Translation for reference only

Corporate Governance Report

CORPORATE GOVERNANCE

Shionogi & Co., Ltd.

Last Update: June 29, 2026
Shionogi & Co., Ltd.
Isao Teshirogi
Representative Director, President and CEO
Contact: Yoshimasa Kyokawa
Vice President, Corporate Communications Department
Securities Code: 4507
https://www.shionogi.com/global/en/

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

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.
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. In addition, the Company provides information on the pharmaceutical industry and the SHIONOGI Group to outside directors, and works to enhance collaboration among outside directors and between outside directors and senior management. At Board of Directors meetings, independent outside directors actively engage in discussions.

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

[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 FY2025, the Company reduced its cross-shareholdings in one company 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, equity, and inclusion (DE&I). 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 nationalities, 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.

Diversity, Equity and Inclusion: 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. We established the SHIONOGI Group Code of Conduct as a standard for the daily activities of Group employees in order to make the Company Policy 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 taking the initiative in promoting and ensuring thorough understanding and implementation of the SHIONOGI Group Code of Conduct, and will establish an effective internal system to that end.

The Group periodically investigates and confirms the penetration of the Company Policy of SHIONOGI and the SHIONOGI Group Code of Conduct, as well as our corporate culture and climate aligned with them.

Management Philosophy: https://www.shionogi.com/global/en/company/business.html

Management Policy: https://www.shionogi.com/global/en/investors/management-policy.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 for determining remuneration for Directors by the Board of Directors are described in Section II. 1. of this report under "Matters Related to the Organizational Composition and Operation, etc. – Matters Related to Director Remuneration."

iv) Board policies and procedures in the appointment of the senior management and the nomination of director candidates

The guidelines and procedures of the Board in the nomination of candidates for Directors are as follows.

Guideline

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.

(1) Independent directors shall account for half or greater than half of the board.

(2) Various aspects including management experience, specialized knowledge in areas such as law and finance, medical and pharmaceutical viewpoints, and knowledge and experience in international business, as well as the overall balance of the Board of Directors, shall be considered.

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

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

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

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

Procedures

The Nomination Advisory Committee, which is comprised of a majority of independent outside directors and is chaired by one of them, conducts fair, transparent, and rigorous deliberations, and the candidates are determined by the Board of Directors based on the Committee's recommendations. Approval from the Audit and Supervisory Committee shall be required in the case of directors who are members of the Committee.

v) Explanations with respect to the individual nominations based on iv)
The reasons for the nomination of candidates for Directors (excluding Directors who are Audit and Supervisory Committee Members) and candidates for Directors who are Audit and Supervisory Committee Members are provided in the Reference Documents for the Notice of the Annual General Meeting of Shareholders (the 161st Annual General Meeting of Shareholders in June 2026 and the 160th Annual General Meeting of Shareholders in June 2025). To prepare for the possibility that the number of Directors who are Audit and Supervisory Committee Members may fall below the statutory requirement, the Company has pre-nominated a substitute Director who is an Audit and Supervisory Committee Member. The reason for the nomination of this candidate is also provided in the Reference Documents for the Notice of the 160th Annual General Meeting of Shareholders.
General Meeting of Shareholders: https://www.shionogi.com/global/en/investors/shareholder-information/general-meeting-of-shareholders.html

[Supplementary Principle 3.1.3 Initiatives on Sustainability]
The Group aims to grow as a company that is essential to society by addressing healthcare-related social issues through its business activities and contributing to the realization of a sustainable society, while sharing the resulting value with its stakeholders. To this end, we identify SHIONOGI's materiality (material issues) by capturing internal and external environmental changes and conducting analyses and evaluations of risks, opportunities, and their respective timeframes, and we are working together as a Group to address them.
Material Issues: https://www.shionogi.com/global/en/company/strategy/important-issues.html

With regard to investment in human capital, based on the philosophy that "People are the source of competitiveness," the Group has defined its ideal human resources ("SHIONOGI Way") as individuals who possess strengths that attract others, continuously seek to enhance their knowledge and skills, and proactively take on challenges and see them through. To achieve the goals of the Medium-term Business Plan, "Shionogi Transformation Strategy 2030 (STS2030) Revision," we aim to develop strong individuals capable of succeeding in global competition and to build an organization that leverages diverse talent. Based on the strategies of "Talent Capability" (transforming the talent portfolio to realize STS2030), "DE&I" (securing diverse values and fostering inclusion of varied talent), and "Engagement" (embodying and promoting our management philosophy), we are advancing various HR initiatives. Relevant qualitative and quantitative indicators are disclosed in the integrated report and on our website.

Our investment in intellectual property is based on the Group's policy toward social issues in the healthcare field to solve unmet needs, with the aim of protecting people from the threat of infectious diseases and contributing to a healthy and prosperous life. Therefore, we promote R&D aimed at realizing the total care of diseases, including not only treatment, but also diagnosis and prevention, by expanding new modalities and acquiring new technologies, centered on our long-standing strength in small molecule discovery. We seek to increase corporate value by protecting the various innovations created from these R&D adequately and reliably as intellectual property. We also disclose, through our website, press releases, and integrated report, and other publications, the relationships between our R&D strategy and our business and management strategies, as well as our intellectual property strategy, which supports our competitive advantage. We further disclose 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
Improving Affordability for Patients in Need: https://www.shionogi.com/global/en/sustainability/improve-access-to-healthcare/improving-affordability.html?utm_source=chatgpt.com

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 collaborated to conduct 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, in response to global efforts to reduce greenhouse gas emissions, we have devised a medium- to long-term greenhouse gas emissions reduction plan as a step toward 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.
Climate Change: https://www.shionogi.com/global/en/sustainability/environment/results/climate.html
Information Disclosure Based on the TCFD Recommendations:
https://www.shionogi.com/global/en/sustainability/environment/results/climate/tcfd.html

Details of the abovementioned initiatives and other sustainability-related initiatives are disclosed on the Company's website.
Sustainability: https://www.shionogi.com/global/en/sustainability.html?utm_source=chatgpt.com
Integrated Report / Environment Report / Response to CDP: https://www.shionogi.com/global/en/investors/ir-library/annual-report-integrated-report.html?utm_source=chatgpt.com

[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 to enable rapid and flexible business operations, in order to respond promptly to changes in the operating environment.
The Board of Directors shall make decisions in accordance with laws and regulations, the Group's Articles of Incorporation, and resolutions in the rules governing the board regarding key management policies, corporate governance guidelines, and basic policies on internal controls. Responsibility for making decisions about important matters associated with the management of business execution not covered by resolutions in the rules governing the Board shall be delegated to the management team, primarily to the Representative Director and Executive Officers.
In conjunction with the transition to a Company with an Audit and Supervisory Committee in FY2025, the Board of Directors has re-examined the resolutions and matters to be reported at the Board meetings to expand the scope of delegation to the management team and strengthen the supervisory functions of the Board of Directors by clearly specifying matters to be reported related to the execution of duties.

[Principle 4.8 Effective Use of Independent Directors]

In order to further enhance the oversight of business execution by Directors (excluding Directors who are Audit and Supervisory Committee Members), increase management transparency, and promote highly fair management from an external perspective for stakeholders, the Company's policy is to appoint independent outside directors to a majority of board seats.
In appointing independent outside directors, we shall select candidates based on standards set by Tokyo Stock Exchange and the Requirements and Independence Standards the Company has set for independent directors to fulfill their roles and responsibilities.
As of June 2026, eight of the twelve 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 outside directors are described in this report under "II. 1. Organizational Composition and Operation, [Independent Directors]."

[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 voluntary committees is described in this report under "II. 1. Organizational Composition and Operation, [Voluntary Committees]."
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 three times in FY2025 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. The Committee also conducts performance reviews of the President and prepares succession plans for Executive Officers. In addition, through proposals and reports at Board of Directors meetings and roundtable discussions with Corporate Officers, opportunities are provided for outside directors to engage in dialogue with division heads and key organizational leaders to assess and develop management talent. The Compensation Advisory Committee held three meetings in FY2025. The Committee discussed matters such as confirmation of compensation levels and various compensation ratios, performance evaluations of Directors and Executive Officers for FY2024, performance evaluation indicators for FY2025, and the appropriate design of compensation systems for Directors, Executive Officers, and employees, including stock-based compensation plans. The attendance rate of both committee members was 100% for all committee meetings.

[Supplementary Principle 4.11.1 Preconditions for Securing the Effectiveness of the Board and the Audit and Supervisory Committee]
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 the Audit and Supervisory Committee]
The status of concurrent positions held by Outside Directors is provided in "II. 1. Organizational Composition and Operation, [Directors]" of this report. In addition, the Notice of Convocation of the Annual General Meeting of Shareholders disclose each year the key concurrent positions held by Directors and Director candidates. The number of concurrent positions is determined to be within a reasonable range so that they can fulfill their roles and responsibilities.

[Supplementary Principles 4.11.3 Preconditions for Securing the Effectiveness of the Board and the Audit and Supervisory Committee]
The Board of Directors analyzed and evaluated its effectiveness in FY2025, by conducting questionnaires and interviews of individual directors, 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. Organizational Structure
We have evaluated that the Board of Directors currently has the necessary framework in place from the standpoint of diversity and various attributes, including expertise and experience, as demonstrated by the appointment of foreign nationals and women as directors. However, as a future challenge, the following needs were raised: responding to accelerating globalization in light of the Company's business expansion and changes resulting from aggressive business investments made in FY2025; promoting human resources with the necessary skills from the standpoint of diversity, including expertise; and considering specific development plans for the next generation of management candidates from the perspective of succession planning.
The Board of Directors will continue to consider ways to further strengthen the framework, taking into account the future status and direction of business development.
2. Roles and Responsibilities
In FY2025, the Company transitioned to a company with an Audit and Supervisory Committee, which we believe has further strengthened supervisory functions over business execution. By sharing the details of discussions and matters reported at Audit and Supervisory Committee meetings with the Board of Directors at each meeting, we aim to reduce the information gap among directors regarding the business execution situation. This has also led the Board of Directors as a whole to engage in more active discussions by clarifying the matters on which the Board should focus more. Furthermore, the Board of Directors and related meetings hold discussions and exchanges of opinions on matters such as significant individual projects, the next medium-term business plan, and the development of senior management members. Reports on compliance and risk management are also regularly presented at these meetings. Therefore, we conclude that the Board of Directors exercises appropriate supervisory and advisory functions.
As future challenges, the Board of Directors identified the need to re-evaluate business risks and materiality in light of changes in the internal and external business environments and to focus on deliberating the re-establishment of human capital strategies following changes to the Group's structure.
To fulfill the roles and responsibilities of the Board of Directors even more, it will continue to consider strengthening functions that lead to the enhancement of the Company's medium- to long-term corporate value by optimizing the division of responsibilities with the Audit and Supervisory Committee.
3. Operation
In further stimulating and streamlining discussions at Board of Directors meetings, periodic pre-briefings on the agendas of Board of Directors meetings have continued to be provided, and reports on the progress of matters resolved at the meetings have been received on a timely basis. In addition, we have increased off-site meetings beyond Board of Directors meetings to further deepen discussions and enhance information sharing. We have also introduced flexible operation of the Board of Directors, such as holding extraordinary Board of Directors meetings on a timely basis. Through these initiatives, we have concluded that discussions on key projects that would significantly impact our

medium- to long-term management strategy have been held swiftly.
As future challenges, the Board of Directors identified the need to manage the progress of key projects approved in FY2025, organize agenda to enhance discussions on medium- to long-term management strategies, review how to pre-brief matters for discussion, and secure time for discussions. To further enhance discussions, suggestions and requests were made regarding information provision opportunities in line with the direction of the Group's business, as well as holding operating site tours.
The Board of Directors will continue to explore ways to improve its operation.

Furthermore, in FY2025, the first year after transitioning to a company with an Audit and Supervisory Committee, we conducted self-assessments through questionnaires and interviews with all Committee members to evaluate its effectiveness. The Committee discussed the results of the questionnaires and interviews, and reported the assessment results and issues to the Board of Directors. These results and issues were reflected in the audit plans for the following year and in operational improvements. In light of the assessment results and identified issues, we will work to improve the Board of Directors' operations and further enhance the Audit and Supervisory Committee's effectiveness.
(Assessment Results)
We have confirmed that an organizational operational system has been established under a framework chaired by an Outside Director, and that supervision through reports and recommendations to the Board of Directors is functioning appropriately. We have evaluated that the effectiveness of the Audit and Supervisory Committee is ensured.
(Issues Identified and Initiatives in the Following Year)
Establishing an audit system that can respond to the Company's business expansion was identified as an issue. In FY2026, we will strengthen collaboration with the internal audit unit in order to conduct audit activities that align with changes in the business environment.

[Supplementary Principle 4.14.2 Director Training]
The Company endeavors to provide Directors with access to knowledge necessary to fulfill their roles and responsibilities, as well as management information related to business, finance, and organizational matters as needed, so that they can express candid opinions and make suggestions. In addition, training opportunities are arranged and associated costs supported as necessary.
The Company continuously organizes meetings to exchange opinions between Representative Director, President and CEO, and outside directors ("opinion exchange meetings") and the meetings to share information and study with senior management ("information sharing and study meetings"). In FY2025, in order to deepen the understanding of the Group's business, we held off-site meetings to share the status of the new medium-term business plan and the global environment of the pharmaceutical industry that forms its basis, as well as opinion exchange meetings with Corporate Officers, who are senior management candidates, and worked to enhance collaboration and information sharing 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 stipulates that the Group shall continuously disclose appropriate company information in a fair and timely manner to all stakeholders.
Shionogi Disclosure Policy: https://www.shionogi.com/global/en/company/policies/shionogi-disclosure-policy.html

Dialogue
With respect to dialogue with shareholders, the Group subscribes to a spirit of fair disclosure. We disclose appropriate information fairly and at the proper time, and strive to promote constructive dialogue to support the Group's sustained growth and the enhancement of corporate value over the medium and long term.
We engage in dialogue with a diverse range of shareholders, regardless of location (domestic or international) or investment style (e.g., active, passive, growth, value), and our management team and investor relations department collaborate to promote active engagement.
We have also established a structure for close coordination among departments involved in supporting such dialogue including those responsible for management strategy, equity affairs, IR, and finance, under the supervision of the responsible officer. Furthermore, we strive to identify our beneficial shareholders through collaboration with stock transfer agencies 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 each year. We also hold an R&D briefing and a Sustainability Meeting once a year in principle. As part of constructive dialogue to enhance corporate value, we regularly hold small meetings with analysts and institutional investors, attended by Representative Director, President and CEO, while ensuring compliance with fair disclosure rules.

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

Control of Insider Information
The Group has established its Disclosure Policy, SHIONOGI Group Information Security Standard, and Insider Trading Prevention Rules. It manages insider information in connection with disclosures and provides thorough training and guidance to directors, officers, and employees on information control and insider trading regulations.

[Actions to Implement Management that is Conscious of Cost of Capital and Stock Price]

Translation for reference only

Contents	Disclosure of initiatives (Update)
Whether or not disclosure is in English	Yes
Update Date Update	June 24, 2026

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

2. Capital Structure

Foreign Shareholding Ratio	More than 30%

[Status of Major Shareholders] Update

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	157,523,100	18.31
Custody Bank of Japan, Ltd. (Trust Account)	67,193,500	7.81
Sumitomo Life Insurance Company	55,812,000	6.48
STATE STREET BANK AND TRUST COMPANY 505001	35,504,147	4.12
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	28,455,000	3.30
Nippon Life Insurance Company	25,227,426	2.93
JP MORGAN CHASE BANK 385781	11,142,764	1.29
STATE STREET BANK AND TRUST COMPANY 505103	9,733,403	1.13
Sumitomo Mitsui Banking Corporation	9,651,864	1.12
HSBC HONG KONG－TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	8,774,534	1.02

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

Supplement Update

1. The Company owns 29,656,758 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 859,975,437 shares, which is the total number of issued shares less 29,656,758 shares of treasury stock.

Translation for reference only

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

———

Translation for reference only

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 an Audit and Supervisory Committee

[Directors]

Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 Year
Chairperson of the Board	Outside Director
Number of Directors Update	12
Appointment of Outside Directors	Appointed
Number of Outside Directors Update	8
Number of Independent Directors Update	8

Outside Directors' Relationship with the Company (1) Update

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											
Takaoki Fujiwara	From another company											
Kyoko Hirose	From another company											
Keiichi Yoshii	From another company											
Shuichi Okuhara	From another company											
Fumi Takatsuki	Lawyer											
Yoriko Goto	Certified Public Accountant											

* 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 a listed company or its subsidiaries
b Executive or non-executive director of the parent company of a listed company
c Executive of a fellow subsidiary of a listed company
d Party for which a listed company is a major client or an executive thereof
e Major client or supplier of a listed company or an executive thereof
f Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from a listed company besides compensation as a director/corporate auditor
g Major shareholder of a listed 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 a listed company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i Executive of a company with which a listed company has a mutual appointment relationship for outside directors/corporate auditors (the director himself/herself only)
j Executive of a company or organization that receives a donation from a listed company (the director himself/herself only)
k Others

Translation for reference only

Outside Directors' Relationship with the Company (2) Update

Name	Audit and Supervisory Committee Member	Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Keiichi Ando		○	≪Other major posts≫ Outside Director, TSUBAKIMOTO CHAIN CO.	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 management, investments and M&As as part of the growth strategy, capital policies, and risk management to ensure effective use of important management resources, while, as chair of the Board, taking into account the timeliness and appropriateness of the proposals. We therefore expect that he will make 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. He has served as an outside director of the Company for over 10 years, and from the perspectives mentioned above, he has contributed to highly transparent management as an independent director. He satisfies all the criteria for independence (excluding the term of office) prescribed by the Company and the requirements for independent directors set by the stock exchange, and it was determined that there is no risk of conflict of interest with general shareholders. Accordingly, he was designated as an independent director by resolution of the Board of Directors.
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 raises many pertinent questions and provides sound advice on business development, including new business investments and business alliances, and risk management, including IT, DX, and supply chains. We therefore expect that he will make management decisions with an emphasis on objectivity and impartiality, utilizing his wealth of experience and knowledge. He satisfies all the criteria for independence prescribed by the Company and the requirements for independent directors set by the stock exchange, and it was determined that there is no risk of conflict of interest with general shareholders. Accordingly, he was designated as an independent director by resolution of the Board of Directors.
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, organizational culture, quality control, risk management, and compliance.

				We therefore expect that he will make management decisions with an emphasis on objectivity and impartiality, utilizing his wealth of experience and knowledge. He satisfies all the criteria for independence prescribed by the Company and the requirements for independent directors set by the stock exchange, and it was determined that there is no risk of conflict of interest with general shareholders. Accordingly, he was designated as an independent director by resolution of the Board of Directors.
Kyoko Hirose		○	≪Other major posts≫ President, Hirose Manufacturing Co., Ltd. Outside Director, Kintetsu Department Store Co., Ltd. Outside Director (Audit and Supervisory Committee Member), Okumura Corporation	Kyoko Hirose has abundant practical experience as a manager of a company that manufactures and sells key components of industrial sewing machines on a global scale. She also serves as Vice-Chair of the Osaka Chamber of Commerce and Industry and has wide-ranging knowledge as an economic expert, including in the areas of women's empowerment and diversity. At the Company's Board of Directors meetings, she provides sound advice on organizational culture, risk management related to globalization, and compliance. We therefore expect that she will make management decisions with an emphasis on objectivity and impartiality, utilizing her wealth of experience and knowledge. She satisfies all the criteria for independence prescribed by the Company and the requirements for independent directors set by the stock exchange, and it was determined that there is no risk of conflict of interest with general shareholders. Accordingly, she was newly designated as an independent director by resolution of the Board of Directors.
Keiichi Yoshii		○	≪Other major posts≫ Representative Director and Chairman, CEO and Head of Overseas Division of Daiwa House Industry Co., Ltd.	As the top management of Japan's largest comprehensive housing manufacturer, Keiichi Yoshii promotes strengthening the management foundation by expanding earnings and reinforcing governance. He strives to establish a sustainable growth model and has extensive experience and insights in managing a group of companies. We therefore expect that he will make management decisions with an emphasis on objectivity and impartiality, utilizing his wealth of experience and knowledge. He satisfies all the criteria for independence prescribed by the Company and the requirements for independent directors set by the stock exchange, and it was determined that there is no risk of conflict of interest with general shareholders. Accordingly, he was newly designated as an independent director by resolution of the Board of Directors.
Shuichi Okuhara	○	○	≪Other major posts≫ Chairman of the Board of Directors, Nippon Venture Capital Co., Ltd.	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 performs audits that are aligned with the rapidly changing business environment. At meetings of the Board of Directors, he provides sound advice mainly on the healthcare industry in general, including investments, M&A, capital cost, and compliance. At meetings of the Audit and Supervisory Committee, he discusses and provides recommendations on significant matters concerning unscheduled audits. We therefore expect that, from an independent standpoint as an Outside Director, she will reflect the appropriateness of the Directors' management decisions and execution of duties in the Company's audits. He satisfies all the criteria for independence prescribed by the Company and the requirements for independent directors set by the stock exchange, and it was determined that there is no risk of conflict of interest with general shareholders. Accordingly, she was newly designated as an independent director who is an Audit and Supervisory Committee Member by resolution of the Board of Directors.
Fumi Takatsuki	○	○	≪Other major posts≫ Partner, Oh-Ebashi LPC & Partners	Fumi Takatsuki is expected to leverage her background as an attorney engaged in international corporate law, along with her extensive experience and specialized knowledge in legal matters related to China's life sciences and healthcare industries, to make appropriate recommendations on the

			Outside Corporate Auditor, Sankyo Seiko Co., Ltd. Outside Corporate Auditor, Daikin Industries, Ltd.	validity of management decisions and the execution of duties by directors from an independent standpoint as a director who is an Audit and Supervisory Committee member. At Board of Directors meetings, she asks pertinent questions, particularly regarding global business expansion, including in China, from an international corporate law perspective, and provides sound advice on intellectual property and compliance. At meetings of the Audit and Supervisory Committee, she discusses and provides recommendations on significant matters concerning unscheduled audits. We therefore expect that she will make management decisions in a just manner by giving priority to compliance with social norms and laws and regulations from a global perspective, and that she will reflect the appropriateness of Directors' management decisions and their execution of duties in the Company's audits from an independent standpoint as an Outside Director. She satisfies all the criteria for independence prescribed by the Company and the requirements for independent directors set by the stock exchange, and it was determined that there is no risk of conflict of interest with general shareholders. Accordingly, she was newly designated as an independent director who is an Audit and Supervisory Committee Member by resolution of the Board of Directors.
Yoriko Goto	○	○	≪Other major posts≫ Outside Director, Sony Group Corporation Outside Director, Sumitomo Mitsui Financial Group, Inc.	Yoriko Goto is expected to make appropriate recommendations on the validity of management decisions and execution of duties by directors from an independent standpoint as a director who is an Audit and Supervisory Committee member, based on her professional expertise as a certified public accountant in finance and accounting, as well as extensive management experience and broad insight through her service as the chairperson of the board of several companies. At Board of Directors meetings, she provides sound advice, mainly on governance, internal controls, M&A, financial management, risk management, and compliance. At meetings of the Audit and Supervisory Committee, she discusses and provides recommendations on significant matters concerning unscheduled audits, while, as the chairperson, taking into account the timeliness and appropriateness of the proposals. We therefore expect that, from an independent standpoint as an Outside Director, she will reflect the appropriateness of the Directors' management decisions and execution of duties in the Company's audits. She satisfies all the criteria for independence prescribed by the Company and the requirements for independent directors set by the stock exchange, and it was determined that there is no risk of conflict of interest with general shareholders. Accordingly, she was newly designated as an independent director who is an Audit and Supervisory Committee Member by resolution of the Board of Directors.

[Audit and Supervisory Committee]

Committee Composition and Chair Attributes

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	5	2	2	3	Outside Director

Directors and employees assigned to assist the Audit and Supervisory Committee Update	Assigned

Translation for reference only

Matters Related to the Independence of Said Directors and Employees from Executive Directors Update

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

Cooperation among Audit and Supervisory Committee, Accounting Auditors and Internal Audit Department Update

(Coordination between the Audit and Supervisory Committee and the Accounting Auditors)

The Audit and Supervisory Committee receives reports from the accounting auditor regarding the content of the accounting audit and holds discussions to exchange opinions. In conducting audits and providing advice and recommendations, the Committee collaborates with the accounting auditor to enhance the effectiveness of audits.

(Coordination between Audit and Supervisory Committee and Internal Audit Department)

The Audit and Supervisory Committee receives regular reports from the Internal Control Department, which is responsible for internal audits, regarding the content of such audits, and has established a system for holding discussions to exchange opinions.

The Internal Control Department will formulate audit plans, have them approved by the representative director and agreed by the Audit and Supervisory Committee, and then report them to the Board of Directors.

[Voluntary Committees]

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

Committee's Name, Composition, and Attributes of Chairperson Update

	Committee's Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nomination Advisory Committee	8	0	2	6	0	0	Outside Director
Committee Corresponding to Remuneration Committee	Compensation Advisory Committee	8	0	2	6	0	0	Outside Director

Suppleme Update

The Nomination Advisory Committee and the Compensation Advisory Committee, consisting of a majority of Outside Directors, have been established as advisory bodies to the Board of Directors.

(Nomination Advisory Committee)
The Nomination Advisory Committee, chaired by an Outside Director, held three meetings in FY2025. The Committee discussed matters such as the appointment of Executive Officers from the perspective of maintaining a balanced level of expertise within the Board of Directors, including Outside Directors, strengthening management support functions, and promoting research activities, as well as the performance evaluation of the Representative Director and the criteria for the appointment of Directors. The Committee also conducts performance reviews of the President and prepares succession plans for Executive Officers. In addition, through proposals and reports at the Board of Directors meetings and roundtable discussions with Corporate Officers, opportunities are provided for outside directors to engage in dialogue with division heads and key organizational leaders to assess the development and suitability of those management talent.
Chairperson Takaoki Fujiwara (Outside Director)
Member Keiichi Ando (Outside Director)
Member Hiroshi Ozaki (Outside Director)
Member Kyoko Hirose (Outside Director)
Member Keiichi Yoshii (Outside Director)

Member Yoriko Goto (Outside Director, Audit and Supervisory Committee Member)
Member Isao Teshirogi (Representative Director, President and CEO)
Member Noriyuki Kishida (Inside Director, Standing Audit and Supervisory Committee Member)

(Compensation Advisory Committee)
The Compensation Advisory Committee, chaired by an Outside Director, held three meetings in FY2025. The Committee discussed matters such as confirmation of compensation levels and various compensation ratios, performance evaluations of Directors and Executive Officers for FY2024, performance evaluation indicators for FY2025, and the appropriate design of compensation systems for Directors, Executive Officers, and employees, including stock-based compensation plans.
Chairperson Hiroshi Ozaki (Outside Director)
Member Keiichi Ando (Outside Director)
Member Takaoki Fujiwara (Outside Director)
Member Kyoko Hirose (Outside Director)
Member Keiichi Yoshii (Outside Director)
Member Yoriko Goto (Outside Director, Audit and Supervisory Committee Member)
Member Isao Teshirogi (Representative Director, President and CEO)
Member Koji Hanasaki (Inside Director, Standing Audit and Supervisory Committee Member)

[Independent Directors]

Number of Independent Directors Update	8

Matters relating to Independent Directors

The Company designates all outside directors who meet the qualifications as independent officers.
In appointing independent directors, we shall select candidates based on standards set by Tokyo Stock Exchange and the Requirements and Independence Standards the Company has set for independent directors to fulfill their roles and responsibilities.

Requirements

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

Independence Standards

(1) Outside directors 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 shall not be a director, corporate auditor, executive officer or employee of such corporation or organization.
(2) Outside directors shall not be a director, corporate auditor, 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 shall not be a director, corporate auditor, 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 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 are consultants or accounting or legal professionals, the outside directors or the corporation or organization to which they belong shall not receive any of the following remuneration from the Group other than their director 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 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 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 directors shall not exceed 10 years.

Translation for reference only

[Incentives]

Implementation of measures on incentive allotment to Members of the Board of Directors	Introduction of Performance-Linked Compensation System, Etc.

Supplementary Explanation

The compensation consists of base monthly remuneration, performance-linked bonuses determined based on each fiscal year's results, and restricted stock compensation determined in accordance with medium- to long-term business performance. At the 160th Annual General Meeting of Shareholders held on June 18, 2025, a resolution was approved to set the total amount of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) at up to ¥2.0 billion, and that for Directors who are Audit and Supervisory Committee Members at up to ¥750 million. The resolution also stipulated that Directors eligible for restricted stock compensation shall exclude both Directors who are Audit and Supervisory Committee Members and Outside Directors, and that the total number of shares of the Company's common stock to be issued or disposed of for the purpose of granting such restricted stock shall be up to 250,000 shares per year.
Performance-linked remuneration, etc. shall be cash remuneration which reflects performance indicators (KPIs) to heighten the awareness of improving performance for each fiscal year, and an amount of bonus shall be calculated according to the degree of achievement against targeted figures for consolidated operating profit and consolidated profit of each fiscal year. The performance indicators to be targeted and the figures thereof shall be set at the time of formulating the Medium-Term Management Plan so that they are in line with the Plan, and reviewed as necessary to accommodate environmental changes taking into account recommendations given by the Compensation Advisory Committee.
Note: Performance-linked remuneration, etc. is director bonuses and non-monetary remuneration, etc. is restricted stock.

Persons Eligible for Stock Option	

Supplementary Explanation

———

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors

Supplementary Explanation Update

In FY2025, total remuneration, etc. for officers was ¥985 million for eight Directors who are not Audit and Supervisory Committee Members (including ¥89 million for five Outside Directors), ¥113 million for five Directors who are Audit and Supervisory Committee Members (including ¥50 million for three Outside Directors), and ¥34 million for five Corporate Auditors prior to the transition to a company with an Audit and Supervisory Committee (including ¥15 million for three Outside Corporate Auditors).
The following two officers received total consolidated remuneration of ¥100 million or more during FY2025.

Name: Isao Teshirogi
Position: Representative Director, President and CEO
Category: Shionogi & Co., Ltd.
Amount of remuneration paid (Millions of yen):
Total 302
Base remuneration 96
Performance-linked remuneration, etc. 96
Non-monetary remuneration 110

Name: John Keller
Position: Director
Category: Shionogi & Co., Ltd.
Amount of remuneration paid (Millions of yen):
Total 577
Base remuneration 214
Performance-linked remuneration, etc. 156
Non-monetary remuneration 34

Others 171

Note: Director remuneration for FY2025 included ¥252 million in bonuses for Directors, for which the five Outside Directors and Directors who are Audit and Supervisory Committee Members are ineligible. The amount of non-monetary remuneration, etc. above is recorded as expenses in the current fiscal year. The amount of "Other" is equivalent to the amount of fringe benefits, and this does not include the additional costs of being stationed abroad, namely the amount for tax adjustments associated with international job transfers (¥121 million), which aims to ensure the expected amount of remuneration if one were not stationed abroad.

Policy on Determining Remuneration Amounts and Calculation Methods Update	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The compensation consists of base monthly remuneration, performance-linked bonuses determined based on each fiscal year's results, and restricted stock compensation introduced in FY2018, consisting of medium-term performance-linked compensation and long-term stock-based compensation. Directors who are Audit and Supervisory Committee Members and 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 social and general 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), and serve as a short-term incentive. The amount is determined based on a calculation table linked to the achievement of profit targets for each fiscal year, and bonuses are paid in June each year.
Stock compensation is granted every July based on a grant table aligned with the position and role of each director. 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 reviews the appropriate ratio of remuneration types for Executive Directors, taking into account remuneration levels at companies of a similar size and within relevant industries and sectors. Respecting the recommendations made by the Compensation Advisory Committee, the Board of Directors determines the structure and details of the remuneration system so that the ratio of each remuneration type aligns with the recommendations. The policy for determining such remuneration is as set forth in the "Policy for Determining Individual Remuneration, etc. for Directors." In addition, pursuant to the resolution of the Board of Directors meeting held on February 22, 2021, it is considered appropriate that base remuneration and individual bonus amounts be evaluated and determined by a person who bears the ultimate management responsibility. Therefore, such evaluation and determination have been entrusted to Isao Teshirogi, Representative Director, President and CEO. The Compensation Advisory Committee deliberates the policy and criteria for such entrustment and provides the Board of Directors with the results as recommendations for resolution. Isao Teshirogi, Representative Director, President and CEO, to whom the authority has been entrusted, must make such determinations in accordance with said recommendations and the relevant resolution of the Board of Directors.
Following revisions to the medium-term performance-linked stock compensation table in FY2021 to place greater emphasis on performance and the perspective of shareholders, the system is designed so that the target ratio among the types of remuneration, base remuneration, performance-linked remuneration, etc., and non-monetary remuneration is approximately 1:1:1, assuming 100% achievement of KPIs.
(Note) Performance-linked remuneration, etc., refers to bonuses for directors, while non-monetary remuneration refers to restricted stock compensation.
As a result, the ratio of base remuneration in total remuneration in FY2024 is about 36%, due in part to the achievement status of the profit target and the impact of share prices on stock-based compensation.
As an advisory body to the Board of Directors, the Company's Compensation Advisory Committee consists of seven members, a majority of whom are Outside Directors, with one of them serving as the Chairperson. The Committee duly considers director and executive officer 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.
The maximum amount of remuneration for Directors, as resolved at the General Meeting of Shareholders, is up to ¥2.0 billion per year for Directors who are not Audit and Supervisory Committee Members (based on the resolution at the General Meeting of Shareholders held on June 18, 2025; the number of such Directors who are not Audit and Supervisory Committee Members as of the close of the meeting was six, including four Outside Directors; excludes employee salaries for Directors who concurrently serve as employees), and up to ¥750 million per year for Directors who are Audit and Supervisory Committee Members (based on the same resolution; the number of such Directors who are Audit and Supervisory Committee Members as of the close of the meeting was five). Restricted stock compensation is granted to Directors, excluding Directors who are Audit and Supervisory Committee Members and Outside Directors. The total number of shares of the Company's common stock to be issued or disposed of for this purpose shall be up to 250,000 shares per year, and the total amount of monetary claims to be paid as compensation for the granting of such restricted stock, when combined with other forms of remuneration for Directors, shall be up to ¥2.0 billion per year (based on the resolution at the General Meeting of Shareholders held on June 18, 2025; the number of eligible Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) as of the close of the meeting was two; excludes employee salaries for Directors who concurrently serve as employees).

<Policy for Determining 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. In light of their duties, Directors who are Audit and Supervisory Committee Members and Outside Directors, who are responsible for supervisory functions, shall be paid only base remuneration.
2. Policy concerning determination of the amount of individual base remuneration (monetary remuneration) (including the policy concerning the timing or conditions for providing such 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 standards at other companies.
3. Policy concerning determination of the method for calculating the content and amount or number of performance-linked remuneration, etc., and non-monetary remuneration, etc. (including the policy concerning the timing or conditions for providing such 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 shall be paid as a bonus in June of each year in an amount calculated according to the degree of achievement of 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 shall be reviewed as necessary to accommodate environmental changes based on recommendations given by the Compensation Advisory Committee. Non-monetary remuneration, etc. shall be in the form of restricted stock and consist of two parts: the long-term stock-based compensation system which requires being employed by the Company; and 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 granted over the three fiscal years from FY2023 to FY2025 during 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, is 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 deliberated by the Compensation Advisory Committee as an overall evaluation and determined by the Board of Directors, in consideration of the status of ESG, compliance, and investment.
4. Policy concerning determination of the ratio of base monetary remuneration, performance-linked remuneration, etc., and non-monetary remuneration, etc., to the total amount of individual remuneration for Directors
The Compensation Advisory Committee discusses the ratio of remuneration by type for Executive Directors in consideration of remuneration levels using companies 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 (the 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 target ratio among the types of remuneration, base remuneration, performance-linked remuneration, etc., and non-monetary remuneration is set at 1:1:1, assuming 100% achievement of KPIs.
(Note) Performance-linked remuneration, etc., refers to bonuses for directors, while non-monetary remuneration refers to restricted stock compensation.
5. Matters concerning determination of the details of individual remuneration, etc., for Directors
The specific details of the remuneration amount for each individual shall be entrusted to the Representative Director pursuant to a resolution at the Board of Directors, and such authority shall include the determination of the amount of base remuneration for each director based on the base remuneration table and the evaluation and allocation of bonuses according to the performance of the business under their charge.
The Compensation Advisory Committee deliberates the policy and criteria for the entrustment to the Representative Director and provides the Board of Directors with the results as recommendations for their resolution, and the Representative Director who is entrusted as described above shall make determinations in accordance with said recommendations and 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.
Separately, remuneration for Directors who are Audit and Supervisory Committee Members shall be determined through discussions within the Audit and Supervisory Committee.
The Compensation Advisory Committee consists of eight members, a majority of whom are Outside Directors, with one of them serving as the Chairperson. In addition to the foregoing, the Compensation Advisory Committee discusses various issues concerning remuneration, etc. for Directors and Executive Officers, verifies the levels of remuneration, etc. every year, and deliberates the remuneration system, performance evaluation system, etc. for the following fiscal year.

[Supporting System for Outside Directors] Update

For important matters related to proposals by the Board of Directors that are deemed to require the advance distribution of materials or explanation, appropriate information is provided to Outside Directors by the relevant personnel, such as the Head of the Corporate Secretariat or the Head of the Corporate Governance Department.
In addition, details of discussions at important meetings, and information obtained through collaboration with the accounting auditor and the Internal Control Department and the exchange of opinions with the Representative Director are appropriately shared among Audit and Supervisory Committee members.

Translation for reference only

[Status of Those Who Retired as Representative Director and President, etc.]

Names and Other Information of Advisors or Counselors Who Previously Served as President and CEO, 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 to the promotion of stable business management and further growth by the incumbent management team 3. Providing support and advice for promoting awareness and understanding of SHIONOGI's Basic Policy 4. Fulfilling duties in external positions assumed prior to retirement as Director of the Company, upon request from the Company or the relevant organization	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

Other matters

---

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of the Current Corporate Governance System) Update

The Company has adopted the structure of a company with an Audit and Supervisory Committee to strengthen the supervisory function of the Board of Directors over the Representative Director amid the globalization and expansion of its business. This structure enables the Company to clearly distinguish between matters delegated to the executive side and those resolved by the Board of Directors, thereby establishing a framework that facilitates delegation of authority to ensure swift decision-making and promote in-depth discussions on company-wide mid- to long-term strategies while giving due consideration to the balance of stakeholders. Additionally, the Company has enhanced the development and operation of its internal control systems, allowing the Audit and Supervisory Committee to more effectively oversee the overall decision-making process of the executive side by leveraging its authority and working with the internal audit department.

Board of Directors

The Company has established a governance structure comprising seven Directors who are not Audit and Supervisory Committee Members and five Directors who are Audit and Supervisory Committee Members. Among the 12 Directors, three are women and one is a non-Japanese national, ensuring diversity in the Board. With the appointment of eight Outside Directors, who constitute the majority of the Board, the Company maintains a structure that enables fair and efficient management. All eight Outside Directors serve as independent directors, recognizing the Company's corporate responsibilities and contributing to highly transparent management. The Chairperson of the Board of Directors is Director Keiichi Ando. The Board of Directors meets once a month in principle, and met 14 times in FY2025. Specifically, the Board of Directors made decisions on important matters affecting management, such as corporate governance, enterprise risk management, and the conclusion of material contracts, while also receiving reports on compliance activities and progress in business execution by each department, thereby supervising the execution of duties. The attendance rate of Directors was 100% for all Board meetings.

To ensure management decisions are equitable and to carefully assess the aptitude of candidates for director positions, the impact directors have on business management, and the appropriateness of their duties and compensation, the Board of Directors is advised by the Nomination Advisory Committee (six Outside Directors and two Inside Directors) and the Compensation Advisory Committee (six Outside Directors and two Inside Directors), which are chaired by Outside Directors.

Business Execution Framework

The Company has introduced an executive officer system to enable rapid and flexible business operations, in order to respond promptly to changes in the operating environment. As a decision-making body for business execution, the Company has established

the Corporate Executive Meeting, which is composed of Internal Directors and key executives responsible for business execution and is, in principle, held weekly. At the Corporate Executive Meeting, thorough deliberations are conducted on a wide range of matters, from issues related to business execution to important matters.
The business execution framework consists of twelve divisions: the Drug Discovery Research Division, the Pharmaceutical Technology Research Division, the Drug Development Division, the Central Pharmaceutical Research Institute and the Development Business Division, which engage in R&D; the Pharmaceutical Commercial Division, which communicates pharmaceutical information; the Healthcare Strategy Division, which collects and analyzes healthcare-related information to maximize product and corporate value; the Vaccine Business Division, which establishes and promotes the vaccine business as a new business foundation; the Corporate Strategy Division, which formulates company-wide strategies for optimal allocation and utilization of managerial resources; the Sustainability Management Division, which strengthens engagement with stakeholders; the DX Promotion Division, which aims to create healthcare solutions by building a data utilization infrastructure using IT and digital technologies; and the Corporate Quality Assurance Division, which strengthens the compliance framework to provide trusted-quality products and services. These divisions are organized under a structure supervised by four major value chains. In executing business operations, thorough deliberations are held at the Corporate Executive Meeting, and matters that have a significant impact on management are decided by the Board of Directors.

Audit Framework

To ensure the legality and appropriateness of duties carried out by Directors and each organizational unit, the Audit and Supervisory Committee and the Internal Control Department, which is responsible for internal audits, conduct audits of the status of business execution as appropriate, while exchanging opinions with the Representative Director and reporting to the Board of Directors, thereby establishing a system to take necessary actions. The Audit and Supervisory Committee consists of two Inside Directors who serve as full-time members and three Outside Directors who serve as members, and is chaired by Director Yoriko Goto. The Audit and Supervisory Committee conducts business and accounting audits in accordance with the "Standards for Audit and Supervisory Committee Audits" to verify the legality and appropriateness of the duties carried out by directors and persons responsible for business execution. It also receives reports from the Accounting Auditor on the content of accounting audits and takes actions such as exchanging opinions. In addition, Directors who are Audit and Supervisory Committee Members attend important meetings such as the Corporate Executive Meeting and express necessary opinions. Together with the newly established Audit and Supervisory Committee Office, efforts are being made to enhance deliberations at the Audit and Supervisory Committee. Furthermore, the Committee also receives regular reports from the Internal Control Department on the contents of internal audits and exchanges opinions, while issuing instructions to the department as appropriate, thereby ensuring coordination among the Audit and Supervisory Committee, the Accounting Auditor, and the Internal Control Department.
In addition, the Company has concluded an audit contract with Ernst & Young ShinNihon LLC as its Accounting Auditor. The certified public accountants who served as the designated engagement partners for the Company's audit are Koichiro Kitaike and Naoki Nakazawa.

3. Reasons for Adoption of Current Corporate Governance System Update

The Company has adopted the structure of a company with an Audit and Supervisory Committee to evolve the governance structure and strengthen the supervisory function of the Board of Directors over the Representative Director amid the globalization and expansion of its business. This structure enables the Company to clearly distinguish between matters delegated to the executive side and those resolved by the Board of Directors, thereby establishing a framework that facilitates delegation of authority to ensure swift decision-making and promote in-depth discussions on company-wide mid- to long-term strategies while giving due consideration to the balance of stakeholders. Additionally, the Company has enhanced the development and operation of its internal control systems, allowing the Audit and Supervisory Committee to more effectively oversee the overall decision-making process of the executive side by leveraging its authority and working with the internal audit department.

Ⅲ. Implementation of Measures for Shareholders and Other Stakeholders Update

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 26, 2026; commencement of electronic provision measure: June 2, 2026
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 Annual General Meeting of Shareholders held in June 2009.
Participation in Electronic Voting Platform and Other Initiatives to Improve the Voting Environment for Institutional Investors	The Company has participated in an electronic voting platform and enabled its use since the voting at the 144th Annual 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 and live streaming has been introduced since the 156th Annual General Meeting of Shareholders, as part of efforts to revitalize the General Meeting of Shareholders and ensure access to information.

2. IR Activities Update

	Supplementary Explanations	Explanation by Representative Members of the Board
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 FY2025, the Company continued to participate in briefings for individual investors hosted by securities companies, where the Vice President of the Corporate Communications Department explained our strengths, growth strategies, and shareholder return measures.	No
Regular Investor Briefings for Analysts and Institutional Investors	The Company gives presentations of financial results four times a year and holds an R&D briefing and a Sustainability Meeting once a year in principle. Immediately after announcing year end and first-half results, Representative Director, President and CEO primarily gives presentations with support as needed from the Director, the Corporate Officers and the Vice President of the Finance & Accounting Department, among others. The Director, the Corporate 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. Outside directors also attend the Sustainability Meeting, facilitating 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. In FY2025, the Company also held briefings on the M&A of the pharmaceutical business of Japan Tobacco Inc. and its HIV business. The Company also holds individual meetings with analysts and institutional investors in an appropriate manner.	Yes
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. Investors (in Japanese): https://www.shionogi.com/jp/ja/investors.html Investors (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 Update

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In accordance with the Company Policy of SHIONOGI – the Group's for Respecting the Position of management philosophy – we believe it is our social mission to Stakeholders 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. We strive to contribute to all our stakeholders by diligently engaging in our daily business activities. 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. All officers and employees are committed to putting it 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 Group 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. Based on the material issues that the Group has identified as priorities, taking into account the internal and external environmental changes, business risks and opportunities, and their respective timeframes, we have established a system to contribute to a sustainable society, including environmental conservation and CSR, and are promoting the following activities. We are also working to enhance information dissemination to stakeholders. **Environmental Considerations** We have established the SHIONOGI Group EHS Policy and the SHIONOGI Group EHS Code of Conduct, 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. (1) Identifying environmental materiality (2) Establishing a framework for promoting EHS (3) Promoting activities to achieve mid- to long-term and annual EHS Action Targets **Contribution to Society** Through responsible business activities toward all stakeholders, we are committed to contributing to the resolution of social issues and the realization of a sustainable society. We have established policies related to human rights, procurement, and access to healthcare, such as the SHIONOGI Group Human Rights Policy, the SHIONOGI Group Procurement Policy, and the SHIONOGI Group Global Health Access Policy, and have built a framework to manage and implement these policies, thereby promoting effective initiatives. (1) Promoting business and human rights initiatives centered on the implementation of human rights due diligence (2) Strengthening systems and monitoring to ensure the reliability and stable supply of products and services, as well as compliance with relevant laws, regulations and guidelines (3) Promoting responsible supply chain management (responsible procurement) (4) Promoting initiatives to ensure proper use of pharmaceuticals and improve access to healthcare (5) Promoting disease awareness, patient support, and social contribution activities Integrated Report / Environment Report / Response to CDP: https://www.shionogi.com/global/en/investors/ir-library/annual-report-integrated-report.html?utm_source=chatgpt.com
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, in FY2026, 12 members of the Board of Directors of the Company include three female directors and one non-Japanese director.

Ⅳ. Matters Related to the Internal Control System Update

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

For the purpose of enhancing the effectiveness of the execution of these duties, the Company will establish and operate systems to ensure the appropriateness of its business operations, as described below.

(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, with respect to corporate ethics, we places importance on behavior that is not shameful as members of society. Furthermore, the Compliance Committee, which is chaired by the Representative Director, formulates and promotes various measures to ensure and enhance compliance with laws/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, allows them no opportunity to gain a foothold, and precludes any connection with them.

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

Under this framework, SHIONOGI has established and implements the Basic Views on Corporate Governance to realize optimal corporate governance, with the aim of achieving the sustainable growth of the SHIONOGI Group and enhancing its corporate value over the medium to long term. In the execution of specific duties, in order to secure transparency and traceability, the Company has established a process to trace the progress and results of decision-making at all stages, from organizational approval to Board of Directors' resolutions. By verifying actual conditions, the Company promotes the fair, speedy, and decisive execution of duties.

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

Outside directors, as independent directors, shall recognize the corporate responsibilities expected of the Company, 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 Audit and Supervisory Committee audits the execution of duties by the directors, utilizing the internal audit department, and the directors cooperate in such audit.

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

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

(3) A system and other rules for management of risk of loss:

The Group works 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 positions the Enterprise Risk Management (ERM) system, which supervises Group-wide business risks, including crises such as pandemics, natural disasters, terrorism, and cyber-attacks, as an important framework of its management strategy and business foundation. The basic principle of this framework is that each organization of the Company and its Group companies proactively recognizes risks related to decision-making and business execution, and manages them and takes countermeasures on its own initiative. The enterprise risk management function submits an action proposal on the Group-wide risk management plan for the year to the Corporate Executive Meeting and the Board of Directors at the beginning of the year to obtain their approval, and monitors the status of responses and implementation throughout the year. At the same time, the function reports progress as necessary and promotes further efforts to identify issues and make improvements based on feedback.

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 system emphasizes the protection of human life, consideration for and contribution to local communities, and the prevention of damage to corporate value. In the event of a crisis, the

Company will respond promptly and strive to overcome the situation. To this end, the Company continuously conducts various drills on a company-wide basis, including senior management, assuming the occurrence of a crisis.
The Internal Control Department (section for internal audit) verifies and evaluates the management system for various internal risks from an independent standpoint, as described in (7) below.

(4) A system to assure efficient execution of the directors' duties:
At the Company, we have introduced a corporate executive officer system to clarify the roles of execution and supervision of management and to implement rapid and flexible business operations. Material matters related to the execution of duties are thoroughly discussed at the weekly Corporate Executive Meeting, and decisions are made by the Board of Directors based on the results of such deliberations.
Resolutions of the Board of Directors and matters deliberated by the Corporate Executive Meeting will be promptly communicated to the general manager of the relevant department in charge of business execution. A suitable individual shall carry out procedures for the smooth execution of duties within the scope of their authority and responsibilities, in accordance with the Rules of Authority and the Rules on Division of Duties.
In the execution of operations, SHIONOGI constantly anticipates business risks, treating positive risks (offensive risks and business opportunities) and negative risks (defensive risks) as a unified whole. The Company sets decision-making criteria based on the level of business risk, ensuring that no opportunities are missed.

(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 the "SHIONOGI Group Code of Conduct."
A secretariat of the Compliance Committee has been established in the Legal and Compliance Department. It will implement compliance training and harassment training, as well as assist each department in managing compliance and harassment risk.
In addition, to verify the effectiveness of its internal control system, the Company will enhance internal audits by the Internal Control Department to strengthen its monitoring capabilities, and will make full use of its internal reporting system and consultation hotlines to work for the prevention and early detection of misconduct and prevention of its recurrence.

(6) A system to assure appropriate operation of business by the corporate group comprised of the Company and subsidiaries:
The Company and the group companies will improve the value of the corporate group, and keep the Group companies informed about the Company Policy of SHIONOGI and the SHIONOGI Group Code of Conduct in order to fulfill the corporate group's social responsibility.
Directors will receive reports on business operations from group companies, and will properly manage and guide group companies based on the "Rules for Management of SHIONOGI Group Companies" in order to realize the Company Policy of SHIONOGI, the SHIONOGI Group Code of Conduct, and Business Plan.
Group companies will promote appropriate and efficient business operations by conducting business management in accordance with the policies and guidelines mentioned above.
Operating divisions and administrative divisions will manage and provide support for appropriate business operations of group companies, with the Corporate Governance Department in charge of overall administration.
The Internal Audit 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 members responsible for internal audits will be dispatched to group companies as auditors and perform audits.

(7) Matters concerning ensuring the independence of employees assigned to assist the Audit and Supervisory Committee from other Directors (excluding Directors who are Audit and Supervisory Committee Members) and the effectiveness of instructions given to such employees:
The Company has established the Audit and Supervisory Committee Office, comprising multiple staff members, to assist the duties of the Audit and Supervisory Committee.
Employees assigned to the Audit and Supervisory Committee Office shall be subject to the direction and supervision of the Audit and Supervisory Committee. In the event that the instructions of the Audit and Supervisory Committee conflict with those of the Representative Director, the instructions of the Audit and Supervisory Committee shall take precedence. In addition, personnel evaluations, transfers, and remuneration of the head of the Audit and Supervisory Committee Office shall require the prior consent of the Audit and Supervisory Committee, thereby ensuring the independence of such employees from the Directors (excluding Directors who are Audit and Supervisory Committee Members). To that end, the Company shall ensure that its officers and employees are thoroughly informed that employees assigned to assist the Audit and Supervisory Committee are subject to its direction and supervision.
The Company has also established a framework to ensure the independence of the internal audit unit from Directors (excluding Directors who are Audit and Supervisory Committee Members) by requiring prior consent of the Audit and Supervisory Committee for personnel evaluations, transfers, and remuneration of the head of the internal audit unit.

(8) A system for directors and employees to report to the Audit and Supervisory Committee, other systems regarding reporting to the Audit and Supervisory Committee, and a system to ensure that persons who report to the Committee are not treated disadvantageously because of such reporting:
The Company will establish a system in which directors who are Audit and Supervisory Committee Members attend important meetings, such as the Corporate Executive Meeting, and can obtain information relating to business execution and management, as well as the effectiveness of internal control, in a timely manner.
An Audit and Supervisory Committee Member designated by the Audit and Supervisory Committee may directly request reports on the status of business execution from Directors and Executive officers of the Company and its group companies. Officers and employees of the Group shall promptly report to the Audit and Supervisory Committee, either in writing or orally, if they become aware of any actual or potential facts that could cause substantial damage to the Company or any of its group companies, any situation that may significantly undermine public trust in the Company, or any illegal or seriously improper conduct.
The Company ensures that no officer or employee of the Company or its group companies who makes a report to the Audit and Supervisory Committee will be subject to any disadvantageous treatment on the grounds of having made such a report.

(9) Matters regarding the procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Audit and Supervisory Committee Members, and policies for handling such expenses or obligations.
When an Audit and Supervisory Committee Member makes a claim to the Company for prepayment of expenses or other obligations related to the execution of their duties, the Company will promptly process such expenses or obligations, except in cases where it is determined that the expenses or obligations are not necessary for the execution of the duties of the Audit and Supervisory Committee Member.

(10) Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively:
The Audit and Supervisory Committee will improve upon the audit to make it more effective by cooperating with the accounting auditors and the Internal Audit Department in conducting the audit as well as in advising and recommending, and by regularly holding opinion exchange meetings with the Representative Director.
In addition, to ensure the effectiveness of audits throughout the Group, the Audit and Supervisory Committee has established the "Group Company Audit Liaison Committee" and holds 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 Human Resources Department, the Corporate Governance Department, and the Legal and Compliance 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

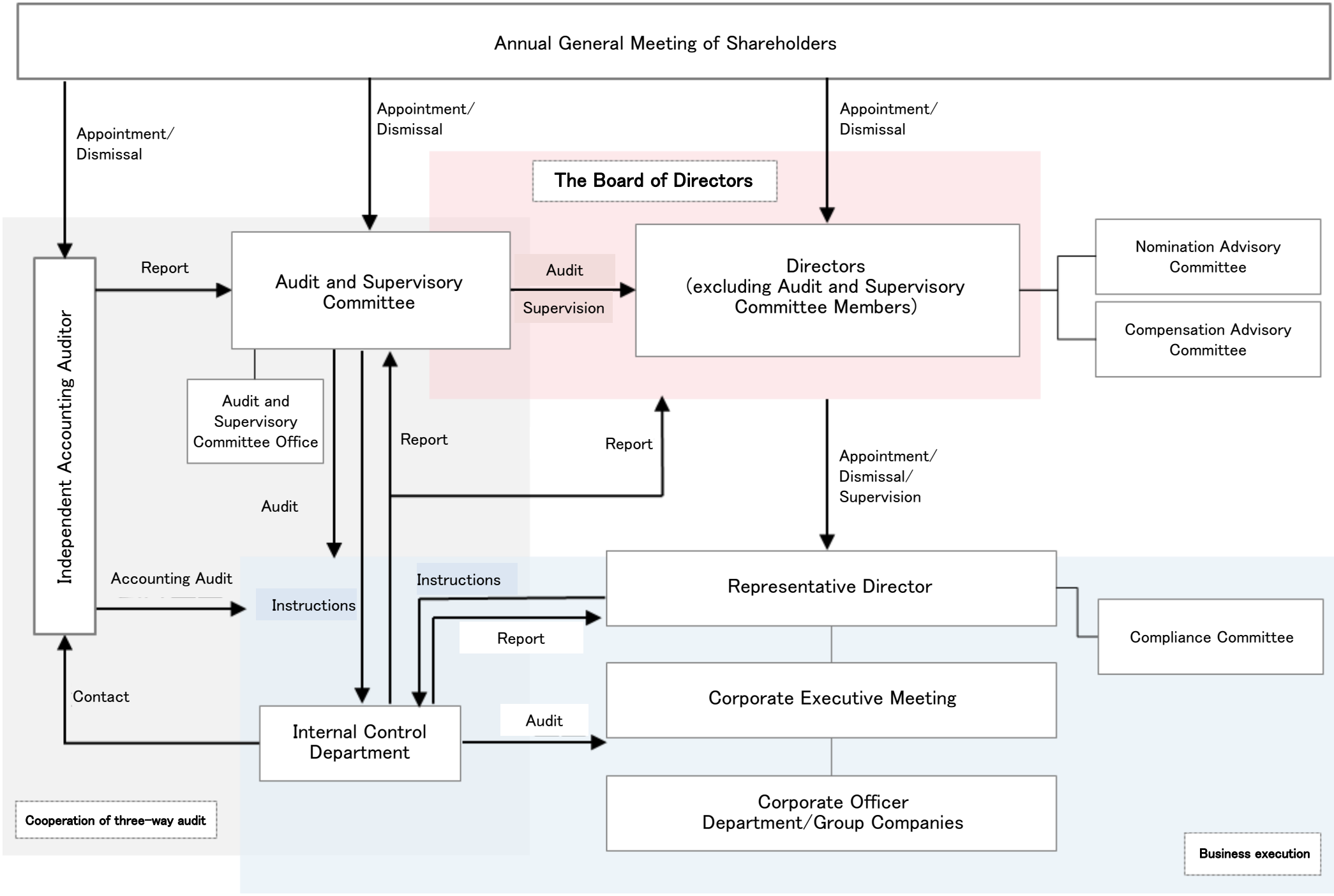
The Company has not implemented anti-takeover measures. However, in the event that the Company's shares are subject to a tender offer, the Board of Directors shall make a fair judgment and provide shareholders with a clear explanation of its views.

2. Other Matters Concerning to Corporate Governance System

The Company's Internal System for Disclosing Appropriate Company Information at the Appropriate Time
In the Group, important matters (such as financial results and the progress of R&D that may significantly affect investors' investment decisions) are discussed at the Corporate Executive Meeting, and depending on the matter, are approved by the Board of Directors.
The procedures for disclosing such information, as well as urgent matters communicated by internal departments and Group companies, are as follows.
(1) For financial information, the director responsible for the Corporate Communications Department, who serves as the person 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, is responsible.
(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.

Translation for reference only



Translation for reference only

	Name	Corporate management, Management strategy	Finance, Accounting, Tax affairs	Personnel and labor affairs, Human capital development, D&I	Science, Technology, Innovation	Manufacturing, Quality, Supply Chain	Sales, Marketing	DX promotion	Legal affairs, Risk management
Directors (excluding Directors who are Audit and Supervisory Committee Members)	Isao Teshirogi	●			●	●			●
	John Keller	●			●		●		
	Keiichi Ando	●	●	●					●
	Hiroshi Ozaki	●			●	●		●	
	Takaoki Fujiwara	●		●			●		
	Kyoko Hirose	●		●		●			
	Keiichi Yoshii	●					●		●
Directors who are Audit and Supervisory Committee Members	Noriyuki Kishida			●			●		●
	Koji Hanasaki		●		●	●			
	Shuichi Okuhara	●	●		●			●	
	Fumi Takatsuki			●					●
	Yoriko Goto	●	●						●

Note: This table shows the areas in which each officer is expected by the Group to have more specialized expertise, based on their background and other factors. It does not represent all the skills each individual possesses. In addition, some of the previously listed skills were integrated and renamed in FY2025, and some skill items, such as SDGs/sustainability, have been omitted from the table. However, the importance of each of these skill requirements to the Company's management remains unchanged.