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## Matters Available on the Website in Relation to the Notice of Convocation of the 201<sup>st</sup> Annual Shareholders' Meeting

- System to Ensure the Appropriateness of Business Operations and its Implementation
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The above information are posted on the Company's website at <https://www.ds-pharma.com/> pursuant to relevant laws and regulations, and Article 16 of the Articles of Incorporation of the Company.

Sumitomo Dainippon Pharma Co., Ltd.

## **System to Ensure the Appropriateness of Business Operations and its Implementation (System to Ensure the Appropriateness of Business Operations)**

At a meeting held by the Board of Directors, the Company passed a resolution on the following basic policy for the establishment of a system to ensure the appropriateness of business operations.

### **(1) System to Ensure Compliance by the Directors and Employees of the Company with Laws and Regulations and the Articles of Incorporation in the Execution of Their Duties**

- ① The Company shall establish the Compliance Standard and shall take measures to fully disseminate its corporate ethics in order to further ensure daily compliance pursuant to the Declaration of Conduct.
- ② As a system to promote compliance, the Company shall establish the Compliance Committee, in which the Executive Officer for Compliance will serve as the chairperson, and the Compliance Committee Secretariat, and shall appoint department leaders as compliance promotion leaders.
- ③ The Company shall periodically hold meetings of the Compliance Committee, and shall keep track of the status of promoting compliance. The Compliance Committee shall appropriately provide a summary of the status to the Board of Directors.
- ④ The Compliance Committee shall formulate and carry out the annual policy of education and training for the Directors and employees.
- ⑤ The Company shall establish a compliance hotline inside and outside the Company that will serve as a window for reporting and consulting matters related to compliance. The Company shall not adversely treat persons who have reported or consulted such matters on the basis that they made such reports or consultation.
- ⑥ The Company shall establish a department that is in charge of internal audit. The department shall audit the status of compliance, and shall appropriately report to the President and the Executive Officer for Compliance.

### **(2) System for the Maintenance and Management of Information Concerning the Execution of Duties by the Directors of the Company**

The Company shall establish internal regulations with respect to the handling of records and information, and shall appropriately maintain and manage information in connection with the execution of duties by the Directors.

### **(3) Rules and Other Systems Regarding the Management of the Risk of Loss of the Company**

- ① The Company shall establish the DSP Group Risk Management Policy that provides for basic thoughts as the Group with respect to risk management and shall conduct appropriate risk management.
- ② The Company shall establish the Risk Management Rules under which it is clarified that the President oversees risk management and shall develop systems to promote risk management for respective risks classified on the basis of risk characteristics.

The status of operations in each system to promote risk management is periodically reported to the Board of Directors.

- ③ In order to minimize any effects of an emergency, which is likely to materially affect the management or business activities of the Company, the Company shall establish the Rules for Emergency Response and secure the continuity of management and business.

**(4) System to Ensure Efficient Execution of Duties by the Directors of the Company**

- ① The Company shall establish internal regulations such as the Regulations of the Board of Directors, the Regulations of Duties and Authority, the Regulations on Organization and the Rules for Division of Duties, and shall clarify the rules regarding duties and authority, division of duties and decision making.
- ② The Company shall aim to realize speedy and efficient management by introducing an executive officer system.
- ③ The Company shall aim to promote speedy and efficient decision making by introducing an electronic approval system.

**(5) System to Ensure the Appropriateness of the Operations of the Corporate Group (consisting of the Company, its Parent Company and Subsidiaries)**

- ① System to Ensure the Efficient Execution of Duties by Directors, etc. of Subsidiaries  
The subsidiaries shall clarify the rules regarding duties and authority, division of duties and decision making.
- ② System Regarding the Report to the Company of Matters Related to the Execution of Duties by Directors, etc. of Subsidiaries  
The Company shall establish internal regulations that provide for basic matters to promote appropriate group operations, and through commitment by the subsidiaries to comply with such regulations, shall receive from the subsidiaries, reports regarding material matters on management.
- ③ Rules and Other Systems Regarding the Management of the Risk of Loss of Subsidiaries
  - i. The subsidiaries shall develop systems to promote risk management in accordance with the types of their business and the characteristics of risks and shall conduct appropriate risk management.
  - ii. The Company shall govern risk management of the subsidiaries in general, and shall take necessary measures such as giving advice and instructions.
  - iii. The Company shall develop necessary systems to promote risk management for risks the Group should cross-functionally address and shall enhance the Group's risk management.
- ④ System to Ensure Compliance by Directors, etc. and Employees of Subsidiaries with Laws and Regulations and the Articles of Incorporation in the Execution of Their Duties
  - i. The subsidiaries shall develop an appropriate system to promote compliance.

- ii. The Company shall enhance compliance by the subsidiaries by periodically holding meetings, such as committee meetings, related to compliance, which the subsidiaries participate in.
  - iii. The department that is in charge of the internal audit of the Company shall audit the status of compliance by the subsidiaries, and shall appropriately report to the President and the Executive Officer for Compliance of the Company.
- ⑤ Other Systems to Ensure the Appropriateness of the Operations of the Corporate Group (consisting of the Company, its Parent Company and Subsidiaries)
- i. The Company shall ensure its independence and shall develop an autonomous internal control system, while respecting the group operation policy of Sumitomo Chemical Co., Ltd., the parent company.
  - ii. The Company shall appropriately conduct transactions with the parent company by ensuring the fairness and rationality of transactions.

**(6) System to Ensure Effective Implementation of Audits by the Audit & Supervisory Board Members**

- ① Matters Concerning Employees Assigned to Assist the Audit & Supervisory Board Members in the Execution of Their Duties, Matters Concerning the Independence of Such Employees from the Directors of the Company and Matters for Ensuring the Effectiveness of Instructions Given to Such Employees

The Company shall assign one or more employees, who are not under the line of command of the department that executes operations of the Company, to assist the duties of the Audit & Supervisory Board Members and serve in the secretariat of the Audit & Supervisory Board. Decisions on transfer and evaluation of such employees will be made upon consultation with the Audit & Supervisory Board Members and by respecting their opinions.

- ② System for the Directors and Employees to Report to the Audit & Supervisory Board Members

The Company shall establish procedures or the like with respect to reports by the Directors and employees of the Company to the Audit & Supervisory Board Members, and shall provide information needed by the Audit & Supervisory Board Members in a timely and appropriate manner.

- ③ System for the Directors, Audit & Supervisory Board Members, Members Who Execute Operations and Employees of Subsidiaries, or Persons Who Receive Report from the Same, to Report to the Audit & Supervisory Board Members of the Company

The Company shall establish procedures or the like with respect to reports by the directors or the like of its subsidiaries to the Audit & Supervisory Board Members, and shall provide information needed by the Audit & Supervisory Board Members in a timely and appropriate manner.

- ④ System to Ensure That Persons Who Have Made Reports As Provided in the Immediately Preceding Two Paragraphs Will Not Receive Any Adverse Treatment for

#### Having Made Such Reports

The Company shall not adversely treat persons who have made reports as provided in the immediately preceding two paragraphs on the basis that they made such reports.

- ⑤ Matters Concerning the Procedures for Advance Payment or the Reimbursement of Expenses Incurred in Relation to the Execution of the Duties by the Audit & Supervisory Board Members and Any Other Policy for Processing of Costs and Obligations Incurred in Relation to the Execution of Their Duties

The Company shall process the costs and obligations incurred in relation to the execution of duties by the Audit & Supervisory Board Members in a timely and appropriate manner by respecting their opinions.

- ⑥ Other Systems to Ensure Effective Implementation of Audits by the Audit & Supervisory Board Members

- i. The Company shall periodically hold meetings between the Audit & Supervisory Board Members and the Representative Directors, between the Audit & Supervisory Board Members and the department which is in charge of the internal audit, and among the three parties of the Audit & Supervisory Board Members, the department which is in charge of the internal audit and the Accounting Auditor.
- ii. If there is any request from the Audit & Supervisory Board Members regarding their duties, the Company shall respect such request and shall respond to such request in a timely and appropriate manner.

#### **(7) Elimination of Anti-Social Forces**

The Company shall keep its Directors and employees thoroughly informed to take decisive actions against anti-social forces, and shall promote efforts aimed at cutting off any and all relationships with such forces.

#### **(Overview of the Implementation of the System to Ensure the Appropriateness of Business Operations)**

The overview of the status of the implementation of the system to ensure the appropriateness of business operations is as follows:

#### **(1) Implementation Relating to the Improvement of the Efficiency of the Execution of Duties**

- ① The Company established a department of Corporate Governance for further enhancing corporate governance within the Group, and strives for the effective operation of the Basic Policy on Corporate Governance.
- ② Pursuant to the Regulations of the Board of Directors, twenty-one (21) meetings of the Board of Directors were held during the fiscal year under review.
- ③ The Company conducted a questionnaire to all the Directors and Audit & Supervisory Board Members about the effectiveness of the Board of Directors as a whole. Based on

the analyzed results of the questionnaire, opinions were exchanged at the meeting of the Board of Directors. The Company has taken action for improvement with respect to matters to be addressed that were identified as a result of such measures.

**(2) Implementation Relating to the Compliance System**

- ① In order to ensure compliance throughout the Group, the Company developed a system to promote compliance and appointed the Executive Officer for Compliance who oversees compliance matters of the Company and the group companies in Japan and abroad.
- ② The Executive Officer for Compliance delivered compliance-related messages within the Company and to the group companies in Japan and abroad, and thoroughly emphasized the importance of making further efforts to enhance compliance.
- ③ The Company held meetings of the Company's Compliance Committee, the Compliance Committee for Group Companies in Japan, and the Compliance Committee for Overseas Group Companies, respectively. At such meetings, the status of compliance promotion within the Group was discussed.
- ④ The status of compliance promotion within the Group, the activities of each Compliance Committee and other related matters were reported to the Board of Directors.
- ⑤ The compliance hotline established inside and outside the Company has been appropriately operated, and the status of its operations was reported to the Company's Compliance Committee.
- ⑥ For the further enhancement of compliance, the Company examined compliance risks at each workplace, and reviewed, formulated and implemented measures to prevent the occurrence of major risks.
- ⑦ The Company held educational seminars about compliance with topics such as "Guidelines for Provision of Sales Information on Prescription Drugs," "Information Management," and the "Prevention of Insider Trading."

**(3) Implementation Relating to the Risk Management System**

- ① The Company established the DSP Group Risk Management Policy which sets forth basic policies on the Group's risk management.
- ② For the further promotion of the Group's risk management, the Company classified risks depending on risk characteristics for risks to be addressed by the Group cross-functionally and risks to be addressed by each company at its own responsibility, and developed systems to promote risk management for each classified risk.
- ③ The Company established the systems to keep track of the promotion system for risk management of group companies in Japan and abroad as well as the status of their operations, and to provide guidance, advice and the like to group companies as necessary.
- ④ The status of operations in each system to promote risk management was periodically reported to the Board of Directors.

- ⑤ Pursuant to the Regulations on Information Management, the meeting of the Information Management Committee was held, wherein the system to promote information management of the Group and the status of measures being taken were reported, and the details of such meeting were reported to the Board of Directors.
- ⑥ The Company established the Computer Security Incident Response Team (CSIRT) as an expert group to respond to cyberattacks, and conducted training of the CSIRT, simulating the occurrence of incidents, and other relevant measures.
- ⑦ The Company conducted e-learning training regarding information management and IT security.
- ⑧ The Company reviewed measures to be taken at the initial stage upon the occurrence of disasters and business continuity plans at the time of disasters by using the service of an outside consultant. Disaster drills were also conducted at respective business sites such as plants and research laboratories.
- ⑨ With respect to efforts against COVID-19, the Company collected information, and considered and conducted necessary measures at the COVID-19 Countermeasure Headquarters. The details of its activities were reported to the Board of Directors.

**(4) Implementation Relating to the Audit by the Audit & Supervisory Board Members**

- ① In order to enable the Audit & Supervisory Board Members to carry out their duties effectively, the Company has secured an appropriate system in accordance with the Basic Policy for Developing the Internal Control System by, for example, assigning a full-time staff member, who is not under the line of command of the department that executes operations of the Company, to assist the Audit & Supervisory Board Members.
- ② The Audit & Supervisory Board Members regularly conducted meetings with the Representative Director, the department that is in charge of internal auditing and the Accounting Auditor, respectively, to exchange opinions and for other purposes. In addition, the Audit & Supervisory Board Members have made efforts to keep track of the status relating to internal control by attending important meetings such as the meetings of the Management Committee and the Compliance Committee.
- ③ Pursuant to the Regulations of the Audit & Supervisory Board, thirteen (13) meetings of the Audit & Supervisory Board were held during the fiscal year under review.

**(5) Transactions with the Parent Company, etc.**

Pursuant to the Regulations of the Board of Directors, at the meeting of the Board of Directors at which Independent Outside Directors are present, the relevant deliberation is conducted on significant transactions with related parties as matters to be resolved, and transactions that do not fall thereunder are reported as matters to be reported. The Company established the Supervisory Committee for Conflict of Interests in Transactions between Group Companies, which is composed of the Independent Outside Directors only, as a consultative body to the Board of Directors, where the

deliberation is conducted on significant transactions, etc. with its parent company's group in light of protecting the interest of minority shareholders. Pursuant to the Regulations of the Supervisory Committee for Conflict of Interests in Transactions between Group Companies, two (2) meetings of the Supervisory Committee for Conflict of Interests in Transactions between Group Companies were held during the fiscal year under review.



**Consolidated Statement of Changes in Equity**

**(April 1, 2020 to March 31, 2021)**

(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 defined benefit plans
Balance at April 1, 2020	22,400	17,837	(677)	457,330	46,118	—
Net profit				56,219		
Other comprehensive income					(7,621)	6,330
Total comprehensive income				56,219	(7,621)	6,330
Purchase of treasury shares			(2)			
Dividends				(11,124)		
Transactions with non-controlling interests		(1,982)				
Reclassification from other components of equity to retained earnings				6,252	78	(6,330)
Other increase (decrease)						
Total transactions with owners	—	(1,982)	(2)	(4,872)	78	(6,330)
Balance at March 31, 2021	22,400	15,855	(679)	508,677	38,575	—

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance at April 1, 2020	(10,309)	(29)	35,780	532,670	103,190	635,860
Net profit				56,219	(19,390)	36,829
Other comprehensive income	5,978	102	4,789	4,789	(611)	4,178
Total comprehensive income	5,978	102	4,789	61,008	(20,001)	41,007
Purchase of treasury shares				(2)	—	(2)
Dividends				(11,124)	—	(11,124)
Transactions with non-controlling interests				(1,982)	(15,630)	(17,612)
Reclassification from other components of equity to retained earnings			(6,252)	—	—	—
Other increase (decrease)					49	49
Total transactions with owners	—	—	(6,252)	(13,108)	(15,581)	(28,689)
Balance at March 31, 2021	(4,331)	73	34,317	580,570	67,608	648,178

(Notes) 1. During the year ended March 31, 2021, the Company finalized the purchase price allocation for the assets acquired and the liabilities assumed related to the strategic alliance with Roivant. Therefore, the balance at April 1, 2020 of the Consolidated Statement of Changes in Equity was restated.

2. All amounts are rounded to the nearest million yen

## Notes to Consolidated Financial Statements

### 1. Summary of significant accounting policies for consolidated financial statements

#### (1) Accounting standards of consolidated financial statement

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) pursuant to Article 120, paragraph 1 of the Ordinance on Company Accounting. Part of the disclosures required by IFRS have been omitted pursuant to Article 120, the later part of paragraph 1 of the Ordinance on Company Accounting.

#### (2) Scope of consolidation

Number of consolidated subsidiaries: 52 companies

Names of major consolidated subsidiaries

- (i) Overseas consolidated subsidiaries  
Sumitomo Dainippon Pharma America, Inc., Sunovion Pharmaceuticals Inc.,  
Sumitomo Dainippon Pharma Oncology, Inc., Sumitovant Biopharma Ltd.,  
Myovant Sciences Ltd., Urovant Sciences Ltd., Enzyvant Therapeutics Ltd.,  
Altavant Sciences Ltd., Spirovant Sciences Ltd., Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.
- (ii) Domestic consolidated subsidiaries  
DSP Gokyo Food & Chemical Co., Ltd., DS Pharma Animal Health Co., Ltd.,  
DS Pharma Promo Co., Ltd.

Increase/Decrease in consolidated subsidiaries

Increase: 2 companies

Sumitomo Pharmaceuticals Taiwan Co., Ltd. and S-RACMO Co., Ltd. have been established and included in the scope of consolidation in the current fiscal year.

Decrease: 1 company

Tolero Pharmaceuticals, Inc. has been extinguished as a result of the absorption-type merger transaction in which Boston Biomedical, Inc. is the surviving company.

Moreover, Boston Biomedical, Inc. has changed its name as Sumitomo Dainippon Pharma Oncology, Inc. as a result of this absorption-type merger transaction.

In addition, Titan Ltd., which was established for making Urovant Sciences Ltd. become a wholly-owned subsidiary for the year ended March 31, 2021, has been extinguished as a result of the absorption-type merger transaction in which Urovant Sciences Ltd. is the surviving company.

### **(3) Application of the equity method**

Number of affiliated companies applied by the equity method: 2 companies

Names of affiliated companies applied by the equity method

Suntegre Co., Ltd., and Sighregen K.K.

Increase / Decrease in affiliated companies applied by the equity method

Decrease: 1 company

The Company transferred all the shares of SB Bioscience Co., Ltd. which had been held by the Company.

### **(4) Fiscal year end of consolidated subsidiaries**

Among the consolidated subsidiaries, the account closing date of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. is December 31. Consolidated financial statements are prepared based on the financial statements on which a provisional financial closing has been performed according to the year-end closing requirements as of the consolidated fiscal year end.

### **(5) Significant accounting policies**

#### **① Valuation standards and methods of significant assets (except for financial instruments)**

##### **(a) Property, plant and equipment**

Cost model is applied for measurement of property, plant and equipment after initial recognition. Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The acquisition cost includes direct costs of acquisition, estimated costs of dismantlement, removal and restoration, and borrowing costs eligible for capitalization requirements.

##### **(b) Goodwill**

Goodwill is carried at cost less accumulated impairment losses.

Goodwill is not amortized and is allocated to cash-generating units or group of cash-generating units.

Goodwill is tested for impairment annually and whenever there is an indication of that may be impaired.

Impairment loss on goodwill is recognized in profit or loss and is not reversed in subsequent periods.

##### **(c) Intangible assets**

Intangible assets are non-monetary assets without physical substance, other than goodwill, including patents, technologies, marketing rights and in-process research and development acquired separately or acquired in a business combination.

Separately acquired intangible assets are measured initially at cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Cost model is applied for measurement of intangible assets after initial recognition. Intangible assets are carried at its cost less accumulated amortization and accumulated impairment losses.

Research expenditures of an internal project are recognized as expenses when they are incurred.

Development expenditures of an internal project that satisfy all the recognition criteria are recognized as intangible assets. However, internally generated development expenditures incurred before acquisition of marketing approval, including clinical trial expenditures, etc. are recognized as expenses when they are incurred, because such expenditures are considered not meeting the criteria for recognition of intangible assets due to the uncertainties related to the length of period and the development.

Acquisition costs and development expenditures of software for internal use purpose are recognized as intangible assets if future economic benefits are expected to flow to the Group.

**(d) Right-of-use asset**

The right-of-use asset is measured at cost. The cost of the right-of-use asset is measured at the amount of the initial measurement of the lease liability at the commencement date of the lease adjusted for the initial direct costs, etc.

The Group applies a cost model for subsequent measurement of right-of-use asset. After initial recognition, the right-of use asset is depreciated using the straight-line method over the shorter of lease term of underlying asset or its estimated useful life.

As for short-term leases and leases of low-value assets, the Group basically does not recognize right-of-use assets and lease liabilities, but charges the lease payments associated with short-term leases and leases of low-value assets to the net profit or loss on a straight-line basis over the lease term.

**(e) Impairment of non-financial assets**

The Group assesses whether there is any indication that non-financial assets other than inventories, retirement benefit assets and deferred tax assets may be impaired.

If there is an indication of impairment or annual impairment test is required, the recoverable amount of each asset is measured. Goodwill, intangible assets with indefinite useful lives and an intangible asset not yet available for use are tested for impairment annually or whenever there is an indication of impairment. Recoverable amount of an asset or a cash-generating unit is measured at the higher of its fair value less disposal costs and its value in use. The value in use of an asset is measured at the present value of estimated future cash flows by applying the discount rate that is a pre-tax rate reflecting the time value of money and the risk specific to the asset. Only if the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is recognized in profit or loss.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to the unit, and subsequently to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Impairment losses on goodwill are not reversed.

The Group assesses at each reporting date whether there is any indication that reversal of impairment loss recognized in prior periods for an asset other than goodwill may exist. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

The reversal of an impairment loss does not exceed the carrying amount (net of amortization or depreciation) that would have been determined if no impairment loss had been recognized for the asset in prior periods.

**(f) Inventories**

Inventories mainly comprise merchandise and finished goods, work-in-process, raw materials and supplies. Inventories are measured at the lower of acquisition cost and net realizable value. The cost of inventories is calculated by the average method and comprises purchase costs, processing costs and other related production costs. Finished goods and work-in-process include a proper allocation of production overheads

that are based on the expected capacity of the production facilities. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## ② Depreciation and amortization of significant depreciable assets

### (a) Property, plant and equipment

Property, plant and equipment other than land and construction in progress is depreciated by using straight-line method over each asset's useful life. Depreciation of such asset begins when it is available for use.

The estimated useful lives of major categories of property, plant and equipment are as follows:

- Buildings and structures 3 - 60 years
- Machinery, equipment and vehicle 2 - 17 years
- Tools, furniture and fixtures 2 - 20 years
- Right-of-use assets The shorter of the estimated useful lives or lease terms

The depreciation method, the residual value and the estimated useful life are reviewed at each fiscal year-end and are subject to revise when necessary.

### (b) Intangible assets

Intangible assets other than in-process research and development project are amortized using straight-line method over each asset's useful life. Amortization of such asset begins when it is available for use.

The estimated useful lives of major categories of intangible assets are as follows:

- Intangible assets related to products 3 - 20 years
- Software 3 - 5 years

The amortization method, the residual value and the estimated useful life are reviewed at each fiscal year-end and are subject to revise when necessary.

In-process research and development project recognized as intangible asset is not amortized because it is not available for use. Impairment test is performed annually and whenever there is an indication that the in-process research and development project may be impaired.

In-process research and development expenditures are reclassified to patents, marketing rights or other related accounts when marketing approval from regulatory authorities is obtained and are amortized when they are available for use.

## ③ Valuation standards and methods of financial instruments

### (a) Financial assets

#### (i) Initial recognition and measurement

The Group initially recognizes financial assets on transaction date and classifies as financial assets measured at amortized cost and financial assets measured at fair value at the initial recognition. Financial assets are classified as financial asset measured at amortized cost if the following conditions are met. Otherwise, financial assets are classified as financial assets measured at fair value.

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- Contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principals and interests.

#### (ii) Subsequent measurement

After initial recognition, financial assets are measured as follows:

a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured using the effective interest method.

b) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are measured at fair value and subsequent changes in fair value are recognized in profit or loss.

c) Financial assets measured at fair value through other comprehensive income

Among the financial assets measured at fair value, an entity may make an irrevocable election at initial recognition for an investment in an equity instrument that is not held for trading purpose to present subsequent changes in the fair value in other comprehensive income. Therefore, the Group makes such election for each financial instrument.

Financial assets measured at fair value through other comprehensive income are measured at fair value, and subsequent changes in fair value are recognized in other comprehensive income. The cumulative amount recognized in other comprehensive income is reclassified to retained earnings, but not profit or loss, when equity instruments are derecognized or when the fair value of equity instruments declines significantly. However, dividends are recognized in profit or loss.

(iii) Derecognition

A financial asset is derecognized when it meets one of the following conditions:

- the contractual rights to the cash flows from the financial assets expire; or
- the Group transfers the financial assets and substantially all the risks and rewards related to the ownership of the financial assets.

(iv) Impairment

Financial assets measured at amortized cost are presented at the carrying amount reduced by a loss allowance recognized for expected credit losses to be incurred in the future. The Group assesses whether a credit risk on a financial asset measured at amortized cost has increased significantly since initial recognition and considers all reasonable and supportable information in addition to delinquency information when assessing the credit risk.

The Group estimates expected credit losses for each individual financial asset measured at amortized cost at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. If not, the Group estimates expected credit losses for that financial asset at an amount equal to expected credit losses for 12 months after the reporting date.

Among the financial assets measured at amortized cost, the Group estimates expected credit losses at an amount equal to lifetime expected credit losses for trade receivables, independently by each type of similar receivables.

**(b) Financial liabilities**

(i) Initial recognition and measurement

The Group initially recognizes financial liabilities when the Group becomes a contractual party and classifies financial liabilities as follows:

a) Financial liabilities measured at fair value through profit or loss

Financial liabilities which were designated to be measured at fair value through profit or loss.

b) Financial liabilities measured at amortized cost

Financial liabilities other than financial liabilities measured at fair value through profit or loss.

Financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured

at amortized cost are measured at fair value after deducting transaction costs that are directly attributable to the financial liabilities.

(ii) **Subsequent measurement**

After the initial recognition, financial liabilities are measured as follows:

a) Financial liabilities measured at fair value through profit or loss

Financial liabilities are measured at fair value and subsequent changes are recognized in profit or loss.

b) Financial liabilities measured at amortized cost

Financial liabilities are measured at amortized cost using the effective interest method.

(iii) **Derecognition**

A financial liability is derecognized only when the obligation specified in the contract is fulfilled, discharged, cancelled or expires.

(c) **Derivatives**

The Group uses derivatives to hedge foreign currency risk exposures. Such derivatives used by the Group are foreign currency forward contracts. However, the Group does not use derivatives for speculative purpose. Derivatives are initially recognized at fair value and the related transaction costs are recognized as expenses when incurred. Derivatives not qualified for hedge accounting are measured at fair value after initial recognition and the change in fair value is recognized in profit or loss.

(d) **Hedge accounting**

Certain derivatives are designated as hedging instruments in cash flow hedges and if they meet certain hedging criteria, the effective portion of fair value changes of derivatives is recognized in other comprehensive income and is cumulated in accumulated other comprehensive income.

At the inception of the designation of hedge, the Group has a formal documentation of the relationship between hedging instruments and hedged items, including risk management objective, strategy for undertaking the hedge and method for assessing whether the hedge effectiveness requirements are met. At the inception of the hedge and on an ongoing basis, the Group assesses whether the Group can forecast if the hedging instrument is effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated.

The other components of equity are reclassified to profit or loss, in the hedged item related account in the consolidated statement of profit or loss, during the same period in which the expected cash flows of hedged item affect profit or loss. If a hedged forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the cumulative amount previously recognized in other components of equity are reclassified to and included in the initial amount of the cost of the non-financial asset or the non-financial liability. In the changes in the fair value of derivatives, the portion of hedging ineffectiveness is immediately recognized in profit or loss.

Hedge accounting is discontinued when the Group revokes the designation of hedge, when the hedging instrument expires or is sold, terminated or executed or when the hedge no longer meets the criteria for hedge accounting.

④ **Accounting for significant provisions**

Provisions are recognized when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is generally a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(a) Reserve for sales returns**

Reserve for sales returns is provided based on the estimated amount of sales return of products and goods. The future outflow of economic benefits is expected to be incurred within one year from the end of each reporting period.

**(b) Reserve for sales rebates**

Reserve for sales rebates is provided based on the estimated amount to be paid for sales rebates related to public programs, wholesales and other contacts. The future outflow of economic benefits is expected to be incurred within one year from the end of each reporting period.

**⑤ Post-employment benefits**

The Group has both defined benefit plans and defined contribution plans as employee post-retirement benefits.

**(a) Defined benefit plan**

The present value of the defined benefit obligations arising from a defined benefit plan and the related current service cost and past service cost are measured by using the projected unit credit method by each plan. The discount rates are determined by reference to market yields at the fiscal year-end on high quality corporate bonds for the corresponding periods in which the retirement benefits are to be paid. The amount of the net defined benefit liability (asset) is calculated by deducting the fair value of plan assets from the present value of the defined benefit obligation. Service cost and net interest on the net defined benefit liability (asset) are recognized as post-retirement benefit expense in profit or loss. Remeasurement of the net defined benefit liability (asset) are recognized in other comprehensive income and immediately reclassified to retained earnings in the period in which they occur.

**(b) Defined contribution plan**

The expense related to post-retirement arising from a defined contribution plan is recognized as post-retirement benefit expense in profit or loss in the period which the employee renders service to the Group.

**⑥ Standards applicable to the translation of significant foreign currency-denominated assets and liabilities into Japanese Yen**

**(a) Foreign currency transactions**

Foreign currency transactions are translated into the functional currency at the spot exchange rate at the date of transactions or at the foreign exchange rate that approximates the spot exchange rate at the date of the translation.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency using the exchange rate at the reporting date. Non-monetary assets and liabilities measured at fair value that are denominated in foreign currency are translated into the functional currency at the exchange rates prevailing at the date when the fair value was measured.

Exchange differences arising from foreign currency translations and settlements are recognized in the profit or loss. However, exchange differences arising from financial assets measured at fair value through other comprehensive income and the effective portion of cash flow hedges are recognized in other comprehensive



income.

**(b) Foreign operations**

The assets and liabilities (including any goodwill arising on the acquisition and fair value adjustments) of the Group's foreign operations are translated into Japanese yen at the spot exchange rate at the reporting date. Income and expenses are translated into Japanese yen at the average exchange rate for the period except for the case that the exchange rate fluctuates significantly.

Exchange differences arising from translation of financial statements of the foreign operations are recognized in other comprehensive income. The cumulative amount of such exchange differences is recognized as other components of equity in the consolidated statements of financial position.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation is reclassified to profit or loss during the period in which the foreign operation is disposed.

The Group elects to apply the exemption prescribed in IFRS 1 and deems the cumulative translation differences for all foreign operations as zero and reclassifies the total amount to retained earnings at the date of transition.

**⑦ Other significant accounting policies for consolidated financial statements**

Accounting for consumption taxes

Consumption taxes are excluded from revenues and expenses.

## 2. Notes to the accounting estimates

The amounts recognized in the consolidated financial statements based on the accounting estimates that would significantly affect the consolidated financial statements for the year ending March 31, 2022 are as follows:

### (1) Goodwill and Intangible assets

- ① The amounts recognized in consolidated financial statements for the year ended March 31, 2021 of goodwill and intangible assets were 176,492 million yen and 383,406 million yen, respectively.
- ② Other information that enables the users of the consolidated financial statements to understand the accounting estimates

Value in use in impairment test for goodwill and intangible assets is determined by the present value of estimated future cash flows by using a discount rate which is a weighted average cost of capital, etc. set for each cash generating unit. The future cash flows are estimated under many assumptions such as the timing of launch of products under development related to intangible assets, probability of success of research and development activities, and plans such as revenue forecast of products and products under development, etc. These assumptions and discount rates may be affected by uncertain future events and could have a material impact on the amounts of goodwill and intangible assets in the consolidated financial statements for the year ending March 31, 2022.

### (2) Financial assets measured at fair value through other comprehensive income

- ① The amount recognized in the consolidated financial statements for the year ended March 31, 2021 was 189,037 million yen.
- ② Other information that enables the users of the consolidated financial statements to understand the accounting estimates

Fair value of part of unlisted securities, which are categorized as financial instruments of which subsequent changes in fair value are measured through other comprehensive income, is calculated using the discounted cash flow method. The future cash flows used in discounted cash flow method are estimated under many assumptions such as the timing of launch of products under development in unlisted companies, probability of success of research and development activities, and plans such as revenue forecast, etc. These assumptions and discount rates may be affected by uncertain future events and could have a material impact on the amounts of financial assets measured at fair value through other comprehensive income in the consolidated financial statements for the year ending March 31, 2022.

### (3) Provisions

- ① The amount recognized in the consolidated financial statements for the year ended March 31, 2021 was 99,851 million yen.
- ② Other information that enables the users of the consolidated financial statements to understand the accounting estimates

Provisions are measured based on the best estimation on the timing of settlement of the future obligations as well as cash flows estimated to be required to settle obligations at the end of the reporting period. Especially, future sales volume and rebate rate used in the estimation of reserve for sales rebates for products which are sold in the United States may be affected by uncertain future events, and could have a material impact on the amounts of provisions in the consolidated financial statements for the year ending March 31, 2022.

(4) Fair value of contingent consideration

- ① The amount recognized in the consolidated financial statements for the year ended March 31, 2021 was 8,337 million yen.
- ② Other information that enables the users of the consolidated financial statements to understand the accounting estimates

Contingent consideration arising from business combination are considerations to be paid based on development milestones of a specific development product and revenue to be earned since commencement of sales, etc. The fair value of contingent consideration is measured by taking account of probability of achievement and time value of money. The development milestones in a specific development product, sales forecast in the future, and discount rates may be affected by uncertain future events and could have a material impact on the amounts of contingent consideration in the consolidated financial statements for the year ending March 31, 2022.

**3. Notes to consolidated statement of financial position**

**(1) Assets pledged as collateral and secured liabilities**

39 million yen of investment securities (included in “Other financial assets” under Non-current assets) has been pledged as collateral for 44 million yen of accounts payable (included in “Trade and other payables”). In addition, 169 million yen of pledged assets as collateral for lease contracts are included in “Other financial assets” under Current assets.

**(2) Accumulated depreciation and accumulated impairment losses of property, plant and equipment**

122,819 million yen

**(3) Guaranteed obligations**

20 million yen

The amounts of housing funds borrowed by employees from financial institutions have been guaranteed by the Company.

#### 4. Notes to consolidated statement of changes in equity

##### (1) Type and total number of issued shares as of the current year end

Ordinary share 397,900,154 shares

##### (2) Dividends

###### ① Dividend payment amounts

Resolution	Type of share	Total dividend amount	Dividend amount per share	Declaration date	Effective date of distribution
June 23, 2020 Annual shareholders meeting	Ordinary share	5,562 million yen	14.00 yen	March 31, 2020	June 24, 2020
October 28, 2020 Meeting of the Board of Directors	Ordinary share	5,562 million yen	14.00 yen	September 30, 2020	December 1, 2020

###### ② Dividends for which the declaration date belonged to the current consolidated fiscal year and for which the effective date of distribution falls in the following consolidated fiscal year

Resolution schedule	Type of share	Total dividend amount	Source of funds for dividend distribution	Dividend amount per share	Declaration date	Effective date of distribution
June 24, 2021 Annual shareholders meeting	Ordinary share	5,562 million yen	Retained earnings	14.00 yen	March 31, 2021	June 25, 2021

## **5. Notes to financial instruments**

### **(1) Matters pertaining to financial instruments**

#### **① Overview of financial risk management**

In order to reduce the financial risks (such as credit risk, liquidity risk, market risk and etc.) arising from business operations, the Group performs risk management. Derivatives are used to mitigate part of such risks and are not used for speculative purposes.

#### **② Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or a counterparty of financial instrument fails to meet its contractual obligations. It mainly arises from the debtors, such as trade receivables due from the Group's customers.

As for the customers' credit risk arising from trade receivables and etc., the Group monitors the status of overdue balances, reviews outstanding balances of each customer according to the Group's internal credit management policies and assesses the credibility of major customers on a regular basis in order to reduce credit risks.

#### **③ Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages the liquidity risk by preparing monthly funding plan by each company and etc.

#### **④ Market risk**

Market risk is the risk that changes in market prices-such as foreign exchange rates, interest rates, and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The Group implements certain measures for each kind of risks.

**(2) Fair value of financial instruments**

The carrying amounts of financial assets and liabilities, and fair values as of March 31, 2021 are as follows:  
(millions of yen)

	Carrying amount on the consolidated statement of financial position	Fair value	Difference
Financial liabilities			
Financial liabilities measured at amortized cost			
Bonds	118,993	122,646	3,653
Borrowings	154,826	154,849	23
<b>Total</b>	<b>273,819</b>	<b>277,495</b>	<b>3,676</b>

(Note)

1. The financial assets and financial liabilities of which carrying amounts approximate their fair values are not included.
2. The fair value of bonds is evaluated based on market price.
3. The fair values of borrowings are calculated based on the present values of the total amount of principle and interests discounted by using an interest rate assuming that would presumably apply if similar borrowings were newly made.

**6. Notes to per share information**

- (1) Equity per share attributable to owners of the parent      1,461.31 yen  
(2) Basic earnings per share      141.50 yen

## 7. Notes to business combinations

(Business combination through acquisition)

Sumitovant Biopharma Ltd.

Fair value of the assets acquired and the liabilities assumed were measured at provisional amount as of March 31, 2020. However, as the company finalized the purchase price allocation during the year ended March 31, 2021, the provisional fair value of assets acquired and the liabilities assumed, non-controlling interests, and goodwill are adjusted retrospectively as below.

Fair value of the assets acquired and the liabilities assumed, non-controlling interests, and goodwill as of the acquisition date

	(Millions of yen)		
Account	Provisional Fair Value	Adjustment	Finalized Fair Value
Non-current assets			
Intangible assets	291,643	(768)	290,875
Other	3,661	—	3,661
Current assets			
Cash and cash equivalent	18,781	—	18,781
Other	6,172	—	6,172
Non-current liabilities	40,840	(100)	40,740
Current liabilities	19,307	—	19,307
Net assets	260,110	(668)	259,442
Non-controlling interests	107,783	3,785	111,568
Goodwill	72,228	4,453	76,681

## **8. Others**

### **(Impairment losses)**

Impairment losses amounting to 35,720 million yen recognized for the year ended March 31, 2021 were recorded in Cost of sales, Selling, general and administrative expenses, and Research and development expenses in the Consolidated Statement of Profit or Loss amounting to 128 million yen, 151 million yen, and 35,441 million yen, respectively.

The impairment losses consist of 128 million yen of impairment losses on property, plant and equipment, and 35,592 million yen of impairment losses on intangible assets.

These impairment losses were mainly impairment loss on in-process research and development of napabucasin (product code: BBI608) amounting to 26,952 million yen, which is Global clinical Phase 3 study for colorectal cancer and impairment loss on in-process research and development of alvocidib (product code: DSP-2033) amounting to 8,489 million yen, which was being developed as a small molecule inhibitor of cyclin-dependent kinase 9 (CDK9) for hematologic malignancies in North America segment of pharmaceutical business. As the profitability is no longer expected because such in-process research and development has been discontinued, the total carrying amount is reduced to zero.

### **(Other income)**

Other income recognized in the year ended March 31, 2021 is included in gain on sale of fixed assets amounting to 16,725 million yen related to the sale of the former Ibaraki Plant.



**Non-consolidated Statement of Changes in Equity**

(April 1, 2020 to March 31, 2021)

(millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings			
					Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings carried forward		
Balance at April 1, 2020	22,400	15,860	1	15,861	5,288	1,321	275,510	357,333	639,452
Changes during the fiscal year									
Cash dividends								(11,124)	(11,124)
Reserve for advanced depreciation of non-current assets						(71)		71	—
Net profit								116,499	116,499
Purchase of treasury shares									
Changes in items other than shareholders' equity (net)									
Total changes during the fiscal year	—	—	—	—	—	(71)	—	105,446	105,375
Balance at March 31, 2021	22,400	15,860	1	15,861	5,288	1,250	275,510	462,779	744,827

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Treasury shares	Total shareholders equity	Unrealized gains on available-for-sale securities, net of tax	Total valuation, translation adjustments and others	
Balance at April 1, 2020	(677)	677,036	20,127	20,127	697,163
Changes during the fiscal year					
Cash dividends		(11,124)			(11,124)
Reserve for advanced depreciation of non-current assets		—			—
Net profit		116,499			116,499
Purchase of treasury shares	(2)	(2)			(2)
Changes in items other than shareholders' equity (net)			7,645	7,645	7,645
Total changes during the fiscal year	(2)	105,373	7,645	7,645	113,018
Balance at March 31, 2021	(679)	782,409	27,772	27,772	810,181

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

## Notes to Non-Consolidated Financial Statements

### 1. Summary of significant accounting policies for non-consolidated financial statements

#### (1) Valuation of securities

Shares held in subsidiaries and affiliates	Moving-average cost method
Available-for-sale securities	
With market values	Market value method, based on the market price as of the last day of the fiscal year (All valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated using the moving-average method.)
Without market values	Moving-average cost method

#### (2) Valuation of inventories

Weighted average cost method (Book values are calculated using the lower of cost or net realizable value.)

#### (3) Depreciation and amortization of fixed assets

##### ① Property, plant and equipment

Straight-line method

The estimated useful life of each asset is as follows:

Buildings and structures                      3 - 60 years

Machinery and equipment and vehicles    2 - 17 years

##### ② Intangible assets

Straight-line method

Intangible assets are amortized using the straight-line method over their estimated useful life.

#### (4) Accounting for allowances/reserves

##### ① Allowance for doubtful receivables

In order to provide for losses arising from uncollectable receivables and other bad debts, we review the loan loss ratio of general claims and collectability on an individual basis of particular loans, such as those with a higher probability of default, and accrue provisions for the amounts that we estimate will be uncollectible.

##### ② Reserve for bonuses

In order to provide for the payment of employee bonuses, the amounts that we estimate will be paid are accrued.

##### ③ Reserve for sales returns

A reserve is accrued for profits from expected sales returns.

##### ④ Reserve for sales rebates

A reserve for the disbursement of sales rebates to wholesalers is accrued. The reserve amounts are calculated accordingly:

(i) The sales rebate, as calculated based on the sales performance of wholesalers, which equals the wholesale inventory as of the end of the fiscal term, multiplied by the rebate rate.

(ii) The sales rebate, as calculated based on the accounts receivable collected, which equals the applicable accounts receivable as of the end of the fiscal term, multiplied by the rebate rate.

##### ⑤ Provision for retirement benefit

In order to provide for the retirement benefits of employees, amounts are accrued based on the projected benefit obligations and estimated value of pension assets as of the end of the reporting period.

###### (i) Method of attributing expected retirement benefits to period;

In calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to the period through March 31, 2020.

###### (ii) Method of expenses for actuarial differences and past service costs;

Unrecognized past service costs are treated as an expense and recognized using the straight-line method, based on the average number of remaining service years of employees when incurred (fourteen years).

Unrecognized actuarial gains and losses are treated as an expense and recognized from the following consolidated fiscal year using the straight-line method based on the average number of remaining service years of employees when incurred (fourteen years).

#### (5) Significant hedge accounting methods

##### ① Hedge accounting method

The Company uses the deferred hedge accounting method. Foreign exchange forward contracts are accounted for by recognizing gains and losses on foreign monetary rights or obligations, preset price, when the contracts conditions are satisfied.

② Hedging instruments and hedged items

Hedging instruments

Foreign exchange forward contracts

Hedged items

Monetary assets and liabilities denominated in foreign currencies and monetary assets and liabilities specifically related to anticipated transactions, denominated in foreign currencies, which are covered by an agreement.

③ Hedging policy

Foreign exchange forward contracts are conducted pursuant to internal rules and regulations in order to hedge foreign currency risks.

④ Method of evaluating the effectiveness of hedges

The effectiveness has been evaluated by comparing the accumulated changes in market value of hedged items with the accumulated changes in market value of hedging instruments. With regard to foreign exchange forward contracts, the effectiveness of such contracts has not been evaluated as important conditions for hedged items and hedging instruments are the same.

**(6) Other significant accounting policies for the non-consolidated financial statements**

① Accounting for consumption taxes

Consumption taxes are excluded from revenues and expenses.

**2. Notes to the changes in presentation**

The Group has adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the year ended March 31, 2021 and related notes to significant accounting estimates are presented in the financial statements.

**3. Notes to significant accounting estimates**

The recorded amount in the financial statements based on the accounting estimates that would significantly affect the financial statements for the year ending March 31, 2022 are as follows:

Shares of Sumitomo Dainippon Pharma America, Inc. (hereafter, “SDPA”)

① The amount recognized in the financial statements for the year ended March 31, 2021 was 275,519 million yen.

② Other information that enables the users of the financial statements to understand the accounting estimates

Shares of unlisted subsidiaries whose market values are extremely difficult to obtain are measured at value reflecting excess earning power of the unlisted subsidiaries as the adjusted net assets value. When the adjusted net assets value has declined significantly, loss on valuation of shares of subsidiaries would be recognized unless the possibility of recovery of such decline can be supported by sufficient evidence.

The adjusted net assets value of SDPA reflects excess earning power arising from the oncology area in the North America segment of the pharmaceutical business. In case that impairment losses occur in goodwill and intangible assets, it would impact the calculation of the adjusted net assets value reflecting excess earning power and could have a material impact on the amount of shares of SDPA in the financial statements for the year ending March 31, 2022.

Footnotes related to accounting estimates on goodwill and intangible assets are stated in Notes to Consolidated Financial Statements, 2. Notes to accounting estimates, (1) Goodwill and Intangible Assets.

**4. Notes to the non-consolidated statement of financial position**

**(1) Accumulated depreciation of tangible fixed assets** 101,165 million yen

Accumulated depreciation of tangible fixed assets includes accumulated impairment losses.

**(2) Guaranteed obligation** 20 million yen

The amounts of housing funds borrowed by employees from financial institutions have been guaranteed by the Company.

**(3) Monetary claims and liabilities to affiliated companies**

Short-term monetary claims 154,646 million yen

Short-term monetary liabilities 8,564 million yen

Long-term monetary claims 69,327 million yen

**5. Notes pertaining to the non-consolidated statement of profit or loss**

Amounts of transactions with affiliated companies

Transaction amounts based on operating transactions

Net sales	154,710 million yen
Amount of goods purchased	14,585 million yen
Other operating transactions	11,407 million yen
Non-operating transactions	9,653 million yen

## 6. Notes to deferred tax accounting

### (1) Breakdown of deferred tax assets and deferred tax liabilities by main causes of occurrence

Deferred tax assets	
Reserve for bonuses	1,645 million yen
Reserve for sales rebates	22 million yen
Accrued enterprise taxes	1,448 million yen
Liabilities for retirement benefits	3,392 million yen
Loss on valuation of investment securities	539 million yen
Research and development costs	5,542 million yen
Inventories	2,113 million yen
Stocks of subsidiaries and affiliates	2,149 million yen
〔Stocks of succeeding company associated with corporate separation〕	
Others	<u>4,721 million yen</u>
Subtotal of deferred tax assets	21,571 million yen
Valuation allowance	<u>(2,467 million yen)</u>
Total deferred tax assets	19,104 million yen
Deferred tax liabilities	
Unrealized gains (losses) on available-for-sale securities	(12,103 million yen)
Prepaid pension cost	(849 million yen)
Reserve for advanced depreciation of fixed assets	(551 million yen)
Refund of capital surplus of a subsidiaries	<u>(405 million yen)</u>
Total deferred tax liabilities	<u>(13,908 million yen)</u>
Net amount of deferred tax assets	<u>5,196 million yen</u>

### (2) Reconciliation of effective tax rate

Statutory tax rate	30.6%
(Adjustments)	
Entertainment expenses and other items that are excluded from deductible expenses	0.1%
Dividend income and other items that are excluded from taxable income	(0.8%)
R&D tax credit	(3.5%)
Residence tax on per-capita basis	0.1%
Change in valuation allowance	<u>(2.2%)</u>
Others	<u>(0.5%)</u>
Actual effective tax rate	<u>23.8%</u>

## 7. Notes to transactions with related parties

### (1) Parent company and main corporate shareholders

Type	Name of company	Ratio of voting rights (or ownership)	Relationship with related party	Description of transaction(s)	Amount of transaction(s)	Item	End-of-term balance
Parent company	Sumitomo Chemical Co., Ltd.	Direct ownership: 51.78%	<ul style="list-style-type: none"> <li>• Supplier of raw materials</li> <li>• Leasing land, etc.</li> <li>• Purchasing plant utilities, etc.</li> <li>• Lending funds</li> </ul>	Lending Funds	879 million yen	Short-term loans to affiliates	27,678 million yen

Transaction terms and policies for determining transaction terms, etc.

Note: With respect to the lending of funds, a reasonable rate of interest is determined, by considering the market rate of interest.

### (2) Subsidiaries

Type	Name of company	Ratio of voting rights (or ownership)	Relationship with related party	Description of transaction(s)	Amount of transaction(s)	Item	End-of-term balance
Subsidiary	Sumitomo Dainippon Pharma America, Inc.	Direct ownership: 100%	• Lending funds	Lending Funds (Note 1)	(12,008) million yen	Short-term loans to affiliates	67,588 million yen
Subsidiary	Sunovion Pharmaceuticals Inc.	Indirect ownership: 100%	<ul style="list-style-type: none"> <li>• Supplier of intermediate products</li> <li>• Commission of development</li> </ul>	Supplier of intermediate products, etc. (Note 2)	126,280 million yen	Accounts receivable	44,909 million yen
Subsidiary	SumitovantBio pharma Ltd.	Direct ownership: 100%	• Capital increases	Underwriting of capital increases (Note 3)	40,236 million yen	—	—
Subsidiary	Myovant Sciences Ltd.	Indirect ownership: 53.45%	• Lending funds	Lending Funds (Note 1)	26,221 million yen	Long-term loans to affiliates	39,712 million yen
Subsidiary	Urovant Sciences Ltd.	Indirect ownership: 100%	• Lending funds	Lending Funds (Note 1)	19,096 million yen	Long-term loans to affiliates	29,615 million yen

Transaction terms and policies for determining transaction terms, etc.

Notes: 1. With respect to the lending of funds, a reasonable rate of interest is determined, by considering the market rate of interest.

2. Prices of intermediate products are determined based on discussions between the two parties with reference to market prices.
3. The all amount of the capital increases in the subsidiary was underwritten by the Company.

**8. Notes to Non-Consolidated Statement of Changes in Net Assets**

Type and total number of Company's shares (treasury shares) as of the end of the current fiscal year

Ordinary share	606,255 shares
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**9. Notes to per share information**

(1) Net assets per share	2,039.25 yen
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(2) Net profit per share	293.23 yen
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