



Consolidated Financial Results for the Second Quarter of Fiscal Year 2021 (IFRS)

November 1, 2021

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

Listed Exchanges: Section I of Tokyo

Code: 4507

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

Representative: Isao Teshirogi, President and CEO

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Scheduled date of quarterly securities report submission: November 11, 2021

Scheduled date of dividend payments: December 1, 2021

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, 2021 to September 30, 2021

(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, 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) |
| Six months ended September 30, 2020 | 148,452 | (9.3) | 58,266 | (7.8) | 70,147 | (0.7) | 52,340 | (3.8) | 52,339 | (3.8) | 57,235 | 116.1 |

| | Basic earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Six months ended September 30, 2021 | 176.24 | 176.18 |
| Six months ended September 30, 2020 | 170.47 | 170.40 |

Note: In the consolidated fiscal year ended March 2021, the provisional accounting for business combinations was finalized, and the consolidated financial statements for the second quarter of fiscal year ended March 2021 have been retroactively adjusted.

(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, 2021 | 1,020,450 | 898,896 | 881,125 | 86.3 |
| As of March 31, 2021 | 998,992 | 864,550 | 846,108 | 84.7 |

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, 2021 | — | 53.00 | — | 55.00 | 108.00 |
| Year ending March 31, 2022 | — | 55.00 | | | |
| Year ending March 31, 2022 (forecast) | | | — | 55.00 | 110.00 |

Note: Revisions of the most recent dividend forecast: None

3. Consolidated financial forecast for the year ending March 31, 2022

(% 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, 2022 | 294,000 | (1.1) | 90,000 | (23.4) | 115,000 | (19.6) | 100,000 | (10.6) | 331.71 |

Note: Revisions of the most recent consolidated financial forecast: Yes

※ 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, 2021: | 311,586,165 shares |
| As of March 31, 2021: | 311,586,165 shares |

b) Number of treasury stock

| | |
|---------------------------|-------------------|
| As of September 30, 2021: | 10,102,277 shares |
| As of March 31, 2021: | 10,122,444 shares |

c) Average number of shares issued during the period

| | |
|--------------------------------------|--------------------|
| Six months ended September 30, 2021: | 301,474,540 shares |
| Six months ended September 30, 2020: | 307,037,868 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 2, 2021. Plans are also in place to post explanatory details (Transcript) together with financial results explanatory materials distributed to analysts on November 2, 2021 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, 2022

For the six months ended September 30, 2021 (April 1, 2021 to September 30, 2021), operating results were as follows.

Millions of yen

| | Six months ended September 30, 2021 | Six months ended September 30, 2020 | Change | Percentage change (%) |
|--|--|--|----------|--------------------------|
| Revenue | 145,085 | 148,452 | (3,367) | (2.3) |
| Operating profit | 42,664 | 58,266 | (15,602) | (26.8) |
| Core operating profit ^{*1} | 43,852 | 55,804 | (11,952) | (21.4) |
| Profit before tax | 50,832 | 70,147 | (19,315) | (27.5) |
| Profit attributable to owners of parent | 53,131 | 52,339 | 791 | 1.5 |

*1 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.

*2 In the consolidated fiscal year ended March 2021, the provisional accounting for business combinations about Tetra was finalized, and the consolidated financial statements for the second quarter of fiscal year ended March 2021 have been retroactively adjusted.

Revenue decreased 2.3 percent year on year. In domestic sales of prescription drugs, revenue for Intuniv expanded, but the entry of a generic version of Cymbalta reduced revenue, resulting in a slight year-on-year decrease. In overseas subsidiary sales and exports, 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, and Shionogi received a one-time payment related to the transfer of marketing rights for FORTAMET in the United States. As a result, revenue from overseas subsidiary sales and exports increased 58.2 percent. Revenue from contract manufacturing increased 25.1 percent as a result of the acquisition of Nagase Medicals Co., Ltd., which is engaged in pharmaceutical contract manufacturing, as a consolidated subsidiary in the third quarter of the fiscal year ended March 31, 2021. Regarding royalty income, despite ViiV's continued strong global sales of anti-HIV drugs Tivicay, Triumeq, Juluca and Dovato, the impact of exchange rates resulted in a 4.2 percent decrease in royalty income from ViiV. In addition, although Shionogi received a one-time payment from ViiV related to the out-licensing of S-365598, an HIV integrase inhibitor, the amount of royalty income received from AstraZeneca for Crestor decreased starting from the fourth quarter of the fiscal year ended March 31, 2021 based on the licensing agreement. As a result, total royalty income decreased 15.5 percent. Gross profit decreased 6.0 percent year on year as a result of an increase in cost of sales due to the increase in revenue from sales at overseas subsidiaries, exports and contract manufacturing. Selling, general and administrative expenses and research and development expenses increased because of the increase in selling expenses for Cefiderocol, and because of research and development investments for key projects and priority issues such as treatments and vaccines for COVID-19. As a result, operating profit decreased 26.8 percent year on year. Core operating profit decreased 21.4 percent, basically in line with the decrease in operating profit, as a result of a loss on disposal of property, plant and equipment and adjustment of interest on refund of income taxes. Profit before tax decreased 27.5 percent, reflecting the decrease in operating profit. Profit attributable to owners of parent increased 1.5 percent year on year as a result of a refund received in relation to a favorable judgment 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, 2022

As of September 30, 2021, total assets were ¥1,020,450 million, an increase of ¥21,458 million from the end of the previous fiscal year.

Non-current assets were ¥438,528 million, a decrease of ¥4,226 million from the end of the previous fiscal year, as other financial assets decreased due to a drop in market value and other factors, while in-process R&D assets (included in "Intangible assets") increased. Current assets were ¥581,922 million, an increase of ¥25,684 million, mainly reflecting

increases 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 ¥898,896 million, an increase of ¥34,345 million from the end of the previous fiscal year, mainly due to recording of profit and cash dividends paid.

Liabilities totaled ¥121,554 million, a decrease of ¥12,887 million from the end of the previous fiscal year.

Non-current liabilities decreased ¥2,568 million. Current liabilities decreased ¥10,318 million, mainly because income taxes payable decreased due to payment of income taxes.

(3) Cash Flows for the Second Quarter of the Fiscal Year Ending March 31, 2022

Net cash provided by operating activities during the six months ended September 30, 2021 was ¥55,008 million, an increase of ¥8,030 million year on year. Factors included a decrease in profit before tax and an increase in cash due to a refund received in relation to a favorable judgment of the complaint for the rescission of tax reassessment by the Osaka Regional Taxation Bureau.

Net cash used in investing activities was ¥76,183 million, an increase of ¥47,919 million year on year. Factors included increases and decrease of time deposits and acquisition of securities for investment of surplus.

Net cash used in financing activities was ¥18,324 million, a increase of ¥32,386 million year on year, mainly because an increase in cash dividends paid was offset by the absence of cash provided by the disposal of treasury shares by third-party allotment in the second quarter of the fiscal year ended March 31, 2021.

As a result, cash and cash equivalents at the end of the second quarter totaled ¥236,059 million, a decrease of ¥40,114 million from the end of the previous fiscal year.

(4) Outlook

Based on recent performance trends, the Shionogi Group has revised its financial forecast for the fiscal year ending March 31, 2022, released on May 10, 2021, as follows.

1) Revisions of Financial Forecast

Revised forecasts for the year ending March 31, 2022

| | Revenue | Operating profit | Profit before tax | Profit attributable to owners of parent | Basic earnings per share |
|---|------------------------|------------------------|------------------------|---|--------------------------|
| | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Yen</i> |
| Previous forecast (A) | 290,000 | 90,000 | 115,000 | 100,000 | 331.71 |
| New forecast (B) | 294,000 | 90,000 | 115,000 | 100,000 | 331.71 |
| Change (B-A) | 4,000 | — | — | — | — |
| Percentage change (%) | 1.4 | — | — | — | — |
| (Reference) For the year ended March 31, 2021 | 297,177 | 117,438 | 143,018 | 111,858 | 365.03 |

2) Reasons for Revision of Financial Forecast

Shionogi expects revenue to exceed the previous forecast given the solid first-half performance. As for profit, despite the increase in the revenue forecast, the previous forecasts for operating profit, profit before tax, and profit attributable to owners of parent are unchanged because although Shionogi is taking extensive measures to control total costs, including cost of sales, it will continue to actively invest in key projects such as treatments and vaccines for COVID-19.

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, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| Revenue | 148,452 | 145,085 |
| Cost of sales | (22,857) | (26,984) |
| Gross profit | 125,594 | 118,101 |
| Selling, general and administrative expenses | (43,157) | (44,248) |
| Research and development expenses | (24,854) | (28,175) |
| Amortization of intangible assets associated with products | (1,611) | (1,641) |
| Other income | 3,204 | 1,606 |
| Other expenses | (909) | (2,977) |
| Operating profit | 58,266 | 42,664 |
| Finance income | 12,805 | 8,338 |
| Finance costs | (925) | (170) |
| Profit before tax | 70,147 | 50,832 |
| Income tax expense | (17,806) | 2,191 |
| Profit | 52,340 | 53,023 |
| Profit attributable to | | |
| Owners of parent | 52,339 | 53,131 |
| Non-controlling interests | 1 | (107) |
| Profit | 52,340 | 53,023 |
| Earnings per share | | |
| Basic earnings per share | 170.47 | 176.24 |
| Diluted earnings per share | 170.40 | 176.18 |

Consolidated statement of comprehensive income

Millions of yen

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| Profit | 52,340 | 53,023 |
| 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 | 1,907 | (5,950) |
| Remeasurements of defined benefit plans | 1,576 | 623 |
| Total of items that will not be reclassified to profit or loss | 3,483 | (5,326) |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 3,555 | 1,228 |
| Effective portion of cash flow hedges | (2,144) | 2,150 |
| Total of items that may be reclassified to profit or loss | 1,410 | 3,379 |
| Total other comprehensive income, net of tax | 4,894 | (1,947) |
| Comprehensive income | 57,235 | 51,076 |
| Comprehensive income attributable to | | |
| Owners of parent | 57,233 | 50,892 |
| Non-controlling interests | 1 | 184 |
| Comprehensive income | 57,235 | 51,076 |

(2) Consolidated statement of financial position

Millions of yen

| | As of March 31, 2021 | As of September 30, 2021 |
|---------------------------------|----------------------|--------------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 90,883 | 95,024 |
| Goodwill | 9,357 | 9,460 |
| Intangible assets | 76,558 | 78,231 |
| Right-of-use assets | 4,827 | 4,142 |
| Investment property | 26,759 | 26,528 |
| Other financial assets | 217,437 | 208,559 |
| Deferred tax assets | 11,729 | 10,795 |
| Other non-current assets | 5,200 | 5,786 |
| Total non-current assets | 442,754 | 438,528 |
| Current assets | | |
| Inventories | 38,003 | 40,316 |
| Trade receivables | 78,047 | 79,347 |
| Other financial assets | 142,151 | 206,788 |
| Income taxes receivable | 164 | 94 |
| Other current assets | 21,697 | 19,316 |
| Cash and cash equivalents | 276,173 | 236,059 |
| Total current assets | 556,238 | 581,922 |
| Total assets | 998,992 | 1,020,450 |

Millions of yen

| | As of March 31, 2021 | As of September 30, 2021 |
|--|----------------------|--------------------------|
| Equity and liabilities | | |
| Equity | | |
| Share capital | 21,279 | 21,279 |
| Capital surplus | 13,733 | 14,588 |
| Treasury shares | (57,989) | (57,851) |
| Retained earnings | 752,248 | 789,134 |
| Other components of equity | 116,836 | 113,973 |
| Equity attributable to owners of parent | 846,108 | 881,125 |
| Non-controlling interests | 18,442 | 17,770 |
| Total equity | 864,550 | 898,896 |
| Liabilities | | |
| Non-current liabilities | | |
| Lease liabilities | 4,608 | 4,169 |
| Other financial liabilities | 5,242 | 4,480 |
| Retirement benefit liability | 16,318 | 15,560 |
| Deferred tax liabilities | 7,749 | 7,149 |
| Other non-current liabilities | 341 | 332 |
| Total non-current liabilities | 34,261 | 31,693 |
| Current liabilities | | |
| Lease liabilities | 3,379 | 3,264 |
| Trade payables | 9,902 | 10,264 |
| Other financial liabilities | 21,383 | 18,735 |
| Income taxes payable | 28,033 | 18,153 |
| Other current liabilities | 37,481 | 39,443 |
| Total current liabilities | 100,180 | 89,861 |
| Total liabilities | 134,442 | 121,554 |
| Total equity and liabilities | 998,992 | 1,020,450 |

(3) Consolidated statement of changes in equity

Six months ended September 30, 2020

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, 2020 | 21,279 | 21,025 | (77,292) | 708,291 | 91,848 | 765,152 | 51 | 765,203 |
| Profit | | | | 52,339 | | 52,339 | 1 | 52,340 |
| Total other comprehensive income, net of tax | | | | | 4,894 | 4,894 | | 4,894 |
| Comprehensive income | — | — | — | 52,339 | 4,894 | 57,233 | 1 | 57,235 |
| Purchase of treasury shares | | | (6) | | | (6) | | (6) |
| Disposal of treasury shares | | (4,705) | 38,404 | | | 33,698 | | 33,698 |
| Cancellation of treasury shares | | (30,912) | 30,912 | | | — | | — |
| Dividends | | | | (16,100) | | (16,100) | | (16,100) |
| Transfer from other components of equity to retained earnings | | | | 1,576 | (1,576) | — | | — |
| Other | | 35,919 | | (35,430) | (488) | (0) | | (0) |
| Balance as of September 30, 2020 | 21,279 | 21,326 | (7,982) | 710,677 | 94,676 | 839,977 | 52 | 840,030 |

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 |

(4) Consolidated statement of cash flows

Millions of yen

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 70,147 | 50,832 |
| Depreciation and amortization | 7,251 | 7,848 |
| Impairment Losses | — | 125 |
| Finance income and finance costs | (12,208) | (8,140) |
| Decrease (increase) in trade and other receivables | 739 | (379) |
| Decrease (increase) in inventories | (5,306) | (1,900) |
| Increase (decrease) in trade and other payables | (4,560) | 2,524 |
| Other | (8,239) | (2,236) |
| Subtotal | 47,822 | 48,672 |
| Interest and dividends received | 16,358 | 14,535 |
| Interest paid | (44) | (46) |
| Income taxes paid | (17,158) | (21,358) |
| Income taxes refund | — | 13,206 |
| Net cash provided by (used in) operating activities | 46,978 | 55,008 |
| Cash flows from investing activities | | |
| Payments into time deposits | (86,638) | (146,956) |
| Proceeds from withdrawal of time deposits | 73,446 | 102,520 |
| Purchase of property, plant and equipment | (4,371) | (6,107) |
| Purchase of intangible assets | (3,234) | (3,272) |
| Payments for acquisition of subsidiaries | (3,221) | — |
| Purchase of investments | (62,070) | (64,876) |
| Proceeds from sale of investments | 57,298 | 42,300 |
| Other | 528 | 209 |
| Net cash provided by (used in) investing activities | (28,264) | (76,183) |

Millions of yen

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|---|--|--|
| Cash flows from financing activities | | |
| Repayments of lease liabilities | (1,795) | (1,743) |
| Purchase of treasury shares | (6) | (6) |
| Proceeds from disposal of treasury shares | 33,534 | — |
| Dividends paid | (16,093) | (16,574) |
| Payments for acquisition of interests in subsidiaries from non-controlling interests | (1,575) | — |
| Other | (0) | — |
| Net cash provided by (used in) financing activities | 14,062 | (18,324) |
| Effect of exchange rate changes on cash and cash equivalents | (1,200) | (615) |
| Net increase (decrease) in cash and cash equivalents | 31,576 | (40,114) |
| Cash and cash equivalents at beginning of period | 208,861 | 276,173 |
| Cash and cash equivalents at end of period | 240,437 | 236,059 |

(5) Notes

Going concern assumption

None

Segment information

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.