(Translation)
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Annual Securities Report

From April 1, 2024 to March 31, 2025

(The 160th Term)

Shionogi & Co., Ltd.
(E00923)

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This is an English translation of the Annual Securities Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors’ NETwork (“EDINET”) pursuant to the Financial Instruments and Exchange Act of Japan.

In this report, Shionogi & Co., Ltd. is hereinafter referred to as the “Company” and together with its consolidated subsidiaries as the “SHIONOGI Group” or “SHIONOGI”.

The letters “FY” preceding a year refer to the twelve-month period ended March 31 of the fiscal year immediately following the fiscal year referenced. For example, “FY 2024” refers to the twelve-month period ended March 31, 2025. All other references to years refer to the applicable calendar year.

“¥” or “yen” refers to Japanese yen.

Part Ⅰ. Company Information

I. Company Overview

1. Key Financial Data and Trends

(1) Consolidated Management Indicators

Fiscal year		IFRS				
		156th	157th	158th	159th	160th
Year end		March 2021	March 2022	March 2023	March 2024	March 2025
Revenue	Millions of Yen	297,177	335,138	426,684	410,073	438,268
Revenue (including profit from license transfer)	Millions of Yen	297,177	335,138	426,684	435,081	438,268
Profit before tax	Millions of Yen	143,018	126,268	220,332	198,283	200,750
Profit attributable to owners of the parent	Millions of Yen	111,858	114,185	184,965	162,030	170,435
Comprehensive income attributable to owners of the parent	Millions of Yen	137,407	161,865	209,007	254,978	171,262
Equity attributable to owners of the parent	Millions of Yen	846,108	975,661	1,100,046	1,235,325	1,361,924
Total assets	Millions of Yen	998,992	1,150,601	1,311,800	1,416,918	1,535,349
Equity attributable to owners of the parent per share	Yen	935.56	1,078.74	1,245.92	1,452.22	1,600.68
Basic earnings per share	Yen	121.68	126.25	207.10	186.17	200.36
Diluted earnings per share	Yen	121.63	126.21	207.03	186.11	200.29
Ratio of equity attributable to owners of the parent to total assets	%	84.7	84.8	83.9	87.2	88.7
Return on equity attributable to owners of the parent	%	13.9	12.5	17.8	13.9	13.1
Price-earnings ratio	Times	16.3	19.9	9.6	13.9	11.2
Net cash provided by (used in) operating activities	Millions of Yen	109,039	102,068	177,867	154,284	195,460
Net cash provided by (used in) investing activities	Millions of Yen	(5,261)	(96,204)	(48,292)	5,922	(116,080)
Net cash provided by (used in) financing activities	Millions of Yen	(43,891)	(36,615)	(84,123)	(126,853)	(64,908)
Cash and cash equivalents at end of period	Millions of Yen	276,173	254,420	309,224	358,090	374,795
Number of employees	Persons	5,485	5,693	5,680	4,959	4,955
[Average number of temporary employees not included in the above]		[1,016]	[748]	[524]	[530]	[525]

Notes:

1. Consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”).
2. The average number of temporary employees is shown in brackets and is not included in the number of employees.
3. In the 158th fiscal period, the Company disposed of 9 million shares of the Company’s stock to Sumitomo Mitsui Trust Bank, Limited’s trust account with respect to Shionogi Infectious Disease Research Promotion Foundation (sub-trustee: Custody Bank of Japan, Ltd. (Trust Account)), and treated the said shares as its treasury shares. Therefore, the number of these shares has been deducted in the calculation of basic earnings per share, diluted earnings per share, and equity attributable to owners of parent per share.
4. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Equity attributable to owners of the parent per share, basic earnings per share and diluted earnings per share were calculated under the assumption that the stock split had been conducted at the beginning of the 156th fiscal period.

(2) Non-Consolidated Management Indicators

Fiscal year		156th	157th	158th	159th	160th
Year end		March 2021	March 2022	March 2023	March 2024	March 2025
Net sales	Millions of Yen	260,986	285,948	369,499	345,761	363,309
Ordinary income	Millions of Yen	81,714	100,892	134,998	258,621	109,143
Net income	Millions of Yen	32,181	90,264	107,367	253,060	86,927
Share capital	Millions of Yen	21,279	21,279	21,279	21,279	21,279
Total number of issued shares	Shares	311,586,165	311,586,165	307,386,165	307,386,165	889,632,195
Net assets	Millions of Yen	536,405	590,430	612,890	749,494	791,825
Total assets	Millions of Yen	617,123	730,120	768,120	840,570	941,227
Net assets per share	Yen	592.83	652.53	686.88	871.75	920.78
Dividend per share (Interim dividend per share)	Yen	108.00 (53.00)	115.00 (55.00)	135.00 (60.00)	160.00 (75.00)	118.00 (85.00)
Earnings per share	Yen	35.01	99.80	119.51	287.79	101.12
Earnings per share (diluted)	Yen	34.99	99.77	119.47	287.69	101.09
Equity-to-assets ratio	%	86.9	80.8	79.8	89.1	84.1
Rate of return on equity	%	6.0	16.0	17.9	37.2	11.3
Price-earnings ratio	Times	56.7	25.1	16.7	9.0	22.2
Payout ratio	%	102.8	38.4	37.7	18.5	60.7
Number of employees [Average number of temporary employees not included in the above]	Persons	2,589 [134]	2,510 [137]	2,458 [140]	2,117 [137]	2,129 [142]
Total shareholder return (Comparison: Dividend-included TOPIX)	% %	114.0 (142.1)	145.8 (145.0)	119.1 (153.4)	155.5 (216.8)	139.9 (213.4)
Highest share price	Yen	7,183	8,439	7,640	8,137	2,355 (7,824)
Lowest share price	Yen	4,761	5,438	5,821	5,718	2,049.5 (5,834)

Notes:

1. The average number of temporary employees is shown in brackets and is not included in the number of employees.
2. The highest share price and the lowest share price are those on the Tokyo Stock Exchange First Section before April 3, 2022, and on the Tokyo Stock Exchange Prime Market on April 4, 2022. The share prices for the 160th fiscal year are the highest and lowest share prices after the stock split, with the highest and lowest share prices before the stock split shown in parentheses.
3. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Net assets per share, earnings per share and diluted earnings per share after adjustment for latent shares have been calculated based on the assumption that the stock split had occurred at the beginning of the 156th fiscal period. The dividend per share for the 160th fiscal year is stated as 85.00 yen for the interim dividend before the stock split and 33.00 yen for the year-end dividend after the stock split, and the simple sum of these two amounts, 118.00 yen, as the total annual dividend.

2. Corporate History

March 1878	Gisaburo Shiono, Sr., launches Shiono Gisaburo Shoten as a natural drug wholesaler, where he begins dealing in Japanese and Chinese medicines
1886 to 1897	The management of Shionogi decides to concentrate on imported western drugs, begins dealing directly with trading firms in Europe and the United States
February 1910	Constructed the Shiono Seiyakusho manufacturing plant
June 1919	Changed the organization to a joint stock company, changed the company name to Shionogi Shoten Co., Ltd. (capital of ¥1.5 million)
May 1922	Acquired the land and buildings of Kobe Acetic Acid Industry, establishing it as the Kuise Plant
July 1943	Changed company name to Shionogi Seiyaku K.K. (Shionogi & Co., Ltd.)
August 1945	Merged with Shionogi Kagaku, launched as the Ako Plant
January 1946	Established the Aburahi Laboratories in Shiga Prefecture
May 1949	Shionogi's shares listed on the Tokyo and Osaka Stock Exchanges
December 1963	Established Taiwan Shionogi & Co., Ltd. (now a consolidated subsidiary)
March 1968	Constructed the Settsu Plant in Osaka Prefecture
August 1976	Established Nichia Pharmaceutical Industries Ltd. (now consolidated subsidiary Shionogi Pharma Co., Ltd.)
March 1983	Constructed the Kanegasaki Plant in Iwate Prefecture
August 1998	Established Bushu Pharmaceuticals Ltd.
February 2001	Established Shionogi USA, Inc. (United States)
January 2008	Established Shionogi Analysis Center Co., Ltd. (now consolidated subsidiary Shionogi Pharma Co., Ltd.)
August 2008	Established Shionogi USA Holdings, Inc. (United States, now consolidated subsidiary Shionogi Inc.)
October 2008	Acquired shares of Sciele Pharma, Inc. (United States, trade name changed in January 2010 to Shionogi Pharma, Inc.)
March 2010	Transferred all shares of Bushu Pharmaceuticals Ltd.
October 2010	Established Shionogi Techno Advance Research Co., Ltd. (now a consolidated subsidiary)
April 2011	Shionogi Inc. absorbs Shionogi USA, Inc. and Shionogi Pharma, Inc. in a merger
July 2011	Constructed the Pharmaceutical Research Center in Osaka Prefecture to consolidate drug discovery research functions
October 2011	Acquired C&O Pharmaceutical Technology (Holdings) Limited (China, now a consolidated subsidiary)
February 2012	Established Shionogi Limited (United Kingdom, now consolidated subsidiary Shionogi B.V.)
March 2013	Established Beijing Shionogi Pharmaceutical Technology Limited (China, now a consolidated subsidiary)
January 2016	Established Shionogi Healthcare Co., Ltd. (now a consolidated subsidiary)
April 2016	Consumer Healthcare Business transferred to Shionogi Healthcare Co., Ltd.
October 2018	Established Shionogi Pharma Co., Ltd. (now a consolidated subsidiary)
November 2018	Established Shionogi B.V. (Netherlands, now a consolidated subsidiary)
March 2019	Shionogi B.V. absorbs Shionogi Limited in a merger
April 2019	Manufacturing and contract manufacturing of prescription drugs, etc., transferred to Shionogi Pharma Co., Ltd.
April 2019	Shionogi Pharma Co., Ltd. absorbs Shionogi Pharma Chemicals Co., Ltd. and Shionogi Analysis Center Co., Ltd. in a merger
October 2019	Established Stream-I, Inc. (now a consolidated subsidiary), a joint venture with M3, Inc.
December 2019	Acquired UMN Pharma Inc. (now a consolidated subsidiary)
May 2020	Acquired Tetra Therapeutics Inc. (now a consolidated subsidiary)
August 2020	Established Ping An-Shionogi (Hong Kong) Limited (Hong Kong, now a consolidated subsidiary, Shionogi (Hong Kong) Commerce Limited)
October 2020	Shionogi Pharma Co., Ltd. acquires Nagase Medicals Co., Ltd.
November 2020	Established Ping An-Shionogi Co., Ltd. (China, now a consolidated subsidiary)
November 2021	Established Pharmira Co., Ltd.
April 2022	Shionogi Pharma Co., Ltd.'s investigational drug manufacturing business partially transferred to Pharmira Co., Ltd.
April 2022	Shionogi Pharma Co., Ltd. absorbs Nagase Medicals Co., Ltd. in a merger.
April 2022	Moved from the Tokyo Stock Exchange's First Section to its Prime Market due to a revision of the Tokyo Stock Exchange's market classifications
August 2022	Established Yui Connection Co., Ltd. (now a consolidated subsidiary)
July 2023	Sold a portion of the shares of Shionogi Business Partner Co., Ltd. (now an equity-method affiliate)
July 2023	Acquired Qpex Biopharma, Inc. (now a consolidated subsidiary)
October 2023	Established Shionogi-Apnimed Sleep Science, LLC (now an equity-method joint venture)
April 2024	Shionogi Pharma Co., Ltd. absorbs Pharmira Co., Ltd. in a merger
January 2025	Made Ping An-Shionogi (Hong Kong) Limited (now consolidated subsidiary Shionogi (Hong Kong) Commerce Limited) a wholly owned subsidiary
March 2025	Made Ping An-Shionogi Co., Ltd. (now a consolidated subsidiary) a wholly owned subsidiary

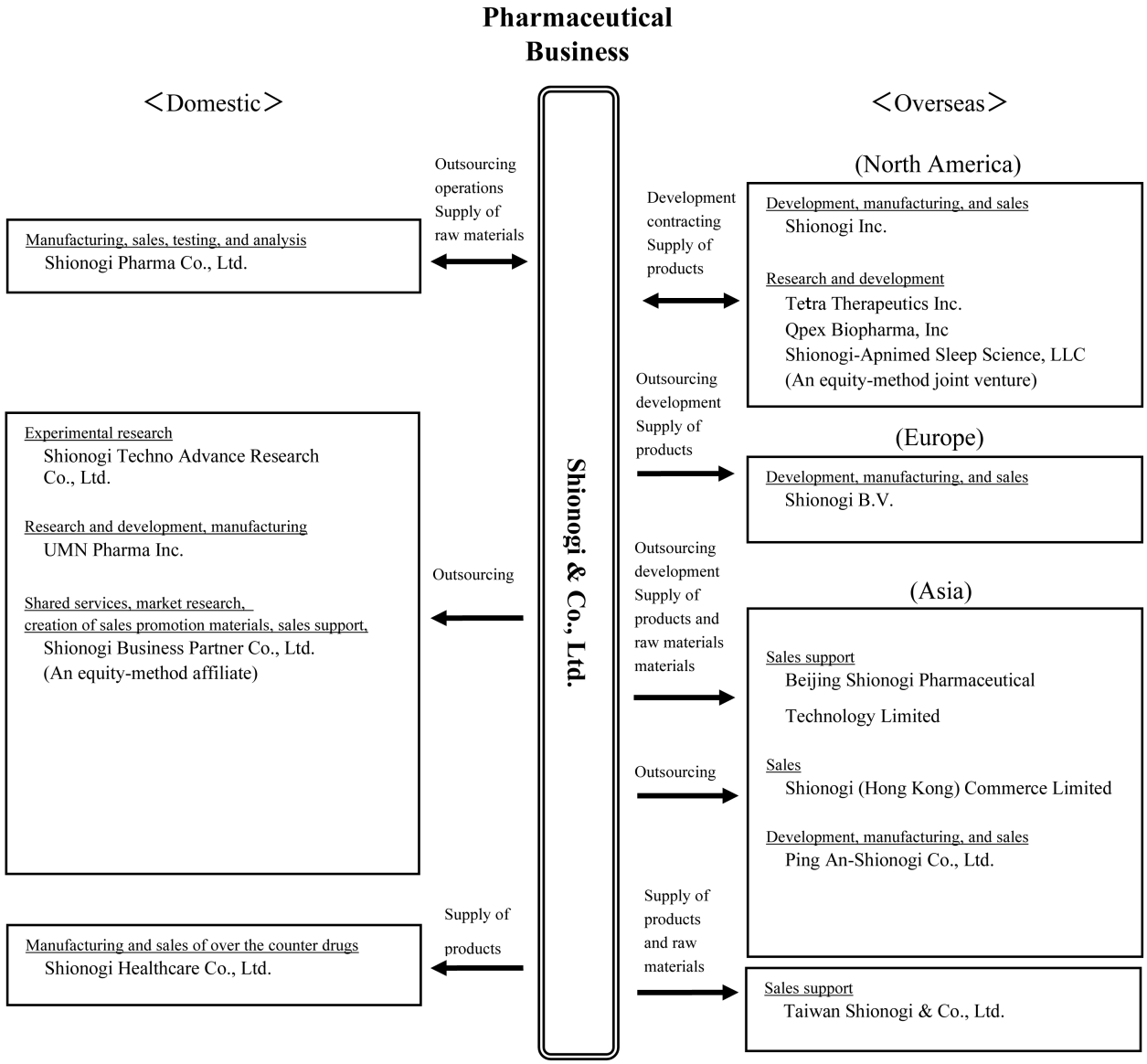
3. Business Line

As of March 31, 2025, SHIONOGI (the Company and its subsidiaries and affiliates) consists of the Company, 41 consolidated subsidiaries, five affiliates, and two joint ventures. It has a single business segment, consisting of the research, development, purchase, manufacture, and sale of prescription drugs and related businesses.

Important companies are as follows.

The Company, Shionogi Pharma Co., Ltd., Shionogi Healthcare Co., Ltd., Shionogi Techno Advance Research Co., Ltd., UMN Pharma Inc., Shionogi Business Partner Co., Ltd., Shionogi Inc., Qpex Biopharma, Inc., Tetra Therapeutics Inc., Shionogi-Apnimed Sleep Science, LLC, Shionogi B.V., Taiwan Shionogi & Co., Ltd., Beijing Shionogi Pharmaceutical Technology Limited., Shionogi (Hong Kong) Commerce Limited, Ping An-Shionogi Co., Ltd. and 34 other companies.

The following is a diagram of the SHIONOGI's businesses and where the SHIONOGI's companies are positioned within these businesses



Notes: 1. Due to insignificance of scale, 29 consolidated subsidiaries, 4 affiliates and 1 jointly controlled entity are not shown in this diagram.

2. On April 1, 2025, Ping An-Shionogi Co., Ltd. changed its name to Shionogi China Co., Ltd.

3. Effective as of April 1, 2025, the Company has conducted an absorption-type company split in which UMN Pharma was the splitting company and Shionogi Pharma was the successor company. The liquidation is scheduled to be completed by the end of FY2025.

4. Information on Subsidiaries and Affiliates

Name	Address	Capital (Millions of yen)	Main business	Ownership of voting rights (%)	Relationship
[Consolidated subsidiaries]					
Shionogi Pharma Co., Ltd. (Note 2)	Osaka, Japan	90	Pharmaceutical Business	100.0	The Company outsources manufacture, testing, and analysis of pharmaceuticals. Concurrent directors, etc.....None
Shionogi Healthcare Co., Ltd. (Notes 4, 6)	Osaka, Japan	10	Pharmaceutical Business	100.0 (100.0)	The Company sells over the counter drugs. . Concurrent directors, etc.....None
Shionogi Techno Advance Research Co., Ltd.	Osaka, Japan	9	Pharmaceutical Business	100.0	The Company outsources experimental research support operations. Concurrent directors, etc.....None
UMN Pharma Inc. (Note 5)	Akita, Japan	90	Pharmaceutical Business	100.0	The Company outsources research and development and manufacture operations for biogenetic pharmaceuticals. Concurrent directors, etc.....None
Shionogi Inc.	New Jersey, U.S.A.	USD 12	Pharmaceutical Business	100.0	The Company outsources development operations for pharmaceuticals. The Company sells pharmaceuticals. Concurrent directors, etc..... Yes
Tetra Therapeutics Inc. (Official name: Tetra Discovery Partners Inc.)	Michigan, U.S.A.	USD 37 thousand	Pharmaceutical Business	100.0	The Company outsources research and development operations for pharmaceuticals. Concurrent directors, etc.....Yes
Qpex Biopharma, Inc. (Note 4)	California U.S.A.	USD 4,107	Pharmaceutical Business	100.0 (100.0)	The Company outsources research and development operations for pharmaceuticals. Concurrent directors, etc.....Yes
Shionogi B.V. (Note 2)	Amsterdam, Netherlands	GBP 630 thousand	Pharmaceutical Business	100.0	The Company outsources development operations for pharmaceuticals.The Company manufactures and sells pharmaceuticals. Concurrent directors, etc..... Yes
Taiwan Shionogi & Co., Ltd.	Taipei, Taiwan, R.O.C.	TWD 92 million	Pharmaceutical Business	100.0	The Company sells pharmaceuticals and raw materials. Concurrent directors, etc..... Yes
Beijing Shionogi Pharmaceutical Technology Limited	Beijing, China	30	Pharmaceutical Business	100.0	The Company outsources market research operations for pharmaceuticals. Concurrent directors, etc..... Yes
Shionogi (Hong Kong) Commerce Limited (Notes 2, 4, 6)	Hong Kong, China	HKD 361,794 thousand	Pharmaceutical Business	100.0 (100.0)	The Company outsources sale of pharmaceuticals. Concurrent directors, etc.....None
Ping An-Shionogi Co., Ltd. (Notes 2, 4, 7)	Shanghai, China	RMB 1,061,224 thousand	Pharmaceutical Business	100.0 (100.0)	The Company outsources the development, manufacture, and sale of pharmaceuticals. Concurrent directors, etc.....None
[Equity-method affiliate]					
Shionogi Business Partner Co., Ltd.	Osaka, Japan	10	Pharmaceutical Business	20.0	The Company outsources various service operations. Concurrent directors, etc..... None
[Equity-method joint venture]					
Shionogi-Apnimed Sleep Science, LLC	Massachusetts U.S.A.	—	Pharmaceutical Business	50.0	The Company undertakes contract research and development of pharmaceuticals. Concurrent directors, etc..... Yes

Notes:

1. The "Main business" presented is the name of the business segment.
2. Indicates companies classified as specified subsidiaries.
3. In addition to the above, there are 29 consolidated subsidiaries, 1 affiliates and 1 joint venture accounted for by the equity method. However, each of these has insignificant impact on the Company's business and is immaterial on the whole.
4. Figures in parentheses for "Ownership of voting rights" are the indirect ownership percentages included.
5. Effective as of April 1, 2025, the Company has conducted an absorption-type company split in which UMN Pharma was the splitting company and Shionogi Pharma was the successor company. The liquidation is scheduled to be completed by the end of FY2025.
6. 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 Shionogi (Hong Kong) Commerce Limited.
7. On March 31, 2025, we acquired all shares of Ping An-Shionogi Co., Ltd., making it a wholly owned subsidiary. Furthermore, on April 1, 2025, the company's name was changed to Shionogi China Co., Ltd.

5. Employees

(1) Consolidated companies

As of March 31, 2025

Name of business segment	Number of employees (Persons)
Pharmaceutical Business	4,955 [525]

Notes:

1. The number of employees presented is the number of full-time employees. The average number of temporary employees (re-employed mandatory retirees, contract employees, etc.) is shown in brackets and is not included in the number of employees.
2. SHIONOGI (the Company and its consolidated subsidiaries) has a single business segment, consisting of the research, development, purchase, manufacture, and sale of prescription drugs and related businesses. All of SHIONOGI's employees belong to the Pharmaceuticals Business.

(2) Non-consolidated (filing company data)

As of March 31, 2025

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual pay (Yen)
2,129 [142]	41.5	15.2	10,034,029

Notes:

1. The number of employees presented is the number of full-time employees. The average number of temporary employees (re-employed mandatory retirees, contract employees, etc.) is shown in brackets and is not included in the number of employees.
2. Average annual pay includes bonuses, non-standard wages, and non-statutory benefits.
3. The Company has a single business segment, consisting of the research, development, purchase, manufacture, and sale of prescription drugs and related businesses. All of the Company's employees belong to the Pharmaceuticals Business.

(3) Labor unions

The Company's labor union is called SHIONOGI Worker's Union, which, together with the labor unions of five consolidated subsidiaries and one equity-method affiliate, organizes Federation of SHIONOGI Group Worker's Union. This federation is a subordinate member of the Federation of Pharmaceutical and Cosmetic Industry Labor Unions (Yakusho Rengo).

As of March 31, 2025, the Shionogi Labor Union has 2,057 members and Federation of SHIONOGI Group Worker's Union has 2,873 members.

Labor and management maintain a healthy relationship based on mutual trust.

(4) Percentage of female employees in managerial positions, rate of male employees taking childcare leave, and wage disparities between male and female employees

1) Filing company

Fiscal year under review				
Percentage of female employees in managerial positions (%) (Notes 1, 3)	Rate of male employees taking childcare leave (%) (Notes 2,5)	Wage disparities between male and female employees (%) (Notes 1, 4)		
		All employees	Regular (permanent) employees	Part-time/fixed term employees
16.9	78.5	80.1	78.0	107.4

Notes:

1. Calculated based on provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015)
2. The rate of childcare leave, etc. taken specified in Item 1, Article 71-6-1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of October 15, 1991) based on provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991)
3. The number of employees is counted as of April 1, 2025. Employees in managerial positions refer to those who have subordinates.

4. Calculated based on the conditions below

Target period: FY2024 (from April 1, 2024 to March 31, 2025)

Wages: Include standard pay, non-standard pay, bonuses, and non-statutory benefits, but exclude retirement allowances.

Regular (permanent) employees: Exclude those seconded from the Company to outside but include those seconded from other companies to the Company

Part-time/fixed-term employees: Include contract (*shokutaku*) employees, part-timers and re-employed workers (full-time and part-time) but exclude dispatched employees

5. Details about percentage of male employees taking childcare leave

Fiscal year under review		
Percentage of male employees taking childcare leave for 14 days or more (%)	Number of male employees taking childcare leave	Average number of days of childcare leave taken by male employees
63.3	62	43

2) Consolidated subsidiaries

Fiscal year under review					
Consolidated subsidiaries	Percentage of female employees in managerial positions (%) (Notes 1, 3)	Rate of male employees taking childcare leave (%) (Notes 2,5)	Wage disparities between male and female employees (%) (Notes 1, 4)		
			All employees	Regular (permanent) employees	Part-time/fixed term employees
Shionogi Pharma Co., Ltd.	11.8	73.7	73.0	73.4	80.8
Shionogi Healthcare Co., Ltd.	9.1	0.0	70.8	70.2	120.5
Shionogi Techno Advance Research Co., Ltd.	31.0	75.0	78.9	77.8	58.4

Notes:

1. Calculated based on provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015)
2. The rate of childcare leave, etc. taken specified in Item 1, Article 71-6-1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of October 15, 1991) based on provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991)
3. The number of employees is counted as of April 1, 2025. Employees in managerial positions refer to those who have subordinates.
4. Calculated based on the conditions below

Target period: FY2024 (from April 1, 2024 to March 31, 2025)

Wages: Include standard pay, non-standard pay, and bonuses, but exclude retirement allowances

Regular (permanent) employees: Exclude those seconded from the Company to outside but include those seconded from other companies to the Company

Part-time/fixed-term employees: Include contract (*shokutaku*) employees, part-timers and re-employed workers (full-time and part-time) but exclude dispatched employees

5. Details about percentage of male employees taking childcare leave

Fiscal year under review			
Consolidated subsidiaries	Percentage of male employees taking childcare leave for 14 days or more (%)	Number of male employees taking childcare leave	Average number of days of childcare leave taken by male employees
Shionogi Pharma Co., Ltd.	68.4	14	54
Shionogi Healthcare Co., Ltd.	0.0	0	0
Shionogi Techno Advance Research Co., Ltd.	75.0	3	64

<Difference in wages between men and women>

The SHIONOGI Group has introduced and operates a personnel system based on a job rank system, whereby employees are treated according to their duties regardless of their age, gender or other attributes. Therefore, the treatment of men and women is the same, and there is no difference in the compensation system between men and women at the same job rank. However, there are in fact differences because the ratio of women in positions with higher responsibilities and wages is lower than that of men. To eliminate these differences, we have been working to create an environment in which everyone can play an active role regardless of gender. As a result, the ratio of female managers has increased. We will continue to promote initiatives to encourage women's active participation. Our targets for the promotion of women's active participation are described in "II Business Overview, 2. Views and Initiatives Concerning Sustainability."

Indicator	FY2022	FY2023	FY2024
Percentage of female employees	26.4%	26.4%	27.0%
Percentage of female managers	14.0%	14.5%	16.9%
Percentage of female organization heads	18.5%	19.1%	24.6%
Percentage of female corporate officers	0.0% (0/14)	0.0% (0/17)	5.9% (1/17)
Percentage of female directors	40.0% (2/5)	33.3% (2/6)	33.3% (2/6)

II. Business Overview

1. Management Policy, Business Environment, Issues to Be Addressed, etc.

Matters discussed here that are not historical fact reflect the judgment of the SHIONOGI Group (the Company and its consolidated subsidiaries, hereinafter referred to as "SHIONOGI") as of the end of the fiscal year under review.

(1) Management policy, management strategy, etc.

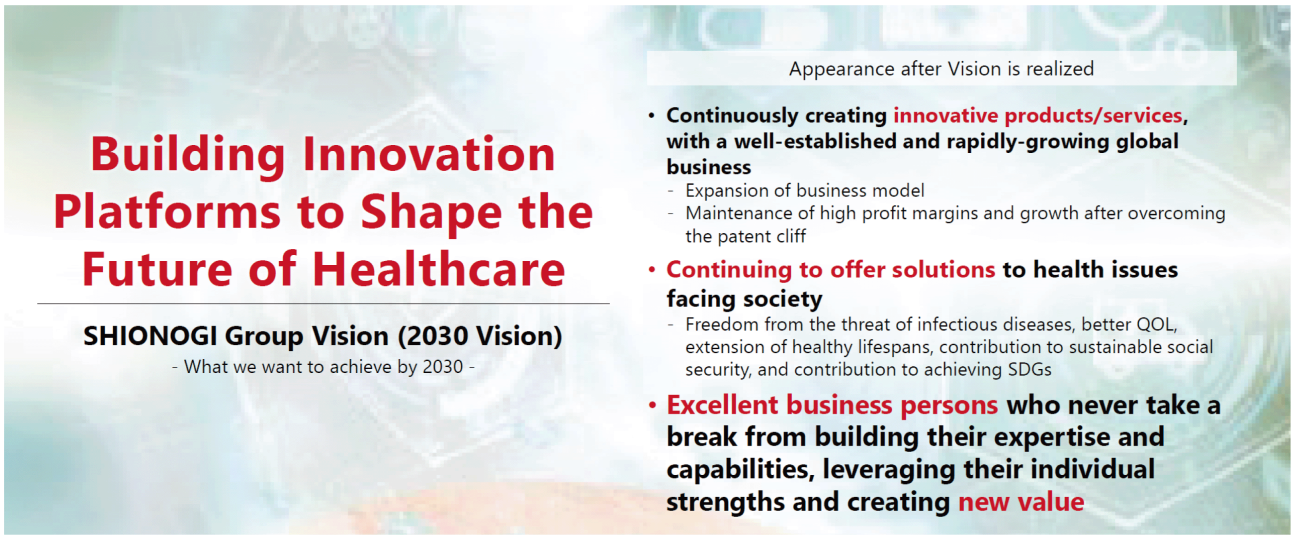
■ Basic management policy

The basic policy of SHIONOGI (SHIONOGI Group Heritage) is defined as "striving constantly to supply the best possible medicine (healthcare solutions) to protect the health of the patients we serve." For this purpose, SHIONOGI will need to create and manufacture even better medicines and to spread the word to even more people so that they can take advantage of them. To accomplish this, SHIONOGI believes that the daily improvement of technology by all SHIONOGI people will lead to greater benefits for all stakeholders (customers, shareholders and investors, society, employees, etc.)

■ Vision of what SHIONOGI wants to achieve by 2030

SHIONOGI is transforming its business with the SHIONOGI Group Vision of "Building Innovation Platforms to Shape the Future of Healthcare." SHIONOGI recognizes that its social mission is to address the growing concerns about rising social security costs and the increasing sophistication and diversification of medical needs and to continue to contribute to the health of people and the realization of a sustainable society. Meanwhile, the prescription drug business is continually facing challenges for its sustainability because of the expiration of patents for mainstay products. SHIONOGI hopes to solve problems faced by patients and society in a more comprehensive manner through our self-transformation from a conventional drug discovery company focusing on offering prescription drugs to a "HaaS (Healthcare as a Service) company" that continuously renders new value to society. To this end, SHIONOGI must further evolve its strengths as a drug discovery-based pharmaceutical company based on innovation and advanced expertise while increasingly catalyzing the formation of new healthcare platforms as the "hub of co-creation" that is chosen by other companies and industries with different strengths.

SHIONOGI will work to realize the SHIONOGI Group Vision by accepting diversity, without fear of change, and by going beyond its conventional concept to transform.



■ Business environment and management strategy

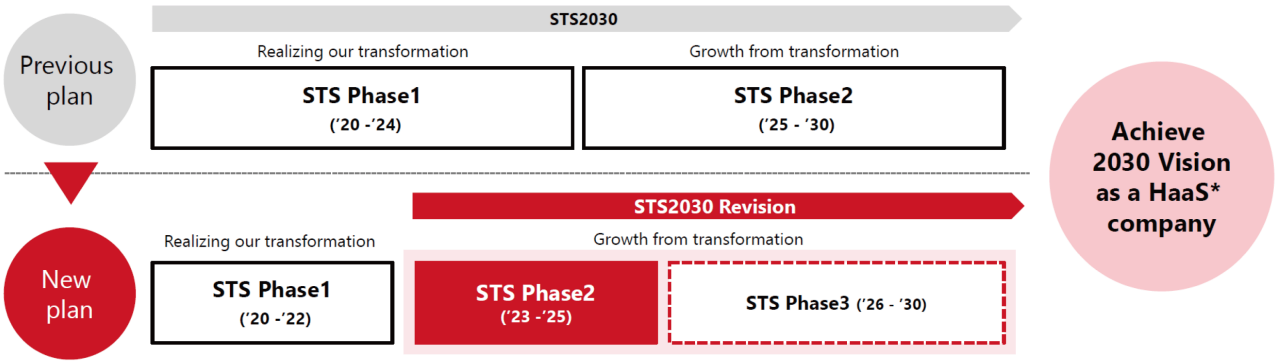
The global business environment is becoming increasingly complex, making it difficult to predict the future. The environment surrounding the healthcare industry has been rapidly changing, reflecting factors such as the growing global population, the increased aging of society due to the low birthrate in high- and middle-income countries, environmental changes, including climate change, that are occurring on a global scale, the associated changes in the prevalence of certain diseases and healthcare needs, the dramatic advancement of artificial intelligence, the diversification of people's values, and the novel coronavirus (SARS-CoV-2) pandemic, which was associated with changes in the way drug discovery research and development is conducted and the approach in doing business globally. In addition, the business environment is becoming increasingly severe with pressure to curb drug cost increases in developed countries due to tighter healthcare insurance finances and, in the case of Japan, with the beginning of yearly NHI price revisions for prescription drugs in fiscal 2021. Furthermore, due to factors such as the escalating competition between superpowers over leadership in fields such as technology, the economy, and security, the prolonged Russian invasion of Ukraine, and the escalation of conflict in the Middle East, the risks of stagnation in business development and in the procurement and supply of pharmaceutical raw materials overseas are becoming more and more apparent every day.

Under these circumstances, SHIONOGI worked on the development of COVID-19 treatment drugs, which progressed at an unprecedented speed from drug discovery to clinical development to application for approval to eventually obtain emergency approval. In addition, with regard to the HIV franchise, as ViiV Healthcare Ltd. ("ViiV") is making steady progress in its efforts to make a shift to a product line centered on long-acting cabotegravir, the patent cliff caused by the patent expiration of the anti-HIV drug dolutegravir has been effectively overcome, enabling us to continue to expect stable regrowth in the future.

SHIONOGI announced Medium-Term Business Plan "Shionogi Transformation Strategy 2030 (STS2030)" in 2020 to realize its 2030 Vision and has been implementing various measures to achieve it. In June 2023, we updated STS2030 and formulated the STS2030 Revision to further clarify the path toward achieving STS2030 in light of the aforementioned changes in the external environment and based on the results and lessons learned from the initiatives over the three fiscal years from the formulation of STS2030 to 2023.

■ Outline of the STS2030 Revision

The STS2030 Revision positions the three-year period from FY2023 to FY2025 as STS Phase 2 to accelerate growth through transformation. In addition, we plan to formulate and implement a new plan for the period from FY2026 to FY2030 as STS Phase 3.



In STS Phase 1, we were able to achieve most of the KPIs through the expansion of products discovered internally and progress in products and services other than prescription drugs, as well as governance enhancement. In STS Phase 2, the basic policies are "achieving global top-line growth centered on the infectious disease area" and "realizing the development of growth drivers through aggressive investment," under which we will accelerate growth through three pillars: "continued growth of HIV franchise," "acute respiratory infection business, " and "expansion of new products and new businesses."

Growth toward achieving 2030 Vision

(i) Continued growth of HIV franchise

In the HIV business, sales and market share are growing steadily due to strong sales of ViiV's oral two-drug combinations and long-acting formulations. We will continue to promote the long-acting treatment drug "Cabenuva" and the prophylactic drug "Apretude" while also working to achieve sustained growth in the HIV business through the development of ultra-long-acting formulations that can be administered once every four or six months to complete treatment or prophylaxis.

(ii) Acute respiratory infection business

Acute infectious diseases such as COVID-19 and influenza repeatedly spread and subside rapidly, making them difficult to predict and causing significant market uncertainty. Therefore, in order to continue to promote the acute infectious disease business, it is necessary to establish a sustainable business model that is not affected by epidemics.

SHIONOGI will leverage its strength in possessing treatments for two different infectious diseases, COVID-19 and influenza, with the aim of stabilizing earnings and achieving further growth. For COVID-19 in particular, SHIONOGI will work to accumulate new evidence for ensitrelvir and disseminate it globally while focusing on the creation of even better new treatments that can be used by more people, thereby achieving sustainable growth.

Furthermore, not limiting to providing antiviral drugs, but we will also advance research and development efforts in the field of diagnostics. Through the provision of accurate, simple, and affordable diagnostic drugs, we aim to realize the "Test to Treat" concept globally, enabling everyone to receive a diagnosis anytime, anywhere, and to be connected to appropriate treatment.

(iii) Expansion of new products and new businesses

With regard to new products, we aim to launch more than 10 products from our current development pipeline by fiscal 2030. By combining these with the growth of existing assets and the introduction of new products through active investment, we will achieve global growth. In the vaccine business, we aim to grow revenue to 100.0 billion yen by 2030 by steadily building up a track record and strengthening our competitiveness.

■ Relationship between SHIONOGI's material issues (materiality) and the STS2030 Revision

SHIONOGI aims to grow as a company that is needed by society by addressing social issues and responding to medical needs through its business activities and to share the results with its stakeholders. In order to achieve this, SHIONOGI has identified its material issues by grasping the environment surrounding SHIONOGI, evaluating the opportunities and risks associated with changes in the environment, and analyzing the current status and issues of SHIONOGI. Of these material issues, the elements that were identified as particularly essential, taking into consideration SHIONOGI's growth and demands from society up to 2030, have been incorporated in the STS2030 Revision strategies.

Details of our material issues are provided in "II Business Overview, 2. Views and Initiatives Concerning Sustainability."

*For details on the process for identifying material issues and analyzing and assessing risks and opportunities, please visit our website.

https://www.shionogi.com/global/en/company/strategy/important-issues.html

(2) Priority business and financial issues to be addressed in the STS2030 Revision

Among the material issues, SHIONOGI places particular emphasis on "Protect people from the threat of infectious diseases," believing that the accomplishment of this task is the mission of SHIONOGI as a leading company in the field of infectious diseases. Based on this belief, in the STS2030 Revision, we aim to solve various healthcare issues in the field of infectious diseases and establish a sustainable business model. "Contribute to a healthy and prosperous life" is another materiality issue that we stress. Focusing not only on our conventional focus areas of "psychiatric and neurological diseases" and "pain" but also on QOL-related diseases that have a significant social impact, such as dementia, obesity, children's diseases and rare diseases, and sleeping disorder, we will contribute to the realization of a society in which everyone can live life to the fullest and on their own terms.

■ Creating value by solving social issues

(i) Protect people from the threat of infectious diseases

SHIONOGI has conducted research and development on infectious diseases for over 60 years, bringing a huge number of drugs for infectious diseases to market along the way. We believe that the strengths cultivated through many years of our activities, such as our deep understanding in the infectious disease area and our libraries of compounds and pathogens, will enable us to continue to provide solutions that contribute to satisfying unmet needs.

Placing the highest priority on relieving the world from the COVID-19 pandemic as soon as possible, we have been promoting the development of COVID-19 treatment drugs. In addition, we are also working to create a universal vaccine that is effective against mutant strains that may emerge in the future, as well as the next coronavirus pandemic. Furthermore, we developed products and services for the realization of total care for infectious diseases (comprehensive care for diseases, including not only treatment but also pre-symptomatic care, prevention, diagnosis, and convalescence), such as the provision of a sewage-based epidemiological survey service through AdvanSentinel Inc., a joint venture with Shimadzu Corporation, and the development and supply of COVID-19 diagnostic drugs. We will continue efforts to build evidence for ensitrelvir and expand its application to children and prevention, thereby contributing to satisfying unmet needs. At the same time, by promoting total care of infectious diseases globally, we aim to achieve top-line growth and establish a sustainable business model.

Regarding the world's three major infectious diseases, not only for HIV, we will also commit ourselves to other infectious diseases that require a long period of time for treatment, such as tuberculosis and malaria, thereby fulfilling our mission as a leading company in the field of infectious diseases.

Furthermore, we will work to establish a mechanism for solving the infectious disease issues that are difficult for SHIONOGI to tackle alone, together with society. Antimicrobial resistance (AMR), often called a silent pandemic, has been gradually gaining recognition as an urgent and global threat. However, despite concerns that the threat may grow in the future, development of new treatment drugs is stagnant worldwide due to business risks, such as difficulty in drug discovery and the possibility of failing to recover investment. SHIONOGI has developed cefiderocol, the first siderophore cephalosporin antibiotic drug in the world, as a promising treatment option for AMR. At the same time, by acquiring Qpex Biopharma, Inc. ("Qpex") as its fully owned subsidiary, SHIONOGI has obtained an extended-spectrum β-lactamase inhibitor and has also opened the new research center Qpex US Lab., thereby working to enhance its antimicrobial R&D capabilities and network in the United States. In addition, SHIONOGI has formed a partnership with MPP (Medicines Patent Pool) and has also signed partnership agreements with GARDP (Global Antibiotic Research and Development Partnership) and CHAI (Clinton Health Access Initiative) for the purpose of improving access to infectious disease treatment drugs by countries around the world, including low- and middle-income countries.

(ii) Contribute to a healthy and prosperous life

Aiming to realize a society in which everyone can live life to the fullest and on their own terms, SHIONOGI has identified QOL-related diseases with high social impact as a focus area in the STS2030 Revision. In addition to psychiatric and neurological diseases and pain, for which research and development is already underway, SHIONOGI is developing a pipeline in areas with particularly high unmet needs, such as obesity and sleep disorders. In FY2024, sales of "QUVIVIQ® tablets 25 mg and 50 mg," an insomnia treatment drug, started in Japan, and we expect to continue launching new products in the future.

In addition, to achieve further growth as an HaaS company, we have been advancing initiatives to provide solution platforms centered on prescription drugs and to respond to the deeper needs of many more patients. In FY2024, we obtained approval of domestic production and sales for ENDEAVORRIDE®, a digital therapeutic app for attention deficit hyperactivity disorder (ADHD) in childhood. We also worked on the development of digital therapeutics apps for insomnia of SUSMED and AI-programmed medical equipment for conversational cognitive function testing in collaboration with FRONTEO. Through these initiatives, we are moving forward with realizing the HaaS concept, which is tailored to the needs of patients. We were also able to make progress in improving the environment for the realization of HaaS through such initiatives as establishing Yui Connection Co., Ltd., which provides educational support services for school teachers to propose education plans appropriate for individual students, and collaborating with Pixie Dust Technologies, Inc. in improving cognitive function using sound stimulation. Going forward, we will not only provide treatment drugs but also solve problems of patients and their families, as well as those who support them, through the development and provision of innovative treatment options and services, thereby contributing to improving their QOL and productivity of society.

(3) Objective indicators for determining the achievement status of management goals

In the STS2030 Revision, three indicators for growth potential and three indicators for shareholder return have been set as the financial and management indicators to be achieved. The three indicators we set to measure growth potential are as follows: revenue, as we prioritize the top-line growth; overseas sales CAGR (Compound Annual Growth Rate), as we aim to achieve growth globally; and EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), as we make active investments toward growth and to measure our earning power. As the three indicators for shareholder return, we continued to set EPS, DOE, and ROE from the perspectives of business growth and financial measures.

By achieving top-line growth globally centered on infectious disease treatment drugs, such as ensitrelvir, we will achieve the targets of revenue and overseas sales CAGR for each fiscal year. At the same time, we will continue to explore opportunities for business development, such as M&As, in-licensing, and alliances, to establish additional revenue drivers and proactively make investments worth the value using our solid financial base, thereby achieving the targets for the management indicators.

Key Performance Indicator (KPI)		FY2025 Target(Note 1)	FY2030 Target(Note 1)
Growth	Revenue	530.0 billion yen	800.0 billion yen
	Overseas sales CAGR (Excluding royalty income)	Reviewing the growth plan (Planning to reset KPIs with an eye toward growth in the next fiscal year and beyond)	Reviewing the growth plan (Planning to reset KPIs with an eye toward growth in the next fiscal year and beyond)
	EBITDA	196.0 billion yen	—
Shareholder return	EPS(Note 2)	Over 200 yen	—
	DOE	4%	—
	ROE	Over 14%	—

Note:

1. In our financial results for FY2024 disclosed on May 12, 2025, we revised the key performance indicators (KPIs) for FY2025: revenue from 550.0 billion yen to 530.0 billion yen, and EBITDA from 200.0 billion yen to 196.0 billion yen. For overseas sales CAGR, we plan to reset the target in anticipation of further growth from FY2026 onwards. For details of the background and reasons of the revision, please refer to "Objective indicators for determining the achievement status of management goals" in "4. Analysis of Financial Position, Operating Results, and Cash Flows by Management."
2. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. The EPS target for the fiscal year 2025 is stated based on the figures after the stock split.

2. Views and Initiatives Concerning Sustainability

SHIONOGI's views and initiatives concerning sustainability are as follows.

Matters discussed here that are not historical fact reflect the judgment of SHIONOGI as of the end of the fiscal year under review.

(1) Views concerning sustainability

SHIONOGI has identified the material issues for both SHIONOGI and society toward achieving both the growth of its business and the sustainability of society while declaring its determination to contribute to the achievement of the SDGs in the SHIONOGI Group Vision. In addition, to fulfill its corporate responsibility for the economy, society, environment, etc., SHIONOGI is also focusing on strengthening ties with diverse stakeholders.

(2) Initiatives concerning sustainability

In order to achieve both the growth of business and the sustainability of society, besides the initiatives related to value creation as described in the previous section "Priority business and financial issues to be addressed in the STS2030 Revision," we recognize that promoting initiatives toward realizing a sustainable society is important. At SHIONOGI, from the perspective of the importance for the Company and the importance for society and the global environment, "environmental considerations," including response to climate change, and "securing human resources who will support the growth" have been identified as the issues to be addressed with particular attention for achieving the growth of business and the sustainability of society, and initiatives toward solving these issues are being promoted.

a. Governance

At SHIONOGI, important management issues related to sustainability are discussed and resolved at the Corporate Executive Meeting and the Board of Directors' meetings. Under the responsibility of the corporate officer in charge, the Sustainability Management Department works with each organization to promote company-wide activities to promote sustainability-related initiatives and strengthen the system.

In FY2024, in order to manage sustainability issues in an integrated manner as part of our management strategy, we eliminated our existing sustainability action plan and started its integrated operation with materiality indicator management. After indicators for each material issue is set, the progress of the efforts for each indicator is reported every half year to the Corporate Executive Meeting and the Board of Directors, and opinions and advice from Directors and Corporate Auditors are received and reflected in improvement efforts. Furthermore, when individual sustainability matters involve important decisions, they are referred to the Corporate Executive Meeting and the Board of Directors for deliberation.

Details of SHIONOGI's company-wide corporate governance system are described in "IV. Information on the Filing Company, 4. Corporate Governance, etc., (1) Overview of corporate governance."

b.Strategy

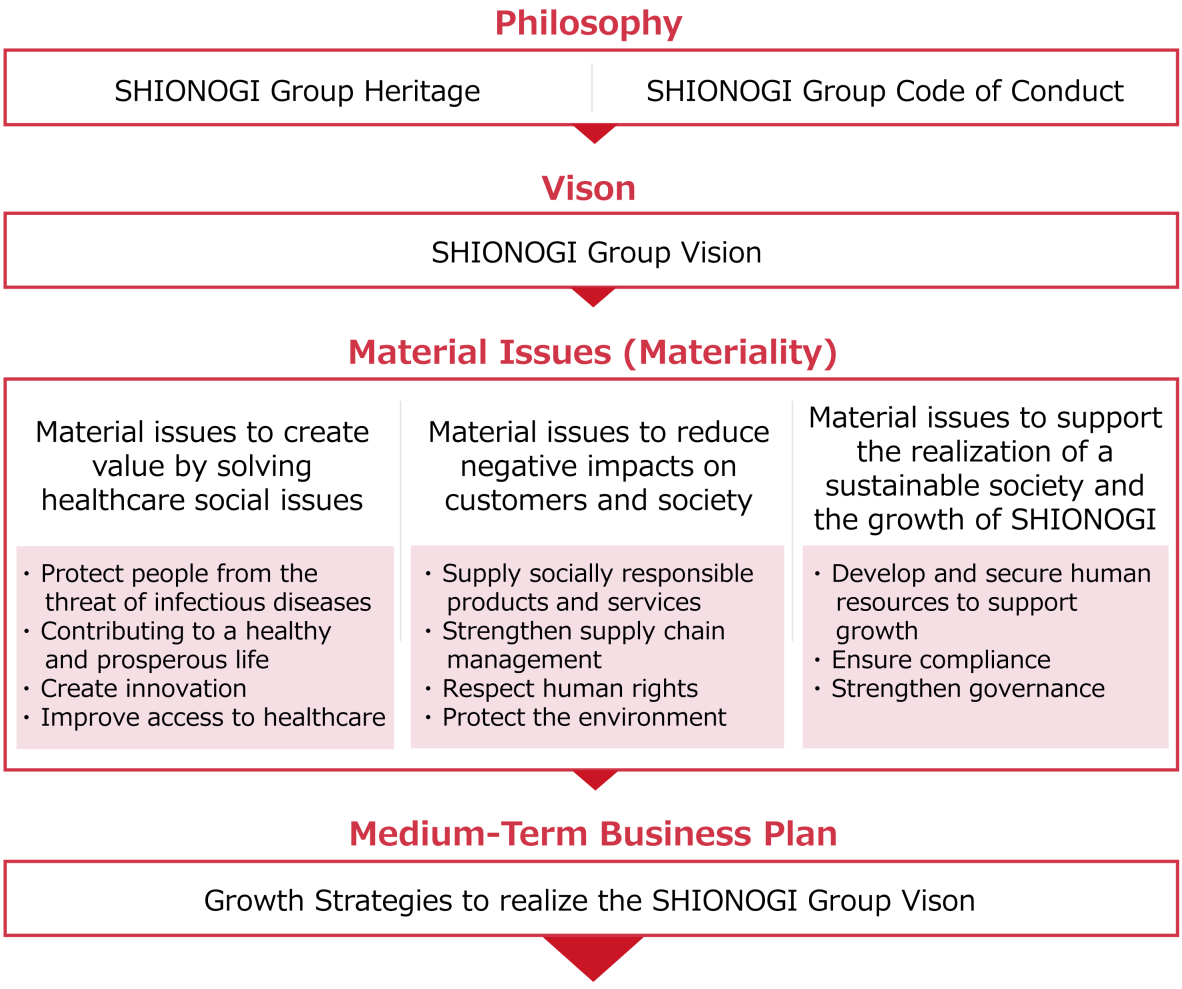
SHIONOGI aims to grow as a company that is essential to society by addressing healthcare-related social issues through its business activities and contributing to the realization of a sustainable society while sharing the resulting value with its stakeholders.

Underlying these business activities is the Company Policy of SHIONOGI (SHIONOGI Group Heritage) of "SHIONOGI strives constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve." Based on this policy, we have established the SHIONOGI Group Vision as our medium- to long-term goal. To realize this SHIONOGI Group Vision, we have identified SHIONOGI's material issues by determining changes in the internal and external environments and analyzing and assessing risks and opportunities along with their timelines. The identified material issues have been organized into three categories : "creating value by solving healthcare social issues," "reducing negative impacts on customers and society, " and support the realization of a sustainable society and the growth of SHIONOGI," and we are promoting activities for each category. In addition, based on the identified material issues, we have formulated STS2030 Revision, a medium-term business plan which serves as our growth strategy.

In FY2024, we reviewed risks and opportunities in light of changes in the internal and external environments and revised the material issues. While confirming that there are no changes to the risk and opportunities previously identified, we have partially revised the material issues for the following reasons.

● " Contribute to sustainable social security" is a necessary element for achieving "Improve access to healthcare" and has therefore been integrated into "Improve access to healthcare."

● To achieve " Protect people from the threat of infectious diseases" and "Contribute to a healthy and prosperous life," it is necessary to continue to innovate, and therefore "Create innovation" has been added.



Details of the STS2030 Revision and the relationship between SHIONOGI's material issues and the STS2030 Revision are described in "II. Business Overview, 1. Management Policy, Business Environment, Issues to be Addressed, etc."

*For details on the process for identifying material issues and analyzing and assessing risks and opportunities, please visit our website.

https://www.shionogi.com/global/en/company/strategy/important-issues.html

c.Risk management

Sustainability-related risk management is integrated into the company-wide risk management structure. Specifically, we identify risks to and opportunities for our business, including sustainability, after taking into consideration the degree of their impact and likelihood of occurrence, appoint a supervisory unit in charge and a risk owner for each risk, and promote response plans to turn uncertainties into opportunities or reduce them. Details of risk management are described in "II. Business Overview, 3. Business and Other Risks."

d. Indicators and targets

SHIONOGI has established materiality indicators for each material issue, which have been determined through deliberation at the Corporate Executive Meeting and by the Board of Directors.

Furthermore, the progress of the initiatives related to materiality indicators is reported to the Corporate Executive Meeting and the Board of Directors every six months. By managing and monitoring the progress for each material indicator, we ensure effectiveness of the initiatives.

* For details on the indicators for each material issue and the results of major initiatives, please refer to our website.
https://www.shionogi.com/global/en/company/strategy/important-issues.html

(3) Protecting the Environment (climate change)

(i) Approach to environmental considerations

As a corporate group that employs natural capital to operate its business, SHIONOGI recognizes that realizing a sustainable society through the conservation of the global environment is an important responsibility that we must fulfill. Based on the SHIONOGI Group EHS*1 Policy and the SHIONOGI Group EHS Code of Conduct, SHIONOGI has developed a comprehensive EHS management function and has identified the five issues of "AMR," "climate change," "resource conservation and circulation," "water," and "environmental management and governance" as its issues of "environmental materiality" to be addressed on a priority basis. In addition, as indicators for medium- to long-term, strategic initiatives, we have set the SHIONOGI Group EHS Action Targets with FY2035 as the final year.

In particular, with regard to "climate change," which has been identified as one of our issues of environmental materiality, we are strengthening our efforts toward carbon neutrality to achieve our interim target of a 60% reduction in in-house CO2 emissions by FY2035 (from the FY2019 level), on the way to achieving carbon neutrality in 2050. As part of these efforts, in March 2022, SHIONOGI announced its support for the TCFD*2 recommendations and joined the TCFD Consortium. As actions in response to the TCFD recommendations, we have begun to identify climate change-related risks and opportunities that may affect our business activities and assess their financial impact, and we have disclosed information as described below.

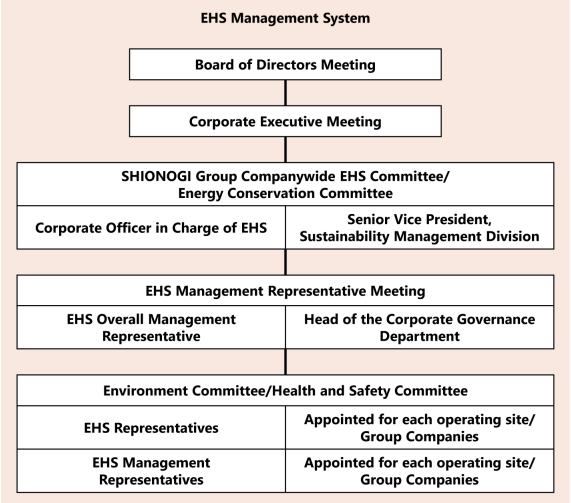
*1 EHS: Environment, Health, and Safety

*2 Task Force on Climate-related Financial Disclosures: An organization established by the Financial Stability Board (FSB) at the request of the G20 to examine how climate-related information should be disclosed and addressed by financial institutions

■ Disclosure based on the TCFD recommendations

a. Governance

The progress of specific actions taken on climate change risks is managed by the integrated EHS overall management function. The Senior Vice President of the Sustainability Management Division, who is also the risk owner for this theme within the company-wide risk management system, has been appointed as the Corporate Officer in Charge of EHS, who chairs the SHIONOGI Group Companywide EHS Committee and the Energy Conservation Committee. Decisions made by each of these committees, which meet at least four times a year in total, are reported to the President and CEO. Among them, matters requiring higher-level deliberation are submitted to the Corporate Executive Meeting in advance to obtain a Board of Directors' resolution or other organizational decisions. Thus, we have established a governance system that enables deeper discussions.



b. Strategy

In FY2022, to assess and identify risks and opportunities related to climate change, SHIONOGI conducted scenario analysis using two temperature zones: the 1.5° C scenario (a sustainable future in which greenhouse gas emissions are reduced in line with the Paris Agreement and the temperature rise is limited to 1.5° C above pre-industrial levels) and the 4° C scenario (a future in which emissions are not reduced and the temperature rises by 4° C, resulting in serious impacts). Based on this, we examined our climate change strategy, including assessment of financial impacts and formulation of policies to respond to the risks. In FY2024, we partially revised our assessment of financial impacts of the identified risks and opportunities, taking into consideration external factors such as business progress and exchange rate fluctuations.

The results of the assessment of SHIONOGI's risks and opportunities related to climate change using the 1.5° C and 4° C scenarios are as shown in the table below. We have identified 1) the introduction of carbon pricing, 2) the impact of local extreme weather/temperature rise on raw material procurement, and 3) the sea level rise as three risks/opportunities attributable to climate change with a relatively large financial impact. In the calculation made for assessment assuming that all the identified risks and opportunities are materialized, we have confirmed that the negative financial impact on core operating profit in 2030, the final year of the Medium-Term Business Plan STS2030, will be within around 10%. The STS2030 Revision established in June 2023 is targeting greater expansion of revenue than the STS2030. We have therefore judged that the resilience of our business against the possible future climate change scenarios is sufficiently secured.

・Outline of the assessment of SHIONOGI's risks and opportunities related to climate change

Category		Major risks and opportunities	Single-year financial impact in FY2030*1	
			1.5° C scenario	4° C scenario
Transition risks	Policy	Introduction of carbon pricing	Medium*2	Small
		Tightening of energy conservation regulations	Small	Small
Physical risks	Acute	Impact of local extreme weather and temperature rise on raw material procurement	Large*3	Large*3
		Damage to supply chain facilities due to intensifying storms and floods	Small	Small
	Chronic	Sea level rise	Large*4	Large*4
Opportunities	Market	Development of new markets/areas through R&D on new pharmaceuticals	Small	Small
		Switch to environment-friendly low-carbon containers and packaging	Small	Small

Notes:
1. Financial impact: Large: 10 billion yen or more, Medium: 1 billion yen to less than 10 billion yen, Small: Less than 1 billion yen
2. As the worst case scenario for Scope 1-3 of SHIONOGI, we assume approximately 6.1 billion yen. Based on the IPCC 1.5° C Special Report, we have internally set the carbon tax at 20,575 yen / tCO_2 for calculations.
3. We assume a situation where shipments of some of our main pharmaceutical products will be suspended due to the inability to procure lysate reagents used in quality testing.
4. As the worst case scenario, we assume that factories and other sites will have to be relocated.

* For more details, please see the website below.
https://www.shionogi.com/global/en/sustainability/environment/results/climate/tcfd.html

c. Risk management

In the climate change scenario analysis, "transition risks," "physical risks," and "opportunities" are comprehensively identified as the impacts of climate change on business activities. After assessing the financial impact and business resilience of each of the identified items in both the 1.5° C and the 4° C scenarios, we determine response priorities and formulate response policies and countermeasures. Regarding risks and opportunities, including climate change, that may have a material impact on the future business environment, we consider their degree of impact, probability of occurrence, etc. in our company-wide risk management framework and manage the implementation of their countermeasures. These processes, from the identification of risks to the formulation and promotion of countermeasures, and relevant important matters are reported to the Corporate Executive Meeting and the Board of Directors to obtain approval.

d. Indicators and targets

The SHIONOGI Group EHS Action Targets, our medium- to long-term targets, include greenhouse gas (CO2) emissions reduction as an indicator for reducing climate-related risks. In addition, aiming to achieve carbon neutrality by 2050, we have set SBTs (Science Based Targets) as the greenhouse gas emissions reduction targets for FY2030. These targets were approved by the SBT Initiative in June 2021.

To achieve SBTs in FY2030, SHIONOGI is working to introduce renewable energy-derived electricity to its operating sites. As of the end of FY2024, the introduction to major sites of Shionogi & Co., Ltd. (Head Office, Aburahi Research Center, Shionogi CMC Research Innovation Center, Shionogi Pharmaceutical Research Center), as well as the Settsu Plant, a major plant of Shionogi Pharma Co., Ltd, has been completed. We also promoted efforts to save electricity and energy at each operating site. These efforts resulted in a 23.3% reduction in in-house emissions in FY2024 compared to the FY2019 level. Based on SBTs and the SHIONOGI Group EHS Action Targets, we will continue to promote the introduction to major plants of Shionogi Pharma Co., Ltd while also working to reduce supply chain emissions, thereby advancing activities aimed at achieving SHIONOGI's carbon neutrality goal.

・Medium- and long-term targets for reducing greenhouse gas (CO_2) emissions

Item	Target (compared to FY2019)
In-house emissions (Scopes 1 and 2)	Reduce GHG emissions by 10% by FY2024 Reduce GHG emissions by 46.2% by FY2030 Reduce GHG emissions by 60% by FY2035
Supply chain emissions (Scope 3, Category 1)	Reduce GHG emissions by 10% by FY2024 Reduce GHG emissions by 20% by FY2030
Percentage of introduction of renewable energy-derived electricity	90% or more in FY2030

・Results and plans of introduction of renewable energy-derived electricity

FY of introduction	Site	Company name	Status
FY2021	Head Office	Shionogi & Co., Ltd.	Completed
FY2022	Aburahi Research Center	Shionogi & Co., Ltd.	Completed
FY2023	Shionogi CMC Research Innovation Center, Shionogi Pharmaceutical Research Center	Shionogi & Co., Ltd.	Completed
	Amagasaki Office	Shionogi Pharma Co., Ltd.	Completed
FY2024	Settsu Plant	Shionogi Pharma Co., Ltd.	Completed
FY2025	Kanegasaki Plant(25%)	Shionogi Pharma Co., Ltd.	Planned
FY2026	Kanegasaki Plant(50%), Tokushima Plant	Shionogi Pharma Co., Ltd.	Planned
FY2027	Kanegasaki Plant(100%)	Shionogi Pharma Co., Ltd.	Planned
FY2028	Akita Plant	Shionogi Pharma Co., Ltd.	Planned
FY2029	Itami Plant	Shionogi Pharma Co., Ltd.	Planned
FY2030	Nanjing Plant	Nanjing Chang'ao Pharmaceutical Co., Ltd.	Planned

・Trends in actual greenhouse gas emissions

For items for which targets have been set, the percentage compared to the FY2019 result is presented in parentheses.

Indicator	Unit	FY2019 (Base year)	FY2021	FY2022	FY2023*1	FY2024 *2
Total of in-house emissions (Scopes 1 and 2) *3	tCO_2	82,209 (100.0%)	84,164 (102.4%)	81,966 (99.7%)	72,023 (87.6%)	63,057 (76.7%)
Scope 1 *3	tCO_2	39,960	41,264	41,376	40,373	40,090
Scope 2 *3	tCO_2	42,249	42,900	40,589	31,650	22,967
Total of Supply chain emissions (Scope 3)	tCO_2	155,416	142,198	141,111	142,919	179,157
Category 1 *4	tCO_2	103,838 (100.0%)	71,462 (68.8%)	80,608 (77.6%)	81,528 (78.5%)	91,370 (88.0%)
Other categories *5	tCO_2	51,577	70,736	60,503	61,391	87,787

Notes:

1. We have received third-party assurance for the greenhouse gas emissions data for Scope 1, Scope 2, and Scope 3 Category 1 for FY2023 presented in the "Shionogi & Co., Ltd. Integrated Report 2024."
2. These are preliminary figures for which third-party assurance has not been received yet. We plan to obtain third-party assurance for greenhouse gas emissions data for Scope 1, Scope 2, and Scope 3 Category 1. For the final figures for FY2024 that have received third-party assurance, please refer to our integrated report scheduled to be published in September 2025.
3. The scope of coverage is the SHIONOGI Group (excluding overseas Group companies (administrative offices)): SHIONOGI Group companies in Japan and Nanjing Plant (Nanjing Chang'ao Pharmaceutical Co., Ltd.). From FY2019, emissions of UMN Pharma Inc. (currently Shionogi Pharma Co., Ltd) and Nagase Medicals Co., Ltd. (currently Shionogi Pharma Co., Ltd. Itami Plant), which are within the boundary of the SBTs, are included.
4. The scope of coverage is Shionogi & Co., Ltd. and Shionogi Pharma Co., Ltd. Emissions are calculated using emission units that take into account consumption tax and local consumption tax from FY2022. Accordingly, emissions before fiscal 2021 are recalculated using emission units that take consumption taxes into account.
5. The total of Categories 2, 3, 4, 5, 6, 7 and 12, excluding Categories 8, 9, 10, 11, 13, 14 and 15, which are not included in our own corporate activities or are reported under other categories. The scope of coverage is the SHIONOGI Group in Japan (excluding UMN Pharma Inc. (currently Shionogi Pharma Co., Ltd) for Categories 4 and 12).

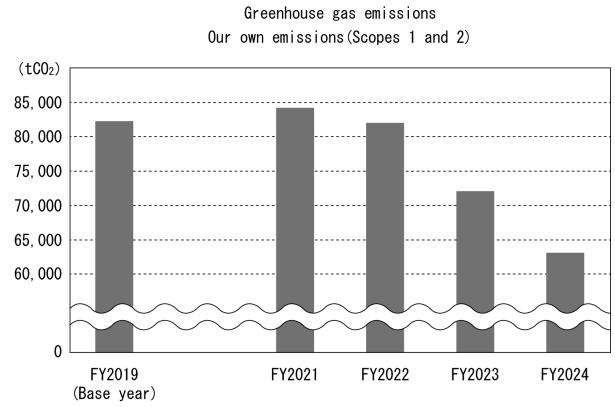
・Trends in energy consumption, electricity usage, and amount of renewable energy-derived electricity introduced

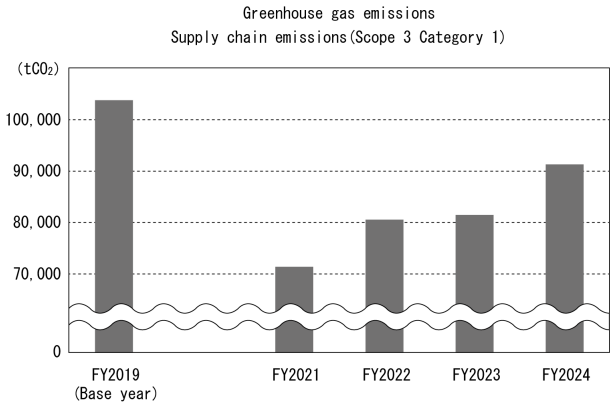
The target percentages of renewable energy-derived electricity introduction are presented in parentheses.

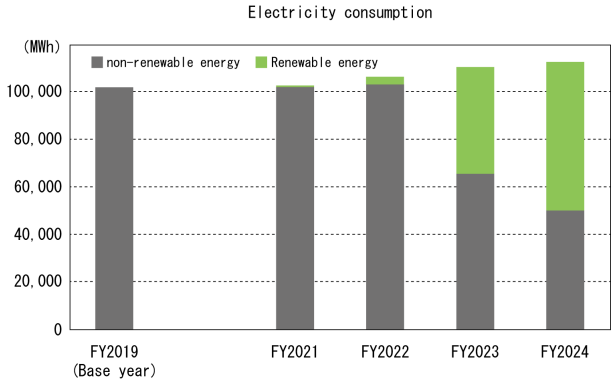
Indicator	Unit	FY2019 (Base year)	FY2021	FY2022	FY2023(*2)	FY2024(*3)
Total energy consumption	MWh	321,612	333,548	337,921	333,595	332,865
Electricity usage	MWh	101,702	102,436	106,154	110,202	112,415
Of which, renewable energy-derived electricity	MWh	0 (0.0%)	612 (0.6%)	3,308 (3.1%)	44,988 (40.8%)	62,757 (55.8%)

Notes:

1. The scope of coverage is the SHIONOGI Group (excluding overseas Group companies (administrative offices)): SHIONOGI Group companies in Japan and Nanjing Plant (Nanjing Chang'ao Pharmaceutical Co., Ltd.). From FY2019, emissions of UMN Pharma Inc. (currently Shionogi Pharma Co, Ltd.) and Nagase Medicals Co., Ltd. (currently Shionogi Pharma Co., Ltd. Itami Plant), which are within the boundary of the SBTs, are included.
2. We have received third-party assurance for the total energy consumption data of FY2023 provided in the Shionogi & Co., Ltd. Integrated Report 2024.
3. These are preliminary figures for which third-party assurance has not been received yet. We plan to obtain third-party assurance for data of the total energy consumption and the renewable energy-derived electricity usage. For the final figures for FY2024 that have received third-party assurance, please refer to our integrated report scheduled to be published in September 2025.







* For progress in activities, please see the website below.
https://www.shionogi.com/global/en/sustainability/environment/results/climate.html

(4) Securing human resources who will support growth (expanding human capital)

a. Strategy

In order to improve SHIONOGI's corporate value over the medium to long term, it is essential to continue investment in human resources and expand its human capital. Under its human resource development philosophy "People are the source of competitiveness," SHIONOGI has established "SHIONOGI Way: Be the best that you can be to take on new challenges by constantly improving and expanding your capabilities" as its new vision for human resources, and it is supporting the growth of individuals through autonomous learning and is working to develop strong individuals capable of surviving global competition and establish an organization that makes the most of diverse human resources. In particular, we are working to visualize employees' skill levels by defining the skills and skill levels required for each job category at SHIONOGI and having managers conduct assessment of each employee. Based on the results of this assessment, we are promoting the development of internal human resources and actively recruiting external talents to make up for any shortages in human resources and skills required to achieve the SHIONOGI Group Vision.

SHIONOGI believes that having employees empathize with and deepen their understanding of our management philosophy, including our Heritage, and the Vision, will lead to a higher level of motivation to make proactive contributions to our stakeholders, which will ultimately contribute to the sustainable improvement of our corporate value. In other words, we believe that enhancement of human capital, particularly the enhancement of employee engagement, is an important indicator of the enhancement of corporate value. Based on this belief, as the awareness and needs of lifestyles and career development are becoming increasingly diversified, in order to increase employees' engagement in SHIONOGI and allow them to exercise the best performance that will contribute to the growth of SHIONOGI, we believe that it is important to establish a comfortable work environment to raise their motivation for work and promote initiatives to improve their health. SHIONOGI has so far promoted the introduction of measures and the creation of an environment for employees with various attributes to play active roles, such as shortening of regular working hours, a super flex time system, teleworking, a selective weekend system (three-day weekends), allowing employees to have side work, and introducing various systems and mechanisms to support their voluntary learning. From the perspective of maintaining and improving the health of employees, SHIONOGI promotes health and productivity management under the SHIONOGI Group Health Policy. We have appointed a corporate officer as the person responsible for health and productivity management and have established a system in which health-related issues are identified and various measures are implemented for the improvement of the issues in cooperation with industrial physicians, nurses, the SHIONOGI Health Insurance Association, labor unions, etc.

In order for employees to embody the SHIONOGI Way and contribute to the realization of the SHIONOGI Group Vision, SHIONOGI is promoting various measures aimed at expanding its human capital that will serve as its driving force.

b. Indicators and targets

Contents of indicators related to policies on human resource development and internal environment improvement, and targets and results presented using the said indicators.

Category	Indicator	Result				Target
		FY2021	FY2022	FY2023	FY2024	
Securing diverse human resources	Percentage of female employees in managerial positions *2, *3	12.4%	14.2%	14.7%	16.4%	15% or over (FY2025)
Foster an environment and culture in which everyone can work comfortably	Percentage of male employees taking childcare leave *2, *4	—	53.3%	65.5%	76.0%	50% or over (FY2025)
	Percentage of male employees taking childcare leave for 14 days or more *2, *4	—	—	50.9%	64.1%	25% or over (FY2023-2025)
Develop human resources who have strengths that attract others	Percentage of employees using assistance programs for self-investment *5	45.6%	44.8%	46.5%	55.0%	60% or over
Promotion of health and productivity management (health management and occupational safety and health)	Percentage of employees and managers who have attended health literacy educational programs *6	78%	93%	96%	96%	95% or over
	Health checkup coverage rate	100%	100%	100%	100%	100%
	Deviation score of stress response *7	54	55	49	49	55 or over
	Smoking rate *8	7.1%	5.0%	3.2%	3.0%	0%

Notes:

1. Regarding indicators related to policies on human resource development, including securing diversity in human resources, and internal environment improvement, SHIONOGI manages data of relevant indicators and has taken specific actions. However, these actions are not taken at all of SHIONOGI's consolidated companies, and therefore it is difficult to present figures on a consolidated group basis. For this reason, the targets and results regarding the above indicators are those for consolidated Group companies in Japan.
2. The results at the filing company are provided in "I. Company Overview, 5. Employees, (4) Percentage of female employees in managerial positions, rate of male employees taking childcare leave, and wage disparities between male and female employees."
3. The number of employees for each fiscal year is counted as of April 1 of the following fiscal year. Employees in managerial positions refer to those who have subordinates.
4. Among the employees who have children born in the relevant fiscal year, the percentage of employees who have taken childcare leave is presented.
5. A program for union members to support their spontaneous learning (up to 250,000 yen per year). In FY2025, the subjects will be expanded to management and the amount will be raised by 50,000 yen, up to 300,000 yen per year.
6. The minimum figure of the attendance rates for mental health training (self-care and line care) and health-related training conducted annually on a specific theme is presented.
7. The calculation conditions have been changed from the FY2023 results.
8. Although the target of 0% for FY2024 could not be achieved, there was a significant decrease from FY2020, when we began the smoking cessation initiative. We will continue to promote smoking cessation.

3. Business and Other Risks

SHIONOGI takes appropriate management actions 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.

In operating and managing the ERM, we classify the significant risks assessed as having the potential to have a material impact on our business performance and management into two categories: "business strategy-related risks," which are inherent in strategic decision making and may inhibit the implementation of strategies, and "business execution-related risks," which may affect the implementation of business operations that support management objectives. By clarifying responsibilities and ensuring transparency in the status of countermeasures, we conduct comprehensive risk management. These risks are discussed and approved at the Corporate Executive Meeting and meetings of the Board of Directors.

Business strategy-related risks and business execution-related risks are discussed every quarter at the Corporate Executive Meeting, where risk lists are updated, risks that need to be addressed are identified, and responsible units are appointed. Each responsible unit works with other units and relevant organizations to formulate and implement plans to take advantage of or reduce uncertainties, and the progress is monitored at the Corporate Executive Meeting.

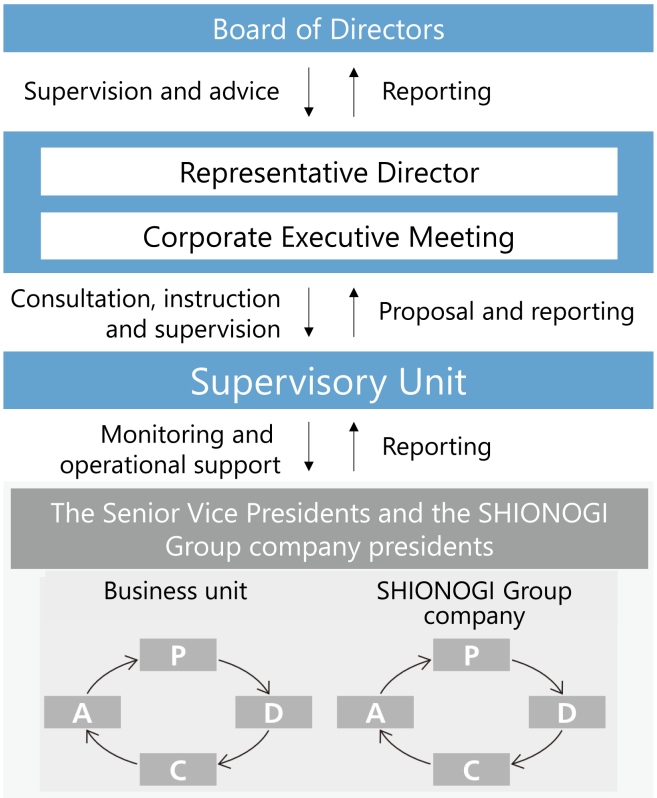
The unit is also responsible for appointing risk owners for risks under control of the unit to monitor them, and taking into consideration the impact and likelihood of occurrence of the risks, escalating them to the Corporate Executive Meeting as business strategy-related risks or business execution-related risks, as necessary. By adopting a risk management system centered around these responsible units, we are able to swiftly and flexibly identify issues and plan and promote countermeasures even during the fiscal year.

Regarding crisis management, based on the crisis management rules, etc. 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 also focus 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.

These activities are regularly reported to the Corporate Executive Meeting and the Board of Directors to receive advice for improvement from Directors. We have thus established a system to supervise risk management activities.

Matters and risks discussed here that are not historical fact reflect judgments made as of the end of the fiscal year ended March 31, 2025.



1. Business strategy-related risks

(1) Global growth centered on the infectious disease area

<Overview>

In the infectious disease area, revenue is easily influenced by trends, and market predictability is lower than in other disease areas. Even successful drug development sometimes does not lead to recovery of investment. In addition, novel antibiotic drugs are mainly used for the purpose of reducing the incidence of resistant bacteria and are only used when treatment options are limited, which makes market prediction difficult for antibiotic drugs. On the other hand, given the recent rising public concerns about infectious diseases, SHIONOGI sees these as an opportunity and has set "Protect people worldwide from the threat of infectious diseases" as one of its material issues.

SHIONOGI works to establish an optimal revenue model by combining "antimicrobial resistance (AMR) drugs," "anti-HIV drugs," "vaccines," and "acute respiratory infection drugs," thereby making its overall disease business sustainable. For acute respiratory infections, in particular, we aim to advance from a stage of stability to a stage of growth by globally deploying treatment and preventive drugs for influenza, COVID-19, and Respiratory Syncytial Virus (RSV) infections.

SHIONOGI has so far launched many products overseas mainly through partnerships with partner companies, in which it has received a part of the product sales as royalties. While maintaining good relationships with these partners, particularly in the HIV business, SHIONOGI should also enhance its global business development so that it can take the initiative in development, regulatory affairs, marketing and sales, and other business activities for SHIONOGI products in Europe, the U.S., and Asia, as well as activities to improve access to medical services in lower-middle income countries.

However, if the initial development plan or sales strategy is delayed or fails, or if the expected discovery of treatment drugs or vaccines or sales revenue cannot be realized, it may significantly affect our performance.

<Major responses and initiatives>

- Sales and promotion of proper use of COVID-19 and influenza drugs
- Expansion of sales of cefiderocol, an antimicrobial resistance (AMR) drug
- Development of COVID-19 and influenza preventive vaccines
- Research and development on long-acting treatment and preventive drugs to improve the QOL of people living with HIV
- Research and development on new treatment of infectious diseases with high unmet needs (tuberculosis, malaria, non-tuberculous mycobacterial diseases, etc.)
- Creation of products and services that realize total care for diseases, including pre-symptomatic care, prevention, testing, diagnosis, and convalescence, in addition to treatment
- Implementation of global development and application for approval for products launched overseas, and improvement of overseas production, distribution, and sales systems
- Negotiations with governments and regulatory authorities of various countries on stockpiling and expansion of the subscription-type reimbursement model

(2) Expanding pipelines

<Overview>

Aiming to realize a society in which everyone can live life to the fullest and on their own terms, SHIONOGI engages in research and development on drugs and other healthcare solutions that will help solve problems of people.

Research and development of pharmaceuticals require a long period of time and a large amount of investment. There is also a possibility that the expected effects cannot be obtained in clinical trials, resulting in failure to obtain approval.

In this environment with high uncertainty, in order to raise the success rate of drug discovery and build attractive pipelines that satisfy medical needs, in addition to the research and development technologies SHIONOGI has cultivated for infectious diseases and small molecule drugs, it is crucial to acquire new modalities, utilize external networks, obtain growth drivers from outside through active investment, and develop human resources capable of handling these operations. We are also working to shift from a conventional business model relying heavily on revenue from pharmaceutical patents and start providing vaccines and new healthcare services, as we see this as an opportunity to solve diverse problems of patients and society that cannot be solved by pharmaceuticals alone. We believe that by balancing the prescription drug business and other businesses, fluctuations in revenue due to patent expiration can be mitigated.

<Major responses and initiatives>

- Venturing into new modalities and technologies
- Promotion of co-creation with external parties
- Active investment in growth drivers, such as in-licensing
- Human resource development to secure cutting-edge research and development capabilities
- Maintaining a high original pipeline ratio

- Development of innovative treatment options beyond conventional treatment drugs, such as digital apps
- Development of services necessary to create an environment in which all people can play active roles

(3) Human capital management

<Overview>

In order for SHIONOGI to transform its business model and achieve the growth targeted by the STS2030 Revision, each and every employee should constitute the "source of competitiveness" that leads the transformation, and SHIONOGI should be a group composed of such diverse human resources with strengths. To this end, we see human capital management toward achieving the Vision for 2030 as a business opportunity and have set it as a key theme in our strategy. By recruiting external human resources and promoting ability-based appointment, we will transform our personnel portfolio and realize a fusion of human resources with diverse values, thereby aiming to achieve our 2030 Vision. SHIONOGI has established "SHIONOGI Way: Be the best that you can be to take on new challenges by constantly improving and expanding your capabilities" as its vision for human resources, and it implements various measures to help employees to acquire both the abilities that all employees should have and the abilities that are required for individual roles. We will also enhance mid-career recruiting to acquire expertise that SHIONOGI lacks. In addition, by developing various systems and programs, we have been establishing an environment in which diverse people are able to enhance their engagement and play active roles. Furthermore, we are also working to ensure the health and safety of our employees, which are necessary in carrying out these initiatives.

However, if any obstructive factor, such as failure to implement measures or acquire human resources or the occurrence of an incident that affects the health and safety of employees, impairs the value of SHIONOGI's human capital and delays SHIONOGI's reform, it may have a significant impact on our performance.

<Major responses and initiatives>

- Enhancing mid-career recruitment
- Revision of personnel system
- Workstyle reform to enable various characteristics to play active roles
- Holding events to encourage and praise those who take on challenges
- Enhancing operation of the EHS management system at each operating site
- Promotion of setting OELs for worker exposure to APIs
- Setting and implementation of handling standards for worker exposure

(4) Realizing reform by DX

<Overview>

Seeing recent technological innovations and the dynamic changes in the environment surrounding them as an opportunity, SHIONOGI declares in the STS2030 Revision its commitment to digital transformation through various activities as a big theme to accelerate decision making and realize new value creation based on data. As conventional business models are required to be transformed, it is essential to improve productivity using AI and IT. If the efforts to achieve this become stalled, it may have a significant impact not only on the performance of SHIONOGI but also on the improvement of its corporate value.

<Major responses and initiatives>

- Building global IT infrastructure
- Business model/operation reform through practicing AI drug discovery, market inventory prediction using AI, etc.
- Developing a medical device program (SaMD) for diagnosis and treatment of diseases, and disease detection algorithms
- Establishing a data utilization base that will improve work efficiency and realize new value creation
- Implementing measures to develop digital core human resources

2. Business execution-related risks

(1) Quality

<Overview>

SHIONOGI manufactures products and outsources manufacturing under strict quality control in compliance with Good Manufacturing Practice (GMP) and the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) guidelines and other pharmaceutical-related laws and regulations. It has also been inspected by competent agencies, such as the Ministry of Health, Labour and Welfare in Japan, the Food and Drug Administration (FDA) in the United States, and the European Medicines Agency (EMA), to obtain approval for production and sales. However, if a quality problem occurs, such as a quality defect or a non-conforming lot, possible risks are as follows.

- Decline in product reputation
- Quality defect due to a discrepancy between approval documents and actual manufacturing conditions, shipment suspension, product recall, or suspension of business due to administrative action
- A product recall due to lack of data integrity or a significant indication in an inspection by a competent agency
- Decline in credibility of the company

<Major responses and initiatives>

- Establishment and promotion of the SHIONOGI Group Quality Policy
- Holding educational events, etc. to increase employees' understanding of the importance of quality
- Promoting activities to foster a "quality culture"
- Management and supervision activities through audits of manufacturing facilities, etc.
- Strengthening the Bad News Fast/First system through collaborative meetings with relevant internal departments

(2) Global supply chain management

<Overview>

If any problem occurs in the supply chain due to a natural disaster, such as a large earthquake, storm, or flood, the outbreak of a pandemic, a geopolitical influence, such as the economic conflict between the U.S. and China or a Taiwan emergency, or a sustainability-related factor, such as relating to human rights or the environment, the possible risks are as follows.

- Suspension of plant operation
- Difficulty in procuring raw materials and products
- Disruption of wholesale distribution network and stagnation of information
- Significant impact on stable supply of pharmaceuticals
- Adverse impact on society and public health

<Major responses and initiatives>

- Inventory management based on unique standards for inventory levels to be held
- Establishment of a system for the manufacture of active ingredients contained in some products in Japan
- Diversifying raw material procurement sources to ensure a stable supply of products (selecting second vendors for raw materials with high geopolitical risk)
- Establishing and periodically reviewing BCP items to be supplied on a priority basis
- Conducting due diligence and audits on suppliers and requesting improvements
- Obtaining consent from suppliers to the SHIONOGI Group Business Partner Code of Conduct
- Consideration for business partners in accordance with the "multi-stakeholder policy."
- Smooth cooperation with wholesalers, and discussion and planning of disaster countermeasures with them
- Ensuring transparency of wholesale and market inventory
- Review of the crisis management system and crisis management regulations

(3) IT security and information management

<Overview>

SHIONOGI holds a large amount of confidential information, including personal information, and uses various IT systems, including those of outsourced contractors. If its IT security is threatened by a willful or negligent act of an employee or contractor, or a cyberattack by a malicious third party, the possible risks are as follows.

- Difficulty in continuing business due to suspension of an important system
- Leakage of confidential information, including personal information
- Incurring of legal damages, such as claims for compensation for damage, and costs related to post-incident measures
- Decline in business performance and reputation

<Major responses and initiatives>
- Conducting education to ensure that all employees of the Group are aware of the importance of information management and personal information and the need to comply with laws and regulations regarding the protection of personal information, as well as education on the SHIONOGI Group Global Privacy Policy
- Promoting a project to establish an IT-BCP system to be prepared for a cyberattack, a large-scale disaster, or any other crisis
- Improving IT infrastructure, strengthening information security infrastructure, and improving the infrastructure's operations
- Enhancing the Group-wide network structure based on a global security assessment conducted for the entire Group

(4) Adverse drug reaction (ADR)

<Overview>

Pharmaceuticals are approved and sold after rigorous review by competent authorities around the world. After launch, efforts are made to gather safety information and take necessary measures for ensuring safety and proper use of pharmaceuticals. In addition, the Company, as a HaaS company, is expanding sales of products and services other than pharmaceuticals. Since there are some areas of products and services for which global review standards have not yet been established globally, it is important to ensure the safety of the products and services themselves through individual discussions with competent authorities. It is also important that products and services, including pharmaceuticals, are used appropriately. We therefore provide information to our customers and work to raise their awareness about the relevant diseases. In the event of an unforeseen adverse drug reaction (ADR) or problem in pharmaceuticals or product services, failure or delay in reporting ADR, delay in responding to problems, or an error in the information provided by the Company, the following risks are expected.
- Suspension of sales or product recall
- Lawsuits filed for compensation for health damage
- Impact on business performance and reputation

<Major responses and initiatives>
- Establishing and strengthening systems to properly gather, analyze, evaluate, and report on safety-related information, such as side effects and other problems.
- Conducting education for all employees that leads to minimizing the spread and harm of side effects, problems, etc.
- Implementing product safety training for management
- Coverage by insurance for indemnity of medical damage from side effects, etc. of pharmaceuticals
- Implementing expert supervision and internal review of information provided and educational content, as well as regular updates to content

(5) Compliance

<Overview>

SHIONOGI recognizes that compliance not only refers to the observance of laws, rules, and regulations but also includes compliance with social norms and ethical behavior as a company and a member of society. Under this awareness, violations of laws and regulations, deviations from social norms, and unethical behavior/actions in the course of business activities are considered as material risks. If any of such risk emerges, the possible impacts are as follows.
- Decline in reputation
- Loss of trust from stakeholders
- Worsened business results and financial condition

<Major responses and initiatives>
- Establishment and promotion of the SHIONOGI Group Code of Conduct
- Enhancing compliance awareness of all Group employees through Global Compliance & Quality Week
- Operation of the compliance promotion system according to the structure of organizations
- Meetings of the Compliance Committee chaired by the Representative Director, President and CEO (four times a year)
- Reporting to the Board of Directors on the status of the Compliance Committee activities (twice a year)
- Conducting compliance awareness surveys among all employees, and providing feedback on analysis results for each organization
- Providing training to all employees globally on the checklist of five items for employees to stop and reassess their actions when they are unsure of what to do

(6) Environment and safety

<Overview>

In the course of business activities, such as pharmaceutical research, development, and manufacturing, events that affect the environment and/or ecosystems may occur. If damage caused by such events emerges, the possible risks are as follows.

- Suspension of operation of facilities or equipment, or incurring of countermeasures or recovery/repair costs
- Lawsuits filed for compensation, or payment of compensation costs
- Decline in business performance and reputation

<Major responses and initiatives>

- Establishment of the EHS Policy and the EHS Code of Conduct to enhance governance
- Establishment of a Group-wide environment, health and safety (EHS) management system
- Promotion of Medium-Term Action Plan regarding environmental materiality and EHS
- Strengthening the operation of ISO 14001 and ISO 45001 and the EHS management system in accordance with these standards at each operating site
- Ensuring compliance with relevant laws and regulations, and formulating stricter voluntary management standards and targets

(7) Partnerships with other companies

<Overview>

The purpose of collaboration with business partners is to enable mutual provision of management resources and internal information and to strengthen business by utilizing the strengths of both parties. However, it is associated with the risks below.

- Use of SHIONOGI's technologies and know-how by partners for purposes other than the purpose of the business alliance
- Lawsuits due to unintended, unauthorized use of technologies of other companies or infringement of intellectual property by SHIONOGI
- Leakage of confidential information by SHIONOGI
- Decline in the brand image, reputation, or trust from investors due to leakage of confidential information by other companies

<Major responses and initiatives>

- Enhancing communication with partners to eliminate misunderstanding and maintain or improve relationships of trust
- Entering into a non-disclosure agreement incorporating potential risks
- Entering into a contract that clarifies matters related to handling of intellectual property rights and compensation for damage
- Avoiding litigation risks by conducting periodic inspection of intellectual property to identify problems and infringement risks
- Establishment of an information management system by properly encrypting data, strengthening access control, preventing unauthorized access from outside using a firewall, and developing a security monitoring system
- Minimizing information to be shared with partners and formulating rules for information sharing
- Establishment of a system to monitor the status of use of shared information and access logs
- Regular audits and evaluation of the information management system of partner companies
- Conducting due diligence from multiple perspectives on the reliability, financial condition, legal issues, etc. of partner companies
- Conducting regular audits and evaluation of partnerships for the purpose of early detection of problems and points requiring improvement

(8) Intellectual property

<Overview>

SHIONOGI's products generate profits under the protection of intellectual property rights (e.g., patents). However, due to factors such as an increase in Group companies and changes and expansion of business areas, there is a risk that various intellectual properties may not be sufficiently protected or that third parties' intellectual property rights may be infringed.

If the intellectual property rights SHIONOGI owns are infringed by a third party, or SHIONOGI's products infringe the intellectual property rights of a third party, the possible risks are as follows.

- Deterioration of business results and financial condition due to loss of expected revenue
- Disputes or lawsuits for the protection of intellectual property rights
- Payment of damages
- Injunction against manufacture and sale of the product
- Decline in the corporate brand or reputation

<Major responses and initiatives>

- Proper acquisition of intellectual property rights and establishment of a management system, and continuous surveillance on infringement of rights by third parties
- Conducting infringement prevention surveys in business activities

- Putting in place a system to prevent infringement by carrying out IP due diligence in in-licensing and out-licensing activities, etc.
- Conducting education for employees through e-Learning, etc. on a regular basis

(9) Systems and governments

<Overview>

The Pharmaceuticals Business is subject to a range of regulations due to various government policies in each country and region. In addition to tighter health insurance finances, the U.S. Inflation Reduction Act (IRA) and other laws may further increase the pressure to curb drug cost increases, especially in developed countries. We also need to pay close attention to the impact of the changes in government in the U.S. and other countries around the world on their policies and international relations. In Japan, government policy trends, such as the health insurance system reforms in anticipation of an increase in healthcare expenses due to the further aging of the population and the annual NHI price revisions, may affect SHIONOGI's performance. In addition, changes in regulations in Japan and overseas related to the development and manufacture of pharmaceuticals may result in additional costs or the need for new measures. If any of such events emerges, the possible risks are as follows.

- Decline in the predictability of the prescription drug business
- Determination of drug prices deviating from the created innovation value
- Delay in research and development, or supply instability of drugs, vaccines, etc.
- Decrease in sales and profits of drugs, vaccines, etc.

<Major responses and initiatives>

- Creating innovative pharmaceuticals and healthcare services and providing them at prices acceptable to society
- Building evidence that demonstrates the value of its innovations
- Promoting efforts to appeal to the value of innovations through the activities of industry associations
- Obtaining the latest information on the NHI drug price system and various regulations on the research and development, manufacture, and sale of pharmaceuticals, etc., and promptly responding to them

Beyond the above significant risks, there are various other risks that may affect SHIONOGI's business performance and financial condition, such as those related to litigation, pandemics and natural disasters, and financial markets and foreign exchange trends. Those listed here do not represent all the risks for SHIONOGI.

4. Analysis of Financial Position, Operating Results, and Cash Flows by Management

The following is a summary of the SHIONOGI Group's (the Company and its consolidated subsidiaries) awareness, analysis, and discussion on its operating results, etc. from the management's perspective.

In addition, SHIONOGI has a single business segment, consisting of the research & development, purchase, manufacture, and sale of prescription drugs and related businesses.

Matters discussed here that are not historical fact reflect the judgment of SHIONOGI as of the end of the fiscal year under review.

(1) Awareness, analysis, and discussion on operating results, etc. for the fiscal year under review

i. Operating Results, etc.

a. Financial Position

As of March 31, 2025, total assets were 1,535,349 million yen, an increase of 118,431 million yen from the end of the previous fiscal year.

Non-current assets were 676,844 million yen, an increase of 44,132 million yen from the end of the previous fiscal year, mainly reflecting increases in intangible assets such as in-process research and development assets, right-of-use assets, and other financial assets. Current assets were 858,504 million yen, an increase of 74,298 million yen from the end of the previous fiscal year, mainly as a result of changes in fixed-term deposits of more than three months and bonds (included in "Other financial assets" in current assets), as well as changes in cash and cash equivalents and other current assets.

Equity was 1,362,497 million yen, an increase of 109,934 million yen from the end of the previous fiscal year, due to recording of profit despite payment of cash dividends.

Liabilities totaled 172,852 million yen, an increase of 8,496 million yen from the end of the previous fiscal year.

Non-current liabilities were 43,459 million yen, an increase of 13,010 million yen from the end of the previous fiscal year, mainly due to an increase in lease liabilities. Current liabilities were 129,392 million yen, a decrease of 4,514 million yen from the end of the previous fiscal year, mainly due to a decrease in other financial liabilities.

b. Operating Results

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025), operating results were as follows.

Millions of yen

	Year ended March 31, 2025	Year ended March 31, 2024	Change	Percentage change (%)
Revenue	438,268	410,073	28,195	6.9
Revenue (including profit from license transfer)	438,268	435,081	3,186	0.7
Operating profit	156,603	153,310	3,292	2.1
Core operating profit *1	158,362	170,421	(12,059)	(7.1)
Profit before tax	200,750	198,283	2,466	1.2
Profit attributable to owners of parent	170,435	162,030	8,405	5.2
EBITDA *2	179,296	188,745	(9,449)	(5.0)

Notes:

1. Core operating profit: An adjusted profit in which non-recurring items (impairment losses; gain on sale of property, plant, and equipment, etc.) are deducted from operating profit
2. Earnings Before Interest, Taxes, Depreciation, and Amortization: Core operating profit added depreciation and amortization

Revenue (including profit from transfer of license) was 438.3 billion yen, a 0.7 percent increase from the previous year. While revenue for the previous fiscal year 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 the fiscal year under review 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 the previous fiscal year. As a result of an increase in revenue due to the expansion of each business, operating profit increased 2.1 percent to 156.6 billion yen. Profit before tax was 200.8 billion yen, a 1.2 percent increase year on year, profit attributable to owners of parent was 170.4 billion yen, a 5.2 percent increase, and EBITDA was 179.3 billion yen, a 5.0 percent decrease.

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.

・ Domestic sales of prescription drugs

Domestic sales of prescription drugs decreased 34.6 percent year on year to 98.8 billion yen. 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 the previous fiscal year, 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 fiscal year. On the other hand, Xocova's share in the COVID-19 treatment drug market expanded significantly compared to the previous fiscal 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 ended March 31, 2025 was 51.8 billion yen. In addition, during the fiscal year ended March 31, 2025, sales of QUVIVIQ, an insomnia treatment drug, started in December 2024.

・ Overseas subsidiary sales and exports

Revenue from overseas business increased 18.4 percent to 59.1 billion yen from the previous year. Due to strong sales of Cefiderocol (product name in U.S.: Fetroja, product name in Europe: Fetcroja), revenues from businesses in the U.S. and Europe were 23.4 billion yen, a 30.6 percent increase, and 16.8 billion yen, a 24.0 percent 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* has been adopted. Revenue in China decreased 18.3 percent 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.

* A model in which the country can receive antibiotics when needed by paying a fixed amount of compensation to the developing company irrespective of the quantity of antibiotics prescriptions.

・Royalty income and dividend income from ViiV

Royalty income from ViiV increased 22.8 percent 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 percent decrease.

Dividend income from ViiV increased 18.8 percent 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 ended March 31, 2025 amounted to 285 billion yen, an increase of 21.6 percent, marking a record high.

・ Objective indicators for determining the achievement status of management goals

As described in "II Business Overview, 1. Management Policy, Business Environment, Issues to Be Addressed, etc.," SHIONOGI revised STS2030 and formulated the STS2030 Revision in June 2023.

In the STS2030 Revision, three indicators for growth potential and three indicators for shareholder return have been set as the financial and management indicators to be achieved. The three indicators we set to measure growth potential are as follows: revenue, as we prioritize the top-line growth; overseas sales CAGR (Compound Annual Growth Rate), as we aim to achieve growth globally; and EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), as we make active investments toward growth and to measure our earning power. As the three indicators for shareholder return, we continued to set EPS, DOE, and ROE from the perspectives of business growth and financial measures.

Regarding the status of our main businesses, the HIV business continues to grow steadily, and overseas business, centered on cefiderocol, is also showing steady performance. Regarding ensitrelvir, though delayed slightly from the initial plan, application for approval in the U.S. has been completed and full-scale global launch is expected to begin. In addition, due to the acquisition of the pharmaceutical business of Japan Tobacco Inc. (JT) announced on May 7, 2025, the percentage of domestic sales is expected to temporarily increase.

In light of these changes in the business environment, we have reviewed the key growth indicators for STS Phase 2 and revised the revenue target for FY2025 from 550.0 billion yen to 530.0 billion yen and the EBITDA target from 200.0 billion yen to 196.0 billion yen. For overseas sales CAGR, we plan to re-set the targets in view of the full-scale global launch of ensitrelvir in FY2026 and beyond.

Going forward, we will continue to focus on achieving top-line growth globally in the infectious disease field while actively implementing M&As, in-licensing, alliances, and other initiatives that are commensurate with their value, leveraging our solid financial base, thereby creating new sources of revenue. Through these initiatives, we aim to achieve the targets for the management indicators.

Key Performance Indicator (KPI)		FY2024 Actual	FY2025 Target	FY2030 Target
Growth	Revenue	438.3 billion yen	530.0 billion yen	800.0 billion yen
	Overseas sales CAGR (Excluding royalty income)	17.9%	Reviewing the growth plan (Planning to reset KPIs with an eye toward growth in the next fiscal year and beyond)	Reviewing the growth plan (Planning to reset KPIs with an eye toward growth in the next fiscal year and beyond)
	EBITDA	179.3 billion yen	196.0 billion yen	—
Shareholder return	EPS	200.36 yen	Over 200 yen	—
	DOE	4.0%	4%	—
	ROE	13.1%	Over 14%	—

Note: The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. The actual EPS for fiscal year 2024 and the target EPS for fiscal year 2025 are stated based on the figures after the stock split.

c. Analysis and discussion on cash flows and information on capital resources and liquidity of funds

Net cash provided by operating activities during the fiscal year ended March 31, 2025 was 195,460 million yen, an increase of 41,176 million yen from the end of the previous fiscal year. Factors included an increase in profit before tax, a decrease in trade receivables, and a decrease in income taxes paid.

Net cash used in investing activities was 116,080 million yen, an increase of 122,002 million yen from the end of the previous fiscal year. Factors included an increase in spending due to the acquisition of intangible assets and changes in time deposits.

Net cash used in financing activities was 64,908 million yen, a decrease of 61,944 million yen from the end of the previous fiscal year, due to a decrease in spending for the purchase of treasury shares despite an increase in dividend payment.

As a result, cash and cash equivalents on March 31, 2025 totaled 374,795 million yen, an increase of 16,704 million yen from a year earlier.

Cash flow indicators

	Year ended March 31, 2023	Year ended March 31, 2024	Year ended March 31, 2025
Ratio of equity attributable to owners of parent to total assets	83.9%	87.2%	88.7%
Ratio of equity attributable to owners of parent to total assets on market value basis	134.1%	155.1%	124.4%
Interest-bearing liabilities/Cash flow ratio	0.1	0.1	0.1
Interest coverage ratio (times)	1,885.3	937.5	639.7

Notes: Ratio of equity attributable to owners of parent to total assets: Equity attributable to owners of parent/Total assets

Ratio of equity attributable to owners of parent to total assets on a market value basis: Total market value of stock/Total assets

Interest-bearing liabilities/Cash flow ratio: Interest-bearing liabilities/Net cash provided by operating activities

Interest coverage ratio: Net cash provided by operating activities/Interest expense

1. All indicators are calculated on a consolidated basis.
2. The total market value of stock is calculated based on the total number of shares outstanding excluding treasury shares.
3. Net cash provided by operating activities is as reported in the consolidated statements of cash flows.
4. Interest-bearing liabilities are liabilities stated on the consolidated balance sheets on which interest is paid.

ii. Production, orders, and sales results

a. Production results

Production results for the fiscal year under review are as follows.

Name of business segment	Amount (Millions of yen)	Year-on-year change (%)
Pharmaceutical Business	119,870	(30.6)

Note: Amounts are calculated based on estimated sale prices.

b. Goods purchase results

Goods purchase results for the fiscal year under review are as follows.

Name of business segment	Amount (Millions of yen)	Year-on-year change (%)
Pharmaceutical Business	11,601	(12.8)

Note: Amounts are based on actual purchase value.

c. Order status

SHIONOGI's production is planned and carried out mainly based on sales planning.

Although the Company and some of its consolidated subsidiaries manufacture products on a made-to-order basis, the amount of these orders received and the balance of these orders are immaterial.

d. Sales results

Sales results for the fiscal year under review are as follows.

Name of business segment	Amount (Millions of yen)	Year-on-year change (%)
Pharmaceutical Business	438,268	(6.9)

Notes:

1. Sales amounts represent revenues from sales to external customers.
2. Sales by major customer and percentage of total sales are as follows.

Major customer	Previous fiscal year		Current fiscal year	
	Value (Millions of yen)	Percent of total (%)	Value (Millions of yen)	Percent of total (%)
ViiV Healthcare Ltd.	195,782	47.7	240,404	54.9
Suzuken Co., Ltd. *	50,444	12.3	—	—

Notes:Sales to Suzuken Co., Ltd. for the current fiscal year are omitted as they represent less than 10 percent of total sale.

(2) Significant accounting estimates and assumptions used therein

SHIONOGI's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards). In preparing these consolidated financial statements, estimates considered necessary are made based on reasonable standards. For details of material accounting policies, estimates, etc., please refer to "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Notes to the consolidated financial statements, 2. Basis of presentation, (4) Significant accounting determinations, estimates, and assumptions."

5. Material Business Agreements, etc.

1. The Company's business agreements, etc. material to management for the fiscal year under review are as follows.

(1) In-licensing of technology, etc.

Major customer	Countries	Technology details	Regions	Consideration received	Contract term
MUNDIPHARMA B.V.	The Netherlands	Technology and trademark license for morphine sulfate controlled-release tablets	Japan	Fixed-percentage royalty	From July 1986
MUNDIPHARMA B.V.	The Netherlands	Technology and trademark license for oxycodone hydrochloride	Japan	Contract fee Fixed-percentage royalty Lump sum payment	From December 1992 to 15 years after launch However, if the royalty rate is renegotiated during this period, the contract term will be extended.
SANOFI AVENTIS	France	Technology and trademark license for the anti-hypertension drug irbesartan	Japan	Contract fee Purchase of active ingredient	From March 1996 to 15 years from the date of approval of the product or the duration of the patent, whichever is longer Automatic renewal every five years thereafter
MARNAC, INC. ／KDL, INC.	U.S. Japan	Technology for anti-fibrotic drug pirfenidone	Japan South Korea Taiwan	Contract fee	From November 1996
Bayer Yakuhin, Ltd.	Japan	Joint development/sales rights and trademark license for the anti-allergic drug loratadine	Japan	Product purchase	From January 1999 Automatic renewal every three years thereafter
BIOCRYST PHARMACEUTICALS, INC.	U.S.	Technology for anti-influenza virus drug peramivir	Japan Taiwan	Contract fee Fixed-percentage royalty	From February 2007 to 10 years from the release of the product or the duration of the patent, whichever is longer
OncoTherapy Science, Inc.	Japan	Technology for cancer peptide vaccines	Worldwide	Contract fee Fixed-percentage royalty	From February 2009 to 15 years from the date of initial product approval Automatic renewal every two years thereafter
STALLERGENES SA	France	Desensitization drug for allergic rhinitis caused by house-dust mites	Japan Taiwan	Contract fee Milestones Product purchase	From September 2010 to 15 years from the release of the product Automatic renewal every three years thereafter
MUNDIPHARMA B.V.	The Netherlands	Technology and trademark license for abuse-deterrent oxycodone hydrochloride drugs and oxycodone hydrochloride/naloxone combination drugs	Japan	Contract fee Milestones Fixed-percentage royalty	From November 2013 to 10 years from the release of the respective product Automatic renewal every five years thereafter
PeptiDream Inc.	Japan	Licensing and joint research for drug discovery and development platform systems	Worldwide	Technology transfer expenses, joint research expenses, etc. Milestones Fixed-percentage royalty	From June 2017 Until expiration of the royalty payment obligation
Hsiri Therapeutics,Inc.	U.S.	Development candidates for mycobacterial diseases	Worldwide	Contract fee Milestones Fixed-percentage royalty	From May 2018 Until expiration of the royalty payment obligation
Sage Therapeutics,Inc.	U.S.	Novel antidepressant SAGE-217	Japan Taiwan South Korea	Contract fee Milestones Fixed-percentage royalty	From June 2018 Until expiration of the royalty payment obligation
F2G Limited	UK	Development and exclusive sales rights for the antifungal drug Olorofim	Europe Asia	Contract fee Milestones Fixed-percentage royalty	From May 16, 2022 to 15 years from the release of the product, the duration of the patent or the data protection period, whichever is longer
Grünenthal Gmbh	Germany	Exclusive sales rights for the Resiniferatoxin injection, pain treatment for osteoarthritis of the knee	Japan	Contract fee Milestones Fixed-percentage royalty	From August 1, 2022 While the product is sold
Maze Therapeutics, Inc.	U.S.	Research, development, manufacturing, and sales rights for Pompe disease treatment drugs	Worldwide	Contract fee Milestones Fixed-percentage royalty	From May 2024 (when the US antitrust review period has elapsed) Until expiration of the royalty payment obligation
CILCARE DEV SAS	France	Option right to compounds for hearing loss	Worldwide	Contract fee	From May 13, 2024 to December 31, 2029 (if the option is exercised during the option period, the date of license agreement based on the option)

(2) Out-licensing of technology, etc.

Major customer	Countries	Technology details	Regions	Consideration received	Contract term
ViiV Healthcare Ltd.	UK	Development, manufacturing, and sales rights for HIV integrase inhibitor dolutegravir and related products	Worldwide	Fixed-percentage royalty	From October 26, 2012
MedImmune, LLC	U.S.	Research, development, manufacturing, and sales rights for acute coronary syndrome drugs	Worldwide	Contract fee Milestones Fixed-percentage royalty	From September 29, 2014 to 10 years from the release of the product, the data protection period, or the duration of the patent, whichever is longer
Hoffmann-La Roche Inc. /F. Hoffmann-La Roche Ltd	Switzerland U.S.	Development, manufacturing, and sales rights for S-033188 (influenza treatment drug)	Worldwide (Excluding Japan and Taiwan)	Contract fee Milestones Fixed-percentage royalty	From February 2016 to 12 years from the initial launch or the final duration of the patent covering the product listed in the compilation of quality information of prescription drugs, whichever is longer
ViiV Healthcare Ltd.	UK	Development, manufacturing, and sales rights for S-365598 (third-generation HIV integrase inhibitor)	Worldwide	Contract fee Milestones Fixed-percentage royalty	From September 2021
GARDP Foundation	Switzerland	Development, manufacturing, and sales rights for cefiderocol	135 countries around the world, including all low-income countries, and many low-middle-income countries and upper-middle-income countries	Fixed-percentage royalty	From June 15, 2022 Until expiration of the valid patent However, if the product is sold in the country at expiration of the valid patent, it will remain effective as long as the product is sold.
Medicines Patent Pool	Switzerland	Development, manufacturing, and sales rights for S-217622	117 countries around the world, including low-income countries, and low-middle-income countries and upper-middle-income countries	Fixed-percentage royalty	From October 3, 2022 to expiration of the valid patent or the date of expiration of data protection period, whichever is longer

(3) Joint development and joint sales

Major customer	Countries	Technology details	Regions	Contract term
ViiV Healthcare K.K.	Japan	Joint sales promotion rights for anti-HIV drugs, including HIV integrase inhibitor dolutegravir and its combination tablets	Japan	From April 2016 to March 2022 (Note) As of April 1, 2022, the joint sales promotion agreement was renewed to cover April 2022 to March 2025.
ELI LILLY AND COMPANY /Eli Lilly Japan K.K.	U.S. Japan	Joint development and joint sales promotion rights for duloxetine hydrochloride	Japan	From April 2015 to the period of product sales
iNova Pharmaceuticals Japan K.K.	Japan	Sales rights and joint sales promotion rights for disinfectant isodine (Prescription drug)	Japan	From December 2015 to five years from the release of the product Automatic renewal every two years thereafter

(4) Investment agreements

Major customer	Countries	Description	Date of agreement
CILcare	France	Investment agreement	May 13, 2024
FEROCITY CAPITAL II, L.P.	U.S.	Investment agreement	May 31, 2024

(5) Implementation of absorption-type split

At the Board of Directors meeting held on September 30, 2024, it was resolved to implement an absorption-type company split, with UMN Pharma Inc., a wholly owned subsidiary of the Company, as the splitting company and Shionogi Pharma Co., Ltd., a wholly owned subsidiary of the Company, as the successor company. The merger was implemented on April 1, 2025.

For details, please refer to "V. Financial Information, 1. Consolidated Financial Statements, (1) Notes to Consolidated Financial Statements, 36. Subsequent Events."

2. The consolidated subsidiaries' business agreements, etc. material to management for the fiscal year under review are as follows.

(1) Out-licensing of technology, etc.

Company name	Major customer	Countries	Technology details	Regions	Consideration received	Contract term
Shionogi Inc.	DUCHESNAY INC.	Canada	Development, manufacturing, and sales rights for the vaginal atrophy drug ospemifene	U.S. Canada	Contract fee Fixed amount and receipt based on annual sales	From March 10, 2017 Until expiration of the payment obligation
Shionogi (Hong Kong) Commerce Limited	Ildong Pharmaceutical Co., Ltd.	South Korea	Development, formulation, and sales rights for ensitrelvir fumaric acid	South Korea	Contract fee Supply of products	From September 16, 2022 to 15 years from market launch in South Korea or the date of expiration of the patent, whichever is later Automatic renewal every three years thereafter
Shionogi (Hong Kong) Commerce Limited	Juniper Therapeutix Pte. Ltd.	Singapore	For ensitrelvir fumaric acid, (i) EUA (PSAR and SAR) development rights and the sales rights to the government and certain medical institutions (ii) Regulatory approval development rights and sales rights	Singapore	Milestones Supply of products	(i) From March 27, 2023 (ii) From December 6, 2023 to 15 years since launch in Singapore Automatic renewal every five years thereafter

(2) Joint sales

Company name	Major customer	Countries	Technology details	Regions	Contract term
Shionogi Healthcare Co., Ltd.	iNova Pharmaceuticals Japan K.K.	Japan	Sales rights and joint sales promotion rights for disinfectant isodine (Japan) Sales rights and sales promotion rights for disinfectant isodine (cross-border e-commerce for China) (OTC)	Japan Cross-border e-commerce for China	From October 2015 to five years from the release of the product Automatic renewal every two years thereafter
Ping An-Shionogi (China) Ltd.	Shanghai Pharmaceutical Co., Ltd.	China	License agreement for the import and distribution of Ensitrelvir Fumaric Acid, a COVID-19 therapeutic drug, in China	China	Two years from December 23, 2022 Automatic renewal every year thereafter
Ping An-Shionogi (China) Ltd.	Chia Tai Tianqing Pharmaceutical Group Co., Ltd. (CTTQ)	China	License agreement for promotion of Ensitrelvir Fumaric Acid, a COVID-19 therapeutic drug, in China	China	From December 26, 2022 to December 31, 2027 Can be extended for three years upon agreement of the two companies

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

6. Research and Development Activities

In FY2024, we actively promoted R&D activities focusing on COVID-19-related projects and other priority projects and were able to make progress with each of the projects almost as planned.

(1) Research

For S-892216, a next-generation 3CL protease inhibitor, development is underway with two types of formulations, a long-acting formulation and an oral formulation, targeting the treatment and prevention of COVID-19. 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 $375 million in development support.

For S-268024, a COVID-19 preventive vaccine designed to target the JN.1 lineage, which is the 2024/2025 recommended strain, we advanced research and initiated a Phase 3 study during FY2024 in preparation for the development of vaccines that can respond to future recommended strains.

S-567123, a universal vaccine, is a next-generation vaccine that is expected to provide a preventive effect against a wide range of mutations as a single drug. Our initial goal is to develop a universal vaccine for COVID-19, and during FY2024, we advanced non-clinical studies and preparations for investigational drug manufacturing.

S-917091 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 is a candidate treatment expected to improve cognitive functions, including learning and memory. We advanced research with the aim of initiating a Phase 1 clinical study in the first half of FY2025.

(2) Development

Ensitrelvir (Xocova), a COVID-19 oral treatment drug, achieved its primary endpoint in the global Phase 3 post-exposure prophylaxis trial (SCORPIO-PEP study) conducted among household contacts or cohabitants of COVID-19 patients. 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 is a COVID-19 preventive vaccine (monovalent original strain). Unlike the mRNA vaccines that have been mainly used so far, it 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, it received manufacturing and marketing approval in Japan for use in initial immunization as SHIONOGI's first vaccine.

S-337395 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 clinical study (human challenge study) and made progress toward the initiation of late-stage clinical trials.

Zuranolone 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 clinical 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 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 that cannot be fully addressed by existing treatments remain. Therefore, this agent is expected to serve as a new treatment option. In FY2024, we advanced Phase 1 clinical studies in Japan.

SASS-001 is a candidate oral treatment for sleep apnea syndrome being co-developed with Apnimed, which has extensive expertise in sleep disorders. In FY2024, a Phase 2 clinical study was started.

ENDEAVORRIDE is a therapeutic app designed for pediatric patients with ADHD. In FY2024, we obtained manufacturing and marketing approval in Japan based on favorable results from a domestic Phase 3 clinical study.

As a result of these activities, research and development expenses for the entire Group for the fiscal year under review totaled 108,612 million yen.

Pipeline (as of May 12, 2025)

Areas	Generic name/Code No. [Product name]	Mechanism of action (Administration)	Indication	Stage	Origin	Development
Infectious disease	Cefiderocol Tosilate Sulfate Hydrate [US, Japan: Fetroja®] [EU:Fetcroja®]	Cell-wall synthesis inhibition (injection)	Gram-negative infection(pediatric)	Phase III	In-house	In-house
			Gram-negative infection	Phase III NDA submission: China (Aug. 2024) MAA submission: Australia (Dec. 2024)	In-house	In-house
	Baloxavir marboxil [USA:Xofluza™] [Japan:Xofluza®]	Cap-dependent endonuclease inhibition (oral, granule)	Influenza virus infection(body weight <20kg)	NDA submission: Japan (Aug. 2018)	In-house	In-house/ Roche (Switzerland)
	S-268019 [Japan:Covgoze®]	Vaccine (muscular injection)	Prevention of COVID-19 (Adolescent)	Phase II/III	In-house	In-house
			Prevention of COVID-19 (Children)	Phase I/II/III	In-house	In-house
	S-268023	Vaccine (muscular injection)	Prevention of COVID-19	Phase III	In-house	In-house
	S-268024	Vaccine (muscular injection)	Prevention of COVID-19	Phase III	In-house	In-house
	Ensitrelvir Fumaric Acid [Japan:Xocova®]	3CL protease inhibitor (oral)	Treatment of COVID-19 (12 years old and older)	Phase III NDA submission: Taiwan (Jan. 2025) NDA withdrawal: Singapore	In-house	Japan, global, Taiwan: In-house South Korea: In-house/Ildong Singapore: In-house/Juniper
			Treatment of COVID-19 (Children, 5 to 11 years)	Phase III	In-house	In-house
			Post exposure prophylaxis of COVID-19	NDA submission: Japan (Mar. 2025)	In-house	In-house
	Olorofim	Dihydroorotate dehydrogenase (DHODH) inhibition (oral)	Invasive aspergillosis	Phase III	F2G (UK)	In-house/ F2G
	S-892216	3CL protease inhibitor (oral)	Treatment of COVID-19	Phase II	In-house	In-house
		3CL protease inhibitor (long-acting injection)	Pre exposure prophylaxis of COVID-19	Phase I	In-house	In-house
	S-337395	RNA dependent RNA polymerase inhibitor (oral)	Treatment of RSV infection	Phase II	In-house/ UBE	In-house/ UBE
	S-743229	Cell-wall synthesis inhibition (oral)	Complicated urinary tract infections, including pyelonephritis	Phase I	In-house/ Qpex	In-house
	S-649228	Cell-wall synthesis inhibition (injection)	Gram-negative infection	Phase I	In-house/ Qpex	In-house
QOL Diseases	Naldemedine tosilate [Japan:Symproic®] [EU:Rizmoic®]	Peripheral opioid receptor antagonist (oral, powder)	Opioid-induced constipation (pediatric)	Phase I/II	In-house	In-house
		Peripheral opioid receptor antagonist (oral)	Opioid-induced constipation	Phase III	In-house	In-house
	Zuranolone	$GABA_A$ receptor positive allosteric modulator (oral)	Depression	NDA submission: Japan (Sep. 2024)	Sage (USA)	In-house/ Sage
	SDT-001 [Japan:ENDEAVORRIDE®]	Treatment digital application based on cerebral mechanism	Treatment of ADHD (pediatric)	Approval: Japan (Feb. 2025)	Akili (USA)	In-house/ Akili
	Zatolmilast	PDE4D negative allosteric modulator (oral)	Fragile X syndrome	Phase II/III	Tetra (USA)	In-house
			Jordan syndrome	Phase II	Tetra (USA)	In-house
			Alzheimer's disease	Phase II	Tetra (USA)	In-house
	Resiniferatoxin	TRPV1 agonist (Intra-articular injection)	Pain associated with osteoarthritis of knee	Phase III	Grünenthal (Germany)	Grünenthal
	S-151128	Nav1.7 inhibitor (injection)	Chronic pain	Phase I	In-house	In-house
	ADR-001	Human mesenchymal stem cells (injection)	Decompensated liver cirrhosis	Phase I/II	Rohto (Japan)	In-house/ Rohto
	S-309309	Monoacylglycerol acyltransferase 2 inhibitor (oral)	Obesity	Phase II	In-house	In-house

Areas	Generic name/Code No. [Product name]	Mechanism of action (Administration)	Indication	Stage	Origin	Development
QOL Diseases	S-588410	Cancer peptide vaccine (injection)	Esophageal cancer	Phase III	OncoTherapy Science, Inc. (Japan)	In-house
		Cancer peptide vaccine (injection)	Bladder cancer	Phase II	OncoTherapy Science, Inc. (Japan)	In-house
	S-488210	Cancer peptide vaccine (injection)	Head and neck squamous cell carcinoma	Phase I/II	OncoTherapy Science, Inc. (Japan)	In-house
	S-588210	Cancer peptide vaccine (injection)	Solid tumor	Phase I	OncoTherapy Science, Inc. (Japan)	In-house
	S-222611 (Epertinib)	HER2/EGFR dual inhibitor (oral)	Malignant tumor	Phase I/II	In-house	In-house
	SR-0379	Promote granulation formation (topical)	Cutaneous ulcer (Pressure ulcer, Diabetic ulcer)	Phase III	FunPep (Japan)	In-house/ FunPep
	Redasemtide Trifluoroacetate	Mobilization of mesenchymal stem cells (MSCs) to peripheral blood (injection)	Stroke	Phase IIb	StemRIM (Japan)	In-house
			Epidermolysis bullosa	Phase II	StemRIM (Japan)	In-house
	S-531011	anti-CCR8 antibody (injection)	Solid tumor	Phase Ib/II	In-house	In-house
	S-740792	New mechanism of action (oral)	Walking impairment associated with multiple sclerosis	Phase I	In-house	In-house
	SASS-001 (S-600918 + Concomitant drug X)	P2X3 receptor inhibitor (oral) + Mechanism of Concomitant drug	Sleep apnea with a central component	Phase II	S-600918: In-house	Shionogi-Apnimed Sleep Science, LLC (USA)
	S-606001	Glycogen synthase 1 (GYS1) inhibitor (oral)	Pompe disease	Phase I	Maze (USA)	In-house
	SDS-881	AI Programmed Medical Device for Conversational Cognitive Function Testing	Cognitive impairment in dementia	Phase III	FRONTEO (Japan)	In-house

<Out-Licensing Activity>

Generic name/Code No. [Product name]	Mechanism of action (Administration)	Indication	Stage	Origin	Development
Baloxavir marboxil [USA:Xofluza®] [Japan:Xofluza®]	Cap-dependent endonuclease inhibition (oral)	Influenza virus infection (pediatric, < 1 year old)	NDA Submission: EU (Jun. 2024)	In-house	In-house/ Roche (Switzerland)
		Influenza virus infection (transmission)	NDA submission: USA (Nov. 2024)	In-house	In-house/ Roche (Switzerland)
S-723595 (TLC-3595)	Acetyl-CoA carboxylase 2 inhibitor (oral)	Type 2 diabetes	Phase IIa	In-house	OrsoBio, Inc. (USA)
S-365598	Integrase inhibitor (ultra long-acting injection)	HIV infection	Phase IIa	In-house	SHIONOGI-ViiV Healthcare LLC

III. Equipment and Facilities

1. Capital Expenditures

SHIONOGI (the Company and its consolidated subsidiaries) makes continuous capital expenditures in production, research, and sales to facilitate activities such as sales expansion, cost reduction, new product launches, and research and development.

In the fiscal year under review, capital expenditures totaled ¥12,285 million, up ¥2,602 million (17.5%) from the previous fiscal year, primarily spent on research facilities and production facilities.

The required funds for these expenditures were mainly allocated from cash on hand and subsidies.

There have been no sales, removals, or losses of fixed assets that would have a material impact on production capacity.

2. Principal Facilities

SHIONOGI's (the Company and its consolidated subsidiaries) principal facilities are as follows.

(1) Non-consolidated (filing company data)

As of March 31, 2025

Business location name (Location)	Name of business segment	Facility type	Book value (Millions of yen)					Number of employees (Persons) (Note 2)
			Buildings and structures	Machinery, equipment and vehicles	Land (area, thousand m^2)	Other (Note 1)	Total	
Shionogi Pharmaceutical Research Center (Osaka, Japan)	Pharmaceutical Business	Research facilities	13,172	4	2,090 (31)	3,710	18,976	540 [9]
Shionogi CMC Research Innovation Center (Hyogo, Japan)	Pharmaceutical Business	Production/ research facilities	1,816	83	39 (42)	559	2,497	135 [8]
Head Office (Osaka, Japan)	Pharmaceutical Business	Management/ sales facilities	1,295	8	873 (1)	2,180	4,356	352 [29]
Branch and offices (Whole of Japan)	Pharmaceutical Business	Sales facilities, etc.	2,948	8	1,156 (97)	14,551	18,663	1,099 [91]
Vaccine Production facilities (Gifu, Japan) (Note 3)	Pharmaceutical Business	Production facilities	10,056	10,419	- (-)	16,523	36,998	- [-]
SHIBUYA AXSH (Tokyo, Japan)	Pharmaceutical Business	Investment real estate	-	-	- (2)	26,872	26,872	- [-]

Notes:

1. "Other" includes construction in progress, right-of-use assets, investment property, etc.
2. The number of employees presented is the number of full-time employees. The average number of temporary employees (re-employed mandatory retirees, contract employees, etc.) is shown in brackets and is not included in the number of employees.
3. Vaccine production facilities are partially under construction. The name of this location has not yet been determined.

(2) Subsidiaries in Japan

As of March 31, 2025

Company name	Business location name (Location)	Name of business segment	Facility type	Book value (Millions of yen)					Number of employees (Persons) (Note 2)
				Buildings and structures	Machinery, equipment and vehicles	Land (area, thousand m^2) (Note 3)	Other (Note 1)	Total	
Shionogi Pharma Co., Ltd.	Settsu Plant (Osaka, Japan)	Pharmaceutical Business	Production/ research facilities	7,650	2,527	416 (146)	3,676	14,269	432 [60]
	Kanegasaki Plant (Iwate, Japan)	Pharmaceutical Business	Production facilities	5,461	4,084	1,441 (205)	1,625	12,611	329 [91]
	Amagasaki Site (Hyogo, Japan)	Pharmaceutical Business	Production/ research facilities	2,874	607	- (-)	1,206	4,687	142 [16]
	Tokushima Plant (Tokushima, Japan)	Pharmaceutical Business	Production facilities	1,789	563	- (-)	528	2,880	64 [18]
	Itami Plant (Hyogo, Japan)	Pharmaceutical Business	Production facilities	653	246	292 (16)	650	1,841	117 [18]
	Takaoka Research Laboratory (Toyama, Japan)	Pharmaceutical Business	Production/ research facilities	1,052	1	- (-)	1,678	2,731	1 [1]

Notes:

1. "Other" includes construction in progress, right-of-use assets, investment property, etc.
2. The number of employees presented is the number of full-time employees. The average number of temporary employees (re-employed mandatory retirees, contract employees, etc.) is shown in brackets and is not included in the number of employees.

3. Land is centrally managed by the filing company. For the Settsu Plant and Kanegasaki Plant, land book value and area are expressed for the filing company, and "–" is shown for the Amagasaki Site (on the premises of CMC Research Innovation Center).

(3) Subsidiaries outside Japan

Not applicable.

3. Plans for Additions and Disposals of Facilities

Capital expenditure by SHIONOGI (the Company and its consolidated subsidiaries) is planned based on a comprehensive consideration of the effects of the expenditure, taking into account factors such as future demand forecasts, the status of new product development, and the need to upgrade existing facilities. In principle, each company formulates its own separate capital plan, but the filing company plays a central role in coordinating these plans to avoid duplication of expenditures across SHIONOGI.

As of the end of the fiscal year under review, the planned expenditure in the new construction, expansion, etc. of principal facilities was ¥56,189 million. Of this, ¥12,800 million has already been paid, and the remaining ¥43,390 million is to be funded mainly by cash on hand and subsidies.

Plans for principal facilities that are currently under way are for the expansion of research, manufacturing, and other facilities in SHIONOGI, and are as follows.

(1) Non-consolidated (filing company data)

Classification	Business location name	Location	Name of business segment	Facility type	Planned expenditure amount		Funding method	Scheduled start and completion	
					Total (Millions of yen)	Amount already paid (Millions of yen)		Start	Completion
New construction	Head Office	Osaka Japan	Pharmaceutical Business	Investment property	6,900	1,550	Cash on hand	2024.12	2025.11

(2) Subsidiaries in Japan

Classification	Company name Business location name	Location	Name of business segment	Facility type	Planned expenditure amount		Funding method	Scheduled start and completion	
					Total (Millions of yen)	Amount already paid (Millions of yen)		Start	Completion
New construction	Shionogi Pharma Co., Ltd. Kanegasaki Plant	Iwate, Japan	Pharmaceutical Business	Logistics facilities	8,000	-	Cash on hand and subsidies	2025.4	2027.9
New construction	Shionogi Pharma Co., Ltd. Kanegasaki Plant	Iwate, Japan	Pharmaceutical Business	Production facilities	4,560	2,376	Cash on hand and subsidies	2020.10	2026.5
New construction	Shionogi Pharma Co., Ltd. Amagasaki Site	Hyogo, Japan	Pharmaceutical Business	Production facilities	6,035	2,929	Cash on hand and subsidies	2022.4	2026.1
New construction	Shionogi Pharma Co., Ltd. Vaccine Production Facilities	Osaka, Japan	Pharmaceutical Business	Production facilities	26,300	2,630	Cash on hand	2024.10	2029.3

(3) Subsidiaries outside Japan

Not applicable.

IV. Information on the Filing Company

1. Information on the Company's Shares, etc.

(1) Total number of shares, etc.

i. Total number of shares

Type	Total number of shares authorized to be issued (Shares)
Common shares	3,000,000,000
Total	3,000,000,000

ii. Number of shares issued

Type	Number of shares issued as of the fiscal year-end (Shares) (As of March 31, 2025)	Number of shares issued as of filing date (Shares) (As of June 19, 2025)	Stock exchange on which the Company is listed or financial instruments association where the Company is licensed	Description
Common shares	889,632,195	889,632,195	Tokyo Stock Exchange Prime Market	Number of shares constituting one trading unit 100 shares
Total	889,632,195	889,632,195	–	–

(2) Information on share acquisition rights, etc.

i. Details of stock option program

FY2011 share acquisition rights

Date of resolution	As of June 24, 2011
Number of share acquisition rights	156 *1
Of share acquisition rights, number of treasury share acquisition rights	–
Class of shares corresponding to share acquisition rights	Common shares
Number of shares corresponding to share acquisition rights (Shares)	46,800 *2,6
Payment amount on exercise of share acquisition rights (Yen)	1
Exercise period for share acquisition rights	From: July 12, 2011 To: July 11, 2041
Issue price and amount paid into capital on issuance of shares from exercise of share acquisition rights (Yen)	Issue price 376 *3,6 Amount paid into capital 188 *6
Conditions for exercising share acquisition rights	*4
Matters concerning transfer of share acquisition rights	The acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of the Company.
Matters concerning substitute payment	–
Matters concerning delivery of share acquisition rights in connection with reorganization	*5

Note: Details are provided as of the end of the fiscal year under review (March 31, 2025). As of the end of the month prior to the filing date (May 31, 2025), there were no changes in the details to be stated from those as of the end of the fiscal year under review. Therefore, information as of the end of the month prior to the filing date is omitted.

*1. The persons to be allotted share acquisition rights, the number of these persons, and the number of share acquisition rights allotted to these persons are as follows.

Company directors (excluding outside directors; the same applies hereinafter) 3 persons, 252 rights

Company executive officers (excluding those concurrently serving as directors; the same applies hereinafter) 9 persons, 270 rights

The number of shares per share acquisition right (hereinafter referred to as the "Number of Shares Granted") shall be 300.

*2. In the event that, after the date of allotment of share acquisition rights (hereinafter referred to as the "Allotment Date"), the Company conducts a stock split (including gratis allotment of shares of common stock of the Company; the same shall apply hereinafter with respect to stock splits) or a reverse stock split, the Number of Shares Granted shall be adjusted in accordance with the following calculation for those share acquisition rights that have not been exercised at the time of such stock split or reverse stock split.

Adjusted number of shares = Number of shares before adjustment* Split or consolidation ratio

In addition to the above, in the event that the Company conducts a merger, corporate split or share exchange after the Allotment Date, or otherwise if the Number of Shares Granted requires adjustment, the Company's Board of Directors may adjust the Number of Shares Granted as it deems necessary.

Any fraction of less than one share resulting from the above adjustment shall be truncated.

*3. i. The issue price is the sum of the fair value of the share acquisition rights on the Allotment Date and the amount to be paid upon exercise of the share acquisition rights (1 yen per share).

In addition, the recipient of share acquisition right allotment (hereinafter referred to as "Share Acquisition Rights Holder") may, in lieu of payment of the amount equivalent to the fair value of the share acquisition rights, offset this with compensation claims against the Company.

ii. All shares to be issued to Share Acquisition Rights Holders upon exercise of share acquisition rights are to be issued from treasury shares, and no new shares will be issued as a result of the exercise of share acquisition rights.

In the event that treasury shares are used, no amount shall be paid into capital.

*4. i. During the exercise period for share acquisition rights, directors who are Share Acquisition Rights Holders may only exercise all of their share acquisition rights in a single act, solely during the period from the day following the day on which they lose their position as a director of the Company until the day on which 10 days (if the 10th day falls on a holiday, the next business day) have passed.

ii. During the exercise period for share acquisition rights, executive officers who are Share Acquisition Rights Holders may only exercise all of their share acquisition rights in a single act, solely from the day following the day on which they retire as executive officer of the Company or the day their employment contract with the Company is terminated (excluding employment contracts related to re-employment after mandatory retirement), whichever is later, until the day on which 10 days (if the 10th day falls on a holiday, the next business day) have passed.

In the event that an executive officer who is a Share Acquisition Rights Holder is newly appointed as a director of the Company, they may not exercise these rights until their retirement as a director.

iii. In the event of the death of a Share Acquisition Rights Holder, their heirs may exercise their share acquisition rights only during the period from the day following the day of the death of the benefactor and the day after 6 months have passed.

iv. Other conditions for exercising rights shall be as set forth in the "Share Acquisition Rights Allotment Agreement" concluded between the Company and the Share Acquisition Rights Holders.

*5. In the event that the Company conducts a merger (limited to cases in which the Company is dissolved due to merger), absorption-type split or incorporation-type split (limited to cases in which the Company becomes a split company), or share exchange or share transfer (limited to cases where the Company becomes a wholly-owned subsidiary) (the above are hereinafter collectively referred to as "Reorganization"), Share Acquisition Rights Holders of the remaining share acquisition rights as of the time immediately preceding the effective date of the Reorganization (hereinafter referred to as "Residual Share Acquisition Rights") shall, in each circumstance, be issued the share acquisition rights of the stock company as prescribed in each of Article 236, Paragraph 1, Item 8, (a) through (e) of the Companies Act (hereinafter referred to as the "Reorganized Company") in accordance with the terms and conditions of the issuance of these share acquisition rights. However, this shall be limited to cases where it is stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, share exchange agreement, or share transfer plan that share acquisition rights of the Reorganized Company will be delivered in accordance with conditions equivalent to the terms and conditions of issuance of these share acquisition rights.

*6 . As a result of the 3-for-1 split of common stock on October 1, 2024 based on the resolution of the Board of Directors meeting held on August 30, 2024, "Number of shares corresponding to share acquisition rights" and "Issue price and amount paid into capital on issuance of shares from exercise of share acquisition rights" have been adjusted.

FY2012 share acquisition rights

Date of resolution	As of June 27, 2012
Number of share acquisition rights	255 *1
Of share acquisition rights, number of treasury share acquisition rights	–
Class of shares corresponding to share acquisition rights	Common shares
Number of shares corresponding to share acquisition rights (Shares)	76,500 *2,6
Payment amount on exercise of share acquisition rights (Yen)	1
Exercise period for share acquisition rights	From: July 13, 2012 To: July 12, 2042
Issue price and amount paid into capital on issuance of shares from exercise of share acquisition rights (Yen)	Issue price 305 *3,6 Amount paid into capital 153 *6
Conditions for exercising share acquisition rights	*4
Matters concerning transfer of share acquisition rights	The acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of the Company.
Matters concerning substitute payment	–
Matters concerning delivery of share acquisition rights in connection with reorganization	*5

Note: Details are provided as of the end of the fiscal year under review (March 31, 2025). As of the end of the month prior to the filing date (May 31, 2025), there were no changes in the details to be stated from those as of the end of the fiscal year under review. Therefore, information as of the end of the month prior to the filing date is omitted.

*1. The persons to be allotted share acquisition rights, the number of these persons, and the number of share acquisition rights allotted to these persons are as follows.

Company directors (excluding outside directors; the same applies hereinafter) 2 persons, 316 rights

Company executive officers (excluding those concurrently serving as directors; the same applies hereinafter) 11 persons, 475 rights

The number of shares per share acquisition right (hereinafter referred to as the "Number of Shares Granted") shall be 300.

*2. through *6. are the same as those in the notes to "FY2011 share acquisition rights."

FY2013 share acquisition rights

Date of resolution	As of June 26, 2013
Number of share acquisition rights	137 *1
Of share acquisition rights, number of treasury share acquisition rights	–
Class of shares corresponding to share acquisition rights	Common shares
Number of shares corresponding to share acquisition rights (Shares)	41,100 *2,6
Payment amount on exercise of share acquisition rights (Yen)	1
Exercise period for share acquisition rights	From: July 12, 2013 To: July 11, 2043
Issue price and amount paid into capital on issuance of shares from exercise of share acquisition rights (Yen)	Issue price 643 *3,6 Amount paid into capital 322 *6
Conditions for exercising share acquisition rights	*4
Matters concerning transfer of share acquisition rights	The acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of the Company.
Matters concerning substitute payment	–
Matters concerning delivery of share acquisition rights in connection with reorganization	*5

Note: Details are provided as of the end of the fiscal year under review (March 31, 2025). As of the end of the month prior to the filing date (May 31, 2025), there were no changes in the details to be stated from those as of the end of the fiscal year under review. Therefore, information as of the end of the month prior to the filing date is omitted.

*1. The persons to be allotted share acquisition rights, the number of these persons, and the number of share acquisition rights allotted to these persons are as follows.
Company directors (excluding outside directors; the same applies hereinafter) 2 persons, 172 rights
Company executive officers (excluding those concurrently serving as directors; the same applies hereinafter) 12 persons, 267 rights
The number of shares per share acquisition right (hereinafter referred to as the "Number of Shares Granted") shall be 300.
*2. through *6. are the same as those in the notes to "FY2011 share acquisition rights."

FY2014 share acquisition rights

Date of resolution	As of June 25, 2014
Number of share acquisition rights	167 *1
Of share acquisition rights, number of treasury share acquisition rights	–
Class of shares corresponding to share acquisition rights	Common shares
Number of shares corresponding to share acquisition rights (Shares)	50,100 *2,6
Payment amount on exercise of share acquisition rights (Yen)	1
Exercise period for share acquisition rights	From: July 11, 2014 To: July 10, 2044
Issue price and amount paid into capital on issuance of shares from exercise of share acquisition rights (Yen)	Issue price 633 *3,6 Amount paid into capital 317 *6
Conditions for exercising share acquisition rights	*4
Matters concerning transfer of share acquisition rights	The acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of the Company.
Matters concerning substitute payment	–
Matters concerning delivery of share acquisition rights in connection with reorganization	*5

Note: Details are provided as of the end of the fiscal year under review (March 31, 2025). As of the end of the month prior to the filing date (May 31, 2025), there were no changes in the details to be stated from those as of the end of the fiscal year under review. Therefore, information as of the end of the month prior to the filing date is omitted.

*1. The persons to be allotted share acquisition rights, the number of these persons, and the number of share acquisition rights allotted to these persons are as follows.
Company directors (excluding outside directors; the same applies hereinafter) 2 persons, 178 rights
Company executive officers (excluding those concurrently serving as directors; the same applies hereinafter) 11 persons, 246 rights
The number of shares per share acquisition right (hereinafter referred to as the "Number of Shares Granted") shall be 300.
*2. through *6. are the same as those in the notes to "FY2011 share acquisition rights."

FY2015 share acquisition rights

Date of resolution	As of June 24, 2015
Number of share acquisition rights	101 *1
Of share acquisition rights, number of treasury share acquisition rights	–
Class of shares corresponding to share acquisition rights	Common shares
Number of shares corresponding to share acquisition rights (Shares)	30,300 *2,6
Payment amount on exercise of share acquisition rights (Yen)	1
Exercise period for share acquisition rights	From: July 10, 2015 To: July 9, 2045
Issue price and amount paid into capital on issuance of shares from exercise of share acquisition rights (Yen)	Issue price 1,518 *3,6 Amount paid into capital 759 *6
Conditions for exercising share acquisition rights	*4
Matters concerning transfer of share acquisition rights	The acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of the Company.
Matters concerning substitute payment	–
Matters concerning delivery of share acquisition rights in connection with reorganization	*5

Note: Details are provided as of the end of the fiscal year under review (March 31, 2025). As of the end of the month prior to the filing date (May 31, 2025), there were no changes in the details to be stated from those as of the end of the fiscal year under review. Therefore, information as of the end of the month prior to the filing date is omitted.

*1. The persons to be allotted share acquisition rights, the number of these persons, and the number of share acquisition rights allotted to these persons are as follows.

Company directors (excluding outside directors; the same applies hereinafter) 3 persons, 99 rights

Company executive officers (excluding those concurrently serving as directors; the same applies hereinafter) 11 persons, 112 rights

The number of shares per share acquisition right (hereinafter referred to as the "Number of Shares Granted") shall be 300.

*2. through *6. are the same as those in the notes to "FY2011 share acquisition rights."

FY2016 share acquisition rights

Date of resolution	As of June 23, 2016
Number of share acquisition rights	87 *1
Of share acquisition rights, number of treasury share acquisition rights	–
Class of shares corresponding to share acquisition rights	Common shares
Number of shares corresponding to share acquisition rights (Shares)	26,100 *2,6
Payment amount on exercise of share acquisition rights (Yen)	1
Exercise period for share acquisition rights	From: July 9, 2016 To: July 8, 2046
Issue price and amount paid into capital on issuance of shares from exercise of share acquisition rights (Yen)	Issue price 1,752 *3,6 Amount paid into capital 876 *6
Conditions for exercising share acquisition rights	*4
Matters concerning transfer of share acquisition rights	The acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of the Company.
Matters concerning substitute payment	–
Matters concerning delivery of share acquisition rights in connection with reorganization	*5

Note: Details are provided as of the end of the fiscal year under review (March 31, 2025). As of the end of the month prior to the filing date (May 31, 2025), there were no changes in the details to be stated from those as of the end of the fiscal year under review. Therefore, information as of the end of the month prior to the filing date is omitted.

*1. The persons to be allotted share acquisition rights, the number of these persons, and the number of share acquisition rights allotted to these persons are as follows.
Company directors (excluding outside directors; the same applies hereinafter) 3 persons, 85 rights
Company executive officers (excluding those concurrently serving as directors; the same applies hereinafter) 10 persons, 88 rights
The number of shares per share acquisition right (hereinafter referred to as the "Number of Shares Granted") shall be 300.
*2. through *6. are the same as those in the notes to "FY2011 share acquisition rights."

FY2017 share acquisition rights

	As of March 31, 2025	As of May 31, 2025
Date of resolution	As of June 22, 2017	Same as the left
Number of share acquisition rights	97 *1	89 *1
Of share acquisition rights, number of treasury share acquisition rights	–	–
Class of shares corresponding to share acquisition rights	Common shares	Same as the leftv
Number of shares corresponding to share acquisition rights (Shares)	29,100 *2,6	26,700 *2,6
Payment amount on exercise of share acquisition rights (Yen)	1	Same as the left
Exercise period for share acquisition rights	From: July 8, 2017 To: July 7, 2047	Same as the left
Issue price and amount paid into capital on issuance of shares from exercise of share acquisition rights (Yen)	Issue price 1,914 *3,6 Amount paid into capital 957 *6	Same as the left
Conditions for exercising share acquisition rights	*4	Same as the left
Matters concerning transfer of share acquisition rights	The acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of the Company.	Same as the left
Matters concerning substitute payment	–	Same as the left
Matters concerning delivery of share acquisition rights in connection with reorganization	*5	Same as the left

*1. The persons to be allotted share acquisition rights, the number of these persons, and the number of share acquisition rights allotted to these persons are as follows.
Company directors (excluding outside directors; the same applies hereinafter) 3 persons, 85 rights
Company executive officers (excluding those concurrently serving as directors; the same applies hereinafter) 12 persons, 108 rights
The number of shares per share acquisition right (hereinafter referred to as the "Number of Shares Granted") shall be 300.
*2. through *6. are the same as those in the notes to "FY2011 share acquisition rights."

ii. Details of rights plan
Not applicable.

iii. Information on other share acquisition rights, etc.
Not applicable.

(3) Information on exercise of moving strike convertible bonds with share acquisition rights
Not applicable.

(4) Changes in the total number of issued shares, share capital, etc.

Date	Increase/ decrease in total number of issued shares (Thousand shares)	Shares issued and outstanding (Thousand shares)	Increase/ decrease in share capital (million yen)	Balance of share capital (million yen)	Increase/ decrease in legal capital surplus (million yen)	Balance of legal capital surplus (million yen)
April 6, 2020 *1	(5,200)	311,586	–	21,279	–	16,392
February 10, 2023 *2	(4,200)	307,386	–	21,279	–	16,392
April 17, 2024 *3	(10,842)	296,544	–	21,279	–	16,392
October 1, 2024 *4	593,088	889,632	–	21,279	–	16,392

Notes:

1. Decrease due to cancellation of treasury shares.
2. Decrease due to cancellation of treasury shares.
3. Decrease due to cancellation of treasury shares.
2. This is due to a stock split (1:3).

(5) Composition of issued shares by type of shareholder

As of March 31, 2025

Category	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (Shares)
	Governments and municipalities	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (Persons)	1	83	37	428	932	190	60,473	62,144	–
Shares held (units)	60	3,659,437	248,848	267,298	3,501,867	1,257	1,212,035	8,890,802	551,995
Ownership as a percentage of total shares (%)	0.00	41.15	2.79	3.00	39.38	0.01	13.63	100.00	–

Notes:

1. 29,944,777 shares of treasury shares are included in the listings of 299,447 units in "Individuals and others" and 77 shares in "Number of shares less than one unit."
2. "Other corporations" above includes 120 units of shares held under the name of the Japan Securities Depository Center, Incorporated.

(6) Major shareholders

As of March 31, 2025

Name	Address	Shares held (Thousand shares)	Ownership as a percentage of total issued shares (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	1-8-1 Akasaka, Minato-ku, Tokyo	154,859	18.01
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	68,030	7.91
Sumitomo Life Insurance Company	2-2-1, Yaesu, Chuo-ku, Tokyo	55,812	6.49
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	1-3-2, Marunouchi, Chiyoda-ku, Tokyo	28,455	3.30
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	25,227	2.93
BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED (Standing proxy: Citibank, N.A. Tokyo Branch)	14/F, BANK OF CHINA TOWER, 1 GARDEN ROAD, CENTRAL, HONG KONG (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	19,068	2.21
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171,U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	18,474	2.14
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (2-15-1, Konan, Minato-ku, Tokyo)	12,083	1.40
JP MORGAN CHASE BANK 385781 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1 Konan, Minato-ku, Tokyo)	10,983	1.27
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (2-15-1, Konan, Minato-ku, Tokyo)	10,631	1.23
Total	–	403,626	46.95

Notes:

1. SMBC Nikko Securities Inc. submitted a large shareholding report for the Company's shares on March 6, 2015 jointly with Sumitomo Mitsui Banking Corporation and Kansai Urban Banking Corporation. However, as the Company is unable to confirm this share ownership and other information as of March 31, 2025, these companies are not included in the above list of major shareholders. The content of the aforementioned large shareholding report is as follows.

   The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Number of share certificates, etc. held are stated based on that before the stock split.

As of February 27, 2015

Name	Address	Number of share certificates, etc. held (Shares)	Percentage of share certificates, etc. held (%)
SMBC Nikko Securities Inc.	3-3-1, Marunouchi, Chiyoda-ku, Tokyo	508,000	0.14
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo	16,049,588	4.57
Kansai Urban Banking Corporation	1-2-4, Nishishinsaibashi, Chuo-ku, Osaka-shi, Osaka	1,113,242	0.32
Total	–	17,670,830	5.03

2. Sumitomo Mitsui Trust Bank, Limited submitted a large shareholding report for the Company's shares on June 21, 2023 jointly with Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. However, as the Company is unable to confirm this share ownership and other information as of March 31, 2025, these companies are not included in the above list of major shareholders. The content of the aforementioned large shareholding report is as follows.

The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Number of share certificates, etc. held are stated based on that before the stock split.

As of June 15, 2023

Name	Address	Number of share certificates, etc. held (Shares)	Percentage of share certificates, etc. held (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	3,000,000	0.98
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1, Shibakoen, Minato-ku, Tokyo	9,035,600	2.94
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo	8,938,400	2.91
Total	—	20,974,000	6.82

3. NOMURA ASSET MANAGEMENT CO., LTD. submitted a large shareholding report for the Company's shares on June 21, 2023 jointly with NOMURA INTERNATIONAL PLC. However, as the Company is unable to confirm this share ownership and other information as of March 31, 2025, these companies are not included in the above list of major shareholders. The content of the aforementioned large shareholding report is as follows.

The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Number of share certificates, etc. held are stated based on that before the stock split.

As of June 15, 2023

Name	Address	Number of share certificates, etc. held (Shares)	Percentage of share certificates, etc. held (%)
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	318,510	0.10
NOMURA ASSET MANAGEMENT CO., LTD.	2-2-1 Toyosu, Koto-ku, Tokyo	18,403,900	5.99
Total	—	18,722,410	6.09

4. BlackRock Japan Co. Ltd., an international discretionary investment management company, submitted a large shareholding report for the Company's shares on January 7, 2025 jointly with ten affiliates. However, as the Company is unable to confirm this share ownership and other information as of March 31, 2025, these companies are not included in the above list of major shareholders. The content of the aforementioned large shareholding report is as follows.

As of December 31, 2024

Name	Address	Number of share certificates, etc. held (Shares)	Percentage of share certificates, etc. held (%)
BlackRock Japan Co., Ltd.	1-8-3 Marunouchi, Chiyoda-ku, Tokyo	16,746,700	1.88
Apewrio Group, LLC	3 Harbor Drive, Suite 204, Sausalito, California, U.S.	956,092	0.11
BlackRock Investment Management(Australia)Limited	Chifley Tower Level 37, 2 Chifley Square, Sydney, New South Wales, Australia	906,600	0.10
BlackRock (Netherlands) BV	HAI096 Amstelplein 1, Amsterdam, Netherlands	2,727,019	0.31
BlackRock Fund Managers Limited	12 Throgmorton Avenue, London, UK	3,059,793	0.34
BlackRock (Luxembourg) S.A.	35a Avenue JF Kennedy, L-1855 Luxembourg	1,903,100	0.21
BlackRock Asset Management Canada Limited	161 Bay Street, Suite 2500 Toronto, Ontario, Canada	1,089,100	0.12
BlackRock Asset Management Ireland Limited	1F, 2 Ballsbridge Park, Ballsbridge, Dublin, Republic of Ireland	7,316,272	0.82
BlackRock Fund Advisors	Howard Street 400, San Francisco, California, U.S.	18,060,600	2.03
BlackRock Institutional Trust Company, N.A.	Howard Street 400, San Francisco, California, U.S.	10,547,780	1.19
BlackRock Investment Management(UK)Limited	12 Throgmorton Avenue, London, UK	1,012,079	0.11
Total	–	64,325,135	7.2

(7) Information on voting rights

i. Issued shares

As of March 31, 2025

Category	Number of shares (Shares)	Number of voting rights	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (others)	–	–	–
Shares with full voting rights (treasury shares, etc.)	Common shares 29,944,700	–	–
Shares with full voting rights (others)	Common shares 859,135,500	8,591,355	–
Shares less than one unit	Common shares 551,995	–	Shares less than one unit (one unit = 100 shares)
Shares issued and outstanding	889,632,195	–	–
Total number of voting rights held by all shareholders	–	8,591,355	–

Note:

1. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Number of shares are stated based on that after the stock split.
2. "Shares with full voting rights (others)" above includes 12,000 shares (120 voting rights) held under the name of the Japan Securities Depository Center, Incorporated.

ii. Treasury shares, etc.

As of March 31, 2025

Shareholder name	Shareholder address	Number of shares held under own name (Shares)	Number of shares held under another name (Shares)	Total number of shares held (Shares)	Ownership as a percentage of total issued shares (%)
Shionogi & Co., Ltd.	3-1-8, Doshomachi, Chuho-ku, Osaka	29,944,700	–	29,944,700	3.36
Total	–	29,944,700	–	29,944,700	3.36

Note: The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Number of shares are stated based on that after the stock split.

2. Information on Acquisition of Treasury Shares, etc.

Class of shares: Acquisition of common stock under Article 155, Item 7 of the Companies Act, and acquisition of common stock under Article 155, Item 13 of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of Board of Directors

Not applicable.

(3) Acquisition not based on resolution of the General Meeting of Shareholders or of the Board of Directors

Category	Number of shares (Shares)	Total price (Yen)
Treasury shares acquired during the fiscal year under review	12,013	10,814,134
Treasury shares acquired during the current period	134	303,373

Notes:

1. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Treasury shares acquired during the fiscal year under review are stated based on that after the stock split.
2. Treasury shares acquired during the fiscal year under review is 7,125 shares due to the gratis acquisition of transfer-restricted stock and 4,888 shares due to the purchase of shares less than one unit.
3. Treasury shares acquired during the period is 134 shares due to the purchase of shares less than one unit.
4. Treasury shares acquired during the period does not include shares less than one unit purchased from June 1, 2025 to the filing date of this Annual Securities Report.

(4) Status of the disposition and holding of acquired treasury shares

Category	Fiscal year under review		Current period	
	Number of shares	Total amount disposed (Yen)	Number of shares	Total amount disposed (Yen)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares that were disposed of	32,526,300	71,550,053,688	–	–
Acquired treasury shares transferred due to merger, share exchange, share delivery or split	–	–	–	–
Other (disposal of treasury shares as restricted stock-based compensation)	222,300	449,638,800	–	–
Other (acquisition of treasury shares in lieu of exercising stock options)	2,400	5,279,432	2,400	5,278,152
Other (disposal of treasury shares through third-party allotment)	–	–	–	–
Total number of treasury shares held	29,944,777	–	29,942,511	–

Notes:

1. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Number of shares are stated based on that after the stock split.
2. Treasury shares held during the period do not include shares of less than one unit purchased from June 1, 2025 to the filing date of this Annual Securities Report.

3. Dividend Policy

The SHIONOGI Group promotes 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. Regarding dividends, SHIONOGI set a target of 4.0% or more in dividends on equity, which it aims to increase steadily in accordance with corporate value growth.

For the fiscal year ended March 31, 2025, SHIONOGI elected to pay a year-end dividend of 33 yen per share (before stock split equivalent: 99 yen), an increase of 5 yen (before stock split equivalent: 14 yen increase) from the fiscal year ended March 31, 2024. As a result, the total annual dividend, including the interim dividend, will be 61 yen (before stock split equivalent: 184 yen) per share.

With regard to retained earnings, SHIONOGI will make active investments both in Japan and overseas to “expand areas by leveraging our strengths in infectious diseases” and “establish revenue drivers” in order to transform itself into a Healthcare as a Service (HaaS) company that provides healthcare services.

The Articles of Incorporation stipulate that the Company may pay dividends from surplus twice a year, an interim dividend and a year-end dividend. The decision-making bodies for these dividends from surplus are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

Date of resolution	Total dividend amount (million yen)	Dividend per share (Yen)
October 28, 2024 Resolution of the Board of Directors	24,357	85.00
June 18, 2025 Resolution of the Annual General Meeting of Shareholders	28,369	33.00

4. Corporate Governance, etc.

(1) Overview of corporate governance

i. Basic policy on corporate governance

Based on the Company Policy of SHIONOGI, its management philosophy, SHIONOGI recognizes that its social mission is not only to supply useful and safe pharmaceuticals but also to contribute to the improvement of health and healthcare for people around the world by providing various health care services that meet customer needs, thereby contributing to the realization of a high-quality life.

Based on SHIONOGI's firm belief that pursuing thorough compliance and fulfilling this mission will lead to the sustainable enhancement of corporate value, SHIONOGI will take necessary measures to continue addressing changes in the business environment and practice transparent and honest management through constructive dialogue with its stakeholders.

ii. Company institutions, etc.

The Company has adopted the structure of a company with an Audit and Supervisory Committee following a resolution at the General Meeting of Shareholders held on June 18, 2025 to partially amend its Articles of Incorporation to become a company with an Audit and Supervisory Committee. The purpose of this is to evolve the governance structure, strengthen the supervisory function of the Board of Directors over the Representative Director amid the globalization and expansion of its business, and enable the Company to clearly distinguish between matters delegated to the executive side and those resolved by the Board of Directors, thereby establishing a framework that facilitates delegation of authority to ensure swift decision-making and promote in-depth discussions on company-wide medium- to long-term strategies with a focus on balancing the interests of all stakeholders and allowing the Audit and Supervisory Committee to more effectively oversee the overall decision-making process of the executive side by leveraging its authority and working with the internal audit unit. The Company has established a governance structure comprising six Directors who are not Audit and Supervisory Committee Members and five Directors who are Audit and Supervisory Committee Members. Among the eleven Directors, three are women and one is a non-Japanese national, ensuring diversity in the Board. With the appointment of seven Outside Directors, who constitute the majority of the Board, the Company maintains a structure that enables fair and efficient management. All seven Outside Directors serve as independent directors, recognizing the Company's corporate responsibilities and contributing to highly transparent management. The names of the members of the Board of Directors and the Audit and Supervisory Committee are as stated in "(2) Officers." The Chairperson of the Board is Keiichi Ando, and the Chairperson of the Audit and Supervisory Committee is Yoriko Goto.

In fiscal year ended March 31, 2025 before the transition to a company with an Audit and Supervisory Committee, the Board of Directors consisted of six directors: two inside directors (Isao Teshirogi, Representative Director, President and CEO, and Takuko Sawada, Director and Vice Chairperson of the Board) and four independent outside directors (Directors Keiichi Ando, Hiroshi Ozaki, Fumi Takatsuki, and Takaoki Fujiwara). It was chaired by Director Ando and meets once a month in principle. It met 13 times in FY2024. Specifically, the Board makes decisions on important matters that affect business management, such as corporate governance, company-wide risk management, and the conclusion of important agreements, and supervises business execution by receiving reports on the progress of the compliance activities and operations of each business execution department. The attendance rate of directors and corporate auditors was 100% for all Board meetings.

Furthermore, the Nomination Advisory Committee and the Compensation Advisory Committee, consisting of a majority of outside officers, have been established as advisory bodies to the Board of Directors. The Nomination Advisory Committee, chaired by Outside Director Ando and consisting of Outside Directors Ozaki, Takatsuki, and Fujiwara, Director Teshirogi, Corporate Auditor Kishida, and Outside Corporate Auditor Goto, held five meetings in fiscal year ended March 31, 2025. Discussions focused on various topics, such as the appointment of corporate officers, performance evaluation of the representative director, and the appointment criteria of directors, from perspectives such as promoting research activities, balancing the expertise of the Board of Directors, including outside directors, and strengthening management support divisions. The Committee also conducts performance reviews of the President and prepares succession plans for Corporate Officers. In addition, through proposals and reports at the Board of Directors meetings and roundtable discussions with Associate Corporate Officers, opportunities are provided for outside directors/corporate auditors to engage in dialogue with division heads and key organizational leaders to assess talent. Meanwhile, the Compensation Advisory Committee, chaired by Outside Director Ozaki and consisting of Outside Directors Ando, Takatsuki, and Fujiwara, Director Teshirogi, Corporate Auditor Okamoto, and Outside Corporate Auditor Goto, held four meetings in fiscal year ended March 31, 2025. Discussions focused on topics such as the examination of compensation levels and various compensation ratios, performance evaluation of directors and corporate officers for FY2023, performance indicators for FY2024, and the compensation systems for officers, corporate officers, and employees, including stock-based compensation. In FY2024, the Committee also discussed the compensation structure and other related matters in light of the transition to a company with an Audit and Supervisory Committee. The attendance rate of all members of both committees was 100% for all committee meetings.

The Company has introduced a corporate officer system to support dynamic and flexible business operations, enabling SHIONOGI to respond rapidly to drastic changes in the operating environment. As a decision-making body for business execution, the Company has established the Corporate Executive Meeting, which is composed of Internal Directors and key executives responsible for business execution and is, in principle, held weekly. The Corporate Executive Meeting thoroughly deliberates on matters related to the execution of business as well as important management matters.

The business execution framework consists of 10 divisions: the Drug Discovery Research Division, the Pharmaceutical Technology Research Division, and the Drug Development and Regulatory Science Division, which engage in research and development; the Pharmaceutical Commercial Division, which communicates pharmaceutical information; the Integrated Disease Care Division, which collects and analyzes healthcare-related information to maximize the value of products and the Company; the Vaccine Business Division, which establishes and promotes the vaccine business, a new business foundation; the Corporate Strategy Division, which is responsible for formulating company-wide strategies for the optimal allocation and utilization of managerial resources; the Sustainability Management Division, which is responsible for strengthening engagement with stakeholders; the DX Promotion Division, which aims to create healthcare solutions by building infrastructure for data utilization using IT and digital technology; and the Corporate Quality Assurance and Ethics & Compliance Management Division, which is responsible for strengthening the compliance system in order to provide products and services of trusted quality. These Divisions are supervised based on four major value chains. The Corporate Executive Meeting fully deliberates business execution, and the Board of Directors makes decisions on matters that significantly affect management.

In line with the transition to a company with an Audit and Supervisory Committee, in order to ensure the legality and appropriateness of duties carried out by Directors and each organizational unit, the Company has established a system in which the Audit and Supervisory Committee and the Internal Control Department, which is responsible for internal audits, conduct audits of the status of business execution as appropriate while exchanging opinions with the Representative Director and reporting to the Board of Directors, thereby taking necessary measures. The Audit and Supervisory Committee consists of two Inside Directors who serve as full-time members and three Outside Directors who serve as members, and it is chaired by Director Yoriko Goto. The Audit and Supervisory Committee conducts business and accounting audits in accordance with the "Code of Audit and Supervisory Committee Auditing and Supervising Standards" to verify the legality and appropriateness of the duties carried out by directors and persons responsible for business execution. It also receives reports from the Independent Accounting Auditor on the contents of accounting audits and takes actions such as exchanging opinions. In addition, Directors who are Audit and Supervisory Committee Members attend important meetings such as the Corporate Executive Meeting and express necessary opinions. Together with the newly established Audit and Supervisory Committee Office, efforts are being made to enhance deliberations by the Audit and Supervisory Committee. Furthermore, the Committee also receives regular reports from the Internal Control Department on the contents of internal audits and exchanges opinions while issuing instructions to the department as appropriate, thereby ensuring coordination among the Audit and Supervisory Committee, the Accounting Auditor, and the Internal Control Department.

iii. Internal control system, status, etc.

The Company's basic policy regarding internal control systems is as follows, and it works to ensure the establishment of an internal control system in accordance with this policy.

[Basic Policy for the Construction and Operation of the Internal Control System]

The Company will promote transparent and honest management by ensuring that its officers and employees share the Company Policy of SHIONOGI, which represents the Company's management philosophy and values, and perform their duties in compliance with laws and regulations.

To make their performance of these duties more effective, we will construct and operate a system to ensure proper business operations, as described below.

1. Systems for ensuring that the performance of director duties conforms with laws and regulations and with the Articles of Incorporation

SHIONOGI constantly promotes transparent and appropriate management in order to meet societal expectations from the standpoints of its four stakeholder groups: customers, society, shareholders, and employees.

To this end, we seek to instill our corporate raison d'etre 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, which is chaired by the Representative Director, formulates and promotes various measures to ensure and enhance compliance with laws and regulations and ethical behavior in our business activities.

In addition, the Company maintains an unwavering stance against anti-social forces and severs all ties with them without offering any room for manipulation, in accordance with the SHIONOGI Group Code of Conduct.

The Company has adopted a corporate governance system based on the institutional design of a company with an Audit and Supervisory Committee. The Board of Directors and the Audit and Supervisory Committee are composed of a majority of Outside Directors. This structure enables delegation of authority to facilitate swift decision-making and emphasizes discussions on company-wide, medium- to long-term strategies while giving due consideration to the balance of the expectations of shareholders and other stakeholders. The Nomination Advisory Committee and the Compensation Advisory Committee have also been established as voluntary bodies. 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 fair, swift, and decisive execution of duties.

In order to fulfill its function as a monitoring board, the Board of Directors will distinguish between matters to be delegated to the executive side and those to be discussed by the Board and make decisions on particularly important matters concerning business management based on multifaceted business judgments, in accordance with the Board of Directors Regulations. It will also promptly grasp and supervise the status of execution of duties and prevent violations of laws, regulations, and the Articles of Incorporation. In the event a director discovers that another director has violated laws and regulations and/or the Articles of Incorporation, the director shall immediately report to the Board of Directors and take corrective action.

Outside directors are independent appointments who recognize the Company's corporate responsibility, contributing to highly transparent management with their expertise. In order to ensure the reliability of financial reporting, the representative director promotes the construction and operation of internal controls over financial reporting and appropriately evaluates and reports on the effectiveness of internal controls.

The Audit and Supervisory Committee audits the execution of duties by the directors, utilizing the internal audit unit, and the directors cooperate in such audit.

2. Frameworks for storing and managing information in relation to the execution of director duties

The Company has established an information security system for the execution of directors' duties and formulated policies and procedures to appropriately manage and operate information assets, including trade secrets, confidential information, and intellectual property. To ensure strict protection and proper use of such assets, we implement measures such as access restrictions and encryption. In addition, the Company maintains compatibility with electromagnetic records and electronic signatures. The minutes of the Board of Directors' meetings, the Corporate Executive meetings, and the Compliance Committee meetings, as well as approval documents authorized by the Representative Director, are properly and securely stored and managed according to the type of storage medium, in compliance with statutory retention periods, and kept accessible.

3. Regulations and other systems for managing the risk of loss

The SHIONOGI Group will work to properly manage its risks, such as by creating business opportunities and avoiding or reducing risks, in accordance with the SHIONOGI Group Enterprise Risk Management Policy. At the same time, the Group has established, as an important framework for its management strategy and management foundation, the Enterprise Risk Management system, which includes the management of crises such as pandemics, natural disasters, terrorism, and cyber-attacks, to supervise Group-wide business risks. The basic principle of this framework is that each organization of the Company and its Group companies proactively recognizes risks related to decision-making and business execution and manages them and takes countermeasures on its own initiative. The enterprise risk management function submits an action proposal on the Group-wide risk management plan for the year to the Corporate Executive Meeting and the Board of Directors at the beginning of the year to obtain their approval, and it monitors the status of responses and implementation throughout the year. Progress reports are also made as needed, and activities are promoted for further identification of issues and making improvements based on feedback.

Regarding crisis risk management, we have constructed a comprehensive management system, including a business continuity plan, based on our rules on crisis management, etc., and will 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. To that end, we continuously conduct various types of crisis drills across the entire Company, including management.

The Internal Control Department (internal audit unit) is responsible for verification and assessment of various internal risk controls from an independent standpoint, as described in 7. below.

4. Systems to ensure the efficient execution of directors' duties

The Company has introduced a corporate officer system to clarify the roles of management execution and supervision, as well as to support dynamic and flexible business operations. Material matters related to the execution of duties are thoroughly discussed at the weekly Corporate Executive Meeting, and decisions are made by the Board of Directors based on the results of such deliberations.

Resolutions of the Board of Directors and matters deliberated by the Corporate Executive Meeting will be promptly communicated to the general manager of the relevant department in charge of business execution. A suitable individual shall carry out procedures for the smooth execution of duties within the scope of their authority and responsibilities, in accordance with the Rules of Authority and the Rules on Division of Duties.

At the Company, we always assume that business risks are present in the execution of duties, viewing positive risks (offensive risks and business opportunities) and negative risks (defensive risks) as a single entity, setting decision-making criteria based on business risk levels, and being careful not to miss opportunities.

5. Systems for ensuring that the performance of employee duties conforms with laws and regulations and with the Articles of Incorporation

Led by the Compliance Committee, SHIONOGI promotes a range of measures to better ensure that it is in compliance with laws and regulations and that it engages in ethical behavior in its business activities, in accordance with the SHIONOGI Group Code of Conduct.

The Legal Affairs and Compliance Department hosts the Compliance Committee's secretariat, which conducts compliance and harassment education, and supports risk management for compliance and harassment in each business execution unit.

In addition, in order to verify the effectiveness of internal control systems, the internal audit unit works to strengthen internal audits and monitoring. At the same time, the whistleblower hotline is fully utilized to prevent misconduct before it happens and to rapidly detect any incidents and prevent their recurrence.

6. Systems for ensuring the propriety of business operations in the corporate group (the Company and its Group companies)

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 the SHIONOGI Group Code of Conduct in order to fulfill the corporate group's social responsibility.

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

At each Group company, appropriate and efficient business operations are promoted by managing businesses in accordance with the above.

With respect to the execution of business operations at each Group company, business units and administrative units manage and support appropriate business operations, while the Corporate Governance Department provides an overall administrative role for the SHIONOGI Group.

In addition, the internal audit unit uses internal audits to confirm that each Group company is conducting operations in an appropriate and effective manner. Members from the Finance & Accounting Department and the department in charge of internal audit are dispatched as auditors to audit Group companies.

7. Matters regarding ensuring the independence of employees assigned to assist the Audit and Supervisory Committee from other Directors (excluding Directors who are Audit and Supervisory Committee Members) and the effectiveness of instructions given to such employees

The Company has established the Audit and Supervisory Committee Office, comprising approximately five staff members, to assist the Audit and Supervisory Committee with its duties.

Employees assigned to the Audit and Supervisory Committee Office shall be subject to the direction and supervision of the Audit and Supervisory Committee. In the event that the instructions of the Audit and Supervisory Committee conflict with those of the Representative Director, the instructions of the Audit and Supervisory Committee shall take precedence. In addition, personnel evaluations, transfers, and remuneration of the head of the Audit and Supervisory Committee Office shall require the prior consent of the Audit and Supervisory Committee, thereby ensuring the independence of such employees from the Directors (excluding Directors who are Audit and Supervisory Committee Members). To that end, the Company shall ensure that its officers and employees are thoroughly informed that employees assigned to assist the Audit and Supervisory Committee are subject to its direction and supervision.

The Company has also established a framework to ensure the independence of the Internal Audit Department from Directors (excluding Directors who are Audit and Supervisory Committee Members) by requiring prior consent of the Audit and Supervisory Committee for personnel evaluations, transfers, and remuneration of the head of the Internal Audit Department.

8.A system for directors and employees to report to the Audit and Supervisory Committee, other systems regarding reporting to the Audit and Supervisory Committee, and a system to ensure that persons who report to the Committee are not treated disadvantageously because of such reporting

The Company has established a system whereby Directors who are Audit and Supervisory Committee Members shall attend important meetings, such as those of the Board of Directors and the Corporate Executive Meeting, and whereby they can obtain information related to business execution and management, as well as to the effectiveness of internal controls, in a timely manner.

An Audit and Supervisory Committee Member designated by the Audit and Supervisory Committee may directly request reports on the status of business execution from Directors and executive officers of the Company and its Group companies. In the event that an officer or employee of the Group becomes aware of any event or situation that may cause significant damage to the Company or Group companies, including to its credibility, or any illegal or significantly inappropriate act, such as violation of laws and regulations, they shall promptly report such event in writing or orally to the Audit and Supervisory Committee.

The Company ensures that no officer or employee of the Company or its Group companies who makes a report to the Audit and Supervisory Committee will be subject to any disadvantageous treatment on the grounds of having made such a report.

9. Matters regarding the procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Audit and Supervisory Committee Members, and policies for handling such expenses or obligations

When an Audit and Supervisory Committee Member makes a claim to the Company for prepayment of expenses or other obligations related to the execution of their duties, the Company will promptly process such expenses or obligations, except in cases where it is determined that the expenses or obligations are not necessary for the execution of the duties of the Audit and Supervisory Committee Member.

10. Other frameworks for ensuring effective auditing by the Audit and Supervisory Committee

In conducting audits and providing advice and recommendations, the Audit and Supervisory Committee works closely with the Independent Accounting Auditor and the internal audit unit and meets regularly with the Representative Director to exchange opinions and enhance the effectiveness of audits.

In addition, the Audit and Supervisory Committee regularly holds meetings of the SHIONOGI Group Company Audit Liaison Committee for the purpose of ensuring the effectiveness of Group-wide audits. At these meetings, opinions are exchanged on the status of management and audits of each Group company.

iv. Overview of content of limited liability contracts

The Company has entered into an agreement (limited liability contract) with each Outside Director and each Director who is also a member of the Audit and Supervisory Committee to limit their liability for indemnity under Article 423, Paragraph 1 of the Companies Act to the maximum amount stipulated in laws and regulations, provided that legal and regulatory requirements are met.

v. Overview of the content of the directors' and officers' liability insurance contract

The Company has entered into a directors' and officers' liability insurance (D&O Insurance) contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act, with directors and Board of Corporate Auditors members of the Company and its Group companies as insured parties. The insurance policy will cover compensation for damage, litigation costs and the like (except for exclusions set forth in the insurance policy) if compensation is claimed against a director or officer for damage arising from the execution of their duties during the insurance period. The Company bears all premiums for the insurance policy.

vi. Director membership and requirements for resolution of director appointment

The Company's Articles of Incorporation stipulate that the number of Directors (excluding those who are Audit and Supervisory Committee Members) shall be eight or less and that the number of Directors who are Audit and Supervisory Committee Members shall be seven or less.

In addition, the Company's Articles of Incorporation stipulate that resolutions for the appointment of directors shall be approved by a majority of the voting rights of the shareholders present at a meeting with the attendance of shareholders holding at least one-third of eligible voting rights and that cumulative voting shall not be used in the appointment of directors.

vii. Matters for resolution of the General Meeting of Shareholders that may be resolved by the Board of Directors in accordance with Articles of Incorporation provisions

1. Treasury shares

The Company's Articles of Incorporation stipulate that the Company may acquire its treasury shares through market transactions, etc. in order to implement dynamic capital policy by a resolution of the Board of Directors, pursuant to Article 165, Paragraph 2 of the Companies Act.

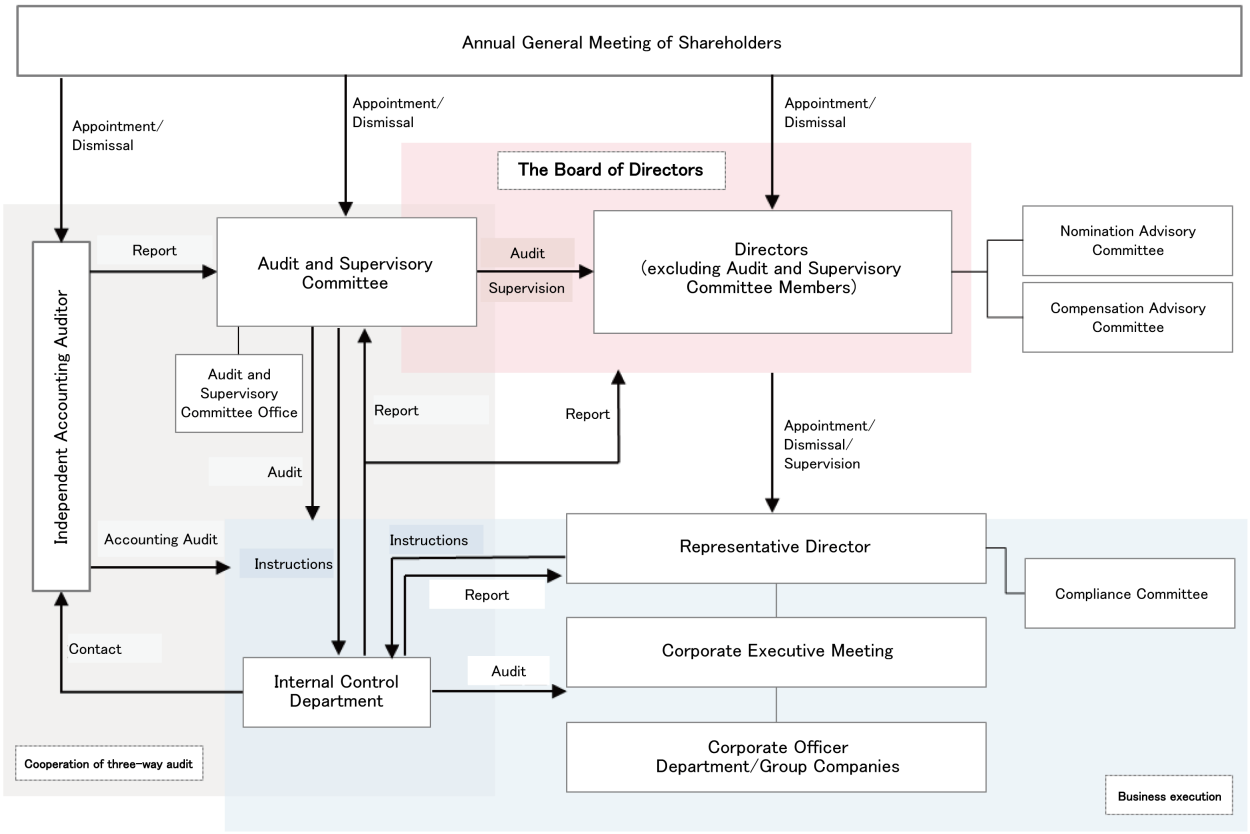
2. Interim dividends

The Company's Articles of Incorporation stipulate that the Company may pay interim dividends with a record date of September 30 of each year in order to dynamically return profits to shareholders by a resolution of the Board of Directors pursuant to Article 454, Paragraph 5 of the Companies Act.

viii. Requirements for special resolution of the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that special resolutions of the General Meeting of Shareholders as provided for in Article 309, Paragraph 2 of the Companies Act shall require approval by a supermajority of two-thirds of the voting rights of the shareholders present at a meeting with the attendance of shareholders holding at least one-third of eligible voting rights. This is intended to facilitate the smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions of the General Meeting of Shareholders.

The following is a diagram of the Company's corporate governance structure.



(2) Officers

i. List of officers

Male: 8, Female: 3 (Percentage of female officers: 27.3%)

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Representative Director Chairman of the Board, President and CEO	Isao Teshirogi	December 12, 1959	April 1982 January 1999 June 2002 October 2002 April 2004 April 2006 April 2007 April 2008 June 2021 March 2022 July 2022 June 2024 June 2025	Joined the Company General Manager, Secretary Office and General Manager, Corporate Planning Department Director of the Company General Manager, Corporate Planning Department Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division Senior Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division Senior Executive Officer Representative Director and President of the Company Outside Director of Sumitomo Mitsui Banking Corporation (incumbent) Outside Director of AGC Inc. (incumbent) Representative Director, Chairman of the Board, President and CEO of the Company (incumbent) Outside Director of the Japan Exchange Group, Inc. (incumbent) Outside Director of Sumitomo Mitsui Financial Group, Inc. (scheduled)	Note 3	280
Director	John Keller	December 14, 1964	July 2010 April 2011 April 2013 April 2017 April 2018 July 2021 July 2022 June 2025	Joined Shionogi Inc. (SI) Executive Vice President, Corporate Development and Strategy President and Chief Executive Officer (CEO) of SI Corporate Officer of the Company and President and CEO of SI Senior Executive Officer of the Company and President and CEO of SI Senior Executive Officer and Senior Vice President, Overseas Business Division of the Company Senior Executive Officer and Senior Vice President, Corporate Strategy Division of the Company Senior Executive Officer and Senior Vice President, R&D Supervisory Unit of the Company Director, Senior Executive Officer and Senior Vice President, R&D Supervisory Unit of the Company (incumbent)	Note 3	9

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director	Keiichi Ando	November 5, 1951	April 1976	Joined Sumitomo Bank Limited (now Sumitomo Mitsui Banking Corporation)	Note 3	–
			April 2003	Executive Officer, Sumitomo Mitsui Banking Corporation		
			April 2006	Managing Executive Officer, Sumitomo Mitsui Banking Corporation		
			April 2009	Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation		
			April 2010	Representative Director and Deputy President and Executive Officer, Sumitomo Mitsui Banking Corporation		
			April 2012	Representative Director and President, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD		
			July 2012	Representative Director and President and CEO, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD		
			June 2016	Outside Director of the Company (incumbent)		
			June 2016	Representative Director and President, GINSEN CO., LTD		
			June 2017	Outside Director of Tsubakimoto Chain Co. (incumbent)		
			June 2019	Outside Director of DAIHEN Corporation (incumbent)		
Director	Hiroshi Ozaki	March 11, 1950	May 1972	Joined Osaka Gas Co., Ltd.	Note 3	–
			June 2000	Director, Osaka Gas Co., Ltd.		
			June 2002	Director and Tokyo Representative, Osaka Gas Co., Ltd., on loan to the Japan Gas Association		
			June 2005	Managing Director and General Manager of LNG Terminal and Power Generation Business Unit, Osaka Gas Co., Ltd.		
			June 2007	Managing Director and General Manager of Commercial & Industrial Energy Business Unit, Osaka Gas Co., Ltd.		
			April 2008	Representative Director and President, Osaka Gas Co., Ltd.		
			June 2008	Director, Osaka Gas Chemicals Co., Ltd.		
			June 2009	Representative Director and President, Operating Executive Officer, Osaka Gas Co., Ltd.		
			June 2009	Director of OGIS-RI Co., Ltd.		
			June 2011	Outside Director of Asahi Broadcasting Corporation (Current name is Asahi Broadcasting Group Holdings Corporation)		
			April 2015	Representative Director and Chairman, Osaka Gas Co., Ltd.		
			June 2019	Outside Director of the Company (incumbent)		
			January 2021	Director and Senior Advisor, Osaka Gas Co., Ltd.		
			June 2021	Senior Advisor, Osaka Gas Co., Ltd. (incumbent)		
			June 2021	Outside Director, The Royal Hotel, Ltd. (incumbent)		
			June 2024	Outside Director, Hiroshima Gas Co., Ltd. (incumbent)		
Director	Takaoki Fujiwara	February 23, 1952	April 1975	JJoined Hanshin Electric Railway Co., Ltd.	Note 3	–
			June 2005	Director, Hanshin Electric Railway Co., Ltd.		
			June 2007	Managing Director, Hanshin Electric Railway Co., Ltd.		
			April 2011	Representative Director and President, Hanshin Electric Railway Co., Ltd.		
			June 2011	Director, Hankyu Hanshin Holdings, Inc.		
			April 2015	Chairman and Representative Director, Hanshin Hotel Systems, Co., Ltd.		
			April 2017	Chairman of the Board of Directors and Representative Director, Hanshin Electric Railway Co., Ltd.		
			June 2017	Representative Director, Hankyu Hanshin Holdings, Inc.		
			June 2017	Outside Director, Sanyo Electric Railway Co., Ltd.		
			December 2017	Director, Hanshin Hotel Systems Co., Ltd.		
			June 2018	Outside Member of the Board of Corporate Auditors of the Company		
			April 2023	Advisor of Hanshin Electric Railway Co., Ltd. (incumbent)		
			June 2023	Outside Director of the Company (incumbent)		
Director	Kyoko Hirose	March 27, 1959	March 1982	Joined Hirose Manufacturing Co., Ltd.	Note 3	–
			March 1983	Director of Hirose Manufacturing Co., Ltd.		
			December 2001	President of Hirose Manufacturing Co., Ltd. (incumbent)		
			November 2020	Vice-Chair of the Osaka Chamber of Commerce and Industry (incumbent)		
			May 2022	Outside Director of Kintetsu Department Store Co., Ltd. (incumbent)		
			June 2024	Outside Director (Audit and Supervisory Committee Member) of Okumura Corporation (incumbent)		
			June 2025	Outside Director of the Company (incumbent)		

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director Standing Audit and Supervisory Committee Member	Noriyuki Kishida	August 3, 1960	April 1984 October 2004 April 2009 April 2011 April 2017 April 2020 July 2021 July 2022 June 2024 June 2025	Joined the Company General Manager, Corporate Communications Office General Manager, Corporate Communications Office and Secretary Office General Manager, Human Resources Department Corporate Officer and General Manager, Human Resources and General Administration Department Senior Executive Officer and Senior Vice President, Administration Division Senior Executive Officer and Senior Vice President, Administration Division and General Manager of Legal Affairs Department Senior Executive Officer and Senior Vice President, Corporate Supervisory Unit Standing Member of the Board of Corporate Auditors of the Company Director (Audit and Supervisory Committee Member) of the Company (incumbent)	Note 4	22
Director Standing Audit and Supervisory Committee Member	Koji Hanasaki	December 9, 1961	April 1986 April 2009 April 2010 April 2015 April 2017 April 2018 July 2021 July 2022 April 2025 June 2025	Joined the Company General Manager, Discovery Research Laboratories Corporate Officer, Executive General Manager, Pharmaceutical Research Division Corporate Officer, General Manager, Finance & Accounting Department Senior Executive Officer, General Manager, Finance & Accounting Department Senior Executive Officer, Senior Vice President, Corporate Strategy Division Senior Executive Officer, Senior Vice President, Global Business Division Senior Executive Officer, Senior Vice President, Supply Supervisory Unit Senior Executive Officer Director (Member of the Audit and Supervisory Committee) of the Company (incumbent)	Note 4	39
Director Audit and Supervisory Committee Member	Shuichi Okuhara	April 23, 1968	April 1994 January 1998 June 2008 April 2009 June 2019 June 2020 June 2025	Joined Andersen Consulting Co., Ltd. (now Accenture Japan Ltd.) Joined Nippon Venture Capital Co., Ltd. Director and Manager of Investment Department, Nippon Venture Capital Co., Ltd. Representative Director and President of Nippon Venture Capital Co., Ltd. Representative Director and Chairman of Nippon Venture Capital Co., Ltd. (incumbent) Outside Member of the Board of Corporate Auditors of the Company Director (Member of the Audit and Supervisory Committee) of the Company (incumbent)	Note 4	–
Director Audit and Supervisory Committee Member	Fumi Takatsuki	June 24, 1975	October 2000 October 2000 December 2003 February 2004 April 2006 January 2009 June 2020 June 2023 June 2024 June 2025	Registration of Attorney at Law Joined Oike Law Offices Joined Anderson Mori & Tomotsune Law Offices Service at Beijing Office of Anderson Mori & Tomotsune Law Offices Joined Oh-Ebashi LPC & Partners Partner of Oh-Ebashi LPC & Partners (incumbent) Outside Director of the Company Outside Corporate Auditor of Sankyo Seiko Co., Ltd. (incumbent) Outside Corporate Auditor of Daikin Industries, Ltd. (incumbent) Director (Member of the Audit and Supervisory Committee) of the Company (incumbent)	Note 4	–

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director Audit and Supervisory Committee Member	Yoriko Goto	November 11, 1958	November 1983	Joined Deloitte Haskins and Sells International (now Deloitte Touche Tohmatsu LLC)	Note 4	–
			June 1996	Partner of Deloitte Touche Tohmatsu Limited (now Deloitte Touche Tohmatsu LLC)		
			June 2007	Japan Leader of the Global Financial Services Industry, Deloitte Touche Tohmatsu Limited		
			October 2010	Managing Partner of the Financial Services Industry, Deloitte Touche Tohmatsu LLC		
			October 2013	Member of the Executive Committee of Deloitte Touche Tohmatsu LLC, and Member of the Board of Deloitte Touche Tohmatsu Limited		
			June 2018	Chairperson of the Board of Deloitte Touche Tohmatsu LLC and the Deloitte Tohmatsu Group, and Member of the Board of Deloitte Touche Tohmatsu Limited		
			November 2018	Member of the Board of Deloitte Asia Pacific Limited		
			October 2022	President of Yoriko Goto CPA Office (incumbent)		
			October 2022	Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation (incumbent)		
			June 2023	Outside Member of the Board of Corporate Auditors of the Company		
			June 2025	Outside Director (Audit and Supervisory Committee Member) of the Company (incumbent)		
			June 2025	Outside Director of Sumitomo Mitsui Financial Group, Inc. (scheduled)		
			June 2025	Outside Director of Sony Group Corporation (scheduled)		
Total						352

Notes:

1. Directors Keiichi Ando, Hiroshi Ozaki, Takaoki Fujiwara, and Kyoko Hirose are outside directors who are not members of the Audit and Supervisory Committee.
2. Directors Shuichi Okuhara, Fumi Takatsuki, and Yoriko Goto are outside directors who are members of the Audit and Supervisory Committee.
3. The term of office for directors who are not members of the Audit and Supervisory Committee refers to their terms during the period from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2025, to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2026.
4. The term of office for directors who are members of the Audit and Supervisory Committee refers to their terms during the period from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2025, to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2027.
5. In preparation for a shortage in the number of Directors who are Audit and Supervisory Committee Members as provided for in laws and regulations, the Company has elected one (1) substitute Director who is an Audit and Supervisory Committee Member as stipulated in Article 329, Paragraph 3 of the Companies Act. The substitute Director who is an Audit and Supervisory Committee Member is as follows:

Name	Date of birth	Position and responsibilities at the Company	Shares held (thousand shares)
Kyoko Hirose	March 27, 1959	Outside Director	—

ii. Outside Directors

The Company has four Outside Directors who are not members of the Audit and Supervisory Committee and three Outside Directors who are members of the Audit and Supervisory Committee. With the appointment of seven Outside Directors, who constitute the majority of the Board, the Company maintains a structure that enables fair and efficient management. All seven Outside Directors serve as independent directors, recognizing the Company's corporate responsibilities and contributing to highly transparent management..

Keiichi Ando	Keiichi Ando 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 and appropriateness of the agenda and the effective utilization of important management resources. There are no conflicts of interest between Keiichi Ando and the Company. Keiichi Ando is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange.
Hiroshi Ozaki	As an executive of a Kansai-based company, Hiroshi Ozaki 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. There are no conflicts of interest between Hiroshi Ozaki and the Company. Hiroshi Ozaki is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange.

Takaoki Fujiwara	Takaoki Fujiwara is expected to leverage his abundant practical experience and wide-ranging knowledge as a manager of a group of companies engaged in urban transport, real estate, and entertainment, mainly in the Kansai area, recognizing the corporate responsibility the Company should fulfill and making management decisions with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. At the Company's Board of Directors meetings, he provides sound advice, mainly on human resource management, risk management, and compliance. There are no conflicts of interest between Takaoki Fujiwara and the Company. Takaoki Fujiwara is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange.
Kyoko Hirose	Kyoko Hirose has abundant practical experience as a manager of a company that manufactures and sells key components of industrial sewing machines on a global scale. She also serves as Vice-Chair of the Osaka Chamber of Commerce and Industry and has wide-ranging knowledge as an economic expert, including in the areas of women's empowerment and diversity. Accordingly, we expect that she will make management decisions with an emphasis on objectivity and impartiality based on her extensive experience and knowledge. We have therefore elected her as a new Outside Director. There are no conflicts of interest between Kyoko Hirose and the Company. Kyoko Hirose is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange.
Shuichi Okuhara	Shuichi Okuhara has extensive experience and a wide range of knowledge as a manager of a venture capital firm in a social environment that places importance on innovation through not only partnerships with pharmaceutical companies but also cross-industrial partnerships. He also has professional expertise in finance and accounting as a certified public accountant and performs audits that are aligned with the rapidly changing business environment. At meetings of the Board of Directors and the Board of Auditors of the Company, he provided sound advice mainly on the healthcare industry in general, including investments, M&A, and capital cost. Accordingly, we expect that he will reflect the appropriateness of Directors' management decisions and their execution of duties in the Company's audits from an independent standpoint as an Outside Director. We thus appointed him as a new Outside Director who is an Audit and Supervisory Committee Member. There are no conflicts of interest between Shuichi Okuhara and the Company. Shuichi Okuhara is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange.
Fumi Takatsuki	Fumi Takatsuki has extensive experience and professional insight from her position as an attorney in international corporate law and in legal matters related to the life science and healthcare industry in China. Although she has not been involved in corporate management in any capacity other than serving as an outside director in the past, at the Company's Board of Directors meetings held so far, she presented questions particularly on business development in Asia, including China, from the perspective of international corporate legal affairs and provided sound advice on intellectual property and compliance matters. We therefore expect that she will make management decisions in a just manner by giving priority to compliance with social norms and laws and regulations from a global perspective and that she will reflect the appropriateness of Directors' management decisions and their execution of duties in the Company's audits from an independent standpoint as an Outside Director. We thus appointed her as a new Outside Director who is an Audit and Supervisory Committee Member. There are no conflicts of interest between Fumi Takatsuki and the Company. The Company has paid attorney fees to Oh-Ebashi LPC & Partners, where Fumi Takatsuki is a partner, for certain specific cases involving international corporate legal affairs, an area in which this law firm has expertise. However, that compensation amounts to less than 2% of the total fees received by Oh-Ebashi LPC & Partners, and the Company has no advisory contract or other ongoing contractual relationship with Oh-Ebashi LPC & Partners. Fumi Takatsuki is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange.
Yoriko Goto	Yoriko Goto has professional expertise in finance and accounting as a certified public accountant and extensive management experience and broad insight through her service as Chairperson of the Board of Deloitte Tohmatsu Group and Deloitte Touche Tohmatsu LLC, among others. She also audits the Company from a financial, accounting, and management perspective and provides sound advice at the meetings of the Board of Directors and Board of Auditors, mainly regarding overseas business development, M&A, fund management, and compliance. Accordingly, we expect that she will reflect the appropriateness of Directors' management decisions and their execution of duties in the Company's audits from an independent standpoint as an Outside Director. We thus appointed her as a new Outside Director who is an Audit and Supervisory Committee Member. There are no conflicts of interest between Yoriko Goto and the Company. Yoriko Goto is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange.

[Requirements and Criteria for Determining the Independence of Independent Outside Officers]

Requirements

i. Possesses excellent insight and ability based on experience and expertise in management, and is able to appropriately demonstrate this insight and ability
ii. Recognizes his/her role as an outside officer and is able to provide candid and timely opinions and suggestions to the Company's management
iii. Possesses the character to engage with not only the Company's management but also all of its stakeholders with sincerity
iv. Possesses no risk of conflict of interest with general shareholders, nor any conflict of interest between the Company and its individual outside officers

Criteria for Determining Independence

i. A person who is not a major shareholder (a shareholder holding 10% or more of the total voting rights or one of the top five shareholders) of the SHIONOGI Group, nor a director, corporate auditor, executive officer, or employee of any corporation or institution that is a major shareholder of the SHIONOGI Group

ii. A person who is not a director, corporate auditor, executive officer, or employee of a company for which the SHIONOGI Group is a major shareholder (a company in which the SHIONOGI Group holds 10% or more of the total voting rights or for which the SHIONOGI Group is one of the top five shareholders)

iii. A person who is not a director, corporate auditor, executive officer, or employee of a major business partner of the SHIONOGI Group
The term "major business partner of the SHIONOGI Group" means any of the following:

a. A business partner to which the amount of money paid from the Group accounts for 2% or more of the Group's consolidated sales on average over the last three fiscal years of the Group, including the most recent fiscal year

b. A business partner for which payment received by the SHIONOGI Group from the business partner in question averaged 2% or more of the SHIONOGI Group's consolidated net sales for the SHIONOGI Group's past three fiscal years, including its most recent fiscal year

iv. A person who is not a director, corporate auditor, executive officer, or employee of a business partner that the SHIONOGI Group is a major customer
The term "business partner that the SHIONOGI Group is a major customer" means any of the following (excluding cases to which v. below applies):

a. A business partner from which payment to the SHIONOGI Group averaged 2% or more of the business partner's consolidated net sales for the business partner's past three fiscal years, including its most recent fiscal year

b. A business partner for which payment from the SHIONOGI Group to the business partner averaged 2% or more of the business partner's consolidated net sales for the business partner's past three fiscal years, including its most recent fiscal year

v. If a person is a consultant, accounting professional, or legal professional, a person or a corporation or institution to which a person belongs does not receives either of the respective following remunerations from the SHIONOGI Group, excluding remuneration to a person as an officer

a. (For individuals) Remuneration exceeding 10 million yen per year

b. (For a corporation or institution) Remuneration exceeding 2% of the consolidated net sales of the corporation or institution on average over the last three fiscal years, including the most recent fiscal year of the corporation or institution to which a person belongs, or remuneration exceeding 10 million yen per year, whichever is higher

vi. A person who does not belong to a corporation or organization that receives annual donations of 10 million yen or more from the SHIONOGI Group

vii. A person whose term as an outside officer of the SHIONOGI Group does not exceed 10 yearss

iii. Relationships between supervision or audits by outside directors or outside directors who are members of the Audit and Supervisory Committee, and internal audits, audits by the Audit and Supervisory Committee, and Independent Accounting audits, and relationships with internal control units

Outside directors attend meetings of the Board of Directors, which are held once a month in principle, and receive reports about the basic policies and priority audit items in the audit plan of the Audit and Supervisory Committee for each fiscal year, as well as about the status of the development and operation of internal control systems. These outside directors also exchange opinions with directors and take other actions as appropriate to ascertain the current state of and issues regarding the SHIONOGI Group, and they express their opinions to the Board of Directors.

Outside Directors who are also Audit and Supervisory Committee Members attend meetings of the Board of Directors and the Audit and Supervisory Committee, which are held once a month in principle, and receive reports from directors, the standing Audit and Supervisory Committee members, employees, and others on the status of implementation of audits by members of the Audit and Supervisory Committee, Independent Accounting audits, internal audits, the status of business execution by directors and internal controls such as compliance and risk management. These Outside Directors request explanations and express their opinions when necessary. They also make recommendations to the Board of Directors as members of the Audit and Supervisory Committee.

(3) Status of Audits

i. Status of audits by members of the Board of Corporate Auditors/Audit and Supervisory Committee

Before transition to a company with an Audit and Supervisory Committee, the Company had a Board of Corporate Auditors, comprising two standing members well versed in company management, finance and accounting, corporate administration, and research and development and three outside members. The Company stipulates audit policies and allocation of duties for audits performed by these members and receives reports from each member on the status of implementation of audits and the results thereof. In addition, it receives reports from directors and the Independent Accounting Auditor on the status of execution of their duties and requests explanations as necessary. Outside Board of Corporate Auditors member Tsuguoki Fujinuma has been engaged as a certified public accountant for many years and has served as President of the International Federation of Accountants and as Chairman and President of the Japanese Institute of Certified Public Accountants. He is currently a visiting professor at Kansai University and a fellow at the Chuo University Graduate School of Strategic Management, and he has deep insights into finance and accounting. In addition, outside Board of Corporate Auditors members Shuichi Okuhara and Yoriko Goto are certified public accountants and have deep insights into finance and accounting.

In FY2024, the Board of Corporate Auditors met 11 times, with each of its members attending 100% of these meetings. In addition, members of the Board of Corporate Auditors and the Independent Accounting Auditor cross-check audit plans, receive reports on interim review results and the status of year-end financial audits and their results, and exchange opinions on accounting risks and other issues as appropriate.

Each member of the Board of Corporate Auditors, in accordance with standards for audits by said members and audit policies and the division of duties established by the Board, work to maintain communication with directors, the Internal Control Department (internal audit unit), other employees, and other parties in an effort to collect information and improve the environment for auditing, conducting audits in accordance with the following methods.

a. Members attended important meetings, such as those of the Board of Directors, and the regularly held Unit Reporting Meeting and Unit meetings, received reports from directors, employees, and other parties about the status of execution of their duties, asked for explanations as necessary, inspected important approval documents and others to check these in relation to the status of decision-making, and investigated the status of operations and assets at the head office and major business locations. In addition, members maintained communication and exchanged information with directors and corporate auditors at subsidiaries and received business reports from subsidiaries by attending their general shareholders' meetings, business reporting meetings, etc., as necessary. The members also confirmed the audit status of the entire Group by periodically holding meetings of the SHIONOGI Group Company Audit Liaison Committee, led by a standing member of the Board of Corporate Auditors.

b. For the system (internal control system) listed in the business report established based on a resolution of the Board of Directors and the content thereof related to the establishment of systems as prescribed in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, as a system for ensuring that the execution of duties of directors complies with laws, regulations, and the Articles of Incorporation and for ensuring the propriety of business activities of a stock company and within a group of enterprises comprised of the relevant stock company and its subsidiaries, members received reports on its structure and operation status from directors, employees, and other parties, asked for explanations as necessary, and expressed audit opinions.

c. Members monitored and verified whether the Independent Accounting Auditor maintained an independent position and conducted appropriate audits, received from the Independent Accounting Auditor reports on the state of performance of their duties, and requested explanations as necessary. In addition, members received from the Independent Accounting Auditor a notice that the systems to secure adequate performance of duties (as listed in the items of Article 131 of the Regulations on Corporate Accounting) had been established in accordance with the Audit Quality Control Review Standards (the Business Accounting Council) and requested explanations as necessary.

Based on the above method, each corporate auditor conducted checks on the execution of director business for the fiscal year ended March 31, 2025 and examined the business report and the related supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statements of income, non-consolidated statement of changes in shareholders' equity, and notes to non-consolidated financial statements) and the related supplementary schedules, and the consolidated financial statements (consolidated balance sheet, consolidated statements of income, consolidated statement of changes in equity, and notes to consolidated financial statements) for the same fiscal year.

On June 18, 2025, the Company transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee. The Audit and Supervisory Committee of the Company consists of five Directors who are also members of the Audit and Supervisory Committee, three of whom are Outside Directors. In-house directors Noriyuki Kishida and Koji Hanasaki are well versed in finance and accounting, human capital development, research and development, production, sales, and other areas, and they have been appointed as full-time Audit and Supervisory Committee members. Shuichi Okuhara and Yoriko Goto, who are Outside Directors and Audit and Supervisory Committee members, are certified public accountants with deep knowledge of finance and accounting, and Outside Director Fumi Takatsuki is a qualified attorney with expertise in corporate law. As an organization to assist the Audit and Supervisory Committee, the Audit and Supervisory Committee Office has been established, which is staffed with five members (as of June 19, 2025). The Company stipulates audit policies and allocation of duties for audits performed by the Audit and Supervisory Committee and receives reports from each member on the status of implementation of audits and the results thereof. In addition, it receives reports from directors and the Independent Accounting Auditor on the status of execution of their duties and requests explanations as necessary. Furthermore, the Company receives reports from the Internal Control Department on the status and results of internal audits and works closely with them.

ii. Status of internal audits

The Company's internal audits are conducted by the Internal Control Department (19 members as of June 19, 2025), which is independent of other business execution units, in accordance with internal audit rules. The Internal Control Department strives toward rapid detection of potential risks, as well as their verification and evaluation, by monitoring important business execution meetings, decision-making processes, etc. on a daily basis. Based on the risks identified in this process, an audit plan is developed, which is approved by the representative director and reported to the Board of Directors and the Board of Corporate Auditors. After transitioning to a company with an Audit and Supervisory Committee, audit plans are approved by the representative director, agreed by the Audit and Supervisory Committee, and then reported to the Board of Directors. In accordance with the audit plan, the Internal Control Department verifies and evaluates the appropriateness of the development and operation of internal controls in the audited units by conducting internal audits and internal control evaluations (J-SOX evaluations) of all business processes in the audited units. In addition, the Internal Control Department receives regular reports on the status of internal audits from subsidiaries that have their own internal audit functions. Furthermore, a system has been established that enables immediate internal audits in cooperation with corporate auditors at subsidiaries when risks emerge or when problematic events become a concern. Audit results are communicated to the audited units, on which opinions are exchanged, to improve internal controls and are reported not only to the representative director but also directly to the Board of Directors, as well as the Audit and Supervisory Committee, thereby ensuring the effectiveness of internal audits. Information is also shared with the Independent Accounting Auditor on a regular basis regarding internal control evaluations and internal audit activities related to the reliability of financial reporting in an effort toward mutual collaboration.

iii. Status of Independent Accounting audits

On June 18, 2025, the Company transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee. Therefore, the following is the information of the company with a board of corporate auditors before transition.

a. Name of auditing firm

Ernst & Young ShinNihon LLC

b. Continuous audit period

Since 1960

The above is the period within the possible scope of investigation by the Company; the actual continuous audit period may exceed the above.

c. Certified public accountants performing audit work

Koichiro Kitaike

Naoki Nakazawa

d. Composition of assistants involved in audit work

There are 11 certified public accountants and 24 others, including persons who have passed the certified public accountant examination, system specialists and other.

e. Auditing firm selection policy and reason

It is the Company's policy that if the Independent Accounting Auditor is found to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee shall dismiss the Independent Accounting Auditor with the unanimous consent of the members of the Audit and Supervisory Committee.

In addition, it is the Company's policy to decide not to reappoint an Independent Accounting Auditor by a resolution of the Audit and Supervisory Committee if it is deemed that the appropriateness of the performance of duties cannot be ensured in light of the Evaluation Criteria for Independent Accounting Auditors, established by the Company to appropriately evaluate accounting auditors.

During the 160th fiscal year under review, the Board of Corporate Auditors of the Company before transition to a company with an Audit and Supervisory Committee received reports and requested explanations from the Independent Accounting Auditor regarding the performance of its duties and conducted a rigorous evaluation and discussion through appropriate processes in accordance with the Evaluation Criteria for Independent Accounting Auditors. As a result, the Board of Corporate Auditors resolved that reappointment was appropriate.

f. Evaluation of the auditing firm by the Board of Corporate Auditors and its members

In accordance with the Evaluation Criteria for Independent Accounting Auditors established by the Board of Corporate Auditors, the Board of Corporate Auditors appointed a number of employees from relevant departments to assist its members in their duties and had an evaluation of the Independent Accounting Auditor conducted by the Board of Corporate Auditors under the direction and orders of its members. In conducting this evaluation, the members assessed areas such as quality control, the independence and expertise of the audit team, and remuneration, and they made a comprehensive judgment based on the audit performance, leading to the decision to reappoint the auditing firm. The audit team in charge of the Company has been assigned a reasonable number of members and is provided with opportunities by the auditing firm to maintain and improve its expertise and capabilities. In addition, audit work is carried out based on reasonable risk analysis, and communication is maintained not only with members of the Board of Corporate Auditors but also with management and relevant internal units (the Finance & Accounting Department and the Internal Control Department). No significant issues have been identified in the content of reports to members of the Board of Corporate Auditors, the responses to their questions, or the day-to-day relationships with relevant units (the Finance & Accounting Department and the Internal Control Department). The members also confirm the reasonableness of the auditing firm's quality control system and efforts to maintain independence. As stated above, the members have determined that there are no particular problems with the composition or activities of the audit team in charge of the Company or with the systems and stance of the auditing firm.

After the transition to a company with an Audit and Supervisory Committee, the Audit and Supervisory Committee will continue to conduct evaluations of the same nature.

iv. Details of audit fees, etc.

a. Remuneration to auditing certified public accountants, etc.

Category	Year ended March 31, 2024		Year ended March 31, 2025	
	Fees for audit certification (million yen)	Fees for non-audit services (million yen)	Fees for audit certification (million yen)	Fees for non-audit services (million yen)
Filing company	131	–	110	–
Its consolidated subsidiaries	8	–	8	–
Total	139	–	119	–

b. Remuneration to the network (EY Group) of the auditing certified public accountants, etc. (excluding remuneration from a.)

Category	Year ended March 31, 2024		Year ended March 31, 2025	
	Fees for audit certification (million yen)	Fees for non-audit services (million yen)	Fees for audit certification (million yen)	Fees for non-audit services (million yen)
Filing company	–	114	–	105
Its consolidated subsidiaries	133	173	147	157
Total	133	288	147	262

Note: Non-audit services mainly consist of advisory services.

c. Details of fees for other significant audit certification services

Not applicable.

d. Policy for determining audit fees

The Company makes a determination with the consent of the Audit and Supervisory Committee after receiving explanations of the audit plan from the Independent Accounting Auditor and after comprehensively considering the size of the Company's business, the characteristics of its operations, the audit time required, and other factors.

e. Reasons for the Board of Corporate Auditors' consent to fees, etc. for the Independent Accounting Auditor

The Company's Board of Corporate Auditors before transition to a company with an Audit and Supervisory Committee received from the Independent Accounting Auditor an explanation of the audit plan (policies, items, team structure, scheduled audit time, changes from the previous fiscal year, etc.) and the estimated amount of remuneration. The Board compared the previous fiscal year's plan with the actual results, amount of remuneration, unit fees per hour, etc., and confirmed the views of relevant internal units. As a result of this review, the Board determined that the amount of remuneration was appropriate and agreed to the estimate.

(4) Officer remuneration, etc.

i. Policies for determining the amount and calculation method of officer remuneration, etc., and the determination method

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. Directors who are Audit and Supervisory Committee Members and Outside Directors only receive base remuneration.

Base remuneration is determined based on a base remuneration table according to the position and responsibilities of directors with due consideration of the operating environment and global trends.

Bonuses are paid as cash remuneration, which reflects performance indicators (operating profit excluding sales of assets, etc., consolidated profit attributable to owners of parent, and other comprehensive performance evaluations of the execution of duties as directors) to heighten the awareness of improving performance for each fiscal year. As short-term incentives, they are determined based on the calculation table according to performance such as the degree of achievement of targeted profits and other factors in each fiscal year, and they are paid in June of each year. The actual results of performance indicators for the fiscal year ended March 31, 2025 are as described in "Part I Company Information, II. Business Overview, 4. Analysis of Financial Position, Operating Results, and Cash Flows by Management."

Stock-based compensation is granted in July of each year based on the grant table according to the position and role of the directors. For medium-term performance-linked stock compensation in particular, performance is evaluated based on the status of achievement in FY2025 for the portion to be granted for the three years between FY2023 and FY2025 (Phase 2) from the period of the STS2030 Revision (FY2023 to FY2030) to determine the ratio of lifting the transfer restriction (0% to 100%). For performance evaluation, revenue, overseas net sales CAGR, EBITDA, ROE, and the rank in total shareholder return (TSR) among 11 competitors, including the Company (relative TSR), are used as quantitative indicators in consideration of the status of ESG, compliance, and investment. In addition, when lifting the transfer restriction, 50% of the amount of stock-based compensation is paid as monetary remuneration 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 of a similar business size to the Company that are in the relevant business type and category as the benchmark, and the Board of Directors, in respect of the 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 the Policy for Determination of Details of Individual Remuneration, etc. for Directors. In addition, pursuant to the resolution at the Board of Directors held on February 22, 2021, it is considered appropriate that the base remuneration and the individual bonus amount, etc. be evaluated and determined by a person who bears the ultimate management responsibility, and thus, such evaluation and determination are entrusted to Isao Teshirogi, Representative Director, Chairman of the Board, 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, Chairman of the Board, President and CEO, to whom such determination is entrusted, shall make decisions in accordance with said recommendations and the abovementioned resolution by the Board of Directors.

As a result of the revision of the medium-term performance-linked stock compensation table starting in FY2021, the targeted ratio of base remuneration to performance-linked remuneration, etc. to non-monetary remuneration, etc. is designed to be approximately 1:1:1, assuming 100% achievement of the KPIs, in order to place greater emphasis on performance and to have officers take the shareholders' perspective. (Note) Performance-linked remuneration, etc. comprises director and corporate auditor bonuses, while non-monetary remuneration, etc. comprises restricted stock.

As a result, the ratio of base remuneration to total remuneration in the fiscal year ended March 31, 2025 is about 37%, partly affected by profit target achievement and the stock price impact on stock-based compensation. Through deliberations and reports at the Board of Directors and the Compensation Advisory Committee meetings, the Board of Directors has confirmed that the details of individual director compensation for the fiscal year ended March 31, 2025 are in line with the decision-making policy.

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

The maximum amount of remuneration for Directors, as resolved at the General Meeting of Shareholders, is up to 2,000 million yen per year for Directors who are not Audit and Supervisory Committee Members (based on the resolution at the General Meeting of Shareholders held on June 18, 2025; the number of such Directors who are not Audit and Supervisory Committee Members as of the close of the meeting was six, including four Outside Directors; excludes employee salaries for Directors who concurrently serve as employees), and up to 750 million yen per year for Directors who are Audit and Supervisory Committee Members (based on the same resolution; the number of such Directors who are Audit and Supervisory Committee Members as of the close of the meeting was five). Restricted stock compensation is granted to Directors, excluding Directors who are Audit and Supervisory Committee Members and Outside Directors. The total number of shares of the Company's common stock to be issued or disposed of for this purpose shall be up to 250,000 shares per year, and the total amount of monetary claims to be paid as compensation for the granting of such restricted stock, when combined with other forms of remuneration for Directors, shall be up to 2,000 million yen per year (based on the resolution at the General Meeting of Shareholders held on June 18, 2025; the number of eligible Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) as of the close of the meeting was two; excludes employee salaries for Directors who concurrently serve as employees).

ii. Total remuneration by officer category, remuneration amount by type, and number of eligible officers

Officer category	Amount of remuneration, etc. (million yen)	Total remuneration, etc. amount by type (million yen)			Number of eligible officers (persons)
		Base remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors (excluding outside directors)	427	156	136	134	2
Corporate Auditors (excluding outside auditors)	74	74	—	—	3
Outside officers	145	145	—	—	7

Notes:

1. By resolution of the General Meeting of Shareholders, the total amount of remuneration of directors and corporate auditors is limited to no more than ¥750 million per year for directors (approved by the Annual General Meeting of Shareholders on June 20, 2018; the number of directors at the time of conclusion of said Annual General Meeting of Shareholders was six (of which, the number of outside directors was three)) and no more than ¥170 million per year for corporate auditors (approved by the Annual General Meeting of Shareholders on June 18, 2019; the number of corporate auditors at the time of conclusion of said Annual General Meeting of Shareholders was five).
2. "Performance-linked remuneration, etc." above is the relevant allowance for directors' bonuses for the fiscal year under review.
3. "Non-monetary remuneration, etc." above is the relevant expense recognized for the fiscal year under review.

iii. Total consolidated remuneration, etc. per officer

Name	Total consolidated remuneration, etc. (million yen)	Officer category	Company category	Total remuneration, etc. amount by type (million yen)		
				Base remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.
Isao Teshirogi	270	Directors	Filing company	96	84	89
Takuko Sawada	157	Directors	Filing company	60	52	44

Notes:
1. The above information is limited to those whose total amount of consolidated remuneration, etc. is 100 million yen or more.
2. "Performance-linked remuneration, etc." above is the relevant allowance for directors' bonuses for the fiscal year under review.
3. "Non-monetary remuneration, etc." above is the relevant expense recognized for the fiscal year under review.

[Performance evaluation for medium-term performance-linked stock compensation]

In determining the ratio of lifting the transfer restriction for medium-term performance-linked stock compensation (lifting rate), for the portion to be granted for the three years between FY2023 and FY2025, the evaluation indicators and processes were resolved at the Board of Directors on October 31, 2023, based on the recommendations given by the Compensation Advisory Committee. Specifically, evaluation is conducted using revenue, overseas net sales CAGR, EBITDA, ROE, and relative TSR as five quantitative indicators. The final evaluation is determined by reflecting the status of ESG and compliance, and investment, based on which the lifting rate is determined.

The indicators mentioned above are as follows.

Item	FY2025 targets
Revenue (billion yen)	550
Overseas sales CAGR (%)*	50
EBITDA (billion yen)	200
ROE(%)	14.0 or higher
Relative TSR (Rank/11 companies)**	—

* Starting from FY2022
** Relative TSR is calculated for the three years between FY2023 and FY2025.

[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 to 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 base remuneration as fixed remuneration, performance-linked remuneration, etc. (bonuses as monetary remuneration), and stock-based compensation. In light of their duties, Directors who are Audit and Supervisory Committee Members and Outside Directors, who are responsible for supervisory functions, shall be paid only base remuneration.

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

Base remuneration for directors of the Company shall be fixed monthly remuneration and shall 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, the employees' salary levels, and levels at other companies.

3. Policy concerning determination of the details of performance-linked remuneration, etc. and non-monetary remuneration, etc. as well as the calculation method of the amount or number thereof (including policy concerning determination of the 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 it shall be paid as bonuses 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 Business Plan so that they are in line with the Plan and are reviewed as necessary to accommodate environmental changes, taking into account recommendations given by the Compensation Advisory Committee.

Non-monetary remuneration, etc. shall be in the form of restricted stock and consist of two parts: the long-term stock-based compensation system, which requires being employed by the Company; and medium-term performance-linked stock-based compensation that is linked to performance. For the long-term stock-based compensation system, the number of shares 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 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 the three years between FY2023 and FY2025 (Phase 2), out of the period of the 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 remuneration calculated by stock price translation at the time of the lifting. Using revenue, overseas net sales CAGR, EBITDA, ROE, and the ranking in total shareholder return (TSR) among 11 competitors, including the Company (relative TSR), as quantitative indicators, performance evaluation is deliberated by the Compensation Advisory Committee as an overall evaluation and determined by the Board of Directors, in consideration of the status of ESG, compliance, and investment.

4. Policy concerning determination of the ratio of base monetary remuneration, performance-linked remuneration, etc., and non-monetary remuneration, etc., to the total amount of individual remuneration for Directors

The Compensation Advisory Committee discusses the ratio of remuneration by type for executive directors in consideration of remuneration levels, using companies of a similar business size to the Company that are in the relevant business type and category as the benchmark. The Board of Directors (the representative director who is entrusted pursuant to Item 5, below), in respect to 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 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 follows: base remuneration to performance-linked remuneration, etc. to non-monetary remuneration, etc. = 1:1:1 (if all the KPIs are fully achieved).

(Note) Performance-linked remuneration, etc. comprises directors bonuses, while non-monetary remuneration, etc. comprises 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 the representative director 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 the evaluation and allocation of bonuses, taking into account the results of the business of which the director is in charge.

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

The number of shares 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.

Separately, remuneration for Directors who are Audit and Supervisory Committee Members shall be determined through discussions within the Audit and Supervisory Committee.

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

iv. Significant employee salaries of officers who also serve as employees

Not applicable.

(5) Information on shareholdings

i. Standards and approach toward classification of invested shares

The SHIONOGI Group shall only hold shares of companies if management judges that holding the shares will increase the SHIONOGI Group's corporate value and contribute to the sustainable enhancement of corporate value from the two perspectives of economic rationale and strategic validity. Therefore, the SHIONOGI Group does not hold shares for passive investment purposes.

ii. Invested shares held for purposes other than passive investment

a. Shareholding policy and method of verifying the rationale of holding, and details of verification by the Board of Directors, etc. concerning the holding of individual shares

The management of the SHIONOGI Group shall judge the appropriateness of holding from the perspectives of economic rationale and strategic validity. Each year, the Board of Directors conducts a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings.

b. Number of stocks (issues) and balance sheet amount

	No. of stocks (Issues)	Total balance sheet amount (million yen)
Unlisted shares	43	9,230
Shares other than unlisted shares	15	40,052

(Stocks that increased in the number of shares during the fiscal year under review)

	No. of stocks (Issues)	Total purchase cost for the increase in shares (million yen)	Reason for the increase in shares
Unlisted shares	2	979	The shares were acquired since management judged that holding the shares would increase SHIONOGI's corporate value and contribute to the sustainable enhancement of corporate value.

(Stocks that decreased in the number of shares during the fiscal year under review)

	No. of stocks (Issues)	Total sale value for the decrease in shares (million yen)
Shares other than unlisted shares	1	157

c. Information on number of shares and balance sheet amount of specified investment shares and deemed holding shares

Specified investment shares

Stock	Fiscal year under review No. of shares Balance sheet amount (million yen)	Previous fiscal year No. of shares Balance sheet amount (million yen)	Purpose of holding, quantitative effects of holding, and reason for the increase in shares	Holding of Shionogi shares
Toho Holdings Co., Ltd.	3,500,112	3,500,112	Shionogi holds shares in the company and the subsidiaries, which is one of its business partners, to maintain and enhance business relations in the sale of pharmaceuticals, etc. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	Yes
	15,610	12,782		
Sumitomo Mitsui Financial Group, Inc.	3,452,430	1,150,810	Shionogi holds shares in the company, which is one of its financial institutions, to maintain business relations in financial activities. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity. The increase in the number of shares during the fiscal year ended March 31, 2025 is due to a stock split.	No Note 2
	13,101	10,252		
Kissei Pharmaceutical Co., Ltd.	914,000	914,000	Shionogi holds shares in the company, which is one of its business partners, to maintain and enhance business relations in the pharmaceutical business strategy. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	Yes
	3,514	3,230		

Stock	Fiscal year under review No. of shares Balance sheet amount (million yen)	Previous fiscal year No. of shares Balance sheet amount (million yen)	Purpose of holding, quantitative effects of holding, and reason for the increase in shares	Holding of Shionogi shares
Medipal Holdings Corporation	1,271,605	1,271,605	Shionogi holds shares in the company and the subsidiaries, which is one of its business partners, to maintain and enhance business relations in the sale of pharmaceuticals, etc. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	Yes
	2,969	2,950		
StemRIM Inc.	4,650,000	4,650,000	Shionogi holds shares in the company, which is one of its business partners, to maintain and enhance business relations in the pharmaceutical business strategy. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	No
	1,474	2,278		
Kaneka Corporation	266,600	266,600	Shionogi holds shares in the company, which is one of its business partners, to maintain and enhance business relations in the pharmaceutical business strategy. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	Yes
	1,015	1,016		
Vital KSK Holdings, Inc.	475,000	475,000	Shionogi holds shares in the company and the subsidiaries, which is one of its business partners, to maintain and enhance business relations in the sale of pharmaceuticals, etc. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	No
	597	596		
Ono Pharmaceutical Co., Ltd.	344,095	344,095	Shionogi holds shares in the company, which is one of its business partners, to maintain and enhance business relations in the pharmaceutical business strategy. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	Yes
	551	844		
HOKUYAKU TAKEYAMA Holdings, Inc.	367,530	367,530	Shionogi holds shares in the company and the subsidiaries, which is one of its business partners, to maintain and enhance business relations in the sale of pharmaceuticals, etc. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	Yes
	325	319		

Stock	Fiscal year under review No. of shares Balance sheet amount (million yen)	Previous fiscal year No. of shares Balance sheet amount (million yen)	Purpose of holding, quantitative effects of holding, and reason for the increase in shares	Holding of Shionogi shares
FunPep Co., Ltd.	2,682,500	2,682,500	Shionogi holds shares in the company, which is one of its business partners, to maintain and enhance business relations in the pharmaceutical business strategy. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	No
	308	469		
MS & AD Insurance Group Holdings, Inc.	65,433	65,433	Shionogi holds shares in the company and the subsidiaries, which is one of its financial institutions, to maintain business relations in financial activities. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	No Note 2
	211	177		
OncoTherapy Science, Inc.	7,300,000	7,300,000	Shionogi holds shares in the company, which is one of its business partners, to maintain and enhance business relations in the pharmaceutical business strategy. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	No
	204	146		
Senshu Ikeda Holdings, Inc.	203,725	203,725	Shionogi holds shares in the companyand the subsidiaries , which is one of its financial institutions, to maintain business relations in financial activities. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	No
	88	80		
AnGes, Inc.	1,186,800	1,186,800	Shionogi holds shares in the company, which is one of its business partners, to maintain and enhance business relations in the pharmaceutical business strategy. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	No
	79	78		
The Royal Hotel, Ltd.	654	654	Shionogi holds shares in the company, which is one of its business partners, to maintain and enhance business relations. In May 2025, the Board of Directors conducted a comprehensive verification of the purpose, benefits and/or risks associated with holding, capital costs, and other aspects regarding individual cross-shareholdings, and it confirmed the economic rationale and strategic validity.	No
	0	0		

Stock	Fiscal year under review No. of shares Balance sheet amount (million yen)	Previous fiscal year No. of shares Balance sheet amount (million yen)	Purpose of holding, quantitative effects of holding, and reason for the increase in shares	Holding of Shionogi shares
Akili Interactive Labs, Inc.	—	2,310,753	—	—
	—	101		

Note:

1 The method of verifying the rationale of the holdings is described since it is difficult to state the quantitative effects of the holding, as the transaction amount, etc. are undisclosed information.

2 The company does not hold Shionogi shares, but its subsidiary does hold Shionogi shares.

iii. Invested shares held for passive investment purposes

Not applicable.

This is an English translation of the original Japanese-language consolidated financial statements of Shionogi & Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, "SHIONOGI") filed in the "Financial Information" section in the original Japanese report (Yukashoken-Hokokusho) submitted at June 19, 2025 as required by the Financial Instruments and Exchange Act of Japan.

This translation is provided for informational purposes only. Should there be any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

V. Financial Information

1. Basis of presentation of consolidated and non-consolidated financial statements

(1) The consolidated financial statements of Shionogi & Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, "SHIONOGI") are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS Accounting Standards") pursuant to Article 312 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976, hereinafter referred to as the "Consolidated Financial Statement Regulations").

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963, hereinafter referred to as the "Financial Statement Regulations").

As the Company qualifies as a company submitting non-consolidated financial statements prepared in accordance with special provisions, the Company prepares its non-consolidated financial statements pursuant to Article 127 of the Financial Statements Regulations.

2. Audit certification

Pursuant to the provisions of Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act, the Company's consolidated and non-consolidated financial statements for the fiscal year (April 1, 2024 to March 31, 2025) were audited by Ernst & Young ShinNihon LLC.

3. Special efforts to ensure the appropriateness of consolidated financial statements, etc., and establishment of systems to ensure the appropriate preparation of consolidated financial statements, etc., in accordance with IFRS Accounting Standards

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements, etc., and has established systems to ensure the appropriate preparation of consolidated financial statements, etc., in accordance with IFRS Accounting Standards. The details of these are as follows.

(1) In order to accurately ascertain the content of the accounting standards and establish a system for appropriately addressing changes in these accounting standards, the Company maintains membership in the Financial Accounting Standards Foundation, and regularly participates in seminars and other programs held by the Foundation.

(2) With respect to the application of IFRS, the Company maintains an understanding of the latest standards by obtaining press releases and standards documents issued by the International Accounting Standards Board on an ad-hoc basis. In addition, in order to prepare appropriate consolidated financial statements, etc., in accordance with IFRS Accounting Standards, the Company has prepared Group accounting policies and accounting guidelines in accordance with IFRS and performs accounting procedures based on these policies and guidelines.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

i. Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

Millions of yen

	Notes	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Revenue	5	410,073	438,268
Profit from license transfer		25,008	—
Cost of sales		(57,602)	(63,826)
Gross profit		377,479	374,441
Selling, general and administrative expenses	6	(99,651)	(101,873)
Research and development expenses		(102,640)	(108,612)
Amortization of intangible assets associated with products	13	(3,728)	(4,178)
Other income	7	6,194	528
Other expenses	7	(24,342)	(3,702)
Operating profit		153,310	156,603
Finance income	8,17	51,674	53,174
Finance costs	8	(6,701)	(9,027)
Profit before tax		198,283	200,750
Income tax expense	9	(37,708)	(31,215)
Profit		160,575	169,534

Profit attributable to			
Owners of parent		162,030	170,435
Non-controlling interests		(1,455)	(900)
Profit		160,575	169,534

Yen

Earnings per share			
Basic earnings per share	10	186.17	200.36
Diluted earnings per share	10	186.11	200.29

Consolidated Statement of Comprehensive Income

Millions of yen

	Notes	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Profit		160,575	169,534
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	17,22	14,673	(4,590)
Remeasurements of defined benefit plans	22,25	1,434	(321)
Total of items that will not be reclassified to profit or loss		16,107	(4,911)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	22	76,835	5,928
Effective portion of cash flow hedges	22,30	505	794
Share of other comprehensive income of investments accounted for using equity method	22,32	112	(53)
Total of items that may be reclassified to profit or loss		77,453	6,669
Total other comprehensive income, net of tax		93,560	1,757
Comprehensive income		254,135	171,292

Comprehensive income attributable to			
Owners of parent		254,978	171,262
Non-controlling interests		(842)	30
Comprehensive income		254,135	171,292

ⅱ．Consolidated Statement of Financial Position

Millions of yen

	Notes	As of March 31, 2024	As of March 31, 2025
Assets			
Non-current assets			
Property, plant and equipment	11,15	114,586	115,412
Goodwill	12	15,287	15,748
Intangible assets	13,15	117,621	143,652
Right-of-use assets	16	9,440	19,395
Investment property	14,15	27,768	27,722
Other financial assets	17,30	292,321	299,799
Deferred tax assets	9	13,526	13,244
Other non-current assets	21	42,158	41,869
Total non-current assets		632,712	676,844
Current assets			
Inventories	18	64,916	65,477
Trade receivables	19,30	122,830	120,553
Other financial assets	17,30	215,761	270,024
Other current assets	21	22,607	27,653
Cash and cash equivalents	20	358,090	374,795
Total current assets		784,205	858,504
Total assets		1,416,918	1,535,349

Millions of yen

	Notes	As of March 31, 2024	As of March 31, 2025
Equity and liabilities			
Equity			
Share capital	22	21,279	21,279
Capital surplus	22,26	14,242	17,845
Treasury shares	22	(137,889)	(65,855)
Retained earnings	22	1,065,913	1,115,729
Other components of equity	22,25,30	271,778	272,924
Equity attributable to owners of parent		1,235,325	1,361,924
Non-controlling interests		17,236	572
Total equity		1,252,562	1,362,497
Liabilities			
Non-current liabilities			
Lease liabilities	16,30	8,753	18,418
Other financial liabilities	24,30	7,649	8,258
Retirement benefit liability	25	7,994	8,018
Deferred tax liabilities	9	4,360	4,401
Other non-current liabilities	28,29	1,691	4,363
Total non-current liabilities		30,448	43,459
Current liabilities			
Lease liabilities	16,30	2,867	3,464
Trade payables	27,30	14,808	13,579
Other financial liabilities	24,30	31,118	18,091
Income taxes payable		20,844	22,399
Other current liabilities	28,29	64,267	71,857
Total current liabilities		133,907	129,392
Total liabilities		164,355	172,852
Total equity and liabilities		1,416,918	1,535,349

iii. Consolidated Statement of Changes in Equity

Millions of yen

	Notes	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of April 1, 2023		21,279	15,204	(63,074)	940,606	186,030	1,100,046	21,832	1,121,878
Profit					162,030		162,030	(1,455)	160,575
Total other comprehensive income, net of tax	22					92,948	92,948	612	93,560
Comprehensive income		—	—	—	162,030	92,948	254,978	(842)	254,135
Purchase of treasury shares	22			(75,013)			(75,013)		(75,013)
Disposal of treasury shares	22		(3)	198			195		195
Dividends	23				(43,919)		(43,919)		(43,919)
Changes in ownership interests in subsidiaries	31		(961)				(961)	(3,752)	(4,714)
Transfer from other components of equity to retained earnings	22				7,199	(7,199)	—		—
Transfer from retained earnings to capital surplus			3		(3)		—		—
Balance as of March 31, 2024		21,279	14,242	(137,889)	1,065,913	271,778	1,235,325	17,236	1,252,562
Profit					170,435		170,435	(900)	169,534
Total other comprehensive income, net of tax	22					826	826	930	1,757
Comprehensive income		—	—	—	170,435	826	171,262	30	171,292
Purchase of treasury shares	22			(10)			(10)		(10)
Disposal of treasury shares	22		(44)	494			449		449
Cancellation of treasury shares	22		(71,550)	71,550			—		—
Dividends	23				(48,709)		(48,709)	(98)	(48,807)
Changes in ownership interests in subsidiaries	31		3,607				3,607	(16,596)	(12,989)
Transfer from other components of equity to retained earnings	22				(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

iv. Consolidated Statement of Cash Flows

Millions of yen

	Notes	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from operating activities			
Profit before tax		198,283	200,750
Depreciation and amortization		18,323	20,933
Impairment losses (reversals of impairment losses)	7,11,13	8,262	254
Finance income and finance costs	8	(44,866)	(52,288)
(Increase) Decrease in trade and other receivables		(12,372)	1,910
(Increase) Decrease in inventories		(6,337)	(388)
(Decrease) Increase in trade and other payables		(5,817)	(1,703)
Other		13,286	5,925
Subtotal		168,762	175,393
Interest and dividends received		49,324	52,190
Interest paid		(164)	(305)
Income taxes refund (paid)		(63,637)	(31,817)
Net cash provided by (used in) operating activities		154,284	195,460
Cash flows from investing activities			
Payments into time deposits		(187,354)	(382,979)
Proceeds from withdrawal of time deposits		264,792	308,606
Purchase of property, plant and equipment		(12,693)	(17,126)
Purchase of intangible assets		(15,574)	(34,977)
Purchase of investments		(97,490)	(55,521)
Proceeds from sales and redemption of investments		84,599	69,095
Payments for acquisition of subsidiaries	35	(16,079)	(200)
Payments for sale of subsidiaries		(296)	—
Payments for acquisition of shares of equity-method affiliates	32	(11,121)	(1,125)
Other		(2,856)	(1,852)
Net cash provided by (used in) investing activities		5,922	(116,080)

Millions of yen

	Notes	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from financing activities			
Repayments of lease liabilities	30	(3,080)	(3,112)
Purchase of treasury shares	22	(75,182)	(10)
Dividends paid	23	(43,876)	(48,698)
Dividends paid to non-controlling interests		—	(98)
Payments for acquisition of interests in subsidiaries from non-controlling interests	31	(4,714)	(12,989)
Net cash provided by (used in) financing activities		(126,853)	(64,908)
Effect of exchange rate changes on cash and cash equivalents		15,512	2,233
Net increase (decrease) in cash and cash equivalents		48,866	16,704
Cash and cash equivalents at beginning of period	20	309,224	358,090
Cash and cash equivalents at end of period	20	358,090	374,795

Notes to Consolidated Financial Statements

1. Reporting Entity

Shionogi & Co., Ltd. (hereinafter the "Company") is a public company incorporated in Japan.

The Company and its subsidiaries (collectively, the "SHIONOGI") engage in research, development, purchasing, manufacturing, distribution and other operations associated with the prescription drug business. The address of the registered head office is disclosed on the Company's website (https://www.shionogi.com./global/en/).

2. Basis of Preparation

(1) Compliance with IFRS Accounting Standards

The consolidated financial statements of SHIONOGI have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"). As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards" pursuant to Article 1-2-1 of the "Consolidated Financial Statements Regulations", it has adopted the provision of Article 312 of said regulation.

The consolidated financial statements of SHIONOGI were approved on June 18, 2025 by Isao Teshirogi, Representative Director, President and CEO.

(2) Basis of Measurement

SHIONOGI's consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value, etc. as described in Note "3. Material Accounting Policies."

(3) Functional Currency and Presentation Currency

SHIONOGI's consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. All financial information presented in Japanese yen has been rounded down to the nearest million.

(4) Significant Accounting Judgments, Estimates, and Assumptions

The preparation of SHIONOGI's consolidated financial statements requires management to make certain judgments, estimates, and assumptions that affect the reported amount of revenue, expenses, assets and liabilities. Actual results could differ from these estimations due to uncertainties of these estimations and assumptions. In addition, these estimates and underlying assumptions are reviewed on a continuous basis. The effects of these revisions to accounting estimates and assumptions are recognized in the accounting period in which the estimates and assumptions are revised and in any future accounting periods affected by the revision.

Significant items on which management makes its estimates and judgments are as follows:

- Impairment of non-financial assets (See Note "3. Material Accounting Policies (5) Property, Plant and Equipment, (6) Goodwill, (7) Intangible Assets, (10) Impairment of Non-Financial Assets;" Note "11. Property, Plant and Equipment;" Note "12. Goodwill;" and Note "13. Intangible Assets").

  In calculating the recoverable amount of property, plant and equipment, intangible assets including goodwill, and other assets, assumptions are made regarding sales forecasts in the business plan and discount rates and the likelihood of regulatory approval for pre-launch products, etc. These estimations could be affected by changes in future economic conditions, and if the recoverable amount decreases, impairment loss could be recorded.
- Valuation of intangible assets identified from the business combination of Tetra Therapeutics Inc. (See Note 3. Material Accounting Policies (7) Intangible Assets and (10) Impairment of Non-Financial Assets; and Note 13. Intangible Assets.)

  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 financial position.

  Intangible assets recorded as in-process research and development are not yet available for use and are therefore not amortized until they become available for use after obtaining approval for sale from regulatory authorities. They are tested for impairment at least annually and whenever there is an indication of impairment. In testing for impairment of zatolmilast, a treatment for fragile X syndrome, the recoverable amount of in-process research and development was measured at fair value after deducting the disposal cost. Fair value is calculated by the excess earnings method, and the significant assumptions used are the likelihood of regulatory approval for pre-launch products, the estimated unit selling prices, and the estimated number of patients, which takes into account the market share and the discount rates, which are the elements for sales forecasts after launch. These estimations may be affected by changes in future economic conditions, and if the recoverable amount decreases, impairment loss may be additionally recorded.

・Fair value of unlisted shares (ViiV Healthcare Ltd.) (See Note 3. Material Accounting Policies (17) Financial Instruments, Note 17. Other Financial Assets, and Note 30. Financial Instruments.)

The fair value of the shares of ViiV Healthcare Ltd., an unlisted company engaged in the development, manufacturing, and marketing of anti-HIV drugs, was calculated using valuation techniques using inputs that are not based on observable market data, such as future cash flows and discount rates. The significant assumptions used in the fair value measurement are the peak sales of each product and the discount rate. Among them, the peak sales are affected by sales trends for competing products and the Company's development and marketing strategies, whereas the discount rate is affected by market interest rates and other market conditions, which may affect total assets and equity.

・ Profit from license transfer

In connection with the transfer of the licenses of Intuniv and Vyvanse to Takeda Pharmaceutical Co., Ltd., the difference between the consideration received and the corresponding derecognized intangible asset is presented as "Profit from license transfer" in the amount of 25,008 million yen in the consolidated statement of profit or loss and included in gross profit on sales in the fiscal year ended March 31, 2024. Although this profit is not classified as revenue based on IFRS 15 "Revenue from Contracts with Customers," SHIONOGI uses the most appropriate method of recovering its investments in intangible assets, such as in-process research and development assets and sales rights, including earning revenue from manufacturing and sales by SHIONOGI itself and receiving upfront payments and royalty income from out-licensing to other companies. This transaction is also one of those investment recovery methods. Therefore, we believe that including it in gross profit contributes to providing useful information to users of the consolidated financial statements.

(5) New or Amended Accounting Standards and Interpretations Not Yet Adopted

Of the standards and interpretations that have been newly established or revised by the approval date of the consolidated financial statements, the main ones that SHIONOGI has not early adopted are as follows. The impact of adopting these standards on the consolidated financial statements is under consideration.

Standards	Standard name	Effective date (Fiscal years beginning on or after)	Fiscal year of adoption by SHIONOGI	Description
IFRS 18	Presentation and disclosure in financial statements	January 1, 2027	Year ending March 31, 2028	New standard replacing IAS 1, the current accounting standard for presentation and disclosure in financial statements

(6) Changes in Presentation

(Consolidated Statement of Changes in Equity)

"Transfer from retained earnings to capital surplus" which were included in "Other" in the fiscal year ended March 31, 2024, have been independently present from the fiscal year ended March 31, 2025 because the amount has become significant. To reflect this change in presentation, the consolidated statement of changes in equity for the fiscal year ended March 31, 2024 have been reclassified. As a result, 3 million yen and (3 million) yen presented as "Other" of "Capital surplus" and "Retained earnings," respectively, in the consolidated statement of changes in equity for the fiscal year ended March 31, 2024 have been reclassified as "Transfer from retained earnings to capital surplus."

3. Material Accounting Policies

SHIONOGI has consistently applied the following accounting policies for all periods presented in the consolidated financial statements, unless otherwise stated.

(1) Basis of Consolidation

1) Subsidiaries

Subsidiaries are entities controlled by SHIONOGI. SHIONOGI is considered to control an entity that is an investee when it is exposed, or has rights, to variable returns from involvement with the investee and has an ability to affect those returns through power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date SHIONOGI obtains control of a subsidiary until the date when it loses control of the subsidiary.

The financial statements of subsidiaries with different reporting dates are prepared provisionally as of the consolidated reporting date.

Changes in ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. Any difference between the adjustment to non-controlling interests and the fair value of consideration transferred or received, is recognized directly in equity as equity attributable to owners of parent.

All intragroup balances, transactions, and unrealized gains and losses resulting from intragroup transactions have been eliminated in consolidation.

2) Associates and Joint Ventures

An associate is an entity over which SHIONOGI has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not a controlling interest. If SHIONOGI holds between 20% to 50% of the voting power, it is presumed to have significant influence. A joint venture is an entity in which two or more parties, including SHIONOGI, share contractually agreed control over economic activities and where strategic financial and operating decisions related to these activities require the consent of all parties sharing control.

Investments in associates and joint ventures held by SHIONOGI are accounted for by the equity method.

3) Business Combinations

Business combinations are accounted for using the purchase method.

The identifiable assets acquired and the liabilities assumed of the acquiree are measured in principle at the fair value at the acquisition date.

Goodwill is measured as the excess of the aggregate of the consideration transferred in a business combination, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously-held equity interests in the acquiree, over the acquisition-date fair value of the identifiable net assets acquired. The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer.

Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate shares of the recognized amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Acquisition-related costs incurred in connection with business combinations, such as finder's fees and advisory fees are recognized as expenses in the period they are incurred.

In addition, any additional acquisition of non-controlling interests after SHIONOGI obtains the control of a subsidiary is accounted for as an equity transaction, for which no goodwill is recognized.

(2) Foreign Currency Translations

1) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or rates that approximate the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot rates of exchange at the end of each reporting period. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into the functional currency using the exchange rates in effect on the date when the fair value was determined.

Exchange differences arising from the translation or settlement are recognized in profit or loss. However, exchange differences arising from financial assets measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

2) Translation of Foreign Operations

Assets and liabilities of foreign operations are translated at the spot rates of exchange at the end of each reporting period, and incomes and expenses are translated at the exchange rates at the dates of the transactions or rates that approximate the exchange rates at the dates of the transactions. Exchange differences arising from translation are recognized in other comprehensive income.

On the disposal of the interests in a foreign operation, the cumulative amounts of exchange differences on translation of foreign operations is reclassified to profit or loss.

(3) Revenue

SHIONOGI recognizes revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for a good or service to a customer using the five-step approach below, except for interest and dividend income, etc. as defined in IFRS 9.

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the separate performance obligations in the contract
- Step 5: Recognize revenue when, or as, the performance obligations are satisfied

In addition, in terms of a promise to grant a license as a separate performance obligation, SHIONOGI considers whether the nature of the promise in granting the license to a customer is to provide the customer with either of the following benefits in determining whether the transfer to the customer occurs at a point in time or over time:

1) A right to access SHIONOGI's intellectual property as it exists throughout the license period; or

2) A right to use SHIONOGI's intellectual property as it exists at the point in time at which the license is granted.

If SHIONOGI determines that the nature of its promise to transfer the license is to provide the customer with a right to access SHIONOGI's intellectual property as it exists throughout the license period, SHIONOGI accounts for the promise to grant the license as the performance obligation satisfied over time.

If SHIONOGI determines that the nature of its promise to transfer the license is to provide the customer with a right to use SHIONOGI's intellectual property as it exists at the point in time at which the license is granted, SHIONOGI accounts for the promise to grant the license as a performance obligation satisfied at a point in time.

Notwithstanding the above, revenue in the form of sales-based or usage-based royalties is recognized when (or as) the later of following events occurs:

1) The subsequent sales or usage occurs; and

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

(4) Income Taxes

Income taxes consist of current taxes and deferred taxes.

1) Current Taxes

Current tax is measured at the expected amount to be paid to or received from the tax authorities, applying the tax rates and tax laws and regulations that have been enacted or substantively enacted by the end of the reporting period. Current tax recognized in profit or loss does not include taxes arising from items directly recognized in other comprehensive income or equity and taxes arising from business combinations.

2) Deferred Taxes

Deferred taxes are calculated based on the temporary differences determined by comparing the carrying amounts of assets and liabilities for financial reporting purposes with the tax base at the end of the reporting period. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and tax loss carryforwards to the extent that it is probable that future taxable profit will be available. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax assets and liabilities arising from the following temporary differences are not recognized:

- Temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit (tax loss) at the time of the transaction, and that does not give rise to taxable temporary differences and deductible temporary differences;
- Deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, when it is probable that the temporary difference will not reverse in the foreseeable future or it is not probable that there will not be taxable profits against which the deductible temporary differences can be utilized; or

・ Taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, when SHIONOGI is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the periods in which the temporary differences are expected to reverse based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset when SHIONOGI has a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity.

3) Global Minimum Tax

SHIONOGI applies the temporary exception provided for in IAS 12 "Income Taxes," and it has not recognized or disclosed deferred tax assets and liabilities related to income taxes arising from the Global Minimum Tax system.

(5) Property, Plant and Equipment

SHIONOGI uses the cost model to measure property, plant and equipment after recognition. Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Acquisition cost includes costs directly attributable to the acquisition and asset dismantlement, removal, and restoration costs.

Property, plant and equipment other than land and construction in progress are depreciated using the straight-line method over the estimated useful life of the respective asset.

The estimated useful lives of major items of property, plant and equipment are as follows:

・ Buildings and structures 2 to 60 years
・ Machinery and vehicles 2 to 17 years

Depreciation methods, useful lives and residual values are reviewed at the end of each fiscal year and revised if necessary.

(6) Goodwill

Goodwill is stated at acquisition cost less accumulated impairment losses.

Goodwill is not amortized.

(7) Intangible Assets

SHIONOGI uses the cost model to measure intangible assets after recognition. Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are measured at acquisition cost. Acquisition cost of intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Internally generated development expenditures are recognized as intangible assets only when they satisfy all criteria for recognizing them as assets. However, internally generated development expenditures incurred before the acquisition of marketing and manufacturing approval, such as clinical trial costs, etc., are recognized as expenses when incurred as they do not satisfy capitalization criteria due to uncertainties related to length and other factors in development.

Product or technology in-license agreements, and products or research and development rights acquired through business combinations which are still in the research and development phase and have not yet received marketing approval from regulatory authorities (regulatory approval) are recognized as in-process research and development and are included in "Intangible assets associated with products."

Expenditures associated with acquired in-process research and development are capitalized only when they are expected to bring future economic benefits to SHIONOGI and are identifiable. These include upfront payments to third parties and milestone payments when the milestone is achieved.

Intangible assets with finite useful lives are amortized by the straight-line method over their estimated useful lives from the date when they are available for their intended use.

The estimated useful lives of major intangible assets are as follows:

・ Intangible assets associated with products 8-15 years
・ Software 5 years

Amortization methods, residual values and useful lives are reviewed annually and revised as necessary.

Intangible assets not yet available for use are not amortized.

(8) Leases

1) Identifying leases

At the inception of a contract, SHIONOGI assesses whether the contract is, or contains, a lease.

A contract is a lease, or contains a lease, if it conveys the right to use an identified asset for a period of time in exchange for consideration.

2) As lessee

SHIONOGI recognizes the right-of-use asset and lease liability at the commencement date of the lease. For short-term leases and leases for which the underlying asset is of low value, SHIONOGI has elected to recognize the lease payments as an expense over the lease term using the straight-line method or other systematic basis.

Right-of-use assets are measured using the cost model and are stated at cost less accumulated depreciation and accumulated impairment loss. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset is calculated based on the assumption that the lessee is reasonably certain to exercise a purchase option, SHIONOGI depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, SHIONOGI depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

At the commencement date, SHIONOGI measures the lease liability at the present value of the lease payments that are not paid at that date. In subsequent periods, SHIONOGI reduces the carrying amount of the lease liability to reflect the interest on the lease liability and lease payments made.

3) As lessor

SHIONOGI classifies leases as operating leases if they do not transfer substantially all the risks and rewards incidental to ownership of the underlying assets.

Lease payments from operating leases are recognized as revenue using the straight-line method or other systematic basis.

(9) Investment Property

Investment property is held to earn rentals or capital appreciation or both. Investment property is measured similarly to property, plant and equipment.

(10) Impairment of Non-Financial Assets

For non-financial assets other than inventories and deferred tax assets, SHIONOGI assesses whether there is any indication that an asset or cash-generating unit may be impaired. If any indication of impairment exists, SHIONOGI estimates the recoverable amount of the asset or cash-generating unit and tests for impairment.

Goodwill and intangible assets not yet available for use are tested for impairment at least annually regardless of any indication of impairment. In addition, SHIONOGI tests for impairment when any indication of impairment exists.

The recoverable amount is determined at the higher of its fair value less costs of disposal, or its value in use. In determining value in use, estimated future cash flows from the asset or cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

If the recoverable amount is less than the carrying amount of the asset or cash-generating unit, the carrying amount is reduced to the recoverable amount and the difference is recognized as an impairment loss in profit or loss.

An asset or a cash-generating unit other than goodwill, for which impairment losses were recognized in prior years, is assessed for any indication that the impairment loss may have reversed. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. If the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the carrying amount less depreciation that would have been determined if no impairment loss had been recognized in prior years, and is recognized in profit or loss. Impairment loss is not reversed for goodwill.

(11) Inventories

Inventories consist primarily of merchandise and finished goods, work in progress, and raw materials and supplies.

Inventories are measured at the lower of acquisition cost and net realizable value. The acquisition cost of inventories is determined using the weighted-average cost formula and includes raw materials, direct labor and other direct costs, and related manufacturing overhead costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs required for sales.

(12) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(13) Equity

1) Ordinary Shares

Proceeds from the issuance of ordinary shares by the Company are recognized in share capital and capital surplus. Transaction costs (post-tax) directly attributable to the issuance of ordinary shares are recognized as a deduction from equity.

2) Treasury Shares

When the Company acquires treasury shares, direct acquisition cost (post-tax) is recognized as a deduction from equity.

When the Company sells treasury shares, the consideration received is recognized as an increase in equity.

(14) Employee Benefits

1) Post-employment Benefits

(i) Defined Benefit Plans

The present value of defined benefit plan obligations and related current service cost and past service cost are calculated for each individual plan using the projected unit credit method. The discount rate is determined with reference to the market yields on high-quality corporate bonds at the end of the reporting period corresponding to the expected future benefit payment date. The net defined benefit liabilities or assets are calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligations. When a defined benefit plan has a surplus, the net defined benefit asset is limited to the asset ceiling, which is the present value of future economic benefits available in the form of refunds or reductions in future contributions to the plan. Remeasurements of defined benefit plans are recognized in full in other comprehensive income and immediately transferred to retained earnings in the period in which they are recognized.

(ii) Defined Contribution Plans

The costs for defined contribution plans are recognized as expenses when the employees render the related service.

2) Short-term Employee Benefits

Short-term employee benefits are recognized as expenses when the associated services are rendered by employees at undiscounted amounts. Bonuses and expenses for paid absences are recognized as liabilities for the expected benefit payment when SHIONOGI has a present legal or constructive obligation to pay for employee benefits and a reliable estimate is available for the obligation.

(15) Share-based Remuneration

SHIONOGI has implemented a share option plan and a restricted share-based remuneration plan as equity-settled share-based payment plans.

No share options have been granted through the share option plans since 2018, and all share options granted had already vested before the date of transition to IFRS. SHIONOGI does not retrospectively apply IFRS 2 “Share-based Payments” to equity instruments that vested before the date of transition to IFRS under the exemption of IFRS 1 “First-time Adoption of International Financial Reporting Standards.”

The restricted share-based remuneration plan is recognized as an expense over the period from the grant date to vesting, and the same amount is recognized as an increase in equity. The fair value of restricted share-based remuneration is measured with reference to the fair value of the Company’s ordinary shares on the grant date.

In addition, SHIONOGI has implemented a cash-settled share-based payment plan linked to share price.

SHIONOGI recognizes the fair value of cash-settled share-based payments in liabilities and recognizes any changes in fair value in profit or loss until the date of settlement.

(16) Government Grants

Government grants are recognized at fair value when there is reasonable assurance that SHIONOGI will comply with the conditions attached to them and receive the grants.

Government grants related to assets are recognized as deferred income and are systematically recognized in profit or loss over the estimated useful lives of the assets.

Government grants related to income are systematically recognized in profit or loss over the periods in which SHIONOGI recognizes as expenses the related costs for which the grants are intended to compensate.

(17) Financial Instruments

1) Non-derivative Financial Assets

(i) Initial Recognition and Measurement

Trade receivables included in financial assets are recognized on the date when they are incurred. All other financial assets are initially recognized on the date SHIONOGI becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets are classified into financial assets measured at amortized cost or financial assets measured at fair value.

This classification is carried out as follows, depending on whether the financial asset is a debt instrument or an equity instrument.

(a) Financial Assets Classified into Debt Instruments

Debt instruments are classified as financial assets measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition, debt instruments are classified as financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments not meeting the two business models above conditions are classified as financial assets measured at fair value through profit or loss.

(b) Financial Assets Classified into Equity Instruments

In principle, equity instruments are classified as financial assets measured at fair value through profit or loss.

However, on initial recognition, an equity instrument that is not held for trading is permitted to be classified individually as financial assets measured at fair value through other comprehensive income per each equity instrument.

In principle, financial assets are measured at fair value plus directly attributable transaction costs.

However, trade receivables that do not include a significant financing component are measured at the transaction price.

In addition, transaction costs for financial assets measured at fair value through profit or loss are expensed as incurred and recorded in profit or loss.

(ii) Subsequent Measurement

(a) Financial Assets Measured at Amortized Cost

These assets are subsequently measured at amortized cost using the effective interest method. Interest is recognized in profit or loss as “Finance income.” The interest is reduced if impairment loss is necessary to be recognized.

(b) Financial Assets Measured at Fair Value

These assets are subsequently measured at fair value.

For equity instruments SHIONOGI has elected to measure at fair value through other comprehensive income, subsequent changes in fair value are recognized in other comprehensive income, and cumulative gain or loss is transferred to retained earnings when the financial asset is derecognized. Dividends from these financial assets are recognized in profit or loss as “Finance income.”

In addition, for debt instruments classified as financial assets measured at fair value through other comprehensive income, change in fair value is recognized in other comprehensive income until derecognition or a change in classification, excluding impairment losses (or reversals) and foreign exchange gains or losses. Upon derecognition of the financial assets, cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

For assets other than the above, changes in fair value are recognized in profit or loss.

(iii) Impairment

Financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income included in debt instruments are assessed at the end of each reporting period to determine if the credit risk of the assets has increased significantly since initial recognition. SHIONOGI recognizes the following amounts as allowance for doubtful accounts, depending on whether there is a significant increase in credit risk since initial recognition.

(a) Credit risk has not increased significantly since initial recognition

--An amount equal to the 12-month expected credit losses

(b) Credit risk has increased significantly since initial recognition

--An amount equal to the lifetime expected credit losses

Notwithstanding the above, allowance for doubtful accounts for trade receivables and lease receivables is always recognized in an amount equal to lifetime expected credit losses since initial recognition.

Expected credit loss is calculated as the present value of the difference between the contractual cash flows SHIONOGI should receive and the cash flows SHIONOGI expects to receive.

Provision for allowance for doubtful accounts is recognized in profit or loss. If an event occurs that reduces the allowance for doubtful accounts, the reversal of allowance for doubtful accounts is recognized in profit or loss.

(iv) Derecognition

SHIONOGI derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity.

2) Non-derivative Financial Liabilities

(i) Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss. Financial liabilities are initially recognized on the transaction date when SHIONOGI becomes party to contractual provisions of the financial liabilities.

Financial liabilities are initially measured at fair value. However, directly attributable transaction costs are deducted from the fair value of financial liabilities measured at amortized cost.

(ii) Subsequent Measurement

Financial liabilities are subsequently measured after initial recognition according to their classification, as follows:

(a) Financial Liabilities Measured at Amortized Cost

These liabilities are subsequently measured at amortized cost using the effective interest method. Amortization under the effective interest method and gains and losses on derecognition are recognized in profit or loss as “Finance income” or “Finance costs.”

(b) Financial Liabilities Measured at Fair Value through Profit or Loss

These liabilities are subsequently measured at fair value. Changes in fair value are recognized in profit or loss.

(iii) Derecognition

SHIONOGI derecognizes a financial liability when the obligation specified in the contract is discharged, cancelled, or expires.

3) Derivatives and Hedge Accounting

SHIONOGI hedges risks arising from exposure to fluctuations in foreign currency exchange rates using derivative financial instruments such as forward foreign exchange contracts and other.

Derivatives are initially recognized at fair value at the contract inception date and are subsequently measured at fair value. In principle, changes in the fair value of derivatives are recognized in profit or loss.

However, SHIONOGI designates certain derivatives as cash flow hedges. The effective portion of changes in the fair value of derivatives designated is recognized in other comprehensive income if qualifying criteria for hedge accounting are met. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gain or loss related to hedging instruments previously recognized in other comprehensive income is reclassified to profit or loss when the hedged transaction affects profit or loss.

However, when the hedged forecasted transactions subsequently result in the recognition of a non-financial asset or a non-financial liability, the gain or loss previously recognized in other comprehensive income is recognized as an adjustment to the initial carrying amount of the asset or liability.

4) Financial guarantee contracts

A financial guarantee contract is a contract that requires the guarantor to compensate the guarantee for losses incurred by the guarantee for failure of specific debtors to make payments when due according to the original or modified terms of a debt instrument.

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

4. Segment Information

(1) Outline of Reportable Segments

SHIONOGI operates as a single business segment related to research, development, purchasing, manufacturing, distribution and other operations associated with the prescription drug business. While SHIONOGI analyzes sales by product and evaluates earnings by Group companies, it makes decisions about business strategy and allocates resources, especially research and development expenditures, on a Group-wide basis. Therefore, disclosure of segment information is omitted.

(2) Information by Product and Service

Revenue from external customers for each product and service is described in Note "5. Revenue."

(3) Geographical Information

Revenue and non-current assets by region are as follows:

1) Revenue

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Japan	155,278	130,003
Europe	218,990	265,673
United Kingdom	201,288	245,512
North America	18,036	23,437
United States of America	18,031	23,437
Other	17,766	19,154
Total	410,073	438,268

Notes:

1. Revenue information is classified by country or region based on customer location.
2. The main countries and regions included in each geographic category other than Japan are as follows:
   (1) Europe: United Kingdom, Switzerland, and others
   (2) North America: United States of America and others
   (3) Other: Asia and others

2) Non-current Assets

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Japan	273,217	311,493
Europe	2,230	2,949
United States of America	42,915	40,525
Other	8,500	8,832
Total	326,864	363,801

Notes:

1. Non-current assets are classified by country or region based on asset location and exclude financial instruments and deferred tax assets
2. The main countries and regions included in each geographic category other than Japan are as follows:
   (1) Europe: United Kingdom and others
   (2) Other: Asia and others

(4) Information Related to Major Customers

The following customers accounted for 10% or more of Group revenue for the fiscal years ended March 31, 2024 and 2025.

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
ViiV Healthcare Ltd.	195,782	240,404
Suzuken Co., Ltd.	50,444	—

Notes:

1. Revenue from sales to Suzuken Co., Ltd. for the fiscal year ended March 31, 2025 is omitted as it was less than 10% of total revenue of the SHIONOGI Group.

5. Revenue

(1) Breakdown of Revenue

The breakdown of revenue for the fiscal years ended March 31, 2024 and 2025 is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Prescription drugs in Japan	126,106	98,762
Exports and overseas subsidiaries	49,913	59,084
Contract manufacturing	17,608	17,254
Over-the-counter drugs	14,649	16,816
Royalty income	200,359	244,669
Other revenue	1,436	1,680
Total	410,073	438,268

“Revenue” in the consolidated statement of profit or loss is revenue recognized from contracts with customers and revenue recognized from other sources. Revenue recognized from other sources is not material. In addition, SHIONOGI omits disclosure of segment information as described in Note “4. Segment Information.”

Revenue of the SHIONOGI Group is composed of the following: Revenue from prescription drugs in Japan includes prescription drug sales in Japan and compensation associated with co-promotion agreements. Revenue from exports and overseas subsidiaries consists of revenue from the sale of prescription drugs through export transactions, revenue from the sale of prescription drugs recognized by overseas subsidiaries and royalty income related to prescription drugs. Revenue from contract manufacturing includes income associated with contract manufacturing of active pharmaceutical ingredients (APIs). Revenue from sales of over-the-counter drugs includes sales revenue and royalty income from over-the-counter drugs of the Company and its domestic subsidiaries. Royalty income includes royalty income related to prescription drugs recognized by the Company and its domestic subsidiaries. Other revenue includes sales of diagnostics and revenue recognized by domestic subsidiaries.

With regard to sales of prescription drugs and over-the-counter drug sales in Japan and overseas, revenue from sales within the same country is recognized when the product is delivered to the customer, unless otherwise specified by contract, while revenue from export sales is recognized at the point in time when the performance obligation is satisfied, which is when the customer is deemed to obtain control over the product based on terms and conditions of trade, etc. Consideration for the transaction is generally received within four months after the satisfaction of the performance obligation.

Some transactions involve variable consideration in the form of rebates to customers based on the sales volume of related products to promote sales of Group products. The amount of variable consideration is estimated based on contract terms, etc., and the transaction price is adjusted accordingly. However, significant reversals of cumulative revenue recognized will generally not occur since SHIONOGI can reasonably estimate rebates payable to customers. Therefore, SHIONOGI has determined that its estimates of variable consideration are not constrained.

In addition, SHIONOGI sells products for which the customer has a right of return. SHIONOGI calculates expected returns for these products based on the estimated rate of return, deducts this amount from sales revenue, and recognizes a refund liability in the same amount. Furthermore, since SHIONOGI's products are difficult to resell due to their nature, SHIONOGI does not recognize an asset for its right to recover products from customers on settling the refund liability.

For contract API manufacturing, SHIONOGI generally determines that its performance obligation is satisfied when the customer takes delivery of the API and recognizes revenue at that time. Consideration for the transaction is generally received within two months after the satisfaction of the performance obligation.

SHIONOGI out-licenses the use of intellectual property such as patents SHIONOGI owns to the counterparties of licensing contracts. SHIONOGI considers the performance obligation of these contracts to be satisfied at a point in time, as it does not plan to undertake any activities that significantly affect the intellectual property provided under the contract. SHIONOGI recognizes revenue at the point in time when the performance obligation is satisfied by granting the license to the licensee.

Consideration for out-licensing consists mainly of upfront payments when an agreement is concluded; milestone payments when the prescribed research and development, sales and other milestones are achieved; and royalties based on sales or sales volume. Receipt of consideration is generally within two months after the requisite conditions have been satisfied.

SHIONOGI receives the milestone payments, included in the consideration for out-licensing, if a pre-determined milestone is achieved. As the achievement of specified milestones is uncertain, however, the amount of consideration to which SHIONOGI will be entitled is variable. SHIONOGI estimates entitlement to consideration that includes a variable component and only includes it in the transaction price and recognizes it as revenue when the uncertainty regarding the variable consideration is subsequently resolved to the extent that it is highly probable that a material reversal of cumulative revenue recognized will not occur. As the receipt of milestone payments is contingent on the decisions and actions of the licensee and uncertainties may not have been resolved for a long term, there is a possibility that a significant reversal of revenue occurs when uncertainties are resolved. As a result, variable consideration estimates are constrained in licensing transactions that involve the receipt of milestone payments that occur when the pre-determined milestones are achieved.

However, revenue in the form of sales-based or usage-based royalties is recognized at the latter of when or within the term of (1) the subsequent sale or usage occurs or (2) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated is satisfied (in whole or in part).

SHIONOGI has elected not to adjust for the effect of significant financing components, at contract inception, if a period between when SHIONOGI provides its products or services to customers and when the customers pay for the products or services is expected to be one year or less.

In addition, SHIONOGI does not sell products with warranties or similar rights.

(Changes in presentation)

"COVID-19-related product revenue," which was presented independently in the previous fiscal year, has been included in "Revenue from domestic sales of prescription drugs" from the consolidated fiscal year under review due to a review of revenue management classification.

As a result, 104,696 million yen presented as "COVID-19-related product revenue" for the previous fiscal year has been reclassified as "Revenue from domestic sales of prescription drugs."

(2) Contract Balances

Contract balances are as follows:

Millions of yen

	Receivables arising from contracts with customers			Contract liabilities
	Notes receivable	Accounts receivable	Total	
As of April 01, 2023	465	109,358	109,823	122
As of March 31, 2024	257	122,656	122,913	471
As of March 31, 2025	209	120,891	121,101	1,435

SHIONOGI had no contract assets as of March 31, 2024 and 2025.

Impairment losses recognized for receivables arising from contracts with customers are described in Note "30. Financial Instruments."

Revenue recognized in the reporting period included in the contract liability balance at the beginning of the fiscal year was 90 million yen and 394 million yen for the years ended March 31, 2024 and 2025, respectively.

Revenue recognized in the reporting period from performance obligations achieved in previous years was 203,448 million yen and 248,238 million yen for the years ended March 31, 2024 and 2025, respectively. These were arising from milestone and royalties payments fulfilled which the pre-determined milestones were achieved by SHIONOGI in the years ended March 31, 2024 and 2025 which were included in a component of the consideration for the licensing contract which the performance obligations were achived at the time of granting a license.

(3) Transaction Price Allocated to Remaining Performance Obligations

SHIONOGI applies the practical expedient under IFRS 15 "Revenue from Contracts with Customers," Paragraph 121 and does not disclose information regarding remaining performance obligations with an initial expected period of one year or less. SHIONOGI has no material transactions with the original expected contract duration exceeding one year. There are no considerations from contracts with customers that are not included in the transaction price.

(4) Assets Recognized from the Costs to Obtain or Fulfill a Contract with a Customer

No assets were recognized from the costs to obtain or fulfill a contract with a customer as of March 31, 2024 and 2025. SHIONOGI has elected to recognize these costs as expenses when incurred if the amortization period for the assets recognized from the costs to obtain or fulfill a contract with a customer is one year or less.

6. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Salaries and bonuses	34,498	34,619
Retirement benefit expenses	2,104	1,916
Legal welfare expenses	4,700	4,568
Outsourcing expenses	17,544	21,134
Advertising expenses	7,091	6,740
Sales promotion expenses	6,818	6,411
Depreciation and amortization	4,665	4,815
Other	22,228	21,666
Total	99,651	101,873

7. Other Income and Other Expenses

(1) Other Income

The breakdown of other income is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Reversal of impairment losses	4,663	217
Gain on sale of businesses	1,200	—
Other	330	311
Total	6,194	528

Notes:

1. “Reversal of impairment losses” for the fiscal year ended March 31, 2024 and the fiscal year ended March 31, 2025 are presented in “13. Intangible Assets.”
2. “Gain on sale of businesses” for the fiscal year ended March 31, 2024 is due to the sale of the insurance agency business operated by SHIONOGI.

(2) Other Expenses

The breakdown of other expenses is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Extra retirement payments	7,255	860
Investment loss under equity method	123	768
Loss on retirement of fixed assets	567	629
Donations	540	503
Impairment losses	12,926	471
Litigation expenses	59	208
Leakage response costs	735	—
Other	2,133	260
Total	24,342	3,702

Notes:

1. “Special severance pay” for the fiscal year ended March 31, 2024 is mainly related to the implementation of a special early retirement program. “Special severance pay” for the fiscal year ended March 31, 2025 is related to the transfer program to subsidiaries.
2. “Impairment losses” for the fiscal year ended March 31, 2024 and the fiscal year ended March 31, 2025 are presented in “11. Property, Plant and Equipment” and “13. Intangible Assets.”
3. “Leakage response costs” for the fiscal year ended March 31, 2024 are related to measures taken to address the leak of dichloromethane on the premises of the Kanegasaki Plant.

8. Finance Income and Finance Costs

(1) Finance Income

The breakdown of finance income is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Interest income		
Financial assets measured at amortized cost	13,260	11,143
Dividend income		
Financial assets measured at fair value through other comprehensive income	35,175	41,250
Foreign exchange gain	2,755	—
Other	482	780
Total	51,674	53,174

(2) Finance Costs

The breakdown of finance costs is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Interest expenses		
Financial liabilities measured at amortized cost	41	110
Lease liabilities	122	227
Subtotal	163	338
Loss on valuation of derivatives	4,930	5,760
Foreign exchange loss	—	1,004
Change in fair value of contingent considerations	693	616
Other	913	1,308
Total	6,701	9,027

9. Deferred Taxes and Income Taxes

(1) Deferred Taxes

1) Major items and changes in deferred tax assets and deferred tax liabilities are as follows:

(i) Year ended March 31, 2024

Millions of yen

	As of April 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Other(Note)	As of March 31, 2024
Deferred tax assets					
Research and development expenses	16,107	4,319	—	—	20,427
Inventories	9,700	(1,744)	—	—	7,956
Accrued bonuses	1,758	2	—	—	1,760
Temporary differences associated with investments in subsidiaries	2,429	(764)	(1,053)	—	612
Accrued enterprise taxes	2,304	(998)	—	—	1,306
Accrued paid absences	846	(102)	—	—	744
Other payables and accrued expenses	2,406	(461)	—	—	1,944
Retirement benefit asset and liability	3,960	(874)	(632)	—	2,453
Cash flow hedges	602	—	(222)	—	379
Lease liabilities	701	168	—	—	869
Tax loss carryforwards	599	4,644	—	—	5,243
Other	2,028	(1,754)	—	—	274
Subtotal	43,445	2,434	(1,908)	—	43,971
Deferred tax liabilities					
Intangible assets associated with products	10,357	(3,606)	—	4,220	10,971
Reserve for advanced depreciation of property, plant and equipment	1,485	(71)	—	—	1,414
Gain on exchange for investments in securities	965	—	—	—	965
Gain on land and building exchange	6,685	—	—	—	6,685
Temporary differences associated with investments in subsidiaries	—	2,918	—	—	2,918
Financial assets measured at fair value through other comprehensive income	6,254	—	2,133	—	8,388
Right-of-use assets	725	117	—	—	843
Other	785	(481)	—	2,313	2,618
Subtotal	27,261	(1,122)	2,133	6,534	34,806
Net deferred tax assets (liabilities)	16,184	3,557	(4,041)	(6,534)	9,165

Note: In addition to eExchange differences on translation of foreign operations, the change due to business combinations and other are included in Other.

(ii) Year ended March 31, 2025

Millions of yen

	As of April 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Other(Note)	As of March 31, 2025
Deferred tax assets					
Research and development expenses	20,427	2,564	—	—	22,991
Inventories	7,956	(435)	—	—	7,520
Accrued bonuses	1,760	(18)	—	—	1,742
Temporary differences associated with investments in subsidiaries	612	(1,156)	1,352	—	808
Accrued enterprise taxes	1,306	(339)	—	—	966
Accrued paid absences	744	(12)	—	—	731
Other payables and accrued expenses	1,944	133	—	—	2,078
Retirement benefit asset and liability	2,453	(453)	525	—	2,525
Cash flow hedges	379	—	(372)	—	6
Lease liabilities	869	4,813	—	—	5,683
Tax loss carryforwards	5,243	4,255	—	—	9,499
Other	274	3,921	—	—	4,195
Subtotal	43,971	13,273	1,504	—	58,749
Deferred tax liabilities					
Intangible assets associated with products	10,971	9,073	—	(90)	19,953
Reserve for advanced depreciation of property, plant and equipment	1,414	(328)	—	—	1,086
Gain on exchange for investments in securities	965	28	—	—	994
Gain on land and building exchange	6,685	111	—	—	6,796
Temporary differences associated with investments in subsidiaries	2,918	(38)	1,670	—	4,550
Financial assets measured at fair value through other comprehensive income	8,388	—	2,071	—	10,459
Right-of-use assets	843	4,798	—	—	5,641
Other	2,618	(2,341)	—	146	424
Subtotal	34,806	11,302	3,741	55	49,906
Net deferred tax assets (liabilities)	9,165	1,970	(2,236)	(55)	8,843

Note: In addition to eExchange differences on translation of foreign operations, the change due to business combinations and other are included in Other.

(Changes in presentation)

"Lease liabilities," and "Tax loss carryforwards," which were included in "Other" of deferred tax assets and "Right-of-use assets," which was included in "Other" of deferred tax liabilities in the fiscal year ended March 31, 2024, have been independently present from the fiscal year ended March 31, 2025 because the amount has become significant.

As a result, 3,329 million yen presented as "Other" of deferred tax assets as of April 1, 2023 has been reclassified as "Lease liabilities" of 701 million yen, "Tax loss carryforwards" of 599 million yen, and "Other" of 2,028 million yen, while 1,511 million yen presented as "Other" of deferred tax liabilities has been reclassified as "Right-of-use assets" of 725 million yen and "Other" of 785 million yen. On the other hand, 6,387 million yen presented as "Other" of deferred tax assets as of March 31, 2024 and April 1, 2024 has been reclassified as "Lease liabilities" of 869 million yen, "Tax loss carryforwards" of 5,243 million yen, and "Other" of 274 million yen, while 3,462 million yen presented as "Other" of deferred tax liabilities has been reclassified as "Right-of-use assets" of 843 million yen and "Other" of 2,618 million yen.

2) Unrecognized Deferred Tax Assets

Tax loss carryforwards, future deductible temporary differences, and unused tax credits for which deferred tax assets are not recognized are as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Tax loss carryforwards	181,585	136,388
Future deductible temporary differences	110,245	135,743
Unused tax credits	3,373	5,315

3) Expiration of Unrecognized Deferred Tax Assets

(i) Expiration of Tax Loss Carryforwards for Which Deferred Tax Assets Were Not Recognized

Tax loss carryforwards for which deferred tax assets were not recognized will expire as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
1st year	38	19
2nd year	11,917	140
3rd year	1,572	1,398
4th year	3,570	3,700
5th year	4,966	4,625
After 5th year	5,233	9,682
Indefinite	154,286	116,821
Total	181,585	136,388

(ii) Expiration of Unused Tax Credits for Which Deferred Tax Assets Were Not Recognized

Unused tax credits for which deferred tax assets were not recognized will expire as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
1st year	0	0
2nd year	0	18
3rd year	18	216
4th year	218	262
5th year and thereafter	3,135	4,817
Total	3,373	5,315

4) Unrecognized Deferred Tax Liabilities

In principle, the Company does not recognize deferred tax liabilities for temporary differences related to investments in subsidiaries because the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. As of March 31, 2024 and 2025, taxable temporary differences associated with investments in the subsidiaries for which deferred tax liabilities were not recognized were 7,082 million yen and 6,513 million yen, respectively.

(2) Income Taxes

1) Income Tax Expenses

The breakdown of income tax expenses is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Current income taxes		
Current fiscal year	41,266	33,185
Subtotal	41,266	33,185
Deferred income taxes		
Changes in effective tax rates	—	820
Origination and reversal of temporary differences	(3,557)	(2,790)
Subtotal	(3,557)	(1,970)
Total	37,708	31,215

Current income taxes include the tax benefits arising from tax losses, tax credits and temporary differences of prior periods whose tax effect was previously unrecognized. As a result, current income taxes decreased by 1,711 million yen and 2,878 million yen for the fiscal years ended March 31, 2024 and 2025, respectively.

Deferred income taxes include the tax benefit arising from previously unrecognized tax losses, tax credits and temporary differences of prior periods whose tax effect was previously unrecognized, and expense from write-downs or reversal of previous write-downs of deferred tax assets. As a result, deferred income taxes decreased by 3,706 million yen and 5,708 million yen for the fiscal years ended March 31, 2024 and 2025, respectively.

2) Reconciliation of Effective Tax Rates

The following is a reconciliation from the Company's statutory tax rate to the effective tax rates for the fiscal years ended March 31, 2024 and 2025.

The Company is mainly subject to income taxes, inhabitant tax and enterprise tax in Japan. The statutory tax rate calculated based on these taxes for the fiscal years ended March 31, 2024 and 2025 was 30.6%, respectively. Overseas subsidiaries are subject to the income taxes on their income in their respective countries of domicile.

(%)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Statutory tax rate	30.6	30.6
Items not deductible for income tax purposes, such as entertainment expenses	0.4	0.5
Items not taxable for income tax purposes, such as dividends	(4.9)	(4.9)
Tax credits	(7.1)	(7.2)
Differences in applicable tax rates of subsidiaries	(1.0)	(1.5)
Changes in unrecognized deferred tax assets	(1.6)	(1.9)
Retained earnings of overseas subsidiaries	1.5	0.4
Impact of changes in effective tax rates	—	0.4
Other	1.1	(0.9)
Effective tax rates	19.0	15.5

10. Earnings per Share

The basis for calculating basic and diluted earnings per share is as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Basis for calculating basic and diluted earnings per share:		
Profit attributable to owners of parent (millions of yen)	162,030	170,435
Profit not attributable to ordinary shareholders of the parent (millions of yen)	—	—
Profit used for calculating basic earnings per share (millions of yen)	162,030	170,435
Weighted-average number of ordinary shares outstanding during the year (thousands of shares)	870,333	850,635
Basis for calculating diluted earnings per share:		
Profit used for calculating basic earnings per share (millions of yen)	162,030	170,435
Adjustments to profit (millions of yen)	—	—
Profit for the year used for calculating diluted earnings per share (millions of yen)	162,030	170,435
Weighted-average number of ordinary shares outstanding during the year (thousands of shares)	870,333	850,635
Increase in number of ordinary shares from exercise of share options (thousands of shares)	302	300
Weighted-average number of diluted ordinary shares outstanding during the period (thousands of shares)	870,635	850,936
Earnings per share:		
Basic earnings per share (yen)	186.17	200.36
Diluted earnings per share (yen)	186.11	200.29

Notes:

1. No financial instruments are excluded from the calculation of diluted earnings per share because they are not dilutive.
2. In September 2022, the Company disposed of 9,000,000 shares of the Company's stock to the trust account of Sumitomo Mitsui Trust Bank, Limited (re-trust trustee: Custody Bank of Japan, Ltd. (Trust Account)) for the Shionogi Infectious Disease Research Promotion Foundation, and such shares are treated as treasury shares. Therefore, the number of such shares is deducted from the average number of ordinary shares during the period in the calculation of basic earnings per share and diluted earnings per share.
3. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Basic earnings per share and diluted earnings per share were calculated under the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2024.

11. Property, Plant and Equipment

(1) Movement of Acquisition Cost, Accumulated Depreciation and Accumulated Impairment Losses and Carrying Amount

The movement of the acquisition cost, accumulated depreciation and accumulated impairment losses, and the carrying amount of property, plant and equipment is as follows:

1) Acquisition Cost

Millions of yen

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
As of April 1, 2023	116,864	90,399	6,785	34,137	40,459	288,646
Acquisitions	63	91	—	12,825	226	13,207
Acquisitions through business combinations	—	3	—	—	6	9
Reclassification from construction in progress	4,869	4,162	0	(13,125)	4,232	139
Sales or disposals	(719)	(439)	(0)	(24)	(2,129)	(3,314)
Foreign exchange differences on translations	300	114	—	3	119	537
Other	(1,034)	15	—	(90)	(25)	(1,135)
As of March 31, 2024	120,344	94,346	6,784	33,726	42,888	298,090
Acquisitions	509	32	—	11,581	208	12,331
Acquisitions through business combinations	—	0	—	—	—	0
Reclassification from construction in progress	6,474	8,328	1	(19,704)	4,835	(64)
Sales or disposals	(203)	(927)	—	(3)	(1,124)	(2,258)
Foreign exchange differences on translations	330	202	—	(1)	15	547
Other	(253)	—	(19)	212	39	(21)
As of March 31, 2025	127,202	101,983	6,767	25,809	46,863	308,625

2) Accumulated Depreciation and Accumulated Impairment Losses

Millions of yen

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
As of April 1, 2023	(67,390)	(75,776)	—	(21)	(33,372)	(176,561)
Depreciation expenses	(3,697)	(3,641)	—	—	(2,955)	(10,295)
Sales or disposals	671	421	—	—	2,089	3,182
Foreign exchange differences on translations	(133)	(74)	—	—	(78)	(286)
Other	420	(2)	—	—	39	456
As of March 31, 2024	(70,129)	(79,074)	—	(21)	(34,277)	(183,503)
Depreciation expenses	(3,978)	(4,120)	—	—	(3,625)	(11,723)
Sales or disposals	160	892	—	—	1,110	2,162
Foreign exchange differences on translations	(133)	(146)	—	—	(11)	(291)
Other	138	—	—	—	3	142
As of March 31, 2025	(73,942)	(82,447)	—	(21)	(36,800)	(193,213)

3) Carrying Amount

Millions of yen

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
As of April 01, 2023	49,474	14,622	6,785	34,116	7,087	112,085
As of March 31, 2024	50,214	15,272	6,784	33,704	8,610	114,586
As of March 31, 2025	53,259	19,535	6,767	25,788	10,062	115,412

Notes:

1. Expenditures for property, plant and equipment under construction are stated as construction in progress above.
2. Depreciation of property, plant and equipment is included in "Cost of sales," "Selling, general and administrative expenses" and "Research and development expenses" in the consolidated statement of profit or loss.

(2) Impairment Losses

Property, plant and equipment are generally grouped by the smallest cash-generating unit that generates independent cash inflows. SHIONOGI tests idle assets for impairment individually.

12. Goodwill

(1) Movement of Acquisition Cost, Accumulated Impairment Losses and Carrying Amount of Goodwill

The movement of the acquisition cost and accumulated impairment losses, and the carrying amount of goodwill is as follows:

1) Acquisition Cost

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance at beginning of period	9,819	15,287
Acquisitions through business combinations	5,057	195
Foreign exchange differences on translations	411	265
Balance at end of period	15,287	15,748

2) Accumulated Impairment Losses

Millions of yen

	Fiscal year ended March 31, 2024	Fscal year ended March 31, 2025
Balance at beginning of period	—	—
Balance at end of period	—	—

3) Carrying Amount

Millions of yen

As of April 01, 2023	9,819
As of March 31, 2024	15,287
As of March 31, 2025	15,748

(2) Impairment Test of Goodwill

The carrying amount of principal goodwill allocated to cash-generating units is as follows:

Millions of yen

Cash-generating Unit	As of March 31, 2024	As of March 31, 2025
Pharmaceutical business centered on Shionogi & Co., Ltd.	6,037	6,232
Pharmaceutical business in China	3,781	4,109
Pharmaceutical business in the U.S. (Note)	5,294	5,231

Note: The goodwill allocated to the pharmaceutical business in the U.S. arose from the acquisition of Qpex in July 2023. For details, please refer to “35. Business Combinations.”

1) Pharmaceutical business centered on Shionogi & Co., Ltd.

The recoverable amount was calculated based on value in use.

The value in use was calculated as the present value of the estimated cash flow based on a 1-year business plan approved by management and prepared by reflecting past knowledge and external information, using the pre-tax discount rates (8.4% and 7.3% for the years ended March 31, 2024, and 2025, respectively) calculated based on the pre-tax weighted average cost of capital. Cash flows beyond the period of the business plan are calculated based on the long-term average growth rate of the market to which the cash generating unit belongs. (0% for the years ended March 31, 2024, and 2025, respectively)

The value in use is sufficiently higher than the book value of the cash-generating unit, and it is unlikely that the value in use will fall below the book value even if the significant assumptions (discount rate, growth rate) used in calculating the value in use fluctuate within a reasonable range.

2) Pharmaceutical business in China

The recoverable amount was calculated based on value in use.

The value in use was calculated as the present value of the estimated cash flow based on a 5-year business plan approved by management and prepared by reflecting past knowledge and external information, using the pre-tax discount rates (13.5% and 13.2% for the year ended March 31, 2024, and 2025, respectively) calculated based on the pre-tax weighted average cost of capital. Cash flows beyond the period of the business plan are calculated based on the long-term average growth rate of the market to which the cash generating unit belongs. (2.2% and 2.0% for the year ended March 31, 2024, and 2025, respectively)

The value in use is sufficiently higher than the book value of the cash-generating unit, and it is unlikely that the value in use will fall below the book value even if the significant assumptions (discount rate, growth rate) used in calculating the value in use fluctuate within a reasonable range.

3) Pharmaceutical business in the U.S.

The recoverable amount was calculated based on value in use.

The value in use was calculated as the present value of the estimated cash flow based on a 5-year business plan approved by management and prepared by reflecting past knowledge and external information, using the pre-tax discount rates (15.9% for the year ended March 31, 2024, and 2025, respectively) calculated based on the pre-tax weighted average cost of capital. Cash flows beyond the period of the business plan are calculated based on the long-term average growth rate of the market to which the cash generating unit belongs. (2.1% for the year ended March 31, 2024, and 2025, respectively)

The value in use is sufficiently higher than the book value of the cash-generating unit, and it is unlikely that the value in use will fall below the book value even if the significant assumptions (discount rate, growth rate) used in calculating the value in use fluctuate within a reasonable range.

13. Intangible Assets

(1) Movement of Acquisition Cost, Accumulated Amortization and Accumulated Impairment Losses and Carrying Amount

The movement of the acquisition cost, accumulated amortization and accumulated impairment losses, and the carrying amount of intangible assets is as follows:

1) Acquisition Cost

Millions of yen

	Intangible assets associated with products	Software	Other	Total
As of April 01, 2023	164,452	19,195	6,022	189,669
Individual acquisitions	12,363	3,148	58	15,570
Acquisitions through business combinations	16,822	—	—	16,822
Sales or disposal	(10,295)	(560)	(50)	(10,906)
Foreign exchange differences on translations	8,444	110	66	8,622
Other	—	(155)	—	(155)
As of March 31, 2024	191,788	21,738	6,096	219,623
Individual acquisitions	29,678	6,015	—	35,694
Acquisitions through business combinations	—	—	—	—
Sales or disposal	(721)	(876)	—	(1,597)
Foreign exchange differences on translations	(484)	12	159	(311)
Other	(2,000)	(400)	—	(2,400)
As of March 31, 2025	218,261	26,489	6,256	251,007

2) Accumulated Amortization and Accumulated Impairment Losses

Millions of yen

	Intangible assets associated with products	Software	Other	Total
As of April 01, 2023	(75,747)	(13,998)	(3,614)	(93,360)
Amortization	(3,728)	(1,858)	(268)	(5,856)
Impairment losses	(12,923)	—	(3)	(12,926)
Reversals of impairment losses	4,663	—	—	4,663
Sales or disposal	9,912	477	11	10,400
Foreign exchange differences on translations	(4,827)	(89)	(20)	(4,937)
Other	—	14	—	14
As of March 31, 2024	(82,650)	(15,455)	(3,895)	(102,001)
Amortization	(4,178)	(1,722)	(252)	(6,154)
Impairment losses	(471)	—	—	(471)
Reversals of impairment losses	217	—	—	217
Sales or disposal	450	529	—	979
Foreign exchange differences on translations	106	(1)	(29)	75
Other	—	—	—	—
As of March 31, 2025	(86,526)	(16,650)	(4,177)	(107,355)

3) Carrying Amount

Millions of yen

	Intangible assets associated with products	Software	Other	Total
As of April 01, 2023	88,704	5,196	2,407	96,309
As of March 31, 2024	109,137	6,282	2,200	117,621
As of March 31, 2025	131,734	9,839	2,078	143,652

Notes:

1. Amortization of intangible assets is included in “Cost of sales,” “Selling and general administrative expenses,” “Research and development expenses,” and “Amortization of intangible assets associated with products” in the consolidated statement of profit or loss.
2. No significant internally generated intangible assets were recognized for the years ended March 31, 2024 and 2025, respectively.

(2) Significant Intangible Assets

Significant intangible assets recognized in the consolidated statement of financial position are as follows. All are included in intangible assets associated with products.

Code No. (Generic name)	As of March 31, 2024	As of March 31, 2025
S-606001(MZE001)	—	23,355
S-743229/S-649228 (Note 1)	17,610	17,401
GRT7039 (Resiniferatoxin)	14,132	14,132
F901318 (Olorofim)	12,966	12,966
BPN14770 (Zatolmilast) (Note 2)	12,035	11,892
S-812217 (Zuranolone)	9,933	9,933

Note:

1. In-process research and development assets identified in connection with the acquisition of Qpex through business combination in July 2023 For details, please refer to "35. Business Combinations."
2. Impairment losses are recorded for the fiscal year ended March 31, 2024. For details, please refer to "(3) Impairment Losses."

(3) Impairment Losses

Intangible assets are generally grouped by the smallest cash-generating unit that produces independent cash inflows. Capitalized development costs, an intangible asset recognized as in-process research and development, and separately recognized marketing rights are tested for impairment individually. Impairment losses associated with intangible assets are included in "Other expenses" in the consolidated statement of profit or loss.

Impairment losses recognized for intangible assets in the fiscal year ended March 31, 2024 were 12,926 million yen (including 12,824 million yen for in-process research and development). This is mainly the impairment loss of 12,404 million yen recorded on intangible assets whose recoverable amount was valued at zero in connection with the revision of the development plan of BPN14770 (Zatolmilast), an in-process research and development asset, identified from the business combination of Tetra Therapeutics Inc., which is in the stage of Phase II testing as a treatment drug for Alzheimer's disease.

Impairment losses recognized for intangible assets in the fiscal year ended March 31, 2025 were 471 million yen. This is mainly associated with the termination of distribution license agreements.

The recoverable amount of in-process research and development was measured at fair value after deducting the disposal cost. Fair value is measured by the excess earnings method, and the significant assumptions used are the likelihood of regulatory approval for pre-launch products, the estimated unit selling prices, the estimated number of patients, which takes into account the market share, and the discount rates used in calculating the current value of excess earnings, which are the elements for sales forecasts after launch. Among these, the discount rate, which was calculated based on the weighted average cost of capital, is between 11.8% and 17.3%. The fair value hierarchy is classified as Level 3. Details of the fair value hierarchy are provided in "30. Financial Instruments."

(4) Reversal of impairment losses

During the fiscal year ended March 31, 2024, with regard to the sales rights for which impairment losses had been recorded in previous years, the recoverable amount was evaluated as the sales prospect improved. As a result, an impairment loss of 4,663 million yen was reversed. The reversal is included in "Other income" in the consolidated statement of profit or loss.

The relevant item is included in intangible assets associated with products, and the recoverable amount was measured at fair value after deducting the disposal cost. Fair value is measured by the excess earnings method, and the significant assumptions used are the estimated unit selling prices, the estimated number of patients taking into account the market share, and the discount rate used in calculating the current value of excess earnings, which are the elements for sales forecasts after launch. Among these, the discount rate, which was calculated based on the weighted average cost of capital, is between 11.6% and 14.1%. The fair value hierarchy is classified as Level 3. Details of the fair value hierarchy are provided in "30. Financial Instruments."

During the fiscal year ended March 31, 2025, the sales rights for which impairment losses had been recorded in previous years were transferred to another company. As a result, 217 million yen was reversed. The reversal is included in "Other income" in the consolidated statement of profit or loss.

14. Investment Property

(1) Movement of Acquisition Cost and Accumulated Depreciation and Accumulated Impairment Losses

The movement of the acquisition cost, accumulated depreciation and accumulated impairment losses of investment property is as follows:

1) Acquisition Cost

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance at beginning of period	26,931	28,330
Acquisitions	1,396	230
Foreign exchange differences on translations	3	5
Other	—	198
Balance at end of period	28,330	28,765

2) Accumulated Depreciation and Accumulated Impairment Losses

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance at beginning of period	(548)	(561)
Depreciation expenses	(11)	(350)
Foreign exchange differences on translations	(2)	(4)
Other	—	(126)
Balance at end of period	(561)	(1,043)

(2) Book Value and Fair Value

The book value and fair value of investment property are as follows.

Millions of yen

	As of March 31, 2024		As of March 31, 2025	
	Book value	Fair value	Book value	Fair value
Investment property	27,768	29,660	27,722	46,121

The fair value of investment properties is mainly the amount based on the valuation by an external real estate appraiser (including those adjusted internally using indicators, etc.).

The fair value hierarchy of investment properties is classified as Level 3 because it contains non-observable inputs. The fair value hierarchy is described in Note “30. Financial Instruments.”

(3) Income and Expenses from Investment Properties

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Rental income	135	1,052
Direct operating expenses	36	838

In the years ended March 31, 2024 and 2025, the amounts of direct operating expenses arising from investment properties that did not generate rental income are immaterial.

15. Capital Expenditure Commitments

The breakdown of commitments for acquisition of assets is as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Property, plant and equipment	3,264	12,329
Intangible assets (Note)	180,451	168,656
Investment property	348	—
Total	184,064	180,985

Note: SHIONOGI has entered into research and development collaborations and in-license agreements of products and technologies with a number of third parties. Under these agreements, SHIONOGI is obliged to make milestone payments upon the achievement of agreed specific objectives or when certain conditions are met as defined in the agreements.
The amounts shown in the table above represent the maximum payments to be made when all milestones are achieved, but impact of discount and other risks are not considered. The possibility of occurrence for all payment obligations is low and actual payment could differ significantly because the achievement of milestones includes high uncertainty.

16. Leases

SHIONOGI has lease contracts for real estate including offices and employee housing, equipment including office automation and security equipment, commercial vehicles, and warehouse facilities in order to replace assets flexibly, reduce asset management administration, and manage capital efficiently. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is considered to be or contain a lease, and SHIONOGI recognizes a right-of-use asset and lease liability at the commencement date of the lease. However, for short-term leases and leases for which the underlying asset is of low value, SHIONOGI expenses lease payments over the lease term using the straight-line method.

Some lease contracts mainly related to real estate include the option to extend or cancel the lease to give SHIONOGI flexibility in managing floor space and personnel.

SHIONOGI makes decisions to exercise the contractual option to extend a lease after comprehensively considering the operational necessity of the leased asset, difficulties in obtaining an alternative asset, and the conditions for exercising the option, and determining that it is necessary to exercise the option. The extended lease term as a result of exercising the option, and the lease payments during that term, are generally the same as or closely approximate the original lease term and payments.

In addition, SHIONOGI makes decisions to exercise the contractual option to terminate a lease in a manner similar to its decisions concerning the contractual option to extend a lease.

SHIONOGI annually reassesses the possibility of exercise of both the option to extend a lease and the option to cancel a lease at the end of each reporting period. The financial impact of this reassessment was immaterial for the fiscal years ended March 31, 2024 and 2025.

SHIONOGI's lease contracts with variable lease payments or residual value guarantees.

The breakdown of right-of-use assets as of March 31, 2024 and 2025 is as follows:

Millions of yen

	Underlying asset			Total
	Buildings and structures	Vehicles	Other	
As of March 31, 2024	7,706	271	1,462	9,440
As of March 31, 2025	17,529	210	1,656	19,395

The movement of right-of-use assets, expenses related to leases, and cash outflows for the years ended March 31, 2024 and 2025 are as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Increase in right-of-use assets	4,554	13,734
Depreciation of right-of-use assets		
Buildings and structures	1,896	2,286
Vehicles	134	133
Other	141	256
Total depreciation of right-of-use assets	2,171	2,676
Interest expenses on lease liabilities	122	227
Expenses relating to short-term leases	49	50
Expenses relating to leases of low-value assets	608	571
Total expenses relating to leases	2,951	3,525
Cash outflows for leases	3,860	3,962

The contract amount for leases that have been concluded during the fiscal year ended March 31, 2024 but have not yet commenced is 11,390 million yen.

A maturity analysis of lease liabilities as of March 31, 2024 and 2025 is described in Note “30. Financial Instruments.”

17. Other Financial Assets

(1) Breakdown

The breakdown of other financial assets is as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Financial assets measured at amortized cost		
Time deposits (over 3 months)	117,116	192,007
Bonds	70,255	48,499
Receivables	31,077	31,454
Other	2,153	2,847
Subtotal	220,603	274,808
Financial assets measured at fair value through profit or loss		
Derivative assets	—	1,256
Investments	3,244	7,261
Other	499	499
Subtotal	3,744	9,017
Financial assets measured at fair value through other comprehensive income		
Equities and investments	283,264	284,583
Other	470	1,414
Subtotal	283,734	285,998
Total	508,082	569,824
Non-current assets	292,321	299,799
Current assets	215,761	270,024

(2) Equity Instruments Measured at Fair Value through Other Comprehensive Income

SHIONOGI designates investments in equities and other instruments held primarily to maintain and strengthen business relationships or transactions with investees as equity instruments designated as measured at fair value through other comprehensive income.

1) Fair Value

The fair value by major issuers is as follows:

(i) As of March 31, 2024

Issuer	Millions of yen
ViiV Healthcare Ltd.	233,943
Toho Holdings Co., Ltd.	12,782
Sumitomo Mitsui Financial Group, Inc.	10,252
Apnimed, Inc.	5,674
Kissei Pharmaceutical Co., Ltd.	3,230
Medipal Holdings Corporation	2,950
StemRim Inc.	2,278
Other	12,622

(ii) As of March 31, 2025

Issuer	Millions of yen
ViiV Healthcare Ltd.	229,993
Toho Holdings Co., Ltd.	15,610
Sumitomo Mitsui Financial Group, Inc.	13,101
Apnimed, Inc.	5,607
Kissei Pharmaceutical Co., Ltd.	3,514
Medipal Holdings Corporation	2,969
Other	15,201

2) Derecognition of Equity Instruments Measured at Fair Value through Other Comprehensive Income

In the fiscal years ended March 31, 2024 and 2025, SHIONOGI derecognized certain equity instruments measured at fair value through other comprehensive income due to following disposal for the main purpose of improving capital efficiency.

The fair value and cumulative gain or loss at disposal are as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Fair value at disposal date	12,921	157
Cumulative gain or (loss)	8,307	56

On derecognition of equity instruments measured at fair value through other comprehensive income, the accumulated gain or loss recognized in ” Other components of equity” in the consolidated statement of financial position is transferred to ” Retained earnings.”

3) Dividend Income

The breakdown of dividend income from equity instruments measured at fair value through other comprehensive income is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Investments held at year-end	34,881	41,250
Investments derecognized during the fiscal year	294	—
Total	35,175	41,250

18. Inventories

The breakdown of inventories is as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Merchandise and finished goods	22,232	25,958
Work in process	25,463	22,250
Raw materials and supplies	17,221	17,268
Total	64,916	65,477

The amounts of inventories recognized as expenses were 57,655 million yen and 63,316 million yen for the fiscal years ended March 31, 2024 and 2025, respectively.

The amounts of inventory write-downs or reversals of write-downs recognized as expenses for the fiscal years ended March 31, 2024 and 2025 were (53) million yen and 509 million yen, respectively.

19. Trade Receivables

The breakdown of trade receivables is as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Notes receivable – trade	257	209
Accounts receivable – trade	122,656	120,891
Allowance for doubtful accounts	(83)	(547)
Total	122,830	120,553

Note: The amount expected to be collected after more than one year from the end of the fiscal year is 14,072 million yen as of March 31, 2024.
The amount expected to be collected after more than one year from the end of the fiscal year is 9,567 million yen as of March 31, 2025.

20. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Cash and cash equivalents	358,090	374,795

21. Other Assets

The breakdown of other assets is as follows:

Million of yen

	As of March 31, 2024	As of March 31, 2025
Long-term prepaid expenses	26,971	25,387
Consumption tax receivable	779	4,088
Advance payments to suppliers	748	1,731
Prepaid expenses	15,465	15,595
Other	20,802	22,719
Total	64,766	69,523
Non-current assets	42,158	41,869
Current assets	22,607	27,653

22. Equity and Other Equity Items

(1) Share Capital

The movement of authorized shares and issued shares is as follows:

(Shares)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Authorized shares	1,000,000,000	3,000,000,000
Issued shares		
Number of shares at beginning of period	307,386,165	307,386,165
Changes during the year	—	582,246,030
Number of shares at end of period	307,386,165	889,632,195

Notes:

1. All shares issued by the Company are ordinary shares with no par value. They have no restrictions on any rights and are fully paid up.
2. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024.
3. The changes in the number of issued shares during the fiscal year ended March 31, 2025 consisted of an increase of 593,088,130 shares due to a stock split and a decrease of 10,842,100 shares due to the cancellation of treasury shares.

(2) Treasury Shares

The movement of treasury shares is as follows:

(Shares)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Number of shares at beginning of period	13,080,279	23,894,588
Changes during the year	10,814,309	15,050,189
Number of shares at end of period	23,894,588	38,944,777

Notes:

1. The changes in the number of treasury shares during the fiscal year ended March 31, 2024 consisted of increases of 10,842,100 shares, 2,209 shares, and 1,800 shares due to the purchase of treasury shares based on a resolution of the Board of Directors, the purchase of fractional shares of less than one voting unit, and free acquisition under the restricted stock-based compensation, respectively, and a decrease of 31,800 shares due to grants under the restricted stock-based compensation.
2. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024.

3. The changes in the number of treasury shares during the fiscal year ended March 31, 2025 consisted of increases of 25,961,756 shares, 2,908 shares, and 2,525 shares due to a stock split, the purchase of fractional shares of less than one voting unit, and free acquisition under the restricted stock-based compensation, respectively, and of decreases of 10,842,100 shares, 74,100 shares, and 800 shares due to the cancellation of treasury shares, grants under the restricted stock-based compensation, and exercise of share acquisition rights, respectively.
4. In September 2022, the Company disposed of 9,000,000 shares (3,000,000 shares before the stock split) of the Company's stock to the Sumitomo Mitsui Trust Bank, Limited's trust account with respect to the Shionogi Infectious Disease Research Promotion Foundation (sub-trustee: Custody Bank of Japan, Ltd. (Trust Account)) and treated the said shares as its treasury shares. Therefore, 9,000,000 shares (3,000,000 shares before the stock split) of the Company's stock held by Sumitomo Mitsui Trust Bank, Limited's trust account (sub-trustee: Custody Bank of Japan, Ltd. (Trust Account)) are included in the balance at the end of the fiscal year ended March 31, 2024 and the fiscal year ended March 31, 2025.

(3) Surplus

1) Capital Surplus

Capital surplus is as follows:

(i) Capital Reserve

The Companies Act of Japan (“Companies Act”) requires that one-half or more of the proceeds from the issuance of shares shall be credited to share capital, and the remaining proceeds shall be credited to capital reserve incorporated in capital surplus.

(ii) Other Capital Surplus

The surplus arising from certain equity transactions and reversals of share capital and capital reserve are recognized in other capital surplus.

2) Retained Earnings

Retained earnings are as follows:

(i) Legal Reserve

The Companies Act provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals to 25% of share capital. Some overseas subsidiaries are also subject to similar reserve regulations in their country of domicile.

(ii) Other Retained Earnings

Other retained earnings represent accumulated profit for SHIONOGI.

(4) Other Components of Equity

The breakdown and movement of other components of equity are as follows:

Millions of yen

	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Share of other comprehensive income of investments accounted for using equity method	Total
As of April 1, 2023	136,191	—	51,151	(1,313)	—	186,030
Amounts arising during the year	19,005	2,066	77,971	(18,125)	112	81,029
Reclassification adjustments to profit or loss	—	—	(83)	18,854	—	18,770
Tax effects	(4,331)	(632)	(1,053)	(222)	—	(6,240)
Total other comprehensive income (loss), net of tax	14,673	1,434	76,835	505	112	93,560
Attributable to non-controlling interests	—	—	612	—	—	612
Total other comprehensive income (loss), net of tax attributable to owners of parent	14,673	1,434	76,223	505	112	92,948
Transfer to retained earnings	(5,765)	(1,434)	—	—	—	(7,199)
As of March 31, 2024	145,099	—	127,374	(807)	112	271,778
Amounts arising during the year	(2,710)	(847)	6,366	(12)	(53)	2,742
Reclassification adjustments to profit or loss	—	—	—	1,157	—	1,157
Tax effects	(1,880)	525	(437)	(349)	—	(2,142)
Total other comprehensive income (loss), net of tax	(4,590)	(321)	5,928	794	(53)	1,757
Attributable to non-controlling interests	—	—	930	—	—	930
Total other comprehensive income (loss), net of tax attributable to owners of parent	(4,590)	(321)	4,998	794	(53)	826
Transfer to retained earnings	(2)	321	—	—	—	319
As of March 31, 2025	140,506	—	132,373	(13)	58	272,924

23. Dividends

1) Total Dividends and Dividends per Share

(i) Fiscal year ended March 31, 2024

Resolution	Class of shares	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
Shareholders' meeting held on June 21, 2023	Ordinary shares	22,297	75.00	March 31, 2023	June 22, 2023
Board of Directors meeting held on October 31, 2023	Ordinary shares	22,071	75.00	September 30, 2023	December 1, 2023

Note: The total amount of dividends resolved by the Ordinary General Meeting of Shareholders on June 21, 2023 and the Board of Directors meeting on October 31, 2023 includes 225 million yen of dividends for the Company shares held by the trust of Sumitomo Mitsui Trust Bank, Limited (re-trustee: Custody Bank of Japan, Ltd. (Trust Account)) for Shionogi Infectious Disease Research Promotion Foundation.

(ii) Fiscal year ended March 31, 2025

Resolution	Class of shares	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
Shareholders' meeting held on June 20, 2024	Ordinary shares	24,351	85.00	March 31, 2024	June 21, 2024
Board of Directors meeting held on October 28, 2024	Ordinary shares	24,357	85.00	September 30,2024	December 2, 2024

Note:

1. The total amount of dividends resolved by the Ordinary General Meeting of Shareholders on June 20, 2024 and Board of Directors meeting on October 28, 2024 includes 255 million yen of dividends for the Company shares held by the trust of Sumitomo Mitsui Trust Bank, Limited (re-trustee: Custody Bank of Japan, Ltd. (Trust Account)) for Shionogi Infectious Disease Research Promotion Foundation.
2. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Dividends per share are stated based on the dividend amount before the stock split.

2) Dividends Declared for Which the Effective Date was in the Following Fiscal Year

(i) Fiscal year ended March 31, 2024

Resolution	Class of Shares	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
Shareholders' meeting held on June 20, 2024	Ordinary shares	24,351	85.00	March 31, 2024	June 21, 2024

Note: The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 20, 2024 includes 255 million yen of dividends for the Company's shares held by the trust (re-trustee: Custody Bank of Japan, Ltd. (Trust Account)) of Sumitomo Mitsui Trust Bank, Limited in relation to the Shionogi Infectious Disease Research Promotion Foundation.

(ii) Fiscal year ended March 31, 2025

Resolution	Class of Shares	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
Shareholders' meeting held on June 18, 2025	Ordinary shares	28,369	33.00	March 31, 2025	June 19, 2025

Note:

1. The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 18, 2025 includes 297 million yen of dividends for the Company's shares held by the trust (re-trustee: Custody Bank of Japan, Ltd. (Trust Account)) of Sumitomo Mitsui Trust Bank, Limited in relation to the Shionogi Infectious Disease Research Promotion Foundation.
2. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. 1. The dividends per share are stated based on the dividend amount after the stock split.

24. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Financial liabilities measured at amortized cost:		
Other payables	24,551	18,751
Other	452	319
Subtotal	25,004	19,070
Financial liabilities measured at fair value through profit or loss:		
Derivative liabilities	5,670	570
Contingent consideration	8,092	6,708
Subtotal	13,763	7,278
Total	38,767	26,349
Non-current liabilities	7,649	8,258
Current liabilities	31,118	18,091

25. Employee Benefits

(1) Retirement Benefits

The Company has a defined benefit pension plan known as a cash balance plan under which the pension benefits are determined in accordance with market interest rates, and the Company also has a lump-sum payment plan and a defined contribution pension plan (with optional prepaid retirement benefits). Certain domestic consolidated subsidiaries have lump-sum payment plans and defined contribution pension plans. In addition, other certain consolidated subsidiaries have defined contribution pension plans.

Plan assets are managed under the assumption of sound management but are exposed to investment risks related to financial instruments. In addition, defined benefit obligations are measured based on various actuarial assumptions such as the discount rate, etc. and are therefore exposed to the risk of changes in those assumptions.

The defined contribution pension plan is a post retirement benefit plan in which the employer contributes specified amounts to independent entities and does not bear any legal or presumptive liability for payments in excess of the contributed amount.

1) Defined Benefit Plans

(i) Retirement Benefit Liability and Asset

The breakdown of retirement benefit liability and asset is as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Funded plans:		
Present value of defined benefit plan obligations	36,056	32,324
Fair value of plan assets	(75,487)	(72,145)
Subtotal	(39,430)	(39,821)
Effect of the asset ceiling (Note)	39,995	39,821
Subtotal	564	—
Unfunded plans:		
Present value of defined benefit plan obligations	7,430	8,018
Subtotal	7,430	8,018
Net amount of retirement benefit (asset) liability	7,994	8,018
Amounts in the consolidated statement of financial position		
Retirement benefit liability	7,994	8,018
Retirement benefit asset	—	—

Note: Some of SHIONOGI's defined benefit plans set an asset ceiling and calculate liabilities because future economic benefits will not be available in the form of no refunds from or no reductions in contributions.

(ii) Defined Benefit Plan Obligations

The movement of the present value of defined benefit plan obligations is as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Balance at beginning of period	53,930	43,486
Current service cost	1,362	1,163
Interest cost	613	624
Remeasurements of defined benefit plans:		
Changes in financial assumptions	(1,375)	(2,719)
Experience adjustments	(2,660)	2,749
Benefits paid	(8,384)	(4,961)
Balance at end of period	43,486	40,343

Significant actuarial assumptions used to determine the present value of defined benefit plan obligations are as follows:

	As of March 31, 2024	As of March 31, 2025
Discount rates	1.1-1.6%	1.8-2.3%

The effect of changes in significant actuarial assumptions (discount rates) on the defined benefit plan obligations at the end of the reporting period is as follows. This sensitivity analysis assumes that all other assumptions are held constant.

Millions of yen

	As of March 31, 2024	As of March 31, 2025
0.5% increase in discount rates	(1,995)	(1,697)
0.5% decrease in discount rates	2,161	1,842

In addition, the weighted average durations of defined benefit plan obligations were 15.9 years on March 31, 2024 and 15.8 years on March 31, 2025.

(iii) Plan Assets

The movement of the fair value of plan assets is as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Balance at beginning of period	77,663	75,487
Interest income	893	1,078
Benefits paid	(5,373)	(4,105)
Contributions to the plans by employer	1,300	1,246
Remeasurements of defined benefit plans:		
Return on plan assets	1,003	(1,560)
Balance at end of period	75,487	72,145

Note: SHIONOGI plans to contribute 681 million yen to the defined benefit plans for the fiscal year ending March 31, 2026.

The breakdown of fair value of plan assets by asset class is as follows:

Millions of yen

	As of March 31, 2024			As of March 31, 2025		
	Quoted Prices in Active Markets			Quoted Prices in Active Markets		
	Yes	No	Total	Yes	No	Total
Equities	5,075	—	5,075	4,458	—	4,458
Bonds	19,146	—	19,146	19,711	—	19,711
General accounts	—	18,578	18,578	—	18,780	18,780
Other	—	32,687	32,687	—	29,195	29,195
Total	24,221	51,265	75,487	24,169	47,976	72,145

Notes:

1. General accounts are accounts with guaranteed expected interest rates and capital by life insurance companies.
2. "Other" mainly includes alternatives.
3. The defined benefit pension plan stipulates regular contributions at least once annually. Contributions are calculated to enable the financial balance between expected future benefit expenses and expected returns on plan assets based on expected interest rates, expected mortality rates, expected withdrawal rates and the rates that serve as the basis of the calculation of expected expenses for other required benefits. Also, contributions are recalculated every five years. In addition, an additional contribution is required if the reserve fund for benefits is less than the minimum reserve criteria.

   Plan assets are legally independent from SHIONOGI. The asset management trustee is responsible for the plan assets, has a fiduciary obligation to pension plan members, and has fund management obligations that include diversified investment. Conflicts of interest are prohibited.

   Plan assets are managed to secure the necessary total returns over the long-term within acceptable risk levels to ensure payments of pension benefits in the future. The acceptable risk level of uncertainty in the return rate on the plan assets is derived from a detailed study considering the mid- to long-term trends and the changes in income such as contributions and benefit payments. Based on policies and studies, after consideration of issues such as the expected rate of return and risks, the asset management trustee formulates a basic asset mix which aims at an optimal portfolio on a long-term basis with the selection of appropriate investment assets.

(iv) Effect of the Asset Ceiling

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Balance at beginning of period	36,600	39,995
Interest income	420	571
Remeasurement of asset ceiling:		
Changes in the effect of asset ceiling on net defined benefit plans	2,973	(745)
Balance at end of period	39,995	39,821

2) Defined Contribution Plans

SHIONOGI recognized defined contribution costs in the amounts of 4,833 million yen and 4,651 million yen for the years ended March 31, 2024 and 2025, respectively.

(2) Other Employee Benefit Expenses

Personnel expenses included in the consolidated statement of profit or loss totaled 74,879 million yen and 76,202 million yen for the years ended March 31, 2024 and 2025, respectively.

26. Share-based Payment

The Company has implemented a share option plan and a restricted share-based remuneration plan. The Company has also implemented a cash-settled share-based payment linked to the Company's share price for corporate officers who reside overseas.

(1) Share Option Plan

The Company issued share acquisition rights in the form of share options to directors and corporate officers as incentives for them to enhance corporate value and improve medium- to long-term business performance because they share with shareholders of the Company both the benefits of share price appreciation and the risk of share price declines. The Company replaced the share options plan with a restricted share-based remuneration plan in 2018 and did not issue share options during the years ended March 31, 2024 and 2025.

(a) Outline of Share Option Plan

	Options Granted (Shares)	Exercise Price (Yen)	Recipients	Grant Date	Exercise Period
Share acquisition rights granted in 2011	156,600	1	3 directors 9 corporate officers	July 11, 2011	From July 12, 2011 to July 11, 2041
Share acquisition rights granted in 2012	237,300	1	2 directors 11 corporate officers	July 12, 2012	From July 13, 2012 to July 12, 2042
Share acquisition rights granted in 2013	131,700	1	2 directors 12 corporate officers	July 11, 2013	From July 12, 2013 to July 11, 2043
Share acquisition rights granted in 2014	127,200	1	2 directors 11 corporate officers	July 10, 2014	From July 11, 2014 to July 10, 2044
Share acquisition rights granted in 2015	63,300	1	3 directors 11 corporate officers	July 9, 2015	From July 10, 2015 to July 9, 2045
Share acquisition rights granted in 2016	51,900	1	3 directors 10 corporate officers	July 8, 2016	From July 9, 2016 to July 8, 2046
Share acquisition rights granted in 2017	57,900	1	3 directors 12 corporate officers	July 7, 2017	From July 8, 2017 to July 7, 2047

Note: Options granted are presented as converted into number of shares.

The plan has no vesting conditions.

During the exercise period, recipients can only exercise granted share acquisition rights at one time within 10 days from the date directors lose their position, the date corporate officers retire or their employment contracts with the Company terminate.

The number of shares to be issued per share acquisition rights is 100 shares. However, when the Company conducts its ordinary shares split (including gratis allotment of ordinary shares of the Company) or a reverse stock split, the number of granted shares will be adjusted according to a specified formula.

As a result of the 3-for-1 split of common stock on October 1, 2024 based on the resolution of the Board of Directors of the Company held on August 30, 2024, the number of options granted has been adjusted.

(b) Movement of the number of share options and their weighted average exercise prices is as follows:

	Fiscal year ended March 31, 2024		Fiscal year ended March 31, 2025	
	Number of Options	Weighted Average Exercise Price (Yen)	Number of Options	Weighted Average Exercise Price (Yen)
Outstanding at the beginning of the year	1,008	1	1,008	1
Granted	–	–	–	–
Exercised	–	–	8	1
Forfeited or expired	–	–	–	–
Outstanding at the end of the year	1,008	1	1,000	1
Exercisable at the end of the year	1,008	1	1,000	1

Note: The weighted average remaining contractual terms as of March 31, 2024 and 2025 were 19.8 years and 18.7 years, respectively.

(c) Measurement of Fair Value of Share Options Granted during the Reporting Period

No share options were granted during the fiscal years ended March 31, 2024 and 2025.

(2) Restricted Share-based Remuneration Plan

The Company has implemented a restricted share-based remuneration plan, granting incentives to directors other than outside directors and to corporate officers and organization head of the Company (collectively, eligible officers) with the aim of achieving medium- to long-term performance targets and participating in shareholder value.

(a) Outline of Restricted Share-based Remuneration Plans

This plan consists of "Long-term share-based remuneration," which is conditional on eligible officers remaining in the Company for a specified period of time as a director or corporate officer not concurrently serving as a director, and "Medium-term performance-linked share-based remuneration," which is conditional on the achievement of performance conditions aimed at improving the corporate value of the Company over the medium to long term in addition to the vesting condition described above.

Eligible officers make contributions in kind, with all the monetary compensation receivables awarded by the Company, and in turn receive ordinary shares in the Company that are newly issued or disposed of from treasury.

In addition, when issuing or disposing of the Company's ordinary shares under this plan, it is conditional on the agreement on allotment of restricted shares between the Company and the eligible officers, which includes the following items 1) to 4) and so on.

1) The transfer, pledge or other disposal of shares to a third-party is prohibited for a specified period of time.
2) Under certain circumstances, the Company will acquire all or part of the restricted shares without payment of consideration.
3) Eligible officer has held any of the positions of director, corporate officer, or organization head who does not concurrently serve as director throughout the restriction period.
4) As for the "Medium-term performance-linked share-based remuneration," adding to the condition of 3) above, the Company shall lift the transfer restriction for vested shares of which the number is determined based on the level of achievement of the performance conditions, originally set by the Board of Directors meeting, such as Return on Equity (ROE), etc., at the end of the restriction period.

The transfer restriction period is 30 years for "Long-term share-based remuneration" for which the primary objective is to allow eligible officers to participate in shareholder value, and 3 years for "Medium-term performance-linked share-based remuneration" for which the primary objective is to incentivize eligible officers to achieve the performance targets of medium-term management plans.

The transfer restrictions are lifted immediately when a director, corporate officer, or organization head who does not concurrently serve as director, steps down or retires due to the expiration of their term of office, compulsory retirement or any other legitimate reasons.

The measurement of fair value is based on the closing price of the company's common stock at the Tokyo Stock Exchange Prime Market on the business day prior to the date of each resolution at the Board of Directors' meeting (when no trading is made on the day, the most recent closing price before the resolution).

(b) Shares Granted during the Reporting Period and Fair Value

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Grant date	July 20, 2023	July 19, 2024
Shares granted:		
Long-term share-based remuneration	19,300 shares	27,800 shares
Medium-term share-based remuneration	12,500 shares	46,300 shares
Fair value at grant date	6,147 yen	6,068 yen

(3) Share-based Remuneration Expenses

The breakdown of share-based remuneration expenses is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Equity-settled	196	447
Cash-settled	6	—
Total	202	447

Note: Cash-settled share-based remuneration pays the difference between exercise price and share price on the date of exercise in cash to corporate officers who reside overseas. During the exercise period, the corporate officer can only exercise at one time, up to 10 days subsequent to the day after the retirement of the corporate officer.
The carrying amount of liabilities arising from cash-settled remuneration plans were 60 million yen as of March 31, 2024 and 2025, respectively.

27. Trade Payables

The breakdown of trade payables is as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Trade payables	14,808	13,579

28. Government Grants

Government grants related to assets recognized as deferred income included in "Other non-current liabilities" and "Other current liabilities" in the consolidated statement of financial position are as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Other non-current liabilities	1,530	3,925
Other current liabilities	2	2

Government grants related to assets are mainly received for the purchase of property, plant and equipment.
No outstanding conditions or other contingencies are associated with these above government grants.

Government grants related to income are mainly related to R&D activities. The amounts of 6,969 million yen and 3,494 million yen were deducted from R&D expenses for the years ended March 31, 2024 and 2025, respectively.

29. Other Liabilities

The breakdown of other liabilities is as follows:

Million of yen

	As of March 31, 2024	As of March 31, 2025
Accrued bonuses	11,288	11,663
Accrued paid absences	2,958	2,969
Refund liabilities	2,785	3,589
Accrued expenses	14,627	15,954
Taxes and dues payables	3,223	4,310
Deposits	1,159	1,370
Other	29,914	36,362
Total	65,958	76,220
Non-current liabilities	1,691	4,363
Current liabilities	64,267	71,857

30. Financial Instruments

(1) Capital Management

The fundamental principles of SHIONOGI's capital risk management are to build and retain a steady financial base for the purpose of maintaining soundness and efficiency of operations and achieving sustainable growth.

According to these principles, SHIONOGI conducts business investment, profit distribution such as dividends, and repayment of borrowings based on steady operating cash flows through the development and sales of competitive products.

SHIONOGI uses the following primary indicators for capital management:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Return on equity attributable to owners of parent (ROE)	13.9%	13.1%
Ratio of equity attributable to owners of parent to total assets	87.2%	88.7%
Ratio of fair value of equity attributable to owners of parent to total assets	155.1%	124.4%

(2) Financial Risk Management

SHIONOGI is exposed to financial risks including credit risk, liquidity risk, foreign exchange risk, and market price fluctuation risk, etc. in the course of conducting its business activities, and manages risks based on its policy to avoid or mitigate these risks.

In addition, SHIONOGI obtains necessary funding primarily through bank borrowings and bond issuance based on its business plan for its main business, the production and sales of pharmaceuticals. Temporary surplus funds are managed through the investment in lower-risk financial assets. Derivatives are utilized for mitigating the risks described in latter part of this note, and not utilized for speculative purpose.

(3) Credit Risk

Notes and accounts receivable included in trade receivables are exposed to the credit risk of customers. In accordance with the internal procedures determined by the Company, the Finance & Accounting Department and related departments of the Company periodically monitor the conditions of major customers, manage the collection due dates and balances for each customer and try to identify credit risk of customers with worsening financial conditions at the early stage and mitigate the risk. Consolidated subsidiaries perform the similar credit risk management in accordance with the internal rules of the Company. The amount of trade receivables due from the largest customers comprises 70.3% and 58.8% as of March 31, 2024 and 2025, respectively.

Derivative transactions are also exposed to the credit risk of counterparty. The Company enters into derivative transactions with only financial institutions with high credit ratings to mitigate the counterparty risk.

SHIONOGI's maximum exposure to credit risk as of March 31, 2024 and 2025 is represented by the carrying amount after impairment of financial assets exposed to credit risk shown in the consolidated statement of financial position.

The maximum exposure to credit risk arising from the financial guarantee contracts is the amount of guarantee obligation as described in "34. Contingent Liabilities."

1) Recognition and Measurement of Allowance for Doubtful Accounts

SHIONOGI calculates the allowance for doubtful accounts for trade receivables, lease receivables and other financial assets. A financial asset is treated as credit-impaired if terms and conditions for repayment stipulated by contract cannot be fulfilled.

(i) Trade Receivables and Lease Receivables

Allowance for doubtful accounts is recognized at an amount equal to the lifetime expected credit losses, and is estimated based on past credit loss experience for similar assets.

(ii) Other Financial Assets

Allowance for doubtful accounts is generally recognized at an amount equal to the 12-month expected credit losses, and is estimated based on past credit loss experience for similar assets.

However, in principle, credit risk is considered to have increased significantly since initial recognition if repayment is overdue more than 30 days, and allowance for doubtful accounts is recognized at an amount equal to the lifetime expected credit losses. Allowance for doubtful accounts is estimated based on the recoverability of each individual asset.

All financial assets with particular collection risk due to extended default or insolvency or legal and formal bankruptcy proceedings on the part of the debtor are treated as credit-impaired financial assets. The allowance for doubtful accounts is recognized at an amount equal to lifetime expected credit losses for the entire period and is estimated based on the recoverability of each individual asset.

For any amount that is clearly unrecoverable in the future, the carrying amount of the financial asset is directly reduced, and the corresponding amount of allowance for doubtful accounts is also reversed.

2) Movement of Allowance for Doubtful Accounts

The movement of allowance for doubtful accounts during the fiscal years ended March 31, 2024 and 2025 is as follows:

(i) Allowance for Doubtful Accounts on Trade Receivables and Lease Receivables

Millions of yen

	Allowance for Doubtful Accounts on Trade Receivables and Lease Receivables		
	Credit Unimpaired	Credit Impaired	Total
As of April 1, 2023	(48)	—	(48)
Increases during the period	(83)	—	(83)
Decreases during the period (Utilized)	—	—	—
Decreases during the period (Reversed)	48	—	48
As of March 31, 2024	(83)	—	(83)
Increases during the period	(69)	(478)	(547)
Decreases during the period (Utilized)	—	—	—
Decreases during the period (Reversed)	83	—	83
As of March 31, 2025	(69)	(478)	(547)

(ii) Allowance for Doubtful Accounts for Other Financial Assets and Financial Guarantee Contracts

Millions of yen

	Allowance for Doubtful Accounts for Other Financial Assets and Financial Guarantee Contracts		
	Credit Unimpaired	Credit Impaired	Total
As of April 1, 2023	—	—	—
Increases during the period	—	(275)	(275)
Decreases during the period (Utilized)	—	—	—
Decreases during the period (Reversed)	—	—	—
As of March 31, 2024	—	(275)	(275)
Increases during the period	—	—	—
Decreases during the period (Utilized)	—	—	—
Decreases during the period (Reversed)	—	—	—
As of March 31, 2025	—	(275)	(275)

In the fiscal years ended March 31, 2024 and 2025, no significant increases or decreases occurred in the gross carrying amount of any assets that could affect the changes in allowance for doubtful accounts.

(4) Liquidity Risk

Liquidity risk is the risk that SHIONOGI will be unable to fulfill repayment obligations for financial liabilities due. The Company manages liquidity risk by having the Finance & Accounting Department prepare and update a timely cash flow plan based on reports from business units.

Major financial liabilities by contractual maturities are as follows:

(i) As of March 31, 2024

Millions of yen

	Carrying Amount	Contractual Cash Flow	Within 1 Year	After 1 Year but Not More Than 2 Years	After 2 Years but Not More Than 3 Years	After 3 Years but Not More Than 4 Years	After 4 Years but Not More Than 5 Years	More Than 5 Years
Non-derivative financial liabilities:								
Other financial liabilities	33,097	33,097	25,447	4,892	296	12	0	2,447
Trade payables	14,808	14,808	14,808	—	—	—	—	—
Lease liabilities	11,620	11,620	2,867	2,959	1,277	977	639	2,899
Derivative liabilities	5,670	5,670	5,670	—	—	—	—	—
Total	65,197	65,197	48,795	7,852	1,573	989	640	5,347

(ii) As of March 31, 2025

Millions of yen

	Carrying Amount	Contractual Cash Flow	Within 1 Year	After 1 Year but Not More Than 2 Years	After 2 Years but Not More Than 3 Years	After 3 Years but Not More Than 4 Years	After 4 Years but Not More Than 5 Years	More Than 5 Years
Non-derivative financial liabilities:								
Other financial liabilities	25,779	26,771	17,549	2,187	5,480	1	0	1,552
Trade payables	13,579	13,579	13,579	—	—	—	—	—
Lease liabilities	21,883	23,364	3,464	4,001	2,579	2,181	2,057	9,080
Derivative liabilities	570	570	542	27	—	—	—	—
Total	61,813	64,286	35,136	6,216	8,060	2,183	2,058	10,632

The cash flows included in the maturity analysis are not expected to occur significantly earlier or in significantly different amounts.

Financial guarantee contracts are not included above. The financial guarantee contracts are subject to payment obligations based on their performance claims. The maximum amount based on performance claims is the amount of the guarantee obligations as stated in Note "34. Contingent Liabilities."

(5) Market Risk

1) Foreign Exchange Risk

SHIONOGI operates internationally, and therefore has trade receivables and payables, forecasted transactions, and loans receivable and long-term loans to Group companies denominated in foreign currencies that are exposed to the risks arising from changes in foreign exchange rates. The Company hedges trade receivables and payables denominated in foreign currencies by using forward foreign exchange contracts and currency option contracts to mitigate the risks of foreign exchange fluctuations identified by currency.

(i) Exposure to Currency Risk

Exposure to currency risk (net) is as follows. The amount of currency risk hedged with derivative transactions is excluded.

	As of March 31, 2024	As of March 31, 2025
USD (Thousands of USD)	22,745	21,207
EUR (Thousands of EUR)	49,482	61,363
CNY (Thousands of CNY)	13,900	28,483
GBP (Thousands of GBP)	178,847	380,922
TWD (Thousands of TWD)	135,027	106,293

(ii) Foreign Exchange Sensitivity Analysis

The following sensitivity analysis for financial instruments denominated in foreign currencies held as of the end of each fiscal year shows the impact from a ¥1.00 appreciation on profit before income taxes. This sensitivity analysis assumes that all other assumptions are held constant.

Millions of yen

	As of March 31, 2024	As of March 31, 2025
USD	(22)	(21)
EUR	(49)	(61)
CNY	(13)	(28)
GBP	(178)	(380)
TWD	(135)	(106)

2) Market Price Fluctuation Risk

SHIONOGI holds bonds and the equity instruments of business partners, and is therefore exposed to the risk of market price fluctuations. SHIONOGI manages the fair value and financial status of issuers (business partners) on a regular basis, and continuously reviews the status of equity holdings.

(6) Fair Values of Financial Instruments

1) Comparison between Fair Value and Carrying Amount

Millions of yen

	As of March 31, 2024		As of March 31, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments measured at amortized cost:				
Debt securities (non-current)	2,755	2,902	1,999	2,019

The fair value of debt securities (non-current) is mainly determined by quoted market price or price offered by financial institutions.
The fair value of financial assets other than the above approximates carrying amount.

2) Fair Value Hierarchy

The fair value hierarchy of financial instruments is classified as follows:
Level 1: Fair value measured at quoted market prices in an active market without adjustment;
Level 2: Fair value measured at directly or indirectly observable prices other than the quoted prices included in Level 1;
Level 3: Fair value measured using valuation techniques that include unobservable inputs
Transfers between levels are recognized on the date when the event or change in circumstances that caused the transfer occurred.

(i) As of March 31, 2024

Millions of yen

	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets measured at amortized costs:				
Debt securities (non-current)	2,146	—	756	2,902
Financial assets measured at fair value through profit or loss:				
Investments	—	—	3,244	3,244
Other	—	—	499	499
Subtotal	—	—	3,744	3,744
Financial assets measured at fair value through other comprehensive income:				
Shares and investments	35,685	—	247,579	283,264
Other	—	—	470	470
Subtotal	35,685	—	248,049	283,734
Total	37,831	—	252,550	290,382
Financial Liabilities				
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities	—	5,670	—	5,670
Contingent consideration	—	—	8,092	8,092
Total	—	5,670	8,092	13,763

(ii) As of March 31, 2025

Millions of yen

	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets measured at amortized costs:				
Debt securities (non-current)	2,019	—	—	2,019
Financial assets measured at fair value through profit or loss:				
Derivative assets	—	—	1,256	1,256
Investments	—	—	7,261	7,261
Other	—	—	499	499
Subtotal	—	—	9,017	9,017
Financial assets measured at fair value through other comprehensive income:				
Shares and investments	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 profit or loss:				
Derivative liabilities	—	570	—	570
Contingent consideration	—	—	6,708	6,708
Total	—	570	6,708	7,278

Notes:

1. Level 1 financial assets include listed shares.
2. Level 2 financial liabilities are derivative financial liabilities such as forward foreign exchange contracts. Fair values of these financial liabilities are calculated based on the prices offered by financial institutions.
3. Level 3 financial assets are mainly unlisted shares and investments. Fair values of these assets are calculated using valuation techniques based on net asset value, discounted future cash flows or other valuation techniques. Fair value is calculated after a responsible person(s) determines the valuation technique that can appropriately reflect the risk, characteristics, and nature of the asset in accordance with the relevant internal regulations or using an external valuation expert. Unobservable inputs such as future cash flows and discount rates, etc. are used to measure fair value. 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.

Millions of yen

	Peak sales of products	
	+1%	-1%
As of March 31, 2024	700	(700)
As of March 31, 2025	1,356	(1,550)

In addition, the weighted average cost of capital between 8.9% and 9.1% for the fiscal year ended March 31, 2024 and between 8.4% and 8.5% for the fiscal year ended March 31, 2025 was employed. When the weighted average cost of capital rises (declines), the fair value tends to decrease (increase). The effects on fair value as of March 31, 2024 and 2025 when the weighted-average cost of capital is increased or decreased by 1% are as follows.

Millions of yen

	Weighted-average Cost of Capital	
	+1%	-1%
As of March 31, 2024	(5,160)	5,542
As of March 31, 2025	(4,844)	5,037

4. The contingent consideration represents milestone payments based on the status of research and development, and its fair value is calculated in consideration of the possibility of success of the research and development and the time value of money. Fair value increases when research and development, a significant non-observable input, has a greater likelihood of success.

3) Reconciliation of Level 3 Financial Instruments at the Beginning and End of the Reporting Period

A reconciliation of fair value at the beginning and end of the reporting period of financial instruments classified as Level 3 in the fair value hierarchy is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance at beginning of period	205,493	251,794
Total gain or loss:		
Profit (loss) (Note 1)	(463)	(190)
Other comprehensive income (Note 2)	38,585	(4,004)
Purchases	8,535	7,756
Sales	(9)	—
Transfers to Level 3 (Note 3)	—	359
Transfers from Level 3 (Note 4)	(250)	(611)
Other	(98)	(365)
Balance at end of period	251,794	254,737

Changes in unrealized gains and losses recognized in profit or loss for assets held at the end of reporting period	(463)	(190)

Notes:

1. Included in ” Finance income” and ” Finance costs” in the consolidated statement of profit or loss
2. Included in ” Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income” and ” Exchange differences on translation of foreign operations” in the consolidated statement of comprehensive income.
3. Transfer due to the delisting of the shares held
4. Transfer due to the listing of the shares held

(7) Derivatives and Hedge Accounting

The Company uses forward foreign exchange contracts, currency option contracts and interest rate option contracts to hedge foreign exchange fluctuation risk associated with monetary claims and liabilities denominated in foreign currencies and forecasted transactions. The maximum period for which cash flow fluctuations due to foreign exchange fluctuation risk are hedged is approximately 14 months.

Regarding derivative transactions, the Company enters into forward foreign exchange contracts and currency option contracts within the normal scope of transactions in accordance with internal procedures. The Finance & Accounting Department conducts the transactions, and regularly reports results to the Board of Directors meeting to manage transaction information. Consolidated subsidiaries do not engage in derivative transactions.

When applying hedge accounting, in principle, the Company confirms the existence of an economic relationship between the hedged item and the hedging instrument, through qualitative assessment of whether significant terms and conditions of the hedged item match or conform closely to those of the hedging instrument, in order to ensure that the hedged item and the hedging instrument have an economic relationship in which changes in the fair value or cash flows of the hedged item that is attributable to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument. The Company performs highly effective hedging, and therefore generally expects that no significant ineffective portion should arise.

In addition, the Company sets an appropriate hedging ratio in light of the economic relationship between the hedging instrument and the hedged item and the risk management strategy.

1) Effect of Hedge Accounting on the Consolidated Statement of Financial Position

Significant derivatives designated as hedging instruments as of March 31, 2024 and 2025 are as follows:

(i) As of March 31, 2024

Hedged Risk	Hedging Instrument	Contract Amount (Total)	Expected Rate (Average)	Carrying Amount (Millions of yen)	
				Derivative Assets	Derivative Liabilities
Foreign Exchange Rate Fluctuation Risk	Forward Foreign Exchange Contracts: GBP sell/JPY buy	GBP 690,000 thousands	JPY 178.92/GBP	—	5,583
	Total			—	5,583

(ii) As of March 31, 2025

Hedged Risk	Hedging Instrument	Contract Amount (Total)	Expected Rate (Average)	Carrying Amount (Millions of yen)	
				Derivative Assets	Derivative Liabilities
Foreign Exchange Rate Fluctuation Risk	Forward Foreign Exchange Contracts: GBP sell/JPY buy	GBP 1,055,000 thousands	JPY 188.31/GBP	—	570
	Total			—	570

Derivative assets and liabilities are included in ” Other financial assets” or ” Other financial liabilities” in the consolidated statement of financial position.

” Effective portion of cash flow hedges” related to ongoing hedging as of March 31, 2024 and 2025 is as follows:

Millions of yen

Hedged Risk	As of March 31, 2024	As of March 31, 2025
Foreign Exchange Rate Fluctuation Risk	(807)	(13)

Information on changes in fair value of hedged items and hedging instruments used as the basis for recognition of the ineffective portion of hedges has been omitted because the amounts of the ineffective portion of hedges recognized in profit or loss for the fiscal years ended March 31, 2024 and 2025 were not material.

2) Effect of Hedge Accounting on the Consolidated Statement of Profit or Loss and the Consolidated Statement of Comprehensive Income

The effects of applying hedge accounting on profit or loss and other comprehensive income for the fiscal years ended March 31, 2024 and 2025 are as follows. The amounts of the ineffective portion of hedges recognized in profit or loss for the fiscal years ended March 31, 2024 and 2025 were not material.

(i) Fiscal year ended March 31, 2024

Millions of yen

Hedged Risk	Gain (Loss) Recognized in Other Comprehensive Income	Reclassification Adjustments from Other Components of Equity into Profit or Loss	Line Item of the Consolidated Statements of Profit or Loss for Reclassification Adjustments
Foreign Exchange Rate Fluctuation Risk	(18,125)	18,854	Revenue and Foreign exchange gain (loss)

(ii) Fiscal year ended March 31, 2025

Millions of yen

Hedged Risk	Gain (Loss) Recognized in Other Comprehensive Income	Reclassification Adjustments from Other Components of Equity into Profit or Loss	Line Item of the Consolidated Statements of Profit or Loss for Reclassification Adjustments
Foreign Exchange Rate Fluctuation Risk	(12)	1,157	Revenue and Foreign exchange gain (loss)

3) Derivative transactions to which hedge accounting is not applied

(i) Fiscal year ended March 31, 2024

Millions of yen

Transaction	Contract amount (Total)	Valuation gain or loss (Millions of yen)
Forward foreign exchange contracts	GBP 25,000 thousands	(271)

(ii) Fiscal year ended March 31, 2025

Not applicable.

(8) Movement of Liabilities Arising from Financing Activities

The movement of liabilities arising from financing activities is as follows:

Millions of yen

	Lease liabilities
As of April 1, 2023	9,411
Cash flows from financing activities	
Repayments of lease liabilities	(3,080)
Changes in non-cash items:	
New leases	4,166
Cancellation of leases	(453)
Other	1,577
As of March 31, 2024	11,620
Cash flows from financing activities	
Repayments of lease liabilities	(3,112)
Changes in non-cash items:	
New leases	13,726
Cancellation of leases	(286)
Other	(64)
As of March 31, 2025	21,883

31. Principal Subsidiaries

(1) Principal subsidiaries

Principal subsidiaries of the Company as of March 31, 2025 are as follows:

No non-controlling interests in a company are material to the Company.

Company name	Location	Main business status	Ownership (%)
Shionogi Pharma Co., Ltd.	Osaka, Japan	Pharmaceutical Business	100
Shionogi Healthcare Co., Ltd.	Osaka, Japan	Pharmaceutical Business	100
Shionogi Techno Advance Research Co., Ltd.	Osaka, Japan	Pharmaceutical Business	100
UMN Pharma Inc.	Akita, Japan	Pharmaceutical Business	100
Shionogi Inc.	New Jersey, U.S.A.	Pharmaceutical Business	100
Tetra Therapeutics Inc. (Official name: Tetra Discovery Partners Inc.)	Michigan, U.S.A.	Pharmaceutical Business	100
Qpex Biopharma, Inc.	California, U.S.A.	Pharmaceutical Business	100
Shionogi B.V.	Amsterdam, Netherlands	Pharmaceutical Business	100
Taiwan Shionogi & Co., Ltd.	Taipei, Taiwan, R.O.C.	Pharmaceutical Business	100
Beijing Shionogi Pharmaceutical Technology Limited	Beijing, China	Pharmaceutical Business	100
Shionogi (Hong Kong) Commerce Limited	Hong Kong, China	Pharmaceutical Business	100
Ping An-Shionogi Co., Ltd.	Shanghai, China	Pharmaceutical Business	100

Notes:

1. Effective as of April 1, 2025, the Company has conducted an absorption-type company split in which UMN Pharma was the splitting company, and Shionogi Pharma was the successor company. The liquidation is scheduled to be completed by the end of FY2025.
2. On April 1, 2025, Ping An-Shionogi (China) Co., Ltd. changed its name to Shionogi China Co., Ltd.

(2) Changes in ownership interest in parent company due to acquisition of non-controlling interest

Fiscal year ended March 31, 2024

SHIONOGI acquired non-controlling interests in Pharmira Co., Ltd., a consolidated subsidiary, making it a wholly owned subsidiary. As a result, capital surplus and non-controlling interests decreased by 961 million yen and 3,752 million yen, respectively.

Fiscal year ended March 31, 2025

SHIONOGI acquired non-controlling interests in its consolidated subsidiaries, Ping An-Shionogi (Hong Kong) Limited and Ping An-Shionogi (China) Co., Ltd., making them wholly owned subsidiaries. As a result, capital surplus increased by 3,607 million yen and non-controlling interests decreased by 16,596 million yen.

32. Equity method Investments

Book value and share of comprehensive income (profit or loss and other comprehensive income) of investments in associates and joint ventures that are not individually significant are as follows:

Millions of yen

	As of March 31, 2024	As of March 31, 2025
Book value of investments accounted for using the equity method		
Associates	137	1,554
Joint ventures	11,251	10,549
Total	11,389	12,104

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Share of profit or loss		
Associates	5	5
Joint ventures	(128)	(773)
Subtotal	(123)	(768)
Share of other comprehensive income		
Associates	—	—
Joint ventures	112	(53)
Subtotal	112	(53)
Share of comprehensive income		
Associates	5	5
Joint ventures	(16)	(826)
Total	(11)	(821)

33. Related Parties

(1) Transactions with Related Parties

Transactions, payables and receivables with related parties have been omitted because they were not material in the years ended March 31, 2024 and 2025.

(2) Remuneration for Key Management Personnel

Remuneration for key management personnel is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Basic remuneration	351	376
Bonuses	156	136
Share-based remuneration	117	134
Total	625	647

34. Contingent Liabilities

The Company guarantees the obligations of the following company.

Millions of yen

	As of March 31, 2024	As of March 31, 2025
PeptiStar Inc.	9,000	9,000

Notes:

1. The obligation is based on the environmental improvement agreement concluded by the Japan Agency for Medical Research and Development (AMED) as Cyclic Innovation for Clinical Empowerment (CiCLE) program.
2. The Company has jointly guaranteed with two companies outside SHIONOGI.

35. Business Combinations

Year ended March 31, 2024

SHIONOGI entered into an agreement to acquire Qpex Biopharma, Inc. (hereinafter "Qpex") on June 25, 2023 and made it a wholly owned subsidiary on July 5, 2023.

1. Outline of business combination

(1) Name and the line of business of the acquired company

Name	Qpex Biopharma, Inc.
Line of business	Research and development of pharmaceuticals in the infectious diseases field
Date of acquisition	July 5, 2023

(2) Main reasons for the business combination

Qpex, which SHIONOGI acquired, is a pharmaceutical company focused on the discovery and development of new antibacterial drugs targeting bacteria with antimicrobial resistance (AMR). It has created xeruborbactam, a boronic acid derivative and a novel β-lactamase inhibitor with a broad inhibitory spectrum against a variety of β-lactamases. Xeruborbactam is currently being developed for the treatment of infections caused by drug-resistant Gram-negative bacteria as part of two combination drugs: OMNIvance®, an injectable formulation in combination with the carbapenem antibiotic meropenem, and ORAvance™, an oral formulation in combination with the cephalosporin antibiotic ceftibuten. In addition to having extensive experience in the discovery and clinical development of new antibiotics, Qpex has also built an extensive external network with regulatory authorities in the United States, including the Biomedical Advanced Research and Development Authority (BARDA).

Qpex's promising pipeline of drugs for AMR, its antibiotic research and development capabilities, and its external network in the United States are aligned with the business direction of our group, and we expect to generate synergies. As a result, we have concluded an agreement to acquire all shares of Qpex and make it a wholly owned subsidiary.

(3) Ratio of voting equity interest acquired

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

2. Fair value of the consideration for the acquired company and its breakdown

Acquisition consideration in cash	16,515 million yen
Fair value of contingent consideration	1,865 million yen
Consideration for acquisition	18,381 million yen

3. Contingent consideration

The contingent consideration represents milestone payments based on the status of achievement of development in the future and may amount to up to USD 40 million.

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

Millions of yen

	Initial provisional fair value	Revised amount	Fair value after revision
Fair value of acquisition consideration	16,097	2,283	18,381
Fair values of assets acquired and liabilities assumed			
Intangible assets (Note 2)	—	16,822	16,822
Cash and cash equivalents	425	10	436
Other current assets	242	—	242
Other non-current assets	0	—	0
Other current liabilities	(422)	(71)	(493)
Deferred tax liabilities	—	(3,684)	(3,684)
Fair values of assets acquired and liabilities assumed (net)	245	13,078	13,323
Goodwill (Note 3)	15,851	(10,794)	5,057
Total	16,097	2,283	18,381

(Notes) 1. At the end of the fiscal year ended March 31, 2024, the fair values of identifiable assets and liabilities on the acquisition date were calculated, and the allocation of the acquisition consideration has been completed.
2. Intangible assets are in-process research and development assets related to products.
3. Goodwill is primarily generated in relation to expected future profitability. None of the recognized goodwill is expected to be deductible for tax purposes.

5. Acquisition-related expenses

176 million yen

Acquisition-related expenses are included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

6. Cash flows associated with the acquisition

Acquisition consideration in cash	16,515 million yen
Cash and cash equivalents received on acquisition date	436 million yen
Expenditures for acquisition of the subsidiary	16,079 million yen

7. Impact on business performance

Profit and loss information relating to the business combination after the acquisition date and profit and loss information assuming that the business combination took place at the beginning of the fiscal year are omitted because the impact on the consolidated statement of profit or loss is immaterial. The profit and loss information as if the business combination had taken place at the beginning of the fiscal year has not been audited by an Independent Accounting Firm.

Fiscal year ended March 31, 2025

Not applicable.

36. Subsequent Events

(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 enter into an agreement regarding its succession 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 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. The agreement was executed on the same day. 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 tender offer started on May 8. 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 splitting 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 cost

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) Accounts 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
(iii)	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

(Significant Company Split)

Effective as of April 1, 2025, the Company carried out an absorption-type company split (the "Absorption-type Split") with UMN Pharma Inc. ("UMN Pharma"), a wholly owned subsidiary of the Company, as the absorbed company, and Shionogi Pharma Co., Ltd. ("Shionogi Pharma"), also a wholly owned subsidiary of the Company, as the successor company.

1.Purpose of this absorption-type company split

In our medium-term management plan, STS2030 Revision, we have set forth enhancement of our vaccine business as part of total care for infectious diseases. 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 that can respond quickly and flexibly, from vaccine production to supply. To strengthen and streamline our vaccine production capabilities, Shionogi Pharma has decided to take over the vaccine production function of UMN Pharma through this absorption-type company split.

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

Major business areas 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 this absorption-type company split, the production functions of UMN Pharma will be assumed by Shionogi Pharma while certain assets such as goodwill and intangible assets will be transferred to the Company. Dissolution of UMN Pharma was resolved at the extraordinary general meeting of shareholders on March 31, 2025, and the liquidation is expected to be completed by the same year. The impact of this absorption-type company split on our consolidated financial statements is expected to be minimal.

(2) Others

1) Interim information for the fiscal year ended March 31, 2025

(Millions of yen)

	Interim fiscal period	Fiscal year ended March 31, 2025
Revenue	213,970	438,268
Profit before income tax	93,833	200,750
Net profit attributable to owners of the parent	83,133	170,435
Basic earnings per share (Yen)	97.74	200.36

Note: In September 2022, the Company disposed of 9 million shares (3 million shares before the stock split) of the Company's stock to the Sumitomo Mitsui Trust Bank, Limited's trust account with respect to the Shionogi Infectious Disease Research Promotion Foundation (sub-trustee: Custody Bank of Japan, Ltd. (Trust Account)) and treated the said shares as its treasury shares. Therefore, the number of these shares has been deducted from the average number of common shares in the calculation of basic earnings per share.

2) Situation after the closing date

The tender offer for Torii Pharmaceutical Co., Ltd., whose purchase period was set to be from May 8, 2025 to June 18, 2025, included a condition that if the total number of shares tendered in the tender offer did not reach the minimum number to be purchased (3,342,000 shares), none of the tendered shares would be purchased. However, the total number of shares tendered has exceeded the minimum number to be purchased. Accordingly, as stated in the public notice of commencement of the tender offer (including amendments made with the amendment to the tender offer registration statement filed on May 28, 2025) and the tender offer registration statement (including amendments made with the amendment to the tender offer registration statement filed on May 28, 2025 and June 4, 2025), all of the tendered shares will be purchased.

3) Significant 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 a Partnership for Productive Development (PDP) for dolutegravir sodium (Japanese brand name: TIVICAY) in Brazil, over the substance patent for dolutegravir sodium held by the Company with ViiV Healthcare.
- In February 2023, the Company, HOFFMANN-LA ROCHE INC., and GENENTECH, INC. jointly 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 filed an application to market 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 application shall not be earlier than the expiration date written in the Orange Book of the substance patent for the baloxavir marboxil, etc. held by the Company.
- In January 2024, the Company, ViiV Healthcare Company, and ViiV Healthcare ULC jointly filed a patent infringement action in the Canadian Federal Court in Toronto against PHARMASCIENCE INC., which filed an application to make a generic version of dolutegravir sodium (trade name: TIVICAY) in Canada, seeking an injunction against the exploitation of the dolutegravir sodium substance patent that we share with ViiV Healthcare Company prior to its expiration. A settlement was subsequently reached in May 2025.
- 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 sodium substance patent that the Company shares with ViiV Healthcare Company and the patent for the dolutegravir sodium combination 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 sodium (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 sodium, 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 sodium (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 sodium, 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 sodium, which is jointly held by the Company and ViiV Healthcare, as well as the patent for the dolutegravir sodium 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.

VI. Overview of Stock-related Administration for the Filing Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Date of record	March 31
Record date for dividends from surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Purchase of shares less than one unit	
Handling office	(Special account) 4-5-33, Kitahama, Chuo-ku, Osaka Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited
Shareholder registry administrator	(Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Forward office	–
Purchase fee	Gratis
Method of public notice	Electronic public notice (Note)
Special benefit for shareholders	None

Note: Electronic public notices are posted on the Company's website (https://www.shionogi.com).
However, in the event of a failure or other unavoidable circumstances preventing electronic public notice, public notices will be published in The Nikkei (Nihon Keizai Shimbun).

VII. Reference Information on the Filing Company

1. Information on the Parent Company, etc. of the Filing Company

The Company has no parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company filed the following documents between the beginning of the fiscal year under review and the date of submittal of the Annual Securities Report.

(1) Annual Securities Report and documents attached thereto, and the Confirmation Letter thereof
For the fiscal year (159th fiscal year) (from April 1, 2023 to March 31, 2024) Submitted to the Director, Kanto Local Finance Bureau on June 21, 2024

(2) Internal Control Report and documents attached thereto
Submitted to the Director, Kanto Local Finance Bureau on June 21, 2024

(3) Semiannual Securities Report and the Confirmation Letter thereof
For the half year of the 160th fiscal year (from April 1, 2024 to September 30, 2024) Submitted to the Director, Kanto Local Finance Bureau on November 8, 2024

(4) Extraordinary Report
An extraordinary report according to the provision of Article 19, Paragraph 2, Item 2-2 (Disposal of treasury shares as restricted stock-based compensation) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Director, Kanto Local Finance Bureau, on June 20, 2024
An extraordinary report according to the provision of Article 19, Paragraph 2, Item 9-2 (Matters that require a resolution of a general meeting of shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Director, Kanto Local Finance Bureau, on June 21, 2024
An extraordinary report according to the provision of Article 19, Paragraph 2, Item 7 (Decision on absorption-type company split) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Director, Kanto Local Finance Bureau, on May 7, 2025
An extraordinary report according to the provision of Article 19, Paragraph 2, Item 2-2 (Disposal of treasury shares as restricted stock-based compensation) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Director, Kanto Local Finance Bureau, on June 18, 2025

Part II Information on Guarantors, etc. for the Filing Company

Not applicable.

English Translation
Independent Auditor's Reports on the Audit of Consolidated Financial Statements and the Internal Controls over Financial Reporting

NOTE TO READERS:
The following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

June 18, 2025

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC
Osaka, Japan

Koichiro Kitaike
Designated Engagement Partner
Certified Public Accountant

Naoki Nakazawa
Designated Engagement Partner
Certified Public Accountant

<The Audit of the Consolidated Financial Statements>

Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements of Shionogi & Co., Ltd. for the fiscal year from April 1, 2024 to March 31, 2025, which comprise the consolidated statement of financial position as of March 31, 2025, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows, and notes to the consolidated financial statements.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Shionogi & Co., Ltd. and its consolidated subsidiaries as of March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as provided for in Article 312 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent from the Company and its consolidated subsidiaries in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As stated in the Notes on Consolidated Financial Statements, "36. Subsequent Events," the Company resolved at a meeting of its Board of Directors held on May 7, 2025, to enter into an agreement on its succession to the pharmaceutical business of Japan Tobacco Inc. through a company split (simplified absorption-type split) and the acquisition of all issued shares of Akros Pharma Inc., a wholly sub-subsidiary of Japan Tobacco Inc., by Shionogi Inc., a U.S. subsidiary of the Company. The agreement was executed on the same day. In addition, the Company resolved at the meeting of the Board of Directors on the same day to acquire shares of Torii Pharmaceutical Co., Ltd., a subsidiary of Japan Tobacco Inc., through a tender offer, which started on May 8.
This matter does not affect our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year ended March 31, 2025. These matters were addressed in the context of the audit of the consolidated financial statements as a whole and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Fair Value Measurement of Unlisted Shares (ViiV Healthcare Ltd.)
Description of Key Audit Matter and Reasons Therefor
As described in "Note 17. Other Financial Assets" of the Consolidated Financial Statements, as of March 31, 2025, the Company recorded the shares of ViiV Healthcare Ltd. (hereinafter "ViiV") in the amount of 229,993 million yen, which are classified as financial assets measured at fair value through other comprehensive income and account for a significant portion, 15.0% of total assets, in the consolidated statement of financial position. The evaluation target ViiV is an unlisted company engaged in the development, manufacture, and marketing of anti-HIV drugs, from which the Company receives royalty income according to sales of HIV franchises out-licensed from the Company in prior years. The Company has identified "Protect people from the threat of infectious diseases" as one of the material issues (materiality) in its attempt at value creation through solving healthcare social issues. In this, the fair value of the stock of ViiV, a company working on treatment and prevention drugs for HIV, one of the three major infectious diseases in the world and whose treatment requires a long time, is important for users to understand consolidated financial statements. As described in Notes "2. Basis of Preparation" and "30. Financial Instruments" of the Consolidated Financial Statements, the fair value of the shares of ViiV was measured using valuation techniques that use inputs that are not based on observable market data, such as future cash flows or discount rates. Among many assumptions incorporated in the measurement, significant assumptions are peak sales and discount rates of products due to the reasons below. - Regarding HIV infection, as anti-HIV drugs have been improved to have high levels of antiviral efficacy, safety, and resistance barrier, the mortality rate of the disease has substantially decreased despite an increase in the number of HIV infections. However, treatment requires a long time because drugs should be continuously taken in order to keep the virus amount in the blood low. Therefore, it is necessary to further improve the quality of life of patients (QOL). There are several unmet needs that cannot be satisfied with conventional oral drugs, such as (1) to reduce the burden and anxiety of daily medications and (2) to live a life without being aware of HIV. As products to satisfy these unmet needs, ViiV has developed and launched Cabenuva for treatment and Apretude for prevention, which are long-acting-type medications that patients are required to take once every two months. Management's estimates for peak sales of the products, including these, which are still at the introductory/growth stage after launch, may have a significant impact on future cash flows. Since they are also affected by sales trends and strategies of competing products, they are associated with the management's subjectivity and uncertainties. Due to the above, significant judgments by management on peak sales of products will be necessary. - In estimation of discount rates, advanced expertise on valuation is required in selecting the calculation method and input data. Thus, measurement of the fair value of ViiV shares is affected by significant assumptions involving management's judgments, such as peak sales and discount rates of products, and advanced expertise. As such, we determined this issue as a Key Audit Matter of the consolidated financial statements.
Auditor's Response
In order to evaluate the reasonableness of the fair value measurement of ViiV shares, we performed the following audit procedures among others. - We involved a valuation expert from our network firm to verify the valuation techniques of fair value measurement related to financial instruments. - Regarding peak sales of products, we discussed with management based on the sales trends and sales strategies of competing products and examined their consistency with available external data, such as past performance and objective reports by analysts. - Regarding the results of fair value measurement, including discount rates, we compared them with the estimates made by the valuation expert from our network firm, using available external data. - We conducted sensitivity analysis on the discount rate, which is an assumption highly sensitive to the fair value measurement results, and examined the impact on fair value.

Evaluation of intangible assets (in-process research and development) identified from the business combination of Tetra Therapeutics Inc.
Description of Key Audit Matter and Reasons Therefor
As described in Note “2. Basis of Preparation” of the Consolidated Financial Statements, the Company recognizes product or technology in-license agreements and products or research and development rights acquired through business combinations which are still in the research and development phase and have not yet received marketing approval from regulatory authorities (regulatory approval) as in-process research and development and includes them in “Intangible assets associated with products.” Of these, zatolmilast in the Phase II/III trial stage as a treatment for fragile X syndrome, which was identified from the business combination of Tetra Therapeutics Inc. (“Tetra”) in previous years, is recorded as an intangible asset of 11,892 million yen in the consolidated statement of financial position as of March 31, 2025. The intangible assets recorded as in-process research and development are not yet available for use and are therefore not amortized until they obtain regulatory approval and become available for use. They are tested for impairment whenever there is an indication of impairment and at certain times each year regardless of whether there are any indications of impairment. In testing for impairment of zatolmilast, the Company measured the recoverable amount at fair value after deducting the disposal cost. Fair value is calculated by the excess earnings method, and many assumptions are incorporated in the measurement of fair value. Due to the reasons below, the significant assumptions used are the likelihood of regulatory approval for pre-launch products, the estimated unit selling prices, the estimated number of patients, taking into account the market share, and the discount rates, which are the elements for sales forecasts after launch. - In general, drug discovery comprises the following processes: 1. basic research such as discovery of a lead compound, which is a candidate compound for a new drug, and optimization of the lead compound to increase its efficacy and safety; 2. non-clinical studies targeting non-humans to evaluate the candidate compound’s efficacy, safety, in vivo kinetics, etc.; and 3. clinical studies targeting humans to confirm the efficacy and safety of the candidate compound. Clinical studies consist of (1) Phase I studies, the initial phase of testing in humans to test safety, (2) Phase II studies, to test efficacy and safety by administering the drug to a relatively small number of patients and to determine the effective dose regimen, and (3) Phase III studies, to test efficacy and safety by administering the drug to a larger number of patients. These research and development activities generally take over 10 years and require a large amount of expenses. The results of research and development activities in each stage and the likelihood of regulatory approval for sales are associated with uncertainties. Therefore, if the recoverable amount declines along with changes in the likelihood of sales approval, an impairment loss may be recorded. The Company has set “Contribute to a healthy and prosperous life” as one of its material issues in value creation through solving healthcare social issues. In its medium-term business plan STS2030 Phase 2, the Company declares its intention to address QOL (Quality of Life) diseases, which have a high social impact, with the aim of satisfying unmet needs. Mentioning dementia and children’s diseases as examples of diseases under specific examination, the Company is accelerating efforts to expand and enhance its product portfolio. In this, the Company is considering continuing research and development on zatolmilast as a new option for the treatment of fragile X syndrome, which has a low prevalence of one every 10,000 people and for which no medicines have been approved. This zatolmilast is also one of the core pipelines in the STS2030 Revision. - Since zatolmilast is currently undergoing Phase II/III studies as a treatment for fragile X syndrome, estimation of the likelihood of regulatory sales approval in the future is important. Management will be required to make important judgments based on the status of product development and the progress of discussions with regulatory authorities. - The estimated unit selling prices fluctuate according to changes in the situation, such as the emergence of a competitive product. Therefore, the estimation of unit selling prices, which are an element constituting the sales forecasts after market launch, are associated with uncertainties. Therefore, estimation of unit selling prices is important, for which significant judgments by management in view of the emergence of competing products and other circumstances will be required. - Fragile X syndrome is a genetic disorder characterized by developmental delay and intellectual disability and is primarily treated symptomatically. With low prevalence, changes in the estimated number of patients, taking into account market share, have a significant impact on the results of impairment tests. Therefore, estimation of the number of patients in this area in particular is associated with uncertainties. It is also necessary to estimate the number of patients after market launch by taking into consideration the status of product development and the progress in negotiations with regulatory authorities at the moment and based on external data. It is therefore associated with uncertainties. As such, estimation of the number of patients who will be the target of administration of this treatment drug is important, and thus significant judgment by management will be necessary for the number of patients after launch. - In estimation of discount rates, advanced expertise on valuation is required in selecting the calculation method and input data. Thus, the recoverable amount of zatolmilast as a treatment for fragile X syndrome identified from the business combination of Tetra is affected by significant assumptions involving management’s judgments or advanced expertise, such as the likelihood of regulatory approval, the estimated unit selling prices, the estimated number of patients, taking into account the market share, and the discount rates. As such, we determined this issue as a Key Audit Matter of the consolidated financial statements.
Auditor’s Response
In considering testing for impairment of in-process research and development, we performed the following audit procedures among others. - We involved a valuation expert from our network firm to verify the valuation techniques of fair value measurement. - For the likelihood of regulatory approval for sales, we discussed with management and responsible persons of departments in charge on the development status, the probability of success of the products, and other matters, and we examined consistency with available external data related to the probability of success at each stage of research and development. - With regard to the estimated unit selling price and the estimated number of patients, taking into account the market share, we discussed the efficacy of the treatment drug and the status of competing products with management and responsible persons of departments in charge, based on the status of product development and the status of competing products, and evaluated in view of available external data, which serve as bases of the estimated unit selling prices and the estimated number of patients, taking into account the market share. - For discount rates, we evaluated the adequacy of the method of discount rate calculation, using a valuation expert from our network firm by employing available external data, and also compared the input data with external information sources.

Other Information

The other information comprises the information included in the Annual Securities Report other than the consolidated and non-consolidated financial statements and our audit reports thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the performance of the directors' duties in establishing and operating the reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any opinion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs. This includes the establishment and operation of internal control that management determines is necessary to prepare and fairly present consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare such consolidated financial statements based on the going concern assumption and disclosing, as required by IFRSs, matters related to going concern.

The Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the performance of the directors' duties in establishing and operating the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

The auditor is responsible for obtaining reasonable assurance, based on the audit conducted by the auditor, about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, The selection and application of the audit procedures are based on the judgment of the auditor. and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies adopted by management and their methods of application, and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's preparation of the consolidated financial statements, based on the going concern assumption and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the going concern assumption. If we conclude that a material uncertainty exists regarding the going concern assumption, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to express a qualified opinion with exclusions on the consolidated financial statements. Auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including related disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.

- 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.

We report to the Corporate Auditors and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit, and any other matters required by the audit standards.

We report to the Corporate Auditors and the Board of Corporate Auditors our compliance with regulations relating to professional ethics on independence in Japan, matters reasonably deemed to affect the independence of the accounting auditor, and the details of measures or safeguards, if any, to remove or reduce to an acceptable level any disincentives.

From the matters reported to the Corporate Auditors and Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the fiscal year ended March 31, 2025 and are therefore the key audit matters. We describe these matters in our auditor's report unless a law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<The Audit of the Internal Control over Financial Reporting>

Opinion

Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the report on internal control over financial reporting of Shionogi & Co., Ltd. as of March 31, 2025.

In our opinion, the above-mentioned internal control report, which states that the internal control over financial reporting was effective as of March 31, 2025, presents fairly, in all material respects, the results of the internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control over financial reporting in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report. We are independent from the Company and its consolidated subsidiaries in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditors and Board of Corporate Auditors for the Management's Report on the Internal Control over Financial Reporting

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the report on the internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting

The auditor is responsible for obtaining reasonable assurance about whether the management's report on internal control over financial reporting is free from material misstatement, based on our audit of the internal control over financial reporting, and to issue an auditor's report that includes our opinion on the internal control report from an independent standpoint.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Perform audit procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the management's report on the internal control over financial reporting. The audit procedures for the audit of the internal control over financial reporting are selected and performed, depending on the auditor's judgment, based on the significance of the effect on the reliability of financial reporting.
- Evaluate the overall presentation of the management's report on the internal control over financial reporting, including the appropriateness of the scope, procedures, and results of the assessments that management presents.
- In order to obtain sufficient and appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report, plan and conduct audits of internal control. We are responsible for the direction, supervision, and review of the audit of the management's report on the internal control over financial reporting. We remain solely responsible for our audit opinion.

We report to the Corporate Auditors and the Board of Corporate Auditors regarding the planned scope and timing of the audit of internal control, results of the internal control audit, any identified significant deficiencies in internal control that should be disclosed, the results of their correction, and any other matters required by the internal control audit standards.

We report to the Corporate Auditors and the Board of Corporate Auditors our compliance with regulations relating to professional ethics on independence in Japan, matters reasonably deemed to affect the independence of the auditor, and the details of measures or safeguards, if any, to remove or reduce to an acceptable level any disincentives.

<Remuneration information>

The amounts of fees for audit certification services and non-audit services for the Company and its subsidiaries paid to our audit firm and to those who belong to the same network as our audit firm are set out in "Corporate Governance, etc. (3) Status of Audits" included in the "Information on the Filing Company."

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its consolidated subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 19, 2025
[Company Name]	Shionogi Seiyaku Kabushiki Kaisha
[Company Name in English]	Shionogi & Co., Ltd.
[Title and Name of Representative]	Isao Teshirogi, Representative Director, President and CEO
[Title and Name of Chief Financial Officer]	Not applicable.
[Address of Registered Office]	3-1-8, Doshomachi, Chuo-ku, Osaka
[Place Where Available for Public Inspection]	Shionogi & Co., Ltd. Tokyo Branch Office (Tekko Building, 1-8-2, Marunouchi, Chiyoda-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo)

1. Matters related to the appropriateness of the content presented in the Annual Securities Report

Isao Teshirogi, Representative Director, President and CEO of the Company, has confirmed that the contents of the Annual Securities Report for the Company's 160th fiscal year (from April 1, 2024 to March 31, 2025) are properly presented in accordance with the Financial Instruments and Exchange Act.

2. Special notes

No material items to report.

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[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 19, 2025
[Company Name]	Shionogi Seiyaku Kabushiki Kaisha
[Company Name in English]	Shionogi & Co., Ltd.
[Title and Name of Representative]	Isao Teshirogi, Representative Director, President and CEO
[Title and Name of Chief Financial Officer]	Not applicable.
[Address of Registered Office]	3-1-8, Doshomachi, Chuo-ku, Osaka
[Place Where Available for Public Inspection]	Shionogi & Co., Ltd. Tokyo Branch Office (Tekko Building, 1-8-2, Marunouchi, Chiyoda-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo)

1. Matters relating to the basic framework for internal control over financial reporting

Isao Teshirogi, Representative Director, Chairman of the Board, President and CEO of the Company, is responsible for designing and operating effective internal control over financial reporting of the SHIONOGI Group (the Company and its affiliates), and he has designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control over Financial Reporting (Council Opinions)," published by the Business Accounting Council.

Internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2025, which is the final day of the fiscal year ended March 31, 2025. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted.

In conducting this assessment, we evaluated internal controls that may have a material effect on financial reporting overall on a consolidation basis (entity-level controls), and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of internal controls.

We determined the necessary scope for assessment of internal control over financial reporting for the Company and its consolidated subsidiaries and equity-method affiliates from the perspective of materiality that may affect the reliability of financial reporting. Materiality that may affect the reliability of the financial reporting is determined while taking into account the materiality of quantitative impacts on each business site, as well as the risk assessment based on the qualitative aspect, including the risk of fraud. In light of the results of assessment of entity-level internal controls, which covered the Company and 21 consolidated subsidiaries, we reasonably determined the scope of assessment of internal controls over business processes. Note that 20 consolidated subsidiaries and four equity-method affiliates are not included in the scope of assessment of entity-level internal controls because they are considered to be immaterial in terms of quantitative impacts, as well as the impact of the results of risk assessment procedures based on qualitative aspects.

The Group operates in a single segment, whose business activities are the research and development, procurement, manufacture, and sale of prescription drugs, as well as related operations. As an indicator of the scale of business activities at each business site within the group, we have determined that revenue (after elimination of intercompany transactions) is appropriate. After considering the environment in which the Group operates and the characteristics of its business, we have determined that use of additional indicators is not necessary.

Based on this consideration, regarding the scope of assessment of internal control over business processes, we accumulated the business locations to be tested in descending order of revenue (after elimination of intercompany transactions) for the fiscal year ended March 31, 2024, and the one location whose combined consolidated revenue for the fiscal year ended March 31, 2024 reached two-thirds of the total amount on a consolidation basis was selected as a "significant business location."

At the selected significant business location, in light of the business activities of the Group as a single segment, we included business processes leading to revenue, accounts receivable - trade, inventories and non-current assets, and research and development expenses as significant accounts that may have a material impact on the business objectives of the SHIONOGI Group.

Further, not only for the selected significant business location but also for all the business locations, the following business locations and business processes have been individually added to the scope of assessment, taking into account their impact on financial reporting.

- With regard to processes related to inventories and non-current assets, one manufacturing subsidiary was added to the scope of the assessment in light of the fact that manufacturing is outsourced within the Group.
- Based on the items for which management made estimates and determinations in V. Financial Information, 1. Notes to Consolidated Financial Statements, 2. Basis of Preparation, "(4) Significant Accounting Judgments, Estimates, and Assumptions" of the Annual Securities Report for the fiscal year ended March 31, 2024, taking into account the impact of uncertainties on the financial reporting of the fiscal year ended March 31, 2025 regarding such estimates or assumptions, the following business processes have been added to the scope of assessment.

- Regarding intangible assets recorded as in-process research and development assets, when measuring the fair value for impairment testing, the Company added the business process related to the valuation of intangible assets to the scope of the assessment, taking into consideration the uncertainty regarding the possibility of marketing approval by regulatory authorities, and the fact that elements of post-market sales forecasts, such as the estimated unit selling prices, the estimated number of patients taking market share into account, and the discount rate, contain estimation elements.
- In measuring the fair value of ViiV Healthcare Ltd. shares, the Company took into consideration that the peak sales and discount rate of each product included elements of estimation and added the business process related to the fair value measurement of unlisted shares to the scope of the assessment.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of the fiscal year ended March 31, 2025, we concluded that the SHIONOGI Group's internal control over financial reporting was effectively maintained.

4. Additional notes

At the Board of Directors meeting held on May 7, 2025, the Company resolved to succeed to the pharmaceutical business of Japan Tobacco Inc. through an absorption-type company split, to enter into an agreement regarding the acquisition of all issued shares of Akros Pharma Inc. by Shionogi Inc., a SHIONOGI group company in the U.S.A., and to implement a tender offer for the purpose of making Torii Pharmaceutical Co., Ltd. a wholly owned subsidiary of the Company. With the completion of the tender offer, this may have a significant impact on the assessment of the effectiveness of the Group's internal control over financial reporting for the next fiscal year and beyond.

5. Special notes

No material items to report.