

To All Shareholders

May 31, 2023

(Start date of electronic provision measure: May 25, 2023)

## **Notice of Convocation of the 158th Annual General Meeting of Shareholders**

Upon convening the meeting, the Company takes an electronic provision measure and posts the matters subject to the electronic provision measure on the following Internet website as “Notice of Convocation of the 158th Annual General Meeting of Shareholders.”

[SHIONOGI’s website]

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



The matters are also posted on the following Internet website.

[Website of the Tokyo Stock Exchange]

<https://www.jpx.co.jp/english/listing/co-search/index.html>



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

If you are unable to attend, you may exercise your voting rights via the Internet or with the enclosed proxy form. Please confirm the reference materials concerning the exercise of voting rights provided below and exercise your voting rights in accordance with the Procedures on Exercise of Voting Rights by 5:00 p.m., Tuesday, June 20, 2023.

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

Yours faithfully,

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

## Annual General Meeting of Shareholders

- 1. Date and time** 10:00 a.m., Wednesday, June 21, 2023 (Reception begins at 9:00 am)  
**2. Location** HERBIS HALL 5-25, Umeda 2-chome, Kita-ku, Osaka 530-0001, Japan  
(Please note that the venue is different from last year.)

### **3. Agenda**

#### Items to report

1. The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 158th Fiscal Term (year ended March 31, 2023)
2. The Audit Report of the Consolidated Financial Statements for the 158th Fiscal Term (year ended March 31, 2023) by the Accounting Auditor and the Board of Corporate Auditors

#### Items for resolution

- |                |  |
|----------------|--|
| Proposal No. 1 | Appropriation of Surplus                 |
| Proposal No. 2 | Election of Six (6) Directors            |
| Proposal No. 3 | Election of Three (3) Corporate Auditors |

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

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

[Business Report] 1. Current State of the SHIONOGI Group (1) Recognition of social and customer issues in the mid- and long-term and the Medium-Term Business Plan STS2030, (2) Business Operations and Results, (6) Fundamental Policy on the Appropriation of Retained Earnings, (7) Challenges Ahead, (8) Overview of Operations, (9) Main Operations of the SHIONOGI Group, (10) Main Offices, Plants, and Laboratories of the SHIONOGI Group, (11) Employees, (12) Main Loans from Banks, 2. Stock Data, 3. Stock Acquisition Rights, 4. Board Members (3) Outside Board Members, 5. Independent Accounting Auditor, 6. Systems and Policies of the Company, 7. Other Material Matters

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

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

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

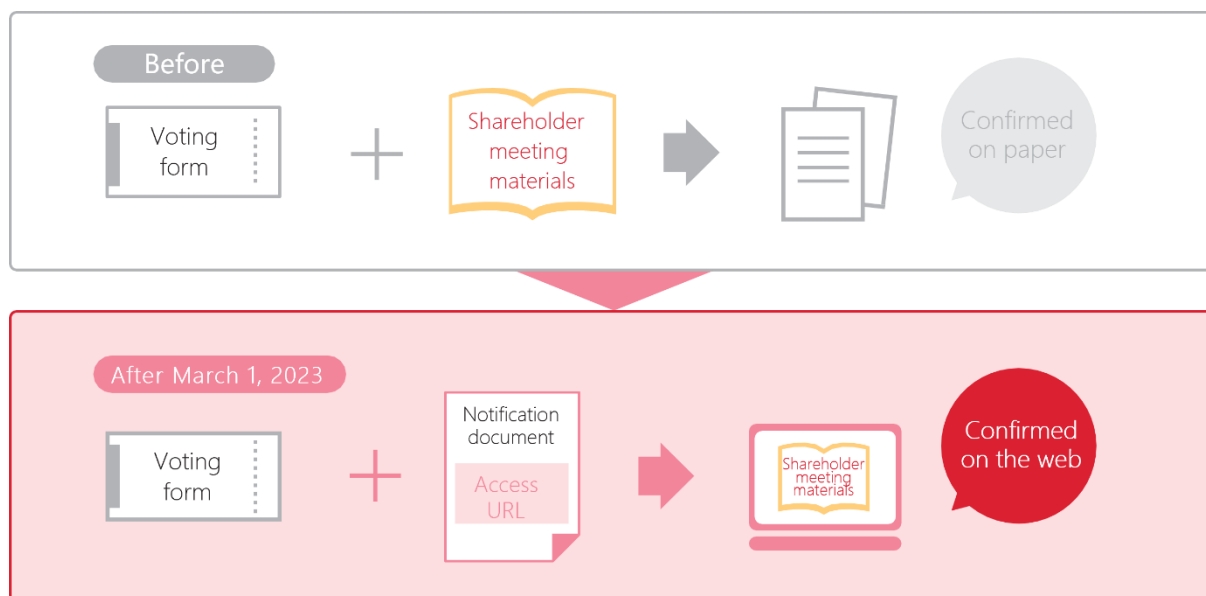
Therefore, the Business Report audited by the corporate auditors, and the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Accounting Auditor and the corporate auditors include the above matters stated in the document sent to shareholders and on each website.

## Our Policy on the Electronic Provision System for Shareholder Meeting Materials

### 1. Outline of the electronic provision system for shareholder meeting materials

The system for electronic provision of shareholder meeting materials under the Act Partially Amending the Companies Act (Act No. 70 of 2019) enacted on September 1, 2022, is a “system that enables the provision of shareholder meeting materials to shareholders by posting such materials on the company’s website and notifying shareholders the address of the website in writing to provide shareholders with shareholder meeting materials as soon as possible and ensure they have sufficient time to consider the proposals, etc.” The system is applied to listed companies from shareholder meeting to be held on or after March 1, 2023. At the Company, the 158th Annual General Meeting of Shareholders will be the first shareholder meeting to which this system is applied.

Under the system, the documents sent to shareholders will, as a rule, be deemed a provision of shareholder materials to shareholders by only including the date, time, and place of the meeting, the proposal details, and a link to the website that contains the shareholder materials. Shareholders who request the provision of shareholder materials in paper format must request the delivery of the materials in paper format with Sumitomo Mitsui Trust Bank, Limited, our shareholder registry administrator, or your securities company by the record date of voting rights for general meetings of shareholders (March 31).



### 2. Our response policy

Our response policy upon preparing shareholder meeting materials takes the purpose of the law into consideration as well as a sustainability perspective of saving paper resources. Concerning the Notice of Convocation of the 158th Annual General Meeting of Shareholders, we provide all shareholders with the same content as the documents sent to shareholders who requested delivery of the documents in paper format. Some of the contents of the Business Report, etc., that were previously provided are posted on the Company’s website. This response policy has been approved by the Board of Directors. Please refer to the following page for a comparison with the previous notice of convocation of general meetings of shareholders.


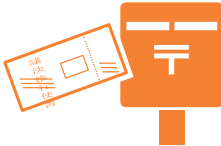

## Comparison of the contents of the “notice of convocation of the annual general meeting of shareholders” provided by the Company

Item	Previously provided in print	Previously disclosed on the Internet	Provision required by law	Provided in print at the 158th Meeting	Disclosed on the Internet at the 158th Meeting
Notice of convocation in the narrow sense	●		●	●	
Reference Materials Concerning the Exercise of Voting Rights	●		●	●	
<b>Business Report</b>					
Current State of the SHIONOGI Group					
Recognition of social and customer issues in the mid- and long-term and the Medium-Term Business Plan STS2030	●				●
Business Operations and Results	●				●
Significant Subsidiaries	●		●	●	
Capital Investment	●		●	●	
Fund-raising	●		●	●	
Fundamental Policy on the Appropriation of Retained Earnings	●				●
Challenges Ahead	●				●
Overview of Operations		●			●
Main Operations of the SHIONOGI Group		●			●
Main Offices, Plants, and Laboratories of the SHIONOGI Group		●			●
Employees		●			●
Main Loans from Banks		●			●
Stock Data	●				●
Stock Acquisition Rights		●			●
Board Members					
Directors and Corporate Auditors	●		●	●	
Amount of Remuneration for Directors and Corporate Auditors	●		●	●	
Outside Board Members	●				●
Independent Accounting Auditor		●			●
Systems and Policies of the Company		●			●
Other Material Matters	●				●
<b>Consolidated Financial Statements</b>	●※	●※			●
<b>Non-Consolidated Financial Statements</b>	●※	●※			●
<b>Audit Report</b>	●				●

※ Of the consolidated and non-consolidated financial statements, the consolidated statement of financial position, the consolidated statement of profit or loss, the non-consolidated balance sheets, and non-consolidated statements of income were all provided in print, while the consolidated statement of changes in equity, notes on consolidated financial statements, non-consolidated statements of changes in net assets, and notes on non-consolidated financial statements were disclosed on the Internet.

# How to Exercise Your Voting Rights

There are three ways to exercise your voting rights

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><b>Voting deadline</b></p> <p>Entry must be completed by <b>5:00 p.m.</b>, Tuesday, <b>June 20, 2023.</b></p>	 <p>Indicate your consent or refusal to the proposals on the attached voting form and return it. If no indication of consent or dissent for a proposal is made in the voting form, the vote shall be treated as an intent of consent.</p> <p><b>Voting deadline</b></p> <p>The form must arrive by <b>5:00 p.m.</b>, Tuesday, <b>June 20, 2023.</b></p>	 <p>Submit the attached voting form at the reception desk.</p> <p><b>Date</b></p> <p>The meeting will start at <b>10:00 a.m.</b>, Wednesday, <b>June 21, 2023.</b></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.

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

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

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

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



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

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



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

**Note**

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

## Voting by entering the voting code and password

Voting service website <https://www.web54.net>



- 1 Access the voting service website.



Click “Proceed to the next step.”

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



Enter the “voting rights exercise code.”

Click “Login.”

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



Enter the “password.”

Enter the new password that you will actually use.

Click “Register.”

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

\* The above operation screens are for illustration purposes only.

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



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

To institutional investors

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

## Please view the livestream and submit your questions in advance.

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


Livestream through the Internet	Advance acceptance of questions
 <p><b>Date and time for livestream</b>  <b>10:00 a.m.,</b>            Wednesday,  <b>June 21, 2023</b>            to the ending time of the            Annual General Meeting of            Shareholders            (Streaming will start at 9:30am)</p>	 <p><b>Period for acceptance of questions</b>            From <b>9:00 a.m.,</b>            Thursday,  <b>June 1, 2023</b>            to <b>noon</b>            Friday,  <b>June 16, 2023</b></p>

### Method of viewing the livestream and submitting questions in advance


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

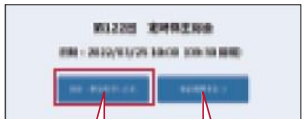
※ The operation screen is an image

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




**The voting form**





Livestream button



Advance questions button

## Notes concerning viewing the livestream and advance questions

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

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

### **Sumitomo Mitsui Trust Bank, Limited**

(Livestream desk for the shareholder's meeting)

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

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

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

### **V-cube, Inc.**

Telephone: **03 - 6833 - 6252**

(Open from 9:00 a.m. to the end of the meeting on Wednesday, June 21)



## 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, 2023 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

¥75 per share of common stock total amount of dividends: ¥22,297,941,450-

##### (3) Effective date of dividends

June 22, 2023











Including the interim dividend, cash dividends per share for the fiscal year ended March 31, 2023 totaled ¥135, an increase of ¥20 compared with the previous fiscal year.


## No. 2: Election of Six (6) Directors


The term of office of all five (5) Directors expires at the end of this Annual General Meeting of Shareholders. To further strengthen management, the Company intends to increase the number of Directors by one (1) and proposes to elect six (6) Directors.


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	63		Representative Director, President and CEO	21 years	12/12 (100%)
2	Takuko Sawada	68		Director and Vice Chairperson of the Board	8 years	12/12 (100%)
3	Keiichi Ando	71	 	Director	7 years	12/12 (100%)
4	Hiroshi Ozaki	73	 	Director	4 years	12/12 (100%)
5	Fumi Takatsuki	47	 	Director	3 years	12/12 (100%)
6	Takaoki Fujiwara	71	 	Director	—	—

 Director candidate for reappointment

 Director candidate for new appointment

 Outside director candidate

 Independent director registered with Tokyo Stock Exchange

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

No.

# 1 Isao Teshirogi

(December 12, 1959)

Reappointment



Number of years served as Director: 21 years (as at the closing of this Annual General Meeting of Shareholders)

Number of the Company's shares owned: 68,050 shares

Attendance at Board of Directors meetings: 12 / 12 (100%)

## ■ Career summary, position and responsibility within the Company

April 1982: Joined the Company  
January 1999: General Manager, Secretary Office and General Manager, Corporate Planning Department  
June 2002: Director of the Company  
October 2002: General Manager, Corporate Planning Department  
April 2004: Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division  
April 2006: Senior Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division  
April 2007: Senior Executive Officer  
April 2008: Representative Director and President and CEO of the Company  
June 2021: Outside Director of Sumitomo Mitsui Banking Corporation (incumbent)  
March 2022: Outside Director of AGC Inc. (incumbent)  
July 2022: Representative Director, President and CEO of the Company (incumbent)

## ■ Major concurrent posts

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

## Reasons for nominating the candidate for Director

Isao Teshirogi became Representative Director and President in 2008. He has actively pushed forward with global research and development and expansion of global business to achieve the Third Medium-Term Business Plan and secured a medium- to long-term profit foundation. After achieving the quantitative targets of “Shionogi Growth Strategy 2020 (SGS2020),” formulated in FY2014, he updated the quantitative targets in October 2016 and also achieved these targets ahead of schedule. In 2020, he started a new Medium-Term Business Plan “Shionogi Transformation Strategy 2030 (STS2030),” that includes the Company’s vision toward 2030, “Building Innovation Platforms to Shape the Future of Healthcare,” and has vigorously moved forward the business transformation with the aim of achieving further growth. He is also promoting the approval and the filing of an application for the approval of COVID-19 drugs and vaccines, respectively, 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 8 years (as at the closing of this Annual General Meeting of Shareholders)

Number of the Company's shares owned 45,600 shares

Attendance at Board of Directors meetings: 12 / 12 (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
July 2022:	Director and Vice Chairperson of the Board of the Company (incumbent)
June 2023:	Outside Director of Konica Minolta Inc. (Scheduled)

## ■ Major concurrent posts

- Outside Director, Konica Minolta Inc. (Scheduled)

## 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, Pharmaceutical Commercial Division and DX promotion Division to achieve the new Medium-Term Business Plan “Shionogi Transformation Strategy 2030 (STS2030)” from April 2020. She has been in charge of supervising management from a higher standpoint as Director and Vice Chairperson since July 2022. We therefore recommend that you vote for her reelection as a director to reinforce management further and promote diversity.

No.

# 3 Keiichi Ando (November 5, 1951)

Reappointment

Outside Director

Independent Director



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 0 shares

Attendance at Board of Directors meetings: 12 / 12 (100%)

## ■ Career summary, position and responsibility within the Company

April 1976:	Joined Sumitomo Bank Limited
April 2003:	Executive Officer, Sumitomo Mitsui Banking Corporation
April 2006:	Managing Executive Officer, Sumitomo Mitsui Banking Corporation
April 2009:	Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation
April 2010:	Representative Director and Deputy President and Executive Officer, Sumitomo Mitsui Banking Corporation
April 2012:	Representative Director and President, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD
July 2012:	Representative Director and President and CEO, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD
June 2016:	Director of the Company (incumbent)
June 2016:	Representative Director and President, GINSEN CO., LTD
June 2017:	Outside Director of Tsubakimoto Chain Co. (incumbent)
June 2019:	Outside Director of DAIHEN Corporation (incumbent)

## ■ Major concurrent posts

- Outside Director, Tsubakimoto Chain Co.
- Outside Director, DAIHEN Corporation

## Reasons for nominating the candidate for Outside Director

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

## Notes

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

No.

# 4 Hiroshi Ozaki (March 11, 1950)

Reappointment

Outside Director

Independent Director



Number of years served as Director 4 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: 12 / 12 (100%)

## ■ Career summary, position and responsibility within the Company

May 1972:	Joined Osaka Gas Co., Ltd.
June 2000:	Director, Osaka Gas Co., Ltd.
June 2002:	Director and Tokyo Representative, Osaka Gas Co., Ltd., on loan to the Japan Gas Association
June 2005:	Managing Director and General Manager of LNG Terminal and Power Generation Business Unit, Osaka Gas Co., Ltd.
June 2007:	Managing Director and General Manager of Commercial & Industrial Energy Business Unit, Osaka Gas Co., Ltd.
April 2008:	Representative Director and President, Osaka Gas Co., Ltd.
June 2008:	Director, Osaka Gas Chemicals Co., Ltd.
June 2009:	Representative Director and President, Operating Executive Officer, Osaka Gas Co., Ltd.
June 2009:	Director of OGIS-RI Co., Ltd.
June 2011:	Outside Director of Asahi Broadcasting Corporation (now Asahi Broadcasting Group Holdings Corporation)
April 2015:	Representative Director and Chairman, Osaka Gas Co., Ltd.
June 2019:	Director of the Company (incumbent)
January 2021:	Director and Senior Advisor, Osaka Gas Co., Ltd.
June 2021:	Senior Advisor, Osaka Gas Co., Ltd. (incumbent)
June 2021:	Outside Director, The Royal Hotel, Ltd. (incumbent)

## ■ 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. At the Company's Board of Directors meetings, he points out problems appropriately and provides many supportive comments, such as advice on business and marketing, including production and distribution, and raising concerns regarding alliances. Accordingly, he makes management decisions with an emphasis on objectivity and neutrality based on his extensive experience and knowledge. We therefore recommend that you vote for his reelection as an outside director.

## Notes

- Hiroshi Ozaki is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.
- Hiroshi Ozaki is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is elected as outside director, he plans to be an independent director.
- 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 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: 12 / 12 (100%)

#### ■ Career summary, position and responsibility within the Company

October 2000: Registration of Attorney at Law  
October 2000: Joined Oike Law Offices  
December 2003: Joined Anderson Mori & Tomotsune Law Offices  
February 2004: Service at Beijing Office of Anderson Mori & Tomotsune Law Offices  
April 2006: Joined Oh-Ebashi LPC & Partners  
January 2009: Partner of Oh-Ebashi LPC & Partners (incumbent)  
June 2020: Outside Director of the Company (incumbent)  
June 2023: Outside Auditor of Sankyo Seiko Co., Ltd. (scheduled)

#### ■ Major concurrent posts

- Partner of Oh-Ebashi LPC & Partners
- Outside Auditor of Sankyo Seiko Co., Ltd. (scheduled)

#### Reasons for nominating the candidate for Outside Director

Fumi Takatsuki has extensive experience and professional insight from her position as an attorney in international corporate law and in legal response relating to the Chinese life science and healthcare industry. Although she has not been involved in company management in any capacity other than as an outside director in the past, at the Company's Board of Directors meetings, she points out problems and provides sound advice on issues that need to be considered, particularly concerning business expansion in Asia, including China, from the perspective of international corporate legal affairs. Accordingly, she makes fair management decisions from a global perspective, giving priority to legal compliance and social norms. We therefore recommend that you vote for her reelection as an outside director.

#### Notes

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



No.

# 6 Takaoki Fujiwara (February 23, 1952)

New appointment

Outside Director

Independent Director

Number of years served as Corporate Auditor	5	years (as at the closing of this Annual General Meeting of Shareholders)
Number of the Company's shares owned	0	shares
Attendance at Board of Directors meetings:	12 / 12	(100%)
Attendance at Board of Auditors meetings:	11 / 11	(100%)



## ■ Career summary, position and responsibility within the Company

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

## ■ Major concurrent posts

- Outside Director, Sanyo Electric Railway Co., Ltd.

## Reasons for nominating the candidate for Outside Director

Takaoki Fujiwara has extensive practical experience and a wide range of knowledge as a manager of a group of companies engaged in urban transport, real estate, and entertainment, mainly in the Kansai area. He has served as the Company's corporate auditor since June 2018. He has served as the Company's auditor since June 2018. At the Board of Directors and Board of Auditors meetings, he provides appropriate advice mainly on compliance and human resource management, as well as auditing the appropriateness of management decisions and execution of duties by the directors from a broad perspective. We expect him to make appropriate and adequate management decisions in the 159th Term. We therefore recommend that you vote for his election as an outside director.

## Notes

- Takaoki Fujiwara currently serves as corporate auditor but is scheduled to resign as corporate auditor at the conclusion of this General Meeting of Shareholders.
- Takaoki Fujiwara is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.
- If this proposal is approved and this candidate is elected as outside director, the Company plans to register him as an independent director as defined in the regulations of the Tokyo Stock Exchange.



Notes:

1. There are no special interests between the candidates and the Company.
2. The Company has concluded contracts with Keiichi Ando, Hiroshi Ozaki, Fumi Takatsuki and Takaoki Fujiwara that limit their liability stipulated in Section 1, Article 423 of the Companies Act based upon Section 1, Article 427 of the Companies Act and Article 25 or Article 32 of the Articles of Incorporation of the Company. The limited amount provided in the contract is the minimum liability limit amount stipulated in Section 1, Article 425 of the Companies Act. In the event the election of the four candidates is approved, the Company will continue to conclude such contracts with the four 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.

### No. 3: Election of Three (3) Corporate Auditors

As of the close of this General Meeting of Shareholders, Corporate Auditor Takaoki Fujiwara will resign, and the term of office of Corporate Auditors Akira Okamoto and Tsuguoki Fujinuma will end. Accordingly, the Company proposes the election of three (3) corporate auditors.

Since Yoriko Goto will be elected as a substitute for Takaoki Fujiwara, her term of office will be until the expiry of the term of office of the retired auditor in accordance with the provisions of the Company's Articles of Incorporation.

The consent of the Board of Auditors has been obtained for submission of this proposal.

Candidates for corporate auditors are as follows:

No.

# 1 Akira Okamoto (April 3, 1955)

Reappointment

Number of years served as Corporate Auditor 8 years (as at the closing of this Annual General Meeting of Shareholders)

Number of the Company's shares owned 6,657 shares

Attendance at Board of Directors meetings: 12 / 12 (100%)

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

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## ■ Career summary, position and responsibility within the Company

April 1978: Joined the Company  
April 2006: General Manager, Business Support Center  
April 2007: General Manager, General Affairs & Personnel Department  
April 2008: General Manager, Human Resources Department  
April 2011: General Manager, Internal Control Department  
June 2015: Standing Corporate Auditor (incumbent)



## Reasons for nominating the candidate for Corporate Auditor

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Akira Okamoto has served as General Manager of administrative units, including the Business Support Center and the Personnel Department, and is well-versed in corporate management. He provides appropriate recommendations and advice on the management decisions and execution of duties by the Directors from an independent point of view as a Corporate Auditor, leveraging his experience in being involved in enhancing the Company's corporate governance and upgrading and operating the internal control system as General Manager of the Internal Control Department.

Accordingly, we judge that he has the appropriate character and insight to perform the duties of a corporate auditor and recommend that you vote for his reelection as corporate auditor.

No.

# 2 Tsuguoki Fujinuma (November 21, 1944)

Reappointment

Outside Corporate Auditor

Independent Director



Number of years served as Corporate Auditor 4 years (as at the closing of this Annual General Meeting of Shareholders)

Number of the Company's shares owned 1,000 shares

Attendance at Board of Directors meetings: 12 / 12 (100%)

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

### ■ Career summary, position and responsibility within the Company

April 1969: Joined Horie Morita Accounting Firm  
 June 1970: Joined Arthur & Young Accounting Firm  
 May 1986: Partner and Representative Partner of Asahi Shinwa Accounting Firm (now KPMG AZSA LLC)  
 July 1993: Managing Partner of Ota Showa & Co. (now Ernst & Young ShinNihon LLC) (Resigned in June 2007)  
 May 2000: President of the International Federation of Accountants (IFAC)  
 July 2004: Chairman and President of the Japanese Institute of Certified Public Accountants  
 February 2005: Trustee of the IFRS Foundation Trustees  
 July 2007: Advisor of the Japanese Institute of Certified Public Accountants (incumbent)  
 August 2007: Outside Director of Tokyo Stock Exchange Group (now Japan Exchange Group)  
 October 2007: Governor of Tokyo Stock Exchange Regulation  
 April 2008: Specially Appointed Professor of Chuo Graduate School of Strategic Management (Business School)  
 June 2008: Outside Corporate Auditor of Sumitomo Corporation  
 June 2008: External Corporate Auditor of Takeda Pharmaceutical Company Limited  
 June 2008: Outside Director of Nomura Holdings, Inc.  
 June 2008: Outside Director of Nomura Securities Co., Ltd.  
 July 2008: Outside Director of Sumitomo Life Insurance Company  
 February 2009: Trustee and Vice Chairman of the IFRS Foundation Trustees  
 April 2010: Visiting Professor of Kansai University (incumbent)  
 May 2010: Outside Corporate Auditor of Seven & i Holdings Co., Ltd.  
 April 2015: Fellow (incumbent) and Advisory Board Member of Chuo University Business School  
 July 2017: Auditor of Chiba Gakuen Educational Association (incumbent)  
 June 2018: Chairman of the Association of Certified Fraud Examiners Japan (incumbent)  
 June 2019: Outside Corporate Auditor of the Company (incumbent)  
 June 2023: Councilor of Association of Certified Fraud Examiners Japan (scheduled)

### ■ Major concurrent posts

- Auditor of Chiba Gakuen Educational Association

### Reasons for nominating the candidate for Corporate Auditor

Tsuguoki Fujinuma has professional expertise in finance and accounting. He has held many important posts, including Chairman and President of the Japanese Institute of Certified Public Accountants, and has extensive experience and broad insight as outside director and outside corporate auditor of a wide range of companies. Although he has not been involved in company management in any capacity other than as an outside executive in the past, he performs higher-quality audits of the Company from the perspective of finance and accounting based on his extensive experience as a certified public accountant. He also provides appropriate advice mainly from the finance, accounting, and sustainability viewpoint at the Board of Directors and Board of Auditors meetings.

Accordingly, we expect him to reflect his experience in the audits of the Company concerning the appropriateness of the management decisions and execution of duties by the directors from an independent point of view as an outside corporate auditor. We therefore recommend that you vote for his reelection as outside corporate auditor.

### Notes

- Tsuguoki Fujinuma is a candidate for outside corporate auditor stipulated in Article 2, Paragraph 3, Sub-paragraph 8 of the Enforcement Regulations of the Companies Act.
- Tsuguoki Fujinuma is registered as an independent auditor as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is reelected as an outside corporate auditor, he will continue to be registered as an independent auditor.
- Tsuguoki Fujinuma had been involved in the execution of operations at Ernst & Young ShinNihon LLC but has not been involved in such matters since his resignation in June 2007.

No.  
**3** Yoriko Goto  
(November 11, 1958)

Number of the Company's  
shares owned 0 shares

New appointment

Outside Corporate Auditor

Independent Director



#### ■ Career summary, position and responsibility within the Company

November 1983: Joined Deloitte Haskins and Sells International (now Deloitte Touche Tohmatsu LLC)  
June 1996: Partner of Deloitte Touche Tohmatsu Limited (now Deloitte Touche Tohmatsu LLC)  
June 2007: Japan Leader of Global Financial Services Industry, Deloitte Touche Tohmatsu Limited  
October 2010: Managing Partner of Financial Services Industry, Deloitte Touche Tohmatsu LLC  
October 2013: Member of Executive Committee of Deloitte Touche Tohmatsu LLC and Member of Board of Deloitte Touche Tohmatsu Limited  
June 2018: Chairperson of the Board of Deloitte Touche Tohmatsu LLC and Deloitte Tohmatsu Group, and Member of Board of Deloitte Touche Tohmatsu Limited  
November 2018: Member of Board of Deloitte Asia Pacific Limited  
October 2022: President of Yoriko Goto CPA Office (incumbent)  
October 2022: Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation (incumbent)

#### ■ Major concurrent posts

- Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation

#### Reasons for nominating the candidate for Corporate Auditor

Yoriko Goto has professional expertise in finance and accounting as a certified public accountant and extensive management experience and broad insight through her service as Chairperson of the Board of Deloitte Tohmatsu Group and Deloitte Touche Tohmatsu LLC, among others. As she also serves as outside director of a financial institution, we believe that she will audit the Company from the finance, accounting, and management viewpoint.

Accordingly, we expect her to reflect her experience in the audits of the Company concerning the appropriateness of the management decisions and execution of duties by the directors from an independent point of view as an outside corporate auditor. We therefore recommend that you vote for her election as outside corporate auditor.












#### Notes

- Yoriko Goto is a candidate for outside corporate auditor stipulated in Article 2, Paragraph 3, Sub-paragraph 8 of the Enforcement Regulations of the Companies Act.
- If this proposal is approved and this candidate is elected as outside corporate auditor, the Company plans to register her as an independent corporate auditor as defined in the regulations of the Tokyo Stock Exchange.

Notes:

1. There are no special interests between the candidates and the Company.
2. The Company has concluded a contract with Akira Okamoto and Tsuguoki Fujinuma that limit their liability stipulated in Section 1, Article 423 of the Companies Act based upon Section 1, Article 427 of the Companies Act and Article 32 of the Articles of Incorporation of the Company. The limited amount provided in the contract is the minimum liability limit amount stipulated in Section 1, Article 425 of the Companies Act. In the event that the candidates, Akira Okamoto and Tsuguoki Fujinuma, are reelected as an outside corporate auditor at this Annual General Meeting of Shareholders, the Company will continue to conclude such contract with the candidates. Furthermore, if Yoriko Goto is elected, the Company plans to enter into the above contract that limits her liability with her.
3. The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company as stipulated in Section 1, Article 430-3 of the Companies Act. The insurance policy will cover compensation for damages, litigation costs and the like (except for exclusions set forth in the insurance policy) if compensation is claimed against a director or officer for damages arising from the execution of his/her duties during the insurance period. The candidate will be included as an insured person under the insurance policy. The Company bears all premiums for the insurance policy.

**[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	63	Representative Director, President and CEO	21	●	●	●
 Takuko Sawada	68	Director and Vice Chairperson of the Board	8	●		
 Keiichi Ando	71	Outside Director	7	◎	◎	●
 Hiroshi Ozaki	73	Outside Director	4	●	●	◎
 Fumi Takatsuki	47	Outside Director	3	●	●	●
 Takaoki Fujiwara	71	Outside Director	— (Corporate Auditor: 5 years)	●	●	●
 Akira Okamoto	68	Standing Corporate Auditor	8	●		●
 Ikuo Kato	69	Standing Corporate Auditor	7	●		
 Tsuguoki Fujinuma	78	Outside Corporate Auditor	4	●		
 Shuichi Okuhara	55	Outside Corporate Auditor	3	●		
 Yoriko Goto	64	Outside Corporate Auditor	—	●	●	

●Participating member ◎Chair

Corporate Management/ Management Strategy	Finance/ Accounting/ Tax Affairs	Legal Affairs/ Compliance/ Intellectual Property	Science/ Technology/ Innovation	Sales/ Marketing	Production/ Quality/ Supply Chains	Global Business	Personnel & Labor/ Human Resources Development/ D&I	Corporate Governance	Risk Management
●		●	●		●	●		●	●
●			●	●		●	●	●	●
●	●					●	●	●	●
●			●	●	●	●		●	●
		●				●	●	●	●
●				●			●	●	
		●		●			●	●	●
●		●	●					●	●
	●	●				●		●	●
●	●		●				●	●	
●	●					●	●	●	●



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

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

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

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

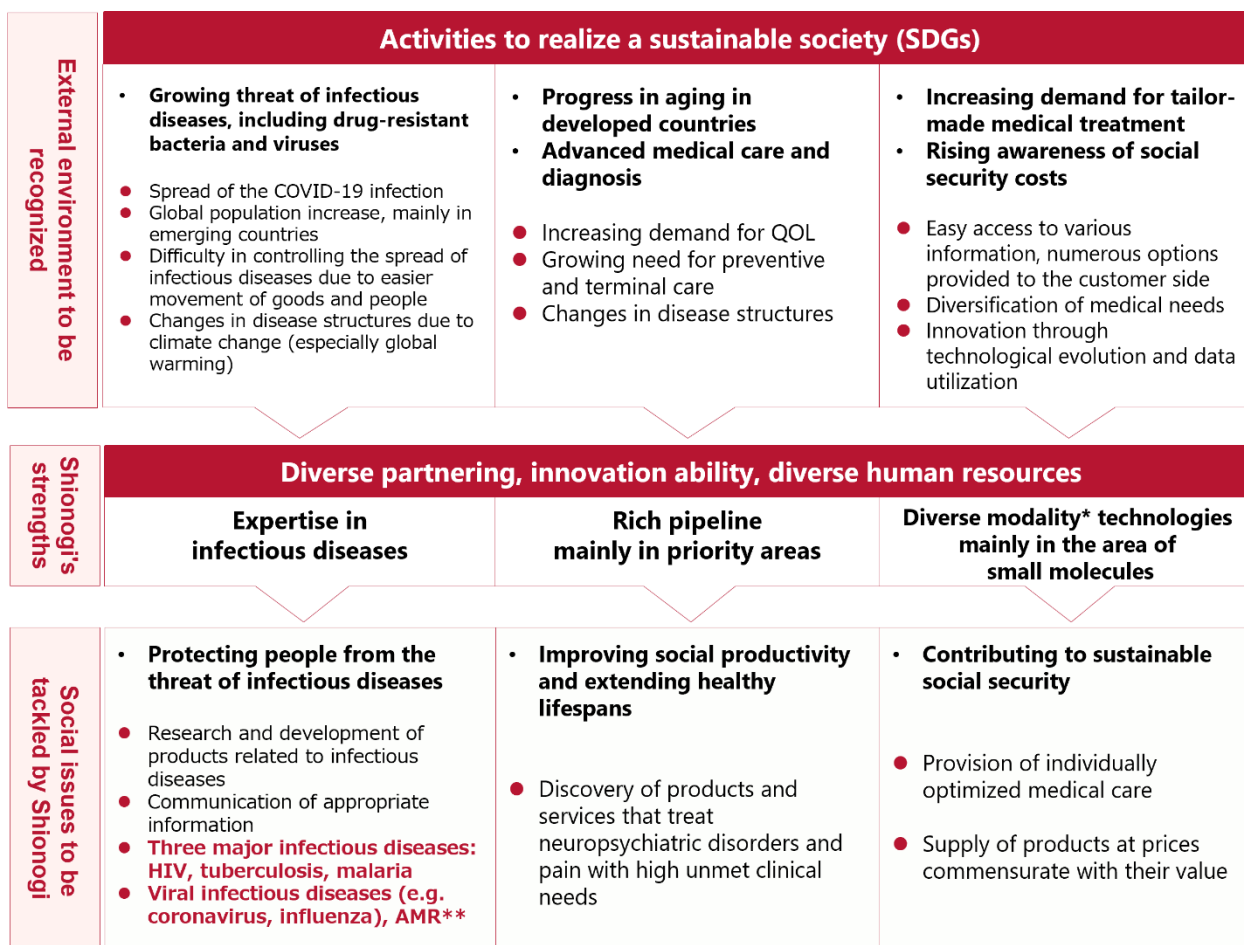
- a. A company for which the amount of payment from such company to the SHIONOGI Group accounts for 2% or more of the company's consolidated sales on average over the last three business years of the company, including the most recent business year.
  - b. A company for which the amount of money such company has received from the SHIONOGI Group accounts for 2% or more of the company's consolidated sales on average over the last three business years of the company, including the most recent business year.
5. If directors 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 SHIONOGI 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 SHIONOGI Group contributes more than 10 million yen annually.
  7. The tenure of the SHIONOGI Group's outside directors shall not exceed 10 years.
  8. The tenure of the SHIONOGI Group's outside corporate auditor shall not exceed 12 years (3 terms).

## 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 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

\*\* Antimicrobial resistance

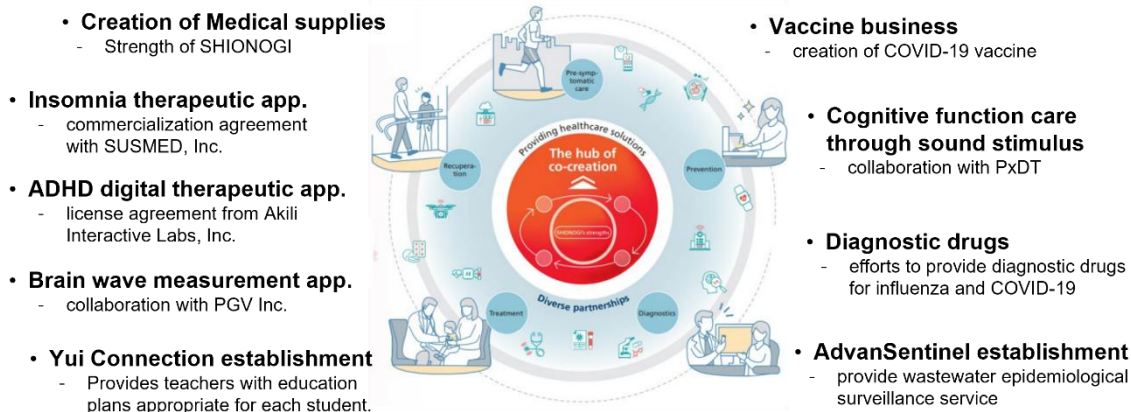
The Group has formulated the “2030 Vision,” which envisages what we want to achieve by 2030, and also identified social issues the Group should tackle by analyzing the external environment from various perspectives as mentioned above. On that basis, in June 2020, we developed the New Medium-Term Business 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, 2023, was the third year of STS2030 Phase 1, in which we made efforts to contribute to the restoration of a sense of safety and security in society by realizing an early end to the COVID-19 pandemic. This involved researching and developing a wide range of healthcare solutions and providing services from the perspective of total care for COVID-19, which includes epidemic forecasting, prevention, diagnosis, treatment, and suppression of exacerbation. This finally led to the domestic launch of Xocova, a COVID-19 drug. Leveraging our strengths gained from creating prescription drugs to co-create with a diverse range of partners also drove various initiatives to generate new added value. To further clarify the path toward achieving STS2030 based on the results and lessons learned over the past three years, we plan to partially revise STS2030 in FY2023 and accelerate our initiatives to become a Haas\* company.

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



## (2) Business Operations and Results

### 1 Summary of Consolidated Results

#### ◆ Overview of Business (IFRS)

##### Summary of consolidated statement of income for FY2022

		FY2021	FY2022	YoY (%)
Revenue	(¥ in 100 million)	3,351	4,267	27.3%
Operating profit	(¥ in 100 million)	1,103	1,490	35.1%
Core operating profit*	(¥ in 100 million)	1,106	1,585	43.3%
Profit before tax	(¥ in 100 million)	1,263	2,203	74.5%
Profit attributable to owners of parent	(¥ in 100 million)	1,142	1,850	62.0%

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

#### Record earnings since founding

Revenue was ¥426.7 billion (up 27.3% year on year), a record high. Domestic revenue from prescription drugs was ¥179.7 billion (up 101.7% year on year) due to the posting of revenues from the emergency approval of Xocova, a COVID-19 drug, and the Japanese government's purchase of 2 million doses, as well as sales associated with its general distribution. Revenue of overseas subsidiaries/export business was ¥42.5 billion (up 23.7% year on year) due to the strength of Cefiderocol (Fetroja in the US; Fetcroja in Europe) in the US and Europe. Royalty income on HIV franchise was ¥168.5 billion (down 3.2% year on year).

In terms of profit, operating profit was ¥149.0 billion (up 35.1% year-on-year) due to the rise in revenue, despite an increase in expenses owing to R&D costs for investing in our top priority task of developing COVID-19 drugs and vaccines and in focus projects, and to impairment losses associated with revising the development plan of Zatomilast for Alzheimer's. Core operating profit, excluding these special factors, was ¥158.5 billion (up 43.3% year on year), profit before tax was ¥220.3 billion (up 74.5% year on year), and profit attributable to owners of parent was ¥185.0 billion (up 62.0% year on year). All profit categories achieved a record high.

During the fiscal year ended March 31, 2023, our aggressive upfront investments in COVID-19-related businesses paid off, resulting in record-high earnings in revenue and all profit categories.

#### ◆ Overview of Assets, etc. (IFRS)

##### Items of consolidated statement of financial position

		End of FY2021	End of FY2022	YoY (%)
Total assets	(¥ in 100 million)	11,506	13,118	14.0%
Total equity	(¥ in 100 million)	9,933	11,219	12.9%
Total liabilities	(¥ in 100 million)	1,573	1,899	20.7%

◆ Robust royalty and dividend income

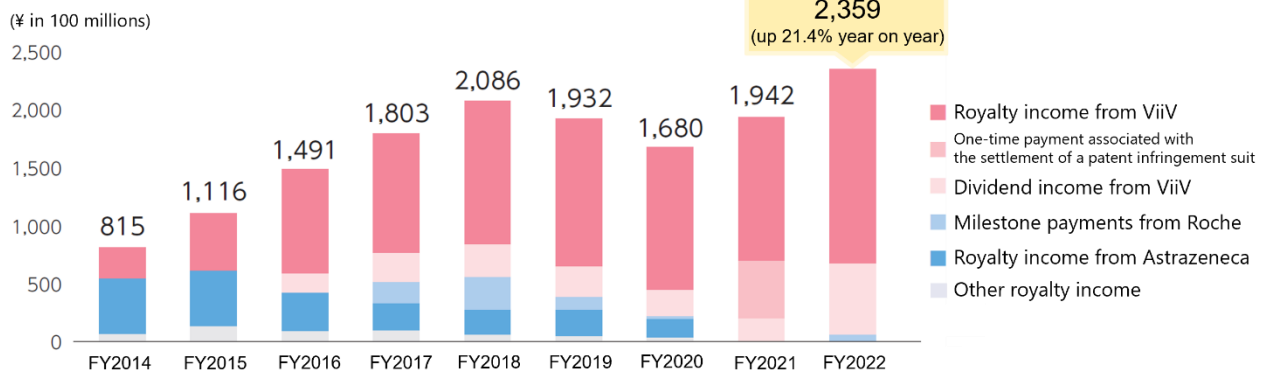
Despite receiving a one-time payment due to the settlement of ViiV’s patent infringement suit against US-based Gilead Sciences, Inc. in FY2021, royalty income from UK-based ViiV Healthcare Ltd. (“ViiV”) remained at ¥168.5 billion (down 3.2% year on year) due to the growth of sales of HIV franchise out-licensed to ViiV as long-acting offerings saw a sharp increase. Dividend income was ¥61.2 billion (up 370.8% year on year) due to the rise in dividend income as ViiV received a one-time payment associated with the above litigation and to the fact that dividends were received five times as the dividends from ViiV, which were scheduled to be received in the fourth quarter of FY2021, were delayed to the first quarter of the fiscal year ended March 31, 2023.

Royalty income from Swiss-based Roche was ¥0.9 billion due to increased sales of out-licensed Xofluza as the influenza season was severe globally for the first time in several years. Royalty income from UK-based AstraZeneca amounted to ¥1.3 billion (up 15.4% year on year) as the Company received royalties on Crestor.

As described above, the sum of royalty and royalty income for the fiscal year ended March 31, 2023, amounted to ¥235.9 billion (up21.4% year on year).

Royalties and dividend income from ViiV

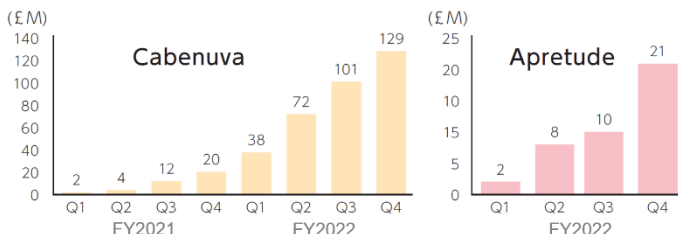
(Figures are presented using JGAAP\* up to FY2018 and IFRS in FY2019-22)



\*JGAAP: Japan Generally Accepted Accounting Principles

HIV treatment/prevention drug: Strong growth of long-acting (“LA”) drugs Cabenuva and Apretude

Sales of ViiV’s LA drugs



HIV treatment Cabenuva and HIV prevention drug Apretude, which include cabotegravir discovered by the SHIONOGI Group, are the **world’s first long-acting drugs** based on an integrase inhibitor and have been selling steadily since their launch. Further expansion of the LA drug market is expected, as clinical trial data show that **about 90% of trial participants favor treatment by Cabenuva over oral drugs taken daily**, and **66% of those who experienced prevention by oral drugs taken daily have a high interest in LA drugs**.

◆ **Progress of the domestic business**

Domestic revenue from prescription drugs was ¥179.7 billion (up 101.7% year on year), including revenue from the COVID-19 drug Xocova.

With respect to Xocova, approval for the production and marketing of Xocova was obtained at the Pharmaceutical Affairs and Food Sanitation Council meeting held on November 22, 2022, under the emergency approval program for Xocova. The Japanese government purchased 2 million doses of Xocova based on the MOU entered between the Company and the Ministry of Health, Labour and Welfare on the domestic supply of the drug so that the drug can subsequently be provided widely and promptly to patients in Japan. Thereafter, the general distribution of the drug began on March 31, 2023, with the prospect of a stable product supply. Due to recording these revenues, the sales of COVID-19-related products came to ¥104.7 billion.

Sales of Intuniv and Vyvanse rose to ¥19.2 billion (up 17.0% year on year) and ¥1.4 billion (up 81.2% year on year), respectively. Meanwhile, revenue from Cymbalta ended at ¥5.4 billion (down 65.8% year on year) due to the entry of generic versions of the drug. Revenue from influenza-related products increased to ¥4.2 billion due to a growth in the number of prescriptions at medical institutions compared to last year due to the first influenza epidemic in three years. However, revenue was -¥1.1 billion due to returns of Xofluza and Rapiacta, which occurred in the second quarter of the fiscal year ended March 31, 2023. Revenue from anti-infection drugs, excluding COVID-19-related products, was ¥7.4 billion (down 37.2% year on year).

◆ **Progress of the overseas business**

Revenue from the overseas business was ¥42.5 billion (up 23.7% year on year). Revenue in the US increased 12.2% year on year to ¥15.4 billion due to the continued good performance in the US of Fetroja, which is effective against multi-drug-resistant Gram-negative bacteria, despite the impact of the receipt of one-time payment related to the transfer of sales rights for FORTAMET in the first quarter of FY2021. Sales of Fetroja as a single agent were ¥10.0 billion (up 59.5% year on year).

Revenue in Europe increased 81.4% year on year to ¥9.1 billion due to the excellent performance of Fetroja. Furthermore, Fetroja was launched in Spain in FY2022. We will continue to be committed to growing the US/Europe business by increasing the number of countries where Fetroja is sold and the number of countries that adopt a subscription-type reimbursement model.\*

Revenue in China increased 17.7% year on year to ¥12.0 billion due to the growth of generic drugs and contract manufacturing at the Nanjing plant, despite the negative impact of the lockdowns associated with the COVID-19 pandemic.





\* 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.







## 4 Research and Development – Main Progress –

During the fiscal year ended March 31, 2023, SHIONOGI made progress roughly as planned, not only in COVID-19 drugs and vaccines but also in its priority projects by making aggressive investments in research and development and appropriately addressing the changing environment caused by COVID-19.

### – Major progress of research projects –

S-337395		Phase 1 trials were initiated during the fiscal year ended March 31, 2023, with the aim of making this a treatment with broad and potent antiviral effects against RS virus types A and B.
S-892216		This is a next-generation oral COVID-19 treatment. Phase 1 trials were initiated with the aim of having stronger antiviral effects and making it easy for patients to use.
S-875670		Preclinical trials were initiated to develop a nasal vaccine that induces mucosal immunity as the next-generation COVID-19 vaccine.
S-151128		This is a painkiller with a new mechanism expected to offer high safety and an analgesic effect equal to or greater than opioids. Phase 1 trials were initiated in the fiscal year ended March 31, 2023.

### – Main progress of development projects –

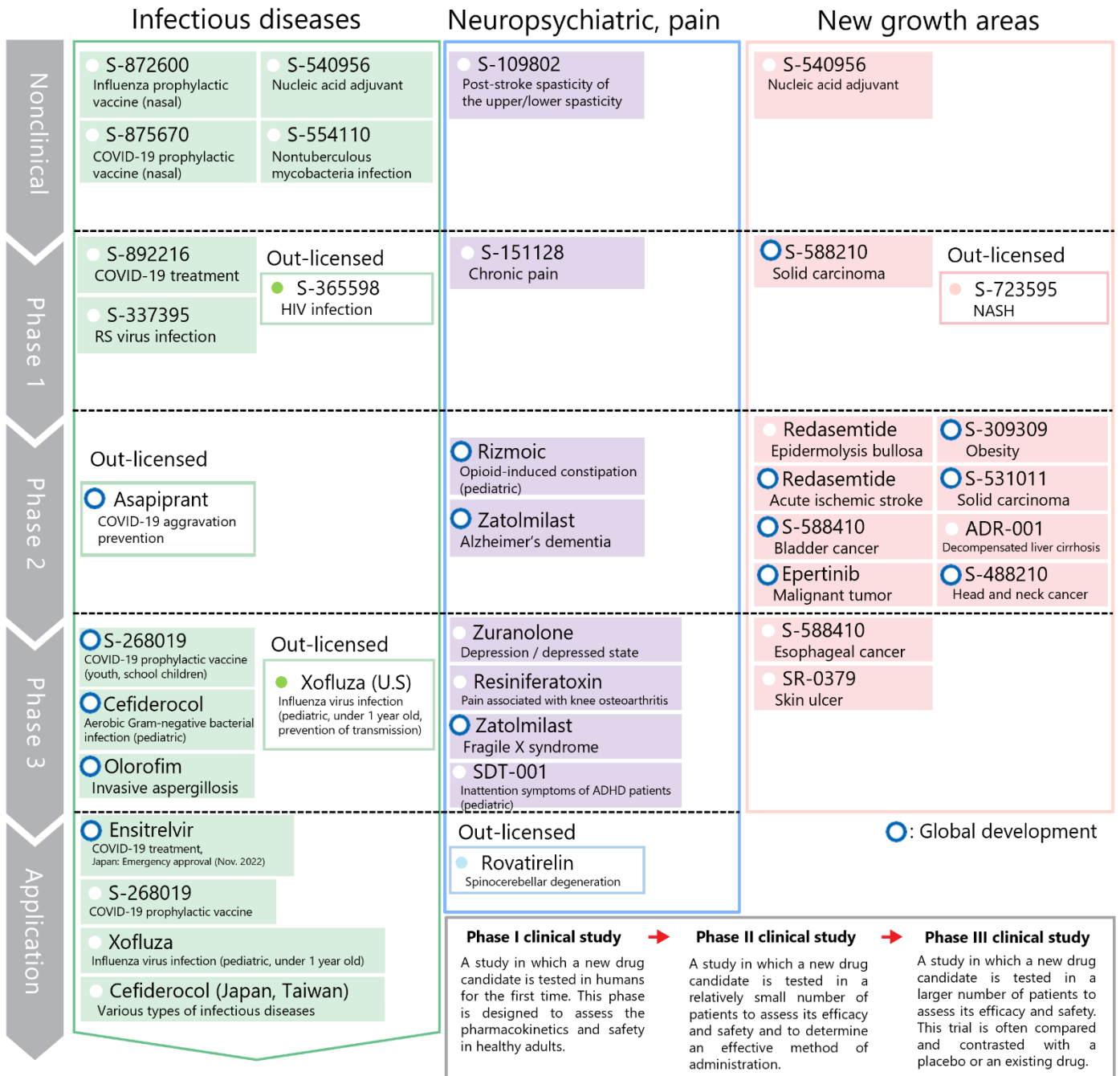
Ensitrelvir※		This is an oral COVID-19 treatment. During the fiscal year ended March 31, 2023, we obtained approval for production and marketing in Japan based on the emergency approval program. Multiple global Phase 3 trials were initiated for global rollout.
S-268019		This is a recombinant protein vaccine against COVID-19. We filed an application for approval of production and marketing in Japan for the prevention of COVID-19. Phase 3 trials in adolescent and pediatric patients are also on-going.
Redasemtide (S-005151)		This is a regeneration-inducing medicine peptide in-licensed from StemRIM. During the fiscal year ended March 31, 2023, we initiated additional Phase 2 trials for dystrophic epidermolysis bullosa and global Phase 2 trials for acute ischemic stroke. Investigator-initiated studies for knee osteoarthritis and chronic liver disease also saw progress.
S-309309		This is an oral obesity treatment with a new mechanism. Phase 2 trials were initiated as the preliminary results of Phase 1 trials indicated a high level of safety, tolerance, and a good PK profile.
Resiniferatoxin (GRT7039)		This is a painkiller for knee osteoarthritis that was in-licensed from Grünenthal during the fiscal year ended March 31, 2023. It aims to satisfy patient needs that cannot be met with current treatments, such as a potent and sustained analgesic effect and daily life improvement. Global Phase 3 trials are currently on-going.
Olorofim (F901318)		This is a treatment of invasive fungal infections with limited treatment options in-licensed from F2G during the fiscal year ended March 31, 2023. High efficacy and tolerance have been confirmed in the interim results of Phase 2b trials. Phase 3 trials are currently being implemented.
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, 2023, ViiV initiated Phase 1 trials.



: Product discovered in-house

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

Development pipeline status (as of March 31, 2023)



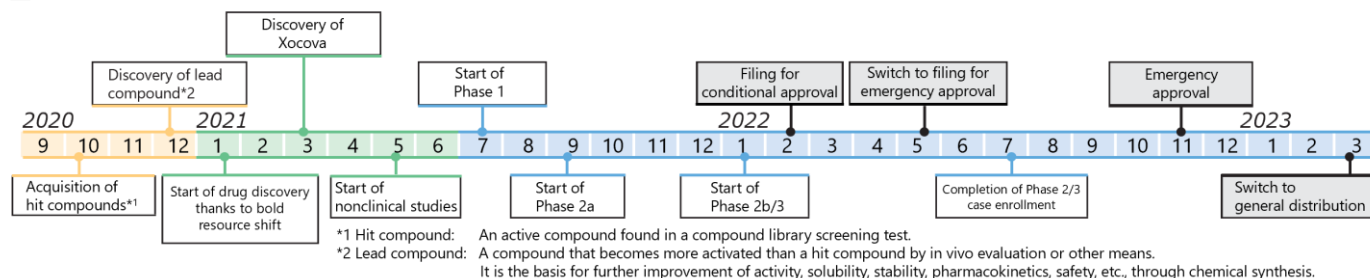


To realize an early end to the pandemic as a leading company in the infectious disease field, the SHIONOGI Group has been promoting various initiatives to provide a wide range of healthcare solutions globally from the perspective of total care for COVID-19. During the fiscal year ended March 31, 2023, we saw significant progress in our initiatives, such as obtaining emergency approval for the COVID-19 drug Xocova in Japan and filing an application for the approval of a COVID-19 vaccine in Japan.

### ■ Obtaining Emergency Approval for Xocova in Japan

On November 22, 2022, we obtained approval for the production and marketing of Xocova in Japan based on the emergency approval program. 2 million doses were purchased in accordance with the MOU signed with the Ministry of Health, Labour and Welfare, after which the product went to general distribution on March 31, 2022. We had been making company-wide efforts to develop Xocova, based on a belief that our mission is to deliver the treatment to patients as soon as possible, and were able to launch the product at an unprecedented speed of approximately 18 months from the start of preclinical trials in May 2021. However, the launch is only the starting line for Xocova. It is essential to observe and review the effects of the drug by accumulating various evidence. After the approval was obtained, the Phase 3 portion of the Phase 2/3 trials in Asia has suggested the potential for early negative viral titer and reduced risk of developing post-illness symptoms (long COVID). Safety information is also being accumulated from post-marketing surveillance. Going forward, we plan to conduct clinical trials for prophylaxis and pediatric patients. We will continue our efforts to observe and review the effects of Xocova so that more patients can use it safely.

### ■ COVID-19 Treatment R&D Timeline



### ■ Initiatives for Global Rollout of Ensitrelvir

We are working toward the global registration of ensitrelvir. During the fiscal year ended March 31, 2023, our partner ILDONG filed an application for regular marketing approval in South Korea, and Taiwan Shionogi filed an EUA application in Taiwan based on Phase 3 trial data in Asia. In China, we have commenced data submission for filing an application for approval. For rollout in Europe and the US, we initiated global Phase 3 trials (SCORPIO-HR trials: For SARS-CoV-2 infected patients that are not hospitalized; STRIVE trials: For patients hospitalized for COVID-19) with the support of NIH<sup>※1</sup>. We also advanced our efforts to build supply chains so that the product can be provided as soon as possible after approval is obtained.

※1: National Institutes of Health

### ◆ 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, 2023, which is the fourth year from its founding, as the year in which to solidify its presence as "the world's most reliable CDMO."<sup>※1</sup> To achieve this goal, we were particularly committed to working on the production of a COVID-19 drug, Xocova, and vaccine at a speed equivalent to that of global pharmaceutical companies that have already achieved results with COVID-19. As a result, we were able to achieve prompt shipment of Xocova after obtaining emergency approval, build a production system for up to 10 million doses per year, and file an application for the approval of the vaccine with PV<sup>※2</sup> implementation support from UNIGEN and UMN Pharma in the fiscal year ended March 31, 2023.

On April 1, 2022, we integrated Group company Nagase Medicals as the Itami Plant (Hyogo Prefecture), and established Pharmira Co., Ltd. (a joint venture with seven companies, each with unique technologies), which innovates with its continuous manufacturing technology for active pharmaceutical ingredients and intermediates.

※1 Contract Development Manufacturing Organization    ※2 Process Validation

### ◆ Establishment of supply chains to accelerate global expansion

The SHIONOGI Group has been working to establish global supply chains to provide high-quality pharmaceuticals globally. During the fiscal year ended March 31, 2023, we entered into a partnership in China to establish a local ensitrelvir production system that can supply more than 20 million doses per year and distribute and market the product so that we can begin supply promptly after obtaining approval. In the US, we also made progress in various initiatives to establish local production bases.

### ◆ Supply of high-quality products

To avoid causing the same kind of problem as the loss of corporate credibility resulting from noncompliance in pharmaceuticals production, which has occurred in recent years, the SHIONOGI Group seeks to raise compliance awareness by clearly defining the roles and the scope of responsibility of the officer in charge and providing education to employees. In addition to within the Group, we encourage our suppliers and other business partners to enhance their compliance mindset to address quality assurance thoroughly. We will continue to place emphasis on quality and carry out careful production as we commit ourselves to ensuring the delivery of pharmaceuticals to patients who need them.

## 6 Connection between SHIONOGI Group and society

### ■ Initiatives in Collaboration with International Organizations to Improve Access to Healthcare Globally

Access to pharmaceuticals is a significant issue for many people across the world. AMR,<sup>※1</sup> in particular, is recognized as an urgent and serious public health threat, requiring support for regions that currently need access to antimicrobials and are seriously affected. In June 2022, SHIONOGI signed a licensing agreement, including technology transfers, with GARDP<sup>※2</sup> and a partnership agreement with GARDP and CHAI.<sup>※3</sup> These agreements pave the way for access to Cefiderocol in 135 countries worldwide, including all low-income countries and many lower- and higher-middle-income countries.

In October 2022, SHIONOGI signed a licensing agreement with the Medicines Patent Pool (MPP), a public health organization supported by the United Nations, to provide COVID-19 drug, Xocova, to lower-middle-income countries. This agreement enables the supply of Xocova to 117 countries by granting a sublicense for production and supply to generic drug manufacturers that can produce the drug in qualified quality.

SHIONOGI will continue contributing to global health by improving access to infectious disease drugs in collaboration with international organizations such as GARDP, CHAI, and MPP.

※1 AMR : Antimicrobial Resistance

※2 GARDP : Global Antibiotic Research and Development Partnership ※3 CHAI : Clinton Health Access Initiative

### ■ Supporting maternal and child healthcare in Africa: Mother to Mother SHIONOGI Project

In collaboration with World Vision, an international non-governmental organization, SHIONOGI has been building healthcare facilities and water hygiene infrastructure, as well as raising awareness among local residents in Kenya with the aim of realizing a community that can manage the health of mothers and children independently and sustainably. As part of its second-term project, SHIONOGI has been providing healthcare services from Rimaparera Dispensary in Kilifi County since September 2022 through the supply of electricity by installing a solar power generation system with the cooperation of Panasonic Holdings Corporation. Meanwhile, we have decided to extend the planned period of the project (three years until March 2023) as Kenya faces a difficult situation regarding the handover of projects to county governments and child nutrition due to its most severe drought in 40 years.



<Maternity ward  
with solar panels installed>

### ■ Initiatives to Achieve SDGs: Certification as an Eco-First Company

SHIONOGI has identified *Protect the Environment* as one of its material issues to be addressed and is engaged in the appropriate use of antimicrobials, including the management of their environmental release, actions against climate change, and resource-saving and recycling. Following the submission of our environmental conservation goals to the Minister of the Environment, we were certified as the first Eco-First Company in the pharmaceutical industry. The Eco-First Program is a system under which companies that conduct advanced, unique, and industry-leading business activities in the field of the environment are certified as Eco-First Companies. The certification is in recognition of our past initiatives. To achieve the SDGs, we will continuously strive to be a company that is required by society into the future by ensuring that corporate growth is aligned with contribution to a sustainable society through our business.



Received The Highest Rating in the Field of Climate Change and the Field of Water Security from CDP (December 2022) and Selected as Supplier Engagement Leaderboard in the Field of Climate Change for the Third Consecutive Year (March 2023)

SHIONOGI was selected by CDP, an international non-profit organization running the global environmental disclosure system, as an A-list company, the highest rating, in the “Climate Change” and “Water Security” fields, continuing our high evaluation from last year.

In addition, SHIONOGI was selected as “Supplier Engagement Leaderboard,” the highest rating in “Supplier Engagement Rating,” in the field of “Climate Change.” for the third consecutive year.



Certified as the Pharmaceutical Industry’s First Eco-First Company, an Environmentally Advanced Company (April 2023)

SHIONOGI was certified as an Eco-First Company under the Eco-First Program, which is promoted by the Ministry of the Environment, in recognition of its Eco-First Commitment, a compilation of its environmental conservation goals submitted to the Minister of the Environment.



Human Resources-Related Evaluation: Recognized as the BEST WORKPLACE in the D&I Award (February 2023); Certified as Health & Productivity Management Outstanding Organization for Seventh Consecutive Year (March 2023)

SHIONOGI was recognized as the Best Workplace, the highest recognition, in the D&I Award.

In addition, SHIONOGI was recognized as a 2023 Certified Health & Productivity Management outstanding organization (large enterprise category) for the seventh consecutive year.



Received Various Awards for SHIONOGI’s Integrated Report

- Received the Silver Award (Excellent Company Award) in the WICI Japan Integrated Report Award 2022 (November 2022)
- Won Second Prize in Nikkei Integrated Report Award 2022 (March 2023)
- Selected as one of the excellent integrated reports by the GPIF’s domestic equity managers for the third consecutive year (February 2023)

Continued to be Selected for Various Indices Used by GPIF

SHIONOGI was continuously selected as a constituent stock of all ESG indices used by GPIF, one of the world’s largest pension funds, for its Japanese equity ESG investment. SHIONOGI was also selected as a constituent stock of other indices.

Indices used by GPIF	FTSE Blossom Japan Index
	FTSE Blossom Japan Sector Relative Index
	MSCI Japan ESG Select Leaders Index
	MSCI Japan Empowering Women Index
	S&P/JPX Carbon Efficient Index
	Morningstar Japan ex-REIT Gender Diversity Tilt Index
Other Indices	Sompo Sustainability Index
	FTSE4 Good Index
	MSCI ESG Leaders Indexes



### (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

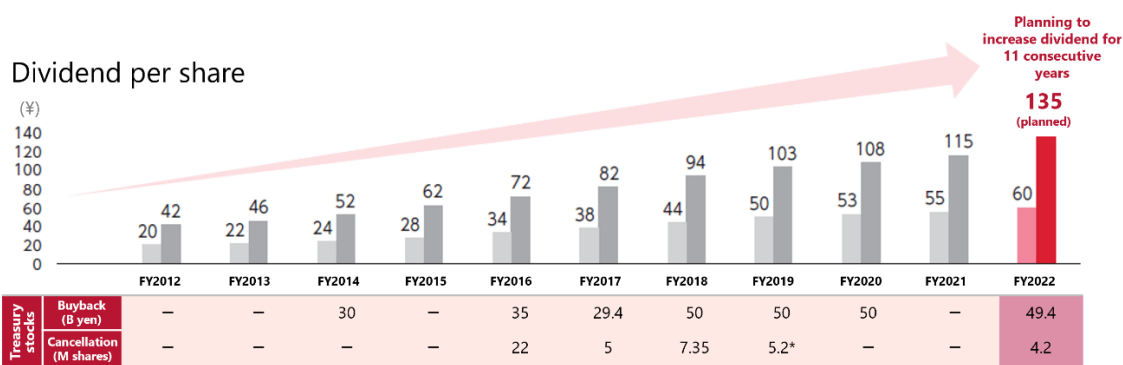
The SHIONOGI Group's capital investment for the fiscal year ended March 31, 2023 totaled 12.6 billion yen. SHIONOGI's primary investment was the construction of a vaccine manufacturing facility.

### (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

### ◆ Key points to be strengthened in FY2023

During the fiscal year ended March 31, 2023, 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. In FY2023, we will work to achieve top-line growth through the global expansion of the infectious disease business and to establish new businesses and growth drivers for medium- to long-term growth as our highest priority issues.

In research and development during the fiscal year ended March 31, 2023, SHIONOGI focused on COVID-19 drugs and vaccines but also made progress in other pipelines. Meanwhile, we must accelerate the development of growth drivers that will be the pillar of revenue if we are to continue growing after the expiry of a patent for an anti-HIV drug, expected in around 2028. In FY2023, we will make progress in the development of new growth drivers by identifying the diseases and pipelines of focus and performing selection and concentration, and further advancing the speed and decision-making that we have gained in the course of COVID-19-related projects to address the critical healthcare needs of society and generate innovation not only in prescription drugs. For COVID-19-related products for which we made up-front investment, we will accelerate on-going clinical trials and work to accumulate evidence and expand prevention and pediatric indications.

In our domestic business, revenue increased significantly year on year during the fiscal year ended March 31, 2023, due to the recording of revenue from the Japanese government's purchase of Xocova. However, in FY2023, we must sell Xocova by ourselves and maximize product value. The transition of COVID-19 to a class 5 infectious disease is expected to increase opportunities for COVID-19 diagnoses and treatment at a broader range of medical institutions. As with influenza, we will make full use of IT and data and conduct appropriate promotional activities to realize early diagnosis and early treatment to deliver Xocova to patients who require treatment by antiviral medication. To enhance the pipelines that contribute to the sales of the domestic business, we will also work vigorously to acquire new growth drivers, such as in-licensing new assets that can generate synergies with existing drugs' information provision.

In our overseas business, we made significant progress in establishing a framework for providing infectious disease solutions globally by ourselves by strengthening our negotiating power with external organizations and enhancing our global supply chains. In FY2023, we will aim to commercialize the COVID-19 drug ensitrelvir in Asia, especially in China and South Korea, and ensure revenue by accelerating global rollout, including in the US and Europe, to maximize product value. In the US and Europe, we will continue to strengthen our sales system in the hospital area, focusing on Cefiderocol, and increase the number of countries to which the subscription-type reimbursement model for Cefiderocol is applied. In China, we will switch to a business model that focuses on new drugs and work to commercialize ensitrelvir, Cefiderocol, and naldemedine. We will also make efforts to enhance our research approach using AI technologies to create medium- to long-term value.

With respect to investments in business, we made progress in business and introduced later-stage development products by strengthening our vaccine business and in-licensing. In FY2023, we will introduce and develop growth drivers and establish a sustainable infectious disease business foundation by proactively utilizing the ¥500 billion investment limit outlined in Phase 1 of STS2030 and revenue from COVID-19-related projects.

Healthcare needs are becoming increasingly sophisticated and diverse as people's lifestyles and values change irreversibly. The SHIONOGI Group will accelerate its transformation into a company that provides the best healthcare solution beyond the boundaries of a pharmaceutical company by accurately identifying such needs.

## (8) Overview of Operations

### 1) Business Results and Financial Position

【IFRS】

(Million of yen)

Classification	FY2018 154 <sup>th</sup> term	FY2019 155 <sup>th</sup> term	FY2020 156 <sup>th</sup> term	FY2021 157 <sup>th</sup> term	FY2022 158 <sup>th</sup> term (Fiscal year ended March 31, 2023)
Revenue	367,960	333,371	297,177	335,138	426,684
Operating profit	145,081	130,628	117,438	110,312	149,003
Profit before tax	174,043	158,516	143,018	126,268	220,332
Profit attributable to owners of parent	137,191	122,193	111,858	114,185	184,965
Research and development expenses	52,058	47,949	54,249	72,996	102,392
Total assets	938,540	873,695	998,992	1,150,601	1,311,800
Total equity	813,087	765,203	864,550	993,285	1,121,878
Basic earnings per share	yen 438.47	yen 395.71	yen 365.03	yen 378.75	yen 621.31
Equity attributable to owners of parent per share	yen 2,598.16	yen 2,518.74	yen 2,806.67	yen 3,236.21	yen 3,737.76
Dividend per share	yen 94.00	yen 103.00	yen 108.00	yen 115.00	yen 135.00 <sup>*2</sup>
Return on equity attributable to owners of parent (ROE)	% 17.8	% 15.5	% 13.9	% 12.5	% 17.8
Dividend on equity attributable to owners of the parent (DOE)	% 3.8	% 4.0	% 4.1	% 3.8	% 3.9 <sup>*2</sup>

#### Notes:

1. The Group's consolidated financial statements, starting from FY2020, have been prepared in accordance with the International Financial Reporting Standards ("IFRS") pursuant to Article 120, Paragraph 1 of the Ordinance on Company Accounting.
2. The figures presented for dividend per share and dividend on equity attributable to owners of the parent are the amounts in the event Proposal No. 1 is approved without changes by the 158th Annual General Meeting of Shareholders.
3. In the 158th fiscal term, SHIONOGI disposed of 3 million of its shares to the trust account of Sumitomo Mitsui Trust Bank, Limited (trustee: Custody Bank of Japan, Ltd. (trust account)) relating to the SHIONOGI INFECTIOUS DISEASE RESEARCH PROMOTION FOUNDATION, and treated said shares as treasury stock. Therefore, the number of said shares is deducted from the average number of common stock outstanding during the period in the calculation of basic earnings per share and diluted earnings per share for the nine months ended December 31, 2022, and the third quarter of the 158th fiscal term.

【JGAAP】

(Million of yen)

Classification	FY2018 154 <sup>th</sup> term	FY2019 155 <sup>th</sup> term
Net sales	363,721	334,958
Operating income	138,537	125,231
Ordinary income	166,575	151,751
Profit attributable to owners of parent	132,759	121,295
R&D expenses	68,325	47,193
Total assets	778,741	773,650
Net assets	672,429	683,647
Earnings per share	yen 424.31	yen 392.80
Net assets per share	yen 2,144.33	yen 2,248.69
Dividend per share	yen 94.00	yen 103.00
Return on Equity (ROE)	% 20.9	% 18.0
Dividend on Equity (DOE)	% 4.6	% 4.7



## 2) Business Results and Financial Position of the Company

【JGAAP】

(Million of yen)

Classification	FY2018 154 <sup>th</sup> term	FY2019 155 <sup>th</sup> term	FY2020 156 <sup>th</sup> term	FY2021 157 <sup>th</sup> term	FY2022 158 <sup>th</sup> term (Fiscal year ended March 31, 2023)
Net sales	327,991	293,865	260,986	285,948	369,499
Operating income	138,366	116,107	76,192	95,969	133,274
Ordinary income	139,836	121,265	81,714	100,892	134,998
Profit (loss)	100,037	88,640	32,181	90,264	107,367
Total assets	612,336	580,804	617,123	730,120	768,120
Net assets	533,261	530,482	536,405	590,430	612,890
Earnings (losses) per share	yen 319.73	yen 287.05	yen 105.02	yen 299.41	yen 358.54
Net assets per share	yen 1,711.39	yen 1,744.81	yen 1,778.50	yen 1,957.59	yen 2,060.64

Notes: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018) since FY2020.

## (9) Main Operations of the SHIONOGI Group

The SHIONOGI Group mainly manufactures and sells pharmaceutical products.

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

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

Notes:

1. In addition to the above list, the Company has business offices in every major city in Japan.
2. Bases in subsidiaries

## (11) Employees

### 1) Number of Employees of the Corporate Group

Number of Employees	Y on Y Change
5,680	(Decrease) 13

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

### 2) Number of Employees of the Company

Number of Employees	Y on Y Change	Average Age	Average Number of Years with the Company
2,458	(52)	42.1	16.5

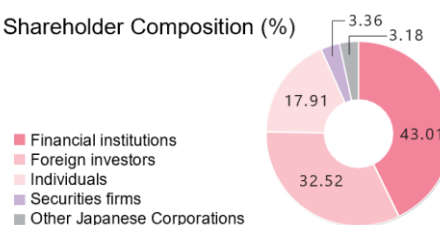
## (12) Main Loans from Banks

Not applicable.

## 2. Stock Data

- 1) Number of shares authorized to be issued: 1,000,000,000
- 2) Number of shares issued: 307,386,165  
(including 10,080,279 shares of treasury stock)
- 3) Number of shareholders: 116,364

Shareholder Composition (%)



### 4) Major shareholders (Top 10)

Name of Shareholder	Number of Shares Held (Thousands of shares)	% of Total
The Master Trust Bank of Japan, Ltd. (Trust account)	57,487	19.33%
Custody Bank of Japan, Ltd. (Trust account)	24,189	8.13%
Sumitomo Life Insurance Company	18,604	6.25%
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	9,485	3.19%
Nippon Life Insurance Company	8,409	2.82%
BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED	6,356	2.13%
STATE STREET BANK WEST CLIENT - TREATY 505234	5,023	1.68%
JP MORGAN CHASE BANK 385632	4,822	1.62%
Sumitomo Mitsui Banking Corporation	4,595	1.54%
NORTHERN TRUST CO.(AVFC) SUB A/C AMERICAN CLIENTS	4,190	1.40%

#### Notes:

1. The Company owns 10,080,279 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 297,305,886 shares of total issued stock (excluding 10,080,279 shares of treasury stock).

### 5) Stock Issued as Remuneration to Company Officers during FY2022

The details of stock compensation issued during FY2022 are as follows.

	Number of shares (shares)	Number of persons who received shares (persons)
Directors (excluding Outside Directors)	19,000	2
Outside Directors	—	—
Corporate Auditor	—	—

### 3. Stock Acquisition Rights

#### 1) Stock Acquisition Rights Issued as Remuneration to and held by Company Directors as of March 31, 2023

Title (Issue Date)	Date of issue resolution	Number of stock acquisition rights	Class and number of shares to be issued	Issue price per stock acquisition rights	Exercise price per stock acquisition rights	Stock acquisition rights exercise period	Status of director holdings (Rights holders)
FY2011 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 11, 2011)	June 24, 2011	252	25,200 shares of common stock	113,000 yen	100 yen	July 12, 2011 to July 11, 2041	127 (2)
FY2012 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 12, 2012)	June 27, 2012	316	31,600 shares of common stock	91,700 yen	100 yen	July 13, 2012 to July 12, 2042	213 (2)
FY2013 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 11, 2013)	June 26, 2013	172	17,200 shares of common stock	193,100 yen	100 yen	July 12, 2013 to July 11, 2043	115 (2)
FY2014 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 10, 2014)	June 25, 2014	178	17,800 shares of common stock	190,000 yen	100 yen	July 11, 2014 to July 10, 2044	124 (2)
FY2015 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 9, 2015)	June 24, 2015	99	9,900 shares of common stock	455,400yen	100 yen	July 10, 2015 to July 9, 2045	62 (2)
FY2016 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 8, 2016)	June 23, 2016	85	8,500 shares of common stock	525,700yen	100 yen	July 9, 2016 to July 8, 2046	53 (2)
FY2017 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 7, 2017)	June 22, 2017	85	8,500 shares of common stock	574,200yen	100 yen	July 8, 2017 to July 7, 2047	53 (2)

#### Notes:

- Each stock acquisition right is exercisable into 100 shares of common stock.
- The issue price is the sum of the fair value of the stock acquisition rights on the allotment date and the amount to be paid upon exercise (¥1 per share) of the stock acquisition rights. The recipients of the allotted stock acquisition rights (stock acquisition rights holders) will have an amount equal to the fair value of the stock acquisition rights deducted from their remuneration as payment.
- During the stock acquisition rights exercise period, Company directors who are stock acquisition rights holders who cease to be a Company director may only exercise their stock acquisition rights during the 10-day period beginning the day immediately following the date of cessation (if the 10th day is a holiday, the next business day), and may only exercise their stock acquisition rights in full, in a single transaction. Other conditions for exercising the rights are stipulated in the Stock Acquisition Rights Agreement concluded between the Company and the stock acquisition rights holders.
- Of the above, FY2011 stock acquisition rights, FY2012 stock acquisition rights, FY2013 stock acquisition rights and FY2014 stock acquisition rights granted to one director were granted before the director was appointed.
- The company does not allot share subscription rights to outside directors and corporate auditors.

#### 2) Stock Acquisition Rights Issued as Remuneration to Company Employees during Fiscal 2022

Not applicable.

## 4. Board Members

### (1) Directors and Corporate Auditors (As of March 31, 2023)

Position	Name	Areas of responsibility and other major posts
Representative Director, President and CEO	Isao Teshirogi	Outside Director of Sumitomo Mitsui Banking Corporation Outside Director of AGC Inc.
Director and Vice Chairperson of the Board	Takuko Sawada	
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 Educational Association
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 FY2022.

## (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, President and CEO. The Compensation Advisory Committee deliberates the policy and criteria for the entrustment and provides the Board of Directors with the results as recommendations for their resolution, and Isao Teshirogi, Representative Director, President and CEO, to whom such determination is entrusted, shall make decisions in accordance with said recommendations and the resolution at the Board of Directors.

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

As a result, the share of base remuneration in total remuneration in FY2022 is about 33%, 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	207	182	126	516
(outside directors among directors)	(3)	(57)	(-)	(-)	(57)
Corporate Auditors	5	124	-	-	124
(outside auditors among auditors)	(3)	(54)	(-)	(-)	(54)
Total	10	332	182	126	640

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 FY2022.
3. "Non-monetary remuneration, etc." above is the relevant expense recognized for FY2022.

## <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. = 1:1:1 (if all KPIs are achieved).

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

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

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

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

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

The Compensation Advisory Committee shall comprise of 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 12/12 (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 that are important management resources and risk management, and provides appropriate advice about budget planning and management and capital policies, including investments.
Director	Hiroshi Ozaki Attendance at Board of Director meetings 12/12 (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 including production and distribution and raising issues regarding partnerships.
Director	Fumi Takatsuki Attendance at Board of Director meetings 12/12 (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 12/12 (100%) Attendance at Board of Corporate Auditors meetings 11/11 (100%)	We expect him to play a role in which he 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, leveraging his extensive practical experience and broad insight as a manager of Group companies. 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 12/12 (100%) Attendance at Board of Corporate Auditors meetings 11/11 (100%)	We expect him to play a role in which he 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, taking into account his professional expertise in finance and accounting and the environmental changes concerning sustainability. 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 12/12 (100%) Attendance at Board of Corporate Auditors meetings 11/11 (100%)	We expect him to play a role in which he 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, taking into account his professional expertise in finance and accounting and adaptation to a rapidly changing business environment. 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.

## 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.

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 Sanyo Electric Railway Co., Ltd., where Takaoki Fujiwara serves as an outside director, or with Hanshin Electric Railway Co., Ltd., where he served as representative director and chairman during FY2022.

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

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

## 5. Independent Accounting Auditor

### (1) Name of Independent Accounting Auditor

Ernst & Young ShinNihon LLC

### (2) Compensation Paid to Independent Accounting Auditor for the Fiscal Year Ended March 31, 2023

#### 1) Compensation paid to the Independent Accounting Auditor for the fiscal year ended on March 31, 2023:

108 million yen

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

116 million yen

#### Notes:

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

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

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

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

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

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

## 6. Systems and Policies of the Company

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

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

The status of these systems in the fiscal year ended March 31, 2023 in accordance with the basic policy for construction of systems to assure appropriate business operations (the Basic Policy for Construction and Operation of Internal Control System) is summarized below.

#### 1) Matters concerning directors' execution of duties

The Board of Directors (composed of five directors, including three outside directors) met 12 times in the fiscal year ended March 31, 2023, and made appropriate decisions on important matters that require management's judgment in accordance with laws and regulations, and the Company's Articles of Incorporation. The five corporate auditors supervised directors' execution of their duties.

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

Starting from FY2020 the Company has employed a process to ensure fair, speedy and decisive implementation of decision making and execution of duties while securing transparency and traceability in all stages from the organizational approval to the Board of Directors' resolutions. As a part of this process, the Company constantly anticipates business risks, interprets positive risks (offensive risks, business opportunities) and negative risks (defensive risks) as being one in the same, and sets criteria for the decision-making levels based on the scale of business risks, with the aim of ensuring the execution of duties in a manner that will maximize results. Furthermore, during FY2022, we switched to a governance system where executive managers entrusted by the representative director manage each major value chain. This is aimed at clarifying responsibilities in business execution more clearly and strengthening collaboration between related headquarters based on a belief that it is important to transform ourselves into an organization with advanced decision-making and efficient business execution abilities to achieve Shionogi Transformation Strategy 2030, our medium-term management plan.

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

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

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

## 2) Matters concerning compliance

To assure legal compliance and ethical behavior in its business activities in accordance with the SHIONOGI Group Compliance Policy, the President and CEO repeatedly refers to the importance of corporate ethics in the president's message issued quarterly to all employees. This helps to ensure thorough awareness of compliance among the Group's officers and employees. The Compliance Committee (chaired by President and CEO) holds discussions on compliance issues on a quarterly basis and provides regular compliance training and harassment training to support compliance in business execution departments. To further strengthen the compliance system, the Board of Directors monitors the state of the activities of the Compliance Committee by having the Committee to make regular reports to the Board twice a year.

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

## 3) Matters concerning risk management

In accordance with the SHIONOGI Group Enterprise Risk Management Policy, the Group works to properly manage risks through such actions as creating business opportunities and avoiding or reducing risks. At the same time, the Group has established, as an important framework for its management strategy and management foundation, an Enterprise Risk Management system to supervise Group-wide business risks, including crisis management against pandemics, natural disasters, terrorism, and cyber-attacks. In this system, each organization of the Company and its Group companies recognizes the risks related to their decision-making and business execution and manages the risks and implements countermeasures on their own initiative. Information on those risks is gathered by the enterprise risk management function composed of the Sustainability Promotion Department, General Administration Department, and Corporate Planning Department. The priority of response for the entire company is categorized from the perspective of impact on the Group's business, probability of risk occurrence, and the sufficiency of risk measures. The Corporate Executive Meeting and the Board of Directors identify material risks that may significantly impact business management, evaluate the risks, formulate response policies, and deliberate the allocation of managerial resources to the measures. The organizations in charge carry out the risk responses in cooperation with the relevant organizations based on the response policies that were determined. The enterprise risk management function submits an action plan for risk management for each year to the Corporate Executive Meeting and the Board of Directors at the beginning of the year to obtain approval from them. At the same time, the function monitors the status of implementation of the plan and reports the results at the end of the year. As necessary, the function reports on the progress in a timely manner and receives feedbacks, so that problems can be identified and solutions can be formulated quickly and flexibly even in the middle of the year.

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

Note that the Internal Control Department, which is in charge of internal audits, implements verifications and evaluations on an independent basis.

4) Matters concerning the Group company management system

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

5) Matters concerning corporate auditors' execution of duties

Corporate auditors attend Board of Directors meetings, the Corporate Executive Meeting and other key meetings, obtain information related to business execution and management and information related to internal controls in a timely manner, and regularly meet with representative directors and department general managers to exchange opinions. In addition, they have established a framework for close cooperation with the Independent Accounting Auditor and the Internal Control Department to ensure the effectiveness of audits.

At the request of the corporate auditors, multiple employees were assigned to assist the auditors in their duties. Under the direction of the corporate auditors, they provided assistance as necessary in the corporate auditors' work, including assessment of the Independent Accounting Auditor by the Board of Corporate Auditors.

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

In the fiscal year ended March 31, 2023, the Board of Auditors met 11 times including the Group Company Audit Liaison Committee meetings from time to time on important matters. The Committee broadly tested the appropriateness and effectiveness of management, compliance, risk management and the effectiveness of internal controls, and provided advice and suggestions to management as necessary.

## (2) Systems to assure appropriate business operations

Based on operations during FY2022 in accordance with the Basic Policy for Construction and Operation of Internal Control System, at a meeting of the Board of Director's held on April 24, 2023, the Company passed as resolution to amend the basic policy for construction of systems to assure appropriate business operations ("The Basic Policy for Construction and Operation of Internal Control System") as follows:

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

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

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

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

To this end, the Company will work to ensure the implementation of the SHIONOGI's Company Policy, which has been set as the Company's management philosophy, and the SHIONOGI Group Code of Conduct, which defines how the officers and employees should act, thereby having the significance of the Company's existence fully understood.

At the same time, as for corporate ethics, focusing on the importance of behavior appropriate for respected members of society, the Compliance Committee, which is chaired by the representative director, will formulate and promote various measures to ensure and enhance compliance with laws/regulations and ethical behavior in our business activities.

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

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

SHIONOGI implements the Basic Views on Corporate Governance, which was established to realize optimal corporate governance. By doing so, the Company aims to achieve sustainable growth of the SHIONOGI Group and improve its corporate value in the medium to long term. Keeping this in mind, in order to secure the transparency and traceability in execution of duties, the Company has established a process to trace the progress and results of decision-making in all stages from the organizational approval to the Board of Directors' resolutions. And by verifying the actual conditions, the Company promotes the execution of duties in fair, speedy and decisive manner.

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

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

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

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

The minutes of the Board of Directors' meetings, the corporate executive meetings and the compliance committee meetings, and approval information and other matters approved by the representative director, etc., will be properly and strictly stored in the manner appropriate to the form they have been recorded in and will be accessible for the appropriate period in accordance with the related laws and regulations.

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

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

Crisis risk management, in accordance with the risk management regulations, aims to establish and promote a comprehensive management system, including business continuity plans. The main purpose for implementing this management is to ensure respect for human life, give consideration to and contribute to local communities, and prevent the erosion of corporate value. In the event a crisis occurs, the Company will endeavor to overcome the said crisis through quick response.

The Internal Control Department (section for internal control) will verify the management system for various risks independently from the Company's other divisions.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Other systems to ensure effective audits by corporate auditors

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

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

## 7. Other Material Matters

### Legal Actions

- In 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. A settlement was reached with Lupin Limited in March 2022 and with Cipla Limited in March 2023.
- 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. In February 2023, SHIONOGI reached a settlement with Lupin Limited and Lupin Pharmaceuticals, Inc.
- In February 2023, the Company, Hoffmann-La Roche Inc., and Genentech, Inc. filed a patent infringement action in the U.S. District Court for the District of Delaware against Norwich Pharmaceuticals, Inc. and Alvogen PB Research & Development LLC, which have filed an Abbreviated New Drug Application (ANDA) to make a generic version of baloxavir marboxil (brand name: Xofluza) in the United States. The patent infringement action seeks, among other relief, an order that the effective date of any FDA approval based on the aforementioned ANDA shall not be earlier than the expiration date of the patent stated in the Orange Book, including the substance patent for baloxavir marboxil, which is held by the Company.

## Consolidated Statement of Financial Position (As of March 31, 2023)

(Million of yen)

Accounts	FY2022	(Reference) FY2021	Accounts	FY2022	(Reference) FY2021
Assets			Equity		
Non-current assets			Capital stock	21,279	21,279
Property, plant and equipment	112,085	108,893	Capital surplus	15,204	14,455
Goodwill	9,819	9,638	Treasury shares	△63,074	△57,857
Intangible assets	96,309	81,223	Retained earnings	940,606	832,958
Right-of-use assets	6,482	3,524	Other components of equity	186,030	164,824
Investment real estate	26,382	26,672	Equity attributable to owners of parent Retained earnings	1,100,046	975,661
Other financial assets	247,711	242,479	Non-controlling interests	21,832	17,624
Deferred tax assets	22,100	12,907	<b>Total Equity</b>	<b>1,121,878</b>	<b>993,285</b>
Other non-current assets	6,716	6,055	Liabilities		
			Non-current liabilities		
			Lease liabilities	6,397	3,729
			Other financial liabilities	4,844	5,616
<b>Total non-current assets</b>	<b>527,607</b>	<b>491,396</b>	Retirement benefit liabilities	12,867	15,412
Current assets			Deferred tax liabilities	5,916	7,807
Inventory	57,919	45,892	Other non-current liabilities	1,343	354
Trade receivables	109,774	122,965	<b>Total non-current liabilities</b>	<b>31,369</b>	<b>32,920</b>
Other financial assets	254,131	210,757	Current liabilities		
Income taxes receivable	68	51	Lease liabilities	3,014	2,945
Other current assets	53,074	25,117	Trade payables	14,005	16,372
Cash and cash equivalents	309,224	254,420	Other financial liabilities	29,720	22,027
			Income tax payable	42,217	17,973
			Other current liabilities	69,595	65,078
			<b>Total current liabilities</b>	<b>158,552</b>	<b>124,396</b>
<b>Total current assets</b>	<b>784,192</b>	<b>659,205</b>	<b>Total liabilities</b>	<b>189,921</b>	<b>157,316</b>
<b>Total assets</b>	<b>1,311,800</b>	<b>1,150,601</b>	<b>Total equity and liabilities</b>	<b>1,311,800</b>	<b>1,150,601</b>

## Consolidated Statement of Profit or Loss FY2022 (Year ended March 31, 2023)

Accounts	(Million of yen)	
	FY2022	(Reference) FY2021
Revenue	426,684	335,138
Cost of sales	△62,246	△55,415
<b>Gross profit</b>	<b>364,437</b>	<b>279,722</b>
Sales, general and administrative expenses	△97,775	△91,771
Research and development costs	△102,392	△72,996
Amortization of intangible assets associated with products	△3,720	△3,476
Other income	3,899	3,384
Other expenses	△15,445	△4,551
<b>Operating profit</b>	<b>149,003</b>	<b>110,312</b>
Finance income	75,829	16,797
Finance costs	△4,500	△841
<b>Profit before tax</b>	<b>220,332</b>	<b>126,268</b>
Income tax expense	△35,836	△12,829
<b>Profit</b>	<b>184,496</b>	<b>113,439</b>
<b>Profit attributable to</b>		
Owners of parent	184,965	114,185
Non-controlling interests	△469	△746
<b>Profit</b>	<b>184,496</b>	<b>113,439</b>

## Consolidated statement of changes in equity FY2022 (Year ended March 31, 2023)

(Million of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of April 1, 2022	21,279	14,455	△57,857	832,958	164,824	975,661	17,624	993,285
Profit				184,965		184,965	△469	184,496
Total other comprehensive income, net of tax					24,041	24,041	712	24,753
Comprehensive income	-	-	-	184,965	24,041	209,007	242	209,249
Purchase of treasury shares			△49,420			△49,420		△49,420
Disposal of treasury shares		31	170			202		202
Disposition of treasury stock to trust		△17,749	17,752			3		3
Cancellation of treasury stock		△26,280	26,280			-		-
Dividends				△36,156		△36,156		△36,156
Change in interests in controlled subsidiaries		748				748	3,965	4,714
Transfer from other components of equity to retained earnings				2,835	△2,835	-		-
Other		43,997		△43,997		-		-
Balance as of March 31, 2023	21,279	15,204	△63,074	940,606	186,030	1,100,046	21,832	1,121,878

## Notes on Consolidated Financial Statements

### (Significant Basic Items for Preparing Consolidated Financial Statement)

#### 1. Standards for Preparation of Consolidated Financial Statements

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

#### 2. Scope of consolidation

Number of consolidated subsidiaries: 45

Names of significant consolidated subsidiaries

Shionogi Pharma Co., Ltd., Shionogi Healthcare Co., Ltd.,

Shionogi Inc., Shionogi B.V., Ping An-Shionogi (Hong Kong) Ltd.,

Ping An-Shionogi Co., Ltd.

(New) Increase owing to establishment: 2 companies

(Exclusion) Decrease owing to merger: 4 companies

Decrease owing to liquidation: 1 company

#### 3. Matters on application of the equity method

Number of affiliated companies and jointly controlled entities to which the equity method is applied

Equity method applied to: 1 company

#### 4. Significant accounting policies

##### (1) Basis and method of valuation of significant assets

##### 1) Non-derivative financial assets

##### (i) Initial recognition and measurement

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

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

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

##### (a) Financial assets that are debt instruments

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

- The asset is held in accordance with a business model that aims to possess financial assets for the purpose of collecting contractual cash flows.

- Cash flow, which is solely payment of interest for the principal and principal amount outstanding, occurs on specific dates based on the contractual terms for the financial assets.

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

- The said financial assets is held in accordance with a business model that aims to both collect contractual cash flow and for sale.

- Cash flow, which is solely payment of interest for the principal and principal amount outstanding, occurs on specific dates based on the contractual terms for the financial assets.

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

(b) Financial assets that are capital instruments

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

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

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

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

(ii) Subsequent measurement

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

Financial assets are measured at fair value.

Capital instruments that were selected for categorization as financial assets measured at fair value through other comprehensive income. Changes in fair value are recognized under other comprehensive income.

Cumulative gains or loss are transferred to retained earnings once recognition is terminated. However, the interest is under net income/loss as financial income.

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

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

(iii) Asset impairment

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

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

Amount equivalent to 12 months of estimated credit loss

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

Amount equivalent to the estimated lifetime credit loss

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

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

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

(iv) Termination of recognition

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



## 2) Non-derivative financial liabilities

### (i) Initial recognition and measurement

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

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

### (ii) Subsequent measurement

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

#### (a) Financial liabilities measured at amortized cost

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

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

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

### (iii) Termination of recognition

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

## 3) Derivatives and hedge accounting

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

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

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

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

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

## (2) Standards and Methods for Measuring Inventory

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Useful life by type of major intangible assets

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

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

However, intangible assets are not depreciated as they are still not usable. In cases where there are signs of impairment loss, an impairment test is conducted each time there is an indication of impairment and for a certain period each year regardless of whether there are signs of impairment loss.

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

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

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

It conforms to property, plant and equipment.

(7) Matters related to goodwill

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

Goodwill is not amortized. In the cases where there are signs of impairment loss, an impairment test is conducted each time there is an indication of impairment and for a certain period each year regardless of whether there are signs of impairment loss.

(8) Impairment losses on non-financial assets

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

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

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

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

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

(9) Employee benefits

1) Post-employment benefits

(i) Defined benefit plan

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

(ii) Defined contribution plans

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

2) Short-term employee benefits

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

(10) Standards for recognizing revenue

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

Step1: Identify contracts with customers

Step2: Identify performance obligations in contracts

Step3: Calculate transaction price

Step4: Allocate the contract transaction price to individual performance obligations

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

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

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

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

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

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

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

(1) Subsequent sale or usage occurs

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

(11) Foreign currency translations

1) Foreign currency-denominated transactions

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

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

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

2) Exchange differences on translation of foreign operations

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

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

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

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

(Notes to accounting estimates)

1. Impairment of non-financial assets

In the consolidated financial statements for the fiscal year under review, SHIONOGI posted property, plant and equipment of 112,085 million yen, goodwill of 9,819 million yen and intangible assets of 96,309 million yen. In calculating the recoverable amount in an impairment test of these assets, we set assumptions such as sales forecast and discount rates in business plans, and potential sales approval by the regulatory authority prior to market launch. There is a possibility that these estimates will be impacted by changes in future economic conditions. In the case of a decline in the recoverable amount, there is a possibility that SHIONOGI will post impairment losses.

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

During the fiscal year ended March 31, 2023, impairment losses of ¥11,580 million were recognized on in-process R&D assets. The main breakdown is an impairment loss of ¥10,497 million (book balance net of impairment loss: ¥11,456 million) associated with revising the development plan of Zatomilast, which is in the Phase II trial stage as an Alzheimer's treatment, identified from the business combination of Tetra Therapeutics. Inc.

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

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

In the Consolidated Statement of Financial Position, as a financial asset measured at fair value through other comprehensive income, 196,046 million yen was posted as the value of the shares in ViiV Healthcare Ltd. ("ViiV"), a non-listed company engaged in development, manufacturing and sales of anti-HIV drugs. The fair value of ViiV shares is calculated using an evaluation technique that uses input that is not based on observable market data, including future cash flows and discount rates. Important assumptions for measuring fair value are the peak sales and discount rate for each product. Among them, peak sales are affected by the sales trends of competitive products and the development and sales strategies of the company, while the discount rate is affected by market interest rates and other market environments, which may impact total assets and capital.

4. COVID-19 impact

There is a possibility that sales activities, production, sales and research and development will be delayed due to the spread of COVID-19. Given current conditions, it is difficult to estimate when COVID-19 will completely wind down. At present the impact to business activities is mild. For accounting estimates, including an impairment test for goodwill, SHIONOGI is assuming the impact from COVID-19 will be limited. Note that there is a possibility of significant impact to financial statements should conditions change for these assumptions.

(Notes to the Consolidated Statement of Financial Position)

1. Allowance for doubtful accounts with direct write-off from assets	
Trade and other receivables	48 million yen
Other financial assets	42 million yen
2. Cumulative depreciation and impairment loss for property, plant and equipment	
	175,912 million yen
Accumulated depreciation amount of invested real estates	309 million yen
3. Guarantee obligations	
The Company has provided a guarantee for obligations of the company below.	
PeptiStar Inc	9,000 million yen

- (Notes) 1. This is an obligation based on the environmental improvement contract concluded for the program granted by Japan Agency for Medical Research and Development (AMED) as a Cyclic Innovation for Clinical Empowerment (CiCLE) program.
2. Two companies other than the SHIONOGI Group companies jointly provide the guarantee.

(Notes on Consolidated Profit and Loss Statement)

1. Main breakdown of other revenue

(Million of yen)

	Amount
Gain on sales of non-current assets	2,451
Other	1,447
Total	3,899

Notes: "Gain on sales of non-current assets" is mainly from sales of real estate for lease.

2. Main breakdown of other expenses

(Million of yen)

	Amount
Impairment loss	11,758
Costs to handle leaks	1,071
Donations	930
Loss on retirement of fixed assets	823
Litigation expenses	80
Investment loss under equity method	33
Other	746
Total	15,445

Notes:

1. Impairment loss is mainly associated with the cancellation of trials related to R&D assets in process. For details, please refer to (Notes to accounting estimates) "2. Valuation of intangible assets identified from the business combination of Tetra Therapeutics, Inc."
2. Costs to handle leaks is related to measures taken to address the leak of dichloromethane at the premises of Kanegasaki Plant.

(Notes to the consolidated statement of changes in equity)

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

(Shares)

	April 1, 2022	Increase	Decrease	March 31, 2023
Shares in issue Common stock	311,586,165	–	4,200,000	307,386,165
Total	311,586,165	–	4,200,000	307,386,165
Treasury stock Common stock	10,103,385	7,206,694	4,229,800	13,080,279
Total	10,103,385	7,206,694	4,229,800	13,080,279

Notes:

1. The decrease of 4,200,000 common shares in shares in issue reflects a decrease of 4,200,000 shares due to the cancellation of treasury stock.
2. The increase of 7,206,694 common shares in treasury stock reflects an increase of 7,200,000 shares due to the acquisition of treasury stock based on a resolution of the Board of Directors, an increase of 4,500 shares due to the acquisition free of charge in the restricted stock compensation plan, and a decrease of 2,194 shares due to the purchase of odd-lot shares.
3. The decrease of 4,229,800 common shares in treasury stock reflects a cancellation of 4,200,000 shares of treasury stock and a decrease of 29,800 shares due to the disposal as restricted stock compensation.

2. Dividends

(1) Dividend payments

Resolution	Category	Total dividends	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2022	Common stock	18,088 million yen	60 yen	March 31, 2022	June 24, 2022
Meeting of Board of directors on October 31, 2022	Common stock	18,067 million yen	60 yen	September 30, 2022	December 1, 2022

Notes:

The total amount of dividends resolved by the Board of Director on October 31, 2022 includes dividends of 180 million yen on the Company's shares held by the trust account of Sumitomo Mitsui Trust Bank, Limited (re-trustee: Custody Bank of Japan, Ltd (trust account)) relating to the SHIONOGI INFECTIOUS DISEASE RESEARCH PROMOTION FOUNDATION.

(2) Dividends whose effective date is subsequent to March 31, 2023

The following is to be approved at the 158th Annual General Meeting of Shareholders to be held on June 21, 2023.

Resolution	Category	Total dividends	Resolution	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 21, 2023	Common stock	22,297 million yen	Retained earnings	75 yen	March 31, 2023	June 22, 2023

### 3. Shares Issuable during the Share Subscription Rights Exercise Period as of March 31, 2023

#### Subscription rights to shares

	FY 2011 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2012 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2013 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2014 Subscription Rights to Shares for Shionogi & Co., Ltd.
Date of resolution issuance	June 24, 2011	June 27, 2012	June 26, 2013	June 25, 2014
Class of shares to be issued upon exercise of the subscription rights to shares	Common stock	Common stock	Common stock	Common stock
Number of shares to be issued upon exercise of the subscription rights to shares	15,600	25,500	13,700	16,700

	FY 2015 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2016 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2017 Subscription Rights to Shares for Shionogi & Co., Ltd.
Date of resolution issuance	June 24, 2015	June 23, 2016	June 22, 2017
Class of shares to be issued upon exercise of the subscription rights to shares	Common stock	Common stock	Common stock
Number of shares to be issued upon exercise of the subscription rights to shares	10,100	8,700	10,500

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

1. During the stock acquisition rights exercise period, Company directors who are stock acquisition rights holders who cease to be a Company director may only exercise their stock acquisition rights during the 10-day period beginning the day immediately following the date of cessation (if the 10th day is a holiday, the next business day), and may only exercise their stock acquisition rights in full, in a single transaction.
2. During the stock acquisition rights exercise period, Company corporate officers who are stock acquisition rights holders who cease to be a Company corporate officer or whose employment contract with the Company expires (excluding the re-employment contract after retirement) may only exercise their stock acquisition rights during the 10-day period beginning the day immediately following the date of cessation (if the 10th day is a holiday, the next business day), and may only exercise their stock acquisition rights in full, in a single transaction.  
Corporate officers who are stock acquisition rights holders and who are elected as directors may not exercise their stock acquisition rights until they officially retire as directors.



(Notes on Financial Instruments)

1. Matters relating to financial instruments

(1) Financial risk management

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

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

(2) Credit risk

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

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

(3) Liquidity risk

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

(4) Market risks

1) Foreign exchange volatility risk

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

2) Market price fluctuation risks

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

## 2. Matters related to the fair value of financial instruments

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

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

(Million of yen)

	Book value	Fair value
Financial instruments measured at amortized cost		
Bonds (long-term)	2,666	2,875

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

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

### (1) Fair value hierarchy

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

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

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

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

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

## (2) Financial instruments measured at fair value

	(Million yen)			
	Level 1	Level 2	Level 3	Fair value
Financial assets				
Financial instruments measured at amortized cost				
Bonds (long-term)	2,207	—	667	2,875
Financial assets measured at fair value through net income/loss				
Derivative assets	—	1,008	—	1,008
Other	1,524	—	1,801	3,325
Subtotal	1,524	1,008	1,801	4,334
Financial assets measured at fair value through other comprehensive income				
Stocks and investments in capital	36,854	—	203,266	240,121
Other	—	—	426	426
Subtotal	36,854	—	203,692	240,547
Total	40,586	1,008	206,161	247,757
Financial liabilities measured at fair value through net income/loss				
Derivative liabilities	—	4,130	—	4,130
Contingent price	—	—	7,381	7,381
Total	—	4,130	7,381	11,512

- (Notes) 1. The Level 1 financial assets include the interest-bearing national government bonds and listed shares.
2. The Level 2 financial assets and financial liabilities are derivative financial assets and derivative financial liabilities through foreign exchange forwards, etc. Their fair values are calculated based on the prices proposed by relevant financial institutions.
3. The Level 3 financial assets are mainly unlisted shares and capital investments. Their fair values are calculated using the valuation method based on net asset value, the valuation method based on a discounted future cash flow, or other valuation method. Fair value is calculated by the staff in charge in accordance with the relevant internal regulations or by using external valuation specialists after determining a valuation method that can properly reflect the risks, characteristics and features of the asset. For the calculation of fair value, inputs that cannot be observed, such as future cash flow and discount rate, are used. For the calculation of fair value based on a discounted future cash flow, the weighted average cost of capital between 8.0% and 8.5% was employed under review. When the weighted average cost of capital rises (declines), the fair value tends to decrease (increase).  
The impact of a 1% increase or decrease in the weighted average cost of capital on the fair value at the end of FY2022 is as follows.

	(Million yen)	
	Weighted average cost of capital	
	+ 1%	— 1%
Balance as of March 31, 2023	△4,305	4,636

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

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

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

(Million yen)

	Financial instruments measured at fair value
Balance at beginning of period	197,595
Total profits and losses	
Net income *1	1,867
Other comprehensive income	8,723
Purchase	971
Sale	△500
Transfer from Level 3 *2	△3,150
Other	△12
Balance at end of period	205,493
Changes in unrealized gains/losses recorded as net income/loss with respect to the assets possessed at the end of fiscal 2022	△55

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

2. Transfer from Level 3 is due to the listing of an investee on an exchange.

(Notes on investment property)

1. Matters related to the status of investment property

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

2. Matters related to the fair value of investment property

(Million of yen)

Amount posted on the Consolidated Statement of Financial Position	Fair value
26,382	27,979

Notes:

1. The amount posted on the Consolidated Statement of Financial Position is the amount deducting cumulative depreciation and cumulative asset impairment loss from the acquisition price.

2. The fair value of investment property consists mainly of the amount based on an appraisal by a third-party real-estate appraiser (including appraisals which were adjusted in-house by using certain indicators)

(Notes to revenue recognition)

1. Breakdown of revenue

(Million of yen)

	Amount
Domestic prescription pharmaceutical revenue	75,045
Export and overseas subsidiary revenue	42,498
Contract manufacturing revenue	15,342
OTC drug revenue	13,129
Revenue from royalty income	174,696
COVID-19-related product revenue	104,696
Other revenue	1,275
Total revenue	426,684

2. Background information for understanding revenue

Revenue stated in the Consolidated Statement of Profit or Loss is revenue recognized from contracts with customers. Revenue recognized from other sources is included in other revenue or financial revenue in the Consolidated Statement of Profit or Loss.

Revenue at the SHIONOGI Group is composed of the following content. Domestic prescription pharmaceutical revenue includes revenue from the sale of prescription pharmaceuticals in Japan and compensation from co-promotion contracts. Revenue from exports and overseas subsidiaries consist of revenue from export transactions, revenue generated by overseas subsidiaries, and royalty income. Contract manufacturing revenue includes revenue related to the contract manufacturing of pharmaceutical raw materials. OTC drug revenue includes revenue from OTC drug sales and royalty income. Royalty income comprises royalty income at the Company and its domestic subsidiaries. COVID-19-related product revenue includes revenue related to Zocova. And other revenue includes revenue from the sale of diagnostic reagents and sales at domestic subsidiaries.

In sales of prescription pharmaceuticals and OTC drugs in Japan and abroad, unless otherwise stated separately in a contract, revenue is recognized at the time when the product arrives at the customer for domestic prescription pharmaceutical sales and for overseas sales, revenue is recognized once it is determined that SHIONOGI's performance obligation has been fulfilled at the time the customer has taken control of the said product in accordance with various terms and conditions of trade. Revenue is recognized at the time this performance obligation is fulfilled. Compensation for the transaction is generally received within three (3) months after the fulfillment of the performance obligation. In the sales of COVID-19-related products, SHIONOGI's performance obligation is deemed fulfilled when the customer has taken control of said product under the agreement. Revenue is recognized at the time this performance obligation is fulfilled.

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

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

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

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

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

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

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

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

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

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

(1) Contract balance

The contract balance is as follows.

	Receivables arising from contracts with customers			Contract liabilities
	Trade notes	Accounts receivable	Total	
Balance as of April 1, 2022	421	122,594	123,015	1,142
Balance as of March 31, 2023	465	109,358	109,823	122

(Million yen)

There is no balance of contract assets as of the end of consolidated fiscal 2022.

Of the amount of revenue, 1,028 million yen was included in the balance of contract liabilities at the beginning of the period.

For fiscal 2022, revenue recognized with respect to the performance obligations fulfilled in past fiscal years was 176,748 million yen. Among compensations related to licensing contracts under which the performance obligations are fulfilled at the time of licensing, the milestone income and royalties that will be received by the SHIONOGI Group for sure with the required conditions satisfied during the consolidated fiscal year under review were recorded as revenue.

(2) Transaction price allocated for remaining performance obligations

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

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

As of the end of the consolidated fiscal 2022, there are no assets recognized from costs to acquire or perform contracts with customers. The SHIONOGI Group has chosen to recognize the costs to acquire or perform contracts with customers as expenses upon occurrence of such costs where the depreciation period for the assets recognized from such costs is one year or less.

(Notes on Amounts per Share)

Equity attributable to owners of parent per share	3,737.76 yen
Basic net income per share	621.31 yen
Diluted net income per share	621.10 yen

(Notes to subsequent events)

(Receipt of one-time payment associated with the termination of the licensing agreement on the joint development and commercialization of Intuniv and Vyvanse)

During the fiscal year ended March 31, 2023, Takeda Pharmaceutical Co., Ltd. (“Takeda Pharmaceutical”) exercised its option to acquire any and all equity interests held by the Company concerning Intuniv and Vyvanse, treatments for attention deficit hyperactivity disorder, based on the licensing agreement for the joint development and commercialization in Japan entered into between Shire (integrated with Takeda Pharmaceutical in 2019) and the Company in November 2011. As a result of this exercise of option by Takeda Pharmaceutical, the license for the joint development and commercialization of Intuniv and Vyvanse has been terminated, and the transfer of assets based on the exercise of option began on April 1, 2023. Furthermore, a one-time payment associated with the transfer was received.

Note that the impact of the one-time payment under said agreement on the Company’s financial condition and management performance is currently being investigated.

## Non-consolidated Balance Sheets (As of March 31, 2023)

(Million of yen)

Accounts	FY2022	(Reference) FY2021	Accounts	FY2022	(Reference) FY2021
<b>Assets</b>	<b>768,120</b>	<b>730,120</b>	<b>Liabilities</b>	<b>155,230</b>	<b>139,689</b>
<b>Current assets</b>	<b>417,503</b>	<b>394,862</b>	<b>Current liabilities</b>	<b>113,602</b>	<b>98,863</b>
Cash and deposits	161,639	61,303	Accounts payable-trade	7,916	14,477
Accounts receivable-trade	97,672	112,981	Accounts payable-other	23,285	20,793
Short-term investment securities	49,508	154,521	Accrued expenses	9,371	7,850
Merchandise and finished goods	10,360	12,261	Income taxes payable	34,154	9,702
Work in process	12,866	5,142	Deposits received	2,047	4,427
Raw materials and supplies	34,516	24,687	Provision for bonuses	4,666	4,478
Advance payments-trade	31,774	4,629	Provision for directors' bonuses	182	137
Short-term loans receivable	3	297	Other	31,978	36,995
Other	19,161	19,037	<b>Non-current liabilities</b>	<b>41,627</b>	<b>40,826</b>
<b>Non-current assets</b>	<b>350,616</b>	<b>335,258</b>	Long-term loans	33,116	32,184
<b>Property, plant and equipment</b>	<b>78,162</b>	<b>74,737</b>	Provision for retirement benefits	8,045	7,782
Buildings, net	26,890	24,441	Other	466	860
Structures, net	1,074	902	<b>Net assets</b>	<b>612,890</b>	<b>590,430</b>
Machinery and equipment, net	6,268	6,338	<b>Shareholders' equity</b>	<b>599,064</b>	<b>577,068</b>
Vehicles, net	20	27	<b>Capital stock</b>	<b>21,279</b>	<b>21,279</b>
Tools, furniture and fixtures, net	4,809	5,176	<b>Capital surpluses</b>	<b>16,392</b>	<b>16,392</b>
Land	8,265	8,452	Legal capital surplus	16,392	16,392
Lease assets, net	61	152	<b>Retained earnings</b>	<b>624,465</b>	<b>597,252</b>
Construction in progress	30,772	29,247	Legal retained earnings	5,388	5,388
<b>Intangible assets</b>	<b>7,926</b>	<b>9,467</b>	Other retained earnings	619,077	591,864
Software	4,398	4,503	Reserve for advanced depreciation of noncurrent assets	2,724	2,816
Sales rights	1,467	2,645	Reserve for the Open Innovation Promotion Tax Program	137	230
Other	2,060	2,318	General reserve	368,645	368,645
<b>Investments and other assets</b>	<b>264,527</b>	<b>251,054</b>	Retained earnings brought forward	247,570	220,172
Investment securities	46,295	50,906	<b>Treasury stock</b>	<b>△63,074</b>	<b>△57,857</b>
Stocks of subsidiaries and affiliates	159,608	159,408	<b>Valuation and translation adjustments</b>	<b>13,574</b>	<b>13,111</b>
Investments in capital of subsidiaries and associates	30	30	Valuation difference on available-for-sale securities	14,887	14,830
Long-term prepaid expense	2,080	1,689	Deferred gains or losses on hedges	△1,313	△1,718
Prepaid pension cost	32,205	29,062	<b>Subscription rights to shares</b>	<b>251</b>	<b>251</b>
Deferred tax assets	22,145	8,898			
Other	2,204	1,102			
Allowance for doubtful accounts	△42	△42			
<b>Total assets</b>	<b>768,120</b>	<b>730,120</b>	<b>Total liabilities and net assets</b>	<b>768,120</b>	<b>730,120</b>



Non-consolidated Statements of Income FY2022 (Year ended March 31, 2023)

(Million of yen)

Accounts	FY2022	(Reference) FY2021
<b>Net sales</b>	<b>369,499</b>	<b>285,948</b>
<b>Cost of sales</b>	<b>56,135</b>	<b>56,428</b>
<b>Gross profit, net</b>	<b>313,363</b>	<b>229,520</b>
<b>Selling, general and administrative expenses</b>	<b>180,088</b>	<b>133,550</b>
[R&D expenses]	[107,526]	[69,731]
<b>Operating income</b>	<b>133,274</b>	<b>95,969</b>
<b>Non-operating income</b>	<b>6,650</b>	<b>7,078</b>
Interest and dividends income	3,195	1,330
Other	3,454	5,748
<b>Non-operating expenses</b>	<b>4,926</b>	<b>2,155</b>
Interest expenses	894	12
Other	4,032	2,142
<b>Ordinary income</b>	<b>134,998</b>	<b>100,892</b>
<b>Extraordinary income</b>	<b>4,968</b>	<b>1,581</b>
Gain on sales of investment securities	2,664	35
Gain on sales of shares of subsidiaries and associates	2,303	1,545
<b>Extraordinary losses</b>	<b>1,527</b>	<b>2,546</b>
Loss on valuation of investment securities	1,020	1,366
Loss on impairment	507	–
Loss on valuation of stocks of subsidiaries and associates	–	1,180
<b>Income before income taxes</b>	<b>138,438</b>	<b>99,927</b>
Income taxes-current	45,929	23,730
Income taxes-previous years, etc.	–	△13,290
Income taxes-deferred	△14,857	△776
<b>Profit</b>	<b>107,367</b>	<b>90,264</b>

## Non-consolidated Statements of Changes in Net Assets FY2022 (Year ended March 31, 2023)

(Million of yen)

	Shareholders' equity								Valuation and translation adjustments					Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings				Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
		Legal capital surplus	Other capital surplus		Reserve for advanced depreciation of non-current assets	Reserve for the Open Innovation Promotion Tax Program	General reserve	Retained earnings brought forward							
Balance at the beginning of the period	21,279	16,392	—	5,388	2,816	230	368,645	220,172	△57,857	577,068	14,830	△1,718	13,111	251	590,430
Changes of items during period															
Reversal of reserve for advanced depreciation of non-current assets					△91			91		—					—
Reserve for the Open Innovation Promotion Tax Program						87		△87		—					—
Reversal of reserve for the Open Innovation Promotion Tax Program						△179		179		—					—
Dividends of surplus								△36,156		△36,156					△36,156
Net income								107,367		107,367					107,367
Purchase of treasury stock									△49,420	△49,420					△49,420
Disposal of treasury stock			△17,717						17,922	205					205
Cancellation of treasury stock.			△26,280						26,280	—					—
Other			43,997					△43,997		—					—
Net changes of items other than shareholders' equity											57	405	463		463
Total changes of items during period	—	—	—	—	△91	△92	—	27,397	△5,217	21,996	57	405	463	—	22,459
Balance at the end of current period	21,279	16,392	—	5,388	2,724	137	368,645	247,570	△63,074	599,064	14,887	△1,313	13,574	251	612,890

## Notes on Non-consolidated Financial Statements

### (Significant Accounting Policies)

#### 1. Basis and method of valuation of significant assets

##### (1) Securities

###### 1. Stocks of subsidiaries and affiliates

At cost determined by the moving average method

###### 2. Other securities

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

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

(Stocks, etc. with market value not available)

At cost determined by the moving average method

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

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

##### (2) Assets held in trust for management

Market value method

##### (3) Derivatives

Market value method

##### (4) Inventories

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

#### 2. Method of depreciation for noncurrent assets

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

Straight-line method

The main useful life is as follows

Buildings: from 3 years to 50 years

Machinery and equipment: from 4 years to 17 years

##### (2) Intangible assets (excluding lease assets)

Straight-line method

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

##### (3) Lease assets

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

### 3. Basis for providing significant allowances and provisions

#### (1) Allowance for doubtful accounts

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

#### (2) Provision for bonuses

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

#### (3) Provision for directors' bonuses

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

#### (4) Provision for retirement benefits

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

##### i) Method of attributing expected benefit to periods

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

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

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

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

### 4. Standard for revenue and expense recognition

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

### 5. Foreign currency translation

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

### 6. Significant hedge accounting

#### (1) Method of hedge accounting

Deferred hedge accounting is used.

#### (2) Hedging instruments and hedged items

##### • Hedging instruments:

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

##### • Hedged items:

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

#### (3) Hedging policy

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

(4) Methods for evaluating the effectiveness of hedging

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

(Notes on accounting estimates)

1. Valuation of shares of affiliates

In the balance sheets, the Company posted 159,608 million yen for shares of affiliates. Of this, 18,593 million yen reflects the book value for Tetra Therapeutics Inc. (Tetra).

When acquiring shares in some affiliates, including Tetra, shares are acquired at a value that factors in excess earning capacity and intangible assets identified at the time of acquisition. When calculating the real value of these shares, identifiable intangible assets secured from business combination are factored in based on the entities' financial statements. Key assumptions for calculation of real value include possible sales approval by regulatory authorities for targets products of the said intangible assets. In the event of a decline in the possibility of sales approval for product pre-launch, it is possible to post valuation loss.

2. COVID-19 impact

There is a possibility of a delay in business activities, including production, sales, research and development, should COVID-19 further spread. It is difficult to forecast when COVID-19 will fully wind down. At present the impact to business activities is mild. For accounting estimates, including the valuation of shares of affiliates, the Company is assuming the impact from COVID-19 will be limited. Note that there is a possibility of significant impact to financial statements should conditions change for these assumptions.

(Notes on Non-consolidated Balance Sheets)

1. All amounts are rounded down to the nearest million yen.

2. Accumulated depreciation amount of property, plant and equipment 59,071 million yen

3. Guarantee obligations

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

PeptiStar Inc. 9,000 million yen

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

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

4. Short-term credit for subsidiaries and affiliates 6,514 million yen

Short-term debts to subsidiaries and affiliates 46,036 million yen

(Notes on Non-consolidated Statements of Income)

1. All amounts are rounded down to the nearest million yen	
2. Transactions with subsidiaries and affiliates	
Business transactions	82,705 Million of yen
Transactions other than business transactions	2,479 Million of yen
3. Gain on sales of shares in an affiliate	
It is mainly from sales of real estate for lease	

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

Shares held as of March 31, 2023

Common stock	10,080,279 shares
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(Notes on Tax Effects)

Principal components of deferred tax assets and deferred tax liabilities

Deferred tax assets:

Loss on valuation of stocks of subsidiaries and affiliates	36,044	million yen
R&D expenses	23,304	million yen
Loss on revaluation of investments in securities	2,762	million yen
Accrued enterprise taxes	2,082	million yen
Provision for bonuses	1,427	million yen
Other	6,601	million yen

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Subtotal deferred tax assets	72,223	million yen
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Valuation Allowance	△34,955	million yen
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Total deferred tax assets	37,268	million yen
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Deferred tax liabilities:

Asset for retirement benefits	△7,393	million yen
Unrealized gain on other securities	△5,562	million yen
Reserve for advanced depreciation of property, plant and equipment	△1,201	million yen
Investments in securities	△965	million yen

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Total deferred tax liabilities	△15,122	million yen
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Net deferred tax assets	22,145	million yen
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(Notes on Related-Party transactions)

1. Subsidiaries and affiliates, etc.

(Million of yen)

Attribute	Company Name	Rate of ownership of voting	Relationship	Transaction Content	Transaction Amount	Account	Balance at end of current period
Subsidiary	Shionogi Pharma Co., Ltd.	Directly owned 100%	Contract manufacture of the Company's products Contract testing and analysis	Purchasing (Note 1)	45,819	Accounts payable	3,821
Subsidiary	Shionogi B.V.	Directly owned 100%	Contract development of the Company's products Contract manufacture and sales	Borrowing of funds Interest payment (Note 2)	— 884	Long-term loans Accrued expenses	33,116 350

Transaction terms and method of determining transaction terms, etc.

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

2. The interest rate for borrowing of funds is determined taking into consideration the market interest and other factors.

2. Officers and major individual shareholders, etc.

(Million of yen)

Type	Name	Ownership percentage of voting rights, etc.	Relationship	Transaction content	Transaction amount	Account	Balance at end of period
Officer	Isao Teshirogi	Owned 0.0% direct	Director of the Company	Disposal of treasury stock along with contribution in kind of monetary compensation receivables (Note)	88	—	—
Officer	Takuko Sawada	Owned 0.0% direct	Director of the Company	Disposal of treasury stock along with contribution in kind of monetary compensation receivables (Note)	40	—	—

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

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

(Notes on Amounts per Share)

1. Net assets per share	2,060.64 yen
2. Earnings per share	358.54 yen
3. Earnings per share (diluted)	358.42 yen

(Notes to revenue recognition)

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

(Notes on subsequent events)

Please refer to the Notes on Consolidated Financial Statements.

**Accounting Auditor’s Audit Report**

May 9, 2023

The Board of Directors  
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

Yasuhiro Kozaki  
Designated and Engagement Partner with  
limited liability (C.P.A.)

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

**Audit Opinion**

Pursuant to Paragraph 4 of Article 444 of the Companies Act, we have audited the consolidated financial statements, more specifically, the consolidated statements of financial position, the consolidated statements of income, the consolidated statements of changes in equity and the notes to the consolidated financial statements of Shionogi & Co., Ltd. (the “Company”) for the fiscal term from April 1, 2022 to March 31, 2023. 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 9, 2023

The Board of Directors  
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

Yasuhiro Kozaki  
Designated and Engagement Partner with  
limited liability (C.P.A.)

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

**Audit Opinion**

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the balance sheets, the statements of income, the statements of changes in net assets and the notes to the financial statements and the supplementary schedule to the foregoing (“financial statements”) of Shionogi & Co., Ltd. (the “Company”) for the 157th fiscal term from April 1, 2022 to March 31, 2023.

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, 2022 to March 31, 2023 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 9, 2023

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

Standing Corporate Auditor :Akira Okamoto

Standing Corporate Auditor :Ikuro Kato

Outside Corporate Auditor :Takaoki Fujiwara

Outside Corporate Auditor :Tsuguoki Fujinuma

Outside Corporate Auditor :Shuichi Okuhara