



Consolidated Financial Results for the Third Quarter of Fiscal Year 2022 (IFRS)

January 30, 2023

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

Listed Exchanges: Tokyo

Code: 4507

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

Representative: Isao Teshirogi, Ph.D., Representative Director, Chairman and President

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Scheduled date of quarterly securities report submission: February 13, 2023

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, 2022 to December 31, 2022

(1) Consolidated operating results

(% shows changes from the same period of the previous fiscal year)

| | Revenue | | Operating profit | | Profit before tax | | Profit | | Profit attributable to owners of parent | | Comprehensive income | |
|-------------------------------------|-----------------|-------|------------------|--------|-------------------|--------|-----------------|--------|---|--------|----------------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Nine months ended December 31, 2022 | 338,347 | 54.1 | 146,473 | 142.4 | 198,786 | 165.8 | 157,773 | 123.1 | 157,729 | 122.2 | 165,830 | 105.3 |
| Nine months ended December 31, 2021 | 219,626 | (2.1) | 60,422 | (42.5) | 74,784 | (37.6) | 70,731 | (20.6) | 71,000 | (20.3) | 80,790 | (16.3) |

| | Basic earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended December 31, 2022 | 527.81 | 527.63 |
| Nine months ended December 31, 2021 | 235.51 | 235.43 |

(2) Consolidated financial position

| | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets |
|-------------------------|-----------------|-----------------|---|--|
| | Millions of yen | Millions of yen | Millions of yen | % |
| As of December 31, 2022 | 1,261,616 | 1,078,526 | 1,055,240 | 83.6 |
| As of March 31, 2022 | 1,150,601 | 993,285 | 975,661 | 84.8 |

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, 2022 | — | 55.00 | — | 60.00 | 115.00 |
| Year ending March 31, 2023 | — | 60.00 | — | | |
| Year ending March 31, 2023 (forecast) | | | | 60.00 | 120.00 |

Note: Revisions of the most recent dividend forecast: None

3. Consolidated financial forecast for the year ending March 31, 2023

(% 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, 2023 | 421,000 | 25.6 | 147,000 | 33.3 | 210,000 | 66.3 | 170,000 | 48.9 | 568.87 |

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 December 31, 2022: | 311,586,165 shares |
| As of March 31, 2022: | 311,586,165 shares |
 - b) Number of treasury stock

| | |
|--------------------------|-------------------|
| As of December 31, 2022: | 17,279,573 shares |
| As of March 31, 2022: | 10,103,385 shares |
 - c) Average number of shares issued during the period

| | |
|--------------------------------------|--------------------|
| Nine months ended December 31, 2022: | 298,837,625 shares |
| Nine months ended December 31, 2021: | 301,477,545 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. (Q3 ended December 31, 2022: 3,000,000 shares) The number of treasury shares deducted for calculation of the average number of shares during the period include these treasury shares. (Q3 ended December 31, 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 Monday, January 30, 2023. Plans are also in place to post explanatory details (Transcript) together with financial results explanatory materials distributed to analysts on January 30, 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 Third Quarter of the Fiscal Year Ending March 31, 2023

For the Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022), operating results were as follows.

Millions of yen

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2021 | Change | Percentage change (%) |
|--|--|--|---------|--------------------------|
| Revenue | 338,347 | 219,626 | 118,721 | 54.1 |
| Operating profit | 146,473 | 60,422 | 86,051 | 142.4 |
| Core operating profit * | 144,029 | 61,917 | 82,112 | 132.6 |
| Profit before tax | 198,786 | 74,784 | 124,002 | 165.8 |
| Profit attributable to owners of parent | 157,729 | 71,000 | 86,728 | 122.2 |

* 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 increased 54.1 percent year on year. As for COVID-19-related products, the Japanese government purchased doses of the COVID-19 antiviral treatment Xocova for 2 million people under a contract for domestic supply that Shionogi signed with the Ministry of Health, Labour and Welfare, recording revenue of 100 billion yen. In domestic sales of prescription drugs, revenue for Intuniv expanded, but overall revenue decreased 21.4 percent, reflecting a decrease in revenue for Cymbalta due to the market entry of a generic version, as well as returns of Xofluza and Rapiacta in the second quarter. In overseas subsidiary sales and exports, despite the absence of a one-time payment the Shionogi Group received in the first quarter of the previous fiscal year in connection with the transfer of marketing rights for FORTAMET in the United States, revenue increased 16.9 percent because cefiderocol (U.S. brand name: Fetroja, European brand name: Fetcroja), which has shown effectiveness against multidrug-resistant Gram-negative bacteria, continued to perform well in the United States and Europe. Royalty income increased 28.7 percent due to growth in sales of the HIV franchise out-licensed to ViiV, centered on Dovato, Cabenuva and other products as well as the impact of exchange rates.

Research and development expenses increased because of investment in key projects and priority issues such as potential treatments and vaccines for COVID-19. However, operating profit surged 142.4 percent year on year because of increase in revenue. Core operating profit climbed 132.6 percent as a result of adjustment of non-recurring items, including the sale of investment property in the second quarter. Profit before tax increased 165.8 percent due to an increase in dividends because sales of the HIV franchise by ViiV expanded steadily, ViiV received a one-time payment in connection with the settlement of litigation with Gilead Sciences, Inc. and the Shionogi Group received dividends from ViiV in the current fiscal year that were originally scheduled to be received in the fourth quarter of fiscal 2021. Profit attributable to owners of parent increased 122.2 percent year on year, reflecting the refund received in the first quarter of fiscal 2021 in connection with a favorable judgement regarding the complaint for the rescission of tax reassessment by the Osaka Regional Taxation Bureau.

(2) Financial Position for the Third Quarter of the Fiscal Year Ending March 31, 2023

As of December 31, 2022, total assets were ¥1,261,616 million, an increase of ¥111,014 million from the end of the previous fiscal year.

Non-current assets were ¥512,064 million, an increase of ¥20,668 million from the end of the previous fiscal year due to an increase in intangible assets, including in-process R&D assets. Current assets were ¥749,552 million, an increase of ¥90,346 million from the end of the previous fiscal year due to increases in inventories and trade receivables, as well as increases and decreases 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 ¥1,078,526 million, an increase of ¥85,241 million from the end of the previous fiscal year. This was due to recording of profit, payment of cash dividends, purchase of treasury shares, an increase in exchange differences on translation of foreign operations (included in “Other components of equity”), and an increase in non-controlling interests resulting from a third-party allotment at a subsidiary.

Liabilities totaled ¥183,089 million, an increase of ¥25,773 million from the end of the previous fiscal year.

Non-current liabilities were ¥37,767 million, an increase of ¥4,847 million from the end of the previous fiscal year. Current liabilities were ¥145,322 million, an increase of ¥20,926 million from the end of the previous fiscal year.

(3) Cash Flows for the Third Quarter of the Fiscal Year Ending March 31, 2023

Net cash provided by operating activities during the nine months ended December 31, 2022 was ¥116,387 million, an increase of ¥39,677 million year on year. Factors included profit before tax and increases in dividends received from ViiV, trade receivables and inventories.

Net cash used in investing activities was ¥79,298 million, a decrease of ¥38,665 million year on year. Factors included purchase of intangible assets and increases and decreases of time deposits.

Net cash used in financing activities was ¥83,633 million, an increase of ¥47,899 million year on year, mainly because of an increase due to purchase of treasury shares, which was offset by a capital increase through third-party allotment at a subsidiary.

As a result, cash and cash equivalents at the end of the third quarter totaled ¥218,669 million, a decrease of ¥35,751 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, 2023, released on October 24, 2022, as follows.

1) Revisions of Financial Forecast

Revised forecasts for the year ending March 31, 2023

| | 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) | 410,000 | 120,000 | 174,000 | 142,000 | 471.58 |
| New forecast (B) | 421,000 | 147,000 | 210,000 | 170,000 | 568.87 |
| Change (B-A) | 11,000 | 27,000 | 36,000 | 28,000 | — |
| Percentage Change (%) | 2.7 | 22.5 | 20.7 | 19.7 | — |
| (Reference) For the year ended March 31, 2022 | 335,138 | 110,312 | 126,268 | 114,185 | 378.75 |
| (Reference) Y on Y change (%) | 25.6 | 33.3 | 66.3 | 48.9 | — |

2) Reasons for revisions to consolidated earnings forecasts

Related to the HIV franchise partnered with ViiV, we received increasing royalty and dividend income exceeding previous forecasts due to the sales growth of Dovato and Cabenuva. In addition, the base business, including the sales of cefiderocol in Europe and the United States, is showing steady progress.

Furthermore, we invested the largest amount of R&D expense in our history, primarily on projects related to COVID-19. As a result, we obtained domestic manufacturing and marketing approval for Xocova and signed a purchase agreement for a total of 2 million people with the Japanese government. Regarding the earnings forecast for COVID-19-related projects, there were many uncertainties such as a timing of Xocova's approval and the number of purchases, so cost of goods sold and selling, general and administrative expenses were conservatively calculated. Therefore, all profit items are expected to exceed the previous forecast. Regarding the overseas expansion of Xocova, we are making steady progress in development, in constructing a production system, and in consultations with governments around the world on provisions, and further increases in sales are expected.

In addition, we expected to make a certain amount of investment in this fiscal year as a growth investment, but because we are focusing on COVID-19 related businesses, some of the originally planned growth investments will be shifted to the next fiscal year, and we expect a decrease in selling, general and administrative expenses. On the other hand, R&D expenses are expected to increase as we continue to actively invest in future growth drivers, including COVID-19 related projects, but we will continue to appropriately control these expenses.

As a result, revenue and all profit items are expected to exceed the previous forecasts, and we have revised our full-year consolidated earnings forecast for the fiscal year ending March 31, 2023 upward accordingly.

Revenue and all profit items in the revised forecast are expected to increase year-on-year. If the revised forecast is achieved, revenue and all profit items are expected to be the highest performance since Shionogi's founding.

2. Consolidated Financial Statements and Notes

- (1) Consolidated statement of profit or loss and Consolidated statement of comprehensive income
Consolidated statement of profit or loss

Millions of yen

| | Nine months ended December 31, 2021 | Nine months ended December 31, 2022 |
|--|--|--|
| Revenue | 219,626 | 338,347 |
| Cost of sales | (39,853) | (44,566) |
| Gross profit | 179,772 | 293,781 |
| Selling, general and administrative expenses | (66,542) | (70,686) |
| Research and development expenses | (48,219) | (74,808) |
| Amortization of intangible assets associated with products | (2,479) | (2,874) |
| Other income | 1,741 | 3,632 |
| Other expenses | (3,850) | (2,570) |
| Operating profit | 60,422 | 146,473 |
| Finance income | 15,017 | 53,140 |
| Finance costs | (655) | (827) |
| Profit before tax | 74,784 | 198,786 |
| Income tax expense | (4,052) | (41,013) |
| Profit | 70,731 | 157,773 |
| Profit attributable to | | |
| Owners of parent | 71,000 | 157,729 |
| Non-controlling interests | (269) | 43 |
| Profit | 70,731 | 157,773 |
| Earnings per share | | |
| Basic earnings per share | 235.51 | 527.81 |
| Diluted earnings per share | 235.43 | 527.63 |

Consolidated statement of comprehensive income

Millions of yen

| | Nine months ended December 31, 2021 | Nine months ended December 31, 2022 |
|--|--|--|
| Profit | 70,731 | 157,773 |
| 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 | (6,106) | (768) |
| Remeasurements of defined benefit plans | 828 | (1,265) |
| Total of items that will not be reclassified to profit or loss | (5,278) | (2,034) |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 12,500 | 8,615 |
| Effective portion of cash flow hedges | 2,836 | 1,476 |
| Total of items that may be reclassified to profit or loss | 15,337 | 10,091 |
| Total other comprehensive income, net of tax | 10,058 | 8,056 |
| Comprehensive income | 80,790 | 165,830 |
| Comprehensive income attributable to | | |
| Owners of parent | 80,642 | 164,133 |
| Non-controlling interests | 147 | 1,696 |
| Comprehensive income | 80,790 | 165,830 |

(2) Consolidated statement of financial position

Millions of yen

| | As of March 31, 2022 | As of December 31, 2022 |
|---------------------------------|----------------------|-------------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 108,893 | 110,309 |
| Goodwill | 9,638 | 10,075 |
| Intangible assets | 81,223 | 108,208 |
| Right-of-use assets | 3,524 | 5,671 |
| Investment property | 26,672 | 25,617 |
| Other financial assets | 242,479 | 236,271 |
| Deferred tax assets | 12,907 | 9,660 |
| Other non-current assets | 6,055 | 6,250 |
| Total non-current assets | 491,396 | 512,064 |
| Current assets | | |
| Inventories | 45,892 | 58,688 |
| Trade receivables | 122,965 | 164,334 |
| Other financial assets | 210,757 | 273,396 |
| Income taxes receivable | 51 | 24 |
| Other current assets | 25,117 | 34,437 |
| Cash and cash equivalents | 254,420 | 218,669 |
| Total current assets | 659,205 | 749,552 |
| Total assets | 1,150,601 | 1,261,616 |

Millions of yen

| | As of March 31, 2022 | As of December 31, 2022 |
|---|----------------------|-------------------------|
| Equity and liabilities | | |
| Equity | | |
| Share capital | 21,279 | 21,279 |
| Capital surplus | 14,455 | 15,204 |
| Treasury shares | (57,857) | (89,349) |
| Retained earnings | 832,958 | 937,461 |
| Other components of equity | 164,824 | 170,645 |
| Equity attributable to owners of parent | 975,661 | 1,055,240 |
| Non-controlling interests | 17,624 | 23,286 |
| Total equity | 993,285 | 1,078,526 |
| Liabilities | | |
| Non-current liabilities | | |
| Lease liabilities | 3,729 | 5,879 |
| Other financial liabilities | 5,616 | 4,792 |
| Retirement benefit liability | 15,412 | 17,505 |
| Deferred tax liabilities | 7,807 | 8,254 |
| Other non-current liabilities | 354 | 1,335 |
| Total non-current liabilities | 32,920 | 37,767 |
| Current liabilities | | |
| Lease liabilities | 2,945 | 2,778 |
| Trade payables | 16,372 | 16,780 |
| Other financial liabilities | 22,027 | 19,406 |
| Income taxes payable | 17,973 | 31,020 |
| Other current liabilities | 65,078 | 75,336 |
| Total current liabilities | 124,396 | 145,322 |
| Total liabilities | 157,316 | 183,089 |
| Total equity and liabilities | 1,150,601 | 1,261,616 |

(3) Consolidated statement of changes in equity
Nine months ended December 31, 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 | | | | 71,000 | | 71,000 | (269) | 70,731 |
| Total other comprehensive income, net of tax | | | | | 9,642 | 9,642 | 416 | 10,058 |
| Comprehensive income | — | — | — | 71,000 | 9,642 | 80,642 | 147 | 80,790 |
| Purchase of treasury shares | | | (10) | | | (10) | | (10) |
| Disposal of treasury shares | | (5) | 147 | | | 141 | | 141 |
| Dividends | | | | (33,162) | | (33,162) | | (33,162) |
| Transfer from other components of equity to retained earnings | | | | 828 | (828) | — | | — |
| Other | | 955 | | (5) | | 949 | (949) | — |
| Balance as of December 31, 2021 | 21,279 | 14,683 | (57,853) | 790,909 | 125,650 | 894,670 | 17,639 | 912,309 |

Nine months ended December 31, 2022

Millions of yen

| | Share capital | Capital surplus | Treasury shares | Retained earnings | Other components of equity | Equity attributable to owners of parent | Non-controlling interests | Total equity |
|---|---------------|-----------------|-----------------|-------------------|----------------------------|---|---------------------------|--------------|
| Balance as of April 1, 2022 | 21,279 | 14,455 | (57,857) | 832,958 | 164,824 | 975,661 | 17,624 | 993,285 |
| Profit | | | | 157,729 | | 157,729 | 43 | 157,773 |
| Total other comprehensive income, net of tax | | | | | 6,404 | 6,404 | 1,652 | 8,056 |
| Comprehensive income | — | — | — | 157,729 | 6,404 | 164,133 | 1,696 | 165,830 |
| Purchase of treasury shares | | | (49,415) | | | (49,415) | | (49,415) |
| Disposal of treasury shares | | 31 | 170 | | | 202 | | 202 |
| Disposal of treasury shares for trust fund | | (17,749) | 17,752 | | | 3 | | 3 |
| Dividends | | | | (36,156) | | (36,156) | | (36,156) |
| Changes in ownership interest in subsidiaries | | 748 | | | | 748 | 3,965 | 4,714 |
| Transfer from other components of equity to retained earnings | | | | 583 | (583) | — | | — |
| Other | | 17,717 | | (17,653) | | 63 | | 63 |
| Balance as of December 31, 2022 | 21,279 | 15,204 | (89,349) | 937,461 | 170,645 | 1,055,240 | 23,286 | 1,078,526 |

(4) Consolidated statement of cash flows

Millions of yen

| | Nine months ended December 31, 2021 | Nine months ended December 31, 2022 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 74,784 | 198,786 |
| Depreciation and amortization | 12,029 | 12,950 |
| Impairment Losses | 135 | — |
| Finance income and finance costs | (14,626) | (53,546) |
| Decrease (increase) in trade and other receivables | (1,283) | (40,623) |
| Decrease (increase) in inventories | (3,195) | (12,450) |
| Increase (decrease) in trade and other payables | 6,152 | 13,408 |
| Other | 10,324 | (11,733) |
| Subtotal | 84,319 | 106,791 |
| Interest and dividends received | 18,972 | 37,694 |
| Interest paid | (131) | (56) |
| Income taxes paid | (39,715) | (28,042) |
| Income taxes refund | 13,264 | — |
| Net cash provided by (used in) operating activities | 76,709 | 116,387 |
| Cash flows from investing activities | | |
| Payments into time deposits | (256,331) | (339,308) |
| Proceeds from withdrawal of time deposits | 188,901 | 264,372 |
| Purchase of property, plant and equipment | (17,579) | (10,122) |
| Purchase of intangible assets | (3,890) | (24,366) |
| Purchase of investments | (89,796) | (60,637) |
| Proceeds from sale and redemption of investments | 61,300 | 86,964 |
| Other | (566) | 3,798 |
| Net cash provided by (used in) investing activities | (117,964) | (79,298) |

Millions of yen

| | Nine months ended December 31, 2021 | Nine months ended December 31, 2022 |
|--|--|--|
| Cash flows from financing activities | | |
| Repayments of lease liabilities | (2,556) | (2,650) |
| Purchase of treasury shares | (10) | (49,535) |
| Dividends paid | (33,166) | (36,164) |
| Capital contribution from non-controlling interests | — | 4,714 |
| Other | — | 3 |
| Net cash provided by (used in) financing activities | (35,733) | (83,633) |
| Effect of exchange rate changes on cash and cash equivalents | 2,097 | 10,793 |
| Net increase (decrease) in cash and cash equivalents | (74,890) | (35,751) |
| Cash and cash equivalents at beginning of period | 276,173 | 254,420 |
| Cash and cash equivalents at end of period | 201,282 | 218,669 |

(5) Notes

Going concern assumption

None

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.