

Provision of Stable Supplies | FY2023 Archive

| Establishment of a Stable Supply System

We have built a stable supply structure for our products, which are manufactured mainly at our own plants in Japan and also in collaboration with partners in Japan and other countries. These plants are working constantly to increase the precision of their production plans by strengthening collaboration with the Sales & Marketing Division, Business Development & Management, overseas subsidiaries, and business partners. We have also made proactive efforts such as double sourcing of active pharmaceutical ingredients and optimizing the supply chains regarding the formulation and packaging of products. To further strengthen our competitiveness, we continuously work on cost reduction activities, as well as actively striving to increase productivity in our plants, such as by reducing lead times.



Suzuka Plant

The Suzuka Plant is Sumitomo Pharma's core formulation plant, equipped with integrated pharmaceutical manufacturing facilities capable of a full range of operations from the production of active pharmaceutical ingredients (APIs) to the formulation and packaging of products. It includes a state-of-the-art solid dosage formulation facility fully compliant with cGMP (the latest U.S. GMP ^{*1}) and operates 24 hours a day to supply products globally.

^{*1} GMP (Good Manufacturing Practice): Standards for Manufacturing control and Quality control of Pharmaceuticals and Quasi-Pharmaceutical Products

Oita Plant

The Oita Plant is our manufacturing facility for Sumitomo Pharma's proprietary developed carbapenem antibiotics formulation, "Meropen." It is equipped with cGMP-compliant infrastructure for producing APIs and operates 24 hours a day, 365 days a year to ensure stable API production.

| Strengthening the Global Supply Chain



To further strengthen our stable supply system, Sumitomo Pharma is working continuously to reinforce its global supply chain based on the progress of globalization, including the overseas procurement of raw materials and pharmaceutical intermediates and manufacturing at overseas plants.

In order to ensure the stable and sustainable procurement of the raw materials and other items used in its products, the Company continuously and systematically promotes measures to prevent interruption of its supply of raw materials, including the use of multiple suppliers, taking alternative materials into consideration and maintaining appropriate inventories.

Currently, the Company is undergoing a transition period in the overseas sales of our mainstay products. We are actively working to rebuild the supply chain to accommodate changes in product composition and the external environment, including incorporating overseas subcontractors in our product manufacturing and supply framework, while making optimal use of our own plants.

In our overseas procurement, in addition to dealing speedily with problems as a matter of course, we work to prevent problems proactively and eliminate supply uncertainties by building deeper relationships of trust through smooth communication with overseas business partners and trustworthy procurement activities.

In addition, as part of its CSR-based procurement, the Company conducts fair, open and transparent transactions continuously, through such steps as concluding basic agreements on transactions with business partners, complying with relevant laws and regulations, including Japan's Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, and evaluating business partners.

For more information on our basic approach to procurement, please see ["CSR-Based Procurement."](#)

| Responding to Changes in the Business Environment

The environment surrounding the pharmaceuticals industry in Japan is becoming increasingly challenging. This includes encouragement of the use of generic medicines and the strengthening of controls on healthcare costs, such as NHI price reductions on long-listed brands.

Sumitomo Pharma has now reached a turning point in the expansion of overseas operations due to changes in the business environment surrounding foreign subsidiaries and partners. In Japan, we have seen an increase in the supply of products due to an insufficient supply of generic medicines and the expansion of new product sales in the Diabetes area. To accommodate such changes in the business environment, we have been working to build a more robust supply chain that makes optimal use of the Suzuka and Oita plants in order to build a stable and efficient production system that can respond flexibly to swings in production volumes and maintain and improve its cost competitiveness. In addition, we are

seeking to minimize risk by determining and visualizing risk in the supply chain. Going forward, while being committed first and foremost to the safe operation of our plants to ensure the stable supply of high-quality, safe and secure products, we will continue to strive to enhance production efficiency and reduce manufacturing costs.

| Strengthening the Distribution System



Sumitomo Pharma has a system in place to deliver products to our pharmaceuticals wholesalers within 48 hours of receiving an order (or within 24 hours for neighboring regions) from the Company's two distribution centers in Kobe and Saitama. Additionally, in order to maintain stable supply during emergency situations such as natural disasters, we have been working to enhance our business continuity plan (BCP). Furthermore, we are addressing the “2024 problem ^{*2}” in logistics. Based on our corporate GDP ^{*3} Guidelines, we endeavor to main and manage product quality during storage and transportation.

^{*2} With the coming overtime cap for truck drivers in Japan, the transportation capacity of commercial trucks is predicted to face a reduction of around 14% by 2024.

^{*3} GDP (Good Distribution Practice): Standards for proper Distribution of Pharmaceuticals