ESG Meeting (Discussion with Investors)

[Date]	December 13, 2022
[Time]	10:00 – 12:03
	(Total: 123 minutes, Presentation: 87 minutes, Q&A: 36 minutes)
[Venue]	Tokyo Head office and Webcast

[Number of Speakers]	8	
	Hiroshi Nomura	Representative Director, President and CEO
	Toru Kimura	Representative Director, Executive Vice President
	Saeko Arai	Member, Board of Directors (Outside)
	Minoru Usui	Member, Board of Directors (Outside)
	Koji Fujimoto	Member, Board of Directors (Outside)
	Naoki Noguchi	Executive Officer
	Mariko Mishiro	CEO, RIDEAL
	Kimihiro Kamano	Corporate Communications

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Presentation

Kamano: Welcome everyone to the Sumitomo Pharma Co., Ltd. ESG meeting for FY2022.

Thank you very much for joining us today. This will be our fifth ESG meeting. In addition to the meeting at our Tokyo head office, we would like to proceed by live-streaming and teleconference.

We would like to discuss a few points that we would like you to keep in mind as we start the session. The presentation deck is available on our web site. All participants in the meeting site can refer to the handouts.

The presentations will be followed by a panel discussion. After that we proceed to questions and answers. The panel discussion will be facilitated by Ms. Mariko Mishiro, CEO of RIDEAL, as she did last year.

In addition to our panelist discussion, we would like to have an interactive panel discussion in which we would like to receive feedback from the audience. We would very much appreciate your active participation and feedback. We also allotted the time for question-and-answer session and we would be happy to answer your questions there as well.

Please note that this briefing will be recorded for distribution purpose which will be shared on our website at a later date.

Now I would now like to introduce today's attendees.

Mr. Nomura, Representative Director, President and CEO.

Nomura: This is Nomura. Thank you.

Kamano: Dr. Kimura, Representative Director, Executive Vice President.

Kimura: This is Kimura. Thank you.

Kamano: Ms. Arai, Member of the Board, and the President of Accuray, Inc.

Arai: This is Arai. Thank you.

Kamano: Mr. Usui, Member of the Board, Chairman and Director of Seiko Epson Corporation.

Usui: My name is Usui. Thank you.

Kamano: Mr. Fujimoto, Member of the Board, Specially Appointed Professor of Tokyo Medical and Dental University.

Fujimoto: My name is Fujimoto. Thank you.

Kamano: Mr. Noguchi, Executive Officer in charge of corporate governance and corporate communications.

Noguchi: My name is Noguchi. Thank you.

Kamano: Ms. Mishiro, CEO of RIDEAL.

Mishiro: My name is Mishiro. Thank you.

Kamano: I am your moderator, I am from the Corporate Communications Department.

Now, Mr. Noguchi will give a presentation to you regarding the reorganization of material issues.

Mr. Noguchi, please proceed.

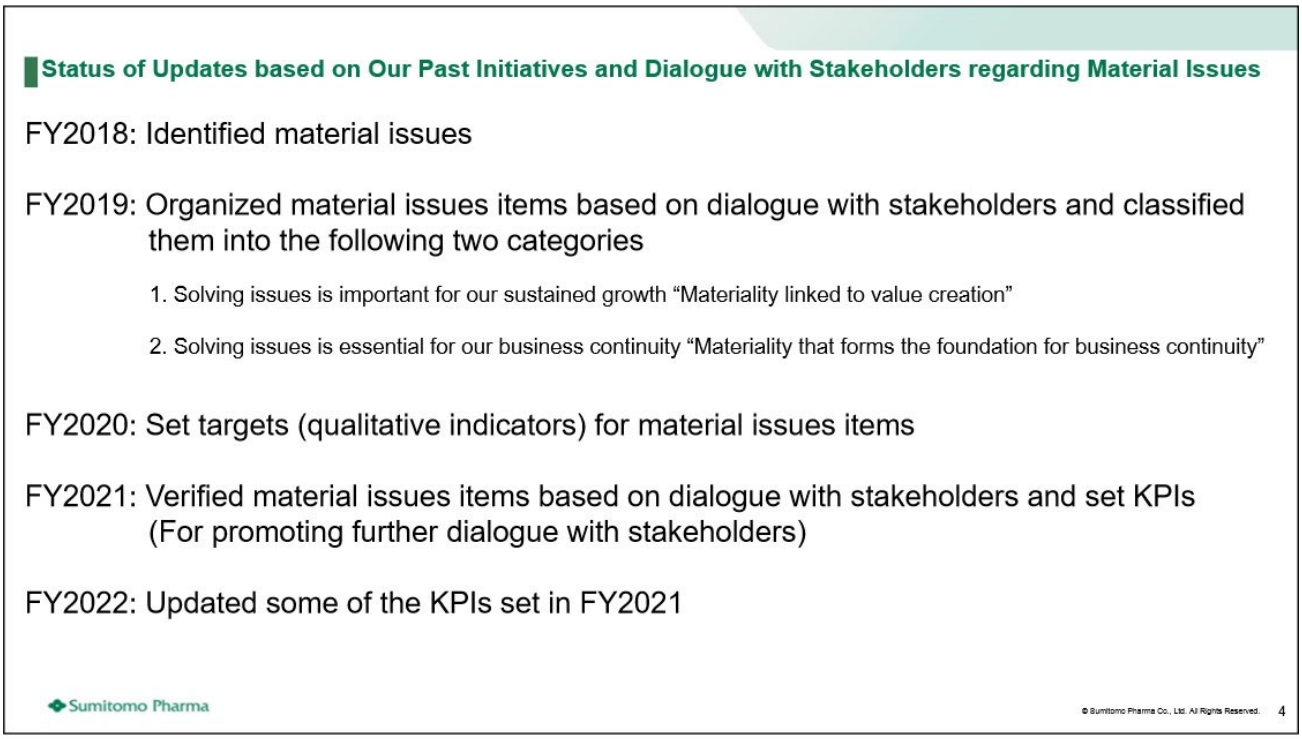
Noguchi: My name is Noguchi. Thank you all very much for taking the time out of your busy schedules to join us today.

Let me start with the agenda of today's meeting.

Here is the table of contents. We are currently reorganizing our material issues in terms of their impact on the value we provide in accordance with our corporate mission. We would like to hear your honest opinions about our capital, in other words strengths and potential, which we consider important for rearranging the material issues and are the source of our unique value creation.

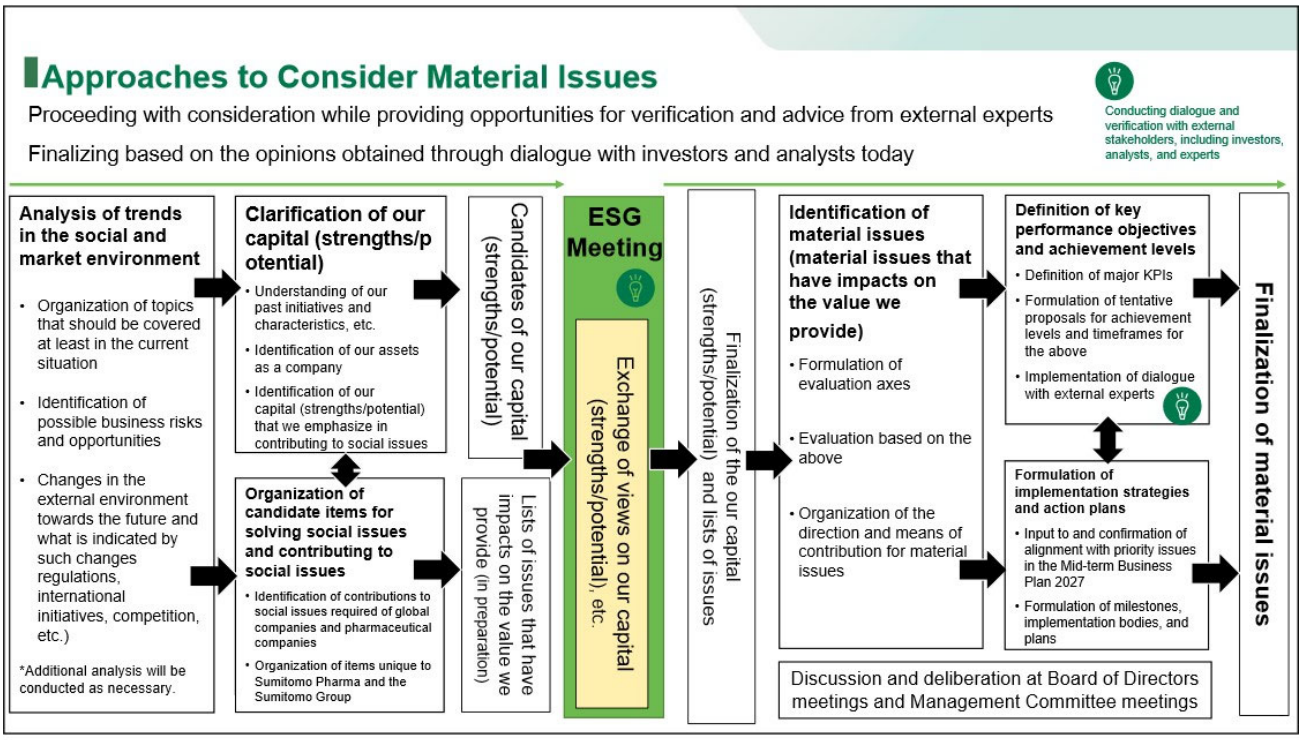
First, I would like to offer a presentation for about 15 minutes or shorter, and then we will move on to the panel discussion.

Sumitomo Pharma is in the process of preparing a material issue and would like to bring our assessment to a higher quality level. At this stage we would like to receive candid feedback from investors and analysts and exchange ideas.



When we first identified material issues back in FY2018, we categorized these issues in two groups: materiality that links to value creation, and materiality that forms the foundation for business continuity. We have been utilizing this approach internally.

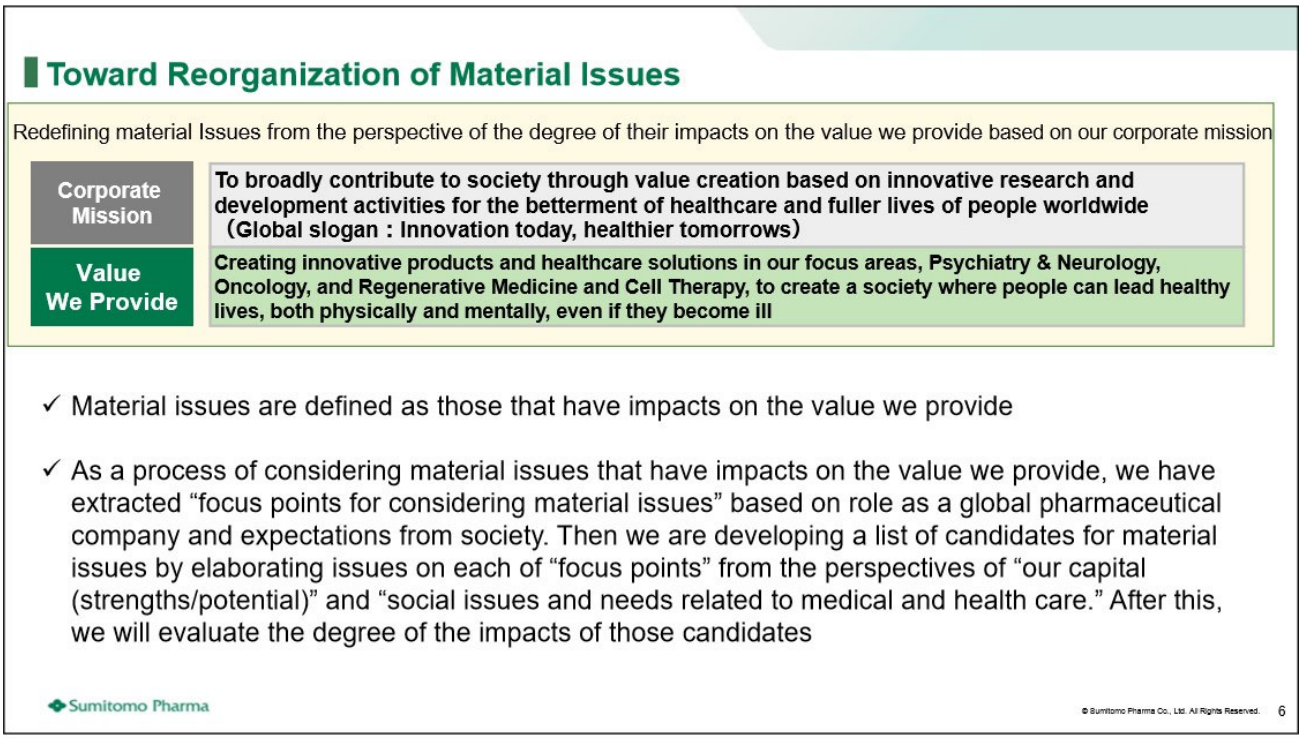
However, we began to note a few issues over time. It is not easy to see the current material issues in a way that is connected to value creation, as our efforts are represented from an inside-out perspective. In other words, it is a little difficult to see a clear linkage between our material issues and social issues. Because of this notion, we are currently reorganizing our material issues in FY2022.



Here is the analysis approach. Today's ESG meeting is positioned in the middle. We would like to exchange opinions about our company's capital (strengths and potential) and other matters during this meeting.

In the initial stage, we worked to understand the trends in the social and market environment, and then we organized candidate targets for solving social issues and contributing to society while recognizing our company's capital.

We would like to exchange views at this ESG meeting today to finalize the material issue analysis. In addition, the Board of Directors and the Management Committee will discuss and deliberate on the identification of material issues, key performance targets, and implementation strategies, to tie everything together.



In redefining the material issues in terms of their impact on the value we provide in line with our corporate mission, we have had a renewed internal discussion about the values currently included in our Sumitomo Pharma's corporate mission. The value we provide is in the form of creating innovative pharmaceuticals and healthcare solutions in our focus areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine / Cell Therapy, and creating a society in which people can lead healthy lives both physically and mentally even if they become ill.

We define material issues as key issues that affect the value we provide. In reviewing material issues, we are currently identifying the focus points for considering material issues based on our role as a global pharmaceutical company and expectations from society. For each focus point, we are elaborating the issue from the perspective of social issues and needs related to our capital, medical and health care. We are working to develop a list of potential material Issues.

These are the six fundamentals for defying material issues that we consider valuable.

The Company must be able to ensure a certain level of comprehensiveness while being able to clarify its focus as a global company, a pharmaceutical company, and a company.

Transparency and accountability of the identification process and the ideas behind it must be maintained.

The connection with the corporate mission must be systematic and clear, as we represent the one and only pharmaceutical company in the Sumitomo Group.

It must be consistent with the Mid-term Business Plan 2027: implementation plan for material issues.

The Company must visualize feasibility, observable objectives, and actionable plans for material issues during the time span set in the Mid-term Business Plan 2027 and beyond.

Finally, flexibility and possibility of revision must be taken into account, in anticipation of uncertainties in the market and business environment.

With these key points we are working to identify material issues.

Situation of the Involvement by the Board of Directors

Setting and updating Material Issues

- With respect to the review and revision of material issues and objectives and the setting of KPIs, we have made decisions after deliberations at multiple meetings of the Management Committee and reported the matters at meetings of the Board of Directors
- As for the reorganization of material issues, we will hold deliberations at the Board of Directors meetings in addition to deliberations at the Management Committee meetings

Our initiatives towards issues surrounding sustainability issues such as the environment, human rights, and employee health

- Since FY2022, we have been reporting regularly to the Board of Directors on the status of our initiatives to address each issue and actively discussing them from the perspective of improving our corporate value over the medium to long term

Sumitomo Pharma

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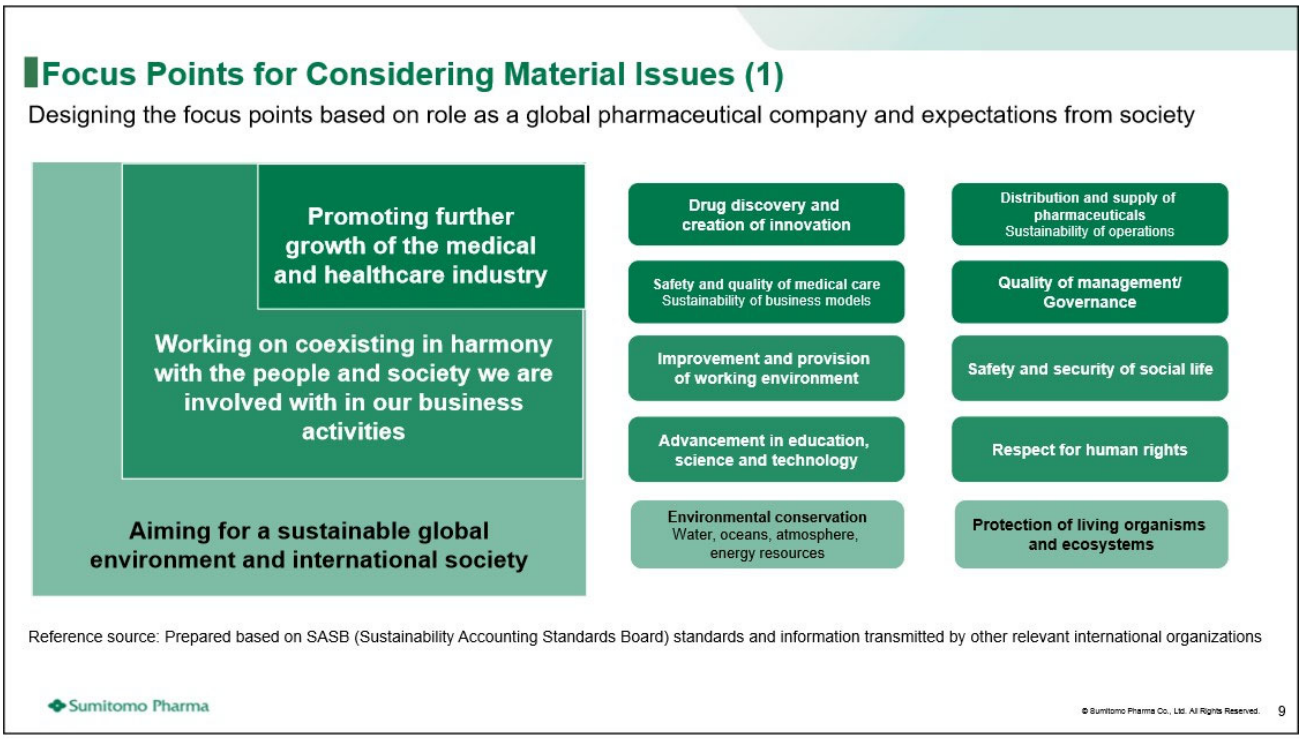
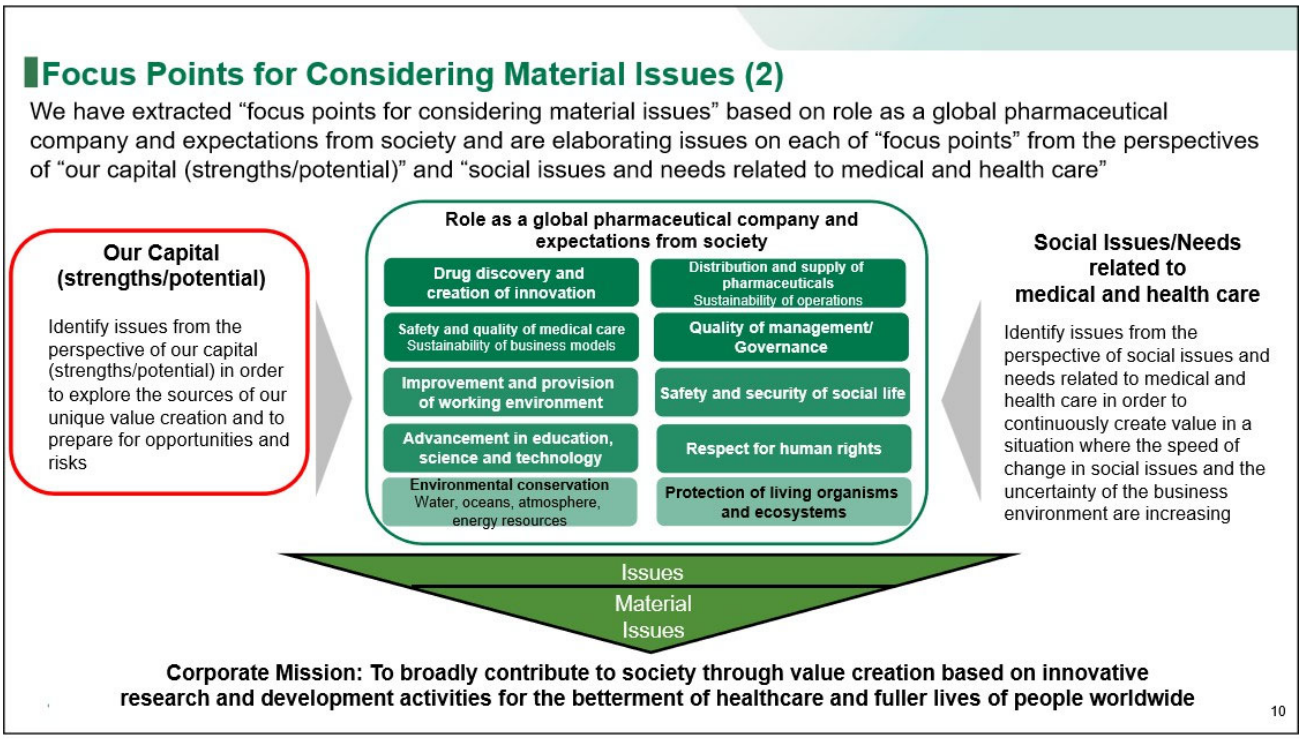
On the other hand, as for involvement by the Board of Directors, obviously, in addition to deliberations by the management committee, additional assessments are conducted by the Board of Directors.

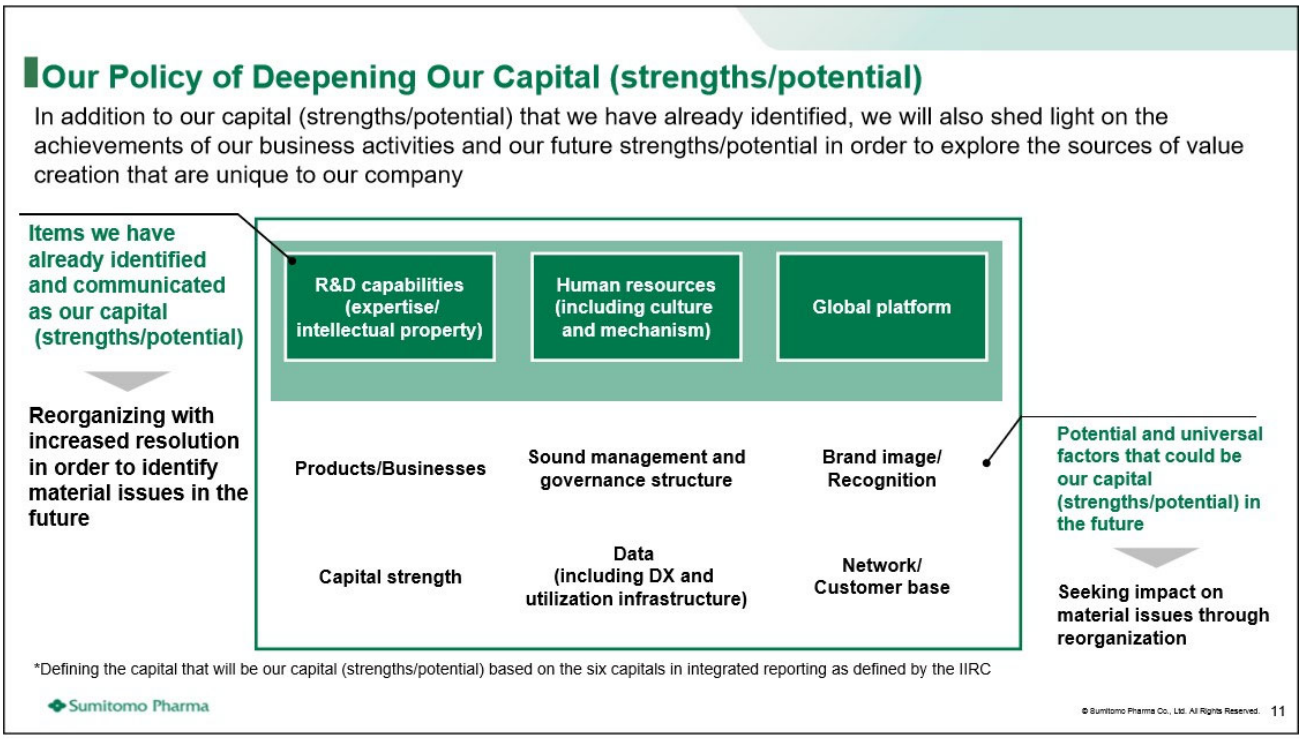


This illustration represents the focus points we use to consider material issues. We have decided on these forms of focus points with reference to the SDGs, GRI, and also to SASB, and other standards.

In terms of aiming for a sustainable global environment, environmental conservation, and protection of living organisms and ecosystems. For coexisting in harmony with the people and society, we are involved in these four focus points. As for promoting further growth of the medical and healthcare industry, we need to meet the expectations of society. We designed another four points, making a total of 10 focus points.



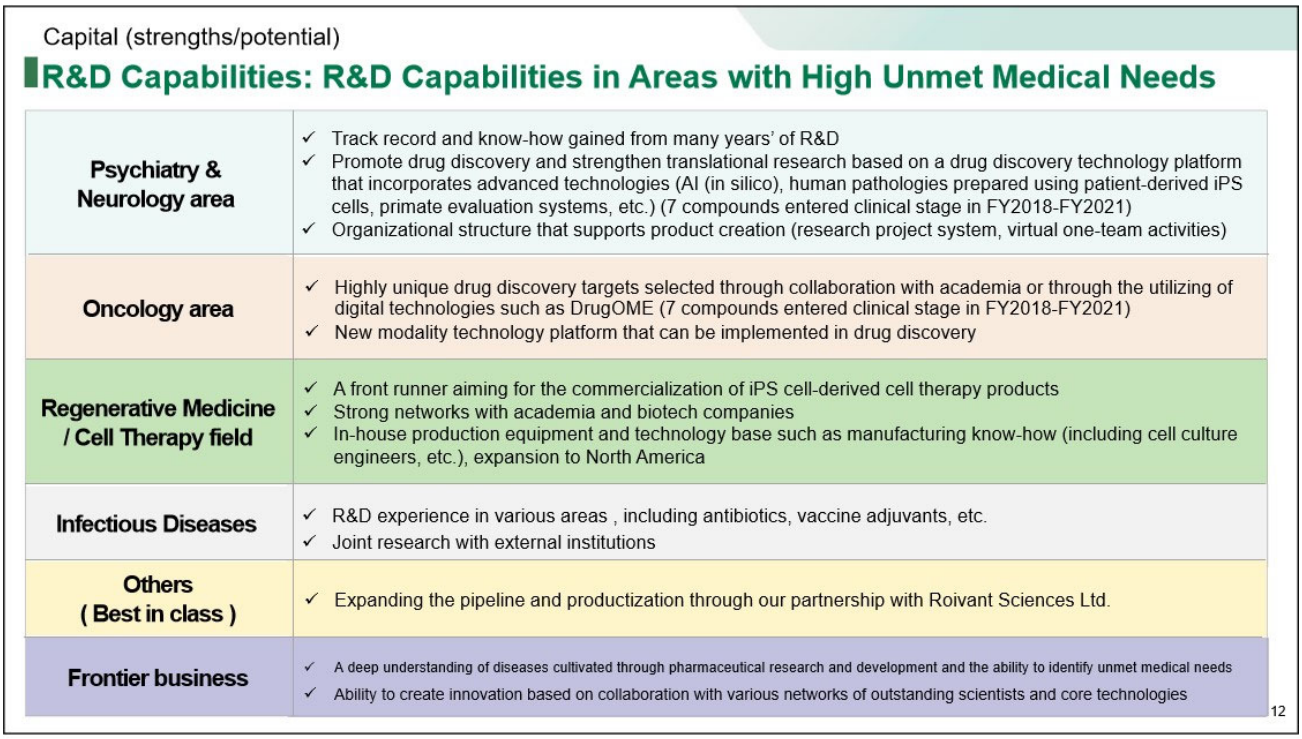
We brought them to the core of our discussions. Additionally, we considered multiple focus points that link to social issues and needs that are related to our capital, medical and health care. This is how we are working toward the precise definition of material issues.



From here, I would like to discuss our capital, which includes strengths and potential, and then lead you to the next panel discussion.

I had several opportunities in the past to talk about the topic deepen our recognition of our capital, and I listed R&D, human resources, and global platform, as the strengths of our organization. This time, we recognize additional six elements that can potentially grow to be a part of our capital in the future.

Product and business. Capital strength. Sound management and governance structure, Data, Brand image and recognition. Network and customer base.



I would like to introduce the three capital strengths of our company that I have discussed so far.

First is research and development capability.

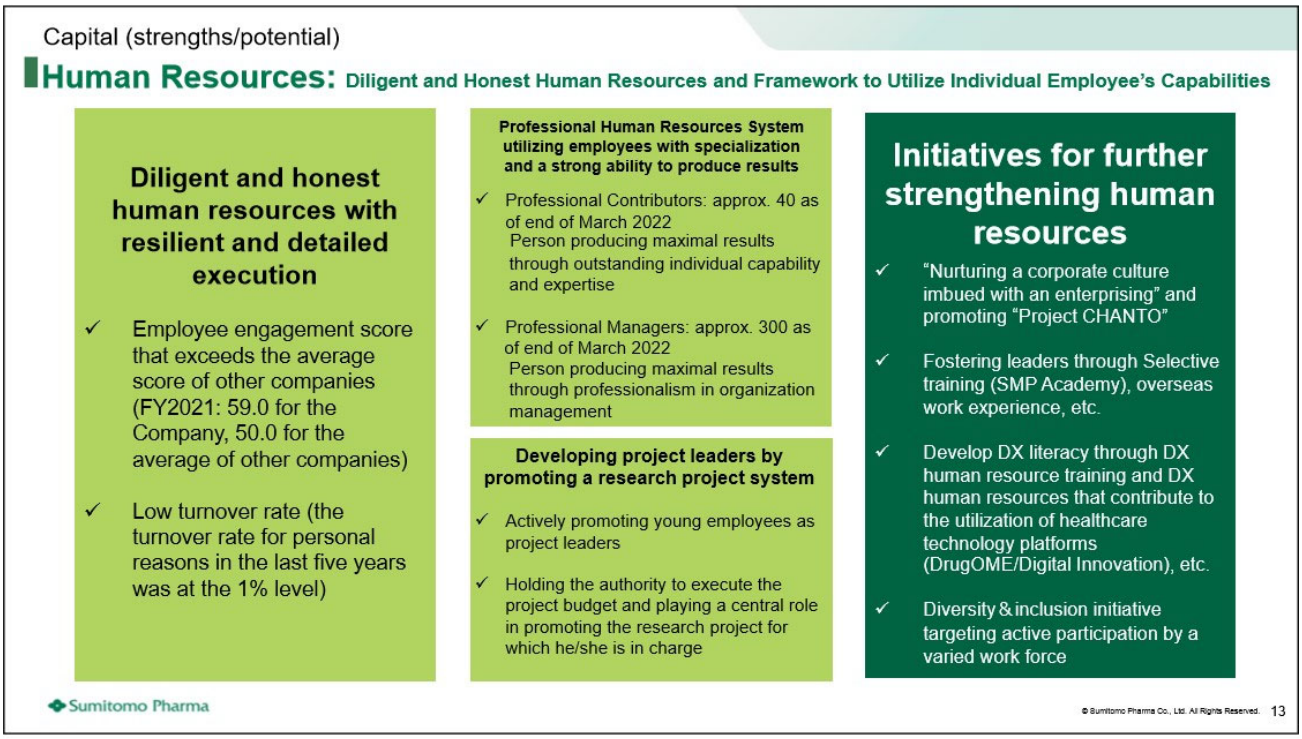
As you are all aware, we have a long history of R&D expertise in the area of psychiatry, having discovered and launched three drugs, tandospirone, perospirone, and lurasidone. In addition, we have recently been using advanced technologies to promote drug discovery, with seven compounds entering Phase I study as clinical studies during FY2018 to FY2021.

In the Oncology area, we have also been able to bring seven compounds into the clinic in the past four years by collaborating with academia and utilizing digital technologies such as DrugOME to select highly unique drug targets.

In the field of Regenerative Medicine / Cell Therapy, we are proud to be a leader in the commercialization of iPS cell-derived cell products. The Company also has a strong network with academia and venture companies, its own production facilities, and manufacturing know-how, and is currently preparing to start clinical studies in North America in addition to Japan.

In the field of infectious diseases, as you all know, we discovered meropenem and licensed it out to AstraZeneca, and it has been launched in more than 100 countries around the world and is still used as the gold-standard carbapenem drug worldwide.

We have discovered a new fixed-dose combination of meropenem, plus a beta-lactamase inhibitor in the form of KSP-1007, which is in the Phase I study stage in the United States. We received fast track accreditation from the FDA last month and are proud of our track record and expertise in the field of infectious diseases.

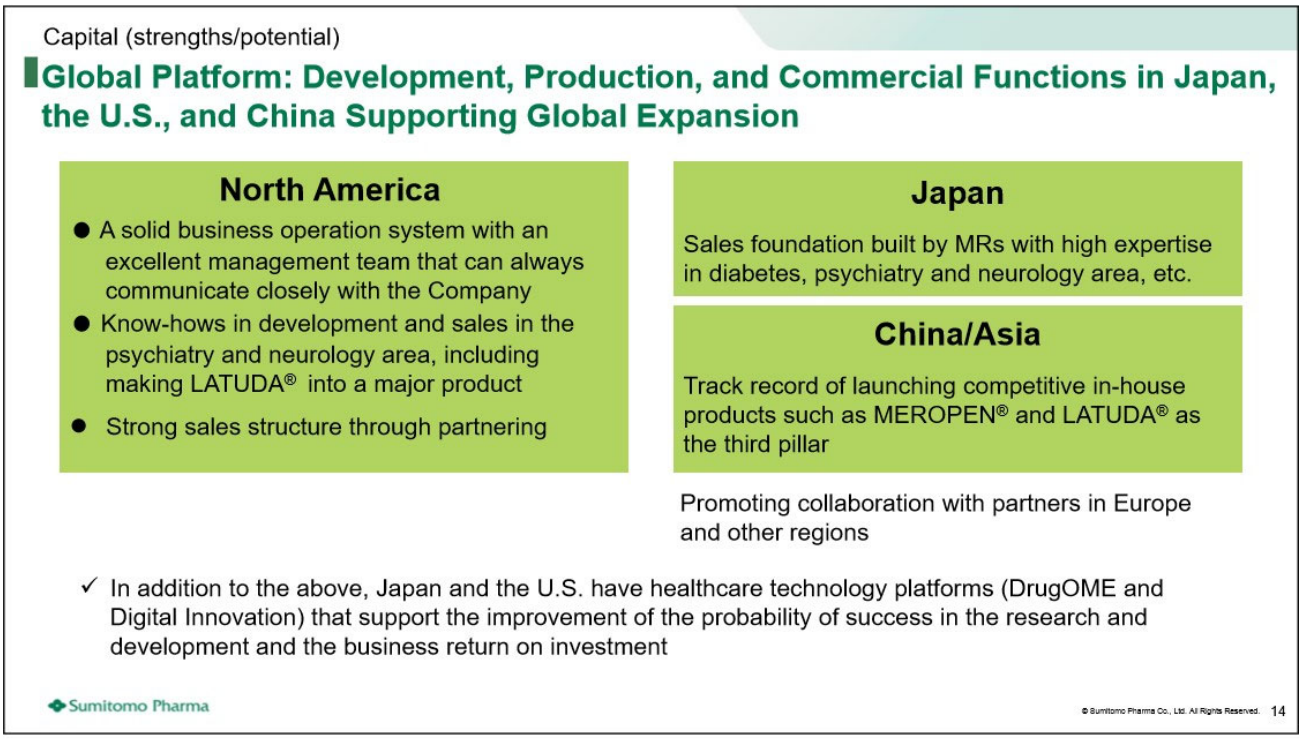


Human resources are our strength.

We view our employees as diligent and honest with resilient and detailed execution. In fact, internal surveys show that employee engagement scores have been exceptionally high for the past three years, with 59 points in FY2021, higher than the average of other companies. In addition, the turnover rate has been in the 1% range for the past five years, which is also low since most Japanese companies are said to have a turnover rate of 8%.

We also have a professional personnel system that utilizes human resources with a high ability to produce results based on their expertise, and we train project leaders by promoting a research project system.

To further strengthen our human resources, we are implementing Project CHANTO and SMP Academy, which are selective training programs.



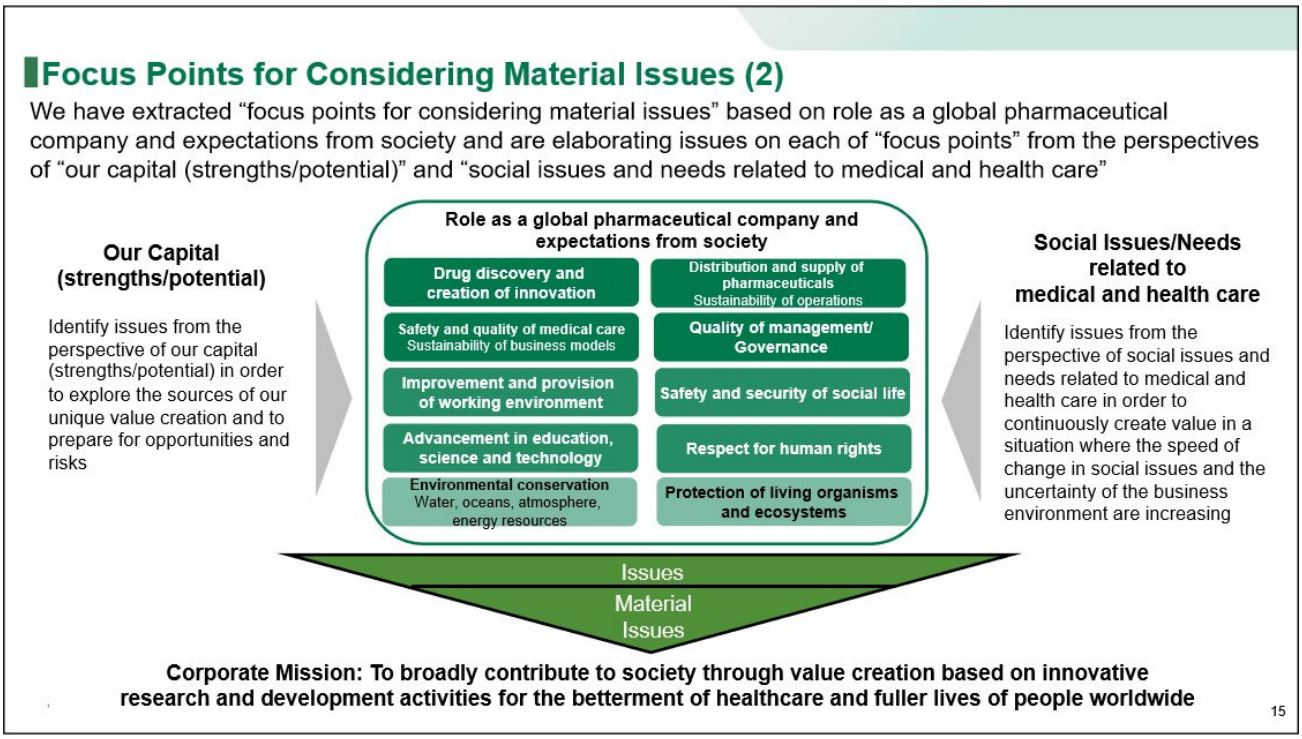
The third strength is a global platform.

In terms of global platform, we have established sales structures in North America, Japan, and China.

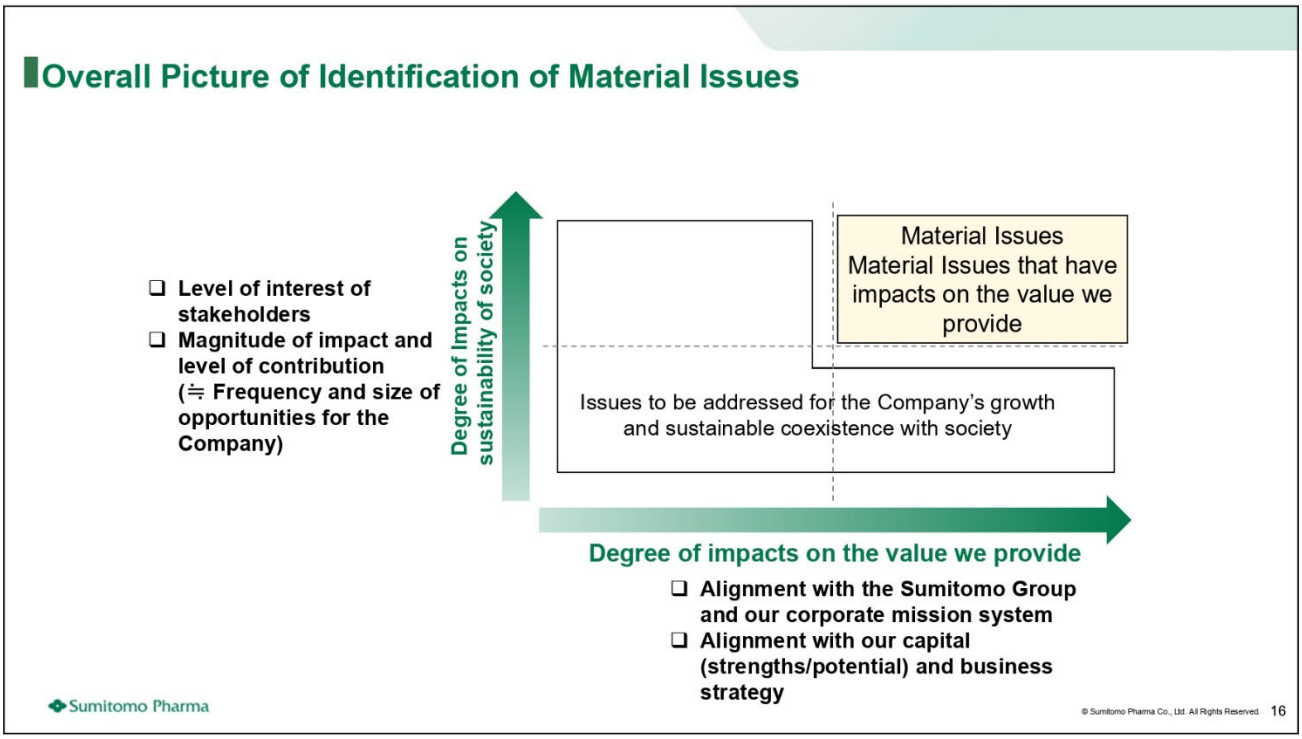
In North America, after acquiring Sepracor, or Sunovion Pharmaceuticals Inc. (“Sunovion”), we have spent more than 10 years building a solid business operation structure. We believe this has led to the maximization of LATUDA®.

In Japan, we rank second in terms of presence in the fields of diabetes and Psychiatry & Neurology.

In China, we are currently ranked fourth among Japanese companies in terms of sales.



We would like to further explore these 10 roles featured in the middle of the illustration: expectations of society, and our company's capital, as well as the social issues and needs related to medical and health care on the right side, in order to determine the material issues. We believe that this will lead to the realization of our corporate mission.



Although this is not yet finalized, we would like to finalize the material issues in the future in the form of the impact on social sustainability on the vertical axis and the impact on the value we provide on the horizontal axis, as an overall vision.

The reason we are using the term "material issue" instead of "materiality" this time is partly because the meaning of the term materiality can be interpreted differently. As we approach the essential task of reorganizing material issues, we are under the impression that this term may be easier for people to understand. We would like to continue with our effort in identifying the material issues.

We have the time allotted for the panel discussion, which is coming up next. I look forward to hearing your honest opinions on the value we can offer, especially, our capital.

That's all from me.

Kamano: Thank you very much, Mr. Noguchi.

We will now move on to the panel discussion.

The panel discussion will be led by Ms. Mishiro. Mr. Nomura, Dr. Kimura, Mr. Noguchi, and outside directors Ms. Arai, Mr. Usui, and Mr. Fujimoto. During the panel discussion, there will be time for all attendees to speak on each topic.

Next, I would like to introduce Ms. Mishiro, who will be facilitating the panel discussion. Ms. Mishiro is known for corporate integration reporting, consulting, report reviews, and advising on stakeholder dialogues.

I would like to turn the meeting over to Ms. Mishiro.

Mishiro: Now, I would like to start the panel discussion on the subject of the reorganization of material issues.

Today's theme is a reorganization. Inviting everyone here to be involved together in the identification of materiality at the intermediate stages of reorganization. I personally feel that this is a pioneering effort.

As a preliminary step, a survey for investors had been conducted in advance. I would like to ask President Nomura to first discuss some of the common issues raised in the feedback you have received from the survey answers.

Among the survey answers provided by the investors, many commented on challenges with resource allocation for R&D investment and the return on investment for compounds acquired through M&A. Could you elaborate on these topics?

Nomura: Thank you very much. As you noted we are very much in the middle of the process, and we are unable to present the final form of the project. I believe that this is a good opportunity for us to discuss our strengths and weaknesses as factors that influence our value creation.

As for the topic of R&D resource allocation and the reasons why M&A did not go well, I would like to start with the latter.

So, I guess I'm going to start with a topic of weakness, well. The M&As we have executed include Sepracor, currently Sunovion, plus, a company that produces COPD drugs like LONHALA® MAGNAIR®. Boston Biomedical, Inc. (BBI), a Canadian company that handled KYNMOBI®, Tolero Pharmaceuticals, Inc.(“Tolero”), and most recently, Sumitovant Biopharma (“Sumitovant”).

It is still difficult to give an evaluation of the Sumitovant and Tolero at this point, so I would like to mention some of the results that have been obtained to some extent so far.

In the case of Sunovion, the objective was not R&D. It was for acquiring a sales organization and network. We are also looking for the know-how of people who have experience in managing US operations in the past, or people who have worked in North America for Takeda Pharmaceutical. I guess you could call them management resources that we have taken from the outside. These people have helped the organization to run well. There is one thing.

Then, for LONHALA® MAGNAIR®, the COPD drug, the drug is already generic, but the challenge was in its device. This is not a conventional heavy, noisy nebulizer, but a very compact nebulizer that produces a very fine mist. This is based on the concept of delivering the drug deep into the lungs of COPD patients. Obviously, we investigated the device. This device was originally made by a German nebulizer company, and we acquired it because we trusted their data.

Of course, the development process was successful, and the approval was granted. Unfortunately, however, we were aiming to be reimbursed under Medicare Part B. In this way, the burden of the nebulizer would not fall on the patient, and in that sense, it was very easy for the patient to use, but it was not possible to meet the three-year durability requirement.

What this means is that the diaphragm vibrates very frequently to produce a fine mist. This made it difficult to achieve endurance and durability and had to be replaced after a certain period of time. This resulted in Medicare Part D reimbursement, which would increase the burden on patients. Then the diaphragm must be replaced somewhat frequently. Such very poor usability results have been the result. From this point of view, I think one of the reasons is that our knowledge did not extend very far, and there was a blind spot in devices.

Next is KYNMOBI®. I am sure you all remember the recent posting of impairment loss. KYNMOBI® is a treatment for off episodes associated with Parkinson's disease. In the US, an injectable drug called APOKYN®,

which I think is a subcutaneous injection, has been marketed. That is all there is, and it has not been selling that well. Parkinson's disease patients suffering from off episodes can be treated perhaps with the same medicine but in a simpler form of sublingual film. That was the concept that the company was pursuing back then.

We took over the concept and developed the drug, which went successfully, and we launched the product on the market. However, upon the launch, we found that the market needs among Parkinson's disease patients with the off episode were incredibly low, compared to what we had expected. Additionally, some of the safety profiles got slightly worsen compared to the Phase II study data, which made it harder to use.

If you look at the websites and videos of KYNMOBI® competitor, they show videos of Parkinson's patients who go to the gym and get stricken by the off episode there and then inhale KYNMOBI® competitor product. The patients are then able to move again. I doubt the reality of such a scenario.

What we should have done initially, upon the acquisition, is to take a deeper look at how patients with Parkinson's disease suffering from the off episode actually live their daily lives. Of course, we regularly use third parties in conducting market research, but inevitably, such research can be a set of data that has nothing to do with the real world. We believe that the lack of the process to dive deeply and directly into the needs of patients might have led to the unfortunate failure to fully release the potential of this drug.

Next BBI, we acquired this company because at the time they were doing napabucasin, a cancer stem cell targeting agent. It was essential to let the venture company's momentum go, and not kill it. I have deep regret over our failure in managing the acquired companies.

Therefore, I think we could have learned a lot more if we had gone bolder, but we have not been able to reach that point. Rather, where we respected their autonomy, we did so with the judgment that it would be rather positive to make use of their autonomy at that point in time, of course, looking back to the past. Unfortunately, however, I now think that the way to take advantage of autonomy was not always the right way.

We have done very well in managing an established organization like Sunovion. However, in terms of the management of venture companies, I think I did not yet have sufficient skills and experience at that point in time.

In terms of R&D resource allocation, the current three research focus areas are Psychiatry & Neurology, Oncology, and Regenerative Medicine / Cell Therapy, and of course, Napabucasin was included when these priority areas were created. However, Napabucasin is no longer available, and the two early products, TP-3654 and DSP-5336, are now in the early stage of development.

In that sense, I think that the next step would be to focus on the Psychiatry & Neurology area, and then ORGOVYX® (relugolix), MYFEMBREE®, GEMTESA®, and rodatristat ethyl that we are doing with Sumitovant, followed by Regenerative Medicine / Cell Therapy field and then the Frontier business. As for Oncology area, we are prioritizing those two items that we are currently working on, so we do not think that it will be such a big weight.

That's all from me.

Mishiro: Thank you, President Nomura.

That was the summary of challenges in R&D investment, a component that will increase the probability of successful M&A activities in the future for accelerating value creation.

Members of the audience and the investors, if you have any questions on remarks you heard during the discussions, please feel free to speak.

Questioner 1: Now that Mr. Nomura has recounted the history of your company, I have a renewed sense of the various aspects of your Company's history. I would like to hear a little more about how you are going to change your organization to make it work.

It is not easy, but I think that although the past analysis has probably been done if it is not clear what to do next, the same thing will probably happen, and even if it does work out, it will be bought at a fairly high price, which is what tends to happen to Japanese companies. How did you or will you modify it, and do you think this probability of success will increase in the future? I would appreciate it if you could also tell us about the organizational culture as well. That's all from me.

Nomura: Thank you for your question.

It would be best if we did not engage in M&A anymore, but I believe that M&A will inevitably come in to fill the gaps we have in our research. In such a situation, it is quite difficult to work with a company that has only one drug. I would like to first choose a form of licensing instead of M&A as much as possible. As you are aware, M&A transactions involve a large amount of intangible assets. They also have to bear a very large financial burden. If it can be done with a license, they want to do it with a license.

When we inevitably decide to conduct M&A, we will obviously conduct due diligence as we have done in the past. Due diligence so far has been more about whether the other party's data or whatever is correct. It is strange to say whether it is right or not, but I wonder whether it will be as they say, and whether we are acceptable or not. Then I think we have been focusing on whether it is Free to Operate, whether those are the terms and conditions, and patents.

However, Like the cases of LONHALA® MAGNAIR® and KYNMOBI® discussed earlier, we will need to assess the feasibility that the motivation and concept they were developing the agent for in the first place. Can it be achieved in the market? Is there really a need? We believe that if we don't dig deeper into those areas, or do something like that, we will end up with the same thing again.

Therefore, due diligence is necessary to face the other party's data, but we must also critically question their development or R&D concept, or the commercialization concept, again. I believe that you will make the same mistake.

Mishiro: Thank you.

I would like to move on to the second subject.

As you mentioned in your presentation earlier, you are reorganizing the material issues from the two perspectives of your capital (strengths/potential), and the other is the social issues and needs related to medical and health care.

I believe that the type of focus points will be the defining factor of the materiality of a company. Therefore, I would like to ask you about one of the focus points, which is, your capital. Namely, strengths and potentiality.

I would like to ask the three outside directors about this topic, as I believe that there are areas where the strengths of a company may be blind spots or difficult to see.

First, Ms. Arai, please.

Arai: Regarding the strength and potential of capital, we recognize that capital is very important in the sense that it is used to invest everything we have in the execution of our business operations, which in turn leads to the creation of value as a result of our business activities. I also think that it is something that should be

captured in the flow of overall value creation rather than simply understood in terms of strengths and potential.

In this context, I may be repeating myself, but I feel that the Psychiatry & Neurology research and development projects have been actively promoted since the establishment of the research project system, thanks to the accumulated experience and know-how gained through many years of research and development in the Psychiatry & Neurology area. I am sure there is leadership development in the research project system, but what I find very impressive at presentations and other events is that the people on site seem to be enjoying themselves and are proceeding with research and development in a lively manner.

Another area that I think is both a strength and a potential is the field of Regenerative Medicine / Cell Therapy. We have been accumulating research and development ahead of the rest of the world, but I think it has a very large potential as a global market in the future. In this sense, we believe that we still have a lot of room for growth in terms of R&D, market entry, and the creation of products and services for the market.

Another potential is the Frontier business. We had a presentation the other day, and we are vigorously collaborating with so-called venture companies in Japan and abroad that are developing devices for treatment utilizing the field of drug discovery, software development for diagnosis, and so on. I felt that the employees here also took a proactive and bold approach to the challenge, and at the same time, everyone at that site seemed to be enjoying themselves and developing their products in a lively and lively manner.

We are talking about strengths and potentials, especially in the Frontier business, as President Nomura mentioned earlier, it is the management of a venture. How to support venture companies in terms of management and actually the devices and software productization under development and introduce them to the world, I believe, are two very challenging areas.

Regarding human resources, I think Project CHANTO is working. As business performance is going to become more difficult in the future, this is recognized within the Company, and under Project CHANTO, which aims to do its best in this situation, there is a willingness to take on various challenges and make improvements at the production division site. I very much feel a climate of transparency and openness, as well as in terms of the ability to take on challenges. The organization was relatively flat, everyone was frank, and the people I came in contact with at the site seemed to exchange opinions. in a flat and friendly manner.

I personally think that this is a very challenging place, not only in the field of production and R&D, but also, for example, in the corporate communications department, which is holding the ESG opinion exchange meeting right now, for example. I believe that the willingness and ability to take on challenges and to work together with everyone to create a material issue with your support and cooperation at a very early stage, and to do so in an open forum, is an area where we can expect great things from you in the future.

Regarding the global platform, we have a track record of steadily and successfully sales in LATUDA® in the US, and we will continue to work on Myovant as well, although there were some challenges immediately after the acquisition and capital tie-up, and there may be more challenges to come, but we are steadily clearing those challenges one by one as we move forward. However, I understand that the company is steadily clearing each of these issues one by one. In this sense, I believe that our strength and potential lie in our ability to proceed while respecting people from overseas.

As an outside director, I would very much like to hear the candid opinions of the audience. Personally, I would like to know what everyone thinks about the status of the disclosure led by the Company. I would also be grateful if you could share what you feel about the dialogue format.

That's all from me. Thank you.

Mishiro: Thank you, Ms. Arai. It might be challenging to gauge happiness and excitement just from the disclosed financial numbers.

Mr. Usui, from your point of view, what do you consider as strengths?

Usui: I think that as a company that specializes in drug discovery, we must have strong R&D, human resources, and global platform. However, if you ask me whether Sumitomo Pharma can really stand out from the crowd when competing on the global stage, I will say that it is still lacking in some areas.

Then I think we need to think about what kind of process we need to follow to make these three things truly strong, and we need to think about the strengths we have now and how we can polish those strengths to make them stronger. I think that each of them has its own shining light. But first of all, given the current situation here at Sumitomo Pharma, we have to think about how we can support our business well in the short term.

What we can count on is Myovant, which we have already been working on making it a wholly owned subsidiary. A global platform does not mean that there is a platform everywhere in the world. However, we are fortunate to have a solid global platform in the US market, which is also the largest market and the mainstay of Myovant, and I think it will be very reliable.

I think President Nomura would have done so. Sumitomo Pharma sent some of the talents there. The fact that Sumitovant is recruiting excellent talents and leading the effort to assemble the organization is one of the many strengths that Sumitomo Pharma has. At this time of moment, a large foundation needs to be quickly formed. As a business, that is.

In China, an excellent executive talent joined the company. The business foundation is being formed nicely. In the short term, I believe it will be necessary to give strong support to the business foundation.

We have strong R&D capabilities, especially Myovant, which has a capability of direct sales. They have a strong product line, but I think we need to thoroughly strengthen our R&D capabilities in Japan, which we have cultivated for a long time. This is also in terms of R&D capability, not just making things. Since we have acquired a digital infrastructure, including the global and US market situation, I believe we will be able to respond to the good and bad of our pipeline and market targeting through digital technology. So, I hope we can make good progress on such matters.

I believe that the development capability of small molecules is very good as a foundation that has been cultivated in the the Psychiatry & Neurology area. By combining antibody drugs and small molecules in various ways, there is a possibility of creating a new and original product structure and drug discovery structure. Our R&D is moving forward with a potentially wider modality, and we have high expectations for what they do. However, this will not immediately become a profit base, so in that sense, I hope that you will do whatever you can to make a good operation in Myovant and other areas, utilizing your global infrastructure, as I mentioned earlier.

Another is the foundation that has been cultivated in the past, and another is that we have been working on this for a long time, and great results are being produced. I think that the fields of Regenerative Medicine / Cell Therapy and iPS cells are very good and have power. One is not only the Regenerative Medicine / Cell Therapy products on its own, but also the production technology to create it is very good. In a sense, by refining our production and manufacturing technology capabilities to create this kind of infrastructure, we have been able to create not only drug discovery but also good CDMO infrastructure. I also feel that it is possible to create a large platform within the Regenerative Medicine / Cell Therapy in the future.

The base for creating these things is, above all, human resources. I believe that human resources will be honed while conducting business and R&D. In this sense, I believe that the operational structure in the field of research and development is changing considerably, moving away from the traditional cultivation to a more individualistic approach, in which the individual strength of young people and each person is fully activated. I have been to several workshops, and I have seen the results of things like the basic cloud of motivation and what motivation is like in the company. The data shows that the program is very active and based on the actual research themes being conducted there, I expect that it will open up a new era in terms of human resources.

I'd also like to touch on Frontier business. I think the Frontier business is also doing a good job of focusing on a very small number of human resources and very few members while dealing with a large number of venture people. I am also involved in IT-related work to some extent, so this is not only drug discovery-related, but also a data business with many IT ventures and large companies, especially GAFA, entering the market. I am also involved in IT-related work to some extent. I am not optimistic.

However, we will make good use of the mental health databases we have cultivated so far, and also make good use of academia while developing human resources and digital knowledge to be able to respond to the needs of the market. The possibility of a business not knowing what the future holds. These are areas that will be very large in the future, so I think it would be good to proceed on a steadfast yet minimum scale.

In addition, human resources are also responsible for relationships with universities and academia, including the Regenerative Medicine / Cell Therapy field, and I believe that we have been able to encompass these areas while maintaining very good communication.

Also, when it comes to what kind of things will really have value in the future, an expert judge can have authority. At the same time, I believe that the results of research and development will vary greatly depending on whether or not there is a base of sales infrastructure and points of contact with customers in the actual commercialization of these products.

In that sense, I believe that the global infrastructure I mentioned earlier, and the good things we have in the US and other places like this, will be a major force in linking the power of research and development as a result. I believe that a framework in which our drugs are tested in clinical studies in many markets is one way to enhance our R&D capabilities as well. I went on long so let me stop here.

Mishiro: Thank you very much, Mr. Usui. I think the key is how to manifest potential as strengths. Next, I would like to ask Mr. Fujimoto.

Fujimoto: My name is Fujimoto, and I have been serving as an outside director since June of this year. I am currently working in the Industry-Academia Collaboration Department of Tokyo Medical and Dental University to establish projects, research and development, and business in the field of medical healthcare. Prior to that, I worked in the government, first at the Ministry of Economy, Trade, and Industry, and then at the Cabinet Secretariat, Office of Healthcare Policy, where I spent a total of nearly 20 years working in the medical and healthcare fields.

Because I have worked in the medical field for a long time, I am aware that it is a theme that is always with me, not only in terms of my occupation. I am very grateful for the opportunity to serve as an outside director of Sumitomo Pharma, and I look forward to working with you.

I think Sumitomo Pharma has good aspects in each of the three areas of R&D, human resources, and global infrastructure. How to connect the three may be slight from a medium-term perspective, but I think it is very important. How to connect these three will determine the next direction.

I am still inexperienced in R&D and human resources, but from what I have seen at presentations of results and various internal initiatives, I have come to understand that, in the past, we had to stop at each research phase and discuss the significance of the project in a project structure. Emotional engagement, in other words, a frame in which researchers can stay engaged in one theme all the way through while they can have a whole range of experiences in various places. As I mentioned earlier, everyone is starting to become passionate, and I feel that an atmosphere is emerging in which people are thinking about where they stand and interpreting various information in their own way.

Then, regarding the global platform, I believe that LATUDA® has a very strong foundation that it has cultivated by bringing it to North America. We have begun to launch a variety of initiatives as the next step in our efforts to connect people with the global infrastructure. We are also discussing the importance of actual overseas experience, but I think it is very important to make sure that people are connected in this context.

As for the theme part of the project, I, for one, think that Frontier business and the area of Psychiatry & Neurology have a great affinity. The Frontier business covers all aspects of health care, including general wellness, and we are working with a variety of companies, including our own, on various themes. As we consider the whole human being, how we as an organism perceive something is a very important part of how we think with our brains and how we perceive it with our mental nerves. So, when it comes to how to evaluate the overall health of a person, how to think about the health of the person, we have to be involved in the Psychiatry & Neurology theme.

For example, exercise and the brain, the gut and the brain. In that sense, the brain can always be at the center of the pillars, so I think it is a very important strength and area of potential for a company with strengths to expand its horizons and make actual moves with regard to healthcare in general as a Frontier business. I believe that this is a very important strength and potential area.

Mishiro: Thank you. I think the key to further strengthening the three strengths is how to link them together.

Now, I would like to ask the investors if they have any questions for the outside directors. If anyone has anything to add as to how to manifest the potential of Sumitomo Pharma.

Alright we will again accept any comments later on.

At this time, I would like to move on to the next subject. I would like to move the time frame slightly into the future and move on to a discussion from a longer-term perspective. One of the second major approaches to materiality and material issues is the social issues and needs related to medical and health care. I would like to ask Dr. Kimura to comment on Sumitomo Pharma's vision for 2033, the initiatives needed to realize a Global Specialized Player, social issues that need to be focused on, and the outlook for society.

Kimura: First, I would like to discuss the definition of the term "Global Specialized Player" that you just mentioned. We have been repeating this term over the past several years, but I do not think it is a word that has necessarily spread throughout the world. The meaning of these words is to become a company that can expand its business to have a global presence in the areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine / Cell Therapy, each of which is a focus of our research and development activities. We are a global leader in our field, and I hope that you will see us as a company that is recognized around the world.

We have set 2033 as one of our goals, and what we need to do is, first and foremost, to have a presence as a pharmaceutical company. One of our objectives is to deliver our product lines to patients in their respective fields. In addition, when it comes to developing the business there, I think the vision of sustainability within each of them, in short, a well-developed R&D pipeline, would be the goal of success.

At such a time, what is needed compared to the current situation will organically emerge. That is a Psychiatry & Neurology product, and we currently have a reasonable global presence at Psychiatry & Neurology, but that LATUDA® will be gone by February after the new year.

We are currently working with Otsuka Pharmaceutical on the research and development of ulotaront, and if we succeed in developing this compound first, and then expand the scope of development beyond schizophrenia, we should have a very large group of drugs that will make a global contribution by 2033.

On the other hand, we also have to create what comes after them. Currently, what I have been saying in these forums over the past several years, and what I have had the support of various outside directors today, is that our R&D capabilities and the atmosphere among young researchers has improved greatly. We have repeatedly told them that we have already achieved results, but unlike universities, pharmaceutical companies cannot appeal the results of their research to the outside world. Specifically. This is a very tough area, but for example, we were able to license out a narcolepsy compound called DSP-0187 this spring. It is still a Phase I study compound, but we are receiving a USD50 million upfront, and we are advancing something very attractive to the market and to the clinical development stage.

We did not remove one item from the list, but rather, we removed those items because there are other items that are more appropriate for us to do later. I think the vision of Psychiatry & Neurology as a Global Specialized Player is that in 30 years, a number of such products have reached the clinical stage, or some have even been approved.

As Mr. Nomura mentioned at the beginning of this presentation, we are going to focus on two compounds, TP-3654 and DSP-5336, for the Oncology area, and the timing is just right for them to be approved by then. Furthermore, we are currently working on expanding our early compounds and modalities in the Oncology area, and we believe that the timing is right to bear fruit.

In the field of Regenerative Medicine / Cell Therapy, a drug called RETHYMIC® has been launched in the US this year, and iPS products will soon be approved as clinical studies are progressing well, or development will begin in the US. If we can get approval, we can produce one or two major drugs that can be used by patients worldwide by 2030. We are now in the process of clinical studies in the US. These things will come to fruition and we will become a Global Specialized Player.

In addition, we are currently working on the Frontier business, vaccines, and infectious diseases. In particular, as Mr. Fujimoto just introduced, the Frontier business is a business that has great synergy with the Psychiatry & Neurology area, and I believe that it will be one of our advantages to strengthen the Psychiatry & Neurology drug group centered on our compounds.

I recently had an introductory meeting for the Psychiatry & Neurology, and in talking with an advisor there, he asked me if monetization of the Frontier business might be difficult. His comment in response to my question was that while there is an opportunity for monetization in the Frontier business, a Psychiatry & Neurology company such as ours can offer a very large synergy outlet by offering the products, something that no other IT company can offer. I was deeply assured to hear such positive remarks. I have a feeling that we can reach our dream, perhaps something to do with the three areas we are currently envisioning.

This is a very small initiative, but we are also working with universities on a project to challenge new antimicrobial agents and drug resistance based on our know-how and legacy of globally used antimicrobial agents that we have created. I believe that this will lead to a significant contribution to society.

The other is vaccines for infectious diseases. In the field of compounds for which we have intellectual property, we have by far the largest number of patents in the field of respiratory diseases, and the government has

been very supportive of the development of vaccines using these compounds. We are looking forward to making a contribution to society.

I believe that these things will combine to make us a Global Specialized Player by 2030 or 2033. However, we are also considering changes in the world on that basis. First of all, the aging of society will be directly related to the distribution of diseases among patients, what kind of diseases, and the number of patients will increase.

Simply put, the number of people with dementia may very well increase. While drugs for dementia are obviously necessary, we believe that there is a place for us, as a Psychiatry & Neurology-based organization, to play an active role in alleviating various symptoms that appear in patients with dementia, making it easier for the patients themselves and their caregivers to take care of them. We are conducting research with the idea that there may be a place for us, who are based on the Psychiatry & Neurology, to play an active role.

On the other hand, the restraint of drug costs is not only in Europe and Japan, but also in the US. Such a trend is emerging, and for this reason, we believe that it is more necessary than ever to provide drugs for which needs are demanded.

Lastly, we will continue our research and development while giving due consideration to the recent focus on national security, particularly in the areas of supply chain and safe supply. That's all from me.

Mishiro: Thank you.

I would like to ask one question about Global Specialized Player, not only measured by being number one in sales, but also including synergies. From your outside director's perspective, what are some important KPIs that we should focus on when we are talking about synergies?

Kimura: Well, we are a pharmaceutical company, so if we were to go for the simplest, it would be sales in each of those areas, but I think we have to bring in another perspective to see how well we are capturing the needs of society. While in the past it was the size of the business, its success, sales, or profits. We are entering an era in which other contributions to society are being evaluated. We do not yet have a firm idea of how to set KPIs for this, but we hope to acquire such KPIs through opportunities such as this and to be able to promote KPIs to the outside world.

Mishiro: Thank you.

Now, if there are any comments or questions from those in the audience or those participating via phone, please let us know.

Regarding the value creation at Sumitomo Pharma, I believe that the Global Specialized Player is the solution for social issues. I would appreciate it if you could point out the social issues that Sumitomo Pharma needs to focus on in order to become a Global Specialized Player.

Mr. Nomura, please go ahead.

Nomura: Sorry, I speak before the audience had a chance to speak.

I believe that this is a story that was created in order to establish a certain degree of common understanding with Global Specialized Player, as to what we would like to be like in the years to come, in the course of creating the current Mid-term Business Plan.

For example, even with ulotaront, which we are working on now, this is a drug that has very few side effects compared to conventional anti-psychotic drugs, because it is not a D_2 receptor antagonist, and it does not have the side effects that are most troubling. Or Regenerative Medicine/Cell Therapy , now Parkinson's

disease? We still need to see the results of this, but by transplanting dopamine neurons into patients who are no longer responding to L-dopa, they will be able to use L-dopa again and become active again. If that is the case, I believe we can offer a completely different value proposition than we have in the past.

This is not just about providing healthcare solutions. Rather, in terms of social issues, we can support well-being, and incorporate the goal of achieving that well-being into the business. I carry out my work with an understanding of these connections.

The value we provide in the presentation I mentioned earlier may not be necessarily a well-crafted sentence, but it was on page six or so. "Create a society where people can lead healthy lives, both mentally and physically, even if they become ill." It is one kind of well-being that we can provide, that we can make possible, or that we can make possible. I hope you can understand that we are trying to create innovative solutions, thinking that this is the value we can offer.

Mishiro: Thank you.

If any of the other panelists have any comments, I would appreciate it.

Fujimoto: I was also thinking, as I listened to Dr. Kimura's remarks just now, that when we become a truly Global Specialized Player, we will enter other companies and the aging society internationally in the future. In such a situation, how to solve various issues? At the same time, I believe that the aging of society will bring about a new approach to dementia, which is to avoid the disease, and to take care in one's daily life and make efforts to avoid the disease. I believe that a "well aging" system will also emerge to support such efforts. How to try to do that in an evidence-based way may be the domain of Psychiatry & Neurology, and I think that may be where we come in.

If we have a theme that runs along a single axis, then perhaps we can work with Sumitomo Pharma to position this as a platform for various companies to engage in activities in the context of such major global social issues. I would like to think of Sumitomo Pharma as an entity that is relied upon by other companies and those who need to solve social issues in the world, where one's own technology can flourish by partnering with Sumitomo Pharma. I think there is a way to measure that as a KPI, to be the first one that comes to mind, but I was wondering if one thing that could be considered is something like a reference in terms of papers.

Mishiro: Thank you.

Questioner 1: There are various KPIs in the area of R&D capabilities, but I would like to know how many people in your company have had successful experiences. If the business model of developing and bringing to market products that have inevitably been purchased is continued, I sometimes wonder if there are surprisingly few people who truly have successful experiences in the in-house drug discovery and lead their organizations in this way. If that perception is wrong, I would like to hear from you.

I don't have the answer to this myself, but I think paradoxically that when innovation happens, innovation infuses quite a momentary stretch, and people, groups, or organizations react to changes in a negative way. I believe last year at the ESG meeting, I heard a comment and again this time, that the research team enjoys a positive team synergy.

If you have any thoughts on whether an amiable team vibe is really the best environment for innovation to happen, or if you have any examples from other companies that you can share with us, please let us know. Of course, as commonly said, a team bonding is better for organizations, but I would like to know from your expertise what you think about whether that is really the only way from the standpoint of creating this innovation. I personally would prefer a fun team to work with. Thank you for taking my question.

Mishiro: Dr. Kimura, please go on.

Kimura: I believe you asked two questions. I guess one question is whether successful experiences have been or are continuing to be accumulated within the Company, and whether innovation can emerge among fun work environments.

For the first part, LATUDA® has grown into a very large blockbuster worldwide. It was not a smooth R&D process. There were many twists and turns, and at one point we were ready to out-license the product, but then we decided to develop it in-house, acquired a company called Sepracor, currently Sunovion, and finished the process. Unfortunately, LATUDA® will be welcoming the LOE next February, but we have many people in the Company with that kind of experience in key positions, and I believe that we are passing on that experience, or perhaps it is not a good way to say know-how.

On the other hand, the development of ulotaront is also in progress as in-house products, and although it is regrettable that there is a gap between the two, I feel that the successes of our R&D activities are continuing.

To answer your other question, whether it is enough to just have fun team environment, in the course of research and development, pharmaceutical companies especially take 10 or 20 years to complete, so there are times when you have to endure hardships, or times when you have to endure and work hard. However, as for the very beginning of the research, I believe that if you are depressive, you will never come up with good ideas, and that you must always be sort of optimistic and positive to come up with good ideas or concepts. In this context, we have been talking mainly about research, and we are very positive about the positive attitude of those involved in the research and the fact that they seem to be enjoying their work.

However, in the process of actually taking it to the clinical test, or even in research, doing non-clinical studies and then taking it to the clinic, as you know, it is said to be 1 in 10,000 or 20,000, or even 1 in 10 or 20 when it goes into the clinical study phase, and you spend a lot of money and a lot of time on it. It is already a very painful process. When you look at those years, there will be a time when you can enjoy the overall experience and appreciate even the pain you went through. But think that each stage of the development brings you different emotional experiences. It is not like every day is a fun day.

Nomura: I think the expression "having fun" or "lively" means that people carry out their jobs with confidence. Now, the notion of fun is slightly different here. In short, it links with high engagement or higher motivation, which leads to the expression "lively" or "having fun."

As the Questioner 1 pointed out, this is when innovation occurs, but in short, I think everyone goes through a very difficult period of time when breakthroughs cannot be made. I don't know if it is a good idea to say that people get edgy at those times, but I think there are some difficult times. Innovation will occur only after overcoming these difficulties, so there will be difficult times in the process, but we are proceeding with research and development knowing that it is challenging from the start.

The project leader is now in charge of the project, but the others are also supporting him or her and helping to move the project forward. This is the part where we feel that there is potential for the future. As you mentioned earlier, orexin agonists, or something like that, are now available, so I believe that we are in a very promising situation.

Questioner 1: Thank you very much. I'm hoping for the best. Please let me know when new products are available, and this type of question will probably go away. That's all from me.

Mishiro: Thank you very much.

Questioner 2: Thank you. Forgive me if my perspective may be a little different from what you have seen so far.

I am mainly investing in corporate bonds as an analyst. From this perspective, we are paying much more attention to what kind of company is a Global Specialized Player than to the Mid-term Business Plan. I feel that it would be a good idea for the board members to discuss this point with us, and to speak about it in a way that is easy for investors to understand.

In terms of yen bonds in Japan, we are considering investments in a wide range of companies, including food products, pharmaceuticals, and medical devices. In such cases, I feel that it would be good to have a wider range of ideas and to consider various options within that context. It is difficult for a single analyst to understand the drug, and I do not have the expertise that equity analysts have. However, I wonder to what extent your company is a Global Specialized Player that will be able to make the necessary investments with a clear understanding of the importance of the work that you are doing.

From a different perspective, asset owners are being told to make investment decisions by incorporating ESG into their investments as a recent global trend. In such cases, many Japanese companies often discuss the E part well, but in some cases, not many eyes go to S topic. From this perspective, I think your company is making great efforts in the S topic, but I would also like to ask you to think about the possibility of making some innovations. Forgive me if I may have gotten off topic. That's all from me.

Mishiro: Thank you very much. I think the point was exactly what Ms. Arai asked earlier about what everyone thinks about the state of disclosure and the form of dialogue, and I think the point was to discuss about Global Specialized Player and ESG Ss in the future. Thank you very much.

Now, I would like to conclude the panel discussion. Thank you all very much for your questions and valuable comments.

Kamano: Thank you very much, Ms. Mishiro and panelists, and to all participants for your comments.

Question & Answer

Kamano : I would now like to move to the question-and-answer period.

If you have any questions other than those on today's discussion theme, including, of course, our company's strengths, and if you were unable to speak during earlier session, I would be happy to hear your comments during this time.

First of all, if you are in the audience and have any questions, please do not hesitate to ask.

Questioner 3 : Thank you very much for having me today. I was wondering if you could discuss your thought process of reorganizing the material issues. How did you notice those issues and how did they develop to the reorganization?

Materiality is such that once it is decided of course impossible to continue indefinitely, and it will naturally change depending on changes in the environment and what assets your company has acquired or lost. This is a daily effort. Is that a reason why you organize this ESG meeting?

Or is there some major problem or issue that you are aware of that has led you to consider a drastic review of your business? I'm unsure about the purpose of this meeting in the first place, so could you elaborate how you position this reorganization effort?

Noguchi : This is Noguchi. Thank you for your question.

So far, we have presented two major categories of materiality: materiality that links to value creation and materiality that forms the foundation for business continuity. However, one of the comments we received from investors was that there are too many items. The horizontal axis was set with the importance to Sumitomo Pharma, but the granularity was too coarse, and we were conscious of the issue of whether we were really concentrating on the important factors and whether we were really communicating the importance to the public.

We would like to take time for reorganization, and then, since we are in the process of building a new Mid-term Business Plan for the next fiscal year, we would like to incorporate more storylines to materiality, while also linking it closely with the Mid-term Business Plan and the strategy overall.

As we are still in the middle of the project, we would very much appreciate any comments you may have. Questioner 2 noted earlier that every organization is working on E, but much less effort is pouring to S. So, we would like to reorganize once again, incorporating this area by all means.

Questioner 3 : Thank you. In considering future materiality, I believe that an analysis of how things have been done in the past will be the first basis for discussion. Today, you have given us some current thoughts on R&D, but the last time you introduced KPIs, just about a year ago at this briefing, we had materiality the year before that, and last year you set KPIs and introduced them to us.

What is the current progress against those KPIs, and an analysis of what is going well and what is not going well, is a little bit written where there were no comments on the slide. I think it would be easier to understand if you could comment a little more on the results, what has gone well, what has been reflected on, and what has been reviewed.

FY2021 Progress on KPIs: Excerpted from Material Issues Linked to Value Creation

- Materiality: Development of innovative products and healthcare solutions, Contributing to the development of science

KPIs	FY2021 progress
1. Progress on main development pipeline ○ Targets in Psychiatry & Neurology area ulotaront (SEP-363856): launch in FY2023 (U.S.), SEP-4199: launch in latter half of 2020s	ulotaront (SEP-363856): Continued Phase 3 (U.S.) for schizophrenia, continued Phase 2/3 (Japan and China), **target for launch changed to FY2024 in the U.S.** SEP-4199: Starting Phase 3 (Japan and U.S.) for Bipolar I depression
○ Targets in Oncology area DSP-7888: launch in FY2024 (Japan and U.S.)	DSP-7888: Stopped Phase 3 for glioblastoma, continued Phase 1/2 for solid tumors (Announced discontinuation of development in October 2022) **The launch of a product in Oncology area has been changed to the second half of the 2020s**
○ Targets in Regenerative Medicine/Cell Therapy field congenital athymia: launch in FY2021 (U.S.), Parkinson's Disease: launch in FY2023 (Japan), age-related macular degeneration: launch in FY2025 (Japan)	Pediatric congenital athymia: Approved in the U.S. in October 2021, launched in March 2022 Parkinson's disease: Phase 1/2 (investigator-initiated clinical trial), **target for launch changed to FY2024 in Japan** Age-related macular degeneration (AMD): Preparing for clinical trials

Noguchi : I had included this in the supplementary material, but of course we trace the progress on KPIs every year. We are reviewing this for FY2022. On page 21, you will find a summary of the progress of major development items in the form of progress in FY2021, with KPIs set in the areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine / Cell Therapy.

The target date set for the launch of ulotaront in the US was changed to FY2024, due to the conflict between Ukraine and Russia, where clinical study had been underway. We were forced to choose different countries for the clinical study therefore we are now reviewing the timing of the target. Also, as for SEP-4199, it means that Phase III study in the US and Japan could be started.

In the field of Oncology, DSP-7888 is for glioblastoma, and unfortunately Phase III study has been discontinued. In addition, we have made changes in the form of launching Oncology products in the second half of the 2020s.

As for the Regenerative Medicine / Cell Therapy, the pediatric congenital athymia was approved in the US and was already launched in March 2022, which means that the target KPIs has been achieved. Also, the investigator-initiated study for allo iPS cell-derived dopamine neural progenitor for Parkinson's disease is progressing well, and seven patients have been dosed and are currently under observation.

FY2021 Progress on KPIs: Excerpted from Material Issues Linked to Value Creation

- Materiality: Development of innovative products and healthcare solutions Contributing to the development of science

<table>
<tr><th>KPIs</th><th>FY2021 progress</th></tr>
<tr><td>1. Progress on main development pipeline
○ Targets for other areas with high unmet medical needs
relugolix: Myovant approval for endometriosis in FY2022 (U.S.), rodatristat ethyl: launch in latter half of 2020s (Japan and U.S.)</td><td>Relugolix: Filed for additional indication of endometriosis in July 2021 (U.S.)（approved in August 2022)

rodatristat ethyl: Phase 2 (U.S.)</td></tr>
<tr><td>○ Targets for Frontier business commercialization of multiple products (target: launch in FY2023–2025 (Japan and U.S.))</td><td>Promote existing themes and develop new themes (Neurorehabilitation device for hand/fingers, Digital device for relieving BPSD, automated blood collection and stabilization device, VR contents for social anxiety disorder etc.)</td></tr>
<tr><td>4. Work motivation of research & development staff

○ Evaluation score of research & development staff in employee engagement survey</td><td>
<table>
<tr><th></th><th>Expectation</th><th>Satisfaction</th></tr>
<tr><td>Sense of responsibility and satisfaction for work</td><td>4.0</td><td>3.7</td></tr>
<tr><td>Sense of contribution to customers and society</td><td>3.8</td><td>3.5</td></tr>
<tr><td>Acquisition of professional skills</td><td>3.9</td><td>3.6</td></tr>
<tr><td>Demonstration of individuality and ability</td><td>4.1</td><td>3.7</td></tr>
</table>
・Average score of the research and development departments on a 5-point scale
・Compared to FY2020, the level of expectation and satisfaction for all items remained at FY2020 levels or increased by 0.1 point
</td></tr>
</table>

Page 22 shows the progress of major development items. As for relugolix, an application was submitted in July 2021 for the treatment of endometriosis and was approved in August 2022, which was also achieved. Rodatristat ethyl is also in the process of conducting a Phase II study.

As for the Frontier business, neurorehabilitation device for hand paralysis has already been launched this fiscal year, and this is also progressing as planned.

We have conducted a motivation survey on the R&D staff to measure their willingness to work, and both the expectation and satisfaction levels have increased as points compared to FY2020.

Change Status of KPIs (FY2022)

Material issues	Targets	KPIs		
		FY2021	FY2022	Reasons for the change
Diversity & inclusion	• Promotion of active participation by female employees • Promotion of LGBTQ understanding • Promotion of active participation by people with disabilities through appropriate placement	Average length of employment of employees with disabilities	Percentage of employees with disabilities (target: more than the legally specified employment percentage of 2.3%)	Many of employees with disabilities currently employed are older and have been working for the Company for a longer period of time; however, in order for us to promote hiring especially people in younger generation in the future, we have determined that it is not appropriate to evaluate the level of their activity based only on the average length of service
Corporate regulatory compliance, quality assurance and stable supply	• Continuation of three Ss (safe operations, sound quality and stable supply) • Strengthening of supply chain	Rebuilding and strengthening of BCPs	Regularly review BCPs and conduct training	To make it an indicator through which a quantitively measurement is possible

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Page 23. With regard to KPIs for diversity and inclusion, the Company has set a target for the average number of years of service for employees with disabilities as a goal for FY2021 and a target for FY2022 of at least 2.3% of the legally mandated employment rate. As the number of years of service increases, the KPIs for FY2021 will no longer be appropriate as a target setting, so the KPIs has been changed to a statutory employment rate of 2.3% or higher starting in FY2022.

In the area of reliability assurance and stable supply, we are in the process of continuing training to rebuild and strengthen our BCP as a KPI for the three areas of safety, safe operations, sound quality, and stable supply.

For this reason, we are currently making some changes to KPIs in FY2022, including changes in the setting of target values.

Questioner 3 : Thank you.

Noguchi : Regarding the material issues that we are working on now, once we have finalized them, we will incorporate them into the KPIs, and I would like to discuss them to you again.

Questioner 4 : Since this is a good opportunity, I would like to ask Chairman Usui and Mr. Fujimoto, who are outside directors.

Since you say I can ask about non-ESG topic I would like to ask you about Sumitomo Pharma management. I think it is common knowledge that pharmaceuticals have always been a very risky business, and I wonder if Sumitomo Pharma was able to adequately manage the patent expiration of LATUDA®, its largest product. It is difficult to know what kind of verification is being done internally when you are on the outside.

So, as you have touched on the acquisition of Myovant, and I'm unsure if I can go all the way back to napabucasin, but, despite these various measures, according to President Nomura, you are likely to fall in a tough situation next fiscal year. However, you have said that you will do your best to make management efforts for the next fiscal year, but it is probably the view of investors and analysts that you have no choice but to accept these results now.

I wonder if you have been able to verify that the way Sumitomo Pharma has been managed and handled over the past several years has been sufficient in comparison with your company and the industry you come from. First, I would like to ask you about this point.

Usui : This is Usui.

As for LATUDA®, as you already know the patent had expired. Therefore, I think there were only two options: to do in-house drug discovery properly, or to introduce some form of pipeline.

Once it became clear that our own drug discovery was not going well, we decided to look outside the Company, including through M&A. I believe we made the right choice in partnering with Roivant, expanding our pipeline, and strengthening our business foundation by acquiring digital technology. I believe we made the right choice. But I am sure that it is not enough to fully compensate for the LATUDA®. In order to strengthen that even more, acquiring Myovant and owing it 100%, and managing tightly was certainly an option.

Even for in-house drug discovery, I think the best result would be if we could expand globally and speedily on our own, but even if we say globally, that is the only place where we can expand speedily in the US. So, for example, it is also important to monetize the drug discovery we have created as quickly as possible, including in Europe and other regions. Then again, I think it was also a reasonable choice to expand our contact with customers, as we are partnering in a way that is also conducive to the success of our members in research and development. However, I am certain that the results have not fully avoided patent cliffs, but I believe that they have done as much as they could in the last few years.

Questioner 4 : Thank you very much.

Mr. Fujimoto, I believe you mentioned earlier that Psychiatry & Neurology contributes to well aging. To expand the framework slightly further, if we replace it with pharmaceuticals and drug prices, drug prices are, in a sense, the asset value of the country, and how they contribute to patients and the country as a whole is of utmost importance. One thing I would like you to consider ESG from that perspective, though.

Currently, the drug pricing system is not moving in that direction at all. In light of your past experience, if you have any personal thoughts on the discussion of the mid-year system revision that is going on now, and then the full-year revision that will happen next year, and the discussion of the NHI price system here. I think it is already difficult to find a direction in this complicated drug price system, but I wonder in what way the whole thing will move from now on. What are your thoughts, whether we have to think about that in terms of domestic, since the headwind continues to be a headwind for us as a pharmaceutical industry?

Fujimoto : Thank you for your question. It's just that this is a completely personal opinion, if you will.

I think the big problem is the financial status of the country. More than half of public insurance is already a hybrid with taxes, so in a sense, which is the perspective that we are trying to take, how to turn things around in a good way with the government's tax money.

In this context, the current insurance system is based on Japan's 1960s perspective of focusing on infectious diseases and, in any case, on the idea that we should all help each other when one of us get sick. If anything,

I believe that the foundation of the current insurance system focuses on the kind of support that becomes available only after people become ill.

The world is becoming more and more focused on lifestyle-related diseases, and people are starting to think about not getting sick, so I wondered how we can create a world where people don't get sick, rather than just getting sick, but even before they get sick. Of course, there is also the issue of individual health care literacy, but if true, including its improvement, the major trend would be to invest national resources there as well, and if that were to happen, I would say everyone would be happy. I think we should go in that direction because it is a story that gets better.

There is still people who needs support in times of trouble, but little by little we are starting to move toward prevention and insurance, so if at some point there is a solution that makes more sense to everyone, I think I will go that way at once. In overseas, impoverished countries cannot sustain the well-being of their people as the people at the bottom of the structure are too poor to help anyone. So, they try to prevent everyone from getting sick as much as possible. Since the human body is fundamentally designed to avoid disease, I believe that the direction will be disease prevention.

I think it is very important for us, a pharmaceutical company to be able to offer solutions and grow it into an industry, given that direction that the world is going. This is just like that chicken-or-the-egg situation, all I want to say now is that the world will move to that direction in near feature.

Questioner 4 : Thank you very much.

Usui : I am not entirely sure, but I think it is very difficult to pull off any innovation in the medicine filed in Japan and to create a business foundation for this Sumitomo Pharma, given the current drug price standards in this country.

In that sense, I believe that having such a foundation that can produce the latest products in the US is already a real lifeline. Therefore, although we are in a difficult situation in LATUDA®, we are trying to find a way to make a difference in the field of Regenerative Medicine / Cell Therapy and pursue to make a difference in the US. I think it would be good if you could recognize that we are making a strong effort.

Questioner 4 : Thank you very much.

Kamano : I believe Mr. Fujimoto would also like to address Questioner 3's earlier question. Thank you.

Fujimoto : In earlier question by Questioner 3 about the intention of this reorganization, I understand that this is still under discussion internally, so I would like to offer what point of view I have when I participate in the discussion. The existing materiality is divided into two layers: the fundamental ones. and the ones that necessary for business promotion. If anything, this is a static, statically placed form, and we are discussing the important ones as we see them.

As Questioner 2 mentioned earlier, S will be the center of our R&D efforts to produce results in the future. For us, that is. We then decided to position the creation of innovative pharmaceuticals and healthcare solutions as the most important theme, with S at the core. With that mindset if we select material issue, now, how would other topics relate to that, and what if we rearrange everything using this approach?

For example, for research and development jobs, the currently ongoing work style reforms will eventually organically carry out on its own. On the other hand, when research and development process reach its climax, one can ask if those so-called work style reform is truly sufficient. As Director Usui mentioned, we are going to leverage our strengths, namely the business foundation in the US to contribute to S. And I start wondering how diversity and inclusion are really working in the US.

I think that the perspectives that emerge from such discussions, such as how to make it easiest for everyone to work, could be very useful for frontier projects. I understand that we are beginning to discuss the possibility of reviewing the linkage between these things.

Kamano: Thank you.

Questioner 1: In Japan, parent-subsidiary listings can come under a lot of pressure, as they did last year and continue to do so now. One question I have is how the significance of Sumitomo Pharma listing in this context is discussed by the Board of Directors.

Second question is that I would appreciate your comments on how the Supervisory Committee for Conflict of Interests in Transactions between Group Companies has worked over the past year. Anyone of the panel is welcome to take my question. Thank you.

Usui : We discussed it among the committee members, but we did not find a particularly high-stake issue. Looking at the parent-subsidiary listing, in practice, biotechnology research facilities are operated collaboratively. And collaboration can be also found in the field of Regenerative Medicine / Cell Therapy. S-RACMO Co., Ltd. for example. If we can successfully utilize Sumitomo Chemical Co., Ltd. ("Sumitomo Chemical") life science or bioscience-related infrastructure and its Regenerative Medicine / Cell Therapy infrastructure, or rather, its production technology, the current parent-subsidiary co-listing will function well.

On the other hand, if a parent and subsidiary relationship is not a smooth one, it will have the opposite effect. Therefore, I would like to check carefully how the corporate culture can be improving, and what it takes to mutually enhance synergies among the corporations.

In terms of ESG, both E and S, because Sumitomo Pharma plant is located within Sumitomo Chemical, I believe that they will be able to cooperate each other by sharing the same business foundation. Therefore, I think it would be very good if we could incorporate positive aspects of Sumitomo Chemical into Sumitomo Pharma in a better way, so we need to confirm such things.

Another point is that as an important shareholder, I personally think that, as an outside director, I should have the opportunity to confirm what the people at Sumitomo Chemical. think about the Company. That's all from me.

Arai : I would also like to add to the governance of conflicts of interest.

Regarding the transactions among the Group companies, Supervisory Committee for Conflict of Interests in Transactions between Group Companies were to determine rationale and fairness when there are significant transactions between parent, subsidiary, or group companies. This scheme was established to protect the interests of minority shareholders as well as to determine reasonableness. However, as Director Usui mentioned, there were no transactions that the committee deemed significant this fiscal year. The committee did not verify specifics of transactions. That said, the committee still review the business flow, perhaps not the extent of audit, but they do look at business traffics. That's all from me.

Questioner 1 : Thank you very much. I found it very effective. Regarding the way you decided on materiality, my impression is quite positive this time, and I have always felt a little uncomfortable with that two-tier type of thing. Since there was a part of your business that was not quite in line with your company's business, I feel that it is possible for material issue to show its relationship with your core business in this way.

However, it would be less confusing if the process were to be established once and then material issues were reviewed at the same timing of the Mid-term Business Plan, for example. I feel that it would be better to align

the time frame with the KPIs, since if they are created, we will probably have to discuss how they measure up to the goals of the Mid-term Business Plan.

Also, the idea of conducting a survey for investors and working for inclusion is quite innovative and I like it a lot personally. I know it will take a lot of time and effort, but if you continue to do so, I think you will be able to set a positive example, or a new way of thinking about materiality. That's all from me. Thank you very much.

Arai : I would like to add something. I think that the discussion on materiality was premature and quite challenging. I think it was Questioner 3 who brought up the question. As an outside board member, personally I have the desire to review the materiality thoroughly and prepare KPIs for building the next Mid-term Business Plan.

However, rather than focusing on materiality as a single point of discussion, I think it may be time to reevaluate the value, in other words, ask questions like, what type of value the Company can provide, is liming the scope to the pharmaceutical industry alone sufficient, or how can frontier businesses be involved? LATUDA® cliff is just around the corner, and I would like to think about this in line with the stages of reviewing the entire value creation process, defining, and extracting material issues.

Therefore, I would be grateful if everyone here today would allow me to engage in a dialogue with you at some stage in the future, on a regular basis, as part of such a process, but this is my personal opinion. That's all from me.

Kamano : Thank you. We are almost running out of time; I would like to take one last question from a virtual participant.

Questioner 5 : Thank you very much. I would like to make a few comments. The first comment is about disclosure, and I think the disclosure is very good, especially for your company, and especially with all the P&L by region.

On the other hand, Myovant was a listed subsidiary which made it extremely hard to see, like a black box. Once M&A is completed the clarity can improve.

Also, this is just my observation, there was a lot of talk today about research and development. You have talked a lot about scores, but for someone who look at the business from outside for long time, I feel that when development is going well, there is always a phase of acceleration. What I noticed today is that, well it may be due to specific disease type, but it is not easy to find a phase of accelerated development at your organization. Overall, development is often delayed. I don't know if it is a matter of the original plan or type of disease, but because of this, I am having a hard time to be convinced that the R&D is accelerating.

Finally, I have one question. As you say, iPS is a Japanese-origin technology, and if it is truly put to practical use, I think it has the potential to become a leading product and technology in many ways, including overseas. On the other hand, the current state of Regenerative Medicine / Cell Therapy, is that development and screening are lagging behind dramatically. However, it is difficult for the outside world to know whether or not your Company is doing things properly, and whether or not development is progressing steadily toward 2024. So, I thought it would be better for your organization to come forth with this information. Thank you.

Kimura : I would like to make a few comments about Regenerative Medicine / Cell Therapy. We are indeed in trouble, but as a pharmaceutical company, we are not allowed to provide various information to outside parties during the clinical development stage, and this is a situation that is causing us much concern.

On the other hand, as I mentioned earlier, the clinical study that is moving forward the most is for Parkinson's disease, and the transplant was completed on seventh patient last December, which means we have two years to follow up. The follow-up period is about to end next December, and we have not heard of any major problems, so we believe that things are going well.

As for the retina, although it is a clinical study, the results one year after transplantation in two patients were recently published. This is the result of transplantation of our retinas at a medical institution, and we have seen recovery of visual function in some indicators in patients who had very poor vision, so we consider this to be very promising information.

On the other hand, as some of you have discussed, the question of whether or not Japan is the right place to develop the business is the same as in the field of Regenerative Medicine / Cell Therapy, and I think it is important to determine how to proceed and develop the market and obtain approval globally and in the United States. We are also steadily preparing for the start of clinical study using iPS cells in the US this year or next, and I hope to be able to introduce these studies to you when the time comes.

Questioner 5 : Thank you.

Kamano : Thank you.

Now, as we run out of the time, I would like to conclude the question-and-answer session. Thank you very much for attending our ESG meeting today and for your valuable comments. This is the end of the session. Thank you very much.

[END]