Translation for reference only

Ticker Code: 4507

To All Shareholders

May 29, 2024

(Started to post this notice in the electronic provision measure on May 22, 2024)

Notice of Convocation of the 159th Annual General Meeting of Shareholders

Upon convening the meeting, the Company takes an electronic provision measure and posts the matters subject to the electronic provision measure on the following Internet website as “Notice of Convocation of the 159th Annual General Meeting of Shareholders.”

[SHIONOGI’s website]
https://www.shionogi.com/global/en/investors/shareholder-information/general-meeting-of-shareholders.html

The matters are also posted on the following Internet website.

[Website of the Tokyo Stock Exchange]
https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show

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

If you are unable to attend in person, you may exercise your voting rights via the Internet or with the enclosed proxy form. Please confirm the reference materials concerning the exercise of voting rights provided hereinafter and exercise your voting rights in accordance with the Procedures on Exercise of Voting Rights by 5:00 p.m., Wednesday, June 19, 2024.

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

Yours faithfully,

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

Annual General Meeting of Shareholders

1. **Date and time** 10:00 a.m., Thursday, June 20, 2024 (Reception begins at 9:00 am)
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 159th Fiscal Term (year ended March 31, 2024)
2. The Audit Report of the Consolidated Financial Statements for the 159th Fiscal Term (year ended March 31, 2024) by the Accounting Auditor and the Board of Corporate Auditors

Items for resolution

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

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

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

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

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

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

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

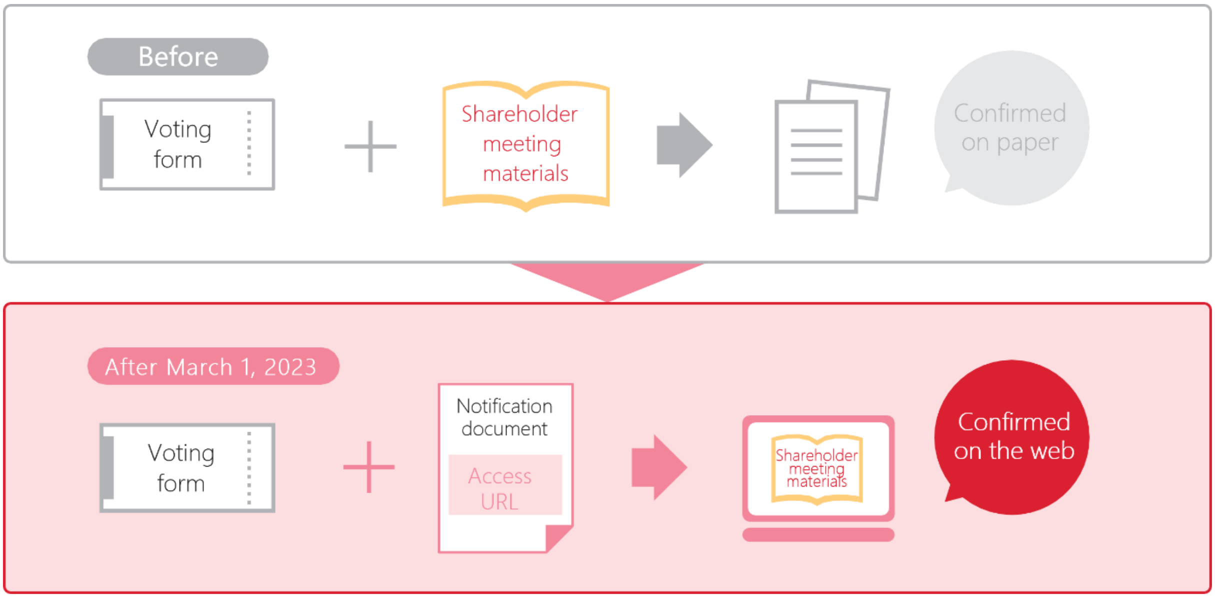
Therefore, the Business Report audited by the corporate auditors, and the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Accounting Auditor and the corporate auditors include the above matters stated in the document sent to shareholders and on each website.

Our Policy on the Electronic Provision System for Shareholder Meeting Materials

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

The system for electronic provision of shareholder meeting materials under the Act Partially Amending the Companies Act (Act No. 70 of 2019) enacted on September 1, 2022, is a "system that enables the provision of shareholder meeting materials to shareholders by posting such materials on the company's website and notifying shareholders the address of the website in writing to provide shareholders with shareholder meeting materials as soon as possible and ensure they have sufficient time to consider the proposals, etc." The system is applied to listed companies from shareholder meeting to be held on or after March 1, 2023.

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



2. Our response policy

Our response policy upon preparing shareholder meeting materials takes the purpose of the law into consideration as well as a sustainability perspective of saving paper resources. Concerning the Notice of Convocation of the 159th Annual General Meeting of Shareholders, we provide all shareholders with the same content as the documents sent to shareholders who requested delivery of the documents in paper format, as we did last year. Some of the contents of the Business Report, etc., that were previously provided are posted on the Company's website. This response policy has been approved by the Board of Directors. Please refer to the following page for a comparison with the previous notice of convocation of general meetings of shareholders.

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

Item	Provided in print until 2022	Disclosed on the Internet until 2022	Provision required by law	Provided in print at the 159th Meeting	Disclosed on the Internet at the 159th Meeting
Notice of convocation in the narrow sense	●		●	●	
Reference Materials Concerning the Exercise of Voting Rights	●		●	●	
Business Report					
Current State of the SHIONOGI Group					
Business Operations and Results	●				●
Significant Subsidiaries	●		●	●	
Capital Investment	●		●	●	
Fund-raising	●		●	●	
Fundamental Policy on the Appropriation of Retained Earnings	●				●
Challenges Ahead	●				●
Overview of Operations		●			●
Main Operations of the SHIONOGI Group		●			●
Main Offices, Plants, and Laboratories of the SHIONOGI Group		●			●
Employees		●			●
Main Loans from Banks		●			●
Stock Data	●				●
Stock Acquisition Rights		●			●
Board Members					
Directors and Corporate Auditors	●		●	●	
Amount of Remuneration for Directors and Corporate Auditors	●		●	●	
Outside Board Members	●				●
Independent Accounting Auditor		●			●
Systems and Policies of the Company		●			●
Other Material Matters	●				●
Consolidated Financial Statements	●※	●※			●
Non-Consolidated Financial Statements	●※	●※			●
Audit Report	●				●

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

How to Exercise Your Voting Rights

There are three ways to exercise your voting rights

Exercising your voting rights via the Internet

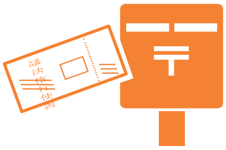
Enter your consent or refusal to the proposals on the designated website for exercising voting rights (as per the next page).

Voting deadline

Entry must be completed by **5:00 p.m.**, Wednesday, **June 19, 2024.**

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

Mailing the voting form



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

Voting deadline

The form must arrive by **5:00 p.m.**, Wednesday, **June 19, 2024.**

Attending the General Meeting

Submit the attached voting form at the reception desk.

Date

The meeting will start at **10:00 a.m.**, Thursday, **June 20, 2024**.

Notice Regarding Handling of Voting Rights

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

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

"Smart Voting" (voting by scanning the QR code)

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

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

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

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

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

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

Voting by entering the voting code and password

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

1 Access the voting service website.

Click "Proceed to the next step."

2 Enter the "voting rights exercise code" indicated on the proxy form.

Enter the "voting rights exercise code."

Click "Login."

3 Enter the "password" indicated on the proxy form.

Enter the "password."

Enter the new password that you will actually use.

Click "Register."

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

* The above operation screens are for illustration purposes only.

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

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

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

Please view the livestream and submit your questions in advance.

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

Livestream through the Internet

Date and time for livestream

10:00 a.m., Thursday, **June 20, 2024** to the ending time of the Annual General Meeting of Shareholders

(Streaming will start at 9:30am)

Advance acceptance of questions

Period for acceptance of questions

From **9:00 a.m.,** Thursday, **May 30, 2024** to **noon** Friday, **June 14, 2024**

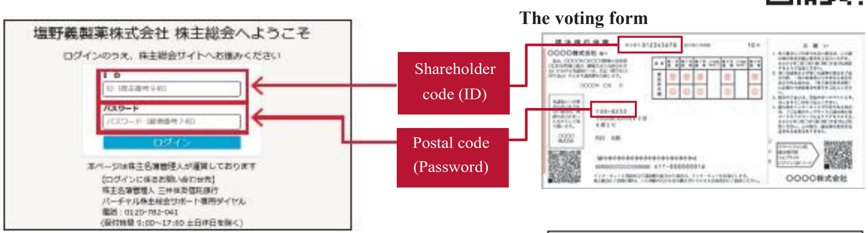
Method of viewing the livestream and submitting questions in advance

1 Access the website exclusively set for you

2 Enter the "Shareholder code" indicated on the voting form in the "ID" field, and "Postal code" in the "Password" field.

Voting website exclusively for you

https://4507.ksoukai.jp/



3 On the choice screen after log-in, press the button of "View the livestream" if you wish to view the livestream, and the button of "Advance questions" if you wish to raise questions in advance.

4 Enter necessary items following the instructions given on the screen.

※ The operation screen is an image

Notes concerning viewing the livestream and advance questions

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

If you are not sure about your shareholder code (ID) or postal code (password), please contact the administrator of shareholder registry indicated on the right.	**Sumitomo Mitsui Trust Bank, Limited** (Livestream desk for the shareholder's meeting) Telephone: 0120 - 782 - 041 (Toll free) (Open from 9:00 a.m.to 5:00 p.m.; except for Saturdays, Sundays and national holidays)
How to view the livestream of the meeting: Please contact the service desk on the right if you have any questions.	**V-cube, Inc.** Telephone: 03 - 6833 - 6287 (Open from 9:00 a.m. to the end of the meeting on Thursday, June 20)

REFERENCE MATERIALS CONCERNING THE EXERCISE OF VOTING RIGHTS

Proposals and Reference Matters

No. 1: Appropriation of Surplus

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

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

Based on this policy, the Company proposes to appropriate retained earnings for the fiscal year ended March 31, 2024 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

¥85 per share of common stock total amount of dividends: ¥24,351,784,045-

(3) Effective date of dividends

June 21, 2024

Including the interim dividend, cash dividends for the fiscal year ended March 31, 2024 totaled ¥160 per share, an increase of ¥25 per share compared with the previous fiscal year.

No. 2: Election of Six (6) Directors

The term of office of all six (6) Directors expires at the end of this Annual General Meeting of Shareholders. To further strengthen management, the Company proposes to elect six (6) Directors.

Candidates for Director are deliberated fairly, transparently and rigorously by the Nomination Advisory Committee, which is chaired by an outside director, and decided by the Board of Directors after obtaining the recommendation of the Nomination Advisory Committee.

Candidates for Director are as follows:

Candidate No.	Name	Age	Position and responsibility within the Company	Number of years served as Director	Attendance at Board of Directors meetings
1	Isao Teshirogi	64	Representative Director, President and CEO	22 years	13/13 (100%)
2	Takuko Sawada	69	Director and Vice Chairperson of the Board	9 years	13/13 (100%)
3	Keiichi Ando	72	Director	8 years	13/13 (100%)
4	Hiroshi Ozaki	74	Director	5 years	13/13 (100%)
5	Fumi Takatsuki	48	Director	4 years	13/13 (100%)
6	Takaoki Fujiwara	72	Director	1 year	11/11 (100%)

Director candidate for reappointment

Outside director candidate

Independent director registered with Tokyo Stock Exchange

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

No.

1 Isao Teshirogi
(December 12, 1959)

Reappointment

Number of years served as Director:	22	years (as at the closing of this Annual General Meeting of Shareholders)
Number of the Company's shares owned:	80,050	shares
Attendance at Board of Directors meetings:	13 ⁄ 13	(100%)

■Career summary, position and responsibility within the Company

April 1982:	Joined the Company
January 1999:	General Manager, Secretary Office and General Manager, Corporate Planning Department
June 2002:	Director of the Company
October 2002:	General Manager, Corporate Planning Department
April 2004:	Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division
April 2006:	Senior Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division
April 2007:	Senior Executive Officer
April 2008:	Representative Director and President and CEO of the Company
June 2021:	Outside Director of Sumitomo Mitsui Banking Corporation (incumbent)
March 2022:	Outside Director of AGC Inc. (incumbent)
July 2022:	Representative Director, President and CEO.of the Company (incumbent)
June 2024:	Outside Director of Japan Exchange Group, Inc. (scheduled)

■Major concurrent posts

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

Reasons for nominating the candidate for Director

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

No.

2 Takuko Sawada (March 11, 1955)

Reappointment

Number of years served as Director	9	years (as at the closing of this Annual General Meeting of Shareholders)
Number of the Company's shares owned	51,100	shares
Attendance at Board of Directors meetings:	13 ⁄ 13	(100%)

■Career summary, position and responsibility within the Company

April 1977:	Joined the Company
April 2002:	Executive General Manager, Pharmaceutical Development Division
April 2007:	Officer and Executive General Manager, Pharmaceutical Development Division
April 2010:	Executive Officer and Executive General Manager, Pharmaceutical Development Division
April 2011:	Senior Executive Officer and Executive General Manager, Global Development Office
April 2013:	Senior Executive Officer and Senior Vice President, Global Development and, Pharmaceutical Development Division
April 2014:	Senior Executive Officer and Senior Vice President, Global Pharmaceutical Development Division
April 2015:	Senior Executive Officer and Senior Vice President, Corporate Strategy Division
June 2015:	Director of the Company and Senior Executive Officer and Senior Vice President, Corporate Strategy Division
October 2015:	Senior Executive Officer and Senior Vice President, Corporate Strategy Division, and General Manager, Corporate Planning Department
April 2016:	Senior Executive Officer and Senior Vice President, Corporate Strategy Division
April 2017:	Senior Executive Officer and Senior Vice President, Corporate Strategy Division
April 2018:	Director of the Company and Executive Vice President
April 2020:	Director of the Company and Executive Vice President and Senior Vice President of Integrated disease care Department
July 2022:	Director and Vice Chairperson of the Board of the Company (incumbent)
June 2023:	Outside Director of Konica Minolta Inc. (incumbent)

■Major concurrent posts

- Outside Director, Konica Minolta Inc.

Reasons for nominating the candidate for Director

Since her appointment as a Director of the Company in June 2015, Takuko Sawada has been responsible for business execution of the Corporate Strategy Division as Senior Vice President of the Corporate Strategy Division and as a Senior Executive Officer. She became Vice President in April 2018 and has been supervising the Integrated Disease Care Division, Corporate Strategy Division, Pharmaceutical Commercial Division and DX Promotion Division to achieve the Medium-Term Business Plan "Shionogi Transformation Strategy 2030 (STS2030)" and its revised version, "STS2030 Revision," since April 2020. Furthermore, she has been in charge of supervising management from a higher standpoint as Director and Vice Chairperson since July 2022. We therefore recommend that you vote for her reelection as a director to reinforce management further and promote diversity.

No.

3 Keiichi Ando
(November 5, 1951)

Reappointment

Outside Director

Independent Director

Number of years served as Director	8	years (as at the closing of this Annual General Meeting of Shareholders)
Number of the Company's shares owned	0	shares
Attendance at Board of Directors meetings:	13 ⁄ 13	(100%)

■Career summary, position and responsibility within the Company

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

■Major concurrent posts

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

Reasons for nominating the candidate for Outside Director

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

Notes

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

No.

4 Hiroshi Ozaki
(March 11, 1950)

Reappointment

Outside Director | Independent Director

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

■Career summary, position and responsibility within the Company

May 1972:	Joined Osaka Gas Co., Ltd.
June 2000:	Director, Osaka Gas Co., Ltd.
June 2002:	Director and Tokyo Representative, Osaka Gas Co., Ltd., on loan to the Japan Gas Association
June 2005:	Managing Director and General Manager of LNG Terminal and Power Generation Business Unit, Osaka Gas Co., Ltd.
June 2007:	Managing Director and General Manager of Commercial & Industrial Energy Business Unit, Osaka Gas Co., Ltd.
April 2008:	Representative Director and President, Osaka Gas Co., Ltd.
June 2008:	Director, Osaka Gas Chemicals Co., Ltd.
June 2009:	Representative Director and President, Operating Executive Officer, Osaka Gas Co., Ltd.
June 2009:	Director of OGIS-RI Co., Ltd.
June 2011:	Outside Director of Asahi Broadcasting Corporation (now Asahi Broadcasting Group Holdings Corporation)
April 2015:	Representative Director and Chairman, Osaka Gas Co., Ltd.
June 2019:	Director of the Company (incumbent)
January 2021:	Director and Senior Advisor, Osaka Gas Co., Ltd.
June 2021:	Senior Advisor, Osaka Gas Co., Ltd. (incumbent)
June 2021:	Outside Director, The Royal Hotel, Ltd. (incumbent)
June 2024:	Outside Director of Hiroshima Gas Co., Ltd. (scheduled)

■Major concurrent posts

- Outside Director, The Royal Hotel, Ltd
- Outside Director, Hiroshima Gas Co., Ltd. (scheduled)

Reasons for nominating the candidate for Outside Director

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

Notes

- Hiroshi Ozaki is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.
- Hiroshi Ozaki is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is elected as outside director, he plans to be an independent director.
- Osaka Gas Chemicals Co., Ltd., of which Mr. Hiroshi Ozaki served as Board member, received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission based on the Antimonopoly Act in November 2019 over a bidding for activated charcoal used in water treatment facilities, etc. Although Mr. Ozaki was not aware of this fact, he had raised awareness from the perspective of compliance with law at the Board of Directors' meetings, etc. Since the discovery of this fact, he had been fulfilling his responsibilities by instructing thorough investigations on the fact as well as prevention of a recurrence.

No.

5 Fumi Takatsuki
(June 24, 1975)

Reappointment

Outside Director | Independent Director

Number of years served as Director	4 years (as at the closing of this Annual General Meeting of Shareholders)
Number of the Company's shares owned	0 shares
Attendance at Board of Directors meetings:	13 ⁄ 13 (100%)

■Career summary, position and responsibility within the Company

October 2000:	Registration of Attorney at Law
October 2000:	Joined Oike Law Offices
December 2003:	Joined Anderson Mori & Tomotsune Law Offices
February 2004:	Service at Beijing Office of Anderson Mori & Tomotsune Law Offices
April 2006:	Joined Oh-Ebashi LPC & Partners
January 2009:	Partner of Oh-Ebashi LPC & Partners (incumbent)
June 2020:	Outside Director of the Company (incumbent)
June 2023:	Outside Corporate Auditor of Sankyo Seiko Co., Ltd. (incumbent)
June 2024:	Outside Corporate Auditor of Daikin Industries, Inc. (scheduled)

■Major concurrent posts

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

Reasons for nominating the candidate for Outside Director

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

Notes

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

No.

6 Takaoki Fujiwara
(February 23, 1952)

Reappointment

Outside Director | Independent Director

Number of years served as Director	1	years (as at the closing of this Annual General Meeting of Shareholders)
Number of the Company's shares owned	0	shares
Attendance at Board of Directors meetings:	11 ⁄ 11	(100%)

■Career summary, position and responsibility within the Company

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

Reasons for nominating the candidate for Outside Director

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

Notes

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

Notes:

1. There are no special interests between the candidates and the Company.
2. The Company has concluded contracts with Keiichi Ando, Hiroshi Ozaki, Fumi Takatsuki and Takaoki Fujiwara that limit their liability stipulated in Section 1, Article 423 of the Companies Act based upon Section 1, Article 427 of the Companies Act and Article 25 or Article 32 of the Articles of Incorporation of the Company. The limited amount provided in the contract is the minimum liability limit amount stipulated in Section 1, Article 425 of the Companies Act. In the event the election of the four candidates is approved, the Company will continue to conclude such contracts with the four candidates.
3. The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company as stipulated in Section 1, Article 430-3 of the Companies Act. The insurance policy will cover compensation for damages, litigation costs and the like (except for exclusions set forth in the insurance policy) if compensation is claimed against a director or officer for damages arising from the execution of his/her duties during the insurance period. Each candidate will be included as an insured person under the insurance policy. The Company bears all premiums for the insurance policy.

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

As of the close of this General Meeting of Shareholders, the term of office of Corporate Auditors Ikuo Kato and Shuichi Okuhara will end. Accordingly, the Company proposes the election of two (2) corporate auditors.

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

Candidates for corporate auditors are as follows:

No.

1 Shuichi Okuhara
(April 23, 1968)

Reappointment

Outside Corporate Auditor

Independent Auditor

Number of years served as Corporate Auditor	4	years (as at the closing of this Annual General Meeting of Shareholders)
Number of the Company's shares owned	0	shares
Attendance at Board of Directors meetings:	13 ／ 13	(100%)
Attendance at Board of Auditors meetings:	11 ／ 11	(100%)

Career summary, position and responsibility within the Company

April 1994:	Joined Andersen Consulting Co., Ltd. (now Accenture Japan Ltd.)
January 1998:	Joined Nippon Venture Capital Co., Ltd.
June 2008:	Director and Investment Manager of Nippon Venture Capital Co., Ltd.
April 2009:	Representative Director and President of Nippon Venture Capital Co., Ltd.
June 2019:	Representative Director and Chairman of Nippon Venture Capital Co., Ltd. (incumbent)
June 2020:	Outside Corporate Auditor of the Company (incumbent)

Major concurrent posts

- Representative Director and Chairman, Nippon Venture Capital Co., Ltd.

Reasons for nominating the candidate for Corporate Auditor

Shuichi Okuhara has extensive experience and a wide range of knowledge as a manager of a venture capital firm in a social environment that places importance on innovation through peer or cross-industrial partnerships. He also has professional expertise in finance and accounting as a certified public accountant and carries out audits suitable for the continually changing business environment. At the Board of Directors and Board of Auditors meetings, he provides sound advice, mainly on the healthcare industry in general, including investments and digital technologies. Accordingly, we expect him to reflect his experience in the audits of the Company concerning the appropriateness of the management decisions and execution of duties by the directors from an independent point of view as an outside corporate auditor. We therefore recommend that you vote for his reelection as outside corporate auditor.

Notes

- 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.
- Shuichi Okuhara is registered as an independent auditor as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is reelected as an outside corporate auditor, he will continue to be registered as an independent auditor.

No.

2 Noriyuki Kishida
(August 3, 1960)

New appointment

Number of the Company's shares owned: 6,693 shares

■Career summary, position and responsibility within the Company

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

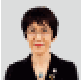
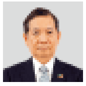
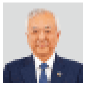
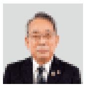
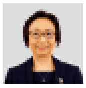
Reasons for nominating the candidate for Corporate Auditor

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

Notes:

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

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

Name	Age	Position and responsibility within the Company	Number of years served	Board of Directors	Nomination Advisory Committee	Compensation Advisory Committee
 Isao Teshirogi	64	Representative Director, President and CEO	22	●	●	●
 Takuko Sawada	69	Director and Vice Chairperson of the Board	9	●		
 Keiichi Ando	72	Outside Director	8	◎	◎	●
 Hiroshi Ozaki	74	Outside Director	5	●	●	◎
 Fumi Takatsuki	48	Outside Director	4	●	●	●
 Takaoki Fujiwara	72	Outside Director	1	●	●	●
 Akira Okamoto	69	Standing Corporate Auditor	9	●		●
 Noriyuki Kishida	63	Standing Corporate Auditor	—	●		
 Tsuguoki Fujinuma	79	Outside Corporate Auditor	5	●		
 Shuichi Okuhara	56	Outside Corporate Auditor	4	●		
 Yoriko Goto	65	Outside Corporate Auditor	1	●	●	

●Participating member ◎Chair

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

〔Reference〕

The Requirements and Independence Standards

Requirements

1. Outside directors and corporate auditors 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 corporate auditors shall recognize their roles, and shall take every opportunity to provide candid opinions and advice to the Company's management.
3. Outside directors and corporate auditors shall have a character that facilitates credible working relationships with the Company's management as well as stakeholders.
4. Outside directors and corporate auditors shall not act contrary to the interests of shareholders and shall not be interested parties with the Company.

Independence Standards

1. Outside directors and corporate auditors shall not be a major shareholder of the SHIONOGI Group (a shareholder who holds 10% or more of the total outstanding shares of the Group or who is one of the Group's top five shareholders), or, if such major shareholder is a corporation or organization, the outside directors and corporate auditors shall not be a director, corporate auditor, executive officer or employee of such corporation or organization.
2. Outside directors and corporate auditors shall not be a director, corporate auditors, executive officer or employee of a company of which the SHIONOGI Group is a major shareholder (a company in which the Group holds 10% or more of the voting rights or a company in which the Group is one of the top five shareholders).
3. Outside directors and corporate auditors shall not be a director, corporate auditors, executive officer or employee of a major business partner of the SHIONOGI Group.
   A "major business partner of the SHIONOGI Group" refers to any of the following:
   a. A business partner for which the amount of payment from the SHIONOGI Group to such business partner accounts for 2% or more of the SHIONOGI Group's consolidated sales on average over the last three business years of the SHIONOGI Group, including the most recent business year.
   b. A business partner for which the amount of money the SHIONOGI Group has received from such business partner accounts for 2% or more of the SHIONOGI Group's consolidated sales on average over the last three business years of the SHIONOGI Group, including the most recent business year.
4. Outside directors and corporate auditors shall not be a director, corporate auditor, executive officer or employee of a company for which the SHIONOGI Group is a major business partner.
   A "company for which the Group is a major business partner" refers to any of the following (except in the case where (5) applies):
   a. A company for which the amount of payment from such company to the SHIONOGI Group accounts for 2% or more of the company's consolidated sales on average over the last three business years of the company, including the most recent business year.
   b. A company for which the amount of money such company has received from the SHIONOGI Group accounts for 2% or more of the company's consolidated sales on average over the last three business years of the company, including the most recent business year.
5. If directors and corporate auditors are consultants or accounting or legal professionals, the directors and corporate auditors or the corporation or organization to which they belong shall not receive any of the following remuneration from the SHIONOGI Group other than their director or corporate auditor remuneration.
   a. (For individuals) Remuneration of 10 million yen or more per year
   b. (For corporations, organizations, etc.) Remuneration equal to or greater than 2% of the consolidated sales of a corporation, institution or the like to which the directors or corporate auditors belong or 10 million yen per year, whichever is higher, on average over the last three business years of such corporation, organization or the like, including the most recent business year
6. Outside directors and corporate auditors shall not have a position with a corporation or foundation to which the SHIONOGI Group contributes more than 10 million yen annually.
7. The tenure of the SHIONOGI Group's outside directors shall not exceed 10 years.
8. The tenure of the SHIONOGI Group's outside corporate auditor shall not exceed 12 years (3 terms).

Business Report FY2023 (Year ended March 31, 2024)

1. Current State of the SHIONOGI Group

(1) Business Operations and Results

1 Summary of Consolidated Results

◆ **Overview of Business (IFRS)**

Summary of consolidated statement of income for FY2023

		FY2022	FY2023	YoY (%)
Revenue *1	(¥ in 100 million)	4,267	4,351	2.0%
Operating profit	(¥ in 100 million)	1,490	1,533	2.9%
Core operating profit *2	(¥ in 100 million)	1,585	1,704	7.5%
Profit before tax	(¥ in 100 million)	2,203	1,983	△10.0%
Profit attributable to owners of parent	(¥ in 100 million)	1,850	1,620	△12.4%
EBITDA *3	(¥ in 100 million)	1,756	1,887	7.5%

*1 Revenue includes a lump-sum income for the transfer of the license of ADHD drugs.
*2 Core operating profit: Operating profit adjusted for non-recurring items (e.g. impairment loss, gain on sales of property, plant and equipment)
*3 Earnings Before Interest, Taxes, Depreciation and Amortization: Core operating profit plus depreciation and amortization

Revenue was ¥435.1 billion (up 2.0% year on year, including a lump-sum income for the transfer of the license of ADHD drugs). While ¥100 billion was recorded in FY2022 due to the purchase of COVID-19 drug Xocova by the Japanese government, revenue in FY2023 exceeded the previous year's level as each business grew steadily, such as increased sales of infectious disease drugs in Japan and abroad and increased royalty income, resulting in record high revenue for two consecutive years.

In terms of profit, operating profit was ¥153.3 billion (up 2.9% year on year) due to the steady progress of each business, despite a significant increase in expenses owing to aggressive investments in COVID-19-related projects and priority projects, the implementation of a special early retirement program and the recording of impairment losses associated with revising the development plan of Zatolmilast for Alzheimer's. Profit before tax was ¥198.3 billion (down 10.0% year on year), and profit attributable to owners of parent was ¥162.0 billion (down 12.4% year on year). Profits decreased in FY2023 due to the impact of a one-time increase in the dividend from ViiV in FY2022. However, excluding one-off items such as the special early retirement program and the recording of impairment charge, both profit before tax and profit attributable to owners of parent increased compared to the prior year.

In FY2023, we were able to reach record highs in revenue and operating profit for the second consecutive year while making aggressive investments to expand business abroad and establish new businesses and growth drivers to achieve growth over the medium to long term.

◆ **Overview of Assets, etc. (IFRS)**

Items of consolidated statement of financial position

		End of FY2022	End of FY2023	YoY (%)
Total assets	(¥ in 100 million)	13,118	14,169	8.0%
Total equity	(¥ in 100 million)	11,219	12,526	11.6%
Total liabilities	(¥ in 100 million)	1,899	1,644	△13.5%

◆ Progress of the domestic business

Domestic revenue from prescription drugs was ¥151.1 billion (down 15.9% year on year). Revenue decreased since ¥100 billion was recorded in FY2022 due to the purchase of the COVID-19 drug Xocova by the Japanese government. However, excluding the above factor and a one-off item of a lump-sum income received in FY2023 for the transfer of Intuniv and Vyvanse as a result of the termination of the license contract with Takeda Pharmaceutical Company Limited for the co-development and co-commercialization of the products, domestic revenue from prescription drugs increased by 58.1% year on year. This increase was mainly driven by higher sales of Xocova and the influenza drug Xofluza. In FY2023, we were able to establish stable revenue by owning these two acute infectious disease drugs.

Regarding the sales of each product, revenue from COVID-19-related products and influenza-related products totaled ¥73.4 billion. In FY2023, we also launched cefiderocol,*1 which has demonstrated efficacy against multi-drug resistant Gram-negative bacteria and was selected as the first designated drug for Japan's pull incentive program, the Anti-Bacterial Drug Assurance Support Project.*2

*1 Cefiderocol: Sold under the brand name Fetroja in Japan and the United States and Fetcroja in Europe.
*2 Japan's pull incentive program in which the government provides support for the difference if revenues from the antimicrobial do not reach a certain level after launch.

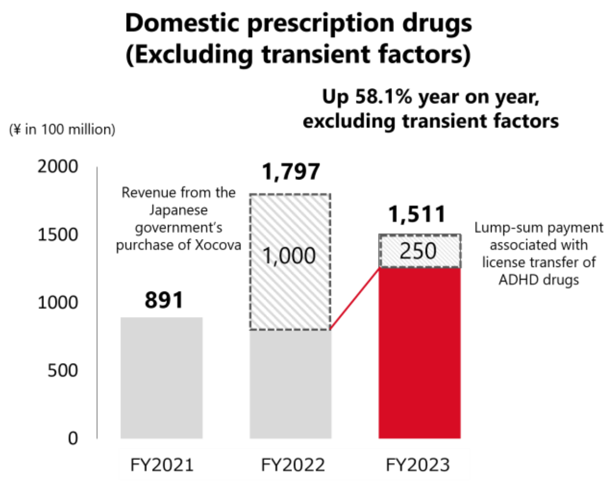
◆ Progress of the overseas business

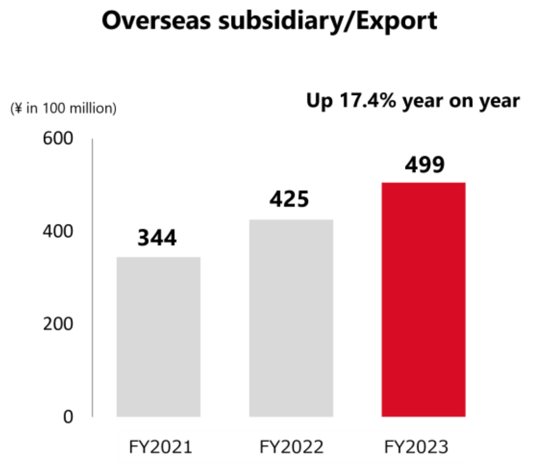
Revenue from the overseas business was ¥49.9 billion (up 17.4% year on year).

Sales of cefiderocol were robust in the United States and Europe, with US and Europe revenues increasing 15.9% year on year to ¥17.9 billion and 49.9% year on year to ¥13.6 billion, respectively. We will work to expand the US/Europe business by continuing to increase the number of countries where cefiderocol is sold, further expanding prescriptions in countries where it is already marketed and increasing the number of countries that adopt a subscription-type reimbursement model.*3

Revenue in China decreased 11.3% year on year to ¥10.6 billion due to the impact of the Chinese government's medical expenses reduction policy.

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

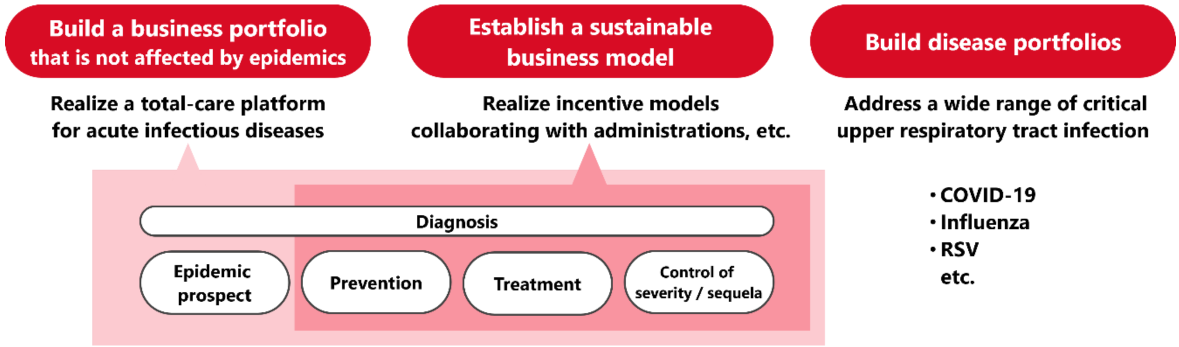




Topics　To Establish a Sustainable Acute Infectious Disease Business Not Affected by Epidemic

It is necessary to prepare for the threat of acute infectious diseases such as COVID-19 and influenza in normal times, as they will have a significant impact on society once a pandemic occurs. However, since such diseases are subject to repeated rapid outbreaks and declines that are difficult to predict, the market will be subject to great uncertainty. Therefore, in order to continuously develop acute infectious diseases as a business, it will be necessary to establish a sustainable acute infectious disease business that is not affected by epidemics.

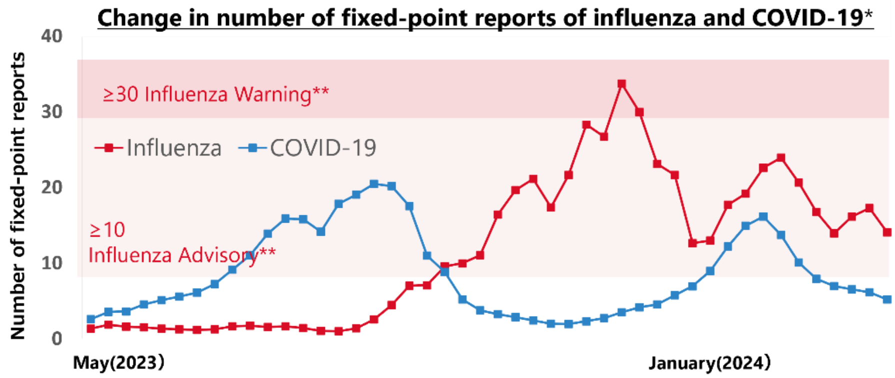
SHIONOGI's Initiatives to Establish a Sustainable Acute Infectious Disease Business Not Affected by Epidemics



To establish a sustainable acute infectious disease business that is not affected by epidemics, SHIONOGI is pursuing three major initiatives: 1) providing total care that goes beyond therapeutic drugs (establishing a business portfolio); 2) establishing a sustainable business model through efforts such as implementing an incentive model; and 3) providing solutions for multiple infectious diseases (establishing a disease portfolio).

Achievement in FY2023: Establishment of a Disease Portfolio

As sales of our domestic business were significantly affected by influenza epidemics before we launched the COVID-19 drug Xocova, sales were sluggish during the COVID-19 pandemic, as there were no influenza epidemics. In FY2023, however, COVID-19 infections spread after the disease became to a Class 5 infectious disease and until September, after which influenza infections increased. Due to these epidemics, sales of Xocova and the influenza family of drugs were robust, enabling us to generate stable revenue from infectious disease drugs throughout the year. As a result, FY2023 was a year that demonstrated the value of having a solution for multiple acute infectious diseases. We will continue to pursue various initiatives to establish an even more stable business model by developing and globally expanding solutions for other acute infectious diseases, such as RS virus infections.



Either Influenza or COVID-19 epidemic continues to a certain extent.

Realize stable revenue with two anti-infective drug assets, anti-influenza drugs and anti-COVID-19 drugs.

*After downgrading of COVID-19 to Category 5

Source：

- Ministry of Health, Labour and Welfare "Documents on reports and opinions regarding influenza"
- Ministry of Health, Labour and Welfare "Documents on reports and opinions regarding COVID-19"

** Epidemic threshold for influenza

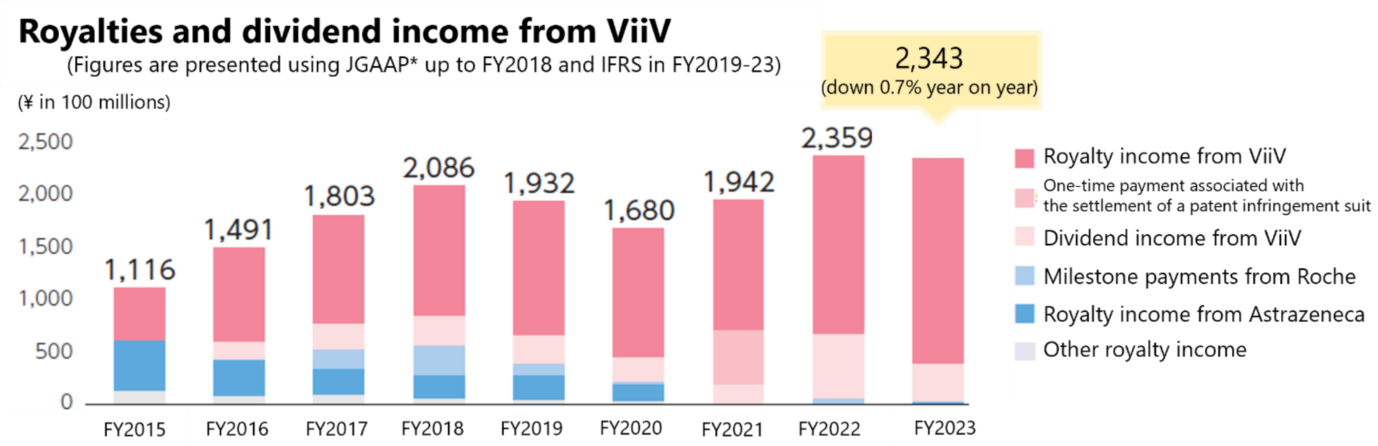
◆ Robust royalty and dividend income

Royalty income from ViiV was ¥195.8 billion (up 16.2% year on year), driven by an increase in the sales of the HIV franchise as the two oral-drug combination and long-acting (LA) drugs saw sharp growth.

Dividends from ViiV were ¥33.9 billion (down 44.5% year on year). Although the dividends received were above our original forecast due to the steady progress of ViiV's business, they were lower than in FY2022, as dividend income in FY2022 had been boosted by several exceptional factors. The specific factors include a one-time increase in dividends as ViiV received settlement money from the patent infringement lawsuit against US-based Gilead and a delay in the dividend payment from ViiV, which was planned for FY2021, to FY2022. However, the dividend itself has remained steady and is expected to grow continuously, as is royalty income.

Royalty income from Swiss-based Roche in FY2023 was ¥1.2 billion due to increased sales of out-licensed Xofluza. Royalty income from UK-based AstraZeneca amounted to ¥1.4 billion as the Company received royalties on Crestor.

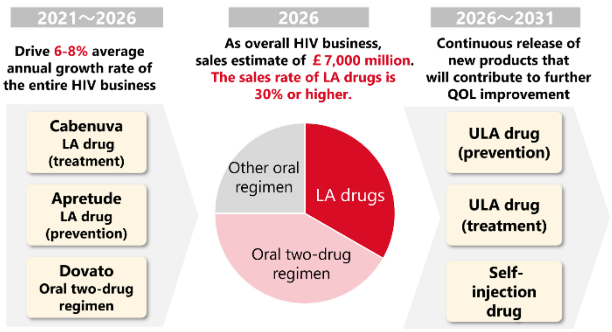
As a result, royalties and dividend income from ViiV for FY2023 came to ¥234.3 billion (down 0.7% year on year).



*JGAAP: Japan Generally Accepted Accounting Principles

Medium/long-term HIV business strategy: Clarify the road-map for sustainable growth

ViiV's progress of HIV business



In FY2023, Viiv Healthcare Ltd. announced a new Medium/long-term HIV business strategy to clearly state the road-map for sustainable growth.

The expected average annual growth rate has been raised substantially from the low single-digit range to 6-8%, as Viiv expects to increase sales, especially of the World-first LA drug, Cabenuva (LA drug) which is steadily expanding sales, as well as Apretude (LA preventive drug) and Dovato (oral two-drug combination) up to FY2026.

The LA drugs are expected to make up more than 30% of the Viiv's sales in 2026. The sales is expected to grow further thereafter with new products that will contribute to the improvement of QOL, including ultra-long-acting drug (ULA drug) which is injected every four months and also self-injecting drugs.

4 Research and Development －Main Progress－

In FY2023, SHIONOGI made progress in each project approximately as planned by proactively engaging in R&D activities, especially in COVID-19-related projects and priority projects, and steadily advancing its initiatives.

－Major progress of research projects－

S-567123 (Universal vaccine)	This is a next-generation vaccine that provides single-agent prophylaxis against a broad range of mutations. With the aim of developing a universal vaccine against the sarbecovirus, including the novel coronavirus (SARS-CoV-2), we have made progress in various studies towards the start of clinical trials in FY2024.
Xeruborbactam	This is a new beta-lactamase inhibitor that can show antimicrobial activity against drug-resistant bacteria when used with beta-lactam antimicrobials. In FY2023, we made progress in R&D with the aim of making it into a therapeutic drug when used in combination with beta-lactam antimicrobials, including cefiderocol.

－Main progress of development projects－

Ensitrelvir (Xocova)*	This is an oral COVID-19 treatment. In Japan, we launched the product after obtaining emergency approval in FY2022. Regular approval was obtained in FY2023. Progress was also made in multiple global Phase 3 trials for global rollout.
S-309309	This is an oral obesity treatment with a new mechanism. Development is underway as a new option for obesity treatment. In FY2023, progress was made in Phase 2 trials as the results of Phase 1 trials indicated a high level of safety, tolerance and a good PK profile.
S-268019	This is a recombinant protein vaccine against COVID-19. We have already filed an application for approval of production and marketing in Japan for the prevention of COVID-19. In FY2023, we made progress in Phase 3 trials in adolescent and pediatric patients.
S-151128	This is a painkiller with a new mechanism expected to offer high safety and an analgesic effect equal to or greater than opioids. In FY2023, we made progress in Phase 1 trials.
S-337395	This is a new treatment candidate with broad and potent antiviral effects against RS virus types A and B. In FY2023, we completed Phase 1 trials and initiated Phase 2 trials.
SDT-001	This is a digital therapeutic app developed by Akili, Inc., designed to treat pediatric patients with ADHD, that is exclusively licensed by SHIONOGI for development, commercialization and distribution in Japan and Taiwan. In FY2023, we submitted an approval application for commercialization and sale in Japan based on positive results from Phase 3 trials.

：Product discovered in-house

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

Development pipeline status (as of March 31, 2024)

	Infectious diseases		QOL diseases with a high social impact	
Nonclinical	S-567123 COVID-19 preventive vaccine (Universal vaccine) S-872600 Influenza prophylactic vaccine (nasal) S-875670 COVID-19 prophylactic vaccine (nasal)	S-649228 AMR (Gram-negative bacterial infection) S-540956 Nucleic acid adjuvant S-554110 Nontuberculous mycobacteria infection	S-540956 Nucleic acid adjuvant S-109802 Post-stroke spasticity of the upper/lower spasticity	
Phase 1	S-892216 COVID-19 treatment S-337395 RS virus infection	S-743229 AMR (Complicated urinary tract infection) ⬚ ○ S-365598 HIV infection	S-151128 Chronic pain ○ S-588210 Solid carcinoma	
Phase 2	○ S-337395 RS virus infection	⬚ ○ Asapiprant COVID-19 aggravation prevention	○ S-309309 Obesity ○ S-531011 Solid carcinoma ○ Zatolmilast Alzheimer's dementia ○ S-588410 Bladder cancer ○ S-488210 Head and neck cancer Epertinib Malignant tumor	○ Redasemtide Acute ischemic stroke Redasemtide Epidermolysis bullosa ○ Rizmoic Opioid-induced constipation (pediatric) ADR-001 Decompensated liver cirrhosis ⬚ ○ S-723595 Type 2 diabetes mellitus
Phase 3	○ S-268019 COVID-19 prophylactic vaccine (youth, school children) S-268023 COVID-19 preventive vaccine (XBB 1.5) ○ Olorofim Invasive aspergillosis ○ Cefiderocol Aerobic Gram-negative bacterial infection (pediatric) ⬚ ○ Baloxavir Influenza (Children, infants younger than 1 year old)	○ Ensitrelvir Treatment of COVID-19 Ensitrelvir Treatment of COVID-19 (Children between 5-11 years old) ○ Ensitrelvir Prevention of COVID-19 ⬚ ○ Baloxavir Influenza (Propagation inhibition)	Zuranolone Depression / depressed state Resiniferatoxin Pain associated with knee osteoarthritis ○ Zatolmilast Fragile X syndrome S-588410 Esophageal cancer SR-0379 Skin ulcer	
Application	Ensitrelvir (Korea/Singapore) COVID-19 treatment S-268019 COVID-19 prophylactic vaccine	Baloxavir Influenza (5-11 years old, treatment and prevention) Baloxavir Influenza (Granule, for patients weighing less than 20 kg)	SDT-001 Pediatric ADHD	

⬚ : Out-licensed

○ : Global development

Phase I clinical study
A study in which a new drug candidate is tested in humans for the first time. This phase is designed to assess the pharmacokinetics and safety in healthy adults.

Phase II clinical study
A study in which a new drug candidate is tested in a relatively small number of patients to assess its efficacy and safety and to determine an effective method of administration.

Phase III clinical study
A study in which a new drug candidate is tested in a larger number of patients to assess its efficacy and safety. This trial is often compared and contrasted with a placebo or an existing drug.

◆Research grant programs by the Shionogi Infectious Disease Research Promotion Foundation

Based on its Company Policy to "supply the best possible medicine to protect the health and wellbeing of the patients we serve," the SHIONOGI Group aims to develop into a company indispensable to society by meeting medical needs and providing solutions to social issues through business activities and to share the results of these efforts with stakeholders. As part of these efforts, the Group established the Shionogi Infectious Disease Research Promotion Foundation (the "Foundation") in June 2022 to support and promote research on infectious diseases that pose a threat to mankind and thereby contribute to the promotion of science and the health and welfare of mankind.

In March 2023, the Foundation obtained accreditation as a public interest incorporated foundation and launched a research grant program specializing in the field of infectious disease under the guidance and cooperation of experts. In FY2023, it decided to award 42 grants totaling ¥320 million.

Infectious disease is a difficult area for pharmaceutical companies to enter for research and development because of the predictability of profits, and the academic world is facing difficulty in attracting research funding and human resources. It is said that these problems have led to a decline in the number of infectious disease researchers and a fragile new technology development platform. We believe that the Foundation's research grant programs are necessary to develop the research platform for infectious diseases in normal times with a view to infection control in 5 to 10 years and to improve Japan's development capabilities. We will continue our efforts to raise awareness of the Foundation's activities and help advance research.

<Details of the FY2023 Research Grant Program>

	No. of applications	No. of grants awarded	Grant amount per project (Million of yen)	Total grant amount (Million of yen)	Research period
Grants for next-generation researcher support	112	25	3	75	January 2024 – December 2024
Grants for exploratory research	72	11	5	55	January 2024 – December 2024
Grants for fundamental research	20	3	30	90	January 2024 – December 2026
Grants for drug discovery research	9	2	20	40	January 2024 – December 2025
Grants for clinical research	4	1	60	60	January 2024 – December 2026
Total	217	42	—	320	—

◆Initiatives to improve access to infectious disease drugs globally

Access to pharmaceuticals is a significant issue for many people across the world. In June 2022, SHIONOGI signed a licensing agreement including technology transfer with GARDP* and a partnership agreement with GARDP and CHAI*[2] for cefiderocol. In FY2023, GARDP signed a sublicensing agreement with Orchid, an Indian pharmaceutical company, for the production of cefiderocol and started the transfer of production technologies.

SHIONOGI has also been working with the Medicines Patent Pool (MPP), a public health organization supported by the United Nations, to make the COVID-19 drug ensitrelvir available to low- and middle-income countries as soon as possible. In FY2023, the MPP signed a sublicensing agreement with seven generic drug manufacturers for the production of ensitrelvir. This agreement will enable the production and supply of ensitrelvir in 117 low- and middle-income countries.

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

◆ Results of manufacture and supply chain

Shionogi Pharma Co., Ltd. ("Shionogi Pharma"), a Group company in charge of the SHIONOGI Group's manufacturing functions, achieved significant progress and growth in FY2023, the fifth year since its establishment, such as increasing production of infectious disease drugs including dolutegravir (anti-HIV drug), Xocova and Xofluza, establishing a vaccine production system.

In FY2023, the shortage of pharmaceuticals worsened due to quality problems with generic drugs and the spread of infectious disease epidemics. Under these circumstances, Shionogi Pharma has met the needs of the medical practice for Medicon cough suppressant tablets by significantly increasing its production through accelerating the delivery of pharmaceutical ingredients and reallocating resources. It is the responsibility of the SHIONOGI Group to continue to provide the products and services necessary to protect the health and wellbeing of patients in a stable manner and with high quality. We will continue to make Group-wide efforts to fulfill this responsibility.

◆ Obtained certification by the Ministry of Health, Labour and Welfare to ensure stable domestic supply of antimicrobials

Antimicrobials are medications with extremely high medical needs, not only for the treatment of infectious diseases but also for the prevention of infection during surgery. However, almost all of their ingredients are imported from overseas, raising concerns that if the supply is cut off, it will have a serious impact on maintaining the health of the Japanese people. Therefore, the Japanese government designated antimicrobials as "specified important materials" in terms of economic security and formulated the "Plan for Stable Supply of Antibacterial Substances" as an initiative to ensure a stable supply of antimicrobials in Japan. Shionogi Pharma has been certified as eligible for support under the plan. As a result, Shionogi Pharma will receive support for the development of manufacturing facilities and a stockpiling system.

Shionogi Pharma has been working on the establishment of a manufacturing system for active pharmaceutical ingredients of antimicrobials. With this certification, we will further strengthen our supply chain system to ensure a stable domestic supply of antimicrobials and develop more efficient and safe manufacturing methods using serial production technology.

Kanegasaki Plant

Manufacturing facilities of active pharmaceutical ingredients were strengthened, and facilities such as solvent tanks for beta-lactam ingredients were constructed at the Kanegasaki Plant.

Amagasaki Office

Facilities were also constructed at the Amagasaki Office to establish side-chain synthesis technology and serial production methods for active pharmaceutical ingredients.

Topics SHIONOGIs ESG Initiatives and Corporate Evaluation from Outside

Sustainability Meeting

SHIONOGI has disseminated information on its sustainability initiatives through Integrated Reports, etc. In FY2023, we held our first Sustainability Meeting with the aim of providing a wider range of stakeholders with a deeper understanding of SHIONOGI's initiatives and approach to sustainability.

Slides and transcripts of the meeting are available on an external website at the following link.
(Presentation materials | IR Library | Shionogi & Co., Ltd.)

Received The Highest Rating in the Field of Climate Change and the Field of Water Security from CDP for the Second Consecutive Year and Selected as Supplier Engagement Leaderboard in the Field of Climate Change for the Fourth Consecutive Year

SHIONOGI was selected by CDP, an international non-profit organization running the global environmental disclosure system, as an A-list company, the highest rating, in the "Climate Change" and "Water Security" fields for the second consecutive year. In addition, SHIONOGI was selected as "Supplier Engagement Leaderboard," the highest rating in "Supplier Engagement Rating," in the field of "Climate Change." for the fourth consecutive year.

Human Resources-Related Evaluation: Recognized as the BEST WORKPLACE in the D&I Award for the Second Consecutive Year; Certified as Health & Productivity Management Outstanding Organization for the Eighth Consecutive Year

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

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

Continued to be Selected for Various Indices Used by GPIF

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

Indices used by GPIF	FTSE Blossom Japan Index
	FTSE Blossom Japan Sector Relative Index
	MSCI Japan Empowering Women Index
	MSCI Japan ESG Select Leaders Index
	S&P/JPX Carbon Efficient Index
	Morningstar Japan ex-REIT Gender Diversity Tilt Index
Other Indices	Sompo Sustainability Index
	FTSE4 Good Index
	MSCI ESG Leaders Indexes
	MSCI Japan ESG Select Leaders Index
	iSTOXX MUTB Japan Platinum Career 150

FTSE Blossom Japan
2024 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)
2024 CONSTITUENT MSCI日本株 ESGセレクト・リーダーズ指数
S&P/JPX カーボン エフィシェント 指数
FTSE Blossom Japan Sector Relative Index
2024 CONSTITUENT MSCIジャパン ESGセレクト・リーダーズ指数
MORNINGSTAR GenDi J Japan ex-REIT Gender Diversity Tilt Index
2023 MSCI ESG Leaders Indexes Constituent
2023 Sompo Sustainability Index
FTSE4Good
STOXX Indices by Qontigo Member 2023/2024 Platinum Career Index

(2) Significant Subsidiaries

Company Name	Paid-in Capital	Percentage of Ownership	Main Areas of Business
Shionogi Pharma Co., Ltd.	90 Million Yen	100.0	Manufacturing and contract manufacture of pharmaceuticals products and contract testing and analysis
Shionogi Healthcare Co., Ltd.	10 Million Yen	51.0	OTC drug manufacturing and sales
Shionogi Inc.	12 US dollars	100.0	Pharmaceutical clinical development and Pharmaceutical manufacturing and sales
Shionogi B.V.	630 Thousand UK Pounds	100.0	Pharmaceutical clinical development and Pharmaceutical manufacturing and sales
Ping An-Shionogi (Hong Kong) Limited	361,794 Thousand HK dollars	51.0	Pharmaceutical sales
Ping An-Shionogi Co., Ltd.	1,061,224 Thousand Chinese yuan	51.0	Pharmaceutical clinical development and Pharmaceutical manufacturing and sales

(3) Capital Investment

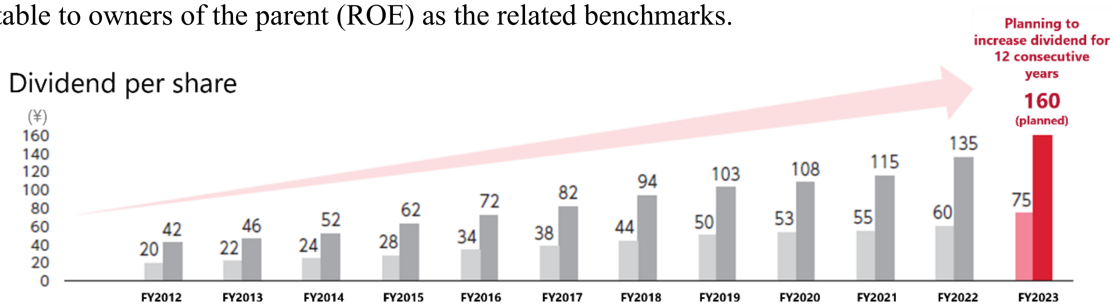
The SHIONOGI Group's capital investment for the fiscal year ended March 31, 2024 totaled 14.9 billion yen. SHIONOGI's primary investment was focused on research facilities.

(4) Fund-raising

Not applicable

(5) Fundamental policy on the appropriation of retained earnings

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



Treasury stocks	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Buyback (B yen)	–	–	30	–	35	29.4	50	50	50	–	49.4	75.0
Cancellation (M shares)	–	–	–	–	22.0	5.0	7.35	5.2*1	–	–	4.2	10.84*2

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

(6) Challenges Ahead

◆ Key points to be strengthened in FY2024

In FY2024, we will strive to further advance our efforts to achieve top-line growth through the global expansion of the infectious disease business and to establish new businesses and growth drivers for medium- to long-term growth by applying the lessons we learned from the rapid decision-making and bold resource allocation in our efforts to combat COVID-19 to all of our operations. We will also strengthen our global corporate functions and transform operations through DX to further improve operational efficiency.

In R&D in FY2023, we made progress with the COVID-19 drug and vaccine as well as priority projects including S-309309. Meanwhile, we have not been able to launch ensitrelvir, for which we are allocating significant resources to development, globally, except in Singapore where we received SAR approval,* nor have we been able to commercialize the vaccine. In FY2024, we will continue to improve the speed and decision-making we developed during the pandemic and advance R&D to make every product available to those in need, fulfilling our responsibility as a leading company in infectious diseases. The STS2030 Revision lists QOL diseases with high social impact as an area of focus, and we are carrying out R&D in obesity and sleeping disorders. To address important healthcare needs of society, including these diseases, and to create innovations beyond prescription drugs, we will utilize alliances with partners and external networks while leveraging our strengths in small-molecule drug discovery.

*SAR approval: Singapore's unique regulatory system for importing and sharing unapproved treatments

In our domestic business, we were able to increase sales significantly in FY2023 through own sales thanks to the expansion of prescriptions of the COVID-19 drug after its general distribution and the increase in market share of the influenza family, including anti-influenza drugs Xofluza and Rapiacta. On the other hand, for COVID-19, which is an acute infectious disease, both testing rates and treatment rates with antiviral drugs are currently lower than for influenza, although early diagnosis and early treatment are as important as for influenza. In FY2024, we will continue to work vigorously to increase treatment rates so that we can ensure the supply of Xocova to patients who require treatment with an oral antiviral drug. In FY2023, we also began the sale of cefiderocol, which demonstrates efficacy against multi-drug resistant Gram-negative bacteria. Cefiderocol was selected as the first designated drug for Japan's pull incentive program, the Anti-Bacterial Drug Assurance Support Project. In FY2024, we will carry out information provision activities for the proper use of antimicrobials. We also signed a partnership agreement in November 2023 to sell the insomnia treatment drug daridorexant in Japan. We aim to launch daridorexant by the end of December 2024 and will continue to work in collaboration with Mochida Pharmaceutical Co., Ltd.

In our overseas business, we made progress in FY2023 in expanding own sales of cefiderocol in US/Europe and establishing a framework for providing infectious disease drugs developed in-house globally by strengthening our negotiating power with external organizations and enhancing our global supply chains. In FY2024, we will aim to deliver COVID-19 drug ensitrelvir globally, especially in US/Europe and Asia, and reinforce our production and supply chains to address the rapidly changing external environment in a timely manner. In the United States and Europe, we will continue to strengthen our sales system in the hospital area, focusing on cefiderocol, and increase the number of countries to which pull incentives for cefiderocol are applied. In China, we will carry out activities for the commercialization of new drugs and also work to enhance our research approach using AI technologies to create medium- to long-term value.

With respect to investments in business, we were able to acquire R&D capabilities and new assets in FY2023 by making Qpex, which is strong in antimicrobial R&D, a wholly owned subsidiary and by establishing a joint venture with Apnimed, which has outstanding expertise in sleeping disorders. In FY2024, we will introduce and develop growth drivers and strengthen global functions by making effective use of capabilities gained from past business investments and continuing to invest aggressively based on the assessment of appropriate value.

(7) Overview of Operations

1) Business Results and Financial Position

【IFRS】 (Million of yen)

Classification	FY2019 155th term	FY2020 156th term	FY2021 157th term	FY2022 158th term	FY2023 159th term (Fiscal year ended March 31, 2024)
Revenue	333,371	297,177	335,138	426,684	435,081
Operating profit	130,628	117,438	110,312	149,003	153,310
Profit before tax	158,516	143,018	126,268	220,332	198,283
Profit attributable to owners of parent	122,193	111,858	114,185	184,965	162,030
Research and development expenses	47,949	54,249	72,996	102,392	102,640
Total assets	873,695	998,992	1,150,601	1,311,800	1,416,918
Total equity	765,203	864,550	993,285	1,121,878	1,252,562
Basic earnings per share	yen 395.71	yen 365.03	yen 378.75	yen 621.31	yen 558.51
Equity attributable to owners of parent per share	yen 2,518.74	yen 2,806.67	yen 3,236.21	yen 3,737.76	yen 4,356.65
Dividend per share	yen 103.00	yen 108.00	yen 115.00	yen 135.00	yen 160.00*2
Return on equity attributable to owners of parent (ROE)	% 15.5	% 13.9	% 12.5	% 17.8	% 13.9
Dividend on equity attributable to owners of the parent (DOE)	% 4.0	% 4.1	% 3.8	% 3.9	% 4.0*2

Notes:

1. The Group's consolidated financial statements, starting from FY2020, have been prepared in accordance with the International Financial Reporting Standards ("IFRS") pursuant to Article 120, Paragraph 1 of the Ordinance on Company Accounting.
2. The figures presented for dividend per share and dividend on equity attributable to owners of the parent are the amounts in the event Proposal No. 1 is approved without changes by the 159th Annual General Meeting of Shareholders.
3. In the 158th fiscal term, SHIONOGI disposed of 3 million of its shares to the trust account of Sumitomo Mitsui Trust Bank, Limited (re-trustee: Custody Bank of Japan, Ltd. (trust account)) relating to the SHIONOGI INFECTIOUS DISEASE RESEARCH PROMOTION FOUNDATION, and treated said shares as treasury stock. Therefore, the number of said shares is deducted from the average number of common stock outstanding during the period in the calculation of basic earnings per share and diluted earnings per share for the 158th and 159th fiscal term.
4. Revenue of the 159th fiscal term includes a lump-sum income for the transfer of the license of ADHD drugs.

【JGAAP】 (Million of yen)

Classification	FY2019 155th term
Net sales	334,958
Operating income	125,231
Ordinary income	151,751
Profit attributable to owners of parent	121,295
R&D expenses	47,193
Total assets	773,650
Net assets	683,647
Earnings per share	yen 392.80
Net assets per share	yen 2,248.69
Dividend per share	yen 103.00
Return on Equity (ROE)	% 18.0
Dividend on Equity (DOE)	% 4.7

2) Business Results and Financial Position of the Company

【JGAAP】 (Million of yen)

Classification	FY2019 155th term	FY2020 156th term	FY2021 157th term	FY2022 158th term	FY2023 159th term (Fiscal year ended March 31, 2024)
Net sales	293,865	260,986	285,948	369,499	345,761
Operating income	116,107	76,192	95,969	133,274	108,978
Ordinary income	121,265	81,714	100,892	134,998	258,621
Profit (loss)	88,640	32,181	90,264	107,367	253,060
Total assets	580,804	617,123	730,120	768,120	840,570
Net assets	530,482	536,405	590,430	612,890	749,494
Earnings (losses) per share	yen 287.05	yen 105.02	yen 299.41	yen 358.54	yen 863.36
Net assets per share	yen 1,744.81	yen 1,778.50	yen 1,957.59	yen 2,060.64	yen 2,615.24

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

(8) Main Operations of the SHIONOGI Group

The SHIONOGI Group mainly manufactures and sells pharmaceutical products.

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

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

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

(10) Employees

1) Number of Employees of the Corporate Group

Number of Employees	Y on Y Change	
4,959	(Decrease)	721

Note:
1. The number of employees includes personnel that external companies assign to the SHIONOGI Group and excludes personnel that the SHIONOGI Group assigns to external companies and temporary personnel.
2. The main reasons for the decrease are that Shionogi Business Partner Co., Ltd. left the SHIONOGI Group in July 2023 due to the establishment of a joint venture with Accenture and the implementation of a special early retirement program with a retirement date of October 31, 2023.

2) Number of Employees of the Company

Number of Employees	Y on Y Change		Average Age	Average Number of Years with the Company
2,117	(Decrease)	341	40.9	15.1

Note: The main reason for the decrease is the implementation of a special early retirement program with a retirement date of October 31, 2023.

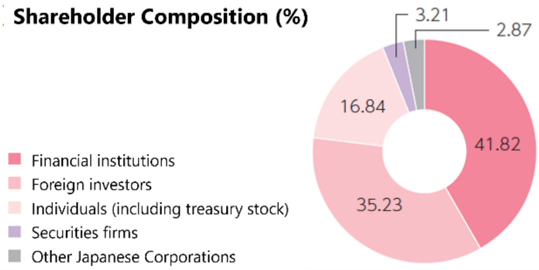
(11) Main Loans from Banks

Not applicable.

2. Stock Data

1) Number of shares authorized to be issued: 1,000,000,000
2) Number of shares issued: 307,386,165
(including 20,894,588shares of treasury stock)
3) Number of shareholders: 68,435

Shareholder Composition (%)



4) Major shareholders (Top 10)

Name of Shareholder	Number of Shares Held (Thousands of shares)	% of Total
The Master Trust Bank of Japan, Ltd. (Trust account)	56,082	19.57%
Custody Bank of Japan, Ltd. (Trust account)	23,981	8.37%
Sumitomo Life Insurance Company	18,604	6.49%
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	9,485	3.31%
Nippon Life Insurance Company	8,409	2.93%
BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED	6,356	2.21%
STATE STREET BANK WEST CLIENT - TREATY 505234	5,639	1.96%
JP Morgan Securities Japan Co., Ltd.	4,453	1.55%
NORTHERN TRUST CO.(AVFC) SUB A/C AMERICAN CLIENTS	3,650	1.27%
JP MORGAN CHASE BANK 385781	3,430	1.19%

Notes:
1. The Company owns 20,894,588 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 286,491,577shares of total issued stock (excluding 20,894,588 shares of treasury stock).

5) Stock Issued as Remuneration to Company Officers during FY2023
The details of stock compensation issued during FY2023 are as follows.

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

3. Stock Acquisition Rights

1) Stock Acquisition Rights Issued as Remuneration to and held by Company Directors as of March 31, 2024

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

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

2) Stock Acquisition Rights Issued as Remuneration to Company Employees during Fiscal 2023

Not applicable.

4. Board Members

(1) Directors and Corporate Auditors (As of March 31, 2024)

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

Notes:

1. Directors Keiichi Ando, Hiroshi Ozaki, Fumi Takatsuki and Takaoki Fujiwara are Outside Directors stipulated in Section 15, Article 2 of the Companies Act.
2. Auditors Tsuguoki Fujinuma, Shuichi Okuhara and Yoriko Goto are Outside Corporate Auditors stipulated in Section 16, Article 2 of the Companies Act.
3. Directors Keiichi Ando, Hiroshi Ozaki, Fumi Takatsuki and Takaoki Fujiwara have each submitted notification as independent directors as stipulated by Tokyo Stock Exchange Group, Inc.
4. Auditors Tsuguoki Fujinuma, Shuichi Okuhara and Yoriko Goto have each submitted notification as independent auditors as stipulated by Tokyo Stock Exchange Group, Inc.
5. Auditors Tsuguoki Fujinuma, Shuichi Okuhara and Yoriko Goto is qualified as a certified public accountant and has considerable knowledge in the field of financial affairs and accounting.
6. Summary of Contracts to Limit Liability
   The Company has concluded contracts with all outside directors and outside corporate auditors to limit their liability as stipulated in Section 1, Article 423 of the Companies Act to the amount stipulated in the relevant laws and ordinances under the condition that the requirements stipulated therein are fulfilled.
7. Overview of directors and officers, etc. (D&O) liability insurance contract
   The Company executed a directors and officers, etc. (D&O) liability insurance contract stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, which covers Directors and Corporate Auditors of the Company and its subsidiary as the insured. Based on the foregoing, the Company will compensate officers, etc. for damages, legal expenses, etc. (excluding, however, exemptions stipulated in the insurance contract) under the insurance contract in cases where they become subject to a claim for damages as a result of execution of their duties during the insurance contract period. The full amount of the insurance premiums for the insurance contract is borne by the Company.
8. Directors and Corporate Auditors who retired during FY2023
   Corporate Auditor Takaoki Fujiwara (retired on June 21, 2023 for appointment as director)

(2) Amount of Remuneration for Directors and Corporate Auditors

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

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

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

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

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

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

As a result, the share of base remuneration in total remuneration in FY2022 is about 36%, due mainly to the impact of the status of achievement of the profit target for the year and the stock price in stock compensation.

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

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

(Million of yen, except for persons)

Category	Persons remunerated	Total amount of remuneration, etc. by type			
		Base remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	Total
Directors (outside directors among directors)	6 (4)	227 (70)	156 (-)	117 (-)	501 (70)
Corporate Auditors (outside auditors among auditors)	6 (4)	124 (54)	- (-)	- (-)	124 (54)
Total	12	351	156	117	625

Notes:
1. By resolution of the Ordinary General Meeting of Shareholders, the total amount of remuneration of directors and corporate auditors is limited to no more than 750 million yen for directors (approved by the General Meeting of Shareholders on June 20, 2018: the number of directors at the time of conclusion of said Ordinary General Meeting of Shareholders was six (of which, the number of Outside Directors was three)) and no more than 170 million yen for corporate auditors (approved by the Ordinary General Meeting of Shareholders on June 18, 2019: the number of corporate auditors at the time of conclusion of said Ordinary General Meeting of Shareholders was five).
2. "Performance-linked remuneration, etc." above is the relevant allowance for directors' bonuses for FY2023.
3. "Non-monetary remuneration, etc." above is the relevant expense recognized for FY2023.

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

1. Basic policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Outside Board Members

1) Major Activities

Office	Name	Major Activities
Director	**Keiichi Ando** Attendance at Board of Director meetings 13/13 (100%)	We expect him to play a role in which he recognizes the corporate responsibility we should fulfill and makes management decisions from a higher standpoint with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. In this regard, he serves as chairperson of the Board of Directors, presents many questions and opinions and provides sound advice in terms of budget planning and management, capital policies, including investments, and risk management, so that important management resources are used effectively.
Director	**Hiroshi Ozaki** Attendance at Board of Director meetings 13/13 (100%)	We expect him to play a role in which he utilizes his abundant practical experience and wide-ranging knowledge in corporate management and organizational management as a manager of a company based in Kansai and recognizes the corporate responsibility we should fulfill to make management decisions from a higher standpoint with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. In this regard, at Board of Directors meetings, he raises many pertinent questions and provides advice on business, marketing and supply chains, including investments and business alliances.
Director	**Fumi Takatsuki** Attendance at Board of Director meetings 13/13 (100%)	We expect her to play a role in which she recognizes the corporate responsibility we should fulfill, prioritizes the observance of social norms and compliance with laws and regulations and makes fair management decisions from a global perspective from her position as an attorney in international corporate law. In this regard, at Board of Directors meetings, she presents many questions on business development in Asia, especially China, from an international corporate legal perspective, as well as providing sound advice on compliance.
Director	**Takaoki Fujiwara** Attendance at Board of Director meetings 11/11 (100%)	We expect him to play a role in which he utilizes his extensive practical experience and a wide range of knowledge as a manager of a group of companies engaged in urban transport, real estate and entertainment, mainly in the Kansai area and recognizes the corporate responsibility we should fulfill to make management decisions from a higher standpoint with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. In this regard, at Board of Directors meetings, he provides sound advice mainly on human resource management and compliance.
Corporate Auditor	**Tsuguoki Fujinuma** Attendance at Board of Director meetings 13/13 (100%) Attendance at Board of Corporate Auditors meetings 11/11 (100%)	He provides sound advice on the appropriateness of directors' management decisions and their execution of duties and on the overall healthcare industry, mainly including investments and digital technologies, from an independent standpoint as a corporate auditor, taking into account his adaptability to the rapidly changing business environment and professional expertise in finance and accounting. At meetings of the Board of Corporate Auditors, he discusses and provides recommendations on significant matters concerning unscheduled audits.
Corporate Auditor	**Shuichi Okuhara** Attendance at Board of Director meetings 13/13 (100%) Attendance at Board of Corporate Auditors meetings 11/11 (100%)	He provides sound advice on the appropriateness of directors' management decisions and their execution of duties and on the overall healthcare industry, mainly including investments and digital technologies, from an independent standpoint as a corporate auditor, taking into account his adaptability to the rapidly changing business environment and professional expertise in finance and accounting. At meetings of the Board of Corporate Auditors, he discusses and provides recommendations on significant matters concerning unscheduled audits.
Corporate Auditor	**Yoriko Goto** Attendance at Board of Director meetings 11/11 (100%) Attendance at Board of Corporate Auditors meetings 9/9 (100%)	We expect her to play a role in which she provides appropriate recommendations on the appropriateness of directors' management decisions and their execution of duties from an independent standpoint as a corporate auditor based on her professional expertise in finance and accounting and extensive management experience and a wide range of knowledge as the chair of the board of a company. In this regard, at Board of Directors meetings, she provides sound advice mainly on finance, accounting, corporate governance, and compliance. At meetings of the Board of Corporate Auditors, she discusses and provides recommendations on significant matters concerning unscheduled audits.

Note: The "attendance at Board of Directors meetings" of Director Takaoki Fujiwara and the "attendance at Board of Corporate Auditors meetings" of Corporate Auditor Yoriko Goto are after their appointment on June 21, 2023.

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

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

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

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

The Company does not have any relationship that should be indicated with Sanyo Electric Railway Co., Ltd., where Director Takaoki Fujiwara served as outside director in FY2023.

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

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

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

5. Independent Accounting Auditor

(1) Name of Independent Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Compensation Paid to Independent Accounting Auditor for the Fiscal Year Ended March 31, 2024

1) Compensation paid to the Independent Accounting Auditor for the fiscal year ended on March 31, 2024:

131 million yen

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

139 million yen

Notes:

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

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

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

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

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

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

6. Systems and Policies of the Company

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

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

The status of these systems in the fiscal year ended March 31, 2024 in accordance with the basic policy for construction of systems to assure appropriate business operations (the Basic Policy for Construction and Operation of Internal Control System) is summarized below.

1) Matters concerning directors' execution of duties

The Board of Directors (composed of six directors, including four outside directors） met 13 times in the fiscal year ended March 31, 2024, and made appropriate decisions on important matters that require management's judgment in accordance with laws and regulations, and the Company's Articles of Incorporation. The five corporate auditors supervised directors' execution of their duties.

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

As a part of its decision-making process, the Company constantly anticipates business risks, interprets positive risks (offensive risks, business opportunities) and negative risks (defensive risks) as being one in the same, and sets criteria for the decision-making levels based on the scale of business risks with the aim of ensuring the execution of duties in a manner that will maximize results. Furthermore, in FY2023, the Company formulated STS2030 Revision based on the past initiatives of Shionogi Transformation Strategy 2030 (STS2030), its medium-term management plan. In FY2022, the Company switched to a governance system where executive managers entrusted by the representative director manage each major value chain. This is aimed at clarifying responsibilities in business execution more clearly and strengthening collaboration between related headquarters based on a belief that it is important to transform ourselves into an organization with advanced decision-making and efficient business execution abilities to achieve STS2030 Revision.

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

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

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

2) Matters concerning compliance

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

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

3) Matters concerning risk management

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

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

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

4) Matters concerning the Group company management system

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

5) Matters concerning corporate auditors' execution of duties

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

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

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

In the fiscal year ended March 31, 2024, the Board of Auditors met 11 times including the Group Company Audit Liaison Committee meetings from time to time on important matters. The Committee broadly tested the appropriateness and effectiveness of management, compliance, risk management and the effectiveness of internal controls, and provided advice and suggestions to management as necessary.

(2) Systems to assure appropriate business operations

Based on operations during FY2023 in accordance with the Basic Policy for Construction and Operation of Internal Control System, at a meeting of the Board of Director's held on April 25, 2024, the Company passed as resolution to amend the basic policy for construction of systems to assure appropriate business operations ("The Basic Policy for Construction and Operation of Internal Control System") as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Other systems to ensure effective audits by corporate auditors

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

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

7. Other Material Matters

Legal Actions

・In August 2021, the Company, ViiV Healthcare Company and GlaxoSmithKline Brazil Ltda jointly filed a patent infringement action against Blanver S.A. and Lafepe, which have obtained Partnership for Productive Development (PDP) for dolutegravir (Japanese brand name: Tivicay) in Brazil, over the patent for dolutegravir held by the Company with ViiV Healthcare.

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

・In January 2024, the Company, ViiV Healthcare Company and ViiV Healthcare ULC jointly filed a patent infringement action in the Federal Court of Canada in Toronto against Pharmascience Inc., which filed an application to market a generic version of dolutegravir (brand name: TIVICAY) in Canada, based on the substance patent for dolutegravir that the Company shares with ViiV Healthcare Company. The patent infringement action seeks an injunction against working prior to the expiration of said patent.

Consolidated Statement of Financial Position (As of March 31, 2024)

(Million of yen)

Accounts	FY2023	(Reference) FY2022	Accounts	FY2023	(Reference) FY2022
Assets			Equity		
Non-current assets			Capital stock	21,279	21,279
Property, plant and equipment	114,586	112,085	Capital surplus	14,242	15,204
Goodwill	15,287	9,819	Treasury shares	△137,889	△63,074
Intangible assets	117,621	96,309	Retained earnings	1,065,913	940,606
Right-of-use assets	9,440	6,482	Other components of equity	271,778	186,030
Investment real estate	27,768	26,382	Equity attributable to owners of parent Retained earnings	1,235,325	1,100,046
Other financial assets	292,321	247,711	Non-controlling interests	17,236	21,832
Deferred tax assets	13,526	22,100	Total Equity	1,252,562	1,121,878
Other non-current assets	42,158	6,716	Liabilities		
			Non-current liabilities		
			Lease liabilities	8,753	6,397
			Other financial liabilities	7,649	4,844
Total non-current assets	632,712	527,607	Retirement benefit liabilities	7,994	12,867
Current assets			Deferred tax liabilities	4,360	5,916
Inventory	64,916	57,919	Other non-current liabilities	1,691	1,343
Trade receivables	122,830	109,774	Total non-current liabilities	30,448	31,369
Other financial assets	215,761	254,131	Current liabilities		
Other current assets	22,607	53,142	Lease liabilities	2,867	3,014
Cash and cash equivalents	358,090	309,224	Trade payables	14,808	14,005
			Other financial liabilities	31,118	29,720
			Income tax payable	20,844	42,217
			Other current liabilities	64,267	69,595
			Total current liabilities	133,907	158,552
Total current assets	784,205	784,192	Total liabilities	164,355	189,921
Total assets	1,416,918	1,311,800	Total equity and liabilities	1,416,918	1,311,800

Consolidated Statement of Profit or Loss FY2023 (Year ended March 31, 2024)

(Million of yen)

Accounts	FY2023	(Reference) FY2022
Revenue	410,073	426,684
Profit from transfer of license	25,008	–
Cost of sales	△57,602	△62,246
Gross profit	**377,479**	**364,437**
Sales, general and administrative expenses	△99,651	△97,775
Research and development costs	△102,640	△102,392
Amortization of intangible assets associated with products	△3,728	△3,720
Other income	6,194	3,899
Other expenses	△24,342	△15,445
Operating profit	**153,310**	**149,003**
Finance income	51,674	75,829
Finance costs	△6,701	△4,500
Profit before tax	**198,283**	**220,332**
Income tax expense	△37,708	△35,836
Profit	**160,575**	**184,496**
Profit attributable to		
Owners of parent	162,030	184,965
Non-controlling interests	△1,455	△469
Profit	**160,575**	**184,496**

Consolidated statement of changes in equity FY2023 (Year ended March 31, 2024)

(Million of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of April 1, 2023	21,279	15,204	△63,074	940,606	186,030	1,100,046	21,832	1,121,878
Profit				162,030		162,030	△1,455	160,575
Total other comprehensive income, net of tax					92,948	92,948	612	93,560
Comprehensive income	–	–	–	162,030	92,948	254,978	△842	254,135
Purchase of treasury shares			△75,013			△75,013		△75,013
Disposal of treasury shares		△3	198			195		195
Dividends				△43,919		△43,919		△43,919
Change in interests in controlled subsidiaries		△961				△961	△3,752	△4,714
Transfer from other components of equity to retained earnings				7,199	△7,199	–		–
Other		3		△3		–		–
Balance as of March 31, 2024	21,279	14,242	△137,889	1,065,913	271,778	1,235,325	17,236	1,252,562

Notes on Consolidated Financial Statements

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

1. Standards for Preparation of Consolidated Financial Statements

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

2. Scope of consolidation

   Number of consolidated subsidiaries: 43

   Names of significant consolidated subsidiaries

   Shionogi Pharma Co., Ltd., Shionogi Healthcare Co., Ltd.,
   Shionogi Inc., Shionogi B.V., Ping An-Shionogi (Hong Kong) Ltd.,
   Ping An-Shionogi (China) Co., Ltd.

   (New) Increase owing to share acquisition: 2 companies
   (Exclusion) Decrease owing to liquidation: 2 companies
   Decrease owing to merger: 1 company
   Decrease owing to sale of shares: 1 company

   Note: "Decrease owing to sale of shares" is due to removing Shionogi Business Partner Co., Ltd. from the scope of consolidation through a partial sale of equity.

3. Matters on application of the equity method

   Number of jointly controlled entities to which the equity method is applied: 2 companies
   (New) Increase owing to share acquisition: 1 company
   Number of affiliated companies to which the equity method is applied: 1 company
   (New) Increase owing to sale of shares: 1 company

   Note: "Increase owing to sale of shares" is due to removing Shionogi Business Partner Co., Ltd. from the scope of consolidation through a partial sale of equity and including it in the scope of equity-method affiliates.

4. Significant accounting policies

(1) Basis and method of valuation of significant assets

1) Non-derivative financial assets

(i) Initial recognition and measurement

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

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

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

(a) Financial assets that are debt instruments

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

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

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

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

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

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

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

(b) Financial assets that are capital instruments

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

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

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

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

(ii) Subsequent measurement

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

Financial assets are measured at fair value.

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

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

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

(iii) Asset impairment

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

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

Amount equivalent to 12 months of estimated credit loss

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

Amount equivalent to the estimated lifetime credit loss

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

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

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

(iv) Termination of recognition

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

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

(a) Financial liabilities measured at amortized cost

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

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

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

(iii) Termination of recognition

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

3) Derivatives and hedge accounting

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

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

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

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

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

4) Financial guarantee contracts

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

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

(2) Standards and methods for measuring inventory

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

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

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

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

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

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

・Buildings and structures 2-60 years

・Machinery, equipment and vehicles 2-17 years

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

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

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

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

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

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

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

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

Useful life by type of major intangible assets

・Intangible assets related to products 8-15 years

・Software 5 years

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

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

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

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

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

It conforms to property, plant and equipment.

(7) Matters related to goodwill

The amount of the acquisition price minus cumulative losses is posted as goodwill.
Goodwill is not amortized.

(8) Impairment losses on non-financial assets

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

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

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

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

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

(9) Employee benefits

1) Post-employment benefits

(i) Defined benefit plan

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

(ii) Defined contribution plans

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

2) Short-term employee benefits

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

(10) Standards for recognizing revenue

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

Step1: Identify contracts with customers
Step2: Identify performance obligations in contracts
Step3: Calculate transaction price
Step4: Allocate the contract transaction price to individual performance obligations
Step5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

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

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

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

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

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

(11) Foreign currency translations

1) Foreign currency-denominated transactions

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

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

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

2) Exchange differences on translation of foreign operations

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

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

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

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

(Notes on Changes in Accounting Policies)

The SHIONOGI Group has adopted the following standards effective from this consolidated fiscal year. The application of the following standards has no material impact on the consolidated financial statements.

Standards document	Standards name	Outline of the new establishment or revision
IAS No. 12	Corporate income tax	Clarification of accounting for deferred taxes relating to assets and liabilities arising from a single transaction

(Notes on Accounting Estimates)

1. Impairment of non-financial assets

In the consolidated financial statements for the fiscal year under review, SHIONOGI posted property, plant and equipment of 114,586 million yen, goodwill of 15,287 million yen and intangible assets of 117,621 million yen. In calculating the recoverable amount in an impairment test of these assets, we set assumptions such as sales forecast and discount rates in business plans, and potential sales approval by the regulatory authority prior to market launch. There is a possibility that these estimates will be impacted by changes in future economic conditions. In the case of a decline in the recoverable amount, there is a possibility that SHIONOGI will post impairment losses.

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

During FY2023, impairment losses of 12,926 million yen were recognized in the consolidated statement of profit or loss on in-process R&D assets. The main breakdown is an impairment loss of 12,404 million yen recorded in the consolidated statement of profit or loss on intangible assets whose recoverable amount was valued at zero in connection with the revision of the development plan for zatolmilast, which is in the Phase II trial stage as a treatment for Alzheimer’s disease, among the intangible assets related to a treatment for Alzheimer’s disease and fragile X syndrome identified in previous years from the business combination of Tetra Therapeutics Inc.

On the other hand, the zatolmilast in the Phase II/III trial stage as a treatment for fragile X syndrome is recorded as an intangible asset of 12,035 million yen in the consolidated statement of profit or loss.

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

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

In the Consolidated Statement of Financial Position, as a financial asset measured at fair value through other comprehensive income, 223,943 million yen was posted as the value of the shares in ViiV Healthcare Ltd. (“ViiV”), a non-listed company engaged in development, manufacturing and sales of anti-HIV drugs The fair value of ViiV shares is calculated using an evaluation technique that uses input that is not based on observable market data, including future cash flows and discount rates. Important assumptions for measuring fair value are the peak sales and discount rate for each product. Among them, peak sales are affected by the sales trends of competitive products and the development and sales strategies of the company, while the discount rate is affected by market interest rates and other market environments, which may impact total assets and capital.

(Notes on the Consolidated Statement of Financial Position)

1. Allowance for doubtful accounts with direct write-off from assets

Trade and other receivables	358 million yen
Other financial assets	36 million yen

2. Cumulative depreciation and impairment loss for property, plant and equipment
182,851 million yen

Accumulated depreciation amount of invested real estates 322 million yen

3. Guarantee obligations

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

PeptiStar Inc 9,000 million yen

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

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

(Notes on Consolidated Profit and Loss Statement)

1. Profit from transfer of license

The difference of 25,008 million yen between the consideration received and the intangible asset derecognized associated with the transfer of the Intuniv and Vyvanse licenses to Takeda Pharmaceutical Company Limited is presented under "profit from transfer of license" in the Consolidated Statement of Profit or Loss and is included in gross profit. Said profit is not revenue pursuant to IFRS No. 15 Revenue from Contracts with Customers. However, the SHIONOGI Group adopts the most appropriate method of recovering its investment in intangible assets such as in-process research and development assets and marketing rights at the time of the transaction, including earning revenue from its own manufacturing and sales and receiving lump-sum payments and royalty income from out-licensing to other companies. This transaction is one such investment recovery method. Therefore, the Group believes that including this profit in gross profit will contribute to providing useful information to users of the financial statements.

2. Main breakdown of other revenue

(Million of yen)

	Amount
Reversal of impairment loss	4,663
Gain on sale of businesses	1,200
Other	330
Total	6,194

Notes:

1. Reversal of impairment loss refers to impairment losses recorded in prior periods on the marketing rights of Symproic that were reversed due to an improvement in the sales outlook.
2. Gain on sale of businesses is due to the sale of the insurance agency business that was conducted by the SHIONOGI Group.

3. Main breakdown of other expenses

(Million of yen)

	Amount
Impairment loss	12,926
Extra retirement payments	7,255
Costs to handle leaks	735
Loss on retirement of fixed assets	567
Donations	540
Investment loss under equity method	123
Litigation expenses	59
Other	2,133
Total	24,342

Notes:

1. Impairment loss is mainly associated with the cancellation of trials related to R&D assets in process. For details, please refer to (Notes to accounting estimates) "2. Valuation of intangible assets identified from the business combination of Tetra Therapeutics. Inc."
2. Extra retirement payments are mainly related to the implementation of the early special retirement program carried out in FY2023
3. Costs to handle leaks is related to measures taken to address the leak of dichloromethane at the premises of Kanegasaki Plant.

(Notes on the Consolidated Statement of Changes in Equity)

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

(Shares)

	April 1, 2023	Increase	Decrease	March 31, 2024
Shares in issue Common stock	307,386,165	−	−	307,386,165
Total	307,386,165	−	−	307,386,165
Treasury stock Common stock	13,080,279	10,846,109	31,800	23,894,588
Total	13,080,279	10,846,109	31,800	23,894,588

Notes:

1. The increase of 10,846,109 common shares in treasury stock reflects an increase of 10,842,100 shares due to the acquisition of treasury stock based on a resolution of the Board of Directors, an increase of 1,800 shares due to the acquisition free of charge in the restricted stock compensation plan, and an increase of 2,209 shares due to the purchase of odd-lot shares.
2. The decrease of 31,800 common shares in treasury stock reflects a decrease of shares due to the disposal as restricted stock compensation.

2. Dividends

(1) Dividend payments

Resolution	Category	Total dividends	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 21, 2023	Common stock	22,297 million yen	75 yen	March 31, 2023	June 22, 2023
Meeting of Board of directors on October 31, 2023	Common stock	22,071 million yen	75 yen	September 30, 2023	December 1, 2023

Notes:

The total amount of dividends resolved by the Board of Director on October 31, 2023 and Annual General Meeting of Shareholders on June 21, 2023 includes dividends of 225 million yen on the Company's shares held by the trust account of Sumitomo Mitsui Trust Bank, Limited (re-trustee: Custody Bank of Japan. Ltd (trust account)) relating to the SHIONOGI INFECTIOUS DISEASE RESEARCH PROMOTION FOUNDATION.

(2) Dividends whose record date is within this consolidated fiscal year but whose effective date is subsequent to March 31, 2024

The following is to be approved at the 159th Annual General Meeting of Shareholders to be held on June 20, 2024.

Resolution	Category	Total dividends	Dividend resource	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 20, 2024	Common stock	24,351 million yen	Retained earnings	85 yen	March 31,2024	June 21, 2024

Notes:

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

3. Shares Issuable during the Share Subscription Rights Exercise Period as of the end of this consolidated fiscal year (March 31, 2024)

Subscription rights to shares

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

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

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

1. During the stock acquisition rights exercise period, Company directors who are stock acquisition rights holders who cease to be a Company director may only exercise their stock acquisition rights during the 10-day period beginning the day immediately following the date of cessation (if the 10th day is a holiday, the next business day), and may only exercise their stock acquisition rights in full, in a single transaction.
2. During the stock acquisition rights exercise period, Company corporate officers who are stock acquisition rights holders who cease to be a Company corporate officer or whose employment contract with the Company expires (excluding the re-employment contract after retirement) may only exercise their stock acquisition rights during the 10-day period beginning the day immediately following the date of cessation (if the 10th day is a holiday, the next business day), and may only exercise their stock acquisition rights in full, in a single transaction.

   Corporate officers who are stock acquisition rights holders and who are elected as directors may not exercise their stock acquisition rights until they officially retire as directors.

(Notes on Financial Instruments)

1. Matters relating to financial instruments

(1) Financial risk management

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

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

(2) Credit risk

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

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

(3) Liquidity risk

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

(4) Market risks

1) Foreign exchange volatility risk

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

2) Market price fluctuation risks

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

2. Matters related to the fair value of financial instruments

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

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

(Million of yen)

	Book value	Fair value
Financial instruments measured at amortized cost		
Bonds (long-term)	2,755	2,902

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

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

(1) Fair value hierarchy

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

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

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

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

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

(Million yen)

	Level 1	Level 2	Level 3	Fair value
Financial assets				
Financial instruments measured at amortized cost				
Bonds (long-term)	2,146	－	756	2,902
Financial assets measured at fair value through net income/loss				
Derivative assets	－	－	3,244	3,244
Other	－	－	499	499
Subtotal	－	－	3,744	3,744
Financial assets measured at fair value through other comprehensive income				
Stocks and investments in capital	35,685	－	247,579	283,264
Other	－	－	470	470
Subtotal	35,685	－	248,049	283,734
Total	37,831	－	252,550	290,382
Financial liabilities				
Financial liabilities measured at fair value through net income/loss				
Derivative liabilities	－	5,670	－	5,670
Contingent price	－	－	8,092	8,092
Total	－	5,670	8,092	13,763

(Notes) 1. The Level 1 financial assets include the interest-bearing national government bonds and listed shares.

2. The Level 2 financial assets and financial liabilities are derivative financial assets and derivative financial liabilities through foreign exchange forwards, etc. Their fair values are calculated based on the prices proposed by relevant financial institutions.

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

(Million yen)

	The peak sales of products	
	＋1%	△1%
Balance as of March 31, 2024	700	△700

In addition, a weighted average cost of capital between 8.9% and 9.1% was employed. When the weighted average cost of capital rises (declines), the fair value tends to decrease (increase). The impact of a 1% increase or decrease in the weighted average cost of capital on the fair value is as follows.

(Million yen)

	Weighted average cost of capital	
	＋1%	△1%
Balance as of March 31, 2024	△5,160	5,542

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

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

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

(Million yen)

	Financial instruments measured at fair value
Balance at beginning of period	205,493
Total profits and losses	
Net income *1	△463
Other comprehensive income	38,585
Purchase	8,535
Sale	△9
Transfer from Level 3 *2	△250
Other	△98
Balance at end of period	251,794
Changes in unrealized gains/losses recorded as net income/loss with respect to the assets possessed at the end of this consolidated fiscal year (March 31, 2024)	△463

Notes: 1. It is included in “Financial income” and “Financial costs” in the consolidated statements of income.
2. Transfer from Level 3 is due to the listing of an investee on an exchange.

(Notes on Investment Property)

1. Matters related to the status of investment property

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

2. Matters related to the fair value of investment property

(Million of yen)

Amount posted on the Consolidated Statement of Financial Position	Fair value
27,768	29,660

Notes:

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

(Notes on Revenue Recognition)

1. Breakdown of revenue

(Million of yen)

	Amount
Domestic prescription pharmaceutical revenue	126,106
Export and overseas subsidiary revenue	49,913
Contract manufacturing revenue	17,608
OTC drug revenue	14,649
Revenue from royalty income	200,359
Other revenue	1,436
Total revenue	410,073

(Changes in presentation)

"COVID-19-related product revenue," which was presented separately in the previous fiscal year, has been included in "Domestic prescription pharmaceutical revenue" from FY2023 due to a review of revenue management classification. When applying this change to the previous fiscal year, "COVID-19-related product revenue" will decrease by 104,696 million yen, and "Domestic prescription pharmaceutical revenue" will increase by 104,696 million yen.

2. Background information for understanding revenue

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

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

OTC drug sales and royalty income recognized by SHIONOGI and domestic subsidiaries. Royalty income comprises royalty income related to prescription pharmaceuticals recognized by SHIONOGI and domestic subsidiaries. And other revenue includes revenue from the sale of diagnostic reagents and sales at domestic subsidiaries.

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

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

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

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

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

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

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

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

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

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

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

(1) Contract balance

The contract balance is as follows.

(Million yen)

	Receivables arising from contracts with customers			Contract liabilities
	Trade notes	Accounts receivable	Total	
Balance as of April 1, 2023	465	109,358	109,823	122
Balance as of March 31, 2024	257	122,656	122,913	471

There is no balance of contract assets as of the end of this consolidated fiscal year (March 31, 2024).

Of the amount of revenue, 90 million yen was included in the balance of contract liabilities at the beginning of the period.

For this fiscal year 2023, revenue recognized with respect to the performance obligations fulfilled in past fiscal years was 203,448 million yen. Among compensations related to licensing contracts under which the performance obligations are fulfilled at the time of licensing, the milestone income and royalties that will be received by the SHIONOGI Group for sure with the required conditions satisfied during the consolidated fiscal year under review were recorded as revenue.

(2) Transaction price allocated for remaining performance obligations

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

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

As of the end of the consolidated fiscal year (March 31, 2024), there are no assets recognized from costs to acquire or perform contracts with customers. The SHIONOGI Group has chosen to recognize the costs to acquire or perform contracts with customers as expenses upon occurrence of such costs where the depreciation period for the assets recognized from such costs is one year or less.

(Notes on Amounts per Share)

Equity attributable to owners of parent per share	4,356.65 yen
Basic net income per share	558.51 yen
Diluted net income per share	558.32 yen

(Notes on Business Combinations)

On June 25, 2023, the SHIONOGI Group entered into an agreement to make Qpex Biopharma, Inc. (“Qpex”) a wholly owned subsidiary and made it a subsidiary on July 5, 2023.

1. Outline of the business combination

(1) Name and business of the acquired company

Name of acquired company:	Qpex Biopharma, Inc.
Business of acquired company:	Research and development of pharmaceuticals in the field of infectious diseases
Date of acquisition:	July 5, 2023

(2) Main reasons for the business combination

Qpex, which was acquired by the SHIONOGI Group, is a pharmaceutical company focusing on the discovery and development of new antimicrobials targeting bacteria with antimicrobial resistance. It discovered xeruborbactam, a boronic acid derivative and a new beta-lactamase inhibitor with a broad inhibitory spectrum against beta-lactamases. Xeruborbactam is being advanced clinically as the injectable drug OMNIvance® with the carbapenem antibiotic meropenem as a coadministered drug and as the oral drug ORAvance™ with the cephem antibiotic ceftibuten as a coadministered drug against infections caused by drug-resistant Gram-negative bacteria. Not only does Qpex have extensive experience in the search and clinical development of antimicrobials, but it has also established an extensive external network in the United States with regulatory authorities such as the Biomedical Advanced Research and Development Authority (BARDA).

Qpex’s promising products under development against AMR, its capabilities in antimicrobial R&D and its external network in the United States, which align well with the SHIONOGI Group’s business direction and lead to the expectation of synergies, have led the SHIONOGI Group to acquire all shares of Qpex and enter into an agreement to make Qpex a wholly owned subsidiary.

(3) Percentage of voting equity interest acquired

Percentage of voting rights owned immediately prior to the acquisition:	0.00％
Percentage of voting rights acquired on the acquisition date:	100.00％
Percentage of voting rights after acquisition:	100.00％

2. Fair value of the acquisition price of the acquired company and its breakdown

Cash acquisition price:	16,515 million yen
Fair value of conditional consideration:	1,865 million yen
Acquisition price:	18,381 million yen

3. Conditional consideration

Conditional consideration is a milestone paid in accordance with the achievement of future development. The potential payment will be up to 40 million US dollars.

4. Fair value of assets acquired, liabilities assumed and consideration paid as of the acquisition date

(Million of yen)

	Amount
Fair value of acquisition price	18,381
Fair value of assets acquired and liabilities assumed	
Intangible assets*2	16,822
Cash and cash equivalents	436
Other current assets	242
Other non-current assets	0
Other current liabilities	△493
Deferred tax liabilities	△3,684
Fair value of assets acquired and liabilities assumed, net	13,323
Goodwill*3	5,057
Total	18,381

Notes:
1. At the end of this consolidated fiscal year (March 31, 2024), the fair value of the identifiable assets and liabilities at the acquisition date was calculated, and the acquisition price allocation was completed.
2. Intangible assets are in-process research and development assets related to products.
3. Goodwill was recognized primarily in relation to expected future earning power. None of the goodwill recognized is expected to be deductible for tax purposes.

5. Acquisition-related costs

176 million yen

Acquisition-related costs are included in sales, general and administrative expenses of the summary Consolidated Statement of Profit or Loss.

6. Cash flows associated with the acquisition

Cash acquisition price:	16,515 million yen
Cash and cash equivalents received on the acquisition date:	436 million yen
Purchase of subsidiaries:	16,079 million yen

7. Impact on earnings

The results of operations since the acquisition date relating to this business combination and the results of operations assuming the business combination occurred at the beginning of the period have been omitted due to the immateriality of their impact on the Consolidated Statement of Profit or Loss. The results of operations assuming the business combination occurred at the beginning of the period have not been audited by an audit firm.

(Notes on Significant Subsequent Events)

(Cancellation of treasury stock)

By resolution of the Board of Directors at its meeting held on July 31, 2023, the Company canceled its treasury stock pursuant to Article 178 of the Companies Act with effect from April 17, 2024.

1. Reason for the cancellation of treasury stock
   To increase shareholder return, improve capital efficiency and execute an agile capital policy
2. Type of canceled shares
   The Company's common stock
3. Total number of canceled shares
   10,842,100 shares
4. Implementation date of the cancellation
   April 17, 2024

Non-consolidated Balance Sheets (As of March 31, 2024)

(Million of yen)

Accounts	FY2023	(Reference) FY2022	Accounts	FY2023	(Reference) FY2022
(Assets)	**(840,570)**	**(768,120)**	**(Liabilities)**	**(91,076)**	**(155,230)**
Current assets	**444,001**	**417,503**	**Current liabilities**	**83,719**	**113,602**
Cash and deposits	196,185	161,639	Accounts payable-trade	7,175	7,916
Accounts receivable-trade	110,124	97,672	Accounts payable-other	24,683	23,285
Short-term investment securities	67,500	49,508	Accrued expenses	4,447	9,371
Merchandise and finished goods	11,435	10,360	Income taxes payable	8,923	34,154
Work in process	15,864	12,866	Deposits received	1,043	2,047
Raw materials and supplies	29,026	34,516	Provision for bonuses	4,868	4,666
Advance payments-trade	445	31,774	Provision for directors' bonuses	156	182
Short-term loans receivable	3	3	Other	32,420	31,978
Other	13,691	19,161	**Non-current liabilities**	**7,357**	**41,627**
Allowance for doubtful accounts	△275	−	Long-term loans	−	33,116
Non-current assets	**396,569**	**350,616**	Provision for retirement benefits	6,535	8,045
Property, plant and equipment	**79,387**	**78,162**	Other	822	466
Buildings, net	26,938	26,890	**(Net assets)**	**(749,494)**	**(612,890)**
Structures, net	990	1,074	**Shareholders' equity**	**732,937**	**599,064**
Machinery and equipment, net	5,376	6,268	**Capital stock**	**21,279**	**21,279**
Vehicles, net	11	20	**Capital surpluses**	**16,392**	**16,392**
Tools, furniture and fixtures, net	4,808	4,809	Legal capital surplus	16,392	16,392
Land	8,265	8,265	**Retained earnings**	**833,154**	**624,465**
Lease assets, net	841	61	Legal retained earnings	5,388	5,388
Construction in progress	32,153	30,772	Other retained earnings	827,765	619,077
Intangible assets	**8,871**	**7,926**	Reserve for advanced depreciation of noncurrent assets	2,632	2,724
Software	5,272	4,398	Reserve for the Open Innovation Promotion Tax Program	1,387	137
Sales rights	1,237	1,467	General reserve	368,645	368,645
Other	2,360	2,060	Retained earnings brought forward	455,100	247,570
Investments and other assets	**308,311**	**264,527**	**Treasury stock**	**△137,889**	**△63,074**
Investment securities	50,594	46,295	**Valuation and translation adjustments**	**16,305**	**13,574**
Stocks of subsidiaries and affiliates	158,893	159,608	Valuation difference on available-for-sale securities	17,113	14,887
Investments in capital of subsidiaries and associates	11,151	30	Deferred gains or losses on hedges	△807	△1,313
Long-term prepaid expense	25,823	2,080	**Subscription rights to shares**	**251**	**251**
Prepaid pension cost	34,487	32,205			
Deferred tax assets	25,637	22,145			
Other	2,019	2,204			
Allowance for doubtful accounts	△296	△42			
Total assets	**840,570**	**768,120**	**Total liabilities and net assets**	**840,570**	**768,120**

Non-consolidated Statements of Income FY2023 (Year ended March 31, 2024)

(Million of yen)

Accounts	FY2023	(Reference) FY2022
Net sales	**345,761**	**369,499**
Cost of sales	**59,039**	**56,135**
Gross profit, net	**286,721**	**313,363**
Selling, general and administrative expenses	**177,743**	**180,088**
(R&D expenses)	(108,924)	(107,526)
Operating income	**108,978**	**133,274**
Non-operating income	**159,080**	**6,650**
Interest and dividends income	154,957	3,195
Other	4,123	3,454
Non-operating expenses	**9,437**	**4,926**
Interest expenses	1,342	894
Other	8,095	4,032
Ordinary income	**258,621**	**134,998**
Extraordinary income	**33,316**	**4,968**
Profit from transfer of license	25,008	–
Gain on sale of investment securities	8,307	2,664
Gain on sale of shares of subsidiaries and associates	0	–
Gain on sale of fixed assets	–	2,303
Extraordinary losses	**10,633**	**1,527**
Extra retirement payments	7,255	–
Loss on valuation of investment securities	3,177	1,020
Loss on valuation of shares of subsidiaries and associates	199	–
Loss on impairment	–	507
Income before income taxes	**281,303**	**138,438**
Income taxes-current	33,710	45,929
Income taxes-deferred	△5,467	△14,857
Profit	**253,060**	**107,367**

Non-consolidated Statements of Changes in Net Assets FY2023 (Year ended March 31, 2024)

(Million of yen)

	Shareholders' equity										Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings					Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
					Other retained earning										
		Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	Reserve for the Open Innovation Promotion Tax Program	General reserve	Retained earnings brought forward							
Balance at the beginning of the period	21,279	16,392	−	5,388	2,724	137	368,645	247,570	△63,074	599,064	14,887	△1,313	13,574	251	612,890
Changes of items during period															
Reversal of reserve for advanced depreciation of non-current assets					△91			91		−					−
Reserve for the Open Innovation Promotion Tax Program						1,250		△1,250		−					−
Dividends of surplus								△44,369		△44,369					△44,369
Net income								253,060		253,060					253,060
Purchase of treasury stock									△75,013	△75,013					△75,013
Disposal of treasury stock			△3						198	195					195
Other			3					△3		−					−
Net changes of items other than shareholders' equity											2,225	505	2,731		2,731
Total changes of items during period	−	−	−	−	△91	1,250	−	207,529	△74,814	133,873	2,225	505	2,731	−	136,604
Balance at the end of current period	21,279	16,392	−	5,388	2,632	1,387	368,645	455,100	△137,889	732,937	17,113	△807	16,305	251	749,494

Notes on Non-consolidated Financial Statements

(Notes on Significant Accounting Policies)

1. Basis and method of valuation of significant assets

(1) Securities

1. Stocks of subsidiaries and affiliates

At cost determined by the moving average method

2. Other securities

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

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

(Stocks, etc. with market value not available)

At cost determined by the moving average method

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

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

(2) Assets held in trust for management

Market value method

(3) Derivatives

Market value method

(4) Inventories

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

2. Method of depreciation for noncurrent assets

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

Straight-line method

The main useful life is as follows

Buildings:	from 2 years to 50 years
Machinery and equipment:	from 4 years to 17 years

(2) Intangible assets (excluding lease assets)

Straight-line method

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

(3) Lease assets

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

3. Basis for providing significant allowances and provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for directors' bonuses

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

(4) Provision for retirement benefits

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

i) Method of attributing expected benefit to periods

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

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

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

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

4. Standard for revenue and expense recognition

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

5. Foreign currency translation

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

6. Significant hedge accounting

(1) Method of hedge accounting

Deferred hedge accounting is used.

(2) Hedging instruments and hedged items

・Hedging instruments:

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

・Hedged items:

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

(3) Hedging policy

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

(4) Methods for evaluating the effectiveness of hedging

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

(Notes on Accounting Estimates)

Valuation of shares of affiliates

In the balance sheets, the Company posted 158,893 million yen for shares of affiliates. Of this, 18,593 million yen reflects the book value for Tetra Therapeutics Inc. (Tetra).

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

(Notes on Non-consolidated Balance Sheets)

1. All amounts are rounded down to the nearest million yen.
2. Accumulated depreciation amount of property, plant and equipment 61,543 million yen
3. Guarantee obligations

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

PeptiStar Inc. 9,000 million yen

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

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

4. Short-term credit for subsidiaries and affiliates 3,487 million yen

Short-term debts to subsidiaries and affiliates 14,979 million yen

(Notes on Non-consolidated Statements of Income)

1. All amounts are rounded down to the nearest million yen
2. Transactions with subsidiaries and affiliates

Business transactions 96,898 million of yen

Transactions other than business transactions 153,915 million of yen

3. Profit from transfer of license

This is due to the transfer of the licenses of Intuniv and Vyvanse to Takeda Pharmaceutical Co., Ltd.

4. Extra retirement payments

This is mainly related to the implementation of the special early retirement program.

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

Treasury stocks held as of the end of relevant fiscal year (March 31, 2024)

Common stock 20,894,588 shares

(Notes on Tax Effects)

Principal components of deferred tax assets and deferred tax liabilities

Deferred tax assets:		
Loss on valuation of stocks of subsidiaries and affiliates	36,105	million yen
R&D expenses	27,086	million yen
Loss on revaluation of investments in securities	2,371	million yen
Provision for bonuses	1,489	million yen
Accrued enterprise taxes	886	million yen
Other	10,089	million yen
Subtotal deferred tax assets	78,029	million yen
Valuation Allowance	△34,396	million yen
Total deferred tax assets	43,632	million yen
Deferred tax liabilities:		
Asset for retirement benefits	△8,553	million yen
Unrealized gain on other securities	△7,315	million yen
Reserve for advanced depreciation of property, plant and equipment	△1,160	million yen
Investments in securities	△965	million yen
Total deferred tax liabilities	△17,995	million yen
Net deferred tax assets	25,637	million yen

(Notes on Related-Party transactions)

1. Subsidiaries and affiliates, etc.

(Million of yen)

Attribute	Company Name	Rate of ownership of voting	Relationship	Transaction Content	Transaction Amount	Account	Balance at end of current period
Subsidiary	Shionogi Pharma Co., Ltd.	Directly owned 100%	Contract manufacture of the Company's products Contract testing and analysis	Purchasing*1	49,755	Accounts payable	4,608
				Deposit of funds	22,000	–	–
				Repayment of deposit money	22,000	–	–
				Interest payment*2	10	–	–
Subsidiary	Shionogi B.V.	Directly owned 100%	Contract development of the Company's products Contract manufacture and sales	Repayment of borrowings	37,108	–	–
				Interest payment*3	1,320	–	–

Transaction terms and method of determining transaction terms, etc.
Notes: 1. Price and other transaction terms are determined using a negotiated reasonable price.
2. The interest rate on deposit money is determined by taking into account, among other things, market interest rates.
3. The interest rate on borrowings is determined by taking into account, among other things, market interest rates.

2. Officers and major individual shareholders, etc.

(Million of yen)

Type	Name	Ownership percentage of voting rights, etc.	Relationship	Transaction content	Transaction amount	Account	Balance at end of period
Officer	Isao Teshirogi	Owned 0.0% direct	Director of the Company	Disposal of treasury stock along with contribution in kind of monetary compensation receivables (Note)	79	–	–
Officer	Takuko Sawada	Owned 0.0% direct	Director of the Company	Disposal of treasury stock along with contribution in kind of monetary compensation receivables (Note)	36	–	–

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

(Notes on Amounts per Share)

1. Net assets per share 2,615.24 yen
2. Earnings per share 863.36 yen
3. Earnings per share (diluted) 863.06 yen

(Notes on Revenue Recognition)

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

(Notes on Subsequent Events)

Please refer to the Notes on Consolidated Financial Statements.

Copy of the Audit Report of Independent Accounting Auditors relating to the Consolidated Financial Statements

Accounting Auditor's Audit Report

May 10, 2024

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

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

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

Audit Opinion

Pursuant to Paragraph 4 of Article 444 of the Companies Act, we have audited the consolidated financial statements, more specifically, the consolidated statements of financial position, the consolidated statements of income, the consolidated statements of changes in equity and the notes to the consolidated financial statements of Shionogi & Co., Ltd. (the "Company") for the fiscal term from April 1, 2023 to March 31, 2024.

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

Basis of Audit Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

Independent Accounting Auditor's Responsibility in Auditing Consolidated Financial Statements

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

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

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

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

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

・Conclude whether it is appropriate for management to prepare consolidated financial statements based on the premise of a going concern and whether material uncertainty is deemed to exist in relation to events or circumstances in which material doubt about the premise of a going concern is found, based on the audit evidence obtained. If material uncertainty concerning the premise of a going concern is deemed to exist, the independent accounting auditor is required to bring such uncertainty to attention in the notes to consolidated financial statements in the audit report, or to express an opinion with exceptions toward the consolidated financial statements if the notes to consolidated financial statements concerning the material uncertainty are not appropriate. The conclusion of the independent accounting auditor is based on audit evidence obtained before the audit report date. However, the company may be unable to continue to exist as a going concern depending on future events and circumstances.

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

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

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

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

Interests in the Company

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

Copy of the Audit Report of Independent Accounting Auditors

Accounting Auditor's Audit Report

May 10, 2024

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

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

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

Audit Opinion

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the balance sheets, the statements of income, the statements of changes in net assets and the notes to the financial statements and the supplementary schedule to the foregoing ("financial statements") of Shionogi & Co., Ltd. (the "Company") for the 159th fiscal term from April 1, 2023 to March 31, 2024.

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

Basis of Audit Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

Independent Accounting Auditor's Responsibility in Auditing Financial Statements

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

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

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

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

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

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

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

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

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

Interests in the Company

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

Audit Report of the Board of Corporate Auditors

The Board of Corporate Auditors has compiled this Audit Report, upon due discussion, based on the audit report prepared by each Corporate Auditor regarding the execution of Directors' duties for the 159th fiscal period from April 1, 2023 to March 31, 2024 and submit our report as follows:

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

(1) The Board of Corporate Auditors stipulated the auditing policies and share of assignment, etc., received reports regarding the situation and results of the audit from each Corporate Auditor and received reports regarding the situation of the business operations from the Directors and the Accounting Auditors, and requested additional explanations as necessary.

(2) Each Corporate Auditor, in accordance with the auditing standards, auditing policies and share of assignment, etc., stipulated by the Board of Corporate Auditors, communicated with the Directors, the internal control section of the Company, and employees, endeavored to collect information and organize the environment for auditing, and conducted audits by the following method.

1) We attended the Board of Directors meetings and other material meetings, received reports regarding the situation of the business operations from the Directors and employees, requested additional explanations as necessary, perused the material documents on decisions and investigated the operations and assets at the Company's head office and other main offices. With respect to the Company's subsidiaries, we communicated with and held opinion exchange meetings with the Directors and Corporate Auditors, etc., of subsidiaries, and, as required, received reports regarding the business operations from subsidiaries.

2) We monitored and verified a system to assure appropriate execution of the Directors' duties in accordance with the related regulations and the Articles of Incorporation, the resolution of the Board of Directors regarding a system to assure appropriate operations of the Company (and the corporate group consisting of the Company's subsidiaries) under Paragraphs 1 and 3, Article 100 of the Enforcement Regulations of the Companies Act and the system established pursuant to such resolution (the Internal Control System).

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

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

We also received notification that the "system to assure appropriate execution of the duties" (the items enumerated in each number of Article 131 of the Corporate Accounting Regulations Ordinance) was established in accordance with the "Quality Control Standards for Auditing" (adopted by the Business Accounting Deliberation Council on October 28, 2005), and requested additional explanations as necessary.

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

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

2. Result of Audit

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

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

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

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

(3) Results of audit on the consolidated financial statements

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

May 10, 2024

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

Standing Corporate Auditor :Akira Okamoto
Standing Corporate Auditor :Ikuo Kato
Outside Corporate Auditor :Tsuguoki Fujinuma
Outside Corporate Auditor :Shuichi Okuhara
Outside Corporate Auditor :Yoriko Goto