

Basic Views and Guidelines on Corporate Governance

Shionogi & Co., Ltd.

The SHIONOGI Group (the “Group”) has created a corporate governance system to make its Company Policy – SHIONOGI Group Heritage – a reality worldwide. In conformity with the spirit of the Corporate Governance Code that went into effect in Japan, the Group defines corporate governance as a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of customers, societies, shareholders and employees, and based on this, the Board of Directors established the Group’s Basic Views and Guidelines on Corporate Governance to realize the best possible corporate governance.

Shionogi & Co., Ltd. (the “Company”) fulfills its fiduciary responsibility to shareholders and its obligations to stakeholders in accordance with the Basic Views and Guidelines on Corporate Governance, and the Group shall work to achieve sustainable corporate growth and increased corporate value over the medium- to long-term.

1. Philosophy

The Group’s Company Policy, established in 1957, defines the aim of the Group’s corporate activities as “striving constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve.” This eternal and unwavering corporate philosophy embodies our vision for Shionogi and our value to society. We established the SHIONOGI Group Code of Conduct as a standard for the daily activities of group employees in order to make the Company Policy a reality worldwide. As a corporate group that contributes to the maintenance and improvement of health and the realization of comfortable lifestyles for people around the world, we will create a better future for healthcare, aim to resolve issues faced by patients, doctors and other healthcare professionals, shareholders, investors, and society as a whole, and contribute to the realization of a sustainable and healthy society through our business activities.

In addition, all management staff of the Group will take responsibility for taking the initiative in promoting and ensuring thorough understanding and implementation of the SHIONOGI Group Code of Conduct and will establish an effective execution system to that end.

The Group shall regularly review and confirm inculcation of the Company Policy, SHIONOGI Group Code of Conduct, and corporate culture.

2. Corporate Governance

(1) Basic Views and Guidelines

In accordance with the Company Policy – SHIONOGI Group Heritage – we believe our social mission is not only to provide useful and safe medicines, but also to contribute to improving the health and healthcare for people around the world by providing various healthcare services that meet customer needs, thereby contributing to the realization of a high-quality life.

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

(2) Framework

The Company adopts the Company with an Audit and Supervisory Committee structure and separates business management and business execution. Under this structure, the Board of Directors is responsible for making management decisions, including discussions on medium- to long-term company-wide strategies, and supervising business execution, while the Business Execution Framework, which is mainly composed of corporate officers, is responsible for business execution through quick and flexible decision-making. The Audit and Supervisory Committee and the independent accounting auditor form the Audit Framework to audit the execution of duties by the directors and the execution of business mainly by corporate officers. Each form a structure in which they fulfill their respective roles and responsibilities from an independent standpoint.

3. Securing the Rights and Equal Treatment of Shareholders

(1) Guidelines

The Company substantively ensures shareholder rights at the General Meeting of Shareholders, including voting rights, and maintains an environment in which all shareholders are able to properly exercise their rights as shareholders.

Specific initiatives and guidelines are as follows:

- ① The Company selects an appropriate day for the General Meeting of Shareholders on which many other companies are not holding their meetings.
- ② The Company sends out early notification of the General Meeting of Shareholders, and posts it on its website prior to sending it out.
- ③ The Company shall endeavor to provide complete information, including reference documentation for the General Meeting of Shareholders, so that shareholders can make informed decisions in exercising their voting rights at the General Meeting of Shareholders.
- ④ The Company shall maintain an environment that facilitates the exercise of voting rights, which shall include the use of the electronic voting platform and translation of the Notice of Convocation into English.

- ⑤ The Company shall analyze the causes and consider corrective measures when a resolution that is put to vote is opposed by significant number of votes.

(2) The Rights of Shareholders

The Group shall respect voting rights, and shall give due consideration to substantively ensuring the rights of all shareholders, including the exercise of voting rights and the rights of minority and foreign shareholders.

(3) The Agenda for General Shareholder Meetings

The Company shall decide which resolutions to propose to the General Meeting of Shareholders and which to delegate to the Board of Directors with due and valid consideration for the corporate governance system and for ensuring the flexibility and expertise of management decisions.

(4) Anti-Takeover Measures

The Company has not implemented anti-takeover measures. However, in the event of a takeover bid involving Shionogi's shares, the Board of Directors shall exercise impartial judgment and clearly explain its rationale to shareholders.

4. Business Views and Strategies

(1) Medium-Term Business Plan

The Group shall establish medium-term management plans and targets in anticipation of its desired vision for the future and shall implement initiatives to achieve its targets, after accurately determining capital costs.

In addition, the Company shall annually confirm the status of its progress with its medium-term management plans and disclose the results of such confirmation.

(2) Capital Policy

The Group shall comprehensively consider the status of its businesses, the operating environment, the extent of its capital requirement and other issues to balance the following considerations in a manner that supports increased corporate value over the medium- to long-term, after accurately determining capital costs.

- ① Investing in R&D and facilities for growth
- ② Strategic business investment
- ③ Shareholder returns

The Group shall ensure appropriate procedures with regard to capital policies that reduce shareholder returns and sufficiently explain them to shareholders.

(3) Cross-Shareholdings

«Guideline»

The Group shall only hold shares of companies if management judges that holding

the shares will increase the Group's corporate value and contribute to the sustainable enhancement of corporate value from the two perspectives of economic rationale and strategic validity. The Group shall sell all other shares, taking into account the share price, market trends and other factors.

«Verification to Determine Appropriateness of Shareholdings»

Each year, the Board of Directors shall conduct a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital cost and other aspects regarding individual cross-shareholdings and judge the necessity of holding the shares. The Board of Directors shall also disclose the results of such verification.

«Standards for Exercising Voting Rights»

The Group shall confirm the corporate value of companies in which it invests and the presence or absence of issues that may have a detrimental impact on shareholder value, and shall exercise its voting rights for or against measures pursuant to due consideration. The Group shall talk with the issuing company about matters such as the details of proposals as necessary.

(4) Corporate Pension Plan

The Company manages assets in order to secure stable funds for payment of future benefits, and shall regularly monitor the management of pension plan assets and, when necessary, reconsider the asset mix through the Pension Plan Asset Management Committee.

(5) Related Party Transactions

The Board of Directors shall sufficiently consider and approve any related party transactions that the Group may conduct with officers or major shareholders, and shall confirm that such transactions are conducted in accordance with proper procedures.

(6) Compliance

The Group shall comply with the SHIONOGI Group Code of Conducts in good faith. Compliance in the Group does not mean only compliance with laws, rules and/or regulations but also with social standards as well as ethical behavior.

In addition, the Board of Directors regards compliance as one of the top priority issues of management, and shall regularly receive reports on and supervise compliance activities.

(7) Risk Management

The Group appropriately manages business risks to create business opportunities

and avoid or mitigate risks. At the same time, it employs the Enterprise Risk Management (ERM) system, which oversees the entire Group's business risks, including risks of crises such as pandemics, natural disasters, terrorism, and cyberattacks, as an important mechanism for management strategy and management foundations. The basic risk management in the operation and management of the ERM is as follows: Based on the risk management plan discussed and approved at the Corporate Executive Meeting and the Board of Directors, business continuity risk is assessed in consideration of the degree of impact on group management as well as uncertainties. The Company and group companies recognize the business risks related to decision-making and business execution, and proactively implement countermeasures. The status of managing risks related to business execution is also reported to the Corporate Executive Meeting and the Board of Directors as appropriate.

Regarding crisis risks, based on rules and under a comprehensive management system, including a business continuity plan, we promote management that focuses on respect for human life, consideration for local communities and contributions, and control of corporate value damage. In the event of a crisis, we will deal with it and overcome it promptly.

In addition, in order to enhance the effectiveness of risk management, we will focus also on the development and operation of a system to ensure proper business operations, based on the Basic Policy for Construction and Operation of the Internal Control System.

(8) Sustainability

The Group will promote efforts toward achieving both the growth of its business and the sustainability of society by identifying the material issues for both the Company and society and by defining the achievement of the SDGs as part of its management strategy. In addition, to fulfill its corporate responsibility for the economy, society, environment, etc, we will also focus on strengthening ties with diverse stakeholders.

The Board of Directors approves the identification of material issues and important matters regarding materiality. The Board of Directors will regularly receive reports and oversee the progress.

(9) Ensuring Diversity

The SHIONOGI Group Code of Conduct recognizes that we must understand and respect human rights, adhering to international norms and standards and protecting the human rights of all persons who may be affected by our business activities as a respect for human rights. We have set this as one of the criteria for judging the value of our daily actions.

All employees conducting their daily activities in accordance with the SHIONOGI Group Code of Conduct will support the continuing development of the Group by leveraging the diverse perspectives and values of individuals.

5. Disclosure

(1) Guidelines

As a company widely trusted by society, the Group believes that improving management transparency is an important obligation. This belief is the basis for our Disclosure Policy, which calls for the Group to continuously disclose appropriate company information fairly and at the proper time.

(2) Dialogue

The Group subscribes to a spirit of fair disclosure for communication with shareholders. We disclose appropriate information fairly and at the proper time, and management and the department in charge of investor relations cooperate in energetic initiatives to contribute to sustained growth and increased corporate value over the medium- to long-term.

In addition, we have created a system for close cooperation among departments that facilitates dialogue regarding management strategy, shares, investor relations, finance and other issues, and the officer responsible shall manage this system.

We endeavor to identify actual shareholders using companies including stock custodian firms and external institutions.

(3) Control of Insider Information

The Group has formulated its Disclosure Policy, Information Management Standard and Rules to Prevent Insider Trading. The Group controls insider information in disclosing information, and thoroughly educates and instructs directors, officers and employees regarding information control and rules to prevent insider trading.

6. Directors and the Board

(1) Framework

<<Guideline>>

In order allow us to enhance business oversight by directors, improve management transparency, and promote highly equitable management, the Company will constitute the board of directors in accordance with the following views and guidelines from the standpoint of diversity in addition to the Company's financial results, compliance status and other factors.

- ① Independent directors shall account for half or greater than half of the board.
- ② Various aspects including management experience, specialized knowledge in

areas such as law and finance, medical and pharmaceutical viewpoints, and knowledge and experience in international business, as well as the overall balance of the Board of Directors, shall be considered.

- ③ Ensuring diversity in terms of gender, age, nationality and expertise shall be considered.

In addition, when selecting directors, the Company will nominate as candidates for directors those who meet the criteria for appointment and reappointment separately established by the Board of Directors, in consideration of the above perspectives.

In selecting candidates for directors who are Audit and Supervisory Committee members, the Company's policy is to nominate individuals who can express opinions in a fair and objective manner, contribute to enhancing the soundness and transparency of management, and possess the appropriate experience and capabilities required to fulfill their roles and responsibilities. These responsibilities include auditing the execution of duties by directors (business audits), and auditing the appropriateness of accounting audits conducted by the independent accounting auditor and by the corporate auditors of group companies (accounting audits). Candidates should also have knowledge of legal affairs or appropriate insight into finance and accounting.

In the event of wrongdoing or a serious legal violation in the execution of duties by a director that causes a significant loss to the Group, or if an event occurs that disrupts the Group's business operations, after sufficient investigation, the Company will proceed with the dismissal procedures of said director. The Representative Director and Executive Directors shall be removed from office by resolution of the Board of Directors.

«Procedure»

The Nomination Advisory Committee, which is comprised of a majority of independent outside directors and is chaired by an independent outside director, shall deliberate fairly, transparently and rigorously, and its conclusions shall inform decisions about candidates by the Board of Directors. Approval from the Audit and Supervisory Committee shall be required in the case of directors who are members of the Committee.

«Optional Advisory Committees»

We have established the Nomination Advisory Committee and the Compensation Advisory Committee. However, we may establish optional advisory committees as required in working to enhance the use of governance functions.

(2) Independent Directors

«Guideline»

Our guideline shall be to appoint independent directors to greater than half of board seats in order to further enhance the oversight of business execution by directors (excluding those who are Audit and Supervisory Committee members), heighten management transparency, and promote management that is perceived as highly fair by stakeholders outside of the Company.

In appointing independent directors, we shall select candidates based on standards for independency set by the Financial Instrument Exchanges and the Requirements and Independence Standards the Company has set for independent directors to fulfill their roles and responsibilities.

(3) Roles and Responsibilities

The directors and the Board shall fulfill the crucial role and obligation to supervise business execution and decisions regarding important matters that affect management, including discussions of medium- to long-term company-wide strategies that emphasize balance with each stakeholder.

Requisite matters for decisions by the Board of Directors are defined by the resolutions in the rules governing the board.

«Scope of Delegation»

The Group has introduced an executive officer system to separate management and business execution and support dynamic and flexible management and business operations, enabling the Group to respond rapidly to significant changes in the operating environment.

The Board of Directors shall make decisions in accordance with laws and regulations, the Group's Articles of Incorporation, and resolutions in the rules governing the Board regarding basic management policies, corporate governance guidelines, and basic policies on internal controls. Responsibility for making decisions about important matters associated with the management of business execution not covered by resolutions in the rules governing the Board shall be delegated to the management team, primarily to corporate officers.

(4) Remuneration

«Guideline»

The Company shall maintain a remuneration system that further increases the linkage between directors (excluding those who are Audit and Supervisory Committee members) compensation and the Company's medium- and long-term business performance to further provide an incentive to its directors to promote continuous enhancement of the Company's corporate value, and that enables the Company to further promote shared value with shareholders. The system shall also

involve appropriate performance-based remuneration, enable the Group to secure outstanding personnel, and enable fulfillment of accountability to shareholders and other stakeholders.

In designing the remuneration system, the Company shall aim to keep the proportion of base remuneration at about 1/3 of total remuneration.

Directors who are Audit and Supervisory Committee members and outside directors only receive base remuneration.

<<Procedure>>

The Compensation Advisory Committee, which is comprised of independent outside directors in its majority and chaired by an independent outside director, shall deliberate specific remuneration amounts fairly, transparently, and rigorously, and its conclusions shall inform decisions about remuneration for directors (excluding those who are Audit and Supervisory Committee members) by the Board of Directors and about remuneration for directors who are Audit and Supervisory Committee members by consultation among the Audit and Supervisory Committee members.

(5) Analyzing and Evaluating the Effectiveness of the Board

Operations, deliberations and other aspects of the Board of Directors shall be periodically analyzed and evaluated, and an overview of the results shall be disclosed.

(6) Operation

The Board of Directors shall operate in a manner that energizes its deliberation through free and constructive discussion and exchange of opinions, including when outside directors bring up issues for discussion.

(7) Support Structure

Directors shall be provided information required for the fulfillment of their roles and obligations in a timely manner, and the information requested by directors shall be provided to them. In addition, a system that provides support in terms of personnel, costs and the like for directors and personnel shall be in place.

(8) Cooperating with Outside Directors

The Company shall provide support for collaboration between outside directors to exchange information, achieve shared understanding, and the like.

(9) Director Training

<<Guideline>>

The Company shall endeavor to enable directors to make candid opinions and proposals by providing, at all times, management information including that on business, finances, organization and other aspects as well as knowledge necessary for directors to fulfil their roles and obligations. Moreover, we shall provide and arrange training opportunities as required and assume the associated costs.

7. Audit Framework

(1) Roles and responsibilities of the Audit and Supervisory Committee

The Audit and Supervisory Committee shall fulfill the crucial role and obligation to improve the soundness and transparency of management through its audit function using the internal audit division.

(2) External Auditors

The Group shall ensure proper accounting audits with the following approaches.

- ① The Audit and Supervisory Committee is required in the audit and supervisory standards to appropriately evaluate the performance of duties, the audit framework, and the independence of the independent accounting auditor. When conducting evaluations, the committee also checks whether the independent accounting auditor has the necessary industry knowledge and expertise to conduct global business.
- ② The Group enables external auditors to provide high-quality audits by engaging a sufficient number of external auditors and providing opportunities including the ability to visit offices overseas and throughout Japan.
- ③ For accounting audits, the Group shall provide opportunities for external auditors to hold discussions with representative directors, managers responsible for accounting and finance, and other senior managers.
- ④ The Group provides independent accounting auditor with the opportunity to meet regularly with directors, the Audit and Supervisory Committee, and the Internal Control Department, which is in charge of internal audits, to exchange opinions.
- ⑤ The Group maintains a system for immediately informing the Audit and Supervisory Committee and discussing subsequent action if the independent accounting auditor uncovers or points out information regarding fraud, errors, and internal control deficiencies.

(3) Internal Control

To ensure the legality and appropriateness of the duties carried out by each organizational unit, the Group has established a framework in which the Internal Control Department, which is responsible for internal audits, conducts audits of the

status of business execution as appropriate and reports the results to the Representative Director and the Audit and Supervisory Committee. The framework also requires the Internal Control Department to take the necessary actions based on instructions from the Representative Director or the Audit and Supervisory Committee (if the instructions conflict, the instructions from the Audit and Supervisory Committee shall take precedence).

8. Executive officers

(1) Appointment

<<Guideline>>

The Company shall appoint executive officers who fulfil the qualifications defined for someone of that rank in the Company's personnel management system and who have capabilities including specialized and technological knowledge and skills, executive experience, the ability to manage people and organizations, and organizational management capabilities aligned with Group-wide policies and goals.

Senior managers who meet the above requirements shall receive training via the President's Management Seminar and the Management Seminar, and their progress shall be properly reported to the Board of Directors.

<<Procedure>>

The Nomination Advisory Committee, which is comprised of a majority of independent outside directors and chaired by an outside director, shall deliberate fairly, transparently and rigorously, and its conclusions shall inform decisions about candidates by the Representative Director and President.

(2) Remuneration

<<Guideline>>

Executive officer remuneration shall be in line with industry remuneration levels within an appropriate remuneration system and level aligned with the Group's personnel system, and shall reflect the rank, responsibilities, duties and performances of the executives.

<<Procedure>>

The Compensation Advisory Committee, which is comprised of a majority of independent outside directors and chaired by an independent outside director, shall deliberate fairly, transparently and rigorously, and its conclusions shall inform decisions about remuneration by the Representative Director and President.

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[Reference]

The Requirements and Independence Standards

Requirements

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

Independence Standards

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

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

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

A "company for which the Group is a major business partner" refers to any of the

following (except in the case where (5) applies):

- a. A company for which the amount of payment from such company to the SHIONOGI Group accounts for 2% or more of the company's consolidated sales on average over the last three business years of the company, including the most recent business year.
 - b. A company for which the amount of money such company has received from the SHIONOGI Group accounts for 2% or more of the company's consolidated sales on average over the last three business years of the company, including the most recent business year.
- (5) If directors are consultants or accounting or legal professionals, the directors or the corporation or organization to which they belong shall not receive any of the following remuneration from the SHIONOGI Group other than their director or corporate auditor remuneration.
- a. (For individuals) Remuneration of 10 million yen or more per year
 - b. (For corporations, organizations, etc.) Remuneration equal to or greater than 2% of the consolidated sales of a corporation, institution or the like to which the directors belong or 10 million yen per year, whichever is higher, on average over the last three business years of such corporation, organization or the like, including the most recent business year
- (6) Outside directors shall not have a position with a corporation or foundation to which the SHIONOGI Group contributes more than 10 million yen annually.
- (7) The tenure of the SHIONOGI Group's outside directors shall not exceed a total of 10 years.