

# **Consolidated Financial Statements**

Sumitomo Pharma Co., Ltd.

Years ended March 31, 2026 and 2025

## Consolidated Statement of Profit or Loss

Year Ended March 31, 2026 and 2025

(Millions of JPY)

	Note	Year ended March 31, 2025	Year ended March 31, 2026
Revenue	4,5	398,832	453,294
Cost of sales		153,437	196,401
Gross profit		245,395	256,893
Selling, general and administrative expenses	6	180,605	162,557
Research and development expenses		49,865	43,996
Other income	7	18,356	55,775
Other expenses	8	3,572	1,062
Share of profit (loss) of investments accounted for using the equity method		(905)	2,285
Operating profit		28,804	107,338
Finance income	9	2,307	3,198
Finance costs	9	13,500	10,192
Profit before taxes		17,611	100,344
Income tax expenses	10	(6,024)	(6,521)
Net profit		23,635	106,865
Net profit attributable to:			
Owners of the parent		23,634	106,865
Non-controlling interests		1	-
Net profit total		23,635	106,865
Earnings per share (JPY)			
Basic earnings per share	11	59.49	268.99

## Consolidated Statement of Comprehensive Income

Year Ended March 31, 2026 and 2025

(Millions of JPY)

	Note	Year ended March 31, 2025	Year ended March 31, 2026
Net profit		23,635	106,865
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	(12,813)	1,225
Remeasurements of defined benefit liability / asset	12	3,466	3,511
Items that may be reclassified subsequently to profit or loss:			
Changes in financial assets measured at fair value through other comprehensive income	12	(58)	58
Exchange differences on translation of foreign operations	12	(813)	11,331
Total other comprehensive income		(10,218)	16,125
Total comprehensive income		13,417	122,990
Total comprehensive income attributable to:			
Owners of the parent		13,416	122,990
Non-controlling interests		1	-
Total comprehensive income		13,417	122,990

## Consolidated Statement of Financial Position

As of March 31, 2026 and 2025

(Millions of JPY)

	Note	As of March 31, 2025	As of March 31, 2026
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	13,16	46,648	44,231
Goodwill	14	197,406	211,098
Intangible assets	15	172,509	160,474
Other financial assets	17,29	44,148	44,703
Income taxes receivables		6,765	7,234
Retirement benefit assets	27	14,727	19,463
Investments accounted for using the equity method		5,588	36,400
Other non-current assets		1,111	1,295
Deferred tax assets	10	534	421
<b>Total non-current assets</b>		<b>489,436</b>	<b>525,319</b>
Current assets			
Inventories	18	94,222	85,414
Trade and other receivables	19,29	74,840	131,414
Other financial assets	17,29	16,840	5,327
Income taxes receivables		2,886	3,273
Other current assets		10,902	9,514
Cash and cash equivalents	20	23,116	44,310
<b>Subtotal</b>		<b>222,806</b>	<b>279,252</b>
Assets held for sale	21	30,362	-
<b>Total current assets</b>		<b>253,168</b>	<b>279,252</b>
<b>Total assets</b>		<b>742,604</b>	<b>804,571</b>

(Millions of JPY)

	Note	As of March 31, 2025	As of March 31, 2026
Liabilities and equity			
Liabilities			
Non-current liabilities			
Bonds and Borrowings	22,29	258,982	179,056
Other financial liabilities	16,24,29	15,818	16,563
Retirement benefit liabilities	27	6,534	5,663
Other non-current liabilities	26	24,638	23,486
Deferred tax liabilities	10	26,550	15,836
Total non-current liabilities		332,522	240,604
Current liabilities			
Borrowings	22,29	46,440	38,130
Trade and other payables	23,29	38,544	56,698
Other financial liabilities	16,24,29	32,916	35,217
Income taxes payable		1,577	1,120
Provisions	25	71,999	89,566
Other current liabilities	26	45,663	50,769
Subtotal		237,139	271,500
Liabilities directly associated with assets held for sale	21	3,464	-
Total current liabilities		240,603	271,500
Total liabilities		573,125	512,104
Equity			
Share capital	28	22,400	22,400
Treasury shares	28	(682)	(684)
Retained earnings	28	46,784	158,981
Other components of equity	28	97,525	111,770
Other comprehensive income associated with assets held for sale		3,452	-
Equity attributable to owners of the parent		169,479	292,467
Total equity		169,479	292,467
Total liabilities and equity		742,604	804,571

## Consolidated Statement of Changes in Equity

Year Ended March 31, 2026 and 2025

(Millions of JPY )

	Note	Equity attributable to owners of the parent				
		Share capital	Treasury shares	Retained earnings	Other components of equity	
					Changes in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit liability / asset
Balance as of April 1, 2024		22,400	(682)	(22,665)	64,526	-
Net profit		-	-	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)	-	-	-
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	-
Net profit		-	-	106,865	-	-
Other comprehensive income	12	-	-	-	1,283	3,511
Total comprehensive income		-	-	106,865	1,283	3,511
Purchase of treasury shares	28	-	(2)	-	-	-
Changes associated with losing control of subsidiaries		-	-	-	-	-
Reclassification from other components of equity to retained earnings		-	-	5,332	(1,821)	(3,511)
Transfers to other comprehensive income associated with assets held for sale		-	-	-	-	-
Total transactions with owners		-	(2)	5,332	(1,821)	(3,511)
Balance as of March 31, 2026		22,400	(684)	158,981	8,768	-

(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, 2024		92,484	157,010	-	156,063	73	156,136
Net profit		-	-	-	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)
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
Net profit		-	-	-	106,865	-	106,865
Other comprehensive income	12	14,783	19,577	(3,452)	16,125	-	16,125
Total comprehensive income		14,783	19,577	(3,452)	122,990	-	122,990
Purchase of treasury shares	28	-	-	-	(2)	-	(2)
Changes associated with losing control of subsidiaries		-	-	-	-	-	-
Reclassification from other components of equity to retained earnings		-	(5,332)	-	-	-	-
Transfers to other comprehensive income associated with assets held for sale		-	-	-	-	-	-
Total transactions with owners		-	(5,332)	-	(2)	-	(2)
Balance as of March 31, 2026		103,002	111,770	-	292,467	-	292,467

## Consolidated Statement of Cash Flows

Year Ended March 31, 2026 and 2025

(Millions of JPY)

	Note	Year ended March 31, 2025	Year ended March 31, 2026
Cash flows from operating activities			
Net profit		23,635	106,865
Depreciation and amortization		25,562	20,786
Impairment losses		5,189	2,073
Changes in fair value of financial assets and liabilities related to contingent consideration agreement		(2,568)	(3,193)
Gain on sales of shares in subsidiaries		(13,537)	(49,043)
Interest and dividend income		(1,421)	(1,772)
Interest expenses		6,221	7,817
Income tax expenses		(6,024)	(6,521)
(Increase) decrease in trade and other receivables		(909)	(50,774)
(Increase) decrease in inventories		18,837	9,005
Increase (decrease) in trade and other payables		(25,868)	24,431
Increase (decrease) in unearned revenue		(25,822)	(13,153)
Increase (decrease) in other financial liabilities		17,784	2,375
Increase or decrease in retirement benefit assets or liabilities		3,649	(775)
Increase (decrease) in provisions		(6,441)	11,919
Others, net		(11,074)	18,875
Subtotal		7,213	78,915
Interest received		890	1,123
Dividends received		576	732
Interest paid		(4,361)	(4,491)
Income taxes paid		(1,892)	(4,564)
Income taxes refunded		14,074	-
Net cash provided by (used in) operating activities		16,500	71,715

Cash flows from investing activities			
Purchase of property, plant and equipment		(8,498)	(4,609)
Proceeds from sales of property, plant and equipment		2,208	449
Purchase of intangible assets		(4,532)	(2,703)
Purchase of shares of subsidiaries and associates		(267)	(4,008)
Purchase of investments		(1,645)	(1,469)
Proceeds from sales and redemption of investments		108,491	4,210
Proceeds from loss of control of subsidiaries		1,458	30,477
Others, net		2,539	202
Net cash provided by (used in) investing activities		99,754	22,549
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	22	(181,972)	(4,400)
Proceeds from long-term borrowings	22	139,487	-
Repayments of long-term borrowings	22	(70,000)	(84,000)
Repayments of lease liabilities	22	(3,614)	(2,540)
Proceeds from sale and lease back		6,700	-
Dividends paid		(3)	(2)
Others, net		566	(324)
Net cash provided by (used in) financing activities		(108,836)	(91,266)
Net increase in cash and cash equivalents		7,418	2,998
Cash and cash equivalents at beginning of year (Consolidated Statement of Financial Position)	20	29,047	23,116
Reversal of cash and cash equivalents included in assets held for sale		-	13,172
Cash and cash equivalents at beginning of year		29,047	36,288
Effect of exchange rate changes on cash and cash equivalents		(177)	5,024
Cash and cash equivalents at end of year	20	36,288	44,310
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale		(13,172)	-
Cash and cash equivalents at end of year (Consolidated Statement of Financial Position)		23,116	44,310

## Notes to Consolidated Financial Statements

### 1. Reporting Entity

Sumitomo Pharma Co., Ltd. (the “Company”) is a company domiciled in Japan. The fiscal year end of the Company’s Consolidated Financial Statements is March 31, 2026. 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 issuance on June 23, 2026 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, 2027.

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 25)
- Recoverability of deferred tax assets (Note 10)
- Financial assets and liabilities related to contingent consideration agreement (Note 29)

#### (5) Changes in Material Accounting Policies

The Group has applied the amendment to IAS 21 “The Effects of Changes in Foreign Exchange Rates” (Lack of Exchangeability), which was amended and issued in August 2023, from the year ended March 31, 2026. The application of the amendments to IAS 21 does not have a material impact on the Group’s consolidated financial statements.

## (6) Changes in Presentation

(Consolidated Statement of Cash Flows)

“Proceeds from sales of intangible assets” , which was presented separately under “Cash flows from investing activities” in the year ended March 31, 2025, is included in “Others, net” in the year ended March 31, 2026, due to the decrease in amount from materiality perspective. In addition, “Purchase of shares of subsidiaries and associates” which was included in “Others, net” under “Cash flows from investing activities” in the year ended March 31, 2025, is presented separately in the year ended March 31, 2026 due to the increase in materiality. To reflect these changes in presentation, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2025 to conform to the presentation for the year ended March 31, 2026.

As a result, “Proceeds from sales of intangible assets” amounting to 728 million JPY and “Others, net” amounting to 1,544 million JPY under “Cash flows from investing activities” in the year ended March 31, 2026 were reclassified into “Purchase of shares of subsidiaries and associates” amounting to (267 million JPY) and “Others, net” amounting to 2,539 million JPY.

## (7) 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, 2026, the main ones that the Group has not applied early during the year ended March 31, 2026 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
IFRS 7 IFRS 9	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026	The year ending March 31, 2027	<ul style="list-style-type: none"><li>· Clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features</li><li>· Clarifying the date of derecognition of financial liabilities settled through electronic payment systems</li><li>· Amendments to disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features</li></ul>
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	The year ending March 31, 2028	<ul style="list-style-type: none"><li>· Improving comparability in the statement of profit or loss (income statement)</li><li>· Enhanced transparency of management-defined performance measures</li><li>· More useful grouping of information in the financial statements</li></ul>
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

## (8) 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 control of the investees and excludes them from the scope of consolidation from the date when the Group loses control 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 translation**

### 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 approximate 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 reclassified to profit or loss during the period in which the foreign operation is disposed.

## **(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 on a 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.



## **(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, among other purposes. The derivatives used by the Group are foreign currency forward contracts, among others. 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. However, if a defined benefit plan has a surplus, the net defined benefit asset is limited to the asset ceiling, which is 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) 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.

## **(17) 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.

## **(18) 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, 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.

#### 2. Year ended March 31, 2026

(Millions of JPY)

	Reportable segments			
	Japan	North America	Asia	Subtotal
Revenue from external customers, etc.	92,365	337,923	23,006	453,294
Segment profit (Core segment profit)	12,352	75,742	9,452	97,546
Other items				
Depreciation and amortization	4,654	13,627	539	18,820
Impairment losses (Note)	5	2,068	-	2,073

(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, 2025	Year ended March 31, 2026
Total of reportable segments	77,932	97,546
Research and development expenses (Note 1)	(48,485)	(43,947)
Gains on sales of shares of subsidiaries, etc.	14,293	50,024
Others	(587)	2,285
Core operating profit	43,153	105,908
Changes in fair value of contingent consideration (Note 2)	2,569	3,193
Impairment losses	(4,625)	(2,068)
Business structure improvement expenses (Note 3)	(8,786)	(213)
Other income	3,921	2,633
Other expenses	(3,572)	(1,062)
Others	(3,856)	(1,053)
Operating profit in the consolidated financial statements	28,804	107,338

(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. The changes in fair value of contingent consideration are recognized in selling, general and administrative expenses and other income in the Consolidated Statement of Profit or Loss.

3. 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, 2025	Year ended March 31, 2026	Year ended March 31, 2025	Year ended March 31, 2026	Year ended March 31, 2025	Year ended March 31, 2026
Depreciation and amortization	22,613	18,820	2,949	1,966	25,562	20,786

**(4) Revenue**

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

(Millions of JPY)

	Year ended March 31, 2025	Year ended March 31, 2026
Sale of goods	368,284	414,910
Revenue arising from intellectual property rights	2,372	20,160
Other	28,176	18,224
Total	398,832	453,294

**(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, 2025	Year ended March 31, 2026
Pharmaceuticals	398,708	453,283
Japan	99,714	92,354
XEPLION® and XEPLION TRI® (long-acting antipsychotic medication)	-	3,214
LATUDA® (atypical antipsychotic)	13,153	13,694
TWYMEEG® (therapeutic agent for type 2 diabetes)	7,614	10,581
METGLUCO® (therapeutic agent for type 2 diabetes)	7,337	7,431
Equa® and EquMet® (therapeutic agent for type 2 diabetes)	24,904	8,742
LONASEN® Tape (atypical antipsychotic)	4,592	4,970
Authorized generic products	11,449	12,121
Others	30,665	31,601
North America	251,814	337,923
ORGOVYX® (therapeutic agent for advanced prostate cancer)	83,082	155,017
MYFEMBREE® (therapeutic agent for uterine fibroids and Endometriosis)	12,787	14,400
GEMTESA® (therapeutic agent for overactive bladder (OAB))	65,761	95,986
RETHYMIC® (allogeneic cultured thymus tissue / therapeutic agent for pediatric congenital athymia)	6,803	6,322
APTIOM® (antiepileptic)	39,424	14,944
Others	43,957	51,254
Asia	47,180	23,006
Others (Note)	124	11
Japan	124	11
Total	398,832	453,294

(Note) Others include 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, 2025	Year ended March 31, 2026
Japan	92,592	84,769
North America	246,006	322,540
U.S.A.in North America	243,545	320,659
Others	60,234	45,985
China in Others	41,754	19,341
Total	398,832	453,294

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, 2025	As of March 31, 2026
Japan	42,786	69,850
North America	387,241	390,882
U.S.A. in North America	387,171	390,828
Total	430,027	460,732

**(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, 2025	Year ended March 31, 2026
Cencora, Inc.	North America	73,304	102,438
McKesson Corporation	North America	71,287	93,500
Cardinal Health, Inc.	North America	53,697	69,152

## 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:

#### 1. 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. Year ended March 31, 2026

(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	88,427	303,484	22,999	414,910	414,910	-
Revenue arising from intellectual property rights	305	19,855	-	20,160	5,226	14,934
Other	3,633	14,584	7	18,224	4,975	13,249
Total	92,365	337,923	23,006	453,294	425,111	28,183

(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, 2025	As of March 31, 2026
Receivables from contracts with customers		
Accounts receivable	64,963	114,218
Contract liabilities	4,326	6,919

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 years ended March 31, 2026 and 2025, no material amount is included in contract liabilities balance at the beginning of the years ended March 31, 2026 and 2025. Also, there are no material amounts of revenue recognized during the years ended March 31, 2026 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 expected individual 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, 2025	Year ended March 31, 2026
Salaries and bonuses	66,256	65,826
Retirement benefit expenses	4,482	3,914
Advertising and promotion expenses	25,000	21,384
Depreciation and amortization	20,219	16,647
Impairment losses (Note 1)	4,518	2,068
Change in fair value of contingent consideration (Note 2)	(2,427)	(75)
Others	62,557	52,793
<b>Total</b>	<b>180,605</b>	<b>162,557</b>

(Note) 1. Impairment losses are described in Note 13. Property, Plant and Equipment 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, 2025	Year ended March 31, 2026
Other income		
Gain on sales of shares of subsidiaries (Note 1)	13,537	49,043
Change in fair value of contingent consideration (Note 2)	142	3,118
Others	4,677	3,614
Total	18,356	55,775

(Note) 1. 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. This income includes a gain of 4,743 million JPY arising from the remeasurement of the retained interest at fair value as of the date of loss of control. Gains on sales of shares of subsidiaries were recorded due to the transfer of a part of the shares of SMP Jumbi Kabushikigaisya (currently Marubeni Pharmaceuticals Corporation) to Marubeni Global Pharma Corporation(hereinafter, “Marubeni Global Pharma” ), during the year ended March 31, 2026. This income includes a gain of 15,422 million JPY arising from the remeasurement of the retained interest at fair value as of the date of loss of control.

2. Changes in fair value of contingent consideration related to contingent consideration arrangements arising from sales of business are recognized in the Consolidated Statement of Profit or Loss as other income or other expenses. The details are described in Note 29. Financial Instruments.

(Changes in Presentation)

“Change in fair value of contingent consideration,” which was included in “Others” in this note in the year ended March 31, 2025, is presented separately in the year ended March 31, 2026 due to the increase in materiality. In addition, “Gains on sales of property, plant and equipment” which was presented separately in this note in the year ended March 31, 2025 is included in “Others” in the year ended March 31, 2026 due to the decrease in materiality. To reflect these changes in presentation, certain reclassifications have been made to the notes for the year ended March 31, 2025.

## 8. Other Expenses

The details of other operating expenses are as follows:

(Millions of JPY)

	Year ended March 31, 2025	Year ended March 31, 2026
Other Expenses		
Loss on disposal of property, plant and equipment	345	363
Others	3,227	699
Total	3,572	1,062

(Changes in Presentation)

“Loss on disposal of property, plant and equipment,” which was included in “Others” in this note in the year ended March 31, 2025, is presented separately in the year ended March 31, 2026 due to the increase in materiality. In addition, “Donations” which was presented separately in this note in the year ended March 31, 2025 is included in “Others” in the year ended March 31, 2026 due to the decrease in materiality. To reflect these changes in presentation, certain reclassifications have been made to the notes for the year ended March 31, 2025.

## 9. Finance Income and Finance Costs

### (1) Finance income

The details of finance income are as follows:

(Millions of JPY)

	Year ended March 31, 2025	Year ended March 31, 2026
Interest income		
Financial assets measured at amortized cost	890	1,129
Dividend income		
Financial asset measured at fair value through other comprehensive income	531	643
Exchange gain (net)	-	691
Others	886	735
Total	2,307	3,198

### (2) Finance costs

The details of finance costs are as follows:

(Millions of JPY)

	Year ended March 31, 2025	Year ended March 31, 2026
Interest expenses		
Financial liabilities measured at amortized cost	4,413	5,183
Net interest on employee benefits	1,641	2,452
Lease liabilities	167	182
Exchange loss (net)	4,942	-
Others	2,337	2,375
Total	13,500	10,192

## 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, 2025	As of March 31, 2026
Deferred tax assets	534	421
Deferred tax liabilities	26,550	15,836
Net deferred tax assets (liabilities)	(26,016)	(15,415)

#### 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:

(i) 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.

(ii) Year ended March 31, 2026

(Millions of JPY)

	As of April 1, 2025	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	As of March 31, 2026
Outsourced research expenses	-	-	-	-	-
Inventories	(87)	(1,629)	-	1,644	(72)
Property, plant and equipment	-	10	-	(10)	-
Intangible assets	(21,079)	21,167	-	(88)	-
Other Financial Assets	(9,153)	(432)	216	-	(9,369)
Accrued expenses and provisions	141	26	-	(41)	126
Retirement benefits	(4,411)	(189)	(1,321)	-	(5,921)
Tax loss carryforwards	10,478	(10,558)	-	80	-
Undistributed earnings of foreign subsidiaries	(1,413)	1,413	-	-	-
Others	(492)	(42)	310	45	(179)
Total	(26,016)	9,766	(795)	1,630	(15,415)

(Note) Others mainly include changes associated with exchange differences on translation of foreign operations, etc.

### 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, 2025	As of March 31, 2026
Tax loss carryforwards	186,347	255,759
Tax credit carryforwards	31,235	35,545
Deductible temporary differences	68,430	98,168

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, 2025 and 2026 are 170,429 million JPY and 23,308 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, 2025	As of March 31, 2026
Not later than 1 year	-	-
Later than 1 year and not later than 2 years	1,839	1,502
Later than 2 years and not later than 3 years	9,030	5,296
Later than 3 years and not later than 4 years	8,298	11,600
Later than 4 years	167,180	237,361
Total	186,347	255,759

(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, 2025	As of March 31, 2026
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	31,235	35,545
Total	31,235	35,545

5. Recoverability of deferred tax assets

The amounts of deferred tax assets were 11,099 million JPY and 448 million JPY as of March 31, 2025 and 2026, 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)

The total 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 and 2026 are 1,025 million JPY and 384 million JPY, respectively. 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 differences 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, 2025	Year ended March 31, 2026
Current tax expenses	(16,754)	3,245
Deferred tax expense		
Recognition and reversal of temporary differences	1,600	(9,766)
Assessment of recoverability of deferred tax assets	9,047	-
Effect of change in tax rate	83	-
Subtotal	10,730	(9,766)
Total	(6,024)	(6,521)

(Note) The amount of the benefit arising from a previously unrecognized tax loss, tax credit or temporary differences of a prior period that is used to reduce current tax expense was 27,148 million JPY and 55,782 million JPY for the years ended March 31, 2025 and 2026, respectively. These amounts are included in current tax expense. In addition, income tax expenses recognized for sales and significant declines in fair value of equity financial instruments measured at fair value through other comprehensive income are 18,784 million JPY (loss) for the year ended March 31, 2025 and 627 million JPY (loss) for the year ended March 31, 2026.

## 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, 2025 and 2026. The normal statutory tax rate based on these taxes is 30.6% for the years ended March 31, 2025 and 2026. However, foreign subsidiaries are subject to income taxes in their respective countries of domicile.

	Year ended March 31, 2025	Year ended March 31, 2026
Normal statutory tax rate	30.6 %	30.6 %
Permanent non-deductible expenses such as entertainment expenses	4.4%	1.2 %
Permanent non-taxable income such as dividend received	0.1 %	(13.8 %)
Tax credit for research and development expenses	(8.1 %)	(2.1 %)
Changes in unrecognized deferred tax assets	(44.0%)	(2.7 %)
Difference of subsidiaries' applicable income tax rates	(17.2%)	(17.8 %)
Changes in tax effect of undistributed earnings of subsidiaries	0.2 %	(1.4 %)
Effect of change in fair value of contingent consideration	(2.9%)	(0.3 %)
Effect of change in tax rate	0.5%	0.1 %
Share of profit (loss) of investments accounted for using the equity method	1.6%	(0.7 %)
Others	0.6%	0.4 %
Effective tax rate	(34.2 %)	(6.5 %)

## 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 has been 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 years ended March 31, 2025 and 2026.

## 11. Earnings per share

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

	Year ended March 31, 2025	Year ended March 31, 2026
Basis for calculation of basic earnings per share		
Net profit attributable to owners of the parent (Millions of JPY)	23,634	106,865
Amounts not attributable to ordinary shareholders of the parent (Millions of JPY)	-	-
Net profit used to calculate basic earnings per share (Millions of JPY)	23,634	106,865
Weighted average number of ordinary shares (Thousands of shares)	397,290	397,289
Earnings per share		
Basic earnings per share (JPY)	59.49	268.99

(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, 2025	Year ended March 31, 2026
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	(36,762)	1,009
Tax effect	23,949	216
Remeasurements of financial assets measured at fair value through other comprehensive income	(12,813)	1,225
Remeasurements of defined benefit liability (asset)		
Amounts arising during the year	4,530	4,832
Tax effect	(1,064)	(1,321)
Remeasurements of defined benefit liability (asset)	3,466	3,511
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	(597)	(213)
Reclassification adjustments	539	271
Before tax effect	(58)	58
Tax effect	-	-
Changes of fair value of financial assets measured at fair value through other comprehensive income	(58)	58
Exchange differences on translation of foreign operations		
Amounts arising during the year	(503)	15,143
Reclassification adjustments	-	(4,122)
Before tax effect	(503)	11,021
Tax effect	(310)	310
Exchange differences on translation of foreign operations	(813)	11,331
Total	(10,218)	16,125

### 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, 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
Additions	773	125	188	-	3,188	766	5,040
Transfer from construction in progress	1,730	1,131	431	31	(3,323)	-	-
Sales and disposals	(1,215)	(2,564)	(1,037)	-	-	(3,619)	(8,435)
Foreign currency translation differences	703	106	316	39	589	313	2,066
Transfer to assets held for sale	(17)	(88)	(30)	-	-	(15)	(150)
Others	-	(64)	123	-	-	(64)	(5)
Balance as of March 31, 2026	69,975	45,515	27,142	1,522	9,922	12,339	166,415

## 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, 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)
Depreciation	(2,003)	(1,624)	(1,165)	-	-	(1,954)	(6,746)
Impairment losses	(2,068)	-	(1)	-	-	-	(2,069)
Sales and disposals	951	2,489	992	-	-	3,230	7,662
Foreign currency translation differences	(453)	(63)	(298)	-	-	(264)	(1,078)
Transfer to assets held for sale	14	12	6	-	-	1	33
Others	919	(4)	10	-	-	340	1,265
Balance as of March 31, 2026	(46,790)	(40,631)	(24,848)	(64)	-	(9,851)	(122,184)

## 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, 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
Balance as of March 31, 2026	23,185	4,884	2,294	1,458	9,922	2,488	44,231

(Note) 1. There is no capitalized borrowing cost for property, plant and equipment for the years ended March 31, 2025 and 2026.

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 years ended March 31, 2025 and 2026 are 201 million JPY and 2,069 million JPY, respectively. Impairment losses recorded for the year ended March 31, 2025 were recognized in cost of sales and other expenses in the Consolidated Statement of Profit or Loss amounting to 103 million JPY and 98 million JPY, respectively, and those for the year ended March 31, 2026 are recognized in selling, general and administrative expenses and other expenses in the Consolidated Statement of Profit or Loss, amounting to 2,068 million JPY and 1 million JPY, respectively.

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.

Impairment losses amounting to 2,069 million JPY recognized for the year ended March 31, 2026 mainly represented impairment losses of buildings and structures in the North America segment. As the profitability of the assets is no longer expected, the total carrying amount is reduced to the recoverable amount. The recoverable amount is measured based on fair value less costs of disposal, and the fair value hierarchy level is Level 3.

## 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, 2025	Year ended March 31, 2026
Beginning balance	241,248	238,377
Foreign currency translation differences	(2,871)	16,264
Ending balance	238,377	254,641

#### 2. Accumulated impairment losses

(Millions of JPY)

	Year ended March 31, 2025	Year ended March 31, 2026
Beginning balance	(41,465)	(40,971)
Foreign currency translation differences	494	(2,572)
Ending balance	(40,971)	(43,543)

#### 3. Carrying amount

(Millions of JPY)

Balance as of April 1, 2024	199,783
Balance as of March 31, 2025	197,406
Balance as of March 31, 2026	211,098

## (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, 2025	As of March 31, 2026
North America	197,406	211,098
Total	197,406	211,098

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 account the estimated cash flows based on 16 years future forecast for the year ended March 31, 2026 (17 years for the year ended March 31, 2025) with the consideration of permanent growth rate of 2.3% for the year ended March 31, 2026 (2.2% for the year ended March 31, 2025), 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 12.4% as of March 31, 2025 and 10.9% as of March 31, 2026, respectively.

As a result of the impairment test, the fair value less costs of disposal sufficiently exceeds the carrying amount of the CGU in the year ended March 31, 2025 and 2026, 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, 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
Individual acquisition	1,199	1,525	-	2,724
Sales and disposals	(112)	(248)	-	(360)
Foreign currency translation differences	17,528	980	-	18,508
Transfer to assets held for sale	(57)	(60)	-	(117)
Others	-	(451)	-	(451)
Balance as of March 31, 2026	688,234	27,660	365	716,259

## 2. Accumulated amortization and accumulated impairment losses

(Millions of JPY)

	Intangible assets related to products	Software	Others	Total
Balance as of April 1, 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)
Amortization	(12,362)	(1,658)	(20)	(14,040)
Impairment losses	-	(4)	-	(4)
Sales and disposals	-	209	-	209
Foreign currency translation differences	(17,743)	(837)	-	(18,580)
Others	-	76	-	76
Balance as of March 31, 2026	(531,664)	(23,910)	(211)	(555,785)

## 3. Carrying amount

(Millions of JPY)

	Intangible assets related to products	Software	Others	Total
Balance as of April 1, 2024	189,685	5,415	552	195,652
Balance as of March 31, 2025	168,117	4,218	174	172,509
Balance as of March 31, 2026	156,570	3,750	154	160,474

(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, 2025 and 2026 are 463 million JPY and 710 million JPY, respectively.

## (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, 2025	As of March 31, 2026	As of March 31, 2026
MYFEMBREE®	Patent rights	9,734	8,944	12 years
ORGOVYX®	Patent rights	63,782	58,604	12 years
GEMTESA®	Patent rights	92,246	86,887	15 years

The above table mainly represent the intangible assets related to products arising from the acquisition of Myovant Sciences Ltd. and Urovant Sciences Ltd. by the Group.

## (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 asset.

As a result of the impairment test, 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.

Impairment losses amounting to 4 million JPY recognized for the year ended March 31, 2026 were recorded in other expenses in the Consolidated Statement of Profit or Loss.

## 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, 2025	Year ended March 31, 2026
Depreciation	2,407	1,954
Interest expenses on lease liabilities	167	182
Expenses related to short-term leases	151	146
Expenses related to leases of low-value assets	418	270
Income from sublease of right-of-use assets	566	428
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, 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
Additions	411	355	-	766
Sales and disposals	(2,719)	(900)	-	(3,619)
Foreign currency translation differences	304	9	-	313
Others (Note)	(84)	5	-	(79)
Balance as of March 31, 2026	9,634	1,757	948	12,339

(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, 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)
Depreciation	(1,634)	(256)	(64)	(1,954)
Sales and disposals	2,546	684	-	3,230
Foreign currency translation differences	(260)	(4)	-	(264)
Others (Note)	341	-	-	341
Balance as of March 31, 2026	(8,674)	(1,108)	(69)	(9,851)

(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, 2024	2,680	1,681	-	4,361
Balance as of March 31, 2025	2,055	756	943	3,754
Balance as of March 31, 2026	960	649	879	2,488

### (3) Lease liabilities

The contractual maturities of the lease liabilities are as follows:

(Millions of JPY)

	As of March 31, 2025	As of March 31, 2026
Contractual undiscounted cash flows		
Within 1 year	3,778	2,090
Over 1 year, within 5 years	3,373	2,811
Over 5 years	3,117	2,724
Balance of undiscounted lease liabilities	10,268	7,625
Balance of lease liabilities	8,824	7,030
Lease liabilities (non-current)	5,470	5,116
Lease liabilities (current)	3,354	1,914

#### (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, 2025	Year ended March 31, 2026
Repayments of lease liabilities	3,614	2,540
Interest expenses on lease liabilities paid	167	182
Others	569	416
Total	4,350	3,138

#### (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, 2025	As of March 31, 2026
Financial assets at amortized cost		
Loan receivables	1,212	1,980
Others	17,018	4,608
Financial assets measured at fair value through profit or loss		
Equity securities, etc.	1,971	2,460
Financial assets related to contingent consideration agreement	8,465	9,839
Financial assets measured at fair value through other comprehensive income		
Equity securities, etc.	32,322	31,143
Total	60,988	50,030
Other financial assets (non-current)	44,148	44,703
Other financial assets (current)	16,840	5,327
Total	60,988	50,030

## (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, 2025	As of March 31, 2026
Shikoku Yakugyo Co., Ltd.	3,058	3,262
Forest Holdings, Inc.	2,343	2,440
Mochida Pharmaceutical Co., Ltd.	1,722	1,874
NAKAKITA YAKUHIN Co., Ltd.	474	591
Tomita Pharmaceutical Co., Ltd.	419	456
HOKUYAKU TAKEYAMA Holdings, Inc.	415	431
Others	23,891	22,089
Total	32,322	31,143

### 2. Others

The dividend income derived from the financial assets measured at fair value through other comprehensive income held by the Group is 333 million JPY and 599 million JPY for the years ended March 31, 2025 and 2026, respectively.

The details of “Other financial assets” measured at fair value through other comprehensive income which were disposed in the years ended March 31, 2025 and 2026 are as follows:

(Millions of JPY)

	Year ended March 31, 2025	Year ended March 31, 2026
Fair value at the time of disposal	107,841	3,916
Accumulated gains (losses)	62,615	3,460
Dividend income	198	44

These were disposed of 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 43,521 million JPY and 2,402 million JPY for the years ended March 31, 2025 and 2026, 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 (1,172) million JPY and (581) million JPY for the years ended March 31, 2025 and 2026, 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, 2025	As of March 31, 2026
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, 2025	As of March 31, 2026
Merchandise and finished goods	50,964	58,093
Work-in-process	1,641	2,266
Raw materials and supplies	41,617	25,055
Total	94,222	85,414

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 is 937 million JPY and 1,753 million JPY for the years ended March 31, 2025 and 2026, 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, 2025	As of March 31, 2026
Financial assets measured at amortized cost		
Accounts receivable	24,836	104,312
Other receivables	9,877	17,212
Allowance for doubtful accounts	-	(16)
Financial assets measured at fair value through other comprehensive income		
Accounts receivable(Note)	40,127	9,906
Total	74,840	131,414
Trade and other receivables (non-current)	-	-
Trade and other receivables (current)	74,840	131,414
Total	74,840	131,414

(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 29. Financial Instruments.

## 20. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

(Millions of JPY)

	As of March 31, 2025	As of March 31, 2026
Financial assets measured at amortized cost		
Cash and deposits	23,116	44,310
Total	23,116	44,310

## 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, 2025	As of March 31, 2026
Property, plant and equipment	1,740	-
Intangible assets	3,521	-
Deferred tax assets	1,999	-
Inventories	2,695	-
Trade and other receivables	6,556	-
Cash and cash equivalents	13,172	-
Others	679	-
Total assets	30,362	-
Trade and other payables	1,430	-
Others	2,034	-
Total liabilities	3,464	-

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. (hereinafter, "SMPAP"), 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.

The share transfer was completed on July 31, 2025, and Sumitomo Pharma (China) Co., Ltd. and SMPAP along with their subsidiaries, were excluded from the scope of consolidation on the same date.

## 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, 2025	As of March 31, 2026	Average interest rate (Note)	Redemption date / Repayment date
Bonds (other than current portion)	119,495	119,625	1.47%	September 2050
Long-term borrowings (other than current portion)	139,487	59,431	2.28%	March 2028
Current portion of long-term borrowings	4,000	-	-	-
Short-term borrowings	42,440	38,130	1.79%	-
Total	305,422	217,186	-	-
Bonds and Borrowings (non-current)	258,982	179,056	-	-
Borrowings (current)	46,440	38,130	-	-
Total	305,422	217,186	-	-

(Note) The average interest rate is the weighted average interest rate calculated based on the balance as of March 31, 2026.

### (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, 2025	As of March 31, 2026	Interest rate (%)	Collateral	Redemption date
Sumitomo Pharma Co., Ltd.	1 <sup>st</sup> 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.	2 <sup>nd</sup> 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

#### ① Term loan

Origination amount: 140,000 million JPY

Borrowing balance: 60,000 million JPY

Book value: 59,431 million JPY

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

#### ② Commitment line

Origination amount: 93,000 million JPY

Borrowing balance: 38,130 million JPY

Book value: 38,130 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 Sumitomo Pharma America, Inc. (hereinafter, "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.

**(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, 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
Cash flows from financing activities	(4,400)	(84,000)	-	(2,540)	(90,940)
Other changes					
Additions due to acquisition of right-of-use assets	-	-	-	756	756
Interest expenses	251	2,284	1,894	182	4,611
Payment of interests	(199)	(2,346)	(1,764)	(182)	(4,491)
Effect of foreign currency translation differences	-	-	-	148	148
Others	43	3	-	(159)	(113)
Balance as of March 31, 2026	38,137	59,435	119,719	7,030	224,321

(Note) Interest payables are included in the above balances.

### 23. Trade and Other Payables

The details of trade and other payables are as follows:

(Millions of JPY)

	As of March 31, 2025	As of March 31, 2026
Financial liabilities measured at amortized cost		
Accounts payable and notes payables	9,225	12,083
Other payables	29,319	44,615
Total	38,544	56,698
Trade and other payables (non-current)	-	-
Trade and other payables (current)	38,544	56,698
Total	38,544	56,698

### 24. Other Financial Liabilities

The details of other financial liabilities are as follows:

(Millions of JPY)

	As of March 31, 2025	As of March 31, 2026
Financial liabilities at amortized cost		
Deposit received	16,698	8,417
Others	20,344	30,133
Financial liabilities measured at fair value through profit or loss		
Financial liabilities related to contingent consideration agreement	897	1,484
Others	1,971	4,716
Lease liabilities	8,824	7,030
Total	48,734	51,780
Other financial liabilities (non-current)	15,818	16,563
Other financial liabilities (current)	32,916	35,217
Total	48,734	51,780

## 25. Provisions

### (1) Changes of provisions

The changes of provisions are as follows:

Year ended March 31, 2026

(Millions of JPY)

	Reserve for sales returns	Reserve for sales rebates	Others	Total
Balances at the beginning of the year	20,468	48,839	2,692	71,999
Increases	3,401	70,390	-	73,791
Decreases (utilization)	(4,010)	(49,181)	(2,712)	(55,903)
Decreases (reversal)	(6,006)	(29)	-	(6,035)
Foreign currency translation differences	1,014	4,680	20	5,714
Balances at the end of the year	14,867	74,699	-	89,566
Provisions (non-current)	-	-	-	-
Provisions (current)	14,867	74,699	-	89,566
Total	14,867	74,699	-	89,566

### (2) Details of provisions

Provisions are calculated based on the best estimation of 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 returns of all the products and goods. The balance of 14,867 million JPY as of March 31, 2026, is a reserve for sales returns recognized for products sold by 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, wholesalers, and other contracts. Among the balance as of March 31, 2026, 74,647 million JPY is a 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, 2025	As of March 31, 2026
Unearned revenue (Note)	22,657	10,270
Accrued bonuses	30,031	43,812
Contract liabilities	4,326	6,919
Accrued expenses	4,942	4,834
Others	8,345	8,420
Total	70,301	74,255
Other non-current liabilities	24,638	23,486
Other current liabilities	45,663	50,769
Total	70,301	74,255

(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. The details are described in Note 33. Joint Development and Joint Sales.

(Changes in Presentation)

“Contract liabilities,” which was included in “Others” in this note in the year ended March 31, 2025, is presented separately in the year ended March 31, 2026 due to the increase in materiality. To reflect this change in presentation, certain reclassifications have been made to the notes for the year ended March 31, 2025.

## 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, 2025	As of March 31, 2026
Present value of defined benefit obligations	62,195	53,955
Fair value of the plan assets (including retirement benefit trusts)	86,376	92,251
Deficit (surplus)	(24,181)	(38,296)
Effect of asset ceiling	15,988	24,496
Net defined benefit (assets) liabilities	(8,193)	(13,800)
Retirement benefit liabilities	6,534	5,663
Retirement benefit assets	(14,727)	(19,463)

## 2. Defined benefit obligations

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

(Millions of JPY)

	Year ended March 31, 2025	Year ended March 31, 2026
Balances at beginning of the year	82,570	62,195
Current service cost	2,205	1,265
Interest expenses	1,339	1,421
Remeasurements of net defined benefit liability (asset)		
Changes in demographic assumptions	(266)	(105)
Changes in financial assumptions	(5,917)	(5,959)
Experience adjustments	(3,042)	430
Benefits paid	(14,702)	(5,292)
Others	8	-
Balances at end of the year	62,195	53,955

(Note) The weighted average payment years of defined benefit obligations are 12.6 years and 12.3 years as of March 31, 2025 and 2026, respectively.

## 3. Plan assets

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

(Millions of JPY)

	Year ended March 31, 2025	Year ended March 31, 2026
Balances at beginning of the year	91,597	86,376
Interest income	1,383	1,642
Benefits paid	(10,522)	(4,479)
Contributions by the employer	1,479	1,007
Remeasurement of defined benefit plans		
Return on plan assets	2,439	7,705
Balances at end of the year	86,376	92,251

(Note) The Group is expected to pay contributions amounting to 1,006 million JPY in the year ending March 31, 2027.

#### 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 17.1% as of March 31, 2025 and 21.1% as of March 31, 2026.

(Millions of JPY)

	As of March 31, 2025			As of March 31, 2026		
	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	29,236	-	29,236	31,120	-	31,120
Debt securities	25,898	-	25,898	27,505	-	27,505
General accounts of life insurance companies(Note1)	-	7,930	7,930	-	7,534	7,534
Cash and cash equivalents	2,693	-	2,693	4,176	-	4,176
Others(Note2)	-	20,619	20,619	-	21,916	21,916
Total	57,827	28,549	86,376	62,801	29,450	92,251

(Note) 1. The general accounts of life insurance are guaranteed a certain assumed interest rate and principal by life insurance companies.

2. Others include the assets with risk or return characteristics that differ from traditional investments such as stocks and bonds.

#### 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, 2025	Year ended March 31, 2026
Balances at beginning of the year	8,855	15,988
Remeasurements		
Changes of the effect of asset ceiling	7,133	8,508
Balances at end of the year	15,988	24,496

(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, 2025	As of March 31, 2026
Discount rate (%)	2.3	3.3

## 7. Sensitivity analysis

The effects of changes in the material actuarial assumptions on the defined benefit obligations as of March 31, 2025 and 2026 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, 2025	As of March 31, 2026
In case that the discount rate increases by 0.5%	(3,311)	(2,521)
In case that the discount rate decreases by 0.5%	3,637	2,743

## 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 2,716 million JPY and 2,732 million JPY for the years ended March 31, 2025 and 2026, respectively.

### (4) Employee benefit expenses

The employee benefit expenses for the years ended March 31, 2025 and 2026 are as follows:

(Millions of JPY)

	Year ended March 31, 2025	Year ended March 31, 2026
Salaries	66,288	59,189
Bonuses	26,030	33,556
Retirement benefit expenses	11,198	4,638
Others	11,806	10,719
Total	115,322	108,102

(Note) Business structure improvement expenses for the year ended March 31, 2025 were 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, 2025	Year ended March 31, 2026
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, 2025	Year ended March 31, 2026
Balance at the beginning of the year	609	610
Changes during the year	1	0
Balance at the end of the year	610	611

(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, 2025

Not applicable.

(ii) Year ended March 31, 2026

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, 2025

Not applicable.

(ii) Year ended March 31, 2026

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 March 31, 2026 is 9,906 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.

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, 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 three 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.

(ii) As of March 31, 2026

(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	97,561	100,888	39,548	61,340	-	-	-	-
Bonds	119,625	125,436	1,764	61,347	930	930	60,465	-
Total	217,186	226,324	41,312	122,687	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 one year within two 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 four years within 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, 2025	As of March 31, 2026
Receivables	168,406	655,884
Payables	39,828	362,416
Net exposures of the Consolidated Statement of Financial Position	128,578	293,468
Forward foreign exchange contracts	-	-
Net exposures	128,578	293,468

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 668 million JPY and 1,629 million JPY as of March 31, 2025 and 2026, 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 a 1% increase in interest rates on net income for the year ended March 31, 2025 and 2026 is 1,269 million JPY and 681 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, 2025		As of March 31, 2026	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost				
Bonds	119,495	83,550	119,625	95,004
Borrowings	185,927	185,906	-	-
Total	305,422	269,456	119,625	95,004

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 the fair value hierarchy for financial assets and liabilities in the years ended March 31, 2025 and 2026.

(i) 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
<b>Total</b>	<b>7,254</b>	<b>40,127</b>	<b>35,504</b>	<b>82,885</b>
Financial liabilities measured at fair value through profit or loss				
Financial liabilities related to contingent consideration agreement	-	-	897	897
Others	1,971	-	-	1,971
<b>Total</b>	<b>1,971</b>	<b>-</b>	<b>897</b>	<b>2,868</b>

(ii) As of March 31, 2026

(Millions of JPY)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Equity securities, etc.	2,460	-	-	2,460
Financial assets related to contingent consideration agreement	-	-	9,839	9,839
Financial assets measured at fair value through other comprehensive income				
Equity securities, etc.	2,519	-	28,624	31,143
Trade and other receivables	-	9,906	-	9,906
<b>Total</b>	<b>4,979</b>	<b>9,906</b>	<b>38,463</b>	<b>53,348</b>
Financial liabilities measured at fair value through profit or loss				
Financial liabilities related to contingent consideration agreement	-	-	1,484	1,484
Others	2,439	-	2,277	4,716
<b>Total</b>	<b>2,439</b>	<b>-</b>	<b>3,761</b>	<b>6,200</b>

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, 2025	Year ended March 31, 2026
Balance at the beginning of the year	28,857	35,504
Purchase	1,220	1,138
Changes in financial assets measured at fair value through other comprehensive income	(2,066)	547
Financial assets relating to contingent consideration agreement recognized upon sale of subsidiary shares	8,323	-
Changes in fair value of financial assets related to contingent consideration agreement (Note)	142	2,040
Sale / settlement	(170)	(5)
Transfer to Level 1	(106)	(80)
Transfer to assets held for sale	(71)	-
Changes associated with losing control of subsidiaries	(321)	-
Others	(304)	(681)
Balance at the end of the year	35,504	38,463

(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, 2025	Year ended March 31, 2026
Balance at the beginning of the year	3,314	897
Financial liabilities relating to contingent consideration agreement recognized upon sale of subsidiary shares	-	1,683
Changes in fair value of financial liabilities related to contingent consideration agreement (Note)	(2,427)	(1,153)
Foreign currency translation differences	10	57
Others	-	2,277
Balance at the end of the year	897	3,761

(Note) The changes in the fair value of financial liabilities related to contingent consideration agreement are recognized in selling, general and administrative expenses and other income 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 the sale of subsidiaries.

The fair value of non-listed equity securities is primarily measured using valuation techniques based on net assets value.

Financial assets related to a contingent consideration agreement arising from the sale of subsidiary shares consist of development milestones, which are receivable upon achievement of 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 the 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 and financial liabilities related to contingent consideration agreement arising from sale of subsidiaries shares.

Financial liabilities related to contingent consideration agreements arising from a business combination consist of development milestones for which payment will be required upon achievement of 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 the time value of money.

Financial liabilities related to contingent consideration agreements arising from the sale of subsidiary shares are determined by subsequent adjustments to the consideration received for such shares. The fair value of the contingent consideration is measured by considering trends in drug prices and the 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 the subsidiary, the Company has received the consideration amounting to 1,998 million JPY as of March 31, 2026, and it is possible to receive the development milestone payments up to 3,996 million JPY, on a nominal basis, upon certain achievements for chemical compounds under development by RACTHERA. In addition, following the conditional and time-limited approval of AMCHEPRY<sup>®</sup> in March 2026, the Company expects to receive 666 million JPY in June 2026 on achievement of a development milestone. Furthermore, 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, 2026. 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, 2025	As of March 31, 2026
Revenue	Increase by 5.0%	441	608
	Decrease by 5.0%	(479)	(642)
Discount rate	Increase by 0.5%	(563)	(660)
	Decrease by 0.5%	612	651

#### 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 the acquisition amounting to 205 million USD (23,272 million JPY) has been paid as of March 31, 2026, and it is possible to pay a maximum amount of 90 million USD (14,391 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 (23,985 million JPY), before considering the 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 35,888 million JPY (undiscounted) and 38,376 million JPY (undiscounted) as of March 31, 2025 and 2026, 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, 2025	As of March 31, 2026
Property, plant and equipment	1,825	2,350
Intangible assets	24,056	14,607
Total	25,881	16,957

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, 2026 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 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	100 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%
Marubeni Pharmaceuticals Corporation	Chuo-ku, Tokyo	115 million JPY	Manufacturing and sales of pharmaceuticals and others	40.0%

**(2) Decrease arising from the sale of subsidiaries**

· SMP Jumbi Kabushikigaisya (currently Marubeni Pharmaceuticals Corporation)

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

(Millions of JPY)

	Year ended March 31, 2025	Year ended March 31, 2026
Assets at the date when control was lost		
Current assets	-	33,012
Non-current assets	-	6,152
Liabilities at the date when control was lost		
Current liabilities	-	12,162
Non-current liabilities	-	229

(Millions of JPY)

	Year ended March 31, 2025	Year ended March 31, 2026
Consideration received	-	44,777
Cash and cash equivalents of subsidiaries at the date when control was lost	-	14,351
(Net) Proceeds from loss of control of subsidiaries	-	30,426

## 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, 2025		Year ended March 31, 2026	
			Transaction amount	Outstanding balance	Transaction amount	Outstanding balance
Parent company	Sumitomo Chemical Company, Limited	Acceptance of debt guarantees (Note)	206,592	-	114,029	-
		Sale of investment in subsidiaries	10,911	8,465	-	9,839

(Note) 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, 2025 and 2026 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, 2025	Year ended March 31, 2026
Basic remuneration and bonus	274	245

## 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 consideration for this agreement, the Group received 650 million USD (67,353 million JPY) as upfront payment, 200 million USD (24,179 million JPY) as regulatory milestones for U.S. Food and Drug Administration approvals for a combination tablet in women's health, and 100 million USD (14,934 million JPY) as commercial milestones 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 1,650 million USD (263,835 million JPY) as tiered sales milestones until net sales of relugolix for prostate cancer reach 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 (4,797 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

(Issuance of new shares and secondary offering of shares)

The Company resolved at the meeting of its Board of Directors held on April 8, 2026, to issue new shares and to conduct a secondary offering of shares. It also determined on April 20, 2026, the issue price, the selling price, and other matters as set forth below. The payment for the issuance of new shares through public offering was completed on April 24, 2026, resulting in an increase in share capital and legal capital surplus (capital surplus).

#### 1. Issuance of new shares through public offering (Domestic public offering and international offering)

(1) Class and number of shares issued	51,304,400 shares of common stock
(2) Issue price	1,990 JPY per share
(3) Total amount of the issue price	102,096 million JPY
(4) Amount paid in	1,907.08 JPY per share
(5) Total amount paid in	97,842 million JPY
(6) Amount of increase in share capital and legal capital surplus (capital surplus)	Amount of increase in share capital: 48,921 million JPY Amount of increase in legal capital surplus (capital surplus): 48,921 million JPY
(7) Payment date	April 24, 2026

#### 2. Secondary offering of the Company's shares (offering by way of over-allotment)

(1) Class and number of shares offered	7,695,600 shares of common stock
(2) Selling price	1,990 JPY per share
(3) Total amount of the selling price	15,314 million JPY
(4) Delivery date	April 27, 2026

#### 3. Use of proceeds

The estimated net proceeds of 96,956 million JPY from the domestic public offering and international offering are expected to be applied by the end of March 2029 for the following: 30 billion JPY for R&D expenses in oncology area; 10 billion JPY for R&D expenses in neurodegenerative diseases and infectious diseases; 10 billion JPY for investment and financing activities to develop the regenerative medicine/cell therapy business; 10 billion JPY for the capital expenditures in production and research and development, IT system investments, and strategic investments for alliances and licensing agreements; and the remaining funds for the repayment of interest-bearing debt.

In connection with the secondary offering by way of over-allotment, the Company also resolved, at the same time, to issue new shares by way of a third-party allotment. However, the Company received notification from SMBC Nikko Securities Inc., the allottee, that it would not subscribe for any of the shares.

Accordingly, the issuance of new shares by way of the third-party allotment has not been implemented.

## **Independent Auditor's Report**

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. ( “the Company” ) 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, 2026, 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, 2026, 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 of public interest entities 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.

#### **Emphasis of Matter**

We draw attention to Note “34. Subsequent Events” to the consolidated financial statements. The Company resolved at the meeting of its Board of Directors held on April 8, 2026, to issue new shares and to conduct a secondary offering of shares. The payment for the issuance of new shares through public offering was completed on April 24, 2026.

Our opinion is not modified in respect of this matter.

#### **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.

**Reasonableness of the estimate of the recoverable amount used in the impairment testing for goodwill attributable to the North America segment**

The key audit matter	How the matter was addressed in our audit
<p>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 ¥211,098 million in the consolidated statement of financial position as of March 31, 2026, which was attributable to the North America segment. The goodwill represents 26% of total assets in the consolidated financial statements.</p> <p>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.</p> <p>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, 2026.</p> <p>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.</p> <p>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.</p>	<p>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:</p> <p>(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.</p> <p>(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:</p> <ul style="list-style-type: none"> <li>● compared the business plan that formed the basis for estimating the future cash flows with the business plan approved by management, for consistency;</li> <li>● 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;</li> <li>● assessed whether the sales price of the products is set appropriately considering the impact of sales strategy and Inflation Reduction Act;</li> <li>● 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;</li> <li>● 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</li> <li>● 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.</li> </ul>

## **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 the audit and supervisory committee 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.

The audit and supervisory committee is 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 the audit and supervisory committee 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 the audit and supervisory committee 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 the audit and supervisory committee, 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 406 million yen and 41 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

Takuya Hasegawa  
Designated Engagement Partner  
Certified Public Accountant

*KPMG AZSA LLC*  
Osaka Office, Japan  
June 23, 2026