



Sumitomo Dainippon
Pharma

Innovation today, healthier tomorrows

ESG Meeting (Discussion with Investors)

December 8, 2021

Sumitomo Dainippon Pharma Co., Ltd.

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Today's Agenda

1. Application for Selection of “Prime Market”/Complying with the Revised Japan’s Corporate Governance Code

Representative Director, President and CEO Hiroshi Nomura

2. Setting KPIs for Materiality/Initiatives for Environment

Executive Officer Atsuko Higuchi

3. Panel Discussion

Panelists:

Member, Board of Directors, Chairman Masayo Tada

Representative Director, President and CEO Hiroshi Nomura

Representative Director, Executive Vice President Toru Kimura

Member, Board of Directors (Outside) Yutaka Atomi

Member, Board of Directors (Outside) Saeko Arai

Member, Board of Directors (Outside) Nobuhiro Endo

Member, Board of Directors (Outside) Minoru Usui

Executive Officer Atsuko Higuchi

Facilitator: RIDEAL CEO Mariko Mishiro

4. Q&As

Application for Selection of “Prime Market”/ Complying with the Revised Japan’s Corporate Governance Code

Hiroshi Nomura
Representative Director, President and CEO

Application for Selection of “Prime Market”

At a meeting of the Board of Directors (BoD) held on November 30, 2021, the Company's BoD resolved to select and apply for listing on the Prime Market, Tokyo Stock Exchange new market segments

□ Next step

- We will make continued efforts to achieve the high-level governance required of companies listed on the Prime Market by complying with, for example, the revised Japan’s Corporate Governance Code
- We will work to achieve sustained growth and improve corporate value over the mid- to long-term through constructive dialogues with investors and other means

We have given questionnaire surveys to all the Directors and Audit & Supervisory Board members every year since fiscal 2015 to enhance the effectiveness of the BoD

Our responses to major matters to be addressed in fiscal 2020

□ **“Improvement of discussions for enhancing corporate value in the mid- to long-term”**

Members of the BoD discussed management issues from a mid- to long-term perspective, in a total of four times

(Going forward, a venue will be provided where even deeper discussions can take place)

□ **“Ideal future composition of the BoD for the future”**

Based on the Company's “Vision for 2033” and business strategies, the Nomination and Compensation Committee had two discussions to consider the areas of expertise and perspectives required of the members of the BoD

(We will also focus on ensuring diversity of directors and developing director candidates in-house)

□ **“Further improvement of the quality of deliberations by the BoD”**

Efforts were made to enhance explanations for Outside Directors and to not only improve the quality of the materials but also distribute them early, in addition to setting an appropriate amount of time for deliberation according to content of the inquiries

Major matters to be addressed in fiscal 2021

Further enhancement of discussions on risk management, provision of the appropriate number of agenda items and an appropriate amount of time for deliberation, and enhancement of training

Fulfillment of BoD functions

New

4-11.1

The BoD should identify the skills that it should have and disclose the combination of skills, etc. that each director possesses

- ❑ Our present situation: Our thoughts on the balance of the BoD and policies and procedures for nominating directors are disclosed in the Basic Policy on Corporate Governance. We have multiple independent outside directors with management experience in other companies
- ❑ Our responses: We have identified the knowledge, experience, and skills that the BoD and Audit & Supervisory Board should have as a whole (skills sets of the Directors and Audit & Supervisory Board members) in the Basic Policy on Corporate Governance as shown below and disclosed a “Skills Matrix” on our website and elsewhere

Knowledge, Experience and Abilities to be Held by the BoD and the Audit & Supervisory Board as a Whole

The BoD and the Audit & Supervisory Board of the Company shall be diverse and have the well-balanced knowledge, experience and abilities described below as a whole so that the BoD can fully exercise its function and secure its effectiveness to achieve the sustainable growth of the Company and enhancement of its corporate value over the mid- to long-term through implementation of the Corporate Mission

- (1) Extensive knowledge, experience and abilities as a person who is in charge of corporate management or organizational operations in Japan or abroad
- (2) Extensive knowledge, experience and abilities in different industries
- (3) Extensive knowledge, experience and abilities concerning the creation and cultivation of new business or business development
- (4) Extensive knowledge, experience and abilities concerning digital technologies and data utilization
- (5) Professional knowledge, experience and abilities in the healthcare industry
- (6) Professional knowledge, experience and abilities concerning finance, accounting and tax matters
- (7) Professional knowledge, experience and abilities concerning legal, compliance and risk management matters

The knowledge, experience and abilities to be held by the BoD and the Audit & Supervisory Board as a whole shall be reviewed as necessary in accordance with changes such as those in the outside environment and the circumstances of the Company

Complying with the Revised Japan's Corporate Governance Code

Our Responses to the Revised Japan's Corporate Governance Code



Initiatives on sustainability

New	3.1.3	<p>Companies should appropriately disclose their initiatives on sustainability</p> <p>Companies listed on the Prime Market should enhance the quality and quantity of disclosure based on the TCFD recommendations or an equivalent framework (Principle for companies listed on the Prime Market)</p>
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- ❑ Our present situation: We have disclosed our materiality, including sustainability issues (environment, human rights, health of employees, etc.), development of employees, and R&D investments in our Integrated Reports and elsewhere, and announced support for the recommendations of the TCFD in November 2021
- ❑ Our responses: Following the support for the TCFD recommendations in November 2021, we have begun collecting and analyzing the necessary data on the impact of climate change-related risks and earning opportunities relevant to our business activities and profits, in an effort to enhance the quality and quantity of disclosures

How group governance should be

New	4.8.3	<p>Companies that have a controlling shareholder should either appoint at least one-third of their directors (the majority of directors if listed on the Prime Market) as independent directors or establish a special committee for material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders</p>
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- ❑ Our present situation: Although our independent outside directors currently account for less than half of the BoD (4 out of 9), we have established the Supervisory Committee for Conflict of Interests in Transactions between Group Companies, which comprises only independent outside directors and deliberates on material transactions, etc. with our parent company group to protect the interests of minority shareholders, as an advisory body to the BoD
- ❑ Our responses: The Committee will continue deliberating on material transactions, etc. with our parent company group for the sake of protecting the interests of minority shareholders

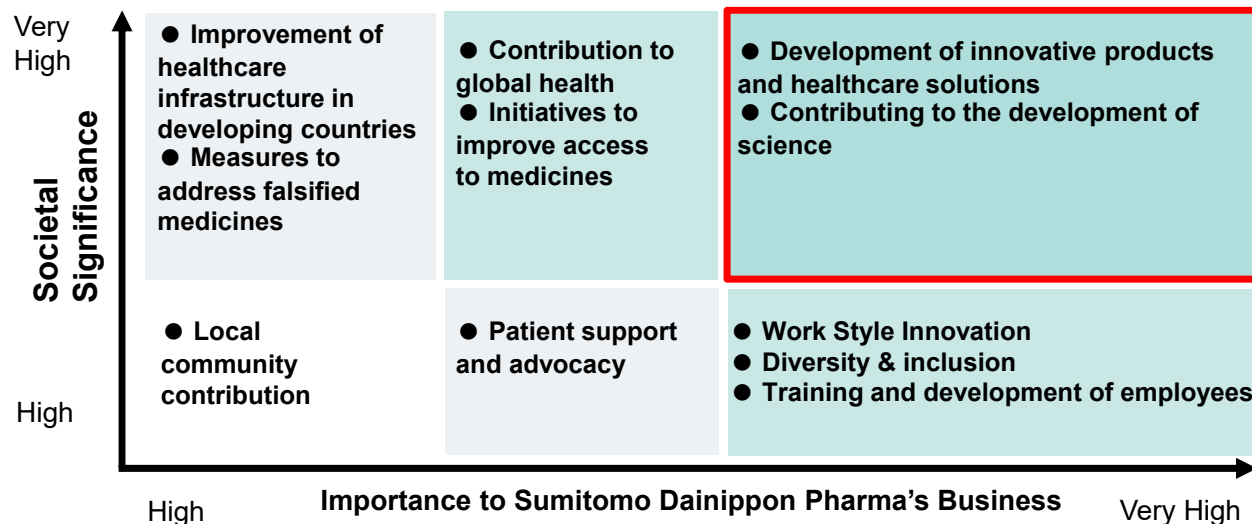
Setting KPIs for Materiality/Initiatives for Environment

Atsuko Higuchi
Executive Officer

Materiality (Material Issues for CSR-based Management)

Materiality linked to value creation

—solving issues is important for our sustained growth



Our top priority material issues

- “Development of innovative products and healthcare solutions”
- “Contributing to the development of Science”

Topics on “Health, safety, and welfare of employees”

Published the first issue of “Health Management White Paper” in August 2021 to allow employees to see progress of the Declaration of Health Innovation

Materiality that forms the foundation for business continuity

—solving issues is essential for our business continuity

- Respecting human rights
- Corporate governance
- Risk management
- Compliance
- Fair and transparent corporate activities
- Corporate regulatory compliance, quality assurance and stable supply
- CSR procurement
- Health, safety, and welfare of employees
- Environmental initiatives

Topics on “Environmental initiatives”

- Revised the Basic Environmental Policies in May 2021
Aiming to reduce greenhouse gas (GHG) emissions (Scope 1+2) to zero by fiscal 2050
- Announced support for the TCFD recommendations in November 2021

● Objectives and background

To promote CSR-based management, set KPIs as indicators for evaluating/analyzing progress vis-à-vis targets for each materiality targets

● Key considerations given to the setting of KPIs

Express our initiatives to enhance our sustainability that are linked with our business strategies in as many quantitative indicators as possible to make their progress visible from outside the company

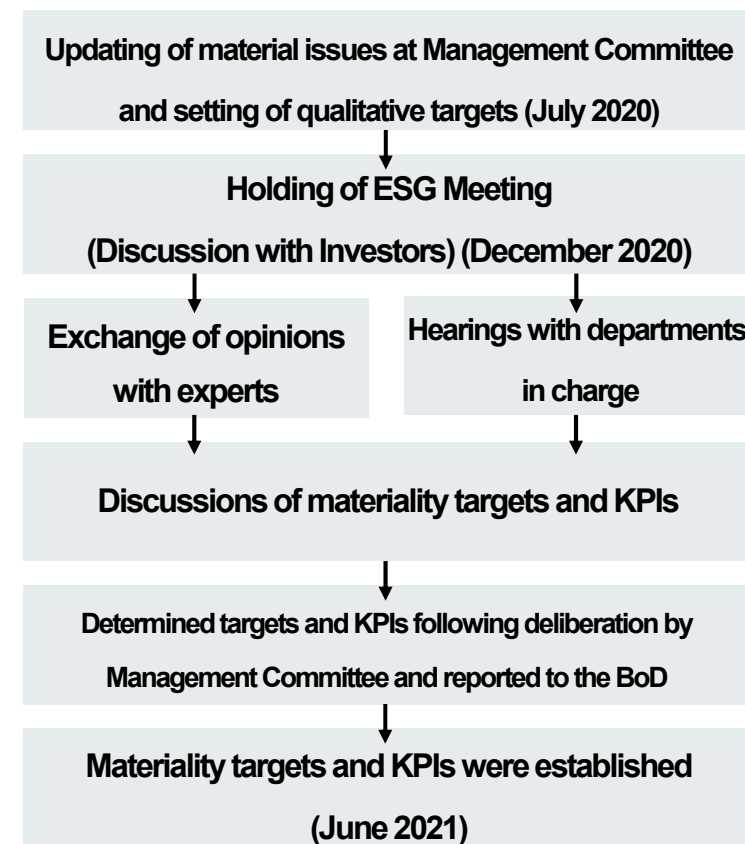
● Challenges

- Link SDGs and other social issues with our business strategies more closely to realize a sustainable society
- How we should express the impact of our initiatives on society (outcomes)
- KPIs for our Group and those for the Japan segment are mixed

● Next step

In light of our business strategies and comments from dialogues with various stakeholders, we will keep updating our materiality and targets to make the KPIs more pertinent

Process of determining materiality targets and KPIs (Fiscal 2020-2021)



Setting KPIs for Materiality

Setting KPIs for “Development of innovative products and healthcare solutions” “Contributing to the development of science”

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KPIs

- Progress on main development pipeline
 - Targets in Psychiatry & Neurology area (ulotaront (SEP-363856): launch in fiscal 2023 (U.S.), SEP-4199: launch in latter half of 2020s)
 - Targets in Oncology area (DSP-7888: launch in fiscal 2024 (Japan and U.S.))
 - Targets in Regenerative Medicine / Cell Therapy field (congenital athymia: launch in fiscal 2021 (U.S.), Parkinson’s Disease: launch in fiscal 2023 (Japan), age-related macular degeneration: launch in fiscal 2025 (Japan))
 - Targets for other areas with high unmet medical needs (relugolix: Obtain approval for endometriosis in fiscal 2022 (U.S.), rodatristat ethyl: launch in latter half of 2020s (Japan and U.S.))
 - Targets for Frontier business (commercialization of multiple products (target: launch in fiscal 2023–2025 (Japan and U.S.)))
- Progress on early-stage development pipeline
 - Number of transitions to Phase 2 and Phase 1 in Psychiatry & Neurology area and Oncology area
- Progress on development of modalities
- Work motivation of research & development staff
 - Evaluation score of research & development staff in employee engagement survey

● Objectives and background

Set KPIs for not only the outcomes (product pipeline) but also their process (early development stage pipeline, new modality, R&D staff’s work motivation) to show overall progress in R&D

● Our unique approaches

Evaluate/analyze R&D staff’s work motivation by taking note of their work morale as described in the “work” of the Employee Engagement Surveys (responsibilities and job satisfaction, a sense of contributing to customers and society, acquisition of professional skills, demonstration of individuality and abilities)

● Challenges

Setting indicators for the impact that our products might have on society after launch

KPIs

- Number of participants in selective training
- Number of employees with overseas work experience
- Number of participants in programs to enhance English proficiency
- Number of cases and applicants utilizing internal job posting system
- Number of career consultations

● **Objectives and background**

Set KPIs that facilitate development of leaders and global-minded individuals who will play essential roles in achieving our sustained growth, and support employees’ self-disciplined and independence

● **Our unique approaches**

To establish “taking on challenges” as part of our corporate culture that we wish to bolster, set indicators with which to measure employees’ independence of mind, such as “number of cases and applicants utilizing internal job posting system” and “number of career consultations”

● **Challenges**

- Set indicators for outcomes of training and development of employees
- Set indicators for utilization of human resources on a global basis
- Set indicators for training and development/utilization of DX specialists

KPIs

- Implementation of measures to achieve FY2030 and FY2050 goals
- Per-unit energy consumption
- Recycling rate and final disposal rate of waste
- Acquisition of third-party assurance for environmental data
- Promotion of evaluation of risks and opportunities related to climate change and water

● Objectives and background

Set KPIs for what we need to address to reduce environmental burden

● Challenges

- Set indicators for GHG emissions reduction for the entire Group
- Set indicators for urging business partners including suppliers to take environmental initiatives

Results and explanation of Mid-term Environmental Goals (fiscal 2020 goals)

Priority issues	Objectives	Results	Explanation
Building a low-carbon society	Climate change measures ① Reduce CO ₂ emissions by 23% from FY2005 level by FY2020 ② Improve per-unit CO ₂ emissions by 1% or more per year	① Achieved ② Achieved ③ Achieved	① 34% reduction from FY2005 level Reason: Contribution of reorganization into two plants at the end of March 2019, in addition to capital investment in energy conservation and CO ₂ reductions (including upgrading to high efficiency equipment and installation of LED lighting) and measures to conserve energy and save electricity in summer and winter
	Energy Saving Measures ③ Improve per-unit energy consumption by 1% or more per year		② 1.4 % improvement on previous fiscal year ③ 1.4% improvement on previous fiscal year Reason: Contribution of improvements in energy efficiency and associated improvement in per-unit CO ₂ emissions
Biodiversity conservation	Effective Use of Water Resources Reduce water consumption by about 20% from FY2010 level in FY2020	Achieved	Reduced by 35% from FY2010 level Reason: Contribution of reorganization into two plants at the end of March 2019, in addition to changing the number of times certain facilities were washed with water

Long-term environmental goals (targeting fiscal 2030 and fiscal 2050)

- Reduce our greenhouse gas (GHG) emissions (scopes 1 and 2) by 35% from fiscal 2017 level by fiscal 2030, and aim to achieve net-zero emissions by fiscal 2050
- Reduce water withdrawal by 12% from fiscal 2018 level by fiscal 2030
- Maintain recycling rate at 80% or higher and aim for at least 85% by fiscal 2030
- Maintain final disposal rate at less than 1% and aim for less than 0.5% by fiscal 2030

Initiatives for Environment Support for the TCFD Recommendations

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□ We announced support for the TCFD recommendations in November 2021

We will disclose climate-related risks and opportunities starting on a domestic non-consolidated basis in fiscal 2021 and then the entire Group in fiscal 2022 and thereafter

Steps		Timeline and scope					
		FY2021			FY2022	FY2023 -	
1	Establish governance	Environmental management system On a domestic non-consolidated basis			Risk mgt. promotion system Expand to Group companies		
2	Evaluate materiality of climate-related risks and opportunities	Done →			→	→	
3	Conduct scenario analysis	Underway →			→	→	
4	Evaluate impact on business	Underway →			→	→	→
5	Draw up measures to mitigate risks and acquire opportunities	Plan →			→	→	→
6	Documentation and disclosure	Plan →			→	→	→

Reorganized "Practical guide for Scenario Analysis in line with TCFD recommendations" ver.3.0~: Ministry of the Environment Government

Appendix

- P16-18: Skills Matrix of Current Directors and Audit & Supervisory Board Members
- P19: Organizational Revitalization (Research Division) : Research Project System and Virtual One Team (V1T) Initiatives
- P20: Employee Training System and Selective Training “DSP Academy”
- P21: Penetration and Practice of CHANTO
- P22: Global Platform (Sales Network that Supports Global Operations in Japan, the U.S., China, and Elsewhere)
- P23: Business Model “Value Creation Strategies”
- P24: Enhancement of Corporate Value by Proactive Utilization of External Resources
- P25: Enhancement of Corporate Value by Strategic Alliance with Roivant
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- P27-29: Materiality, Targets and KPIs Linked to Value Creation
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Appendix: Skills Matrix

Skills Matrix of Current Directors and Audit & Supervisory Board Members



The Skills Matrix of the current Directors and Audit & Supervisory Board Members is as described in the table below*1

Name/Position		Corporate management or organizational operations in Japan or abroad*2	Different industries *3	Creation and cultivation of new business/ business development*4	Digital technologies and data utilization*5	Healthcare industry			Finance, accounting and tax	Legal, compliance and risk management	Major career, expertise, etc.
						Medical science, pharmaceutical science, public administration	R&D	Planning, marketing, etc.			
Masayo Tada	Member, Board of Directors and Chairman	○		○				○			Served as the Representative Director and President of the Company from June 2008 to March 2018. Served as a responsible person for the departments of corporate planning, international business management, and sales and marketing of the Company
Hiroshi Nomura	Representative Director and President	○						○	○		Served as a responsible person for the departments of global strategy, global corporate management, human resources, finance and accounting, and drug development of the Company, and in responsible positions at its overseas subsidiaries
Hitoshi Odagiri	Representative Director	○						○			Served as a responsible person for the Japan business and the sales and marketing department, and in responsible positions of the human resources department of the Company and at its overseas subsidiaries
Toru Kimura	Representative Director	○					○				Served as a responsible person for the departments of global strategy, regenerative and cellular medicine and research of the Company
Yoshiharu Ikeda	Member, Board of Directors	○					○	○			Served as a responsible person for corporate regulatory compliance and quality assurance of the Company, and in responsible positions of the departments of global strategy, IT system, research, technology research and manufacturing of the Company and at its overseas subsidiaries

There are notes at P.18 that describes the skills matrix

Appendix: Skills Matrix

Skills Matrix of Current Directors and Audit & Supervisory Board Members



The Skills Matrix of the current Directors and Audit & Supervisory Board Members is as described in the table below*1

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						Medical science, pharmaceutical science, public administration	R&D	Planning, marketing, etc.			
Yutaka Atomi	Member, Board of Directors (Outside Director)	○				○					Medical doctor
Saeko Arai	Member, Board of Directors (Outside Director)	○	○	○					○		Corporate executive, CPA
Nobuhiro Endo	Member, Board of Directors (Outside Director)	○	○	○	○						Corporate executive
Minoru Usui	Member, Board of Directors (Outside Director)	○	○	○	○						Corporate executive
Yoshinori Oh-e	Full-Time Audit & Supervisory Board Member						○	○			Served in responsible positions of the departments of business development, research and development as well as regulatory compliance and quality assurance of the Company
Takashi Kutsunai	Full-Time Audit & Supervisory Board Member							○			Served in responsible positions of the departments of human resources, international business management and internal auditing of the Company
Junsuke Fujii	Outside Audit & Supervisory Board Member	○	○								Corporate executive
Yoshio Iteya	Outside Audit & Supervisory Board Member									○	Attorney at law
Mayumi Mochizuki	Outside Audit & Supervisory Board Member					○					Pharmacologist

There are notes at P.18 that describes the skills matrix

Appendix: Skills Matrix

Skills Matrix of Current Directors and Audit & Supervisory Board Members (Notes)

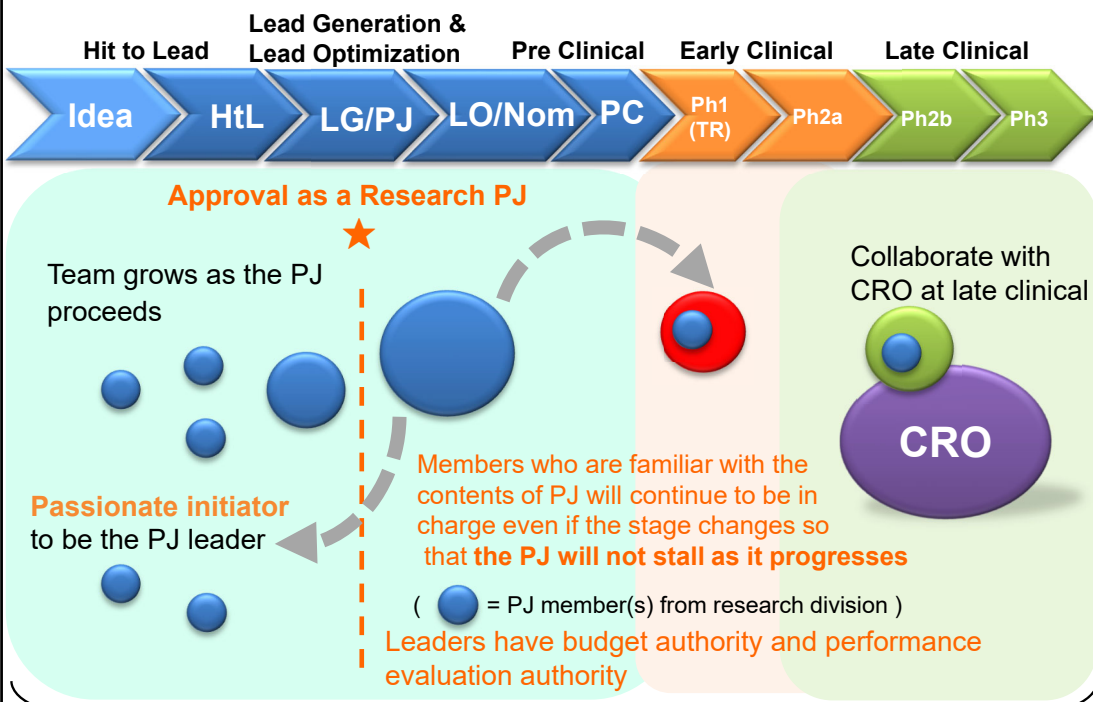


- *1 Circles (○) for Internal Directors and Full-time Audit & Supervisory Board Members indicate knowledge, experience and abilities cultivated through the relevant person's career, etc. Circles for Outside Directors and Outside Audit & Supervisory Board Members indicate knowledge, experience and abilities expected of them based on the relevant person's expertise, career, etc. The number of circles indicated for each Director or Audit & Supervisory Board Member is limited so that it does not exceed four, and therefore the matrix does not necessarily show all the knowledge, experience and abilities held by the relevant person
- *2 The BoD considers that it is necessary that the Directors and Audit & Supervisory Board Members have comprehensive knowledge, experience and abilities concerning various matters, including governance, sustainability, business strategy, and global business operations as the extensive knowledge, experience and abilities of a person who is in charge of corporate management or organizational operations in Japan or abroad
- *3 The BoD considers that it is necessary that the Directors and Audit & Supervisory Board Members have extensive knowledge, experience and abilities in different industries to offer a perspective which is different from those of the healthcare industry
- *4 The BoD considers that it is necessary that the Directors and Audit & Supervisory Board Members have extensive knowledge, experience and abilities concerning the creation and cultivation of new business or business development to contribute to the development of new business
- *5 The BoD considers that it is necessary that the Directors and Audit & Supervisory Board Members have extensive knowledge, experience and abilities concerning digital technologies and data utilization to contribute to the creation of new value through digital technology or data utilization

Appendix: Human Resources

Organizational Revitalization (Research Division) : Research Project System and Virtual One Team (V1T) Initiatives

Research Project (PJ) System (Number of projects: Approx. 30)



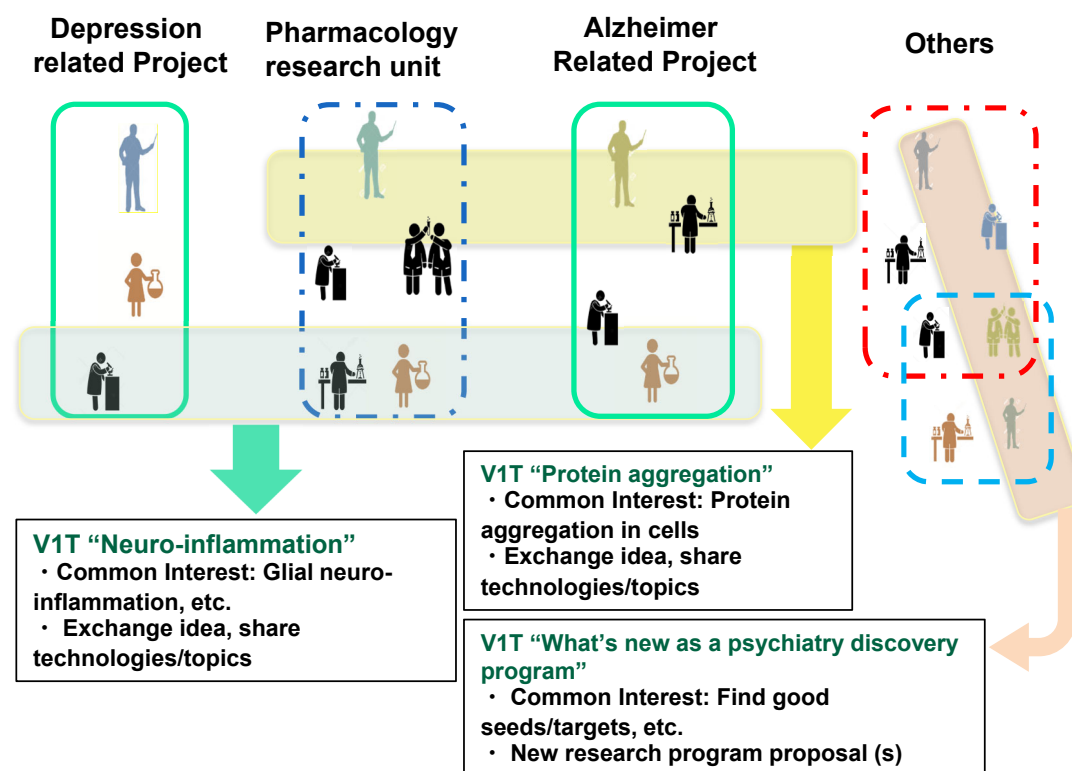
All other functions in the company support PJs

PJ leaders are men/women aged between their 20s and 50s

Nom: Nomination, TR: Translational Research

Virtual One Team (V1T) Initiatives (Number of teams: Approx. 10)

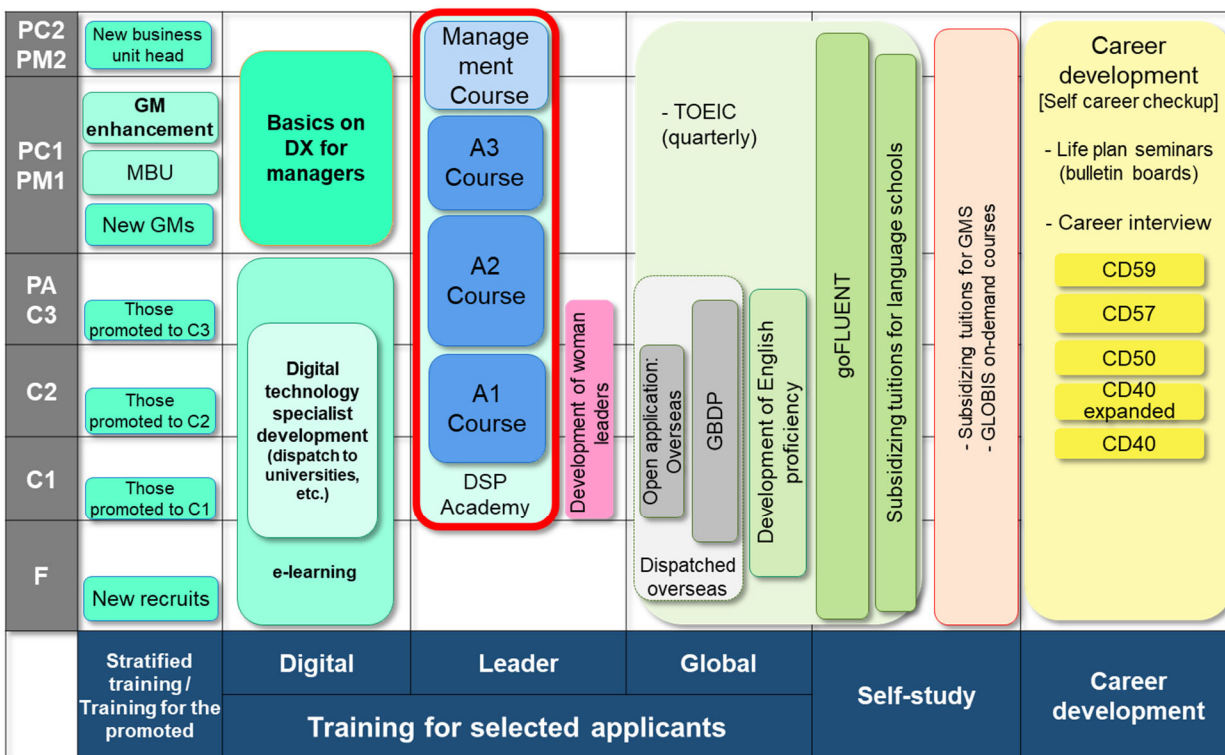
Researchers from different PJs/departments with common interest gather, discuss and share ideas/knowledge/technologies ~ key for open, creative culture



This initiative leads to organizational activation, resulting in new program proposals

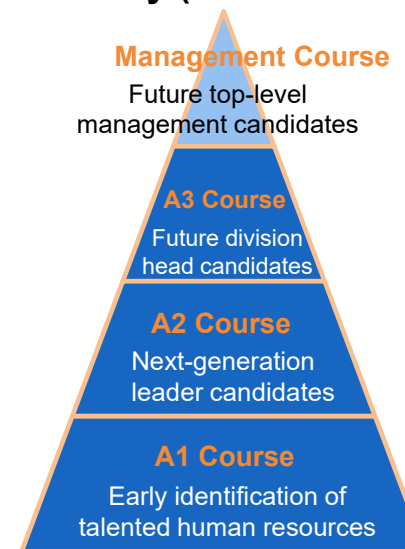
Employee Training System and Selective Training “DSP Academy”

Employee Training System



MBU: Management Brush Up GBDP: Global Business Person Development Program
GMS: GIOBIS Management School

DSP Academy (selective training)



- **Objectives**
To select and nurture future managers, executive candidates
- **Targets**
Select those who are ambitious and show potential from four different grades, including young through mid-career employees and managers
- **Features**
 - ✓ Management courses to nurture future managers with Mr. Tada (Member, Board of Directors, Chairman) as head
 - ✓ Various types of training, including that based on case studies and action learning
- **Began in Fiscal 2016, 397 employees participated in the five years to Fiscal 2020**



Promoting Project CHANTO

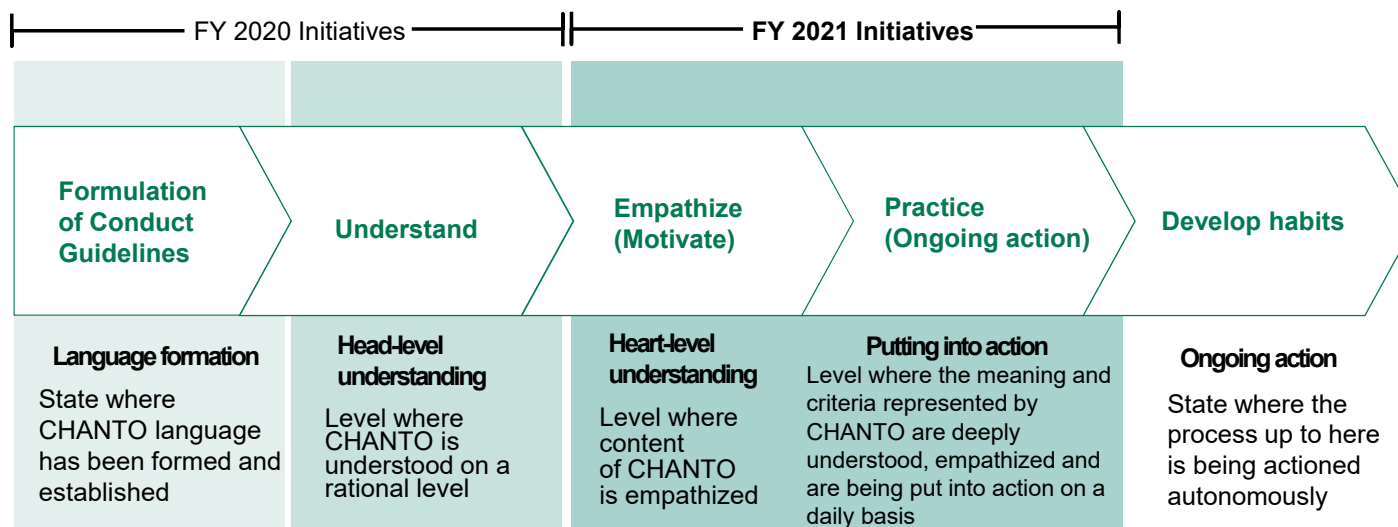
In Project CHANTO, launched in February 2020, management formulated Conduct Guidelines* (CHANTO) to achieve our corporate vision. By disseminating CHANTO throughout the Company, we aim to accomplish both the behavior modifications of each and every employee and the generation of individual and organizational results

CHANTO: delivery of the highest performance

The capability to continuously foster and deliver innovation to patients and other customers, while transforming our organization in flexible ways to adapt to changes in the world

CHANTO Fiscal 2021 Goals

Aiming to deepen employees' understanding of the meaning of CHANTO, while moving forward with initiatives targeting ongoing action and the development of habits that enable employees to implement CHANTO



*** A set of five Conduct Guidelines to help employees when they are unsure of or worried about something for CHANTO**

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

Appendix: Business Model Global Platform

(Sales Network that Supports Global Operations in Japan, the U.S., China, and Elsewhere)



Focus research areas: Psychiatry & Neurology, Oncology, and Regenerative Medicine / Cell Therapy

Europe (promoting collaboration with partner)
 ✓ Key partners: Gedeon Richter Plc. (relugolix), Bial-Portela & Ca, SA (KYNMOBI®), Otsuka Pharmaceutical Co., Ltd. (ulotaront, etc.)

Utilizing digital platforms (DrugOME, Digital Innovation) acquired through strategic alliance with Roivant Sciences Ltd. in Japan and the U.S.

China
 ✓ Headcount: 771
 ✓ MRs: 350
 ✓ Focus marketing areas: Infection, Psychiatry & Neurology
 ✓ FY2021 revenue forecast: JPY29.8B

Japan
 ✓ Headcount: 3,090
 ✓ MRs: 1,110
 ✓ Focus marketing areas: Psychiatry & Neurology, Diabetes, Specialty
 ✓ FY2021 revenue forecast : JPY150B

North America
 ✓ Headcount: 2,605
 ✓ MRs: 820
 ✓ Focus marketing areas: Psychiatry & Neurology, Oncology, Others
 ✓ FY2021 revenue forecast : JPY349.7B

Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.

Sumitomo Dainippon Pharma Co., Ltd.

Sumitomo Pharmaceuticals Asia Pacific Pte. Ltd. (Singapore)

Sumitomo Pharmaceuticals (Thailand) Co., Ltd. (Thailand)

Sumitomo Pharmaceuticals Taiwan Co., Ltd. (Taiwan)

The Representative Office of Sumitomo Pharmaceuticals Asia Pacific Pte. Ltd. In Ho Chi Minh City (Viet Nam)

East and Southeast Asia
 ✓ Headcount: 46
 ✓ MRs: 24
 ✓ Focus marketing areas: Infection, Psychiatry & Neurology
 ✓ FY2021 revenue forecast : JPY2.7B

Sumitovant Biopharma, Inc.	Sumitomo Dainippon Pharma America, Inc.
Myovant Sciences Ltd.	Sunovion Pharmaceuticals Inc.
Urovant Sciences Ltd.	Sumitomo Dainippon Pharma Oncology, Inc.
Enzyvant Therapeutics Ltd.	San Diego office of Sumitomo Dainippon Pharma
Altavant Sciences Ltd.	Spirovant Sciences Ltd.

* As of the end of September 2021, the number of MRs does not include managers

Appendix: Business Model Business Model “Value Creation Strategies”

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Utilizing our strengths to create the new drugs patients need

The Corporate Mission and our three strengths (management resources)

Corporate Mission

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

Our Three Strengths



Business activities and strategy

Material issues linked to value creation

- Development of Innovative Products and Healthcare Solutions
- Contributing to the Development of Science
- Work Style Innovation
- Training and Development of Employees
- Diversity & Inclusion
- Contribution to Global Health
- Initiatives to Improve Access to Medicines And others

Business activities

Material issues that forms the foundation for business continuity

- Respecting Human Rights • Corporate Governance
- Risk Management • Compliance
- Fair and Transparent Corporate Activities
- Corporate Regulatory Compliance, Quality Assurance and Stable Supply
- CSR Procurement
- Health, Safety, and Welfare of Employees
- Environmental Initiatives

Mid-term Business Plan 2022

Basic Policy I

Establishment of growth engine

1. Enhance innovation base with new approaches to drug discovery
2. Deliver the highest performance of clinical development
3. Pipeline expansion through strategic investment
4. Regional strategy centering in Japan, North America and China
5. Launch frontier business

Basic Policy II

Building of flexible and efficient organization

- Flexible and efficient organization and operations
- Corporate culture and talent to drive innovation
- Digital transformation

Value provided to society

Patients and their families

Contributing to improving quality of life (QOL)

Shareholders

Stable dividends, increases in dividends linked to improvements in performance

Employees

Personal development, acquiring fulfillment and a sense of happiness through work

Also contributing to achieving the SDGs



Position we aspire to establish in 2033

Global Specialized Player

Strategic investment aimed at sustained growth (includes research and development investment)

Signed a collaboration and license agreement for worldwide joint development and commercialization of ulotaront (SEP-363856), SEP-4199, SEP-378614, and SEP-380135 with Otsuka Pharmaceutical Co., Ltd. (September 2021)

- ✓ Development in Psychiatry & Neurology is demanding
- ✓ Numerous studies are needed for additional indications, etc. (As exclusivity eventually expires, crucial to maximize product value early)
- ✓ Difficult to singlehandedly conduct multiple studies in parallel



- ✓ Product value can be maximized early by increasing the probability of success including expanding the range of indications and development speed
- ✓ Sharing development risks/expenses

In preparation for the loss of exclusivity of LATUDA® in the U.S. and environmental changes in the future, we seek to achieve sustained growth through partnering on a global scale

Joint development system



- The Joint Development Committee consisting of the three parties decides on the strategy, direction and roles of joint development
- Responsibility for conducting clinical studies will be decided for each indication

Appendix: Business Model

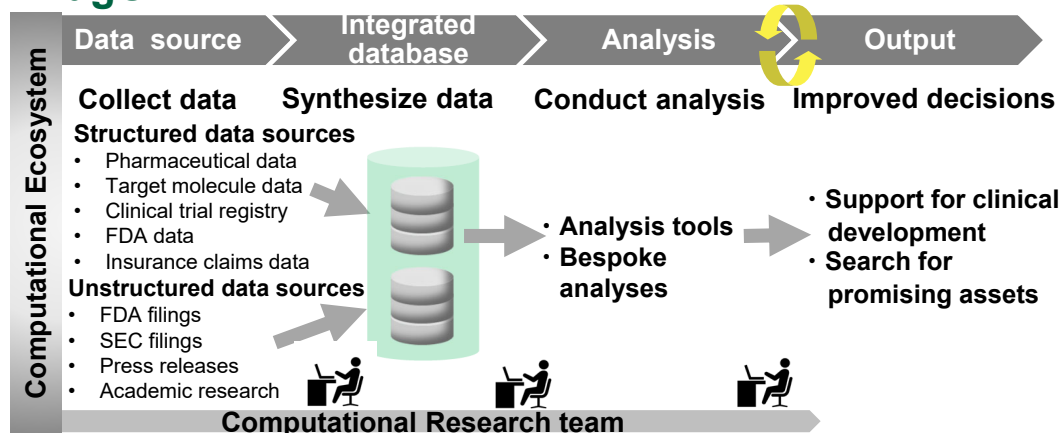
Enhancement of Corporate Value by Strategic Alliance with Roivant

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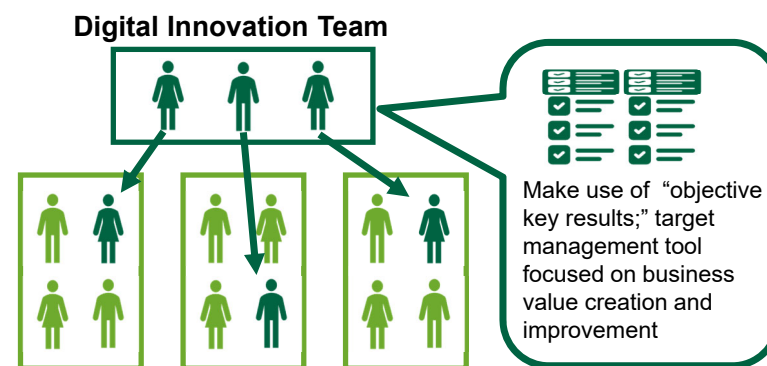
Acquired many development pipeline assets, including relugolix, vibegron, and other post-LATUDA products, technology platforms (DrugOME and Digital Innovation) and certain key employees related to technology platforms through the strategic alliance with Roivant Sciences Ltd. (December 2019)

DrugOME



Working on valuation of in-house compounds using real-world data, optimization of development planning and study design, increased efficiency in clinical studies (selection of facilities and recruitment of patients), and early acquisition of promising pipeline assets

Digital Innovation



Working on development of tools for pharmaceutical information search and clinical study documentation support, etc. in Japan and predictive analysis of subject entries into clinical studies and development of integrated platforms for increasing search accuracy of drug discovery-related information in the U.S.

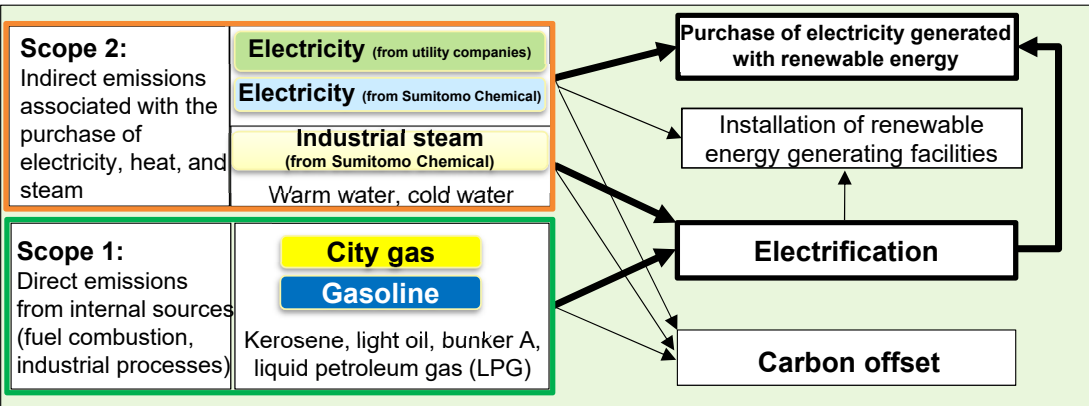


To realize sustained growth, added “development of best in class focused on value” to our R&D areas and accelerated digital transformation (DX)

■ We resolved to revise our Basic Environmental Policies at the BoD meeting in May 2021, during which we added specific initiatives, including aiming for zero GHG emissions (Scope 1+2) by Fiscal 2050* and setting mid- and long-term environmental goals

* In June 2019, we drew up GHG emissions reduction goals (by 35% from Fiscal 2017 levels by Fiscal 2030) in line with the reduction rate of WB2°C (well-below 2°C) set by the SBTi (Science Based Targets initiative)

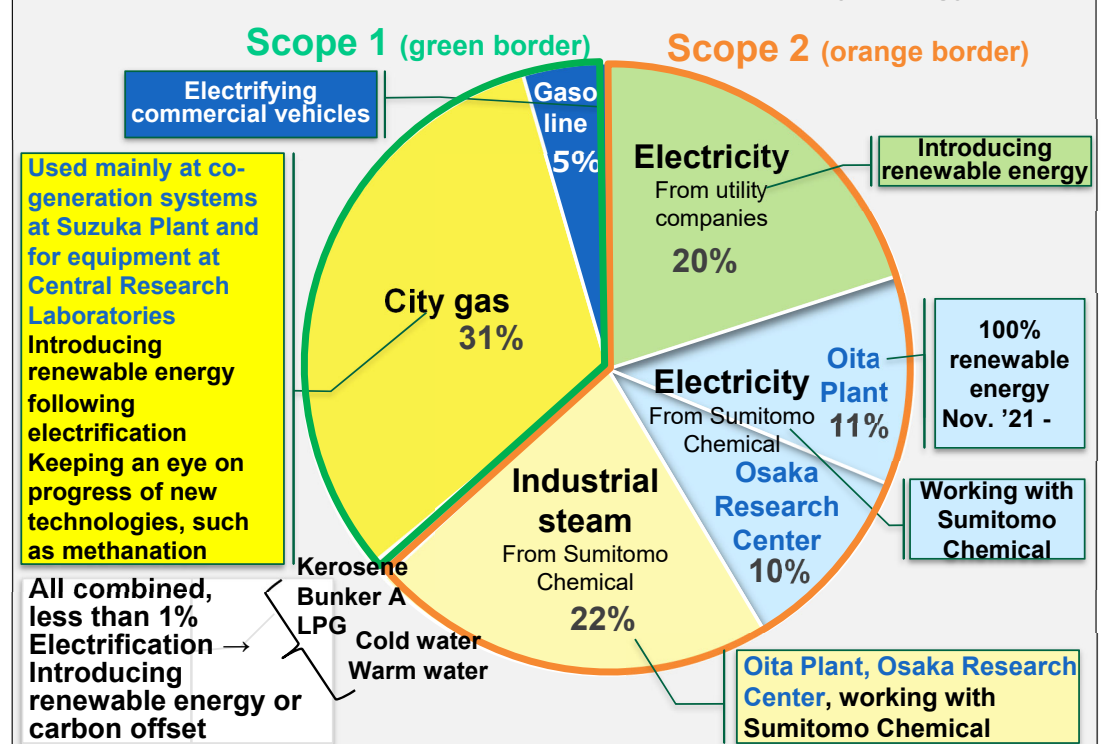
■ To achieve carbon neutrality



Initiatives for Scope 3

Calculate GHG emissions throughout the supply chain to launch initiatives to reduce GHG emissions in the entire value chain

Breakdown of FY2020 CO2 emissions (54,081 tons) by energy source





Material issues	Targets	KPIs
<p>Development of innovative products and healthcare Solutions</p> <p>Contributing to the development of science</p>	<ul style="list-style-type: none"> ● Continuous development of pharmaceuticals in areas with high unmet medical needs ● Development of healthcare solutions to respond to the future healthcare needs centered on areas where synergies with the pharmaceutical business can be expected 	<ul style="list-style-type: none"> ● Progress on main development pipeline <ul style="list-style-type: none"> • Targets in Psychiatry & Neurology area (ulotaront (SEP-363856): launch in fiscal 2023 (U.S.), SEP-4199: launch in latter half of 2020s) • Targets in Oncology area (DSP-7888: launch in fiscal 2024 (Japan and U.S.)) • Targets in Regenerative Medicine / Cell Therapy field (congenital athymia: launch in fiscal 2021 (U.S.), Parkinson’s Disease: launch in fiscal 2023 (Japan), age-related macular degeneration: launch in fiscal 2025 (Japan)) • Targets for other areas with high unmet medical needs (relugolix: Obtain approval for endometriosis in fiscal 2022 (U.S.), rodatristat ethyl: launch in latter half of 2020s (Japan and U.S.)) • Targets for Frontier business (commercialization of multiple products (target: launch in fiscal 2023–2025 (Japan and U.S.))) ● Progress on early-stage development pipeline <ul style="list-style-type: none"> • Number of transitions to Phase 2 and Phase 1 in Psychiatry & Neurology area and Oncology area ● Progress on development of modalities ● Work motivation of research & development staff <ul style="list-style-type: none"> • Evaluation score of research & development staff in employee engagement survey
<p>Work Style Innovation</p>	<ul style="list-style-type: none"> ● More sophisticated work styles ● Virtuous cycle in Work-life balance 	<ul style="list-style-type: none"> ● Employee engagement ● Employee Turnover Rate



Material issues	Targets	KPIs
<p>Diversity & inclusion</p>	<ul style="list-style-type: none"> ● Promotion of active participation by female employees ● Promotion of LGBTQ understanding ● Promotion of active participation by people with disabilities through appropriate placement 	<ul style="list-style-type: none"> ● Percentage of female managers (maintain at least 10%) ● Percentage of female senior employees, excluding female managers (15% by April 2023) ● Percentage of male employees taking childcare leave (100%) ● Number of participants in e-learning on LGBTQ ● Number of ALLY activities ● Average length of employment of employees with disabilities
<p>Training and development of employees</p>	<ul style="list-style-type: none"> ● Fostering of leaders and training of globally-minded human resources ● Fostering a corporate culture that encourages self-disciplined and independent career development 	<ul style="list-style-type: none"> ● Number of participants in selective training ● Number of employees with overseas work experience ● Number of participants in programs to enhance English proficiency ● Number of cases and applicants utilizing internal job posting system ● Number of career consultations
<p>Patient support and advocacy</p>	<ul style="list-style-type: none"> ● Improving disease-related literacy for patients, their families, and society 	<ul style="list-style-type: none"> ● Activities from patient perspective through healthcare professionals ● Level of understanding and satisfaction of participants in public lectures ● Number of support activities through donations and cooperation with patients' associations ● Dissemination to raise awareness of diseases through our website
<p>Local community contribution</p>	<ul style="list-style-type: none"> ● Fulfilling responsibilities and contributing as a member of the community with awareness of harmony with society 	<ul style="list-style-type: none"> ● Number of activities to support the development of the next generation and level of understanding and satisfaction of participants ● Number of donations for social contribution that lead to resolution of social issues (disasters, people with disabilities, the environment, biodiversity, etc.) ● Number of charitable activities in local communities



Material issues	Targets	KPIs
Contribution to global health	<ul style="list-style-type: none"> ● Development of drugs to treat malaria and antimicrobial-resistant (AMR) bacterial infections ● Strengthening of public-private collaboration on countermeasures against AMR and appropriate use of antibiotics ● Promotion of public awareness-raising activities for health, hygiene, and nutrition 	<ul style="list-style-type: none"> ● Progress of development in infectious diseases area <ul style="list-style-type: none"> • Number of projects • Number of products (number of products launched) ● Number of policy recommendations in infectious diseases area* ● Number of doctors and pharmacists who participated in the AMR countermeasure support program ● Number of local residents assisted by maternal and child health programs in developing countries
Initiatives to improve access to medicines	<ul style="list-style-type: none"> ● Promotion of public awareness-raising activities with the aim of improving medicine-related literacy ● Response to requests for the development of unapproved and off-label drugs ● Acceleration of provision of drugs at fair prices 	<ul style="list-style-type: none"> ● Number of programs aiming to improve medicine-related literacy ● Number of responses to requests for unapproved and off-label drugs ● Number of policy recommendations by the Company on access to medicines*
Improvement of healthcare infrastructure in developing countries	<ul style="list-style-type: none"> ● Support for capacity building of healthcare professionals, development of healthcare networks, etc. ● Support for development of pharmaceutical regulations and supply chains in collaboration with local governments and international organizations 	<ul style="list-style-type: none"> ● Number of community care volunteers trained through maternal and child health programs in developing countries ● Number of partnerships working to improve healthcare infrastructure in developing countries
Measures to address falsified medicines	<ul style="list-style-type: none"> ● Prevention of falsified medicines and illicit distribution 	<p>—</p>

* Disclosure of categories only, not actual figures, etc.

Material issues	Targets	KPIs
Respecting human rights	<ul style="list-style-type: none"> ● Promotion of respecting human rights throughout all the value chain based on global trends ● Promotion of initiatives in accordance with the United Nations Guiding Principles on Business and Human Rights 	<ul style="list-style-type: none"> ● Formulation of a basic policy for human rights ● Promotion of understanding of and action on the basic policy at Group companies ● Encouragement of respect for human rights by business partners, including suppliers
Corporate governance	<ul style="list-style-type: none"> ● Pursuit of highly effective corporate Governance ● Ensuring the independence of management and protecting the interests of minority shareholders 	<ul style="list-style-type: none"> ● Appropriate management and supervision of Group companies ● Addressing the revised Corporate Governance Code appropriately ● Implementing evaluation of the effectiveness of the Board of Directors and working on priority issues based on the results of evaluation ● Conducting appropriate transactions between Group companies with consideration to protecting the interests of minority shareholders
Risk management	<ul style="list-style-type: none"> ● Implementing risk assessment and taking countermeasures ● Rebuilding of business continuity plans (BCP) ● Proper information management (management of confidential information, internal information and personal information, Information Technology security) 	<ul style="list-style-type: none"> ● Implementing risk assessment and examining and implementing appropriate countermeasures based on results of assessment ● Rebuilding, and implementing training and drills of business continuity management (BCM) and business continuity plans (BCPs) ● Provision of education and training aimed at proper information management ● Number of serious information leaks and other incidents
Compliance	<ul style="list-style-type: none"> ● Practice of the Declaration of Conduct and Compliance Standards ● Appropriate operation of compliance promotion system and establishment of rules 	<ul style="list-style-type: none"> ● Number of serious compliance violations ● Implementation of compliance education and training ● Implementation rate of initiatives to ensure compliance (identification of compliance risk and review of countermeasures)

Material issues	Targets	KPIs
Compliance	<ul style="list-style-type: none"> ● Improvement in the effectiveness of the whistle-blowing system ● Ensure exclusion of anti-social forces and prevention of corruption 	<ul style="list-style-type: none"> ● Implementation of compliance awareness surveys ● Level of awareness and understanding of whistle-blowing system and number of reports
Fair and transparent corporate activities	<ul style="list-style-type: none"> ● Sincere corporate activities contributing to the enhancement of stakeholder engagement 	<ul style="list-style-type: none"> ● Number of stakeholder dialogues ● Ensuring transparency on relationships with healthcare professionals and patients groups ● Promotion of appropriate provision of information based on scientific evidence
Corporate regulatory compliance, quality assurance and stable supply	<ul style="list-style-type: none"> ● Ensuring strong quality assurance and regulatory affairs as well as data integrity ● Practice of pharmacovigilance by centralized management of safety information and implementation of timely safety measures ● Prevention of occurrence of drug-induced suffering ● Promotion of proper use by provision of appropriate information 	<ul style="list-style-type: none"> ● Implementation of management reviews ● Responding to inspections and audits ● Providing education on collection of safety information, quality assurance and drug-induced suffering ● Integrated management of safety information and early detection of risks ● Consideration and implementation of revisions to Precautions in package inserts
	<ul style="list-style-type: none"> ● Continuation of three Ss (safe operations, sound quality and stable supply) ● Strengthening of supply chain 	<ul style="list-style-type: none"> ● Number of serious accidents ● Number of product recalls due to quality issues ● Rationalization of safety stock standards ● Rebuilding and strengthening of BCPs ● Implementation of supplier risk assessments

Material issues	Targets	KPIs
CSR procurement	<ul style="list-style-type: none"> ● Achievement of balanced, fair, and transparent transactions 	<ul style="list-style-type: none"> ● Implementation of supplier surveys (identification of supplier survey targets and implementation of supplier survey)
Health, safety, and welfare of employees	<ul style="list-style-type: none"> ● Promotion of health through practice of the declaration of “Health Innovation” ● Occupational health and safety activities, prevention of occupational accidents 	<ul style="list-style-type: none"> ● Smoking rate of employees (target: -2%/year) ● Prevention of serious illness (percentage of health checkups for employees covered by specific health guidance (target: 100%), Percentage of health checkups for employees requiring treatment based on instructions of occupational physician (target: 100%) ● Percentage of employees receiving stress checks (target: 100%) ● All insured persons and dependents to receive specific health checkups for preventing metabolic syndrome in the over-40s (target: 100%) ● Work-related accident frequency rate and lost-time injury frequency rate (excluding accidents involving business vehicles)
Environmental initiatives	<ul style="list-style-type: none"> ● Building a low carbon society ● Efficient use of resources (water and waste) ● Proper information disclosure and responding to TCFD 	<ul style="list-style-type: none"> ● Implementation of measures to achieve FY2030 and FY2050 goals ● Per-unit energy consumption ● Recycling rate and final disposal rate of waste ● Acquisition of third-party assurance for environmental data ● Promotion of evaluation of risks and opportunities related to climate change and water



Sumitomo Dainippon
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