



Consolidated Financial Results for the Second Quarter of Fiscal Year 2022 (IFRS)

October 31, 2022

Name of Listed Company: **SHIONOGI & CO., LTD.**

Listed Exchanges: Section I of Tokyo

Code: 4507

URL: <https://www.shionogi.com>

Representative: Isao Teshirogi, Ph.D., Chairman of the Board and Representative Director, President and CEO

Contact responsibility: Yoshimasa Kyokawa, Vice President, Corporate Communications Department Tel.: (06)6202-2161

Scheduled date of quarterly securities report submission: November 10, 2022

Scheduled date of dividend payments: December 1, 2022

Preparation of supplemental material for the quarterly financial results: Yes

Holding of presentation for the quarterly financial results: Yes (for investment analysts)

(Note: All amounts are rounded down to the nearest million yen.)

1. Consolidated results for the period from April 1, 2022 to September 30, 2022

(1) Consolidated operating results (% shows changes from the same period of the previous fiscal year)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2022	150,779	3.9	28,224	(33.8)	67,978	33.7	57,407	8.3	57,264	7.8	76,145	49.1
Six months ended September 30, 2021	145,085	(2.3)	42,664	(26.8)	50,832	(27.5)	53,023	1.3	53,131	1.5	51,076	(10.8)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	190.21	190.15
Six months ended September 30, 2021	176.24	176.18

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2022	1,195,939	1,032,993	1,009,578	84.4
As of March 31, 2022	1,150,601	993,285	975,661	84.8

2. Dividends

(Date of record)	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	55.00	—	60.00	115.00
Year ending March 31, 2023	—	60.00	—	—	—
Year ending March 31, 2023 (forecast)	—	—	—	60.00	120.00

Note: Revisions of the most recent dividend forecast: None

3. Consolidated financial forecast for the year ending March 31, 2023

(% shows changes from the same period of the previous fiscal year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2023	410,000	22.3	120,000	8.8	174,000	37.8	142,000	24.4	471.58

Note: Revisions of the most recent consolidated financial forecast: None

※ Notes

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries involving changes in scope of consolidation) : None
- (2) Changes in accounting policies, changes/restatements of accounting estimates
- a) Changes in accounting policies required by IFRS : None
 - b) Changes in accounting policies other than a) above : None
 - c) Changes in accounting estimates : None
- (3) Number of shares issued (common stock)
- a) Number of shares issued (including treasury stock)

As of September 30, 2022:	311,586,165 shares
As of March 31, 2022:	311,586,165 shares
 - b) Number of treasury stock

As of September 30, 2022:	10,468,790 shares
As of March 31, 2022:	10,103,385 shares
 - c) Average number of shares issued during the period

Six months ended September 30, 2022:	301,055,990 shares
Six months ended September 30, 2021:	301,474,540 shares

※ *This report of financial results is unaudited.*

※ *Explanation Concerning the Appropriate Use of Financial Results Forecasts and Other Special Instructions (Cautionary note concerning forward-looking statements)*

The forecast of financial results and forward-looking statements contained in this report are based on information currently available to the Company as well as certain assumptions that it judges to be reasonable. Actual results may differ materially due to a variety of factors. For the assumptions used in forecasts and precautionary statements regarding the use of the forecasts, please refer to "1. Overview of Operating Results and Financial Position (4) Outlook" on page 3 of the accompanying materials.

(Method of Obtaining Financial Results Supplementary Materials and Details of Results Briefing Meeting)

Financial results supplementary materials are posted via TDnet on the date of disclosure. The Company plans to hold a results briefing meeting for analysts on Tuesday, November 1, 2022. Plans are also in place to post explanatory details (Transcript) together with financial results explanatory materials distributed to analysts on November 1, 2022 on the Company's website in a timely manner after the results briefing.

CONTENTS

1. Overview of Operating Results and Financial Position	2
(1) Operating Results for the Second Quarter of the Fiscal Year Ending March 31, 2023	2
(2) Financial Position for the Second Quarter of the Fiscal Year Ending March 31, 2023	2
(3) Cash Flows for the Second Quarter of the Fiscal Year Ending March 31, 2023	3
(4) Outlook	3
2. Consolidated Financial Statements and Notes.....	4
(1) Consolidated statement of profit or loss and Consolidated statement of comprehensive income	4
(2) Consolidated statement of financial position	6
(3) Consolidated statement of changes in equity	8
(4) Consolidated statement of cash flows	9
(5) Notes	11
Going concern assumption	11
Segment informatioin	11

1. Overview of Operating Results and Financial Position

(1) Operating Results for the Second Quarter of the Fiscal Year Ending March 31, 2023

For the six months ended September 30, 2022 (April 1, 2022 to September 30, 2022), operating results were as follows.

	<i>Millions of yen</i>			
	Six months ended September 30, 2022	Six months ended September 30, 2021	Change	Percentage change (%)
Revenue	150,779	145,085	5,693	3.9
Operating profit	28,224	42,664	(14,440)	(33.8)
Core operating profit *	25,477	43,852	(18,374)	(41.9)
Profit before tax	67,978	50,832	17,146	33.7
Profit attributable to owners of parent	57,264	53,131	4,133	7.8

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

Revenue increased 3.9 percent year on year. In domestic sales of prescription drugs, revenue for Intuniv expanded, but overall revenue decreased 29.2 percent, reflecting a decrease in revenue for Cymbalta due to the market entry of a generic version, as well as returns of Xofluza and Rapiacta. In overseas subsidiary sales and exports, despite the absence of a one-time payment the Shionogi Group received in the first quarter of the previous fiscal year in connection with the transfer of marketing rights for FORTAMET in the United States, revenue from overseas subsidiary sales and exports increased 14.5 percent because cefiderocol (U.S. brand name: Fetroja, European brand name: Fetcroja), which has shown effectiveness against multidrug-resistant Gram-negative bacteria, performed well in the United States and Europe. Royalty income increased 27.4 percent due to growth in sales of the HIV franchise out-licensed to ViiV, centered on Dovato, Cabenuva and other products as well as the impact of exchange rates.

Research and development expenses increased because of investment in key projects and priority issues such as potential treatments and vaccines for COVID-19. As a result, operating profit decreased 33.8 percent year on year. Core operating profit decreased 41.9 percent as a result of adjustment of non-recurring items, including the sale of investment property. Profit before tax increased 33.7 percent due to an increase in dividends because sales of the HIV franchise by ViiV expanded, the Shionogi Group received dividends from ViiV in the current fiscal year that were originally scheduled to be received in the fourth quarter of fiscal 2021, and ViiV received a one-time payment in connection with the settlement of litigation with GileadSciences, Inc. Profit attributable to owners of parent increased only 7.8 percent year on year, reflecting the refund received in the first quarter of fiscal 2021 in connection with a favorable judgement of the complaint for the rescission of tax reassessment by the Osaka Regional Taxation Bureau.

(2) Financial Position for the Second Quarter of the Fiscal Year Ending March 31, 2023

As of September 30, 2022, total assets were ¥1,195,939 million, an increase of ¥45,338 million from the end of the previous fiscal year.

Non-current assets were ¥516,012 million, an increase of ¥24,616 million from the end of the previous fiscal year due to an increase in intangible assets, including in-process R&D assets. Current assets were ¥679,927 million, an increase of ¥20,722 million from the end of the previous fiscal year due to increases and decreases in cash and cash equivalents, and in time deposits and bonds of more than three months (included in “Other financial assets” in current assets).

Equity was ¥1,032,993 million, an increase of ¥39,708 million from the end of the previous fiscal year. This was due to recording of profit, payment of cash dividends, purchase of treasury shares, an increase in exchange differences on translation of foreign operations (included in “Other components of equity”), and an increase in non-controlling interests resulting from a third-party allotment at a subsidiary.

Liabilities totaled ¥162,946 million, an increase of ¥5,629 million from the end of the previous fiscal year.

Non-current liabilities were ¥35,942 million, an increase of ¥3,022 million from the end of the previous fiscal year. Current liabilities were ¥127,003 million, an increase of ¥2,607 million from the end of the previous fiscal year.

(3) Cash Flows for the Second Quarter of the Fiscal Year Ending March 31, 2023

Net cash provided by operating activities during the six months ended September 30, 2022 was ¥58,370 million, an increase of ¥3,361 million year on year. Factors included profit before tax, an increase in dividends received from ViiV and collection of trade receivables.

Net cash used in investing activities was ¥90,374 million, an increase of ¥14,191 million year on year. Factors included purchase of intangible assets and increases and decreases of time deposits.

Net cash used in financing activities was ¥38,448 million, an increase of ¥20,123 million year on year, mainly because of an increase due to purchase of treasury shares, which was offset by a capital increase through third-party allotment at a subsidiary.

As a result, cash and cash equivalents at the end of the second quarter totaled ¥198,043 million, a decrease of ¥56,377 million from the end of the previous fiscal year.

(4) Outlook

There are no revisions to the consolidated financial forecast for the fiscal year ending March 31, 2023 (revised) announced on October 24, 2022.

2. Consolidated Financial Statements and Notes

- (1) Consolidated statement of profit or loss and Consolidated statement of comprehensive income
Consolidated statement of profit or loss

Millions of yen

	Six months ended September 30, 2021	Six months ended September 30, 2022
Revenue	145,085	150,779
Cost of sales	(26,984)	(27,367)
Gross profit	118,101	123,412
Selling, general and administrative expenses	(44,248)	(46,517)
Research and development expenses	(28,175)	(48,729)
Amortization of intangible assets associated with products	(1,641)	(1,951)
Other income	1,606	3,490
Other expenses	(2,977)	(1,480)
Operating profit	42,664	28,224
Finance income	8,338	39,834
Finance costs	(170)	(79)
Profit before tax	50,832	67,978
Income tax expense	2,191	(10,571)
Profit	53,023	57,407
Profit attributable to		
Owners of parent	53,131	57,264
Non-controlling interests	(107)	143
Profit	53,023	57,407
Earnings per share		
Basic earnings per share	176.24	190.21
Diluted earnings per share	176.18	190.15

Consolidated statement of comprehensive income

Millions of yen

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	53,023	57,407
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(5,950)	(2,244)
Remeasurements of defined benefit plans	623	(864)
Total of items that will not be reclassified to profit or loss	(5,326)	(3,108)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,228	21,159
Effective portion of cash flow hedges	2,150	686
Total of items that may be reclassified to profit or loss	3,379	21,845
Total other comprehensive income, net of tax	(1,947)	18,737
Comprehensive income	51,076	76,145
Comprehensive income attributable to		
Owners of parent	50,892	74,319
Non-controlling interests	184	1,825
Comprehensive income	51,076	76,145

(2) Consolidated statement of financial position

Millions of yen

	As of March 31, 2022	As of September 30, 2022
Assets		
Non-current assets		
Property, plant and equipment	108,893	109,789
Goodwill	9,638	10,077
Intangible assets	81,223	108,494
Right-of-use assets	3,524	3,738
Investment property	26,672	25,618
Other financial assets	242,479	240,739
Deferred tax assets	12,907	11,264
Other non-current assets	6,055	6,290
Total non-current assets	491,396	516,012
Current assets		
Inventories	45,892	56,069
Trade receivables	122,965	99,661
Other financial assets	210,757	290,520
Income taxes receivable	51	58
Other current assets	25,117	35,574
Cash and cash equivalents	254,420	198,043
Total current assets	659,205	679,927
Total assets	1,150,601	1,195,939

Millions of yen

	As of March 31, 2022	As of September 30, 2022
Equity and liabilities		
Equity		
Share capital	21,279	21,279
Capital surplus	14,455	15,204
Treasury shares	(57,857)	(63,263)
Retained earnings	832,958	853,614
Other components of equity	164,824	182,744
Equity attributable to owners of parent	975,661	1,009,578
Non-controlling interests	17,624	23,414
Total equity	993,285	1,032,993
Liabilities		
Non-current liabilities		
Lease liabilities	3,729	3,848
Other financial liabilities	5,616	5,120
Retirement benefit liability	15,412	16,754
Deferred tax liabilities	7,807	8,877
Other non-current liabilities	354	1,341
Total non-current liabilities	32,920	35,942
Current liabilities		
Lease liabilities	2,945	2,967
Trade payables	16,372	17,844
Other financial liabilities	22,027	17,222
Income taxes payable	17,973	17,093
Other current liabilities	65,078	71,875
Total current liabilities	124,396	127,003
Total liabilities	157,316	162,946
Total equity and liabilities	1,150,601	1,195,939

(3) Consolidated statement of changes in equity
Six months ended September 30, 2021

Millions of yen

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of April 1, 2021	21,279	13,733	(57,989)	752,248	116,836	846,108	18,442	864,550
Profit				53,131		53,131	(107)	53,023
Total other comprehensive income, net of tax					(2,238)	(2,238)	291	(1,947)
Comprehensive income	—	—	—	53,131	(2,238)	50,892	184	51,076
Purchase of treasury shares			(6)			(6)		(6)
Disposal of treasury shares		(2)	144			141		141
Dividends				(16,580)		(16,580)		(16,580)
Transfer from other components of equity to retained earnings				623	(623)	—		—
Other		858		(288)		569	(855)	(286)
Balance as of September 30, 2021	21,279	14,588	(57,851)	789,134	113,973	881,125	17,770	898,896

Six months ended September 30, 2022

Millions of yen

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of April 1, 2022	21,279	14,455	(57,857)	832,958	164,824	975,661	17,624	993,285
Profit				57,264		57,264	143	57,407
Total other comprehensive income, net of tax					17,055	17,055	1,682	18,737
Comprehensive income	—	—	—	57,264	17,055	74,319	1,825	76,145
Purchase of treasury shares			(23,329)			(23,329)		(23,329)
Disposal of treasury shares		(17,717)	17,922			205		205
Dividends				(18,088)		(18,088)		(18,088)
Changes in ownership interest in subsidiaries		748				748	3,965	4,714
Transfer from other components of equity to retained earnings				(864)	864	—		—
Other		17,717		(17,654)		62		62
Balance as of September 30, 2022	21,279	15,204	(63,263)	853,614	182,744	1,009,578	23,414	1,032,993

(4) Consolidated statement of cash flows

Millions of yen

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before tax	50,832	67,978
Depreciation and amortization	7,848	8,645
Impairment Losses	125	—
Finance income and finance costs	(8,140)	(39,949)
Decrease (increase) in trade and other receivables	(379)	24,422
Decrease (increase) in inventories	(1,900)	(9,674)
Increase (decrease) in trade and other payables	2,524	6,204
Other	(2,236)	(12,976)
Subtotal	48,672	44,650
Interest and dividends received	14,535	25,914
Interest paid	(46)	(44)
Income taxes paid	(21,358)	(12,150)
Income taxes refund	13,206	—
Net cash provided by (used in) operating activities	55,008	58,370
Cash flows from investing activities		
Payments into time deposits	(146,956)	(250,388)
Proceeds from withdrawal of time deposits	102,520	181,826
Purchase of property, plant and equipment	(6,107)	(7,430)
Purchase of intangible assets	(3,272)	(23,854)
Purchase of investments	(64,876)	(60,578)
Proceeds from sale and redemption of investments	42,300	65,988
Other	209	4,062
Net cash provided by (used in) investing activities	(76,183)	(90,374)

Millions of yen

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from financing activities		
Repayments of lease liabilities	(1,743)	(1,731)
Purchase of treasury shares	(6)	(23,355)
Proceeds from disposal of treasury shares	—	3
Dividends paid	(16,574)	(18,078)
Capital contribution from non-controlling interests	—	4,714
Net cash provided by (used in) financing activities	(18,324)	(38,448)
Effect of exchange rate changes on cash and cash equivalents	(615)	14,074
Net increase (decrease) in cash and cash equivalents	(40,114)	(56,377)
Cash and cash equivalents at beginning of period	276,173	254,420
Cash and cash equivalents at end of period	236,059	198,043

(5) Notes

Going concern assumption

None

Segment information

The SHIONOGI Group has a single business segment related to prescription drugs. We operate research, development, purchase, manufacturing, and distributing prescription drugs and related businesses. While analysis of each product sales and profits or expenses of each subsidiary are made, decision of business strategy and allocation of the management resources, especially allocation of R&D expenses, are made on a company-wide basis. Therefore disclosure of segment information is omitted.