

# ESG Meeting (Discussion with Investors)

December 13, 2022

Sumitomo Pharma Co., Ltd.

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- Accordingly, forecasts, plans, goals, and other statements may not be realized as described, and actual financial results, success/failure or progress of development, and other projections may differ materially from those presented herein.
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# Today's Purpose and Agenda

## Today's purpose

We will reorganize material issues from the perspective of the degree of their impacts on the value we provide based on our corporate mission. Exchange opinions on “Our capital (strengths/potential),” which is the source of our unique value creation and is important for reorganizing material issues

### 1. Toward Reorganization of Material Issues

Executive Officer

Naoki Noguchi

### 2. Panel Discussion on the Company's Capital (strengths/potential), etc.

Panelists:

Representative Director, President and CEO

Hiroshi Nomura

Representative Director, Executive Vice President

Toru Kimura

Member, Board of Directors (Outside)

Saeko Arai

Member, Board of Directors (Outside)

Minoru Usui

Member, Board of Directors (Outside)

Koji Fujimoto

Executive Officer

Naoki Noguchi

Facilitator:

RIDEAL CEO

Mariko Mishiro



# Toward Reorganization of Material Issues

**Naoki Noguchi**  
**Executive Officer**

## Status of Updates based on Our Past Initiatives and Dialogue with Stakeholders regarding Material Issues

FY2018: Identified material issues

FY2019: Organized material issues items based on dialogue with stakeholders and classified them into the following two categories

1. Solving issues is important for our sustained growth “Materiality linked to value creation”
2. Solving issues is essential for our business continuity “Materiality that forms the foundation for business continuity”

FY2020: Set targets (qualitative indicators) for material issues items

FY2021: Verified material issues items based on dialogue with stakeholders and set KPIs (For promoting further dialogue with stakeholders)

FY2022: Updated some of the KPIs set in FY2021

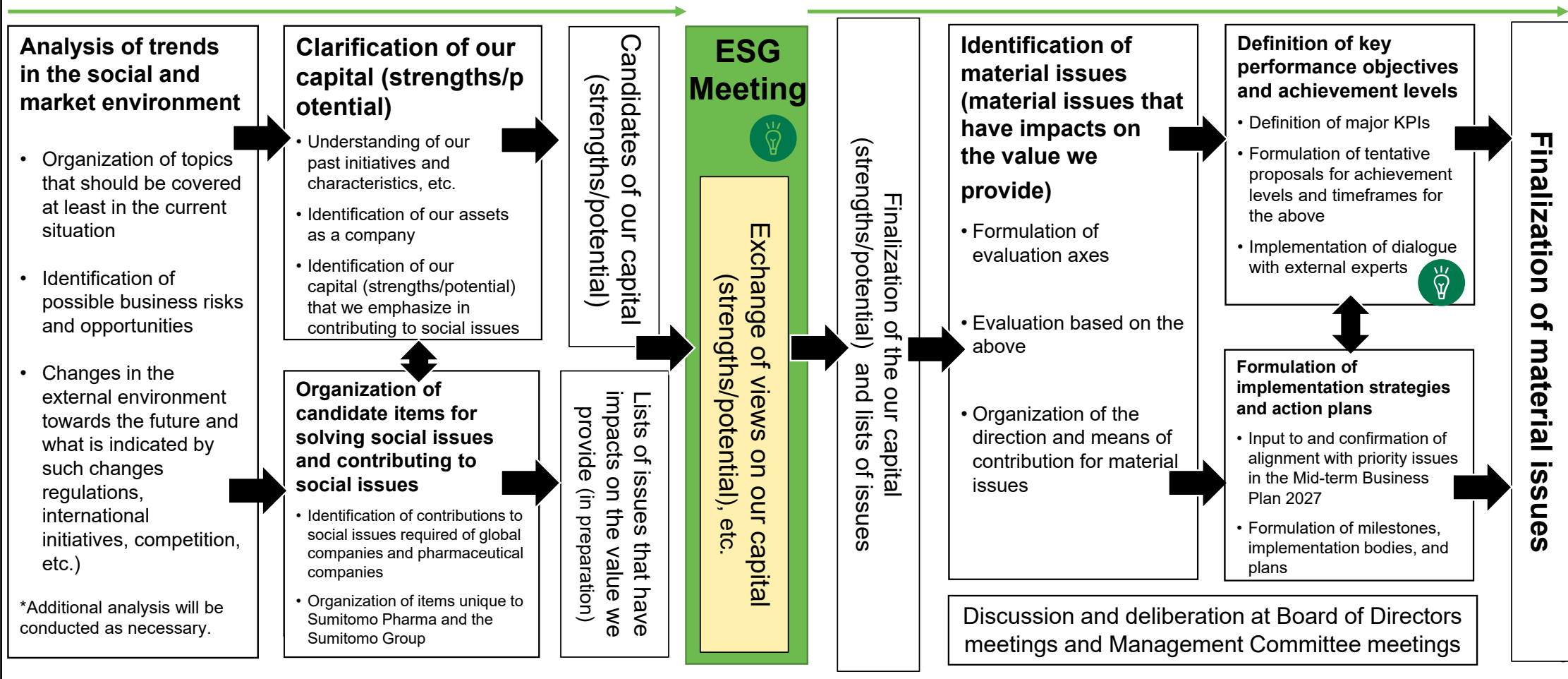
# Approaches to Consider Material Issues

Proceeding with consideration while providing opportunities for verification and advice from external experts

Finalizing based on the opinions obtained through dialogue with investors and analysts today



Conducting dialogue and verification with external stakeholders, including investors, analysts, and experts



## Toward Reorganization of Material Issues

Redefining material Issues from the perspective of the degree of their impacts on the value we provide based on our corporate mission

**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  
(Global slogan : Innovation today, healthier tomorrows)**

**Value  
We Provide**

**Creating innovative products and healthcare solutions in our focus areas, Psychiatry & Neurology, Oncology, and Regenerative Medicine and Cell Therapy, to create a society where people can lead healthy lives, both physically and mentally, even if they become ill**

- ✓ Material issues are defined as those that have impacts on the value we provide
- ✓ As a process of considering material issues that have impacts on the value we provide, we have extracted “focus points for considering material issues” based on role as a global pharmaceutical company and expectations from society. Then we are developing a list of candidates for material issues by elaborating issues on each of “focus points” from the perspectives of “our capital (strengths/potential)” and “social issues and needs related to medical and health care.” After this, we will evaluate the degree of the impacts of those candidates

## **The Essence of Material Issues that We Focus on**

Build a story that is consistent with our capital (strengths/potential) and our response to social issues and needs related to medical and health care

- **A certain level of comprehensiveness is ensured and the focus of the global company/pharmaceutical company/the Company is clarified at the same time**
- **The transparency and accountability of the identified processes and the ideas behind them are maintained**
- **The connection with the corporate mission system set forth by the Sumitomo Group and Sumitomo Pharma is systematic and clear**
- **The material issues are aligned with the Mid-term Business Plan 2027, which serves as the material issue's implementation plan**
- **The material issue's actionable and observable objectives and activity plans for the period of the Mid-term Business Plan 2027 and thereafter are visible**
- **Flexibility with the prospect of uncertainty in the market and business environment and the possibility of revision are taken into account**



## 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

# Focus Points for Considering Material Issues (1)

Designing the focus points based on role as a global pharmaceutical company and expectations from society



Reference source: Prepared based on SASB (Sustainability Accounting Standards Board) standards and information transmitted by other relevant international organizations

## Focus Points for Considering Material Issues (2)

We have extracted “focus points for considering material issues” based on role as a global pharmaceutical company and expectations from society and are elaborating issues on each of “focus points” from the perspectives of “our capital (strengths/potential)” and “social issues and needs related to medical and health care”

### Our Capital (strengths/potential)

Identify issues from the perspective of our capital (strengths/potential) in order to explore the sources of our unique value creation and to prepare for opportunities and risks

### Role as a global pharmaceutical company and expectations from society

**Drug discovery and creation of innovation**

**Distribution and supply of pharmaceuticals**  
Sustainability of operations

**Safety and quality of medical care**  
Sustainability of business models

**Quality of management/ Governance**

**Improvement and provision of working environment**

**Safety and security of social life**

**Advancement in education, science and technology**

**Respect for human rights**

**Environmental conservation**  
Water, oceans, atmosphere, energy resources

**Protection of living organisms and ecosystems**

### Social Issues/Needs related to medical and health care

Identify issues from the perspective of social issues and needs related to medical and health care in order to continuously create value in a situation where the speed of change in social issues and the uncertainty of the business environment are increasing

Issues

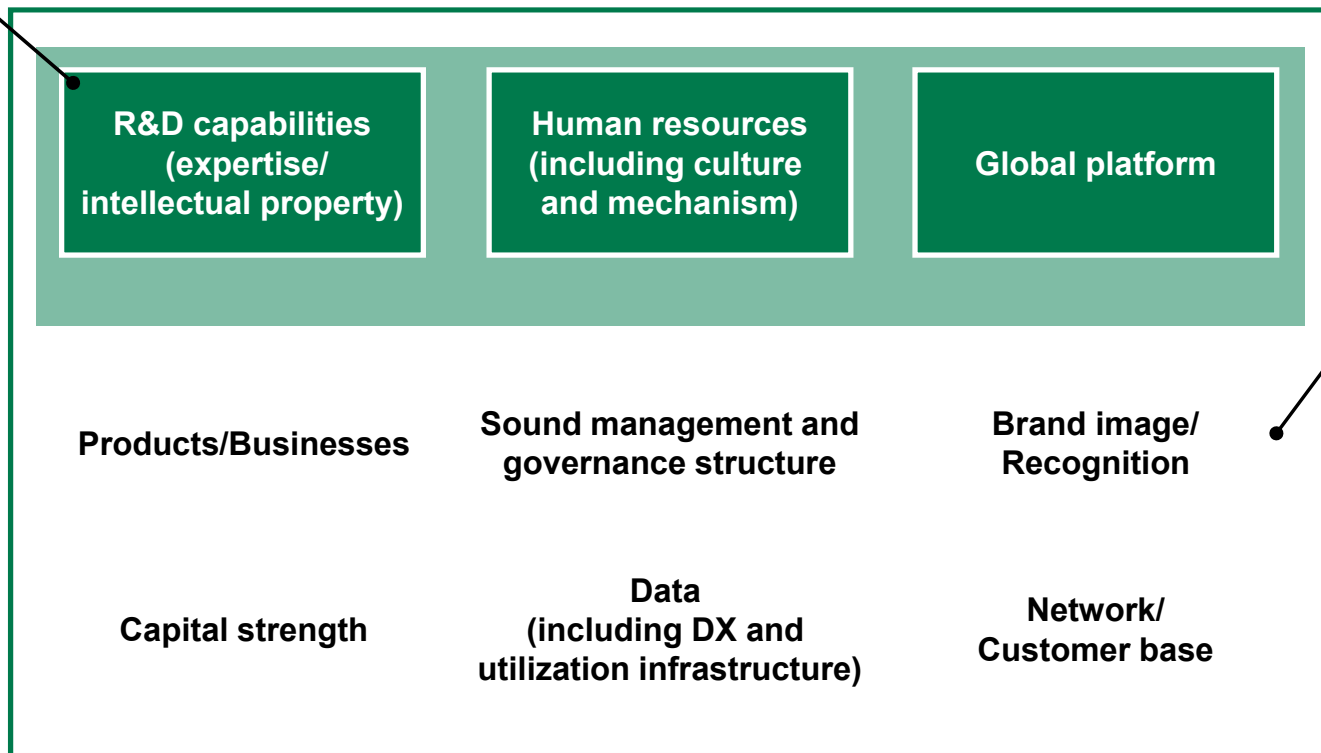
Material  
Issues

**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 Policy of Deepening Our Capital (strengths/potential)

In addition to our capital (strengths/potential) that we have already identified, we will also shed light on the achievements of our business activities and our future strengths/potential in order to explore the sources of value creation that are unique to our company

Items we have already identified and communicated as our capital (strengths/potential)



Reorganizing with increased resolution in order to identify material issues in the future

Potential and universal factors that could be our capital (strengths/potential) in the future

Seeking impact on material issues through reorganization

\*Defining the capital that will be our capital (strengths/potential) based on the six capitals in integrated reporting as defined by the IIRC

Capital (strengths/potential)

## R&D Capabilities: R&D Capabilities in Areas with High Unmet Medical Needs

<p><b>Psychiatry &amp; Neurology area</b></p>	<ul style="list-style-type: none"> <li>✓ Track record and know-how gained from many years' of R&amp;D</li> <li>✓ Promote drug discovery and strengthen translational research based on a drug discovery technology platform that incorporates advanced technologies (AI (in silico), human pathologies prepared using patient-derived iPS cells, primate evaluation systems, etc.) (7 compounds entered clinical stage in FY2018-FY2021)</li> <li>✓ Organizational structure that supports product creation (research project system, virtual one-team activities)</li> </ul>
<p><b>Oncology area</b></p>	<ul style="list-style-type: none"> <li>✓ Highly unique drug discovery targets selected through collaboration with academia or through the utilizing of digital technologies such as DrugOME (7 compounds entered clinical stage in FY2018-FY2021)</li> <li>✓ New modality technology platform that can be implemented in drug discovery</li> </ul>
<p><b>Regenerative Medicine / Cell Therapy field</b></p>	<ul style="list-style-type: none"> <li>✓ A front runner aiming for the commercialization of iPS cell-derived cell therapy products</li> <li>✓ Strong networks with academia and biotech companies</li> <li>✓ In-house production equipment and technology base such as manufacturing know-how (including cell culture engineers, etc.), expansion to North America</li> </ul>
<p><b>Infectious Diseases</b></p>	<ul style="list-style-type: none"> <li>✓ R&amp;D experience in various areas , including antibiotics, vaccine adjuvants, etc.</li> <li>✓ Joint research with external institutions</li> </ul>
<p><b>Others ( Best in class )</b></p>	<ul style="list-style-type: none"> <li>✓ Expanding the pipeline and productization through our partnership with Roivant Sciences Ltd.</li> </ul>
<p><b>Frontier business</b></p>	<ul style="list-style-type: none"> <li>✓ A deep understanding of diseases cultivated through pharmaceutical research and development and the ability to identify unmet medical needs</li> <li>✓ Ability to create innovation based on collaboration with various networks of outstanding scientists and core technologies</li> </ul>

Capital (strengths/potential)

## **Human Resources:** Diligent and Honest Human Resources and Framework to Utilize Individual Employee's Capabilities

### **Diligent and honest human resources with resilient and detailed execution**

- ✓ Employee engagement score that exceeds the average score of other companies (FY2021: 59.0 for the Company, 50.0 for the average of other companies)
- ✓ Low turnover rate (the turnover rate for personal reasons in the last five years was at the 1% level)

### **Professional Human Resources System utilizing employees with specialization and a strong ability to produce results**

- ✓ Professional Contributors: approx. 40 as of end of March 2022  
Person producing maximal results through outstanding individual capability and expertise
- ✓ Professional Managers: approx. 300 as of end of March 2022  
Person producing maximal results through professionalism in organization management

### **Developing project leaders by promoting a research project system**

- ✓ Actively promoting young employees as project leaders
- ✓ Holding the authority to execute the project budget and playing a central role in promoting the research project for which he/she is in charge

### **Initiatives for further strengthening human resources**

- ✓ “Nurturing a corporate culture imbued with an enterprising” and promoting “Project CHANTO”
- ✓ Fostering leaders through Selective training (SMP Academy), overseas work experience, etc.
- ✓ Develop DX literacy through DX human resource training and DX human resources that contribute to the utilization of healthcare technology platforms (DrugOME/Digital Innovation), etc.
- ✓ Diversity & inclusion initiative targeting active participation by a varied work force

Capital (strengths/potential)

## Global Platform: Development, Production, and Commercial Functions in Japan, the U.S., and China Supporting Global Expansion

### North America

- A solid business operation system with an excellent management team that can always communicate closely with the Company
- Know-hows in development and sales in the psychiatry and neurology area, including making LATUDA® into a major product
- Strong sales structure through partnering

### Japan

Sales foundation built by MRs with high expertise in diabetes, psychiatry and neurology area, etc.

### China/Asia

Track record of launching competitive in-house products such as MEROPEN® and LATUDA® as the third pillar

Promoting collaboration with partners in Europe and other regions

- ✓ In addition to the above, Japan and the U.S. have healthcare technology platforms (DrugOME and Digital Innovation) that support the improvement of the probability of success in the research and development and the business return on investment

## Focus Points for Considering Material Issues (2)

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Issues

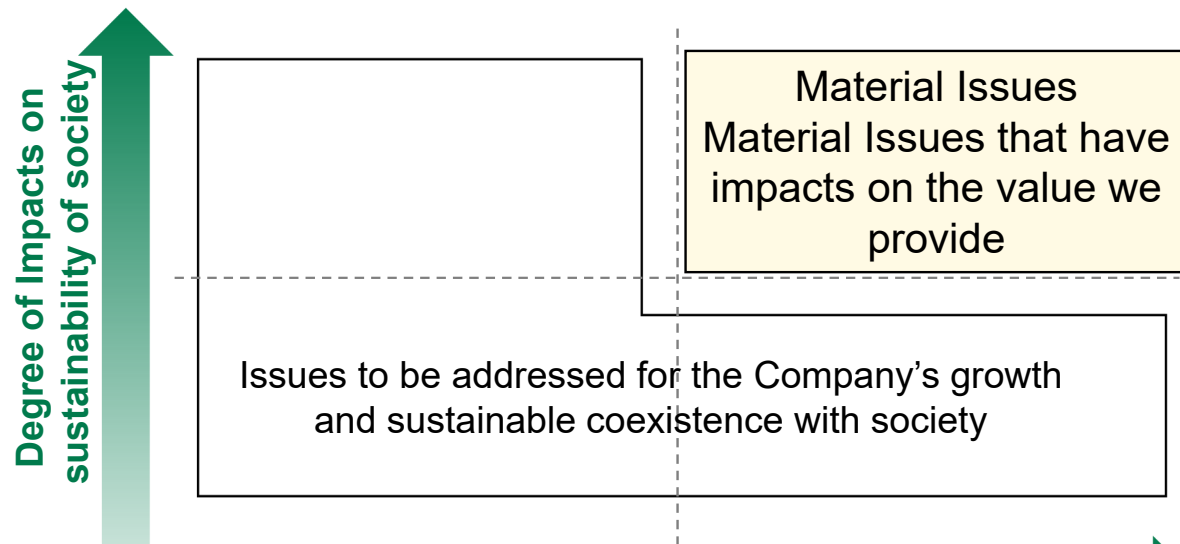
Material  
Issues

**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**



# Overall Picture of Identification of Material Issues

- ❑ Level of interest of stakeholders
- ❑ Magnitude of impact and level of contribution (≡ Frequency and size of opportunities for the Company)



## Degree of impacts on the value we provide

- ❑ Alignment with the Sumitomo Group and our corporate mission system
- ❑ Alignment with our capital (strengths/potential) and business strategy

## Appendix

- P18 : List of Issues regarding “Drug discovery and creation of innovation” (1st draft)
- P19 : Our Materiality
- P20 : Progress on Materiality KPIs (FY2021)
- P21,22 : FY2021 Progress on KPIs: Excerpted from Material Issues Linked to Value Creation
- P23 : Change Status of KPIs (FY2022)
- P24,25 : Initiatives to Enhance the Effectiveness of the Board of Directors

# List of Issues regarding “Drug discovery and creation of innovation” (1st draft)

## “Drug discovery and creation of innovation”

### A list of issues extracted from “our capital (strengths/potential)”

Capital (strengths/potential)	Issues
Research and development capabilities	Further accumulation and utilization of know-hows in the Psychiatry & Neurology area Development of highly unique and novel modality technologies in the Oncology area Further strengthening of technologies in the Regenerative Medicine / Cell Therapy field
Data (including DX and utilization infrastructure)	Promotion of DTx in the R&D, including further utilization of RWD and in-house data Further strengthening of our ability to explore synthesis Strengthening of our portfolio of intellectual property Strengthening of our ability to identify compounds that satisfy UMN from the patients’ and other perspectives
Human resources	Further strengthening of a culture and structure that can respect the ideas and self-disciplined of each employee, Fostering a culture of challenge
Global platform	Further strengthening of drug discovery and clinical development based on collaboration between overseas sites (U.S. subsidiaries) and Japan (Sumitomo Pharma)
Products/Businesses	Improvement and maturity of the business environment of the Regenerative Medicine/ Cell Therapy field Provision of novel healthcare solutions beyond pharmaceuticals
Brand image/recognition Network/customer base	Strengthening of synergies with Sumitomo Chemical Co., Ltd. Strengthening of open innovation through collaboration with academia, KOLs, and biotech companies
Capital strength	Efficient allocation of research and development expenses

### A list of issues extracted from “Social issues and needs related to medical and health care”

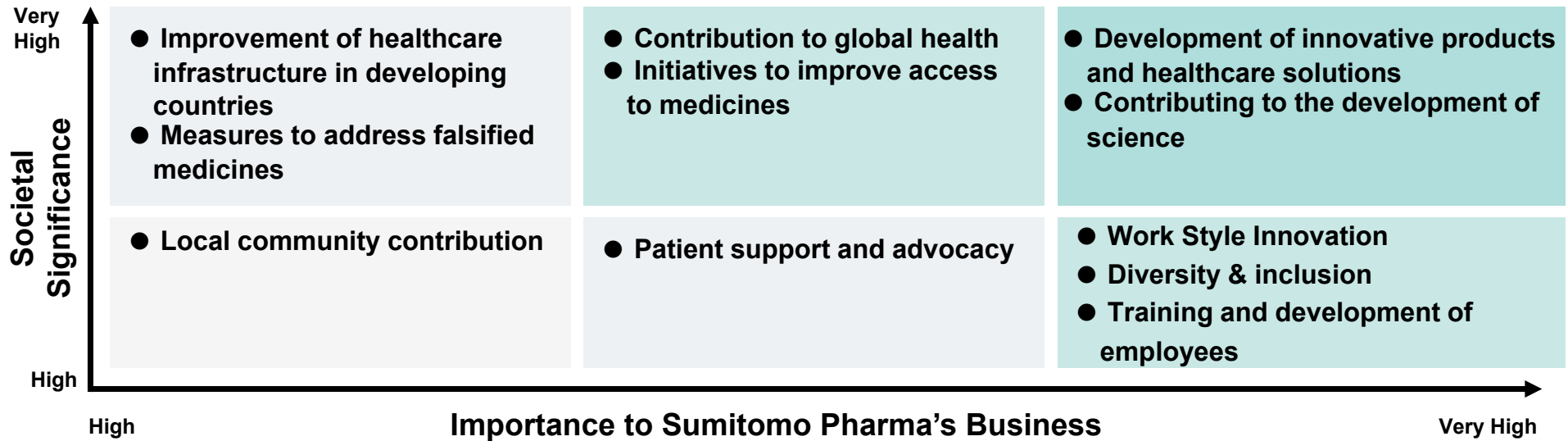
Fulfillment of UMN
Optimal implementation of non-clinical studies
Efficiency of research and development
Patient-centered value design and precision medicine
Response to Increase in patients with non-communicable diseases
Response to emerging infectious diseases and disorders
Soundness of clinical studies

UMN : Unmet Medical Needs  
RWD : Real World Data  
DTx : Digital Therapeutics

# Our Materiality

## Materiality linked to value creation

—solving issues is important for our sustained growth



## 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

## ■ Progress on Materiality KPIs (FY2021)

Please refer to P35-38 of Integrated Report 2022 for the progress of materiality KPIs (FY2021)

Please see the link below

<https://www.sumitomo-pharma.com/sustainability/management/materiality.html>

## 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
<p>1. Progress on main development pipeline</p> <ul style="list-style-type: none"> <li>○ Targets in Psychiatry &amp; Neurology area ulotaront (SEP-363856): launch in FY2023 (U.S.), SEP-4199: launch in latter half of 2020s</li> </ul>	<p>ulotaront (SEP-363856): Continued Phase 3 (U.S.) for schizophrenia, continued Phase 2/3 (Japan and China), <b><u>target for launch changed to FY2024 in the U.S.</u></b></p> <p>SEP-4199: Starting Phase 3 (Japan and U.S.) for Bipolar I depression</p>
<ul style="list-style-type: none"> <li>○ Targets in Oncology area DSP-7888: launch in FY2024 (Japan and U.S.)</li> </ul>	<p>DSP-7888: Stopped Phase 3 for glioblastoma, continued Phase 1/2 for solid tumors (Announced discontinuation of development in October 2022)</p> <p><b><u>The launch of a product in Oncology area has been changed to the second half of the 2020s</u></b></p>
<ul style="list-style-type: none"> <li>○ 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)</li> </ul>	<p>Pediatric congenital athymia: Approved in the U.S. in October 2021, launched in March 2022</p> <p>Parkinson's disease: Phase 1/2 (investigator-initiated clinical trial), <b><u>target for launch changed to FY2024 in Japan</u></b></p> <p>Age-related macular degeneration (AMD): Preparing for clinical trials</p>

## 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																	
<p>1. Progress on main development pipeline</p> <ul style="list-style-type: none"> <li>○ 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.)</li> </ul>	<p>Relugolix: Filed for additional indication of endometriosis in July 2021 (U.S.) (approved in August 2022)</p> <p>rodatristat ethyl: Phase 2 (U.S.)</p>																	
<ul style="list-style-type: none"> <li>○ Targets for Frontier business commercialization of multiple products (target: launch in FY2023–2025 (Japan and U.S.))</li> </ul>	<p>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.)</p>																	
<p>4. Work motivation of research &amp; development staff</p> <ul style="list-style-type: none"> <li>○ Evaluation score of research &amp; development staff in employee engagement survey</li> </ul>	<table border="1"> <thead> <tr> <th></th> <th>Expectation</th> <th>Satisfaction</th> </tr> </thead> <tbody> <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> </tbody> </table>		Expectation	Satisfaction	Sense of responsibility and satisfaction for work	4.0	3.7	Sense of contribution to customers and society	3.8	3.5	Acquisition of professional skills	3.9	3.6	Demonstration of individuality and ability	4.1	3.7	<ul style="list-style-type: none"> <li>• Average score of the research and development departments on a 5-point scale</li> <li>• Compared to FY2020, the level of expectation and satisfaction for all items remained at FY2020 levels or increased by 0.1 point</li> </ul>	
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## Change Status of KPIs (FY2022)

Material issues	Targets	KPIs		
		FY2021	FY2022	Reasons for the change
Diversity & inclusion	<ul style="list-style-type: none"> <li>Promotion of active participation by female employees</li> <li>Promotion of LGBTQ understanding</li> <li>Promotion of active participation by people with disabilities through appropriate placement</li> </ul>	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	<ul style="list-style-type: none"> <li>Continuation of three Ss (safe operations, sound quality and stable supply)</li> <li>Strengthening of supply chain</li> </ul>	Rebuilding and strengthening of BCPs	Regularly review BCPs and conduct training	To make it an indicator through which a quantitatively measurement is possible



## Initiatives to Enhance the Effectiveness of the Board of Directors

- ❑ The Company has evaluated the effectiveness of the Board of Directors annually since FY2015
- ❑ In FY2021, the Company utilized external evaluation (the external lawyer) for the second time since FY2018. In addition to the questionnaire survey, interviews were conducted with outside directors and representative directors
  
- ❑ Initiatives to major agendas in FY2021
  - “Further enhancement of discussions for risk management”
    - We expanded the time for reporting on the status of our risk management initiatives at Board of Directors meetings (120 minutes for the three agenda items in total) and improved the quality of the reports
  
  - “Provision of the appropriate number of agenda items and appropriate time for deliberation”
    - In order to enhance deliberations on more important agenda items, we revised the Board of Directors’ Regulations and reviewed the criteria for submission of agenda items to the Board of Directors’ meetings
  
  - “Enhancement of training”
    - Three training sessions (approximately 200 minutes in total) were conducted for all officers
    - One training session (approximately 90 minutes) was conducted for audit & supervisory board members
    - In addition to the above, each officer participated in activity briefing sessions held by each division and department as appropriate

## Initiatives to Enhance the Effectiveness of the Board of Directors

### Results of self-evaluation

Based on the report of the quantitative analysis of answers to the questionnaire and all the opinions entered in the comment boxes, opinions were exchanged at the meeting of the Board of Directors in April of 2022. As a result, it was confirmed that there is no major problem to be pointed out with respect to the operation of the Board of Directors in FY2021 and the effectiveness of the Board of Directors of the Company has been ensured in general. In addition, it was agreed that appropriate progress was seen as to the efforts for the major agendas of FY2021

### Results of external evaluation

At the meeting of the Board of Directors held in May of 2022, the external evaluator (the external lawyer) reported an evaluation result stating that it is considered that the effectiveness of the Board of Directors of the Company has been ensured as a whole with respect to its effectiveness in FY2021, as a result of the review of the materials related to the Board of Directors and other documents, analysis of questionnaires, as well as interviews conducted

### Major agendas to be addressed in FY2022

The following agendas have been identified as major agendas to be addressed in FY2022 as a result of the evaluation of the effectiveness of the Board of Directors for FY2021

1. Effective supervision of the management through more efficient and effective monitoring of material items
2. Constructive discussions regarding agendas to be addressed in the medium- to long-term
3. Deepening of discussion regarding issues related to sustainability

The Board of Directors of the Company is determined to further enhance its functions, while addressing these agendas

