

Consolidated Financial Results for the Six-Month Period Ended June 30, 2025 [IFRS]

July 31, 2025

Company name : **Otsuka Holdings Co., Ltd.**
 Stock exchange listing : Tokyo Stock Exchange
 Code number : 4578
 URL : <https://www.otsuka.com/en/>
 Representative : Makoto Inoue
 President and Representative Director, CEO
 Contact : Yuji Kogure
 Director, Investor Relations Department
 Telephone: +81-3-6361-7411
 Scheduled date of semi-annual securities report submission : July 31, 2025
 Scheduled date of dividend payment commencement : September 1, 2025
 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 Six-month Period Ended June 30, 2025 (January 1, 2025 to June 30, 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	
Six-month period ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2025	1,180,766	6.5	239,221	12.0	242,118	91.7	175,863	59.0	173,529	61.0	92,038	(65.2)
June 30, 2024	1,108,930	17.0	213,622	37.8	126,279	(3.4)	110,625	5.3	107,795	5.1	264,541	13.8

	Basic earnings per share	Diluted earnings per share
Six-month period ended	Yen	Yen
June 30, 2025	326.12	—
June 30, 2024	198.61	—

* 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 June 30, 2025	3,789,298	2,786,674	2,722,396	71.8	5,154.77
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	—	70.00	—	—	—
FY2025 (forecast)	—	—	—	70.00	140.00

* Revisions to dividends forecast most recently announced: Yes

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)

	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
FY2025	2,380,000	2.2	400,000	(7.1)	450,000	39.1	334,000	(3.8)	330,000	(3.8)
										622.52

* Revisions to financial forecast most recently announced: Yes

4. Others

(1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 2 companies (Araris Biotech AG, Otsuka ICU Medical LLC)

(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):

June 30, 2025	542,988,917 shares
December 31, 2024	552,024,717 shares
- 2) Number of shares of treasury shares as of the end of the period:

June 30, 2025	14,857,520 shares
December 31, 2024	14,932,021 shares
- 3) Average number of shares outstanding during the period:

Six-month period ended June 30, 2025	532,095,453 shares
Six-month period ended June 30, 2024	542,725,725 shares

* This report is out of scope of reviews by the external auditor.

*** 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. Qualitative Information (3) Forecast for Consolidated Financial Results” on page 9 for details with regard to the assumptions and other matters concerning the financial forecast.

The Company will hold an earnings release briefing for institutional investors, analysts and the press on Thursday, July 31, 2025. The video and audio of the proceedings, along with the presentation materials to be used on the day, will be available on the Company’s website promptly after the briefing.

Attachment Index

1.	Qualitative Information	2
(1)	Consolidated Operating Results	2
(2)	Consolidated Financial Position	7
(3)	Forecast for Consolidated Financial Results	9
2.	Condensed Interim Consolidated Financial Statements and Major Notes	10
(1)	Condensed Interim Consolidated Statements of Financial Position	10
(2)	Condensed Interim Consolidated Statements of Income	12
(3)	Condensed Interim Consolidated Statements of Comprehensive Income	13
(4)	Condensed Interim Consolidated Statements of Changes in Equity	14
(5)	Condensed Interim Consolidated Statements of Cash Flows	16
(6)	Notes to Condensed Interim Consolidated Financial Statements	17
	Note to Going Concern Assumptions	17
	Operating Segments	17
	Business Combinations	18
	Subsequent Events	21

1. Qualitative Information

The forward-looking statements in this report were prepared based on information available as of June 30, 2025.

(1) Consolidated Operating Results

Summary of consolidated financial results for the six-month period ended June 30, 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)				
	Six-month period ended June 30, 2024	Six-month period ended June 30, 2025	Change	% Change
Revenue	1,108,930	1,180,766	71,836	6.5%
Business profit before research and development expenses	357,571	402,125	44,553	12.5%
Business profit	213,622	239,221	25,598	12.0%
Operating profit	126,279	242,118	115,838	91.7%
Profit before tax	142,195	226,343	84,147	59.2%
Profit for the period	110,625	175,863	65,238	59.0%
Profit attributable to owners of the Company	107,795	173,529	65,733	61.0%
Research and development expenses	143,949	162,903	18,954	13.2%
Impairment losses	104,076	531	(103,544)	(99.5)%

The Otsuka group has been operating its businesses in the pursuit of well-being, which encompasses physical, mental and social health. The Group has introduced the theme “From Better Health to Beyond Health to Well-Being” as its vision toward 2035, and as a total healthcare company, it aims to address not only the health of individuals but also to adopt a holistic approach to health, striving to enhance the well-being of the entire society in which they live. Under its corporate philosophy, by providing its unique products and services, the Otsuka group aims to become an indispensable presence for people around the world.

Revenue for the six-month period ended June 30, 2025 totaled ¥1,180,766 million (up 6.5% over the same period of the previous fiscal year), as all operating segments recorded increased revenue. The main factors behind this growth was an increase in antipsychotic agent *REXULTI/RXULTI*, which has been designated the growth drivers under the Fourth Medium-Term Management Plan, as well as sales growth of long-acting injection *ABILIFY ASIMTUFI*, 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 ¥402,125 million (up 12.5%). The main factors were increased gross profit in line with increased revenue.

Research and development expenses totaled ¥162,903 million (up 13.2%). In the development pipeline, development expenses increased for the development of our “Next 8” products such as the new antipsychotic agent ulotaront, and zipalentinib under development for the treatment of non-small cell lung cancer, as well as repinatrabit of Jnana acquired in the previous fiscal year.

Business profit increased to ¥239,221 million (up 12.0%) as a result of steady revenue growth.

Without the large-scale impairment losses recorded in the six-month period ended June 30, 2024, operating profit increased significantly to ¥242,118 million (up 91.7%).

Profit for the period was ¥175,863 million (up 59.0%), and profit attributable to owners of the Company was ¥173,529 million (up 61.0%).

Results by business segment are as follows.

Revenue and business profit by business segment during six-month period ended June 30, 2025

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	833,782	276,057	15,845	56,743	(1,661)	1,180,766
Business profit	213,873	36,043	12,654	4,721	(28,071)	239,221

Reference (six-month period ended June 30, 2024)

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	766,728	271,826	15,670	56,478	(1,772)	1,108,930
Business profit	186,720	37,453	12,036	4,341	(26,929)	213,622

1) Pharmaceuticals

Revenue for the six-month period ended June 30, 2025 totaled ¥833,782 million (up 8.7%), with business profit of ¥213,873 million (up 14.5%).

Main products

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

In the U.S., prescriptions grew and sales increased mainly due to activities to raise awareness of major depressive disorder and 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, depression and depressive states, approvals were obtained 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 ¥154,827 million (up 26.5%).

*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 factors such as the increased corporate burden due to the redesign of healthcare insurance system. In Japan, following the revision of the JSCCR Guidelines for the Treatment of Colorectal Cancer in July 2024, treatment in combination with bevacizumab was recommended, and sales remained on par with the same period of the previous fiscal year. As a result, sales of *LONSURF* totaled ¥49,730 million (down 4.1%).

*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 increased due to stronger detailing activities for bipolar I disorder, in addition to schizophrenia. As a result, sales of *ABILIFY MAINTENA* totaled ¥109,259 million (down 0.3%).

- 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 ¥16,163 million (up 114.2%).

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

In the U.S., the exclusive sales period as treatment for autosomal dominant polycystic kidney disease (ADPKD) came to an end in April 2025 and generics have gone on sale, but sales increased mainly due to continued detailing activities. 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 ¥135,819 million (up 0.6%).

*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 six-month period ended June 30, 2025 totaled ¥276,057 million (up 1.6%), while business profit totaled ¥36,043 million (down 3.8%) mainly due to an increase in sales promotion expenses in women's health and for branching out into new areas.

<Three categories by social issues>

- For Climate & Environmental Risk

Sales volume of *POCARI SWEAT*, an electrolyte supplement drink, decreased in Japan due to the impact of a decrease year on year in the number of infectious disease cases during the first quarter. Nevertheless, sales increased owing to continuous efforts that involve education about the importance of hydration and replenishment of electrolytes according to the season and occasion, along with continuous activities to create opportunities for brand value proposition and drinking experiences. Overseas, 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, and sales volume increased significantly in areas such as the Philippines. On the other hand, overall sales volume for overseas decreased due to slowdowns in economic activities in some areas including Indonesia. 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 ¥99,160 million (down 0.5%).

- For Women's Health

In North America, revenue increased due to continued investment in healthcare practitioner education and promotional activities to achieve product awareness with respect to *Uqora* for supporting urogynecological health and *Bonafide* for menopausal support, and the continued growth of *Thermella*, a novel dietary supplement introduced in September 2024 that targets hot flashes and night sweats at the source. 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 ¥29,034 million (up 7.8%).

- 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. The balanced nutritional food *Calorie Mate* saw increased sales with an increase in the number of purchasers, mainly among younger consumers, as a result of continued marketing associating the product as nutritional support for various situations such as sitting exams and school club activities. As a result, revenue for this category totaled ¥109,670 million (up 2.3%).

*7: Circana Data; Market Advantage; 4 wks 06/15/2025, 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 six-month period ended June 30, 2025 totaled ¥15,845 million (up 1.1%), while business profit totaled ¥12,654 million (up 5.1%) in part due to an increase in 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, following the trend in the mineral water market*⁹ in Japan. As for *MATCH*, a carbonated vitamin drink, sales volume increased reflecting the improvement in brand value as a result of ongoing 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 six-month period ended June 30, 2025 totaled ¥56,743 million (up 0.5%), with business profit of ¥4,721 million (up 8.8%).

Revenue remained on par with the same period of the previous fiscal year, in the specialty chemical business, centered on the automobile and smartphone markets.

Revenue increased in the transportation and warehousing business as a result of the acquisition of new customers.

* 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 six-month period ended June 30, 2025 totaled ¥162,903 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 medical needs that are yet to be fully addressed such as cardiovascular and renal system as well as autoimmune fields, among others.

Research and development expenses in the pharmaceutical business for the six-month period ended June 30, 2025 were ¥154,209 million.

Research and development activities in the pharmaceutical business carried out for the six-month period ended June 30, 2025 are summarized below.

Category	Development Code	Brand Name	Generic Name	Area	Treatment/ Indication	Status* ¹
Psychiatry and neurology	EB-1020	—	centanafadine	Japan	Attention-deficit hyperactivity disorder	Phase II/III trial was initiated in May 2025
				U.S.	Major depressive disorder	Phase II trial was discontinued for strategic reasons
	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	ASTX029	—	—	U.S.	Solid tumors	Licensed to Mosaic Therapeutics for strategic reasons
	ASTX295	—	—	U.S.	Solid tumors	Licensed to Mosaic Therapeutics for strategic reasons
	ASTX030	—	azacitidine, cedazuridine	U.S.	Myelodysplastic syndromes, chronic myelomonocytic leukemia, acute myeloid leukemia	Phase III trial was initiated in February 2025
	TAS1440	—	—	U.S.	Acute myeloid leukemia	Licensed to Benz Sciences for strategic reasons
	TAS6417 + SCC244	<i>HAIYITAN</i> * ²	zipalertinib + gumarontinib	Japan	Non-small cell lung cancer	Phase I trial was initiated in June 2025
	TAS6417 + TAS-116	<i>Jeselhy</i> * ³	zipalertinib + pimitespib	Japan	Non-small cell lung cancer	Phase I trial was initiated in June 2025
	TAS6417 + AB680	—	zipalertinib + quemliclustat	Japan	Non-small cell lung cancer	Phase I trial was initiated in June 2025
	AB680 + ABI-007	<i>Abraxane</i> * ⁴	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
	OPC-131461	—	—	Japan	Cardiac edema	Phase II trial was discontinued for strategic reasons
Other categories	VIS649	—	sibeprenlimab	U.S.	Sjögren's syndrome	Phase II trial was initiated in June 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 SCC244

*3 Brand name for TAS-116

*4 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 six-month period ended June 30, 2025 were ¥5,815 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 six-month period ended June 30, 2025 were ¥301 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 six-month period ended June 30, 2025 were ¥2,576 million.

(2) Consolidated Financial Position

1) Assets, Liabilities and Equity

(Millions of yen)

	As of December 31, 2024	As of June 30, 2025	Change
Current assets	1,366,972	1,391,279	24,306
Non-current assets	2,372,278	2,398,018	25,740
Total assets	3,739,251	3,789,298	50,047
Current liabilities	632,664	675,838	43,174
Non-current liabilities	328,421	326,785	(1,635)
Total liabilities	961,085	1,002,624	41,538
Total equity	2,778,165	2,786,674	8,508

a. Assets

Total assets as of June 30, 2025 were ¥3,789,298 million, an increase of ¥50,047 million compared to ¥3,739,251 million as of December 31, 2024. Current assets increased by ¥24,306 million, and non-current assets increased by ¥25,740 million.

(Current Assets)

Current assets as of June 30, 2025 were ¥1,391,279 million, an increase of ¥24,306 million compared to ¥1,366,972 million as of December 31, 2024. This was mainly due to an increase in inventories by ¥52,239 million as a result of making Otsuka ICU Medical LLC (hereinafter “Otsuka ICU Medical”) a subsidiary and other factors, partially offset by decreases in cash and cash equivalents by ¥15,062 million, and trade and other receivables by ¥15,388 million.

(Non-current Assets)

Non-current assets as of June 30, 2025 were ¥2,398,018 million, an increase of ¥25,740 million compared to ¥2,372,278 million as of December 31, 2024. This was mainly due to increases in property, plant and equipment by ¥12,523 million and goodwill by ¥32,813 million as a result of making Araris Biotech AG (hereinafter “Araris”) and Otsuka ICU Medical subsidiaries and other factors, partially offset by decreases in other financial assets by ¥15,559 million and deferred tax assets by ¥5,698 million.

b. Liabilities

Total liabilities as of June 30, 2025 were ¥1,002,624 million, an increase of ¥41,538 million compared to ¥961,085 million as of December 31, 2024. Current liabilities increased by ¥43,174 million, and non-current liabilities decreased by ¥1,635 million.

(Current Liabilities)

Current liabilities as of June 30, 2025 were ¥675,838 million, an increase of ¥43,174 million compared to ¥632,664 million as of December 31, 2024. This was mainly due to an increase in bonds and borrowings by ¥30,357 million mainly due to an increase in current portion of bonds, and an increase in income taxes payable by ¥20,172 million, partially offset by a decrease in trade and other payables by ¥10,150 million.

(Non-current Liabilities)

Non-current liabilities as of June 30, 2025 were ¥326,785 million, a decrease of ¥1,635 million compared to ¥328,421 million as of December 31, 2024. This was mainly due to decreases in lease liabilities by ¥6,400 million and contract liabilities by ¥4,559 million, partially offset by an increase in other financial liabilities by ¥7,620 million mainly due to the recording of contingent considerations for the acquisition of Araris.

c. Equity

Total equity as of June 30, 2025 was ¥2,786,674 million, an increase of ¥8,508 million compared to ¥2,778,165 million as of December 31, 2024. The main factors behind this increase included an increase in retained earnings of ¥145,991 million mainly due to the recording of profit attributable to owners of the Company of ¥173,529 million, despite dividend payments of ¥32,225 million and an increase in treasury shares amounting to ¥17,787 million and an increase in capital surplus amounting to ¥50,102 million, which are attributable to the purchase and cancellation 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. Furthermore, other components of equity decreased by ¥89,284 million, mainly due to the impact of exchange rate fluctuations.

2) Cash Flows

Cash and cash equivalents as of June 30, 2025 were ¥411,111 million, a decrease of ¥15,062 million compared to the balance as of December 31, 2024. For the six-month period ended June 30, 2025, net cash flows provided by operating activities were ¥212,725 million, while net cash flows used in investing activities were ¥130,943 million mainly as a result of newly making Araris and Otsuka ICU Medical subsidiaries in the pharmaceutical business and capital investments mainly in the pharmaceutical business and nutraceutical business toward sustainable growth. In addition, while there were issuance of bonds, 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 ¥85,383 million.

Thus, cash and cash equivalents were decreased to ¥411,111 million as the total investing and financing cash outflows exceeded operating cash inflows, and with the impact of exchange rate fluctuations.

The following provides details around cash flow movements for the six-month period ended June 30, 2025:

Cash Flows from Operating Activities

Net cash flows provided by operating activities were ¥212,725 million, an increase of ¥79,684 million compared to the figure for the six-month period ended June 30, 2024.

Cash flows provided by operating activities for the six-month period ended June 30, 2025 mainly consisted of ¥226,343 million of profit before tax, ¥55,158 million of depreciation and amortization expenses, ¥43,516 million of increase in inventories, and ¥29,743 million of income taxes paid. Major factors of the increase of ¥79,684 million in the net inflow for the six-month period ended June 30, 2025 were the strong performance driven by higher revenue in the pharmaceutical business and nutraceutical business resulting in a ¥84,147 million increase in profit before tax and other factors.

Cash Flows from Investing Activities

Net cash flows used in investing activities were ¥130,943 million, a decrease in outflows of ¥28,260 million compared to the figure for the six-month period ended June 30, 2024.

Cash flows used in investing activities for the six-month period ended June 30, 2025 mainly consisted of ¥45,667 million of payments for acquisition of property, plant and equipment, ¥11,644 million of payments for acquisition of intangible assets, ¥11,447 million of proceeds from sales and redemption of investments, and ¥86,625 million of payments for acquisition of subsidiaries related to Araris, Otsuka ICU Medical and others. The decrease of ¥28,260 million in outflows was mainly due to a ¥8,274 million decrease in payments for acquisition of intangible assets due to a decrease in upfront and milestone payments, a ¥68,097 million decrease in payments for acquisition of investments, and a decrease in outflow of ¥28,242 million from time deposits, partially offset by a ¥84,023 million increase in payments for acquisition of subsidiaries.

Cash Flows from Financing Activities

Net cash flows used in financing activities were ¥85,383 million, an increase in outflows of ¥59,221 million compared to the figure for the six-month period ended June 30, 2024.

Cash flows used in financing activities for the six-month period ended June 30, 2025 mainly consisted of ¥70,096 million of purchase of treasury shares, ¥30,000 million of proceeds from issuance of bonds, ¥11,843 million of repayments of lease liabilities and ¥33,489 million of dividends paid. The increase of ¥59,221 million in outflows compared to the figure for the six-month period ended June 30, 2024 was mainly due to a decrease of ¥42,281 million in the borrowing of short-term funds compared to the six-month period ended June 30, 2024, and outflows for the purchase of treasury shares in order to improve capital efficiency and return profits to shareholders, despite inflows of ¥30,000 million from issuance of bonds in the six-month period ended June 30, 2025, and the absence of the redemption of bonds, which is an outflow, in the six-month period ended June 30, 2024 (¥20,000 million).

(3) Forecast for Consolidated Financial Results

In response to the consolidated operating results for the six-month period ended June 30, 2025, the Company revised its consolidated operating results forecast for the fiscal year ending December 31, 2025, announced on February 14, 2025 as follows:

Revisions of the consolidated operating results forecast for the fiscal year ending December 31, 2025

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Amount of change (B) – (A)	Change (%)	(Reference) FY2024
Revenue	2,380,000	2,380,000	–	–	2,329,861
Business profit before research and development expenses	727,000	745,000	18,000	2.5	744,696
Business profit	375,000	400,000	25,000	6.7	430,463
Operating profit	375,000	450,000	75,000	20.0	323,564
Profit before tax	370,000	430,000	60,000	16.2	335,854
Profit for the year	279,000	334,000	55,000	19.7	347,271
Profit attributable to owners of the Company	275,000	330,000	55,000	20.0	343,120
Basic earnings per share (Yen)	512.01	622.52			633.76

Research and development expenses	352,000	345,000	(7,000)	(2.0)	314,233
--------------------------------------	---------	---------	---------	-------	---------

(Note) Forecast exchange rates are as follows:

	Previous forecast	Revised forecast
USD	150 yen	145 yen
EUR	156 yen	160 yen

In the pharmaceutical business, revenue is expected to exceed the segment forecast announced in February partly owing to the new consolidation of the U.S. IV solution business company Otsuka ICU Medical, despite the impact of exchange rates. In the nutraceutical business, revenue is expected to fall short of the February plan due to the impact of exchange rates. As a result, consolidated revenue is expected to be in line with the February plan.

Selling general and administrative expenses are expected to be less than the February plan due to the impact of exchange rates. The Group will continue to engage in growth investment involving new businesses and promote further cost adjustments in existing businesses.

Research and development expenses are expected to be lower than the planned amount due to the impact of foreign exchange fluctuations, despite planned investments toward sustainable growth, for the development of our “Next 8” products in the development pipeline such as 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 in the previous fiscal year.

Business profit is expected to exceed the plan. This is because although revenue is expected to be in line with the plan, selling, general and administrative expenses and research and development expenses are expected to be less than the plan.

Operating profit is also expected to exceed the plan. This is due to the increase in other income as a result of performing a series of accounting treatment related to the sale of some shares of MicroPort Scientific Corporation, which was an associate accounted for using the equity method.

In line with this, profit before tax and profit attributable to owners of the Company are expected to exceed the target amounts.

In addition, the situation is extremely opaque due to factors such as the impacts of pharmaceutical pricing policies and tariffs in the U.S. However, the Company is taking all possible measures and expects that such impacts on the operating results in 2025 will be limited.

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 June 30, 2025
Assets		
Current assets		
Cash and cash equivalents	426,173	411,111
Trade and other receivables	515,289	499,900
Inventories	298,292	350,531
Income taxes receivable	3,531	4,506
Other financial assets	31,905	25,537
Other current assets	91,780	98,734
Subtotal	1,366,972	1,390,322
Assets held for sale	—	957
Total current assets	1,366,972	1,391,279
Non-current assets		
Property, plant and equipment	628,544	641,068
Goodwill	449,464	482,278
Intangible assets	544,247	540,528
Investments accounted for using the equity method	314,780	319,297
Other financial assets	206,272	190,712
Deferred tax assets	205,700	200,001
Other non-current assets	23,267	24,131
Total non-current assets	2,372,278	2,398,018
Total assets	3,739,251	3,789,298

	(Millions of yen)	
	As of December 31, 2024	As of June 30, 2025
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	219,996	209,845
Bonds and borrowings	7,350	37,707
Lease liabilities	21,146	20,043
Other financial liabilities	4,387	2,162
Income taxes payable	29,250	49,422
Provisions	1,242	656
Contract liabilities	13,952	12,278
Other current liabilities	335,338	343,721
Total current liabilities	632,664	675,838
Non-current liabilities		
Bonds and borrowings	87,275	86,547
Lease liabilities	73,612	67,211
Other financial liabilities	53,127	60,748
Income taxes payable	1,584	601
Net defined benefit liabilities	12,564	11,833
Provisions	3,766	3,785
Contract liabilities	35,361	30,802
Deferred tax liabilities	28,801	31,514
Other non-current liabilities	32,327	33,740
Total non-current liabilities	328,421	326,785
Total liabilities	961,085	1,002,624
Equity		
Equity attributable to owners of the Company		
Share capital	81,690	81,690
Capital surplus	478,486	428,384
Treasury shares	(67,398)	(85,186)
Retained earnings	1,904,404	2,050,395
Other components of equity	336,397	247,113
Total equity attributable to owners of the Company	2,733,580	2,722,396
Non-controlling interests	44,584	64,277
Total equity	2,778,165	2,786,674
Total liabilities and equity	3,739,251	3,789,298

(2) Condensed Interim Consolidated Statements of Income

(Millions of yen)

	FY2024 (From January 1, 2024 to June 30, 2024)	FY2025 (From January 1, 2025 to June 30, 2025)
Revenue	1,108,930	1,180,766
Cost of sales	(316,211)	(325,425)
Gross profit	792,718	855,341
Selling, general and administrative expenses	(453,722)	(471,976)
Share of profit of investments accounted for using the equity method	18,575	18,760
Research and development expenses	(143,949)	(162,903)
Impairment losses	(104,076)	(531)
Other income	17,383	5,001
Other expenses	(650)	(1,572)
Operating profit	126,279	242,118
Finance income	20,581	7,702
Finance expenses	(4,665)	(23,477)
Profit before tax	142,195	226,343
Income tax expenses	(31,570)	(50,479)
Profit for the period	110,625	175,863
Attributable to:		
Owners of the Company	107,795	173,529
Non-controlling interests	2,829	2,334
Profit for the period	110,625	175,863
Earnings per share:		
Basic earnings per share (Yen)	198.61	326.12
Diluted earnings per share (Yen)	—	—

(3) Condensed Interim Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2024 (From January 1, 2024 to June 30, 2024)	FY2025 (From January 1, 2025 to June 30, 2025)
Profit for the period	110,625	175,863
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	292	(421)
Financial assets measured at fair value through other comprehensive income	5,389	(525)
Share of other comprehensive income of investments accounted for using the equity method	202	140
Subtotal	5,884	(805)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	121,996	(80,495)
Cash flow hedges	(65)	39
Share of other comprehensive income of investments accounted for using the equity method	26,099	(2,563)
Subtotal	148,031	(83,019)
Total other comprehensive income	153,915	(83,825)
Total comprehensive income for the period	264,541	92,038
Attributable to:		
Owners of the Company	260,182	90,543
Non-controlling interests	4,358	1,494
Total comprehensive income for the period	264,541	92,038

(4) Condensed Interim Consolidated Statements of Changes in Equity
FY2024 (From January 1, 2024 to June 30, 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	—	—	—	107,795	—	—
Other comprehensive income	—	—	—	—	378	5,505
Comprehensive income for the period	—	—	—	107,795	378	5,505
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(32,561)	—	—
Share-based payment transactions	—	(578)	1,062	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	41	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	1,059	(378)	(681)
Total transactions with owners	—	(537)	1,060	(31,502)	(378)	(681)
Balance as of June 30, 2024	81,690	505,692	(43,608)	1,697,511	—	52,179

	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, 2024	181,815	43	229,214	2,393,683	42,634	2,436,317
Profit for the period	—	—	—	107,795	2,829	110,625
Other comprehensive income	146,568	(65)	152,386	152,386	1,529	153,915
Comprehensive income for the period	146,568	(65)	152,386	260,182	4,358	264,541
Purchase of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	—	(32,561)	(1,594)	(34,155)
Share-based payment transactions	—	—	—	484	—	484
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	41	(454)	(413)
Transfer from other components of equity to retained earnings	—	—	(1,059)	—	—	—
Total transactions with owners	—	—	(1,059)	(32,037)	(2,049)	(34,086)
Balance as of June 30, 2024	328,384	(21)	380,542	2,621,829	44,943	2,666,772

	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	—	—	—	173,529	—	—
Other comprehensive income	—	—	—	—	(397)	(397)
Comprehensive income for the period	—	—	—	173,529	(397)	(397)
Purchase of treasury shares	—	—	(70,096)	—	—	—
Cancellation of treasury shares	—	(51,802)	51,802	—	—	—
Dividends	—	—	—	(32,225)	—	—
Share-based payment transactions	—	88	506	—	—	—
Changes in non-controlling interests in subsidiaries that result in obtaining of control	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	1,611	—	(1,611)	—	—
Transfer from other components of equity to retained earnings	—	—	—	6,299	397	(6,696)
Total transactions with owners	—	(50,102)	(17,787)	(27,538)	397	(6,696)
Balance as of June 30, 2025	81,690	428,384	(85,186)	2,050,395	—	32,229

	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, 2025	297,086	(11)	336,397	2,733,580	44,584	2,778,165
Profit for the period	—	—	—	173,529	2,334	175,863
Other comprehensive income	(82,230)	39	(82,985)	(82,985)	(839)	(83,825)
Comprehensive income for the period	(82,230)	39	(82,985)	90,543	1,494	92,038
Purchase of treasury shares	—	—	—	(70,096)	—	(70,096)
Cancellation of treasury shares	—	—	—	—	—	—
Dividends	—	—	—	(32,225)	(1,779)	(34,005)
Share-based payment transactions	—	—	—	594	—	594
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	—	19,977	19,977
Transfer from retained earnings to capital surplus	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	(6,299)	—	—	—
Total transactions with owners	—	—	(6,299)	(101,727)	18,197	(83,529)
Balance as of June 30, 2025	214,855	27	247,113	2,722,396	64,277	2,786,674

(5) Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	FY2024 (From January 1, 2024 to June 30, 2024)	FY2025 (From January 1, 2025 to June 30, 2025)
Cash flows from operating activities		
Profit before tax	142,195	226,343
Depreciation and amortization expenses	53,402	55,158
Impairment losses and reversal of impairment losses	104,076	531
Share of profit of investments accounted for using the equity method	(18,575)	(18,760)
Finance income	(20,581)	(7,702)
Finance expenses	4,665	23,477
Increase in inventories	(33,354)	(43,516)
Increase in trade and other receivables	(17,336)	(6,854)
(Decrease) increase in trade and other payables	(15,882)	13,583
Other	(30,161)	(4,269)
Subtotal	168,448	237,992
Interest and dividends received	12,465	6,592
Interest paid	(2,238)	(2,115)
Income taxes paid	(45,634)	(29,743)
Net cash flows provided by operating activities	133,040	212,725
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	305	174
Payments for acquisition of property, plant and equipment	(47,699)	(45,667)
Payments for acquisition of intangible assets	(19,919)	(11,644)
Proceeds from sales and redemption of investments	5,027	11,447
Payments for acquisition of investments	(72,220)	(4,123)
Payments for acquisition of subsidiaries	(2,601)	(86,625)
(Increase) decrease in time deposits	(22,942)	5,300
Other	847	195
Net cash flows used in investing activities	(159,203)	(130,943)
Cash flows from financing activities		
Purchase of treasury shares	(1)	(70,096)
Change in short-term borrowings, net	43,151	869
Proceeds from long-term borrowings	150	—
Repayments of long-term borrowings	(3,962)	(822)
Proceeds from issuance of bonds	—	30,000
Redemption of bonds	(20,000)	—
Repayments of lease liabilities	(11,019)	(11,843)
Dividends paid	(34,066)	(33,489)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(413)	—
Net cash flows used in financing activities	(26,161)	(85,383)
Decrease in cash and cash equivalents	(52,323)	(3,600)
Cash and cash equivalents at the beginning of the period	513,341	426,173
Effect of exchange rate changes on cash and cash equivalents	24,875	(11,461)
Cash and cash equivalents at the end of the period	485,892	411,111

(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 June 30, 2024)

(Millions of yen)							
	Reportable segment					Adjustments *	Consolidated
	Pharma- ceuticals	Nutra- ceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	766,728	271,810	15,666	54,725	1,108,930	—	1,108,930
Intersegment revenue or transfers	—	15	3	1,753	1,772	(1,772)	—
Total	766,728	271,826	15,670	56,478	1,110,702	(1,772)	1,108,930
Segment profit	96,025	37,339	12,291	4,817	150,474	(24,194)	126,279

* Adjustments to segment profit of ¥(24,194) million include intersegment eliminations of ¥(218) million, unallocated corporate expenses of ¥(27,563) million and other income of ¥3,588 million. Corporate expenses are incurred in administrative departments such as headquarters.

FY2025 (From January 1, 2025 to June 30, 2025)

(Millions of yen)							
	Reportable segment					Adjustments *	Consolidated
	Pharma- ceuticals	Nutra- ceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	833,782	276,038	15,836	55,110	1,180,766	—	1,180,766
Intersegment revenue or transfers	—	19	9	1,633	1,661	(1,661)	—
Total	833,782	276,057	15,845	56,743	1,182,428	(1,661)	1,180,766
Segment profit	215,352	36,681	12,861	5,010	269,905	(27,786)	242,118

* Adjustments to segment profit of ¥(27,786) million include intersegment eliminations of ¥(303) million, unallocated corporate expenses of ¥(28,502) million and other income of ¥1,018 million. Corporate expenses are incurred in administrative departments such as headquarters.

Business Combinations

1. Significant business combinations

FY2025 (From January 1, 2025 to June 30, 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) Method 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	75,966
Cash	62,517
Contingent consideration	13,448
Fair value of assets acquired and liabilities assumed	
Current assets	5,900
Non-current assets	26,587
Current liabilities	(3,266)
Non-current liabilities	(5,216)
Fair value of assets acquired and liabilities assumed	24,004
Goodwill	51,961

Notes: 1. The direct cost of the acquisition was ¥1,135 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 ¥150 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 June 30, 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.
5. The major component of non-current assets allocated to intangible assets is ¥26,546 million in other intangible assets.
6. Non-current liabilities include ¥5,216 million in deferred tax liabilities recognized as a result of the business combination.

(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.

(Making Otsuka ICU Medical LLC a subsidiary)

The Company's consolidated subsidiary, Otsuka Pharmaceutical Factory, Inc. (hereinafter "Otsuka Pharmaceutical Factory"), through its U.S. subsidiary Otsuka Pharmaceutical Factory America, Inc. (hereinafter "OPFA"), entered into an agreement with ICU Medical, Inc. (hereinafter "ICU Medical") for capital participation in a new IV solution business company newly established by ICU Medical on November 12, 2024. Effective May 1, 2025, OPFA acquired 60% of the shares of the IV solution business company newly established by ICU Medical, changed its name to Otsuka ICU Medical LLC (hereinafter "Otsuka ICU Medical"), and made it a subsidiary.

(1) Outline of business combination

(i) Name of acquired company and business description

Name of acquired company: Otsuka ICU Medical LLC
 Business description: Focusing on basic IV and clinical nutrition pharmaceutical products, and the manufacturing, import and sales of medical devices

(ii) Main reasons for the business combination

Otsuka ICU Medical, which possesses one of the largest basic IV solution factories in North America, was newly established by ICU Medical, a company engaged in the development, manufacturing, and sales of innovative medical products used in IV therapy, vascular access, and vital care applications. After acquiring the IV solution business from ICU Medical, OPFA obtained 60% of the shares from ICU Medical, making Otsuka ICU Medical a subsidiary of OPFA.

The IV solution market in North America is one of the largest in the world and continues to expand annually. Otsuka Pharmaceutical Factory, the largest IV solution manufacturer in Japan, and ICU Medical, a leading comprehensive IV solution manufacturer in North America, aim to strengthen the supply system for IV solutions in North America through Otsuka ICU Medical, contributing to stable supply while further enhancing the IV solution business in North America and promoting technological innovation in products.

(iii) Date of obtaining control

May 1, 2025

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

OPFA, the U.S. subsidiary of the Company's consolidated subsidiary Otsuka Pharmaceutical Factory, acquired 60% of the shares of Otsuka ICU Medical in exchange for cash.

(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	29,965
Cash	29,965
Fair value of assets acquired and liabilities assumed	
Current assets	20,154
Non-current assets	22,579
Current liabilities	(3,602)
Non-current liabilities	—
Fair value of assets acquired and liabilities assumed	39,130
Non-controlling interests	19,977
Goodwill	10,812

Notes: 1. The direct cost of the acquisition was ¥466 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 ¥1,737 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 cost has not been completed as of June 30, 2025.
4. Non-controlling interests are measured at the proportionate share of non-controlling shareholders in the fair value of identifiable net assets of the acquired company.

(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 Otsuka ICU Medical 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), 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 repinetrabit 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 June 30, 2024)

(Millions of yen)

	Amount
Balance as of January 1, 2024	16,210
Changes in fair value	1,203
Foreign currency translation adjustment	2,277
Balance as of June 30, 2024	19,691

FY2025 (From January 1, 2025 to June 30, 2025)

(Millions of yen)

	Amount
Balance as of January 1, 2025	52,544
Business combination	13,448
Changes in fair value	841
Foreign currency translation adjustment	(4,462)
Balance as of June 30, 2025	62,371

Subsequent Events

Sale of shares of associates accounted for using the equity method

The Company's consolidated subsidiary, Otsuka Medical Devices Co., Ltd. (hereinafter referred to as "Otsuka Medical Devices"), entered into an agreement on July 25, 2025, to transfer a portion of its shares in MicroPort Scientific Corporation (hereinafter referred to as "MicroPort") to the counterparties specified in "3. Name of transferee" through transactions based on three share transfer agreements.

This share transfer is scheduled to be completed during the third quarter of 2025, and as a result of this transfer, MicroPort will be excluded from being an equity-method affiliate of the Company.

1. Reason for the transfer

With the aim of achieving the Group's sustainable growth and improving its corporate value over the medium to long term, Otsuka Medical Devices decided to sell a portion of the shares in MicroPort after examining economic rationality and qualitative holding significance.

2. Name of associate accounted for using the equity method and business description

Name of company:	MicroPort Scientific Corporation
Business description:	Manufacture and sale of medical devices

3. Name of transferee

Transferee 1

Name of counterparty:	Shanghai MedTech Medical Equipment Partnership Enterprise
Number of shares to be transferred:	135,335,204 shares
Closing date:	Closing shall take place upon obtaining approval from relevant governmental authorities

Transferee 2

Name of counterparty:	We'Tron Capital Limited
Number of shares to be transferred:	135,335,204 shares
Closing date:	August 2025 (Schedule)

Transferee 3

Name of counterparty:	Goal Carol Limited Jonathan W Chen Jumbo Glorious Limited
Number of shares to be transferred:	20,000,000 shares
Closing date:	August 2025 (Schedule)

4. Number of shares to be transferred and number of shares held after the transfer

Number of shares to be transferred:	290,670,408 shares
Number of shares held after the transfer:	92,323,712 shares (Ratio of voting rights owned: 4.99%)

As a result of performing a series of accounting treatments related to this share transfer, the Group expects to record other income of approximately ¥40 billion to ¥50 billion in the fiscal year ending December 31, 2025.