



Summary of Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2024 [IFRS]

October 31, 2023

Company Name:	SUMITOMO PHARMA CO., LTD.
Stock Exchange Listings:	Tokyo
Security Code Number:	4506 (URL https://www.sumitomo-pharma.com)
Representative:	Hiroshi Nomura, Representative Director, President and Chief Executive Officer
Contact:	Naoki Noguchi, Executive Officer, Corporate Communications
Telephone:	06-6203-5321
Filing Date of Quarterly Financial Report:	November 2, 2023
Starting Date of Dividend Payments:	—
Preparation of Supplementary Financial Data for Quarterly Financial Results:	Yes
Information Meeting for Quarterly Financial Results to be held:	Yes (for institutional investors, analysts and the press)

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

1. Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2024 (April 1, 2023 to September 30, 2023)

(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 yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	152,642	(52.2)	(65,849)	—	(86,498)	—	(67,736)	—	(67,741)	—	8,044	(82.7)
Six months ended September 30, 2022	319,289	8.7	24,841	(48.2)	(28,915)	—	(15,243)	—	(7,283)	—	46,472	—

Reference: Profit before taxes Six months ended September 30, 2023: ¥(56,127) million

Six months ended September 30, 2022: ¥21,034 million

"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)
	Yen	Yen
Six months ended September 30, 2023	(170.51)	—
Six months ended September 30, 2022	(18.33)	—

(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 yen	Millions of yen	Millions of yen	%	Yen
As of September 30, 2023	1,148,855	412,045	412,007	35.9	1,037.04
As of March 31, 2023	1,134,742	406,782	406,749	35.8	1,023.80

2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	—	14.00	—	7.00	21.00
Year ending March 31, 2024	—	0.00			
Year ending March 31, 2024 (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, 2024 (April 1, 2023 to March 31, 2024)

(% represents changes from the corresponding period of the previous year)

	Net sales		Core operating profit		Operating profit		Net profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2024	362,000	(34.8)	(62,000)	—	(78,000)	—	(80,000)	—	(201.36)

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

Notes:

(1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation): Yes

(New: None)

(Excluded: 4 companies) Myovant Sciences Ltd.
Sumitomo Pharma Oncology, Inc.
Sumitovant Biopharma, Inc.
Myovant Sciences, Inc.

(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, 2023: 397,900,154 shares

March 31, 2023: 397,900,154 shares

② Number of treasury stock at the end of period

September 30, 2023: 608,798 shares

March 31, 2023: 608,365 shares

③ Average number of shares outstanding during the period

September 30, 2023: 397,291,474 shares

September 30, 2022: 397,292,574 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 for the Six Months Ended September 30, 2023 (4) Qualitative Information on 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 Tuesday October 31, 2023. The video of the presentation will be posted on its website promptly after the presentation.

【Attachment Documents】

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1. Qualitative Information for the Six Months Ended September 30, 2023

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) Qualitative Information on 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, 2024 are as follows:

	(Billions of yen)			
	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	Change %
Revenue	319.3	152.6	(166.6)	(52.2)
Core operating profit	24.8	(65.8)	(90.7)	—
Operating profit	(28.9)	(86.5)	(57.6)	—
Profit before taxes	21.0	(56.1)	(77.2)	—
Net profit	(15.2)	(67.7)	(52.5)	—
Net profit attributable to owners of the parent	(7.3)	(67.7)	(60.5)	—

■ **Revenue decreased by 52.2% year-on-year to 152.6 billion yen.**

Decline in revenue mainly due to the impact of the loss of exclusivity for LATUDA® (atypical antipsychotic) in the U.S. and Sumitomo Pharma Food & Chemical Co., Ltd. was excluded from the Group along with the transfer of all shares.

■ **Core operating profit (loss) was (65.8) billion yen, while 24.8 billion yen for the six months ended Sep. 30, 2022.**

The Group posted a core operating loss owing to significant decrease in gross profit on account of a revenue decline, despite a decrease in selling, general and administrative expenses mainly due to the combination of the group companies in North America, as well as the recording of other income resulting from the transfer of the shares of Sumitomo Pharma Animal Health Co., Ltd.

■ **Operating profit (loss) was (86.5) billion yen, while (28.9) billion yen for the six months ended Sep. 30, 2022.**

Operating loss increased compared to the same quarter last year due to the core operating loss and recording of business structure improvement expenses in North America despite the fact that impairment losses recognized for the six months ended September 30, 2022 mostly for patent rights.

■ **Profit (loss) before taxes was (56.1) billion yen, while 21.0 billion yen for the six months ended Sep. 30, 2022.**

The Group posted a loss before taxes as the recording of forex gains due to the yen's depreciation was outweighed by the decrease in operating profit.

■ **Net profit (loss) was (67.7) billion yen, while (15.2) billion yen for the six months ended Sep. 30, 2022.**

Net loss increased compared to the same quarter last year due to falling into the loss before taxes.

■ **Net profit (loss) attributable to owners of the parent was (67.7) billion yen, while (7.3) billion yen for the six months ended Sep. 30, 2022.**

Net loss attributable to owners of the parent - the amount of net profit less the amount of losses attributable to non-controlling interests - increased as well, due to significant increase in net loss.

(About the segment performance indicator of "core segment profit")

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

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

Status of each reportable segment

With the change in the reportable segments from the three months ended June 30, 2023, comparisons are made by reclassifying entries for the corresponding period of the previous fiscal year according to the new reportable segments. For details of the change in the reportable segments, please see "2. Condensed Consolidated Financial Statements and Major Notes, (5) Notes to Condensed Consolidated Financial Statements (Segment Information), (2) Changes in Reportable Segments".

[Japan segment]

■ **Revenue decreased by 40.3% year-on-year to 58.5 billion yen.**

Despite growing sales of TWYMEEG[®] (therapeutic agent for type 2 diabetes), LATUDA[®] and other products, revenue showed a decrease owing to the conclusion of the sales collaboration for Trulicity[®] (therapeutic agent for type 2 diabetes) in December 2022, the reaction to the recognition as revenue of an upfront payment received in consideration of the license agreement in the corresponding period of the previous fiscal year, and Sumitomo Pharma Food & Chemical Co., Ltd. and Sumitomo Pharma Animal health Co., Ltd. were excluded from group company along with the transfer of all shares at the end of March 2023 and May 2023 respectively.

■ **Core segment profit decreased by 54.6% year-on-year to 5.9 billion yen.**

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

[North America segment]

■ **Revenue decreased by 62.5% year-on-year to 73.3 billion yen.**

Revenue showed a decrease owing to the impact of the loss of exclusivity for LATUDA[®] in the U.S. in February 2023, despite growing sales of ORGOVYX[®] (therapeutic agent for advanced prostate cancer), MYFEMBREE[®] (therapeutic agent for uterine fibroids and endometriosis), and GEMTESA[®] (therapeutic agent for overactive bladder).

■ **Core segment profit (loss) was (42.2) billion yen, while 47.3 billion yen for the six months ended Sep. 30, 2022.**

Core segment profit showed a decrease as the reduction in selling, general and administrative expenses, primarily owing to the loss of exclusivity for LATUDA[®] and the combination of group companies in North America, was outweighed by the decrease in gross profit on account of a revenue decline.

[Asia segment]

■ **Revenue decreased by 19.5% year-on-year to 20.8 billion yen.**

Revenue showed a decrease owing to the significant impact of a decline in sales of meropenem (carbapenem antibiotic) in China as a result of government measures to curb drug costs despite an increase in sales revenue in South East Asia.

■ **Core segment profit decreased by 29.6% year-on-year to 9.9 billion yen.**

This decrease is attributable to the decrease in gross profit on account of a revenue decline.

(2) Qualitative Information on Financial Condition

Non-current assets increased by 103.2 billion yen from the previous fiscal year-end, primarily owing to increases in goodwill and intangible assets due to the effects of foreign currency translation and an increase in other financial assets due to changes in fair value measurement of investment securities held by the Company.

Current assets decreased by 89.1 billion yen from the previous fiscal year-end as a result of decreases in cash and cash equivalents and other financial assets despite an increase in inventories.

As a result, total assets increased by 14.1 billion yen from the previous fiscal year-end to 1,148.9 billion yen.

Liabilities increased by 8.9 billion yen from the previous fiscal year-end to 736.8 billion yen as a result of increases in borrowings and others, despite decreases in provisions relating mainly to sales rebates, other current liabilities, and others.

Total equity increased by 5.3 billion yen from the previous fiscal year-end to 412.0 billion yen as a result of increases in other components of equity mainly due to changes in fair value measurement of investment securities held by the Company and the yen's depreciation, despite a decrease in retained earnings.

The ratio of equity attributable to owners of the parent to total assets as of the end of the quarterly accounting period was 35.9%.

(3) Qualitative Information on Cash Flows

Cash flows used in operating activities amounted to 174.5 billion yen due to a year-on-year decrease in net cash inflow of 204.0 billion yen, primarily owing to the recording of the net loss, as well as the decrease in provisions and an increase in income taxes paid.

Cash flows provided by investing activities increased by 25.6 billion yen year-on-year to 32.7 billion yen, primarily owing to increases due to the sale of investment securities and the loss of control over a subsidiary following the transfer of shares of Sumitomo Pharma Animal Health Co., Ltd.

Cash flows provided by financial activities increased by 71.4 billion yen year-on-year to 44.8 billion yen primarily owing to the increase in short-term loan payables.

After adding the translation adjustments for cash and cash equivalents and an increase resulting from transfer to assets held for sale to the above cash flows, the balance of cash and cash equivalents at the end of the quarterly accounting period was 60.4 billion yen, which represents a decrease of 83.1 billion yen from the previous fiscal year-end.

(4) Qualitative Information on Consolidated Financial Forecasts

The Company has not revised the consolidated financial forecasts that were announced on May 15, 2023.

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 yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Revenue	319,289	152,642
Cost of sales	92,841	60,323
Gross profit	226,448	92,319
Selling, general and administrative expenses	207,913	134,044
Research and development expenses	49,980	50,356
Other income	3,178	6,445
Other expenses	648	862
Operating profit (loss)	(28,915)	(86,498)
Finance income	51,698	32,022
Finance costs	1,749	1,651
Profit (loss) before taxes	21,034	(56,127)
Income tax expenses	36,277	11,609
Net profit (loss)	(15,243)	(67,736)
Net profit (loss) attributable to:		
Owners of the parent	(7,283)	(67,741)
Non-controlling interests	(7,960)	5
Net profit (loss) total	(15,243)	(67,736)
Earnings per share (yen)		
Basic earnings (loss) per share	(18.33)	(170.51)

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net profit (loss)	(15,243)	(67,736)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(8,558)	45,556
Remeasurements of the net defined benefit liability (asset)	—	(2)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	70,138	30,226
Cash flow hedges	135	—
Total other comprehensive income	61,715	75,780
Total comprehensive income	46,472	8,044
Total comprehensive income attributable to:		
Owners of the parent	42,808	8,039
Non-controlling interests	3,664	5
Total comprehensive income total	46,472	8,044

(2) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Non-current assets		
Property, plant and equipment	58,909	60,202
Goodwill	209,415	234,568
Intangible assets	329,314	356,580
Other financial assets	134,007	182,906
Income taxes receivable	6,042	6,767
Other non-current assets	4,350	5,633
Deferred tax assets	10,845	9,453
Total non-current assets	752,882	856,109
Current assets		
Inventories	94,405	107,610
Trade and other receivables	95,908	93,892
Other financial assets	20,174	8,025
Income taxes receivable	2,722	2,995
Other current assets	17,675	19,827
Cash and cash equivalents	143,478	60,397
Subtotal	374,362	292,746
Assets held for sale	7,498	—
Total current assets	381,860	292,746
Total assets	1,134,742	1,148,855

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	244,128	244,212
Other financial liabilities	11,869	12,532
Retirement benefit liabilities	5,008	4,938
Other non-current liabilities	57,756	47,573
Deferred tax liabilities	36,505	56,808
Total non-current liabilities	355,266	366,063
Current liabilities		
Borrowings	90,588	139,588
Trade and other payables	52,141	57,712
Other financial liabilities	7,010	13,906
Income taxes payable	24,053	12,592
Provisions	119,083	92,527
Other current liabilities	78,013	54,422
Subtotal	370,888	370,747
Liabilities directly associated with assets held for sale	1,806	—
Total current liabilities	372,694	370,747
Total liabilities	727,960	736,810
Equity		
Share capital	22,400	22,400
Treasury shares	(682)	(682)
Retained earnings	280,999	217,421
Other components of equity	103,357	172,868
Other comprehensive income associated with assets held for sale	675	—
Equity attributable to owners of the parent	406,749	412,007
Non-controlling interests	33	38
Total equity	406,782	412,045
Total liabilities and equity	1,134,742	1,148,855

(3) Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of the net defined benefit liability (asset)
Balance as of April 1, 2022	22,400	16,725	(681)	514,210	23,838	—
Net profit (loss)	—	—	—	(7,283)	—	—
Other comprehensive income	—	—	—	—	(8,558)	—
Total comprehensive income	—	—	—	(7,283)	(8,558)	—
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(5,562)	—	—
Changes associated with losing control of subsidiaries	—	—	—	—	—	—
Transaction with non-controlling interests	—	1,011	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	(763)	763	—
Total transactions with owners	—	1,011	(1)	(6,325)	763	—
Balance as of September 30, 2022	22,400	17,736	(682)	500,602	16,043	—
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	—	—
Transaction with non-controlling interests	—	—	—	—	—	—
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	—

(Millions of yen)

	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	Cash flow hedges	Total				
Balance as of April 1, 2022	31,273	123	55,234	—	607,888	65,681	673,569
Net profit (loss)	—	—	—	—	(7,283)	(7,960)	(15,243)
Other comprehensive income	58,514	135	50,091	—	50,091	11,624	61,715
Total comprehensive income	58,514	135	50,091	—	42,808	3,664	46,472
Purchase of treasury shares	—	—	—	—	(1)	—	(1)
Dividends	—	—	—	—	(5,562)	—	(5,562)
Changes associated with losing control of subsidiaries	—	—	—	—	—	—	—
Transaction with non-controlling interests	—	—	—	—	1,011	3,119	4,130
Reclassification from other components of equity to retained earnings	—	—	763	—	—	—	—
Total transactions with owners	—	—	763	—	(4,552)	3,119	(1,433)
Balance as of September 30, 2022	89,787	258	106,088	—	646,144	72,464	718,608
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)	—	—	—
Transaction with non-controlling interests	—	—	—	—	—	—	—
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

(4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Net profit (loss)	(15,243)	(67,736)
Depreciation and amortization	22,363	18,659
Gain on sales of shares in subsidiaries	—	(5,890)
Impairment losses	54,433	—
Interest and dividend income	(1,664)	(1,833)
Interest expenses	1,364	1,595
Income tax expenses	36,277	11,609
(Increase) decrease in trade and other receivables	(11,593)	7,873
(Increase) decrease in inventories	7,370	(4,006)
Increase (decrease) in trade and other payables	(3,306)	(2,106)
Increase (decrease) in unearned revenue	2,691	(8,552)
Increase (decrease) in other financial liabilities	629	6,678
Increase (decrease) in retirement benefits liabilities	(24)	(119)
Increase (decrease) in provisions	8,214	(38,512)
Others, net	(61,729)	(67,716)
Subtotal	39,782	(150,056)
Cash flows from investing activities		
Interest received	1,017	1,402
Dividends received	598	497
Interest paid	(1,255)	(1,737)
Income taxes paid	(10,662)	(24,603)
Net cash provided by (used in) operating activities	29,480	(174,497)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,480)	(4,256)
Proceeds from sales of property, plant and equipment	420	384
Purchase of intangible assets	(2,041)	(4,183)
Purchase of investments	(4,769)	(3,520)
Proceeds from sales and redemption of investments	3,056	23,176
Net (increase) decrease in short-term loan receivables	12,241	10,000
Proceeds from loss of control of subsidiaries	—	11,074
Others, net	1,638	—
Net cash provided by (used in) investing activities	7,065	32,675
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	559	49,000
Repayments of long-term borrowings	(19,980)	—
Repayments of finance lease obligations	(2,360)	(1,749)
Dividends paid	(5,563)	(2,785)
Others, net	694	331
Net cash provided by (used in) financing activities	(26,650)	44,797
Net increase (decrease) in cash and cash equivalents	9,895	(97,025)
Cash and cash equivalents at the beginning of year	202,984	143,478
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	—	1,135
Effect of exchange rate changes on cash and cash equivalents	37,672	12,809
Cash and cash equivalents at the end of period	250,551	60,397

(5) Notes to Condensed Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Significant Accounting Policies)

The significant accounting policies applied to this 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, 2023 are calculated based on the estimated average annual effective tax rate.

(Segment information)

The Group has set an original performance indicator to show the Company'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 designated by the Group (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) 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) Changes in Reportable Segments

Formerly, the Group set four reportable segments such as Japan, North America, China, and Other Regions. In accordance with the formulation of the Mid-Term Business Plan 2027, its reportable segments have been changed to three, which are Japan, North America, and Asia, to show its business situation properly from the three months ended June 30, 2023. The segment information for the six months ended September 30, 2022 has been prepared based on the changed reportable segments.

(3) Revenues and operating results of the reportable segments

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

The Group sets core segment profit, which is an indicator showing each reportable segment's recurring profitability, as its own indicator of segment business performance management.

Core segment profit is each segment profit calculated by deducting from core operating profit R&D expenses, gains and losses on sales of operations, etc. which are not allocated to each reportable segment because such expenses are managed on a global basis.

① Six months ended September 30, 2022

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Revenues from external customers, etc.	98,091	195,337	25,861	319,289
Segment profit (Core segment profit)	12,921	47,255	14,022	74,198

② Six months ended September 30, 2023

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
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)

(4) 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 yen)

Profit	Six months ended September 30, 2022	Six months ended September 30, 2023
Total of reportable segments	74,198	(26,436)
Research and development expenses (Note1)	(49,373)	(45,284)
Gains on business transfers	—	5,890
Others	16	(19)
Core operating profit (loss)	24,841	(65,849)
Impairment losses	(54,433)	—
Business structure improvement expenses (Note2)	(3,032)	(20,283)
Other income	3,162	574
Other expenses	(648)	(862)
Others	1,195	(78)
Operating profit (loss) in the condensed consolidated financial statements	(28,915)	(86,498)

(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 Condensed Consolidated Statement of Profit or Loss consist of expenses related to R&D excluded from calculation of core operating profit.

2. Business structure improvement expenses mainly include retirement payment related to combination of the group companies in North America.

(Impairment loss)

Impairment losses amounting to 54,433 million yen in North America segment of pharmaceutical business were recognized for the six months ended September 30, 2022. The impairment losses were recorded in selling, general and administrative expenses in the Consolidated Statement of Profit or Loss.

Impairment losses recognized for the six months ended September 30, 2022 were 54,370 million yen for patent rights and 63 million yen for software of product regarding KYNMOBI® (a treatment of OFF episodes associated with Parkinson's disease) in North America segment of pharmaceutical business.

As for patent rights of product and software regarding KYNMOBI®, the total carrying amount is reduced to zero as the profitability is no longer expected.

(Significant subsequent event)

Not applicable.