

2. Dividends

	Annual dividend per share					Total dividends	Dividends pay-out ratio (consolidated)	Ratio of dividends to equity attributable to owners of the Company (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2024	—	60.00	—	60.00	120.00	64,799	18.9	2.5
FY2025	—	70.00	—	70.00	140.00	73,938	20.4	2.2
FY2026 (forecast)	—	70.00	—	70.00	140.00		27.7	

3. Forecasts of Consolidated Operating Results for the Year Ending December 31, 2026 (January 1, 2026 to December 31, 2026)

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

	Revenue		Business profit		Operating profit		Profit for the year		Profit attributable to owners of the Company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Q2 (YTD)	1,218,000	3.2	173,000	(27.7)	175,000	(27.7)	131,000	(25.5)	128,000	(26.2)	243.07
FY2026	2,520,000	2.1	355,000	(20.4)	360,000	(24.9)	269,000	(26.5)	265,000	(27.0)	504.94

† Notes

- (1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 2 companies (Araris Biotech AG, Otsuka ICU Medical LLC)
Excluded: – companies (–)
- (2) Changes in accounting policies and changes in accounting estimates
 - 1) Changes in accounting policies required by IFRS: None
 - 2) Changes in accounting policies due to other reasons: None
 - 3) Changes in accounting estimates: None
- (3) Number of shares issued and outstanding (ordinary shares)
 - 1) Number of shares issued and outstanding as of the end of the fiscal year (including treasury shares):
 - December 31, 2025 542,988,917 shares
 - December 31, 2024 552,024,717 shares
 - 2) Number of shares of treasury shares as of the end of the fiscal year:
 - December 31, 2025 14,857,548 shares
 - December 31, 2024 14,932,021 shares
 - 3) Average number of shares outstanding during the fiscal year:
 - Fiscal year ended December 31, 2025 530,097,132 shares
 - Fiscal year ended December 31, 2024 541,398,653 shares

* This report is out of scope of audits by certified public accountants or an audit firm.

* Note to ensure appropriate use of forecasts, and other comments in particular

Forecasts and other forward-looking statements included in this report are based on information currently available and certain assumptions that Otsuka Holdings Co., Ltd. (hereinafter referred to as the “Company”) deems reasonable. Actual performance and other results may differ significantly due to various factors. Please refer to “1. Overview of Operating Results and Financial Position (5) Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2026” on page 11 for details with regard to the assumptions and other matters concerning the financial forecast.

The Company plans to hold an earnings release briefing for institutional investors, analysts and the press on Friday, February 13, 2026. The video and audio of the proceedings, along with the presentation materials to be used on the day, will be available on the Company’s website promptly after the briefing.

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1. Overview of Operating Results and Financial Position

(1) Operating Results for the Fiscal Year Ended December 31, 2025

The Company and its affiliated companies (hereinafter referred to as the “Group”) adopted “Business profit” as an indicator of ordinary earnings power, which is calculated as follows:

Revenue – Cost of sales – Selling, general and administrative expenses – Research and development expenses + Share of profit of investments accounted for using the equity method

(Millions of yen)

	FY2024 (Fiscal year ended December 31, 2024)	FY2025 (Fiscal year ended December 31, 2025)	Change	% Change
Revenue	2,329,861	2,468,892	139,031	6.0%
Business profit before research and development expenses	744,696	798,968	54,271	7.3%
Business profit	430,463	446,129	15,666	3.6%
Operating profit	323,564	479,375	155,811	48.2%
Profit before tax	335,854	468,037	132,183	39.4%
Profit for the year	347,271	366,216	18,944	5.5%
Profit attributable to owners of the Company	343,120	363,150	20,030	5.8%
Research and development expenses	314,233	352,838	38,605	12.3%
Impairment losses	126,040	26,426	(99,614)	(79.0)%

The Otsuka Group identifies unmet or potential needs and challenges related to health and proposes new perspectives and behavioral changes on health to society in order to address them. As people’s health needs evolve toward well-being, which encompasses physical, mental, and social aspects, we aim to be a company that not only creates and provides products and services across a wide range of business areas supporting health—from disease treatment to diagnosis, prevention, and health maintenance and promotion—but also offers new choices and appropriate information for daily life, collaborates with local communities, and delivers value that supports each individual’s health and their unique “lifestyles.”

Revenue for the fiscal year ended December 31, 2025 totaled ¥2,468,892 million (up 6.0% over the previous fiscal year), as all operating segments recorded increased revenue. The main factors behind this growth were increases in the two core products of antipsychotic agent *REXULTI/RXULTI* and anti-cancer agent *LONSURF*, which have been designated the growth drivers under the Fourth Medium-Term Management Plan, as well as sales growth of long-acting injection *ABILIFY MAINTENA/ABILIFY ASIMTUFII*, and others in the pharmaceutical business. In the nutraceutical business, revenue increased due to growth in all three designated growth driver categories by social issues.

Business profit before research and development expenses was ¥798,968 million (up 7.3%). The main factors were increased gross profit in line with increased revenue.

Research and development expenses totaled ¥352,838 million (up 12.3%). In the development pipeline, development expenses increased for the development of our “Next 8” products such as the new antipsychotic agent ulotaront, centanafadine for the treatment of attention-deficit hyperactivity disorder (ADHD), and zipalertinib under development for the treatment of non-small cell lung cancer. In addition, development expenses for repinatrabit from Jnana, which was acquired in the previous fiscal year, also increased.

Business profit increased to ¥446,129 million (up 3.6%) as a result of steady revenue growth.

Operating profit was ¥479,375 million (up 48.2%) due to the increase in business profit, as well as the recording of gain associated with the sale of shares of MicroPort Scientific Corporation (hereinafter “MicroPort”), despite the recording of impairment losses at Daiya Foods Inc. and others. Also boosted by the smaller scale of impairment losses compared to the previous fiscal year, the Company achieved a significant increase in profit.

Profit for the year was ¥366,216 million (up 5.5%), and profit attributable to owners of the Company was ¥363,150 million (up 5.8%).

Results by business segment are as follows:

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Consolidated
Revenue	1,744,234	577,669	34,634	115,922	(3,569)	2,468,892
Business profit	402,016	68,907	25,171	7,469	(57,434)	446,129

Reference (FY2024)

(Millions of yen)

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

1) Pharmaceuticals

Revenue for the fiscal year ended December 31, 2025 totaled ¥1,744,234 million (up 7.1%), with business profit of ¥402,016 million (up 2.9%).

Main products

- Antipsychotic agent *REXULTI**¹/*RXULTI**²

In the U.S., prescriptions grew and sales increased mainly due to activities to raise awareness of major depressive disorder and agitation associated with dementia due to Alzheimer's disease and enhancement of detailing activities. In Japan, in addition to the indication for treatment of schizophrenia, depression and depressive states, approvals were obtained for the indication of agitation associated with dementia due to Alzheimer's disease*³ in September 2024. This was accompanied by an enhancement of detailing activities, leading to a significant increase in sales. As a result, sales of *REXULTI/RXULTI* totaled ¥331,338 million (up 23.9%).

*1: Brand name for the antipsychotic agent outside Europe

*2: Brand name for the antipsychotic agent in Europe

*3: In the Japanese package insert, the indications and effects are described as "excessive motor activity or physically/verbally aggressive behavior due to rapid changes in mood, irritability, and/or outbursts associated with dementia due to Alzheimer's disease."

- Anti-cancer agent *LONSURF*

In the U.S., the number of prescriptions for treatment in combination with bevacizumab for colorectal cancer increased as awareness grew, leading to an increase in sales. In Japan, following the revision of the JSCCR Guidelines for the Treatment of Colorectal Cancer in July 2024, treatment in combination with bevacizumab was recommended, and prescriptions remained steady. As a result, sales of *LONSURF* totaled ¥109,279 million (up 4.7%).

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

In the U.S. and Japan, continued detailing activities for bipolar I disorder and schizophrenia led to sales of ¥224,504 million (up 2.5%).

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

In the U.S. and Europe, sales increased significantly atop growth in prescriptions, mainly due to promoting the efficacy of the product as well as detailing activities, in addition to a switch from the aripiprazole long-acting injection (1 month) *ABILIFY MAINTENA*, etc. As a result, sales of *ABILIFY ASIMTUFII* totaled ¥34,786 million (up 83.7%).

- V₂-receptor antagonist *Samsca/JINARC**⁴/*JYNARQUE**⁵

In the U.S., the exclusive sales period as treatment for autosomal dominant polycystic kidney disease (ADPKD) came to an end in April 2025 and generics have gone on sale, leading to a decrease in sales. In Europe and Japan, the business was also affected by generics, leading to a decrease in sales.

As a result, sales of *Samsca/JINARC/JYNARQUE* totaled ¥221,910 million (down 21.1%).

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

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

2) Nutraceuticals

Revenue for the fiscal year ended December 31, 2025 totaled ¥577,669 million (up 3.7%), with business profit of ¥68,907 million (up 7.4%).

<Three categories by social issues>

- For Climate & Environmental Risk

Sales of *POCARI SWEAT*, an electrolyte supplement drink, remained on par with the previous year. In Japan, while there was a reduction in consumer outside activity levels, attributed to frequent heat disorder warnings during the summer, we continued our activities to educate consumers about the importance of hydration and replenishment of electrolytes and to create opportunities for drinking experiences. Also, our sales volume remained steady due to the enhancement of brand value through support activities at the World Athletics Championships Tokyo 25 and capturing the demand related to health issues during the dry season starting in November. Overseas, our efforts to improve brand value contributed to a significant increase in sales volume in certain areas, particularly in the Philippines. On the other hand, overall sales volume for overseas increased slightly due to slowdowns in economic activities in some areas including Indonesia. Additionally, we officially launched the product in India in July 2025, and in Nigeria in November, as new expansion areas. Sales of the Nutrition & Santé SAS, which sells health food products mainly in Europe, increased mainly due to growth in the main products such as *Gerblé*. As a result, revenue for this category totaled ¥201,665 million (up 1.6%).

- For Women's Health

In North America, revenue increased mainly due to the strong growth of *Thermella*, a dietary supplement sold by Bonafide Health, LLC that targets hot flashes and night sweats at the source. Revenue increased in Japan due to increased recognition of *EQUELLE* through the wide-ranging detailing activities on the product, including seminars on women's health. As a result, revenue for this category totaled ¥60,800 million (up 7.4%).

- For Healthier Life

Nature Made supplements by Pharmavite LLC are created and expanded around the pillars of three core values - Science, Innovation and Quality. In the U.S., Nature Made sales continued to perform well in e-commerce and large retail stores, driven by innovative product development and ongoing consumer education programs about the importance of nutrition, against a backdrop of high trust in the brand and its quality. The share of *Nature Made* expanded^{*6} and increased revenue, and as a result, revenue for this category totaled ¥234,721 million (up 7.0%).

*6: Circana Data; Market Advantage; 4 wks 12/28/2025, Food, Drug, Mass Excluding Amazon and Costco (MULO) © 2025 Circana

[Products comprising the category]

For Climate & Environmental Risk: *POCARI SWEAT*, *OS-1*, *Daiya*, the Nutrition & Santé SAS brand

For Women's Health: *EQUELLE*, *Bonafide*, *Uqora*, Cosmedics^{*7} (*InnerSignal*, *Sakuraé*)

For Healthier Life: *Nature Made*, *MegaFood*, *Calorie Mate*

*7: Cosmedics: a word coined by cosmetics + medicine = Otsuka's unique concept for skin health products

3) Consumer products

Revenue for the fiscal year ended December 31, 2025 totaled ¥34,634 million (up 2.6%), with business profit of ¥25,171 million (up 6.4%).

CRYSTAL GEYSER saw an increase in sales volume mainly through e-commerce, despite a slightly declining sales trend in the mineral water market^{*8} in Japan. Moreover, through the World Athletics Championships Tokyo 25, we strove to further improve brand recognition in Japan and overseas. As for *MATCH*, a carbonated vitamin drink, sales volume increased due to improved brand value as a result of marketing activities that boosted brand recognition and enhanced the drinking experience by creating touchpoints through a measure focusing on the empathy and experiential initiatives, targeting mostly high school students.

*8: intage SRI+

4) Others

Revenue for the fiscal year ended December 31, 2025 totaled ¥115,922 million (up 2.0%), with business profit of ¥7,469 million (up 7.4%).

Revenue increased slightly in the specialty chemical business due to making hakkai Co., Ltd. a wholly owned subsidiary, aimed at strengthening the KATACHI Business.

Revenue increased in the transportation and warehousing business as a result of the acquisition of new customers.

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

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

(2) **Research and Development Activities**

Research and development expenses for the fiscal year ended December 31, 2025 totaled ¥352,838 million.

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

Pharmaceuticals

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

Research and development expenses in the pharmaceutical business for the fiscal year ended December 31, 2025 were ¥334,485 million.

Research and development activities in the pharmaceutical business carried out for the fiscal year ended December 31, 2025 are summarized below.

Category	Development Code	Brand Name	Generic Name	Area	Treatment/ Indication	Status*1
Psychiatry and neurology	OPC-34712	<i>REXULTI/</i> <i>RXULTI</i>	brexpiprazole	U.S.	Posttraumatic stress disorder	Discontinued for strategic reason
	EB-1020	—	centanafadine	Japan	Attention-deficit hyperactivity disorder	Phase II/III trial was initiated in May 2025
				U.S.	Attention-deficit hyperactivity disorder	An application was filed in November 2025
				U.S.	Major depressive disorder	Discontinued for strategic reason
	SEP-363856	—	ulotaront	Japan and U.S.	Schizophrenia	Phase III trial was initiated in March 2025
				Japan and China	Schizophrenia	Phase II/III trials were discontinued for strategic reasons
	MSP-2020	—	—	Europe	To be determined	Phase I trial was initiated in December 2025
Oncology	ASTX727	<i>INQOVI/</i> <i>INAQOVI</i>	decitabine, cedazuridine	U.S.	Acute myeloid leukemia	An application was filed in July 2025
				Europe	Acute myeloid leukemia	An application was filed in November 2025
	ASTX029	—	—	U.S.	Solid tumors	Licensed to Mosaic Therapeutics for strategic reasons
	ASTX295	—	—	U.S.	Solid tumors	Licensed to Mosaic Therapeutics for strategic reasons
	ASTX030	—	azacitidine, cedazuridine	U.S.	Myelodysplastic syndromes, chronic myelomonocytic leukemia, acute myeloid leukemia	Phase III trial was initiated in February 2025

Category	Development Code	Brand Name	Generic Name	Area	Treatment/ Indication	Status* ¹
Oncology	TAS-115	—	pamufetinib	Japan	Osteosarcoma	Discontinued for strategic reason
				Japan	Prostate cancer	Discontinued for strategic reason
	TAS1440	—	—	U.S.	Acute myeloid leukemia	Licensed to Benz Sciences for strategic reasons
	TAS0953	—	vepafestinib	Japan	Cancer cachexia	Phase II trial was initiated in October 2025
	TAS6417	—	zipalertinib	U.S.	Non-small cell lung cancer	Rolling submission was initiated in November 2025
	TAS6417 + SCC244	<i>HAIYITAN</i> * ²	zipalertinib + gumarontinib	Japan	Non-small cell lung cancer	Phase I trial was initiated in June 2025
	TAS6417 + TAS-116	<i>Jeselhy</i> * ³	zipalertinib + pimitespib	Japan	Non-small cell lung cancer	Phase I trial was initiated in June 2025
	TAS6417 + AB680	—	zipalertinib + quemliclustat	Japan	Non-small cell lung cancer	Phase I trial was initiated in June 2025
	AB122 + TAS-115	—	zimberelimab + pamufetinib	Japan	Solid tumors	Discontinued for strategic reason
AB680 + ABI-007	<i>Abraxane</i> * ⁴	quemliclustat + paclitaxel (albumin-bound)	Japan	Pancreatic ductal adenocarcinoma	Phase III trial was initiated in February 2025	
Cardio-vascular and renal system	ETC-1002	<i>NEXLETOL</i>	bempedoic acid	Japan	Hypercholesterolemia, Familial hypercholesterolemia	Granted approval in September 2025
	OPC-131461	—	—	Japan	Cardiac edema	Phase II trial was discontinued for strategic reasons
	OPC-61815	<i>Samtasu</i>	tolvaptan sodium phosphate	China	Cardiac edema	Granted approval in September 2025
	PRDS-001	<i>Paradise System</i>	ultrasound renal denervation system	Japan	Resistant hypertension	Granted approval in August 2025
Autoimmune field	VIS649	<i>VOYXACT</i>	sibeprenlimab	U.S.	IgA nephropathy	Granted approval in November 2025
				China	IgA nephropathy	An application was filed in August 2025
				U.S.	Sjögren's syndrome	Phase II trial was initiated in June 2025
	CAN10	—	—	To be determined	Autoimmune disease	Phase I trial ongoing
	OPF-310	—	—	U.S.	Type 1 diabetes	Phase I/II trial was initiated in August 2025
Other categories	TAS-303	—	—	Japan	Stress urinary incontinence SUI	Discontinued for strategic reason

Category	Development Code	Brand Name	Generic Name	Area	Treatment/ Indication	Status* ¹
	TAS-115	—	pamufetinib	Japan	Chronic fibrosing interstitial lung diseases with a progressive phenotype	Discontinued for strategic reason
	OPA-15406	<i>Moizerto</i>	difamilast	China	Atopic dermatitis	An application was filed in August 2025
	OPC-167832	—	quabodepistat	U.S.	Multidrug-resistant tuberculosis	Phase III trial was initiated in November 2025
	OPC-1085EL	<i>Mikeluna</i>	carteolol, latanoprost	China	Glaucoma and ocular hypertension	An application was filed in December 2025
	OPS-2071	—	—	China	Irritable bowel syndrome	Discontinued for strategic reason
	JNT-517	—	repinatrabit	U.S.	Phenylketonuria	Phase III trial was initiated in November 2025
	EN-P11	—	—	Japan	Nutritional management via enteral nutrition	An application was filed in October 2025

*1 The above description of status in the U.S. and Europe, “an application was filed” indicates that an application for approval has been submitted to or accepted by the relevant authorities. For other countries and regions, it indicates that an application for approval has been submitted to the relevant authorities.

*2 Brand name for SCC244

*3 Brand name for TAS-116

*4 Brand name for ABI-007

Nutraceuticals

In the nutraceutical business, the Group draws on its knowledge in the pharmaceutical business to conduct research and development of scientifically grounded creative products that help to address social issues in order to maintain and promote the health of people and the well-being of the entire society.

Research and development expenses in the nutraceutical business for the fiscal year ended December 31, 2025 were ¥12,319 million.

Consumer products

The core of the consumer product business consists of foods and beverages, and the Group is engaged in research and development of innovative products on themes of food and health that are familiar elements of daily life.

Research and development expenses in the consumer product business for the fiscal year ended December 31, 2025 were ¥630 million.

Others

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

Research and development expenses in the other businesses for the fiscal year ended December 31, 2025 were ¥5,403 million.

(3) Overview of Financial Position as of December 31, 2025

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025	Change
Current assets	1,366,972	1,622,006	255,033
Non-current assets	2,372,278	2,575,556	203,278
Total assets	3,739,251	4,197,562	458,311
Current liabilities	632,664	749,112	116,448
Non-current liabilities	328,421	348,688	20,267
Total liabilities	961,085	1,097,801	136,716
Total equity	2,778,165	3,099,761	321,595

a. Assets

Total assets as of December 31, 2025 were ¥4,197,562 million, an increase of ¥458,311 million compared to ¥3,739,251 million as of December 31, 2024. Current assets increased by ¥255,033 million, and non-current assets increased by ¥203,278 million.

(Current Assets)

Current assets as of December 31, 2025 were ¥1,622,006 million, an increase of ¥255,033 million compared to ¥1,366,972 million as of December 31, 2024. This was mainly due to an increase in inventories by ¥76,031 million as a result of making Otsuka ICU Medical LLC (hereinafter “Otsuka ICU Medical”) a subsidiary and other factors, as well as increases in cash and cash equivalents by ¥108,471 million, and trade and other receivables by ¥50,700 million.

(Non-current Assets)

Non-current assets as of December 31, 2025 were ¥2,575,556 million, an increase of ¥203,278 million compared to ¥2,372,278 million as of December 31, 2024. This was mainly due to increases in property, plant and equipment by ¥68,263 million, intangible assets by ¥29,886 million, goodwill by ¥60,519 million, and investments accounted for using the equity method by ¥44,256 million as a result of making Araris Biotech AG (hereinafter “Araris”) and Otsuka ICU Medical subsidiaries and other factors.

b. Liabilities

Total liabilities as of December 31, 2025 were ¥1,097,801 million, an increase of ¥136,716 million compared to ¥961,085 million as of December 31, 2024. Current liabilities increased by ¥116,448 million, and non-current liabilities increased by ¥20,267 million.

(Current Liabilities)

Current liabilities as of December 31, 2025 were ¥749,112 million, an increase of ¥116,448 million compared to ¥632,664 million as of December 31, 2024. This was mainly due to an increase in bonds and borrowings by ¥31,799 million mainly due to an increase in current portion of bonds, and increases in income taxes payable by ¥10,645 million and other current liabilities by ¥64,633 million, partially offset by a decrease in contract liabilities by ¥2,621 million.

(Non-current Liabilities)

Non-current liabilities as of December 31, 2025 were ¥348,688 million, an increase of ¥20,267 million compared to ¥328,421 million as of December 31, 2024. This was mainly due to increases in lease liabilities by ¥5,451 million and other financial liabilities by ¥14,918 million mainly due to the recording of contingent considerations for the acquisition of Araris, and an increase in deferred tax liabilities by ¥4,791 million, partially offset by a decrease in contract liabilities by ¥9,336 million.

c. Equity

Total equity as of December 31, 2025 was ¥3,099,761 million, an increase of ¥321,595 million compared to ¥2,778,165 million as of December 31, 2024. The main factors behind this increase included an increase in retained earnings of ¥301,336 million mainly due to the recording of profit attributable to owners of the Company of ¥363,150 million, despite dividend payments of ¥69,194 million, an increase in treasury shares amounting to ¥17,787 million and a decrease in capital surplus amounting to ¥50,441 million, which are attributable to the share buyback and subsequent cancellation conducted based on the resolution at the Meeting of the Board of Directors held on March 18, 2025 for the purpose of improving capital efficiency and returning profits to shareholders. Furthermore, other components of equity increased by ¥66,757 million, mainly due to the impact of exchange rate fluctuations.

(4) Cash Flow for the Fiscal Year Ended December 31, 2025

Cash and cash equivalents as of December 31, 2025 were ¥534,645 million, an increase of ¥108,471 million compared to the balance as of December 31, 2024. For the fiscal year ended December 31, 2025, net cash flows provided by operating activities were ¥403,579 million, while net cash flows used in investing activities were ¥161,585 million mainly as a result of newly making Araris and Otsuka ICU Medical subsidiaries in the pharmaceutical business, capital investments mainly in the pharmaceutical business and nutraceutical business toward sustainable growth, and the sale of shares of MicroPort, which was an associate accounted for using the equity method. In addition, while there were issuances of bonds, share buybacks were conducted in order to improve capital efficiency and return profits to shareholders, lease liabilities were repaid, and dividends were paid, resulting in net cash flows used in financing activities of ¥137,344 million.

Thus, cash and cash equivalents were increased to ¥534,645 million as operating cash inflows exceeded the total investing and financing cash outflows.

The following provides details around cash flow movements for the fiscal year ended December 31, 2025:

Cash Flows from Operating Activities

Net cash flows provided by operating activities were ¥403,579 million, an increase of ¥48,941 million compared to the previous fiscal year.

Cash flows provided by operating activities for the fiscal year ended December 31, 2025 mainly consisted of ¥468,037 million of profit before tax, ¥116,167 million of depreciation and amortization expenses, ¥53,471 million of increase in inventories, ¥42,470 million of increase in trade and other receivables, and ¥73,972 million of income taxes paid. Major factors of the increase of ¥48,941 million in the net inflow compared to the figure for the fiscal year ended December 31, 2024 were as follows: Strong performance driven by higher revenue in the pharmaceutical business resulted in a ¥132,183 million increase in profit before tax, among other factors, more than offsetting the impact of a ¥99,614 million decrease in impairment losses, which are non-cash expenses, compared to the fiscal year ended December 31, 2024.

Cash Flows from Investing Activities

Net cash flows used in investing activities were ¥161,585 million, a decrease in outflows of ¥104,207 million compared to the figure for the fiscal year ended December 31, 2024.

Cash flows used in investing activities for the fiscal year ended December 31, 2025 mainly consisted of ¥87,841 million of payments for acquisition of property, plant and equipment, ¥53,828 million of payments for acquisition of intangible assets, ¥10,183 million of payments for acquisition of investments, ¥78,372 million of proceeds from sales and redemption of investments, including the sale of shares of MicroPort, and ¥87,279 million of payments for acquisition of subsidiaries related to Araris, Otsuka ICU Medical and others. The decrease of ¥104,207 million in outflows was mainly due to a ¥68,834 million decrease in payments for acquisition of investments, a ¥28,278 million decrease in payments for acquisition of subsidiaries, and a decrease in outflow of ¥17,559 million from time deposits, partially offset by a ¥20,023 million increase in payments for acquisition of intangible assets.

Cash Flows from Financing Activities

Net cash flows used in financing activities were ¥137,344 million, a decrease in outflows of ¥52,022 million compared to the figure for the fiscal year ended December 31, 2024.

Cash flows used in financing activities for the fiscal year ended December 31, 2025 mainly consisted of ¥70,096 million of share buybacks, ¥720 million of a net increase in short-term borrowings, ¥1,326 million of repayments of long-term borrowings, ¥30,000 million of proceeds from issuance of bonds, ¥24,695 million of repayments of lease liabilities and ¥70,975 million of dividends paid. The decrease of ¥52,022 million in outflows was mainly due to a decrease of ¥41,790 million in the repayments of short-term funds compared to the fiscal year ended December 31, 2024, and the absence of the redemption of bonds, which is an outflow, in the fiscal year ended December 31, 2024 (¥20,000 million), partially offset by outflows for share buybacks conducted in order to improve capital efficiency and return profits to shareholders.

(5) Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2026

The financial forecast for the fiscal year ending December 31, 2026 is as follows:

(Millions of yen)

	FY2025 (actual)	FY2026 (forecast)	Change	% Change
Revenue	2,468,892	2,520,000	51,107	2.1 %
Business profit before research and development expenses	798,968	733,000	(65,968)	(8.3)%
Business profit	446,129	355,000	(91,129)	(20.4)%
Operating profit	479,375	360,000	(119,375)	(24.9)%
Profit before tax	468,037	353,000	(115,037)	(24.6)%
Profit for the year	366,216	269,000	(97,216)	(26.5)%
Profit attributable to owners of the Company	363,150	265,000	(98,150)	(27.0)%
Research and development expenses	352,838	378,000	25,161	7.1 %

(Note) FY2026 projected exchange rate: 150 Yen/USD 175 Yen/EUR

In the pharmaceutical business, revenue is expected to remain on par with the current fiscal year, despite the impact of generics in the U.S. on the V₂-receptor antagonist *JINARC/JYNARQUE*, due to the increase in sales of the antipsychotic agent *REXULTI/RXULTI*, the long-acting injection *ABILIFY ASIMTUFIL*, and the anti-APRIL antibody *VOYXACT*[®] (general name: sibeprelimab), as well as the increase in royalty income. In the nutraceutical business, revenue is expected to increase in the three newly designated growth driver categories by social issues due to growth in sales across all categories centered on *POCARI SWEAT*, *Bonafide*, and *Nature Made*. As a result, consolidated revenue is expected to increase.

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

Research and development expenses are expected to increase due to investments aimed at sustainable growth in the new antipsychotic agent ulotaront, zipalertinib under development for the treatment of non-small cell lung cancer, and repinatrabit, which began Phase III trials for phenylketonuria in 2025.

Business profit is expected to decrease by approximately ¥91,000 million. In the pharmaceutical business, profits are expected to decrease due to the impact of generics in the U.S. on the V₂-receptor antagonist *JINARC/JYNARQUE* and active investments centered on “Next 8” products, which are pillars of next-generation growth. However, the Group aims for an early recovery in profits by promoting increased sales in the nutraceutical business and cost optimization in existing businesses.

Operating profit is expected to decrease due to the reduction in business profit and the absence of one-time gains from the sale of affiliated company shares.

For the fiscal year ending December 31, 2026, the Company projects consolidated revenue of ¥2,520,000 million (up 2.1% over the current fiscal year), business profit before research and development expenses of ¥733,000 million (down 8.3%), business profit of ¥355,000 million (down 20.4%), operating profit of ¥360,000 million (down 24.9%), profit before tax of ¥353,000 million (down 24.6%), profit for the year of ¥269,000 million (down 26.5%), and profit attributable to owners of the Company of ¥265,000 million (down 27.0%).

Based on the restricted stock-based compensation plan whose introduction was resolved at the Board of Directors meeting held on February 14, 2024 and approved at the General Meeting of Shareholders held on March 28, 2024, a disposal of treasury shares as stock-based compensation (total amount to be paid in: estimated at ¥800 million) is planned for the next fiscal year. Specific details will be confirmed and announced at the Board of Directors meeting scheduled on March 27, 2026.

2. Basic Rationale for Selection of Accounting Standards

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

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

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Assets		
Current assets		
Cash and cash equivalents	426,173	534,645
Trade and other receivables	515,289	565,990
Inventories	298,292	374,323
Income taxes receivable	3,531	4,326
Other financial assets	31,905	34,354
Other current assets	91,780	105,712
Subtotal	1,366,972	1,619,352
Assets held for sale	—	2,653
Total current assets	1,366,972	1,622,006
Non-current assets		
Property, plant and equipment	628,544	696,808
Goodwill	449,464	509,984
Intangible assets	544,247	574,134
Investments accounted for using the equity method	314,780	359,036
Other financial assets	206,272	223,003
Deferred tax assets	205,700	185,009
Other non-current assets	23,267	27,580
Total non-current assets	2,372,278	2,575,556
Total assets	3,739,251	4,197,562

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	219,996	225,562
Bonds and borrowings	7,350	39,150
Lease liabilities	21,146	21,906
Other financial liabilities	4,387	10,215
Income taxes payable	29,250	39,895
Provisions	1,242	1,077
Contract liabilities	13,952	11,331
Other current liabilities	335,338	399,972
Total current liabilities	<u>632,664</u>	<u>749,112</u>
Non-current liabilities		
Bonds and borrowings	87,275	87,856
Lease liabilities	73,612	79,063
Other financial liabilities	53,127	68,045
Income taxes payable	1,584	2,109
Net defined benefit liabilities	12,564	12,574
Provisions	3,766	3,944
Contract liabilities	35,361	26,025
Deferred tax liabilities	28,801	33,593
Other non-current liabilities	32,327	35,474
Total non-current liabilities	<u>328,421</u>	<u>348,688</u>
Total liabilities	<u>961,085</u>	<u>1,097,801</u>
Equity		
Equity attributable to owners of the Company		
Share capital	81,690	81,690
Capital surplus	478,486	428,044
Treasury shares	(67,398)	(85,186)
Retained earnings	1,904,404	2,205,740
Other components of equity	336,397	403,154
Total equity attributable to owners of the Company	<u>2,733,580</u>	<u>3,033,444</u>
Non-controlling interests	44,584	66,317
Total equity	<u>2,778,165</u>	<u>3,099,761</u>
Total liabilities and equity	<u><u>3,739,251</u></u>	<u><u>4,197,562</u></u>

(2) Consolidated Statements of Income

(Millions of yen)

	FY2024 (From January 1, 2024 to December 31, 2024)	FY2025 (From January 1, 2025 to December 31, 2025)
Revenue	2,329,861	2,468,892
Cost of sales	(660,432)	(699,115)
Gross profit	1,669,428	1,769,776
Selling, general and administrative expenses	(958,345)	(1,004,505)
Share of profit of investments accounted for using the equity method	33,614	33,696
Research and development expenses	(314,233)	(352,838)
Impairment losses	(126,040)	(26,426)
Other income	23,031	63,241
Other expenses	(3,889)	(3,568)
Operating profit	323,564	479,375
Finance income	21,081	15,695
Finance expenses	(8,791)	(27,033)
Profit before tax	335,854	468,037
Income tax expenses	11,417	(101,821)
Profit for the year	347,271	366,216
Attributable to:		
Owners of the Company	343,120	363,150
Non-controlling interests	4,151	3,065
Profit for the year	347,271	366,216
Earnings per share:		
Basic earnings per share (Yen)	633.76	685.06
Diluted earnings per share (Yen)	—	—

(3) Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2024 (From January 1, 2024 to December 31, 2024)	FY2025 (From January 1, 2025 to December 31, 2025)
Profit for the year	347,271	366,216
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	4,312	(761)
Financial assets measured at fair value through other comprehensive income	(7,424)	17,238
Share of other comprehensive income of investments accounted for using the equity method	506	933
Subtotal	(2,606)	17,409
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	98,269	37,435
Cash flow hedges	(55)	13
Share of other comprehensive income of investments accounted for using the equity method	17,283	22,606
Subtotal	115,497	60,055
Total other comprehensive income	112,891	77,464
Total comprehensive income for the year	460,163	443,680
Attributable to:		
Owners of the Company	455,504	438,633
Non-controlling interests	4,658	5,047
Total comprehensive income for the year	460,163	443,680

(4) Consolidated Statements of Changes in Equity
FY2024 (From January 1, 2024 to June 30, 2024)

(Millions of yen)

	Equity attributable to owners of the Company					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2024	81,690	506,230	(44,669)	1,621,218	—	47,355
Profit for the year	—	—	—	343,120	—	—
Other comprehensive income	—	—	—	—	4,515	(7,345)
Comprehensive income for the year	—	—	—	343,120	4,515	(7,345)
Share buybacks	—	—	(50,016)	—	—	—
Cancellation of treasury shares	—	(26,224)	26,224	—	—	—
Dividends	—	—	—	(65,135)	—	—
Share-based payment transactions	—	(123)	1,062	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	(1,395)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	5,201	(4,515)	(686)
Total transactions with owners	—	(27,743)	(22,729)	(59,934)	(4,515)	(686)
Balance as of December 31, 2024	81,690	478,486	(67,398)	1,904,404	—	39,323

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

FY2025 (From January 1, 2025 to December 31, 2025)

(Millions of yen)

	Equity attributable to owners of the Company					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2025	81,690	478,486	(67,398)	1,904,404	—	39,323
Profit for the year	—	—	—	363,150	—	—
Other comprehensive income	—	—	—	—	(341)	17,435
Comprehensive income for the year	—	—	—	363,150	(341)	17,435
Share buybacks	—	—	(70,096)	—	—	—
Cancellation of treasury shares	—	(51,802)	51,802	—	—	—
Dividends	—	—	—	(69,194)	—	—
Share-based payment transactions	—	548	506	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	(533)	—	—	—	—
Changes in non-controlling interests in subsidiaries that result in obtaining of control	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	1,345	—	(1,345)	—	—
Transfer from other components of equity to retained earnings	—	—	—	8,725	341	(9,067)
Total transactions with owners	—	(50,441)	(17,787)	(61,814)	341	(9,067)
Balance as of December 31, 2025	81,690	428,044	(85,186)	2,205,740	—	47,691

	Equity attributable to owners of the Company					
	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of January 1, 2025	297,086	(11)	336,397	2,733,580	44,584	2,778,165
Profit for the year	—	—	—	363,150	3,065	366,216
Other comprehensive income	58,375	13	75,482	75,482	1,981	77,464
Comprehensive income for the year	58,375	13	75,482	438,633	5,047	443,680
Share buybacks	—	—	—	(70,096)	—	(70,096)
Cancellation of treasury shares	—	—	—	—	—	—
Dividends	—	—	—	(69,194)	(1,780)	(70,975)
Share-based payment transactions	—	—	—	1,055	—	1,055
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	(533)	(438)	(972)
Changes in non-controlling interests in subsidiaries that result in obtaining of control	—	—	—	—	18,904	18,904
Transfer from retained earnings to capital surplus	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	(8,725)	—	—	—
Total transactions with owners	—	—	(8,725)	(138,770)	16,684	(122,085)
Balance as of December 31, 2025	355,461	1	403,154	3,033,444	66,317	3,099,761

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2024 (From January 1, 2024 to December 31, 2024)	FY2025 (From January 1, 2025 to December 31, 2025)
Cash flows from operating activities		
Profit before tax	335,854	468,037
Depreciation and amortization expenses	107,979	116,167
Impairment losses and reversal of impairment losses	126,040	26,426
Share of profit of investments accounted for using the equity method	(33,614)	(33,696)
Finance income	(21,081)	(15,695)
Finance expenses	8,791	27,033
Increase in inventories	(38,578)	(53,471)
Increase in trade and other receivables	(9,510)	(42,470)
Decrease in trade and other payables	(14,635)	(4,077)
Other	(14,382)	(24,888)
Subtotal	446,863	463,366
Interest and dividends received	25,449	18,756
Interest paid	(6,456)	(4,570)
Income taxes paid	(111,217)	(73,972)
Net cash flows provided by operating activities	354,638	403,579
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	689	588
Payments for acquisition of property, plant and equipment	(95,558)	(87,841)
Payments for acquisition of intangible assets	(33,804)	(53,828)
Proceeds from sales and redemption of investments	71,947	78,372
Payments for acquisition of investments	(79,018)	(10,183)
Payments for acquisition of subsidiaries	(115,558)	(87,279)
(Increase) decrease in time deposits	(15,395)	2,164
Other	905	(3,577)
Net cash flows used in investing activities	(265,793)	(161,585)
Cash flows from financing activities		
Share buybacks	(50,016)	(70,096)
Change in short-term borrowings, net	(41,069)	720
Proceeds from long-term borrowings	150	—
Repayments of long-term borrowings	(6,224)	(1,326)
Proceeds from issuance of bonds	20,000	30,000
Redemption of bonds	(20,000)	—
Repayments of lease liabilities	(22,969)	(24,695)
Dividends paid	(66,763)	(70,975)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(2,474)	(972)
Net cash flows used in financing activities	(189,367)	(137,344)
(Decrease) increase in cash and cash equivalents	(100,522)	104,649
Cash and cash equivalents at the beginning of the period	513,341	426,173
Effect of exchange rate changes on cash and cash equivalents	13,354	3,822
Cash and cash equivalents at the end of the period	426,173	534,645

(6) Notes to Consolidated Financial Statements

Note to Going Concern Assumptions

Not applicable.

Significant Accounting Estimates and Judgments Involving Estimations

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

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

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

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

Operating Segments

1) Overview of reportable segments

The Group's reportable segments are the constituent units of the Group for which separate financial information is available and which are subject to periodic reviews by the Board of Directors in order to make decisions on allocation of business resources and to evaluate the business performance of the respective segments.

The Company, as a holding company, directs the Group's strategic planning and decision-making, monitors group operations and provides various common services to its Group companies. Business activities are conducted by the Group's subsidiaries and associates.

Centering on the healthcare business, the Group operates activities inside and outside Japan relating to the following four reportable segments: "Pharmaceuticals," "Nutraceuticals," "Consumer products" and "Others."

"Pharmaceuticals" comprises manufacturing and sales of prescription drugs and intravenous solutions. "Nutraceuticals" comprises manufacturing and sales of functional beverages, over-the-counter drugs and nutritional supplements. "Consumer products" comprises manufacturing and sales of mineral water, soft beverages and food products. "Others" comprises logistics, warehousing, manufacturing and sales of chemicals, evaluation systems for LED displays and spectroanalysis devices.

2) Revenues and performance by reportable segment

Revenues and performance by the Group reportable segments are as follows.

Segment profit is based on operating profit.

Intersegment revenue and transfers reflect reasonable prices for intersegment transfers based on market value.

FY2024 (From January 1, 2024 to December 31, 2024)

(Millions of yen)

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

FY2025 (From January 1, 2025 to December 31, 2025)

(Millions of yen)

	Reportable segment					Adjustments* ¹	Consolidated
	Pharmaceuticals	Nutra-ceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	1,744,234	577,621	34,610	112,426	2,468,892	–	2,468,892
Intersegment revenue or transfers	–	48	24	3,496	3,569	(3,569)	–
Total	1,744,234	577,669	34,634	115,922	2,472,461	(3,569)	2,468,892
Segment profit	445,302	57,719	25,150	7,984	536,157	(56,781)	479,375
Other items							
Depreciation and amortization expenses	78,176	21,780	2,107	6,357	108,423	7,744	116,167
Share of profit (loss) of investments accounted for using the equity method	3,860	1,190	26,661	1,983	33,696	–	33,696
Impairment losses	12,729	12,039	420	1,181	26,371	55	26,426
Capital expenditures* ²	221,675	38,905	5,103	17,564	283,250	9,037	292,287

*1 Details of adjustments are as follows:

(1) Segment profit

The following table shows the segment profit adjustments.

(Millions of yen)

	FY2024 (From January 1, 2024 to December 31, 2024)	FY2025 (From January 1, 2025 to December 31, 2025)
Intersegment eliminations	(530)	(537)
Unallocated expenses*	(55,819)	(58,372)
Other income	4,504	2,128
Total	(51,846)	(56,781)

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

(2) Other items

Depreciation and amortization expenses and impairment losses

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

(3) Capital expenditures

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

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

Impairment of Assets

FY2024 (From January 1, 2024 to December 31, 2024)

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

Impairment losses in the pharmaceutical business mainly consisted of impairment losses on AVP-786 of ¥102,839 million and assets related to digital medicine of ¥11,119 million.

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

Regarding assets related to digital medicine, due to factors such as the decision of the discontinuation of *Abilify MyCite* sales in the U.S. that lowered profitability, the Group reduced the carrying amount of almost all property, plant and equipment (buildings and structures, machinery and vehicles, tools, furniture and fixtures, and construction in progress) and intangible assets (in-process research and development, trademarks, distribution rights and others, and other intangible assets) related to the business to the recoverable amount of zero, and recorded impairment losses of ¥11,119 million (¥168 million for buildings and structures, ¥698 million for machinery and vehicles, ¥0 million for tools, furniture and fixtures, ¥1,012 million for construction in progress, ¥2,837 million for in-process research and development, ¥565 million for trademarks, distribution rights and others, and ¥5,836 million for other intangible assets).

FY2025 (From January 1, 2025 to December 31, 2025)

The Group recorded impairment losses of ¥26,426 million for the fiscal year ended December 31, 2025, ¥12,729 million of which related to the pharmaceutical business and ¥12,039 million related to the nutraceutical business.

The impairment losses in the pharmaceutical business are primarily related to the impairment losses associated with pharmaceutical research and development, while the impairment losses in the nutraceutical business are mainly related to Daiya Foods Inc. (hereinafter referred to as “Daiya Foods”).

In the nutraceutical business, the profitability of Daiya Foods, which develops, manufactures and sells plant-based foods in North America, is expected to decline due to the sluggish plant-based food product market in North America. Accordingly, the Group reduced the carrying amount of the assets related to Daiya Foods to the recoverable amounts and recorded impairment losses of ¥11,349 million (¥4,889 million for buildings and structures, ¥2,333 million for machinery and vehicles, ¥9 million for tools, furniture and fixtures, ¥1,890 million for trademarks, distribution rights and others and ¥2,227 million for other intangible assets). The recoverable amounts are measured at fair value less costs of disposal. The fair value less costs of disposal is measured primarily by taking into account the analysis of the income approach, and is calculated by discounting the estimated amount of future cash flows for the next 10 years, based on the business plan reflecting past experience and external information and being approved by management, using a discount rate of 11.5%, which is calculated as pre-tax weighted average cost of capital. Beyond the projected period of the business plan, subsequent growth rate is estimated to be 3.0%. The hierarchy for the fair value is Level 3.

Earnings per Share

Basis of calculating basic earnings per share is as follows:

	FY2024 (From January 1, 2024 to December 31, 2024)	FY2025 (From January 1, 2025 to December 31, 2025)
Profit attributable to owners of the Company (Millions of yen)	343,120	363,150
Amount not attributable to ordinary equity holders of the Company (Millions of yen)	—	—
Profit used for calculation of basic earnings per share (Millions of yen)	343,120	363,150
Weighted average number of ordinary shares (Thousands of shares)	541,398	530,097
Basic earnings per share (Yen)	633.76	685.06

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

Business Combinations

1. Significant business combinations

FY2025 (From January 1, 2025 to December 31, 2025)

(Acquisition of Araris Biotech AG)

Taiho Pharmaceutical Co., Ltd. (hereinafter “Taiho Pharmaceutical”), a consolidated subsidiary of the Company, agreed on March 17, 2025, to acquire Araris Biotech AG (hereinafter “Araris”), a Swiss biotechnology company developing next-generation antibody-drug conjugates (ADCs), by acquiring 100% of its shares through cash and future milestone payments (hereinafter the “Acquisition”), and completed the Acquisition on March 31, 2025.

(1) Outline of business combination

(i) Name of acquired company and business description

Name of acquired company: Araris Biotech AG
Business description: Research and development of pharmaceutical products

(ii) Main reasons for the business combination

Taiho Pharmaceutical is an R&D-driven specialty pharma focusing on two fields of oncology and immune-related diseases. In the field of oncology in particular, it has strengths in the development of small-molecule oral therapeutic drugs, such as antimetabolites and molecular-targeted drugs with its proprietary Cysteinomix drug discovery technology platform, also pursuing multiple research and development programs for new modalities other than small molecules through collaborations with companies and academia in Japan and overseas. As one of the most promising modalities, Taiho Pharmaceutical had started their own drug discovery activities for ADCs and went into a research collaboration with Araris in November 2023.

Araris is pioneering the development of best-in-class ADCs with superior design, high linker solubility and simple manufacturing that address the shortcomings of current generation ADCs. ADCs are designed to selectively deliver cytotoxic drugs (payloads) to cancer cells by attaching them to antibodies that bind specifically to cancer cells through linkers. Foundational to its approach is its novel, proprietary ADC linker platform AraLinQ™. This platform has generated highly uniform, stable and potent ADC therapeutic candidates that have demonstrated a wider range of safety and increased antitumor effect compared to conventional ADCs in preclinical studies. Furthermore, Araris is advancing three products for the treatment of hematological and solid tumors developed using its unique AraLinQ™ technology, which are currently in the preclinical stage. Araris is making preparations to initiate early-stage clinical trials.

In addition to the Cysteinomix drug discovery technology platform, Taiho Pharmaceutical will hereafter acquire this innovative ADC drug discovery technology, and together Araris, will establish the research and development system in biologics to continue the expansion of its development portfolio in the field of oncology, with its strength now in both the small molecules and ADCs.

(iii) Date of obtaining control

March 31, 2025

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

Taiho Pharmaceutical, a consolidated subsidiary of the Company, has acquired 100% of the voting shares of Araris for cash and future milestone payments.

(2) Fair values of consideration paid, assets acquired and liabilities assumed as of the date of obtaining control

(Millions of yen)

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

- Notes:
1. The direct cost of the acquisition was ¥1,143 million and is included in “Selling, general and administrative expenses” in the consolidated statements of income.
 2. Acquired trade and other receivables were ¥150 million, and there were no contractual cash flows that are not expected to be collected.
 3. Goodwill mainly consists of synergies with existing businesses and excess earning power that are expected to arise from the acquisition. There is no amount of goodwill that is expected to be deductible for tax purposes.
 4. The major component of non-current assets allocated to intangible assets is ¥26,244 million in other intangible assets.
 5. Non-current liabilities include ¥5,157 million in deferred tax liabilities recognized as a result of the business combination.
 6. In the fiscal year ended December 31, 2025, fair value assessment of assets acquired and liabilities assumed, as well as allocation of the consideration for acquisition were completed. The main adjustments from the initial provisional amounts include increases of ¥26,244 million in other intangible assets and ¥5,157 million in deferred tax liabilities, along with a decrease of ¥20,781 million in goodwill.

(3) Impact on the Group’s financial results

Revenue and profit or loss included in the Group’s consolidated statements of income arising from Araris after the date of acquisition of control are not material. The disclosure of revenue and profit or loss assuming that the date of the business combination was January 1, 2025 (so-called “pro forma” information) has been omitted because the impact is immaterial.

(Making Otsuka ICU Medical LLC a subsidiary)

The Company’s consolidated subsidiary, Otsuka Pharmaceutical Factory, Inc. (hereinafter “Otsuka Pharmaceutical Factory”), through its U.S. subsidiary Otsuka Pharmaceutical Factory America, Inc. (hereinafter “OPFA”), entered into an agreement with ICU Medical, Inc. (hereinafter “ICU Medical”) for capital participation in a new IV solution business company newly established by ICU Medical on November 12, 2024. Effective May 1, 2025, OPFA acquired 60% of the shares of the IV solution business company newly established by ICU Medical, changed its name to Otsuka ICU Medical LLC (hereinafter “Otsuka ICU Medical”), and made it a subsidiary.

(1) Outline of business combination

(i) Name of acquired company and business description

Name of acquired company:	Otsuka ICU Medical LLC
Business description:	Focusing on basic IV and clinical nutrition pharmaceutical products, and the manufacturing, import and sales of medical devices

(ii) Main reasons for the business combination

Otsuka ICU Medical, which possesses one of the largest basic IV solution factories in North America, was newly established by ICU Medical, a company engaged in the development, manufacturing, and sales of innovative medical products used in IV therapy, vascular access, and vital care applications. After acquiring the IV solution business from ICU Medical, OPFA obtained 60% of the shares from ICU Medical, making Otsuka ICU Medical a subsidiary of OPFA.

The IV solution market in North America is one of the largest in the world and continues to expand annually. Otsuka Pharmaceutical Factory, the largest IV solution manufacturer in Japan, and ICU Medical, a leading comprehensive IV solution manufacturer in North America, aim to strengthen the supply system for IV solutions in North America through Otsuka ICU Medical, contributing to stable supply while further enhancing the IV solution business in North America and promoting technological innovation in products.

(iii) Date of obtaining control

May 1, 2025

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

OPFA, the U.S. subsidiary of the Company’s consolidated subsidiary Otsuka Pharmaceutical Factory, acquired 60% of the shares of Otsuka ICU Medical in exchange for cash and future milestone payments.

(2) Fair values of consideration paid, assets acquired and liabilities assumed as of the date of obtaining control

(Millions of yen)

	Amount
Fair value of consideration paid	31,419
Cash	30,212
Contingent consideration	1,207
Fair value of assets acquired and liabilities assumed	
Current assets	19,707
Non-current assets	39,586
Current liabilities	(3,240)
Non-current liabilities	(5,728)
Fair value of assets acquired and liabilities assumed	50,323
Non-controlling interests	18,904

- Notes:
- The direct cost of the acquisition was ¥517 million and is included in “Selling, general and administrative expenses” in the consolidated statements of income.
 - Acquired trade and other receivables were ¥1,737 million, and there were no contractual cash flows that are not expected to be collected.
 - The major components of non-current assets allocated to property, plant and equipment are ¥9,492 million in buildings, ¥8,465 million in machinery and vehicles, and ¥12,566 million in land.
 - The major component of non-current assets allocated to intangible assets is ¥143 million in other intangible assets.
 - In the fiscal year ended December 31, 2025, fair value assessment of assets acquired and liabilities assumed, as well as allocation of the consideration for acquisition were completed. The main adjustments from the initial provisional amounts include increases of ¥10,205 million in property, plant and equipment, ¥143 million in intangible assets, and ¥6,658 million in investments and other assets, and a decrease of ¥1,237 million in non-controlling interests. As a result, all goodwill was allocated.
 - Non-controlling interests are measured at fair value based on the proportionate share of the fair value of the acquired company’s identifiable net assets, adjusted for lack of control using a discount rate of 7.0%.

(3) Impact on the Group’s financial results

Revenue and profit or loss included in the Group’s consolidated statements of income arising from Otsuka ICU Medical after the date of acquisition of control are not material. The disclosure of revenue and profit or loss assuming that the date of the business combination was January 1, 2025 (so-called “pro forma” information) has been omitted because the impact is immaterial.

2. Contingent consideration

Contingent considerations are recorded as a result of the business combinations involving Neurovance, Inc., Jnana Therapeutics Inc. (Jnana), Araris, and Otsuka ICU Medical.

The contingent considerations from the acquisition of Neurovance, Inc. consist of the milestones to be paid based on the progress of the development of centanafadine, which is a compound under development as a treatment of ADHD, obtained when the Group acquired Neurovance, Inc. in March 2017, and the ones to be paid based on the revenue after the launch of centanafadine. The maximum potential amounts of the milestones will be USD 50 million and USD 750 million, respectively.

The contingent considerations from the acquisition of Jnana consist of the development and regulatory milestones to be paid based on the progress of repinatrabit and other development products acquired when Jnana was acquired in September 2024. The maximum potential amounts of the milestones will be USD 75 million and USD 250 million, respectively.

The contingent considerations from the acquisition of Araris consist of the development and regulatory milestones to be paid based on the progress of multiple pipelines in ADC development acquired when Araris was acquired in March 2025, and the sales milestones to be paid based on the revenue after the launch of the products. The maximum potential amount will be USD 740 million.

The contingent consideration from the business combination of Otsuka ICU Medical consists of the sales milestone to be paid based on the sales performance of existing products of ICU Medical, acquired in May 2025 when Otsuka ICU Medical was made a subsidiary. If the actual net sales and gross profit exceed the forecasted amounts at the time of the contract, there is a possibility of a payment calculated by applying a coefficient to the excess amount.

The fair value of the contingent considerations is estimated based on the probability-weighted present value of the potential amount to be paid to the counterparty.

The level of contingent considerations in the fair value hierarchy is classified as Level 3.

The fair value changes of the contingent considerations attributable to time value are recognized in “Finance expenses,” and the one attributable to changes of non-time-value is recognized in either “Other income” or “Other expenses.”

Changes in fair value of the contingent considerations are as follows:

(Millions of yen)

	Amount
Balance as of January 1, 2024	16,210
Business combination	28,658
Changes in fair value	2,790
Foreign currency translation adjustment	4,884
Balance as of December 31, 2024	52,544
Business combination	14,656
Changes in fair value	4,848
Foreign currency translation adjustment	(257)
Balance as of December 31, 2025	71,790

Subsequent Events

(Share buybacks and cancellation of treasury shares)

The Company resolved at the meeting of the Board of Directors held on February 13, 2026, to conduct share buybacks pursuant to Article 459, paragraph (1) of the Companies Act and to conduct a cancellation of treasury shares pursuant to Article 178 of the Act. The details are as follows:

(1) Reason for conducting share buybacks and a cancellation of treasury shares

To improve capital efficiency and return profits to shareholders

(2) Details of matters related to the share buybacks

- | | |
|--|--|
| (i) Class of shares to be repurchased: | The Company's ordinary shares |
| (ii) Total number of shares that may be repurchased: | 7 million shares (upper limit)
(Percentage to the total number of issued shares
(excluding treasury shares): 1.33%) |
| (iii) Total repurchase price of shares: | ¥50.0 billion (upper limit) |
| (iv) Repurchase period: | From February 16, 2026 to December 23, 2026 |
| (v) Repurchase method: | Market purchase on the Tokyo Stock Exchange
(including purchases based on a discretionary
investment contract with a securities company), etc. |

(3) Details of matters related to the cancellation

- | | |
|--|--|
| (i) Class of shares to be cancelled: | The Company's ordinary shares |
| (ii) Number of shares to be cancelled: | Entire number of the treasury shares repurchased by
(2) above |
| (iii) Scheduled date of cancellation: | January 29, 2027 |