

# Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 [IFRS]

February 14, 2025

Company name : **Otsuka Holdings Co., Ltd.**  
 Stock exchange listing : Tokyo Stock Exchange  
 Code number : 4578  
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 Scheduled date of annual general meeting of shareholders : March 28, 2025  
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 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 Fiscal Year Ended December 31, 2024

### (1) Consolidated Operating Results

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

	Revenue		Business profit		Operating profit		Profit for the year		Profit attributable to owners of the Company		Total comprehensive income for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2024	2,329,861	15.4	430,463	37.7	323,564	131.8	347,271	176.7	343,120	182.1	460,163	102.0
FY2023	2,018,568	16.1	312,553	78.7	139,612	(7.1)	125,499	(8.6)	121,616	(9.2)	227,764	(16.3)

(Reference) Share of profit of investments accounted for using the equity method FY2024 ¥33,614 million

FY2023 ¥20,365 million

\* 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

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the Company	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	Yen	Yen	%	%	%
FY2024	633.76	—	13.4	9.5	13.9
FY2023	224.10	—	5.3	4.4	6.9

### (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 December 31, 2024	3,739,251	2,778,165	2,733,580	73.1	5,089.58
As of December 31, 2023	3,361,244	2,436,317	2,393,683	71.2	4,410.80

### (3) Consolidated Cash Flows

	Net cash flows provided by operating activities	Net cash flows used in investing activities	Net cash flows used in financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2024	354,638	(265,793)	(189,367)	426,173
FY2023	283,232	(190,538)	(60,260)	513,341

## 2. Dividends

	Annual dividends per share					Total dividends	Dividends pay-out ratio (consolidated)	Ratio of dividends to equity attributable to owners of the Company (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2023	—	50.00	—	60.00	110.00	59,695	49.1	2.6
FY2024	—	60.00	—	60.00	120.00	64,799	18.9	2.5
FY2025 (forecast)	—	60.00	—	60.00	120.00		23.4	

## 3. Forecasts of Consolidated Operating Results for the Year Ending December 31, 2025 (January 1, 2025 to December 31, 2025)

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

	Revenue		Business profit		Operating profit		Profit for the year		Profit attributable to owners of the Company	Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	Yen
Q2 (YTD)	1,174,000	5.9	200,000	(6.4)	200,000	58.4	149,000	34.7	147,000	273.69
FY2025	2,380,000	2.2	375,000	(12.9)	375,000	15.9	279,000	(19.7)	275,000	512.01

## 4. Others

- (1) Significant changes in the scope of consolidation during the period: Yes  
Newly included: 1 company (Jnana Therapeutics Inc.)

- (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 (common stock)

- 1) Number of shares issued and outstanding as of the end of the fiscal year (including treasury shares):  
December 31, 2024 552,024,717 shares  
December 31, 2023 557,835,617 shares
- 2) Number of shares of treasury shares as of the end of the fiscal year:  
December 31, 2024 14,932,021 shares  
December 31, 2023 15,149,580 shares
- 3) Average number of shares outstanding during the fiscal year:  
Fiscal year ended December 31, 2024 541,398,653 shares  
Fiscal year ended December 31, 2023 542,668,386 shares

\* This report is out of scope of audits 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. Overview of Operating Results and Financial Position (5) Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2025” on page 8 for details with regard to the assumptions and other matters concerning the financial forecast.

The Company plans to hold an earnings release briefing for institutional investors, analysts and the press on February 14, 2025. Presentation materials and the webcast of the briefing will be available on the Company’s website promptly after the briefing.

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# 1. Overview of Operating Results and Financial Position

## (1) Operating Results for the Fiscal Year Ended December 31, 2024

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)

	FY2023 (Fiscal year ended December 31, 2023)	FY2024 (Fiscal year ended December 31, 2024)	Change	% Change
Revenue	2,018,568	2,329,861	311,293	15.4%
Business profit before research and development expenses	620,358	744,696	124,338	20.0%
Business profit	312,553	430,463	117,909	37.7%
Operating profit	139,612	323,564	183,951	131.8%
Profit before tax	142,655	335,854	193,198	135.4%
Profit for the year	125,499	347,271	221,771	176.7%
Profit attributable to owners of the Company	121,616	343,120	221,504	182.1%
Research and development expenses	307,804	314,233	6,428	2.1%
Impairment losses	172,419	126,040	(46,378)	(26.9)%

Based on the concept of total health care, the Group has been operating its businesses to maintain and promote health and to diagnose and treat disease. In a social environment undergoing continuous change, as a total healthcare company that resolves social issues by taking into account the whole of the society in which people live, the Group will incorporate new technologies and needs and promote initiatives to realize sustainable growth.

Revenue for the fiscal year ended December 31, 2024 totaled ¥2,329,861 million (up 15.4% over the previous fiscal year), as revenue increased particularly in the pharmaceutical business and the nutraceutical business. The main factors behind this growth were increases in the two core products of antipsychotic agent *REXULTI/RXULTI* and anti-cancer agent *LONSURF*, which have been designated the growth drivers under the Fourth Medium-Term Management Plan, as well as sales growth of long-acting injection *ABILIFY MAINTENA/ABILIFY ASIMTUFI*, V<sub>2</sub>-receptor antagonist *JINARC/JYNARQUE*, and others. Within the nutraceutical business, in the three newly designated growth driver categories by social issues, all categories also recorded expansion, centered on *POCARI SWEAT* and *Nature Made*, which led to an increase in revenue.

Business profit before research and development expenses was ¥744,696 million (up 20.0%). The main factors were increased gross profit with increased sales for the pharmaceutical business and nutraceutical business.

Research and development expenses totaled ¥314,233 million (up 2.1%). In the development pipeline, development expenses increased for the development of sibeprenlimab/VIS649 which is under development for the treatment of IgA nephropathy, and the new antipsychotic agent ulotaront/SEP-363856 introduced by Sumitomo Pharma Co., Ltd. On the other hand, development expenses for AVP-786 decreased due to discontinued development.

Business profit increased significantly to ¥430,463 million (up 37.7%) as a result of steady revenue growth.

Operating profit increased to ¥323,564 million (up 131.8%). This can be attributed to the greater than anticipated growth in revenue, despite the recording of impairment losses on AVP-786 and assets related to digital medicine, etc.

Meanwhile, income tax expenses for the fiscal year ended December 31, 2024 totaled ¥11,417 million (¥(17,155) million for the fiscal year ended December 31, 2023; a figure in parenthesis represents expense) due to the impact of a one-time tax adjustment at a U.S. subsidiary.

As a result, profit for the year was ¥347,271 million (up 176.7%), and profit attributable to owners of the Company was ¥343,120 million (up 182.1%).

Results by business segment are as follows:

Certain details regarding the reportable segments have been changed effective from the fiscal year ended December 31, 2024. Please refer to “3. Consolidated Financial Statements and Major Notes (Operating Segments)” for details.

The figures stated for the fiscal year ended December 31, 2023 have been reclassified to reflect the new reportable segment classifications after the change.

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	1,629,032	557,043	33,760	113,657	(3,631)	2,329,861
Business profit	390,608	64,147	23,662	6,952	(54,907)	430,463

Reference (FY2023)

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	1,391,155	483,463	37,081	110,211	(3,343)	2,018,568
Business profit	282,089	60,462	18,101	3,134	(51,234)	312,553

## 1) Pharmaceuticals

Revenue in the pharmaceutical business for the fiscal year ended December 31, 2024 totaled ¥1,629,032 million (up 17.1%), with business profit of ¥390,608 million (up 38.5%).

**Main products**

- Antipsychotic agent *REXULTI*\*<sup>1</sup>/*RXULTI*\*<sup>2</sup>

In the U.S., the Group is actively engaged in activities to raise awareness of agitation associated with dementia due to Alzheimer's disease. Prescriptions grew and sales increased, mainly due to enhancement of detailing activities. In Japan, sales increased significantly in part as a result of an increase in the number of new prescriptions due to enhancement of detailing activities for schizophrenia, and also as a result of having obtained approval for indication for treating depression and depressive states in December 2023 and having obtained approval for the indication of agitation associated with dementia due to Alzheimer's disease\*<sup>3</sup> in September 2024. As a result, sales of *REXULTI/RXULTI* totaled ¥267,441 million (up 25.8%).

\*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., sales increased significantly due to the approval in August 2023 for the additional indication for treatment in combination with bevacizumab for colorectal cancer, and the recommendation of the combination therapy in NCCN Guidelines\*<sup>4</sup> leading to an increase in the number of prescriptions. In Europe, sales increased significantly due to an increase in the number of prescriptions associated with initiation of detailing activities in some countries where such combination therapy is employed. In Japan, sales increased in part due to increased awareness of such combination therapy following publication of a research paper, etc., and also because detailing activities of such combination therapy became possible due to package insert revision in March 2024, and JSCCR Guidelines for the Treatment of Colorectal Cancer were revised in July 2024. As a result, sales of *LONSURF* totaled ¥104,394 million (up 30.3%).

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

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

In the U.S., sales increased mainly due to promoting the efficacy of the product for bipolar I disorder and schizophrenia patients, who have problems adhering to drug regimens, as well as detailing activities. In Europe, sales increased due to solid performance in each country. 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 ¥218,973 million (up 10.8%).

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

In the U.S., sales increased significantly atop growth in prescriptions, 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 addition to a switch from the aripiprazole long-acting injection (1 month) *ABILIFY MAINTENA*. In Europe, sales continued to be solid as the 2-month long-acting injection obtained approval in March 2024 for the first time ever in Europe for maintenance treatment of schizophrenia. As a result, sales of *ABILIFY ASIMTUFII* totaled ¥18,937 million (up 286.8%).

- V2-receptor antagonist *Samsca/JINARC*\*<sup>5</sup>/*JYNARQUE*\*<sup>6</sup>

In the U.S., sales increased significantly as a result of an increase in the number of prescriptions for autosomal dominant polycystic kidney disease (ADPKD) mainly due to continued efforts to raise awareness of the disease and detailing activities about clinical data. In Europe and Japan, the business was affected by generics, leading to a decrease in sales. As a result, sales of *Samsca/JINARC/JYNARQUE* totaled ¥281,403 million (up 21.4%).

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

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

## 2) Nutraceuticals

Revenue in the nutraceutical business for the fiscal year ended December 31, 2024 totaled ¥557,043 million (up 15.2%), with business profit of ¥64,147 million (up 6.1%).

### <Three categories by social issues>

- For Climate & Environmental Risk

Sales of *POCARI SWEAT*, an electrolyte supplement drink, increased due to growth in sales volume. In Japan, we continued our long-running educational activities focused on hydration and replenishment of electrolytes according to the season and occasion, along with activities for brand value propositions through the dissemination of information to consumers on measures to avoid heat stroke, etc. However, sales volume decreased due to effects of factors that include a reduction in the activity levels—such as outings—by consumers because extremely hot days increased compared to last year. Overseas, sales volume has been increasing due to improvement of the brand value achieved through activities to raise awareness regarding the importance of hydration and replenishment of electrolytes tailored to cultures and circumstances in each region. 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 ¥198,580 million (up 8.2%).

- For Women's Health

Sales of *EQUELLE*, a food and supplement brand that contains eqoul and supports women's health and beauty, increased. In Japan, product awareness made progress as a result of wide-ranging of information, such as seminars on women's health. Meanwhile, sales volume increased in the U.S. due to e-commerce. There was an increase in sales of *Uqora*, which supports women's urological health in North America, due to e-commerce growth and expansion into the pharmacy channel. In this category we acquired the *Bonafide*, brand from Bonafide Health, LLC, which supports women's health, in November 2023. As a result, revenue for this category totaled ¥56,613 million (up 52.3%).

- For Healthier Life

Sales of Nature Made supplements by Pharmavite LLC increased\*7 against a backdrop of continued promotional activities targeting consumers and a high level of trust in the brand and its quality in the U.S. market. Sales of plant-focused supplement brand *MegaFood* grew behind strong innovation and new product launches. As a result, revenue for this category totaled ¥219,332 million (up 19.3%).

\*7: Circana Data; Market Advantage; YTD wks 12/29/2024, Food, Drug, Mass Excluding Amazon and Costco (MULO) © 2024 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 in the consumer product business for the fiscal year ended December 31, 2024 totaled ¥33,760 million (down 9.0%), while business profit totaled ¥23,662 million (up 30.7%) in part due to the contribution of a share of profit of investments accounted for using the equity method.

The main reason for the decrease in revenue was the withdrawal from sparkling water business in the U.S. *CRYSTAL GEYSER* continued to appeal to the brand value in Japan by communicating the environmental initiatives through the use of lightweight bottles and caps and bottles made from 50% recycled raw materials, although sales volume decreased due to the impact of the price revision. As for *MATCH*, a carbonated vitamin drink, the user base of existing products expanded due to ongoing marketing activities such as measures to offer the drinking experience, targeting mostly high school students, and campaigns that foster relationship building. In addition, sales of *MATCH Vitamin Mikan* launched upon its renewal in October 2024 contributed to results, thereby leading to growth in sales volume.

## 4) Others

Revenue for the fiscal year ended December 31, 2024 totaled ¥113,657 million (up 3.1%), while business profit totaled ¥6,952 million (up 121.8%) in part due to the contribution of a share of profit of investments accounted for using the equity method.

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

In the transportation and warehousing business, we are striving to strengthen the total healthcare distribution platform through coordination of logistics data, and revenue remained on par with the previous fiscal year.

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

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

## (2) Research and Development Activities

Research and development expenses for the fiscal year ended December 31, 2024 totaled ¥314,233 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, etc.

Research and development expenses in the pharmaceutical business for the fiscal year ended December 31, 2024 were ¥296,422 million.

Research and development activities in the pharmaceutical business carried out for the fiscal year ended December 31, 2024 are summarized below.

Category	Development Code	Brand Name	Generic Name	Area	Treatment/ Indication	Status* <sup>1</sup>
Psychiatry and neurology	aripiprazole 2-month long-acting injection	<i>ABILIFY MAINTENA</i> * <sup>2</sup>	aripiprazole	Europe	Maintenance treatment of schizophrenia	Granted approval in March 2024
	OPC-34712	<i>REXULTI/RXULTI</i>	brexpiprazole	U.S.	Posttraumatic stress disorder in adults	An application was filed in April 2024
				China	Schizophrenia	Granted approval in June 2024
				Japan	Agitation associated with dementia due to Alzheimer’s disease* <sup>3</sup>	Granted approval in September 2024
	AVP-786	—	deuterium-modified dextromethorphan, quinidine	U.S. and Europe	Agitation associated with dementia due to Alzheimer’s disease	Discontinued for strategic reason
	ION363	—	ulefnersen	Japan, U.S. and Europe	Amyotrophic lateral sclerosis	Phase I/II/III trial ongoing
	SEP-380135	—	—	U.S.	To be determined	Phase I trial was initiated in December 2024
Oncology	AB122 + AB154	—	zimberelimab + domvanalimab	Japan	Non-small cell lung cancer	Phase III trial was initiated in January 2024
	TAS-120	<i>LYTGOBI</i>	futibatinib	U.S. and Europe	Solid tumors (esophageal cancer, pancreatic cancer)	Phase II trial was initiated in February 2024
	ASTX030	—	azacitidine, cedazuridine	U.S.	Myelodysplastic syndromes, chronic myelomonocytic leukemia, acute myeloid leukemia	Phase II/III trial was initiated in April 2024
	AP24534	<i>ICLUSIG</i>	ponatinib	China	Chronic myeloid leukemia, acute lymphoblastic leukemia	Granted approval in September 2024
	ASTX727	<i>INQOVI/INAQ OVI</i>	decitabine, cedazuridine	Europe	Myelodysplastic syndromes	Discontinued for strategic reason
	OPB-111077	—	—	Japan	Diffuse large B-cell lymphoma	Discontinued for strategic reason
	OPB-111077	—	—	U.S.	Hematological cancer	Discontinued for strategic reason

Category	Development Code	Brand Name	Generic Name	Area	Treatment/ Indication	Status* <sup>1</sup>
	OPC-415	—	—	Japan	Multiple myeloma	Discontinued for strategic reason
	TAS0313	—	—	Japan	Urothelial cancer	Discontinued for strategic reason
	OPF-501C	—	zinc chloride	Japan	Cancerous skin ulcer	Discontinued for strategic reason
Cardio-vascular and renal system	—	<i>Lupkynis</i>	voclosporin	Japan	Lupus nephritis	Granted approval in September 2024
	ETC-1002	—	bempedoic acid	Japan	Hypercholesterolemia, Familial hypercholesterolemia	An application was filed in November 2024
Other categories	JNT-517	—	repinatrabit	U.S.	Phenylketonuria	(Additional notes) A development product acquired through the acquisition of Jnana Therapeutics Inc. in September 2024 Phase I/II trial ongoing
	OPF-109	<i>KIDPAREN</i> Injection	Glucose, electrolyte, amino acid, and vitamin	Japan	High-calorie parenteral nutrition for chronic renal failure	Granted approval in September 2024
	EN-P09	<i>ENOSOLID</i> Semi Solid for Enteral Use	—	Japan	Enteral feeding in cases which oral food intake is difficult	Granted approval in September 2024
	ISIS 721744	—	donidalorsen	Europe	Hereditary angioedema	An application was accepted in December 2024

\*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 In Europe, the brand name for the aripiprazole 2-month long-acting injection is *ABILIFY MAINTENA* 720mg/960mg.

\*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.”

### Nutraceuticals

In the nutraceutical business, the Group draws on its knowledge in the pharmaceutical business to conduct research and development of scientifically based original products in order to maintain and promote the health of people.

Research and development expenses in the nutraceutical business for the fiscal year ended December 31, 2024 were ¥11,989 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 fiscal year ended December 31, 2024 were ¥636 million.

### Others

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

Research and development expenses in the other businesses for the fiscal year ended December 31, 2024 were ¥5,185 million.



### (3) Overview of Financial Position as of December 31, 2024

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024	Change
Current assets	1,326,797	1,366,972	40,175
Non-current assets	2,034,446	2,372,278	337,831
Total assets	3,361,244	3,739,251	378,006
Current liabilities	667,233	632,664	(34,569)
Non-current liabilities	257,692	328,421	70,728
Total liabilities	924,926	961,085	36,159
Total equity	2,436,317	2,778,165	341,847

#### a. Assets

Total assets as of December 31, 2024 were ¥3,739,251 million, an increase of ¥378,006 million compared to ¥3,361,244 million as of December 31, 2023. Current assets increased by ¥40,175 million, and non-current assets increased by ¥337,831 million.

##### (Current Assets)

Current assets as of December 31, 2024 were ¥1,366,972 million, an increase of ¥40,175 million compared to ¥1,326,797 million as of December 31, 2023. This was mainly due to increases in trade and other receivables by ¥41,202 million, inventories by ¥48,710 million and other current assets by ¥37,667 million, partially offset by a decrease in cash and cash equivalents by ¥87,168 million.

##### (Non-current Assets)

Non-current assets as of December 31, 2024 were ¥2,372,278 million, an increase of ¥337,831 million compared to ¥2,034,446 million as of December 31, 2023. This was mainly due to increases in property, plant and equipment by ¥75,186 million, goodwill by ¥70,416 million mainly as a result of the impact of foreign exchange and acquisition of Jnana Therapeutics Inc. (Jnana), intangible assets by ¥53,276 million in part due to the acquisition of Jnana and despite the downward factors of having recorded impairment losses on in-process research and development of AVP-786 and others, and deferred tax assets by ¥86,874 million mainly due to the impact of a one-time tax adjustment at a U.S. subsidiary.

#### b. Liabilities

Total liabilities as of December 31, 2024 were ¥961,085 million, an increase of ¥36,159 million compared to ¥924,926 million as of December 31, 2023. Current liabilities decreased by ¥34,569 million, and non-current liabilities increased by ¥70,728 million.

##### (Current Liabilities)

Current liabilities as of December 31, 2024 were ¥632,664 million, a decrease of ¥34,569 million compared to ¥667,233 million as of December 31, 2023. This was mainly due to decreases in bonds and borrowings by ¥62,074 million and income taxes payable by ¥25,689 million, partially offset by increases in trade and other payables by ¥13,626 million and other current liabilities by ¥32,928 million. The decrease in bonds and borrowings was mainly due to the repayment of bank borrowings at a U.S. subsidiary and the redemption of the 1st unsecured bonds of ¥20,000 million.

##### (Non-current Liabilities)

Non-current liabilities as of December 31, 2024 were ¥328,421 million, an increase of ¥70,728 million compared to ¥257,692 million as of December 31, 2023. This was mainly due to increases in bonds and borrowings by ¥18,075 million, lease liabilities by ¥16,896 million and other financial liabilities by ¥36,352 million. The increase in bonds and borrowings was mainly due to the issuance of green bonds amounting to ¥20,000 million, the proceeds of which will be used for investments aimed at solving environmental issues. In addition, the increase in other financial liabilities is mainly due to the recording of contingent considerations for the acquisition of Jnana.

#### c. Equity

Total equity as of December 31, 2024 was ¥2,778,165 million, an increase of ¥341,847 million compared to ¥2,436,317 million as of December 31, 2023. The main factors were an increase in retained earnings of ¥283,186 million due to the recording of profit attributable to owners of the Company of ¥343,120 million and dividend payments of ¥65,135 million, etc., and an increase in other components of equity of ¥107,183 million due to the impact of the depreciation of the yen, etc., resulting in an increase in equity, and despite decreases in equity due to an increase in treasury shares amounting to ¥22,729 million attributable to the purchase of treasury shares with an upper limit of ¥50,000 million and the cancellation of all shares purchased for the purpose of improving capital efficiency and returning profits to shareholders, and a decrease in capital surplus of ¥27,743 million.

### (4) Cash Flow for the Fiscal Year Ended December 31, 2024

Cash and cash equivalents as of December 31, 2024 were ¥426,173 million, a decrease of ¥87,168 million compared to the balance as of December 31, 2023. For the fiscal year ended December 31, 2024, net cash flows provided by operating activities were ¥354,638 million, while net cash flows used in investing activities were ¥265,793 million mainly as a result of the acquisition of Jnana in the pharmaceutical business and capital investments in the pharmaceutical business and nutraceutical business toward sustainable growth. In addition, short-term funds were borrowed for the acquisition of Jnana and green bonds were issued, while in order to improve capital

efficiency and return profits to shareholders, treasury shares were purchased and cancelled, lease liabilities were repaid, the 1st unsecured bonds were redeemed, and dividends were paid, resulting in net cash flows used in financing activities of ¥189,367 million.

Thus, cash and cash equivalents were decreased to ¥426,173 million as the total investing and financing cash outflows exceeded operating cash inflows.

The following provides details around cash flow movements for the fiscal year ended December 31, 2024:

#### Cash Flows from Operating Activities

Net cash flows provided by operating activities were ¥354,638 million, an increase of ¥71,405 million compared to the previous fiscal year.

Cash flows provided by operating activities for the fiscal year ended December 31, 2024 mainly consisted of ¥335,854 million of profit before tax, ¥107,979 million depreciation and amortization expenses, ¥126,040 million of impairment losses and reversal of impairment losses, ¥33,614 million of share of profit of investments accounted for using the equity method, ¥38,578 million of increase in inventories, ¥9,510 million of increase in trade and other receivables, ¥14,635 million of decrease in trade and other payables and ¥111,217 million of income taxes paid. Major factors of the increase of ¥71,405 million in the net inflow for the fiscal year ended December 31, 2024 were as follows: On one hand, cash decreased mainly due to a ¥30,235 million increase in income taxes paid and effect of cash outflows, etc. from other operating activities. On the other hand, the strong performance driven by higher revenue in the pharmaceutical business and nutraceutical business, despite the recording of impairment losses on AVP-786 and assets related to digital medicine, etc. in the pharmaceutical business, led to an increase in cash outweighing the decrease.

#### Cash Flows from Investing Activities

Net cash flows used in investing activities were ¥265,793 million, an increase in outflows of ¥75,254 million compared to the previous fiscal year.

Cash flows used in investing activities for the fiscal year ended December 31, 2024 mainly consisted of ¥95,558 million of payments for acquisition of property, plant and equipment, ¥33,804 million of payments for acquisition of intangible assets, ¥71,947 million of proceeds from sales and redemption of investments, ¥79,018 million of payments for acquisition of investments, and ¥115,558 million of payments for acquisition of subsidiaries due to the acquisition of Jnana, etc. Major factors for the increase of ¥75,254 million in net outflow for the fiscal year ended December 31, 2024 were a ¥44,514 million increase of payments for acquisition of subsidiaries due to the acquisition of Jnana, etc., a ¥9,866 million increase in payments for acquisition of intangible assets due to an increase in upfront and milestone payments in the pharmaceutical business, a ¥50,920 million increase in payments for acquisition of investments, and an increase in outflow of ¥18,136 million from time deposits.

#### Cash Flows from Financing Activities

Net cash flows used in financing activities were ¥189,367 million, an increase in outflows of ¥129,106 million compared to the previous fiscal year.

Cash flows used in financing activities for the fiscal year ended December 31, 2024 mainly consisted of ¥50,016 million of purchase of treasury shares, ¥41,069 million of a net decrease in short-term borrowings, ¥6,224 million of repayments of long-term borrowings, ¥22,969 million of repayments of lease liabilities and ¥66,763 million of dividends paid. Major factors of the increase of ¥129,106 million in the net outflow for the fiscal year ended December 31, 2024 relative to the previous fiscal year were as follows: although green bonds were issued to fund investments aimed at solving environmental concerns, cash outflows outweighed cash inflows due to higher expenditures attributable to factors such as an increase in dividends paid due to the interim dividend having been increased from ¥50 to ¥60 per share, along with purchase and cancellation of treasury shares in order to improve capital efficiency and return profits to shareholders.

### **(5) Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2025**

The financial forecast for the fiscal year ending December 31, 2025 is as follows:

(Millions of yen)

	FY2024 (actual)	FY2025 (forecast)	Change	% Change
Revenue	2,329,861	2,380,000	50,138	2.2 %
Business profit before research and development expenses	744,696	727,000	(17,696)	(2.4)%
Business profit	430,463	375,000	(55,463)	(12.9)%
Operating profit	323,564	375,000	51,435	15.9 %
Profit before tax	335,854	370,000	34,145	10.2 %
Profit for the year	347,271	279,000	(68,271)	(19.7)%
Profit attributable to owners of the Company	343,120	275,000	(68,120)	(19.9)%
Research and development expenses	314,233	352,000	37,766	12.0 %

(Note) FY2025 projected exchange rate: 150 Yen/USD 156 Yen/EUR

In the pharmaceutical business, revenue is expected to remain on par with that of the fiscal year ended December 31, 2024, due to royalty income from antipsychotic agent *REXULTI/RXULTI*, anti-cancer agent *LONSURF*, long-acting injection *ABILIFY MAINTENA/ABILIFY ASIMTUFI*, and out-licensed products, against a projected decrease in revenue due to the impact of generics in the U.S. on V<sub>2</sub>-receptor antagonist *JINARC/JYNARQUE*. In the nutraceutical business, revenue is expected to increase in the three newly designated growth driver categories by social issues due to growth in sales across all categories centered on *POCARI SWEAT*, *BonaFide*, and *Nature Made*. As a result, consolidated revenue is expected to increase.

Regarding selling, general and administrative expenses, the Group will engage in growth investment involving new businesses that take on challenges in new frontiers. Meanwhile, the Group will also promote further cost adjustments in existing businesses.

Regarding research and development expenses, the Group expects to invest in sibeprenlimab/VIS649 which is under development for the treatment of IgA nephropathy, the new antipsychotic agent ulotaront/SEP-363856, JNT-517 of Jnana acquired last year, and zipalertinib/TAS6417 under development for the treatment of non-small cell lung cancer, among others, with a view toward achieving sustainable growth.

With respect to business profit, the Group is poised to hold decrease in profit to approximately ¥55,000 million amid higher sales of the nutraceutical business and cost adjustments in existing businesses against a likelihood of lower sales and profits of V<sub>2</sub>-receptor antagonist *JINARC/JYNARQUE* due to the impact of generics in the U.S.

Operating profit is expected to increase due to recording substantial impairment losses during the fiscal year ended December 31, 2024.

For the fiscal year ending December 31, 2025, the Company projects consolidated revenue of ¥2,380,000 million (up 2.2% over the current fiscal year), business profit before research and development expenses of ¥727,000 million (down 2.4%), business profit of ¥375,000 million (down 12.9%), operating profit of ¥375,000 million (up 15.9%), profit before tax of ¥370,000 million (up 10.2%), profit for the year of ¥279,000 million (down 19.7%), and profit attributable to owners of the Company of ¥275,000 million (down 19.9%).

Based on the restricted stock-based compensation plan whose introduction was resolved at the Board of Directors meeting held on February 14, 2024 and approved at the General Meeting of Shareholders held on March 28, 2024, a disposal of treasury shares as stock-based compensation (total amount to be paid in: estimated at ¥700 million) is planned for the next fiscal year. Specific details will be confirmed and announced at the Board of Directors meeting scheduled on March 28, 2025.

## **2. Basic Rationale for Selection of Accounting Standards**

The Group has adopted International Financial Reporting Standards (IFRS) to enhance the international comparability of its financial reporting.

**3. Consolidated Financial Statements and Major Notes**  
**(1) Consolidated Statements of Financial Position**

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	513,341	426,173
Trade and other receivables	474,086	515,289
Inventories	249,581	298,292
Income taxes receivable	19,611	3,531
Other financial assets	16,062	31,905
Other current assets	54,113	91,780
Total current assets	1,326,797	1,366,972
Non-current assets		
Property, plant and equipment	553,358	628,544
Goodwill	379,048	449,464
Intangible assets	490,971	544,247
Investments accounted for using the equity method	278,562	314,780
Other financial assets	197,887	206,272
Deferred tax assets	118,825	205,700
Other non-current assets	15,792	23,267
Total non-current assets	2,034,446	2,372,278
Total assets	3,361,244	3,739,251

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	206,369	219,996
Bonds and borrowings	69,425	7,350
Lease liabilities	18,847	21,146
Other financial liabilities	—	4,387
Income taxes payable	54,939	29,250
Provisions	919	1,242
Contract liabilities	14,322	13,952
Other current liabilities	302,410	335,338
Total current liabilities	667,233	632,664
Non-current liabilities		
Bonds and borrowings	69,200	87,275
Lease liabilities	56,715	73,612
Other financial liabilities	16,774	53,127
Income taxes payable	—	1,584
Net defined benefit liabilities	16,557	12,564
Provisions	2,252	3,766
Contract liabilities	44,869	35,361
Deferred tax liabilities	27,170	28,801
Other non-current liabilities	24,152	32,327
Total non-current liabilities	257,692	328,421
Total liabilities	924,926	961,085
Equity		
Equity attributable to owners of the Company		
Share capital	81,690	81,690
Capital surplus	506,230	478,486
Treasury shares	(44,669)	(67,398)
Retained earnings	1,621,218	1,904,404
Other components of equity	229,214	336,397
Total equity attributable to owners of the Company	2,393,683	2,733,580
Non-controlling interests	42,634	44,584
Total equity	2,436,317	2,778,165
Total liabilities and equity	3,361,244	3,739,251

**(2) Consolidated Statements of Income**

(Millions of yen)

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Revenue	2,018,568	2,329,861
Cost of sales	(611,219)	(660,432)
Gross profit	1,407,348	1,669,428
Selling, general and administrative expenses	(807,355)	(958,345)
Share of profit of investments accounted for using the equity method	20,365	33,614
Research and development expenses	(307,804)	(314,233)
Impairment losses	(172,419)	(126,040)
Other income	5,729	23,031
Other expenses	(6,250)	(3,889)
Operating profit	139,612	323,564
Finance income	9,566	21,081
Finance expenses	(6,523)	(8,791)
Profit before tax	142,655	335,854
Income tax expenses	(17,155)	11,417
Profit for the year	125,499	347,271
Attributable to:		
Owners of the Company	121,616	343,120
Non-controlling interests	3,883	4,151
Profit for the period	125,499	347,271
Earnings per share:		
Basic earnings per share (Yen)	224.10	633.76
Diluted earnings per share (Yen)	—	—

**(3) Consolidated Statements of Comprehensive Income**

	(Millions of yen)	
	FY2023 (From January 1, 2023 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Profit for the year	125,499	347,271
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	1,344	4,312
Financial assets measured at fair value through other comprehensive income	5,373	(7,424)
Share of other comprehensive income of investments accounted for using the equity method	360	506
Subtotal	7,078	(2,606)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	72,652	98,269
Cash flow hedges	22	(55)
Share of other comprehensive income of investments accounted for using the equity method	22,511	17,283
Subtotal	95,186	115,497
Total other comprehensive income	102,264	112,891
Total comprehensive income for the year	227,764	460,163
Attributable to:		
Owners of the Company	222,855	455,504
Non-controlling interests	4,909	4,658
Total comprehensive income for the year	227,764	460,163

**(4) Consolidated Statements of Changes in Equity**  
FY2022 (From January 1, 2023 to December 31, 2023)

(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, 2023	81,690	506,579	(44,858)	1,553,069	—	41,249
Profit for the year	—	—	—	121,616	—	—
Other comprehensive income	—	—	—	—	1,468	5,435
Comprehensive income for the year	—	—	—	121,616	1,468	5,435
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(54,265)	—	—
Share-based payment transactions	—	(199)	190	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	(149)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	798	(1,468)	669
Total transactions with owners	—	(349)	188	(53,467)	(1,468)	669
Balance as of December 31, 2023	81,690	506,230	(44,669)	1,621,218	—	47,355

	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, 2023	87,503	20	128,773	2,225,255	37,114	2,262,369
Profit for the year	—	—	—	121,616	3,883	125,499
Other comprehensive income	94,312	22	101,239	101,239	1,025	102,264
Comprehensive income for the year	94,312	22	101,239	222,855	4,909	227,764
Purchase of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	—	(54,265)	(1,432)	(55,698)
Share-based payment transactions	—	—	—	(9)	—	(9)
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	(149)	2,043	1,893
Transfer from other components of equity to retained earnings	—	—	(798)	—	—	—
Total transactions with owners	—	—	(798)	(54,426)	610	(53,816)
Balance as of December 31, 2023	181,815	43	229,214	2,393,683	42,634	2,436,317



## Equity attributable to owners of the Company

					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	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 year	—	—	—	343,120	—	—
Other comprehensive income	—	—	—	—	4,515	(7,345)
Comprehensive income for the year	—	—	—	343,120	4,515	(7,345)
Purchase of treasury shares	—	—	(50,016)	—	—	—
Cancellation of treasury shares	—	(26,224)	26,224	—	—	—
Dividends	—	—	—	(65,135)	—	—
Share-based payment transactions	—	(123)	1,062	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	(1,395)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	5,201	(4,515)	(686)
Total transactions with owners	—	(27,743)	(22,729)	(59,934)	(4,515)	(686)
Balance as of December 31, 2024	81,690	478,486	(67,398)	1,904,404	—	39,323

## Equity attributable to owners of the Company

	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of January 1, 2024	181,815	43	229,214	2,393,683	42,634	2,436,317
Profit for the year	—	—	—	343,120	4,151	347,271
Other comprehensive income	115,270	(55)	112,384	112,384	506	112,891
Comprehensive income for the year	115,270	(55)	112,384	455,504	4,658	460,163
Purchase of treasury shares	—	—	—	(50,016)	—	(50,016)
Cancellation of treasury shares	—	—	—	—	—	—
Dividends	—	—	—	(65,135)	(1,627)	(66,763)
Share-based payment transactions	—	—	—	939	—	939
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	(1,395)	(1,079)	(2,474)
Transfer from other components of equity to retained earnings	—	—	(5,201)	—	—	—
Total transactions with owners	—	—	(5,201)	(115,607)	(2,707)	(118,315)
Balance as of December 31, 2024	297,086	(11)	336,397	2,733,580	44,584	2,778,165

**(5) Consolidated Statements of Cash Flows**

(Millions of yen)

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Cash flows from operating activities		
Profit before tax	142,655	335,854
Depreciation and amortization expenses	97,777	107,979
Impairment losses and reversal of impairment losses	172,419	126,040
Share of profit of investments accounted for using the equity method	(20,365)	(33,614)
Finance income	(9,566)	(21,081)
Finance expenses	6,523	8,791
Increase in inventories	(16,560)	(38,578)
Increase in trade and other receivables	(31,802)	(9,510)
Decrease in trade and other payables	(13,012)	(14,635)
Others	23,257	(14,382)
Subtotal	351,325	446,863
Interest and dividends received	16,102	25,449
Interest paid	(3,212)	(6,456)
Income taxes paid	(80,982)	(111,217)
Net cash flows provided by operating activities	283,232	354,638
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	547	689
Payments for acquisition of property, plant and equipment	(90,736)	(95,558)
Payments for acquisition of intangible assets	(23,937)	(33,804)
Proceeds from sales and redemption of investments	20,962	71,947
Payments for acquisition of investments	(28,098)	(79,018)
Payments for acquisition of subsidiaries	(71,043)	(115,558)
Decrease (increase) in time deposits	2,741	(15,395)
Others	(974)	905
Net cash flows used in investing activities	(190,538)	(265,793)
Cash flows from financing activities		
Purchase of treasury shares	(1)	(50,016)
Change in short-term borrowings, net	27,954	(41,069)
Proceeds from long-term borrowings	12	150
Repayments of long-term borrowings	(11,935)	(6,224)
Proceeds from issuance of bonds	-	20,000
Repayments of bonds	-	(20,000)
Repayments of lease liabilities	(20,545)	(22,969)
Dividends paid	(55,653)	(66,763)
Capital contribution from non-controlling interests	2,021	-
Payments for acquisition of interests in subsidiaries from non-controlling interests	(2,113)	(2,474)
Net cash flows used in financing activities	(60,260)	(189,367)
Increase (decrease) in cash and cash equivalents	32,432	(100,522)
Cash and cash equivalents at the beginning of the year	471,634	513,341
Effect of exchange rate changes on cash and cash equivalents	9,274	13,354
Cash and cash equivalents at the end of the year	513,341	426,173

## (6) Notes to Consolidated Financial Statements

### Note to Going Concern Assumptions

Not applicable.

### Significant Accounting Estimates and Judgments

In preparing IFRS-compliant consolidated financial statements, management is required to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Such estimates and underlying assumptions are reviewed on an ongoing basis. The effects of the review of accounting estimates are recognized in the accounting period in which the review was conducted and future accounting periods.

Items that may have significant effects on the amounts recognized in the consolidated financial statements are as follows:

- Impairment of intangible assets
- Fair value measurement of financial instruments
- Recoverability of deferred tax assets
- Measurement of defined benefit obligations
- Estimation of statutory and contractual rebates related to the public health system in the U.S.

### 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" businesses. The Group defines the reportable segments as follows:

"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 logistics, warehousing, manufacturing and sales of chemicals, evaluation systems for LED displays and spectroanalysis devices.

#### 2) Matters related to changes in reportable segments, etc.

Effective from the FY2024, which marks the beginning of the Fourth Medium-Term Management Plan covering the five-year period from the fiscal year ending December 31, 2024, the following changes have been made to some businesses previously classified as "Others" in order to further clarify the revenue, expense, and profit status of each segment.

This change was made in response to the formulation of the Fourth Medium-Term Management Plan, and an increase in intersegment transactions due to increased synergies and deeper collaboration among Group companies that had been promoted under the Third Medium-Term Management Plan, and the purpose of this change was to review the segment classification of some businesses that had previously been categorized as "Others" in order to more appropriately reflect the reality of activities that are directly related to other segments, and to properly attribute revenue and expenses to each segment.

- Warehousing and transport business provided by Otsuka Warehouse Co., Ltd. for the Group were separated and included in each segment.
- The fine chemical business of Otsuka Chemical Co., Ltd. and three other companies handling bulk pharmaceuticals and intermediates was separated and included in the pharmaceuticals segment.
- Profit and loss of pharmaceutical containers and packaging of Otsuka Techno Corporation and two other companies and Otsuka Packaging Industries Co., Ltd. for Group companies was separated and included in the pharmaceuticals segment.

The figures for the fiscal year ended December 31, 2023 in (3) Revenues and performance by reportable segment have been reclassified to reflect the new reportable segment classifications after the change.

(3) 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.

FY2023 (Fiscal year ended December 31, 2023)

(Millions of yen)

	Reportable segment					Adjustments* <sup>1</sup>	Consolidated
	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	1,391,155	483,325	37,066	107,020	2,018,568	—	2,018,568
Intersegment revenue or transfers	—	138	14	3,190	3,343	(3,343)	—
Total	1,391,155	483,463	37,081	110,211	2,021,912	(3,343)	2,018,568
Segment profit	143,654	34,243	12,136	278	190,313	(50,700)	139,612
Other items							
Depreciation and amortization expenses	66,085	17,837	2,409	5,694	92,026	5,750	97,777
Share of profit (loss) of investments accounted for using the equity method	(808)	1,256	20,937	(1,027)	20,358	6	20,365
Impairment losses	138,290	26,065	4,604	3,438	172,398	21	172,419
Capital expenditures* <sup>2</sup>	83,586	105,808	3,751	5,390	198,536	12,451	210,988

FY2024 (Fiscal year ended December 31, 2024)

(Millions of yen)

	Reportable segment					Adjustments* <sup>1</sup>	Consolidated
	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	1,629,032	557,006	33,752	110,070	2,329,861	—	2,329,861
Intersegment revenue or transfers	—	37	7	3,586	3,631	(3,631)	—
Total	1,629,032	557,043	33,760	113,657	2,333,493	(3,631)	2,329,861
Segment profit	285,108	59,776	22,998	7,525	375,410	(51,846)	323,564
Other items							
Depreciation and amortization expenses	72,810	20,730	2,091	5,836	101,468	6,510	107,979
Share of profit (loss) of investments accounted for using the equity method	4,512	1,273	26,220	1,607	33,614	—	33,614
Impairment losses	119,682	5,735	454	121	125,993	47	126,040
Capital expenditures* <sup>2</sup>	252,004	54,170	3,606	7,659	317,441	9,883	327,325

\*1 Details of adjustments are as follows:

(1) Segment profit

The following table shows the segment profit adjustments.

(Millions of yen)

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Intersegment eliminations	(628)	(530)
Unallocated expenses*	(51,657)	(55,819)
Other income	1,584	4,504
Total	(50,700)	(51,846)

\* Unallocated expenses are incurred in administrative departments such as headquarters of the Company and certain subsidiaries.

(2) Other items

Depreciation and amortization expenses and impairment losses

Adjustments include depreciation and amortization expenses and impairment losses of property, plant and equipment and intangible assets as assets associated with headquarters functions of the Company and certain subsidiaries.

(3) Capital expenditures

Adjustments include capital expenditures relating to assets associated with headquarters and research functions of the Company and certain subsidiaries.

\*2 Capital expenditures are purchases of property, plant and equipment, goodwill and intangible assets.

## **Impairment of Assets**

FY2023 (Fiscal year ended December 31, 2023)

The Group recorded impairment losses of ¥172,419 million for the fiscal year ended December 31, 2023, ¥138,290 million of which related to the pharmaceutical business and ¥26,065 million related to the nutraceutical business.

In the pharmaceutical business, the main impairment losses were ¥105,495 million in impairment loss of AVP-786 under development for the treatment of agitation associated with dementia due to Alzheimer's disease and ¥23,106 million in impairment loss related to intangible assets recorded based on a collaboration and license agreement executed with Sumitomo Pharma Co., Ltd. for joint development and commercialization.

Concerning AVP-786, the Group received results of Phase III of clinical studies (305 studies) targeting agitation associated with dementia due to Alzheimer's disease, indicating that the studies did not meet the primary endpoint. Due to a delay beyond the initially anticipated approval application timeline and diminished probability of market approval, the Group re-evaluated intangible assets (in-process research and development). As a result, impairment losses of ¥105,495 million were recorded, with carrying amount of the intangible assets reduced to its recoverable amount, which is the value in use. For calculation of the value in use, the discount rate (10.6%) based on the pre-tax weighted average cost of capital was used.

The Group received results of clinical studies which relate to intangible assets recorded based on a collaboration and license agreement executed with Sumitomo Pharma Co., Ltd. for joint development and commercialization, indicating that DIAMOND 1 and DIAMOND 2 clinical studies (Phase III) evaluating "ulotaront" in acutely psychotic adults with schizophrenia did not meet their primary endpoint. Due to a confirmed delay beyond the initially anticipated approval application timeline, the Group re-evaluated the intangible assets (in-process research and development). As a result, impairment losses of ¥23,106 million were recorded, with carrying amount of the intangible assets reduced to its recoverable amount, which is the value in use. For calculation of the value in use, the discount rate (12.3%) based on the pre-tax weighted average cost of capital was used.

In the nutraceutical business, the profitability of Daiya Foods Inc., which develops, manufactures and sells plant-based foods in North America, declined as a result of increased competition in the dairy alternative cheese market in North America. Accordingly, the Group reduced the carrying amount of the assets related to Daiya Foods Inc. to the recoverable amounts and recorded impairment losses of ¥24,828 million (¥12,707 million for goodwill, ¥2,477 million for trademarks, distribution rights and others and ¥9,643 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 12.8%, 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.

FY2024 (Fiscal year ended December 31, 2024)

The Group recorded impairment losses of ¥126,040 million for the fiscal year ended December 31, 2024, ¥119,682 million of which related to the pharmaceutical business.

Impairment losses in the pharmaceutical business mainly consisted of impairment losses on AVP-786 of ¥102,839 million and assets related to digital medicine of ¥11,119 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 ¥11,119 million (¥168 million for buildings and structures, ¥698 million for machinery and vehicles, ¥0 million for tools, furniture and fixtures, ¥1,012 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).

### Earnings per Share

Basis of calculating basic earnings per share is as follows:

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Profit attributable to owners of the Company (Millions of yen)	121,616	343,120
Amount not attributable to ordinary equity holders of the Company (Millions of yen)	—	—
Profit used for calculation of basic earnings per share (Millions of yen)	121,616	343,120
Weighted average number of ordinary shares (Thousands of shares)	542,668	541,398
Basic earnings per share (Yen)	224.10	633.76

(Note) Diluted earnings per share have not been stated given an absence of potential shares with dilutive effect.

### Business Combinations

#### 1. Significant business combinations

##### *Acquisition of Jnana Therapeutics Inc.*

Otsuka Pharmaceutical Co., Ltd. (Otsuka), a consolidated subsidiary of the Company, agreed on August 1, 2024, to acquire Jnana Therapeutics Inc. (Jnana), a company engaged in pharmaceutical research and development, by acquiring 100% of its shares via a special-purpose acquisition subsidiary established by Otsuka America Inc. through cash and future milestone payments, followed by a merger, and the acquisition was completed on September 19, 2024 (hereinafter the “Acquisition”).

#### (1) Outline of business combination

##### (i) Name of acquired company and business description

Name of acquired company: Jnana Therapeutics Inc.

Business description: Research and development of pharmaceutical products

##### (ii) Main reasons for the business combination

Jnana’s novel approach to drug discovery is enabled by the Reactive Affinity Probe Interaction Discovery (*RAPID*) – the company’s next-generation chemoproteomics platform designed to discover medicines for highly validated but challenging-to-drug targets. Jnana has used *RAPID* to successfully identify first-in-class compounds and address a range of historically challenging-to-drug target classes, including solute carriers, transcription factors, and signaling scaffold proteins. Jnana pursues drug discovery based on concepts that are complementary to those of Astex, a subsidiary of Otsuka based in Cambridge, UK.

While Jnana’s *RAPID* platform is not limited to any specific therapeutic area, the company has built a unique competitive position by concentrating on Phenylketonuria (PKU), a rare inherited metabolic disorder in which phenylalanine accumulates to abnormally high levels in the blood, and autoimmune diseases, where small molecule drug discovery has been challenging. Jnana’s technology successfully generated JNT-517, an allosteric small molecule inhibitor of SLC6A19, an SLC (solute carrier) that regulates amino acid reabsorption in the kidney. JNT-517 has the potential to become a first-in-class oral treatment for PKU, as it has been shown to be effective, well-tolerated, and safe in a Phase 1b/2 study. In the autoimmune disease field, the company is pursuing small molecule drug discovery for highly validated, but challenging-to-drug, targets such as interferon regulatory factor 3 (IRF3), a master transcription factor for the production of interferon.

Otsuka has advanced contributions to patients with a wide range of rare diseases, not only in the renal area with *JINARC* (approved for autosomal dominant polycystic kidney disease), sibeprenlimab (IgA nephropathy), and voclosporin (lupus nephritis), but also by adding new specialty drugs such as donidalorsen (hereditary angioedema). Additionally, through Visterra, a Boston region-based company that Otsuka acquired in 2018, Otsuka is advancing research and development in the autoimmune field using antibody drug technology, while also expanding its drug discovery platform.

The Acquisition will lead to the further expansion of Otsuka’s portfolio of products that address unmet medical needs through JNT-517, and the addition of Jnana’s drug discovery technology and small molecule pipeline in PKU and autoimmune diseases will strengthen our R&D in the Boston area of the U.S., one of the most important bioclusters in the world, and in a combined form will have a synergistic effect on Otsuka’s global expansion.

##### (iii) Date of obtaining control

September 19, 2024

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

A special-purpose acquisition subsidiary established by Otsuka America, Inc., a consolidated subsidiary of the Company, acquired 100% of the voting shares of Jnana 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	147,443
Cash	118,784
Contingent consideration	28,658
Fair value of assets acquired and liabilities assumed	
Current assets	6,620
Non-current assets	143,140
Current liabilities	(5,429)
Non-current liabilities	(24,438)
Fair value of assets acquired and liabilities assumed	119,892
Goodwill	27,550

- Notes:
1. The direct cost of the acquisition was ¥1,918 million and is included in “Selling, general and administrative expenses” in the consolidated statements of income.
  2. Acquired trade and other receivables were ¥2 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 components of non-current assets allocated to intangible assets are ¥133,594 million in in-process research and development, and ¥4,596 million in other intangible assets.
  5. Non-current liabilities include ¥19,149 million in deferred tax liabilities recognized as a result of the business combination.
  6. In the fiscal year ended December 31, 2024, fair value assessment of contingent consideration constituting consideration paid, 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 ¥7,886 million in contingent consideration constituting consideration paid, ¥133,594 million in in-process research and development, ¥4,596 million in other intangible assets, and ¥19,149 million in deferred tax liabilities, along with a decrease of ¥3,004 million in contract liabilities. This resulted in a decrease in goodwill of ¥114,174 million.

(3) Impact on the Group’s financial results

Revenue and profit or loss included in the Group’s consolidated statements of income arising from Jnana after the date of acquisition of control is not material. The disclosure of revenue and profit or loss assuming that the date of the business combination was January 1, 2024 (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., ReCor Medical Inc., Jnana, etc.

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 consideration, which is a milestone based on the development progress of the ultrasound renal denervation device acquired in the business combination with ReCor Medical Inc. in June 2018, was settled in December 2023.

The contingent considerations from the acquisition of Jnana consist of the development and regulatory milestones to be paid based on the progress of JNT-517 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 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:



(Millions of yen)

	Amount
Balance as of January 1, 2023	31,370
Changes in fair value	7,448
Settlement amount during the period	(23,668)
Foreign currency translation adjustment	1,059
Balance as of December 31, 2023	16,210
Business combination	28,658
Changes in fair value	2,790
Foreign currency translation adjustment	4,884
Balance as of December 31, 2024	52,544

**Subsequent Events**

Not applicable.