



## Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2023 [IFRS]

July 29, 2022

|   |   |
|---|---|
| <b>Company Name:</b>  | SUMITOMO PHARMA CO., LTD.   |
| <b>Stock Exchange Listings:</b>   | Tokyo   |
| <b>Security Code Number:</b>  | 4506 (URL <a href="https://www.sumitomo-pharma.com">https://www.sumitomo-pharma.com</a> ) |
| <b>Representative:</b>  | Hiroshi Nomura, Representative Director, President and Chief Executive Officer            |
| <b>Contact:</b>   | Naoki Noguchi, Executive Officer, Corporate Communications                                |
| <b>Telephone:</b>   | 03-5159-3300  |
| <b>Filing Date of Quarterly Financial Report:</b>                                   | August 3, 2022  |
| <b>Starting Date of Dividend Payments:</b>  | —   |
| <b>Preparation of Supplementary Financial Data for Quarterly Financial Results:</b> | Yes   |
| <b>Information Meeting for Quarterly Financial Results to be held:</b>              | Yes (for institutional investors and analysts)  |

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

### 1. Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2023 (April 1, 2022 to June 30, 2022)

#### (1) Results of Operations

(% represents changes from the previous year)

|                                  | Revenue         |       | Core operating profit |        | Operating profit |        | Net profit      |        | Net profit attributable to owners of the parent |        | Total comprehensive income |   |
|----------------------------------|-----------------|-------|-----------------------|--------|------------------|--------|-----------------|--------|---|--------|----------------------------|---|
|                                  | Millions of yen | %     | Millions of yen       | %      | Millions of yen  | %      | Millions of yen | %      | Millions of yen                                 | %      | Millions of yen            | % |
| Three months ended June 30, 2022 | 159,876         | 21.9  | 13,390                | 57.2   | 14,614           | 75.9   | 28,091          | —      | 31,108  | 547.8  | 74,839                     | — |
| Three months ended June 30, 2021 | 131,196         | (2.0) | 8,518                 | (65.0) | 8,306            | (64.3) | 807             | (94.8) | 4,802   | (73.7) | (6,752)                    | — |

Reference: Profit before taxes Three months ended June 30, 2022: ¥46,610 million  
Three months ended June 30, 2021: ¥7,957 million

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter referred to as "Non-recurring Items")

|                                  | Basic earnings per share | Earnings per share (diluted) |
|----------------------------------|--------------------------|------------------------------|
|                                  | Yen                      | Yen                          |
| Three months ended June 30, 2022 | 78.30                    | —                            |
| Three months ended June 30, 2021 | 12.09                    | —                            |

#### (2) Financial Position

|                      | Total assets    | Net assets      | Equity attributable to owners of the parent | Ratio of equity attributable to owners of the parent to total assets | Equity attributable to owners of the parent per share |
|----------------------|-----------------|-----------------|---|--|---|
|                      | Millions of yen | Millions of yen | Millions of yen                             | %  | Yen   |
| As of June 30, 2022  | 1,422,933       | 744,414         | 673,010                                     | 47.3   | 1,693.99  |
| As of March 31, 2022 | 1,308,007       | 673,569         | 607,888                                     | 46.5   | 1,530.08  |

## 2. Dividends

|  | Dividends per share |             |             |          |        |
|--|---------------------|-------------|-------------|----------|--------|
|  | 1st quarter         | 2nd quarter | 3rd quarter | Year-End | Annual |
|  | Yen                 | Yen         | Yen         | Yen      | Yen    |
| Year ended<br>March 31, 2022                 | —                   | 14.00       | —           | 14.00    | 28.00  |
| Year ending<br>March 31, 2023                | —                   |             |             |          |        |
| Year ending<br>March 31, 2023<br>(Forecasts) |                     | 14.00       | —           | 14.00    | 28.00  |

Note: Revision of dividend forecasts from the latest announcement: None

## 3. Consolidated Financial Forecasts for the Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% represents changes from the corresponding period of the previous year)

|                               | Net sales       |       | Core operating profit |        | Operating profit |        | Net profit attributable to owners of parent |        | Earnings per share |
|-------------------------------|-----------------|-------|-----------------------|--------|------------------|--------|---|--------|--------------------|
|                               | Millions of yen | %     | Millions of yen       | %      | Millions of yen  | %      | Millions of yen                             | %      | Yen                |
| Year ending<br>March 31, 2023 | 550,000         | (1.8) | 30,000                | (48.7) | 24,000           | (60.2) | 22,000                                      | (61.0) | 55.37              |

Note: Revision of dividend forecasts from the latest announcement: None

**Notes:**

- (1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation): None
- (2) Changes in accounting policies, accounting estimates, and retrospective restatements
- ① Changes in accounting standards required by IFRS: None
  - ② Changes due to changes in accounting standards other than (2),①: None
  - ③ Changes in accounting estimates: None
- (3) Number of shares outstanding (Common stock)
- ① Number of shares outstanding (Including treasury stock) at the end of period
    - June 30, 2022: 397,900,154 shares
    - March 31, 2022: 397,900,154 shares
  - ② Number of treasury stock at the end of period
    - June 30, 2022: 607,445 shares
    - March 31, 2022: 607,238 shares
  - ③ Average number of shares during the period
    - June 30, 2022: 397,292,798 shares
    - June 30, 2021: 397,293,647 shares

*This summary of financial results is exempt from audit procedures.*

**Explanation for Appropriate Use of Forecasts and Other Notes:**

*This material contains forecasts, projections, goals, plans, and other forward-looking statements regarding the Group's financial results and other data. Such forward-looking statements are based on the Company's assumptions, estimates, outlook, and other judgments made in light of information available at the time of preparation of such statements and involve both known and unknown risks and uncertainties. Accordingly, forecasts, plans, goals, and other statements may not be realized as described, and actual financial results, success/failure or progress of development, and other projections may differ materially from those presented herein. Please refer to page 4, "1. Qualitative Information for the Three Months Ended June 30, 2022 (4) Qualitative Information on Consolidated Financial Forecasts".*

*Myovant Sciences Ltd. (hereinafter, "Myovant") is listed on the New York Stock Exchange, and the Group holds approximately 52% of the outstanding shares of Myovant. ORGOVYX® (relugolix), MYFEMBREE®/RYEQO® (relugolix combination tablet) are owned by Myovant. This material contains information about Myovant, which is based on information disclosed by Myovant. For more information on Myovant, please visit <https://www.myovant.com>.*

*Supplementary financial data and the presentation materials for the earnings presentation are disclosed together with the summary of financial results.*

*The Company holds the conference call for institutional investors and analysts on Friday July 29, 2022. The audio of the conference call will be posted on our website promptly after the conference call.*

## 【Attachment Documents】

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## 1. Qualitative Information for the Three Months Ended June 30, 2022

The Group discloses its consolidated financial statements that are prepared in accordance with International Financial Reporting Standards (IFRS).

Forward-looking statements contained herein are based on the Group's judgments in light of information available as of the last day of the three-month period under review.

### (1) Qualitative Information on Business Results

(About the performance indicator of "Core operating profit")

The Group has set an original indicator for the Company's recurring profitability in the form of "Core operating profit". "Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter referred to as "Non-recurring Items"). Among the main non-recurring Items are impairment losses, business structure improvement expenses, and changes in fair value of contingent consideration related to company acquisitions.

Highlights of the Group's consolidated financial results for the first three months of the fiscal year ending March 31, 2023 are as follows:

|   | (Billions of yen)                   |                                     |        |          |
|---|-------------------------------------|-------------------------------------|--------|----------|
|   | Three months ended<br>June 30, 2021 | Three months ended<br>June 30, 2022 | Change | Change % |
| Revenue   | 131.2                               | 159.9                               | 28.7   | 21.9     |
| Core operating profit                           | 8.5                                 | 13.4                                | 4.9    | 57.2     |
| Operating profit                                | 8.3                                 | 14.6                                | 6.3    | 75.9     |
| Profit before taxes                             | 8.0                                 | 46.6                                | 38.7   | 485.8    |
| Net profit                                      | 0.8                                 | 28.1                                | 27.3   | —        |
| Net profit attributable to owners of the parent | 4.8                                 | 31.1                                | 26.3   | 547.8    |

The change % of net profit is not presented as it exceeds 1,000%.

#### ■ Revenue increased by 21.9% year-on-year to 159.9 billion yen.

Revenue increased in the segments of North America, China, and Other Regions owing to the favorable effects of the forex situation and the recording of an upfront payment, despite a revenue decrease in the Japan segment primarily owing to the impact of the National Health Insurance (NHI) drug price revisions.

#### ■ Core operating profit increased by 57.2% year-on-year to 13.4 billion yen.

Core operating profit increased as a rise in gross profit on account of revenue growth more than offset increases in selling, general and administrative expenses and R&D expenses primarily due to the effects of the forex situation.

#### ■ Operating profit increased by 75.9% year-on-year to 14.6 billion yen.

Operating profit, as with core operating profit, increased due to the absence of major increases/decreases in fair value of contingent consideration and other non-recurring items.

#### ■ Profit before taxes increased by 485.8% year-on-year to 46.6 billion yen.

Profit before taxes increased significantly as, in addition to the increase in operating profit, financial income/expenses—the balance of financial income after the deduction of financial expenses—increased substantially owing to the recording of forex gains resulting from the yen's depreciation during the quarterly accounting period under review.

#### ■ Net profit increased by —% year-on-year to 28.1 billion yen.

Net profit increased as well, as profit before taxes increased.

#### ■ Net profit attributable to owners of the parent decreased by 547.8% year-on-year to 31.1 billion yen.

Net profit attributable to owners of the parent—the amount of net profit less the amount of losses attributable to non-controlling interests—increased as well owing to the significant magnitude of the increase in net profit.

The ratio of net profit attributable to owners of the parent to revenue was 19.5%.

(About the segment performance indicator of "Core segment profit")

For segment performance, the Group has set an original performance indicator for each segment's recurring profitability in the form of "Core segment profit".

"Core segment profit" is each segment profit calculated by deducting from "Core operating profit" any items such as R&D expenses and gains and losses on business transfers, which are managed globally and thus cannot be allocated to individual segments.

#### [Japan segment]

■ **Revenue decreased by 12.9% year-on-year to 33.7 billion yen.**

Revenue decreased primarily owing to the impact of the NHI drug price revisions, despite sales growth of LATUDA® (atypical antipsychotic).

■ **Core segment decreased by 76.5% year-on-year to 1.6 billion yen.**

This decrease is mainly attributable to a decline in gross profit on account of negative revenue growth.

#### [North America segment]

■ **Revenue increased by 33.3% year-on-year to 95.2 billion yen.**

This increase is mainly attributable to sales growth of LATUDA® and some of the products from Sumitovant Biopharma Ltd. (hereinafter "Sumitovant Biopharma"), including ORGOVYX® (therapeutic agent for advanced prostate cancer) and GEMTESA® (therapeutic agent for overactive bladder), as well as the recognition as revenue of an upfront payment received in consideration of the exclusive license agreement to commercialize ORGOVYX® (generic name: relugolix) in Europe.

■ **Core segment profit increased by 27.2% year-on-year to 23.1 billion yen.**

Core segment profit increased as gross profit grew faster than increases in expenses for the Sumitovant Group and in selling, general and administrative expenses due to the effects of forex situation.

#### [China segment]

■ **Revenue increased by 36.4% year-on-year to 11.6 billion yen.**

This increase is attributable to the significant boost in sales of MEROPEN® (carbapenem antibiotic).

■ **Core segment profit increased by 24.8% year-on-year to 5.3 billion yen.**

This increase is attributable to a rise in gross profit on account of revenue growth.

#### [Other Regions segment]

■ **Revenue increased by 206.0% year-on-year to 8.4 billion yen.**

Revenue increased owing to the significant magnitude of the recognition as revenue of an upfront payment received in consideration of the exclusive license agreement to develop and commercialize highly selective oral orexin-2 receptor agonist (DSP-0187) in all regions throughout the world, with the exception of Japan, China, and certain Asia/Pacific countries and regions.

■ **Core segment profit increased by 989.7% year-on-year to 6.8 billion yen.**

This increase is attributable to a rise in gross profit on account of revenue growth.

In addition to the above reportable segments, the Group is also engaged in sales of food ingredients, food additives, materials for chemical products, veterinary drugs, and other product lines, which generated revenue of 11.0 billion yen (increased by 11.5% year-on-year) and core segment profit of 1.0 billion yen (increased by 1.1% year-on-year).

**(2) Qualitative Information on Financial Condition**

Non-current assets increased by 57.4 billion yen from the previous fiscal year-end, primarily owing to increases in goodwill and intangible assets due to the yen's depreciation.

Current assets increased by 57.6 billion yen from the previous fiscal year-end, as a result of increases in cash and cash equivalents, as well as trade and other receivables, despite a decrease in other financial assets.

As a result, total assets decreased by 114.9 billion yen from the previous fiscal year-end to 1,422.9 billion yen.

Liabilities increased by 44.1 billion yen from the previous fiscal year-end to 678.5 billion yen as a result of increases in provisions and trade and other payables. Bonds and borrowings totaled 268.9 billion yen, down by 0.1 billion yen from the previous fiscal year-end.

Equity attributable to owners of the parent increased by 65.1 billion yen from the previous fiscal year-end to 673.0 billion yen, as a result of an increase in retained earnings and other components of equity. Meanwhile, non-controlling interests increased by 5.7 billion yen from the previous fiscal year-end.

As a result, total equity increased by 70.8 billion yen from the previous fiscal year-end to 744.4 billion yen.

The ratio of equity attributable to owners of the parent to total assets as of the end of the quarterly accounting period under review was 47.3%.

**(3) Qualitative Information on Cash Flows**

Cash flows provided by operating activities amounted to 13.2 billion yen, an increase of 46.0 billion yen year-on-year, primarily owing to the increase in profit before taxes and a decrease in income taxes paid.

Cash flows provided by investing activities amounted 22.4 billion yen, primarily owing to a decrease in short-term loan receivables.

Cash flows used in financial activities amounted to 6.6 billion yen, primarily owing to dividends paid.

After adding the translation adjustments for cash and cash equivalents to the above cash flows, the balance of cash and cash equivalents at the end of the quarterly accounting period under review was 255.4 billion yen, which represents an increase of 52.5 billion yen from the previous fiscal year-end.

**(4) Qualitative Information on Consolidated Financial Forecasts**

The Company has not revised the consolidated financial forecasts that were announced on May 13, 2022.

## 2. Consolidated Financial Statements

### (1) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

#### Consolidated Statement of Profit or Loss

(Millions of yen)

|  | Three months ended<br>June 30, 2021 | Three months ended<br>June 30, 2022 |
|--|-------------------------------------|-------------------------------------|
| Revenue                                      | 131,196                             | 159,876                             |
| Cost of sales                                | 38,476                              | 46,056                              |
| Gross profit                                 | 92,720                              | 113,820                             |
| Selling, general and administrative expenses | 62,061                              | 77,289                              |
| Research and development expenses            | 22,429                              | 24,422                              |
| Other income                                 | 354                                 | 2,788                               |
| Other expenses                               | 278                                 | 283                                 |
| Operating profit                             | 8,306                               | 14,614                              |
| Finance income                               | 611                                 | 32,879                              |
| Finance costs                                | 960                                 | 883                                 |
| Profit before taxes                          | 7,957                               | 46,610                              |
| Income tax expenses                          | 7,150                               | 18,519                              |
| Net profit                                   | 807                                 | 28,091                              |
| Net profit attributable to:                  |                                     |                                     |
| Owners of the parent                         | 4,802                               | 31,108                              |
| Non-controlling interests                    | (3,995)                             | (3,017)                             |
| Net profit total                             | 807                                 | 28,091                              |
| Earnings per share (yen)                     |                                     |                                     |
| Basic earnings per share                     | 12.09                               | 78.30                               |

#### Consolidated Statement of Comprehensive Income

(Millions of yen)

|  | Three months ended<br>June 30, 2021 | Three months ended<br>June 30, 2022 |
|--|-------------------------------------|-------------------------------------|
| Net profit   | 807                                 | 28,091                              |
| Other comprehensive income   |                                     |                                     |
| Items that will not be reclassified to profit or loss:   |                                     |                                     |
| Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income | (6,643)                             | (2,283)                             |
| Remeasurements of defined benefit liability (asset)  | (22)                                | —                                   |
| Items that may be reclassified subsequently to profit or loss:   |                                     |                                     |
| Exchange differences on translation of foreign operations  | (886)                               | 48,903                              |
| Cash flow hedges   | (8)                                 | 128                                 |
| Total other comprehensive income   | (7,559)                             | 46,748                              |
| Total comprehensive income   | (6,752)                             | 74,839                              |
| Total comprehensive income attributable to:  |                                     |                                     |
| Owners of the parent   | (2,668)                             | 70,322                              |
| Non-controlling interests  | (4,084)                             | 4,517                               |
| Total comprehensive income   | (6,752)                             | 74,839                              |



**(2) Consolidated Statement of Financial Position**

(Millions of yen)

|                                 | As of<br>March 31, 2022 | As of<br>June 30, 2022 |
|---------------------------------|-------------------------|------------------------|
| <b>Assets</b>                   |                         |                        |
| Non-current assets              |                         |                        |
| Property, plant and equipment   | 64,091                  | 61,889                 |
| Goodwill                        | 195,144                 | 217,830                |
| Intangible assets               | 398,692                 | 436,552                |
| Other financial assets          | 115,844                 | 114,350                |
| Income taxes receivable         | 5,538                   | 6,182                  |
| Other non-current assets        | 6,527                   | 6,410                  |
| Deferred tax assets             | 22,650                  | 22,629                 |
| <b>Total non-current assets</b> | <b>808,486</b>          | <b>865,842</b>         |
| Current assets                  |                         |                        |
| Inventories                     | 99,021                  | 110,114                |
| Trade and other receivables     | 151,407                 | 168,664                |
| Other financial assets          | 35,596                  | 10,147                 |
| Income taxes receivable         | 93                      | 157                    |
| Other current assets            | 10,420                  | 12,566                 |
| Cash and cash equivalents       | 202,984                 | 255,443                |
| <b>Total current assets</b>     | <b>499,521</b>          | <b>557,091</b>         |
| <b>Total assets</b>             | <b>1,308,007</b>        | <b>1,422,933</b>       |

(Millions of yen)

|   | As of<br>March 31, 2022 | As of<br>June 30, 2022 |
|---|-------------------------|------------------------|
| Liabilities and equity                      |                         |                        |
| Liabilities                                 |                         |                        |
| Non-current liabilities                     |                         |                        |
| Bonds and borrowings                        | 243,963                 | 244,004                |
| Other financial liabilities                 | 16,471                  | 16,200                 |
| Retirement benefit liabilities              | 11,461                  | 11,545                 |
| Other non-current liabilities               | 57,620                  | 56,314                 |
| Deferred tax liabilities                    | 26,550                  | 29,734                 |
| Total non-current liabilities               | 356,065                 | 357,797                |
| Current liabilities                         |                         |                        |
| Borrowings                                  | 25,085                  | 24,908                 |
| Trade and other payables                    | 46,183                  | 58,721                 |
| Other financial liabilities                 | 13,302                  | 9,727                  |
| Income taxes payable                        | 7,583                   | 17,305                 |
| Provisions                                  | 119,149                 | 142,860                |
| Other current liabilities                   | 67,071                  | 67,201                 |
| Total current liabilities                   | 278,373                 | 320,722                |
| Total liabilities                           | 634,438                 | 678,519                |
| Equity                                      |                         |                        |
| Share capital                               | 22,400                  | 22,400                 |
| Capital surplus                             | 16,725                  | 17,087                 |
| Treasury shares                             | (681)                   | (681)                  |
| Retained earnings                           | 514,210                 | 539,085                |
| Other components of equity                  | 55,234                  | 95,119                 |
| Equity attributable to owners of the parent | 607,888                 | 673,010                |
| Non-controlling interests                   | 65,681                  | 71,404                 |
| Total equity                                | 673,569                 | 744,414                |
| Total liabilities and equity                | 1,308,007               | 1,422,933              |

### (3) Consolidated Statement of Changes in Equity

(Millions of yen)

|   | Equity attributable to owners of the parent |                 |                 |                   |  |   |
|---|---|-----------------|-----------------|-------------------|--|---|
|   | Share capital                               | Capital surplus | Treasury shares | Retained earnings | Other components of equity   |   |
|   |   |                 |                 |                   | Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit liability (asset) |
| Balance as of April 1, 2021   | 22,400                                      | 15,855          | (679)           | 508,677           | 38,575   | —   |
| Net profit  | —   | —               | —               | 4,802             | —  | —   |
| Other comprehensive income  | —   | —               | —               | —                 | (6,643)  | (22)  |
| Total comprehensive income  | —   | —               | —               | 4,802             | (6,643)  | (22)  |
| Purchase of treasury shares   | —   | —               | (0)             | —                 | —  | —   |
| Dividends   | —   | —               | —               | (5,563)           | —  | —   |
| Transaction with non-controlling interests                            | —   | 1,703           | —               | —                 | —  | —   |
| Reclassification from other components of equity to retained earnings | —   | —               | —               | 2,059             | (2,081)  | 22  |
| Total transactions with owners  | —   | 1,703           | (0)             | (3,504)           | (2,081)  | 22  |
| Balance as of June 30, 2021   | 22,400                                      | 17,558          | (679)           | 509,975           | 29,851   | —   |
| Balance as of April 1, 2022   | 22,400                                      | 16,725          | (681)           | 514,210           | 23,838   | —   |
| Net profit  | —   | —               | —               | 31,108            | —  | —   |
| Other comprehensive income  | —   | —               | —               | —                 | (2,283)  | —   |
| Total comprehensive income  | —   | —               | —               | 31,108            | (2,283)  | —   |
| Purchase of treasury shares   | —   | —               | (0)             | —                 | —  | —   |
| Dividends   | —   | —               | —               | (5,562)           | —  | —   |
| Transaction with non-controlling interests                            | —   | 362             | —               | —                 | —  | —   |
| Reclassification from other components of equity to retained earnings | —   | —               | —               | (671)             | 671  | —   |
| Total transactions with owners  | —   | 362             | (0)             | (6,233)           | 671  | —   |
| Balance as of June 30, 2022   | 22,400                                      | 17,087          | (681)           | 539,085           | 22,226   | —   |

Sumitomo Pharma Co., Ltd. (4506)  
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(Millions of yen)

|   | Equity attributable to owners of the parent               |                  |         |         | Non-controlling interests | Total equity |
|---|---|------------------|---------|---------|---------------------------|--------------|
|   | Other components of equity                                |                  |         | Total   |                           |              |
|   | Exchange differences on translation of foreign operations | Cash flow hedges | Total   |         |                           |              |
| Balance as of April 1, 2021   | (4,331)   | 73               | 34,317  | 580,570 | 67,608                    | 648,178      |
| Net profit  | —   | —                | —       | 4,802   | (3,995)                   | 807          |
| Other comprehensive income  | (797)   | (8)              | (7,470) | (7,470) | (89)                      | (7,559)      |
| Total comprehensive income  | (797)   | (8)              | (7,470) | (2,668) | (4,084)                   | (6,752)      |
| Purchase of treasury shares   | —   | —                | —       | (0)     | —                         | (0)          |
| Dividends   | —   | —                | —       | (5,563) | —                         | (5,563)      |
| Transaction with non-controlling interests                            | —   | —                | —       | 1,703   | 1,128                     | 2,831        |
| Reclassification from other components of equity to retained earnings | —   | —                | (2,059) | —       | —                         | —            |
| Total transactions with owners  | —   | —                | (2,059) | (3,860) | 1,128                     | (2,732)      |
| Balance as of June 30, 2021   | (5,128)   | 65               | 24,788  | 574,042 | 64,652                    | 638,694      |

|   |        |     |        |         |         |         |
|---|--------|-----|--------|---------|---------|---------|
| Balance as of April 1, 2022   | 31,273 | 123 | 55,234 | 607,888 | 65,681  | 673,569 |
| Net profit  | —      | —   | —      | 31,108  | (3,017) | 28,091  |
| Other comprehensive income  | 41,369 | 128 | 39,214 | 39,214  | 7,534   | 46,748  |
| Total comprehensive income  | 41,369 | 128 | 39,214 | 70,322  | 4,517   | 74,839  |
| Purchase of treasury shares   | —      | —   | —      | (0)     | —       | (0)     |
| Dividends   | —      | —   | —      | (5,562) | —       | (5,562) |
| Transaction with non-controlling interests                            | —      | —   | —      | 362     | 1,206   | 1,568   |
| Reclassification from other components of equity to retained earnings | —      | —   | 671    | —       | —       | —       |
| Total transactions with owners  | —      | —   | 671    | (5,200) | 1,206   | (3,994) |
| Balance as of June 30, 2022   | 72,642 | 251 | 95,119 | 673,010 | 71,404  | 744,414 |

#### (4) Consolidated Statements of Cash Flows

(Millions of yen)

|  | Three months ended<br>June 30, 2021 | Three months ended<br>June 30, 2022 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities                         |                                     |                                     |
| Net profit   | 807                                 | 28,091                              |
| Depreciation and amortization                                | 8,271                               | 11,518                              |
| Changes in fair value of contingent consideration            | 88                                  | 78                                  |
| Interest and dividend income                                 | (605)                               | (837)                               |
| Interest expenses  | 732                                 | 747                                 |
| Income tax expenses  | 7,150                               | 18,519                              |
| (Increase) decrease in trade and other receivables           | (19,091)                            | (6,139)                             |
| (Increase) decrease in inventories                           | (2,928)                             | 1,957                               |
| Increase (decrease) in trade and other payables              | (202)                               | 4,839                               |
| (Increase) decrease in deferred revenue                      | 7,720                               | (3,369)                             |
| Increase (decrease) in other financial liabilities           | (1,940)                             | (3,248)                             |
| Increase (decrease) in retirement benefits liabilities       | 101                                 | 16                                  |
| Increase (decrease) in provisions                            | (1,990)                             | 9,388                               |
| Others, net  | (7,509)                             | (41,034)                            |
| Subtotal   | (9,396)                             | 20,526                              |
| Interest received  | 40                                  | 243                                 |
| Dividends received   | 563                                 | 579                                 |
| Interest paid  | (177)                               | (216)                               |
| Income taxes paid  | (23,835)                            | (7,943)                             |
| Net cash provided by (used in) operating activities          | (32,805)                            | 13,189                              |
| Cash flows from investing activities                         |                                     |                                     |
| Purchase of property, plant and equipment                    | (1,569)                             | (2,352)                             |
| Proceeds from sales of property, plant and equipment         | 126                                 | 181                                 |
| Purchase of intangible assets                                | (1,386)                             | (1,607)                             |
| Purchase of investments                                      | (10,227)                            | (2,506)                             |
| Proceeds from sales and redemption of investments            | 3,991                               | 584                                 |
| Net decrease (increase) in short-term loan receivables       | 27,678                              | 27,241                              |
| Others, net  | (925)                               | 908                                 |
| Net cash provided by (used in) investing activities          | 17,688                              | 22,449                              |
| Cash flows from financing activities                         |                                     |                                     |
| Repayments of long-term borrowings                           | (740)                               | (740)                               |
| Repayments of finance lease obligations                      | (1,168)                             | (1,130)                             |
| Dividends paid   | (5,491)                             | (5,488)                             |
| Others, net  | 495                                 | 714                                 |
| Net cash provided by (used in) financing activities          | (6,904)                             | (6,644)                             |
| Net increase (decrease) in cash and cash equivalents         | (22,021)                            | 28,994                              |
| Cash and cash equivalents at beginning of year               | 193,698                             | 202,984                             |
| Effect of exchange rate changes on cash and cash equivalents | (759)                               | 23,465                              |
| Cash and cash equivalents at end of period                   | 170,918                             | 255,443                             |

## **(5) Notes to Consolidated Financial Statements**

(Notes on Premise of Going Concern)

Not applicable.

(Significant Accounting Policies)

The significant accounting policies applied to this Quarterly Consolidated Financial Statements are the same as those for the prior fiscal year's consolidated financial statements.

Income tax expenses for the three months ended June 30, 2022 are calculated based on the estimated average annual effective tax rate.

(Operating Segments)

The Group has set an original performance indicator for the Company's recurring profitability in the form of "Core operating profit".

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors designated by the Group. Among the main non-recurring items are impairment losses, restructuring costs and changes in fair value of contingent consideration related to company acquisitions.

(1) Reportable segments

The Group is mainly engaged in manufacture, purchase and sales of pharmaceuticals for medical treatment and manages the performance of pharmaceutical business by market in Japan, North America, China and etc. Therefore, the Group has four reportable segments: Japan, North America, China, and Other Regions.

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) Revenues and operating results of the reportable segments

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

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 each segment profit calculated by deducting from core operating profit R&D 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.

As for the amount of core segment profit and its change from the same period of the previous fiscal year related to "Other Business" category which are not included in the reportable segments in the "1. Qualitative Information for the Three Months Ended June 30, 2022 (1) Qualitative Information on Business Results", are included in profit eliminated for inter-segment transactions.

① Three months ended June 30, 2021

(Millions of yen)

|                                      | Reportable segments |               |       |               |          | Other Business (Note) | Total   |
|--------------------------------------|---------------------|---------------|-------|---------------|----------|-----------------------|---------|
|                                      | Pharmaceutical      |               |       |               |          |                       |         |
|                                      | Japan               | North America | China | Other Regions | Subtotal |                       |         |
| Revenues from external customers     | 38,650              | 71,392        | 8,529 | 2,740         | 121,311  | 9,885                 | 131,196 |
| Inter-segment revenues and transfers | 19                  | —             | —     | —             | 19       | 9                     | 28      |
| Total                                | 38,669              | 71,392        | 8,529 | 2,740         | 121,330  | 9,894                 | 131,224 |
| Segment profit (Core segment profit) | 6,733               | 18,145        | 4,257 | 623           | 29,758   | 1,003                 | 30,761  |

Note: The "Other Business" category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs and other products.

② Three months ended June 30, 2022

(Millions of yen)

|  | Reportable segments |               |        |               |          | Other Business (Note) | Total   |
|--|---------------------|---------------|--------|---------------|----------|-----------------------|---------|
|  | Pharmaceuticals     |               |        |               |          |                       |         |
|  | Japan               | North America | China  | Other Regions | Subtotal |                       |         |
| Revenues from external customers, etc. | 33,678              | 95,155        | 11,633 | 8,384         | 148,850  | 11,026                | 159,876 |
| Inter-segment revenues and transfers   | 19                  | —             | —      | —             | 19       | 14                    | 33      |
| Total                                  | 33,697              | 95,155        | 11,633 | 8,384         | 148,869  | 11,040                | 159,909 |
| Segment profit (Core segment profit)   | 1,581               | 23,082        | 5,313  | 6,789         | 36,765   | 1,011                 | 37,776  |

Note: The "Other Business" category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs and other products.

(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 yen)

| Revenue  | Three months ended<br>June 30, 2021 | Three months ended<br>June 30, 2022 |
|--|-------------------------------------|-------------------------------------|
| Total of reportable segments                     | 121,330                             | 148,869                             |
| Revenue of Other Business                        | 9,894                               | 11,040                              |
| Elimination of inter-segment revenue             | (28)                                | (33)                                |
| Revenue on the consolidated financial statements | 131,196                             | 159,876                             |

(Millions of yen)

| Profit  | Three months ended<br>June 30, 2021 | Three months ended<br>June 30, 2022 |
|---|-------------------------------------|-------------------------------------|
| Total of reportable segments                              | 29,758                              | 36,765                              |
| Segment profit of Other Business                          | 1,003                               | 1,011                               |
| Elimination of inter-segment profit                       | 9                                   | 12                                  |
| Research and development expenses (Note)                  | (22,429)                            | (24,422)                            |
| Gains on business transfers                               | 164                                 | —                                   |
| Others  | 13                                  | 24                                  |
| Core operating profit                                     | 8,518                               | 13,390                              |
| Change in fair value of contingent consideration          | (88)                                | (78)                                |
| Other income  | 177                                 | 2,764                               |
| Other expenses  | (278)                               | (283)                               |
| Others  | (23)                                | (1,179)                             |
| Operating profit in the consolidated financial statements | 8,306                               | 14,614                              |

Note: 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 expenses related to R&D excluded from calculation of core operating profit.

(Significant subsequent event)

Not applicable.