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Document on Absorption-type Split Pre-disclosure

(Disclosure in accordance with Article 782, Paragraph 1 of the Companies Act and Article 183 of the Regulations for Enforcement of the Companies Act)

September 25, 2025

Japan Tobacco Inc.

September 25, 2025

Document on Absorption-type Split Pre-disclosure
(Disclosure in accordance with Article 782, Paragraph 1 of the Companies Act and
Article 183 of the Regulations for Enforcement of the Companies Act)

Masamichi Terabatake, President, Chief Executive
Officer and Representative Director
Japan Tobacco Inc.
1-1, Toranomon 4-chome, Minato-ku, Tokyo, Japan

Japan Tobacco Inc. (the “Splitting Company”) and Shionogi & Co., Ltd. (the “Successor Company”) entered into an absorption-type split agreement dated September 25, 2025, and resolved to conduct an absorption-type split (the “Absorption-type Split”) whereby the rights and obligations pertaining to the pharmaceutical business operated by the Splitting Company (the “Business Subject to Succession”) will be transferred to the Successor Company as of the effective date of December 1, 2025.

The matters to be disclosed regarding the Absorption-type Split pursuant to Article 782, Paragraph 1 of the Companies Act and Article 183 of the Regulations for Enforcement of the Companies Act are as follows.

1. Details of the absorption-type split agreement (Article 782, Paragraph 1, Item 2 of the Companies Act)

As described in Appendix 1.

2. Matters related to the appropriateness of the consideration for the split (Article 183, Item 1 (a) of the Regulations for Enforcement of the Companies Act)

In the Absorption-type Split, the Successor Company shall deliver to the Splitting Company an amount calculated by adding the Adjustment Amount (as defined in the absorption-type split agreement in Appendix 1) to JPY 5,396,796,605. The Splitting Company and the Successor Company have determined the amount of consideration to be received by the Splitting Company in the Absorption-type Split through mutual discussion, calculated based on factors that include past and future performance trends of the Business Subject to Succession as well as its future growth potential. The Splitting Company has not obtained a calculation report from an appraiser for the Absorption-type Split. Furthermore, the Splitting Company has appointed Mori Hamada & Matsumoto as its legal advisor for the Absorption-type Split and has received legal advice regarding the procedures, decision-making methods and decision-making processes, etc., related to the Absorption-type Split. Mori Hamada & Matsumoto is not a related party of the Splitting Company or the Successor Company and has no significant interests to disclose regarding the Absorption-type Split.

3. Matters related to Article 758, Item 8 of the Companies Act (Article 183, Item 2 of the Regulations for Enforcement of the Companies Act)

No items to report.

4. Matters related to the appropriateness of provisions concerning the matters related to stock acquisition rights to be delivered to the stock acquisition rights holders of the Splitting Company in connection with the Absorption-type Split (Article 183, Item 3 of the Regulations for Enforcement of the Companies Act)

No items to report.

5. Matters listed as follows concerning the Successor Company (Article 183, Item 4 of the Regulations for Enforcement of the Companies Act)

- (1) Financial statements, etc., pertaining to the most recent fiscal year of the Successor Company (Item 4 (a))

As described in Appendix 2.

- (2) Contents of provisional financial statements, etc., with a provisional account closing date after the last day of the Successor Company's most recent fiscal year (Item 4 (b))

No items to report.

- (3) Details on disposal of important property, assumption of significant obligations, and other events that have a material impact on the status of corporate assets occurring after the last day of the Successor Company's most recent fiscal year (Item 4 (c))

- (i) Absorption-type split between wholly-owned subsidiaries of the Successor Company
Effective April 1, 2025, an absorption-type split (the "Wholly-owned Subsidiary Absorption-type Split") was conducted where UMN Pharma Inc., a wholly-owned subsidiary of the Successor Company, was the splitting company, and Shionogi Pharma Co., Ltd. ("Shionogi Pharma"), also a wholly-owned subsidiary of the Successor Company, was the successor company. Whereas certain assets such as the goodwill and intangible assets of UMN Pharma Inc. were transferred to Shionogi Pharma as a result of the Wholly-owned Subsidiary Absorption-type Split, the impact of the Wholly-owned Subsidiary Absorption-type Split on the Successor Company's consolidated results is negligible.

- (ii) Revisions to dividend forecasts (dividend increase)

At the meeting of the Successor Company's Board of Directors held on April 24, 2025, the year-end dividend forecast for the fiscal year ended March 31, 2025 was revised to JPY 33 per share.

- (iii) Privatization of Torii by the Successor Company and the sale of Torii's shares

The Successor Company entered into a tender offer agreement with the Splitting Company on May 7, 2025, and conducted a tender offer for common stock of TORII PHARMACEUTICAL CO., LTD. ("Torii") in accordance with the agreement (the "Tender Offer"). As a result, the Successor Company acquired 10,977,091 shares of Torii's common stock at a price of JPY 6,350 per share (total amount: JPY 69,704,527,850) on June 25, 2025. In accordance with the agreement, moreover, Torii conducted a share consolidation with an effective date of September 1, 2025, and the Successor Company plans to purchase any fractional shares resulting from the share consolidation upon court approval obtained in accordance with the Companies Act. Furthermore, the Splitting Company sold all the shares of Torii it held after the effective date of the share consolidation to Torii in accordance with the agreement on September 1, 2025, for JPY 70,341,718,400.

- (iv) Conclusion of share transfer agreement pertaining to Akros Pharma Inc.

The Successor Company's wholly-owned subsidiary Shionogi Inc. entered into a share transfer agreement dated May 7, 2025, with the Splitting Company's wholly-owned subsidiary JT America Inc., regarding the transfer of shares of JT America Inc.'s wholly-owned subsidiary Akros Pharma Inc.

Shionogi Inc. plans to acquire from JT America Inc. all Akros Pharma Inc. shares held by JT America Inc. for USD 24 million on November 30, 2025 (U.S. Eastern Standard Time), in accordance with the share transfer agreement.

(v) Disposal of treasury shares as restricted share-based remuneration

The Successor Company disposed of treasury shares as restricted share-based remuneration (the “Disposal of Treasury Shares”) in accordance with resolution of the Successor Company’s Board of Directors meeting held on June 18, 2025. An overview of this is as follows.

(1)	Disposal date	July 17, 2025
(2)	Class and number of shares disposed of	200,400 shares of common stock of the Successor Company
(3)	Disposal price	JPY 2,496.5 per share
(4)	Total value of shares disposed of	JPY 500,298,600
(5)	Allottees and number thereof, number of shares disposed of	Directors (excluding Directors who are Audit and Supervisory Committee members and Outside Directors): 2 persons, 58,500 shares Corporate Officers (excluding those who concurrently serve as Directors): 15 persons, 101,700 shares Vice Presidents: 55 persons, 40,200 shares
(6)	Others	The Disposal of Treasury Shares is the subject of an extraordinary report with the Financial Instruments and Exchange Act.

6. Details on disposal of important property, assumption of significant obligations, and other events that have a material impact on the status of corporate assets occurring after the last day of the Splitting Company’s most recent fiscal year (Article 183, Item 5 (a) of the Regulations for Enforcement of the Companies Act)

(i) Financing through a new subordinated loan and the early repayment of an existing subordinated loan

On January 31, 2025, the Splitting Company raised a total of JPY 100.0 billion through a subordinated loan arranged with Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, and Sumitomo Mitsui Trust Bank, Limited, as lenders, and conducted early repayment of the JPY 100.0 billion subordinated loan arranged on January 31, 2020, using these funds.

(ii) Settlement of litigation against a Canadian subsidiary and the recognition of a provision for litigation losses

Three companies have been subject to mediation proceedings associated with smoking and health lawsuits, including JTI-Macdonald Corp., a local subsidiary of the Splitting Company in Quebec, Canada, as well as Rothmans, Benson & Hedges Inc. and Imperial Tobacco Canada Limited. Accordingly, settlement has been reached with the Ontario Superior Court of Justice, which issued a decision approving proposed settlement plans on March 6, 2025, local time. In the fiscal year ended December 31, 2024, the Splitting Company group retroactively recorded a provision for litigation losses of JPY 375.6 billion in operating expenses, as an adjusting subsequent event after the reporting period accompanying the settlement.

(iii) Receipt of dividends from a foreign subsidiary of the Splitting Company

The Splitting Company’s foreign subsidiary JT International Holding B.V. resolved to distribute dividends from surplus at its Board of Directors meeting held on March 24,

2025. The Splitting Company received a dividend of USD 1.1 billion from JT International Holding B.V. on March 26, 2025.

- (iv) Issuance of the 18th Straight Bonds and the 19th Straight Bonds (with general mortgage)

The Splitting Company has issued the 18th Straight Bonds and the 19th Straight Bonds (with general mortgage). An overview of this is as follows.

Name of bond	The 18th Straight Bonds with general mortgage	The 19th Straight Bonds with general mortgage
Total amount of issue	JPY 50.0 billion	JPY 20.0 billion
Term	5 years	10 years
Maturity date	April 10, 2030	April 10, 2035
Interest rate	1.293% per annum	1.781% per annum
Denomination per bond	JPY 100 million	
Offering price	JPY 100 per face value of JPY 100	
Settlement date	April 10, 2025	
Redemption	The Bonds will be redeemed in full upon maturity. The Splitting Company may, at any time after the date of payment, purchase the Bonds and have such purchased Bonds canceled.	
Method of offering	Public offering in Japan	
Mortgage	General mortgage under Japan Tobacco Inc. Act	
Underwriters	Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and SMBC Nikko Securities Inc. shall serve as the lead-manager; Nomura Securities Co., Ltd. and Daiwa Securities Co. Ltd. as the manager for this syndication.	
Bond administrator	Mizuho Bank, Ltd.	
Rating	Rating and Investment Information, Inc.: AA Japan Credit Rating Agency, Ltd.: AA+	
Use of proceeds	Proceeds are intended to be used for the repayment of interest-bearing debt.	

- (v) Issuance of straight bonds by the Splitting Company and its foreign subsidiary

The Splitting Company and its foreign subsidiary JT International Financial Services B.V. have issued straight bonds. An overview of this is as follows.

Issuance by the Splitting Company

Name of bond	USD Straight Bonds (mature in 2028)	USD Straight Bonds (mature in 2030)	USD Straight Bonds (mature in 2035)
Total amount of issue	USD 800 million	USD 900 million	USD 800 million
Term	3.1 years	5.2 years	10.2 years
Maturity date	May 15, 2028	June 15, 2030	June 15, 2035
Interest rate	4.85% per annum	5.25% per annum	5.85% per annum
Offering price	99.864% of nominal amount	99.869% of nominal amount	99.724% of nominal amount
Settlement date	April 15, 2025		
Method of offering	The notes are offered in foreign markets including the United States, Europe and Asia. Within the United States, the notes are offered only to qualified institutional buyers in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act") and outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act.		
Mortgage	General mortgage under Japan Tobacco Inc. Act		
Listing bourse	Euro MTF of Luxembourg Stock Exchange		

Rating	Moody's Japan K.K.: A2 S&P Global Ratings Japan Inc.: A+
Use of proceeds	Proceeds are intended to be used for the repayment of interest-bearing debt.

Issuance by JT International Financial Services B.V.

Name of bond	Euro Straight Bonds (mature in 2035)
Total amount of issue	EUR 550 million
Term	10.2 years
Maturity date	June 17, 2035
Interest rate	4.125% per annum
Offering price	99.426% of nominal amount
Settlement date	April 17, 2025
Method of offering	The notes are offered in foreign markets including Europe and Asia. However, it excludes the U.S. and U.S. citizens defined in Regulation S under the United States Securities Act of 1933, as amended.
Guarantor	Splitting Company
Issuance program	Euro MTN Programme
Listing bourse	Euro MTF of Luxembourg Stock Exchange
Rating	Moody's Japan K.K.: A2 S&P Global Ratings Japan Inc.: A+
Use of proceeds	Proceeds are intended to be used for the repayment of interest-bearing debt.

(vi) Privatization of Torii by the Successor Company and the sale of Torii's shares

The Splitting Company entered into a tender offer agreement with the Successor Company on May 7, 2025, and the Successor Company conducted a tender offer for common stock of Torii in accordance with the agreement (the "Tender Offer"). As a result, the Successor Company acquired 10,977,091 shares of Torii's common stock at a price of JPY 6,350 per share (total amount: JPY 69,704,527,850) on June 25, 2025. In accordance with the agreement, moreover, Torii conducted a share consolidation with an effective date of September 1, 2025, and the Successor Company plans to purchase any fractional shares resulting from the share consolidation upon court approval obtained in accordance with the Companies Act. Furthermore, the Splitting Company sold all the shares of Torii it held after the effective date of the share consolidation to Torii in accordance with the agreement on September 1, 2025, for JPY 70,341,718,400.

(vii) Conclusion of a share transfer agreement pertaining to Akros Pharma Inc.

The Splitting Company's wholly-owned subsidiary JT America Inc. entered into a share transfer agreement dated May 7, 2025, with the Successor Company's wholly-owned subsidiary Shionogi Inc., regarding the transfer of shares of JT America Inc.'s wholly-owned subsidiary Akros Pharma Inc.

JT America Inc. plans to transfer to Shionogi Inc. all Akros Pharma Inc. shares held by JT America Inc. for USD 24 million on November 30, 2025 (U.S. Eastern Standard Time), in accordance with the share transfer agreement.

(viii) Receipt of dividends from a foreign subsidiary of the Splitting Company

The Splitting Company's foreign subsidiary JT International Holding B.V. resolved to distribute dividends from surplus at its Board of Directors meeting held on June 23, 2025. The Splitting Company received a dividend of approximately USD 560 million from JT International Holding B.V. on June 25, 2025.

(ix) Dividends from surplus (dividend increase) and revisions to dividend forecasts

At the Splitting Company's Board of Directors meeting held on July 31, 2025, the Splitting Company resolved to pay an interim dividend with a record date of June 30,

2025, constituting a dividend increase to JPY 104 per share (total dividend: JPY 184,641 million) with an effective date of September 1, 2025, and furthermore revised its year-end dividend forecast for the fiscal year ending December 31, 2025 to JPY 104 per share.

(x) Receipt of dividends from a foreign subsidiary of the Splitting Company

The Splitting Company's foreign subsidiary JT International Holding B.V. resolved to distribute dividends from surplus at its Board of Directors meeting held on August 22, 2025. The Splitting Company received a dividend of USD 1.0 billion from JT International Holding B.V. on August 26, 2025.

(xi) Issuance and purchase of foreign currency-denominated subordinated bonds by the Splitting Company's foreign subsidiary

The Splitting Company's foreign subsidiary JT International Financial Services B.V. issued Euro-denominated Ordinary Subordinated Guaranteed Fixed Rate Resettable Capital Securities due 2055 (the "New Subordinated Bonds") in foreign markets. It also invited holders of its Euro-denominated Deeply Subordinated Guaranteed Fixed Rate Resettable Capital Securities due 2081 (the "Existing Subordinated Bonds") to tender such bonds for purchase (the "Tender Offer"). An overview of this is as follows.

Overview of the New Subordinated Bonds

Total amount of issuance	EUR 500 million
Maturity date	September 4, 2055 However, the issuer may redeem the New Subordinated Bonds at its own discretion in the 3-month period ending on and including March 4, 2031 and on each interest payment date thereafter at their principal amount. Additionally, there are other provisions which allow for the New Subordinated Bonds to be redeemed prior to maturity.
Initial interest rate	3.870% per annum*1
Interest deferral clause	The issuer may defer the payment of interest for up to 10 years at its own discretion.
Offering price	99.994% of nominal amount
Settlement date	September 4, 2025
Method of offering	The New Subordinated Bonds are offered in foreign markets including Europe and Asia, subject to certain restrictions. However, it excludes the U.S. and U.S. citizens defined in Regulation S under the United States Securities Act of 1933, as amended.
Guarantor	Subordinated guarantee by the Splitting Company (the "Guarantee")
Issuance program	Euro MTN Programme
Listing bourse	Euro MTF of Luxembourg Stock Exchange
Rating	Moody's Japan K.K.: A3 S&P Global Ratings Japan Inc.: A- Rating and Investment Information, Inc.: A+
Evaluation of equity credit	Moody's Japan K.K.: Basket M S&P Global Ratings Japan Inc.: Intermediate- Rating and Investment Information, Inc.: Class 3 – Equity Credit 50
Use of proceeds	The net proceeds from the issuance of the New Subordinated Bonds are intended to be used by the issuer for general corporate purposes including financing the purchase of the Existing Subordinated Bonds pursuant to the Tender Offer.
Restrictions on refinance	There is no contractual provision restricting the means of refinancing of the New Subordinated Bonds*2.

Subordination clause	In the event of any liquidation of the issuer, the rights and claims of the holders of the New Subordinated Bonds against the issuer will rank (i) junior to the claims of all holders of senior obligations of the issuer, (ii) pari passu with the claims of holders of all parity obligations of the issuer which rank or are expressed to rank parity to the New Subordinated Bonds and (iii) senior to the claims of holders of junior obligations of the issuer which rank or are expressed to rank junior to the New Subordinated Bonds including the Existing Subordinated Bonds, preferred shares and common shares of the issuer. In the event of any liquidation of the Splitting Company, the rights and claims under the Guarantee will rank (i) junior to the claims of all holders of senior obligations of the Splitting Company, (ii) pari passu with the claims of holders of all parity obligations of the Splitting Company which rank or are expressed to rank parity to the Guarantee and (iii) senior to the claims of holders of junior obligations of the Splitting Company which rank or are expressed to rank junior to the Guarantee, preferred shares and common shares of the Splitting Company.
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*1 Interest rate is fixed until March 4, 2031 and such fixed interest rate will be reset every 5 years thereafter. The interest rate will step-up by 25 bps on March 4, 2036 and further by 75 bps on March 4, 2051.

2 There is no contractual provision of restrictions on refinance of the New Subordinated Bonds. However, if the New Subordinated Bonds are redeemed prior to maturity, the Splitting Company and the issuer intend (without thereby assuming a legal or contractual obligation) to refinance through means, including common stock, which will be assigned equity credit equivalent to or higher than that of the New Subordinated Bonds by rating agencies within the twelve months prior to and including such redemption date prior to maturity. The Splitting Company and the issuer may decide not to implement such refinance in the case where, at the time when they may make an early redemption, adjusted consolidated equity capital is higher than that as of the end of June 2025 by no less than the aggregate principal amount of the New Subordinated Bonds, as well as the adjusted consolidated equity ratio** is equal to or higher than the level as of the end of June 2025.

* Adjusted consolidated equity capital: The amount obtained by deducting “exchange differences on translation of foreign operations” in “other components of equity” from “total equity” on consolidated financial statements of the Splitting Company as the guarantor

** Adjusted consolidated equity ratio: The value obtained by dividing the above-mentioned adjusted consolidated equity capital by the amount obtained by deducting “exchange differences on translation of foreign operations” in “other components of equity” from “total liabilities and equity” on consolidated financial statements of the Splitting Company as the guarantor

Results of Tender Offer

Target bonds	Accepted principal amount	Purchase price	Settlement date
Euro-denominated Deeply Subordinated Guaranteed Fixed Rate Resetable Capital Securities due 2081	EUR 132,443,000	99.875%	September 4, 2025

Outstanding amount of target bonds

Target bonds	Initial par call period	Outstanding amount
Euro-denominated Deeply Subordinated Guaranteed Fixed Rate Resetable Capital Securities due 2081	January 7, 2026 to April 7, 2026	EUR 367,557,000

- Matters related to prospects for fulfillment of obligations of the Splitting Company and the Successor Company after the day on which the absorption-type split takes effect (limited to those that the Splitting Company transfers to the Successor Company through the absorption-type split) (Article 183, Item 6 of the Regulations for Enforcement of the Companies Act)

(1) Prospects for fulfillment of the Splitting Company's obligations

It is deemed that the Splitting Company is likely to fulfill its obligations even after the effective date of the Absorption-type Split, given factors that include the amounts of assets and liabilities on the Splitting Company's balance sheet as of December 31, 2024, the estimated amounts of assets and liabilities that the Splitting Company plans to transfer to the Successor Company through the Absorption-type Split, and the estimated amounts of revenue and cash flow of the Splitting Company after the Absorption-type Split.

(2) Prospects for fulfillment of obligations of the Successor Company (limited to those that the Splitting Company transfers to the Successor Company through the Absorption-type Split)

It is deemed that the Successor Company is likely to fulfill its obligations even after the effective date of the Absorption-type Split, given factors that include the amounts of assets and liabilities on the Successor Company's balance sheet as of March 31, 2025, the estimated amounts of assets and liabilities to be assumed by the Successor Company from the Splitting Company through the Absorption-type Split, and the estimated amounts of revenue and cash flow of the Successor Company after the Absorption-type Split.

Appendix 1 (Absorption-type Split Agreement)

(As attached)

Absorption-type Split Agreement

Shionogi & Co., Ltd. (the “**Successor Company**”) and Japan Tobacco Inc. (the “**Splitting Company**”) hereby enter into the following absorption-type split agreement (this “**Agreement**”) on September 25, 2025 (the “**Agreement Date**”), in relation to an absorption-type split (the “**Absorption-type Split**”) whereby the rights and obligations pertaining to the Splitting Company’s pharmaceutical business (the “**Business Subject to Succession**”) shall be transferred to the Successor Company.

Article 1 (Absorption-type Split)

In accordance with the provisions of this Agreement, the Splitting Company shall transfer to the Successor Company the rights and obligations stated in Article 3 and held in relation to the Business Subject to Succession by means of an absorption-type split as of the Effective Date (as defined in Article 6; the same shall apply hereinafter), and the Successor Company shall assume these from the Splitting Company.

Article 2 (Company Names and Locations of Head Offices of the Parties)

The company names and head office locations of the Successor Company (company succeeding in the absorption-type split) and the Splitting Company (company splitting in the absorption-type split) involved in the Absorption-type Split are as follows.

- (1) Company succeeding in the absorption-type split (Successor Company)

Company name: Shionogi & Co., Ltd.

Address: 1-8, Doshomachi 3-chome, Chuo-ku, Osaka

- (2) Company splitting in the absorption-type split (Splitting Company)

Company name: Japan Tobacco Inc.

Address: 1-1, Toranomon 4-chome, Minato-ku, Tokyo

Article 3 (Rights and Obligations Subject to Succession)

1. The rights and obligations to be transferred to the Successor Company from the Splitting Company in the Absorption-type Split (the “**Rights and Obligations Subject to Succession**”) shall be as described in the **Attachment** “Schedule of Rights and Obligations Subject to Succession.”
2. The Successor Company shall assume, with full discharge of the Splitting Company’s liability, all obligations of the Splitting Company that are transferred to the Successor Company from the Splitting Company.
3. Except as stipulated in Paragraph 1 of this Article, the Successor Company shall not assume any assets, obligations (including obligations arising from or related to events that have occurred prior to the Effective Date), employment contracts, or other rights and obligations from the Splitting Company in the Absorption-type Split.

Article 4 (Consideration for the Split)

1. The consideration for the Absorption-type Split (the “**Split Consideration**”) shall be an amount calculated by adding the Adjustment Amount to JPY 5,396,796,605 (the “**Initial Split Consideration**”).
2. In this Agreement, “**Adjustment Amount**” means an amount calculated according to the following formula; provided, however, that this shall be zero if the absolute value of said amount is JPY 1 million or less.
$$\text{Adjustment Amount} = \text{Working Capital Adjustment} - \text{Net Interest-Bearing Debt Adjustment}$$
3. In this Agreement, “**Working Capital Adjustment**” means an amount calculated according to the following formula.
$$\text{Working Capital Adjustment} = \text{Closing Date Working Capital} - \text{Base Working Capital}$$

The following terms used in the above formula have the meanings set forth below in this Agreement.

- (1) **“Closing Date Working Capital”** means the amount of working capital pertaining to the Business Subject to Succession as of the point in time when the Absorption-type Split takes effect.
- (2) **“Base Working Capital”** means JPY 4,274,519,000.
4. In this Agreement, **“Net Interest-Bearing Debt Adjustment”** means an amount calculated according to the following formula.
Net Interest-Bearing Debt Adjustment = Closing Date Net Interest-Bearing Debt – Base Net Interest-Bearing Debt
The following terms used in the above formula have the meanings set forth below in this Agreement.
 - (1) **“Closing Date Net Interest-Bearing Debt”** means the amount of net interest-bearing debt pertaining to the Business Subject to Succession as of the point in time when the Absorption-type Split takes effect.
 - (2) **“Base Net Interest-Bearing Debt”** means JPY 9,612,590,000.

Article 5 (Successor Company Capital and Reserves)

The Successor Company shall not change its capital and reserve amounts through the Absorption-type Split.

Article 6 (Effective Date)

The date on which the Absorption-type Split takes effect (the **“Effective Date”**) shall be December 1, 2025; provided, however, that the Effective Date may be changed by separate agreement between the parties to this Agreement when necessary depending on progress of preparatory proceedings of the Absorption-type Split.

Article 7 (Split Approval Resolution)

1. The Successor Company shall carry out the Absorption-type Split without obtaining approval of a general meeting of shareholders stipulated in Article 795, Paragraph 1 of the Companies Act, in accordance with the provisions of Article 796, Paragraph 2 of said Act.
2. The Splitting Company shall carry out the Absorption-type Split without obtaining approval of a general meeting of shareholders stipulated in Article 783, Paragraph 1 of the Companies Act, in accordance with the provisions of Article 784, Paragraph 2 of said Act.

Article 8 (Amendment or Termination of This Agreement)

Between the Agreement Date and the day prior to the Effective Date, the Successor Company and the Splitting Company may amend the contents of this Agreement or terminate this Agreement upon agreement if a situation arises or becomes apparent such that substantially impedes execution of the Absorption-type Split, or if it otherwise becomes difficult to achieve the purpose of this Agreement.

Article 9 (Effectiveness of the Absorption-type Split)

The Absorption-type Split shall take effect subject to obtaining approval of the Minister of Finance based on Article 8 of Japan Tobacco Inc. Act.

Article 10 (Governing Law and Agreed Jurisdiction)

1. This Agreement shall be governed by Japanese law and interpreted in accordance with Japanese law.
2. The Tokyo District Court shall be the exclusive agreed jurisdictional court of first instance for any dispute arising in relation to performance or interpretation of this Agreement.

Article 11 (Good Faith Consultation)

Any matters not provided for in this Agreement or any questions of interpretation of this Agreement shall be resolved in good faith through consultation between the Successor Company and the Splitting Company in accordance with the purport of this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been prepared in duplicate with the Successor Company and the Splitting Company each retaining one (1) copy thereof upon having respectively affixed their names and seals thereon.

September 25, 2025

Successor Company: Isao Teshirogi, Ph.D., Representative
Director, President and CEO
Shionogi & Co., Ltd.
1-8, Doshomachi 3-chome, Chuo-ku, Osaka

IN WITNESS WHEREOF, this Agreement has been prepared in duplicate with the Successor Company and the Splitting Company each retaining one (1) copy thereof upon having respectively affixed their names and seals thereon.

September 25, 2025

Splitting Company: Masamichi Terabatake, President, Chief
Executive Officer and Representative
Director
Japan Tobacco Inc.
1-1, Toranomom 4-chome, Minato-ku, Tokyo

Schedule of Rights and Obligations Subject to Succession

The Rights and Obligations Subject to Succession shall consist of the following assets, liabilities, contracts, and other rights and obligations related to the Business Subject to Succession held by the Splitting Company.

1. Assets

All assets held by the Splitting Company exclusively related to the Business Subject to Succession (including the following)

- (1) Building of Biohistory Research Hall (including equipment attached to the building)
- (2) Land in Takatsuki (35 and 35-1, Murasaki-cho, Takatsuki-shi, Osaka)
- (3) Land in Yokohama (13-2 Fukuura 1-chome, Kanazawa-ku, Yokohama-shi, Kanagawa)

2. Intellectual property

All intellectual property held by the Splitting Company exclusively related to the Business Subject to Succession

3. Liabilities

Liabilities of the Splitting Company pertaining to the Business Subject to Succession (including contingent liabilities, potential liabilities, liabilities for damages, or off-balance-sheet liabilities related to the Business Subject to Succession)

4. Contracts subject to succession (excluding employment contracts)

Contractual positions associated with all contracts exclusively related to the Business Subject to Succession (excluding the employment contracts, etc., listed in Section 5 below and the contracts listed as follows) and all rights and obligations arising therefrom

- (1) “Basic Agreement on JT BusinessCom Indirect Business Services” dated March 31, 2017, between the Splitting Company and JT BusinessCom Inc. (including subsequent amendments and additions)
- (2) “Financial Services Agreement” dated March 31, 2017, between the Splitting Company and JT BusinessCom Inc. (including subsequent amendments and additions)
- (3) “Confidential Release Agreement” dated November 14, 2022, between the Splitting Company and Gilead Sciences, Inc. (including subsequent amendments and additions)
- (4) “Basic Agreement on Business Outsourcing” dated December 29, 2017, between the Splitting Company and JT Plant Service Co., Ltd. (including subsequent amendments and additions)
- (5) “Basic Agreement on Business Outsourcing” dated April 26, 2019, between the Splitting Company and JT CREATIVE SERVICE CO., LTD. (including subsequent amendments and additions)
- (6) “Basic Agreement on Business Outsourcing” dated April 30, 2020, between the Splitting Company and JT CREATIVE SERVICE CO., LTD. (including subsequent amendments and additions)

5. Employment contracts, etc.

- (1) Contractual positions associated with all employment contracts with employees primarily engaged in the Business Subject to Succession (this includes fixed-term employees (senior partners), contract employees, job offer recipients; provided, however, that employees classified in staff or management positions shall be limited to those who have not filed an objection pursuant to the Act on the Succession to Labor Contracts upon Company Split and excluding employee numbers 56003, 58593, 62804, and 65852), and all rights and obligations arising from such contracts (including retirement benefit obligations)

- (2) Contractual positions related to contracts with temporary employment agencies pertaining to dispatched workers primarily engaged in the Business Subject to Succession, and all rights and obligations arising from such contracts
- (3) Contractual positions related to contracts listed as follows (including subsequent amendments and additions), and all rights and obligations arising from such contracts
 - “Secondment Agreement” dated April 1, 2000, between the Splitting Company and Akros Pharma Inc. (“**Akros**”)
 - “Memorandum Concerning Working Conditions for Employees Seconded from Japan Tobacco Inc. to Akros Pharma Inc.” dated April 29, 2022, between the Splitting Company and Akros
 - “Agreement Concerning the Secondment of Employees of Japan Tobacco Inc. to TORII PHARMACEUTICAL CO., LTD.” dated December 14, 1998, between the Splitting Company and TORII PHARMACEUTICAL CO., LTD. (“**Torii**”)
 - “Memorandum Concerning Working Conditions for Seconded Employees” dated January 1, 2017, between the Splitting Company and Torii
 - “Agreement Concerning the Secondment of Employees of TORII PHARMACEUTICAL CO., LTD. to Japan Tobacco Inc.” dated March 26, 1999, between the Splitting Company and Torii
 - “Memorandum Concerning Working Conditions for Seconded Employees” dated May 2, 2025, between the Splitting Company and Torii

6. Licenses and permits

Manufacturing and marketing approval based on Article 14, Paragraph 1 of the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices for products related to the Business Subject to Succession

Appendix 2 (Contents of Financial Statements, etc. Pertaining to the Most Recent Fiscal Year of the Company Succeeding in the Absorption-type Split)

(As attached)

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

(Million of yen)

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

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

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

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

(Million of yen)

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

Notes on Consolidated Financial Statements

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

1. Standards for Preparation of Consolidated Financial Statements

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

2. Scope of consolidation

Number of consolidated subsidiaries: 41

Names of significant consolidated subsidiaries

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

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

(New) Increase owing to share acquisition: 1 company

(Exclusion) Decrease owing to liquidation: 2 companies

Decrease owing to merger: 1 company

3. Matters on application of the equity method

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

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

(New) Increase owing to share acquisition: 1 company

4. Significant accounting policies

(1) Basis and method of valuation of significant assets

1) Non-derivative financial assets

(i) Initial recognition and measurement

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

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

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

(a) Financial assets that are debt instruments

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

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

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

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

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

(b) Financial assets that are capital instruments

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

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

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

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

(ii) Subsequent measurement

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

Financial assets are measured at fair value.

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

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

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

(iii) Asset impairment

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

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

Amount equivalent to 12 months of estimated credit loss

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

Amount equivalent to the estimated lifetime credit loss

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

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

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

(iv) Termination of recognition

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

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

(a) Financial liabilities measured at amortized cost

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

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

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

(iii) Termination of recognition

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

3) Derivatives and hedge accounting

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

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

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

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

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

4) Financial guarantee contracts

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

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

(2) Standards and methods for measuring inventory

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Useful life by type of major intangible assets

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

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

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

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

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

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

It conforms to property, plant and equipment.

(7) Matters related to goodwill

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

Goodwill is not amortized.

(8) Impairment losses on non-financial assets

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

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

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

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

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

(9) Employee benefits

1) Post-employment benefits

(i) Defined benefit plan

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

(ii) Defined contribution plans

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

2) Short-term employee benefits

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

(10) Standards for recognizing revenue

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

Step1: Identify contracts with customers

Step2: Identify performance obligations in contracts

Step3: Calculate transaction price

Step4: Allocate the contract transaction price to individual performance obligations

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

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

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

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

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

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

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

(1) Subsequent sale or usage occurs

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

(11) Foreign currency translations

1) Foreign currency-denominated transactions

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

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

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

2) Exchange differences on translation of foreign operations

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

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

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

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

(Notes on Accounting Estimates)

1. Impairment of non-financial assets

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

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

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

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

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

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

(Notes on the Consolidated Statement of Financial Position)

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

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

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

(Notes on Consolidated Profit and Loss Statement)

1. Main breakdown of other revenue

(Million of yen)	
	Amount
Reversal of impairment loss	217
Other	311
Total	528

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

2. Main breakdown of other expenses

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

Notes:

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

(Notes on the Consolidated Statement of Changes in Equity)

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

(Shares)

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

Notes:

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

2. Dividends

(1) Dividend payments

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

Notes:

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

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

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

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

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

Notes:

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

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

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

Subscription rights to shares

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

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

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

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

(Notes on Financial Instruments)

1. Matters relating to financial instruments

(1) Financial risk management

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

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

(2) Credit risk

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

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

(3) Liquidity risk

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

(4) Market risks

1) Foreign exchange volatility risk

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

2) Market price fluctuation risks

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

2. Matters related to the fair value of financial instruments

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

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

(Million of yen)

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

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

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

(1) Fair value hierarchy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Transfer due to delisting of the shares held

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

(Notes on Investment Property)

1. Matters related to the status of investment property

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

2. Matters related to the fair value of investment property

(Million of yen)

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

Notes:

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

(Notes on Revenue Recognition)

1. Breakdown of revenue

(Million of yen)

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

2. Background information for understanding revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Contract balance

The contract balance is as follows.

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

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

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

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

(2) Transaction price allocated for remaining performance obligations

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

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

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

(Notes on Amounts per Share)

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

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

(Notes on Significant Subsequent Events)

(Significant Company Split)

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

1. Purpose of the Absorption-type Split

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

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

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

3. Form of the Absorption-type Split

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

4. Date of the Absorption-type Split

April 1, 2025

5. Other important matters

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

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

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

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

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

2. Overview of the absorption-type split

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

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

(2) Schedule of the absorption-type split

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

(3) Acquisition price

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

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

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

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

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

3. Overview of the share acquisition

(1) Overview of the parties to the share acquisition

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

(2) Schedule of the share acquisition

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

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

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

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

4. Overview of the tender offer

(1) Tender offeror

Shionogi & Co., Ltd.

(2) Overview of the Target Company

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

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

(3) Period of purchase, etc.

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

(4) Price of purchase, etc.

6,350 yen per share of common stock

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

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

Accounting Auditor's Audit Report

May 9, 2025

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

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

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

Audit Opinion

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

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

Basis of Audit Opinion

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

Emphasis of matter

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

This matter does not affect our opinion.

Other Information

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

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

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

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

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

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

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

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

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

Independent Accounting Auditor's Responsibility in Auditing Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Interests in the Company

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

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

1. Current State of the SHIONOGI Group

(1) Business Operations and Results

1 Summary of Consolidated Results

◆ Overview of Business (IFRS)

Summary of consolidated statement of income for FY2024

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

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

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

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

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

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

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

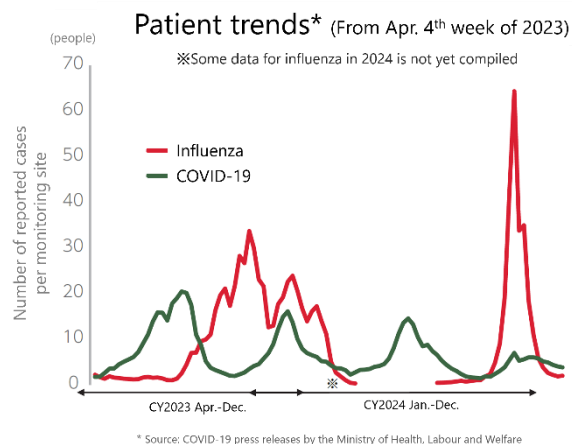
◆ Overview of Assets, etc. (IFRS)

Items of consolidated statement of financial position

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

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

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



Topics

Launch of QUVIVIQ

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

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

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

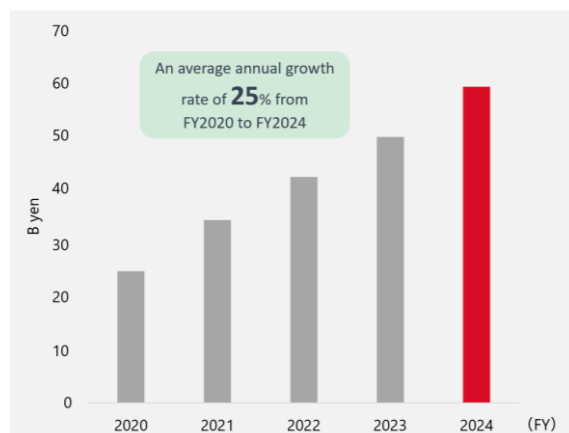


3 Overseas Business

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

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

Revenue of overseas subsidiaries/exports



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

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

Topics

Started Business as Shionogi China Co., Ltd.

– Operating in China under a New Structure –

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

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

Launch of SHIONOGI Products

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



New Drug Discovery in China

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

Candidate Compounds (IPF)

Ongoing Investigator-Initiated Clinical Trials

^{†1} Real world data

◆ Robust royalty and dividend income from ViiV

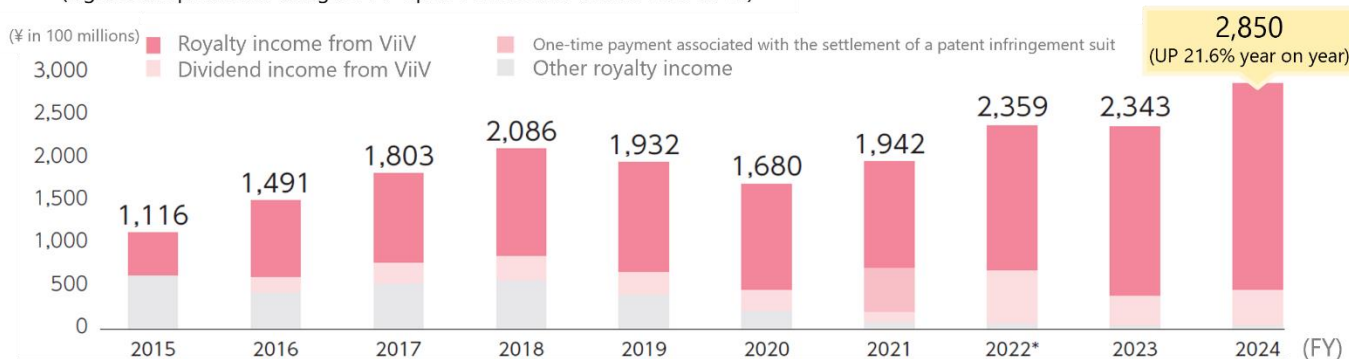
Royalty income from U.K.-based ViiV Healthcare (hereinafter, “ViiV”) increased 22.8% from the previous year to 240.4 billion yen due to strong growth of oral two-drug combinations and long-acting formulations (LA formulations) and foreign exchange effects. Other royalty income was 4.3 billion yen, a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

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

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

Royalties and dividend income from ViiV

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



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

JGAAP: Japan Generally Accepted Accounting Principles

Topics

Expectations for LA Formulations

– Resolving the Unmet Needs of People Living with HIV –

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

The unmet needs of people living with HIV

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

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



[Cabenuva]

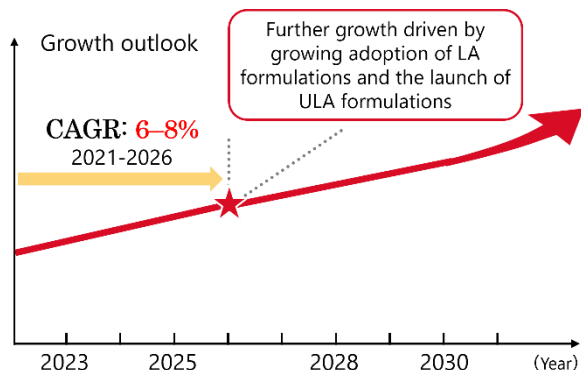
: Cabotegravir + Rilpivirine
- Indication: Treatment of HIV-1 infection



[Apretude]

: Cabotegravir
- Indication: Prevention of HIV infection

◆ Future Growth Prospects for the HIV Business



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

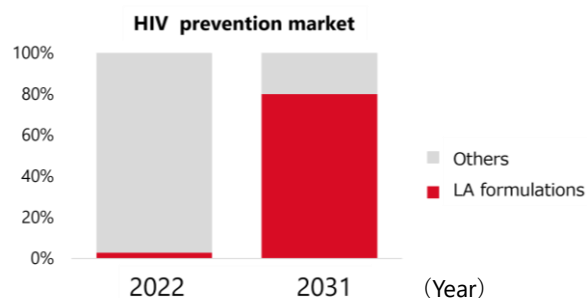
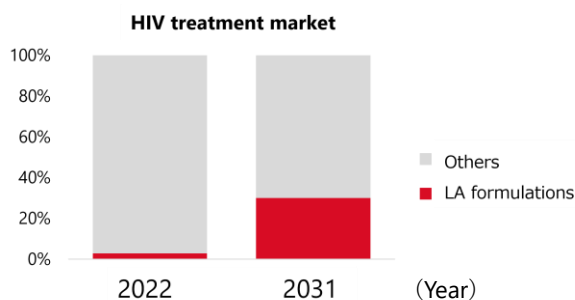
In the short term, ViiV expects its sales to maintain sustainable growth at a compound annual growth rate (CAGR) of 6-8% through 2026. This growth is expected to be driven by increased sales of the LA formulations Cabenuva and Apretude, as well as the oral two-drug combination Dovato.

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

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

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

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



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

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

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

*2 1 pound is converted to 194 yen.

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

– Major progress of research projects –

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

Topics

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

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



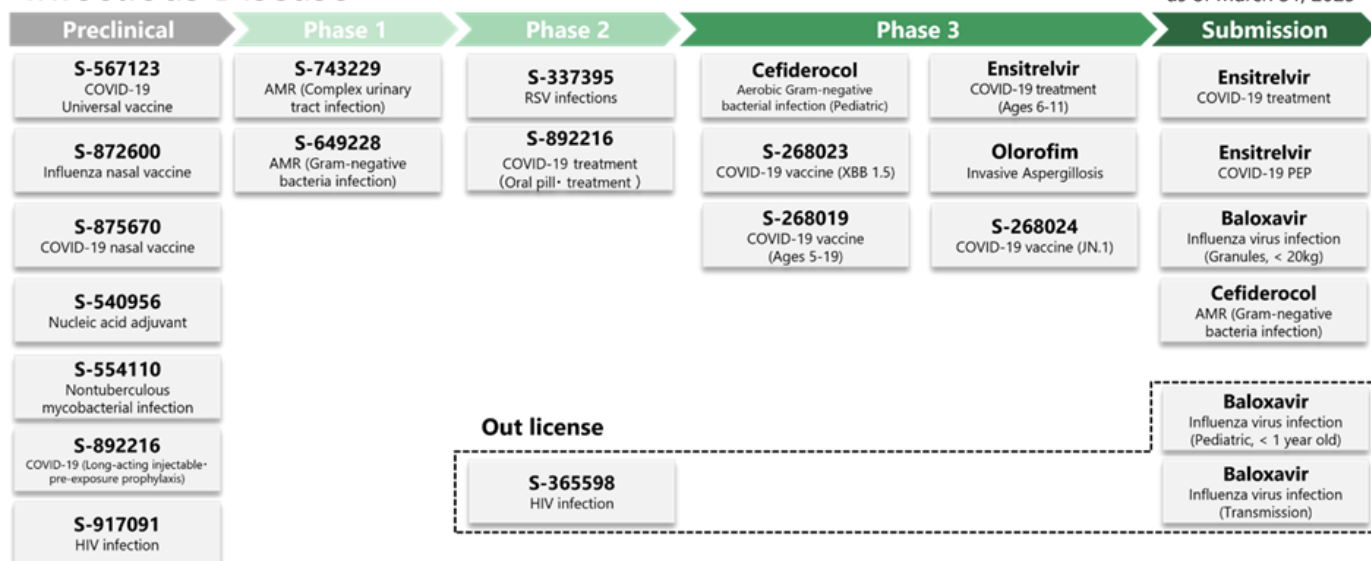
– Major progress of development projects –

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

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

Infectious Disease

as of March 31, 2025



QOL Diseases with High Social Impact


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

(2) Significant Subsidiaries

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

Note:

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

(3) Capital Investment

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

(4) Fund-raising

Not applicable

(5) Financial Strategy and Shareholder Return Policy

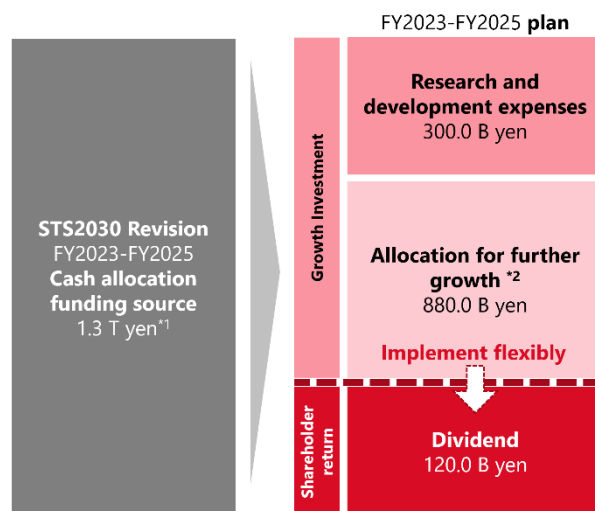
Financial Strategy

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

Shareholder Return Policy

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

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



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

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

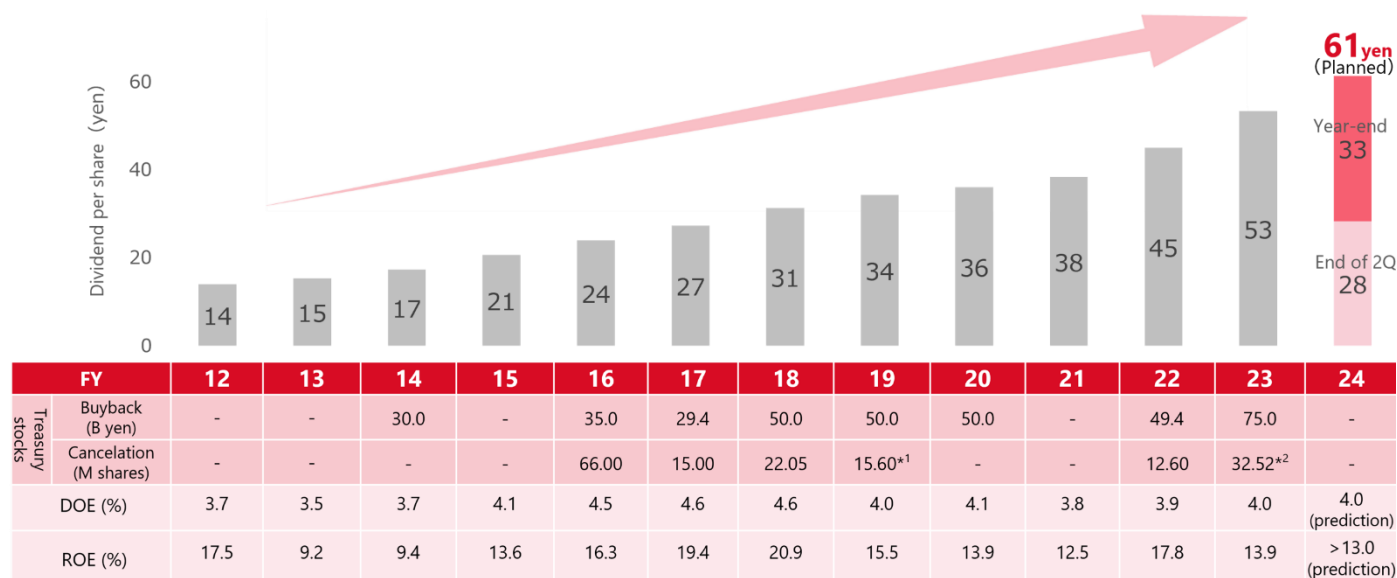
(6) Shareholder Returns for FY2024

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

Two shareholder return measures in line with growth in corporate value

Planned continuous increase in dividends	Three-for-one stock split of common stock
- The year-end dividend per share is expected to be 33 yen (99 yen before the split) in line with growth. - We plan to increase dividends for 13 consecutive years, allowing shareholders to experience profit growth with us over the medium to long term.	- To enhance the liquidity of our stock and make it easier for more people to invest by lowering the amount per investment unit, we conducted a three-for-one stock split.

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



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

(Amounts are rounded to the nearest whole number.)

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

(7) Challenges Ahead

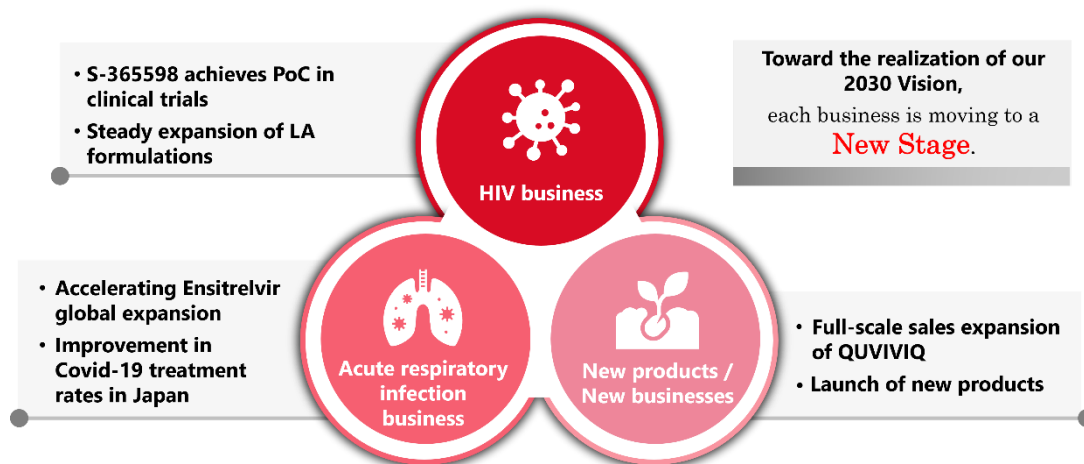
◆ Toward Achieving the Medium-Term Business Plan STS Phase 2

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



◆ Growth of Three Core Pillars

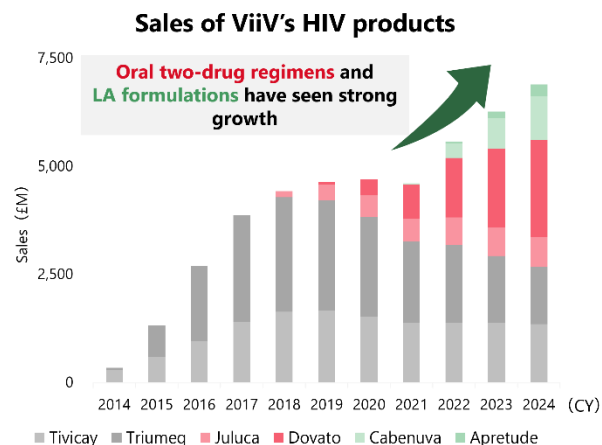
In the STS2030 Revision, we have identified the three core pillars of growth to realize the 2030 Vision: 1) HIV business, 2) acute respiratory infection business, and 3) new products/new businesses. In FY2024, each of these businesses achieved strong growth. In FY2025, the final year of STS Phase 2,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



■ 1) HIV Business

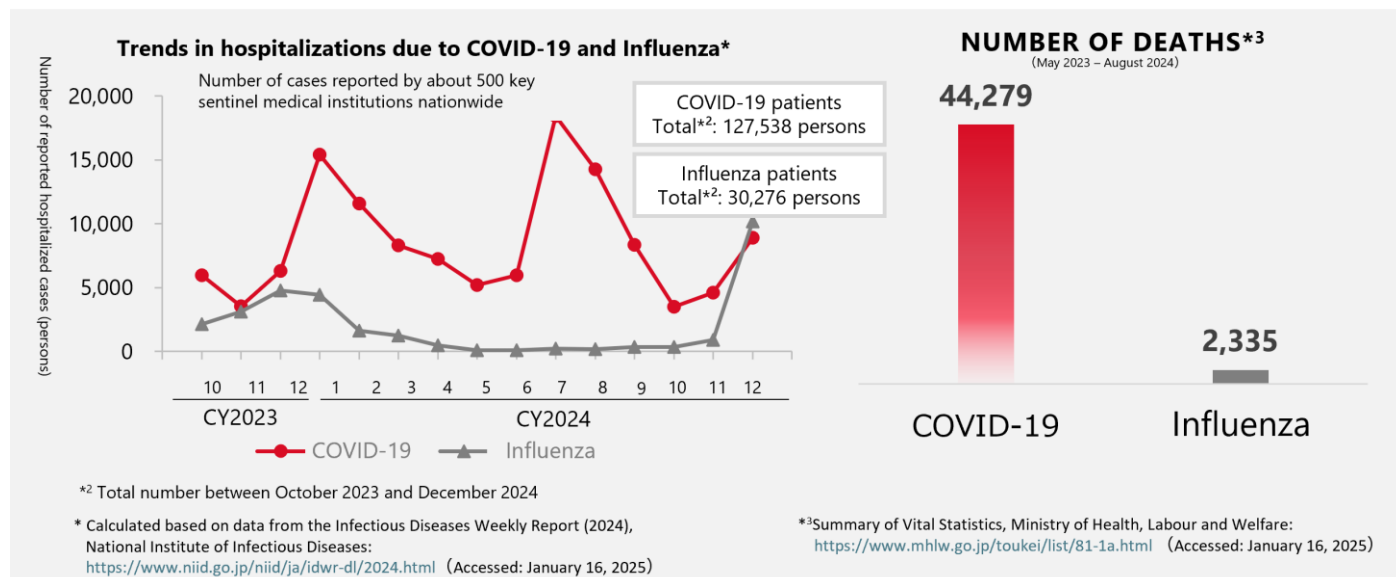
In addition to the steady growth of Dovato and Juluca (shown in red in the figure on the right), which are oral two-drug combination therapies containing the integrase inhibitor dolutegravir developed by SHIONOGI, the HIV treatment drug Cabenuva and the HIV prevention drug Apretude (shown in green in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

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



■ 2) Acute Respiratory Infection Business

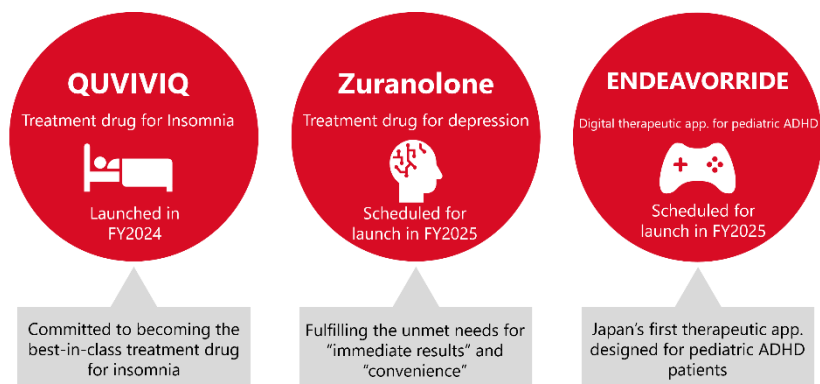
COVID-19 is associated with about four times as many hospitalizations and about 20 times as many deaths as influenza, making it a highly dangerous disease. However, the current treatment rate for COVID-19 (the percentage of positive cases treated with antiviral drugs) is approximately 10-15%, which is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



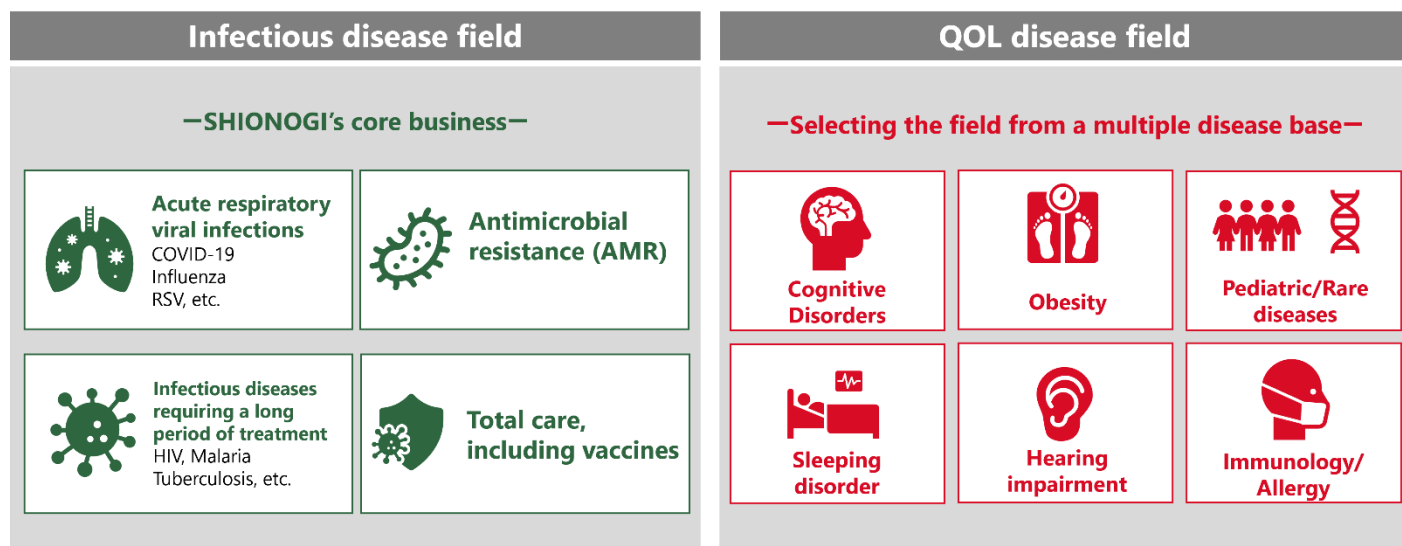
■ 3) New Products / New Businesses

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

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



◆SHIONOGI's R&D Strategy



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

(8) Overview of Operations

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

(Million of yen)

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

Notes:

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

2) Business Results and Financial Position of the Company

【JGAAP】

(Million of yen)

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

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

(9) Main Operations of the SHIONOGI Group

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

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

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

Notes:

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

(11) Employees

1) Number of Employees of the Corporate Group

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

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

2) Number of Employees of the Company

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

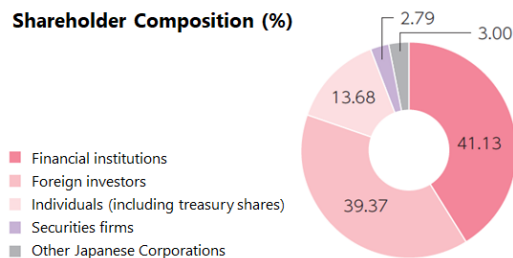
(12) Main Loans from Banks

Not applicable.

2. Stock Data

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

Shareholder Composition (%)



4) Major shareholders (Top 10)

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

Notes:

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

5) Stock Issued as Remuneration to Company Officers during FY2024

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

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

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

6) Other Important Matters Concerning Shares

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

Purpose of the stock split:

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

Details of the stock split:

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

Number of shares increased due to the stock split

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

Schedule of the stock split

Record date: September 30, 2024

Effective date: October 1, 2024

3. Stock Acquisition Rights

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

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

Notes:

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

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

Not applicable.

4. Board Members

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

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

Notes:

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

(2) Amount of Remuneration for Directors and Corporate Auditors

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

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

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

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

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

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

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

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

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

(Million of yen, except for persons)

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

Notes:

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

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

1. Basic policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Outside Board Members

1) Major Activities

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

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

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

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

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

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

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

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

5. Independent Accounting Auditor

(1) Name of Independent Accounting Auditor

Ernst & Young ShinNihon LLC

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

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

119 million yen

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

119 million yen

Notes:

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

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

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

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

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

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

6. Systems and Policies of the Company

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

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

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

1) Matters concerning directors' execution of duties

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

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

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

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

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

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

2) Matters concerning compliance

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

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

3) Matters concerning risk management

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

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

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

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

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

4) Matters concerning the Group company management system

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

5) Matters concerning corporate auditors' execution of duties

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

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

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

(2) Systems to assure appropriate business operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Other systems to ensure effective audits by corporate auditors

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

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

7. Other Material Matters

Legal Actions

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

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

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

- In April 2024, the Company, ViiV Healthcare Company and ViiV Healthcare ULC jointly filed a patent infringement action in the Canadian Federal Court in Toronto against JAMP Pharma Corporation, which has filed an application to make a generic version of a combination of dolutegravir sodium, abacavir sulfate and lamivudine (trade name: TRIUMEQ) in Canada, seeking an injunction against the exploitation before expiry of the dolutegravir substance patent that the Company shares with ViiV Healthcare Company and the fixed-dose patent for dolutegravir held by ViiV Healthcare Company.

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

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

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

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

Audit Report of the Board of Corporate Auditors

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

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

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

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

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

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

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

2. Result of Audit

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

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

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

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

(3) Results of audit on the consolidated financial statements

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

May 9, 2025

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

Standing Corporate Auditor :Akira Okamoto

Standing Corporate Auditor :Noriyuki Kishida

Outside Corporate Auditor :Tsuguoki Fujinuma

Outside Corporate Auditor :Shuichi Okuhara

Outside Corporate Auditor :Yoriko Goto