

(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 December 31, 2024	852,115	166,115	166,115	19.5	418.12
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	—	0.00	—		
Year ending March 31, 2025 (Forecasts)				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	381,000	21.1	30,000	—	21,000	—	16,000	—	40.27

Note: Revision of consolidated financial forecasts from the latest announcement: Yes

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: Yes

(3) Number of shares issued (Common stock)
① Number of shares issued (Including treasury stock) at the end of period
December 31, 2024: 397,900,154 shares
March 31, 2024: 397,900,154 shares
② Number of treasury stock at the end of period
December 31, 2024: 610,067 shares
March 31, 2024: 609,393 shares
③ Average number of shares outstanding during the period
Nine Months ended December 31, 2024: 397,290,365 shares
Nine Months ended December 31, 2023: 397,291,364 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 5 of attachment Documents, "1. Qualitative Information of Financial Results for the Nine Months Ended December 31, 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 Friday January 31, 2025. 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 Nine Months Ended December 31, 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 nine-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 nine months of the fiscal year ending March 31, 2025 are as follows:

	(Billions of JPY)			
	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Change	Change %
Revenue	235.0	293.2	58.2	24.7
Core operating profit	(96.4)	21.5	117.9	—
Operating profit	(117.7)	13.2	131.0	—
Profit before taxes	(105.2)	24.0	129.2	—
Net profit	(117.7)	21.2	138.9	—
Net profit attributable to owners of the parent	(117.7)	21.2	138.9	—

■ Revenue increased by 24.7% year-on-year to 293.2 billion JPY.

Revenue showed an increase primarily owing to sales expansion of ORGOVYX® (therapeutic agent for advanced prostate cancer), MYFEMBREE® (therapeutic agent for uterine fibroids and endometriosis), and GEMTESA® (therapeutic agent for overactive bladder) (collectively, the "three key products"), as well as the effects of one-time recording as revenue of deferred revenue associated with an upfront payment that had been previously recorded under liabilities, following the transition to independent commercialization of MYFEMBREE®, and foreign currency translation caused by the year-on-year depreciation of the Japanese yen.

■ Core operating profit (loss) was 21.5 billion JPY, compared with (96.4) billion JPY for the nine months ended December 31, 2023.

Core operating profit (loss) showed a significant improvement 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 Group-wide streamlining efforts, including the reduction of research and development investments through selection and concentration, in addition to the manifestation of positive effects of business structure improvement through the restructuring of the group companies in North America.

■ Operating profit (loss) was 13.2 billion JPY, compared with (117.7) billion JPY for the nine months ended December 31, 2023.

Operating profit (loss) showed a significant improvement from the corresponding period of the previous year, due to reduced expenses for business structure improvement, in addition to as the improvement in core operating profit (loss).

■ Profit (loss) before taxes was 24.0 billion JPY, compared with (105.2) billion JPY for the nine months ended December 31, 2023.

Although financial expenses increased primarily owing to a rise in interest rates, financial income exceeded financial expenses due to the recording of foreign exchange gains from the yen's depreciation. Furthermore, as operating profit (loss) improved significantly, profit (loss) before taxes also saw a substantial improvement compared to the same period last year.

■ **Net profit (loss) was 21.2 billion JPY, compared with (117.7) billion JPY for the nine months ended December 30, 2023.**

Net profit (loss) showed a significant improvement from the corresponding period of the previous year, due to a decrease in income tax expenses, in addition to an improvement in profit (loss) before taxes.

■ **Net profit (loss) attributable to owners of the parent was 21.2 billion JPY, compared with (117.7) billion JPY for the nine months ended December 31, 2023.**

Net profit (loss) attributable to owners of the parent, which is the amount of net loss less the amount of profit attributable to non-controlling interests, showed a significant improvement from the corresponding period of the previous year.

(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 12.0% year-on-year to 78.5 billion JPY.**

Despite growing sales of LATUDA® (atypical antipsychotic), TWYMEEG® (therapeutic agent for type 2 diabetes), and authorized generic products, among others, 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) decreased by 17.5% year-on-year to 9.3 billion JPY.**

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

[North America segment]

■ **Revenue increased by 55.5% year-on-year to 179.4 billion JPY.**

Revenue showed an increase owing to growing sales of the three key products and APTIOM® (treatment for antiepileptic), as well as the effects of one-time recording as revenue of an upfront payment that had been previously recognized as deferred revenue, following the transition to independent commercialization of MYFEMBREE®, and foreign currency translation.

■ **Core segment profit (loss) was 28.3 billion JPY, compared with (60.1) billion JPY for the nine months ended December 31, 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 15.9% year-on-year to 35.3 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 26.0% year-on-year to 17.6 billion JPY.**

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

(2) Financial Condition

Total assets decreased by 55.4 billion JPY from the previous fiscal year-end to 852.1 billion JPY.

Non-current assets decreased by 119.5 billion JPY from the previous fiscal year-end, as other financial assets declined significantly due to the sale of investment securities held by the Company, including the shares of Roivant Sciences Ltd. Current assets increased by 64.1 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 and an increase in trade and other receivables on account of revenue growth, despite a decrease in income taxes receivable.

Liabilities decreased by 65.4 billion JPY from the previous fiscal year-end to 686.0 billion JPY. An increase in other financial liabilities due to an increase in revenue, was outweighed by decreases in borrowing as well as in other liabilities primarily due to one-time recording of deferred revenue associated with an upfront payment following the transition to independent commercialization of MYFEMBREE®. Also, Income taxes payable increased and deferred tax liabilities decreased following the sale of investment securities.

Total equity increased by 10.0 billion JPY from the previous fiscal year-end to 166.1 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 19.5%.

(3) Cash Flows

Cash flows provided by operating activities amounted to 5.5 billion JPY, a year-on-year improvement in net cash outflow of 236.2 billion JPY, primarily due to a decrease in payment of business structure improvement expenses and a refund of income tax expenses, as well as a significant improvement of net profit (loss).

Cash flows provided by investing activities amounted to 97.4 billion JPY due to a year-on-year increase in net cash inflow of 59.1 billion JPY owing to the sale of the shares of Roivant Sciences Ltd. and other investment securities.

Cash flows used in financial activities amounted to 45.3 billion JPY due to a year-on-year decrease in net cash inflow of 117.4 billion JPY, primarily owing to debt payments during this cumulative quarterly accounting period, in contrast to a large sum of borrowings in the corresponding period of the previous year.

After adding the translation adjustments for cash and cash equivalents, etc. to the above cash flows, the balance of cash and cash equivalents at the end of the quarterly accounting period was 85.4 billion JPY, which represents an increase of 56.3 billion JPY from the previous fiscal year-end.

(4) Research and Development Activities

Research and development expenses for the interim accounting period amounted to 36.7 billion JPY (down by 50.1% 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, totaling 1.4 billion JPY recorded during this cumulative quarterly accounting period, were excluded, research and development expenses would have been 35.4 billion JPY (down by 48.0% 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 Psychiatry & Neurology area, in November 2024, a Phase 1/2 study on allogeneic iPS cell-derived retinal sheet (3-dimensional retina, product code: DSP-3077) for the treatment of retinitis pigmentosa was initiated in the U.S.

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. Meanwhile, in December 2024, an additional indication for GEMTESA® was approved in the U.S. for the treatment of men with overactive bladder (OAB) symptoms receiving pharmacological therapy for benign prostatic hyperplasia .

* 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

Given the Group's recent business performance trends, the Company has revised the consolidated financial forecasts for the year ending March 31, 2025 announced on May 14, 2024, as follows:

1. Revisions to the Forecasts of Consolidated Financial Results for the Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

	Revenue	Core operating profit	Operating profit	Net profit attributable to owners of the parent	Basic earnings per share
	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	JPY
Previous Forecasts (A)	338,000	1,000	0	(16,000)	(40.27)
Revised Forecast (B)	381,000	30,000	21,000	16,000	40.27
Variance in amount (B-A)	43,000	29,000	21,000	32,000	—
Variance in percent (%)	12.7	—	—	—	—
[Reference] Year ended March 31, 2024	314,558	(132,978)	(354,859)	(314,969)	(792.79)

Note: "Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors, including changes in fair value of contingent consideration, impairment losses, and business structure improvement expenses.

2. The reason for revision

For the revised forecasts announced today, the Company has changed assumed exchange rates (average exchange rates) for the full-year period from its previous forecasts of 145.0 JPY to 152.0 JPY against 1 USD and 20.0 JPY to 21.0 JPY against 1 RMB.

Revenue is now expected to be 381.0 billion JPY, up by 43.0 billion JPY from the previous forecast, as sales of ORGOVYX® and other products remain brisk in the North America segment while sales in China are exceeding plans in the Asia segment, on top of an increase due to the updated foreign exchange rate assumptions.

Core operating profit has been revised up by 29.0 billion JPY from the previous forecast to 30.0 billion JPY. This is a result of an increase in gross profit associated with revenue increase, and an expectation that selling, general and administrative expenses and research and development expenses will remain flat due to a decrease in expenses owing to the business structure improvement at the Company, etc., an increase due to the updated foreign exchange rate assumptions.

Operating profit has been revised to 21.0 billion JPY, up by 21.0 billion JPY from the previous forecast, because of the sheer magnitude of the increase in core operating profit despite the recording of expenses for business structure improvement and otherwise by the Company. Net profit attributable to owners of the parent has been revised to 16.0 billion JPY, reversing the previously forecasted loss of 16.0 billion JPY.

Note: Consolidated Financial Forecasts above are based on the certain assumptions considered reasonable and on information available at the time of disclosure of such statements. Accordingly, actual financial results may differ from those presented herein caused by various factors thereafter.

(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)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Revenue	235,028	293,183
Cost of sales	93,190	113,766
Gross profit	141,838	179,417
Selling, general and administrative expenses	191,558	131,040
Research and development expenses	73,647	36,739
Other income	7,147	2,577
Other expenses	1,525	989
Operating profit (loss)	(117,745)	13,226
Finance income	15,288	16,849
Finance costs	2,734	6,049
Profit (loss) before taxes	(105,191)	24,026
Income tax expenses	12,508	2,806
Net profit (loss)	(117,699)	21,220
Net profit (loss) attributable to:		
Owners of the parent	(117,708)	21,219
Non-controlling interests	9	1
Net profit (loss) total	(117,699)	21,220
Earnings per share (JPY)		
Basic earnings per share (loss)	(296.28)	53.41

Condensed Consolidated Statement of Comprehensive Income

(Millions of JPY)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net profit (loss)	(117,699)	21,220
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Changes in financial assets measured at fair value through other comprehensive income	35,403	(10,900)
Remeasurements of defined benefit liability/asset	(2)	—
Items that may be reclassified subsequently to profit or loss:		
Changes in financial assets measured at fair value through other comprehensive income	—	(52)
Exchange differences on translation of foreign operations	21,890	(215)
Total other comprehensive income	57,291	(11,167)
Total comprehensive income	(60,408)	10,053
Total comprehensive income attributable to:		
Owners of the parent	(60,417)	10,052
Non-controlling interests	9	1
Total comprehensive income	(60,408)	10,053

(2) Condensed Consolidated Statement of Financial Position

(Millions of JPY)

	As of March 31, 2024	As of December 31, 2024
Assets		
Non-current assets		
Property, plant and equipment	57,895	52,613
Goodwill	199,783	208,787
Intangible assets	195,652	194,484
Other financial assets	161,711	38,187
Income taxes receivable	6,846	7,155
Retirement benefit assets	11,322	11,428
Other non-current assets	2,489	2,955
Deferred tax assets	2,239	2,818
Total non-current assets	637,937	518,427
Current assets		
Inventories	115,350	107,426
Trade and other receivables	81,023	94,323
Other financial assets	7,085	16,631
Income taxes receivable	16,216	2,936
Other current assets	18,997	20,831
Cash and cash equivalents	29,047	85,393
Subtotal	267,718	327,540
Assets held for sale	1,851	6,148
Total current assets	269,569	333,688
Total assets	907,506	852,115

(Millions of JPY)

	As of March 31, 2024	As of December 31, 2024
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	133,367	119,463
Other financial liabilities	12,738	15,812
Retirement benefit liabilities	11,150	8,036
Other non-current liabilities	40,430	24,924
Deferred tax liabilities	38,211	18,426
Total non-current liabilities	235,896	186,661
Current liabilities		
Borrowings	285,517	254,960
Trade and other payables	67,720	49,278
Other financial liabilities	14,101	40,769
Income taxes payable	1,348	19,442
Provisions	79,546	92,633
Other current liabilities	67,242	41,738
Subtotal	515,474	498,820
Liabilities directly associated with assets held for sale	—	519
Total current liabilities	515,474	499,339
Total liabilities	751,370	686,000
Equity		
Share capital	22,400	22,400
Treasury shares	(682)	(682)
Retained earnings	(22,665)	41,601
Other components of equity	157,010	102,858
Other comprehensive income associated with assets held for sale	—	(62)
Equity attributable to owners of the parent	156,063	166,115
Non-controlling interests	73	—
Total equity	156,136	166,115
Total liabilities and equity	907,506	852,115

(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		
				Changes in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit liability / asset	Exchange differences on translation of foreign operations
Balance as of April 1, 2023	22,400	(682)	280,999	39,260	—	64,097
Net profit (loss)	—	—	(117,708)	—	—	—
Other comprehensive income	—	—	—	35,403	(2)	21,890
Total comprehensive income	—	—	(117,708)	35,403	(2)	21,890
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	—	—	10,523	(10,525)	2	—
Transfers to other comprehensive income associated with assets held for sale	—	—	—	—	—	—
Total transactions with owners	—	(0)	8,417	(10,525)	2	—
Balance as of December 31, 2023	22,400	(682)	171,708	64,138	—	85,987
Balance as of April 1, 2024	22,400	(682)	(22,665)	64,526	—	92,484
Net profit	—	—	21,219	—	—	—
Other comprehensive income	—	—	—	(10,952)	—	(215)
Total comprehensive income	—	—	21,219	(10,952)	—	(215)
Purchase of treasury shares	—	(0)	—	—	—	—
Dividends	—	—	—	—	—	—
Changes associated with losing control of subsidiaries	—	—	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	43,047	(43,047)	—	—
Transfers to other comprehensive income associated with assets held for sale	—	—	—	62	—	—
Total transactions with owners	—	(0)	43,047	(42,985)	—	—
Balance as of December 31, 2024	22,400	(682)	41,601	10,589	—	92,269

(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		
	Total				
Balance as of April 1, 2023	103,357	675	406,749	33	406,782
Net profit (loss)	—	—	(117,708)	9	(117,699)
Other comprehensive income	57,291	—	57,291	—	57,291
Total comprehensive income	57,291	—	(60,417)	9	(60,408)
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	(10,523)	—	—	—	—
Transfers to other comprehensive income associated with assets held for sale	—	—	—	—	—
Total transactions with owners	(10,523)	(675)	(2,781)	—	(2,781)
Balance as of December 31, 2023	150,125	—	343,551	42	343,593
Balance as of April 1, 2024	157,010	—	156,063	73	156,136
Net profit	—	—	21,219	1	21,220
Other comprehensive income	(11,167)	—	(11,167)	—	(11,167)
Total comprehensive income	(11,167)	—	10,052	1	10,053
Purchase of treasury shares	—	—	(0)	—	(0)
Dividends	—	—	—	—	—
Changes associated with losing control of subsidiaries	—	—	—	(74)	(74)
Reclassification from other components of equity to retained earnings	(43,047)	—	—	—	—
Transfers to other comprehensive income associated with assets held for sale	62	(62)	—	—	—
Total transactions with owners	(42,985)	(62)	(0)	(74)	(74)
Balance as of December 31, 2024	102,858	(62)	166,115	—	166,115

(4) Condensed Consolidated Statement of Cash Flows

(Millions of JPY)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Cash flows from operating activities		
Net profit (loss)	(117,699)	21,220
Depreciation and amortization	28,260	19,755
Gain on sales of shares in subsidiaries	(5,890)	—
Interest and dividend income	(2,674)	(1,197)
Interest expenses	2,509	4,143
Income tax expenses	12,508	2,806
(Increase) decrease in trade and other receivables	4,736	(10,223)
(Increase) decrease in inventories	(5,707)	11,761
Increase (decrease) in trade and other payables	(7,355)	(19,017)
Increase (decrease) in unearned revenue	(12,889)	(22,493)
Increase (decrease) in other financial liabilities	6,867	26,159
Increase or decrease in retirement benefit assets and liabilities	(423)	(3,224)
Increase (decrease) in provisions	(49,582)	9,180
Others, net	(46,633)	(43,253)
Subtotal	(193,972)	(4,383)
Interest received	1,861	667
Dividends received	883	575
Interest paid	(1,921)	(3,629)
Income taxes paid	(37,583)	(1,745)
Income taxes refunded	—	14,006
Net cash provided by (used in) operating activities	(230,732)	5,491
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,491)	(6,123)
Proceeds from sales of property, plant and equipment	422	1,412
Purchase of intangible assets	(4,400)	(4,773)
Purchase of investments	(4,110)	(1,386)
Proceeds from sales and redemption of investments	31,847	108,430
Net decrease (increase) in short-term loan receivables	10,000	422
Proceeds from loss of control of subsidiaries	11,074	—
Expenditure from loss of control of subsidiaries	—	(539)
Net cash provided by (used in) investing activities	38,342	97,443
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	77,000	(412)
Repayments of long-term borrowings	—	(43,000)
Repayments of lease liabilities	(2,590)	(2,343)
Dividends paid	(2,791)	(2)
Others, net	496	456
Net cash provided by (used in) financing activities	72,115	(45,301)
Net increase (decrease) in cash and cash equivalents	(120,275)	57,633
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	12,119	(1,287)
Cash and cash equivalents at end of period	36,457	85,393

(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 for the previous fiscal year's consolidated financial statements.

Income tax expenses for the nine months ended December 31, 2024 are calculated based on the estimated average annual effective tax rate.

(Changes in Accounting Estimates)

The Group has, from the nine months ended December 31, 2024, changed the useful lives of certain patent rights based on the expected economic useful lives, which are more in line with actual conditions.

Due to the change, "Operating profit(loss)" and "Profit(loss) before taxes" increased by 747 million JPY for the nine months ended December 31, 2024.

(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 Nine months ended December 31, 2023

(Millions of JPY)

	Reportable segments			Total
	Japan	North America	Asia	
Revenues from external customers, etc.	89,157	115,390	30,481	235,028
Segment profit (loss) (Core segment profit (loss))	11,299	(60,076)	13,984	(34,793)

② Nine months ended December 31, 2024

(Millions of JPY)

	Reportable segments			Total
	Japan	North America	Asia	
Revenues from external customers, etc.	78,481	179,374	35,328	293,183
Segment profit (Core segment profit)	9,323	28,293	17,625	55,241

(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	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Total of reportable segments	(34,793)	55,241
Research and development expenses (Note1)	(67,959)	(35,355)
Gains on business transfers	6,391	1,645
Others	(26)	(10)
Core operating profit (loss)	(96,387)	21,521
Business structure improvement expenses (Note2)	(20,497)	(8,549)
Other income	782	942
Other expenses	(1,525)	(989)
Others	(118)	301
Operating profit (loss) in the condensed consolidated financial statements	(117,745)	13,226

(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 for the nine months ended December 31, 2023 mainly comprise retirement expenses, etc. associated with the reorganization and rationalization of group companies in North America. Also, business structure improvement expenses for the nine months ended December 31, 2024 mainly comprise retirement expenses, etc. associated with the rationalization of the Company, domestic group company and group companies in North America.

(Assets held for sale)

Non-current assets, or disposal groups comprising assets and liabilities, recovered primarily through sale rather than through continuing use, are classified as held for sale if they are available for immediate sale in its current condition and the sale is highly probable. Non-current assets, or disposal groups classified as held for sale, are measured at the lower of their carrying amount or fair value less cost to sell.

The details of assets held for sale and liabilities directly associated with the assets held for sale are as follows:

(Millions of JPY)

	As of March 31, 2024	As of December 31, 2024
Property, plant and equipment	752	4,556
Other financial assets	—	863
Inventories	1,098	—
Others	1	729
Total assets	1,851	6,148
Trade and other payables	—	417
Others	—	102
Total liabilities	—	519

The Company transferred a part of Oita Plant to its parent company, Sumitomo Chemical Co., Ltd. ("Sumitomo Chemical") on April 1, 2024. Therefore, the Company classified the relevant assets as assets held for sale for the year ended March 31, 2024.

In addition, the Company has decided to (i) Split off the regenerative medicine and cell therapy business of the Company and transfer it to RACTHERA Co., Ltd. ("RACTHERA") and S-RACMO Co., Ltd. ("the absorption-type company split"). (ii) After the absorption-type company split becomes effective, 66.6% of the shares in RACTHERA will be transferred to Sumitomo Chemical. Therefore, the Company classified the assets associated with the regenerative medicine and cell therapy business as assets held for sale for the year ended December 31, 2024.

(Material subsequent event)
Not applicable.