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Matters Available on the Website in Relation to the Notice of Convocation of the 200th Annual Shareholders' Meeting

- Consolidated Statement of Changes in Equity
- Notes to Consolidated Financial Statements
- Non-Consolidated Statement of Changes in Equity
- Notes to Non-Consolidated Financial Statements

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

Sumitomo Dainippon Pharma Co., Ltd.

Consolidated Statement of Changes in Equity

(April 1, 2019 to March 31, 2020)

(millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at April 1, 2019	22,400	15,861	(674)	431,799	32,611	—
Net profit				40,753		
Other comprehensive income					11,350	46
Total comprehensive income				40,753	11,350	46
Purchase of treasury shares			(3)			
Dividends				(13,111)		
Acquisition of subsidiaries						
Transactions with non-controlling interests		(1,206)				
Reclassification from other components of equity to retained earnings				(2,111)	2,157	(46)
Total transactions with owners	—	(1,206)	(3)	(15,222)	2,157	(46)
Balance at March 31, 2020	22,400	14,655	(677)	457,330	46,118	—

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance at April 1, 2019	(3,853)	(6)	28,752	498,138	—	498,138
Net profit				40,753	(4,835)	35,918
Other comprehensive income	(6,459)	(23)	4,914	4,914	(900)	4,014
Total comprehensive income	(6,459)	(23)	4,914	45,667	(5,735)	39,932
Purchase of treasury shares				(3)	—	(3)
Dividends				(13,111)	—	(13,111)
Acquisition of subsidiaries				—	107,783	107,783
Transactions with non-controlling interests				(1,206)	572	(634)
Reclassification from other components of equity to retained earnings			2,111	—	—	—
Total transactions with owners	—	—	2,111	(14,320)	108,355	94,035
Balance at March 31, 2020	(10,312)	(29)	35,777	529,485	102,620	632,105

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

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies for consolidated financial statements

(1) Accounting standards of consolidated financial statement

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

(2) Scope of consolidation

Number of consolidated subsidiaries: 51 companies

Names of major consolidated subsidiaries

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

Increase/Decrease in consolidated subsidiaries

Increase: 36 companies

Through the strategic alliance with Roivant Sciences Ltd., Sumitovant Biopharma Ltd., which is a newly established company by Roivant Sciences Ltd., for the purpose of strategic alliance and its 5 subsidiaries (Myovant Sciences Ltd., Urovant Sciences Ltd., Enzyvant Therapeutics Ltd., Altavant Sciences Ltd., and Spirovant Sciences Ltd.), including their respective subsidiaries, have been included in the scope of consolidation in the current fiscal year.

Decrease: 1 company

DS Pharma Promo Co., Ltd. has been extinguished as a result of the absorption-type merger transaction in which DS Pharma Biomedical Co., Ltd. is the surviving company.

Moreover, DS Pharma Biomedical Co., Ltd. has changed its name as DS Pharma Promo Co., Ltd. as a result of this absorption-type merger transaction.

(3) Application of the equity method

Number of affiliated companies applied by the equity method: 3 companies

Names of affiliated companies applied by the equity method

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

(4) Fiscal year end of consolidated subsidiaries

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

(5) Significant accounting policies

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

(a) Property, plant and equipment

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

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

(b) Goodwill

Goodwill is carried at cost less accumulated impairment losses.

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

(c) Intangible assets

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

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

Cost model is applied for measurement of intangible assets after initial recognition. Intangible assets are carried at its cost less accumulated amortization and accumulated impairment losses. Research expenditures of an internal project are recognized as expenses when they are incurred. Development expenditures of an internal project that satisfy all the recognition criteria are recognized as intangible assets. However, internally generated development expenditures incurred before acquisition of marketing approval, including clinical trial expenditures, etc. are recognized as expenses when they are incurred, because such expenditures are considered not meeting the criteria for recognition of intangible assets due to the uncertainties related to the length of period and the development.

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

(d) Impairment of non-financial assets

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

If there is an indication of impairment or annual impairment test is required, the recoverable amount of each asset is measured. Goodwill, intangible assets with indefinite useful lives and an intangible asset not yet available for use are tested for impairment annually or whenever there is an indication of impairment.

Recoverable amount of an asset or a cash-generating unit is measured at the higher of its fair value less disposal costs and its value in use. The value in use of an asset is measured at the present value of estimated future cash flows by applying the discount rate that is a pre-tax rate reflecting the time value of money and the risk specific to the asset. Only if the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is recognized in profit or loss.

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

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

Impairment losses on goodwill are not reversed.

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

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

(e) Inventories

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

Inventories are measured at the lower of acquisition cost and net realizable value. The cost of inventories is calculated by the average method and comprises purchase costs, processing costs and other related production costs. Finished goods and work-in-process include a proper allocation of production overheads that are based on the expected capacity of the production facilities. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

② Depreciation and amortization of significant depreciable assets

(a) Property, plant and equipment

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

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

- Buildings and structures 3 - 60 years
- Machinery, equipment and vehicle 2 - 17 years
- Tools, furniture and fixtures 2 - 20 years

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

(b) Intangible assets

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

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

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

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

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

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

③ Valuation standards and methods of financial instruments

(a) Financial assets

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

After initial recognition, financial assets are measured as follows:

a) Financial assets measured at amortized cost

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

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

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

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

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

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

(iii) Derecognition

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

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

(iv) Impairment

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

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

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

(b) Financial liabilities

(i) Initial recognition and measurement

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

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

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

b) Financial liabilities measured at amortized cost

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

Financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at fair value after deducting transaction costs that are directly attributable to the financial liabilities.

(ii) Subsequent measurement

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

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

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

b) Financial liabilities measured at amortized cost

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

(iii) Derecognition

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

(c) Derivatives

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

(d) Hedge accounting

Certain derivatives are designated as hedging instruments in cash flow hedges and if they meet certain hedging criteria, the effective portion of fair value changes of derivatives is recognized in other comprehensive income and is cumulated in accumulated other comprehensive income. At the inception of the designation of hedge, the Group has a formal documentation of the relationship between hedging instruments and hedged items, including risk management objective, strategy for undertaking the hedge and method for assessing whether the hedge effectiveness requirements are met. At the inception of the hedge and on an ongoing basis, the Group assesses whether the Group can forecast if the hedging instrument is effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk

throughout the period for which the hedge is designated.

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

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

④ **Accounting for significant provisions**

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

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

(a) Reserve for sales returns

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

(b) Reserve for sales rebates

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

⑤ **Post-employment benefits**

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

(a) Defined benefit plan

The present value of the defined benefit obligations arising from a defined benefit plan and the related current service cost and past service cost are measured by using the projected unit credit method by each plan. The discount rates are determined by reference to market yields at the fiscal year-end on high quality corporate bonds for the corresponding periods in which the retirement benefits are to be paid. The amount of the net defined benefit liability (asset) is calculated by

deducting the fair value of plan assets from the present value of the defined benefit obligation. Service cost and net interest on the net defined benefit liability (asset) are recognized as post-retirement benefit expense in profit or loss. Remeasurement of the net defined benefit liability (asset) are recognized in other comprehensive income and immediately reclassified to retained earnings in the period in which they occur.

(b) Defined contribution plan

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

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

(a) Foreign currency transactions

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

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

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

(b) Foreign operations

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

Exchange differences arising from translation of financial statements of the foreign operations are recognized in other comprehensive income. The cumulative amount of such exchange differences is recognized as other components of equity in the consolidated statements of financial position. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation is reclassified to profit or loss during the period in which the foreign

operation is disposed.

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

⑦ Other significant accounting policies for consolidated financial statements

Accounting for consumption taxes

Consumption taxes are excluded from revenues and expenses.

2. Notes to the change in accounting policies

(Adoption of IFRS 16 “Leases”)

Starting from the year ended March 31, 2020, the Group adopted IFRS 16 “Leases” (issued in January 2016, hereinafter “IFRS 16”).

The Group assesses whether the 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 right-of-use assets and lease liabilities at the commencement date of the lease.

(1) Right-of-use asset

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

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

The right-of-use asset is stated at cost less accumulated depreciation and accumulated impairment losses and included in property, plant and equipment in the Consolidated Statement of Financial Position.

(2) Lease liability

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

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

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

(3) Impact on the Consolidated Financial Statements

The Group adopted IFRS 16 by using the following transition method (modified retrospective approach) of IFRS 16.

- (i) To recognize the cumulative effect of adopting IFRS 16 at the date of initial application
- (ii) For leases previously classified as operating leases
 - (a) To measure the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.
 - (b) To measure and recognize the right-of-use asset by using either of the followings.
 - To recognize the carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application
 - To recognize the measurement amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments

In transitioning to IFRS 16, the Group chose the adoption of practical expedient which succeeded the previous judgement related to whether an arrangement is a lease.

As a result, the impact on the financial position at the date of initial application of the Group is that Total assets and Total liabilities in the Consolidated Statement of Financial Position increased by ¥14,626 million and ¥14,626 million, respectively. However, such impact on the performance is immaterial.

The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application is 1.5%.

The following is a difference between the total future minimum lease payments of non-cancellable operating lease at the end of the annual reporting period immediately preceding the date of initial application and lease liabilities recognized in the Consolidated Statement of Financial Position at the date of initial application.

(Millions of yen)

Total future minimum lease payments of non-cancellable operating lease as of March 31, 2019	9,543
Discounted using the incremental borrowing rate as of April 1, 2019	8,790
Finance lease obligations recognized as of March 31, 2019	2,043
Additional recognition of lease liabilities by revising the lease term	6,525
Lease liabilities as of April 1, 2019	17,358

3. Notes to consolidated statement of financial position

(1) Assets pledged as collateral and secured liabilities

36 million yen of investment securities (included in “Other financial assets” under Non-current assets) has been pledged as collateral for 44 million yen of accounts payable (included in “Trade and other payables”). In addition, 115 million yen of pledged assets as collateral for lease contracts are included in “Other financial assets” under Current assets.

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

129,214 million yen

(3) Guaranteed obligations

34 million yen

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

4. Notes to consolidated statement of changes in equity

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

Ordinary share 397,900,154 shares

(2) Dividends

① Dividend payment amounts

Resolution	Type of share	Total dividend amount	Dividend amount per share	Declaration date	Effective date of distribution
June 20, 2019 Annual shareholders meeting	Ordinary share	7,549 million yen	19.00 yen	March 31, 2019	June 21, 2019
October 28, 2019 Meeting of the Board of Directors	Ordinary share	5,562 million yen	14.00 yen	September 30, 2019	December 2, 2019

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

Resolution schedule	Type of share	Total dividend amount	Source of funds for dividend distribution	Dividend amount per share	Declaration date	Effective date of distribution
June 23, 2020 Annual shareholders meeting	Ordinary share	5,562 million yen	Retained earnings	14.00 yen	March 31, 2020	June 24, 2020

5. Notes to financial instruments

(1) Matters pertaining to financial instruments

① Overview of financial risk management

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

② Credit risk

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

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

③ Liquidity risk

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

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

④ Market risk

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

(2) Fair value of financial instruments

The carrying amounts of financial assets and liabilities, and fair values as of March 31, 2020 are as follows:

(millions of yen)

	Carrying amount on the consolidated statement of financial position	Fair value	Difference
Financial liabilities			
Financial liabilities measured at amortized cost			
Borrowings	297,980	297,985	5
Total	297,980	297,985	5

(Note)

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

6. Notes to per share information

- | | |
|---|--------------|
| (1) Equity per share attributable to owners of the parent | 1,332.72 yen |
| (2) Basic earnings per share | 102.58 yen |

7. Notes to business combinations

(Business combination through acquisition)

(1) Overview of business combinations

① Sumitovant Biopharma Ltd.

(i) Name of acquired company and business description

Name of acquired company: Sumitovant Biopharma Ltd.

Business description: Holding company

(ii) Percentage of voting rights acquired:

100%

② Sumitovant Biopharma, Inc.

(i) Name of acquired company and business description

Name of acquired company: Sumitovant Biopharma, Inc.

Business description: Management of group companies, business and sales development, promotion of utilization of healthcare technology platforms and so forth.

(ii) Percentage of voting rights acquired:

100%

③ Myovant Sciences Ltd.

(i) Name of acquired company and business description

Name of acquired company: Myovant Sciences Ltd.

Business description: Research and development of pharmaceutical of Relugolix and MVT-602, etc.

(ii) Percentage of voting rights acquired:

50%

④ Urovant Sciences Ltd.

(i) Name of acquired company and business description

Name of acquired company: Urovant Sciences Ltd.

Business description: Research and development of pharmaceutical of Vibegron and URO-902, etc.

(ii) Percentage of voting rights acquired:

75%

⑤ Enzyvant Therapeutics Ltd.

(i) Name of acquired company and business description

Name of acquired company: Enzyvant Therapeutics Ltd.

Business description: Research and development of pharmaceutical of RVT-802 and RVT-801, etc.

(ii) Percentage of voting rights acquired:

100%

⑥ Altavant Sciences Ltd.

(i) Name of acquired company and business description

Name of acquired company: Altavant Sciences Ltd.

Business description: Research and development of pharmaceutical of Rodatristat ethyl, etc.

(ii) Percentage of voting rights acquired:

100%

⑦ Spirovan Sciences Ltd.

(i) Name of acquired company and business description

Name of acquired company: Spirovan Sciences Ltd.

Business description: Research and development of pharmaceutical of SPIRO-2101 and SPIRO-2102, etc.

(ii) Percentage of voting rights acquired:

100%

(2) Acquisition date

December 27, 2019

(3) Method for gaining control of acquired company

Acquisition of shares by cash consideration

(4) Main reason for business combination

The Company has completed the share transfer procedures and etc. in accordance with the strategic alliance with Roivant Sciences Ltd. (hereafter, “The Strategic Alliance”) as of December 27, 2019.

In order to achieve sustainable growth even after the expiration of the term for market exclusivity of LATUDA® (atypical antipsychotic) in North America, which has been the primary source of the Group’s earnings, the Company established “establishment of growth engines” and “building of flexible and efficient organization” as a basic policy in “Mid-term Business Plan 2022” and reshaped business foundation.

Roivant Sciences Ltd. aims at contributing to health by providing innovative medicines and healthcare technologies rapidly to patients through building multiple Vants, which are biopharmaceutical companies focusing on business agility and entrepreneurship. Each Vant conducts research and development and sales efficiently through unique method of talent employment and introduction of technologies.

Under the Strategic Alliance, the Company aims for achieving medium-to-long term growth through acquisition of many pipelines including products under development which are expected to launch before FY2022 and anticipated to become blockbuster products in the future, as well as improving R&D productivity of the whole group and accelerating the digital transformation.

Roivant Sciences Ltd. transferred its ownership of share of interests of its five subsidiaries (Myovant Sciences Ltd., Urovant Sciences Ltd., Enzyvant Therapeutics Ltd., Altavant Sciences Ltd., and Spirovant Sciences Ltd.) to Sumitovant Biopharma Ltd. (hereafter, “Sumitovant”), which is a new company established for the purpose of the Strategic Alliance, and the Company has acquired all the shares of Sumitovant.

Sumitovant and its five subsidiaries have subsidiaries, respectively. These companies become consolidated subsidiaries of the Company.

(5) The details of acquisition cost of acquired company and consideration transferred by type

<u>Consideration transferred</u>	Cash	224,555 million yen
Acquisition cost		224,555 million yen

(6) Acquisition-related costs

Acquisition-related costs are 3,856 million yen and recognized in Selling, general and administrative expenses in the Consolidated Statement of Profit or Loss.

(7) The details of fair value of assets acquired and liabilities assumed, non-controlling interests and goodwill

(Millions of yen)

Account	Amount
Non-current Assets	
Intangible assets	291,643
Other	3,661
Current Assets	
Cash and cash equivalents	18,781
Other	6,172
Non-current liabilities	40,840
Current liabilities	19,307
Net Assets	260,110
Non-controlling interests (Note 2)	107,783
Goodwill (Note 3)	72,228

(Note)1: The considerations transferred are allocated to assets acquired and liabilities assumed based on the fair value as of acquisition date.

2: Non-controlling interests are measured by multiplying provisional fair value of identifiable net assets of acquired company at acquisition date by percentage of share of interests after business combination, excluding the portion specifically attributable to non-controlling shareholders.

3: The goodwill is mainly constituted by and reflects future excess earning power expected to be generated from future business development. Such goodwill is not deductible for tax purpose.

(8) Cash outflows arising from acquisition of subsidiaries

(Millions of yen)

Account	Amount
Cash consideration	224,555
Cash and cash equivalents owned by acquired company on acquisition date	18,781
Cash outflows arising from acquisition of subsidiaries	205,774

(9) The impact on the Consolidated Statements of Profit or Loss

- ① Revenue and net profit or loss of acquired company after acquisition date recognized in the Consolidated Statement of Profit or Loss for the year ended March 31, 2020.

Revenue	—
Net profit (loss)	(16,712 million yen)

- ② The impact on revenue and net profit or loss in the Consolidated Statements of Profit or Loss for year ended March 31, 2020, assuming the business combination had been conducted at the beginning of the fiscal year ended March 31, 2020. (unaudited information)

Revenue	—
Net profit (loss)	(61,053 million yen)

8. Others

(Impairment losses)

Impairment losses amounting to 35,196 million yen recognized for the year ended March 31, 2020 were recorded in Cost of sales, Selling, general and administrative expenses, and Research and development expenses in the Consolidated Statement of Profit or Loss amounting to 628 million yen, 12,102 million yen, and 22,466 million yen, respectively.

The details of impairment losses were 628 million yen of impairment losses on property, plant and equipment, and 34,568 million yen of impairment losses on intangible assets.

Impairment losses on property, plant and equipment amounting to 628 million yen mainly represented a reduction of carrying amount of machinery, and furniture and fixtures to the recoverable amount, which is value in use, due to a decrease in the profitability, in North America segment of pharmaceutical business.

Impairment losses on intangible assets amounting to 34,568 million yen were impairment loss on patent rights of products regarding North America segment of pharmaceutical business amounting to 12,102 million yen and impairment loss on in-process research and development of alvocidib (product code: DSP-2033) amounting to 17,394 million yen, which is being developed as a small molecule inhibitor of cyclin-dependent kinase (CDK) 9, anti-cancer drug amcasertib (product code: BBI503) amounting to 1,739 million yen and regenerative cell medicine SB623 for chronic stroke in North America amounting to 3,333 million yen in North America segment of pharmaceutical business.

As for patent rights of products and in-process research and development of alvocidib, the carrying amount were reduced to the extent of the recoverable amount of 4,270 million yen and 8,705 million yen, respectively as the expected profitability would not be achieved. As for amcasertib, the total carrying amount is reduced due to the discontinuation of its clinical development. As for SB623, the total carrying amount is reduced due to the terminate the joint development and license agreement and return the rights in North America.

The recoverable amount is measured based on value in use, using the pre-tax discount rate of 11.0% to 19.0%.

Non-consolidated Statement of Changes in Equity

(April 1, 2019 to March 31, 2020)

(millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings			
					Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings carried forward		
Balance at April 1, 2019	22,400	15,860	1	15,861	5,288	1,392	275,510	269,602	551,792
Changes during the fiscal year									
Cash dividends								(13,111)	(13,111)
Reserve for advanced depreciation of non-current assets						(71)		71	—
Net profit								100,771	100,771
Purchase of treasury shares									
Changes in items other than shareholders' equity (net)									
Total changes during the fiscal year	—	—	—	—	—	(71)	—	87,731	87,660
Balance at March 31, 2020	22,400	15,860	1	15,861	5,288	1,321	275,510	357,333	639,452

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Treasury shares	Total shareholders equity	Unrealized gains on available-for-sale securities, net of tax	Total valuation, translation adjustments and others	
Balance at April 1, 2019	(674)	589,379	29,727	29,727	619,106
Changes during the fiscal year					
Cash dividends		(13,111)			(13,111)
Reserve for advanced depreciation of non-current assets		—			—
Net profit		100,771			100,771
Purchase of treasury shares	(3)	(3)			(3)
Changes in items other than shareholders' equity (net)			(9,600)	(9,600)	(9,600)
Total changes during the fiscal year	(3)	87,657	(9,600)	(9,600)	78,057
Balance at March 31, 2020	(677)	677,036	20,127	20,127	697,163

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

Notes to Non-Consolidated Financial Statements

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

(1) Valuation of securities

Shares held in subsidiaries and affiliates

Moving-average cost method

Available-for-sale securities

With market values

Market value method, based on the market price as of the last day of the fiscal year (All valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated using the moving-average method.)

Without market values

Moving-average cost method

(2) Valuation of inventories

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

(3) Depreciation and amortization of fixed assets

① Property, plant and equipment

Straight-line method

The estimated useful life of each asset is as follows:

Buildings and structures 3 - 60 years

Machinery and equipment and vehicles 2 - 17 years

② Intangible assets

Straight-line method

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

(4) Accounting for allowances/reserves

① Allowance for doubtful receivables

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

② Reserve for bonuses

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

③ Reserve for sales returns

A reserve is accrued for profits from expected sales returns.

④ Reserve for sales rebates

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

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

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

⑤ Provision for retirement benefit

In order to provide for the retirement benefits of employees, amounts are accrued based on the projected

benefit obligations and estimated value of pension assets as of the end of the reporting period.

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

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

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

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

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

(5) Significant hedge accounting methods

① Hedge accounting method

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

② Hedging instruments and hedged items

Hedging instruments	Foreign exchange forward contracts
Hedged items	Monetary assets and liabilities denominated in foreign currencies and monetary assets and liabilities specifically related to anticipated transactions, denominated in foreign currencies, which are covered by an agreement.

③ Hedging policy

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

④ Method of evaluating the effectiveness of hedges

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

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

① Accounting for consumption taxes

Consumption taxes are excluded from revenues and expenses.

2. Notes to the non-consolidated statement of financial position

(1) Accumulated depreciation of tangible fixed assets 144,865 million yen

Accumulated depreciation of tangible fixed assets includes accumulated impairment losses.

(2) Guaranteed obligation 34 million yen

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

(3) Monetary claims and liabilities to affiliated companies

Short-term monetary claims 146,570 million yen

Short-term monetary liabilities 6,260 million yen

Long-term monetary claims 21,893 million yen

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

Amounts of transactions with affiliated companies

Transaction amounts based on operating transactions

Net sales 168,875 million yen

Amount of goods purchased 15,303 million yen

Other operating transactions 10,308 million yen

Non-operating transactions 6,094 million yen

4. Notes to deferred tax accounting

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

Deferred tax assets	
Reserve for bonuses	1,670 million yen
Reserve for sales rebates	38 million yen
Accrued enterprise taxes	1,328 million yen
Liabilities for retirement benefits	3,317 million yen
Loss on valuation of investment securities	3,902 million yen
Research and development costs	9,327 million yen
Inventories	1,943 million yen
Stocks of subsidiaries and affiliates	2,149 million yen
〔Stocks of succeeding company associated with corporate separation〕	
Others	<u>6,226 million yen</u>
Subtotal of deferred tax assets	29,900 million yen
Valuation allowance	<u>(5,790 million yen)</u>
Total deferred tax assets	24,110 million yen
Deferred tax liabilities	
Unrealized gains (losses) on available-for-sale securities	(8,782 million yen)
Prepaid pension cost	(1,605 million yen)
Reserve for advanced depreciation of fixed assets	(582 million yen)
Refund of capital surplus of a subsidiaries	<u>(405 million yen)</u>
Total deferred tax liabilities	<u>(11,374 million yen)</u>
Net amount of deferred tax assets	<u>12,736 million yen</u>

(2) Reconciliation of effective tax rate

Statutory tax rate	30.6%
(Adjustments)	
Entertainment expenses and other items that are excluded from deductible expenses	0.2%
Dividend income and other items that are excluded from taxable income	(0.4%)
R&D tax credit	(4.8%)
Residence tax on per-capita basis	0.1%
Others	<u>0.7%</u>
Actual effective tax rate	<u>26.4%</u>

5. Notes to transactions with related parties

(1) Parent company and main corporate shareholders

Type	Name of company	Ratio of voting rights (or ownership)	Relationship with related party	Description of transaction(s)	Amount of transaction(s)	Item	End-of-term balance
Parent company	Sumitomo Chemical Co., Ltd.	Direct ownership: 51.78%	<ul style="list-style-type: none"> • Supplier of raw materials • Leasing land, etc. • Purchasing plant utilities, etc. • Lending funds 	Lending Funds	(16,520 million yen)	Short-term loans to affiliates	25,881 million yen

Transaction terms and policies for determining transaction terms, etc.

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

(2) Subsidiaries

Type	Name of company	Ratio of voting rights (or ownership)	Relationship with related party	Description of transaction(s)	Amount of transaction(s)	Item	End-of-term balance
Subsidiary	Sumitomo Dainippon Pharma America, Inc.	Direct ownership: 100%	• Lending funds	Lending Funds (Note 1)	41,668 million yen	Short-term loans to affiliates	78,833 million yen
Subsidiary	Sunovion Pharmaceuticals Inc.	Indirect ownership: 100%	<ul style="list-style-type: none"> • Supplier of intermediate products • Commission of development 	Supplier of intermediate products, etc. (Note 2)	150,382 million yen	Accounts receivable	32,204 million yen
Subsidiary	Myovant Sciences Ltd.	Indirect ownership: 52.08%	• Lending funds	Lending Funds (Note 1)	12,457 million yen	Long-term loans to affiliates	12,372 million yen
Subsidiary	Sumitovant Biopharma Ltd.	Direct ownership: 100%	• Capital increases	Underwriting of capital increases (Note 3)	10,768 million yen	—	—

Transaction terms and policies for determining transaction terms, etc.

Notes:

1. With respect to the lending of funds, a reasonable rate of interest is determined, by considering the market rate of interest.
2. Prices of intermediate products are determined based on discussions between the two parties with reference to market prices.
3. The all amount of the capital increases in the subsidiary was underwritten by the Company.

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

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

Ordinary share	605,038 shares
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7. Notes to per share information

(1) Net assets per share	1,754.77 yen
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(2) Net profit per share	253.64 yen
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