Presentation of Mid-term Business Plan 2027

[Date]	April 28, 2023	
[Time]	15:00 – 17:04 (Total: 124 minutes, Presentation: 52 minutes, Q&A: 72 minutes)	
[Venue]	Tokyo Head Office and Webcast	
[Number of Speakers]	4	
	Hiroshi Nomura	Representative Director, President and CEO
	Toru Kimura	Representative Director, Executive Vice President
	Yoshiharu Ikeda	Member, Board of Directors, Senior Executive Officer
	Naoki Noguchi	Executive Officer, Senior Director, Corporate Communications

Presentation

Noguchi: Now I would like to begin the presentation of Sumitomo Pharma Co., Ltd.'s Presentation of Mid-term Business Plan (MTBP) 2027. Thank you very much for joining us today. Today's meeting will be held at our Tokyo Head Office and will be streamed via Zoom from the venue. Please note a few things before we begin. Today's explanation is based on the presentation materials available on our website.

There will be time for questions and answers after the presentation. Please understand that we may not be able to answer all questions due to time constraints. Thank you for your understanding.

This meeting will be recorded for distribution on our website at a later date. We would also appreciate it if you could answer the questionnaire so that we can use it as a reference for our future IR activities.

I would now like to introduce today's attendees. Mr. Nomura, Representative Director, President and CEO, Dr. Kimura, Representative Director, Executive Vice President, Dr. Ikeda, Member, Board of Directors, Senior Executive Officer, and I am Noguchi, and will serve as moderator. Thank you.

Now, Mr. Nomura will explain Sumitomo Pharma's MTBP 2027.

Mr. Nomura, please proceed.

Nomura: Hello everyone, my name is Nomura. Thank you very much for taking time out of your busy schedule to attend or participate today. We issued several press releases at 1:00 PM. In addition to the press release for the MTBP 2027, we issued the press releases regarding the earnings forecast for FY2022 and the related dividend, and then the dividend for FY2023.

In FY2022, there were two major impairment losses, and due to these impairment losses, we managed to keep core operating profit in the black, but the net profit attributable to owners of the parent company was in the red. For FY2022, we will pay a reduced year-end dividend of JPY7 per share instead of the usual JPY14 per share, and for FY2023, we have announced a policy of paying no dividend due to a deficit in core operating profit.

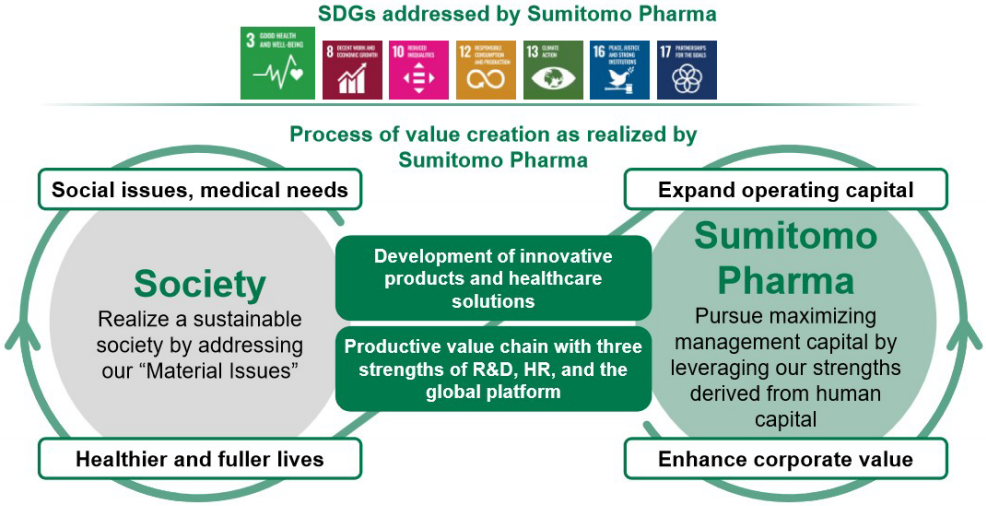
I am sorry for this performance. We will strive to improve our business performance by firmly implementing our MTBP, which I will explain in the following paragraphs.

I will now explain this MTBP. It would take a lot of time to explain all the specific details, so I would like to provide a higher-level summary.

We are striving to choose projects based on the Mission.

Sumitomo Pharma's Value Creation Process

Maximize corporate value by contributing to the betterment of healthcare and fuller lives of people worldwide, thus realizing greater social sustainability



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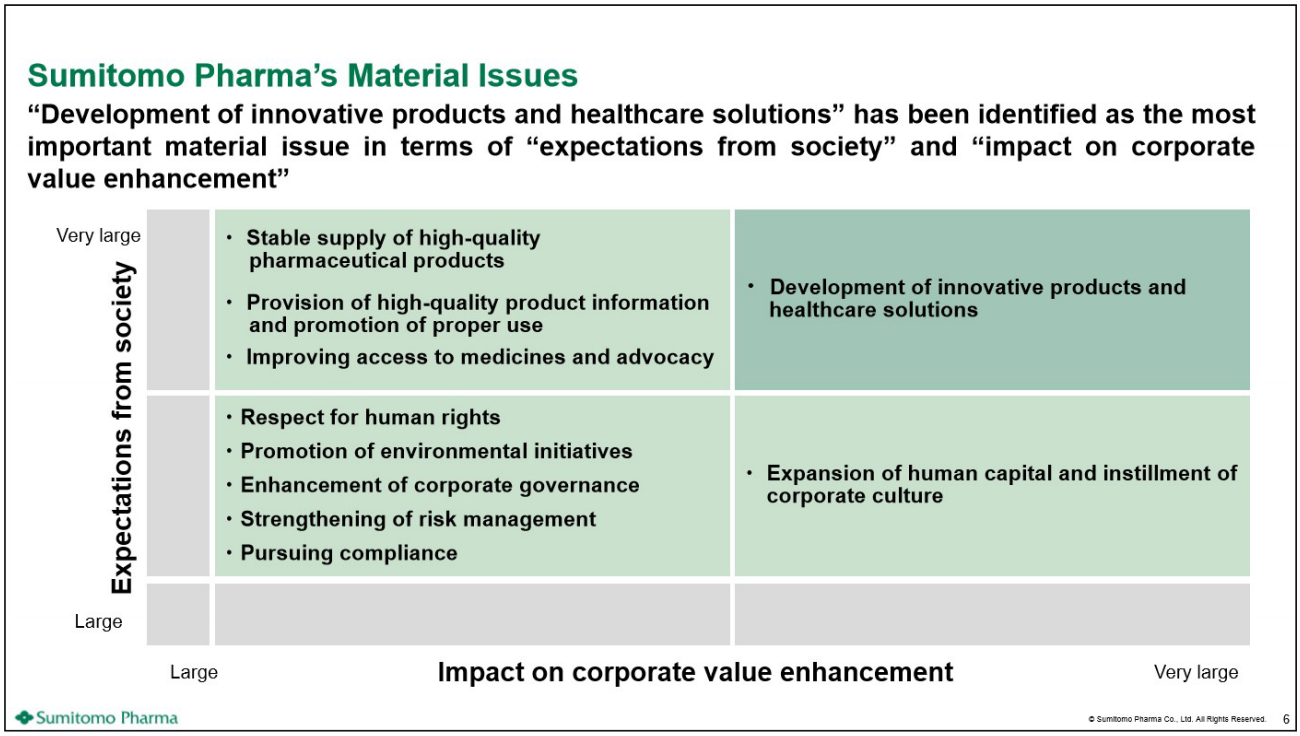
Based on this Mission, we are discussing how we can improve our corporate value and realize social sustainability.

On the left side of the slide, we have society, where there are many issues. We have extracted material issues from them. And on the right side is our operating capital, how we can approach social issues.

The operating capital is the lower part of this middle green part. We are committed to solving these social issues by using our three key operating capitals of research and development, human resources, and the global platform as a single source of capital. It is on this basis that we will develop innovative products and healthcare solutions. This is a roundabout way of saying that we are committed to developing innovative products and healthcare solutions, which will lead to the enhancement of our corporate value and the sustainability of society.



These are material issues. This is our number one priority: we will develop innovative products and healthcare solutions.

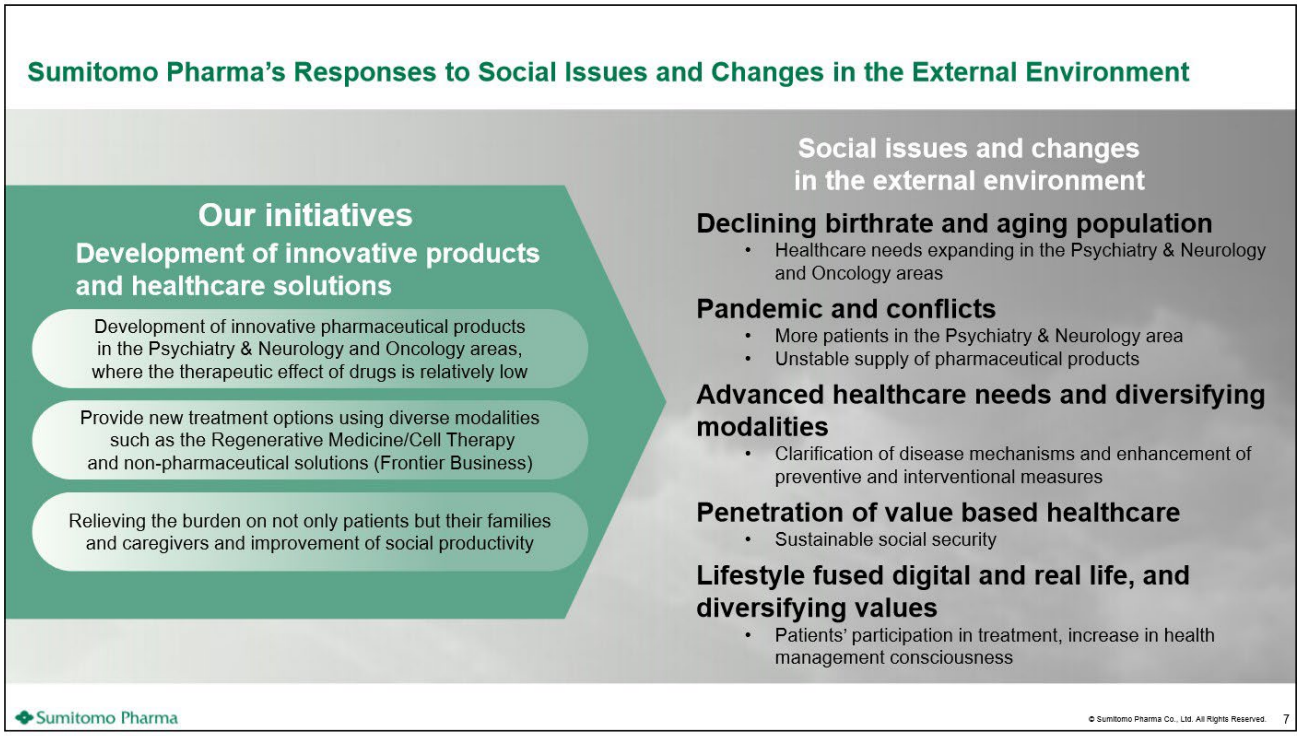
This may be similar to any pharmaceutical companies, but as I will explain later, we will contribute in specific areas where we excel.

The bottom right-hand corner, "expansion of human capital and instillment of corporate culture," indicates that companies are created by their people, so it is only natural that the human capital of the Company should be well developed.

But it's still not good if people are working in different directions, so by firmly instilling the corporate culture, we can align everyone to the same direction. This might be easy if it were only in Japan, but there are many challenges of doing this globally, so the impact on enhancing corporate value is extremely important for us.

On the left, this is very similar to the expectations of society, but these material issues are the stable supply of high-quality pharmaceutical products, the provision of high-quality product information and promotion of proper use, improving access to medicines and advocacy, respect for human rights, promotion of environmental initiatives, enhancement of corporate governance, strengthening of risk management, and pursuing compliance.

Each of these has its own KPIs, which measures what will be accomplished during the period of the MTBP, although there is a bit of a range because environmental issues cannot be settled within the period of the MTBP. More information is included in the Appendix.



As for our response, on the right side, you can see the social issues and changes in the external environment. This includes: Declining birthrate and aging population, which has been talked about for some time, a society with pandemics and conflicts, the advancement of medical needs and the emergence of various modalities, and advances on the scientific and technological side.

Value Based Healthcare, which is the environment surrounding our business, is also progressing. There is also the fusion of digital and real life, and people with a variety of values. In this context, we are simply talking about the development of innovative products and healthcare solutions, but let's take a look at the left side of the page and highlight innovative products in the areas of Psychiatry & Neurology and Oncology, where the contribution of the therapeutic effect of drugs is low.

We will offer treatment options in a variety of modalities, including not only small molecules, but also regenerative medicine/cell therapy, non-pharmaceutical solutions, medical devices and programmed devices.

We will also contribute to improving the productivity of society by relieving the burden not only on patients, but also on their families and caregivers. From this perspective, we are committed to developing innovative products and healthcare solutions.

Vision

For Longer and Healthier Lives

We unlock the future with

cutting-edge technology and ideas

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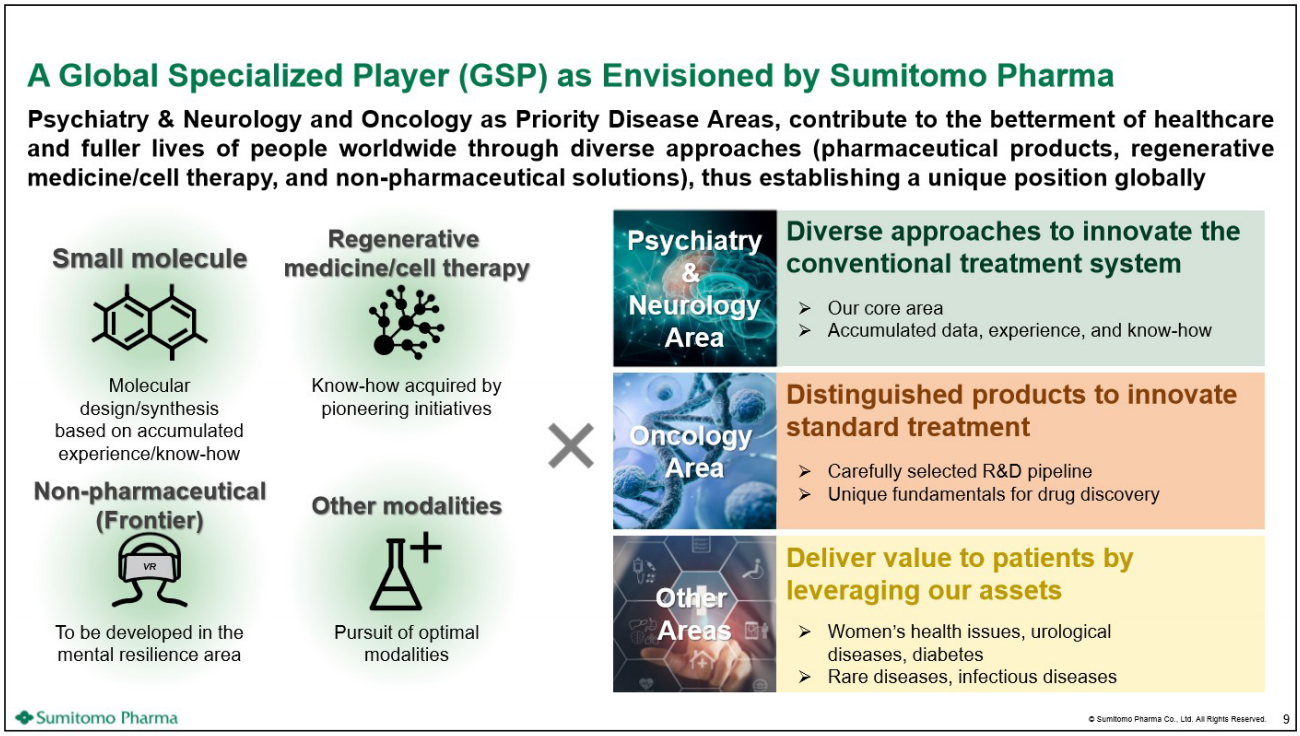
Our vision is the same as the vision of the previous MTBP 2022, but this circle on the right side shows, from the top on the right, prevention, diagnosis, treatment, long-term care, and rehabilitation.

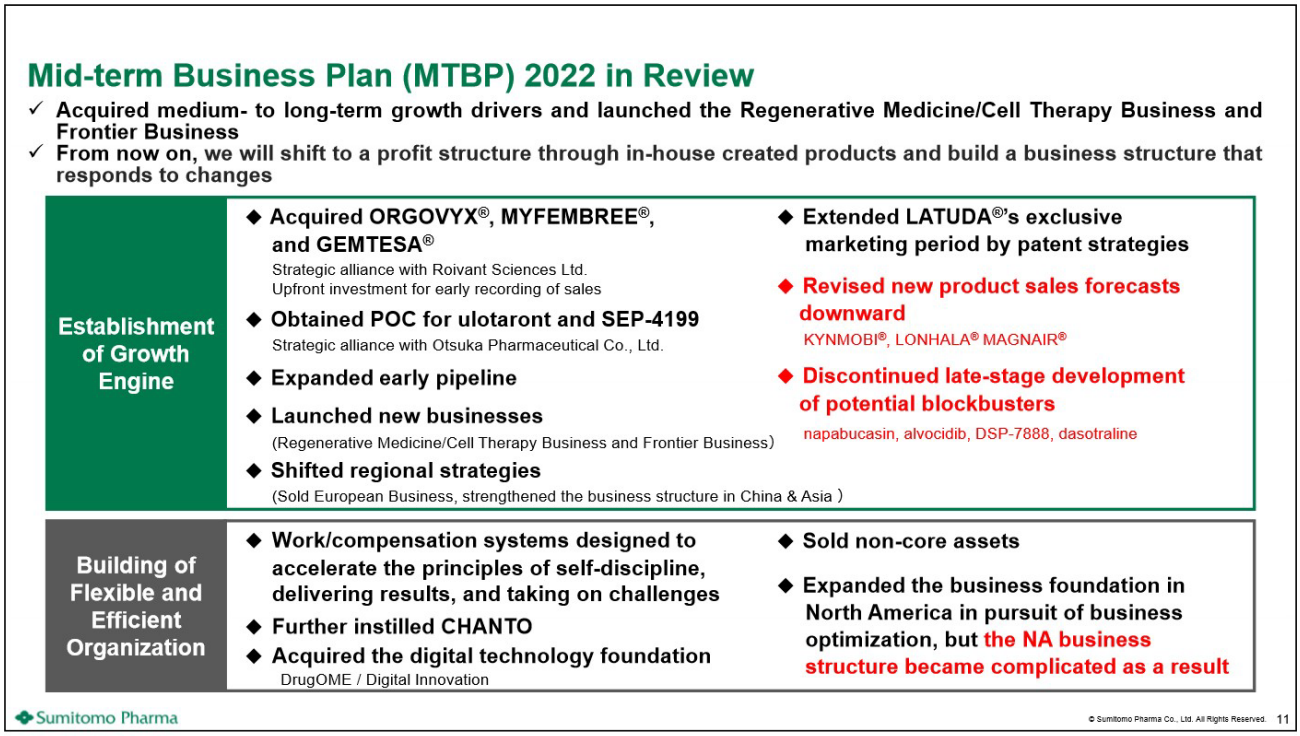
It says PATIENT, but ordinary people follow these various journeys. The best thing would be to create a world without disease, but I think it is important to create such a society where people can work as full-fledged members of society and be respected, even if they are ill. So, this is just PATIENT, but below that, it's a little hard to see, but there is COMMUNITY.

Therefore, I would like to create a kind of COMMUNITY that is like an expanded version of global health, and although calling it global health may be a bit too broad a term, I would like to expand a society in which people can work even if they are ill, and outside of that, there is SOCIETY. By expanding such activities, we will create a sustainable SOCIETY. This is chart shows this idea.



So what areas are we working on? We have been calling them Psychiatry & Neurology, Oncology, Regenerative Medicine/Cell Therapy, Frontier business, and infectious diseases, but we have further organized these areas. There are three areas: Psychiatry & Neurology, Oncology, and Other areas, including small molecules, regenerative medicine/cell therapy, non-pharmaceutical solutions, and various other modalities.

In short, we will focus on regenerative medicine/cell therapy and non-pharmaceutical solutions we are working on as modalities that support these three areas, and we will continue to focus on these three areas to build our leadership and become a global specialized player by 2033.



Looking back at the previous MTBP 2022, there were some achievements and many things that were not accomplished.

What we didn't achieve is the successful development of large assets, especially at this upper growth engine. In particular, napabucasin, which is the successor to LATUDA®, is something we have worked very hard on, but unfortunately it did not work out.

Also, in the area of new products, KYNMOBI® and LONHALA® MAGNAIR®, which we had hoped for peak sales of about USD500 million each, unfortunately, both products have been impaired.

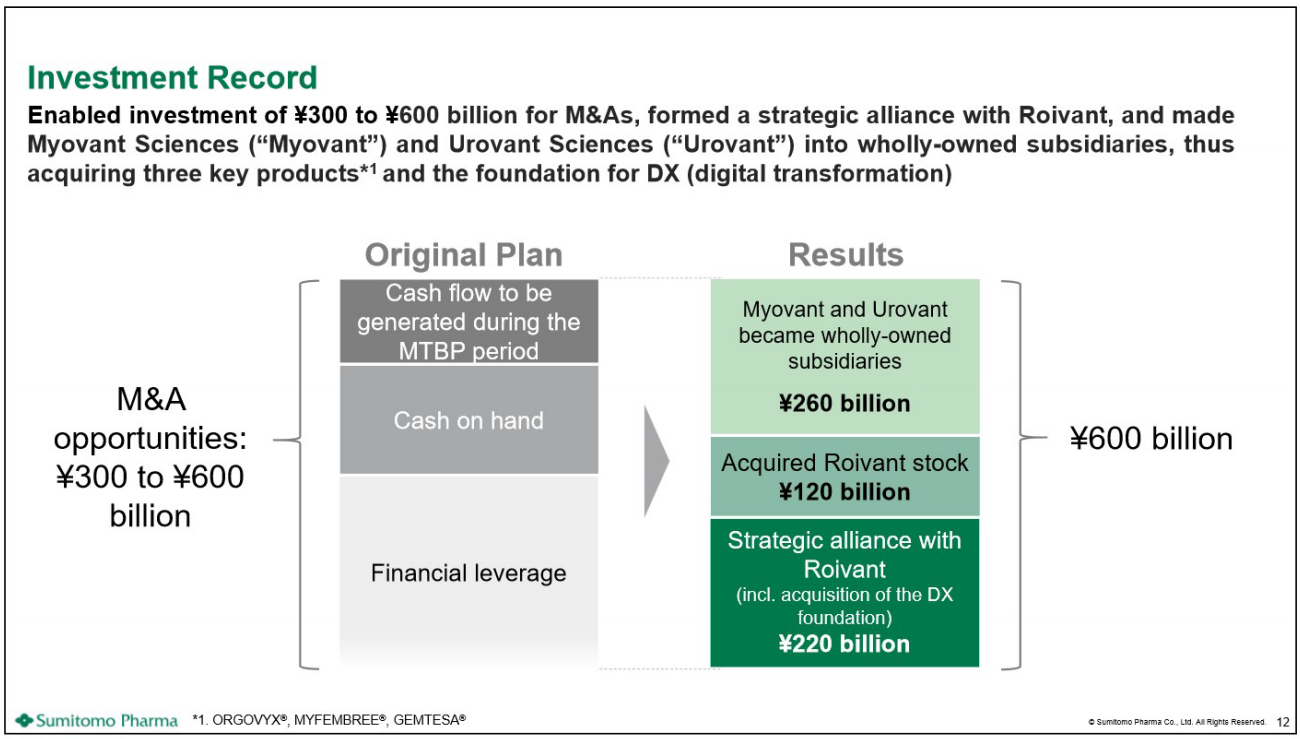
However, on the other hand, as mentioned above, the extension of LATUDA®'s exclusive marketing period through patent strategy is one of our achievements. On the left side of this, ORGOVYX®, MYFEMBREE®, and GEMTESA®, which were acquired through the strategic alliance with Roivant Sciences Ltd., with some foresight that napabucasin would not work, but we were able to acquire these assets instead. Then, when we obtained the proof of concept, POC, for ulotaront and SEP-4199 and are working with Otsuka Pharmaceutical Co., Ltd. on development, which is a great achievement.

We also were able to succeed in building a flexible and efficient organization across our corporate culture in Japan, using CHANTO to commit higher goals and accomplish them well.

When we created our MTBP in 2018, digital transformation was just a buzzword, but in reality, expertise and technology we acquired from Roivant are driving our digital transformation.

If I compare it to SUMO wrestling, I would say that we have advanced firmly from the makushita wrestlers, the lowest rank. On the other hand, however, the strategic alliance with Roivant resulted in the formation of several companies, and the structure in North America has become rather complicated.

In that sense, there are various pros and cons, but unfortunately we were not able to achieve our numerical goals in the final year of FY2022.



We initially stated that we would invest between JPY300 billion and JPY600 billion on M&A. In the end, we invested approximately JPY600 billion by investing in the strategic alliance with Roivant and by making two listed subsidiaries wholly owned subsidiaries.

MTBP 2022: Goals and Results

- ✓ **Despite growth in key products, revenue did not meet the original expectations**
- ✓ **ROIC and ROE managed to meet the revised goals levels for five-year total, but both ROIC and ROE in the last year turned negative due to impairment loss on intangible assets**

	Original Goals (April 2019)	Revised Goals (May 2021, Revised MTBP)	FY2022 Forecasts
Revenue	¥600 billion	¥600 billion	¥555.5 billion
Core operating profit	¥120 billion	¥60 billion	¥16.4 billion
ROIC	10 %	3 %	(3.9)% (2.5% for the 5-year period)
ROE	12 %	3 %	(14.7)% (4.8% for the 5-year period)
Payout ratio	≥20%	≥20%	41.4% (5-year period)
Exchange rate (to the U.S. dollar)	¥110	¥110	¥135.5

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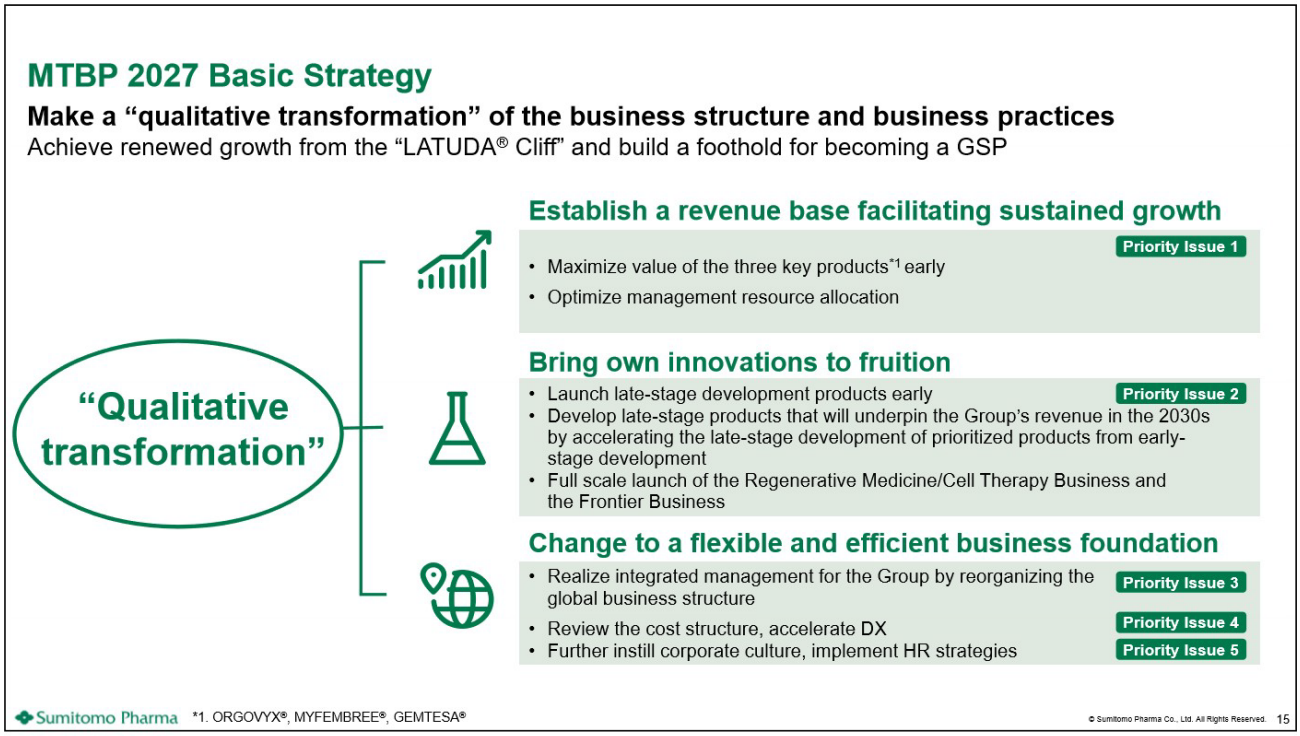
This is just the numerical aspect. We regret to inform you that we were not able to achieve the results in FY2022, which is an unfortunate outcome.



I will now begin to explain the MTBP 2027.

This section sets forth a qualitative transformation of the business structure and business practices. We have been dependent on LATUDA® only, but we will actively change this.

The first step is to establish a revenue base that will support sustained growth, and the first priority is to achieve solid growth in the three key products, ORGOVYX®, MYFEMBREE®, and GEMTESA®. Without it, the next two steps cannot be achieved.

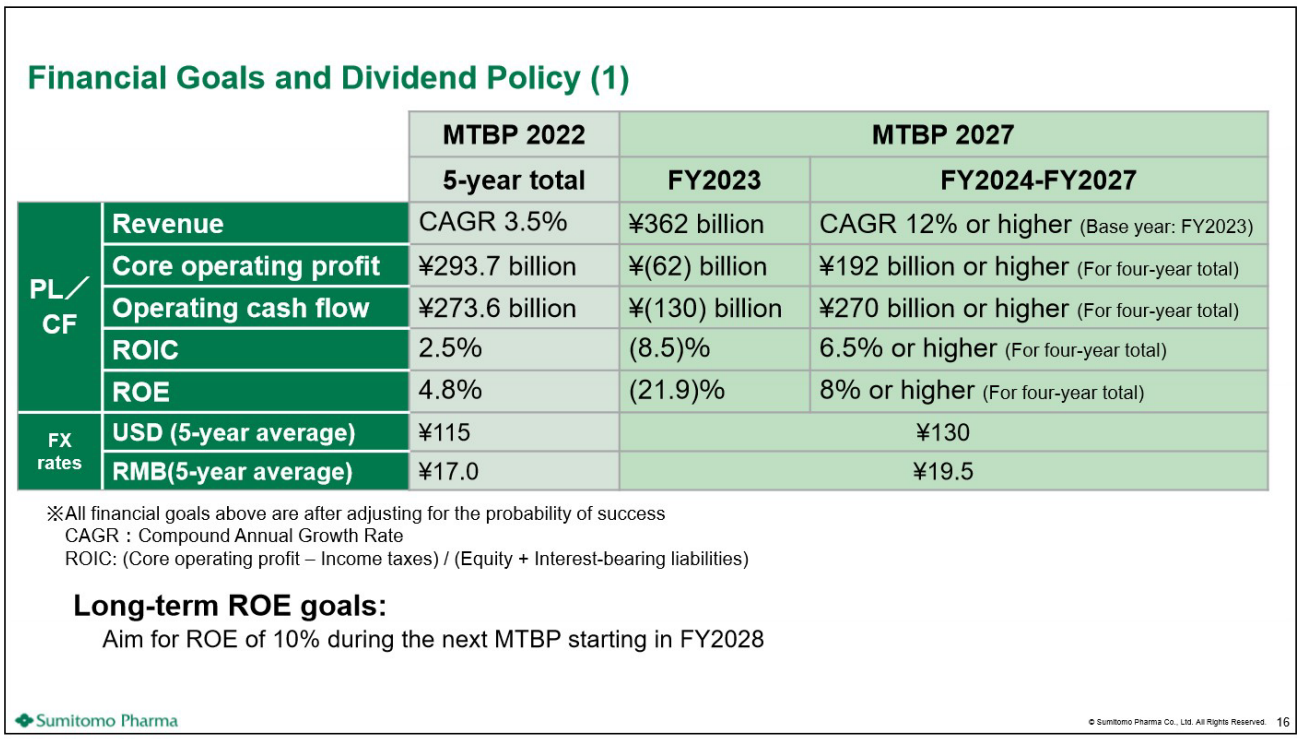
The second step is to bring our own innovations to fruition. We have changed our research structure, and I think we are now in a position to produce more unique products, so we are working on the early launch of late-stage development assets such as ulotaront, SEP-4199, regenerative medicine/cell therapy, and various other Frontier projects. We will look at later on to see when we can put the products the market.

We will select assets in the early-stage development by using various biomarkers, etc., so that we can find the signals as soon as possible. In doing so, we will select priority assets, including those with business potential, and bring them to the late-stage development. We are going to make sure that these assets will support our growth in the mid-2030s and beyond.

This includes the Regenerative medicine/cell therapy business and the Frontier business. In short, we have been working on LATUDA® alone, but from now on, we will support the growth of our business with various modalities in the Psychiatry & Neurology, Oncology, and Other areas. The Company will not be supported by LATUDA® alone, but instead by multiple pillars.

This next step is change to a flexible and efficient business foundation, which we announced in a press release at the beginning of April and will change the system in the North America largely. This announcement will also change the cost structure.

Then, we will promote digital transformation, DX, further. Then, we must firmly instill a corporate culture that includes group companies and overseas. As I mentioned earlier, a business really depends on its people. In short, we would like to visualize what kind of human resources we have and where they are located, so that we can allocate and effectively utilize valuable human resources, including the right people for the right jobs.



This is a financial figure for MTBP 2027, but sales of LATUDA® will almost completely disappear in FY2023. As sales of the three key products, ORGOVYX®, MYFEMBREE®, and GEMTESA® have not fully grown yet, core operating profit will be minus JPY62 billion. This is our bottom, and for the fiscal years 2024 and 2027, we are hoping to somehow achieve the cumulative figures as written here.

The reason for writing the cumulative total is that the timing of milestones from various partners and such is not always clear, so even if we give a specific fiscal year, there may be a slight shift, so this is the way we have written it.

Unfortunately, it is difficult to achieve 10% ROE during the period of this MTBP, so we would like to aim for 10% from the next MTBP.

Financial Goals and Dividend Policy (2)

		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 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 policy:
In FY2023, the policy is to not pay the dividend as core operating profit is expected to be in the red.
In FY2024, as core operating profit returns to the black, we will resume the dividend, after which we will aim for a consistent dividend payout

Investment policy:
R&D investments in own assets will be prioritized.
Resources will be allocated to M&As and in-licensing as well, so long as they do not significantly effect achievement of financial goals

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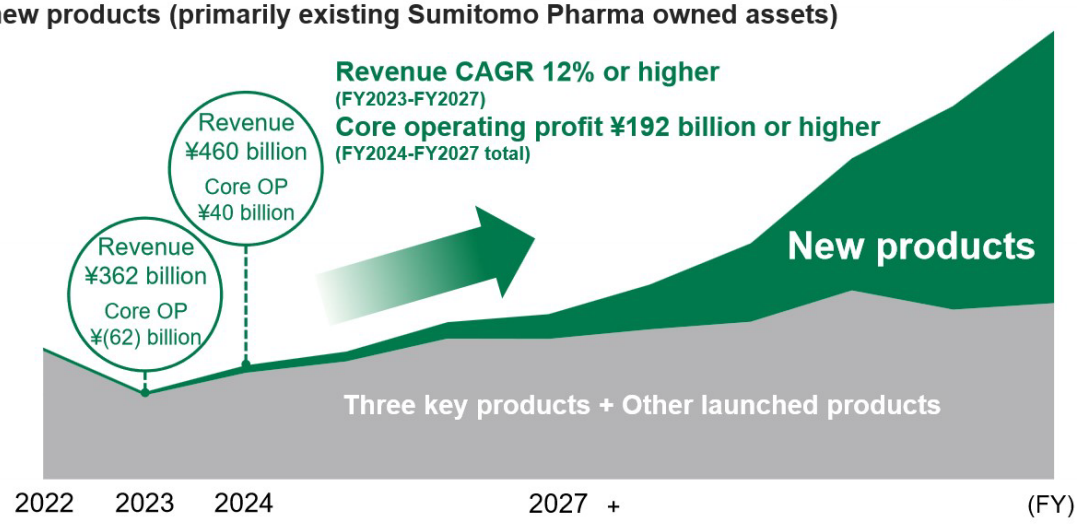
Then here, the net D/E ratio is to be less than 0.5, or the balance of interest-bearing liabilities is to be less than JPY200 billion. We are also committed to making sure that the ratio of equity attributable to owners of the parent company to total assets is at least 40%.

And as I mentioned earlier, we will not pay a dividend in FY2023 because core operating profit is in the red. We have set a goal of returning to profitability in FY2024 and beyond, and we are working toward that goal to resume dividend payout. And we are aiming for a consistent dividend payout.

Our current investment policy is basically to invest in our own assets, as we are no longer able to make large M&A deals.

Renewed Growth Imagined*1

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)



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*1. The medium- to long-term revenue image (graph) is created based on the forecast before adjusting the probability of success

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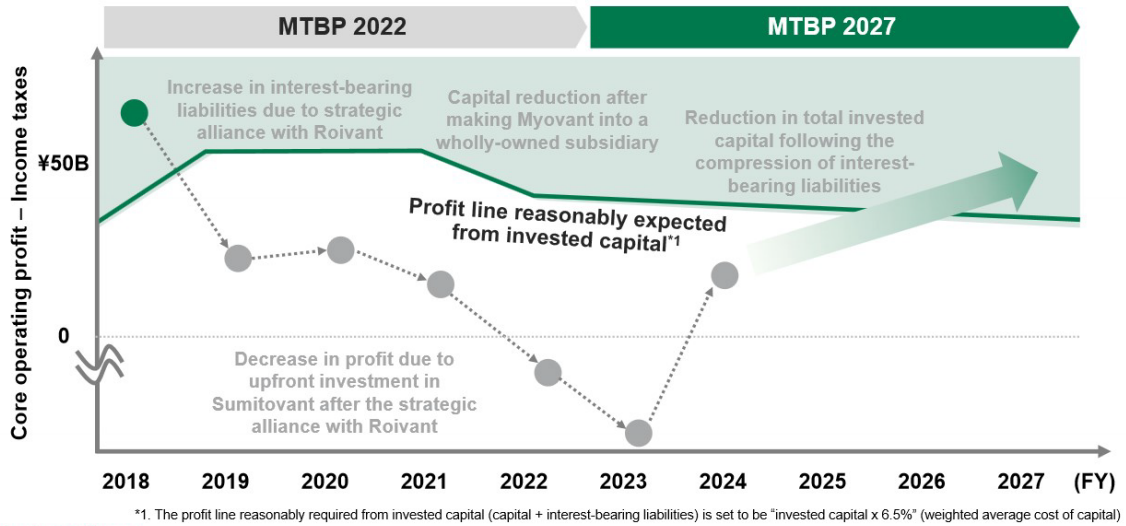
This graph is not exact, but representative of renewed growth imagined. The table presented earlier did not show the year FY2024, but core operating profit was in the red in FY2023, and we are presenting FY2024 to show that we will work hard to make a profit in FY2024.

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



*1. 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)

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The thick green line above shows the return on invested capital, which is the return on equity and interest-bearing liabilities, and it is 6.5%. The 6.5% is roughly the benchmark return in the pharmaceutical industry, so we have drawn a line using that, and we are looking at what our core operating profit will be relative to that. We will strive to cross the green line in FY2025 to FY2027.

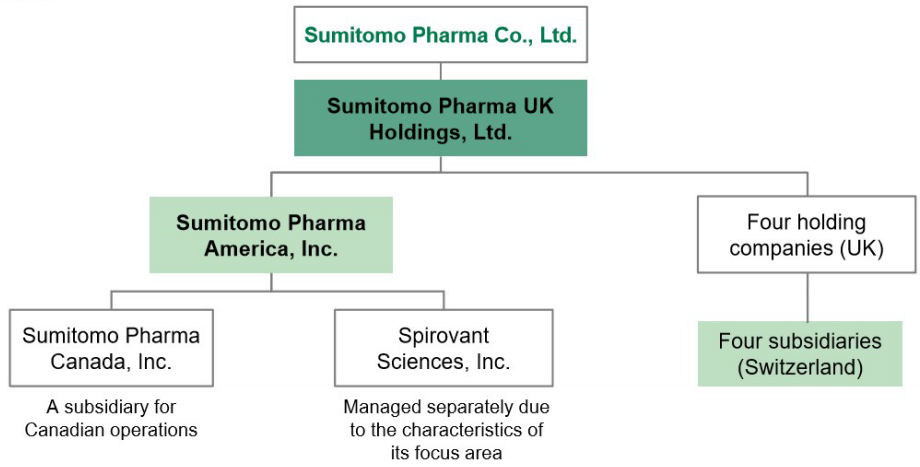
Earlier, I mentioned five priority issues, and this is the first of them. Strengthening business profitability.

Here, as I mentioned earlier, we are integrating our North American subsidiaries. It looks like seven companies, but in the middle circle there are two companies, Enzyvant Therapeutics, Inc. and Spirovant Sciences, Inc., so in reality, eight companies will be integrated. Spirovant will be kept as a subsidiary, so the other seven companies will be combined into one company.

Strengthening Business Profitability

Organizational Structure of the Key Group Companies for the NA Operations

- ✓ **Consolidated operational organizations for the NA operations (Sumitomo Pharma America, Inc.)**
- ✓ **Sumitomo Pharma Directors assume a concurrent directorship at Sumitomo Pharma UK Holdings, Ltd., which is in charge of corporate governance**
- ✓ **The current framework for intellectual property, which is under the management of Group companies in Switzerland, will be maintained**



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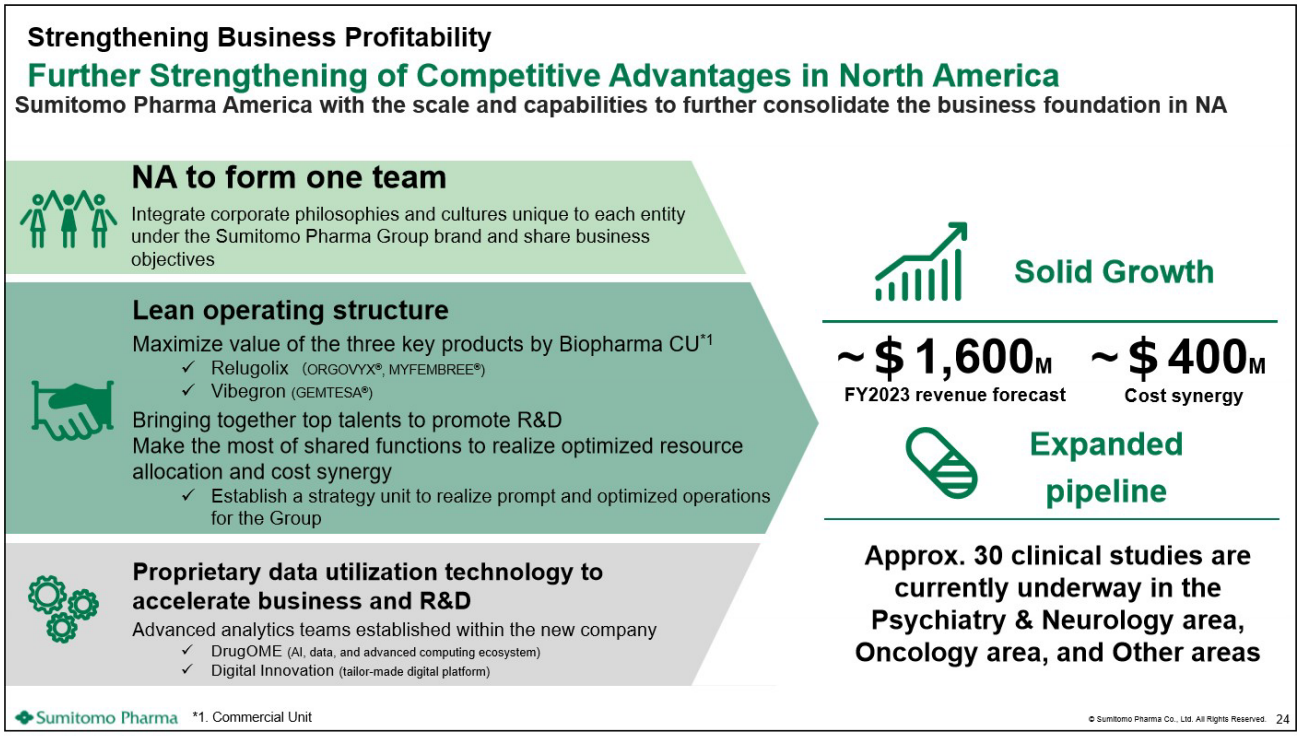
This is the capital structure, which is in the form of Sumitomo Pharma and a UK holding company that will have the North America operating company and a Swiss IP holding company.

The US company has a Canadian subsidiary, and Spirovant, which as I mentioned earlier, is a gene therapy company with little affinity to the overall business, so it will remain independent.

This is the leadership team of the North America operating company. The President & CEO is Ms. Myrtle Potter, Sumitovant Biopharma, Inc.'s current CEO, and these are the key management members. Ms. Adele Gulfo, will be the person managing the three key products I mentioned earlier. On the development side, Dr. Armin Szegedi, second from the left, is in charge of CNS-related development. Then, Dr. Jatin Shah is in charge of Oncology-related development.

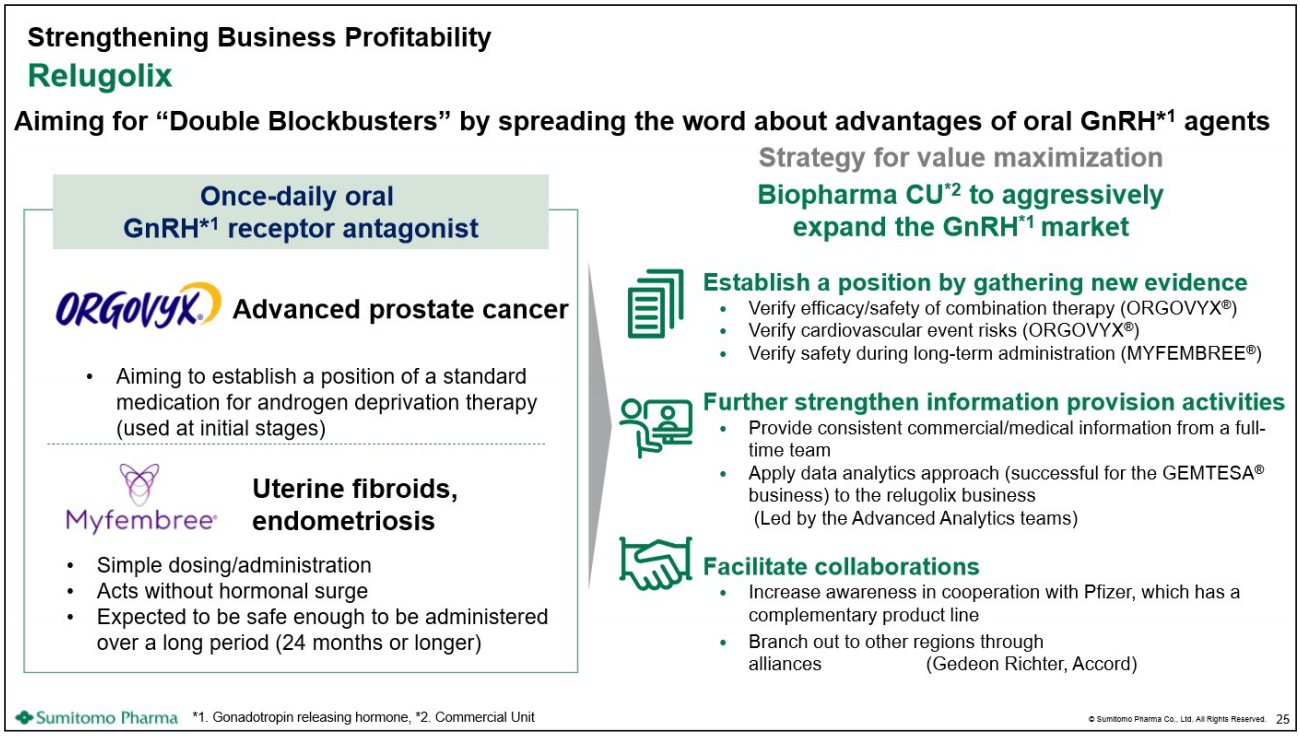


By integrating North American subsidiaries, the left side of the chart shows that the US will become one team, a lean operating structure will be established, and business and R&D will be accelerated through the use of unique data.

Dr. McMahon will lead, AACTR, which stands for Advanced Analytics Computational Technology & Research, and it has two functions; DrugOME and Digital Innovation, both of which we obtained from Roivant. This function is to provide digital support for their sales and R&D activities and there will be a dedicated team working on “Proprietary data utilization technology.”

In FY2023, this combination is expected to generate USD1.6 billion in sales. Then there are USD400 million in cost synergies, which we believe will not be fully realized until FY2024.

In FY2023, there will still be a bit of a transition, so it is not possible to fully realize the synergies, so I believe that the full USD400 million will be in effect from FY2024 onward.



We need to raise the top line. This Relugolix, ORGOVYX®, and MYFEMBREE® are also very easy to prescribe and are very good for patients, as they are administered once a day. As Myovant Sciences Ltd. was a listed subsidiary, we have not been able to access company data directly until now. In that sense, we have not been able to perform the various support tasks using digital technology that I mentioned earlier.

We will work hard on various marketing and strategies using such data. This has already been done well enough in GEMTESA®, and we will work to achieve the same results in ORGOVYX® and MYFEMBREE®.

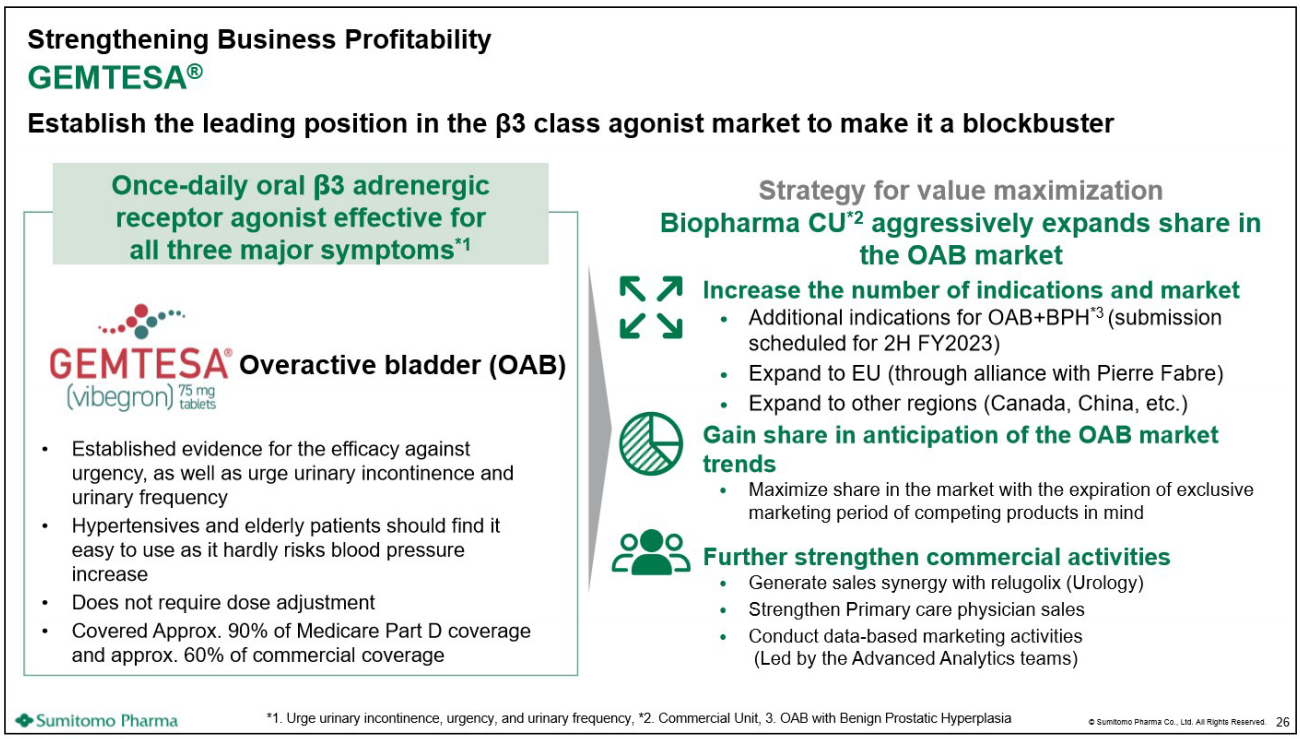
Then, on the right, it says that we will establish a position by building new evidence. The efficacy and safety of the combination therapy will be verified. I believe that the results of the combined exam will be finalized this November 2023. Then, we are working with Pfizer Inc. to verify the cardiovascular event risks and the First Patient In was in January 2023. We would like to move forward to obtain results as quickly as possible.

As for safety verification of long-term administration, in the case of uterine fibroids, we took long-term, two-year data and submitted it to the FDA. In addition, we have taken two years of data on endometriosis and will submit this soon. In essence, this is data to show that the effect on bone density is totally different in terms of safety compared to drugs that simply block gonadotropin receptors. Our goal is to list this data to the label.

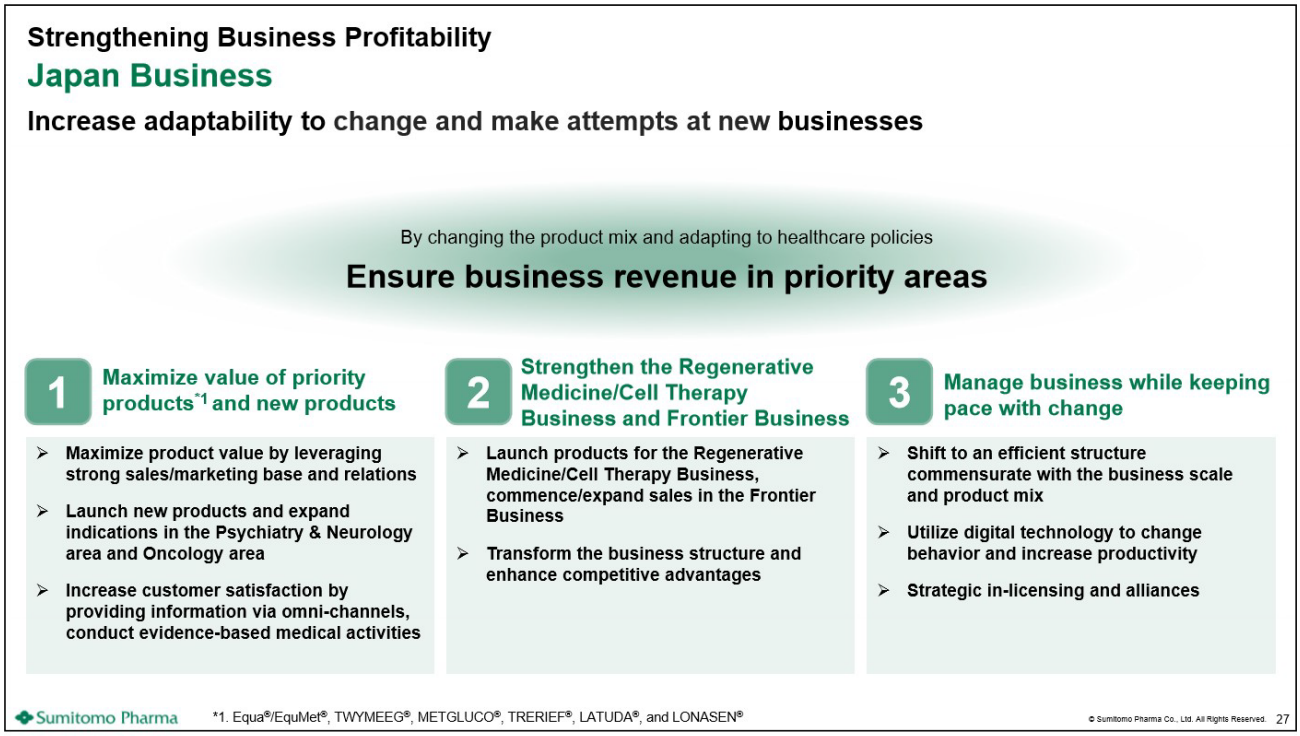
And as for MYFEMBREE®, we are currently conducting a study to see if it is effective as a contraceptive. If this works, I think we will have the Last Patient Out in April 2025, and it will be enough to differentiate us from other drugs and from competing drugs.

In addition, Ms. Adele Gulfo, mentioned earlier, was formerly an executive at Pfizer, and so she will work closely with Pfizer to promote collaboration. We would like to improve our activities in the areas of medication campaigns, patient advocacy, patient and health care provider education, and KOLs engagement, in order to

improve our efforts in the areas of ORGOVYX® and MYFEMBREE®, especially for MYFEMBREE®. We would like to enhance our activities in this area.



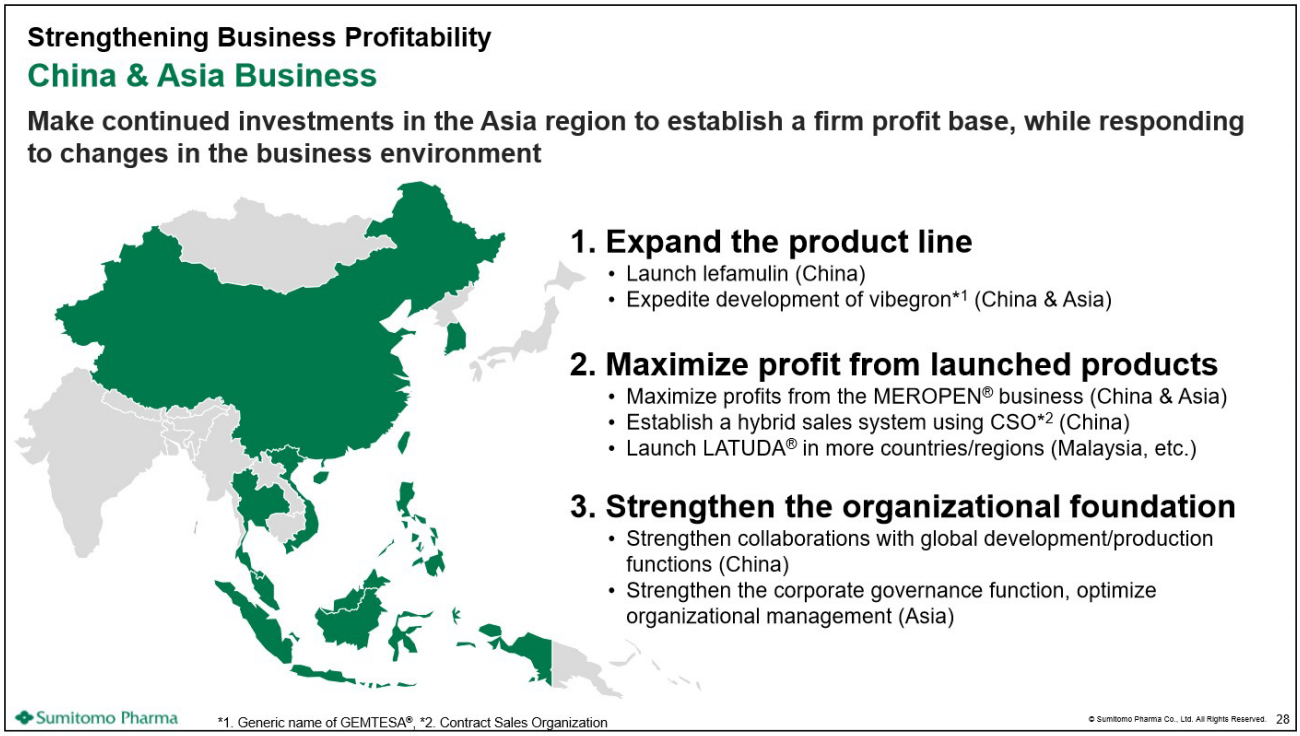
The business activities of GEMTESA® are progressing in a manner that is slightly ahead of our expectations or projections, and we are determined to continue to expand the business by keeping up this momentum.



In Japan, the left-hand side of the page shows maximize the value of priority products and new products. As for the diabetes drug TWYMEEG®, which is already on sale, it's a limited shipment, so we have a little disappointing results at the moment. But we are trying to maximize the value of the product.

Secondly, in the middle, we will also be launching the Regenerative medicine/cell therapy business and the Frontier business in the Japanese market, and we will make sure that we do our best in these areas as well.

Third, we currently have about 1,000 Medical Representatives, and we would like to ensure that they are able to conduct activities that match the product lineup, and we will also be expanding into information provision activities using digital technology. As for strategic in-licensing and alliances, we have a sales force of about 1,000 people, and I believe that the power of these people is quite impressive, so we will continue to look for opportunities to demonstrate that power through alliances and other ways.

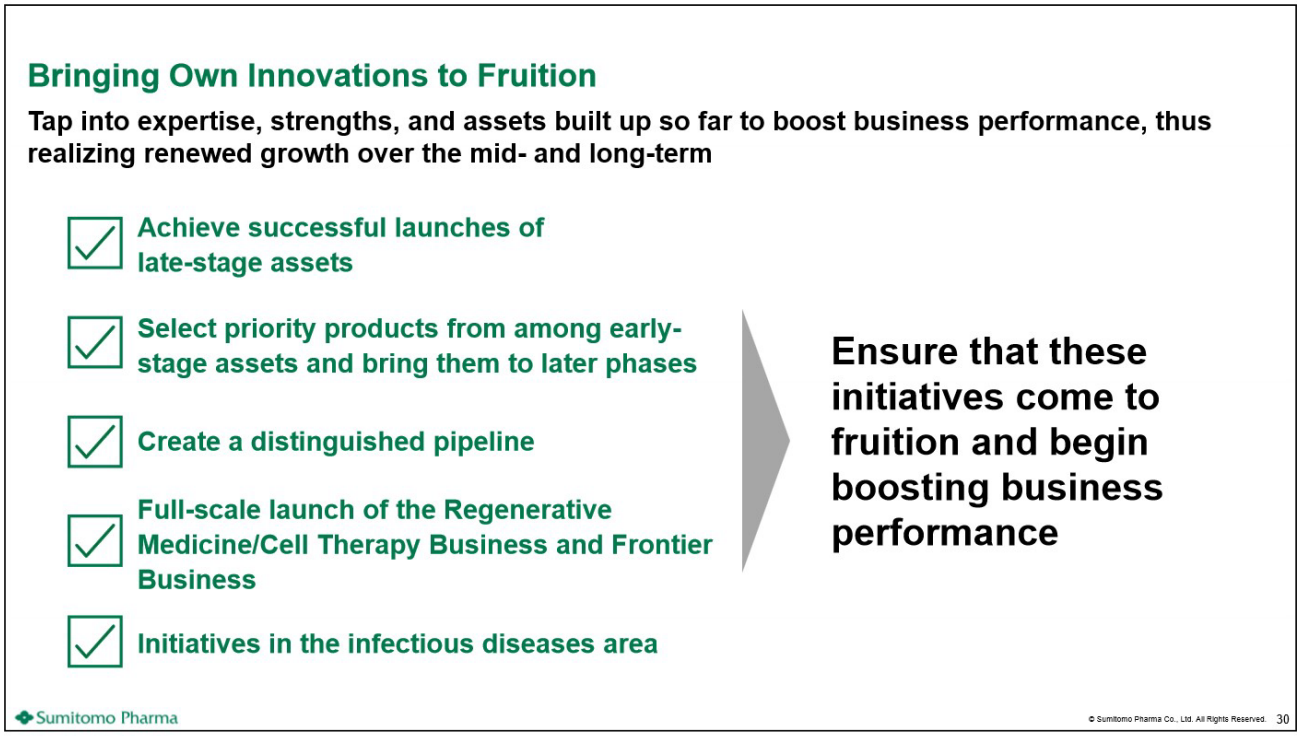


Then there is China and Asia business. There are items shown as 1, 2, and 3.

First, Expansion of product lineup. MEROPEN® has been the subject of volume-based procurement, and lefamulin, a new community-acquired pneumonia drug, will be brought to market. And we are developing vibegron in China and Asia. We hope to launch it in China in FY2027, and in Asia, we hope to manage to launch it in Taiwan in FY2026.

Then, maximize profits from products currently on the market. We will aim to maximize profits from the MEROPEN® business. Although MEROPEN® was subject to volume-based procurement, the impact was relatively minor. There is still some room for us to improve, so we will work hard on this.

Third, strengthening the organizational foundation. With China, we are trying to strengthen cooperation with the global functions of development and production. As for Asia, the central function is located in Singapore, and we are talking about firmly strengthening the governance function in this area.

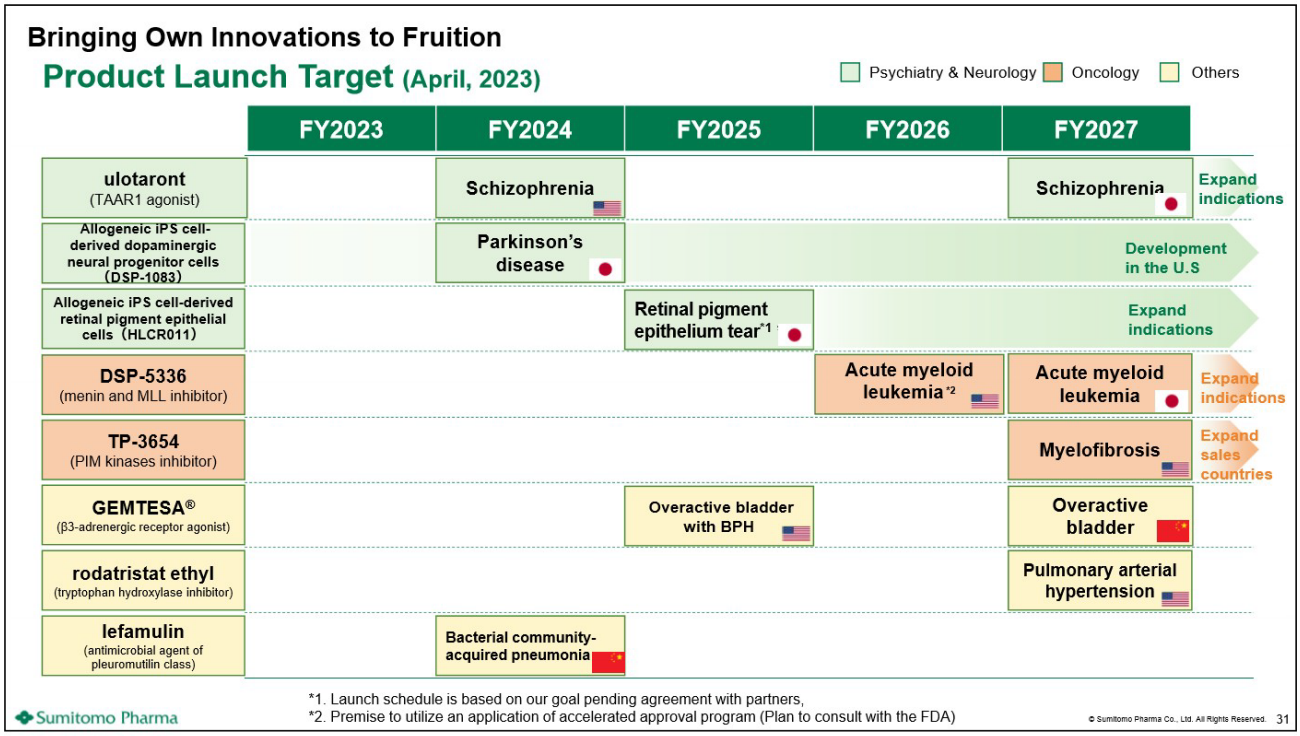


This is regarding Bringing our own innovations to fruition.

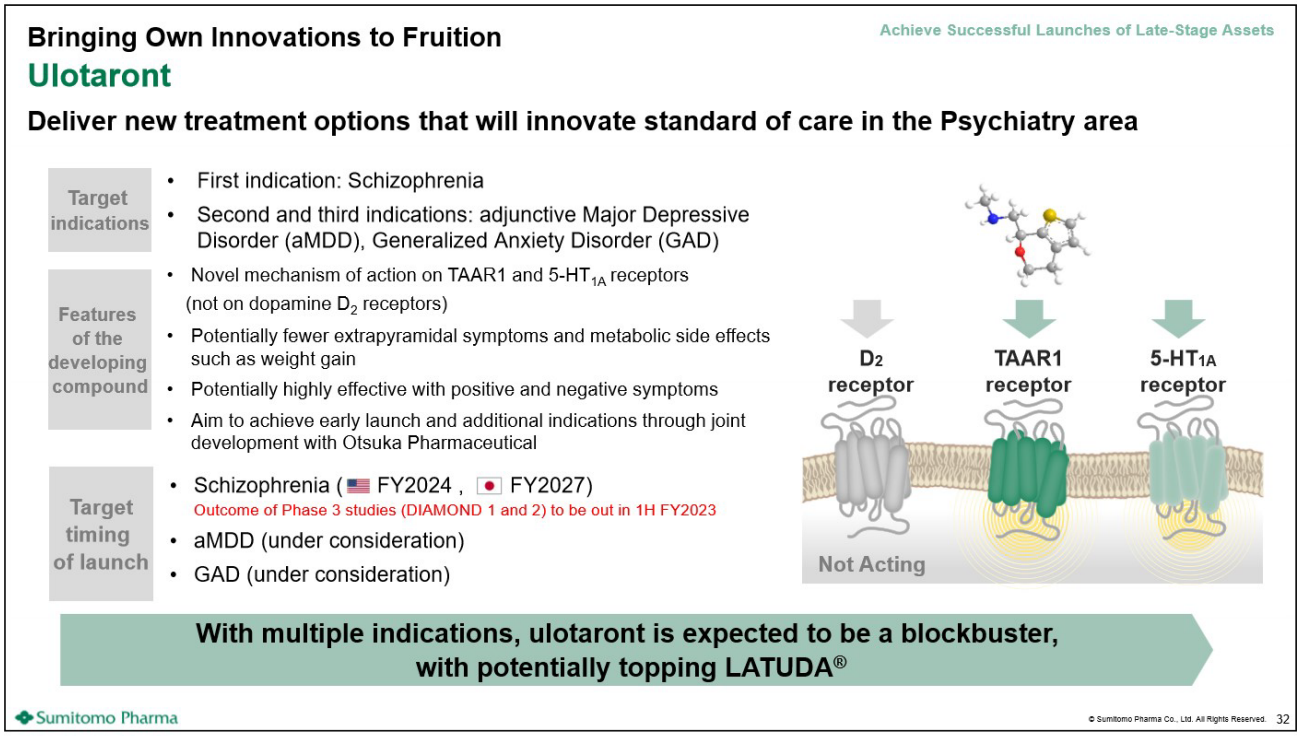
We have five check marks on the left side of this page, which are important for our future growth. As for achieve successful launches of late-stage assets checkmark, we are trying to launch ulotaront.

Also, as I mentioned earlier, we will firmly bring assets which are still in the early-stage development, to late -stage development to support our earning in the 2030s. Then, we will create distinctive development candidates. Of course, as in the past, it is not enough to obtain approval from the pharmaceutical affairs authorities, but it is also necessary to create products with high value that can be used at the bedside.

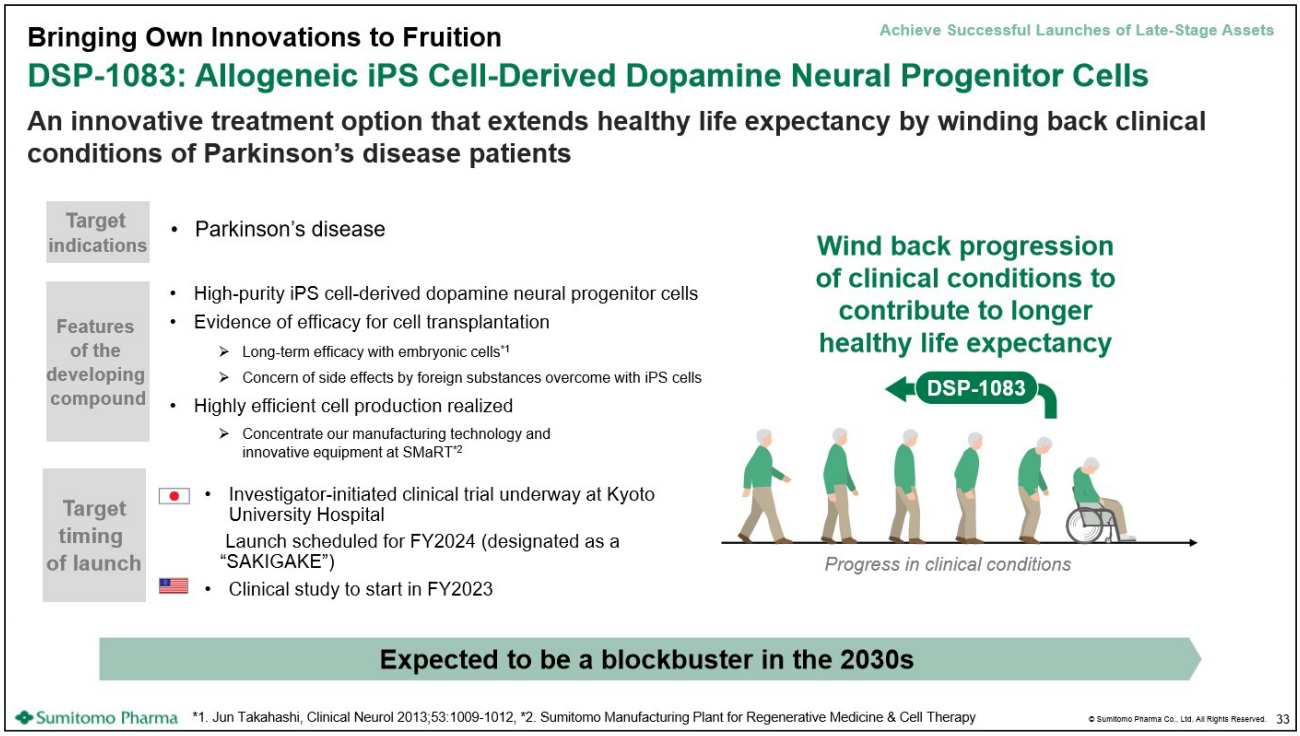
We intend to execute a full-scale launch of Regenerative medicine/cell therapy, non-pharmaceutical solutions, and such modalities. Then there are the efforts in infectious diseases. This includes the case with influenza and antimicrobial resistant (AMR) bacterial infections, and we are working on these initiatives.



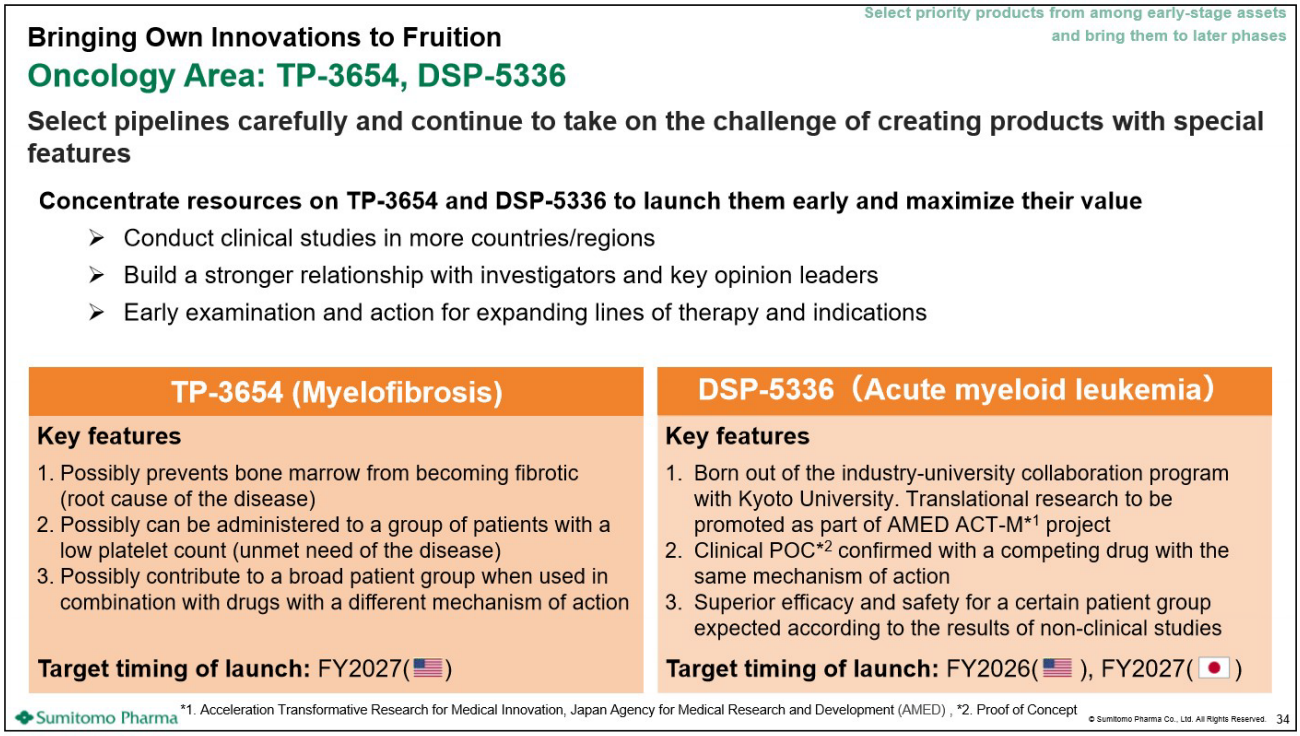
This shows what is supposed to be put on the market in FY2027 and during the MTBP period. In the third row from the top, Allogeneic iPS cell-derived retinal pigment epithelial cells, it says “retinal pigment epithelium tear.” We have been calling it age-related macular degeneration, but we are changing it here a bit. We have changed the direction of the treatment of age-related macular degeneration to the expanded indications, so we are now focusing on retinal pigment epithelium tear as we work on the cells with obvious therapeutic effects first.



As you all know, ulotaront does not act on dopamine D_2 receptors, so it is likely to have fewer extrapyramidal symptoms and metabolic side effects such as weight gain. Clinical studies to date have suggested such a possibility and have also suggested that it may be highly effective for negative symptoms. We have high expectations for the Phase 3 studies, which are expected to show results in H1 FY2023, and we believe that this could be a blockbuster that will surpass LATUDA® with multiple indications.



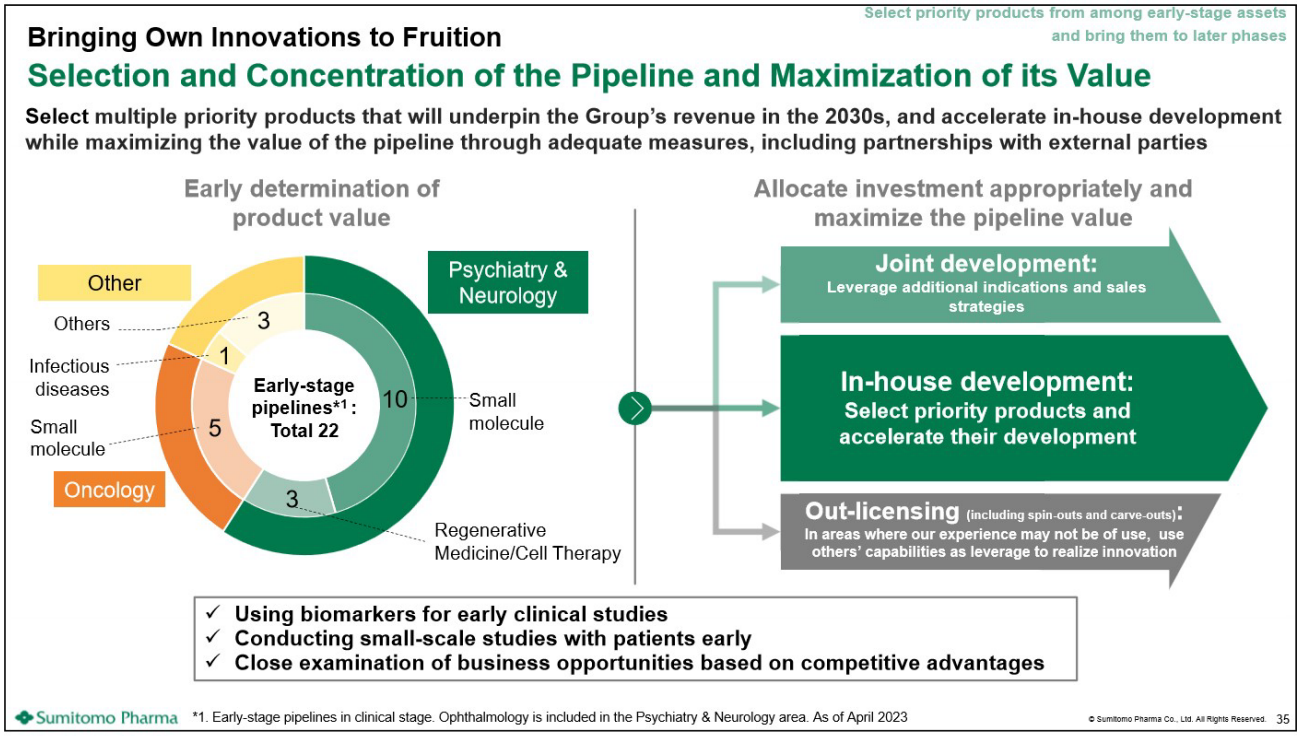
Next is the DSP-1083. Now, they are still conducting an investigator-initiated clinical study at Kyoto University Hospital. There is a schematic drawing of a patient on the right. We are very hopeful that transplantation of these dopamine neural progenitor cells may be able to wind back the progression of the clinical conditions. We will then await the results of the clinical study at Kyoto University Hospital and proceed to start a clinical study in the US in FY2023.



As for the Oncology, we invested a lot of resources in napabucasin because it was the second largest product after LATUDA®. After napabucasin, we have been working on a way to move forward with early assets that show positive signals in the patient, such as TP-3654 and DSP-5336.

As for TP-3654 on the left side, we made a presentation at ASH2022, to talk about the signals which include reduction of spleen, improvement of systemic symptoms, and few adverse reactions such as platelet decrease. Because of this, we received a great deal of attention from our audience, and we have been able to recruit patients very quickly since then.

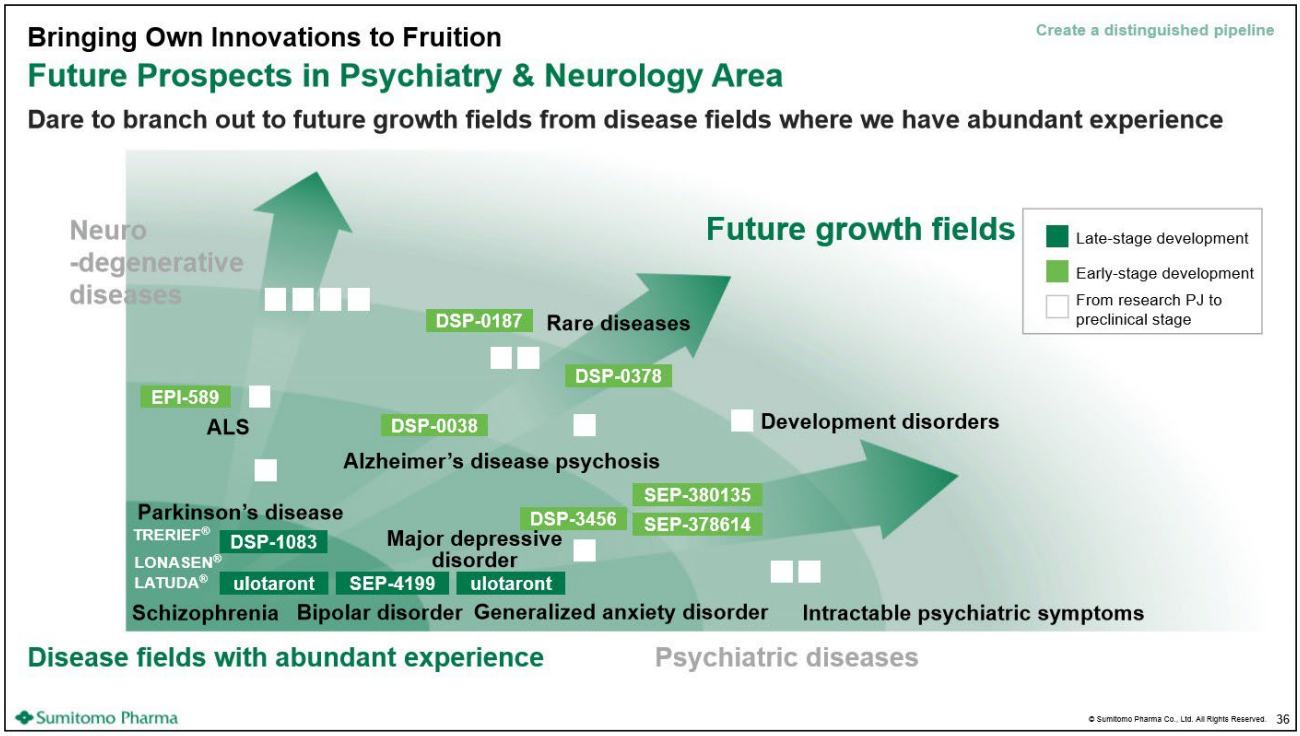
And DSP-5336 is a MENIN inhibitor, and currently the third product behind Kura Oncology, Inc. and Syndax Pharmaceuticals, Inc. POC for this agent and its mechanism of action has been confirmed, but it is expected that the profile of this agent will differ greatly from agent to agent. So, we will keep working on it even though we are third in line.



This is our current pipeline as of April, which is shown in the circle on the left. It is becoming a bit difficult to proceed with all of this on our own. We would have to narrow down our R&D expenses as well, since it would be difficult to manage profit and loss.

As I mentioned at the beginning of this presentation, we are going to accelerate development by selecting signals and biomarkers in the pipeline that have potential and high marketability.

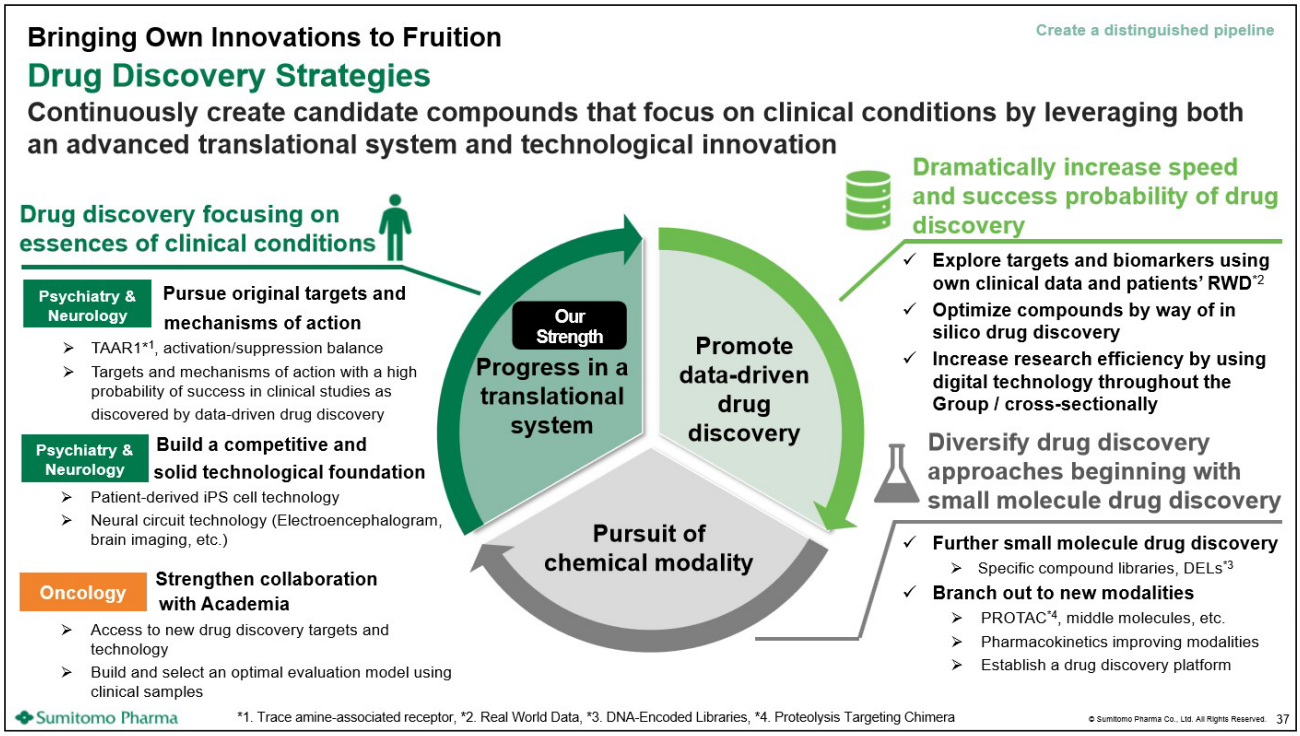
We will divide the pipeline into three categories: the pipelines to be develop in-house, those we still require our involvement, which will be co-developed, and those that we leave entirely to others, which will be out-licensed. We would like to avoid dispersion of resources as much as possible and concentrate on development.



This slide shows what are we currently doing in the Psychiatry & Neurology area.

The horizontal axis is psychiatric diseases, and the vertical axis is neurodegenerative diseases. The future growth area is this thick arrow in the middle, and I think something like psychiatric symptoms associated with neurodegenerative diseases will come in here.

These white squares show assets that have become projects. I can't show you the specifics because they are not yet in clinical studies, but I would like to show you that each square stands for one project. In that sense, there are many promising assets.



So, how do we tackle drug discovery?

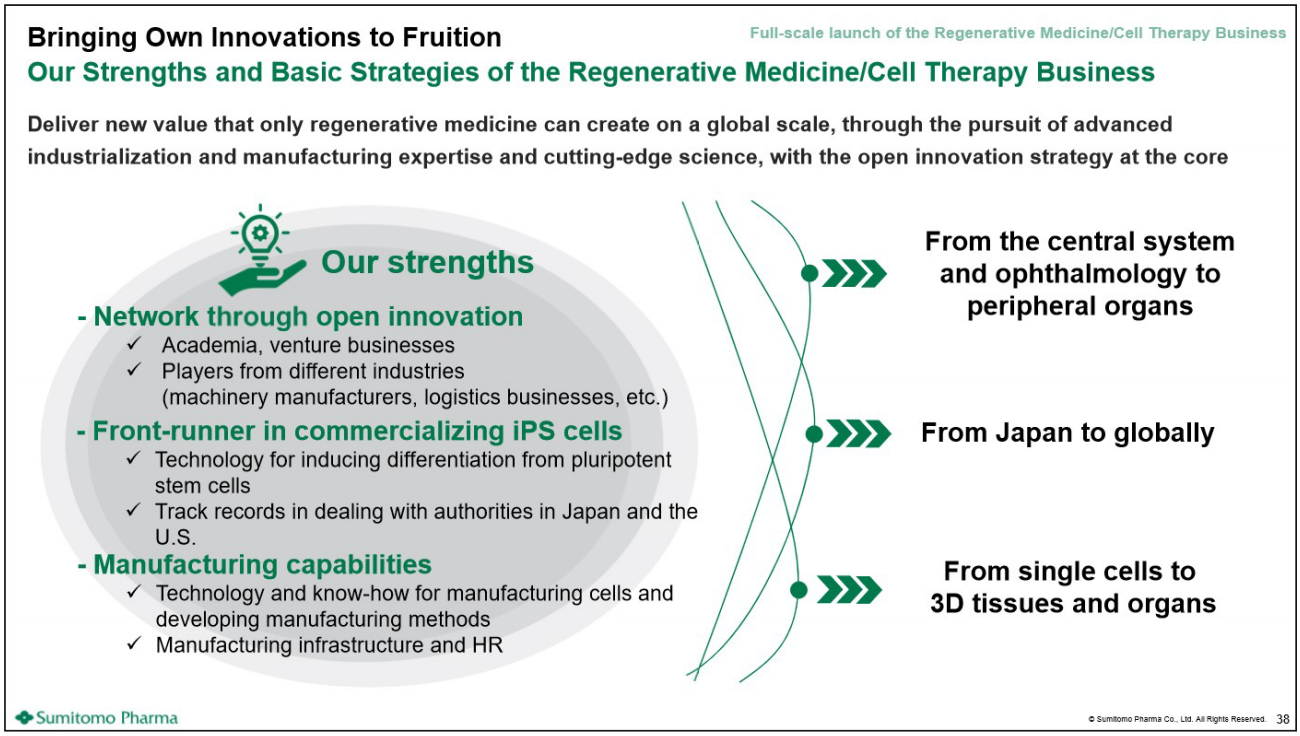
Within Psychiatry & Neurology and Oncology, the progress of translational system, the promotion of data-driven drug discovery, and the pursuit of chemical modality are the key to drug discovery.

It says our strength only in the translational system, but these three are all our strengths. Translational system is a particular strength of ours.

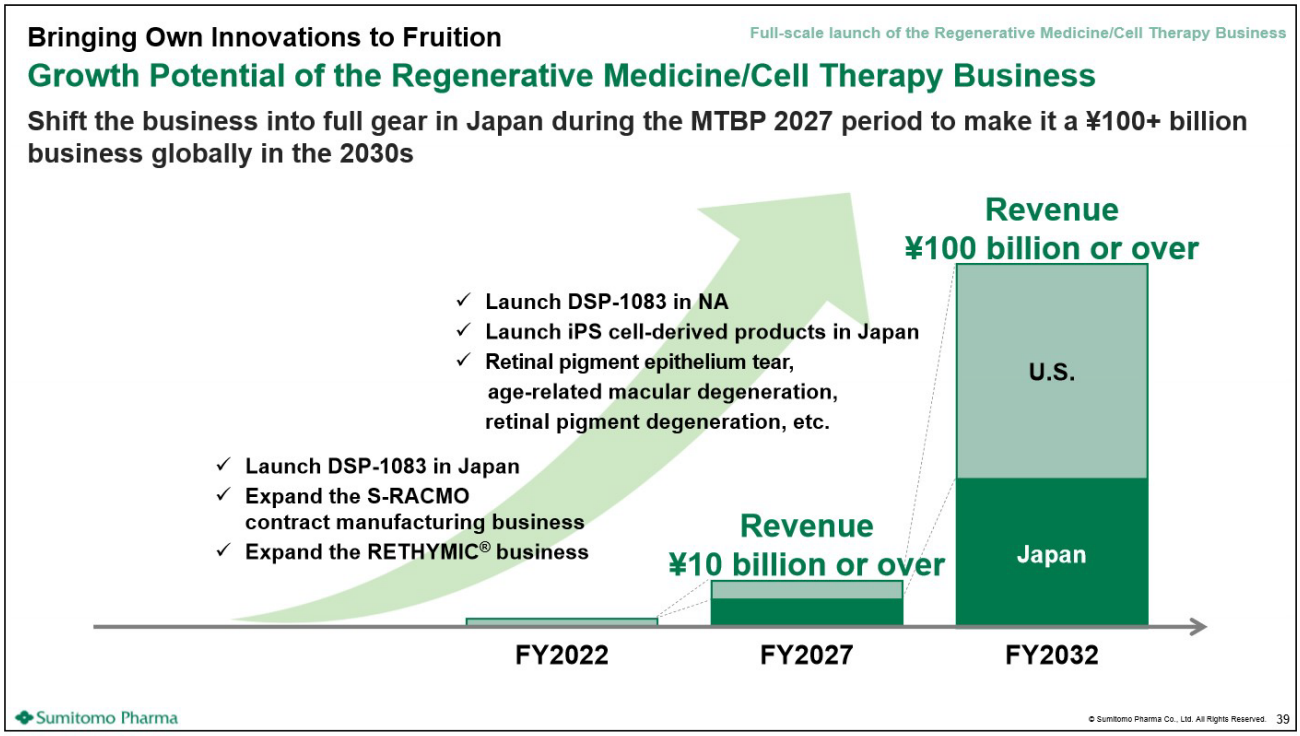
In particular, as you know, the translational system is used to successfully connect the non-clinical and clinical phases of assets, and by making good use of clinical information, for example, using patient-derived iPS cells technology and neural circuit technology, as shown here on the left side of the Psychiatry & Neurology area, we can get closer to the essence of clinical conditions. This will help us to find new targets.

For example, the pursuit of original targets and mechanisms of action on the upper left-hand side is connected to this concept, including TAAR1, activation/suppression balance, and so on.

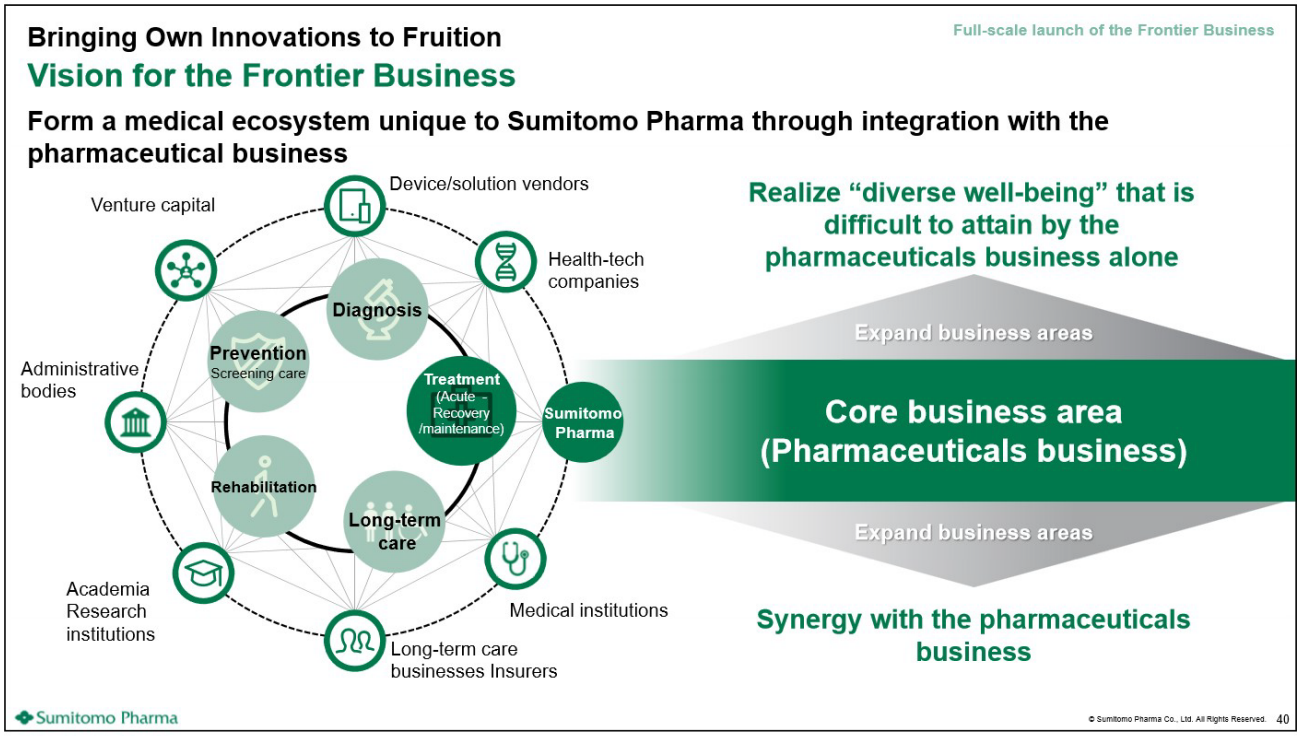
Therefore, I would like to see the progress of translational system and the promotion of data-driven drug discovery, which is what we originally did utilizing In silico. In addition, we have established a digital infrastructure through our strategic alliance with Roivant as mentioned earlier, so we will use our own data and external data for drug discovery. In the area of chemical modalities, we are firmly committed to a drug discovery approach starting with small molecule drug discovery, and so on.



And as for the Regenerative Medicine/Cell Therapy business, open innovation is one of our strength, and we believe that we are the front runner in the practical application of iPS cells and are number one in terms of manufacturing capability. Therefore, we will leverage these strengths of our company to move from single cells at the bottom to three-dimensional tissues and organs, and from central system and ophthalmic organs at the top to peripheral organs, from Japan to the global market. This is our plan for expanding this project.

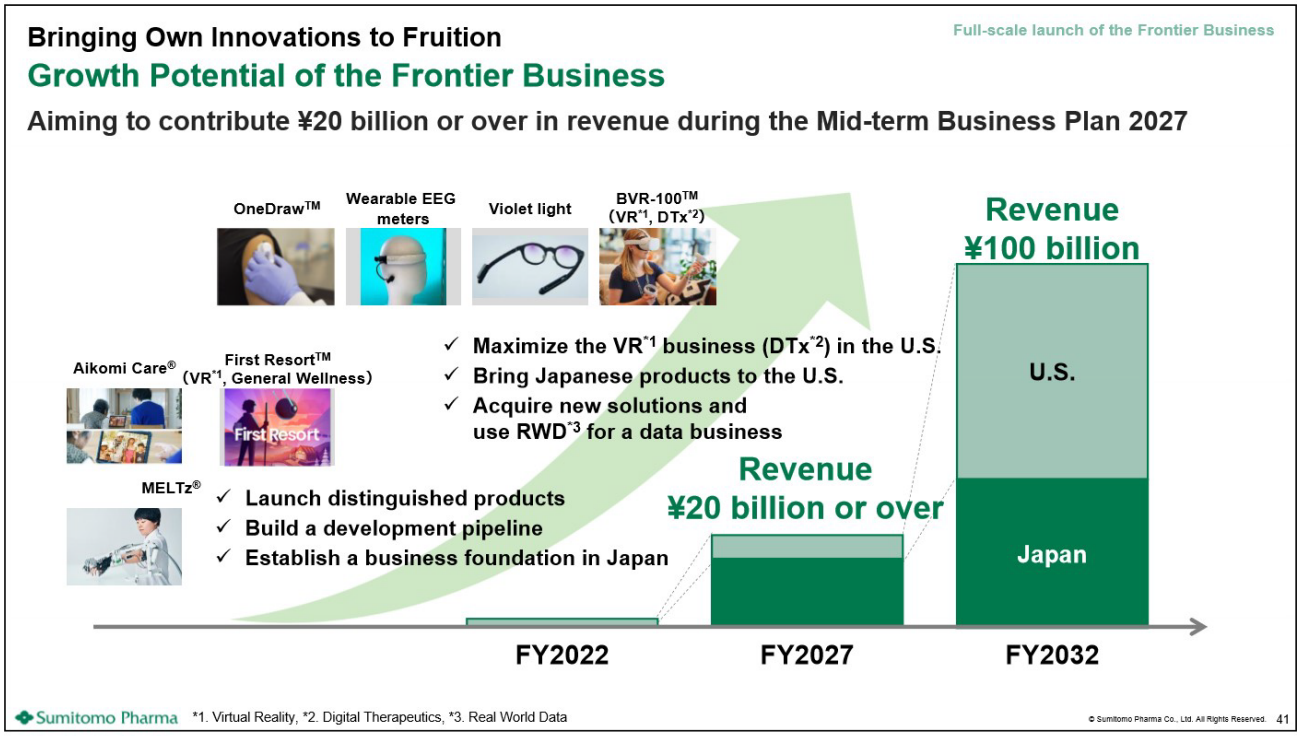


Now, I should mention the size of the business. In the final year of the MTBP 2027, we would like to reach at least JPY10 billion, and in FY2032, the final year of the next MTBP, we would like to manage to reach JPY100 billion. I am sure that our business in the US will contribute greatly to building on that.

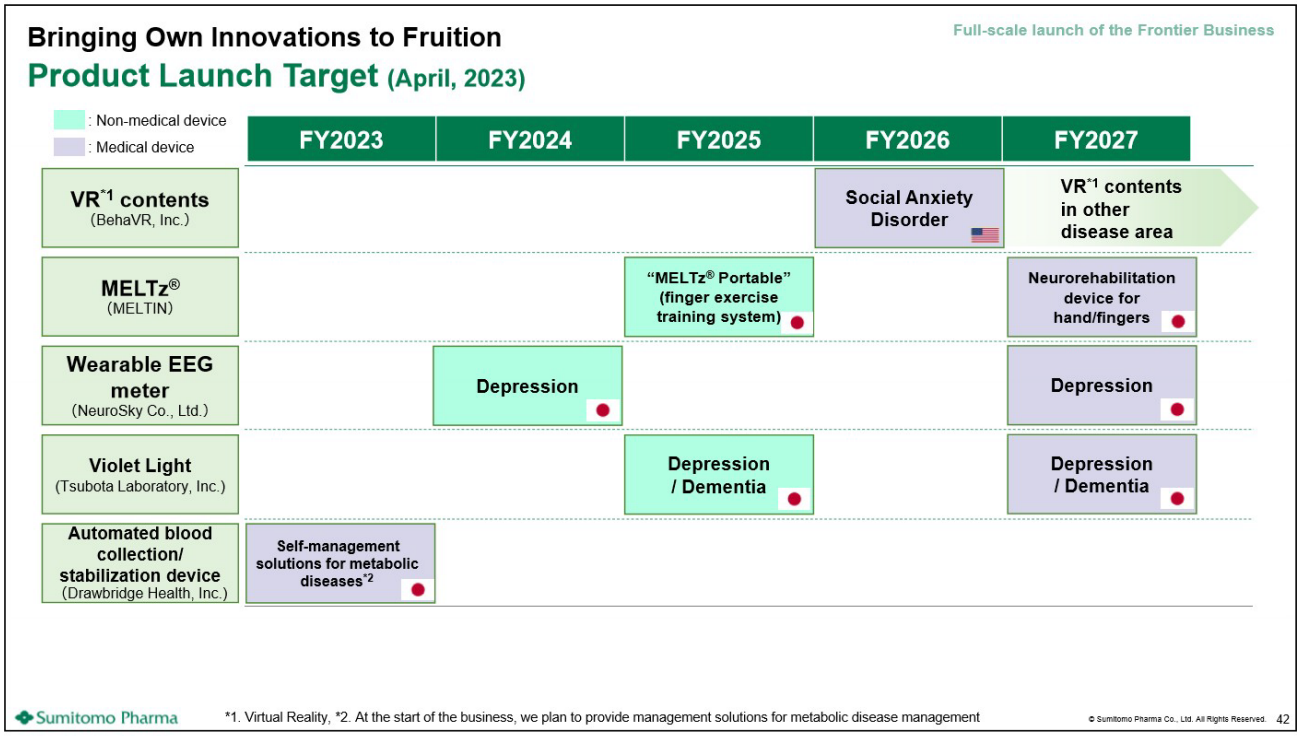


Then there is the Frontier business.

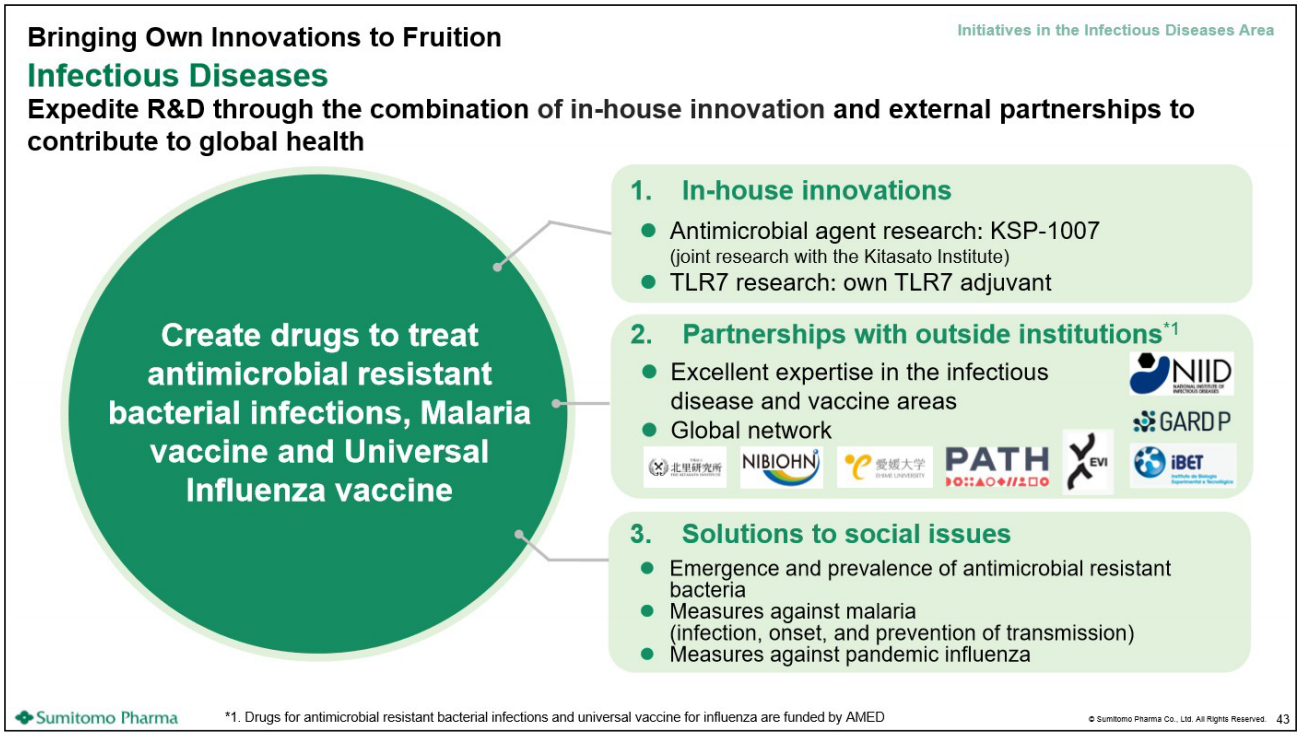
Pictures on the left of this show a patient journey, and how we as a company can contribute to that. On the right side, there is the core business area, which is the pharmaceutical business, and we are thinking of advancing this Frontier business by working on prevention, diagnosis, treatment, long-term care, and rehabilitation in such areas where we can create synergy with the core business area.



This picture shows the market right now. In FY2027, we hope to exceed JPY20 billion. As mentioned earlier, we would like to increase the scale of the project to around JPY100 billion by FY2032.

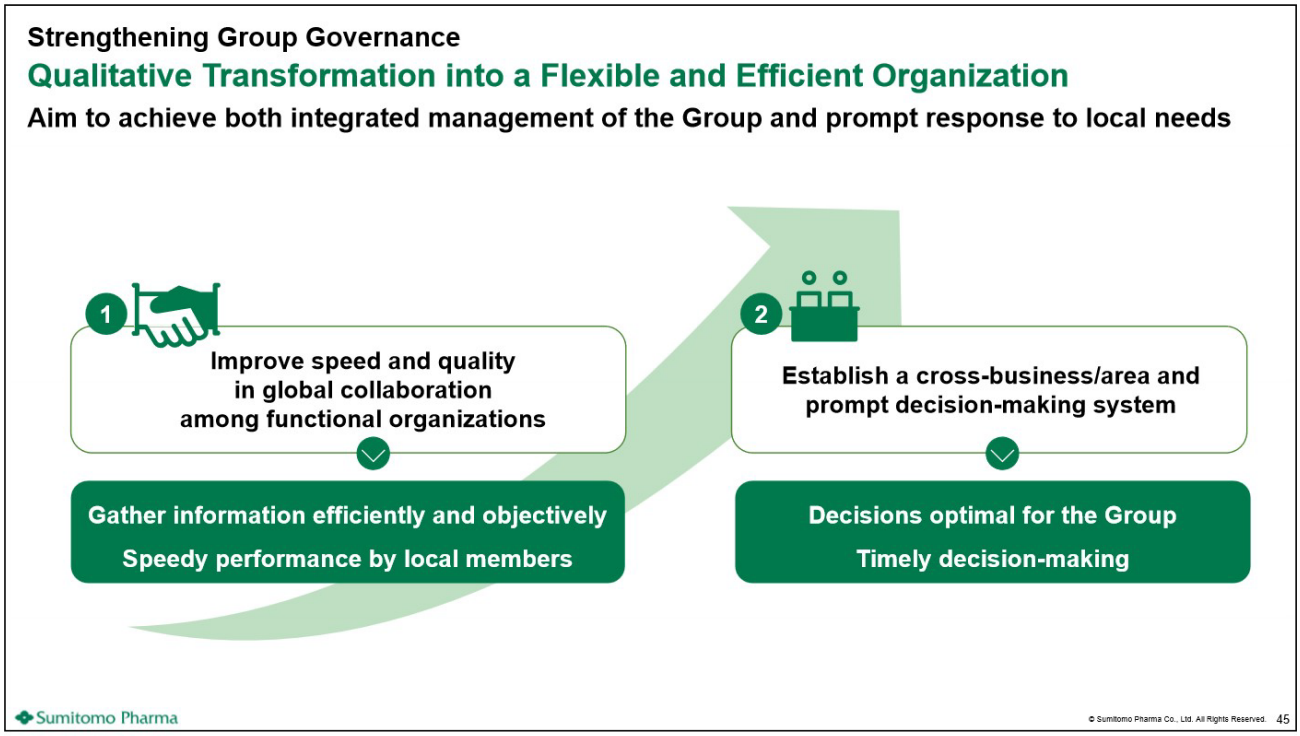


This is what will be put on the market in the next five years. Purple boxes show the product is being marketed as a medical device.



I mentioned at the beginning infectious diseases. We are currently involved in treatment for AMR bacterial infections, malaria vaccine, and universal influenza vaccine.

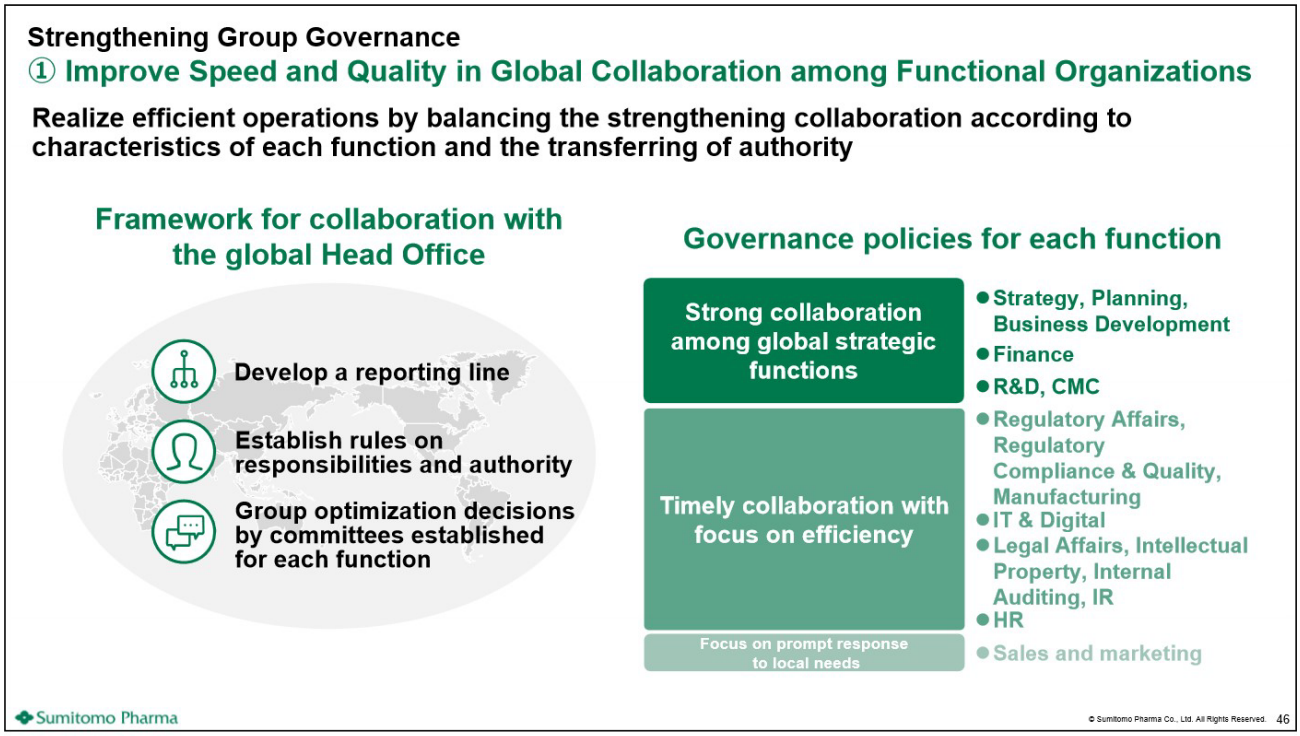
In terms of our own innovations, we have KSP-1007 for AMR bacterial infections, and adjuvants for vaccines. In these areas, such as AMR bacterial infections, malaria, pandemic influenza, and other social issues, we will use external funding to promote research and development.



Then we are talking about strengthening group governance. This is very much connected to the combination of North American subsidiaries.

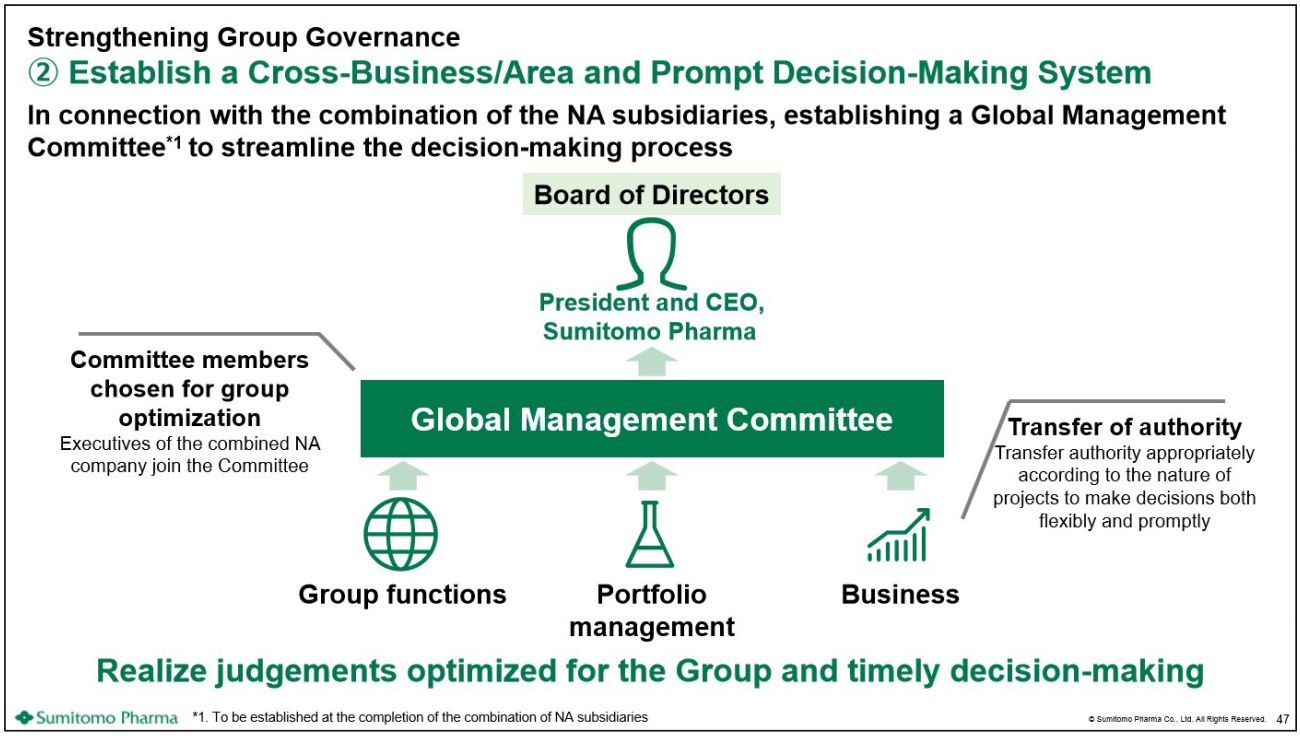
On this left side, I believe that by placing the same functions within each organization as close a cooperative relationship as possible, information will be disseminated, thereby leading to efficient, objective information gathering, and prompt execution in each region.

In addition, in terms of horizontal organizing, we are trying to put in place a system that will enable the Group to make optimal decisions and timely decisions.

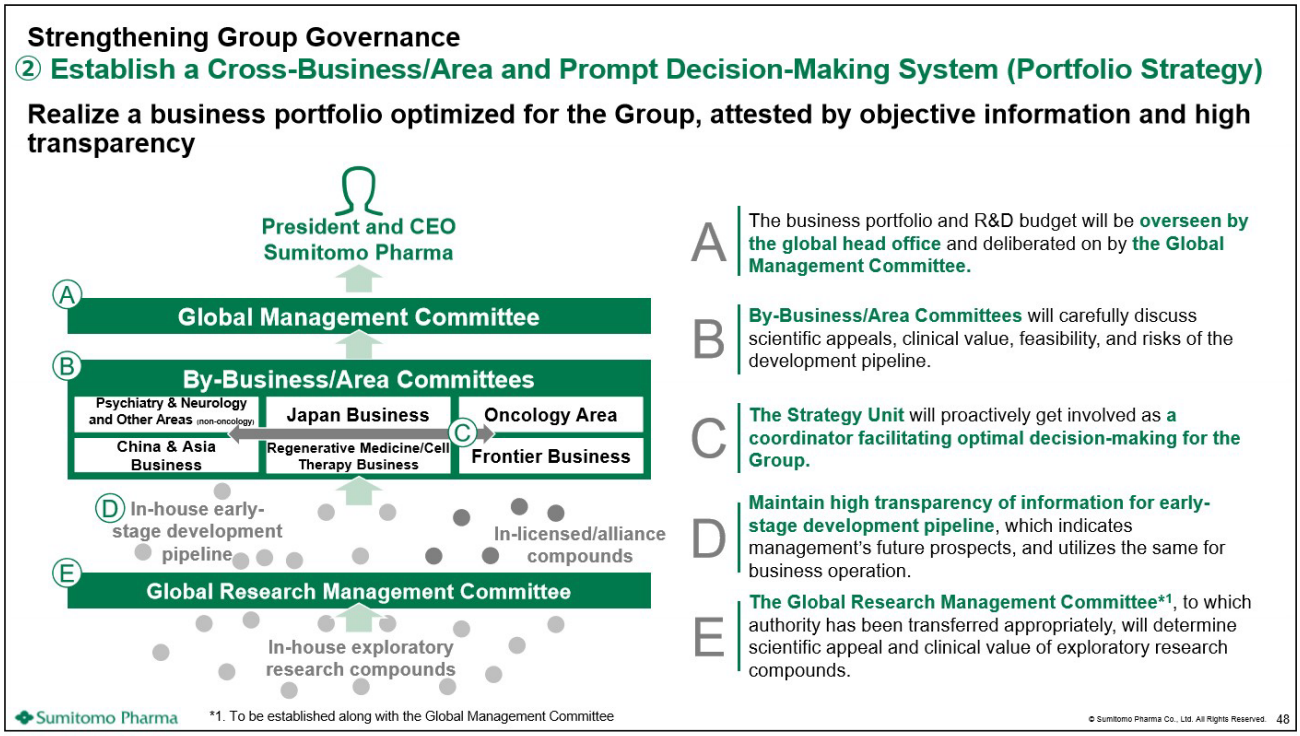


In terms of collaboration by organization, we are talking about collaboration with the global Head Office（Sumitomo Pharma). We will develop reporting lines, establish rules on responsibilities and authority, and committees. Then, we will coordinate global functions, and what will be strengthened are things like Strategy, Planning, Business Development, Finance, R&D, and CMC.

The middle part, below that, is still about making decisions while cooperating with each other. The bottom part shows Sales and Marketing, which are different in each region, so will be localized.



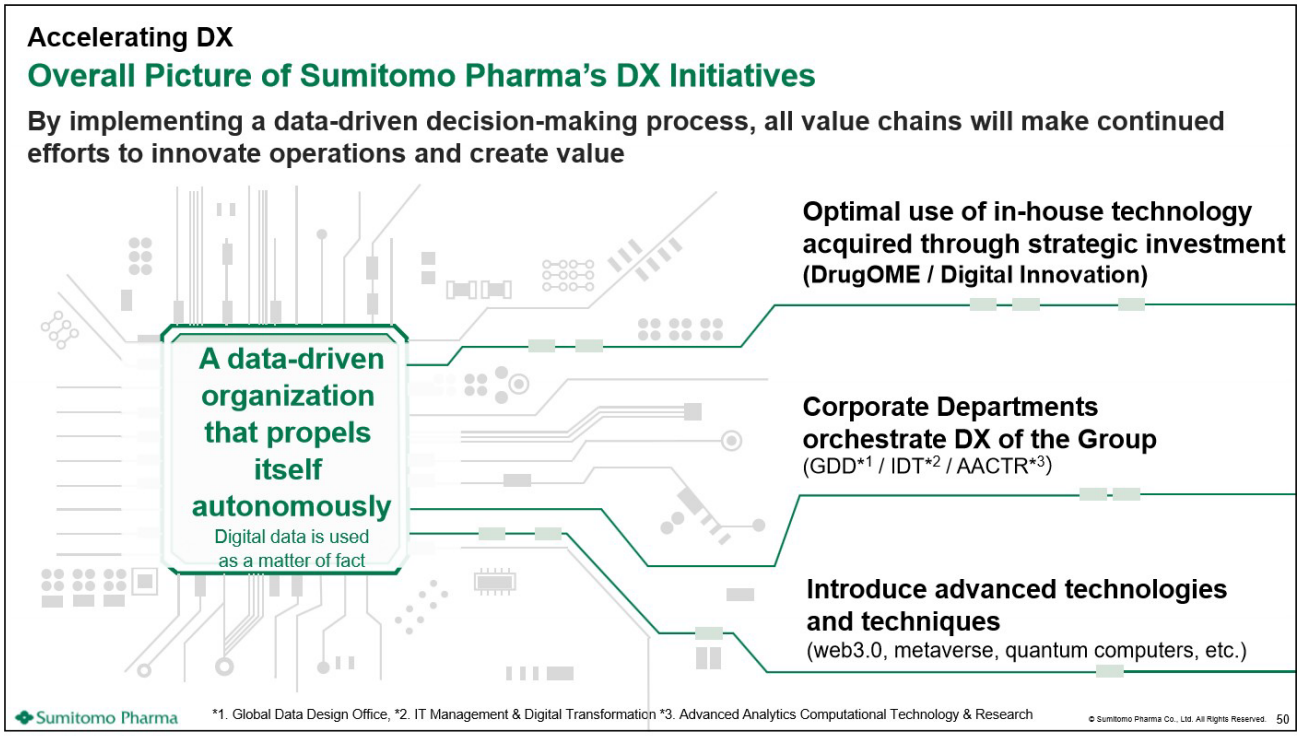
In addition, we will establish a Global Management Committee to discuss various issues and to make the best decisions for the Group, with the participation of management members in North America.



Then, this is the R&D side. At the bottom we have our In-house exploratory research compounds, which report up to the Global Research Management Committee. The Global Research Management Committee's function is to look carefully at the scientific appeal and clinical value of the research, even if it is initial research, and what it means to the Company, since the Company's resources are being used to conduct the research.

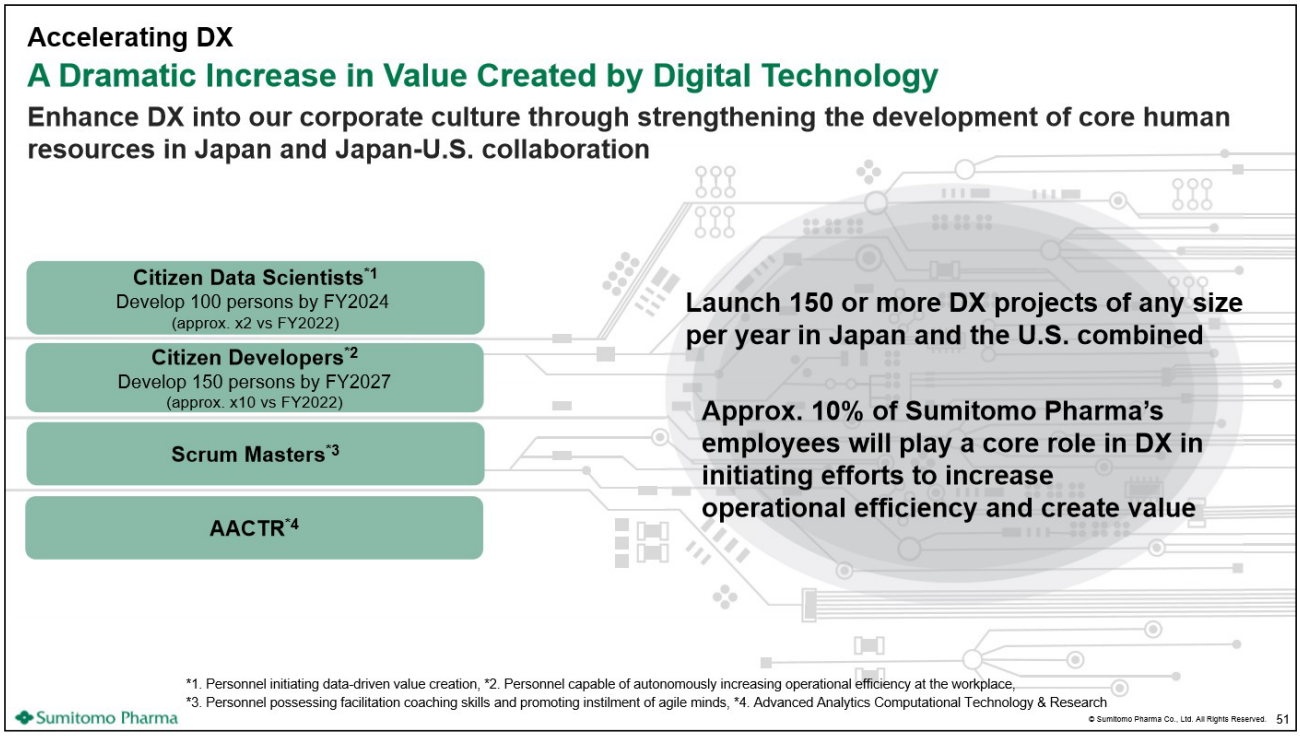
Then, there are in-licensed compounds and our early-stage development pipeline. There is no specific governance body here, and although this is informal, the management will keep track of how the Company's initial development assets are currently doing.

And then there is By-Business/Area Committees. This Strategy Unit is a global organization that we have here in Japan, as well as in North America. We have a variety of things that the entire company wants to do in each area region, and we will play a coordinating role to promote optimal decision-making for the Group. They would be brought to each of the business area meetings. The Global Management Committee will make the final decisions regarding strategies such as budgets, portfolios, and so on.



And we are also talking about DX, which we will be working hard on. The technology on the right is in-house technology acquired through strategic investments, and we will make full use of it. The global Head Office will orchestrate DX in North America, Japan, and China as well. In addition, we will be sure to incorporate new technologies as well as existing ones.

We are trying to transform into a data-driven organization that propels itself autonomously, or to put it simply, an organization where digital is the norm, where working with such data is the norm.



This is for Sumitomo Pharma, but what about the human resources for this? Citizen data scientists are people who can analyze data using rudimentary statistics and machine learning techniques. The goal is to have 100 Citizen data scientists by FY2024.

Citizen developers are those who can create the system itself and our goal is to have 150 persons by FY2027. We also will have several scrum masters, who are in charge of facilitation and coaching. AACTR is the Advanced Analytics Computational Technology & Research division that I mentioned earlier.

We also have a US digital organization at the bottom of the list, and with the help of such an organization, we will promote a total of 150 projects in Japan and the US in one year. Sumitomo Pharma aims to have 10% of its employees become core DX personnel, who will be the starting point of such operational efficiency improvement and value creation.

Accelerating DX

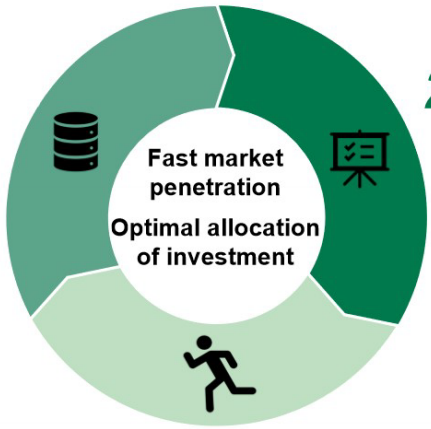
Data-Driven Marketing: Optimize Promotion in NA

- ✓ **Realize industry-leading promotion investment efficiency by prompt decision-making and implementation of actions**
- ✓ **Apply achievements of GEMTESA® to ORGOVYX® and MYFEMBREE®**

1

Visualize market models via exploratory surveys, deep dive analyses

- ➢ Integrated data by DrugOME
- ➢ Data curation by the advanced analytics teams
- ➢ Measure effects of actions taken



2

Create an optimal scenario by model analysis and design a promotion plan

- ➢ Analysis, simulation, and scenario planning by the advanced analytics teams

3 Data-driven and quick decision-making and implementation of actions

Sumitomo Pharma

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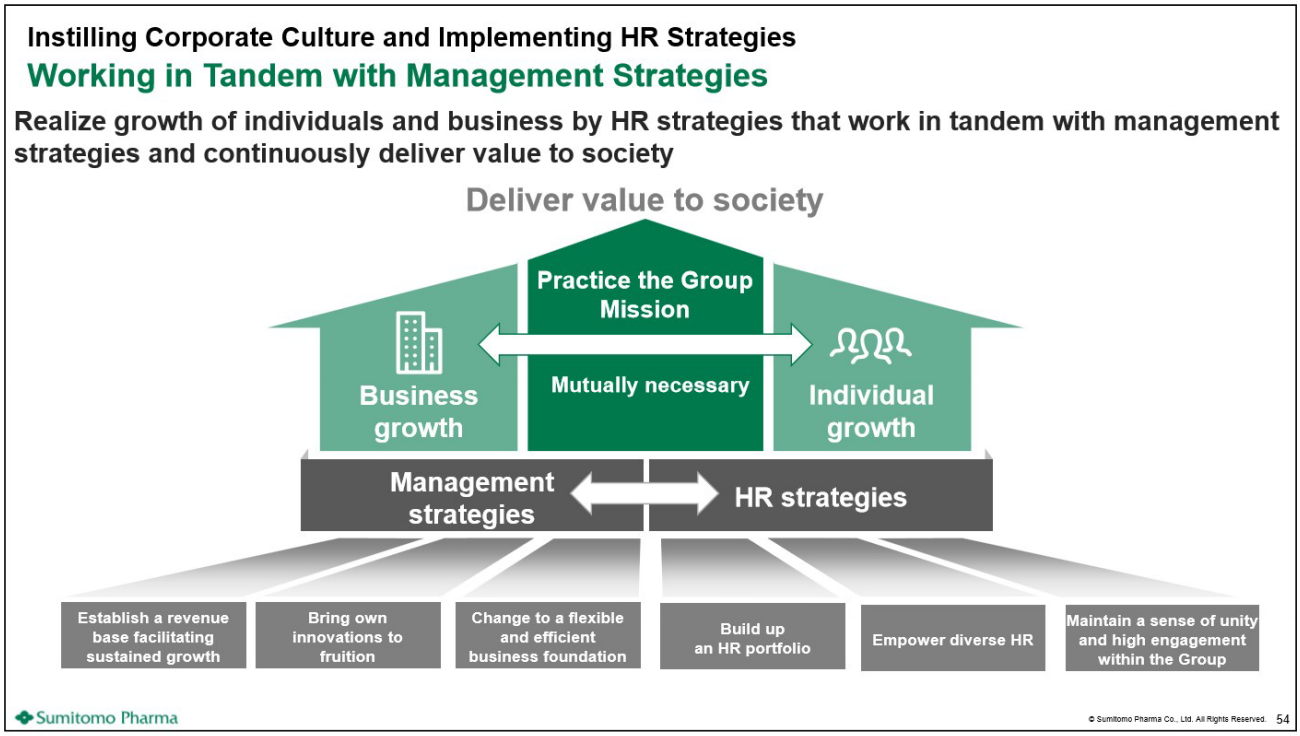
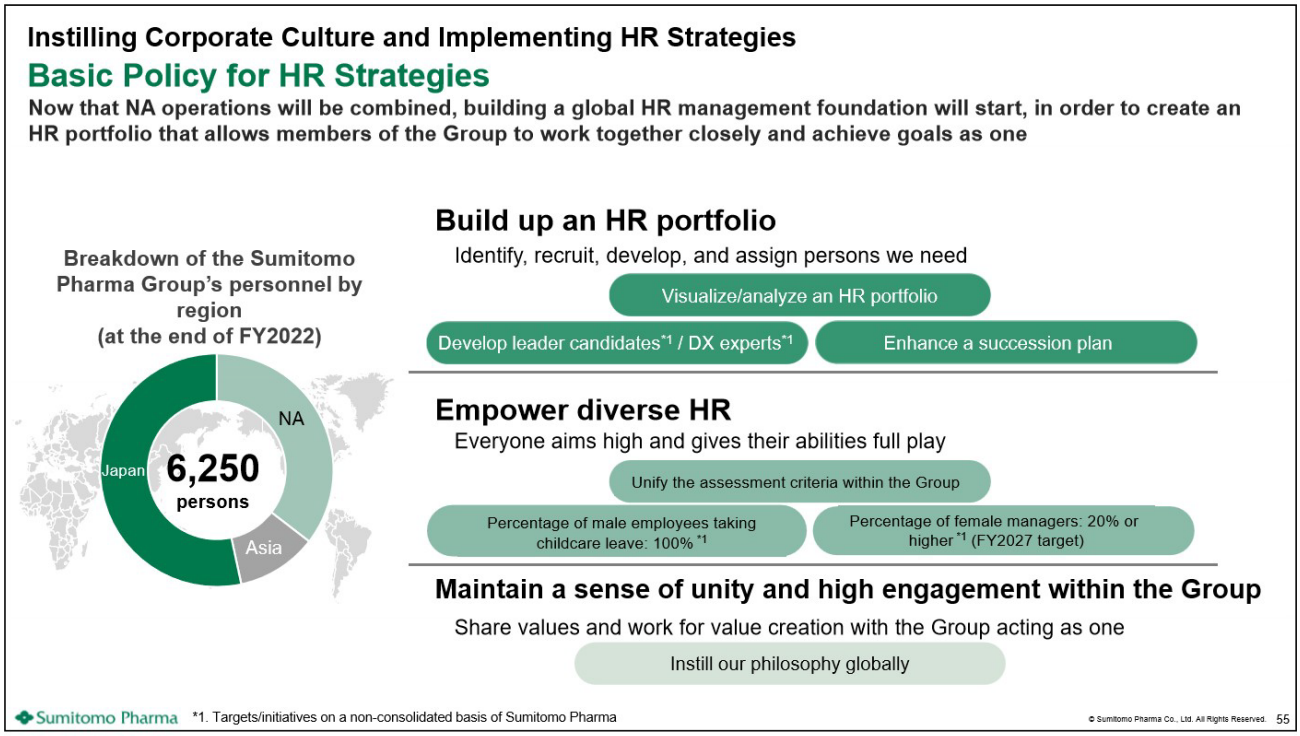
This is a schematic picture of what we have done with regard to GEMTESA® and will do elsewhere.



Finally, there is the instilling of corporate culture and human resource strategies. Of course, as you can see here, business growth and individual growth are two wheels that go together to increase corporate value. This, of course, provides value to society.

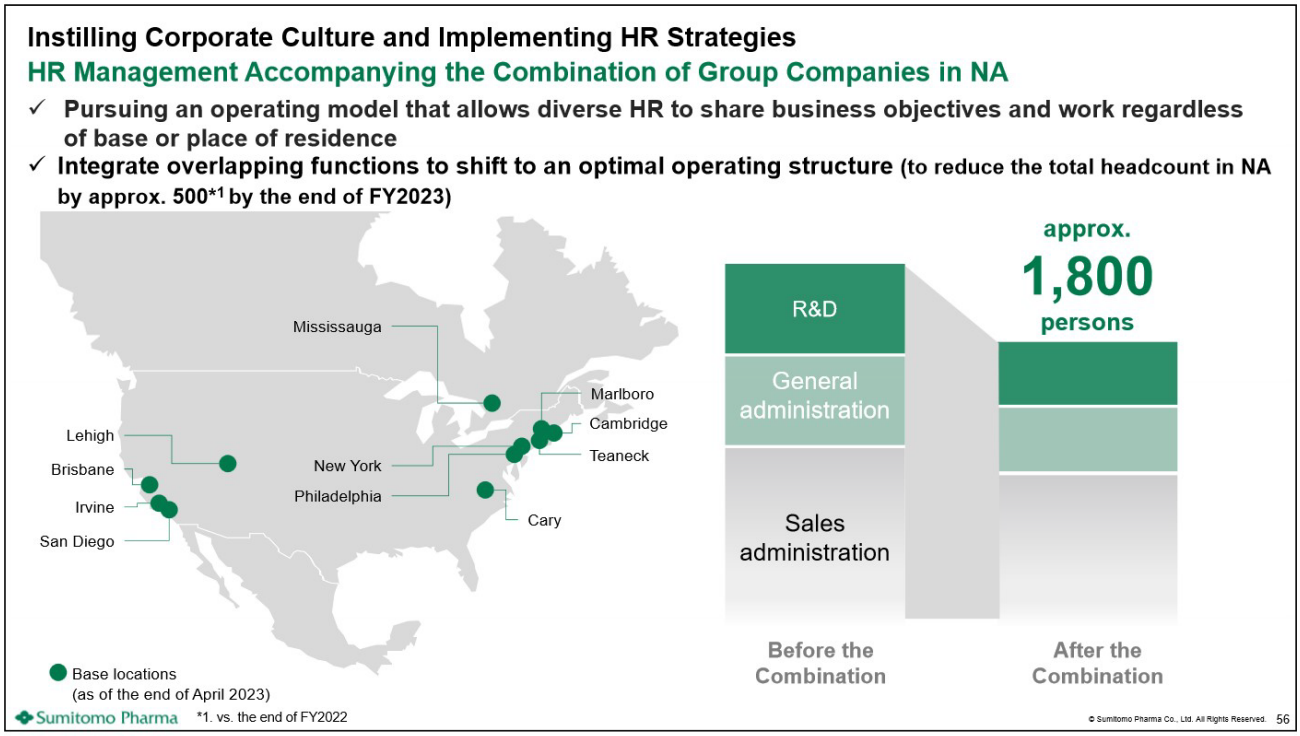


The business growth side includes the management strategies, while the individual growth side includes human resource strategies. In the current MTBP, three of these strategies are considered to be human resource strategies: building up a human resource portfolio, empowering diverse human resources, and maintaining a sense of unity and high engagement within the Group.

We are building up our human resources portfolio is to visualize human resources. Then, and this is limited to Japan only, but we are developing leaders and DX experts, and then the succession plan, which will apply globally.

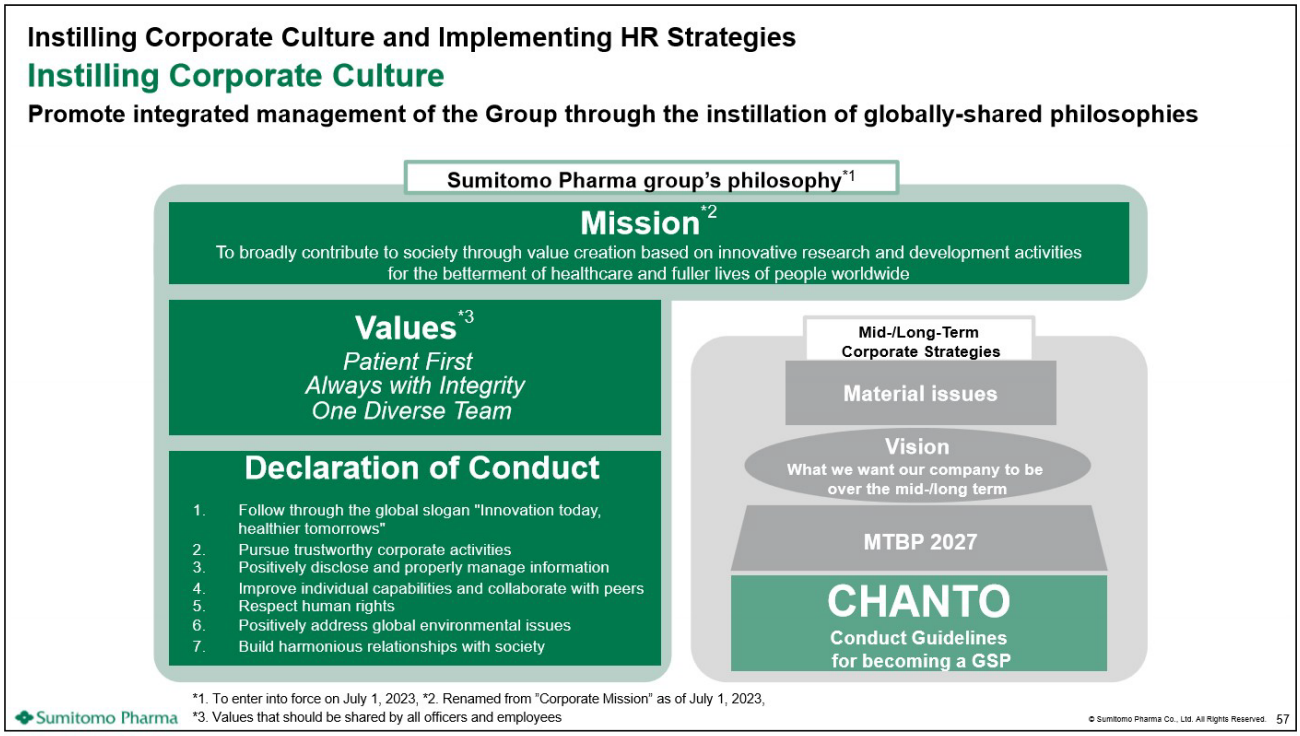
In terms of the empowering diverse human resources, we are also working to align assessment criteria within the Group, and, although this is only in Japan, we are increasing the percentage of male taking childcare leave and female managers.

Then, regarding the sense of unity and high engagement within the Group, we will continue to work on making sure that the Philosophy is well instilled.



Then, the personnel structure also fits in the human resource strategy. The combination of group companies in the US, which will take place as of July 1, 2023, will reduce the number of employees by about 500, bringing the total number of employees to about 1,800. One challenge here is that as you can see in the map of the United States on the left, there are many circles, and each one is a base.

Therefore, rather than having the headquarters in one location and everyone working there, there are people in various functions across various locations. For example, some executives are here in Brisbane, but those team members are in other locations. So, it will be important for each executive to keep their line of business together to make the project successful.



This is the Philosophy that we will be instilling across the organization. The Mission is the one you saw at the beginning of this materials, and the Values are newly created. Patient First, Always with Integrity, and One Diverse Team. Then there are seven declarations of conduct.

It is written CHANTO at the bottom in pale green. This is in line with our previous MTBP, which called for the creation of a corporate culture in which we commit ourselves to high goals, work hard to achieve them, and carry these goals through to completion. We will continue to instill this in accordance with our Philosophy.

I hope this explanation of our MTBP is helpful. Thank you very much for your kind attention.

Noguchi: Thank you, Mr. Nomura.

Question & Answer

Noguchi: I would now like to move on to the Q&A session.

Muraoka, Morgan Stanley MUFG Securities: I would like to confirm the basic premise of this MTBP. Regarding R&D expenses, I think that many people in the market think that cost reductions are very important, but I can't find any sort of guideline for R&D expenses.

Nomura: Thank you for your question. Forecast R&D expenses are about JPY390 billion over five years. Within that, I am sure the per-year figure will fluctuate considerably.

Muraoka, Morgan Stanley MUFG Securities: I see. That would mean an average of just under JPY80 billion per year. The forecast figure for the previous fiscal year was JPY98 billion, so it would be a reduction but not a dramatic reduction.

Nomura: Some years are very tight, and it depends on the year. Therefore, it is not that they are all at the same level, but rather that some years are lower than others, and some years are more or less the same.

Muraoka, Morgan Stanley MUFG Securities: Okay. Similarly, for SG&A expenses, I think the forecast for FY2022 is JPY308 billion. I understand that there are personnel reductions totaled 500 people in the US, but there is not much else that can be attributed to cost reductions.

Nomura: To begin with, the JPY308 billion originally included all the various expenses of LATUDA®, so those will be eliminated, as well as costs related to KYNMOBI®. Given that, there will be large-scale cost reductions, to the order of USD400 million. We are currently considering JPY308 billion, but we would like to keep the figure of around bottom of the JPY200 billion range.

Muraoka, Morgan Stanley MUFG Securities: Okay. Is it correct to say that the new fiscal year, which is basically just beginning, will be the least costly? You are already saying that there will be a JPY40 billion surplus in FY2024, so that is where the investment will increase again, is that correct?

Nomura: Yes, that's right. However, when a new product comes out, such as ulotaront, there will be a certain amount of expense involved. We would like to manage the expense as much as possible.

Muraoka, Morgan Stanley MUFG Securities: Okay. I think it said JPY460 billion in revenue with a JPY40 billion surplus for FY2024. This is based on the assumption in Sumitomo Chemical Co., Ltd.'s management update of less than two months ago, at the beginning of March, that the total of the three key products would exceed JPY200 billion, or something like that. This is almost the same assumption that you have made for this MTBP.

Nomura: It is roughly the same assumption.

Muraoka, Morgan Stanley MUFG Securities: I see. I read that there will be quite a few milestones in there, but I wonder if it is possible that if milestones were excluded from this JPY40 billion, it will come down to around the break-even level?

Nomura: No, it wouldn't go as low as break-even.

Muraoka, Morgan Stanley MUFG Securities: Would it be a reduction of less than half?

Nomura: I can't go into too many details, but I think we can say that.

Muraoka, Morgan Stanley MUFG Securities: Okay. Thank you very much. And lastly, I wonder if this MTBP includes any discontinuous actions, such as mergers and acquisitions or the sale of assets. Or is it assembled in the options we know now?

Nomura: Something like M&A is not included. We are not considering any large purchases. However, we have been selling assets that have reached LOE, for example, so I would like to ask you to consider the possibility of such a sale.

Muraoka, Morgan Stanley MUFG Securities: Has the profit from such a sale been factored into the forecast?

Nomura: Yes, that's what I mean.

Muraoka, Morgan Stanley MUFG Securities: Okay. Thank you very much.

Yamaguchi, Citigroup Global Markets Japan: My questions may overlap with those of Mr. Muraoka. Regarding the SG&A expenses, you mentioned earlier that synergies are generated in the US, but is this mainly due to a reduction in the number of bases? Can you give us a breakdown of the synergies or how they came about?

Nomura: Thank you. The synergies are, for example, Sumitovant, which has various administrative departments, and Myovant , Urovant Sciences, Inc., Enzyvant, and Spirovant , all of which have their own CEO, administrative departments, CMO, and so on.

On the other hand, Sumitomo Pharma America Holdings, Inc. has Sumitomo Pharma Oncology, Inc. and Sunovion Pharmaceuticals Inc., so there a lot of similar organizations there. There are many such redundancies, so we need to reduce those, and also reduce the number of CXOs. That is the main thing. Of course, in some places, the offices themselves have been closed.

Yamaguchi, Citigroup Global Markets Japan: Okay. So, there is a link between that and the headcount reduction by 500.

Nomura: There is.

Yamaguchi, Citigroup Global Markets Japan: Okay. Next, regarding the figures for FY2023 and FY2024. It may not be possible to give a detailed answer until closer to the time, but between FY2023 and FY2024, sales are forecast to increase by JPY100 billion and profits by over JPY100 billion, but can you tell me again the factors behind this?

Nomura: Within the JPY100 billion increase in revenue, there is of course the increase in product sales, and then there is the milestones. In addition, between FY2022, FY2023 and FY2024, I mentioned earlier that the full synergy of USD400 million will be realized in FY2024, so expenses will also go down. In outline, that is the basis for the revenue and profit increase of JPY100 billion.

Yamaguchi, Citigroup Global Markets Japan: Okay. The Company's forecast shows this minus JPY62 billion and JPY40 billion, so is it correct to say that you will work hard to achieve these figures?

Nomura: Indeed. That's what we're going to do.

Yamaguchi, Citigroup Global Markets Japan: Okay. I think the business environment in Japan is quite challenging, and I believe that many companies are employing early retirement plans. I wonder if your company has made any moves to reduce fixed costs or considered something like an early retirement plan in Japan.

Nomura: In Japan, for example, we have reduced the number of so-called contract MRs, but we have not reduced the number of our employees. As I mentioned earlier in my explanation, we have about 1,000 MRs now.

Once we destroy that kind of capability, it is very difficult to revive it. Therefore, the scenario in this MTBP is that we would like to look for various opportunities for alliances and aim for a place where we can somehow use this MRs.

Yamaguchi, Citigroup Global Markets Japan: So, you are saying that you are aiming for the in-licensing of a product sales alliance, which could cover diabetes, or something like that, whether it is included in the figures or not, is that correct?

Nomura: Yes, we will aim in that direction. It doesn't have to be diabetes though. Sales reps in the US are already specialized in a given area, or to put it another way, that is all they can do. On the other hand, our MRs have a very high learning ability. Although we have been dealing with diabetes up until now, we can handle something different, so if there is such an opportunity, we would be happy to go for it.

Yamaguchi, Citigroup Global Markets Japan: I understand. Thank you. That is all.

Wakao, JPMorgan Securities Japan: I would like to ask about slide 16. It shows the figures for FY2023. I understand that core operating profit is down significantly because of the decline in revenue, but why is operating cash flow negative JPY130 billion? Thank you.

Nomura: This means that there are still various outstanding liabilities related to reserves, for example, for LATUDA®. The total amount of such payments will be about the same.

Wakao, JPMorgan Securities Japan: Looking at the operating cash flow situation, I am a little concerned about the cash situation at the end of the next fiscal year. I know that you are also borrowing this fiscal year, so can you tell us what the situation will be like next fiscal year, taking that into account?

Nomura: We have a financial allowance, so I hope you understand that there is no need to worry about that.

Wakao, JPMorgan Securities Japan: Understood. There is also the JPY100 billion increase in revenue. I'm talking about the FY2023 and FY2024 period. In your answers to previous questions, I believe that the three Sumitovant-related products are important, and that milestones will be added on top of them. As we look at the trend so far, I am still concerned about their growth.

The difference between the current consensus in the market and revenue in FY2024 would be about JPY80 billion. Based on the trend so far, I think the consensus is that it won't grow that much. My question is whether the various initiatives that you have explained today will really lead to this kind of growth.

If this is not accomplished, I think your company will be in a difficult situation again in FY2024.

Nomura: I think you are right, but I think there are valid questions about the figures that form the basis of this consensus. We really don't know what the basis is, so I can't comment on it. When we acquired Myovant in the first place, we considered the extent to which this potential actually existed. We were not the only ones to consider this, but we also included experts from outside the Company in this area.

It was in this context that we acquired Myovant. In such a process, we, for our part, have set our goals based on the fact that we think there will be a certain amount of potential.

Therefore, I think we may be stretching ourselves in terms of our bad habit of setting goals, but we will do our best to achieve them, and we will do everything we can.

Certainly, when it comes to ORGOVYX® and MYFEMBREE®, the growth so far has been a little bit different to what we expected. However, now that we have these two products, we have set these goals in order to make a strong effort to expand them.

Of course, this does not mean that those who came before us were not doing their jobs properly, and there was also an idea that the market consensus sales scale was enough for revenue goal, but from our point of view, we thought there was a little more potential. For our part, we would like to work hard to realize more potential.

Wakao, JPMorgan Securities Japan: Okay. As a follow-up at this point, is it possible to see from the performance trends in FY2023 whether you will reach the level your company is aiming for in FY2024? Normally, I would imagine that to some extent, to meet your company's goals, FY2023 will be a strong year and that FY2024 will be another strong year.

Nomura: I think you are right. We are keeping a close eye on this trend in FY2023.

Naturally, Ms. Gulfo, who is shown here on the far left, is aware of this, and the CEO, Ms. Potter, is aware of it as well. In this context, we are determined to do our best in FY2023. This will form a launchpad for FY2024 and FY2025. We are seeing it as that kind of step.

Wakao, JPMorgan Securities Japan: Yes, thank you. I apologize for being so persistent, but I am not sure if you will be able to achieve the FY2024 sales goal. If you do not, do you have a plan to generate profits through further cost reductions, or through some other means?

Nomura: Thank you. If we were to fall short, I think it depends on the degree of difference. It also depends on the time period over which we would be falling short. At that point, we will make a decision based on the potential of the products and reconsider how far we can extend it.

I think you are right in pointing out that the scale of the project is naturally large, and if it is too large, then some measures must be taken to deal with it.

Wakao, JPMorgan Securities Japan: Thank you. That is all.

Barker, Jefferies (Japan): I think it is attractive that MTBP 2027 sets high goals. However, I would like to ask a little more about the assumptions underlying your forecast of a JPY40 billion turnaround in the next fiscal year.

I understand that milestone revenues will be included, but I think it is possible that milestones for ulotaront approval on the collaboration with Otsuka will be included, and that relugolix related and sales milestones will be included as well. I think sales milestones may also be included. Could you comment on this?

Nomura: It is exactly as you said.

Barker, Jefferies (Japan): Thank you. The second question is about the goal figures for ROIC and ROE on page 16. Is that a four-year average, or, for example, can we expect higher figures as we approach FY2027?

Nomura: This figure is a four-year average.

Barker, Jefferies (Japan): Thank you. Thirdly, your company made Myovant, which was listed in the US, into a wholly owned subsidiary. If your parent company wanted to make your Company a wholly owned subsidiary, how would you see it from your point of view? Would there be any resistance from your Company?

Nomura: I don't think I can say anything about whether there would be resistance or not. I'm sorry, I'm not sure how to answer this question. I cannot talk to the probability of that happening, but I think I have seen similar things happen at other companies.

I don't think there is any particular resistance, but rather, in terms of not violating the interests of minority shareholders, if a takeover were to occur, for example, I think it is important to discuss whether the share price is appropriate or not. I'm afraid I can't give a simple answer to that question.

Barker, Jefferies (Japan): Thank you. That is all.

Hashiguchi, Daiwa Securities: My first question is about the core operating profit goal for FY2024 through FY2027.

If the cumulative total is JPY192 billion or more, the average per year is JPY48 billion. This is not much growth from the core operating profit of JPY40 billion in FY2024. What do you understand to be the reason for the small projected increase in profits after FY2024, despite a sales revenue CAGR of more than 12%?

Nomura: Yes, thank you for your question. Yes, I think it is true that it is difficult to increase profits even if sales increase. Regarding cost of sales, or rather, the products we expect to increase in terms of sales are ORGOVYX®, MYFEMBREE®, and other such products. As you know, profits on such products are split 50-50 with Pfizer Sales of ulotaront are also forecast to increase, but this will also be split 50-50.

For this reason, although sales are increasing, it is not easy for profits to increase, as in the case of LATUDA®, where profits increase sharply as sales increase. Therefore, even if sales increase to some extent, the growth in profits will be a little sluggish, and that is how I think it will appear.

Hashiguchi, Daiwa Securities: Yes, thank you. Thank you very much. Also, when you say USD400 million in cost synergies in North America, is it my understanding that this is about JPY40 billion in cost savings in FY2024 compared to the actual results for FY2022?

Nomura: Yes, the comparative year is FY2022.

Hashiguchi, Daiwa Securities: Thank you very much. I also have a question about the pipeline you introduced today. I would like to ask about TP-3654 for myelofibrosis. You write about the possibility of combination use of other drugs. However, I feel that if it is used in combination with other drugs, the advantage of reduced platelet loss would be diminished. What kind of drugs are you planning to use in combination with the drug, and at the time of its initial launch in FY2027, are you considering using it in combination with other drugs, or are you considering using it as a mono therapy at first?

Ikeda: Thank you. I am happy to talk about TP-3654. I have written about this in the Appendix, but there are some distinctive results.

If you could take a look at page 60, I think, you will see points 1, 2, and 3. Your question is about point 3, the small decrease in platelet count.

Certainly, this is currently being done by selecting patients with relapsed or refractory populations after treatment with, for example, JAK inhibitors. Among these, we are seeing these very promising results even with our single agent.

It is true that the decrease in platelet count is low for our compound. We will not know what will happen when it is used in combination with a JAK inhibitor, for example, until we try it.

However, as I have said, we have not seen a worsening of the decrease in platelet counts with our compound alone.

Hashiguchi, Daiwa Securities: Thank you very much. In that case, for FY2027, is it likely to be a mono therapy first?

Ikeda: Yes, in our launch plan, we would like to start with a mono therapy. However, as Mr. Nomura explained earlier, we have received various offers from companies that have already launched their products in the market, so we would like to consider the possibility of combination therapy in the future.

Hashiguchi, Daiwa Securities: Thank you very much. Finally, I would like to ask you about the sales outlook for regenerative medicine/cell therapy products. Regarding HLCR011, as you explained earlier, you are first aiming to market in relation to retinal pigment epithelium tear, but the number of eligible patients will be small. After that, you are looking at an expansion of indications, which, in your opinion, would bring a significant potential for growth.

As for DSP-1083, while the target is to launch to market in FY2024, the expected growth to blockbuster status is in FY2030, which is quite far away. Is that your appraisal?

Kimura: Thank you.

First of all, I'd like to talk about the HLCR011. As you mentioned, we would like to start with a clinical study for retinal pigment epithelium tear. Up until now, mainstream clinical study using these cells have focused on degenerative diseases such as age-related macular degeneration. Degenerative diseases progress slowly, and it takes a long time to see an effect in such diseases, and the effects can be difficult to quantify. Retinal pigment epithelium tear is an acute condition, and we aim to produce clear effects in a short time.

On the other hand, since the number of patients is not so large, we have not forecast a large amount of sales. This is shown in the table here after approval.

The other is that the Parkinson's disease treatment will be approved in FY2024, and major growth is expected after 2030. However, looking at cases in Japan, the number of patients and the number of hospitals that can actually perform transplants is limited, so we are taking a conservative approach.

On the other hand, when we obtain approval in the US, we will be able to expand at once, taking advantage of our experience in Japan. This treatment is also expected to spread in Japan at the same time, so the initial start-up appears to be a little slow.

Hashiguchi, Daiwa Securities: Thank you very much. That is all.

Hashimoto, SMBC Nikko Securities: In your earlier explanation, I think you said that the payment of LATUDA® liabilities is still included in the negative operating cash flow for FY2023, but if this is eliminated in FY2024, for example, what level of profit in FY2024 would be required to make the operating cash flow positive?

Conversely, what is the risk of negative operating cash flow remaining until FY2024?

Nomura: Thank you for your question. Is the risk of an operating cash flow deficit by FY2024?

Hashimoto, SMBC Nikko Securities: Yes.

Nomura: The operating cash flow for FY2023 will be in the red, partly because core operating profit is in the red, and also there are still rebates and other provisions to be paid with respect to LATUDA®, as I mentioned earlier.

In FY2023, there is also the payment of Japanese corporate taxes for FY2022 and still some restructuring costs in the US. In this sense, the deficit in operating cash flow is larger than the deficit in core operating profit.

However, we believe that this is a special situation applying to FY2022 and FY2023. We expect core operating profit to be in the black and operating cash flow to turn positive in FY2024.

Therefore, I hope you understand that this is just another example of the fact that the operating cash flow is larger than the deficit in core operating profit due to special circumstances in FY2023.

Hashimoto, SMBC Nikko Securities: Okay. I think you mentioned at that time something about stretching the sales of ORGOVYX® for FY2024. I think you mentioned that if core operating profit itself is positive, operating cash flow will turn positive, but if you don't reach that goal, do you have the capacity to implement some kind of plan B? Or would that sort of action require new borrowing? What do you think is the level of your company's resource capacity for the FY2024 and beyond?

Nomura: If sales goals are not achieved, it is possible to sell the assets, as I mentioned earlier, so I think that is possible.

Hashimoto, SMBC Nikko Securities: I'm sorry, so in that case the resource would be funds from the sale of assets, for example.

Nomura: I think you were asking about the hypothetical situation mentioned earlier, where core operating profit is in the red because sales are not as expected.

Hashimoto, SMBC Nikko Securities: Yes, that's right.

Nomura: In that case, I think there would be steps such as asset sales. For our part, we would like to avoid, or rather must avoid, posting a loss in core operating profit for two consecutive years, and we will do our best to do so.

Hashimoto, SMBC Nikko Securities: Okay. Thank you.

Azuchi, NHK: I would like to ask you a little more about the clinical study of allogeneic iPS cell-derived retinal pigment epithelial cells, which came up in another question earlier. It was mentioned that the change from age-related macular degeneration to retinal pigment epithelium tear was due to the fact that the effect is easier to see in an acute disease. I'm sorry for my ignorance, but what kind of mechanism or effect could be expected in a condition like so-called retinal detachment or retinal tear? I believe this is also an acute condition.

Kimura: It is quite different from retinal detachment, and in most cases is a symptom associated with age-related macular degeneration.

As you know, the retina has light-sensing tissue. The outermost layer of cells is called the retinal pigment epithelium, a single layer of dark-colored pigmented cells, which can break and shrink in disease states. It is known that this can occur in many patients who are undergoing treatment for age-related macular degeneration when the condition deteriorates. Because the retinal pigment epithelial cells themselves are lost in a certain retinal area, the symptoms can be recovered relatively quickly by cell transplant.

Since there is currently no cure or treatment for this condition, we believe that this will be welcome news for patients.

Azuchi, NHK: What is the current situation with the clinical study designs and such? I understand that you are going to change the target disease during this period, but what do you think about the impact on the progress, or delays in the clinical study?

Kimura: We have not announced this to the outside world until now, but all our plans have been in progress for many years now, so the change in indications to be announced to the outside world will not delay our clinical study plans.

In terms of the design of the clinical study, I can't give you the details, but we would like to place patients who will be transplanted with cells and who will undergo a natural course of treatment so that we can demonstrate both efficacy and safety in the clinical study.

Azuchi, NHK: Is it still a little difficult for you to tell us specifically what symptoms, what age group, and how many people will receive transplants?

Kimura: Yes, we would like to present those details after the actual clinical study has begun.

Azuchi, NHK: One last point. I'm sorry, but I understand that the clinical study for age-related macular degeneration was scheduled to be conducted FY2022, but now it has been switched to this form, and as you say, there has not yet been a single case of transplantation.

Kimura: Well, before we say transplantation, we have not yet applied for the clinical study, so we will soon apply for the clinical study, and then we will start recruiting.

Azuchi, NHK: I understand. Thank you very much.

Ando, Nikkei: I think your company and Healios K.K. have been working together on a clinical study for age-related macular degeneration, which overlaps a bit with what you just said. Is it correct to say that the preparation for this study will continue as is? Also, is the retinal pigment epithelium tear study being done completely independently of Healios?

Kimura: First of all, we have maintained a relationship with Healios under a joint development agreement. In this situation, we have already set a direction for the past two to three years, and we are proceeding with the clinical study. The actual strategy and tactics are being discussed and agreed upon with Healios.

Our plan, as I mentioned, is to demonstrate the safety and efficacy in retinal pigment epithelium tear, and then to take on the challenges of age-related macular degeneration, dry and wet.

As you know, there are many regenerative medicine/cell therapy products for which it has been difficult to demonstrate efficacy.

Ando, Nikkei: Thank you very much. Is it correct to say that this retinal pigment epithelium tear study will fall under the framework of the joint development with Healios?

Kimura: Yes, the whole thing is within the framework of the joint development with Healios. In reality, however, Sumitomo Pharma will play a central role in the manufacturing of cells and the implementation of the clinical study itself.

Ando, Nikkei: Also, it is easier to see the effect in retinal pigment epithelium tear, and that is why you are starting with this condition, of course. But, as for age-related macular degeneration, there are patent issues as well, and if you just wait and see, it will also take more time and money.

Kimura: There has been a lot of talk about patents, but those are patents related to the manufacturing process, and changing the indications will not change that situation in any way.

So, apart from that, as we have repeatedly said, we would like to select patients for whom we can show clear results in a short period of time.

Ando, Nikkei: Thank you very much. I would also like to ask about Parkinson's disease. Although the anticipated blockbuster status will be in FY2030, I think this is a very bold prospect. I am unsure about how simple the transplantation process will be, and by that point, gene therapy may have progressed quite significantly, in the US, for example. I wonder if those types of therapy might be competition by that point. In this context, can you tell us the source of your confidence that this will become a blockbuster?

Kimura: Even with gene therapy, in the case of Parkinson's disease, it means administration and infection in the brain. The neurosurgeons that we speak to are confident that within the field of neurosurgery, the surgical procedure itself is by no means difficult. In this sense, if the safety and efficacy can be demonstrated in clinical study, we believe that many patients will use the product. When the product is approved in the US, we would like to conduct sales activities to encourage widespread recognition, including in academia.

Ando, Nikkei: Yes, I understand. Thank you very much.

Ebisawa, Jiho: Someone mentioned earlier about selling assets if things don't go well in FY2024 and beyond. What kind of specific assets can be sold?

Nomura: Thank you for your question. I believe that we will be selling off such assets that are approaching their LOE. In the previous fiscal year, we sold XOPENEX®, BROVANA®, and other such assets. In future, we would be considering similar assets.

Ebisawa, Jiho: There is also a graph showing the growth of new products in the green area in the long term, from FY2027 onward. What kind of products are you envisioning in addition to the regenerative medicine/cell therapy for Parkinson's disease?

Nomura: From FY2027 onward? There will be regenerative medicine/cell therapy, but there will also be new indications for ulotaront, such as adjunctive MDD and generalized anxiety disorder.

If all goes well, in the latter half of the 2020s, SEP-4199, a compound for bipolar depression, is scheduled to be launched. In that sense, new products will appear, and I think they will be a force to boost sales.

Ebisawa, Jiho: Lastly, you have been saying for some time that the number of MRs will not be reduced to below 1,000. If there is an operating deficit in FY2024, for example, will it be impossible to retain that many MRs? Of course, these staff are doing an important role in developing sales.

Nomura: You mean if we're in the red in FY2024? In that case, we would look closely at profit/loss by region, but in essence, North America is in the red, while Japan is in the black. That is true even under the current circumstances. Therefore, I don't think there is any need to go to the trouble of restructuring a company that is already profitable and making it worse off.

So, if we don't achieve it even in FY2024, it is a North American problem. If we look at the picture by region, we see that Japan is in the black, China is also in the black, and North America is largely in the red.

Ebisawa, Jiho: Thank you very much.

Sakata, Yakujinippo: I would like to ask you about the acceleration of DX. One of the topics was the incorporation of advanced technology. Within that theme, the Metaverse came up. What kind of work do you think is possible to introduce this? Or has it already been introduced?

Another topic of discussion recently has been interactive generative AI, which has been attracting a lot of attention. In your opinion, in which areas might it be possible to exploit this technology? Have you implemented it anywhere already?

Nomura: The Metaverse is still a trial. We are currently conducting a trial as a method to provide information to healthcare professionals. These activities have a focus in Japan.

You also asked about how we are using ChatGPT. We have a digital team in the US, and we are using the same technology. However, I have heard that even with ChatGPT, there are some erroneous results. I don't think we can trust the system fully, but I am aware of its use as one of the tools used at work.

Sakata, Yakujinippo: Would you be able to comment on what you're using it for?

Nomura: I am not fully aware of that.

Sakata, Yakujinippo: Okay. Thank you very much.

Hanzawa, Iyakukeizai: On page 28 of the presentation, you mention strengthening business profitability and establishing a firm profit base with respect to the China and Asia business. There was a recent incident in which an Astellas Pharma Inc. employee was detained in China.

What is your Company's future plans for establishing a profit base? Is there anything that you have changed in your efforts as you move forward, in response to this detention? Thank you.

Nomura: Thank you. Our current head of China operations has a great deal of experience in China. In that sense, it seems that they are well aware of such dangerous boundaries.

When such a Japanese national was detained the other day, we immediately contacted China, but our representative told us that he has been providing our Japanese expatriates with daily guidance to prevent such a situation from happening, so I don't think there is anything in particular that we need to change in our business activities.

Of course, we have heard that the law has changed a little in China recently, so we have to be very careful about how it is implemented. I understand that our Chinese head is well aware of this, so they will be very careful in their business activities and will protect our expatriate staff from Japan.

Hanzawa, Iyakukeizai: Thank you.

Morita, Iyakukeizai: Regarding the Japan business, I would like to know what kind of sales trends you are predicting from FY2023 onward.

Nomura: In terms of trends, the National Health Insurance Price will be revised every year recently, which I think says something about the situation. We are starting to see the development of a negative trend. In response, I think we should work in the regenerative medicine/cell therapy, the Frontier business, and keep the level of the revenue flat.

Iwasaki, The Chemical Daily: In the area of future growth, I would like to ask you about drug discovery research. You mentioned that you are working on a wide range of modalities and selecting the most suitable modality for this MTBP. It may be possible to use technology from another company. What is the current status of these activities, and do you have any plans for CVC-type activities in the future? Thank you.

Ikeda: As you can see on slide 37, we are working with academia and the Pharmaceutical Manufacturers Association of Japan, as well as with some biotech companies, which are not mentioned here, to conduct joint research on modalities and to introduce technologies. We are also conducting joint research on modalities and introducing technologies with some biotech companies, and we would like to continue to do so in the future.

Iwasaki, The Chemical Daily: Is this activity limited to the Japan market, or are you also involved in this kind of activity overseas?

Ikeda: In terms of modalities, our focus is mostly in Japan at the moment, but we are not denying the fact that there are many overseas companies. We are looking for such innovative modalities on a global scale in the form of open innovation.

Iwasaki, The Chemical Daily: Thank you.

Ishii, Iyakutsushin: I have two questions. First, what has been the impact of the coronavirus pandemic on the launch of ORGOVYX® and MYFEMBREE®? Second, what are your aspirations for the start of the new MTBP?

Nomura: Thank you for your question. During the coronavirus pandemic, as ORGOVYX® was exclusively a drug for oncology, limitations on access to medical institutions did affect sales.

In women's health, patients were not going to medical institutions, and we heard that this too had an effect.

This is not currently a major obstacle, so we expect more activity in the future.

As for our aspirations for the MTBP 2027, we have been focusing recently on LATUDA®. LATUDA® has reached LOE, but we have been unable to connect it to our next growth pipeline, which is something we regret very much.

We are aware of products such as ORGOVYX®, MYFEMBREE®, GEMTESA®, and ulotaront, where patent and LOE issues are likely become significant in the mid-2030s. Ulotaront will be a little later, I think.

I think it is important for us not to have a repeat of what happened with the LATUDA® LOE.

So, although there are many arguments about the potential of ORGOVYX®, MYFEMBREE®, and GEMTESA®, we are committed to developing them as key products. In R&D, we will invest resources in pipelines that have potential, and create multiple pipelines that will support our Company in the 2030s.

We will provide solutions in various forms, not focusing exclusively on compounds, cells or tissues, or non-pharmaceuticals. In this way we will see our growth. This is why we have created this MTBP.

Ishii, Iyakutsushin: Thank you very much.

Chiboshi, Jiho: In the revenue forecast, the compound annual growth rate from FY2023 to FY2027 is 12%. Based on this rate, what are the forecast sales in FY2027? I would also like to confirm what the breakdown is between North America and Japan.

Nomura: As for a breakdown of the numbers, I would say roughly JPY600 billion. Of that, about JPY100 billion is from Japan. The rest is from North America and a little bit from China and Asia. Broadly speaking, that is our image.

Chiboshi, Jiho: Thank you very much. In FY2027, your Company will be selling in North America, China, and Asia, so subtracting the part for Japan you just mentioned JPY100 billion, you are anticipating sales of about JPY500 billion across those regions. To what extent are you including ulotaront in that forecast?

Kimura: As of FY2027, ulotaront, we only have figures for schizophrenia, but we think it will be a few hundred million US dollars, so less than JPY20 billion.

Chiboshi, Jiho: Thank you very much. Just to clarify, which indication would that be for?

Kimura: That would be schizophrenia.

Chiboshi, Jiho: Okay. Thank you very much. That is all.

Jimbo, Nikkei: I would like to confirm the financial goals that you have provided. You have provided the cumulative total from FY2024 to FY2027, but I could not find any figures specifically for FY2027.

Nomura: We have not prepared any figures, or as I mentioned at the beginning, the timing of sales may differ slightly depending on the timing of milestones. I mentioned earlier that we are forecasting revenue in FY2027 of around JPY600 billion.

Core operating profit is expected to be around JPY40 billion, although there will be a variety of factors to consider.

Jimbo, Nikkei: Thank you. Also, regarding the disclosure of dividend payout, you said that you expect to resume dividend payout in the fiscal year ending March 31, 2025. I think you also mentioned that core operating profit is expected to return to the black. Is it my understanding that this will lead to a resumption of dividends because you expect to return to the black on a full basis?

Nomura: Yes, I believe you are correct.

Mochizuki, MIX: I would like to ask you about DX. You mentioned the goal of a data-driven organization that propels itself autonomously. Could you say more about the characteristics of such a company? Also, could you give some concrete examples of changes in working practices and value creation?

Also, with relation to so-called data scientists, I believe the figure of 10% of employees was mentioned. Is this referring to employees who are capable of handling data?

Nomura: The Citizen Data Scientist and Citizen Developer courses are a kind of training course that ensure the right level of human resources.

We are also engaged in activities to train digital experts within the Company. Overall, digital technology can be used by anyone who has the data and can analyze it and use it well to make various decisions. The employees can find new insights from data on a daily basis.

We are aiming for that, so we are talking about some kind of qualification here, but on the other hand, by training our employees who are strong in data, as you mentioned, we are trying to position ourselves in such a way that our employees who do this digital work are not only specialized individuals.

This leads us to the point I mentioned earlier about a data-driven organization that propels itself autonomously. We would like our employees to be self-disciplined and independent. Such employees will be able to analyze data, make decisions, and so on. We are working in this way.

We will become an organization where employees don't only do things when they are told to do them, but rather take the initiative and do things proactively a matter of course. The data-driven organization that propels itself autonomously is a way of saying that this is not something special, and that we will develop into the Company where the use of digital data is the norm.

Therefore, this is very closely linked to human resource development.

Mochizuki, MIX: Thank you. I'm sorry, one more point, but you mentioned earlier that you will not reduce the number of MRs. In Japan, you mentioned data-driven management in your MTBP. What are your thoughts on MR personnel? Thank you.

Nomura: Are you talking about how to train MRs?

Mochizuki, MIX: Yes, that's right. I would like to ask two questions, one in terms of the system, for example, whether the system will be changed without reducing the number of MRs, and the other in terms of human resource development, if possible.

Nomura: In relation to the data-driven management, one of the things we are doing is to make good use of digital technology in our normal sales activities and to provide information in this way. We are currently focusing on diabetes, psychiatry & neurology, and rare diseases. We expect that the Frontier business and the Regenerative Medicine/Cell Therapy business will also emerge in the future.

Under such circumstances, I believe that some MRs will study sales activities in these new fields and shift to such work as well.

There is also a new partnership in the area of rare diseases, so there may be a shift in this area.

In that sense, if the content or quality of our business changes, the knowledge and skills required of MRs will also change, and we will provide training accordingly.

Mochizuki, MIX: Thank you.

Kuriyama, Yakuji Nippo: I would like to ask you a helicopter-view question.

I understand that you have been developing your business based on your MTBP, which has been compiled in five-year increments based on what will be developed in the future. How would you sum up this past five years? What do you anticipate in these five years, and in the five years after that? I'd be grateful if you could comment on that. Thank you.

Nomura: For the first half of the MTBP 2022, we had LATUDA®. That was good because it was profitable, but in the second half, it was a tough situation as we had no alternative to LATUDA® as we headed toward LOE.

Although some promising new products, such as ulotaront, blossomed during the five-year period, there were no products that were launched during the five years.

We recognize that the MTBP 2027 will not be an easy period either. As some analysts have already pointed out, some wonder whether our sales goals can really be achieved.

Therefore, our forecast business performance is based on a certain assumption of sales, and it is important for us to achieve it.

To accomplish it, it will be a hard five years in terms of maintaining a firm top line here, since the process of finding and implementing a firm top line using the US organization will inevitably be necessary in the next five years.

On the other hand, in terms of research and development, as I have said many times before, we cannot rely on one approach, as we did with LATUDA®. Many modalities will be created from now on, and it will be a challenge for us to deliver new assets in the late-stage development of this period. I think it will be a very difficult five years.

In that sense, I believe that the next five years will be quite hard, both in terms of raising the top line and in research and development.

Therefore, if we can successfully overcome this five-year period, we will be able to achieve a certain level of sales of the three key products for the next five years. With the launch of ulotaront, SEP-4199, regenerative medicine/cell therapy products, and non-pharmaceutical solutions, we will be able to achieve some acceleration here. I believe that the next five years will be a period of relatively steady growth.

In any case, if we do not make good progress over this five-year period, we will not be able to attain what we want in the next five years. The management in Japan, the management in the US, the management in China, and everyone else, are determined to make a firm commitment to this.

Noguchi: Thank you for your question. This concludes the presentation of Sumitomo Pharma's MTBP 2027. Thank you for joining us today.

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