Consolidated Financial Results for the Second Quarter of Fiscal Year 2024 (IFRS)

October 28, 2024

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

Code: 4507 URL: https://www.shionogi.com

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Scheduled date of quarterly securities report submission: November 8, 2024

Scheduled date of dividend payments: December 2, 2024

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, 2024 to September 30, 2024

(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, 2024	213,970	(7.2)	75,869	(22.7)	93,833	(18.8)	82,872	(8.1)	83,133	(8.2)	82,244	(45.6)
Six months ended September 30, 2023	230,542	52.9	98,106	247.6	115,603	70.1	90,198	57.1	90,593	58.2	151,096	98.4

	Basic earnings per share	Diluted earnings per share
	Yen	*Yen*
Six months ended September 30, 2024	97.74	97.70
Six months ended September 30, 2023	102.88	102.85

Note: 1. Revenue for FY2023 includes Lump-sum income for transfer of ADHD drug

2. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Basic earnings per share and diluted earnings per share were calculated under the assumption that the stock split had been conducted at the beginning of the year ended March 31, 2024.

(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, 2024	1,456,729	1,310,800	1,292,792	88.7
As of March 31, 2024	1,416,918	1,252,562	1,235,325	87.2

2. Dividends

	Dividends per share				
(Date of record)	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
Year ended March 31, 2024	—	75.00	—	85.00	160.00
Year ending March 31, 2025	—	85.00			
Year ending March 31, 2025 (forecast)			—	29.00	—

Note: Revisions of the most recent dividend forecast: None

The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024, and the amount of the year-ended dividend for dividend for FY2024 (forecast) takes this stock split into consideration and the amount of the annual dividend is displayed as "-".

If the stock split is not considered, the year-end dividend per share forecast for the year ending March 31, 2025 is 87 yen, and the annual dividend per share forecast for the year ending March 31, 2025 is 172 yen.

3. Consolidated financial forecast for the year ending March 31, 2025

(% 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, 2025	460,000	5.7	165,000	7.6	206,000	3.9	171,000	5.5	201.03

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

The amount of basic earnings per share for the financial results forecast for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025) takes into account the stock split noted in "1. Consolidated results for the period from April 1, 2024 to September 30, 2024 (interim), (1) Consolidated operating results."

※ 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, 2024: 889,632,195 shares
  - As of March 31, 2024: 922,158,495 shares
- b) Number of treasury stock
  - As of September 30, 2024: 38,942,634 shares
  - As of March 31, 2024: 71,683,764 shares
- c) Average number of shares issued during the period
  - Six months ended September 30, 2024: 850,583,325 shares
  - Six months ended September 30, 2023: 880,553,750 shares

Note:1. The average number of treasury shares during the period include the Company's shares held by the trust account of Sumitomo Mitsui Trust Bank, Limited. (Second-tier trustee: the trust account of Custody Bank of Japan, Ltd.) related to Shionogi Infectious Disease Research Promotion Foundation. (Q2 ended September 30, 2024 and Year ended March 31, 2024: 9,000,000 shares) The number of treasury shares deducted for calculation of the average number of shares during the period include these treasury shares. (Q2 ended September 30, 2024 and Q2 ended September 30, 2023: 9,000,000 shares)

2. The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Number of shares issued and outstanding, number of treasury stock and average number of shares outstanding for each period are calculated assuming this stock split was conducted at the beginning of the fiscal year ended March 31, 2024.

※ 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 4 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, October 29, 2024. Plans are also in place to post explanatory details (Transcript) together with financial results explanatory materials distributed to analysts on October 29, 2024 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, 2025

For the six months ended September 30, 2024 (April 1, 2024 to September 30, 2024), operating results were as follows.

Millions of yen

	Six months ended September 30, 2024	Six months ended September 30, 2023	Change	Percentage change (%)
Revenue	213,970	205,533	8,436	4.1
Revenue (including profit from license transfer)	213,970	230,542	(16,571)	(7.2)
Operating profit	75,869	98,106	(22,237)	(22.7)
Core operating profit *1	76,374	105,300	(28,926)	(27.5)
Profit before tax	93,833	115,603	(21,769)	(18.8)
Profit attributable to owners of parent	83,133	90,593	(7,459)	(8.2)
EBITDA*2	86,665	114,174	(27,508)	(24.1)

*1 Core operating profit: An adjusted profit in which non-recurring items (impairment, gain on sales of property, plant, and equipment, etc.) are deducted from operating profit.

*2 Earnings Before Interest, Taxes, Depreciation, and Amortization: Core operating profit added depreciation and amortization.

Revenue (including profit from license transfer) was 214.0 billion yen. Domestic sales of prescription drugs decreased 50.5 percent year on year to 47.7 billion yen, mainly due to recording of a lump-sum payment of 25.0 billion yen associated with the transfer of license of an ADHD treatment drug in FY2023 and a decrease in revenue from infectious disease drugs. The decrease in revenue from infectious disease drugs was mainly due to a decrease in the number of COVID-19 infections compared to the previous fiscal year. However, even under this situation, we were able to record a certain level of revenue thanks to the improvement in the COVID-19 treatment rate and the expansion of market share of Xocova. Revenue from overseas subsidiary sales and exports increased 23.5 percent year on year to 28.3 billion yen. Sales of Cefiderocol (product name in U.S.: Fetroja, product name in Europe: Fetcroja) showed continued growth in both the U.S. and Europe, with revenue in the U.S. increasing 37.9 percent year on year to 11.2 billion yen and revenue in Europe increasing 35.7 percent year on year to 8.3 billion yen. Royalty income increased 27.1 percent year on year to 121.5 billion yen due to the stable growth of oral two-drug combinations and long-acting formulations (LA formulations) and foreign exchange effects. As a result, overall revenue decreased by 7.2 percent year on year. However, excluding the non-recurring factor of receipt of a lump-sum payment associated with the transfer of the license for an ADHD treatment drug, sales increased 4.1 percent.

In terms of profits, other expenses decreased significantly from FY2023 because there was a non-recurring expense for the implementation of a special early retirement program in FY2023. However, operating profit decreased 22.7 percent year on year to 75.9 billion yen due to an increase in research and development expenses resulting from concentrated investments in major development projects and the effect of foreign exchange rates, as well as an increase in cost of sales due to changes in product mix and a decrease in revenue. Profit before tax was 93.8 billion yen, a 18.8 percent decrease year on year, and profit attributable to owners of parent was 83.1 billion yen, a 8.2 percent decrease year on year. However, excluding the receipt of a lump-sum payment associated with the transfer of the license for an ADHD treatment drug, operating profit, profit before tax, and profit attributable to owners of parent all increased year on year.

(2) Financial Position for the Second Quarter of the Fiscal Year Ending March 31, 2025

As of September 30, 2024, total assets were 1,456,729 million yen, an increase of 39,811 million yen from the end of the previous fiscal year.

Non-current assets were 658,820 million yen, an increase of 26,107 million yen from the end of the previous fiscal year due to an increase in intangible assets, etc. Current assets were 797,909 million yen, an increase of 13,703 million yen compared to the end of the previous fiscal year, as a result of a decrease in cash and cash equivalents and an increase in fixed-term deposits of more than three months, etc.

Equity was 1,310,800 million yen, an increase of 58,237 million yen from the end of the previous fiscal year, due to recording of interim profits despite a decrease due to payment of cash dividends.

Liabilities totaled 145,929 million yen, a decrease of 18,426 million yen from the end of the previous fiscal year.

Non-current liabilities were 33,024 million yen, an increase of 2,576 million yen from the end of the previous fiscal year.

Current liabilities were 112,904 million yen, a decrease of 21,002 million yen from the end of the previous fiscal year, mainly due to a decrease in other payable (included in other financial liabilities).

(3) Cash Flows for the Second Quarter of the Fiscal Year Ending March 31, 2025

Net cash provided by operating activities during the six months ended September 30, 2024 was 78,797 million yen, an increase of 33,264 million yen year on year, mainly due to an increase in trade receivables despite a decrease in profit before tax resulting from the lump-sum payment received associated with the transfer of license for an ADHD treatment drug during the first half of the previous fiscal year.

Net cash used in investing activities was 108,479 million yen, an increase of 40,268 million yen year on year, mainly due to the acquisition of intangible assets and changes in time deposits.

Net cash used in financing activities was 25,947 million yen, a decrease of 17,349 million yen year on year, due to a decrease in spending for the purchase of treasury shares despite an increase in dividend payment.

As a result, cash and cash equivalents on September 30, 2024 totaled 303,405 million yen, a decrease of 54,684 million yen during the six-month period ended on September 30, 2024.

(4) Outlook

Based on recent performance trends, the Shionogi Group has revised its financial forecast for the fiscal year ending March 31, 2025, released on May 13, 2024, as follows.

1) Revisions of Financial Forecast

Revised forecasts for the year ending March 31, 2025 (April 1, 2024 - March 31, 2025)

	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*
Previous forecast (A)	455,000	160,000	200,000	163,000	191.66
New forecast (B)	460,000	165,000	206,000	171,000	201.03
Change (B-A)	5,000	5,000	6,000	8,000	―
Percentage Change (%)	1.1	3.1	3.0	4.9	―
(Reference) For the year ended March 31, 2024	435,081	153,310	198,283	162,030	186.17
(Reference) Y on Y change (%)	5.7	7.6	3.9	5.5	―

Note: The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2024. Basic earnings per share was calculated under the assumption that the stock split had been conducted at the beginning of the year ended March 31, 2024.

2) Reasons for revisions to consolidated earnings forecasts

During the second quarter consolidated cumulative period, we exceeded our performance forecasts in terms of revenue and all profit items. Overseas business achieved steady sales, particularly driven by cefiderocol. Regarding the HIV business, we saw continued growth in royalty income and dividends from ViiV Healthcare, with sales growth centered on Cabenuva, Apretude, and Dovato. Regarding the domestic business, the revenue from infectious disease drugs fell short of expectations due to a significant decrease in the number of influenza and COVID-19 cases compared to the same period last year. However, the influenza treatment Xofluza and the COVID-19 treatment Xocova have each attained the target market share in their respective treatment markets, and their shares continue to increase. Therefore, it is expected that they will contribute steadily to performance. Additionally, from the third quarter onwards, we will pursue expanded sales activities in the QOL disease area, less affected by epidemics, as a new revenue base. In particular, the insomnia treatment, Quviviq® tablets (generic name: daridorexant, hereinafter referred to as Quviviq), for which we signed a sales partnership agreement with Nxera Pharma Japan Co., Ltd. is expected to contribute meaningfully.

Reflecting the favorable trends in the overseas business and HIV business, as well as the expected contribution of Quviviq, we revised our forecast upwards.

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, 2023	Six months ended September 30, 2024
Revenue	205,533	213,970
Profit from license transfer	25,008	—
Cost of sales	(27,885)	(30,137)
Gross profit	202,656	183,832
Selling, general and administrative expenses	(47,517)	(47,734)
Research and development expenses	(47,205)	(56,826)
Amortization of intangible assets associated with products	(1,730)	(2,165)
Other income	187	485
Other expenses	(8,283)	(1,721)
Operating profit	98,106	75,869
Finance income	20,111	23,571
Finance costs	(2,614)	(5,607)
Profit before tax	115,603	93,833
Income tax expense	(25,405)	(10,961)
Profit	90,198	82,872

Profit attributable to		
Owners of parent	90,593	83,133
Non-controlling interests	(395)	(261)
Profit	90,198	82,872

Earnings per share		
Basic earnings per share	102.88	97.74
Diluted earnings per share	102.85	97.70

Consolidated statement of comprehensive income

Millions of yen

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	90,198	82,872
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	6,765	1,326
Remeasurements of defined benefit plans	904	(613)
Total of items that will not be reclassified to profit or loss	7,669	712
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	55,588	(3,103)
Effective portion of cash flow hedges	(2,359)	2,067
Share of other comprehensive income of investments accounted for using equity method	—	(304)
Total of items that may be reclassified to profit or loss	53,228	(1,340)
Total other comprehensive income, net of tax	60,898	(627)
Comprehensive income	151,096	82,244

Comprehensive income attributable to		
Owners of parent	150,873	81,374
Non-controlling interests	222	869
Comprehensive income	151,096	82,244

(2) Consolidated statement of financial position

Millions of yen

	As of March 31, 2024	As of September 30, 2024
Assets		
Non-current assets		
Property, plant and equipment	114,586	111,733
Goodwill	15,287	15,585
Intangible assets	117,621	140,664
Right-of-use assets	9,440	9,336
Investment property	27,768	27,856
Other financial assets	292,321	297,033
Deferred tax assets	13,526	15,427
Other non-current assets	42,158	41,183
Total non-current assets	632,712	658,820
Current assets		
Inventories	64,916	66,120
Trade receivables	122,830	131,126
Other financial assets	215,761	272,516
Other current assets	22,607	24,740
Cash and cash equivalents	358,090	303,405
Total current assets	784,205	797,909
Total assets	1,416,918	1,456,729

Millions of yen

	As of March 31, 2024	As of September 30, 2024
Equity and liabilities		
Equity		
Share capital	21,279	21,279
Capital surplus	14,242	14,238
Treasury shares	(137,889)	(65,851)
Retained earnings	1,065,913	1,052,493
Other components of equity	271,778	270,631
Equity attributable to owners of parent	1,235,325	1,292,792
Non-controlling interests	17,236	18,007
Total equity	1,252,562	1,310,800
Liabilities		
Non-current liabilities		
Lease liabilities	8,753	8,364
Other financial liabilities	7,649	7,000
Retirement benefit liability	7,994	8,916
Deferred tax liabilities	4,360	4,193
Other non-current liabilities	1,691	4,549
Total non-current liabilities	30,448	33,024
Current liabilities		
Lease liabilities	2,867	3,289
Trade payables	14,808	12,736
Other financial liabilities	31,118	14,214
Income taxes payable	20,844	22,226
Other current liabilities	64,267	60,436
Total current liabilities	133,907	112,904
Total liabilities	164,355	145,929
Total equity and liabilities	1,416,918	1,456,729

(3) Consolidated statement of changes in equity

Six months ended September 30, 2023

Millions of yen

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of April 1, 2023	21,279	15,204	(63,074)	940,606	186,030	1,100,046	21,832	1,121,878
Profit				90,593		90,593	(395)	90,198
Total other comprehensive income, net of tax					60,280	60,280	618	60,898
Comprehensive income	—	—	—	90,593	60,280	150,873	222	151,096
Purchase of treasury shares			(19,438)			(19,438)		(19,438)
Disposal of treasury shares		(3)	198			195		195
Dividends				(22,297)		(22,297)		(22,297)
Transfer from other components of equity to retained earnings				907	(907)	—		—
Transfer from retained earnings to capital surplus		3		(3)		—		—
Balance as of September 30, 2023	21,279	15,204	(82,313)	1,009,805	245,402	1,209,378	22,054	1,231,433

Six months ended September 30, 2024

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, 2024	21,279	14,242	(137,889)	1,065,913	271,778	1,235,325	17,236	1,252,562
Profit				83,133		83,133	(261)	82,872
Total other comprehensive income, net of tax					(1,758)	(1,758)	1,130	(627)
Comprehensive income	—	—	—	83,133	(1,758)	81,374	869	82,244
Purchase of treasury shares			(6)			(6)		(6)
Disposal of treasury shares		(44)	494			449		449
Cancellation of treasury shares		(71,550)	71,550			—		—
Dividends				(24,351)		(24,351)	(98)	(24,449)
Transfer from other components of equity to retained earnings				(611)	611	—		—
Transfer from retained earnings to capital surplus		71,590		(71,590)		—		—
Balance as of September 30, 2024	21,279	14,238	(65,851)	1,052,493	270,631	1,292,792	18,007	1,310,800

(4) Consollidated statement of cash flows

Millions of yen

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before tax	115,603	93,833
Depreciation and amortization	8,873	10,291
Impairment losses (reversal of impairment losses)	100	254
Finance income and finance costs	(14,815)	(22,352)
Decrease (increase) in trade and other receivables	(43,016)	(8,418)
Decrease (increase) in inventories	(5,774)	(1,091)
Increase (decrease) in trade and other payables	1,263	(6,390)
Other	(5,695)	(4,194)
Subtotal	56,538	61,931
Interest and dividends received	26,375	29,454
Interest paid	(41)	(145)
Income taxes refund (paid)	(37,339)	(12,441)
Net cash provided by (used in) operating activities	45,533	78,797
Cash flows from investing activities		
Payments into time deposits	(192,714)	(214,131)
Proceeds from withdrawal of time deposits	154,377	144,939
Purchase of property, plant and equipment	(8,187)	(8,066)
Purchase of intangible assets	(3,814)	(30,115)
Purchase of investments	(44,229)	(33,288)
Proceeds from sale and redemption of investments	43,130	33,211
Payments for acquisition of subsidiaries	(15,672)	(200)
Payments for sale of subsidiaries	(647)	—
Payment for acquisition of shares of equity-method affiliates	—	(125)
Other	(452)	(703)
Net cash provided by (used in) investing activities	(68,211)	(108,479)

Millions of yen

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from financing activities		
Repayments of lease liabilities	(1,556)	(1,495)
Purchase of treasury shares	(19,459)	(6)
Dividends paid	(22,280)	(24,346)
Dividends paid to non-controlling interests	—	(98)
Net cash provided by (used in) financing activities	(43,297)	(25,947)
Effect of exchange rate changes on cash and cash equivalents	9,122	944
Net increase (decrease) in cash and cash equivalents	(56,852)	(54,684)
Cash and cash equivalents at beginning of period	309,224	358,090
Cash and cash equivalents at end of period	252,371	303,405

(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.

Subsequent events

(Stock split)

Based on a resolution of the Board of Directors meeting held on August 30, 2024, the Company implemented a 3-for-1 stock split for shares held by shareholders as of the record date of September 30, 2024, with an effective date of October 1, 2024. Basic earnings per share and diluted earnings per share were calculated under the assumption that the stock split had been conducted at the beginning of the year ended March 31, 2024.

1. Purpose of the stock split

   The purpose is to increase in the liquidity of our stock and expand our investor base by lowering the amount per investment unit.

2. Details of the stock split

   As of the record date of Monday, September 30, 2024, the common shares held by shareholders listed in the final shareholder register on that date have been split at a ratio of 3 shares for every 1 share.

3. Increase in the number of shares following the stock split

Total number of issued shares prior to the stock split	296,544,065 shares
Increase in the number of shares following the stock split	593,088,130 shares
Total number of issued shares after the stock split	889,632,195 shares
Total number of authorized shares after the stock split	3,000,000,000 shares

4. Schedule for the stock split

Public notice of record date	September 13, 2024
Record date	September 30, 2024
Effective date	October 1, 2024

5. Others

   There was no change in the amount of capital as a result of the stock split.