



Consolidated Financial Results for the Third Quarter of Fiscal Year 2023 (IFRS)

January 31, 2024

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

Listed Exchanges: Tokyo

Code: 4507

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

Representative: Isao Teshirogi, 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:

February 9, 2024

Scheduled date of dividend payments:

-

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, 2023 to December 31, 2023

(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	%
Nine months ended December 31, 2023	336,821	(0.5)	138,737	(5.3)	164,487	(17.3)	126,439	(19.9)	127,222	(19.3)	183,439	10.6
Nine months ended December 31, 2022	338,347	54.1	146,473	142.4	198,786	165.8	157,773	123.1	157,729	122.2	165,830	105.3

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	435.89	435.74
Nine months ended December 31, 2022	527.81	527.63

Note: Revenue includes Lump-sum income for transfer of ADHD drug

(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 December 31, 2023	1,359,864	1,214,343	1,192,334	87.7
As of March 31, 2023	1,311,800	1,121,878	1,100,046	83.9

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, 2023	—	60.00	—	75.00	135.00
Year ending March 31, 2024	—	75.00	—		
Year ending March 31, 2024 (forecast)				75.00	150.00

Note: Revisions of the most recent dividend forecast: None

3. Consolidated financial forecast for the year ending March 31, 2024

(% 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, 2024	450,000	5.5	150,000	0.7	192,500	(12.6)	155,000	(16.2)	526.66

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 : Yes
 - 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 December 31, 2023: 307,386,165 shares
 - As of March 31, 2023: 307,386,165 shares
 - b) Number of treasury stock
 - As of December 31, 2023: 20,053,452 shares
 - As of March 31, 2023: 13,080,279 shares
 - c) Average number of shares issued during the period
 - Nine months ended December 31, 2023: 291,867,698 shares
 - Nine months ended December 31, 2022: 298,837,625 shares

Note: The number of treasury stock include the Company's shares held by the trust account of Sumitomo Mitsui Trust Bank, Limited. (Second-tier trustee: the trust account of Custody Bank of Japan, Ltd.) related to Shionogi Infectious Disease Research Promotion Foundation. (Q3 ended December 31, 2023 and Year ended March 31, 2023: 3,000,000 shares) The number of treasury shares deducted for calculation of the average number of shares during the period include these treasury shares. (Q3 ended December 31, 2023 and Q3 ended December 31, 2022: 3,000,000 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 Wednesday, January 31, 2024. Plans are also in place to post explanatory details (Transcript) together with financial results explanatory materials distributed to analysts on January 31, 2024 on the Company's website in a timely manner after the results briefing.

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1. Overview of Operating Results and Financial Position

(1) Operating Results for the Third Quarter of the Fiscal Year Ending March 31, 2024

For the nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023), operating results were as follows.

Millions of yen

	Nine months ended December 31, 2023	Nine months ended December 31, 2022	Change	Percentage change (%)
Revenue*1	336,821	338,347	(1,526)	(0.5)
Operating profit	138,737	146,473	(7,735)	(5.3)
Core operating profit *2	146,718	144,029	2,688	1.9
Profit before tax	164,487	198,786	(34,299)	(17.3)
Profit attributable to owners of parent	127,222	157,729	(30,506)	(19.3)
EBITDA*3	160,159	156,980	3,178	2.0

*1 Revenue includes Lump-sum income for transfer of ADHD drug.

*2 Core operating profit: An adjusted profit in which non-recurring items (impairment, gain on sales of property, plant, and equipment, etc.) are deducted from operating profit.

*3 Earnings Before Interest, Taxes, Depreciation, and Amortization: Core operating profit added depreciation.

Revenue decreased 0.5 percent year on year. Factors included the absence of Japanese government purchases of the COVID-19 treatment Xocova of ¥100 billion in the third quarter of fiscal 2022. However, increased sales of products including infectious disease treatments and a one-time payment received for the transfer of the license for co-development and co-commercialization of Intuniv and Vyvanse to Takeda Pharmaceutical Company Limited offset the decrease in revenue from Xocova. Domestic sales of prescription drugs decreased 17.5 percent. However, excluding non-recurring factors in the third quarter of fiscal 2022 such as Japanese government purchases of Xocova and the one-time payment received for the transfer of the license for Intuniv and Vyvanse to Takeda Pharmaceutical Company Limited in the third quarter of fiscal 2023, domestic sales of prescription drugs increased 87.5 percent compared with the same quarter of the previous year. A primary factor in the increase in domestic sales of prescription drugs (excluding non-recurring factors) was growth in sales of the influenza treatment Xofluza and the COVID-19 treatment Xocova, with these two treatments for acute infectious diseases generating stable sales. Overseas subsidiary sales and exports increased 19.4 percent year on year, as 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. Revenue from contract manufacturing and over-the-counter pharmaceuticals increased 14.2 percent and 5.1 percent, respectively. Royalty income increased 13.2 percent as a result of growth in sales of the oral two-drug regimens Dovato and Juluca, and the HIV franchise licensed to ViiV (including the long-acting treatment Cabenuva and the prophylactic drug Apretude), as well as the impact of exchange rates.

Regarding profit, despite a year-on-year decrease in research and development expenses, operating income decreased 5.3 percent year on year due to the impact of increased expenses in connection with the implementation of an early retirement program during the third quarter of fiscal 2023. Profit before tax decreased 17.3 percent because dividends decreased as the dividends that the SHIONOGI Group received from ViiV in the first quarter of fiscal 2022 (that were originally scheduled to be received in the fourth quarter of fiscal 2021) did not recur, and due to the absence of the one-time payment the SHIONOGI Group received in connection with the settlement of ViiV's litigation with Gilead Sciences, Inc. Profit attributable to owners of parent decreased 19.3 percent.

(2) Financial Position for the Third Quarter of the Fiscal Year Ending March 31, 2024

As of December 31, 2023, total assets were ¥1,359,864 million, an increase of ¥48,064 million from the end of the previous fiscal year.

Non-current assets were ¥602,642 million, an increase of ¥75,035 million from the end of the previous fiscal year, as other financial assets increased due to the impact of exchange rates, intangible assets increased, and other non-current assets increased. Current assets were ¥757,222 million, a decrease of ¥26,970 million from the end of the previous fiscal year despite an increase in trade receivables, mainly as a result of decreases in cash and cash equivalents and fixed-term deposits of more than three months.

Equity was ¥1,214,343 million, an increase of ¥92,465 million from the end of the previous fiscal year. Factors included recording of profit, payment of cash dividends, purchase of treasury shares, and an increase in exchange differences on translation of foreign operations (included in “Other components of equity”).

Liabilities totaled ¥145,521 million, a decrease of ¥44,400 million from the end of the previous fiscal year.

Non-current liabilities were ¥30,228 million, a decrease of ¥1,141 million from the end of the previous fiscal year. Current liabilities were ¥115,293 million, a decrease of ¥43,259 million from the end of the previous fiscal year.

(3) Cash Flows for the Third Quarter of the Fiscal Year Ending March 31, 2024

Net cash provided by operating activities during the nine months ended December 31, 2023 was ¥67,056 million, a decrease of ¥49,330 million year on year. Factors included a decrease in profit before tax and an increase in income tax expense.

Net cash used in investing activities was ¥10,155 million, a decrease of ¥69,143 million year on year. Factors included acquisition of a subsidiary, a decrease in purchase of intangible assets and changes in time deposits.

Net cash used in financing activities was ¥93,637 million, an increase of ¥10,004 million year on year, mainly due to an increase in dividends paid and because there was a capital increase through third-party allotment at a subsidiary in the previous fiscal year. These factors were partially offset by a decrease in payments for purchase of treasury shares.

As a result, cash and cash equivalents at December 31, 2023 totaled ¥284,787 million, a decrease of ¥24,436 million from the end of the previous fiscal year.

(4) Outlook

There are no revisions to the consolidated financial forecast for the year ending March 31, 2024 announced on May 10, 2023.

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

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Revenue	338,347	311,812
Profit from license transfer	—	25,008
Cost of sales	(44,566)	(42,402)
Gross profit	293,781	294,418
Selling, general and administrative expenses	(70,686)	(71,660)
Research and development expenses	(74,808)	(72,633)
Amortization of intangible assets associated with products	(2,874)	(2,623)
Other income	3,632	358
Other expenses	(2,570)	(9,122)
Operating profit	146,473	138,737
Finance income	53,140	29,750
Finance costs	(827)	(4,000)
Profit before tax	198,786	164,487
Income tax expense	(41,013)	(38,048)
Profit	157,773	126,439
Profit attributable to		
Owners of parent	157,729	127,222
Non-controlling interests	43	(783)
Profit	157,773	126,439
Earnings per share		
Basic earnings per share	527.81	435.89
Diluted earnings per share	527.63	435.74

Consolidated statement of comprehensive income

Millions of yen

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	157,773	126,439
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(768)	4,958
Remeasurements of defined benefit plans	(1,265)	267
Total of items that will not be reclassified to profit or loss	(2,034)	5,225
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	8,615	51,448
Effective portion of cash flow hedges	1,476	326
Total of items that may be reclassified to profit or loss	10,091	51,775
Total other comprehensive income, net of tax	8,056	57,000
Comprehensive income	165,830	183,439
Comprehensive income attributable to		
Owners of parent	164,133	183,263
Non-controlling interests	1,696	176
Comprehensive income	165,830	183,439

(2) Consolidated statement of financial position

Millions of yen

	As of March 31, 2023	As of December 31, 2023
Assets		
Non-current assets		
Property, plant and equipment	112,085	111,624
Goodwill	9,819	26,051
Intangible assets	96,309	105,902
Right-of-use assets	6,482	7,121
Investment property	26,382	26,376
Other financial assets	247,711	268,891
Deferred tax assets	22,100	14,152
Other non-current assets	6,716	42,520
Total non-current assets	527,607	602,642
Current assets		
Inventories	57,919	64,137
Trade receivables	109,774	154,220
Other financial assets	254,131	222,985
Income taxes receivable	68	227
Other current assets	53,074	30,862
Cash and cash equivalents	309,224	284,787
Total current assets	784,192	757,222
Total assets	1,311,800	1,359,864

Millions of yen

	As of March 31, 2023	As of December 31, 2023
Equity and liabilities		
Equity		
Share capital	21,279	21,279
Capital surplus	15,204	15,204
Treasury shares	(63,074)	(109,676)
Retained earnings	940,606	1,029,076
Other components of equity	186,030	236,450
Equity attributable to owners of parent	1,100,046	1,192,334
Non-controlling interests	21,832	22,008
Total equity	1,121,878	1,214,343
Liabilities		
Non-current liabilities		
Lease liabilities	6,397	6,556
Other financial liabilities	4,844	4,988
Retirement benefit liability	12,867	10,617
Deferred tax liabilities	5,916	6,181
Other non-current liabilities	1,343	1,884
Total non-current liabilities	31,369	30,228
Current liabilities		
Lease liabilities	3,014	3,288
Trade payables	14,005	12,695
Other financial liabilities	29,720	25,473
Income taxes payable	42,217	13,744
Other current liabilities	69,595	60,091
Total current liabilities	158,552	115,293
Total liabilities	189,921	145,521
Total equity and liabilities	1,311,800	1,359,864

(3) Consolidated statement of changes in equity
Nine months ended December 31, 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				157,729		157,729	43	157,773
Total other comprehensive income, net of tax					6,404	6,404	1,652	8,056
Comprehensive income	—	—	—	157,729	6,404	164,133	1,696	165,830
Purchase of treasury shares			(49,415)			(49,415)		(49,415)
Disposal of treasury shares		31	170			202		202
Disposal of treasury shares for trust fund		(17,749)	17,752			3		3
Dividends				(36,156)		(36,156)		(36,156)
Changes in ownership interest in subsidiaries		748				748	3,965	4,714
Transfer from other components of equity to retained earnings				583	(583)	—		—
Other		17,717		(17,653)		63		63
Balance as of December 31, 2022	21,279	15,204	(89,349)	937,461	170,645	1,055,240	23,286	1,078,526

Nine months ended December 31, 2023

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, 2023	21,279	15,204	(63,074)	940,606	186,030	1,100,046	21,832	1,121,878
Profit				127,222		127,222	(783)	126,439
Total other comprehensive income, net of tax					56,040	56,040	960	57,000
Comprehensive income	—	—	—	127,222	56,040	183,263	176	183,439
Purchase of treasury shares			(46,801)			(46,801)		(46,801)
Disposal of treasury shares		(3)	198			195		195
Dividends				(44,369)		(44,369)		(44,369)
Transfer from other components of equity to retained earnings				5,620	(5,620)	—		—
Other		3		(3)		—		—
Balance as of December 31, 2023	21,279	15,204	(109,676)	1,029,076	236,450	1,192,334	22,008	1,214,343

(4) Consolidated statement of cash flows

Millions of yen

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities		
Profit before tax	198,786	164,487
Depreciation and amortization	12,950	13,440
Impairment losses (reversal of impairment losses)	—	(17)
Finance income and finance costs	(53,546)	(24,956)
Decrease (increase) in trade and other receivables	(40,623)	(44,312)
Decrease (increase) in inventories	(12,450)	(5,749)
Increase (decrease) in trade and other payables	13,408	(9,002)
Other	(11,733)	(3,207)
Subtotal	106,791	90,682
Interest and dividends received	37,694	39,649
Interest paid	(56)	(114)
Income taxes paid	(28,042)	(63,159)
Net cash provided by (used in) operating activities	116,387	67,056
Cash flows from investing activities		
Payments into time deposits	(339,308)	(270,533)
Proceeds from withdrawal of time deposits	264,372	317,504
Purchase of property, plant and equipment	(10,122)	(10,486)
Purchase of intangible assets	(24,366)	(10,790)
Purchase of investments	(60,637)	(66,114)
Proceeds from sale and redemption of investments	86,964	58,136
Payments for acquisition of subsidiaries	—	(15,942)
Payments for sale of subsidiaries	—	(306)
Payments for acquisition of shares of equity-method affiliates	—	(11,121)
Other	3,798	(501)
Net cash provided by (used in) investing activities	(79,298)	(10,155)

Millions of yen

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from financing activities		
Repayments of lease liabilities	(2,650)	(2,379)
Purchase of treasury shares	(49,535)	(46,892)
Dividends paid	(36,164)	(44,365)
Capital contribution from non-controlling interests	4,714	—
Other	3	—
Net cash provided by (used in) financing activities	(83,633)	(93,637)
Effect of exchange rate changes on cash and cash equivalents	10,793	12,299
Net increase (decrease) in cash and cash equivalents	(35,751)	(24,436)
Cash and cash equivalents at beginning of period	254,420	309,224
Cash and cash equivalents at end of period	218,669	284,787

(5) Notes

Going concern assumption

None

Change in accounting policies

The SHIONOGI Group has applied the following standard from the first quarter of the fiscal year ending March 31, 2024. The adoption does not have a significant impact on the consolidated financial statements.

Standards	Name	Overview of new standards and revisions
IAS 12	Income Taxes	Clarification of deferred tax related to assets and liabilities arising from a single transaction

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.

Additional information

(Profit from License Transfer)

With the transfer of the licenses for Intuniv and Vyvanse to Takeda Pharmaceutical Company Limited, the difference of ¥25,008 million between the compensation received and the derecognized intangible assets was stated in "Profit from License Transfer" in the consolidated statement of profit or loss, and included in gross profit. This profit is not revenue based on IFRS 15 Revenue from Contracts with Customers. Regarding the method of recovering investments in intangible assets such as in-process research and development assets and marketing rights, the SHIONOGI Group uses the procedure that is optimal at the time of the transaction, such as obtaining revenue from manufacture or sale by the SHIONOGI Group, or receiving one-time payments and royalty income from out-licensing to other companies. This transaction was one of those investment recovery methods. Therefore, the SHIONOGI Group judged that including it in gross profit will aid in providing useful information to readers of the financial statements.