



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

October 31, 2023

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

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Scheduled date of quarterly securities report submission: November 10, 2023

Scheduled date of dividend payments: December 1, 2023

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 September 30, 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	%
Six months ended September 30, 2023	230,542	52.9	98,106	247.6	115,603	70.1	90,198	57.1	90,593	58.2	151,096	98.4
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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	308.65	308.54
Six months ended September 30, 2022	190.21	190.15

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 September 30, 2023	1,409,593	1,231,433	1,209,378	85.8
As of March 31, 2023	1,311,800	1,121,878	1,100,046	83.9

2. Dividends

	Dividends per share				
(Date of record)	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 September 30, 2023:	307,386,165 shares
As of March 31, 2023:	307,386,165 shares

b) Number of treasury stock

As of September 30, 2023:	16,103,647 shares
As of March 31, 2023:	13,080,279 shares

c) Average number of shares issued during the period

Six months ended September 30, 2023:	293,517,917 shares
Six months ended September 30, 2022:	301,055,990 shares

Note: The average number of treasury shares during the period 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. (Q2 ended September 30, 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. (Q2 ended September 30, 2023 and Q2 ended September 30, 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, November 1, 2023. Plans are also in place to post explanatory details (Transcript) together with financial results explanatory materials distributed to analysts on November 1, 2023 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 Second Quarter of the Fiscal Year Ending March 31, 2024

For the six months ended September 30, 2023 (April 1, 2023 to September 30, 2023), operating results were as follows.

Millions of yen

	Six months ended September 30, 2023	Six months ended September 30, 2022	Change	Percentage change (%)
Revenue*1	230,542	150,779	79,762	52.9
Operating profit	98,106	28,224	69,882	247.6
Core operating profit *2	105,300	25,477	79,822	313.3
Profit before tax	115,603	67,978	47,624	70.1
Profit attributable to owners of parent	90,593	57,264	33,329	58.2
EBITDA*3	114,174	34,123	80,051	234.6

*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 increased 52.9 percent year on year. Domestic sales of prescription drugs increased by 188.8 percent, reflecting 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, expansion of the market penetration of COVID-19 treatment Xocova in the area of respiratory system infections, and expansion of influenza products in connection with the continuation of a long-term influenza outbreak. Overseas subsidiary sales and exports increased 15.1 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 7.8 percent and 13.1 percent, respectively. Royalty income increased 14.8 percent as a result of growth in sales of the HIV franchise licensed to ViiV (primarily Dovato, the long-acting treatment Cabenuva, and the prophylactic drug Apretude), as well as the impact of exchange rates.

Regarding profit, expenses increased significantly due to the implementation of an early retirement program. However, operating profit increased 247.6 percent year on year because revenue continued to increase in all business segments. In financial income, dividends decreased because the SHIONOGI Group received dividend payments from ViiV in the first quarter of fiscal 2022 that were originally scheduled to be received in the fourth quarter of fiscal 2021, and because of the non-recurrence of the one-time payment the SHIONOGI Group received in connection with the settlement of litigation with Gilead Sciences, Inc. However, profit before tax increased 70.1 percent due to the increase in revenue and operating profit. Profit attributable to owners of parent increased 58.2 percent.

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

As of September 30, 2023, total assets were ¥1,409,593 million, an increase of ¥97,793 million from the end of the previous fiscal year.

Non-current assets were ¥603,536 million, an increase of ¥75,928 million from the end of the previous fiscal year, as other financial assets increased due to the impact of exchange rates and other non-current assets increased. Current assets were ¥806,057 million, an increase of ¥21,864 million from the end of the previous fiscal year, mainly as a result of decreases in cash and cash equivalents, an increase in trade receivables associated with the start of regular distribution of Xocova, and changes in fixed-term deposits of more than three months.

Equity was ¥1,231,433 million, an increase of ¥109,555 million from the end of the previous fiscal year. This was due to 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 ¥178,160 million, a decrease of ¥11,761 million from the end of the previous fiscal year.

Non-current liabilities were ¥30,715 million, a decrease of ¥654 million from the end of the previous fiscal year. Current liabilities were ¥147,444 million, a decrease of ¥11,107 million from the end of the previous fiscal year.

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

Net cash provided by operating activities during the six months ended September 30, 2023 was ¥45,533 million, a decrease of ¥12,836 million year on year. Factors included an increase in profit before tax and an increase in trade receivables.

Net cash used in investing activities was ¥68,211 million, a decrease in cash used of ¥22,163 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 ¥43,297 million, an increase in cash used of ¥4,848 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 September 30, 2023 totaled ¥252,371 million, a decrease of ¥56,852 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

	Six months ended September 30, 2022	Six months ended September 30, 2023
Revenue	150,779	205,533
Profit from license transfer	—	25,008
Cost of sales	(27,367)	(27,885)
Gross profit	123,412	202,656
Selling, general and administrative expenses	(46,517)	(47,517)
Research and development expenses	(48,729)	(47,205)
Amortization of intangible assets associated with products	(1,951)	(1,730)
Other income	3,490	187
Other expenses	(1,480)	(8,283)
Operating profit	28,224	98,106
Finance income	39,834	20,111
Finance costs	(79)	(2,614)
Profit before tax	67,978	115,603
Income tax expense	(10,571)	(25,405)
Profit	57,407	90,198

Profit attributable to		
Owners of parent	57,264	90,593
Non-controlling interests	143	(395)
Profit	57,407	90,198

Earnings per share		
Basic earnings per share	190.21	308.65
Diluted earnings per share	190.15	308.54

Consolidated statement of comprehensive income

Millions of yen

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	57,407	90,198
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	(2,244)	6,765
Remeasurements of defined benefit plans	(864)	904
Total of items that will not be reclassified to profit or loss	(3,108)	7,669
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	21,159	55,588
Effective portion of cash flow hedges	686	(2,359)
Total of items that may be reclassified to profit or loss	21,845	53,228
Total other comprehensive income, net of tax	18,737	60,898
Comprehensive income	76,145	151,096
Comprehensive income attributable to		
Owners of parent	74,319	150,873
Non-controlling interests	1,825	222
Comprehensive income	76,145	151,096

(2) Consolidated statement of financial position

Millions of yen

	As of March 31, 2023	As of September 30, 2023
Assets		
Non-current assets		
Property, plant and equipment	112,085	112,328
Goodwill	9,819	26,800
Intangible assets	96,309	99,832
Right-of-use assets	6,482	6,720
Investment property	26,382	26,378
Other financial assets	247,711	282,158
Deferred tax assets	22,100	17,539
Other non-current assets	6,716	31,778
Total non-current assets	527,607	603,536
Current assets		
Inventories	57,919	64,155
Trade receivables	109,774	153,124
Other financial assets	254,131	301,074
Income taxes receivable	68	13
Other current assets	53,074	35,317
Cash and cash equivalents	309,224	252,371
Total current assets	784,192	806,057
Total assets	1,311,800	1,409,593

Millions of yen

	As of March 31, 2023	As of September 30, 2023
Equity and liabilities		
Equity		
Share capital	21,279	21,279
Capital surplus	15,204	15,204
Treasury shares	(63,074)	(82,313)
Retained earnings	940,606	1,009,805
Other components of equity	186,030	245,402
Equity attributable to owners of parent	1,100,046	1,209,378
Non-controlling interests	21,832	22,054
Total equity	1,121,878	1,231,433
Liabilities		
Non-current liabilities		
Lease liabilities	6,397	6,272
Other financial liabilities	4,844	5,038
Retirement benefit liability	12,867	11,106
Deferred tax liabilities	5,916	6,459
Other non-current liabilities	1,343	1,837
Total non-current liabilities	31,369	30,715
Current liabilities		
Lease liabilities	3,014	3,165
Trade payables	14,005	14,685
Other financial liabilities	29,720	35,859
Income taxes payable	42,217	29,159
Other current liabilities	69,595	64,576
Total current liabilities	158,552	147,444
Total liabilities	189,921	178,160
Total equity and liabilities	1,311,800	1,409,593

(3) Consolidated statement of changes in equity
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		31	170			202		202
Disposal of treasury shares for trust fund		(17,749)	17,752			3		3
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

Six months ended September 30, 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				90,593		90,593	(395)	90,198
Total other comprehensive income, net of tax					60,280	60,280	618	60,898
Comprehensive income	—	—	—	90,593	60,280	150,873	222	151,096
Purchase of treasury shares			(19,438)			(19,438)		(19,438)
Disposal of treasury shares		(3)	198			195		195
Dividends				(22,297)		(22,297)		(22,297)
Transfer from other components of equity to retained earnings				907	(907)	—		—
Other		3		(3)		—		—
Balance as of September 30, 2023	21,279	15,204	(82,313)	1,009,805	245,402	1,209,378	22,054	1,231,433

(4) Consolidated statement of cash flows

Millions of yen

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before tax	67,978	115,603
Depreciation and amortization	8,645	8,873
Impairment Losses	—	100
Finance income and finance costs	(39,949)	(14,815)
Decrease (increase) in trade and other receivables	24,422	(43,016)
Decrease (increase) in inventories	(9,674)	(5,774)
Increase (decrease) in trade and other payables	6,204	1,263
Other	(12,976)	(5,695)
Subtotal	44,650	56,538
Interest and dividends received	25,914	26,375
Interest paid	(44)	(41)
Income taxes paid	(12,150)	(37,339)
Net cash provided by (used in) operating activities	58,370	45,533
Cash flows from investing activities		
Payments into time deposits	(250,388)	(192,714)
Proceeds from withdrawal of time deposits	181,826	154,377
Purchase of property, plant and equipment	(7,430)	(8,187)
Purchase of intangible assets	(23,854)	(3,814)
Purchase of investments	(60,578)	(44,229)
Proceeds from sale and redemption of investments	65,988	43,130
Payments for acquisition of subsidiaries	—	(15,672)
Payments for sale of subsidiaries	—	(647)
Other	4,062	(452)
Net cash provided by (used in) investing activities	(90,374)	(68,211)

Millions of yen

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Repayments of lease liabilities	(1,731)	(1,556)
Purchase of treasury shares	(23,355)	(19,459)
Dividends paid	(18,078)	(22,280)
Capital contribution from non-controlling interests	4,714	—
Other	3	—
Net cash provided by (used in) financing activities	(38,448)	(43,297)
Effect of exchange rate changes on cash and cash equivalents	14,074	9,122
Net increase (decrease) in cash and cash equivalents	(56,377)	(56,852)
Cash and cash equivalents at beginning of period	254,420	309,224
Cash and cash equivalents at end of period	198,043	252,371

(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.