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Representative Director,
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Establish a growth engine to accelerate the rebuilding of the business foundation for post-LATUDA success in the U.S.*¹

*1 After the LATUDA® LOE (loss of exclusivity) in the U.S.

Provide innovative products and healthcare solutions to meet unmet medical needs

In April 2019, Sumitomo Dainippon Pharma announced the Mid-term Business Plan 2022 (“the MTBP”), which runs from fiscal 2018 through to 2022. In formulating the MTBP, we analyzed the changes that could occur in the environment surrounding pharmaceutical companies by 2033. With large changes such as the further aging of society and greater pressure on healthcare costs which are expected going forward, we aim to become a global leader in our three focus areas of research (Psychiatry & Neurology, Oncology, and Regenerative medicine/Cell therapy) and continue contributing to healthcare. Therefore, we need to pursue the sustained growth and enhancement of corporate value by further refining our strengths to appropriately respond to the healthcare needs of society and solve the health-related issues of patients and their families.

As the population ages further, addressing psychiatric and neurological disorders is expected to become an even bigger societal issue and we will continue working on these areas where we can demonstrate our largest strengths. In addition, oncology has already become one of the largest areas in terms of market size, however it has high unmet medical needs where effective treatments have

yet to be established. We are also working hard in the Regenerative medicine/Cell therapy field to provide solutions for patients for whom there is no adequate treatment option, as well as treatments for radical cures.

In addition to our own research, we will continue to conduct joint research with external research institutions and academia to address these unresolved medical issues and provide patients with innovative medicines.

In providing healthcare solutions for unmet medical needs, there is no doubt that pharmaceuticals will continue to play an important role, however, we understand that the health-related issues of patients and their families cannot be solved with that alone. In light of this, we are promoting new areas of research, development and commercialization of the Frontier Business that goes beyond drug treatments and transcends the existing boundaries of pharmaceutical companies. The aim of the business is to contribute to the well-being of patients not only in terms of treatment but also in prevention, nursing care, and social reintegration from before they are aware of their illness until they return to their social lives.

In the future, we will continue to focus on the practical applications of new healthcare solutions and provide society with value in addition to pharmaceuticals.

Message from the President

Focus our efforts on maximizing the value of vibegron*² and assisting Myovant in maximizing the value of relugolix*³, advancing ulotaront (SEP-363856) and other compounds to become major products, and pursuing late-stage clinical development areas with global potential

A key focus area of the MTBP is establishing a new growth engine for the Sumitomo Dainippon Pharma Group to replace LATUDA® (lurasidone HCl), which accounts for approximately 40% of our revenue, after LATUDA® LOE (Loss of Exclusivity) in the U.S. While the development of napabucasin, which was considered a strong candidate for post-LATUDA at the time of the announcement of the MTBP, was discontinued in March 2021, the Group acquired or acquired an interest in a pipeline with multiple development compounds to support our sustained growth through a strategic alliance with Roivant Sciences Ltd. (hereinafter, "Roivant") in December 2019. Among the compounds, relugolix and vibegron are potential near-term blockbuster products. This ensures that we have achieved the primary goal of the MTBP which is to establish a post-LATUDA growth engine.

In addition to the launch of relugolix and vibegron as scheduled, the most important task in fiscal 2021 will be to advance the late-stage clinical development of ulotaront, SEP-4199, as well as DSP-7888 and other compounds that are expected, if approved, to contribute to our revenue growth in the medium- to long-term.

In May 2021, we also announced the revision of the financial goals for fiscal 2022 of the MTBP along with changes of business outlook.

The decrease in revenue due to the discontinuation of the development of napabucasin, that was expected to be a post-LATUDA growth driver, and the government drug cost reduction measures in Japan and China will be offset by an increase in sales of new products such as relugolix and vibegron. However, sales-related expenses for these new products and amortization of patent rights are expected to reduce core operating

profit. In light of such circumstances, we have revised our financial goals for fiscal 2022 from ¥120 billion in core operating profit, an ROIC of 10%, and an ROE of 12% to ¥60 billion in core operating profit, an ROIC of 3%, and an ROE of 3%. By promoting initiatives for medium- to long-term growth, we aim to achieve an ROE of 10% or higher in the second half of the 2020s. Fiscal 2023 is expected to see a decrease in revenue due to LATUDA® LOE in the U.S., but we will make every effort to minimize the impact of the decline by marketing our mainstay products including vibegron and encouraging Myovant to market relugolix. And we are aiming for an early business recovery and the sustained growth in fiscal 2024 and beyond through the goal to obtain approval of and then launch products under development including ulotaront (for details please see page 29-30).

*2 Vibegron is the generic name. In the U.S., it is marketed as GEMTESA® for the treatment of overactive bladder.

*3 Relugolix is the generic name. In the U.S., it is marketed by Myovant as ORGOVYX® for the treatment of advanced prostate cancer and as MYFEMBREE® for the treatment of uterine fibroids.

(Note) Relugolix is owned by Myovant Sciences Ltd. Sumitomo Dainippon Pharma Group owns approximately 53% of the outstanding shares of Myovant.

**CSR-based management through the implementation of the corporate mission
Introduced unique KPIs to measure progress toward solving material issues**

We define the practice of our 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," as CSR-based management. In recent years, corporate sustainability initiatives have attracted attention from a variety of perspectives, including environmental, social, and governance (ESG) practices and the United Nations Sustainable Development Goals (SDGs). I consider that implementing our Corporate Mission diligently will help us receive appropriate ESG evaluations

and contribute to achieve the SDGs.

In order to translate our Corporate Mission into concrete action, we identified the material issues (materiality) for CSR-based management in July 2018. Since then, we have regularly reviewed material issues and the Materiality Map (a priority list of the issues to be addressed) based on social changes, the progress of our initiatives, and feedback from our stakeholders. The latest update was made in July 2020.

In addition, in June 2021 we established key performance indicators (KPIs) to manage the progress of each material issue. In developing KPIs, we sought advice from experts through dialogue at meetings including ESG meetings and discussions with board members and members of the Management Committee. We believe these discussions enabled us to establish KPIs that are unique to the Company, rather than those that can be applied to any company, ensuring our achievement of sustained growth and promote CSR-based management. One of our material issues linked to value creation is "Development of innovative products and healthcare solutions." As one of the KPIs to measure the progress of our unique material issues like this, we are considering establishing indicators for the development of ulotaront, a next-generation antipsychotic that would lead to a revolutionary treatment in the psychiatry area, and projects in the Regenerative medicine/Cell therapy field to assess the degree of progress on an ongoing basis.

Foster a corporate culture of creating challenging goals to strengthen the Group's capability to deliver the highest performance ("CHANTO")

Our use of the term materiality covers many topics related to human resources and organization, including work style innovation; diversity and inclusion; training and development of employees; respecting human rights; and the health, safety, and welfare of employees. This is because employees and the organization are actually the driving force for the value creation that we aim for and the most



important foundation that supports our business continuity. Since 2008, we have held a monthly HR Strategy Meeting in which all the directors, some of the executive officers as well as the executive senior directors of divisions discuss human resources development policies, the role of organizations, and personnel systems from a medium- to long-term perspective.

In order to support our growth engine, the MTBP aims to build a flexible and efficient organization instilled with the concept of CHANTO (the capability to deliver the highest performance) through implementation of organizational and operational reforms, and the fostering of a corporate culture and human resources that drive changes in parallel with digital transformation. One of the measures to achieve this goal is to instill the CHANTO concept in our employees. CHANTO provides action guidelines for our employees to set higher goals and work toward becoming a Global Specialized Player. Of course, achieving success in a demanding job is not easy. Given this, it is important not only to improve the abilities of each employee but also to nurture a corporate culture in which employees are willing to set higher goals.

In the research and development of a new drug, no matter how meticulously we plan we may not always achieve the desired results due to various factors such as the potential of compounds. In non-R&D operations, too, sometimes the higher the goal there is a potential greater chance of failure. I think of

Message from the President

failure as being two different types, that is, good failures and bad failures. If an employee set a high goal in line with our Corporate Mission, planned well, worked hard, but failed due to certain circumstances, that is a good failure—a positive failure that will lead to the next step. On the other hand, if the failure is due to an error caused by poor planning, this can be considered as a bad failure.

I would like to foster a corporate culture that encourages successes, as well as good failures that are the result of the best efforts of employees to achieve goals. We must value the work of those employees who try new and innovative approaches. In the future, we will create a system that properly evaluates those who have made meaningful attempts which resulted in good failures and create an environment that encourages employees to challenge themselves to reach higher goals with all their might.

Accelerate digital transformation to drive behavioral change and to foster a culture of innovation

In the strategic alliance with Roivant we acquired two healthcare technology platforms that supported Roivant's business model—DrugOME and Digital Innovation—and also the associated human resources. We have set digital transformation (DX) as one of the key measures in the MTBP and focused on utilizing it to create



innovative drugs, improve the probability of success, use it in healthcare solutions, and the establishment of efficient operations. The acquisition of Roivant's digital platforms has enabled us to dramatically accelerate the Group's DX initiatives. Currently, a dedicated technology team is working closely with broader business teams to promote the use of the digital infrastructure throughout the Group.

Through the effective use of these infrastructures, we hope to innovate the business processes of the entire company and foster a culture of innovation throughout the Group thereby leading to behavioral changes in our employees. By optimizing workflows with digital technology and improving the digital literacy and data utilization skills of employees, we expect that we can change the work style to be evidence-based, that is, based on solid data not only in R&D but also in sales, administration and other operations, so that we can focus on what humans need to do while we have artificial intelligence (AI) and other digital technologies do what they can. I am convinced that continuous efforts by employees to transform themselves will lead to the strengthening of the Group's ability to deliver its highest performance.

Promote initiatives to continue our business activities and improve productivity during the global COVID-19 pandemic

The COVID-19 pandemic which began in early 2020 is still having a significant impact around the world. Under these circumstances, the most important thing for us is to continue our usual business activities and fulfill our responsibility to provide a stable supply of pharmaceuticals while safeguarding our employees. At present, we procure most of the raw materials for our pharmaceuticals from Japanese suppliers, but many of those suppliers procure their materials from overseas. We are fortunate that our procurement of the raw materials has not been affected by the pandemic at this point, but we

will review the entire supply chain and update our business continuity plan so that we can continue to fulfill our supply responsibilities in the event of any unforeseen circumstances.

Meanwhile, with restrictions on the movement of people and the holding of large meetings, we have been encouraging our employees to work from home for various tasks while seeking virtual approaches for activities such as the pharmaceutical detailing activities of medical representatives and meetings in each department. While working from home has advantages, such as eliminating the time lost commuting and making more effective use of time, compared with talking face-to-face, it is difficult to have wide ranging and in-depth conversations, and I feel there are things that need to be solved with regard to educating human resources. In the future, I would like to continue to enhance the environment to help our employees improve their skills in working from home so that we can be more creative and productive in our business.

Revise Basic Environmental Policies to achieve net-zero GHG emissions by fiscal 2050 toward a decarbonized society

Another material issue that is becoming increasingly important is our environmental initiatives. As a pharmaceutical company, we are aware of our responsibility and have been working to reduce our environmental impact in all areas of our business activities. In 2005, we established the Basic Environmental Policies that describe our objectives and initiatives to meet them as guidelines for our environmental activities. Since then, social demands for companies to reduce their environmental impacts have become even more severe as evidenced by the Japanese government’s announcement of the 2050 Carbon Neutral Declaration. In order to respond to the increasing social demands, in May 2021 we revised our Basic Environmental Policies.

Under the new policies, we aim to

achieve net-zero greenhouse gas (GHG) emissions (scopes 1 and 2) by fiscal 2050 for realizing a decarbonized society and are working to promote medium- to long-term initiatives to reduce our environmental impact throughout the entire value chain.

Become Sumitomo Pharma and move toward a new business stage

On April 1, 2022, we will change our trade name from Sumitomo Dainippon Pharma to Sumitomo Pharma with the aim of building a globally accepted Sumitomo brand and moving toward a new business stage.

As our predecessor Dainippon Pharmaceutical was founded in 1897 as Japan’s first pharmaceutical company, I am sentimental about seeing the name “Dainippon” disappear from our company name. However, the Company itself has changed significantly since the merger with Sumitomo Pharmaceuticals in 2005, and in order for us to continue growing we must evolve our company into a solution provider for new healthcare issues not only through conventional pharmaceuticals but also through regenerative/cellular medicines and the Frontier Business. Changing our company name to Sumitomo Pharma embraces our determination to advance forward boldly in this new era for the company and society.

The Company will continue to take on the challenge of creating innovative pharmaceuticals and healthcare solutions to contribute to the health and well-being of people, thereby achieving the sustained growth for ourselves. As we prepare well for LATUDA® LOE, we will maximize the value of next-generation blockbuster candidates, strengthen our business foundations, and chart a new growth path. I would like to ask all of our stakeholders for their continued support in the future.

Representative Director, President and Chief Executive Officer