

To All Shareholders
May 31, 2022

Notice of Convocation of the 157th Annual General Meeting of Shareholders

The 157th Annual General Meeting of Shareholders will be convened at the time and location listed below.

From the perspective of preventing the spread of COVID-19, you are kindly requested to exercise your voting rights by returning the attached voting form or via the Internet and refrain from coming to the venue on the day of the meeting to the best of your ability.

You are also requested to confirm the reference materials concerning the exercise of voting rights provided below and exercise your voting rights following the Procedures on Exercise of Voting Rights below by 5:00 p.m., Wednesday, June 22, 2022.

Also, this year, for the purpose of reducing the infection risk of COVID-19, we ask you to register in advance if you select to attend the meeting at the venue. In case of too many applicants, we will hold a draw for selecting attendees. Concurrently, we will perform a livestream of the meeting so that shareholders can view at home and other places. If you intend to watch the live broadcast, please exercise your voting rights in writing or via the Internet.

Yours faithfully,

Isao Teshirogi
Representative director and 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., Thursday, June 23, 2022 (Reception begins at 9:00 am)
2. Location: Shionogi Education and Training Center
829-1 Tonouchi, Amagasaki, Hyogo 661-0961, Japan

3. Agenda:

Items to report:

1. The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 157th Fiscal Term (year ended March 31, 2022)
2. The Audit Report of the Consolidated Financial Statements for the 157th Fiscal Term (year ended March 31, 2022) by the Accounting Auditor and the Board of Corporate Auditors

Items for resolution:

- Proposal No. 1: Appropriation of Surplus
- Proposal No. 2: Amendments to the Articles of Incorporation
- Proposal No. 3: Election of Five (5) Directors
- Proposal No. 4: Disposition of Treasury Stock by Way of Third-party Allotment for the Purpose of Supporting the Activities of the Shionogi Infectious Disease Research Promotion Foundation, a General Incorporated Foundation

* Pursuant to the Companies Act and Article 14 of Shionogi's Articles of Incorporation, "Business Results and Financial Position," "Main Operations of the Shionogi Group," "Main Offices, Plants, and Laboratories of the Shionogi Group," "Employees," "Main Loans from Banks," "Stock Acquisition Rights," "Independent Accounting Auditor" and "Systems and Policies of the Company" in the Business Report, as well as "Consolidated Statements of Changes in Equity" and "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements, and "Statements of Changes in Equity" and "Notes to Non-Consolidated Financial Statements" in the Non-Consolidated Financial Statements, are not included in this Notice of Convocation as they are available on our Internet website (<https://www.shionogi.com/global/en/investors.html>). Therefore, the consolidated and non-consolidated financial statements audited by the Accounting Auditor and the corporate auditors include the Notes to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements posted on our website in addition to the statements attached to this Notice of Convocation.

* Please note that if any revisions are made to the contents of the business report, the consolidated financial statements, the non-consolidated financial statements and the reference materials concerning the exercise of voting rights that are attached to this Notice of Convocation, the revised contents will be posted on our Internet website (<https://www.shionogi.com/global/en/investors.html>).

Measures for prevention of COVID-19

To reduce the risk of infection with COVID-19 as much as possible, this year's Annual General Meeting of Shareholders will be operated as follows. We would appreciate your understanding and cooperation.

- To lower the risk of infection, we strongly recommend that **you exercise your voting rights in writing or via the Internet** and refrain from coming to the venue on the day of the meeting this year.

For details, please see
pages 3 to 4

- We will make a **livestream of the meeting over the Internet** available to shareholders to enable them to view the meeting at home or other locations without attending the meeting, and **we accept questions from shareholders in advance**. Since shareholders who have viewed the livestreaming are not deemed to be attending the Annual General Meeting of Shareholders under the Companies Act, they will not be able to exercise their voting rights or make any comments, including questions. Please exercise your voting rights in advance and watch the livestreaming. 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.

For details, please see
pages 5 to 6


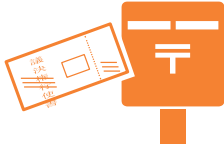

- As in last year, **shareholders wishing to attend this year's meeting are requested to register in advance**. In case of too many applicants, we will hold a draw for selecting attendees. Please note that the appearance of attendants at the venue may be unexpectedly captured in the livestream, and the voices of those who raise questions may be also distributed live. Although we will take due care to filming from the back of the hall, we kindly ask for your understanding.

For details, please see
page 6

How to Exercise Your Voting Rights

There are three ways to exercise your voting rights

Strongly recommended

Exercising your voting rights via the Internet	Mailing the voting form	Attending the General Meeting
 <p>Enter your consent or refusal to the proposals on the designated website for exercising voting rights (as per the next page).</p> <p>Voting deadline</p> <p>Entry must be completed by 5:00 p.m., Wednesday, June 22, 2022.</p>	 <p>Indicate your consent or refusal to the proposals on the attached voting form and return it.</p> <p>Voting deadline</p> <p>The form must arrive by 5:00 p.m., Wednesday, June 22, 2022.</p>	 <p>In case of too many applicants, we will hold a draw for selecting attendees. Submit your admission card and attached voting form at the reception desk.</p> <p>Date</p> <p>The meeting will start at 10:00 a.m., Thursday, June 23, 2022.</p>

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

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.

Attendance to the meeting

- **An advance application using a “Postcard for attending the General Meeting of Shareholders”** is requested for attending the meeting.
- Please note that in the case a draw is held, **only the winners are allowed to attend the meeting.**

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.



- 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>

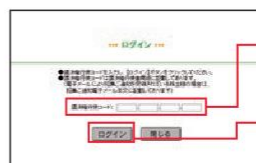


- 1 Access the voting service website.



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.

1) If you select not to attend the meeting:

Please view the livestream and submit your questions in advance.

Shareholders will not be able to exercise their voting rights through the livestream.


Voting rights shall be exercised in advance following the instructions indicated on pages 3 to 4.


Livestream through the Internet	Advance acceptance of questions
 <p><u>Date and time for livestream</u></p> <p>10:00 a.m., Thursday, June 23, 2022 to the ending time of the Annual General Meeting of Shareholders</p>	 <p><u>Period for acceptance of questions</u></p> <p>From 9:00 a.m., Wednesday, June 1, 2022 to noon Friday, June 17, 2022</p>

Method of viewing the livestream and submitting questions in advance

- Access the website exclusively set for you


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

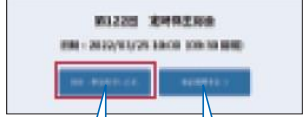

- Enter the “Shareholder code” indicated on the voting form in the “ID” field, and “Postal code” in the “Password” field.



Shareholder code (ID)

Postal code (Password)


- 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.



Livestream button

Advance questions button
- Enter necessary items following the instructions given on the screen.

※ The operation screen is an image

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 9:00 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 - 6385 - 8737

(Open from 9:00 a.m. to the end of the meeting on Thursday, June 23)

2) If you select to attend the meeting:

An advance registration is required.

Application method	Notice of result	On the day of the meeting
<p>Please apply for attendance by sending the enclosed "Post card for attending the General Meeting of Shareholders."</p> <p><u>Application deadline</u> June 10, 2022 Friday Application must reach us no later than this day.</p>	<p>"Admission card" will be sent to applicants (or winners in case of a draw) allowed to attend the meeting.</p> <p><u>Notification of result</u> June 15, 2022 Wednesday "Admission card" will be sent to you (by mail).</p>	<p>Submit your "Admission card" together with the "Voting form" at the reception desk.</p> <p><u>Date and time of the meeting</u> 10:00 a.m., Thursday June 23, 2022.</p>

- Please note that **we will not inform the result of the draw to shareholders not selected**, who are requested to exercise their voting rights in advance and view the livestream of the meeting.
- Also, please note that shareholders who do not submit the "Admission card" will not be allowed to attend the meeting.
- Shareholders who will attend the meeting are kindly requested to make sure to wear a mask. We will set thermometers on the day of the meeting and ask shareholders with higher-than-normal body temperature to refrain from attending the meeting.
- Information on the day of the meeting can be found on the "Admission Card".

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, 2022 as follows:

1. Year-end dividends

(1) Type of dividend assets

Cash

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

¥60 per share of common stock total amount of dividends: ¥18,088,966,800-

(3) Effective date of dividends

June 24, 2022

Including the interim dividend, cash dividends per share for the fiscal year ended March 31, 2022 totaled ¥115, an increase of ¥7 compared with the previous fiscal year.

No. 2: Amendments to the Articles of Incorporation

1. Reasons for the Amendments

With the enforcement of the amendment provisions stipulated in the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) on September 1, 2022, the Company proposes the following amendments to its Articles of Incorporation to prepare for the adoption of a system for providing shareholder meeting materials in electronic format.

- (1) The proposed paragraph 1 of Article 14 stipulates that information constituting the content of general shareholder meeting documents, etc. will be provided in electronic format.
- (2) The proposed paragraph 2 of Article 14 establishes a provision for limiting the extent of the matters to be described in the document delivered to shareholders who request delivery of the document in a paper-based format.
- (3) The provision for disclosure by internet of reference documents, etc. for shareholder meetings and deemed provision (the current Article 14) will be deleted as it will no longer be required.
- (4) A supplementary provision on the effective date, etc. will be established following the new establishments and deletion above.

2. Details of the Amendments

Details of the amendments are as follows.












(Amended portions are underlined.)


Current Articles of Incorporation	Proposed Amendment
<p><u>Article 14 (Internet Disclosure and Deemed Provision of General Meetings of Shareholders Reference Materials, etc.)</u> <u>The Company, when convening a General Meeting of Shareholders, may disclose information on matters to be stated or indicated in the reference documents for the General Meeting of Shareholders, business reports, financial statements and consolidated financial statements by using the Internet in accordance with the provisions of the relevant Ordinance of the Ministry of Justice, and by this, said information may be deemed to have been provided to shareholders.</u></p>	<p><Delete></p>
<p><Newly establish></p>	<p><u>Article 14 (Electronic Provision Measure, etc.)</u> <u>1. Upon convening a General meeting of shareholders, the Company shall take an electronic provision measure with respect to information that constitutes the content of reference documents, etc. for General Meetings of Shareholders.</u> <u>2. Among matters for which the electronic provision measure shall be taken, the Company shall not be required to state all or part of the matters prescribed by the relevant Ministerial Ordinance of the Ministry of Justice in the document that shall be delivered to shareholders who requested delivery of the document in a paper-based format by the record date for voting rights.</u></p>
<p><Newly establish></p>	<p><u>Supplementary Provisions</u> <u>Article 1 (Transitional Measures Concerning Electronic Provision of Materials for General Meeting of Shareholders)</u> <u>1. The deletion of Article 14 of the current Articles of Incorporation and the new establishment of Article 14 of the amended Articles of Incorporation shall come into force on the date of enforcement stipulated in the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as “Enforcement Date”).</u> <u>2. Notwithstanding the provisions of the preceding paragraph, Article 14 of the current Articles of Incorporation shall remain in force with respect to a General Meeting of Shareholders to be held within six (6) months from the Enforcement Date.</u> <u>3. This article shall be deleted automatically on the date on which six (6) months have elapsed from the Enforcement Date or the date on which three (3) months have elapsed from the date of the shareholder meeting under the preceding paragraph, whichever is later.</u></p>


No. 3: Election of Five (5) Directors


The term of office of all five (5) Directors expires at the end of this Annual General Meeting of Shareholders. Candidates for Director 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	62		Representative Director and President	20 years	14/14 (100%)
2	Takuko Sawada	67		Director and Executive Vice President and Senior Vice President of Integrated Disease Care Department	7 years	14/14 (100%)
3	Keiichi Ando	70		  Director	6 years	14/14 (100%)
4	Hiroshi Ozaki	72		  Director	3 years	14/14 (100%)
5	Fumi Takatsuki	46		  Director	2 years	14/14 (100%)











 Director candidate for reappointment

 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.

[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
 Isao Teshirogi	62	Representative Director and President	20	●	●	●
 Takuko Sawada	67	Director and Executive Vice President	7	●		
 Keiichi Ando	70	Director	6	◎	◎	●
 Hiroshi Ozaki	72	Director	3	●	●	◎
 Fumi Takatsuki	46	Director	2	●	●	●
 Akira Okamoto	67	Standing Corporate Auditor	7	●		●
 Ikuo Kato	68	Standing Corporate Auditor	6	●		
 Takaoki Fujiwara	70	Corporate Auditor	4	●	●	
 Tsuguoki Fujinuma	77	Corporate Auditor	3	●		
 Shuichi Okuhara	54	Corporate Auditor	2	●		

● Participating member ◎ Chair

Management Experience	Financial Accounting	Legal Affairs/ Compliance/Risk Management	Research & Development	Sales/ Marketing	Production	IT/Information Management	International Experience	Personnel/ Human Resources Development	Internal Audit
●		●	●		●		●		
●			●	●		●	●		
●	●						●	●	
●			●		●	●	●		
		●					●	●	●
		●		●				●	●
●		●	●						
●				●				●	
	●	●					●		●
●	●					●		●	●

No.
1 Isao Teshirogi
(December 12, 1959)

Reappointment

Number of years served as Director: 20 years (as at the closing of this Annual General Meeting of Shareholders)
Number of the Company's shares owned: 57,900 shares
Attendance at Board of Directors meetings: 14 / 14 (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 (incumbent)
June 2021: Outside Director of Sumitomo Mitsui Banking Corporation (incumbent)
March 2022: Outside Director of AGC Inc. (incumbent)

■ Major concurrent posts

- Outside Director of Sumitomo Mitsui Banking Corporation
- Outside Director, AGC Inc.

Reasons for nominating the candidate for Director

Isao Teshirogi became Representative Director and President and CEO 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),” which was formulated in FY2014, he updated SGS2020 in October 2016, and also achieved these targets ahead of schedule. In April 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,” and has vigorously moved forward the business transformation with the aim of achieving further growth. He is also promoting the development of a COVID-19 therapeutic medicine and vaccine as a pharmaceutical company that strives to counter infectious diseases. We therefore recommend that you vote for his reelection as a Director.

No.
2 Takuko Sawada
(March 11, 1955)

Reappointment



Number of years served as Director 7 years (as at the closing of this Annual General Meeting of Shareholders)
Number of the Company's shares owned 40,850 shares
Attendance at Board of Directors meetings: 14 / 14 (100%)

■ Career summary, position and responsibility within the Company

April 1977: Joined the Company
April 2002: Executive General Manager, Pharmaceutical Development Division
April 2007: Officer and Executive General Manager, Pharmaceutical Development Division
April 2010: Executive Officer and Executive General Manager, Pharmaceutical Development Division
April 2011: Senior Executive Officer and Executive General Manager, Global Development Office
April 2013: Senior Executive Officer and Senior Vice President, Global Development and, Pharmaceutical Development Division
April 2014: Senior Executive Officer and Senior Vice President, Global Pharmaceutical Development Division
April 2015: Senior Executive Officer and Senior Vice President, Corporate Strategy Division
June 2015: Director of the Company and Senior Executive Officer and Senior Vice President, Corporate Strategy Division
October 2015: Senior Executive Officer and Senior Vice President, Corporate Strategy Division, and General Manager, Corporate Planning Department
April 2016: Senior Executive Officer and Senior Vice President, Corporate Strategy Division
April 2017: Senior Executive Officer and Senior Vice President, Corporate Strategy Division
April 2018: Director of the Company and Executive Vice President
April 2020: Director of the Company and Executive Vice President and Senior Vice President of Integrated disease care Department (incumbent)

Reasons for nominating the candidate for Director

Since her appointment as a Director of the Company in June 2015, Takuko Sawada has been responsible for business execution of the Corporate Strategy Division as Senior Vice President of the Corporate Strategy Division and as a Senior Executive Officer. She also moved Medium-Term Business Plan Shionogi Growth Strategy 2020 (SGS2020) forward, and played a central role in formulating the update of SGS2020 in October 2016. She became Vice President in April 2018 and has been supervising the Integrated Disease Care Division, Corporate Strategy Division and Pharmaceutical Commercial Division to achieve the new Medium-Term Business Plan "Shionogi Transformation Strategy 2030 (STS2030)" from April 2020. We therefore recommend that you vote for her reelection as a Director.

No.
3 Keiichi Ando
(November 5, 1951)

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: 14 / 14 (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. 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.

At Board of Directors meetings, he presents many questions and opinions from the perspective of human resources and the use of assets that are important management resources, and provides appropriate advice on budget planning and management and capital policies, including investments, while, as chair of the Board, taking into account the timeliness and appropriateness of the proposals.

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.

No.
4 Hiroshi Ozaki
(March 11, 1950)

Reappointment

Outside Director

Independent Director



Number of years served as Director 3 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: 14 / 14 (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 (Current name is Asahi Broadcasting Group Holdings Corporation)
June 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)

■ Major concurrent posts

- Outside Director, The Royal Hotel, 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. In the Medium-Term Management Plan, he is focusing on promoting the life science industry. We expect him to draw on this wealth of experience and knowledge to make management judgments with an emphasis on objectivity and neutrality. We therefore recommend that you vote for his election 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.
- Osaka Gas Chemicals Co., Ltd., of which Mr. Hiroshi Ozaki served as Board member, received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission based on the Antimonopoly Act in November 2019 over a bidding for activated charcoal used in water treatment facilities, etc. Although Mr. Ozaki was not aware of this fact, he had raised awareness from the perspective of compliance with law at the Board of Directors' meetings, etc. Since the discovery of this fact, he had been fulfilling his responsibilities by instructing thorough investigations on the fact as well as prevention of a recurrence.

No.
5 Fumi Takatsuki
(June 24, 1975)

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 the Company's shares owned 0 shares

Attendance at Board of Directors meetings: 14 / 14 (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)

■ Major concurrent posts

- Partner of Oh-Ebashi LPC & Partners

Reasons for nominating the candidate for Outside Director

Fumi Takatsuki has not been involved in company management in any way in the past other than as an outside director, but we expect her to draw on her giving priority to legal compliance and social norms to make fair management decisions from a global perspective from her position as an attorney in international corporate law and her experience in legal response relating to the Chinese life science and healthcare industry. We therefore recommend that you vote for her reelection as an outside director.

At the Board of Directors meetings, she points out problems and provides sound advice on issues that need to be considered, particularly with regard to the execution of business in China, from the perspective of international corporate legal affairs.

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,

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 Fumi Takatsuki 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. 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, Keiichi Ando, Hiroshi Ozaki and Fumi Takatsuki are reelected as outside directors at this Annual General Meeting of Shareholders, the Company will continue to conclude such contracts with the candidates.
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.

The Requirements and Independence Standards

Requirements

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

Independence Standards

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

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

- a. A business partner for which the amount of payment from the Group to such business partner accounts for 2% or more of the Group's consolidated sales on average over the last three business years of the Group, including the most recent business year.
 - b. A business partner for which the amount of money the Group has received from such business partner accounts for 2% or more of the Group's consolidated sales on average over the last three business years of the Group, including the most recent business year.
4. Outside directors and kansayaku shall not be a director, kansayaku, executive officer or employee of a company for which the 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 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 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 and kansayaku are consultants or accounting or legal professionals, the directors and kansayaku or the corporation or organization to which they belong shall not receive any of the following remuneration from the Group other than their director or kansayaku 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 or kansayaku 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 and kansayaku shall not have a position with a corporation or foundation to which the Group contributes more than 10 million yen annually.
 7. The tenure of the Group's outside directors shall not exceed 10 years.
 8. The tenure of the Group's outside corporate auditor shall not exceed 12 years (3 terms).

No. 4: Disposition of Treasury Stock by Way of Third-party Allotment for the Purpose of Supporting the Activities of the Shionogi Infectious Disease Research Promotion Foundation, a General Incorporated Foundation

(1) Purpose of the Foundation

The COVID-19 pandemic that emerged at the end of 2019 continues to have a tremendous impact on people's lives; however, there are still many other threats to human wellbeing, including the three major infectious diseases (AIDS, tuberculosis and malaria) and tropical diseases. Therefore, in the infectious disease area, many unmet medical needs still remain, including the emergence and spread of antimicrobial resistance (AMR) and new viral variants, as well as the aforementioned threats.

Based on its Company Policy "Shionogi strives constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve," Shionogi strives to be a company indispensable for society, meeting medical needs and providing solutions to social issues through its business activities, and to sharing the return from those efforts with its stakeholders. Shionogi is committed to "Protect people worldwide from the threat of infectious diseases" as our key focus (issue of materiality). We are not only limiting ourselves to the research and development of therapeutic medications, but also are focused on the total care of infectious diseases, through awareness-building, detection and forecasting, prevention, diagnosis, and treating exacerbations. As part of these initiatives, recognizing society's reinforced understanding of the importance of continual research activities in the infectious disease area and the need to prepare for possible future pandemics, Shionogi has concluded that, in addition to promoting in-house research and development and strengthening its collaborations with industry groups and partners, it is necessary to create a new framework to broadly support research on infectious diseases. As a result, it has decided to establish the Shionogi Infectious Disease Research Promotion Foundation, a General Incorporated Foundation (the "New Foundation"), with the aim of supporting and promoting research on infectious diseases, which pose a threat to humankind, and thereby contributing to the promotion of science and to human health and welfare. The New Foundation will play a role in accelerating efforts to resolve these social issues. Shionogi believes that these activities will contribute to the realization of the Shionogi Group's philosophy and lead to the sustainable growth of the Company and enhancement of corporate value over the medium to long term.

(2) Disposition of treasury stock

In order to continuously and stably support the activities of the New Foundation, the Company will establish a third-party benefit trust (the "Trust") with Sumitomo Mitsui Trust Bank, Limited as trustee, Custody Bank of Japan, Ltd. as re-trustee, and the New Foundation as beneficiary. The Trust will subscribe to purchase shares of the Company's stock. The Trust will pay trust proceeds earned from dividends, etc. on the Company's stock to the New Foundation, and the New Foundation will use trust proceeds to fund its activities.

The disposition of treasury stock this time will be conducted for the Trust, which will be established to provide funds for social contribution activities of the New Foundation.

(3) Reasonableness of the terms and conditions of disposition, etc.

As the New Foundation will continuously and stably implement its activities, such as the provision of aid to organizations whose activities are in line with its objectives, the Company believes that the number of shares to be disposed of is of an appropriate magnitude to fund the activities of the New Foundation. Moreover, as it is not currently expected, under the structure of the scheme of the Trust, that a large number of the treasury shares would be sold into the market after the disposition, and as the impact on the secondary market triggered by the disposition of treasury stock will be small, the Company believes that the number of shares to be disposed of is at a reasonable level.

As the extent of dilution of the shares of the Company's stock triggered by the disposition of treasury stock is small, representing 0.96% (rounded to the second decimal place; 1.00% against the aggregate number of voting rights of 3,010,818) of the total number of issued shares, the Company believes that the impact on the stock market triggered by the disposition of treasury stock will be small.

Furthermore, Custody Bank of Japan, Ltd. shall not exercise its voting rights on the shares that the Trust will acquire upon disposition of the treasury stock throughout the term of the Trust.

The Company believes that the price of disposition of 1 yen per share is reasonable for the above-mentioned effect and purpose, and hereby asks for approval for delegation of the determination of the subscription requirements to the Board of Directors with regard to disposition of treasury stock by way of third-party allotment in accordance with Article 199 (Determination of Subscription Requirements) and Article 200 (Delegation of Determination of Subscription Requirements) of the Companies Act.

Incidentally, at a meeting held on May 11, 2022, the Board of Directors resolved to acquire treasury stock (up to 7.2 million shares or 50 billion yen) pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, paragraph 3 of the same Act, and to cancel treasury stock (4.2 million shares) pursuant to the provisions of Article 178 of the same Act, which is subject to approval of this Proposal.

<Details of treasury stock to be disposed of>

(i) Type of shares to be disposed of and the upper limit of disposition	3,000,000 shares of common stock (0.96%* of the total number of issued shares)
(ii) Minimum amount to be paid in	1 yen per share
(iii) Total amount to be paid in	3,000,000 yen
(iv) Method of disposition	Disposition by way of third-party allotment
(v) Subscriber	Custody Bank of Japan, Ltd. (re-trustee, with the trustee being Sumitomo Mitsui Trust Bank, Limited)
(vi) Date of disposition	September 1 st , 2022 (scheduled)
(vii) Delegation of determination	Besides the matters specified above, all the other matters necessary for determination of subscription requirements for the disposition of treasury stock will be resolved by the Board of Directors of the Company.

* Calculated against the total number of issued shares of common stock of 311,586,165 shares as of March 31, 2022

<Outline of the Foundation>

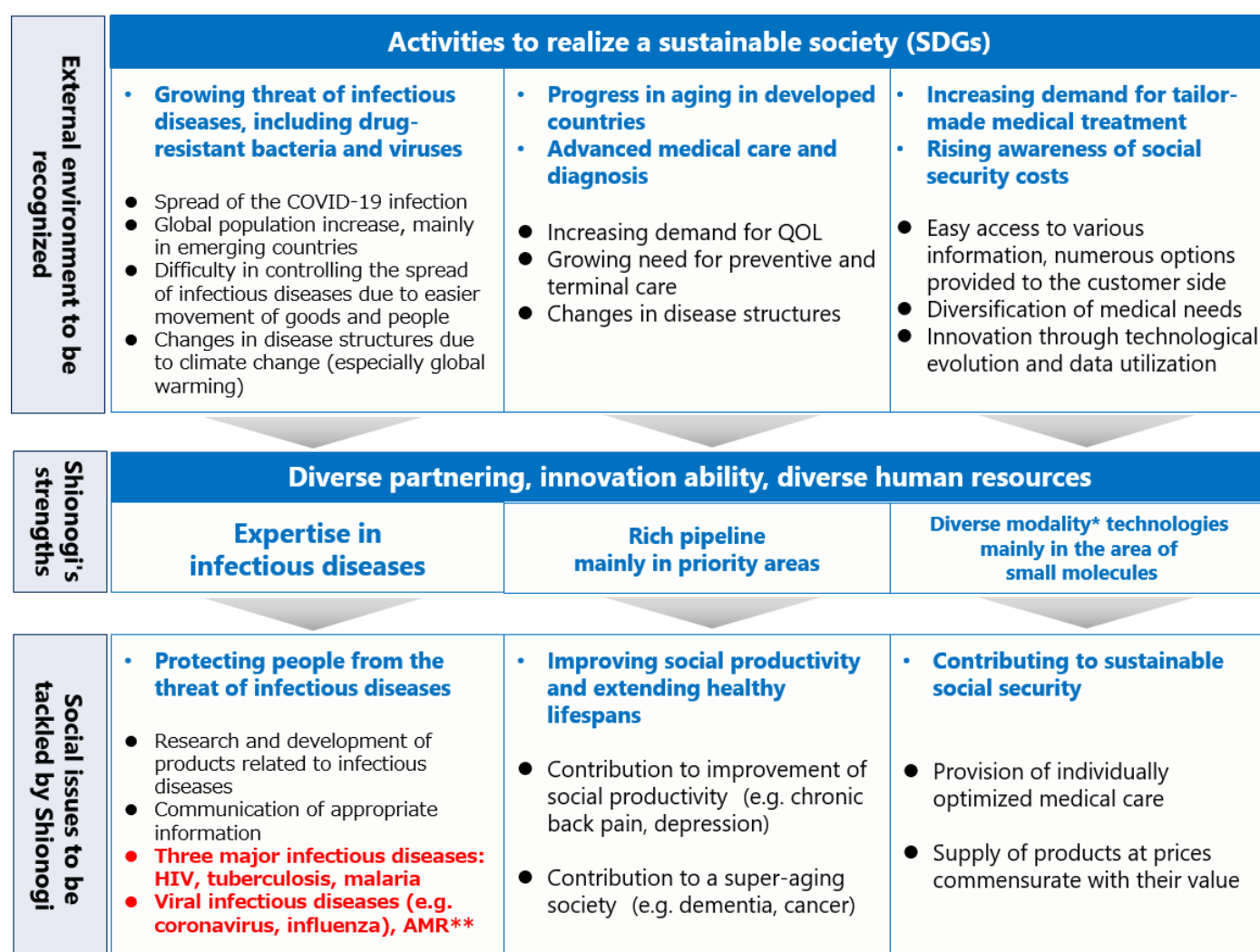
(i) Name	Shionogi Infectious Disease Research Promotion Foundation, a General Incorporated Foundation
(ii) Location	3-1-8 Doshomachi, Chuo-ku, Osaka
(iii) Administrative Director	Motozo SHIONO
(iv) Activities	The following activities in Japan (1) Provision of grants for research on infectious diseases (2) Holding of seminars and symposiums on infectious diseases and provision of grants for these events (3) Provision of awards for outstanding research achievements regarding infectious diseases (4) Other necessary activities to achieve the purpose of this foundation
(v) Estimated funding for activities	Approximately 300 million yen per year
(vi) Date of establishment	Late June 2022 (scheduled)

1. Current State of the Shionogi Group

(1) Recognition of social and customer issues in the mid- and long-term and the Medium-Term Business Plan STS2030

1 Social Issues to be Tackled by the Shionogi Group

Shionogi has identified three social issues on which we will focus in order for Shionogi to grow together with society in an environment surrounding the increasingly ever-changing pharmaceutical industry: “Protecting people from the threat of infectious diseases,” “Improving social productivity and extending healthy lifespans,” and “Contributing to sustainable social security.” Through the implementation of the Medium-Term Business Plan STS2030, we will make group-wide efforts to solve these social issues.



* Therapeutic approach such as small-molecule compounds, peptide (medium-sized molecule) drugs, protein drugs including antibody drugs, nucleic acid drugs, cell therapies, and regenerative medicine

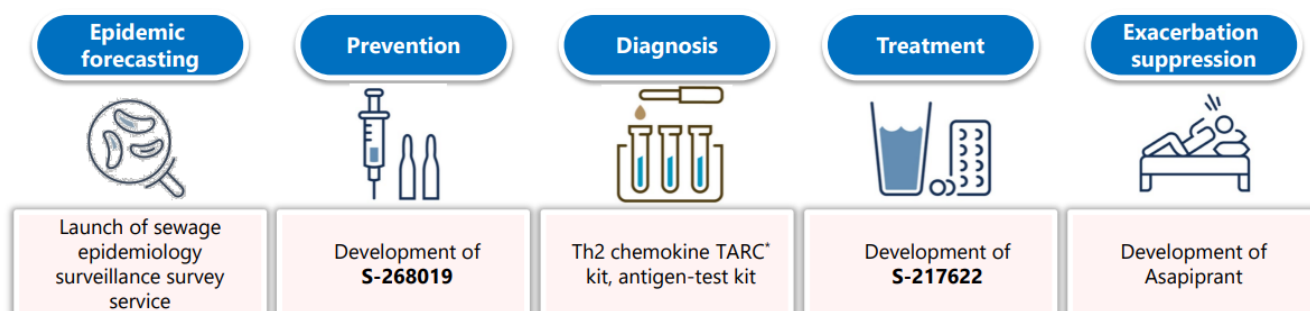
** Drug resistance

2 2030 Vision and Medium-Term Business Plan STS2030

The Group has formulated the “2030 Vision,” which envisages what we want to achieve by 2030, and also identified social issues the Group should tackle by analyzing the external environment from various perspectives as mentioned above. On that basis, in June 2020, we developed the New Medium-Term Business Plan “Shionogi Transformation Strategy 2030 (STS2030)” as a strategy to achieve the 2030 Vision while solving the social issues. Defining the period from FY2020 to FY2024 as STS Phase 1, the entire Group will work together to vigorously push forward with changes in business and realize our “Transformation.”



The fiscal year ended March 31, 2022, was the second year of STS Phase 1, which was a year in which we focused on activities to provide therapeutic medicines, vaccines and diagnostic agents so that the people in Japan and across the world can regain their daily lives as soon as possible amid the continuing COVID-19 pandemic, as well as renewing our recognition of the importance of initiatives to tackle the issues of infectious diseases. Initiatives for providing services beyond the conventional therapeutic framework also moved forward significantly.



As a leading company in the area of infectious diseases, we place utmost priority on working to realize total care for COVID-19, which includes epidemic forecasting, prevention, diagnosis, treatment and suppression of exacerbation. This represents a model for connecting each section of the value chain, which is the key to becoming a HaaS* company whose services extend beyond the provision of prescription medicines. We will aim to become a HaaS company by extending the model to areas other than infectious diseases.

* Healthcare as a Service: To provide not only pharmaceuticals but also various healthcare services according to customer needs.

1 Summary of Consolidated Results

◆ Overview of Business (IFRS*)

Summary of consolidated statement of income for FY2021

		FY2020	FY2021	YoY (%)
Revenue	(¥ in 100 million)	2,972	3,351	12.8
Operating profit	(¥ in 100 million)	1,174	1,103	(6.1)
Core operating profit**	(¥ in 100 million)	940	1,106	17.7
Profit before tax	(¥ in 100 million)	1,430	1,263	(11.7)
Profit attributable to owners of parent	(¥ in 100 million)	1,119	1,142	2.1

* IFRS: International Financial Reporting Standards

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

Revenue was ¥335.1 billion (up 12.8% year-on-year). Domestic revenue of prescription drugs was ¥89.1 billion (down 5.9% year-on-year) due to the impact of the entry of generic versions of Cymbalta. Meanwhile, revenue of overseas subsidiaries/export business was ¥34.4 billion (up 39.5% year-on-year) due to an increase in sales of Cefiderocol in the US and Europe. Royalty income was ¥181.3 billion (up 25.3% year-on-year), reflecting an increase in royalty income on HIV franchise.

Operating profit was ¥110.3 billion (down 6.1% year-on-year) due to an increase in R&D investment on the back of aggressive investments in a COVID-19-related project. Core operating profit, excluding these special factors, was ¥110.6 billion (up 17.7% year-on-year). Profit before tax was ¥126.3 billion (down 11.7% year-on-year). Profit attributable to owners of parent was ¥114.2 billion (up 2.1% year-on-year) as a result of receiving a refund in relation to the successful lawsuit requesting revocation of a reassessment of income taxes by the Osaka Regional Taxation Bureau, despite a decrease in profit before tax.

During the fiscal year ended March 31, 2022, we were able to achieve our earnings forecast despite a significant rise in R&D costs for a COVID-19-related project. In the next fiscal year, we will address the issues that remain unsolved and further strengthen our efforts in transformation to realize a corporate structure that can generate profits on its own.

◆ Overview of Assets, etc. (IFRS)

Items of consolidated statement of financial position

		End of FY2020	End of FY2021	YoY (%)
Total assets	(¥ in 100 million)	9,990	11,506	15.2
Total equity	(¥ in 100 million)	8,646	9,933	14.9
Total liabilities	(¥ in 100 million)	1,344	1,573	17.0

◆ Robust royalty and dividend income

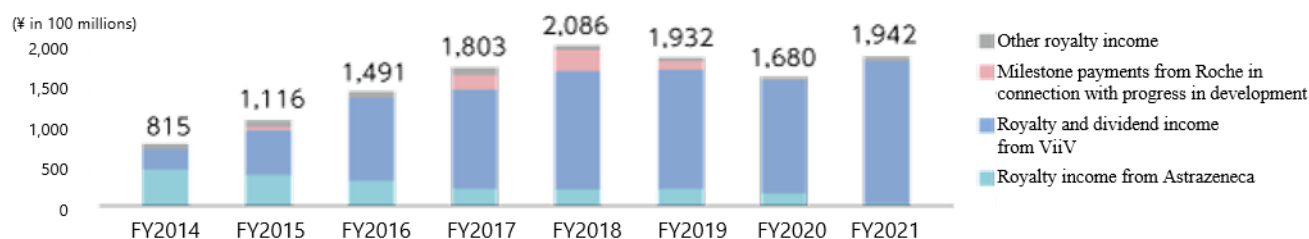
Royalty income from UK-based ViiV Healthcare Ltd. (“ViiV”), excluding one-time income, increased year-on-year due to the growth of sales of HIV franchise out-licensed to ViiV. Since ViiV’s patent infringement suit against US-based Gilead Sciences, Inc. (“Gilead”) reached a settlement during FY2021, ViiV will receive a one-time payment of 1.25 billion US dollars and a 3% royalty on future sales of Biktarvy in the US (reference: sales were 6.09 billion US dollars in 2020) and on the bictegravir portion of future product sales. The Company recorded a portion of the one-time payment received by ViiV as revenue. Following discussions with ViiV, the Company also recorded an amount equivalent to royalty to be received in the future as revenue for the fiscal year ended March 31, 2022. As a result of the above, royalty income from ViiV amounted to ¥174.0 billion (up 41.0% year-on-year). Dividend income from ViiV was ¥13.0 billion (down 44.5% year-on-year) due to the impact of the delay in receipt of the amount for the fourth quarter of FY2021 to FY2022.

Royalty income from Swiss-based Roche was ¥40 million in the fiscal year ended March 31, 2022, as the influenza season continued to be extremely mild globally.

Royalties on Crestor from UK-based AstraZeneca amounted to 1.2 billion yen (down 93.1% year-on-year) as the amount received from the company decreased from the fourth quarter of FY2020 in accordance with the contract. As described above, the sum of royalty, milestone and dividend income for the fiscal year ended March 31, 2022, amounted to ¥194.2 billion (up 15.6% year-on-year) on the back of an increase in royalty income from the HIV franchise.

Royalties and dividend income from ViiV

(Figures are presented using JGAAP up to FY2018 and IFRS in FY2019, FY2020, FY2021)



Further QOL* improvement through long-acting drug Cabenuva and prevention drug Apretude

Approval of additional indication for a bimonthly administration of Cabenuva, a long-acting injectable HIV treatment which includes cabotegravir discovered by the Shionogi Group, was obtained in the US. This is expected to further improve the QOL of patients, as the number of days of administration decreases from 12 times a year to six times.

In addition, the cabotegravir single-agent, long-acting HIV prevention drug Apretude was approved in the US. Since Apretude indicates greater preventive effects for only six administrations a year than existing prevention drugs that require daily administration, it is expected to become an important choice in HIV prevention.

*QOL: Quality of life

◆ Progress of the domestic business

Domestic revenue from prescription drugs was ¥89.1 billion (down 5.9% year-on-year) as a result of a decline in sales due to the entry of generic versions of Cymbalta.

Revenue from influenza-related products was ¥3.1 billion (an increase of ¥2.8 billion year-on-year) due to the recording of revenue from government reserves of Rapiacta, although the outbreak of influenza remained extremely small as in the previous season. Revenue from anti-infection drugs, including influenza-related products, was ¥11.8 billion (up 20.8% year-on-year).

Revenue from Intuniv and Vyvanse grew to ¥16.4 billion (up 25.4% year-on-year) and ¥0.8 billion (up 190.7% year-on-year), respectively.

Although MRs were restricted from visiting medical institutions due to the COVID-19 pandemic, we continued to focus on developing a system for providing information in a digital environment and securing opportunities to meet them in order to deliver information on each product to medical professionals even under such circumstances. With the aim of improving productivity per person, we also promoted the establishment of a sales IT platform in order to create an organization in which decisions are made based on data.

◆ Progress of the US/Europe business: Increase in sales of cefiderocol*

Revenue in the US increased 84.5% year on year to 13.8 billion yen due to good performance of cefiderocol and as a result of the receipt of one-time payment related to transfer of sales rights for FORTAMET. Among the revenue, sales of cefiderocol totaled 6.2 billion yen (up 268.7% year on year).

Revenue in the Europe increased 153.7% year on year to 5.0 billion yen due to good performance of cefiderocol. In FY2021, the Company started sales of cefiderocol in Italy**.

We will continue to be committed to grow the US/Europe business by increasing the number of countries where Cefiderocol is sold and the number of countries that adopt a subscription-type reimbursement model***.

* Brand name in the US: Fetroja, Brand name in Europe: Fetetroja

** Countries in which the Company has begun sales by FY2021: US, UK, Italy, Austria, Sweden, Germany, France

*** 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.

◆ Progress of the China business

A year has passed since the establishment of Ping An-Shionogi in November 2020. Revenue ended at ¥10.2 billion (up 1.1% year-on-year) due to the effect of exchange rate fluctuations, although revenue of the existing generic business decreased amid the Chinese government's measures to curb medical costs.

We are accelerating preparations for clinical trials of Cefiderocol and naldemedine, an opioid-induced constipation treatment, toward their quickest launch in China.

In drug discovery, for specified diseases in the field of central nervous system, we explored candidate compounds that could act widely on target genes using AI technology. As a result, we managed to narrow down promising candidates.

We will continue to shape the future of healthcare in China and Southeast Asia by combining expertise in R&D based on science, manufacturing and quality control with expertise in big data collection and AI analysis based on information technology.

◆ Results of Research

In the current fiscal year, Shionogi continued to make progress on our priority projects almost as planned by making active investments in research and development and appropriately addressing the changing environment caused by COVID-19.

Major progress of projects

• Commitment to COVID-19 treatments

For S-880008, a candidate drug for the treatment of COVID-19, preclinical trials have progressed during the fiscal year ended March 31, 2022, with the aim of entering clinical trials. This compound is a peptide discovered using Peptidream’s technology and is expected to improve symptoms by swiftly eliminating viruses with a single dose. With regard to COVID-19 treatment, a project has progressed toward the discovery of a follow-up compound of S-217622.

• Commitment to the vaccine business

We were committed to the development of a nasal vaccine that induces mucosal immunity as the next-generation COVID-19 vaccine. Preclinical trials of S-872600, a nasal vaccine for influenza, has also progressed.

• S-540956

This is a nucleic acid adjuvant that we hope will be indicated for use in such fields as oncology and functional cure of HIV infection. In the fiscal year ended March 31, 2022, preclinical trials have progressed with the aim of entering clinical trials.

• S-531011

This is an antibody targeting cancer and aims to satisfy the needs of patients that are not met by current cancer treatments. Preclinical trials were completed, and Phase 1b/2 trials were initiated in the fiscal year ended March 31, 2022.

• S-365598

This is a third-generation integrase inhibitor that is expected to become a long-acting (one administration per more than three months) HIV treatment. During the fiscal year ended March 31, 2022, preclinical trials were carried out, and the compound was out-licensed to ViiV.

Priority projects

	Project	Details		Project	Details
Infectious disease	S-217622	COVID-19 treatment	Neuro-psychiatric diseases	S-600918 [sivopixant]	Refractory chronic cough
	S-268019	COVID-19 vaccine		S-812217 [zuranolone]	Depression / depressed state
	Nasal vaccine	COVID-19, influenza	New growth areas	S-531011	Solid tumor
	S-540956	Infectious disease, cancer		S-005151 [redasemtide]	1. Epidermolysis bullosa 2. Acute stroke 3. Knee osteoarthritis 4. Chronic liver disease 5. Cardiomyopathy

◆ Results of Development

Major progress of projects

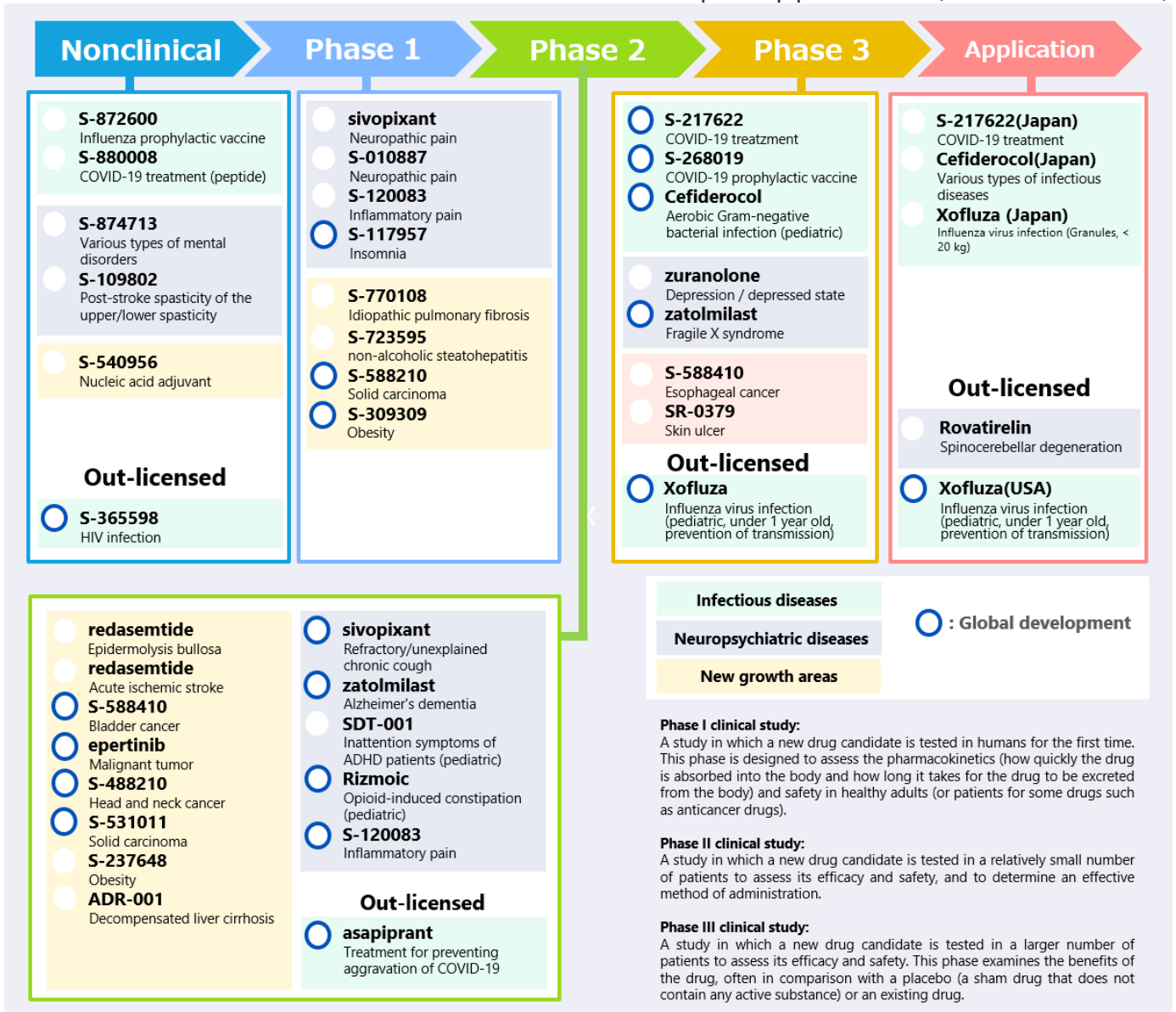
- **zuranolone (S-812217)**
This is a candidate drug for the treatment of depression and depressive state that was licensed from US-based Sage. Favorable results were confirmed in the domestic Phase 2 trial for major depression. During the fiscal year ended March 31, 2022, we initiated the domestic Phase 3 trial.
- **sivopixant (S-600918)**
The global Phase 2b clinical trial for refractory chronic cough has progressed, and an observation has been completed for all patients. An excellent safety profile and the trend of efficacies in multiple primary endpoints were confirmed.
- **redasemtide (S-005151)**
This is a regeneration-inducing medicine peptide in-licensed from StemRIM, and indication is expected in a wide range of diseases due to its mechanism of action. During the fiscal year ended March 31, 2022, the domestic Phase 2 trial for acute stroke was completed, and preparations are underway for the start of Phase 3 trials. Investigator-initiated clinical trials (Phase 2) for knee osteoarthritis and chronic liver disease have also progressed.
- **Zatolmilast (BPN14770)**
This is a candidate drug for cognitive function improvement that was in-licensed from Shionogi’s subsidiary Tetra. During the fiscal year ended March 31, 2022, the Phase 2b/3 trials in the US for fragile X syndrome were initiated. The domestic Phase 2 trial for Alzheimer’s was also initiated.
- **S-637880**
Development was proceeding as an indication of neuropathic low back pain, and domestic Phase 2 trials were underway, but due to the emergence of safety concerns, development for indication of neuropathic low back pain has been cancelled.

List of progress in major development projects

As of March 31, 2022

Oral COVID-19 treatment (S-217622)	Japan: Applying for approval of production and marketing (Phase 3 study for mild/moderate patients and Phase 2b/3 studies for patients with asymptomatic/mild symptoms only on-going) Global: Phase 3 study in preparation
COVID-19 vaccine (S-268019)	Japan: Phase 3 study on-going Global: Phase 3 study on-going
zuranolone (S-812217) Depression	Japan: Phase 3 study on-going
sivopixant (S-600918) (1) Refractory chronic cough (2) Sleep apnea syndrome	(1) Global: Phase 3 study in preparation (2) Development cancelled
redasemtide (S-005151) (1) Dystrophic epidermolysis bullosa (2) Acute ischemic stroke (3) Knee osteoarthritis (4) Chronic liver disease (5) Cardiomyopathy	(1) Japan: Additional trial in preparation (2) Global: Phase 3 study in preparation (3)(4) Investigator-initiated study on-going (5) Investigator-initiated study in preparation
BPN14770 (1) Alzheimer’s Dementia (2) Fragile X syndrome	(1) Japan: Phase 2 study on-going (2) US: Phase 2b/3 studies on-going
S-531011 Solid tumor	Phase 1b/2 studies on-going

Development pipeline status (as of March 31, 2022)



◆ Results of manufacture and supply chain

Shionogi Pharma Co., Ltd., a Group company in charge of the Shionogi Group's manufacturing functions, engaged in its business while positioning the fiscal year ended March 31, 2022, which is the third year from its founding, as the "First Year of TX (Technology Transformation)" and a year to promote the sophistication and transparency of *monozukuri* (manufacturing), with the strengthening of its foundation as a CDMO* as the top priority.

* Contract Development Manufacturing Organization

By placing emphasis on quality and engaging in careful production, Shionogi Pharma focuses on ensuring that pharmaceuticals are provided to patients in need. During the fiscal year ended March 31, 2022, it was engaged in the production of the S-217622 oral COVID-19 drug aimed at supplying 1 million doses and the production launch of the S-268019 COVID-19 vaccine in collaboration with UNIGEN Inc. (manufacture of drug substances) and API Co., Ltd. (manufacture of preparations). Thus, the Shionogi Group made concerted efforts in "*Monozukuri* that is crucial to life." In order to maintain stable supply of medicines, the Group also implements thorough and appropriate stock management in collaboration with suppliers for procuring raw materials and various outsources.

In addition, the pillar to the expansion of the CDMO business is contract manufacturing using high potency pharmaceuticals and a continuous manufacturing technology. With regard to high potency pharmaceuticals, the provision of a one-stop solution from drug substances to preparations (injectable, solid) has become possible due to the manufacture technology for high potency injectable treatments owned by Nagase Medicals Co., Ltd. that was absorbed by Shionogi Pharma on April 1, 2022, and the completion and launch of the new plant for high potency solid preparations at Shionogi Pharma's Settsu Plant in the fiscal year ended March 31, 2022, in addition to the manufacture of high potency drug substances at the Tokushima Plant.



Plant for high potency solid preparations

With regard to the continuous manufacturing technology, seven companies including Shionogi Pharma established Pharmira Co., Ltd., a joint venture for the development of a technology for continuous manufacturing of active pharmaceutical ingredients and intermediates and a contract development and manufacturing business using the technology. Pharmira launched its business in April 2022. The company has attracted a great deal of attention within the industry, as it is the first CDMO in the world that adopts a continuous manufacturing technology for drug substances.

6 Connection between Shionogi and society

During the fiscal year ended March 31, 2021, the Group continued to make various efforts to contribute to realization of a better society as an institution working for the benefit of society. The entire Group is committed to continuing with a variety of efforts aimed at becoming a company needed by stakeholders for a long time to come.

Supporting maternal and child healthcare in Africa -Mother to Mother SHIONOGI Project-

In collaboration with World Vision, an international non-governmental organization (NGO), Shionogi is working on activities with the aim of realizing a community that can manage the health of mothers and children independently and sustainably. Since October 2015, the Project has built healthcare facilities and water hygiene infrastructure, as well as providing education to local health personnel and residents in Narok County, the Republic of Kenya. Its first term project (between October 2015 and July 2021) was completed with the delivery of the clinic to the country government. During the fiscal year ended March 31, 2022, Shionogi continued the second term project in Kilifi County of Kenya and launched a partnership with Panasonic to supply electricity to clinics using a solar power generation system. The supply of electricity will enable night-time treatment and childbirth as well as vaccine storage in refrigerators.



Communication Barrier-Free Project (CBF-PJ)

Shionogi promotes the CBF-PJ with the aim of eliminating communication barriers when patients with hearing/visual impairments access pharmaceuticals. The universal design package of the antipyretic analgesic Sedes series, which was born out of a proposal by the Project, won the Good Design Award. The Accessible Code*, which can provide verbal, voice service, was adopted in a pharmaceutical package for the first time in the world. The package is designed to enable everyone to understand and take medicine appropriately.

*Accessible Code: A standardized, multilingual voice service using a QRT code developed by Export Japan Inc. to provide product information, etc. to people with visual impairments or people whose mother tongue is not Japanese.



Universal design package of the Sedes series

Partnering toward increased access to Cefiderocol in LMICs

In July 2021, Shionogi signed MOUs with GARDP* and CHAI** on Cefiderocol. It is aimed at enabling the use of Cefiderocol, which is said to be necessary to treat infectious diseases that has antimicrobial resistance for which treatment options are limited, in LMICs (Lower Middle Income Countries). By discussing and cooperating with the two organizations, we will establish a system that can swiftly deliver Cefiderocol to patients that require the drug across the world when they need it.

* GARDP : Global Antibiotic Research and Development Partnership

** CHAI : Clinton Health Access Initiative

Toward an early end to the COVID-19, Shionogi is, as a pharmaceuticals company with infectious diseases as its priority field, committed to the research and development of a broad range of medical solutions and the provision of services from the perspective of total care for COVID-19, which includes detection (epidemic forecasting), prevention, diagnosis, treatment and suppression of exacerbation, by collaborating with public institutions, academia and our partner companies.

Commitment to COVID-19 therapeutic medicines discovery

S-217622, a 3CL protease inhibitor that is being developed by Shionogi, reduces the reproduction of SARS-CoV-2 by selectively inhibiting the enzyme required for virus multiplication.

◆ Application for production and marketing approval in Japan (February 25, 2022)

Having completed the analysis on the primary endpoints of the Phase 2b portion of the Phase 2/3 trials, Shionogi applied for approval of production and marketing requesting application of the conditional approval system based on data on preclinical and clinical trials and manufacture and CMC. At the end of March, Shionogi signed an MOU with the Ministry of Health, Labour and Welfare toward domestic supply and is carrying out discussions for supplying 1 million doses promptly after the approval as well as a certain amount thereafter. We are conducting the Phase 3 portion of the Phase 2/3 trials targeting mild and moderate COVID-19 patients, or the Phase 2b/3 portion targeting people infected with SARS-CoV-2 who are asymptomatic or with mild symptoms only.



◆ Global phase 3 trials with the support of NIH* in preparation

Globally, Shionogi prepared ACTIV-2d (SCORPIO-HR trials), a global Phase 3 trial, in conjunction with ACTG**.

*National Institutes of Health

**The AIDS Clinical Trial Group

Commitment to COVID-19 vaccine development

Shionogi is developing a recombinant protein vaccine that employs BEVS* owned by subsidiary UMN Pharma Inc. In order to provide a new vaccine option of an effective and safe domestic vaccine that can accommodate booster immunization, trials have progressed since the initiation of Phase 1/2 trials in August 2021, and the five final stage clinical trials including global placebo control trials have been carried out. In one of the five trials—the booster trial—, non-inferiority of the immunogenicity of S-268019 against COMIRNATY intramuscular injection (by Pfizer) was verified, and the primary endpoints were achieved. To enable early commercialization, the production system is being established at the same time, with progress achieved in the establishment of a supply system. In the next fiscal year, we will proceed with stepping up the production system by launching another line. As for vaccine development, Shionogi is also engaged in the development of a nasal vaccine in collaboration with Chiba University Hospital and HanaVax Inc. Nasal vaccines not only enable effective immunity induction in the respiratory mucosa, which is the area that becomes infected, but also the entire body without hurting the body, and are attracting attention from the perspective of healthcare access as a formulation that can be administered easily anywhere.

*BEVS : Baculovirus Expression Vector System

Commitment to understanding the infection situation and early epidemic forecasting with wastewater monitoring

In April 2021, Shionogi launched a service for understanding the infection situation of the target community or facility by collecting the wastewater of wastewater treatment plants and facilities of local communities on a regular basis using a highly sensitive technology developed together with Hokkaido University that detects SARS-CoV-2 within wastewater. In January 2022, Shionogi and Shimadzu Corporation established AdvanSentinel Inc., a joint venture focused on public health risk assessment, including wastewater surveillance. The joint venture is accelerating its efforts to build an All-Japan system to detect the next pandemic and other public health risks, not only COVID-19, by combining the strengths and network of the two companies. AdvanSentinel has succeeded in detecting the stealth omicron variant strain from wastewater earlier than individual PCR test reports and in capturing the virus concentration in chronological order. It is expected to contribute to the understanding of the infection situation of SARS-CoV-2, including variant strains, at an earlier stage.



Commitment to the provision of COVID-19 diagnostic drugs and kits

In partnership with Lumira Dx Japan Co., Ltd., Shionogi began joint sales of LumiraDX SARS-CoV-2 Ag Test Strip, a COVID-19 antigen test agent, and LumiraDX Diagnostic Instrument in Japan in May 2021. In partnership with TAUNS Laboratories, Inc., Shionogi commenced joint sales of Imunoace® SARS-CoV-2 II, a COVID-19 antigen test kit, in Japan in November 2021. Furthermore, it commenced sales of HISCL® TARC reagent, a Th2 chemokine TARC kit that is a diagnosis marker that can predict patients with risk of exacerbation.



Commitment to suppressing exacerbations of COVID-19

In partnership with US-based BioAge, Shionogi is working to develop asapiprant (S-555739), a prostaglandin D2 DP1 receptor antagonist discovered by Shionogi as a candidate treatment for preventing aggravation of COVID-19. Asapiprant's high affinity and selectivity for DP1 receptor as well as high tolerance and safety have been confirmed in multiple preclinical trials and clinical trials in more than 2,400 patients that have been conducted by Shionogi. Phase 2 clinical trials in elderly patients are currently being implemented by BioAge in the US.

(3) 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	51.0	OTC drug manufacturing and sales
Shionogi Inc.	12 US dollars	100.0	Pharmaceutical clinical development and Pharmaceutical manufacturing and sales
Shionogi B.V.	630 Thousand UK Pounds	100.0	Pharmaceutical clinical development and Pharmaceutical manufacturing and sales
Ping An-Shionogi (Hong Kong) Limited	361,794 Thousand HK dollars	51.0	Pharmaceutical sales
Ping An-Shionogi Co., Ltd.	1,061,224 Thousand Chinese yuan	51.0	Pharmaceutical clinical development and Pharmaceutical manufacturing and sales

(4) Capital Investment

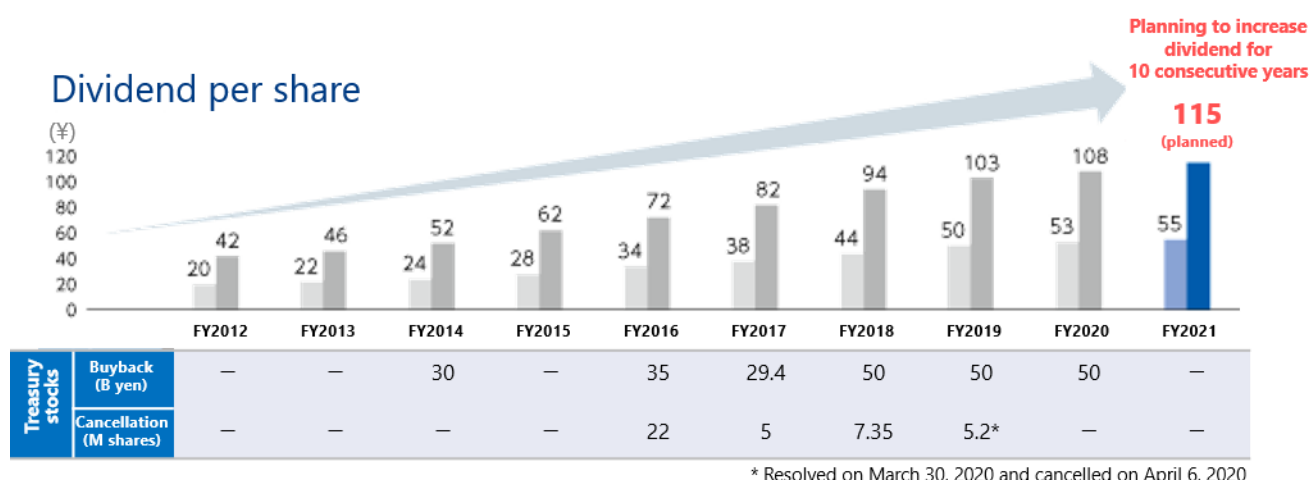
The Shionogi Group's capital investment for the fiscal year ended March 31, 2022 totaled 27.3 billion yen. Shionogi's primary investments were the construction of a vaccine manufacturing facility and a manufacturing facility at the Settsu Plant.

(5) Fund-raising

Not applicable

(6) Fundamental policy on the appropriation of retained earnings

Shionogi's fundamental policy is to make stable dividend payment in line with growth, and Shionogi is committed to taking measures to improve capital efficiency, including purchase and cancellation of treasury stock and reduction of cross-shareholdings. Shionogi continues to return profits to shareholders using earnings per share (EPS), Dividend on equity attributable to owners of the parent (DOE) and return on equity attributable to owners of the parent (ROE) as the related benchmarks.



(7) Challenges Ahead

◆ Remaining challenges and key points to be strengthened in FY2022

During the fiscal year ended March 31, 2022, in order to counter the COVID-19 pandemic as a leading company in the infectious disease field, the Shionogi Group worked intensively to realize total care for COVID-19 as our highest priority. We will promptly address remaining challenges in the fiscal year ended March 31, 2022, achieve the business plan for FY2022, and at the same time, achieve the 2030 Vision which is the medium- to long-term targets, and aim at realization of society where people around the world live with peace of mind.

In research and development, Shionogi managed to apply for approval of production and marketing of oral COVID-19 treatment S-217622 at the end of February 2022 by flexibly responding to the external environment and changing the development plans amid the rapidly changing infection situation, surrounding environment and needs of society. In the development of a vaccine for which we had no business experience, the R&D of S-268019 progressed at a speed significantly beyond the preconceived ideas of the Shionogi Group, such as reducing the time for decision-making and conducting multiple clinical trials simultaneously. Unfortunately, however, we were not able to provide a therapeutic drug or vaccine that could contribute to society during the fiscal year ended March 31, 2022. In FY2022, we will accelerate on-going trials as well as make efforts to expand prevention and pediatric indications of the therapeutic drug. We will also proceed significantly with the development of new growth drivers in order to overcome the drop in revenue due to the expiry of a patent for an anti-HIV drug (patent cliff) expected in around 2028, as we further advance the speed and decision-making that we have gained in the course of COVID-19-related projects. For COVID-19-related products for which we made up-front investment, we will realize early commercialization in Japan and abroad with the aim of securing revenue by maximizing product value.

In our domestic business, revenue declined due to the entry of generic versions of Cymbalta and the extremely small outbreak of influenza. In order to achieve top-line growth, we will continue to maximize product value through a fusion of the real world and the digital world by employing IT and data, as well as vigorously in-licensing new products that will generate synergy with existing drugs and drugs in the pipeline.

In our overseas business, we will begin full-scale discussions with the relevant parties toward rolling out the COVID-19 drug in the US, Europe and Asia, and the vaccine in Southeast Asia, such as Vietnam. In the US and Europe, we will also continue to strengthen our sales system in the hospital area with a focus on Cefiderocol and increase the number of countries to which the subscription-type reimbursement model for Cefiderocol is applied. In the China business, we will focus on in-licensing new products to the online healthcare platform, re-establishing the sales promotion system and increasing new sales channels. We will also work to realize early launch of new drugs and enhance research approaches using AI technology in order to create medium- to long-term value.

With respect to investments in business, we will reinvest our revenue gained from COVID-19-related projects and focus on efforts for medium- to long-term growth. We will build a sustainable business platform for infectious diseases and work to establish a system that can roll out infectious disease drugs globally by ourselves by accelerating vaccine R&D, strengthening the supply chain and enhancing negotiating strength with external support organizations.

Toward the goal of Shionogi's 2030 Vision: "Building Innovation Platforms to Shape the Future of Healthcare," no Shionogi director or employee should fear change; instead we should welcome diversity and "transform" Shionogi so we are not bound by preconceived ideas. In this way, we will work to address ESG issues through our operations and contribute to the development of more sustainable society.

We will continue to work hard to give shareholders a sense of the Shionogi Group's growth.

Received A- Rating in the Field of Climate Change and the Field of Water Security from CDP (December 2021) and Selected as Supplier Engagement Leaderboard in the Field of Climate Change for the Second Consecutive Year (February 2022)

Shionogi received high ratings A- in the field of "Climate Change" and the field of "Water Security," following the previous year from CDP, an international non-profit organization running the global environmental disclosure system.

In addition, Shionogi was selected as "Supplier Engagement Leaderboard," the highest rating in "Supplier Engagement Rating," in the field of "Climate Change."



Selected for Four Indices Used by GPIF (August 2021, March 2022)

For the second consecutive year, Shionogi was selected as a constituent stock for all ESG indices ("FTSE Blossom Japan Index," "MSCI Japan ESG Select Leaders Index," "MSCI Japan Empowering Women Index" and "S&P/JPX Carbon Efficient Index") used by GPIF, one of the world's largest pension funds for its ESG investment.

Shionogi was also selected as a constituent stock for "SNAM Sustainability Index" established by Sampo Japan Nipponkoa Asset Management Co., Ltd. and "MSCI ESG Leaders Indexes."



- Received "Special Award" at "ESG Finance Awards Japan" (February 2022)
- Selected as a "Excellent Integrated Report" (February 2022)

Shionogi's 2021 Environment Report received the "Special Award" in the category of corporate environmental sustainability of the Ministry of the Environment's 3rd ESG Finance Awards Japan.

In addition, the Integrated Report 2021 was selected for the second consecutive year as one of the "Excellent Integrated Reports" which are selected by the domestic equities managers of the Government Pension Investment Fund (GPIF).



Recognized as 2022 Certified Health & Productivity Management Outstanding Organization for Sixth Consecutive Year (March 2022)

Shionogi was recognized as a 2022 Certified Health & Productivity Management outstanding organization (large enterprise category) for the sixth consecutive year.



- Expressed Support for Recommendations of TCFD (March 2022)
- Participated in Japan Climate Initiative (JCI) and Supported JCI Message that Calls for Stronger Climate Change Initiatives (April 2021)
- Received Approval from "SBT Initiative" (June 2021)

Shionogi expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It will aim for more easily understood and transparent disclosure of information on climate change.

Shionogi also participated in the Japan Climate Initiative (JCI) and expressed its support for the JCI Message, which calls for stronger climate change initiatives.

It also obtained approval from the Science Based Targets (SBT) Initiative, an initiative for greenhouse gas reduction targets.

Shionogi commenced provision of information in new ways with the aim of acquiring a higher profile.

◆ Shionogi's new corporate advertisement

Shionogi's new corporate advertisement was launched in February 2022. The main message of the new ad design is "Battling Infectious Diseases of the Future." It expresses the stance of Shionogi, which continuously takes on the battle against not only the on-going COVID-19 pandemic but also future infectious diseases. In consistency with the message of Shionogi's TV commercial, "Medicines and beyond, creating the next generation of healthcare," it also expresses Shionogi's commitment to total care for infectious diseases.

As a leading company in the infectious disease field, Shionogi will fulfill its social responsibilities by continuing to battle the threat of infectious diseases, including strengthening everyday preparedness.



◆ Shionogi's social media official accounts

Through our social media accounts, we disseminate various information concerning Shionogi. Shionogi will distribute information making use of the characteristics of each channel and win new fans in untapped demographics by acquiring a higher profile for Shionogi. In addition, Shionogi will enhance the provision of information by linking the Shionogi's website with each social media. We hope you will follow us or subscribe to our channel.

YouTube



- Information Provision through videos
- As a storage



Instagram



- Sending out of information based mainly on images
- Used as a trigger for attracting interest



Twitter

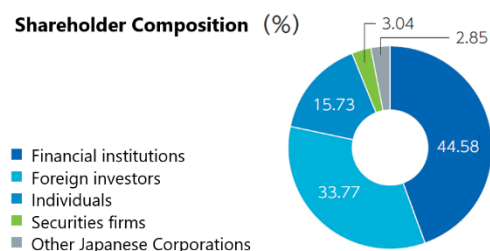


- Sending out of information in a timely manner
- A gateway to various types of information



2. Stock Data

- 1) Number of shares authorized to be issued: 1,000,000,000
- 2) Number of shares issued: 311,586,165
(including 10,103,385 shares of treasury stock)
- 3) Number of shareholders: 98,031
- 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)	63,344	21.01%
Custody Bank of Japan, Ltd. (Trust account)	19,271	6.39%
Sumitomo Life Insurance Company	18,604	6.17%
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	9,485	3.14%
Nippon Life Insurance Company	8,409	2.78%
JP MORGAN CHASE BANK 385632	7,582	2.51%
BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED	6,356	2.10%
STATE STREET BANK WEST CLIENT - TREATY 505234	4,973	1.64%
NORTHERN TRUST CO.(AVFC) SUB A/C AMERICAN CLIENTS	4,931	1.63%
Sumitomo Mitsui Banking Corporation	4,595	1.52%

Notes:

1. The Company owns 10,103,385 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 301,482,780 shares of total issued stock (excluding 10,103,385 shares of treasury stock).

5) Stock Issued as Remuneration to Company Officers during FY2021

The details of stock compensation issued during FY2021 are as follows.

	Number of shares (shares)	Number of persons who received shares (persons)
Directors (excluding Outside Directors)	17,500	2
Outside Directors	—	—
Corporate Auditor	—	—

3. Board Members

(1) Directors and Corporate Auditors

Position	Name	Areas of responsibility and other major posts
President and Representative Director	Isao Teshirogi	Outside Director of Sumitomo Mitsui Banking Corporation Outside Director of AGC Inc.
Director, Executive Vice President	Takuko Sawada	Senior Vice President of Integrated Disease Care Department
Director	Keiichi Ando	Outside Director of Tsubakimoto Chain Co. Outside Director of DAIHEN Corporation
Director	Hiroshi Ozaki	Outside Director of The Royal Hotel, Limited
Director	Fumi Takatsuki	Partner of Oh-Ebashi LPC & Partners
Standing Corporate Auditor	Akira Okamoto	
Standing Corporate Auditor	Ikuo Kato	
Corporate Auditor	Takaoki Fujiwara	Chairman of the Board of Directors and Representative Director, Hanshin Electric Railway Co., Ltd. Outside Director, Sanyo Electric Railway Co., Ltd.
Corporate Auditor	Tsuguoki Fujinuma	Auditor, Chiba Gakuen
Corporate Auditor	Shuichi Okuhara	Chairman and Representative Director of Nippon Venture Capital Co., Ltd.

Notes:

1. Directors Keiichi Ando, Hiroshi Ozaki and Fumi Takatsuki are Outside Directors stipulated in Section 15, Article 2 of the Companies Act.
2. Auditors Takaoki Fujiwara, Tsuguoki Fujinuma and Shuichi Okuhara are Outside Corporate Auditors stipulated in Section 16, Article 2 of the Companies Act.
3. Directors Keiichi Ando, Hiroshi Ozaki and Fumi Takatsuki have each submitted notification as independent directors as stipulated by Tokyo Stock Exchange Group, Inc.
4. Auditors Takaoki Fujiwara, Tsuguoki Fujinuma and Shuichi Okuhara have each submitted notification as independent auditors as stipulated by Tokyo Stock Exchange Group, Inc.
5. Auditors Tsuguoki Fujinuma and Shuichi Okuhara is qualified as a certified public accountant and has considerable knowledge in the field of financial affairs and accounting.
6. 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.
7. 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.
8. No Directors and Corporate Auditors retired during FY2021.

(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 between FY2020 and FY2022 out of the period of STS2030 Phase 1 (from FY2020 to FY2024), performance is evaluated based on the degree of achievement in FY2022 using revenue, overseas net sales, core operating profit, ROI and the rank in total shareholder return (TSR) among 12 competitors including the Company (relative TSR) as quantitative indicators and in consideration of the status of ESG, compliance and development associated with COVID-19. And then the ratio of lifting the transfer restriction (between 100% and 0%) is determined. 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 and President. 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 and President, 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 FY2021 is about 35%, 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 five 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	5	189	137	98	426
(outside directors among directors)	(3)	(57)	(-)	(-)	(57)
Corporate Auditors	5	124	-	-	124
(outside auditors among auditors)	(3)	(54)	(-)	(-)	(54)
Total	10	314	137	98	550

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 FY2021.
3. "Non-monetary remuneration, etc." above is the relevant expense recognized for FY2021.

<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 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. Restricted stock shall be granted in July of every year, and performance is evaluated based on the degree of achievement in FY2022 for the portion to be granted in three years between FY2020 and FY2022 out of the period of STS2030 Phase 1 (from FY2020 to FY2024) 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, core operating profit, ROE and the rank in total shareholder return (TSR) among 12 competitors including the Company (relative TSR) are used as quantitative indicators and 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 development associated with the novel coronavirus disease.

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. = 4:3:3 (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 five 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 14/14 (100%)	We expect him to play a role in which 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. In this regard, he serves as chairperson of the Board of Directors, and presents many questions and opinions from the perspective of the use of assets and development of human resources that are important management resources and provides appropriate advice about budget planning and management and capital policies, including investments.
Director	Hiroshi Ozaki Attendance at Board of Director meetings 14/14 (100%)	We expect him to play a role in which he utilizes his abundant practical experience and wide-ranging knowledge in corporate management and organizational management as a manager of a company based in Kansai and 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. In this regard, at Board of Directors meetings, he makes a lot of clear suggestions with supporting statements such as giving advice on business and marketing at the Company and raising issues regarding partnerships.
Director	Fumi Takatsuki Attendance at Board of Director meetings 14/14 (100%)	We expect her to play a role in which she prioritizes the observance of social norms and compliance with laws and regulations and makes fair management decisions from a global perspective from her position as an attorney in international corporate law. In this regard, at Board of Directors meetings, she makes statements on the execution of duties by the directors from a broad perspective placing priority on the observance of social norms and compliance with laws and regulations and with recognition of the corporate responsibility held by the Company.
Corporate Auditor	Takaoki Fujiwara Attendance at Board of Director meetings 14/14 (100%) Attendance at Board of Corporate Auditors meetings 11/11 (100%)	We expect him to play a role in which he recognizes the corporate responsibility we should fulfill and provides appropriate advice on directors' management decisions and the appropriateness of the execution of their duties from a point of view that emphasizes his independence as a corporate auditor, without bias in favor of corporate executives or specific interested parties. In this regard, at Board of Directors meetings, he makes statements on the execution of duties by the directors from the perspective of his long and successful career. In addition, at meetings of the Board of Corporate Auditors, he discussed significant matters of audit and made recommendations as necessary.
Corporate Auditor	Tsuguoki Fujinuma Attendance at Board of Director meetings 14/14 (100%) Attendance at Board of Corporate Auditors meetings 11/11 (100%)	We expect him to play a role in which he recognizes the corporate responsibility we should fulfill and provides appropriate advice on directors' management decisions and the appropriateness of the execution of their duties from a point of view that emphasizes his independence as a corporate auditor, without bias in favor of corporate executives or specific interested parties. In this regard, at Board of Directors meetings, he makes statements on the execution of duties by the directors from the perspective of his long and successful career. In addition, at meetings of the Board of Corporate Auditors, he discussed significant matters of audit and made recommendations as necessary.
Corporate Auditor	Shuichi Okuhara Attendance at Board of Director meetings 14/14 (100%) Attendance at Board of Corporate Auditors meetings 11/11 (100%)	We expect him to play a role in which he demonstrates his professional expertise in finance and accounting and carries out audits suitable for the continually changing business environment. In this regard, at Board of Directors meetings, he makes statements on the execution of duties by the directors from a broad perspective, based on his long and successful career. In addition, at meetings of the Board of Corporate Auditors, he discussed significant matters of audit and made recommendations as necessary.

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., where Director Hiroshi Ozaki serves as an outside director, and with Osaka Gas Co., Ltd., where he served as Director and Senior Advisor during FY2021.

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.

The Company does not have any relationship that should be indicated with Hanshin Electric Railway Co., Ltd., where Takaoki Fujiwara serves as representative director and chairman, Hankyu Hanshin Holdings, Inc., where he serves as representative director, or Sanyo Electric Railway Co., Ltd., where he serves as an outside director.

The Company does not have any relationship that should be indicated with the Chiba Gakuen, 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.

4. Other Material Matters

Legal Actions

• In November 2017, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited filed a patent infringement action in the U.S. District Court for the District of Delaware and in other district courts against companies (Lupin Limited, Cipla Limited, Dr. Reddy's Laboratories, Inc., Mylan Pharmaceuticals Inc., Apotex Inc., and others) that have filed an Abbreviated New Drug Application (ANDA) to market a generic version of a compound containing dolutegravir, abacavir and lamivudine (brand name in Japan: Triumeq[®]) 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 for the crystalline form of dolutegravir, which is held by the Company. In September 2020, Shionogi reached a settlement with Mylan Pharmaceuticals Inc., and in November 2020 it reached a settlement with Laurus Labs Limited, which received approval from Dr. Reddy's Laboratories, Inc. to take over the application for approval of the aforementioned generics. A settlement was also reached with ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited. Furthermore, Shionogi reached a settlement with Cipla Limited in April 2021, and with Apotex Inc. and Lupin Limited in July 2021.

• From November to December 2017, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited filed a patent infringement action in the U.S. District Court for the District of Delaware and in other district courts against companies (Cipla Limited, Dr. Reddy's Laboratories, Inc., Sandoz Inc., LEK Pharmaceuticals D.D., Apotex Inc., and others) that have filed an Abbreviated New Drug Application (ANDA) to market a generic version of dolutegravir (brand name in Japan: Tivicay[®]) in the United States. The patent infringement action seeks, among other relief, an order that any FDA approval based on the aforementioned ANDA shall not be earlier than the expiration date of the patent for the crystalline form of dolutegravir, which is held by the Company. In November 2020 the Company reached a settlement with Laurus Labs Limited, which received approval from Dr. Reddy's Laboratories, Inc. to take over the application for approval of the aforementioned generics. A settlement was also reached. Furthermore, Shionogi reached a settlement with Cipla Limited in April 2021, and with Apotex Inc., Sandoz Inc. and LEK Pharmaceuticals D.D. in July 2021.

• On February 7, 2018, the Company and ViiV Healthcare jointly filed a patent infringement action in the United States District Court for the District of Delaware against Gilead Sciences, Inc., which has obtained approval to market certain compounds containing bicitegravir in the United States (U.S. brand name: Biktarvy), over the patent for dolutegravir held by the Company with ViiV Healthcare.

On February 7, 2018, the Company and ViiV Healthcare jointly filed a patent infringement action in the Canadian Federal Court against Gilead Sciences, Inc., which is seeking to obtain regulatory approval to market certain compounds containing bicitegravir in Canada, over the patent for dolutegravir held by the Company with ViiV Healthcare. In April 2020, a summary judgment supporting non-infringement was issued, to which the Company filed an appeal in May 2020. In June 2021, a judgment to dismiss the appeal was made. In September 2021, the Company filed a final appeal to the Supreme Court of Canada.

On November 20, 2019, the Company and ViiV Healthcare jointly filed a patent infringement action in the Tokyo District Court against Gilead Sciences, Inc., which is marketing certain compounds containing bicitegravir in Japan, over the patent for dolutegravir held by the Company with ViiV Healthcare.

On November 20, 2019, the Company and ViiV Healthcare jointly filed a patent infringement action in the courts of Germany, France, the United Kingdom, Ireland, and South Korea against Gilead Sciences, Inc., which is marketing certain compounds containing bicitegravir in the countries, over the patent for dolutegravir held by the Company with ViiV Healthcare. In September 2021, the Düsseldorf District Court in Germany issued a judgment to reject the claim.

On December 6, 2019, the Company and ViiV Healthcare jointly filed a patent infringement action in the Australian Federal Court against Gilead Sciences, Inc., which is marketing certain compounds containing bicitegravir in Australia, over the patent for dolutegravir held by the Company with ViiV Healthcare.

In February 2022, a settlement was reached on a global scale.

- In November 2019, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited filed a patent infringement action in the U.S. District Court for the District of Delaware against Cipla Limited, which has filed an Abbreviated New Drug Application (ANDA) to market a generic version of a compound containing dolutegravir and lamivudine (brand name in Japan: Dovato®) 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 for the crystalline form of dolutegravir, which is held by the Company. In March 2022, a settlement was reached on this action.

- In February 2020, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited filed a patent infringement action in the U.S. District Court for the District of Delaware against Lupin Limited and Cipla Limited in June 2020, which has filed an Abbreviated New Drug Application (ANDA) to market a generic version of a compound containing dolutegravir and rilpivirine (brand name in Japan: Juluca®) 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 dates of the patent for the crystalline form of dolutegravir, which is held by the Company, and the patent related to the compound of dolutegravir and rilpivirine, which is held by ViiV. In March 2022, a settlement was reached with Lupin Limited.

- In July 2020, the Company, ViiV Healthcare Company and ViiV Healthcare ULC jointly filed suit with the Federal District Court in Toronto, Canada, seeking judgment against Sandoz Inc, which applied for approval for the marketing of a generic version of dolutegravir (Japanese brand name: Tivicay) in Canada, to inhibit such action before expiration of the patent rights the Company possesses jointly with ViiV Healthcare for the dolutegravir substances. In October 2021, a settlement was reached and the suit was terminated.

- 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 November 2021, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No. 3) Limited jointly filed a patent infringement action in the U.S. District Court for the District of Delaware against Lupin Limited and Lupin Pharmaceuticals, Inc., which filed an application to market a generic version of dolutegravir (brand name: TIVICAY PD) 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 application shall not be earlier than the expiration date of the patent for the crystalline form of dolutegravir, which is held by the Company with ViiV Healthcare.

Consolidated Statement of Financial Position (As of March 31, 2022)

(Million of yen)

Accounts	FY2021	(Reference) FY2020	Accounts	FY2021	(Reference) FY2020
Assets			Equity		
Non-current assets			Capital stock	21,279	21,279
Property, plant and equipment	108,893	90,883	Capital surplus	14,455	13,733
Goodwill	9,638	9,357	Treasury shares	(57,857)	(57,989)
Intangible assets	81,223	76,558	Retained earnings	832,958	752,248
Right-of-use assets	3,524	4,827	Other components of equity	164,824	116,836
Investment real estate	26,672	26,759	Equity attributable to owners of parent Retained earnings	975,661	864,550
Other financial assets	242,479	217,437	Non-controlling interests	17,624	18,442
Deferred tax assets	12,907	11,729	Total Equity	993,285	864,550
Other non-current assets	6,055	5,200	Liabilities		
			Non-current liabilities		
			Lease liabilities	3,729	4,608
			Other financial liabilities	5,616	5,242
Total non-current assets	491,396	442,754	Retirement benefit liabilities	15,412	16,318
Current assets			Deferred tax liabilities	7,807	7,749
Inventory	45,892	38,003	Other non-current liabilities	354	341
Trade receivables	122,965	78,047	Total non-current liabilities	32,920	34,261
Other financial assets	210,757	142,151	Current liabilities		
Income taxes receivable	51	164	Lease liabilities	2,945	3,379
Other current assets	25,117	21,697	Trade payables	16,372	9,902
Cash and cash equivalents	254,420	276,173	Other financial liabilities	22,027	21,383
			Income tax payable	17,973	28,033
			Other current liabilities	65,078	37,481
			Total current liabilities	124,396	100,180
Total current assets	659,205	556,238	Total liabilities	157,316	134,442
Total assets	1,150,601	998,992	Total equity and liabilities	1,150,601	998,992

Consolidated Statement of Profit or Loss FY2021 (Year ended March 31, 2022)

Accounts	(Million of yen)	
	FY2021	(Reference) FY2020
Revenue	335,138	297,177
Cost of sales	(55,415)	(52,523)
Gross profit	279,722	244,654
Sales, general and administrative expenses	(91,771)	(91,902)
Research and development costs	(72,996)	(54,249)
Amortization of intangible assets associated with products	(3,476)	(3,209)
Other income	3,384	26,403
Other expenses	(4,551)	(4,257)
Operating profit	110,312	117,438
Finance income	16,797	26,522
Finance costs	(841)	(941)
Profit before tax	126,268	143,018
Income tax expense	(12,829)	(30,956)
Profit	113,439	112,061
Profit attributable to		
Owners of parent	114,185	111,858
Non-controlling interests	(746)	203
Profit	113,439	112,061

Non-consolidated Balance Sheets (As of March 31, 2022)

(Million of yen)

Accounts	FY2021	(Reference) FY2020	Accounts	FY2021	(Reference) FY2020
Assets	730,120	617,123	Liabilities	139,689	80,717
Current assets	394,862	292,357	Current liabilities	98,863	72,276
Cash and deposits	61,303	50,214	Accounts payable-trade	14,477	7,018
Accounts receivable-trade	112,981	67,751	Accounts payable-other	20,793	17,756
Short-term investment securities	154,521	123,032	Accrued expenses	7,850	2,263
Merchandise and finished goods	12,261	15,619	Income taxes payable	9,702	20,495
Work in process	5,142	29	Deposits received	4,427	1,998
Raw materials and supplies	24,687	15,119	Provision for bonuses	4,478	4,674
Advance payments-trade	4,629	9,709	Provision for directors' bonuses	137	60
Short-term loans receivable	297	851	Other	36,995	18,009
Other	19,037	10,029	Non-current liabilities	40,826	8,441
Non-current assets	335,258	324,765	Long-term loans	32,184	—
Property, plant and equipment	74,737	57,877	Provision for retirement benefits	7,782	7,495
Buildings, net	24,441	22,098	Other	860	945
Structures, net	902	979	Net assets	590,430	536,405
Machinery and equipment, net	6,338	325	Shareholders' equity	577,068	519,838
Vehicles, net	27	0	Capital stock	21,279	21,279
Tools, furniture and fixtures, net	5,176	3,918	Capital surpluses	16,392	16,392
Land	8,452	8,140	Legal capital surplus	16,392	16,392
Lease assets, net	152	349	Retained earnings	597,252	540,155
Construction in progress	29,247	22,064	Legal retained earnings	5,388	5,388
Intangible assets	9,467	12,491	Other retained earnings	591,864	534,767
Software	4,503	3,906	Reserve for advanced depreciation of noncurrent assets	2,816	2,921
Sales rights	2,645	6,314	Reserve for the Open Innovation Promotion Tax Program	230	—
Other	2,318	2,270	General reserve	368,645	368,645
Investments and other assets	251,054	254,395	Retained earnings brought forward	220,172	163,201
Investment securities	50,906	58,825	Treasury stock	(57,857)	(57,989)
Stocks of subsidiaries and affiliates	159,408	159,211	Valuation and translation adjustments	13,111	16,315
Investments in capital of subsidiaries and associates	30	30	Valuation difference on available-for-sale securities	14,830	19,057
Long-term prepaid expense	1,689	1,414	Deferred gains or losses on hedges	(1,718)	(2,741)
Prepaid pension cost	29,062	25,669	Subscription rights to shares	251	251
Deferred tax assets	8,898	8,003			
Other	1,102	1,283			
Allowance for doubtful accounts	(42)	(42)			
Total assets	730,120	617,123	Total liabilities and net assets	730,120	617,123

Non-consolidated Statements of Income FY2021 (Year ended March 31, 2022)

(Million of yen)

Accounts	FY2021	(Reference) FY2020
Net sales	285,948	260,986
Cost of sales	56,428	58,508
Gross profit, net	229,520	202,478
Selling, general and administrative expenses	133,550	126,286
[R&D expenses]	[69,731]	[55,625]
Operating income	95,969	76,192
Non-operating income	7,078	8,208
Interest and dividends income	1,330	5,597
Other	5,748	2,610
Non-operating expenses	2,155	2,685
Interest expenses	12	11
Other	2,142	2,674
Ordinary income	100,892	81,714
Extraordinary income	1,581	3,759
Gain on sales of non-current assets	1,545	—
Gain on sales of investment securities	35	242
Gain on sales of shares of subsidiaries and associates	—	3,516
Extraordinary losses	2,546	36,276
Loss on valuation of investment securities	1,366	2,054
Loss on retirement of fixed assets	1,180	—
Loss on valuation of stocks of subsidiaries and associates	—	34,221
Income before income taxes	99,927	49,197
Income taxes-current	23,730	32,097
Income taxes-previous years, etc.	(13,290)	—
Income taxes-deferred	(776)	(15,081)
Profit	90,264	32,181

Accounting Auditor's Audit Report

May 10, 2022

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

Yuka Hayashi
Designated and Engagement Partner with
limited liability (C.P.A.)

Yasuhiro Kozaki
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, 2021 to March 31, 2022. 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.

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.
- Obtain sufficient and appropriate audit evidence on the financial information of the Company and its consolidated subsidiaries in order to express an opinion on consolidated financial statements. The independent accounting auditor is responsible for instructing, supervising and implementing audits of consolidated financial statements. The independent accounting auditor is solely responsible for the 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 safeguards, if any, to remove or reduce 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 10, 2022

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

Yuka Hayashi
Designated and Engagement Partner with
limited liability (C.P.A.)

Yasuhiro Kozaki
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 157th fiscal term from April 1, 2021 to March 31, 2022.

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.

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 and the details of safeguards, if any, to remove or reduce matters and disincentives reasonably deemed to affect the independence of the independent accounting auditor.

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 157th fiscal period from April 1, 2021 to March 31, 2022 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 Auditing" (adopted by the Business Accounting Deliberation Council on October 28, 2005), and requested additional explanations as necessary.

We received a report and requested an explanation concerning the implementation of the business improvement plan submitted to the Financial Services Agency on January 29, 2016 in relation to the business improvement order issued to the Accounting Auditors by the Financial Services Agency on December 22, 2015.

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 10, 2022

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

Standing Corporate Auditor :Akira Okamoto

Standing Corporate Auditor :Ikuo Kato

Outside Corporate Auditor :Takaoki Fujiwara

Outside Corporate Auditor :Tsuguoki Fujinuma

Outside Corporate Auditor :Shuichi Okuhara