

Consolidated Financial Results for the Three-Month Period Ended March 31, 2025 [IFRS]

April 30, 2025

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 Stock exchange listing : Tokyo Stock Exchange
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 Scheduled date of dividend payment commencement : –
 Supplementary materials for financial results : Yes
 Earnings announcement for financial results : Yes (for institutional investors, analysts and the press)

(Figures are rounded down to the nearest million unless otherwise stated)

1. Consolidated Financial Results for the Three-month Period Ended March 31, 2025 (January 1, 2025 to March 31, 2025)

(1) Consolidated Operating Results (cumulative)

(% indicates percentage of change from the same period of the previous fiscal year)

	Revenue		Business profit		Operating profit		Profit for the period		Profit attributable to owners of the Company		Total comprehensive income for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three-month period ended March 31, 2025	582,840	12.2	122,947	38.2	124,420	35.2	85,967	9.0	84,997	9.8	4,790	(96.9)
March 31, 2024	519,517	15.9	88,965	20.7	92,021	19.9	78,896	25.9	77,377	26.0	152,511	81.2

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three-month period ended March 31, 2025	158.57	—
March 31, 2024	142.59	—

* Business profit is an indicator of ordinary earnings power calculated as follows: Revenue – Cost of sales – Selling, general and administrative expenses – Research and development expenses + Share of profit of investments accounted for using the equity method

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity attributable to owners of the Company per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2025	3,693,051	2,690,785	2,648,193	71.7	5,000.59
As of December 31, 2024	3,739,251	2,778,165	2,733,580	73.1	5,089.58

2. Dividends

	Annual dividend per share				
	First Quarter end	Second Quarter end	Third Quarter end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2024	—	60.00	—	60.00	120.00
FY2025	—	—	—	—	—
FY2025 (forecast)	—	60.00	—	60.00	120.00

* Revisions to dividends forecast most recently announced: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2025 (January 1, 2025 to December 31, 2025)

(% indicates percentage of change from the same period of the previous fiscal year)

(% indicates percentage of change from the same period of the previous fiscal year)											
	Revenue		Business profit		Operating profit		Profit for the year		Profit attributable to owners of the Company	Basic earnings per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	Yen	
Q2 (YTD)	1,174,000	5.9	200,000	(6.4)	200,000	58.4	149,000	34.7	147,000	36.4	276.26
FY2025	2,380,000	2.2	375,000	(12.9)	375,000	15.9	279,000	(19.7)	275,000	(19.9)	518.76

*1 Revisions to financial forecast most recently announced: None

*2 The Company resolved at the Meetings of the Board of Directors held on March 18, 2025 and April 30, 2025 to conduct a purchase and cancellation of treasury shares. The Company has considered the impact of the purchase and cancellation of treasury shares on “Basic earnings per share” in the forecast of consolidated financial results. Please refer to “2. Condensed Interim Consolidated Financial Statements and Major Notes (6) Notes to Condensed Interim Consolidated Financial Statements, (Subsequent Events)” on page 17 for details on this purchase and cancellation of treasury shares.

4. Others

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 1 company (Araris Biotech AG)

(2) Changes in accounting policies and changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: None
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None

(3) Number of shares issued and outstanding (ordinary shares)

- 1) Number of shares issued and outstanding as of the end of the period (including treasury shares):

March 31, 2025	552,024,717 shares
December 31, 2024	552,024,717 shares
- 2) Number of shares of treasury shares as of the end of the period:

March 31, 2025	22,448,520 shares
December 31, 2024	14,932,021 shares
- 3) Average number of shares outstanding during the period:

Three-month period ended March 31, 2025	536,011,738 shares
Three-month period ended March 31, 2024	542,647,534 shares

* Review of the Japanese-language originals of the attached interim consolidated financial statements by certified public accountants or an audit firm: None

* Note to ensure appropriate use of forecasts, and other comments in particular

Forecasts and other forward-looking statements included in this report are based on information currently available and certain assumptions that Otsuka Holdings Co., Ltd. (hereinafter referred to as the “Company”) deems reasonable. Actual performance and other results may differ significantly due to various factors. Please refer to “1. Overview of Operating Results and Financial Position (3) Forecast for Consolidated Financial Results” on page 7 for details with regard to the assumptions and other matters concerning the financial forecast.

The Company plans to hold a conference call for institutional investors, analysts and the press on Wednesday, April 30, 2025. The video and audio of the proceedings, along with the presentation materials to be used on the day, will be made available on the Company’s website promptly after the call.

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1. Overview of Operating Results and Financial Position

The forward-looking statements in this report represent the judgment of the Group as of March 31, 2025.

(1) Overview of Consolidated Operating Results for the Three-Month Period Ended March 31, 2025

Summary of consolidated financial results for the three-month period ended March 31, 2025

The Company and its affiliated companies (hereinafter referred to as the “Group”) adopted “Business profit” as an indicator of ordinary earnings power, which is calculated as follows:

Revenue – Cost of sales – Selling, general and administrative expenses – Research and development expenses + Share of profit of investments accounted for using the equity method

	(Millions of yen)			
	Three-month period ended March 31, 2024	Three-month period ended March 31, 2025	Change	% Change
Revenue	519,517	582,840	63,322	12.2%
Business profit before research and development expenses	161,352	201,330	39,977	24.8%
Business profit	88,965	122,947	33,982	38.2%
Operating profit	92,021	124,420	32,399	35.2%
Profit before tax	100,079	113,367	13,287	13.3%
Profit for the period	78,896	85,967	7,071	9.0%
Profit attributable to owners of the Company	77,377	84,997	7,620	9.8%
Research and development expenses	72,387	78,382	5,994	8.3%
Impairment losses	125	93	(31)	(25.6)%

In line with its corporate philosophy, the Otsuka group has been operating its businesses in the pursuit of well-being, which encompasses physical, mental and social health. We view health not only as “Better health” but also as “Beyond health,” and as a total health care company, we will use our unique products and services to enhance not only the health of individuals but also the well-being of the entire society in which they live. By improving the well-being of each and every person, the Otsuka group aims to become an indispensable presence for people around the world.

Revenue for the three-month period ended March 31, 2025 totaled ¥582,840 million (up 12.2% over the same period of the previous fiscal year), as revenue increased particularly in the pharmaceutical business and the nutraceutical business. The main factors behind this growth were increases in the two core products of antipsychotic agent *REXULTI/RXULTI* and anti-cancer agent *LONSURF*, which have been designated the growth drivers under the Fourth Medium-Term Management Plan, as well as sales growth of long-acting injection *ABILIFY MAINTENA/ABILIFY ASIMTUFII*, V₂-receptor antagonist *JINARC/JYNARQUE*, and others. In the nutraceutical business, revenue increased due to growth in “For Women’s Health” category and “For Healthier Life” category, among the three newly designated growth driver categories by social issues.

Business profit before research and development expenses was ¥201,330 million (up 24.8%). The main factors were increased gross profit with increased sales for the pharmaceutical business and nutraceutical business.

Research and development expenses totaled ¥78,382 million (up 8.3%). In the development pipeline, development expenses increased for the development of our “Next 8” products such as sibeprenlimab which is under development for the treatment of IgA nephropathy, the new antipsychotic agent ulotaront, and zipalertinib under development for the treatment of non-small cell lung cancer, as well as repinatrabit of Jnana acquired last year.

Business profit increased significantly to ¥122,947 million (up 38.2%) as a result of steady revenue growth.

Operating profit increased significantly to ¥124,420 million (up 35.2%).

Profit for the period was ¥85,967 million (up 9.0%), and profit attributable to owners of the Company was ¥84,997 million (up 9.8%).

Results by business segment are as follows.

Revenue and business profit by business segment during FY2025 Q1

	(Millions of yen)					
	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	417,826	131,355	7,385	27,068	(796)	582,840
Business profit	116,461	15,031	4,777	1,554	(14,876)	122,947

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	359,598	126,222	7,276	27,300	(881)	519,517
Business profit	79,423	16,870	4,305	1,671	(13,306)	88,965

1) Pharmaceuticals

Revenue for the three-month period ended March 31, 2025 totaled ¥417,826 million (up 16.2%), with business profit of ¥116,461 million (up 46.6%).

Main products

- Antipsychotic agent *REXULTI**1/*RXULTI**2

In the U.S., prescriptions grew and sales increased significantly mainly due to activities to raise awareness of agitation associated with dementia due to Alzheimer's disease and enhancement of detailing activities. In Japan, in addition to the indication for treatment of schizophrenia, approvals were obtained for indication for treating depression and depressive states in December 2023, and for the indication of agitation associated with dementia due to Alzheimer's disease*3 in September 2024, and as a result of enhancement of detailing activities, the number of new prescriptions grew and sales increased significantly. As a result, sales of *REXULTI*/*RXULTI* totaled ¥75,673 million (up 34.9%).

*1: Brand name for the antipsychotic agent outside Europe

*2: Brand name for the antipsychotic agent in Europe

*3: In the Japanese package insert, the indications and effects are described as "excessive motor activity or physically/verbally aggressive behavior due to rapid changes in mood, irritability, and/or outbursts associated with dementia due to Alzheimer's disease."

- Anti-cancer agent *LONSURF*

In the U.S., although the number of prescriptions increased with respect to treatment in combination with bevacizumab for colorectal cancer amid its recommendation in NCCN Guidelines*4, sales decreased due to effects of a temporary increase in shipment volume at the end of the previous fiscal year. In Europe, sales decreased due to effects associated with the timing of product shipments to licensee Servier. In Japan, sales increased in part due to increased awareness of such combination therapy following publication of a research paper, etc., and also because detailing activities of such combination therapy became possible due to package insert revision in March 2024, and JSCCR Guidelines for the Treatment of Colorectal Cancer were revised in July 2024. As a result, sales of *LONSURF* totaled ¥24,264 million (down 1.3%).

*4: Cancer treatment guidelines that are used widely around the world

- Aripiprazole long-acting injection (1 month) *ABILIFY MAINTENA*

In the U.S., sales increased mainly due to promoting the efficacy of the product for bipolar I disorder and schizophrenia patients, who have problems adhering to drug regimens, as well as detailing activities. In Europe, sales decreased amid active efforts to switch over to aripiprazole long-acting injection (2 months). In Japan, sales remained on par with the same period of the previous fiscal year. As a result, sales of *ABILIFY MAINTENA* totaled ¥55,862 million (up 4.6%).

- Aripiprazole long-acting injection (2 months) *ABILIFY ASIMTUFII*

In the U.S. and Europe, sales increased significantly atop growth in prescriptions, mainly due to promoting the efficacy of the product as well as detailing activities, in addition to a switch from the aripiprazole long-acting injection (1 month) *ABILIFY MAINTENA*. As a result, sales of *ABILIFY ASIMTUFII* totaled ¥7,699 million (up 173.5%).

- V2-receptor antagonist *Samsca*/*JINARC**5/*JYNARQUE**6

In the U.S., sales increased significantly as a result of an increase in the number of prescriptions for autosomal dominant polycystic kidney disease (ADPKD) mainly due to continued efforts to raise awareness of the disease and detailing activities about clinical data. In Europe and Japan, the business was affected by generics, leading to a decrease in sales. As a result, sales of *Samsca*/*JINARC*/*JYNARQUE* totaled ¥77,277 million (up 23.0%).

*5: Brand name for ADPKD treatment in multiple regions outside Japan

*6: Brand name for ADPKD treatment in the U.S.

2) Nutraceuticals

Revenue for the three-month period ended March 31, 2025 totaled ¥131,355 million (up 4.1%), while business profit totaled ¥15,031 million (down 10.9%) mainly due to an increase in sales promotion expenses.

<Three categories by social issues>

- For Climate & Environmental Risk

Sales volume of *POCARI SWEAT*, an electrolyte supplement drink, decreased in Japan due to a decrease year on year in the number of infectious disease cases. We continued to carry out efforts that involve education about hydration and replenishment of electrolytes according to the season and occasion, along with activities to create opportunities for brand value proposition and drinking experiences at sports events and the like, such as Tokyo Marathon 2025. Overseas, although we persisted with efforts to improve brand value through activities to raise awareness regarding the importance of hydration and replenishment of electrolytes tailored to cultures and circumstances in each region, sales volume decreased amid a situation particularly in China of an intensifying competitive landscape given factors such as major beverage companies entering the market for electrolyte supplement drinks. Sales of the Nutrition & Santé SAS brand, which sells health food products mainly in Europe, increased mainly due to growth in the main products such as *Gerblé*. As a result, revenue for this category totaled ¥42,170 million (down 3.5%).

- For Women's Health

In North America, revenue increased due to aggressive promotional activities with respect to *Uqora* for supporting urological health and *Bonafide* for supporting increasingly complex health needs of women, as a result of having made progress in achieving product awareness. Sales grew in Japan due to increased recognition of *EQUELLE* through the wide-ranging detailing activities on the product, including seminars on women's health. As a result, revenue for this category totaled ¥14,353 million (up 11.2%).

- For Healthier Life

Nature Made supplements by Pharmavite LLC are created with three core values in mind - Science, Innovation and Quality. In the U.S., *Nature Made* sales continued to see strong growth^{*7} behind innovative new product introductions and consumer education programs regarding the importance of good nutrition, against a backdrop of a high level of trust in the brand and its quality. Sales of plant-focused supplement brand *MegaFood* remained on par with the same period of the previous fiscal year. As a result, revenue for this category totaled ¥58,146 million (up 10.7%).

^{*7}: Circana Data; Market Advantage; 12 wks 03/23/2025, Food, Drug, Mass Excluding Amazon and Costco (MULO) © 2025 Circana

[Products comprising the category]

For Climate & Environmental Risk: *POCARI SWEAT*, *OS-1*, *Daiya*, the Nutrition & Santé SAS brand

For Women's Health: *EQUELLE*, *Bonafide*, *Uqora*, Cosmedics^{*8} (*InnerSignal*, *Sakuraé*)

For Healthier Life: *Nature Made*, *MegaFood*, *Calorie Mate*

^{*8}: Cosmedics: a word coined by cosmetics + medicine = Otsuka's unique concept for skin health products

3) Consumer products

Revenue for the three-month period ended March 31, 2025 totaled ¥7,385 million (up 1.5%), with business profit totaling ¥4,777 million (up 11.0%) in part due to contribution from share of profit of investments accounted for using the equity method.

With *CRYSTAL GEYSER*, sales volume of the brand overall increased mainly due to sales of the product in 500-milliliter lightweight bottles through e-commerce and vending machine channels, underpinned by firm results in the mineral water market^{*9} in Japan. As for *MATCH*, a carbonated vitamin drink, while sales volume decreased, initiatives are being made to enhance the overall brand value by continued marketing activities such as measures to offer the drinking experience, targeting mostly high school students, and campaigns that foster relationship building.

^{*9}: intage SRI+

4) Others

Revenue for the three-month period ended March 31, 2025 totaled ¥27,068 million (down 0.9%), with business profit of ¥1,554 million (down 7.0%).

Revenue increased slightly in the specialty chemical business, driven mainly by the recovery in the automobile and smartphone markets.

In the transportation and warehousing business, we made progress in improving the efficiency of cargo transportation, and revenue remained on par with the same period of the previous fiscal year.

* Please refer to the Supplement Documents (FACT BOOK) for sales by product and other information.

<https://www.otsuka.com/en/ir/library/materials.html>

Research and Development Activities

Research and development expenses for the three-month period ended March 31, 2025 totaled ¥78,382 million.

The primary areas of research and development as well as the status of new product development by segment were as follows:

Pharmaceuticals

The Group conducts research and development with a primary focus on the areas of psychiatry and neurology, and oncology. The Group also conducts research and development focusing on fields that are yet to be fully addressed such as cardiovascular and renal system, etc.

Research and development expenses in the pharmaceutical business for the three-month period ended March 31, 2025 were ¥74,081 million.

Research and development activities in the pharmaceutical business carried out for the three-month period ended March 31, 2025 are summarized below.

Category	Development Code	Brand Name	Generic Name	Area	Treatment/ Indication	Status* ¹
Psychiatry and neurology	SEP-363856	—	ulotaront	Japan and U.S.	Schizophrenia	Phase III trial was initiated in March 2025
				Japan and China	Schizophrenia	Phase II/III trials in progress were discontinued for strategic reasons
Oncology	ASTX030	—	azacitidine, cedazuridine	U.S.	Myelodysplastic syndromes, chronic myelomonocytic leukemia, acute myeloid leukemia	Phase III trial was initiated in February 2025
	AB680 + ABI-007	Abraxane* ²	quemliclustat + paclitaxel (albumin-bound)	Japan	Pancreatic ductal adenocarcinoma	Phase III trial was initiated in February 2025
Cardio-vascular and renal system	VIS649	—	sibeprenlimab	U.S.	IgA nephropathy	An application was filed in March 2025

*1 The above description of status in the U.S. and Europe, “an application was filed” indicates that an application for approval has been submitted to or accepted by the relevant authorities. For other countries and regions, it indicates that an application for approval has been submitted to the relevant authorities.

*2 Brand name for ABI-007

Nutraceuticals

In the nutraceutical business, the Group draws on its knowledge in the pharmaceutical business to conduct research and development of creative products that help to address social issues in order to maintain and promote the health of people and the well-being of the entire society.

Research and development expenses in the nutraceutical business for the three-month period ended March 31, 2025 were ¥2,827 million.

Consumer products

The core of the consumer product business consists of foods and beverages, and the Group is engaged in research and development of innovative products on themes of food and health that are familiar elements of daily life.

Research and development expenses in the consumer product business for the three-month period ended March 31, 2025 were ¥160 million.

Others

In the other businesses, the Group is focusing on organic and inorganic synthesis technologies and conducting research and development of new products as well as next-generation fields based on our own technology.

Research and development expenses in the other businesses for the three-month period ended March 31, 2025 were ¥1,313 million.

(2) Overview of Consolidated Financial Position as of March 31, 2025

1) Assets, Liabilities and Equity

(Millions of yen)

	As of December 31, 2024	As of March 31, 2025	Change
Current assets	1,366,972	1,318,551	(48,421)
Non-current assets	2,372,278	2,374,500	2,222
Total assets	3,739,251	3,693,051	(46,199)
Current liabilities	632,664	701,725	69,060
Non-current liabilities	328,421	300,541	(27,879)
Total liabilities	961,085	1,002,266	41,180
Total equity	2,778,165	2,690,785	(87,380)

a. Assets

Total assets as of March 31, 2025 were ¥3,693,051 million, a decrease of ¥46,199 million compared to ¥3,739,251 million as of December 31, 2024. Current assets decreased by ¥48,421 million, and non-current assets increased by ¥2,222 million.

(Current Assets)

Current assets as of March 31, 2025 were ¥1,318,551 million, a decrease of ¥48,421 million compared to ¥1,366,972 million as of December 31, 2024. This was mainly due to decreases in cash and cash equivalents by ¥18,676 million, trade and other receivables by ¥34,065 million, and other financial assets by ¥5,567 million, partially offset by an increase in inventories by ¥9,806 million.

(Non-current Assets)

Non-current assets as of March 31, 2025 were ¥2,374,500 million, an increase of ¥2,222 million compared to ¥2,372,278 million as of December 31, 2024. This was mainly due to an increase in goodwill by ¥50,111 million as a result of the acquisition of Araris Biotech AG (hereinafter "Araris") and other factors, partially offset by decreases in intangible assets by ¥23,016 million, property, plant and equipment by ¥13,642 million and other financial assets by ¥9,722 million mainly due to exchange rate fluctuations. The goodwill (¥72,985 million recorded at the time of acquisition) resulting from the acquisition of Araris is provisionally calculated because the allocation of the consideration for acquisition has not been completed as of March 31, 2025.

b. Liabilities

Total liabilities as of March 31, 2025 were ¥1,002,266 million, an increase of ¥41,180 million compared to ¥961,085 million as of December 31, 2024. Current liabilities increased by ¥69,060 million, and non-current liabilities decreased by ¥27,879 million.

(Current Liabilities)

Current liabilities as of March 31, 2025 were ¥701,725 million, an increase of ¥69,060 million compared to ¥632,664 million as of December 31, 2024. This was mainly due to an increase in bonds and borrowings by ¥98,013 million mainly due to increases in borrowings for working capital and current portion of bonds, partially offset by a decrease in trade and other payables by ¥25,685 million.

(Non-current Liabilities)

Non-current liabilities as of March 31, 2025 were ¥300,541 million, a decrease of ¥27,879 million compared to ¥328,421 million as of December 31, 2024. This was mainly due to decreases in bonds and borrowings by ¥30,409 million and lease liabilities by ¥4,037 million, partially offset by an increase in other financial liabilities by ¥7,306 million mainly due to the recording of contingent considerations for the acquisition of Araris. The decrease in bonds and borrowings was mainly due to the reclassification of current-portion of bonds.

c. Equity

Total equity as of March 31, 2025 was ¥2,690,785 million, a decrease of ¥87,380 million compared to ¥2,778,165 million as of December 31, 2024. The main factors were decreases in equity due to an increase in treasury shares amounting to ¥59,076 million, which is attributable to the purchase of treasury shares that was conducted based on the resolution at the Meeting of the Board of Directors held on March 18, 2025 for the purpose of improving capital efficiency and returning profits to shareholders, and a decrease in other components of equity of ¥79,122 million due to the impact of exchange rate fluctuations, etc., partially offset by an increase in retained earnings of ¥52,490 million due to the recording of profit attributable to owners of the Company of ¥84,997 million and dividend payments of ¥32,225 million, etc.

2) Cash Flows

Cash and cash equivalents as of March 31, 2025 were ¥407,496 million, a decrease of ¥18,676 million compared to the balance as of December 31, 2024. For the three-month period ended March 31, 2025, net cash flows provided by operating activities were ¥105,427 million, while net cash flows used in investing activities were ¥81,080 million mainly as a result of the acquisition of Araris in the pharmaceutical business and capital investments in the pharmaceutical business and nutraceutical business toward sustainable growth. In addition, while there were borrowings for working capital, treasury shares were purchased in order to improve capital efficiency and

return profits to shareholders, lease liabilities were repaid, and dividends were paid, resulting in net cash flows used in financing activities of ¥29,633 million.

Thus, cash and cash equivalents were decreased to ¥407,496 million as the total investing and financing cash outflows exceeded operating cash inflows, and with the impact of the appreciation of the yen.

The following provides details around cash flow movements for the three-month period ended March 31, 2025:

Cash Flows from Operating Activities

Net cash flows provided by operating activities were ¥105,427 million, an increase of ¥69,006 million compared to the figure for the three-month period ended March 31, 2024.

Cash flows provided by operating activities for the three-month period ended March 31, 2025 mainly consisted of ¥113,367 million of profit before tax, ¥27,136 million of depreciation and amortization expenses, ¥17,663 million of increase in inventories, ¥14,899 million of decrease in trade and other receivables, and ¥23,720 million of income taxes paid. Major factors of the increase of ¥69,006 million in the net inflow for the three-month period ended March 31, 2025 were as follows: In addition to the strong performance driven by higher revenue in the pharmaceutical business and nutraceutical business resulting in a ¥13,287 million increase in profit before tax, there were a ¥14,510 million decrease in income taxes paid, a ¥16,395 million decrease in outflow from trade and other payables, etc.

Cash Flows from Investing Activities

Net cash flows used in investing activities were ¥81,080 million, a decrease in outflows of ¥10,378 million compared to the figure for the three-month period ended March 31, 2024.

Cash flows used in investing activities for the three-month period ended March 31, 2025 mainly consisted of ¥20,090 million of payments for acquisition of property, plant and equipment, ¥9,026 million of payments for acquisition of intangible assets, and ¥56,609 million of payments for acquisition of subsidiaries due to the acquisition of Araris. The decrease of ¥10,378 million in outflows was mainly due to a ¥5,148 million decrease in payments for acquisition of intangible assets due to a decrease in upfront and milestone payments in the pharmaceutical business, a ¥32,600 million decrease in payments for acquisition of investments, and a decrease in outflow of ¥22,930 million from time deposits, partially offset by a ¥53,989 million increase in payments for acquisition of subsidiaries due to the acquisition of Araris in the pharmaceutical business.

Cash Flows from Financing Activities

Net cash flows used in financing activities were ¥29,633 million, a decrease in outflows of ¥29,064 million compared to the figure for the three-month period ended March 31, 2024.

Cash flows used in financing activities for the three-month period ended March 31, 2025 mainly consisted of ¥59,076 million of purchase of treasury shares, a ¥68,448 million net increase in short-term borrowings, and ¥32,903 million of dividends paid. The decrease of ¥29,064 million in outflows compared to the figure for the three-month period ended March 31, 2024 was mainly due to inflows from an increase in the borrowing of short-term funds and the absence of the redemption of bonds, which is an outflow, in the three-month period ended March 31, 2024 (¥20,000 million), despite outflows for the purchase of treasury shares in the three-month period ended March 31, 2025 in order to improve capital efficiency and return profits to shareholders.

(3) Forecast for Consolidated Financial Results

There are no changes to the forecast of consolidated financial results for the six-month period ending June 30, 2025 and the fiscal year ending December 31, 2025 announced on February 14, 2025.

2. Condensed Interim Consolidated Financial Statements and Major Notes

(1) Condensed Interim Consolidated Statements of Financial Position

	(Millions of yen)	
	As of December 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and cash equivalents	426,173	407,496
Trade and other receivables	515,289	481,223
Inventories	298,292	308,098
Income taxes receivable	3,531	3,491
Other financial assets	31,905	26,338
Other current assets	91,780	91,902
Total current assets	1,366,972	1,318,551
Non-current assets		
Property, plant and equipment	628,544	614,902
Goodwill	449,464	499,576
Intangible assets	544,247	521,231
Investments accounted for using the equity method	314,780	312,119
Other financial assets	206,272	196,549
Deferred tax assets	205,700	205,524
Other non-current assets	23,267	24,595
Total non-current assets	2,372,278	2,374,500
Total assets	3,739,251	3,693,051

(Millions of yen)

	As of December 31, 2024	As of March 31, 2025
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	219,996	194,310
Bonds and borrowings	7,350	105,363
Lease liabilities	21,146	20,901
Other financial liabilities	4,387	4,707
Income taxes payable	29,250	29,466
Provisions	1,242	792
Contract liabilities	13,952	12,849
Other current liabilities	335,338	333,334
Total current liabilities	632,664	701,725
Non-current liabilities		
Bonds and borrowings	87,275	56,866
Lease liabilities	73,612	69,574
Other financial liabilities	53,127	60,433
Income taxes payable	1,584	1,584
Net defined benefit liabilities	12,564	11,824
Provisions	3,766	3,702
Contract liabilities	35,361	33,258
Deferred tax liabilities	28,801	29,484
Other non-current liabilities	32,327	33,811
Total non-current liabilities	328,421	300,541
Total liabilities	961,085	1,002,266
Equity		
Equity attributable to owners of the Company		
Share capital	81,690	81,690
Capital surplus	478,486	478,808
Treasury shares	(67,398)	(126,475)
Retained earnings	1,904,404	1,956,894
Other components of equity	336,397	257,275
Total equity attributable to owners of the Company	2,733,580	2,648,193
Non-controlling interests	44,584	42,591
Total equity	2,778,165	2,690,785
Total liabilities and equity	3,739,251	3,693,051

(2) Condensed Interim Consolidated Statements of Income

(Millions of yen)

	FY2024 (From January 1, 2024 to March 31, 2024)	FY2025 (From January 1, 2025 to March 31, 2025)
Revenue	519,517	582,840
Cost of sales	(151,802)	(156,647)
Gross profit	367,715	426,193
Selling, general and administrative expenses	(213,750)	(232,495)
Share of profit of investments accounted for using the equity method	7,387	7,632
Research and development expenses	(72,387)	(78,382)
Impairment losses	(125)	(93)
Other income	3,602	2,145
Other expenses	(421)	(579)
Operating profit	92,021	124,420
Finance income	10,092	2,692
Finance expenses	(2,034)	(13,745)
Profit before tax	100,079	113,367
Income tax expenses	(21,182)	(27,399)
Profit for the period	78,896	85,967
Attributable to:		
Owners of the Company	77,377	84,997
Non-controlling interests	1,518	969
Profit for the period	78,896	85,967
Earnings per share:		
Basic earnings per share (Yen)	142.59	158.57
Diluted earnings per share (Yen)	—	—

(3) Condensed Interim Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2024 (From January 1, 2024 to March 31, 2024)	FY2025 (From January 1, 2025 to March 31, 2025)
Profit for the period	78,896	85,967
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	148	(326)
Financial assets measured at fair value through other comprehensive income	5,016	(6,155)
Share of other comprehensive income of investments accounted for using the equity method	103	36
Subtotal	5,269	(6,445)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	57,337	(65,887)
Cash flow hedges	(59)	22
Share of other comprehensive income of investments accounted for using the equity method	11,068	(8,866)
Subtotal	68,346	(74,731)
Total other comprehensive income	73,615	(81,177)
Total comprehensive income for the period	152,511	4,790
Attributable to:		
Owners of the Company	150,469	5,593
Non-controlling interests	2,041	(803)
Total comprehensive income for the period	152,511	4,790

(4) Condensed Interim Consolidated Statements of Changes in Equity
FY2024 (From January 1, 2024 to March 31, 2024)

(Millions of yen)

	Equity attributable to owners of the Company					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2024	81,690	506,230	(44,669)	1,621,218	—	47,355
Profit for the period	—	—	—	77,377	—	—
Other comprehensive income	—	—	—	—	148	5,042
Comprehensive income for the period	—	—	—	77,377	148	5,042
Purchase of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	(32,561)	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	(5)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	662	(148)	(514)
Total transactions with owners	—	(5)	(0)	(31,898)	(148)	(514)
Balance as of March 31, 2024	81,690	506,224	(44,669)	1,666,697	—	51,884

	Equity attributable to owners of the Company					
	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of January 1, 2024	181,815	43	229,214	2,393,683	42,634	2,436,317
Profit for the period	—	—	—	77,377	1,518	78,896
Other comprehensive income	67,960	(59)	73,091	73,091	523	73,615
Comprehensive income for the period	67,960	(59)	73,091	150,469	2,041	152,511
Purchase of treasury shares	—	—	—	(0)	—	(0)
Dividends	—	—	—	(32,561)	(1,013)	(33,574)
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	(5)	5	—
Transfer from other components of equity to retained earnings	—	—	(662)	—	—	—
Total transactions with owners	—	—	(662)	(32,567)	(1,007)	(33,575)
Balance as of March 31, 2024	249,775	(16)	301,643	2,511,586	43,668	2,555,254

FY2025 (From January 1, 2025 to March 31, 2025)

(Millions of yen)

	Equity attributable to owners of the Company					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2025	81,690	478,486	(67,398)	1,904,404	—	39,323
Profit for the period	—	—	—	84,997	—	—
Other comprehensive income	—	—	—	—	(287)	(6,080)
Comprehensive income for the period	—	—	—	84,997	(287)	(6,080)
Purchase of treasury shares	—	—	(59,076)	—	—	—
Dividends	—	—	—	(32,225)	—	—
Share-based payment transactions	—	321	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(282)	287	(5)
Total transactions with owners	—	321	(59,076)	(32,507)	287	(5)
Balance as of March 31, 2025	81,690	478,808	(126,475)	1,956,894	—	33,237

	Equity attributable to owners of the Company					
	Other components of equity					Total equity
	Exchange differences on translation of foreign operations	Cash flow hedges	Total	Total	Non-controlling interests	
Balance as of January 1, 2025	297,086	(11)	336,397	2,733,580	44,584	2,778,165
Profit for the period	—	—	—	84,997	969	85,967
Other comprehensive income	(73,058)	22	(79,404)	(79,404)	(1,772)	(81,177)
Comprehensive income for the period	(73,058)	22	(79,404)	5,593	(803)	4,790
Purchase of treasury shares	—	—	—	(59,076)	—	(59,076)
Dividends	—	—	—	(32,225)	(1,189)	(33,415)
Share-based payment transactions	—	—	—	321	—	321
Transfer from other components of equity to retained earnings	—	—	282	—	—	—
Total transactions with owners	—	—	282	(90,980)	(1,189)	(92,170)
Balance as of March 31, 2025	224,027	10	257,275	2,648,193	42,591	2,690,785

(5) Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	FY2024 (From January 1, 2024 to March 31, 2024)	FY2025 (From January 1, 2025 to March 31, 2025)
Cash flows from operating activities		
Profit before tax	100,079	113,367
Depreciation and amortization expenses	26,064	27,136
Impairment losses and reversal of impairment losses	125	93
Share of profit of investments accounted for using the equity method	(7,387)	(7,632)
Finance income	(10,092)	(2,692)
Finance expenses	2,034	13,745
Increase in inventories	(18,214)	(17,663)
Decrease in trade and other receivables	22,215	14,899
Decrease in trade and other payables	(17,851)	(1,456)
Other	(24,342)	(12,974)
Subtotal	72,631	126,823
Interest and dividends received	2,932	3,261
Interest paid	(912)	(936)
Income taxes paid	(38,231)	(23,720)
Net cash flows provided by operating activities	36,420	105,427
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	189	56
Payments for acquisition of property, plant and equipment	(25,988)	(20,090)
Payments for acquisition of intangible assets	(14,174)	(9,026)
Proceeds from sales and redemption of investments	2,084	86
Payments for acquisition of investments	(35,680)	(3,080)
Payments for acquisition of subsidiaries	(2,620)	(56,609)
(Increase) decrease in time deposits	(15,353)	7,576
Other	83	7
Net cash flows used in investing activities	(91,459)	(81,080)
Cash flows from financing activities		
Purchase of treasury shares	(0)	(59,076)
Change in short-term borrowings, net	1,014	68,448
Proceeds from long-term borrowings	150	—
Repayments of long-term borrowings	(1,567)	(546)
Redemption of bonds	(20,000)	—
Repayments of lease liabilities	(5,387)	(5,555)
Dividends paid	(32,907)	(32,903)
Net cash flows used in financing activities	(58,697)	(29,633)
Decrease in cash and cash equivalents	(113,736)	(5,286)
Cash and cash equivalents at the beginning of the period	513,341	426,173
Effect of exchange rate changes on cash and cash equivalents	12,016	(13,390)
Cash and cash equivalents at the end of the period	411,622	407,496

(6) Notes to Condensed Interim Consolidated Financial Statements

Note to Going Concern Assumptions

Not applicable.

Operating Segments

1) Overview of reportable segments

The Group's reportable segments are the constituent units of the Group for which separate financial information is available and which are subject to periodic reviews by the Board of Directors in order to make decisions on allocation of business resources and to evaluate the business performance of the respective segments.

The Company, as a holding company, directs the Group's strategic planning and decision-making, monitors group operations and provides various common services to its Group companies. Business activities are conducted by the Group's subsidiaries and associates.

Centering on the healthcare business, the Group operates activities inside and outside Japan relating to the following four reportable segments: "Pharmaceuticals," "Nutraceuticals," "Consumer products" and "Others."

"Pharmaceuticals" comprises manufacturing and sales of prescription drugs and intravenous solutions. "Nutraceuticals" comprises manufacturing and sales of functional beverages, over-the-counter drugs and nutritional supplements. "Consumer products" comprises manufacturing and sales of mineral water, soft beverages and food products. "Others" comprises manufacturing and sales of chemicals and electronic equipment, etc. as well as warehousing and distribution.

2) Revenues and performance by reportable segment

Revenues and performance by the Group reportable segments are as follows.

Segment profit is based on operating profit.

Intersegment revenue and transfers reflect reasonable prices for intersegment transfers based on market value.

FY2024 (From January 1, 2024 to March 31, 2024)

(Millions of yen)

	Reportable segment					Adjustments *	Consolidated
	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	359,598	126,216	7,275	26,427	519,517	—	519,517
Intersegment revenue or transfers	—	6	1	872	881	(881)	—
Total	359,598	126,222	7,276	27,300	520,398	(881)	519,517
Segment profit	79,777	16,801	4,304	1,916	102,800	(10,778)	92,021

* Adjustments to segment profit of ¥(10,778) million include intersegment eliminations of ¥24 million, unallocated corporate expenses of ¥(13,624) million and other income of ¥2,820 million. Corporate expenses are incurred in administrative departments such as headquarters.

FY2025 (From January 1, 2025 to March 31, 2025)

(Millions of yen)

	Reportable segment					Adjustments *	Consolidated
	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	417,826	131,348	7,380	26,284	582,840	—	582,840
Intersegment revenue or transfers	—	6	5	784	796	(796)	—
Total	417,826	131,355	7,385	27,068	583,636	(796)	582,840
Segment profit	116,570	15,584	5,191	1,799	139,145	(14,725)	124,420

* Adjustments to segment profit of ¥(14,725) million include intersegment eliminations of ¥(149) million, unallocated corporate expenses of ¥(15,085) million and other income of ¥509 million. Corporate expenses are incurred in administrative departments such as headquarters.

Business Combinations

1. Significant business combinations

FY2025 (From January 1, 2025 to March 31, 2025)

(Acquisition of Araris Biotech AG)

Taiho Pharmaceutical Co., Ltd. (hereinafter “Taiho Pharmaceutical”), a consolidated subsidiary of the Company, agreed on March 17, 2025, to acquire Araris Biotech AG (hereinafter “Araris”), a Swiss biotechnology company developing next-generation antibody-drug conjugates (ADCs), by acquiring 100% of its shares through cash and future milestone payments (hereinafter the “Acquisition”), and completed the Acquisition on March 31, 2025.

(1) Outline of business combination

(i) Name of acquired company and business description

Name of acquired company: Araris Biotech AG

Business description: Research and development of pharmaceutical products

(ii) Main reasons for the business combination

Taiho Pharmaceutical is an R&D-driven specialty pharma focusing on the fields of oncology and immune-related diseases. In the field of oncology in particular, it has strengths in the development of small-molecule oral therapeutic drugs, such as antimetabolites and molecular-targeted drugs with its proprietary Cysteinomix drug discovery technology platform, also pursuing multiple research and development programs for new modalities other than small molecules through collaborations with companies and academia in Japan and overseas. As one of the most promising modalities, Taiho Pharmaceutical had started their own drug discovery activities for ADCs and went into a research collaboration with Araris in November 2023.

Araris is pioneering the development of best-in-class ADCs with superior design, high linker solubility and simple manufacturing that address the shortcomings of current generation ADCs. ADCs are designed to selectively deliver cytotoxic drugs (payloads) to cancer cells by attaching them to antibodies that bind specifically to cancer cells through linkers. Foundational to its approach is its novel, proprietary ADC linker platform AraLinQ™. This platform has generated highly uniform, stable and potent ADC therapeutic candidates that have demonstrated a wider range of safety and increased antitumor effect compared to conventional ADCs in preclinical studies. Furthermore, Araris is advancing three products for the treatment of hematological and solid tumors developed using its unique AraLinQ™ technology, which are currently in the preclinical stage. These products are anticipated to enter into clinical trials between 2025 and 2026.

In addition to the Cysteinomix drug discovery technology platform, Taiho Pharmaceutical will hereafter acquire this innovative ADC drug discovery technology, and together Araris, will establish the research and development system in biologics to continue the expansion of its development portfolio in the field of oncology, with its strength now in both the small molecules and ADCs.

(iii) Date of obtaining control

March 31, 2025

(iv) Background of obtaining control of the acquired company and percentage of equity with voting rights to be acquired

Taiho Pharmaceutical, a consolidated subsidiary of the Company, has acquired 100% of the voting shares of Araris for cash and future milestone payments.

(2) Fair values of consideration paid, assets acquired and liabilities assumed as of the date of obtaining control

(Millions of yen)

	Amount
Fair value of consideration paid	75,676
Cash	62,228
Contingent consideration	13,448
Fair value of assets acquired and liabilities assumed	
Current assets	5,895
Non-current assets	40
Current liabilities	(3,244)
Non-current liabilities	—
Fair value of assets acquired and liabilities assumed	2,691
Goodwill	72,985

Notes: 1. The direct cost of the acquisition was ¥1,193 million and is included in “Selling, general and administrative expenses” in the condensed interim consolidated statements of income.

2. Acquired trade and other receivables were ¥236 million, and there were no contractual cash flows that are not expected to be collected.

3. The assets acquired, liabilities assumed, and goodwill are provisionally calculated based on the information available at this time, as the allocation of the consideration for acquisition has not been completed as of March 31, 2025.

4. Goodwill mainly consists of synergies with existing businesses and excess earning power that are expected to arise from the acquisition. There is no amount of goodwill that is expected to be deductible for tax purposes.

(3) Impact on the Group's financial results

Revenue and profit or loss included in the Group's condensed interim consolidated statements of income arising from Araris after the date of acquisition of control are not material. The disclosure of revenue and profit or loss assuming that the date of the business combination was January 1, 2025 (so-called "pro forma" information) has been omitted because the impact is immaterial.

2. Contingent consideration

Contingent considerations are recorded as a result of the business combinations involving Neurovance, Inc., Jnana Therapeutics Inc. (Jnana), and Araris.

The contingent considerations from the acquisition of Neurovance, Inc. consist of the milestones to be paid based on the progress of the development of centanafadine, which is a compound under development as a treatment of ADHD, obtained when the Group acquired Neurovance, Inc. in March 2017, and the ones to be paid based on the revenue after the launch of centanafadine. The maximum potential amounts of the milestones will be USD 50 million and USD 750 million, respectively.

The contingent considerations from the acquisition of Jnana consist of the development and regulatory milestones to be paid based on the progress of repinatrabit and other development products acquired when Jnana was acquired in September 2024. The maximum potential amounts of the milestones will be USD 75 million and USD 250 million, respectively.

The contingent considerations from the acquisition of Araris consist of the development and regulatory milestones to be paid based on the progress of multiple pipelines in ADC development acquired when Araris was acquired in March 2025, and the sales milestones to be paid based on the revenue after the launch of the products. The maximum potential amount will be USD 740 million.

The fair value of the contingent considerations is estimated based on the probability-weighted present value of the potential amount to be paid to the counterparty.

The level of contingent considerations in the fair value hierarchy is classified as Level 3.

The fair value changes of the contingent considerations attributable to time value are recognized in "Finance expenses," and the one attributable to changes of non-time-value is recognized in either "Other income" or "Other expenses."

Changes in fair value of the contingent considerations are as follows:

FY2024 (From January 1, 2024 to March 31, 2024)

(Millions of yen)

	Amount
Balance as of January 1, 2024	16,210
Changes in fair value	579
Foreign currency translation adjustment	1,105
Balance as of March 31, 2024	17,895

FY2025 (From January 1, 2025 to March 31, 2025)

(Millions of yen)

	Amount
Balance as of January 1, 2025	52,544
Business combination	13,448
Changes in fair value	1,189
Foreign currency translation adjustment	(2,893)
Balance as of March 31, 2025	64,288

Subsequent Events

Cancellation of treasury shares

The Company resolved at the Meeting of the Board of Directors held on April 30, 2025, to conduct a cancellation of treasury shares pursuant to Article 178 of the Companies Act. The details are as follows:

1. Reason for conducting a cancellation of treasury shares

To improve capital efficiency and return profits to shareholders

2. Details of matters related to the cancellation

- (1) Class of shares to be cancelled: The Company's ordinary shares
- (2) Number of shares to be cancelled: 9,035,800 shares
(Percentage to the total number of issued shares before cancellation: 1.64%)
- (3) Total number of issued shares after cancellation: 542,988,917 shares
- (4) Scheduled date of cancellation: May 23, 2025

The above cancellation of treasury shares is for the following completed purchase of treasury shares, which was conducted based on the resolution at the Meeting of the Board of Directors held on March 18, 2025.

- (1) Class of shares purchased: The Company's ordinary shares
- (2) Total number of shares purchased: 9,035,800 shares
- (3) Total purchase price of shares: ¥69,999 million
- (4) Purchase period: From March 19, 2025 to April 14, 2025
- (5) Purchase method: Market purchase on the Tokyo Stock Exchange (including purchases through Off-Auction Own Share Repurchase Trading System (ToSTNeT-3))