August 7, 2026

For Immediate Release

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Securities Code:	4005
Stock Exchange Listings:	Tokyo Stock Exchange Prime Market
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Announcement Regarding Report on the Group
(Additional Explanation Regarding the Report
“Sumitomo Chemical and Sumitomo Pharmaceutical: The ¥116 billion Swiss Shuffle”)

Sumitomo Pharma Co., Ltd., a subsidiary of Sumitomo Chemical Co., Ltd., today announced “Additional Explanation Regarding the Report ‘Sumitomo Chemical and Sumitomo Pharmaceutical: The ¥116 billion Swiss Shuffle’” as a follow-up to “Regarding a Report Concerning Sumitomo Pharma,” which was released on August 4, 2026. For further details, please see the attachment.

Sumitomo Pharma

Press Release

August 7, 2026

Sumitomo Pharma Co., Ltd.

Additional Explanation Regarding the Report "Sumitomo Chemical and Sumitomo Pharmaceutical: The ¥116 billion Swiss Shuffle"

Sumitomo Pharma Co., Ltd. (Head Office: Osaka, Japan; Representative Director, President and CEO: Toru Kimura; the "Company") has confirmed that Gotham City Research LLC ("GCR") published a report, "Sumitomo Chemical and Sumitomo Pharmaceutical: The ¥116 billion Swiss Shuffle" (the "August 3 Report"), concerning the Company and its group companies on August 3, 2026. In response to the publication of the August 3 Report, the Company issued a statement titled "Regarding a Report Concerning Sumitomo Pharma" on August 4, 2026, setting forth its views on the matter.
While the Company places great importance on constructive dialogue with investors, it believes that the August 3 Report contains GCR's own assertions regarding the Company's business operations and accounting treatments, as well as numerous statements that are clearly inconsistent with the facts.
The Company also notes that GCR discloses in the August 3 Report that it and its partner companies and related persons "hold short positions in the covered issuers' stock and stand to profit in the event the covered issuer's stock price declines." The Company takes seriously the potential impact of the August 3 Report on investors' decision-making. Accordingly, the Company sets out below its views on the principal claims made in the August 3 Report and the basis for those views.

The Company will continue to strive to ensure the reliability and transparency of its financial reporting and to provide timely and appropriate disclosures to investors. In addition, to help ensure a fair assessment of the Company's corporate value and protect the interests of its investors, the Company will take appropriate action, including legal actions where necessary, in response to inaccurate or misleading information.

1. Comments Regarding Consolidated Results for Fiscal Year Ended March 31, 2026

Allegations in the August 3 Report

The August 3 Report suggests that the Company's profit for the fiscal year ended March 31, 2026 was inflated by non-recurring sources.

The Company's View

In its consolidated results for the fiscal year ended March 31, 2026, the Company recognized a gain on sales of shares of subsidiaries amounting to ¥49.0 billion in connection with the partial transfer of its interest in its Asia business. This gain was recognized appropriately in accordance with the applicable accounting standards. In addition, the Company disclosed the details of this transaction in a timely and appropriate manner through various disclosure documents, including the "Notice Regarding the Estimated Recording of Gain on Transfer of Shares in Affiliated Companies" dated May 13, 2025.

2. Comments Regarding the Increase in Accounts Receivable and Inflated Earnings in the Consolidated Financial Statements

Allegations in the August 3 Report

The August 3 Report suggests that the increase in accounts receivable as of March 31, 2026 may be attributable to channel stuffing, aggressive revenue recognition, or fictitious revenue, and that such increase has artificially inflated the Company's earnings.

The Company's View

The August 3 Report makes a simple comparison between the rates of increase in revenue and accounts receivable. However, revenue and accounts receivable are recognized on different bases, and the assumptions underlying the comparison are not the same. It is therefore not appropriate to draw the revenue recognition conclusions suggested by the August 3 Report.

For clarity, accounts receivable is presented as part of "trade and other receivables" in the Company's consolidated statement of financial position.
The three principal factors that affected the relationship between the growth rates of revenue and accounts receivable are as follows:

(1) Differences in Factoring Activities

As of March 31, 2025, a North American subsidiary had entered into receivables factoring transactions, which reduced the accounts receivable balance at the date. No such transactions were conducted as of March 31, 2026. This difference affected the comparison of accounts receivable balances between the two fiscal year-ends.

(2) Differences in the Recognition of Revenue and Accounts Receivable

Revenue in the consolidated statement of profit or loss is recognized net of returns, discounts, rebates, and other deductions. In contrast, accounts receivable in the consolidated statement of financial position are recorded based on gross amounts before such deductions. Accordingly, the rates of change in revenue and accounts receivable do not necessarily move in parallel.

(3) Impact of the Partial Transfer of the Asia Business

In the consolidated statement of financial position as of March 31, 2025, accounts receivable attributable to the Asia business, which had been classified as assets held for sale, were not included in accounts receivable balances. By contrast, revenue from the Asia business was included in revenue reported in the consolidated statement of profit or loss for the fiscal year ended March 31, 2025. Accordingly, a simple comparison of the rates of change in revenue and accounts receivable is not appropriate. This accounting treatment was applied in accordance with International Financial Reporting Standards (IFRS).

For these reasons described above, the increase in accounts receivable is attributable to reasonable factors and does not indicate improper revenue recognition of the kind alleged in the August 3 Report.

3. Comments Regarding the Accounting Treatment of Dividends Received from a Consolidated Subsidiary in the Company's Non-Consolidated Financial Statements

Allegations in the August 3 Report

The August 3 Report questions the appropriateness of the Company's profit recognition, citing the difference between the amount of receivables distributed to the Company as dividends by Sumitomo Pharma Switzerland GmbH ("SMPS"), a consolidated subsidiary of the Company, and the amount of dividend income recognized in the Company's non-consolidated statement of profit or loss. The August 3 Report further suggests that the transaction may have been undertaken to generate profits in connection with financing activities, including a public offering.

The Company's View

The total amount of dividends received from SMPS during the fiscal year ended March 31, 2026 was ¥164.5 billion (the "Dividend"). In the Company's non-consolidated financial statements, the Dividend was accounted for in accordance with Japanese GAAP as follows:

・¥116.2 billion: Deducted from the carrying amount of the Company's investment in SMPS shares

・ ¥48.3 billion: Recognized as dividend income in the Company's non-consolidated statement of profit or loss

As a result of this accounting treatment, the carrying amount of investment in affiliates recognized in the Company's non-consolidated statement of financial position as of March 31, 2026 decreased by ¥109.5 billion from the previous fiscal year-end, which is consistent with the above accounting treatment. Accordingly, there is no inconsistency in the Company's non-consolidated financial statements. The Company understands the ¥164.0 billion figure referred to in the August 3 Report to be a rounded figure for the total Dividend of ¥164.5 billion. In addition, the assets underlying the Dividend consisted of receivables held by SMPS due from the Company as a consequence of the intra-group transfer of assets related to three key U.S. products and certain other assets completed in August 2025. As these transactions were intra-group transactions, these are eliminated in the consolidated financial statements. As a result, there is no impact on ‘the consolidated financial statements.

Accordingly, the August 3 Report's suggestion that the Dividend was intended to generate profits in connection with financing activities, including a public offering, does not accurately reflect the substance of the transactions or their accounting treatment.

4. The Company's Financial Reporting Process and the Independent Auditor's Opinion

The Company has established internal approval procedures, as well as a framework under which its accounting and finance functions verify and review financial information, in accordance with internal regulations, to ensure appropriate financial reporting in compliance with applicable laws, regulations and accounting standards. Significant intra-group transactions and corporate reorganizations are implemented only after review by the relevant functions and completion of the prescribed internal approval procedures. In addition, the Company has established a framework for collecting and validating financial information in cooperation with group companies, including overseas subsidiaries. Significant accounting matters are assessed with reference to external professional advice where appropriate.
Furthermore, the Company's consolidated financial statements and non-consolidated financial statements are audited by its independent auditor, KPMG AZSA LLC, in accordance with the Financial Instruments and Exchange Act and the Companies Act of Japan. The Company received an unqualified opinion on both its consolidated and non-consolidated financial statements for the fiscal year ended March 31, 2026.

For Reference: Relevant Disclosures by the Company

・May 13, 2025
Notice Regarding the Estimated Recording of Gain on Transfer of Shares in Affiliated Companies
https://www.sumitomo-pharma.com/news/20250513-4.html

・June 26, 2025
Notice of Assignment of Assets for Key Products in the U.S. within Sumitomo Pharma Group
https://www.sumitomo-pharma.com/news/20250626-2.html

・March 25, 2026
Notice Concerning Non-operating Income Recorded in the Company's Non-consolidated Financial Statements (Japanese GAAP)
https://www.sumitomo-pharma.com/news/20260325.html

・Consolidated Financial Statements for Years ended March 31, 2026 and 2025
https://www.sumitomo-pharma.com/ir/library/financial_results_summary/assets/pdf/cfs20260630.pdf

・Notice of Convocation of the 206th Annual Shareholders' Meeting
https://www.sumitomo-pharma.com/ir/shareholder/assets/pdf/e206meeting.pdf

・Other Matters Subject to Measures for Electronic Provision for the 206th Annual Shareholders' Meeting (Matters Omitted from the Delivered Documents)
https://www.sumitomo-pharma.com/ir/shareholder/assets/pdf/web_e206meeting.pdf

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