

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021 [IFRS]

August 6, 2021

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 Stock exchange listing : Tokyo Stock Exchange
 Code number : 4578
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 Scheduled date of quarterly securities report submission : August 6, 2021
 Scheduled date of dividend payment commencement : September 6, 2021
 Supplementary materials for quarterly financial results : Yes
 Earnings announcement for quarterly financial results : Yes (for institutional investors, analysts and the press)

(Figures are rounded down to the nearest million unless otherwise stated)

1. Consolidated Financial Results for the Second Quarter of the Year Ending December 31, 2021 (January 1, 2021 to June 30, 2021)

(1) Consolidated Operating Results (cumulative)

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

	Revenue		Business profit		Operating profit		Profit for the period		Profit attributable to owners of the Company		Total comprehensive income for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021 Q2	718,815	3.4	104,271	(8.5)	111,169	(5.8)	93,700	5.9	91,407	5.3	144,610	113.9
FY2020 Q2	695,443	3.6	113,945	16.7	118,008	22.3	88,511	26.1	86,810	28.1	67,595	50.6

* Business profit is an indicator of ordinary earnings power calculated as follows:

Revenue – Cost of sales – Selling, general and administrative expenses – Research and development expenses + Share of profit of associates

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2021 Q2	168.53	167.68
FY2020 Q2	160.08	158.56

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity attributable to owners of the Company per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of June 30, 2021	2,732,179	1,999,546	1,967,080	72.0	3,626.61
As of December 31, 2020	2,627,807	1,883,432	1,852,375	70.5	3,415.54

2. Dividends

	Annual dividend per share				
	First Quarter end	Second Quarter end	Third Quarter end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	–	50.00	–	50.00	100.00
FY2021	–	50.00	–	–	–
FY2021 (forecast)	–	–	–	50.00	100.00

* Revisions to dividends forecast most recently announced: None

3. Forecast of Consolidated Operating Results for the Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)
 (% 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
FY2021	1,480,000	4.0	200,000	(7.8)	208,000	4.7	169,000	11.4	165,000	11.4	304.21

* Revisions to financial forecast most recently announced: Yes

4. Others

- (1) Changes in significant subsidiaries during the six-month period ended June 30, 2021 (changes in specified subsidiaries resulting in a change in scope of consolidation): None
- (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 (common stock)
- 1) Number of shares issued and outstanding as of the end of the reporting period (including treasury shares):

June 30, 2021	557,835,617 shares
December 31, 2020	557,835,617 shares
 - 2) Number of shares of treasury shares as of the end of the reporting period:

June 30, 2021	15,434,797 shares
December 31, 2020	15,499,157 shares
 - 3) Average number of shares outstanding during the reporting period:

Six-month period ended June 30, 2021	542,357,387 shares
Six-month period ended June 30, 2020	542,294,195 shares

* This report is out of scope of reviews by the external auditor.

*** 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. Qualitative Information (3) Forecast for Consolidated Operating Results" on page 9 for details with regard to the assumptions and other matters concerning the financial forecast.

The Company plans to hold an earnings release conference call for institutional investors, analysts and the press on August 6, 2021. Presentation materials and the webcast of the call will be available on the Company's website promptly after the call.

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1. Qualitative Information

(1) Consolidated Operating Results

The forward-looking statements in this report were prepared based on information available as of June 30, 2021.

Summary of operating results for the six-month period ended June 30, 2021

The Company and its subsidiaries (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 associates
(Millions of yen)

	Six-month period ended June 30, 2020	Six-month period ended June 30, 2021	Change	% Change
Revenue	695,443	718,815	23,372	3.4 %
Business profit before research and development expenses	223,155	207,191	(15,963)	(7.2) %
Business profit	113,945	104,271	(9,673)	(8.5) %
Operating profit	118,008	111,169	(6,839)	(5.8) %
Profit before tax	113,876	119,207	5,331	4.7 %
Profit for the period	88,511	93,700	5,189	5.9 %
Profit attributable to owners of the Company	86,810	91,407	4,596	5.3 %
Research and development expenses	109,210	102,919	(6,290)	(5.8) %
Impairment losses	49	309	260	525.7 %

Based on the concept of total health care, the Group has been promoting corporate activities to maintain and promote health, and diagnose and treat disease. Now is the time to demonstrate the Group’s true value as a total healthcare provider, and harness the opportunities presented by a growing awareness of health in the new normal in order to continue to move toward the realization of sustainable growth.

For the six-month period ended June 30, 2021, the Group recorded consolidated revenue of ¥718,815 million (up 3.4% over the same period of the previous fiscal year) as the four global products *ABILIFY MAINTENA*, *REXULTI/RXULTI*, *JINARC/JYNARQUE* and *LONSURF*, and the nutraceutical business, among others, contributed to an increase in sales, despite a decrease in sales due to the expiration of co-agreements for *SPRYCEL* and *E Keppra*. In the pharmaceutical business, business performance was driven by sales growth of the four global products, diagnostics, and *INQOVI* launched in North America last year, despite an impact from the above expiration of co-agreements and the launch of a generic version of *Samsca* in the U.S. In the nutraceutical business, sales of *POCARI SWEAT* in Asia, which were affected by lower consumption due to fewer occasions to go out last year, has recovered, and sales of *Nature Made* and *EQUELLE* continued to grow in line with a rising awareness toward self-management of health. Re-building a distribution system corresponding to the new normal contributed to an increase in the revenue of the Nutrition & Santé SAS brand.

In contrast, gross profit settled to the same level as the same period of the previous fiscal year due to the product mix, one-time factors* and so on, and business profit before research and development expenses was ¥207,191 million (down 7.2%) due to increased co-promotion expenses associated with sales growth of *ABILIFY MAINTENA* and *REXULTI/RXULTI* and increased expenses for proactive marketing activities for the new normal. Research and development expenses were ¥102,919 million (down 5.8%) due to a decrease in development expenses related to vadadustat, centanafadine, and fremanezumab, among others. However, business profit was ¥104,271 million (down 8.5%) and operating profit was ¥111,169 million (down 5.8%). Earnings were solid excluding the above-mentioned one-time factors.

Due to exchange rate fluctuations, etc., the Group recorded profit for the period of ¥93,700 million (up 5.9%), and profit attributable to owners of the Company of ¥91,407 million (up 5.3%).

* One-time factors refer to the impact of exchange rate fluctuations on the elimination of unrealized gains on inventories in the pharmaceutical business and inventories valuation loss related to influenza diagnostics.

Results by segment are as follows:

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	472,467	175,311	15,211	73,893	(18,068)	718,815
Business profit	88,086	26,683	3,307	8,136	(21,941)	104,271

Reference (FY2020 Q2)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	471,773	158,803	15,042	68,573	(18,749)	695,443
Business profit	102,701	20,624	4,904	7,142	(21,428)	113,945

1) Pharmaceuticals

Revenue for the six-month period ended June 30, 2021 totaled ¥472,467 million (up 0.1%), with business profit of ¥88,086 million (down 14.2%).

Main products

● Four global products

The Company positions the long acting antipsychotic agent *ABILIFY MAINTENA*, the antipsychotic agent *REXULTI*^{*1}/*RXULTI*^{*2}, the V₂-receptor antagonist *Samsca*/*JINARC*^{*3}/*JYNARQUE*^{*4} and the anti-cancer agent *LONSURF* as its four global products. Sales of those products totaled ¥235,975 million (up 8.0%).

*1: Brand name for the antipsychotic agent outside Japan and Europe.

*2: Brand name for the antipsychotic agent in Europe

*3: Brand name for autosomal dominant polycystic kidney disease (“ADPKD”) treatment in multiple regions outside Japan

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

• Long acting antipsychotic agent *ABILIFY MAINTENA*

As the impact of the spread of COVID-19 continues, information provision activities on the efficacy and convenience of the product were continued in the U.S. using direct-to-consumer advertising and web meetings, etc. As a result, new prescriptions are on a recovery trend, and sales was strong. In Japan, sales increased mainly due to the addition of an indication for the suppression of recurrence and relapse of mood episodes in bipolar I disorder in September 2020. In Europe, the number of prescriptions continued to increase, particularly in major markets. As a result, sales of *ABILIFY MAINTENA* totaled ¥63,587 million (up 7.9%).

• Antipsychotic agent *REXULTI/RXULTI*

In the U.S., where antipsychotic agent *REXULTI* is sold as adjunctive therapy in major depressive disorder and a treatment for schizophrenia, sales was strong atop a steady recovery trend in new prescriptions, despite a decrease in patient visits to hospitals due to the spread of COVID-19. In Japan, the number of prescriptions increased, particularly for the treatment of the acute phase of schizophrenia. As a result, sales of *REXULTI/RXULTI* totaled ¥57,954 million (up 6.5%).

• V₂-receptor antagonist *Samsca*

In Japan, where the drug is sold as treatment for fluid retention in patients with heart failure and hepatic cirrhosis, ADPKD and another condition, prescriptions continued to expand through online information provision activities such as web seminars. In the U.S., where the drug is sold as a treatment for hyponatremia, generics were launched after the expiry of the exclusive sales period. As a result, sales of *Samsca* totaled ¥43,674 million (down 1.2%).

• V₂-receptor antagonist *JINARC/JYNARQUE*

In the U.S., the number of prescriptions for ADPKD increased because new prescriptions followed a recovery trend, mainly due to continued efforts to raise awareness of the disease and provide information about clinical data. Also in Europe, sales increased as a result of an increase in new prescriptions. As a result, sales of *JINARC/JYNARQUE* totaled ¥48,058 million (up 19.7%).

• Anti-cancer agent *LONSURF*

In the U.S., sales increased since at-home care and the use of oral anti-cancer agents^{*5, 6} are recommended due to the spread of COVID-19. Prescriptions continued to be robust in Japan and Europe. As a result, sales of *LONSURF* totaled ¥22,700 million (up 8.9%).

*5 Pelin Cinar et al., Safety at the Time of the COVID-19 Pandemic: How to Keep our Oncology Patients and Healthcare Workers Safe. J Natl Compr Canc Netw, 2020 Apr 15;1-6.

*6: ASCO. COVID-19 Patient Care Information, Cancer Treatment and Supportive Care.

<https://www.asco.org/asco-coronavirus-resources/care-individuals-cancer-during-covid-19/cancer-treatment-supportive-care>

Updated 29 April 2021, Accessed 28 July 2021.

2) Nutraceuticals

Revenue for the six-month period ended June 30, 2021 totaled ¥175,311 million (up 10.4%), with business profit of ¥26,683 million (up 29.4%).

Main products

The Company positions *POCARI SWEAT*, *Nature Made* and the Nutrition & Santé SAS brand as its three major brands. Sales of those brands totaled ¥107,594 million (up 11.6%). Total sales of its three nurture brands, the Daiya Foods Inc. brand, *EQUELLE* and *BODY MAINTÉ*, were ¥13,639 million (up 4.6%).

● Three major brands

Sales of *POCARI SWEAT*, an electrolyte supplement drink, increased overseas amid restrained consumer activity, as a result of conducting education about hydration and replenishment of electrolytes and developing markets in line with the situation in each region. In Japan, various information provision and education measures continued regarding the importance of hydration and replenishment of electrolytes as a measure against heat disorder and for health management under the new normal.

Amid a more sophisticated awareness of physical conditioning among consumers accompanying the spread of COVID-19, consumers' trust in the brand and quality of *Nature Made* supplements by Pharmavite LLC is further rising, and sales increased dramatically atop an increase in demand, primarily for vitamin D in *Nature Made*'s main market of North America.

The Nutrition & Santé SAS brand, which sells health food products mainly in Europe, saw sales increase due to the effects of continuous optimization of the product lineup and an increase in e-commerce sales as a result of communication activities adapted to lockdowns amid rising health awareness among consumers.

- Three nurture brands

Plant-based foods of the Daiya Foods Inc. brand maintained a high share in the dairy alternatives market in North America. However, the same market has been expanding rapidly and newcomer manufacturers are increasing. In the six-month period ended June 30, 2021, efforts were continued to enhance the product lineup by utilizing its original technology and expand distribution, although revenues declined in the six-month period in part due to a fallback from the sharp surge in consumers' at-home demand accompanying the spread of COVID-19 in the same period of the previous fiscal year.

Sales of *EQUELLE*, a food and supplement brand containing equol that supports women's health and beauty, continued to grow steadily due to increased recognition of the product through the wide-ranging spread of information on the product in response to the new normal.

As for *BODY MAINTÉ*, a protective beverage brand containing the plant-based lactic-acid bacteria B240*7, recognition, understanding, and trials of the product spread steadily amid rising awareness regarding health and body conditioning among consumers, and by linking this with continuous in-store development, sales increased.

*7: *Lactobacillus pentosus* ONRICb0240: Strain isolated by Tokyo University of Agriculture, for which Otsuka Pharmaceutical has confirmed efficacy.

3) Consumer products

In mineral water products, sales of mainstay brand *CRYSTAL GEYSER* was strong, mainly in the e-commerce and vending machine channels, with overall sales volume increasing from the same period of the previous fiscal year. Sales volume of *MATCH*, a carbonated electrolyte drink containing vitamins, decreased overall for the brand, mainly due to opportunities for going outdoors continuing to decrease. However, continued efforts were made to increase the brand value by expanding the *MATCH* market through the launches of *MATCH Mineral Lychee* in March and *MATCH Jelly Mineral Lychee* in May.

As a result, revenue for the six-month period ended June 30, 2021 totaled ¥15,211 million (up 1.1%), while business profit totaled ¥3,307 million (down 32.6%), in part due to a decrease in share of profit of associates.

4) Others

Sales in the specialty chemical business increased as a result of increased sales to the automotive industry, which showed a steady performance. Sales in the fine chemical business increased, mainly due to an increase in sales of antibiotic intermediates.

In the transportation and warehousing business, sales increased due to growth in the number of new external customers in line with the promotion of a "common distribution platform" and a recovery in the handling volume of business partners' products.

As a result, revenue for the six-month period ended June 30, 2021 totaled ¥73,893 million (up 7.8%), while business profit was ¥8,136 million (up 13.9%).

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

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

Impact of COVID-19 on business operations and operating results

The current situation and potential management risks for the Group have been identified as follows:

Sales

- In the pharmaceutical business, self-restraint from going out has led to a decrease in outpatient numbers in hospitals, but in some areas or some diseases, the number of prescriptions is on an upward trend. If the current situation were to be prolonged or become more serious, there may be further decline in the number of new prescriptions due to restrictions on visits to health care facilities and the voluntary restraint on efforts to raise awareness of diseases and decline in prescriptions such as injections as part of hospital treatment, which may affect revenue.
- In the non-pharmaceutical businesses, demand for some products is increasing owing to rising health awareness and increases in at-home consumption and online shopping. On the other hand, a decline of consumption opportunities is being observed due to the limits on outdoor activities resulting from people refraining from going out. If the spread of COVID-19 were to be prolonged or become more serious, there may be further decline in the capture of new customers due to self-restraint and other restrictions on sales activities and loss of consumption opportunities, which may affect revenue.

Manufacturing

- With regard to the procurement of raw materials, the purchasing channels overall are secure, although delays are occurring for some import items. Manufacturing had been temporarily suspended for some line items due to employees staying at home, but manufacturing has been mostly restored. The manufacturing operations are adequately staffed and proceeding smoothly. If the spread of COVID-19 were to be prolonged or become more serious causing stoppages in the procurement of raw materials, or if a cluster of infections or other similar cases occurred at a manufacturing plant, delays in the supply of some products should also be considered.

Research and Development

- Launching clinical trial facilities and registering patients had been put on hold for some products in development undergoing clinical trials, but they have already resumed. If the situation concerning the interruption or delay of patient registration were to become more serious, schedule of clinical trials or development strategy such as the timing of applications for manufacturing and marketing approval may be amended.
- If the current situation were to be prolonged or become more serious, due to stay-at-home order etc, research activities may slow down and the timeline for new product launches in the medium to long term may be delayed.

As stated above, the Group anticipates a wide range of impacts on the Group's business due to the spread of COVID-19. The Group will continue to fully recognize management risks in advance and take all possible measures to improve corporate value and achieve the forecast of consolidated operating results for the year ending December 31, 2021.

Research and Development Activities

Research and development expenses for the six-month period ended June 30, 2021 totaled ¥102,919 million.

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

Pharmaceuticals

The Group conducts research and development with a primary focus on the areas of psychiatry and neurology, and oncology. The Group also conducts research and development focusing on fields that are yet to be fully addressed such as cardiovascular, renal system, etc.

Research and development expenses in the pharmaceutical business for the six-month period ended June 30, 2021 were ¥96,440 million.

Research and development activities in the pharmaceutical business carried out during the six-month period ended June 30, 2021 are summarized below.

Category	Brand Name, (Generic Name), Development Code	Status
Psychiatry and neurology	(aripiprazole long-acting injection)	<China> • An application for the indication of schizophrenia was filed in January 2021.
	<i>AJOVY</i> (fremanezumab) TEV-48125	<Japan> • Approval was granted for the indication of preventive treatment of migraine in June 2021.
Oncology	<i>INQOVI</i> (decitabine, cedazuridine) ASTX727	<U.S.> • Phase I trial for the treatment of acute myeloid leukemia was initiated in February 2021.
	TAS-117	<Japan, U.S. and Europe> • Phase II trial for the treatment of solid tumors harboring germline PTEN inactivating mutations was initiated in April 2021.
	(futibatinib) TAS-120	<Japan, U.S. and Europe> • Phase III trial for the treatment of intrahepatic cholangiocarcinoma was initiated in January 2021. <U.S. and Europe> • Phase II trial for the treatment of urothelial cancer was initiated in February 2021.
	TAS0953	<Japan> • Phase I/II trial for the treatment of solid tumors was initiated in February 2021.
	TAS1553	<U.S.> • Phase I trial for the treatment of acute myeloid leukemia was initiated in March 2021.
	(fosnetupitant) Pro-NETU	<Japan> • An application for the indication of chemotherapy-induced nausea and vomiting was filed in March 2021.
	Cardiovascular and renal system	(tolvaptan sodium phosphate) OPC-61815
(vadadustat) AKB-6548		<U.S.> • An application was filed for the indication of anemia associated with chronic kidney disease in June 2021.
(bempedoic acid) ETC-1002		<Japan> • Phase II trial for the treatment of hypercholesterolemia was initiated in April 2021.
(voclosporin)		<Europe> • A marketing application for the indication of lupus nephritis was filed in June 2021.
NO-13065		<U.S.> • Phase I trial for the treatment of obesity was initiated in June 2021.
Other categories	VIS410	<U.S.> • Development for the Type A influenza infection was halted due to development strategy.

Nutraceuticals

In the nutraceutical business, the Group draws on its knowledge in the pharmaceutical business to constantly conduct research and development of world-class products centering on functional foods and beverages that support the maintenance and improvement of day-to-day well-being.

In the *SOYJOY* brand of soy snack bars, which delivers a convenient way to consume the nutrition of whole soybeans, *SOYJOY Coffee & Nuts* was launched in March 2021. In the cosmetics* field, which considers skin health with unique ideas and technologies, *Medicated Scalp Shampoo and Medicated Skin Wash* in trial size from the *UL•OS* skin care series were launched in March 2021.

300 ml label-free PET bottle products of *POCARI SWEAT* and *POCARI SWEAT ION WATER* were launched via e-commerce channels in January 2021.

* Cosmetics: cosmetics + medicine

Research and development expenses in the nutraceutical business for the six-month period ended June 30, 2021 were ¥3,423 million.

Consumer products

In the consumer products business, the Group is engaged in the research and development of original and unique products in the field of food and beverage that are part of everyone's daily life. The Group is creating and proposing innovative products based on the themes of food and health, targeting businesses in retort foods, beverages, and plant-based foods, with the aim of solving various issues associated with the changing society, such as those involving health, the environment, population and the aging society.

Research and development expenses in the consumer products business for the six-month period ended June 30, 2021 were ¥300 million.

Others

In the other businesses, the Group is primarily engaged in the research and development of specialty chemical products and fine chemicals. The Group is focusing on organic and inorganic synthesis technologies and conducting research and development of new products centered on own technology as well as research and development of next-generation fields.

Research and development expenses in the other businesses for the six-month period ended June 30, 2021 were ¥2,755 million.

(2) Consolidated Financial Position

1) Assets, Liabilities and Equity

(Millions of yen)

	As of December 31, 2020	As of June 30, 2021	Change
Current assets	1,003,727	1,050,334	46,606
Non-current assets	1,624,079	1,681,845	57,765
Total assets	2,627,807	2,732,179	104,372
Current liabilities	416,213	417,942	1,729
Non-current liabilities	328,161	314,690	(13,471)
Total liabilities	744,374	732,632	(11,741)
Total equity	1,883,432	1,999,546	116,113

a. Assets

Total assets as of June 30, 2021 were ¥2,732,179 million, an increase of ¥104,372 million compared to ¥2,627,807 million as of December 31, 2020. Current assets increased by ¥46,606 million, and non-current assets increased by ¥57,765 million.

(Current Assets)

Current assets as of June 30, 2021 were ¥1,050,334 million, an increase of ¥46,606 million compared to ¥1,003,727 million as of December 31, 2020. This was mainly due to increases in cash and cash equivalents by ¥69,621 million and inventories by ¥8,225 million, partially offset by decreases in trade and other receivables by ¥18,325 million and other financial assets by ¥15,301 million.

(Non-current Assets)

Non-current assets as of June 30, 2021 were ¥1,681,845 million, an increase of ¥57,765 million compared to ¥1,624,079 million as of December 31, 2020. This was mainly due to increases in goodwill by ¥16,945 million, intangible assets by ¥17,591 million and investments in associates by ¥17,285 million as a result of exchange rate fluctuations.

b. Liabilities

(Current Liabilities)

Current liabilities as of June 30, 2021 were ¥417,942 million, an increase of ¥1,729 million compared to ¥416,213 million as of December 31, 2020. This was mainly due to increases in other current liabilities by ¥8,235 million, provisions by ¥3,243 million and bonds and borrowings by ¥2,127 million, partially offset by decreases in trade and other payables by ¥6,054 million and income taxes payable by ¥6,576 million.

(Non-current Liabilities)

Non-current liabilities as of June 30, 2021 were ¥314,690 million, a decrease of ¥13,471 million compared to ¥328,161 million as of December 31, 2020. This was mainly due to decreases in bonds and borrowings by ¥10,307 million and contract liabilities by ¥5,420 million, partially offset by an increase in other non-current liabilities by ¥3,094 million.

c. Equity

Total equity as of June 30, 2021 was ¥1,999,546 million, an increase of ¥116,113 million compared to ¥1,883,432 million as of December 31, 2020. This was mainly due to an increase in retained earnings by ¥66,085 million which consisted of profit attributable to owners of the Company of ¥91,407 million net of dividend payments of ¥27,116 million and an increase in other components of equity by ¥48,277 million as a result of exchange rate fluctuations.

2) Cash Flows

Cash and cash equivalents as of June 30, 2021 were ¥426,472 million, an increase of ¥69,621 million compared to the balance as of December 31, 2020. For the six-month period ended June 30, 2021, net cash flows provided by operating activities were ¥127,938 million, while net cash flows used in investing activities were ¥19,437 million mainly as a result of investments in the pharmaceutical business toward the realization of sustainable growth. Net cash flows used in financing activities were ¥48,721 million as a result of repayments of borrowings and lease liabilities and ¥28,835 million of dividend payments.

Thus, cash and cash equivalents increased to ¥426,472 million as operating cash inflows exceeded the total cash outflows for investing and financing activities, further augmented by the effect of ¥9,841 million of exchange rate fluctuations on cash and cash equivalents as a result of the depreciation of the yen.

The following provides details around cash flow movements for the six-month period ended June 30, 2021:

Cash Flows from Operating Activities

Net cash flows provided by operating activities were ¥127,938 million, an increase in inflows of ¥9,563 million compared to the figure for the six-month period ended June 30, 2020. Cash flows from operating activities for the six-month period ended June 30, 2021 mainly consisted of ¥119,207 million of profit before tax, adjusted for ¥40,947 million of depreciation and amortization expenses, ¥30,840 million decrease in trade and other receivables, ¥11,345 million decrease in trade and other payables and ¥36,803 million of income taxes paid. The increase of ¥9,563 million was primarily due to a positive impact of exchange rate fluctuations, a decrease in income taxes paid by ¥8,957 million and a change of decrease in inventories by ¥22,726 million, partially offset by a change of decrease in trade and other receivables by ¥17,906 million and a change of decrease in trade and other payables by ¥18,263 million.

Cash Flows from Investing Activities

Net cash flows used in investing activities were ¥19,437 million, a decrease in outflows of ¥40,795 million compared to the figure for the six-month period ended June 30, 2020. Cash flows from investing activities for the six-month period ended June 30, 2021 mainly consisted of ¥26,673 million of payments for acquisition of property, plant and equipment, ¥12,483 million of proceeds from sales and redemption of investments, ¥14,650 million of payments for acquisition of investments and ¥16,334 million decrease in time deposits. The increase of ¥40,795 million was primarily due to ¥18,526 million decrease in payments for acquisition of intangible assets in the pharmaceutical business, ¥7,528 million increase in proceeds from sales and redemption of investments and a change of decrease in time deposits by ¥15,743 million.

Cash Flows from Financing Activities

Net cash flows used in financing activities were ¥48,721 million, a decrease in outflows of ¥5,297 million compared to the figure for the six-month period ended June 30, 2020. Cash flows from financing activities mainly consisted of ¥10,821 million in repayments of non-current borrowings, ¥9,233 million in repayments of lease liabilities and ¥28,835 million in dividends paid. The decrease of ¥5,297 million was primarily due to a change of decrease in current borrowings by ¥6,273 million.

(3) Forecast for Consolidated Operating Results

In response to the consolidated operating results for the six-month period ended June 30, 2021, the Company revised its consolidated operating results forecast for the fiscal year ending December 31, 2021 that it released on February 12, 2021 as follows:

Revisions of the consolidated operating results forecast for the fiscal year ending December 31, 2021

	Previous forecast (A)	Revised forecast (B)	Amount of change (B - A)	Change (%)	(Millions of yen) (Reference) FY2020
Revenue	1,423,000	1,480,000	57,000	4.0	1,422,826
Business profit before research and development expenses	415,000	425,000	10,000	2.4	433,729
Business profit	190,000	200,000	10,000	5.3	216,887
Operating profit	192,000	208,000	16,000	8.3	198,582
Profit before tax	190,000	215,000	25,000	13.2	189,988
Profit for the year	149,000	169,000	20,000	13.4	151,733
Profit attributable to owners of the Company	146,000	165,000	19,000	13.0	148,137
Basic earnings per share (Yen)	269.20	304.21			273.15

Research and development expenses	225,000	225,000	—	—	216,841
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(Note) Forecast exchange rates are as follows:

	Previous forecast	Revised forecast
USD	105 yen	109 yen
EUR	125 yen	131 yen

The four global products (*ABILIFY MAINTENA*, *REXULTI/RXULTI*, *Samsca/JINARC/JYNARQUE* and *LONSURF*) in the pharmaceutical business, as well as the nutraceutical business, are performing well and lead that the consolidated full year revenue is expected to exceed the previous forecast.

Additionally, business profit for the full fiscal year is expected to exceed the previous forecast although selling, general and administrative expenses are expected to exceed mainly caused by proactive marketing activities for the new normal. However, business profit for the full fiscal year is expected to exceed the previous forecast.

Profit attributable to owners of the Company is expected to exceed the previous forecast mainly due to the impact of exchange rate fluctuations.

2. Condensed Interim Consolidated Financial Statements and Major Notes
(1) Condensed Interim Consolidated Statements of Financial Position

(Millions of yen)

	As of December 31, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and cash equivalents	356,851	426,472
Trade and other receivables	379,107	360,782
Inventories	173,827	182,052
Income taxes receivable	3,283	2,211
Other financial assets	44,920	29,619
Other current assets	44,488	47,116
Subtotal	1,002,479	1,048,254
Assets held for sale	1,247	2,079
Total current assets	1,003,727	1,050,334
Non-current assets		
Property, plant and equipment	462,131	471,476
Goodwill	262,914	279,859
Intangible assets	457,192	474,784
Investments in associates	208,146	225,432
Other financial assets	187,221	171,571
Deferred tax assets	21,531	32,857
Other non-current assets	24,941	25,863
Total non-current assets	1,624,079	1,681,845
Total assets	2,627,807	2,732,179

	(Millions of yen)	
	As of December 31, 2020	As of June 30, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	164,950	158,896
Bonds and borrowings	28,690	30,817
Lease liabilities	15,511	16,537
Other financial liabilities	1,987	1,986
Income taxes payable	14,744	8,168
Provisions	–	3,243
Contract liabilities	12,644	12,522
Other current liabilities	177,350	185,585
Subtotal	415,878	417,759
Liabilities directly associated with assets held for sale	334	183
Total current liabilities	416,213	417,942
Non-current liabilities		
Bonds and borrowings	124,564	114,256
Lease liabilities	57,314	55,207
Other financial liabilities	16,737	18,332
Net defined benefit liabilities	16,724	15,078
Provisions	904	1,097
Contract liabilities	69,164	63,743
Deferred tax liabilities	25,457	26,584
Other non-current liabilities	17,294	20,389
Total non-current liabilities	328,161	314,690
Total liabilities	744,374	732,632
Equity		
Equity attributable to owners of the Company		
Share capital	81,690	81,690
Capital surplus	506,295	506,428
Treasury shares	(45,781)	(45,571)
Retained earnings	1,402,644	1,468,729
Other components of equity	(92,474)	(44,197)
Total equity attributable to owners of the Company	1,852,375	1,967,080
Non-controlling interests	31,057	32,466
Total equity	1,883,432	1,999,546
Total liabilities and equity	2,627,807	2,732,179

(2) Condensed Interim Consolidated Statements of Income

(Millions of yen)

	FY2020 (From January 1, 2020 to June 30, 2020)	FY2021 (From January 1, 2021 to June 30, 2021)
Revenue	695,443	718,815
Cost of sales	(215,545)	(235,207)
Gross profit	479,898	483,607
Selling, general and administrative expenses	(266,387)	(283,052)
Share of profit of associates	9,644	6,636
Research and development expenses	(109,210)	(102,919)
Impairment losses	(49)	(309)
Other income	4,975	8,702
Other expenses	(862)	(1,495)
Operating profit	118,008	111,169
Finance income	2,089	10,679
Finance costs	(6,221)	(2,641)
Profit before tax	113,876	119,207
Income tax expenses	(25,365)	(25,506)
Profit for the period	88,511	93,700
Attributable to:		
Owners of the Company	86,810	91,407
Non-controlling interests	1,700	2,292
Earnings per share:		
Basic earnings per share (Yen)	160.08	168.53
Diluted earnings per share (Yen)	158.56	167.68

(3) Condensed Interim Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2020 (From January 1, 2020 to June 30, 2020)	FY2021 (From January 1, 2021 to June 30, 2021)
Profit for the period	88,511	93,700
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	49	1,798
Financial assets measured at fair value through other comprehensive income	(369)	(15,202)
Share of other comprehensive income of associates	582	(155)
Subtotal	262	(13,560)
Items that may be reclassified to profit or loss		
Foreign currency translation reserve	(18,269)	53,206
Cash flow hedges	1	0
Share of other comprehensive income of associates	(2,910)	11,263
Subtotal	(21,179)	64,470
Total other comprehensive income	(20,916)	50,909
Total comprehensive income for the period	67,595	144,610
Attributable to:		
Owners of the Company	66,667	141,479
Non-controlling interests	927	3,130
Total comprehensive income for the period	67,595	144,610

(4) Condensed Interim Consolidated Statements of Changes in Equity
FY2020 (From January 1, 2020 to June 30, 2020)

(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, 2020	81,690	505,520	(46,018)	1,304,569	—	24,047
Profit for the period	—	—	—	86,810	—	—
Other comprehensive income	—	—	—	—	15	373
Comprehensive income	—	—	—	86,810	15	373
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(27,113)	—	—
Share-based payment transactions	—	484	238	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	(2)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(614)	(15)	629
Total transactions with owners, etc.	—	481	237	(27,727)	(15)	629
Balance as of June 30, 2020	81,690	506,002	(45,780)	1,363,652	—	25,050

	Equity attributable to owners of the Company						Non-controlling interests	Total equity
	Other components of equity			Total	Total equity			
	Foreign currency translation reserve	Cash flow hedges	Total					
Balance as of January 1, 2020	(103,537)	(1)	(79,490)	1,766,271	29,168	1,795,440		
Profit for the period	—	—	—	86,810	1,700	88,511		
Other comprehensive income	(20,533)	1	(20,143)	(20,143)	(773)	(20,916)		
Comprehensive income	(20,533)	1	(20,143)	66,667	927	67,595		
Purchase of treasury shares	—	—	—	(1)	—	(1)		
Dividends	—	—	—	(27,113)	(1,442)	(28,555)		
Share-based payment transactions	—	—	—	723	—	723		
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	(2)	2	—		
Transfer from other components of equity to retained earnings	—	—	614	—	—	—		
Total transactions with owners, etc.	—	—	614	(26,393)	(1,439)	(27,833)		
Balance as of June 30, 2020	(124,070)	(0)	(99,019)	1,806,545	28,656	1,835,201		

Equity attributable to owners of the Company

	Equity attributable to owners of the Company				Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2021	81,690	506,295	(45,781)	1,402,644	—	43,298
Profit for the period	—	—	—	91,407	—	—
Other comprehensive income	—	—	—	—	1,843	(15,390)
Comprehensive income	—	—	—	91,407	1,843	(15,390)
Purchase of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	(27,116)	—	—
Share-based payment transactions	—	132	210	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	1,794	(1,843)	48
Total transactions with owners, etc.	—	132	209	(25,322)	(1,843)	48
Balance as of June 30, 2021	81,690	506,428	(45,571)	1,468,729	—	27,955

Equity attributable to owners of the Company

	Other components of equity			Total	Non-controlling interests	Total equity
	Foreign currency translation reserve	Cash flow hedges	Total			
Balance as of January 1, 2021	(135,766)	(5)	(92,474)	1,852,375	31,057	1,883,432
Profit for the period	—	—	—	91,407	2,292	93,700
Other comprehensive income	63,619	0	50,071	50,071	838	50,909
Comprehensive income	63,619	0	50,071	141,479	3,130	144,610
Purchase of treasury shares	—	—	—	(0)	—	(0)
Dividends	—	—	—	(27,116)	(1,721)	(28,838)
Share-based payment transactions	—	—	—	342	—	342
Transfer from other components of equity to retained earnings	—	—	(1,794)	—	—	—
Total transactions with owners, etc.	—	—	(1,794)	(26,774)	(1,721)	(28,496)
Balance as of June 30, 2021	(72,147)	(5)	(44,197)	1,967,080	32,466	1,999,546

(5) Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	FY2020 (From January 1, 2020 to June 30, 2020)	FY2021 (From January 1, 2021 to June 30, 2021)
Cash flows from operating activities		
Profit before tax	113,876	119,207
Depreciation and amortization expenses	39,258	40,947
Impairment losses and reversal of impairment losses	49	309
Share of profit of associates	(9,644)	(6,636)
Finance income	(2,089)	(10,679)
Finance costs	6,221	2,641
(Increase) decrease in inventories	(22,386)	340
Decrease in trade and other receivables	48,747	30,840
Increase (decrease) in trade and other payables	6,917	(11,345)
Others	(19,412)	(2,862)
Subtotal	<u>161,538</u>	<u>162,763</u>
Interest and dividends received	4,199	3,338
Interest paid	(1,602)	(1,359)
Income taxes paid	(45,761)	(36,803)
Net cash flows provided by operating activities	<u>118,374</u>	<u>127,938</u>
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	41	1,403
Payments for acquisition of property, plant and equipment	(26,517)	(26,673)
Payments for acquisition of intangible assets	(27,033)	(8,507)
Proceeds from sales and redemption of investments	4,955	12,483
Payments for acquisition of investments	(12,886)	(14,650)
Decrease in time deposits	591	16,334
Others	616	171
Net cash flows used in investing activities	<u>(60,232)</u>	<u>(19,437)</u>
Cash flows from financing activities		
Purchase of treasury shares	(1)	(0)
Decrease in current borrowings	(6,523)	(250)
Proceeds from non-current borrowings	410	419
Repayments of non-current borrowings	(11,158)	(10,821)
Repayments of lease liabilities	(8,333)	(9,233)
Dividends paid	(28,432)	(28,835)
Others	19	-
Net cash flows used in financing activities	<u>(54,019)</u>	<u>(48,721)</u>
Increase in cash and cash equivalents	4,123	59,779
Cash and cash equivalents at the beginning of the period	334,040	356,851
Effect of exchange rate changes on cash and cash equivalents	(3,356)	9,841
Cash and cash equivalents at the end of the period	<u><u>334,806</u></u>	<u><u>426,472</u></u>

(6) Notes to Condensed Interim Consolidated Financial Statements

Note to Going Concern Assumptions

Not applicable.

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 directs the Group's strategic planning, monitors group operations and provides various 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" businesses.

The Group defines the reportable segments as follows:

"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" encompasses logistics, warehousing, manufacturing and sales of chemical products, evaluation systems for LED displays and spectroanalysis devices.

2) Revenues and performance by reportable segment

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

Segment profit is based on operating profit.

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

FY2020 (From January 1, 2020 to June 30, 2020)

(Millions of yen)

	Reportable segment					Adjustments *	Condensed Interim Consolidated Statement of Income
	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	471,773	158,787	15,037	49,845	695,443	—	695,443
Intersegment revenue or transfers	—	16	5	18,728	18,749	(18,749)	—
Total	471,773	158,803	15,042	68,573	714,193	(18,749)	695,443
Segment profit	106,260	20,593	5,099	7,458	139,410	(21,402)	118,008

* Adjustments to segment profit of ¥(21,402) million include intersegment eliminations of ¥(53) million, unallocated corporate expenses of ¥(21,683) million and other income of ¥334 million. Corporate expenses are incurred in administrative departments such as headquarters.

FY2021 (From January 1, 2021 to June 30, 2021)

(Millions of yen)

	Reportable segment					Adjustments *	Condensed Interim Consolidated Statement of Income
	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	472,467	175,290	15,202	55,855	718,815	—	718,815
Intersegment revenue or transfers	—	20	9	18,038	18,068	(18,068)	—
Total	472,467	175,311	15,211	73,893	736,884	(18,068)	718,815
Segment profit	93,478	26,824	3,315	9,395	133,014	(21,844)	111,169

* Adjustments to segment profit of ¥(21,844) million include intersegment eliminations of ¥42 million, unallocated corporate expenses of ¥(22,602) million and other income of ¥715 million. Corporate expenses are incurred in administrative departments such as headquarters.