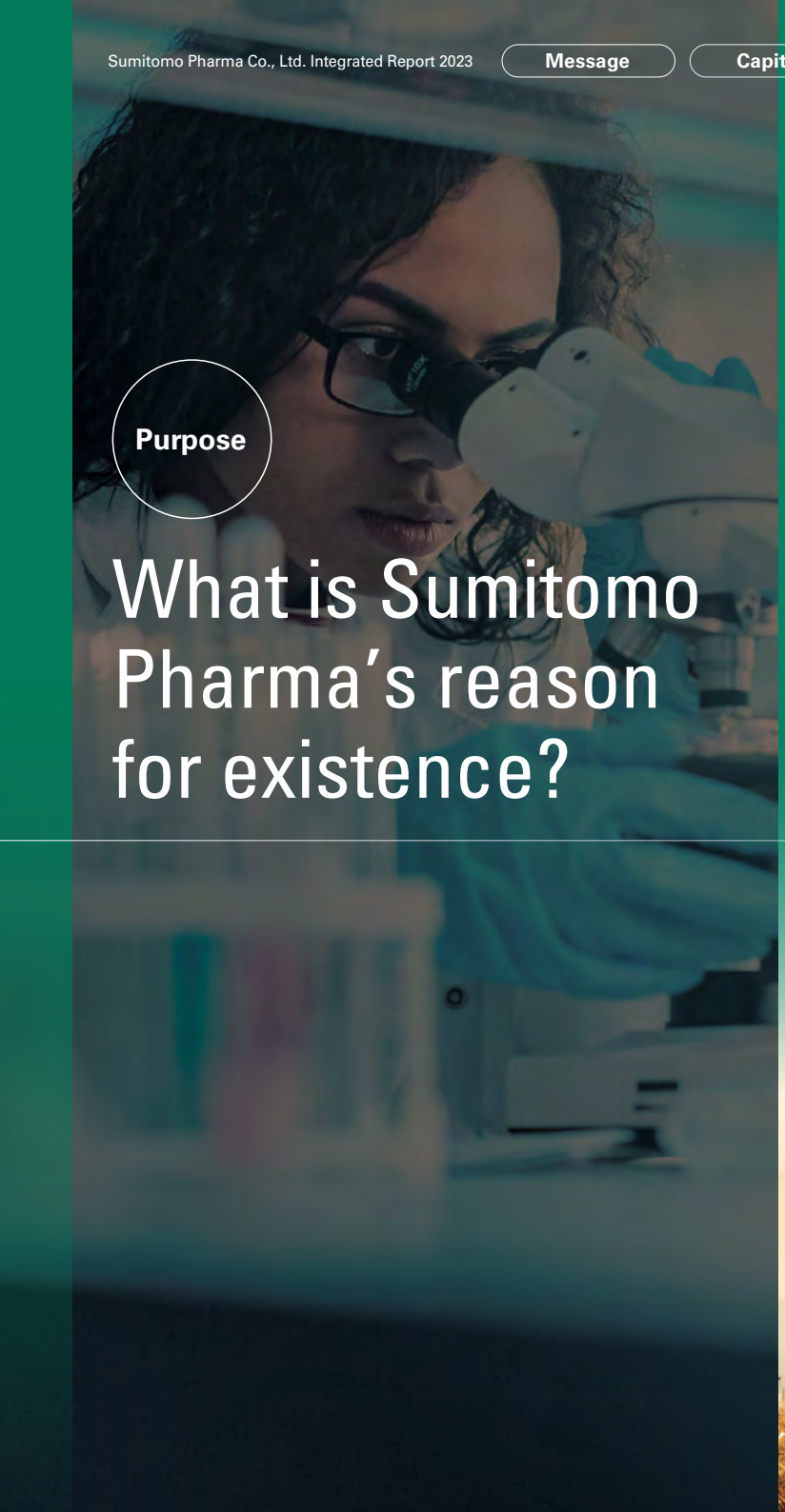
Sumitomo Pharma

Integrated Report 2023

Securities Code 4506



Purpose

What is Sumitomo Pharma's reason for existence?

For the betterment of healthcare and fuller lives of people worldwide

Sumitomo Pharma Group is devoted to the research and development of innovative and useful pharmaceuticals and healthcare solutions for the betterment of healthcare and fuller lives of people worldwide.

Sumitomo Pharma Group's Philosophy

Mission

(The significance of the Group's existence, commitment and duty to society)

To broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide

Values

(Values that all executives and employees should share)

Patient First
Always with Integrity
One Diverse Team

Declaration of Conduct

(The code of conduct to be observed in daily work by all executives and employees)

1. Follow through on our Slogan "Innovation today, healthier tomorrows"
2. Pursue trustworthy corporate activities
3. Transparently disclose information and properly manage information
4. Improve individual capabilities and collaborate with peers
5. Respect human rights
6. Positively address global environmental issues
7. Build harmonious relationships with society

R&D

On what area is Sumitomo Pharma focused on?

With a focus on two priority disease areas with high unmet medical needs and other areas

The Sumitomo Pharma Group is committed to contributing to the betterment of healthcare and fuller lives of people through a diverse range of approaches, including pharmaceuticals, regenerative medicine/cell therapy, and non-medical solutions, with a focus on the psychiatry & neurology area, and oncology area as its priority disease areas. We will also leverage our assets in other areas to deliver value to patients.

Psychiatry & Neurology area Number of new compounds under development: **15**[*1]	**Small molecules** Molecular design and synthesis capabilities based on accumulated experience and know-how
Oncology area Number of new compounds under development: **5**[*1]	**Regenerative medicine/cell therapy** Know-how acquired by pioneering initiatives
Other areas[*2]	**Non-pharmaceutical (Frontier)** To be developed in the mental resilience area
	Other modalities Pursuit of optimal modalities

*1 As of July 31, 2023
*2 Women's health issues, urological diseases, diabetes, rare diseases, and infectious diseases

Global platform

In what region are we delivering value?

Become a company with a strong presence in Japan, North America, and China & Asia

Since the merger, Sumitomo Pharma Group has strived to globalize its business. Currently, we have local headquarters, sales, and development functions in Japan, North America, and China & Asia, and are engaged in sales and marketing activities suited to each region, as well as expanding our business foundation with a focus on Asia.

China

We are focused on infectious disease area, and psychiatry & neurology area.

Japan

In addition to psychiatry & neurology area, we are focused on diabetes area and rare diseases area.

North America

Sumitomo Pharma America, Inc., which was integrated in July 2023 through a combination of Group companies, is engaged in research and development, manufacturing, and sales of ethical pharmaceuticals.

Europe and other areas

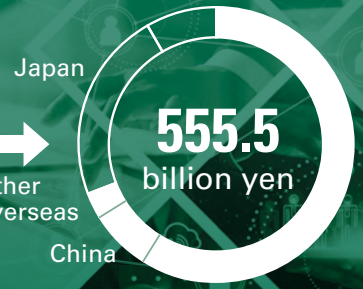
Coordination with partner companies

Asia

We strengthened the functions of our subsidiary in Singapore and established our subsidiaries in Thailand, Taiwan, and Malaysia.

FY2006
Ratio of overseas revenue **8.4%**

FY2022
Ratio of overseas revenue **69.4%**



Human resources

What drives us to deliver value?

Foster human resources with CHANTO spirits, the capability to deliver the highest performance

Based on the corporate culture of diligence, integrity, and resilient and detailed execution, Sumitomo Pharma fosters professional human resources with CHANTO spirits, the capability to deliver the highest performance to achieve continuously creating and delivering innovation to people while transforming themselves in flexible ways to adapt to changes in the world, as the greatest driving force for delivering value.

Five Conduct Guidelines essential for practicing CHANTO

1. Goal-oriented, take as one's own issues, and follow through
2. Show courage to meet challenges
3. Self-disciplined, independent and exert individual abilities
4. Respect each other and collaborate with peers
5. Continue to cherish diligence and integrity

Vision

What sort of state are we aiming for?

For longer and healthier lives. We unlock the future with cutting-edge technology and ideas

Sumitomo Pharma Group has established its vision — For longer and healthier lives. We unlock the future with cutting-edge technology and ideas. We deliver innovative and differentiated pharmaceutical product and we also aim to establish ourselves as a "Global Specialized Player*" by 2033 by providing healthcare solutions that encompass the entire patient journey, including disease prevention, diagnosis, long-term care, and rehabilitation.

*Global Specialized Player: The Sumitomo Pharma Group is committed to contributing to the betterment of healthcare and fuller lives of people and to establishing its unique position worldwide through a diverse range of approaches, including pharmaceuticals, regenerative medicine/cell therapy, and non-pharmaceutical solutions, with a focus on the psychiatry & neurology area, and oncology area as its priority disease areas.

Commitment

With CHANTO spirits, Sumitomo Pharma Group is committed to taking on the challenge of becoming the Global Specialized Player.







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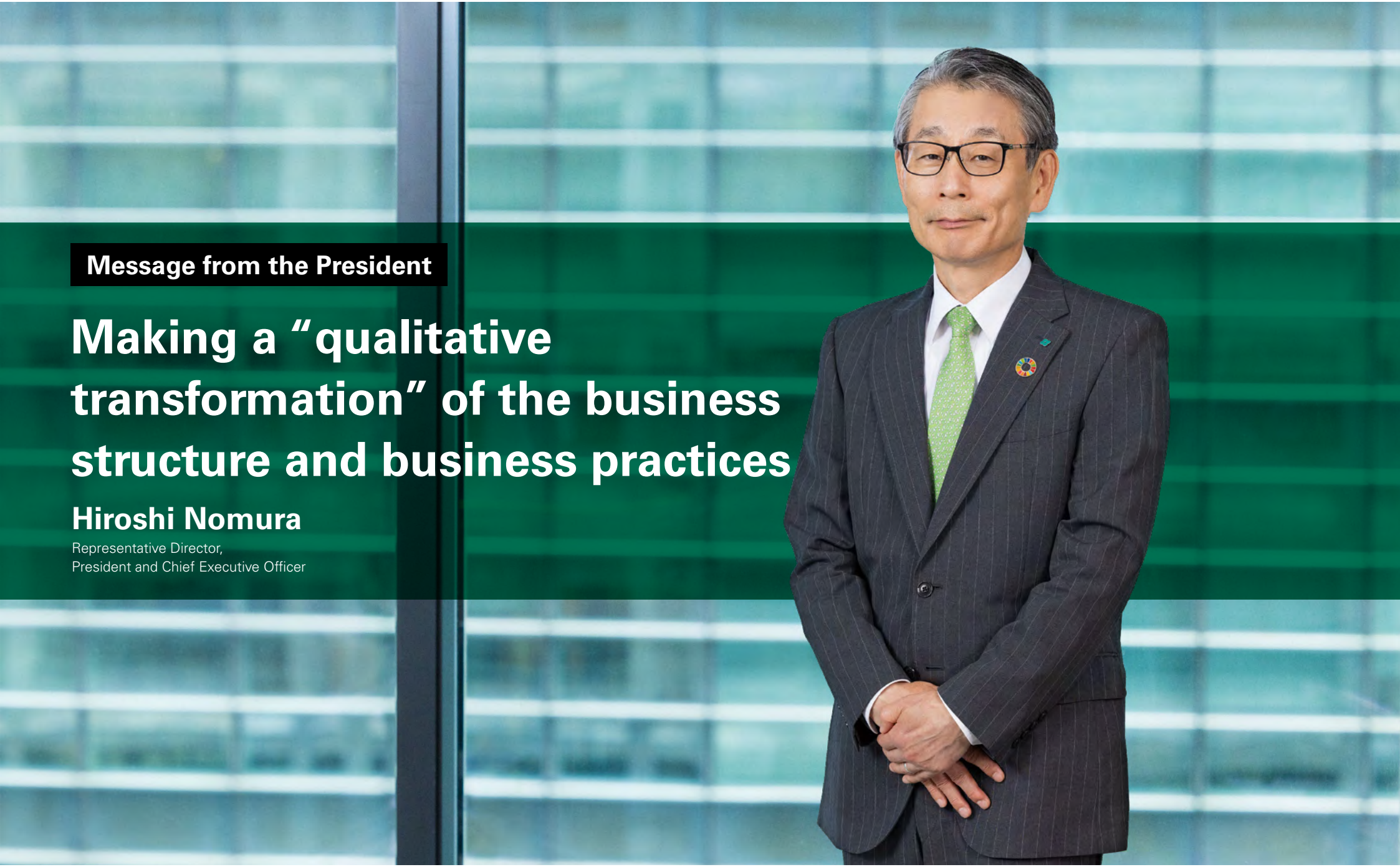


Message from the President

Making a “qualitative transformation” of the business structure and business practices

Hiroshi Nomura
Representative Director,
President and Chief Executive Officer

Message from the President

Vision

After significant changes over the past 17 years, we aim to be a Global Specialized Player

In fiscal 2023 we launched a new Mid-term Business Plan running through to fiscal 2027. Here, I would like to briefly look back on the trajectory of the Company in light of the considerable transformation of our operations since its establishment 17 years ago. When Sumitomo Pharma was established through the merger of Dainippon Pharmaceutical and Sumitomo Pharmaceuticals in 2005, we were a Japan-based entity with a domestic sales weighting of more than 90%. However, in our first Mid-term Business Plan that kicked off in 2007, we identified globalization as a key theme and pursued the in-house development of the atypical antipsychotic drug LATUDA® for the sizeable U.S. market where we could independently determine drug prices. Then in 2009, through the acquisition of the former Sepracor we established our own sales structure in the U.S. and successfully turned LATUDA® into a blockbuster product that has brought in sales revenue of roughly ¥200 billion. As a result, we have transformed our operations and grown into a global company with overseas sales accounting for more than 60% of total revenue.

In 2012, we brought the former Boston Biomedical into the Group, marking our entry into the area of oncology where many unmet medical needs exist. Moreover, in recognizing the potential for creating groundbreaking products for diseases for which a full recovery is unlikely with conventional drugs, we seized the initiative in 2013 to enter the field of regenerative medicine and cell therapy. And in 2018 we completed the construction of "SMaRT," a regenerative medicine and cell therapy manufacturing plant in Japan that is the world's first commercial production facility for allogeneic iPS cell-derived products. We are also on schedule to complete the building of a similar cellular medicine manufacturing plant in the U.S. by the end of fiscal 2023.

In our Mid-term Business Plan 2022 (FY2018–2022) we adopted the following vision statement: "For longer and healthier lives. We unlock the future with cutting-edge technology and ideas." We also formulated a 2033 aspiration to establish ourselves as a global specialized player. Both the vision and aspiration were based on the belief that the pharmaceutical industry is facing a "Time for Change" in which we must not only create innovative new pharmaceuticals, but respond to the proliferation of digital technology and preventive medical care and establish business models that are not simply extensions of past endeavors. The term "healthier" in our vision encompasses not only treatment but also prevention, diagnosis, long-term care, and rehabilitation. It conveys our intention of playing an indispensable role in all aspects of the patient journey. We therefore leveraged the technology of digital transformation (DX) and launched a frontier business that transcends the boundaries of pharmaceuticals to provide new healthcare solutions. Also, in view of the end of the exclusive sales period of LATUDA® in the U.S., in February 2023, we embarked on the reconstruction of our business foundation centered around the key themes of establishing a growth engine and building a flexible and efficient organization. I should also add that in fiscal 2022 we changed our name to Sumitomo Pharma Co., Ltd. by using the globally recognized "Sumitomo" brand to begin a new chapter with a fresh perspective.

Review of the Mid-term Business Plan 2022

Acquiring promising development pipelines in view of the post-LATUDA era, even though new drug R&D issues remain

Even though we posted record-high sales revenue during the period of the Mid-term Business Plan 2022 by virtue of LATUDA® sales in the U.S., in fiscal 2022, the final year of the plan, we recorded a ¥74.5 billion net loss attributable to owners of the parent owing to the booking of two large impairment losses, including the discontinuation of sales of KYNMOBI®, a treatment for "off" episodes in patients with Parkinson's disease. Over the five years of the plan, we directed a maximum of ¥600 billion into strategic investments and undertook a multitude of initiatives with the aim of rebuilding our business foundation. Put simply, however, despite making a certain amount of progress in terms of laying the groundwork for the future, we still did not achieve our most important challenge. That pertains to the discontinued development of napabucasin, a therapeutic drug candidate for cancer that we had allocated our resources to as a potential post-LATUDA growth driver. Also, the fact that we were unable to introduce any in-house developed products for over a decade following the launch of LATUDA® weighs heavily on us, as it prevented us from establishing a growth engine.

Meanwhile, with the exclusive sales period for LATUDA® in the U.S. coming to an end in February 2023, as soon as the napabucasin clinical study targeting pancreatic cancer, which we had high hopes for, was discontinued, we quickly made the decision to forge a strategic alliance with Roivant Sciences in 2019. This enabled us to acquire a substantial development pipeline, including potential blockbusters like relugolix and vibegron. In 2021 we launched relugolix as ORGOVYX® (treatment for advanced prostate

Message from the President

cancer) and as MYFEMBREE® (treatment for uterine fibroids), along with vibegron as GEMTESA® (treatment for overactive bladder). In 2022 we acquired approval for additional endometriosis indications for MYFEMBREE® and focused our efforts on expanding sales of these three products. In addition, we concluded a joint development and commercialization agreement with Otsuka Pharmaceutical in the area of psychiatry and neurology involving four development pipelines, including ulotaront, which is currently in phase 3 studies in the U.S., Japan, and China.

Also, in the regenerative medicine & cell therapy business, the RVT-802 tissue-based therapy acquired through our strategic alliance with Roivant Sciences is being sold in the U.S. as RETHYMIC® (treatment for congenital athymia), while in the frontier business, the MELTz Hand Rehabilitation System that was jointly developed with Meltin MMI has been launched in Japan. These efforts have helped expand our pipelines in both businesses. And in terms of building a flexible and efficient organization, through our strategic alliance with Roivant Sciences we acquired two healthcare technology platforms—DrugOME and Digital Innovation—along with the digital experts who will operate them. We have accordingly made enormous progress on the Company's DX.

Basic strategy of the Mid-term Business Plan 2027

Making a "qualitative transformation" of the business structure and business practices

The basic strategy of the Mid-term Business Plan 2027 (FY2023–2027) that commenced this fiscal year is to generate renewed growth in the absence of LATUDA® sales in the U.S. and to achieve a qualitative transformation in business structure and business practices as a period for laying the foundations towards realizing our 2033 aspiration of becoming a global specialized player. Our definition of a global specialized player is a corporation focused on the areas of psychiatry & neurology and oncology, that contributes to people's health and prosperous lives with numerous approaches involving pharmaceutical products, regenerative medicine & cell therapy, and non-pharmaceutical solutions, and also leverages its assets in other areas to deliver tangible value to patients. We aim to become a company with a strong global presence.

During the five-year period of the plan, our primary focus will be on establishing a revenue base facilitating sustained growth, bringing own innovations to fruition, and changing to a flexible and efficient business foundation. In the near term, our earnings base will be underpinned by the three key products of ORGOVYX®, MYFEMBREE®, and GEMTESA®, and in the medium- to long-term, we will transition to a business structure centered around proprietary innovation. To achieve this, we will steadily bring to market late-stage development candidates, pick out and nurture priority products from our early-stage development pipeline to sustain Group earnings in the 2030s, and step up operations in the newly launched regenerative medicine & cell therapy business and frontier business.

However, given the sharp drop in sales of LATUDA® in the U.S. and the three key products (our new growth engine) still being in the early stages of market penetration, we forecast a core operating loss of ¥62 billion in fiscal 2023 and inevitably a second consecutive year of a net loss attributable to the owners of the parent. Nevertheless, our financial targets for the fiscal years 2024 to 2027 are revenue CAGR of at least 12% (starting from FY2023), cumulative core operating profit of more than ¥192 billion, cumulative operating cash flow of more than ¥270 billion, cumulative ROIC of 6.5% or higher, and cumulative ROE of at least 8%. We will aim to attain an ROE of above 10% in the next Mid-term Business Plan period. By prioritizing R&D programs, we will look to reduce our research and development expenses by around ¥80 billion compared to the previous plan. This means cumulative R&D expenses over the next five years will total around ¥390 billion.

Key measures of the Mid-term Business Plan 2027

Establishing a revenue base facilitating sustained growth

For the first measure—establishing a revenue base facilitating sustained growth—we will start with a combination of our Group companies in the U.S. to maximize the value of the three key products in North America at the earliest possible time. Having acquired multiple companies from Roivant Sciences during the previous plan, the business structure of our seven North American subsidiaries has become increasingly complicated, so we intend to consolidate them into Sumitomo Pharma America in an effort to streamline cost structures and improve the efficiency of their sales systems. We expect this will generate cost synergies of around US$400 million annually starting from fiscal 2024. Also, by unifying our North American operations into a single team, we hope to increase sales and R&D capabilities under a lean management framework.

As for the three key products, we will aim to raise awareness of the advantages

Message from the President

of ORGOVYX® and MYFEMBREE®—both of which offer the convenience of once-daily dosing—and set our sights on achieving double blockbusters altogether. We expect GEMTESA® to become a blockbuster, as well. In fact, sales are steadily increasing right now for all three products. In Japan, we will not only maximize the value of mainstay and new products, including TWYMEEG®, a treatment for type 2 diabetes, but we will also work on strengthening our regenerative medicine & cell therapy business and frontier business. In the China and Asia region we will endeavor to expand our product lineup and increase the number of countries where they are sold.

Bringing own innovation to fruition

For the second measure—bringing own innovation to fruition—we will focus on the development of late-stage development candidates, including ulotaront and allogeneic iPS cell-derived dopamine neural progenitor cells (DSP-1083).

Ulotaront in particular, which we are developing in collaboration with Otsuka Pharmaceutical, has the potential to become a blockbuster surpassing LATUDA® with additional indications in the future. It is a user-friendly option for patients because it exhibits fewer extrapyramidal symptoms and metabolic adverse events like weight gain commonly associated with conventional medications. In the recent phase 3 study targeting schizophrenia, ulotaront unfortunately did not demonstrate a statistically significant difference compared to the placebo because notable improvements were observed in the placebo control group. We surmise that the COVID-19 pandemic may have had an impact on the results, so we plan to hold discussions with the FDA in light of the results of a thorough data analysis to determine how to proceed. The phenomenon of a greater-than-expected placebo effect masking the effectiveness of the investigational drug was encountered in the study for LATUDA® as well and such occurrences are often reported in clinical studies for psychiatric disorders. Also, ulotaront is currently undergoing phase 2/3 studies for not only schizophrenia, but also the adjunctive treatment of major depressive disorder and generalized anxiety disorder. As such, the scenario of ulotaront leading the next Mid-term Business Plan remains unchanged.

Meanwhile, we are planning to commercialize DSP-1083 in fiscal 2024 as an innovative modality that winds back the progression of Parkinson's disease and extends the healthy lifespan of patients through the transplantation of allogeneic iPS cell-derived dopamine neural progenitor cells. We are also pursuing a clinical study of allogeneic iPS cell-derived retinal pigment epithelial cells (HLCR011) targeting patients with retinal pigment epithelium tear.

In the area of oncology, we are concentrating our resources on the development of TP-3654 for treating myelofibrosis and DSP-5336 for acute leukemia. Our aim is to bring these distinctive product creations to market during the period of the current Mid-term Business Plan.

In the frontier business, we will drive growth by launching new products every year, including in areas where we can generate synergies with the pharmaceutical business. In fact, we want to turn both the regenerative medicine & cell therapy business and frontier business into pillars of sales revenue, generating ¥100 billion or thereabouts by fiscal 2032.

For drug discovery research, we have adopted a research project system under which researchers who have come up with project themes serve as project leader up until the clinical development stage. From fiscal 2023, this system is also being expanded to the area of oncology. Research project leaders, regardless of age or experience, are granted permission to use a budget and evaluate personnel performance. They also exercise discretion in managing their research projects, thereby aiming to generate results and nurture human resources. In addition, we aim to further strengthen our highly distinctive drug discovery infrastructure in translational research, biomarker research, and modality technologies. We will press ahead with in silico drug discovery and data-driven drug discovery with the aim of continuously generating development candidates that capture the essence of clinical conditions. On top of this, we will carefully select priority pipelines for late-stage development, taking into full account their groundbreaking qualities and commercial viability. We will develop these products into drivers of growth from the mid-2030s onwards. This will also include programs in the regenerative medicine & cell therapy business and development assets in the frontier business. In this way, we will transform our business model into a structure that is supported by multiple pillars.

Changing to a flexible and efficient business foundation

For the third measure—changing to a flexible and efficient business foundation—we intend to tackle the following priority issues: strengthening Group governance;

Message from the President

accelerating DX; instilling a corporate culture; and implementing an HR strategy.

In strengthening Group governance, we will capitalize on the combination of our Group companies in the U.S. to build a management structure that enables us to make swift and Group-optimized business decisions.

Also, to accelerate DX, we will implement a data-driven decision-making process and aim to transform our approach to work so as to autonomously innovate operations and to create value. And we will take full advantage of the DrugOME and Digital Innovation technology platforms. AACTR* at Sumitomo Pharma America and our Global Data Design Office will spearhead the acceleration of DX globally. In Japan, we will step up the development of key personnel crucial to this effort.

As for instilling a corporate culture, in order to promote unified Group management, in July 2023 we made some changes to how our ideology is structured and created a shared Philosophy for the whole Group, consisting of a Mission, Values, and a Declaration of Conduct. Throughout the Group, we will raise awareness of this Philosophy and "CHANTO," that is necessary to establish ourselves as a global specialized player. CHANTO means to achieve the ambitious goals we have set ourselves so that we can continuously foster innovation and contribute to people's healthier tomorrows. We started instilling an awareness of CHANTO with the Mid-term Business Plan 2022. In Japan, we have set five specific conduct guidelines for employees to follow and we introduced an HR system in Japan in fiscal 2022 that incorporates the guidelines into performance evaluation and compensation. Moreover, from fiscal 2023 the global penetration of CHANTO will begin in earnest in the same way we shared the Group Philosophy with employees in each country. The implementation of our HR strategy will rest on three key aspects: (1) building an HR portfolio; (2) empowering diverse HR; and (3) maintaining a sense of unity and high engagement within the Group.

*AACTR: Advanced Analytics Computational Technology & Research

CHANTO

Without fear of failure, all of us will get the job done to generate renewed growth in a post-LATUDA era

We are targeting a return to profitability in fiscal 2024 mainly by maximizing the value of our three key products at the earliest opportunity, realizing cost synergies through the realignment of our Group companies in the U.S., and prudent R&D spend.

Unique R&D risks that could be described as everlasting challenges are part and parcel of the pharmaceutical industry. Nevertheless, our overarching Mission within our Philosophy is "To broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide." And by putting the CHANTO into practice, we will continue to fearlessly and boldly take on this challenge.

However, R&D in the areas of psychiatry & neurology and oncology is not easy and there are many uncertainties. Developing first-in-class new drugs independently and consistently bringing them to market is a challenging task, but still, we are working even harder to better our chances of success with the use of biomarkers and big data. Also, we will seek to expand and maximize our pipelines by harnessing robust networks with academia, biotech companies, and other industry peers and advance in-house drug discovery with the best possible means.

We recognize that the period of the Mid-term Business Plan 2027 will be a phase during which practice of CHANTO will be really put to the test if we are to generate renewed growth in the absence of LATUDA® sales in the U.S. None of the plan's three key measures—establishing a revenue base facilitating sustained growth, bringing own innovation to fruition, and changing to a flexible and efficient business foundation—will be easy. I believe it will be important for each and every employee to set more ambitious and challenging performance goals and work collaboratively in teams to achieve them. It will also be crucial that we adapt flexibly to changes in the operating environment and that the teams have the tenacity to never give up and realize their goals. An oft-used analogy is climbing as a team instead of solo mountaineering. It is not just the individuals making a push for the summit that are talented, but everyone on the team playing their role so the team as a whole can overcome difficulties and rise to new heights. In this sense, everyone strives to do their best without fear of failure, which is the mindset we want to instill in all employees. Moreover, we will look to make the most of our limited managerial resources as we set our sights on establishing our position as a global specialized player by 2033. I look forward to the continued support of all our stakeholders.

Financial Strategy

Increase profitability and improve financial base by combining the North American operations and enhancing the efficiency of working capital

Review of the Mid-term Business Plan 2022 (fiscal 2018 to fiscal 2022)

¥600.0 billion in strategic investment implemented

The Mid-term Business Plan 2022 called for aggressive R&D investment and established a five-year strategic investment budget (M&A budget) of ¥300.0-600.0 billion begun in fiscal 2018. Under this strategy, through a strategic alliance with Roivant Sciences Ltd. in fiscal 2019, we acquired a number of development pipelines and DX platforms, including the potential blockbuster products, relugolix and vibegron (the three key products of ORGOVYX®, MYFEMBREE®, and GEMTESA®), and subsequently made Myovant Sciences Ltd. and Urovant Sciences Ltd. wholly owned subsidiaries. This ultimately brought the total funds to ¥600.0 billion.

For the strategic alliance with Roivant Sciences Ltd., we raised ¥270.0 billion through a bridge loan in December 2019, and refinanced it the following year with ¥120.0 billion in hybrid bonds (subordinated bonds) and ¥125.0 billion in long-term borrowings. In addition, for the acquisition of Myovant Sciences Ltd. as a wholly-owned subsidiary in fiscal 2022, we raised ¥90.0 billion through a bridge loan, bringing total interest-bearing liabilities to ¥334.7 billion (up ¥287.3 billion from the end of fiscal 2017).

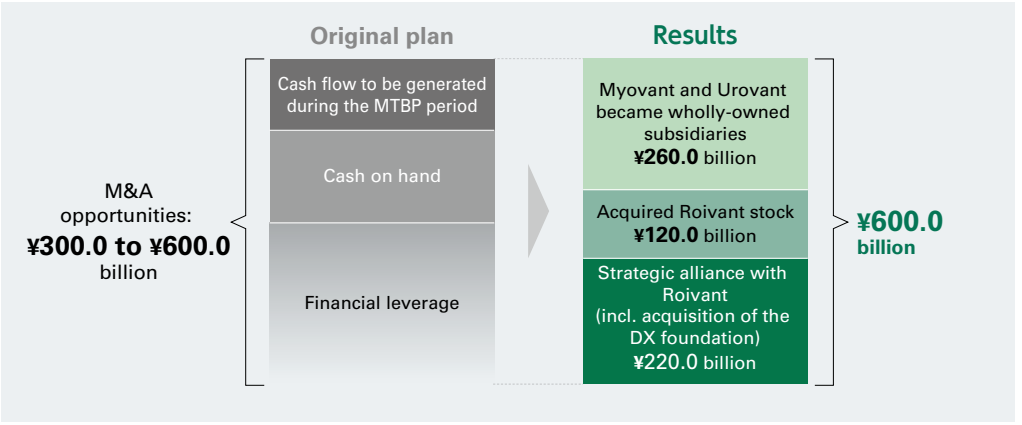
Under this "Mid-term Business Plan 2022," in addition to upfront investments for the development and growth of the three key products, we invested ¥472.7 billion over five years in research and development expenses for further growth.

In terms of profit and loss, we discontinued the development of napabucasin, which had been our most promising candidate post-LATUDA, in March 2021, and also discontinued the development of dubermatinib (product code: TP-0903) in the oncology area in March 2023. In connection with the discontinuation of these developments, impairment losses were recorded for the entire amounts of in-process research and development (¥27.0 billion and ¥20.6 billion), respectively.

In addition, in fiscal 2022, we revised the earnings forecast for KYNMOBI®, impaired all patent rights (¥55.4 billion), and recorded business structure improvement expenses for group companies in North America, resulting in net loss attributable to owners of the parent of ¥74.5 billion. While we acquired a post-LATUDA growth engine during the period of this Mid-term Business Plan, the results for fiscal 2022, which were set as the management target, deviated significantly from the initial target.

Final results and results of strategic investments under the "Mid-term Business Plan 2022"

	Original Goals April 2019	FY2022 Results
Revenue	**¥600.0** billion	**¥555.5** billion
Core operating profit	**¥120.0** billion	**¥16.4** billion
ROIC	**10**%	**-3.9**% (2.5% for the 5-year period)
ROE	**12**%	**-14.7**% (4.8% for the 5-year period)
Exchange rate (to the U.S. dollar)	**¥110**	**¥135.5**



Financial Strategy

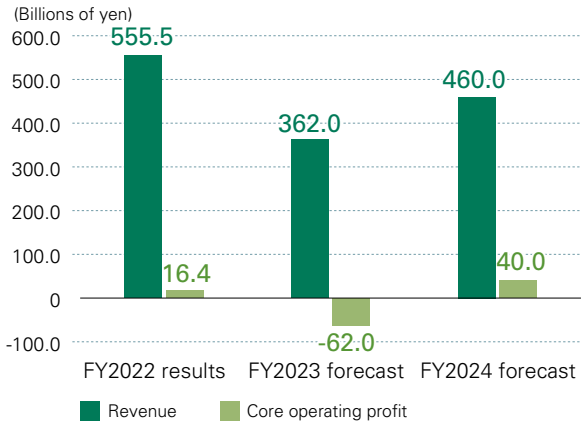
Financial Policy of Mid-term Business Plan 2027

Re-growth with fiscal 2023 as the major bottom

The "Mid-term Business Plan 2027" (the MTBP) started in fiscal 2023. In the first year of the MTBP, we expect a core operating loss of ¥62.0 billion because sales of "LATUDA®" will almost disappear due to the end of its exclusive sales period in the U.S., while the three key products have not yet fully penetrated the market. In addition, one-time costs associated with the combining of North American subsidiaries are expected to result in net loss attributable to owners of the parent of ¥80.0 billion.

Under these circumstances, the financial policy of the MTBP is to allocate research and development expenses more efficiently to high-priority pipelines, and to thoroughly promote the improvement of profitability and reinforcement of the business foundation of the operations in North America, which have been consolidated into Sumitomo Pharma America, Inc. In North America, we are targeting revenue of ¥460.0 billion and core operating profit of ¥40.0 billion in fiscal 2024, mainly through growth of the three key products. We have also set a target of CAGR of at least 12% for revenue by fiscal 2027, starting from fiscal 2023, and cumulative core operating profit of at least ¥192.0 billion from fiscal 2024 to fiscal 2027.

Financial forecast (Core base)



Revenue CAGR 12% or higher
(FY2023-FY2027)
Core operating profit ¥192.0 billion or higher
(FY2024-FY2027 total)

Focus on improving profitability of Sumitomo Pharma America, Inc.

In July 2023, the functions and human resources of seven U.S. group companies were consolidated into Sumitomo Pharma America, Inc. Sales of ORGOVYX®, MYFEMBREE®, and GEMTESA® are expanding steadily, and we expect revenue to bottom out in fiscal 2023 and then steadily climb. On the other hand, cost synergies, such as optimization of SG&A and R&D expenses, including a headcount reduction of 500 employees as a result of the reorganization of the North American subsidiaries, and streamlining by consolidating duplicated operations, are expected to improve profitability by US$400 million annually from fiscal 2024 onward. From fiscal 2024 onward, Sumitomo Pharma America, Inc. will be the driver behind the Group's growth.

FY2023 Financial forecast by segment (Core base) (Billions of yen)

		Japan	North America	Asia	Total
FY2023 forecast	Revenue	114.1	208.8	39.1	362.0
	Cost of sales	54.2	68.8	9.0	132.0
	Gross profit	59.9	140.0	30.1	230.0
	SG&A expenses	47.7	160.3	12.0	220.0
	Core segment profit (loss)	12.2	(20.3)	18.1	10.0
	Research and development expenses*1				84.0
	Other operating income and expenses*2				12.0
	Core operating profit (loss)				(62.0)

*1 R&D expenses are controlled globally and not allocated to each segment.
*2 Including P/L on business transfers and share of P/L of associates accounted for using equity method.

Financial Strategy

Financial Policy of Mid-term Business Plan 2027

Research and development expenses are controlled at around ¥390.0 billion

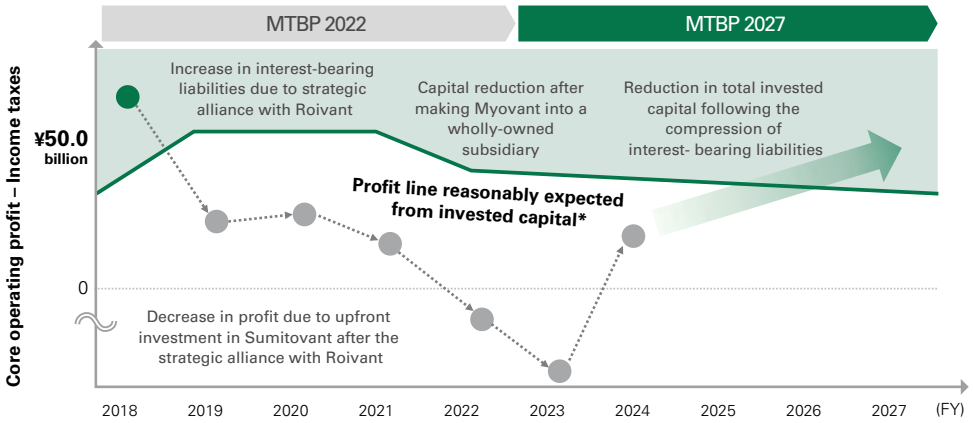
R&D will be kept at around ¥390.0 billion, with the highest priority given to investment in in-house assets. Research and development expenses for fiscal 2023 are planned to be ¥84.0 billion, which will temporarily exceed 20% of revenue amid a significant decline in sales of "LATUDA®," but thereafter, we expect the three key products to grow significantly and intend to keep the ratio within 20% during the period of the MTBP. To achieve this, we will thoroughly streamline and optimize research and development expenses through the use of DX and other means. Although the strategic investment budget (M&A budget) is not specified, we intend to limit it to the extent that it does not significantly affect the financial targets for the net D/E ratio, the balance of interest-bearing liabilities, and the ratio of equity attributable to owners of the parent to total assets.

ROIC aims to be above industry average

With regard to profitability, we aim to return to the 6.5% line for the cumulative period from fiscal 2024 to fiscal 2027, to the invested capital, which is the sum of total equity and interest-bearing liabilities. We recognize that the ROIC of 6.5% is a benchmark for pharmaceutical companies of the same size as ours, and we believe that our first priority is to exceed this benchmark. We will then strive to further increase profits in order to achieve 10% ROE in the next Mid-term Business Plan.

Invested capital and return on capital

For the four-year period from FY2024, we will seek to secure a level of profit reasonably expected from invested capital and then aim to post a higher profit level during the next Mid-term Business Plan starting from FY2028



* The profit line reasonably required from invested capital (capital + interest-bearing liabilities) is set to be "invested capital x 6.5%" (weighted average cost of capital)

Reduce interest-bearing liabilities to less than ¥200.0 billion

With regard to financial soundness, we have set goals to reduce the balance of interest-bearing liabilities, which ballooned to ¥334.7 billion at the end of fiscal 2022, to less than ¥200.0 billion, and to improve the net D/E ratio to less than 0.5 and the ratio of equity attributable to owners of the parent to total assets to more than 40% by the end of fiscal 2027. As already mentioned, cash and deposits are expected to decrease and interest-bearing liabilities will temporarily increase in fiscal 2023 due to the disappearance of almost all sales of LATUDA® in the U.S. However, under the MTBP, we intend to repay interest-bearing liabilities through cash flow from operating activities and other sources by improving profit and loss from fiscal 2024 onward. We will also actively engage in cash flow management to keep working capital to a minimal level. On the other hand, we intend to refinance short-term borrowings, such as bridge loans arranged in fiscal 2022, into long-term borrowings to stabilize our financial base. We do not plan to raise capital-based funds at this time.

Financial goals (BS)

		At the end of FY2022	At the end of FY2027
BS	Net D/E ratio	0.60	0.5 or lower
	Interest-bearing liabilities	¥334.7 billion	¥200.0 billion or lower
	Ratio of equity attributable to owners of the parent to total assets	35.8%	40% or higher

*All financial goals above are after adjusting for the probability of success

Dividend resumption policy for fiscal 2024

Finally, regarding shareholder returns, our policy is to pay no dividend in fiscal 2023, when we expect core operating loss. However, we will rebuild our earnings base based on the three key products, and our policy is to resume dividend payments in fiscal 2024, when we expect a core operating profit, and aim for a consistent dividend thereafter.

Capitals

How do we consider management capital as a source of value creation?

Six capitals

(Fiscal year ended March 31, 2023, except for certain figures noted.)

*Key indicators are calculated on a consolidated basis for the Sumitomo Pharma Group, except where noted.

Sumitomo Pharma creates value through its business activities by effectively and efficiently combining the features of the Company in its six capitals, and promotes initiatives to realize its Mission: "To broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide."

Intellectual capital

Extensive pipelines, drug discovery capabilities, and leading-edge technologies and know-how that enable us to provide innovative products and healthcare solutions

With psychiatry and neurology, and oncology as its priority disorders areas, we are strengthening our intellectual capital with the aspiration of establishing a position as a Global Specialized Player by 2033 by contributing to the betterment of healthcare and fuller lives of people worldwide through diverse approaches including pharmaceuticals, regenerative medicine/cell therapy, and non-pharmaceutical solutions. Specifically, we aim to further strengthen our highly unique drug discovery platform in translational research, biomarker research, and modality technologies, while promoting data-driven drug discovery and continuously creating development candidates focusing on the underlying pathophysiology.

Key indicators

- Number of product launched (in the past 5 years) **7** products
- Number of development products **25** products
- Number of patent filings (number of inventions in the past 5 years) **310**

Human capital

Human resources that are the source of competitiveness and the driving force of innovation

We recognize that human resources is a source of competitiveness and an important driver of innovation for pharmaceutical companies. Therefore, we have established a system that utilizes the abilities of individual employees and strives to develop human resources who can flexibly adapt to changes and take on new challenges. In addition, we will maximize the effects of human capital by promoting group-wide management by instilling the globally-shared Philosophy in the Group.

Key indicators

- Number of employees Non-consolidated: **3,026** Consolidated: **6,250**
- Employee engagement score (non-consolidated) **68**%

*Percentage of positive responses to engagement questions answered on a 5-point scale.

- Percentage of female managers (non-consolidated) **14.4**% (as of April 2023)
- Number of participants in selective training (SMP Academy) (non-consolidated) **77**
- Number of career consultations (non-consolidated) approximately **200**
- Number of digital human resources and data scientists (as of March 2023) (non-consolidated)
  Citizen Data Scientists: approximately **60**
  Citizen Developer: approximately **20**
- Degree of practicing CHANTO (non-consolidated) **75**%

*Percentage of positive responses to questions regarding the degree of practicing CHANTO on a 5-point scale.

Social and relational capital

Build a solid foundation in Japan, North America, and China

We have a solid sales network in Japan, North America, and China. By building our own sales network, we are able to conduct sales and marketing activities tailored to local needs, which leads to building good relationships with healthcare professionals and gaining the trust of patients by accurately responding to their medical needs in the region. In addition, in research and development, we have established a solid network with academia and other external research institutions and biotech companies.

Key indicators

- Number of MR (as of June 30, 2023) Japan: **950**, USA: **480**, China: **270**
- Evaluation by doctors in Japan in focus areas
  Diabetes: **3rd** Schizophrenia: **2nd**

*Our own survey (as of March 2023)

- Number of partnerships that have contributed to access to healthcare in developing countries **5**

Six capitals

Manufacturing capital

Establish a production system that ensures a stable supply of high-quality products to patients

We have sufficient manufacturing capacity necessary to ensure a stable supply of high-quality products to patients who need our pharmaceutical products. In addition, in relation to the regenerative medicine/cell therapy business, we own a commercial manufacturing facility dedicated to regenerative medicine/cell therapy products derived from allogeneic iPS cells, and are aiming to fully launch the regenerative medicine/cell therapy business.

Key indicators

- Number of manufacturing sites (if global, number of sites by country) Japan: **2** China: **1**
- Number of commercial manufacturing facility dedicated to regenerative medicine/cell therapy products **2** facilities (SMaRT, FORCE)

Financial capital

Promote strengthening of financial base

Pharmaceutical companies typically require a long period of time (10 years or more) from drug discovery to market launch and realization of revenue, during which time they need to invest heavily in research and development. Therefore, Sumitomo Pharma believes that financial stability is necessary and is working to strengthen its financial base. On the other hand, we are striving to improve the efficiency of capital utilization, and to balance this with the improvement of profitability.

Key indicators

- Revenue growth rate (CAGR) Single year **-0.8**%, Period of the Mid-term Business Plan **4.9**%
- Core operating profit ¥**16.4** billion
- Cash flows from operating activities ¥**11.9** billion
- ROIC **-3.9**%
- ROE **-14.7**%
- Net D/E ratio **0.60**
- Balance of interest-bearing liabilities ¥**334.7** billion
- Ratio of equity attributable to owners of the parent to total assets **35.8**%
- Research and development expenses ¥**106.1** billion

Natural capital

Promote reduction of load on natural capital under the themes of creating a low-carbon and circular society and preserving biodiversity

We recognize that environmental issues such as climate change are serious global-scale issues that threaten people's healthy and full lives. Through our business activities, we promote the reduction on the load on natural capital under the themes of creating a low-carbon and circular society and preserving biodiversity. In addition, we will assess and appropriately respond to risks and opportunities that affect our business to contribute to the realization of a sustainable society and to sustained enhancement of corporate value.

Key indicators

GHG emissions (Scope1+2)	**54**kt-CO_2
Water withdrawal	**847**kt
Waste recycling rate (non-consolidated)	**72**%
Waste final disposal rate (non-consolidated)	**0.3**%

Strategy

How do we become a Global Specialized Player?

Review of the Mid-term Business Plans

Toward a "Global Specialized Player" by 2033

We have grown our in-house developed atypical antipsychotic LATUDA® in North America, achieved globalization of our business, and entered the Oncology area. We have also launched the Regenerative Medicine/Cell Therapy business and the Frontier business, and are reforming our business structure to establish a position as a "Global Specialized Player" toward our goal by 2033, as well as to achieve sustained growth.

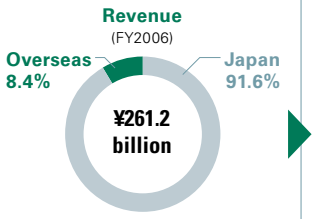
FY2005-2006

Maximizing synergies from the integration

Strategy Based on the integration philosophy of the former Dainippon Pharmaceutical Co., Ltd. and the former Sumitomo Pharmaceuticals Co., Ltd., "Aiming to become a global R&D-oriented pharmaceutical company," we will promptly realize sales, cost, and awareness synergies to strengthen its domestic business foundation, while considering and promoting specific plans for the development of its overseas business.

Achievements In Japan, the integration work to maximize synergies has been completed, including the establishment of a workforce structure with 1,500 MRs, integrated management of R&D, consolidation and/or abolition of business sites, and unification of human resource systems.

Issue Clarifying what the medium- to long-term ideal status should be. Building an overseas revenue base.



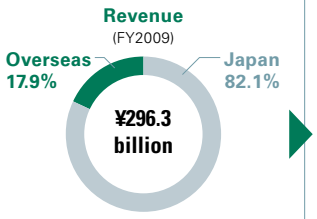
FY2007-2009

First Mid-term Business Plan Solid fundamentals

Strategy The Company's ideal status in 10 years is to establish its domestic business as a solid revenue base, while simultaneously seeking to advance its own sales in overseas markets. In R&D, the Company will strengthen its ability to create new drugs and actively in-license them in order to expand its pipeline to realize its vision for the future.

Achievements In-house development and application for approval of LATUDA® in North America, accelerated establishment of in-house sales structure, and acquisition of U.S.-based Sepracor Inc. (currently, Sumitomo Pharma America, Inc.) in the U.S., thereby establishing and expanding sales base and R&D sites in North America.

Issue The financial goals in terms of profit was not achieved due to lower-than-expected sales of long-listed products in Japan, and the results of in-licensing of development pipelines were also lower than planned.



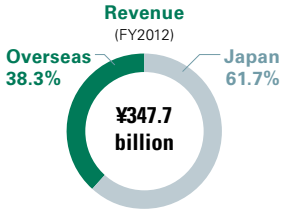
FY2010-2012

Second Mid-term Business Plan Takeoff

Strategy To enter "Creation and transformation toward a new stage of globalization," the Company will focus on maximizing the product value of LATUDA®, strengthening profitability in North America, structural reform of its domestic business, expansion into the European and Asian markets, and the pursuit of management efficiency. In addition, the Company will actively invest in the expansion of its development pipeline, strategic alliances and in-licensing, and fostering and strengthening of human resources for future growth.

Achievements In Japan, the Company strengthened its sales force in the Psychiatry & Neurology area. In North America, sales of LATUDA® grew. Acquisition of Boston Biomedical, Inc. (currently, Sumitomo Pharma America, Inc.), full-scale entry into the Oncology area, and established the DSP Cancer Institute for oncology drug discovery research in Japan.

Issue Responding to the risk of decline in profitability associated with long-listed products. Improving profitability in North America. Shortage of late-stage assets.



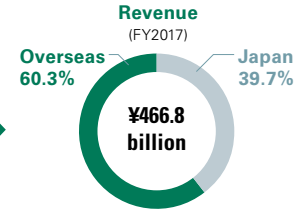
FY2013-2017

Third Mid-term Business Plan Sustained Growth

Strategy With "Quest for further innovation," the Company aims to be an internationally competitive R&D-oriented pharmaceutical company and contribute to medical care with cutting-edge technologies. Seeking to expand its global business with LATUDA® and new products in the Oncology area. In R&D, in addition to the Psychiatry & Neurology area and the Oncology area, promoting the development of the Regenerative Medicine/Cell Therapy field. Strengthening the business foundation by shifting to a leaner corporate structure.

Achievements Sales revenue of LATUDA® increased significantly in North America. Pipeline expansion through acquisitions. Progress in R&D in the Regenerative Medicine/Cell Therapy field. Restructuring and improving efficiency of the organization to strengthen the domestic business foundation.

Issue A departure from a profit structure dependent on LATUDA®. Delays in launching the Oncology business. Establishment of a new business model.



FY2018-2022

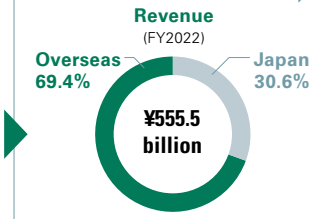
Mid-term Business Plan 2022 Re-build business foundation

Strategy Aim to rebuild the business foundation through the "establishment of growth engine" and the "building of flexible and efficient organization" to adapt to the "Time for Change" ahead of the post-LATUDA situation (after the expiration of the exclusivity period for LATUDA® in the U.S.).

Achievements Acquisition of three key products* and DX platforms through a strategic alliance with Roivant Sciences Ltd., and expansion of development pipeline. Expansion of the initial pipeline in the Regenerative Medicine/Cell Therapy business and the Frontier business.

*ORGOVYX®, MYFEMBREE®, GEMTESA®

Issue Shift to a profitable structure based on in-house developed products. Discontinuation of late-stage development of major assets and a downward revision of our new product sales plan. Complexity of the business in North America.



FY2023-2027

Mid-term Business Plan 2027 Make a "qualitative transformation" of the business structure and business practices

Strategy As a period for renewed growth after the expiration of the exclusivity period for LATUDA® in the U.S. and for establishing a foothold to become a "Global Specialized Player," which is what the Company aims to be by 2033, we will work to establish a revenue base to support sustained growth, mainly by maximizing the value of its three key products, and to transform its business structure through R&D to bring innovations of our own original to fruition in the form of business. At the same time, we will take the opportunity of the combination of the U.S. group companies to reengineer the group operating structure and work to change to a flexible and efficient business foundation.

LATUDA® launch and globalization of business → **Renewed growth from the "LATUDA Cliff."**

Shift in focus areas in response to unmet medical needs

Diabetes/cardiovascular area Psychiatry & Neurology area Inflammation/allergy area	→	Psychiatry & Neurology area Specialty area*	→	Psychiatry & Neurology area Oncology area + Regenerative Medicine/ Cell Therapy field	→	Psychiatry & Neurology area Oncology area + Regenerative Medicine/ Cell Therapy business Frontier business other than pharmaceutical products

*Diseases with substantial unmet medical needs that require a high level of expertise in research, development, and sales.

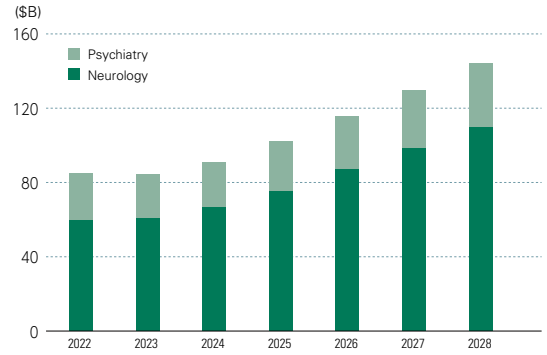
Trends in Focused Markets

Although the number of patients in the Psychiatry & Neurology, and Oncology areas is on the rise as a global social issue, these areas still remain fields where the therapeutic effect of drugs is relatively low, and "the development of innovative products and healthcare solutions" is required.

Psychiatry & Neurology area

The number of patients living with depression, anxiety, and schizophrenia is increasing due to a complex interplay of various factors, including a high-stress society, a sense of instability in the economy and lifestyle, loneliness, drastic changes in work styles, pandemic, and conflicts. Meanwhile, with the progression of an aging society, dementia is also continuing to expand. However, the therapeutic effect of drugs to neuropsychiatric disorders of the central nervous system (CNS) is still insufficient, and there is a strong need for innovative new drugs and treatment methods.

Trends in the global market of the Psychiatry & Neurology area

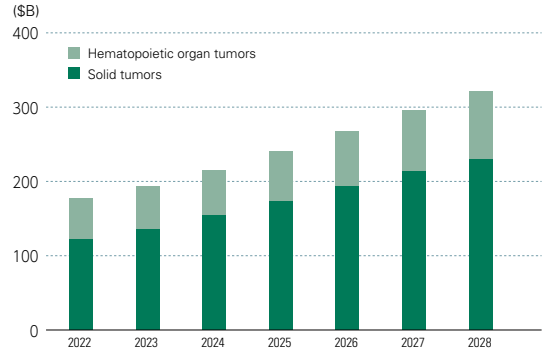


Source: Evaluate Pharma® 1 August 2023© Evaluate Ltd.

Oncology area

The number of cancer patients is increasing due to the aging of the population. Although cancer remains a disease with a bleak prognosis and many unmet medical needs, diversification of modalities in recent years has resulted in prolonged survival. Meanwhile, because drugs are administered over a long period of time in cancer immunotherapy and other therapies, there is a growing need for safer and more tolerable drugs which also improve quality of life.

Trends in the global market of the Oncology area

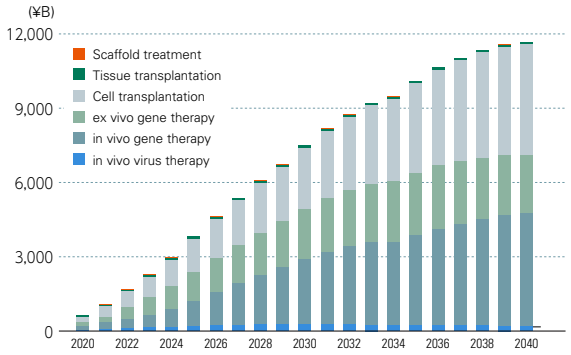


Source: Evaluate Pharma® 1 August 2023© Evaluate Ltd.

Regenerative Medicine/Cell Therapy business

Conventional small molecule and antibody pharmaceutical products cannot be expected to have a fundamental therapeutic effect on diseases and injuries that cause irreversible loss of cells, tissues, and organs, such as retinal pigment epithelium tear, age-related macular degeneration (AMD), Parkinson's disease, retinitis pigmentosa, and spinal cord injury. Therefore, as a new modality, Regenerative Medicine/Cell Therapy, in which Regenerative Medicine/Cell Therapy (cultured cells and tissues, etc.) are transplanted to restore lost functions, is eagerly awaited in a wide range of fields.

Estimated global market size (by mechanism of action)

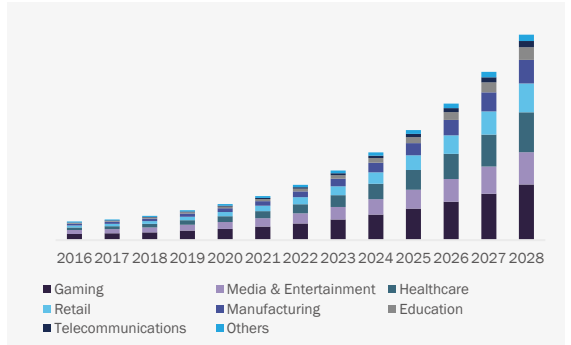


Source: Compiled by ARTHUR D. LITTLE from the ADL Database

Frontier business

The "well-being" sought by patients is achieved not only through the treatment of disease, but also through prevention, diagnosis, long-term care, and rehabilitation, and it is becoming more difficult to achieve this goal with pharmaceuticals alone. Especially with the increasing number of neuropsychiatric disorders and in an aging society, new non-pharmaceutical healthcare solutions are required.

North America VR headset market by application



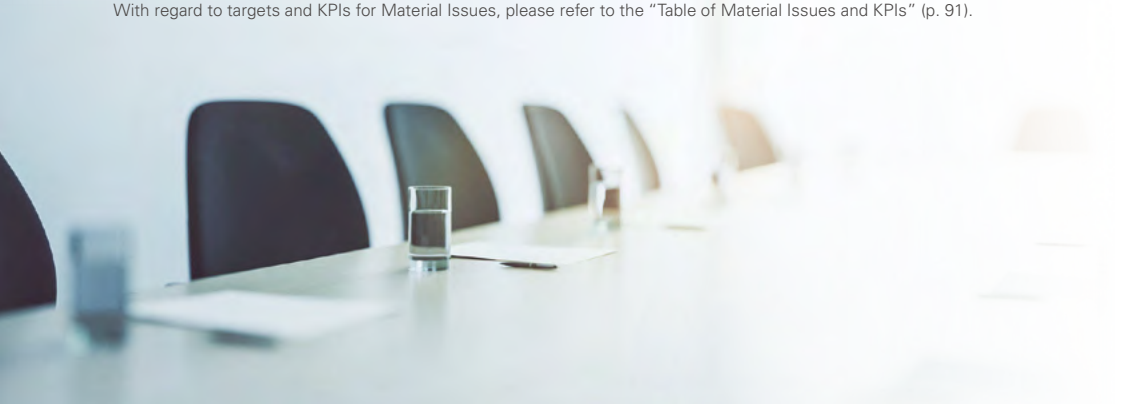
Source: Grand View Research, Virtual Reality Headset Market, Market Analysis, 2016 - 2028

Sumitomo Pharma Group's Material Issues

In order to achieve both contribution to the sustainability of society and sustained growth of the group companies, the Sumitomo Pharma Group will utilize the Group's capital (strengths) to meet the diverse and changing expectations and demands of society, and create value that only we can offer. To this end, we have again identified key issues to be addressed as "Material Issues" in March 2023. Below are the 10 Material Issues identified.

- Development of innovative products and healthcare solutions
- Stable supply of high-quality pharmaceutical products
- Provision of high-quality product information and promotion of proper use
- Improving access to medicines and advocacy
- Expansion of human capital and instillment of corporate culture
- Respect for human rights
- Promotion of environmental initiatives
- Enhancement of corporate governance
- Strengthening of risk management
- Pursuing compliance

With regard to targets and KPIs for Material Issues, please refer to the "Table of Material Issues and KPIs" (p. 91).



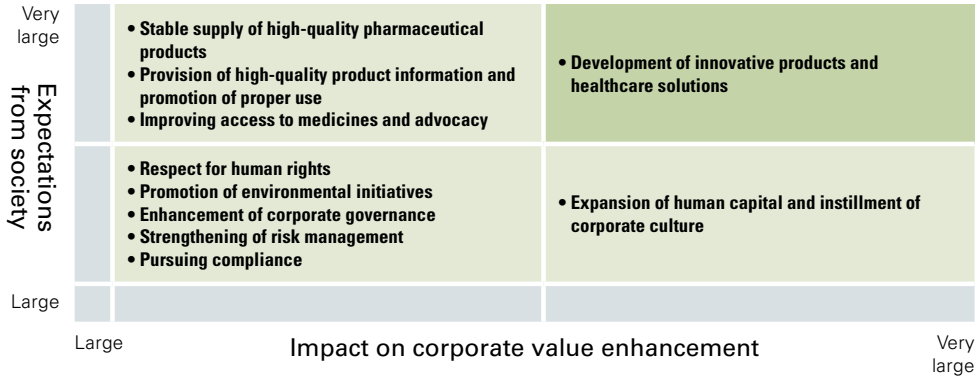
Review of Material Issues

In fiscal 2023, we reviewed our Material Issues for implementing Sustainability Management from the perspectives of "expectations from society" and "impact on corporate value enhancement," and identified "Development of innovative products and healthcare solutions" as our most important material issue. Targets and KPIs are set for each of the 10 Material Issues. (See p. 91)

Identifying Material Issues

In preparing and reviewing the Material Issues, on the basis of the six essentials, we identify points to consider based on our role as a global pharmaceutical company and the expectations from society. For each point, we make a list of our capital, and social issues and needs related to medicine and health, and incorporate the action plan into the Mid-term Business Plan, taking into account the opinions obtained through dialogue with investors and analysts via ESG Meeting and other opportunities.

Map of Material Issues



The essence of Material Issues

- A certain level of comprehensiveness is ensured and the focus of the global company/pharmaceutical company/the Company is clarified at the same time
- The transparency and accountability of the identified processes and the ideas behind them are maintained
- The connection with the corporate mission system set forth by the Sumitomo Group and Sumitomo Pharma is systematic and clear
- The Material Issues are aligned with the Mid-term Business Plan 2027, which serves as the Material Issue's implementation plan
- The Material Issue's actionable and observable objectives and activity plans for the period of the Mid-term Business Plan 2027 and thereafter are visible
- Flexibility with the prospect of uncertainty in the market and business environment and the possibility of revision are taken into account

Sumitomo Pharma's Value Creation Process

In putting our Philosophy into practice, Sumitomo Pharma aims to solve Material Issues including "Development of innovative products and healthcare solutions" through business activities that leverage our three strengths (R&D, human resources, and global platform) based on our six types of capital, with the goal of continuously increasing our corporate value and establishing ourselves as a Global Specialized Player.

Input

Intellectual capital
Extensive pipelines, drug discovery capabilities, and leading-edge technologies and know-how that enable us to provide innovative products and healthcare solutions

Human capital
Human resources that are the source of competitiveness and the driving force of innovation

Social & relationship capital
Build a solid foundation in Japan, North America, and China

Manufactured capital
Establish a production system that ensures a stable supply of high-quality products to patients

Financial capital
Promote strengthening of financial base

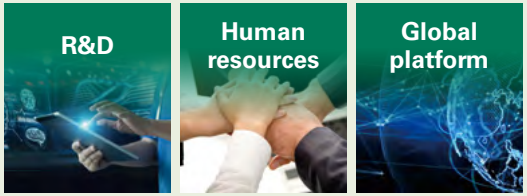
Natural capital
Promote reduction of load on natural capital under the theme of creating a low-carbon and recycling-oriented society and preserving biodiversity

Business model

Position we aspire to establish by 2033

"Global Specialized Player"

Sumitomo Pharma's three strengths based on its six types of capital



Business activities based on three strengths

Research → Development → Procurement → Production → Marketing

Corporate regulatory compliance & quality assurance

Quality and safety management

Information security

Material Issues

10 Material Issues, including **"Development of innovative products and healthcare solutions"**

For details, see p. 22

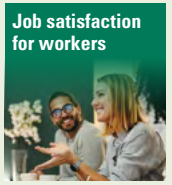
Output

Diverse solutions centered on pharmaceuticals

Disease areas	Modalities
Psychiatry & Neurology area	Small molecule
Oncology area	Regenerative medicine/ cell therapy
Other areas	Non-pharmaceutical (Frontier)
	Other modalities

Outcome

To broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide



Vision and Position We Aspire to Establish by 2033

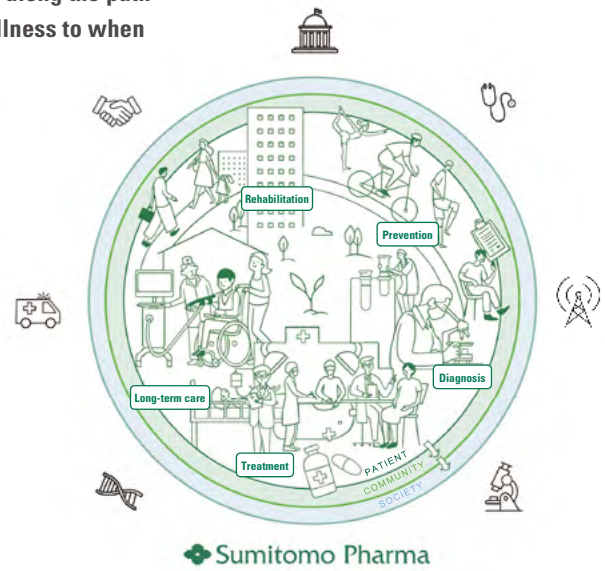
Against the backdrop of social issues such as the declining birthrate, aging society, and pandemics, medical needs in the Psychiatry & Neurology, and Oncology areas are expected to expand. In addition, medical needs are becoming increasingly advanced, and society expects us to make full use of diverse modalities to solve healthcare issues in a way that is closely aligned with the fusion of the digital and real worlds of life and people's sense of values.

Under these circumstances, the Group aims to solve Material Issues, including "Development of innovative products and healthcare solutions," and with our Vision, "For longer and healthier lives. We unlock the future with cutting edge technology and ideas," we are committed to the Psychiatry and Neurology, and Oncology areas as our priority disease areas and contribute to the betterment of healthcare and fuller lives of people worldwide through diverse approaches including pharmaceutical products, Regenerative Medicine/Cell Therapy, and non-pharmaceutical solutions. In other areas as well, we will leverage our assets to deliver value to patients. Through these initiatives, we aim to establish our position as a "Global Specialized Player" by 2033.

Vision

Our goal is to contribute to "well-being" not only through treatment, but also through prevention, long-term care, and rehabilitation, all along the path from before patients recognize their illness to when they return to social life.

For longer and healthier lives
We unlock the future with cutting-edge technology and ideas



Position we aspire to establish by 2033
Global Specialized Player

We will establish a unique position globally by contributing to the betterment of healthcare and fuller lives of people worldwide through diverse approaches including pharmaceutical products, Regenerative Medicine/Cell Therapy, and non-pharmaceutical solutions, focusing on the Psychiatry & Neurology, and Oncology areas as our priority disease areas.

Small molecule
Molecular design/synthesis based on accumulated experience/know-how

Regenerative Medicine/Cell Therapy
Know-how acquired by pioneering initiatives

Non-pharmaceutical (Frontier)
To be developed in the mental resilience area

Other modalities
Pursuit of optimal modalities

×

Diverse approaches to innovate the conventional treatment system
- Our core area
- Accumulated data, experience, and know-how

Distinguished products to innovate standard treatment
- Carefully selected R&D pipeline
- Unique fundamentals for drug discovery

Deliver value to patients by leveraging our assets
- Women's health issues, urological diseases, diabetes
- Rare diseases, infectious diseases

Mid-term Business Plan 2027 (FY2023-2027)

Basic strategy

Make a "qualitative transformation" of the business structure and business practices

Achieve renewed growth from the "LATUDA Cliff" and build a foothold for becoming a GSP

As a period for renewed growth after the expiration of the exclusivity period for LATUDA® in the U.S. and for establishing a foothold to become a "Global Specialized Player (GSP)," we will work to establish a revenue base to support sustained growth, mainly by maximizing the value of its three key products (ORGOVYX®, a treatment for advanced prostate cancer, MYFEMBRE®, a treatment for uterine fibroids and endometriosis, and GEMTESA®, a treatment for overactive bladder), and to transform its business structure through R&D to bring innovations of our own original to fruition in the form of business. At the same time, we will take the opportunity of the combination of the U.S. group companies to reengineer the group operating structure and work to change to a flexible and efficient business foundation.

Qualitative transformation	Priority issues
1. Establish a revenue base facilitating sustained growt	(1) Strengthening business profitability
2. Bring own innovations to fruition	(2) Bringing own innovations to fruition
3. Change to a flexible and efficient business foundation	(3) Strengthening group governance
	(4) Accelerating digital transformation (DX)
	(5) Instilling corporate culture and implementing HR strategies

Business goals (Financial goals)

During the period of the "Mid-term Business Plan 2027," the Company expects to record a core operating loss in fiscal 2023, the first year of the plan, due to the significant impact of the expiration of the exclusivity period for LATUDA® in the U.S. However, by focusing on structural reform of the U.S. business and sales expansion of the three key products, we aim to return to profitability in core operating profit in fiscal 2024 and thereafter achieve CAGR of 12% in revenue (base year: fiscal 2023), while aiming for ROE of 10% in the next Mid-term Business Plan beginning from fiscal 2028.

Regarding dividends, our policy is to pay no dividend in fiscal 2023, when core operating loss is expected, to resume dividend payments in fiscal 2024, when core operating profit is expected, and aim for a consistent dividend thereafter. In terms of investment policy, we will place the highest priority on R&D investment in our own assets, and will limit M&A, in-licensing, etc. to the extent that they do not have a significant effect on our financial goals.

Financial goals

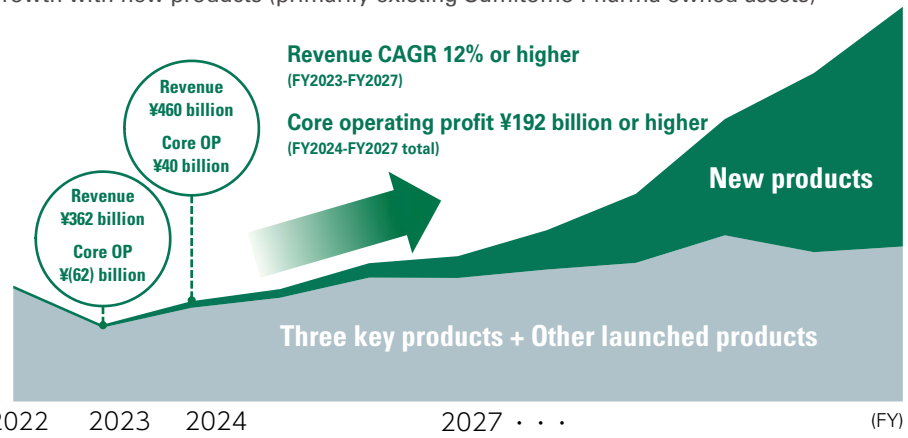
PL/CF	FY2023	FY2024-2027
Revenue	¥362 billion	CAGR 12% or higher (Base year: FY2023)
Core operating profit	¥(62) billion	¥192 billion or higher (For four-year total)
Operating cash flow	¥(130) billion	¥270 billion or higher (For four-year total)
ROIC	(8.5)%	6.5% or higher (For four-year total)
ROE	(21.9)%	8% or higher (For four-year total)

BS	End of FY2027
Net D/E ratio	0.5 or lower
Interest-bearing liabilities	¥200.0 billion or lower
Ratio of equity attributable to owners of the parent to total assets	40% or higher

(Notes)
1. Forex assumptions: USD1 = JPY130, RMB1 = JPY19.5
2. All financial goals above are after adjusting for the probability of success.
3. CAGR: Compound Annual Growth Rate
4. ROIC = (Core operating profit- Income taxes) / (Equity + Interest-bearing liabilities)

Renewed growth imagined

Establish a mid-term revenue base with the three key products and aim for renewed growth with new products (primarily existing Sumitomo Pharma owned assets)



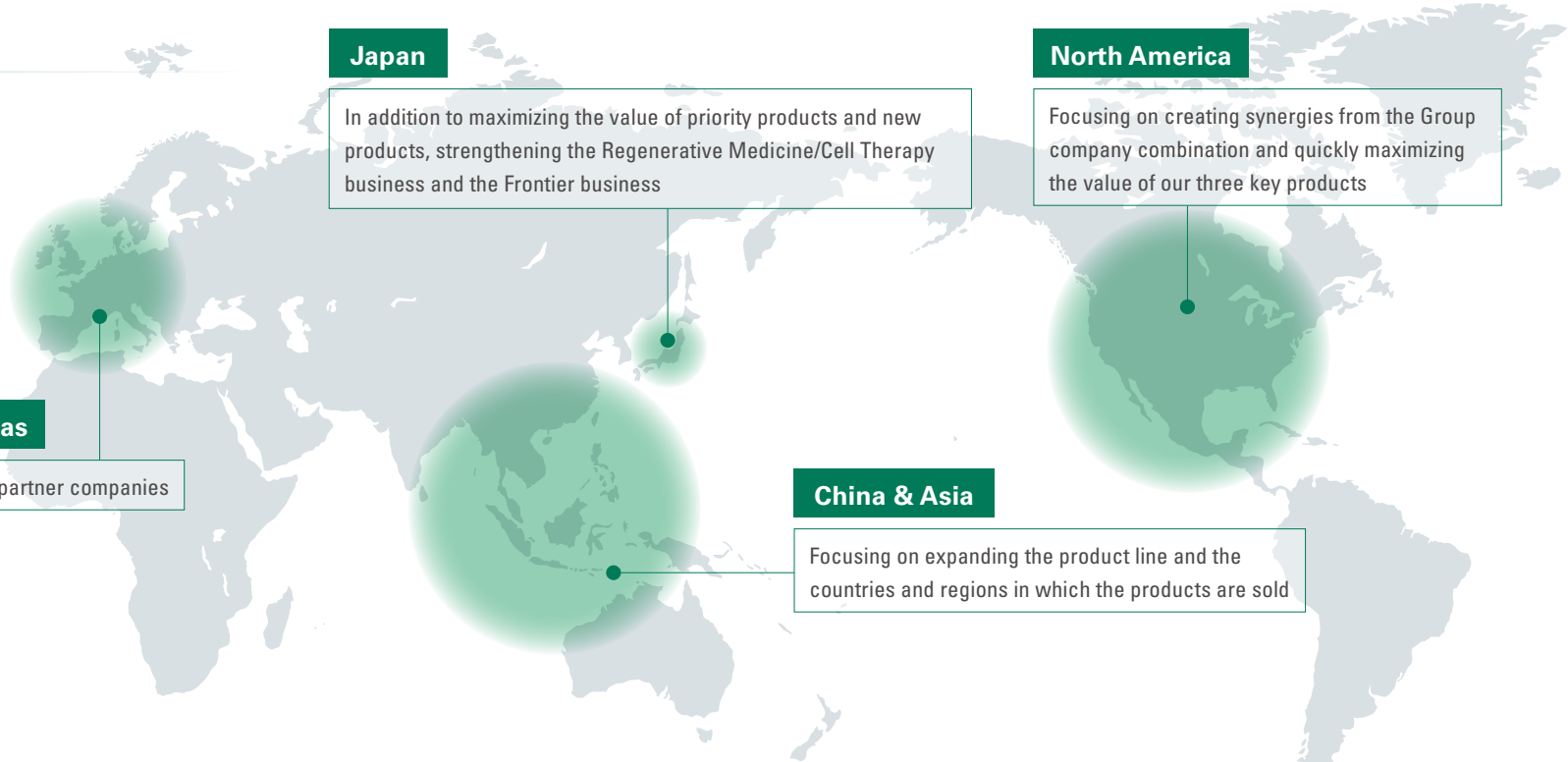
Priority measures

Establish a revenue base facilitating sustained growth

In North America, in addition to creating synergies through the combination of group companies, we will focus on quickly maximizing the value of our three key products. In Japan, we will strive to maximize the value of priority products and new products to secure business earnings, while strengthening the Regenerative Medicine/Cell Therapy business and the Frontier business. In China & Asia, we will seek to maximize revenues and profits by expanding the product line and the countries and regions in which the products are sold.

Regional strategies

Japan, North America, and China & Asia have strong foundations, including local headquarters, sales, and development functions, and we will leverage these strengths to expand the business worldwide.



Japan

In addition to maximizing the value of priority products and new products, strengthening the Regenerative Medicine/Cell Therapy business and the Frontier business

North America

Focusing on creating synergies from the Group company combination and quickly maximizing the value of our three key products

Europe and other areas

Promoting coordination with partner companies

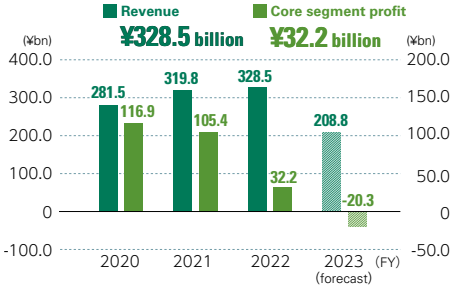
China & Asia

Focusing on expanding the product line and the countries and regions in which the products are sold

Priority measures **Establish a revenue base facilitating sustained growth**

North American business

Revenue / core segment profit



SWOT

Strengths	• Development and sales capabilities in the Psychiatry & Neurology area • Products of Best in class • Proprietary healthcare technology platforms of DrugOME and Digital Innovation
Opportunities	• High unmet medical needs in the areas of Psychiatry & Neurology and Oncology
Weaknesses	• Concerns about rapid scaling of new products
Threats	• Profit decline owing to loss of exclusivity for LATUDA® • Drug price controls under the Inflation Reduction Act

Rebuilding competitiveness under a unified team structure

As part of efforts to generate sustained growth in the North American business following the loss of exclusivity for LATUDA® in the U.S., in July 2023 we merged the seven Group companies in the U.S. into a single entity with Sunovion becoming the remaining company. The purpose of this combination was to consolidate the functions and human resources hitherto spread all over North America and build a more robust business foundation. At the same time, we integrated the respective missions and cultures of each company under the Sumitomo Pharma Group brand and changed the name of the operating company from Sunovion to Sumitomo Pharma America in order to share the same business objectives.

For the North American business, we have set up a strategy unit under the framework of a unified team structure with the aim of pursuing lean operations and upholding Group governance. More specifically, we have established a Commercial Unit to work on early market penetration and maximization of value for the three key products. And in R&D, we are gathering the best talent to efficiently take charge of approximately 30 clinical studies. At the same time, we hope to realize cost synergies from fiscal 2023 onwards primarily by standardizing functions and optimally allocating resources with the aim of cutting costs by some US$400 million in fiscal 2024. In addition, we launched an Advanced Analytics teams to provide strong support to sales and R&D with the use of our proprietary data utilization technologies (DrugOME, Digital Innovation). This team will be expanded across the entire Group going forward.

Post-LATUDA renewed growth strategy

We are focused on expanding sales and maximizing the value of ORGOVYX®, MYFEMBREE®, and GEMTESA®, the three key products we have positioned for the time being as drivers of renewed growth following the loss of exclusivity for LATUDA® in the U.S. For ORGOVYX® and MYFEMBREE® in particular, we will step up our efforts to penetrate the market by engaging in co-promotion with Pfizer Inc. Also, we will look to drive sales growth of the treatment for antiepileptic, APTIOM® and the treatment for congenital athymia, RETHYMIC®.

Relugolix*1: ORGOVYX® and MYFEMBREE®

Relugolix is an orally administered GnRH*2 receptor antagonist taken once daily. It suppresses the production of testosterone in the testes to slow the growth of prostate cancer, as well as the production of estradiol by the ovaries, which stimulates the growth of uterine fibroids and endometriosis. In the U.S., three million men have prostate cancer, five million women have uterine fibroids, and six million women have endometriosis. We intend to raise awareness of the advantages of this oral GnRH receptor antagonist and set our sights on achieving double blockbuster (¥200 billion) for ORGOVYX® (relugolix) and MYFEMBREE® (relugolix combination tablet). We are also endeavoring to maximize their value by testing combined treatments and the risk of cardiovascular events with ORGOVYX®, as well as new efficacies and the safety of long-term administration of MYFEMBREE®.

*1 Relugolix is the generic name; brand names in the U.S. are ORGOVYX® (treatment for advanced prostate cancer) and MYFEMBREE® (treatment for uterine fibroids and endometriosis)

*2 Gonadotropin releasing hormone

Vibegron*3: GEMTESA®

GEMTESA® is an oral medication taken once daily for the treatment of overactive bladder (OAB). It effectively addresses all three key symptoms of OAB—urge urinary incontinence, urinary urgency, and urinary frequency—and does not have a blood pressure warning in its label, making it potentially appropriate for patients with hypertension and the elderly. In the U.S., it is estimated that more than 33 million people suffer from the symptoms of OAB, but the level of patient satisfaction in this area is very low. We aim to make GEMTESA® a blockbuster drug with revenue of ¥100 billion.

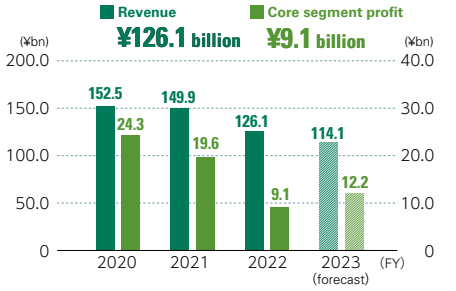
*3 Vibegron is the generic name; brand name in the U.S. is GEMTESA® (treatment for overactive bladder)

Priority measures

Establish a revenue base facilitating sustained growth

Japan business

Revenue / core segment profit



SWOT

Strengths	• Industry-leading revenue in the Diabetes area • Pharmaceutical R&D capabilities in the Psychiatry & Neurology area • Approximately 1,000 MRs and information providing system via omni-channels
Opportunities	• High unmet medical needs in the Psychiatry & Neurology area • Diverse information access needs, including via digital
Weaknesses	• Declining profit ratio due to a changing product mix • Decrease in revenue due to transfer of sales collaboration products and termination of contracts
Threats	• Drug price revision in every year • An earlier-than-expected penetration of generic drugs

Maximize the value of priority products and new products

Leveraging our strong sales platform, we will strive to expand sales of LATUDA®, LONASEN® Tape, an antipsychotic, and TRERIEF®, a treatment for Parkinson's disease, in the Psychiatry and Neurology area. In the Diabetes area, we will expand sales of TWYMEEG®, Equa® and EquMet® for treatment of type 2 diabetes. In addition, we will focus on launching and expanding the indications for new products in the Psychiatry and Neurology area as well as Oncology area, including Parkinson's disease, retinal pigment epithelium tear, schizophrenia, and acute leukemia.

Strengthen the Regenerative Medicine/Cell Therapy business and the Frontier business

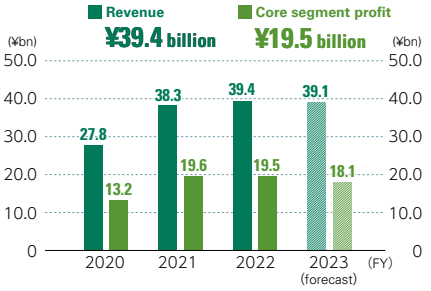
We will promote the establishment of a business foundation for the Regenerative Medicine/Cell Therapy business by launching allogeneic iPS cell-derived dopaminergic neural progenitor cells (DSP-1083) and allogeneic iPS cell-derived retinal pigment epithelial cells (HLCR011). In addition, we will accelerate our efforts to fully launch the Frontier business, starting with the "MELTz® Hand Rehabilitation System," which was launched in September 2022.

Business operations responsive to change

Approximately 1,000 highly-specialized MRs will be assigned in a manner suitable for the changes in business scale and product mix to improve productivity. In addition, as a new communication channel through digital technology, information providing system via omni-channels using digital tools such as VR and smart glasses will be strengthened to enhance communication with healthcare professionals. At the same time, we will flexibly pursue strategic in-licensing and alliances as well as in-house development in order to expand our pipeline.

China & Asia business

Revenue / core segment profit



SWOT

Strengths	• Strong business foundation (competent staff, business expertise) • Competitive in-house products (MEROPEN®, etc.)
Opportunities	• Develop systems to help accelerate new drug approval and protect patents • Economic growth and healthcare infrastructure improvements
Weaknesses	• Lack of product lineup
Threats	• Further drug cost reduction measures • Geopolitical risk

Expand the product line

In China, we will focus on sales and value maximization of in-house developed products of MEROPEN®, carbapenem antibiotic, and LATUDA®. In Asia, we will expand business in countries suitable for our own pipeline, and aim to expand sales through coordination with partner companies. In addition, we will focus on the launch (in China) of lefamulin, which has been filed for the treatment of bacterial community acquired pneumonia, and promote the business development of vibegron, an overactive bladder treatment for which we obtained a license for development, manufacturing, and marketing in such countries and regions as Taiwan from KYORIN Pharmaceutical Co., Ltd.

Maximize profits from launched products

Both MEROPEN® and LATUDA®, our core products in the Chinese market, are affected by volume based procurement, in which the Chinese government decides on the drugs to be used in public hospitals nationwide through bidding, but we will continue to strive to maximize profits as the standard therapy for severe infections. In China, we will also promote the establishment of a hybrid sales structure through the use of CSO (Contract Sales Organization). In addition, we will focus on expanding the number of countries where LATUDA® is sold (Malaysia and others), where demand is expected to increase due to the increased stress associated with economic growth and other factors.

Strengthen organizational foundation

In China, which is positioned as the third pillar after Japan and North America, we will promote the strengthening of coordination with global development and production functions, and in the Asian region, we will promote the optimization of corporate governance functions and organizational management in Singapore, where the central function is located.

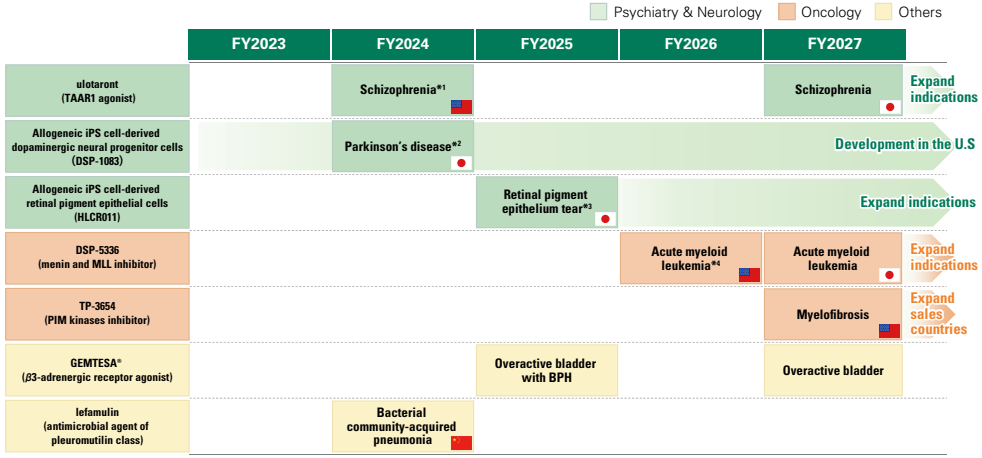
Note: Effective from the first quarter of fiscal 2023, the segments have been changed from four, Japan, North America, China, and Other Regions, to three, Japan, North America, and Asia.
The forecast for fiscal 2023 has been reclassified based on the classification method after the change.

Priority measures

Bring own innovations to fruition

We will accelerate the development of late-stage assets such as ulotaront and allogeneic iPS cell-derived dopaminergic neural progenitor cells, and work to ensure their launch. In addition, we will accelerate in-house development by quickly selecting priority products from among early-stage assets, and pursue the maximization of the value of our pipeline by appropriate measures, including external alliances, to achieve an appropriate allocation of investment. Furthermore, we will fully launch the Regenerative Medicine/Cell Therapy business and the Frontier business.

Product launch target (as of July 31, 2023)



*1. To be revised for launch target based on consultation with the FDA, etc.
*2. Launch schedule is based on our goal pending agreement with partner
*3. Under review for launch target based on clinical study status
*4. Premise to utilize an application of accelerated approval program (Plan to consult with the FDA)

Ensure that these initiatives come to fruition and begin boosting business performance

We will realize medium- to long-term renewed growth by tapping into expertise, strengths, and assets built up so far to boost business performance.

- ☑ Achieve successful launches of late-stage assets
- ☑ Create a distinguished pipeline
- ☑ Initiatives in the infectious diseases area
- ☑ Select priority products from among early-stage assets and bring them to later phases
- ☑ Full-scale launch of the Regenerative Medicine/Cell Therapy business and Frontier business

Achieve successful launches of late-stage assets

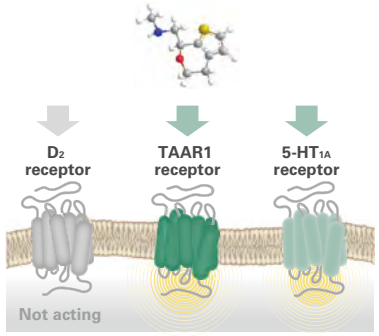
Ulotaront

Ulotaront (SEP-363856) possesses a novel mechanism of action different from the conventional dopamine receptor antagonism, which is the mainstream approach to treating psychiatric disorders. If approved, it would offer a new treatment option for patients who have shown resistance to existing treatments. Also, it exhibits fewer extrapyramidal symptoms and metabolic adverse events like weight gain commonly associated with the conventional dopamine receptor antagonism. We believe it has the potential to grow into a blockbuster at its peak and even surpass LATUDA®.

Through joint development with Otsuka Pharmaceutical Co., Ltd., we aim to launch ulotaront at the earliest possible time and expand its indications. Development is currently underway for three indications: schizophrenia, adjunctive major depressive disorder, and generalized anxiety disorder. Regarding the two Phase 3 studies conducted in the U.S. for the treatment of schizophrenia, we received topline results in July 2023 indicating that the primary endpoints were not met. We will further analyze the data together with Otsuka Pharmaceutical Co., Ltd. to determine the next steps and we also plan to hold discussions with the FDA up ahead.

Indications	No. of patients
Schizophrenia	U.S.: Approximately 2.3 million*1 Japan: Approximately 800,000*2
Adjunctive major depressive disorder	U.S.: Approximately 18.3 million*1 Japan: Approximately 2.6 million*2
Generalized anxiety disorder	U.S.: Approximately 13 million*1 Japan: Approximately 1.1 million*2

*1 Source: Decision Resources
*2 Source: Ministry of Health, Labour and Welfare (2017)



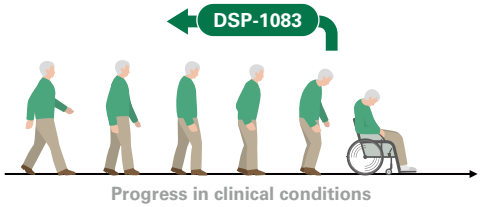
Priority measures

Bring own innovations to fruition

Allogeneic iPS cell-derived dopaminergic neural progenitor cells (DSP-1083)

Allogeneic iPS cell-derived dopaminergic neural progenitor cells (DSP-1083) is expected to wind back progression of clinical conditions of Parkinson's disease patients and extend their healthy life expectancy by transplanting dopaminergic neural progenitor cells into the brain of Parkinson's disease patients. Currently, investigator-initiated study is being conducted at Kyoto University Hospital, and the product is scheduled to be launched in Japan in fiscal 2024. We will also begin clinical studies in the U.S. in fiscal 2023 and expect it to grow into a blockbuster product by the 2030s.

Wind back progression of clinical conditions to contribute to longer healthy life expectancy



Select priority products from among early-stage assets, bring them to later phase

Oncology area (TP-3654, DSP-5336)

In the area of Oncology, we will carefully select pipelines and continually rise to the challenge of creating novel drugs. In particular, we are concentrating our resources on the development of TP-3654 under investigation for treating myelofibrosis and DSP-5336 under investigation for acute leukemia. We will focus on market entry and value maximization by fiscal 2027 for these candidates. TP-3654 has gained considerable attention based on the side effect profile seen in early clinical studies. Non-clinical studies of DSP-5336 are expected to demonstrate excellent efficacy and safety in certain patients. We expect sales of both of these products at their peak to be in either the blockbuster and big products (¥50–¥100 billion) range.

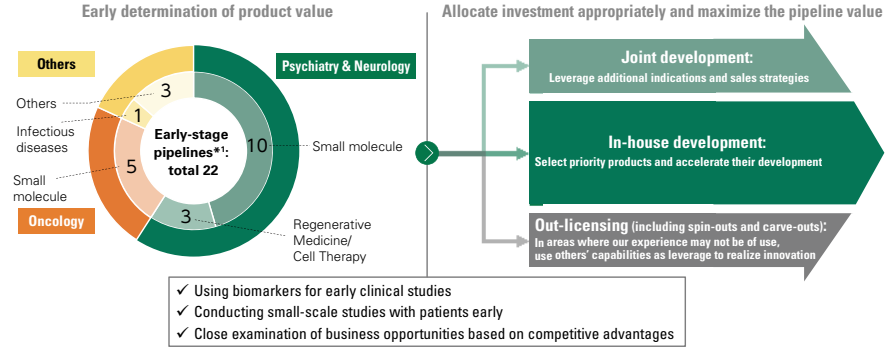
TP-3654 (myelofibrosis)	DSP-5336 (acute myeloid leukemia)
[Characteristics] (1) Possibly prevents bone marrow from becoming fibrotic (root cause of the disease) (2) Possibly can be administered to a group of patients with a low platelet count (unmet need of the disease) (3) Possibly contribute to a broad patient group when used in combination with drugs with a different mechanism of action	[Characteristics] (1) Born out of the industry-university collaboration program with Kyoto University. Translational research to be promoted as part of AMED ACT-M*1 project (2) Clinical POC*2 confirmed with a competing drug with the same mechanism of action (3) Superior efficacy and safety for a certain patient group expected according to the results of non-clinical studies
Launch target: Fiscal 2027 (🇺🇸)	**Launch target:** Fiscal 2026 (🇺🇸), fiscal 2027 (🇯🇵)

*1. Acceleration Transformative Research for Medical Innovation; *2. Proof of Concept

Selection and concentration of the pipeline and maximization of its value

We have a large number of early-stage development pipelines, but in light of limited research and development expenses, we will select multiple priority products that will underpin the Group's revenue in the 2030s, utilizing biomarkers, among others, to accelerate in-house development and maximize the value of the pipeline through appropriate measures, including partnerships with external parties (joint development, out-licensing), at the same time.

Current pipelines



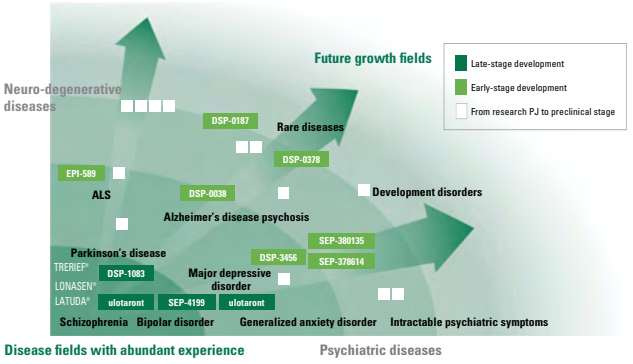
*1. Early-stage pipelines in clinical stage. Ophthalmology is included in the Psychiatry & Neurology area. As of April 2023

Continuously create distinguished candidate compounds

Dare to branch out to future growth fields from disease fields where we have abundant experience

Psychiatric and neurological disorders are now seen as a group of interrelated spectrum-like diseases. We are engaged in research to understand the similarities and differences in each disorder that may exist between the two disorders, such as psychiatric symptoms associated with Alzheimer's disease, from both basic and clinical perspectives. Based on our accumulated experience in these disorder areas, we will promote drug discovery based on neural circuit pathology and unique drug discovery based on molecular pathological mechanisms to open up future growth areas.

Future prospects in Psychiatry & Neurology area



Priority measures

Bring own innovations to fruition

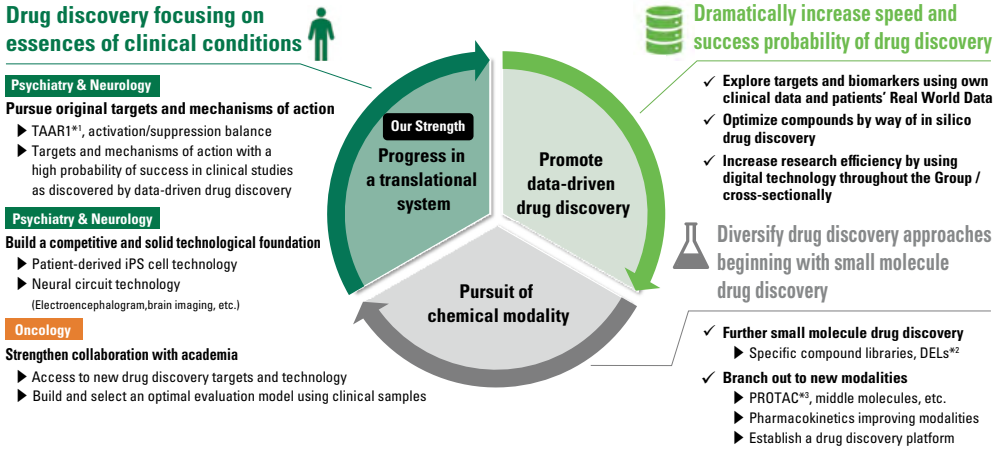
Drug discovery strategies

In drug discovery research, we aim to further strengthen our highly unique drug discovery platform in translational research, biomarker research, and modality technologies, while promoting data-driven drug discovery and continuously creating candidate compounds that focus on clinical conditions.

We continue and strengthen our strength in translational research to bridge the gap between non-clinical and clinical research. For example, in the Psychiatry and Neurology area, where the pathology is not well understood, we will continue to create candidate compounds by advancing a translational drug discovery system that reflects the clinical situation by combining technical foundation such as patient-derived iPS cells, neural circuit technology including EEG and imaging, accumulated clinical data, and drug discovery targets that focus on clinical conditions such as TAAR1 and activation/suppression balance.

In addition, in order to increase the speed and success probability of drug discovery, we will utilize Real World Data using DrugOME to promote data-driven drug discovery based on an in silico drug discovery platform that creates drugs in a computer. Furthermore, we will diversify drug discovery approaches by pursuing chemical modalities (a unique platform for creating advanced medicines based on drug discovery chemistry), using our strength in small molecule drug discovery know-how as the foundation of competitiveness.

Continuously create candidate compounds that focus on clinical conditions by leveraging both an advanced translational system and technological innovation



*1. Trace amine-associated receptor, *2. DNA-Encoded Libraries, *3. Proteolysis Targeting Chimera

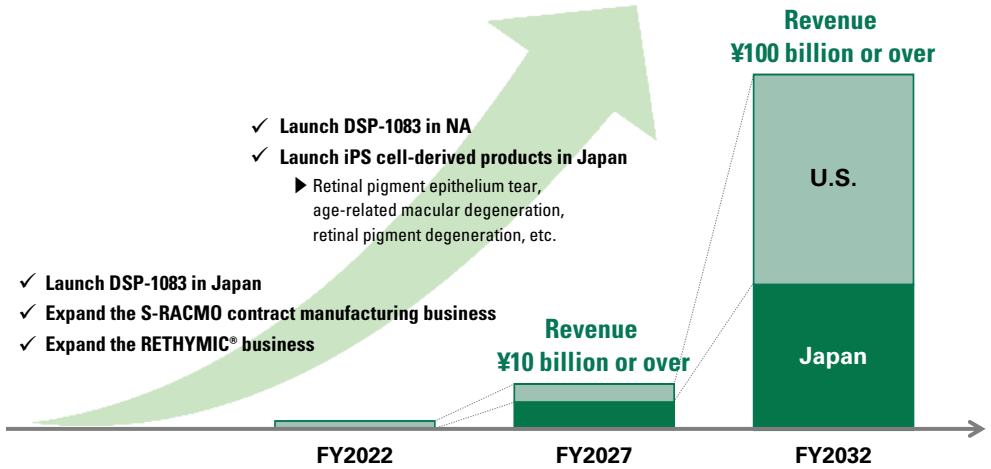
Full-scale launch of the Regenerative Medicine/Cell Therapy business

Basic strategies and growth potential of the Regenerative Medicine/ Cell Therapy business

As a top runner in the Regenerative Medicine/Cell Therapy field, we will deliver new value that only regenerative medicine can create on a global scale, through the pursuit of advanced industrialization and manufacturing expertise and leading-edge scientific technologies, with the open innovation strategy at the core.

Since the 1990s, we have been engaged in regenerative research of the central nervous system and have established a network with many academia and venture businesses, and are promoting research and development of Regenerative Medicine/Cell Therapy using iPS cells based on the Regenerative & Cellular Medicine Kobe Center and Sumitomo Pharma Manufacturing Plant for Regenerative Medicine & Cell Therapy (SMaRT). Construction of a cell processing center is scheduled to be completed in the U.S. in fiscal 2023.

We plan to launch iPS cell-derived regenerative medicine, a technology originating in Japan, first in Japan and then in the U.S., and to expand the target diseases from central nervous system and ophthalmology areas to peripheral organs and the modalities from single cells to three-dimensional tissues and organs. We intend to steadily expand product lineups by expanding sales of RETHYMIC® and launching allogeneic iPS cell-derived dopaminergic neural progenitor cells (DSP-1083) in Japan in fiscal 2024, to achieve revenue of more than ¥10 billion in fiscal 2027 and a global business exceeding ¥100 billion by fiscal 2032 when the U.S. market is fully established.



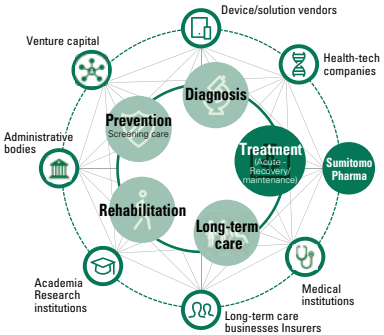
Priority measures

Bring own innovations to fruition

Commercialization of the Frontier area

Vision for the Frontier business

We have been providing value in the "treatment" area mainly through the pharmaceutical business. However, in anticipation of an era in which it will be difficult to realize the "well-being" that patients seek by pharmaceuticals alone, the Frontier business aims to provide healthcare solutions not only for "treatment" but also for "prevention," "diagnosis," "long-term care," and "rehabilitation," while also utilizing DX technology.



We will focus particularly on mental resilience (preventing deterioration of neuropsychiatric disorders by detecting the signs at an early stage) and active aging (improving, maintaining, and enhancing the health of the elderly by enhancing their awareness), which are expected to have synergy with our pharmaceutical business, and form a healthcare ecosystem unique to Sumitomo Pharma through integration with the pharmaceutical business.

Product launch targets and growth potential of the Frontier business

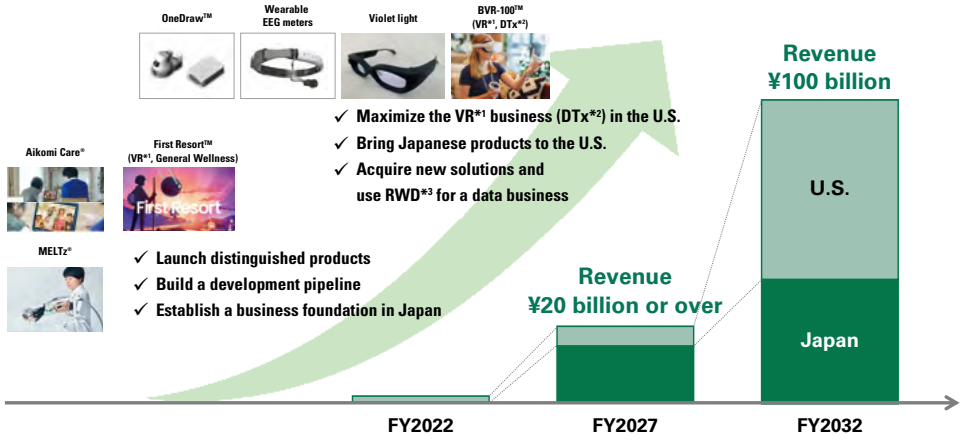
We will accelerate product launches with Wearable EEG meters that can be easily measured from two frontal poles anywhere on a daily basis, VR contents for social anxiety disorder, Violet light targeting prevention and treatment of depression and dementia, training devices for hand/fingers paralysis, and automated blood collection/stabilization devices that provide low pain, long-term storage, and simple transportation. We then aim to realize revenue of more than ¥20 billion in fiscal 2027, and a global business of more than ¥100 billion in fiscal 2032.

Frontier business product launch target (as of July 31, 2023)

Non-medical device　Medical device

	FY2023	FY2024	FY2025	FY2026	FY2027
VR contents (BehaVR, Inc.)				Social Anxiety Disorder	VR contents in other disease area
MELTz® (MELTIN)			"MELTz® Portable" (finger exercise training system)		Neurorehabilitation device for hand/fingers
Wearable EEG meter (NeuroSky Co., Ltd.)		Depression			Depression
Violet Light (Tsubota Laboratory, Inc.)			Depression / Dementia		Depression / Dementia
Automated blood collection/ stabilization device (Drawbridge Health, Inc.)	Self-management solutions for metabolic diseases*				

*At the start of the business, we plan to provide management solutions for metabolic disease management
The details and rights regarding business rights in Japan are currently under discussion with Drawbridge Health, Inc., and they have not been agreed upon with the company



*1. Virtual Reality,*2. Digital Therapeutics,*3. Real World Data

Initiatives in the infectious diseases area

In addition to malaria and pandemic influenza, the emergence and spread of antimicrobial resistant (AMR) bacteria which resists antimicrobial agents has become a global concern, also referred to as a silent pandemic. To address these issues and contribute to global health, we have completed a phase 1 study in the United States on KSP-1007, which was discovered through joint research with The Kitasato Institute aiming to find new therapeutic drugs for carbapenem-resistant bacterial infections as indications of complicated urinary tract infections and complicated intra-abdominal infections. We are also promoting coordination with external institutions to develop universal influenza vaccines and new malaria vaccines with our owned TLR7 adjuvant. (For details, please refer to Contribution to Societies on page 83.)

Priority measures

Change to a flexible and efficient business foundation

The Mid-term Business Plan 2027 aims to achieve renewed growth from the LATUDA Cliff and to build a foothold for becoming a Global Specialized Player (GSP) through a qualitative transformation of the business structure and business practices. In terms of qualitative transformation, we are promoting "change to a flexible and efficient business foundation," and our priority issues are to realize integrated management for the Group, to accelerate DX, and to further instill corporate culture and implement HR strategies.

Strengthening Group Governance

We will improve the speed of local decision-making in global collaboration among functional organizations. At the same time, we will promote integrated management of the Group by establishing a cross-business/area decision-making system. By achieving both, we will strengthen group governance.

Accelerating Digital Transformation (DX)

In response to the digitalization of society, which is progressing in various areas, we have been promoting DX. Going forward, we will accelerate the use of DX more than ever to continuously innovate operations and create value in all value chains.

Instilling Corporate Culture and Implementing HR Strategies

In practicing the Group Mission, we believe that business growth and individual growth are mutually necessary, and HR strategies must work in tandem with management strategies. At the same time, we believe that management strategies can be implemented only when corporate culture, such as a globally-shared Philosophy, has been instilled.

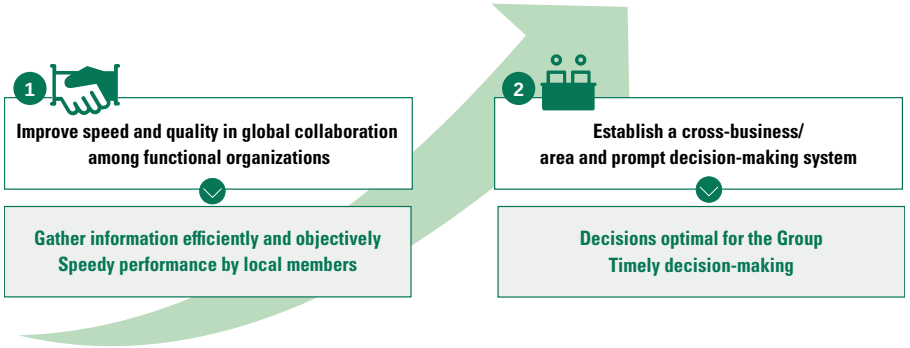
Priority measures

Change to a flexible and efficient business foundation

Strengthening Group Governance

Achieve both integrated management of the Group and prompt response to local needs

We aim to achieve both integrated management of the Group and prompt response to local needs by improving speed and quality in global collaboration among functional organizations and by establishing a cross-business/area and prompt decision-making system.



1 Improve speed and quality in global collaboration among functional organizations

We will promote improvement in speed and quality by the strengthening collaboration according to characteristics of each function and the transferring of authority, such as those requiring close global collaboration (strategy, planning, business development, finance, R&D, etc.), those requiring timely global collaboration (regulatory affairs, legal affairs, HR, etc.), and those requiring prompt response to local needs (sales, marketing, etc.).

Framework for collaboration with the global Head Office

Governance policies for each function

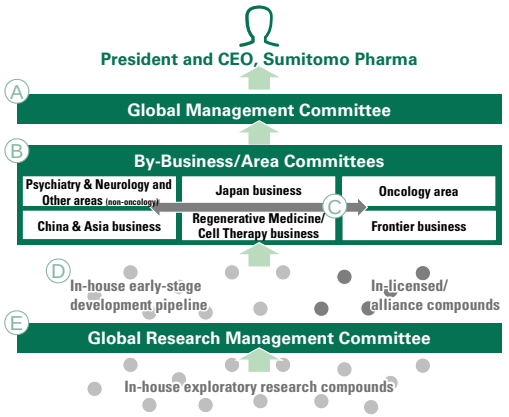
Strong collaboration among global strategic functions	● Strategy, Planning, Business development ● Finance ● R&D, CMC
Timely collaboration with focus on efficiency	● Regulatory affairs, Regulatory compliance & Quality, manufacturing ● IT & Digital ● Legal affairs, Intellectual property, Internal auditing, IR ● HR
Focus on prompt response to local needs	● Sales and marketing

2 Establish a cross-business/area and prompt decision-making system

In connection with the integration of the North American subsidiaries, we have globalized the Management Committee to create a system that enables more optimal judgments for the Group and more timely decision-making.

Portfolio strategy

We aim to realize a competitive business portfolio through highly transparent discussions based on objective information for example at the Global Research Management Committee and the By-Business/Area Committees.



A The business portfolio and R&D budget will be **overseen by the global head office** and deliberated on by **the Global Management Committee**.

B **By-Business/Area Committees** will carefully discuss scientific appeals, clinical value, feasibility, and risks of the development pipeline.

C **The Strategy Unit** will proactively get involved as **a coordinator facilitating optimal decision-making for the Group**.

D **Maintain high transparency of information for early-stage development pipeline**, which indicates management's future prospects, and utilizes the same for business operation.

E **The Global Research Management Committee** will determine scientific appeal and clinical value of exploratory research compounds.

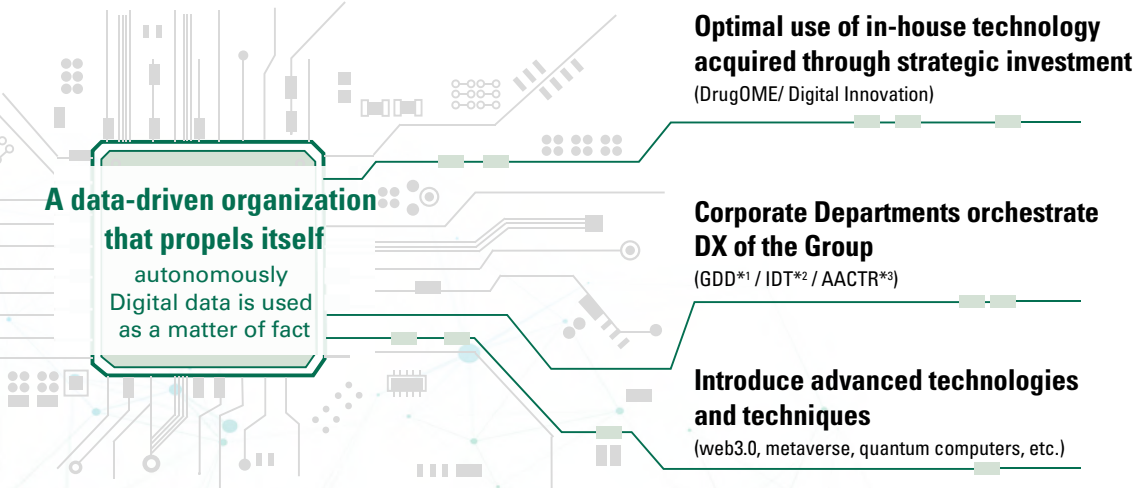
Priority measures

Change to a flexible and efficient business foundation

Accelerating Digital Transformation (DX)

Overall picture of Sumitomo Pharma's DX initiatives

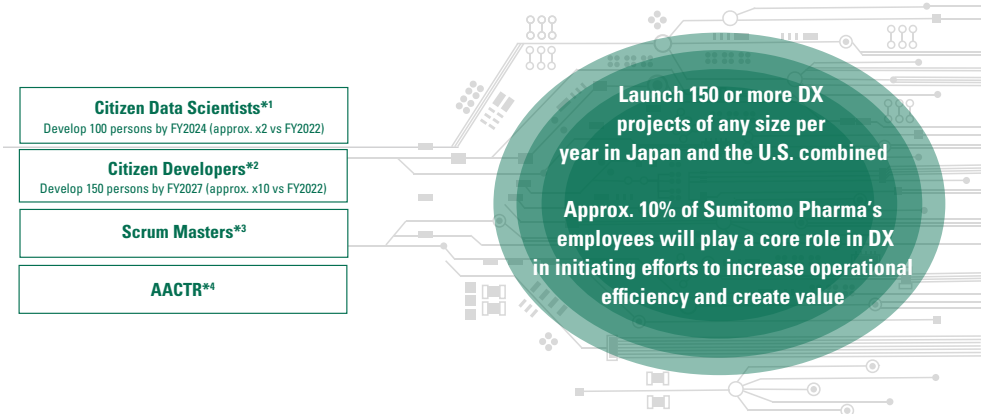
Sumitomo Pharma aims to become a company where the digital data is used as a matter of fact, and to transform itself into a data-driven organization that propels itself autonomously through DX. Specifically, we aim to create an organization in which a data-driven decision-making process is implemented throughout all value chains through the use of in-house technology acquired through strategic investments to date, orchestration of Group DX by the Corporate Departments, and the introduction of advanced technologies and techniques such as web 3.0 and the metaverse.



*1. Global Data Design Office, *2. IT Management & Digital Transformation *3. Advanced Analytics Computational Technology & Research

A dramatic increase in value created by fostering DX professionals and digital technology

Sumitomo Pharma in Japan will strengthen the development of human resources such as "Citizen Data Scientists," who are initiating data-driven value creation, and "Citizen Developers," who are capable of autonomously increasing operational efficiency at the workplace, to enhance the human resource base that will initiate efforts to increase operational efficiency and create value. At the same time, we will enhance DX into Sumitomo Pharma's corporate culture through collaboration between Japan and the U.S., including launching 150 or more DX projects per year in Japan and the U.S. combined.



*1. Personnel initiating data-driven value creation, *2. Personnel capable of autonomously increasing operational efficiency at the workplace,
*3. Personnel possessing facilitation coaching skills and promoting instilment of agile minds, *4. Advanced Analytics Computational Technology & Research

Data-driven marketing

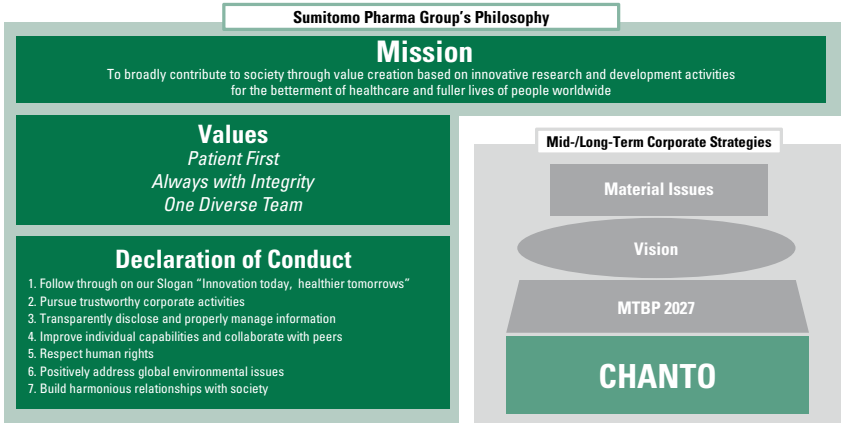
In order to improve investment efficiency in promotions, we have started using data-driven marketing for promotions in North America to facilitate rapid decision making and implementation. Building on the early success achieved with the data-driven marketing of GEMTESA®, we are now expanding this marketing approach to ORGOVYX® and MYFEMBREE®.

Priority measures **Change to a flexible and efficient business foundation**

Instilling Corporate Culture and Implementing HR Strategies

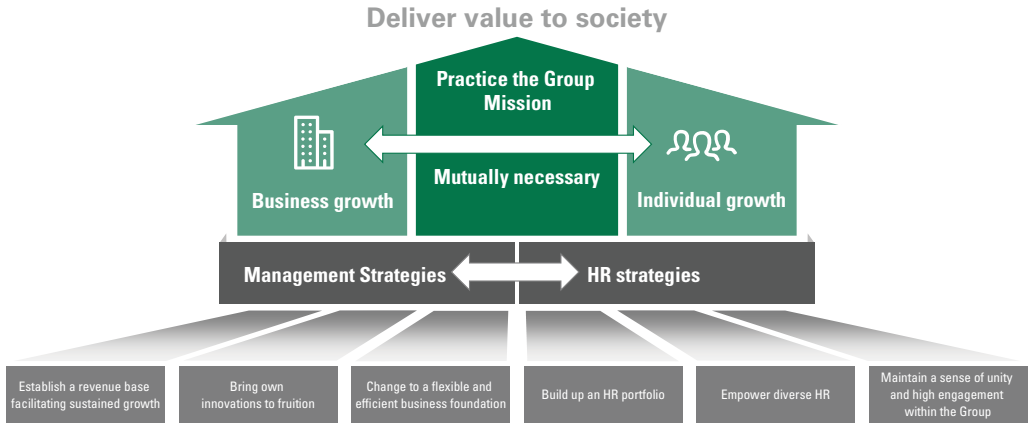
Instilling corporate culture

Based on the Sumitomo Pharma Group's Mission, three new Values, Patient First, Always with Integrity, and One Diverse Team, have been established, and the Mission, Values, and Declaration of Conduct are the globally-shared Philosophy. Going forward, we will promote group-wide management by instilling these globally-shared Philosophy, including the "CHANTO" established during the period of the Mid-term Business Plan 2022.



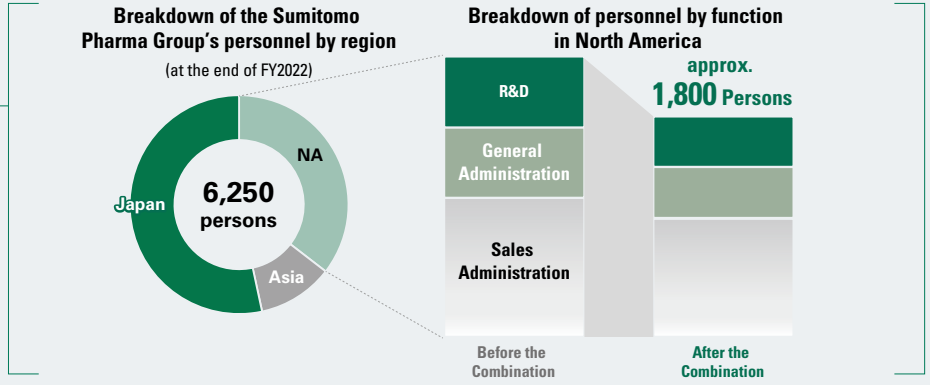
HR strategies that work in tandem with management strategies

We believe that human resources is the source of our value creation. We will link HR strategies, based on the three basic concepts of "Build up an HR portfolio," "Empower diverse HR," and "Maintain a sense of unity and high engagement within the Group," to management strategies and implement them.



Optimal allocation of HR accompanying the combination of group companies

In North America, we are pursuing an operating model under which different people can work on shared business objectives. To that end, we are restructuring the organization mainly by consolidating functions that overlap and optimizing the placement of personnel. As a result, we expect to have a headcount of 1,800 persons by the end of fiscal 2023, which is approximately 500 fewer employees compared to the end of fiscal 2022. As of July 2023, we have headcount of 1,700 persons.



Governance

What initiatives improve the effectiveness of corporate governance?

Corporate Governance

Sumitomo Pharma commits itself to continuously pursuing the establishment of a corporate governance system which is highly effective, aiming for the fuller realization of its Mission. The Company posts on its website the summary for its basic concept and basic policy titled the "Basic Policy on Corporate Governance."

Corporate governance system

Sumitomo Pharma has elected the organizational structure of a "Company with an Audit & Supervisory Board" to audit the execution of duties by the Directors, independent of the Board of Directors. In addition, the Company has adopted an executive officer system to separate management supervision from business execution.

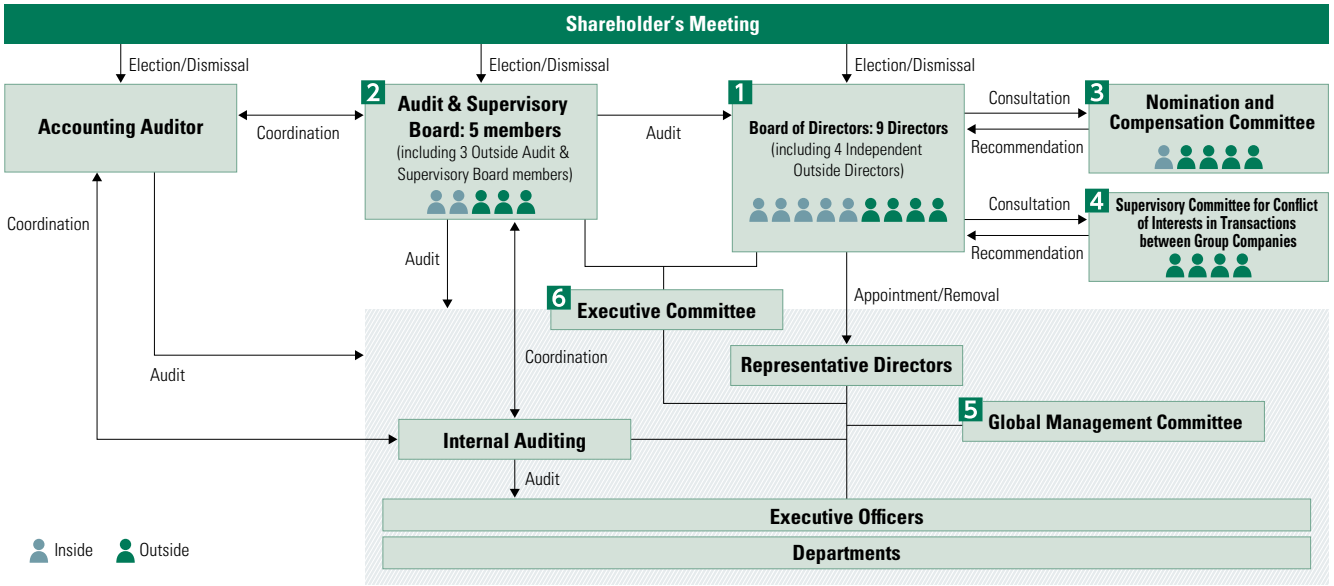
The Board of Directors consists of nine members (including one female Director as of July 1, 2023), including four Independent Outside Directors (chairperson: the President and CEO). The Board of Directors holds a meeting once a month, in principle, and resolves and reports on material business matters.

The Audit & Supervisory Board consists of five members (including one female Audit & Supervisory Board Member as of July 1, 2023), including three Outside Audit & Supervisory Board Members. The Audit & Supervisory Board holds a meeting once a month, in principle, discusses and resolves material matters relating to auditing, and also examines in advance matters to be submitted to the Board of Directors for discussion.

The Company has the Nomination and Compensation Committee as a consultative body to the Board of Directors for enhancing the objectivity and independence of the functions of the Board of Directors on matters such as the nomination of the candidates for Directors and Audit & Supervisory Board Members, and decision on compensation of Directors.

The Company has also set up the Supervisory Committee for Conflict of Interests in Transactions between Group Companies as a consultative body to the Board of Directors in order to ensure that the Company's significant transactions, etc. with its parent company or any subsidiary of the parent company (excluding the Company and its subsidiaries) are fair and reasonable and help protect the interests of minority shareholders of the Company.

Corporate governance structure



Organizational Body	Purpose	Number of convocations (frequency of convocation) in FY2022
1 The Board of Directors	Resolving and reporting important management matters	18 times (once a month as a rule)
2 The Audit & Supervisory Board	Discussing and resolving important audit-related matters	13 times (once a month as a rule)
3 Nomination and Compensation Committee	Deliberating on matters related to nomination of candidates for Directors and Audit & Supervisory Board Members and compensation, etc. of Directors	7 times (meets as necessary)
4 Supervisory Committee for Conflict of Interests in Transactions between Group Companies	Deliberating on material transactions, etc. with the parent company Group from the perspective of protecting the interests of minority shareholders	1 time (meets as necessary)
5 Global Management Committee	Consisting of 13 Directors and Executive Officers As a consultative body to the Representative Director, President and CEO for decision making and reviewing important business management matters, guided by the basic policies set by the Board of Directors	23 times (twice a month as a rule)
6 Executive Committee	Consisting of 26 Directors, Audit & Supervisory Board Members and Executive Officers, etc. Sharing the status of business operations and other important management matters among the company executives, including the members of the Board of Directors, the Audit & Supervisory Board, and Executive Officers	11 times (once a month as a rule)

Corporate Governance

The Board of Directors

The Board of Directors consists of nine members (including one female Director as of July 1, 2023), including four Independent Outside Directors (chairperson: the President and CEO). The Board of Directors holds a meeting once a month, in principle, and resolves and reports on material business matters.

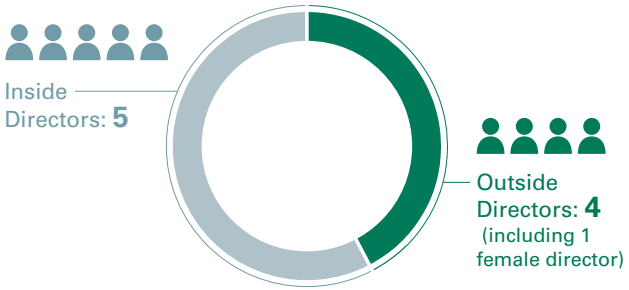
The Directors prepare well for meetings of the Board of Directors by proactively collecting the information necessary for promoting discussions at the meetings. The Directors shall also actively contribute to swift and proper decision making for achieving the Company's sustained growth and the enhancement of the corporate value over the medium- to long-term. In order to fulfill their expected roles and responsibilities, Directors strive to spend sufficient time for the benefit of the Company, obtain advice from outside experts when necessary, and use the knowledge, experience and abilities they possess to perform their duties as Directors. Directors report their concurrent position(s) outside the Company, if any, to the Nomination and Compensation Committee. The Directors perform their duties for the common interests of both the Company and the shareholders, recognizing their fiduciary duties to shareholders and fully understanding the importance of appropriate communication and cooperation with stakeholders.

At present, four of the Outside Directors satisfy the Company's criteria for the independence of Outside Directors, and having determined that there is no possibility of conflict of interest with ordinary shareholders, the Company has designated them as Independent Outside Directors.

From the independent standpoint, the Independent Outside Directors strive to fulfill their expected roles and responsibilities in decision making at meetings of the Board of Directors and supervision of conflicts of interest, among others, based on their knowledge, experience and insights in their respective fields of expertise.

The Independent Outside Directors participate actively in the Executive Committee and strive to understand the overall business of the Company. In light of this understanding, they make constructive statements at the meetings of the Board of Directors based on their respective expertise and extensive experience and broad perspective as corporate executives.

Ratio of Outside Directors (as of July 1, 2023)



Audit & Supervisory Board and audit system

The Audit & Supervisory Board consists of five members, including three Outside Audit & Supervisory Board Members. The Audit & Supervisory Board holds a meeting once a month, in principle, discusses and resolves material matters relating to auditing, and also examines in advance matters to be submitted to the Board of Directors for discussion. The three Outside Audit & Supervisory Board Members satisfy the Company's criteria for independence, and, having determined that there is no possibility of conflict of interest with ordinary shareholders, the Company has designated two of the three Outside Audit & Supervisory Board Members as Independent Outside Directors. The remaining one Outside Audit & Supervisory Board Member is not designated as an Independent Outside Director in order to comply with the policy of the organization that the member belongs to.

In accordance with the audit policies, audit plans, allocation of duties among members and other relevant matters determined by the Audit & Supervisory Board, Audit & Supervisory Board Members attend key business meetings, including those of the Board of Directors, to ensure legality and appropriateness of management decisions by the Directors. They also conduct audits on the implementation of internal control system by such means as holding meetings with the Representative Directors on a regular basis, receiving reports from the Directors and employees on the execution of their duties, requesting explanations as necessary, and reviewing important approval documents. They also strive to improve the environment that enhances the effectiveness of audit practices by having opportunities on a regular basis for coordination with the Accounting Auditor, Internal Auditing department, and a three-party auditing structure. The implementation status of the internal control system in the subsidiaries of the Company is audited through field audits at, and holding remote meetings with, overseas subsidiaries, holding meetings with the representative directors and other relevant persons of the subsidiaries located in Japan and abroad, holding meetings with audit & supervisory board members of the subsidiaries in Japan as necessary and seeking to obtain relevant information. In order to enhance the effectiveness of audits by Audit & Supervisory Board Members, including Outside Audit & Supervisory Board

Amount of accounting audit fees, etc. (FY2022)

	Amount to be paid
Consideration to be paid for the services (audit attestation services) described in Paragraph 1 of Article 2 of the Certified Public Accountant Act (Act No. 103 of 1948)	¥122mn
Total amount of fees to be paid in cash or otherwise by the Company or Subsidiaries of the Company	¥123mn

(Note)
1. The Audit & Supervisory Board of the Company has determined to consent to the amount of the remuneration and the like for the Accounting Auditor after performing necessary verifications on the details of the Accounting Auditor's audit plan, status of performance of accounting audit duties, and the appropriateness of the basis for calculating the remuneration.
2. Under the Audit Agreement between the Company and the Accounting Auditor, there is no distinction between the compensation and the like for an audit under the Companies Act and the Financial Instruments and Exchange Act. Moreover, the two amounts cannot be substantially distinguished from each other. Thus, the amount of compensation and the like related to the audit attestation services reflects the total sum of these two kinds of amounts.
3. Significant subsidiaries located overseas were audited by auditing firms other than the Accounting Auditor of the Company.

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Members, and to facilitate the smooth execution of audit duties, dedicated staff for Audit & Supervisory Board Members are assigned.

Accounting audits are conducted by KPMG AZSA LLC, under the audit agreement.

The Company has established the Internal Auditing department, which reports directly to the President and CEO of the Company. The Internal Auditing department conducts internal audits for not only the Company but also its subsidiaries to check the basic elements necessary for achieving the objectives of internal control from a fair and independent standpoint.

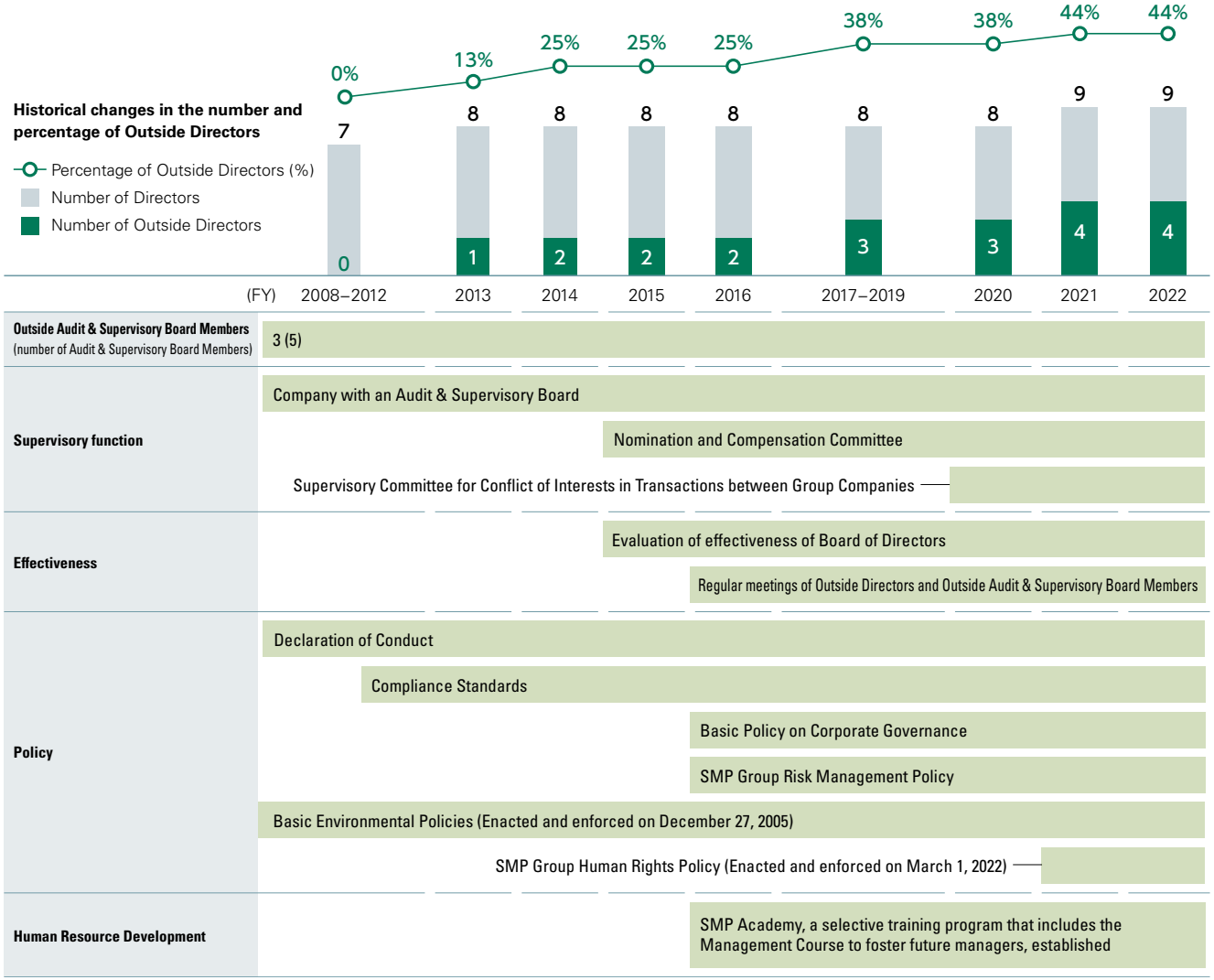
Details of non-audit services
The Company paid audit fees to the Accounting Auditor for services not described in Paragraph 1 of Article 2 of the Certified Public Accountants Act (non-audit services), which is "the advisory services on the contents of ESG-related reports, etc."

Nomination and Compensation Committee

The Company has the Nomination and Compensation Committee as a consultative body to the Board of Directors for enhancing the objectivity and independence of the functions of the Board of Directors with respect to such matters as the nomination of the candidates for Directors and Audit & Supervisory Board Members, and decision on compensation of Directors. The Nomination and Compensation Committee consists of the following five members, the majority of whom (which is four) are Independent Outside Directors from the viewpoint of emphasizing independence, and the chairperson of the

Chairperson	Saeko Arai (Outside Director)
Members	Nobuhiro Endo (Outside Director)
	Minoru Usui (Outside Director)
	Koji Fujimoto (Outside Director)
	Hiroshi Nomura (Representative Director, President and CEO)

Governance reform: progression of initiatives



Corporate Governance

committee is selected from Independent Outside Directors. The Basic Policy on Corporate Governance stipulates that the Board of Directors shall respect the recommendation of the Nomination and Compensation Committee.

In fiscal 2022, the Nomination and Compensation Committee met seven times to deliberate on such matters as policies regarding the selection of Representative Directors and Directors with special titles, candidates for Directors and Audit & Supervisory Board Members, candidates for Executive Officers, policies for selecting successors to the President and CEO and other officers, policies for the determination of remuneration for Directors, and individual remuneration for respective Directors. The attendance rate of all committee members was 89%.

Supervisory Committee for Conflict of Interests in Transactions between Group Companies

The Company set up the Supervisory Committee for Conflict of Interests in Transactions between Group Companies as a consultative body to the Board of Directors in order to ensure that the Company's significant transactions, etc. with its parent company or any subsidiary of the parent company (excluding the Company and its subsidiaries) are fair and reasonable and help protect the interest of minority shareholders of the Company. The meetings are held as necessary. The Committee consists of all the Independent Outside Directors, and the chairperson is appointed from among the members by mutual vote of the members. The Basic Policy on Corporate Governance stipulates that the Board of Directors shall respect the recommendation of the Supervisory Committee for Conflict of Interests in Transactions between Group Companies.

Chairperson	Nobuhiro Endo (Outside Director)
Members	Saeko Arai (Outside Director)
	Minoru Usui (Outside Director)
	Koji Fujimoto (Outside Director)

In fiscal 2022, one meeting of the Supervisory Committee for Conflict of Interests in Transactions between Group Companies was held. Since there were no significant transactions between the Group and the parent Company's group, no deliberations were held. However, in addition to the selection of the chairperson of the committee, information was shared and opinions were exchanged regarding the positioning of the parent company in our pharmaceutical manufacturing supply chain, synergies, and other issues. The attendance rate of all committee members was 100%.

Other organizational body

The Global Management Committee holds meetings twice a month, in principle, as a consultative body to the President and CEO for the decision-making for important business matters, based on the basic policy determined by the Board of Directors.

The Executive Committee holds a meeting once a month, in principle, for the purpose of appropriately sharing among the Directors and the Audit & Supervisory Board Members, including the Outside Directors and the Outside Audit & Supervisory Board Members, as well as Executive Officers and other related persons, the status of the execution of business and material matters relating to the execution of business.

Executive remuneration

The Company has the Nomination and Compensation Committee as the consultative body to the Board of Directors for enhancing the objectivity and independence of the functions of the Board of Directors relating to matters such as the nomination of candidates for Directors and Audit & Supervisory Board Members and decisions regarding remuneration for Directors. As a system of remuneration for Directors, the Company has provided as described below the policy for determining remuneration and the like for individual Directors, and the policy was determined by the Board of Directors based on the recommendation from the Nomination and Compensation Committee after the Board of Directors sought such recommendation and the Nomination and Compensation Committee deliberated the relevant matters.

1) System of remuneration and the like

Remuneration for the Directors (excluding Outside Directors) consists of base remuneration and performance-linked remuneration (bonuses), and this system is established to serve as an incentive for achieving sustainable growth and enhancing the corporate value of the Group. Part of the base remuneration is the remuneration to be contributed to the Sumitomo Pharma Officers Shareholders' Association for the purpose of acquiring shares of the Company. The Directors continue to hold the shares they acquire through the said Association during their term of office and for one year after their retirement. Through such measures, the Directors' willingness to contribute to the increase of corporate value in the medium- to long-term is enhanced and value sharing with shareholders is promoted.

Remuneration for the Outside Directors consists of base remuneration only, and the Company adopts a remuneration system where the business performance of the Company is not linked thereto, for the purpose of securing the supervisory function and independence of the Outside Directors.

The base amounts are set with respect to the base remuneration and performance-linked remuneration (bonuses) according to each position, such as Representative Director. The ratios of the base amount of the base remuneration and the performance-linked remuneration (bonuses) of the Directors (excluding Outside Directors) are set to be 70% for the base remuneration and 30% for the performance-linked remuneration (bonuses), with respect to the total amount of the remuneration (when the performance-linked elements described in 2) below and individual performance are all considered standard). The total amount of the remuneration and the like shall be not more than 700 million yen annually as approved at the Shareholders' Meeting.

2) Method of calculating the amount of performance-linked remuneration (bonuses)

The amount of the performance-linked remuneration (bonuses) for the Directors (excluding Outside Directors) is calculated based on the performance-linked elements and

Corporate Governance

individual performance, and is calculated to be within the scope of zero to 200% of the base amount.

The performance-linked elements are evaluated by the Nomination and Compensation Committee based on the degree of achievement of targets, using as indicators the "core operating profit," which was set as a profit indicator showing recurring profitability of a company within the Group and serves as an original performance management indicator; "R&D results" which are the base of the business activities of the Group and important to its continuous growth; and "operating cash flow" which serves as the investment fund for R&D and related activities. The individual performance is evaluated by the Nomination and Compensation Committee based on the degree of achievement of performance targets of each Director (excluding Outside Directors).

Among the performance-linked elements, a target of 58.5 billion yen was set for "core operating profit" for fiscal 2022, and the result was 16.4 billion yen. With respect to "operating cash flow" for fiscal 2022, a target was set as 16.7 billion yen, and the result was 11.9 billion yen.

3) Method of determining remuneration and the like

Remuneration and the like for individual Directors are determined by the Board of Directors based on the recommendation from the Nomination and Compensation Committee after the Board of Directors seeks such recommendation and the Nomination and Compensation Committee deliberates the relevant matters. When the Board of Directors determines to delegate the decision-making thereof to the Representative Director, President and CEO, the Representative Director, President and CEO shall determine the same, respecting and in accordance with the recommendation made by the Nomination and Compensation Committee to the Board of Directors.

Upon the delegation by the Board of Directors, Representative Director, President and CEO Hiroshi Nomura, who oversees business operations as a whole and has a good understanding of the state of the execution of duties by all Directors (excluding Outside Directors), determined the said remuneration and the like for fiscal 2022, and the Nomination and Compensation Committee confirmed that the said remuneration and the like was in accordance with the system of remuneration for Directors. Accordingly, the Board of Directors has determined that the decision of the said remuneration and the like was in accordance with the above policy.

Amount of executive remuneration (FY2022)

Category of Officer	Total Amount of Remuneration	Amount of Remuneration by type			Number
		Base remuneration	Performance-linked remuneration (bonuses)	Non-performance-linked remuneration (bonuses)	
Directors (excluding Outside Directors)	¥274mn	¥230mn	¥44mn	—	7
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	¥57mn	¥57mn	—	—	2
Outside Directors and Outside Audit & Supervisory Board Members	¥88mn	¥84mn	—	¥4mn	9

(Note)
1. The amount of remuneration and the like for Directors that was determined by resolution at the 201st Annual Shareholders' Meeting held on June 24, 2021, does not exceed 700 million yen annually, and the number of Directors concerned under this resolution was nine (9).
2. The amount of remuneration and the like for Audit & Supervisory Board Members that was determined by resolution at the 185th Annual Shareholders' Meeting held on June 29, 2005, does not exceed 100 million yen annually, and the number of Audit & Supervisory Board Members concerned under this resolution was four (4).
3. The total amount of remuneration and the like for twelve (12) Directors is 326 million yen, and the total amount of remuneration and the like for six (6) Audit & Supervisory Board Members is 93 million yen.
4. The Outside Directors and Outside Audit & Supervisory Board Members include one (1) Director and one (1) Audit & Supervisory Board Member who retired upon the conclusion of the 202nd Annual Shareholders' Meeting held on June 23, 2022.
5. The amount of remuneration and the like includes the amount of 44 million yen, which represents the bonuses to be paid to Directors (excluding Outside Directors), and four (4) million yen, which represents the bonuses to be paid to Outside Directors, with respect to the fiscal year under review.

Skill sets for Directors and Audit & Supervisory Board Members and skills matrix

The Board of Directors and the Audit & Supervisory Board of the Company shall be diverse and have the well-balanced knowledge, experience and skills described below as a whole so that the Board of Directors can fully exercise its function and secure its effectiveness. The knowledge, experience and skills to be held by the Board of Directors and the Audit & Supervisory Board as a whole shall be reviewed as necessary in accordance with changes such as those in the outside environment and the circumstances of the Company.

- Extensive knowledge, experience and skills as a person who is in charge of corporate management or organizational operations in Japan or abroad.
- Extensive knowledge, experience and skills in different industries.
- Extensive knowledge, experience and skills concerning the creation and cultivation of new business or business development.
- Extensive knowledge, experience and skills concerning digital technologies and data utilization.
- Professional knowledge, experience and skills in the healthcare industry.
- Professional knowledge, experience and skills concerning finance, accounting and tax matters.
- Professional knowledge, experience and skills concerning legal, compliance and risk management matters.

Corporate Governance

The skills matrix of the current Directors and Audit & Supervisory Board Members*1

Name/Position		Corporate management or organizational operations in Japan or abroad*2	Different industries *3	Creation and cultivation of new business / business development*4	Digital technologies and data utilization*5	Healthcare industry			Finance, accounting and tax	Legal, compliance and risk management	Major career, expertise, etc.
						Medical science, pharmaceutical science, public administration	R&D	Planning, marketing, etc.			
Hiroshi Nomura	Representative Director, President and CEO	●						●	●		Served as a responsible person for the departments of global strategy, global corporate management, human resources, finance and accounting, and drug development of the Company, and in responsible positions at its overseas subsidiaries.
Toru Kimura	Representative Director	●					●				Served as a responsible person for the departments of global strategy, regenerative and cellular medicine and research of the Company.
Yoshiharu Ikeda	Member, Board of Directors	●					●	●			Served as a responsible person for the departments of corporate regulatory compliance & quality assurance, as well as research, technology research and manufacturing of the Company, and in responsible positions of the departments of global strategy and IT system of the Company, and at its overseas subsidiaries.
Hiroyuki Baba	Member, Board of Directors	●						●			Served as a responsible person for the departments of digital transformation, legal affairs, intellectual property, IT system and frontier business of the Company, and in responsible positions of the departments of global strategy and business development at the Company, and at its overseas subsidiaries.
Shigeyuki Nishinaka	Member, Board of Directors	●					●	●			Served as a responsible person for the departments of business development and international business management, and in responsible positions of the departments of global strategy and research of the Company.
Saeko Arai	Member, Board of Directors (Outside)	●	●	●					●		Corporate executive, CPA
Nobuhiro Endo	Member, Board of Directors (Outside)	●	●	●	●						Corporate executive
Minoru Usui	Member, Board of Directors (Outside)	●	●	●	●						Corporate executive
Koji Fujimoto	Member, Board of Directors (Outside)					●					Served in responsible positions at the Ministry of Economy, Trade and Industry and the Cabinet Secretariat.
Takashi Kutsunai	Audit & Supervisory Board Member							●			Served in responsible positions of the departments of human resources, international business management and internal auditing of the Company.
Hisayoshi Kashima	Audit & Supervisory Board Member	●						●	●		Served in responsible positions of the finance & accounting department of the Company, and at its overseas subsidiaries.
Yoshio Iteya	Audit & Supervisory Board Member (Outside)									●	Attorney at law
Mayumi Mochizuki	Audit & Supervisory Board Member (Outside)					●					Pharmacologist
Daishiro Michimori	Audit & Supervisory Board Member (Outside)								●	●	Served in responsible positions at the Ministry of Finance and the Cabinet Secretariat. Attorney at law

*1 Circles (●) for Internal Directors and Full-time Audit & Supervisory Board Members indicate knowledge, experience and skills cultivated through the relevant person's career, etc. Circles for Outside Directors and Outside Audit & Supervisory Board Members indicate knowledge, experience and skills expected of them based on the relevant person's expertise, career, etc. The number of circles indicated for each Director or Audit & Supervisory Board Member is limited so that it does not exceed four, and therefore the matrix does not necessarily show all the knowledge, experience and skills held by the relevant person.

*2 The Board of Directors considers that it is necessary that the Directors and Audit & Supervisory Board Members have comprehensive knowledge, experience and skills concerning various matters, including governance, sustainability, business strategy, and global business operations as the extensive knowledge, experience and skills of a person who is in charge of corporate management or organizational operations in Japan or abroad.

*3 The Board of Directors considers that it is necessary that the Directors and Audit & Supervisory Board Members have extensive knowledge, experience and skills in different industries to offer a perspective which is different from those of the healthcare industry.

*4 The Board of Directors considers that it is necessary that the Directors and Audit & Supervisory Board Members have extensive knowledge, experience and skills concerning the creation and cultivation of new business or business development to contribute to the development of new business.

*5 The Board of Directors considers that it is necessary that the Directors and Audit & Supervisory Board Members have extensive knowledge, experience and skills concerning digital technologies and data utilization to contribute to the creation of new value through digital technology or data utilization.

Corporate Governance

The principal activities of the Outside Directors and Outside Audit & Supervisory Board Members (fiscal 2022)

Outside Directors

Name	Principal activities	Attendance/Frequency of principal activities convocation (Attendance rate)		
		Board of Directors meetings	Nomination and Compensation Committee	Supervisory Committee for Conflict of Interests in Transactions between Group Companies
Saeko Arai	She attended all eighteen (18) meetings held by the Board of Directors during the fiscal year under review, and made statements at those meetings, primarily based on her extensive experience as a corporate executive and from the professional standpoint of a certified public accountant. She attended all seven (7) meetings held by the Nomination and Compensation Committee during the fiscal year under review, and made statements at those meetings from an independent and objective standpoint. She also attended one (1) meeting held by the Supervisory Committee for Conflict of Interests in Transactions between Group Companies during the fiscal year under review, and made statements at the meeting from the standpoint of protecting the interests of minority shareholders.	18/18 (100%)	7/7 (100%)	1/1 (100%)
Nobuhiro Endo	He attended all eighteen (18) meetings held by the Board of Directors during the fiscal year under review, and made statements at those meetings, primarily based on his extensive experience and a broad perspective as a corporate executive. He attended four (4) meetings out of the seven (7) meetings held by the Nomination and Compensation Committee during the fiscal year under review, and made statements at those meetings from an independent and objective standpoint. He also attended one (1) meeting held by the Supervisory Committee for Conflict of Interests in Transactions between Group Companies during the fiscal year under review, and made statements at the meeting from the standpoint of protecting the interests of minority shareholders.	18/18 (100%)	4/7 (57%)	1/1 (100%)
Minoru Usui	He attended all eighteen (18) meetings held by the Board of Directors during the fiscal year under review, and made statements at those meetings, primarily based on his extensive experience and broad perspective as a corporate executive. He attended all seven (7) meetings held by the Nomination and Compensation Committee during the fiscal year under review, and made statements at those meetings from an independent and objective standpoint. He also attended one (1) meeting held by the Supervisory Committee for Conflict of Interests in Transactions between Group Companies during the fiscal year under review, and made statements at the meeting from the standpoint of protecting the interests of minority shareholders.	18/18 (100%)	7/7 (100%)	1/1 (100%)
Koji Fujimoto	He attended all fifteen (15) meetings held by the Board of Directors during the fiscal year under review after his assumption of office as a Director, and made statements at those meetings, primarily based on his extensive experience and broad perspective in the healthcare field at administrative organizations. He attended all five (5) meetings held by the Nomination and Compensation Committee during the fiscal year under review after his assumption of office as a Director, and made statements at those meetings from an independent and objective standpoint. He also attended one (1) meeting held by the Supervisory Committee for Conflict of Interests in Transactions between Group Companies during the fiscal year under review, and made statements at the meeting from the standpoint of protecting the interests of minority shareholders.	15/15 (100%)	5/5 (100%)	1/1 (100%)

Outside Audit & Supervisory Board Members

Name	Principal activities	Attendance/Frequency of principal activities convocation (Attendance rate)	
		Board of Directors meetings	Audit & Supervisory Board meetings
Yoshio Iteya	He attended seventeen (17) meetings out of the eighteen (18) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review. He made statements at those meetings, primarily from the professional standpoint of an attorney.	17/18 (94%)	13/13 (100%)
Mayumi Mochizuki	She attended seventeen (17) meetings out of the eighteen (18) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review. She made statements at those meetings, primarily from the professional standpoint of a pharmacologist.	17/18 (94%)	13/13 (100%)
Daishiro Michimori	He attended all fifteen (15) meetings held by the Board of Directors and all ten (10) meetings held by the Audit & Supervisory Board during the fiscal year under review after his assumption of office as an Audit & Supervisory Board Member. He made statements at those meetings, primarily from the professional standpoints of an expert in financial and accounting affairs and of an attorney.	15/15 (100%)	10/10 (100%)

Evaluation of the effectiveness of the Board of Directors

The Company has evaluated the effectiveness of the Board of Directors annually since fiscal 2015. In fiscal 2018 and fiscal 2021, the Company utilized external evaluation.

1) Purpose, method and process of evaluation of effectiveness

The Company has evaluated the effectiveness of the Board of Directors with the aim of enhancing the effectiveness of the Board of Directors for strengthening corporate governance of the Company: specifically, recognizing any differences between the ideal status of the roles and duties, etc. of the Board of Directors of the Company that are set forth in the Basic Policy on Corporate Governance and the actual circumstances; regularly and repeatedly engaging in agenda-finding and improvement activities; and thereby continuously improving the functions of the Board of Directors. In fiscal 2022, the Company conducted a questionnaire for all the Directors and Audit & Supervisory Board Members from February to March 2023. Opinions were exchanged at the meeting of the Board of Directors held in April 2023 regarding the results of the analysis of the responses to the questionnaire.

2) Topics to be evaluated

The questionnaire (anonymous) is conducted to seek answers to quantitative evaluation on four scales for each topic and also opinions freely entered in comment boxes. The major topics of the questionnaire were as follows:

1) Composition of the Board of Directors
2) Roles and duties of the Board of Directors
3) Status of the operations of the Board of Directors
4) Functions of the Nomination and Compensation Committee
5) Support system for Outside Directors and Outside Audit & Supervisory Board Members
6) Roles and responsibilities of Independent Outside Directors
7) Roles and responsibilities of Audit & Supervisory Board Members/Response to what is pointed out by Audit &

Corporate Governance

Supervisory Board Members at the meeting of the Board of Directors
8) Relationship with stakeholders/examination of issues of sustainability
9) Related party transactions
10) Review on strategic shareholdings
11) Provision of training
12) Efforts made for the agendas identified in the previous fiscal year

3) Results of evaluation

Based on the report of the quantitative analysis of answers to the questionnaire (including the comparative analysis with the numerical values of the evaluation results in the past) and all the opinions entered in the comment boxes, opinions were exchanged at the meeting of the Board of Directors in April of 2023. As a result, it was confirmed that there was no major problem to be pointed out with respect to the operation of the Board of Directors in fiscal 2022 and the effectiveness of the Board of Directors of the Company had been secured in general. In addition, it was agreed that appropriate progress was seen as to the efforts for the major agendas of fiscal 2022 ((i) Effective supervision of the management through more efficient and effective monitoring of material items, (ii) Constructive discussions regarding agendas to be addressed in the medium- to long-term, and (iii) Deepening of discussion regarding issues related to sustainability).

4) Major agendas to be addressed in fiscal 2023

The following agendas have been identified as major agendas to be addressed in fiscal 2023 as a result of the evaluation of the effectiveness of the Board of Directors for fiscal 2022.

- **Effective supervision of the implementation of matters resolved**
- **Constructive discussions regarding agendas to be addressed in the medium- to long-term**
- **Deepening of discussion regarding issues related to sustainability**

The Board of Directors of the Company is determined to further enhance its functions, while addressing these agendas.

Relationship with the parent company

Sumitomo Chemical Co., Ltd. is the parent company holding 51.78% (as of March 31, 2023) of the voting rights of the Company.

Sumitomo Pharma's Basic Policy on Corporate Governance stipulates the objective of ensuring the Company's independence while respecting the management policy of the Sumitomo Chemical Group. When carrying out significant matters of business (mergers, capital increase/decrease, significant capital expenditure, investments and loans, etc.), we contact Sumitomo Chemical in advance. However, there are no restrictions by the parent company on our conduct of business activities (such as prior approval by the parent company), and a certain independence has been ensured.

In the case where the Company conducts certain transactions with the parent company, appropriate supervision is given in light of the importance of the transactions, and in accordance with relevant procedures such as a requirement of approval at meetings of the Board of Directors at which Independent Outside Directors are present, in order to ensure that such transactions are fair and reasonable from the viewpoint of enhancing the corporate value of the Company. With respect to the Company's significant transactions, etc. with the parent company or its subsidiaries (excluding the Company and its subsidiaries), deliberations are conducted from the viewpoint of protecting the interests of minority shareholders at the Supervisory Committee for Conflict of Interests in Transactions between Group Companies which was set up as a consultative body to the Board of Directors and consists of all the Independent Outside Directors. The Basic Policy on Corporate Governance stipulates that the Board of Directors shall respect the recommendation of the Supervisory Committee for Conflict of Interests in Transactions between Group Companies.

The Company conducts transactions with the parent company, such as leasing lands and procuring raw materials from the parent company. In these transactions, the prices were reasonably determined through negotiations between the two companies, taking into account the general market conditions. The contractual agreements resulting from these negotiations include the clause that the prices may be adjusted when relevant market conditions change.

The Company expects to generate synergies in the regenerative medicine/cell therapy business in which the Company has engaged in research activities since the 1990s, taking advantage of the large volume of useful knowledge and intellectual property possessed by the parent company obtained through basic research using human ES cells in the area of regenerative medicine and joint research with RIKEN in the ophthalmology area. In addition, the Company and its parent company have their joint venture company, S-RACMO Co., Ltd., which is engaged in the CDMO business to develop manufacturing methods and manufacture products in the regenerative medicine/cell therapy field.

Strengthening group governance

In the Mid-term Business Plan 2027, the Company has identified the strengthening of group governance as a priority issue, and aims to achieve both integrated group management and local responsiveness, thereby delivering the qualitative transformation into a flexible and efficient organization. As part of the execution of the plan, the Management Committee was globalized upon completion of the integration of our North American subsidiaries (July 1, 2023). The committee now includes Sumitomo Pharma America, Inc. executives as part of its members to streamline decision-making so that the Group can make timely and optimal decisions on management issues such as portfolio management.

In order to improve speed and quality in the collaboration among Group companies, we have developed reporting lines and established rules on responsibilities and authority, aiming for efficient organizational management by strengthening collaboration and balancing the transfer of authority according to functional characteristics.

In conducting the appropriate management of

Corporate Governance

Group companies, Sumitomo Pharma has established corporate rules on operational management. We have set up departments to manage each Group company as well as departments that oversee this management, and we strive to understand the status of management and business execution at Group companies while providing the appropriate support for business execution.

Succession plan

Sumitomo Pharma is engaged in discussions on a plan for identifying potential successors (succession plan) for the President and CEO and other officers of the Company, with the Nomination and Compensation Committee playing a central role. The Nomination and Compensation Committee is having ongoing discussions on the personality required of the President and CEO and other officers and their development plan, and is reporting the progress to the Board of Directors as appropriate. At the same time, we are promoting the medium- to long-term development of management personnel through the Management Course, which is designed to foster future managers.

Strategic shareholdings

Sumitomo Pharma shall not hold any shares of other companies except when such shareholding supports the sustained enhancement of its corporate value, such as establishment or maintenance of corporate alliances and other types of relationships with important business partners and customers. In addition to this policy, the Board of Directors annually evaluates whether it is reasonable to continue each respective strategic shareholding based on points such as the purpose of such shareholding, as well as the transaction status and unrealized profit and loss thereof. As a result of such evaluation, the Company embarked on selling shares for which continued shareholding was found unreasonable, and the number of listed companies whose shares are held by the company is 16 as of May 31, 2023.

With respect to exercising voting rights for such strategic shareholdings, the Company examines the proposal from the viewpoint of whether it will lead to enhancing not only the corporate value of the relevant issuing company, but also that of the Company. To be specific, it was decided that decisions regarding some proposals such as M&A related proposals and all proposals at a shareholders' meeting held for the first time after the occurrence of any major scandal should be made with special care.

Efforts to facilitate the exercise of voting rights

Sumitomo Pharma takes the appropriate measures so that the rights of shareholders are actually ensured, sending out a notice of convocation of the annual shareholders' meeting approximately three weeks before the date of the meeting to facilitate the exercise of voting rights and other rights of shareholders and posting the materials on the Company's website approximately three business days before the convocation notices are sent out. For foreign shareholders, Sumitomo Pharma posts an English translation of the convocation notice (full text) and other materials on the Company's website at the same time as the Japanese version. Methods of voting include the Electronic Voting Platform, "Smart Voting" and other digital methods in addition to conventional voting in writing.

The Company has implemented initiatives to invigorate the annual shareholders' meeting such as presenting the business report with the use of video and narration. In addition, details of the results of resolutions on proposals at the annual shareholders' meeting are submitted in an extraordinary report and disclosed on our website. The business report, the presentation by the President and CEO and the summary of question-and-answer session at the annual shareholders' meeting are also posted on our website.

Information disclosure

Based on the recognition that transparency is vital to being a company trusted by society, Sumitomo Pharma discloses corporate information to various stakeholders in a timely, appropriate and fair manner in accordance with the in-house regulations for disclosure of information (the Disclosure Policy*), which stipulate the criteria and procedures for the disclosure of information.

We promptly disclose information for which timely disclosure is required, such as determined facts, occurring facts, and account settlement-related information provided for in the Tokyo Stock Exchange's various rules concerning timely disclosure, through the Timely Disclosure Network (TDnet), the notification system provided by the stock exchange, as well as on our website. We also disclose information in English.

With regard to information for which timely disclosure is not required, we actively disclose information needed for stakeholders, including shareholders, to understand Sumitomo Pharma properly through such means as press releases and our website.

* Information on our information disclosure policies and criteria are posted on our website.

Development and implementation of internal control system

Based on the Companies Act, the Board of Directors of Sumitomo Pharma passed a resolution on the basic policies for the development of a system to ensure appropriate business operation. The status of implementation efforts pursuant to the basic policies for each year is reported at the Board of Directors meeting held in March of the fiscal year and the basic policies are revised as necessary to improve the internal control system.

Internal control over financial reporting

In order to ensure the reliability of financial reporting, Sumitomo Pharma is striving to enhance its internal control system in accordance with the Company's basic framework for internal control as required by Japan's Financial Instruments and Exchange Act.

Specifically, the scope of the system encompasses the company-wide internal control system at Sumitomo Pharma and those of its major consolidated subsidiaries, as well as business processes with the potential for significant impact on finances. Every year, the President and CEO assesses the effectiveness of the design and implementation of the internal control framework, while also confirming the effectiveness of internal control.

Outside Director Roundtable Discussion

Discussion of material issues from a wide range of perspectives on creating value for patients, their lives, and those who support them

Sumitomo Pharma commits itself to continuously pursuing the establishment of a corporate governance system which is highly effective, aiming for the full realization of our Mission and Values. In this roundtable discussion, four Outside Directors share their opinions on important topics that will determine the future direction of Sumitomo Pharma's value creation, such as the identification of material issues, the Mid-term Business Plan 2027 (MTBP 2027), and the skills required of future executives and managers. They also address how they see their own role as an Outside Director.

Outside Director Roundtable Discussion

The role of an Outside Director

Arai I started an internet company as a co-founder, and later, as the company's CFO, I was involved in its initial IPO on the Tokyo Stock Exchange's "Mothers" section for startups. Based on this experience, I have been working from the perspective of a CFO, addressing questions such as how to increase corporate value and how to properly allocate the company's capital. As an Outside Director at Sumitomo Pharma, I conduct checks from the perspective of a CFO, and in particular from the perspective of finance. Specifically, I monitor the adequacy of the relationship between strategy and cash flow; how cost of capital, ROE, and other factors affect management decisions; and whether financial reporting and sustainability reporting are being conducted appropriately in order to achieve accountability. Also, switching perspectives, I check on the management team from the shareholder's perspective, such as how they are discussing and building consensus on value creation for the future. In addition to this, since I bring diversity in terms of my own combination of gender, experience, background, and so on, I think I have an important duty to represent diverse perspectives in discussions.

Endo I've been involved in corporate management for a long time and have served as an Outside Director of several companies. Whether it's at Sumitomo Pharma or the other companies where I've served as Outside Director, I put forward my opinion with the same considerations in mind. One of the most important things that the Board of Directors is expected to do is make judgments about risk. I think it is important for the Board of Directors to carefully examine whether managers are properly seeing risk and what kind of impact risk has on the company's operations. In addition to risks, there are also opportunities. I believe that the most important thing is to discuss, from the perspectives of risk and growth, whether our mission and vision are properly defined, and whether we have a good portfolio to seize opportunities. These are two points I had always kept in mind in my own corporate management.

Usui When I was appointed as an Outside Director, President Nomura spoke about the challenges facing Sumitomo Pharma. At the time, he made a request to me, which I remain very conscious of. Specifically, the company was having trouble creating valuable new drugs from its own research laboratories, and he asked for my help in this area. At Seiko Epson, I was in charge of the initial fundamental development of inkjet technology, and was involved in its subsequent commercialization and development as a mainstay of the business. I've been thinking that it would be nice if I could make good use of my knowledge based on my experience in growing a business from scratch and leading a company-wide business portfolio review.

Sumitomo Pharma and Seiko Epson have very different technical foundations, but what they have in common is they both aim to improve the performance of their R&D departments and create new value from them, so I'm monitoring what is needed to achieve this. I'm also looking at how the portfolio of research themes itself should be structured. Specifically, I am monitoring organization management such as what goals we are working toward, what strengths we have to achieve those goals, and what areas of people we should collaborate with to reach those goals. Furthermore, I am carefully monitoring the structure of research and development management, including how the organization engages in free and open discussion and brings together the knowledge of many people to create value. Looking at our current efforts, it looks very promising, with progress in carefully thought-out initiatives such as adoption of the Research Project System, organizational change, development of new modalities, and a focus on the areas of regenerative medicine and DX.

Fujimoto I've been working in the healthcare industry, including medical and nursing care, for nearly 20 years in my capacity as a government administrator. As an Outside Director, I am expected to have knowledge based on those experiences. At present, advances in science and technology and changes in various countries' economies and demographics have started to bring about changes in people's aspirations and

Outside Director Roundtable Discussion

expectations in relation to healthcare, including medicine, pharmaceutics, and government. As I observe these changes, I hope to be able to provide advice on where Sumitomo Pharma is headed and what it can do to prepare for future changes.

Identification of material issues and formulation of MTBP 2027

Fujimoto I like the new set of material issues we were able to identify this time around because it's very simple. Initially, there was a desire to spread the word about all the issues we're tackling and will tackle, so we generated a lot of different material issues, but then, by skillfully pruning them down, we ended up with a very simple and powerful message.

As a pharmaceutical company, it may seem obvious, but among our material issues, "development of innovative products and healthcare solutions" is

the most important. In our discussions about what Sumitomo Pharma can and should do, I talked about how the pharmaceutical industry of the future should not only research, develop, and supply medicines, but also pay attention to improving health and preventing diseases, considering the patient journey in the broadest sense. I also emphasized the importance of delivering personalized solutions. I then expressed my hope that Sumitomo Pharma's move to provide solutions by combining various modalities in the Psychiatry & Neurology and Oncology areas, based on its strengths, will lead to further strengths, and spoke about what role Sumitomo Pharma should and can play.

Usui In formulating MTBP 2027, our main focus was on what kind of social value Sumitomo Pharma could provide. Although the plan is based on the premise of putting the patient first, I said that I would like the theme to be about creating significant value, not only for the patient, but also for the quality of life of the patient's family members around them.

From that perspective, I think Sumitomo Pharma's current regenerative medicine/cell therapy business is groundbreaking. The hope for regenerative medicine/cell therapy products is that they can deliver significant, life-changing value by not merely making the symptoms better, but actually reversing the progression of the disease. Similarly, in the Psychiatry & Neurology area, I think I was able to articulate a course of action for this theme of creating significant value, where we're not only improving your symptoms, but also improving the caregiving conditions of those around you, or enabling you to return to society, in this case by improving the treatment of psychiatric

disorders through routine use of DX or development of new modalities, for example.

Endo When the draft MTBP 2027 was first presented to us, it put patients front and center, but on the flipside, it seemed to omit everything else. However, in the course of our various discussions this time, I was pleased that we were able to cover a broader range of topics while still focusing on patients, as Mr. Usui said.

Apart from that, what I specifically mentioned in our discussions was speed. To understand why no new drugs have been launched so far and what is needed to launch new drugs in the future, it is essential to look at speeding up our R&D.

Arai My experience of the discussions on the formulation of MTBP 2027 mostly overlaps with what you have said. However, my own comments reflected my perspective that we should continue to expand our scope from prevention

Outside Director Roundtable Discussion

to diagnosis, post-diagnosis treatment, post-treatment care, social reintegration, and further health.

In addition, I commented on the importance of how we disclose and explain the targets in the MTBP 2027, both quantitatively and qualitatively. With regard to the material issues in particular, to give our shareholders and stakeholders an accurate understanding, I have suggested that we always keep the overall picture in mind and consider how we can help people understand Sumitomo Pharma's value accurately in the context of our value creation story in our financial reports and integrated reports as well as in the MTBP.

Skills required for future executives and managers

Usui First and foremost, I think future managers will need the conceptual ability to come up with strategies to gain an accurate understanding of what the future should look like, our business portfolio, and points to focus on. At the same time, they will also need the ability to engage many people in the pursuit of a single goal. Initially, future managers need to get everyone facing in the same direction. Once everyone starts moving in the right direction, they need to follow up and make sure everyone is moving in the same direction to reach higher goals. They also need to make course corrections when necessary. We need people who can provide this kind of leadership. In addition, I think there is an increasing need for the ability to instill a widespread sense of ownership and to raise awareness in others.

Endo Since medical care itself is likely to change significantly, future executives and managers will need the skills to be able to think with expanding the scope of pharmaceuticals. I think managers sometimes need to be able to think beyond the framework of Sumitomo Pharma, to broaden the company's perspective a bit from the conventional pharmaceutical perspective to that of a company that contributes to the health of human society, and consider how to make the most of our strengths.

When I look at Sumitomo Pharma, I see a company where employee engagement is very high. The reason for this, I believe, is that we have a group of people working with a strong sense of purpose and a strong commitment to themes such as how we should contribute to human society. Assuming that we have these highly engaged people in the Company, I think the ability to draw out individual initiative is another necessary quality for management. Since each individual has his or her own power, we need managers who can influence and organize people in a way that respects individual initiative. I think these are the qualities that management should possess in order to generate innovation, which is what Sumitomo Pharma needs most.

Fujimoto If we imagine the future ten years from now, it may be possible to use regenerative medicine to physically restore nerves that were severed in a traffic accident. Not only that, by using the various devices we are working on to rehabilitate the brain and body, it may be possible to regain physical function of an injured body.

In such a future, we can expect that the people who will play a central role in the medical and healthcare world will not only be doctors, but also nurses, physical therapists, occupational therapists, and other healthcare professionals. Sumitomo Pharma's current direction includes many solutions that are relevant to them. For this reason, I think we're going to need the skills to

bring together people with a wider range of careers and experiences than ever before and the skills to successfully collaborate with them in creating new healthcare solutions.

Arai In recent years, the number of patients in the Psychiatry & Neurology area has been increasing worldwide. In addition to this area, we are looking to advance our business in oncology and iPS cells and expand into rehabilitation, caregiving, disease prevention, and other areas. I believe that more than ever before, we will need the ability to identify our core competencies in each of these expanded areas in a timely manner, as well as the judgment and decisiveness to allocate capital efficiently and cut what needs to be cut. In addition to this kind of business judgment and decisiveness, we will need the ability to get the most out of people while looking at their individual aptitudes and the skills to demonstrate global leadership while sharing diverse values.

Outside Audit & Supervisory Board Member Roundtable Discussion

We audit the legality of the Directors' execution of duties in coordination with the full-time Audit & Supervisory Board Members and the Internal Auditing department

Sumitomo Pharma has elected the organizational structure of a Company with an Audit & Supervisory Board. In accordance with Sumitomo Pharma's audit policies and plans, Audit & Supervisory Board Members attend key business meetings, including those of the Board of Directors, to monitor the legality and appropriateness of management decisions by the Directors. In this roundtable discussion, the three Outside Audit & Supervisory Board Members, who are independent of the Board of Directors and audit the execution of duties by the Directors, discuss the current state of governance at Sumitomo Pharma.

Yoshio Iteya
Outside Audit & Supervisory Board Member

Mayumi Mochizuki
Outside Audit & Supervisory Board Member

Daishiro Michimori
Outside Audit & Supervisory Board Member

Role of Outside Audit & Supervisory Board Members

Iteya My primary role as an Outside Audit & Supervisory Board Member is to audit whether the execution of duties by the Directors is lawful. I personally audit from a legal perspective. Sumitomo Pharma operates a wide range of businesses, and has recently been engaged in organizational restructuring and M&A, including in the U.S. and Europe, so I am looking at whether these activities are legal under the laws of each country.

In my day-to-day work, I handle patent issues in the U.S. and other countries. In particular, I conduct audits from the perspective of whether patents were legally acquired and whether there will be any problems in the event that a third party files a lawsuit or other action against the patent.

Another area I work on relates to our business in China. Anticipating that the legality of our operations may be questioned in various ways, I conduct thorough audits to ensure that our operations are legal and that we have a good relationship with the authorities.

An important part of my work is to question people in the company who assure us that what they're doing is fine. Well, how do you know it's fine? I ensure legality by carefully checking the legal basis of actions and whether a legal opinion has been obtained.

Mochizuki Like Mr. Iteya, I focus on auditing the execution of duties by the Directors in my role as an Audit & Supervisory Board Member. Especially because our business is directly connected to human lives, I place great importance on compliance and integrity in my audits, and keep the stakeholder's perspective in mind. Furthermore, from the standpoint of being a pharmaceutical expert myself, I also pay attention to and provide opinions on R&D and sales information provision activities by MRs.

Sumitomo Pharma is rapidly shifting from Japan-based to overseas business, as evidenced by the phrase "Global Specialized Player" in our Mid-term Business Plan 2027. The approval and marketing systems for pharmaceutical products differ greatly from country to country, and corporate activities need to be tailored to each country's systems. We therefore assess whether personnel familiar with the systems of each country are appropriately deployed and whether the development and sales capabilities of overseas Group companies are functioning properly.

Michimori Let me add to what the two of you have already said. It is generally accepted that the role of Directors is to play "offense" in pursuit of growth, while the role of Audit & Supervisory Board Members is to play "defense" in pursuit of compliance. However, in today's rapidly changing society, opportunities (offense) and risks

Outside Audit & Supervisory Board Member Roundtable Discussion

(defense) are inextricably linked. In that sense, I participate in discussions and express my opinions without being too bound by the framework of auditing the execution of duties by Directors, which is the primary role of Audit & Supervisory Board Members.

Coordination with full-time Audit & Supervisory Board Members, Internal Auditing department, and auditing firms

Michimori From the standpoint of an Outside Audit & Supervisory Board Member who does not engage in auditing activities on a daily basis, it is very important to coordinate with the full-time Audit & Supervisory Board Members and Internal Auditing department. This is a little off-topic, but with the current trend of placing more emphasis on corporate governance, I think that Outside Audit & Supervisory Board Members are often perceived as if they are all-powerful, or that they should be, and I'm worried that this view is exaggerated.

In this difficult socioeconomic climate, it is only natural that those who have been involved in the industry for a long time would have a better understanding of the challenges facing the industry, where the business opportunities are, and what is going on inside the company. In fact, if they didn't know these things, they would be in trouble. Under such circumstances, I think the job of the Outside Audit & Supervisory Board Member is to correct the biased thinking and narrow perspectives of people within the company to prevent the wrong turns and improprieties that can sometimes occur.

Of course, we must not be passive. We must conduct audits from a slightly different perspective, as the thoughts of the Outside Audit & Supervisory Board Members are incorporated into the main audit policies and plans.

Therefore, in the context of auditing and supervision of management, rather than one side or the other being all-powerful, I believe it is very important to have an attitude of encouraging sincere discussions between outside and inside Audit & Supervisory Board Members, creating a mixture that can result, like an organic chemical reaction, in the generation of new added value.

Mochizuki To add to Mr. Michimori's comments, I believe that to have a sincere discussion at the Audit & Supervisory Board meeting, in addition to coordination with the full-time Audit & Supervisory Board Members and other relevant parties, an atmosphere that allows for free exchange of opinions must be fostered on a daily basis. At Sumitomo Pharma, before the Audit & Supervisory Board meeting, we hold an informal social gathering for the members. There, due to the nature of the meeting as an informal social gathering, it is possible to exchange opinions more freely than at the Audit & Supervisory Board meeting and express opinions on the spot.

Michimori As Ms. Mochizuki said, the informal social gathering for Audit & Supervisory Board Members is very beneficial. Here, we receive a preliminary briefing on the agenda for the Audit & Supervisory Board meeting. Not only that, we also learn what happened in meetings in which we outside Audit & Supervisory Board Members do not participate, such as Management Committee meetings, from the full-time Audit & Supervisory Board Members. It is a very good opportunity to understand the company's situation from various angles, including those not on the agenda of the Board of Directors and the Audit & Supervisory Board, so that we can discuss the actual agenda with a deeper understanding of these issues.

Mochizuki In addition to the informal social gathering for Audit & Supervisory Board Members, opportunities are set up several times a year to exchange opinions with the President and other Directors, as well as with the head of the Internal Auditing department, so I feel that a lot of effort has been made in this area.

The status of governance and auditing at Sumitomo Pharma

Iteya As we have discussed, I believe our audit situation is working well. Specifically, we have a system in place to provide Audit & Supervisory Board Members with information in a clear and easy-to-understand format, and we are able to think through this information appropriately before attending meetings of the Audit & Supervisory Board and the Board of Directors.

If there is an issue for the future, it would be how to deal with investment in intellectual property rights as indicated by the revision of Japan's Corporate Governance Code. Going forward, I think we should proceed with audits that focus the spotlight on intellectual property rights initiatives.

Mochizuki I agree with Mr. Iteya that Sumitomo Pharma's audit system has been properly constructed and is actually being operated correctly. The theme I would like to focus on in the future is the restructuring of our overseas Group companies. Since this is an ongoing process right now, I feel it is necessary to conduct a thorough audit of its progress.

Michimori I was appointed as an Outside Audit & Supervisory Board Member at Sumitomo Pharma last year, so I can speak from a fresh perspective. The job of an Outside Audit & Supervisory Board Member is to examine the context in which employees are doing their day-to-day work and the risks and identify issues there, but to be honest, I'm still a bit too far away from the operational frontlines to do this. Personally, I have been trying to have as many opportunities as possible to see the operational frontlines and have discussions with the employees there, and I would like to increase the number of such opportunities in the future.

Risk Management and Compliance

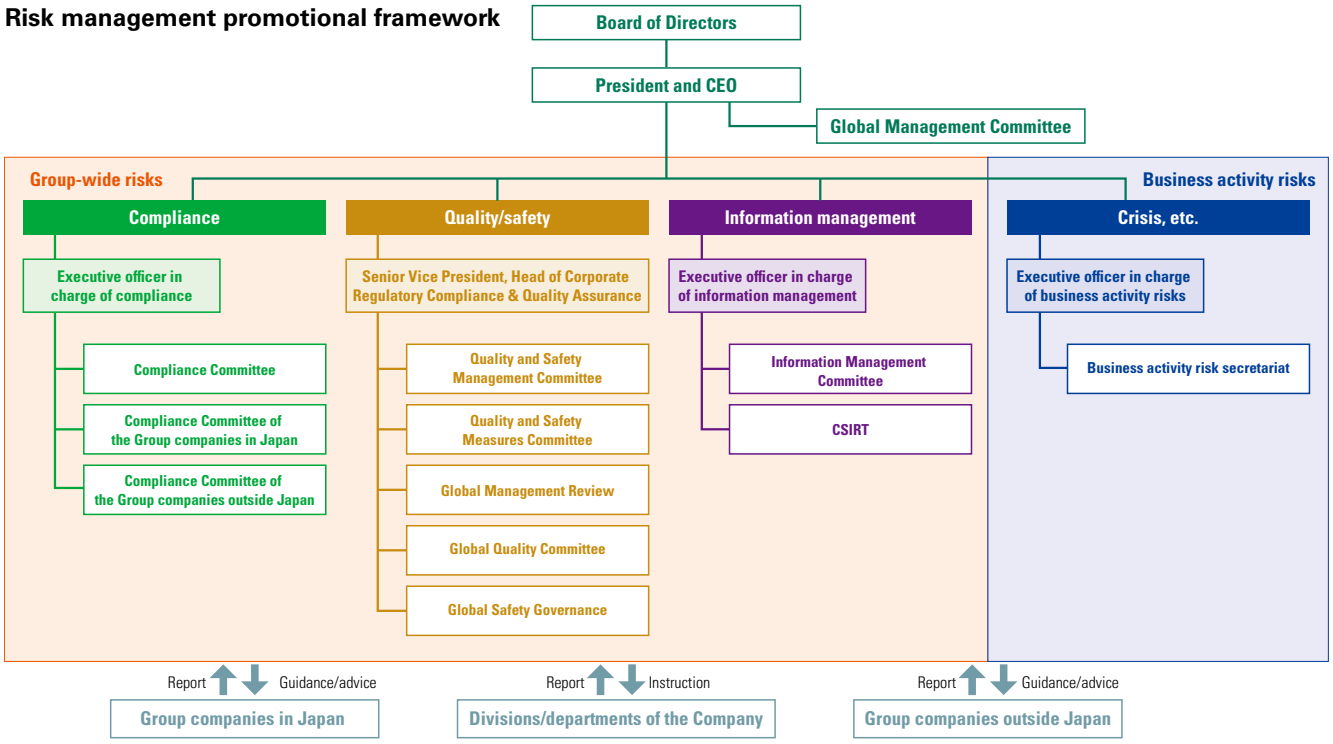
Risk Management

Sumitomo Pharma has enacted SMP Group Risk Management Policy stipulating the Company's fundamental approach to risk management and has developed a system to appropriately promote risk management for the Group. Under this promotional framework, according to the particularities of each risk, risks are divided into those requiring a horizontal, group-wide approach (group-wide risks), and those requiring specific approaches by each company (business activity risks). The Company keeps track of the risk management of the group companies as a whole through reports from each group company, and provides each group company with its guidance and advice as necessary.

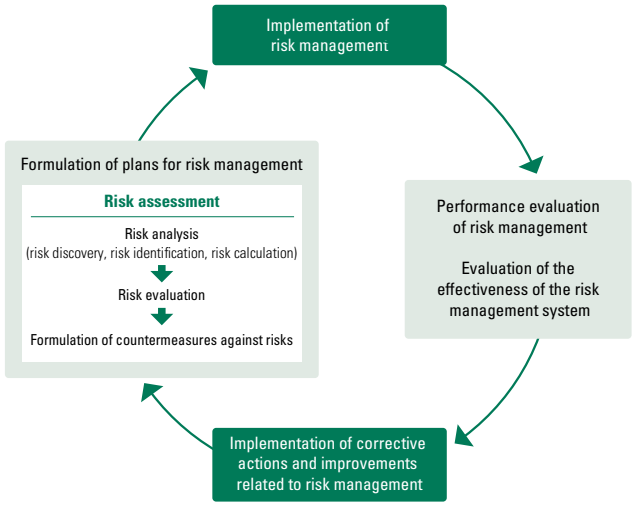
In order to address risks bearing an impact on business activities, we have enacted the internal "Risk Management Rule" that clarifies the President and CEO's role in overseeing risk management, and specifies a system for promoting management of each specific risk. The status of operations in each system to promote risk management is periodically reported to the Board of Directors.

One of the Company's specific initiatives is to carry out annual risk assessments for all business units, including Group companies in Japan and overseas, and formulate necessary countermeasures based on the results followed by implementation and evaluation. This is undertaken systematically by each business unit company-wide working on the solution to each problem.

Risk management promotional framework



Initiatives of risk management



Business continuity plans (BCPs) and business continuity management (BCM)

From the viewpoint of our social duty of ensuring a stable supply of pharmaceutical products, Sumitomo Pharma formulates its business continuity plans (all-hazards BCP) that address not only large-scale disasters and pandemics, but also diverse disasters and unexpected situations.

Furthermore, to strengthen and improve the effectiveness of our risk management, we have established a continuous management cycle that includes reviewing our BCPs, implementing proactive measures, and conducting education and training. Also, we are advancing sustainable business continuity management (BCM), which promotes management activities even during ordinary times.

Risk Management and Compliance

Risk Management

Initial response plan

We have established a Crisis Management Team (CMT) that, immediately after a disaster occurs, starts gathering information, outlines the status of damage, offers advice on whether a Disaster Management Headquarters should be established, and if established, works to gather further information.

We carry out regular CMT training and other measures with the objective of increasing our swift and precise first-response capabilities. We are currently carrying out training to facilitate coordination between the CMT and administrative offices (the Disaster Management Headquarters in the disaster area) as well as the Disaster Management Headquarters, and are working to boost crisis management capabilities during times of disaster.

Information management

"Information" is an essential asset in our corporate activities, and how it is utilized and protected is of particular importance to Sumitomo Pharma. We have established global policies for records and information management as well as various rules for information management and Information Technology security, etc. to minimize risks.

Management of confidential information and inside Information

In accordance with the internal rules, we manage confidential information in an appropriate manner We have established an information management system that includes an executive officer in charge of information management and the Information Management Committee. In order to prevent insider trading, we have internal rules which specify matters that all officers and employees must comply with, including the appropriate management of inside information. Additionally, we regularly hold training for officers and employees and we work to increase their level of awareness.

Managing personal information

Sumitomo Pharma has a privacy policy in place, and in accordance with its internal rules, properly handles and protects personal information acquired through its business activities from healthcare professionals, product users, business partners, shareholders, employees and other persons in accordance with domestic and international personal information protection laws and regulations.

In addition, Sumitomo Pharma actively promotes protection of personal information by establishing a solid management system that includes an executive officer in charge of personal information management and a personal information hotline, and regularly educating and training its officers and employees.

Information security

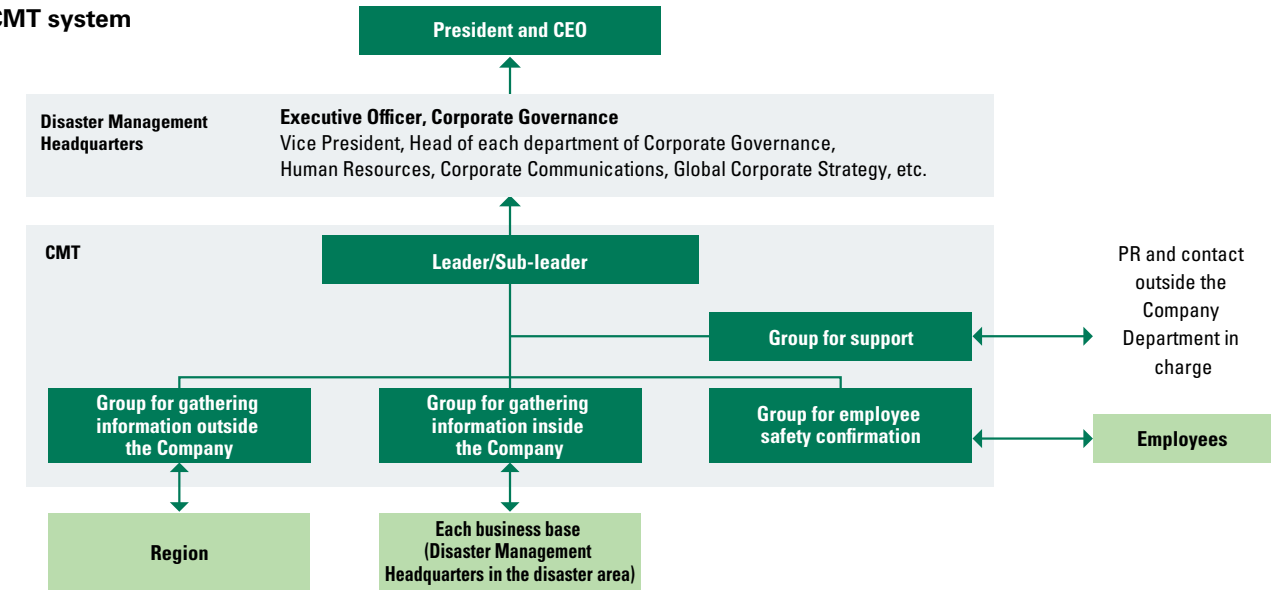
As information security efforts, we continue to update technical measures, rules, and procedures according to societal changes and advances in information technology as we monitor compliance. In addition, we hold periodic information security training for officers and employees to raise awareness. We also strive to address information security risks at our group companies and business partners.

Further, as a countermeasure against information security risks throughout the supply chain, we conduct IT security assessments of our business partners using a security rating service.

Moreover, in addition to creating a system that prevents and detects unauthorized access and responds rapidly when an incident occurs (Computer Security Incident Response Team: CSIRT), we continue to implement efforts to prevent information security incidents.

CSIRT also conduct regularly response training that presents a cyberattack scenario.

CMT system



Risk Management and Compliance

Compliance

Sumitomo Pharma has declared in our publicly announced Declaration of Conduct our commitment to "comply with laws and regulations, and conduct transparent and fair corporate activities with the highest level of ethics." To put this declaration into practice and ensure full compliance, we have established Compliance Standards and use them as concrete guidelines for business activities.

One of Sumitomo Pharma's executive officers is charged with overseeing all compliance matters of Sumitomo Pharma and its group companies around the world.

In addition to the Compliance Committee of Sumitomo Pharma, we have established the Compliance Committee of the Group companies in Japan, and the Compliance Committee of the Group companies outside Japan, each of which consists of members from the Company and the Group companies in Japan, and from the Company and the Group companies outside Japan, respectively.

The Sumitomo Pharma executive officer in charge of compliance serves as chair of each of the three committees and reports to the Board of Directors on the committee activities.

The Company's Compliance Committee deliberates on the revision or abolishment of the Compliance Standards, discusses compliance education and training plans, verifies their implementation, and surveys the status of compliance practices.

The Compliance Committees of the Group companies in and outside Japan share information and discuss compliance-related policies, measures, and activities.

Compliance hotlines

Sumitomo Pharma has set up internal and external compliance hotlines through which its officers and employees can make reports and consultations (including whistle-blowing) relating to incidents of real or threatened compliance violation.

Similar compliance hotlines have been installed in the Group companies in and outside Japan. The officers and employees of such Group companies may use the Sumitomo Pharma hotlines.

In addition to officers and employees of the Company and its Group companies, Sumitomo Pharma's compliance hotline is also available to our business partners as well as former officers and employees of the Company.

Compliance education and training

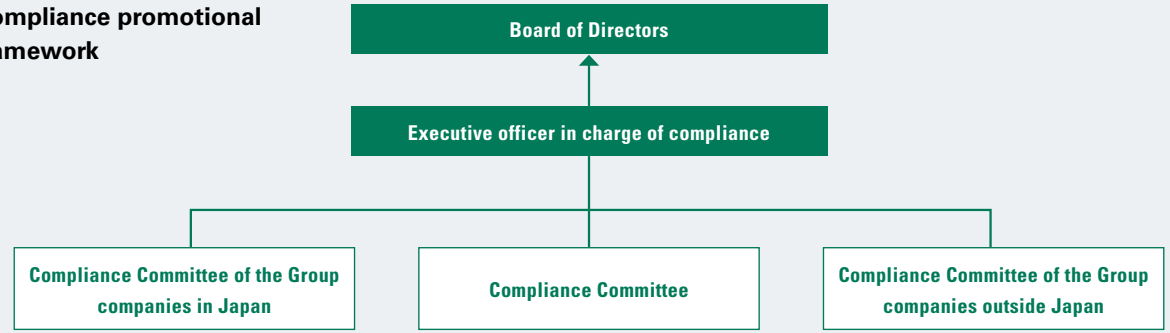
We conduct annual compliance education and training for all employees on several themes, including corruption, insider trading, drug-induced suffering, and harassment. We also provide education and training tailored for new employees and managerial staff (department heads and managers/directors of offices). A booklet about the Compliance Standards is used in compliance workshops held at the workplace level. The Group companies in and outside Japan are required to provide similar compliance education and training programs.

Initiatives to exclude anti-social forces and prevent corrupt activities

The Company rejects any relationships whatsoever with anti-social forces and has established special provisions allowing for the termination of a contract signed with a counterparty that the Company deems to be an anti-social force.

Additionally, from the perspective of preventing corruption in business activities, the Company has stipulated Corruption Prevention Guidelines, while also specifying provisions against corruption in new transaction contracts that accompany the acceptance of compensation.

Compliance promotional framework



Directors, Audit & Supervisory Board Members, and Executive Officers

Directors

Hiroshi Nomura

Representative Director, President and CEO

1981	Joined Sumitomo Chemical Co., Ltd.
2004	Vice President, Head of Finance & Accounting Department of the former Sumitomo Pharmaceuticals Co., Ltd.
2007	Vice President, Head of Global Corporate Strategy
2008	Joined the Company
2008	Executive Officer of the Company
2012	Member of the Board of Directors and Executive Officer of the Company
2014	Member of the Board of Directors and Managing Executive Officer of the Company
2016	Member of the Board of Directors and Senior Managing Executive Officer of the Company
2017	Representative Director and Senior Managing Executive Officer of the Company
2018	Representative Director and President and Chief Executive Officer of the Company (to the present)

Toru Kimura

Representative Director, Senior Managing Executive Officer

Global Corporate Strategy; Global Finance; Regenerative & Cellular Medicine Office; Regenerative & Cellular Medicine Kobe Center; Regenerative & Cellular Medicine Manufacturing Plant

1989	Joined Sumitomo Chemical Co., Ltd.
1992	Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2009	Vice President, Head of Genomic Science Laboratories of the Company
2010	Vice President, Head of Research Planning & Management of the Company
2012	Vice President, Head of Global Strategy of the Company
2013	Vice President, Head of the Regenerative & Cellular Medicine Office of the Company
2015	Executive Officer of the Company
2016	Member of the Board of Directors and Executive Officer of the Company, Vice President, Head of Global Corporate Strategy of the Company
2017	Member of the Board of Directors and Senior Executive Research Director of Drug Research Division of the Company
2019	Member of the Board of Directors and Managing Executive Officer of the Company
2020	Member of the Board of Directors and Chief Scientific Officer of the Company
2021	Representative Director and Senior Managing Executive Officer of the Company (to the present)

Yoshiharu Ikeda

Member, Board of Directors, Managing Executive Officer

Drug Research Division
Head of Japan Business Unit

1985	Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2007	Vice President, Head of Research Planning & Coordination of the Company
2009	Vice President, Head of Global Corporate Strategy of the Company
2010	Executive Officer of the Company
2012	Sunovion Pharmaceuticals Inc. (currently, Sumitomo Pharma America, Inc.), Executive Vice President
2013	Senior Vice President, Head of the Technology Research & Development Division
2016	Managing Executive Officer, Senior Vice President, Head of the Manufacturing Division of the Company
2020	Member of the Board of Directors and Managing Executive Officer of the Company (to the present)

Hiroyuki Baba

Member, Board of Directors, Managing Executive Officer

Global Data Design Office; Legal Affairs; Intellectual Property; IT Management & Digital Transformation; Frontier Business Office

1982	Joined Sumitomo Chemical Co., Ltd.
2013	Sunovion Pharmaceuticals Inc. (currently, Sumitomo Pharma America, Inc.), Executive Vice President
2014	Joined the Company, Executive Officer, Vice President, Head of Global Business Development
2017	Executive Officer, Vice President, Head of Global Corporate Strategy of the Company
2019	Managing Executive Officer of the Company
2022	Member of the Board of Directors and Managing Executive Officer of the Company (to the present)

Shigeyuki Nishinaka

Member, Board of Directors, Managing Executive Officer

Business Development & Management

1989	Joined NKK Corporation (currently, JFE Holdings, Inc.)
1994	Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2001	Joined Daiichi Pharmaceutical Co., Ltd. (currently, Daiichi Sankyo Co., Ltd.)
2009	Joined the Company
2014	Senior Vice President, Deputy Head of Drug Research Division and Vice President, Head of Global Oncology Office of the Company
2014	Senior Vice President, Deputy Head of Drug Research Division and Vice President, Head of External Innovation Development Office of the Company
2016	Vice President, Head of Global Business Development of the Company
2017	Executive Officer of the Company
2020	Managing Executive Officer of the Company
2022	Member of the Board of Directors and Managing Executive Officer of the Company (to the present)

Directors, Audit & Supervisory Board Members, and Executive Officers

Directors

Saeko Arai

Member, Board of Directors (Outside)

1987	Joined Eiwa Audit Corporation (currently, KPMG AZSA LLC)
2002	President of Gratia, Inc. (currently, Acuray, Inc.) (to the present)
2017	Outside Audit & Supervisory Board Member of teamS Inc. (to the present)
2017	Outside Audit & Supervisory Board Member of AEON Credit Service Co., Ltd.
2018	Outside Member of the Board of Directors of the Company (to the present)
2018	Outside Director of Tokyu Fudosan Holdings Corporation (to the present)
2019	Professor at the Faculty of Business Administration of Hakuoh University (to the present)

Nobuhiro Endo

Member, Board of Directors (Outside)

1981	Joined NEC Corporation
2006	Senior Vice President and Executive General Manager of the Mobile Network Operations Unit of NEC Corporation
2009	Executive Vice President of NEC Corporation
2009	Executive Vice President and Member of the Board of NEC Corporation
2010	President (Representative Director) of NEC Corporation
2016	Chairman of the Board (Representative Director) of NEC Corporation
2016	Outside Director of JAPAN POST INSURANCE Co., Ltd.
2017	Outside Director of Seiko Holdings Corporation
2018	Outside Director of Japan Exchange Group, Inc. (to the present)
2019	Outside Member of the Board of Directors of the Company (to the present)
2019	Chairman of the Board of NEC Corporation
2019	Outside Director of Tokyo Marine Holdings, Inc. (to the present)
2022	Executive Advisor of NEC Corporation (to the present)
2022	Outside Director of Nisshin Seifun Group Inc. (to the present)

Minoru Usui

Member, Board of Directors (Outside)

1979	Joined Shinshu Seiki Co., Ltd. (currently, Seiko Epson Corporation)
2002	Director of Seiko Epson Corporation
2005	General Administrative Manager of the Production Engineering & Development Division of Seiko Epson Corporation
2007	General Administrative Manager of the Corporate Research & Development Division of Seiko Epson Corporation
2007	Managing Director of Seiko Epson Corporation
2008	President and Representative Director of Seiko Epson Corporation, Chief Executive Officer of Seiko Epson Corporation
2020	Chairman and Director of Seiko Epson Corporation (to the present)
2021	Outside Member of the Board of Directors of the Company (to the present)
2021	Outside Director of IHI Corporation (to the present)

Koji Fujimoto

Member, Board of Directors (Outside)

1987	Joined the Ministry of International Trade and Industry (MITI) (currently, the Ministry of Economy, Trade and Industry (METI))
2008	Director, Service Industries Division of METI (Director, Healthcare Industries Division after organizational revision in July 2011)
2015	Councillor, Cabinet Secretariat (Assistant Director, Office of Healthcare Policy)
2019	Specially Appointed Professor, Tokyo Medical and Dental University (to the present)
2019	Senior URA, Research University Promotion Organization, Tokyo Medical and Dental University
2019	Deputy Director, Research Center for Industry Alliances, Tokyo Medical and Dental University
2022	Outside Member of the Board of Directors of the Company (to the present)
2023	Deputy Director / Senior URA, Open Innovation Center, Institute of Research Innovation, Tokyo Medical and Dental University (to the present)
2023	Director, Emergency Assistance Japan Co., Ltd. (to the present)

Audit & Supervisory Board Members

Takashi Kutsunai

Audit & Supervisory Board Member

1981	Joined Sumitomo Chemical Co., Ltd.
1984	Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2004	Vice President, Head of General Affairs & Human Resources
2005	Vice President, Head of Human Resources of the Company
2008	Vice President, Head of Strategic Marketing & Planning (Asia), International Business Management of the Company
2009	Vice President, Head of International Business Strategic Marketing and Planning of the Company
2010	Vice President, Head of Global Sales and Marketing of the Company
2012	Vice President, Head of Internal Auditing of the Company
2018	Full-time Audit & Supervisory Board Member of the Company (to the present)

Hisayoshi Kashima

Audit & Supervisory Board Member

1985	Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2007	Vice President, Head of Finance & Accounting of the Company
2012	Member of the Board of Directors of Sumitomo Pharma (Suzhou) Co., Ltd.
2014	Vice President, Head of Finance & Accounting of the Company (up to the present)
2023	Full-time Audit & Supervisory Board Member of the Company (to the present)

Yoshio Iteya

Audit & Supervisory Board Member (Outside)

1983	Admitted to the Bar (Japan)
1989	Admitted to the Bar (New York)
1992	Partner at Mori Hamada & Matsumoto
2004	Specially Appointed Professor at Hitotsubashi University School of Law (to the present)
2018	Outside Audit & Supervisory Board Member of the Company (to the present)
2021	Partner at Anderson Mori & Tomotsune (to the present)

Mayumi Mochizuki

Audit & Supervisory Board Member (Outside)

1976	Joined Nippon Roche K.K. (currently, Chugai Pharmaceutical Co., Ltd.)
1983	Joined the Department of Pharmacy of Kitasato University Hospital
2007	Professor at Kyoritsu University of Pharmacy (currently, the Faculty of Pharmacy of Keio University)
2009	Associate Dean in Pharmacy at the Graduate School of Pharmaceutical Sciences of Keio University
2013	Dean of the Faculty of Pharmacy and Dean of the Graduate School of Pharmaceutical Sciences of Keio University
2015	Director of the Department of Pharmacy at Keio University Hospital
2019	Professor Emeritus at Keio University (to the present)
2019	Adviser of the International Medical Information Center (to the present)
2020	Special Adviser of the International University of Health and Welfare (to the present)
2020	Vice President of Science Council of Japan (to the present)
2021	Outside Audit & Supervisory Board Member of the Company (to the present)

Daishiro Michimori

Audit & Supervisory Board Member (Outside)

1979	Joined the Ministry of Finance
2010	Councillor of the Cabinet Secretariat (National Policy Unit)
2012	Regional Commissioner of the Tokyo Regional Taxation Bureau
2016	Advisor Attorney of TMI Associates
2016	Outside Member of the Board of World Co., Ltd.
2018	Senior Managing Director of the Institute of Daiwa Institute of Research Ltd.
2021	Visiting Lawyer of Shimada Hamba & Osajima (to the present)
2022	Senior Advisor of Daiwa Institute of Research Ltd.
2022	Outside Audit & Supervisory Board Member of the Company (to the present)

Directors, Audit & Supervisory Board Members, and Executive Officers

Executive Officers

Hideyuki Harada

Managing Executive Officer

Technology Research & Development Division; Manufacturing Division
Deputy Head of Japan Business Unit

1991	Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2012	Vice President, Head of Research Planning & Coordination of the Company
2013	Vice President, Head of Research Planning & Intelligence of the Company
2016	Executive Officer, Senior Vice President, Head of Drug Research Division of the Company
2017	Executive Officer, Executive Research Director of Drug Research Division of the Company
2021	Managing Executive Officer, Senior Executive Research Director of Drug Research Division of the Company
2022	Managing Executive Officer Technology Research & Development Division; Manufacturing Division Deputy Head of Japan Business Unit of the Company (to the present)

Atsuko Higuchi

Managing Executive Officer

External Affairs; Corporate Secretariat; Human Resources

1986	Joined Sumitomo Chemical Co., Ltd.
1992	Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2008	Vice President, Head of Public Relations of the Company
2014	Vice President, Head of International Business Management of the Company
2015	Vice President, Head of International Business Management of the Company
2017	Executive Officer, Corporate Governance; Corporate Communications; Human Resources of the Company
2022	Managing Executive Officer External Affairs; Corporate Secretariat; Human Resources of the Company (to the present)

Takuya Taguchi

Managing Executive Officer

Sales & Marketing Division
Senior Vice President, Head of Sales & Marketing Division
Deputy Head of Japan Business Unit

1982	Joined Sumitomo Chemical Co., Ltd.
1984	Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2010	Vice President, Head of Higashi-Nippon Region Minami-Tohoku Branch of the Company
2012	Vice President, Head of Capital Region Tokyo Branch I of the Company
2013	Vice President, Head of Sales & Marketing Management of the Company
2019	Executive Officer, Senior Vice President, Deputy Head of Sales & Marketing Division and Vice President, Head of Sales & Marketing Management of the Company
2021	Executive Officer, Senior Vice President, Deputy Head of Sales & Marketing Division of the Company
2022	Managing Executive Officer Sales & Marketing Division Senior Vice President, Head of Sales & Marketing Division Deputy Head of Japan Business Unit of the Company (to the present)

Koichi Kozuki

Executive Officer

Regulatory Affairs; Medical Science; Corporate Regulatory Compliance & Quality Assurance Division
Senior Vice President, Head of Corporate Regulatory Compliance & Quality Assurance Division
Deputy Head of Japan Business Unit

1989	Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2012	Vice President, Head of Global Project Management of the Company
2013	Vice President, Head of Global Strategy & Business Development of the Company
2014	Vice President, Head of Global Strategy & Business Development and Vice President, Head of Global R&D Office of the Company
2017	Senior Vice President, Head of Drug Development Division of the Company
2020	Executive Officer, Senior Vice President, Head of Drug Development Division and Senior Vice President, Deputy Head of Corporate Regulatory Compliance & Quality Assurance Division of the Company
2022	Executive Officer, Regulatory Affairs; Medical Information; Medical Affairs; Corporate Regulatory Compliance & Quality Assurance Senior Vice President, Head of Corporate Regulatory Compliance & Quality Assurance Division Deputy Head of Japan Business Unit of the Company
2023	Executive Officer Regulatory Affairs; Medical Science; Corporate Regulatory Compliance & Quality Assurance Senior Vice President, Head of Corporate Regulatory Compliance & Quality Assurance Division Deputy Head of Japan Business Unit of the Company (to the present)

Isao Shimizu

Executive Officer

Senior Vice President, Head of Drug Research Division
Senior Executive Research Director

1991	Joined the former Dainippon Pharmaceutical Co., Ltd.
2014	Vice President, Head of Drug Development Research Laboratories of the Company
2016	Vice President, Head of Drug Development Research Laboratories and Vice President, Head of Preclinical Research Laboratories of the Company
2017	Vice President, Head of External Innovation Development Office of the Company
2020	Executive Officer, Executive Research Director of Drug Research Division of the Company
2022	Executive Officer Senior Vice President, Head of Drug Research Division Senior Executive Research Director of the Company (to the present)

Yumi Sato

Executive Officer

Drug Development Division
Senior Vice President, Head of Drug Development Division
CNS Strategic Alliance, Sumitomo Pharma America, Inc.

1992	Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2015	Vice President, Head of Clinical Research of the Company
2018	Vice President, Head of Global Corporate Strategy of the Company
2020	Executive Officer, Executive Vice President of the Company and Chief Corporate Strategy Officer, Sunovion Pharmaceuticals Inc. (currently, Sumitomo Pharma America, Inc.)
2022	Executive Officer, Drug Development Division Senior Vice President, Head of Drug Development Division Executive Vice President of the Company and Chief Corporate Strategy Officer, Sunovion Pharmaceuticals Inc. (currently, Sumitomo Pharma America, Inc.)
2023	Executive Officer Drug Development Division Senior Vice President, Head of Drug Development Division of the Company CNS Strategic Alliance, Sumitomo Pharma America, Inc. (to the present)

Directors, Audit & Supervisory Board Members, and Executive Officers

Executive Officers

Kenji Ueno

Executive Officer

Senior Vice President, Head of Technology Research & Development Division

1990	Joined the former Dainippon Pharmaceutical Co., Ltd.
2014	Vice President, Head of Ibaraki Plant of the Company
2016	Vice President, Head of Manufacturing Management and Senior Director of Procurement of the Company
2019	Senior Vice President, Deputy Head of Manufacturing Division and Vice President, Head of Suzuka Plant of the Company
2020	Senior Vice President, Head of Technology Research & Development Division of the Company
2021	Executive Officer Senior Vice President, Head of Technology Research & Development Division of the Company (to the present)

Naoki Noguchi

Executive Officer

Corporate Governance; Corporate Communications
Vice President, Head of Corporate Communications

1986	Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2018	Chairman, President & CEO, Sumitomo Pharma (Suzhou) Co., Ltd.
2022	Executive Officer, Corporate Governance, Corporate Communications and Vice President, Head of Corporate Governance of the Company
2023	Executive Officer Corporate Governance, Corporate Communications Vice President, Head of Corporate Communications of the Company (to the present)

Tsutomu Nakagawa

Executive Officer

Chief Strategy Officer, Sumitomo Pharma America, Inc.

1993	Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2019	Vice President, Head of Global Oncology Office of the Company
2020	Vice President, Head of Global Corporate Strategy of the Company
2022	Executive Officer Vice President, Head of Global Corporate Strategy of the Company
2023	Executive Officer Chief Strategy Officer, Sumitomo Pharma America, Inc. (to the present)

Myrtle Potter

Executive Officer

President and CEO, Sumitomo Pharma America, Inc.

1993	Vice President, Northeast Region Business Group, U.S. Human Health, Merck, Inc.
1996	Vice President, Strategy & Economics, US Pharmaceutical Group, Bristol Myers-Squibb.
1998	President, US Cardiovascular/ Metabolic, Bristol Myers-Squibb.
2000	Chief Operating Officer, Genentech, Inc.
2004	President, Commercial Operations, Executive Vice President, Genentech, Inc.
2005	CEO, Myrtle Potter & Company, LLC.
2018	Vant Operating Chair, Roivant Sciences.
2019	CEO, Sumitovant Biopharma, Inc. (currently, Sumitomo Pharma America, Inc.)
2023	Executive Officer of the Company President and CEO, Sumitomo Pharma America, Inc. (to the present)

Adele Gulfo

Executive Officer

CEO of Biopharma Commercial Unit, Sumitomo Pharma America, Inc.

2000	Vice President, Business Development/Innovation/Design for Launch/Cardiovascular Business, AstraZeneca.
2009	President, General Manager, U.S. Primary Care, Pfizer Inc.
2014	Executive Vice President, Chief Strategy Officer, Mylan N.V.
2018	Chief Commercial Development Officer, Roivant Sciences.
2020	Chief Commercial and Business Development Officer, Sumitovant Biopharma, Inc. (currently, Sumitomo Pharma America, Inc.)
2023	Executive Officer of the Company CEO of Biopharma Commercial Unit, Sumitomo Pharma America, Inc. (to the present)

Armin Szegedi

Executive Officer

Chief Medical Officer, Sumitomo Pharma America, Inc.

2005	Executive Director Clinical Development Neuroscience, Organon.
2008	Vice President Clinical Research CNS, Schering-Plough Research Institute.
2009	Section Head Psychiatry, Merck, Inc.
2012	Executive Director Clinical Research, Merck, Inc.
2014	Vice President Clinical Development CNS, Allergan.
2020	Senior Vice President, Chief Medical Officer, Sunovion Pharmaceuticals Inc. (currently, Sumitomo Pharma America, Inc.)
2023	Executive Officer of the Company Chief Medical Officer, Sumitomo Pharma America, Inc. (to the present)

Business

Initiatives to Realize the Strategy

Business Overview

Psychiatry & Neurology Area

Outline of the business

With the main products, such as the antiepileptic treatment, APTIOM® in the U.S., and an atypical antipsychotic, LATUDA® and a Parkinson's disease treatment, TRERIEF® in Japan, we are working to develop innovative therapeutic agents for psychiatric, neurological and other disorders in areas of high unmet need based on our proprietary drug discovery platform and are also actively pursuing partnerships.

Although the exclusivity period for LATUDA®, a product discovered and developed in-house, expired in the U.S. in February 2023, it is sold globally in Japan, China, Southeast Asia, the U.S., and other countries.

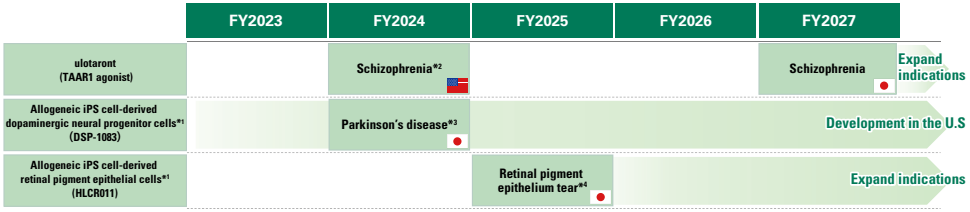
Main products

In the U.S., we are focusing on the sales of APTIOM®. In Japan, we are focusing on the sales of LATUDA®, which generated annual sales of approximately 200 billion yen in the U.S., as well as an antipsychotic, LONASEN® Tape and TRERIEF®.

Status of the development pipeline with a focus on late-stage assets

In the area of psychiatry & neurology, we are pushing ahead with the development of ulotaront, allogeneic iPS cell-derived dopaminergic neural progenitor cells (DSP-1083), and allogeneic iPS cell-derived retinal pigment epithelial cells (HLCR011). The results of the Phase 3 studies (DIAMOND 1 and 2 studies) of ulotaront for the treatment of schizophrenia have indicated that in both studies there was no statistically significant improvement observed in the primary endpoints compared to the placebo group. A very large placebo effect was observed in both studies, which may have masked the effectiveness in the ulotaront group. We plan to revise the launch target time after analyzing the data and holding discussions with the FDA. We plan to bring the allogeneic iPS cell-derived dopaminergic neural progenitor cells (DSP-1083) to market in fiscal 2024, and aim to launch the allogeneic iPS cell-derived retinal pigment epithelial cells (HLCR011) at the earliest possible opportunity.

Product launch target (as of July 31, 2023)



*1 Revenue targets and the like will be included in the regenerative medicine/cell therapy business.
*2 To be revised for launch target based on consultation with the FDA, etc.
*3 The launch schedule is based on our goal pending the agreement with a partner
*4 Under review for launch target based on clinical study status

Strengths of the Sumitomo Pharma Group in this area

In the area of psychiatry & neurology, our greatest strength is the accumulation of data, experience, and know-how gained through the delivery of LATUDA® and other products to patients.

We promote competitive drug discovery research based on our proprietary drug discovery platform, which we have built up by incorporating cutting-edge technologies. In the area of psychiatric disorders, including schizophrenia, depression, and peripheral symptoms of neurological disorders, we aim to create breakthrough therapeutic drugs that satisfy unmet medical needs through drug discovery based on neural circuit pathology. In the area of neurological disorders, including dementia, Parkinson's disease, and rare diseases, we aim to create disease modifying therapies for neurodegenerative diseases by focusing on abnormal cell functions. We also use insights gained from clinical data of products and development assets in translational research to select appropriate drug discovery targets and biomarkers from big data, such as genome information, EEG, and imaging, thereby improving the probability of R&D success.

In the future, we believe it will be possible to establish a different treatment system by utilizing various approaches that employ small molecules, regenerative medicine/cell therapy (see Regenerative and Cellular Medicine Business on p. 67), non-pharmaceutical solutions in the frontier business (see Frontier Business on p. 68), and other modalities.

Business Overview

Psychiatry & Neurology Area

Strategies in the Mid-term Business Plan 2027

In the area of psychiatry & neurology, we will promote product development not only for psychiatric disorders, such as schizophrenia and bipolar disorder, for which we have already launched LATUDA® and LONASEN®, but also for Parkinson's disease, ALS, psychiatric symptoms associated with Alzheimer's disease, and major depression, in areas where it has been widely believed that there have been limited treatment options available to date.

Since psychiatric and neurological disorders are considered to be a spectrum of interrelated disorders, we are engaged in research for psychiatric symptoms associated with Alzheimer's disease to understand the similarities and differences of symptoms and pathophysiology across several disorders from both a basic and clinical perspective. Based on our accumulated experience in these disorder areas, we are taking on the challenge of promoting original drug discovery that focuses on the underlying pathophysiology, such as neural circuit pathology and abnormal cellular function, to open up future growth areas.

Initiatives for FY2022 and plans for FY2023

In the area of psychiatry & neurology, LATUDA® had been our biggest seller, but business is expected to contract sharply because the exclusive sales period in the U.S. for this product came to an end in February 2023. That is why we focused on expanding sales of new products in Japan. We also made an effort to distribute information in Japan, primarily focusing on TRERIEF® and LONASEN® Tape.

In fiscal 2023, a sharp decline in sales of LATUDA® will be unavoidable due to the impact of loss of exclusivity in the U.S. Nevertheless, we will focus our efforts on expanding sales in Japan. We will also focus on sales of LATUDA® in China. Moreover, in Asia, we will look to grow sales of LATUDA® through tie-ups with partner companies under our policy of expanding operations in countries suitable for our pipeline.

Elsewhere, in the U.S. market we will endeavor to expand sales of the antiepileptic treatment APTIOM®.

Status of major products

APTIOM® (U.S.)

Once-daily FDA-approved antiepileptic treatment for use as a monotherapy or adjunctive therapy for partial-onset seizures in adults and children (aged four and older).

LATUDA® (Japan, U.S., and China)

Discovered by Sumitomo Pharma for which exclusivity in the U.S. market ended in February 2023. However, as of October 2022, it has been approved for the treatment of schizophrenia in 52 countries and regions, including Japan and China, and for the treatment of bipolar I depression in 17 countries and regions.

TRERIEF® (Japan)

This therapeutic drug, originally formulated by Sumitomo Pharma as an antiepileptic compound, was developed and approved for treating Parkinson's disease due to its demonstrated effectiveness in reducing convulsive seizures as well as improving Parkinson's disease symptoms. At present, it is not only indicated for Parkinson's disease but also for Parkinsonism in dementia associated with Lewy bodies.

Business Overview

Oncology Area

Outline of the business

In addition to the early maximization of the value of ORGOVYX® for the treatment of advanced prostate cancer, we aim to fulfill unmet medical needs and revolutionize the standard of care through the development of distinctive products focused on specific disease areas, such as acute myeloid leukemia and myelofibrosis.

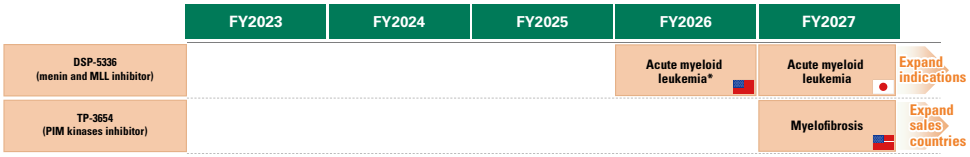
Main products

In the U.S., we have achieved steady market expansion for ORGOVYX®. In the aging society, further market growth is expected.

Status of the development pipeline with a focus on late-stage assets

In the area of oncology, we focus on acute myeloid leukemia, myelofibrosis, and other diseases. DSP-5336, a Menin-MLL interaction inhibitor for the treatment of acute myeloid leukemia, and TP-3654, a PIM1 kinase inhibitor for the treatment of myelofibrosis, are currently under development for launch in the U.S. and Japan.

Product launch target (as of July 31, 2023)



*Premise to utilize an application of accelerated approval program (Plan to consult with the FDA)

Strengths of the Sumitomo Pharma Group in this area

In the area of oncology, our strength lies in our distinctive products for disorders in specific areas.

Through our R&D activities to date, we have gained a variety of knowledge, strengthened our drug discovery capabilities, and created multiple development pipelines with distinctive features. Making use of these achievements, we continue to focus on research and development in the area of oncology, where there are high unmet medical needs.

In drug discovery, we aim to create innovative new drugs by enhancing our competitiveness through the development of modalities using our new technologies as well as initiatives, such as joint research with academia.

In the development stage, we aim to improve the probability of success by carefully evaluating data from short-term, small-scale studies to identify optimum cancer types and product value for multiple development pipelines undergoing initial clinical evaluation.

Strategies in the Mid-term Business Plan 2027

We will aim to position ourselves in the area of oncology centered around ORGOVYX®, the first and only once-daily oral gonadotropin-releasing hormone (GnRH) receptor antagonist approved in the U.S. By establishing new evidence, stepping up the provision of information, and partnering with Pfizer Inc., which has a complementary product lineup, we will look to maximize value as soon as possible and turn ORGOVYX® into a blockbuster.

Initiatives for FY2022 and plans for FY2023

In the area of oncology, our focus was on sales of ORGOVYX® in the U.S. market. We granted exclusive commercial rights to Accord Healthcare, Ltd. for ORGOVYX® in the European Economic Area (EEA), the UK, Switzerland, and Turkey. Up until June 2023, it was available for sale in six European countries, including Germany and the UK.

In fiscal 2023, we will continue to focus on expanding sales of ORGOVYX® in the U.S.

Status of major products

ORGOVYX®

Once-daily oral gonadotropin-releasing hormone (GnRH) receptor antagonist. Data-driven digital marketing and digital content-based DTC activities are being implemented. Further growth in sales is expected.

Business Overview

Other Areas

Outline of the business

In other areas, we will leverage our assets to provide consistent benefits to patients with urological diseases, women's health issues, or diabetes, including drugs for the treatment of overactive bladder.

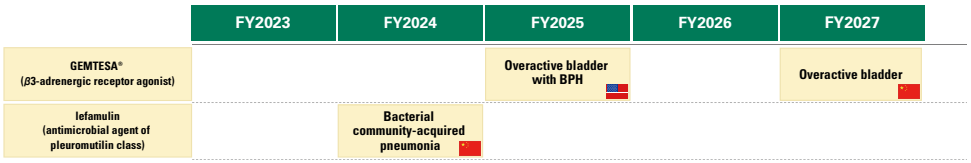
Main products

In the U.S., we offer MYFEMBREE®, a uterine fibroids and endometriosis treatment, and GEMTESA®, an overactive bladder treatment, and in Japan, we offer TWYMEEG®, Equa®, and EquMet®, treatments for type 2 diabetes.

Status of the development pipeline with a focus on late-stage assets

In other areas, we are developing an additional indication of GEMTESA® for overactive bladder with benign prostatic hyperplasia (BPH) and lefamulin, an antimicrobial agent of pleuromutilin class, for bacterial community acquired pneumonia.

Product launch target (as of July 31, 2023)



Strengths of the Sumitomo Pharma Group in this area

In other areas, we have a variety of assets, mainly where we have already established our presence, such as women's health, urological diseases, and diabetes. In Japan, we are particularly focused on diabetes and have a variety of therapeutic drugs with different mechanisms of action to meet various medical needs.

In the area of infectious diseases, to contribute to global health and pandemic preparedness, we are promoting research and development of drugs for antimicrobial resistant bacterial infections such as KSP-1007, which was discovered in a joint research project with The Kitasato Institute, malaria vaccines, and universal influenza vaccines through our own TLR7 agonist adjuvant.

Strategies in the Mid-term Business Plan 2027

MYFEMBREE® was the first once-daily oral treatment of its kind to obtain FDA approval in the U.S. in 2021 for the indication of heavy menstrual bleeding associated with uterine fibroids in premenopausal women. In 2022, it also obtained approval for treatment of endometriosis as well. In addition to raising awareness of the product, we are also focusing on raising awareness of the conditions it treats.

We will aim to maximize the value of GEMTESA®, as quickly as possible. With the aim of maximizing market share, we will expand indications and launch the product in more countries, including in Europe, China, and Canada.

Initiatives for FY2022 and plans for FY2023

In Japan, the sales alliance for Trulicity®, a therapeutic agent for type 2 diabetes, expired at the end of 2022. Meanwhile, we focused on the sales of Equa®, EquMet®, and the new product TWYMEEG®. In the U.S., we focused on expanding the sales of MYFEMBREE® in the area of women's health and GEMTESA® in the area of urological diseases.

In fiscal 2023, we aim to expand the sales of TWYMEEG®, Equa®, and EquMet®, and in the U.S., we will focus on expanding the sales of MYFEMBREE®, GEMTESA®, and RETHYMIC®, a treatment for congenital athymia in the area of rare disease.

Status of major products

MYFEMBREE®

Once-daily oral gonadotropin-releasing hormone (GnRH) receptor antagonist. Sales are growing. Since MYFEMBREE® went on sale, the number of prescriptions in the GnRH antagonist drug market in uterine fibroids has increased by roughly 492%.*1,2

GEMTESA®

The first and only ß3-adrenergic receptor agonist in the U.S. with urgency data and no blood pressure warning in its label. Once-daily oral treatment effective against all three major symptoms (urge urinary incontinence, urgency, and urinary frequency).

*1 Source: Symphony Health, an ICON plc Company, IDV®

*2 Incremental growth in 4 week moving average of weekly TRx volume of GnRH antagonist class (UF+EM) from MYFEMBREE® launch in Jun 2021 to Jun 2023

Business Overview

FOCUS **Message from the marketing manager of the three key products**

The three key products are all promising products with significant growth potential.

Adele Gulfo
Executive Officer
CEO of Biopharma Commercial Unit, Sumitomo Pharma America, Inc.

ORGOVYX®, MYFEMBREE®, and GEMTESA®, which the Group positions as its three key products, have all been confirmed to have favorable clinical profiles, have received positive evaluations, and are expected to grow strongly in the future. The market for gonadotropin-releasing hormone (GnRH) receptor antagonists is expanding with the launch of ORGOVYX® (launched in January 2021) and MYFEMBREE® (launched in June 2021). GEMTESA® (launched in April 2021) is also steadily gaining ground, thanks to the positive response from patients to the campaign activities initiated in the second half of fiscal 2021.

ORGOVYX®

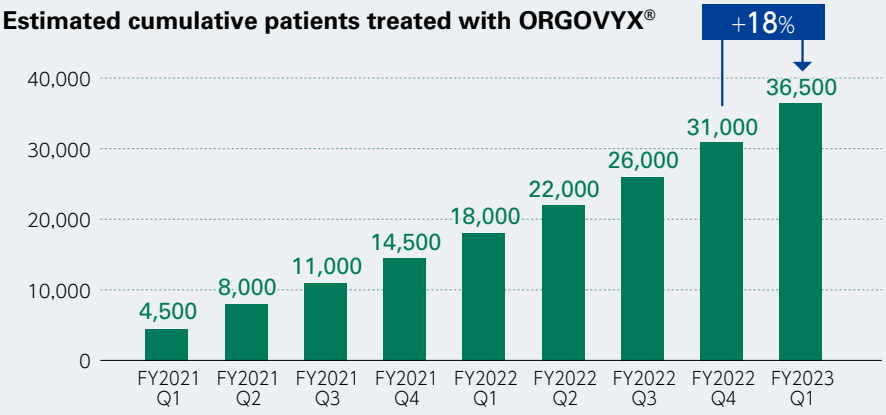
ORGOVYX® is the first and only oral GnRH receptor antagonist. Although ORGOVYX® is broadly known among relevant healthcare professionals as an androgen deprivation therapy option for advanced prostate cancer, evaluating the voices of patients who have actually used and experienced the benefits of ORGOVYX® will be important in promoting its wider use in the future. Therefore, while ensuring optimal access to ORGOVYX® in the patient journey, we are focused on firmly supporting shared decision-making regarding treatment options with healthcare professionals and patients, and continuously improving brand experience for both of them.

ORGOVYX®, administered once daily as an oral treatment, can effectively and rapidly suppress testosterone (a steroid hormone belonging to the androgen group). The convenience of the oral treatment has been very well received by patients. In terms of safety, a Phase 3 study (HERO study) showed a lower incidence of major adverse cardiovascular events compared to leuprolide injections, the current standard of care. It also enables rapid recovery of testosterone upon discontinuation of therapy. ORGOVYX® has been administered to a cumulative total of 36,500 patients by the end of June 2023.

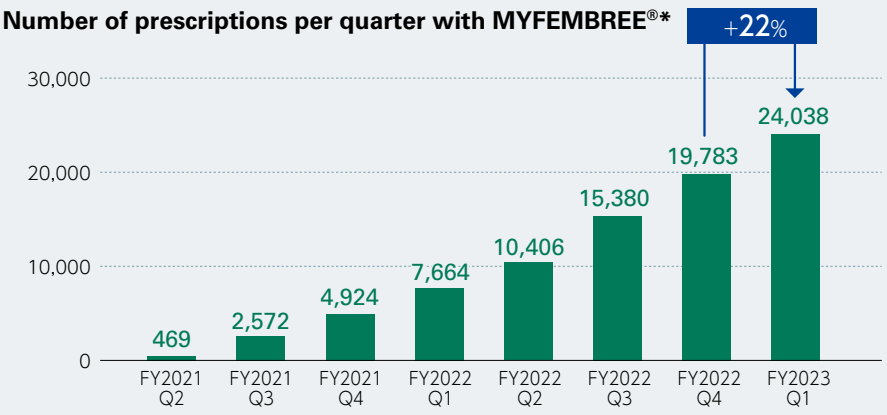
MYFEMBREE®

MYFEMBREE® is the first once-daily treatment for the management of both, heavy menstrual bleeding associated with uterine fibroids and moderate to severe pain associated with endometriosis in premenopausal women, with a treatment duration of up to 24 months.

This non-invasive treatment with MYFEMBREE® provides clinically meaningful symptom relief with the simplicity of one pill once per day, across two indications. Within eight months



(includes patients on free and commercial drug, excludes patients utilizing product samples)



*Source: Symphony Health, an ICON plc Company, IDV®

Business Overview

The three key products are all promising products with significant growth potential.

of the launch of MYFEMBREE® as a treatment for uterine fibroids, we achieved new-to-brand prescription share leadership in uterine fibroids. With regard to endometriosis, we are also expanding our market share of GnRH receptor antagonists.

Increasing awareness and understanding of the value of MYFEMBREE® will help to support moving beyond the status quo of patients who seek and need relief. Thus, we actively support discussions between healthcare professionals and patients about the clinical profile and features of MYFEMBREE® to improve the likelihood of its adoption. Communication with health insurance companies is also important to ensure that patients have access to treatment, and we currently offer patients with uterine fibroids and endometriosis broad access to MYFEMBREE®. We are also working to raise disease awareness among patients through DTC activities. As of June 2023, a cumulative total of approximately 20,000 patients* have been treated with MYFEMBREE®.

*Data from Symphony Claims

GEMTESA®

First and only ß3-adrenergic receptor agonist in the U.S. with urgency data and no blood pressure warning in its label. Clinically significant efficacy data have been shown for all three symptoms of overactive bladder (urge urinary incontinence, urgency, and urinary frequency) in adults after 12 weeks of treatment compared to placebo. It also has a low risk of elevated blood pressure and no drug interactions with CYP2D6*1 substrates. GEMTESA® has proven safety and tolerability for up to 52 weeks and is dosed as a daily oral treatment with no titration.

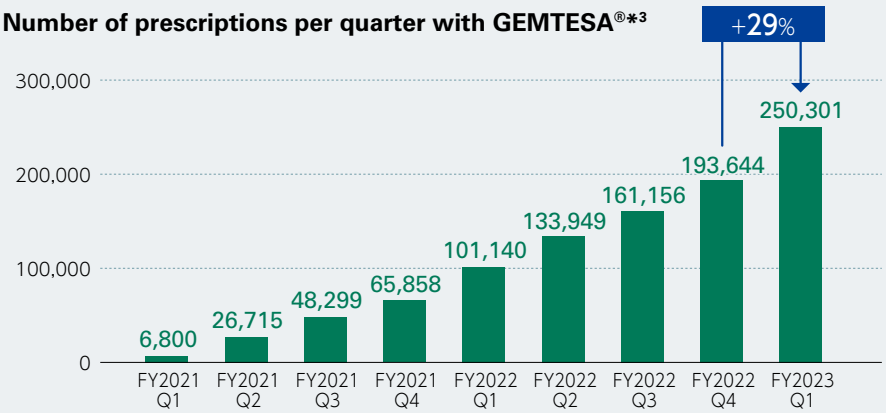
Healthcare professionals gather information about GEMTESA® through various channels, including in-person details from our sales teams, scientific exchanges with MSLs (medical science liaisons) equipped with specialized knowledge, engagement with key opinion leaders, medical journals, and various online resources, such as Gemtesa.com/hcp. We also provide information to medical insurance companies through regular conferences by our specialized team.

Under these circumstances, healthcare professionals treating overactive bladder, whether specialists, primary care doctors, or doctors at long-term care facilities, respond favorably to its clinical profile, recognizing its proven efficacy, safety, and flexible dosing. We have received feedback that the symptoms of overactive bladder are improving, and we created patient brochures.

As of July 2023, GEMTESA® is covered for 72% of national commercial plans and 84% of Medicare Part D Lives, with a cumulative total of 221,000 patients*2 treated with GEMTESA® by the end of June 2023.

*1 A type of Cytochrome P450 (CYP) molecule, one of the major enzymes that metabolize biological foreign substances in the human body.
*2 IQVIA data
*3 Source: IQVIA NPA TRx as of end of Jun. 2023.

Number of prescriptions per quarter with GEMTESA®*3



Business Overview

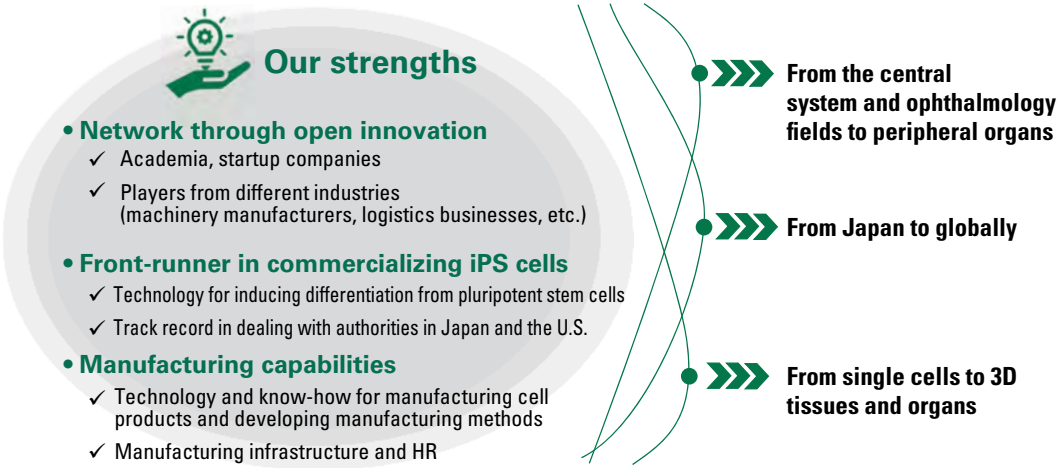
Regenerative Medicine/ Cell Therapy Business

Outline of the business

In the regenerative medicine/cell therapy business, we deliver new value that can only be created through regenerative medicine, based on the advanced industrialization and manufacturing expertise as well as cutting-edge science, with the open innovation strategy at the core.

Strengths and strategies in this business

The regenerative medicine/cell therapy business aims to provide new value that can only be created through regenerative medicine by utilizing its strengths in networking through open innovation with academia, startup companies, and other industries; accumulated technologies for the practical application of iPS cells, as represented by the differentiation induction technology from pluripotent stem cells; and abundant manufacturing capabilities and manufacturing methods, infrastructure, and human resources related to cell production. Specifically, we will expand our therapeutic areas from the central nervous system and ophthalmology fields to peripheral organs, expand into overseas markets with Japan as a foothold, and transition from supplying single cells to supplying 3D tissues and organs.



Growth potential of the business (see p. 31)

In the regenerative medicine/cell therapy business, we aim to achieve sales revenue of approximately 10 billion yen through the launch of allogeneic iPS cell-derived dopaminergic neural progenitor cells (DSP-1083) in Japan, the expansion of the contract manufacturing business at S-RACMO Co., Ltd., and the development of the "RETHYMIC® (allogeneic cultured thymus tissue)" business under the Mid-term Business Plan 2027. Furthermore, in the early 2030s, we aim to achieve a global business scale of over 100 billion yen by launching DSP-1083 in North America and other iPS cell-derived products in Japan.

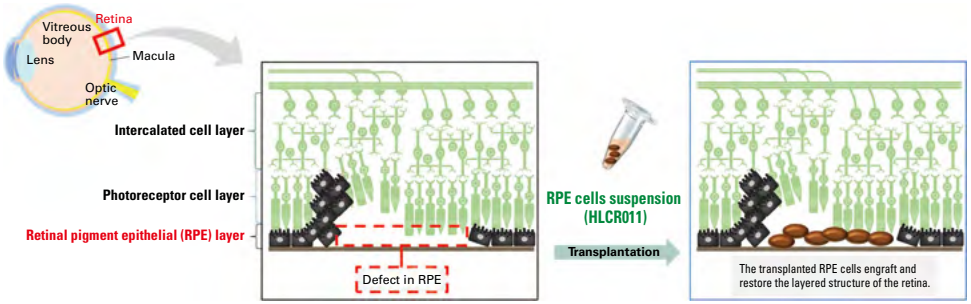
Initiation of Phase 1/2 study of allogeneic iPS cell-derived retinal pigment epithelial cells

We are currently working with industry-academia collaborators to develop allogeneic iPS cell-derived products using allogeneic iPS cells from healthy individuals for Parkinson's disease, retinal pigment epithelium tear, age-related macular degeneration (AND), retinitis pigmentosa, and spinal cord injuries. Below is an introduction to retinal pigment epithelium tear.

Regarding allogeneic iPS cell-derived retinal pigment epithelial (RPE) cells (HLCR011) that are under co-development with Helios K.K., we initiated a Phase 1/2 study in fiscal 2023 for patients with retinal pigment epithelium tear.

A retinal pigment epithelium tear is a condition caused by age-related macular degeneration (AMD) or other factors that results in tearing or shrinkage of the RPE cell layer outside the neural retinal layer, which can lead to loss of the visual field and reduction in visual acuity. If safety and remarkable efficacy are confirmed in this clinical study, we may submit an application for approval with the aim of bringing the product to market as soon as possible.

Transplantation of allogeneic iPS cell-derived retinal pigment epithelial cells



Number of patients with retinal pigment epithelium tear in Japan: approximately 3,000 per year (based on our estimate)

Business Overview

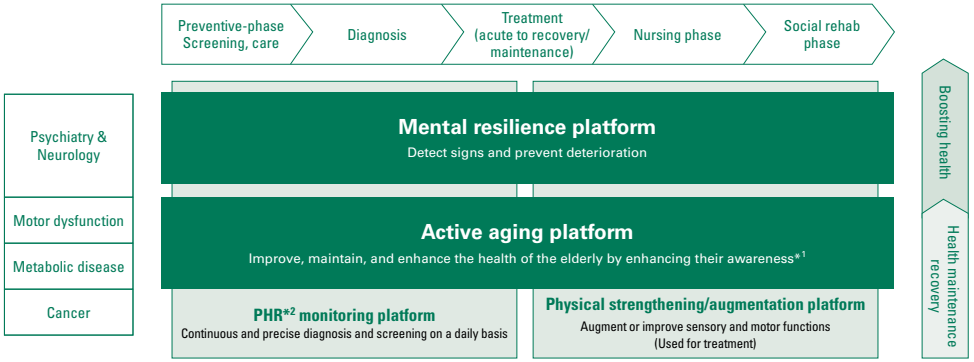
Frontier Business

Outline of the business

In the frontier business, we aim to form a healthcare ecosystem unique to Sumitomo Pharma through integration with the pharmaceutical business to realize "diverse well-being" that is difficult to attain with pharmaceuticals alone.

Domains of the business

The "well-being" sought by patients is becoming increasingly difficult to realize with pharmaceuticals alone, involving not only the treatment of disease, but also prevention, nursing care, and rehabilitation. In the frontier business, we are researching, developing, and commercializing new healthcare solutions other than pharmaceuticals, with the main business domains of "mental resilience (preventing deterioration of neuropsychiatric disorders by detecting the signs at an early stage)" and "active aging (improving, maintaining, and enhancing the health of the elderly by enhancing their awareness)."



*1 Includes mental and pain care for cancer patients *2 PHR: personal health record

Growth potential of the business (see p. 32)

In the frontier business, as outlined in the Mid-term Business Plan 2027, we promote the development of diverse medical devices, such as wearable EEG meters and VR contents, and aim to achieve sales revenue of more than 20 billion yen primarily within Japan. Furthermore, by promoting expansion in the U.S., we aim to achieve a global business scale of over 100 billion yen by the early 2030s.

Products to be launched on the market

We are promoting R&D and commercialization of new non-pharmaceutical healthcare solutions utilizing digital and other technologies in collaboration with academia and startup companies.

In the area of psychiatry and neurology, we are developing and marketing programs, such as devices for dementia behavior and psychological symptoms (Aikomi Care® and Aikomi DS test-marketed as general wellness products), VR contents (BVR-100 under development for social anxiety disorders and "First Resort™" for mental health launched as a general wellness product), wearable EEG meters (Alterna), Support Program for Screening of Depression/Rating of Severity (SWIFT [tentative name]), violet light, and visual cognitive ability assessment system (launched as de.Sukasu). In addition, we are developing and marketing neurorehabilitation device for hand/fingers (MELTz®, launched as certified medical device) and training device for hand/fingers (MELTz® Portable) in the motor dysfunction area, and automated blood collection and stabilization devices (OneDraw™) in the metabolic disease area*.

*The details regarding business rights in Japan are currently under discussion with Drawbridge Health, and they have not been agreed upon with the company.

Neurorehabilitation device for hand/fingers "MELTz®"

"MELTz®" is a rehabilitation robot (a device covered by medical device certification and insurance coverage) developed in Japan to assist the hand/finger movements of patients with hand/finger paralysis. As a certified medical device, it was launched in September 2022. People with paralyzed hands are not able to translate the motor signals from the brain into hand/finger movements. MELTz® uses a unique AI analysis technology to estimate the patient's motor intention based on the electrical signals of the forearm (myoelectric potentials) and moves an exoskeleton-type robotic hand according to that intention. MELTz® is expected to provide a variety of rehabilitation services tailored to the condition of a patients' hands and fingers.

Support Program for Screening of Depression/ Rating of Severity (SWIFT [tentative name])

SWIFT (tentative name), a program to support the detection and severity assessment of depression, which we will commercialize in a collaborative project with The Keio University School of Medicine and i2medical, was designated as one of the programmed medical devices (SaMD) subject to the first priority review by the Ministry of Health, Labor and Welfare in March 2023.

SWIFT (tentative name) is a system that helps detect and assess the severity of depressive episodes* of depression or bipolar disorder by analyzing patients' biological activity and biometric data collected from a wearable device in the form of a wristband. We are responsible for system development, clinical development, preparation for the regulatory approval process, and commercialization. Currently, no medical device can quantitatively and objectively detect depression and estimate its severity. We aim to start a clinical study in fiscal 2025 and launch this product in fiscal 2028 after accumulating sufficient data and improving the accuracy of the estimation.

*Depressive episodes: A condition with symptoms such as depressed mood, diminished interest/joy, decreased appetite, insomnia, fatigue, a decline in energy, and impaired ability to think/concentrate. Persistent depressive episodes lead to a diagnosis of depression.

Sustainability

What initiatives lead to sustainable improvement in corporate value?

Environment

Information disclosure based on the TCFD recommendations (Responses to climate change)

In November 2021, Sumitomo Pharma announced its support for the TCFD recommendations*1 and, concerning climate change-related risks and opportunities, we proceeded with initiatives in line with the TCFD recommendations and disclosed the information for the first time in April 2022. In fiscal 2022, in order to fully prepare ourselves for climate change by facilitating the initiatives, we promoted dialogue with stakeholders based on the disclosed information. We will further reduce the risks of climate change and precisely seize its opportunities, by continuing to value dialog with our stakeholders, reexamining the risks and opportunities due to climate change from various perspectives, and thinking about them from the aspects of both "mitigation" and "adaptation." Sumitomo Pharma will include the promotion of its response to climate change in "promotion of environmental initiatives", one of the Material Issues forming the foundation for business continuity. With an awareness of the financial impacts of environmental changes on our business, we will incorporate responses to risks and opportunities in our management strategies.

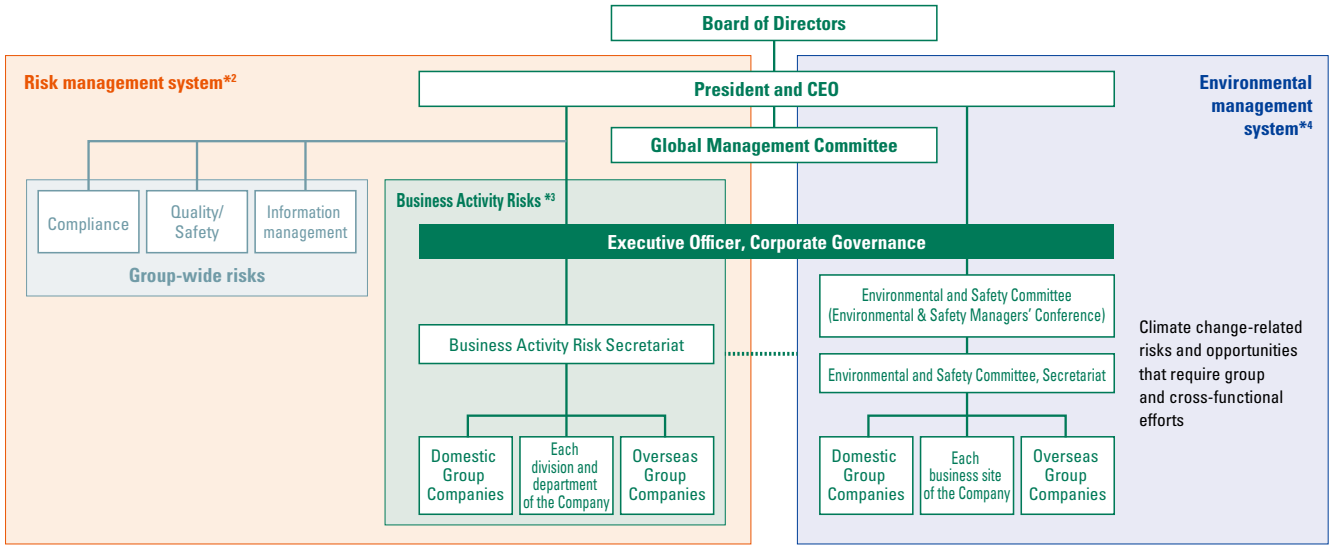
*1 For details, please see "Declaration of support for TCFD recommendations."

Governance

We have developed a risk management system*2 overseen by the President and CEO under the supervision of the Board of Directors and carry out comprehensive risk management. With regard to business activity risks,*3 including climate change-related risks and opportunities, we have established a Business Activity Risks Secretariat under the supervision of the executive officer in charge of corporate governance, and carry out annual company-wide risk assessments through the President and CEOs of domestic and overseas Group companies and heads of all business units, and formulate necessary countermeasures based on the results followed by implementation and evaluation. These details are reported regularly, at least once a year, to the Board of Directors by the executive officer in charge, where discussions are held on important matters such as key action plans and risk management policies, and countermeasures are directed where necessary. With regard to issues related to climate change, such as the reduction of GHG (Greenhouse Gas) emissions, that require group or cross-divisional initiatives, we hold discussions at the Environmental and Safety Committee, under the environmental management system*4 and incorporate them into our Mid- to Long-term Environmental Goals*5. In addition, we make planned capital investments (investment toward carbon neutrality) and other investments that contribute to the reduction of GHG emissions based on our Mid-term Business Plan. Our initiatives to tackle climate change under the environmental management system will be reported to the Board of Directors at least once a year as part of our sustainability initiatives, and opportunities for briefings by internal and external experts will be considered when necessary.

*2 For information on the risk management promotional framework, please see "Risk Management."
*3 Disasters such as earthquakes, typhoons, heavy rains, epidemics, and infectious diseases, as well as risks associated with business activities, such as procurement, production, inventory management, and human resource management, that each company undertakes on its own responsibility.
*4 For information on the environmental management system, please see "Environmental Management."
*5 For information on medium- to long-term environmental goals, please see "Environmental Goals and Performance."

Figure 1 Governance system chart for climate change-related risks/opportunities



Environment

Strategy

We evaluate risks and opportunities due to climate change according to the two aspects of "degree of impact*6" and "probability*7" as a primary evaluation, and classify them into five "levels of importance" from "I" to "V", according to the combination of these two aspects (Figure 2). In doing so, "degree of impact" is evaluated in consideration of the degree of progress on measures taken. For risks and opportunities that are ranked "III" or higher by the primary evaluation, we conduct a more detailed secondary evaluation using our scenarios for evaluation (2°C and 4°C)*9, which are created with reference to 2°C scenarios*8 and 4°C scenarios*8, and for significant risks and opportunities identified by the secondary evaluation, we estimate the potential financial impact by making as many detailed assumptions as possible and promote countermeasures. We will update our scenarios for evaluation to 1.5°C and 4°C in fiscal 2023.

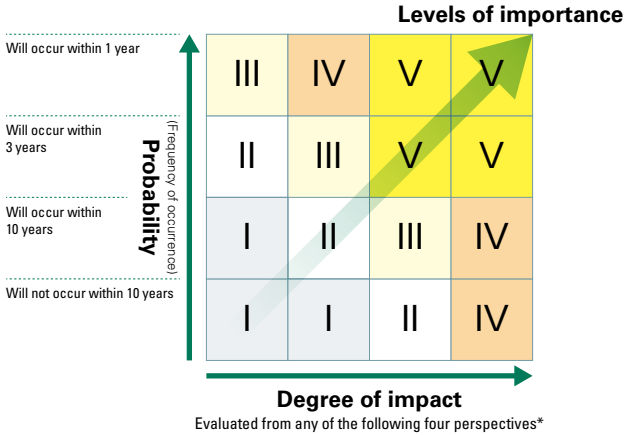
*6 "Degree of impact" will be evaluated on any of "economic impact", "impact on the human body", "reputational impact" and "impact on business."

*7 "Probability" will be evaluated by frequency of occurrence on a time scale of 1 year (short term), 3 years (medium term) and 10 years (long term).

*8 AR6 (RCP2.6 and RCP8.5) issued by IPCC (Intergovernmental Panel on Climate Change), APS and STEPS issued by the IEA (International Energy Agency), and various predicted values and peripheral information from the Ministry of the Environment

*9 "A world where sustainability is emphasized and progress is made in laws and regulations and technological development toward fossil fuel substitution," is assumed in the 2°C scenario, while "a world where convenience and efficiency are emphasized and climate-related risks such as flooding have increased" is assumed in the 4°C scenario.

Figure 2 Risk map



*"Economic impact", "Impact on the human body", "Reputational impact", and "Impact on business"

Risks and opportunities due to climate change

Scenario	Risk classification		Risk details	Financial impact	Countermeasures	
2°C and 4°C	Physical risks	Acute risks	Flooding, inundation and landslides caused by typhoons and heavy rains disrupt supplies of raw materials and purchased products as well as the sales and supply of the Company's products.	—*10	Adaptation	• Formulate BCP to reinforce stable supply structure • Avoid supply disruptions by optimizing inventories • Enhance stability of procurement by diversifying suppliers
2°C	Transition Risks	Policy and legal risks	Introduction of carbon tax results in tax burden depending of CO_2 emissions.	Approx. ¥1.1 billion/year*11	Mitigation	**Implement various measures toward achieving fiscal 2050 goals*5** • Reinforce fiscal 2030 goals*5 with a view to achieving long-term goals. • Continue planned investment in carbon neutral equipment. • Continue energy saving measures and consider alternative fuels.
		Market risks	Introduction of carbon tax results in increasing costs of supplies, deliveries, and related energies.	Approx. ¥5.9 billion/year*12	Mitigation	• Encourage business partners including suppliers to reduce greenhouse gas (GHG) emissions. • Make constant efforts toward resource and energy savings through technology development and improved operational efficiency.

Scenario	Opportunity classification		Opportunity details	Financial impact	Countermeasures	
2°C and 4°C	Opportunities	Resource efficiency	Reducing water withdrawal helps to reduce costs. It also indirectly contributes to the reduction of GHG emissions generated in the process of supplying tap water and treating wastewater, and to the maintenance of ecosystems by protecting water intake sources.	Minor*13	Mitigation	**Implement various measures toward achieving fiscal 2030 goals*5** • We have installed water-saving nozzles on the faucets at some facilities. We will continue to proactively promote initiatives in this area.

*10 Varies depending on the scale of the disaster and items to be affected.

*11 Calculated by multiplying CO_2 emissions in fiscal 2021 of approximately 62,000 t (Scope 1 and 2 emissions including those of some consolidated subsidiaries)#1 by IEA's assumed carbon price for developed countries in 2030 of 135 USD/t-CO_2 (hereafter, "assumed carbon price"). Assuming an exchange rate of approximately 130 yen/USD.

#1 Click here ("Environmental Goals and Performance") for information on boundary of calculation.

*12 Calculated by multiplying fiscal 2021 CO_2 emissions for Scope 3 Category 1 "Purchased goods and services" and Category 4 "Transportation and distribution (upstream)" of approximately 334,000 t#2 by assumed carbon price.

#2 Click here ("Contributing to Building a Low-carbon Society") for information on boundary of calculation.

*13 Stated qualitatively as it is difficult to estimate the indirect contribution.

Environment

Management of risks and opportunities

Integration of the process for identifying and evaluating risks and opportunities due to climate change into comprehensive risk management

We have integrated the process for identifying and evaluating risks and opportunities due to climate change into the comprehensive risk management under our risk management system. Under the risk management system, we carry out annual risk assessments for all business units, including Group companies in Japan and overseas, and the results are aggregated to identify significant risks. With regard to climate change, we also use this assessment to extract and evaluate risks and opportunities, and view it as one of the risks that could affect our company in the medium to long term. Furthermore, the assessment of risks and opportunities due to climate change has not yet been conducted for overseas group companies, and therefore we would like to implement it as soon as possible.

Process for managing climate change-related risks and opportunities

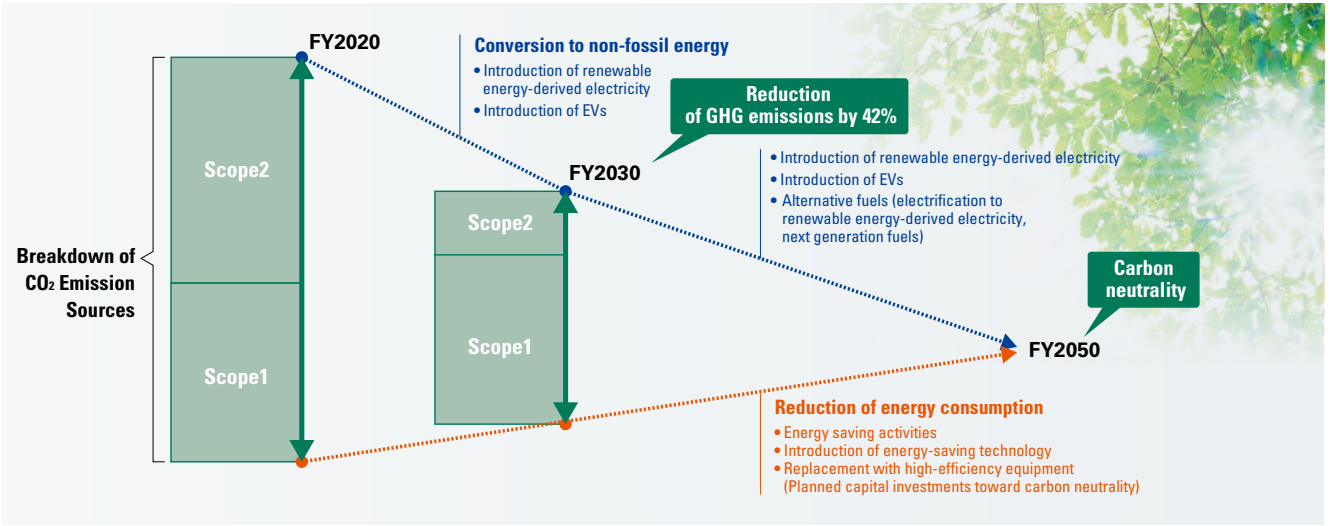
For climate change-related risks and opportunities, we devise measures, formulate annual plans to implement them, and evaluate progress annually, under the coordination of the risk management system and environmental management system. For example, for natural disasters (typhoons, heavy rains, flooding), which fall under the category of "acute risk" as physical risks, we promote the formulation of business continuity plans (BCP) etc. mainly under the risk management system. With regard to the reduction of GHG emissions in preparation for the introduction of carbon taxes, which fall under the category of "Policy and Legal Risks" as "transition risks", we formulate and manage Mid-to Long-term Environmental Goals mainly under the environmental management system.

Metrics and Targets

We aim to take appropriate measures to respond to individual risks and opportunities due to climate change by thinking about them from the aspects of both "mitigation" and "adaptation", as shown in the table on p. 71 - Risks and Opportunities due to Climate Change. For carbon tax risks that fall under "Policy and Legal Risks" as transition risks, we are working to reduce GHG emissions by setting quantitative targets from the aspect of "mitigation." For Scope 1 and 2 emissions, we raised our target in fiscal 2022 to "reduce GHG emissions (Scope 1+2) by 42% from fiscal 2020 level by fiscal 2030."*14 In addition, for Scope 3 emissions, which account for approximately 90% of our GHG emissions, we have set a target to "reduce GHG emissions (Scope 3 Category 1 (purchased goods and services)) by 25% from fiscal 2020 level by fiscal 2030."*15 In February 2023, we committed to the Science Based Targets initiative (SBTi), and are currently working diligently to ensure that these GHG emission reduction targets are scientifically valid and consistent with the levels required by the Paris Agreement. Meanwhile, for natural disasters (typhoons, heavy rains, flooding), which fall under the category of "acute" physical risks, we are promoting the formulation of BCP*16, optimization of product inventories, and diversifying suppliers, from the aspect of "adaptation", some of which have been completed. In addition, we are implementing initiatives to enhance the effectiveness of our BCP by identifying and improving issues through annual training. As for opportunities, we will continue to work on reducing water withdrawal*17 in line with our Mid-to Long-term Goals, and will continue to closely monitor the impact of climate change on the area of infectious diseases, which is one of our research areas.

*14, 15 For information on progress in GHG emission reduction targets and on Scope 3 emissions, please see "Environmental Goals and Performance."
*16 For information on BCP formulation, etc., please see "Risk Management."
*17 For information on progress in water withdrawal reduction targets, please see "Effective Use of Resources."

Figure 3 Roadmap for reducing GHG emissions



Environment

Environmental management

Under our Basic Environmental Policies, Sumitomo Pharma formulates medium- to long-term environmental goals, along with medium-term environmental plans and annual implementation plans based on priority issues that we set. The Environmental and Safety Committee, chaired by the executive officer in charge, then evaluates such initiatives. Through this process, we conduct environmental management that is systematic and effective. In fiscal 2022, Sumitomo Pharma reinforced its emission reduction targets for Scope 1 + 2 greenhouse gases (hereafter, "GHG") as well as set new targets for Scope 3. We seek to reach these targets for the Sumitomo Pharma Group, and are pushing forward with the establishment of a framework conducive to promoting initiatives across the entire Group. Additionally, having committed to the Science Based Targets initiative (SBTi) in February 2023, we are making diligent efforts so that our targets are scientifically-appropriate targets that conform to the levels sought under the Paris Agreement.

The table to the left contains a summary of progress in priority issues. For information on "creating low-carbon society" and "effective use of resources (water and waste), please see p. 74-75. In fiscal 2022 as well, Sumitomo Pharma has been putting a definite stop to the contamination of air and water systems through appropriate "management of chemical substances." We have also made no serious deviations with respect to "compliance with laws and regulations" and the "prevention of environmental accidents," and have continuously acquired ISO14001 for two plants. With respect to "biodiversity conservation," which is increasing in importance as a global issue, we see the protection of water resources through the reduction of water withdrawal as another issue next to steady local activities. Regarding "proper information disclosure" and "evaluation and management of risks and opportunities," we endeavored to enhance the nature of our efforts through means such as updating the disclosure of information based on TCFD recommendations and the public release of a "roadmap for reducing GHG emissions" aimed at achieving carbon neutrality by 2050. Also, with respect to water risk, we perform evaluations on production and R&D sites using databases such as Aqueduct and questionnaires administered to each site, among other means. As a countermeasure for floods, in addition to implementing measures based on risk assessment, we ready emergency response plans for times of disaster and effective BCP to respond to various disasters.

Regarding initiatives for the entire value chain, we established the "Sumitomo Pharma Sustainable Code of Conduct for Business Partners" and pursued the likes of the preparation of survey forms for facilitating the dissemination of that code. Going forward, in order to spread initiatives alongside respect for human rights, we will also look into setting goals as a priority issue.

Medium- to long-term environmental goals and major achievements

Priority issues	Target FY	Indicator	FY2022	
			Achievement	Progress/Results
Creating low-carbon society	FY2030	Reduce GHG emissions (Scope 1+2) by 35% from fiscal 2017.	○	Reduced by 47% compared to base year
	FY2050	Aiming at zero GHG emissions (Scope 1+2)	—	40 thousand t-CO_2
	Single-year	Reduce 5-year average per-unit energy consumption by 1% or more.	○	1.4% reduction
Effective use of resources (Water)	FY2030	Reduce water withdrawal by 12% from fiscal 2018.	Good progress	Reduce by 5% compared to base year
Effective use of resources (Waste)	Single-year	Maintain recycling rate at 80% or higher and aim for at least 85%.	×	72%
	Single-year	Maintain final disposal rate at less than 1% and aim for less than 0.5%.	○	0.3%
Management of chemical substances	Single-year	Maintain atmospheric emission rate of PRTR substances at less than 1%.	○	0.3%
	Single-year	Maintain atmospheric emission rate of VOC substances at less than 1%.	○	0.7%
	Single-year	Conduct regular AMR audits of Oita Plant.	—	(FY not applicable)
Compliance with law and regulations Prevention of environmental accidents	Single-year	Maintain ISO14001 certification for 2 plants.	○	Suzuka and Oita plants
	Single-year	Regularly carry out internal environmental audits.	○	Conducted for 6 business sites
	Single-year	Aim at zero serious violations of laws and regulations and zero environmental accidents.	○	0 incidents
	Single-year	Make Japanese "Environment Month (June)" an environmental awareness month and have all staff participate through awareness-enhancing messages from the executive officer in charge.	○	Done
Biodiversity conservation	Single-year	Have each business site actively participate in local activities contributing to biodiversity (cleaning up river beds etc.).	○	Done (decreased due to the pandemic)
Proper information disclosure Evaluation and management of risks and opportunities	Single-year	Evaluate and manage risks and opportunities related to climate change and water and disclose relevant information.	○	Disclose information according to TCFD Recommendations

Environment

Building a low-carbon society

Effective utilization of water resources

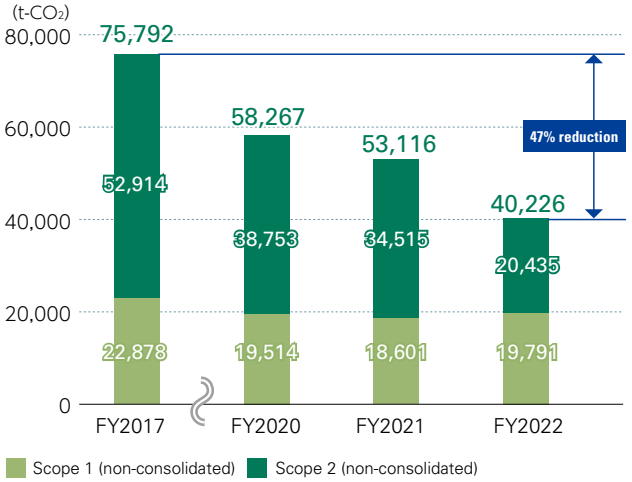
Sumitomo Pharma is aiming to achieve zero GHG emissions (Scope 1 + 2) by fiscal 2050. Due to replacing the electricity that it purchases at all of its domestic production sites with 100% renewable energy since April 2022, we have achieved a 47% reduction in GHG emissions (Scope 1 + 2), which considerably exceeds the target of "reduce GHG emissions (Scope 1 + 2) by 35% (on a non-consolidated basis) from fiscal 2017 levels by fiscal 2030" that we formulated in fiscal 2019. From fiscal 2023, in addition to raising our target to "reduce GHG emissions (Scope 1 + 2) by 42% from fiscal 2020 levels by fiscal 2030," we also expanded the scope of our targets from a non-consolidated basis to the consolidated Group. We will proceed to tackle our goal of reducing GHG emissions from the dual aspects of reducing energy consumption and making the transition to non-fossil energy (See "Roadmap for Reducing GHG Emissions" on p. 72). With the timely and adequate introduction of energy-saving and CO_2 reduction technology, which are expected to become more advanced, and renewable energy, which looks to have increasing prevalence and scale going forward, Sumitomo Pharma will facilitate energy-saving and an escape from fossil fuel usage at a higher level and strive for carbon neutrality by fiscal 2050.

In fiscal 2022, for Scope 3, which accounts for approximately 90% of our GHG emissions, we also set a target of "reducing GHG emissions (Scope 3 Category 1 (purchased goods and services)) by 25% from fiscal 2020 levels by fiscal 2030." Going forward, we will tackle the reduction of GHG across our entire value chain and prepare ourselves for the introduction of a carbon tax and other climate change-related risks.

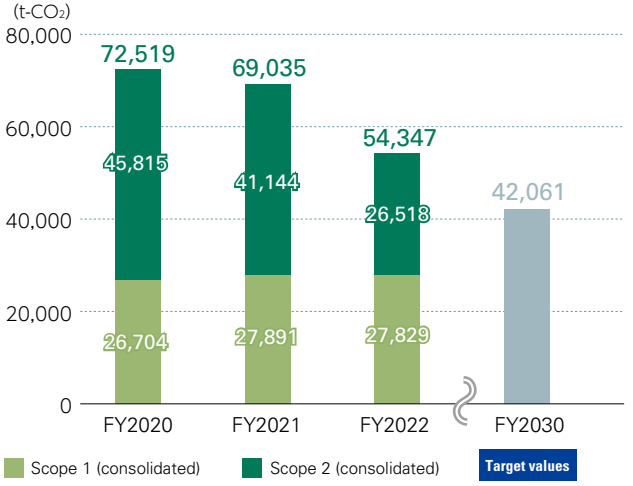
Note that most of the city gas used at the Suzuka Plant for the cogeneration system and other purposes was switched to the carbon neutral city gas supplied by Toho Gas Co., Ltd. in August 2021 (Supplied amount: 5,000,000 m^3/year; period: 2 years 8 months).

CO_2 emissions trends

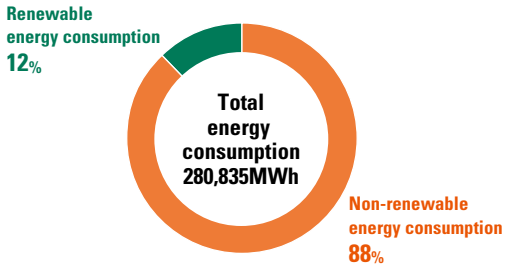
Trends in GHG emissions reduction targets (non-consolidated) with FY2017 as base year



Trends in GHG emissions reduction targets (consolidated) with FY2020 as base year



Ratio of renewable energy consumption



Methods of calculation, emissions intensity, etc.

<CO_2 emissions>

Scope 1: Fuel consumption*1 × fuel unit calorific value*2 × fuel CO_2 emissions factor*2

Scope 2: Purchased electricity × electricity CO_2 emissions factor*3 + purchased heat × heat CO_2 emissions factor*2

<Energy consumption>

Purchased electricity + solar power generated*4 + (purchased heat × unit calorific value*5 + fuel consumption*1 × unit calorific value*5) ÷ conversion factor for "MWh" to "GJ" *6

*1 Figures include gasoline consumption of business vehicles.

*2 Values are based on "Greenhouse Gas Emissions Accounting, Reporting, and Disclosure System" which is provided in the "Act on Promotion of Global Warming Countermeasures."**

*3 For domestic sites, adjusted emissions factors from "Emission Factors by Power Suppliers (for the calculation of GHG emissions by specified emitters)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan, for overseas sites, the emissions factors by country for 2019 published by the International Energy Agency (IEA).**

*4 Amount of power generated using solar power generation systems in business sites.

*5 Values are based on the "Act on Rational Use of Energy."

*6 3.6 GJ/MWh

** For sites located on the premises of Sumitomo Chemical Co., Ltd., values provided by Sumitomo Chemical Co., Ltd. were used.

Note that alongside CO_2 emissions and energy consumption, as for overseas non-production sites for which we do not have actual values, we have made estimates based on actual values at similar sites, using floor space ratios and other factors.

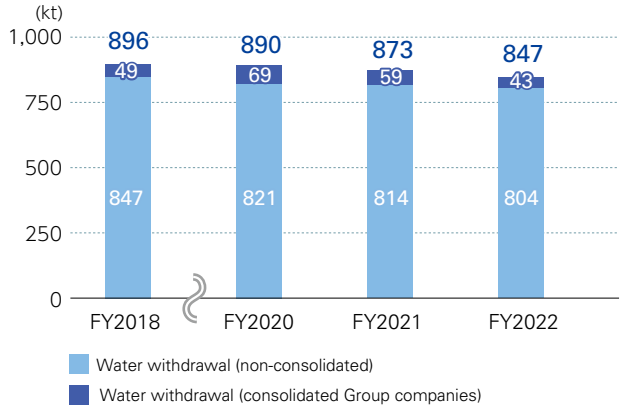
Environment

Effective use of resources (water and waste)

Effective utilization of water resources

Good quality and sufficient quantities of freshwater are imperative in the manufacture of pharmaceutical products and other business activities by Sumitomo Pharma. As issues with water resources become increasingly serious worldwide, we have set forth water withdrawal reduction targets to sustainably use water resources, and are endeavoring to use those resources more efficiently.

Trends in water withdrawal



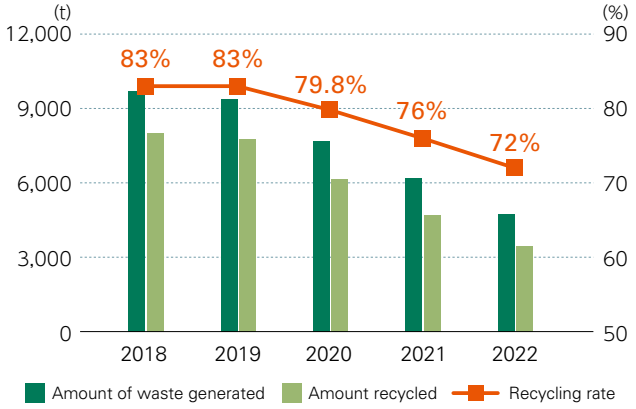
Boundary of calculation: Consolidated basis (Sumitomo Pharma Co., Ltd., consolidated subsidiaries in Japan, overseas consolidated subsidiaries) However, small offices such as branches and business offices are excluded. In addition, overseas consolidated subsidiaries that do not have production sites or major research facilities are excluded from the scope because they have only small offices.

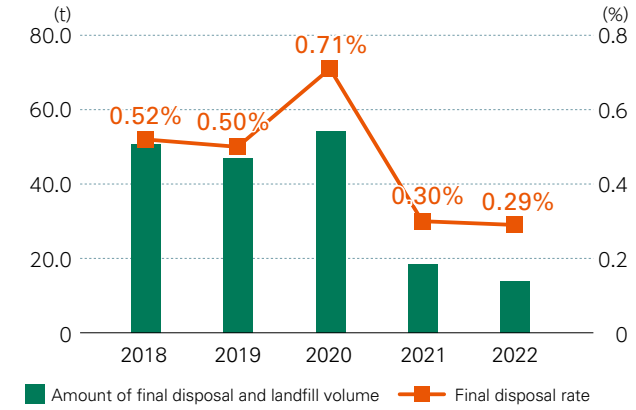
Reduction of waste

To make effective use of limited resources, Sumitomo Pharma strives to actively practice the "3Rs" of waste management (Reduce, Reuse, Recycle). More specifically, Sumitomo Pharma is aggressively pursuing thorough waste sorting, the commissioning of work to waste processors to have them recycle or convert waste into valuable resources, and so forth in its efforts to promote the recycling of resources. Additionally, through our "initiative to escape the use of PET (plastic) bottles," we are replacing bottle cans and canned beverages with environmentally-conscious containers and products at all the vending machines that we have placed and managed at various business sites.

Furthermore, over the past year, in part to enhance employee awareness of the environment to coincide with Environment Month, we conducted efforts such as the company-wide collection of plastic files that could no longer be used at the workplace or home, participation in recycling activities implemented by ASKUL Corporation, and the promotion of an initiative to sell rather than discard experiment equipment no longer used at laboratories in order to promote reuse.

Waste-related indicators





Boundary of calculation: Sumitomo Pharma Co., Ltd. only (branches and business offices are excluded)

Third-party assurance

We disclose its environmental performance data for the past three in the "ESG Data List*1" on our "Sustainability" webpage. In addition to indicating environmental performance metrics for which it has received third-party assurance from KPMG AZSA Sustainability Co., Ltd., we publish the "Independent Assurance Report" on its "Third-Party Assurance*2" webpage.

*1 For details, please see "ESG Data Table."

*2 For details, please see "Third-Party Assurance."

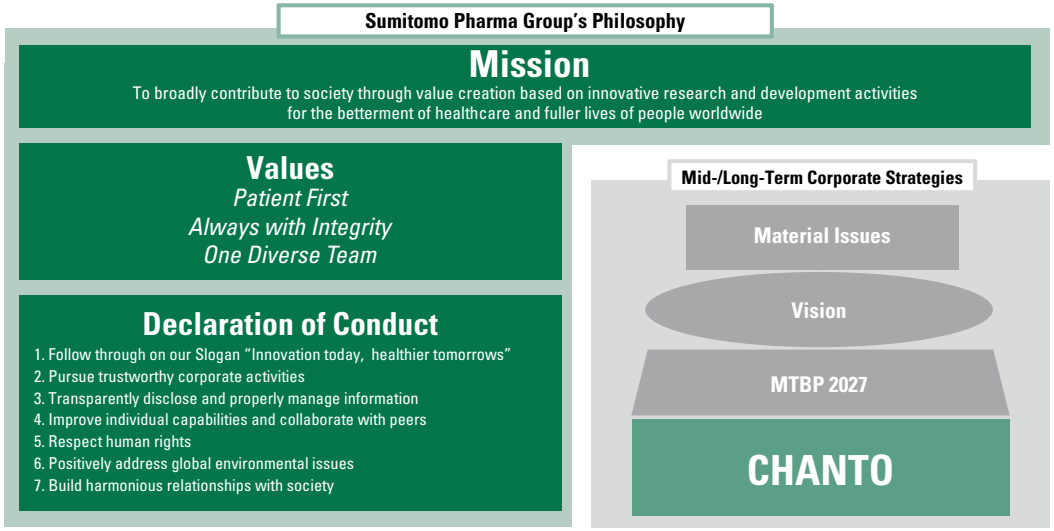
Human Capital

Strengthening Human Capital toward the Sustained Enhancement of Corporate Value

Group Philosophy and human resources strategy

Sumitomo Pharma Group's Philosophy

The Sumitomo Pharma Group shares the Mission (the significance of the Group's existence, commitment and duty to society) of "To broadly contributing to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide," the Values (Values that all executives and employees should share), and the Declaration of Conduct (the code of conduct to be observed in daily work) as our Group Philosophy. We will promote group-wide management by instilling this globally-shared Philosophy in the Group.



Instilling the Group Philosophy and CHANTO

The Sumitomo Pharma Group has established the Mid-/Long-Term Corporate Strategies, which consist of the Material Issues, the Vision, and the Mid-term Business Plan 2027. "CHANTO," our commitment to continuously delivering innovation and contributing to a healthy life by "achieving" ambitious goals, is essential to supporting our Mid-/Long-Term Corporate Strategies, including the Material Issues, and establishing ourselves as a Global Specialized Player (GSP). We will therefore promote the instillation of CHANTO as well as the Group Philosophy in the Group.

Outline of Project CHANTO

For Sumitomo Pharma to keep up with changes in its business environment and establish its position as a GSP by 2033, we believe that every employee needs to always have ambitious goals and be committed to "achieving" them. For this reason, it initiated Project CHANTO in February 2020.

Project CHANTO has put elements essential to the practice of CHANTO into Five Conduct Guidelines with the aim of encouraging employees to change their mindset and behavior and helping individuals and organizations achieve better results.

Five Conduct Guidelines

1. Goal-oriented, take as one's own issues, and follow through
2. Show courage to meet challenges
3. Self-disciplined, independent and exert individual abilities
4. Respect each other and collaborate with peers
5. Continue to cherish diligence and integrity

Progress of Project CHANTO

Although there are top-down methods for instilling Five Conduct Guidelines essential for the practice of CHANTO in an organization, we have emphasized a bottom-up approach led by navigators*, thereby making the implementation of CHANTO fun and making CHANTO something that employees take ownership of.

After entering the practice phase, some navigators expressed concerns that while employees understand the importance of having "ambitious goals" through Project CHANTO, each organization and individual has a different interpretation of "ambitious." To ensure that more

Human Capital

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organizations and individuals have the same interpretation of "ambitious," we have concluded that it is effective to encourage them to do the backcasting, which is to work backward from the desirable future to identify what they need to do now. For this purpose, in fiscal 2022, we determined the "value to be provided by workplaces by 2033," the target year for GSP, and formulated and implemented an action plan to realize the value.

*Non-managerial employees who their colleagues consider have leadership and are able to lead the workplace to enjoy practicing CHANTO

Initiatives to change employees' behavior to establish the Company's position as a GSP

Project CHANTO aims to encourage employees to change their behavior and help individuals and organizations achieve better results by instilling Five Conduct Guidelines, which are essential to the practice of CHANTO, in individuals and organizations. We believe that the bottom-up approach led by navigators has successfully raised employees' understanding of and empathy for CHANTO and disseminated CHANTO to many workplaces.

To lead the growing momentum for change to better results, we will implement the following three initiatives.

(1) Replacing navigators with managers as the key persons of CHANTO

In the process of realizing the "value to be provided by workplaces by 2033," operational areas the bottom-up approach alone cannot cover will increase, including operational decision-making and human resources development in workplaces. For this reason, we will replace navigators with managers as the key persons of CHANTO. Managers will also lead their workplaces in the practice of CHANTO, setting and achieving more ambitious business and operational goals to enhance and change the value provided.

(2) Sharing good practices

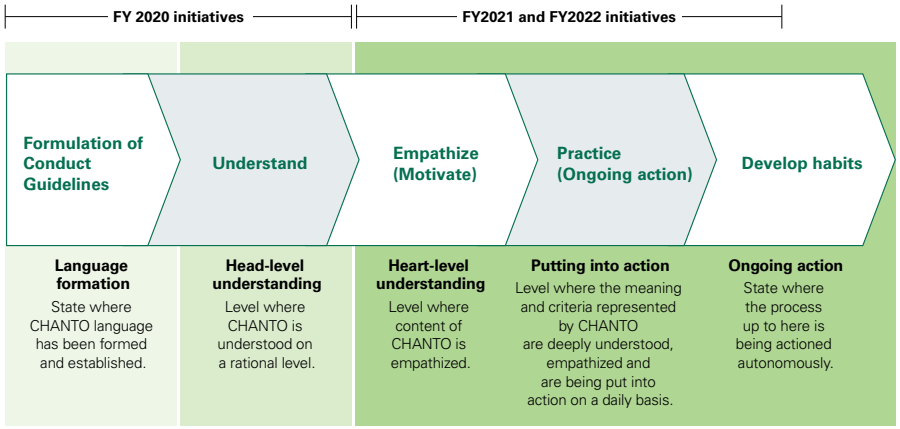
Each workplace has acquired various knowledge and know-how through the practice of CHANTO. We will share good practices selected by each department head across the Company to promote sharing each workplace's knowledge and know-how with other workplaces. This initiative aims to raise the awareness and level of efforts of each workplace and the motivation of workplaces whose practices are shared. In this way, we will help workplaces deliver more results and acquire more knowledge and know-how.

(3) Visualizing changes in employees' mindset and behavior

In an initiative to encourage behavioral change like Project CHANTO, participants have difficulty recognizing results, or actual behavioral changes. We are considering introducing indicators that can visualize behavioral changes. With these indicators, we want to promote workplace dialogues based on visualized behavioral changes and encourage further changes.

While Sumitomo Pharma is taking the lead in instilling CHANTO in its organization, we will start full-scale activities to instill CHANTO in the entire Group. At the SMP Communication Summit, scheduled for fiscal 2023 and onwards, officers and other concerned individuals of domestic and overseas group companies will gather to participate in lectures and discussions so that they

The process of instilling CHANTO



TOPIC

Degree of instillation of CHANTO in employees

The company-wide employee engagement survey "SMP Opinion" also collects responses on a five-point scale from employees regarding their understanding and practice of CHANTO. For the understanding of CHANTO, about 90% of the respondents answered, "I understand it very well" or "I understand it." On the other hand, for the practice of CHANTO, about 75% responded with "I practice it very properly" or "I practice it" (about 70% in fiscal 2021). The proportion of those who practice it is higher than that in fiscal 2021 but lower than the proportion of those who understand it. We therefore consider it necessary to continue our activities to instill CHANTO.

Human Capital

Strengthening Human Capital toward the Sustained Enhancement of Corporate Value

can accurately understand the Group Philosophy and CHANTO and take measures to instill the Group Philosophy and CHANTO in their companies in a way suitable for the situations and characteristics of their companies. The Sumitomo Pharma Group will lay the groundwork for producing results better than ever.

Fostering a challenge-oriented organizational culture

Sumitomo Pharma has introduced a "self-reporting system" and "personnel transfer through in-house job posting" to encourage employees to take on challenges proactively and aggressively. Under the self-reporting system, each employee is interviewed by their supervisor based on their self-report to know their individual situation and career aspirations. This system helps long-term human resources development and individual skill development. Under the personnel transfer through in-house job posting system, every employee is given an opportunity to apply for the positions they desire. This system helps keep them motivated and revitalize the organization by facilitating the transfer of motivated employees.

In April 2022, we reviewed our personnel evaluation system to reward those who show the courage to take on challenges. Under the new system, employees may receive a departmental bonus, in addition to the existing bonus, for their willingness to take on challenges or their process of taking on challenges toward ambitious goals. Each department head is authorized to decide which employees receive a departmental bonus and the amount they receive.

Basic policy of the human resources strategy and desired talent

Basic policy of the human resources strategy

Recognizing that personal growth and business growth are the twin engines of our growth, the Sumitomo Pharma Group strives to achieve both personal and business growth and continuously provide value to society under the human resources strategy linked with the business strategy.

For this purpose, we have identified the Desired Talent for Sumitomo Pharma Employees and support employees' growth through training, job rotation, and other programs. Regarding fiscal 2016 as the first year for investment in education and training, we have restructured our personnel development system and have been actively training employees to have expertise and management knowledge.

Recognizing the combination of the business operation in North America as a good opportunity, we will establish a human resources portfolio for the Group (Japan, North America, Asia, and other regions) to enable the Group to closely work together to achieve its goals, train employees to contribute to the development of the Group's business, and recruit and assign employees more effectively and efficiently.

Build up an HR portfolio

Identify, recruit, develop, and assign persons we need

- Visualize/analyze an HR portfolio
- Develop leader candidates*/DX experts*
- Enhance a succession plan

Empower diverse HR

Everyone aims high and gives their abilities full play

- Unify the assessment criteria within the Group
- Percentage of male employees taking childcare leave: 100% *
- Percentage of female managers: 20% or higher* (FY2027 target)

Maintain a sense of unity and high engagement within the Group

Share values and work for value creation with the Group acting as one

- Instill our Philosophy globally

*Targets/initiatives on a non-consolidated basis of Sumitomo Pharma

Desired talent

Shown below is the Desired Talent for Sumitomo Pharma Employees for our Sustainability Management :

- A professional who is proactive in adapting to changes and taking on a challenge
- A professional who aspires to enhance value through personal development
- A professional who is positive and flexible enough to adapt to changes in business environment

Desired employees are those who can flexibly adapt to new environments and changes in our business environment and are eager to take on new challenges and goals voluntarily.

Such employees are expected to contribute to sustained corporate growth because they spare no effort to enhance their value, always pursue growth, and are able to maximize business results with their flexible thinking and responsiveness.

Three valued aspects

- A professional who is proactive in adapting to changes and taking on a challenge
- A professional who aspires to enhance value through personal development
- A professional who is positive and flexible

Human Capital

Strengthening Human Capital toward the Sustained Enhancement of Corporate Value

Training system and initiatives

Training system

Sumitomo Pharma's training system consists of grade-specific training for department heads, managers, and general employees, selected employees training aimed at developing digital human resources, leaders, and global human resources, and training for all employees, including career development and self-improvement.

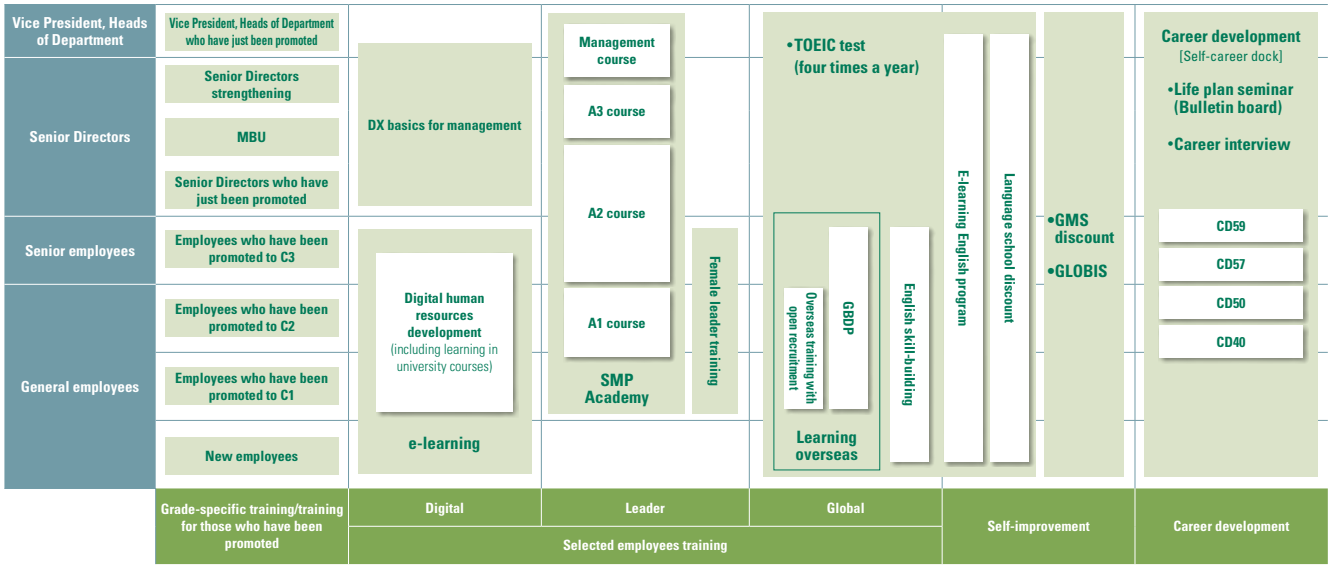
In addition to grooming next-generation leaders, we focus on developing global human resources and human resources capable of leveraging digital transformation in line with the globalization of our business and the digitalization of society.

SMP Academy, training for selected employees

To groom future leaders and management members, we established the SMP Academy, a training program for selected employees, in July 2016. With an annual target of 80 participants, a total of 482 employees participated in this training program over the six years from fiscal 2016 to 2021. The SMP Academy provides learning opportunities to young, middle-rank, or managerial employees who have a desire to improve themselves and their potential.

In the year-long training program, participants develop a comprehensive view of business from a broad perspective and the imagination to create new value through instruction provided by external lecturers and members of the management team. About half of the current department heads have completed the program of the SMP Academy. Considering the human resources portfolio for the Group, we plan to review and update the training program to incorporate global management components.

SMP training system



MBU: Brush up management
GMS: GLOBIS management school
GBDP: Global business person development program
CD: Career design (the numbers indicate the ages of eligible employees)

Developing global human resources

Sumitomo Pharma is committed to developing global human resources who can fulfill management responsibilities overseas in the future by providing opportunities to enhance English proficiency and sending employees to overseas subsidiaries or educational or research institutions.

In addition to selective English proficiency training, we have offered e-learning programs since fiscal 2020 and provided employees with quarterly opportunities to take the TOEIC test with the goal of enhancing English proficiency across the Group. To expand a pool of global human resources going forward, we plan to link the selective training program for global human resources with the SMP Academy, update various English proficiency training programs, and consider and offer new programs.

Developing human resources capable of leveraging digital transformation

In August 2021, we started DX training to develop human resources who can create new value and reform operations through DX. We offer e-learning programs for all employees and managers and a program aimed at providing advanced practical knowledge of data science. We plan to have 100 citizen data scientists*1 by fiscal 2024 and 150 citizen developers*2 by fiscal 2027. We will develop digital human resources who can solve various problems by actively using various data as early as possible.

*1 Personnel initiating data-driven value creation

*2 Personnel capable of autonomously increasing operational efficiency at the workplace

Human Capital

Strengthening Human Capital toward the Sustained Enhancement of Corporate Value

Training Initiatives

Talent management system

Sumitomo Pharma has a talent management system, which centrally records and manages the skills (knowledge and experience) and competence (abilities and qualifications) of each employee (talent). Under this system, we identify the required competence and systematically develop human resources with an eye toward future business developments in order to achieve our business targets.

Since fiscal 2021, we have conducted people analytics using accumulated employee information, expediting our decision-making process in the HR field and searching for factors facilitating employee growth and factors contributing to higher employee engagement.

We will take HR measures using analysis data to expedite employee growth and enable each organization to produce maximum results.

Research Project System

Sumitomo Pharma has a Research Project System to accelerate the development of innovative pharmaceutical products. Under this system, enthusiastic researchers proposing research themes lead their research projects from start to finish as the project leaders. This system gives each project leader, regardless of their age and experience, the power to execute the budget and assess the project members and allows them to manage the project at their discretion, helping us produce better results and develop human resources. So far, eight products developed under this Research Project System have advanced to clinical study, and there are currently more than 15 ongoing research projects. Since the start of the system, there have been about 30 research project leaders.

Career design training (promoting the self-career dock)

In January 2021, Sumitomo Pharma started the self-career dock to help employees make autonomous career decisions. The self-career dock provides employees with career information and offers career design training as an opportunity for them to take stock of their experiences and think about their future careers. We also have in-house career consultants with national qualifications, whom employees can turn to for career-related advice whenever necessary. In fiscal 2022, about 200 consultations were conducted by these consultants. Through the self-career dock, we will continue to provide employees with an environment where they can learn, think, and ask for advice about their careers.

Employee's message

From MR (Medical Representatives) to marketing: Pursuing my career in an environment that encourages employees to take on challenges

I worked as an MR for 14 years from 2007, when I joined Sumitomo Pharma as a new graduate. In 2022, after returning from my maternity and childcare leave, I was transferred to the current department in charge of marketing TRERIEF®, a product used to treat Parkinson's symptoms. Sumitomo Pharma, which advocates a culture of taking up a challenge, encourages employees to think about their careers at the company and have their career visions.

I feel fulfilled with my marketing job, which devises sales strategies and works with MRs, who support doctors and patients. In the early days, I was worried whether I could catch up with my marketing colleagues because marketing is a significantly different field from MRs, but I was helped by the critical thinking and marketing theories I acquired through training programs during my time as an MR. With the support of my colleagues, I soon restored my confidence.

Three years have passed since the launch of Project CHANTO. Now I realize I need to practice one of the Five Conduct Guidelines: "Goal-oriented, take as one's own issues, and follow through." I want to assess the future of TRERIEF® after reviewing what more I can do for the product and the roles it can play in the advancement of health care. I also want to get involved in training younger colleagues while improving myself to take on new challenges and advance my career.

Kumiko Okumura
CNS Product Group II
CNS Product Marketing Department

Human Capital

Strengthening Human Capital toward the Sustained Enhancement of Corporate Value

Respect for human rights

Sumitomo Pharma's basic policy on human rights

The Sumitomo Pharma Group respects human rights as one of the Material Issues and advocates "Respect human rights" in Item 5 of the Declaration of Conduct. We also clearly support the international basic principles of human rights and, in conformance with the UN Guiding Principles on Business and Human Rights, articulate our commitment to complying with laws pertaining to labor and employment in our countries and regions of business.

On March 1, 2022, with a resolution of the Board of Directors, we established and enforced the SMP Group Human Rights Policy*1 as high-level guidelines for all documents and rules related to the Group's efforts to respect human rights. On September 1, 2022, under this policy, Sumitomo Pharma established and enforced the Rules for Promotion of Respecting Human Rights, which stipulate supervision by the executive officer in charge of the promotion of respect for human rights, establishment of a secretariat, and systems and procedures for our departments to appropriately promote respect for human rights. Under Item 25 of the Compliance Standards, which stipulates "Respect for Human Rights, Prohibition of Discrimination and Harassing Behavior, and Prohibition of Harassment," we also have clearly rejected any discrimination and harassment based on race, nationality, ethnic or social origin, ancestry, ethnicity, age, religion, faith or belief, sex and gender, sexual orientation, gender identity, marital status, academic background, disability, disease, employment status, or any other status, observing this standard in all the aspects of our activities. Since fiscal 2022, our efforts to respect human rights have been regularly (at least once a year) reported to the Board of Directors for supervision.

To ensure that such systems and efforts to promote respect for human rights are fully understood within the organization, we conducted e-learning training for all employees in December 2022, around the time of Human Rights Week. In addition, we also conducted training in business and human rights, including domestic and overseas trends related to this issue. We will continuously conduct such human rights training on a regular basis (at least once a year).

We will continue business activities that respect human rights throughout the value chain and contribute to building a sustainable society, asking our suppliers, business partners, and other stakeholders to understand and support our efforts to respect human rights.

Initiatives to prevent harassment

We consider that sexual harassment and abuse of authority in the workplace are important issues related to the infringement of human rights because these actions hurt the dignity of individuals. For this reason, we have clearly stated an anti-harassment policy in the work rules of the Employment Policy, which specifies that violations of this policy are subject to disciplinary action.

In our in-house training, we educate employees on the relationship between our business activities and human rights, helping them have a better understanding of human rights. In our new employee training, we cultivate their awareness of respecting human rights as employees of a company engaged in drug research and development, manufacturing, and sales. Moreover, we ensure that employees acquire proper knowledge and raise awareness of preventing harassment through grade-specific training and training for managers.

In fiscal 2022, we gave all employees e-learning training focused on harassment to help them understand various forms of harassment, how to deal with them, and unconscious bias. In addition, we have support sections at our main business sites, including the head office, and train support section staff so that complaints and requests for support from employees can be swiftly and carefully handled. With all individuals related to our company being covered by these measures, our company as a whole is committed to preventing harassment.

Establishing and operating a system for human rights due diligence

Under the Rules for Promotion of Respecting Human Rights, Sumitomo Pharma has set up a secretariat, which is headed by the executive officer in charge of the promotion of respect for human rights (the executive officer in charge of corporate governance), at the Corporate Governance Department, and has established a system that promotes respect for human rights in each department, including conducting due diligence*2. The secretariat assists our departments in their efforts to respect human rights as well as monitors the Group's activities to promote respect for human rights and gives necessary guidance and advice about the activities. As grievance mechanisms, we have a compliance hotline, which accepts reports and requests for support about human rights issues from our employees and external parties.

Under this system, we have started the assessment of the Group's human rights risks with the assistance of independent consultants as part of our human rights due diligence.

*1 For more details on the SMP Group Human Rights Policy, please see the "Human Rights" section on our website.

*2 A series of processes for assessing adverse impacts on human rights, taking action based on investigation results, doing follow-ups of actions taken, and disseminating information about what actions are taken

Diversity & inclusion

Supporting women's active participation

Sumitomo Pharma promotes establishing a work environment where anyone can play an active role, irrespective of gender. We help female employees balance their work and parenting with our shorter working hours system for childcare, subsidies for use of unlicensed daycare centers, MR area selection system, and other support systems. On the other hand, we encourage male employees to take childcare leave and help with parenting

Human Capital

Strengthening Human Capital toward the Sustained Enhancement of Corporate Value

to eliminate unconscious gender-related stereotypes and biases, enabling employees to balance their work and parenting responsibilities regardless of gender, and foster an organizational culture of mutual support. The proportion of male employees taking childcare leave was 130.1% in fiscal 2022 as a result of our efforts, including introducing ten days of paid childcare leave and holding childcare leave seminars for male employees. We will continuously work to keep the percentage of employees taking childcare leave at or over 100% for both male and female employees.

In addition, we will focus on increasing female leaders, raising the percentage of female managers to 20% or higher by fiscal 2027 (the percentage of female managers as of April 1, 2023 was 14.4%). We aim to raise the ratio of male to female managers to as high as the ratio of male to female employees in the future.

Promoting understanding of sexual diversity

Under the Compliance Standards, Sumitomo Pharma has clearly rejected any discriminatory behavior related to sexual orientation and gender identity, promoting employees' understanding of LGBTQ and other sexual diversity issues. We also hold training sessions and seminars for all employees and have support sections related to diverse sexuality. In April 2020, we started a same-gender partnership system, which treats same-gender partners equally to spouses in our housing program, congratulatory and condolence leave program, and other programs.

Supporting active participation by persons with disabilities

The whole Group is committed to supporting active participation by persons with disabilities under an assignment policy of considering the characteristics of employees' disabilities and making the most of their individual competence. Cocowork Co. Ltd., a special subsidiary of the Group, grows leafy vegetables using solar-powered hydroponics to support the independence of people with mental disabilities. The proportion of employees with disabilities was 2.58% as of June 1, 2023.

Establishing systems enabling employees to choose diverse work styles

(Examples of such systems revised or introduced in FY2022)

Working from home system

Having revised the system to allow employees to work from home up to 12 days a month, we are promoting a hybrid work style that keeps the balance between in-office and remote work and leverages the advantages of both to further improve productivity.

Staggered work hours system

To enable employees to work more flexibly, we have revised the system to allow them to work staggered hours on a daily basis (previously on a monthly basis) and move up and back their starting times by up to two hours.

Imputed work system

For those employees under the fixed working hour system, we instituted an imputed work system unique to Sumitomo Pharma that allows employees to leave before the official closing time without having their pay docked if they efficiently finish their work before then.

Each system encourages employees to adopt a more self-disciplined and independent work style, and we will take a flexible approach to addressing any issues that arise in the implementation of this system.

Health management initiatives

Health management

To achieve the Mission, Sumitomo Pharma should create a work environment where every employee can work actively in good mental and physical health conditions. We believe that employees should seek personal fulfillment both during and outside of work by maintaining and promoting the health of their own and their family members.

In October 2017, we drew up the Declaration of Health Innovation. In August 2021, we issued the Health White Paper, which visualized the progress of our efforts related to the declaration. In December 2022, we revamped the white paper and made it publicly available. As a result of our organizational efforts for the betterment of healthcare and fuller lives of all employees and their families, in March 2023, we were recognized under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program for the large enterprise category (White 500) for the seventh consecutive year.

Employee engagement

Maintaining high employee engagement

We value communication between management and employees by holding lectures by directors at each business site, sending company-wide messages from the president and executive officers in response to employees' opinions, and taking other actions.

In fiscal 2022, we introduced a new system into the employee engagement survey—SMP Opinion ("MinOpi"). Under the new system, each workplace is able to identify its issues more easily and addresses the issues by analyzing the relationship between them and employee engagement. We will continue working to maintain high employee engagement.

Social Contributions

Material Issues

Improving access to medicines and advocacy

Sumitomo Pharma considers collaboration with and contributions to society to be an extremely important initiative in realizing its Mission: "To broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide." We focus on "improving access to medicines and advocacy" as one of the most important Material Issues, which leads to raising disease awareness for patients and improving healthcare in developing countries. In addition to this, we aim to be a useful member in the communities in which we operate by providing learning opportunities and supporting the establishment of local communities.

Development of therapeutic drugs and vaccines to treat malaria, antimicrobial-resistant (AMR) bacterial infections, and influenza

With global supply chain disruption caused by the spread of COVID-19 and the situation in Ukraine, the sustainability of healthcare internationally has become an urgent issue, and the expectations placed on pharmaceutical companies have increased even more.

We are committed to solving issues through research and development in the infectious diseases area that pose an international threat, such as malaria, AMR bacterial infections, and influenza. We believe that these efforts will not only contribute to the achievement of the SDGs and preparedness for future pandemics, but also enhance our presence as a global pharmaceutical company.

For malaria, we are continuing collaboration with Ehime University, the European Vaccine Initiative (EVI), and Instituto de Biologia Experimental e Tecnológica (iBET) on a vaccine to prevent malaria disease, and with Ehime University and PATH in the United States on a vaccine to prevent malaria transmission and a vaccine to prevent infection. Each of these projects has been selected for funding by the Global Health Innovative Technology Fund (GHIT Fund).

For AMR bacterial infections, several Sumitomo Pharma researchers are sent to the drug discovery group (currently, the Satoshi Omura Memorial Institute) of Distinguished Emeritus Professor Satoshi Omura at The Kitasato Institute, and this joint team of Sumitomo Pharma and the Memorial Institute promoted research to create KSP-1007 (beta-lactamase inhibitor). In October 2022, we completed a Phase 1 study of KSP-1007 in the United States, in combination with meropenem, demonstrating favorable pharmacokinetics without any serious adverse events. The results of this clinical study, as well as the nonclinical pharmacological data including activity against multidrug-resistant bacteria were presented in June 2023 at the conference organized by the American Society for Microbiology in Houston, United States. Furthermore, in November 2022, we signed an agreement to conduct antimicrobial activity testing (screening) by GARDP using our compound library with the aim of discovering new compounds with antimicrobial activity with drug-resistant bacteria.

For influenza, we are engaged in the ongoing preclinical research of a universal influenza vaccine by forming a joint research group with the National Institute of Biomedical Innovation, Health and Nutrition, and the National Institute of Infectious Diseases. In June 2023, the research group showed for the first time the strong preventive effect (cross-protection) of a new candidate formulation prepared by adding the TLR7 adjuvant "DSP-0546LP" against different types of influenza viruses, its mechanism of action, and the importance of adding the adjuvant. The research results were published online in the international academic journal "Vaccine." Both the joint researches on AMR and influenza have been adopted as R&D projects under the Cyclic Innovation for Clinical Empowerment (CiCLE) program of the Japan Agency for Medical Research and Development (AMED).

Strengthening of public-private collaboration on countermeasures against AMR and appropriate use of antibiotics

We partnered with major hospitals in Vietnam to conduct drug susceptibility surveillance research aimed at the appropriate use of antibiotics and countermeasures to antimicrobial resistance (AMR). This study will provide detailed reports on the research results and technical guidance to each hospital to assist them in developing their ability to select the best antimicrobials for treatment. Its first round was completed in 2019-2020 and its results were presented at the European Congress of Clinical Microbiology & Infectious Diseases (ECCMID) in July 2021 to be widely disseminated both in Vietnam and internationally. In February 2023, we began the second round of drug susceptibility surveillance research, which involved the establishment of a central laboratory to improve testing techniques in Vietnam.

Social Contributions

Promotion of public awareness-raising activities for health, hygiene, and nutrition

Sumitomo Pharma provides an NPO-led health improvement program for mothers and children in Cambodia's Kampong Cham Province. In fiscal 2022, the program made 863 home visits to pregnant women and 487 home visits to postpartum mothers, promoted health checks for pregnant women, postpartum mothers and infants, and raised awareness about nutrition and hygiene. In addition, cooking classes for making nutritious baby food were held 43 times, with a total of 1,003 local residents participating.

Initiatives to improve access to medicines

Even with today's advances in medicine, there are still many unmet medical needs, and R&D-oriented pharmaceutical companies have a mission to solve this issue. In addition, there are parts of the world where it is difficult for all people to receive equal access to necessary healthcare due to inadequate medical systems and poverty, disorder due to natural disasters and conflict, etc.

In addition to research and development of pharmaceuticals, Sumitomo Pharma works to solve issues related to healthcare access by raising public awareness of health, hygiene, and nutrition in collaboration with international organizations, government agencies, research institutions, and civil society. As part of these efforts, since 2017 Sumitomo Pharma has been participating in Access Accelerated, a partnership initiative by global pharmaceutical companies and international organizations.

Promotion of public awareness-raising activities with the aim of improving medicine-related literacy

Using pharmaceuticals with a proper appreciation and understanding of treatment methods and adverse reactions is very important in improving access to medicines. We provide "Kusuri-no-shiori," "Instructional Leaflets," and guidance for patients using our pharmaceuticals and their families to promote appropriate use.

Response to demands for the development of unapproved and off-label drugs

As an initiative to provide new treatment options in areas with high unmet medical needs, Sumitomo Pharma also addresses demands for the development of unapproved and off-label drugs. Thus far, we have obtained six such approvals, including the approval of a partial change to the biguanide oral hypoglycemic agent METGLUCO® in September 2022 for the additional indications of induction of ovulation in polycystic ovary syndrome and regulated ovarian stimulation in assisted reproduction for polycystic ovary syndrome. We are proceeding with our response to requests for the development of RETHIO®, an antitumor alkylating agent belonging to the ethyleneimine family, for the treatment of central nervous system lymphoma (including primary and other lymphomas that invade the central nervous system).

Support for capacity building of healthcare professionals, development of healthcare networks, etc.

Since July 2016, we have worked with NPOs, local governments, and the community to provide a health improvement program for mothers and children in Cambodia's Kampong Cham Province.

Community Care volunteers for Mothers and Newborns play an important role in providing maternal and child health education and raising awareness in villages. To date, we have trained 66 Community Care volunteers for Mothers and Newborns by providing them with hygiene and nutrition education, including COVID-19 infection control measures. We worked with the volunteers to develop baby food recipes for the baby food cooking classes for mothers and caregivers in each village.

Hygiene and nutrition education sessions for Community Care volunteers for Mothers and Newborns (Cambodia)

Holding public lectures for the purpose of further improving disease-related literacy for patients, their families, and society

Sumitomo Pharma holds public lectures nationwide not only for patients and their families but also for the wider general public with the objective of promoting the correct understanding of diseases and contributing to solving social issues.

In fiscal 2022, we organized 16 public lectures on Parkinson's disease and dementia with Lewy bodies, 9 on diabetes and 2 on mental illness. The lectures were held mainly online to prevent the spread of COVID-19.

Our survey on the level of understanding and satisfaction with the lectures gave us positive evaluations from over 90% of respondents. Going forward, we will collaborate with government agencies and patient groups to examine the contents and methods of the lectures to attract a larger audience.

Social Contributions

Collaboration with patient groups (including donations)

Under the Slogan of "Innovation today, healthier tomorrows," Sumitomo Pharma engages in patient support activities with the aim of "Allowing all patients and their families to lead healthy and fulfilled lives."

Main donations in fiscal 2022 (patient groups)

- The National Federation of Associations of Families with the Mental Illness in Japan
- Japan Patients Association
- Network for NANBYO Children of Japan
- Japan Parkinson's Disease Association
- Dementia People and Family Association
- Children's Cancer Association of Japan
- Japan Epilepsy Association
- Japan Narcolepsy Association
- Japan Amyotrophic Lateral Sclerosis Association

Advancing patient advocacy in the U.S.

Employees of Sunovion (currently, Sumitomo Pharma America) conducted epilepsy awareness activities on Purple Day.

Purple is internationally recognized as a symbolic color that represents support and understanding for people of epilepsy. Purple Day is known as a day for raising awareness of epilepsy, when epilepsy awareness activities are held around the world to support epilepsy patients so that they can play an active role in society.

Sunovion has expressed its support for people with epilepsy and their supporters by having each of its employees wear purple items for the purpose of raising public awareness of over 65 million people with epilepsy worldwide.

Sunovion employees wearing a purple item to raise awareness of epilepsy

Raising disease awareness and providing information through websites and SNS

We work with patient groups to create and publish websites aimed at providing information for patients and their families and raising disease awareness among the general public. In fiscal 2020, we also set up official accounts on YouTube and Facebook to diversify and enhance our channels for the dissemination of information.

The purpose of "Kokoro Share"*1 content is to contribute to better treatment and lifestyle by providing accurate and easy-to-understand information on schizophrenia and bipolar disorder for patients and their families. In fiscal 2022, for the purpose of supporting patients seeking employment, we added the "Employment Consultation Check Sheet" to the schizophrenia website, where patients can learn about facilities and services that can provide support suited to their problems by answering questions related to employment.

The content of "Rehabili Kitchen for Parkinson's Disease Patients"*2 on our Parkinson's Disease Station features cooking-themed rehabilitation that can be done at home. The concept of the videos is that cooking with awareness of each individual movement leads to rehabilitation.

"Diabetes My Care Notebook"*3 provides information on daily self-care through diet and exercise for those diagnosed with Type 2 diabetes, which they can start straight away. The contents range from easy-to-implement to those that require a little more preparation, and are easy to continue and fit into their lifestyle.

*1 For details, please visit the "Kokoro Share" website (available only in Japanese).
*2 For details, please visit the "Rehabili Kitchen for Parkinson's Disease Patients" website (available only in Japanese).
*3 For details, please visit the "Diabetes My Care Notebook" website (available only in Japanese).

The Sumitomo Pharma Group promotes a wide range of social contribution activities centering on the items listed in our Material Issues. For further information on other initiatives for social contribution, please visit our website.

Development of the Next Generation
- **Providing learning opportunities leveraging our strengths as a pharmaceutical company**
  https://www.sumitomo-pharma.com/sustainability/social/next_generation.html
- **Our website that provides information on medicines for children who will lead the next generation (SUKOYAKA Compass)**
  https://www.sumitomo-pharma.co.jp/sukoyaka/ (available only in Japanese)

Social Contribution Activities
https://www.sumitomo-pharma.com/sustainability/social/social_contribution.html

Donation Support
https://www.sumitomo-pharma.com/sustainability/social/donation_support.html

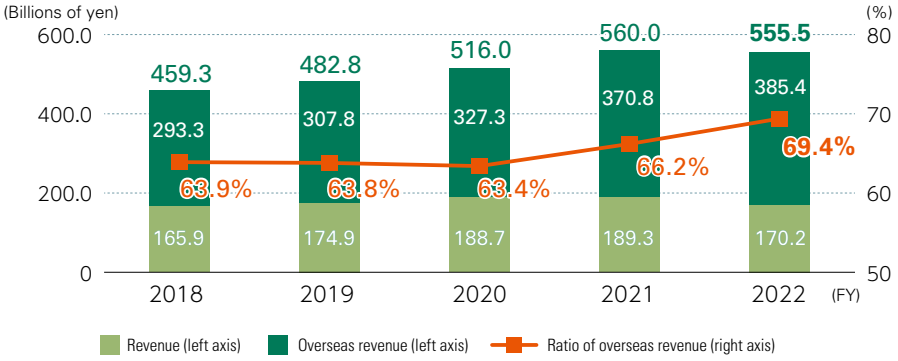
Detailed information about activities in each year is listed in the "Activity Reports" section.
https://www.sumitomo-pharma.com/sustainability/report/

Data

Aggregated data of the Sumitomo Pharma Group's financial, non-financial, and corporate information

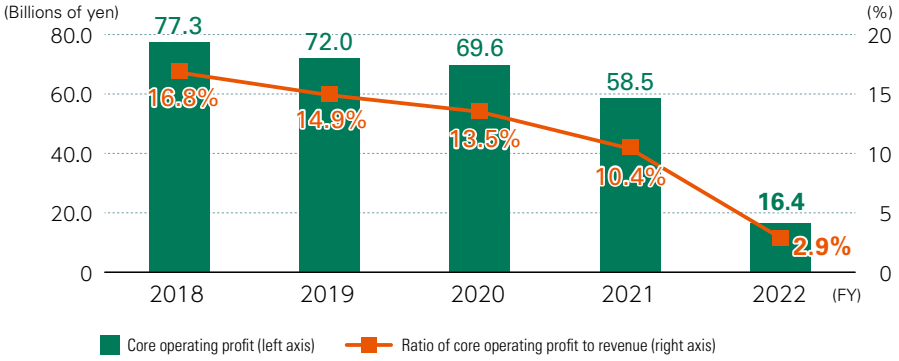
Financial Highlights

Revenue / Overseas revenue / Ratio of overseas revenue



In fiscal 2022, although revenue in the North America, China, and Other Regions segments increased due to the impact of foreign currency translation and other factors, revenue decreased by ¥4.5 billion from the previous fiscal year due to a significant decline in the Japan segment, which was affected by the succession of the marketing rights of REPLAGAL®, a treatment for Fabry disease, and the termination of the sales collaboration for Trulicity®, as well as drug price revisions.

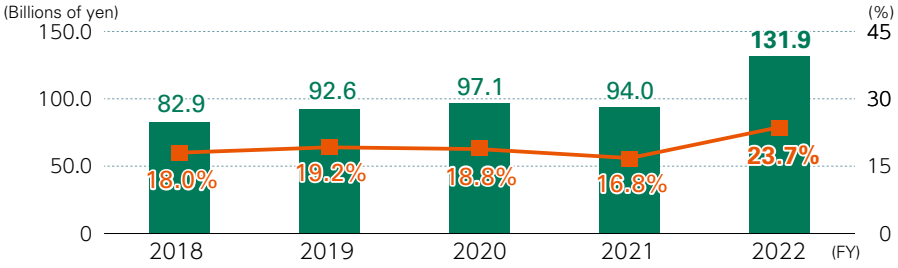
Core operating profit*1 / Ratio of core operating profit to revenue



In fiscal 2022, although other income was recorded from the transfer of shares in Sumitomo Pharma Food & Chemical Co., Ltd., sale of the priority review voucher (PRV)*2 from the U.S. Food and Drug Administration (FDA) and the divestiture of marketing rights for BROVANA®, a treatment for chronic obstructive pulmonary disease (COPD), and other treatments, core operating profit decreased due to a decline in gross profit and a significant increase in selling, general and administrative expenses as well as R&D expenses due to the impact of foreign currency translation and other factors.

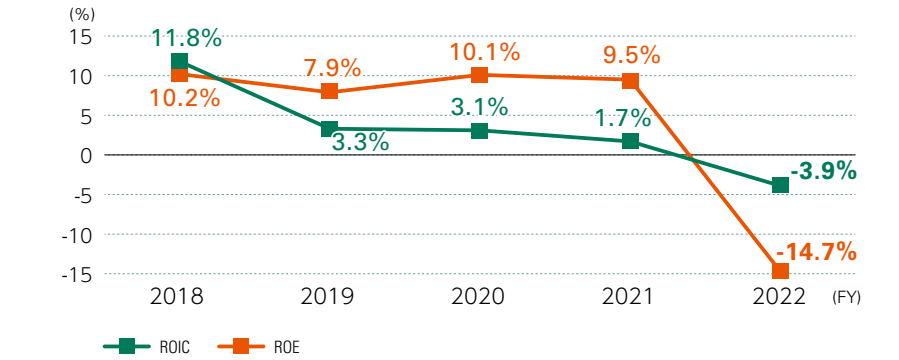
*1 Core operating profit is calculated by deducting from operating profit any gains and losses resulting from non-recurring factors that the Group designates.
*2 Priority review rights for other items granted by the regulatory authorities to companies that have obtained approval for items that are difficult to develop, such as rare diseases.

R&D expenses / Ratio of R&D expenses to revenue / Launched products



The Group set a target ratio of R&D expenses to revenue of up to 20%, and proactively invests profits from its business activities in research and development, with the psychiatry and neurology area and the oncology area as its priority disease areas. Total R&D expenses for fiscal 2022 were ¥131.9 billion (up 38.9% year-on-year), or ¥106.1 billion (up 12.8% year-on-year) on a core basis, excluding impairment losses and other items.

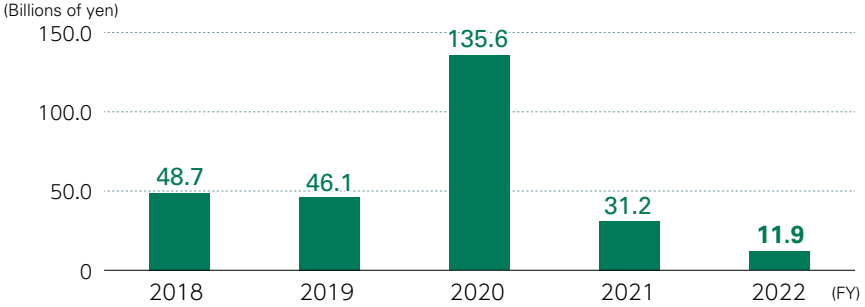
ROIC / ROE



In fiscal 2022, ROIC and ROE were both negative due to deteriorating performance, mainly because of the recording of impairment losses totaling ¥88.2 billion. The Group aims to achieve ROIC of at least 6.5% cumulatively from fiscal 2024 to 2027, ROE of at least 8% cumulatively for the same period, and ROE of 10% in the next Mid-term Business Plan starting in fiscal 2028.

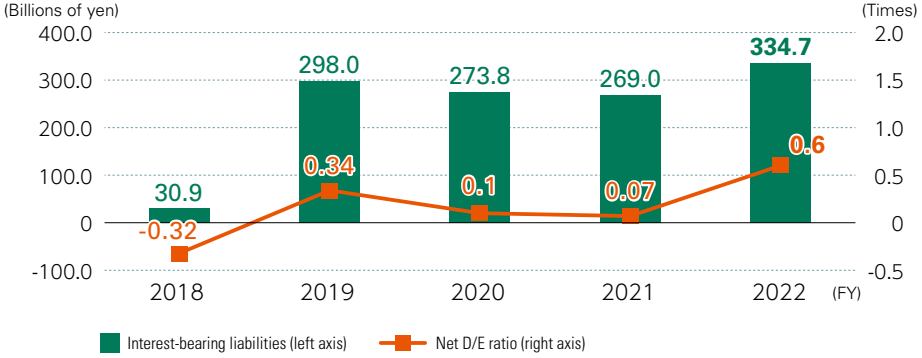
Financial Highlights

Cash flows from operating activities



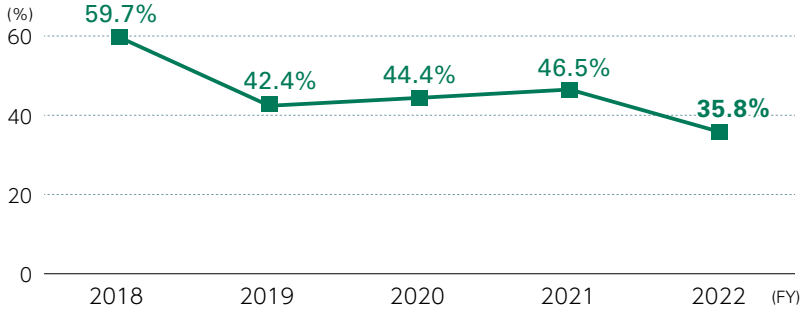
Cash flows from operating activities in fiscal 2022 decreased by ¥19.3 billion compared to the previous fiscal year due to deteriorating business performance. Cash flows from operating activities are targeted to total more than ¥270.0 billion for the period from fiscal 2024 to 2027.

Interest-bearing liabilities / Net D/E ratio



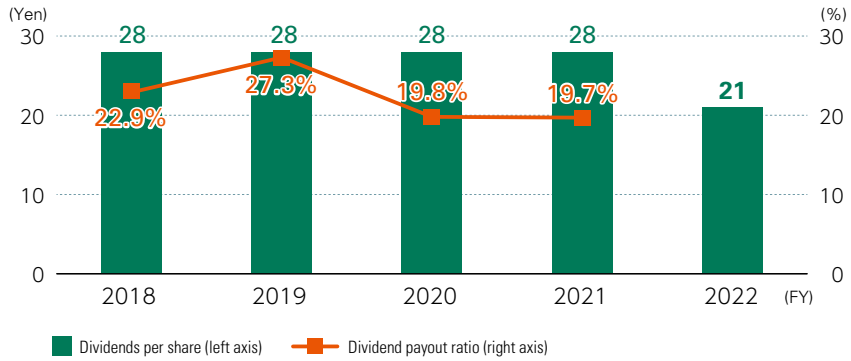
In fiscal 2022, for the acquisition of Myovant Sciences Ltd. as a wholly owned subsidiary, we raised ¥90.0 billion through a bridge loan, increasing total interest-bearing liabilities to ¥334.7 billion.

Ratio of equity attributable to owners of the parent to total assets



In fiscal 2022, in addition to an increase in interest-bearing liabilities, the recording of net loss attributable to owners of the parent and making Myovant Sciences Ltd. a wholly owned subsidiary caused a significant decrease in capital surplus and retained earnings, resulting in the ratio of equity attributable to owners of the parent to total assets of 35.8%. By the end of fiscal 2027, we intend to reduce the balance of interest-bearing liabilities to less than ¥200.0 billion and improve the ratio of equity attributable to owners of the parent to total assets to 40% or higher.

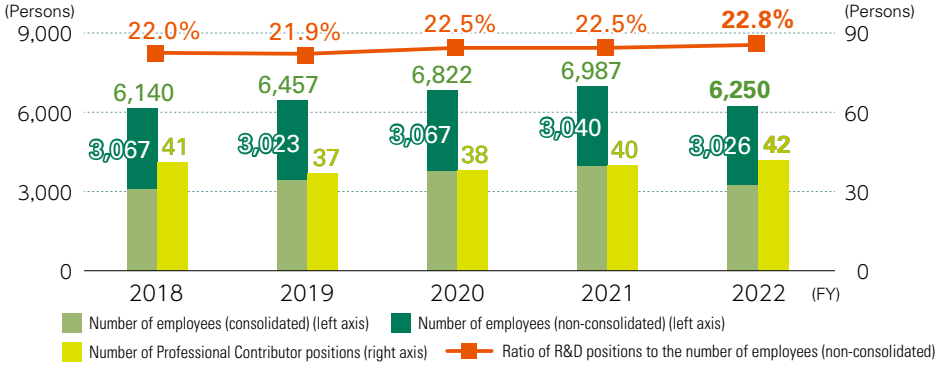
Dividends per share / Dividend payout ratio



In fiscal 2022, the Group reduced the year-end dividend by ¥7 per share to an annual dividend of ¥21 per share due to deteriorating business performance. Dividend payout ratio is not shown due to net loss attributable to owners of the parent.

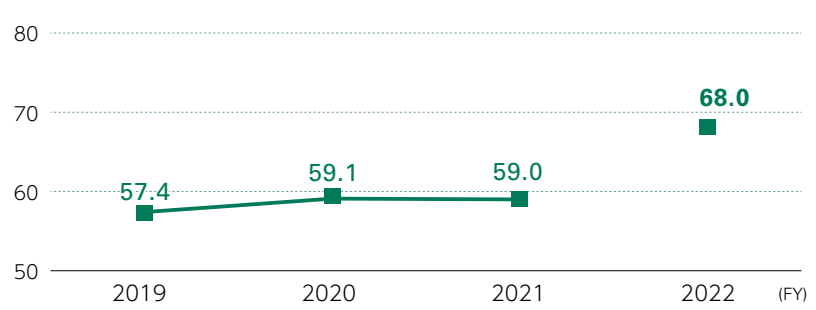
Non-Financial Highlights

Number of employees / Number of R&D positions / Number of Professional Contributor positions



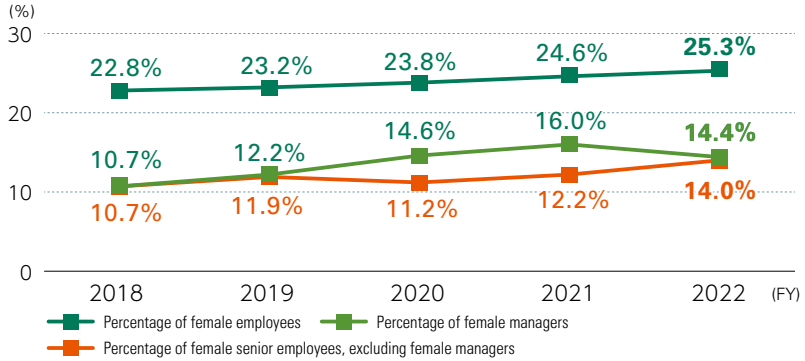
As an R&D-oriented pharmaceutical company, we maintain a certain ratio of R&D positions to domestic employees. In fiscal 2016, we adopted a professional human resources system that harnesses human resources with a high ability to produce results based on their advanced expertise as a mechanism to utilize the abilities of individual employees, and established the position of Professional Contributor (PC).

Employee engagement



We have set employee engagement as a KPI for work style innovation and check the engagement score as an indicator. To compare our progress with other companies, we have adopted the Motivation Cloud service since fiscal 2019 and have been working with Qualtrics Japan LLC since fiscal 2022. We have achieved high scores that exceed the averages of other companies in every category.

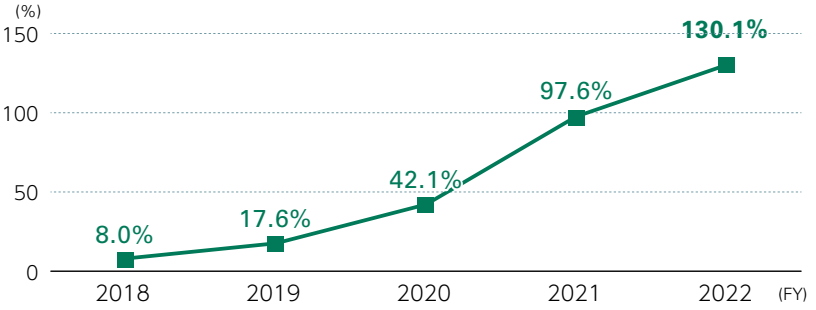
Percentage of female employees / Percentage of female managers / Percentage of female senior employees, excluding female managers



As our vision for women's active participation, we aim to achieve a percentage of female managers of 20% or higher by fiscal 2027, with the target that the composition of male and female employees and the ratio of male and female managers among our employees reach the same level. The percentage of female managers by region (consolidated, fiscal 2022) is 14.3% for Japan, 50.7% for North America, and 53.8% for China and Asia.

* The percentage of female employees and the percentage of female managers by region (consolidated) are as of the end of the fiscal year, while the percentage of female managers and the percentage of female senior employees, excluding female managers are as of April 1 of the following fiscal year.

Percentage of male employees taking childcare leave

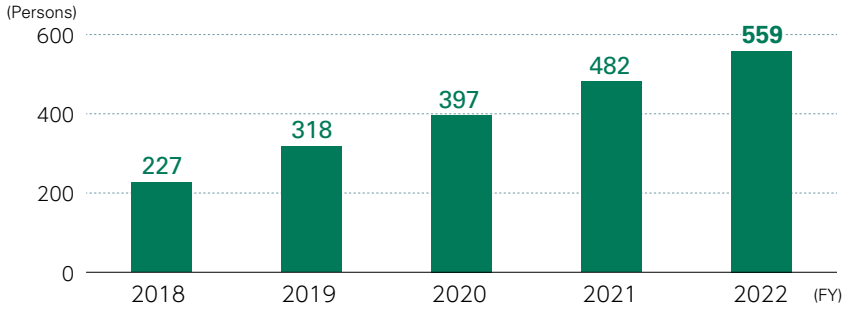


The percentage of male employees taking childcare leave was 130.1% in fiscal 2022 as a result of introducing ten days of paid childcare leave and holding childcare leave seminars for male employees. We promote establishing a work environment where anyone can play an active role, irrespective of gender, and we continue to aim for a 100% utilization rate of childcare leave for both male and female employees.

* The percentage of male employees taking childcare leave is calculated as the number of male employees who took childcare leave during fiscal 2022 divided by the number of male employees whose spouses gave birth during the same fiscal year. The figure exceeds 100% because eligible employees in fiscal 2021 took childcare leave in fiscal 2022.

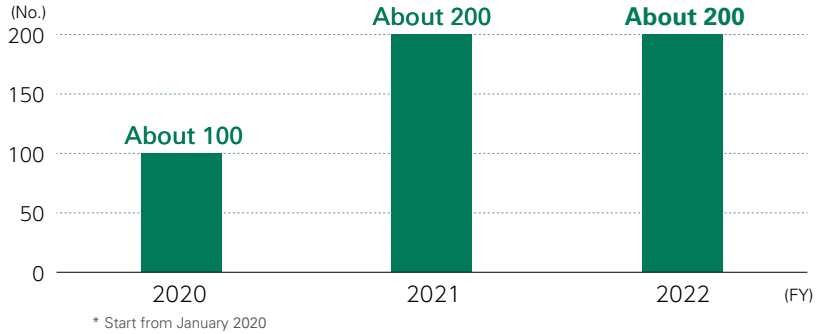
Non-Financial Highlights

Number of participants in selective training (SMP Academy)



To groom future leaders and management members, we established the SMP Academy, a training program for selected employees, in fiscal 2016. Each year, we select around 80 employees with aspirations and high potential abilities at each level, from young to mid-rank or management, and 559 employees have participated in the training program from fiscal 2016 to fiscal 2022. About half of the current Vice President, Heads of Department has completed the program of the SMP Academy.

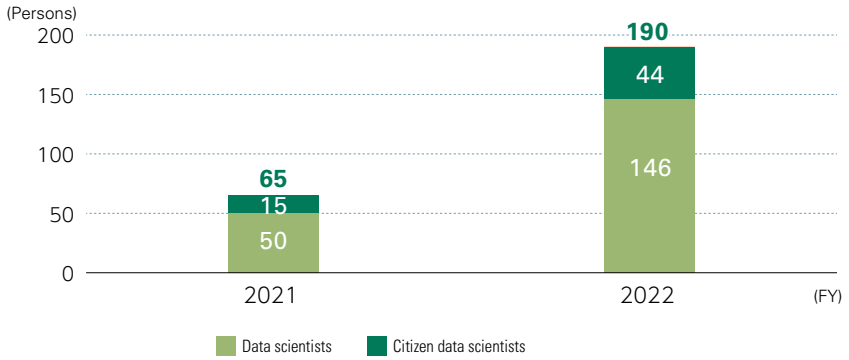
Number of career consultations



* Start from January 2020

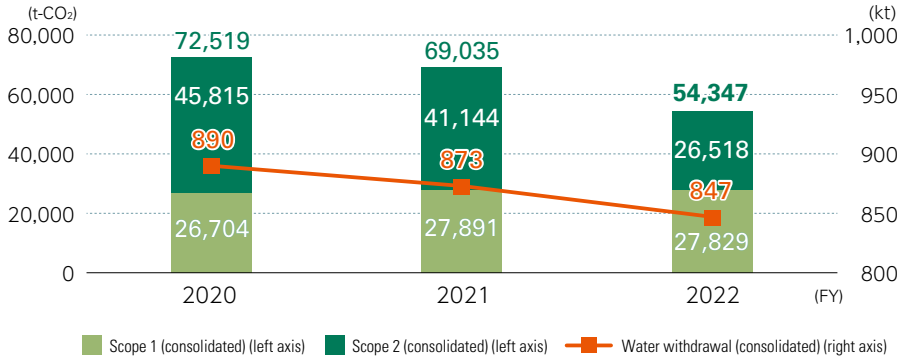
Based on the idea that employees should "think about their careers on their own, first recognizing their current status, and then maintaining or correcting their course as necessary," we conduct career consultations with employees by in-house career consultants (national qualification holders) as needed, with a target of 200 consultations each year (Sumitomo Pharma on a non-consolidated basis).

Number of digital experts and data scientists



In order to foster professionals who can create new value and implement operational reforms via DX, we have established courses to acquire practical knowledge of data science, in addition to e-learning for all employees and managers. In addition to 100 citizen data scientists*1 by fiscal 2024, we will train 150 citizen developers*2 by fiscal 2027.

Greenhouse gas emissions and water withdrawal



For environmental initiatives, in fiscal 2022 we raised our target through fiscal 2030 to "reduce GHG emissions (Scope 1 + 2) by 42% from fiscal 2020 levels." For Scope 3, which accounts for approximately 90% of our GHG emissions, we have also set a target of "reducing GHG emissions from Category 1 (purchased goods and services) by 25% from fiscal 2020 levels." Additionally, we have set a goal to "reduce water withdrawal by 12% from fiscal 2018 levels."

*1 Personnel initiating data-driven value creation
*2 Personnel capable of autonomously increasing operational efficiency at the workplace

Table of Material Issues and KPIs

Material Issues	Targets	KPIs	Targets of KPIs (#. Targets of KPI for Sumitomo Pharma non-consolidated)	Fiscal 2022 result	
Development of innovative products and healthcare solutions	Support the betterment of healthcare and fuller lives of people worldwide by continually creating innovative products and healthcare solutions that respond to diverse medical needs, including predictive, preventive, personalized, and patient-engaged medicine (i.e., solutions that enable optimization of the conventional therapeutic systems and radical cures), as we always stay close to patients	1. Number of products launched	Target number of products launched from fiscal 2023 to fiscal 2027 • Psychiatry & Neurology: 7 products (including 2 regenerative medicine/cell therapy and 4 non-pharmaceutical solutions) • Oncology: 2 products • Others: 3 products (including 1 non-pharmaceutical solutions)	**<Psychiatry & Neurology area>** **(Pharmaceutical)** ulotaront: We are conducting a Phase 3 study (US) and Phase 2/3 studies (JP, CN) for schizophrenia in preparation for launch (US: fiscal 2024, JP: fiscal 2027). **(Regenerative medicine/cell therapy)** DSP-1083: We are conducting Phase 1/2 (investigator-initiated study) for Parkinson's disease in preparation for launch (JP: fiscal 2024)*. HLCR011: We are preparing clinical studies for retinal pigment epithelium tear in preparation for launch (JP: fiscal 2025)*. **(Non-pharmaceutical)** MELTz®: Product development is under way for "MELTz® Portable" utilizing a small robot using myoelectric signals for disorders such as hand finger paralysis in preparation for launch (JP: fiscal 2025). BVR-100 (content for VR): We are preparing a clinical study for social anxiety disorder in preparation for launch (US: fiscal 2026). Wearable EEG meter: Product development is under way for depression in preparation for launch (JP: fiscal 2024). Violet light: Product development is under way for depression and dementia in preparation for launch (JP fiscal 2025). **<Oncology area>** DSP-5336: We are conducting a Phase 1/2 study for acute myeloid leukemia in preparation for launch (US: fiscal 2026, JP: fiscal 2027). TP-3654: We are conducting a Phase 1/2 study for myelofibrosis in preparation for launch (US fiscal 2027). **<Other areas>** **(Pharmaceutical)** GEMTESA®, overactive bladder (OAB) treatment agent: We are conducting a Phase 3 study for overactive bladder accompanied by benign prostatic hyperplasia (US: additional indication in fiscal 2025), and for launch for overactive bladder (CN: fiscal 2027). rodatristat ethyl: We are conducting a Phase 2 study for pulmonary arterial hypertension in preparation for launch (US: fiscal 2027). lefamulin: We are applying for approval for bacterial community acquired pneumonia (CN: fiscal 2024). **(Non-pharmaceutical)** Automated blood collection/stabilization device: Product development is under way for self-management solutions for metabolic diseases in preparation for launch (JP: fiscal 2023). Please refer to the following websites for the latest information on the development pipeline. https://www.sumitomo-pharma.com/rd/pipeline_new-medicine/pipeline.html https://www.sumitomo-pharma.com/rd/frontier/ * Launch schedule is based on our goal pending agreement with partners	
		2. Number of products in the development pipeline	Number of products that have achieved phase transition from fiscal 2023 to fiscal 2027 • Phase 3 transition: 4 products • Phase 2 transition: 6 products • Start of corporate clinical studies for regenerative medicine/cell therapy: 5 products • Start of corporate clinical studies for DTx: 5 products		
		3. Work motivation of research & development staff	• Use SMP Opinion*1 to maintain/increase their satisfaction*2 with work motivation# *1. Company-wide questionnaire using Qualtrics Employee XM by Qualtrics, Inc. *2. Average score out of 5 points in the research & development departments	• Authority/discretion 3.9 • CSR 4.1 • Growth opportunities 3.8 • Work appropriateness 3.9	We conducted the following initiatives at our research and development departments (Regenerative & Cellular Medicine Office, Regenerative & Cellular Medicine Kobe Center, Regenerative & Cellular Medicine Manufacturing Plant, Frontier Business Office, Drug Research Division, Drug Development Division, and Technology Research & Development Division). • We conducted selective training for fostering talents willing to take on challenges. • We encouraged employees to take on challenges by incorporating challenging objectives into individual job goals. • We provided growth opportunities through the evaluation of departmental policies involving leaders of the next generation. • We provided growth opportunities through experiences of serving as a leader under the Research Project System. • We strengthened collaboration and cultivated a cohesive culture through departmental and cross-functional initiatives that encouraged interaction among diverse team members. • We held presentation sessions for sharing achievements in order to increase employees' motivation and expertise.
Stable supply of high-quality pharmaceutical products	Continuously work to nurture a quality-oriented culture and, under the appropriate quality assurance and manufacturing and quality management, build a resilient supply chain through cooperation with our plants and business partners, thus realizing the stable supply of high-quality products. Work on product design, quality management, and development of efficient processes with the entire product life cycle of diverse modalities in mind, thus providing new value to patients	1. Findings subject to administrative action in regulatory inspections related to our products	• 0	• 0	We conducted audits and periodic reviews of management status at contractors' plants, from the perspective of risks of being pointed out as issues.
		2. Number of product recalls	• 0 in any year	• 0	We conducted the annual checks, annual stability tests, and risk assessments on all our products.
		3. Investment in new manufacturing/ quality technologies	• Number of new technology investments of ¥10 million or over: at least 5 each year	• 17	Related to pharmaceuticals: 9 Related to regenerative medicine/cell therapy: 8

Table of Material Issues and KPIs

Material Issues	Targets	KPIs	Targets of KPIs (#. Targets of KPI for Sumitomo Pharma non-consolidated)	Fiscal 2022 result	
Provision of high-quality product information and promotion of proper use	Provide information on the safety and efficacy of our products based on scientific objectivity and ethics in a way that best suits target customer groups, in an effort to ensure that healthcare professionals, patients, and their families can always use our products with confidence and peace of mind. At the same time, gather information on the safety of our products accountably to ensure the safety of patients	1. Assessment by doctors in focus areas	• Rated number one in the focus areas of diabetes and schizophrenia in our own survey conducted by an external organization#	• Diabetes : 3rd • Schizophrenia : 2nd (As of March 2023)	**<Diabetes area>** • We carried out information provision activities for TWYMEEG®, a new mechanism of action. • We gave academic presentations on diabetes treatment in coordination with external organizations. **<Schizophrenia>** • We carried out information provision activities for LATUDA®, an atypical antipsychotic, and LONASEN® Tape, an antipsychotic, both of which are new products.
		2. Ensure appropriateness of sales information provision activities	• Number of guidance from the Ministry of Health, Labour and Welfare's monitoring program for sales information provision activities: 0 in any year#	• 0 (data for fiscal 2021) Due to the timing of data collection and aggregation, the data for fiscal 2021 is the latest available.	• We conducted training to prevent inappropriate provision of information at lectures and other events. • We provided training on risks that may be pointed out prior to the use of newly developed materials. • We provided individual guidance on cases that were not initially identified as non-compliant with internal standards but had the potential risk for scrutiny, and shared these cases with relevant departments for awareness and education purposes. • We shared, and conducted training on, cases of other companies identified through the monitoring program.
		3. Education on safety information collection	• At least four times a year for MRs and once a year for all employees to raise employee awareness of safety information collection# • Number of delayed adverse drug reaction reports to regulatory authorities: 0#	• Number of training in collecting safety information actually conducted For MRs: 7 times For all employees: once • Number of delayed adverse drug reaction reports to regulatory authorities: 0#	
		4. Education on harmful incident concerning pharmaceuticals	• Annual educational program for all employees to form and maintain a mindset that does not cause harmful incident concerning pharmaceuticals	• We educated all employees about harmful incidents concerning pharmaceuticals.	
Improving access to medicines and advocacy	Attempt to improve access to medicines by promoting disease awareness from patient-centered perspectives, which is expected to reduce illness stigma and facilitate early treatment, and by working to lessen a drug lag, which will increase treatment options for patients. Contribute to the betterment of the healthcare system in countries/regions that struggle with equal access to necessary healthcare, by developing healthcare professionals, raising awareness of the public, and making policy recommendations through collaboration with the industry, governments, and NPOs/NGOs	1. Further increase in health literacy of the public, including patients	• Number of public lecture participants by fiscal 2027 cumulative total of 10,000 since fiscal 2023# • Total annual visits to schizophrenia and bipolar disorder disease awareness website (Kokoro Share) 40% increase over fiscal 2022 by fiscal 2027#	• Number of public lecture participants: 1,779 • For the number of visitors to the website, we will disclose a rate of increase or decrease in the number of visitors from fiscal 2022 in fiscal 2023 or later.	**<Public lectures>** • We held 18 public lectures related to Parkinson's disease and dementia with lewy bodies, 9 lectures in the area of diabetes, and 2 lectures in the area of psychiatric disorders, either online or in a hybrid format (combining in-person and online participation). • We conducted surveys of the participants to assess their needs and levels of satisfaction and comprehension of the lecture. **<Kokoro Share>** • We published new content (Work Consultation Checklist). • We prepared new content (key points for continued employment and interviews with individuals involved), scheduled for publication in fiscal 2023.
		2. Number of products, and policy recommendations contributing to access to medicines	• Responding to requests for development of unapproved and off label drugs of high medical necessity# • Continued participation in policy recommendations#	• Number of responses to requests for the development of unapproved and off-label drugs: 2 • Number of policy recommendations: 16	**<Responses to requests for the development of unapproved and off-label drugs>** • METGLUCO®: We obtained approval in September 2022 for partial changes to "indications or effects" as well as "dosage and administration" in response to the development request for "Ovulation Induction in Polycystic Ovary Syndrome" and "Regulated Ovarian Stimulation in Assisted Reproductive Technology for Polycystic Ovary Syndrome." • RETHIO®: We are responding to a request for the development for "central nervous system lymphoma (including central nervous system infiltration in primary and other lymphoma). **<Number of policy recommendations>** • Recommendations related to access to medicines: 6 • Recommendations related to infectious diseases: 10
		3. Number of partnerships contributing to improvement in healthcare access in developing countries	• Constantly two or more	• 5 in total	Continued with the following partnerships: • Access Accelerated • WELCO Lab • PATH AMR Network • The health support project for mothers and newborns in Cambodia • Drug susceptibility surveillance research in Vietnam

Table of Material Issues and KPIs

Material Issues	Targets	KPIs	Targets of KPIs (#. Targets of KPI for Sumitomo Pharma non-consolidated)	Fiscal 2022 result	
Expansion of human capital and instillment of corporate culture	Consider employees' knowledge and potential as "capital" to invest in them and instill corporate culture linked to the provision of value, thus realizing sustained enhancement of corporate value	1. Employee engagement scores	• Maintain/improve engagement scores in SMP Opinion*1 • Lower the percentage of departments whose engagement scores are less than 63%*2 *1. Company-wide engagement survey using the Qualitrics Employee XM by Qualtrics, Inc. *2. Average engagement score of Japanese companies benchmarked by Qualtrics, Inc.	• Engagement score: 68%* • Percentage of departments whose engagement scores are less than 63%: 24% * Percentage of positive responses to engagement questions answered on a 5-point scale.	• We modified the engagement survey system to allow all managers to access the results on the cloud, making it easier to identify organizational challenges and consider responses. • We analyzed the results of SMP Opinion and implemented initiatives tailored to each organization.
		2. Percentage of female managers	• Increase the percentage to 20% or more by fiscal 2027 #	• 14.40%	• We conducted female leader training to help women develop leadership skills and become career-oriented. • We held a returner seminar for employees returning from maternity leave.
		3. Number of participants in selective training	• 80 every year #	• SMP Academy 77	• We held the SMP Academy, which provided a systematic learning experience in essential management skills for leaders and training in business model development and execution in the digital age.
		4. Number of career consultations	• 200 every year #	• Approximately 200	• We conducted career interviews for employees by in-house career consultants with national qualifications. • We provided information on careers and career development training.
		5. Number of digital experts and data scientists	• 100 citizen data scientists by fiscal 2024 # • 150 citizen developers by fiscal 2027 #	• Citizen data scientists: approximately 60 • Citizen developers: approximately 20	• Citizen data scientists: We conducted open application-based training. We conducted the first annual questionnaire survey to understand the status of activities of those who had completed the training. • Citizen developers: We increased self-learning content and established governance/operating rules.
		6. Amount of investment in HR development	• Maintain the amount of investment per person #	(Not for disclosure)	**<Company-wide>** • We provided personal development and selected employees training based on the training system chart. • We provided optional training for self-improvement to enable employees to make autonomous career decisions. **<Each department>** • We implemented a specialized talent development program focusing on expertise.
		7. Instillment of CHANTO	• Implement measures that contribute to changing the behavior of employees in order to establish the position as GSP #	• We established specific action plans at each of Sumitomo Pharma's workplaces to establish the position of GSP by 2033, with the aim of encouraging behavioral change among employees and developing plans to pursue challenging goals. • We established a system that enables autonomous implementation of PDCA for implementing the action plans at each workplace (Implementation will take place in fiscal 2023 or later).	
Respect for human rights	Identify human rights risks throughout the Group's business activities to prevent and mitigate them while asking business partners and other parties concerned to understand and support such initiatives, thus respecting human rights throughout the value chain	1. Implementation of human rights education and training (including e-learning) for all employees	• Implement education and training at least once a year to instill the human rights policy and raise awareness of human rights	• We provided e-learning training to all SMP employees on human rights policy and the relationship between business and human rights during Human Rights Week. • We provided materials to group companies in Japan.	
		2. Implementation of human rights due diligence in the value chain, including business activities of each Group company	• Increase in cumulative number of due diligence and outreach to key business partners • Realization of zero occurrence of serious human rights violations	• Number of simplified risk assessments carried out for SMP and Group companies: 13 • Occurrence of serious human rights violations: 0	
Promotion of environmental initiatives	Conserve the global environment, which serves as the foundation for health of people worldwide, by working to prevent environmental pollution, mitigate climate change, and circulate resources, to hand it over to future generations	1. Greenhouse gas (GHG) emissions (Scope 1+2)	• Reduce GHG emissions (Scope 1+2) to zero by fiscal 2050 • Reduce GHG emissions (Scope 1+2) by 42% vs. fiscal 2020 by fiscal 2030	• Reduced by 25% from fiscal 2020	• We replaced 100% of electricity purchased for the Suzuka Plant with renewable energy from April 2022. • We installed LED lighting in accordance with the long-term plan (at the Oita and Suzuka Plants and other plants).
		2. Water withdrawal	• Reduce water withdrawal by 12% vs. fiscal 2018 by fiscal 2030	• Reduced by 5%	• We adjusted the air conditioner running time.
		3. Recycling rate of waste	• Maintain the recycling rate at 80% or higher and increase the rate to 85% or higher by fiscal 2030#	• 72%	• We carefully separated and sorted waste and engaged a contractor capable of recycling into materials part of waste previously subject to thermal recycling. • We sold unused research equipment to recycling companies, making it valuable.
		4. Final disposal rate of waste	• Maintain the final disposal rate below 1% and lower the rate to below 0.5% by fiscal 2030#	• 0.3%	• We promoted recycling, and discussed and selected disposal methods and companies to minimize final disposal.

Table of Material Issues and KPIs

Material Issues	Targets	KPIs	Targets of KPIs (#. Targets of KPI for Sumitomo Pharma non-consolidated)	Fiscal 2022 result	
Enhancement of corporate governance	Strive to achieve sustained growth and enhance corporate value by continuously seeking to build a highly effective corporate governance system. In so doing, work to further improve the Board of Directors' functions, protect the interests of minority shareholders, and manage Group Companies appropriately	1. Implementing evaluation of the effectiveness of the Board of Directors and working on priority issues based on the evaluation results	• Maintain a good level of quantitative evaluation results in the effectiveness evaluation	• We maintained a good level of quantitative evaluation results in the effectiveness evaluation for fiscal 2022.	• The Board of Directors implemented the following major agendas for fiscal 2022, which were identified as a result of the evaluation of effectiveness for fiscal 2021: "Effective supervision of the management through more efficient and effective monitoring of material items," "Constructive discussions regarding agendas to be addressed in the medium- to long-term," and "Deepening of discussion regarding issues related to sustainability." • In fiscal 2022, the Company conducted a questionnaire to all the Directors and Audit & Supervisory Board Members from February to March 2023, and based on the analyzed results of answers thereto, opinions were exchanged at the meeting of the Board of Directors held in April 2023. As a result, it was confirmed that there is no major problem to be pointed out with respect to the operation of the Board of Directors in fiscal 2022 and the effectiveness of the Board of Directors of the Company has been ensured in general. In addition, it was agreed that appropriate progress was seen as to the efforts for the major agendas of fiscal 2022.
		2. Strengthening of Group governance	• Rebuild a group governance system, including the streamlined North American group companies	• We promoted the streamlining project of North American group companies.	
		3. Conducting appropriate transactions between Group Companies with consideration to protecting the interests of minority shareholders	• The Supervisory Committee for Conflict of Interests in Transactions between Group Companies meets not only periodically (once a year) but also on an as-needed basis	• We periodically held meetings of the Supervisory Committee for Conflict of Interests in Transactions between Group Companies. (to appoint the committee chairperson and share information about partnerships and synergy with the parent company within the supply chain).	
Strengthening of risk management	Develop/promote a risk management system capable of appropriately responding to risks that could seriously impact business activities, by building an effective BCP and strengthening information security	1. Implementing risk assessment and implementing appropriate countermeasures based on assessment results	• All departments implement risk assessments every fiscal year	• All the departments of domestic and overseas group companies implemented risk assessments and took measures based on the risk assessment results.	
		2. Rebuilding and implementing of training and drills of business continuity management (BCM) and business continuity plans (BCPs)	• Provide education and training at departments with priority operations and update BCP at least once a year#	• We updated the business continuity plans (BCPs) of each division, department, and domestic group company that were formulated from fiscal 2020 to 2022 and conducted BCP training.	
		3. Provision of education and training for proper information management	• Provide necessary education and training at least once a year for enhancement of knowledge and awareness concerning information management	• We conducted information management training (group training) for new employees. • We conducted information management training (e-learning) for all officers and employees.	
		4. Events that have a significant impact on business activities	• Number of serious accidents: 0 in any year • Number of serious information leaks and other incidents: 0 in any year • Number of serious information technology security incidents: 0 in any year	• Number of serious accidents: 0 • Number of serious information leaks and other incidents: 0 • Number of serious information technology security incidents: 0	• We added identifying hazardous and harmful factors, predicting hazards and risks, identifying management issues as indicated in the "Notice from the Chairperson of the Sumitomo Chemical Responsible Care Committee," and other issues to the company-wide safety and health priority issues for fiscal 2022. We also reflected these issues in the activity policies of each workplace and encouraged them to take specific actions. • We continuously provided IT security education and training in handling of spear phishing.
Pursuing compliance	Strive to nurture a mindset in everyone that urges them to unflinchingly seek consultation when in doubt about education and training designed to keep high awareness of compliance high or compliance itself and, as a member of the life science industry that requires high ethical standards, conduct transparent and fair corporate activities with a strong commitment to ethical behavior, thus further consolidating trust of stakeholders	1. Implementation of compliance education and training	• Provide training designed to enhance the latest knowledge and raise compliance awareness at least once a year	• Personal development training: We conducted training for new employees (including mid-career hires) and manager training. • Theme-based training: We conducted training in the Antimonopoly Act, the Whistleblower Protection Act, harassment prevention, respect for human rights, the Subcontract Act, and insider trading regulations.	
		2. Level of awareness and understanding of the whistle-blowing system	• Awareness: Maintain current level# • Understanding: Increase to the same level as awareness by fiscal 2027#	• Awareness: 98% • Understanding: 78%	• The Executive Officer in charge of compliance delivered messages. • We set up a banner on the intranet and launched a new compliance website.
		3. Number of serious compliance violations	• 0 in any year	• 0	

Ten-Year Summary of Selected Financial Data

Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries

Millions of yen

	Japanese GAAP					IFRS					
	2014	2015	2016	2017[Note1]	2018	2018	2019	2020[Note2]	2021	2022	**2023**
Results of operations:											
Revenue	¥ 387,693	¥ 371,371	¥ 403,206	¥ 411,639	¥ 477,966	¥ 466,838	¥ 459,267	¥ 482,762	¥ 515,952	¥ 560,035	**¥ 555,544**
Overseas sales revenue	174,286	174,911	215,055	227,495	290,321	281,434	293,325	307,819	327,286	370,771	**385,371**
Ratio to revenue	45.0%	47.1%	53.3%	55.3%	60.7%	60.3%	63.9%	63.8%	63.4%	66.2%	**69.4%**
Cost of sales	104,100	101,228	104,471	100,071	119,852	112,345	113,109	128,346	137,490	157,117	**178,919**
Selling, general and administrative expenses[Note3]	241,450	246,868	261,805	259,066	292,291	186,176	186,143	189,979	211,770	251,560	**373,316**
Research and development expenses	69,804	71,304	82,034	80,819	91,397	86,881	82,891	92,607	97,082	94,004	**131,858**
Ratio of R&D expenses to revenue	18.0%	19.2%	20.3%	19.6%	19.1%	18.6%	18.0%	19.2%	18.8%	16.8%	**23.7%**
Core operating profit (loss)[Note4]	—	—	—	—	—	90,604	77,299	71,982	69,583	58,509	**16,364**
Ratio of core operating profit to revenue	—	—	—	—	—	19.4%	16.8%	14.9%	13.5%	10.4%	**2.9%**
Operating profit (loss)	42,143	23,275	36,930	52,501	65,823	88,173	57,884	83,239	71,224	60,234	**(76,979)**
Ratio of operating profit (loss) to revenue	10.9%	6.3%	9.2%	12.8%	13.8%	18.9%	12.6%	17.2%	13.8%	10.8%	**(13.9%)**
Net profit (loss) attributable to owners of the parent	20,061	15,448	24,697	28,733	37,525	53,448	48,627	40,753	56,219	56,413	**(74,512)**
Financial position:											
Total assets	¥ 659,033	¥ 711,584	¥ 707,717	¥ 783,640	¥ 801,425	¥ 809,684	¥ 834,717	¥1,256,534	¥1,308,127	¥1,308,007	**¥ 1,134,742**
Total equity	398,540	451,021	446,473	460,389	483,050	452,723	498,138	635,860	648,178	673,569	**406,782**
Equity attribute to owners of the parent	—	—	—	—	—	452,723	498,138	532,670	580,570	607,888	**406,749**
Other statistics:											
Capital expenditures[Note5]	¥ 23,421	¥ 10,676	¥ 9,785	¥ 10,619	¥ 10,060	¥ 10,184	¥ 13,231	¥ 11,990	¥ 12,660	¥ 12,663	**¥ 14,551**
Depreciation and amortization	26,777	19,226	20,267	18,649	19,909	12,887	13,976	17,365	22,673	38,348	**41,263**

Ten-Year Summary of Selected Financial Data

Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries

yen

	Japanese GAAP					IFRS				
	2014	2015	2016	2017[Note1]	2018	2018	2019	2020[Note2]	2021	2022	**2023**
Per share of common stock:											
Basic net profit (loss)	¥ 50.49	¥ 38.88	¥ 62.16	¥ 72.32	¥ 94.45	¥ 134.53	¥ 122.39	¥ 102.58	¥ 141.50	¥ 141.99	**¥ (187.55)**
Equity attributable to owners of the parent	1,003.11	1,135.21	1,123.76	1,158.80	1,215.84	1,139.50	1,253.82	1,340.74	1,461.31	1,530.08	**1,023.80**
Cash dividends applicable to the year	18.00	18.00	18.00	20.00	28.00	28.00	28.00	28.00	28.00	28.00	**21.00**
Financial indicators:											
ROIC[Note6]	—	—	—	—	—	12.1%	11.8%	3.3%	3.1%	1.7%	**(3.9%)**
ROE	5.4%	3.6%	5.5%	6.3%	8.0%	12.4%	10.2%	7.9%	10.1%	9.5%	**(14.7%)**
ROA	3.2%	2.3%	3.5%	3.9%	4.7%	6.7%	5.9%	3.9%	4.4%	4.3%	**(6.6%)**
Ratio of equity attributable to owners of the parent to total assets	60.5%	63.4%	63.1%	58.8%	60.3%	55.9%	59.7%	42.4%	44.4%	46.5%	**35.8%**
Dividend payout ratio	35.7%	46.3%	29.0%	27.7%	29.6%	20.8%	22.9%	27.3%	19.8%	19.7%	**—**

Items for which terminology differs between Japanese GAAP and IFRS

The Sumitomo Pharma Group has adopted the International Financial Reporting Standards (IFRS) for preparing its consolidated financial statements from the fiscal year ended March 31, 2018. For the fiscal year ended March 31, 2018, in addition to IFRS, figures based on Japanese GAAP are also included. The table above uses IFRS terminology. The table below shows the correspondence between Japanese GAAP and IFRS terminology.

Japanese GAAP	IFRS
Net sales	Revenue
Ratio to net sales	Ratio to revenue
Net income attributable to owners of the parent	Net profit attributable to owners of the parent
Net assets	Total equity
Basic net income	Basic net profit
Net assets	Equity attributable to owners of the parent
Equity ratio	Ratio of equity attributable to owners of the parent to total assets

Other notes

Notes: 1. Because provisional accounting treatment for business combinations conducted during the fiscal year ended March 31, 2017 was fixed during the fiscal year ended March 31, 2018, the allocation of acquisition costs was reviewed. Consequently, the figures for the year ended March 31, 2017 were adjusted retroactively.

2. Because provisional accounting treatment for business combinations conducted during the fiscal year ended March 31, 2020 was fixed during the fiscal year ended March 31, 2021, the allocation of acquisition costs was reviewed. Consequently, the figures for the year ended March 31, 2020 were adjusted retroactively.

3. Under Japanese GAAP, the category "selling, general and administrative expenses" includes research and development expenses and under IFRS it does not.

4. To coincide with the adoption of the IFRS, the Group has set "Core operating profit" as an earnings indicator showing the Company's recurring profitability. Core operating profit is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors (hereinafter, "non-recurring items") designated by the Group. Revenue and expenses under "RESULTS OF OPERATION (IFRS)" are reported by the "Core basis" figures after adjusting for non-recurring items.

5. Capital expenditures have typically shown the acquisition costs of property, plant and equipment and intangible assets. However, the figures under IFRS for the fiscal year ended March 31,2017 and after show the acquisition costs of property, plant and equipment and software.

6. ROIC: (Core operating profit – Income taxes) / (Total equity + Interest-bearing liabilities)

Results of Operations and Financial Condition

Results of operations (Fiscal year ended March 31, 2023)

Revenue decreased by 0.8% year-on-year to 555.5 billion yen.

Although sales revenue in the North America, China, and Other Regions segments increased due to the impact of foreign currency translation and other factors, total sales revenue decreased due to a significant decline in the Japan segment, which was affected by the transfer of sales of REPLAGAL® in the previous fiscal year and the termination of the sales collaboration for Trulicity® in the current fiscal year, as well as the National Health Insurance (NHI) drug price revisions.

Core operating profit decreased by 72.0% year-on-year to 16.4 billion yen.

Although other income was recorded from the transfer of shares in Sumitomo Pharma Food & Chemical Co., Ltd., sale of the U.S. Food and Drug Administration (FDA)'s priority review voucher (PRV)*, and the transfer of marketing rights for BROVANA® and XOPENEX HFA®, treatments for chronic obstructive pulmonary disease (COPD) and asthma, respectively, core operating profit decreased due to a decline in gross profit and a significant increase in selling, general and administrative expenses as well as research and development expenses due to the impact of foreign currency translation and other factors.

*priority review voucher (PRV): Priority review rights for other items granted by the regulatory authorities to companies that have obtained approval for items that are difficult to develop, such as rare diseases.

Operating loss totaled 77.0 billion yen (a decrease of 137.2 billion yen year-on-year from the previous year's operating profit).

Due to the revision of the revenue forecast for KYNMOBI®, a treatment for OFF episodes in patients with Parkinson's disease, all patent rights (intangible assets) related to this product were impaired (55.4 billion yen). In addition, due to the discontinuation of the development of dubermatinib (product code: TP-0903) in the oncology area, in-process research and development (intangible assets) related to this product was fully impaired (20.6 billion yen), and a portion of goodwill related to the oncology area was also impaired (3.5 billion yen), resulting in total impairment losses of 88.2 billion yen. Furthermore, the Company recorded business restructure improvement expenses for the Group companies in North America, resulting in operating loss.

Loss before taxes totaled 47.9 billion yen (a decrease of 130.9 billion yen year-on-year from the previous year's profit before taxes).

Although financial income/expenses - a balance of financial income after the deduction of financial expenses - increased due to forex gains resulting from the yen's depreciation at the closing date of the period, the impact of the decrease in operating profit/loss was significant, which led to loss before income taxes.

Net Loss totaled 96.7 billion yen (a decrease of 137.3 billion yen year-on-year from the previous year's net profit).

Profit before taxes decreased, resulting in net loss.

Net loss attributable to owners of the parent totaled 74.5 billion yen (a decrease of 130.9 billion yen year-on-year from the previous year's net profit attributable to owners of the parent).

The impact of the decrease in net profit was significant, resulting in a decrease in the net profit attributable to owners of the parent, the amount of net loss less the amount of losses attributable to non-controlling interests.

Financial position (Fiscal year ended March 31, 2023)

Summary of assets, liabilities, and equity

- Assets

Non-current assets decreased by 55.6 billion yen from the previous fiscal year-end, mainly due to a decrease in intangible assets resulting from impairment losses, although other financial assets increased due to changes in the fair value assessment of investment securities held by the Company, and goodwill increased due to the impact of foreign currency translation.

The total consideration for making Myovant a wholly-owned subsidiary (the "Acquisition of the Wholly-Owned Subsidiary") amounted to approximately 1.7 billion U.S. dollar, which was financed by cash on hand and a bridge loan (short-term loan). Consequently, current assets decreased 117.7 billion yen from the previous fiscal year-end, due to a decrease in cash and cash equivalents as well as a decrease in trade and other receivables.

As a result, total assets decreased by 173.3 billion yen from the previous fiscal year-end to 1,134.7 billion yen.

Results of Operations and Financial Condition

- Liabilities

Liabilities increased by 93.5 billion yen from the previous fiscal year-end to 728.0 billion yen, due to an increase in short-term loans payable, as well as an increase in income taxes payable and deferred tax liabilities. Bonds and borrowings totaled 334.7 billion yen, an increase of 65.7 billion yen from the previous fiscal year-end.

- Equity

Equity attributable to owners of the parent decreased by 201.1 billion yen from the previous fiscal year-end to 406.7 billion yen, due to a significant decrease in retained earnings resulting from the net loss attributable to owners of the parent and the Acquisition of the Wholly-Owned Subsidiary as well as a decrease in capital surplus resulting from the Acquisition of the Wholly-Owned Subsidiary, despite an increase in other components of equity. Non-controlling interests decreased by 65.6 billion yen from the previous fiscal year-end due to the Acquisition of the Wholly-Owned Subsidiary.

As a result, total equity decreased by 266.8 billion yen from the previous fiscal year-end to 406.8 billion yen.

The ratio of equity attributable to owners of the parent to total assets as of the end of the fiscal year under review was 35.8%.

In connection with a share transfer agreement executed in the third quarter for a consolidated subsidiary, Sumitomo Pharma Animal Health Co., Ltd., related assets are classified as assets held for sale, liabilities are classified as liabilities directly related to assets held for sale, and equity is classified as other comprehensive income related to assets held for sale, respectively.

Status of cash flows (Fiscal year ended March 31, 2023)

- Net cash provided by (used in) operating activities

Cash flows provided by operating activities amounted to 11.9 billion yen, a decrease of 19.3 billion yen year-on-year, mainly due to an increase in non-cash profit/loss items such as impairment losses, as well as decreases in trade and other receivables, and income taxes paid, despite a decrease in profit before taxes.

- Net cash provided by (used in) investing activities

Cash flows provided by investing activities amounted to 52.4 billion yen, an increase of 70.7 billion yen year-on-year, mainly due to an increase from the loss of control of a subsidiary through the sale of shares in Sumitomo Pharma Food & Chemical Co., Ltd. and a decrease in payments for purchase of investments as well as proceeds from sales of intangible assets.

- Net cash provided by (used in) financing activities

Cash flows used in financial activities amounted to 146.8 billion yen, an increase of 125.4 billion yen year-on-year, due to the significant impact of the acquisition of interests in a subsidiary from non-controlling interests as a result of the acquisition of Myovant's shares.

- Cash and cash equivalents

As a result of the above, the balance of cash and cash equivalents as of March 31, 2023 was 143.5 billion yen, a decrease of 59.5 billion yen from the previous fiscal year-end.

Allocation of the Company's profits

The allocation of the Company's profits in a customarily appropriate manner to its shareholders is one of the Company's fundamental management policies.

The Company's basic policy is to make dividend payments from retained earnings twice each year, an interim dividend and a year-end dividend. The Company's Board of Directors determines interim dividends and the general meeting of shareholders determines year-end dividends.

The Company believes it important to distribute surpluses in an appropriate manner reflecting any improvement in its performance. Accordingly, a performance-linked dividend hike will be considered in addition to consistent dividend payments. In its continuous effort to further increase its corporate value, the Company remains committed to establishing a solid management base and a strong financial position, while making proactive investments for sustained business growth. In the Mid-term Business Plan 2022 covering the period from fiscal 2018 through 2022, the Company has aimed for a five-year average dividend payout ratio of 20% or higher.

For the fiscal year under review (fiscal year ended March 31, 2023), the Company reported core operating profit of 16.4 billion yen; however, due to a large amount of impairment losses, the net loss attributable to owners of the parent amounted to 74.5 billion yen.

Based on the above dividend policy and earning results of the fiscal year under review, the Company paid a year-end dividend of 7 yen per share, a decrease of 7

Results of Operations and Financial Condition

yen per share from the previous fiscal year, resulting in an annual dividend of 21 yen per share.

Including the year-end dividend, the total dividend for the five years of Mid-term Business Plan 2022 amounted to 133 yen per share, and the dividend payout ratio against the five-year cumulative total amount of net profit attributable to owners of the parent was 41.4%.

Regarding future dividends, under the five-year Mid-term Business Plan 2027 covering the period from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2028, the Company has adopted a policy of not paying dividends in the fiscal year ending March 31, 2024 due to the expected loss in core operating profit, and a policy of resuming dividends in the fiscal year ending March 31, 2025 with core operating profit returning to profitability, after which the Company will aim for a consistent dividend.

Forecasts for the year ending March 31, 2024

The Group previously had four reportable segments: Japan, North America, China, and Other Regions. However, following the formulation of the Mid-term Business Plan 2027, the Group has changed to three reportable segments, Japan, North America, and Asia, effective from the fiscal year ending March 31, 2024, in order to more appropriately present the Group's management situation.

In the Japan segment, although we will focus on expanding sales of new products such as LATUDA® and TWYMEEG®, revenue is forecasted to decrease by 69.5 billion yen to 114.1 billion yen due to the impact of the termination of sales of Trulicity®, drug price revisions, and a decline in sales of long-listed products, as well as the recognition of upfront licensing payments as revenue in the previous fiscal year, and the impact that Sumitomo Pharma Food & Chemical Co., Ltd. and Sumitomo Pharma Animal Health Co., Ltd. are no longer under the Group's umbrella following the transfer of all shares in these two companies.

In the North America segment, although we will strive to expand sales of new products such as ORGOVYX®, a treatment for advanced prostate cancer, MYFEMBREE®, a treatment for uterine fibroids and endometriosis, and GEMTESA®, a treatment for overactive bladder, revenue is forecasted to decrease by 119.7 billion yen to 208.8 billion yen due to the significant impact of the expiration of the exclusive marketing period of LATUDA® in the U.S.

In the Asia segment, revenue is forecasted to decrease by 4.4 billion yen to 39.1 billion yen due to the impact of decreased sales of MEROPEN®, a carbapenem antibiotic formulation, in China for the full year affected by policies to curb drug costs.

As a result, overall consolidated revenue is expected to be 362.0 billion yen, a decrease of 193.5 billion yen from the actual results for the fiscal year under review (the fiscal year ended March 31, 2023).

Gross profit is forecasted to decrease by 148.8 billion yen due to a decrease in sales revenue of LATUDA® in the U.S. and other products. Selling, general and administrative expenses, and research and development expenses are expected to decrease by 107.7 billion yen mainly due to cost synergies from the combination of the U.S. group companies on July 1, 2023, and a reduction in sales-related expenses following the expiration of the exclusive marketing periods of LATUDA® in the U.S.

On the other hand, other income (core) is forecasted to decrease by 37.2 billion yen due to the absence of gains from the transfer of shares in Sumitomo Pharma Food & Chemical Co., Ltd. and one-time income such as the proceeds from the sale of FDA's priority review voucher (PRV), which were recorded in the fiscal year under review.

As a result of the above, core operating profit is forecasted to decrease by 78.4 billion yen to an operating loss of 62.0 billion yen year-on-year.

Since a large amount of impairment losses on intangible assets were recorded in the fiscal year under review, the income and expenses of non-recurring items are expected to improve significantly. Nonetheless, the impact of the decrease in core operating profit is expected to be significant, resulting in an operating loss of 78.0 billion yen, an increase of 1.0 billion yen in loss. Net loss is forecasted to decrease by 16.7 billion yen to a loss of 80.0 billion yen due to an expected decrease in income taxes for the fiscal year ending March 31, 2024, while foreign exchange gains were recorded in the fiscal year under review, and the net loss attributable to owners of the parent is forecasted to increase by 5.5 billion yen to a loss of 80.0 billion yen due to the absence of the non-controlling interest gain/loss of Myovant.

Foreign currency exchange rates used for the forecasts are: 1 USD = 130.00 JPY (135.51 JPY in the fiscal year under review) and 1 RMB = 19.50 JPY (19.75 JPY in the fiscal year under review).

For business risks, please refer to p. 26-29 of the Annual Securities Report for the 203rd term (from April 1, 2022 to March 31, 2023).

Consolidated Financial Statements

Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2023 and 2022

Consolidated statement of profit or loss

(Millions of yen)

	2022	2023
Revenue	¥ 560,035	**¥ 555,544**
Cost of sales	157,127	**178,919**
Gross profit	402,908	**376,625**
Selling, general and administrative expenses	249,081	**373,316**
Research and development expenses	94,903	**131,858**
Other income	2,406	**53,256**
Other expenses	1,096	**1,686**
Operating profit (loss)	60,234	**(76,979)**
Finance income	25,777	**32,218**
Finance costs	3,050	**3,159**
Profit (loss) before taxes	82,961	**(47,920)**
Income tax expenses	42,361	**48,794**
Net profit (loss)	40,600	**(96,714)**
Net profit (loss) attributable to:		
Owners of the parent	56,413	**(74,512)**
Non-controlling interests	(15,813)	**(22,202)**
Net profit (loss) total	40,600	**(96,714)**
Earnings per share (yen)		
Basic earnings (loss) per share	141.99	**(187.55)**

Consolidated statement of comprehensive income

(Millions of yen)

	2022	2023
Net profit (loss)	¥ 40,600	**¥ (96,714)**
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(56,800)	**18,334**
Remeasurements of defined benefit liability (asset)	2,307	**3,553**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	42,004	**39,850**
Cash flow hedges	50	**(108)**
Total other comprehensive income	(12,439)	**61,629**
Total comprehensive income	28,161	**(35,085)**
Total comprehensive income attributable to:		
Owners of the parent	37,574	**(19,909)**
Non-controlling interests	(9,413)	**(15,176)**
Total comprehensive income	28,161	**(35,085)**

Consolidated Financial Statements

Consolidated statement of financial position

(Millions of yen)

	2022	2023
Assets		
Non-current assets		
Property, plant and equipment	¥ 64,091	**¥ 58,909**
Goodwill	195,144	**209,415**
Intangible assets	398,692	**329,314**
Other financial assets	115,844	**134,007**
Income taxes receivables	5,538	**6,042**
Other non-current assets	6,527	**4,350**
Deferred tax assets	22,650	**10,845**
Total non-current assets	808,486	**752,882**
Current assets		
Inventories	99,021	**94,405**
Trade and other receivables	151,407	**95,908**
Other financial assets	35,596	**20,174**
Income taxes receivables	93	**2,722**
Other current assets	10,420	**17,675**
Cash and cash equivalents	202,984	**143,478**
Subtotal	499,521	**374,362**
Assets held for sale	—	**7,498**
Total current assets	499,521	**381,860**
Total assets	1,308,007	**1,134,742**

(Millions of yen)

	2022	2023
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	¥ 243,963	**¥ 244,128**
Other financial liabilities	16,471	**11,869**
Retirement benefit liabilities	11,461	**5,008**
Other non-current liabilities	57,620	**57,756**
Deferred tax liabilities	26,550	**36,505**
Total non-current liabilities	356,065	**355,266**
Current liabilities		
Borrowings	25,085	**90,588**
Trade and other payables	46,183	**52,141**
Other financial liabilities	13,302	**7,010**
Income taxes payable	7,583	**24,053**
Provisions	119,149	**119,083**
Other current liabilities	67,071	**78,013**
Subtotal	278,373	**370,888**
Liabilities directly associated with assets held for sale	—	**1,806**
Total current liabilities	278,373	**372,694**
Total liabilities	634,438	**727,960**
Equity		
Share capital	22,400	**22,400**
Capital surplus	16,725	**—**
Treasury shares	(681)	**(682)**
Retained earnings	514,210	**280,999**
Other components of equity	55,234	**103,357**
Other comprehensive income associated with assets held for sale	—	**675**
Equity attributable to owners of the parent	607,888	**406,749**
Non-controlling interests	65,681	**33**
Total equity	673,569	**406,782**
Total liabilities and equity	¥ 1,308,007	**¥ 1,134,742**

Consolidated Financial Statements

Consolidated statement of changes in equity

(Millions of yen)

	Equity attributable to owners of the parent											Non-controlling interests	Total equity
					Other components of equity						Total		
	Share capital	Capital surplus	Treasury shares	Retained earnings	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit liability (asset)	Exchange differences on translation of foreign operations	Cash flow hedges	Total	Other comprehensive income associated with assets held for sale			
Balance as of April 1, 2021	¥ 22,400	¥ 15,855	¥ (679)	¥ 508,677	¥ 38,575	¥ —	¥ (4,331)	¥ 73	¥ 34,317	¥ —	¥ 580,570	¥ 67,608	¥ 648,178
Net profit	—	—	—	56,413	—	—	—	—	—	—	56,413	(15,813)	40,600
Other comprehensive income	—	—	—	—	(56,800)	2,307	35,604	50	(18,839)	—	(18,839)	6,400	(12,439)
Total comprehensive income	—	—	—	56,413	(56,800)	2,307	35,604	50	(18,839)	—	37,574	(9,413)	28,161
Purchase of treasury shares	—	—	(2)	—	—	—	—	—	—	—	(2)	—	(2)
Dividends	—	—	—	(11,124)	—	—	—	—	—	—	(11,124)	—	(11,124)
Changes associated with losing control of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—
Transaction with non-controlling interests	—	870	—	—	—	—	—	—	—	—	870	7,486	8,356
Reclassification from other components of equity to retained earnings	—	—	—	(39,756)	42,063	(2,307)	—	—	39,756	—	—	—	—
Transfer to other comprehensive income associated with assets held for sale	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer of negative balance of other capital surplus	—	—	—	—	—	—	—	—	—	—	—	—	—
Total transactions with owners	—	870	(2)	(50,880)	42,063	(2,307)	—	—	39,756	—	(10,256)	7,486	(2,770)
Balance as of March 31, 2022	¥ 22,400	¥ 16,725	¥ (681)	¥ 514,210	¥ 23,838	¥ —	¥ 31,273	¥ 123	¥ 55,234	¥ —	¥ 607,888	¥ 65,681	¥ 673,569
Net profit (loss)	—	—	—	**(74,512)**	—	—	—	—	—	—	**(74,512)**	**(22,202)**	**(96,714)**
Other comprehensive income	—	—	—	—	**18,334**	**3,553**	**32,824**	**(108)**	**54,603**	—	**54,603**	**7,026**	**61,629**
Total comprehensive income	—	—	—	**(74,512)**	**18,334**	**3,553**	**32,824**	**(108)**	**54,603**	—	**(19,909)**	**(15,176)**	**(35,085)**
Purchase of treasury shares	—	—	**(1)**	—	—	—	—	—	—	—	**(1)**	—	**(1)**
Dividends	—	—	—	**(11,124)**	—	—	—	—	—	—	**(11,124)**	—	**(11,124)**
Changes associated with losing control of subsidiaries	—	—	—	**991**	**(976)**	—	—	**(15)**	**(991)**	—	—	—	—
Transactions with non-controlling interests	—	**(170,105)**	—	—	—	—	—	—	—	—	**(170,105)**	**(50,472)**	**(220,577)**
Reclassification from other components of equity to retained earnings	—	—	—	**4,814**	**(1,261)**	**(3,553)**	—	—	**(4,814)**	—	—	—	—
Transfer to other comprehensive income associated with assets held for sale	—	—	—	—	**(675)**	—	—	—	**(675)**	**675**	—	—	—
Transfer of negative balance of other capital surplus	—	**153,380**	—	**(153,380)**	—	—	—	—	—	—	—	—	—
Total transactions with owners	—	**(16,725)**	**(1)**	**(158,699)**	**(2,912)**	**(3,553)**	—	**(15)**	**(6,480)**	**675**	**(181,230)**	**(50,472)**	**(231,702)**
Balance as of March 31, 2023	**¥ 22,400**	**¥ —**	**¥ (682)**	**¥ 280,999**	**¥ 39,260**	**¥ —**	**¥ 64,097**	**¥ —**	**¥ 103,357**	**¥ 675**	**¥ 406,749**	**¥ 33**	**¥ 406,782**

Consolidated Financial Statements

Consolidated statement of cash flows

(Millions of yen)

	2022	2023
Cash flows from operating activities		
Net profit (loss)	¥ 40,600	**¥ (96,714)**
Depreciation and amortization	38,348	**41,263**
Impairment losses	910	**88,167**
Gain on sales of shares in subsidiaries	—	**(24,735)**
Changes in fair value of contingent consideration	(3,282)	**(3,388)**
Loss (gain) on sales of property, plant and equipment	(141)	**(338)**
Loss (gain) on intangible assets	(174)	**(11,979)**
Interest and dividend income	(1,175)	**(5,486)**
Interest expenses	2,970	**2,640**
Income tax expenses	42,361	**48,794**
(Increase) decrease in trade and other receivables	(6,097)	**51,218**
(Increase) decrease in inventories	5,356	**4,560**
Increase (decrease) in trade and other payables	(28,669)	**5,318**
Increase (decrease) in unearned revenue	(469)	**(5,035)**
Increase (decrease) in other financial liabilities	(11,540)	**(4,731)**
Increase (decrease) in retirement benefits liabilities	(348)	**(5,435)**
Increase (decrease) in provisions	8,034	**(11,017)**
Others, net	(11,779)	**(38,775)**
Subtotal	74,905	**34,327**
Interest received	173	**4,510**
Dividends received	992	**974**
Interest paid	(2,500)	**(2,424)**
Income taxes paid	(42,331)	**(25,450)**
Net cash provided by (used in) operating activities	31,239	**11,937**

(Millions of yen)

	2022	2023
Cash flows from investing activities		
Purchase of property, plant and equipment	¥ (7,347)	**¥ (8,467)**
Proceeds from sales of property, plant and equipment	1,313	**1,322**
Purchase of intangible assets	(6,147)	**(4,275)**
Proceeds from sales of intangible assets	174	**12,115**
Purchase of investments	(25,905)	**(6,247)**
Proceeds from sales and redemption of investments	19,472	**10,068**
Net decrease (increase) in short-term loan receivables	1,133	**15,684**
Proceeds from loss of control of subsidiaries	153	**30,172**
Others, net	(1,124)	**2,047**
Net cash provided by (used in) investing activities	(18,278)	**52,419**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	29	**85,559**
Repayments of long-term borrowings	(4,960)	**(20,060)**
Repayments of finance lease liabilities	(4,499)	**(3,755)**
Dividends paid	(11,126)	**(11,125)**
Payments for acquisition of interest in a subsidiary from non-controlling interests	(3,636)	**(198,409)**
Others, net	2,766	**973**
Net cash provided by (used in) financing activities	(21,426)	**(146,817)**
Net increase (decrease) in cash and cash equivalents	(8,465)	**(82,461)**
Cash and cash equivalents at beginning of year	193,698	**202,984**
Effect of exchange rate changes on cash and cash equivalents	17,751	**24,090**
Cash and cash equivalents at end of year	202,984	**144,613**
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	—	**(1,135)**
Cash and cash equivalents at end of period (Consolidated Statement of Financial Position)	¥ 202,984	**¥ 143,478**

Main Products

Psychiatry & Neurology area

LATUDA®

Revenue: ¥208.1 billion
(North America: ¥198.5 billion / Japan: ¥9.6 billion)

Indications Schizophrenia, Bipolar I depression

Features	An atypical antipsychotic with antagonistic effects for dopamine D_2, serotonin 5-HT_{2A} and serotonin 5-HT_7 receptors and also acts as a partial agonist on serotonin 5-HT_{1A} receptors.
About target disease	• Schizophrenia is a chronic disorder with various symptoms, including hallucinations, delusions, social withdrawal, decreased spontaneity, cognitive impairment, anxiety, and depression, that makes life, employment, and education difficult. There are more than 2 million people in the U.S. and approximately 800,000 people in Japan living with schizophrenia. • Bipolar disorder is a chronic and serious disease characterized by repeated cycles of manic and depressive episodes. The main symptoms reported are depressed mood, loss of interest and joy, significant weight loss, insomnia, fatigue, feelings of worthlessness, decrease in ability to concentrate, and repeated suicide attempts. There are approximately 12.6 million adults in the U.S. that experience bipolar depression. There are approximately 300,000 people in Japan living with bipolar depression.

LONASEN® Tape

Revenue: ¥2.9 billion (Japan)

Indications Schizophrenia

Features	The world's first transdermal formulation approved for the indication of schizophrenia.
About target disease	• See LATUDA® for Schizophrenia

APTIOM®

Revenue: ¥33.7 billion (North America)

Indications Partial-onset seizures
(Monotherapy/Combination therapy)

Features	APTIOM® is a once-daily antiepileptic treatment FDA-approved for use as a monotherapy or adjunctive therapy for partial-onset seizures.
About target disease	• In the U.S., epilepsy is the fourth most prevalent neurological condition and approximately 3.4 million adults in the U.S. are living with epilepsy, including approximately 470,000 children aged 0 to 17 years.

TRERIEF®

Revenue: ¥16.7 billion (Japan)

Indications Parkinson's disease, Parkinsonism in dementia with Lewy bodies

Features	Parkinson's disease drug with levodopa-enhancing effect.
About target disease	• The number of Parkinson's disease patients in Japan is approximately 160,000. Onset often affects those aged 50-65, with the rate of incidence increasing with age. • Since no treatment currently exists for stopping the progression of the disease, appropriate pharmaceutical treatment or surgery is selected according to the severity of conditions.

Oncology area

ORGOVYX®

(relugolix monotherapy)
Revenue: ¥24.7 billion (North America)

Indications Advanced prostate cancer

Features	The first and only oral gonadotropin-releasing hormone (GnRH) receptor antagonist approved in the U.S.
About target disease	• Prostate cancer is the second most prevalent form of cancer in men and the second leading cause of death due to cancer in men in the U.S. • More than 3 million men diagnosed with prostate cancer are alive in the U.S., and nearly 270,000 men were newly diagnosed in 2022.

Other area

MYFEMBREE®

(relugolix, combination tablet)
Revenue: ¥4.5 billion (North America)

Indications Uterine fibroids / Endometriosis

Features	The first and only once-daily pill approved in the U.S. to treat pre-menopausal women for both heavy menstrual bleeding associated with uterine fibriods and moderate to severe pain associated with endometriosis.
About target disease	• An estimated 26 million women in the U.S. between the ages of 15 and 50 have uterine fibroids. More than 15 million of them will experience associated symptoms or health concerns. • Approximately 6.5 million women in the U.S. are living with endometriosis.

GEMTESA®

Revenue: ¥24.7 billion (North America)

Indications Overactive bladder

Features	First and only ß3-adrenergic receptor agonist in the U.S. with urgency data and no blood pressure warning in its label.
About target disease	• Approximately over 33 million people in the U.S. suffer from bothersome symptoms of OAB, including urinary urgency, urge urinary incontinence, frequent urination, and nocturia which can have a significant impairment on a patient's day-to-day activities.

Equa®/EquMet®

Revenue: ¥33.6 billion (Japan)

Indications Type 2 diabetes

Features	Equa®: DPP-4 Inhibitor EquMet®: A combination agent that includes DPP-4 Inhibitor and metformin.
About target disease	• An estimated 10 million people in Japan have diabetes, with the majority of them having type 2 diabetes. • Basic treatment is through exercise and dietary approaches; however, when blood glucose levels are not adequately managed, oral or injectable hypoglycemic agents are administered.

TWYMEEG®

Revenue: ¥2.2 billion (Japan)

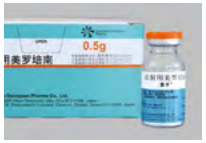
Indications Type 2 diabetes

Features	• An oral hypoglycemic agent in a new class with a structure different from other such existing agents. • This drug may show a glucose lowering effect by both a pancreatic action that promotes glucose concentration-dependent insulin secretion and an extra-pancreatic action that improves glucose metabolism in the liver and skeletal muscle (suppression of gluconeogenesis and improvement of glucose uptake) through an action on mitochondria.
About target disease	• See Equa® and EquMet® for type 2 diabetes

MEROPEN®

(brand name in China: MEPEM®)
Revenue: ¥28.5 billion (China)

Indications General infections, febrile neutropenia



Features	Standard therapy for severe infections, used in many countries.

Note: Revenue for the Japan market is fiscal 2022 performance results based on Invoice price.

Value Chain Initiatives

Sumitomo Pharma Group contributes not only to patient care but also to improving the quality of life (QOL) for patients and their families by continually creating solutions, primarily innovative pharmaceutical products through its value chain.

Research

With Psychiatry & Neurology and Oncology as priority disease areas, we will pursue diverse modalities including pharmaceutical products, regenerative medicine/cell therapy, and non-pharmaceutical solutions.

- Basic research (2–3 years): Discover and create new compounds that will be the starting point for medicines.
- Non-clinical studies (3–5 years): Examine the pharmacological activity and toxicity of candidate compounds for medicines using animals and cultured cells.
- Make extensive use of cutting-edge technologies that have been developed by ourselves or obtained from academia or biotech companies.

Clinical development

Based on our global development organization, we aim to obtain the early approval by formulating strategic clinical development plans and conducting clinical development effectively.

- Clinical studies (3–7 years): Clinical studies for obtaining approval are divided into three phases and are conducted in clinical sites such as hospitals with the enrollment of healthy volunteers and patients after obtaining their informed consent.
- Design products and develop processes to make products that are easy to use.
- Submit new drug applications to the Ministry of Health, Labor and Welfare for approval.

Production and quality control

We provide a stable supply of products under strict quality controls.

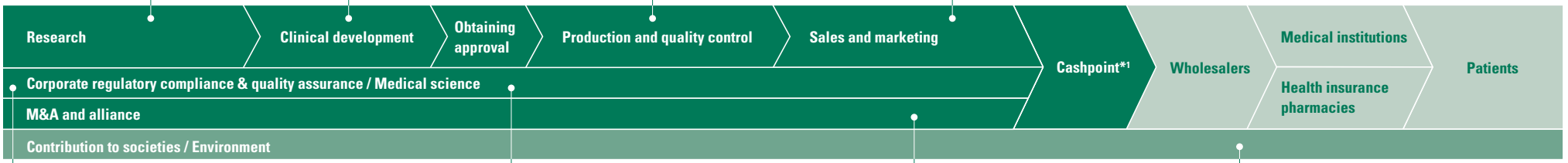
- Consistently produce high quality products under our global supply chain system that covers procurement of raw materials through to distribution under strict quality controls.
- Provide medical institutions and dispensing pharmacies all over Japan with products.

→For details, please refer to the "Corporate Regulatory Compliance and Quality Assurance" and "Provision of Stable Supplies" on our website.

Sales and marketing

We engage in activities tailored to the region centered on Japan, North America, China and Asia.

- Through an information provision system capable of adapting to market changes, provide healthcare professionals with information on proper use of products.



Corporate regulatory compliance & quality assurance

We assure the quality of our products and information at a global level, from the development stage through to post-marketing stage.

- Established a quality assurance and audit system that delivers global "A-N-SHI-N*2."
- Conduct integrated management of safety information, including adverse reactions, from the development stage (clinical studies) to the post-marketing stage and engage in proactive safety measures and provision of information.

→For details, please refer to the "Corporate Regulatory Compliance and Quality Assurance" on our website.

Medical science

Create, provide, and disseminate high-level information that is based on robust scientific evidence and that meets medical needs.

- Build up and disseminate evidence to satisfy unmet medical needs.

→For details, please refer to the "Medical Science" on our website.

M&A and alliance

In the interest of expanding the development pipeline, we are stepping up M&A, in-licensing, and alliance making, while also promoting alliances with outside research institutions.

- Actively promote strategic investment in acquisitions and in-licensing
- Consider a broad range of assets and alliances in our focus areas for in-licensing, with a priority on late-stage development assets and approved products.
- Enter into research alliances with research institutions that include universities in Japan and overseas, as well as biotech companies with innovative technologies.
- Engage in an open innovation activity called PRISM through which we call for original ideas and conduct joint research to match our drug discovery research needs.

Contribution to societies

We are working on offering solutions to problems in society, by listening to expectations and requests, and reflecting them in our business operations and social contribution activities.

→For details, please refer to the "Social Contribution" on p. 83.

Environment

We are aware of its responsibility for its own environmental impact and are working to reduce environmental impact across all business activities.

→For details, please refer to the "Environment" on p. 70.

*1 Cashpoint: We sell pharmaceutical products to wholesalers, delivering the products to medical institutions and health insurance pharmacies through wholesalers which are then prescribed to patients. The method for determining the official prices for ethical pharmaceuticals (drug prices) varies according to the country. Please see p. 106 for details of basic knowledge of pharmaceuticals.

*2 A-N-SHI-N: Trustworthiness, reliability, peace of mind, making people feel reassured and safe.

Basic Knowledge of Pharmaceuticals

What are pharmaceuticals?

Pharmaceuticals are used to diagnose, treat or prevent illness in a form that matches each purpose, such as internal use, external use, and injection. There are three types of pharmaceuticals: "ethical drugs" and "over-the-counter drugs," which can be purchased at pharmacies, drug stores, and online, and "drugs that require instruction" that must be sold in person to the user.

We research and develop, manufacture and sell ethical drugs called "new drugs (original drugs)," which are usually produced over a period of 10 or more years and substantial R&D investment. To provide effective and safe drugs, numerous regulations have been established, from research and development to drug launch, and we are required to verify their quality, efficacy and safety for a certain period of time (reexamination period) even after launch.

See p. 105 for details about our value chain initiatives.

Research and development and approval of new drugs

The efficacy and safety of new drugs are studied through the process of basic research, non-clinical study, and clinical study. Subsequently, after approval by the Minister of Health, Labor and Welfare and the listing of NHI drug prices, the drug is covered by insurance and can be prescribed to patients. The approval system varies by country, and the materials that each country's system requires must be submitted.

New drugs created through drug discovery are useful not only to treat and prevent disease, but also to promote cutting-edge research in various fields including medicine and pharmacology through drug discovery activities, leading to the advancement of science.

Pharmaceuticals and intellectual property

Research and development of a new drug takes a long time, and the probability of successfully launching a new drug is extremely low at 1 out of 21,963 possible outcomes. Furthermore, enormous R&D expenses are required.

See the ratio of R&D expenses to sales of the Company on p. 87.

Without the proper protection of the intellectual property of the developed drug, pharmaceutical companies will have a difficult time continuing to research and develop new drugs. Therefore, since pharmaceutical companies have the exclusive right to manufacture and sell new drugs for a certain period of time, they acquire and protect their intellectual property, mainly the patent rights.

A patent right is the right to protect an invention and is valid for 20 years from the patent's filing date. Pharmaceuticals require approval for manufacturing and marketing based on the Pharmaceuticals, Medical Devices and Other Therapeutic Products Act, and because it takes a long time to obtain that approval, the patent period will be eroded, so in some cases, an extension of the patent's life of up to five years may be permitted.

Pharmaceutical-related patents include "substance patents" that exclusively protect the pharmaceutical itself with a patent for the substance, and "use patents" related to new indications/effects, the safety, and others of specific substances. There are also "formulation patents" that are granted to new formulation innovations such as drug stabilization, and "process patents" that are granted if the process is different even for the exact same drug.

Generic name and product name

Pharmaceuticals have generic names and product names. The generic name is the "ingredient name" that indicates the ingredients of the drug itself, while the product name is the "brand name" registered as a trademark by the pharmaceutical company. Even if the product name is different, when the drug has the same active ingredients, the generic name is the same and is universally used.

Generic drug

When the reexamination period for verifying the efficacy and safety of a new drug and the term of its patent right have both expired, other pharmaceutical companies will be able to manufacture and sell drugs with the same active ingredients as the new drugs (original drugs) as generic drugs.

Originally, the drug's common name was called the generic name in English, so generic drugs that use the same active ingredients as the new drug are called generic drugs after the common name (generic name), which is the ingredient name.

Drug price system

In Japan, under its universal health insurance system, ethical drugs must not only obtain approval for their manufacture and marketing, but must also be listed in the "drug price standard." The "drug price standard" establishes the "product name" and "price" of pharmaceuticals that can be used for treatments that are covered by insurance, and is the official price (drug price)

Basic Knowledge of Pharmaceuticals

set by the Minister of Health, Labor and Welfare.

In the U.S., since there is no universal public health insurance that covers all citizens, the market is characterized by the extremely large presence of private health insurance companies. Moreover, based on market principles in operation between pharmaceutical companies, insurance companies and medical institutions, pharmaceutical companies can independently set drug prices.

Drug prices in Japan tend to be lower than in the U.S., which uses a free price system.

National Health Insurance (NHI) drug price revision

The drug price standard in Japan is based on the premise that the actual purchase price reflects the official price of ethical drugs. The Ministry of Health, Labor and Welfare reviews drug prices (drug price revisions) generally once every two years to ensure that market transaction prices are reflected in drug prices. In addition, in the year between the biannual drug price revisions, an "interim year revision" is supposed to be applied to products that substantially deviate from the drug price based on the idea that the actual market price will be reflected in the drug price in a timely manner so as to lower the financial burden on the public.

(Note) The Company has revised basic knowledge of pharmaceuticals based on "Textbook 2022-2023" published by the Japan Pharmaceutical Manufacturers Association.

Glossary

An explanation of terms used in the pharmaceutical industry.

- **Unmet medical needs**
  Medical needs that have not yet been met, in other words, medical needs for which there are still no effective treatment.
- **Key Opinion Leader (KOL)**
  An experienced physician who provides thought leadership in the diagnosis, treatment and research of a diseases.
- **In-licensing**
  Acquisition of the right to sell or develop a drug or drug candidate compound from another company. Typically, a portion of the profit is continuously paid to the licensor, and the profit is less than that of products developed in-house.
- **Translational research**
  "Bridging" research that links the results of basic research to practical applications such as the development of new pharmaceuticals and medical devices.
- **Pipeline**
  A compound that is a new drug candidate, etc.
- **First in class**
  Highly innovative pharmaceuticals. Notably, it is an original drug that is highly novel and effective and can substantially transform the conventional system of treatment.
- **Blockbuster**
  A new drug with unprecedented efficacy, such as a product that generates profits that far exceed development costs. While having no clear definition in terms of sales, it often refers to products that achieve more than ¥100 billion or $1 billion annually in sales.
- **Best in class**
  New drugs that have a clear advantage over the existing drugs.
- **Modality**
  This refers to the material classification (category) of a drug, and specifically includes small molecule compounds, therapeutic antibodies, nucleic acid drugs, regenerative and cell therapy medicine, and gene therapy. The definition of modality tends to shift from "substance" to "means," and therapeutic applications other than pharmaceuticals can be called a modality.
- **MR**
  Abbreviation for Medical Representative. Their main task is to collect, provide, and communicate information on the quality, efficacy, and safety of medicines to healthcare professionals such as doctors and pharmacists to ensure their proper use and dissemination.
- **New Drug Application (NDA)**
  Abbreviation for New Drug Application, and refers to new drug applications in the U.S.
- **POC**
  Abbreviation for Proof of Concept, which is the confirmation of expected safety and efficacy in humans.
- **Precision Medicine**
  High-precision healthcare through the understanding of pathophysiology and pathogenesis based on the latest science and technology, the stratification of patients using biomarkers, and the prediction of therapeutic effects.
- **QOL**
  Abbreviation for Quality of Life.

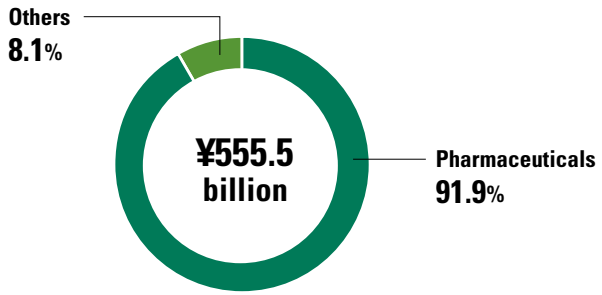
Corporate Profile

(As of June 30, 2023)

Name	Sumitomo Pharma Co., Ltd.
Establishment	May 14, 1897
Date of merger	October 1, 2005
Representative	Hiroshi Nomura, Representative Director, President and CEO
Number of employees	3,031 (5,744: consolidated)
Osaka head office	6-8, Doshomachi 2-chome, Chuo-ku, Osaka 541-0045, Japan TEL: +81-6-6203-5321
Tokyo head office	Tokyo Nihombashi Tower, 2-7-1, Nihonbashi, Chuo-ku, Tokyo 103-6020, Japan TEL: +81-3-5205-3720
Capital	¥22.4 billion
Total number of shares issued	397,900,154
Stock exchange listing	Tokyo Stock Exchange
Securities code	4506
Fiscal year-end	March 31
Ordinary general meeting of shareholders	June

Main banks	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd.
Key facilities	Osaka Head Office (Osaka) Tokyo Head Office (Tokyo) 12 Branches, 2 Plants (Mie, Oita) 2 Research Laboratories (Osaka) 2 Distribution Centers (Hyogo, Saitama)
Businesses (Consolidated)	Manufacturing and sales of pharmaceuticals and others

Composition of revenue (Consolidated: Fiscal year ended March 31, 2023)



Major consolidated subsidiaries (Japan)

	Establishment	Ownership	Fiscal year-end	Number of employees	Businesses
Sumitomo Pharma Promo Co., Ltd.	Jun 1998	100%	March 31	34	Manufacturing and sales of pharmaceuticals, etc.

Major consolidated subsidiaries (Overseas)

	Establishment	Ownership	Fiscal year-end	Number of employees	Businesses
Sumitomo Pharma America, Inc.	Jan 1984	100%	March 31	1,703*	Manufacturing and sales of pharmaceuticals
Sumitomo Pharma (Suzhou) Co., Ltd.	Dec 2003	100%	March 31	582	Manufacturing and sales of pharmaceuticals

*Include employees of consolidated subsidiaries. As of July 1, 2023

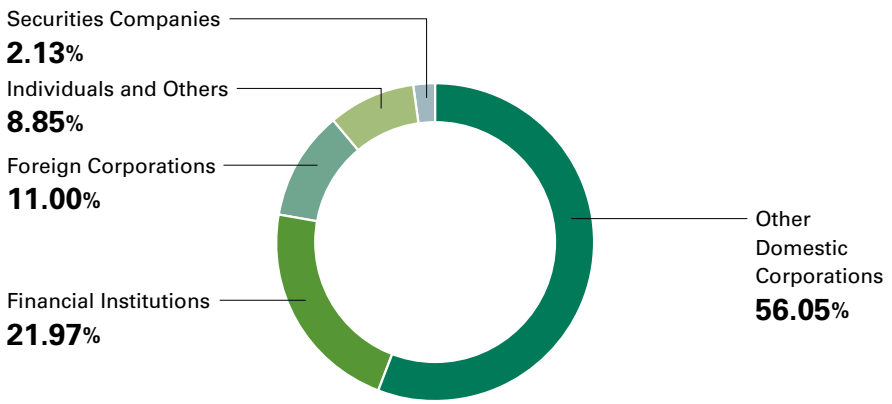
Shareholder Data

Principal shareholders (As of March 31, 2023)

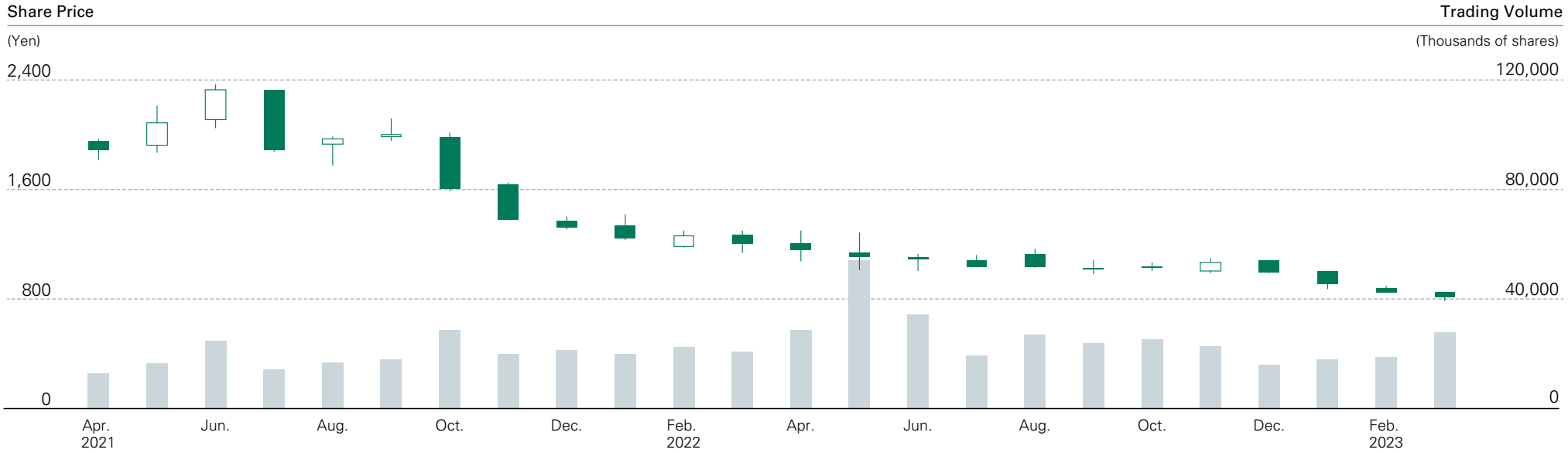
Name of Shareholders	No. of Shares Held (Thousands of Shares)	Percentage of Shareholding
Sumitomo Chemical Co., Ltd.	205,634	51.76
The Master Trust Bank of Japan, Ltd. (Trust account)	39,494	9.94
Custody Bank of Japan, Ltd. (Trust account)	15,797	3.98
Inabata & Co., Ltd.	9,782	2.46
Nippon Life Insurance Company	7,581	1.91
SMBC Trust Bank Ltd.(Trust account for Sumitomo Mitsui Banking Corporation's retirement benefits)	7,000	1.76
Sumitomo Life Insurance Company	5,776	1.45
Sumitomo Pharma Employee shareholders' association	3,136	0.79
BNYM AS AGT/CLTS NON TREATY JASDEC	3,098	0.78
Aioi Nissay Dowa Insurance Co., Ltd.	2,661	0.67

Notes: 1. No. of Shares Held is rounded down to the nearest thousand.
2. The shareholding ratio is calculated by excluding the number of treasury stock (608,365 shares).
3. The 7,000,000 shares of the Company which are held by SMBC Trust Bank Ltd. (Trust account for Sumitomo Mitsui Banking Corporation's retirement benefits) and which were contributed by Sumitomo Mitsui Banking Corporation, were placed in a retirement benefit trust account.

Composition of shareholders (As of March 31, 2023)



Share price range and trading volume



External Evaluations of Sumitomo Pharma Group on Sustainability

MSCI Japan Empowering Women Index (WIN)*

The MSCI Japan Empowering Women Index (WIN) aims to represent the performance of companies that are leading within their GICS® sector groups in terms of promoting and maintaining gender diversity while also meeting certain quality factor criteria. Sumitomo Pharma has been continuously included in the index since 2017, with the exception of 2018.

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

FTSE4Good Index Series

The FTSE4Good Index Series is created by the global index provider FTSE Russell (U.K.) to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Sumitomo Pharma has been independently assessed according to the FTSE4Good criteria, and has continuously satisfied the requirements to become a constituent of this index since 2003.

FTSE4Good

FTSE Blossom Japan Index*

The FTSE Blossom Japan Index is created by the global index provider FTSE Russell (U.K.) to measure the performance of Japanese companies demonstrating strong Environmental, Social and Governance (ESG) practices. Sumitomo Pharma has continuously included as a constituent in the Index since 2017 when the Index was launched.

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index*

The FTSE Blossom Japan Sector Relative Index is created by the global index provider FTSE Russell (U.K.) to measure the performance of Japanese companies demonstrating strong Environmental, Social and Governance (ESG) practices in each sector. Sumitomo Pharma has been continuously included as a constituent in the Index since 2022 when the Index was launched.

FTSE Blossom Japan Sector Relative Index

Morningstar Japan ex-REIT Gender Diversity Tilt Index*

Built with the data and scoring methodology of Equileap (Netherlands), the Morningstar (U.S.) Gender Diversity Indexes are designed to emphasize the stocks of companies that have strong gender diversity policies embedded in their corporate culture and that ensure equal opportunities to employees, irrespective of their gender. This index was newly adopted by GPIF from March 2023. Sumitomo Pharma has been included in the constituent stocks since its establishment in 2023, and has been certified as the highest "Group 1."

MORNINGSTAR GenDi J
Japan ex-REIT Gender Diversity Tilt Index
TOP CONSTITUENT 2023

SOMPO Sustainability Index

SOMPO Sustainability index is created by the SOMPO Asset Management and is used in SRI (socially responsible investment) fund for pension funds or institutional investors to invest widely in companies with the high ESG (environment, society, governance) evaluation ratings. Sumitomo Pharma has been continuously included as a constituent in the Index since 2012 when the Index was launched.

2023 Sompo Sustainability Index

SUSTAINA ESG AWARD

SUSTAINA ESG AWARD is established by SUSTAINA JAPAN in order to celebrate and empower private companies that proactively implement their ESG (Environment, Social, and Governance) management. Based on the original ESG assessment metrics processed by AI, additionally combined with financial evaluation, top 100 ranked companies are selected as ESG Management Leading Companies. In fiscal 2022, Sumitomo Pharma was selected as one of the Sustainability Management Leading Companies and received a Bronze Class award as one of the top 51 to 100 companies selected.

SUSTAINA ESG AWARDS 2022 BRONZE CLASS Overall Category

S&P/JPX Carbon Efficient Index*

The S&P/JPX Carbon Efficient Index is an ESG index jointly designed by S&P Dow Jones Indices and Japan Exchange Group. This index comprises companies included in the Tokyo Stock Price Index (TOPIX), and the weight of constituent is determined by carbon efficiency (Carbon emissions per unit of revenue) and the disclosure status of environmental information. Sumitomo Pharma has been included as a constituent in the Index since 2018 when the Index was launched.

S&P/JPX Carbon Efficient Index

*A Japanese stocks ESG index adopted by the Government Pension Investment Fund (GPIF). Sumitomo Pharma has been selected for five of the six indices adopted by GPIF (as of the end of August 2023).

Publication of the 2023 Integrated Report

Informing stakeholders how we contribute to the betterment of healthcare and fuller lives of people worldwide and enhance corporate value

Naoki Noguchi
Executive Officer
Corporate Governance; Corporate Communications
Vice President, Head of Corporate Communications

Guided by our Mission, "To broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide," the Sumitomo Pharma Group aims to contribute to the betterment of healthcare and fuller lives of people worldwide, enhance corporate value, and contribute to sustainability in society by developing innovative pharmaceutical products and healthcare solutions.

The Material Issues we are addressing for the purpose of achieving these objectives have been categorized in terms of the expectations of society and the impact on our corporate value enhancement, and we have flagged "Development of innovative products and healthcare solutions" as our most important Material Issue.

In addition, we aim to become a global specialized player (GSP) in keeping with our Vision statement: For longer and healthier lives. We unlock the future with cutting-edge technology and ideas. With a focus on the Psychiatry & Neurology and Oncology as priority disease areas, we are pressing ahead with initiatives that contribute to improvements in social productivity, such as alleviating the burdens felt by not only patients, but also their families and caregivers, by employing diverse approaches using pharmaceutical products, regenerative medicine/cell therapy, and non-pharmaceutical solutions, in an effort to establish our own position in the global marketplace.

Based on this Vision and the kind of company we want to become, in fiscal 2023 we kicked off a new Mid-term Business Plan running through to fiscal 2027. Over the duration of the plan, we will make every effort to generate renewed growth from the "LATUDA Cliff" and achieve a "qualitative transformation" in business structure and business practices with a view to establishing a position as a GSP.

This integrated report has been produced for the purpose of communicating our initiatives for enhancing corporate value. We will continue to value dialogue with all stakeholders in an effort to reflect their requests and feedback in the production of future integrated reports.

We therefore warmly welcome the honest opinions of all readers.

MESSAGE

Editorial Policy

Applicable period

This report is based on the results for fiscal 2022 (April 1, 2022 to March 31, 2023). Some of the activities described were conducted in fiscal 2023.

Organizational scope

This report is based on the activities of Sumitomo Pharma Co., Ltd. and its consolidated subsidiaries. Some of the information is based on Sumitomo Pharma.

Reference guidelines

- IFRS, International Integrated Reporting Framework
- Company-Investor Dialogue for Collaborative Value Creation compiled by the Ministry of Economy, Trade and Industry of Japan
- GRI Sustainability Reporting Standards
- ISO26000
- International Financial Reporting Standards (IFRS) (applied from the fiscal year ended March 31, 2018)

Disclaimer regarding forward-looking statements

This Report contains forecasts, projections, goals, plans, and other forward-looking statements regarding the Group's financial results and other data. Such forward-looking statements are based on the Company's assumptions, estimates, outlook, and other judgments made in light of information available at the time of preparation of such statements and involve both known and unknown risks and uncertainties. Accordingly, forecasts, plans, goals, and other statements may not be realized as described, and actual financial results, success/failure or progress of development, and other projections may differ materially from those presented herein.

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

(Note) The information in this report is presented on the IFRS core base unless otherwise specified.

Information disclosure media

Corporate site

IR site

Sustainability site

Video: Sumitomo Pharma introduction

Video: Sumitomo Pharma's challenge

Video: Sumitomo Pharma's roots
(Only available in Japanese)

Integrated Report 2023

Fact Book 2023

Corporate Profile

Interim shareholder report
(Only available in Japanese)

Sumitomo Pharma Co., Ltd.

IR Site
https://www.sumitomo-pharma.com/ir

Sustainability Site
https://www.sumitomo-pharma.com/sustainability

Issued in October, 2023