

(Translation)

This document has been translated from the Annual Securities Report for the twelve-month period ended March 31, 2022, pursuant to the Financial Instruments and Exchange act of Japan. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

# Annual Securities Report

From April 1, 2021 to March 31, 2022

(The 157<sup>th</sup> 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”.

The term “FY” preceding a year means the twelve-month period ended March 31 of the year subsequent to the year referred to. For example, “FY 2021” refers to the twelve-month period ended March 31, 2022. All other references to years refer to the applicable calendar year.

“¥” or “yen” means Japanese yen.

## Part I. Company Information

### I. Company Overview

#### 1. Key Financial Data and Trends

##### (1) Consolidated Management Indicators

Fiscal year		IFRS				
		the date of transition	154th	155th	156th	157th
Year end		April 1, 2018	March 2019	March 2020	March 2021	March 2022
Revenue	Millions of Yen	—	367,960	333,371	297,177	335,138
Profit before tax	Millions of Yen	—	174,043	158,516	143,018	126,268
Profit attributable to owners of the parent	Millions of Yen	—	137,191	122,193	111,858	114,185
Comprehensive income attributable to owners of the parent	Millions of Yen	—	137,926	36,594	137,407	161,865
Equity attributable to owners of the parent	Millions of Yen	730,557	808,774	765,152	846,108	975,661
Total assets	Millions of Yen	857,725	938,540	873,695	998,992	1,150,601
Equity attributable to owners of the parent per share	Yen	2,323.98	2,598.16	2,518.74	2,806.67	3,236.21
Basic earnings per share	Yen	—	438.47	395.71	365.03	378.75
Diluted earnings per share	Yen	—	434.71	395.28	364.89	378.63
Ratio of equity attributable to owners of the parent to total assets	%	85.2	86.2	87.6	84.7	84.8
Return on equity attributable to owners of the parent	%	—	17.8	15.5	13.9	12.5
Price-earnings ratio	Times	—	15.6	13.4	16.3	19.9
Net cash provided by (used in) operating activities	Millions of Yen	—	165,000	131,940	109,039	102,068
Net cash provided by (used in) investing activities	Millions of Yen	—	(56,256)	(29,144)	(5,261)	(96,204)
Net cash provided by (used in) financing activities	Millions of Yen	—	(89,912)	(88,174)	(43,891)	(36,615)
Cash and cash equivalents at end of period	Millions of Yen	176,135	195,800	208,861	276,173	254,420
Number of employees	Persons	5,120	5,233	5,222	5,485	5,693
[Average number of temporary employees not included in the above]		[1,149]	[1,071]	[1,022]	[1,016]	[748]

##### Notes:

- From the 155th fiscal period, consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).
- The average number of temporary employees is shown in brackets and is not included in the number of employees.
- In the 156th fiscal period, the Company finalized the provisional accounting treatment for the business combination of UMN Pharma Inc. and retroactively adjusted key financial data for the 155th fiscal year.

Fiscal year		JGAAP		
		153th	154th	155th
Year end		March 2018	March 2019	March 2020
Net sales	Millions of Yen	344,667	363,721	334,958
Ordinary income	Millions of Yen	138,692	166,575	151,751
Profit attributable to owners of parent	Millions of Yen	108,866	132,759	121,295
Comprehensive income	Millions of Yen	130,573	126,626	94,497
Net assets	Millions of Yen	604,840	672,429	683,647
Total assets	Millions of Yen	711,463	778,741	773,650
Net assets per share	Yen	1,911.36	2,144.33	2,248.69
Earnings per share	Yen	342.71	424.31	392.80
Earnings per share (diluted)	Yen	337.43	420.67	392.38
Equity-to-assets ratio	%	84.5	85.7	88.3
Rate of return on equity	%	19.4	20.9	18.0
Price-earnings ratio	Times	16.0	16.2	13.5
Net cash provided by (used in) operating activities	Millions of Yen	129,790	145,684	129,138
Net cash provided by (used in) investing activities	Millions of Yen	(51,238)	(36,349)	(29,484)
Net cash provided by (used in) financing activities	Millions of Yen	(53,893)	(87,011)	(85,063)
Cash and cash equivalents at end of period	Millions of Yen	172,400	195,800	208,861
Number of employees	Persons	5,120	5,233	5,222
[Average number of temporary employees not included in the above]		[1,149]	[1,071]	[1,022]

Notes:

1. The average number of temporary employees is shown in brackets and is not included in the number of employees.
2. Figures presented for the 155th fiscal period in accordance with Japanese GAAP have not been audited pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

## (2) Non-Consolidated Management Indicators

Fiscal year		153rd	154th	155th	156th	157th
Year end		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	Millions of Yen	315,941	327,991	293,865	260,986	285,948
Ordinary income	Millions of Yen	117,534	139,836	121,265	81,714	100,892
Net income	Millions of Yen	89,135	100,037	88,640	32,181	90,264
Share capital	Millions of Yen	21,279	21,279	21,279	21,279	21,279
Total number of issued shares	Shares	324,136,165	316,786,165	316,786,165	311,586,165	311,586,165
Net assets	Millions of Yen	500,510	533,261	530,482	536,405	590,430
Total assets	Millions of Yen	584,964	612,336	580,804	617,123	730,120
Net assets per share	Yen	1,590.50	1,711.39	1,744.81	1,778.50	1,957.59
Dividend per share (Interim dividend per share)	Yen	82.00 (38.00)	94.00 (44.00)	103.00 (50.00)	108.00 (53.00)	115.00 (55.00)
Earnings per share	Yen	280.60	319.73	287.05	105.02	299.41
Earnings per share (diluted)	Yen	276.26	316.98	286.74	104.98	299.31
Equity-to-assets ratio	%	85.5	87.0	91.3	86.9	80.8
Rate of return on equity	%	18.7	19.4	16.7	6.0	16.0
Price-earnings ratio	Times	19.6	21.4	18.5	56.7	25.1
Payout ratio	%	29.2	29.4	35.9	102.8	38.4
Number of employees [Average number of temporary employees not included in the above]	Persons	3,677 [354]	3,596 [338]	2,667 [121]	2,589 [134]	2,510 [137]
Total shareholder return (Comparison: Dividend-included TOPIX)	% %	97.0 (115.9)	122.3 (110.0)	97.4 (99.6)	110.3 (141.5)	139.7 (144.3)
Highest share price	Yen	6,465	7,796	7,133	7,183	8,439
Lowest share price	Yen	5,200	5,361	4,379	4,761	5,438

## Notes:

1. The average number of temporary employees is shown in brackets and is not included in the number of employees.
2. Highest share price and lowest share price are those on the Tokyo Stock Exchange (First Section).
3. As of the 156th fiscal period, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018).

## 2. Corporate History

March 1878	Gisaburo Shiono, Sr., launches Shiono Gisaburo Shoten as a natural drug wholesaler
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 yen)
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	Merged with Shionogi Engineering Service Co. Ltd. by acquisition
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)
December 2013	Established Shionogi Singapore Pte. Ltd. (Singapore)
January 2016	Established Shionogi Healthcare Co., Ltd. (now a consolidated subsidiary)
April 2016	Consumer Healthcare Business transferred to Shionogi Healthcare Co., Ltd.
April 2017	Established five companies through split of Shionogi General Service Co., Ltd.
April 2017	Established Shionogi Career Development Center Co., Ltd. (now a consolidated subsidiary)
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)
October 2020	Acquired Nagase Medicals Co., Ltd. (now a consolidated subsidiary)
November 2020	Established Ping An-Shionogi Co., Ltd. (China, now a consolidated subsidiary)
November 2021	Established Pharmira Co., Ltd. (now a consolidated subsidiary)
April 2022	Shionogi Pharma Co., Ltd.'s investigational drug manufacturing business partially transferred to Pharmira Co., Ltd.
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

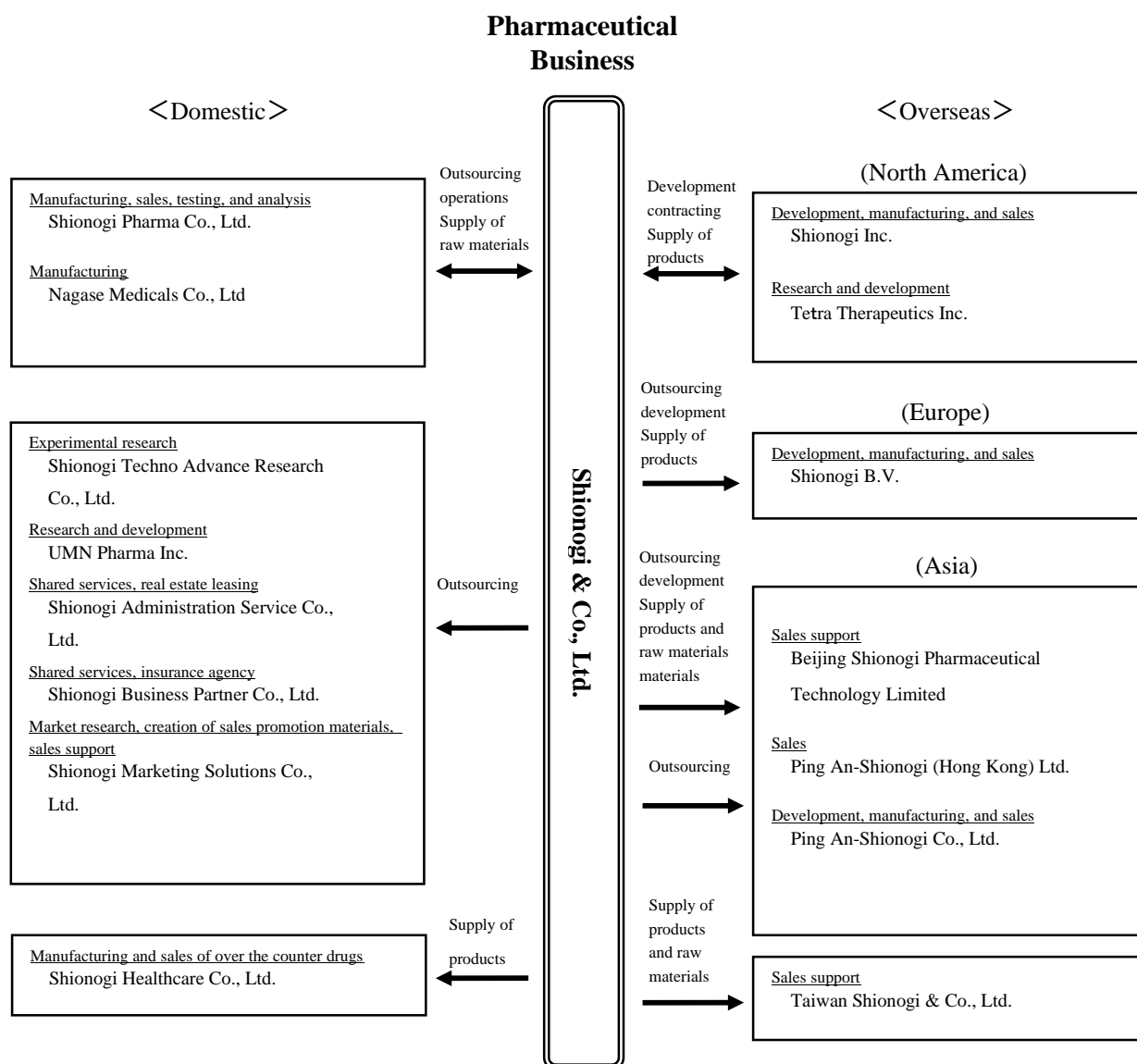
### 3. Business Line

As of March 31, 2022, the Shionogi Group (the Company and its subsidiaries and affiliates) consists of the Company, 48 consolidated subsidiaries, 3 affiliates and 1 joint venture. 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., Nagase Medicals Co., Ltd. <sup>(Note 2)</sup>, Shionogi Healthcare Co., Ltd., Shionogi Techno Advance Research Co., Ltd., UMN Pharma Inc., Shionogi Administration Service Co., Ltd., Shionogi Business Partner Co., Ltd., Shionogi Marketing Solutions Co., Ltd., Shionogi Inc., Tetra Therapeutics Inc. Shionogi B.V., Beijing Shionogi Pharmaceutical Technology Limited, Ping An-Shionogi (Hong Kong) Ltd., Ping An-Shionogi Co., Ltd., Taiwan Shionogi & Co., Ltd. and 37 other companies

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



Notes:

- Due to insignificance of scale, 33 consolidated subsidiaries, 3 affiliates and 1 jointly controlled entity are not shown in this diagram.
- Effective April 1, 2022, Shionogi Pharma Co., Ltd. merged with Nagase Medicals Co., Ltd.



## 4. Information on Subsidiaries and Affiliates

### Consolidated subsidiaries

Name	Address	Capital (millions of yen)	Main business	Ownership of voting rights (%)	Relationship
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.	Osaka, Japan	10	Pharmaceutical Business	51.0	The Company sells pharmaceuticals. 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
Shionogi Administration Service Co., Ltd.	Osaka, Japan	10	Pharmaceutical Business	100.0	The Company outsources various service operations. The Company leases and borrows real estate. Concurrent directors, etc.....None
Shionogi Career Development Center Co., Ltd.	Hyogo, Japan	10	Pharmaceutical Business	100.0	The Company outsources various service operations. Concurrent directors, etc.....None
Shionogi Business Partner Co., Ltd.	Osaka, Japan	10	Pharmaceutical Business	100.0	The Company outsources various service operations. Concurrent directors, etc.....None
Shionogi Pharmacovigilance Center Co., Ltd.	Osaka, Japan	10	Pharmaceutical Business	100.0	The Company outsources various service operations. Concurrent directors, etc.....None
Shionogi Marketing Solutions Co., Ltd.	Osaka, Japan	10	Pharmaceutical Business	100.0	The Company outsources various service operations. Concurrent directors, etc.....None
UMN Pharma Inc.	Akita, Japan	90	Pharmaceutical Business	100.0	The Company outsources research and development operations for pharmaceuticals. Concurrent directors, etc.....None
Nagase Medicals Co., Ltd (Note 4)	Hyogo, Japan	498	Pharmaceutical Business	100.0	The Company outsources the manufacture of 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.....None
Shionogi B.V. (Note 2)	Amsterdam, Netherlands	GBP 630 thousand	Pharmaceutical Business	100.0	The Company outsources development operations for pharmaceuticals. The Company sells pharmaceuticals. The Company borrows funds. 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
Ping An-Shionogi (Hong Kong) Ltd. (Note 2)	Hong Kong, China	HKD 361,794 thousand	Pharmaceutical Business	51.0	The Company outsources sale of pharmaceuticals. Concurrent directors, etc.....None
Ping An-Shionogi Co., Ltd. (Note 2)	Shanghai, China	RMB 1,061,224 thousand	Pharmaceutical Business	51.0	The Company outsources the development, manufacture, and sale of pharmaceuticals. Concurrent directors, etc.....None

### 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 31 consolidated subsidiaries and one 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. Effective April 1, 2022, Shionogi Pharma Co., Ltd. merged with Nagase Medicals Co., Ltd.

## 5. Employees

### (1) Consolidated companies

As of 31 March, 2022

Name of business segment	Number of employees (persons)	
Pharmaceutical Business	5,693	[748]

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. The Shionogi Group (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 the Shionogi Group's employees belong to the Pharmaceuticals Business.

### (2) Non-consolidated (filing company data)

As of 31 March, 2022

Number of employees (persons)	Average age (years old)	Average length of service (years)	Average annual pay (yen)
2,510 [137]	41.6	16.4	8,574,848

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 and non-standard wages.
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 the Shionogi Labor Union, which, together with the labor unions of nine consolidated subsidiaries, organizes the Shionogi Group Federation of Labor Unions. This federation is a subordinate member of the Federation of Pharmaceutical and Cosmetic Industry Labor Unions (Yakusho Rengo).

As of March 31, 2022, the Shionogi Labor Union has 2,606 members and the Shionogi Group Federation of Labor Unions has 3,341 members.

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

## 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) as of the end of the consolidated fiscal year under review.

(1) Management policy, management strategy, etc.

#### ■ Management basic policy

The Shionogi Group's basic policy is defined as "striving constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve." For this purpose, the Shionogi Group must create and manufacture better and better medicines, and to spread the word to as many people as possible about these so that they can take advantage of them. To accomplish this, the Shionogi Group believes that the daily improvement of technology by all people at the Shionogi Group will lead to greater benefits for all stakeholders (customers, shareholders, business partners, society, employees, etc.).

#### ■ Vision of what Shionogi wants to achieve by 2030

The Shionogi Group is transforming its business with the vision of "Building Innovation Platforms to Shape the Future of Healthcare." The pharmaceutical business is continually facing challenges for its sustainability because of the expiration of patents for mainstay products. In addition, the Shionogi Group recognizes that its social mission as a pharmaceutical organization requires it to address the growing concerns about social security costs and the increasing sophistication and diversification of medical needs, and requires it to contribute to the realization of a healthier, sustainable society. The Shionogi Group seeks to address the issues facing patients and society by transforming itself from a drug discovery-based pharmaceutical company that mainly provides prescription drugs to a Healthcare as a Service (HaaS) company that provides healthcare services and continuously offers new value to society. To this end, the Shionogi Group 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 an attractive company that is chosen by other companies and industries with different strengths.

The Shionogi Group will work to realize its new vision by accepting diversity, without fear of change, and by going beyond its conventional concept to transform.

#### ■ Business environment and management strategy

The environment surrounding the pharmaceutical industry is rapidly changing, reflecting factors including the growing global population, the increased aging of society due to the low birthrate in high- and middle-income countries, as well as environmental changes, such as climate change, that are occurring on a global scale, the associated changes in the prevalence of certain diseases and healthcare needs, the acceleration of digital transformation, and the diversification of people's values. In addition, the business environment is becoming increasingly severe with pressure to curb drug costs 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 2021. Beyond the effects of these environmental changes, the pandemic caused by the novel coronavirus (SARS-CoV-2), which has spread rapidly since the end of 2019, has also brought about major changes in the way drug discovery research and development is conducted and how companies approach doing business globally. On the other hand, concerns are present with regard to country risk, including the possibility of stagnated business development and procurement and supply of pharmaceutical raw materials overseas, depending on developments in the Russian invasion of Ukraine and relevant measures taken elsewhere going forward. In order for companies to respond to social demands in such an environment and still sustainably grow, it is essential for them to elevate their foresight for changes in the world through dialogue with stakeholders, reduce business risks, leverage strengths, and consistently generate new business opportunities.

The Shionogi Group has formulated the New Medium-Term Business Plan, SHIONOGI Transformation Strategy 2030 (STS2030), a strategy beginning from FY2020 for achieving greater growth while flexibly addressing new business risks that may occur. This plan is focused on rapidly addressing the challenges of sales growth of new products and expansion of our overseas business, and the accompanying improvement of productivity carried forward from the SHIONOGI Growth Strategy 2020 (SGS2020), and on overcoming the challenge posed by the patent expiration of the Shionogi Group's HIV products, which is expected to begin around 2028 (HIV Product Patent Cliff).

In STS Phase 1, the first five-year plan in STS2030, the entire Group will work as a unified team to vigorously promote business reforms, and under the theme of "realize transformation toward new growth as a total healthcare company," we will pursue R&D and top-line (sales) strategies to create new value and a transformed management foundation strategy to realize value creation.

## (2) Priority business and financial issues to be addressed

As stated in “(1) Management policy, management strategy, etc.,” priority business and financial issues to be addressed are sales growth of new products and expansion of our overseas business and the accompanying improvement of productivity. The Shionogi Group believes it has the capability to create the best drugs in their particular drug classes. However, it has yet to use its advantage to efficiently expand its sales in global markets, including the market in Japan. The three issues listed above are all connected in the business flow from drug discovery to sales, and the Shionogi Group recognizes that the degree to which these issues are overcome will greatly affect its ability to achieve growth over the next 10 years.

To overcome these issues and achieve its vision for 2030, the Shionogi Group has formulated STS2030 as aforementioned, and is working to carry out business activities in accordance with the trifecta of R&D strategy, top-line (sales) strategy, and management foundation strategy as set forth in STS Phase 1.

### ■ R&D strategy

As for its disease strategies within R&D, while focusing on infectious and psycho-neurological diseases as its core therapeutic areas, the Shionogi Group is also pursuing other therapeutic areas with high social need, such as cancer. The Shionogi Group is flexibly and boldly adjusting its prioritization of focus projects in accordance with the potential value of discovery and acquisition pipelines, including those attained through harnessing alliances. To address the global threat of COVID-19, the Shionogi Group is currently giving top priority to research and development of therapeutic drugs and prophylactic vaccines, leveraging its more than six decades of strengths cultivated in the field of infectious diseases.

All of the Shionogi Group’s focused pipelines\* are for diseases with strong desires for development of better treatments, and which have the potential to change current disease treatment paradigms. The Shionogi Group will continue to promote research and development within these innovative pipelines and continue to strengthen its response to the HIV product patent cliff.

#### \*Core pipeline (Priority projects)

Areas	Project	Details
Infectious disease	S-217622	COVID-19 treatment
	S-268019	COVID-19 vaccine
	Nasal vaccine	COVID-19, influenza
	S-540956	Infection disease, cancer
Neuropsychiatric disease	S-600918 [sivopixant]	Refractory chronic cough
	S-812217 [zuranolone]	Depression / depressed state
New growth areas	S-531011	Solid tumor
	S-005151 [redasemtide trifluoroacetate]	1. Epidermolysis bullosa 2. Acute stroke 3. Knee osteoarthritis 4. Chronic liver disease 5. Cardiomyopathy

### ■ Top-line strategy

Under the slogan of “implementing an optimal disease strategy supported by selected partnerships in each area,” the Shionogi Group is working to strengthen its operations in Japan, the U.S., Europe, and China based on the Shionogi Group’s core therapeutic areas of infectious diseases and psycho-neurological diseases. Under STS2030, the Shionogi Group will develop a new position as an HaaS company by providing care across the entire span of each disease’s process, through a variety of approaches, including pre-symptomatic care, prevention, and diagnosis, while continuing to focus on the Shionogi Group’s traditional strengths of therapeutic agents as a core solution. The Integrated Disease Care Division overseeing and promoting this disease strategy is establishing a framework for delivering the Shionogi Group’s products, and the information needed for people’s health, to more people globally, to strengthen its business in each area. To accelerate these strategies, in November 2020, the Shionogi Group established two joint venture companies in Shanghai and Hong Kong to serve as the launchpads for our China and Asia business, in accordance with the Basic Agreement on the Capital Alliance with Ping An Insurance (Group) Company of China Ltd. (hereinafter, “Ping An Group”). The Shionogi Group will continue to create the future of healthcare by combining Shionogi’s disease insights and R&D know-how with the Ping An Group’s IT, big data collection and AI-based analysis know-how.

## ■ Management foundation strategy

In STS Phase 1, dynamic reinforcement of the Shionogi Group's management foundation is indispensable to rapidly realize its transformation, focusing on the mechanism of transformation and supporting its human resource growth. Regarding the mechanism of transformation, the Shionogi Group is working to establish more sophisticated decision-making systems supported by advanced data utilization environments, as well as to create new business processes that facilitate internal/external collaboration in various ways. In addition, the Shionogi Group has established "Be the best you can be to take on new challenges" as a new vision for Shionogi's human resources (SHIONOGI Way), and will implement measures to develop and strengthen employees as the essential driver of Shionogi's growth and transformation.

In order to realize Shionogi's philosophy and Company Policy of "striving constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve" on a global scale, the Shionogi Group aims to achieve sustainable growth by further evolving its strengths as a drug discovery-based pharmaceutical company and through the formation of new healthcare platforms. Shionogi aims to be a global company trusted by all stakeholders, including patients, their families, and healthcare professionals around the world, thereby contributing to the realization of a sustainable society.

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

Eight management indicators have been established for achievement in STS Phase 1.

Five management indicators have been established for measuring growth potential: revenue, core operating profit, core operating profit margin, overseas sales ratio excluding royalty income, and original pipeline ratio. The Shionogi Group's goal is to achieve sales targets for each fiscal year toward FY2024 and to maintain a core operating profit margin of 30% or higher while making sufficient R&D investments necessary to overcome the HIV product patent cliff. In addition, the overseas ratio (to total net sales) has been established as an indicator measuring the effectiveness of investments to increase sales revenue overseas, where markets are larger. Furthermore, the Shionogi Group aims to maintain a high original pipeline ratio as a condition for being chosen by other companies and industries with different strengths in the interest of catalyzing the formation of new healthcare platforms.

Three indicators have been established for measuring shareholder return from the perspectives of business growth and financial measures: basic earnings per share (EPS), ratio of dividends to equity attributable to owners of parent (DOE), and return on equity attributable to owners of parent (ROE).

Key Performance Indicator (KPI)		FY2022 Target	FY2024 Target	FY2030 Target
Growth	Revenue	400.0 Billions of yen	500.0 Billions of yen	600.0 Billions of yen
	Core operating profit*	120.0 Billions of yen	150.0 Billions of yen	200.0 Billions of yen
	Core operating profit margin	Over 30%	Over 30%	—
	Overseas sales ratio**	Over 25%	Over 50%	—
	Original pipeline ratio	Over 60%	Over 60%	—
Shareholder return	EPS	Over 370 yen	Over 480 yen	—
	DOE	Over 4%	Over 4%	—
	ROE	Over 13%	Over 15%	—

Notes:

1. STS Phase 1 (From FY2020 to FY2024), STS Phase 2 (From FY2025)
2. Figures are based on IFRS.

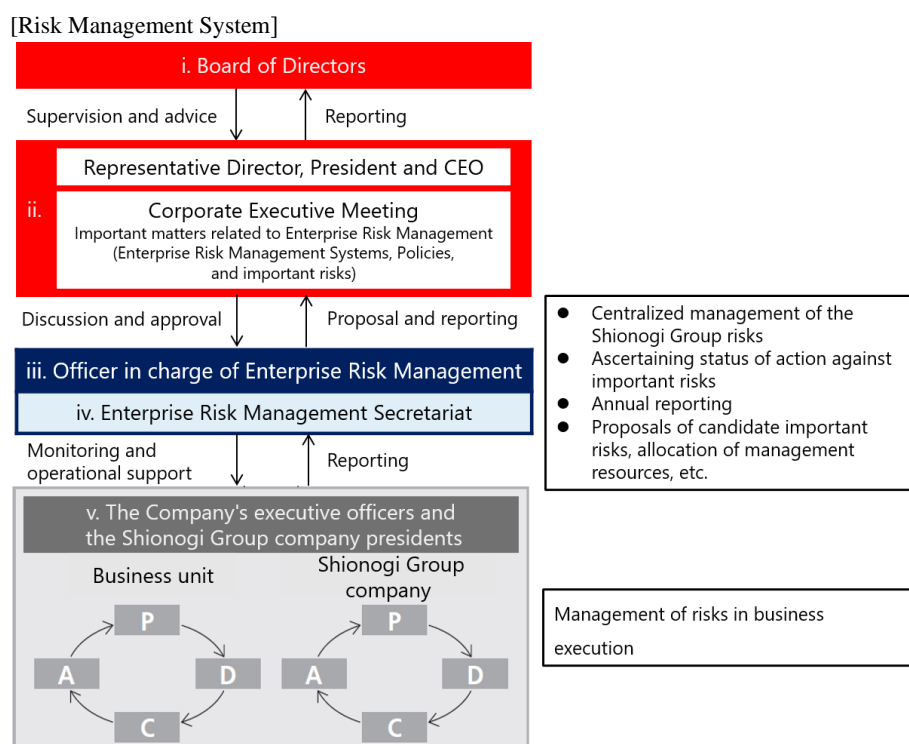
\*: Core operating profit is an adjusted profit in which non-recurring items (impairment losses, gain on sale of property, plant, and equipment, etc.) are deducted from operating profit.

\*\*: Excludes royalty income

## 2. Business and Other Risks

The Shionogi Group (the Company and its consolidated subsidiaries) is committed to the appropriate management of business risks, including the creation of business opportunities and the avoidance and mitigation of risks from the perspective of sustainability, as well as to the promotion of an enterprise risk management (hereinafter “ERM”) system, managing risks across the entire Group as an important mechanism for management strategy and management foundations. The Shionogi Group recognizes risks related to decision-making and business execution, proactively manages these risks, and takes countermeasures against them. In particular, the Corporate Executive Meeting and the Board of Directors deliberate and decide on important risks that may affect management and their response policies. Based on these response policies, the respective organizations in charge take countermeasures in cooperation with relevant organizations.

Furthermore, the Shionogi Group promotes sustainability activities with the aim of contributing to the sustainable growth of the Shionogi Group and the sustainability of society. It does this by meeting health and medical needs through its business activities and resolving various economic, social, environmental, and other issues.



	Role
i. Board of Directors	Provides supervision, advice, etc. on the planning, progress, and results of ERM promotion activities [Regular meetings twice a year, extraordinary meetings as needed]
ii. Representative Director, President and CEO, Corporate Executive Meeting	The Corporate Executive Meeting, chaired by the Representative Director, President and CEO, discusses the following important matters concerning the Shionogi Group's ERM, which are approved by the Representative Director, President and CEO <ul style="list-style-type: none"> <li>Identification of important risks affecting management and their response policies</li> <li>Allocation of management resources necessary for ERM</li> <li>Review of annual planning, progress, and results of ERM promotion activities, etc.</li> </ul> [ERM discussions at regular meetings of the Corporate Executive Meeting twice a year, and at ad-hoc meetings during the period as needed]
iii. Officer in charge of Enterprise Risk Management	<ul style="list-style-type: none"> <li>The General Manager of the Administration Division is responsible for enterprise risk management, overseeing the Shionogi Group's risk management and assuming responsibility for the promotion and operation of the ERM system.</li> </ul>
iv. Enterprise Risk Management Secretariat	<ul style="list-style-type: none"> <li>The enterprise risk management secretariat consists of the Sustainability Management Department, the General Administration Department, and the Corporate Planning Department. In this function, these departments centrally manage the Shionogi Group's risk information, formulate ERM promotion activity plans, monitor the status of responses to important risks identified by the Corporate Executive Meeting, and report these activities and the related monitoring results to the Board of Directors and the Corporate Executive Meeting. In addition, the function remedies activity issues based on feedback from the Board of Directors and the Corporate Executive Meeting</li> </ul>
v. The Company's executive officers and the Shionogi Group company presidents	<ul style="list-style-type: none"> <li>The Company's executive officers and the Shionogi Group company presidents conduct risk management for decision-making and business execution within each business unit and Group company</li> <li>Extracts, identifies, analyzes, and evaluates risks; formulates and promotes risk countermeasures; evaluates countermeasure implementation and makes improvements; reports to the enterprise risk management secretariat</li> </ul>

The following is a list of significant risks that could have a material impact on the Shionogi Group's performance and management. The Shionogi Group is working to mitigate each of these risks through the initiatives described.

Matters and risks discussed here that are not historical fact reflect judgments made as of the end of the consolidated fiscal year under review.

#### (1) Risks related to systems and governments

The Pharmaceuticals Business is subject to a range of regulations due to various government policies in each country. As pressure to curb drug costs increases in developed countries due to tighter health insurance finances, large financial outlays made to combat COVID-19 may further intensify this pressure. In Japan, the health insurance system is undergoing reforms, with healthcare expenses expected to increase due to the further aging of the population. Beginning in FY2021, National Health Insurance (NHI) price revisions for prescription pharmaceuticals are to be conducted every year. These and other government policy trends may affect performance. In addition, tightening regulations in Japan and overseas related to the development and manufacture of pharmaceuticals may result in additional costs, non-compliance of products with regulations, or other similar situations, which may affect performance. Furthermore, while there has been a range of regulations and systems added to deal with COVID-19, these may be modified due to future developments in the COVID-19 pandemic or other factors, which may affect performance.

While emphasizing the provision of innovative pharmaceuticals and other products at prices acceptable to society and contributing to the upkeep of social security, the Shionogi Group is striving to build scientific evidence that demonstrates the value of its innovations, and promotes efforts to appeal to the value of innovations through the activities of industry associations in Japan and overseas. In addition, the Shionogi Group is constantly seeking to obtain the latest information on reforms to the health insurance system, including the NHI drug price system, and on policy trends related to the research, development, manufacture, sale, etc. of pharmaceuticals and vaccines, and strives to respond promptly and appropriately to these changes.

#### (2) Risks related to side effects, etc.

Although pharmaceuticals are approved and sold after rigorous review by competent authorities around the world, the occurrence of unforeseen side effects after market launch may lead to the suspension of sales or a product recall, which may affect performance.

The Shionogi Group has established a system and provides annual education to ensure that all employees, not just those in charge of drug information, appropriately report any side effect information they may receive. By swiftly evaluating and analyzing the collected information and implementing necessary safety measures, the Shionogi Group strives to minimize the spread of unforeseen side effects and minimize harm. Though the Shionogi Group is covered by insurance for indemnity of medical damages from side effects, etc., it does not anticipate a decrease in sales due to the resulting loss of reputation, etc.

#### (3) Risks related to research and development

Research and development of pharmaceuticals requires significant investment of management resources and time. In addition, various uncertainties exist before a pharmaceutical can be brought to market and its sales can be recorded. Furthermore, research and development of vaccines and therapeutics is proceeding at an extraordinary speed with the aim of resolving the global COVID-19 pandemic, and the speed of pharmaceutical research and development is dramatically accelerating within the industry. It must also be assumed that there is a risk of damage to corporate value depending on how this is addressed.

The Shionogi Group has maintained and improved its R&D productivity, which is class-leading worldwide, by leveraging its strengths in disease areas accumulated over many years and its foundation in small-molecule drug discovery to carry out efficient drug discovery research. During the COVID-19 pandemic, research and development of vaccines and therapeutics have proceeded at an unprecedented speed. Though competitors outside Japan were allowed to take the lead, the Shionogi Group is also accelerating research and development by shifting resources significantly and making speedy decisions in consideration of priority, leveraging its research infrastructure and drug discovery know-how, collaborating with academia and external institutions, and combining the Shionogi Group's strengths. The Shionogi Group will further improve R&D productivity by deploying the knowledge gained here across all non-COVID-19 R&D activities as well. However, to further improve the probability of success in drug discovery, it is necessary to allocate management resources appropriately and to strengthen new drug discovery technologies in drug discovery modalities other than small-molecule, such as middle-molecule and antibody drug discovery. To this end, the Shionogi Group has clarified which drug discovery programs and development compounds it will focus on, in addition to those that are related to COVID-19 (therapeutic drugs, vaccines, etc.), and is concentrating its management resources on these. The Shionogi Group is also focusing on acquiring technologies such as peptide drugs, vaccines, and cell medicine (regenerative medicine) by utilizing alliances with various venture companies and academia. In addition, to reduce risk in clinical development, which requires significant expense, the Shionogi Group enhances development productivity by designing study plans based on data and experience, making rigorous assessments based on study results as appropriate,

and making appropriate decisions on whether to proceed with development. Furthermore, the Shionogi Group is working to mitigate various risks associated with uncertainties by accelerating R&D and maximizing value through in-licensing and out-licensing for compounds, and through utilizing subsidies from governments and other public institutions in various countries.

#### (4) Risks related to dependence on specific products

Revenues from product sales of Intuniv and royalty income from Tivicay, Triumeq, and other HIV products accounted for approximately 57% of total revenue (FY2021). In the event that sales of these products decrease or are suspended due to expiration of intellectual property rights (patent rights) and the subsequent launch of generic products, NHI price revisions, the emergence of competing products, or other unforeseen circumstances, performance may be affected.

In response to these inevitable and/or unforeseen risks in the Pharmaceuticals Business, the Shionogi Group is working to mitigate their impact, exploring measures such as launching new product lineups or revising contracts, based on the latest information on the NHI drug price system, the competitive situation, etc. Whenever there is a discussion with significant impact on business continuity, such as a major revision of the NHI drug price system, the Shionogi Group works with industry associations to issue its opinions and take other actions to emphasize the importance and value of generating innovation, as described in (1) above. Furthermore, the Shionogi Group will strive to mitigate risks by transforming its business from its traditional orientation on pharmaceuticals, which is fraught with the above business risks, to one where it can provide a full range of healthcare services, including a vaccine business and pharmaceuticals under new concepts, using digital technologies and other cutting-edge technologies.

#### (5) Risks related to partnerships with other companies

In the research, development, manufacture, and sale of pharmaceuticals, the Shionogi Group collaborates with other companies in various ways, including joint research, joint development, in-licensing and out-licensing of compounds, and joint marketing. If, due to some circumstance, contracts with partners are modified or terminated and the alliances with these companies are delayed or stagnate, etc., performance may be affected.

The Shionogi Group analyzes and evaluates various aspects before deciding whether or not to enter into an alliance. When concluding contracts, the Shionogi Group presumes potential risks and endeavors to deliberate and reach agreements to mitigate these risks, the details of which are stipulated in the contracts. Furthermore, even during an alliance, the Shionogi Group strives to minimize impact on performance by building a strong governance system through various functions and hierarchies with its alliance partners, ascertaining risks in the alliance, having close discussions on solutions, and taking necessary actions.

#### (6) Risks related to the supply chain

The Shionogi Group's mission is to provide a stable supply of pharmaceuticals. However, if the supply chain is disrupted due to various factors such as conflicts, natural disasters, pandemics, or ESG-related issues, the stable supply of pharmaceuticals may be disrupted and patients' health may be affected.

In addition to establishing and periodically reviewing business continuity plan (BCP) items to be supplied on a priority basis, the Shionogi Group sets its own standards for product inventory levels to be held and secures excess inventory, etc., in preparation for the risk of supply disruptions of raw materials and products. Furthermore, for raw materials with high geopolitical risk, the Shionogi Group selects suppliers from multiple countries to ensure stable supply. For items such as cephem antibiotics for which there are limited raw material suppliers, the Shionogi Group is also working to reduce future supply chain risk by establishing a system for the manufacture of active ingredients within Japan.

In addition, in accordance with the Shionogi Group Procurement Policy and the Shionogi Group Business Partner Code of Conduct, the Shionogi Group requests that business partners, including suppliers, also conduct activities based on the Shionogi Group's code of conduct, striving to mitigate risks throughout the supply chain, including within the Shionogi Group.

#### (7) Risks related to quality

The Shionogi Group manufactures products and outsources manufacturing under strict manufacturing and quality controls. However, if a serious quality problem were to occur due to factors such as inadequacies in the manufacturing process, this could lead to a product recall, administrative action, or reduced social credibility, which may significantly affect performance, etc.

The Shionogi Group established the Shionogi Group Quality Policy in 2015 and works to ensure product quality through the maintenance of a quality assurance system that complies with laws and regulations and meets global standards and requirements, including those applied to Group companies outside Japan. As part of these efforts, the Shionogi Group holds SHIONOGI Global Quality Week to spread the importance of quality to all employees, including those at Group companies. The Shionogi Group also conducts surveys and traveling events based on the results of these surveys in order to promote the fostering of a "quality culture" at its manufacturing facilities.

In the global manufacturing of its products, the Shionogi Group complies 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, assessed, and approved 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. In the event of unforeseen serious quality problems, the Shionogi Group strives to promptly evaluate these and make the best possible decisions to improve product quality and provide customer satisfaction.

#### (8) Risks related to IT security and information management

The Shionogi Group uses various internal and external IT systems and holds a large amount of confidential information, including personal information. In the event of a system crash or security problem such as leakage of personal information due to a willful or negligent act by an employee or contractor, or due to a cyberattack by a malicious third party or a virus infection, business activities, performance, financial position, and credibility could be severely affected. In addition, legal damages, such as claims for compensation for damages, and costs related to post-incident measures may be incurred.

In order to mitigate these risks, the Shionogi Group has appointed a Chief Information Officer (CIO) responsible for overall control of information management and who establishes policies to ensure information protection and information security, a Chief Data Officer (CDO) responsible for overall control of the use and management of data and documents, and a Global IT Head responsible for operation of the Shionogi Group's information technology. The Shionogi Group has also established rules and regulations for information management based on laws, regulations, and guidelines and works to ensure its employees are aware of the importance of information management. With regard to personal information, the Shionogi Group has established the SHIONOGI Global Privacy Policy to ensure that all employees are aware of the importance of personal information and the need to comply with laws and regulations regarding the protection of personal information.

In addition, the Shionogi Group is promoting a project to establish an IT business continuity plan (IT-BCP) system to ensure business continuity in the event of a crisis, such as a cyberattack or a large-scale disaster, and is working to improve its IT infrastructure, strengthen its information security infrastructure, and improve the infrastructure's operations. In addition, the Shionogi Group is taking measures to prevent cyberattacks based on an actual attack on a location in Taiwan, including a fundamental review of the Shionogi Group-wide network structure based on a security assessment conducted for the entire Group, including overseas locations.

#### (9) Risks related to securing and cultivating human resources

The Shionogi Group strives to secure and develop the diverse human resources necessary to realize its management vision. In addition to environmental changes, such as in hiring and in the growing demand for ESG management, changes in work styles with an eye to the post-COVID era are leading to changing values about work and changing expertise required. In such an environment, the Shionogi Group requires human resources who are able to treat environmental changes as opportunities and accelerate the resolution of social issues, human resources who can bring the Shionogi Group's transformation to fruition as it seeks sustainable growth as a Healthcare as a Service (HaaS) company, and human resources capable of logical thinking from a Group-wide perspective and supporting its highly efficient management. If the Shionogi Group is unable to secure and develop sufficient human resources of these kinds, it may not be able to achieve organizational management, which may affect the Shionogi Group's performance in the medium to long term.

In order to create new value for society and increase corporate value, the Shionogi Group believes that its most important capital is its employees. In order to achieve its new vision for human resources, "Be the best you can be to take on new challenges" (SHIONOGI Way), for the achievement of STS2030, the Shionogi Group is creating an environment facilitating human resources seizing opportunities for personal growth, enhancing support for self-investment, and providing focused training for managers supporting development. In addition, the Shionogi Group is providing business transformation and value creation training using IT and digital technologies, one element of human resources development programs contributing to becoming an HaaS company, a goal of STS2030, and is striving to strengthen its human resource development by executing a range of measures. Furthermore, the Shionogi Group is also working to develop future members of upper management through the President's School held by top management executives and through the practice of corporate management appointing upper management candidates as directors of Group companies. In addition, in order to enhance the skills of individual employees and promote flexible work styles, the Shionogi Group changed the prescribed number of work hours from 155 to 140 hours, introduced 15-hour discretionary pay and a system of elective weekends (three-day weekends), and permitted some side work. Through these efforts, the Shionogi Group seeks to secure employees with diverse experience.

#### (10) Risks related to environment and safety

Some substances used or generated in the process of pharmaceutical research, development, manufacturing, etc. may affect the human body and/or ecosystems. If environmental pollution or subsequent harm emerges in the course of the Shionogi Group's business activities, this could lead to temporary closure of facilities, incurring countermeasure or recovery costs, or legal liability, which may affect the Company's credibility or performance. With regard to the leak of the solvent dichloromethane at the Kanegasaki Plant of Shionogi Pharma Co., Ltd. that occurred in January 2021, the Shionogi Group is working to prevent its spread by collecting it from the

soil, monitoring its distribution within the site, and preventing its movement. No leakage outside the plant site has been confirmed as of the drafting of this document. The Shionogi Group will continue to conduct monitoring activities and implement appropriate measures to address the risk of leakage outside the site. In order to mitigate risks related to the environment, health, and safety, a Group-wide management system and management regulations have been established. Here, the Shionogi Group ensures not only legal compliance but has established even more rigorous management standards and targets, formulates and implements countermeasures, and checks the appropriateness of these. The Shionogi Group also requests that suppliers behave in the same manner, striving to mitigate risks throughout the supply chain, including within the Shionogi Group.

Furthermore, as a pharmaceutical company, Shionogi believes that it is important not only to create innovative pharmaceuticals and strive to resolve social issues, but also to promote initiatives in line with global frameworks as represented by the Sustainable Development Goals (SDGs) set forth by the United Nations in the interest of the sustainable potential of the planet. Specifically, the Shionogi Group is addressing sustainability issues by setting long-term targets in such areas as antimicrobial resistance (AMR), climate change, and plastic waste management, which it has identified as environmental materiality (important issues). In particular, in the area of climate change, the Shionogi Group has set greenhouse gas reduction targets, which have been approved by the Science Based Targets (SBT), greenhouse gas emission reduction targets that are scientifically consistent with the levels of the Paris Agreement. The Shionogi Group is working toward the complete conversion of electric power to renewable energy sources with the goal of achieving SBT by 2030. Furthermore, during the fiscal year under review, the Shionogi Group endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and has been working to enhance its resilience through scenario analysis, financial impact calculations, and exploration of countermeasures so as to determine how the risks and opportunities posed by climate change will affect the Shionogi Group's management. The Shionogi Group will disclose the results of these as appropriate.

#### (11) Risks related to natural disasters and pandemics

The occurrence of a natural disaster, such as a sudden major earthquake, climate change-related storm and/or flood, unforeseen incident, or the occurrence of a pandemic, could lead to the closure of business facilities or suspension of plant operations, potentially impeding the supply of products to the market and which may significantly affect performance. In addition, any damage to research laboratories or clinical trial facilities, etc., may affect the progress of drug discovery research or clinical development. Furthermore, this may affect the provision and collection of safety information.

For this reason, the Shionogi Group's upper management has clarified important operations and formulated a business continuity plan (BCP) for natural disasters and pandemics on a per-organization basis, and has strengthened contingency preparedness by conducting ongoing drills and periodically reviewing plans. In addition, not only Group plant but also important suppliers are checked for impact from natural disasters and other environmental and safety issues through environmental, health, and safety (EHS) audits, etc., and improvements are requested as necessary.

#### (12) Risks related to intellectual property

The Shionogi Group's products generate profits under the protection of intellectual property rights (e.g., patents), but there is a risk that various intellectual properties may not be sufficiently protected or that third parties' intellectual property rights may be infringed.

Therefore, the Shionogi Group has established a system to properly manage its owned intellectual property rights so as to prevent damage to them, and the Shionogi Group continuously monitors for infringement of rights by third parties. In its business activities, the Shionogi Group has put in place a system to prevent infringement by conducting infringement prevention surveys and carrying out IP due diligence in in-licensing and out-licensing activities, and takes precautions to prevent infringement of intellectual property rights held by third parties. Through these efforts, the Shionogi Group strives to mitigate risks related to intellectual property.

#### (13) Risks related to litigation

In connection with its business activities, the Shionogi Group may be subject to litigation related to pharmaceutical side effects, product liability, labor issues, fair trade, and other issues. Trends in this litigation may affect the Shionogi Group's credibility or performance.

In addition to establishing internal systems necessary to mitigate this risk, the Shionogi Group takes appropriate measures in consultation with attorneys, patent attorneys, and other specialists as appropriate. Major litigation currently pending is as described in "V. Financial Information, 1. Consolidated Financial Statements, (2) Others, 2) Significant Legal Actions."

#### (14) Risks related to financial markets and foreign exchange trends

Fluctuations in the financial and foreign exchange markets that exceed the scope of forecasts could affect management of pension assets, increase retirement benefit obligations, affect royalty income from overseas alliance partner, or otherwise affect performance and assets.

The Shionogi Group strives to mitigate the risk of an increase in retirement benefit obligations due to a deterioration in the return on

pension assets by diversifying pension assets in multiple investment products. In addition, the Shionogi Group utilizes derivative transactions to manage foreign currency transactions and foreign currency-denominated monetary receivables and payables against the risk of exchange rate fluctuations and interest rate fluctuations.

#### (15) Risks related to compliance

In carrying out its business activities, the Shionogi Group is not only subject to various laws and regulations such as pharmaceutical regulations and product liability, but as a member of the pharmaceutical industry with a direct connection to people's health and lives, the Shionogi Group is required by society to act in accordance with extremely high ethical standards. Therefore, not only violations of laws and regulations, but also behavior that opposes the requirements of society may lead to a loss or decline in stakeholder trust in the Shionogi Group, which in turn may affect performance.

The Shionogi Group recognizes that compliance is always a top priority and is committed to ethical and responsible behavior as per the Shionogi Group Code of Conduct, where it has also stipulated rigorous compliance as one of the values essential to achieving the vision the Shionogi Group seeks to achieve.

Shionogi has established the Shionogi Group Compliance Policy, the Compliance Committee, and internal and external reporting desks, and unwaveringly provides messaging about compliance in the President's quarterly message, strengthening employee awareness of compliance. The Compliance Committee, chaired by the Representative Director, President and CEO, meets four times a year to discuss compliance issues and implement necessary education (e.g., prevention of harassment, information leakage, and bribery) and initiatives.

#### (16) Spread of COVID-19

If restrictions are imposed on business activities due to the spread of COVID-19, raw materials procurement and other supply chain processes could be suspended or stagnate, which may significantly affect the stable supply of pharmaceuticals.

In addition, delays in research or clinical trials or restrictions on business activities, such as from the provision of information by medical representatives (MRs), may significantly affect new drug approval applications and launches, market penetration, or the collection and provision of drug safety and proper use information.

To mitigate these risks, the Shionogi Group is working to develop new work styles necessary to maintain and improve productivity while responding to government and administrative requests, such as limiting work attendance rates to prevent the spread of infection and establishing an in-house inspection system in production and research units for early detection of close contacts. In addition, information provision activities in the COVID-19 pandemic are handled and modified for structure and content in accordance with guidelines issued by government and administrative agencies. Furthermore, in order to achieve business continuity even in the event of an emergency from the spread of infection and to fulfill its social responsibility as a pharmaceutical company, the Shionogi Group utilizes a business continuity plan (BCP) and places the highest priority on the stable supply of its pharmaceuticals.

For details on the impact of the spread of COVID-19 and the Company's efforts, please refer to "II. Business Overview, 1. Management Policy, Business Environment, Issues to be Addressed, etc." and "5. Research and Development Activities."

Beyond the above, there are various other risks associated with the Shionogi Group's business activities, and those listed here do not represent all the risks for the Shionogi Group.

### 3. 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, the Shionogi Group 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 the Shionogi Group as of the end of the consolidated fiscal year under review.

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

#### i. Operating Results

##### a. Financial Position

As of March 31, 2022, total assets were ¥1,150,601 million, an increase of ¥151,608 million from a year earlier.

Non-current assets were ¥491,396 million, an increase of ¥48,641 million from a year earlier, mainly reflecting an increase in financial assets measured at fair value through other comprehensive income and an increase in property, plant and equipment due to the construction of vaccine manufacturing facilities. Current assets were ¥659,205 million, an increase of ¥102,967 million compared to a year earlier, mainly as a result of changes in trade receivables and in fixed-term deposits of more than three months and bonds (included in "Other financial assets" in current assets).

Equity was ¥993,285 million, an increase of ¥128,734 million from a year earlier. This was due to the recording of profit, payment of cash dividends, a net change in financial assets measured at fair value through other comprehensive income, and an increase in exchange differences on translation of foreign operations.

Liabilities totaled ¥157,316 million, an increase of ¥22,874 million from a year earlier.

Non-current liabilities were ¥32,920 million, a decrease of ¥1,341 million from a year earlier. Current liabilities were ¥124,396 million, an increase of ¥24,215 million from a year earlier.

##### b. Operating Results

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022), operating results were as follows.

	Year ended March 31, 2022	Year ended March 31, 2021	Change	Percentage change (%)
Revenue	335,138	297,177	37,960	12.8
Operating profit	110,312	117,438	(7,126)	(6.1)
Core operating profit *	110,570	93,963	16,607	17.7
Profit before tax	126,268	143,018	(16,750)	(11.7)
Profit attributable to owners of parent	114,185	111,858	2,326	2.1

\* The Company has established "core operating profit" as a profit indicator to present ordinary profitability. This has been adopted as the Company's proprietary earnings management indicator. Core operating profit is an adjusted profit in which non-recurring items (impairment losses, gain on sale of property, plant, and equipment, etc.) are deducted from operating profit.

Revenue was ¥335.1 billion, a 12.8 percent increased year on year. Domestic sales of prescription drugs were ¥89.1 billion, a decrease of 5.9 percent, as a result of the launch of a generic version of Cymbalta. On the other hand, revenue from overseas subsidiary sales and exports was ¥34.4 billion, a 39.5 percent increase due to growth in sales of cefiderocol in Europe and the United States. Royalty income was ¥181.3 billion, a 25.3 percent increase due to the increase in royalty income from the HIV franchise.

Operating profit was ¥110.3 billion, a 6.1 percent decrease, as research and development expenses increased due to aggressive investment in COVID-19-related projects. Core operating profit excluding non-recurring items was ¥110.6 billion, an increase of 17.7 percent.

Profit before tax was ¥126.3 billion, an 11.7 percent decrease.

Despite the decrease in profit before tax, profit attributable to owners of parent was ¥114.2 billion, a 2.1 percent increase. The increase was the result of a refund received in connection with a favorable decision in Shionogi's complaint for the rescission of tax reassessment by the Osaka Regional Taxation Bureau.

In the fiscal year ended March 31, 2022, Shionogi achieved its financial forecast despite the sharp rise in research and development expenses for COVID-19-related projects. In the fiscal year ending March 31, 2023, Shionogi will address challenges left over from previous years and redouble efforts to build Shionogi into a company with more earning power.

#### ■ Domestic sales of prescription drugs

Domestic sales of prescription drugs decreased 5.9 percent to ¥89.1 billion as a result of the decrease in sales due to the market entry of a generic version of Cymbalta. The flu season was very mild, like the previous season, but sales of influenza-related products increased ¥2.8 billion to ¥3.1 billion, as Shionogi recorded sales revenue from government stockpiles of Rapiacta. Sales of infectious disease drugs, which include influenza-related products, totaled ¥11.8 billion, a 20.8 percent increase. Sales of Intuniv and Vyvanse were ¥16.4 billion (a 25.4 percent increase) and ¥0.8 billion (a 190.7 percent increase), respectively.

During the COVID-19 pandemic, restrictions on visits to healthcare facilities by medical representatives (MRs) continued. To deliver product information to healthcare professionals even in these circumstances, Shionogi improved its ability to communicate in digital environments, and focused on securing meeting opportunities. In addition, Shionogi built a sales IT platform to create an organization in which decisions are made based on data with the aim of increasing productivity per employee.

#### ■ Exports/Overseas subsidiary sales

Revenue from overseas subsidiary sales and exports increased 39.5 percent to ¥34.4 billion. Revenue in the United States increased 84.5 percent to ¥13.8 billion as a result of strong sales of cefiderocol\*1 and a one-time payment received in connection with the transfer of the sales rights to FORTAMET. Sales of cefiderocol increased 268.7 percent to ¥6.2 billion. In Europe, revenue increased 153.7 percent to ¥5.0 billion on strong sales of cefiderocol. In addition, the Shionogi Group began sales in Italy. The Shionogi Group will drive growth in its European and North American businesses by continuing to expand cefiderocol sales to more countries and by expanding the number of countries adopting the subscription-type reimbursement model\*2. In China, sales in existing generic business decreased amid medical cost control measures by the Chinese government, but revenue increased 1.1 percent to ¥10.2 billion to the effect of exchange rate fluctuations.

\*1 Sold under the brand name Fetroja in the United States and Feteroja in Europe

\*2 A subscription-type reimbursement model in which the country can receive antibiotics when needed by paying a fixed remuneration to the developing company irrespective of the amount of antibiotics prescription.

#### ■ Royalty income and dividend income from ViiV

Sales of the HIV franchise out-licensed to UK-based ViiV Healthcare Ltd. (“ViiV”) expanded, and royalty income from ViiV, excluding upfront payments, increased compared with the previous year. In addition, a settlement was reached in ViiV’s patent infringement litigation against U.S.-based Gilead Sciences, Inc. (“Gilead”) in the fiscal year ended March 31, 2022. Under the terms of the settlement, Gilead paid ViiV \$1.25 billion upfront and will pay ViiV a 3% royalty on future U.S. sales of Biktarvy (for reference: \$6.09 billion in 2020) and on the bictegravir component of any future bictegravir-containing products sold in the United States. ViiV paid a portion of the upfront payment to Shionogi, which Shionogi recognized as revenue. Also, Shionogi and ViiV have agreed to a defined annual payment to Shionogi from ViiV in respect of the 3% royalties, which Shionogi recorded an amount equivalent to royalty to be received in the future as revenue for the fiscal year ended March 31, 2022. As a result, royalty income from ViiV increased 41.0 percent from the previous year to ¥174.0 billion.

Royalty income from Switzerland-based Roche was ¥40.0 million in the fiscal year ended March 31, 2022 as the scale of the seasonal influenza epidemic was extremely small globally, similar to the previous season.

Royalty income on Crestor sales from UK-based AstraZeneca decreased 93.1 percent to ¥1.2 billion because the amount received decreased starting in the fourth quarter of fiscal 2020 under the license agreement.

Total royalty, milestone and dividend income for the fiscal year ended March 31, 2022 increased 15.6 percent year-on-year to ¥194.2 billion, reflecting the increase in royalty income from the HIV franchise.

■ Objective indicators for determining achievement status of management goals

As described in “II. Business Overview, 1. Management Policy, Business Environment, Issues to be Addressed, etc.,” the Shionogi Group formulated the New Medium-Term Business Plan, SHIONOGI Transformation Strategy 2030 (STS2030), in June 2020.

Five management indicators have been established for measuring growth potential: revenue, core operating profit, core operating profit margin, overseas sales ratio excluding royalty income, and original pipeline ratio. Furthermore, three indicators have been established for measuring shareholder return from the perspectives of business growth and financial measures: basic earnings per share (EPS), ratio of dividends to equity attributable to owners of parent (DOE), and return on equity attributable to owners of parent (ROE). The results for these indicators in the consolidated fiscal year under review, the second year of STS 2030, were as follows

Key Performance Indicator (KPI)		FY2021 Actual	FY2022 Target	FY2024 Target	FY2030 Target
Growth	Revenue	335.1 Billions of yen	400.0 Billions of yen	500.0 Billions of yen	600.0 Billions of yen
	Core operating profit*	110.6 Billions of yen	120.0 Billions of yen	150.0 Billions of yen	200.0 Billions of yen
	Core operating profit margin	33.0%	Over 30%	Over 30%	—
	Overseas sales ratio**	22.3%	Over 25%	Over 50%	—
	Original pipeline ratio	73%	Over 60%	Over 60%	—
Shareholder return	EPS	378.75 yen	Over 370 yen	Over 480 yen	—
	DOE	3.8%	Over 4%	Over 4%	—
	ROE	12.5%	Over 13%	Over 15%	—

\*: Core operating profit is an adjusted profit in which non-recurring items (impairment losses, gain on sale of property, plant, and equipment, etc.) are deducted from operating profit.

\*\* : Excludes royalty income

In FY2022, the Shionogi Group will focus on achieving growth through COVID-19-related projects and reinvesting earnings to achieve medium- and long-term growth, while strengthening its businesses in Japan and overseas and continuing its efforts to achieve these indicators set forth in STS2030.

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, 2022 was ¥102,068 million, a decrease of ¥6,970 million year on year. Factors included a favorable judgement of the complaint for the rescission of tax reassessment by the Osaka Regional Taxation Bureau, a decrease in profit before tax and an increase in trade receivables.

Net cash used in investing activities was ¥96,204 million, an increase of ¥90,942 million year on year. Factors included changes in time deposits and acquisition and sale of securities for investment of surplus.

Net cash used in financing activities was ¥36,615 million, a decrease of ¥7,276 million year on year. Factors included purchase of treasury shares, disposal of treasury shares by third-party allotment, and proceeds from issuance of shares related to the establishment of a subsidiary with Ping An Insurance (Group) Company of China, Ltd.

As a result, cash and cash equivalents on March 31, 2022 totaled ¥254,420 million, a decrease of ¥21,752 million from a year earlier.

Cash flow indicators

	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022
Ratio of equity attributable to owners of parent to total assets	87.6%	84.7%	84.8%
Ratio of equity attributable to owners of parent to total assets on market value basis	184.9%	179.6%	197.3%
Interest-bearing liabilities/Cash flow ratio	0.1	0.1	0.1
Interest coverage ratio (times)	378.1	425.6	1,161.1

Notes: Ratio of equity attributable to owners of parent to total assets:  $\text{Equity attributable to owners of parent} / \text{Total assets}$

Ratio of equity attributable to owners of parent to total assets on market value basis:  $\text{Total market value of stock} / \text{Total assets}$

Interest-bearing liabilities/Cash flow ratio:  $\text{Interest-bearing liabilities} / \text{Net cash provided by operating activities}$

Interest coverage ratio:  $\text{Net cash provided by operating activities} / \text{Interest expense}$

1. All indicators are calculated on a consolidated basis.

2. Total market value of stock is calculated based on the total number of shares outstanding excluding treasury stock.

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 consolidated fiscal year under review are as follows.

Name of business segment	Value (millions of yen)	Year-on-year change (%)
Pharmaceutical Business	93,484	0.9

Note: Amounts are calculated based on estimated sale prices.

b. Goods purchase results

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

Name of business segment	Value (millions of yen)	Year-on-year change (%)
Pharmaceutical Business	12,573	(3.8)

Note: Amounts are based on actual purchase value.

c. Order status

The Shionogi Group'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 is immaterial.

d. Sales results

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

Name of business segment	Value (millions of yen)	Year-on-year change (%)
Pharmaceutical Business	335,138	12.8

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 consolidated fiscal year		Consolidated fiscal year under review	
	Value (millions of yen)	Percent of total (%)	Value (millions of yen)	Percent of total (%)
ViiV Healthcare Ltd.	123,361	41.5	176,990	52.8

ii. Significant accounting estimates and assumptions used therein

The Shionogi Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). In preparing these consolidated financial statements, estimates considered necessary are made based on reasonable standards. For details of significant 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."



#### 4. Material Business Agreements, etc.

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

(1) In-licensing of technology, etc.

Counterparties	Countries	Technology details	Regions	Consideration paid	Contract term
MUNDIPHARMA B.V.	Netherlands	Technology and trademark license for morphine sulfate controlled-release tablets	Japan	Fixed-percentage royalty	From July 1986
MUNDIPHARMA B.V.	Netherlands	Technology and trademark license for oxycodone hydrochloride	Japan	Contract fee Fixed-percentage royalty Lump sum payment	From December 1992 to June 2025
SANOFI AVENTIS	France	Technology and trademark license for 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.	USA Japan	Technology for anti-fibrotic drug pirfenidone	Japan Korea Tiwan	Contract fee	From November 1996
Bayer Yakuhin, Ltd.	Japan	Joint development/sales rights and trademark license for anti-allergic drug loratadine	Japan	Product purchase	From January 1999, Automatic renewal every three years thereafter
BIOCRYST PHARMACEUTICALS, INC.	USA	Technology for anti-influenza virus drug peramivir	Japan Tiwan	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 Tiwan	Contract fee Milestones Product purchase	From September 2010 to 15 years from the release of the product Automatic renewal every three years thereafter
Takeda Pharmaceuticals International AG	Switzerland	Treatment drug for attention deficit hyperactivity disorder (ADHD)	Japan	Contract fee Product purchase Fixed-percentage royalty	From November 2011 to 10 years from the release of the product or the duration of the patent, whichever is longer
MUNDIPHARMA B.V.	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 royalty payment obligation
Hsiri Therapeutics, Inc.	USA	Development candidates for mycobacterial diseases	Worldwide	Contract fee Milestones Fixed-percentage royalty	From May 2018, Until expiration of royalty payment obligation
Sage Therapeutics, Inc.	USA	Novel antidepressant SAGE-217	Japan Taiwan Korea	Contract fee Milestones Fixed-percentage royalty	From June 2018, Until expiration of royalty payment obligation

(2) Out-licensing of technology, etc.

Counterparties	Countries	Technology details	Regions	Consideration received	Contract term
AstraZeneca UK Limited	UK	Development, manufacturing, and sales rights for hypercholesterolemia drugs	Worldwide	Contract fee Fixed-percentage royalty	From April 1998, Until the end of 2023
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	USA	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 USA	Development, manufacturing, and sales rights for S-033188 (influenza treatment drug)	Worldwide (Exclude 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

(3) Joint development and joint sales

Counterparties	Countries	Technology details	Regions	Contract term
IPR Pharmaceuticals, Inc.	Puerto Rico	Sales rights for hypercholesterolemia drugs	Japan	From April 2002 to 10 years from the release of the product or the duration of the patent, whichever is longer
Sumitomo Pharma Co., Ltd.	Japan	Joint sales rights for anti-hypertension drug irbesartan/amlodipine besilate combination tablets	Japan	From June 2012 to 10 years from the release of the product Automatic renewal every year thereafter
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.	USA Japan	Joint development and joint sales promotion rights for duloxetine hydrochloride	Japan	From April 2015 to the period of product sales
Mundipharma K.K.	Japan	Sales rights and joint sales promotion rights for disinfectant isodine (Prescription drug)	Japan	From December 2015 to 5 years from the release of the product Automatic renewal every two years thereafter
Eddingpharm	China	Sales rights for lustrombopag	China	From March 29, 2019 to 15 years from the release of the product Automatic renewal every three years thereafter (not to exceed a total of 24 years)

(4) Investment agreements

Counterparties	Countries	Description	Date of agreement
Shimadzu Corporation	Japan	Establishment of joint venture	January 6, 2022

In conjunction with this agreement, AdvanSentinel Inc. was established as of January 20, 2022 and became an equity method affiliate.

(5) Other

Counterparties	Countries	Description	Date of agreement
Hitachi, Ltd. Hitachi Pharma Information Solutions, Ltd. Shionogi Digital Science Co., Ltd.	Japan	Basic agreement for medium- to long-term and strategic partnership in IT operations (business alliance)	October 1, 2021

In conjunction with this business alliance, Shionogi Digital Science Co., Ltd. was dissolved and fully liquidated.

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

(1) Out-licensing of technology, etc.

Company name	Counterparties	Countries	Technology details	Regions	Consideration received	Contract term
Shionogi Inc.	DUCHESNAY INC.	Canada	Development, manufacturing, and sales rights for vaginal atrophy drug ospemifene	USA Canada	Contract fee Fixed amount and additional receipt based on annual sales	From March 10, 2017, Until expiration of payment obligation

(2) Joint sales

Company name	Counterparties	Countries	Technology details	Regions	Contract term
Shionogi Healthcare Co., Ltd.	Mundipharma 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) (Over-the-counter)	Japan Cross-border e-commerce for China	From October 2015 to 5 years from the release of the product Automatic renewal every two years thereafter

(3) Investment agreements

Company name	Counterparties	Countries	Description	Date of agreement
Shionogi Pharma Co., Ltd.	Chiyoda Corporation Taisei Corporation Fujimoto Chemical Co., Ltd. Takenaka Corporation Nagase & Co., Ltd.	Japan	Establishment of joint venture	November 24, 2021

In conjunction with this agreement, Pharmira Co., Ltd. was established on November 25, 2021 and became a consolidated subsidiary.

Yokogawa Electric Corporation also joined the project through entering into an investment agreement on February 4, 2022, and the project launched on April 1, 2022.

## 5. Research and Development Activities

In FY2021, the Shionogi Group continued to make aggressive investments in research and development and flexibly responded to changes in the environment caused by COVID-19, making progress on its focus projects largely on schedule.

### (1) Research

S-880008, a COVID-19 treatment candidate, moved into preclinical studies this fiscal year toward the goal of beginning clinical development. This compound is a peptide created using technology developed by PeptiDream. Once-daily administration is expected to improve symptoms due to rapid viral elimination. In other COVID-19 treatments, the Shionogi Group made progress on a project to create a follow-up compound to S-217622.

In the vaccine business, the Shionogi Group worked on a project to develop a nasal vaccine that induces mucosal immunity as a next-generation COVID-19 vaccine. In addition, the Shionogi Group carried out preclinical studies of S-872600, a nasal vaccine for influenza.

S-540956, a nucleic acid adjuvant, has potential oncology and infectious disease-related applications, for example as a functional cure for HIV. In the fiscal year ended March 31, 2022, preclinical studies progressed toward the goal of beginning clinical development.

S-531011, a cancer-targeting antibody, is intended to address patient needs that are not met with current cancer therapies. In the fiscal year ended March 31, 2022, preclinical studies were completed, and a Phase Ib/II study began.

S-365598 is a third-generation integrase inhibitor that is expected to be a long-acting (one dose every three months or more) anti-HIV drug. In the fiscal year ended March 31, 2022, Shionogi proceeded with preclinical studies and out-licensed S-365598 to ViiV.

### (2) Development

For zuranolone (S-812217), a candidate for the treatment of depression and depression symptoms that was licensed from Sage Therapeutics of the United States, positive results were confirmed in a Phase II study for major depressive disorder in Japan. A Phase III study in Japan started in the fiscal year ended March 31, 2022.

For sivopixant (S-600918), a global Phase IIb study for refractory chronic cough moved forward and observation of all patients was completed. The study showed a favorable safety profile and a tendency toward efficacy in multiple secondary endpoints.

Redasemtide (S-005151), a peptide with regeneration-inducing effects that was licensed from StemRIM, is expected to have indications for a wide range of diseases because of its mechanism of action. In the fiscal year ended March 31, 2022, Phase II clinical studies in Japan for acute ischemic stroke were completed, and preparations for the start of Phase III studies began. In addition, an investigator-led clinical study (Phase II) for knee osteoarthritis and chronic liver disease moved forward.

For zatolmilast (BPN14770), a drug candidate for improvement of cognitive function that was licensed from Tetra Therapeutics, a Phase IIb/III study in the United States for Fragile X Syndrome began in the fiscal year ended March 31, 2022. In addition, Shionogi began a Phase II study in Japan for Alzheimer's disease, but discontinued the study due to safety concerns. Shionogi will continue to develop.

S-637880 was being developed for the indication of neuropathic low back pain, and a Phase II study in Japan was in progress, but development for the indication of neuropathic low back pain was discontinued because of safety concerns.

As a result of these activities, research and development expenses for the entire Group for the consolidated fiscal year under review totaled ¥72,996 million yen.

### (3) R&D activities for COVID-19

As a pharmaceutical company with a major focus on infectious diseases, Shionogi is cooperating with public institutions, academia and partner companies to work on research and development of a wide range of healthcare-related solutions. Shionogi is working on the provision of services from the viewpoint of total care of COVID-19, from detection (epidemic prediction) to prevention, diagnosis, treatment and reduction of severity, with the goal of an early end to the pandemic.

Pipeline (as of May 11, 2022)

Areas	Code No. (Generic name) [Product name]	Mechanism of action (Administration)	Indication	Stage	Origin	Development
Infectious disease	S-649266 (Cefiderocol Tosilate Sulfate Hydrate) [US:Fetroja®] [EU:Fetroja®]	Cell-wall synthesis inhibition (injection)	USA: Complicated urinary tract infections, including pyelonephritis and nosocomial pneumonia Europe: Infections due to aerobic gram-negative bacteria in adult patients with limited treatment options Japan: Various infectious diseases caused by Gram-negative bacteria that are resistant to carbapenem antibiotics	Global: Phase III (pediatric) Japan: NDA submission (Mar. 2022)	In-house	In-house
	S-033188 (baloxavir marboxil) [Japan: Xofluza®]	Cap-dependent endonuclease inhibition (oral, granule)	Influenza virus infection	Japan: NDA submission (body weight <20kg) (Aug. 2018)	In-house	Shionogi/Roche (Switzerland)
	S-268019	Vaccine (muscular injection)	Prevention of COVID-19	Japan: Phase III Global: Phase III	In-house	In-house
	S-268019	Vaccine (muscular injection)	Prevention of COVID-19 (Adolescent)	Japan: Phase II/III	In-house	In-house
	S-217622 (Ensitrelvir Fumaric Acid)	3CL protease inhibitor (oral)	Treatment of COVID-19	Japan: NDA submission (Feb. 2022), Phase II/III Global: Phase III	In-house	In-house
Pain/CNS	S-297995 (naldemedine tosilate) [US/Japan: Symproic®] [EU: Rizmoic®]	Peripheral opioid receptor antagonist (oral, powder)	Opioid-induced constipation (pediatric)	Europe: Phase I/II	In-house	In-house
	S-120083	Not disclosed (oral)	Inflammatory pain	Japan: Phase I USA: Phase II	Shionogi/Purdue Pharma L.P. (USA)	Shionogi/Purdue Pharma L.P.
	S-010887	Not disclosed (oral)	Neuropathic pain	Japan: Phase I	In-house	In-house
	S-117957	Not disclosed (oral)	Insomnia	USA: Phase I	Shionogi/Purdue Pharma L.P. (USA)	Shionogi/Purdue Pharma L.P.
	S-600918 (sivopixant)	P2X <sub>3</sub> receptor antagonist (oral)	Neuropathic pain	Japan: Phase I	In-house	In-house
	S-600918 (sivopixant)	P2X <sub>3</sub> receptor antagonist (oral)	Refractory/unexplained chronic cough	Global: Phase II	In-house	In-house
	S-812217 (zuranolone)	GABA <sub>A</sub> receptor positive allosteric modulator (oral)	Depression	Japan: Phase III	Sage (USA)	Shionogi/Sage
	SDT-001	Treatment digital application based on cerebral mechanism	Inattention symptom in ADHD patients (pediatric)	Japan: Phase III	Akili (USA)	Shionogi/Akili
	BP14770 (zatolmilast)	PDE4D negative allosteric modulator (oral)	Fragile X syndrome	USA: Phase II/III	Tetra (USA)	Shionogi/Tetra
Metabolic disorder	BP14770 (zatolmilast)	PDE4D negative allosteric modulator (oral)	Alzheimer's disease	USA: Phase II Japan: Phase II	Tetra (USA)	Shionogi/Tetra
	S-237648	Neuropeptide Y Y5 receptor antagonist (oral)	Obesity	Japan: Phase II	In-house	In-house
	ADR-001	Human mesenchymal stem cells (injection)	Decompensated liver cirrhosis	Japan: Phase I/II	Rohto (Japan)	Shionogi/Rohto
	S-723595	Acetyl-CoA carboxylase 2 inhibitor (oral)	NASH	Japan: Phase I	In-house	In-house
	S-309309	Monoacylglycerol acyltransferase 2 inhibitor (oral)	Obesity	USA: Phase I	In-house	In-house

Areas	Code No. (Generic name) [Product name]	Mechanism of action (Administration)	Indication	Stage	Origin	Development
Frontier	S-588410	Cancer peptide vaccine (injection)	Esophageal cancer	Japan: Phase III	OncoTherapy Science, Inc. (Japan)	In-house
	S-588410	Cancer peptide vaccine (injection)	Bladder cancer	Japan,Europe: Phase II	OncoTherapy Science, Inc. (Japan)	In-house
	S-488210	Cancer peptide vaccine (injection)	Head and neck squamous cell carcinoma	Europe: Phase I/II	OncoTherapy Science, Inc. (Japan)	In-house
	S-588210	Cancer peptide vaccine (injection)	Solid tumor	UK: Phase I	OncoTherapy Science, Inc. (Japan)	In-house
	S-222611 (epertinib)	HER2/EGFR dual inhibitor (oral)	Malignant tumor	Europe: Phase I/II	In-house	In-house
	S-770108	Antifibrotic (inhalation)	Idiopathic pulmonary fibrosis	Japan: Phase I	In-house	In-house
	SR-0379	Promote granulation formation (topical)	Cutaneous ulcer (Pressure ulcer, Diabetic ulcer)	Japan: Phase III	FunPep (Japan)	Shionogi/FunPep
	S-005151 (Redasemtide Trifluoroacetate)	Mobilization of mesenchymal stem cells (MSCs) to peripheral blood (injection)	Stroke	Japan: Phase II	StemRIM (Japan)	In-house
	S-005151 (Redasemtide Trifluoroacetate)	Mobilization of mesenchymal stem cells (MSCs) to peripheral blood (injection)	Epidermolysis bullosa	Japan: Phase II	StemRIM (Japan)	In-house
	S-531011	CCR8-specific monoclonal antibody (injection)	Solid tumor	Japan,USA: Phase Ib/II	In-house	In-house

<Out-Licensing Activity>

Code No. (Generic name) [Product name]	Mechanism of action (Administration)	Indication	Stage	Origin	Development
S/GSK1265744 LAP*1 (cabotegravir)	Integrase inhibitor (injection)	For the treatment and prevention for HIV infection	(CAB*2 LAP for prevention) Global: Phase III	Shionogi-ViiV Healthcare LLC	Collaboration among ViiV,HPTN,NIAID and Gilead Sciences, Inc.(USA)for prevention
S-0373	Non-peptide mimetic of TRH (oral)	Spinocerebellar ataxia	Japan: NDA submission (Dec. 2021)	In-house	Kissei Pharmaceutical Co., Ltd. (Japan)
S-033188 (baloxavir marboxil) [USA:Xofluza™]	Cap-dependent endonuclease inhibition (oral)	Influenza virus infection	USA: NDA submission (pediatric, >1 year old) (Mar. 2020) Global: Phase III (pediatric, < 1 year old) Global: Phase III (transmission)	In-house	Shionogi/Roche (Switzerland)
S-555739 (asapiprant)	Prostaglandin D2 DP1 receptor antagonist (oral)	Control of the aggravation of COVID-19	USA: Phase II	In-house	BioAge Labs, Inc. (USA)

\*1 Long acting parenteral formulation, \*2 Cabotegravir,

### III. Equipment and Facilities

#### 1. Capital Expenditures

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

In the consolidated fiscal year under review, capital expenditures totaled 27,274 million yen, down 97 million yen (0.4%) from the previous consolidated fiscal year, primarily spent on new construction of production facilities at the Settsu Plant and vaccine 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

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

##### (1) Non-consolidated (filing company data)

As of March 31, 2022

Business location name (Location)	Name of business segment	Facility type	Book value (millions of yen)					Number of employees (persons) (Note 1)
			Buildings and structures	Machinery, equipment and vehicles	Land (area, thousand m <sup>2</sup> )	Other	Total	
Shionogi Pharmaceutical Research Center (Osaka, Japan)	Pharmaceutical Business	Research facilities	13,010	22	2,090 (31)	3,437	18,561	570 [15]
Shionogi CMC Research Innovation Center (Hyogo, Japan)	Pharmaceutical Business	Production/ research facilities	2,130	5	37 (42)	628	2,802	173 [4]
Head Office (Osaka, Japan)	Pharmaceutical Business	Management/ sales facilities	1,473	1	873 (1)	571	2,919	459 [30]
Branch and offices (Whole of Japan)	Pharmaceutical Business	Sales facilities, etc.	3,524	1	1,176 (100)	28,829	33,531	1,308 [87]
Vaccine Production facilities (Gifu, Japan) (Note 2)	Pharmaceutical Business	Production facilities	2,807	6,057	— (—)	27,317	36,182	— [—]

Notes:

- 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.
- Vaccine production facilities are partially under construction, scheduled for completion in December 2022. The name of this location has not yet been determined.

##### (2) Subsidiaries in Japan

As of March 31, 2022

Company name	Business location name (Location)	Name of business segment	Facility type	Book value (millions of yen)					Number of employees (persons) (Note 1)
				Buildings and structures	Machinery, equipment and vehicles	Land (area, thousand m <sup>2</sup> )	Other	Total	
Shionogi Pharma Co., Ltd.	Settsu Plant (Osaka, Japan)	Pharmaceutical Business	Production/ research facilities	7,824	2,905	416 (146)	3,547	14,694	453 [74]
	Kanegasaki Plant (Iwate, Japan)	Pharmaceutical Business	Production facilities	6,106	2,533	1,441 (205)	2,701	12,783	317 [98]
	Amagasaki Site (Hyogo, Japan)	Pharmaceutical Business	Production/ research facilities	1,218	236	— (—)	371	1,826	175 [17]
	Tokushima Plant (Tokushima, Japan)	Pharmaceutical Business	Production facilities	2,257	1,914	— (—)	376	4,548	58 [22]
Nagase Medicals Co., Ltd. (Note 3)	Head Office and Itami Plant (Hyogo, Japan)	Pharmaceutical Business	Production facilitie	774	337	292 (16)	355	1,760	162 [26]

Notes:

1. The number of employees presented is the number of full-time employees. The 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. Land for the filing company is centrally managed. 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. Effective April 1, 2022, Shionogi Pharma Co., Ltd. merged with Nagase Medicals Co., Ltd.

(3) Subsidiaries outside Japan

Not applicable.

### 3. Plans for Additions and Disposals of Facilities

Capital expenditure by the Shionogi Group (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 the Shionogi Group.

As of the end of the consolidated fiscal year under review, the planned expenditure in the new construction, expansion, etc. of principal facilities was 78,453 million yen. Of these, 44,525 million yen has already been paid, and the remaining 33,928 million yen is to be funded mainly by cash on hand and subsidies.

Plans for principal facilities that are currently underway are for the expansion of research, manufacturing, and other facilities in the Shionogi Group, 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	Tokyo, Japan	Pharmaceutical Business	Investment property	5,146	802	Cash on hand	2019.10	2024.5
New construction	Shionogi Pharmaceutical Research Center	Osaka, Japan	Pharmaceutical Business	Research facilities	4,647	1,527	Cash on hand	2019.10	2024.3
New construction	Vaccine Production facilities	Gifu, Japan	Pharmaceutical Business	Production facilities	41,890	36,846	Cash on hand and subsidies	2020.8	2022.12

(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. Settsu Plant	Osaka, Japan	Pharmaceutical Business	Production facilities	3,500	3,250	Cash on hand	2019.10	2022.8
New construction	Shionogi Pharma Co., Ltd. Kanegasaki Plant	Iwate, Japan	Pharmaceutical Business	Production facilities	2,300	2,100	Cash on hand and subsidies	2020.10	2023.2
New construction	Pharmira Co., Ltd.	Hyogo, Japan	Pharmaceutical Business	Production facilities	5,511	–	Cash on hand	2022.4	2024.10

(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	1,000,000,000
Total	1,000,000,000

ii. Number of shares issued

Type	Number of shares issued as of the fiscal year-end (shares) (As of March 31, 2022)	Number of shares issued as of filing date (shares) (As of June 24, 2022)	Stock exchange on which the Company is listed or financial instruments association where the Company is licensed	Description
Common shares	311,586,165	311,586,165	Tokyo Stock Exchange First Section (as of the fiscal year-end) Prime Market (as of the filing date)	Number of shares constituting one trading unit 100 shares
Total	311,586,165	311,586,165	—	—

(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 * <sup>1</sup>
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)	15,600 * <sup>2</sup>
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 1,130 * <sup>3</sup> Amount paid into capital 565
Conditions for exercising share acquisition rights	* <sup>4</sup>
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	* <sup>5</sup>

Note: Details are provided as of the end of the fiscal year under review (March 31, 2022). As of the end of the month prior to the filing date (May 31, 2022), 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 100.

\*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 from the day of the death of the benefactor.

- 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.

## FY2012 share acquisition rights

Date of resolution	As of June 27, 2012
Number of share acquisition rights	255 * <sup>1</sup>
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)	25,500 * <sup>2</sup>
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 917 * <sup>3</sup> Amount paid into capital 459
Conditions for exercising share acquisition rights	* <sup>4</sup>
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	* <sup>5</sup>

Note: Details are provided as of the end of the fiscal year under review (March 31, 2022). As of the end of the month prior to the filing date (May 31, 2022), 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 100.

\*2. through \*5. 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 * <sup>1</sup>
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)	13,700 * <sup>2</sup>
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 1,931 * <sup>3</sup> Amount paid into capital 966
Conditions for exercising share acquisition rights	* <sup>4</sup>
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	* <sup>5</sup>

Note: Details are provided as of the end of the fiscal year under review (March 31, 2022). As of the end of the month prior to the filing

date (May 31, 2022), 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 100.

\*2. through \*5. 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 * <sup>1</sup>
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)	13,700 * <sup>2</sup>
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 1,900 * <sup>3</sup> Amount paid into capital 950
Conditions for exercising share acquisition rights	* <sup>4</sup>
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	* <sup>5</sup>

Note: Details are provided as of the end of the fiscal year under review (March 31, 2022). As of the end of the month prior to the filing date (May 31, 2022), 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 100.

\*2. through \*5. 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 <sup>*1</sup>
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)	10,100 <sup>*2</sup>
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 4,554 <sup>*3</sup> Amount paid into capital 2,277
Conditions for exercising share acquisition rights	<sup>*4</sup>
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	<sup>*5</sup>

Note: Details are provided as of the end of the fiscal year under review (March 31, 2022). As of the end of the month prior to the filing date (May 31, 2022), 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.

<sup>\*1</sup>. 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 100.

<sup>\*2</sup>. through <sup>\*5</sup>. 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 <sup>*1</sup>
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)	8,700 <sup>*2</sup>
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 5,257 <sup>*3</sup> Amount paid into capital 2,629
Conditions for exercising share acquisition rights	<sup>*4</sup>
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	<sup>*5</sup>

Note: Details are provided as of the end of the fiscal year under review (March 31, 2022). As of the end of the month prior to the filing

date (May 31, 2022), 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 100.

\*2. through \*5. are the same as those in the notes to “FY2011 share acquisition rights.”

#### FY2017 share acquisition rights

Date of resolution	As of June 22, 2017
Number of share acquisition rights	105 * <sup>1</sup>
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)	10,500 * <sup>2</sup>
Payment amount on exercise of share acquisition rights (yen)	1
Exercise period for share acquisition rights	From: July 8, 2017 To: July 7, 2047
Issue price and amount paid into capital on issuance of shares from exercise of share acquisition rights (yen)	Issue price 5,742 * <sup>3</sup> Amount paid into capital 2,871
Conditions for exercising share acquisition rights	* <sup>4</sup>
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	* <sup>5</sup>

Note: Details are provided as of the end of the fiscal year under review (March 31, 2022). As of the end of the month prior to the filing date (May 31, 2022), 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) 12 persons, 108 rights

The number of shares per share acquisition right (hereinafter referred to as the “Number of Shares Granted”) shall be 100.

\*2. through \*5. 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 (Millions of yen)	Balance of share capital (Millions of yen)	Increase/decrease in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
March 12, 2018 *1	(5,000)	324,136	—	21,279	—	16,392
February 20, 2019 *2	(7,350)	316,786	—	21,279	—	16,392
April 6, 2020 *3	(5,200)	311,586	—	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.

(5) Composition of issued shares by type of shareholder

As of March 31, 2022

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)	—	88	76	595	835	158	80,089	81,841	—
Shares held (units)	—	1,389,198	95,002	88,936	1,051,631	463	486,621	3,111,851	401,065
Ownership as a percentage of total shares (%)	—	44.64	3.05	2.85	33.79	0.01	15.63	100.00	—

Notes:

- 10,103,385 shares of treasury stock are included in the listings of 101,033 units in “Individuals and others” and 85 shares in “Number of shares less than one unit.”
- “Other corporations” above includes 40 units of shares held under the name of the Japan Securities Depository Center, Incorporated.

## (6) Major shareholders

As of March 31, 2022

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)	MTBJ Bldg., 2-11-3 Hamamatsucho, Minato-ku, Tokyo	63,344	21.01
Custody Bank of Japan, Ltd. (Trust account)	Harumi Island Triton Square Tower Z 8-12, Harumi 1-Chome, Chuo-ku, Tokyo	19,271	6.39
Sumitomo Life Insurance Company	7-18-24, Tsukiji, Chuo-ku, Tokyo	18,604	6.17
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	1-3-2 Marunouchi, Chiyoda-ku, Tokyo	9,485	3.14
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	8,409	2.78
JP MORGAN CHASE BANK 385632 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (15-1-2 Konan, Minato-ku, Tokyo)	7,582	2.51
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)	6,356	2.10
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. (15-1-2 Konan, Minato-ku, Tokyo)	4,973	1.64
NORTHERN TRUST CO.(AVFC) SUB A/C AMERICAN CLIENTS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	4,931	1.63
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo	4,595	1.52
Total	—	147,552	48.94

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, 2022, 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 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. BlackRock Japan Co. Ltd., an international discretionary investment management company, submitted a large shareholding report for the Company's shares on February 6, 2018 jointly with nine affiliates. However, as the Company is unable to confirm this share ownership and other information as of March 31, 2022, 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 January 31, 2018

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	5,611,600	1.70
BlackRock Advisors, LLC	Wilmington Orange Street 1209, New Castle County, Delaware, USA	347,300	0.11
BlackRock Financial Management, Inc.	52 Street 55, New York East, NY, USA	355,223	0.11
BlackRock Investment Management LLC	Princeton University Square Drive 1 in New Jersey, USA	346,784	0.11
BlackRock Fund Managers Limited	12 Throgmorton Avenue, London, UK	408,600	0.12
BlackRock Life Limited	12 Throgmorton Avenue, London, UK	417,525	0.13
BlackRock Asset Management Ireland Limited	International Financial Services Center JP Morgan House, Republic of Ireland Dublin	1,368,102	0.42
BlackRock Fund Advisors	Howard Street 400, San Francisco, California, USA	5,010,300	1.52
BlackRock Institutional Trust Company, N.A.	Howard Street 400, San Francisco, California, USA	5,496,494	1.67
BlackRock Investment Management (UK) Limited	12 Throgmorton Avenue, London, UK	706,803	0.21
Total	—	20,068,731	6.10

3. Sumitomo Mitsui Trust Bank, Ltd., submitted a large shareholding report for the Company's shares on December 21, 2018 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, 2022, 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 14, 2018

Name	Address	Number of share certificates, etc. held (shares)	Percentage of share certificates, etc. held (%)
Sumitomo Mitsui Trust Bank, Ltd	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	480,000	0.15
Sumitomo Mitsui Trust Asset Management Co.,LTD	1-1-1, Shibakoen, Minato-ku, Tokyo	10,657,460	3.29
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	9,637,200	2.97
Total	—	20,774,660	6.41

4. Mitsubishi UFJ Trust and Banking Corporation submitted a large shareholding report for the Company's shares on November 18, 2019 jointly with Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. However, as the Company is unable to confirm this share ownership and other information as of March 31, 2022, 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 November 11, 2019

Name	Address	Number of share certificates, etc. held (shares)	Percentage of share certificates, etc. held (%)
Mitsubishi UFJ Trust and Banking Corporation	1-4-5 Marunouchi, Chiyoda-ku, Tokyo	10,689,500	3.37
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo	4,221,800	1.33
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2 Marunouchi, Chiyoda-ku, Tokyo	1,181,862	0.37
Total	—	16,093,162	5.08

5. NOMURA SECURITIES CO., LTD., submitted a large shareholding report for the Company's shares on July 21, 2020 jointly with NOMURA INTERNATIONAL PLC and NOMURA ASSET MANAGEMENT CO., LTD. However, as the Company is unable to confirm this share ownership and other information as of March 31, 2022, 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 July 15, 2020

Name	Address	Number of share certificates, etc. held (shares)	Percentage of share certificates, etc. held (%)
NOMURA SECURITIES CO., LTD.	1-9-1, Nihonbashi, Chuo-ku, Tokyo	22,192	0.01
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	787,866	0.25
NOMURA ASSET MANAGEMENT CO., LTD.	2-2-1 Toyosu, Koto-ku, Tokyo	21,439,700	6.88
Total	—	22,249,758	7.14

6. Capital Research and Management Company submitted a large shareholding report for the Company's shares on February 7, 2022 jointly with five affiliates. However, as the Company is unable to confirm this share ownership and other information as of March 31, 2022, 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 January 31, 2022

Name	Address	Number of share certificates, etc. held (shares)	Percentage of share certificates, etc. held (%)
Capital Research and Management Company	333 South Hope Street, Los Angeles, California, United States	11,155,874.75	3.58
Capital International Inc.	90025, California, USA, Los Angeles, Santa Monica Street 11100, 15th floor	1,805,861	0.58
Capital International Sarl	Switzerland, Geneva 1201, Plus de Berg 3	702,100	0.23
Capital International K.K.	2-1-1 Marunouchi, Chiyoda-ku, Tokyo Meiji Yasuda Life Building 14th floor	6,191,400	1.99
Capital Group Private Client Services, Inc.	South Hope Street 333, Los Angeles, California, United States	487,030.5	0.16
Total	—	20,342,266.25	6.53

## (7) Information on voting rights

## i. Issued shares

As of March 31, 2022

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 10,103,300	—	—
Shares with full voting rights (others)	Common shares 301,081,800	3,010,818	—
Shares less than one unit	Common shares 401,065	—	Shares less than one unit (one unit = 100 shares)
Shares issued and outstanding	311,586,165	—	—
Total number of voting rights held by all shareholders	—	3,010,818	—

Note: “Shares with full voting rights (others)” above includes 4,000 shares (40 voting rights) held under the name of the Japan Securities Depository Center, Incorporated.

## ii. Treasury shares, etc.

As of March 31, 2022

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	10,103,300	—	10,103,300	3.24
Total	—	10,103,300	—	10,103,300	3.24

## 2. Information on Acquisition of Treasury Shares, etc.

Class of shares: Acquisition of common stock under Article 155, Item 3 of the Companies Act, 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

Category	Number of shares (shares)	Total price (yen)
Status of resolution at meeting of the Board of Directors (May 11, 2022) (Current period: June 23, 2022 to December 31, 2022)	7,200,000	50,000,000,000
Treasury shares acquired before the fiscal year under review	—	—
Treasury shares acquired during the fiscal year under review	—	—
Total number and price of remaining resolved shares	—	—
Unexercised ratio as of the end of the fiscal year under review (%)	—	—
Treasury shares acquired during the current period	—	—
Unexercised ratio as of the filing date (%)	100.0	100.0

Note: Treasury shares acquired during the current period does not include treasury shares acquired from June 1, 2022 to the filing date of this Annual Securities Report.

### (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	6,641	14,834,383
Treasury shares acquired during the current period	96	667,927

Notes:

- Treasury shares acquired during the fiscal year under review is 4,500 shares due to the gratis acquisition of transfer-restricted stock and 2,141 shares due to the purchase of shares less than one unit.
- Treasury shares acquired during the period is 96 shares due to the purchase of shares less than one unit.
- Treasury shares acquired during the period does not include shares less than one unit purchased from June 1, 2022 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	—	—	—	—
Acquired treasury shares transferred due to merger, share exchange, share delivery or split	—	—	—	—
Other (disposal of treasury shares as restricted stock-based compensation)	25,700	141,812,600	—	—
Other (acquisition of treasury shares in lieu of exercising stock options)	—	—	—	—
Other (disposal of treasury shares through third-party allotment)	—	—	—	—
Total number of treasury shares held	10,103,385	—	10,103,481	—

Notes:

- Treasury shares disposed of during the period does not include shares from exercise of stock options from June 1, 2022 to the

filing date of this Annual Securities Report.

2. Treasury shares held during the period does not include shares less than one unit purchased from June 1, 2022 to the filing date of this Annual Securities Report, nor shares acquired from exercise of stock options or resolution of the Board of Directors during the same period.

### 3. Dividend Policy

The Shionogi Group's basic policy is to invest in businesses for growth and to return profits to shareholders who can experience growth alongside the Shionogi Group. In the Medium-Term Business Plan, SHIONOGI Transformation Strategy 2030 (STS2030), which was updated in June 2020, the Shionogi Group set a target of 4.0% or higher in dividends on equity, which it aims to increase steadily in accordance with corporate value growth.

For the fiscal year ended March 31, 2022, the Shionogi Group elected to pay a year-end dividend of 60 yen per share, an increase of 5 yen from the previous fiscal year. As a result, the total annual dividend, including the interim dividend, will be 115 yen per share.

The Shionogi Group seeks to effectively invest its retained earnings to transform itself into a Healthcare as a Service (HaaS) company that continually works to generate innovation and improve productivity, providing healthcare services in Japan and overseas.

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.

Note: Dividends from surplus for the fiscal year under review are as follows.

Date of resolution	Total dividend amount (Millions of yen)	Dividend per share (yen)
November 1, 2021 Resolution of the Board of Directors	16,581	55.00
June 23, 2022 Resolution of the Annual General Meeting of Shareholders	18,088	60.00

#### 4. Corporate Governance, etc.

##### (1) Overview of corporate governance

###### i. Basic policy on corporate governance

Based on the Shionogi Group's Company Policy, its management philosophy, the Shionogi Group 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 of life.

Based on the Shionogi Group's firm belief that pursuing thorough compliance and fulfilling this mission will lead to sustainable enhancement of corporate value, the Shionogi Group 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.

In order to promote the execution of duties founded in appropriate management judgment, the Board of Directors fulfills its monitoring function duties, deliberating mainly on important business execution matters in addition to matters pertaining to the management foundation, such as the Company's management philosophy and business plans. Here, it utilizes the management experience and expertise of the outside directors and outside auditors. As a result, the Company has established a system whereby each organization associated with business execution is able to ascertain the progress of said execution with regard to matters on which management decisions have been made, and reports to the Corporate Executive Meeting and the Board of Directors in a timely manner. The Company has elected to adopt a system with a board of corporate auditors so as to determine whether these duties are carried out smoothly and in a legally compliant manner, in conjunction with the supervisory function of the Board of Directors, the audit function of the auditors, and the operational audit function of internal audits. In addition, the Company separates management and business execution into the Board of Directors, which supervises management and makes decisions based on medium- to long-term management plans, and the business execution framework, which is led by executive officers who execute business operations through swift and flexible decision-making. The auditing system consists of the Board of Corporate Auditors, which supervises management and audits business execution, and the Accounting Auditor, each of which fulfills its roles and responsibilities from an independent standpoint.

For the purpose of strengthening this system, in order to further strengthen the supervisory function in regard to business execution by directors and to further enhance transparency of management, the Company appointed two outside directors at the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2009 and increased the number of outside directors by one at the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2012. Currently, there are five directors, two of whom are women. By having more than half of its five directors as outside directors, the Company maintains a system promoting fairer and more efficient management. All three outside directors are independent appointments who recognize the Company's corporate responsibility, and they are contributing to highly transparent management.

The Board of Directors meets once a month in principle to make decisions on important matters affecting management and to supervise the execution of business operations. Furthermore, the Nomination Advisory Committee and the Compensation Advisory Committee, consisting of a majority of outside directors, have been established as advisory bodies to the Board of Directors.

The Nomination Advisory Committee, chaired by Director Ando and consisting of Directors Ozaki, Takatsuki, Teshirogi and Corporate Auditor Fujiwara, held one meeting in FY2021. Discussions focused on topics such as the appointment of executive officers from perspectives like promoting research activities, balancing the expertise of the Board of Directors, including outside directors, and strengthening management support divisions. In addition, through proposals and reports at Board of Directors meetings and roundtable meetings with executive officers, a position newly created in FY2021, the Company creates opportunities for outside officers to interact with division heads and heads of key organizations to confirm the status of their human resources. The Compensation Advisory Committee, chaired by Director Ozaki and consisting of Directors Ando, Takatsuki, Teshirogi, and Corporate Auditor Okamoto, held two meetings in FY2021. Discussions focused on topics such as the performance evaluation of directors and executive officers for FY2020, performance indicators for FY2021, and the executive compensation system.

The Company has introduced an executive officer system to support dynamic and flexible business operations, enabling the Shionogi Group to respond rapidly to drastic changes in the operating environment. It has also established the Corporate Executive Meeting as a body to discuss business execution. It is composed of directors, standing members of the Board of Corporate Auditors, and the corporate officers responsible for business execution, and it meets every week in principle. The Corporate Executive Meeting thoroughly deliberates on matters related to the execution of duties as well as important management matters.

The business execution framework consists of nine divisions: the Pharmaceutical Research Division and Drug Development and Regulatory Science Division responsible for research and development, the CMC R&D Division responsible for production technology development, the Pharmaceutical Commercial Division responsible for transmission of pharmaceutical information, the Integrated Disease Care Division responsible for collecting and analyzing healthcare-related information and maximizing product and corporate value, the Global Business Division responsible for strategically promoting global business, the Corporate Strategy Division managed

and controlled by the Corporate Strategy Committee which is a deliberating body for making decisions on business execution, the Administration Division supporting corporate activities from the aspects of people, organizations, and laws and regulations, and the DX Promotion Division building platforms leveraging data with IT and digital technologies and seeking to generate healthcare solutions. It also consists of the quality assurance organization responsible for items manufactured and sold. The Corporate Executive Meeting fully deliberates business execution, and the Board of Directors makes decisions on matters that affect management.

To ensure that the directors and each organization in the Company conduct their duties in a legally compliant and appropriate manner, the Company has established systems to enable members of the Board of Corporate Auditors and the Internal Control Department (13 members as of June 24, 2022), to carry out audits and exchange opinions with the representative director to take necessary measures. The Board of Corporate Auditors consists of two standing members and three outside auditors. The members of the Board of Corporate Auditors attend meetings of key management bodies, such as the Board of Directors and the Corporate Executive Meeting, providing their opinions as necessary. Also, in accordance with corporate auditing standards, members of the Board of Corporate Auditors conduct business and accounting audits to verify the legality and validity of the duties carried out by the directors and corporate officers responsible for business execution. They also receive reports from the Accounting Auditor on the content of accounting audits and exchange opinions. In the same manner, the Company receives regular reports from the Internal Control Department on the content of internal audits and exchanges opinions with the department, among other actions.

### 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 Construction and Operation of Internal Control System]

The Company will promote transparent and honest management by ensuring that all of its officers and employees share the Basic Policy, which expresses its management philosophy and values, and perform their duties in a compliant fashion.

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 to laws and regulations and to the Articles of Incorporation

The Shionogi Group 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 will permeate our corporate *raison d'être* by thoroughly adhering to the Shionogi Basic Policy, which serves as the Company's management philosophy, and the Shionogi Group Code of Conduct, which defines the way officers and employees should act. In addition, with respect to corporate ethics, we emphasize behavior that no member of society could be ashamed of. Here, the Compliance Committee, under the supervision of the representative director, will formulate and promote various measures to further enhance compliance with laws and regulations and ensure ethical behavior in business activities.

In addition, we will maintain an unwavering stance against anti-social forces and sever all ties with them without offering any room for manipulation, in accordance with the Shionogi Group Code of Conduct.

Our corporate governance system is founded in the institutional design of a company with a board of corporate auditors and includes the Board of Directors, comprised of a majority of outside directors. In this system, we make big-picture management decisions based on the objective viewpoints called for by our shareholders and other stakeholders. The Nomination Advisory Committee and the Compensation Advisory Committee have also been established as voluntary bodies.

We will practice our Basic Views and Guidelines on Corporate Governance, established to realize the best possible corporate governance, with the aim of achieving sustainable growth of the Shionogi Group and improving our corporate value over the medium- to long-term. In the execution of duties, we will promote their fairness, swiftness, and decisiveness by establishing a process for tracking decision-making, progress, and results from approval by an organizational head to resolution by the Board of Directors and verifying actual status, thus ensuring transparency and traceability.

The Board of Directors, in order to fulfill its function as a monitoring board, makes decisions on important management matters based on a multifaceted management determination in accordance with the rules of the Board of Directors, ascertaining the status of and supervising the execution of duties in a timely manner to prevent violations of laws, regulations, and the Articles of Incorporation. If a director discovers a violation of laws, regulations, or the Articles of Incorporation by another director, they shall immediately report it to the corporate auditors and the Board of Directors, and corrective actions will be taken.

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.

Corporate auditors audit the execution of director duties, with directors cooperating with these audits.

## 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 director duties supporting electromagnetic records, electronic signatures, etc., and, as appropriate for the storage media, appropriately and securely stores and manages minutes of Board of Directors meetings, Corporate Executive Meeting meetings, and Compliance Committee meetings, as well as information on decisions by the representative director, etc. Here, the Company maintains compliance with deadlines stipulated by laws, regulations, etc., and ensures that said information is viewable.

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

The Shionogi Group will appropriately manage business risks from the perspective of sustainability, including the utilization of positive risks (business opportunities) and the avoidance and mitigation of negative risks. Our Enterprise Risk Management system, which oversees the entire Group's risks, including risks of crises such as pandemics, natural disasters, terrorism, and cyberattacks, is an important mechanism for management strategy and management foundations. Under this system, the Company and Group companies recognize risks associated with decision-making and business execution, and proactively manage and take countermeasures against these risks. The enterprise risk management secretariat presents the annual risk management plan to the Corporate Executive Meeting and the Board of Directors at the beginning of each fiscal year for approval, monitors the status of the plan's actions, etc., and reports the results at the end of the fiscal 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 and founded in our rules on crisis management, 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.

In addition, the Shionogi Group promotes sustainability activities for contributing to the sustainability of society and the sustainable growth of the Shionogi Group by solving various social issues in the areas of economy, society, and the environment through its business activities and responding to medical needs.

The Internal Control Department (internal auditing unit) is responsible for independent verification of various internal risk controls.

## 4. Systems to ensure the efficient execution of director duties

The Company has introduced an executive officer system to clarify the roles of management execution and supervision, as well as to support dynamic and flexible business operations. Important matters related to the execution of duties are fully discussed at regular (weekly) meetings of the Corporate Executive Meeting, and decisions are made by the Board of Directors based on the deliberations of these meetings.

Resolutions of the Board of Directors and matters deliberated by the Corporate Executive Meeting are promptly communicated to the heads of relevant departments responsible for business execution, and procedures are implemented to ensure the smooth execution of duties by the right personnel within the scope of their authority and responsibility in accordance with rules on authority and on the 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 and setting decision-making criteria based on business risk levels, being careful to not miss opportunities.

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

Led by the Compliance Committee, the Shionogi Group 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 Compliance Policy.

The General Administration 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 Control Department works to strengthen internal audits and monitoring. In addition, the internal reporting desk is fully utilized to prevent misconduct before it happens, and to rapidly detect any incidences and prevent their recurrence.

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

In order to enhance the corporate value of the entire Shionogi Group and fulfill its social responsibility, the Company and its Group companies conduct activities to inform their members about the Company's Basic Policy and the Shionogi Group Code of Conduct.



Directors receive reports from Group companies on the status of business execution, and appropriately manage and cultivate Group companies in accordance with the Rules for Management of Shionogi Group Companies, so as to realize the Company's Basic Policy, the Shionogi Group Code of Conduct, management plans, etc.

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 such as the Drug Research Division and Pharmaceutical Commercial Division, as well as administrative units such as the General Administration Department and Finance & Accounting Department, manage and support appropriate business operations, while the General Administration Department provides an overall administrative role for the Shionogi Group.

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

7. Matters related to employees requested by members of the Board of Corporate Auditors to assist in their duties (assistant employees) and matters related to the independence of these assistant employees from directors

Assistant employees shall be assigned if they are deemed necessary and requested by Board of Corporate Auditors members.

In the event that employees are assigned to assist the duties of Board of Corporate Auditors members, a system shall be provided to ensure their independence from directors.

All Company officer and employees shall be thoroughly informed that all employees assigned to assist the duties of Board of Corporate Auditors members are under the direction and order of said members.

8. Frameworks for director and employee reporting to members of the Board of Corporate Auditors and other systems for reporting to said members

A system has been established whereby members of the Board of Corporate Auditors 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.

The Board of Corporate Auditors may directly request reports on the status of business execution from directors, corporate officers responsible for business execution, and others. In the event that a director or corporate officer 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 a member of the Board of Corporate Auditors. Officers and employees of the Company and Group companies who report to a member of the Board of Corporate Auditors shall be guaranteed no disadvantageous treatment because of their report.

If a member of the Board of Corporate Auditors requests that the Company pay expenses in advance or otherwise in connection with the performance of their duties, the Company shall promptly dispose of these expenses or liabilities, unless it is deemed unnecessary to do so.

9. Other frameworks for ensuring effective auditing by members of the Board of Corporate Auditors

In conducting audits and providing advice and recommendations, members of the Board of Corporate Auditors work closely with the Accounting Auditor and the Internal Control Department and meet regularly with the representative director to exchange opinions and enhance the effectiveness of audits.

In addition, members of the Board of Corporate Auditors regularly hold 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 management status 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 member of the Board of Corporate Auditors 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 damages, litigation costs and the like (except for exclusions set forth in the insurance policy) if compensation is claimed against a director or officer for damages arising from

the execution of 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 shall be no less than three and no more than seven.

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 shareholders present at the meeting with 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.

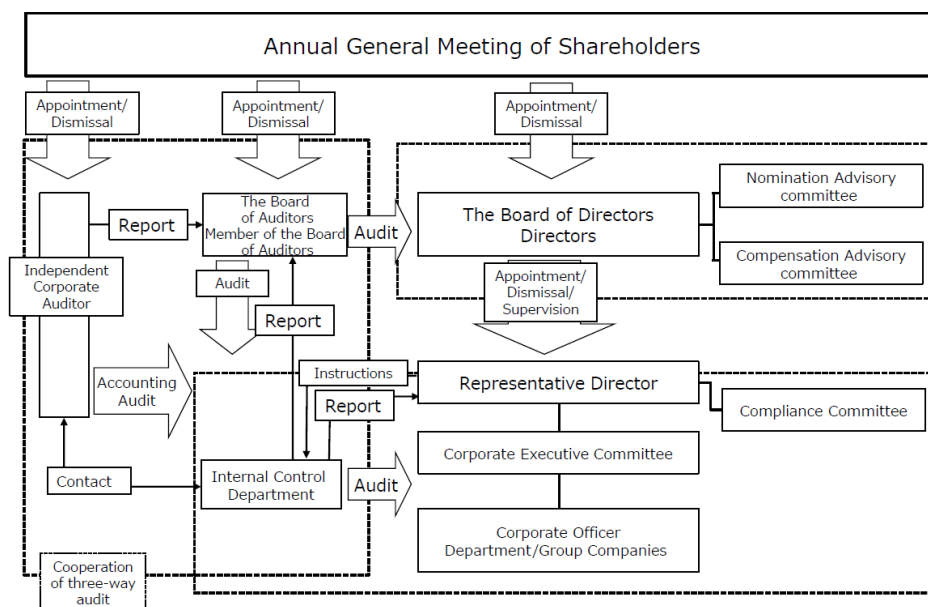
2. Interim dividends

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 shareholders present at the meeting with 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: 2

(Percentage of female officers: 20.0%)

Title	Name	Date of birth	Career summary		Term of office	Shares held (Thousand shares)
Representative Director and President	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	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 and CEO of the Company (incumbent) Outside Director of Sumitomo Mitsui Banking Corporation (incumbent) Outside Director of AGC Inc. (incumbent)	Note 3	57
Director and Executive Vice President	Takuko Sawada	March 11, 1955	April 1977 April 2002  April 2007  April 2010 April 2011 April 2013 April 2014 April 2015 June 2015 October 2015  April 2016 April 2017 April 2018 April 2020	Joined the Company Executive General Manager, Pharmaceutical Development Division Officer and Executive General Manager, Pharmaceutical Development Division Executive Officer and Executive General Manager, Pharmaceutical Development Division Senior Executive Officer and Executive General Manager, Global Development Office Senior Executive Officer and Senior Vice President, Global Development and, Pharmaceutical Development Division Senior Executive Officer and Senior Vice President, Global Pharmaceutical Development Division Senior Executive Officer and Senior Vice President, Corporate Strategy Division Director of the Company and Senior Executive Officer and Senior Vice President, Corporate Strategy Division Senior Executive Officer and Senior Vice President, Corporate Strategy Division, and General Manager, Corporate Planning Department Senior Executive Officer and Senior Vice President, Corporate Strategy Division Senior Executive Officer and Senior Vice President, Corporate Strategy Division Director of the Company and Executive Vice President Director of the Company and Executive Vice President and Senior Vice President of Integrated disease care Department (incumbent)	Note 3	40

Title	Name	Date of birth	Career summary		Term of office	Shares held (Thousand shares)
Director	Keiichi Ando	November 5, 1951	April 1976 April 2003 April 2006  April 2009 April 2010 April 2012 July 2012  June 2016 June 2016 June 2017 June 2019	Joined Sumitomo Bank Limited Executive Officer, Sumitomo Mitsui Banking Corporation Managing Executive Officer, Sumitomo Mitsui Banking Corporation  Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation Representative Director and Deputy President and Executive Officer, Sumitomo Mitsui Banking Corporation Representative Director and President, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD Representative Director and President and CEO, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD  Director of the Company (incumbent) Representative Director and President, GINSEN CO., LTD Outside Director of Tsubakimoto Chain Co. (incumbent) Outside Director of DAIHEN Corporation (incumbent)	Note 3	—
Director	Hiroshi Ozaki	March 11, 1950	May 1972 June 2000 June 2002  June 2005 June 2007  April 2008 June 2008 June 2009  June 2009 June 2011  June 2015 June 2019 January 2021 June 2021 June 2021	Joined Osaka Gas Co., Ltd. Director, Osaka Gas Co., Ltd. Director and Tokyo Representative, Osaka Gas Co., Ltd., on loan to the Japan Gas Association Managing Director and General Manager of LNG Terminal and Power Generation Business Unit, Osaka Gas Co., Ltd. Managing Director and General Manager of Commercial & Industrial Energy Business Unit, Osaka Gas Co., Ltd. Representative Director and President, Osaka Gas Co., Ltd. Director, Osaka Gas Chemicals Co., Ltd. Representative Director and President, Operating Executive Officer, Osaka Gas Co., Ltd. Director of OGIS-RI Co., Ltd. Outside Director of Asahi Broadcasting Corporation (Current name is Asahi Broadcasting Group Holdings Corporation) Representative Director and Chairman, Osaka Gas Co., Ltd. Director of the Company (incumbent) Director and Senior Advisor, Osaka Gas Co., Ltd. Senior Advisor, Osaka Gas Co., Ltd. (incumbent) Outside Director, The Royal Hotel, Ltd. (incumbent)	Note 3	—
Director	Fumi Takatsuki	June 24, 1975	October 2000 October 2000 December 2003 February 2004  April 2006 January 2009 June 2020	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 (incumbent)	Note 3	—
Full-time Auditor	Akira Okamoto	April 3, 1955	April 1978 April 2006 April 2007 April 2008 April 2011 June 2015	Joined the Company General Manager, Business Support Center General Manager, General Affairs & Personnel Department General Manager, Human Resources Department General Manager, Internal Control Department Standing Member of the Board of Auditors of the Company (incumbent)	Note 4	6

Title	Name	Date of birth	Career summary		Term of office	Shares held (Thousand shares)
Full-time Auditor	Ikuo Kato	May 18, 1954	October 1988 April 2007 April 2010  September 2010  April 2013  April 2014  June 2016	Joined the Company General Manager, Development Research Laboratories General Manager, Drug Development Research Laboratories General Manager, Drug Development Research Laboratories and Representative Director and President, Shionogi Techno Advance Research Co., Ltd. General Manager, Drug Development Research Laboratories and Representative Director and Chairman, Shionogi Techno Advance Research Co., Ltd. Representative Director and Chairman, Shionogi Techno Advance Research Co., Ltd. Standing Member of the Board of Auditors of the Company (incumbent)	Note 5	—
Auditor	Takaoki Fujiwara	February 23, 1952	April 1975 June 2005 June 2007 April 2011  June 2011 April 2015  April 2017  June 2017 June 2017  December 2017 June 2018	Joined Hanshin Electric Railway Co., Ltd. Director, Hanshin Electric Railway Co., Ltd. Managing Director, Hanshin Electric Railway Co., Ltd. Representative Director and President, Hanshin Electric Railway Co., Ltd. Director, Hankyu Hanshin Holdings, Inc. Chairman and Representative Director, Hanshin Hotel Systems, Co., Ltd. Chairman of the Board of Directors and Representative Director, Hanshin Electric Railway Co., Ltd. (incumbent) Representative Director, Hankyu Hanshin Holdings, Inc. Outside Director, Sanyo Electric Railway Co., Ltd. (incumbent) Director, Hanshin Hotel Systems Co., Ltd. (incumbent) Outside Member of the Board of Auditors of the Company (incumbent)	Note 6	—
Auditor	Shuichi Okuhara	April 23, 1968	April 1994  January 1998 June 2008  April 2009  June 2019  June 2020	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 Auditors of the Company (incumbent)	Note 5	—

Notes:

1. Directors Keiichi Ando, Hiroshi Ozaki, and Fumi Takatsuki are outside directors.
2. Board of Corporate Auditors members Takaoki Fujiwara, Tsuguoki Fujinuma, and Shuichi Okuhara are outside corporate auditors.
3. Term of office for directors refers to their terms during the period from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2022 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2023.
4. The terms of office for standing Board of Corporate Auditors member Akira Okamoto and Board of Corporate Auditors member Tsuguoki Fujinuma refer to their terms during the period from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2019 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2023.
5. The terms of office for standing Board of Corporate Auditors member Ikuo Kato and Board of Corporate Auditors member Shuichi Okuhara refer to their terms during the period from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2020 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2024.
6. The term of office for Board of Corporate Auditors member Takaoki Fujiwara refers to his term during the period from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2021 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2025.

ii. Outside officers

The Company has three outside directors and three outside members of the Board of Corporate Auditors.

Keiichi Ando	<p>Keiichi Ando is expected to recognize the corporate responsibility the Company should fulfill and makes management decisions with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. At Board of Directors meetings, he presents many questions and opinions from the perspective of human resources and the use of assets that are important management resources and provides appropriate advice on budget planning and management and capital policies, including investments, while, as chair of the Board, taking into account the timeliness and appropriateness of the proposals.</p> <p>There are no conflicts of interest between Keiichi Ando and the Company.</p> <p>Keiichi Ando is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange.</p>
Hiroshi Ozaki	<p>Hiroshi Ozaki is expected to leverage his abundant practical experience and wide-ranging knowledge in corporate management and organizational management, 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 Board of Directors meetings, he presents many clear indications of issues and provides support, such as advice on the Company's business and marketing and raising issues related to alliances.</p> <p>There are no conflicts of interest between Hiroshi Ozaki and the Company.</p> <p>Hiroshi Ozaki is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange.</p>
Fumi Takatsuki	<p>Fumi Takatsuki is expected to make fair management decisions from a global perspective, giving priority to compliance with social norms, laws and regulations, etc., from her position as an attorney in international corporate law and her experience in legal response related to the life science and healthcare industry in China. At Board of Directors meetings, from the perspective of international corporate legal affairs, she makes appropriate comments on issues requiring considerations and indicates issues, especially regarding the execution of business in China.</p> <p>There are no conflicts of interest between Fumi Takatsuki and the Company.</p> <p>The Company has paid attorney fees to Oh-Ebashi LPC &amp; 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 &amp; Partners, and the Company has no advisory contract or other ongoing contractual relationship with Oh-Ebashi LPC &amp; Partners.</p> <p>Fumi Takatsuki is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange.</p>
Takaoki Fujiwara	<p>Takaoki Fujiwara is expected to recognize the corporate responsibility the Company should fulfill and make appropriate recommendations on the validity of management decisions and execution of duties by directors with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. At Board of Directors meetings, he provides appropriate advice mainly on compliance and personnel and labor matters, and also makes appropriate comments from a broad perspective on the status of the execution of director duties.</p> <p>He also attends meetings of the Board of Corporate Auditors, providing similar advice as in the Board of Directors, discussing and making recommendations on important matters related to audits as needed.</p> <p>There are no conflicts of interest between Takaoki Fujiwara and the Company.</p> <p>Takaoki Fujiwara is registered as an independent auditor as defined in the regulations of the Tokyo Stock Exchange.</p>
Tsuguoki Fujinuma	<p>Tsuguoki Fujinuma possesses advanced expertise in finance and accounting and is expected to recognize the corporate responsibility the Company should fulfill and make appropriate recommendations on the validity of management decisions and execution of duties by directors with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. At Board of Directors meetings, he provides appropriate advice mainly on finance, accounting, and from ESG perspectives, and also makes appropriate comments from a broad perspective on the status of the execution of director duties.</p> <p>He also attends meetings of the Board of Corporate Auditors, providing similar advice as in the Board of Directors, discussing and making recommendations on important matters related to audits as needed.</p> <p>There are no conflicts of interest between Tsuguoki Fujinuma and the Company.</p> <p>Tsuguoki Fujinuma is registered as an independent auditor as defined in the regulations of the Tokyo Stock Exchange.</p>
Shuichi Okuhara	<p>Shuichi Okuhara is expected to utilize his advanced expertise in finance and accounting and conduct audits appropriate for the drastically changing business environment. At Board of Directors meetings, he provides appropriate advice mainly on finance, accounting, and from DX perspectives, and also makes appropriate comments from a broad perspective on the status of the execution of director duties.</p> <p>He also attends meetings of the Board of Corporate Auditors, providing similar advice as in the Board of Directors, discussing and making recommendations on important matters related to audits as needed.</p> <p>There are no conflicts of interest between Shuichi Okuhara and the Company.</p> <p>Shuichi Okuhara is registered as an independent auditor as defined in the regulations of the Tokyo Stock Exchange.</p>

[Requirements and Criteria for Determining 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 their 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 or 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 ten 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 ten 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 for which payment from the Shionogi Group to 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
  - 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 is a major customer of the Shionogi Group  
The term "business partner that is a major customer of the Shionogi Group" means any of the following (excluding cases to which v. applies, below):
  - a. A business partner for which payment received by the Shionogi Group from the business partner in question 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 in question averaged 2% or more of the business partner's consolidated net sales for the past three fiscal years, including its most recent fiscal year
- v. If the individual is a consultant, accounting professional, or legal professional, a person who is not and who does not belong to a corporation or institution that receives either of the respective following remuneration from the Shionogi Group, excluding remuneration to the individual as a director or corporate auditor
  - 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 the individual 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 of office as an outside director of the Shionogi Group does not exceed ten years
- viii. A person whose term of office as an outside corporate auditor of the Shionogi Group does not exceed twelve years (three terms)

iii. Relationships between supervision or audits by outside directors or outside corporate auditors and internal audits, audits by members of the Board of Corporate Auditors, financial audits, and relationship 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 Board of Corporate Auditors 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 express their opinions at meetings of the Board of Directors.

Outside members of the Board of Corporate Auditors attend meetings of the Board of Directors and the Board of Corporate Auditors, which are held once a month in principle, and receive reports from directors, the standing Board of Corporate Auditors member, employees, and others on the status of implementation of audits by members of the Board of Corporate Auditors, financial audits, internal audits, and internal controls such as compliance and risk management. These outside members request explanations and opinions when necessary and express their opinions.

### (3) Status of Audits

#### i. Status of audits by members of the Board of Corporate Auditors

The Company has established a Board of Corporate Auditors, comprised of two standing members well versed in company management, finance and accounting, corporate administration, and research and development, and three outside members. The Company also 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 results thereof. In addition, it receives reports from directors and the 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, as well as a fellow and Advisory Board member at the Chuo University Graduate School of Strategic Management and has deep insights into finance and accounting. In addition, outside Board of Corporate Auditors member Shuichi Okuhara is a certified public accountant and has deep insights into finance and accounting.

In FY2021, the Board of Corporate Auditors met eleven times, with each of its members attending 100% of these meetings. In addition, members of the Board of Corporate Auditors and the Accounting Auditor cross-check audit plans, receive reports on quarterly 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 auditing 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 Division Reporting Meeting, 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 and 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 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 Accounting Auditor maintained an independent position and conducted appropriate audits, received from the Accounting Auditor reports on the state of performance of its duties, and requested explanations as necessary. In addition, members received from the 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, October 28, 2005), and requested explanations as necessary.

Based on the above method, the members conducted checks on the execution of director business for the fiscal year under review 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.

#### ii. Status of internal audits

The Company's internal audits are conducted by the Internal Control Department (13 members as of June 24, 2022), 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 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 in agreement with the representative director and members of the Board of Corporate Auditors. 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, including IT audits, and internal control evaluations (J-SOX evaluations) of all business processes in the audited units related to financial and non-financial reporting. In addition, the Internal Control Department receives regular reports on the status of internal audits from subsidiaries that have their own internal audit departments. Furthermore, a system has been established enabling 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 to improve internal controls and are regularly reported to the representative director and the Board of Corporate Auditors and its members. Information is also shared with the Accounting Auditor as appropriate regarding internal control evaluations and internal audit activities related to financial reporting in an effort toward mutual collaboration.



iii. Status of financial audits

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

Yuka Hayashi

Yasuhiro Kozaki

d. Composition of assistants involved in audit work

There are nine certified public accountants and 33 others, including persons who have passed the certified public accountant examination and system specialists, serving as assistants involved in financial audit work for the Company.

e. Auditing firm selection policy and reason

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

In addition, it is the Company's policy to decide not to reappoint an accounting auditor by a resolution of the Board of Corporate Auditors 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 157th fiscal year under review, the Board of Corporate Auditors received reports and requested explanations from the 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 conducted an evaluation of the Accounting Auditor 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, independence and expertise of the audit team, and remuneration, and 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 (Finance & Accounting Department and 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 in the day-to-day relationship with relevant units (Finance & Accounting Department and 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.

iv. Details of audit fees, etc.

a. Remuneration to auditing certified public accountants, etc.

Category	Year ended March 31, 2021		Year ended March 31, 2022	
	Fees for audit certification (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit certification (Millions of yen)	Fees for non-audit services (Millions of yen)
Filing company	98	—	105	—
Consolidated subsidiaries	8	—	7	—
Total	107	—	113	—

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

Category	Year ended March 31, 2021		Year ended March 31, 2022	
	Fees for audit certification (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit certification (Millions of yen)	Fees for non-audit services (Millions of yen)
Filing company	—	38	—	30
Consolidated subsidiaries	92	83	94	75
Total	92	121	94	106

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 Board of Corporate Auditors after receiving explanations of the audit plan from the Accounting Auditor and after comprehensively considering the size of the Company's business, 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 Accounting Auditor

The Company's Board of Corporate Auditors received from the 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 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. 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 (core operating profit excluding sales of assets, etc., profit attributable to owners of the parent and other total performance evaluation 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 achievement of targeted profits and other factors in each fiscal year and paid in June of each year. The actual results of performance indicators for the fiscal year under review are as described in "Part I Company Information, II. Business Overview, 3.

## 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 directors. For medium-term performance-linked stock compensation in particular, performance is evaluated based on the status of achievement in FY2022 for the portion to be granted for the three years between FY2020 and FY2022 from the period of STS2030 Phase 1 (FY2020 to FY2024) to determine the ratio of lifting the transfer restriction (100% to 0%). For performance evaluation, revenue, overseas net sales, core operating profit, ROE and the rank in total shareholder return (TSR) among 12 competitors including the Company (relative TSR) are used as quantitative indicators, in consideration of the status of ESG, compliance and development associated with COVID-19. In addition, when lifting the transfer restriction, 50% of the amount of stock-based compensation, translated into the share price at the time of lifting, is paid as monetary compensation.

The Compensation Advisory Committee discusses the ratio of remuneration by type for executive directors in consideration of remuneration levels using companies that have a similar business size to the Company and are included among the relevant business types and categories 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 meeting held on February 22, 2021, it is considered appropriate that base remuneration and individual bonus amount, etc. are 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 and President. 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 and President, 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 compensation: performance-linked compensation, etc.: non-monetary compensation, etc. is designed to be approximately 1:1:1, assuming 100% achievement of KPIs, in order to place more emphasis on performance and to have officers take the shareholders’ perspective. (Note) Performance-linked remuneration, etc. comprises director and corporate auditor bonuses, and non-monetary remuneration, etc. comprises restricted stock.

As a result, the ratio of base remuneration in total remuneration in the fiscal year under review is about 35%, partly affected by profit target achievement and stock price impact on stock-based compensation. Through deliberations and reports at meetings of 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 under review are in line with the decision-making policy.

Remuneration for corporate auditors is determined within the total amount of remuneration set by resolution of the General Meeting of Shareholders. This solely encompasses base monthly remuneration.

As an advisory body to the Board of Directors, the Company’s Compensation Advisory Committee consists of five 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 executive officers, verifies the levels of remuneration, etc. every year and deliberates the remuneration system, performance evaluation system, etc. for the following fiscal year.

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

Officer category	Amount of remuneration, etc. (Millions of yen)	Total remuneration, etc. amount by type (Millions of yen)			Number of eligible officers (persons)
		Base remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors (excluding outside directors)	369	132	137	98	2
Directors (excluding outside directors)	70	70	—	—	2
Outside officers	111	111	—	—	6

#### Notes:

- 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 yen 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 yen 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. (Millions of yen)	Officer category	Company category	Total remuneration, etc. amount by type (Millions of yen)		
				Base remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.
Isao Teshirogi	245	Directors	Filing company	84	87	73
Takuko Sawada	123	Directors	Filing company	48	50	25

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.

[Policy for Determination of Details of Individual Remuneration, etc. for Directors]

1. Basic policy

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

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

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

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

Performance-linked remuneration, etc. shall be cash remuneration which reflects performance indicators (KPIs) to heighten the awareness of improving performance for each fiscal year and paid as 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 attributable to owners of the parent 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 reviewed as necessary to accommodate environmental changes taking into account recommendations given by the Compensation Advisory Committee.

Non-monetary remuneration, etc. shall be restricted stock and consist of two parts: the long-term stock-based compensation system which requires current employment as a payment condition, and the medium-term performance-linked stock-based compensation which is linked to business results. For the long-term stock-based compensation system, the number of 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.

With respect to the medium-term performance-linked stock-based compensation, the number of units to be granted shall be determined based on the stock-based compensation table established, according to rank and job responsibility, by the Board of Directors after deliberation by the Compensation Advisory Committee. Restricted stock shall be granted in July of every year, and performance is evaluated based on the degree of achievement in FY2022 for the portion to be granted in three years between FY2020 and FY2022 out of the period of STS2030 Phase 1 (from FY2020 to FY2024) 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. For performance evaluation, revenue, overseas net sales, core operating profit, ROE and the rank in total shareholder return (TSR) among 12 competitors including the Company (relative TSR) are used as quantitative indicators, with determination made by the Board of Directors after deliberation on the overall evaluation by the Compensation Advisory Committee, in consideration of the status of ESG, compliance and development associated with COVID-19.

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

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

The targeted ratio for each type of remuneration, etc. is set as base remuneration: performance-linked remuneration, etc.: non-monetary remuneration, etc. = 4:3:3 (if all KPIs are achieved).

Note: Performance-linked remuneration, etc. comprises director and corporate auditor bonuses and 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 evaluation and allocation of bonuses taking into account results of the business of which the director is in charge.

The Compensation Advisory Committee deliberates the policy and criteria for the entrustment to 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.

The Compensation Advisory Committee shall comprise of five committee members, a majority of which 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 executive officers, verifies the levels of remuneration, etc. every year and deliberates the remuneration system, 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 rationale of holding, and details of verification by Board of Directors, etc. concerning 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	45	9,055
Shares other than unlisted shares	19	38,148

(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	5	2,113	The shares were newly acquired since management judged that holding the shares will increase the Shionogi Group's corporate value and contribute to sustainable enhancement of corporate value.
Shares other than unlisted shares	—	—	—

(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)
Unlisted shares	1	0
Shares other than unlisted shares	—	—

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
Suzuken Co., Ltd.	3,256,696	3,256,696	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	Yes
	11,821	14,085		
Toho Holdings Co., Ltd.	3,500,112	3,500,112	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	Yes
	6,475	7,105		
Sumitomo Mitsui Financial Group, Inc.	1,643,810	1,643,810	The Company holds shares in the company, which is one of the Shionogi Group's financial institution, to maintain and enhance business relations. In May 2022, the Board	No

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
	6,422	6,586	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 confirmed the economic rationale and strategic validity.	
StemRim Inc.	4,650,000	4,650,000	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	No
	3,775	3,845		
Medipal Holdings Corporation	1,271,605	1,271,605	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	Yes
	2,562	2,700		
Kissei Pharmaceutical Co., Ltd.	914,000	914,000	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	Yes
	2,335	2,239		
Ono Pharmaceutical Co., Ltd.	344,095	344,095	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	Yes
	1,054	994		
Kaneka Corporation	266,600	266,600	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	Yes
	945	1,213		
OncoTherapy Science, Inc.	7,300,000	7,300,000	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	No
	503	897		

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
AnGes, Inc.	1,186,800	1,186,800	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	No
	426	1,267		
Sumitomo Mitsui Trust Holdings, Inc.	105,210	105,210	The Company holds shares in the company, which is one of the Shionogi Group's financial institution, to maintain and enhance business relations. In May 2020, 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 confirmed the economic rationale and strategic validity.	No
	420	406		
Vital KSK Holdings, Inc.	475,000	475,000	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	No
	349	374		
FunPep Co., Ltd.	1,095,200	1,095,200	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	No
	252	519		
HOKUYAKU TAKEYAMA Holdings, Inc.	367,530	367,530	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	Yes
	242	277		
Nomura Holdings, Inc.	424,568	424,568	The Company holds shares in the company, which is one of the Shionogi Group's financial institution, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	No
	218	246		
Resona Holdings, Inc.	416,968	416,968	The Company holds shares in the company, which is one of the Shionogi Group's financial institution, to maintain and enhance business relations. In May 2022, the Board of Directors conducted a comprehensive verification of	No



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
	218	193	the purpose, benefits and/or risks associated with holding, capital costs and other aspects regarding individual cross-shareholdings and confirmed the economic rationale and strategic validity.	
MS & AD Insurance Group Holdings, Inc.	21,811	21,811	The Company holds shares in the company, which is one of the Shionogi Group's financial institution, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	No
	86	70		
Senshu Ikeda Holdings, Inc.	203,725	203,725	The Company holds shares in the company, which is one of the Shionogi Group's financial institution, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	No
	35	36		
The Royal Hotel, Ltd.	654	654	The Company holds shares in the company, which is one of the Shionogi Group's business partners, to maintain and enhance business relations. In May 2022, 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 confirmed the economic rationale and strategic validity.	No
	0	0		

Note: 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.

(iii) Invested shares held for passive investment purposes  
Not applicable.

## **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 subsidiaries (the Shionogi Group) are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) pursuant to Article 93 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, 2021 to March 31, 2022) 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**

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. The details of these are as follows.

(1) In order to accurately ascertain the content of the latest 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, the Company has prepared Group accounting policies and accounting guidelines in keeping 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	Year ended March 31, 2021	Year ended March 31, 2022
Revenue	5	297,177	335,138
Cost of sales		(52,523)	(55,415)
Gross profit		244,654	279,722
Selling, general and administrative expenses	6	(91,902)	(91,771)
Research and development expenses		(54,249)	(72,996)
Amortization of intangible assets associated with products	13	(3,209)	(3,476)
Other income	7,14	26,403	3,384
Other expenses	7	(4,257)	(4,551)
Operating profit		117,438	110,312
Finance income	8,17	26,522	16,797
Finance costs	8	(941)	(841)
Profit before tax		143,018	126,268
Income tax expense	9	(30,956)	(12,829)
Profit		112,061	113,439

Profit attributable to			
Owners of parent		111,858	114,185
Non-controlling interests		203	(746)
Profit		112,061	113,439

Yen

Earnings per share			
Basic earnings per share	10	365.03	378.75
Diluted earnings per share	10	364.89	378.63

## Consolidated Statement of Comprehensive Income

Millions of yen

	Notes	Year ended March 31, 2021	Year ended March 31, 2022
Profit		112,061	113,439
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	(4,677)	17,846
Remeasurements of defined benefit plans	22,25	(96)	(333)
Total of items that will not be reclassified to profit or loss		(4,774)	17,513
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	22	36,049	29,793
Effective portion of cash flow hedges	22,30	(5,828)	1,023
Total of items that may be reclassified to profit or loss		30,221	30,817
Total other comprehensive income, net of tax		25,447	48,330
Comprehensive income		137,509	161,769

Comprehensive income attributable to			
Owners of parent		137,407	161,865
Non-controlling interests		101	(95)
Comprehensive income		137,509	161,769

## ii. Consolidated Statement of Financial Position

Millions of yen

	Notes	As of March 31, 2021	As of March 31, 2022
Assets			
Non-current assets			
Property, plant and equipment	11,15	90,883	108,893
Goodwill	12	9,357	9,638
Intangible assets	13,15	76,558	81,223
Right-of-use assets	16	4,827	3,524
Investment property	14,15	26,759	26,672
Other financial assets	17,30	217,437	242,479
Deferred tax assets	9	11,729	12,907
Other non-current assets	21	5,200	6,055
Total non-current assets		442,754	491,396
Current assets			
Inventories	18	38,003	45,892
Trade receivables	19,30	78,047	122,965
Other financial assets	17,30	142,151	210,757
Income taxes receivable		164	51
Other current assets	21	21,697	25,117
Cash and cash equivalents	20	276,173	254,420
Total current assets		556,238	659,205
Total assets		998,992	1,150,601

Millions of yen

	Notes	As of March 31, 2021	As of March 31, 2022
Equity and liabilities			
Equity			
Share capital	22	21,279	21,279
Capital surplus	22,26	13,733	14,455
Treasury shares	22	(57,989)	(57,857)
Retained earnings	22	752,248	832,958
Other components of equity	22,25,30	116,836	164,824
Equity attributable to owners of parent		846,108	975,661
Non-controlling interests		18,442	17,624
Total equity		864,550	993,285
Liabilities			
Non-current liabilities			
Lease liabilities	16,30	4,608	3,729
Other financial liabilities	24,30	5,242	5,616
Retirement benefit liability	25	16,318	15,412
Deferred tax liabilities	9	7,749	7,807
Other non-current liabilities	28,29	341	354
Total non-current liabilities		34,261	32,920
Current liabilities			
Lease liabilities	16,30	3,379	2,945
Trade payables	27,30	9,902	16,372
Other financial liabilities	24,30	21,383	22,027
Income taxes payable		28,033	17,973
Other current liabilities	29	37,481	65,078
Total current liabilities		100,180	124,396
Total liabilities		134,442	157,316
Total equity and liabilities		998,992	1,150,601

## 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, 2020		21,279	21,025	(77,292)	708,291	91,848	765,152	51	765,203
Profit					111,858		111,858	203	112,061
Total other comprehensive income, net of tax	22					25,548	25,548	(101)	25,447
Comprehensive income		—	—	—	111,858	25,548	137,407	101	137,509
Purchase of treasury shares	22			(50,013)			(50,013)		(50,013)
Disposal of treasury shares	22		(4,705)	38,404			33,698		33,698
Cancellation of treasury shares	22		(30,912)	30,912			—		—
Dividends	23				(32,543)		(32,543)		(32,543)
Changes in scope of consolidation							—	10,696	10,696
Changes in ownership interest in subsidiaries	31		(7,593)				(7,593)	7,593	—
Transfer from other components of equity to retained earnings	22				71	(71)	—		—
Other			35,919		(35,430)	(488)	(0)		(0)
Balance as of March 31, 2021		21,279	13,733	(57,989)	752,248	116,836	846,108	18,442	864,550
Profit					114,185		114,185	(746)	113,439
Total other comprehensive income, net of tax	22					47,679	47,679	650	48,330
Comprehensive income		—	—	—	114,185	47,679	161,865	(95)	161,769
Purchase of treasury shares	22			(14)			(14)		(14)
Disposal of treasury shares	22		(5)	147			141		141
Dividends	23				(33,162)		(33,162)		(33,162)
Transfer from other components of equity to retained earnings	22				(308)	308	—		—
Other			727		(5)		722	(722)	—
Balance as of March 31, 2022		21,279	14,455	(57,857)	832,958	164,824	975,661	17,624	993,285

## iv. Consolidated Statement of Cash Flows

Millions of yen

	Notes	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from operating activities			
Profit before tax		143,018	126,268
Depreciation and amortization		14,779	16,351
Impairment losses		825	141
Finance income and finance costs		(25,836)	(15,597)
Decrease (Increase) in trade and other receivables		2,993	(43,417)
Decrease (Increase) in inventories		(3,435)	(7,133)
(Decrease) Increase in trade and other payables		(2,380)	11,686
Other		(16,524)	15,087
Subtotal		113,438	103,387
Interest and dividends received		28,111	24,807
Interest paid		(256)	(87)
Income taxes paid		(32,254)	(39,324)
Income taxes refunded		—	13,286
Net cash provided by (used in) operating activities		109,039	102,068
Cash flows from investing activities			
Payments into time deposits		(230,468)	(260,380)
Proceeds from withdrawal of time deposits		269,696	234,685
Purchase of property, plant and equipment		(28,182)	(26,185)
Purchase of intangible assets		(4,762)	(5,379)
Payments for acquisition of subsidiaries	34	(3,636)	—
Purchase of investments		(120,478)	(139,396)
Proceeds from sale of investments		116,265	99,511
Other		(3,694)	940
Net cash provided by (used in) investing activities		(5,261)	(96,204)



Millions of yen

	Notes	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from financing activities			
Repayments of lease liabilities	30	(3,648)	(3,453)
Purchase of treasury share	22	(50,134)	(14)
Proceeds from sale of treasury shares	22	33,534	—
Dividends paid	23	(32,529)	(33,146)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(1,575)	—
Capital contribution from non-controlling interests		10,464	—
Other		(0)	—
Net cash provided by (used in) financing activities		(43,891)	(36,615)
Effect of exchange rate changes on cash and cash equivalents		7,425	8,998
Net increase (decrease) in cash and cash equivalents		67,312	(21,752)
Cash and cash equivalents at beginning of period	20	208,861	276,173
Cash and cash equivalents at end of period	20	276,173	254,420

## 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 Group”) engages in research, development, purchasing, manufacturing, distribution and other operations associated with the prescription drug business.

### 2. Basis of Preparation

#### (1) Compliance with International Financial Reporting Standards

The consolidated financial statements of the Shionogi Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) 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 of the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976), it has adopted the provision of Article 93 of said regulation.

The consolidated financial statements of the Shionogi Group were approved on June 23, 2022 by Isao Teshirogi, Representative Director and President and CEO.

#### (2) Basis of Measurement

The Shionogi Group’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. Significant Accounting Policies.”

#### (3) Functional Currency and Presentation Currency

The Shionogi Group’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 the Shionogi Group’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. Significant 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.

- Fair value of unlisted shares (ViiV Healthcare Ltd.) (See Note “3. Significant 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 sales growth rate of products, the profit ratio and the discount rate. Among them, the sales growth rate and profit ratio 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.

- Impact of COVID-19

An expanded of COVID-19 pandemic could result in delays of business activities such as production, sales, and research and development. It is difficult to predict when the pandemic is to be fully controlled and contained. At present, the impact on business activities is minor, and the Shionogi Group assumes that COVID-19 pandemic will have a limited impact on accounting estimates

such as impairment tests of goodwill, etc. Changes in these assumptions could significantly affect amounts in the consolidated financial statements.

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

None of the standards and interpretations that have been newly established or revised by the approval date of the consolidated financial statements have a significant impact on the Shionogi Group.

#### (6) Changes in Presentation Method

##### (Consolidated Statement of Cash Flows)

“Proceeds from sale of property, plant and equipment” presented separately under “Net cash used in investing activities” for the fiscal year ended March 31, 2021 is presented within “Other” for the fiscal year ended March 31, 2022, since its materiality has decreased. The consolidated financial statements for the fiscal year ended March 31, 2021 have been reclassified to reflect this change in presentation method.

As a result, 45 million presented in “Proceeds from sale of property, plant and equipment” under “Net cash used in investing activities” in the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2021 has been reclassified as “Other.”

### 3. Significant Accounting Policies

The Shionogi Group 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 the Shionogi Group. The Shionogi Group 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 the Shionogi Group 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 interest 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) Joint Ventures

A joint venture is an entity in which two or more parties, including the Shionogi Group, share contractually-agreed control over economic activities, and where strategic financial and operating decisions related to that activity require the consent of all parties sharing control.

Investments in joint ventures held by the Shionogi Group 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 interest 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 share 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 the Shionogi Group 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 income 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 interest in a foreign operation, the cumulative amount of exchange differences on translation of foreign operations is reclassified to profit or loss.

## (3) Revenue

The Shionogi Group 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, the Shionogi Group 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 the Shionogi Group's intellectual property as it exists throughout the license period; or
- 2) A right to use the Shionogi Group's intellectual property as it exists at the point in time at which the license is granted.

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

If the Shionogi Group determines that the nature of its promise to transfer the license is to provide the customer with a right to use the Shionogi Group's intellectual property as it exists at the point in time at which the license is granted, the Shionogi Group 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 sale 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 against which the deductible temporary differences can be utilized. 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;
- 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 the Shionogi Group 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 the Shionogi Group 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.

#### (5) Property, Plant and Equipment

The Shionogi Group 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 and is tested for impairment at least annually regardless of any indication of impairment, and whenever there is an indication of impairment.

#### (7) Intangible Assets

The Shionogi Group 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 the Shionogi Group 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, and are tested for impairment at least annually, and whenever there is an indication of impairment.

#### (8) Leases

##### 1) Identifying leases

At the inception of a contract, the Shionogi Group 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

The Shionogi Group 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, the Shionogi Group 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, the Shionogi Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Shionogi Group 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, the Shionogi Group measures the lease liability at the present value of the lease payments that are not paid at that date. In subsequent periods, the Shionogi Group reduces the carrying amount of the lease liability to reflect the interest on the lease liability and lease payments made.

##### 3) As lessor

The Shionogi Group 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, the Shionogi Group assesses whether there is any indication that

an asset or cash-generating unit may be impaired. If any indication of impairment exists, the Shionogi Group 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, the Shionogi Group 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 finished products and merchandise, 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 the Shionogi Group 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

The Shionogi Group 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. The Shionogi Group 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, the Shionogi Group has implemented a cash-settled share-based payment plan linked to share price.

The Shionogi Group 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 the Shionogi Group 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 the Shionogi Group 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 the Shionogi Group 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 held in one of the two business models above 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.

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 amortized cost 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 the Shionogi Group 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. The Shionogi Group 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 the Shionogi Group should receive and the cash flows the Shionogi Group 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

The Shionogi Group 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 the Shionogi Group 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 costs” or “Finance income.”

(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

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

3) Derivatives and Hedge Accounting

The Shionogi Group hedges risks arising from exposure to fluctuations in foreign currency exchange rates using derivative financial instruments such as forward foreign exchange contracts.

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, the Shionogi Group 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

The Shionogi Group operates as a single business segment related to research, development, purchasing, manufacturing, distribution and other operations associated with the prescription drug business. While the Shionogi Group 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		
	Year ended March 31, 2021	Year ended March 31, 2022
Japan	118,589	113,589
Europe	154,516	191,629
United Kingdom	145,457	184,202
North America	8,963	14,330
United States of America	8,951	14,322
Other	15,108	15,587
Total	297,177	335,138

Notes:

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

###### 2) Non-current Assets

Millions of yen		
	As of March 31, 2021	As of March 31, 2022
Japan	170,384	188,585
Europe	1,492	1,547
United States of America	33,595	37,022
Other	8,115	8,852
Total	213,587	236,008

Notes:

- Non-current assets are classified by country or region based on asset location and exclude financial instruments and deferred tax assets
- The main countries and regions included in each geographic category other than Japan are as follows:
  - Europe: United Kingdom and others
  - 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, 2021 and 2022.

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
ViiV Healthcare Ltd.	123,361	176,990

### 5. Revenue

#### (1) Breakdown of Revenue

The breakdown of revenue for the fiscal years ended March 31, 2021 and 2022 is as follows:

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Prescription drugs in Japan	94,684	89,127
Exports and overseas subsidiaries	24,645	34,367
Contract manufacturing	19,744	17,442
Over-the-counter drugs	11,713	11,156
Royalty income	144,629	181,253
Other revenue	1,760	1,790
Total	297,177	335,138

“Revenue” in the consolidated statement of profit or loss is revenue recognized from contracts with customers. Revenue recognized from other sources is included in “Other income,” described in Note “7. Other Income and Other Expenses,” and “Finance income,” described in Note “8. Finance Income and Finance Costs.”

In addition, the Shionogi Group omits disclosure of segment information as described in Note “4. Segment Information.”

Group revenue comprises 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 includes income from export transactions, sales and royalty income recognized by overseas subsidiaries. Revenue from contract manufacturing includes income associated with contract manufacturing of active pharmaceutical ingredients (API). 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 recognized by the Company and domestic subsidiaries. Other revenue includes sales of diagnostics and revenue recognized by domestic subsidiaries.

In prescription drug 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 three 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. However, significant reversals of cumulative revenue recognized will generally not occur since the Shionogi Group can reasonably estimate rebates payable to customers. Therefore, the Shionogi Group has determined that its estimates of variable consideration are not constrained.

In addition, the Shionogi Group sells products for which the customer has a right of return. The Shionogi Group 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 the Shionogi Group’s products are difficult to resell due to their nature, the Shionogi Group does not recognize an asset for its right to recover products from customers on settling the refund liability.

For contract API manufacturing, the Shionogi Group 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.

The Shionogi Group out-licenses the use of intellectual property such as patents the Shionogi Group owns to the counterparties of

licensing contracts. The Shionogi Group 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. The Shionogi Group 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.

The Shionogi Group 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 the Shionogi Group will be entitled is variable. The Shionogi Group 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.

However, revenue in the form of sales-based or usage-based royalties is recognized at the later of when (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).

The Shionogi Group has elected not to adjust significant financing components, at contract inception, if a period between when the Shionogi Group 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, the Shionogi Group does not sell products with warranties or similar rights.

## (2) Contract Balances

Contract balances are as follows:

	Receivables arising from contracts with customers			Contract liabilities
	Notes receivable	Accounts receivable	Total	
As of April 1, 2020	459	79,417	79,877	452
As of March 31, 2021	869	77,249	78,118	439
As of March 31, 2022	421	122,594	123,015	1,142

The Shionogi Group had no contract assets as of March 31, 2021 and 2022.

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 ¥449 million and ¥226 million for the years ended March 31, 2021 and 2022, respectively.

Revenue recognized in the reporting period from performance obligations satisfied in previous years was ¥147,286 million and ¥181,076 million for the years ended March 31, 2021 and 2022, respectively. These were arising from milestone payments fulfilled and receivable when the pre-determined milestones were achieved by the Shionogi Group in the years ended March 31, 2021 and 2022 and royalties included as a component of consideration for the performance obligation at the time of granting a license.

## (3) Transaction Price Allocated to Remaining Performance Obligations

The Shionogi Group applies the practical expedient under IFRS 15, Paragraph 121 and does not disclose information regarding remaining performance obligations with an initial expected period of one year or less. The Shionogi Group has no material transactions with the original expected contract duration exceeding one year.

## (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, 2021 and 2022. The Shionogi Group 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

	Year ended March 31, 2021	Year ended March 31, 2022
Salaries and bonuses	31,592	31,471
Retirement benefit expenses	2,254	2,196
Sales promotion expenses	13,044	9,981
Royalties of intellectual property rights and others	10,144	11,719
Outsourcing expenses	5,716	5,977
Depreciation and amortization	3,515	3,894
Other	25,635	26,531
Total	91,902	91,771

## 7. Other Income and Other Expenses

### (1) Other Income

The breakdown of other income is as follows:

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Gain on sale of property, plant and equipment	3	1,552
Additional amount recognized associated with income tax refund	—	913
Gain on land and building exchange	22,937	—
Gain on step acquisition	2,958	—
Other	504	918
Total	26,403	3,384

Notes:

1. “Gain on sales of property, plant and equipment” for the year ended March 31, 2022 is mainly from sales of real estate for lease.
2. “Additional amount recognized associated with income tax refund” for the year ended March 31, 2022 represents additional amount, etc, on refund of income taxes in connection with the successful conclusion of lawsuit filed against the Osaka Regional Taxation Bureau regarding a complaint filed to rescind a tax reassessment.
3. “Gain on land and building exchange” for the year ended March 31, 2021 was due to the redevelopment of the Shionogi Shibuya Building.
4. “Gain on step acquisition” for the year ended March 31, 2021 was described in Note “34. Business Combinations.”

(2) Other Expenses

The breakdown of other expenses is as follows:

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Loss on retirement of fixed assets	203	1,639
Leakage response costs	663	1,256
Donations	1,069	817
Impairment losses	825	141
Litigation expenses	464	106
Investment loss under equity method	—	20
Other	1,031	570
Total	4,257	4,551

Notes:

1. “Impairment losses” for the years ended March 31, 2021 and 2022 are presented in Note “11. Property, Plant and Equipment.” and “13. Intangible Assets.”
2. “Leakage response costs” for the years ended March 31, 2021 and 2022 are related to measures taken to address the leak of dichloromethane at the premises of Kanegasaki Plant.

**8. Finance Income and Finance Costs**

(1) Finance Income

The breakdown of finance income is as follows:

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Interest income		
Financial assets measured at amortized cost	1,157	779
Dividend income		
Financial assets measured at fair value through other comprehensive income	24,316	13,888
Financial assets measured at fair value through profit or loss	15	7
Subtotal	24,331	13,896
Foreign exchange gain	923	1,898
Other	109	223
Subtotal	26,522	16,797

(2) Finance Costs

The breakdown of finance costs is as follows:

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Interest expenses		
Financial liabilities measured at amortized cost	195	284
Lease liabilities	60	64
Subtotal	256	349
Other	685	491
Total	941	841



## 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, 2021

Millions of yen

	As of April 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	As of March 31, 2021
Deferred tax assets					
Research and development expenses	3,040	2,840	—	—	5,880
Inventories	5,214	1,305	—	—	6,519
Accrued bonuses	1,992	(235)	—	—	1,757
Temporary differences associated with investments in subsidiaries	1,432	3,419	24	—	4,876
Accrued enterprise taxes	1,140	312	—	—	1,453
Accrued paid absences	749	54	—	—	803
Other payables and accrued expenses	444	(94)	—	—	349
Retirement benefit asset and liability	6,551	(1,237)	42	—	5,355
Cash flow hedges	—	—	1,209	—	1,209
Other	4,305	(478)	—	563	4,389
Subtotal	24,871	5,885	1,276	563	32,595
Deferred tax liabilities					
Trade receivables	10,849	(10,849)	—	—	—
Intangible assets associated with products	2,053	1,994	—	6,426	10,474
Reserve for advanced depreciation of property, plant and equipment	1,665	(58)	—	—	1,607
Gain on exchange for investments in securities	965	—	—	—	965
Gain on land and building exchange	—	7,018	—	—	7,018
Financial assets measured at fair value through other comprehensive income	3,665	—	1,823	—	5,488
Cash flow hedges	1,360	—	(1,360)	—	—
Other	3,212	452	—	(604)	3,060
Subtotal	23,772	(1,441)	462	5,822	28,615
Net deferred tax assets (liabilities)	1,098	7,327	813	(5,258)	3,980

Note: The amount of deferred tax assets and deferred tax liabilities recognized mainly as a result of the acquisition of Tetra through a business combination is shown. Other of “Intangible assets associated with products” in the section of deferred tax liabilities include deferred tax liabilities of ¥6,756 million, which increased due to business combinations. Also, exchange differences on translation of foreign operations are included in Other.

## (ii) Year ended March 31, 2022

Millions of yen

	As of April 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	As of March 31, 2022
Deferred tax assets					
Research and development expenses	5,880	2,186	—	—	8,067
Inventories	6,519	829	—	—	7,349
Accrued bonuses	1,757	(58)	—	—	1,699
Temporary differences associated with investments in subsidiaries	4,876	(471)	(909)	—	3,496
Accrued enterprise taxes	1,453	(499)	—	—	954
Accrued paid absences	803	(25)	—	—	778
Other payables and accrued expenses	349	3	—	—	353
Retirement benefit asset and liability	5,355	(536)	146	—	4,966
Cash flow hedges	1,209	—	(451)	—	757
Other	4,389	(982)	—	—	3,407
Subtotal	32,595	447	(1,213)	—	31,829
Deferred tax liabilities					
Trade receivables	—	—	—	—	—
Intangible assets associated with products	10,474	(6)	—	1,101	11,570
Reserve for advanced depreciation of property, plant and equipment	1,607	(64)	—	—	1,542
Gain on exchange for investments in securities	965	—	—	—	965
Gain on land and building exchange	7,018	(333)	—	—	6,685
Financial assets measured at fair value through other comprehensive income	5,488	—	(444)	—	5,044
Cash flow hedges	—	—	—	—	—
Other	3,060	(1,760)	—	(378)	921
Subtotal	28,615	(2,164)	(444)	722	26,729
Net deferred tax assets (liabilities)	3,980	2,611	(769)	(722)	5,100

Note: Exchange differences on translation of foreign operations is included in Other.

## 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, 2021	As of March 31, 2022
Tax loss carryforwards	145,815	155,945
Deductible temporary differences	130,509	125,988
Unused tax credits	2,001	2,213

## 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, 2021	As of March 31, 2022
1st year	1,834	3,098
2nd year	1,083	1,302
3rd year	1,035	625
4th year	781	12,074
5th year	11,755	1,043
After 5th year	2,409	751
Indefinite	126,915	137,049
Total	145,815	155,945

### (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, 2021	As of March 31, 2022
1st year	—	—
2nd year	—	5
3rd year	4	0
4th year	0	0
5th year and thereafter	1,996	2,207
Total	2,001	2,213

## 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, 2021 and 2022, taxable temporary differences associated with investments in the subsidiaries for which deferred tax liabilities were not recognized were ¥244,815 million and ¥342,089 million, respectively.

(2) Income Taxes

1) Income Tax Expenses

The breakdown of income tax expenses is as follows:

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Current income taxes		
Current fiscal year	38,284	28,731
Prior periods	—	(13,290)
Subtotal	38,284	15,440
Deferred income taxes		
Origination and reversal of temporary differences	(7,327)	(2,611)
Subtotal	(7,327)	(2,611)
Total	30,956	12,829

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 ¥330 million and ¥52 million for the years ended March 31, 2021 and 2022, respectively. In addition, current income taxes include a refund from the Osaka Regional Taxation Bureau in connection with the successful conclusion of a lawsuit for the complaint filed to rescind a tax reassessment.

Deferred income taxes include the tax benefit arising from previously unrecognized tax losses, tax credits and temporary differences of prior periods, and expense from write-downs or reversal of previous write-downs of deferred tax assets. As a result, deferred income taxes decreased by ¥149 million and ¥20 million for the years ended March 31, 2021 and 2022, respectively.

2) Reconciliation of Effective Tax Rate

The following is a reconciliation from the Company's statutory tax rate to the effective tax rate for the years ended March 31, 2021 and 2022.

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 years ended March 31, 2021 and 2022 was 30.6%, respectively. Overseas subsidiaries are subject to the income taxes on their income in their respective countries of domicile.

(%)

	Year ended March 31, 2021	Year ended March 31, 2022
Statutory tax rate	30.6	30.6
Items not deductible for income tax purposes, such as entertainment expenses	0.1	0.0
Items not taxable for income tax purposes, such as dividends	(4.5)	(2.8)
Tax credits	(2.5)	(6.6)
Differences in applicable tax rates of subsidiaries	0.0	0.3
Changes in unrecognized deferred tax assets	(1.3)	(0.5)
Income taxes for prior periods	—	(9.8)
Other	(0.8)	(1.0)
Effective tax rate	21.6	10.2

## 10. Earnings per Share

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

	Year ended March 31, 2021	Year ended March 31, 2022
Basis for calculating basic and diluted earnings per share:		
Profit attributable to owners of parent (Millions of yen)	111,858	114,185
Profit not attributable to ordinary shareholders of the parent (Millions of yen)	—	—
Profit used for calculating basic earnings per share (Millions of yen)	111,858	114,185
Weighted-average number of ordinary shares outstanding during the year (Thousands of shares)	306,441	301,478
Basis for calculating diluted earnings per share:		
Profit used for calculating basic earnings per share (Millions of yen)	111,858	114,185
Adjustments to profit (Millions of yen)	—	—
Profit for the year used for calculating diluted earnings per share (Millions of yen)	111,858	114,185
Weighted-average number of ordinary shares outstanding during the year (Thousands of shares)	306,441	301,478
Increase in number of ordinary shares from exercise of share options (Thousands of shares)	112	100
Weighted-average number of diluted ordinary shares outstanding during the period (Thousands of shares)	306,554	301,579
Earnings per share:		
Basic earnings per share (Yen)	365.03	378.75
Diluted earnings per share (Yen)	364.89	378.63

Note: No financial instruments are excluded from the calculation of diluted earnings per share because they are not dilutive.

## 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, 2020	116,455	85,718	7,121	2,663	38,614	250,574
Acquisitions	220	22	–	27,741	59	28,043
Acquisitions through business combinations	808	339	292	57	299	1,796
Reclassification from construction in progress	1,317	1,792	–	(6,088)	2,415	(562)
Sales or disposals	(7,073)	(9,275)	–	(191)	(1,672)	(18,213)
Foreign exchange differences on translations	76	0	–	1	30	109
Other	(3,573)	3	(628)	(268)	(5)	(4,472)
As of March 31, 2021	108,233	78,601	6,785	23,915	39,741	257,276
Acquisitions	252	219	–	26,698	316	27,486
Reclassification from construction in progress	4,838	7,923	–	(16,592)	3,622	(208)
Sales or disposals	(929)	(645)	–	(35)	(2,904)	(4,515)
Foreign exchange differences on translations	688	152	–	2	95	939
Other	(1,837)	2,158	–	(568)	199	(46)
As of March 31, 2022	111,245	88,410	6,785	33,419	41,072	280,932

Note: “Acquisitions through business combinations” for the years ended March 31, 2021 are described in Note “34. Business Combinations.”

## 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, 2020	(69,986)	(75,376)	—	(638)	(33,222)	(179,223)
Depreciation expenses	(3,264)	(2,658)	—	—	(2,184)	(8,107)
Sales or disposals	7,030	9,255	—	49	1,623	17,959
Foreign exchange differences on translations	(42)	(0)	—	—	(18)	(60)
Other	3,043	(7)	—	—	2	3,039
As of March 31, 2021	(63,218)	(68,787)	—	(588)	(33,798)	(166,392)
Depreciation expenses	(3,335)	(3,326)	—	—	(2,547)	(9,209)
Impairment losses	(5)	—	—	—	(0)	(6)
Sales or disposals	600	639	—	—	2,858	4,098
Foreign exchange differences on translations	(278)	(91)	—	—	(77)	(447)
Other	966	(1,462)	—	565	(151)	(81)
As of March 31, 2022	(65,270)	(73,029)	—	(22)	(33,716)	(172,038)

## 3) Carrying Amount

Millions of yen

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
As of April 1, 2020	46,469	10,342	7,121	2,025	5,392	71,350
As of March 31, 2021	45,015	9,813	6,785	23,327	5,942	90,883
As of March 31, 2022	45,974	15,380	6,785	33,396	7,355	108,893

Notes:

- Expenditures for property, plant and equipment under construction are stated as construction in progress above.
- 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. The Shionogi Group tests idle assets for impairment individually.

The Shionogi Group recognized an impairment loss of ¥6 million in the fiscal year ended March 31, 2022, which is included in “Other expenses” in the consolidated statement of income.

## 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

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of period	7,854	9,357
Acquisitions through business combinations	1,669	—
Foreign exchange differences on translations	(167)	439
Other	—	(158)
Balance at end of period	9,357	9,638

Note: “Acquisitions through business combinations” for the year ended March 31, 2021 are described in Note “34. Business Combinations.”

#### 2) Accumulated Impairment Losses

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of period	—	—
Balance at end of period	—	—

#### 3) Carrying Amount

Millions of yen

As of April 1, 2020	7,854
As of March 31, 2021	9,357
As of March 31, 2022	9,638



## (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, 2021	As of March 31, 2022
Pharmaceutical business centered on Shionogi & Co., Ltd.	6,185	6,037
Pharmaceutical business in China	2,997	3,427

### 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 prepared by reflecting past knowledge and external information using the pre-tax discount rates (8.5% and 8.0% for the years ended March 31, 2021 and 2022, 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, 2021 and 2022).

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 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 created by reflecting past knowledge and external information using the pre-tax discount rates (12.1% and 14.5% for the years ended March 31, 2021 and 2022, 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. (5.5% for the years ended March 31, 2021 and 2022)

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 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 1, 2020	101,152	14,087	7,013	122,252
Individual acquisitions	2,761	2,688	0	5,450
Acquisitions through business combinations	26,247	86	58	26,393
Sales or disposal	(103)	(596)	(477)	(1,177)
Foreign exchange differences on translations	(806)	6	(61)	(860)
Other	504	(47)	(955)	(497)
As of March 31, 2021	129,755	16,225	5,578	151,560
Individual acquisitions	2,680	2,073	249	5,003
Sales or disposal	(7,193)	(439)	(30)	(7,663)
Foreign exchange differences on translations	7,151	72	136	7,360
Other	(320)	(71)	10	(380)
As of March 31, 2022	132,074	17,860	5,945	155,879

Note: “Acquisitions through business combinations” for the years ended March 31, 2021 are described in Note “34. Business Combinations.”

## 2) Accumulated Amortization and Accumulated Impairment Losses

Millions of yen

	Intangible assets associated with products	Software	Other	Total
As of April 1, 2020	(56,201)	(10,902)	(3,443)	(70,547)
Amortization	(3,209)	(1,103)	(221)	(4,535)
Impairment losses	(825)	—	—	(825)
Sales or disposal	103	586	477	1,167
Foreign exchange differences on translations	(396)	0	27	(368)
Other	12	—	93	105
As of March 31, 2021	(60,516)	(11,418)	(3,067)	(75,001)
Amortization	(3,476)	(1,457)	(224)	(5,157)
Impairment losses	(135)	—	—	(135)
Sales or disposal	7,193	430	30	7,654
Foreign exchange differences on translations	(1,951)	(48)	(98)	(2,098)
Other	2	90	(9)	82
As of March 31, 2022	(58,883)	(12,403)	(3,369)	(74,655)

## 3) Carrying Amount

Millions of yen

	Intangible assets associated with products	Software	Other	Total
As of April 1, 2020	44,950	3,184	3,570	51,705
As of March 31, 2021	69,239	4,807	2,511	76,558
As of March 31, 2022	73,191	5,456	2,575	81,223

Notes:

- 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.
- No significant internally generated intangible assets were recognized for the years ended March 31, 2021 and 2022.

## (2) Significant Intangible Assets

The Shionogi Group recognizes ¥24,966 million and ¥29,211 million as of March 31, 2021 and 2022, intangible assets related to BPN14770 identified from the business combination of Tetra, which became a consolidated subsidiary during the fiscal year ended March 31, 2021. In addition, the Shionogi Group had capitalized costs associated with the in-licensing of products and technologies of ¥9,933 million as of March 31, 2021 and 2022, respectively, related to S-812217 which was acquired from Sage Therapeutics. These intangible assets are included in intangible assets associated with products.

### (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.

The Shionogi Group recognized impairment losses in the amounts of ¥825 million and ¥135 million for the years ended March 31, 2021 and 2022, respectively, which were included in “Other expenses” 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

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of period	6,376	30,740
Acquisitions	69	557
Reclassification from construction in progress	33	—
Sales or disposals	—	(1,086)
Foreign exchange differences on translations	2	18
Other	24,258	(206)
Balance at end of period	30,740	30,022

Note: “Other” for the year ended March 31, 2021 includes the impact of a rights conversion related to the redevelopment of the Shionogi Shibuya Building. Since this rights conversion corresponds to an exchange transaction under IFRS, the rights to the land and buildings after the exchange are measured at fair value, and the exchange gain of ¥22,937 million is included in “Other income” in the consolidated statement of profit or loss for the fiscal year ended March 31, 2021.

#### 2) Accumulated Depreciation and Accumulated Impairment Losses

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of period	(3,880)	(3,981)
Depreciation expenses	(70)	(58)
Sales or disposals	—	707
Foreign exchange differences on translations	(0)	(3)
Other	(30)	(14)
Balance at end of period	(3,981)	(3,350)

## (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, 2021		As of March 31, 2022	
	Book value	Fair value	Book value	Fair value
Investment property	26,759	29,642	26,672	30,417

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

	Year ended March 31, 2021	Year ended March 31, 2022
Rental income	465	447
Direct operating expenses	216	173

In the years ended March 31, 2021 and 2022, the amount of direct operating expenses arising from investment properties that did not generate rental income is immaterial.

## 15. Capital Expenditure Commitments

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

Millions of yen

	As of March 31, 2021	As of March 31, 2022
Property, plant and equipment	30,069	12,391
Intangible assets (Note)	99,998	106,837
Investment property	4,895	4,343
Total	134,962	123,573

Note: The Shionogi Group has entered into research and development collaborations and in-license agreements of products and technologies with a number of third parties. Under these agreements, the Shionogi Group is obliged to make milestone payments upon the achievement of agreed 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

The Shionogi Group 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 the Shionogi Group 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, the Shionogi Group 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 the Shionogi Group flexibility in managing floor space and personnel.

The Shionogi Group 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, the Shionogi Group 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.

The Shionogi Group 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 years ended March 31, 2021 and 2022.

The Shionogi Group's lease contracts with variable lease payments or residual value guarantees and the lease contracts that have not yet commenced notwithstanding the Shionogi Group's been contracted are immaterial.

The breakdown of right-of-use assets as of March 31, 2021 and 2022 is as follows:

	Underlying asset			Total
	Buildings and structures	Vehicles	Other	
As of March 31, 2021	3,995	120	711	4,827
As of March 31, 2022	2,987	122	413	3,524

The movement of right-of-use assets, expenses related to leases, and cash outflows for the years ended March 31, 2021 and 2022 are as follows:

	Year ended March 31, 2021	Year ended March 31, 2022
Increase in right-of-use assets	3,885	2,148
Depreciation of right-of-use assets		
Buildings and structures	1,752	1,599
Vehicles	63	112
Other	246	213
Total depreciation of right-of-use assets	2,062	1,925
Interest expenses on lease liabilities	60	64
Expenses relating to short-term leases	27	33
Expenses relating to leases of low-value assets	407	389
Total expenses relating to leases	2,558	2,412
Cash outflows for leases	4,143	3,940

A maturity analysis of lease liabilities as of March 31, 2021 and 2022 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, 2021	As of March 31, 2022
Financial assets measured at amortized cost		
Time deposits (over 3 months)	80,573	112,252
Bonds	50,060	87,614
Receivables	17,680	11,860
Other	4,114	5,766
Subtotal	152,428	217,493
Financial assets measured at fair value through profit or loss		
Other	2,067	3,176
Financial assets measured at fair value through other comprehensive income		
Equities and investments	204,291	231,868
Other	801	698
Subtotal	205,092	232,567
Total	359,589	453,237
Non-current assets	217,437	242,479
Current assets	142,151	210,757

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

The Shionogi Group 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, 2021

Issuer	Millions of yen
ViiV Healthcare Ltd.	154,138
Suzuken Co., Ltd.	14,085
Toho Holdings Co., Ltd.	7,105
Sumitomo Mitsui Financial Group, Inc.	6,586
StemRim Inc.	3,845
Medipal Holdings Corporation	2,700
Kissei Pharmaceutical Co., Ltd.	2,239
Other	14,391

(ii) As of March 31, 2022

Issuer	Millions of yen
ViiV Healthcare Ltd.	186,184
Suzuken Co., Ltd.	11,821
Toho Holdings Co., Ltd.	6,475
Sumitomo Mitsui Financial Group, Inc.	6,422
StemRim Inc.	3,775
Medipal Holdings Corporation	2,562
Kissei Pharmaceutical Co., Ltd.	2,335
Other	12,989



## 2) Derecognition of Equity Instruments Designated as Measured at Fair Value through Other Comprehensive Income

In the years ended March 31, 2021 and 2022, the Shionogi Group derecognized certain equity instruments designated as 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

	Year ended March 31, 2021	Year ended March 31, 2022
Fair value at disposal date	305	36
Cumulative gain	242	32

On derecognition of equity instruments designated as 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 designated as measured at fair value through other comprehensive income is as follows:

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Investments held at year-end	24,309	13,888
Investments derecognized during the fiscal year	6	—
Total	24,316	13,888

## 18. Inventories

The breakdown of inventories is as follows:

Millions of yen

	As of March 31, 2021	As of March 31, 2022
Merchandise and finished goods	19,577	16,726
Work in process	7,813	15,122
Raw materials and supplies	10,613	14,043
Total	38,003	45,892

The amounts of inventories recognized as expenses were ¥51,860 million and ¥53,111 million for the years ended March 31, 2021 and 2022, respectively.

Write-downs of inventories were ¥662 million and ¥2,303 million for the years ended March 31, 2021 and 2022, respectively.

## 19. Trade Receivables

The breakdown of trade receivables is as follows:

Millions of yen

	As of March 31, 2021	As of March 31, 2022
Notes receivable –trade	869	421
Accounts receivable – trade	77,249	122,594
Allowance for doubtful accounts	(71)	(50)
Total	78,047	122,965

Note: The amount expected to be collected after more than one year from the end of the fiscal year is ¥19,519 million yen as of March 31, 2022.

## 20. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

Millions of yen

	As of March 31, 2021	As of March 31, 2022
Cash and cash equivalents	196,173	184,420
Short-term investments	80,000	70,000
Total	276,173	254,420

## 21. Other Assets

The breakdown of other assets is as follows:

Millions of yen

	As of March 31, 2021	As of March 31, 2022
Long-term prepaid expenses	2,758	2,914
Consumption tax receivable	3,373	4,190
Advance payments to suppliers	9,549	5,022
Prepaid expenses	6,914	13,328
Other	4,302	5,718
Total	26,898	31,173
Non-current assets	5,200	6,055
Current assets	21,697	25,117

## 22. Equity and Other Equity Items

### (1) Share Capital

The movement of authorized shares and issued shares is as follows:

(Shares)

	Year ended March 31, 2021	Year ended March 31, 2022
Authorized shares	1,000,000,000	1,000,000,000
Issued shares		
Number of shares at beginning of period	316,786,165	311,586,165
Changes during the year	(5,200,000)	—
Number of shares at end of period	311,586,165	311,586,165

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 change in issued shares during the year ended March 31, 2021 year was due to the cancellation of treasury shares.

### (2) Treasury Shares

The movement of treasury shares is as follows:

(Shares)

	Year ended March 31, 2021	Year ended March 31, 2022
Number of shares at beginning of period	13,002,082	10,122,444
Changes during the year	(2,879,638)	(19,059)
Number of shares at end of period	10,122,444	10,103,385

Notes:

1. The changes in the number of treasury shares during the year ended March 31, 2021 consisted of the increases of 8,777,500 shares, 5,000 shares and 2,362 shares due to the purchase of treasury shares based on a resolution of the Board of Directors meeting, free acquisition under the restricted share-based remuneration and the purchase of fractional shares of less than one voting unit respectively, and the decreases of 6,356,000 shares, 5,200,000 shares, 85,300 shares and 23,200 shares due to third-party allotment, the cancellation of treasury shares, the exercise of share options and grants under the restricted share-based remuneration, respectively.
2. The changes in the number of treasury shares during the year ended March 31, 2022 consisted of the increases of 4,500 shares and 2,141 shares due to free acquisition under the restricted share-based remuneration and the purchase of fractional shares of less than one voting unit respectively, and the decreases of 25,700 shares due to grants under the restricted share-based remuneration.

### (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 the Shionogi Group.

(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	Total
As of April 1, 2020	122,241	—	(33,479)	3,086	91,848
Amounts arising during the year	(2,780)	(138)	36,025	(8,896)	24,208
Reclassification adjustments to profit or loss	—	—	—	498	498
Tax effects	(1,897)	42	24	2,569	739
Total other comprehensive income (loss), net of tax	(4,677)	(96)	36,049	(5,828)	25,447
Attributable to non-controlling interests	—	—	(101)	—	(101)
Total other comprehensive income (loss), net of tax attributable to owners of parent	(4,677)	(96)	36,151	(5,828)	25,548
Transfer to retained earnings	(167)	96	—	—	(71)
Other	—	—	(488)	—	(488)
As of March 31, 2021	117,395	—	2,182	(2,741)	116,836
Amounts arising during the year	17,369	(480)	30,702	(4,814)	42,777
Reclassification adjustments to profit or loss	—	—	—	6,289	6,289
Tax effects	476	146	(909)	(451)	(736)
Total other comprehensive income (loss), net of tax	17,846	(333)	29,793	1,023	48,330
Attributable to non-controlling interests	—	—	650	—	650
Total other comprehensive income (loss), net of tax attributable to owners of parent	17,846	(333)	29,142	1,023	47,679
Transfer to retained earnings	(24)	333	—	—	308
As of March 31, 2022	135,217	—	31,325	(1,718)	164,824

## 23. Dividends

### 1) Total Dividends and Dividends per Share

#### (i) Year ended March 31, 2021

Resolution	Class of shares	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
Shareholders' meeting held on June 23, 2020	Ordinary shares	16,100	53.00	March 31, 2020	June 24, 2020
Board of Directors meeting held on October 30, 2020	Ordinary shares	16,442	53.00	September 30, 2020	December 1, 2020

#### (ii) Year ended March 31, 2022

Resolution	Class of shares	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
Shareholders' meeting held on June 22, 2021	Ordinary shares	16,580	55.00	March 31, 2021	June 23, 2021
Board of Directors meeting held on November 1, 2021	Ordinary shares	16,581	55.00	September 30, 2021	December 1, 2021

### 2) Dividends Declared for Which the Effective Date was in the Following Fiscal Year

#### (i) Year ended March 31, 2021

Resolution	Class of shares	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
Shareholders' meeting held on June 22, 2021	Ordinary shares	16,580	55.00	March 31, 2021	June 23, 2021

#### (ii) Year ended March 31, 2022

Resolution	Class of shares	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
Shareholders' meeting held on June 23, 2022	Ordinary shares	18,088	60.00	March 31, 2022	June 24, 2022

#### 24. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

Millions of yen

	As of March 31, 2021	As of March 31, 2022
Financial liabilities measured at amortized cost:		
Other payables	16,413	18,618
Other	3,476	3,594
Subtotal	19,890	22,212
Financial liabilities measured at fair value through profit or loss:		
Derivative liabilities	6,014	4,636
Contingent consideration	720	794
Subtotal	6,734	5,430
Total	26,625	27,643
Non-current liabilities	5,242	5,616
Current liabilities	21,383	22,027

## 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 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, 2021	As of March 31, 2022
Funded plans:		
Present value of defined benefit plan obligations	60,917	56,863
Fair value of plan assets	(82,480)	(80,995)
Subtotal	(21,562)	(24,131)
Effect of the asset ceiling (Note)	35,674	37,450
Subtotal	14,111	13,318
Unfunded plans:		
Present value of defined benefit plan obligations	2,207	2,093
Subtotal	2,207	2,093
Net amount of retirement benefit (asset) liability	16,318	15,412
Amounts in the consolidated statement of financial position		
Retirement benefit liability	16,318	15,412
Retirement benefit asset	—	—

Note: Some of the Shionogi Group's defined benefit plans set an asset ceiling and calculate liabilities because future economic benefits will not be available in the form of refunds from or reductions in future contributions to the defined benefit plans.

(ii) Defined Benefit Plan Obligations

The movement of the present value of defined benefit plan obligations is as follows:

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of period	65,315	63,124
Current service cost	1,725	1,689
Interest cost	352	348
Remeasurements of defined benefit plans:		
Actuarial gains and losses arising from changes in financial assumptions	(163)	(803)
Experience adjustments	1,096	(188)
Benefits paid	(5,564)	(5,213)
Other	361	—
Balance at end of period	63,124	58,957

Significant actuarial assumptions used to determine the present value of defined benefit plan obligations are as follows:

	As of March 31, 2021	As of March 31, 2022
Discount rate (%)	0.4-0.6%	0.5-0.8%

The effect of changes in significant actuarial assumptions (discount rates) on the defined benefit plan obligations at the end of the reporting period are as follows. This sensitivity analysis assumes that all other assumptions are held constant.

Millions of yen

	As of March 31, 2021	As of March 31, 2022
0.5% increase in discount rate	(2,925)	(2,719)
0.5% decrease in discount rate	3,188	2,967

In addition, the weighted average durations of defined benefit plan obligations were 16.2 years on March 31, 2021 and 15.3 years on March 31, 2022.

(iii) Plan Assets

The movement of the fair value of plan assets is as follows:

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of period	81,973	82,480
Interest income	442	456
Benefits paid	(4,453)	(4,159)
Contributions to the plans by employer	972	2,112
Remeasurements of defined benefit plans:		
Return on plan assets	3,545	105
Balance at end of period	82,480	80,995

Note: The Shionogi Group plans to contribute ¥1,895 million to the defined benefit plans for the fiscal year ending March 31, 2023.



The breakdown of fair value of plan assets by asset class is as follows:

Millions of yen

	As of March 31, 2021			As of March 31, 2022		
	Quoted Prices in Active Markets			Quoted Prices in Active Markets		
	Yes	No	Total	Yes	No	Total
Equities	5,853	—	5,853	6,251	—	6,251
Bonds	19,602	—	19,602	25,020	—	25,020
General accounts	—	17,976	17,976	—	18,210	18,210
Other	—	39,048	39,048	—	31,512	31,512
Total	25,455	57,024	82,480	31,272	49,722	80,995

Notes:

1. A retirement benefit trust established for the defined benefit pension plan comprises 1% of plan assets as of March 31, 2021.
2. General accounts are accounts with guaranteed expected interest rates and capital by life insurance companies.
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 at a rate determined on the basis of expected interest rates, expected mortality rates, expected withdrawal rates, and 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 the Shionogi Group. 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 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 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

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of period	32,746	35,674
Interest income	176	197
Remeasurement of asset ceiling:		
Changes in the effect of asset ceiling on net defined benefit plans	2,750	1,578
Balance at end of period	35,674	37,450

#### 2) Defined Contribution Plans

The Shionogi Group recognized defined contribution costs in the amount of ¥4,946 million and ¥4,853 million for the years ended March 31, 2021 and 2022, respectively.

#### (2) Other Employee Benefit Expenses

Personnel expenses included in the consolidated statement of profit or loss totaled ¥65,783 million and ¥67,092 million for the years ended March 31, 2021 and 2022, 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, 2021 and 2022.

#### (a) Outline of Share Option Plan

	Options Granted (Shares)	Exercise Price (Yen)	Recipients	Grant Date	Exercise Period
Share acquisition rights granted in 2011	52,200	1	3 directors 9 corporate officers	July 11, 2011	From July 12, 2011 to July 11, 2041
Share acquisition rights granted in 2012	79,100	1	2 directors 11 corporate officers	July 12, 2012	From July 13, 2012 to July 12, 2042
Share acquisition rights granted in 2013	43,900	1	2 directors 12 corporate officers	July 11, 2013	From July 12, 2013 to July 11, 2043
Share acquisition rights granted in 2014	42,400	1	2 directors 11 corporate officers	July 10, 2014	From July 11, 2014 to July 10, 2044
Share acquisition rights granted in 2015	21,100	1	3 directors 11 corporate officers	July 9, 2015	From July 10, 2015 to July 9, 2045
Share acquisition rights granted in 2016	17,300	1	3 directors 10 corporate officers	July 8, 2016	From July 9, 2016 to July 8, 2046
Share acquisition rights granted in 2017	19,300	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.

(b) Movement of the number of share options and their weighted average exercise prices is as follows:

	Year ended March 31, 2021		Year ended March 31, 2022	
	Number of Options	Weighted Average Exercise Price (Yen)	Number of Options	Weighted Average Exercise Price (Yen)
Outstanding at the beginning of the year	1,861	1	1,008	1
Granted	—	—	—	—
Exercised	(853)	1	—	—
Forfeited or expired	—	—	—	—
Outstanding at the end of the year	1,008	1	1,008	1
Exercisable at the end of the year	1,008	1	1,008	1

Note: The weighted average share price on the exercise date of share options exercised during the reporting period was ¥6,226 for the year ended March 31, 2021. The weighted average remaining contractual terms as of March 31, 2021 and 2022 were 22.8 years and 21.8 years, respectively.

(c) Measurement of Fair Value of Share Options Granted during the Reporting Period

No share options were granted during the years ended March 31, 2021 and 2022.

## (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 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 or corporate officer 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, or corporate officer 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.

(b) Shares Granted during the Reporting Period and Fair Value

	Year ended March 31, 2021	Year ended March 31, 2022
Grant date	July 22, 2020	July 21, 2021
Shares granted:		
Long-term share-based remuneration	14,200 shares	14,200 shares
Medium-term share-based remuneration	9,000 shares	11,500 shares
Fair value at grant date	¥7,087	¥5,518

(3) Share-based Remuneration Expenses

The breakdown of share-based remuneration expenses is as follows:

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Equity-settled	265	144
Cash-settled	7	5
Total	272	149

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 ¥41 million and ¥47 million as of March 31, 2021 and 2022, respectively.

**27. Trade Payables**

The breakdown of trade payables is as follows:

Millions of yen

	As of March 31, 2021	As of March 31, 2022
Trade payables	9,902	16,372

**28. Government Grants**

Government grants related to assets recognized as deferred income included in “Other non-current liabilities” in the consolidated statement of financial position are as follows:

Millions of yen

	As of March 31, 2021	As of March 31, 2022
Other non-current liabilities	282	262

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 ¥1,158 million and ¥14,304 million were deducted from R&D expenses for the years ended March 31, 2021 and 2022, respectively.

## 29. Other Liabilities

The breakdown of other liabilities is as follows:

Millions of yen

	As of March 31, 2021	As of March 31, 2022
Accrued bonuses	8,093	8,466
Accrued paid absences	2,765	2,736
Refund liabilities	884	2,340
Accrued expenses	5,776	13,065
Taxes and dues payables	2,698	2,307
Deposits	1,616	1,000
Other	15,987	35,514
Total	37,823	65,432
Non-current liabilities	341	354
Current liabilities	37,481	65,078

## 30. Financial Instruments

### (1) Capital Management

The fundamental principles of the Shionogi Group'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, the Shionogi Group 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.

The Shionogi Group uses the following primary indicators for capital management:

	Year ended March 31, 2021	Year ended March 31, 2022
Return on equity attributable to owners of parent (ROE)	13.9%	12.5%
Ratio of equity attributable to owners of parent to total assets	84.7%	84.8%
Ratio of fair value of equity attributable to owners of parent to total assets	179.6%	197.3%

### (2) Financial Risk Management

The Shionogi Group 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, the Shionogi Group 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 51.8% and 67.9% as of March 31, 2021 and 2022, 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.

The Shionogi Group's maximum exposure to credit risk as of March 31, 2021 and 2022 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 "33. Contingent Liabilities."

#### 1) Recognition and Measurement of Allowance for Doubtful Accounts

The Shionogi Group 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 years ended March 31, 2021 and 2022 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, 2020	(71)	(0)	(72)
Increases during the period	(71)	—	(71)
Decreases during the period (Utilized)	—	0	0
Decreases during the period (Reversed)	71	—	71
As of March 31, 2021	(71)	—	(71)
Increases during the period	(50)	—	(50)
Decreases during the period (Utilized)	—	—	—
Decreases during the period (Reversed)	71	—	71
As of March 31, 2022	(50)	—	(50)

##### (ii) Allowance for Doubtful Accounts for Other Financial Assets and Financial Guarantee Contracts

Disclosure of allowance for doubtful accounts for other financial assets and financial guarantee contracts is omitted because they are not material.

In the years ended March 31, 2021 and 2022, 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 the Shionogi Group 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, 2021

Millions of yen

	Carrying Amount	Contractual Cash Flow	Within 1 Year	After 1 Year but Not More than 2 Years	After 2 Year but Not More than 3 Years	After 3 Year but Not More than 4 Years	After 4 Year but Not More than 5 Years	More than 5 Years
Non-derivative financial liabilities:								
Other financial liabilities	20,611	20,611	15,979	224	138	0	0	4,268
Trade payables	9,902	9,902	9,902	—	—	—	—	—
Lease liabilities	7,988	7,988	3,379	2,811	677	537	498	84
Derivative liabilities	6,014	6,014	5,403	611	—	—	—	—
Total	44,517	44,517	34,665	3,646	815	538	498	4,352

##### (ii) As of March 31, 2022

Millions of yen

	Carrying Amount	Contractual Cash Flow	Within 1 Year	After 1 Year but Not More than 2 Years	After 2 Year but Not More than 3 Years	After 3 Year but Not More than 4 Years	After 4 Year but Not More than 5 Years	More than 5 Years
Non-derivative financial liabilities:								
Other financial liabilities	23,007	23,007	18,084	287	168	0	0	4,465
Trade payables	16,372	16,372	16,372	—	—	—	—	—
Lease liabilities	6,675	6,675	2,945	2,559	553	522	94	—
Derivative liabilities	4,636	4,636	3,942	451	—	—	—	242
Total	50,690	50,690	41,708	2,935	722	522	94	4,707

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 “33. Contingent Liabilities.”

(5) Market Risk

1) Foreign Exchange Risk

The Shionogi Group 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 risk 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, 2021	As of March 31, 2022
USD (thousands of USD)	134,255	42,814
EUR (thousands of EUR)	6,865	32,607
CNY (thousands of CNY)	110,577	331,397
GBP (thousands of GBP)	36,056	422,938
TWD (thousands of TWD)	166,345	84,542

(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, 2021	As of March 31, 2022
USD	(134)	(42)
EUR	(6)	(32)
CNY	(110)	(331)
GBP	(36)	(422)
TWD	(166)	(84)

2) Market Price Fluctuation Risk

The Shionogi Group holds bonds and the equity instruments of business partners, and is therefore exposed to the risk of market price fluctuations. The Shionogi Group 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, 2021		As of March 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments measured at amortized cost:				
Debt securities (non-current)	8,559	8,981	4,613	4,914

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 and financial liabilities 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, 2021

Millions of yen

	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets measured at amortized costs:				
Debt securities (non-current)	8,428	—	553	8,981
Financial assets measured at fair value through profit or loss:				
Other	142	—	1,924	2,067
Financial assets measured at fair value through other comprehensive income:				
Shares and investments	43,061	—	161,229	204,291
Other	—	—	801	801
Subtotal	43,061	—	162,030	205,092
Total	51,633	—	164,509	216,142
Financial Liabilities				
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities	—	6,014	—	6,014
Contingent consideration	—	—	720	720
Total	—	6,014	720	6,734

(ii) As of March 31, 2022

Millions of yen

	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Financial assets measured at amortized costs:				
Debt securities (non-current)	4,302	–	612	4,914
Financial assets measured at fair value through profit or loss:				
Other	–	–	3,176	3,176
Financial assets measured at fair value through other comprehensive income:				
Shares and investments	38,148	–	193,720	231,868
Other	–	–	698	698
Subtotal	38,148	–	194,418	232,567
<b>Total</b>	<b>42,450</b>	<b>–</b>	<b>198,207</b>	<b>240,658</b>
<b>Financial Liabilities</b>				
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities	–	4,636	–	4,636
Contingent consideration	–	–	794	794
<b>Total</b>	<b>–</b>	<b>4,636</b>	<b>794</b>	<b>5,430</b>

Notes:

- Level 1 financial assets include interest-bearing government bonds and listed shares.
- Level 2 financial liabilities are derivative financial liabilities such as forward foreign exchange contracts. Fair values of these financial assets and liabilities are calculated based on the prices offered by financial institutions.
- 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. The weighted-average cost of capital is utilized to measure fair value based on discounted future cash flows; it was 7.2% to 12.4% for the year ended March 31, 2021 and 7.0% to 7.2% for the year ended March 31, 2022. Fair value decreases or increases when the weighted-average cost of capital increases or decreases. The effects on fair value as of March 31, 2021 and 2022 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, 2021	(4,413)	4,869
As of March 31, 2022	(4,988)	5,149

- The contingent consideration represents milestone payments based on the status of research and development at the acquired company, etc., 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

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of period	151,390	163,955
Total gain or loss:		
Profit (loss)	(47)	132
Other comprehensive income	10,515	31,063
Purchases	506	2,508
Sales	(9)	(0)
Transfers from Level 3	(299)	—
Other	1,900	(64)
Balance at end of period	163,955	197,595

Changes in unrealized gains and losses recognized in profit or loss for assets held at the end of reporting period	(47)	132
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Notes:

1. Net gain or loss included in total gain or loss is included in “Finance income” and “Finance costs” in the consolidated statement of profit or loss.
2. Other comprehensive income included in total gain or loss is 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”.
3. Transfers from Level 3 are 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 forecasted transactions denominated in foreign currencies. 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, 2021 and 2022 are as follows:

(i) As of March 31, 2021

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 795,000 thousand	JPY 144.3/GBP	—	6,014
	Total			—	6,014

(ii) As of March 31, 2022

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 780,000 thousand	JPY 153.40/GBP	—	4,394
	Total			—	4,394

Derivative liabilities are included in “Other financial liabilities” in the consolidated statement of financial position.

“Effective portion of cash flow hedges” related to ongoing hedging as of March 31, 2021 and 2022 is as follows:

Millions of yen

Hedged Risk	As of March 31, 2021	As of March 31, 2022
Foreign Exchange Rate Fluctuation Risk	(2,741)	(1,718)

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 years ended March 31, 2021 and 2022 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 years ended March 31, 2021 and 2022 are as follows. The amounts of the ineffective portion of hedges recognized in profit or loss for the years ended March 31, 2021 and 2022 were not material.

(i) Year ended March 31, 2021

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	(8,896)	498	Revenue and Foreign exchange gain (loss)

(ii) Year ended March 31, 2022

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	(4,814)	6,289	Revenue and Foreign exchange gain (loss)

3) Derivative transactions to which hedge accounting is not applied

(i) Year ended March 31, 2021

Not applicable.

(ii) Year ended March 31, 2022

Millions of yen

Transaction	Contract amount	Fair value
Currency interest rate swaps	32,156	(242)

(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, 2020	8,153
Cash flows from financing activities	
Repayments of lease liabilities	(3,648)
Changes in non-cash items:	
New leases	3,905
Cancellation of leases	(445)
Other	23
As of March 31, 2021	7,988
Cash flows from financing activities	
Repayments of lease liabilities	(3,453)
Changes in non-cash items:	
New leases	2,069
Cancellation of leases	(40)
Other	111
As of March 31, 2022	6,675

### 31. Principal Subsidiaries

#### (1) Principal subsidiaries

Principal subsidiaries of the Company as of March 31, 2022 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	51
Shionogi Techno Advance Research Co., Ltd.	Osaka, Japan	Pharmaceutical Business	100
Shionogi Administration Service Co., Ltd.	Osaka, Japan	Pharmaceutical Business	100
Shionogi Career Development Center Co., Ltd.	Hyogo, Japan	Pharmaceutical Business	100
Shionogi Business Partner Co., Ltd.	Osaka, Japan	Pharmaceutical Business	100
Shionogi Pharmacovigilance Center Co., Ltd.	Osaka, Japan	Pharmaceutical Business	100
Shionogi Marketing Solutions Co., Ltd.	Osaka, Japan	Pharmaceutical Business	100
UMN Pharma Inc.	Akita, Japan	Pharmaceutical Business	100
Nagase Medicals Co., Ltd.	Hyogo, 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
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
Ping An-Shionogi (Hong Kong) Limited	Hong Kong China	Pharmaceutical Business	51
Ping An-Shionogi Co., Ltd.	Shanghai, China	Pharmaceutical Business	51

Note: Effective April 1, 2022, Shionogi Pharma Co., Ltd. merged with Nagase Medicals Co., Ltd.

#### (2) Changes in the ownership interest of the parent company in the subsidiary that does not result in loss of control

Year ended March 31, 2021

On January 29, 2021, the Company transferred the shares of Shionogi Healthcare Co., Ltd. to Ping An-Shionogi (Hong Kong) Co., Ltd. Also, on March 31, 2021, the shares of the operating companies owned by C&O Pharmaceutical Technology (Holdings) Ltd. were transferred to Ping An-Shionogi Co., Ltd. As a result, non-controlling interests increased by ¥7,593 million and capital surplus decreased by the same amount.

Year ended March 31, 2022

Not applicable.

### 32. 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, 2021 and 2022

## (2) Remuneration for Key Management Personnel

Remuneration for key management personnel is as follows:

Millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Basic remuneration	331	314
Bonuses	60	137
Share-based remuneration	207	98
Total	599	550

## 33. Contingent Liabilities

The Shionogi Group has jointly guaranteed, with two other non-Group companies, ¥9,000 million in debt of PeptiStar Inc. (debt based on the environmental improvement agreement concluded with the Japan Agency for Medical Research and Development (AMED) as part of the Cyclic Innovation for Clinical Empowerment).

## 34. Business Combinations

### Year ended March 31, 2021

#### Tetra Therapeutics Inc. (Acquisition as a subsidiary)

On May 26, 2020, the Company acquired additional shares of Tetra Therapeutics Inc. (hereinafter “Tetra”), making Tetra a wholly owned subsidiary.

##### (1) Outline of Business Combination

###### 1) Name and Business Description of Acquiree

Name of acquiree: Tetra Therapeutics Inc. (Official name: Tetra Discovery Partners Inc.)

Business description: Research and development of pharmaceutical products

###### 2) Primary Reasons for Business Combination

The Company and Tetra entered into a collaboration agreement, granting Shionogi rights to BPN14770, a drug candidate for the treatment of brain disorders associated with cognitive and memory deficits, and made an investment agreement in December 2018, and have been collaborating in research and development of this compound. Tetra has completed a Phase II study in Alzheimer’s disease patients in the United States of America. Although the results of the Phase II study did not achieve the primary goal, the Company decided that continued development is warranted, and therefore acquired all the shares of Tetra and made it a wholly owned subsidiary.

###### 3) Acquisition Date

May 26, 2020

###### 4) Method of Obtaining Control of Acquiree

The Company acquired shares in exchange for upfront payments and milestone payments consideration.

###### 5) Percentage of Voting Equity Interest Acquired

Voting equity interests immediately prior to the acquisition: 50.00%

Additional voting equity interests acquired at the acquisition date: 50.00%

Percentage of equity voting interests after the acquisition: 100.00%

##### (2) Fair Value of Purchase Consideration for the Acquisition

Fair value of equity interests in acquiree held by the Company immediately prior to the acquisition date: ¥11,152 million

Cash consideration for the acquisition of additional equity interests in acquiree acquired on the acquisition date: ¥10,290 million

Fair value of contingent consideration included in purchase consideration on the acquisition date: ¥698 million

Consideration for the acquisition: ¥22,141 million



### (3) Contingent Consideration

The contingent consideration is a milestone to be paid depending on the achievement status of future development, etc. Maximum potential future cash outflows associated with the contingent consideration total U.S. \$380 million.

### (4) Acquisition-related Costs

The cost directly required for acquisition was ¥219 million, which was recorded in “Selling, general and administrative expenses” in the consolidated statement of profit or loss for the years ended March 31, 2020 and 2021.

### (5) Gain on Step Acquisition

Gain on step acquisition of ¥2,958 million was recognized in “Other income” in the consolidated statement of profit or loss as a result of remeasurement of equity interests in Tetra held by the Company immediately prior to the acquisition date.

### (6) Fair Value of Purchase Consideration, Assets Acquired and Liabilities Assumed at Acquisition Date

	Millions of yen		
	Provisional fair value	Adjustment	Adjusted fair value
Fair Value of Purchase Consideration for the Acquisition	18,485	3,656	22,141
Fair value of assets acquired and liabilities assumed:			
Intangible assets (Note 2)	—	26,247	26,247
Other non-current assets	58	—	58
Other current assets	282	—	282
Cash and cash equivalents	1,754	—	1,754
Deferred tax liabilities	—	(6,163)	(6,163)
Other liabilities	(193)	—	(193)
Fair value (net) of acquired assets and underwritten liabilities	1,902	20,083	21,985
Goodwill (Note 3)	16,582	(16,426)	155
Total	18,485	3,656	22,141

#### Notes:

1. The fair value of identifiable assets and liabilities on the acquisition date has been calculated and the purchase price allocation has been completed as of March 31, 2021.
2. Intangible assets are in-process research and development associated with products.
3. Goodwill mainly has arisen in connection with expected future profitability. None of the recognized goodwill is expected to be deductible for tax purposes.

### (7) Cash Flow Resulting from Acquisition

Cash consideration: ¥10,290 million

Cash and cash equivalents received at acquisition date: ¥1,754 million

Payments for acquisition of subsidiaries: ¥8,536 million

(Note) Expenditures of ¥5,315 million and ¥3,221 million were recorded in the years ended March 31, 2020 and 2021, respectively

### (8) Impact on Financial Results

Profit or loss information related to the business combination after the acquisition date and profit or loss information assuming that the business combination took place at the beginning of the reporting period are omitted because the impact on the consolidated statement of profit or loss is not material. Profit or loss information assuming the business combination took place at the beginning of the reporting period has not been audited by the Company's independent auditor.

**Nagase Medicals Co., Ltd. (Acquisition as a subsidiary of Shionogi Pharma Co., Ltd.)**

On October 1, 2020, Shionogi Pharma Co., Ltd. (hereinafter “Shionogi Pharma”), a wholly owned subsidiary of the Company, acquired 100% of shares of Nagase Medicals Co., Ltd. (hereinafter “Nagase Medicals”), which manufactures pharmaceutical products.

**(1) Outline of Business Combination****1) Name and Business Description of Acquiree**

Name of acquiree: Nagase Medicals Co., Ltd.

Business description: Manufacturing of pharmaceutical products

**2) Primary Reasons for Business Combination**

Shionogi Pharma aims to become the world’s most trusted CDMO (Contract Development and Manufacturing Organization) operator and will promote further CDMO business in the future by mutually utilizing the manufacturing capabilities and know-how possessed by Nagase Medicals. As a result, this is to become a leading company in CDMO.

**3) Acquisition Date**

October 1, 2020

**4) Method of Obtaining Control of Acquiree**

Shionogi Pharma acquired shares in exchange for cash consideration

**5) Percentage of Voting Equity Interest Acquired**

100.00%

**(2) Fair Value of Purchase Consideration for the Acquisition**

Cash and cash equivalents ¥415 million

In addition to cash payments as consideration for acquisition, Shionogi Pharma has provided a cash loan of ¥4,014 million to the company as a source of funds for repayment of Nagase Medicals’s debt.

**(3) Acquisition-related Costs**

The cost directly required for acquisition was ¥111 million, which was recorded in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

**(4) Fair Value of Purchase Consideration, Assets Acquired and Liabilities Assumed at Acquisition Date**

Millions of yen

Fair value of purchase consideration	415
Fair value of assets acquired and liabilities assumed:	
Property, plant and equipment	1,779
Inventories	698
Trade receivables	1,192
Other assets	625
Corporate bonds and borrowings (current)	(4,014)
Trade payables	(194)
Other financial liabilities	(581)
Other liabilities	(603)
Fair value of assets acquired and liabilities assumed, net	(1,099)
Goodwill (Note 2)	1,514
Total	415

**Notes:**

- The fair value of identifiable assets and liabilities on the acquisition date has been calculated and the purchase price allocation has been completed as of March 31, 2021.
- Goodwill mainly has arisen in connection with expected future profitability. None of the recognized goodwill is expected to be deductible for tax purposes.

(5) Cash Flow Resulting from Acquisition

Cash consideration:	¥415 million
Cash and cash equivalents received at acquisition date:	¥0 million
Payments for acquisition subsidiaries:	¥414 million

In addition to the above, Shionogi Pharma has provided a cash loan of ¥4,014 million to the acquired company as a source of debt repayment. The loan is included in “Other” of “Cash flows from investing activities” in the consolidated statement of cash flows. The acquired company pays its liabilities using the loan as a source of repayment.

(6) Impact on Financial Results

Profit or loss information related to the business combination after the acquisition date and profit or loss information assuming that the business combination took place at the beginning of the reporting period are omitted because the impact on the consolidated statement of profit or loss is not material. Profit or loss information assuming the business combination took place at the beginning of the reporting period has not been audited by the Company’s independent auditor.

**Year ended March 31, 2022**

Not applicable

**35. Subsequent Events**

(Disposal, acquisition, and cancellation of treasury shares)

At the meeting of the Board of Directors held on May 11, 2022, the Company resolved to establish the Shionogi Infectious Disease Research Promotion Foundation, a general incorporated foundation (hereinafter “New Foundation”), to dispose of 3 million shares of treasury stock by way of third-party allotment in order to continuously and stably support the activities of the New Foundation, and to acquire up to 7.2 million shares or ¥50 billion of the Company’s treasury stock for the purpose of improving capital efficiency and promoting the return of profits to shareholders, pursuant to Article 156 of the Companies Act as applied replacing terms pursuant to Article 165, Paragraph 3 of the same act. The Company also resolved to cancel 4.2 million shares of treasury stock in order to increase shareholder returns through a reduction in the total number of shares issued and outstanding, pursuant to Article 178 of the Companies Act. This disposal of treasury shares was approved by the Company’s 157th Annual General Meeting of Shareholders, held on June 23, 2022.

The conditions for the disposal, acquisition, and cancellation of treasury shares are as follows.

Disposal of treasury shares

i.	Number of shares to be disposed of	Common stock 3,000,000 shares
ii.	Disposal price	¥1 per share
iii.	Amount of funds raised	¥3,000,000
iv.	Method of offering or disposal	Disposal through third-party allotment
v.	Disposal recipient	Custody Bank of Japan, Ltd. (Re-entrustee, entrusted by Sumitomo Mitsui Trust Bank, Limited)
vi.	Date of disposal	September 1, 2022

Acquisition of treasury shares

i.	Type of shares acquired	Common stock
ii.	Total number of shares approved for acquisition	7,200,000 shares (maximum)
iii.	Total share acquisition price	¥50 billion (maximum)
iv.	Current period	From the conclusion of the Company’s 157th Annual General Meeting of Shareholders, held on June 23, 2022, to December 31, 2022
v.	Acquisition method	Market purchase on the Tokyo Stock Exchange

Cancellation of treasury shares

i.	Type of shares canceled	Common stock
ii.	Number of shares canceled	4,200,000 shares
iii.	Scheduled date of cancellation	February 10, 2023 (TBC)

(2) Others

1) Quarterly Information for the current fiscal year

(Millions of yen, unless otherwise stated)

(Cumulative period)	Three months ended June 30, 2021	Six months ended September 30, 2021	Nine months ended December 31, 2021	Year ended March 31, 2022
Revenue	68,965	145,085	219,626	335,138
Profit before income tax	22,941	50,832	74,784	126,268
Net profit attributable to owners of the parent	32,238	53,131	71,000	114,185
Basic earnings per share (Yen)	106.94	176.24	235.51	378.75

(Each quarter)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings per share (Yen)	106.94	69.30	59.27	143.24

2) Significant Legal Actions

• In November 2017, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited filed a patent infringement action in the U.S. District Court for the District of Delaware and in other district courts against companies (Lupin Limited, Cipla Limited, Dr. Reddy's Laboratories, Inc., Mylan Pharmaceuticals Inc., Apotex Inc., and others) that have filed an Abbreviated New Drug Application (ANDA) to market a generic version of a compound containing dolutegravir, abacavir and lamivudine (brand name in Japan: Triumeq®) in the United States. The patent infringement action seeks, among other relief, an order that the effective date of any FDA approval based on the aforementioned ANDA shall not be earlier than the expiration date of the patent for the crystalline form of dolutegravir, which is held by the Company. In September 2020, Shionogi reached a settlement with Mylan Pharmaceuticals Inc., and in November 2020 it reached a settlement with Laurus Labs Limited, which received approval from Dr. Reddy's Laboratories, Inc. to take over the application for approval of the aforementioned generics. A settlement was also reached with ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited. Furthermore, Shionogi reached a settlement with Cipla Limited in April 2021, and with Apotex Inc. and Lupin Limited in July 2021.

• From November to December 2017, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited filed a patent infringement action in the U.S. District Court for the District of Delaware and in other district courts against companies (Cipla Limited, Dr. Reddy's Laboratories, Inc., Sandoz Inc., LEK Pharmaceuticals D.D., Apotex Inc., and others) that have filed an Abbreviated New Drug Application (ANDA) to market a generic version of dolutegravir (brand name in Japan: Tivicay®) in the United States. The patent infringement action seeks, among other relief, an order that any FDA approval based on the aforementioned ANDA shall not be earlier than the expiration date of the patent for the crystalline form of dolutegravir, which is held by the Company. In November 2020 the Company reached a settlement with Laurus Labs Limited, which received approval from Dr. Reddy's Laboratories, Inc. to take over the application for approval of the aforementioned generics. A settlement was also reached. Furthermore, Shionogi reached a settlement with Cipla Limited in April 2021, and with Apotex Inc., Sandoz Inc. and LEK Pharmaceuticals D.D. in July 2021.

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

On February 7, 2018, the Company and ViiV Healthcare jointly filed a patent infringement action in the Canadian Federal Court against Gilead Sciences, Inc., which is seeking to obtain regulatory approval to market certain compounds containing bictegravir in Canada, over the patent for dolutegravir held by the Company with ViiV Healthcare. In April 2020, a summary judgment supporting non-infringement was issued, to which the Company filed an appeal in May 2020. In June 2021, a judgment to dismiss the appeal was made. In September 2021, the Company filed a final appeal to the Supreme Court of Canada.

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

On November 20, 2019, the Company and ViiV Healthcare jointly filed a patent infringement action in the courts of Germany, France, the United Kingdom, Ireland, and South Korea against Gilead Sciences, Inc., which is marketing certain compounds containing bictegravir in the countries, over the patent for dolutegravir held by the Company with ViiV Healthcare. In September 2021, the Düsseldorf District Court in Germany issued a judgment to reject the claim.

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

In February 2022, a settlement was reached on a global scale.

- In November 2019, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited filed a patent infringement action in the U.S. District Court for the District of Delaware against Cipla Limited, which has filed an Abbreviated New Drug Application (ANDA) to market a generic version of a compound containing dolutegravir and lamivudine (brand name in Japan: Dovato<sup>®</sup>) in the United States. The patent infringement action seeks, among other relief, an order that the effective date of any FDA approval based on the aforementioned ANDA shall not be earlier than the expiration date of the patent for the crystalline form of dolutegravir, which is held by the Company. In March 2022, a settlement was reached on this action.

- In February 2020, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No.3) Limited filed a patent infringement action in the U.S. District Court for the District of Delaware against Lupin Limited and Cipla Limited in June 2020, which has filed an Abbreviated New Drug Application (ANDA) to market a generic version of a compound containing dolutegravir and rilpivirine (brand name in Japan: Juluca<sup>®</sup>) in the United States. The patent infringement action seeks, among other relief, an order that the effective date of any FDA approval based on the aforementioned ANDA shall not be earlier than the expiration dates of the patent for the crystalline form of dolutegravir, which is held by the Company, and the patent related to the compound of dolutegravir and rilpivirine, which is held by ViiV. In March 2022, a settlement was reached with Lupin Limited.

- In July 2020, the Company, ViiV Healthcare Company and ViiV Healthcare ULC jointly filed suit with the Federal District Court in Toronto, Canada, seeking judgment against Sandoz Inc, which applied for approval for the marketing of a generic version of dolutegravir (Japanese brand name: Tivicay) in Canada, to inhibit such action before expiration of the patent rights the Company possesses jointly with ViiV Healthcare for the dolutegravir substances. In October 2021, a settlement was reached and the suit was terminated.

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

- In November 2021, the Company, ViiV Healthcare Company and ViiV Healthcare UK (No. 3) Limited jointly filed a patent infringement action in the U.S. District Court for the District of Delaware against Lupin Limited and Lupin Pharmaceuticals, Inc., which filed an application to market a generic version of dolutegravir (brand name: TIVICAY PD) 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 of the patent for the crystalline form of dolutegravir, which is held by the Company with ViiV Healthcare.

## 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 ended March 31, 2022 and date of the submittal of the Japanese version of this Annual Securities Report.

(1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof

For the fiscal year (156th fiscal year) (from April 1, 2020 to March 31, 2021)

Submitted to Director, Kanto Local Finance Bureau on June 23, 2021

(2) Internal Control Report and documents attached thereto

Submitted to Director, Kanto Local Finance Bureau on June 23, 2021

(3) Quarterly Securities Report and Confirmation Letter thereof

For the first quarter of the 157th fiscal year (from April 1, 2021 to June 30, 2021)

Submitted to Director, Kanto Local Finance Bureau on August 10, 2021

For the second quarter of the 157th fiscal year (from July 1, 2021 to September 30, 2021)

Submitted to Director, Kanto Local Finance Bureau on November 11, 2021

For the third quarter of the 157th fiscal year (from October 1, 2021 to December 31, 2021)

Submitted to Director, Kanto Local Finance Bureau on February 10, 2022

(4) Securities Registration Statement (disposal of treasury shares as restricted stock-based compensation)

Submitted to Director, Kanto Local Finance Bureau on June 22, 2021

(5) Amendment to Securities Registration Statement (disposal of treasury shares as restricted stock-based compensation)

Submitted to Director, Kanto Local Finance Bureau on June 23, 2021

## **Part II Information on Guarantors, etc. for the Filing Company**

Not applicable.

**English Translation**  
**Independent Auditor's Reports on the Audit of 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 23, 2022

The Board of Directors  
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC  
Osaka, Japan

Yuka Hayashi  
Designated Engagement Partner  
Certified Public Accountant

Yasuhiro Kozaki  
Designated Engagement Partner  
Certified Public Accountant

*<The Audit of the 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. and its subsidiaries (the Shionogi Group), which comprise the consolidated statement of financial position as of March 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, 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 the Shionogi Group as of March 31, 2022, 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 93 of the Ordinance 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 of the Shionogi Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 current period. 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	Auditor's Response
<p>As described in Note 17 of the Consolidated Financial Statements, the Company has recorded the shares of ViiV Healthcare Ltd. (hereinafter "ViiV"), an unlisted company engaged in the development, manufacturing and marketing of anti-HIV drugs, in the amount of ¥186,184 million, which are classified as financial assets measured at fair value through other comprehensive income.</p> <p>As described in Notes 2 and 30 of the Consolidated Financial Statements, the fair value of ViiV shares is measured using valuation techniques based on discounted future cash flows. The significant assumptions used in the fair value measurement are the sales growth rate of products, the profit ratio and the discount rate.</p> <p>The fair value measurement for financial assets using valuation techniques based on discounted future cash flows is complex and management's judgment is required as there is uncertainty in each assumption mentioned above.</p> <ul style="list-style-type: none"><li>• The sales growth rate and profit ratio are affected by the sales trends of competing products and the company's development and marketing strategies.</li><li>• The discount rate is affected by market interest rates and other market conditions.</li><li>• Therefore, we determined this matter to be a key audit matter.</li></ul>	<p>In order to evaluate the reasonableness of the fair value measurement of ViiV shares, we performed the following audit procedures among others:</p> <ul style="list-style-type: none"><li>• We involved a valuation expert from our network firm to verify the valuation techniques of fair value measurement related to financial assets.</li><li>• Regarding the sales growth rate of each product, we conducted an evaluation by discussing with management the sales trends of each product until and after patent expiration, based on the sales trends of competing products and the Company's sales strategy, and by considering actual results.</li><li>• Regarding the profit ratio, we conducted an evaluation by discussing future profit ratio projections with management in light of projected future development and marketing costs, and by considering actual results.</li><li>• Regarding the discount rate and the outcome of fair value measurement, we conducted an evaluation by comparing calculations used by the management with the estimates made by the valuation expert from our network firm using available external data.</li><li>• The sensitivity analysis was performed on the discount rate, which is a highly sensitive assumption to the fair value calculation results, to assess its impact on fair value.</li></ul>

## Other Information

The other information comprises the information included in the Annual Securities Report that contains audited consolidated and non-consolidated financial statements but does not include 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 Board of Corporate Auditors is responsible for overseeing the Shionogi Group's 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 form of assurance conclusion thereon.

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,

and for such internal control as management determines is necessary to enable the preparation of 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 the Shionogi Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Corporate Auditors and Board of Corporate Auditors is responsible for overseeing the Shionogi Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance 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. 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 economic 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, 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 the Shionogi Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shionogi Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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 modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Shionogi Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Shionogi Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditors and 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 our audit.

We also provide the Corporate Auditors and Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with 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 current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter 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 also have audited the accompanying management's report on internal control over financial reporting of Shionogi & Co., Ltd. and its subsidiaries (the Shionogi Group) as of March 31, 2022.

In our opinion, the accompanying management's report on internal control over financial reporting, which states that the internal control over financial reporting was effective as of March 31, 2022, present 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 of the Shionogi Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 management's 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 Board of Corporate Auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

### **Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting**

Our objectives are to obtain 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.

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 significance of 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.
- Obtain sufficient appropriate 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. We are responsible for the direction, supervision and performance of the audit of the management's report on the internal control over financial reporting. We remain solely responsible for our audit opinion.

We also provide the Corporate Auditors and Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**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 which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*Notes to the Readers of Independent Auditor's Reports:*

This is an English translation of the Independent Auditor's Reports as required by the Financial Instruments and Exchange Act for the convenience of the reader.

## [Cover Page]

[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 24, 2022
[Company Name]	Shionogi Seiyaku Kabushiki Kaisha
[Company Name in English]	Shionogi & Co., Ltd.
[Title and Name of Representative]	Isao Teshirogi, Representative director and 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 and President of the Company, has confirmed that the contents of the Annual Securities Report for the Company's 157th fiscal year (from April 1, 2021 to March 31, 2022) are properly presented in accordance with the Financial Instruments and Exchange Act.

## **2. Special notes**

No material items to report.

## [Cover Page]

[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 24, 2022
[Company Name]	Shionogi Seiyaku Kabushiki Kaisha
[Company Name in English]	Shionogi & Co., Ltd.
[Title and Name of Representative]	Isao Teshirogi, Representative director and 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 and President 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 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.

The 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, 2022, which is the final day of the fiscal year ended March 31, 2022. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which 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 its internal controls.

We determined the necessary scope for assessment of internal control over financial reporting for the Company and its consolidated subsidiaries from the perspective of the materiality that may affect the reliability of financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. In light of the results of assessment of entity-level internal controls, which covered the Company and 13 consolidated subsidiaries, we reasonably determined the scope of assessment of internal controls over business processes. Note that 35 consolidated subsidiaries are not included in the scope of assessment of entity-level internal controls because they are considered to be immaterial in terms of quantitative and qualitative impacts.

Regarding the scope of assessment of internal control over business processes, we accumulated business locations to be tested in descending order of revenue (after elimination of intercompany transactions) for the fiscal year ended March 31, 2021, and the one location whose combined consolidated revenue reached two thirds of the total amount on a consolidation basis was selected as a “significant business location.” We included in the scope of assessment, at the selected significant business location, business processes leading to revenue, accounts receivable - trade, and inventories as significant accounts that may have a material impact on the business objectives of the Shionogi Group. Further, not only for selected significant business locations, but also for all the business locations, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates or forecasts and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

## **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, 2022, we concluded that the Shionogi Group’s internal control over financial reporting was effectively maintained.

## **4. Additional notes**

No material items to report.

## **5. Special notes**

No material items to report.