

To All Shareholders
May 31, 2021

Notice of Convocation of the 156th Annual General Meeting of Shareholders

The 156th Annual General Meeting of Shareholders will be convened at the time and location listed below.

From the perspective of preventing the spread of COVID-19, we would like you to exercise your voting rights by returning the attached proxy form or via the Internet and refrain from coming to the venue on the day of the meeting to the best of your ability.

You are kindly requested to review the reference materials concerning the exercise of voting rights provided below and exercise your voting rights by 5:00 p.m., Monday, June 21, 2021.

In order to reduce the risk of infection with COVID-19, prior application will be required to attend this year's Annual General Meeting of Shareholders, and if there are too many applications, a lottery will be held. The meeting will be live-streamed so that you can view the meeting from your home or other locations. If you intend to watch the live broadcast, please exercise your voting rights in writing or via the Internet.

Yours faithfully,

Isao Teshirogi
Representative director and president and CEO
Shionogi & Co., Ltd.
1-8, Doshomachi 3-chome, Chuo-ku, Osaka 541-0045, Japan

Annual General Meeting of Shareholders

- 1. Date and time:** 10:00 a.m., Tuesday, June 22, 2021
2. Location: Shionogi Education and Training Center
829-1 Tonouchi, Amagasaki, Hyogo 661-0961, Japan
(Please note that the venue is different from the previous meeting.)

3. Agenda:

Items to report:

1. The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 156th Fiscal Term (year ended March 31, 2021)
2. The Audit Report of the Consolidated Financial Statements for the 156th Fiscal Term (year ended March 31, 2021) by the Accounting Auditor and the Board of Corporate Auditors

Items for resolution:

- Proposal No. 1: Appropriation of Surplus
Proposal No. 2: Election of Five (5) Directors
Proposal No. 3: Election of One (1) Corporate Auditor

* Pursuant to the Companies Act and Article 14 of Shionogi's Articles of Incorporation, "Business Results and Financial Position," "Main Operations of the Shionogi Group," "Main Offices, Plants, and Laboratories of the Shionogi Group," "Employees," "Main Loans from Banks," "Stock Acquisition Rights," "Independent Accounting Auditor" and "Systems and Policies of the Company" in the Business Report, as well as "Consolidated Statements of Changes in Equity" and "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements, and "Statements of Changes in Equity" and "Notes to Non-Consolidated Financial Statements" in the Non-Consolidated Financial Statements, are not included in this Notice of Convocation as they are available on our Internet website (<https://www.shionogi.com/global/en/investors.html>). Therefore, the consolidated and non-consolidated financial statements audited by the Accounting Auditor and the corporate auditors include the Notes to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements posted on our website in addition to the statements attached to this Notice of Convocation.

* Please note that if any revisions are made to the contents of the business report, the consolidated financial statements, the non-consolidated financial statements and the reference materials concerning the exercise of voting rights that are attached to this Notice of Convocation, the revised contents will be posted on our Internet website (<https://www.shionogi.com/global/en/investors.html>).

Measures for prevention of COVID-19

- This year's Annual General Meeting of Shareholders will be held on 10:00 a.m., Tuesday, June 22, 2021. To reduce the risk of infection with COVID-19 as much as possible, the meeting will be operated as follows. We would appreciate your understanding and cooperation.
- To lower the risk of infection, we strongly recommend that you exercise your voting rights in writing or via the Internet and refrain from coming to the venue on the day of the meeting this year.
- We will provide livestreaming of the Annual General Meeting of Shareholders via the Internet for shareholders so that you can view the meeting from your home or other locations without having to come to the venue. Since shareholders who have viewed the livestreaming are not deemed to be attending the Annual General Meeting of Shareholders under the Companies Act, they will not be able to exercise their voting rights or make any comments, including questions. Please exercise your voting rights in advance and watch the livestreaming.
- Attendance at this year's Annual General Meeting of Shareholders will be by prior application only and if there are too many applications, a lottery will be held. If you wish to attend the meeting, please confirm the below and send the attached “Attendance Application Form for the 156th Annual General Meeting of Shareholders” by the application deadline. The Company will send an "admission card." If too many applications are received, admission cards will be sent to only shareholders who are selected by an impartial lottery (please note that no notification will be sent to those who are not selected). Shareholders who do not have an "admission card" will not be allowed to enter the venue. If you are elderly, have an underlying medical condition, or are pregnant, please consider not applying for the attendance.

[Application method] Send the attached “Attendance Application Form for the 156th Annual General Meeting of Shareholders” by the deadline below.

[Deadline] **Must arrive no later than Thursday, June 10, 2021**

[Notice of result] Around Friday, June 11, 2021, the Company will send an “admission card” and the “information on the shuttle bus” to the venue of the meeting to the addresses that are provided in the list of shareholders as of March 31, 2021. If there are too many applications, admission cards will be sent to only shareholders who are selected by an impartial lottery (please note that no notification will be sent to those who are not selected).

[On the day of the meeting]

Please submit the "admission card" and “proxy form” at the reception of the venue.

<June>																					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Arrival of this notice		Application period (Estimated period of posting)							Deadline for attendance application form	Notice of result	Winning notification arrival	[Loser] Estimated period of voting								Deadline for voting	General Meeting




- Please be sure to wear a mask when you come to the venue. On the day of the meeting, a thermometer will be placed, and those with high body temperature will be asked to refrain from entering the venue.
- Our organizing staff will wear masks to serve you after measuring their body temperature to confirm health condition.
- Dispensers for hand sanitizer will be placed in the hall.



How to Exercise Your Voting Rights

There are three ways to exercise your voting rights

Strongly recommended

 <p>Exercising your voting rights via Internet, etc.</p> <p>Enter your consent or refusal to the proposals according to the instructions on the following page.</p> <p><u>Voting deadline</u></p> <p>Entry must be completed by 5:00 p.m., Monday, June 21, 2021.</p>	 <p>Exercising your voting rights in writing (mail)</p> <p>Indicate your consent or refusal to the proposals on the attached proxy form and return it.</p> <p><u>Voting deadline</u></p> <p>The form must arrive Monday, June 21, 2021.</p>	 <p>Attending the General Meeting</p> <p><small>(Advance application required. In case of too many applications we will hold a draw.)</small></p> <p>Bring the admission card and proxy form. Submit the attached proxy form at the reception of the venue.</p> <p><u>Date</u></p> <p>10 a.m., Tuesday, June 22, 2021. <small>(reception starts at 9:00 a.m.)</small></p>
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Procedures on Exercise of Voting Rights through the Internet etc.

1. Notice Regarding Handling of Voting Rights

- (1) Although it is acceptable to exercise voting rights through the Internet until 5:00 p.m., Monday, June 21, 2021, please exercise your voting rights as early as possible to assist us with compiling the results of the voting.
- (2) If you exercise your voting rights both in writing and through the Internet, we will only accept the exercise of your voting rights through the Internet.
- (3) If you exercise your voting rights more than once through the Internet, etc. or in the personal Computer and mobile phone, we will only accept the last exercise of your voting rights as valid.
- (4) The internet access fee to providers and telecommunications carriers and other fees for the usage of the website for exercising voting rights shall be borne by the shareholder.

2. Using the Password and Voting Rights Exercise Code

- (1) Please protect your password because it is crucial for confirming your identity as a voting shareholder.
- (2) Your password becomes invalid if you fail to input it correctly within the set number of times. Follow the instructions on the screen if you need to have a new password issued.
- (3) The Voting Rights Exercise Code on the Proxy Card is only valid for the General Meeting of Shareholders on Tuesday, June 22, 2021.

3. Using the Electronic Voting Platform (Institutional Investors)

Institutional investors may exercise their voting rights for the General Meeting of Shareholders electronically using the Electronic Voting Platform operated by ICJ, Inc.

Procedures on Exercise of Voting Rights through the Internet, etc.

“Smart Voting” (voting by scanning the QR code)

You can log in to the voting service website without entering your voting rights exercise code and password.

1. Scan the QR code on the bottom right of the proxy form.



2. Enter your consent or refusal according to the instructions on the screen.



You can exercise your voting rights only once by “Smart Voting.”

If you need to make a correction to the content of your vote after you have exercised your voting rights, please access the website dedicated for PC, enter the “voting rights exercise code” and “password” indicated on the proxy form to log in, and exercise your voting rights again.

* By scanning the QR code again, you will be transferred to the website dedicated for PC.

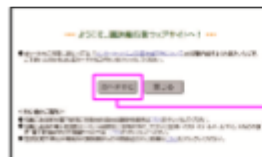
Voting by entering the voting code and password

Voting service website

<https://www.web54.net>



1. Access the voting service website.



Click “Proceed to the next step.”

2. Enter the “voting rights exercise code” indicated on the proxy form.



Enter the “voting rights exercise code.”

Click “Login.”

3. Enter the “password” indicated on the proxy form.



Enter the “password.”

Enter the new password that you will actually use.

Click “Register.”

4. Enter your consent or refusal according to the instructions

* The above operation screens are for illustration purposes only.

If you have any questions about how to operate your computer, smartphone or mobile phone to exercise your voting rights through the Internet, please call the number on the right.

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web
Support Exclusive Line
Tel: 0120-652-031 (toll free)
(Operating hours: 9:00 a.m. – 9:00 p.m.)

* The voting service website can also be connected by scanning the QR Code® on the upper right using a mobile phone with a barcode reader. For details on how to operate the mobile phone, please refer to the user's manual of your mobile phone.

Information on the Livestreaming of the Meeting over the Internet

Livestreaming of this Annual General Meeting of Shareholders will be made available to shareholders as follows to enable them to view the meeting from their homes or other locations.

1. Date of the livestream

10:00 a.m., Tuesday, June 22, 2021 to the ending time of the Annual General Meeting of Shareholders

* The livestream website is scheduled to open at 9:30 a.m.

2. Hot to view

Please enter the following URL directly on your computer or smartphone to access the website for viewing the livestream. After accessing the website, please enter your ID and password according to the instructions on the screen.

Please check your “Notice of Convocation of the 156th Annual General Meeting of Shareholder”.

[Notes] The display position of shareholder number on the attached proxy form

The diagram shows a proxy form for the 156th Annual General Meeting of Shareholders of the company. A blue box labeled "Shareholder number" points to the number "012345678" on the form. The form includes sections for "Notice of Convocation of the 156th Annual General Meeting of Shareholders", "Shareholder Information", and "Proxy Form". The shareholder number is located in the "Shareholder Information" section, next to the name "塩野義製菓株式会社".

3. Notes for viewing the livestream

- (1) The Company may not be able to livestream the meeting due to unavoidable circumstances. In such a case, a notice will be posted on the Company's website.
- (2) Since shareholders who have viewed the livestream are not deemed to be attending the Annual General Meeting of Shareholders under the Companies Act, they will not be able to exercise their voting rights or make any comments, including questions. Please exercise your voting rights in accordance with the procedures stated on pages 3 and 4.
- (3) Only shareholders themselves are allowed to view the livestream.
- (4) It is strictly prohibited to film, record, or save the livestream, or publish it on SNS or other media.
- (5) Please note that problems such as disturbance of video or audio or interruption of livestreaming may occur due to the Internet communication environment and other factors.
- (6) You may not be able to view the livestream depending on your device or network environment.
- (7) Any costs incurred in accessing the website for viewing the livestream (e.g. connection fees, communication fees) should be borne by the shareholder.

REFERENCE MATERIALS CONCERNING THE EXERCISE OF VOTING RIGHTS

Proposals and Reference Matters

No. 1: Appropriation of Surplus

The Company's basic policy is to make aggressive investments in future business development to increase corporate value with a medium-to-long-term perspective along with the growth of its business and to steadily increase dividends.

To return profits to shareholders by steadily increasing the dividend amount in proportion to growth, the Company has made the DOE (Dividend on equity attributable to owners of the parent) ratio a performance indicator and set a target of 4.0% or higher as its policy for allocation of its business results.

Based on this policy, the Company proposes to appropriate retained earnings for the fiscal year ended March 31, 2021 as follows:

1. Year-end dividends

(1) Type of dividend assets

Cash

(2) Allocation of dividend assets to the shareholders and total amount of allocation

¥55 per share of common stock

Total amount of dividends: ¥16,580,504,655-

(3) Effective date of dividends

June 23, 2021

Including the interim dividend, cash dividends per share for the fiscal year ended March 31, 2021 totaled ¥108.00, an increase of ¥5.00 compared with the previous fiscal year.

No. 2: Election of Five (5) Directors

The term of office of all five (5) Directors expires at the end of this Annual General Meeting of Shareholders. Candidates for Director are deliberated fairly, transparently and rigorously by the Nomination Advisory Committee, which is chaired by an outside director, and decided by the Board of Directors after obtaining the recommendation of the Nomination Advisory Committee.

Candidates for Director are as follows:


Candidate No.	Name	Position and responsibility within the Company and major concurrent posts
1	① Isao Teshirogi	Representative Director and President Outside Director of Sumitomo Mitsui Banking Corporation (Scheduled to be appointed)
2	① Takuko Sawada	Director and Vice President and Senior Vice President of Integrated Disease Care Department
3	① Keiichi Ando ② ③	Director Outside Director of Tsubakimoto Chain Co. Outside Director of DAIHEN Corporation
4	① Hiroshi Ozaki ② ③	Director Director and Senior Advisor, Osaka Gas Co., Ltd. Outside Director, Asahi Broadcasting Corporation Outside Director, The Royal Hotel Ltd. (Scheduled to be appointed)
5	① Fumi Takatsuki ② ③	Partner of Oh-Ebashi LPC & Partners


① : Reappointment ② : Outside Director ③ : Independent Director

[Reference] Expertise and Experience of Candidates for Directors (Skill Matrix)


The expertise and experience of candidates for directors are as follows.


Candidate No.	Name	Management Experience	Financial Accounting	Legal	Research & Development	Sales/Marketing	Production	IT/Information Management	International Experience
1	Isao Teshirogi	●			●		●		●
2	Takuko Sawada				●	●		●	●
3	Keiichi Ando	●	●						●
4	Hiroshi Ozaki	●			●		●	●	●
5	Fumi Takatsuki			●					●

Candidate No.	Name (Date of birth)	Career summary, position and responsibility within the Company and other major posts			
1	Reappointment  Isao Teshirogi (December 12, 1959)	April 1982: January 1999: June 2002: October 2002: April 2004: April 2006: April 2007: April 2008: June 2021:	Joined the Company General Manager, Secretary Office and General Manager, Corporate Planning Department Director of the Company General Manager, Corporate Planning Department Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division Senior Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division Senior Executive Officer Representative Director and President and CEO of the Company (incumbent) Outside Director of Sumitomo Mitsui Banking Corporation (Scheduled to be appointed)		
	<table><tr><td>Number of the Company's shares owned</td><td>47,750 shares</td></tr></table>	Number of the Company's shares owned	47,750 shares	【Reasons for nominating the candidate for Director】 Isao Teshirogi became Representative Director and President and CEO in 2008. He has actively pushed forward with global research and development and expansion of global business to achieve the Third Medium-Term Business Plan, and secured a medium- to long-term profit foundation. After achieving the quantitative targets of “Shionogi Growth Strategy 2020 (SGS2020),” which was formulated in FY2014, he updated SGS2020 in October 2016, and also achieved these targets ahead of schedule. He announced the Company’s vision toward 2030 "Building Innovation Platforms to Shape the Future of Healthcare," and he has started a new Medium-Term Business Plan “Shionogi Transformation Strategy 2030 (STS2030)” as a strategy to realize the vision and deliver further growth. Through these initiatives, he has vigorously moved forward the business transformation, and therefore we recommend that you vote for his reelection as a Director.	
	Number of the Company's shares owned	47,750 shares			
	<table><tr><td>Number of years served as Director</td><td>19 years (as at the closing of this Annual General Meeting of Shareholders)</td></tr></table>	Number of years served as Director	19 years (as at the closing of this Annual General Meeting of Shareholders)		
	Number of years served as Director	19 years (as at the closing of this Annual General Meeting of Shareholders)			
<table><tr><td>Attended all 14 Board of Directors meetings</td><td>100%</td></tr></table>	Attended all 14 Board of Directors meetings	100%			
Attended all 14 Board of Directors meetings	100%				

Candidate No.	Name (Date of birth)	Career summary, position and responsibility within the Company and other major posts							
2	Reappointment	<div>April 1977: Joined the Company</div> <div>April 2002: Executive General Manager, Pharmaceutical Development Division</div> <div>April 2007: Officer and Executive General Manager, Pharmaceutical Development Division</div> <div>April 2010: Executive Officer and Executive General Manager, Pharmaceutical Development Division</div> <div>April 2011: Senior Executive Officer and Executive General Manager, Global Development Office</div> <div>April 2013: Senior Executive Officer and Senior Vice President, Global Development and, Pharmaceutical Development Division</div> <div>April 2014: Senior Executive Officer and Senior Vice President, Global Pharmaceutical Development Division</div> <div>April 2015: Senior Executive Officer and Senior Vice President, Corporate Strategy Division</div> <div>June 2015: Director of the Company and Senior Executive Officer and Senior Vice President, Corporate Strategy Division</div> <div>October 2015: Senior Executive Officer and Senior Vice President, Corporate Strategy Division, and General Manager, Corporate Planning Department</div> <div>April 2016: Senior Executive Officer and Senior Vice President, Corporate Strategy Division</div> <div>April 2017: Senior Executive Officer and Senior Vice President, Corporate Strategy Division</div> <div>April 2018: Director of the Company and Executive Vice President</div> <div>April 2020: Director of the Company and Executive Vice President and Senior Vice President of Integrated disease care Department (incumbent)</div>							
									
	Takuko Sawada (March 11, 1955)								
	<table><tr><td>Number of the Company's shares owned</td><td>37,600 shares</td></tr><tr><td>Number of years served as Director</td><td>6 years (as at the close of this Annual General Meeting of Shareholders)</td></tr><tr><td>Attended all 14 Board of Directors meetings</td><td>100%</td></tr></table>	Number of the Company's shares owned	37,600 shares	Number of years served as Director	6 years (as at the close of this Annual General Meeting of Shareholders)	Attended all 14 Board of Directors meetings	100%		
	Number of the Company's shares owned	37,600 shares							
Number of years served as Director	6 years (as at the close of this Annual General Meeting of Shareholders)								
Attended all 14 Board of Directors meetings	100%								
	<p>【Reasons for nominating the candidate for Director】</p> <p>Since her appointment as a Director of the Company in 2015, Takuko Sawada has been responsible for business execution of the Corporate Strategy Division as Senior Vice President of the Corporate Strategy Division and as a Senior Executive Officer. She also moved Medium-Term Business Plan Shionogi Growth Strategy 2020 (SGS2020) forward, and played a central role in formulating the update of SGS2020 in October 2016. She became Vice President in April 2018 and has been supervising the Integrated Disease Care Division, Corporate Strategy Division and Pharmaceutical Commercial Division to achieve the new Medium-Term Business Plan “Shionogi Transformation Strategy 2030 (STS2030)” from April 2020. We therefore recommend that you vote for her reelection as a Director.</p>								

Candidate No.	Name (Date of birth)	Career summary, position and responsibility within the Company and other major posts						
3	Reappointment Outside Director Candidate Independent Director  Keiichi Ando (November 5, 1951)	April 1976: Joined Sumitomo Bank Limited April 2003: Executive Officer, Sumitomo Mitsui Banking Corporation April 2006: Managing Executive Officer, Sumitomo Mitsui Banking Corporation April 2009: Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation April 2010: Representative Director and Deputy President and Executive Officer, Sumitomo Mitsui Banking Corporation April 2012: Representative Director and President, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD July 2012: Representative Director and President and CEO, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD June 2016: Director of the Company (incumbent) June 2016: Representative Director and President, GINSEN CO., LTD June 2017: Outside Director of Tsubakimoto Chain Co. (incumbent) June 2019: Outside Director of DAIHEN Corporation (incumbent) (Major concurrent posts) Outside Director, Tsubakimoto Chain Co. Outside Director, DAIHEN Corporation						
	<table><tr><td>Number of the Company's shares owned</td><td>0 shares</td></tr><tr><td>Number of years served as Outside Director</td><td>5 years (as at the closing of this Annual General Meeting of Shareholders)</td></tr><tr><td>Attended all 14 Board of Directors meetings</td><td>100%</td></tr></table>	Number of the Company's shares owned	0 shares	Number of years served as Outside Director	5 years (as at the closing of this Annual General Meeting of Shareholders)	Attended all 14 Board of Directors meetings	100%	【Reasons for nominating the candidate for Outside Director】 Keiichi Ando has practical experience as a corporate executive at a financial institution and broad insight on finance. He also coordinated the extremely difficult adjustments between the national government and the governments of Osaka Prefecture and Osaka City for the airport management business of Kansai, which was then at a crossroads, and his experience and insight built the foundation of Kansai Airports, which plays a leading role in the current Kansai economy. Thus, he recognizes the corporate responsibility we should fulfill and makes management decisions with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. We therefore recommend that you vote for his reelection as an outside director. At Board of Directors meetings, he presents many questions and opinions from the perspective of human resources and the use of assets that are important management resources, and provides appropriate advice about budget planning and management and capital policies, including investments.
	Number of the Company's shares owned	0 shares						
	Number of years served as Outside Director	5 years (as at the closing of this Annual General Meeting of Shareholders)						
	Attended all 14 Board of Directors meetings	100%						
	【Notes】 . • Keiichi Ando is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act. • Keiichi Ando is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is reelected as outside director, he plans to continue as independent director.							

Candidate No.	Name (Date of birth)	Career summary, position and responsibility within the Company and other major posts					
4	Reappointment Outside Director Candidate Independent Director	May 1972: Joined Osaka Gas Co., Ltd. June 2000: Director, Osaka Gas Co., Ltd. June 2002: Director and Tokyo Representative, Osaka Gas Co., Ltd., on loan to the Japan Gas Association June 2005: Managing Director and General Manager of LNG Terminal and Power Generation Business Unit, Osaka Gas Co., Ltd. June 2007: Managing Director and General Manager of Commercial & Industrial Energy Business Unit, Osaka Gas Co., Ltd. April 2008: Representative Director and President, Osaka Gas Co., Ltd. June 2008: Director, Osaka Gas Chemicals Co., Ltd. (incumbent) June 2009: Representative Director and President, Operating Executive Officer, Osaka Gas Co., Ltd. June 2009: Director of OGIS-RI Co., Ltd. (incumbent) June 2011: Outside Director of Asahi Broadcasting Corporation (incumbent) June 2015: Representative Director and Chairman, Osaka Gas Co., Ltd. (incumbent) June 2019: Director of the Company (incumbent) January 2021: Director and Senior Advisor, Osaka Gas Co., Ltd. (incumbent) June 2021: Senior Advisor, Osaka Gas Co., Ltd. (scheduled to be appointed) June 2021: Outside Director, The Royal Hotel, Ltd. (scheduled to be appointed)					
							
	Hiroshi Ozaki (March 11, 1950)	(Major concurrent posts) Director and Senior Advisor, Osaka Gas Co., Ltd. Outside Director, Asahi Broadcasting Group Holdings Corporation Outside Director, The Royal Hotel, Ltd. (scheduled to be appointed)					
	<table><tr><td>Number of the Company's shares owned</td><td>0 shares</td></tr><tr><td>Number of years served as Outside Director</td><td>2 years (as at the closing of this Annual General Meeting of Shareholders)</td></tr><tr><td>Attended 13/14 Board of Directors meetings</td><td>92.9%</td></tr></table>	Number of the Company's shares owned	0 shares	Number of years served as Outside Director	2 years (as at the closing of this Annual General Meeting of Shareholders)	Attended 13/14 Board of Directors meetings	92.9%
Number of the Company's shares owned	0 shares						
Number of years served as Outside Director	2 years (as at the closing of this Annual General Meeting of Shareholders)						
Attended 13/14 Board of Directors meetings	92.9%						
		【Notes】 <ul style="list-style-type: none">Hiroshi Ozaki is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.Hiroshi Ozaki is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is elected as outside director, he plans to be an independent director.Osaka Gas Chemicals Co., Ltd., of which Mr. Hiroshi Ozaki serves as Board member, received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission based on the Antimonopoly Act in November 2019 over a bidding for activated charcoal used in water treatment facilities, etc. Although Mr. Ozaki was not aware of this fact, he had raised awareness from the perspective of compliance with law at the Board of Directors' meetings, etc. Since the discovery of this fact, he has been fulfilling his responsibilities by instructing thorough investigations on the fact as well as prevention of a recurrence.					


Candidate No.	Name (Date of birth)	Career summary, position and responsibility within the Company and other major posts					
5	Reappointment Outside Director Candidate Independent Director	October 2000: Registration of Attorney at Law October 2000: Joined Oike Law Offices December 2003: Joined Anderson Mori & Tomotsune Law Offices February 2004: Service at Beijing Office of Anderson Mori & Tomotsune Law Offices April 2006: Joined Oh-Ebashi Law Offices January 2009: Partner of Oh-Ebashi Law Offices June 2020: Outside Director of the Company (incumbent) (Major concurrent posts) Partner of Oh-Ebashi Offices					
		【Reasons for nominating the candidate for Outside Director】 Fumi Takatsuki has not been involved in company management in any way in the past other than as an Outside Director, but we expect her to draw on her giving priority to legal compliance and social norms to make fair management decisions from a global perspective from her position as an attorney in international corporate law. We therefore recommend that you vote for her reelection as an outside director. At the Board of Directors meetings, she points out problems and provides advice on issues that need to be considered, particularly with regard to the execution of business in China, from the perspective of international corporate legal affairs.					
	Fumi Takatsuki (June 24, 1975)	【Notes】 <ul style="list-style-type: none">The number of times she attended the Board of Directors meetings held after her appointment on June 23, 2020 is indicated.Fumi Takatsuki is a candidate for outside director stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.Fumi Takatsuki is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is reelected as an outside director, she will continue to be registered as an independent director.The Company has paid attorney fees to Oh-Ebashi Law Offices, where she is a partner, for certain specific cases involving international corporate legal affairs, an area in which this law firm has expertise. However, that compensation amounts to less than 2% of the total fees received by Oh-Ebashi Law Offices, and the Company has no advisory contract or other ongoing contractual relationship with Oh-Ebashi Law Offices.					
	<table><tr><td>Number of the Company's shares owned</td><td>0 shares</td></tr><tr><td>Number of years served as Outside Director</td><td>1 year (as at the closing of this Annual General Meeting of Shareholders)</td></tr><tr><td>Attended all 11 Board of Directors meetings</td><td>100%</td></tr></table>	Number of the Company's shares owned	0 shares	Number of years served as Outside Director	1 year (as at the closing of this Annual General Meeting of Shareholders)	Attended all 11 Board of Directors meetings	100%
Number of the Company's shares owned	0 shares						
Number of years served as Outside Director	1 year (as at the closing of this Annual General Meeting of Shareholders)						
Attended all 11 Board of Directors meetings	100%						

Notes:

- There are no special interests between the candidates and the Company.
- The Company has concluded contracts with Keiichi Ando, Hiroshi Ozaki and Fumi Takatsuki that limit their liability stipulated in Section 1, Article 423 of the Companies Act based upon Section 1, Article 427 of the Companies Act and Article 25 of the Articles of Incorporation of the Company. The limited amount provided in the contract is the minimum liability limit amount stipulated in Section 1, Article 425 of the Companies Act. In the event that the candidates, Keiichi Ando, Hiroshi Ozaki and Fumi Takatsuki are reelected as outside directors at this Annual General Meeting of Shareholders, the Company will continue to conclude such contracts with the candidates.
- The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company as stipulated in Section 1, Article 430-3 of the Companies Act. The insurance policy will cover compensation for damages, litigation costs and the like (except for exclusions set forth in the insurance policy) if compensation is claimed against a director or officer for damages arising from the execution of his/her duties during the insurance period. Each candidate will be included as an insured person under the insurance policy. The Company bears all premiums for the insurance policy.

No. 3: Election of One (1) Corporate Auditor

The terms of office of Corporate Auditor Takaoki Fujiwara will end as of the close of this General Meeting of Shareholders. Accordingly, the Company proposes the election of one (1) corporate auditor newly. The consent of the Board of Corporate Auditors has been obtained for submission of this proposal. Candidates for corporate auditor are as follows:

Candidate No.	Name (Date of birth)		Career summary, position within the Company and other major posts
1	Reappointment Outside Corporate Auditor Candidate Independent Director  Takaoki Fujiwara (February 23, 1952)		April 1975: Joined Hanshin Electric Railway Co., Ltd. June 2005: Director, Hanshin Electric Railway Co., Ltd. June 2007: Managing Director, Hanshin Electric Railway Co., Ltd. April 2011: President and Representative Director, Hanshin Electric Railway Co., Ltd. June 2011: Director, Hankyu Hanshin Holdings, Inc. April 2015: Chairman and Representative Director, Hanshin Hotel Systems, Co., Ltd. April 2017: Chairman of the Board of Directors and Representative Director, Hanshin Electric Railway Co., Ltd. (incumbent) June 2017: Representative Director, Hankyu Hanshin Holdings, Inc. December 2017: Director, Hanshin Hotel Systems, Co., Ltd. (incumbent) June 2018: Outside Corporate Auditor of the Company (incumbent) (Major concurrent posts) Chairman of the Board of Directors and Representative Director, Hanshin Electric Railway Co., Ltd. Outside Director, Sanyo Electric Railway Co., Ltd.
	Number of the Company's shares owned	0 shares	【Reasons for nominating the candidate for Outside Corporate Auditor】 Takaoki Fujiwara has extensive practical experience and a wide range of knowledge as a director of Hankyu Hanshin Holdings, Inc. and a manager of a group company of Hankyu Hanshin Holdings, Inc. We believe that he will be able to audit the status of execution of duties by directors from a broad perspective based on such experience and knowledge. We therefore recommend that you vote for his reelection as an outside corporate auditor. At the meetings of the Board of Directors and the Board of Corporate Auditors, he provides appropriate advice mainly on compliance and personnel and labor affairs based on his abundant practical experience and broad knowledge, and makes proper recommendations on the status of execution of duties by directors from a wide-ranging viewpoint.
	Number of years served as Outside Corporate Auditor	3 years (as at the closing of this Annual General Meeting of Shareholders)	
	Attended all 14 Board of Directors meetings	100%	
	Attended all 10 Board of Corporate Auditors meetings	100%	
			【Notes】 <ul style="list-style-type: none"> Takaoki Fujiwara is a candidate for outside corporate auditor stipulated in Article 2, Paragraph 3, Sub-paragraph 8 of the Enforcement Regulations of the Companies Act. Takaoki Fujiwara is registered as an independent director as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and this candidate is reelected as an outside corporate auditor, he will continue to be registered as an independent director.

Notes:

- There are no special interests between the candidates and the Company.
- The Company has concluded a contract with Takaoki Fujiwara that limit his liability stipulated in Section 1, Article 423 of the Companies Act based upon Section 1, Article 427 of the Companies Act and Article 32 of the Articles of Incorporation of the Company. The limited amount provided in the contract is the minimum liability limit amount stipulated in Section 1, Article 425 of the Companies Act. In the event that the candidate, Takaoki Fujiwara, is reelected as an outside corporate auditor at this Annual General Meeting of Shareholders, the Company will continue to conclude such contract with the candidate.
- The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company as stipulated in Section 1, Article 430-3 of the Companies Act. The insurance policy will cover compensation for damages, litigation costs and the like (except for exclusions set forth in the insurance policy) if compensation is claimed against a director or officer for damages arising from the execution of his/her duties during the insurance period. The candidate will be included as an insured person under the insurance policy. The Company bears all premiums for the insurance policy.

[Reference]

Analysis and Self-Evaluation of the Effectiveness of the Board of Directors – Summary of Results

The Board of Directors analyzed and evaluated its effectiveness in FY2020 by conducting questionnaires and interviews of individual directors and corporate auditors, with a focus on “6. Directors and the Board, (1) Framework, (3) Roles and Responsibilities, and (6) Operation” in the Basic Views and Guidelines on Corporate Governance set by the Company.

The following is a summary of the results:

1. Framework

We assess that the Board of Directors has currently secured the necessary framework from the standpoint of various attributes, including expertise and experience, and diversity. However, issues for the future include the need to elect directors of foreign nationality as well as successor candidates from the standpoint of further diversity and succession, in light of the expansion and change of the Company’s business.

The Board of Directors will consider ways to further strengthen the governance framework while taking the Company’s business development into account.

2. Roles and Responsibilities

Reporting on and supervising of the status of management development were reported at meetings between outside directors and the president on a continuous basis to exchange opinions. We reported on the status of compliance activities twice a year and received opinions at the meetings of the Board of Directors.

Issues for the future include the need for further enhancement of reports on the progress of the medium-term business plan, and explanations and discussions on the status of the training of management executives, their selection process and the progress in their training.

The Board of Directors will continue to consider ways to improve its roles and responsibilities.

3. Operation

In order to stimulate discussions at the Board of Directors meetings, the Board of Directors has continued to provide periodic prebriefing on the agenda of the Board of Directors meetings and has reported on matters resolved at the meetings as appropriate. Also, a tour of the Shionogi Education and Training Center was conducted.

Opinions expressed about future issues included securing time at the Board of Directors meetings to further enhance discussions. The Board of Directors will continue to consider ways to improve its operation.

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

The Requirements and Independence Standards

Requirements

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

Independence Standards

1. Outside directors and kansayaku 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 ten shareholders), or, if such major shareholder is a corporation or organization, the outside directors and kansayaku shall not be a director, kansayaku, executive officer or employee of such corporation or organization.
2. Outside directors and kansayaku shall not be a director, kansayaku, 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 ten shareholders).
3. Outside directors and kansayaku shall not be a director, kansayaku, 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 for which the amount of payment from the Group to such business partner accounts for 2% or more of the Group's consolidated sales on average over the last three business years of the Group, including the most recent business year.
 - b. A business partner for which the amount of money the Group has received from such business partner accounts for 2% or more of the Group's consolidated sales on average over the last three business years of the Group, including the most recent business year.
4. Outside directors and kansayaku shall not be a director, kansayaku, 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 for which the amount of payment from such company to the Group accounts for 2% or more of the company's consolidated sales on average over the last three business years of the company, including the most recent business year.
 - b. A company for which the amount of money such company has received from the Group accounts for 2% or more of the company's consolidated sales on average over the last three business years of the company, including the most recent business year.
5. If directors and kansayaku are consultants or accounting or legal professionals, the directors and kansayaku or the corporation or organization to which they belong shall not receive any of the following remuneration from the Group other than their director or kansayaku remuneration.
 - a. (For individuals) Remuneration of 10 million yen or more per year
 - b. (For corporations, organizations, etc.) Remuneration equal to or greater than 2% of the consolidated sales of a corporation, institution or the like to which the directors or kansayaku belong or 10 million yen per year, whichever is higher, on average over the last three business years of such corporation, organization or the like, including the most recent business year
 6. Outside directors and kansayaku shall not have a position with a corporation or foundation to which the Group contributes more than 10 million yen annually.
 7. The tenure of the Group's outside directors shall not exceed 10 years.
 8. The tenure of the Group's outside corporate auditor shall not exceed 12 years (3 terms).

In accordance with the Company Policy – the Group’s management philosophy – we believe it is our social mission to continually discover, develop and supply useful and safe medicines as well as to promote their appropriate use 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.

The Company has opted to be a company with a Board of Corporate Auditors, and has a framework that separates business management and business execution, under which the Board of Directors is responsible for making management decisions in line with the Group’s medium- to long-term plans, while the Business Execution Framework that is mainly comprised of executive officers is responsible for business execution through rapid and flexible decision-making. The Board of Corporate Auditors and the external auditors form the Audit Framework for overseeing management and auditing business execution. The Boards and the Frameworks form the structure that fulfills their respective roles and responsibilities from an independent perspective.

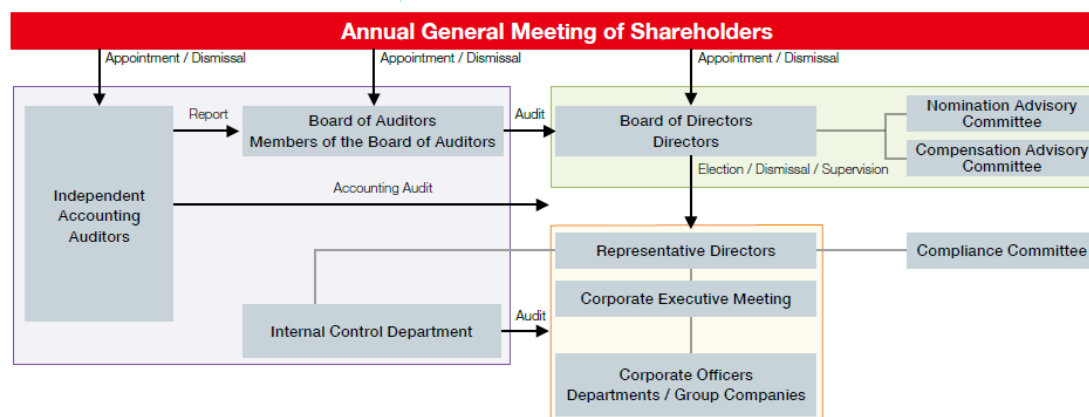
The Board of Directors is composed of five directors, three of whom are outside directors to further enhance management transparency and accountability to stakeholders. In addition, the Company has established a Nominating Advisory Committee and a Compensation Advisory Committee as advisory bodies to the Board of Directors. Both committees are chaired by outside directors, ensuring that directors are assessed impartially from multiple perspectives including aptitude, impact on management, work performance, and appropriateness of compensation.

The Board of Corporate Auditors consists of five corporate auditors, three of whom are outside corporate auditors to further enhance transparency and impartiality. The corporate auditors attend meetings of the Board of Directors, corporate executive meetings, and other important meetings to audit the execution of duties by directors.

Moreover, Shionogi has introduced a corporate officer system to allow management policy to be reflected in operations without delay, and has built a flexible operational execution structure able to rapidly respond to changes in the operating environment. Furthermore, the corporate executive meeting is a unit created to conduct deliberations regarding operational execution issues. It is composed of the directors, standing corporate auditors, and corporate officers responsible for business operation.

(As of March 31, 2021)

(Corporate Governance Structure)



(Appended documents)
Business Report

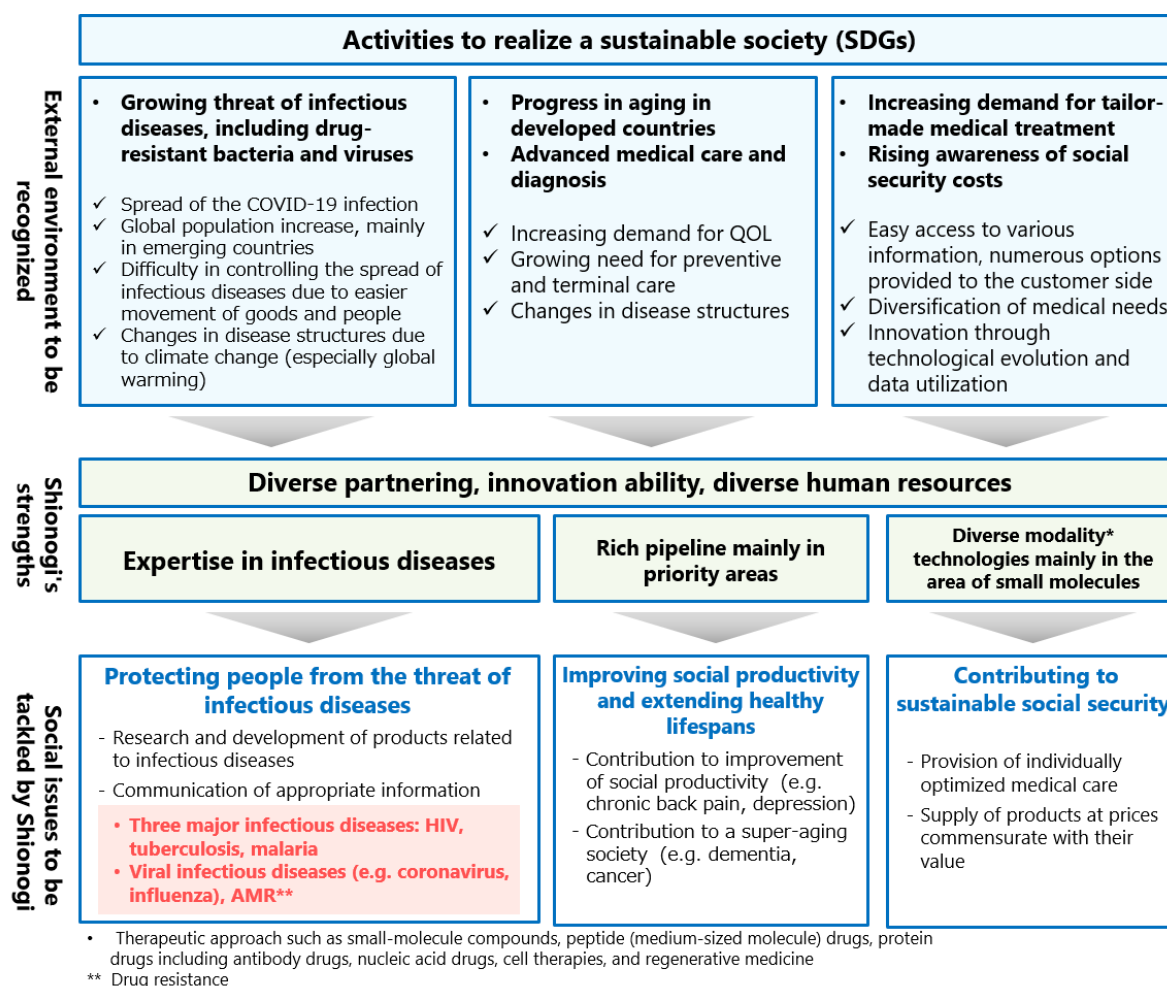
FY2020 (Year ended March 31, 2021)

1. Current State of the Shionogi Group

(1) Recognition of social and customer issues in the mid- and long-term and the Medium-Term Business Plan STS2030

1. Social Issues to be Tackled by the Shionogi Group

Shionogi has identified three social issues on which we will focus in order for Shionogi to grow together with society in an environment surrounding the increasingly ever-changing pharmaceutical industry: “Protecting people from the threat of infectious diseases,” “Improving social productivity and extending healthy lifespans,” and “Contributing to sustainable social security.” Through the implementation of the Medium-Term Business Plan STS2030, we will make group-wide efforts to solve these social issues.



2. 2030 Vision and Medium-Term Business Plan STS2030

The Group has formulated the “2030 Vision,” which envisages what we want to achieve by 2030, and also identified social issues the Group should tackle by analyzing the external environment from various perspectives as mentioned above. On that basis, in June 2020, we developed the New Medium-Term Business Plan “Shionogi Transformation Strategy 2030 (STS2030)” as a strategy to achieve the 2030 Vision while solving the social issues. Defining the period from FY2020 to FY2024 as STS Phase 1, the entire Group will work together to vigorously push forward with changes in business and realize our “Transformation.”



In STS Phase 1, we will pursue “R&D strategy” and “Top-Line (sales) strategy” to create new value, and “Business foundation strategy” to realize value creation.

STS Phase 1 Three strategies	i. R&D strategy	Promote the development of innovative pipelines
	ii. Top-Line strategy	Grow business by building diverse businesses
	iii. Business foundation strategy	Build a foundation for realizing new value creation

The Group will strive to achieve both contribution to customers and society through solution of social issues and sustainable growth of the Group and enhance our corporate value by pushing forward with STS2030 and continuously providing the society with innovative healthcare products and services beyond conventional prescription drugs.



(2) Business Operations and Results

1. Summary of Consolidated Results

◆ Overview of Business (IFRS)

Summary of consolidated statement of income for FY2020

		FY2019	FY2020	YoY
Revenue	(¥ in 100 million)	3,334	2,972	(10.9)
Operating profit	(¥ in 100 million)	1,306	1,174	(10.1)
Core operating profit	(¥ in 100 million)	1,274	940	(26.2)
Profit before tax	(¥ in 100 million)	1,585	1,430	(9.8)
Profit attributable to owners of parent	(¥ in 100 million)	1,222	1,119	(8.5)

* Core operating profit: Operating profit adjusted for non-recurring items (e.g. impairment loss, gain on sales of property, plant and equipment)

Revenue and profits fell from the previous fiscal year

Shionogi has adopted International Financial Reporting Standards (IFRS) from the current consolidated fiscal year, and figures for the previous fiscal year have been restated using IFRS.

Revenue was 297.2 billion yen (down 10.9% year-on-year). Domestic sales of prescription drugs was 94.7 billion yen (down 10.9% year-on-year) due to a significant shrinkage of the market for community-acquired infectious diseases and patients refraining from visiting hospitals caused by the encouragement of infection prevention measures in response to the spread of COVID-19, National Health Insurance (NHI) price revision, and other factors. Operating profit was 117.4 billion yen (down 10.1% year-on-year), including the gain on exchange related to the Shionogi Shibuya Building. Core operating profit, excluding these special factors, was 94 billion yen (down 26.2% year-on-year).

Profit before tax was 143.0 billion yen (down 9.8% year-on-year).

Profit attributable to owners of parent was 111.9 billion yen (down 8.5% year-on-year) resulting from a decrease in profit before tax.

Following FY2019, the financial results also failed to meet the forecasts in FY2020, and both revenue and profits declined year on year. In FY2021, we will address the issues that remain unresolved and further strengthen our efforts in transformation to realize a corporate structure that can generate profits on its own.

◆ Overview of Assets, etc. (IFRS)

Items of consolidated statement of financial position

		End of FY2019	End of FY2020	YoY
Total assets	(¥ in 100 million)	8,737	9,990	14.3
Total equity	(¥ in 100 million)	7,652	8,646	13.0
Total liabilities	(¥ in 100 million)	1,085	1,344	23.9

2. Consolidated Results: Royalties and dividend income from ViiV

◆ Robust royalty and dividend income

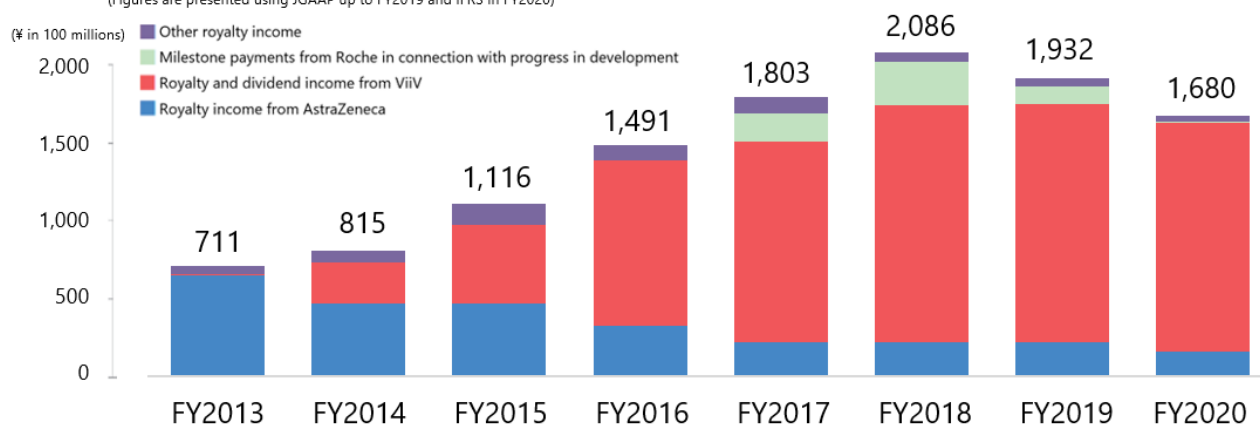
Sales of HIV franchise out-licensed to UK-based ViiV Healthcare Ltd. (“ViiV”) increased. Meanwhile, royalty income from the company was 123.4 billion yen (down 3.7% year-on-year) as a result of currency exchange fluctuations, and dividend income from the company was 23.4 billion yen (down 11.3% year-on-year).

Royalty income from Swiss-based Roche was 900 million yen in the current fiscal year. Since Shionogi received milestone payments for approval of additional indication of the anti-influenza drug Xofluza in the previous fiscal year, income for the current fiscal year decreased by 91.8% from the previous fiscal year.

Royalties on Crestor from UK-based AstraZeneca amounted to 16.6 billion yen (down 25.7% year-on-year) as the amount received from the company decreased from the fourth quarter of FY2020 in accordance with the contract. As described above, the sum of royalty, milestone and dividend income for the current fiscal year amounted to 168.0 billion yen (down 13.1% year-on-year) from the effect of currency exchange fluctuations and one-time income of the previous fiscal year, despite continued favorable sales of HIV franchise.

■ Royalties and dividend income from ViiV

(Figures are presented using JGAAP up to FY2019 and IFRS in FY2020)



Further contribution through long-acting injectable CABENUVA

ViiV developed and launched CABENUVA (cabotegravir-rilpivirine combination), a long-acting HIV regimen containing cabotegravir discovered by Shionogi. Although HIV treatment usually requires taking medication every day, this drug needs to be administered only once a month or once every two months, which is expected to significantly improve the QOL of patients.

ViiV also engages in development of cabotegravir as a single-agent HIV prevention drug for which there is a high social need, and is making preparations for obtaining approval.



**Number of days
of treatment per year**

365 days → 12 days
(administered once monthly)

365 days → 6 days
(administered once
every two months)

3. Domestic/Overseas Business

◆ Decline in domestic sales of prescription drugs

Domestic revenue from prescription drugs was 94.7 billion yen (down 10.9% year-on-year) as a result of a significant shrinkage of the market for community-acquired infectious diseases as well as patients refraining from visiting hospitals due to the encouragement of infection prevention measures in the entire society because of the COVID-19 pandemic.

Revenue from influenza-related products was 300 million yen (down 89.1% year-on-year), as the outbreak of influenza was much smaller than last season. Revenue from anti-infection drugs, including influenza-related products, was 9.8 billion yen (down 39.1% year-on-year).

On the other hand, revenue from strategic products, Cymbalta and Intuniv, grew to 26.5 billion yen (up 0.9% year-on-year) and 13.1 billion yen (up 22.8% year-on-year), respectively.

MRs have been more restricted from visiting medical institutions due to the COVID-19 pandemic, making it difficult for them to meet with medical professionals, especially at hospitals. However, we focused on developing a system for providing information in a digital environment, communicating information on proper use of the products, and securing opportunities to meet them in order to deliver information on each product to medical professionals even under such circumstances.

◆ Increase in sales of cefiderocol*

Revenue of overseas subsidiaries/export business was 24.6 billion yen (down 20.0% year-on-year) resulting from environmental changes in the COVID-19 pandemic.

In the US, as revenue from Fetroja grew to 1.7 billion yen, sales for the current fiscal year totaled 7.5 billion yen, but fell by 26.3% year on year since Shionogi received one-time payment related to Symproic from BDSI in the previous fiscal year.

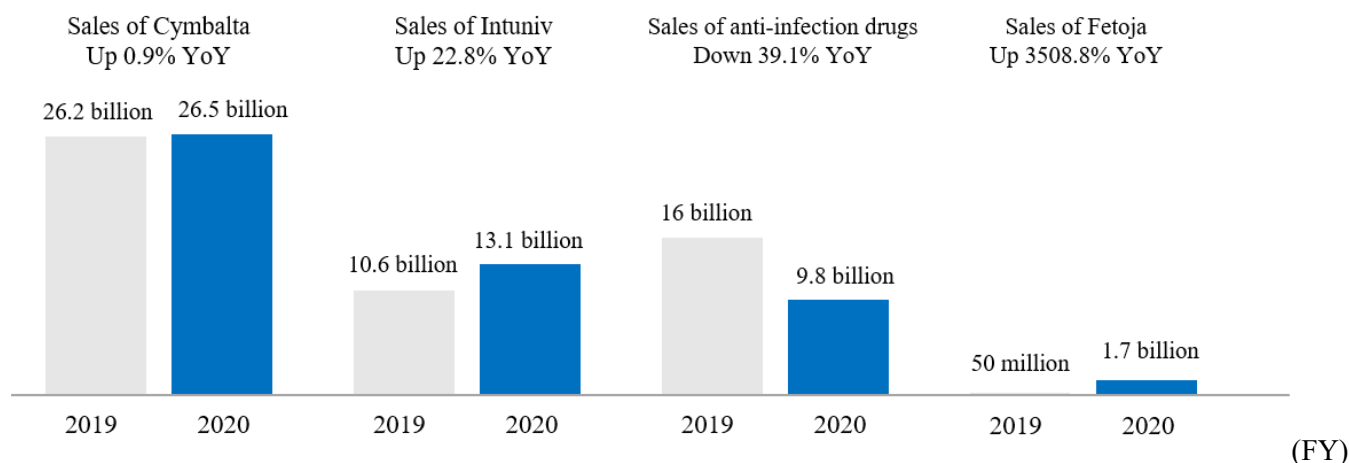
In Europe, Fetroja was launched in the UK and Germany. Also, it was selected as part of a subscription reimbursement model** in the UK and Sweden.

In China, revenue from rabeprazole in the hospital market largely declined, and overall revenue was 10.1 billion yen (down 23.3% year-on-year). In addition, Shionogi established a joint venture with Ping An Insurance Group of China in 2020.

* Brand name in the US: Fetroja, Brand name in Europe: Fetroja

** A reimbursement model which de-links payment from volume of use of antibiotics and under which the government pays a fixed amount of payment to the company that developed them for access to them whenever needed.

Sales revenue from major products



[Topics]

Ping An-Shionogi's efforts to establish a healthcare platform

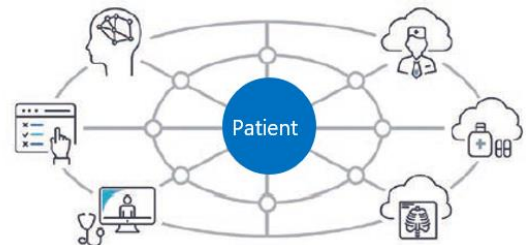
◆ Establishment of Ping An-Shionogi: Developing “HaaS” to shape the future of healthcare

Ping An Insurance (Group) Company, the largest private insurance company in China, is also focused on innovation of healthcare using its advanced information technology in addition to the insurance business. As part of such approaches, the company owns China's largest online healthcare service platform, “Ping An Good Doctor,” which utilizes accumulated big data on lifestyles to provide a wide range of services such as telemedicine, provision of consultation and medical advice by the AI doctor, drug delivery, appointment for medical institutions, and clinic standardization and management.

Based on a shared vision for the future of healthcare services, the Group and Ping An Insurance have established a joint venture “Ping An-Shionogi” aiming to build a next-generation healthcare platform by leveraging the strengths of the two companies. Ping An-Shionogi will work to achieve revenue of over 70 billion yen in 2024, mainly in the ever-expanding Chinese healthcare market.

Conceptual image of healthcare platform

Proposing various solutions centering on patients beyond the boundaries of treatment



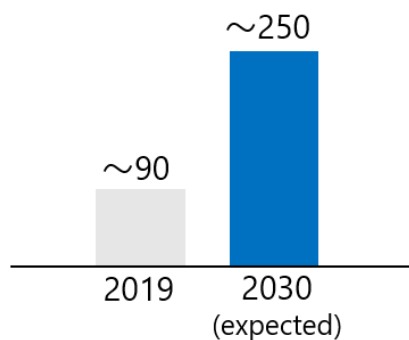
◆ Progress and achievements of Ping An-Shionogi

In the current fiscal year, Ping An-Shionogi was established in November 2020 and its products started to be sold via Good Doctor. Preparations are well underway for the launch of cefiderocol, a gram-negative bacterial infection treatment, in China.

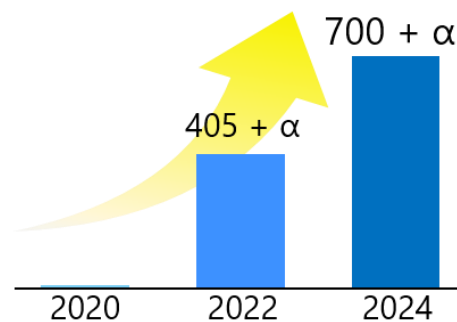
In recent years, there have been a number of product quality problems in the pharmaceutical industry, and thus it is even more desired to create a system to reduce human error and provide high quality pharmaceutical products.

Ping An-Shionogi will continue to shape the future of healthcare by combining expertise in drug discovery and development based on science, manufacturing and quality control with expertise in big data collection and AI analysis based on information technology.

Healthcare market size (trillion yen)



Sales vision (100 million yen)



◆ Results of Research

In the current fiscal year, Shionogi continued to make progress on our priority projects almost as planned by making active investments in research and development and appropriately addressing the changing environment caused by COVID-19.

Major progress in eight priority projects (highlighted in red)

We have identified eight priority projects that have the potential to change the current paradigm of disease treatment (see figure below), and have been working on them along with the COVID-19 project as our top priority.

• S-531011

It is an antibody targeting cancer that was discovered through joint research with Osaka University. It aims to satisfy the needs of patients that are not met by current cancer treatments. In the current fiscal year, non-clinical studies have progressed toward the start of clinical studies in FY2021.

• S-874713

It is an in-house discovered product that is expected to be effective for multiple neuropsychiatric conditions such as ADHD and dependence. In the current fiscal year, non-clinical studies have progressed toward the start of clinical studies in FY2021.

• S-540956

It is a nucleic acid adjuvant* that we hope will be indicated for use in such fields as oncology and functional cure of HIV infection. In the current fiscal year, non-clinical studies have progressed toward the start of clinical studies in FY2021.

Vaccine business

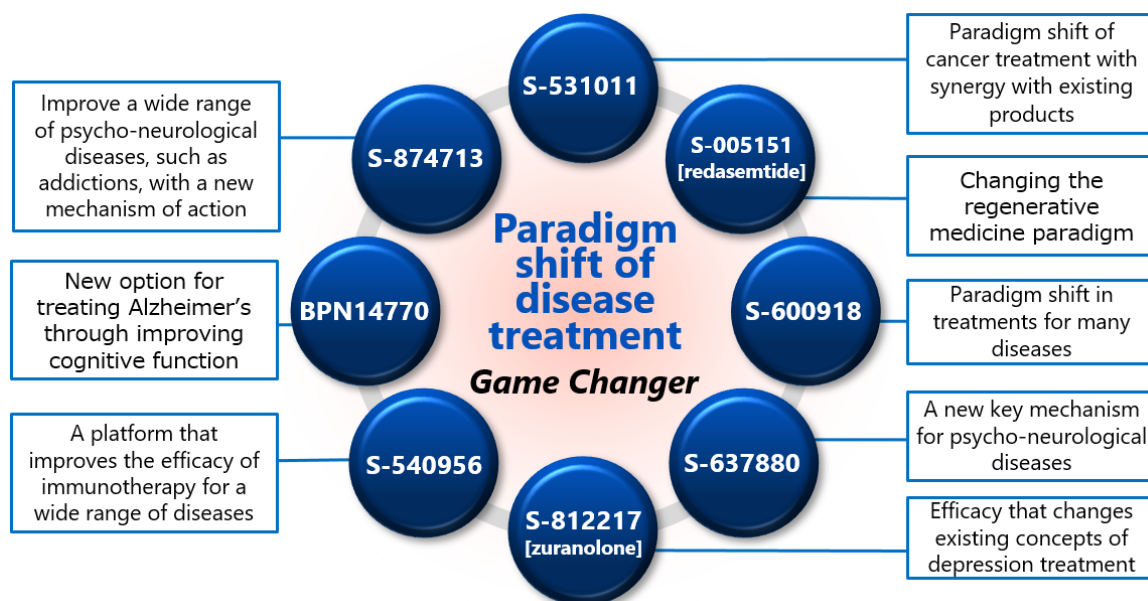
Shionogi made UMN Pharma Inc. its wholly owned subsidiary to enter the vaccine business in earnest. In the current fiscal year, we worked on the discovery of vaccines for COVID-19(S-268019) and influenza.

We have also initiated the development of an “intranasal vaccine” that enables avoidance of injection pain and easy administration. We have concluded a license agreement with HanaVax concerning intranasal vaccine formulation technology to conduct research on pneumococcal vaccines.

Commitment to COVID-19

In addition to the COVID-19 vaccines mentioned above, we are working toward the discovery of treatments that outperform existing drugs in terms of both efficacy and safety.

* Adjuvant: A substance that activates the immune system to increase the efficacy of drugs



4. Research and Development: Development

◆ Results of Development

Progress of eight high-priority project (highlighted in red)

• sivopixant (S-600918)

The global Phase IIb clinical study for refractory chronic cough has progressed and an observation has been completed for all patients. In addition, the Phase IIa clinical study for sleep apnea syndrome has progressed.

• redasemtide (S-005151)

It is a regeneration-inducing medicine peptide in-licensed from StemRIM, and preparations are underway to file an application for approval of an indication for the treatment of dystrophic epidermolysis bullosa. In addition, the domestic Phase II clinical study for acute stroke has progressed. In the current fiscal year, new investigator-initiated clinical trials for knee osteoarthritis and chronic liver disease also started.

• zuranolone (S-812217)

It is a candidate drug for the treatment of depression and depressive state that was in-licensed from US-based Sage. The Phase II clinical study in patients with major depressive disorder has progressed.

• BPN14770

It is a candidate drug for cognitive function improvement that was in-licensed from Shionogi's subsidiary Tetra based in the US. The Phase I clinical study for Alzheimer's has been completed in Japan and the phase II clinical study is in preparation. In addition, the Phase III clinical study in the US for fragile X syndrome is in preparation.

• S-637880

The Phase II clinical study for neuropathic low back pain is being conducted.

• Commitment to COVID-19

The Phase I/II clinical studies of the COVID-19 vaccine S-268019 have been initiated in December 2020. Also, in partnership with US-based BioAge, Shionogi is working to develop a candidate treatment (asapiprant: S-555739) for preventing aggravation of COVID-19. In April 2021, BioAge initiated the Phase II clinical study in elderly patients with COVID-19 in the US.

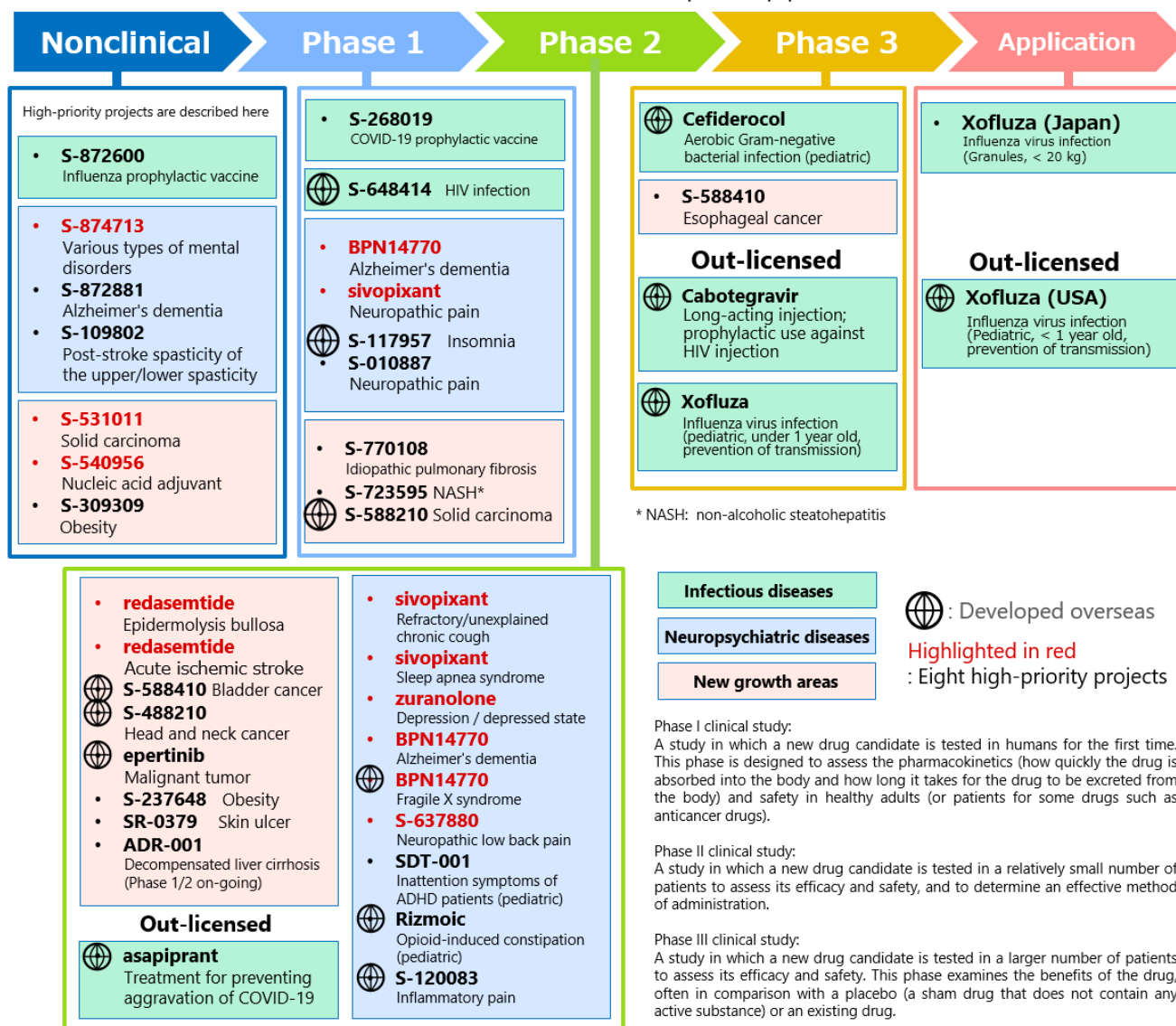
List of progress in major development projects

zuranolone (S-812217) Depression	Japan: Phase 2 study on-going
sivopixant (S-600918) (1) Refractory chronic cough (2) Sleep apnea syndrome	(1) Global: Phase 2b study on-going (2) Japan: Phase 2a study on-going
BPN14770 (1) Alzheimer's Disease (AD) (2) Fragile X syndrome	(1) Japan: Phase 1 study on-going (2) US: Phase 3 study in preparation
redasemtide (S-005151) Ischemic Stroke, Epidermolysis bullosa	Japan: Dystrophic epidermolysis bullosa: Submission in preparation Acute ischemic stroke: Phase 2 study on-going Knee osteoarthritis, chronic liver disease: Phase 2 study on-going
S-637880 Neuropathic low back pain	Japan: Phase 2 study on-going
COVID-19 vaccine (S-268019)	Japan: Phase 1/2 studies on-going
asapiprant (S-555739)	US: Phase 2 study on-going (conducted by BioAge)

As of March 31, 2021

4. Research and Development: Development Pipeline

Development pipeline status (as of March 31, 2021)



5. Manufacture and supply chain

◆ Results of manufacture and supply chain

During the fiscal year ended March 31, 2021, Shionogi Pharma Co., Ltd., a Group company in charge of the Shionogi Group's manufacturing functions, engaged in its business while positioning the fiscal period as the "year to strengthen the business foundation and establish a growth foundation as a CDMO*."

The fiscal year ended March 31, 2021 saw significant environmental changes due to COVID-19; even under such circumstances, the Group continued its efforts to secure stock by procuring raw materials imported from overseas countries ahead of schedule, and at the same time, to strengthen monitoring of the status of manufacture of raw materials and products on the side of suppliers and outsources, and thereby successfully continued stable supply of medicines without causing stockout.

In addition, Shionogi Pharma Co., Ltd. acquired all shares in Nagase Medicals Co., Ltd., making it a subsidiary, in October 2020. Nagase Medicals manufactures anticancer agents, local anesthetics, therapeutic medicines for gastritis and gastric ulcer, etc., and in addition to its own products, they engage in contracted manufacture of highly potent medicines and traditional medicines with a focus on injectables for external customers. Both companies utilized know-how of each other to establish a foundation for further development of the CDMO business.

In December 2020, Shionogi submitted an application for approval of partial changes in approved matters for domestic marketing of anti-flu drug Xofluza, in which a manufacturing method based on the continuous production method was added. We will work on the improvement in the productivity through continuous production.

During the fiscal year ended March 31, 2021, there were increasing number of cases of errors which caused health injuries and recurrent recalls observed in the medicine manufacturing industry in Japan. Shionogi is rigorously taking measures to realize quality assurance on a global level and ensure improvement in manufacturing quality and maintenance of quality through GMP**. Shionogi is also strengthening governance and compliance which support these efforts and working on risk management even in normal times to prevent issues which lead to health injuries from happening.

*Contract Development Manufacturing Organization : An organization that undertakes the development as well as manufacture of pharmaceuticals

**Good Manufacturing Practice

◆ Responsibility for stable supply of medicines

It is important to stably supply medicines which may determine whether one lives or dies as now is the time when there are growing concerns in society as a whole over the infectious disease. In order to maintain stable supply of medicines, the Group implements thorough and appropriate stock management in collaboration with suppliers for procuring raw materials and various outsources. In addition, in preparation for an emergency in which operation is suspended due to occurrence of an infected person(s) inside a plant, the Group conducts manufacturing activities while taking rigorous measures for management of physical conditions and prevention of the spread of infection so that viruses will not be brought into plants, in addition to managing stock to an appropriate extent and with sufficient margin.



6. Connection between Shionogi and society

During the fiscal year ended March 31, 2021, the Group continued to make various efforts to contribute to realization of a better society as an institution working for the benefit of society. The entire Group is committed to continuing with a variety of efforts aimed at becoming a company needed by stakeholders for a long time to come.

◆ Strengthening of healthcare systems in developing countries -Mother to Mother SHIONOGI Project-



Sub-Saharan Africa located south of the Sahara is a region with an extremely high mortality rate for expectant or nursing mothers and children under the age of five. Shionogi is working on activities to protect health of mothers and children by strengthening healthcare systems in the communities in collaboration with World Vision, an international non-governmental organization (NGO).

The second phase of the project commenced in Kilifi County, Kenya, in April 2020. Drawing on our experience in the first phase of the project, Shionogi is pushing forward with building of three hospitals in two areas, covering 77,500 residents.

◆ Dispatch of employees to health centers in regions where the novel coronavirus infection has spread

Shionogi dispatched its employees to health centers in Osaka and Tokyo where work is tight due to the spread of COVID-19, during the period from February 22 to March 31, and April 15 to 28, 2021, to support their work to prevent the spread of COVID-19. Words of gratitude were received from many people in Tokyo and Osaka, and it was also a good opportunity for the employees to become aware of the actual situations of health centers and feel their work rewarding even more.



◆ Countermeasures against AMR



As part of our countermeasures against AMR*, Shionogi ongoingly undertakes proper management of drainage and other measures at high levels with the aim of reducing anti-bacterial agents drained into the environment. In recognition of these countermeasures against AMR, the Group received an A, the highest rating in the field of “Water Security” following the previous fiscal year from CDP, an international non-profit organization running the global environmental disclosure system.

Shionogi’s commitment to AMR including the above has been highly evaluated externally. In the research of Antimicrobial Resistance Benchmark 2020, we obtained high ratings for our annual investment ratio on research and development of anti-infection drugs, keen monitoring activities on drug resistance through surveillance, etc. (refer to Topics on page 33)

*AMR : Antimicrobial Resistance

[Topics]

Commitment to the novel coronavirus infectious disease (1)

◆ Commitment to the novel coronavirus infectious disease (COVID-19)

Shionogi has set its policy of transforming to a HaaS (Healthcare as a Service) company in STS2030. In order to provide services which extend beyond provision of prescription medicines, we believe that it is ever more important to take on board the patients' perspective. From this point of view, the Group has strengthened its commitment to total care including solution of various difficulties related to diseases.

Shionogi works on discovery of therapeutic medicines as well as prevention, diagnosis and suppressing exacerbations, building upon our strengths of the value chain from research and development to manufacturing, sales and distribution. In addition, Shionogi is committed to detecting signs of spread of infection through early detection of a pandemic of infectious diseases and variants from the pre-symptomatic point of view.



◆ Commitment to COVID-19 vaccine discovery



Based on technology of its subsidiary UMN Pharma Inc., Shionogi is promoting jointly with the National Institute of Infectious Diseases development of a recombinant protein vaccine the antigen of which is spike (S) protein of the virus.

The Phase 1 and 2 clinical trials in Japan commenced in December 2020. Establishment of a manufacturing system therefor is underway in parallel so that the vaccine may be provided promptly upon successful development. The first phase of construction of manufacturing facilities was completed at the end of March 2021 (photo on the left) in collaboration with UNIGEN (manufacture of drug substances) and API (manufacture of preparations).

Shionogi will further its commitment aimed at early provision a vaccine made in Japan in collaboration with alliance partners and relevant government agencies.



◆ Commitment to discovery of therapeutic medicines

Shionogi has been conducting basic research jointly with Hokkaido University Research Center for Zoonosis Control on therapeutic medicines against coronavirus even before the outbreak of COVID-19. In order to provide new medicines which surpass existing medicines in terms of the efficacy and safety and thereby prepare for epidemics of variants and new pandemics in the future, Shionogi will work on research of therapeutic medicines on a continuous basis, making use of various drug discovery modalities*.

*Treatment methods such as protein medicine, nucleic acid medicine, cell therapy and regenerative medicines that include small-molecule APIs, peptide (intermediate size) drugs and antibody drugs



[Topics]

Commitment to the novel coronavirus infectious disease (2)



◆ Commitment to suppressing exacerbations of COVID-19

Shionogi is pushing forward with development of a therapeutic medicine candidate (asapiprant) which suppresses exacerbations of COVID-19, in alliance with a U.S. company BioAge Labs, Inc.

Asapiprant is a Prostaglandin D2 DP1 receptor antagonist discovered by Shionogi, which has been confirmed to have high affinity and selectivity for DP1 receptor and well tolerated and safe for clinical use. A Phase 2 clinical trial in elderly patients of COVID-19 was initiated in the United States in March 2021.



◆ Commitment to offering COVID-19 diagnosis kits



Shionogi launched a COVID-19 antibody test kit product as a research reagent in June 2020 in collaboration with Micro Blood Science Inc.

With the aim of putting the rapid diagnostic method (SATIC method) into practical use, Shionogi made an alliance with three universities in Japan. We are conducting examination for provision of kits which enable simple rapid diagnosis of multiple samples.

Shionogi submitted an application for approval of additional indication in April 2021 for HISCL TARC reagent which is manufactured and sold by Shionogi, as a prediction marker for exacerbation of COVID-19.

Shionogi signed a joint sales agreement with LumiraDx Japan Co., Ltd. in April 2021 to sell a novel coronavirus antigen test agent “LumiraDx SARS-CoV-2 Ag Test Strip” and dedicated diagnostic instrument in Japan and will commence sales of the same in late May.



◆ Commitment to building an automated system for analyzing novel coronavirus in sewage

Shionogi is working on development of technology for detecting using a highly sensitive method and quantifying novel coronavirus genes in sewage in collaboration with Hokkaido University, Robotic Biology Institute Inc. and iLAC Inc.

By regularly monitoring and detecting using a highly sensitive method virus in sewage using LabDroid “Maholo,” a humanoid robot, Shionogi aims to establish a system which enables early detection of pandemics of the viral disease and variants and testing in a large quantity.



Through the abovementioned activities, Shionogi will work as one team to contribute to recovery of reliable and stable society by early containment of the COVID-19 pandemic. We will also be keenly involved in emerging and re-emerging other infectious diseases, positioning “Protect people from the threat of infectious diseases” as the mission to be fulfilled by Shionogi, and continue with our efforts to fulfill the mission.

(3) Significant Subsidiaries

Company Name	Paid-in Capital	Percentage of Ownership	Main Areas of Business
Shionogi Pharma Co., Ltd.	Million Yen 90	100.0	Manufacturing and contract manufacture of pharmaceutical products and contract testing and analysis
Shionogi Healthcare Co., Ltd.	Million Yen 10	51.0	OTC drug manufacturing and sales
Shionogi Inc.	US dollars 12	100.0	Pharmaceutical clinical development and Pharmaceutical manufacturing and sales
Shionogi B.V.	Thousand UK Pounds 630	100.0	Pharmaceutical clinical development and Pharmaceutical manufacturing and sales
Ping An-Shionogi (Hong Kong) Limited	Thousand HK dollars 361,794	51.0	Pharmaceutical sales
Ping An-Shionogi Co., Ltd.	Thousand Chinese yuan 1,061,224	51.0	Pharmaceutical clinical development and Pharmaceutical manufacturing and sales

(4) Capital Investment

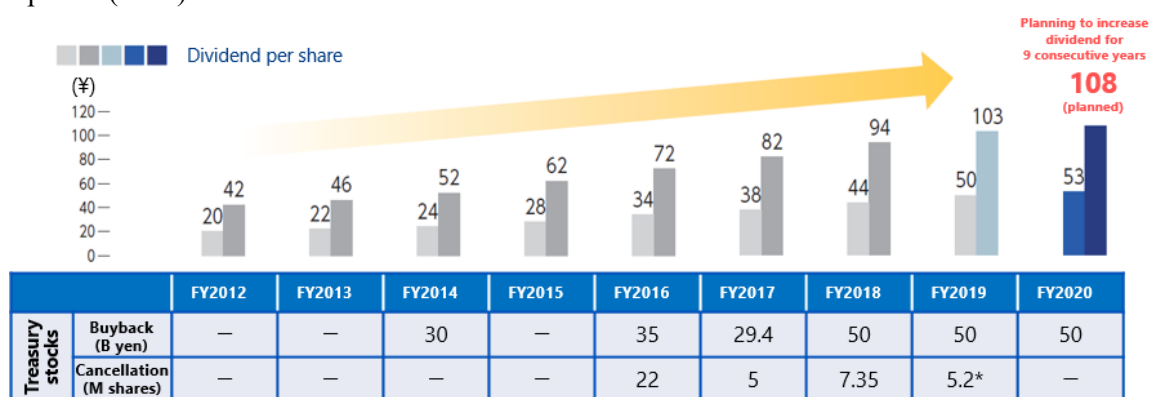
The Shionogi Group's capital investment for the fiscal year ended March 31, 2021 totaled 27.4 billion yen. Shionogi's primary investments were the construction of a vaccine manufacturing facility and a manufacturing facility at the Settsu Plant.

(5) Fund-raising

The Company procured funds of 33,534 million yen on July 29, 2020, through disposal of treasury stock by way of third-party allotment with Ping An Life Insurance Company of China, Ltd. being the allotment destination.

(6) Fundamental policy on the appropriation of retained earnings

Shionogi's fundamental policy is to make stable dividend payment in line with growth, and Shionogi is committed to taking measures to improve capital efficiency, including purchase and cancellation of treasury stock and reduction of cross-shareholdings. Shionogi continues to return profits to shareholders using earnings per share (EPS), Dividend on equity attributable to owners of the parent (DOE) and return on equity attributable to owners of the parent (ROE) as the related benchmarks.



(7) Challenges Ahead

◆ Remaining challenges and key points to be strengthened in FY2021

Shionogi formulated the new Management Plan STS2030 in the fiscal year ended March 31, 2021, and has been working to realize our transformation. Under the situation where no signs of containment of the global outbreak of novel coronavirus are on the horizon, for Shionogi which sets infectious diseases an area of focus, it has been an extremely severe year despite that it is an important year which marks the first fiscal year covered by STS2030. We are committed to promptly addressing remaining challenges in the fiscal year ended March 31, 2021, achieving the business plan for FY2021, and at the same time, achieving 2030 Vision which is the medium- to long-term targets, and will continue our efforts aiming at realization of society where people around the world live with peace of mind.

Shionogi pushed forward with research and development at a speed significantly beyond preconceived ideas of Shionogi, by, for example, putting a vaccine for which we had no business experience into clinical use in a year. On the other hand, world's leading pharmaceutical companies commenced provision of vaccines at a speed well faster than us and are proceeding with research and development of therapeutic medicines. In the fiscal year ended March 31, 2021, Shionogi failed to keep up with the speed demanded by society to us as a leading company in the area of infectious diseases, in other words, to provide enough solutions to contribute to ending the COVID-19 pandemic. In FY2021, we will select and focus on resources even more strictly to contribute to recovery of reliable and stable society which is disrupted by COVID-19 and steadily proceed with development of new growth drivers in order to overcome drop in revenue due to the expiry of a patent for an anti-HIV drug (patent cliff) to come in around 2028.

In our domestic business, Shionogi saw a sales decline due to an impact of the spread of COVID-19 and the drug price revisions, however, we need to make flexible responses even under such environmental changes. In FY2021, we will promote utilization of IT and data even further and work to maximize product value through a fusion of the real world and the digital world. For Xofluza, although the size of influenza epidemics was extremely small in the fiscal year ended March 31, 2021, in preparation for the future epidemics, we will further promote proper use by gathering and analyzing clinical data on a continual basis and providing information based on data, thereby striving to deliver the drug to patients who require it.

In our overseas business, we successfully kicked off our business in China under a new framework set up with Ping An Life Insurance Company of China. We will expand sales at an early stage and establish a business foundation to create value over the medium to long term. In Europe and the United States, we will strengthen our sales system in the hospital area with a focus on cefiderocol. In addition, we will work to expand countries to which a subscription-based reimbursement model for cefiderocol is applied.

With respect to investments in business, Shionogi announced that it will make investments of 500 billion yen in overseas businesses, startup of new businesses, etc. by FY2024, which is the final fiscal year of STS Phase 1, and pushed forward with investigation and analysis of many investment targets. Such efforts have not led Shionogi to successfully conclude a large-scale alliance or acquisition such as winning product pipelines yet in the fiscal year ended March 31, 2021, due partly to higher stock prices on a global level, but Shionogi will continue to vigorously undertake activities to acquire new growth drivers in FY2021.

In addition, Shionogi will continue conducting fundamental reforms of the business foundation with the aim of transforming itself into an organization with high productivity in FY2021, and thereby strengthen the efforts such as to renew the structure and processes, reform corporate culture and develop human resources.

Toward the goal of Shionogi's 2030 Vision: "Building Innovation Platforms to Shape the Future of Healthcare," no Shionogi director or employee should fear change; instead we should welcome diversity and "transform" Shionogi so we are not bound by preconceived ideas. In this way, we will work to address ESG issues through our operations and contribute to the development of more sustainable society.

We will continue to work hard to give shareholders a sense of the Shionogi Group's growth.

[Topics]

Shionogi's ESG Initiatives and Corporate Evaluation from Outside

Received A- Rating in the Field of Climate Change and A Rating in the Field of Water Security from CDP (August 2020) and Selected as Supplier Engagement Leaderboard in the Field of Climate Change for the First Time (February 2021)

Shionogi received high ratings, an A- in the field of "Climate Change" and an A, the highest rating, in the field of "Water Security," following the previous year from CDP, an international non-profit organization running the global environmental disclosure system. In addition, Shionogi was selected for the first time as "Supplier Engagement Leaderboard," the highest rating in "Supplier Engagement Rating," in the field of "Climate Change."



Ranked First in Pharmaceuticals Industry of Award for Excellence in Corporate Disclosure for Fourth Consecutive Year (November 2020)

Shionogi received the 2020 Awards for Excellence in Corporate Disclosure from the Securities Analysts Association of Japan (SAAJ), ranking first in the pharmaceuticals industry. Shionogi received the award for the fourth consecutive year and for the fourth time.



Selected for Four Indices Used by GPIF (July 2020)

Shionogi was selected as a constituent stock for all ESG indices ("FTSE Blossom Japan Index," "MSCI Japan ESG Select Leaders Index," "MSCI Japan Empowering Women Index" and "S&P/JPX Carbon Efficient Index") used by GPIF, one of the world's largest pension funds for its ESG investment. In addition to the foregoing, Shionogi is also selected as a constituent stock for "SNAM Sustainability Index" established by Sompo Japan Nipponkoa Asset Management Co., Ltd. and "MSCI ESG Leaders Indexes."



- Received "Environmental Report Excellence Award" (February 2021)
- Selected as a "Excellent Integrated Report" (March 2021)

Shionogi received the "Environmental Report Excellence Award" for its Integrated Report 2020 and Environment Report 2020 at the "24th Environmental Communication Awards."

In addition, the Integrated Report 2020 was selected as one of the "Excellent Integrated Reports" which are selected by the domestic equities managers of the Government Pension Investment Fund (GPIF).



Recognized as 2021 Certified Health & Productivity Management Outstanding Organization for Fifth Consecutive Year (March 2021)

Shionogi was recognized as a 2021 Certified Health & Productivity Management outstanding organization (White 500) (large enterprise category) for the fifth consecutive year.

The Certified Health & Productivity Management Outstanding Organizations Recognition Program is a program under which the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi recognize enterprises that practice outstanding efforts to advance health and productivity management in collaboration with insurers.



[Topics]

Shionogi's New Corporate TV Commercial and Social Network Systems Released

Shionogi commenced provision of information in new ways with the aim of acquiring a higher profile.

◆ Broadcast of Shionogi's new corporate TV commercial commenced.

(URL: https://www.youtube.com/channel/UCIBYHy__zKykDWKpJ4HUBog)

Broadcast of Shionogi's corporate TV commercial "Medicines and beyond" commenced on October 17, 2020, in the music program "Shionogi Music Fair" which Shionogi has sponsored for more than 50 years. The corporate TV commercial was renewed for the first time in about 10 years.

The commercial "Medicines and beyond" illustrates the corporate stance of Shionogi which has been battling the threat of infectious diseases for more than half a century as its mission under the Company Policy of "striving constantly to supply the best possible medicine to protect the health and wellbeing of the patients we serve," and energetically showcases employees working on the front line. The commercial then introduces "total care for infectious diseases" which Shionogi is aiming to realize.



◆ Shionogi's social media official accounts released

In addition to the YouTube channel which was set up in July 2016, Shionogi opened two new social media accounts in the fiscal year ended March 31, 2021. Shionogi will distribute information making use of the characteristics of each channel and win new fans in untapped demographics by acquiring a higher profile for Shionogi. In addition, Shionogi will enhance the provision of information by linking the Shionogi's website with each social media..

YouTube



- Information Provision through videos
- As a storage



Instagram



- Sending out of information based mainly on images
- Used as a trigger for attracting interest



Twitter



- Sending out of information in a timely manner
- A gateway to various types of information



2. Stock Data

- 1) Number of shares authorized to be issued: 1,000,000,000
- 2) Number of shares issued: 311,586,165 (including 10,122,444 shares of treasury stock)
 * 5,200,000 shares of treasury stock were cancelled on April 6, 2020.
- 3) Number of shareholders: 56,510
- 4) Major shareholders (Top 10)

Name of Shareholder	Number of Shares Held	% of Total
	Thousands of shares	
The Master Trust Bank of Japan, Ltd. (Trust account)	41,349	13.71%
Custody Bank of Japan, Ltd. (Trust account)	18,663	6.19%
Sumitomo Life Insurance Company	18,604	6.17%
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	9,485	3.14%
JP MORGAN CHASE BANK 385632	9,287	3.08%
Nippon Life Insurance Company	8,409	2.78%
Custody Bank of Japan, Ltd. (Trust account 7)	7,484	2.48%
BNYM TREATY DTT 15	6,982	2.31%
BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED	6,356	2.10%
NORTHERN TRUST CO.(AVFC) SUB A/C AMERICAN CLIENTS	4,820	1.59%

Notes:

1. The Company owns 10,122,444 shares of treasury stock but the Company is not included in the major shareholders listed above (top 10).
2. The percentage of total is calculated as the proportion of shares to 301,463,721 shares of total issued stock (excluding 10,122,444 shares of treasury stock).

5) Stock Issued as Remuneration to Company Officers during FY2020

The details of stock compensation issued during FY2020 are as follows.

	Number of shares (shares)	Number of persons who received shares (persons)
Directors (excluding Outside Directors)	15,000	2
Outside Directors	—	—
Corporate Auditor	—	—

3. Board Members

(1) Directors and Corporate Auditors

Position	Name	Areas of responsibility and other major posts
President and Representative Director	Isao Teshirogi	
Director, Executive Vice President	Takuko Sawada	President of Integrated Disease Care Department
Director	Keiichi Ando	Outside Director of Tsubakimoto Chain Co. Outside Director of DAIHEN Corporation
Director	Hiroshi Ozaki	Director and Senior Advisor, Osaka Gas Co., Ltd. Outside Director, Asahi Broadcasting Corporation
Director	Fumi Takatsuki	Partner of Oh-Ebashi LPC & Partners
Standing Corporate Auditor	Akira Okamoto	
Standing Corporate Auditor	Ikuo Kato	
Corporate Auditor	Takaoki Fujiwara	Chairman of the Board of Directors and Representative Director, Hanshin Electric Railway Co., Ltd. Outside Director, Sanyo Electric Railway Co., Ltd.
Corporate Auditor	Tsuguoki Fujinuma	Auditor, Chiba Gakuen
Corporate Auditor	Shuichi Okuhara	Representative Director of Nippon Venture Capital Co., Ltd.

Notes:

- Directors Keiichi Ando, Hiroshi Ozaki and Fumi Takatsuki are Outside Directors stipulated in Section 15, Article 2 of the Companies Act.
- Auditors Takaoki Fujiwara, Tsuguoki Fujinuma and Shuichi Okuhara are Outside Corporate Auditors stipulated in Section 16, Article 2 of the Companies Act.
- Directors Keiichi Ando, Hiroshi Ozaki and Fumi Takatsuki have each submitted notification as independent directors as stipulated by Tokyo Stock Exchange Group, Inc.
- Auditors Takaoki Fujiwara, Tsuguoki Fujinuma and Shuichi Okuhara have each submitted notification as independent auditors as stipulated by Tokyo Stock Exchange Group, Inc.
- Auditors Tsuguoki Fujinuma and Shuichi Okuhara is qualified as a certified public accountant and has considerable knowledge in the field of financial affairs and accounting.
- Summary of Contracts to Limit Liability
The Company has concluded contracts with all outside directors and outside corporate auditors to limit their liability as stipulated in Section 1, Article 423 of the Companies Act to the amount stipulated in the relevant laws and ordinances under the condition that the requirements stipulated therein are fulfilled.
- Overview of directors and officers, etc. (D&O) liability insurance contract
The Company executed a directors and officers, etc. (D&O) liability insurance contract stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, which covers Directors and Corporate Auditors of the Company and its subsidiary as the insured. Based on the foregoing, the Company will compensate officers, etc. for damages, legal expenses, etc. (excluding, however, exemptions stipulated in the insurance contract) under the insurance contract in cases where they become subject to a claim for damages as a result of execution of their duties during the insurance contract period. The full amount of the insurance premiums for the insurance contract is borne by the Company.
- A Directors and Corporate Auditors who retired during FY2020
Director Motozo Shiono (retired on June 23, 2020)
Director Teppei Mogi (retired on June 23, 2020)
Corporate Auditor Shinichi Yokoyama (retired on June 23, 2020)

(2) Amount of Remuneration for Directors and Corporate Auditors

Total director remuneration is determined within limits set by resolution of the General Meeting of Shareholders. It encompasses base monthly remuneration, performance-linked bonuses determined by results for the fiscal year and other factors, and restricted stock compensation (medium-term performance-linked and long-term) introduced in FY2018. Outside directors only receive base remuneration.

Base remuneration is determined according to the position and responsibilities of directors with due consideration of the operating environment and social trends.

Bonuses are short-term incentives paid as cash remuneration which reflects performance indicators (core operating profit, consolidated profit and other total performance evaluation as directors excluding royalties, sales of assets, etc.) to heighten the awareness of improving performance for each fiscal year, which are determined according to performance such as achievement of targeted profits and other factors in each fiscal year based on a calculation matrix and paid in June of each year. The results of performance indicators for the current fiscal year are as described in "1. Overview of Operations (2) Business Operations and Results."

Stock-based compensation is awarded in July of each year based on a grant table according to the director's position and role. For medium-term performance-linked stock compensation in particular, performance is evaluated based on the degree of achievement in FY2022 for the portion to be granted in three years between FY2020 and FY2022 out of the period of STS2030 Phase 1 (from FY2020 to FY2024) to determine the ratio of lifting the transfer restriction (between 100% and 0%). In addition, when lifting the transfer restriction, 50% of the amount of stock-based compensation is paid as monetary compensation calculated by stock price translation at the time of the lifting. For performance evaluation, revenue, overseas net sales, core operating profit, ROE and the rank in total shareholder return (TSR) among 12 competitors including the Company (relative TSR) are used as quantitative indicators and determination is made in consideration of the status of ESG, compliance and development associated with the novel coronavirus disease.

The Compensation Advisory Committee discusses the ratio of remuneration by type for executive directors in consideration of remuneration levels using companies which have the similar business size to the Company and are in the relevant business type and category as the benchmark; and the Board of Directors, in respect for recommendations given by the Compensation Advisory Committee, determines the details of the remuneration system, etc. so that the ratio of remuneration by type is in line with the recommendations. The policy for determination thereof is as described in page 39. In addition, it is considered pursuant to the resolution at the Board of Directors held on February 22, 2021 to be appropriate that evaluation and determination in determining base remuneration and individual bonus amount, etc. are made by a person who bears the ultimate management responsibility, and thus, such evaluation and determination are entrusted to Isao Teshirogi, Representative Director and President. The Compensation Advisory Committee deliberates the policy and criteria for the entrustment and provides the Board of Directors with the results as recommendations for their resolution, and Isao Teshirogi, Representative Director and President, to whom such determination is entrusted, shall make decisions in accordance with said recommendations and the resolution at the Board of Directors.

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

Note: Performance-linked remuneration, etc. is directors' bonuses and non-monetary remuneration, etc. is restricted stock.

As a result, the share of base remuneration in total remuneration in FY2020 is about 40%.

Total corporate auditor remuneration is determined within limits set by resolution of the General Meeting of Shareholders. It encompasses base monthly remuneration.

As an advisory body to the Board of Directors, the Company's Compensation Advisory Committee consists of five members, the majority of whom are outside directors, and is chaired by an outside director. The committee duly considers director and corporate auditor remuneration. In addition, 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.

(Million of yen, except for persons)

Category	Persons remunerated	Total amount of remuneration, etc. by type			
		Base remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	Total
Directors (outside directors among directors)	7 (4)	207 (56)	60 (-)	207 (-)	475 (56)
Corporate Auditors (outside auditors among auditors)	6 (4)	124 (54)	- (-)	- (-)	124 (54)
Total	13	331	60	207	599

Notes:

1. By resolution of the Ordinary General Meeting of Shareholders, the total amount of remuneration of directors and corporate auditors is limited to no more than 750 million yen for directors (approved by the General Meeting of Shareholders on June 20, 2018: the number of directors at the time of conclusion of said Ordinary General Meeting of Shareholders was six (of which, the number of Outside Directors was three)) and no more than 170 million yen for corporate auditors (approved by the Ordinary General Meeting of Shareholders on June 18, 2019: the number of corporate auditors at the time of conclusion of said Ordinary General Meeting of Shareholders was five).
2. The amount of remuneration paid and persons remunerated include one director, one outside director and one outside corporate auditor who retired on June 23, 2020.
3. The Company paid one retired director 98 million yen in retirement bonuses and 17 million yen in cash benefits related to medium-term performance-linked restricted stock compensation.
4. "Performance-linked remuneration, etc." above is the relevant allowance for directors' bonuses for FY2020.
5. With respect to directors' remuneration, etc. paid in FY2020, a difference of 17 million yen from allowance for directors' bonuses for three directors (excluding outside directors) accrued in FY2019, which is not included in the table above.
6. "Non-monetary remuneration, etc." above is the relevant expense recognized for FY2020.

<Policy for Determination of Details of Individual Remuneration, etc. for Directors>

1. Basic policy

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

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

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

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

Performance-linked remuneration, etc. shall be cash remuneration which reflects performance indicators (KPIs) to heighten the awareness of improving performance for each fiscal year, and paid as bonus in June of every year in an amount calculated according to the degree of achievement against targeted figures for consolidated operating profit and consolidated profit of each fiscal year. The performance indicators to be targeted and the figures thereof shall be set at the time of formulating the Medium-Term 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.

Non-monetary remuneration, etc. shall be restricted stock and consist of two parts: the long-term stock-based compensation system which requires current employment as a payment condition; and the medium-term performance-linked stock-based compensation which is linked to business results. For the long-term stock-based compensation system, the number of unit 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 unit to be granted shall be determined based on the stock-based compensation table established, according to rank and job responsibility, by the Board of Directors after deliberation by the Compensation Advisory Committee. Restricted stock shall be granted in July of every year, and performance is evaluated based on the degree of achievement in FY2022 for the portion to be granted in three years between FY2020 and FY2022 out of the period of STS2030 Phase 1 (from FY2020 to FY2024) to determine the ratio of lifting the transfer restriction (between 100% and 0%). In addition, when lifting the transfer restriction, 50% of the amount of stock-based compensation is paid as monetary compensation calculated by stock price translation at the time of the lifting. For performance evaluation, revenue, overseas net sales, core operating profit, ROE and the rank in total shareholder return (TSR) among 12 competitors including the Company (relative TSR) are used as quantitative indicators and determination is made by the Board of Directors, after deliberation on the overall evaluation by the Compensation Advisory Committee, in consideration of the status of ESG, compliance and development associated with the novel coronavirus disease.

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

The Compensation Advisory Committee discusses the ratio of remuneration by type for executive directors in consideration of remuneration levels using companies which have the similar business size to the Company and are in the relevant business type and category as the benchmark. The Board of Directors (representative directors who are entrusted pursuant to Item 5), in respect for recommendations given by the Compensation Advisory Committee, determines the details of the remuneration system, etc. so that the ratio of remuneration by type is in line with the recommendations, and also the amounts of individual remuneration ensuring consistency with the purposes of the recommendations. The targeted ratio for each type of remuneration, etc. is set as base remuneration : performance-linked remuneration, etc. : non-monetary remuneration, etc. = 4:3:3 (if all KPIs are achieved).

Note: Performance-linked remuneration, etc. is director and corporate auditor bonuses and non-monetary remuneration, etc. is restricted stock.

5. Matters concerning determination of the details of individual remuneration, etc. for directors

The specific details of the remuneration amount for each individual shall be entrusted to representative directors pursuant to a resolution at the Board of Directors, and the details of the authority shall be the amount of base remuneration for each director based on the base remuneration table and evaluation and allocation of bonuses taking into account results of the business of which the director is in charge.

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

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

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

(3) Outside Board Members

1) Major Activities

Office	Name	Major Activities
Director	Keiichi Ando Attendance at Board of Director meetings 14/14 (100%)	We expect him to play a role in which he recognizes the corporate responsibility we should fulfill and makes management decisions with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. In this regard, he serves as chairperson of the Board of Directors, and presents many questions and opinions from the perspective of the use of assets and development of human resources that are important management resources and provides appropriate advice about budget planning and management and capital policies, including investments.
Director	Hiroshi Ozaki Attendance at Board of Director meetings 13/14 (92.9%)	We expect him to play a role in which he utilizes his abundant practical experience and wide-ranging knowledge in corporate management and organizational management as a manager of a company based in Kansai and recognizes the corporate responsibility we should fulfill and makes management decisions with an emphasis on objectivity and impartiality, without bias in favor of corporate executives or specific interested parties. In this regard, at Board of Directors meetings, he makes a lot of clear suggestions with supporting statements such as giving advice on business and marketing at the Company and raising issues regarding partnerships.
Director	Fumi Takatsuki Attendance at Board of Director meetings 11/11 (100%)	We expect her to play a role in which she prioritizes the observance of social norms and compliance with laws and regulations and makes fair management decisions from a global perspective from her position as an attorney in international corporate law. In this regard, at Board of Directors meetings, she makes statements on the execution of duties by the directors from a broad perspective placing priority on the observance of social norms and compliance with laws and regulations and with recognition of the corporate responsibility held by the Company.
Corporate Auditor	Takaoki Fujiwara Attendance at Board of Director meetings 14/14 (100%) Attendance at Board of Corporate Auditors meetings 10/10 (100%)	We expect him to play a role in which he recognizes the corporate responsibility we should fulfill and provides appropriate advice on directors' management decisions and the appropriateness of the execution of their duties from a point of view that emphasizes his independence as a corporate auditor, without bias in favor of corporate executives or specific interested parties. In this regard, at Board of Directors meetings, he makes statements on the execution of duties by the directors from the perspective of his long and successful career. In addition, at meetings of the Board of Corporate Auditors, he discussed significant matters of audit and made recommendations as necessary.
Corporate Auditor	Tsuguoki Fujinuma Attendance at Board of Director meetings 14/14 (100%) Attendance at Board of Corporate Auditors meetings 10/10 (100%)	We expect her to play a role in which she recognizes the corporate responsibility we should fulfill and provides appropriate advice on directors' management decisions and the appropriateness of the execution of their duties from a point of view that emphasizes her independence as a corporate auditor, without bias in favor of corporate executives or specific interested parties. In this regard, at Board of Directors meetings, she makes statements on the execution of duties by the directors from the perspective of her long and successful career. In addition, at meetings of the Board of Corporate Auditors, he discussed significant matters of audit and made recommendations as necessary.
Corporate Auditor	Shuichi Okuhara Attendance at Board of Director meetings 11/11 (100%) Attendance at Board of Corporate Auditors meetings 8/8 (100%)	We expect him to play a role in which he demonstrates his professional expertise in finance and accounting and carries out audits suitable for the continually changing business environment. In this regard, at Board of Directors meetings, he makes statements on the execution of duties by the directors from a broad perspective, based on his long and successful career. In addition, at meetings of the Board of Corporate Auditors, he discussed significant matters of audit and made recommendations as necessary.

Note: Director Fumi Takatsuki's and Corporate Auditor Shuichi Okuhara's attendance rates at Board of Directors meetings and at Board of Corporate Auditors meetings are their attendance after being appointed on June 23, 2020.

2) Relationship of the Company with Companies where Outside Board Members Hold Major Posts

The Company does not have any relationship that should be indicated with the Tsubakimoto Chain Co. and DAIHEN Corporation, where Keiichi Ando serves as an outside director.

The Company does not have any relationship that should be indicated with Osaka Gas Co., Ltd., where Director Hiroshi Ozaki serves as a Director and Senior Advisor, and Asahi Broadcasting Group Holdings Corporation, where he serves as an outside director.

The Company does not have an advisory contract with Oh-Ebashi LPC & Partners, where Director Fumi Takatsuki is a partner. However, the Company receives advice from Oh-Ebashi LPC & Partners regarding certain specific cases involving international legal affairs.

The Company does not have any relationship that should be indicated with Hanshin Electric Railway Co., Ltd., where Takaoki Fujiwara serves as representative director and chairman, Hankyu Hanshin Holdings, Inc., where he serves as representative director, or Sanyo Electric Railway Co., Ltd., where he serves as an outside director.

The Company does not have any relationship that should be indicated with the Chiba Gakuen, where Tsuguoki Fujinuma serves as an auditor.

The Company does not have any relationship that should be indicated with Nippon Venture Capital Co., Ltd., where Corporate Auditor Shuichi Okuhara serves as a representative director.

4. Other Material Matters

Legal Actions

- On September 12, 2014, the Company received a tax reassessment notification and a notification of assessment and determination of additional tax for the year ended March 31, 2013 from the Osaka Regional Taxation Bureau. The Company filed a written opposition with the Osaka Regional Taxation Bureau on November 10, 2014, since the Company could not accept the reassessment and resulting additional taxation; however, the Osaka Regional Taxation Bureau dismissed the Company's opposition. Therefore, the Company filed a further request for reconsideration of the assessment with the Osaka Regional Tax Tribunal on March 9, 2015. However, on March 7, 2016, the Company received a written decision from the Osaka Regional Tax Tribunal that it had dismissed the Company's request. The Company filed a complaint with the Tokyo District Court on September 2, 2016 for the rescission of the tax reassessment. On March 11, 2020, after more than three years of hearings, the Tokyo District Court delivered a sentence granting almost all of the Company's demands. Since the defendant, the State, was dissatisfied with the ruling and appealed the case, a trial is scheduled to be held at the Tokyo High Court in the future. The defendant appealed this decision. On April 14, 2021, the Tokyo High Court rendered its judgment, recognizing the Company's claims nearly in full. The defendant appealed this decision, and on April 14, 2021, the Tokyo High Court rendered its judgment, recognizing the Company's claims nearly in full. Thereafter, the government did not file any appeal or petition for acceptance of appeal by the deadline of April 28, and thus the judgment was finalized.

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

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

- On February 7, 2018, the Company and ViiV Healthcare filed a patent infringement action in the Canadian Federal Court against Gilead Sciences, Inc., which is seeking to obtain regulatory approval to market certain compounds containing bictegravir in Canada, over the patent for dolutegravir held by the Company.

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

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

On November 20, 2019, the Company and ViiV Healthcare filed a patent infringement action in the courts of Germany, France, the United Kingdom, Ireland, and South Korea against Gilead Sciences, Inc., which is marketing certain compounds containing bictegravir in the countries, over the patent for dolutegravir held by the Company.

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

the patent for dolutegravir held by the Company.

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

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

- In July 2020, Shionogi filed suit with the Federal District Court in Toronto, Canada. The Company, along with ViiV Healthcare Company and ViiV Healthcare ULC, is seeking judgment against Sandoz Inc, which applied for approval the marketing of a generic version of dolutegravir (Japanese brand name: Tivicay). Shionogi claims that Sandoz' actions constitute patent infringement given the patent rights we possess for the dolutegravir substance

Consolidated Statement of Financial Position
(As of March 31, 2021)

(Million of yen)

Accounts	FY2020	(Reference) FY2019	Accounts	FY2020	(Reference) FY2019
Assets			Equity		
Non-current assets			Capital stock	21,279	21,279
Property, plant and equipment	90,883	71,350	Capital surplus	13,733	21,025
Goodwill	9,357	7,854	Treasury shares	(57,989)	(77,292)
Intangible assets	76,558	51,705	Retained earnings	752,248	708,291
Right-of-use assets	4,827	4,657	Other components of equity	116,836	91,848
Investment real estate	26,759	2,496	Equity attributable to owners of parent Retained earnings	846,108	765,152
Other financial assets	217,437	202,161	Non-controlling interests	18,442	51
Deferred tax assets	11,729	3,048	Total Equity	864,550	765,203
Other non-current assets	5,200	14,394	Liabilities		
Total non-current assets	442,754	357,669	Non-current liabilities		
Current assets			Lease liabilities	4,608	4,791
Inventory	38,003	33,818	Other financial liabilities	5,242	4,179
Trade receivables	78,047	79,804	Retirement benefit liabilities	16,318	16,089
Other financial assets	142,151	171,157	Deferred tax liabilities	7,749	1,949
Income taxes receivable	164	192	Other non-current liabilities	341	362
Other current assets	21,697	22,191	Total non-current liabilities	34,261	27,372
Cash and cash equivalents	276,173	208,861	Current liabilities		
Total current assets	556,238	516,026	Lease liabilities	3,379	3,361
			Trade payables	9,902	10,763
			Other financial liabilities	21,383	17,557
			Income tax payable	28,033	21,886
			Other current liabilities	37,481	27,551
			Total current liabilities	100,180	81,119
			Total liabilities	134,442	108,492
Total assets	998,992	873,695	Total equity and liabilities	998,992	873,695

Consolidated Statement of Profit or Loss

FY2020 (Year ended March 31, 2021)

(Million of yen)

Accounts	FY2020	(Reference) FY2019
Revenue	297,177	333,371
Cost of sales	(52,523)	(56,782)
Gross profit	244,654	276,589
Sales, general and administrative expenses	(91,902)	(95,094)
Research and development costs	(54,249)	(47,949)
Amortization of intangible assets associated with products	(3,209)	(3,255)
Other income	26,403	4,291
Other expenses	(4,257)	(3,951)
Operating profit	117,438	130,628
Finance income	26,522	30,504
Finance costs	(941)	(2,616)
Profit before tax	143,018	158,516
Income tax expense	(30,956)	(36,322)
Profit	112,061	122,194

Profit attributable to		
Owners of parent	111,858	122,193
Non-controlling interests	203	1
Profit	112,061	122,194

Non-consolidated Balance Sheets
(As of March 31, 2021)

(Million of yen)

Accounts	FY2020	(Reference) FY2019	Accounts	FY2020	(Reference) FY2019
Assets	617,123	580,804	Liabilities	80,717	50,322
Current assets	292,357	282,283	Current liabilities	72,276	41,943
Cash and deposits	50,214	67,442	Accounts payable-trade	7,018	8,078
Accounts receivable-trade	67,751	38,801	Accounts payable-other	17,756	15,045
Short-term investment securities	123,032	124,039	Accrued expenses	2,263	2,241
Merchandise and finished goods	15,619	13,818	Income taxes payable	20,495	8,102
Work in process	29	15	Deposits received	1,998	2,469
Raw materials and supplies	15,119	10,505	Provision for bonuses	4,674	5,703
Advance payments-trade	9,709	5,094	Provision for directors' bonuses	60	51
Short-term loans receivable	851	1,291	Other	18,009	252
Other	10,029	21,275	Non-current liabilities	8,441	8,378
Non-current assets	324,765	298,521	Provision for retirement benefits	7,495	7,321
Property, plant and equipment	57,877	38,154	Other	945	1,056
Buildings, net	22,098	23,416			
Structures, net	979	1,062			
Machinery and equipment, net	325	17			
Vehicles, net	0	0			
Tools, furniture and fixtures, net	3,918	3,823			
Land	8,140	8,126	Net assets	536,405	530,482
Lease assets, net	349	577	Shareholders' equity	519,838	511,733
Construction in progress	22,064	1,130	Capital stock	21,279	21,279
Intangible assets	12,491	16,096	Capital surpluses	16,392	16,392
Software	3,906	2,441	Legal capital surplus	16,392	16,392
Sales rights	6,314	11,228	Retained earnings	540,155	551,353
Other	2,270	2,426	Legal retained earnings	5,388	5,388
Investments and other assets	254,395	244,269	Other retained earnings	534,767	545,965
Investment securities	58,825	56,257	Reserve for advanced depreciation of noncurrent assets	2,921	3,012
Stocks of subsidiaries and affiliates	159,211	159,253	General reserve	368,645	368,645
Investments in capital of subsidiaries and associates	30	490	Retained earnings brought forward	163,201	174,307
Long-term prepaid expense	1,414	1,050	Treasury stock	(57,989)	(77,292)
Prepaid pension cost	25,669	23,998	Valuation and translation adjustments	16,315	18,310
Deferred tax assets	8,003	1,969	Valuation difference on available-for-sale securities	19,057	14,022
Other	1,283	1,291	Deferred gains or losses on hedges	(2,741)	4,287
Allowance for doubtful accounts	(42)	(42)	Subscription rights to shares	251	438
Total assets	617,123	580,804	Total liabilities and net assets	617,123	580,804

Non-consolidated Statements of Income
FY2020 (Year ended March 31, 2021)

(Million of yen)

Accounts	FY2020	(Reference) FY2019
Net sales	260,986	293,865
Cost of sales	58,508	60,976
Gross profit, net	202,478	232,888
Selling, general and administrative expenses	126,286	116,781
[R&D expenses]	[55,625]	[45,248]
Operating income	76,192	116,107
Non-operating income	8,208	8,642
Interest and dividends income	5,597	6,471
Other	2,610	2,171
Non-operating expenses	2,685	3,484
Interest expenses	11	11
Other	2,674	3,473
Ordinary income	81,714	121,265
Extraordinary income	3,759	7,717
Gain on sales of shares of subsidiaries and associates	3,516	—
Gain on sales of investment securities	242	5,281
Gain on sales of non-current assets	—	2,435
Extraordinary losses	36,276	7,942
Loss on valuation of stocks of subsidiaries and associates	34,221	5,707
Loss on valuation of investment securities	2,054	1,549
Payment compensation	—	684
Income before income taxes	49,197	121,040
Income taxes-current	32,097	27,571
Income taxes-deferred	(15,081)	4,828
Profit	32,181	88,640

Accounting Auditor's Audit Report

May 7, 2021

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

Yuka Hayashi
Designated and Engagement Partner with
limited liability (C.P.A.)

Yasuhiro Kozaki
Designated and Engagement Partner with
limited liability (C.P.A.)

Audit Opinion

Pursuant to Paragraph 4 of Article 444 of the Companies Act, we have audited the consolidated financial statements, more specifically, the consolidated statements of financial position, the consolidated statements of income, the consolidated statements of changes in equity and the notes to the consolidated financial statements of Shionogi & Co., Ltd. (the "Company") for the fiscal term from April 1, 2020 to March 31, 2021.

In our opinion, the consolidated financial statements above present properly, in every material aspect, the financial position and results of operations of Shionogi & Co., Ltd. and its consolidated subsidiaries for the relevant term of the consolidated financial statements prepared while omitting part of disclosure items required by the specified international financial reporting standards pursuant to the provision of the second sentence of Article 120, Paragraph 1 of the Ordinance on Company Accounting.

Basis of Audit Opinion

We carried out the audit in accordance with generally accepted auditing standards in Japan. Our responsibility is described in the auditing standards under "Independent Accounting Auditor's Responsibility in Auditing Consolidated Financial Statements." We are independent from the Company and its consolidated subsidiaries in accordance with professional ethical standards in Japan and fulfill other ethical responsibilities as an accounting auditor. We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

Management's Responsibility, Corporate Auditors and Board of Corporate Auditors for the Consolidated Financial Statements

Company management is responsible for preparing and appropriately presenting the consolidated financial statements in accordance with the provision of the second sentence of Article 120, Paragraph 1 of the Ordinance on Company Accounting which permits omitting part of disclosure items required by the specified international financial reporting standards. This responsibility includes establishing and maintaining internal controls deemed necessary by management to prepare and present the consolidated financial statements without material misstatement due to fraud or error.

In preparing consolidated financial statements, company management is responsible for examining whether it is appropriate to prepare consolidated financial statements based on the premise of a going concern and for disclosing matters relating to the going concern if it is necessary to disclose said matters in accordance with the provision of the second sentence of Article 120, Paragraph 1 of the Ordinance on Company Accounting which permits omitting part of disclosure items required by the specified international financial reporting standards. Corporate auditors and the board of corporate auditors are responsible for monitoring the execution of the directors' duties in establishing and maintaining financial reporting processes.

Independent Accounting Auditor's Responsibility in Auditing Consolidated Financial Statements

The responsibility of an independent accounting auditor is to express an independent opinion on the consolidated financial statements in an audit report based on an audit performed by the independent accounting auditor after obtaining reasonable assurance that the overall consolidated financial statements are free of material misstatement due to fraud or error. Misstatements may arise due to fraud or error and are deemed to be material if they are reasonably expected to affect the decision-making of users of the consolidated financial statements either individually or in aggregate.

The independent accounting auditor performs the following by making decisions as a professional specialist and retaining professional skepticism in the course of audit in accordance with generally accepted auditing

standards in Japan.

- Identify and assess risks of material misstatement due to fraud or error. Plan and implement audit procedures that address material misstatement risk. The independent accounting auditor has discretion over the selection and application of audit procedures. In addition, obtain sufficient and appropriate audit evidence that supports the audit opinion.

- The purpose of an audit of consolidated financial statements is not to express an opinion on the effectiveness of internal controls. However, the independent accounting auditor examines internal controls related to audits in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances.

- Examine the appropriateness of accounting policies adopted by management and their method of application, as well as the rationality of accounting estimates made by management and the adequacy of related notes.

- Conclude whether it is appropriate for management to prepare consolidated financial statements based on the premise of a going concern and whether material uncertainty is deemed to exist in relation to events or circumstances in which material doubt about the premise of a going concern is found, based on the audit evidence obtained. If material uncertainty concerning the premise of a going concern is deemed to exist, the independent accounting auditor is required to bring such uncertainty to attention in the notes to consolidated financial statements in the audit report, or to express an opinion with exceptions toward the consolidated financial statements if the notes to consolidated financial statements concerning the material uncertainty are not appropriate. The conclusion of the independent accounting auditor is based on audit evidence obtained before the audit report date. However, the company may be unable to continue to exist as a going concern depending on future events and circumstances.

- Examine whether the presentation of and notes to the consolidated financial statements are in accordance with the provision of the second sentence of Article 120, Paragraph 1 of the Ordinance on Company Accounting which permits omitting part of disclosure items required by the specified international financial reporting standards and whether the presentation, composition, and details of the consolidated financial statements including related notes as well as the consolidated financial statements properly present underlying transactions and accounting events.

- Obtain sufficient and appropriate audit evidence on the financial information of the Company and its consolidated subsidiaries in order to express an opinion on consolidated financial statements. The independent accounting auditor is responsible for instructing, supervising and implementing audits of consolidated financial statements. The independent accounting auditor is solely responsible for the audit opinion.

The independent accounting auditor reports to the corporate auditors and the board of corporate auditors the scope and implementation timing of the planned audit, material audit findings including material deficiencies in internal control identified in the course of audit and other matters required by auditing standards.

The independent accounting auditor reports to the corporate auditors and the board of corporate auditors its compliance with regulations relating to professional ethics on independence in Japan, matters reasonably deemed to affect the independence of the independent accounting auditor and the details of safeguards, if any, to remove or reduce disincentives.

Interests in the Company

We have no interest in the Company and its consolidated subsidiaries that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Accounting Auditor's Audit Report

May 7, 2021

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

Yuka Hayashi
Designated and Engagement Partner with
limited liability (C.P.A.)

Yasuhiro Kozaki
Designated and Engagement Partner with
limited liability (C.P.A.)

Audit Opinion

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the balance sheets, the statements of income, the statements of changes in net assets and the notes to the financial statements and the supplementary schedule to the foregoing ("financial statements") of Shionogi & Co., Ltd. (the "Company") for the 156th fiscal term from April 1, 2020 to March 31, 2021.

In our opinion, the financial statements above present properly, in every material aspect, the financial position and results of operations for the relevant term of the financial statements in accordance with generally accepted auditing standards in Japan.

Basis of Audit Opinion

We carried out the audit in accordance with generally accepted auditing standards in Japan. Our responsibility is described in the auditing standards under "Independent Accounting Auditor's Responsibility in Auditing Financial Statements." We are independent from the Company in accordance with professional ethical standards in Japan and fulfill other ethical responsibilities as an accounting auditor. We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

Responsibilities of Management, Corporate Auditors and Board of Corporate Auditors for the Financial Statements

Company management is responsible for preparing and appropriately presenting the financial statements and the supplementary schedules in accordance with generally accepted accounting standards in Japan. This responsibility includes establishing and maintaining internal controls deemed necessary by management to prepare and present the financial statements and the supplementary schedules without material misstatement due to fraud or error.

In preparing financial statements, company management is responsible for examining whether it is appropriate to prepare financial statements based on the premise of a going concern and for disclosing matters relating to the going concern if it is necessary to disclose said matters in accordance with generally accepted auditing standards in Japan.

Corporate auditors and the board of corporate auditors are responsible for monitoring the execution of the directors' duties in establishing and maintaining financial reporting processes.

Independent Accounting Auditor's Responsibility in Auditing Financial Statements

The responsibility of an independent accounting auditor is to express an independent opinion on the financial statements in an audit report based on an audit performed by the independent accounting auditor after obtaining reasonable assurance that the overall financial statements are free of material misstatement due to fraud or error. Misstatements may arise due to fraud or error and are deemed to be material if they are reasonably expected to affect the decision-making of users of the financial statements either individually or in aggregate.

The independent accounting auditor performs the following by making decisions as a professional specialist and retaining professional skepticism in the course of audit in accordance with generally accepted auditing standards in Japan.

- Identify and assess risks of material misstatement due to fraud or error. Plan and implement audit procedures that address material misstatement risk. The independent accounting auditor has discretion over the selection and application of audit procedures. In addition, obtain sufficient and appropriate audit evidence that supports the audit opinion.

- The purpose of an audit of financial statements is not to express an opinion on the effectiveness of internal controls. However, the independent accounting auditor examines internal controls related to audits in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances.

- Examine the appropriateness of accounting policies adopted by management and their method of application, as well as the rationality of accounting estimates made by management and the adequacy of related notes.
- Conclude whether it is appropriate for management to prepare financial statements based on the premise of a going concern and whether material uncertainty is deemed to exist in relation to events or circumstances in which material doubt about the premise of a going concern is found, based on the audit evidence obtained. If material uncertainty concerning the premise of a going concern is deemed to exist, the independent accounting auditor is required to bring such uncertainty to attention in the notes to financial statements in the audit report or to express an opinion with an exception toward the financial statements if the notes to financial statements concerning the material uncertainty are inappropriate. The conclusion of the independent accounting auditor is based on audit evidence obtained before the audit report date. However, the company may be unable to continue to exist as a going concern depending on future events and circumstances.
- Examine whether the presentation of and notes to the financial statements are in accordance with generally accepted accounting standards in Japan and whether the presentation, composition, and details of the financial statements including related notes as well as the financial statements properly present underlying transactions and accounting events.

The independent accounting auditor reports to the corporate auditors and the board of corporate auditors the scope and implementation timing of the planned audit, material audit findings including material deficiencies in internal control identified in the course of audit and other matters required by auditing standards.

The independent accounting auditor reports to the corporate auditors and the board of corporate auditors its compliance with regulations relating to professional ethics on independence in Japan and the details of safeguards, if any, to remove or reduce matters and disincentives reasonably deemed to affect the independence of the independent accounting auditor.

Interests in the Company

We have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Audit Report of the Board of Corporate Auditors

The Board of Corporate Auditors has compiled this Audit Report, upon due discussion, based on the audit report prepared by each Corporate Auditor regarding the execution of Directors' duties for the 156th fiscal period from April 1, 2020 to March 31, 2021 and submit our report as follows:

1. The Auditing Methods and Contents of Corporate Auditors and the Board of Corporate Auditors

- (1) The Board of Corporate Auditors stipulated the auditing policies and share of assignment, etc., received reports regarding the situation and results of the audit from each Corporate Auditor and received reports regarding the situation of the business operations from the Directors and the Accounting Auditors, and requested additional explanations as necessary.
- (2) Each Corporate Auditor, in accordance with the auditing standards, auditing policies and share of assignment, etc., stipulated by the Board of Corporate Auditors, communicated with the Directors, the internal control section of the Company, and employees, endeavored to collect information and organize the environment for auditing, and conducted audits by the following method.

- 1) We attended the Board of Directors meetings and other material meetings, received reports regarding the situation of the business operations from the Directors and employees, requested additional explanations as necessary, perused the material documents on decisions and investigated the operations and assets at the Company's head office and other main offices. With respect to the Company's subsidiaries, we communicated with and held opinion exchange meetings with the Directors and Corporate Auditors, etc., of subsidiaries, and, as required, received reports regarding the business operations from subsidiaries.

- 2) We monitored and verified a system to assure appropriate execution of the Directors' duties in accordance with the related regulations and the Articles of Incorporation, the resolution of the Board of Directors regarding a system to assure appropriate operations of the Company (and the corporate group consisting of the Company's subsidiaries) under Paragraphs 1 and 3, Article 100 of the Enforcement Regulations of the Companies Act and the system established pursuant to such resolution (the Internal Control System).

With respect to internal control over financial reporting, we received reports regarding the evaluation of such internal control and the situation of auditing from the Directors and employees, requested additional explanations as necessary, and expressed our opinion.

- 3) We monitored and verified whether the Accounting Auditors maintain their independence and conduct the appropriate audit, received reports regarding the execution of their duties from the Accounting Auditors, and requested additional explanations as necessary.

We also received notification that the "system to assure appropriate execution of the duties" (the items enumerated in each number of Article 131 of the Corporate Accounting Regulations Ordinance) was established in accordance with the "Quality Control Standards for Auditing" (adopted by the Business Accounting Deliberation Council on October 28, 2005), and requested additional explanations as necessary.

We received a report and requested an explanation concerning the implementation of the business improvement plan submitted to the Financial Services Agency on January 29, 2016 in relation to the business improvement order issued to the Accounting Auditors by the Financial Services Agency on December 22, 2015.

Based on the above method, we reviewed the financial statements (the balance sheets, the statements of income, the statements of changes in net assets and notes on financial statements) as well as the supporting schedules, and the consolidated financial statements (the consolidated statements of financial position, the consolidated statements of income, the consolidated statements of changes in equity and notes on consolidated financial statements) for the relevant fiscal year.

2. Result of Audit

(1) Results of audit on the business reports, etc.

- 1) The business reports and supporting schedules present properly the Company's affairs in accordance with the related regulations and the Articles of Incorporation of the Company.
- 2) No improper acts or serious matters in violation of the related regulations or the Articles of Incorporation in the course of execution of the Directors' duties have been observed.
- 3) The content of the Board of Directors' resolution concerning the internal control system is appropriate. We found no matters requiring additional mention with regard to the details in the business reports or Directors' execution of duties concerning the Company's internal control system.

(2) Results of audit on the financial statements and supporting schedules

The methods and results of the audit made by Ernst & Young ShinNihon LLC are appropriate.

(3) Results of audit on the consolidated financial statements

The methods and results of the audit made by Ernst & Young ShinNihon LLC are appropriate.

May 7, 2021

Board of Corporate Auditors, Shionogi & Co., Ltd.

Standing Corporate Auditor :Akira Okamoto

Standing Corporate Auditor :Ikuro Kato

Outside Corporate Auditor :Takaoki Fujiwara

Outside Corporate Auditor :Tsuguoki Fujinuma

Outside Corporate Auditor :Shuichi Okuhara