

To All Shareholders

June 2, 2020

Notice of Convocation of the 155th Annual General Meeting of Shareholders

The 155th Annual General Meeting of Shareholders will be convened at the time and location listed below. On behalf of the directors of the Company, we cordially invite you to attend this shareholders' meeting. If you are unable to attend, you can exercise your voting rights with the proxy form on the back of this notice. If you wish to vote using the proxy form, you are kindly requested to take the time to review the reference information provided below and exercise your vote by 5:00 p.m., Monday, June 22, 2020.¹

Yours faithfully,

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

Annual General Meeting of Shareholders

- 1. Date and time:** 10:00 a.m., Tuesday, June 23, 2020
2. Location: HERBIS HALL
5-25, Umeda 2-chome, Kita-ku, Osaka 530-0001, Japan
3. Agenda:

Items to report:

1. The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 155th Fiscal Term (year ended March 31, 2020)
2. The Audit Report of the Consolidated Financial Statements for the 155th Fiscal Term (year ended March 31, 2020) by the Accounting Auditor and the Board of Corporate Auditors

Items for resolution:

- Proposal No. 1: Appropriation of Surplus
Proposal No. 2: Election of Five (5) Directors
Proposal No. 3: Election of Two (2) Corporate Auditors

4. Exercise of voting rights:

You are kindly requested to review "How to Exercise Your Voting Rights" on pages 3 and 4 before exercising your voting rights.

1. Exercise of voting rights by mail
If you wish to vote by mail, you are kindly requested to indicate your consent or refusal on the proxy form and return it by 5:00 p.m., Monday, June 22, 2020.
2. Exercise of voting rights by Internet
You are kindly requested to exercise your voting rights by 5:00 p.m., Monday, June 22, 2020, after reviewing the instructions and cautionary statements.

* [The reception desk opens at 9:00 A.M.](#)

* If you intend to exercise your voting rights in person, you are kindly requested to hand in your proxy form at the reception desk when you arrive at the Annual General Meeting of Shareholders







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

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

¹ Japan Standard Time

How to Exercise Your Voting Rights

There are three ways to exercise your voting rights.

<p>1</p> 	<p>If attending the General Meeting</p>		<p>Hand in your proxy form at the reception desk when you arrive (no signature or seal necessary)</p>
<p>Date & time of the General Meeting: 10:00 a.m., Tuesday, June 23, 2020</p>			
<p>2</p> 	<p>If exercising your voting rights by mail</p>		<p>Indicate your consent or refusal, then mail the form (please mail early)</p>
<p>Voting deadline: Form must arrive by 5:00 p.m., Monday, June 22, 2020</p>			
<p>3</p> 	<p>If exercising your voting rights by Internet</p>		<p>Please see the instructions below</p>
<p>Voting deadline: 5:00 p.m., Monday, June 22, 2020</p>			

Measures for prevention of COVID-19

< Requests to Shareholders >

- If you plan to attend the Annual General Meeting of Shareholders, you are kindly requested to be mindful to your health up to the day of the meeting: **In the case that you have cold symptoms or do not feel well, you are requested to refrain from attending the meeting.**
- If you have underlying disease(s), are pregnant or a senior citizen, you are kindly requested to consider non-participation in the meeting.
- **You can exercise your voting rights by mail or Internet. You are kindly requested to consider exercise of voting rights via mail or Internet.**
- When attending the meeting, you are kindly requested to wear a mask and use hand sanitizer.
- **To reduce a risk of contact infection, fewer seats in the hall for the annual general meeting of shareholders will be available than last year to provide more space for physical distancing. We may restrict the admission to the hall. Your understanding would be greatly appreciated.**

< Measures to reduce a risk of contact infection (Infection control measures) >

- Our organizing staff will wear masks to serve you after measuring their body temperature to confirm health condition.
- Dispensers for hand sanitizer will be placed in the hall.

Procedures on Exercise of Voting Rights through the Internet etc.

If you wish to exercise your voting rights through the Internet, please do so after taking the time to read and to fully understand the following:

1. Notice to Voting Service Website

To exercise your voting rights through the Internet, you must use the following voting service website designated by the Company.

Voting Service Website Address <https://www.web54.net>



*You can also scan the QR Code® on the right and connect with the voting service website using a mobile phone with a bar code reading function. Please refer to the operating manual for your mobile phone to find out how.

(QR Code® is a registered trademark of Denso Wave Incorporated)

2. Notice Regarding Handling of Voting Rights

- (1) To exercise your voting rights through the Internet, please register your approval or disapproval of each proposition by using “the voting rights exercise code” and “password” for the exercise of voting rights indicated in the Proxy Card enclosed herewith and following the directions on the screen.
- (2) Although it is acceptable to exercise voting rights through the Internet until 5:00 P.M.*, Monday, June 22, 2020 please exercise your voting rights as early as possible to assist us with compiling the results of the voting.
- (3) 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, etc. or in the personal Computer and mobile phone, we will only accept the last exercise of your voting rights as valid.
- (4) 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.


3. Using the Password and Voting Rights Exercise Code

- (1) Please protect your password because it is crucial for confirming your identity as a voting shareholder.
- (2) Your password becomes invalid if you fail to input it correctly within the set number of times. Follow the instructions on the screen if you need to have a new password issued.
- (3) The Voting Rights Exercise Code on the Proxy Card is only valid for the General Meeting of Shareholders on Thursday, June 23, 2020.

4. Reference Regarding Exercise of Voting Rights through the Internet

Please call the following number if you have any questions relating to exercise of voting rights through personal computer or mobile phone.

Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Web Support

【Exclusive Line】  0120-652-031 (9:00 A.M. – 9:00 P.M. *, toll free)

***Japan Standard Time**

5. Using the Electronic Voting Platform (Institutional Investors)

Institutional investors may exercise their voting rights for the General Meeting of Shareholders electronically using the Electronic Voting Platform operated by ICJ, Inc.

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) 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, 2020 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

¥53 per share of common stock

Total amount of dividends: ¥16,100,556,399-

(3) Effective date of dividends

June 24, 2020

Including the interim dividend, cash dividends per share for the fiscal year ended March 31, 2020 totaled ¥103.00, an increase of ¥9.00 compared with the previous fiscal year.


No. 2: Election of Five (5) Directors


The term of office of all six (6) Directors expires at the end of this Annual General Meeting of Shareholders. Candidates for Director are deliberated fairly, transparently and rigorously by the Nomination Advisory Committee, which is chaired by an outside director, and decided by the Board of Directors after obtaining the recommendation of the Nomination Advisory Committee.


Candidates for Director are as follows:


Candidate No.	Name	Position and responsibility within the Company and major concurrent posts
1	① Isao Teshirogi	Representative Director and President
2	① Takuko Sawada	Director and Vice President and Senior Vice President of Integrated Disease Care Department
3	① Keiichi Ando ② ③	Director Outside Director of Tsubakimoto Chain Co. Outside Director of DAIHEN Corporation
4	① Hiroshi Ozaki ② ③	Director Representative Director and Chairman, Osaka Gas Co., Ltd. Outside Director, Asahi Broadcasting Corporation
5	④ Fumi Takatsuki ② ③	Partner of Oh-Ebashi LPC & Partners


① : Reappointment ② : Outside Director ③ : Independent Director ④ : New Appointment

Candidate No.	Name (Date of birth)	Career summary, position and responsibility within the Company and other major posts					
1	Reappointment  Isao Teshirogi (December 12, 1959)	April 1982: Joined the Company January 1999: General Manager, Secretary Office and General Manager, Corporate Planning Department June 2002: Director of the Company October 2002: General Manager, Corporate Planning Department April 2004: Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division April 2006: Senior Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division April 2007: Senior Executive Officer April 2008: Representative Director and President and CEO of the Company (incumbent)					
	<table border="1" data-bbox="311 600 627 958"> <tr> <td data-bbox="311 600 467 689">Number of the Company's shares owned</td> <td data-bbox="467 600 627 689">36,850 shares</td> </tr> <tr> <td data-bbox="311 689 467 846">Number of years served as Director</td> <td data-bbox="467 689 627 846">18 years (as at the closing of this Annual General Meeting of Shareholders)</td> </tr> <tr> <td data-bbox="311 846 467 958">Attended all 13 Board of Directors meetings</td> <td data-bbox="467 846 627 958">100%</td> </tr> </table>	Number of the Company's shares owned	36,850 shares	Number of years served as Director	18 years (as at the closing of this Annual General Meeting of Shareholders)	Attended all 13 Board of Directors meetings	100%
Number of the Company's shares owned	36,850 shares						
Number of years served as Director	18 years (as at the closing of this Annual General Meeting of Shareholders)						
Attended all 13 Board of Directors meetings	100%						

Candidate No.	Name (Date of birth)	Career summary, position and responsibility within the Company and other major posts						
2	<p>Reappointment</p>  <p>Takuko Sawada (March 11, 1955)</p> <table border="1" data-bbox="311 734 627 1088"> <tr> <td data-bbox="311 734 467 819">Number of the Company's shares owned</td> <td data-bbox="467 734 627 819">33,100 shares</td> </tr> <tr> <td data-bbox="311 819 467 976">Number of years served as Director</td> <td data-bbox="467 819 627 976">5 years (as at the close of this Annual General Meeting of Shareholders)</td> </tr> <tr> <td data-bbox="311 976 467 1088">Attended all 13 Board of Directors meetings</td> <td data-bbox="467 976 627 1088">100%</td> </tr> </table>	Number of the Company's shares owned	33,100 shares	Number of years served as Director	5 years (as at the close of this Annual General Meeting of Shareholders)	Attended all 13 Board of Directors meetings	100%	<p>April 1977: Joined the Company</p> <p>April 2002: Executive General Manager, Pharmaceutical Development Division</p> <p>April 2007: Officer and Executive General Manager, Pharmaceutical Development Division</p> <p>April 2010: Executive Officer and Executive General Manager, Pharmaceutical Development Division</p> <p>April 2011: Senior Executive Officer and Executive General Manager, Global Development Office</p> <p>April 2013: Senior Executive Officer and Senior Vice President, Global Development and, Pharmaceutical Development Division</p> <p>April 2014: Senior Executive Officer and Senior Vice President, Global Pharmaceutical Development Division</p> <p>April 2015: Senior Executive Officer and Senior Vice President, Corporate Strategy Division</p> <p>June 2015: Director of the Company and Senior Executive Officer and Senior Vice President, Corporate Strategy Division</p> <p>October 2015: Senior Executive Officer and Senior Vice President, Corporate Strategy Division, and General Manager, Corporate Planning Department</p> <p>April 2016: Senior Executive Officer and Senior Vice President, Corporate Strategy Division</p> <p>April 2017: Senior Executive Officer and Senior Vice President, Corporate Strategy Division</p> <p>April 2018: Director of the Company and Vice President</p> <p>April 2020: Director of the Company and Vice President and Senior Vice President of Integrated disease care Department (incumbent)</p> <p>【Reasons for nominating the candidate for Director】</p> <p>Since her appointment as a Director of the Company in 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 has also moved Medium-Term Management Plan Shionogi Growth Strategy 2020 (SGS2020) forward, and played a central role in formulating the update of SGS2020 in October 2016. Starting in FY2018, she supervises the Integrated disease care Division, Corporate strategy Division, Pharmaceutical Commercial Division and other operations in her capacity as Vice President of the Company. We therefore recommend that you vote for her reelection as a Director.</p>
Number of the Company's shares owned	33,100 shares							
Number of years served as Director	5 years (as at the close of this Annual General Meeting of Shareholders)							
Attended all 13 Board of Directors meetings	100%							

Candidate No.	Name (Date of birth)	Career summary, position and responsibility within the Company and other major posts						
3	<p data-bbox="312 331 555 407">Reappointment Outside Director Candidate Independent Director</p>  <p data-bbox="312 685 491 734">Keiichi Ando (November 5, 1951)</p> <table border="1" data-bbox="316 779 632 1133"> <tr> <td data-bbox="322 788 469 864">Number of the Company's shares owned</td> <td data-bbox="475 788 625 864">0 shares</td> </tr> <tr> <td data-bbox="322 873 469 1016">Number of years served as Outside Director</td> <td data-bbox="475 873 625 1016">4 years (as at the closing of this Annual General Meeting of Shareholders)</td> </tr> <tr> <td data-bbox="322 1025 469 1124">Attended all 13 Board of Directors meetings</td> <td data-bbox="475 1025 625 1124">100%</td> </tr> </table>	Number of the Company's shares owned	0 shares	Number of years served as Outside Director	4 years (as at the closing of this Annual General Meeting of Shareholders)	Attended all 13 Board of Directors meetings	100%	<p data-bbox="654 197 1388 685"> 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 </p> <p data-bbox="654 694 1388 1093"> 【Reasons for nominating the candidate for Outside Director】 Keiichi Ando has practical experience as a corporate executive at a financial institution and broad insight on finance. He also coordinated the extremely difficult adjustments between the national government and the governments of Osaka Prefecture and Osaka City for the airport management business of Kansai, which was then at a crossroads, and his experience and insight built the foundation of Kansai Airports, which plays a leading role in the current Kansai economy. Thus, he recognizes the corporate responsibility we should fulfill and makes management decisions with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. We therefore recommend that you vote for his reelection as an outside director. At Board of Directors meetings, he presents many questions and opinions from the perspective of human resources and the use of assets that are important management resources, and provides appropriate advice about budget planning and management and capital policies, including investments. </p> <p data-bbox="654 1102 1388 1326"> 【Notes】 . <ul style="list-style-type: none"> • 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. </p>
Number of the Company's shares owned	0 shares							
Number of years served as Outside Director	4 years (as at the closing of this Annual General Meeting of Shareholders)							
Attended all 13 Board of Directors meetings	100%							

Candidate No.	Name (Date of birth)	Career summary, position and responsibility within the Company and other major posts						
4	<p style="text-align: center;">Reappointment Outside Director Candidate Independent Director</p>  <p style="text-align: center;">Hiroshi Ozaki (March 11, 1950)</p> <table border="1" data-bbox="316 871 632 1225" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">Number of the Company's shares owned</td> <td style="text-align: center; padding: 5px;">0 shares</td> </tr> <tr> <td style="padding: 5px;">Number of years served as Outside Director</td> <td style="text-align: center; padding: 5px;">1 years (as at the closing of this Annual General Meeting of Shareholders)</td> </tr> <tr> <td style="padding: 5px;">Attended 10/11 Board of Directors meetings</td> <td style="text-align: center; padding: 5px;">90.9%</td> </tr> </table>	Number of the Company's shares owned	0 shares	Number of years served as Outside Director	1 years (as at the closing of this Annual General Meeting of Shareholders)	Attended 10/11 Board of Directors meetings	90.9%	<p>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. (incumbent) June 2009: Representative Director and President, Operating Executive Officer, Osaka Gas Co., Ltd. June 2009: Director of OGIS-RI Co., Ltd. (incumbent) June 2011: Outside Director of Asahi Broadcasting Corporation (incumbent) June 2015: Representative Director and Chairman, Osaka Gas Co., Ltd. (incumbent) June 2019: Director of the Company (incumbent)</p> <p>(Major concurrent posts) Representative Director and Chairman, Osaka Gas Co., Ltd. Outside Director, Asahi Broadcasting Corporation</p> <p>【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 also serves as chairman of the Osaka Chamber of Commerce and Industry, and developed and implemented a medium-term plan from FY 2017 aimed at promoting the economic growth of Osaka and Kansai. In the Medium-Term Management Plan, he is focusing on promoting the life science industry. We expect him to draw on this wealth of experience and knowledge to make management judgments with an emphasis on objectivity and neutrality. We therefore recommend that you vote for his election as an outside director.</p> <p>【Notes】</p> <ul style="list-style-type: none"> • Show the rate of attendance at Board of Directors meeting held after his appointment to the Board on June 18, 2019. • 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 serves 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 has been fulfilling his responsibilities by instructing thorough investigations on the fact as well as prevention of a recurrence.
Number of the Company's shares owned	0 shares							
Number of years served as Outside Director	1 years (as at the closing of this Annual General Meeting of Shareholders)							
Attended 10/11 Board of Directors meetings	90.9%							

Candidate No.	Name (Date of birth)	Career summary, position and responsibility within the Company and other major posts
5	<p>New appointment Outside Director Candidate Independent Director</p>  <p>Fumi Takatsuki (June 24, 1975)</p>	<p>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 Law Offices August 2009: Partner of Oh-Ebashi Law Offices</p> <p>(Major concurrent posts) Partner of Oh-Ebashi Offices</p> <p>【Reasons for nominating the candidate for Outside Director】</p> <p>Fumi Takatsuki has not been involved in company management in any way in the past, but we expect her to draw on her giving priority to legal compliance and social norms from a global perspective from her position as an attorney in international corporate law. We therefore recommend that you vote for her election as Outside Director.</p> <p>【Notes】</p> <ul style="list-style-type: none"> • 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 elected as outside director, he plans to be an independent director. • The Company has paid attorney fees to Oh-Ebashi Law Offices, 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 1% of the total fees received by Oh-Ebashi Law Offices, and the Company has no advisory contract or other ongoing contractual relationship with Oh-Ebashi Law Offices.


Notes:


1. There are no special interests between the candidates and the Company.
2. The Company has concluded contracts with Keiichi Ando and Hiroshi Ozaki that limit their liability stipulated in Section 1, Article 423 of the Companies Act based upon Section 1, Article 427 of the Companies Act and Article 25 of the Articles of Incorporation of the Company. The limited amount provided in the contract is the minimum liability limit amount stipulated in Section 1, Article 425 of the Companies Act. In the event that the candidates, Tepei Mogi and Keiichi Ando are reelected as outside directors at this Annual General Meeting of Shareholders, the Company will continue to conclude such contracts with the candidates. If Fumi Takatsuki is elected, the Company plans to conclude the aforementioned limited liability contract with him

No. 3: Election of Two (2) Corporate Auditors

The terms of office of Corporate Auditors Ikuo Kato and Shinichi Yokoyama will end as of the close of this General Meeting of Shareholders. Accordingly, the Company proposes the election of two (2) corporate auditors newly.

The consent of the Board of Corporate Auditors has been obtained for submission of this proposal. Candidates for corporate auditor are as follows:

Candidate No.	Name (Date of birth)	Career summary, position within the Company and other major posts
1	Reappointment  Ikuo Kato (May 18, 1954)	April 1988: Joined the Company April 2007: General Manager, Development Research Laboratories April 2010: General Manager, Drug Development Laboratories April 2011: General Manager, Drug Development Laboratories and Representative Director and President, Shionogi TechnoAdvance Research & Co., Ltd. April 2013: General Manager, Drug Development Laboratories and Representative Director and Chairman, Shionogi TechnoAdvance Research & Co., Ltd. April 2014: Representative Director and Chairman, Shionogi TechnoAdvance Research & Co., Ltd. June 2016: Standing Member of the Board of Auditors of the Company (incumbent)
	Number of the Company's shares owned	0 shares
	Number of years served as Outside Corporate Auditor	4 years (as at the closing of this Annual General Meeting of Shareholders)
	Attended all 13 Board of Directors meetings	100%
	Attended all 8 Board of Corporate Auditors meetings	100%
		【Reasons for nominating the candidate for Corporate Auditor】 Mr. Ikuo Kato has served as General Manager of the Development Research Laboratories of the Company and as Representative Director and President and Chairman of subsidiary. He is not only well-versed in research and development, but has insight on corporate management. As Representative Director and President and Chairman of the subsidiary, he offers comments as necessary to the Shionogi Group's management, and in our judgement, he provides appropriate recommendations and advice on management decisions and execution of duties from a neutral point of view as a corporate auditor. 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 re-election as Corporate Auditor.

Candidate No.	Name (Date of birth)	Career summary, position within the Company and other major posts		
2	<p>New appointment Outside Corporate Auditor</p>  <p>Shuichi Okuhara (April 23, 1968)</p>	<p>April 1994: Joined Andersen Consulting Co., Ltd. (now Accenture Japan Ltd.)</p> <p>October 1998: Joined Nippon Venture Capital</p> <p>June 2009: Director and Investment manager of Nippon Venture Capital</p> <p>April 2010: Representative Director and President of Nippon Venture Capital</p> <p>June 2019: Representative Director and Chairman of Nippon Venture Capital (incumbent)</p> <p>(Major concurrent posts) Representative Director and Chairman of Nippon Venture Capital (incumbent)</p>		
		<p>【Reasons for nominating the candidate for Outside Corporate Auditor】</p> <p>Mr. Shuichi Okuhara is qualified as a certified public accountant and has professional expertise in finance and accounting. We believe that he will be able to carry out audits suitable for the continually changing business environment based on his experience as Board member of Nippon Venture Capital Co., Ltd. in a social environment that places importance on peer or cross-industrial partnerships.</p>		
		<p>【Notes】</p> <ul style="list-style-type: none"> Shuichi Okuhara 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, Mr. Tsuguoki Fujinuma plans to be registered as an independent auditor as defined in the regulations of the Tokyo Stock Exchange. 		
	<table border="1"> <tr> <td>Number of the Company's shares owned</td> <td>0 shares</td> </tr> </table>	Number of the Company's shares owned	0 shares	
Number of the Company's shares owned	0 shares			

Notes:

- There are no special interests between the candidates and the Company.
- The Company has concluded a contract with Ikuo Kato limiting his liability as 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 amount stipulated in Section 1, Article 425 of the Companies Act. The Company plans to continue the aforementioned limited liability contract with Ikuo Kato if he is re-elected. In addition, if Shuichi Okuhara is appointed as a corporate auditor, the Company will conclude the aforementioned limited liability contract with him.

[Reference]

Analysis and Self-Evaluation of the Effectiveness of the Board of Directors – Summary of Results

The Board of Directors analyzed and evaluated its effectiveness in FY2019 by conducting questionnaires and interviews of individual directors and corporate auditors, with a focus on “6. Directors and the Board, (1) Framework, (3) Roles and Responsibilities, and (6) Operation” in the Basic Views and Guidelines on Corporate Governance set by the Company.

The following is a summary of the results:

1. Framework

We assess that the Board of Directors has currently secured the necessary framework from the standpoint of various attributes, including expertise and experience, and diversity. However, issues for the future include the need to elect directors of foreign nationality as well as successor candidates from the standpoint of further diversity and succession.

The Board of Directors will consider ways to further strengthen the governance framework while taking the Company’s business development into account.

2. Roles and Responsibilities

Reporting on and supervising of the status of management development were reported at meetings between outside directors and the president on a continuous basis to exchange opinions. We reported on the status of compliance activities twice a year and received opinions at the meetings of the Board of Directors.

Issues for the future include discussions on the medium-term plan, further explanations and discussions of the selection process and development progression with respect to management development, and enhancement of the contents of reports on ESG.

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

3. Operation

With regard to the further stimulation of discussions at Board of Directors meetings, which was an issue in the previous fiscal year, the Board of Directors provided basic information and held lectures for understanding pharmaceutical companies, as well as conducting advance briefings on the agenda of the Board of Directors meetings on a period basis. An observation tour of the Settsu Plant was also held. Additionally, the Board of Directors regulations were revised to establish a framework for reporting the progress of resolution matters.

Opinions submitted as issues for the future included consideration of on-site observation tours of facilities other than those visited in the past.

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

Based on the above, we assess that the Company’s Board of Directors is operating appropriately and its effectiveness has been secured. We will use the results of this self-evaluation as a basis for making continuous improvement to make the Board of Directors even more effective.

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 know 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 director, kansayaku, executive officer or employee of a company that is among the Group's major shareholders (shareholders with more than 10 percent of outstanding shares of the Group or one of the Group's top ten shareholders) or is among the companies of which the Group is the major shareholder (company that the Group owns more than 10 percent of outstanding shares or the Group is one of the top ten shareholders of a company).
2. Outside directors and kansayaku shall not be a director, kansayaku, executive officer or employee of a company that is among the Group's major suppliers (company for which transactions with the Group account for more than 1 percent of its or the Group's consolidated revenue).
3. Excluding director or kansayaku remuneration from the Group, outside directors and kansayaku shall not receive annual remuneration in excess of ¥10 million nor receive remuneration that exceeds 1 percent of the annual revenue of a company, institution or other organization.
4. Outside directors and kansayaku shall not have a position with a corporation or foundation to which the Group contributes more than ¥10 million annually.
5. The tenure of the Group's outside directors shall not exceed 10 years.
6. The tenure of the Group's outside corporate auditor shall not exceed 12 years (3 terms).

[Reference]

Basic Views and Guidelines on Corporate Governance and Corporate Governance Structure

In accordance with the Company Policy – the Group’s management philosophy – we believe it is our social mission to continually discover, develop and supply useful and safe medicines as well as to promote their appropriate use to help improve the health, medical treatment and quality of life of people around the world.

Based on our firm belief that strict compliance and efforts to fulfill this social mission translate into greater corporate value, we aim to generate sustained growth and achieve increases in corporate value through constructive communication with stakeholders, supported by transparent and fair management that continuously implements measures to adapt to changes in the operating environment.

The Company has opted to be a company with a Board of Corporate Auditors, and has a framework that separates business management and business execution, under which the Board of Directors is responsible for making management decisions in line with the Group’s medium- to long-term plans, while the Business Execution Framework that is mainly comprised of executive officers is responsible for business execution through rapid and flexible decision-making. The Board of Corporate Auditors and the external auditors form the Audit Framework for overseeing management and auditing business execution. The Boards and the Frameworks form the structure that fulfills their respective roles and responsibilities from an independent perspective.

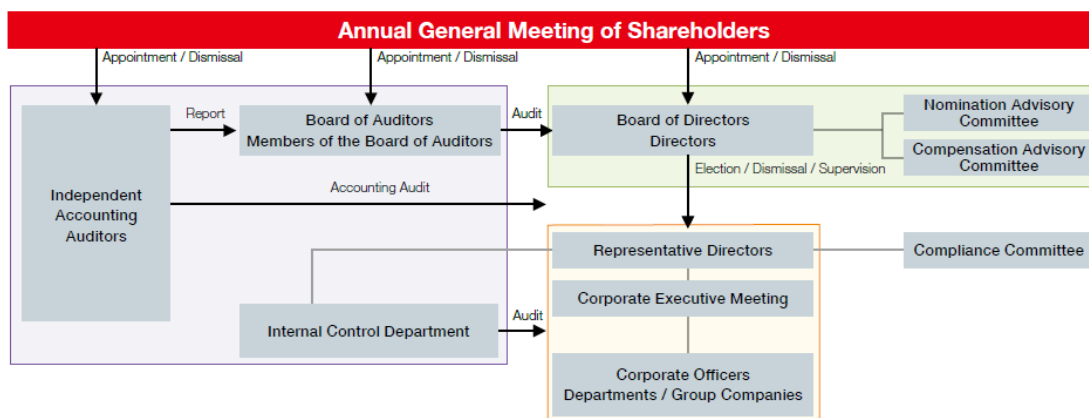
The Board of Directors is composed of six directors, three of whom are outside directors to further enhance management transparency and accountability to stakeholders. In addition, the Company has established a Nominating Advisory Committee and a Compensation Advisory Committee as advisory bodies to the Board of Directors. Both committees are chaired by outside directors, ensuring that directors are assessed impartially from multiple perspectives including aptitude, impact on management, work performance, and appropriateness of compensation.

The Board of Corporate Auditors consists of five corporate auditors, three of whom are outside corporate auditors to further enhance transparency and impartiality. The corporate auditors attend meetings of the Board of Directors, corporate executive meetings, and other important meetings to audit the execution of duties by directors.

Moreover, Shionogi has introduced a corporate officer system to allow management policy to be reflected in operations without delay, and has built a flexible operational execution structure able to rapidly respond to changes in the operating environment. Furthermore, the corporate executive meeting is a unit created to conduct deliberations regarding operational execution issues. It is composed of the directors, standing corporate auditors, and corporate officers responsible for business operation.

(As of March 31, 2020)

(Corporate Governance Structure)



(Appended documents)
Business Report

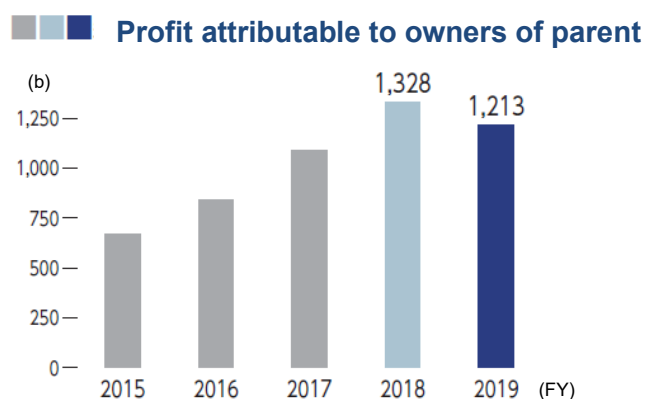
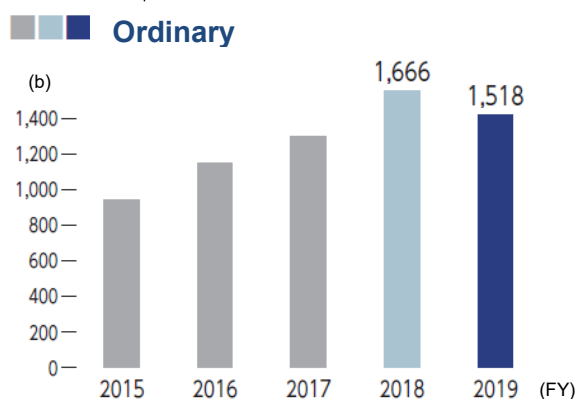
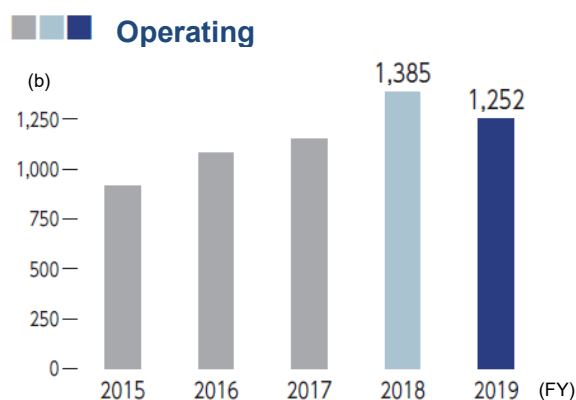
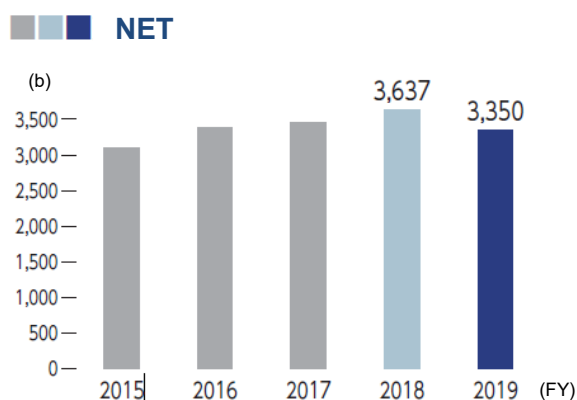
FY2019 (Year ended March 31, 2020)

Financial Highlights of the Shionogi Group

Performance

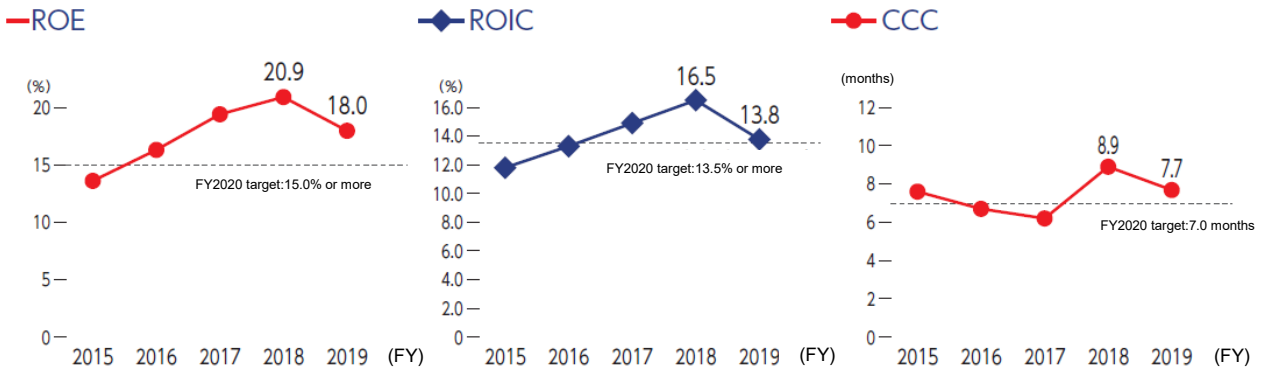
Net sales and profit: decreased year to year

- Growth in royalty income on the back of rising global sales of HIV franchise products
- Among domestic strategic products, sales of Cymbalta® and Intuniv® were increased. On the other hand, sales of influenza-related products were decreased because of social impact accompanying spread of COVID-19 (new corona virus influenza) and due to far fewer cases of seasonal influenza than those in the past recent years.
- In addition to the abovementioned factors, the sales of Xofluza® was greatly decreased because the percentage of adolescent and adult patients who were prescribed with the product was much lower throughout the current season than those in the previous fiscal year and due to the influence of some media reports expressing concern over spread of virus suspected to be mutated by administration of the product.



Capital Efficiency KPI

- Steady improved ROE, ROIC and CCC

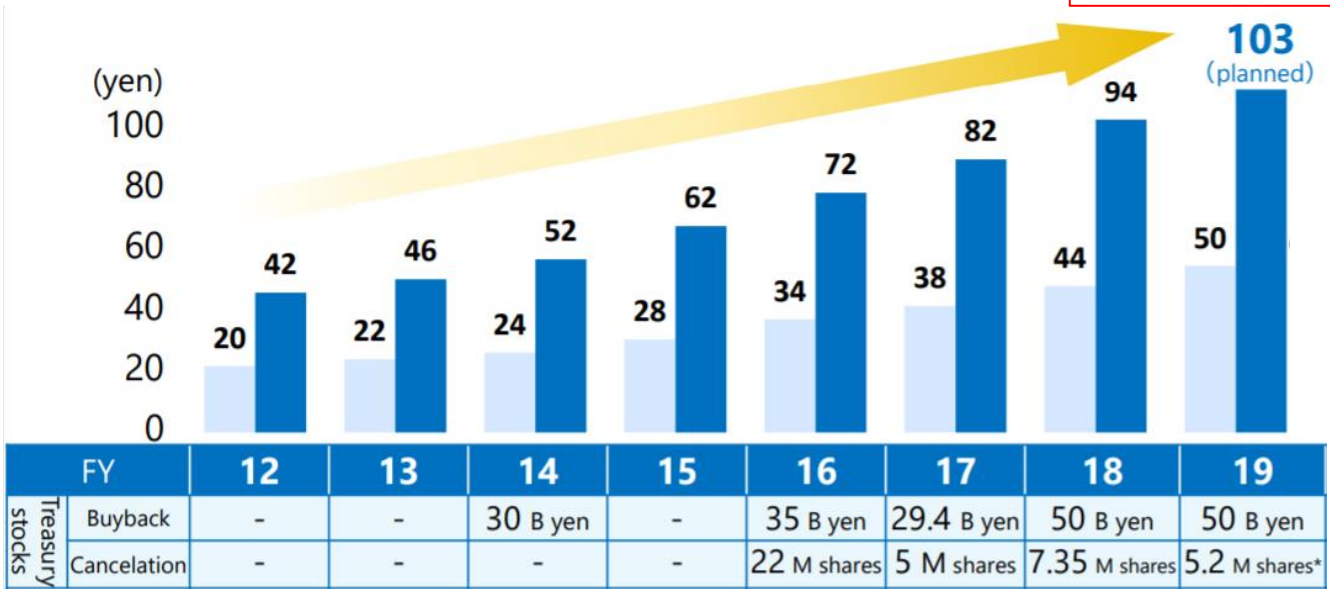


Shareholder return policy

- Continuous dividend increases, flexible share purchase and retirement of treasury stocks

Dividend per share

Planning to increase dividend for 8 consecutive years



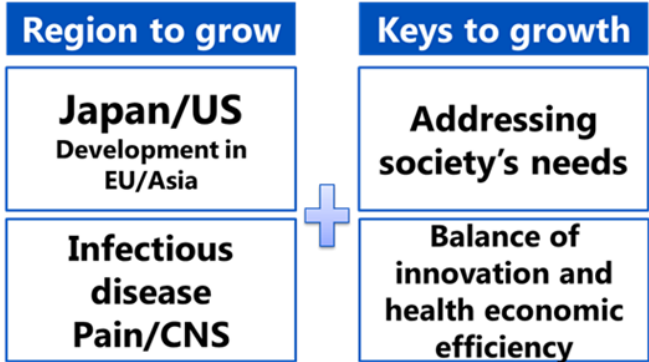
1. Current State of the Shionogi Group

In April 2014, the Shionogi Group started the Medium-Term Management Plan, Shionogi Growth Strategy 2020 (SGS2020), a growth strategy for the period up to 2020. In October 2016, Shionogi updated the plan to aim even higher.

The updated SGS2020 sets out a vision, which is to “grow sustainably as a drug discovery-based pharmaceutical company and keep growing with society”. Shionogi has defined infectious diseases and pain/CNS disorders as its core therapeutic areas, and has been working to enhance sustainable corporate value through solving issues which society faces focusing on “protecting people all over the world from the threat of infectious disease” and “creating a more vigorous society”

In the current fiscal year, Vyvanse® capsules 20mg/30mg for the treatment of attention deficit hyperactivity disorder (ADHD) were launched in Japan. We will contribute to improvement of the quality of life of ADHD patients through broadening therapeutic options with this product as well as additional indication of Intuniv® approved for adult patients. In the U.S., Fetroja® (Generic name: cefiderocol) was marketed, which is indicated for “complicated urinary tract infections including pyelitis caused by Gram-negative bacteria in patients aged 18 and older who have limited or no other therapeutic options”.

We will remain focused on achieving the objectives of SGS2020 to actualize our corporate mission globally: “To strive constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve.”



(1) Business Operations and Results

Summary of Business Operation for FY2019

Net Sales Decreased 7.9% ¥335.0 billion	Operating Income Decreased 9.6% ¥125.2 billion	Ordinary Income Decreased 8.9% ¥151.8 billion
Profit Attributable to Owners of Parent Decreased 8.6% ¥121.3 billion	Return on Equity (ROE) Decreased 2.9pts 18.0%	Dividend per share ¥103

Net sales were ¥335 billion (7.9 percent decrease year on year). The sales of domestic prescription medicines were ¥108.6 billion (15.6 percent decrease year on year) due to decreased sales of influenza-related products including ¥400 million from Xofluza® (98.4 percent decrease year on year).

Operating income was ¥125.2 billion (9.6 percent decrease).

Ordinary income was ¥151.8 billion (8.9 percent decrease).

Profit attributable to owners of parent decreased 8.6 percent to ¥121.3 billion.

As a result, return on equity (ROE), a measure that indicates how effectively the Group generated profit from the funds entrusted by shareholders, was 18.0 percent.

In FY 2019, we focused on “sales expansion of new products” to enhance earning power on our own. However, the intended level was unachieved. In FY 2020, we will work hard to reinforce sales capabilities by thoroughly analyzing the undershooting factor and turn the corporate structure to the one that can generate profits with our own strength.

Key Results in FY2019

- Royalties and milestone payments, plus dividend income from ViiV**
- Research and development**
 - Progress of growth drivers toward sustained growth and expansion by investment
- Domestic/overseas business**
 - Expanded sales of strategic products
- Business innovation**
 - Creation of a new value and reinforcement of business foundation

① Royalties and milestone payments, plus dividend income from ViiV

- Royalties for Tivicay®, Triumeq®, Juluca® and Dovato increased ¥26.0 billion year on year
- Dividends from ViiV increased
- Received milestone payments from Roche in connection with progress in global development of Xofluza™

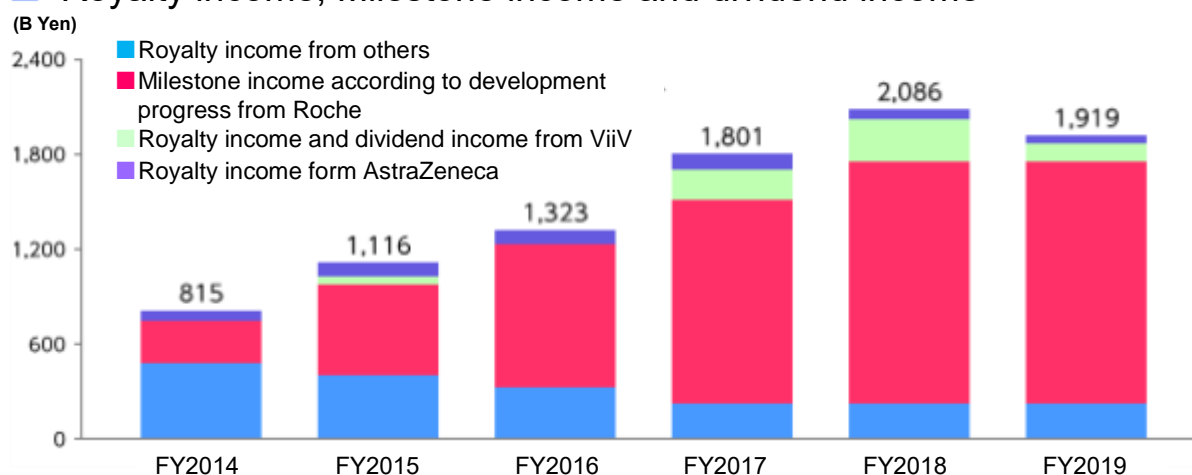
Global sales of anti-HIV drugs Tivicay®, Triumeq® (combination drug containing Tivicay®), Juluca® and Dovato, which Shionogi has licensed to UK-based ViiV Health Care Limited (hereinafter “ViiV”) expanded, and royalties from ViiV increased to ¥127.1 billion (2.1 percent increase year on year). As was the case in the previous fiscal year, the Shionogi Group received stable dividends due to strong global sales of anti-HIV drugs by ViiV.

As in the previous fiscal year, Shionogi received milestone payments from Switzerland-based Roche in connection with approval of an additional indication of anti-flu drug Xofluza® in the U.S. However, they decreased by ¥16.4 billion compared with the previous year when multiple progresses in its development had been seen.

In addition, royalties on Crestor® sales from UK-based AstraZeneca increased 0.3 percent to ¥22.0 billion.

As a result, total royalties, milestone payments and dividend income decreased 8.0 percent to ¥191.9 billion.

■ Royalty income, Milestone income and dividend income



▪ Results of Research

The Shionogi Group will continue focusing on our core areas (infectious diseases and psycho-neurological diseases), will explore new therapeutic areas with great social needs, and will make a shift in therapeutic areas in a flexible and bold manner.

Establishment of eight high-priority projects

In the current fiscal year, we proceeded further with drug discovery research taking into consideration more than ever sustainable growth in and after 2020. Among our activities, we set up eight new high-priority projects with a possible paradigm shift in the current disease treatments.

• Regulatory T-cell inhibitor

Discovered by joint research with Osaka University, regulatory T-cell inhibitor is an antibody targeting cancers. Aiming at meeting unmet needs of patients under the current cancer therapy, pre-clinical studies are underway toward early start of clinical studies.

• S-540956

Pre-clinical studies of S-540956, a drug candidate of nucleic acid adjuvant*, are ongoing, aiming to be indicated for cancer treatment as well as infectious disease treatment including functional cure/definitive therapy of HIV.

• S-874713

S-874713 was newly discovered in-house, which is expected to be effective for multiple psychoneurosis such as ADHD and addiction.

Full-scale entry to vaccine business

We have made a full-scale entry into the vaccine business for its expansion and reinforcement by acquiring 100% ownership of UMN Pharma Inc. that possesses vaccine manufacturing platform technology. Creation of influenza vaccine is underway as a commitment to infection therapeutic area.

Commitment to COVID-19

We have started to deal with COVID-19**, a new type corona virus infection (See Page 27).

Commitment to discovery of peptide drugs

Concerning discovery of peptide drugs, we have accumulated valuable knowledge on delivery of peptides that are relatively large molecules to the target in the cell as well as on technology to make them become low molecules, taking advantage of Shionogi's strength.

* Adjuvant: Substance that fortifies drug effects by activating immunity

** COVID-19: Infectious disease caused by new type corona virus (SARS-CoV-2)

8 high-priority projects



Regulatory T Cell inhibitor	Paradigm shift of cancer treatment with synergy with existing products
S-005151 [Redasemtide]	Changing the regenerative medicine paradigm
S-540956	A platform that improves the efficacy of immunotherapy for wide range of disease
S-600819	Paradigm shift in treatments for many diseases
S-637880	A new key mechanism for psycho-neurological disease
S-812217 [zuranolone]	Efficacy that changes existing concepts of depression treatment
BPN14770	New option for treating Alzheimer's through improving cognitive function
S-874713	Improve a wide range of psycho-neurological diseases, such as addictions, with new mechanism of action

Enrichment of anti-cancer product pipelines

Deaths caused by cancers rank first in Japan, and second worldwide. In 2018, 9.6 million people died of cancers in the world. Cancer treatments have seen a great progress in recent years owing to launching of immune checkpoint inhibitors (ICI)*. At present, however, there are some types of cancers on which ICI has a little or no effect, and needs of many patients are not yet met.

As our pipelines targeting cancers, the Shionogi Group has continued with development of cancer peptide vaccine, which was licensed in from OncoTherapy Science, Inc., and development of S-540956 (nucleic acid adjuvant) discovered in-house. In addition, we discovered regulatory T-cell inhibitor (anti-CCR8 antibody) in joint research with Osaka University in the current fiscal year.

CCR8 is a molecule highly expressed on regulatory T-cells selectively in a tumor, and reported to be related to tumor immunity. The results of pre-clinical studies using animal cancer models have demonstrated that this antibody exerts effect on cancer which immune checkpoint inhibitors failed to act on.

By using one of our anti-cancer pipelines alone or in combination of these pipelines with different action mechanisms, we will continue with research and development, aiming at complete recovery in more patients with cancer.

* Immune checkpoint inhibitor: Inhibitor that suppresses activation of immune system

■ **Cancer peptide vaccine*** (S-588410, S-588210)

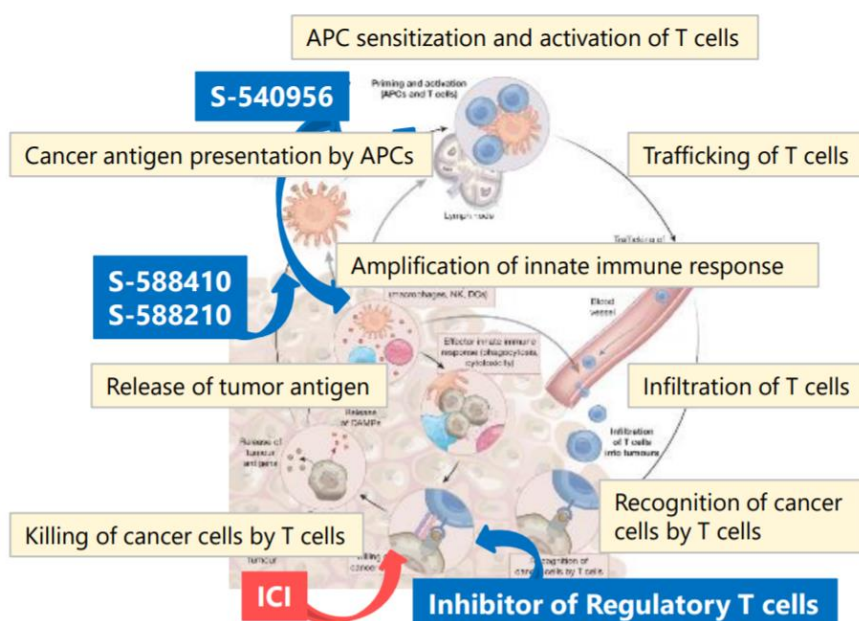
- Inducing cancer-specific immune response and exerting cancer cytotoxicity

■ **Nucleic acid TLR9 agonist** (S-540956)

- Strong immune activation enhances cancer immune response

■ **Anti-CCR8 antibody** (Regulatory T cell inhibitor)

- Releasing cancer immunosuppressive mechanisms and exerting strong antitumor effects



• Results of Development

Progress of eight high-priority projects

We started a domestic phase II clinical trial of S-812217 (zuranolone) licensed in from US-based Sage Therapeutics, Inc.

Regarding S-600918, global phase II clinical trials began in patients with refractory chronic cough. In addition, a phase II clinical trial targeting patients with sleep apnea syndrome was started in Japan.

BPN14770 licensed in from US-based Tetra Therapeutics is a drug candidate for the treatment of Alzheimer dementia. Steady progress was made in phase II clinical trials conducted by Tetra in the U.S. In the current fiscal year, we concluded a new agreement with Tetra, and further fortified our partnership.

S-005151 (redasemtide) was licensed in from StemRIM Inc. We have confirmed its efficacy in patients with epidermolysis bullosa in a domestic phase II clinical trial, and started a phase II clinical trial in patients with acute-stage cerebral infarction.

Concerning S-637880, a drug candidate for the treatment of neuropathic pain, a domestic phase I clinical trial is ongoing.

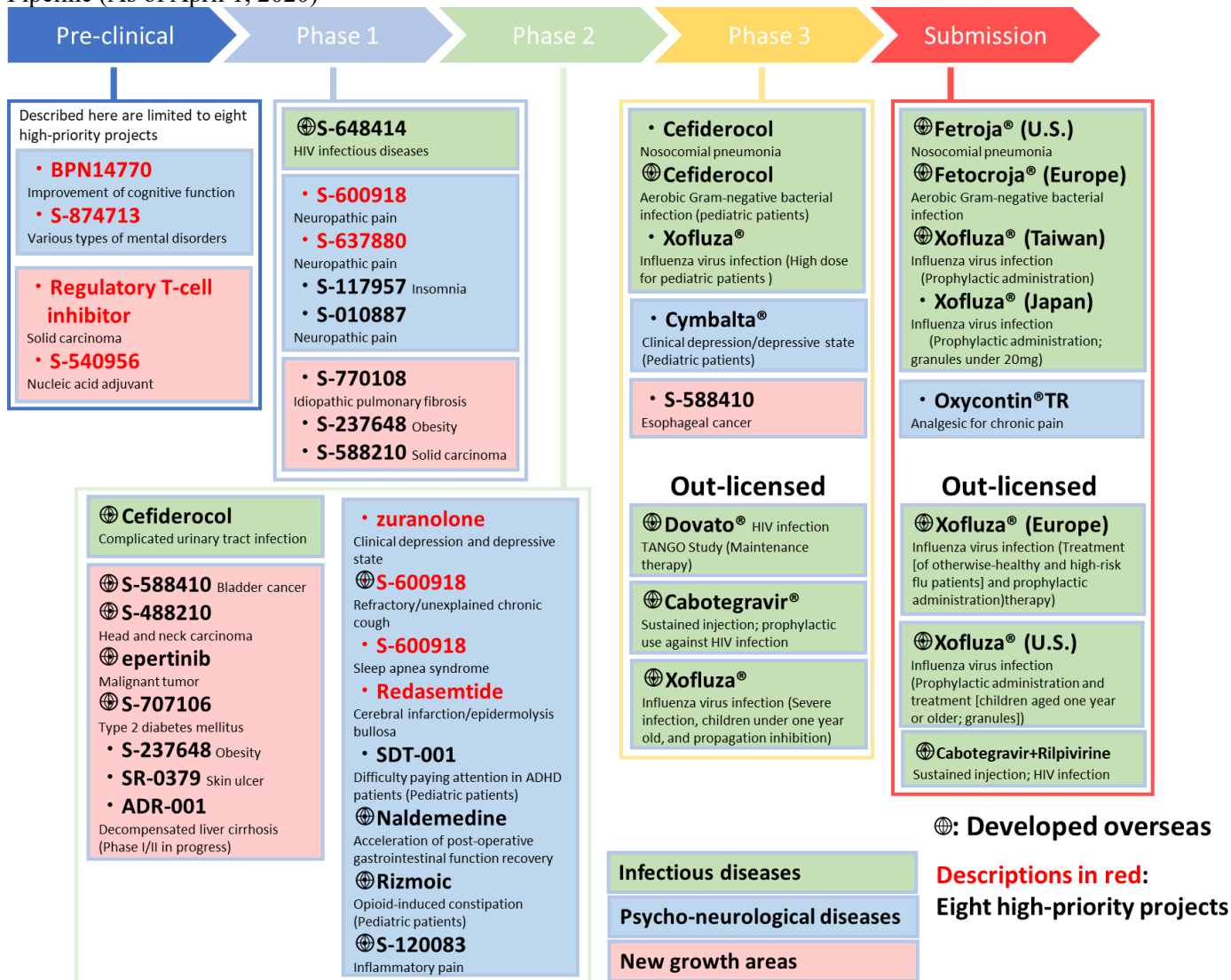
Progress of other development products

Cefiderocol (Product name in the U.S.: Fetroja®; Product name in Europe: Fetcroja®) shows effect on multi-drug resistant Gram-negative bacteria. In the current fiscal year, it was approved for an indication for complicated urinary tract infection and launched in the U.S. Development of this product is underway, aiming at obtaining an additional indication for the treatment of nosocomial pneumonia. In Europe, Committee for Human Medicinal Products (CHMP) issued a positive opinion, and the assessment for approval of this product is ongoing as planned.

Obtaining an additional approval of Intuniv® in adult patients with attention deficit hyperactivity disorder (ADHD) and launching Vyvanse®, an ADHD treatment for pediatric patients have enabled Shionogi to provide optimal therapeutic options to patients depending on their symptoms. To expand therapeutic options for ADHD, we also have started a phase II clinical trial in Japan using SDT-001 which is a candidate for digital therapeutic product (therapeutic app) licensed in from US-based Akili Interactive Labs, Inc.

S-812127(zuranolone) Depression	Japan: Phase 2 study began U.S.(Sage): Phase 3 studies on-going
S-600819 (1) Refractory chronic cough (2) Sleep apnea syndrome (3) Neuropathic low back pain	(1) Global: Phase 2 study began (2) Japan: Phase 2 Study began (3) Japan: Phase 1 Study on-going
BPN14770 Alzheimer's Disease(AD)	Japan: Phase study in preparation U.S.(Tetra): Phase 2 study on-going
S-005151 Ischemic stroke, Epidermolysis bullosa	Dystrophic Epidermolysis bullosa: Follow up study after investigator-initiated Phase 2 study (Japan) Acute ischemic stroke: Phase 2 study on-going(japan)
S-637880 Neuropathic pain	Japan: Phase 1 study on-going
Cefiderocol Multidrug resistant Gram-negative bacterial infection	U.S.: Approval (Recurrent urinary tract infection), NDA submission (hospital-acquired pneumonia) Europe: CHMP positive opinion (Aerobic Gram-positive bacterial infection)
Intuniv® ADHD (adult)	Japan: Approval
SDT-01 Inattention symptoms of pediatric ADHD patient	Japan: Phase 2 study began

Pipeline (As of April 1, 2020)



【Topics】 Realization of Sustainable Society through Business Activities

Release from the threat of infectious diseases: Contribution to severe infectious diseases including AMR*

AMR has now become a global threat with reality and urgency. The number of fatalities caused by resistant bacteria is reported to reach 700,000 a year worldwide. However, some reports estimate that, by 2050, it would exceed the death toll by cancer if no measures were taken. AMR is a critical challenge which might affect the world economy, and it might bring serious harm directly and indirectly to society. Based on these factors, governments of various nations and health authorities take up AMR as a highly prioritized social issue at global, regional, and local levels, which should be dealt with urgently.

* AMR : Antimicrobial Resistance

Cefiderocol, a treatment for multi-drug resistant Gram-negative bacterial infectious diseases

Cefiderocol (Product name in U.S.: Fetroja®; Product name in Europe: Fetcroja®) is an anti-bacterial agent discovered by Shionogi, which shows an effect on multi-drug Gram-negative bacteria. The product is the only drug that shows efficacy for all of the three types of Carbapenem-resistant bacteria designated to be highly urgent and critical by WHO. In the current fiscal year, the development of this drug has progressed smoothly in the U.S. and Europe. The product with an indication for complicated urinary tract infection was approved and launched in the U.S. While in Europe, Committee for Human Medicinal Products (CHMP) issued a positive opinion, and the assessment for approval of this product is ongoing as planned.

(The European Commission (EC) has granted a marketing authorisation for cefiderocol, a new antibiotic for the treatment of infections due to aerobic Gram-negative bacteria in adults (18 years or

older) with limited treatment options)

Selected as a highly evaluated company in AMR Benchmark 2020

The Shionogi Group's commitment to AMR has been highly evaluated externally. In the most recent research of Antimicrobial Resistance Benchmark 2020, we obtained high ratings following 2018 along with other seven R&D-oriented global pharmaceutical companies. Our activities, especially the following, are highly evaluated:

- The annual investment ratio (annual investment/net sales) on research and development of anti-infection drugs is the largest among the target companies for ratings.
- We possess multiple pipelines against drug-resistant bacteria and carry out research/development.
- Surveillance programs in and outside Japan are implemented to keenly monitor the status of drug resistance.
- Assessment of sales representatives are separated from sales quantities of antibiotics.



Received an A rating in "Water Security" from CDP for our countermeasures against AMR

Shionogi received an A, the highest rating, in the field of "Water Security" from CDP, an international non-profit organization running the global environmental disclosure system. As one of the countermeasures against AMR (antimicrobial resistance), we work hard to prevent contamination by anti-bacterial drugs from draining into drainage and promote expansion of the commitment to our suppliers worldwide. We are also highly evaluated as an A⁻ in the field of "Climate Change" in the said organization.

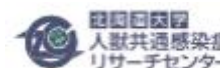


Release from the threat of infectious diseases: Commitment to emerging and re-emerging infectious diseases

Commitment to COVID-19

- Commitment to discovery of therapeutic medicines

The Shionogi Group has conducted collaborative research with Hokkaido University Research Center for Zoonosis Control and has been engaged in basic research on therapeutic medicines against corona virus well before the outbreak of COVID-19. Regarding the current COVID-19, we discovered a compound which shows efficacy in vitro for new corona virus from Shionogi's chemical library. Taking into consideration anxiety to society and impact on economy which COVID-19 brings about, we will accelerate our drug discovery research for early start of clinical trials and will also make a continued effort to prepare for possible new emergency of pandemic.



In addition to research and development of therapeutic medicines, the Shionogi Group is committed to total care of infectious diseases including raising awareness, prevention, and diagnosis.

- Commitment to COVID-19 vaccine discovery

Since March 2020, UMN Pharma Inc., a group company of Shionogi has participated in "Study on Development of COVID-19 Vaccine" which is a research and development project supported by the Japanese Agency for Medical Research and Development (AMED) to develop recombinant protein vaccine and in April 2020, Shionogi will proceed with development led by the Group, and are proceeding with studies on the evaluation and production of recombinant protein vaccines toward the start of clinical development within 2020. We have decided to position the development of this vaccine as one of our top-priority projects and to accelerate our efforts



to develop this vaccine with the National Institute of Infectious Diseases (NIID).

- Commitment to offer COVID-19 antibody test kits

We concluded a business partnership agreement with Micro Blood Science Inc. (“MBS”) aiming at introducing COVID-19 Antibody Test Kit. The kit enables easy and rapid inspections and is characterized by high diagnostic accuracy. We currently have taken part in performance tests for practical use in Japan, and accumulated clinical data necessary for regulatory approval. In addition, we have planned a clinical trial to establish more evidence of the kit. Shionogi will continuously endeavor to contribute to health care by confirming its usefulness in clinical sites and early supply of the kit as in-vitro diagnostics to medical professionals.



To promote appropriate use of anti-infective medicines, the Shionogi Group considers it essential to disseminate accurate knowledge on diseases and protection against infections. Thus, we offer information on countermeasures against infections through a proactive commitment to awareness building for the general public in addition to our long-time experience of providing information to medical professionals.

(<http://www.shionogi.co.jp/wellness/index.html>)

Through the abovementioned activities, the Shionogi Group will work as one team to contribute to recovery of reliable and stable society by early diagnosis/treatment of COVID-19 and early containment of the pandemic. We will also be involved in emerging and re-emerging other infectious diseases for “protecting people worldwide from the threat of infectious diseases”.

③ Domestic Business/Overseas Business

- Decline in sales of domestic prescription medicines
- Management efficiency attained by combining in-house marketing and partnership in the overseas business
- Launched Fetroja® in the U.S.

Because of a decline in sales of domestic prescription drugs, mainly of influenza-related products including Xofluza®, net sales of the strategic products* was ¥39.3 billion (33.3 percent decrease year on year).

Net sales of Xofluza®, an anti-influenza drug, were ¥400 million (98.4 percent decrease year on year) because of factors such as the smallest scale of influenza prevalence in the past ten years, the lower percentage of adolescent and adult patients who were prescribed with the drug throughout the flu season than in the previous fiscal year and impact of some media reports expressing concern over spread of mutant virus suspected to be caused by administration of the product. Net sales of Cymbalta® were ¥26.2 billion (8.8 percent increase year on year) and those of Intuniv®, ¥10.6 billion (100.7 percent increase year on year).

Vyvanse®, a treatment for ADHD was launched in December 2019.

Regarding overseas business, we launched Fetroja® in the U.S. With this drug and Mupleta® launched in the previous fiscal year for the treatment of thrombocytopenia caused by chronic liver disease, we were committed to enhancing our in-house marketing system specializing in the hospital market.

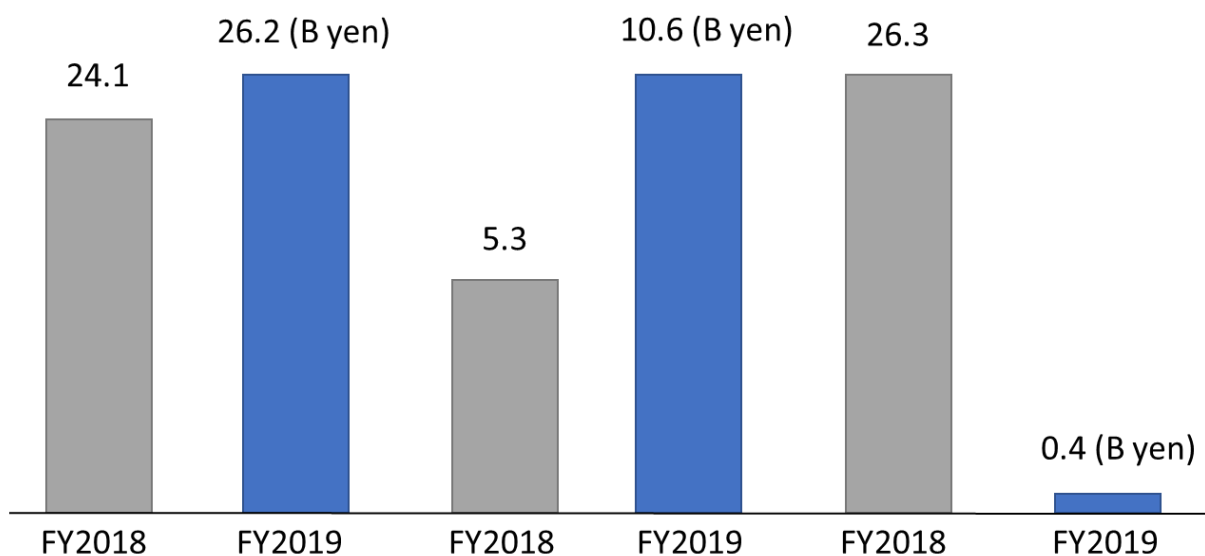
In several countries in Europe, we concluded distributorship agreements with our partners on naldemedine, a treatment for opioid-induced constipation (Product name in Europe: Rizmoic®)**.

Taiwan Shionogi & Co., Ltd. launched Xofluza® in Taiwan.

Domestic sales of Cymbalta®
Increased 8.8% year
on year

**Domestic sales of
Intuniv®**
Increased 100.7% year
on year

**Domestic sales of
Xofluza®**
decreased 98.4% year
on year



*Strategic products: Cymbalta®, Intuniv®, Vyvance®, Xofluza®, Rapiacta®, Brightpoc® Flu, Brightpoc® Flu Neo,
**Germany, U.K. and Netherland: Sandoz AG, Italy and Poland: L. MOLTENI & C. DEI F.LLI ALITTI SOCIETA
DI ESERCIZIO S.P.A., Spain: Ferrer

④ Business Innovation

▪ Creation of new health care platforms

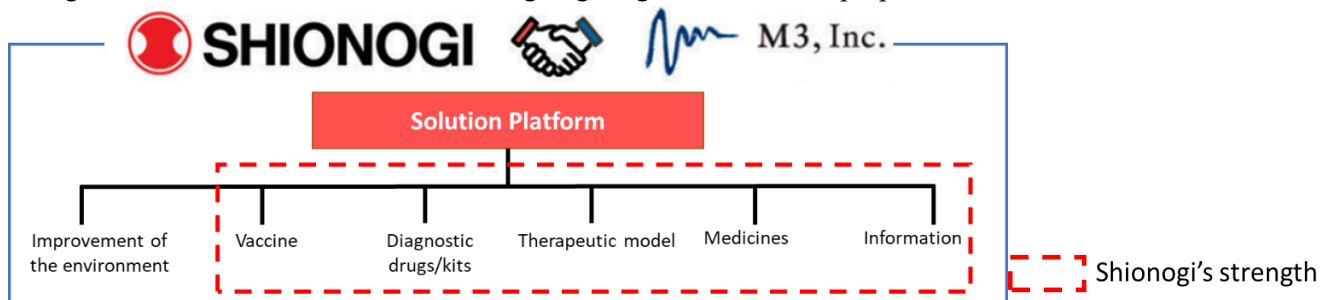
In the midst of turbulent and diversified changes in the environments around the pharmaceutical industry, people's lifestyles and their concepts of values, the Shionogi Group considers it necessary to break away from long existing ready-made business ideas. We are aware that it is difficult for a pharmaceutical company to keep growing single-handed in the rapidly changing times; we need to create new platforms* in the health care field by collaborating with other companies including those in other industries with strengths different from ours.

The Shionogi Group works hard to continue cultivating our strength as a drug discovery-based company, aiming at being a partner of choice for other companies and industries and becoming a core of cooperation and discovery for building new platforms in the health care field.

* Business model which provides value to more customers and establishes superiority in the market by offering a "forum" where products and service/information are collected

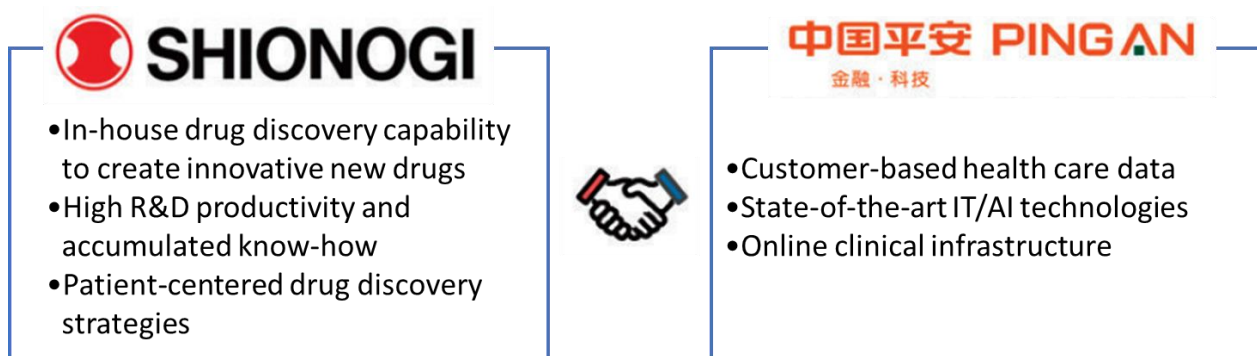
Establishment of Stream-I, Inc.

M3, Inc. and Shionogi & Co., Ltd. established a joint venture, Stream-I, Inc., on October 1, 2019. It aims to create a new information delivery model which integrates digital technology with pharmaceutical information offered by medical representatives to achieve our goal "reducing as many patients who suffer from disease as possible" by combining the strengths of both companies. As a first step, Stream-I strives to provide comprehensive health care including prevention and diagnosis in the influenza area, not limiting to giving information on proper use of medicines.



Conclusion of a basic agreement on capital and business alliance with Ping An Life Insurance (Group) Company of China, Ltd.

On March 30, 2020, the Shionogi Group and Ping An Insurance concluded a basic agreement on capital and business alliance toward establishment of a long-term strategic partnership. With a concept "creating the future of health care", our alliance aims to offer new value to society as a comprehensive health care provider by integrating the Shionogi Group's strength in providing therapeutic solutions as a drug-discovery based company with Ping An's health care platform making a full use of AI technologies. Through this alliance, Shionogi will promote business expansion in China and across Asia.



▪ Entry into vaccine business

In the current fiscal year, we acquired 100% ownership of UMN Pharma Inc. that possesses BEVS*, a vaccine

manufacturing platform technology different from conventional vaccine production. The Shionogi Group has focused on the infectious disease as one of our priority areas, and been engaged mainly in research and development of drugs for the treatment of three major infectious diseases (HIV, tuberculosis, and malaria), influenza and refractory infectious diseases. The acquisition has enabled us to make full-scale entry into the vaccine business and to initiate discovery of influenza vaccines. As a leading company of infectious disease area, we will proactively deal with prevention of infectious diseases in addition to diagnosis, empiric therapy and definitive therapy.

Features of UMN's platform technology (BEVS)

Four Ss which enable stable supply

Safer: It can produce target proteins not by viral pathogen itself but by genetic information alone.

Stable: Sequence and antigenicity of target proteins do not change during the production.

Scalable: Scale-up can be easily attained because it is unnecessary to set complicated cultivation conditions.

Speedy: It enables production within eight weeks after obtaining genetic information.

▪ Human resources who create innovation

Completion of Shionogi Education and Training Center

To offer new value to society, the management of the Shionogi Group takes responsibility for personnel development visualizing ideal types of staffers and managers needed by the Group. Shionogi Education and Training Center (Nicknamed as PORT), a new base for training our employees, was completed in December 2019. PORT was designed to realize philosophy of human resource development as “humans are foundation of competitiveness” and to elevate employees’ potential through training. The center was named as PORT because its main building for training was designed in the image of a ship with a wish to become a home port for our colleagues’ career cycles where they launch out into the sea of the career from this place as members of the Shionogi family, grow with the organization through the work and re-visit the center at important milestones in further career development.



Shionogi Education and Training Center

Promotion of diversity and inclusion

The Shionogi Group positions promotion of diversity and inclusion as one of the important human resource strategies of the entire Group. We agree with activities of “The Valuable 500” which is a global initiative promoting disability inclusion, and joined it in the current fiscal year. The Valuable 500 is a global campaign that was launched at the World Economic Forum (Davos Meeting) in January 2019. We will further enhance employees’ engagement (willingness to contribute towards the company philosophy and accomplishment of their objectives) by building the working environment where Shionogi colleagues can perform their full potential as members of the Shionogi Group regardless of presence or absence of disability. Thereby, Shionogi will make continued effort to contribute to establishment of an including society where each one of us can show our value.



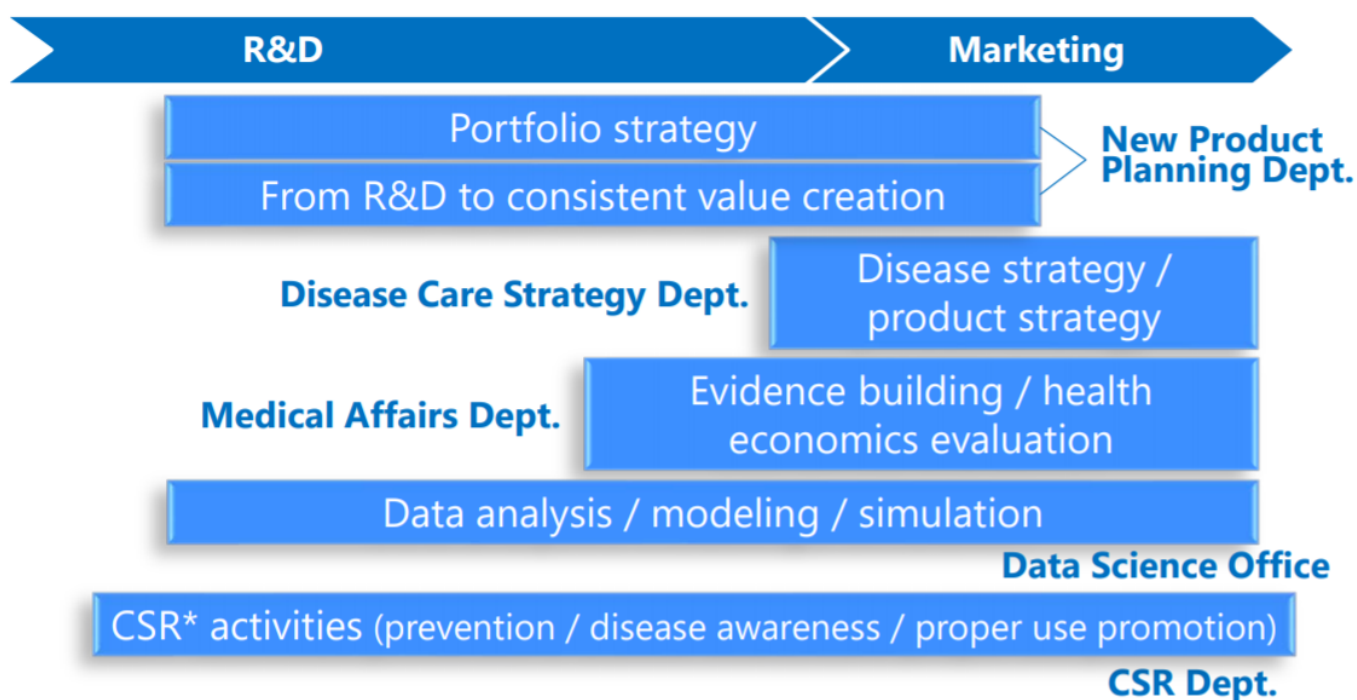
▪ Established the Integrated Disease Care Division April 1, 2020

The importance of precision medicine has been advocated in recent years, giving rise to needs for improving lifestyles and behavior by utilizing digital tools and for delivering the optimal treatment based on appropriate diagnosis depending on each patient’s symptoms. Thus, Shionogi has established the Integrated Disease Care Division, which develops strategies for enlightening people on diseases as well as preventing, diagnosing and treating them, and is responsible for the establishment of scientific evidence for maintaining and improving health and the gathering, analyzing, and providing of information.

Under its wing is the New Product Planning Department, which develops portfolio strategies and building consistent product value from research and development, the Disease Care Strategy Department, which plans disease and product strategies, the Medical Affairs Department, which is responsible for communicating with doctors who are involved in establishing guidelines, and the Data Science Office, which analyzes data used in communication, etc. The Corporate Social Responsibility Department has also been incorporated into the Division to carry out enlightenment activities and trainings for patients and the general public since improvement of behavior and habits or social assistance have proved effective in preventing or treatment in many diseases in recent years.

By consolidating marketing functions, which had previously existed in multiple divisions, the Integrated Disease Care Division will promote the sale of pharmaceuticals in collaboration with the Pharmaceutical Commercial Division while developing strategies for treating the entire aspects of a disease from various approaches.

The Integrated Disease Care Division intends to achieve business innovations with new marketing schemes to maximize social and corporate values of the Group through the healthcare business from both short-term and medium-to long-term perspectives.



(2) Significant Subsidiaries

Company Name	Paid-in Capital	Percentage of Ownership	Main Areas of Business
Shionogi Pharma Co., Ltd.	Million Yen 90	100.0	Manufacturing and contract manufacture of pharmaceutical products and contract testing and analysis
Shionogi Healthcare Co., Ltd.	Million Yen 10	100.0	OTC drug manufacturing and sales
Shionogi Inc.	US dollars 12	100.0	Pharmaceutical clinical development and Pharmaceutical manufacturing and sales
Shionogi B.V.*	Thousand UK Pounds 630	100.0	Pharmaceutical clinical development and Pharmaceutical manufacturing and sales
Taiwan Shionogi & Co., Ltd.	Million NT dollars 92	100.0	Pharmaceutical manufacturing and sales
C&O Pharmaceutical Technology (Holdings) Limited	Thousand HK dollars 165,840	71.0	Pharmaceutical clinical development and Pharmaceutical manufacturing and sales

*During the consolidated fiscal year, Shionogi Ltd. was dissolved in a merger with consolidated subsidiary Shionogi. B.V. as the surviving company.

(3) Capital Investment

The Shionogi Group's capital investment for the fiscal year ended March 31, 2020 totaled ¥10.0 billion. The Group's primary investments were the construction of new training and accommodation buildings and construction of a manufacturing facility at the Settsu Plant.

(4) Fund-raising

The Shionogi Group conducted no fund-raising of note during the fiscal year ended March 31, 2020.

(5) Fundamental policy on the appropriation of retained earnings

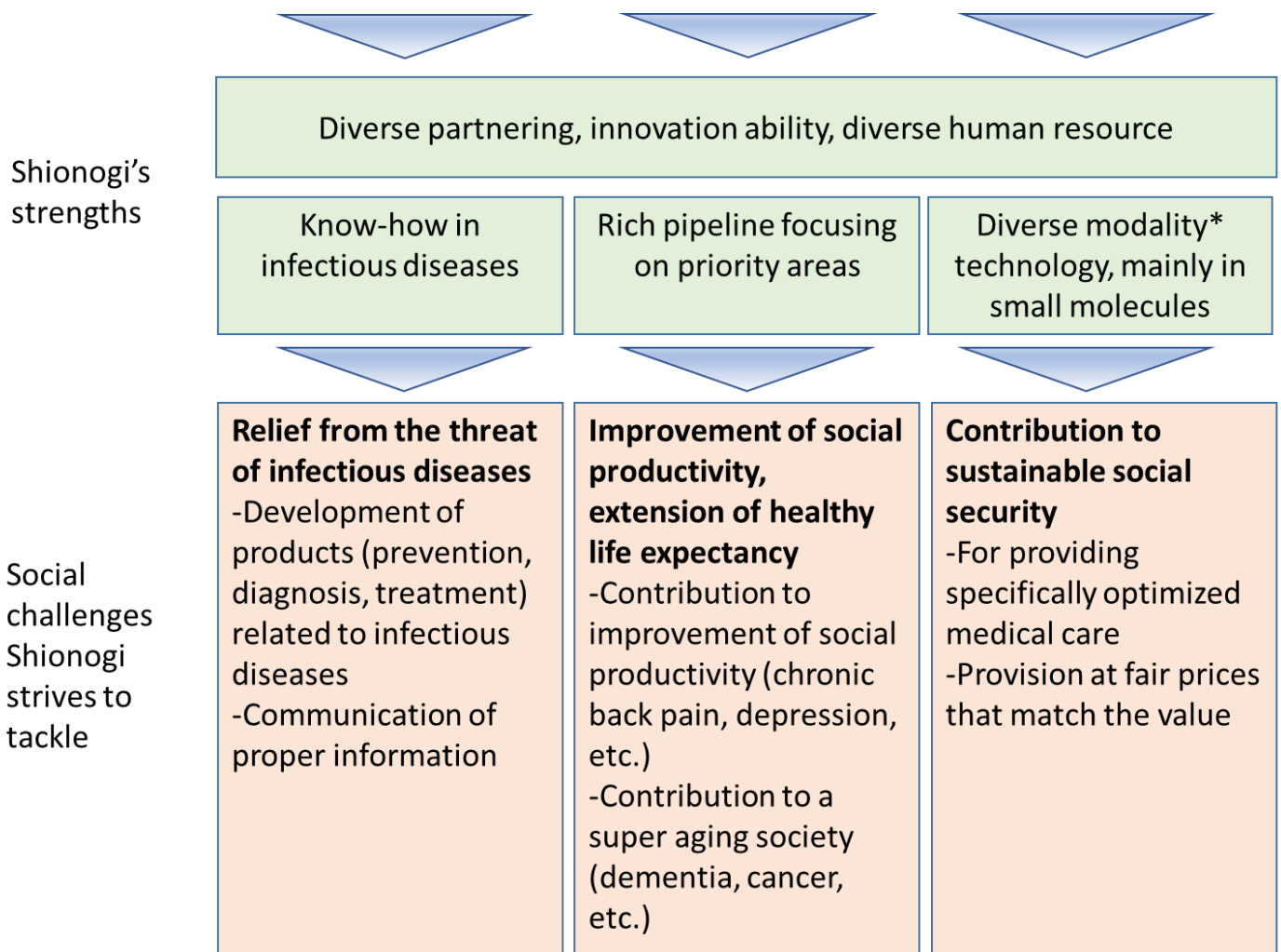
The Shionogi Group's fundamental policy is to steadily increase dividends in line with growth, using dividends on equity (DOE) as the benchmark. In the update of SGS2020 in October 2016, we set a target for DOE to 4.0 percent or more as policy for allocation of its business results, and we continue to return profits to shareholders.

(6) Challenges Ahead

① Medium-to-Long-Term Challenges and Actions

As the environment surrounding the pharmaceutical industry faces increasingly rapid changes, Shionogi has identified the following three matters as the challenges it places priority on in order to grow in service to society: “Relief from the threat of infectious diseases,” “improvement of social productivity and extension of healthy life expectancy,” and “contribution to sustainable social security.” The Shionogi Group is committed to making group-wide efforts to solve these social challenges.

Activities to achieve a sustainable world (SDGs)		
<p>Greater threat of infectious diseases, including drug-resistant bacteria and viruses</p> <ul style="list-style-type: none">-Increase in global population, especially in emerging countries-Difficulty in controlling spread of infectious diseases due to easier movement of people and goods-Changes in disease structures due to climate change (global warming in particular)	<p>Progress in aging in developed countries More sophisticated healthcare needs</p> <ul style="list-style-type: none">-Rise in QOL demand-Rise in needs for prevention and terminal care-Changes in disease structures	<p>Rise in needs for personalized medicine Rise in awareness toward social security costs</p> <ul style="list-style-type: none">-Easy access to various information; a great number of options provided to the customer side-Diversification of healthcare needs-Innovation based on technological evolution and data utilization



* Treatment methods such as protein medicine, nucleic acid medicine, cell therapy, and regenerative medicines that include small-molecule APIs, peptide (intermediate size) drugs, and antibody drugs.

Remaining Challenge: Mid- to Long-term Plan

To contribute to solutions to social challenges globally over the mid-to-long term, the Shionogi Group has clarified the following new or continuing key points to strengthen based on business results, changes in the operating environment and the progress of its response to issues during the past fiscal year. The Group must address these tasks as top priorities. The Shionogi Group currently recognizes the following as key tasks in research and development, domestic and overseas business, and business innovation.

Research & Development

We have identified eight priority projects with the potential to be the next growth drivers. Meanwhile, we recognize that we must launch these products as soon as possible and maximize product value in order to overcome the patent expiry of an anti-HIV drug (a large drop in revenue due to the expiry of a patent for an HIV drug that is licensed to ViiV) in around 2028.

Domestic/Overseas Business

We recognize the growth of sales as our task in both the Japanese and overseas markets. In Japan, we have seen a lack of company-wide marketing power as evidenced in the failure to achieve the sales targets of Cymbalta® and in the promotional activities for Xofluza® during the past fiscal year. We consider it is necessary to establish a system where the value chain cooperates to provide information efficiently in order to deliver the value of our products to as many medical institutions and patients as possible.

In our global business, we think it is important to expand our business by establishing a marketing system focusing on the hospital and specialist physician markets in the United States. In China, we believe we must depart from our traditional business that is focused on the sale of generic drugs, in view of the rapid growth of the pharmaceuticals market.

Business Innovation

We recognize our tasks to be in establishing a new business model and strengthening our business foundation to achieve continuous growth while addressing changes in the environment, and to improve productivity through such activities. In particular, we believe fundamental internal reforms for improving productivity are necessary.

Key Points to be Strengthened in FY2020 in Order to Continue Initiating Business Reforms as a Drug Discovery-based Pharmaceutical Company

R&D	Accelerate development of next-generation growth drivers
Domestic /Overseas Business	Grow sales by establishing a wide variety of businesses
Business Innovation	Develop a foundation for improving productivity and generating value

② Challenges Ahead in FY2020

The Shionogi Group recognizes the challenges it needs to address in each of its business operations – research and development, domestic/overseas business, and business innovation. Based on our response to these issues, we will continue working to grow in service to society as a drug discovery-based pharmaceutical company both in single years, including FY2020, and over the long term.

In research and development, we have identified eight projects (refer to page 22) as candidates for the next growth drivers with the potential to shift treatment paradigm for diseases that have large marketability and require options for better treatment, and will advance them at maximum speed. We will also promote life cycle management* to maximize the value of compounds.

* Continuous improvement for long-term effective use of pharmaceuticals. Specifically includes the expansion of diseases susceptible to the drug, additional formulations, and improved dosage and administration.

In Japan, the Pharmaceutical Commercial Division and the Integrated Disease Care Division will work in close cooperation to further expand sales of strategic products, with a focus on Cymbalta® and Intuniv®, by expanding markets and capturing market share and by maximizing the value of products. For Xofluza®, we will further promote proper use by gathering and analyzing clinical data on a continual basis and providing information based on data, thereby striving to deliver the drug to patients who require it. In FY2020 we will promote the use of IT and data more than ever in an effort to achieve efficient marketing and maximize product value.

In the global business, we will work to launch our China business smoothly under a new framework with China's Ping An Insurance, while in Europe and the United States, we will strengthen our sales system in the hospital area with a focus on cefiderocol.

As the environment surrounding the pharmaceutical industry faces increasingly rapid changes, we must carry out business reforms in order to continue growing beyond 2020. In 2020, we will continue to develop and launch healthcare platforms, including Stream-I and our partnership with China's Ping An Insurance, with the aim of generating new value.

Furthermore, we will carry out fundamental internal reforms to become a more productive organization by renewing our structure and processes, changing our corporate culture, and reinforcing personnel development.

As FY2020 is the final year of SGS2020, we also plan to announce our new medium-term management plan. In view of an elongated new coronavirus epidemic, we will focus on offering a stable supply of pharmaceuticals by enforcing thorough control in procuring raw materials and production, as well as taking the optimal measures to ensure business by minimizing shortages and delays of promotional and R&D activities. We will continue to work hard to give shareholders a sense of the Shionogi Group's growth.

[Topics] Shionogi's ESG Initiatives and Corporate Evaluation from Outside

Participation in UN Global Compact (August 2019)

The Shionogi Group signed the United Nations Global Compact, a pact that consists of ten principles advocated by the United Nations in the areas of human rights, labor, the environment and anti-corruption, and joined Global Compact Network Japan, a local network in Japan. By supporting and practicing the ten principles of the UN Global Compact, we will fulfill our responsibilities on a global scale as a global citizen as well as promoting our initiatives to further contribute to the achievement of a sustainable society through our business.



Elected Grand Prize Company of Corporate Governance of the Year® Prize 2019 (January 2020)

The Shionogi Group won the Grand Prize of the Corporate Governance of the Year® 2019 Prize hosted by the Japan Association of Corporate Directors (JACD) from among approximately 2,000 companies listed on the First

Section of the Tokyo Stock Exchange.

<Comment by judging committee member Mr. Kunio Ito>

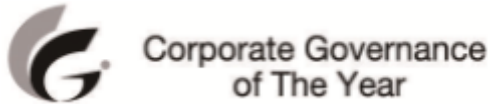
Shionogi embodies self-disciplined governance. As governance reforms at Japanese companies step up from formality to substance, Shionogi's initiatives embody the importance of the substance and its effect.



Mr. Kunio Ito, Director of Hitotsubashi CFO Education and Research Center; Visiting Professor, Ph.D. Graduate School of Business Administration, Hitotsubashi University



Left: Mr. Yoshihiko Miyauchi, Chairman, JACD
Right: Isao Teshirogi, President and CEO, Shionogi & Co., Ltd.



Ranked First in Pharmaceuticals Industry of Award for Excellence in Corporate Disclosure for Third Consecutive Year (October 2019)

For the third consecutive year, Shionogi received the Award for Excellence in Corporate Disclosure from the Securities Analysts Association of Japan (SAAJ), ranking first in the pharmaceuticals industry.



Left: Isao Teshirogi, President and CEO, Shionogi & Co., Ltd.
Right: Mr. Hiroyuki Shinshiba, Chairman, SAAJ

Recognized as 2020 Certified Health & Productivity Management Outstanding Organization for Fourth Consecutive Year (February 2020)

Shionogi was recognized as a 2020 Certified Health & Productivity Management outstanding organization (White 500) (large enterprise category) for the fourth consecutive year.



The Certified Health & Productivity Management Outstanding Organizations Recognition Program is a program under which the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi recognize enterprises that practice outstanding efforts to advance health and productivity management in collaboration with insurers.

[Topic] Women's Softball

Corporate sport team: Shionogi Women's Softball Team

Thank you for supporting Shionogi's Women's Softball Team. Our team ranked 10th (7 wins, 15 losses) in the First Division of Japan Women's Softball League last season. Since mid-season we have shown perseverance as our pitching and batting came together, leading to potentially better results this season.

In terms of individual results, Akiko Suhara won four titles of top homerun batter, top RBI, best player (outfielder) and MVP. She played outstandingly during the season by achieving four homeruns and nine RBIs in one game in a match against NEC Platforms (September 7, 2019), breaking the league record.

The first half of this season has been cancelled due to the new coronavirus outbreak, and games will only start in the second half, which will begin on September 5, 2020. We appreciate your continued support.



Akiko Suhara's dynamic swing



2019 Japan Women's Softball League individual player award ceremony (Left: Akiko Suhara)



2020年チームスローガン「常翔」



2. Stock Data

- 1) Number of shares authorized to be issued: 1,000,000,000
- 2) Number of shares issued: 316,786,165 (including 13,002,082 shares of treasury stock)
- 3) Number of shareholders: 36,955
- 4) Major shareholders (Top 10)

Name of Shareholder	Number of Shares Held	% of Total
	Thousands of shares	
The Master Trust Bank of Japan, Ltd. (Trust account)	38,091	12.53%
Japan Trustee Services Bank, Ltd. (Trust account)	19,167	6.30%
Sumitomo Life Insurance Company	18,604	6.12%
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	9,485	3.12%
BNYM TREATY DTT 15	8,556	2.82%
Nippon Life Insurance Company	8,409	2.76%
Japan Trustee Services Bank, Ltd (Trust account 7)	6,955	2.28%
JP MORGAN CHASE BANK 385632	6,700	2.20%
Japan Trustee Services Bank, Ltd (Trust account 5)	5,208	1.71%
Japan Trustee Services Bank, Ltd (Trust account 9)	5,148	1.69%

Notes:

1. The Company owns 13,002,082 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 303,784,083 shares of total issued stock (excluding 13,002,082 shares of treasury stock).

3. Board Members

(1) Directors and Corporate Auditors

Position	Name	Areas of responsibility and other major posts
Representative Director and Chairman of the Board	Motozo Shiono	Chief Director of The Cell Science Research Foundation
President and Representative Director	Isao Teshirogi	
Director, Executive Vice President	Takuko Sawada	
Director	Teppei Mogi	Partner of Oh-Ebashi LPC & Partners Outside Director (audit & Supervisory Committee member) of NIITAKA Co., Ltd. Outside Director (audit & Supervisory Committee member) of KURABO INDUSTRIES LTD.
Director	Keiichi Ando	Outside Director of Tsubakimoto Chain Co. Outside Director of DAIHEN Corporation
Director	Hiroshi Ozaki	Representative Director and Chairman, Osaka Gas Co., Ltd. Outside Director, Asahi Broadcasting Corporation
Standing Corporate Auditor	Akira Okamoto	
Standing Corporate Auditor	Ikuo Kato	
Corporate Auditor	Shinichi Yokoyama	
Corporate Auditor	Takaoki Fujiwara	Representative Director and Chairman of Hanshin Electric Railway Co., Ltd. Representative Director of Hankyu Hanshin Holdings, Inc. Outside Director of Sanyo Electric Railway Co., Ltd.
Corporate Auditor	Tsuguoki Fujinuma	Auditor, Chiba Gakuen

Notes:

1. Directors Teppei Mogi, Keiichi Ando and Hiroshi Ozaki are Outside Directors stipulated in Section 15, Article 2 of the Companies Act.
2. Auditors Shinichi Yokoyama, Takaoki Fujiwara and Tsuguoki Fujinuma are Outside Corporate Auditors stipulated in Section 16, Article 2 of the Companies Act.
3. Directors Teppei Mogi, Keiichi Ando and Hiroshi Ozaki have each submitted notification as independent directors as stipulated by Tokyo Stock Exchange Group, Inc.
4. Auditors Shinichi Yokoyama, Takaoki Fujiwara and Tsuguoki Fujinuma have each submitted notification as independent auditors as stipulated by Tokyo Stock Exchange Group, Inc.
5. 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.
6. Directors and Corporate Auditors who retired during the Period
Outside Director: Nomura Akio (retired June 18, 2019)
Outside Corporate Auditor: Kenji Fukuda (retired June 18, 2019)

(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 monthly remuneration is determined according to the position and responsibilities of directors with due consideration of the operating environment and global trends. Bonuses are short-term incentives determined according to performance and other factors in each fiscal year based on a calculation matrix. Stock-based compensation is awarded based on a grant table according to the director's position and role. Medium-term performance-linked stock compensation is granted in order to further increase linkage with medium- to long-term performance, provide directors, excluding outside directors, an incentive to continuously increase corporate value, and to further promote shared values with shareholders.

Performance targets consist of net sales and operating income driven by new products and core businesses, return on equity, the growth rate of total shareholder return (TSR) at comparable companies, and other indicators. These targets are based on the assumption that the Company achieves its vision, which is to “grow sustainably as a drug discovery-based pharmaceutical company contributing to a more vigorous society through improved healthcare.”

As a result, the share of base remuneration in total remuneration, which was approximately 75 percent in FY2013, declined to less than 50 percent in FY2018. While we are improving our remuneration system with the aim of reducing the proportion of base remuneration to approximately 40 percent, the proportion exceeded 50 percent in the fiscal year under review since performance-based remuneration decreased year on year due to a shortfall of performance indicators.

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

Shionogi has established the Compensation Advisory Committee, of which an outside director serves as chairperson and outside directors comprise a majority of members, to advise the Board of Directors. The committee duly considers director and corporate auditor remuneration.

(Millions of yen, except for persons)

Category	Persons remunerated	Amount of remuneration paid				Total
		Base remuneration	Bonus	Restricted stock compensation		
				Medium-term performance-linked	Long-term	
Directors (outside directors among directors)	7 (4)	256 (51)	51 (-)	47 (-)	57 (-)	412 (51)
Corporate Auditors (outside auditors among auditors)	6 (4)	117 (51)	- (-)	- (-)	- (-)	117 (51)
Total	13	374	51	47	57	529

Notes:

1. By resolution of the General Meeting of Shareholders, the total amount of compensation of directors and corporate auditors is limited to no more than ¥750 million for directors (approved by the General Meeting of Shareholders on June 20, 2018) and no more than ¥170 million for corporate auditors (approved by the General Meeting of Shareholders on June 18, 2019).
2. The amount of remuneration paid and persons remunerated include one director and one corporate auditor who retired on June 18, 2019.
3. “Bonus” above is the relevant allowance for directors’ bonuses for FY2019.
4. “Restricted stock compensation (Medium-term performance linked/Long-term)” above is the relevant expense recognized for FY2019.

(3) Outside Board Members

1) Major Activities

Office	Name	Major Activities
Director	Teppei Mogi Attendance at Board of Director meetings 13/13 (100%)	At meetings of the Board of Directors, Mr. Mogi made 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.
Director	Keiichi Ando Attendance at Board of Director meetings 13/13 (100%)	At meetings of the Board of Directors, Mr. Ando made statements on the execution of duties by the directors from the perspective of his long and successful career, placing importance on the objectivity and impartiality of management.
Director	Hiroshi Ozaki Attendance at Board of Director meetings 10/11 (90.9%)	At meetings of the Board of Directors, Mr. Ozaki made statements on the execution of duties by the directors from the perspective of his long and successful career, placing importance on the objectivity and impartiality of management.
Corporate Auditor	Shinichi Yokoyama Attendance at Board of Director meetings 13/13 (100%) Attendance at Board of Corporate Auditors meetings 8/8 (100%)	At meetings of the Board of Directors, Mr. Yokoyama made statements on the execution of duties by the directors from a broad perspective, based on his long and successful career. In addition, at meetings of the Board of Corporate Auditors, he discussed significant matters of audit and made recommendations as necessary.
Corporate Auditor	Takaoki Fujiwara Attendance at Board of Director meetings 12/13 (92.3%) Attendance at Board of Corporate Auditors meetings 8/8 (100%)	At meetings of the Board of Directors, Mr. Fujiwara made statements on the execution of duties by the directors from a broad perspective, based on his long and successful career. In addition, at meetings of the Board of Corporate Auditors, he discussed significant matters of audit and made recommendations as necessary.
Corporate Auditor	Tsuguoki Fujinuma Attendance at Board of Director meetings 11/11 (100%) Attendance at Board of Corporate Auditors meetings 6/6 (100%)	At meetings of the Board of Directors, Mr. Fujinuma made statements on the execution of duties by the directors from a broad perspective, based on his long and successful career. In addition, at meetings of the Board of Corporate Auditors, he discussed significant matters of audit and made recommendations as necessary.

Note: Director Hiroshi Ozaki and Corporate Auditor Tsuguoki Fujinuma's attendance rates at Board of Directors meetings and at Board of Corporate Auditors meetings are their attendance after being appointed on June 18, 2019.

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

The Company does not have an advisory contract with Oh-Ebashi LPC & Partners, where Director Teppei Mogi is a partner. However, the Company receives advice from Oh-Ebashi LPC & Partners regarding certain specific cases involving international legal affairs.

In addition, The Company does not have any relationship that should be indicated with NIITAKA Co., Ltd., and KURABO INDUSTRIES LTD. where Teppei Mogi serves as an outside director (audit & supervisory committee member).

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 Osaka Gas Co., Ltd., where Hiroshi Ozaki serves as representative director and chairman, Asahi Broadcasting Corporation, where he served as an outside director.

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

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

4. Other Material Matters

Legal Actions

- On September 12, 2014, the Company received a tax reassessment notification and a notification of assessment and determination of additional tax for the year ended March 31, 2013 from the Osaka Regional Taxation Bureau. The Company filed a written opposition with the Osaka Regional Taxation Bureau on November 10, 2014, since the Company could not accept the reassessment and resulting additional taxation; however, the Osaka Regional Taxation Bureau dismissed the Company's opposition. Therefore, the Company filed a further request for reconsideration of the assessment with the Osaka Regional Tax Tribunal on March 9, 2015. However, on March 7, 2016, the Company received a written decision from the Osaka Regional Tax Tribunal that it had dismissed the Company's request. The Company filed a complaint with the Tokyo District Court on September 2, 2016 for the rescission of the tax reassessment. On March 11, 2020, after more than three years of hearings, the Tokyo District Court delivered a sentence granting almost all of the Company's demands. Since the defendant, the State, was dissatisfied with the ruling and appealed the case, a trial is scheduled to be held at the Tokyo High Court in the future.

- In November 2017, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited filed a patent infringement action in the U.S. District Court for the District of Delaware and in other district courts against companies (Lupin Limited, Cipla Limited, Dr. Reddy's Laboratories, Inc., Mylan Pharmaceuticals Inc., Apotex Inc., and others) that have filed an Abbreviated New Drug Application (ANDA) to market a generic version of a compound containing dolutegravir, abacavir and lamivudine (brand name in Japan: Triumeq®) in the United States. The patent infringement action seeks, among other relief, an order that the effective date of any FDA approval based on the aforementioned ANDA shall not be earlier than the expiration date of the patent for the crystalline form of dolutegravir, which is held by the Company.

- From November to December 2017, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited filed a patent infringement action in the U.S. District Court for the District of Delaware and in other district courts against companies (Cipla Limited, Dr. Reddy's Laboratories, Inc., Sandoz Inc., LEK Pharmaceuticals D.D., Apotex Inc., and others) that have filed an Abbreviated New Drug Application (ANDA) to market a generic version of dolutegravir (brand name in Japan: Tivicay®) in the United States. The patent infringement action seeks, among other relief, an order that any FDA approval based on the aforementioned ANDA shall not be earlier than the expiration date of the patent for the crystalline form of dolutegravir, which is held by the Company.

- On February 7, 2018, the Company and ViiV Healthcare filed a patent infringement action in the Canadian Federal Court against Gilead Sciences, Inc., which is seeking to obtain regulatory approval to market certain compounds containing bictegravir in Canada, over the patent for dolutegravir held by the Company.

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

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

On November 20, 2019, the Company and ViiV Healthcare filed a patent infringement action in the courts of Germany, France, the United Kingdom, Ireland, and South Korea against Gilead Sciences, Inc., which is marketing certain compounds containing bictegravir in the countries, over the patent for dolutegravir held by the Company.

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

- In November 2019, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited filed a patent infringement action in the U.S. District Court for the District of Delaware against Cipla Limited, which has filed an Abbreviated New Drug Application (ANDA) to market a generic version of a compound containing dolutegravir and lamivudine (brand name in Japan: Dovato®) in the United States. The patent infringement action seeks, among other relief, an order that the effective date of any FDA approval based on the aforementioned ANDA shall not be earlier than the expiration date of the patent for the crystalline form of dolutegravir, which is held by the Company.

• In 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, 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.

Consolidated Balance Sheets

(As of March 31, 2020)

(Millions of yen)

Accounts	FY2019	(Reference) FY2018	Accounts	FY2019	(Reference) FY2018
Assets	773,650	778,741	Liabilities	90,002	106,311
Current Assets	485,932	461,743	Current Liabilities	72,653	89,107
Cash and deposits	228,908	193,549	Notes and accounts payable-trade	10,763	9,442
Notes and accounts receivable-trade	46,191	65,918	Current portion of bonds	—	920
Short-term investment securities	125,986	133,264	Current portion of long-term loans payable	—	—
Merchandise and finished goods	14,831	18,741	Income taxes payable	22,510	35,870
Work in process	9,935	7,272	Provision	9,403	10,654
Raw materials and supplies	14,726	14,097	Provision for bonuses	8,418	9,058
Other	45,423	28,942	Provision for sales returns	924	1,428
Allowance for doubtful accounts	(71)	(43)	Other provisions	60	166
			Other	29,976	32,219
Non-current assets	287,717	316,997	Non-current liabilities	17,349	17,203
Property, plant and equipment	74,897	74,653	Bonds payable	—	—
Buildings and structures, net	47,779	45,149	Deferred tax liabilities	319	124
Machinery, equipment and vehicles, net	10,343	11,178	Net defined benefit liability	11,904	11,930
Land	8,295	8,437	Other	5,124	5,147
Construction in progress	2,025	3,908	Net assets	683,647	672,429
Other, net	6,454	5,979	Shareholders' equity	694,489	652,371
Intangible assets	54,479	54,769	Capital stock	21,279	21,279
Goodwill	24,705	19,258	Capital surplus	21,298	20,512
Sales rights	23,037	30,319	Retained earnings	729,202	639,461
Other	6,735	5,191	Treasury stock	(77,292)	(28,882)
Investments and other assets	158,340	187,574	Accumulated other comprehensive income	(11,372)	15,130
Investment securities	117,676	151,851	Valuation difference on available-for-sale securities	14,022	28,927
Net defined benefit asset	32,142	30,721	Deferred gains or losses on hedges	4,287	747
Deferred tax assets	5,258	1,792	Foreign currency translation adjustment	(32,220)	(18,370)
Other	3,305	3,250	Remeasurements of defined benefit plans	2,537	3,826
Allowance for doubtful accounts	(42)	(42)	Subscription rights to shares	438	527
			Non-controlling interests	92	4,400
Total assets	773,650	778,741	Total liabilities and net assets	773,650	778,741

Consolidated Statements of Income

(Year ended March 31, 2020)

(Millions of yen)

Accounts	FY2019	(Reference) FY2018
Net sales	334,958	363,721
Cost of sales	56,685	54,880
Gross profit	278,273	308,841
Selling, general and administrative expenses	153,041	170,303
[R&D expenses]	[47,193]	[68,325]
Operating income	125,231	138,537
Non-operating income	31,018	33,256
Interest and dividends income	30,418	32,327
Other	600	928
Non-operating expenses	4,499	5,218
Interest expenses	294	581
Other	4,204	4,637
Ordinary income	151,751	166,575
Extraordinary income	9,048	20,854
Gain on sales of investment securities	5,281	17,946
Gain on sales of non-current assets	2,435	2,907
Gain on step acquisitions	1,331	—
Extraordinary losses	2,234	17,086
Loss on valuation of investment securities	1,549	—
Payment compensation	684	—
Impairment loss	—	13,148
Special retirement expenses	—	2,848
Loss on disaster	—	823
Loss on disposal of non-current assets	—	265
Income before income taxes	158,564	170,343
Income taxes-current	36,583	39,988
Income taxes-deferred	771	(2,951)
Profit	121,210	133,306
Profit(loss) attributable to non-controlling interests	(84)	547
Profit attributable to owners of parent	121,295	132,759

Non-consolidated Balance Sheets

(As of March 31, 2020)

(Millions of yen)

Accounts	FY2019	(Reference) FY2018	Accounts	FY2019	(Reference) FY2018
Assets	580,804	612,336	Liabilities	50,322	79,075
Current assets	282,283	304,275	Current liabilities	41,943	69,362
Cash and deposits	67,442	71,182	Accounts payable-trade	8,078	6,954
Accounts receivable-trade	38,801	59,000	Current portion of bonds	—	920
Short-term investment securities	124,039	129,512	Current portion of long-term loans payable	—	—
Merchandise and finished goods	13,818	12,923	Accounts payable-other	15,045	19,008
Work in process	15	6,601	Accrued expenses	2,241	3,566
Raw materials and supplies	10,505	11,830	Income taxes payable	8,102	28,938
Advance payments-trade	5,094	3,313	Deposits received	2,469	2,766
Short-term loans receivable	1,291	2,368	Provision for bonuses	5,703	6,648
Other	21,275	7,542	Provision for directors' bonuses	51	153
Non-current assets	298,521	308,061	Provision for sales returns	13	26
Property, plant and equipment	38,154	68,010	Other	239	380
Buildings, net	23,416	37,770	Non-current liabilities	8,378	9,712
Structures, net	1,062	2,240	Provision for retirement benefits	7,321	8,374
Machinery and equipment, net	17	10,945	Other	1,056	1,338
Vehicles, net	0	21			
Tools, furniture and fixtures, net	3,823	4,119	Net assets	530,482	533,261
Land	8,126	8,350	Shareholders' equity	511,733	503,058
Lease assets, net	577	863	Capital stock	21,279	21,279
Construction in progress	1,130	3,700	Capital surpluses	16,392	16,392
Intangible assets	16,096	22,721	Legal capital surplus	16,392	16,392
Software	2,441	2,789	Retained earnings	551,353	494,268
Sales rights	11,228	18,894	Legal retained earnings	5,388	5,388
Other	2,426	1,037	Other retained earnings	545,965	488,880
Investments and other assets	244,269	217,329	Reserve for advanced depreciation of noncurrent assets	3,012	3,820
Investment securities	56,257	89,363	General reserve	368,645	368,645
Stocks of subsidiaries and affiliates	159,253	100,613	Retained earnings brought forward	174,307	116,414
Investments in capital of subsidiaries and associates	490	603	Treasury stock	(77,292)	(28,882)
Long-term prepaid expense	1,050	839	Valuation and translation adjustments	18,310	29,675
Prepaid pension cost	23,998	21,691	Valuation difference on available-for-sale securities	14,022	28,928
Deferred tax assets	1,969	2,843	Deferred gains or losses on hedges	4,287	747
Other	1,291	1,416	Subscription rights to shares	438	527
Allowance for doubtful accounts	(42)	(42)			
Total assets	580,804	612,336	Total liabilities and net assets	580,804	612,336

Non-consolidated Statements of Income

(Year ended March 31, 2020)

(Millions of yen)

Accounts	FY2019	(Reference) FY2018
Net sales	293,865	327,991
Cost of sales	60,976	48,649
Gross profit, net	232,888	279,342
Selling, general and administrative expenses	116,781	140,975
[R&D expenses]	[45,248]	[67,769]
Operating income	116,107	138,366
Non-operating income	8,642	6,035
Interest and dividends income	6,471	4,148
Other	2,171	1,887
Non-operating expenses	3,484	4,565
Interest expenses	11	167
Other	3,473	4,398
Ordinary income	121,265	139,836
Extraordinary income	7,717	19,466
Gain on sales of investment securities	17,946	17,946
Gain on sales of non-current assets	2,435	501
Gain on sales of shares of subsidiaries and associates	—	1,018
Extraordinary losses	7,942	23,210
Loss on valuation of stocks of subsidiaries and associates	5,707	18,878
Loss on valuation of investment securities	1,549	—
Payment compensation	684	
Special retirement expenses	—	2,504
Loss on disaster	—	816
Impairment loss	—	746
Loss on disposal of non-current assets	—	265
Income before income taxes	121,040	136,092
Income taxes-current	27,571	39,065
Income taxes-deferred	4,828	(3,009)
Profit	88,640	100,037

Accounting Auditor's Audit Report

May 10, 2020

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

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

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

Audit Opinion

Pursuant to Paragraph 4 of Article 444 of the Companies Act, we have audited the consolidated balance sheets, the consolidated statements of income and the consolidated statements of changes in net assets of Shionogi & Co., Ltd. and its consolidated subsidiaries (the "Company") for fiscal term from April 1, 2019 to March 31, 2020.

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 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 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

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 generally accepted accounting standards in Japan. This responsibility includes establishing and maintaining internal controls deemed necessary by management to prepare and 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 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 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 generally accepted accounting standards in Japan and whether the presentation, composition, and details of the consolidated financial statements including related notes as well as the consolidated financial statements properly present underlying transactions and accounting events.

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

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

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

Interests in the Company

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

Accounting Auditor's Audit Report

May 10, 2020

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

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

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

Audit Opinion

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the balance sheets, the statements of income and the statements of changes in net assets (“financial statements”) of Shionogi & Co., Ltd. (the “Company”) for the 155th fiscal term from April 1, 2019 to March 31, 2020.

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.

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 155th fiscal period from April 1, 2019 to March 31, 2020 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 balance sheets, the consolidated statements of income, the consolidated statements of changes in net assets and notes on consolidated financial statements) for the relevant fiscal year.

2. Result of Audit

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

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

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

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

(3) Results of audit on the consolidated financial statements

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

May 10, 2020

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

Standing Corporate Auditor :Akira Okamoto

Standing Corporate Auditor :Ikuo Kato

Outside Corporate Auditor :Shinichi Yokoyama

Outside Corporate Auditor :Takaoki Fujiwara

Outside Corporate Auditor :Tsuguoki Fujinuma