Mid-term Business Plan 2022

April 12, 2019
Sumitomo Dainippon Pharma Co., Ltd.
Disclaimer Regarding Forward-looking Statements

This material contains forecasts, projections, targets, plans, and other forward-looking statements regarding the Group’s financial results and other data. Such forward-looking statements are based on the Company’s assumptions, estimates, outlook, and other judgments made in light of information available at the time of preparation of such statements and involve both known and unknown risks and uncertainties.

Accordingly, 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.

Information concerning pharmaceuticals (including compounds under development) contained herein is not intended as advertising or as medical advice.
Today’s Agenda

External Environment and Long-Term Vision

Mid-term Business Plan 2022

I Establishment of Growth Engine
II Building of Flexible and Efficient Organization
III Financial Goals and Capital Allocation Strategy
External Environment and Long-Term Vision
Corporate Philosophy and Strengths

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

- To contribute to healthcare and people's well-being based upon the principles of patient-oriented management and innovative research
- To continuously strive to maximize corporate value through constant business development and to fulfill shareholder expectations
- To create an environment in which employees can fulfill their potential and increase their creativity
- To maintain the trust of society and to contribute to the realization of a better global environment

Management Resources (Core Competencies)

Distinctive R&D capabilities in the three focus areas (Psychiatry & Neurology Area, Oncology Area, Regenerative Medicine / Cell Therapy Field)

Human resources management that retains excellent talent and maximizes potential of each employee

A platform supporting global business expansion

Implementation of Corporate Mission = CSR-Based Management
ESG Activities

- Achieve sustained growth by addressing material issues (Materiality)
- Our continued commitment to resolving materiality allows us to achieve Sustainable Development Goals (SDGs)

**E** Environment
- Contribution to low carbon society (Reduced CO₂ emissions)
- Communications about environmental issues

**S** Society
- Development of innovative products
  - Psychiatry & Neurology, Oncology, Regenerative Medicine & Cell Therapy, Infectious Diseases, Frontier business
- Strengthening of human resources
  - Further promotion of work style innovation, employee development and diversity & inclusion

**G** Governance
- Enhancement of effectiveness of oversight by Board of Directors
- Continued implementation of risk management and compliance activities
Changes in Environment Surrounding Pharma (Anticipated changes over the next 15 years)

Given the Fourth Industrial Revolution, further aging society and rising pressure on healthcare cost, in this “Time for Change” a non-conventional business model is imperative to compete on a global basis.

<Society>
- Acceleration of the 4th Industrial Revolution
- Aging society with fewer working population
- Rise of China and other emerging countries, relatively lower positioning of Japan and Europe
- Increasing corporate social responsibilities for contribution to global health

<Healthcare / Healthcare System>
- Further aging society
- Higher pressure on healthcare costs
- More disease-prevention measures available and more diseases treatable
- Realization of new modalities such as regenerative medicine
- Greater use of big data and AI technologies

<Healthcare Industry>
Solution to unmet medical needs
- Pharmaceutical products remain at the core of solutions
- Digital technologies become available
- Preventive medical care become available
Vision 2033

Aspire to establish a position as a “Global Specialized Player” with ability to meet increasingly diversified needs for healthcare

Global Specialized Player

Pharmaceuticals + Solutions
- Medicine / Cell Therapy
- Healthcare Solution (Frontier business)

Global leader in 3 areas
- Psychiatry & Neurology
- Oncology
- Regenerative / Cell

Current state
External Environment and Long-Term Vision

Strategic Imperatives

Accelerate fundamental reform during this MTBP period to prepare for post-LATUDA® success, leading to sustained growth

Key Issues

- Expand post-LATUDA® assets
- Expand pipeline by continued creation of innovative new drugs
- Meet needs for preventive medical care and for digital technologies
- Reinforce profitability of North America and Japan business
- Expand presence in China and Asia
- Enhance organizational capabilities to address changes in external environment

Measures

- Achieve successful development of late-stage assets
- Execute strategic investment (M&A and in-licensing)
- Enhance drug discovery capability with new approaches
- Accelerate development of early-stage assets
- Concentrate R&D resources on Psychiatry & Neurology, Oncology, and Regenerative Medicine / Cell Therapy
- Create new value by launching healthcare solutions ("Frontier") business
- Develop and implement regional strategies which reflect changes in business environment
- Nurture corporate culture with professional talents that drive innovation
- Achieve significant improvement in productivity through digital innovation
Mid-term Business Plan 2022
(FY2018 to FY2022)
Mid-term Business Plan 2022 Basic Strategies: Re-build Business Foundation

Reshape business foundation through the “establishment of growth engine” and the “building of flexible and efficient organization”, preparing for the “Time for Change” and post-LATUDA® revenue replacement

1. Establishment of growth engine
   - Enhance innovation base with new approaches to drug discovery
   - Deliver highest performance of clinical development
   - Pipeline expansion through strategic investment
   - Regional strategy centering in Japan, North America and China
   - Launch frontier business

2. Building of flexible and efficient organization
   - Flexible and efficient operations
   - “CHANTO”
   - Digital innovation
   - Corporate culture and talent to drive innovation
Mid-term Business Plan 2022

Establishment of Growth Engine

1. Enhance innovation base with new approaches to drug discovery
2. Deliver 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
1. Enhance Innovation Base with New Approaches to Drug Discovery

1. Prioritize the three focus areas + Infectious diseases and Vaccines
   (Psychiatry & Neurology, Oncology, Regenerative / Cell + AMR* and Vaccine adjuvants)

2. Accelerate external collaboration
   (Integrating our competency and external expertise in Japan and U.S.)

3. Explore innovation leveraging by digital technologies and big data

4. Engage in initiatives to realize Precision Medicines

* AMR: Antimicrobial Resistance
Establishment of Growth Engine ①Enhance Innovation Base with New Approaches to Drug Discovery

Psychiatry & Neurology Area

**Psychiatric Disorders**
Engage in drug discovery research based on neural circuit pathology

**Psychiatric symptoms related to neurological disorders**
- Schizophrenia, Depression, Neurodevelopmental disorder

**Neurological Disorders**
Develop disease-modifying drugs based on molecular pathophysiology

- Parkinson’s Disease, Dementia, Rare disease

Our Competitive Advantages
- Translational research expertise and know-how
- Our unique platform for drug discovery research developed through internal expertise and external cutting-edge technology

Patient Stratification  
External Seeds  
New Modalities

Develop Disease Models & Biomarkers

Big Data & Digital Technologies
Oncology Area

Reinforce drug discovery capability to deliver innovative drugs

- **Right Target**
  - Unique seeds & theme
  - Continued focus on cell-cell interaction in tumor microenvironment*
  - Implement novel technology platform to develop best modalities

- **Right Approach**
  - Network-oriented/Integrated R&D
  - Acceleration of collaborative R&D efforts, integrating internal (Japan and U.S.) and external expertise
  - Establish seamless collaboration between research and development to evaluate more candidates in clinical studies

- **Right Vision**
  - Stepping stone to the future
  - Continued access to cutting-edge technologies
  - Drug discovery research with big data and digital technologies

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*Tumor microenvironment: the environment around a tumor and surrounding host-derived cells that interacts and is related to tumor pathology, and significantly influences prognosis, sensitivity and resistance to treatment.*
Regenerative Medicine/Cell Therapy Area

Actively pursue the open innovation-based unique growth model, integrating internal advanced manufacturing expertise and external cutting-edge science, to achieve early commercialization

- **Introduce next-generation seeds/technology**
  - iPS cell-derived organ (kidney, etc.)
  - Autologous iPS cell-derived cell/tissue
  - Gene transfer/modification
  - Next-generation stem cell

- **Contribute to early commercialization and expand pipeline**
  - MSC/somatic stem cell

**Related business (diagnosis, rehabilitation, etc.)**

- **Autologous cell therapy**
- **Genome editing**
- **Organ regeneration**
- **Gene therapy**

**Realize next-generation regenerative medicine**
(including application to peripheral organs)

- **Allogenic iPS cell-derived tissue**
  - 3D-Retina
- **Allogenic iPS cell-derived differentiated cell**
  - Dopaminergic neuron progenitor
  - Retinal pigment epithelium
  - Neural progenitor

- **Mesenchymal stem cell (MSC)**
  - SB623
  - Collaboration with DS Pharma Animal Health

Accelerate on-going projects (mainly in Neurology and Ophthalmology)

Aim to realize financial contributions during the next MTBP period (FY2023 to FY2027)
Establishment of Growth Engine ① Enhance Innovation Base with New Approaches to Drug Discovery

Infectious Diseases & Vaccines

**Sumitomo Dainippon Pharma**
- Accumulated R&D experience (MEROPEN®, TLR7 agonist, etc.)

**“Contribution to Global Health”**
- Accelerate drug research through collaboration between DSP and academia
- Aim for commercialization during or after the next MTBP period

**Academia, etc.**
- Scientific expertise and insights in respective specialty fields
- Global network

**Drug discovery to treat Antimicrobial resistance (AMR*1)**
Joint project with the Kitasato Institute, covered by AMED*2’s CiCLE*3

**Drug discovery of adjuvanted vaccines**
Combination of our TLR7 agonist (adjuvant) and promising antigen from outside (Malaria, Universal influenza, etc.)

*1 AMR : Antimicrobial resistance
*2 AMED : Japan Agency for Medical Research and Development
*3 CiCLE : Cyclic Innovation for Clinical Empowerment
Deliver Highest Performance of Clinical Development

Strengthen our capability to ensure highest performance ("CHANTO"), while preparing for post-LATUDA® era

I. Goal setting for securing success

- Anticipation of future changes in the environment and preparation of strategies to demonstrate clinical and health economic benefits
- Objective assessment and decision-making based on scientific evidence

II. Management of business risk

- Risk mitigation measures to be taken with external partnership
- Priority placed on indications requiring small-scale clinical studies and/or with high probability of success

III. Adopting cutting-edge technology

- Improvement in probability of success and efficiency with biomarkers and big data
- Adaptation to ever-changing regulatory system and drug development concept
Development Pipeline (as of April 2019)

Accelerate POC approval of early stage assets, Ensure development of late stage assets

<table>
<thead>
<tr>
<th>Area</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>NDA submitted</th>
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<td><strong>Japan</strong></td>
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<td></td>
<td>dasotraline (ADHD)</td>
<td>alvocidib (AML)</td>
<td>amcasertib (Solid tumors)</td>
<td>LONASEN® (Schizophrenia / Transdermal patch)</td>
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<tr>
<td></td>
<td>SEP-363856 (Schizophrenia)</td>
<td>TP-0903 (Solid tumors)</td>
<td>DSP-7888 (Solid tumors / Hematologic malignancies)</td>
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<tr>
<td></td>
<td>EPI-589 (ALS)</td>
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<td>napabucasin (Colorectal cancer / Pancreatic cancer)</td>
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<td><strong>U.S.</strong></td>
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<td>EPI-743 (Leigh syndrome)</td>
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<td></td>
<td>DSP-6745 (Parkinson’s disease psychosis)</td>
<td>alvocidib (AML / MDS)</td>
<td>SEP-4199 (Bipolar I depression)</td>
<td>RITHIO® (Conditioning treatment prior to autologous HSCT for pediatric malignant lymphoma)</td>
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<tr>
<td></td>
<td>SEP-378608 (Bipolar disorder)</td>
<td>TP-0903 (Solid tumors / Hematologic malignancies)</td>
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<td>DSP-3905 (Neuropathic pain)</td>
<td>DSP-0509 (Solid tumors)</td>
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<tr>
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<td>SEP-378614 (Treatment resistant depression)</td>
<td>TP-0184 (Solid tumors)</td>
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<td>DSP-0337 (Solid tumors)</td>
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<td>TP-1287 (Solid tumors)</td>
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<td></td>
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<td>TP-3654 (Solid tumors)</td>
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: Psychiatry & Neurology  : Oncology  : Regenerative medicine / cell therapy  : Others

- LONASEN®: (Schizophrenia / Transdermal patch)
- RITHIO®: (Conditioning treatment prior to autologous HSCT for pediatric malignant lymphoma)

Received Complete Response Letter

Investigator-initiated clinical study

Investigator-initiated clinical study

Investigator-initiated clinical study

Investigator-initiated clinical study
Priorities in Psychiatry & Neurology Area

Leverage our accumulated know-how to accelerate development of SEP-363856

**Innovative drug profile**
- Non binding to dopamine D₂ receptor
- Potential for high efficacy to treat positive and negative symptoms
- Potential for major improvement in anti-psychotic drug safety and tolerability

**Indication expansion**
- Gain FDA approval for schizophrenia
- Explore applications to other psychiatric diseases in a timely manner

**Innovative clinical development**
- Ability to enhance POS for clinical study capitalizing on our own experience and know-how
- Ensure full spectrum of improvement in clinical symptoms is identified and assessed
- Clinical development based on data from existing products (e.g. LATUDA®)

SEP-363856
New generation of antipsychotics (Non-D₂)
Aiming to contribute to society by creating a new treatment paradigm

Growth potential beyond LATUDA®

- Development status: Plan to initiate Phase 3 study for schizophrenia in FY2019
- Launch target: FY2023
Priorities in Oncology Area

Move forward with development in a steady and speedy manner to establish oncology franchise

Late stage assets
- napabucasin

Ensure solid and speedy development

Early stage assets
- alvocidib
- TP-0903
- DSP-7888
- DSP-0509
- TP-0184
- amcasertib
- TP-3654
- TP-1287
- DSP-0337

Highly efficient R&D supported by cutting-edge technology and methodology

Diversified and innovative pipeline

Establishment of Growth Engine ② Deliver Highest Performance of Clinical Development

Early establishment of Oncology franchise

Integration of R&D
- Network-oriented R&D
- Cutting-edge analytic technology
- Cutting-edge diagnostic tools and biomarkers
- Cutting-edge clinical trial designs
- Cutting-edge regulatory affairs systems

Make maximum use of accelerated approval program wherever possible
**Pipeline Expansion through Strategic Investment**

<table>
<thead>
<tr>
<th>Enabling investment of ¥300 to 600 billion in M&amp;A opportunities</th>
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**Top Priority:** Pipeline in Psychiatry & Neurology that contributes to profits in FY2023 and onward

**Second Priority:** Pipeline and technology in 3 focus areas that contribute to profits in FY2028 and onward

<table>
<thead>
<tr>
<th>Launch Timeline of Current Pipeline FY2023 to FY2027</th>
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</table>

- **Psychiatry & Neurology**
- **Oncology**
- **Regenerative Medicine/Cell Therapy**

<table>
<thead>
<tr>
<th>Country</th>
<th>Japan</th>
<th>China</th>
<th>U.S.</th>
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</table>

- Japan
- China
- U.S.
Regional Strategy Centering in Japan, North America and China

Europe
Business expansion through our commercial footprint plus partnerships

Japan
Build foundations to achieve ¥200 billion revenue target during the next MTBP period

North America
Maximize value of LATUDA® and Establish post-LATUDA® growth trajectory

China & Asia
Expand presence in growing markets

Latin America
Collaboration with partners

Oceania
Collaboration with partners
Establishment of Growth Engine ④ Regional Strategy Centering in Japan, North America and China

Product Launch Target

Ensure launch of late stage assets and early revenue generation

<table>
<thead>
<tr>
<th>Launch target</th>
<th>FY2018-2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023-2027 (Posted a part)</th>
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<td><strong>Japan</strong></td>
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<td></td>
<td><strong>TRERIEF®</strong> (Parkinsonism in dementia with Lewy bodies) Approved in July 2018</td>
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<td></td>
<td><strong>LONASEN®</strong> (Schizophrenia / Transdermal patch)</td>
<td>lurasidone (Schizophrenia / Bipolar depression)</td>
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<td></td>
<td><strong>RETHIO®</strong> (Conditioning treatment prior to autologous HSC1 for pediatric solid tumors) Approved in March 2019</td>
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<td><strong>U.S.</strong></td>
<td>dasotraline (ADHD) Launch target under consideration</td>
<td>Apomorphine (OFF episodes associated with Parkinson's disease)</td>
<td>napabucasin (Colorectal cancer / Pancreatic cancer)</td>
<td>Allo iPS cell-derived products (AMD) *2</td>
<td>SEP-363856 (Schizophrenia / Parkinson’s disease psychosis)</td>
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<tr>
<td></td>
<td>dasotraline (BED)</td>
<td>nimbegatin (Colorectal cancer / Pancreatic cancer)</td>
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<tr>
<td></td>
<td>alvocidib *1 (AML)</td>
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<tr>
<td><strong>China</strong></td>
<td>LONASEN® (Schizophrenia) Launched in February 2018</td>
<td>imeglimin (Type 2 diabetes)</td>
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<tr>
<td></td>
<td>lurasidone (Schizophrenia)</td>
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*1 Premise to utilize an application of accelerated approval program (Plan to consult with the FDA)
*2 Launch schedule is based on our goal pending agreement with partners.

Expect peak annual sales to be ¥50 billion or more (described in the first launch)
## Status of Late Development Assets

<table>
<thead>
<tr>
<th>Psychiatry &amp; Neurology</th>
<th>Oncology</th>
<th>Regenerative/Cell</th>
<th>Others</th>
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</thead>
</table>
| **Apomorphine:** Launch target in FY2020 (U.S.)  
  Received Complete Response Letter (CRL) in January, 2019, and planning re-submission in FY2019 | **Napabucasin:** Launch target in FY2021 (U.S./Japan)  
  Phase 3 study ongoing for colorectal cancer (launch target in FY2020) and pancreatic cancer (launch target in FY2021), expected to be a blockbuster at peak revenue | **Allo iPS cell-derived products:** Launch target in FY2022 (Japan)  
  Investigator-initiated clinical study for Parkinson’s disease ongoing, corporate-initiated clinical study for age-related macular degeneration under preparation for initiation | **Imeglimin:** Launch target in FY2021 (Japan)  
  Topline results from Phase 3 study is expected in FY2019, submission target in FY2020 |
| **Lurasidone:** Launch target in FY2020 (Japan)  
  Schizophrenia and Bipolar depression (launch target in FY2019) | **Alvocidib:** Launch target in FY2020 (U.S.)  
  Phase 2 study for refractory or relapsed AML\(^1\), and Phase 1 / 2 study for MDS\(^2\) ongoing | | |
| **Imeglimin:** Launch target in FY2021 (Japan)  
  Topline results from Phase 3 study is expected in FY2019, submission target in FY2020 | **SB623:** Launch target in FY2022 ⇒ target under reassessment (U.S.)  
  Development plan under review following Phase 2b study topline results | | |

\(^1\) AML: Acute Myeloid Leukemia  \(^2\) MDS: Myelodysplastic Syndromes
Establishment of Growth Engine ④ Regional Strategy Centering in Japan, North America and China

Strategic Imperatives for Japan Business: Building Foundation to Achieve ¥200 Billion Annual Revenue Target during the Next MTBP Period

**Transform to Steady Growth**
- Maximize product value in Diabetes area (Trulicity®, imeglimin)
- Maximize product value in Psychiatry & Neurology area (TRERIEF®, LONASEN® patch, lurasidone)
- Execute strategic in-licensing/partnership opportunities
- Establish business foundation in Regenerative Medicine / Cell Therapy

**Establish Oncology Business Foundation**
- Establish sales & marketing organization for napabucasin
- Promote appropriate use of new product “RETHIO®”
- Optimize structure to collect and communicate drug safety information

**Optimize Business Operation**
- Provide appropriate scientific information to healthcare providers
- Achieve safety/assurance/stable production as well as optimal CoGs
- Leverage digital technology to maximize efficiency and effectiveness of business operations
Non-Pharma Businesses: Synergy with Pharmaceuticals and Frontier Business

**Food Ingredients & Chemicals**

*(DSP Gokyo Food & Chemical Co., Ltd.)*

Providing “health and comfort” to society
- Business operation that leverages the integrated profile of R&D capabilities and trading firm functions
- Provide new value to customers through unique and diversified portfolio (food materials, functional ingredients, personal care products, and fine chemicals) centering on polysaccharides

**Veterinary Medicines**

*(DS Pharma Animal Health Co., Ltd.)*

Creating new solutions for animal health
- Strengthen veterinary medicines business and accelerate seeds screening to explore new business opportunities that meet unmet needs
- Develop, gain approval for and commercialize the first regenerative medicine for veterinary use in Japan
Strategic Imperatives for North America Business: Maximize value of LATUDA® and Establish post- LATUDA® growth Trajectory

<table>
<thead>
<tr>
<th>Maximize Value of Psychiatry &amp; Neurology and Respiratory Products</th>
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<tbody>
<tr>
<td>• Maximize value of LATUDA®</td>
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<tr>
<td>• Accelerate development of SEP-363856</td>
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<tr>
<td>• Gain approval of and launch dasotraline and APL-130277</td>
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<tr>
<td>• Accelerate to achieve early contribution of LONHALA® MAGNAIR® in profit</td>
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<tr>
<th>Establish Oncology Business</th>
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<tr>
<td>• Gain approval of napabucasin</td>
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<tr>
<td>• Establish sales and marketing organization for launch</td>
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<th>Pursue Opportunity for Strategic Investment &amp; Partnership</th>
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<tr>
<td>• Expand pipeline</td>
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<tr>
<td>• Explore co-promotion partnership, leveraging our commercial footprint</td>
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<tr>
<th>Optimize Business Operation</th>
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<tr>
<td>• Leverage highly talented human resources with expertise in focus areas</td>
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<tr>
<td>• Leverage digital technology to maximize efficiency and effectiveness of business operations</td>
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*Following the LATUDA® ANDA settlement agreements with each defendant, certain generic companies may distribute their generic versions starting in February 2023 (Note that one litigation remains pending)*
Strategic Imperatives for China & Asia Business: Expand presence in growth markets

**Develop and Implement Regional Strategy**
- Develop and implement business strategy for the Asian market to maximize commercial value as well as expand R&D pipeline
- Pursue business opportunity in Regenerative Medicine/Cell Therapy and Frontier areas

**Further Expand China Business**
- Reinforce business infrastructure as the third pillar after Japan and North America
- Maximize revenue from MEROPEN®
- Ensure successful launch of new products (LONASEN® and LATUDA®)
- Participate in global development

**Reinforce Business in Southeast Asia**
- Reinforce business functions in subsidiaries in Singapore and Thailand
- Maximize revenue from MEROPEN® and LATUDA® through strategic alliance with local partners

Establishment of Growth Engine ④ Regional Strategy Centering in Japan, North America and China
5. **Launch Frontier Business**

Not only pharmaceutical products but also new solutions are necessary to meet future medical needs of society.

**Vision of Frontier Business**

Contribute to “wide-ranging well-being” together with pharmaceutical products

- Build business platform consisting of key technologies (including ICT and engineering) and external networks (including partnership with startups and venture capitals) in areas where we can create synergies with pharmaceutical business to respond to future diversified needs for healthcare.
- Initiate multiple pilot trials for healthcare solution business seeds, including disease prevention measures and delivery of care-and-cure combination for patients and families.
- Explore commercialization mainly in Japan, U.S. and China.

Aspire to establish frontier business as growth engine during the next MTBP period (FY2023 to FY2027)
**Target Scope in Frontier Business**

Place priority on development and commercialization of the “highly novel solutions for society” on a global basis

- **New market for society**
  - **Aikomi** Healthcare solutions
- **New market for Sumitomo Dainippon Pharma**
  - **MELTIN**
- **Existing market**
  - Marketed pharmaceutical products
  - Pharmaceuticals/Cell Therapy solutions

<table>
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<tr>
<th>Existing solutions</th>
<th>New solutions for Sumitomo Dainippon Pharma</th>
<th>New solutions for society</th>
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**Sumitomo Dainippon Pharma**

Marketed pharmaceutical products
Mid-term Business Plan 2022
Building of Flexible and Efficient Organization
Overview

Realize organizational / operational reform and culture / talent that drive innovation in parallel with digital innovation to build flexible and efficient organizational foundation in which “CHANTO” is instilled.

“CHANTO”
Capability to continuously foster and deliver innovation to patients and other customers while transforming our organization in flexible way to adapt to changes in the world.

Flexible and efficient organization/operation
- Pursue operational excellence
- Build flexible organization

Digital innovation
- Create innovative drugs and improve probability of success
- Use as healthcare solutions
- Establish efficient operations

Culture and talent driving innovation
- Proactively address changes in business environment
- Encourage challenge-oriented culture

Part of growth engine
Flexible and Efficient Organization and Operation

Pursue operational excellence and build agile and flexible organization to proactively address changes in business environment

- **Operational excellence:**
  - “Work style innovation” supported by digital technology
  - Optimize resource allocation

- **Agile and flexible organization:**
  - Ability to prepare for and respond to future changes
  - Strategically deploy external resources

Our Work style innovation

- Improvement of productivity
- Improvement of work-life balance
- Enhancement of employee satisfaction/capability
  (source of further productivity improvement and commitment to grow)
- Enhancement of value proposition to society
Corporate Culture and Talent to Drive Innovation

While maintaining a “culture with resilient and detailed execution”, foster talent responsive to environmental changes and encourage innovation and flexibility

- Reinforce desired culture and expected employee profile
  - Corporate culture to be enhanced: challenge-oriented, transparency, positive attitude, proactivity to changes, perseverance
  - Desired employee profile: Professional who is proactive in adapting to changes and taking on a challenge, aspires to enhance value through personal development, and is positive and flexible

- Required measures for evolution
  - Management that encourages willingness to take on a challenge with proactivity to changes
  - Increase investment in employee development
  - Promote Diversity & Inclusion

Observe trend, achieve evolution and respond in a timely manner

Culture with resilient and detailed execution

Diligent and excellent human resources
Digital Innovation

Achieve both new value creation and operational reform through digital technology

- **Further focus on digital capability:**
  - Improve digital dexterity
    - Enhance digital skills and change mindset
  - Acquire and develop digital talents
  - Enhance platform for data utilization, etc.

- **Company-wide efforts to identify opportunities leveraging digital technology and deliver best performance:**
  - Create new value in Pharmaceutical and Frontier areas, mainly led by current business function
  - Accelerate company-wide initiatives for operational reform with potential advanced digital technology, mainly led by digital innovation functions
Mid-term Business Plan 2022
Financial Goals and Capital Allocation Policy
Financial Goals and Dividend Policy

**Financial Goals and Capital Allocation Policy**

- **FY2022 Business Goals**
  - Revenue: ¥600 billion
  - Core operating profit: ¥120 billion
  - ROIC: 10%
  - ROE: 12%

**ROIC**

\[
\text{ROIC} = \frac{\text{core operating profit} - \text{income taxes}}{\text{capital} + \text{interest-bearing liabilities}}
\]

- **Dividend Policy**
  - Maintain a consistent payment policy but also consider reflecting any improvement in the Company's performance in the dividend payment
  - 5-year average payout ratio: 20% or higher

- **ROE (Return on Equity)**
  - Aim to achieve ROE of 10% or more over the long term

* Business goals are based on the Company’s assumptions, estimates, outlook, and other judgments made in light of information available at the time of preparation of such goals and involve both known and unknown risks and uncertainties. Accordingly, goals may not be realized as described.

FX rates: 1US$ = ¥110, 1RMB = ¥16.5
Financial Goals and Capital Allocation Policy

Financial Policy: Ensure Strategic Investment with Financial Leverage

Profit to be used as a source of strategic investment including R&D
Financial leverage to enable strategic investment of ¥300 to 600 billion in five years

Expected incremental cash flow of ¥100 billion or more

R&D investment ¥450 billion

Cash on hand

Financial leverage

Strategic investment ¥300 - 600 billion in five years

5-year cumulative profit of core segment from FY2018 to FY2022: expected to be ¥850 billion or more
For Achievement of Vision 2033

Implement Mid-term Business Plan 2022, aspiring to establish position as a “Global Specialized Player” in 2033

Global Specialized Player

Pharmaceuticals + Solutions
- Medicine / Cell Therapy
- Healthcare Solution (Frontier business)

Global leader in 3 areas
- Psychiatry & Neurology
- Oncology
- Regenerative / Cell

Mid-term Business Plan 2022 : Re-build Business Foundation
- Establishment of growth engine
- Building of flexible and efficient organization

Following LATUDA® LOE in Feb 2023, a significant decline of revenue and profit is expected. However, the transition to new generation products and revenue will contribute to covering the decline and lead to sustained growth.
Appendices

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P.41 Materiality Map
P.42 Strengthening of Corporate Governance
P.43 People Development
P.44 CSR Activities and Environment
### Materiality Map

#### Materiality as a direction for our CSR-Based Management

**(Based on the expectations from various stakeholders and social demand)**

<table>
<thead>
<tr>
<th>Very High</th>
<th>High</th>
<th>Importance to Sumitomo Dainippon Pharma’s Business</th>
<th>Societal Significance</th>
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<td>- Climate change initiatives</td>
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<td>- Improvement of healthcare infrastructure in developing Countries</td>
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<td>- Development of local communities</td>
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<td>- Preventing environmental accidents</td>
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<td>- Compliance</td>
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<td>- Ensuring business activities are ethical and transparent</td>
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<td>- Utilizing external resources</td>
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<td>- Training and development of employees</td>
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<td>- Diversity &amp; Inclusion</td>
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<td>- Health, safety, and welfare of employees</td>
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</tbody>
</table>

- Psychiatry & Neurology
- Oncology
- Regenerative Medicine & Cell Therapy
- Infectious Diseases (AMR, vaccines)
- Frontier

**High unmet medical needs**

- Psychiatry & Neurology
- Oncology
- Regenerative Medicine & Cell Therapy
- Infectious Diseases (AMR, vaccines)
- Frontier

**Very High**

- Access to healthcare
- Support for patients and their families
- Fair pricing
- Development of innovation beyond medicine
- Countermeasures against Falsified Medicines
- Prevention of bribery and corruption
- CSR procurement
- Proactive disclosure
- Information security
- Support education of the next generation

- Development of innovative products
- Advancement of science
- Quality assurance
- Product safety
- Responsibility for drug-induced suffering
- Stable supply
- Work Style Innovation
- Respecting human rights
- Corporate governance
- Compliance
- Ensuring business activities are ethical and transparent

**High**

- Effective use of water resources
- Prevention of air pollution
- Reduction of waste

- Preventing environmental accidents
- Biodiversity

- Stakeholder engagement
- Utilizing external resources
- Training and development of employees
- Diversity & Inclusion
- Health, safety, and welfare of employees
Strengthening of Corporate Governance

Ensure quick and strong decision making and proper risk management for sustainable growth of the Company

Corporate Governance Structure

- Director: 8 including 3 Outside Directors (1 female Director)
- Audit & Supervisory Board Member: 5 including 3 Outside Members
- Nomination and Compensation Committee: has majority of Independent Outside Directors (Chairperson: Independent Outside Director)

- Further enhance the effectiveness of the Board of Directors based on results from the annual evaluation
- Further promote diversity among Directors

Risk Management and Compliance Structure

- According to the particularities of each risk, risks are divided into those requiring a horizontal, group-wide approach, and those requiring specific approaches by each company
- One of Company’s executive officers is charged with overseeing all compliance matters of the Company and its group companies

- Strengthen risk management through proper operation of promotion system
- Further enhance compliance through improvement of internal reporting system effectiveness
Aim to realize the Company’s sustained growth with employees

**Employee Training**
- Accelerate resource development through talent management system
- Facilitate company-wide education program to enhance individual capabilities
- Foster leaders in each grade (continued operation of DSP Academy)

- Fostering leaders (80 employees participate in DSP Academy every year)
- Investing more than ¥300 million a year for education

**Diversity & Inclusion**
- Leverage individual capabilities regardless of gender, age and other attributes
- Enhance initiatives to support career development of female employees
- Ensure proper placement of workers with disabilities to demonstrate full capabilities in the organization including special subsidiaries

- Achieved a female manager rate of 10% or more (target for 2020) ahead of schedule in April 2019
- Meeting legal employment rate of people with disabilities
CSR Activities and Environment

Aim to realize the Company’s sustained growth with society

Social Contribution Activities

- Committed to global health, support for patients and their families, and fostering the next generation

Environment

- Contribution to low carbon society
- Engage in communications about environmental issues

- Contribute to improved access to healthcare in developing countries
- Donations that contribute to solving social challenges
- Continued operation of visiting lectures (at least 10 schools a year)

- Goal of CO$_2$ emissions reduction (vs FY2017)
  - FY2022: by at least 15%
  - FY2030: by at least 30%

- Aim to meet qualified Science-Based Targets (SBT) (by FY2020)

* SBT: Science Based Targets