Sumitomo Pharma

Sumitomo Pharma Co., Ltd.

Presentation of Boost 2028 - Accelerating Strong Sumitomo Pharma -

March 2, 2026

Event Summary

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[Participants]		
[Number of Speakers]	4	
	Toru Kimura	Representative Director, President and CEO
	Motoyuki Sakai	Representative Director, Executive Vice President Global Corporate Strategy; Global Finance Administration External Affairs; Corporate Governance; IT Management & Data Analytics
	Yutaka Wakemi	Executive Officer Global Corporate Strategy; Global Finance
	Koichi Kino	Vice President, Head of Corporate Governance
[Analyst Names]	Kazuaki Hashiguchi	Daiwa Securities
	Hidemaru Yamaguchi	Citigroup Global Markets
	Seiji Wakao	JPMorgan Securities
	Shinichiro Muraoka	Morgan Stanley MUFG Securities
	Hiroshi Wada	SMBC Nikko Securities

Presentation

Kino: It's now time to begin the briefing session, Boost 2028 - Accelerating Strong Sumitomo Pharma. Thank you very much for your participation despite your busy schedule.

I am Kino from Corporate Governance and I will be your moderator.

Today, we will be conducting a live Zoom webinar from our Tokyo headquarters. Analysts, investors and media are invited to attend.

In order to ensure smooth proceedings, we would like to make a few announcements and requests. Please change the participant information displayed on your Zoom screen to your company name and name.

We will begin with an explanation of the Company in accordance with the presentation materials posted on our website, followed by a question-and-answer session. The event is scheduled to end at 19:20 PM.

First, let me introduce today's attendees. Toru Kimura, Representative Director, President and CEO; Sakai, Representative Director, Executive Vice President; and Wakemi, Executive Officer, and that is all. Thank you very much.

Now, Kimura will start his presentation, Boost 2028 - Accelerating Strong Sumitomo Pharma.

Mr. Kimura, please go ahead.

Toru Kimura: I'm Kimura, President and CEO. Thank you very much for your participation to our meeting today.

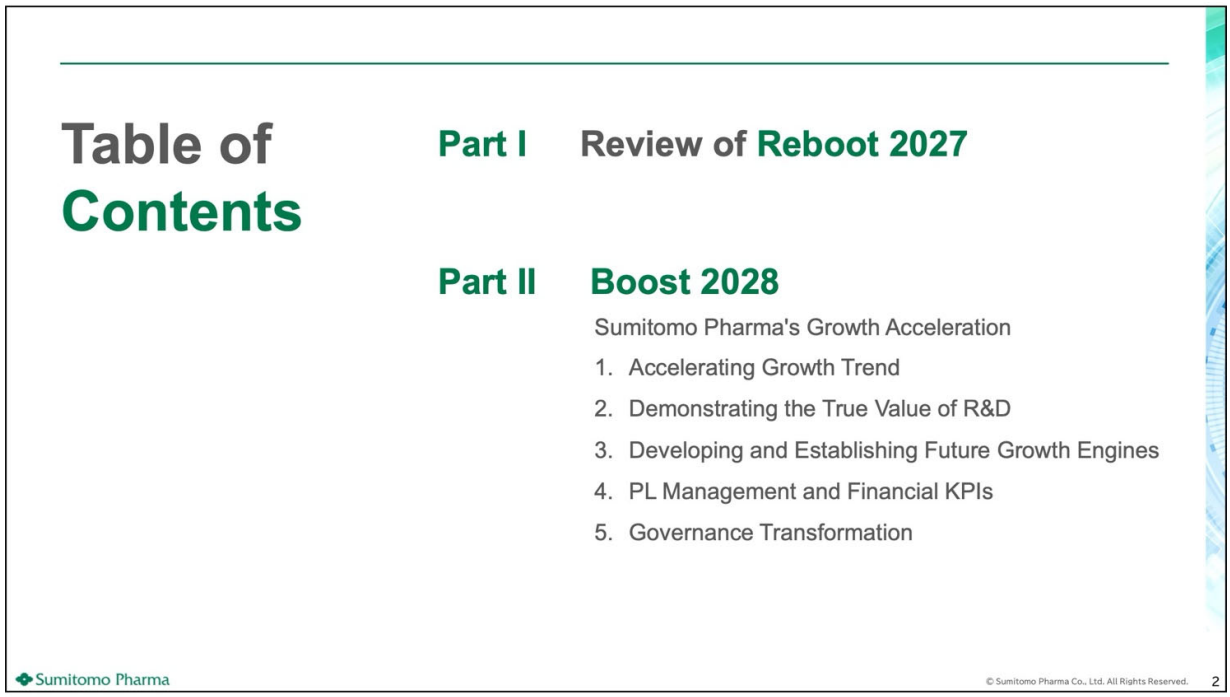
As you are all aware, after a significant downturn in performance in FY2023, we undertook drastic structural reforms and achieved a V-shaped recovery in performance in FY2024. In Reboot 2027, announced in May of last year, we positioned the period from 2025 to 2027 as a time when important milestones such as stabilization of the revenue base through sales expansion of three core products and commercialization of regenerative medicine, cell therapy, and oncology will be concentrated, and we have been working on business operations to rebuild the value creation cycle.

As a result, as announced earlier, core operating profit is expected to reach a record high of JPY107 billion in FY2025. The financial targets of Reboot 2027, which were targeted to be achieved by FY2027, are expected to be achieved ahead of schedule.

In order to accelerate growth from the V-shaped recovery while continuing disciplined cost management, we have formulated Boost 2028 - Accelerating Strong Sumitomo Pharma as our growth strategy for the period from FY2026 to FY2028. The strategy is to accelerate the growth of Sumitomo Pharma from FY2026 to FY2028.

In addition, as we announced earlier, we are considering a public offering and have registered the issue in order to strengthen our financial base and secure the necessary funds for investment in growth.

Below is a description of Boost 2028.



This is today's content.

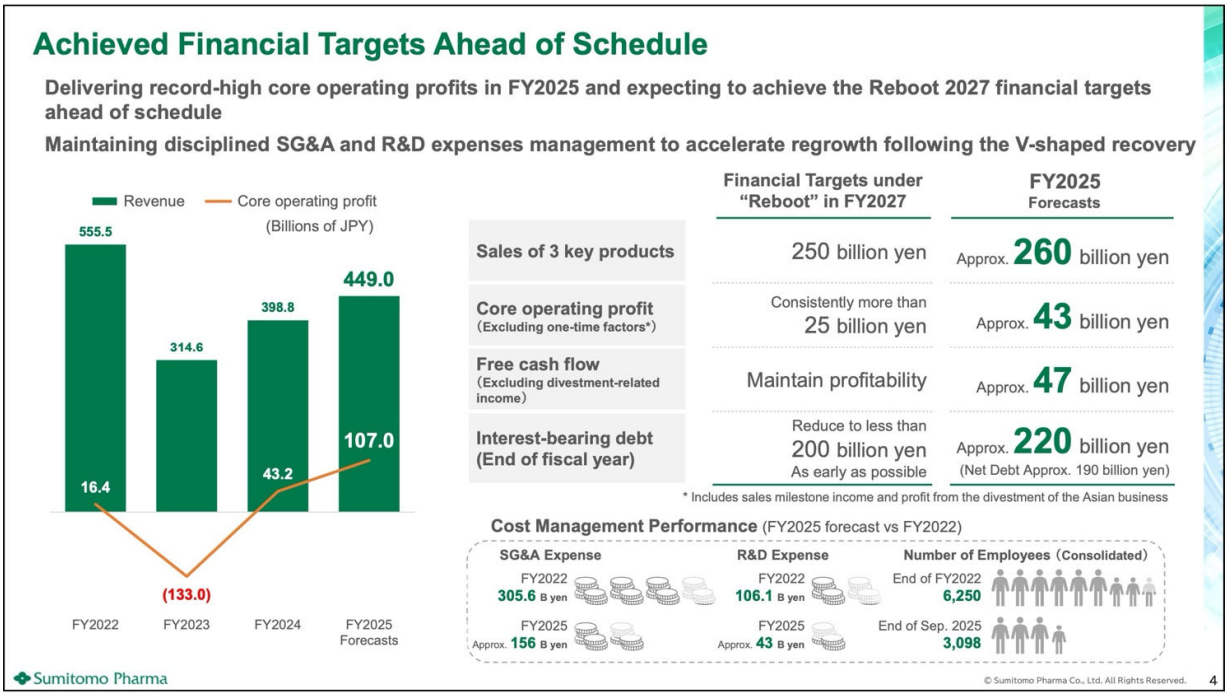
First, we will review Reboot 2027 and then will explain about Boost 2028.

The following is a review of Reboot 2027.

First, as I mentioned at the beginning of the presentation, we have achieved our financial targets ahead of schedule. In addition, the Ministry of Health, Labor and Welfare has announced that it expects to approve a drug for the treatment of Parkinson's disease derived from iPS cells, which is one of the three areas we mentioned as part of our efforts to create value as an R&D-oriented pharma.

Many news reports use the name AMCHEPRY, but the name AMCHEPRY itself is also subject to approval, so I will speak here today under the generic name raguneprocel. Both are exactly the same.

In addition, clinical trials are progressing smoothly for the two oncology products. In addition, as we released the other day, good data has been obtained for the universal influenza vaccine.

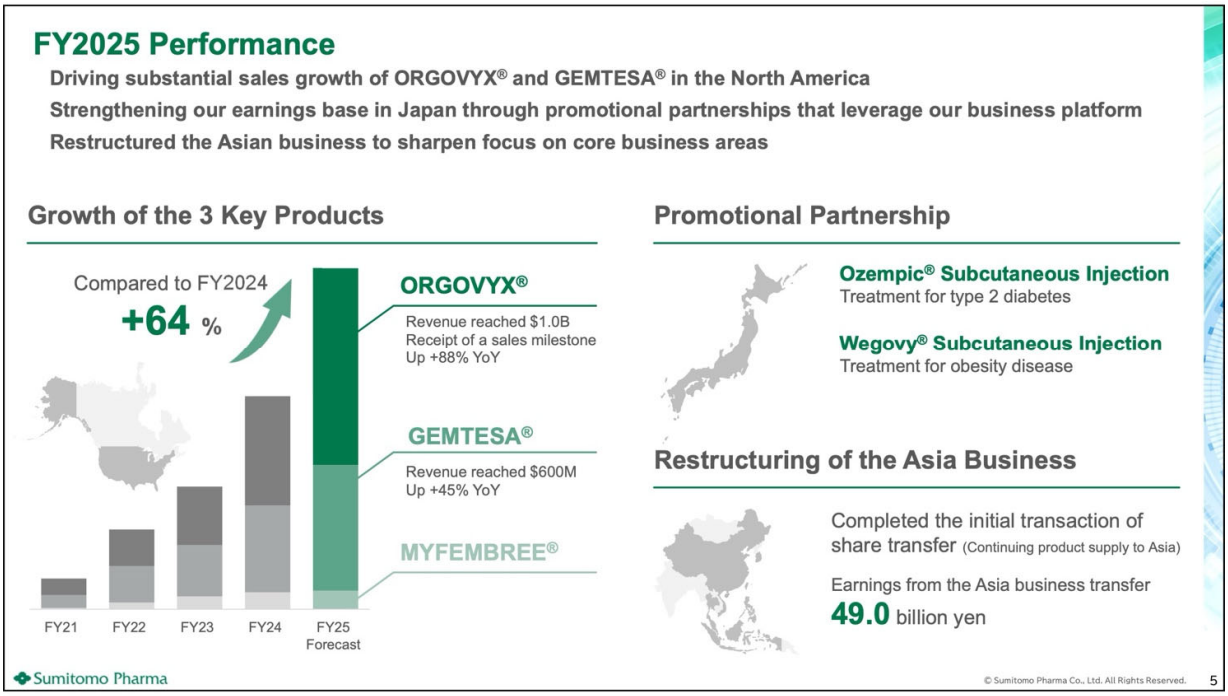


We will explain the financial targets first.

Core operating profits in FY2025 will be JPY107 billion, a record high core operating profits.

Other than that, we are on track to meet the financial targets of Reboot 2027 ahead of schedule, as we show here. As indicated in the slide about sales of the three key products, core operating profit excluding one-time factors, free cash flow, and interest-bearing debt of the financial targets for Reboot 2027, sales of the three key products are expected to be JPY260 billion, and core operating profit is JPY43 billion after excluding JPY49 billion of information provided by China and other Asian businesses.

Free cash flow is expected to be about JPY47 billion, and the balance of interest-bearing debt is expected to be JPY220 billion, but since there is also cash, net debt is JPY190 billion.

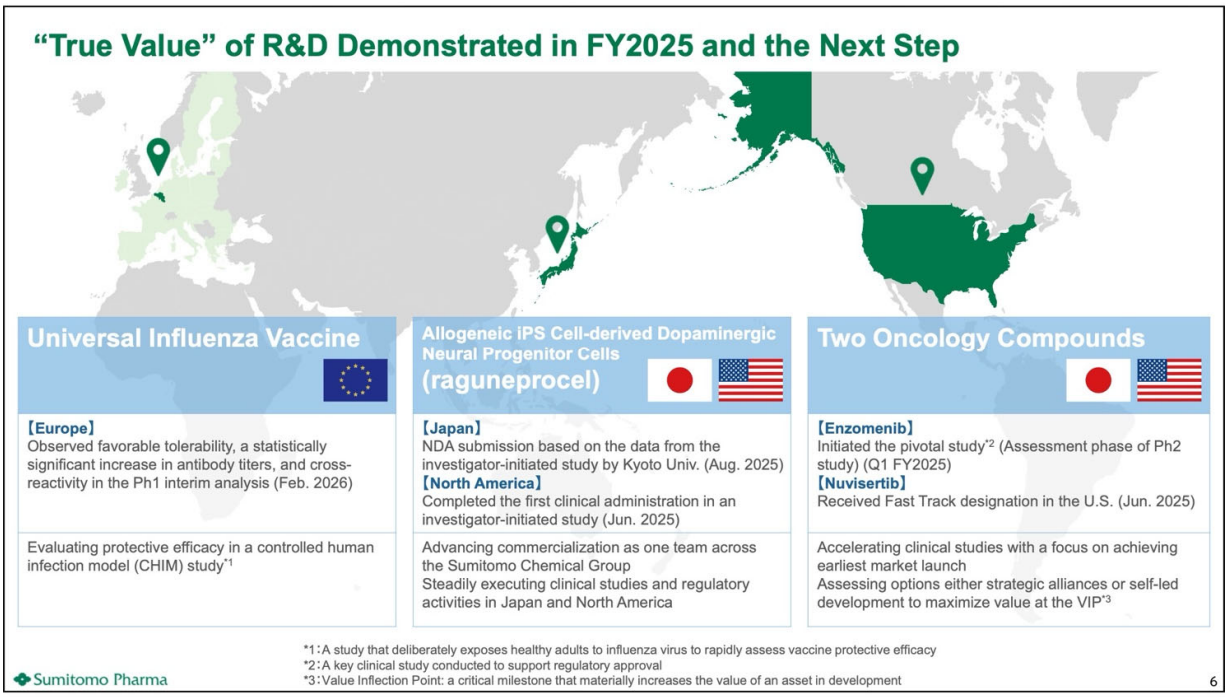


First, let me explain specific results, focusing on sales.

As I mentioned, sales of the three key products totaled JPY260 billion, a 64% increase compared to FY2024. ORGOVYX has shown growth of approximately 90%, with revenue of USD1 billion. GEMTESA has grown to USD600 million in revenue, a 45% increase over the previous year. MYFEMBREE does not show a significant sale, but as we have repeatedly stated, it generates profit individually this year.

In Japan, we have been actively pursuing promotional alliances and have succeeded in forming promotional alliances for Ozempic subcutaneous injection and Wegovy subcutaneous injection.

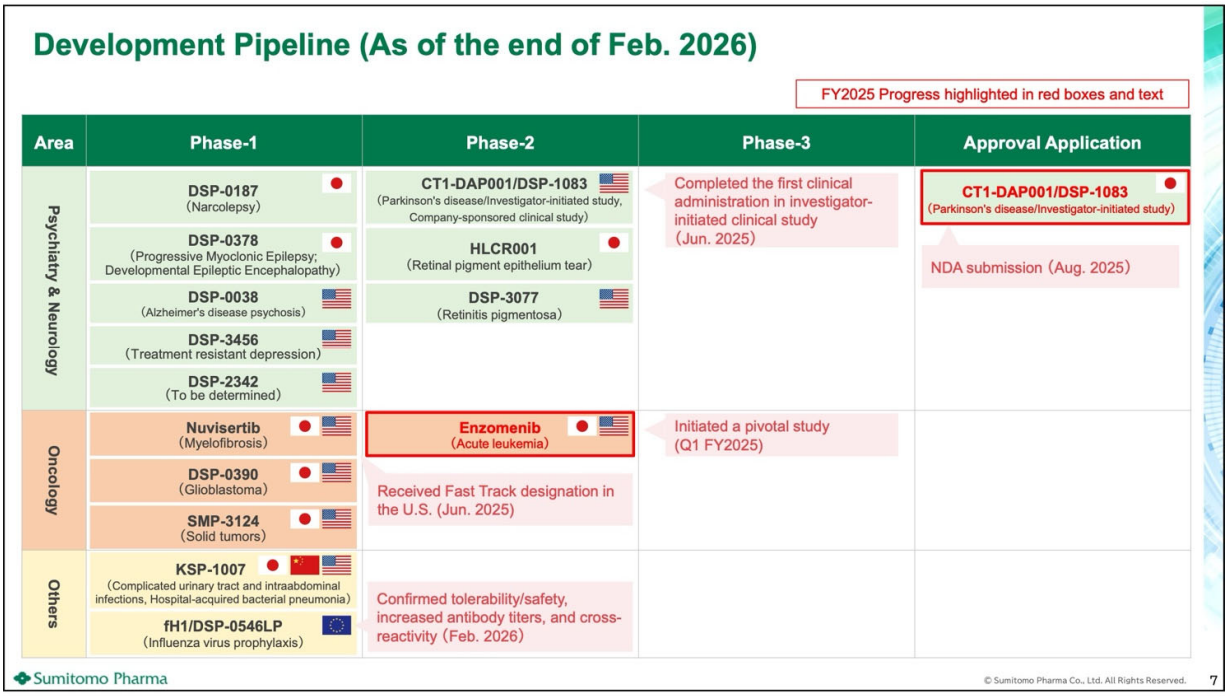
In addition, we have restructured our Asian business and transferred 60% of our shares to Marubeni Pharma Corporation. Earnings from the Asia business transfer amounted to JPY49 billion.



Next, I would like to discuss the results of research and development.

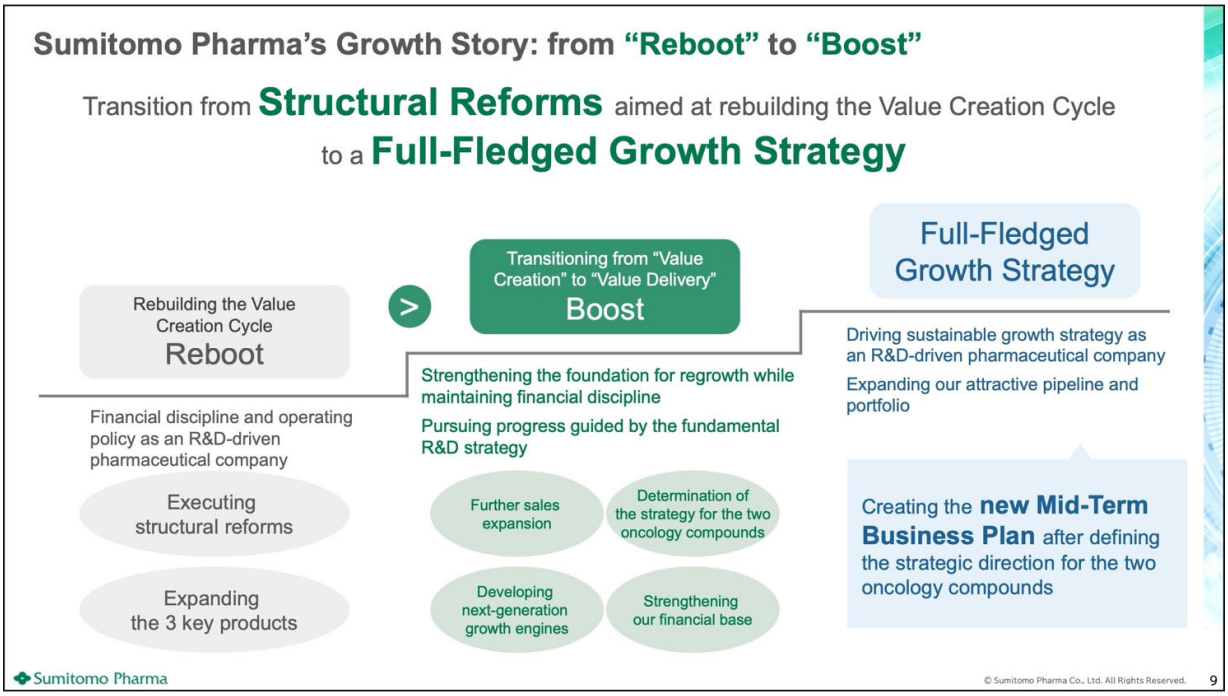
From the right, clinical trials for two cancer drugs, enzomenib and nuvisertib, are progressing well, mainly in the United States. As for us, we have slightly delayed our schedule, as we will make decisions on partnerships or in-house development to maximize value after the Value Inflection Point is completed, as described as VIP.

Going to the middle, in Japan, we've progressed to the point where we can receive approval for raguneprocel, allogeneic iPS cell-derived dopaminergic neural progenitor cells. In addition, as I will explain later, the universal influenza vaccine that we have been working on in Europe has also made good progress in research and development over the year, with data on antibody cross-reactivity being available.



A list of major development pipelines is shown here. Many of them are what I have just explained, so I would like to move on.

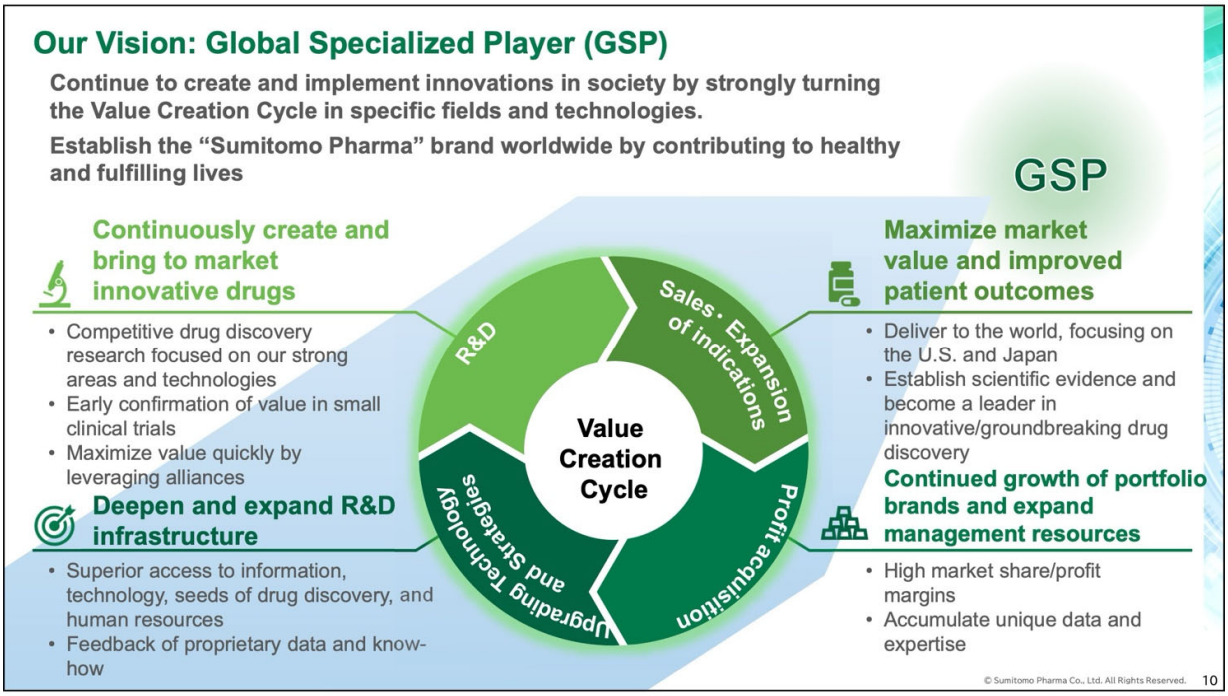
As such, while Reboot 2027 was a three-year plan, we achieved nearly all of its objectives within just one year. Consequently, we have formulated Boost 2028, a plan to accelerate Sumitomo Pharma's growth, as we reorganize our future management strategy. I will now explain this plan.



In Reboot, we have set forth a policy of financial discipline and activities as an R&D-oriented pharma, with the goal of rebuilding the value creation cycle.

Boost, on the other hand, aims to enter a new phase, from value creation to value delivery. The major policy is to expand the foundation for re-growth while maintaining financial discipline, and for the basic strategy of R&D, we intend to promote it.

Next, in order to fully implement our growth strategy, we are considering formulating a new medium-term business plan as soon as the direction of the two oncology products is set.



Our vision is to be a global specialized player. We aim to be a globally active pharmaceutical company, albeit in a specific and limited area.

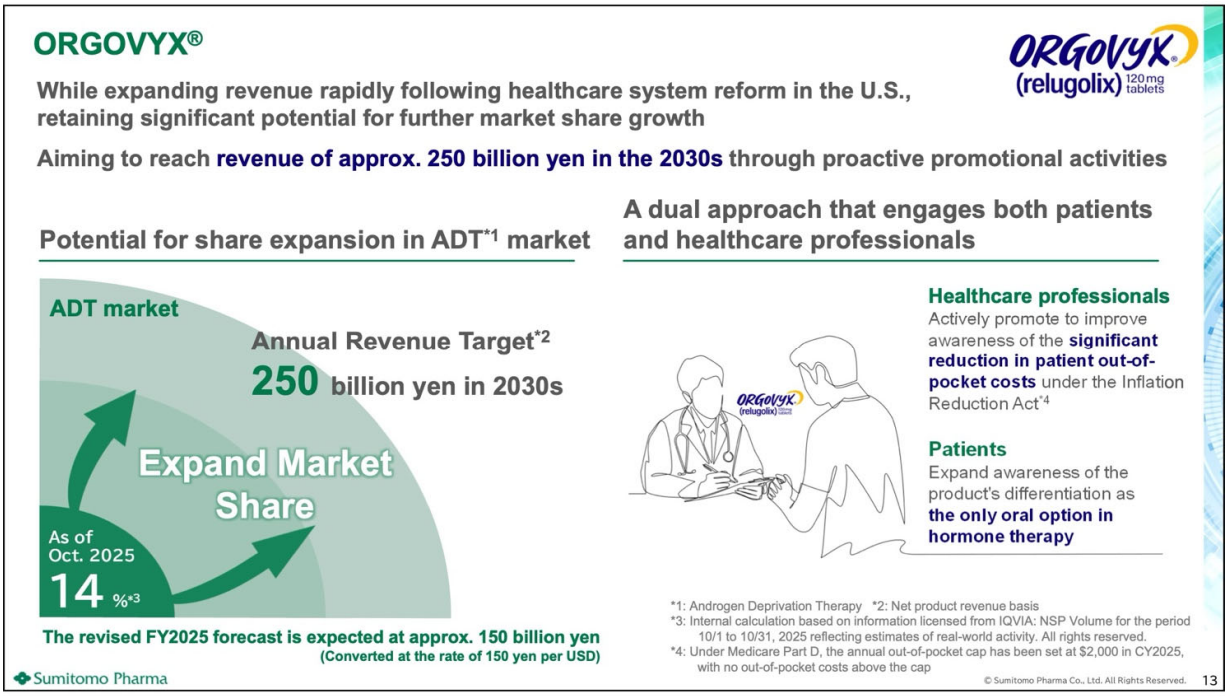
As indicated in Reboot, we will continue our policy of making the Company a company that can turn in a strong circle, which we call the value creation cycle, a cycle of research and development, sales, profit generation, and reinvestment in new strategies.

We would like to further elaborate the content of Boost.

First is the growth of existing products. The next step is to commercialize approved products that are in the clinical stage. The other is to create even more new things from R&D that will become future growth engines. We are considering these three phases.

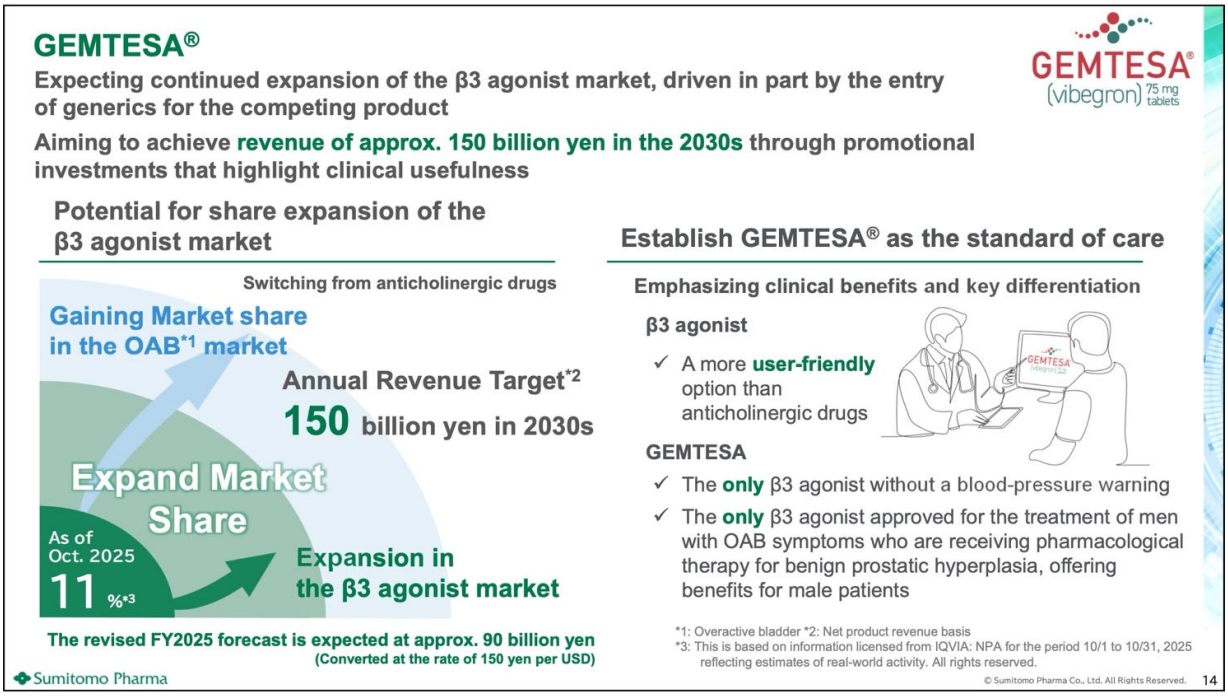
The first step is to accelerate the growth trend.

We are now expanding sales of our very good products. This will mean moving forward so that more people can make good use of them.



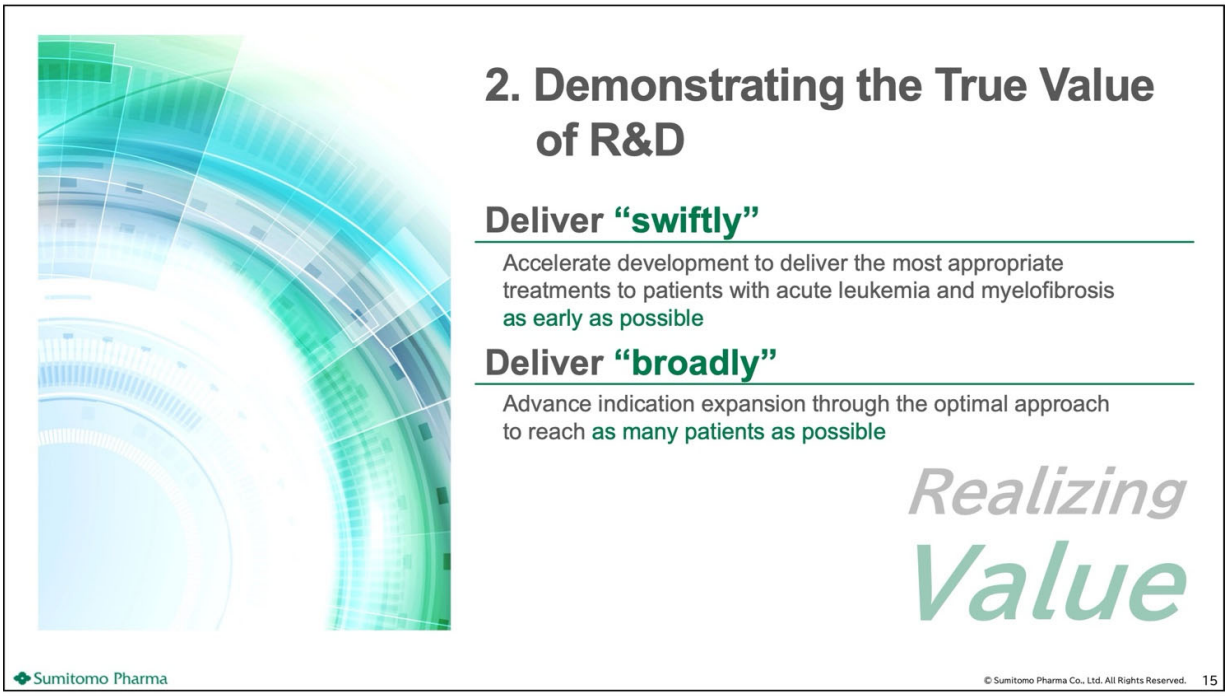
First of all, ORGOVYX is rapidly expanding its sales due to the revision of IRAs in the United States. However, the market share of our products in the ADT, androgen deprivation therapy, market is still 14%, and we believe that there is still room for further expansion, and we are aiming to achieve sales of JPY250 billion in the 2030s.

Our strategy is to promote our product, ORGOVYX, as the only oral drug that is very easy to use and has few side effects, and to promote the fact that co-payments are greatly reduced by IRAs, thereby promoting sales growth.



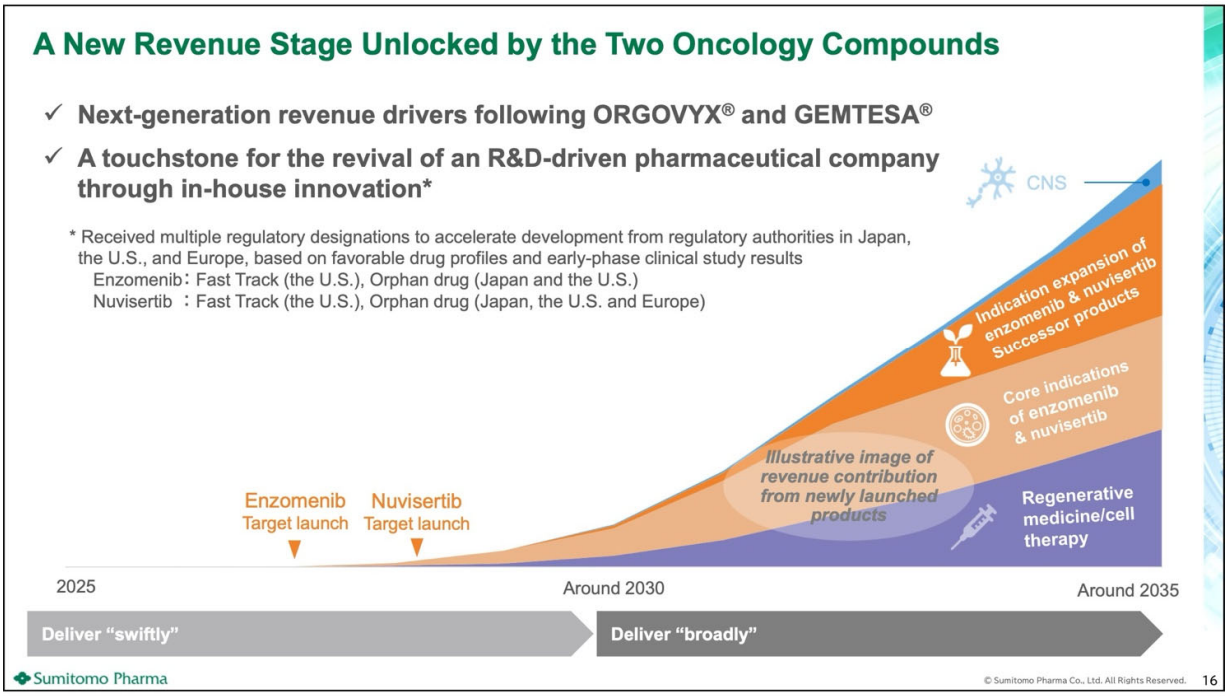
Regarding GEMTESA, we believe that the market for beta3 agonists itself will continue to grow, although we are aware that competing generic products are on the market. By promoting the benefits of our products, we hope to reach a scale of JPY150 billion by the 2030s. We currently estimate our market share to be approximately 11%. Our goal is to significantly increase this share and aim for JPY150 billion by the 2030s.

Anticholinergics are widely used for overactive bladder, but beta3 drugs are also easier to use. In addition, GEMTESA has many advantages over other beta-3 drugs, including less blood pressure elevation, or faster effect, and no drug interactions. In addition, we would like to further expand the indication and use of this drug for male patients with overactive bladder associated with prostatic hypertrophy, which is a male disease, since it is the only beta3 agonist available.



We will explain about our R&D next.

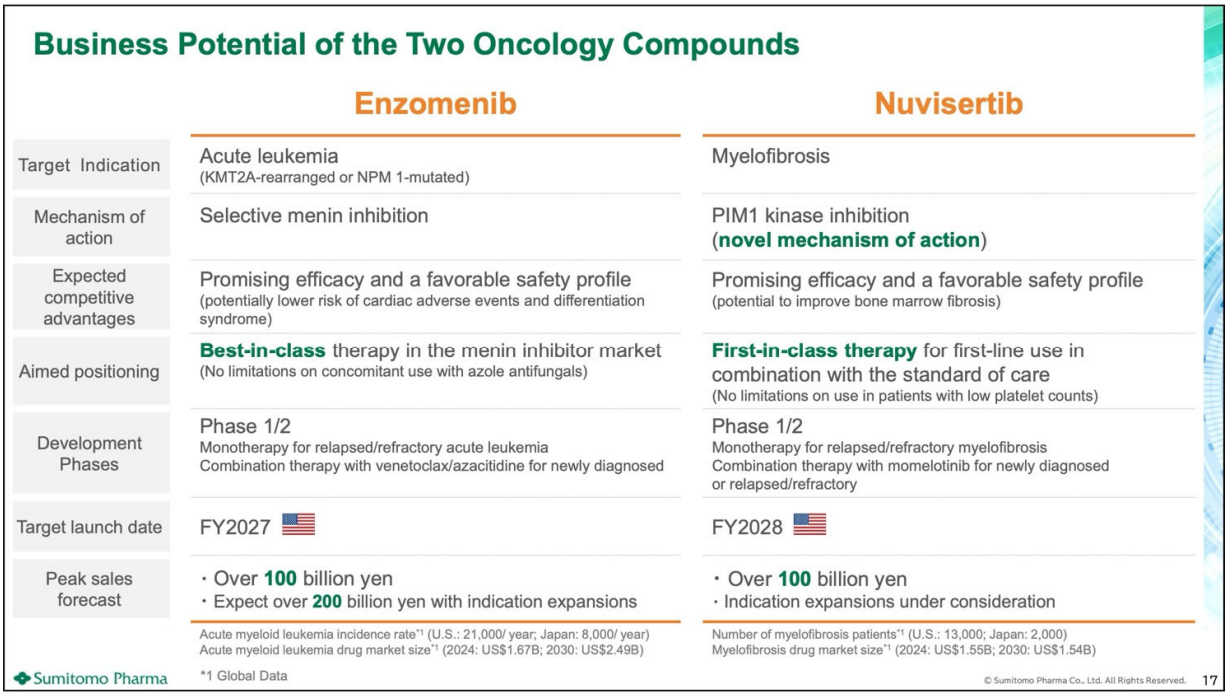
Our goal in R&D is to be quick to deliver results to as many people as possible.



We are now going to show you our new revenue plan, which is just an image though.

Currently, sales of our three main products, especially ORGOVYX and GEMTESA, are expanding significantly in North America, and with the launch of enzomenib and nuvisertib, we expect the oncology field to expand significantly in the future. We are also looking forward to a large expansion and growth in the field of regenerative and cellular medicine in the 2030s.

I will explain more specifically.



The business potential of the two cancer products is shown here.

As I have said repeatedly, we consider acute leukemia as the target disease for enzomenib.

In terms of selective menin inhibitors, we are well aware that competition in this field is very tough, but we believe that our enzomenib is best-in-class and offers the best treatment option due to its superior efficacy and high safety profile.

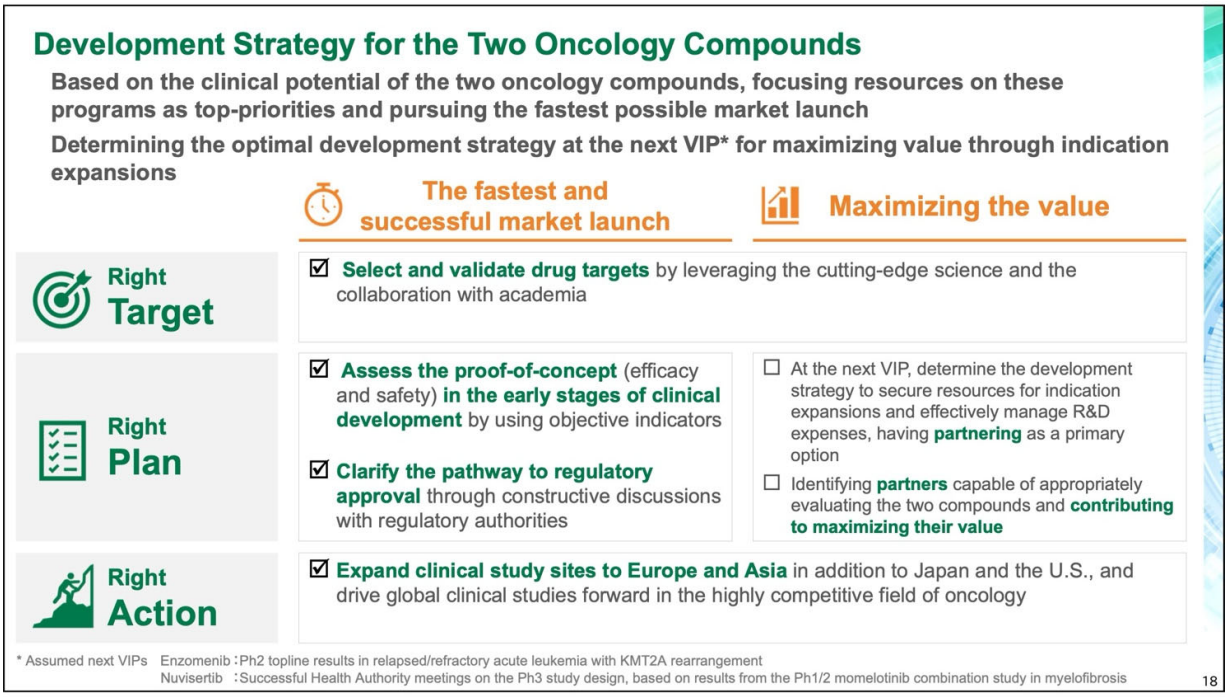
We are currently in the process of pivotal study for KMT2-rearragnged and would like to expand indications to include the combination with venetoclax and azacitidine.

With the launch of the single-agent product in FY2027, followed by the continued launch of the combination therapy, we also expect to be able to expand our sales forecast to more than JPY100 billion, with a maximum sales forecast of nearly JPY200 billion.

As for nuvisertib, it is a drug for myelofibrosis. It features a novel mechanism of action as a selective inhibitor of PIM1 kinase.

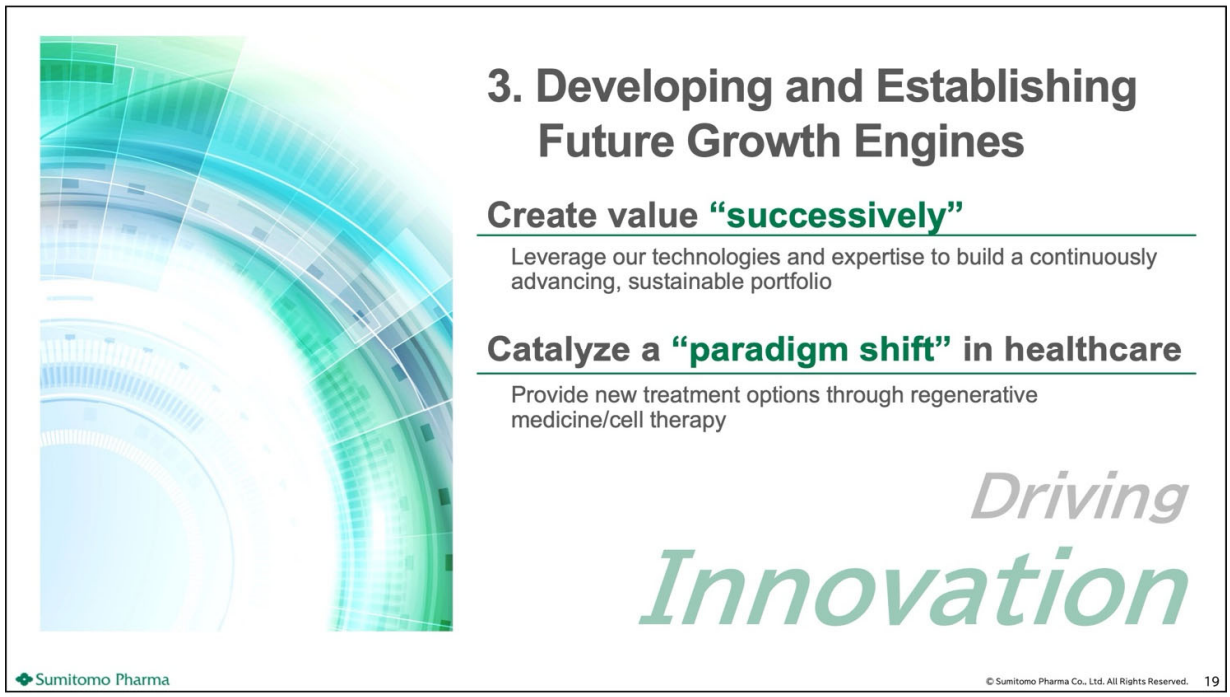
In the clinical data to date, the data show excellent drug efficacy and high safety. We believe that JAK inhibitors will become the standard therapy in this area in the future, and we would like to foster our product as the first-line drug that can be used in combination with JAK inhibitors.

Currently, Phase I/II trials are in progress, and we have announced at various meetings that the data are coming in smoothly. If all goes well, we believe that we can launch it in FY2028. We are currently studying various options in order to make this a product with projected sales of over JPY100 billion.



In the development of these two oncology products, our first priority is to ensure that they are launched on the market. In addition, we are now making efforts to make this an even larger business by seeking partners who can contribute to maximizing the value.

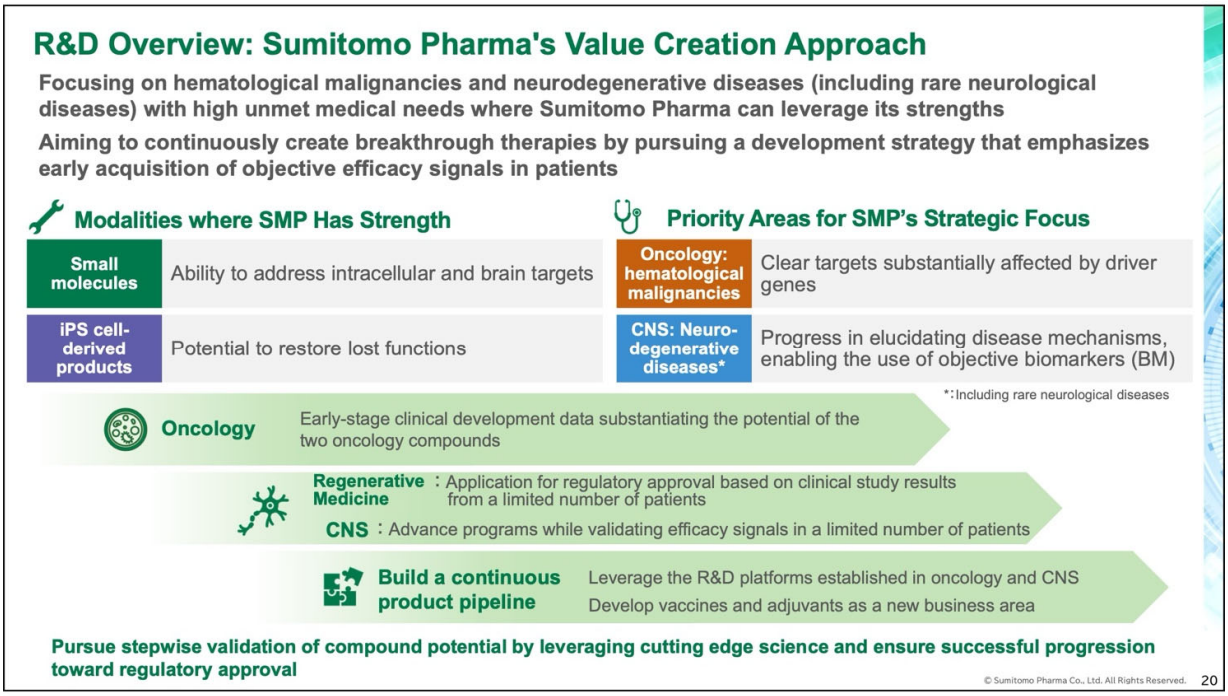
In addition to Japan and the US, our clinical trial sites in Europe and Asia are steadily expanding, and we intend to vigorously promote clinical development on a global basis in the field of oncology, where is highly competitive.



The first is the development of future growth engines.

Here, we hope to continuously create value and also achieve a paradigm shift in healthcare.

I would like to explain more specifically.



Here is a brief summary of our R&D policy.

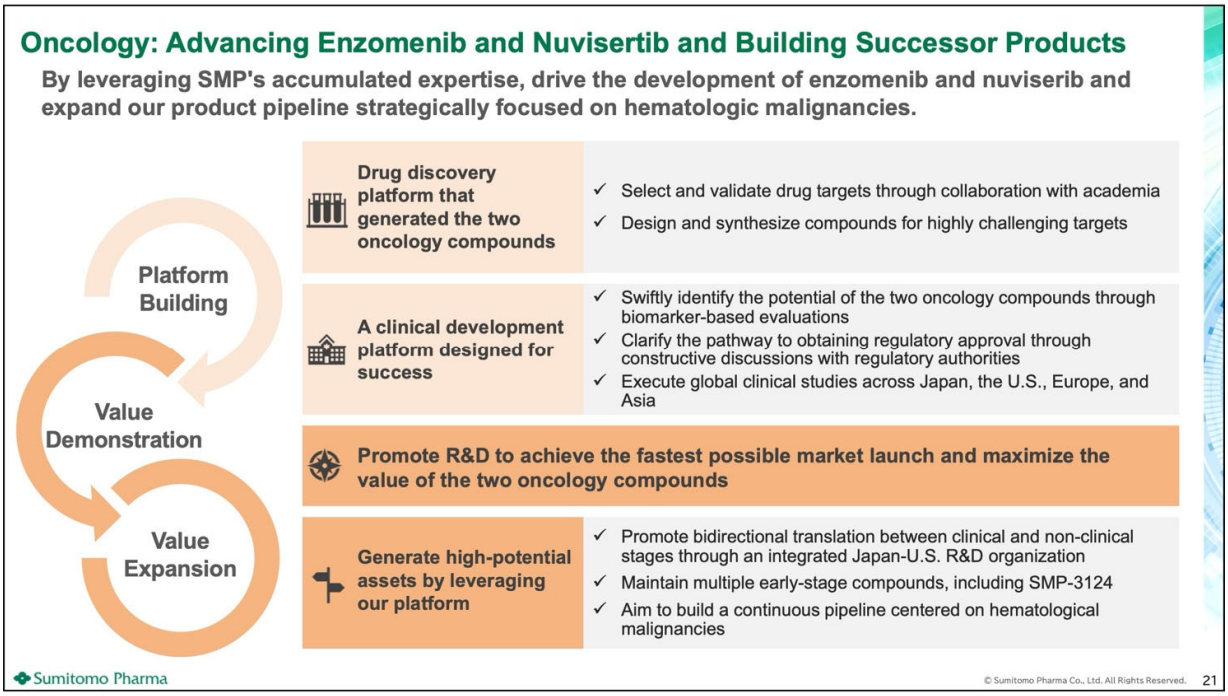
We would like to focus on hematopoietic oncology or neurodegeneration, which have high unmet needs and where SMP can take advantage of its strengths, including neuro-rare diseases, and aim to create a series of breakthrough therapies with a development strategy that emphasizes obtaining objective efficacy signals in patients at an early stage.

Here, we have reorganized the modalities we are aiming for. As I will show you, we would like to focus on two modalities: small molecules and iPS cell-derived products.

However, a review of newly launched products in the US shows that half of them are still small molecules, and we believe that we can demonstrate our strength in this area, which is at the center of pharmaceuticals and drug discovery. As you know, we are close to the world's first approval for raguneprocel, and we would like to continue development in the US and subsequent products based on this track record.

In the area of oncology, as shown on the right, we will focus on hematopoietic tumors, and will proceed with clearly targeted drugs while confirming their efficacy in clinical trials. I am also considering to effectively utilize biomarkers in the CNS area, as I mentioned before, with a focus on neurodegeneration. We believe that the recent scientific progress in this field has been very significant, and by utilizing biomarkers there, we will be able to proceed with a firm confirmation of the initial potential.

As shown below, we are also thinking of vaccine adjuvants in the future, which I will explain later.

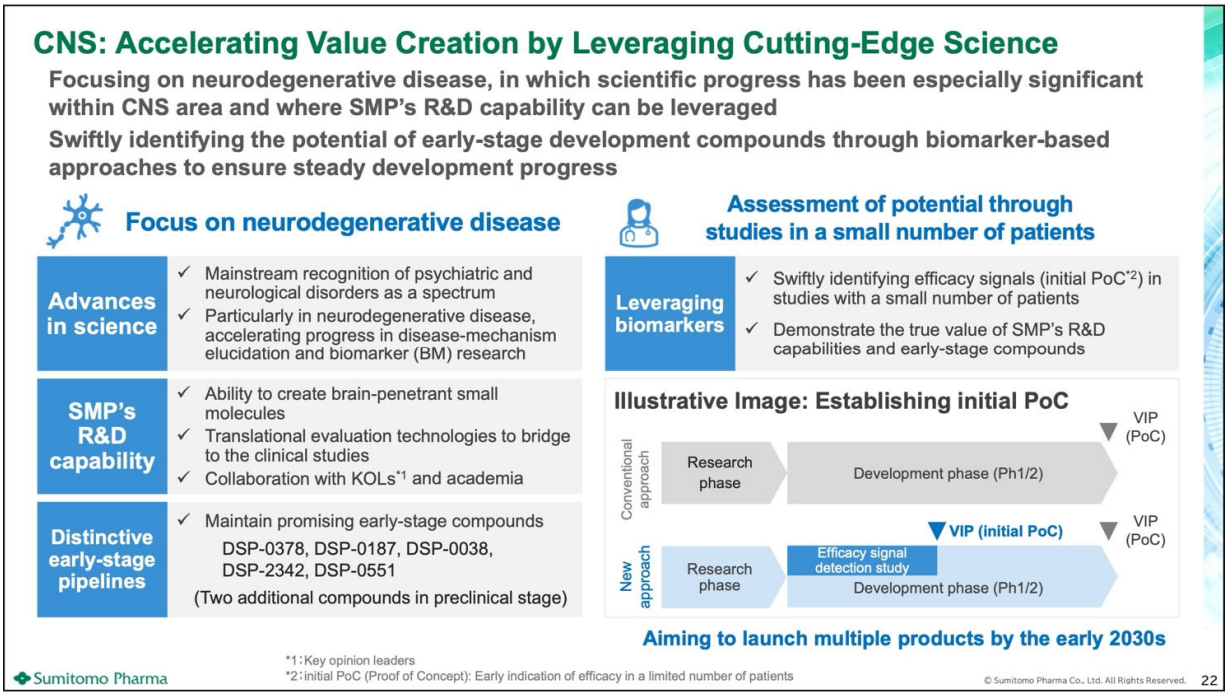


First, in the oncology area, both enzomenib and nuvisertib are compounds that are academia-origin and have been created through co-creation between academia and the Company. Our basic strategy is to further accelerate research by making good use of such a foundation, and our first step is to launch these two products as soon as possible to maximize their value.

Following this, we changed our R&D organization to a Japan-US integrated institution almost a year ago, and we are considering promoting translations between clinical and non-clinical areas, as well as promoting translations in both directions.

The next product after these two products is SMP-3124, and the results of clinical trials for 3124 are gradually coming in. This is a liposome formulation. Our original technology is to change a compound that has been confirmed to be effective but has not been successfully developed due to some problem into a new molecule in a form that can be controlled so that it can be more easily encapsulated in liposomes or so that the speed of release can be controlled, and to create a new formulation that can be separated into a new and safe formulation with a long patent term. Since 3124 seems to be working well, we would like to follow it up with a single technology platform.

Since we are focusing on hematopoietic tumors, we are developing a new menin inhibitor in order to establish a continuous pipeline for hematopoietic tumors.



Here, we will outline the process for the CNS.

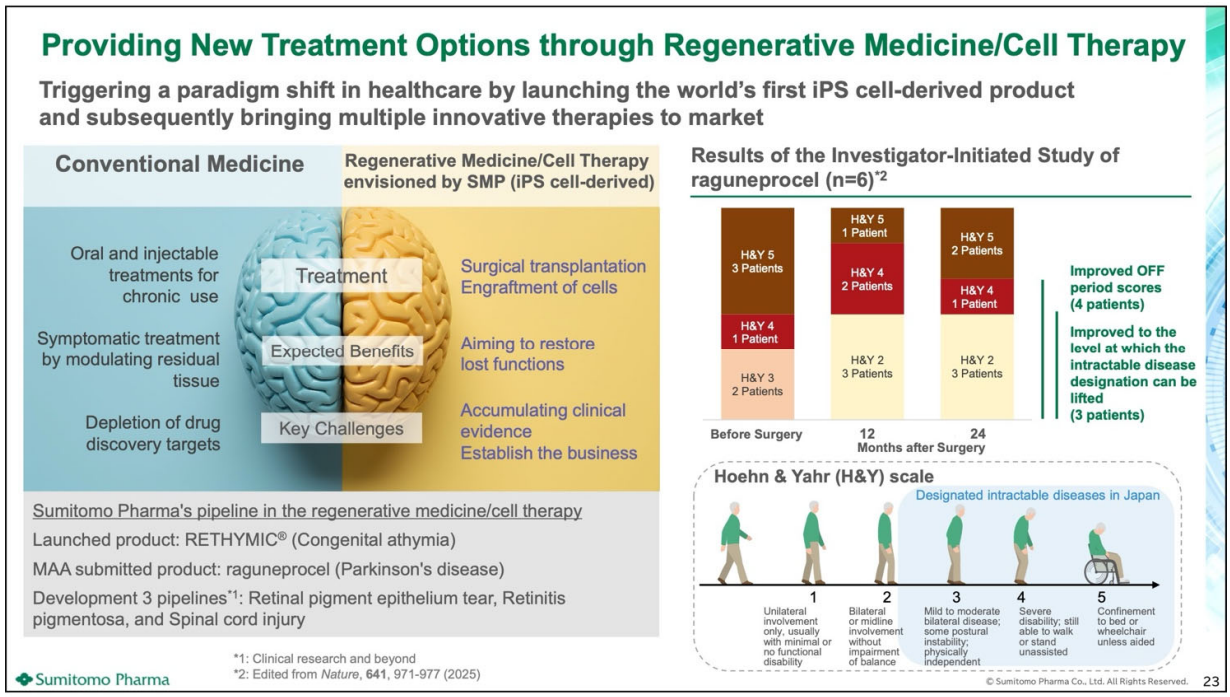
As I mentioned earlier, science is making progress, especially in neurodegenerative diseases. Our basic strategy is to take an approach that makes good use of biomarkers so that we can identify and develop the potential of early-stage products at an early stage. A more detailed picture is shown below on the right.

In the past, in the neurological field, we focused on clinical endpoints and conducted large validation studies during the development phase to see the response to the endpoints, but we have learned that the investment risk in that case is very high.

The new policy now is to do a good signal detection test for efficacy. This is not necessarily an endpoint, but we have included one step in the development process to verify that the drug is working as expected in that patient.

This is based on the advances in science, our ability to create brain-penetrant small molecules, translational evaluation technologies, and collaboration with academia, all of which have been greatly strengthened.

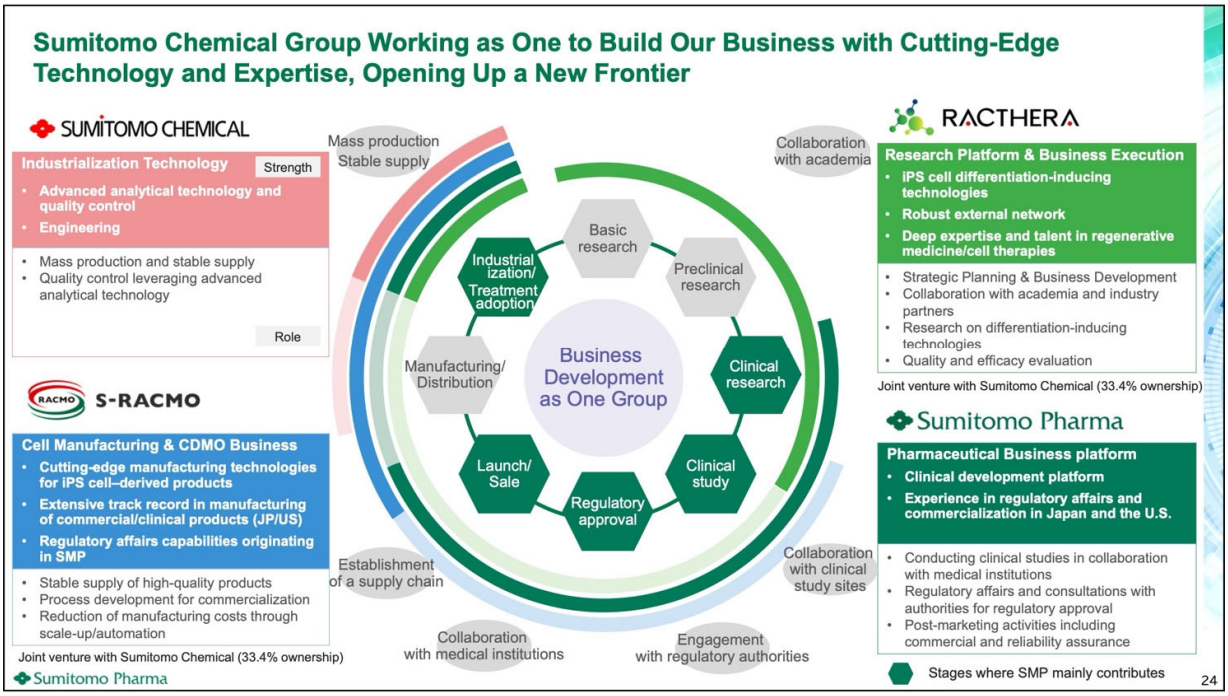
We have many promising pipelines, although we will not go into detail about individual products. We would also like to make good use of biomarkers.



From here, the policy for regenerative medicine and cell therapy is shown.

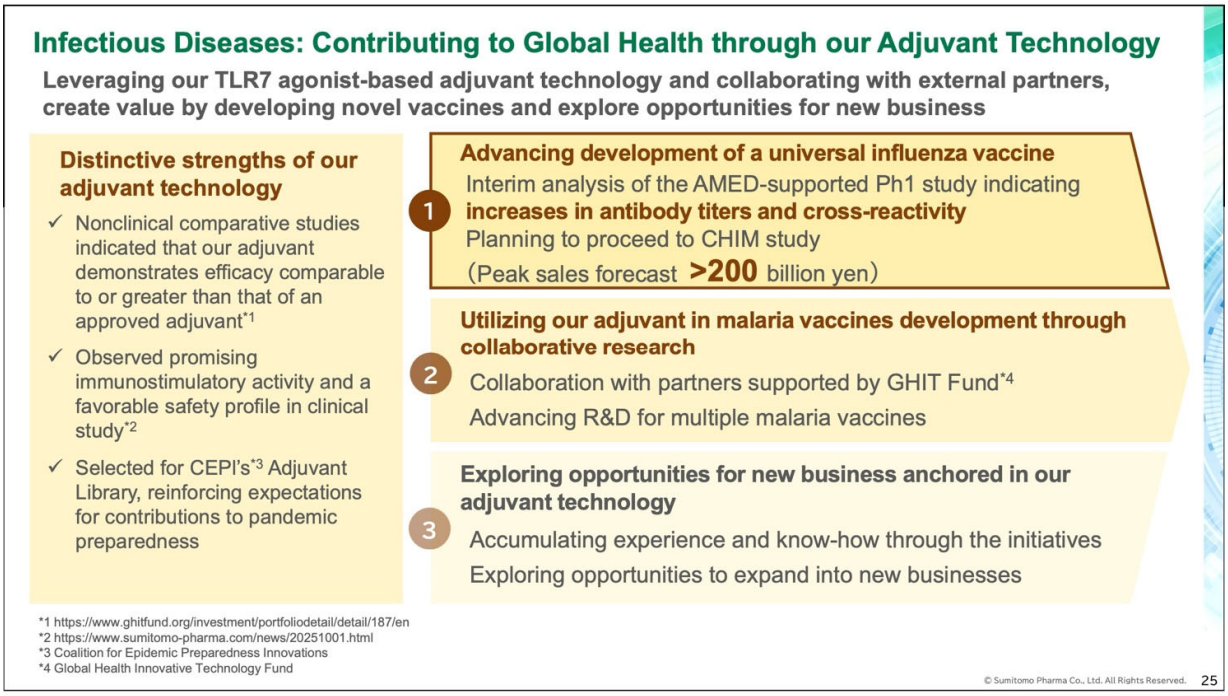
Our regenerative medicine and cell therapy will increasingly focus on iPS cell-derived products. Unlike conventional pharmaceuticals, however, the administration method differs significantly: these products are first transplanted via surgery. On the other hand, the ability to restore lost function is what is fundamentally different. We are looking forward to providing value to our patients here.

Of course, there are issues to be addressed, such as how to accumulate treatment results and how to establish this as a business, but we are considering moving forward while working to resolve these issues with a focus on raguneprocel.



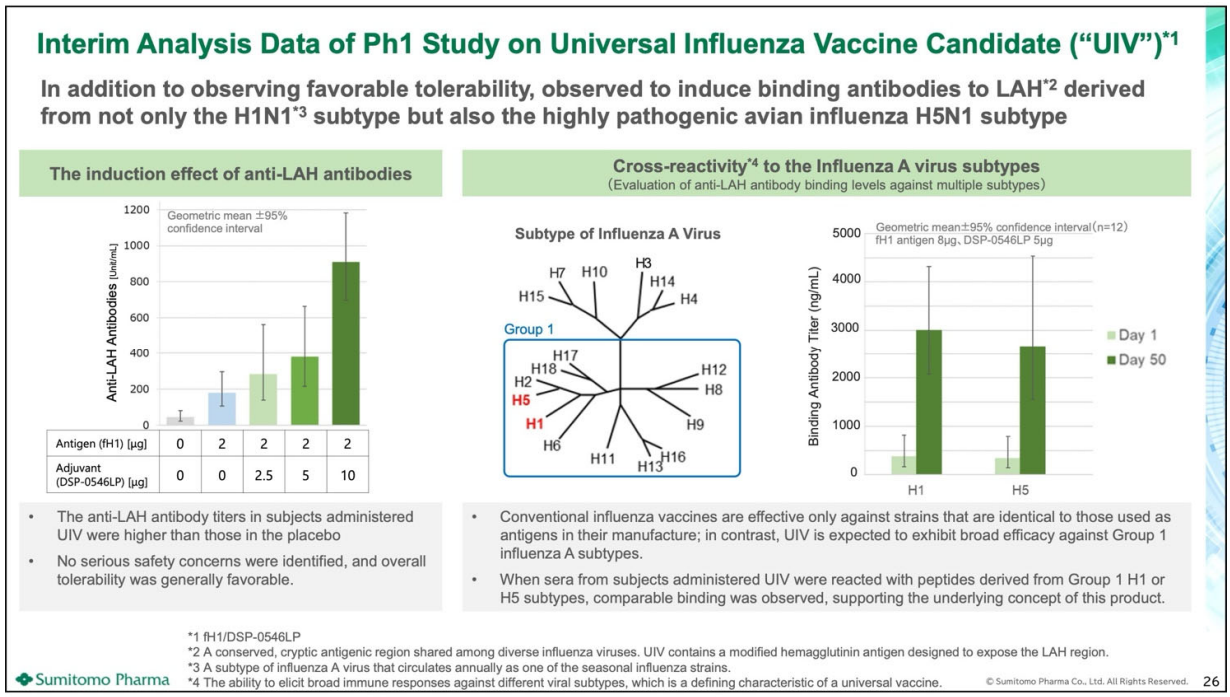
We reorganized our regenerative medicine activities almost a year ago, with four companies, including RACTHERA, S-RACMO, and Sumitomo Chemical, working together to promote these efforts.

RACTHERA will focus on technologies platform and business execution, Sumitomo Pharma will handle pharmaceutical issues from clinical development to regulatory affairs and sales, S-RACMO will manage production, and Sumitomo Chemical will contribute advanced analytical technologies, quality control, and engineering. We aim to drive business forward as a unified group by pooling our strengths in these areas.



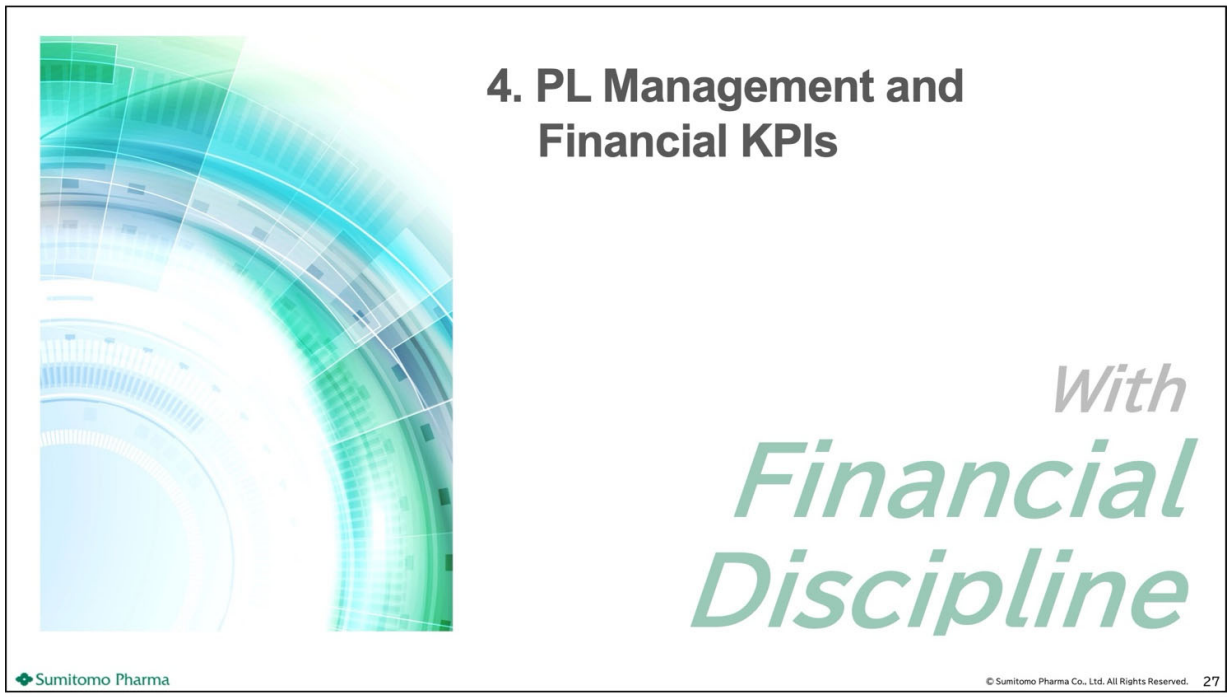
Next topic is universal influenza vaccine.

As we announced in our press release last week, clinical data has emerged showing that the universal influenza vaccine itself, or our proprietary technology, adjuvant, is very effective.

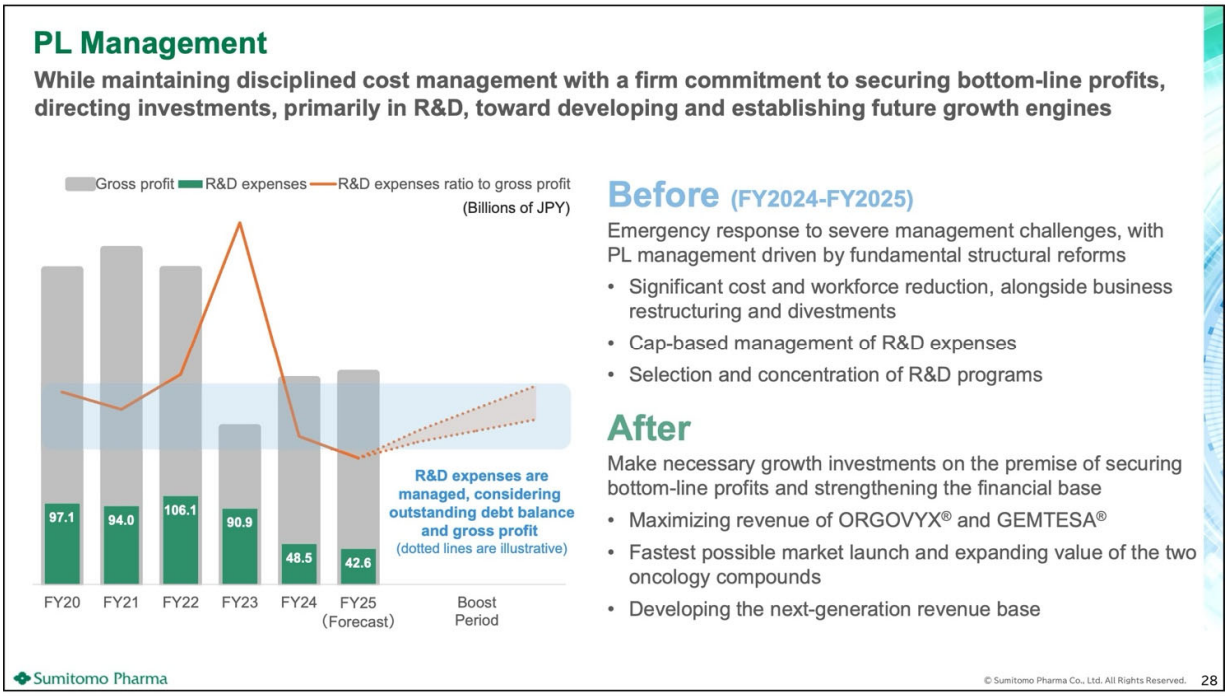


In the middle is the molecular phylogenetic tree of influenza A virus. The numbered variants are the subtypes, for example, H1, but even within that, there are new variants of H1 that appear every year. Previous vaccines become ineffective as soon as a new variant emerges. Our clinical trial results show that when immunized with this H1 subtype, antibodies emerged that also react to the adjacent branch, the H5 subtype, as indicated in the graph on the right.

This suggests that while this H5 subtype is the same type as avian influenza, it may also react to avian influenza and future influenza variants. We therefore wish to further confirm its efficacy in humans.



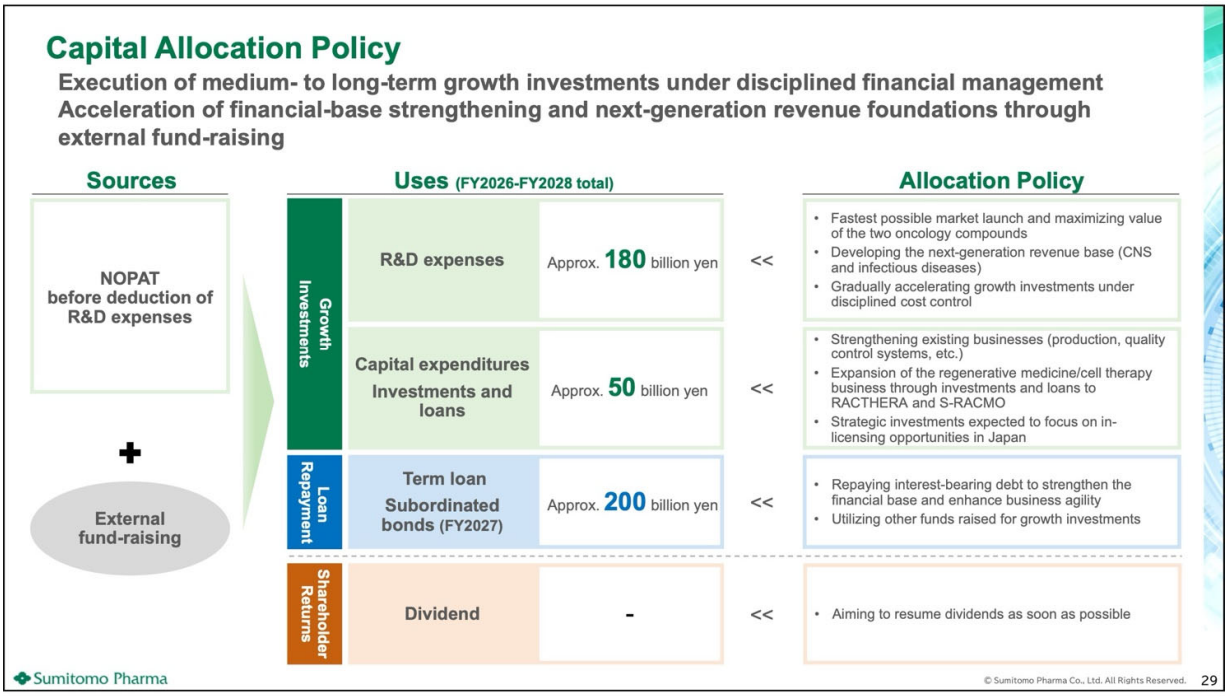
Lastly, I would like to explain the P&L management and financial KPIs.



First is P&L management.

To date, the Company has been reducing personnel and expenses, restructuring and selling businesses, with a focus on contingency planning for business crises and profit-and-loss management through fundamental structural reforms. This means that we have been very selective and focused on our research and development programs.

Going forward, while securing final profits and strengthening our financial base are our major prerequisites, we intend to move forward with the goal of achieving growth. This means maximizing the potential of ORGOVYX and GEMTESA, launching the two oncology products as fast as possible, expanding value, and further developing the next generation of revenue base.



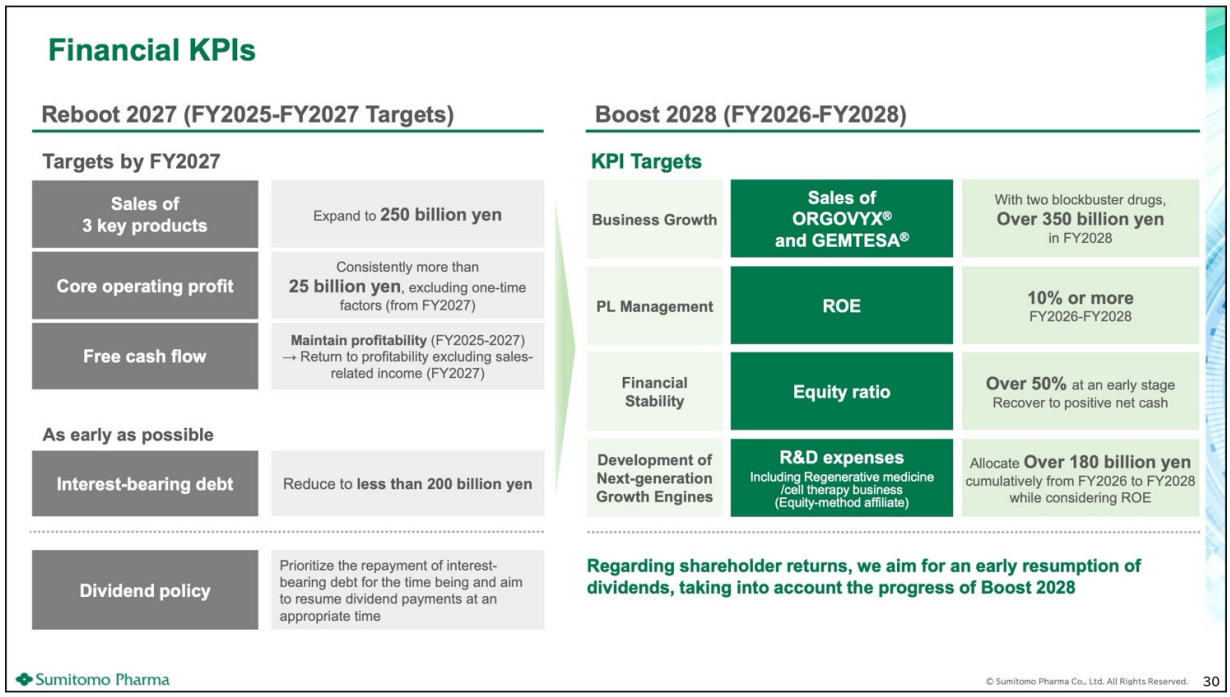
Next, we have presented our capital allocation policy here.

Our future funding sources will be NOPAT before R&D expense deductions, after-tax operating profit, and the external financing we plan to secure this time. We intend to allocate JPY180 billion over the next three years to growth investments and R&D expenses, approximately JPY50 billion to capital expenditures, and JPY200 billion to repay subordinated term loan bonds. We have not indicated the amount or timing of shareholder returns at this time, but we hope to resume shareholder returns as soon as possible.

Regarding R&D, while the fastest possible market launch and value maximization of our two cancer products remain our first priority, we will also consider cultivating the next-generation revenue base. While maintaining disciplined control, our fundamental policy is to gradually accelerate growth investments.

In regard to capital investment, we would like to strengthen our regenerative medicine and cell therapy business by reinforcing the existing businesses or through investments and loans in RACTHERA and S-RACMO, and at the same time, we would like to consider introducing projects for the domestic market.

In addition, we would like to raise funds to strengthen our financial base by repaying interest-bearing debt and to expand our business mobility, and to proceed with aggressive investment.



The financial KPIs are shown here.

The KPI we presented for Reboot, shown on the left side, was almost achieved in the current fiscal year, as I explained earlier.

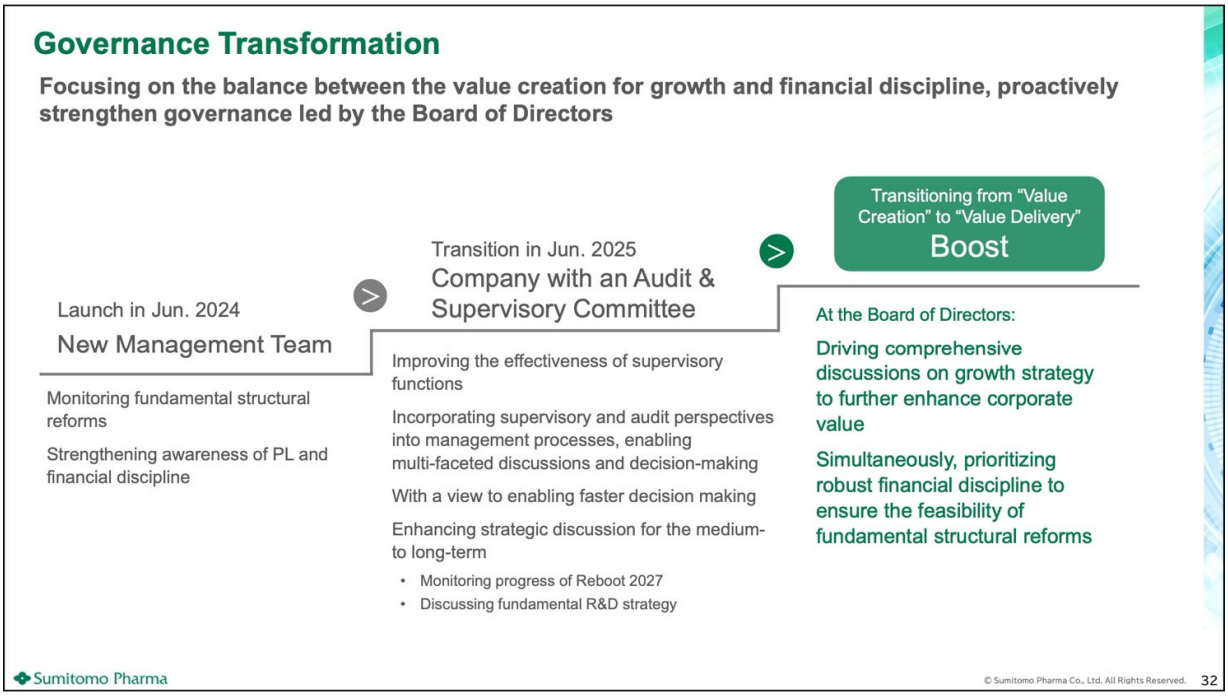
As KPIs for Boost 2028, we would like to achieve sales of more than JPY350 billion for ORGOVYX and GEMTESA in FY2028, and for profit and loss management, we would like to secure ROE of more than 10% during the period.

In order to achieve financial stability, we will also aim to bring the equity ratio to above 50% as soon as possible, while at the same time returning to a positive net cash position.

As I mentioned earlier, we would like to spend a cumulative total of JPY180 billion through FY2026 for R&D, although we will take ROE into consideration.

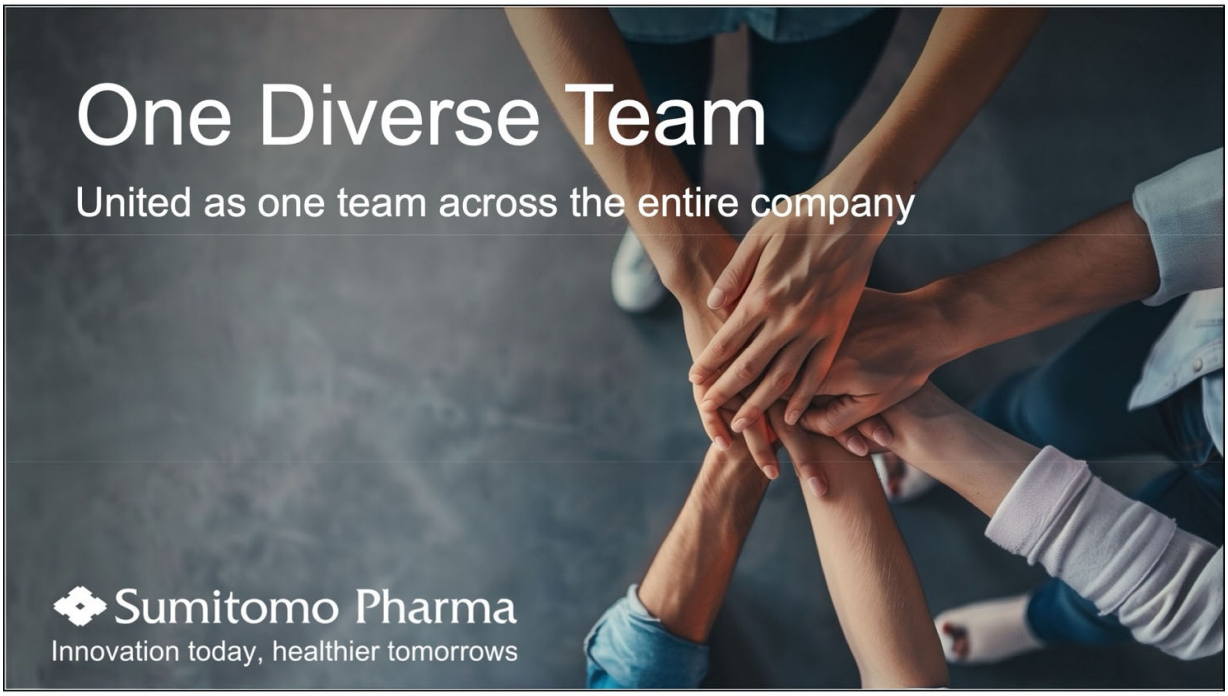
We are also well aware that our shareholders expect us to resume dividend payments. Based on Boost's progress, we hope to resume dividend payments as soon as possible.

Lastly, I would like to explain the governance transformation.



The Company established a new management structure in June of FY2024. In June last year, we transitioned to a company with an Audit and Supervisory Committee to improve the effectiveness of the supervisory function and to enhance medium- to long-term strategic discussions.

In the Boost project, we are accelerating discussions on comprehensive growth strategies at the board level to enhance corporate value, while also maintaining strong financial discipline to ensure the certainty of our management restructuring. This shift reflects our focus on moving from value creation to value delivery.



We would like to unite the entire company as One Diverse Team to promote Sumitomo Pharma's management. Thank you very much.

Kino: Mr. Kimura, thank you very much.

Question & Answer

Kino [M]: We will now move to the Q&A session with analysts and investors. The Q&A session will run until 6:50 PM.

First, Mr. Wakao from JPMorgan Securities, please go ahead.

Wakao [Q]: Wakao from JPMorgan. Thank you.

My first question is, why did you choose this timing to review your targets, update your earnings forecast, and announce a public offering? You didn't go into much detail just now on the public offering, so could you also explain the background behind the decision to raise funds at this time?

Up to this point, based on your explanation, it seemed that cash flow had been improving, particularly driven by ORGOVYX, and that financially the Company was moving in a healthier direction. So I hadn't really expected a public offering at this stage. I'd appreciate your thoughts on that as well.

Toru Kimura [A]: First, let me explain why we announced Boost 2028 at this time.

As I mentioned earlier, we announced Reboot in May of last year and worked company-wide under that new management policy. As a result, we have essentially achieved our targets in just one year. Given that, we felt it was time to move into a new growth phase, and so we announced Boost as our three-year policy for FY2026 through FY2028.

In doing so, we also wanted to show that the Company's management has become healthier, including being able to meaningfully revise this year's earnings outlook upward. That was part of the context for announcing Boost now.

As for why we are considering a public offering at this time, you're right that our earnings recovery has been progressing very smoothly. However, looking ahead, we believe it is essential to further strengthen our management structure for future growth, and to do that, reinforcing our financial base is critical.

As you know, we still carry debt, including subordinated bonds. We wanted to put a clear path in place regarding those obligations. In addition, as released today by the rating agencies, this capital increase is expected to help stabilize our credit rating, and we have also confirmed that it can be treated as refinancing securities. That makes it easier for us to pursue our medium- to long-term strategy. On that basis, we decided to proceed with the capital increase.

That said whether we actually carry out the offering, and exactly when, will be determined based on market and other relevant conditions.

I hope that answers your question.

Wakao [Q]: Yes, that's very clear. Thank you.

My second question is about capital allocation. You mentioned JPY180 billion in R&D expenses over three years. From a P&L perspective, how should we think about that? Is it simply JPY180 billion divided by three, so roughly JPY60 billion per year?

Toru Kimura [A]: No, we are not planning to jump straight to JPY60 billion per year. The basic idea is to increase it gradually. At the same time, we intend to secure an ROE of 10%, so each year we will determine

the appropriate level of R&D investment while taking that into account. Under our current plan, we believe that by expanding the budget steadily and without strain year by year, we can achieve meaningful R&D outcomes within the total of JPY180 billion over the three years.

Wakao [Q]: Thank you.

Also, at the recent Q3 briefing, I think you said that next fiscal year, FY2026, R&D expense would increase by about 10% versus FY2025. Is that not the case? Is that going to change as well?

Toru Kimura [A]: Yes, it could change somewhat, but we haven't finalized the budget yet, so I can't give you an exact number. That said, I think it's fair to understand that it won't suddenly jump to JPY60 billion.

Wakao [Q]: Understood.

On the other hand, since it's a three-year period, I was thinking there's a possibility it could get quite large, like over JPY60 billion in FY2028. But with the current R&D spend in the JPY40 billion range, you can take enzomenib through to a partnership, and the same for nuvisertib. So I had assumed you could execute the plan you've been talking about with the current level of development spending. So if you're increasing it this much, what are you investing in, exactly? And it also makes me wonder whether, for enzomenib and nuvisertib, your development strategy, how you're spending money, has changed quite a bit. How should we think about this?

Toru Kimura [A]: I think your question is probably, "Have you started thinking mainly about doing this in-house?" But that's not the case at all. For the two oncology assets, we are still thinking squarely with partnering as the core approach.

On the other hand, there are products in CNS that we think are very promising, but we haven't really been able to invest much there. And for regenerative and cell therapy, we've finally reached the point where approval looks likely, but that would still be conditional and time-limited approval. The real, big battle is the US market.

And even in oncology, for the two products I mentioned earlier, we think we can handle FY2026 in-house just fine over this next year. But looking ahead, we also anticipate a sharp expansion in investment, possibly even if we do have a partner. So, to be ready for that, we want to further build up R&D spending. That's why we're showing JPY180 billion over three years.

Wakao [Q]: Understood.

And you said that once partnering for those two assets is decided, you'll formulate a new mid-term business plan. But I feel like, up to now, you haven't given a very clear answer on the timing for partnering on the two oncology assets. As of today, do you have a target timing, like within FY2026?

Toru Kimura [A]: First, let me clarify one point. It's not "once the partnership is finalized, then we do the mid-term plan." What we mean is, once the direction becomes clear, what kind of partnership we're going to pursue, then we want to move into formulating the mid-term plan. So I'd like to make that subtle correction.

As for the partnership itself, what we're calling the value inflection point (VIP) may slip a bit into FY2026 or early FY2027, but we think it will come around that timing. Data will accumulate gradually, and once we have data that potential partners can be comfortable with, we plan to resume partnering efforts. So I think the timing will be roughly as I just described.

Wakao [Q]: Understood.

So, because the data will come out at the end of FY2026 or the beginning of FY2027, it would be after that?

Toru Kimura [A]: Yes. We think discussions can move forward in parallel, so we see the end of FY2026 through early FY2027 as the window for partnering. But part of the reason for this capital strengthening is so you don't need to think about it rigidly as, it must be done by this exact date. That's how I'd frame it.

Wakao [M]: That's very clear. I'll stop there for now. Thank you.

Kino [M]: Thank you. Next, Mr. Muraoka from Morgan Stanley MUFG Securities, please go ahead.

Muraoka [Q]: Thank you. Muraoka from Morgan Stanley. Thank you.

Regarding the shelf registration for the new shares, of course, the actual issuance hasn't been finalized yet, but on this point: if we assume 60 million shares, Sumitomo Chemical's ownership would be diluted to around 43%, at least on paper. I understand the repayment of the hybrid bonds and so on. And if ORGOVYX and GEMTESA continue to perform well, then I understand the rationale for the capital increase. But looking further ahead, a few years after the issuance, if the stake falls to 43%, would you view that as somewhat weakening the relationship? In that case, would you be thinking about something like a buyback on a longer time horizon? Or do you consider that level of dilution to be a stable point? I'd like to understand how you're thinking about this.

Toru Kimura [A]: I think that ultimately comes down to Sumitomo Chemical's intentions as well. As stated in today's release, although their ownership ratio would decline, they intend to maintain consolidation. From our perspective, we don't believe the current relationship would change in any way.

Muraoka [Q]: You mentioned Sumitomo Chemical's intentions, but when I asked, hypothetically, if performance improves, would you consider a buyback, that would be a decision made by Sumitomo Pharma, right?

Toru Kimura [A]: Yes, it would be Sumitomo Pharma's decision as well, but it also involves Sumitomo Chemical. As for whether we would need to conduct such a buyback, meaning a share repurchase, we are not considering anything specific at this time.

Muraoka [Q]: Sorry to press on this, but from Sumitomo Pharma's perspective, is a roughly 43% ownership level appropriate and comfortable? Or would you prefer to strengthen the relationship and move it back higher? How does it look from your side?

Toru Kimura [A]: From Sumitomo Pharma's standpoint, whether it's 52% or 43%, nothing changes in substance. As long as consolidation is maintained and given that we've actually strengthened our collaboration with Sumitomo Chemical, particularly in regenerative medicine, since last year, even if the ownership ratio were to decline, we would not feel any concern or discomfort at all.

Muraoka [Q]: Understood. Thank you.

One more question, on ORGOVYX. I believe you indicated somewhere a scale of JPY250 billion in the 2030s. If I divide that by JPY150 to the US dollar, that's about USD2.25 billion. Given the five-step milestone structure, that seems to imply you wouldn't quite reach the final USD2.5 billion tier. Is that the assumption? Or, because of potential IRA-related price cuts around 2029, do you think you might reach USD2.5 billion before that, but in the 2030s the figure would look like this? How should we think about the growth trajectory, will it be a straight line, or somewhat uneven? What's your current view?

Toru Kimura [A]: It's not an exact calculation, but as sales expand, there are pricing policy issues in North America. In the US, systems have been introduced whereby if sales grow too large, pricing can be reduced. So we do factor in the possibility that sales could decline at some point.

Muraoka [Q]: Just to confirm, so you believe it is possible to reach the fifth and final USD2.5 billion milestone, but ultimately you're showing JPY250 billion as the steady-state figure?

Toru Kimura [A]: The sales target shown here does not include milestones. At this point, the Boost plan does not assume a significant contribution from milestones. As I mentioned at the Q3 briefing, we believe we can achieve a new milestone next fiscal year, but beyond that, we're not in a position to comment, either on the amount or the timing of future milestones. I apologize for that.

Muraoka [M]: Understood. That's all from me. Thank you.

Kino [M]: Thank you. Next, Mr. Yamaguchi from Citigroup Securities, please go ahead.

Yamaguchi [Q]: Yamaguchi from Citi. Thank you.

My first question is about the figures in the mid-term plan. You've provided several numbers, and perhaps one could back into it with some calculations, but in terms of NOPAT or core operating margin, if I'm not mistaken, it started at around 10% and is now roughly 16%. What level are you aiming for going forward? Is there any guidance you can provide?

Toru Kimura [A]: As I mentioned earlier, we are managing the business with ROE as a key metric, and we will consider costs and expenses within that framework. At this point, we would prefer not to provide more granular numerical details. However, when we formulate the next mid-term business plan, which I've mentioned several times today, I believe we'll be able to present more specific figures.

Yamaguchi [Q]: So this is more of a bridge for now, is that fair to say?

Toru Kimura [A]: Yes. In fact, Reboot itself was also a kind of bridge. But since we achieved its targets in just one year, we've effectively created a new bridge.

Yamaguchi [Q]: I see. That makes sense. Understood.

Regarding iPS-related business, I'm not sure whether it's because you don't hold a major stake, or because the review process is at a fairly critical stage, but in the past you indicated figures like JPY100 billion globally including Japan, and potentially more over the mid to long term. Is that not included here this time? Just to confirm.

Toru Kimura [A]: Over this three-year period, we don't think it's the right timing to expect significant sales. It will likely be conditional and time-limited approval. In that case, we would need to obtain full approval within a few years, and during that time, sales would be conducted in a manner somewhat similar to a clinical trial, we sometimes refer to it internally as Phase IV. So the revenue contribution would be quite limited.

That said, as shown in the chart, we do expect significant growth in the future. We're thinking the major ramp-up would come around 2030. So it's simply that it doesn't factor meaningfully into Boost at this stage.

Yamaguchi [Q]: I see. It's just that for other products you showed fairly concrete numbers, JPY250 billion, JPY150 billion, and for the vaccine as well you showed JPY200 billion, so I was wondering why it wasn't presented in the same way. But I understand based on your explanation.

Toru Kimura [A]: We haven't lowered our expectations.

Yamaguchi [Q]: Understood. Thank you.

Also, regarding the JPY200 billion for the vaccine, this is global, correct? Not just influenza in Japan? Because JPY200 billion would exceed the entire Japanese influenza vaccine market, so I was wondering how that estimate was derived.

Toru Kimura [A]: Yes, that is global. In vaccines, even more so than oncology, this is an area where we don't have strong capabilities on our own. So we would likely consider partnering at some point.

Yamaguchi [Q]: So after partnering, if things go well, it could exceed JPY200 billion at peak, that's the kind of potential you're referring to?

Toru Kimura [A]: Yes, that's correct.

Yamaguchi [M]: Understood. That's all from me. Thank you.

Kino [M]: Thank you. Next, Mr. Wada from SMBC Nikko Securities, please go ahead.

Wada [Q]: Wada from SMBC Nikko Securities. Thank you.

First, I'd like to ask about costs. You showed a slide on earnings management on page 28, and I think I have a general sense of R&D expenses based on your earlier answers. But how should we think about SG&A expenses? Looking at the situation, since for the existing products and for enzomenib and nuvisertib you're pursuing a partnering model for development, my impression is that SG&A wouldn't need to increase that much. Could you share your view on that?

Toru Kimura [A]: Your understanding is correct. We haven't provided detailed figures this time, but for SG&A, while there will naturally be some increase in line with sales growth for currently marketed products, we are basically thinking in terms of maintaining the current level. Within the period through FY2028, the three oncology products would not represent a major SG&A burden, and by that time we expect to have partners involved as well.

Wada [Q]: Thank you.

Next, regarding the assumptions behind peak sales. For the two oncology assets, you've indicated over JPY100 billion for enzomenib, and then an additional JPY100 billion through indication expansion. Is the current JPY100 billion assumption based on both relapsed/refractory monotherapy and first-line combination therapy combined?

Toru Kimura [A]: Yes, that's correct. In addition, based on our conference presentations and external feedback, we've received several suggestions that there may be other potential indications. We are currently conducting research in those areas as well, so in total we believe it could potentially exceed JPY200 billion.

Wada [Q]: Thank you.

Regarding nuvisertib, for the under consideration indication expansion, can you comment at all on what that might involve?

Toru Kimura [A]: I can't go into detail at this point, but we are looking to expand indications within myelofibrosis, and at the same time, we're also exploring the possibility that it could be extended beyond myelofibrosis. We'll share more when the timing is appropriate.

Wada [Q]: Thank you.

Lastly, on regenerative and cell therapy. I believe you're currently advancing iPS cell development in the US, in Phase I. Are you planning to pursue a development partnership there? Given that BlueRock appears to be ahead in the US, possibly already in Phase III, it seems like you may need to accelerate development. Could you comment on your development strategy?

Toru Kimura [A]: As you mentioned, BlueRock is ahead in the US. However, in Japan we are on track to obtain approval, albeit conditional and time-limited approval. For cell products, it's not just efficacy and safety. CMC, meaning manufacturing processes and quality control, is a major issue.

Within the conditional and time-limited approval framework, we believe we can clear those hurdles. So while being behind in clinical development is certainly an important factor for long-term business success, we don't believe it is necessarily critical. We think we can catch up. Therefore, in the US, with the funds secured through this capital increase, our basic stance for now is to continue development in-house.

Wada [M]: Understood. Thank you very much.

Kino [M]: Thank you. Next, Mr. Hashiguchi from Daiwa Securities, please go ahead.

Hashiguchi [Q]: Hashiguchi here. Thank you.

First, how does this capital increase change what you will do over the next three years? For example, regarding the capital allocation shown on page 29, especially the growth investment portion, could you explain concretely how the amounts would differ with and without the capital increase? My sense is that the bigger meaning might be enhancing business sustainability over the next three years, even in the event of unforeseen circumstances, and that perhaps the figures on page 29 themselves wouldn't change that much. That's why I'm asking.

Toru Kimura [A]: Thank you for the question.

I understand that we haven't shown what the numbers would look like without the capital increase, and in that sense I apologize. But we have structured everything on the assumption that the capital increase will take place, so we're not in a position to present alternative figures. However, if you look at this year's R&D expense, which is in the JPY40 billion to JPY45 billion range, multiplying that by three years doesn't get you anywhere near JPY180 billion. I think that makes the point.

As I mentioned earlier, in the area we call CNS, we are conducting research but have significantly limited development investment. With this capital increase, we would be able to activate that area. So from a future growth investment standpoint, that's a very meaningful shift. Also, for the two oncology products, having this capital increase means we can continue development without slowing down while we secure a solid partner. Qualitatively, that's a very significant point.

Hashiguchi [Q]: Thank you.

Second, on page 29 under capital expenditures and investments, you mention strengthening investment in the regenerative and cell therapy business. Are you considering the possibility of changing your equity stake?

Toru Kimura [A]: At this point, nothing has been decided. In terms of how we inject R&D funds into RACTHERA, some of that is structured as capital contributions, which is why we describe it as investment and financing. So while I'm not ruling out the possibility you mentioned, there is currently no specific plan in place, nor are we targeting anything concrete.

Hashiguchi [Q]: Thank you.

Finally, on page six, regarding the two oncology assets, you explained that at the VIP stage you would decide between partnering and in-house development. In the Q&A that followed, you emphasized that partnering is the core approach. But under what circumstances would you realistically choose in-house development? What would have to happen for that to become a possibility at this stage?

Toru Kimura [A]: As I've said repeatedly, our basic approach is to pursue partnering in order to accelerate development and maximize value.

At the same time, as we've explained before, we are not considering a simple license-out. Any partner will have its own development strategy, and if we cannot reach agreement on the framework we're seeking, meaning a combination of commercial and development collaboration, or if timing becomes an issue and things are likely to be delayed, then being prepared to proceed with in-house development gives us leverage to secure a better partner on better terms. That's the context of that comment. Fundamentally, our axis is partnering.

Hashiguchi [Q]: Thank you.

So even if sales and profits exceed expectations and your R&D budget could increase further, you're not really considering in-house development at this point, is that correct?

Toru Kimura [A]: Yes, that's correct. As you know, in oncology we do not currently have a fully established late-stage development or commercial infrastructure. We are well aware of that. To maximize the business, we believe a strong partner is preferable.

Hashiguchi [M]: Understood. Thank you very much. That's all from me.

Kino [M]: Thank you. Mr. Wakao from JPMorgan Securities, please go ahead.

Wakao [Q]: Wakao from JPMorgan. A few follow-ups, please.

First, regarding accelerating development, you've already presented data for enzomenib and nuvisertib, so we understand they appear promising. The universal vaccine is also starting to generate data, which is encouraging. But for other pipeline assets, for example, 3124, when do you expect data to come out? If there's anything expected during FY2026, could you share that?

Toru Kimura [A]: We can't disclose data until it's sufficiently consolidated, but for 3124, data has been gradually accumulating on our end. I believe there will be an opportunity sometime next fiscal year to present it in a reasonably consolidated form.

Wakao [Q]: Understood. Thank you.

Second, regarding ORGOVYX peak sales in the 2030s, could you provide a bit more detail on the assumptions behind that number? Relative to the current market share, what level of share are you assuming at peak? If IRA-driven price reductions are factored in, it's not straightforward to assume that revenue growth simply equals share expansion. Could you elaborate on the assumptions?

Toru Kimura [A]: If I go into too much detail, particularly in the US, it could be interpreted as a commitment, so I'll refrain from that. However, we have incorporated into our mid- to long-term projections factors such as reduced burden under the IRA small manufacturer provisions and potential price renegotiations.

Wakao [Q]: Understood. Thank you.

One more question, regarding this year's revision. You mentioned that GEMTESA is exceeding the initial plan in terms of sales. How about ORGOVYX? Based on progress through Q3, I would have thought ORGOVYX might also exceed your US dollar-based plan. What's your view?

Toru Kimura [A]: For ORGOVYX, it is not exceeding the plan, but sales are progressing in line with our expectations.

Wakao [Q]: So, given that cumulative progress through Q3 has been strong, does that mean the Q4 sales will decline sequentially from Q3? We had a similar discussion last year, and in the end it didn't really decline that much. So will it decline this time? Just to confirm.

Toru Kimura [A]: In Q3, December sales were particularly strong, and inventory built up. We viewed that as some pull-forward. And as you know, Medicare resets in January, so every year our North America business typically weakens in Q4. Taking that into account, it's in line with our plan.

Wakao [Q]: So we should assume there's essentially no upside risk?

Toru Kimura [A]: You can assume it will come in as planned. By plan, I mean the figures we've previously communicated.

Wakao [Q]: USD1,020 million, correct?

Toru Kimura [A]: Yes.

Wakao [Q]: Understood. In that case, Q4 will dip, which feels a bit counterintuitive, but we'll look at the actual results. Thank you.

Toru Kimura [A]: Just to add, this doesn't mean ORGOVYX is losing momentum long term. We view this as purely seasonal.

Wakao [M]: Understood. Thank you.

Kino [M]: Thank you. Next, Mr. Muraoka from Morgan Stanley MUFG Securities, please go ahead.

Muraoka [Q]: Thank you. This is my second question, Muraoka from Morgan Stanley.

Actually, I was thinking along the same lines as Mr. Wakao. My impression was that ORGOVYX in Q1 to Q3 didn't look weak exactly, but at least not showing much upside. Your explanation makes sense, inventory swing and the Medicare reset; I understand that. But at the end of January, during the Q3 call, I think you mentioned that at some point growth would begin to lap itself, as we get past the one-year mark. Should we assume that effect is starting to show to some extent? Or is it more a case of, no, growth can still continue strongly? If you could give us a sense of the tone or color around that, it would help.

Toru Kimura [A]: Speaking just in terms of color, last year, comparing FY2025 to FY2024, the lowering of the IRA out-of-pocket cap was a strong tailwind for ORGOVYX. Between FY2025 and FY2026, there isn't a comparable structural change at the base level. So I think you should view this as a more normal growth phase.

Muraoka [Q]: Even if it's normal, we're not talking about, say, less than 20% YoY, but still maintaining a certain level of momentum, that kind of image is fair, right?

Toru Kimura [A]: We'll provide more detailed numbers when we present next fiscal year's budget, but I don't think it will deviate significantly from the kind of figures you're suggesting.

Muraoka [Q]: Understood. Thank you.

One more question, sorry to keep pressing on the parent company topic, but regarding Sumitomo Chemical's debt guarantee. At the end of January, I recall there was an exchange along the lines of, "Will you resume dividends?" and the response was, "Well, there's also the debt guarantee issue," and so on. If the new share issuance is successfully completed and roughly JPY140 billion in capital is raised, should we think of that timing as essentially coinciding with the removal of the debt guarantee?

Toru Kimura [A]: Yes, just as you said, we are in discussions with our main bank to remove the debt guarantee at the time of the public offering.

Muraoka [Q]: In that case, early resumption of dividends, would that timing become a fairly likely point at which the necessary conditions are in place?

Toru Kimura [A]: Dividends are a very sensitive matter, so I can't comment specifically. But you can understand that one of the constraints that had been in place regarding dividend resumption would be removed.

Beyond that, we will consider the overall situation in deciding when to resume dividends. As I've said, we take the issue of dividend reinstatement very seriously and would like to do so as soon as possible.

Muraoka [M]: Understood. Thank you. That's all from me.

Kino [M]: Thank you. If there are no further questions, we will conclude the Q&A session for analysts and investors. We will now move to the Q&A session for members of the press. Analysts and investors may leave at this time.

Thank you for your patience. We will now begin the Q&A session for the press. This session will run until 7:20 PM.

First, Mr. Okada from Yakuji Nippo, please go ahead.

Okada [Q]: Thank you. Okada from Yakuji Nippo.

Regarding the financial KPIs in Boost 2028, items such as core operating profit, free cash flow, and interest-bearing debt that were part of Reboot 2027, those appear to have been changed or reorganized. Should we understand that the targets under Reboot will be achieved in 2027 and that performance will further improve in 2028?

Toru Kimura [A]: First, the positioning of Reboot and Boost is different. Reboot was about how to recover from a management crisis. Boost is about moving into a growth phase going forward. So the positioning is different, and we have reorganized the KPIs accordingly. The ones we are presenting now should be viewed as the new KPIs.

As for 2027, we will have largely achieved the Reboot targets within this fiscal year. From here on, we will aim for the KPIs under Boost. For example, with ROE, we intend to manage the business with a benchmark of 10% or higher throughout the period. As for sales and R&D expenses, you should think of them as gradually increasing over the three-year period. Sales are presented as a target figure rather than a three-year cumulative number but striving toward that target will serve as one of our key management indicators.

Okada [Q]: Understood. Thank you.

Regarding MYFEMBREE, are there any sales targets for the 2030s or other figures you can share?

Toru Kimura [A]: As shown in the graph, MYFEMBREE is not expected to be a particularly large product, on the order of JPY10 billion plus. We don't expect it to grow significantly from here. However, we're not in a position to provide specific numbers at this time.

Okada [Q]: Understood. Thank you.

Lastly, regarding headcount going forward, do you have any targets or direction on staffing?

Toru Kimura [A]: We currently have around 3,100 employees on a consolidated basis. In some areas, workloads are becoming quite tight, so we may consider modest increases. However, to be candid, we are not planning to significantly expand the overall size of the workforce. Detailed workforce planning will be addressed in the new mid-term business plan.

Okada [M]: Understood. Thank you very much.

Kino [M]: Thank you. Next, Mr. Ishii from Iyakutsushinsha, please go ahead.

Ishii [Q]: Ishii from Iyakutsushinsha.

First, on R&D expense, do you have any targets looking further out, for example for 2030 or a bit beyond?

Toru Kimura [A]: I'm sorry, but at this point we have not set specific targets for R&D expense for 2030 or the early 2030s.

Ishii [Q]: Understood.

Next, on the CNS area, could you be a bit more specific about what kinds of diseases you're referring to?

Toru Kimura [A]: We're looking at several diseases. For example, Parkinson's, which we're also pursuing through regenerative medicine. And epilepsy-related, related isn't quite the right word, but rare diseases around epilepsy as well. Some of those are concrete targets where we are currently advancing clinical development.

Ishii [Q]: Understood.

And then, you mentioned the restructuring of the Asia business. Could you explain in more detail what form that is taking, and how you're thinking about it?

Toru Kimura [A]: The restructuring of the Asia business has already been completed. What we used to call our China, or Asia-Pacific, business, including Thailand, Singapore, and Malaysia, has been carved out into a separate company. That company has been reorganized so that Marubeni holds 60% and we hold 40%, and the business will be led by Marubeni.

On the other hand, that region is primarily a business centered on the antibiotic Meropen, and we will continue to supply Meropen.

Ishii [M]: Understood. Thank you very much.

Kino [M]: Thank you. Next, Ms. Kimura from Nikkei BP, please go ahead.

Kimura [Q]: Thank you. Kimura from Nikkei BP, Nikkei Biotechnology.

First, regarding the upward revision this time, would you characterize this as having moved past the so-called Latuda cliff? How do you view that?

Toru Kimura [A]: In terms of sales, we believe we have moved past the Latuda cliff. Our revenue scale is now nearly comparable to the period when Latuda was still contributing.

On the other hand, the Latuda cliff, meaning the large loss recorded in FY2023, did leave damage on our financial position, and that impact still remains. With this public offering, we intend to clean that up or rather restore our financial footing. Once that is completed, we believe we can truly say we have overcome the Latuda cliff and are back on a genuine regrowth trajectory.

Kimura [Q]: Thank you.

On the new share issuance, you touched on this earlier, but is it correct to understand that the main objectives of this capital increase are the two oncology assets, CNS, and also addressing the deficit from FY2023? Just to confirm.

Toru Kimura [A]: Strengthening our financial base is one key objective. That includes addressing the residual impact from the losses.

At the same time, for growth investment, future development investment, it's not limited to oncology. We intend to firmly advance R&D in CNS, infectious diseases, and regenerative and cell therapy. We're not assuming anything particularly large-scale, but we also want to retain flexibility for in-licensing or capital expenditures as needed.

Kimura [Q]: So rather than placing a heavy emphasis on one specific area, the idea is to deploy the funds broadly?

Toru Kimura [A]: Yes, that's correct.

Kimura [Q]: Thank you.

This overlaps somewhat, but regarding why now, earlier you mentioned that it makes it easier to formulate medium- to long-term strategy. Could you elaborate a bit more on why you judged that this timing is optimal?

Toru Kimura [A]: At present, we do not have a conventional mid-term business plan. We have been managing the Company under Reboot, which we announced last year. Since we achieved that three-year plan in just one year, this is the timing when a new plan is required.

That is why we announced Boost. In doing so, we believed that unless we incorporated financial base strengthening, including enhancing R&D spending, into the overall strategy, Boost would not fulfill its intended purpose. In other words, the public offering is one of the assumptions underpinning Boost. If not at this timing, our medium-term plan would effectively be left in an opaquestate. I hope you understand that context.

Kimura [M]: That's very clear. Thank you. That's all from me.

Kino [M]: Thank you. Next, Ms. Takeuchi from The Nikkei, please go ahead.

Takeuchi [Q]: Takeuchi from the Nikkei.

I'd like to ask about how we should view Boost 2028. You mentioned that the next formal mid-term business plan would be formulated once the direction of partnering for the two oncology assets is decided. Should we

expect that to be announced at a timing that overlaps with Boost 2028? And at that point, would you set new KPIs?

Toru Kimura [A]: I can't specify the exact timing today, but I believe we would formulate the new mid-term business plan at a timing that overlaps with Boost.

Let me also add a bit to what I mentioned earlier. As I said, we needed a new management policy. One of the key issues at that time was strengthening our financial base. Through discussions with various stakeholders, we confirmed that if this capital increase is successfully completed, it can be positioned as refinancing securities for our outstanding bonds. And as I explained earlier, it would also allow us to resolve the parent company's debt guarantee. I'd like to add that those conditions aligned at this timing.

Takeuchi [Q]: Thank you.

Regarding the conditions for resuming dividends, you previously cited the debt guarantee as one of the conditions. By the time you announce the next mid-term plan, would dividends already have been reinstated?

Toru Kimura [A]: The timing of the mid-term plan and dividend resumption are not necessarily linked. We would like to resume dividends as soon as possible, and we also want to formulate the mid-term plan properly. They could coincide, or they might not.

I'm sorry that's not a very clear answer, but we want to move forward on both as quickly as we can.

Takeuchi [Q]: Understood.

One more point, regarding how you present earnings guidance. Since performance deteriorated, particularly for the three US products, you've tended to issue relatively conservative forecasts, and this fiscal year you've revised guidance upward three times. Are there any changes in how you're thinking about providing guidance going forward?

Toru Kimura [A]: During the very difficult period, when we repeatedly fell short of our forecasts, we received considerable criticism, and we take that very seriously. We are not intentionally guiding low, but we do intend to continue providing conservative forecasts.

Takeuchi [M]: Thank you.

Kino [M]: Thank you. Next, Mr. Horiguchi from the Nikkan Yakugyo, please go ahead.

Horiguchi [Q]: Horiguchi from the Nikkan Yakugyo.

Previously, I believe you indicated that expanding the diabetes pipeline was a challenge. In Boost 2028, however, the focus appears to be on CNS and oncology. Does this mean that strategic expansion of the diabetes pipeline is not included? And has your focus area shifted more toward CNS and oncology? Could you elaborate on that?

Toru Kimura [A]: Thank you.

As I may have mentioned during the Q3 results briefing, historically one of our major challenges has been the mismatch between our R&D focus areas and our commercial focus areas.

In Japan in particular, diabetes remains one of our key commercial focus areas. On the other hand, in R&D we are concentrating on oncology, regenerative medicine, and CNS. That said, we have a very strong commercial platform in diabetes in Japan. So if there are opportunities that would complement that strength, or that

would be well-supported by that infrastructure, we would not rule out sales partnerships or in-licensing in diabetes or related areas from the outset. If it makes good business sense, we would certainly consider it.

Horiguchi [Q]: Thank you.

One more question. Earlier you mentioned that in terms of revenue, you believe you've moved past the Latuda cliff. With this public offering, what specific financial issues would need to be resolved for you to say you have fully overcome the Latuda cliff? Could you elaborate?

Toru Kimura [A]: There are a few elements. First, as shown in the financial KPIs, our equity ratio is still at a level that is somewhat low for a pharmaceutical company. Moving closer to around 50% would be one benchmark.

While our P&L figures, such as sales, are very strong, on the financial side we still have issues such as subordinated bonds and the parent company's debt guarantee. Those did not exist when Latuda was at its peak. Resolving those issues would be one of the conditions for saying that we have fully recovered.

Horiguchi [M]: Thank you very much.

Kino [M]: Thank you. Next, Mr. Tomiyama from the Yomiuri Shimbun, please go ahead.

Tomiyama [Q]: Tomiyama from the Yomiuri Shimbun.

Regarding raguneprocel, you mentioned in your remarks the challenge of how to establish it as a viable business. Specifically, could you explain what the key challenges are to making it sustainable as a business?

Toru Kimura [A]: Thank you.

First, although this is not entirely within our control, unless sales rise sufficiently and the product generates profit, it cannot be sustained as a business. In that sense, one key point is working to secure an appropriate drug price.

With a typical oral or injectable drug, once it's launched, if it's good, it can be adopted broadly. This product, while physically small in size, is a transplant therapy. That means we also need to build out the hospital-side acceptance framework, or perhaps more accurately, the treatment delivery system. Only when that infrastructure is established and begins functioning efficiently can it be used by many patients, and from the Company's perspective, become a viable business.

The latter part I mentioned is something we are experiencing for the first time, and there are still significant challenges. In parallel, we also need to move from conditional and time-limited approval to full approval. So while this is a major milestone, it also comes with new challenges.

Tomiyama [Q]: A related question, do you expect the drug price to be calculated based on cost? And given that this is a cell-based product, manufacturing cost control seems like an important issue. Could you comment on those two points?

Toru Kimura [A]: It's difficult to comment definitively at this stage, but our assumption is that the drug price would be calculated based on cost. That said, discussions are still ahead.

As for manufacturing costs, that is within our control. We are examining various ways to reduce costs, such as increasing production scale and further promoting automation. We believe we have established the necessary technologies to move in that direction.

Tomiyama [M]: Understood. Thank you very much.

Kino [M]: Thank you. Next, Mr. Sakaguchi from Iyakukeizai-sha, please go ahead.

Sakaguchi [Q]: Sakaguchi from Iyakukeizai-sha. Thank you. Just one question.

You said Reboot was achieved in one year. Would it be fair to say that this was partly because sales exceeded expectations, and partly because you may have gone a bit too far with structural reforms?

Toru Kimura [A]: I wouldn't say we went too far, but it's true that sales exceeded our initial assumptions, and the structural reforms delivered solid results. That's true not only in terms of expenses, but also because the remaining employees in both Japan and the US have been working very efficiently. I think that's been a major factor.

Sakaguchi [Q]: Earlier, you mentioned that in the next mid-term plan you may consider increasing headcount. In that sense, would it be fair to say that staffing was reduced quite significantly?

Toru Kimura [A]: Let me be clear, we are not considering any significant increase in headcount. When we implemented voluntary retirement programs, reductions were based on individual applications. As a result, in some departments staffing declined more than expected, while in others it did not decline as much as anticipated.

We have, of course, reallocated personnel where possible, but not everyone can perform every role. So in certain departments we still face shortages, and we intend to reinforce those areas appropriately.

At the same time, as new oncology and regenerative or cell therapy products are launched, new types of work will arise, and we expect additional personnel will be needed in those areas.

Sakaguchi [M]: Understood. Thank you.

Kino [M]: Thank you. Next, Mr. Sakata from Yakuji Nippo, please go ahead.

Sakata [Q]: Sakata from Yakuji Nippo. Just one question.

Under Boost, when you reach FY2028, how do you envision the domestic business? Currently, domestic sales are just under JPY100 billion. What will that look like at the end of the period?

Toru Kimura [A]: By that time, new oncology products should have been launched, and for regenerative and cell therapy, such as Parkinson's with raguneprocel, we should be approaching full approval. However, in terms of the actual product mix, I don't think it will change dramatically.

Even if oncology products are launched, sales would not yet be very large. So in terms of overall revenue scale, I would expect it to be roughly around the current level, just under JPY100 billion, perhaps around JPY100 billion. This is more of a general sense, as it's not the right timing to disclose detailed segment-level forecasts.

Sakata [M]: Understood. Thank you.

Kino [M]: Thank you. Next, Mr. Kuriyama from Yakuji Nippo, please go ahead.

Kuriyama [Q]: Kuriyama from Yakuji Nippo.

As I think about the key to success for this three-year plan, and for the full-fledged mid-term business plan that will follow this bridge plan, it seems that overseas sales of ORGOVYX and GEMTESA are, barring some

fluctuations, relatively predictable in terms of growth. On the other hand, whether the two oncology assets succeed as expected appears to be a major variable. Depending on whether they succeed or not, the nature of the plan itself could change significantly. How do you view that?

Toru Kimura [A]: Thank you for the question.

This relates to the previous question as well. During the Boost period, from FY2026 to FY2028, our fundamental product portfolio will not change significantly. Over the past three years, we had a number of products each year facing LOE or loss of exclusivity, or contract terminations, which created a complex situation with both positives and negatives. Over the next three years, however, the situation will be much more stable.

In that sense, whether the two oncology products that are expected to drive growth beyond this period, as well as our regenerative and cell therapy programs, progress smoothly will be a very important factor. However, through FY2028, we view this as a period that we can forecast with a high degree of certainty, and one in which we can deliver results that do not depend on the two oncology products.

Kuriyama [Q]: Thank you.

Looking beyond that, I understand you want to bring the two oncology partnerships to a successful conclusion. Around when should we expect sufficient clarity on their value and partnership direction, and therefore be able to see the next mid-term plan take shape?

Toru Kimura [A]: In terms of oncology partnerships, the timing will likely be around when the next set of consolidated data becomes available, so roughly in H2 of FY2026 through early FY2027.

As for the mid-term plan, we do not intend to wait until the contracts for the two oncology assets are fully finalized, or until a final decision on in-house development is made in the unlikely event of that scenario. Rather, once the direction becomes clear, we would begin formulating the plan. So please understand that it does not necessarily mean we would only begin in 2027.

Kuriyama [M]: Understood. Thank you. That's all from me.

Kino [M]: Thank you. Are there any other questions? If there are no further questions, we will conclude the Q&A session.

This concludes the Boost 2028 – Accelerating Strong Sumitomo Pharma briefing session.

Thank you very much for your participation today.

[END]