Translation for reference only

Corporate Governance Report

Last Update: October 30, 2024
Shionogi & Co., Ltd.
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Representative Director, President and CEO
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Securities Code: 4507

The corporate governance of Shionogi & Co., Ltd. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The SHIONOGI Group (the "Group") has created a corporate governance system to make the Company Policy of SHIONOGI – the Group's management philosophy – a reality worldwide. In conformity with the spirit of the Corporate Governance Code that went into effect in Japan, the Group defines corporate governance as a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of customers, society, shareholders, and employees, and based on this, the Board of Directors established the Group's Basic Views and Guidelines on Corporate Governance to realize the best possible corporate governance.
Shionogi & Co., Ltd. (the "Company") fulfills its fiduciary responsibility to shareholders and its obligations to stakeholders in accordance with the Basic Views and Guidelines on Corporate Governance, and the Group shall work to achieve sustainable corporate growth and increased corporate value over the medium- to long-term.
Link to the "Basic Views and Guidelines on Corporate Governance"
https://www.shionogi.com/global/en/company/cg/basic.html

Basic Views and Guidelines

In accordance with the Company Policy of SHIONOGI – the Group's management philosophy – we believe our social mission is not only to provide useful and safe medicines, but also to contribute to improving the health and medical care to help improve the health, medical treatment and quality of life of people around the world.Based on our firm belief that strict compliance and efforts to fulfill this social mission translate into greater corporate value, we aim to generate sustained growth and achieve increases in corporate value through constructive communication with stakeholders, supported by transparent and fair management that continuously implements measures to adapt to changes in the operating environment.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

【Supplementary Principle 4.8.1】 Effective Use of Independent Directors

The Company does not hold meetings composed exclusively of independent outside directors, but holds meetings twice a year for the exchange of information and learning between outside directors and outside corporate auditors. In addition, the Company provides information about the pharmaceutical industry and the SHIONOGI Group to outside directors and outside corporate auditors, and works to improve cooperation between outside directors and outside corporate auditors, and between outside directors/outside corporate auditors and senior management. Independent outside directors actively participate in discussions at Board of Directors meetings.

[Disclosure Based on the Principles of the Corporate Governance Code]

【Principle 1.4 Cross-Shareholdings】

Guideline

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

In FY2023, the Company reduced its cross-shareholdings in seven companies by mutual agreement. It will continue to optimize the number of companies for cross-shareholdings and the number of shares in accordance with the aforementioned shareholding guideline.

Verification of suitability of possession

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

Standards for Exercising Voting Rights

The Group shall confirm the corporate value of companies in which it invests and the presence or absence of issues that may have a detrimental impact on shareholder value and shall exercise its voting rights for or against measures pursuant to due consideration. Specifically, if any doubts arise regarding the content of a proposal, we will take measures such as requesting an explanation from the issuer and respond in accordance with our cross-shareholding guidelines.

【Principle 1.7 Related Party Transactions】

When the Group conducts transactions with officers or major shareholders (related party transactions), it shall verify in advance whether the transactions are, in fact, related party transactions, and if applicable, the Board of Directors shall sufficiently consider and judge approval/disapproval such transactions and confirm that they are conducted in accordance with proper procedures.

【Supplementary Principle 2.4.1 Ensuring Diversity in the Appointment of Core Human Resources】

The Group believes that the continuous creation of innovation is essential for a company to undertake sustainable management and continue to fulfill its responsibility to society, and it attaches great importance to the fact that the creation of innovation is related to diversity and inclusion. Based on this, the Group will focus on developing diverse human resources and implement measures to develop young leaders through the President's Management Seminar aimed at strengthening the senior management class and their appointment as executives of group companies and the practicing of management to ensure the diversity of employees, aiming to achieve management sustainability.
The Group also proactively promotes the active participation of women in the workplace, resulting in a rising trend of its female executive ratio. The Group hopes that the sharing and fusion of diverse values that transcend gender boundaries (social gender distinction) will become the driving force for innovation. As SHIONOGI, which embraces diversity that transcends men and women of all ages, genders and races, the Group will further strive to integrate this diversity to continue to create innovation and will promote sustainable management to fulfill its responsibility to society.
Link to the Diversity and Inclusion Policy:
https://www.shionogi.com/global/en/sustainability/society/office/promoting-diversity-and-inclusion.html

【Principle 2.6 Functioning as Owner of Corporate Pension Assets】

The Company manages assets in order to secure stable funds for payment of future benefits and shall regularly monitor the management of pension plan assets and, when necessary, reconsider the asset mix through the Pension Plan Asset Management Committee, which is composed of personnel from the Finance & Accounting Department and the Human Resources Department.

【Principle 3.1 Full Disclosure】

i) Company objectives (e.g., business principles), business strategies and business plans

Company Policy

The Company Policy of SHIONOGI, established in 1957, defines the aim of the Group's corporate activities as "striving constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve."
This eternal and unwavering corporate philosophy embodies our vision for SHIONOGI and our value to society. In January 2021, we revised the SHIONOGI Group Code of Conduct as a standard for the daily activities of Group employees in order to make the Company Policy of SHIONOGI a reality worldwide. As a corporate group that contributes to the maintenance and improvement of health and the realization of comfortable lifestyles for people around the world, we will create a better future for healthcare, aim to resolve issues faced by patients, doctors and other healthcare professionals, shareholders, investors, and society as a whole, and contribute to the realization of a sustainable and healthy society through our business activities.
In addition, all management staff of the Group will take responsibility for ensuring that this Code of Conduct is fully understood and implemented and will establish an effective internal system to do so.
The Group periodically investigates and confirms the level of penetration of the Company Policy of SHIONOGI and the SHIONOGI Group Code of Conduct, as well as the corporate culture and climate.

Link to the Management Philosophy: https://www.shionogi.com/global/en/company/business.html
Link to the Management Policy:
https://www.shionogi.com/global/en/investors/management-policy.html

Actions to Implement Management That is Conscious of Cost of Capital and Stock Price
In order to implement management that is conscious of cost of capital, the Group regularly evaluates its cost of capital and strives to achieve an ROE that exceeds it. Specifically, the Group sets a hurdle rate above the WACC as a criterion for business investments in order to allocate resources to worthwhile investments and makes decisions aimed at generating returns above the cost of capital. With regard to management that is conscious of stock price, in addition to this emphasis on profitability of business investments, the Group provides shareholder returns in line with the growth of its business. It is conscious of increasing corporate value through stable dividend payments and flexible treasury share purchases.
Specific plans, policies and efforts to date are disclosed on our website under the heading "Actions to Implement Management That is Conscious of Cost of Capital and Stock Price."
Actions to Implement Management That is Conscious of Cost of Capital and Stock Price:
https://www.shionogi.com/global/en/investors/ir-library/Action-to-stock-price.html

ii) Basic views and guidelines on corporate governance based on each of the principles of the Code
The Basic Views and Guidelines on Corporate Governance are covered in I. 1. Basic Views.

iii) Board policies and procedures in determining the remuneration of the senior management and directors
The guidelines and procedures of the Board of Directors (the Board) in setting director remuneration are covered in II. 1. Organizational Composition and Operation, [Director Remuneration].

iv) Board policies and procedures in the appointment of the senior management and the nomination of directors and corporate auditors candidates; and
The guidelines and procedures of the Board in the nomination of director candidates are as follows.

Guidelines
In order to allow us to enhance business oversight by directors, improve management transparency, and ensure impartiality in management, the Company will nominate the candidates for directors in accordance with the following views and guidelines from the standpoint of diversity, in addition to the Company's financial results, compliance status and other factors.

Composition of the Board of Directors
(1) Independent directors shall account for half or greater than half of the board.
(2) Various aspects including management experience, specialized knowledge in areas including law and finance, and medical and pharmaceutical viewpoints shall be considered.
(3) Ensuring diversity in terms of gender, age, nationality and expertise shall be considered.

In the event of wrongdoing or a serious legal violation in execution of duties by a director that causes a significant loss to the Group, or if an event occurs that disrupts the Group's business operations, and after sufficient investigation and decision by the Board of Directors to dismiss the representative director of the Company and executive officer responsible, the Company will proceed with the dismissal procedures of said director at the General Meeting of Shareholders.

Procedures
The Nomination Advisory Committee, which is comprised of a majority of independent outside directors

and chaired by an independent outside director, shall deliberate fairly, transparently and rigorously, and its conclusions shall inform decisions about candidates by the Board of Directors. Currently, there are no non-executive directors, except for outside directors, who serve on the Board of Directors. However, we will flexibly use non-executive directors according to the circumstances of the Group or changes in the business environment.

The guidelines and procedures of the Board in the nomination of corporate auditors candidates are as follows:

Guidelines
Corporate auditor shall maintain a fair and objective perspective in enabling the proper expression of opinions and helping to improve management soundness and transparency, and shall conduct audits of the execution of duties by directors (business audits) and accounting-related audits (accounting audits). Therefore, the Group's guideline is to nominate corporate auditor candidates in consideration of elements required for the fulfillment of these roles and obligations, such as managerial experience, legal knowledge, and/or appropriate knowledge of finance and accounting.
In appointing outside corporate auditor, we shall select candidates based on the Requirements and Independence Standards the Company has set.

Procedures
The Nomination Advisory Committee, which is comprised of a majority of independent outside directors and chaired by an independent outside director, shall deliberate fairly, transparently and rigorously, and its conclusions shall inform decisions about candidates by the Board of Directors in agreement with the Board of Corporate Auditors.

v) Explanations with respect to the individual nominations based on iv)
The reasons for nominating each of the candidates for directors and corporate auditors are as follows:

≪Director≫

Name Position	Reasons for nominating the candidate for Director
Isao Teshirogi Representative Director, President and CEO	Isao Teshirogi became Representative Director, President and CEO in 2008. He has actively pushed forward with global research and development and expansion of overseas business in the Third Medium-Term Business Plan and secured a medium- to long-term profit foundation. He achieved the quantitative targets of "Shionogi Growth Strategy 2020 (SGS2020)," which was formulated in FY2014, as well as said quantitative targets that were updated in October 2016 ahead of schedule. In 2020, he started the new Medium-Term Business Plan "Shionogi Transformation Strategy 2030 (STS2030)" based on the Company's vision toward 2030 of "Building Innovation Platforms to Shape the Future of Healthcare." As the path to achieving the 2030 Vision has become clearer through these initiatives, he revised the business plan in June 2023

	as the "STS2030 Revision" and has been vigorously promoting business transformation to achieve further growth.
Takuko Sawada Director and Vice Chairperson	Since her appointment as a Director of the Company in June 2015, Takuko Sawada has served as Senior Vice President of the Corporate Strategy Division and as a Senior Executive Officer. She has also moved Shionogi Growth Strategy 2020 (SGS2020) forward and played a central role in formulating the update of SGS2020 in October 2016. She became Vice President in April 2018 and has supervised the Integrated Disease Care Division, Corporate Strategy Division, Pharmaceutical Commercial Division and DX Promotion Division since FY2020 to achieve the Medium-Term Business Plan "Shionogi Transformation Strategy 2030 (STS2030)" and its revised version, "STS2030 Revision." In addition, she seeks to enhance business management and promote diversity further as she has been in charge of supervising management from a higher standpoint as Director and Vice Chairperson since July 2022.
Keiichi Ando Outside Director (Independent Director)	Keiichi Ando has practical experience as a corporate executive at a financial institution and broad insight on finance. He also coordinated the extremely difficult adjustments between the national government and the governments of Osaka Prefecture and Osaka City for the airport management business of Kansai, which was then at a crossroads, and his experience and insight built the foundation of Kansai Airports, which plays a leading role in the current Kansai economy. At the Company's Board of Directors meetings, he presents many questions and opinions and provides sound advice from the perspective of budget planning and management, capital policies, including investments, and risk management to ensure the effective use of assets that are important management resources, while, as chair of the Board, taking into account the timeliness and appropriateness of the proposals.
Hiroshi Ozaki Outside Director (Independent Director)	Hiroshi Ozaki has abundant practical experience and wide-ranging knowledge in corporate management and organizational management as a manager of a company based in Kansai. As formerly the chairman of the Osaka Chamber of Commerce and Industry, he made efforts to enhance the economic growth of Osaka and Kansai based on the medium-term plan he developed during his tenure and also focused on promoting the life science industry. At the Company's Board of Directors meetings, he provides many appropriate questions and advice on business, including investments and business alliances, marketing, and supply chains.

Fumi Takatsuki Outside Director (Independent Director)	Fumi Takatsuki has extensive experience and professional insight from her position as an attorney in international corporate law and in legal response relating to the Chinese life science and healthcare industry. Although she has not been involved in corporate management in any capacity other than as an outside director in the past, at the Company's Board of Directors meetings, she presents questions particularly on business development in Asia, including China, from the perspective of international corporate legal affairs, and provides sound advice on compliance matters.
Takaoki Fujiwara Outside Director (Independent Director)	Takaoki Fujiwara has extensive practical experience and a wide range of knowledge as a manager of a group of companies engaged in urban transport, real estate, and entertainment, mainly in the Kansai area. At the Board of Directors meetings, he provides sound advice mainly on human resource management and compliance matters.

≪Corporate Auditor≫

Name Position	Reasons for nominating the candidate for Corporate Auditor
Akira Okamoto Standing Corporate Auditor	Akira Okamoto has served as General Manager of administrative units including the Business Support Center and the Human Resources Department and is well-versed in corporate management. He provides appropriate recommendations and advice on the management decisions and execution of duties by the directors from an independent point of view as a corporate auditor, leveraging his experience in being involved in enhancing the Company's corporate governance and upgrading and operating the internal control system as General Manager of the Internal Control Department. Accordingly, we judge that he has the appropriate character and insight to perform the duties of a corporate auditor.
Noriyuki Kishida Standing Corporate Auditor	Noriyuki Kishida has served as the head of administrative units, including the Corporate Communications Office, the Human Resources Department, and the Administration Division, and is well-versed in corporate management and corporate governance. He has extensive experience and a wide range of knowledge in corporate management in general, including management strategies, through his track record in promoting internal reforms based on the management infrastructure strategy of the Medium-Term Business Plan "Shionogi Transformation Strategy 2030 (STS2030)" as Senior Vice President of the Corporate Supervisory Unit. Accordingly, we

	judge that he has the appropriate character and insight to perform the duties of a corporate auditor.
Tsuguoki Fujinuma Outside Corporate Auditor (Independent Corporate Auditor)	Tsuguoki Fujinuma has professional expertise in finance and accounting. He has held many important posts, including Chairman and President of the Japanese Institute of Certified Public Accountants, and has extensive experience and broad insight as outside director and outside corporate auditor of a wide range of companies. Although he has not been involved in company management in any capacity other than as an outside executive in the past, he performs higher-quality audits of the Company from the perspective of finance and accounting based on his extensive experience as a certified public accountant. He also provides appropriate advice mainly from finance, accounting, and sustainability viewpoints at the Board of Directors and Board of Corporate Auditors meetings.
Shuichi Okuhara Outside Corporate Auditor (Independent Corporate Auditor)	Shuichi Okuhara has extensive experience and a wide range of knowledge as a manager of a venture capital firm in a social environment that places importance on innovation through peer or cross-industrial partnerships. He also has professional expertise in finance and accounting as a certified public accountant and carries out audits suitable for the continually changing business environment. At meetings of the Board of Directors and Board of Corporate Auditors, he provides sound advice, mainly on the healthcare industry in general, including investments and digital technologies.
Yoriko Goto Outside Corporate Auditor (Independent Corporate Auditor)	Yoriko Goto has professional expertise in finance and accounting as a certified public accountant and extensive management experience and broad insight through her service as Chairperson of the Board of the Deloitte Tohmatsu Group and Deloitte Touche Tohmatsu LLC, among others. At meetings of the Board of Directors, she provides sound advice mainly on finance, accounting, corporate governance, and compliance matters. At the Board of Corporate Auditors, she also regularly discusses and provides recommendations on important audit-related matters.

【Supplementary Principle 3.1.3 Initiatives on Sustainability】

We aim to respond to social issues and medical needs through our business activities to grow into a company that is needed by society and share the results of our efforts with our stakeholders. To achieve this goal, we identify materiality (material issues) that the Group will work on as a priority, based on

business risks and opportunities and the current situation and issues of the Company, and make group-wide efforts to work on such materiality.

Regarding investment in human capital, based on our principle of "People are the source of competitiveness," we have set forth a vision for human resources for the SHIONOGI Group, called the "SHIONOGI Way." Aiming to develop and build strong individuals and organizations capable of surviving global competition in order to achieve the medium-term management plan, "Shionogi Transformation Strategy (2030) (STS2030)," the Company strategically and systematically promotes human resources policies based on the following four concepts: "Secure diverse human resources," "Nurture human resources who possess strengths that attract others," "Foster an environment and culture in which everyone can work comfortably" and "Health care and occupational safety and health." Related qualitative and quantitative indicators are disclosed in our integrated reports and on our website.

For investment in intellectual property, we conduct R&D aimed at the total care of diseases, including treatment, diagnosis and prevention, by expanding new modalities and acquiring new technologies, centered on our long-standing strength in small molecule discovery, and working on unmet needs based on our policy toward healthcare social issues addressed by the Group with the aim of protecting people from the threat of infectious diseases and contributing to a healthy and prosperous life. We seek to increase corporate value by protecting the various innovations born out of these R&C investments adequately and reliably as intellectual property. We also disclose the following through our website, press releases, and integrated report: the relationships between our R&D and the business and management strategies, which support our R&D strategy, and with our intellectual property strategy, which supports our competitive advantage, and our intellectual property measures to protect intellectual property and improve access to medicines.

"R&D": https://www.shionogi.com/global/en/innovation/randd.html
"IP Strategy": https://www.shionogi.com/global/en/innovation/IP-strategy.html
"SHIONOGI Group Intellectual Property Policy":
https://www.shionogi.com/global/en/company/policies/shionogi-group-intellectual-property-policy.html

It is feared that climate change will have a devastating impact on the global economy and social systems, and an early transition to a carbon-free society is an urgent social challenge for the entire world. In March 2022, the Group announced its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Based on the TCFD framework, related organizations within the Group have conducted a detailed assessment of the impact of climate change on SHIONOGI's business and considered strategies and specific countermeasures. The results, as well as indicators and targets for our activities, are disclosed on our website. Moreover, we have devised a medium- to long-term greenhouse gas emissions reduction plan as a step toward reducing greenhouse gas emissions globally and achieving zero CO2 emissions by 2050. Our target in the plan received the approval of the international environment body the SBT initiative, in June 2021.

Details of the abovementioned initiatives and other sustainability-related initiatives are disclosed on the Company's website.
https://www.shionogi.com/global/en/sustainability.html

"Material Issues (Materiality)": https://www.shionogi.com/global/en/company/strategy/important-issues.html
"Integrated Report": https://www.shionogi.com/global/en/investors/ir-library/annual-report-integrated-report.html
"Climate Change": https://www.shionogi.com/global/en/sustainability/environment/results/climate.html
"Information Disclosure Based on TCFD Recommendations":
https://www.shionogi.com/global/en/sustainability/environment/results/climate/tcfd.html

【Supplementary Principle 4.1.1 Roles and Responsibilities of the Board (1)】

The Group has introduced an executive officer system to separate management and business execution and support dynamic and flexible management and business operations, enabling the Group to respond rapidly to significant changes in the operating environment.
The Board of Directors shall make decisions in accordance with laws and regulations, the Group's Articles of Incorporation, key business plans, and resolutions in the rules governing the board regarding issues such as investments and loans in excess of predetermined amounts and the acquisition and disposal of fixed assets. Responsibility for making decisions about important matters associated with the management of business execution not covered by resolutions in the rules governing the Board shall be delegated to the management team primarily to the representative director and executive officers.
From FY2016, the Board of Directors shall re-examine the resolutions and matters to be decided by the Board to expand the scope of delegation to the management team and intends to strengthen the supervisory functions of the Board by clearly specifying matters to be reported related to the execution of duties.

【Principle 4.8 Effective Use of Independent Directors】

Our guideline shall be to appoint independent directors to half or greater than half of board seats in order to further enhance the oversight of business execution by directors, heighten management transparency, and promote management that is perceived as highly fair by stakeholders outside of the Company.
When appointing independent outside directors, the candidates will be selected in accordance with the "Requirements" and "Independence Standards" stipulated by the Company in order for them to fulfill their roles and responsibilities as well as the independence standards stipulated by financial instruments exchanges.
As of June 2024, four of the six directors have been appointed as independent outside directors, accounting for the majority of directors of the Company.

【Principle 4.9 Independence Standards and Qualification for Independent Directors】

The Independence Standards for independent directors and corporate auditors are covered in II. 1. Organizational Composition and Operation, [Independent Directors/Corporate Auditors].

【Supplementary Principle 4.10.1 Views on the Independence of the Composition of the Committee Corresponding to the Nomination Committee or Remuneration Committee and Its Authority and Roles】

The composition of the Committee Corresponding to the Nomination Committee or Remuneration Committee is covered in II. 1. Organizational Composition and Operation, [Directors].

Both the Nomination Advisory Committee and the Compensation Advisory Committee are chaired by independent outside directors, and the majority of their members are independent outside directors so that the independence of the committee can be ensured. The Nomination Advisory Committee met four times in FY2023 to mainly discuss executive officer nominations, performance evaluation of the representative director and the selection criteria for directors from the perspective of the balance of expertise of the Board of Directors, including outside directors, the strengthening of management support divisions and promoting research activities. It also provides opportunities for outside officers to talk with general managers and major heads of organizations through proposals and reports at meetings of the Board of Director and meetings with associate corporate officers, to check human resources. The Compensation Advisory Committee met four times in FY2023 to mainly check compensation levels and various compensation ratios and discuss the performance evaluation of directors and executive officers in FY2022, the performance evaluation indicators for FY2023, and the ideal form of the compensation system for directors, executive officers and employees, including the stock remuneration system. The attendance rate of Committee members at Committee meetings held in FY2023 was 100% for both Committees.

【Supplementary Principle 4.11.1 Preconditions for the Board and Corporate Auditor Board Effectiveness】

The Board's overall balance among knowledge, experience and capabilities, basic views concerning diversity and size, and policies and procedures for appointing directors are covered in I. 1. Basic Views, [Principle 3.1 Full Disclosure iv].

【Supplementary Principle 4.11.2 Preconditions for Securing the Effectiveness of the Board and Corporate Auditor Board】

The concurrent positions of Director and Corporate Auditor are covered in II. 1. Organizational Composition and Operation, [Directors] and [Corporate Auditor]. The number of concurrent positions is determined within a reasonable range that persons in charge can fulfill their roles and responsibilities.

【Supplementary Principles 4.11.3 Preconditions for Board and Corporate Auditor Board Effectiveness】

The Board of Directors analyzed and evaluated its effectiveness in FY2023 by conducting questionnaires and interviews of individual directors and corporate auditors, with a focus on (1) Framework, (3) Roles and Responsibilities, and (6) Operation in "6. Directors and the Board" in the "Basic Views and Guidelines on Corporate Governance" set by the Company.

The following is a summary of the results:

1. Framework

We assess that the Board of Directors has currently secured the necessary framework from the standpoint of various attributes, including expertise and experience, and diversity. However, raised as a

future challenge was the need to elect successor candidates and appoint directors of foreign nationality from the standpoint of diversity, including expertise, and succession, in light of the expansion of and changes in the Company's business.
The Board of Directors will continue to consider ways to develop the optimal framework for the Company while taking the Company's business development into account.

2. Roles and Responsibilities
Regarding the reporting and supervision of the status of senior management development, reports were continuously provided at opinion exchange meetings with outside directors and the President, and meetings between corporate officers and associate corporate officers (senior management candidates) and outside directors were held. In addition, matters related to compliance and risk management were regularly reported to the Board of Directors, who made provided its opinions.
Furthermore, matters related to sustainability and human capital were proposed and reported on multiple times, which were discussed and resolved at the Board of Directors meeting.
As a future challenge, the Board of Directors cited the need to enhance discussions regarding risk management, such as by reporting on the progress of the updated medium-term management plan and capturing changes in risks related to business development, and raising these issues at the Board of Directors meeting in an appropriate manner.
The Board of Directors will continue to explore ways to improve its roles and responsibilities.

3. Operation
In order to further stimulate discussions at Board of Directors meetings, the Board of Directors has continued to provide periodic pre-briefings on the agendas of Board of Directors meetings and has reported on the progress of matters resolved at the meetings as appropriate.
As future issues, opinions were expressed regarding further enriching discussions, such as improving measures to deepen understanding of the Company's business, efficient management of Board of Directors meetings, and utilizing opportunities outside of Board of Directors meetings.
The Board of Directors will continue to explore ways to improve its operation.

Based on the above, we assess that the Company's Board of Directors has been operated appropriately and its effectiveness has been secured. We will use the results of this self-evaluation as a basis for making continuous improvements to make the Board of Directors even more effective.

【Supplementary Principle 4.14.2 Director and Corporate Auditor Training】
The Company shall endeavor to enable directors and corporate auditors to make candid opinions and proposals by providing, at all times, management information including that on business, finances, organization and other aspects as well as knowledge necessary for directors and corporate auditors to fulfil their roles and obligations. Moreover, we shall provide and arrange training opportunities as required and assume the associated costs.
The Company continuously organizes meetings to exchange opinions between the Representative Director, President and CEO and outside directors and corporate auditors ("opinion exchange meetings") and the meetings to share information and study with senior management ("information sharing and study meetings"). In FY2023, the Company held study sessions on the Group's R&D strategies and DX

initiatives, as well as opinion exchange meetings with associate corporate officers, who are senior management candidates, to help directors understand the Company's business, thereby strengthening cooperation and exchanging information among outside directors, and between outside directors and senior management.

【Principle 5.1 Policy for Constructive Dialogue with Shareholders】

Guideline

As a company widely trusted by society, the Group believes that improving management transparency is an important obligation. This belief is the basis for our Disclosure Policy, which calls for the Group to continuously disclose appropriate company information fairly and at the proper time.
Link to the Disclosure Policy: https://www.shionogi.com/global/en/company/policies/shionogi-disclosure-policy.html

Dialogue

The Group subscribes to a spirit of fair disclosure for communication with shareholders. We disclose appropriate information fairly and at the proper time, and strive to promote constructive dialogue to contribute to sustained growth and increased corporate value over the medium and long term.
We engage in dialogue with various shareholders, regardless of whether they are located in Japan or overseas, and regardless of their investment style (e.g., active, passive, growth, value), and our management and the department in charge of investor relations work together on active initiatives.
In addition, we have created a system for close cooperation among departments that facilitates dialogue regarding management strategy, shares, investor relations, finance and other issues, and the officer responsible manages this system.
We strive to identify our substantial shareholders through stock operations contractors and external organizations.

As for one-on-one meetings, while most are face-to-face, we are also working to engage with more shareholders by actively incorporating online meetings. Dialogue topics include our medium- to long-term growth strategies and the progress of the HIV business contributing to them, as well as the status of our development pipeline.
As one of the initiatives to facilitate dialogue in addition to one-on-one meetings, we hold four briefings on quarterly financial results and a meeting to explain about R&D every year. Since FY2023, we have been working to hold Sustainability Meetings. Furthermore, as part of constructive dialogue with the aim of increasing corporate value, we hold small meetings that are attended by the Chairman of the Board and Representative Director, President and CEO, analysts and institutional investors on a regular basis, with due attention paid to fair disclosure rules.

Details of the above initiatives and other IR information are disclosed on the "Investors" of our website.
https://www.shionogi.com/global/en/investors.html
"Stakeholder Engagement":https://www.shionogi.com/global/en/sustainability/stakeholder-engagement.html

Control of Insider Information

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

prevent insider trading.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	53,169,200	18.55
Custody Bank of Japan, Ltd. (Trust account)	24,382,900	8.50
Sumitomo Life Insurance Company	18,604,000	6.49
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	9,485,000	3.30
Nippon Life Insurance Company	8,409,142	2.93
BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED	6,356,000	2.21
STATE STREET BANK WEST CLIENT - TREATY 505234	6,183,421	2.15
JPMorgan Securities Japan Co., Ltd.	4,609,040	1.60
STATE STREET BANK AND TRUST COMPANY 505001	3,913,012	1.36
STATE STREET BANK AND TRUST COMPANY 505103	3,367,906	1.17

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

1. The Company owns 9,980,878 shares of treasury stock, but the Company is not included in the major shareholders listed above (top 10).
2. The percentage of shares held is calculated as a proportion of 286,563,187 shares, which is the total number of issued shares less 9,980,878 shares of treasury stock.
3. On October 1, 2024, the common shares were split at a ratio of 3 shares for every 1 share. The number of shares listed above (including total number of issued shares and treasury stock) is the number of shares before the stock split (as of September 30, 2024).

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Pharmaceutical

Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

—

5. Other Special Circumstances which may have Material Impact on Corporate Governance

—

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Board of Corporate Auditors

[Directors]

Number of Directors Stipulated in Articles of Incorporation	From 3 to 7
Term of Office Stipulated in Articles of Incorporation	1 Year
Chairperson of the Board	Decided by resolution of the Board
Number of Directors	6
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Keiichi Ando	From another company											
Hiroshi Ozaki	From another company											
Fumi Takatsuki	Lawyer											
Takaoki Fujiwara	From another company											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/corporate auditor
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/corporate auditor are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Keiichi Ando	○	≪Other major posts≫ Outside Director, TSUBAKIMOTO CHAIN CO. Outside Director, DAIHEN Corporation	Keiichi Ando has practical experience as a corporate executive at a financial institution and broad insight on finance. He also coordinated the extremely difficult adjustments between the national government and the governments of Osaka Prefecture and Osaka City for the airport management business of Kansai, which was then at a crossroads, and his experience and insight built the foundation of Kansai Airports, which plays a leading role in the current Kansai economy. At the Company's Board of Directors meetings, he presents many questions and opinions and provides sound advice from the perspective of budget planning and management, capital policies, including investments, and risk management to ensure the effective use of assets that are important management resources, while, as chair of the Board, taking into account the timeliness and appropriateness of the proposals. We have therefore appointed him as an independent director by resolution of the Board so that he will support us by making management decisions from a higher standpoint with emphasis on objectivity and impartiality, recognizing the corporate responsibility we should fulfill

			without bias in favor of corporate managers or specific stakeholders.
Hiroshi Ozaki	○	≪Other major posts≫ Outside Director, The Royal Hotel, Ltd. Outside Director, Hiroshima Gas Co., Ltd.	Hiroshi Ozaki has abundant practical experience and wide-ranging knowledge in corporate management and organizational management as a manager of a company based in Kansai. As formerly the chairman of the Osaka Chamber of Commerce and Industry, he made efforts to enhance the economic growth of Osaka and Kansai based on the medium-term plan he developed at the time of his appointment and also focused on promoting the life science industry. At the Company's Board of Directors meetings, he presents many appropriate questions and advice on business, including investments and business alliances, marketing, and supply chains. We have therefore appointed him as an independent director by resolution of the Board so that he will support us by making management decisions with an emphasis on objectivity and impartiality based on his wealth of experience and knowledge.
Fumi Takatsuki	○	Fumi Takatsuki works a partner of OH-EBASHI LPC & PARTNERS, to which the Company has paid attorney's fees for some specific cases concerning international corporate legal affairs that the firm specializes in. The amount of the fees is less than two percent of the annual net sales of OH-EBASHI LPC & PARTNERS. The Company has no recurring contractual relationship with OH-EBASHI LPC & PARTNERS. ≪Other major post≫	Fumi Takatsuki has extensive experience and professional insight from her position as an attorney in international corporate law and in legal response relating to the Chinese life science and healthcare industry. Although she has not been involved in corporate management in any capacity other than by serving as an outside director in the past, at the Company's Board of Directors meetings, she presents questions particularly on business development in Asia, including China, from the perspective of international corporate legal

		Partner, OH-EBASHI LPC & PARTNERS Outside Auditor, Sankyo Seiko Co., Ltd. External Audit & Supervisory Board Member, Daikin Industries, Ltd.	affairs, and provides sound advice on compliance matters. We have therefore appointed her as an independent director by resolution of the Board so that she will support us by making management decisions in a just manner by giving priority to compliance with social norms and laws and regulations from a global perspective.
Takaoki Fujiwara	○		Takaoki Fujiwara has extensive practical experience and a wide range of knowledge as a manager of a group of companies engaged in urban transport, real estate, and entertainment, mainly in the Kansai area. At the Company's Board of Directors meetings, he provides sound advice mainly on human resource management and compliance matters. We have therefore appointed him as an independent director by resolution of the Board so that he will leverage his extensive experience and knowledge to make management decisions with an emphasis on objectivity and impartiality.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Advisory Committee	Compensation Advisory Committee
All Committee Members	7	7
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	4	4
Outside Experts	0	0

Other	2	2
Chairperson	Outside Director	Outside Director

Supplementary Explanation

The "Other" members of Nomination Advisory Committee are a standing corporate auditor and an outside corporate auditor.
The "Other" members of the Compensation Advisory Committee are a standing corporate auditor and an outside corporate auditor.

[Corporate Auditor]

Establishment of Board of Corporate Auditors	Established
Number of Corporate Auditors Stipulated in Articles of Incorporation	From 3 to 7
Number of Corporate Auditors	5

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

Corporate Auditor responsibilities include creating audit plans, reporting in tandem with external auditors on the status of audits they conduct with external auditors, and exchanging opinions regarding the specifics of these responsibilities.
Corporate Auditors receive monthly periodic reports from the Internal Control Department regarding the details of internal audits, with additional responsibilities including the exchange of opinions. Moreover, Corporate Auditor structure systems including audits in cooperation with the Internal Control Department to quickly deal with issues including problems within the internal control system.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	3
Number of Independent Corporate Auditors	3

Outside Corporate Auditor's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Tsuguoki Fujinuma	Certified public accountant													
Shuichi Okuhara	From another company													
Yoriko Goto	Certified public accountant													

* Categories for "Relationship with the Company"
* "○" when the corporate auditor presently falls or has recently fallen under the category;
"△" when the corporate auditor fell under the category in the past
* "●" when a close relative of the corporate auditor presently falls or has recently fallen under the category;
"▲" when a close relative of the corporate auditor fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Corporate auditor of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a corporate auditor
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Corporate Auditor himself/herself only)
k. Executive of a company, between which and the Company outside directors/corporate auditor are mutually appointed (the Corporate Auditor himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the Corporate Auditor himself/herself only)
m. Others

Outside Corporate Auditor's Relationship with the Company (2)

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons for Appointment
Tsuguoki Fujinuma	○	≪Other major posts≫ Auditor, Chiba Gakuen Educational Association	Tsuguoki Fujinuma has professional expertise in finance and accounting. He has held many important posts, including Chairman and President of the Japanese Institute of Certified Public Accountants, and has extensive experience and broad insight as outside director and outside corporate auditor of a wide range of companies. Although he has not been involved in company management in any capacity other than as an outside executive in the past, he performs higher-quality audits of the Company from the perspective of finance and accounting based on his extensive experience as a certified public accountant. He also provides sound advice mainly from finance, accounting, and sustainability viewpoints at the Board of Directors meetings. At the Board of Corporate Auditors meetings, he discusses and provides

			recommendations on significant matters concerning unscheduled audits. We have therefore appointed him as an independent corporate auditor by resolution of the Board so that he will reflect his professional expertise in finance and accounting and take into account the environmental changes relating to sustainability in audits of the Company with respect to the appropriateness of directors' management decisions and execution of duties from an independent point of view as an outside corporate auditor.
Shuichi Okuhara	○	≪Other major posts≫ Chairman of the Board of Directors, Nippon Venture Capital	Shuichi Okuhara has extensive experience and a wide range of knowledge as a manager of a venture capital firm in a social environment that places importance on innovation through peer or cross-industrial partnerships. He also has professional expertise in finance and accounting as a certified public accountant and carries out audits suitable for the continually changing business environment. At meetings of the Board of Directors, he provides sound advice mainly on the healthcare industry in general, including investments and digital technologies. At Board of Corporate Auditors meetings, he discusses and provides recommendations on significant matters concerning unscheduled audits. We have therefore appointed him as an independent corporate auditor by resolution of the Board, as we expect him to reflect his

			adaptability to the rapidly changing business environment and his professional expertise in finance and accounting in audits of the Company with respect to the appropriateness of directors' management decisions and execution of duties from an independent point of view as an outside corporate auditor.
Yoriko Goto	○	≪Other major posts≫ Outside Director as Audit and Supervisory Committee Member, Sumitomo Mitsui Banking Corporation	Yoriko Goto has professional expertise in finance and accounting as a certified public accountant and extensive management experience and broad insight through her service as Chairperson of the Board of the Deloitte Tohmatsu Group and Deloitte Touche Tohmatsu LLC, among others. At Board of Directors meetings, she provides sound advice mainly on finance, accounting, corporate governance, and compliance matters. At Board of Corporate Auditors meetings, she discusses and provides recommendations on significant matters concerning unscheduled audits. We have therefore appointed her as an independent corporate auditor by resolution of the Board, as we expect her to reflect her professional expertise in finance and accounting and her extensive management experience and broad insight as chair of the board of a company in audits of the Company with respect to the appropriateness of directors' management decisions and execution of duties from an independent point of view as an outside corporate auditor.

[Independent Directors/Corporate Auditor]

Number of Independent Directors/Corporate Auditors	7

Matters relating to Independent Directors/Corporate Auditors

In appointing independent directors/corporate auditors, we shall select candidates based on standards set by financial instrument exchanges and the Requirements and Independence Standards the Company has set for independent directors/corporate auditors to fulfill their roles and responsibilities.

Requirements

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

Independence Standards

(1) Outside directors and corporate auditors shall not be a major shareholder of the Group (a shareholder who holds 10% or more of the total outstanding shares of the Group or who is one of the Group's top five shareholders), or, if such major shareholder is a corporation or organization, the outside directors and corporate auditors shall not be a director, corporate auditor, executive officer or employee of such corporation or organization.
(2) Outside directors and corporate auditors shall not be a director, corporate auditors, executive officer or employee of a company of which the Group is a major shareholder (a corporate that holds 10% or more of the total outstanding shares of the company or that is one of the company's top five shareholders).
(3) Outside directors and corporate auditors shall not be a director, corporate auditors, executive officer or employee of a major business partner of the Group.
A "major business partner of the Group" refers to any of the following:
a. A business partner to which the amount of money paid from the Group accounts for 2% or more of the Group's consolidated sales on average over the last three fiscal years of the Group, including the most recent fiscal year
b. A business partner from which the amount of money received by the Group accounts for 2% or more of the Group's consolidated sales on average over the last three fiscal years of the Group, including the most recent fiscal year
(4) Outside directors and corporate auditors shall not be a director, corporate auditors, executive officer or employee of a company for which the Group is a major business partner.
A "company for which the Group is a major business partner" refers to any of the following (except in the case where (5) applies):
a. A company from which the amount of money paid to the Group accounts for 2% or more of

the company's consolidated sales on average over the last three fiscal years of the company, including the most recent fiscal year

b. A company for which the amount of money received from the Group accounts for 2% or more of the company's consolidated sales on average over the last three fiscal years of the company, including the most recent fiscal year

(5) If outside directors and corporate auditors are consultants or accounting or legal professionals, the outside directors and corporate auditors or the corporation or organization to which they belong shall not receive any of the following remuneration from the Group other than their director or corporate auditors remuneration.

a. (For individuals) Remuneration of ¥10 million or more per year

b. (For corporations, organizations, etc.) Remuneration of 2% or more of the consolidated sales of a corporation, organization or the like to which the outside directors or corporate auditors belong or ¥10 million or more per year, whichever is higher, on average over the last three fiscal years of such corporation, organization or the like, including the most recent fiscal year

(6) Outside directors and corporate auditors shall not have a position in a corporation or foundation to which the Group contributes ¥10 million or more annually.

(7) The tenure of the Group's outside director shall not exceed 10 years.

(8) The tenure of the Group's outside corporate auditors shall not exceed 12 years (3 terms).

[Incentives]

Incentive Policies for Directors	Introduction of Performance-Linked Compensation System, Etc.

Supplementary Explanation

Total director remuneration is determined within limits set by resolution of the General Meeting of Shareholders. In addition to base monthly remuneration and performance-linked bonuses determined by results for the fiscal year and other factors, a resolution was approved at the 153rd General Meeting of Shareholders on June 20, 2018, for the introduction of restricted stock compensation plan in lieu of the stock option plan, in order to further promote shared value with shareholders and provide an incentive to directors to promote continuous enhancement of corporate value by further increasing the linkage between director compensation and medium- and long-term business performance. In addition, it was resolved to set the amount of compensation at a maximum of ¥750 million. Outside directors only receive base remuneration.

The total number of shares of the Company's common stock to be issued or disposed for the granting of restricted stock is 75,000 shares or less per year.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors

Supplementary Explanation

FY2023 remuneration for directors and corporate auditors consisted of ¥501 million for six directors, of whom four outside directors received ¥70 million, and ¥124 million for six corporate auditors, of whom four outside corporate auditors received ¥54 million.
The two directors who received total consolidated compensation of ¥100 million or more in FY2023 are as follows.

Name	Position	Category	Amount of remuneration paid (Millions of yen)				
			Total	Base remuneration	Performance-linked remuneration, etc.	Stock options	Non-monetary remuneration
Isao Teshirogi	Director	Shionogi & Co., Ltd.	272	96	96	-	80
Takuko Sawada	Director	Shionogi & Co., Ltd.	157	60	60	-	37

Note: Director remuneration for FY2023 included ¥156 million in bonuses for directors, for which the four outside directors are ineligible. The amount of non-monetary remuneration, etc. above is recorded as expenses in the current fiscal year.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Remuneration for directors is determined within the total amount of remuneration set by resolution of the General Meeting of Shareholders. This is comprised of monthly fixed base remuneration, bonuses determined by results and other factors for each fiscal year, and restricted stock compensation introduced in FY2018 (consisting of medium-term performance-linked compensation and long-term stock-based compensation). Outside directors only receive base remuneration.
Base remuneration is determined based on the base remuneration table according to the position and role of directors with due consideration of the management environment and global trends.
Bonuses are paid as cash remuneration, which reflects performance indicators (operating profit excluding sales of assets, etc., consolidated profit and other total performance evaluation of duties as directors) to heighten the awareness of improving performance for each fiscal year. As short-term incentives, they are determined based on the calculation table according to performance such as achievement of targeted profits and other factors in each fiscal year and paid in June of each year.
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 FY2025 for the portion to be granted for the three years between FY2023 and FY2025 from the period of Phase 2 of STS2030 Revision (FY2023 to FY2030), using revenue, overseas net sales CAGR, EBITDA, ROE and the ranking in total shareholder return (TSR) among 11 competitors including the Company (relative TSR) as quantitative indicators and taking into consideration the status of ESG, compliance and investment. Thus, the ratio of lifting the transfer restriction (100% to 0%) is determined. 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 "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, President and CEO. The Compensation Advisory Committee deliberates the policy and criteria for the entrustment and provides the Board of Directors with the results as recommendations for their resolution, and Isao Teshirogi, Representative Director, President and CEO, to whom such determination is entrusted, shall make decisions in accordance with said recommendations and the abovementioned resolution by the Board of Directors.

Following revisions in FY2021 to the medium-term performance-linked, stock-based remuneration table so as to place more emphasis on performance and on the standpoint of shareholders, the system is designed so that the targeted ratio for each type of remuneration, etc. will be base remuneration: performance-linked remuneration, etc.: non-monetary remuneration, etc. = roughly 1:1:1 on the premise that all KPIs are achieved.

(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 FY2023 is about 36%, due in part to the achievement status of the profit target and the impact of share prices on stock-based compensation.

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

As an advisory body to the Board of Directors, the Company's Compensation Advisory Committee consists of six 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.

<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 responsibilities. More specifically, remuneration for executive directors shall comprise base remuneration as fixed remuneration, performance-linked remuneration, etc. (bonuses as monetary

remuneration) and stock-based compensation, 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 monthly fixed remuneration and determined based on the base remuneration table established according to their rank and job responsibilities 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 that reflects performance indicators (KPIs) to heighten the awareness of improving performance for each fiscal year, and paid as a bonus in June of each year in an amount calculated according to the degree of achievement against targeted figures for consolidated operating profit and consolidated profit of each fiscal year. The performance indicators to be targeted and the figures thereof shall be set at the time of formulating the Medium-Term Business Plan so that they are in line with the Plan, and 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 being employed by the Company; and the medium-term performance-linked stock-based compensation that is linked to performance. For the long-term stock-based compensation system, the number of shares to be granted shall be determined based on the stock-based compensation table established, according to rank and job responsibility, by the Board of Directors after deliberation by the Compensation Advisory Committee.

With respect to the medium-term performance-linked stock-based compensation, the number of shares to be granted shall be determined based on the stock-based compensation table established, according to rank and job responsibility, by the Board of Directors after deliberation by the Compensation Advisory Committee. Restricted stock shall be granted in July of each year, and performance shall be evaluated based on the status of achievement in FY2025 for the portion to be granted for three years between FY2023 and FY2025 from the period of Phase 2 of STS2030 Revision (FY2023 to FY2030) to determine the ratio of lifting the transfer restriction (100% to 0%). 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, shall be paid as monetary compensation. Using revenue, overseas net sales CAGR, EBITDA, ROE and the ranking in total shareholder return (TSR) among 11 competitors including the Company (relative TSR) as quantitative indicators, performance evaluation is determined 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 investment.

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

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

(Note) Performance-linked remuneration, etc. comprises director and executive director 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 representative directors pursuant to a resolution at the Board of Directors, and the details of the authority shall be evaluation and allocation of bonuses taking into account the amount of base remuneration for each director based on the base remuneration table and results of the business of which the director is in charge.

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

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

The Compensation Advisory Committee consists of six members, a majority of whom are outside directors, and is chaired by an outside director. 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.

[Supporting System for Outside Directors and/or Corporate Auditors

For matters related to proposals by the Board that are deemed to be crucial and to require advance reference materials and discussion, managers, including the manager of the Secretary Office and the general manager of the Administration Department, and standing corporate auditors shall provide information in an appropriate manner, including direct discussion, to outside directors and outside corporate auditors, respectively.

In addition, information, which is obtained through means including the proceedings of important meetings, collaboration between accounting auditors and the Internal Control Department, and the exchange of opinions with the Representative Director, are shared with corporate auditors.

【Status of Those Who Retired as Representative Director and President, etc.】

Name	Title & Position	Tasks	Working Form & Conditions (full-time, part-time, remuneration, etc.)	Retirement Date	Term of Office
Motozo Shiono	Honorary Advisor	1. Providing advice based on his accumulated experience and expertise to the incumbent management team only upon request; having no access rights to information related to business management, including Board of Directors materials; and having no involvement in management judgement 2. Passing on the established personal connections to the incumbent management team, thereby contributing the incumbent management team to promote stable business management and further growth 3. Providing support and advice in penetrating the Company Policy of SHIONOGI 4. Performing duties in the posts, which he assumed at external entities before retirement as a director of the Company, upon request of the Company or entities	Part-time position without remuneration	June 23, 2020	Indefinite

Total number of advisors, etc. who used to be the Representative Director and President, etc.: 1

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions

To ensure the performance of duties based on appropriate management decisions, the Company strengthens the monitoring functions of the Board of Directors, which deliberates matters mainly relating to the Company's management foundation, such as its management philosophy and business plans, as well as important matters concerning business execution by tapping into the management experience and professional knowledge of outside directors and outside corporate auditors. This has resulted in the establishment of a framework in which each executive organization reports the progress

of business execution on matters for which a management decision was made to the Corporate Executive Management Meeting, the Board of Directors, etc. on a timely basis. The Company has opted to be a company with a corporate auditor Board to ensure such duties are executed in a legally compliant and smooth manner, by coordinating the audit functions of the corporate auditor, the business audits by the Internal Control Department, which is an internal audit function, and the supervisory functions of the Board of Directors. The Company has a framework that separates business management and business execution, under which the Board of Directors is responsible for developing the Group's medium- to long-term plans and making management decisions in line therewith, while the Business Execution Framework that is mainly comprised of executive officers is responsible for business execution through rapid and flexible decision-making. The Board of Corporate Auditors and the external auditors form the Audit Framework for overseeing management and auditing business execution. The Boards and the Frameworks form the structure that fulfills their respective roles and responsibilities from an independent perspective.

Board of Directors

Aiming to strengthen the Board's oversight of business execution, the Company appointed two outside directors for the first time at the Annual General Meeting of Shareholders in FY2009 and now has four outside directors in a team of six directors, two of whom are female, to promote highly transparent and impartial management by drawing on perspectives from outside the Company. The appointment of these outside directors (more than half of the six directors) is allowing the Company to maintain a system that ensures fair and efficient management. All four outside directors are independent appointments and understand corporate responsibility of the Company, contributing to increasing transparency in management.

The Board of Directors meets once a month, in principle, to make decisions on important matters that affect business and supervise business execution. In FY2023, the Board met 13 times and made decisions appropriately on important matters that required management decisions in accordance with the law and the Articles of Incorporation. The attendance rate of directors and corporate auditors was 100% for all Board meetings.

The Board of Directors is advised by the Nomination Advisory Committee (four outside directors, one inside director, one standing corporate auditor, and one outside corporate auditor) and the Compensation Advisory Committee (four outside directors, one inside director, one standing corporate auditor, and one outside corporate auditor), which are chaired by outside directors. To ensure management decisions are equitable, these committees carefully assess the aptitude of candidates for director positions, the impact directors have on business management, and the suitability of individuals for certain roles and their respective levels of remuneration.

Business Execution Framework

In addition, the Company has introduced an executive officer system to support dynamic and flexible business operations, enabling the Group to respond rapidly to significant changes in the operating environment. The Company has also established the Corporate Executive Meeting as a body to discuss business execution. It is composed of directors, standing corporate auditors and those responsible for business execution and meets every week in principle. The Corporate Executive Meeting is a forum for discussing issues related to business execution and important management matters.

Business execution involves ten divisions – the Drug Discovery Research Division, the Pharmaceutical Technology Research Division, and the Drug Development and Regulatory Science Division, which engage in research and development; the Pharmaceutical Commercial Division, which communicates

information about drugs; the Integrated Disease Care Division, which collects and analyzes healthcare information to maximize the value of products and the Company; the Vaccine Business Division, which engages in the establishment and promotion of the vaccine business, a new business platform for the Company; the Corporate Strategy Division, which is responsible for formulating company-wide strategies for the optimal allocation and utilization of managerial resources; the Administration Division, which is in charge of enhancing engagement with stakeholders; the DX Promotion Division, which aims to create healthcare solutions by building infrastructure for data utilization using IT and digital technology; and the Corporate Quality Assurance and Ethics & Compliance Management Division, which is responsible for strengthening the compliance framework to provide products and services of reliable quality. These business divisions are supervised in terms of four major value chains. The Corporate Executive Meeting thoroughly deliberates on the execution of business, and the Board of Directors makes decisions on matters that affect management significantly.

Audit Framework

To ensure directors and each organization in the Company conduct their duties in a legally compliant and appropriate manner, the Company has established systems to enable corporate auditors and the Internal Control Department, which is responsible for conducting internal audits, to carry out audits of business execution and exchange opinions with the representative directors as required. The Board of Corporate Auditors consists of two full-time corporate auditors and three outside corporate auditors. Corporate auditors attend important meetings such as the Board of Directors and Corporate Executive Meeting, express necessary opinions, and conduct business audits and accounting audits in accordance with the "Code of Audit and Supervisory Board Member Auditing Standards" by directors and each person in charge of business execution regarding to verifying the legality and validity of our business. Corporate auditors receive reports from the Accounting Auditor on the details of the accounting audit and take measures such as exchanging opinions. Corporate auditors also regularly receive reports from the Internal Control Department on the content of internal audits and take measures such as exchanging opinions to ensure coordination among corporate auditors, the Accounting Auditor and the Internal Control Department.

In addition, the Company has concluded an audit contract under which Ernst & Young ShinNihon LLC serves as its external auditor for conducting accounting audits. The certified public accountants who are the employees who conduct accounting audits for the Company are Koichiro Kitaike and Naoki Nakazawa.

3. Reasons for Adoption of Current Corporate Governance System

The SHIONOGI Group has adopted a Company with a Board of Corporate Auditors corporate governance system to support efficient management oversight. Using this system, the Group is working to strengthen the audit capabilities of corporate auditors and the monitoring functions of the Internal Control Department to ensure business execution is based on appropriate management decisions.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company has a basic policy of sending notifications no less than three weeks before the date of the general shareholder meeting. Notifications sent: May 29, 2024; commencement of electronic provision measure: May 22, 2024
Scheduling AGMs Avoiding the Peak Day	The Company selects a day for the General Meeting of Shareholders on which many other companies are not holding their meetings so that many shareholders may attend.
Allowing Electronic Exercise of Voting Rights	The Company has allowed electronic exercise of voting rights since the voting at the 144th General Meeting of Shareholders held in June 2009.
Participation in Electronic Voting Platform	The Company has participated in an electronic voting platform and enabled its use since the voting at the 144th General Meeting of Shareholders held in June 2009.
Providing Convocation Notice in English	The Company translates the Notice of Convocation into English and makes it available on its website.
Other	The Company announces the General Meeting of Shareholders on its website prior to sending the Notice of Convocation, and works to make voting smoother. For shareholders who are unable to attend the meeting in person, a video and narration of the business report have been disclosed on the website since the 155th Annual General Meeting of Shareholders held in June 2020 to revitalize the meeting and ensure access to information, and at the 156th Annual General Meeting of Shareholders, the Company is working to revitalize the General Meeting of Shareholders and introduce information accessibility by incorporating live streaming.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company codified its disclosure policy on January 1, 2012, and announced its commitment to fair disclosure by providing information on its website in both Japanese and English.
Regular Investor Briefings for Individual Investors	In FY2023, the Company participated in briefings for individual investors hosted by securities companies.
Regular Investor Briefings for Analysts and Institutional Investors	The Company gives presentations of financial results four times a year and gives an R&D presentation once a year. Immediately after announcing year end and first-half results, the Chairman of the Board and Representative Director, President and CEO primarily gives presentations with support as needed from the senior executive officers and the Vice President of the Finance & Accounting Department, among others. The senior executive officers and the Vice President of the Finance & Accounting Department, among others, hold web-conferences with analysts and institutional investors to present first and third quarter financial results. In FY2023, the Company held a

	Sustainability Meeting as a new initiative. This was also attended by outside directors and was aimed at promoting constructive dialogue with analysts and institutional investors. The Company holds small meetings with analysts and institutional investors on a regular basis, with due attention paid to fair disclosure rules. Furthermore, in FY2023, the Company gave presentations on Xocova (Ensitrelvir), a COVID-19 therapeutic drug, and the HIV business. The Company also holds individual meetings with analysts and institutional investors in an appropriate manner.
Posting of IR Materials on Website	The Company provides information for investors that include information about financial results, press releases, annual and quarterly securities reports, the SHIONOGI Business Report, presentation materials and presentation recordings, the Integrated Report, the status of the development pipeline, the Corporate Governance Report, and non-financial matters. Major IR materials in English are disclosed at the same time as those in Japanese. Investor relations information website in Japanese: https://www.shionogi.com/jp/ja/investors.html Investor relations information website in English: https://www.shionogi.com/global/en/investors.html
Establishment of Department and/or Manager in Charge of IR	Corporate Communications Department

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In accordance with the Company Policy of SHIONOGI – the Group's management philosophy – we believe it is our social mission to continually discover, develop, manufacture, and supply useful and safe medicines and to help improve the health, medical treatment, and quality of life of people around the world, and we make every effort in our daily business activities to enable SHIONOGI people to contribute to all stakeholders. In the course of such business activities, we believe it is important to always ask ourselves "For whom does a company exist?" and continue to face our four stakeholders – shareholders/investors, customers, society and employees – with optimal balance. Based on this belief, we have formulated the SHIONOGI Code of Conduct to realize the Company Policy of SHIONOGI globally, as well as the SHIONOGI Group Compliance Policy as a standard for compliance. All officers and employees are committed to putting them into practice.
Implementation of Environmental Activities, CSR Activities etc.	Under the Company Policy of SHIONOGI, which is the Group's management philosophy, and the SHIONOGI Code of Conduct, we aim to solve social issues and meet medical needs through our business activities to grow into a company that is needed by society and share the results of our efforts with our stakeholders. To achieve this goal, we

	have identified materiality (material issues) that the Group will work on as a priority, based on its importance to society and relevance to our business, and are strengthening our efforts to address such materiality (material issues). We have established the Sustainability Management Department and the Corporate Social Responsibility Department to promote various activities that contribute to sustainability, including CSR promotion activities, based on materiality in order to contribute to a sustainable society. We are also striving to enhance information dissemination to stakeholders. **Environmental Considerations** We have established the SHIONOGI Group EHS Policy, as we recognize an obligation to protect the global environment and prevent pollution as a pharmaceutical company and corporate citizen that contributes to the maintenance and improvement of the health and wellbeing of people as well as their quality of life. We have also established the SHIONOGI Group EHS Action Targets, which consist of targets relating to matters including "AMR," "climate change," "resource conservation and recycling," and "water." We implement them in all of our corporate activities, including the supply chain, with the aim of achieving the image of what SHIONOGI should be. **Respect for Human Rights** In recognition of the importance of respecting the human rights of all stakeholders in the course of our business activities, we promote initiatives that are in line with the SHIONOGI Group Human Rights Policy, which was established based on the UN Guiding Principles on Business and Human Rights (UNGPs). (1) Responding to the UK Modern Slavery Act 2015 (2) Conducting Human Rights Impact Assessments (3) Validity assessments by external experts **Supplying Socially Responsible Products and Services** We promote the following initiatives to deliver high-quality SHIONOGI products and services along with peace of mind to society while pursuing responsible support for ensuring credibility and stable supply: (1) Stable supply of products and services (2) Strengthening of the monitoring system regarding compliance with laws, ordinances and guidelines related to the production and sales of pharmaceuticals (3) Ensuring proper use of medicines and creation of an in-house system **CSR Activities**

	We conduct the following CSR activities, thereby providing solutions to problems for patients and their families and offering care for the entire range of diseases through various approaches, mainly by taking advantage of our strengths in drugs, with the aim of achieving the vision outlined in the Medium-Term Business Plan STS2030: (1) Support for children's bright futures: Together with organizations related to support for developmental disabilities (local governments, support organizations, other industry groups, etc.), we conduct training and awareness-raising activities to train support personnel, as well as support activities for affected individuals and their families, so as to promote greater understanding of developmental disabilities, achieve earlier detection and intervention, and realize consistent support according to life stages, including the working stage. (2) Promoting appropriate use: In cooperation with government agencies, local governments, healthcare professionals, NGOs, other companies, etc., we provide educational seminars and disseminate online contents regarding the proper use and management of opioids, the prevention of COVID-19 and other infectious diseases, and the antimicrobial resistance (AMR). We are also conduct the following activities to offer medical access without disturbance by social challenges, including the country's economic situation and the person's disabilities: (1) Eliminating barriers in Japan and the U.K. for people with disabilities to taking medicine: We conduct activities to eliminate communication barriers between people with disabilities and healthcare professionals when receiving medication instructions. (2) Contributing to maternal and child health in low- and middle-income countries: We conduct activities to reduce maternal, neonatal and infant mortality rates and enhance people's health in Kenya and Ghana, which are supported by donations of the Company and employees. We also provide research grants through a foundation, relief money to disaster areas by the Social Contribution Support Association we established jointly with employees and labor unions, and donations to various organizations. Integrated Report and Environment Report: https://www.shionogi.com/global/en/investors/ir-library/annual-report-integrated-report.html Social contribution activities page: https://www.shionogi.com/global/en/sustainability/society/social-

	contribution-activities.html
Development of Policies on Information Provision to Stakeholders	Regarding information disclosure, as in I. 1. (5) Principle 5.1 Policy for Constructive Dialogue with Shareholders, we have established a system and policy (Disclosure Policy) for disclosing appropriate information at the appropriate time.
Other	Based on one of the Values in our management philosophy, "Build greatness out of diversity," the Group aims to continue to create innovations that society needs by integrating diverse human resources with various characteristics and values toward a common goal. To promote diversity in corporate governance, we have increased the number of female directors to two in the Board in FY2020 and appointed a female corporate auditor in FY2023. We have also appointed one non-Japanese as an executive officer responsible for business execution.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

SHIONOGI's basic policy for its internal control system is as follows. We have established and operate our internal control system in compliance with this policy.

The Basic Policy for Construction and Operation of Internal Control System

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

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

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

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

To this end, the Company will work to ensure the implementation of the Company Policy of SHIONOGI, which has been set forth as the Company's management philosophy, and the SHIONOGI Group Code of Conduct, which defines how officers and employees should act, thereby having the significance of the Company's existence fully understood. At the same time, as for corporate ethics, focusing on the importance of behavior appropriate for respected members of society, the Compliance Committee, which is chaired by the representative director, will formulate and promote various measures to ensure and enhance compliance with laws/regulations and ethical behavior in our business activities.

Based on the SHIONOGI Group Code of Conduct, the Company consistently and resolutely resists the influence of antisocial forces and precludes any connection with them. The Company will have a corporate governance system in which the Board of Directors is placed based on the institutional design of a company with a Board of Corporate Auditors. Outside directors shall account for a majority or more of the members of the Board. The Board of Directors will make overall management decisions, taking into consideration objective perspectives based on requests from the shareholders and other stakeholders. Note that the Company has also established the Nomination Advisory Committee and Compensation Advisory Committee as voluntary committees.

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

In order to fulfill its function as a monitoring board, the Board of Directors will make decisions on important matters concerning business management based on multifaceted business judgments, in accordance with the Board of Director Regulations. The Board will also grasp and supervise the execution of duties in a timely manner and prevent the violation of laws and regulations, or the Articles of Incorporation. In the event a director discovers that another director has violated laws and

regulations, and/or the Articles of Incorporation, the director shall immediately report to the Board of Corporate Auditors and the Board of Directors and make corrections.
Outside directors, as independent directors, shall recognize the corporate responsibility the Company should fulfill, and contribute to the achievement of highly transparent management based on their expert knowledge. The representative director shall promote the maintenance and implementation of internal control on financial reporting and adequately evaluate and report on its effectiveness in order to ensure the reliability of financial reporting.
The corporate auditors will audit the execution of duties by the directors, and the directors will co-operate in such audit.

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

(3) A system and other rules for management of risk of loss:
The Group will work to properly manage its risks, such as by creating business opportunities and avoiding or reducing risks, in accordance with the SHIONOGI Group Risk Management Policy. At the same time, the Group has established, as an important framework for its management strategy and management foundation, the Enterprise Risk Management system, which includes the management of crises such as pandemics, natural disasters, terrorism and cyber-attacks, to supervise Group-wide business risks. The basic idea of this framework is that the organizations of the Company and its Group companies recognize risks related to decision-making and business execution and manage the risks and implement countermeasures on their own initiative. The enterprise risk management function submits an action proposal on the Group-wide risk management plan for the year to the Corporate Executive Management Meeting and the Board of Directors at the beginning of the year to obtain their approval. At the same time, the function monitors the status of implementation of the proposal and reports the results at the end of the year. The progress is reported in a timely manner as needed, with activities to further identify issues and make improvements promoted based on the feedback received.
Crisis risk management, in accordance with the newly formulated risk management regulations and others, aims to establish and promote a comprehensive management system, including business continuity plans. The main purpose for implementing this management is to ensure respect for human life, give consideration to the local community, contribute to and prevent the erosion of corporate value. In the event a crisis occurs, the Company will strive to overcome the said crisis through quick response. To this end, the Company continuously carries out various drills on a company-wide level that includes management, assuming the occurrence of a crisis.
The Internal Control Department (section for internal audit) verifies the management system for various internal risks from an independent standpoint.

(4) A system to assure efficient execution of the directors' duties:
The Company aims to clarify its role of executing and supervising operations and also is introducing a corporate executive officer system to implement agile and flexible management. The regularly (weekly)-held corporate executive meeting will fully discuss the material matters regarding the

business operation, and the Board of Directors will make a decision based on the result of such deliberation.

Resolutions of the Board of Directors and matters deliberated by the Corporate Executive Management Meeting will be communicated to the general manager of the related department allocated the role of execution of business operations. A suitable individual, within the scope of their authority and responsibilities, shall perform procedures to implement the smooth execution of operations in accordance with rules for administrative duties and the division of duties.

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

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

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

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

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

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

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

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

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

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

The Internal Control Department will conduct internal audits to check the appropriateness and effectiveness of the business operations of group companies. In addition, members of the Finance & Accounting Department and the Internal Control Department will be dispatched to group companies as auditors and perform audits.

(7) Matters regarding employees assigned to assist the corporate auditor 's duties by the request from the corporate auditors, and matters regarding independence of such employees from the directors:

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

The Company will ensure the system that the employees assigned will be independent from the directors.

The Company will make it generally known among the directors and employees that employees assigned to assist the corporate auditor's duties follow the instructions of corporate auditor.

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

The corporate auditors will attend the material meeting such as the Board of Directors and the corporate executive meeting, etc. and establish the system to obtain the information relating to the business operation and management, and efficacy of the internal control in a timely manner. The Board of Corporate Auditors may directly instruct directors and corporate officers etc. to report on the business operations. The directors or responsible employees for execution will inform the corporate auditor, either in writing or orally, of a fact that could cause substantial damage to the Company or group companies, a potential and actual situation that markedly impairs the Company's reputation, and illicit or wrongful acts by the officers or employees such as breaches of the law. The Company will guarantee that officers or employees of the Company or group companies who make reports to the corporate auditors do not receive unfavorable treatment as a result of making such reports. When a corporate auditor makes a claim to the Company for prepayment of expenses or other reason related to the execution of these duties, the Company will promptly process such expenses or debt, except where it is considered necessary.

(9) Other systems to assure effective audits by corporate auditors:

The Corporate Auditors will improve upon the audit to make it more effective by cooperating with the accounting auditors and the Internal Control Department in conducting the audit as well as in advising and recommending, and by regularly holding opinion exchange meetings with the representative directors.

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

2. Basic Views on Eliminating Anti-Social Forces

The Company is confronted by anti-social forces that disturb social order and threaten the safety of citizens and employees, and that damage corporate value if we have any dealing with them. The General Administration Department and the Legal Affairs Department lead our efforts to preclude relationships with anti-social forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

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

2. Other Matters Concerning to Corporate Governance System

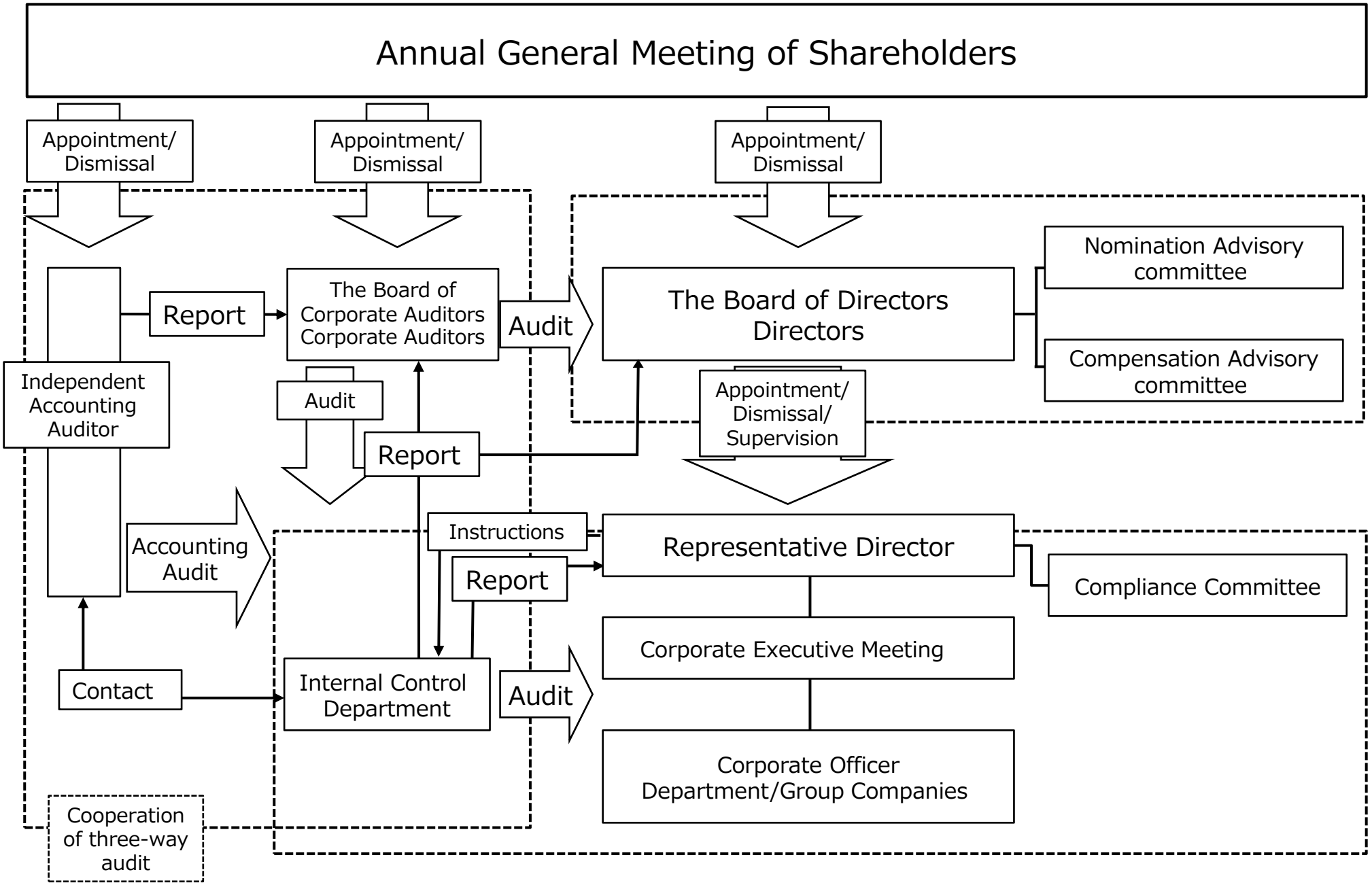
The Company's Internal System for Disclosing Appropriate Company Information at the Appropriate Time

At the Company, important matters that significantly affect the investment decisions of investors, such as financial results information and the status of R&D progress, are discussed by the Corporate Executive Meeting, with some matters receiving the authorization of the Board.

The disclosure procedures for this information and information and other matters that internal departments and subsidiaries have indicated are urgent are as follows.

(1) For financial information, the director responsible for the Corporate Communications Department is responsible for information disclosure, along with the director responsible for accounting and finance, the general manager of the Finance and Accounting Department, and the general manager of the Corporate Communications Department.
(2) For non-financial information, the director responsible for the Corporate Communications Department, the executive responsible for information disclosure, and the general manager of the Corporate Communications Department determine the necessity and timing of disclosure of company information and disclose appropriate information at the appropriate time.

The Company will work to ensure that the scope and content of disclosed information are valid and the timing of disclosure is appropriate in order to disclose information quickly, accurately and fairly. SHIONOGI will also continuously implement required revisions to maintain and improve the previously mentioned system and Disclosure Policy for smoothly promoting disclosure procedures.


Annual General Meeting of Shareholders
Appointment/ Dismissal
Appointment/ Dismissal
Appointment/ Dismissal
Nomination Advisory committee
Compensation Advisory committee
Report
The Board of Corporate Auditors Corporate Auditors
Audit
The Board of Directors Directors
Independent Accounting Auditor
Audit
Report
Appointment/ Dismissal/ Supervision
Instructions
Representative Director
Compliance Committee
Accounting Audit
Report
Corporate Executive Meeting
Contact
Internal Control Department
Audit
Corporate Officer Department/Group Companies
Cooperation of three-way audit

		Corporate management, Management strategy	Finance, Accounting, Tax affairs	Law, Compliance, Intellectual property	Science, Technology, Innovation	Sales, Marketing	Manufacturing, Quality, Supply Chain	Global business	Personnel, Labor affairs, Human capital development, D&I	Corporate governance	Risk management	SDGs/Sustainability	Partnering, M&A, New business development
Director	Isao Teshirogi	●		●	●		●	●		●	●	●	●
	Takuko Sawada	●			●	●		●	●	●	●	●	●
	Keiichi Ando	●	●					●	●	●	●	●	●
	Hiroshi Ozaki	●			●	●	●	●		●	●	●	●
	Fumi Takatsuki			●				●	●	●	●	●	
	Takaoki Fujiwara	●				●			●	●		●	
Corporate Auditor	Akira Okamoto			●		●			●	●	●	●	
	Noriyuki Kishida			●		●			●	●	●	●	
	Tsuguoki Fujinuma		●	●				●		●	●	●	
	Shuichi Okuhara	●	●		●				●	●			●
	Yoriko Goto	●	●					●	●	●	●	●	