

Consolidated Financial Results for the Nine-Month Period Ended September 30, 2025 [IFRS]

October 31, 2025

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 Stock exchange listing : Tokyo Stock Exchange
 Code number : 4578
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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 Nine-month Period Ended September 30, 2025 (January 1, 2025 to September 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine-month period ended September 30, 2025	1,818,743	5.1	366,503	1.3	407,421	56.1	301,425	54.6	297,658	55.3	267,571	31.6
September 30, 2024	1,730,076	17.0	361,951	40.0	261,045	28.8	194,982	17.9	191,672	18.5	203,344	(35.8)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine-month period ended September 30, 2025	560.81	—
September 30, 2024	353.33	—

* 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 September 30, 2025	3,959,538	2,925,674	2,859,120	72.2	5,413.65
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: 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)

	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	2,420,000	3.9	410,000	(4.8)	452,000	39.7	334,000	(3.8)	330,000	(3.8)

* Revisions to financial forecast most recently announced: Yes

‡ Notes

(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):

September 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:

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

Nine-month period ended September 30, 2025	530,759,580 shares
Nine-month period ended September 30, 2024	542,470,300 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 10 for details with regard to the assumptions and other matters concerning the financial forecast.

The Company will hold a conference call for institutional investors, analysts and the press on Friday, October 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 call.

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1. Overview of Operating Results and Financial Position

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

(1) Overview of Consolidated Operating Results for the Nine-Month Period Ended September 30, 2025

Summary of consolidated financial results for the nine-month period ended September 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)			
	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2025	Change	% Change
Revenue	1,730,076	1,818,743	88,667	5.1%
Business profit before research and development expenses	582,098	615,151	33,053	5.7%
Business profit	361,951	366,503	4,551	1.3%
Operating profit	261,045	407,421	146,375	56.1%
Profit before tax	256,015	392,772	136,756	53.4%
Profit for the period	194,982	301,425	106,443	54.6%
Profit attributable to owners of the Company	191,672	297,658	105,985	55.3%
Research and development expenses	220,146	248,648	28,501	12.9%
Impairment losses	119,875	14,272	(105,602)	(88.1)%

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 nine-month period ended September 30, 2025 totaled ¥1,818,743 million (up 5.1% over the same period of the previous fiscal year), as all operating segments recorded increased revenue. 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*, and others in the pharmaceutical business. In the nutraceutical business, revenue increased due to growth in “For Women’s Health” category and “For Healthier Life” category, among the three designated growth driver categories by social issues.

Business profit before research and development expenses was ¥615,151 million (up 5.7%). The main factors were increased gross profit in line with increased revenue.

Research and development expenses totaled ¥248,648 million (up 12.9%). In the development pipeline, development expenses increased for the development of our “Next 8” products such as the new antipsychotic agent ulotaront, centanafadine for the treatment of attention-deficit hyperactivity disorder (ADHD), 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 increased to ¥366,503 million (up 1.3%) as a result of steady revenue growth.

Operating profit was ¥407,421 million (up 56.1%) due to the increase in business profit, as well as the recording of gain associated with the sale of shares of MicroPort Scientific Corporation (hereinafter “MicroPort”), despite the recording of impairment losses at Daiya Foods Inc. and others. As a result, the Company achieved a significant increase in profit compared to the nine-month period ended September 30, 2024, in which large-scale impairment losses were recorded.

Profit for the period was ¥301,425 million (up 54.6%), and profit attributable to owners of the Company was ¥297,658 million (up 55.3%).

Results by business segment are as follows.

Revenue and business profit by business segment during nine-month period ended September 30, 2025

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	1,278,680	430,767	25,811	85,991	(2,506)	1,818,743
Business profit	320,986	59,142	21,174	6,701	(41,502)	366,503

Reference (nine-month period ended September 30, 2024)

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	1,200,823	421,453	25,433	85,004	(2,638)	1,730,076
Business profit	314,933	59,715	21,275	6,200	(40,173)	361,951

1) Pharmaceuticals

Revenue for the nine-month period ended September 30, 2025 totaled ¥1,278,680 million (up 6.5%), with business profit of ¥320,986 million (up 1.9%).

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 ¥244,281 million (up 24.9%).

*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., the number of prescriptions treatment in combination with bevacizumab for colorectal cancer increased as awareness grew following its recommendation in NCCN Guidelines*⁴, leading to an increase in sales. 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 increased slightly. As a result, sales of *LONSURF* totaled ¥78,039 million (up 1.0%).

*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 slightly 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 Japan, sales increased due to stronger detailing activities for bipolar I disorder, in addition to schizophrenia. As a result, sales of *ABILIFY MAINTENA* totaled ¥167,511 million (up 0.7%).

- 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 ¥25,769 million (up 99.3%).

- 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, leading to a decrease in sales. In Europe and Japan, the business was also affected by generics, leading to a decrease in sales. As a result, sales of *Samsca/JINARC/JYNARQUE* totaled ¥181,516 million (down 13.9%).

*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 nine-month period ended September 30, 2025 totaled ¥430,767 million (up 2.2%). Business profit totaled ¥59,142 million (down 1.0%), mainly due to an increase in sales promotion expenses for expanding women's health, which is one of the three categories by social issues defined by the Company, and also for branching out into the new areas concerning *POCARI SWEAT*, among others.

<Three categories by social issues>

- For Climate & Environmental Risk

While *POCARI SWEAT*, an electrolyte supplement drink, experienced a decrease in sales volume in Japan due to a reduction in consumer activity levels, attributed to frequent heat disorder warnings in July and August, anticipating the recovery of consumer activity levels following the end of extreme heat, we continued into September our activities to educate consumers about the importance of hydration and replenishment of electrolytes and to create opportunities for drinking experiences. By enhancing brand value through providing support to athletes, officials, and visitors at the World Athletics Championships Tokyo 25, we boosted demand. Overseas, we launched the product in India as a new expansion area in July. 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 remained on par with the same period of the previous fiscal year 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 ¥157,811 million (down 0.3%).

- For Women's Health

In North America, revenue increased mainly due to the strong growth of *Thermella*, a dietary supplement sold by Bonafide Health, LLC that targets hot flashes and night sweats at the source. Revenue increased 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 ¥45,039 million (up 8.8%).

- For Healthier Life

Nature Made supplements by Pharmavite LLC are created and expanded around the pillars of three core values - Science, Innovation and Quality. In the U.S., *Nature Made* sales continued to see strong growth^{*7} behind innovative new product development 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* grew, as we commenced sale of new products and expansion of new sales channels. As a result, revenue for this category totaled ¥169,298 million (up 4.1%).

*7: Circana Data; Market Advantage; 4 wks 09/07/2025, 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 nine-month period ended September 30, 2025 totaled ¥25,811 million (up 1.5%), with business profit of ¥21,174 million (down 0.5%).

CRYSTAL GEYSER saw an increase in sales volume mainly through e-commerce channels, despite a slightly declining sales trend in the mineral water market*⁹ in Japan. Moreover, through the World Athletics Championships Tokyo 25, we strove to further improve brand recognition in Japan and overseas. As for *MATCH*, a carbonated vitamin drink, sales volume increased due to improved brand value as a result of marketing activities that boosted brand recognition and enhanced the drinking experience by creating touchpoints through a measure focusing on the empathy and experiential initiatives, targeting mostly high school students.

*9: intage SRI+

4) Others

Revenue for the nine-month period ended September 30, 2025 totaled ¥85,991 million (up 1.2%), with business profit of ¥6,701 million (up 8.1%).

Revenue increased slightly in the specialty chemical business, centered on the automobile and electronic equipment 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 nine-month period ended September 30, 2025 totaled ¥248,648 million.

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

Pharmaceuticals

Based on the theme of “unmet medical needs,” the Group conducts research and development with a primary focus on the areas of psychiatry and neurology, oncology, cardiovascular and renal system, the autoimmune space, etc.

Research and development expenses in the pharmaceutical business for the nine-month period ended September 30, 2025 were ¥235,946 million.

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

Category	Development Code	Brand Name	Generic Name	Area	Treatment/ Indication	Status* ¹
Psychiatry and neurology	OPC-34712	<i>REXULTI</i> / <i>RXULTI</i>	brexpiprazole	U.S.	Posttraumatic stress disorder	Discontinued for strategic reason
	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 were discontinued for strategic reasons
Oncology	ASTX727	<i>INQOVI</i>	decitabine, cedazuridine	U.S.	Acute myeloid leukemia	An application was filed in July 2025
	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

Category	Development Code	Brand Name	Generic Name	Area	Treatment/ Indication	Status* ¹
Cardio-vascular and renal system	ETC-1002	<i>NEXLETOL</i>	bempedoic acid	Japan	Hypercholesterolemia, Familial hypercholesterolemia	Granted approval in September 2025
	OPC-131461	—	—	Japan	Cardiac edema	Phase II trial was discontinued for strategic reasons
	OPC-61815	<i>Samtasu</i>	tolvaptan sodium phosphate	China	Cardiac edema	Granted approval in September 2025
	PRDS-001	<i>Paradise System</i>	ultrasound renal denervation system	Japan	Resistant hypertension	Granted approval in August 2025
Autoimmune field	VIS649	—	sibeprenlimab	U.S.	IgA nephropathy	An application was filed in March 2025
				China	IgA nephropathy	An application was filed in August 2025
	CAN10	—	—	To be determined	Autoimmune disease	Phase I trial ongoing
	OPF-310	—	—	U.S.	Type 1 diabetes	Phase I/II trial was initiated in August 2025
Other categories	VIS649	—	sibeprenlimab	U.S.	Sjögren's syndrome	Phase II trial was initiated in June 2025
	OPA-15406	<i>Moizerto</i>	difamilast	China	Atopic dermatitis	An application was filed in August 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 nine-month period ended September 30, 2025 were ¥8,304 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 nine-month period ended September 30, 2025 were ¥466 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 nine-month period ended September 30, 2025 were ¥3,930 million.

(2) Overview of Consolidated Financial Position as of September 30, 2025

1) Assets, Liabilities and Equity

(Millions of yen)

	As of December 31, 2024	As of September 30, 2025	Change
Current assets	1,366,972	1,508,888	141,915
Non-current assets	2,372,278	2,450,650	78,371
Total assets	3,739,251	3,959,538	220,287
Current liabilities	632,664	698,274	65,610
Non-current liabilities	328,421	335,589	7,168
Total liabilities	961,085	1,033,864	72,779
Total equity	2,778,165	2,925,674	147,508

a. Assets

Total assets as of September 30, 2025 were ¥3,959,538 million, an increase of ¥220,287 million compared to ¥3,739,251 million as of December 31, 2024. Current assets increased by ¥141,915 million, and non-current assets increased by ¥78,371 million.

(Current Assets)

Current assets as of September 30, 2025 were ¥1,508,888 million, an increase of ¥141,915 million compared to ¥1,366,972 million as of December 31, 2024. This was mainly due to an increase in inventories by ¥61,731 million as a result of making Otsuka ICU Medical LLC (hereinafter “Otsuka ICU Medical”) a subsidiary and other factors, as well as increases in cash and cash equivalents by ¥65,971 million, and trade and other receivables by ¥10,329 million.

(Non-current Assets)

Non-current assets as of September 30, 2025 were ¥2,450,650 million, an increase of ¥78,371 million compared to ¥2,372,278 million as of December 31, 2024. This was mainly due to increases in property, plant and equipment by ¥22,591 million and goodwill by ¥46,493 million as a result of making Araris Biotech AG (hereinafter “Araris”) and Otsuka ICU Medical subsidiaries and other factors, partially offset by a decrease in deferred tax assets by ¥16,221 million.

b. Liabilities

Total liabilities as of September 30, 2025 were ¥1,033,864 million, an increase of ¥72,779 million compared to ¥961,085 million as of December 31, 2024. Current liabilities increased by ¥65,610 million, and non-current liabilities increased by ¥7,168 million.

(Current Liabilities)

Current liabilities as of September 30, 2025 were ¥698,274 million, an increase of ¥65,610 million compared to ¥632,664 million as of December 31, 2024. This was mainly due to an increase in bonds and borrowings by ¥28,692 million mainly due to an increase in current portion of bonds, and increases in income taxes payable by ¥17,336 million and other current liabilities by ¥47,972 million, partially offset by a decrease in trade and other payables by ¥25,973 million.

(Non-current Liabilities)

Non-current liabilities as of September 30, 2025 were ¥335,589 million, an increase of ¥7,168 million compared to ¥328,421 million as of December 31, 2024. This was mainly due to an increase in other financial liabilities by ¥10,168 million mainly due to the recording of contingent considerations for the acquisition of Araris, and an increase in deferred tax liabilities by ¥3,617 million, partially offset by a decrease in contract liabilities by ¥6,442 million.

c. Equity

Total equity as of September 30, 2025 was ¥2,925,674 million, an increase of ¥147,508 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 ¥231,690 million mainly due to the recording of profit attributable to owners of the Company of ¥297,658 million, despite dividend payments of ¥69,194 million, an increase in treasury shares amounting to ¥17,787 million and a decrease in capital surplus amounting to ¥49,953 million, which are attributable to the share buyback and subsequent cancellation 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 ¥38,408 million, mainly due to the impact of exchange rate fluctuations.

2) Cash Flows

Cash and cash equivalents as of September 30, 2025 were ¥492,145 million, an increase of ¥65,971 million compared to the balance as of December 31, 2024. For the nine-month period ended September 30, 2025, net cash flows provided by operating activities were ¥318,886 million, while net cash flows used in investing activities were ¥112,269 million mainly as a result of newly making Araris and Otsuka ICU Medical subsidiaries in the pharmaceutical business, capital investments mainly in the pharmaceutical business and nutraceutical business toward sustainable growth, and the sale of shares of MicroPort, which was an associate accounted for using the equity method. In addition, while there were issuances of bonds, share buybacks were conducted 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 ¥130,527 million.

Thus, cash and cash equivalents were increased to ¥492,145 million as operating cash inflows exceeded the total investing and financing cash outflows.

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

Cash Flows from Operating Activities

Net cash flows provided by operating activities were ¥318,886 million, an increase of ¥36,323 million compared to the figure for the nine-month period ended September 30, 2024.

Cash flows provided by operating activities for the nine-month period ended September 30, 2025 mainly consisted of ¥392,772 million of profit before tax, ¥83,644 million of depreciation and amortization expenses, ¥48,838 million of increase in inventories, ¥24,880 million of increase in trade and other receivables, ¥34,254 million of outflows from other operating activities, and ¥59,381 million of income taxes paid. Major factors of the increase of ¥36,323 million in the net inflow compared to the figure for the nine-month period ended September 30, 2024 were as follows: Strong performance driven by higher revenue in the pharmaceutical business resulted in a ¥136,756 million increase in profit before tax, among other factors, more than offsetting the impact of a ¥105,602 million decrease in impairment losses, which are non-cash expenses, compared to the nine-month period ended September 30, 2024.

Cash Flows from Investing Activities

Net cash flows used in investing activities were ¥112,269 million, a decrease in outflows of ¥178,653 million compared to the figure for the nine-month period ended September 30, 2024.

Cash flows used in investing activities for the nine-month period ended September 30, 2025 mainly consisted of ¥64,090 million of payments for acquisition of property, plant and equipment, ¥24,282 million of payments for acquisition of intangible assets, ¥65,460 million of proceeds from sales and redemption of investments, including the sale of shares of MicroPort, and ¥87,279 million of payments for acquisition of subsidiaries related to Araris, Otsuka ICU Medical and others. The decrease of ¥178,653 million in outflows compared to the figure for the nine-month period ended September 30, 2024 was mainly due to a ¥28,292 million decrease in payments for acquisition of subsidiaries, a ¥56,435 million increase in proceeds from sales and redemption of investments due to the sale of shares of MicroPort, a ¥69,648 million decrease in payments for acquisition of investments, and a decrease in outflow of ¥18,162 million from time deposits.

Cash Flows from Financing Activities

Net cash flows used in financing activities were ¥130,527 million, compared to ¥21,952 million provided for the nine-month period ended September 30, 2024.

Cash flows used in financing activities for the nine-month period ended September 30, 2025 mainly consisted of ¥70,096 million of share buybacks, ¥30,000 million of proceeds from issuance of bonds, ¥17,567 million of repayments of lease liabilities and ¥70,975 million of dividends paid. The difference of ¥152,479 million in cash flows compared to the figure for the nine-month period ended September 30, 2024 was mainly due to a decrease of ¥133,147 million in the borrowing of short-term funds compared to the nine-month period ended September 30, 2024, and outflows for share buybacks conducted in order to improve capital efficiency and return profits to shareholders.

(3) Forecast for Consolidated Financial Results

In response to the consolidated operating results for the nine-month period ended September 30, 2025, the Company revised its consolidated operating results forecast for the fiscal year ending December 31, 2025, announced on July 31, 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	2,420,000	40,000	1.7	2,329,861
Business profit before research and development expenses	745,000	763,000	18,000	2.4	744,696
Business profit	400,000	410,000	10,000	2.5	430,463
Operating profit	450,000	452,000	2,000	0.4	323,564
Profit before tax	430,000	436,000	6,000	1.4	335,854
Profit for the year	334,000	334,000	—	—	347,271
Profit attributable to owners of the Company	330,000	330,000	—	—	343,120
Basic earnings per share (Yen)	622.52	622.52			633.76

Research and development expenses	345,000	353,000	8,000	2.3	314,233
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(Note) Forecast exchange rates are as follows:

	Previous forecast	Revised forecast
USD	145 yen	148 yen
EUR	160 yen	166 yen

In the pharmaceutical business, revenue is expected to exceed the segment forecast announced in July due to the impact of exchange rates and strong sales of *REXULTI*/*RXULTI*. In the nutraceutical business, revenue is expected to exceed the July plan due to the impact of exchange rates. As a result, consolidated revenue is expected to exceed the July plan.

Selling general and administrative expenses are expected to be higher than the July plan mainly due to the impact of exchange rates, as well as preparations for new product launches. 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 higher than the plan. This is because of the faster progress in trials for new antipsychotic agent ulotaront, one of the “Next 8” products aimed at sustainable growth.

Business profit is expected to exceed the plan, as the increase in gross profit from higher revenue is expected to surpass the growth in selling, general and administrative expenses, and research and development expenses.

Operating profit, despite the increase in business profit, is expected to be in line with the plan due to the occurrence of impairment losses.

Profit for the year is expected to be in line with the plan.

In addition, the situation remains 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 September 30, 2025
Assets		
Current assets		
Cash and cash equivalents	426,173	492,145
Trade and other receivables	515,289	525,619
Inventories	298,292	360,023
Income taxes receivable	3,531	4,741
Other financial assets	31,905	27,056
Other current assets	91,780	97,654
Subtotal	1,366,972	1,507,240
Assets held for sale	—	1,648
Total current assets	1,366,972	1,508,888
Non-current assets		
Property, plant and equipment	628,544	651,136
Goodwill	449,464	495,958
Intangible assets	544,247	541,232
Investments accounted for using the equity method	314,780	338,120
Other financial assets	206,272	205,522
Deferred tax assets	205,700	189,479
Other non-current assets	23,267	29,200
Total non-current assets	2,372,278	2,450,650
Total assets	3,739,251	3,959,538

(Millions of yen)

	As of December 31, 2024	As of September 30, 2025
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	219,996	194,022
Bonds and borrowings	7,350	36,042
Lease liabilities	21,146	21,821
Other financial liabilities	4,387	4,166
Income taxes payable	29,250	46,586
Provisions	1,242	722
Contract liabilities	13,952	11,600
Other current liabilities	335,338	383,311
Total current liabilities	632,664	698,274
Non-current liabilities		
Bonds and borrowings	87,275	86,317
Lease liabilities	73,612	74,256
Other financial liabilities	53,127	63,296
Income taxes payable	1,584	1,050
Net defined benefit liabilities	12,564	11,912
Provisions	3,766	3,820
Contract liabilities	35,361	28,919
Deferred tax liabilities	28,801	32,418
Other non-current liabilities	32,327	33,599
Total non-current liabilities	328,421	335,589
Total liabilities	961,085	1,033,864
Equity		
Equity attributable to owners of the Company		
Share capital	81,690	81,690
Capital surplus	478,486	428,532
Treasury shares	(67,398)	(85,186)
Retained earnings	1,904,404	2,136,094
Other components of equity	336,397	297,989
Total equity attributable to owners of the Company	2,733,580	2,859,120
Non-controlling interests	44,584	66,553
Total equity	2,778,165	2,925,674
Total liabilities and equity	3,739,251	3,959,538

(2) Condensed Interim Consolidated Statements of Income

(Millions of yen)

	FY2024 (From January 1, 2024 to September 30, 2024)	FY2025 (From January 1, 2025 to September 30, 2025)
Revenue	1,730,076	1,818,743
Cost of sales	(482,741)	(506,378)
Gross profit	1,247,334	1,312,365
Selling, general and administrative expenses	(695,052)	(726,202)
Share of profit of investments accounted for using the equity method	29,816	28,988
Research and development expenses	(220,146)	(248,648)
Impairment losses	(119,875)	(14,272)
Other income	20,391	59,445
Other expenses	(1,421)	(4,254)
Operating profit	261,045	407,421
Finance income	8,521	10,173
Finance expenses	(13,551)	(24,822)
Profit before tax	256,015	392,772
Income tax expenses	(61,033)	(91,346)
Profit for the period	194,982	301,425
Attributable to:		
Owners of the Company	191,672	297,658
Non-controlling interests	3,310	3,767
Profit for the period	194,982	301,425
Earnings per share:		
Basic earnings per share (Yen)	353.33	560.81
Diluted earnings per share (Yen)	—	—

(3) Condensed Interim Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2024 (From January 1, 2024 to September 30, 2024)	FY2025 (From January 1, 2025 to September 30, 2025)
Profit for the period	194,982	301,425
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	25	(301)
Financial assets measured at fair value through other comprehensive income	(838)	6,379
Share of other comprehensive income of investments accounted for using the equity method	195	201
Subtotal	(617)	6,279
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	5,205	(45,762)
Cash flow hedges	(36)	19
Share of other comprehensive income of investments accounted for using the equity method	3,810	5,609
Subtotal	8,979	(40,133)
Total other comprehensive income	8,362	(33,853)
Total comprehensive income for the period	203,344	267,571
Attributable to:		
Owners of the Company	200,372	263,954
Non-controlling interests	2,971	3,616
Total comprehensive income for the period	203,344	267,571

(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	—	—	—	191,672	—	—
Other comprehensive income	—	—	—	—	109	(797)
Comprehensive income for the period	—	—	—	191,672	109	(797)
Share buybacks	—	—	(20,039)	—	—	—
Dividends	—	—	—	(65,135)	—	—
Share-based payment transactions	—	(336)	1,062	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	(1,408)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	793	(109)	(683)
Total transactions with owners	—	(1,744)	(18,976)	(64,342)	(109)	(683)
Balance as of September 30, 2024	81,690	504,485	(63,646)	1,748,547	—	45,874

	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	—	—	—	191,672	3,310	194,982
Other comprehensive income	9,425	(36)	8,700	8,700	(338)	8,362
Comprehensive income for the period	9,425	(36)	8,700	200,372	2,971	203,344
Share buybacks	—	—	—	(20,039)	—	(20,039)
Dividends	—	—	—	(65,135)	(1,627)	(66,763)
Share-based payment transactions	—	—	—	726	—	726
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	(1,408)	(1,079)	(2,488)
Transfer from other components of equity to retained earnings	—	—	(793)	—	—	—
Total transactions with owners	—	—	(793)	(85,857)	(2,707)	(88,564)
Balance as of September 30, 2024	191,240	7	237,122	2,508,199	42,898	2,551,098

	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	—	—	—	297,658	—	—
Other comprehensive income	—	—	—	—	(278)	6,553
Comprehensive income for the period	—	—	—	297,658	(278)	6,553
Share buybacks	—	—	(70,096)	—	—	—
Cancellation of treasury shares	—	(51,802)	51,802	—	—	—
Dividends	—	—	—	(69,194)	—	—
Share-based payment transactions	—	361	506	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	8	—	—	—	—
Changes in non-controlling interests in subsidiaries that result in obtaining of control	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	1,478	—	(1,478)	—	—
Transfer from other components of equity to retained earnings	—	—	—	4,705	278	(4,984)
Total transactions with owners	—	(49,953)	(17,787)	(65,967)	278	(4,984)
Balance as of September 30, 2025	81,690	428,532	(85,186)	2,136,094	—	40,892

	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	—	—	—	297,658	3,767	301,425
Other comprehensive income	(39,997)	19	(33,703)	(33,703)	(150)	(33,853)
Comprehensive income for the period	(39,997)	19	(33,703)	263,954	3,616	267,571
Share buybacks	—	—	—	(70,096)	—	(70,096)
Cancellation of treasury shares	—	—	—	—	—	—
Dividends	—	—	—	(69,194)	(1,780)	(70,975)
Share-based payment transactions	—	—	—	867	—	867
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	8	(8)	—
Changes in non-controlling interests in subsidiaries that result in obtaining of control	—	—	—	—	20,141	20,141
Transfer from retained earnings to capital surplus	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	(4,705)	—	—	—
Total transactions with owners	—	—	(4,705)	(138,414)	18,351	(120,062)
Balance as of September 30, 2025	257,088	7	297,989	2,859,120	66,553	2,925,674

(5) Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	FY2024 (From January 1, 2024 to September 30, 2024)	FY2025 (From January 1, 2025 to September 30, 2025)
Cash flows from operating activities		
Profit before tax	256,015	392,772
Depreciation and amortization expenses	80,419	83,644
Impairment losses and reversal of impairment losses	119,875	14,272
Share of profit of investments accounted for using the equity method	(29,816)	(28,988)
Finance income	(8,521)	(10,173)
Finance expenses	13,551	24,822
Increase in inventories	(40,693)	(48,838)
Decrease (increase) in trade and other receivables	2,511	(24,880)
Decrease in trade and other payables	(15,945)	(2,932)
Other	(10,381)	(34,254)
Subtotal	367,015	365,444
Interest and dividends received	21,291	16,034
Interest paid	(3,363)	(3,210)
Income taxes paid	(102,380)	(59,381)
Net cash flows provided by operating activities	282,563	318,886
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	422	478
Payments for acquisition of property, plant and equipment	(68,051)	(64,090)
Payments for acquisition of intangible assets	(28,058)	(24,282)
Proceeds from sales and redemption of investments	9,024	65,460
Payments for acquisition of investments	(77,068)	(7,420)
Payments for acquisition of subsidiaries	(115,572)	(87,279)
(Increase) decrease in time deposits	(12,173)	5,988
Other	552	(1,123)
Net cash flows used in investing activities	(290,923)	(112,269)
Cash flows from financing activities		
Share buybacks	(20,039)	(70,096)
Change in short-term borrowings, net	132,413	(734)
Proceeds from long-term borrowings	150	—
Repayments of long-term borrowings	(5,254)	(1,153)
Proceeds from issuance of bonds	20,000	30,000
Redemption of bonds	(20,000)	—
Repayments of lease liabilities	(16,065)	(17,567)
Dividends paid	(66,763)	(70,975)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(2,488)	—
Net cash flows provided by (used in) financing activities	21,952	(130,527)
Increase in cash and cash equivalents	13,591	76,089
Cash and cash equivalents at the beginning of the period	513,341	426,173
Effect of exchange rate changes on cash and cash equivalents	(11,821)	(10,117)
Cash and cash equivalents at the end of the period	515,111	492,145

(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 September 30, 2024)

(Millions of yen)

	Reportable segment					Adjustments*	Consolidated
	Pharma- ceuticals	Nutra- ceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	1,200,823	421,429	25,427	82,395	1,730,076	—	1,730,076
Intersegment revenue or transfers	—	23	6	2,609	2,638	(2,638)	—
Total	1,200,823	421,453	25,433	85,004	1,732,714	(2,638)	1,730,076
Segment profit	214,080	56,147	21,261	6,699	298,189	(37,143)	261,045

* Adjustments to segment profit of ¥(37,143) million include intersegment eliminations of ¥(468) million, unallocated corporate expenses of ¥(40,745) million and other income of ¥4,070 million. Corporate expenses are incurred in administrative departments such as headquarters.

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

(Millions of yen)

	Reportable segment					Adjustments*	Consolidated
	Pharma- ceuticals	Nutra- ceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	1,278,680	430,736	25,793	83,534	1,818,743	—	1,818,743
Intersegment revenue or transfers	—	31	18	2,457	2,506	(2,506)	—
Total	1,278,680	430,767	25,811	85,991	1,821,250	(2,506)	1,818,743
Segment profit	371,609	48,555	21,219	7,125	448,511	(41,090)	407,421

* Adjustments to segment profit of ¥(41,090) million include intersegment eliminations of ¥(422) million, unallocated corporate expenses of ¥(42,163) million and other income of ¥1,496 million. Corporate expenses are incurred in administrative departments such as headquarters.

Impairment of Assets

FY2024 (From January 1, 2024 to September 30, 2024)

The Group recorded impairment losses of ¥119,875 million for the nine-month period ended September 30, 2024, ¥114,903 million of which related to the pharmaceutical business.

Impairment losses in the pharmaceutical business mainly consisted of impairment losses on AVP-786 of ¥102,676 million and assets related to digital medicine of ¥11,346 million.

With regard to AVP-786, after thoroughly analyzing the results of phase III trials (305 studies) that ended in February 2024, and taking a comprehensive view of the outcomes, the Group made the decision to discontinue development of the drug, and reduced the carrying amount of in-process research and development to the recoverable amount of zero, which is the value in use.

Regarding assets related to digital medicine, due to factors such as the decision of the discontinuation of *Abilify MyCite* sales in the U.S. that lowered profitability, the Group reduced the carrying amount of almost all property, plant and equipment (buildings and structures, machinery and vehicles, tools, furniture and fixtures, and construction in progress) and intangible assets (in-process research and development, trademarks, distribution rights and others, and other intangible assets) related to the business to the recoverable amount of zero, and recorded impairment losses of ¥11,346 million (¥187 million for buildings and structures, ¥558 million for machinery and vehicles, ¥2 million for tools, furniture and fixtures, ¥1,358 million for construction in progress, ¥2,837 million for in-process research and development, ¥565 million for trademarks, distribution rights and others, and ¥5,836 million for other intangible assets).

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

The Group recorded impairment losses of ¥14,272 million for the nine-month period ended September 30, 2025, ¥11,475 million of which related to the nutraceutical business.

In the nutraceutical business, the profitability of Daiya Foods Inc. (hereinafter “Daiya Foods”), which develops, manufactures and sells plant-based foods in North America, is expected to decline due to the sluggish plant-based food product market in North America. Accordingly, the Group reduced the carrying amount of the assets related to Daiya Foods to the recoverable amounts and recorded impairment losses of ¥11,233 million (¥4,839 million for buildings and structures, ¥2,309 million for machinery and vehicles, ¥8 million for tools, furniture and fixtures, ¥1,870 million for trademarks, distribution rights and others and ¥2,204 million for other intangible assets). The recoverable amounts are measured at fair value less costs of disposal. The fair value less costs of disposal is measured primarily by taking into account the analysis of the income approach, and is calculated by discounting the estimated amount of future cash flows for the next 10 years, based on the business plan reflecting past experience and external information and being approved by management, using a discount rate of 11.5%, which is calculated as pre-tax weighted average cost of capital. Beyond the projected period of the business plan, subsequent growth rate is estimated to be 3.0%. The hierarchy for the fair value is Level 3.

Business Combinations

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

1. Significant business combinations

(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 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	75,965
Cash	62,517
Contingent consideration	13,448
Fair value of assets acquired and liabilities assumed	
Current assets	5,900
Non-current assets	26,285
Current liabilities	(3,266)
Non-current liabilities	(5,157)
Fair value of assets acquired and liabilities assumed	23,762
Goodwill	52,203

- Notes:
1. The direct cost of the acquisition was ¥1,143 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. 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.
 4. The major component of non-current assets allocated to intangible assets is ¥26,244 million in other intangible assets.
 5. Non-current liabilities include ¥5,157 million in deferred tax liabilities recognized as a result of the business combination.
 6. In the nine-month period ended September 30, 2025, fair value assessment of assets acquired and liabilities assumed, as well as allocation of the consideration for acquisition were completed. The main adjustments from the initial provisional amounts include increases of ¥26,244 million in other intangible assets and ¥5,157 million in deferred tax liabilities, along with a decrease of ¥20,781 million in goodwill.

(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 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	30,212
Cash	30,212
Fair value of assets acquired and liabilities assumed	
Current assets	20,154
Non-current assets	22,579
Current liabilities	(3,240)
Non-current liabilities	—
Fair value of assets acquired and liabilities assumed	39,492
Non-controlling interests	20,141
Goodwill	10,860

- Notes:
1. The direct cost of the acquisition was ¥467 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 September 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 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 September 30, 2024)

(Millions of yen)

	Amount
Balance as of January 1, 2024	16,210
Business combination	20,771
Changes in fair value	1,786
Foreign currency translation adjustment	(107)
Balance as of September 30, 2024	38,661

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

(Millions of yen)

	Amount
Balance as of January 1, 2025	52,544
Business combination	13,448
Changes in fair value	4,013
Foreign currency translation adjustment	(3,062)
Balance as of September 30, 2025	66,943