



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

August 2, 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: August 10, 2021

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, 2021 to June 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	%
Three months ended June 30, 2021	68,965	(3.4)	18,794	(34.2)	22,941	(30.5)	32,198	31.4	32,238	31.6	33,935	47.9
Three months ended June 30, 2020	71,402	(11.6)	28,575	(9.8)	33,022	(6.6)	24,497	(9.8)	24,495	(9.7)	22,940	204.5

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	106.94	106.91
Three months ended June 30, 2020	80.62	80.58

Note: In the consolidated fiscal year ended March 2021, the provisional accounting for business combinations was finalized, and the consolidated financial statements for the first 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 June 30, 2021	1,000,354	881,896	864,163	86.4
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	—				
Year ending March 31, 2022 (forecast)		55.00	—	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
Six months ending September 30, 2021	135,000	(9.1)	38,500	(33.9)	48,500	(30.9)	49,500	(5.4)	164.20
Year ending March 31, 2022	290,000	(2.4)	90,000	(23.4)	115,000	(19.6)	100,000	(10.6)	331.71

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

※ **Notes**

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries involving changes in scope of consolidation): None

(2) Changes in accounting policies, changes/restatements of accounting estimates

- a) Changes in accounting policies required by IFRS: None
- b) Changes in accounting policies other than a) above: None
- c) Changes in accounting estimates: None

(3) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

As of June 30 2021:	311,586,165 shares
As of March 31 2021:	311,586,165 shares

b) Number of treasury stock

As of June 30 2021:	10,122,654 shares
As of March 31 2021:	10,122,444 shares

c) Average number of shares issued during the period

Three months ended June 30, 2021:	301,463,533 shares
Three months ended June 30, 2020:	303,833,023 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 Monday, August 2, 2021. Plans are also in place to post explanatory details (Transcript) together with financial results explanatory materials distributed to analysts on August 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 First Quarter of the Fiscal Year Ending March 31, 2022

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

Millions of yen

	Three months ended June 30, 2021	Three months ended June 30, 2020	Change	Percentage change (%)
Revenue	68,965	71,402	(2,436)	(3.4)
Operating profit	18,794	28,575	(9,780)	(34.2)
Core operating profit *	19,384	25,854	(6,470)	(25.0)
Profit before tax	22,941	33,022	(10,080)	(30.5)
Profit attributable to owners of parent	32,238	24,495	7,743	31.6

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

Revenue decreased 3.4 percent year on year. In domestic sales of prescription drugs, revenue for Intuniv expanded, resulting in a 5.1 percent increase in revenue. 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 70.0 percent. Revenue from contract manufacturing increased 30.2 percent as a result of the acquisition of Nagase Medicals Co., Ltd., which is engaged in pharmaceutical contract manufacturing, as a consolidated subsidiary. Regarding royalty income, despite ViiV’s continued strong global sales of anti-HIV drugs Tivicay, Triumeq, Juluca and Dovato, the impact of exchange rates and changes in sales trends by country resulted in a 6.8 percent decrease in royalty income from ViiV. In addition, 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 22.1 percent.

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 potential treatments and vaccines for COVID-19. As a result, operating profit decreased 34.2 percent year on year. Core operating profit decreased 25.0 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 30.5 percent, reflecting the decrease in operating profit. Profit attributable to owners of parent increased 31.6 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 First Quarter of the Fiscal Year Ending March 31, 2022

As of June 30, 2021, total assets were ¥1,000,354 million, an increase of ¥1,362 million from the end of the previous fiscal year.

Non-current assets were ¥442,168 million, a decrease of ¥586 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 ¥558,186 million, an increase of ¥1,948 million.

Equity was ¥881,896 million, an increase of ¥17,345 million from the end of the previous fiscal year, mainly due to recording of profit and cash dividends paid.

Liabilities totaled ¥118,458 million, a decrease of ¥15,983 million from the end of the previous fiscal year.

Non-current liabilities decreased ¥1,956 million. Current liabilities decreased ¥14,026 million, mainly because income taxes payable decreased due to payment of income taxes.

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

Net cash provided by operating activities during the first quarter of the fiscal year ending March 31, 2022 was ¥20,266 million, an increase of ¥5,981 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 ¥73,413 million, an increase of ¥39,378 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 ¥17,457 million, a decrease of ¥1,124 million year on year, mainly because an increase in cash dividends paid was offset by the absence of payments for acquisition of interests in subsidiaries from non-controlling interests made in the first quarter of the previous fiscal year.

As a result, cash and cash equivalents at the end of the first quarter totaled ¥206,319 million, a decrease of ¥69,853 million from the end of the previous fiscal year.

(4) Outlook

There are no revisions to the consolidated financial forecast announced on May 10, 2021.

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

	Three months ended June 30, 2020	Three months ended June 30, 2021
Revenue	71,402	68,965
Cost of sales	(11,488)	(12,331)
Gross profit	59,913	56,634
Selling, general and administrative expenses	(20,866)	(21,750)
Research and development expenses	(12,166)	(14,729)
Amortization of intangible assets associated with products	(808)	(818)
Other income	3,039	1,282
Other expenses	(536)	(1,824)
Operating profit	28,575	18,794
Finance income	4,894	4,229
Finance costs	(447)	(82)
Profit before tax	33,022	22,941
Income tax expense	(8,524)	9,256
Profit	24,497	32,198
Profit attributable to		
Owners of parent	24,495	32,238
Non-controlling interests	2	(40)
Profit	24,497	32,198
Earnings per share		
Basic earnings per share	80.62	106.94
Diluted earnings per share	80.58	106.91

Consolidated statement of comprehensive income

Millions of yen

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	24,497	32,198
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	1,969	(4,685)
Remeasurements of defined benefit plans	54	460
Total of items that will not be reclassified to profit or loss	2,024	(4,224)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(2,211)	5,448
Effective portion of cash flow hedges	(1,370)	513
Total of items that may be reclassified to profit or loss	(3,581)	5,962
Total other comprehensive income, net of tax	(1,557)	1,737
Comprehensive income	22,940	33,935
Comprehensive income attributable to		
Owners of parent	22,937	33,847
Non-controlling interests	2	88
Comprehensive income	22,940	33,935

(2) Consolidated statement of financial position

Millions of yen

	As of March 31, 2021	As of June 30, 2021
Assets		
Non-current assets		
Property, plant and equipment	90,883	91,601
Goodwill	9,357	9,409
Intangible assets	76,558	78,545
Right-of-use assets	4,827	4,500
Investment property	26,759	26,587
Other financial assets	217,437	214,446
Deferred tax assets	11,729	11,755
Other non-current assets	5,200	5,322
Total non-current assets	442,754	442,168
Current assets		
Inventories	38,003	40,697
Trade receivables	78,047	75,218
Other financial assets	142,151	210,011
Income taxes receivable	164	1,848
Other current assets	21,697	24,091
Cash and cash equivalents	276,173	206,319
Total current assets	556,238	558,186
Total assets	998,992	1,000,354

Millions of yen

	As of March 31, 2021	As of June 30, 2021
Equity and liabilities		
Equity		
Share capital	21,279	21,279
Capital surplus	13,733	14,531
Treasury shares	(57,989)	(57,990)
Retained earnings	752,248	768,358
Other components of equity	116,836	117,984
Equity attributable to owners of parent	846,108	864,163
Non-controlling interests	18,442	17,732
Total equity	864,550	881,896
Liabilities		
Non-current liabilities		
Lease liabilities	4,608	4,419
Other financial liabilities	5,242	4,392
Retirement benefit liability	16,318	15,826
Deferred tax liabilities	7,749	7,309
Other non-current liabilities	341	355
Total non-current liabilities	34,261	32,304
Current liabilities		
Lease liabilities	3,379	3,330
Trade payables	9,902	9,915
Other financial liabilities	21,383	22,566
Income taxes payable	28,033	11,219
Other current liabilities	37,481	39,122
Total current liabilities	100,180	86,154
Total liabilities	134,442	118,458
Total equity and liabilities	998,992	1,000,354

(3) Consolidated statement of changes in equity

Three months ended June 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				24,495		24,495	2	24,497
Total other comprehensive income, net of tax					(1,557)	(1,557)		(1,557)
Comprehensive income	—	—	—	24,495	(1,557)	22,937	2	22,940
Purchase of treasury shares			(2)			(2)		(2)
Disposal of treasury shares		(506)	507			0		0
Cancellation of treasury shares		(30,912)	30,912			—		—
Dividends				(16,100)		(16,100)		(16,100)
Transfer from other components of equity to retained earnings				54	(54)	—		—
Other		31,720		(31,231)	(488)	(0)		(0)
Balance as of June 30, 2020	21,279	21,326	(45,875)	685,509	89,747	771,987	53	772,041

Three months ended June 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				32,238		32,238	(40)	32,198
Total other comprehensive income, net of tax					1,608	1,608	129	1,737
Comprehensive income	—	—	—	32,238	1,608	33,847	88	33,935
Purchase of treasury shares			(1)			(1)		(1)
Dividends				(16,580)		(16,580)		(16,580)
Transfer from other components of equity to retained earnings				460	(460)	—		—
Other		798		(8)		(789)	(798)	(8)
Balance as of June 30, 2021	21,279	14,531	(57,990)	768,358	117,984	864,163	17,732	881,896

(4) Consolidated statement of cash flows

Millions of yen

	Three months ended June 30, 2020	Three months ended June 30, 2021
Cash flows from operating activities		
Profit before tax	33,022	22,941
Depreciation and amortization	3,630	3,746
Impairment Losses	—	125
Finance income and finance costs	(4,703)	(4,063)
Decrease (increase) in trade and other receivables	4,952	3,682
Decrease (increase) in inventories	(5,976)	(2,324)
Increase (decrease) in trade and other payables	(4,100)	(2,745)
Other	(7,279)	(1,960)
Subtotal	19,546	19,402
Interest and dividends received	11,930	10,755
Interest paid	(25)	(24)
Income taxes paid	(17,165)	(21,968)
Income taxes refund	—	12,102
Net cash provided by (used in) operating activities	14,285	20,266
Cash flows from investing activities		
Payments into time deposits	(69,077)	(78,021)
Proceeds from withdrawal of time deposits	48,328	24,557
Purchase of property, plant and equipment	(2,602)	(1,699)
Purchase of intangible assets	(685)	(300)
Payments for acquisition of subsidiaries	(3,221)	—
Purchase of investments	(29,066)	(39,976)
Proceeds from sale of investments	22,168	22,000
Other	122	26
Net cash provided by (used in) investing activities	(34,034)	(73,413)

Millions of yen

	Three months ended June 30, 2020	Three months ended June 30, 2021
Cash flows from financing activities		
Repayments of lease liabilities	(905)	(879)
Purchase of treasury shares	(2)	(1)
Dividends paid	(16,097)	(16,577)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1,575)	—
Other	(1)	—
Net cash provided by (used in) financing activities	(18,582)	(17,457)
Effect of exchange rate changes on cash and cash equivalents	(490)	750
Net increase (decrease) in cash and cash equivalents	(38,822)	(69,853)
Cash and cash equivalents at beginning of period	208,861	276,173
Cash and cash equivalents at end of period	170,038	206,319

(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.