



## Consolidated Financial Results for Fiscal Year 2019 (IFRS)

Jun 24, 2020

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

Listed Exchanges: Section I of Tokyo

Code: 4507

URL: <http://www.shionogi.co.jp>

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

### 1. Consolidated results for the period from April 1, 2019 to March 31, 2020

(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	%
Year ended March 31, 2020	333,371	(9.4)	130,628	(10.0)	158,516	(8.9)	122,194	(10.8)	122,193	(10.9)	36,381	(73.5)
Year ended March 31, 2019	367,960	—	145,081	—	174,043	—	136,918	—	137,191	—	137,378	—

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	Yen	Yen	%	%	%
Year ended March 31, 2020	395.71	395.28	15.5	17.5	39.2
Year ended March 31, 2019	438.47	434.71	17.8	19.4	39.4

Reference: Share of profit (loss) of investments accounted for using equity method: Year ended March 31, 2020: — million yen

Year ended March 31, 2019: — million yen

### (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	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	871,526	764,611	764,560	87.7	2,516.79
As of March 31, 2019	938,540	813,087	808,774	86.2	2,598.16

### (3) Consolidated cash flows

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2020	131,940	(29,144)	(88,174)	208,861
Year ended March 31, 2019	165,000	(56,256)	(89,912)	195,800

## 2. Dividends

(Date of record)	Annual dividends per share					Total dividends (Annual)	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual			
	yen	yen	yen	yen	yen	Millions of yen	%	%
Year ended March 31, 2019	—	44.00	—	50.00	94.00	29,402	21.4	3.8
Year ended March 31, 2020	—	50.00	—	53.00	103.00	31,670	26.0	4.0
Year ending March 31, 2021 (forecast)	—	53.00	—	53.00	106.00		31.1	

## 3. Consolidated financial forecast for the year ending March 31, 2021

(% 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
Six months ending September 30, 2020	155,600	—	53,800	—	61,600	—	44,900	—	147.80
Year ending March 31, 2021	323,500	(3.0)	110,300	(15.6)	136,300	(14.0)	103,600	(15.2)	341.03

## ※ 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 March 31, 2020: 316,786,165 shares

As of March 31, 2019: 316,786,165 shares

b) Number of treasury stock

As of March 31, 2020: 13,002,082 shares

As of March 31, 2019: 5,498,751 shares

c) Average number of shares issued during the period

As of March 31, 2020: 308,798,662 shares

As of March 31, 2019: 312,883,878 shares

※ *This report of financial results is unaudited.*

※ *Explanation Concerning the Appropriate Use of Financial Results Forecasts and Other Special Instructions*

*(Adoption International Financial Reporting Standards)*

*Shionogi group has voluntarily applied the International Financial Reporting Standards (IFRS) for the consolidated financial statements provided in the annual securities report for the fiscal year ended March 31, 2020. The consolidated financial statements for the previous fiscal year are also represented in accordance with IFRS. The group published the financial statements for the fiscal year ended March 31, 2020 based on the generally accepted accounting practice of Japan (JGAAP) on May 11, 2020.*

*(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.*

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## 1. 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*

	Year ended March 31, 2019	Year ended March 31, 2020
Revenue	367,960	333,371
Cost of sales	(55,591)	(56,782)
Gross profit	312,369	276,589
Selling, general and administrative expenses	(87,668)	(95,094)
Research and development expenses	(52,058)	(47,949)
Amortization of intangible assets associated with products	(4,273)	(3,255)
Other income	1,394	4,291
Other expenses	(24,680)	(3,951)
Operating profit	145,081	130,628
Finance income	32,371	30,504
Finance costs	(3,409)	(2,616)
Profit before tax	174,043	158,516
Income tax expense	(37,124)	(36,322)
Profit	136,918	122,194
Profit attributable to		
Owners of parent	137,191	122,193
Non-controlling interests	(272)	1
Earnings per share		
Basic earnings per share	438.47	395.71
Diluted earnings per share	434.71	395.28

**Consolidated statement of comprehensive income**

*Millions of yen*

	Year ended March 31, 2019	Year ended March 31, 2020
Profit	136,918	122,194
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	22,581	(62,544)
Remeasurements of defined benefit plans	(13,889)	503
Total of items that will not be reclassified to profit or loss	8,692	(62,040)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(7,721)	(26,247)
Effective portion of cash flow hedges	(510)	2,474
Total of items that may be reclassified to profit or loss	(8,232)	(23,772)
Total other comprehensive income, net of tax	460	(85,813)
Comprehensive income	137,378	36,381
Comprehensive income attributable to		
Owners of parent	137,926	36,594
Non-controlling interests	(547)	(213)

**(2) Consolidated statement of financial position**

*Millions of yen*

	As of April 1, 2018	As of March 31, 2019	As of March 31, 2020
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	72,165	70,986	71,350
Goodwill	10,767	3,358	10,854
Intangible assets	42,453	47,804	46,536
Right-of-use assets	5,320	5,915	4,657
Other financial assets	299,586	302,709	202,161
Retirement benefit asset	10,340	—	—
Deferred tax assets	378	534	3,048
Other non-current assets	6,895	13,586	16,890
<b>Total non-current assets</b>	<b>447,908</b>	<b>444,895</b>	<b>355,500</b>
Current assets			
Inventories	30,846	35,125	33,818
Trade receivables	82,140	100,951	79,804
Other financial assets	110,551	150,530	171,157
Income taxes receivable	59	395	192
Other current assets	10,083	10,840	22,191
Cash and cash equivalents	176,135	195,800	208,861
<b>Total current assets</b>	<b>409,816</b>	<b>493,645</b>	<b>516,026</b>
<b>Total assets</b>	<b>857,725</b>	<b>938,540</b>	<b>871,526</b>

	As of April 1, 2018	As of March 31, 2019	As of March 31, 2020
Equity and liabilities			
Equity			
Share capital	21,279	21,279	21,279
Capital surplus	21,055	21,277	20,432
Treasury shares	(36,641)	(28,882)	(77,292)
Retained earnings	545,498	613,483	708,291
Other components of equity	179,365	181,616	91,848
Equity attributable to owners of parent	730,557	808,774	764,560
Non-controlling interests	4,257	4,313	51
Total equity	734,814	813,087	764,611
Liabilities			
Non-current liabilities			
Bonds and borrowings	18,393	—	—
Lease liabilities	5,731	6,006	4,791
Other financial liabilities	4,202	4,354	4,179
Retirement benefit liability	8,865	18,136	16,089
Deferred tax liabilities	6,291	444	373
Other non-current liabilities	393	360	362
Total non-current liabilities	43,876	29,303	25,795
Current liabilities			
Bonds and borrowings	10,000	918	—
Lease liabilities	2,636	3,306	3,361
Trade payables	7,698	9,442	10,763
Other financial liabilities	10,470	17,008	17,557
Income taxes payable	18,402	34,016	21,886
Other current liabilities	29,826	31,457	27,551
Total current liabilities	79,034	96,149	81,119
Total liabilities	122,910	125,452	106,915
Total equity and liabilities	857,725	938,540	871,526

**(3) Consolidated statement of changes in equity**

*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, 2018	21,279	21,055	(36,641)	545,498	179,365	730,557	4,257	734,814
Profit				137,191		137,191	(272)	136,918
Total other comprehensive income, net of tax					734	734	(274)	460
Comprehensive income				137,191	734	137,926	(547)	137,378
Purchase of treasury shares			(50,020)			(50,020)		(50,020)
Disposal of treasury shares		(1,481)	19,174			17,693		17,693
Cancellation of treasury shares		(38,604)	38,604			—		—
Dividends				(27,669)		(27,669)		(27,669)
Increase (decrease) by business combination						—		—
Changes in ownership interest in subsidiaries		288				288	604	892
Transfer from other components of equity to retained earnings				(1,516)	1,516	—		—
Other		40,019		(40,020)		(0)	(1)	(1)
Balance as of March 31, 2019	21,279	21,277	(28,882)	613,483	181,616	808,774	4,313	813,087
Profit				122,193		122,193	1	122,194
Total other comprehensive income, net of tax					(85,598)	(85,598)	(214)	(85,813)
Comprehensive income				122,193	(85,598)	36,594	(213)	36,381
Purchase of treasury shares			(50,012)			(50,012)		(50,012)
Disposal of treasury shares		(509)	1,602			1,092		1,092
Cancellation of treasury shares						—		—
Dividends				(31,134)		(31,134)		(31,134)
Increase (decrease) by business combination						—	90	90
Changes in ownership interest in subsidiaries		(755)				(755)	(4,187)	(4,942)
Transfer from other components of equity to retained earnings				4,169	(4,169)	—		—
Other		420		(420)		0	49	49
Balance as of March 31, 2020	21,279	20,432	(77,292)	708,291	91,848	764,560	51	764,611



**(4) Consolidated statement of cash flows**

*Millions of yen*

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from operating activities		
Profit before tax	174,043	158,516
Depreciation and amortization	14,431	14,115
Impairment losses	17,168	100
Finance income and finance costs	(32,963)	(29,233)
Decrease (increase) in trade and other receivables	(18,570)	21,371
Decrease (increase) in inventories	(3,637)	1,158
Increase (decrease) in trade and other payables	4,922	(5,747)
Other	3,711	(9,202)
Subtotal	159,106	151,078
Interest and dividends received	30,086	29,565
Interest paid	(693)	(348)
Income taxes paid	(23,499)	(48,354)
Net cash provided by (used in) operating activities	165,000	131,940
Cash flows from investing activities		
Payments into time deposits	(123,651)	(200,827)
Proceeds from withdrawal of time deposits	91,064	174,672
Purchase of property, plant and equipment	(6,547)	(8,945)
Proceeds from sale of property, plant and equipment	751	3,427
Purchase of intangible assets	(18,848)	(2,823)
Payments for acquisition of subsidiaries	—	(4,525)
Purchase of investments in associates	(5,742)	(4,252)
Purchase of investments	(11,964)	(99,630)
Proceeds from sale of investments	20,725	119,485
Payments for acquisition of businesses	(937)	—
Other	(1,104)	(5,725)
Net cash provided by (used in) investing activities	(56,256)	(29,144)

*Millions of yen*

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from financing activities		
Repayments of long-term borrowings	(10,000)	—
Repayments of lease liabilities	(3,022)	(3,544)
Purchase of treasury shares	(50,270)	(50,159)
Dividends paid	(27,639)	(31,122)
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	(3,367)
Proceeds from sale of interests in subsidiaries to non-controlling interests	1,020	—
Other	—	18
Net cash provided by (used in) financing activities	(89,912)	(88,174)
Effect of exchange rate changes on cash and cash equivalents	832	(1,560)
Net increase (decrease) in cash and cash equivalents	19,664	13,060
Cash and cash equivalents at beginning of period	176,135	195,800
Cash and cash equivalents at end of period	195,800	208,861

## Notes to segment information

Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) and Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Shionogi group has a single business segment related to prescription drugs. The group operates 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.

## Notes to Earnings per share

Notes: The basis for calculating basic earnings per share and diluted earnings per share is as follows.

Item	Year ended March 31, 2019	Year ended March 31, 2020
<i>Basis for calculating basic earnings per share</i>		
<i>Profit attributable to owners of parent</i>	137,191 million yen	122,193 million yen
<i>Profit not attributable to ordinary equity holders of parent</i>	—	—
<i>Profit used for calculating basic earnings per share</i>	137,191 million yen	122,193 million yen
<i>Weighted-average number of ordinary shares outstanding</i>	312,883 thousands of stocks	308,798 thousands of stocks
<i>Basis for calculating diluted earnings per share</i>		
<i>Profit for the year used for calculating basic earnings per share</i>	137,191 million yen	122,193 million yen
<i>Adjustments to profit</i>	(7) million yen	(0) million yen
<i>Profit for the year used for calculating diluted earnings per share</i>	137,184 million yen	122,193 million yen
<i>Weighted-average number of ordinary shares outstanding</i>	312,883 thousands of stocks	308,798 thousands of stocks
<i>Increase in number of ordinary shares from exercise of stock options</i>	226 thousands of stocks	186 thousands of stocks
<i>Increase in number of ordinary shares from conversion of convertible bonds with share subscription rights</i>	2,465 thousands of stocks	143 thousands of stocks
<i>Weighted-average number of dilutive ordinary shares outstanding</i>	315,576 thousands of stocks	309,127 thousands of stocks
<i>Earnings per share</i>		
<i>Basic earnings per share</i>	438.47 yen	395.71 yen
<i>Diluted earnings per share</i>	434.71 yen	395.28 yen

Notes: No financial instruments are excluded from the calculation of diluted earnings per share because they are not dilutive.

## 2. Transition to IFRS

The Group has adopted International Financial Reporting Standards (IFRS) in preparing its consolidated financial statements for the year ended March 31, 2020. The most recent consolidated financial statements prepared in accordance with generally accepted accounting principles in Japan (JGAAP) are for the year ended March 31, 2019. The date of transition to IFRS from JGAAP is April 1, 2018.

### (1) IFRS 1 Exemptions

IFRS 1 requires an entity that adopts IFRS for the first time (hereinafter, “first-time adopter”) to apply IFRS retrospectively. However, IFRS 1 provides exemptions that allow first-time adopters to voluntarily choose not to apply certain standards retrospectively and mandatory exceptions prohibiting retrospective application.

Major exemptions adopted by the Group are as follows:

#### •Business combinations

A first-time adopter may choose not to apply IFRS 3 “Business Combinations” retrospectively to business combinations occurring before the date of transition to IFRS. The Group has applied this exemption and has chosen not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRS.

#### •Exchange differences on translation of foreign operations

A first-time adopter may choose to deem the cumulative amount of the exchange differences on translation of foreign operations to be zero as of the date of transition to IFRS. The Group has chosen to deem the cumulative amount of the exchange differences on translation of foreign operations to be zero as of the date of transition to IFRS.

#### •Designation of financial instruments recognized prior to transition date

First-time adopters are permitted to designate investments in equity instruments as financial assets measured at fair value through other comprehensive income, based on the facts and circumstances as of the date of transition to IFRS. The Group has applied this provision and designated all investments in equity instruments as financial assets measured at fair value through other comprehensive income as of the date of transition to IFRS.

#### •Share-based payment

First-time adopters are encouraged, but not required, to retrospectively apply IFRS 2 “Share-based Payment” for share-based compensation vested prior to the date of transition to IFRS. The Group has not retroactively applied IFRS 2 to equity instruments that vested before the date of transition to IFRS.

#### •Revenue from contracts with customers

First-time adopters are required to retrospectively apply IFRS 15 “Revenue from Contracts with Customers”, but are not required to restate contracts completed at the beginning of the earliest period presented (contracts for all goods or services recognized in accordance with previous accounting principles). First-time adopters may use any or all of the following practical expedients for retroactive application.

A. an entity need not restate contracts that begin and end within the same annual reporting period.

B. for completed contracts that involve variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

C. for all reporting periods presented prior to the beginning of the first IFRS reporting period, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligation or an explanation of when that amount is expected to be recognized as revenue.

The Group has decided to apply all of the aforementioned practical expedients. As a result, the accounting period, accounting method and amount recorded with regard to revenue may differ in the event of retroactive application of IFRS.

•Leases

1) Determining whether a contract includes a lease

First-time adopters are permitted to determine whether a contract at the date of transition to IFRS includes a lease based on facts and circumstances at the date of transition to IFRS. The Group applies this provision and determines whether a contract includes a lease based on facts and circumstances at the date of transition to IFRS.

2) Approach for recognizing and measuring right-of-use assets and lease obligations

First-time adopters that are lessees are permitted to apply the following approaches to all leases in recognizing lease obligations and right-of-use assets.

A. Measure the lease obligation at the date of transition to IFRS. With this approach, the first-time adopter measures lease obligations at the present value of the remaining lease payments discounted by the lessee's incremental borrowing rate at the date of transition to IFRS.

B. Measure right-of-use assets at the date of transition to IFRS. With this approach, the first-time adopter selects one of the following for each lease.

•As per IFRS 16 "Leases", measure each lease at its carrying amount as though measuring the lease from the date it commenced, but discount the lease at the lessee's incremental borrowing rate at the date of transition to IFRS.

•Amount equivalent to lease obligations (after adjustment for prepaid and accrued lease payments recognized in the statement of financial position immediately before the IFRS transition date)

C. Apply IAS 36 "Impairment of Assets" to right-of-use assets at the date of transition to IFRS.

The Group applies these approaches to measure lease obligations at the date of transition to IFRS. The Group measures right-of-use assets at the amount equivalent to lease obligations, and applies IAS 36 to right-of-use assets at the date of transition to IFRS.

3) Practical expedients for recognizing and measuring right-of-use assets and lease obligations

First-time adopters that are lessees are permitted to apply one or more of the following practical expedients for each lease:

A. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

B. Do not apply the requirements in 2) above to leases for which the lease term ends within 12 months from the date of transition to IFRS.

C. Do not apply the requirements in 2) above to leases with low-value underlying assets.

D. Exclude initial direct costs from the measurement of the right-of-use asset at the date of transition to IFRS.

E. Use ex-post judgment when calculating lease term for leases that include an option to extend or cancel.

The Group has chosen to apply exemptions A to E above to each applicable lease.

## (2) Reconciliation of IFRS and JGAAP

The effects of the transition to IFRS from JGAAP on the financial position and operating results of the Group are as follows.

The reconciliation table presents items that do not affect retained earnings and comprehensive income in "Reclassification", and presents items that affect retained earnings and comprehensive income in "Recognition and measurement differences".

1) Reconciliation of profit or loss and comprehensive income for the fiscal year ended March 31, 2019

<Consolidated statement of profit or loss>

Millions of yen

Presentation under JGAAP	JGAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Net sales	363,721	—	4,238	367,960	H	Revenue
Cost of sales	(54,880)	—	(710)	(55,591)	F,H	Cost of sales
Gross profit	308,841	—	3,528	312,369		Gross profit
Selling, general and administrative expenses	(170,303)	76,033	6,601	(87,668)	A,C,E,F,G,H	Selling, general and administrative expenses
	—	(68,325)	16,266	(52,058)	B,E,F,G	Research and development expenses
	—	(7,799)	3,525	(4,273)	B	Amortization of intangible assets associated with products
	—	1,372	21	1,394		Other income
	—	(20,685)	(3,995)	(24,680)	A,B	Other expenses
Operating income	138,537	(19,403)	25,947	145,081		Operating profit
Non-operating income	33,256	(33,256)	—	—		
Non-operating expenses	(5,218)	5,218	—	—		
Extraordinary income	20,854	(20,854)	—	—		
Extraordinary losses	(17,086)	17,086	—	—		
	—	32,381	(10)	32,371		Finance income
	—	(1,637)	(1,771)	(3,409)	C,H	Finance costs
Income before income taxes	170,343	(20,465)	24,165	174,043		Profit before tax
Total income taxes	(37,037)	124	(211)	(37,124)	I	Income tax expense
Profit	133,306	(20,341)	23,953	136,918		Profit
						Profit attributable to
Profit attributable to owners of parent	132,759	(20,341)	24,773	137,191		Owners of parent
Profit attributable to non-controlling interests	547	—	(820)	(272)		Non-controlling interests

<Consolidated statement of comprehensive income>

Millions of yen

Presentation under JGAAP	JGAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Profit	133,306	—	3,612	136,918		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	(6,929)	—	29,511	22,581	D	Net change in fair value of equity instruments designed measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	3,937	—	(17,827)	(13,889)	F	Remeasurements of defined benefit plans
	—	—	11,684	8,692		Total of item that will not be reclassified to profit or loss
						Item that may be reclassified to profit or loss
Foreign currency translation adjustment	(3,260)	—	(4,460)	(7,721)		Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	(427)	—	(83)	(510)		Effective portion of cash flow hedges
	—	—	(4,544)	(8,232)		Total of item that may be reclassified to profit or loss
Total other comprehensive income	(6,679)	—	7,139	460		Total other comprehensive income, net of tax
Comprehensive income	126,626	—	10,752	137,378		Comprehensive income
Comprehensive income attributable to						Comprehensive income attributable to
Comprehensive income attributable to owners of parent	126,300	—	11,625	137,926		Owners of parent
Comprehensive income attributable to non-controlling interests	326	—	(873)	(547)		Non-controlling interests

2) Reconciliation of equity at the date of transition to IFRS (April 1, 2018)

Millions of yen

Presentation under JGAAP	JGAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
<b>Assets</b>						<b>Assets</b>
Non-current assets						Non-current assets
Property, plant and equipment	75,956	(3,002)	(788)	72,165		Property, plant and equipment
Intangible assets						Intangible assets
Goodwill	32,852	—	(22,085)	10,767	A	Goodwill
Sales rights	38,073	(38,073)	—	—		
Other	4,134	(4,134)	—	—		
	—	42,207	245	42,453	B	Intangible assets
	—	146	5,174	5,320	C	Right-of-use assets
Investments and other assets						Investments and other assets
Investment securities	155,675	(155,675)	—	—		
	—	155,485	144,101	299,586	D	Other financial assets
Net defined benefit asset	21,735	—	(11,394)	10,340	F	Retirement benefit asset
Deferred tax assets	738	—	(359)	378	I	Deferred tax assets
Other	2,835	(2,835)	—	—		
Allowance for doubtful accounts	(42)	42	—	—		
	—	5,839	1,055	6,895		Other non-current assets
<b>Total non-current assets</b>	<b>331,959</b>	<b>—</b>	<b>115,949</b>	<b>447,908</b>		<b>Total non-current assets</b>



Presentation under JGAAP	JGAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Current assets						Current assets
Merchandise and finished goods	14,716	(14,716)	—	—		
Work in process	6,993	(6,993)	—	—		
Raw materials and supplies	12,926	(12,926)	—	—		
	—	34,636	(3,790)	30,846	E	Inventories
Notes and accounts receivable-trade	53,240	(53,240)	—	—		
Allowance for doubtful accounts	(36)	36	—	—		
	—	53,203	28,937	82,140	H	Trade receivables
Short-term investment securities	124,300	(124,300)	—	—		
	—	110,173	377	110,551		Other financial assets
	—	59	—	59		Income taxes receivable
Other	27,257	(18,227)	1,053	10,083		Other current assets
Cash and deposits	140,106	32,294	3,735	176,135		Cash and cash equivalents
Total current assets	379,504	—	30,312	409,816		Total current assets
Total assets	711,463	—	146,261	857,725		Total assets

Presentation under JGAAP	JGAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
						Equity and liabilities
Net assets						Equity
Capital stock	21,279	—	—	21,279		Share capital
Capital surplus	20,227	527	300	21,055		Capital surplus
Treasury stock	(36,641)	—	—	(36,641)		Treasury shares
Retained earnings	574,392	—	(28,893)	545,498	K	Retained earnings
	—	21,589	157,775	179,365	D,F,J	Other components of equity
Total shareholders' equity	579,257	22,117	129,182	730,557		Equity attributable to owners of parent
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	35,856	(35,856)	—	—		
Deferred gains or losses on hedges	1,174	(1,174)	—	—		
Foreign currency translation adjustment	(15,330)	15,330	—	—		
Remeasurements of defined benefit plans	(111)	111	—	—		
Subscription rights to shares	527	(527)	—	—		
Non-controlling interests	3,466	—	790	4,257		Non-controlling interests
Total net assets	604,840	—	129,973	734,814		Total equity

Presentation under JGAAP	JGAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
<b>Liabilities</b>						<b>Liabilities</b>
<b>Non-current liabilities</b>						<b>Non-current liabilities</b>
Bonds payable	18,491	(18,491)	—	—		
	—	18,491	(98)	18,393		Bonds and borrowings
	—	94	5,636	5,731	C	Lease liabilities
	—	4,202	—	4,202		Other financial liabilities
Net defined benefit liability	8,096	—	768	8,865	F	Retirement benefit liability
Deferred tax liabilities	3,123	—	3,167	6,291	I	Deferred tax liabilities
Other	4,344	(4,296)	345	393		Other non-current liabilities
<b>Total non-current liabilities</b>	<b>34,056</b>	<b>—</b>	<b>9,819</b>	<b>43,876</b>		<b>Total non-current liabilities</b>
<b>Current liabilities</b>						<b>Current liabilities</b>
Current portion of long-term loans payable	10,000	—	—	10,000		Bonds and borrowings
	—	83	2,553	2,636	C	Lease liabilities
Notes and accounts payable-trade	8,016	(317)	—	7,698		Trade payables
	—	10,299	170	10,470		Other financial liabilities
Income taxes payable	19,513	(1,110)	—	18,402		Income taxes payable
Provision	10,207	(10,207)	—	—		
Other	24,829	1,252	3,744	29,826	G	Other current liabilities
<b>Total current liabilities</b>	<b>72,565</b>	<b>—</b>	<b>6,468</b>	<b>79,034</b>		<b>Total current liabilities</b>
<b>Total liabilities</b>	<b>106,622</b>	<b>—</b>	<b>16,288</b>	<b>122,910</b>		<b>Total liabilities</b>
<b>Total liabilities and net assets</b>	<b>711,463</b>	<b>—</b>	<b>146,261</b>	<b>857,725</b>		<b>Total Equity and liabilities</b>

3) Reconciliation of equity at March 31, 2019

Millions of yen

Presentation under JGAAP	JGAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Assets						Assets
Non-current assets						Non-current assets
Property, plant and equipment	74,653	(3,667)	—	70,986		Property, plant and equipment
Intangible assets						
Goodwill	19,258	—	(15,899)	3,358	A	Goodwill
Sales rights	30,319	(30,319)	—	—		
Other	5,191	(5,191)	—	—		
	—	35,511	12,293	47,804	B	Intangible assets
	—	884	5,031	5,915	C	Right-of-use assets
Investments and other assets						
Investment securities	151,851	(151,851)	—	—		
	—	145,391	157,318	302,709	D	Other financial assets
Net defined benefit asset	30,721	—	(30,721)	—	F	Retirement benefit asset
Deferred tax assets	1,792	—	(1,258)	534	I	Deferred tax assets
Other	3,250	(3,250)	—	—		
Allowance for doubtful accounts	(42)	42	—	—		
	—	12,451	1,134	13,586		Other non-current assets
Total non-current assets	316,997	—	127,897	444,895		Total non-current assets

Presentation under JGAAP	JGAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Current assets						Current assets
Merchandise and finished goods	18,741	(18,741)	—	—		
Work in process	7,272	(7,272)	—	—		
Raw materials and supplies	14,097	(14,097)	—	—		
	—	40,111	(4,985)	35,125	E	Inventories
Notes and accounts receivable-trade	65,918	(65,918)	—	—		
Allowance for doubtful accounts	(43)	43	—	—		
	—	65,874	35,076	100,951	H	Trade receivables
Short-term investment securities	133,264	(133,264)	—	—		
	—	149,874	656	150,530		Other financial assets
	—	395	—	395		Income taxes receivable
Other	28,942	(19,256)	1,153	10,840		Other current assets
Cash and deposits	193,549	2,250	—	195,800		Cash and cash equivalents
Total current assets	461,743	—	31,901	493,645		Total current assets
Total assets	778,741	—	159,799	938,540		Total assets

Presentation under JGAAP	JGAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
						Equity and liabilities
Net assets						Equity
Capital stock	21,279	—	—	21,279		Share capital
Capital surplus	20,512	527	237	21,277		Capital surplus
Treasury stock	(28,882)	—	—	(28,882)		Treasury shares
Retained earnings	639,461	—	(25,977)	613,483	K	Retained earnings
	—	15,130	166,485	181,616	D,F,J	Other components of equity
Total shareholders' equity	652,371	15,658	140,744	808,774		Equity attributable to owners of parent
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	28,927	(28,927)	—	—		
Deferred gains or losses on hedges	747	(747)	—	—		
Foreign currency translation adjustment	(18,370)	18,370	—	—		
Remeasurements of defined benefit plans	3,826	(3,826)	—	—		
Subscription rights to shares	527	(527)	—	—		
Non-controlling interests	4,400	—	(86)	4,313		Non-controlling interests
Total net assets	672,429	—	140,657	813,087		Total equity

Presentation under JGAAP	JGAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
<b>Liabilities</b>						<b>Liabilities</b>
<b>Non-current liabilities</b>						<b>Non-current liabilities</b>
	—	614	5,391	6,006	C	Lease liabilities
	—	4,354	—	4,354		Other financial liabilities
Net defined benefit liability	11,930	—	6,205	18,136	F	Retirement benefit liability
Deferred tax liabilities	124	—	319	444	I	Deferred tax liabilities
Other	5,147	(4,969)	182	360		Other non-current liabilities
<b>Total non-current liabilities</b>	<b>17,203</b>	<b>—</b>	<b>12,099</b>	<b>29,303</b>		<b>Total non-current liabilities</b>
<b>Current liabilities</b>						<b>Current liabilities</b>
Current portion of bonds	920	—	(2)	918		Bonds and borrowings
	—	264	3,042	3,306	C	Lease liabilities
Notes and accounts payable-trade	9,442	—	—	9,442		Trade payables
	—	16,623	384	17,008		Other financial liabilities
Income taxes payable	35,870	(1,854)	—	34,016		Income taxes payable
Provision	10,654	(10,654)	—	—		
Other	32,219	(4,379)	3,617	31,457	G	Other current liabilities
<b>Total current liabilities</b>	<b>89,107</b>	<b>—</b>	<b>7,042</b>	<b>96,149</b>		<b>Total current liabilities</b>
<b>Total liabilities</b>	<b>106,311</b>	<b>—</b>	<b>19,141</b>	<b>125,452</b>		<b>Total liabilities</b>
<b>Total liabilities and net assets</b>	<b>778,741</b>	<b>—</b>	<b>159,799</b>	<b>938,540</b>		<b>Total equity and liabilities</b>

#### 4) Notes to the reconciliation of equity and comprehensive income

The following are the main items reclassified in accordance with the presentation provisions of IFRS in the consolidated statements of financial position at the date of transition to IFRS (April 1, 2018) and in the consolidated financial statements for the fiscal year ended March 31, 2019.

- R&D expenses and amortization of intangible assets such as sales rights are included in selling, general and administrative expenses under JGAAP, but are presented separately as research and development expenses and amortization of intangible assets associated with products under IFRS.
- Inhabitants' taxes on a per capita basis in Japan are included in total income taxes under JGAAP, but are included in selling, general and administrative expenses under IFRS.
- Finance lease assets are included in property, plant and equipment under JGAAP, but are included in right-of-use assets under IFRS.
- Time deposits with maturities exceeding three months are included in cash and deposits under JGAAP, but are included in other financial assets under IFRS. In addition, short-term investments redeemable within 3 months from the date of acquisition that can easily be converted into cash and bear little or no risk of fluctuation in value are included in short-term investment securities under JGAAP, but are included in cash and cash equivalents under IFRS.
- Stock options are presented separately under JGAAP, but are included in capital surplus under IFRS.

Main recognition and measurement differences are as follows.

##### (A) Goodwill

The Group has chosen not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRS.

In addition, JGAAP requires judgement of the need to recognize impairment only when indications of impairment exist, whereas IFRS requires impairment tests at least once every fiscal year.

The Group tested for impairment at the date of transition and in the fiscal year ended March 31, 2020, with the result that the recoverable value of goodwill was lower than its carrying value. The Group therefore reduced the carrying value of goodwill to recoverable value.

In addition, goodwill is amortized over its estimated useful life under JGAAP, whereas goodwill is no longer amortized from the date of transition to IFRS.

The above differences between JGAAP and IFRS decreased both goodwill and retained earnings at the date of transition and at March 31, 2019 by ¥22,085 million and ¥15,899 million, respectively. The above differences also decreased selling, general and administrative expenses by ¥2,719 million and increased profit before tax by ¥6,810 million for the fiscal year ended March 31, 2019.

##### (B) Separately acquired in-process R&D assets

Under JGAAP, up-front payments in connection with product and technology in-license agreements are largely expensed as research and development expenses prior to regulatory approval. Under IFRS, up-front payments that satisfy the capitalization criteria of IAS 38 "Intangible Assets" are recognized as intangible assets, which are amortized on a straight-line basis over their estimated useful lives from the time they become available for use. Also under IFRS, intangible assets that are not yet available for use are tested for impairment each fiscal year.

The above differences between JGAAP and IFRS increased both intangible assets and retained earnings at the date of transition and at March 31, 2019 by ¥2,596 million and ¥18,623 million, respectively. The above differences also decreased research and development expenses by ¥16,267 million, increased amortization of intangible assets associated with products by ¥40 million, and increased profit before tax by ¥16,027 million for the fiscal year ended March 31, 2019.

##### (C) Right-of-use assets and lease obligations

JGAAP categorizes lease contracts as either finance leases or operating leases according to their legal form. Finance leases are accounted for as ordinary sale and purchase transactions, with recognition of lease assets and lease obligations. Operating lease transactions are accounted for as ordinary lease transactions. In addition, contracts with a legal form that is not a lease are accounted for according to the substance of the contract or transaction, e.g. a rental transaction, with rent and other expenses incurred included in selling, general and administrative expenses.

IFRS defines a lease as a contract that conveys the right to use an asset for a period of time in exchange for consideration, even if it does not take the legal form of a lease. A lessee recognizes a right-of-use asset and a lease liability, except for short-term leases and leases of low-value underlying assets when the exemptions are elected. In addition, an amount equivalent to the financing element of lease payments is included in finance costs

At the date of transition and at March 31, 2019, respectively, the above differences between JGAAP and IFRS increased right-of-use assets by ¥5,174 million and ¥5,031 million increased other financial assets included in non-current assets by ¥452 million and ¥486 million increased other non-current assets by ¥1,055 million and ¥1,134 million increased other financial assets included in current assets by ¥452 million and ¥486 million increased other current assets by ¥1,055 million and ¥1,134 million increased non-current lease liabilities by ¥5,636 million and ¥5,391 million and increased current lease liabilities by ¥2,553 million and ¥3,042 million.



(D) Designation of unlisted equities and equity instruments as financial assets for which fair value is measured through other comprehensive income

Unlisted equities are recognized in principle at acquisition cost under JGAAP, but are always measured at fair value under IFRS.

Furthermore, under JGAAP, gain or loss on sale of equity instruments or impairment loss on equity instruments are recognized in profit or loss. Under IFRS, however, investments in equity instruments are measured at fair value through other comprehensive income, changes in fair value or gain or loss on sale are recognized in other comprehensive income, and the cumulative gain or loss is transferred from other components of equity to retained earnings when the instruments are derecognized.

At the date of transition and at March 31, 2019, respectively, the above differences between JGAAP and IFRS increased other financial assets included in non-current assets by ¥143,901 million and ¥157,534 million and increased other components of equity by ¥143,180 million and ¥156,605 million. In addition, equity instruments measured at fair value through other comprehensive income as of March 31, 2019 increased by ¥29,511 million, which also increased comprehensive income for the fiscal year ended March 31, 2019 by ¥29,511 million.

(E) Inventories

Under JGAAP, sales promotion and test assets are included in raw materials and supplies. Under IFRS, they are recognized as expenses at the time of purchase because they do not meet the IFRS definition of assets.

(F) Net defined benefit liabilities

Under JGAAP, actuarial differences that arise each fiscal year are amortized over a fixed number of years within the average remaining service lives. Under IFRS, remeasurements of net defined benefit liability are recognized in other comprehensive income when they arise and are transferred directly to retained earnings.

When an entity has a surplus in a defined benefit plan, the asset ceiling is defined as the present value of the future economic benefit available in the form of refunds or reductions in future contribution.

At the date of transition and at March 31, 2019, respectively, the above differences between JGAAP and IFRS decreased retirement benefit asset by ¥11,394 million and ¥30,721 million, increased retirement benefit liability by ¥768 million and ¥6,205 million, increased other components of equity by ¥111 million at the date of transition and decreased it by ¥3,826 million at March 31, 2019. The above differences also decreased retained earnings by ¥12,273 million and ¥32,212 million at the date of transition and at March 31, 2019, respectively. In addition, for the fiscal year ended March 31, 2019, these differences decreased cost of sales by ¥95 million, decreased selling, general and administrative expenses by ¥511 million, decreased research and development expenses by ¥281 million, and increased profit before tax by ¥887 million.

(G) Paid vacation accrual

JGAAP does not require recognition of paid vacation accrual, while IFRS requires recognition as a liability.

(H) Revenue

Under IFRS, revenue is recognized based on the following five-step approach, and the timing of revenue recognition is dependent on transaction status.

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the prices to the performance obligations.

Step 5: Recognize revenue when or as the performance obligations are satisfied.

Revenue in the form of sales-based or usage-based royalties is recognized at the later of when (1) the subsequent sale or usage occurs, or (2) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated is satisfied (in whole or in part). In addition, some rebates are recognized as selling, general and administrative expenses under JGAAP, whereas rebates are deducted from revenue as a component of consideration paid to customers under IFRS.

At the date of transition and at March 31, 2019, respectively, the above differences between JGAAP and IFRS increased trade receivables by ¥28,937 million and ¥35,076 million, and increased retained earnings by ¥29,927 million and ¥35,405 million. In addition, for the fiscal year ended March 31, 2019, these differences increased revenue by ¥4,238 million, increased cost of sales by ¥1,016 million, decreased selling, general and administrative expenses by ¥3,274 million, increased financial expenses by ¥1,019 million, and increased profit before tax by ¥5,477 million.

(I) Income taxes

Deferred tax assets related to unrealized gains and losses on inventory and other intragroup transactions are calculated using the effective tax rate of the seller under JGAAP, but are calculated using the effective tax rate of the buyer under IFRS.

Additionally, deferred tax assets and deferred tax liabilities are recognized for temporary differences resulting from the adjustment of differences between JGAAP and IFRS.

At the date of transition and at March 31, 2019, respectively, the above differences between JGAAP and IFRS decreased deferred tax assets by ¥359 million and ¥1,258 million, increased deferred tax liabilities by ¥3,167 million and ¥319 million, and decreased retained earnings by ¥6,628 million and ¥12,333 million. In addition, for the fiscal year ended March 31, 2019, these differences increased income tax expenses by ¥5,704 million.

(J) Exchange differences on translation of foreign operations

The Group has elected to deem the cumulative amount of exchange differences on translation of foreign operations to be zero at the date of transition to IFRS.

At the date of transition and at March 31, 2019, respectively, the above differences between JGAAP and IFRS decreased other components of equity by ¥15,330 million and increased retained earnings by ¥15,330 million.

(K) Adjustments to retained earnings

The effect of items (A) to (J) above and other differences in recognition and measurement on retained earnings at the date of transition and at March 31, 2019 are as follows.

Millions of yen

Items	As of April 1, 2018	As of March 31, 2019
(A) Goodwill	(22,085)	(15,899)
(B) Separately acquired in-process R&D assets	2,596	18,623
(E) Inventories	(4,696)	(4,988)
(F) Net defined benefit liabilities	(12,273)	(32,212)
(G) Paid vacation accrual	(2,767)	(2,689)
(H) Revenue	29,927	35,405
(I) Income taxes	(6,628)	(12,333)
(J) Exchange differences on translation of foreign operations	(15,330)	(15,330)
Other	2,364	3,447
Total adjustments to retained earnings	(28,893)	(25,977)

5) Adjustments to cash flow for the fiscal year ended March 31, 2019

Under JGAAP, expenses including up-front payments in connection with product and technology in-license agreements are largely expensed as research and development expenses prior to regulatory approval and presented within net cash provided by (used in) operating activities. Under IFRS, however, the Group presented expenses that satisfy the capitalization criteria of IAS 38 totaling ¥16,272 million within cash flows from investing activities.