a timely manner, and regularly meet with representative directors and department general managers to exchange opinions. In addition, they have established a framework for close cooperation with the Independent Accounting Auditor and the Internal Control Department to ensure the effectiveness of audits. And at the request of the corporate auditors, multiple employees were assigned to assist the auditors in their duties. Under the direction of the corporate auditors, they provided assistance as necessary in the corporate auditors' work, including assessment of the Independent Accounting Auditor by the Board of Corporate Auditors.

Furthermore, The Group Company Audit Liaison Committee, lead by a standing corporate auditor, holds meetings regularly to verify the status of audits of the overall Group through measures including the exchange of opinions on the status of management at each Group company, to ensure the effectiveness of audits.

In the fiscal year ended March 31, 2025, the Board of Auditors met 11 times including the Group Company Audit Liaison Committee meetings from time to time on important matters. The Committee broadly tested the appropriateness and effectiveness of management, compliance, risk management and the effectiveness of internal controls, and provided advice and suggestions to management as necessary.

(2) Systems to assure appropriate business operations

Based on operations during FY2024 in accordance with the Basic Policy for Construction and Operation of Internal Control System, at a meeting of the Board of Director's held on April 24, 2025, the Company passed as resolution to amend the basic policy for construction of systems to assure appropriate business operations ("The Basic Policy for Construction and Operation of Internal Control System") as follows:

The Company will promote clear and reliable operations by sharing their philosophy and their sense of values contained in "SHIONOGI's Policy" among the Company, officers and employees and by execution of the Company's duties satisfying the requirements of "compliance".

For the purpose of enhancing effective execution, the company will prepare and operate the systems to assure appropriate business operations as follows:

1. A system to assure appropriate execution of the Directors' duties in accordance with the related regulations and the Articles of Incorporation

The Group constantly implements transparent and proper management, taking into account the stance of our four stakeholders, customers, society, shareholders and employees, to meet the expectations of society.

To this end, we seek to instill our corporate *raison d'être* by thoroughly enforcing the Company Policy of SHIONOGI, which articulates our management philosophy, and the SHIONOGI Group Code of Conduct, which defines the standards of behavior for officers and employees. In addition, with respect to corporate ethics, we emphasize conduct that would not bring shame to anyone as a member of society. Furthermore, the Compliance Committee, chaired by the Representative Director, formulates and implements various measures to further ensure compliance with laws and regulations and ethical behavior in our business activities.

Based on the SHIONOGI Group Code of Conduct, the Company consistently and resolutely resists the influence of antisocial forecast and precludes any connection with them.

The Company will have a corporate governance system in which the Board of Directors is placed based on the institutional design for a company with a Board of Corporate Auditors. Outside directors shall account for a majority or more of the members of the Board. The Board of Directors will make overall management decisions taking into consideration the objective perspectives based on requests from the shareholders and other stakeholders. Note that as advisory bodies, the Company established a Nominating Advisory Committee and a Compensation Advisory Committee.

Under this structure, with the aim of achieving the Group's sustainable growth and enhancing its corporate value over the medium to long term, we have established the "Basic Views and Guidelines on Corporate Governance" and are implementing it to realize optimal corporate governance. In order to ensure transparency and traceability in the execution of specific duties, we have established a process to track decision-making, progress, and outcomes from the approval by the head of an organization to the resolution by the Board of Directors. By verifying the actual status, we promote the fair, swift, and decisive execution of duties.

To fulfill its role as a monitoring board, the Board of Directors will make decisions on important matters related to business management based on multifaceted business judgments in accordance with the Board of Directors' Regulations. The Board will also grasp and supervise the execution of duties in a timely manner, and prevent the violation of laws and regulations, or the Articles of Incorporation.

Outside directors, as an independent director, shall recognize the corporate responsibility the Company should fulfill, and contribute to the achievement of highly transparent management based on their expert knowledge. Representative directors shall maintain and operate an internal control system to secure the reliability of financial reporting, and adequately evaluate and report on the effectiveness of internal control.

The corporate auditors will audit the execution of duties by the directors, and the directors will co-operate in such audit.

2. A system for storage and management of information related to execution of the directors' duties

We have established an information security system related to the execution of directors' duties and set up policies and procedures to properly manage and operate information assets such as trade secrets, confidential information and intellectual property, and strive to strictly protect and utilize information assets by restricting access, encrypting and so forth. And we will respond to electromagnetic records of information assets and electronic signatures, in addition that the minutes of the Board of Directors' meetings, the corporate executive meetings and the compliance committee meetings, and approval information and other matters approval information and other matters approved by the representative director, etc., will be properly and strictly stored in the manner appropriate to the form they have been recorded in and will be accessible for the appropriate period in accordance with the related laws and regulations.

3. A system and other rules for management of risk of loss

In accordance with the SHIONOGI Group Enterprise Risk Management Policy, the Group works to properly manage risks through such actions as creating business opportunities and avoiding or reducing risks. At the same time, the Group has established, as an important framework for its management strategy and management foundation, an Enterprise Risk Management system to supervise Group-wide business risks, including crisis management against pandemics, natural disasters, terrorism, and cyber-attacks. In this system, basically the Company and its Group companies recognize the risks related to their decision-making and business execution, and manage the risks and implement countermeasures on their own initiative. The enterprise risk management function submits an action plan for risk management for each year to the Corporate Executive Meeting and the Board of Directors at the beginning of the year to obtain approval from them. At the same time, the function monitors the status of implementation of the plan. As necessary, the function reports on the progress in a timely manner and, based on the feedbacks received, promotes activities to further identify problems and make improvements.

Crisis risk management, in accordance with the crisis management regulations, aims to establish and promote a comprehensive management system, including business continuity plans. The main purpose for implementing this management is to ensure respect for human life, give consideration to and contribute to local communities, and prevent the erosion of corporate value. In the event a crisis occurs, the Company strives to overcome said crisis. To that end, we continuously conduct various drills assuming the occurrence of a crisis on a company-wide basis, including management.

The Internal Control Department (section for internal audits) verifies and evaluates the management of various internal risks independently from an independent standpoint.

4. A system to assure efficient execution of the directors' duties

The Company aims to clarify its role of executing and supervising operations and also is introducing a corporate executive officer system to implement agile and flexible management. The regularly (weekly)-held corporate executive meeting will fully discuss the material matters regarding the business operation, and the Board of Directors will make a decision based on the result of such deliberation

The decision at the Board of Directors meeting and the results of deliberation at the corporate executive meeting will be communicated to the general manager of the related department allocated the role of execution of business operations. A suitable individual, within the scope of their authority and responsibilities, shall perform procedures to implement the smooth execution of operations in accordance with rules for administrative duties and the division of duties.

In the execution of operations, SHIONOGI shall constantly anticipate business risks, interpreting positive risks (offensive risks, business opportunities) and negative risks (defensive risks) as being one in the same, setting criteria for decision-making based on the level of business risk, and making sure not to miss any opportunities.

5. A system to assure appropriate execution of the employees' duties in accordance with the related laws, regulations and the Articles of Incorporation.

The Company will further promote the measures for the compliance with the related laws and regulations and ethical behavior in its business operations mainly through the Compliance Committee in accordance with "SHIONOGI Group Compliance Policy".

A secretariat of the Compliance Committee has been established in the Legal and Compliance Department. It will implement compliance training and harassment training, as well as assist each department in managing compliance and harassment risk.

In addition, to verify the effectiveness of its internal control system, the Company will enhance internal audits by the Internal Control Department to strengthen its monitoring capabilities, and will make full use of its internal reporting system and consultation hotlines to work for the prevention and early detection of misconduct and prevention of its recurrence.

6. A system to assure appropriate operation of business by the corporate group comprised of the company and subsidiaries.

The Company and the group companies will improve the value of the corporate group, and keep the Group companies informed about The Company Policy of SHIONOGI and SHIONOGI Group Code of Conduct in order to fulfill the corporate group's social responsibility.

Directors will receive reports on business operations from group companies, and will properly manage and guide group companies based on the "SHIONOGI Group Companies Rules and Regulations" in order to realize The Company Policy of SHIONOGI, SHIONOGI Group Code of Conduct, and Business Plan.

Group companies will promote appropriate and efficient business operations by conducting business management in accordance with the policies and guidelines mentioned above.

Operating divisions and administrative divisions will manage and provide support for appropriate business operations of group companies, with the Corporate Governance Department in charge of overall administration.

The Internal Control Department will confirm the appropriateness and effectiveness of business operations of Group companies through internal audits. At the same time, members of the Finance & Accounting Department and the Internal Control Department will be dispatched as auditors to conduct audits of the Group companies.

7. Matters regarding employees assigned to assist the corporate auditors' duties by the request from the corporate auditors, and matters regarding independence of such employees from the directors.

The Company will assign employees to assist the corporate auditors' duties according to the request from the corporate auditors based upon their needs.

The Company will ensure the system that the employees assigned will be independent from the directors. The Company will make it generally known among the directors and employees that employees assigned to assist the corporate auditors' duties follow the instructions of the corporate auditors.

8. A system for reporting to the corporate auditors by directors and employees, and other systems regarding the reporting to the corporate auditors

The corporate auditors will attend the material meeting such as the Board of Directors and the corporate executive meeting, etc. and establish the system to obtain the information relating to the business operation and management, and efficacy of the internal control in a timely manner.

The corporate auditors may directly instruct directors and corporate officers etc. to report on the business operations. The directors or responsible employees for execution will inform the corporate auditors, either in writing or orally, of a fact that could cause substantial damage to the Company or group companies, a potential and actual situation that markedly impairs the Company's reputation, and illicit or wrongful acts by the officers or employees such as breaches of the law. The Company will guarantee that officers or employees of the Company or group companies who make reports to the corporate auditors do not receive unfavorable treatment as a result of making such reports.

When a corporate auditor makes a claim to the Company for prepayment of expenses or other reason related to the execution of these duties, the Company will promptly process such expenses or debt, except where it is considered necessary.

9. Other systems to ensure effective audits by corporate auditors

The corporate auditors will cooperate with the accounting auditors and the Internal Control Department in conducting audits and providing advice and recommendations, and will also regularly hold meetings with the representative directors to exchange opinions, thereby enhancing the effectiveness of audits.

In addition, to ensure the effectiveness of audits throughout the Group, the corporate auditors have established the Group Company Audit Liaison Committee and hold meetings regularly to exchange opinions on the status of management at Group companies.

7. Other Material Matters

Legal Actions

- In August 2021, the Company, ViiV Healthcare Company and GlaxoSmithKline Brazil Ltda jointly filed a patent infringement action against Blanver S.A. and Lafepe, which have obtained Partnership for Productive Development (PDP) for dolutegravir (Japanese brand name: Tivicay) in Brazil, over the patent for dolutegravir held by the Company with ViiV Healthcare.
- In February 2023, the Company, Hoffmann-La Roche Inc., and Genentech, Inc. filed a patent infringement action in the U.S. District Court for the District of Delaware against Norwich Pharmaceuticals, Inc. and Alvogen PB Research & Development LLC, which have filed an Abbreviated New Drug Application (ANDA) to make a generic version of baloxavir marboxil (brand name: Xofluza) in the United States. The patent infringement action seeks, among other relief, an order that the effective date of any FDA approval based on the aforementioned ANDA shall not be earlier than the expiration date of the patent stated in the Orange Book, including the substance patent for baloxavir marboxil, which is held by the Company.
- In January 2024, the Company, ViiV Healthcare Company and ViiV Healthcare ULC jointly filed a patent infringement action in the Federal Court of Canada in Toronto against Pharmascience Inc., which filed an application to market a generic version of dolutegravir (brand name: TIVICAY) in Canada, based on the substance patent for dolutegravir that the Company shares with ViiV Healthcare Company. The patent infringement action seeks an injunction against working prior to the expiration of said patent.
- In April 2024, the Company, ViiV Healthcare Company and ViiV Healthcare ULC jointly filed a patent infringement action in the Canadian Federal Court in Toronto against JAMP Pharma Corporation, which has filed an application to make a generic version of a combination of dolutegravir sodium, abacavir sulfate and lamivudine (trade name: TRIUMEQ) in Canada, seeking an injunction against the exploitation before expiry of the dolutegravir substance patent that the Company shares with ViiV Healthcare Company and the fixed-dose patent for dolutegravir held by ViiV Healthcare Company.
- In May 2024, the Company, along with ViiV Healthcare Company and ViiV Healthcare UK (No. 3) Limited, jointly filed a patent infringement lawsuit in the U.S. District Court for the District of Delaware against Hetero USA, Inc., Hetero Labs Limited Unit-III, and Hetero Labs Limited, which had filed an application for the approval of a generic version of dolutegravir (brand name: TIVICAY) in the United States. The lawsuit seeks, among other things, an order to ensure that the effective date of any FDA approval based on the aforementioned application will not precede the expiration date of the patent for the crystalline form of dolutegravir, which is jointly held by the Company and ViiV Healthcare. A settlement was subsequently reached in November 2024.
- In June 2024, the Company, along with ViiV Healthcare Company and ViiV Healthcare UK (No. 3) Limited, jointly filed a patent infringement lawsuit in the U.S. District Court for the District of Delaware against Hetero USA, Inc., Hetero Labs Limited Unit-III, and Hetero Labs Limited, which had filed an application for the approval of a generic version of dolutegravir (brand name: TRIUMEQ) in the United States. The lawsuit seeks, among other things, an order to ensure that the effective date of any FDA approval based on the aforementioned application will not precede the expiration date of the patent for the crystalline form of dolutegravir, which is jointly held by the Company and ViiV Healthcare. A settlement was subsequently reached in November 2024.

- In August 2024, the Company, along with ViiV Healthcare Company and ViiV Healthcare UK (No. 3) Limited, jointly filed a patent infringement lawsuit in the U.S. District Court for the District of Delaware against Hetero USA, Inc., Hetero Labs Limited Unit-III, and Hetero Labs Limited, which had filed an application for the approval of a generic version of dolutegravir (brand name: DOVATO) in the United States. The lawsuit seeks, among other things, an order to ensure that the effective date of any FDA approval based on the aforementioned application will not precede the expiration date of the patent for the crystalline form of dolutegravir, which is jointly held by the Company and ViiV Healthcare, as well as the patent for the dolutegravir combination held by ViiV Healthcare Company. A settlement was subsequently reached in November 2024.

- In October 2024, the Company, along with HOFFMANN-LA ROCHE INC. and GENENTECH, INC., jointly filed a patent infringement lawsuit in the U.S. District Court for the District of Delaware against NORWICH PHARMACEUTICALS, INC. and ALVOGEN PB RESEARCH & DEVELOPMENT LLC, which had filed an application for the approval of a generic version of baloxavir marboxil (brand name: XOFLUZA) in the United States. The lawsuit seeks, among other things, an order to ensure that the effective date of any FDA approval based on the aforementioned application will not precede the expiration date of the patent listed in the Orange Book for the baloxavir marboxil tablet formulation held by the Company.

Consolidated Statement of Financial Position (As of March 31, 2025)

(Million of yen)

Accounts	FY2024	(Reference) FY2023	Accounts	FY2024	(Reference) FY2023
Assets			Equity		
Non-current assets			Capital stock	21,279	21,279
Property, plant and equipment	115,412	114,586	Capital surplus	17,845	14,242
Goodwill	15,748	15,287	Treasury shares	△65,855	△137,889
Intangible assets	143,652	117,621	Retained earnings	1,115,729	1,065,913
Right-of-use assets	19,395	9,440	Other components of equity	272,924	271,778
Investment real estate	27,722	27,768	Equity attributable to owners of parent Retained earnings	1,361,924	1,235,325
Other financial assets	299,799	292,321	Non-controlling interests	572	17,236
Deferred tax assets	13,244	13,526	Total Equity	1,362,497	1,252,562
Other non-current assets	41,869	42,158	Liabilities		
			Non-current liabilities		
			Lease liabilities	18,418	8,753
			Other financial liabilities	8,258	7,649
			Retirement benefit liabilities	8,018	7,994
Total non-current assets	676,844	632,712	Deferred tax liabilities	4,401	4,360
Current assets			Other non-current liabilities	4,363	1,691
Inventory	65,477	64,916	Total non-current liabilities	43,459	30,448
Trade receivables	120,553	122,830	Current liabilities		
Other financial assets	270,024	215,761	Lease liabilities	3,464	2,867
Other current assets	27,653	22,607	Trade payables	13,579	14,808
Cash and cash equivalents	374,795	358,090	Other financial liabilities	18,091	31,118
			Income tax payable	22,399	20,844
			Other current liabilities	71,857	64,267
			Total current liabilities	129,392	133,907
Total current assets	858,504	784,205	Total liabilities	172,852	164,355
Total assets	1,535,349	1,416,918	Total equity and liabilities	1,535,349	1,416,918

Consolidated Statement of Profit or Loss FY2024 (Year ended March 31, 2025)

(Million of yen)		
Accounts	FY2024	(Reference) FY2023
Revenue	438,268	410,073
Profit from transfer of license	—	25,008
Cost of sales	△63,826	△57,602
Gross profit	374,441	377,479
Sales, general and administrative expenses	△101,873	△99,651
Research and development costs	△108,612	△102,640
Amortization of intangible assets associated with products	△4,178	△3,728
Other income	528	6,194
Other expenses	△3,702	△24,342
Operating profit	156,603	153,310
Finance income	53,174	51,674
Finance costs	△9,027	△6,701
Profit before tax	200,750	198,283
Income tax expense	△31,215	△37,708
Profit	169,534	160,575
Profit attributable to		
Owners of parent	170,435	162,030
Non-controlling interests	△900	△1,455
Profit	169,534	160,575

Consolidated statement of changes in equity FY2024 (Year ended March 31, 2025)

(Million 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, 2024	21,279	14,242	△137,889	1,065,913	271,778	1,235,325	17,236	1,252,562
Profit				170,435		170,435	△900	169,534
Total other comprehensive income, net of tax					826	826	930	1,757
Comprehensive income	—	—	—	170,435	826	171,262	30	171,292
Purchase of treasury shares			△10			△10		△10
Disposal of treasury shares		△44	494			449		449
Cancellation of treasury shares		△71,550	71,550			—		—
Dividends				△48,709		△48,709	△98	△48,807
Change in interests in controlled subsidiaries		3,607				3,607	△16,596	△12,989
Transfer from other components of equity to retained earnings				△319	319	—		—
Transfer from retained earnings to capital surplus		71,590		△71,590		—		—
Balance as of March 31, 2025	21,279	17,845	△65,855	1,115,729	272,924	1,361,924	572	1,362,497

Notes on Consolidated Financial Statements

(Notes on Significant Basic Items for Preparing Consolidated Financial Statement)

1. Standards for Preparation of Consolidated Financial Statements

Pursuant to Article 120-1 of the Corporate Accounting Rules, the consolidated financial statements of the SHIONOGI Group are being prepared in accordance with publicly disclosed International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Note that the consolidated financial statements omit some line items required under IFRS owing to stipulations cited in the latter clauses of the Article.

2. Scope of consolidation

Number of consolidated subsidiaries: 41

Names of significant consolidated subsidiaries

Shionogi Pharma Co., Ltd., Shionogi Healthcare Co., Ltd.,
Shionogi Inc., Shionogi B.V., Shionogi (Hong Kong) Commerce Limited,
Shionogi China Co., Ltd.

Note: As of April 1, 2025, Ping An-Shionogi (China) Co., Ltd. changed its name to Shionogi China Co., Ltd.

(New) Increase owing to share acquisition: 1 company

(Exclusion) Decrease owing to liquidation: 2 companies

Decrease owing to merger: 1 company

3. Matters on application of the equity method

Number of jointly controlled entities to which the equity method is applied: 2 companies

Number of affiliated companies to which the equity method is applied: 2 companies

(New) Increase owing to share acquisition: 1 company

4. Significant accounting policies

(1) Basis and method of valuation of significant assets

1) Non-derivative financial assets

(i) Initial recognition and measurement

Among financial assets, non-derivative financial assets are recognized as trade receivables on the occurrence date. All other financial assets are initially recognized on the transaction date on which the Group becomes the contracting party.

Financial assets are categorized as financial assets measured at amortized cost or financial assets measured at fair value at the time of initial recognition.

This categorization is carried out as following depending whether the financial asset is a debt instrument or a capital instrument.

(a) Financial assets that are debt instruments

Financial assets are categorized as financial assets measured at amortized cost when they satisfy the following criteria.

- The asset is held in accordance with a business model that aims to possess financial assets for the purpose of collecting contractual cash flows.
- Cash flow, which is solely payment of interest for the principal and principal amount outstanding, occurs on specific dates based on the contractual terms for the financial assets.

Should the financial asset also fulfill the following criteria, it is categorized as a financial assets measured at fair value through other comprehensive income.

- The said financial assets is held in accordance with a business model that aims to both collect contractual cash flow and for sale.
- Cash flow, which is solely payment of interest for the principal and principal amount outstanding, occurs on specific dates based on the contractual terms for the financial assets.

Should neither of the above apply, the financial asset shall be categorized as a financial asset measured at fair value through net income/loss.

(b) Financial assets that are capital instruments

In principle, these financial assets are measured at fair value through net income/loss.

However, capital instruments, excluding those held for trading purposes, are allowed to be categorized as financial assets measures at fair value through other comprehensive income at the time of initial recognition. Financial assets, in principle, are measured at fair value adding in the trading cost directly attributable to the said financial asset.

However, trade receivables that do not include significant financial factors are measured at the trading price.

In addition, trading cost for financial assets measured at fair value through net income/loss is recognized in net income at the time it is incurred.

(ii) Subsequent measurement

(a) Financial assets measured at amortized cost

The interest on financial assets measured at amortized cost, with the amortized cost being calculated using the effective interest method, is recognized under net income/loss as financial expense. When necessary, an asset impairment loss is deducted.

(b) Financial assets measured at fair value

Financial assets are measured at fair value.

Capital instruments that were selected for categorization as financial assets measures at fair value through other comprehensive income. Changes in fair value are recognized under other comprehensive income. Cumulative gains or loss are transferred to retained earnings once recognition is terminated. However, the interest is under net income/loss as financial income.

In addition, among debt instruments, fluctuations in fair value for financial assets categorized as financial assets measured at fair value through other comprehensive income are recognized under other comprehensive income, excluding asset impairment losses (or reversal) and foreign exchange translations, up to the time recognition of the said financial asset is terminated or re-categorized. Once recognition of the said financial asset is terminated, gains/losses previously recognized under other comprehensive income are transferred over to net income/loss.

For financial assets other than those mentioned above, changes in fair value are recognized under net income/loss.

(iii) Asset impairment

In each fiscal year, financial assets measured at amortized cost and, from among debt instruments, financial assets which are measured at fair value through other comprehensive income are measured to ascertain whether there has been a pronounced increase in credit risk from the time of initial recognition. Depending on whether there has been a pronounced increase in credit risk at the time of initial recognition, the following amounts are recognized under allowance for doubtful accounts.

(a) Case where there is no pronounced increase in credit risk since the time of initial recognition

Amount equivalent to 12 months of estimated credit loss

(b) Case where there has been a pronounced increased in credit rise since the time of initial recognition

Amount equivalent to the estimated lifetime credit loss

However, regardless of the above, for trade receivables and lease receivables, an amount equivalent to the estimated lifetime credit loss for is always recognized under the allowance for doubtful accounts.

The monetary amount for estimated credit loss is calculated as the current value of the difference with contractual cash flows that should be paid to the SHIONOGI Group depending on the contract, and cash flow expected to be obtained by the SHIONOGI Group.

Reversal to the allowance for doubtful accounts is recognized under net income/loss. Should an event occur that results in depletion to the allowance for doubtful accounts, SHIONOGI shall recognize this reversal under net income/loss.

(iv) Termination of recognition

Recognition of financial assets is terminated when contractual rights to cash flow from the asset expires, when contractual rights to receive cash flow from the asset is transferred, or when almost all of the risk and economic value related to possession of the financial asset has been transferred.

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

Financial liabilities are categorized as financial liabilities measured at amortized cost and financial assets measured at fair value through net income/loss. Financial liabilities are initially recognized on the transaction date on which the Group becomes the contracting party.

Financial liabilities are initially recognized at fair value. For financial liabilities measured at amortized cost, trade cost directly related to the financial asset are deducted.

(ii) Subsequent measurement

Measurements of financial liabilities after initial recognition are performed as follows depending on the category.

(a) Financial liabilities measured at amortized cost

Amortized cost is measured using the effective interest method. Gains or losses, in the cases where amortization via the effective interest method and recognition are terminated, are recognized under net income/loss as financial income or financial expense.

(b) Financial liabilities measured at fair value through net income

Measurements are conducted at fair value. Fluctuations in fair value are recognized under net income/loss.

(iii) Termination of recognition

The recognition of financial liabilities is terminated when a specific liability is waived or cancelled during the contract period or when the contract expires.

3) Derivatives and hedge accounting

The Group uses derivatives, such as forward foreign exchange contracts, to hedge foreign currency risks.

These derivatives are initially recognized at fair value at the time the contracts are entered into and subsequently measured at fair value on an ex-post basis. Changes in the fair value of derivatives are, in principle, recognized in net income or loss.

However, the Group designates some derivatives as cash flow hedges. If they satisfy requirements for hedge accounting, the effective portion of changes in the fair value of the derivatives used as hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized in net income or loss.

The amounts of hedging instruments recorded in other comprehensive income are reclassified into net income or loss when the hedged transactions affect net income or loss.

However, if the hedging of forecast transactions results in the subsequent recognition of non-financial assets or liabilities, the amounts recognized in other comprehensive income are accounted for as adjustments to the original carrying amount of the non-financial assets or liabilities.

4) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to reimburse the holder of the contract for losses it incurs because specified debtors fail to make payments when due under the original or modified terms of a debt instrument.

These financial guarantee contracts are measured at fair value at the time of contract. After initial recognition, except for those measured at fair value, they are measured at the higher of the allowance for doubtful accounts or the amount initially recognized less accumulated income recognized.

(2) Standards and methods for measuring inventory

Inventories are measured based on acquisition cost or net realizable value, whichever is lower. The acquisition cost includes raw material costs, direct labor and other direct costs and indirect costs related to manufacturing. When calculating the cost of inventory, the weighted average method is employed. The net realizable value is the estimated selling price in the normal course of business less the estimated costs up to completion and the estimated costs required for sales.

(3) Valuation criteria and method, and depreciation method of property, plant and equipment

The cost model is used to measure property, plant and equipment after recognition. Property, plant and equipment are carried at their acquisition costs less accumulated depreciation and accumulated impairment losses.

The acquisition costs include costs directly related to the acquisition of assets, and costs of dismantling, removal and restoration.

The straight-line method of depreciation is used for property, plant and equipment other than land and construction in progress based on the estimated useful life of the respective asset.

The estimated useful life of major property, plant and equipment is as follows.

- Buildings and structures 2-60 years
- Machinery, equipment and vehicles 2-17 years

That said, the depreciation method, residual value and useful life are reviewed each year and are revised when necessary.

(4) Valuation criteria and method, and amortization method of intangible assets

The cost model is used to measure intangible assets after recognition. Intangible assets are carried at their acquisition costs less accumulated amortization and accumulated impairment losses.

Individually acquired intangible assets are measured at their acquisition costs, and the acquisition costs of intangible assets acquired in business combinations are measured at fair value at the date of the acquisition.

Internally generated development costs are recognized as intangible assets only if all the criteria for recognition as assets are met. However, internally generated development costs that are incurred prior to obtaining manufacturing and marketing approval, such as clinical trial costs, are recognized as expenses when incurred, since they are considered not to meet the criteria for capitalization due to uncertainty associated with the length of time and their development.

The rights related to products and research and development acquired through product or technology in-licensing agreements or business combinations that are still in the research and development stage and have not yet been approved for marketing by regulatory authorities are recorded as in-process research and development assets and included in "intangible assets associated with products."

Expenditures related to acquire in-process research and development are recorded as assets only if they are expected to bring future economic benefits to the Group and are identifiable. Such expenditures include upfront payments made to third parties and milestone payments upon achievement of targets.

Intangible assets with a defined useful life are depreciated using the straight-line method over the useful life of each asset. The depreciation of these assets starts from the time point these assets become usable.

Useful life by type of major intangible assets

- Intangible assets related to products 8-15 years
- Software 5 years

That said, the depreciation method, residual value and useful life are reviewed each year and are revised when necessary.

However, intangible assets are not depreciated as they are still not usable.

(5) Depreciation method for right-of-use assets

Right-of-use assets are depreciated over the period up to the end of useful life of the underlying asset in the case where the title to the underlying asset is transferred to the borrower by the end of the lease period or where the cost of acquisition of the right-of-use asset reflects the purchase option the borrower is likely to exercise, or in other cases, over the shorter of the following periods: from the commencement date of lease to the end of the useful life of the right-of-use asset or to the end of the lease period.

(6) Valuation criteria and method, and depreciation method of invested real estates

It conforms to property, plant and equipment.

(7) Matters related to goodwill

The amount of the acquisition price minus cumulative losses is posted as goodwill.

Goodwill is not amortized.

(8) Impairment losses on non-financial assets

Regarding non-financial assets (excluding inventories and deferred tax assets), the Company assesses whether there are signs of impairment losses on assets and cash-generating units. When there are indications of impairment loss, the recoverable amount for the said assets and cash-generating units is estimated and impairment tests are implemented.

For goodwill and intangible assets that are still not usable, regardless of where there are signs of impairment losses, an impairment test is conducted during a certain period each year. Furthermore, in the event of a sign of impairment losses, an impairment test is conducted at that time.

The recoverable amount is calculated with whichever is higher, fair value or utility value, after deducting the disposal cost. Utility value is calculated by discounting the current value, using the discount rate before taxes, which reflects the time value of money and intrinsic risks of said assets into the future expected cash flows generated by the assets or cash-generating units.

In the cases where the recoverable amount of assets and cash-generating units dips below book value, the book value is reduced down to the recoverable amount and the difference is recognized under net income/loss as an impairment loss.

Regarding asset impairment losses other than goodwill, the Company determines whether there is any indication of a reversal to asset impairment losses for those assets and cash-generating units for which asset impairment losses were recognized in past fiscal years. In the event there is any indication of a reversal, the Company will estimate the recoverable amount of the asset or cash-generating unit, should the recoverable amount exceed the book value, a reversal to impairment losses is carried out. The upper limit on a reversal to impairment loss is set at book value after deducting the depreciation/amortization amount, in the cases where impairment losses were not recognized in past years, and is recognized under net income/loss. There are no reversals to impairment losses on goodwill.

(9) Employee benefits

1) Post-employment benefits

(i) Defined benefit plan

The Company determines the present value of its defined benefit obligations and the related current service cost and past service cost using the projected unit credit method. Calculations are carried out for each individual defined benefit plan. The discount rate is determined by referencing market yields for high-grade corporate bonds as of the final business day of the consolidated fiscal year for the period up to the expected future payout date for benefits. The assets and liabilities related to defined benefit plans are calculated by deducting the fair value of a defined benefit plan's assets from the present value of the plan's liabilities. In the event a defined benefit plan is overfunded, the asset ceiling is set at the present value of the potential future economic benefits, in the form of a reduction in future premiums or cash refunds. Remeasurement of the defined benefit asset plan is recognized collectively in other comprehensive income and reclassified to retained earnings for the period during which it is incurred.

(ii) Defined contribution plans

Retirement benefit costs for defined contribution plans are expensed for the fiscal year during which employees render services.

2) Short-term employee benefits

Short-term employee benefits are recognized as an expense on an undiscounted basis at the time the related service is provided. Bonuses and paid vacation come with a present legal or constructive obligation. In the event it is possible to create a reliable estimate, the expected amount of payment is recognized as liability in accordance with the applicable plan.

(10) Standards for recognizing revenue

With the exception of interest and dividend revenue under IFRS 9, the SHIONOGI Group recognizes revenue, which is the monetary amount that reflects expected compensation the Company is entitled to in exchange for those goods or services transferred to the customer in accordance with the following five step approach:

Step1: Identify contracts with customers

Step2: Identify performance obligations in contracts

Step3: Calculate transaction price

Step4: Allocate the contract transaction price to individual performance obligations

Step5: Recognize revenue when (or as) the entity satisfies a performance obligation

In addition, regarding the promise to provide licensing, which is an independent performance obligation, consideration should be made to ascertain whether the nature of the Company's promise when providing licensing to a customer is in line with item (1) or (2) below, and the Company shall determine whether licensing is to be provided to the customer for a specific point in time or for a specified period of time.

(1) Right to access an intellectual property of the SHIONOGI Group during the licensing period

(2) Right to use an intellectual property of the SHIONOGI Group at the point and time licensing is provided

Should it be determined that the nature of the Company's promise at the time when licensing is provided to the customer is to grant the customer the right to access intellectual property in the SHIONOGI Group during the licensing period, the promise to deliver licensing to a customer will be accounted for as a performance obligation that is to be fulfilled over a specific period of time.

Should it be determined that the nature of the Company's promise at the time when licensing is provided to the customer is to grant the customer the right to use intellectual property belonging to the SHIONOGI Group, the promise to deliver licensing to a customer will be accounted for as a performance obligation that is to be fulfilled at a specific point and time.

However, revenues in the form of, regardless of the above, sales-based or usage-based royalties are recognized based on the later of one of the two events below:

(1) Subsequent sale or usage occurs

(2) The performance obligation to which some or all of the sales-based or usage-based royalty has been allocated is fulfilled (or partially fulfilled).

(11) Foreign currency translations

1) Foreign currency-denominated transactions

Foreign currency-denominated transactions are being translated into functional currency at the exchange rate of the transaction date or a closer rate.

Foreign currency-denominated monetary assets on the settlement date are calculated using the foreign exchange rate for the settlement date. Foreign currency-denominated non-monetary assets measured at fair value are calculated using the foreign exchange rate for the calculation date for the said fair value. They are then re-translated into the Company's functional currency.

The translation differences arising from the said translations and settlements are recognized as net income/loss. However, translation differences arising from finance assets measured at fair value through other comprehensive income and cash flow hedges are recognized as other comprehensive income.

2) Exchange differences on translation of foreign operations

Assets and liabilities of foreign operations are translated using the foreign exchange rate for the settlement date. Revenues and expenses are translated based on the foreign exchange rate for the transaction date or a closer exchange rate. Exchange differences arising from the said translations are recognized as other comprehensive income.

In the event that foreign operations are disposed of, the amount of cumulative translation differences related to the said operations are transferred to net income in the period which they were disposed of.

(12) Important matters related to the preparation of other consolidated financial statements

Monetary figures shown have been rounded down to the nearest million yen.

(Notes on Accounting Estimates)

1. Impairment of non-financial assets

In the consolidated financial statements for the fiscal year under review, SHIONOGI posted property, plant and equipment of 115,412 million yen, goodwill of 15,748 million yen and intangible assets of 143,652 million yen. In calculating the recoverable amount in an impairment test of these assets, we set assumptions such as sales forecast and discount rates in business plans, and potential sales approval by the regulatory authority prior to market launch. There is a possibility that these estimates will be impacted by changes in future economic conditions. In the case of a decline in the recoverable amount, there is a possibility that SHIONOGI will post impairment losses.

2. Valuation of intangible assets identified from the business combination of Tetra Therapeutics. Inc.

The zatolmilast in the Phase II/III trial stage as a treatment for fragile X syndrome is recorded as an intangible asset of 11,892 million yen in the consolidated statement of profit or loss.

Since intangible assets recorded as in-process R&D assets have yet to be ready for use, they are only amortized once they are approved for sale by the regulatory authorities and become ready for use. An impairment test is conducted each time there is an indication of impairment and annually, irrespective of the existence of an indication of impairment. Upon conducting an impairment test for Zatulmilast, the recoverable value of in-process R&D assets is measured using fair value net of cost to sell. Fair value is measured by the excess earnings method, with the important assumptions being potential sales approval by regulatory authorities for pre-launch products, the estimated drug price, which is a constituent of the post-launch sales forecast, the estimated number of patients, and the discount rate for calculating the present value of excess earnings. These estimates are affected by changes in future economic conditions, and additional impairment losses may be recorded if there is a drop in the recoverable value.

3. Measuring the fair value of unlisted shares (ViiV Healthcare Ltd.)

In the Consolidated Statement of Financial Position, as a financial asset measured at fair value through other comprehensive income, 229,993 million yen was posted as the value of the shares in ViiV Healthcare Ltd. (“ViiV”), a non-listed company engaged in development, manufacturing and sales of anti-HIV drugs. The fair value of ViiV shares is calculated using an evaluation technique that uses input that is not based on observable market data, including future cash flows and discount rates. Important assumptions for measuring fair value are the peak sales and discount rate for each product. Among them, peak sales are affected by the sales trends of competitive products and the development and sales strategies of the company, while the discount rate is affected by market interest rates and other market environments, which may impact total assets and capital.

(Notes on the Consolidated Statement of Financial Position)

1. Allowance for doubtful accounts with direct write-off from assets
 - Trade and other receivables 822 million yen
 - Other financial assets 35 million yen
2. Cumulative depreciation and impairment loss for property, plant and equipment
 - 192,556 million yen
 - Accumulated depreciation amount of invested real estates 804 million yen
3. Guarantee obligations
 - The Company has provided a guarantee for obligations of the company below.
 - PeptiStar Inc 9,000 million yen

(Notes) 1. This is an obligation based on the environmental improvement contract concluded for the program granted by Japan Agency for Medical Research and Development (AMED) as a Cyclic Innovation for Clinical Empowerment (CiCLE) program.

2. Two companies other than the SHIONOGI Group companies jointly provide the guarantee.

(Notes on Consolidated Profit and Loss Statement)

1. Main breakdown of other revenue

(Million of yen)

	Amount
Reversal of impairment loss	217
Other	311
Total	528

Notes: Reversal of impairment loss refers to the reversal of marketing rights for which impairment loss were recorded in previous financial year due to the transfer to another company.

2. Main breakdown of other expenses

(Million of yen)

	Amount
Extra retirement payments	860
Investment loss under equity method	768
Loss on retirement of fixed assets	629
Donations	503
Impairment loss	471
Litigation expenses	208
Other	260
Total	3,702

Notes:

1. The extra retirement payments are related to the transfer program to subsidiaries.
2. The impairment loss is primarily associated with the termination of distribution license agreements.

(Notes on the Consolidated Statement of Changes in Equity)

1. Type and number of shares in issue and type and number of shares of treasury stock

(Shares)

	April 1, 2024	Increase	Decrease	March 31, 2025
Shares in issue Common stock	307,386,165	593,088,130	10,842,100	889,632,195
Total	307,386,165	593,088,130	10,842,100	889,632,195
Treasury stock Common stock	23,894,588	25,967,189	10,917,000	38,944,777
Total	23,894,588	25,967,189	10,917,000	38,944,777

Notes:

1. The Company conducted a stock split at a ratio of one share to three shares of common stock, with an effective date of October 1, 2024.
2. The increase of 593,088,130 shares in the number of issued common shares resulted from a stock split.
3. The decrease of 10,842,100 shares in the number of issued common shares resulted from the cancellation of treasury shares.
4. The increase of 25,967,189 shares in the number of treasury common shares is attributable to an increase of 25,961,756 shares due to a stock split, an increase of 2,908 shares through the purchase of fractional shares, and an increase of 2,525 shares through the free acquisition under the restricted stock compensation plan.
5. The decrease of 10,917,000 shares in the number of treasury common shares is attributable to a decrease of 10,842,100 shares due to the cancellation of treasury shares, a decrease of 74,100 shares due to the disposal as restricted stock compensation, and a decrease of 800 shares due to the exercise of stock acquisition rights.

2. Dividends

(1) Dividend payments

Resolution	Category	Total dividends	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 20, 2024	Common stock	24,351 million yen	85 yen	March 31, 2024	June 21, 2024
Meeting of Board of directors on October 28, 2024	Common stock	24,357 million yen	85 yen	September 30, 2024	December 2, 2024

Notes:

The total amount of dividends resolved by the Board of Director on October 28, 2024 and Annual General Meeting of Shareholders on June 20, 2024 includes dividends of 255 million yen on the Company's shares held by the trust account of Sumitomo Mitsui Trust Bank, Limited (re-trustee: Custody Bank of Japan. Ltd (trust account)) relating to the SHIONOGI INFECTIOUS DISEASE RESEARCH PROMOTION FOUNDATION.

The Company conducted a stock split at a ratio of one share to three shares of common stock, with an effective date of October 1, 2024. The dividends per share are stated based on the dividend amount prior to the stock split.

(2) Dividends whose record date is within this consolidated fiscal year but whose effective date is subsequent to March 31, 2025

The following is to be approved at the 160th Annual General Meeting of Shareholders to be held on June 18, 2025.

Resolution	Category	Total dividends	Dividend resource	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 18, 2025	Common stock	28,369 million yen	Retained earnings	33 yen	March 31, 2025	June 19, 2025

Notes:

The total amount of dividends resolved by the Annual General Meeting of Shareholders on June 18, 2025 includes dividends of 297 million yen on the Company's shares held by the trust account of Sumitomo Mitsui Trust Bank, Limited (re-trustee: Custody Bank of Japan. Ltd (trust account)) relating to the SHIONOGI INFECTIOUS DISEASE RESEARCH PROMOTION FOUNDATION.

The Company conducted a stock split at a ratio of one share to three shares of common stock, with an effective date of October 1, 2024. The dividends per share are stated based on the dividend amount after the stock split.

3. Shares Issuable during the Share Subscription Rights Exercise Period as of the end of this consolidated fiscal year (March 31, 2025)

Subscription rights to shares

	FY 2011 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2012 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2013 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2014 Subscription Rights to Shares for Shionogi & Co., Ltd.
Date of resolution issuance	June 24, 2011	June 27, 2012	June 26, 2013	June 25, 2014
Class of shares to be issued upon exercise of the subscription rights to shares	Common stock	Common stock	Common stock	Common stock
Number of shares to be issued upon exercise of the subscription rights to shares	46,800	76,500	41,100	50,100

	FY 2015 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2016 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2017 Subscription Rights to Shares for Shionogi & Co., Ltd.
Date of resolution issuance	June 24, 2015	June 23, 2016	June 22, 2017
Class of shares to be issued upon exercise of the subscription rights to shares	Common stock	Common stock	Common stock
Number of shares to be issued upon exercise of the subscription rights to shares	30,300	26,100	29,100

Notes: 1. The Stock Acquisition Rights Agreement concluded between the Company and the stock acquisition rights holders stipulates the following during the exercise period:

- (i) During the stock acquisition rights exercise period, Company directors who are stock acquisition rights holders who cease to be a Company director may only exercise their stock acquisition rights during the 10-day period beginning the day immediately following the date of cessation (if the 10th day is a holiday, the next business day), and may only exercise their stock acquisition rights in full, in a single transaction.
 - (ii) During the stock acquisition rights exercise period, Company corporate officers who are stock acquisition rights holders who cease to be a Company corporate officer or whose employment contract with the Company expires (excluding the re-employment contract after retirement) may only exercise their stock acquisition rights during the 10-day period beginning the day immediately following the date of cessation (if the 10th day is a holiday, the next business day), and may only exercise their stock acquisition rights in full, in a single transaction.
Corporate officers who are stock acquisition rights holders and who are elected as directors may not exercise their stock acquisition rights until they officially retire as directors.
2. The Company conducted a stock split at a ratio of one share to three shares of common stock, with an effective date of October 1, 2024. The number of shares to be issued upon exercise of the subscription rights to shares is based on the figure after the stock split.

(Notes on Financial Instruments)

1. Matters relating to financial instruments

(1) Financial risk management

In carrying out business activities, the SHIONOGI Group is exposed to financial risks (credit risks, liquidity risks, foreign exchange risks, risks of fluctuation in market prices, etc.), and the Group is implementing risk management based on specific policies to avoid or mitigate such risks.

In addition, the SHIONOGI Group uses funds on hand for the capital it requires, referencing business plans mainly for carrying out the manufacturing and sales of pharmaceuticals. The Company invests temporary surplus funds in the management of financial assets with a high degree of safety. Derivatives are used to avoid the risks mentioned below. And it is the policy of SHIONOGI to avoid speculative trades.

(2) Credit risk

Trade receivables, which are composed of notes and accounts receivables, are exposed to customer credit risk. The Company adheres to internally stipulated procedures and the Finance & Accounting Department and related departments regularly monitor the conditions of major business partners to manage due dates and amounts outstanding per account. Moreover, the Company aims to quickly grasp and mitigate possible exposure to doubtful receivables mainly due to deterioration of financial conditions. SHIONOGI is also carrying out similar management at its consolidated subsidiaries in accordance with its management rules.

On top of this, derivative transactions are exposed to counterparty risks. In light of this, such transactions are only carried out with financial institutes with a high credit rating.

(3) Liquidity risk

Liquidity risk is the risk of the SHIONOGI Group becoming unable to meet its repayment obligations for financial liabilities that have come due. The Company manages its liquidity risk by properly preparing and updating financing plans by the Finance & Accounting Department based on reports from related departments.

(4) Market risks

1) Foreign exchange volatility risk

Trade receivables and debts denominated in foreign currencies at businesses being deployed globally by the SHIONOGI Group, scheduled transactions, and loans and borrowings to group companies are exposed to foreign exchange volatility risks. The Company hedges against foreign exchange volatility risks grasped for each currency for its foreign currency denominated trade receivables and debts by using foreign exchange forwards and currency options.

2) Market price fluctuation risks

The SHIONOGI Group maintains shareholdings, including bonds and equity in business partners, which are exposed to the risk of fluctuation in market prices. The Group regularly grasps the fair value of its shareholdings and the financial conditions of the issuing companies (business partners), and also manages its shareholdings by continuously reviewing the status of its holdings.

2. Matters related to the fair value of financial instruments

The following shows the book and fair values of financial instruments at the end of the consolidated fiscal year under review.

Note that in the Consolidated Statement of Financial Position, financial instruments measured at fair value and those financial instruments where the book value is similar to its fair value are not included in the table below.

(Million of yen)

	Book value	Fair value
Financial instruments measured at amortized cost		
Bonds (long-term)	1,999	2,019

Note: The fair value of long-term bonds is calculated mainly based on the price presented by the trading exchange or the corresponding financial institution.

3. Matters related to the breakdown of financial instruments by each fair value level

(1) Fair value hierarchy

The hierarchy for fair value of financial institutions is as follows.

Level 1: Fair value calculated using the unadjusted market price in an active market

Level 2: Fair value calculated using prices that are directly or indirectly observable, other than the market price included in Level 1.

Level 3: Fair value calculated using a valuation method, including inputs that cannot be observed.

Transfer between levels of the fair value hierarchy is recognized on the day when the event or the change in the situation that caused the transfer occurs.

	(Million yen)			
	Level 1	Level 2	Level 3	Fair value
Financial assets				
Financial instruments measured at amortized cost				
Bonds (long-term)	2,019	—	—	2,019
Financial assets measured at fair value through net income/loss				
Derivative assets	—	—	1,256	1,256
Investments in capital	—	—	7,261	7,261
Other	—	—	499	499
Subtotal	—	—	9,017	9,017
Financial assets measured at fair value through other comprehensive income				
Stocks and investments in capital	40,278	—	244,305	284,583
Other	—	—	1,414	1,414
Subtotal	40,278	—	245,719	285,998
Total	42,297	—	254,737	297,035
Financial liabilities				
Financial liabilities measured at fair value through net income/loss				
Derivative liabilities	—	570	—	570
Contingent price	—	—	6,708	6,708
Total	—	570	6,708	7,278

- (Notes) 1. The Level 1 financial assets include the interest-bearing national government bonds and listed shares.
2. The Level 2 financial assets and financial liabilities are derivative financial assets and derivative financial liabilities through foreign exchange forwards, etc. Their fair values are calculated based on the prices proposed by relevant financial institutions.
3. The Level 3 financial assets are mainly unlisted shares and capital investments. Their fair values are calculated using the valuation method based on net asset value, the valuation method based on a discounted future cash flow, or other valuation method. Fair value is calculated by the staff in charge in accordance with the relevant internal regulations or by using external valuation specialists after determining a valuation method that can properly reflect the risks, characteristics and features of the asset. For the calculation of fair value, inputs that cannot be observed, such as future cash flow and discount rate, are used. For the calculation of fair value based on a discounted future cash flow, the assumption of peak sales of products was employed. When the peak sales of products rise (decline), the fair value tends to increase (decrease). The impact of a 1% increase or decrease in the peak sales of products on the fair value is as follows.

	(Million yen)	
	The peak sales of products	
	+ 1%	△ 1%
Balance as of March 31, 2025	1,356	△ 1,550

In addition, a weighted average cost of capital between 8.4% and 8.5% was employed. When the weighted average cost of capital rises (declines), the fair value tends to decrease (increase). The impact of a 1% increase or decrease in the weighted average cost of capital on the fair value is as follows.

	(Million yen)	
	Weighted average cost of capital	
	+ 1%	△ 1%
Balance as of March 31, 2025	△ 4,844	5,037

4. The contingent price is the milestone payment to be made depending on the progress, etc. in research and development at the acquired company. Its fair value is calculated taking into consideration the possibility of success of the R&D project and the time value of money. When the possibility of success of an R&D project, which is an important input that cannot be observed, the fair value rises.

(2) Adjustments of financial instruments classified as Level 3 from the balance at the beginning of the period to the balance at the end of the period

Financial instruments classified as Level 3 in the fair value hierarchy were adjusted from the balance at the beginning of the period to the balance at the end of the period as follows.

	(Million yen)
	Financial instruments measured at fair value
Balance at beginning of period	251,794
Total profits and losses	
Net income ^{*1}	△190
Other comprehensive income	△4,004
Purchase	7,756
Transfer to Level 3 ^{*2}	359
Transfer from Level 3 ^{*3}	△611
Other	△365
Balance at end of period	254,737
Changes in unrealized gains/losses recorded as net income/loss with respect to the assets possessed at the end of this consolidated fiscal year (March 31, 2025)	△190

Notes: 1. It is included in “Financial income” and “Financial costs” in the consolidated statements of income.

2. Transfer due to delisting of the shares held

3. Transfer due to conversion of shares held into an affiliate and listing of the shares held

(Notes on Investment Property)

1. Matters related to the status of investment property

The Company and some of its subsidiaries own properties, chiefly consisting of office buildings for lease (including land), primarily in regions around Japan.

2. Matters related to the fair value of investment property

(Million of yen)

Amount posted on the Consolidated Statement of Financial Position	Fair value
27,722	46,121

Notes:

1. The amount posted on the Consolidated Statement of Financial Position is the amount deducting cumulative depreciation and cumulative asset impairment loss from the acquisition price.
2. The fair value of investment property consists mainly of the amount based on an appraisal by a third-party real-estate appraiser (including appraisals which were adjusted in-house by using certain indicators)

(Notes on Revenue Recognition)

1. Breakdown of revenue

(Million of yen)

	Amount
Domestic prescription pharmaceutical revenue	98,762
Export and overseas subsidiary revenue	59,084
Contract manufacturing revenue	17,254
OTC drug revenue	16,816
Revenue from royalty income	244,669
Other revenue	1,680
Total revenue	438,268

2. Background information for understanding revenue

Revenue stated in the Consolidated Statement of Profit or Loss is revenue recognized from contracts with customers and from other sources. Revenue recognized from other sources is not material.

Revenue of the SHIONOGI Group is composed of the following: Domestic prescription pharmaceutical revenue includes revenue from the sale of prescription pharmaceuticals in Japan and compensation from co-promotion contracts. Revenue from exports and overseas subsidiaries consists of revenue from the sale of prescription pharmaceuticals through export transactions, revenue from the sale of prescription pharmaceuticals recognized by overseas subsidiaries and royalty income related to prescription pharmaceuticals. Contract manufacturing revenue includes revenue related to the contract manufacturing of pharmaceutical raw materials. OTC drug revenue includes revenue from OTC drug sales and royalty income recognized by SHIONOGI and domestic subsidiaries. Royalty income comprises royalty income related to prescription pharmaceuticals recognized by SHIONOGI and domestic subsidiaries. And other revenue includes revenue from the sale of diagnostic reagents and sales at domestic subsidiaries.

In sales of prescription pharmaceuticals and OTC drugs in Japan and abroad, unless otherwise stated separately in a contract, revenue is recognized at the time when the product arrives at the customer for domestic prescription pharmaceutical sales and for overseas sales, revenue is recognized once it is determined that SHIONOGI's performance obligation has been fulfilled at the time the customer has taken control of the said product in accordance with various terms and conditions of trade. Revenue is recognized at the time this performance obligation is fulfilled. Compensation for the transaction is generally received within four (4) months after the fulfillment of the performance obligation.

Note that in the case of some transactions, for the purpose of sales promotion of a product of the SHIONOGI Group, customers are given a rebate based mainly on the sales volume of the related product. Accordingly, the amount of compensation fluctuates. However, given the amount of the rebate given to a customer can be reasonably estimated, in general, there is not major reversal to the cumulative amount of the recognized revenue. Accordingly, the Company determines that there are no restrictions on estimating this fluctuating compensation amount.

In addition, products sold by the SHIONOGI Group include those products for which the customer has right to return to the Group. For these products, the estimated amount of return (refund) is calculated based on the forecast rate of unsold goods and is deducted from revenue. In addition, the same amount is posted to refund liabilities. Moreover, products sold by the SHIONOGI Group are difficult to resell due to the nature of the products and therefore, at the time of settlement of refund liabilities, the Company does not recognize the assets for the right to recover the product to be returned.

In contract manufacturing of pharmaceutical raw materials, in principle, the Company determines that it has fulfilled its performance obligation at the time the product arrives at the customer and posts revenue when it has fulfilled the said performance obligations. In addition, the compensation for this transaction is generally received within two (2) months after the fulfillment of this performance obligation.

In licensing, the SHIONOGI Group provides the right to use intellectual properties, including patents possessed by the SHIONOGI Group, to the other party of a licensing agreement. The SHIONOGI Group determines that its performance obligation has been satisfied at a specific point and time as it deems it will not conduct activities that will have a material impact on the intellectual properties supplied under the agreement. The Company determines that its performance obligations have been fulfilled at the time when it provides licensing to the customer, and posts revenue at the time when it fulfills the said performance obligation.

Compensation for licensing mainly comes in the form of a contract fee received when the contract is entered into, milestone income in line with the fulfillment of certain terms, including progress in research and development or sales, and fixed-rate royalties based on sales or sales volume for the related product. Revenue is generally received two (2) months after the respective requirements for receiving compensation have been satisfied.

Among these forms of compensation for providing licensing, milestone revenue is received when certain conditions are met. The expected amount of variable compensation fluctuates when the SHIONOGI Group receives rights, given it is uncertain whether the licensee will fulfill the said conditions. In the cases where the compensation amount includes fluctuating components, the amount of compensation to be obtained for the rights is estimated, and when the uncertainties related to the variable compensation have been resolved, and only when there is a high level of certainty a major reversal will likely not arise for the cumulative amount of recognized revenue, milestone is included in the transaction price. Terms for receiving a milestone payment depend on the decision and actions of the

customer after the customer receives licensing. Given that uncertainties are not resolved in the long term in this case, there is a possibility that a major reversal to revenue will occur once the uncertainties are resolved. In light of this, estimates for the variable compensation are limited for licensing agreements where a milestone payment is received once the prescribed conditions are fulfilled.

However, among the forms of licensing compensation, sales-based and usage-based royalties are recognized as revenue based on the later of subsequent sale or usage occurs, or the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated is fulfilled (or partially fulfilled).

Note that significant financial components are not included in the compensation to be received by the SHIONOGI Group. At the time of the start of a contract, the SHIONOGI Group elects not to adjust for significant financial components in the cases where there is a period of 12 months or less between the time the Group provides products or services to the customer and the time the customer pays for the said products or services.

In addition, the SHIONOGI Group does not conduct sales of products with product warranties or similar rights.

3. Information to understand the amounts of revenues for the fiscal year under review and the subsequent years

(1) Contract balance

The contract balance is as follows.

	Receivables arising from contracts with customers			(Million yen)
	Trade notes	Accounts receivable	Total	Contract liabilities
Balance as of April 1, 2024	257	122,656	122,913	471
Balance as of March 31, 2025	209	120,891	121,101	1,435

There is no balance of contract assets as of the end of this consolidated fiscal year (March 31, 2025).

Of the amount of revenue, 394 million yen was included in the balance of contract liabilities at the beginning of the period.

For this fiscal year 2024, revenue recognized with respect to the performance obligations fulfilled in past fiscal years was 248,238 million yen. Among compensations related to licensing contracts under which the performance obligations are fulfilled at the time of licensing, the milestone income and royalties that will be received by the SHIONOGI Group for sure with the required conditions satisfied during the consolidated fiscal year under review were recorded as revenue.

(2) Transaction price allocated for remaining performance obligations

The SHIONOGI Group applies the practical expedient of IFRS 15 “Revenue from Contracts with Customers,” Paragraph 121, and does not disclose information regarding remaining performance obligations with an initially expected remaining period of one year or less. In addition, there are no important transactions with an individual contract period estimated to exceed a year at the SHIONOGI Group. Note that there are no significant amounts not included in the transaction price in the consideration arising from the contract with the customer.

(3) Assets recognized from costs to acquire or perform contracts with customers

As of the end of the consolidated fiscal year (March 31, 2025), there are no assets recognized from costs to acquire or perform contracts with customers. The SHIONOGI Group has chosen to recognize the costs to acquire or perform contracts with customers as expenses upon occurrence of such costs where the depreciation period for the assets recognized from such costs is one year or less.

(Notes on Amounts per Share)

Equity attributable to owners of parent per share	1,600.68 yen
Basic net income per share	200.36 yen
Diluted net income per share	200.29 yen

Note: The Company conducted a stock split at a ratio of one share to three shares of common stock, with an effective date of October 1, 2024. Equity attributable to owners of the parent per share, basic earnings per share and diluted earnings per share were calculated based on the assumption that the stock split had been carried out at the beginning of the consolidated fiscal year under review.

(Notes on Significant Subsequent Events)

(Significant Company Split)

Effective as of April 1, 2025, Shionogi & Co., Ltd. (the “Company”) carried out an absorption-type company split (the “Absorption-type Split”) in which UMN Pharma Inc. (“UMN Pharma”), a wholly owned subsidiary of the Company, served as the splitting company, and Shionogi Pharma Co., Ltd. (“Shionogi Pharma”), also a wholly owned subsidiary of the Company, served as the successor company.

1. Purpose of the Absorption-type Split

Under our medium-term business plan, STS2030 Revision, we have committed to enhancing our vaccine business as part of comprehensive infectious disease care. In this fiscal year, we established the Vaccine Business Division to oversee research and development, production, and sales in an integrated manner, thereby creating a system capable of responding swiftly and flexibly from vaccine development to supply. To strengthen and streamline our vaccine production capabilities, it was decided that Shionogi Pharma would succeed UMN Pharma’s vaccine production functions through the Absorption-type Split.

2. Details of the business subject to the Absorption-type Split and the book values of the assets and liabilities to be split

Business description	Research, development, manufacturing, and sales of biopharmaceuticals
Assets to be split	3,698 million yen
Liabilities to be split	102 million yen

3. Form of the Absorption-type Split

An absorption-type company split in which UMN Pharma, a wholly owned subsidiary of the Company, serves as the splitting company, and Shionogi Pharma, also a wholly owned subsidiary of the Company, serves as the successor company

4. Date of the Absorption-type Split

April 1, 2025

5. Other important matters

There will be no changes to the names, locations, business activities, or capital of the companies involved as a result of the Absorption-type Split. Through the Absorption-type Split, UMN Pharma’s production functions will be transferred to Shionogi Pharma, while certain assets, such as goodwill and other intangible assets, will be transferred to the Company. UMN Pharma resolved to dissolve at its extraordinary general meeting of shareholders held on March 31, 2025, and is scheduled to complete liquidation in early June of the same year. The impact of the Absorption-type Split on the Company’s consolidated financial results is expected to be minor.

(Agreement on Absorption-Type Company Split and Share Acquisition and Tender Offer for Shares of Torii Pharmaceutical Co., Ltd.)

At the Board of Directors meeting held on May 7, 2025, the Company resolved to succeed to the pharmaceutical business of Japan Tobacco Inc. (hereinafter, “Japan Tobacco”) (hereinafter, “JT Pharmaceutical Business” or the “Business to be Split”) through an absorption-type company split (simplified absorption-type split) and to enter into an agreement regarding the acquisition of all issued shares of Akros Pharma Inc. (a 100% sub-subsidiary of Japan Tobacco, headquartered in New Jersey, U.S.A; hereinafter, “Akros”) by Shionogi Inc., a SHIONOGI group company in the U.S.A. At the Board of Directors meeting held on May 7, 2025, the Company also resolved to purchase all shares of Torii Pharmaceutical Co., Ltd. (a subsidiary of Japan Tobacco; hereinafter, “Torii Pharmaceutical” or “Target Company”) (excluding treasury shares held by the Target Company) and to implement a tender offer as part of a transaction to make the Target Company a wholly-owned subsidiary. The Company intends to cover the funds required for the series of transactions using its own funds.

1. Purpose of the absorption-type split, share acquisition and tender offer

The SHIONOGI Group had been considering a collaboration with JT Pharmaceutical Business since the beginning of 2024 to realize its vision, “Building Innovation Platforms to Shape the Future of Healthcare,” in its efforts relating to the STS2030 Revision, its medium-term business plan. As a result of the consideration, it has concluded that acquiring the JT Pharmaceutical Business and making Akros and Torii Pharmaceutical wholly-owned subsidiaries were highly significant to realizing the vision.

2. Overview of the absorption-type split

(1) Overview of the parties to the absorption-type split

(i)	Absorption-type split company	Japan Tobacco Inc.
(ii)	Business to be split	Ethical drug R&D business
(iii)	Successor company	Shionogi & Co., Ltd.

(2) Schedule of the absorption-type split

(i)	Date of Board resolution for concluding the agreement	May 7, 2025
(ii)	Date of conclusion of agreement	May 7, 2025
(iii)	Date of Board resolution for concluding the absorption-type split agreement	September 2025 (provisional)
(iv)	Date of conclusion of absorption-type split agreement	September 2025 (provisional)
(v)	Effective date of the absorption-type split	December 2025 (provisional)

(3) Acquisition price

The acquisition price is 5,397 million yen. The acquisition price is subject to change until the date of conclusion of absorption-type split agreement.

- (4) Items and amounts of assets and liabilities of the JT Pharmaceutical Business to be transferred (as of December 31, 2024)

Through this absorption-type split, the Company will succeed to the assets (excluding Torii Pharmaceutical shares and Akros shares), liabilities and other rights and obligations of the JT Pharmaceutical Business as specified in the absorption-type split agreement.

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	8,588 million yen	Current liabilities	5,448 million yen
Non-current assets	37,832 million yen	Non-current liabilities	9,875 million yen
Total	46,420 million yen	Total	15,323 million yen

*The above amounts are calculated based on the balance sheet as of December 31, 2024. The actual amounts to be transferred will be adjusted for increases and decreases up to the effective date.

3. Overview of the share acquisition

(1) Overview of the parties to the share acquisition

(i)	Company to be acquired	Akros Pharma Inc.
(ii)	Business description	Clinical development and exploration of joint research and new technology projects overseas
(iii)	Capital	1,000 dollars
(iv)	Acquiring company	Shionogi Inc.

(2) Schedule of the share acquisition

(i)	Date of Board resolution regarding the share acquisition	May 7, 2025
(ii)	Conclusion of share transfer agreement	May 7, 2025
(iii)	Date of share acquisition (provisional)	November 30, 2025 (provisional)

(3) Number of shares to be acquired and acquisition price

(i)	Number of shares held before the change	0 shares (percentage of voting rights held: 0%)
(ii)	Number of shares purchased	1,000 shares of common stock
(iii)	Acquisition price	Approx. 23 million dollars
(iv)	Number of shares held after the change (provisional)	1,000 shares of common stock (percentage of voting rights held: 100%)

*The acquisition price is subject to change until the date of the share acquisition.

4. Overview of the tender offer

(1) Tender offeror

Shionogi & Co., Ltd.

(2) Overview of the Target Company

(i)	Name	Torii Pharmaceutical Co., Ltd.	
(ii)	Location	3-4-1 Nihonbashi-Honcho, Chuo-ku, Tokyo	
(iii)	Name and title of representative	Nobumasa Kondo, Representative Director, President and Chief Executive Officer	
(iv)	Business description	Manufacture and sale of pharmaceutical products	
(v)	Capital (as of March 31, 2025)	5,190 million yen	
(vi)	Date of establishment	November 1, 1921	
(vii)	Major shareholders and their stakes (as of December 31, 2024)	Japan Tobacco Inc.	54.77%
		The Master Trust Bank of Japan, Ltd. (Trust Account)	5.15%
		Tachibana Securities Co., Ltd.	3.20%
		Custody Bank of Japan, Ltd. (Trust Account)	2.50%
		CEPLUX- THE INDEPENDENT UCITS PLATFORM 2 (Standing proxy: Citibank, N.A., Tokyo Branch)	1.60%
		Tokai Tokyo Securities Co., Ltd.	1.15%
		Torii Pharmaceutical Co., Ltd. Employee Shareholdings Association	0.96%
		BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE CLEARANCE ACC FOR THIRD PARTY (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	0.90%
		Matsui Securities Co., Ltd.	0.88%
(viii)	Relationship between tender offeror and Target Company	RE FUND 107-CLIENT AC (Standing proxy: Citibank, N.A., Tokyo Branch)	0.86%
		Capital relationship	The Company holds 1 share of Target Company stock (0.00% stake)
		Personal relationship	Not applicable
		Transactional relationship	Not applicable
		Status as related parties	Not applicable

Note: “Major shareholders and their stakes” is an excerpt from the “Major shareholders” section of the Annual Securities Report for the 133rd fiscal year (in Japanese) submitted by the Target Company on March 27, 2025 (hereafter, the “Target Company’s Annual Securities Report”).

(3) Period of purchase, etc.

From Thursday, May 8, 2025 to Wednesday, June 18, 2025

(4) Price of purchase, etc.

6,350 yen per share of common stock

(5) Number of shares, etc. to be purchased

Type of shares, etc.	Number to be purchased	Minimum number to be purchased	Maximum number to be purchased
Common stock	12,712,351 shares	3,342,000 shares	— shares
Total	12,712,351 shares	3,342,000 shares	— shares

Non-consolidated Balance Sheets (As of March 31, 2025)

(Million of yen)

Accounts	FY2024	(Reference) FY2023	Accounts	FY2024	(Reference) FY2023
(Assets)	(941,227)	(840,570)	(Liabilities)	(149,401)	(91,076)
Current assets	522,990	444,001	Current liabilities	141,913	83,719
Cash and deposits	295,684	196,185	Accounts payable-trade	10,148	7,175
Accounts receivable-trade	106,717	110,124	Accounts payable-other	22,970	24,683
Short-term investment securities	46,500	67,500	Accrued expenses	4,452	4,447
Merchandise and finished goods	16,915	11,435	Income taxes payable	13,942	8,923
Work in process	13,084	15,864	Deposits received	54,520	1,043
Raw materials and supplies	26,211	29,026	Provision for bonuses	4,775	4,868
Advance payments-trade	1,340	445	Provision for directors' bonuses	136	156
Short-term loans receivable	3	3	Other	30,967	32,420
Other	16,808	13,691	Non-current liabilities	7,487	7,357
Allowance for doubtful accounts	△275	△275	Provision for retirement benefits	6,516	6,535
Non-current assets	418,237	396,569	Other	971	822
Property, plant and equipment	78,375	79,387			
Buildings, net	31,742	26,938	(Net assets)	(791,825)	(749,494)
Structures, net	964	990	Shareholders' equity	771,598	732,937
Machinery and equipment, net	10,674	5,376	Capital stock	21,279	21,279
Vehicles, net	6	11	Capital surpluses	16,392	16,392
Tools, furniture and fixtures, net	4,876	4,808	Legal capital surplus	16,392	16,392
Land	10,302	8,265	Retained earnings	799,781	833,154
Lease assets, net	622	841	Legal retained earnings	5,388	5,388
Construction in progress	19,186	32,153	Other retained earnings	794,393	827,765
Intangible assets	12,999	8,871	Reserve for advanced depreciation of noncurrent assets	2,508	2,632
Software	8,821	5,272	Reserve for the Open Innovation Promotion Tax Program	1,626	1,387
Sales rights	2,420	1,237	General reserve	368,645	368,645
Other	1,757	2,360	Retained earnings brought forward	421,613	455,100
Investments and other assets	326,861	308,311	Treasury stock	△65,855	△137,889
Investment securities	60,461	50,594	Valuation and translation adjustments	19,980	16,305
Stocks of subsidiaries and affiliates	160,659	158,893	Valuation difference on available-for-sale securities	19,994	17,113
Investments in capital of subsidiaries and associates	11,151	11,151	Deferred gains or losses on hedges	△13	△807
Long-term prepaid expense	24,263	25,823	Subscription rights to shares	246	251
Prepaid pension cost	36,553	34,487			
Deferred tax assets	31,126	25,637			
Other	2,941	2,019			
Allowance for doubtful accounts	△295	△296			
Total assets	941,227	840,570	Total liabilities and net assets	941,227	840,570

Non-consolidated Statements of Income FY2024 (Year ended March 31, 2025)

(Million of yen)

Accounts	FY2024	(Reference) FY2023
Net sales	363,309	345,761
Cost of sales	52,681	59,039
Gross profit, net	310,628	286,721
Selling, general and administrative expenses (R&D expenses)	196,272 (130,684)	177,743 (108,924)
Operating income	114,356	108,978
Non-operating income	3,850	159,080
Interest and dividends income	2,913	154,957
Other	937	4,123
Non-operating expenses	9,063	9,437
Interest expenses	83	1,342
Other	8,979	8,095
Ordinary income	109,143	258,621
Extraordinary income	56	33,316
Gain on sale of investment securities	56	8,307
Profit from transfer of license	—	25,008
Gain on sale of shares of subsidiaries and associates	—	0
Extraordinary losses	1,517	10,633
Extra retirement payments	860	7,255
Loss on impairment	450	—
Loss on valuation of investment securities	206	3,177
Loss on valuation of shares of subsidiaries and associates	—	199
Income before income taxes	107,682	281,303
Income taxes-current	28,233	33,710
Income taxes-deferred	△7,478	△5,467
Profit	86,927	253,060

Non-consolidated Statements of Changes in Net Assets FY2024 (Year ended March 31, 2025)

(Million of yen)

	Shareholders' equity										Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings					Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earning										
					Reserve for advanced depreciation of noncurrent assets	Reserve for the Open Innovation Promotion Tax Program	General reserve	Retained earnings brought forward							
Balance at the beginning of the period	21,279	16,392	—	5,388	2,632	1,387	368,645	455,100	△137,889	732,937	17,113	△807	16,305	251	749,494
Changes of items during period															
Reversal of reserve for advanced depreciation of non-current assets					△124			124		—					—
Reserve for the Open Innovation Promotion Tax Program						238		△238		—					—
Dividends of surplus								△48,709		△48,709					△48,709
Net income								86,927		86,927					86,927
Purchase of treasury stock									△10	△10					△10
Disposal of treasury stock			△40						494	454					454
Cancellation of treasury shares			△71,550						71,550	—					—
Transfer from retained earnings to capital surplus			71,590					△71,590		—					—
Net changes of items other than shareholders' equity											2,880	794	3,675	△4	3,670
Total changes of items during period	—	—	—	—	△124	238	—	△33,486	72,033	38,661	2,880	794	3,675	△4	42,331
Balance at the end of current period	21,279	16,392	—	5,388	2,508	1,626	368,645	421,613	△65,855	771,598	19,994	△13	19,980	246	791,825

Notes on Non-consolidated Financial Statements

(Notes on Significant Accounting Policies)

1. Basis and method of valuation of significant assets

(1) Securities

1. Stocks of subsidiaries and affiliates

At cost determined by the moving average method

2. Other securities

(Securities other than stocks, etc. with market value not available)

At fair value (Unrealized gain is charged directly to net assets; cost of sales is accounted for by the moving average method.)

(Stocks, etc. with market value not available)

At cost determined by the moving average method

(Investment in an investment limited partnership or other equivalent partnership (those deemed as securities pursuant to Article 2, Paragraph 2 of Financial Instruments and Exchange Act))

Based on the recent financial statements available according to the settlement report date stipulated in the partnership agreement, the net amount equivalent to equity is recorded.

(2) Assets held in trust for management

Market value method

(3) Derivatives

Market value method

(4) Inventories

Inventories are stated at the lower of cost, determined by the average method, or net selling value.

2. Method of depreciation for noncurrent assets

(1) Property, plant and equipment (excluding lease assets)

Straight-line method

The main useful life is as follows

Buildings: from 2 years to 50 years

Machinery and equipment: from 4 years to 17 years

(2) Intangible assets (excluding lease assets)

Straight-line method

Expenditures relating to computer software intended for internal use are amortized over the useful life of the respective assets (in general, 5 years).

(3) Lease assets

For lease transactions not involving transfer of ownership, lease assets are depreciated over their useful lives using the straight-line method until the residual value reaches zero.

3. Basis for providing significant allowances and provisions

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover bad debt loss. The amount provided for general receivables is based on the historical rate of bad debts; for certain receivable accounts of considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining specific possibility of collection.

(2) Provision for bonuses

To prepare for payment of bonuses to employees, a provision for bonuses is provided based on the estimated amount of bonuses to be paid.

(3) Provision for directors' bonuses

To prepare for payment of bonuses to directors and corporate auditors, a provision for directors' bonuses is provided based on the estimated amount of bonuses to be paid.

(4) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, a provision for retirement benefits is provided based on the retirement benefit liabilities accrued and the expected value of the pension plan assets as of the period end.

i) Method of attributing expected benefit to periods

In calculating the retirement benefit obligation, the method of attributing expected benefits to periods up until the end of the fiscal year is based on the benefit formula basis.

ii) Amortization method of actuarial gain or loss and prior service cost

Prior service cost is amortized by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is proportionally amortized each year following the year in which the gain or loss is recognized, principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.

4. Standard for revenue and expense recognition

At the point and time when rights to promised goods and services are transferred to the customer, revenue is recognized based on the amount expected to be received in exchange for the said goods and service.

5. Foreign currency translation

Monetary receivables and payable denominated in foreign currencies are translated into Japanese yen using the spot exchange rate on the balance sheet date. Gain or loss resulting from translation is credited or charged to income.

6. Significant hedge accounting

(1) Method of hedge accounting

Deferred hedge accounting is used.

(2) Hedging instruments and hedged items

- Hedging instruments:

Forward foreign exchange contracts, currency options and interest-rate swaps

- Hedged items:

Foreign currency-denominated claims and obligations, forecast transactions and debt

(3) Hedging policy

The Company enters into forward foreign exchange contracts and uses currency options with the objective of hedging the risk of exchange rate fluctuations in connection with its foreign currency-denominated claims and obligations and forecast transactions. Additionally, the Company also enters into interest-rate swaps with the objective of hedging the risk of interest rate fluctuations relating to its debt.

(4) Methods for evaluating the effectiveness of hedging

The Company evaluates the effectiveness of its hedging practices by comparing the cash flow fluctuations for hedged items and hedging methods and using changes in both as a basis for its evaluation.

(Notes on Accounting Estimates)

Valuation of shares of affiliates

In the balance sheets, the Company posted 160,659 million yen for shares of affiliates. Of this, 18,593 million yen reflects the book value for Tetra Therapeutics Inc. (Tetra).

When acquiring shares in some affiliates, including Tetra, shares are acquired at a value that factors in excess earning capacity and intangible assets identified at the time of acquisition. When calculating the real value of these shares, identifiable intangible assets secured from business combination are factored in based on the entities' financial statements. Key assumptions used in the calculation of real value include the possibility of sales approval by regulatory authorities for the target products of said intangible assets, the assumed sales unit price, which is a component of the post-market sales forecast, the assumed number of patients, which takes into account market share, and the discount rate. These estimations may be affected by changes in future economic conditions, and if the real value decreases due to damage to intangible assets, a write-down may be additionally recorded.

(Notes on Non-consolidated Balance Sheets)

1. All amounts are rounded down to the nearest million yen.
2. Accumulated depreciation amount of property, plant and equipment 66,449 million yen
3. Guarantee obligations

The Company has provided a guarantee for obligations of the company below.

PeptiStar Inc. 9,000 million yen

(Notes) 1. This is an obligation based on the environmental improvement contract concluded for the program granted by Japan Agency for Medical Research and Development (AMED) as a Cyclic Innovation for Clinical Empowerment (CiCLE) program.

2. Two companies other than the SHIONOGI Group companies jointly provide the guarantee.

4. Short-term credit for subsidiaries and affiliates 3,754 million yen
- Short-term debts to subsidiaries and affiliates 71,574 million yen

(Notes on Non-consolidated Statements of Income)

1. All amounts are rounded down to the nearest million yen
2. Transactions with subsidiaries and affiliates
 - Business transactions 105,577 million of yen
 - Transactions other than business transactions 1,821 million of yen
3. Extra retirement payments
 - These are related to the transfer program to subsidiaries.
4. Impairment loss
 - This is associated with the termination of distribution license agreements.

(Notes on Non-consolidated Statements of Changes in Net Assets)

Treasury stocks held as of the end of relevant fiscal year (March 31, 2025)

Common stock

29,944,777 shares

(Notes on Tax Effects)

Principal components of deferred tax assets and deferred tax liabilities

Deferred tax assets:

Loss on valuation of stocks of subsidiaries and affiliates	37,119	million yen
R&D expenses	36,239	million yen
Loss on revaluation of investments in securities	2,687	million yen
Provision for bonuses	1,461	million yen
Accrued enterprise taxes	932	million yen
Other	9,443	million yen

Subtotal deferred tax assets	87,883	million yen
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Valuation Allowance	△35,695	million yen
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Total deferred tax assets	52,187	million yen
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Deferred tax liabilities:

Asset for retirement benefits	△9,461	million yen
Unrealized gain on other securities	△8,954	million yen
Reserve for advanced depreciation of property, plant and equipment	△1,153	million yen
Investments in securities	△994	million yen
Other	△497	million yen

Total deferred tax liabilities	△21,061	million yen
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Net deferred tax assets	31,126	million yen
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(Notes on Related-Party transactions)

1. Subsidiaries and affiliates, etc.

(Million of yen)

Attribute	Company Name	Rate of ownership of voting	Relationship	Transaction Content	Transaction Amount	Account	Balance at end of current period
Subsidiary	Shionogi Pharma Co., Ltd.	Directly owned 100%	Contract manufacture of the Company's products Contract testing and analysis	Purchasing* ¹	47,824	Accounts payable	6,737
				Deposit of funds	48,356	Deposit	48,356
				Interest payment* ²	70	—	—

Transaction terms and method of determining transaction terms, etc.

Notes: 1. Price and other transaction terms are determined using a negotiated reasonable price.

2. The interest rate on deposit money is determined by taking into account, among other things, market interest rates.

2. Officers and major individual shareholders, etc.

(Million of yen)

Type	Name	Ownership percentage of voting rights, etc.	Relationship	Transaction content	Transaction amount	Account	Balance at end of period
Officer	Isao Teshirogi	Owned 0.0% direct	Director of the Company	Disposal of treasury stock along with contribution in kind of monetary compensation receivables (Note)	91	—	—
Officer	Takuko Sawada	Owned 0.0% direct	Director of the Company	Disposal of treasury stock along with contribution in kind of monetary compensation receivables (Note)	45	—	—

Transaction terms and the method of determining transaction terms, etc.

Note: This is due to contribution in kind of monetary compensation receivables under the restricted stock compensation plan. Disposal value of treasury stock is determined based on the closing price of the Company's common stock at the Tokyo Stock Exchange on the business day prior to the date of the Board of Directors' resolution concerning the said disposal.

(Notes on Amounts per Share)

1. Net assets per share	920.78 yen
2. Earnings per share	101.12 yen
3. Earnings per share (diluted)	101.09 yen

Note: The Company conducted a stock split at a ratio of one share to three shares of common stock, with an effective date of October 1, 2024.

Net assets per share, earnings per share and earnings per share after adjustment for latent shares have been calculated based on the assumption that the stock split had occurred at the beginning of the fiscal year under review.

(Notes on Revenue Recognition)

As the same description is provided in Consolidated Financial Statements and Notes on Consolidated Financial Statements (Notes on Revenue Recognition), the notes are omitted here.

(Notes on Subsequent Events)

Please refer to the Notes on Consolidated Financial Statements.

Accounting Auditor's Audit Report

May 9, 2025

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

Koichiro Kitaike
Designated and Engagement Partner with
limited liability (C.P.A.)

Naoki Nakazawa
Designated and Engagement Partner with
limited liability (C.P.A.)

Audit Opinion

Pursuant to Paragraph 4 of Article 444 of the Companies Act, we have audited the consolidated financial statements, more specifically, the consolidated statements of financial position, the consolidated statements of income, the consolidated statements of changes in equity and the notes to the consolidated financial statements of Shionogi & Co., Ltd. (the "Company") for the fiscal term from April 1, 2024 to March 31, 2025.

In our opinion, the consolidated financial statements above present properly, in every material aspect, the financial position and results of operations of Shionogi & Co., Ltd. and its consolidated subsidiaries for the relevant term of the consolidated financial statements prepared while omitting part of disclosure items required by the specified international financial reporting standards pursuant to the provision of the second sentence of Article 120, Paragraph 1 of the Ordinance on Company Accounting.

Basis of Audit Opinion

We carried out the audit in accordance with generally accepted auditing standards in Japan. Our responsibility is described in the auditing standards under "Independent Accounting Auditor's Responsibility in Auditing Consolidated Financial Statements." We are independent from the Company and its consolidated subsidiaries in accordance with professional ethical standards in Japan and fulfill other ethical responsibilities as an accounting auditor. We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

Emphasis of matter

As stated in the Notes on Consolidated Financial Statements (Notes on Subsequent Events), the Company resolved at a meeting of its Board of Directors held on May 7, 2025, to succeed to the pharmaceutical business of Japan Tobacco Inc. through a company split (simplified absorption-type split), to enter into an agreement for the acquisition of all issued shares of Akros Pharm Inc., a 100% sub-subsidiary of Japan Tobacco Inc., by Shionogi Inc., a U.S. subsidiary of the Company, and to acquire the shares of Torii Pharmaceutical Co., Ltd., a subsidiary of Japan Tobacco Inc., through a tender offer.

This matter does not affect our opinion.

Other Information

Other Information included refers to the business reports and supporting schedules. Company management is responsible for preparing and disclosing Other Information. Corporate auditors and the board of corporate auditors are responsible for monitoring the execution of the directors' duties in establishing and maintaining the reporting processes of Other Information.

Other Information is not included in the scope of Audit Opinion on the consolidated financial statements and therefore we are not in the position of expressing an opinion on Other Information.

Our responsibility in auditing consolidated financial statements is to read through Other Information and, in the course of reading through, to examine whether there is any significant difference between the contents of Other Information and the consolidated financial statements or knowledge that we have obtained in the course of auditing, as well as to pay attention to any sign of a significant error other than such difference in Other Information.

If we judge based on the actions taken that the contents of Other Information include a significant error, we are required to report such fact.

There are no matters that we should report with regard to Other Information.

Management's Responsibility, Corporate Auditors and Board of Corporate Auditors for the Consolidated Financial Statements

Company management is responsible for preparing and appropriately presenting the consolidated financial statements in accordance with the accounting standards that omit part of disclosure items required by the specified international financial reporting standards set forth by the provision of the second sentence of Article 120, Paragraph 1 of the Ordinance on Company Accounting. This responsibility includes establishing and maintaining internal controls deemed necessary by management to prepare and appropriately present the consolidated financial statements without material misstatement due to fraud or error.

In preparing consolidated financial statements, company management is responsible for examining whether it is appropriate to prepare consolidated financial statements based on the premise of a going concern and for disclosing matters relating to the going concern if it is necessary to disclose said matters in accordance with the accounting standards that omit part of disclosure items required by the specified international financial reporting standards set forth by the provision of the second sentence of Article 120, Paragraph 1 of the Ordinance on Company Accounting.

Corporate auditors and the board of corporate auditors are responsible for monitoring the execution of the directors' duties in establishing and maintaining financial reporting processes

Independent Accounting Auditor's Responsibility in Auditing Consolidated Financial Statements

The responsibility of an independent accounting auditor is to express an independent opinion on the consolidated financial statements in an audit report based on an audit performed by the independent accounting auditor after obtaining reasonable assurance that the overall consolidated financial statements are free of material misstatement due to fraud or error. Misstatements may arise due to fraud or error and are deemed to be material if they are reasonably expected to affect the decision-making of users of the consolidated financial statements either individually or in aggregate.

The independent accounting auditor performs the following by making decisions as a professional specialist and retaining professional skepticism in the course of audit in accordance with generally accepted auditing standards in Japan.

- Identify and assess risks of material misstatement due to fraud or error. Plan and implement audit procedures that address material misstatement risk. The independent accounting auditor has discretion over the selection and application of audit procedures. In addition, obtain sufficient and appropriate audit evidence that supports the audit opinion.

- The purpose of an audit of consolidated financial statements is not to express an opinion on the effectiveness of internal controls. However, the independent accounting auditor examines internal controls related to audits in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances.

- Examine the appropriateness of accounting policies adopted by management and their method of application, as well as the rationality of accounting estimates made by management and the adequacy of related notes.

- Conclude whether it is appropriate for management to prepare consolidated financial statements based on the premise of a going concern and whether material uncertainty is deemed to exist in relation to events or circumstances in which material doubt about the premise of a going concern is found, based on the audit evidence obtained. If material uncertainty concerning the premise of a going concern is deemed to exist, the independent accounting auditor is required to bring such uncertainty to attention in the notes to consolidated financial statements in the audit report, or to express an opinion with exceptions toward the consolidated financial statements if the notes to consolidated financial statements concerning the material uncertainty are

not appropriate. The conclusion of the independent accounting auditor is based on audit evidence obtained before the audit report date. However, the company may be unable to continue to exist as a going concern depending on future events and circumstances.

- Examine whether the presentation of and notes to the consolidated financial statements are in accordance with the accounting standards that omit part of disclosure items required by the specified international financial reporting standards set forth by the provision of the second sentence of Article 120, Paragraph 1 of the Ordinance on Company Accounting and whether the presentation, composition, and details of the consolidated financial statements including related notes as well as the consolidated financial statements properly present underlying transactions and accounting events.

- In order to obtain sufficient and appropriate audit evidence regarding the financial information of the company and its consolidated subsidiaries, which form the basis for expressing an opinion on the consolidated financial statements, plan and implement audits of consolidated financial statements. We are responsible for the direction, supervision and review of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

The independent accounting auditor reports to the corporate auditors and the board of corporate auditors the scope and implementation timing of the planned audit, material audit findings including material deficiencies in internal control identified in the course of audit and other matters required by auditing standards.

The independent accounting auditor reports to the corporate auditors and the board of corporate auditors its compliance with regulations relating to professional ethics on independence in Japan, matters reasonably deemed to affect the independence of the independent accounting auditor and the details of measures or safeguards, if any, to remove or reduce to an acceptable level any disincentives.

Interests in the Company

We have no interest in the Company and its consolidated subsidiaries that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Accounting Auditor's Audit Report

May 9, 2025

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

Koichiro Kitaike
Designated and Engagement Partner with
limited liability (C.P.A.)

Naoki Nakazawa
Designated and Engagement Partner with
limited liability (C.P.A.)

Audit Opinion

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the balance sheets, the statements of income, the statements of changes in net assets and the notes to the financial statements and the supplementary schedule to the foregoing (“financial statements”) of Shionogi & Co., Ltd. (the “Company”) for the 160th fiscal term from April 1, 2024 to March 31, 2025.

In our opinion, the financial statements above present properly, in every material aspect, the financial position and results of operations for the relevant term of the financial statements in accordance with generally accepted auditing standards in Japan.

Basis of Audit Opinion

We carried out the audit in accordance with generally accepted auditing standards in Japan. Our responsibility is described in the auditing standards under “Independent Accounting Auditor’s Responsibility in Auditing Financial Statements.” We are independent from the Company in accordance with professional ethical standards in Japan and fulfill other ethical responsibilities as an accounting auditor. We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

Emphasis of matter

As stated in the Notes on Non-consolidated Financial Statements (Notes on Subsequent Events), the Company resolved at a meeting of its Board of Directors held on May 7, 2025, to succeed to the pharmaceutical business of Japan Tobacco Inc. through a company split (simplified absorption-type split), to enter into an agreement for the acquisition of all issued shares of Akros Pharm Inc., a 100% sub-subsidiary of Japan Tobacco Inc., by Shionogi Inc., a U.S. subsidiary of the Company, and to acquire the shares of Torii Pharmaceutical Co., Ltd., a subsidiary of Japan Tobacco Inc., through a tender offer.

This matter does not affect our opinion.

Other Information

Other Information included refers to the business reports and supporting schedules. Company management is responsible for preparing and disclosing Other Information. Corporate auditors and the board of corporate auditors are responsible for monitoring the execution of the directors’ duties in establishing and maintaining the reporting processes of Other Information.

Other Information is not included in the scope of Audit Opinion on the financial statements and therefore we are not in the position of expressing an opinion on Other Information.

Our responsibility in auditing financial statements is to read through Other Information and, in the course of reading through, to examine whether there is any significant difference between the contents of Other Information and the financial statements or knowledge that we have obtained in the course of auditing, as well as to pay attention to any sign of a significant error other than such difference in Other Information.

If we judge based on the actions taken that the contents of Other Information include a significant error, we

are required to report such fact.

There are no matters that we should report with regard to Other Information.

Responsibilities of Management, Corporate Auditors and Board of Corporate Auditors for the Financial Statements

Company management is responsible for preparing and appropriately presenting the financial statements and the supplementary schedules in accordance with generally accepted accounting standards in Japan. This responsibility includes establishing and maintaining internal controls deemed necessary by management to prepare and present the financial statements and the supplementary schedules without material misstatement due to fraud or error.

In preparing financial statements, company management is responsible for examining whether it is appropriate to prepare financial statements based on the premise of a going concern and for disclosing matters relating to the going concern if it is necessary to disclose said matters in accordance with generally accepted auditing standards in Japan.

Corporate auditors and the board of corporate auditors are responsible for monitoring the execution of the directors' duties in establishing and maintaining financial reporting processes.

Independent Accounting Auditor's Responsibility in Auditing Financial Statements

The responsibility of an independent accounting auditor is to express an independent opinion on the financial statements in an audit report based on an audit performed by the independent accounting auditor after obtaining reasonable assurance that the overall financial statements are free of material misstatement due to fraud or error. Misstatements may arise due to fraud or error and are deemed to be material if they are reasonably expected to affect the decision-making of users of the financial statements either individually or in aggregate.

The independent accounting auditor performs the following by making decisions as a professional specialist and retaining professional skepticism in the course of audit in accordance with generally accepted auditing standards in Japan.

- Identify and assess risks of material misstatement due to fraud or error. Plan and implement audit procedures that address material misstatement risk. The independent accounting auditor has discretion over the selection and application of audit procedures. In addition, obtain sufficient and appropriate audit evidence that supports the audit opinion.

- The purpose of an audit of financial statements is not to express an opinion on the effectiveness of internal controls. However, the independent accounting auditor examines internal controls related to audits in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances.

- Examine the appropriateness of accounting policies adopted by management and their method of application, as well as the rationality of accounting estimates made by management and the adequacy of related notes.

- Conclude whether it is appropriate for management to prepare financial statements based on the premise of a going concern and whether material uncertainty is deemed to exist in relation to events or circumstances in which material doubt about the premise of a going concern is found, based on the audit evidence obtained. If material uncertainty concerning the premise of a going concern is deemed to exist, the independent accounting auditor is required to bring such uncertainty to attention in the notes to financial statements in the audit report or to express an opinion with an exception toward the financial statements if the notes to financial statements concerning the material uncertainty are inappropriate. The conclusion of the independent accounting auditor is based on audit evidence obtained before the audit report date. However, the company may be unable to continue to exist as a going concern depending on future events and circumstances.

- Examine whether the presentation of and notes to the financial statements are in accordance with generally accepted accounting standards in Japan and whether the presentation, composition, and details of the financial statements including related notes as well as the financial statements properly present underlying transactions and accounting events.

The independent accounting auditor reports to the corporate auditors and the board of corporate auditors the scope and implementation timing of the planned audit, material audit findings including material deficiencies in internal control identified in the course of audit and other matters required by auditing standards.

The independent accounting auditor reports to the corporate auditors and the board of corporate auditors its

compliance with regulations relating to professional ethics on independence in Japan, matters reasonably deemed to affect the independence of the independent accounting auditor and the details of measures or safeguards, if any, to remove or reduce to an acceptable level any disincentives.

Interests in the Company

We have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Audit Report of the Board of Corporate Auditors

The Board of Corporate Auditors has compiled this Audit Report, upon due discussion, based on the audit report prepared by each Corporate Auditor regarding the execution of Directors' duties for the 160th fiscal period from April 1, 2024 to March 31, 2025 and submit our report as follows:

1. The Auditing Methods and Contents of Corporate Auditors and the Board of Corporate Auditors

- (1) The Board of Corporate Auditors stipulated the auditing policies and share of assignment, etc., received reports regarding the situation and results of the audit from each Corporate Auditor and received reports regarding the situation of the business operations from the Directors and the Accounting Auditors, and requested additional explanations as necessary.
- (2) Each Corporate Auditor, in accordance with the auditing standards, auditing policies and share of assignment, etc., stipulated by the Board of Corporate Auditors, communicated with the Directors, the internal control section of the Company, and employees, endeavored to collect information and organize the environment for auditing, and conducted audits by the following method.
 - 1) We attended the Board of Directors meetings and other material meetings, received reports regarding the situation of the business operations from the Directors and employees, requested additional explanations as necessary, perused the material documents on decisions and investigated the operations and assets at the Company's head office and other main offices. With respect to the Company's subsidiaries, we communicated with and held opinion exchange meetings with the Directors and Corporate Auditors, etc., of subsidiaries, and, as required, received reports regarding the business operations from subsidiaries.
 - 2) We monitored and verified a system to assure appropriate execution of the Directors' duties in accordance with the related regulations and the Articles of Incorporation, the resolution of the Board of Directors regarding a system to assure appropriate operations of the Company (and the corporate group consisting of the Company's subsidiaries) under Paragraphs 1 and 3, Article 100 of the Enforcement Regulations of the Companies Act and the system established pursuant to such resolution (the Internal Control System).

With respect to internal control over financial reporting, we received reports regarding the evaluation of such internal control and the situation of auditing from the Directors and employees, requested additional explanations as necessary, and expressed our opinion.

- 3) We monitored and verified whether the Accounting Auditors maintain their independence and conduct the appropriate audit, received reports regarding the execution of their duties from the Accounting Auditors, and requested additional explanations as necessary.

We also received notification that the "system to assure appropriate execution of the duties" (the items enumerated in each number of Article 131 of the Corporate Accounting Regulations Ordinance) was established in accordance with the "Quality Control Standards for Audits" (Business Accounting Deliberation Council), and requested additional explanations as necessary.

Based on the above method, we reviewed the financial statements (the balance sheets, the statements of income, the statements of changes in net assets and notes on financial statements) as well as the supporting schedules, and the consolidated financial statements (the consolidated statements of financial position, the consolidated statements of income, the consolidated statements of changes in equity and notes on consolidated financial statements) for the relevant fiscal year.

2. Result of Audit

(1) Results of audit on the business reports, etc.

- 1) The business reports and supporting schedules present properly the Company's affairs in accordance with the related regulations and the Articles of Incorporation of the Company.
- 2) No improper acts or serious matters in violation of the related regulations or the Articles of Incorporation in the course of execution of the Directors' duties have been observed.
- 3) The content of the Board of Directors' resolution concerning the internal control system is appropriate. We found no matters requiring additional mention with regard to the details in the business reports or Directors' execution of duties concerning the Company's internal control system.

(2) Results of audit on the financial statements and supporting schedules

The methods and results of the audit made by Ernst & Young ShinNihon LLC are appropriate.

(3) Results of audit on the consolidated financial statements

The methods and results of the audit made by Ernst & Young ShinNihon LLC are appropriate.

May 9, 2025

Board of Corporate Auditors, Shionogi & Co., Ltd.

Standing Corporate Auditor :Akira Okamoto

Standing Corporate Auditor :Noriyuki Kishida

Outside Corporate Auditor :Tsuguoki Fujinuma

Outside Corporate Auditor :Shuichi Okuhara

Outside Corporate Auditor :Yoriko Goto