Consolidated Financial Statements

Sumitomo Pharma Co., Ltd.

Years ended March 31, 2025 and 2024

Consolidated Statement of Profit or Loss

Year Ended March 31, 2025 and 2024

(Millions of JPY)

	Note	Year ended March 31, 2024	Year ended March 31, 2025
Revenue	4,5	314,558	398,832
Cost of sales		126,577	153,437
Gross profit		187,981	245,395
Selling, general and administrative expenses	6	429,538	180,605
Research and development expenses		112,637	49,865
Other income	7	7,490	18,356
Other expenses	8	8,132	3,572
Share of profit (loss) of investments accounted for using the equity method		(23)	(905)
Operating profit (loss)		(354,859)	28,804
Finance income	9	36,022	2,307
Finance costs	9	4,277	13,500
Profit (loss) before taxes		(323,114)	17,611
Income tax expenses	10	(8,185)	(6,024)
Net profit (loss)		(314,929)	23,635
Net profit (loss) attributable to:			
Owners of the parent		(314,969)	23,634
Non-controlling interests		40	1
Net profit (loss) total		(314,929)	23,635
Earnings per share (JPY)			
Basic earnings (loss) per share	11	(792.79)	59.49

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2025 and 2024

(Millions of JPY)

	Note	Year ended March 31, 2024	Year ended March 31, 2025
Net profit (loss)		(314,929)	23,635
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Changes in financial assets measured at fair value through other comprehensive income	12	36,488	(12,813)
Remeasurements of defined benefit liability / asset	12	3,424	3,466
Items that may be reclassified subsequently to profit or loss:			
Changes in financial assets measured at fair value through other comprehensive income	12	―	(58)
Exchange differences on translation of foreign operations	12	24,672	(813)
Total other comprehensive income		64,584	(10,218)
Total comprehensive income		(250,345)	13,417
Total comprehensive income attributable to:			
Owners of the parent		(250,385)	13,416
Non-controlling interests		40	1
Total comprehensive income		(250,345)	13,417

Consolidated Statement of Financial Position

As of March 31, 2025 and 2024

(Millions of JPY)

	Note	As of March 31, 2024	As of March 31, 2025
Assets			
Non-current assets			
Property, plant and equipment	13,16	57,895	46,648
Goodwill	14	199,783	197,406
Intangible assets	15	195,652	172,509
Other financial assets	17,29	161,711	44,148
Income taxes receivables		6,846	6,765
Retirement benefit assets	27	11,322	14,727
Investments accounted for using the equity method		360	5,588
Other non-current assets		2,129	1,111
Deferred tax assets	10	2,239	534
Total non-current assets		637,937	489,436
Current assets			
Inventories	18	115,350	94,222
Trade and other receivables	19,29	81,023	74,840
Other financial assets	17,29	7,085	16,840
Income taxes receivables		16,216	2,886
Other current assets		18,997	10,902
Cash and cash equivalents	20	29,047	23,116
Subtotal		267,718	222,806
Assets held for sale	21	1,851	30,362
Total current assets		269,569	253,168
Total assets		907,506	742,604

(Millions of JPY)

	Note	As of March 31, 2024	As of March 31, 2025
Liabilities and equity			
Liabilities			
Non-current liabilities			
Bonds and Borrowings	22,29	133,367	258,982
Other financial liabilities	16,24,29	12,738	15,818
Retirement benefit liabilities	27	11,150	6,534
Other non-current liabilities	26	40,430	24,638
Deferred tax liabilities	10	38,211	26,550
Total non-current liabilities		235,896	332,522
Current liabilities			
Borrowings	22,29	285,517	46,440
Trade and other payables	23,29	67,720	38,544
Other financial liabilities	16,24,29	14,101	32,916
Income taxes payable		1,348	1,577
Provisions	25	79,546	71,999
Other current liabilities	26	67,242	45,663
Subtotal		515,474	237,139
Liabilities directly associated with assets held for sale	21	-	3,464
Total current liabilities		515,474	240,603
Total liabilities		751,370	573,125
Equity			
Share capital	28	22,400	22,400
Treasury shares	28	(682)	(682)
Retained earnings	28	(22,665)	46,784
Other components of equity	28	157,010	97,525
Other comprehensive income associated with assets held for sale		-	3,452
Equity attributable to owners of the parent		156,063	169,479
Non-controlling interests		73	-
Total equity		156,136	169,479
Total liabilities and equity		907,506	742,604

Consolidated Statement of Changes in Equity

Year Ended March 31, 2025 and 2024

(Millions of JPY)

	Note	Equity attributable to owners of the parent				
					Other components of equity	
		Share capital	Treasury shares	Retained earnings	Changes in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit liability / asset
Balance as of April 1, 2023		22,400	(682)	280,999	39,260	-
Net profit (loss)		-	-	(314,969)	-	-
Other comprehensive income	12	-	-	-	36,488	3,424
Total comprehensive income		-	-	(314,969)	36,488	3,424
Purchase of treasury shares	28	-	(0)	-	-	-
Dividends	28	-	-	(2,781)	-	-
Changes associated with losing control of subsidiaries		-	-	(560)	-	-
Reclassification from other components of equity to retained earnings		-	-	14,646	(11,222)	(3,424)
Transfers to other comprehensive income associated with assets held for sale		-	-	-	-	-
Total transactions with owners		-	(0)	11,305	(11,222)	(3,424)
Balance as of March 31, 2024		22,400	(682)	(22,665)	64,526	-
Net profit (loss)		-	-	23,634	-	-
Other comprehensive income	12	-	-	-	(12,871)	3,466
Total comprehensive income		-	-	23,634	(12,871)	3,466
Purchase of treasury shares	28	-	(0)	-	-	-
Dividends	28	-	-	-	-	-
Changes associated with losing control of subsidiaries		-	-	-	-	-
Reclassification from other components of equity to retained earnings		-	-	45,815	(42,349)	(3,466)
Transfers to other comprehensive income associated with assets held for sale		-	-	-	-	-
Total transactions with owners		-	(0)	45,815	(42,349)	(3,466)
Balance as of March 31, 2025		22,400	(682)	46,784	9,306	-

(Millions of JPY)

	Note	Equity attributable to owners of the parent				Non-controlling interests	Total equity
		Other components of equity		Other comprehensive income associated with assets held for sale	Total		
		Exchange differences on translation of foreign operations	Total				
Balance as of April 1, 2023		64,097	103,357	675	406,749	33	406,782
Net profit (loss)		-	-	-	(314,969)	40	(314,929)
Other comprehensive income	12	24,672	64,584	-	64,584	-	64,584
Total comprehensive income		24,672	64,584	-	(250,385)	40	(250,345)
Purchase of treasury shares	28	-	-	-	(0)	-	(0)
Dividends	28	-	-	-	(2,781)	-	(2,781)
Changes associated with losing control of subsidiaries		3,715	3,715	(675)	2,480	-	2,480
Reclassification from other components of equity to retained earnings		-	(14,646)	-	-	-	-
Transfers to other comprehensive income associated with assets held for sale		-	-	-	-	-	-
Total transactions with owners		3,715	(10,931)	(675)	(301)	-	(301)
Balance as of March 31, 2024		92,484	157,010	-	156,063	73	156,136
Net profit (loss)		-	-	-	23,634	1	23,635
Other comprehensive income	12	(813)	(10,218)	-	(10,218)	-	(10,218)
Total comprehensive income		(813)	(10,218)	-	13,416	1	13,417
Purchase of treasury shares	28	-	-	-	(0)	-	(0)
Dividends	28	-	-	-	-	-	-
Changes associated with losing control of subsidiaries		-	-	-	-	(74)	(74)
Reclassification from other components of equity to retained earnings		-	(45,815)	-	-	-	-
Transfers to other comprehensive income associated with assets held for sale		(3,452)	(3,452)	3,452	-	-	-
Total transactions with owners		(3,452)	(49,267)	3,452	(0)	(74)	(74)
Balance as of March 31, 2025		88,219	97,525	3,452	169,479	-	169,479

Consolidated Statement of Cash Flows

Year Ended March 31, 2025 and 2024

(Millions of JPY)

	Note	Year ended March 31, 2024	Year ended March 31, 2025
Cash flows from operating activities			
Net profit (loss)		(314,929)	23,635
Depreciation and amortization		37,765	25,562
Impairment losses		180,857	5,189
Changes in fair value of financial assets and liabilities related to contingent consideration agreement		1,562	(2,568)
Gain on sales of shares in subsidiaries		(5,890)	(13,537)
Interest and dividend income		(2,839)	(1,421)
Interest expenses		3,893	6,221
Income tax expenses		(8,185)	(6,024)
(Increase) decrease in trade and other receivables		23,390	(909)
(Increase) decrease in inventories		(11,795)	18,837
Increase (decrease) in trade and other payables		5,645	(25,868)
Increase (decrease) in unearned revenue		(17,239)	(25,822)
Increase (decrease) in other financial liabilities		6,409	17,784
Increase or decrease in retirement benefit assets or liabilities		(5,217)	3,649
Increase (decrease) in provisions		(52,908)	(6,441)
Others, net		(44,132)	(11,074)
Subtotal		(203,613)	7,213
Interest received		2,030	890
Dividends received		1,019	576
Interest paid		(3,734)	(4,361)
Income taxes paid		(37,595)	(1,892)
Income taxes refunded		—	14,074
Net cash provided by (used in) operating activities		(241,893)	16,500

Cash flows from investing activities			
Purchase of property, plant and equipment		(10,771)	(8,498)
Proceeds from sales of property, plant and equipment		434	2,208
Purchase of intangible assets		(4,959)	(4,532)
Proceeds from sales of intangible assets		-	728
Purchase of investments		(4,772)	(1,645)
Proceeds from sales and redemption of investments		34,499	108,491
Proceeds from loss of control of subsidiaries		11,074	1,458
Expenditure from loss of control of subsidiaries		(2,469)	-
Others, net		10,000	1,544
Net cash provided by (used in) investing activities		33,036	99,754
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	22	84,000	(181,972)
Proceeds from long-term borrowings		-	139,487
Repayments of long-term borrowings		-	(70,000)
Repayments of lease liabilities	22	(4,016)	(3,614)
Proceeds from sale and lease back		-	6,700
Dividends paid		(2,792)	(3)
Others, net		659	566
Net cash provided by (used in) financing activities		77,851	(108,836)
Net increase (decrease) in cash and cash equivalents		(131,006)	7,418
Cash and cash equivalents at beginning of year	20	143,478	29,047
Effect of exchange rate changes on cash and cash equivalents		15,440	(177)
Cash and cash equivalents at end of year	20	27,912	36,288
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale		1,135	(13,172)
Cash and cash equivalents at end of year (Consolidated Statement of Financial Position)		29,047	23,116

Notes to Consolidated Financial Statements

1. Reporting Entity

Sumitomo Pharma Co., Ltd (the "Company") is a company domiciled in Japan. The closing date of the Company's Consolidated Financial Statements is March 31, 2025. The Company's Consolidated Financial Statements comprise the Company, its subsidiaries (the "Group") and its interests in associates. The Group is primarily involved in pharmaceutical business. The details of the main business are stated in Note 4 Operating Segments. The registered address of the Company's Head Office and main places of business are described on the Company's website (URL https://www.sumitomo-pharma.com).

2. Basis of Preparation

(1) Compliance with IFRS

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board. The provision of Article 312 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements applies, as the Company meets the requirements for a "Specified Company Applying Designated International Accounting Standards" prescribed in Article 1-2, paragraph 1 of said ordinance.

The Group's consolidated financial statements were approved for publication on June 26, 2025 by Toru Kimura, Representative Director, President and Chief Executive Officer.

(2) Basis of Measurement

The Group's consolidated financial statements are prepared on the historical cost basis, except for certain financial instruments stated in Note 3 Material Accounting Policies.

(3) Functional Currency and Presentation Currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, rounded to the nearest million yen.

(4) Significant Accounting Estimates, Judgments and Assumptions

In preparing the consolidated financial statements, management has made estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. However, due to uncertainty of these estimates and assumptions, there are possibilities that material adjustments to the carrying amount of assets and liabilities are required in the fiscal year ending March 31, 2026.

The information of main accounting estimates, judgments, and assumptions that could materially affect the amount reported in the consolidated financial statements are summarized as follows:

- Impairment of goodwill and intangible assets (Note 14 and 15)
- Provisions (Note 26)
- Recoverability of deferred tax assets (Note 10)
- Financial assets and liabilities related to contingent consideration agreement (Note 29)

(5) Notes to changes in the accounting estimates

From the fiscal year ended March 31, 2025, the Group has changed the useful lives of certain patent rights to their expected economic useful lives that reflect actual conditions.

As a result of the change, operating profit and profit before taxes for the year ended March 31, 2025 increased by 1,494 million JPY.

(6) Changes in Material Accounting Policies

The Group has applied the amendments to IAS 1 "Classification of Liabilities as Current or Non-current" issued in January 2020 and "Non-current Liabilities with Covenants" issued in October 2022 from the the year ended March 31, 2025. The application of the amendments to IAS 1 does not have a material impact on the Group's consolidated financial statements.

(7) Changes in Presentation

(Consolidated Statement of Profit or Loss)

"Share of profit (loss) of investments accounted for using the equity method" which was included in "Other income" in the year ended March 31, 2024, is presented separately in the year ended March 31, 2025 due to the increase in materiality. To reflect this change in presentation, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2024 to conform to the presentation for the year ended March 31, 2025.

As a result, "Other income" in the year ended March 31, 2024 amounting to 7,467 million JPY was reclassified into "Share of profit (loss) of investments accounted for using the equity method" of (23) million JPY and "Other income" of 7,490 million JPY.

(Consolidated Statement of Financial Position)

"Investments accounted for using the equity method" which were included in "Other non-current assets" under the "Non-current assets" in the year ended March 31, 2024, are presented separately in the year ended March 31, 2025 due to the increase in materiality. To reflect this change in presentation, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2024 to conform to the presentation for the year ended March 31, 2025.

As a result, "Other non-current assets" under the "Non-current assets" as of March 31, 2024 amounting to 2,489 million JPY was reclassified into "Investments accounted for using the equity method" of 360 million JPY and "Other non-current assets" of 2,129 million JPY.

(Consolidated Statement of Cash Flows)

"Net decrease (increase) in short-term loan receivables", which was presented separately under "Cash flows from investing activities" in the year ended March 31, 2024, is included in "Others, net" in the year ended March 31, 2025, due to the decrease in amount from materiality perspective. To reflect this change in presentation, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 202
4.As a result, "Net decrease (increase) in short-term loan receivables" under "Cash flows from investing activities" in the year ended March 31, 2024 amounting to 10,000 million JPY was reclassified into "Others, net".

(8) New Standards and Interpretations Issued but Not Yet Applied

Among the new or revised Standards and new Interpretations issued by the date of approval of the consolidated financial statements by the Group as of March 31, 2025, the main ones that the Group has not applied early during the year ended March 31, 2025 are as follows: The impact of the application of new IFRS on the Group is currently under consideration and cannot be estimated at this time.

Standards	Name of standards	Effective date (From the year beginning)	To be applied by the Group	Description of new standards and amendments
IAS 21	The Effects of Changes in Foreign Exchange Rates	January 1, 2025	The year ending March 31, 2026	· Clarifying a consistent approach in assessing whether a currency is convertible with another currency and determining the exchange rate to be used and the disclosures to be provided when a currency lacks exchangibility.
IFRS 7 IFRS 9	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026	The year ending March 31, 2027	· Clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features · Clarifying the date of derecognition of financial liabilities settled through electronic payment systems · Amendments to disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	The year ending March 31, 2028	· Improving comparability in the statement of profit or loss (income statement) · Enhanced transparency of management-defined performance measures · More useful grouping of information in the financial statements
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027	The year ending March 31, 2028	· Reducing disclosure requirements of IFRS accounting standards for eligible subsidiaries

(9) Early application of the new standard

There are no standards that were early applied by the Group.

3. Material Accounting Policies

The material accounting policies adopted by the Group are continuously applied to all the reporting periods presented in the consolidated financial statements.

(1) Basis of consolidation

1. Subsidiaries

Subsidiaries are entities controlled by the Group.

The Group controls an entity (investee) when the Group is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The Group consolidates the financial statements of subsidiaries from the date when the Group obtains controls of the investees and excludes them from the scope of consolidation from the date when the Group loses controls of the investees.

When the closing date of subsidiary is different from that of the Group, the financial statements of subsidiary, on which a provisional financial closing has been performed as of the Group’s closing date, are used for consolidation purpose.

In preparing the consolidated financial statements, all intragroup balances and transactions, and unrealized gains and losses arising from intragroup transactions are eliminated.

A change in ownership interest of a subsidiary, without losing control, is accounted for as an equity transaction. Differences between adjustment amount of non-controlling interests and fair value of the consideration are recognized directly as equity attributed to owner of the parent. In the event of losing control, any gain or loss arising from losing control is recognized in profit or loss. Interests retained after the loss of control are remeasured to fair value on the date of loss of control, and the remeasurement difference is recognized in profit or loss.

2. Associates

Associates are those entities in which the Group has significant influence over the financial and operating policies but does not have control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not have control over those policies.

Investment in associate is accounted for by using the equity method.

When the closing dates of associates accounted for using the equity method are different from that of the Group, the financial statements of the associates, on which a provisional financial closing has been performed as of the Group’s closing date, are used for consolidation purpose.

3. Business combinations

Business combinations are accounted for using the acquisition method.

The identifiable assets and liabilities of the acquired company are measured at the acquisition-date fair value.

The fair value of all the assets and liabilities arising from the contingent consideration agreement is included in the consideration transferred.

Goodwill is measured at an excess of the aggregate of the consideration transferred and the amount of any non-controlling interests in the acquired company over the net of acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If it is a deficit, the deficit is recognized immediately in profit or loss. Acquisition-related costs are recognized in the profit or loss when incurred.

Business combination under common control, in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, is accounted for based on the book values.

4. Joint Control

Joint Control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. An investment in joint arrangement are classified as a joint operation or a joint venture according to the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

When the Company holds an interest in a joint operation, its share of assets, liabilities, revenue, and expenses related to the joint operation are included in similar accounts, respectively.

(2) Foreign currency translations

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the spot exchange rates at the dates of the transactions or at the foreign exchange rates that approximates the spot exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency using the exchange rates 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 dates when the fair values were measured.

Exchange differences arising from foreign currency translations and settlements are recognized in 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.

2. 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 rates 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 those exchange differences is recognized as other components of equity in the Consolidated Statement of Financial Position.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation is recognized as a part of disposal gains or losses.

(3) Revenue

The Group recognizes revenue based on the following five-step model:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group's revenue mainly consists of revenue from sales of products such as pharmaceuticals for medical treatments (sales of products), revenue from lump sum payments received arising from technology licensing-out agreements, milestone income and royalty income (revenue arising from intellectual property rights). The revenue recognition policies for each type of revenue are as follows.

1. Sales of products

For sales of products, the performance obligation is judged to have been satisfied and revenue is recognized upon delivery of the products, because the customer obtains control over the products upon delivery. Revenue is measured at the consideration promised in a contract with a customer, less product returns, discounts and rebates, to the extent that it is highly probable that a significant reversal will not occur.

2. Revenue arising from intellectual property rights

Lump sum payments received arising from agreements are recognized as revenue, after signing the technology licensing-out agreements and at a point in time that the development and marketing rights are granted to the third parties.

Milestone income is recognized as revenue at a point in time of an achievement of a milestone defined in an agreement.

Royalty income is a consideration on a technology licensing-out agreement that is calculated based on the revenue of counterparty. It is recognized as revenue at the later of either when the revenue of counterparty is recognized or when the performance obligation is satisfied.

The Group's trade receivables are generally collected in one to four months after recognizing revenue on satisfying of performance obligations. In addition, the consideration for performance obligations does not include a significant financing component.

(4) Joint development and joint sales

The Group has entered into development and commercialization agreements related to the Group's products under development and marketed products with its alliance partner.

In this case, revenue from pharmaceutical sales (sales of goods) is recognized as sales revenue, and the Group's relevant expenses are recognized as cost of sales, selling, general and administrative expenses, and research and development expenses, being presented in gross basis. Also, the Group recognizes expenses paid to its alliance partner for equally sharing profit in cost of sales, selling, general and administrative expenses, and research and development expenses according to the nature.

The details of the major agreements among these are stated in Note 33. Joint Development and Joint Sales.

(5) Income taxes

Income taxes are presented as an aggregate amount of current taxes and deferred taxes, and recognized in profit or loss, except for those related to business combinations and items that are recognized directly in equity or in other comprehensive income.

Current taxes are measured as an amount expected to be paid to or recovered from taxation authorities by applying statutory tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are recognized for temporary differences arising from differences between the carrying amount of assets or liabilities in the Consolidated Statement of Financial Position at the reporting date and its tax base, tax loss carryforwards and tax credit carryforwards. However, the deferred tax assets and liabilities are not recognized for the following temporary differences:

· Temporary differences arising from initial recognition of goodwill;

· Temporary differences arising from initial recognition of assets and liabilities in a transaction which is not a business combination, that affect neither accounting profit (loss) nor taxable profit (loss), at the time of the transaction;

· Deductible temporary differences associated with investments in subsidiaries and associates when it is not probable that the temporary differences will be reversed in the foreseeable future, or that taxable profits against which the deductible temporary differences can be utilized, will not be available; and

· Taxable temporary differences associated with investments in subsidiaries and associates, to the extent that the

Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for deductible temporary differences, carryforwards of unused tax losses and carryforwards of unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used. In principle, deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled, based on statutory tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the income taxes are levied by the same taxation authority on the same taxable entity.

(6) Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares held. When there are potential shares that have an antidilutive effect, those potential shares are not included in the calculation of diluted earnings per share.

(7) Property, plant and equipment

The cost model is applied for measurement of property, plant and equipment after initial recognition. Property, plant and equipment are presented at acquisition cost less accumulated depreciation and accumulated impairment losses.

The acquisition costs include direct costs of acquisition, estimated costs of dismantlement, removal and restoration, and borrowing costs eligible for capitalization requirements.

Property, plant and equipment other than land and construction in progress are depreciated by using straight-line method over each asset's useful life. Depreciation of each 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 and vehicles	2~17 years
· Tools, furniture and fixtures	2~20 years
· Right-of-use assets	The shorter of the estimated useful lives or lease terms

Depreciation method, residual value and estimated useful life are reviewed at each reporting date and adjusted if appropriate.

(8) Leases

The Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If it is determined that a contract is, or contains, a lease, the Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

(1) Right-of-use assets

Right-of-use asset is measured at acquisition cost. The acquisition 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 the 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.

The right-of-use assets are presented at acquisition cost less accumulated depreciation and accumulated impairment losses and included in property, plant and equipment in the Consolidated Statement of Financial Position.

(2) Lease liability

The lease liability is initially recognized at the present value of the lease payments that are not paid at the commencement date. The Group normally uses the incremental borrowing rate as a discount rate. After initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made. The lease liability is included in other financial liabilities in the Consolidated Statement of Financial Position.

Lease payments are allocated between finance costs that are the result of application of a constant periodic rate of interest on the remaining balance of the lease liability, and the payment portion of lease liabilities. Finance costs are separated from depreciation expenses of the right-of-use asset in the Consolidated Statement of Profit or Loss.

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.

(9) Goodwill

Initial measurement of goodwill is stated in (1) Basis of consolidation 3. Business Combinations.

Goodwill is presented at initially recognized cost less any accumulated impairment losses.

Goodwill is not amortized and is allocated to cash-generating units or groups of cash-generating units. Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. Impairment loss on goodwill is recognized in profit or loss and is not reversed in subsequent periods.

(10) 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 individually or acquired in a business combination.

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

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

Research expenditures of internal projects are recognized as expenses when they are incurred. Development expenditures of internal projects 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 those expenditures are considered not meeting the criteria for recognition of intangible assets due to the uncertainties related to the length of development period and the development itself.

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.

Intangible assets other than in-process research and development project are amortized using straight-line method over each asset’s useful life. Amortization of each 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

Amortization method, residual value and estimated useful life are reviewed at each reporting date and adjusted if appropriate.

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 is reclassified to patents when marketing approval from regulatory authorities is obtained and are amortized over the estimated useful life from marketing approval.

(11) 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 intangible assets 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 (“CGU”) is measured at the higher of its fair value less costs of disposal or its value in use. The estimated future cash flows are measured by applying discount rate reflecting the time value of money and the risk specific to the asset. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount, the Group reduces the carrying amount to the recoverable amount, and the reduction is recognized as an impairment loss in profit or loss.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The impairment loss recognized for a CGU 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 previous periods for assets other than goodwill may exist. Impairment loss recognized in previous periods for assets other than goodwill is reversed if there has been change in the estimates used to determine the assets’ recoverable amounts.

Reversal of an impairment loss does not exceed the carrying amount (net of amortization or depreciation) if no impairment loss had been recognized for the asset in previous periods.

(12) Financial instruments

1. Financial assets

(i) Initial recognition and measurement

The Group initially recognizes financial assets on transaction dates and classifies them as financial assets measured at amortized cost or 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 financial assets in order to collect contractual cash flows; and
- Contractual terms of the financial asset give 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 are measured at amortized costs using the effective interest method.

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

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

(c) Debt financial instruments measured at fair value through other comprehensive income

After the initial recognition, debt financial instruments measured at fair value through other comprehensive income are measured at fair value, and interest income measured by using effective interest method, exchange gains and losses, and impairment losses are recognized in profit or loss.

Other gains and losses arising from the changes of fair value are recognized in other comprehensive income and the cumulative amount recognized in other comprehensive income are reclassified to profit or loss as reclassification adjustments when the financial assets are derecognized.

(d) Equity financial instruments measured at fair value through other comprehensive income

Equity financial instruments 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 the equity financial instruments are derecognized or when the fair value of the equity financial instruments declines significantly. However, dividends are recognized in profit or loss.

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

(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 individual financial asset measured at amortized cost at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If not, the Group estimates expected credit losses for the 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 for trade receivables etc., at an amount equal to lifetime expected credit losses by group with similar characteristics.

2. 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.

3. Derivatives

The Group owns derivatives to hedge foreign currency risk exposures. The derivatives used by the Group are foreign currency forward contracts. However, the Group does not own 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 changes in fair value are recognized in profit or loss.

4. 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 the 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 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 hedging relationship meets the hedge effectiveness requirements. 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 change in fair value or cash flow 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 flow of hedged item affect profit or loss. If a hedged forecast 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 is 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.

(13) Inventories

Inventories mainly comprise merchandise and finished goods, work-in-process and raw materials and supplies.

Inventories are measured at the lower of acquisition cost and net realizable value. Acquisition 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 estimated selling price in the ordinary course of business, less estimated costs of completion and costs to make the sale.

(14) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments that are readily convertible to cash and are subjected to insignificant risks of changes in value, and whose maturities are three months or less from the date of acquisition.

(15) Employee benefits

1. Post-retirement benefits

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

(i) Defined benefit plan

Present value of the defined benefit obligations arising from 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. 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. Net defined benefit liability (asset) is calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligation. If the defined benefit plan has a surplus, the net defined benefit assets is limited to the present value of any future economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Service cost and net interest on the net defined benefit liability (asset) is recognized as post-retirement benefit expense in profit or loss. Remeasurement of the net defined benefit liability (asset) is recognized in other comprehensive income and immediately reclassified to retained earnings in the period in which they occur.

(ii) Defined contribution plan

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 when the service is rendered by employee.

2. Other long-term employee benefits

Long-term employee benefit obligations other than post-retirement benefit plan are measured at the present value of the future benefit payments by the Group in exchange for the services rendered by employees up to the reporting date.

3. Short-term employee benefits

Short-term employee benefits are recognized as expenses on an undiscounted basis at the time when the services are rendered by employees.

Bonuses are recognized as liabilities, when the Group has a present legal or constructive obligations to pay for services rendered as a result of the service rendered by employees in the past.

(16) Share-based payments

Certain consolidated subsidiaries in the Group introduce equity-settled share-based payment plans.

In the equity-settled share-based payment, the service received is measured at the fair value of the equity instrument at the date of grant. The fair value of the equity instrument is recognized as an expense from the date of grant over the vesting period while the same amount is recognized as an increase in equity.

(17) 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 an 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. A 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.

(18) Government grants

Government grants are recognized when there is reasonable assurance that the grants will be received and the Group will comply with the conditions attaching to the grants, and are measured at fair value.

Government grants related to assets are deducted from acquisition costs of the assets and are recognized in profit or loss over the useful life of the depreciable asset as reduced depreciation expenses. Also, government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes the related costs as expenses for which the grants are intended to compensate.

(19) Capital

1. Ordinary share

   With regard to ordinary shares issued by the Company, the issuance value is recorded in share capital and capital surplus, and the costs directly attributable to the issuance are recognized as a deduction (after tax effect) from capital surplus.

2. Treasury share

   When treasury shares are acquired, they are recognized at cost and presented as a deduction from equity. In addition, directly attributable costs arising from the acquisition of treasury shares are deducted from capital surplus.

   When treasury shares are sold, difference between the carrying amount and the consideration received is recognized in capital surplus.

4. Operating Segments

With the adoption of IFRS, the Group has set "core operating profit" which shows the Group's profitability as its original performance indicator.

"Core operating profit" is calculated by deducting certain items from operating profit. The deduction items mainly include impairment losses, business structure improvement expenses and changes in fair value of contingent consideration.

(1) Reportable segments

The Group is mainly engaged in manufacture, purchase and sales of pharmaceuticals for medical treatment and manages the performance by market in Japan, North America, and Asia. Therefore, the Group has three reportable segments: Japan, North America, and Asia.

The Group's reportable segments are the components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segments and assess their performances.

(2) Revenue and operating results of the reportable segments

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

The accounting policies of reportable segments are identical to those set forth in the Note 3. Material Accounting Policies.

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

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

1. Year ended March 31, 2024

(Millions of JPY)

	Reportable segments			
	Japan	North America	Asia	Total
Revenue from external customers, etc.	114,657	159,037	40,864	314,558
Segment profit (loss) (Core segment profit (loss))	13,360	(80,218)	18,402	(48,456)
Other items				
Depreciation and amortization	6,055	27,178	1,203	34,436
Impairment losses (Note)	3,787	177,070	-	180,857

(Note) Impairment losses are described in Note 13. Property, Plant and Equipment, Note 14. Goodwill and Note 15. Intangible Assets.

2. Year ended March 31, 2025

(Millions of JPY)

	Reportable segments			
	Japan	North America	Asia	Subtotal
Revenue from external customers, etc.	99,838	251,814	47,180	398,832
Segment profit (Core segment profit)	11,416	42,595	23,921	77,932
Other items				
Depreciation and amortization	6,097	15,303	1,213	22,613
Impairment losses (Note)	5,463	(274)	-	5,189

(Note) Impairment losses are described in Note 13. Property, Plant and Equipment and Note 15. Intangible Assets.

(3) Reconciliations between the total amounts of reportable segments and the amounts in the consolidated financial statements (reconciliation items)

The details of reconciliation are as follows:

(Millions of JPY)

Profit	Year ended March 31, 2024	Year ended March 31, 2025
Total of reportable segments	(48,456)	77,932
Research and development expenses (Note 1)	(90,890)	(48,485)
Gains on business transfers	6,391	14,293
Others	(23)	(587)
Core operating profit	(132,978)	43,153
Changes in fair value of contingent consideration	(1,562)	2,427
Impairment losses	(180,857)	(4,625)
Business structure improvement expenses (Note 2)	(30,122)	(8,786)
Other income	1,099	4,063
Other expenses	(8,132)	(3,572)
Others	(2,307)	(3,856)
Operating profit (loss) in the consolidated financial statements	(354,859)	28,804

(Note) 1. The Group does not allocate research and development expenses to the operating segments because such expenses are managed on a global basis. Differences from research and development expenses on Consolidated Statement of Profit or Loss consist of impairment losses and expenses related to research and development excluded from calculation of core operating profit.

2. Business structure improvement expenses for the year ended March 31, 2024 mainly comprise retirement expenses, etc. associated with the reorganization and the rationalization of group companies in North America. Business structure improvement expenses for the year ended March 31, 2025 mainly comprise retirement expenses, etc. associated with the rationalization of the Company and group companies in Japan and North America.

(Millions of JPY)

Other items	Total of reportable segments		Adjustments		Amount in the consolidated financial statements	
	Year ended March 31, 2024	Year ended March 31, 2025	Year ended March 31, 2024	Year ended March 31, 2025	Year ended March 31, 2024	Year ended March 31, 2025
Depreciation and amortization	34,436	22,613	3,329	2,949	37,765	25,562

(4) Revenue

The details of revenue from external customers etc. are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Sale of goods	292,671	368,284
Revenue arising from intellectual property rights	2,746	2,372
Other	19,141	28,176
Total	314,558	398,832

(5) Information by product and service

The details of sales from external customer, etc. by product and service are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Pharmaceuticals	313,194	398,708
Japan	113,293	99,714
Equa® and EquMet® (therapeutic agent for type 2 diabetes)	30,616	24,904
TRERIEF® (therapeutic agent for Parkinson's disease)	15,494	3,654
LATUDA® (atypical antipsychotic)	11,734	13,153
METGLUCO® (therapeutic agent for type 2 diabetes)	7,296	7,337
TWYMEEG® (therapeutic agent for type 2 diabetes)	4,562	7,614
LONASEN® Tape (atypical antipsychotic)	3,820	4,592
Authorized generic products	9,689	11,449
Others	30,082	27,011
North America	159,037	251,814
ORGOVYX® (therapeutic agent for advanced prostate cancer)	42,194	83,082
MYFEMBREE® (therapeutic agent for uterine fibroids and Endometriosis)	9,198	12,787
GEMTESA® (therapeutic agent for overactive bladder (OAB))	36,821	65,761
APTIOM® (antiepileptic)	33,970	39,424
RETHYMIC® (allogeneic cultured thymus tissue / therapeutic agent for pediatric congenital athymia)	6,315	6,803
LATUDA® (atypical antipsychotic)	6,725	9,676
Others	23,814	34,281
Asia	40,864	47,180
MEROPEN® (China) (carbapenem antibiotic)	21,261	26,336
MEROPEN® (Southeast Asia) (carbapenem antibiotic)	5,746	3,930
Others	13,857	16,914
Others (Note)	1,364	124
Japan	1,364	124
Total	314,558	398,832

(Note) Others include veterinary drugs, medical devices, etc..

(6) Geographic information

The Group's geographic revenue are classified by country and region, based on the location of customers.

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Japan	107,343	92,592
North America	155,183	246,006
U.S.A.in North America	152,554	243,545
Others	52,032	60,234
China in Others	33,795	41,754
Total	314,558	398,832

The details of the breakdown of carrying amounts of the Group's non-current assets (except for financial assets, deferred tax assets and retirement benefit assets) by location are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Japan	57,450	42,786
North America	402,007	387,241
U.S.A. in North America	401,906	387,171
Others	3,208	-
Total	462,665	430,027

(7) Information of major customers

Revenue from major customers which individually accounts for greater than 10% of the total Group's revenue are as follows:

(Millions of JPY)

	Reportable segment	Year ended March 31, 2024	Year ended March 31, 2025
Cencora, Inc. (Note)	North America	38,637	73,304
McKesson Corporation	North America	44,793	71,287
Cardinal Health, Inc.	North America	33,874	53,697

(Note) The company name was changed from AmerisourceBergen Corporation during the year ended March 31, 2024.

5. Revenue

(1) Disaggregation of revenue and its relationship with reportable segments

The Group disaggregates its revenue by type of goods and services. The relationship between the disaggregated revenue and the reportable segments are as follows:

Year ended March 31, 2024

(Millions of JPY)

	Reportable segments			Total	Of which revenue from contracts with customers	Of which revenue from other sources (Note)
	Japan	North America	Asia			
Sales of goods	112,439	139,800	40,432	292,671	292,671	-
Revenue arising from intellectual property rights	497	2,249	-	2,746	2,746	-
Other	1,721	16,988	432	19,141	2,175	16,966
Total	114,657	159,037	40,864	314,558	297,592	16,966

(Note) Revenue from other sources is sales revenue from contracts with joint partners in which the counterparty is not deemed as a customer. The details are described in Note 33. Joint Development and Joint Sales.

Year ended March 31, 2025

(Millions of JPY)

	Reportable segments			Total	Of which revenue from contracts with customers	Of which revenue from other sources (Note)
	Japan	North America	Asia			
Sales of goods	98,011	223,338	46,935	368,284	368,284	-
Revenue arising from intellectual property rights	308	2,064	-	2,372	2,372	-
Other	1,519	26,412	245	28,176	2,149	26,027
Total	99,838	251,814	47,180	398,832	372,805	26,027

(Note) Revenue from other sources is sales revenue from contracts with joint partners in which the counterparty is not deemed as a customer. The details are described in Note 33. Joint Development and Joint Sales.

(2) Contract balances

Contract balances arising from contracts with customers are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Receivables from contracts with customers		
Accounts receivable	68,818	64,963
Contract liabilities	1,277	4,326

Receivables from contracts with customers and contract assets are included in “Trade and other receivable” and contract liabilities are included in “Other non-current liabilities”.

Contract liabilities are the considerations of lump sum payments received arising from agreements related to some technology licensing-out agreements for which the performance obligation has not yet been satisfied. Those consideration is recognized as revenue at the point of time when the performance obligations related to these technology licensing-out agreements are satisfied.

Among revenue recognized during the year ended March 31, 2024 and 2025, no material amount is included in contract liabilities balance at the beginning of the year ended March 31, 2024 and 2025. Also, there are no material amounts of revenue recognized during the year ended March 31, 2024 and 2025 from performance obligations satisfied (or partially satisfied) in the previous fiscal years.

(3) Transaction price allocated to the remaining performance obligations

As there are no material transactions with individual expected contract terms exceeding one year, information related to remaining performance obligations is not disclosed. Also, there are no material amounts in consideration from contracts with customers that are not included in transaction prices.

(4) Assets recognized from the costs to obtain or fulfil a contract with a customer

There are no incremental costs of obtaining contracts or the costs incurred for fulfilling contracts that shall be recognized as assets.

6. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Salaries and bonuses	83,357	66,256
Retirement benefit expenses	4,858	4,482
Advertising and promotion expenses	42,372	25,000
Depreciation and amortization	31,833	20,219
Impairment losses (Note 1)	170,261	4,518
Change in fair value of contingent consideration (Note 2)	1,562	(2,427)
Others	95,295	62,557
Total	429,538	180,605

(Note) 1. Impairment losses are described in Note 14. Goodwill and Note 15. Intangible assets.

2. Contingent considerations are future payments to the former shareholder when milestones specified at the time of acquisition are achieved. The details are described in Note 29. Financial Instruments.

7. Other Income

The details of other operating income are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Gains on sales of property, plant and equipment	285	3,149
Gain on sales of shares of subsidiaries (Note)	5,890	13,537
Others	1,315	1,670
Total	7,490	18,356

(Note) Gains on sales of shares of subsidiaries were recorded due to the transfer of all the shares of Sumitomo Pharma Animal Health Co., Ltd., the Company's consolidated subsidiary, to Mitsui & Co., Ltd. during the year ended March 31, 2024.
Gains on sales of shares of subsidiaries were recorded due to the transfer of a part of the shares of S-RACMO Co., Ltd. and RACTHERA Co., Ltd., (hereinafter, "RACTHERA") to Sumitomo Chemical Co., Ltd., the parent company, during the year ended March 31, 2025.

(Changes in Presentation)

"Share of profit (loss) onf investments accounted for using the equity method" which was included in "Other income" in the year ended March 31, 2024, is presented separately in the year ended March 31, 2025 due to the increase in materiality. To reflect this change in presentation, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2024 to conform to the presentation for the year ended March 31, 2025. The details are described in "2. Basis of Preparation (7) Changes in Presentation (Consolidated Statement of Profit or Loss)". In addition, "Gain on business transfers" which was presented separately in this note in the year ended March 31, 2024 is included in "Others" in the year ended March 31, 2025 due to the decrease in materiality. To reflect these changes in presentation, certain reclassifications have been made to the note for the year ended March 31, 2024.

8. Other Expenses

The details of other operating expenses are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Donations	642	317
Losses on transfers of shares of subsidiary (Note)	6,114	-
Others	1,376	3,255
Total	8,132	3,572

(Note) Losses on transfer of shares of subsidiary were recorded due to the transfer of all the shares of Spirovant Sciences LLC, the Company's consolidated subsidiary, to Ruagen Bio, Inc. during the year ended March 31, 2024.

9. Finance Income and Finance Costs

(1) Finance income

The details of finance income are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Interest income		
Financial assets measured at amortized cost	2,019	890
Dividend income		
Financial asset measured at fair value through other comprehensive income	820	531
Exchange gain (net)	32,829	-
Others	354	886
Total	36,022	2,307

(2) Finance costs

The details of finance costs are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Interest expenses		
Financial liabilities measured at amortized cost	3,893	6,221
Exchange loss (net)	-	4,942
Others	384	2,337
Total	4,277	13,500

10. Deferred Income Taxes and Income Tax Expenses

(1) Deferred income taxes

1. Deferred tax assets and liabilities on the Consolidated Statement of Financial Position

The details of deferred tax assets and liabilities on the Consolidated Statement of Financial Position are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets	2,239	534
Deferred tax liabilities	38,211	26,550
Net deferred tax assets (liabilities)	(35,972)	(26,016)

2. Details and changes in deferred tax assets and liabilities

The details and changes of deferred tax assets and liabilities by originations are as follows:

Year ended March 31, 2024

(Millions of JPY)

	As of April 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	As of March 31, 2024
Outsourced research expenses	6,301	(4,037)	-	-	2,264
Inventories	12,519	(9,232)	-	(14)	3,273
Property, plant and equipment	2,373	(948)	-	74	1,499
Intangible assets	(46,176)	28,008	-	(4,978)	(23,146)
Other financial assets	(19,029)	-	(11,379)	(30)	(30,438)
Accrued expenses and provisions	4,343	(2,508)	-	54	1,889
Retirement benefits	(1,186)	(688)	(1,151)	62	(2,963)
Tax loss carryforwards	14,997	(2,295)	-	1,826	14,528
Tax credits	748	(810)	-	62	-
Undistributed earnings of foreign subsidiaries	(1,666)	287	-	-	(1,379)
Others	1,116	(2,996)	-	381	(1,499)
Total	(25,660)	4,781	(12,530)	(2,563)	(35,972)

(Note) Others mainly include exchange differences on translation of foreign operations.

Year ended March 31, 2025

(Millions of JPY)

	As of April 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	As of March 31, 2025
Outsourced research expenses	2,264	(2,264)	-	-	-
Inventories	3,273	(1,710)	-	(1,650)	(87)
Property, plant and equipment	1,499	(1,544)	-	45	-
Intangible assets	(23,146)	1,902	-	165	(21,079)
Other financial assets	(30,438)	(2,664)	23,949	-	(9,153)
Accrued expenses and provisions	1,889	(1,517)	-	(231)	141
Retirement benefits	(2,963)	(384)	(1,064)	-	(4,411)
Tax loss carryforwards	14,528	(3,946)	-	(104)	10,478
Undistributed earnings of foreign subsidiaries	(1,379)	(34)	-	-	(1,413)
Others	(1,499)	1,431	(310)	(114)	(492)
Total	(35,972)	(10,730)	22,575	(1,889)	(26,016)

(Note) Others mainly include exchange differences on translation of foreign operations, changes associated with losing control of subsidiaries and changes in reclassification to group of assets held for sale.

3. Unrecognized deferred tax assets (tax basis)

Tax loss carryforwards, tax credit carryforwards and deductible temporary differences for which deferred tax assets are not recognized are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Tax loss carryforwards	103,589	186,347
Tax credit carryforwards	31,187	31,235
Deductible temporary differences	78,976	67,306

The aggregate amounts of deductible temporary differences associated with investments in subsidiaries and associates for which deferred tax assets are not recognized as of March 31, 2024 and 2025 are 261,611 million JPY and 170,429 million JPY, respectively.

4. Unrecognized deferred tax assets and expiry schedule

(i) Expiry schedule of the tax loss carryforwards for which deferred tax assets are not recognized

The expiry schedule of tax losses carryforwards for which deferred tax assets are not recognized are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Not later than 1 year	-	-
Later than 1 year and not later than 2 years	-	1,839
Later than 2 years and not later than 3 years	-	9,030
Later than 3 years and not later than 4 years	7,785	8,298
Later than 4 years	95,804	167,180
Total	103,589	186,347

(ii) Expiry schedule of the tax credit carryforward for which deferred tax assets are not recognized

The expiry schedule of tax credit carryforwards for which deferred tax assets are not recognized are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Not later than 1 year	-	-
Later than 1 year and not later than 2 years	-	-
Later than 2 years and not later than 3 years	-	-
Later than 3 years and not later than 4 years	-	-
Later than 4 years	31,187	31,235
Total	31,187	31,235

5. Recoverability of deferred tax assets

The amounts of deferred tax assets were 24,867 million JPY and 11,099 million JPY as of March 31, 2024 and 2025, respectively. Recoverability of the deferred tax assets depends upon the future taxable income and the future taxable temporary differences, and deferred tax assets are recognized to the extent that future taxable income and future taxable temporary differences will be available.

6. Unrecognized deferred tax liabilities (tax basis)

There are no taxable temporary differences in respect of investments in subsidiaries, etc. for which deferred tax liabilities are not recognized as of March 31, 2024. The aggregate amounts of taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities are not recognized as of March 31, 2025 are 1,025 million JPY. The Group does not recognize deferred tax liabilities for these temporary differences because the Group is able to control the timing of the reversal of these temporary differences, and it is not probable that the temporary difference will be reversed within a foreseeable period.

(2) Income tax expenses

1. Income tax expenses

The details of income tax expenses are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Current tax expenses	(3,404)	(16,754)
Deferred tax expense		
Recognition and reversal of temporary differences	(5,520)	1,600
Assessment of recoverability of deferred tax assets	739	9,047
Effect of change in tax rate	-	83
Subtotal	(4,781)	10,730
Total	(8,185)	(6,024)

Income tax expenses recognized for sales and significant declines of the fair value of equity financial instruments measured at fair value through other comprehensive income are 4,784 million JPY (loss) for the year ended March 31, 2024 and 18,784 million JPY (loss) for the year ended March 31, 2025.

2. Reconciliation of income tax rate

The reconciliation between the normal statutory tax rate and the effective tax rate is as follows:

The Group is mainly subject to corporate tax, inhabitant tax and enterprise tax for the years ended March 31, 2024 and 2025. The normal statutory tax rate based on these taxes is 30.6% for the years ended March 31, 2024 and 2025. However, foreign subsidiaries are subject to income taxes in their respective countries of domicile.

	Year ended March 31, 2024	Year ended March 31, 2025
Normal statutory tax rate	30.6 %	30.6 %
Permanent non-deductible expenses such as entertainment expenses	(0.2%)	4.4 %
Permanent non-taxable income such as dividend received	0.1 %	0.1 %
Tax credit for research and development expenses	0.2 %	(8.1 %)
Changes in unrecognized deferred tax assets	(19.7%)	(44.0 %)
Difference of subsidiaries' applicable income tax rates	(4.8%)	(17.2 %)
Changes in tax effect of undistributed earnings of subsidiaries	0.1 %	0.2 %
Effect of change in fair value of contingent consideration	(0.1%)	(2.9 %)
Effect of change in tax rate	-	0.5 %
Share of profit (loss) of investments accounted for using the equity method	0.0%	1.6 %
Impairment loss on goodwill	(3.4%)	-
Others	(0.3%)	0.6 %
Effective tax rate	2.5 %	(34.2 %)

(Change in presentation method)

"Share of profit (loss) of investments accounted for using the equity method" which was included in "Others" in the year ended March 31, 2024, is presented separately in the year ended March 31, 2025 due to the increase in materiality. To reflect this change in presentation, certain reclassifications have been made to the Notes to consolidated financial statements for the year ended March 31, 2024 to conform to the presentation for the year ended March 31, 2025.

As a result, "Others" in the year ended March 31, 2024 amounting to (0.3%) was reclassified into "Share of profit (loss) of investments accounted for using the equity method" of 0.0% and "Others" of (0.3%).

3. Global minimum tax rules

On March 28, 2023, the Revised Corporation Tax Act introducing global minimum tax rules based on Pillar Two Model Rules has been enacted in Japan. This Revised Corporation Tax Act is applied from the fiscal year beginning on or after April 1, 2024 and does not have an impact on the Group's consolidated financial statements for the year ended March 31, 2025.

11. Earnings per Share

Basic earnings per share and their basis for calculation are as follows:

	Year ended March 31, 2024	Year ended March 31, 2025
Basis for calculation of basic earnings per share		
Net profit (loss) attributable to owners of the parent (Millions of JPY)	(314,969)	23,634
Amounts not attributable to ordinary shareholders of the parent (Millions of JPY)	-	-
Net profit (loss) used to calculate basic earnings per share (Millions of JPY)	(314,969)	23,634
Weighted average number of ordinary shares (Thousands of shares)	397,291	397,290
Earnings per share		
Basic earnings (loss) per share (JPY)	(792.79)	59.49

(Note) Diluted earnings per share are not disclosed as there are no potential shares.

12. Other Comprehensive Income

The changes of other comprehensive income are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Items that will not be reclassified to profit or loss		
Remeasurements of financial assets measured at fair value through other comprehensive income		
Amounts arising during the year	47,867	(36,762)
Tax effect	(11,379)	23,949
Remeasurements of financial assets measured at fair value through other comprehensive income	36,488	(12,813)
Remeasurements of defined benefit liability (asset)		
Amounts arising during the year	4,575	4,530
Tax effect	(1,151)	(1,064)
Remeasurements of defined benefit liability (asset)	3,424	3,466
Items that may be subsequently reclassified to profit or loss		
Changes of fair value of financial assets measured at fair value through other comprehensive income		
Amounts arising during the year	(13)	(597)
Reclassification adjustments	13	539
Before tax effect	-	(58)
Tax effect	-	—
Changes of fair value of financial assets measured at fair value through other comprehensive income	-	(58)
Exchange differences on translation of foreign operations		
Amounts arising during the year	24,672	(503)
Reclassification adjustments	-	-
Before tax effect	24,672	(503)
Tax effect	-	(310)
Exchange differences on translation of foreign operations	24,672	(813)
Total	64,584	(10,218)

13. Property, Plant and Equipment

(1) Changes in acquisition cost, accumulated depreciation and accumulated impairment losses and carrying amount

Changes in acquisition cost, accumulated depreciation and accumulated impairment losses and carrying amount of property, plant and equipment are as follows:

1. Acquisition cost

(Millions of JPY)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance as of April 1, 2023	77,598	58,081	30,850	4,924	887	17,043	189,383
Additions	2,120	351	309	-	8,535	1,060	12,375
Transfer from construction in progress	649	1,507	1,332	-	(3,488)	-	-
Sales and disposals	(806)	(3,763)	(1,415)	-	(3)	(5,199)	(11,186)
Foreign currency translation differences	1,382	671	747	67	281	680	3,828
Transfer to assets held for sale	(1,811)	(3,026)	(135)	-	-	-	(4,972)
Others	(3,179)	(842)	104	-	2,596	(488)	(1,809)
Balance as of March 31, 2024	75,953	52,979	31,792	4,991	8,808	13,096	187,619
Additions	737	186	86	-	6,391	3,398	10,798
Transfer from construction in progress	1,146	1,813	993	-	(3,952)	-	-
Sales and disposals	(4,285)	(2,256)	(2,293)	(3,532)	-	(3,507)	(15,873)
Foreign currency translation differences	(135)	(19)	(59)	(7)	(128)	(95)	(443)
Transfer to assets held for sale	(2,247)	(1,880)	(1,011)	-	(17)	(571)	(5,726)
Changes associated with losing control of subsidiaries	(3,311)	(3,304)	(2,725)	—	(2,630)	—	(11,970)
Others	143	(650)	368	-	996	2,637	3,494
Balance as of March 31, 2025	68,001	46,869	27,151	1,452	9,468	14,958	167,899

2. Accumulated depreciation and accumulated impairment losses

(Millions of JPY)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance as of April 1, 2023	(46,534)	(49,305)	(25,868)	(64)	(31)	(8,672)	(130,474)
Depreciation	(2,433)	(1,898)	(2,050)	-	-	(3,267)	(9,648)
Impairment losses	(882)	(49)	-	-	-	-	(931)
Sales and disposals	543	3,574	1,134	-	-	3,286	8,537
Foreign currency translation differences	(684)	(492)	(659)	-	-	(283)	(2,118)
Transfer to assets held for sale	1,628	2,538	98	-	-	-	4,264
Others	209	286	(81)	-	31	201	646
Balance as of March 31, 2024	(48,153)	(45,346)	(27,426)	(64)	-	(8,735)	(129,724)
Depreciation	(2,363)	(1,773)	(1,716)	-	-	(2,407)	(8,259)
Impairment losses	(96)	(38)	(67)	-	-	-	(201)
Sales and disposals	3,937	2,169	2,233	-	-	2,996	11,335
Foreign currency translation differences	82	20	56	-	-	71	229
Transfer to assets held for sale	1,692	1,314	860	-	-	120	3,986
Changes associated with losing control of subsidiaries	1,031	2,312	2,071	—	—	—	5,414
Others	(280)	(99)	(403)	-	-	(3,249)	(4,031)
Balance as of March 31, 2025	(44,150)	(41,441)	(24,392)	(64)	-	(11,204)	(121,251)

3. Carrying amount

(Millions of JPY)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance as of April 1, 2023	31,064	8,776	4,982	4,860	856	8,371	58,909
Balance as of March 31, 2024	27,800	7,633	4,366	4,927	8,808	4,361	57,895
Balance as of March 31, 2025	23,851	5,428	2,759	1,388	9,468	3,754	46,648

(Note) 1. There is no capitalized borrowing cost for property, plant and equipment for the years ended March 31, 2024 and 2025.

2. Details of commitment in respect of acquisitions of property, plant and equipment are described in Note 30. Capital Expenditure Commitments.

3. Property, plant and equipment under construction is presented as Construction in progress.

(2) Impairment losses

Impairment losses recognized for the year ended March 31, 2024 and 2025 are 931 million JPY and 201 million JPY, respectively. Impairment losses recorded for the year ended March 31,2024 were recognized in cost of sales and selling, general and administrative expenses in the Consolidated Statement of Profit or Loss amounting to 49 million JPY and 882 million JPY, respectively, and those for the year ended March 31,2025 are recognized in cost of sales and other expenses in the Consolidated Statement of Profit or Loss are 103 million JPY and 98 million JPY, respectively.

The recoverable amount is measured based on value in use. Impairment losses amounting to 931 million JPY recognized for the year ended March 31, 2024 mainly represented impairment losses of buildings and structures in North America segment, and machinery and vehicles in Japan segment. As the profitability of the assets is no longer expected, the total carrying amount is reduced to zero.

Impairment losses amounting to 201 million JPY recognized for the year ended March 31, 2025 mainly represented impairment losses of buildings and structures , and tools, furniture and fixtures in Japan segment. As the profitability of the assets is no longer expected, the total carrying amount is reduced to zero.

14. Goodwill

(1) Changes in acquisition cost and accumulated impairment losses and carrying amount of goodwill

Changes in acquisition cost and accumulated impairment losses and carrying amount of goodwill are as follows:

1. Acquisition cost

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Beginning balance	212,887	241,248
Foreign currency translation differences	28,361	(2,871)
Ending balance	241,248	238,377

2. Accumulated impairment losses

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Beginning balance	(3,472)	(41,465)
Impairment losses	(35,858)	-
Foreign currency translation differences	(2,135)	494
Ending balance	(41,465)	(40,971)

3. Carrying amount

(Millions of JPY)

Balance as of April 1, 2023	209,415
Balance as of March 31, 2024	199,783
Balance as of March 31, 2025	197,406

(2) Impairment test of goodwill

Impairment test of goodwill attributable to the North America segment was performed in the “North America” CGU. The carrying amounts of goodwill attributable to the North America segment are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
North America	199,783	197,406
Total	199,783	197,406

Impairment losses of goodwill are recognized when recoverable amount is less than carrying amount, and in such case, the carrying amount of goodwill is reduced to the extent of the recoverable amount.

The recoverable amount is determined by fair value less costs of disposal of the CGU including relevant goodwill that is measured based on the approved business plan.

The measurement of fair value less costs of disposal includes forecasts of revenue and fixed costs for marketed products based on the selling prices of those products, the market size of the disease area to which the products relate and the market share of the products, and forecasts of revenue and fixed costs for major products under development taking into account factors such as the probability of success of research and development activities, etc. Fair value is determined by the present value of estimated future cash flows based on the past experience and external information.

The fair value less costs of disposal in the impairment test of goodwill recognized by the Group is calculated by discounting the estimated amount, which takes into the estimated cash flows based on 17 years future forecast for the year ended March 31,2025 (15 years for the year ended March 31, 2024) with the consideration of permanent growth rate of 2.2% for the year ended March 31,2025 (2.1% for the year ended March 31, 2024), to the present value and then deducting the estimated disposal cost.

Because this valuation technique uses inputs that are not observable market data, this fair value less costs of disposal is classified as Level 3 of the fair value hierarchy.

The discount rate used in the impairment test for goodwill is based on the weighted average cost of capital, etc.. The pre-tax discount rates used in the impairment test of goodwill are set as 14.5% as of March 31, 2024 and 12.4% as of March 31, 2025, respectively.

As a result of impairment test, the fair value less costs of disposal of fell below the carrying amount of the CGU in the previous fiscal year, and therefore impairment loss on goodwill amounting to 35,858 million JPY was recognized in selling, general and administrative expenses of the Consolidated Statement of Profit or Loss for the year ended March 31, 2024.

For the year ended March 31, 2025, the fair value less costs of disposal sufficiently exceeds the carrying amount of the CGU, the Group considers the likelihood of incurring an impairment loss is remote, even if the key assumptions used to measure the fair value less costs of disposal fluctuate within a reasonable range.

15. Intangible Assets

(1) Changes in acquisition cost, accumulated amortization and accumulated impairment losses and carrying amount

Changes in acquisition cost, accumulated amortization and accumulated impairment losses and carrying amount of intangible assets are as follows:

1. Acquisition cost

(Millions of JPY)

	Intangible assets related to products	Software	Others	Total
Balance as of April 1, 2023	598,715	24,467	551	623,733
Individual acquisition	3,023	1,478	180	4,681
Sales and disposals	1	(335)	-	(334)
Foreign currency translation differences	77,490	1,670	2	79,162
Transfer to assets held for sale	-	(97)	-	(97)
Others	(289)	133	-	(156)
Balance as of March 31, 2024	678,940	27,316	733	706,989
Individual acquisition	2,289	2,232	-	4,521
Sales and disposals	(593)	(2,276)	-	(2,869)
Foreign currency translation differences	(8,114)	(171)	(1)	(8,286)
Transfer to assets held for sale	(3,444)	(1,207)	(364)	(5,015)
Others	598	20	(3)	615
Balance as of March 31, 2025	669,676	25,914	365	695,955

2. Accumulated amortization and accumulated impairment losses

(Millions of JPY)

	Intangible assets related to products	Software	Others	Total
Balance as of April 1, 2023	(276,100)	(18,152)	(167)	(294,419)
Amortization	(25,375)	(2,708)	(13)	(28,096)
Impairment losses	(144,034)	(73)	-	(144,107)
Sales and disposals	(1)	155	-	154
Foreign currency translation differences	(43,745)	(1,374)	(1)	(45,120)
Transfer to assets held for sale	-	97	-	97
Others	-	154	-	154
Balance as of March 31, 2024	(489,255)	(21,901)	(181)	(511,337)
Amortization	(14,995)	(2,288)	(20)	(17,303)
Impairment losses	(4,712)	(209)	(341)	(5,262)
Sales and disposals	593	1,913	-	2,506
Foreign currency translation differences	6,197	137	(1)	6,333
Transfer to assets held for sale	612	531	351	1,494
Others	1	121	1	123
Balance as of March 31, 2025	(501,559)	(21,696)	(191)	(523,446)

3. Carrying amount

(Millions of JPY)

	Intangible assets related to products	Software	Others	Total
Balance as of April 1, 2023	322,615	6,315	384	329,314
Balance as of March 31, 2024	189,685	5,415	552	195,652
Balance as of March 31, 2025	168,117	4,218	174	172,509

(Note) 1. The amortization of intangible assets is recognized in cost of sales, selling, general and administrative expenses, and research and development expenses of the Consolidated Statement of Profit or Loss.

2. There are no internally generated intangible assets.

3. There are no interest expenses capitalized as intangible assets.

4. Because intangible assets related to products in the research and development phase, of which the approval for sales by regulatory authorities has not been obtained, are not yet available for use, it is determined that the period for which future economic benefits will inflow to the Group is unforeseeable. Therefore, those assets are classified as intangible assets of which amortization has not started. The carrying amounts of those intangible assets as of March 31, 2024 and 2025 are 3,249 million JPY, and 463 million JPY, respectively.

From the fiscal year ended March 31, 2025, the Group has changed the useful lives of certain patent rights to their expected economic useful lives that reflect actual conditions.
As a result of the change, “Operating profit” and “Profit before taxes” for the year ended March 31, 2025 increased by 1,494 million JPY.

(2) Material intangible assets

Material intangible assets recognized in the Consolidated Statement of Financial Position are as follows:

			Carrying amount (Millions of JPY)		Residual amortization period
			As of March 31, 2024	As of March 31, 2025	As of March 31, 2025
Sumitomo Pharma UK Holdings, Ltd.	MYFEMBREE®	Patent rights	10,640	9,734	13 years
	ORGOVYX®	Patent rights	69,714	63,782	13 years
	GEMTESA®	Patent rights	98,535	92,246	16 years

The above table mainly represent the intangible assets related to products arising from the acquisition of Myovant Sciences Ltd. (currently known as Sumitomo Pharma UK Holdings, Ltd. hereinafter, “Myovant”), and Urovant Sciences Ltd. (currently known as Sumitomo Pharma UK Holdings, Ltd.) by the Group.

As the in-process research and development, which represents ongoing research development assets, are not approved for sales by regulatory authorities and not yet available for use, it is determined that the period for which future economic benefits will inflow to the Group is unforeseeable. Therefore, such assets are classified as intangible asset which amortization has not started. In addition, there exists a risk of impairment losses to be incurred due to failure in product commercialization due to the inherent uncertainties in the research and development processes, and due to a decrease in the profitability associated with changes in market environment and other factors.

(3) Impairment losses

Intangible assets are grouped into CGU that is the smallest group of assets independently generating cash flows. As for the intangible assets related to products, any individual assets of each marketed products and products under development are classified as a CGU.

Impairment losses of intangible assets are recognized when recoverable amount is less than carrying amount, and the carrying amount of intangible assets is reduced to the extent of the recoverable amount. The recoverable amount is determined based on fair value less costs of disposal. Fair value less costs of disposal is determined by the present value of estimated future cash flows based on the past experience and external information. Because this valuation technique uses inputs that are not observable market data, this fair value less costs of disposal is classified as Level 3 of the fair value hierarchy.

The discount rate used in the impairment test for intangible assets is based on the weighted average cost of capital, etc. set by each individual assets. The pre-tax discount rate used in the impairment test of intangible assets was 13.0% - 15.8% as of March 31, 2024.

As a result of impairment test, impairment losses for the year ended March 31, 2024 amounting to 144,107 million JPY recognized in selling, general and administrative expenses, and research and development expenses in the Consolidated Statement of Profit or Loss are 133,530 million JPY and 10,577million JPY, respectively.

Impairment losses were mainly impairment losses of patent rights associated with MYFEMBREE® (therapeutic agent for Uterine fibroids and Endometriosis) amounting to 133,457 million JPY and in-process research and development related to rodatristat ethyl, which was being developed targeting Pulmonary arterial hypertension (PAH), amounting to 5,205 million JPY in North America segment.

As the expected revenue of patent rights associated with MYFEMBREE® were no longer expected after reviewing the business forecast, the carrying amount of these assets was reduced to the extent of the recoverable amount amounting to 10,640 million JPY. As in-process research and development of rodatristat ethyl has been discontinued and its profitability was no longer expected, the carrying amount of these assets was reduced to zero.

Impairment losses amounting to 5,262 million JPY recognized for the year ended March 31, 2025 were recorded in Cost of sales, Selling, general and administrative expenses, and Other expenses in the Consolidated Statement of Profit or Loss amounting to 4 million JPY, 4,518 million JPY and 740 million JPY, respectively.

Impairment losses on intangible assets mainly represent impairment losses of patent right associated with TWYMEEG® (therapeutic agent for type 2 diabetes) amounting to 4,175 million JPY and intangible assets associated with Frontier Business amounting to 1,083 million JPY in Japan segment. As the profitability of these intangible assets was no longer expected, the carrying amount of these assets was reduced to zero.

16. Leases

The Group mainly uses offices and warehouses under lease contracts. Certain lease contracts contain renewal options after termination of lease terms. There are no escalation clauses and no significant restrictions provided in the lease contracts.

Leases as a lessee

(1) Amounts recognized in profit or loss

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Depreciation	3,279	2,407
Interest expenses on lease liabilities	35	167
Expenses related to short-term leases	121	151
Expenses related to leases of low-value assets	625	418
Income from sublease of right-of-use assets	659	566
Gain or loss arising from a sale and leaseback transaction (△)	-	2,536

(2) Right-of-use assets

The changes in acquisition cost, accumulated depreciation, accumulated impairment losses and carrying amounts of right-of-use assets included in property, plant and equipment are as follows:

1. Acquisition cost

(Millions of JPY)

	Buildings and structures	Machinery and vehicles	Land	Total
Balance as of April 1, 2023	12,970	4,073	-	17,043
Additions	688	372	-	1,060
Sales and disposals	(4,665)	(534)	-	(5,199)
Foreign currency translation differences	551	129	-	680
Changes associated with losing control of subsidiaries	(500)	-	-	(500)
Others	9	3	-	12
Balance as of March 31, 2024	9,053	4,043	-	13,096
Additions	2,386	64	948	3,398
Sales and disposals	(1,852)	(1,655)	-	(3,507)
Foreign currency translation differences	(94)	(1)	-	(95)
Transfer to assets held for sale	(571)	-	-	(571)
Others (Note)	2,800	(163)	-	2,637
Balance as of March 31, 2025	11,722	2,288	948	14,958

(Note) It mainly includes transfer from other accounts, etc.

2. Accumulated depreciation and accumulated impairment losses

(Millions of JPY)

	Buildings and structures	Machinery and vehicles	Land	Total
Balance as of April 1, 2023	(6,639)	(2,033)	-	(8,672)
Depreciation	(2,653)	(626)	-	(3,279)
Sales and disposals	2,941	345	-	3,286
Foreign currency translation differences	(235)	(48)	-	(283)
Changes associated with losing control of subsidiaries	192	-	-	192
Others	21	-	-	21
Balance as of March 31, 2024	(6,373)	(2,362)	-	(8,735)
Depreciation	(1,927)	(475)	(5)	(2,407)
Sales and disposals	1,691	1,305	-	2,996
Foreign currency translation differences	71	-	-	71
Transfer to assets held for sale	120	-	-	120
Others (Note)	(3,249)	-	-	(3,249)
Balance as of March 31, 2025	(9,667)	(1,532)	(5)	(11,204)

(Note) It mainly includes transfer from other accounts, etc.

3. Carrying amount

(Millions of JPY)

	Buildings and structures	Machinery and vehicles	Land	Total
Balance as of April 1, 2023	6,331	2,040	-	8,371
Balance as of March 31, 2024	2,680	1,681	-	4,361
Balance as of March 31, 2025	2,055	756	943	3,754

(3) Lease liabilities

The contractual maturities of the lease liabilities are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Contractual undiscounted cash flows		
Within 1 year	4,207	3,778
Over 1 year, within 5 years	4,933	3,373
Over 5 years	939	3,117
Balance of undiscounted lease liabilities	10,079	10,268
Balance of lease liabilities	8,980	8,824
Lease liabilities (non-current)	5,199	5,470
Lease liabilities (current)	3,781	3,354

(4) Amounts recognized in the Consolidated Statement of Cash Flows

The total cash outflows for the leases are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Repayments of lease liabilities	4,016	3,614
Interest expenses on lease liabilities paid	35	167
Others	746	569
Total	4,797	4,350

(5) Sale and leaseback transactions

Right-of-use assets include right-of-use assets arising from sale and leaseback transactions. This is due to the fact that, for the year ended March 31, 2025, the Company sold the land of the Company's Osaka head office and concluded a lease agreement simultaneously, with the aim of liquidation of the assets.

17. Other Financial Assets

(1) Details of other financial assets

The details of other financial assets are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Financial assets at amortized cost		
Loan receivables	11	1,212
Others	8,648	17,018
Financial assets measured at fair value through profit or loss		
Equity securities, etc.	1,828	1,971
Financial assets related to contingent consideration agreement	-	8,465
Financial assets measured at fair value through other comprehensive income		
Equity securities, etc.	158,309	32,322
Total	168,796	60,988
Other financial assets (non-current)	161,711	44,148
Other financial assets (current)	7,085	16,840
Total	168,796	60,988

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

1. Details of fair value

The fair values by major investees are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Shikoku Yakugyo Co., Ltd.	2,810	3,058
MEDIPAL HOLDINGS CORPORATION	5,030	2,531
Forest Holdings, Inc.	2,225	2,343
Mochida Pharmaceutical Co., Ltd.	1,744	1,722
VITAL KSK HOLDINGS, INC.	1,044	503
NAKAKITA YAKUHIN Co., Ltd.	357	474
Tomita Pharmaceutical Co., Ltd.	378	419
HOKUYAKU TAKEYAMA Holdings, Inc.	407	415
Others	144,354	20,857
Total	158,309	32,322

2. Others

The dividend income derived from the financial assets measured at fair value through other comprehensive income held by the Group are 682 million JPY and 333 million JPY for the years ended March 31, 2024 and 2025, respectively.

The details of “Other financial assets” measured at fair value through other comprehensive income which were disposed in the years ended March 31, 2024 and 2025 are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Fair value at the time of disposal	27,629	107,841
Accumulated gains (losses)	16,430	62,615
Dividend income	138	198

These were disposed as a result of the revision of business strategies, etc. The accumulated gains (net of tax) reclassified from other components of equity to retained earnings at the disposal are 11,410 million JPY and 43,521 million JPY for the years ended March 31, 2024 and 2025, respectively.

The accumulated losses (net of tax) of those financial assets measured at fair value through other comprehensive income of which the significant decline in fair value compared with acquisition cost is other-than-temporary, amounting to (172) million JPY and (1,172) million JPY for the years ended March 31, 2024 and 2025, respectively, are reclassified from other components of equity to retained earnings.

(3)Assets pledged as collateral

Assets pledged as collateral are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Other financial assets (current assets)	-	5,234

(Note) The assets are pledged as collateral to guarantee the factoring contracts.

18. Inventories

The details of Inventories are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Merchandise and finished goods	64,267	50,964
Work-in-process	3,683	1,641
Raw materials and supplies	47,400	41,617
Total	115,350	94,222

Certain inventories included in raw materials and supplies are expected to be consumed over more than 12 months from each fiscal year-end. However, these are included in Inventories as they are held within the normal operating cycle.

The amount of write-downs of inventories recognized as cost of sales in profit or loss are 3,962 million JPY and 937 million JPY for the years ended March 31, 2024 and 2025, respectively.

19. Trade and Other Receivables

(1) Details of trade and other receivables

The details of trade and other receivables are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Financial assets measured at amortized cost		
Accounts receivable	68,818	24,836
Other receivables	12,205	9,877
Financial assets measured at fair value through other comprehensive income		
Accounts receivable(Note)	-	40,127
Total	81,023	74,840
Trade and other receivables (non-current)	-	-
Trade and other receivables (current)	81,023	74,840
Total	81,023	74,840

(Note)Among accounts receivable, receivables held for collection and sale are classified as debt financial instruments measured at fair value through other comprehensive income.

(2) Credit risk and market risk, and loss allowances

The exposures to credit risk and foreign currency risk, and the loss allowances for trade and other receivables are described on Note 30. Financial Instruments.

20. Cash and Cash Equivalents

The details of cash and cash equivalents are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Financial assets measured at amortized cost		
Cash and deposits	28,615	23,116
Short-term investments (cash equivalents)	432	-
Total	29,047	23,116

21. Assets held for sale

Non-current assets, or disposal groups that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale if they are available for immediate sale in its current condition and the sale is highly probable. Non-current assets, or disposal groups classified as held for sale, are measured at the lower of their carrying amount or fair value less cost to sell.

The details of assets held for sale and liabilities directly associated with the assets held for sale are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Property, plant and equipment	753	1,740
Intangible assets	0	3,521
Deferred tax assets	-	1,999
Inventories	1,098	2,695
Trade and other receivables	-	6,556
Cash and cash equivalents	-	13,172
Others	-	679
Total assets	1,851	30,362
Trade and other payables	-	1,430
Others	-	2,034
Total liabilities	-	3,464

The Company transferred a part of its Oita Plant to Sumitomo Chemical Co., Ltd., the parent company, on April 1, 2024.Therefore, the Company classified the relevant assets as assets held for sale as of March 31, 2024. The Company completed the transfer of a part of Oita Plant on April 1, 2024.

On April 1, 2025, the Company's Board of Directors resolved to transfer the Asian business of the Company's wholly owned subsidiaries, Sumitomo Pharma (China) Co., Ltd. and Sumitomo Pharma Asia Pacific Pte. Ltd., along with their subsidiaries, to Marubeni Global Pharma Corporation.

As a result, the Company classified the relevant assets and liabilities directly associated with the assets as a disposal group held for sale as of March 31, 2025.

22. Bonds and Borrowings

(1) Details of bonds and borrowings

The details of bonds and borrowings are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025	Average interest rate (Note 1)	Redemption date / Repayment date
Bonds (other than current portion)	119,366	119,495	1.47%	September 2050
Long-term borrowings (other than current portion) (Note 2)	64,929	139,487	1.82%	March 2028
Current portion of long-term borrowings	60,000	4,000	0.30%	-
Short-term borrowings	174,588	42,440	1.32%	-
Total	418,883	305,422	-	-
Bonds and Borrowings (non-current)	133,366	258,982	-	-
Borrowings (current)	285,517	46,440	-	-
Total	418,883	305,422	-	-

(Note) 1. The average interest rate is the weighted average interest rate calculated based on the balance as of March 31, 2025.

2. Long-term borrowings in conflict with the financial covenants as of March 31, 2024 are presented as current liabilities in the Consolidated Statement of Financial Position.

(2) Issuance conditions of bonds

Summary of issuance conditions of bonds is as follows:

(Millions of JPY)

Issuer	Bond name	Issue date	As of March 31,2024	As of March 31,2025	Interest rate (%)	Collateral	Redemption date
Sumitomo Pharma Co., Ltd.	1st Unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	September 10, 2020	60,000	60,000	1.39 (Note 1)	None	September 9, 2050 (Note 3)
Sumitomo Pharma Co., Ltd.	2nd Unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	September 10, 2020	60,000	60,000	1.55 (Note 2)	None	September 9, 2050 (Note 4)
Total	-	-	120,000	120,000	-	-	-

(Note) 1. The fixed interest rate has been applied since the day after September 10, 2020 and will be applied until September 10, 2027, and a variable interest rate will be applied from the day after September 10, 2027 (“Step-up interest rates” will be applied from the day after September 10, 2027).

2. The fixed interest rate has been applied since the day after September 10, 2020 and will be applied until September 10, 2030, and a variable interest rate will be applied from the day after September 10, 2030 (“Step-up interest rates” will be applied from the day after September 10, 2030).
3. The Company may redeem the subordinated bonds at its discretion on each interest payment date from and including September 10, 2027, or in case a tax event or an equity credit change event occurs.
4. The Company may redeem the subordinate bonds at its discretion on each interest payment date from and including September 10, 2030, or in case a tax event or an equity credit change event occurs.

The above bonds are classified as financial liabilities measured at amortized cost and measured at cost less direct transaction cost.

(3) Financial covenants

A syndicated loan agreement of which the Company is the borrower has provision of financial covenants. The outline of the loan agreement and the main financial covenants of the agreement are as follows:

Syndicated loan

Counterpart

Arranger Agent: Sumitomo Mitsui Banking Corporation

Co-arranger: Sumitomo Mitsui Trust Bank, Limited

①Term loan

Origination amount: 140,000 million JPY

Borrowing balance: 140,000 million JPY

Book value: 139,487 million JPY

Borrowing period: From March 31, 2025 to March 31, 2028

②Commitment line

Origination amount: 93,000 million JPY

Borrowing balance: 42,780 million JPY

Book value: 42,440 million JPY

Commitment period: From March 31, 2025 to March 31, 2028

Borrower's Obligations

- Maintain the amount of core operating profit stated in the financial statements as of the end of the fiscal year ending March 2026 at 4.7 billion JPY or more, and maintain the amount of core operating profit stated in the financial statements as of the end of the fiscal year ending March 2027 at 5.5 billion JPY or more.
- Maintain the amount of total equity stated in the consolidated statement of financial position as of the end of the fiscal year ending March 2025 and each fiscal year thereafter at an amount equivalent to 50% or more of the amount of total equity stated in the consolidated statement of financial position as of the end of the fiscal year ending March 2024.
- The Borrower shall not, without the prior written consent of the Agent and all Lenders, cause the number or amount of voting shares or contributions of SMPA held directly or indirectly by the Borrower to be less than 100% of the total number or amount of the company's issued voting shares or contributions.

Obligations of the Guarantor (Note)

- Without the prior written consent of the Agent and all Lenders, the Guarantor shall not allow the number or amount of the Borrower's voting shares or contributions directly held by the Guarantor to fall equal to or below 50% of the total number or amount of the Borrower's issued voting shares or contributions.
- The Guarantor shall maintain an issuer rating from Rating Investment Information, Inc. or a long-term issuer rating from Japan Credit Rating Agency, Ltd. of BBB- or higher.

(Note) Sumitomo Chemical Co., Ltd., the parent company, provides guarantees for the Company's syndicated loan agreement.

During the year ended March 31, 2024, there were no borrowings with financial covenants classified as non-current liabilities.

(4) Changes in liabilities associated with cash flows from financing activities

The changes in liabilities associated with cash flows from financing activities are as follows:

(Millions of JPY)

	Short-term borrowings	Long-term borrowings	Bonds	Lease liabilities	Total
Balance as of April 1, 2023	90,588	124,888	119,334	11,656	346,466
Cash flows from financing activities	84,000	-	-	(4,016)	79,984
Other changes					
Additions due to acquisition of right-of-use assets	-	-	-	1,057	1,057
Interest expenses	995	364	1,890	205	3,454
Payment of interests	(991)	(321)	(1,763)	(206)	(3,281)
Changes due to loss of control of subsidiaries	-	-	-	-	-
Effect of foreign currency translation differences	-	-	-	601	601
Others	5	-	-	(316)	(311)
Balance as of March 31, 2024	174,597	124,931	119,461	8,981	427,970
Cash flows from financing activities	(130,972)	18,487	-	(3,614)	(116,099)
Other changes					
Additions due to acquisition of right-of-use assets	-	-	-	5,472	5,472
Interest expenses	1,900	515	1,892	180	4,487
Payment of interests	(1,907)	(510)	(1,764)	(180)	(4,361)
Changes due to loss of control of subsidiaries	(1,176)	-	-	-	(1,176)
Effect of foreign currency translation differences	-	-	-	(33)	(33)
Others	-	71	-	(1,982)	(1,911)
Balance as of March 31, 2025	42,442	143,494	119,589	8,824	314,349

(Note) Interest payables are included in the above balances. Long-term borrowings amounting to 51,000 million JPY that were in breach of the financial covenants as of March 31, 2024 are included in “Net increase (decrease) in short-term borrowings” in the Consolidated Statement of Cash Flows. However, in the above table, it is presented as a repayment of Long-term borrowings.

23. Trade and Other Payables

The details of trade and other payables are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Financial liabilities measured at amortized cost		
Accounts payable and notes payables	20,765	9,225
Other payables	46,955	29,319
Total	67,720	38,544
Trade and other payables (non-current)	-	-
Trade and other payables (current)	67,720	38,544
Total	67,720	38,544

24. Other Financial Liabilities

The details of other financial liabilities are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Financial liabilities at amortized cost		
Deposit received	5,285	16,698
Others	7,484	20,344
Financial liabilities measured at fair value through profit or loss		
Financial liabilities related to contingent consideration agreement	3,314	897
Others	1,776	1,971
Lease liabilities	8,980	8,824
Total	26,839	48,734
Other financial liabilities (non-current)	12,738	15,818
Other financial liabilities (current)	14,101	32,916
Total	26,839	48,734

25. Provisions

(1) Changes of provisions

The changes of provisions are as follows:

Year ended March 31, 2025

(Millions of JPY)

	Reserve for sales returns	Reserve for sales rebates	Others	Total
Balances at the beginning of the year	26,193	53,353	-	79,546
Increases	4,182	50,682	2,747	57,611
Decreases (utilization)	(3,664)	(54,286)	-	(57,950)
Decreases (reversal)	(6,043)	(60)	-	(6,103)
Transfer to liabilities directly associated with the assets held for sale	-	(290)	-	(290)
Foreign currency translation differences	(200)	(560)	(55)	(815)
Balances at the end of the year	20,468	48,839	2,692	71,999
Provisions (non-current)	-	-	-	-
Provisions (current)	20,468	48,839	2,692	71,999
Total	20,468	48,839	2,692	71,999

(2) Details of provisions

Provisions are calculated 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 end of each reporting period. Material adjustments to provisions are possible to be made in the consolidated financial statements for the fiscal years subsequent to each reporting date, in case a result that is different from the assumptions used for the estimation occurs.

1. Reserve for sales returns

Reserve for sales returns is provided based on the estimated amount of sales return of all the products and goods. Among the balance as of March 31 2025, 20,468 million JPY is reserve for sales returns recognized for products sold by Sumitomo Pharma America, Inc. (hereinafter, “SMPA”). The future outflow of economic benefits is expected to be incurred within the normal operating cycle from the end of each reporting period.

2. 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. Among the balance as of March 31, 2025, 48,770 million JPY is reserve for sales rebates recognized for products sold by SMPA. Among various insurance programs that are applied to major products sold in the United States, certain sales rebates need time to be determined . As for estimation of reserves for sales rebates, final distribution channels and applicable insurance programs need to be estimated as the rates of sales rebates, which are the basis of calculation of sales rebates, differ depending on distribution channels (wholesalers, pharmacies and hospitals) and applicable insurance programs. These management judgements would have significant effect on estimation of reserves for sales rebates. The future outflow of economic benefits is expected to be incurred within the normal operating cycle from the end of each reporting period.

26. Other liabilities

The details of other non-current liabilities and other current liabilities are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Unearned revenue (Note)	48,533	22,657
Accrued bonuses	34,133	30,031
Accrued expenses	5,898	4,942
Others	19,108	12,671
Total	107,672	70,301
Other non-current liabilities	40,430	24,638
Other current liabilities	67,242	45,663
Total	107,672	70,301

(Note) “Unearned revenue” is upfront payment received from Pfizer, Inc. (hereinafter, “Pfizer”) based on development and commercialization agreement on relugolix in North America in oncology and women’s health. The details are described in Note 33. Joint Development and Joint Sales.

27. Employee Benefits

(1) Summary of post-retirement benefit plans

The Company and certain consolidated subsidiaries adopt funded or unfunded defined benefit plans and defined contribution plans to pay for the employee post-retirement benefits.

Under the defined benefit corporate pension plans which are funded plan, lump-sum payments or pensions are mainly paid based on job grade and length of service period. Certain defined benefit corporate pension plans established retirement benefit trusts.

Under the lump-sum payment retirement plans as post-retirement benefit, payments are paid based on job grade and length of service period.

(2) Defined benefit plan

1. Details of defined benefit liabilities and assets

Net defined benefit liabilities and assets recognized in the Consolidated Statement of Financial Position are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Present value of defined benefit obligations	82,570	62,195
Fair value of the plan assets (including retirement benefit trusts)	91,597	86,376
Deficit (surplus)	(9,027)	(24,181)
Effect of asset ceiling	8,855	15,988
Net defined benefit (assets) liabilities	(172)	(8,193)
Retirement benefit liabilities	11,150	6,534
Retirement benefit assets	(11,322)	(14,727)

2. Defined benefit obligations

Changes in the present value of defined benefit obligations are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Balances at beginning of the year	87,357	82,570
Current service cost	2,410	2,205
Interest expenses	1,120	1,339
Remeasurements of net defined benefit liability (asset)		
Changes in demographic assumptions	1	(266)
Changes in financial assumptions	(3,717)	(5,917)
Experience adjustments	(120)	(3,042)
Past service cost	(357)	-
Benefits paid	(3,989)	(14,702)
Foreign currency translation differences	(522)	-
Others	387	8
Balances at end of the year	82,570	62,195

(Note) The weighted average payment years of defined benefit obligations are 13.3 years and 12.6 years as of March 31, 2024 and 2025, respectively.

3. Plan assets

Changes in the fair value of plan assets are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Balances at beginning of the year	82,349	91,597
Interest income	1,097	1,383
Benefits paid	(3,110)	(10,522)
Contributions by the employer	1,668	1,479
Remeasurement of defined benefit plans		
Return on plan assets	9,593	2,439
Balances at end of the year	91,597	86,376

(Note) The Group is expected to pay contributions amounting to 1,161 million JPY in the year ending March 31, 2026.

4. Components of plan assets

The details of plan assets by category are as follows: Plan assets include retirement benefit trusts established for defined benefit corporate pension plans, which accounted for 12.4% as of March 31, 2024 and 17.1% as of March 31, 2025.

(Millions of JPY)

	As of March 31, 2024			As of March 31, 2025		
	With quoted prices in active markets	Without quoted prices in active markets	Total	With quoted prices in active markets	Without quoted prices in active markets	Total
Equity securities	28,937	-	28,937	29,236	-	29,236
Debt securities	28,027	-	28,027	25,898	-	25,898
General accounts of life insurance companies(Note1)	-	8,986	8,986	-	7,930	7,930
Cash and cash equivalents	5,223	-	5,223	2,693	-	2,693
Others(Note2)	-	20,424	20,424	-	20,619	20,619
Total	62,187	29,410	91,597	57,827	28,549	86,376

(Note1) The general accounts of life insurance are guaranteed a certain assumed interest rate and principal by life insurance companies.

(Note2) Others mainly consist of real estate investment trusts.

5. Effect of asset ceiling

The details of the changes of the effect of asset ceiling are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Balances at beginning of the year	—	8,855
Remeasurements		
Changes of the effect of asset ceiling	8,855	7,133
Balances at end of the year	8,855	15,988

(Note) As any economic benefits are not available because future contributions are not reduced or refunded, unrecognized surpluses incur in certain pension plans of the Group.

6. Material actuarial assumptions

The key actuarial assumptions used for calculating the present value of defined benefit obligations are as follows:

	As of March 31, 2024	As of March 31, 2025
Discount rate (%)	1.6	2.3

7. Sensitivity analysis

The effects of changes in the material actuarial assumptions on the defined benefit obligations as of March 31, 2024 and 2025 are as follows:

The sensitivity analysis is performed under the assumption that other parameters remain unchanged. The analysis is performed on the same basis with calculation of defined benefit obligation recognized in the Consolidated Statement of Financial Position.

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
In case that the discount rate increases by 0.5%	(4,689)	(3,311)
In case that the discount rate decreases by 0.5%	5,189	3,637

8. Investment strategy and operating policy of plan assets

The Company's basic policy of plan asset management is aimed to generate a required long-term comprehensive return within an acceptable range of risk exposure in order to provide sufficient funding for future pension payments and lump-sum payments that are stipulated in the Group's regulations on retirement benefits and regulations on corporate pension funds.

The targeted rate of return is the required return rate to operate and maintain a sound defined benefit plan in the future. Concretely, the objective is to achieve a mid-to-long term expected rate of return that exceeds the discount rate. In order to achieve the objective, the Group establishes the basic policy for plan asset management. Such policy is subject to change according to the changes of the Group's status and systems or operating environment surrounding the Group.

9. Impact of the defined benefit plan on future cash flows

In relation to the defined benefit corporate pension plan, the Group's funds revise the amounts of contributions every five years to ensure balanced finances for future periods. The funds also revise the amounts of contributions in the event that the balance of the fund reserve falls below the amount of the liability reserve following adjustment by the amount of deficit eligible for carry-forward as of each fund's reporting date.

(3) Defined contribution plan

The expenses recognized for defined contribution plans are 3,808 million JPY and 2,716 million JPY for the years ended March 31, 2024 and 2025, respectively.

(4) Employee benefit expenses

The employee benefit expenses for the years ended March 31, 2024 and 2025 are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Salaries	91,483	66,288
Bonuses	29,309	26,030
Retirement benefit expenses	6,372	11,198
Others	17,745	11,806
Total	144,909	115,322

(Note) Business structure improvement expenses for the year ended March 31, 2024 is recognized in Selling, general and administrative expenses, and Research and development expenses. Business structure improvement expenses for the year ended March 31, 2025 is recognized in Cost of sales, Selling, general and administrative expenses ,and Research and development expenses. For details, see Note 4. Operating Segments.

28. Share Capital and Other Equity Items

(1) Share capital

The changes in numbers of shares authorized and issued are as follows:

(Thousands of shares)

	Year ended March 31, 2024	Year ended March 31, 2025
Number of shares authorized	1,500,000	1,500,000
Number of issued shares		
Balance at the beginning of the year	397,900	397,900
Changes during the year	-	-
Balance at the end of the year	397,900	397,900

(Note) All the shares issued by the Company are ordinary shares with no par value which have no limitations on any rights. The issued shares are fully paid.

(2) Treasury shares

The changes in number of treasury shares are as follows:

(Thousands of shares)

	Year ended March 31, 2024	Year ended March 31, 2025
Balance at the beginning of the year	608	609
Changes during the year	1	1
Balance at the end of the year	609	610

(Note) The treasury shares held by the Company are all ordinary shares. The changes during the year mainly represents the increase due to the request for purchases of shares less than one unit, and the decrease due to the request for sales of shares less than one unit.

(3) Surplus

1. Capital surplus

Out of the amount generated from the equity transactions, capital surplus consists of the amount which is not included in share capital. If capital surplus becomes a negative value due to the difference between the additional equity interest in the subsidiary's shares acquired and the amount of additional investment, the capital surplus is set to zero and the remaining amount is deducted from retained earnings.

2. Retained earnings

Retained earnings consist of net profit (loss) recognized in the current year and prior years, and the amount reclassified from other components of equity.

(4) Other components of equity

1. Remeasurements of financial assets measured at fair value through other comprehensive income

   It represents the cumulative amount of net changes in the fair value of financial assets measured at fair value through other comprehensive income.

2. Remeasurements of net defined benefit liability / asset

   It represents the effects of differences between the actuarial assumptions and actual result, and the effects of changes in actuarial assumptions, and the income derived from changes in fair value on plan assets other than interest income.

3. Exchange differences on translation of foreign operations

   It represents the cumulative translation differences arising from consolidating financial statements of foreign operations prepared using foreign currencies.

(5) Dividends

1. Dividends paid and dividends per share

   The total dividends paid and dividends per share are as follows:

(i) Year ended March 31, 2024

Date of resolution	Type of share	Total dividend amount (Millions of JPY)	Dividend amount per share (JPY)	Record date	Effective date of distribution
Annual shareholders meeting (June 27, 2023)	Ordinary share	2,781	7.00	March 31, 2023	June 28, 2023

(ii) Year ended March 31, 2025

Not applicable.

2. Dividends with record date in the current fiscal year and effective date in the following year

   Dividends with record date in the current fiscal year and effective date in the following year are as follows:

(i) Year ended March 31, 2024

Not applicable.

(ii) Year ended March 31, 2025

Not applicable.

29. Financial Instruments

(1) Capital management

In order to achieve sustainable and integrative increase of corporate value and shareholder value, the Group recognizes that to expedite repayment of interest bearing debt and to resume distribution of dividends early with introducing marketed products and products under development, making investments in domestic business, North America business, and new business, etc., as a key management priority. Under this policy, The Group uses a program to sell certain trade receivables to financial institution on a non-recourse basis. Under this program, trade receivables sold are derecognized when the risks and rewards of ownership are transferred. Among receivables from customers related to the receivables selling program, the remaining unsold amount as of the end of March 31, 2025 is 40,127 million JPY. There are no significant capital restrictions applicable to the Group.

(2) Overview of financial risk management

Risk management policy

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

(3) Credit risk

1. Summary

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 in accordance with the Group's internal credit management policies and assesses the credibility of major customers on a regular basis in order to reduce credit risks.

2. Maximum credit risk exposures

The maximum exposures related to the credit risk of financial assets held by the Group are the carrying amount of financial assets presented in the Consolidated Statement of Financial Position.

As there are no financial assets of which material credit risk has increased significantly after the initial recognition and no credit-impaired financial assets, the carrying amount by credit risk category of financial instruments at the end of each fiscal year is not presented.

3. Changes in allowance for doubtful accounts

An allowance for doubtful accounts is recognized for expected credit losses for trade receivables and other receivables.

(i) Trade receivables

Allowance for doubtful accounts related to trade receivables that do not contain a significant financing component is recognized at the amount equal to the lifetime expected credit loss by similar receivables.

(ii) Other receivables

For assets of which credit risk doesn’t significantly increases, in principle, an allowance for doubtful accounts is recognized at the amount equal to the 12-month expected credit loss, and calculated by multiplying the carrying amount by the reserve rate considering prospects of future economic conditions, etc. in addition to the historical rate of credit losses of similar assets. For assets of which credit risk is considered significantly increased, and credit-impaired financial assets, the allowance for doubtful accounts is recognized at an amount equal to the lifetime expected credit losses, and is calculated based on the difference between recoverable amount that is individually determined by considering the prospects of future economic conditions, in addition to the financial conditions of the counterparty and the carrying amount.

Any financial asset will be treated as credit-impaired financial assets, if there is a request to change terms and conditions for repayment from the debtor, serious financial difficulty of the debtor, or commencement of legal liquidation procedures due to bankruptcy and others of the debtor, etc. In addition, if a financial asset is impaired, the impairment loss is recognized in the account of allowance for doubtful accounts rather than being deducted directly from the carrying amount of the asset.

Changes in the allowance for doubtful accounts of the Group are not presented, as they are immaterial.

(4) Liquidity risk

1. Overview

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 other financial asset.

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

As of March 31, 2024, the Company breached financial covenants specified in the syndicated loan agreement and met the conditions of forfeiture of the benefit of time. Therefore, the Company presented the balance of the syndicated loan as short-term borrowings as of March 31, 2024. The breach of financial covenants under the syndicated loan agreement was resolved through the execution of a new syndicated loan agreement for the year ended March 31, 2025.

2. Maturity analysis

The balances of financial liabilities by contractual maturity timing are as follows:

The interests are represented by the amounts of estimated payments in future.

(i) As of March 31, 2024

(Millions of JPY)

	Carrying amount	Total contractual cash flow	Due within one year or less	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five Years
Borrowings	299,517	300,791	235,594	65,197	-	-	-	-
Bonds	119,366	128,964	1,764	1,764	1,764	61,347	930	61,395
Total	418,883	429,755	237,358	66,961	1,764	61,347	930	61,395

(Note) Among the publicly offered hybrid bonds (publicly offered subordinated bonds), the principal amount of 1st Unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions is included in “Due after three years within four years” since the full amount of principal may be redeemed early on each interest payment date after September 10, 2027. The principal amount of 2nd Unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions is included in “Due after five years” based on the contractual maturity date, but may be redeemed early due to special provisions.In addition, borrowings that are in breach of financial covenants with due after one year within two years are presented as current liabilities in the Consolidated Statement of Financial Position.

(ii) As of March 31, 2025

(Millions of JPY)

	Carrying amount	Total contractual cash flow	Due within one year or less	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five Years
Borrowings	185,927	194,490	49,391	2,549	142,550	-	-	-
Bonds	119,495	127,200	1,764	1,764	61,347	930	930	60,465
Total	305,422	321,690	51,155	4,313	203,897	930	930	60,465

(Note) Among the publicly offered hybrid bonds (publicly offered subordinated bonds), the principal amount of 1st Unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions is included in “Due after two years within thrree years” since the full amount of principal may be redeemed early on each interest payment date after September 10, 2027. The principal amount of 2nd Unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions is included in “Due after five years” based on the contractual maturity date, but may be redeemed early due to special provisions.

(5) Market risk

1. Overview

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 the financial instruments. The Group implements certain measures to mitigate each kind of risks.

2. Foreign exchange risk

(i) Foreign exchange risk exposure

A summary of the quantitative data regarding the Group's foreign exchange risk exposure provided to the Management of the Group which is prepared in accordance with the risk management policy is as follows.

(Thousands of USD)

	As of March 31, 2024	As of March 31, 2025
Receivables	50,528	168,406
Payables	289,741	39,828
Net exposures of the Consolidated Statement of Financial Position	(239,213)	128,578
Forward foreign exchange contracts	-	-
Net exposures	(239,213)	128,578

Receivables are mainly foreign currency deposit, trade receivables and loan receivables. Payables are mainly trade payables and other payables.

(ii) Foreign exchange sensitivity analysis

The Group is exposed mainly to the foreign exchange risks against US dollars.

If the Japanese yen depreciates by 5% against the US dollar, the impact on profit or loss arising from the financial instruments held by the Group would be (1,257) million JPY and 668 million JPY as of March 31, 2024 and 2025, respectively.

The analysis includes neither the impact arising from the translation of financial instruments denominated in functional currencies, nor the translation of assets, liabilities, revenue and expenses of foreign operations into Japanese yen. It is assumed that other variable factors are constant.

3. Interest rate risk

A part of the Group's borrowings are procured with variable interest rates and are exposed to interest rate volatility risk.

(Interest rate sensitivity analysis)

For financial instruments held by the Group as of the fiscal year end, the impact of 1% increase in interest rates on net income for the year ended March 31, 2024 and 2025 are 2,250 million JPY and 1,828 million JPY, respectively. Note that this analysis covers financial instruments that are affected by interest rate fluctuations and assumes that other variable factors remain constant.

(6) Fair value of financial instrument

1. Fair value hierarchy levels

For financial instruments measured at fair value, the fair value of the inputs used to the valuation techniques for measurement are classified depending on observability into following three levels.

Level 1: Fair value measured at quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value measured using inputs other than quoted prices included within Level 1 that are observable , either directly or indirectly.

Level 3: Fair value measured using inputs that are not based on observable market data.

2. Financial instruments measured at amortized cost

The carrying amount and fair value of financial instruments measured at amortized cost are as follows:

The financial instruments of which the carrying amounts are reasonable approximation of their fair value or financial instrument that are not material, are not included in the below table.

(Millions of JPY)

	As of March 31, 2024		As of March 31, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost				
Bonds	119,366	68,382	119,495	83,550
Borrowings	299,517	299,291	185,927	185,906
Total	418,883	367,673	305,422	269,456

Fair value measurement of main financial instruments measured at amortized cost are as follows:

(i) Bonds

The fair value of the bonds is measured at market prices for the same debt in inactive markets at each reporting date. The fair value hierarchy of the bonds is Level 2.

(ii) Borrowings

The fair value of the borrowings is measured at the present value of the total amount of principal and interests discounted by interest rate that would presumably apply if similar borrowings were newly made. The fair value hierarchy of the borrowings is Level 3.

3. Financial instruments measured at fair value in the Consolidated Statement of Financial Position

The fair value hierarchy of financial instruments measured at fair value in the Consolidated Statement of Financial Position is as follows:

Transfers of financial instruments among levels of fair value hierarchy are recognized at each fiscal year-end. There were no material transfers among levels of fair value hierarchy for material financial assets and liabilities occurred in the years ended March 31, 2024 and 2025.

(i) As of March 31, 2024

(Millions of JPY)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Equity securities, etc.	1,828	-	-	1,828
Financial assets related to contingent consideration agreement	-	-	-	-
Financial assets measured at fair value through other comprehensive income				
Equity securities, etc.	129,452	-	28,857	158,309
Trade and other receivables	-	-	-	-
Total	131,280	-	28,857	160,137
Financial liabilities measured at fair value through profit or loss				
Financial liabilities related to contingent consideration agreement	-	-	3,314	3,314
Others	1,776	-	-	1,776
Total	1,776	-	3,314	5,090

(ii) As of March 31, 2025

(Millions of JPY)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Equity securities, etc.	1,971	-	-	1,971
Financial assets related to contingent consideration agreement	-	-	8,465	8,465
Financial assets measured at fair value through other comprehensive income				
Equity securities, etc.	5,283	-	27,039	32,322
Trade and other receivables	-	40,127	―	40,127
Total	7,254	40,127	35,504	82,885
Financial liabilities measured at fair value through profit or loss				
Financial liabilities related to contingent consideration agreement	-	-	897	897
Others	1,971	-	-	1,971
Total	1,971	-	897	2,868

The changes of the financial instruments of which fair value is classified as Level 3 are as follows:

(i) Financial assets

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Balance at the beginning of the year	22,198	28,857
Purchase	2,223	1,220
Changes in financial assets measured at fair value through other comprehensive income	4,439	(2,066)
Financial assets relating to contingent consideration agreement recognised upon sale of subsidiary shares	—	8,323
Changes in fair value of financial assets related to contingent consideration agreement (Note)	-	142
Sale / settlement	(3)	(170)
Transfer to Level 1	-	(106)
Transfer to assets held for sale	-	(71)
Changes associated with losing control of subsidiaries	-	(321)
Others	-	(304)
Balance at the end of the year	28,857	35,504

(Note) The changes in fair value of financial assets related to contingent consideration agreement are recognized in other income in the Consolidated Statement of Profit or Loss.

(ii) Financial liabilities

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Balance at the beginning of the year	1,482	3,314
Changes in fair value of financial liabilities related to contingent consideration agreement (Note)	1,562	(2,427)
Foreign currency translation differences	270	10
Balance at the end of the year	3,314	897

(Note) The changes in fair value of financial liabilities related to contingent consideration agreement are recognized in selling, general and administrative expenses in the Consolidated Statement of Profit or Loss.

The financial assets classified as Level 3 of fair value hierarchy mainly consist of non-listed equity securities and financial assets related to contingent consideration agreement arising from disposal of shares in subsidiaries. The fair value of non-listed equity securities is primarily measured using valuation techniques based on net assets value. Financial assets related to contingent consideration agreement are determined by development milestones, which are receivable upon achievement of the development progress in a specific development product, and commercial milestones, which are receivable based on revenue earned since commencement of sales, etc. The fair value of the contingent consideration is measured by considering the probability of achievement of milestones and time value of money.

The financial liabilities classified as Level 3 of fair value hierarchy mainly consist of financial liabilities related to contingent consideration agreement arising from business combination. Financial liabilities related to contingent consideration agreement are determined by development milestones for which payment will be required upon achievement of the development progress in a specific development product, and commercial milestones for which payment will be required based on revenue earned since commencement of sales, etc. The fair value of the contingent consideration is measured by considering the probability of achievement of milestones and time value of money.

These fair value measurements are determined in accordance with the Group’s valuation policies and procedures. The valuation models are determined so that they most appropriately reflect each financial instrument’s nature, characteristics and risks. The Group examines the changes in important metrics that could affect the changes in fair value, on an ongoing basis.

The Group considers there are no material changes in fair values of financial instruments classified as Level 3, in case the unobserved inputs are replaced by alternative assumptions that are considered reasonable.

4.Financial assets related to contingent consideration agreement

As for the sale of RACTHERA, the contingent considerations are to be additionally received according to the achievement of predetermined milestones after the sale of subsidiary.

As for the sale of RACTHERA, the Company has received the consideration amounting to 1,998 million JPY until March 31, 2025, and it is possible to receive the development milestone payments up to 3,996 million JPY on the certain achievements for the chemical compounds under development by RACTHERA. In addition, it is possible to receive the commercial milestone payments up to 154,512 million JPY, before considering time value of money, on the certain achievements based on revenue earned after commencement of sales.

The Group recognizes these financial assets related to contingent consideration agreement in Other financial assets in the Consolidated Statement of Financial Position after considering time value of money.

The fair value of financial assets related to contingent consideration agreement is classified as Level 3 in the fair value hierarchy. The fair value of financial assets related to contingent consideration agreement is measured by considering probability of achievement of development milestones of a specific product under development and revenue to be earned since commencement of sales and time value of money. The development milestones in a specific product under development, forecast on future sales, and discount rates, etc., may be affected by uncertain future events.

The changes in the fair value of financial assets related to contingent consideration agreements arising from business acquisitions are recognized in Selling, general and administrative expenses in the consolidated statements of Profit or Loss, while the changes in the fair value of financial assets related to contingent consideration agreements arising from sales of business are recognized in Other income or Other expenses in the consolidated statements of Profit or Loss.

The total amount that the Group may be entitled to receive is 158,508 million JPY (undiscounted) as of March 31, 2025. The amounts receivable by due date of the contingent consideration are not presented because of the uncertainty.

The impact on fair value of contingent considerations resulting from changes in key assumptions which affect the fair value of financial assets related to contingent consideration agreement is as follows:

(Millions of JPY)

		As of March 31, 2024	As of March 31, 2025
Revenue	Increase by 5.0%	-	441
	Decrease by 5.0%	-	(479)
Discount rate	Increase by 0.5%	-	(563)
	Decrease by 0.5%	-	612

5. Financial liabilities related to contingent consideration agreement

As for the acquisitions of Tolero Pharmaceuticals, Inc. (currently known as Sumitomo Pharma America, Inc., hereinafter “Tolero”), the contingent considerations are to be additionally paid to former shareholders upon the achievement of predetermined milestone.

As for the acquisition of Tolero, consideration for acquisition amounting to 205 million USD (23,272 million JPY) has been paid till March 31, 2025, and it is possible to pay a maximum amount of 90 million USD (13,458 million JPY) on achievement of the development milestones for chemical compounds under development by Tolero. In addition, it is possible to pay a maximum amount of 150 million USD (22,430 million JPY), before considering time value of money, on achievement of the commercial milestones determined based on revenue earned after commencement of sales.

The Group recognizes these financial liabilities related to contingent consideration agreements in other financial liabilities in the Consolidated Statement of Financial Position after considering time value of money.

The fair value of financial liabilities related to contingent consideration agreement is classified as Level 3 in the fair value hierarchy. The fair value of financial liabilities related to contingent consideration agreement is measured by taking account of probability of achievement of development milestones of a specific product under development and revenue to be earned since commencement of sales and time value of money. The development milestones in a specific product under development, forecast on future sales, and discount rates, etc., may be affected by uncertain future events.

The changes in the fair value of financial liabilities related to contingent consideration agreements arising from business acquisitions are recognized in Selling, general and administrative expenses in the consolidated statements of Profit or Loss, while the changes in the fair value of financial liabilities related to contingent consideration agreements arising from sales of business are recognized in Other income or Other expenses in the consolidated statements of Profit or Loss.

The total amount of future payments that the Group may be required to make is 54,479 million JPY (undiscounted) and 35,888 million JPY (undiscounted) as of March 31, 2024 and 2025, respectively. The amounts payable by due date of contingent consideration are not presented because of the uncertainty.

Even if the key assumptions that affect the fair value of financial liabilities related to contingent considerations change, the impact on the fair value of financial liabilities related to contingent considerations agreement is immaterial. As it is considered immaterial to the Group, sensitivity analysis is not performed.

30. Capital Expenditure Commitments

Capital expenditure commitments of acquisition of assets are as follows:

(Millions of JPY)

	As of March 31, 2024	As of March 31, 2025
Property, plant and equipment	4,615	1,825
Intangible assets	29,500	24,056
Total	34,115	25,881

Commitments in place to purchase intangible assets are mainly related to purchase of rights on contracts signed with third parties regarding introduction of technology. These contracts have terms related to payment on achievement of a development milestone depend upon the progress of development, in addition to the lump-sum payment executed upon signing the contract. The above amount is pre-discounted amount, and includes all potential payments for milestones, assuming that all products in development process would be successful, without adjustments made on success probability. Because it is highly uncertain whether a milestone will be achieved, actual payments may be significantly different from these commitment amounts.

31. Subsidiaries and Associates

(1) The major subsidiaries and associates

The major subsidiaries and associates of the Group as of March 31, 2025 are as follows:

Name	Location	Amount of Stated Capital	Principal Businesses (Operating Segment)	Ratio of Voting Rights
(Consolidated Subsidiaries) Sumitomo Pharma America, Inc.	Marlborough, MA, U.S.A.	1 thousand USD	Manufacturing and sales of pharmaceuticals (North America)	100%
Sumitomo Pharma Switzerland GmbH	Basel, Switzerland	20 thousand USD	Manufacturing and sales of pharmaceuticals (North America)	100%
Sumitomo Pharma (China) Co., Ltd.	Shanghai, China	65,000 thousand USD	Holding company Management of the Company's China business, etc.	100%
Sumitomo Pharma (Suzhou) Co., Ltd.	Suzhou, Jiangsu, China	35,000 thousand USD	Manufacturing and sales of pharmaceuticals (Asia)	100%
Sumitomo Pharma Promo Co., Ltd.	Suita, Osaka	480 million JPY	Manufacturing and sales of pharmaceuticals, etc. (Japan)	100%
(Associates accounted for using the equity method) RACTHERA Co., Ltd.	Chuo-ku, Tokyo	1 million JPY	Research, development, manufacture, sales, and import and export of regenerative medicine and cell therapy products, cell processing products, and regenerative medicine and cell therapy-related products	33.4%
S-RACMO Co., Ltd.	Suita, Osaka	450 million JPY	CDMO of development of manufacturing methods and manufacturing for regenerative medicine and cell therapy products	33.4%

(2) Decrease arising from the transfer of shares in subsidiaries

①S-RACMO Co., Ltd.

The details of assets and liabilities of subsidiaries at the date when control was lost and reconciliation between consideration received and proceeds from loss of control of subsidiaries are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Assets at the date when control was lost		
Current assets	-	1,591
Non-current assets	-	2,178
Liabilities at the date when control was lost		
Current liabilities	-	3,614
Non-current liabilities	-	-

	Year ended March 31, 2024	Year ended March 31, 2025
Consideration received	-	590
Cash and cash equivalents of subsidiaries at the date when control was lost	-	1,128
(Net) Proceeds from loss of control of subsidiaries	-	(539)

②RACTHERA Co., Ltd.

The details of assets and liabilities of subsidiaries at the date when control was lost and reconciliation between consideration received and proceeds from loss of control of subsidiaries are as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Assets at the date when control was lost		
Current assets	-	152
Non-current assets	-	3,534
Liabilities at the date when control was lost		
Current liabilities	-	321
Non-current liabilities	-	153

	Year ended March 31, 2024	Year ended March 31, 2025
Consideration received	-	1,998
Cash and cash equivalents of subsidiaries at the date when control was lost	-	1
(Net) Proceeds from loss of control of subsidiaries	-	1,997

32. Related Parties

(1) Parent company

Sumitomo Chemical Company, Limited is the parent company of the Group.

(2) Related party transactions

Transactions and balances with the parent company are as follows:

(Millions of JPY)

Type	Company name	Description of transaction	Year ended March 31, 2024		Year ended March 31, 2025	
			Transaction amount	Outstanding balance	Transaction amount	Outstanding balance
Parent company	Sumitomo Chemical Company, Limited	Lending and collection of funds (Note 1)	(10,000)	-	-	-
		Acceptance of debt guarantees (Note 2)	316,009	-	206,592	-
		Sale of investment in subsidiaries	-	-	10,911	8,465

(Note 1) Related party transactions are under general terms and conditions that are the same as those of transactions with a third party.

(Note 2) The parent company provides guarantees for the Company's bank loans from financial institutions and liabilities related to sales of trade receivables. The balances of loans and liabilities with debt guarantees as of March 31, 2024 and 2025 are shown in the Transaction amount.

(3) Remuneration of key management personnel

Remuneration of key management personnel is as follows:

(Millions of JPY)

	Year ended March 31, 2024	Year ended March 31, 2025
Basic remuneration and bonus	306	274

33. Joint Development and Joint Sales

The Group has entered into development and commercialization agreements related to the Group's products under development and marketed products with its alliance partner.

(1) Joint development and joint sales with Pfizer.

On December 26, 2020, the Group and Pfizer have entered into a joint development and joint sales agreement on relugolix in oncology and women's health in the U.S.A. and Canada.

Based on this agreement, the Group recognizes sales revenue of relugolix monotherapy tablet and relugolix combination tablet (hereinafter, "combination tablet"), and the Group and Pfizer will equally share profits and certain expenses necessary for development and sales.

As considerations of this agreement, the Group received 650 million USD (67,353 million JPY) as upfront payment and 200 million USD (24,179 million JPY) as regulatory milestones for U.S. Food and Drug Administration approvals for combination tablet in women's health from Pfizer.

In December 2024, the Group and Pfizer entered into a termination agreement of the joint development and joint sales agreement on relugolix in women's health.

As a result of entering this agreement, the Group may receive at a maximum of 1,750 million USD (261,678 million JPY) as a tiered sales milestones until net sales of relugolix for prostate cancer reaches 2,500 million USD.

After this alliance, the Group recognizes sales revenue and cost of sales related to the sale of relugolix. In addition to selling, general and administrative expenses, and research and development expenses related to relugolix incurred in the Group, the Group recognizes expenses paid to Pfizer for equally sharing profits in cost of sales, selling, general and administrative expenses, and research and development expenses according to the nature as well.

.

(2) Joint development and joint sales with Otsuka Pharmaceutical Co., Ltd.

On September 30, 2021, the Group and Otsuka Pharmaceutical Co., Ltd. (hereinafter, “Otsuka”) entered into a collaboration and license agreement for worldwide joint development and commercialization of four novel compounds (SEP-363856 (ulotaront), SEP-4199, SEP-378614, SEP-380135, hereinafter referred to as the “four compounds”) currently under development in psychiatry and neurology area by the Group. The Group received 270 million USD (30,227 million JPY) as a lump-sum upfront payment from Otsuka Pharmaceuticals Co., Ltd.

Subsequently, on March 15, 2024, the Group entered into an agreement to amend the collaboration and license agreement with Otsuka aiming to review its priority products for development and focus on development programs in the oncology area and regenerative medicine/cell therapy business with top priority.

The main content of this amendment agreement is as follows:

- The Group has excluded SEP-4199 and SEP-378614, two of the four compounds covered by the collaboration and license agreement, by entering into this amendment agreement, and has granted Otsuka the exclusive worldwide rights to develop, manufacture, and commercialize ulotaront and SEP-380135 for all indications.
- The Group may receive up to 30 million USD (4,486 million JPY) from Otsuka as development milestone payments associated with the progress of development for ulotaront and SEP-380135 and royalties based on revenue.
- There has been no upfront payment for this amendment agreement. Except for certain experiments, Otsuka shall fully cover expenses of ongoing experiments conducted by the Group and Otsuka in and after January 2024.

34. Subsequent Events

(A company split (Simplified Absorption-Type Company Split) of the Asian Business and the Execution of a Share Transfer Agreement with Marubeni Global Pharma Corporation)

On April 1, 2025, the Company’s Board of Directors resolved to execute agreements with Marubeni Global Pharma Corporation, a wholly owned subsidiary of Marubeni Corporation. The agreements include a share transfer agreement,which stipulates that the Asian business of the Company’s wholly owned subsidiaries, Sumitomo Pharma (China) Co.,Ltd. and Sumitomo Pharma Asia Pacific Pte. Ltd., along with their subsidiaries, will be transferred to a wholly-ownedsubsidiary to be newly established by the Company (“the New Company”) through an absorption-type company split, and that 60% of the shares of the New Company will be transferred to Marubeni Global Pharma Corporation.

The Company expects to record gains on sales of shares of subsidiaries amounting to approximately 45.0 billion JPY for the fiscal year ending March 31, 2026. However, this amount is an estimate, and it has not been fixed currently.

The Company will continue to pursue its goal of contributing to patients in various Asian countries of which it has been striving toward thus far, by continuing to supply the products related to the business to the New Company, even after the completion of the shares transferring.

<u>**Independent Auditor's Report**</u>

To the Board of Directors of Sumitomo Pharma Co., Ltd.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Pharma Co., Ltd. and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of profit or loss, statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows for the year then ended March 31, 2025, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025 , and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 312 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Reasonableness of the estimate of the recoverable amount used in the impairment testing for goodwill attributable to the North America segment</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in Note 14. “Goodwill” to the consolidated financial statements, Sumitomo Pharma Co., Ltd. and its subsidiaries (hereinafter, collectively referred to as the “Group”) recognized goodwill of ¥197,406 million in the consolidated statement of financial position as of March 31, 2025, which was attributable to the North America segment. The goodwill represents 27% of total assets in the consolidated financial statements.
Goodwill is tested for impairment annually or whenever there is an impairment indicator. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.

As described in Note 14. “Goodwill” to the consolidated financial statements, an impairment loss was not recognized on the goodwill attributed to the North America segment as a result of the impairment testing for the fiscal year ended March 31, 2025.

In the current fiscal year, the Group used the fair value less costs of disposal as the recoverable amount in the impairment testing for the goodwill attributable to the North America segment. The future cash flows used in measuring the fair value less costs of disposal were estimated based on the business plan of the North America segment prepared by management, and in the preparation of the business plan, importance was placed on the revenue projection of products attributable to the North America segment. The projected revenue was based on multiple key assumptions such as the sales price of the products, the market size and the market shares of the products in the relevant disease area, which involved a high degree of estimation uncertainty. Accordingly, management judgement thereon had a significant effect on the estimated future cash flows. Moreover, selecting the appropriate calculation method and input data for estimating the discount rate used to measure the fair value less costs of disposal required a high degree of expertise in valuation.

We, therefore, determined that our assessment of the reasonableness of the estimate of the recoverable amount used in the impairment testing for the goodwill attributed to the North America segment was of most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</td><td>In order to assess whether the estimate of the recoverable amount used in the impairment testing for the goodwill attributed to the North America segment was reasonable, we performed the following procedures:
(1) Internal control testing
Tested the design and operating effectiveness of certain internal controls relevant to measuring the fair value less costs of disposal used in the impairment testing for the goodwill attributable to the North America segment with a particular focus on controls relevant to estimating future cash flows.

(2) Assessment of the reasonableness of the estimated fair value less costs of disposal
Inquired of management and of personnel responsible for the preparation of the business plan about the rationales for key assumptions adopted in developing the business plan of the North America segment that formed the basis for the estimated future cash flows. In addition, we performed the following procedures, among others:

● compared the business plan that formed the basis for estimating the future cash flows with the business plan approved by management, for consistency;

● compared the key assumptions used to estimate the recoverable amount for the prior period and the current period and assessed whether the reasons for the changes in the current period are appropriate in light of the situation in the current period;

● assessed whether the sales price of the products is set appropriately considering the impact of sales strategy and Inflation Reduction Act;

● compared with information from external professional research organizations and performed trend analysis using actual results in previous years for the market size and the market shares of the products in the relevant disease area;

● assessed the impact on the fair value less costs of disposal by performing sensitivity analysis on the sales price of the products, the market size and the market shares of the products in the relevant disease area; and

● involved valuation specialists within our firm who assisted in the assessment of the reasonableness of the discount rate by comparing it with a rate independently estimated by the specialists using external information.</td></tr>
</table>

Other Information

The other information comprises the information included in the "Consolidated Financial Statements", but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Audit & Supervisory Board Members and Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board Members and Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 490 million yen and 36 million yen, respectively.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroyuki Matano
Designated Engagement Partner
Certified Public Accountant

Masato Tateishi
Designated Engagement Partner
Certified Public Accountant

Takuya Hasegawa
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
June 26, 2025