

Note: This document has been translated from the Japanese-language original (hereinafter, the "original") for reference purposes only. In the event of any discrepancy between this translated document and the original, the original shall prevail.  
The original of Consolidated Quarterly Financial Statements has undergone a review by the Company's audit firm. Please refer to the Japanese review report for details.



## Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2025 [IFRS]

July 31, 2024

**Company Name:** SUMITOMO PHARMA CO., LTD.  
**Stock Exchange Listings:** Tokyo  
**Security Code Number:** 4506 (URL <https://www.sumitomo-pharma.com>)  
**Representative:** Toru Kimura, Representative Director, President and Chief Executive Officer  
**Contact:** Naoki Noguchi, Executive Officer, Corporate Communications  
**Telephone:** 06-6203-5321  
**Starting Date of Dividend Payments:** —  
**Preparation of Supplementary Financial Data for Quarterly Financial Results:** Yes  
**Information Meeting for Quarterly Financial Results to be held:** Yes (for institutional investors, analysts and the press)

(Note: All amounts are rounded to the nearest million JPY)

### 1. Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2025 (April 1, 2024 to June 30, 2024)

#### (1) Results of Operations

(% represents changes from the previous year)

	Revenue		Core operating profit		Operating profit		Net profit		Net profit attributable to owners of the parent		Total comprehensive income	
	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%
Three months ended June 30, 2024	90,675	19.8	(902)	—	(3,105)	—	15,936	—	15,937	—	4,793	(63.2)
Three months ended June 30, 2023	75,686	(52.7)	(33,511)	—	(51,567)	—	(38,862)	—	(38,865)	—	13,022	(82.6)

Reference: Profit before taxes Three months ended June 30, 2024: 17,203 million JPY  
Three months ended June 30, 2023: (31,052) million JPY

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter referred to as "Non-recurring Items")

	Basic earnings per share	Earnings per share (diluted)
	JPY	JPY
Three months ended June 30, 2024	40.11	—
Three months ended June 30, 2023	(97.82)	—

## (2) Financial Position

	Total assets	Net assets	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Millions of JPY	Millions of JPY	Millions of JPY	%	JPY
As of June 30, 2024	868,932	160,929	160,857	18.5	404.89
As of March 31, 2024	907,506	156,136	156,063	17.2	392.82

## 2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
	JPY	JPY	JPY	JPY	JPY
Year ended March 31, 2024	—	0.00	—	0.00	0.00
Year ending March 31, 2025	—				
Year ending March 31, 2025 (Forecasts)		0.00	—	0.00	0.00

Note: Revision of dividend forecasts from the latest announcement: None

## 3. Consolidated Financial Forecasts for the Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% represents changes from the previous year)

	Revenue		Core operating profit		Operating profit		Net profit attributable to owners of parent		Earnings per share
	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	JPY
Year ending March 31, 2025	338,000	7.5	1,000	—	0	—	(16,000)	—	(40.27)

Note: Revision of consolidated financial forecasts from the latest announcement: None

**Notes:**

(1) Significant changes in the scope of consolidation during the period: None

(New: None)

(Excluded: None)

(2) Changes in accounting policies, accounting estimates

① Changes in accounting policy required by IFRS: None

② Changes in accounting policy other than (2),①: None

③ Changes in accounting estimates: None

(3) Number of shares issued (Common stock)

① Number of shares issued (Including treasury stock) at the end of period

June 30, 2024: 397,900,154 shares

March 31, 2024: 397,900,154 shares

② Number of treasury stock at the end of period

June 30, 2024: 609,714 shares

March 31, 2024: 609,393 shares

③ Average number of shares outstanding during the period

Three months ended June 30, 2024: 397,290,582 shares

Three months ended June 30, 2023: 397,291,552 shares

*Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary).*

**Explanation for Appropriate Use of Forecasts and Other Notes:**

*This material contains forecasts, projections, goals, plans, and other forward-looking statements regarding the Group's financial results and other data. Such forward-looking statements are based on the Company's assumptions, estimates, outlook, and other judgments made in light of information available at the time of disclosure of such statements and involve both known and unknown risks and uncertainties. Accordingly, forecasts, plans, goals, and other statements may not be realized as described, and actual financial results, success/failure or progress of development, and other projections may differ materially from those presented herein. Please refer to page 4 of attachment Documents, "1. Qualitative Information of Financial Results for the Three Months Ended June 30, 2024 (5) Consolidated Financial Forecasts".*

*Information concerning pharmaceuticals and medical devices (including those under development) contained herein is not intended as advertising or as medical advice.*

*Supplementary financial data and the presentation materials for the earnings presentation are disclosed together with this summary.*

*The Company holds an earnings presentation for institutional investors, analysts and the press on Wednesday July 31, 2024. The audio of the presentation will be posted on its website promptly after the presentation.*

## 【Attachment Documents】

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## 1. Qualitative Information of Financial Results for the Three Months Ended June 30, 2024

The Group discloses its consolidated financial statements that are prepared in accordance with International Financial Reporting Standards (IFRS).

Forward-looking statements contained herein are based on the Group's judgments in light of information available as of the last day of the three-month period.

### (1) Business Results

(About the performance indicator of "Core operating profit")

The Group has set an original indicator to show the Group's recurring profitability in the form of "Core operating profit". "Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter referred to as "Non-recurring Items"). Main Non-recurring Items are impairment losses, business structure improvement expenses, and changes in fair value of contingent consideration related to company acquisitions.

Highlights of the Group's consolidated financial results for the first three months of the fiscal year ending March 31, 2025 are as follows:

(Billions of JPY)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Change	Change %
Revenue	75.7	90.7	15.0	19.8
Core operating profit	(33.5)	(0.9)	32.6	—
Operating profit	(51.6)	(3.1)	48.5	—
Profit before taxes	(31.1)	17.2	48.3	—
Net profit	(38.9)	15.9	54.8	—
Net profit attributable to owners of the parent	(38.9)	15.9	54.8	—

#### ■ Revenue increased by 19.8% year-on-year to 90.7 billion JPY.

Revenue showed an increase primarily owing to sales expansion of ORGOVYX<sup>®</sup> (therapeutic agent for advanced prostate cancer), MYFEMBREE<sup>®</sup> (therapeutic agent for uterine fibroids and endometriosis), and GEMTESA<sup>®</sup> (therapeutic agent for overactive bladder) (collectively, the "three key products"), as well as the effects of foreign currency translation caused by the further depreciation of the Japanese yen.

#### ■ Core operating profit (loss) was (0.9) billion JPY, compared with (33.5) billion JPY for the three months ended June 30, 2023.

Core operating loss showed a significant decrease from the corresponding period of the previous year, due to the increase in revenue and significant reductions in selling, general and administrative expenses, as well as in research and development expenses. These reductions resulted from the manifestation of effects of business structure improvement through the restructuring of the group companies in North America and the selection and concentration of research and development investments.

#### ■ Operating profit (loss) was (3.1) billion JPY, compared with (51.6) billion JPY for the three months ended June 30, 2023.

Operating loss showed a significant decrease from the corresponding period of the previous year, due to reduced expenses for business structure improvement following the restructuring of the group companies in North America.

#### ■ Profit (loss) before taxes was 17.2 billion JPY, compared with (31.1) billion JPY for the three months ended June 30, 2023.

The Group posted a profit before taxes as financial income exceeded financial expenses owing to the recording of foreign exchange gains resulting from the further depreciation of the Japanese yen, in addition to a significant decrease in operating loss.

#### ■ Net profit (loss) was 15.9 billion JPY, compared with (38.9) billion JPY for the three months ended June 30, 2023.

The Group posted a net profit as a profit before taxes was recorded.

■ **Net profit (loss) attributable to owners of the parent was 15.9 billion JPY, compared with (38.9) billion JPY for the three months ended June 30, 2023.**

The Group posted a net profit attributable to owners of the parent as a net profit was recorded.

(About "core segment profit" set as a segment performance indicator)

For segment performance, the Group has set "core segment profit" as an original performance indicator to show each segment's recurring profitability.

"Core segment profit" indicates each segment profit calculated by deducting any items such as research and development expenses and gains and losses on business transfers, which are managed globally and thus cannot be allocated to individual segments, from "core operating profit."

Status of each reportable segment

**[Japan segment]**

■ **Revenue decreased by 11.2% year-on-year to 27.0 billion JPY.**

Despite growing sales of LATUDA® (atypical antipsychotic), TWYMEEG® (therapeutic agent for type 2 diabetes), and other products, revenue showed a decline owing to decreased sales of TRERIEF® (therapeutic agent for Parkinson's disease) due to the loss of exclusivity, and the impact of NHI drug price revisions.

■ **Core segment profit (loss) increased by 42.6% year-on-year to 4.0 billion JPY.**

Core segment profit showed an increase as the reduction in gross profit on account of a revenue decline was outweighed by the decrease in selling, general and administrative expenses due to cost reduction.

**[North America segment]**

■ **Revenue increased by 46.1% year-on-year to 51.8 billion JPY.**

Revenue showed an increase owing to growing sales of the three key products and APTIOM® (treatment for antiepileptic) and the effects of foreign currency translation.

■ **Core segment profit (loss) was 2.1 billion JPY, compared with (23.7) billion JPY for the three months ended June 30, 2023.**

The Group posted a core segment profit due to an increase in gross profit from revenue growth and the decrease in selling, general and administrative expenses, primarily resulting from the effects of business structure improvement through the restructuring of the group companies in North America.

**[Asia Segment]**

■ **Revenue increased by 20.6% year-on-year to 11.9 billion JPY.**

Revenue showed an increase primarily owing to an increase in sales of MEROPEN® (carbapenem antibiotic) in China.

■ **Core segment profit (loss) increased by 32.8% year-on-year to 5.7 billion JPY.**

Core segment profit increased as gross profit increased on account of revenue growth.

**(2) Financial Condition**

Non-current assets decreased by 94.9 billion JPY from the previous fiscal year-end, as other financial assets decreased significantly due to the sale of investment securities held by the Company, including the shares of Roivant Sciences Ltd., despite increases in goodwill and intangible assets owing to the effects of foreign currency translation caused by the further depreciation of the Japanese yen.

Current assets increased by 56.3 billion JPY from the previous fiscal year-end as a result of an increase in cash and cash equivalents mainly due to the sale of investment securities, as well as an increase in other financial assets.

As a result, total assets decreased by 38.6 billion JPY from the previous fiscal year-end to 868.9 billion JPY.

Liabilities decreased by 43.4 billion JPY from the previous fiscal year-end to 708.0 billion JPY as income taxes payable increased and deferred tax liabilities decreased following the sale of investment securities, in addition to decreases in borrowings and other current liabilities.

Total equity increased by 4.8 billion JPY from the previous fiscal year-end to 160.9 billion JPY as a result of an increase in retained earnings, despite a decrease in other components of equity mainly due to the sale of investment securities.

The ratio of equity attributable to owners of the parent to total assets as of the end of the quarterly accounting period was 18.5%.

### **(3) Cash Flows**

Cash flows used in operating activities amounted to 25.1 billion JPY primarily due to payment of business structure improvement expenses of group company in North America, despite a year-on-year improvement in net cash outflow of 105.1 billion JPY, owing to decreases in trade and other receivables and income taxes paid, as well as the significant improvement in net profit (loss).

Cash flows provided by investing activities amounted to 102.1 billion JPY due to a year-on-year increase in net cash inflow of 63.7 billion JPY due to the sale of the shares of Roivant Sciences Ltd. and other investment securities.

Cash flows used in financial activities amounted to 29.2 billion JPY due to a year-on-year decrease in net cash inflow of 62.8 billion JPY, primarily owing to a decrease in short-term loan payables.

After adding the translation adjustments for cash and cash equivalents to the above cash flows, the balance of cash and cash equivalents at the end of the quarterly accounting period was 78.4 billion JPY, which represents an increase of 49.4 billion JPY from the previous fiscal year-end.

### **(4) Research and Development Activities**

Research and development expenses for the quarterly accounting period amounted to 13.1 billion JPY (down by 52.9% year-on-year), mainly due to the reduction as a result of the selection and concentration of research and development investments. Please note that if the expenses for the business structure improvement in North America, totaling 0.3 billion JPY recorded during the quarterly accounting period, were excluded, research and development expenses would have been 12.8 billion JPY (down by 43.8% year-on-year) on the core basis. The Group manages its research and development expenses globally and so does not allocate such expenses to individual segments.

In the Oncology area, in June 2024, the U.S. Food and Drug Administration (FDA) granted Fast Track\* designation to enzomenib (product code: DSP-5336) for the treatment of patients with relapsed or refractory acute myeloid leukemia (AML) with a mixed-lineage leukemia rearrangement (MLLr) or nucleophosmin 1 mutation (NPM1m).

In the Other areas, a Phase 1 clinical study on a universal influenza vaccine candidate (product code: fH1/DSP-0546LP) commenced this May in Belgium.

\* A process designed to facilitate the development and expedite the review of investigational therapies to treat serious or life-threatening conditions and address an unmet medical need.

### **(5) Consolidated Financial Forecasts**

The Company has not revised the consolidated financial forecasts that were announced on May 14, 2024.

### **(6) Significant Events on Assumption of Going Concern**

In the previous fiscal year, the Group recorded significant impairment losses on intangible assets, including patent rights and goodwill. This was due to a revision of earlier business forecasts and projections prompted by changes in the North American business environment, which placed the Company in conflict with financial covenants included in a syndicated loan agreement.

In response, the Group aims to turn core operating profit positive in a bid to initiate renewed growth in FY2024 by maximizing the value of the three key products early and carrying out Group-wide structural reform.

Furthermore, the Group has sold some of its assets, including all shares of Roivant Sciences Ltd. held by the Company and part of the strategic shareholdings to implement measures to secure funds. The Company also got agreement with Sumitomo Chemical Co., Ltd., our parent company, to accept debt guarantees for the Group's loans and other financial obligations from financial institutions. Given these measures, the Company has obtained consent not to exercise the right to accelerate payment from its key creditor bank. The Group thus expects to have continued support from the creditor banks.

Based on the above, though there are conditions that may cast significant doubt on the Group's ability to continue as a going concern, the Group has concluded that no such material uncertainty exists related to the going concern assumption.

## 2. Condensed Consolidated Financial Statements and Major Notes

### (1) Condensed Consolidated Statement of Profit or Loss and Condensed Consolidated Statement of Comprehensive Income

#### Condensed Consolidated Statement of Profit or Loss

(Millions of JPY)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Revenue	75,686	90,675
Cost of sales	30,430	34,949
Gross profit	45,256	55,726
Selling, general and administrative expenses	74,891	45,358
Research and development expenses	27,844	13,124
Other income	6,335	292
Other expenses	423	641
Operating profit (loss)	(51,567)	(3,105)
Finance income	21,315	22,333
Finance costs	800	2,025
Profit (loss) before taxes	(31,052)	17,203
Income tax expenses	7,810	1,267
Net profit (loss)	(38,862)	15,936
Net profit (loss) attributable to:		
Owners of the parent	(38,865)	15,937
Non-controlling interests	3	(1)
Net profit (loss) total	(38,862)	15,936
Earnings per share (JPY)		
Basic earnings per share (loss)	(97.82)	40.11

#### Condensed Consolidated Statement of Comprehensive Income

(Millions of JPY)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net profit (loss)	(38,862)	15,936
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurements of financial assets measured at fair value through other comprehensive income	28,971	(10,896)
Remeasurements of defined benefit liability/asset	(2)	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	22,915	(247)
Total other comprehensive income	51,884	(11,143)
Total comprehensive income	13,022	4,793
Total comprehensive income attributable to:		
Owners of the parent	13,019	4,794
Non-controlling interests	3	(1)
Total comprehensive income	13,022	4,793



**(2) Condensed Consolidated Statement of Financial Position**

(Millions of JPY)

	As of March 31, 2024	As of June 30, 2024
<b>Assets</b>		
Non-current assets		
Property, plant and equipment	57,895	59,654
Goodwill	199,783	212,589
Intangible assets	195,652	205,793
Other financial assets	161,711	41,301
Income taxes receivable	6,846	7,292
Retirement benefit assets	11,322	11,402
Other non-current assets	2,489	2,440
Deferred tax assets	2,239	2,555
<b>Total non-current assets</b>	<b>637,937</b>	<b>543,026</b>
Current assets		
Inventories	115,350	117,052
Trade and other receivables	81,023	74,056
Other financial assets	7,085	19,553
Income taxes receivable	16,216	16,432
Other current assets	18,997	20,414
Cash and cash equivalents	29,047	78,399
<b>Subtotal</b>	<b>267,718</b>	<b>325,906</b>
Assets held for sale	1,851	—
<b>Total current assets</b>	<b>269,569</b>	<b>325,906</b>
<b>Total assets</b>	<b>907,506</b>	<b>868,932</b>

(Millions of JPY)

	As of March 31, 2024	As of June 30, 2024
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	133,367	133,398
Other financial liabilities	12,738	14,419
Retirement benefit liabilities	11,150	11,198
Other non-current liabilities	40,430	34,832
Deferred tax liabilities	38,211	15,715
Total non-current liabilities	235,896	209,562
Current liabilities		
Borrowings	285,517	256,674
Trade and other payables	67,720	58,259
Other financial liabilities	14,101	27,537
Income taxes payable	1,348	20,524
Provisions	79,546	87,113
Other current liabilities	67,242	48,334
Total current liabilities	515,474	498,441
Total liabilities	751,370	708,003
Equity		
Share capital	22,400	22,400
Treasury shares	(682)	(682)
Retained earnings	(22,665)	35,298
Other components of equity	157,010	103,841
Equity attributable to owners of the parent	156,063	160,857
Non-controlling interests	73	72
Total equity	156,136	160,929
Total liabilities and equity	907,506	868,932

### (3) Condensed Consolidated Statement of Changes in Equity

(Millions of JPY)

	Equity attributable to owners of the parent				
	Share capital	Treasury shares	Retained earnings	Other components of equity	
				Remeasurements of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit liability / asset
Balance as of April 1, 2023	22,400	(682)	280,999	39,260	—
Net profit (loss)	—	—	(38,865)	—	—
Other comprehensive income	—	—	—	28,971	(2)
Total comprehensive income	—	—	(38,865)	28,971	(2)
Purchase of treasury shares	—	(0)	—	—	—
Dividends	—	—	(2,781)	—	—
Changes associated with losing control of subsidiaries	—	—	675	—	—
Reclassification from other components of equity to retained earnings	—	—	6,265	(6,267)	2
Total transactions with owners	—	(0)	4,159	(6,267)	2
Balance as of June 30, 2023	22,400	(682)	246,293	61,964	—

Balance as of April 1, 2024	22,400	(682)	(22,665)	64,526	—
Net profit (loss)	—	—	15,937	—	—
Other comprehensive income	—	—	—	(10,896)	—
Total comprehensive income	—	—	15,937	(10,896)	—
Purchase of treasury shares	—	(0)	—	—	—
Dividends	—	—	—	—	—
Changes associated with losing control of subsidiaries	—	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	42,026	(42,026)	—
Total transactions with owners	—	(0)	42,026	(42,026)	—
Balance as of June 30, 2024	22,400	(682)	35,298	11,604	—

(Millions of JPY)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity		Other comprehensive income associated with assets held for sale	Total		
	Exchange differences on translation of foreign operations	Total				
Balance as of April 1, 2023	64,097	103,357	675	406,749	33	406,782
Net profit (loss)	—	—	—	(38,865)	3	(38,862)
Other comprehensive income	22,915	51,884	—	51,884	—	51,884
Total comprehensive income	22,915	51,884	—	13,019	3	13,022
Purchase of treasury shares	—	—	—	(0)	—	(0)
Dividends	—	—	—	(2,781)	—	(2,781)
Changes associated with losing control of subsidiaries	—	—	(675)	—	—	—
Reclassification from other components of equity to retained earnings	—	(6,265)	—	—	—	—
Total transactions with owners	—	(6,265)	(675)	(2,781)	—	(2,781)
Balance as of June 30, 2023	87,012	148,976	—	416,987	36	417,023

Balance as of April 1, 2024	92,484	157,010	—	156,063	73	156,136
Net profit (loss)	—	—	—	15,937	(1)	15,936
Other comprehensive income	(247)	(11,143)	—	(11,143)	—	(11,143)
Total comprehensive income	(247)	(11,143)	—	4,794	(1)	4,793
Purchase of treasury shares	—	—	—	(0)	—	(0)
Dividends	—	—	—	—	—	—
Changes associated with losing control of subsidiaries	—	—	—	—	—	—
Reclassification from other components of equity to retained earnings	—	(42,026)	—	—	—	—
Total transactions with owners	—	(42,026)	—	(0)	—	(0)
Balance as of June 30, 2024	92,237	103,841	—	160,857	72	160,929

#### (4) Condensed Consolidated Statements of Cash Flows

(Millions of JPY)

	Three months ended June 30, 2023	Three months ended June 30, 2024
<b>Cash flows from operating activities</b>		
Net profit (loss)	(38,862)	15,936
Depreciation and amortization	9,215	6,907
Gain on sales of shares in subsidiaries	(5,890)	—
Interest and dividend income	(1,214)	(579)
Interest expenses	712	1,347
Income tax expenses	7,810	1,267
(Increase) decrease in trade and other receivables	4,757	11,342
(Increase) decrease in inventories	(734)	3,526
Increase (decrease) in trade and other payables	(10,995)	(12,170)
(Increase) decrease in unearned revenue	(4,305)	(4,568)
Increase (decrease) in other financial liabilities	(30)	10,664
Increase or decrease in retirement benefit assets or liabilities	(161)	(34)
Increase (decrease) in provisions	(34,336)	2,397
Others, net	(32,295)	(59,994)
<b>Subtotal</b>	<b>(106,328)</b>	<b>(23,959)</b>
Interest received	794	181
Dividends received	418	411
Interest paid	(260)	(916)
Income taxes paid	(24,785)	(770)
<b>Net cash provided by (used in) operating activities</b>	<b>(130,161)</b>	<b>(25,053)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,549)	(2,303)
Proceeds from sales of property, plant and equipment	318	997
Purchase of intangible assets	(1,726)	(1,350)
Purchase of investments	(1,481)	(638)
Proceeds from sales and redemption of investments	22,822	105,415
Net decrease (increase) in short-term loan receivables	10,000	—
Proceeds from loss of control of subsidiaries	11,074	—
<b>Net cash provided by (used in) investing activities</b>	<b>38,458</b>	<b>102,121</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	37,029	(28,853)
Repayments of finance lease liabilities	(893)	(550)
Dividends paid	(2,736)	(1)
Others, net	166	160
<b>Net cash provided by (used in) financing activities</b>	<b>33,566</b>	<b>(29,244)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(58,137)</b>	<b>47,824</b>
Cash and cash equivalents at beginning of year	143,478	29,047
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	1,135	—
Effect of exchange rate changes on cash and cash equivalents	7,999	1,528
<b>Cash and cash equivalents at end of period</b>	<b>94,475</b>	<b>78,399</b>

## **(5) Notes to Condensed Consolidated Financial Statements**

(Notes regarding Going Concern Assumption)

Not applicable.

(Material Accounting Policies)

The material accounting policies applied to the Condensed Consolidated Financial Statements are the same as those of for the previous fiscal year's consolidated financial statements.

Income tax expenses for the three months ended June 30, 2024 are calculated based on the estimated average annual effective tax rate.

(Segment information)

For segment performance, the Group has set "core segment profit" as an original performance indicator to show each segment's recurring profitability.

"Core segment profit" indicates each segment profit calculated by deducting any items such as research and development expenses and gains and losses on business transfers, which are managed globally and thus cannot be allocated to individual segments, from "core operating profit."

(1) Reportable segments

The Group is mainly engaged in manufacture, purchase and sales of pharmaceuticals for medical treatment and manages the performance of pharmaceutical business by market in Japan, North America and Asia. Therefore, the Group has three reportable segments: Japan, North America and Asia.

The Group's reportable segments are the components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segments and assess their performances.

(2) Revenue and operating results of the reportable segments

Revenue and profit or loss by each of the Group's reportable segments are shown below.

The Group has set an original indicator to show the Group's recurring profitability in the form of "Core operating profit". "Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter referred to as "Non-recurring Items"). Main Non-recurring Items are impairment losses, business structure improvement expenses, and changes in fair value of contingent consideration related to company acquisitions.

① Three months ended June 30, 2023

(Millions of JPY)

	Reportable segments			Total
	Japan	North America	Asia	
Revenues from external customers, etc.	30,366	35,466	9,854	75,686
Segment profit (loss) (Core segment profit (loss))	2,839	(23,733)	4,320	(16,574)

② Three months ended June 30, 2024

(Millions of JPY)

	Reportable segments			Total
	Japan	North America	Asia	
Revenues from external customers, etc.	26,967	51,822	11,886	90,675
Segment profit (Core segment profit)	4,049	2,146	5,736	11,931

(3) Reconciliations between the total amounts of reportable segments and the amounts in the condensed consolidated financial statements (reconciliation items)

The details of reconciliation are as follows:

(Millions of JPY)

Profit	Three months ended June 30, 2023	Three months ended June 30, 2024
Total of reportable segments	(16,574)	11,931
Research and development expenses (Note1)	(22,815)	(12,822)
Gains on business transfers	5,890	—
Others	(12)	(11)
Core operating profit (loss)	(33,511)	(902)
Business structure improvement expenses (Note2)	(18,052)	(1,744)
Other income	457	303
Other expenses	(423)	(641)
Others	(38)	(121)
Operating profit (loss) in the condensed consolidated financial statements	(51,567)	(3,105)

(Note) 1. The Group does not allocate research and development expenses to the reportable segments because such expenses are managed on a global basis. Differences from research and development expenses on the Condensed Consolidated Statement of Profit or Loss consist of expenses related to research and development excluded from calculation of core operating profit.

2. Business structure improvement expenses mainly comprise retirement expenses, etc. associated with the reorganization and rationalization of group companies in North America.

(Material subsequent event)

The Company resolved to offer an early retirement program to its employees in Japan, as part of fundamental business structural reforms aimed at establishing a future profitable structure in its Japan business in the Board of Directors meeting held on July 31, 2024.

1. Reason for offering an early retirement program

The Company has been facing challenging performance with significant losses in both the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024, which are net profit attributable to owners of the parent. The financial forecasts for the fiscal year ending March 31, 2025 indicate net loss attributable to owners of the parent despite its efforts to achieve core operating profit. To achieve an early recovery in performance and regrowth, the Company considers turning core operating profit positive as a must-achieve goal in order for the Group to initiate regrowth in the fiscal year ending March 31,

2025, and is implementing various measures under the policies of (1) Expanding revenue, (2) Reducing costs, and (3) Securing seeds for future business growth.

Under these circumstances, in the Japan business, generics of TRERIEF<sup>®</sup>, therapeutic agent for Parkinson's disease, were launched in June 2024, generics of Equa<sup>®</sup> and EquMet<sup>®</sup>, therapeutic agents for type 2 diabetes, are expected to be launched, and the Company's portfolio in research and development has been revised. Consequently, the streamlining of its business structure at the company-wide level to cope with changes in scale of business operation, research and development pipelines, and product composition is an urgent issue.

Taking into consideration these business conditions and the Company's current challenging financial position, it has concluded that it is essential to implement fundamental structural reforms, including rationalization, to establish an efficient business management structure and achieve sustained growth in Japan. Therefore, the Board of Directors has now resolved to offer the early retirement program.

## 2. Scope of the program for early retirement

- (1) Eligibility: Employees aged 40 and older with at least five years' continuous service as of November 30, 2024 (with certain exemptions)
- (2) Number of applications sought: Approx. 700
- (3) Application period: From September 17 to October 11, 2024
- (4) Effective date of retirement: November 30, 2024
- (5) Preferential conditions: A special retirement benefit will be paid in addition to the normal retirement benefit. Re-employment support services will also be provided on request.

## 3. Financial impact on business performance

The Company plans to record the special retirement benefits and re-employment support services expenses arising from the early retirement program as business structure improvement expenses in selling, general and administrative expenses (non-core) and research and development expenses (non-core) in the fiscal year ending March, 31 2025. Since the number of applicants and total amount of expenses are unknown at this stage, the projected impact on business performance is not yet determined.