



## Summary of Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2024 [IFRS]

January 31, 2024

<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> )
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<b>Filing Date of Quarterly Financial Report:</b>	February 1, 2024
<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, analysts and the press)

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

### 1. Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2024 (April 1, 2023 to December 31, 2023)

#### (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	%
Nine months ended December 31, 2023	235,028	(48.9)	(96,387)	—	(117,745)	—	(117,699)	—	(117,708)	—	(60,408)	—
Nine months ended December 31, 2022	460,265	6.5	42,926	(27.2)	(17,777)	—	(32,627)	—	(18,502)	—	28,682	25.9

Reference: Profit before taxes    Nine months ended December 31, 2023: ¥ (105,191) million

Nine months ended December 31, 2022: ¥ 2,192 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
Nine months ended December 31, 2023	(296.28)	—
Nine months ended December 31, 2022	(46.57)	—

#### (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 December 31, 2023	1,059,970	343,593	343,551	32.4	864.73
As of March 31, 2023	1,134,742	406,782	406,749	35.8	1,023.80

## 2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	—	14.00	—	7.00	21.00
Year ending March 31, 2024	—	0.00	—		
Year ending March 31, 2024 (Forecasts)				0.00	0.00

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

## 3. Consolidated Financial Forecasts for the Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

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

	Revenue		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 March 31, 2024	317,000	(42.9)	(134,000)	—	(156,000)	—	(141,000)	—	(354.90)

Note: Revision of consolidated financial forecasts from the latest announcement: Yes

### Notes:

(1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation): Yes

(New: None)

(Excluded: 6 companies) Myovant Sciences Ltd.  
Sumitomo Pharma Oncology, Inc.  
Sumitovant Biopharma, Inc.  
Myovant Sciences, Inc.  
Enzyvant Therapeutics GmbH  
Altavant Sciences GmbH

(2) Changes in accounting policies, accounting estimates

① Changes in accounting policy required by IFRS: None

② Changes in accounting policy other than (2),①: None

③ Changes in accounting estimates: None

(3) Number of shares issued (Common stock)

① Number of shares issued (Including treasury stock) at the end of period

December 31, 2023: 397,900,154 shares

March 31, 2023: 397,900,154 shares

② Number of treasury stock at the end of period

December 31, 2023: 609,052 shares

March 31, 2023: 608,365 shares

③ Average number of shares outstanding during the period

December 31, 2023: 397,291,364 shares

December 31, 2022: 397,292,402 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 disclosure 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 caused by various factors thereafter. Please refer to page 5 of attachment Documents, "1. Qualitative Information for the Nine Months Ended December 31, 2023 (4) Qualitative Information on Consolidated Financial Forecasts".*

*Information concerning pharmaceuticals and medical devices (including those under development) contained herein is not intended as advertising or as medical advice.*

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

*The Company holds an earnings presentation for institutional investors, analysts and the press on Wednesday January 31, 2024. The audio of the presentation will be posted on its website promptly after the presentation.*

**【Attachment Documents】**

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## 1. Qualitative Information for the Nine Months Ended December 31, 2023

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 nine-month period.

### (1) Qualitative Information on Business Results

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

The Group has set an original indicator to show the Group'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"). 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 nine months of the fiscal year ending March 31, 2024 are as follows:

	(Billions of yen)			
	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change	Change %
Revenue	460.3	235.0	(225.2)	(48.9)
Core operating profit	42.9	(96.4)	(139.3)	—
Operating profit	(17.8)	(117.7)	(100.0)	—
Profit before taxes	2.2	(105.2)	(107.4)	—
Net profit	(32.6)	(117.7)	(85.1)	—
Net profit attributable to owners of the parent	(18.5)	(117.7)	(99.2)	—

#### ■ Revenue decreased by 48.9% year-on-year to 235.0 billion yen.

Revenue showed a decrease owing to the loss of exclusivity for LATUDA® (atypical antipsychotic) in the U.S. and the exclusion of two consolidated subsidiaries in Japan, Sumitomo Pharma Food & Chemical Co., Ltd. and Sumitomo Pharma Animal Health Co., Ltd., from the Group following the transfer of all of their shares, despite growing sales of ORGOVYX® (therapeutic agent for advanced prostate cancer), MYFEMBREE® (therapeutic agent for uterine fibroids and endometriosis), and GEMTESA® (therapeutic agent for overactive bladder) (collectively, the "Three Key Products").

#### ■ Core operating loss was 96.4 billion yen, compared with a profit of 42.9 billion yen for the nine months ended December 31, 2022.

The Group posted a core operating loss owing to a significant decrease in gross profit on account of a revenue decline, despite a decrease in selling, general and administrative expenses mainly due to the restructuring of the group companies in North America, as well as the recording of other income resulting from the transfer of the shares of Sumitomo Pharma Animal Health Co., Ltd.

#### ■ Operating loss was 117.7 billion yen, compared with a loss of 17.8 billion yen for the nine months ended December 31, 2022.

Operating loss increased year-on-year due to the recording of the core operating loss and business structure improvement expenses following the restructuring of group companies in North America, despite the recognition of impairment losses for the nine months ended December 31, 2022, primarily for patent rights.

#### ■ Loss before taxes was 105.2 billion yen, compared with a profit of 2.2 billion yen for the nine months ended December 31, 2022.

The Group posted a loss before taxes as the recording of foreign exchange gains due to the yen's depreciation was outweighed by a decrease in operating profit.

#### ■ Net loss was 117.7 billion yen, compared with a loss of 32.6 billion yen for the nine months ended December 31, 2022.

Net loss increased year-on-year due to an increase of loss before taxes.

■ **Net loss attributable to owners of the parent was 117.7 billion yen, compared with a loss of 18.5 billion yen for the nine months ended December 31, 2022.**

Net loss attributable to owners of the parent, which is the amount of net loss less the amount of profit attributable to non-controlling interests, increased year-on-year mainly due to an increase in net loss.

(About “core segment profit” set as a segment performance indicator)

For segment performance, the Group has set “core segment profit” as an original performance indicator to show each segment’s recurring profitability.

“Core segment profit” indicates each segment profit calculated by deducting 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, from “core operating profit.”

Status of each reportable segment

With the change in the reportable segments from the three months ended June 30, 2023, comparisons are made by reclassifying entries for the corresponding period of the previous fiscal year according to the new reportable segments. For details of the change in the reportable segments, please see “2. Condensed Consolidated Financial Statements and Major Notes, (5) Notes to Condensed Consolidated Financial Statements, (Segment Information), (2) Changes in Reportable Segments.”

[Japan segment]

■ **Revenue decreased by 39.2% year-on-year to 89.2 billion yen.**

Despite growing sales of TWYMEEG<sup>®</sup> (therapeutic agent for type 2 diabetes), LATUDA<sup>®</sup>, and other products, revenue showed a decrease owing to the conclusion of the sales collaboration for Trulicity<sup>®</sup> (therapeutic agent for type 2 diabetes) in December 2022, the recognition as revenue of an upfront payment received in consideration of the license agreement in the corresponding period of the previous fiscal year, and the exclusion of the two consolidated subsidiaries in Japan from the Group following the transfer of all of their shares.

■ **Core segment profit decreased by 42.6% year-on-year to 11.3 billion yen.**

Core segment profit showed a decrease as the reduction in selling, general and administrative expenses was outweighed by a decrease in gross profit on account of a revenue decline.

[North America segment]

■ **Revenue decreased by 58.7% year-on-year to 115.4 billion yen.**

Revenue showed a decrease owing to the impact of the loss of exclusivity for LATUDA<sup>®</sup> in the U.S. in February 2023, despite growing sales of the Three Key Products and RETHYMIC<sup>®</sup> (therapeutic agent for pediatric congenital athymia).

■ **Core segment loss was 60.1 billion yen, compared with a profit of 55.7 billion yen for the nine months ended December 31, 2022.**

The Group posted a core segment loss as the reduction in selling, general and administrative expenses, primarily owing to the loss of exclusivity for LATUDA<sup>®</sup> and the restructuring of group companies in North America, was outweighed by a decrease in gross profit on account of a revenue decline.

[Asia segment]

■ **Revenue decreased by 10.9% year-on-year to 30.5 billion yen.**

Revenue showed a decrease owing to the significant impact of a decline in sales of MEROPEN<sup>®</sup> (carbapenem antibiotic) in China as a results of government measures to curb drug costs, despite an increase in sales revenue in Southeast Asia.

■ **Core segment profit decreased by 20.9% year-on-year to 14.0 billion yen.**

Core segment profit decreased owing to a decrease in gross profit on account of a revenue decline.

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

Non-current assets increased by 42.9 billion yen from the previous fiscal year-end, primarily owing to an increase in other financial assets mainly due to changes in fair value measurement of investment securities held by the Company and increases in goodwill and intangible assets due to the effects of foreign currency translation.

Current assets decreased by 117.7 billion yen from the previous fiscal year-end as a result of decreases in cash and cash equivalents and other financial assets, despite an increase in inventories.

As a result, total assets decreased by 74.8 billion yen from the previous fiscal year-end to 1,060.0 billion yen.

Liabilities decreased by 11.6 billion yen from the previous fiscal year-end to 716.4 billion yen as a result of decreases in provisions relating to sales rebates in the U.S., other current liabilities, and others, despite an increase in borrowings from financial institutions.

Total equity decreased by 63.2 billion yen to 343.6 billion yen from the previous fiscal year-end as a result of a decrease in retained earnings, despite increases in other components of equity mainly due to changes in fair value measurement of investment securities held by the Company and the yen's depreciation.

The ratio of equity attributable to owners of the parent to total assets as of the end of the quarterly accounting period was 32.4%.

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

Cash flows used in operating activities amounted to 230.7 billion yen due to a year-on-year decrease in net cash inflow of 287.3 billion yen, primarily owing to the recording of a net loss, as well as a decrease in provisions and an increase in income taxes paid.

Cash flows provided by investing activities increased by 16.7 billion yen year-on-year to 38.3 billion yen, primarily owing to increases due to the sale of investment securities, the loss of control over a subsidiary following the transfer of shares of Sumitomo Pharma Animal Health Co., Ltd., and a decrease in short-term loans receivables.

Cash flows provided by financial activities increased by 105.1 billion yen year-on-year to 72.1 billion yen primarily owing to an increase in short-term loan payables.

After adding the translation adjustments for cash and cash equivalents and an increase resulting from transfer to assets held for sale to the above cash flows, the balance of cash and cash equivalents at the end of the quarterly accounting period was 36.5 billion yen, which represents a decrease of 107.0 billion yen from the previous fiscal year-end.

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

Given the Group's recent business performance trends, the Company has revised the consolidated financial forecasts for the year ending March 31, 2024 announced on May 15, 2023, as follows:

##### 1. Revisions to the Forecasts of Consolidated Financial Results for the Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

	Revenue	Core operating profit	Operating profit	Net profit attributable to owners of the parent	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecasts (A)	362,000	(62,000)	(78,000)	(80,000)	(201.36)
Revised Forecasts (B)	317,000	(134,000)	(156,000)	(141,000)	(354.90)
Variance in amount (B-A)	(45,000)	(72,000)	(78,000)	(61,000)	—
Variance in percent (%)	(12.4)	—	—	—	—
[Reference] Year ended March 31, 2023	555,544	16,364	(76,979)	(74,512)	(187.55)

Note: Core operating profit is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors, including changes in fair value of contingent consideration, impairment losses, and business structure improvement expenses.

##### 2. The reason for revision

For the revised forecasts announced today, the Company has changed assumed exchange rates (average exchange rates) for the full-year period from its previous forecasts of 130.0 JPY to 145.0 JPY against 1 USD and 19.5 JPY to 20.0 JPY against 1 RMB.

Despite the positive impact of an increase in revenue as a result of the revision of assumed exchange rates, the Company has revised its previous forecasts for revenue to 317.0 billion yen (down by 45.0 billion yen), given the expected downward revision in sales of the Three Key Products, LATUDA<sup>®</sup>, and other products in the North America segment.

Meanwhile, selling, general and administrative expenses and R&D expenses are now expected to increase by 20.0 billion yen and 8.0 billion yen, respectively, due to an impact of the revision of assumed exchange rates.

As a result, the Company has revised its previous forecasts for core operating loss to 134.0 billion yen (down by 72.0 billion yen). The Company has also revised its previous forecasts for operating loss to 156.0 billion yen (down by 78.0 billion yen), as business structure improvement expenses associated with the restructuring of group companies in North America in July 2023 are expected to surpass the previous forecasts.

In addition, now that foreign exchange gains under finance income are expected to increase due to the revision of assumed exchange rates, the Company has revised its previous forecasts for net profit attributable to owners of the parent to a loss of 141.0 billion yen (down by 61.0 billion yen). Also, the Company will conduct impairment tests in the fourth quarter of the year ending March 31, 2024, and impairment losses are not included in the financial forecasts.

Note: Consolidated Financial Forecasts above are based on the certain assumptions considered reasonable and on information available at the time of disclosure of such statements. Accordingly, actual financial results may differ from those presented herein caused by various factors thereafter.

## 2. Condensed Consolidated Financial Statements and Major Notes

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

#### Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Revenue	460,265	235,028
Cost of sales	139,766	93,190
Gross profit	320,499	141,838
Selling, general and administrative expenses	289,469	191,558
Research and development expenses	75,996	73,647
Other income	28,274	7,147
Other expenses	1,085	1,525
Operating profit (loss)	(17,777)	(117,745)
Finance income	22,648	15,288
Finance costs	2,679	2,734
Profit (loss) before taxes	2,192	(105,191)
Income tax expenses	34,819	12,508
Net profit (loss)	(32,627)	(117,699)
Net profit (loss) attributable to:		
Owners of the parent	(18,502)	(117,708)
Non-controlling interests	(14,125)	9
Net profit (loss) total	(32,627)	(117,699)
Earnings per share (yen)		
Basic earnings (loss) per share	(46.57)	(296.28)

#### Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net profit (loss)	(32,627)	(117,699)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurements of financial assets measured at fair value through other comprehensive income	23,489	35,403
Remeasurements of the net defined benefit liability (asset)	—	(2)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	37,896	21,890
Cash flow hedges	(76)	—
Total other comprehensive income	61,309	57,291
Total comprehensive income	28,682	(60,408)
Total comprehensive income attributable to:		
Owners of the parent	37,045	(60,417)
Non-controlling interests	(8,363)	9
Total comprehensive income total	28,682	(60,408)

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

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
<b>Assets</b>		
Non-current assets		
Property, plant and equipment	58,909	59,019
Goodwill	209,415	222,415
Intangible assets	329,314	332,372
Other financial assets	134,007	161,015
Income taxes receivable	6,042	6,417
Other non-current assets	4,350	5,763
Deferred tax assets	10,845	8,802
<b>Total non-current assets</b>	<b>752,882</b>	<b>795,803</b>
Current assets		
Inventories	94,405	104,769
Trade and other receivables	95,908	94,465
Other financial assets	20,174	6,349
Income taxes receivable	2,722	2,841
Other current assets	17,675	19,286
Cash and cash equivalents	143,478	36,457
<b>Subtotal</b>	<b>374,362</b>	<b>264,167</b>
Assets held for sale	7,498	—
<b>Total current assets</b>	<b>381,860</b>	<b>264,167</b>
<b>Total assets</b>	<b>1,134,742</b>	<b>1,059,970</b>

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	244,128	184,254
Other financial liabilities	11,869	12,689
Retirement benefit liabilities	5,008	4,616
Other non-current liabilities	57,756	44,831
Deferred tax liabilities	36,505	48,832
Total non-current liabilities	355,266	295,222
Current liabilities		
Borrowings	90,588	227,588
Trade and other payables	52,141	50,385
Other financial liabilities	7,010	13,901
Income taxes payable	24,053	1,803
Provisions	119,083	77,401
Other current liabilities	78,013	50,077
Subtotal	370,888	421,155
Liabilities directly associated with assets held for sale	1,806	—
Total current liabilities	372,694	421,155
Total liabilities	727,960	716,377
Equity		
Share capital	22,400	22,400
Treasury shares	(682)	(682)
Retained earnings	280,999	171,708
Other components of equity	103,357	150,125
Other comprehensive income associated with assets held for sale	675	—
Equity attributable to owners of the parent	406,749	343,551
Non-controlling interests	33	42
Total equity	406,782	343,593
Total liabilities and equity	1,134,742	1,059,970

### (3) Condensed 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		
					Remeasurements of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit liability (asset)	Exchange differences on translation of foreign operations
Balance as of April 1, 2022	22,400	16,725	(681)	514,210	23,838	—	31,273
Net profit (loss)	—	—	—	(18,502)	—	—	—
Other comprehensive income	—	—	—	—	23,489	—	32,134
Total comprehensive income	—	—	—	(18,502)	23,489	—	32,134
Purchase of treasury shares	—	—	(1)	—	—	—	—
Dividends	—	—	—	(11,124)	—	—	—
Changes associated with losing control of subsidiaries	—	—	—	—	—	—	—
Transaction with non-controlling interests	—	1,341	—	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	1,617	(1,617)	—	—
Transfers to other comprehensive income associated with assets held for sale	—	—	—	—	(1,562)	—	—
Total transactions with owners	—	1,341	(1)	(9,507)	(3,179)	—	—
Balance as of December 31, 2022	22,400	18,066	(682)	486,201	44,148	—	63,407
Balance as of April 1, 2023	22,400	—	(682)	280,999	39,260	—	64,097
Net profit (loss)	—	—	—	(117,708)	—	—	—
Other comprehensive income	—	—	—	—	35,403	(2)	21,890
Total comprehensive income	—	—	—	(117,708)	35,403	(2)	21,890
Purchase of treasury shares	—	—	(0)	—	—	—	—
Dividends	—	—	—	(2,781)	—	—	—
Changes associated with non-controlling interests	—	—	—	675	—	—	—
Transaction with non-controlling interests	—	—	—	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	10,523	(10,525)	2	—
Transfers to other comprehensive income associated with assets held for sale	—	—	—	—	—	—	—
Total transactions with owners	—	—	(0)	8,417	(10,525)	2	—
Balance as of December 31, 2023	22,400	—	(682)	171,708	64,138	—	85,987

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(Millions of yen)

	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		
	Cash flow hedges	Total				
Balance as of April 1, 2022	123	55,234	—	607,888	65,681	673,569
Net profit (loss)	—	—	—	(18,502)	(14,125)	(32,627)
Other comprehensive income	(76)	55,547	—	55,547	5,762	61,309
Total comprehensive income	(76)	55,547	—	37,045	(8,363)	28,682
Purchase of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	—	(11,124)	—	(11,124)
Changes associated with losing control of subsidiaries	—	—	—	—	—	—
Transaction with non-controlling interests	—	—	—	1,341	5,559	6,900
Reclassification from other components of equity to retained earnings	—	(1,617)	—	—	—	—
Transfers to other comprehensive income associated with assets held for sale	(47)	(1,609)	1,609	—	—	—
Total transactions with owners	(47)	(3,226)	1,609	(9,784)	5,559	(4,225)
Balance as of December 31, 2022	—	107,555	1,609	635,149	62,877	698,026
Balance as of April 1, 2023	—	103,357	675	406,749	33	406,782
Net profit (loss)	—	—	—	(117,708)	9	(117,699)
Other comprehensive income	—	57,291	—	57,291	—	57,291
Total comprehensive income	—	57,291	—	(60,417)	9	(60,408)
Purchase of treasury shares	—	—	—	(0)	—	(0)
Dividends	—	—	—	(2,781)	—	(2,781)
Changes associated with losing control of subsidiaries	—	—	(675)	—	—	—
Transaction with non-controlling interests	—	—	—	—	—	—
Reclassification from other components of equity to retained earnings	—	(10,523)	—	—	—	—
Transfers to other comprehensive income associated with assets held for sale	—	—	—	—	—	—
Total transactions with owners	—	(10,523)	(675)	(2,781)	—	(2,781)
Balance as of December 31, 2023	—	150,125	—	343,551	42	343,593

#### (4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
<b>Cash flows from operating activities</b>		
Net profit (loss)	(32,627)	(117,699)
Depreciation and amortization	32,089	28,260
(Gain) loss on sales of shares in subsidiaries	—	(5,890)
Impairment losses	56,043	—
Interest and dividend income	(3,572)	(2,674)
Interest expenses	2,026	2,509
Income tax expenses	34,819	12,508
(Increase) decrease in trade and other receivables	(4,989)	4,736
(Gain) loss on sales of intangible assets	(12,067)	—
(Increase) decrease in inventories	9,287	(5,707)
Increase (decrease) in trade and other payables	6,186	(7,355)
Increase (decrease) in unearned revenue	(1,344)	(12,889)
Increase (decrease) in other financial liabilities	(4,271)	6,867
Increase (decrease) in retirement benefits liabilities	(21)	(423)
Increase (decrease) in provisions	20,596	(49,582)
Others, net	(25,509)	(46,633)
<b>Subtotal</b>	<b>76,646</b>	<b>(193,972)</b>
Interest received	2,435	1,861
Dividends received	965	883
Interest paid	(1,395)	(1,921)
Income taxes paid	(22,120)	(37,583)
<b>Net cash provided by (used in) operating activities</b>	<b>56,531</b>	<b>(230,732)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(5,906)	(6,491)
Proceeds from sales of property, plant and equipment	625	422
Purchase of intangible assets	(3,539)	(4,400)
Proceeds from sales of property, intangible assets	12,204	—
Purchase of investments	(5,872)	(4,110)
Proceeds from sales and redemption of investments	9,851	31,847
Net decrease (increase) in short-term loan receivables	12,413	10,000
Proceeds from loss of control of subsidiaries	—	11,074
Others, net	1,911	—
<b>Net cash provided by (used in) investing activities</b>	<b>21,687</b>	<b>38,342</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	559	77,000
Repayments of long-term borrowings	(20,020)	—
Repayments of finance lease obligations	(3,357)	(2,590)
Dividends paid	(11,114)	(2,791)
Others, net	915	496
<b>Net cash provided by (used in) financing activities</b>	<b>(33,017)</b>	<b>72,115</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>45,201</b>	<b>(120,275)</b>
Cash and cash equivalents at beginning of year	202,984	143,478
Effect of exchange rate changes on cash and cash equivalents	20,046	12,119
Cash and cash equivalents at end of period	268,231	35,322
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(2,458)	1,135
<b>Cash and cash equivalents at end of period (Consolidated Statement of Financial Position)</b>	<b>265,773</b>	<b>36,457</b>

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

(Notes on Premise of Going Concern)

Not applicable.

(Material Accounting Policies)

The material accounting policies applied to this Condensed Consolidated Financial Statements are the same as those for the previous fiscal year's consolidated financial statements.

Income tax expenses for the nine months ended December 31, 2023 are calculated based on the estimated average annual effective tax rate.

(Segment information)

The Group has set an original performance indicator to show 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 (hereinafter referred to as "Non-recurring Items"). Main Non-recurring items are impairment losses, business structure improvement expenses 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, 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) Changes in Reportable Segments

Formerly, the Group set four reportable segments such as Japan, North America, China, and Other Regions. In accordance with the formulation of the Mid-term Business Plan 2027, its reportable segments have been changed to three, which are Japan, North America, and Asia, to show its business situation properly from the three months ended June 30, 2023. The segment information for the nine months ended December 31, 2022 has been prepared based on the changed reportable segments.

(3) Revenues and operating results of the reportable segments

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

The Group sets core segment profit, which is an indicator showing each reportable 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, etc. which are not allocated to each reportable segment because such expenses are managed on a global basis.

① Nine months ended December 31, 2022

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Revenues from external customers, etc.	146,670	279,366	34,229	460,265
Segment profit (Core segment profit)	19,673	55,685	17,669	93,027

② Nine months ended December 31, 2023

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Revenues from external customers, etc.	89,157	115,390	30,481	235,028
Segment profit (loss) (Core segment profit (loss))	11,299	(60,076)	13,984	(34,793)

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(4) 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)

Profit	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Total of reportable segments	93,027	(34,793)
Research and development expenses (Note1)	(74,854)	(67,959)
Gains on business transfers etc.	24,712	6,391
Others	41	(26)
Core operating profit (loss)	42,926	(96,387)
Impairment losses	(56,074)	—
Business structure improvement expenses (Note2)	(8,202)	(20,497)
Other income	3,521	782
Other expenses	(1,085)	(1,525)
Others	1,137	(118)
Operating profit (loss) in the condensed consolidated financial statements	(17,777)	(117,745)

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

2. Business structure improvement expenses mainly include retirement payment related to restructuring of the group companies in North America.

(Impairment losses)

Impairment losses amounting to 56,043 million yen in North America segment of pharmaceutical business were recognized for the nine months ended December 31, 2022. The impairment losses were recorded in selling, general and administrative expenses in the Condensed Consolidated Statement of Profit or Loss.

Impairment losses recognized for the nine months ended December 31, 2022 were 55,778 million yen for patent rights and 265 million yen for primarily owing to software of products regarding KYNMOBI® (OFF episodes associated with Parkinson's disease) in North America segment of pharmaceutical business.

As for patent rights of products and software, etc. regarding KYNMOBI®, the total carrying amount is reduced to zero as the profitability is no longer expected.

(Significant subsequent event)

Not applicable.