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Summary of Consolidated Financial Results for the Second Quarter (First Half) of the Year Ending March 31, 2025 [IFRS]

October 30, 2024

Company Name: SUMITOMO PHARMA CO., LTD.
Stock Exchange Listings: Tokyo
Security Code Number: 4506 (URL <https://www.sumitomo-pharma.com>)
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Filing Date of Semi-annual Securities Report: November 1, 2024
Starting Date of Dividend Payments: —
Preparation of Supplementary Financial Data for Quarterly Financial Results: Yes
Information Meeting for 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 Second Quarter (First Half) of the Year Ending March 31, 2025 (April 1, 2024 to September 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	%
Six months ended September 30, 2024	180,749	18.4	(38)	—	(8,179)	—	(32,228)	—	(32,229)	—	(41,892)	—
Six months ended September 30, 2023	152,642	(52.2)	(65,849)	—	(86,498)	—	(67,736)	—	(67,741)	—	8,044	(82.7)

Reference: Profit before taxes Six months ended September 30, 2024: (32,406) million JPY
Six months ended September 30, 2023: (56,127) 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
Six months ended September 30, 2024	(81.12)	—
Six months ended September 30, 2023	(170.51)	—

(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 September 30, 2024	799,765	114,244	114,170	14.3	287.37
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	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
 - September 30, 2024: 397,900,154 shares
 - March 31, 2024: 397,900,154 shares
 - ② Number of treasury stock at the end of period
 - September 30, 2024: 609,806 shares
 - March 31, 2024: 609,393 shares
 - ③ Average number of shares outstanding during the period
 - Six months ended September 30, 2024: 397,290,479 shares
 - Six months ended September 30, 2023: 397,291,474 shares

This summary of consolidated financial results is exempt from audit procedures.

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 Six Months Ended September 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 October 30, 2024. The video 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 Six Months Ended September 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 six-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 six months of the fiscal year ending March 31, 2025 are as follows:

	Six months ended September 30, 2023	Six months ended September 30, 2024	Change	Change %
Revenue	152.6	180.7	28.1	18.4
Core operating profit	(65.8)	(0.0)	65.8	—
Operating profit	(86.5)	(8.2)	78.3	—
Profit before taxes	(56.1)	(32.4)	23.7	—
Net profit	(67.7)	(32.2)	35.5	—
Net profit attributable to owners of the parent	(67.7)	(32.2)	35.5	—

(Billions of JPY)

■ Revenue increased by 18.4% year-on-year to 180.7 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 foreign currency translation caused by the year-on-year depreciation of the Japanese yen.

■ Core operating profit (loss) was (0.0) billion JPY, compared with (65.8) billion JPY for the six months ended September 30, 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 (8.2) billion JPY, compared with (86.5) billion JPY for the six months ended September 30, 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 (32.4) billion JPY, compared with (56.1) billion JPY for the six months ended September 30, 2023.

Financial expenses exceeded financial income due to the yen's appreciation compared to the previous fiscal year-end, as opposed to the previous year's corresponding period when financial income exceeded financial expenses due to the yen's depreciation. However, a significant improvement in operating profit (loss) led to an overall improvement in profit (loss) before taxes compared to the same period last year.

■ **Net profit (loss) was (32.2) billion JPY, compared with (67.7) billion JPY for the six months ended September 30, 2023.**

Net profit (loss) showed an 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 (32.2) billion JPY, compared with (67.7) billion JPY for the six months ended September 30, 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 an 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 9.8% year-on-year to 52.8 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 6.5% year-on-year to 6.3 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 continued efforts to reduce costs.

[North America segment]

■ **Revenue increased by 42.2% year-on-year to 104.2 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 7.4 billion JPY, compared with (42.2) billion JPY for the six months ended September 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 14.0% year-on-year to 23.7 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 15.5% year-on-year to 11.4 billion JPY.**

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

(2) Financial Condition

Total assets decreased by 107.7 billion JPY from the previous fiscal year-end to 799.8 billion JPY.

Non-current assets decreased by 150.1 billion JPY from the previous fiscal year-end, as intangible assets and goodwill decreased owing to the effects of foreign currency translation caused by the appreciation of the Japanese yen, in addition to a significant decline in other financial assets due to the sale of investment securities held by the Company, including the shares of Roivant Sciences Ltd.

Current assets increased by 42.4 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, despite decreases in trade and other receivables and income taxes receivable.

Liabilities decreased by 65.8 billion JPY from the previous fiscal year-end to 685.5 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 decreased by 41.9 billion JPY from the previous fiscal year-end to 114.2 billion JPY as a result of a decrease in other components of equity, despite an increase in retained earnings 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 interim accounting period was 14.3%.

(3) Cash Flows

Cash flows provided by operating activities amounted to 4.6 billion JPY, a year-on-year improvement in net cash outflow of 179.0 billion JPY, primarily due to a significant improvement of net profit (loss), as well as an increase in provisions and a refund of income tax expenses, despite payment of business structure improvement expenses for the group companies in North America.

Cash flows provided by investing activities amounted to 97.5 billion JPY due to a year-on-year increase in net cash inflow of 64.8 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 29.4 billion JPY due to a year-on-year decrease in net cash inflow of 74.2 billion JPY, primarily owing to a decrease in short-term borrowings.

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 interim accounting period was 99.1 billion JPY, which represents an increase of 70.0 billion JPY from the previous fiscal year-end.

(4) Research and Development Activities

Research and development expenses for the interim accounting period amounted to 26.3 billion JPY (down by 47.8% 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 1.2 billion JPY recorded during the interim accounting period, were excluded, research and development expenses would have been 25.1 billion JPY (down by 44.6% 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)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Revenue	152,642	180,749
Cost of sales	60,323	72,327
Gross profit	92,319	108,422
Selling, general and administrative expenses	134,044	89,996
Research and development expenses	50,356	26,272
Other income	6,445	454
Other expenses	862	787
Operating profit (loss)	(86,498)	(8,179)
Finance income	32,022	1,206
Finance costs	1,651	25,433
Profit (loss) before taxes	(56,127)	(32,406)
Income tax expenses	11,609	(178)
Net profit (loss)	(67,736)	(32,228)
Net profit (loss) attributable to:		
Owners of the parent	(67,741)	(32,229)
Non-controlling interests	5	1
Net profit (loss) total	(67,736)	(32,228)
Earnings per share (JPY)		
Basic earnings per share (loss)	(170.51)	(81.12)

Condensed Consolidated Statement of Comprehensive Income

(Millions of JPY)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net profit (loss)	(67,736)	(32,228)
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	45,556	(12,077)
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	—	(74)
Exchange differences on translation of foreign operations	30,226	2,487
Total other comprehensive income	75,780	(9,664)
Total comprehensive income	8,044	(41,892)
Total comprehensive income attributable to:		
Owners of the parent	8,039	(41,893)
Non-controlling interests	5	1
Total comprehensive income	8,044	(41,892)

(2) Condensed Consolidated Statement of Financial Position

(Millions of JPY)

	As of March 31, 2024	As of September 30, 2024
Assets		
Non-current assets		
Property, plant and equipment	57,895	57,368
Goodwill	199,783	188,549
Intangible assets	195,652	179,992
Other financial assets	161,711	39,413
Income taxes receivable	6,846	6,461
Retirement benefit assets	11,322	11,404
Other non-current assets	2,489	2,079
Deferred tax assets	2,239	2,570
Total non-current assets	637,937	487,836
Current assets		
Inventories	115,350	105,637
Trade and other receivables	81,023	66,063
Other financial assets	7,085	16,829
Income taxes receivable	16,216	2,823
Other current assets	18,997	17,743
Cash and cash equivalents	29,047	99,082
Subtotal	267,718	308,177
Assets held for sale	1,851	3,752
Total current assets	269,569	311,929
Total assets	907,506	799,765

(Millions of JPY)

	As of March 31, 2024	As of September 30, 2024
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	133,367	133,430
Other financial liabilities	12,738	13,450
Retirement benefit liabilities	11,150	11,050
Other non-current liabilities	40,430	26,950
Deferred tax liabilities	38,211	14,124
Total non-current liabilities	235,896	199,004
Current liabilities		
Borrowings	285,517	255,950
Trade and other payables	67,720	58,581
Other financial liabilities	14,101	23,356
Income taxes payable	1,348	18,629
Provisions	79,546	79,268
Other current liabilities	67,242	48,393
Subtotal	515,474	484,177
Liabilities directly associated with assets held for sale	—	2,340
Total current liabilities	515,474	486,517
Total liabilities	751,370	685,521
Equity		
Share capital	22,400	22,400
Treasury shares	(682)	(682)
Retained earnings	(22,665)	(13,254)
Other components of equity	157,010	105,706
Equity attributable to owners of the parent	156,063	114,170
Non-controlling interests	73	74
Total equity	156,136	114,244
Total liabilities and equity	907,506	799,765

(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
Balance as of April 1, 2023	22,400	(682)	280,999	39,260	—
Net profit (loss)	—	—	(67,741)	—	—
Other comprehensive income	—	—	—	45,556	(2)
Total comprehensive income	—	—	(67,741)	45,556	(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	—	—	6,269	(6,271)	2
Total transactions with owners	—	(0)	4,163	(6,271)	2
Balance as of September 30, 2023	22,400	(682)	217,421	78,545	—
Balance as of April 1, 2024	22,400	(682)	(22,665)	64,526	—
Net profit (loss)	—	—	(32,229)	—	—
Other comprehensive income	—	—	—	(12,151)	—
Total comprehensive income	—	—	(32,229)	(12,151)	—
Purchase of treasury shares	—	(0)	—	—	—
Dividends	—	—	—	—	—
Changes associated with losing control of subsidiaries	—	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	41,640	(41,640)	—
Total transactions with owners	—	(0)	41,640	(41,640)	—
Balance as of September 30, 2024	22,400	(682)	(13,254)	10,735	—

(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)	—	—	—	(67,741)	5	(67,736)
Other comprehensive income	30,226	75,780	—	75,780	—	75,780
Total comprehensive income	30,226	75,780	—	8,039	5	8,044
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	—	(6,269)	—	—	—	—
Total transactions with owners	—	(6,269)	(675)	(2,781)	—	(2,781)
Balance as of September 30, 2023	94,323	172,868	—	412,007	38	412,045
Balance as of April 1, 2024	92,484	157,010	—	156,063	73	156,136
Net profit (loss)	—	—	—	(32,229)	1	(32,228)
Other comprehensive income	2,487	(9,664)	—	(9,664)	—	(9,664)
Total comprehensive income	2,487	(9,664)	—	(41,893)	1	(41,892)
Purchase of treasury shares	—	—	—	(0)	—	(0)
Dividends	—	—	—	—	—	—
Changes associated with losing control of subsidiaries	—	—	—	—	—	—
Reclassification from other components of equity to retained earnings	—	(41,640)	—	—	—	—
Total transactions with owners	—	(41,640)	—	(0)	—	(0)
Balance as of September 30, 2024	94,971	105,706	—	114,170	74	114,244

(4) Condensed Consolidated Statement of Cash Flows

(Millions of JPY)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Net profit (loss)	(67,736)	(32,228)
Depreciation and amortization	18,659	13,689
Gain on sales of shares in subsidiaries	(5,890)	—
Interest and dividend income	(1,833)	(866)
Interest expenses	1,595	2,698
Income tax expenses	11,609	(178)
(Increase) decrease in trade and other receivables	7,873	13,036
(Increase) decrease in inventories	(4,006)	7,558
Increase (decrease) in trade and other payables	(2,106)	(6,230)
Increase (decrease) in unearned revenue	(8,552)	(8,956)
Increase (decrease) in other financial liabilities	6,678	8,588
Increase or decrease in retirement benefit assets or liabilities	(119)	(178)
Increase (decrease) in provisions	(38,512)	4,466
Others, net	(67,716)	(7,967)
Subtotal	(150,056)	(6,568)
Interest received	1,402	441
Dividends received	497	447
Interest paid	(1,737)	(2,425)
Income taxes paid	(24,603)	(886)
Income taxes refunded	—	13,543
Net cash provided by (used in) operating activities	(174,497)	4,552
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,256)	(4,066)
Proceeds from sales of property, plant and equipment	384	1,024
Purchase of intangible assets	(4,183)	(4,195)
Purchase of investments	(3,520)	(1,020)
Proceeds from sales and redemption of investments	23,176	105,708
Net decrease (increase) in short-term loan receivables	10,000	—
Proceeds from loss of control of subsidiaries	11,074	—
Net cash provided by (used in) investing activities	32,675	97,451
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	49,000	(28,412)
Repayments of finance lease liabilities	(1,749)	(1,341)
Dividends paid	(2,785)	(1)
Others, net	331	318
Net cash provided by (used in) financing activities	44,797	(29,436)
Net increase (decrease) in cash and cash equivalents	(97,025)	72,567
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	(1,128)
Effect of exchange rate changes on cash and cash equivalents	12,809	(1,404)
Cash and cash equivalents at end of period	60,397	99,082

(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 six months ended September 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 Six months ended September 30, 2023

(Millions of JPY)

	Reportable segments			
	Japan	North America	Asia	Total
Revenues from external customers, etc.	58,549	73,277	20,816	152,642
Segment profit (loss) (Core segment profit (loss))	5,871	(42,178)	9,871	(26,436)

② Six months ended September 30, 2024

(Millions of JPY)

	Reportable segments			
	Japan	North America	Asia	Total
Revenues from external customers, etc.	52,825	104,188	23,736	180,749
Segment profit (Core segment profit)	6,251	7,437	11,399	25,087

(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	Six months ended September 30, 2023	Six months ended September 30, 2024
Total of reportable segments	(26,436)	25,087
Research and development expenses (Note1)	(45,284)	(25,106)
Gains on business transfers	5,890	—
Others	(19)	(19)
Core operating profit (loss)	(65,849)	(38)
Business structure improvement expenses (Note2)	(20,283)	(7,010)
Other income	574	473
Other expenses	(862)	(787)
Others	(78)	(817)
Operating profit (loss) in the condensed consolidated financial statements	(86,498)	(8,179)

(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 six months ended September 30, 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 six months ended September 30, 2024 mainly comprise retirement expenses, etc. associated with the rationalization of the Company and group companies in North America.

(Material subsequent event)

Not applicable.