

Material for Financial Announcement Q2 FY 2024

Highlights of Financial Results for FY2024 Q2

- Starting from the second quarter, the profit and loss (including sales, cost of sales, research and development expenses, and selling, general, and administrative expenses) of Deciphera Pharmaceuticals, Inc. for the three months from July to September will be included in our consolidated financial statements.
- In the second quarter, as a provisional accounting treatment, the entire difference between the acquisition cost and the net assets has been recorded as goodwill. In the third quarter financial statements, we plan to record intangible assets and other items as of the acquisition date through a fair value assessment. (In other words, the amortization expenses for intangible assets recognized through the acquisition are not included in this second quarter.)
- Starting from the fiscal year 2024, we will disclose core-basis financial results to present our performance in our core business. In the second quarter, we will present the full-year consolidated financial forecast on a core basis. (The full-year core-basis financial forecast for the fiscal year ending March 2025 is calculated by deducting provisional amortization expenses for intangible assets related to acquisitions from the full-basis financial forecast for the same period.)
- Regarding the exclusive option and asset purchase agreement for "itolizumab" signed with Equillum, Inc. in the United States in December 2022, we decided not to exercise the option for strategic reasons in October 2024.



Revenue
¥240.3 billion

YoY -18.4 billion
(-7.1%)



Goods and Products Sales
¥163.3 billion

YoY +3.4billion (+2.1%)

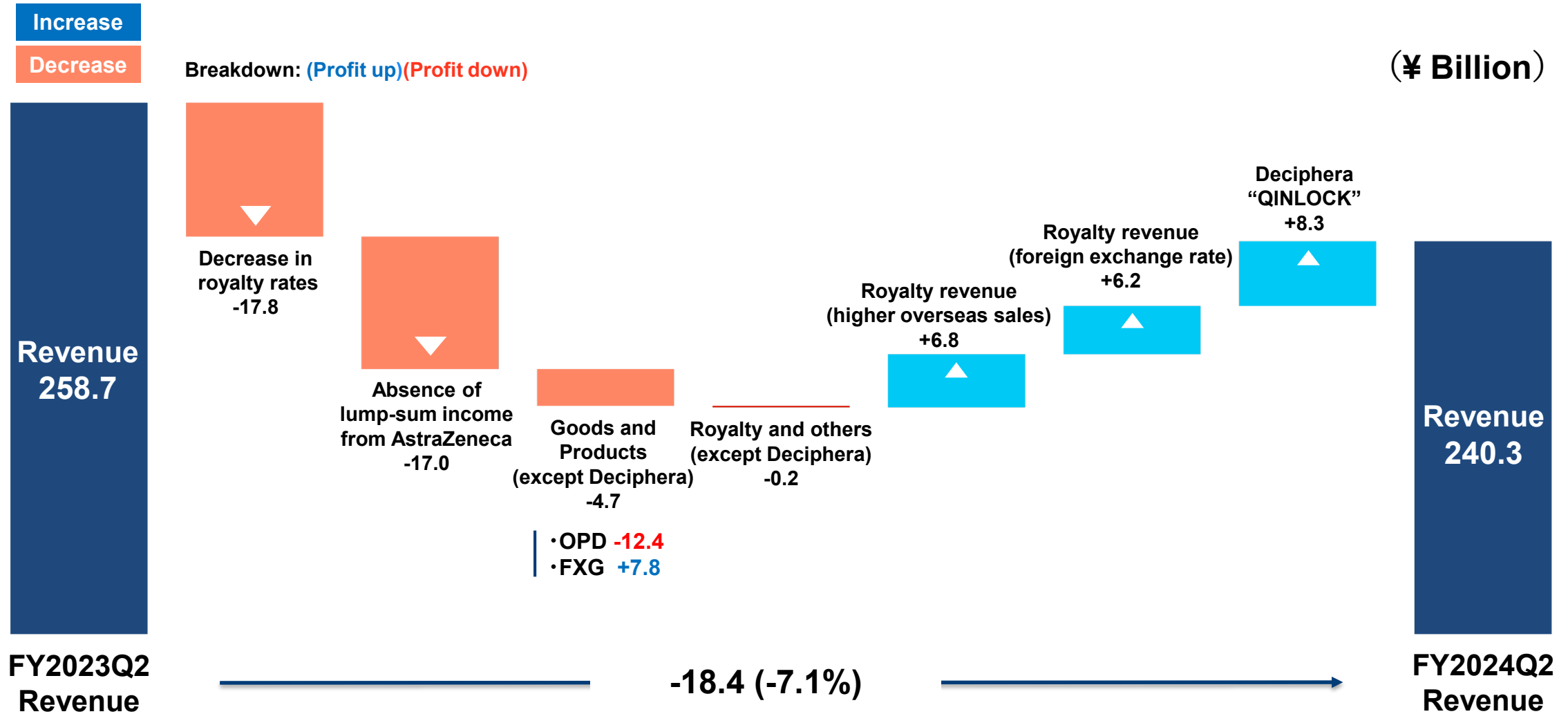


Royalty and Others
¥77.0 billion

YoY -21.8 billion (-22.0%)

FY2024 Q2 : Sales Revenue (Breakdown)

- Revenue was decreased mainly due to the revision of drug price of Opdivo, despite an increase in sales of Forxiga Tablets.
- Royalty revenue was decreased mainly due to a decrease in royalty rates from Merck, despite an increase in royalty revenue from Bristol-Myers Squibb.



FY2024 Q2 : Sales Revenue by Product (Domestic)

¥ Billion	FY2023Q2	FY2024Q2	YoY		FY2024 Forecast*
			Change	Change (%)	
Revenue	258.7	<u>240.3</u>	(18.4)	(7.1%)	450.0
Goods and products	159.9	<u>163.3</u>	3.4	2.1%	304.0
Royalty and others	98.8	<u>77.0</u>	(21.8)	(22.0%)	146.0

Goods and Products (Domestic)	FY2023Q2	FY2024Q2	YoY		FY2024 Forecast*
			Change	Change (%)	
Opdivo Intravenous Infusion	75.0	<u>62.6</u>	(12.4)	(16.5%)	125.0
Forxiga Tablets	35.9	<u>43.7</u>	7.8	21.7%	83.0
Orencia for Subcutaneous Injection	13.0	<u>13.5</u>	0.5	3.5%	27.0
Glactiv Tablets	10.8	<u>9.6</u>	(1.2)	(11.2%)	18.5
Velexbru Tablets	5.0	<u>5.2</u>	0.2	3.7%	10.0
Kyprolis for Intravenous Infusion	4.6	<u>4.6</u>	(0.0)	(1.0%)	9.5
Parsabiv Intravenous Injection	4.1	<u>4.2</u>	0.0	0.7%	8.5
Ongentys Tablets	3.1	<u>3.8</u>	0.7	21.4%	7.5

* The consolidated financial forecast for the fiscal year ending March 2025, announced on May 9, 2024, is provided.

• Sales revenue of domestic products is shown in a gross sales basis (shipment price).

• Sales revenue of overseas products is shown in a net sales basis.

FY2024 Q2 : Sales Revenue by Product (Overseas) / Royalty

¥ Billion	FY2023Q2	FY2024Q2	YoY		FY2024 Forecast*
			Change	Change (%)	
Revenue	258.7	<u>240.3</u>	(18.4)	(7.1%)	450.0
Goods and products	159.9	<u>163.3</u>	3.4	2.1%	304.0
Royalty and others	98.8	<u>77.0</u>	(21.8)	(22.0%)	146.0

Goods and Product (Overseas)	FY2023Q2	FY2024Q2	YoY	
			Change	Change (%)
OPDIVO	6.1	<u>6.5</u>	0.4	6.9%
QINLOCK	—	<u>8.1</u>	—	—

Royalty and others	FY2023Q2	FY2024Q2	YoY	
			Change	Change (%)
OPDIVO	47.4	<u>56.4</u>	9.0	19.1%
KEYTRUDA®	25.6	<u>12.8</u>	(12.8)	(50.0%)

* The consolidated financial forecast for the fiscal year ending March 2025, announced on May 9, 2024, is provided.

• Sales revenue of domestic products is shown in a gross sales basis (shipment price).

• Sales revenue of overseas products is shown in a net sales basis.

FY2024 Q2 : Operating Profit



Operating Profit
¥55.9 billion

YoY -41.2 billion
(-42.4%)



Revenue ¥240.3 billion
YoY -18.4 billion (-7.1%)



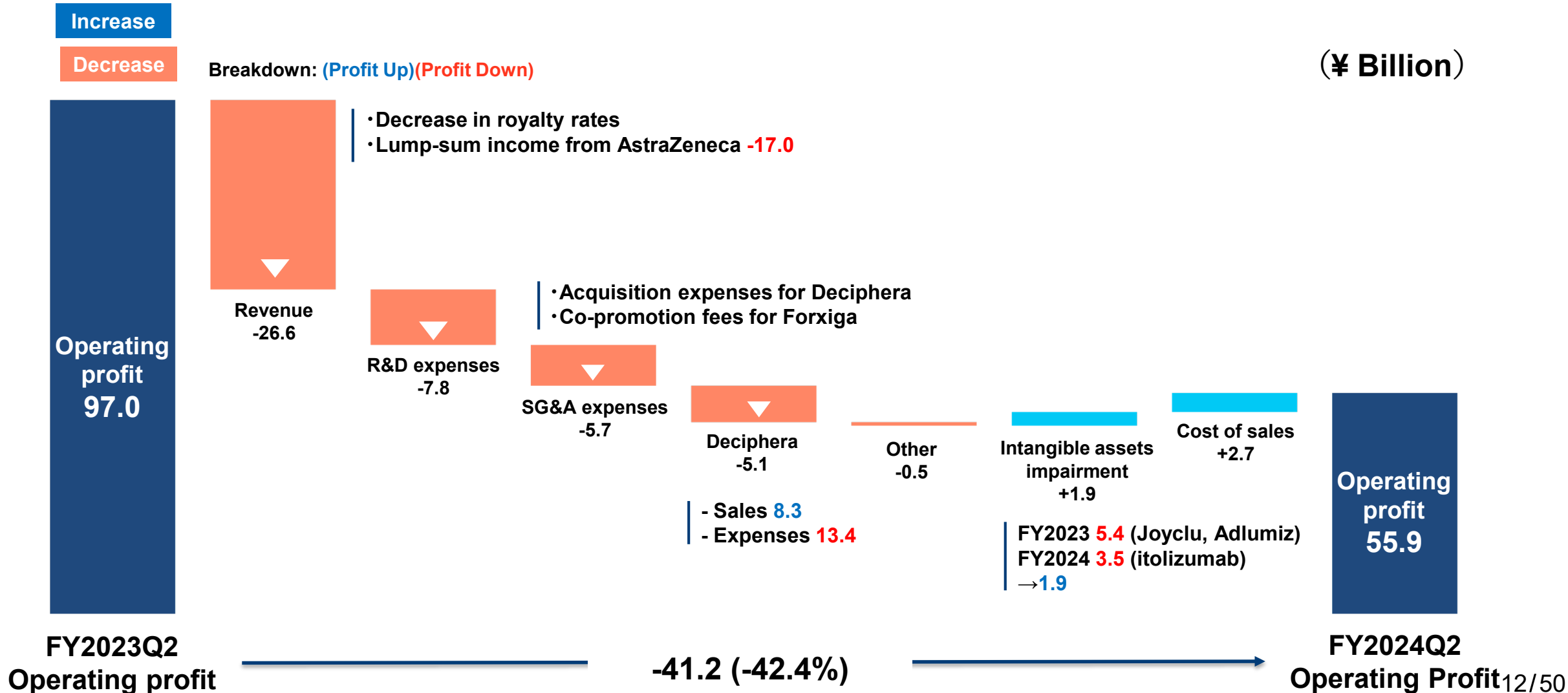
R&D Expense ¥68.8 billion
YoY +19.4 billion (+39.4%)



SG&A Expense ¥58.4 billion
YoY +10.8 billion (+22.7%)

FY2024 Q2 : Operating Profit (Breakdown)

• Operating profit was decreased by 41.2 billion to 55.9 billion mainly due to increases in R&D and SG&A expenses, despite a decrease in cost of sales.



FY2024 Q2 : Financial Overview

¥ Billion	FY2023Q2	FY2024Q2	YoY		FY2024 Forecast*
			Change	Change (%)	
Revenue	258.7	<u>240.3</u>	(18.4)	(7.1%)	450.0
Cost of sales	64.8	<u>56.9</u>	(7.9)	(12.2%)	113.0
R&D expenses	49.4	<u>68.8</u>	19.4	39.4%	112.0
SG&A expenses	47.6	<u>58.4</u>	10.8	22.7%	100.0
Other income	0.9	<u>0.6</u>	(0.3)	(36.0%)	0.5
Other expenses	0.8	<u>0.9</u>	0.1	10.2%	3.5
Operating profit	97.0	<u>55.9</u>	(41.2)	(42.4%)	122.0
Profit before tax	99.3	<u>54.6</u>	(44.7)	(45.0%)	123.0
Profit for the period (attributable to owners of the Company)	74.5	<u>41.6</u>	(32.9)	(44.1%)	91.0

YoY Breakdown

Cost of sales -¥7.9 billion

Main reasons

- Absence of impairment losses on sales licenses recorded in the previous fiscal year -5.4 billion

R&D expenses +¥19.4 billion R&D ratio : 28.6%

Main reasons

- Research costs and development costs for clinical trials
- R&D expenses from Deciphera
- Impairment loss for itolizumab +3.5 billion

SG&A expenses +¥10.8 billion

Main reasons

- Co-promotion fees for Forxiga Tablets
- SG&A expenses from Deciphera
- Expenses associated with the acquisition of Deciphera

* The consolidated financial forecast for the fiscal year ending March 2025, announced on May 9, 2024, is provided.

Introduction of a Core-Basis Result

< Background for Introducing a Core-Basis Result >

Previously, IFRS full-basis results have included the impact of transactions that are not related to our core business or are temporary in nature. Additionally, due to the acquisition of Deciphera Pharmaceuticals, Inc., we anticipate amortization expenses for intangible assets acquired through the acquisition in the future. Therefore, starting from the FY 2024, we will disclose the core-basis result to present our performance in our core business.

< Definition of a Core-Basis Result >

Core-basis results are calculated by adjusting items not related to the essential performance of our business and temporary items such as those occurring in a single fiscal year from the IFRS full-basis results.

Examples of specific adjustment items include amortization expenses arising from intangible assets acquired through acquisitions or in-licensing, impairment losses, and compensation or settlement from litigation, losses due to disasters, etc.

FY2024 : Financial Forecast (Sales Revenue)



Revenue
¥485.0 billion

YoY -17.7 billion
(-3.5%)



Goods and Products Sales

¥333.0 billion

YoY +16.0 billion (+5.1%)



Royalty and Others

¥152.0 billion

YoY -33.7 billion (-18.1%)

* The forecast of consolidated financial results for the fiscal year ending March 31, 2025, as announced on May 9, 2024, has been revised.

FY2024 : Financial Forecast (Sales by Product)

Goods and Products (Domestic)	FY2023	FY2024 Forecast	YoY	
			Change	Change (%)
Opdivo Intravenous Infusion	145.5	<u>125.0</u>	(20.5)	(14.1%)
Forxiga Tablets	76.1	<u>89.0</u>	12.9	16.9%
Orencia for Subcutaneous Injection	25.8	<u>27.0</u>	1.2	4.5%
Glactiv Tablets	21.2	<u>18.5</u>	(2.7)	(12.7%)
Velexbru Tablets	10.2	<u>10.0</u>	(0.2)	(2.1%)
Kyprolis for Intravenous Infusion	9.1	<u>9.5</u>	0.4	3.9%
Parsabiv Intravenous Injection	8.2	<u>8.5</u>	0.3	3.3%
Ongentys Tablets	6.3	<u>7.5</u>	1.2	18.8%

*Sales of Forxiga Tablets are forecasted to be ¥89.0 billion, an upward revision of ¥6.0 billion from the previous forecast announced on May 5th, 2024.

Goods and Product (Overseas)	FY2023	FY2024 Forecast	YoY	
			Change	Change (%)
OPDIVO	12.0	<u>13.5</u>	1.5	12.5%
QINLOCK	—	<u>23.5</u>	—	—

* Sales revenue of domestic products is shown in a gross sales basis (shipment price).

* Sales revenue of overseas products is shown in a net sales basis.

FY2024 : Financial Forecast (Operating Profit)



Operating Profit
¥82.0 billion

YoY -77.9 billion
(-48.7%)

Core Operating Profit
¥110.0 billion



Revenue ¥485.0 billion

YoY -17.7 billion (-3.5%)



R&D Expense ¥147.0 billion

YoY +34.8 billion (+31.0%)



SG&A Expense ¥123.0 billion

YoY +22.7 billion (+22.7%)

FY2024 : Financial Forecast (Changes vs. FY2023)

¥ Billion	FY2023 Actual	FY2024 Revised forecast	Change	Change (%)
Revenue	502.7	485.0	(17.7)	(3.5%)
Cost of sales	127.1	130.0	+2.9	+2.3%
R&D expenses	112.2	147.0	+34.8	+31.0%
SG&A expenses	100.3	123.0	+22.7	+22.7%
Operating profit	159.9	82.0	(77.9)	(48.7%)
Adjustments	—	28.0	—	—
Core operating profit	—	110.0	—	—
Profit before tax	163.7	81.5	(82.2)	(50.2%)
Profit for the year (attributable to owners of the Company)	128.0	58.0	(70.0)	(54.7%)
Core profit for the year	—	81.0	—	—

Changes (vs. FY2023)

Cost of sales +¥2.9 billion (2.3%)

Main reason

- Absence of impairment losses on sales licenses recorded in the previous fiscal year .
- Amortization expenses associated with QINLOCK, etc. ¥15.0 billion

R&D expenses +¥34.8 billion (+31.0%)

Main reasons

- R&D expenses from Deciphera +¥26.0 billion
- License agreement with LigaChem BioScience, Inc.

SG&A expenses +¥22.7 billion (+22.7%)

Main reasons

- SG&A expenses from Deciphera +¥15.0 billion
- Expenses associated with the acquisition of Deciphera
- Co-promotion fees for Forxiga Tablets

Adjustment for a core-basis result

Main items

- Amortization expenses associated with QINLOCK and development compounds
- Impairment loss for itolizumab ¥3.5 billion

*The exchange rate assumed for the second half of the fiscal year in the financial forecast is ¥145 per US dollar.

The sensitivity to exchange rates is assumed to be an increase of ¥0.4 billion in revenue and a decrease of ¥0.2 billion in operating profit for every ¥1 depreciation of the yen.

FY2024 : Financial Forecast (Changes vs. Previous Forecast)

The ¥40.0 billion decrease in operating profit compared to the initial forecast is primarily due to significant investments aimed at overcoming the patent expiration of Opdivo and growing into a global specialty pharma company. These investments include costs arising from the acquisition of Deciphera Pharmaceuticals, Inc., which were not factored into the initial forecast, and the license agreement with LigaChem BioScience, Inc. Excluding these factors, we expect to secure profit levels comparable to the initial forecast.

¥ Billion	FY2024 Previous forecast	FY2024 Revised forecast	Change	Change (%)
Revenue	450.0	485.0	(35.0)	+7.8%
Cost of sales	113.0	130.0	+17.0	+15.0%
R&D expenses	112.0	147.0	+35.0	+31.3%
SG&A expenses	100.0	123.0	+23.0	+23.0%
Operating profit	122.0	82.0	(40.0)	(32.8%)
Adjustments	—	28.0	—	—
Core operating profit	—	110.0	—	—
Profit before tax	123.0	81.5	(41.5)	(33.7%)
Profit for the year (attributable to owners of the Company)	91.0	58.0	(33.0)	(36.3%)
Core profit for the year	—	81.0	—	—

Breakdown of ¥40.0 billion decrease in operating profit

Revenue +¥35.0 billion

Main reason
- QINLOCK +¥23.5 billion

Cost of sales +¥17.0 billion

Main reasons
- Amortization expenses associated with QINLOCK, etc. +¥15.0 billion

R&D expenses +¥35.0 billion

Main reasons
- R&D expenses from Deciphera +¥26.0 billion
- License agreement with LigaChem BioScience, Inc.

SG&A expenses +¥23.0 billion

Main items
- SG&A expenses from Deciphera +¥15.0 billion
- Expenses associated with the acquisition of Deciphera