Sumitomo Pharma

Innovation today, healthier tomorrows

Integrated Report 2022

Securities Code 4506

Sumitomo Pharma Co.,Ltd.

From Sumitomo Dainippon Pharma
to Sumitomo Pharma.

History belongs to the daring.

To the determined visionaries who triumphed over conventional wisdom, taking humankind to the depths of the ocean, atop the highest peaks, into the skies, and beyond.

Yet mysteries remain unsolved.

There's work to be done. People to help. And that's our challenge. Sumitomo Pharma

Sumitomo Pharma

Innovation today, healthier tomorrows

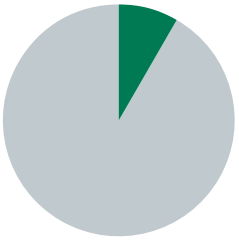
Changing company name and seeking to reach a new business stage

Growing globally through a merger of two companies

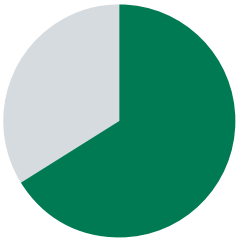
Since the merger, Sumitomo Pharma has strived to globalize its business. In the U.S., we developed and built a sales structure for the atypical antipsychotic LATUDA®.

Our efforts saw LATUDA® grow into a blockbuster drug that has brought in close to ¥200 billion in revenues and helped us grow into a global company with over 66% of sales coming from overseas in fiscal 2021.

FY2006
Ratio of overseas revenue
8.4%



FY2021
Ratio of overseas revenue
66.2%



A long-standing company established in the 19th century by pharmaceutical industry leaders with the aspiration of making good quality pharmaceuticals widely available

Dainippon Pharmaceutical Co., Ltd.

Osaka Pharmaceuticals Co., Ltd. was established by 21 prominent leaders in the pharmaceutical industry in Doshomachi, Osaka in 1897. In the following year of 1898, the Pharmaceutical Plant was established in Ebie, Osaka. The company acquired the semi-governmental Dainippon Pharmaceutical Company in Tokyo, and changed the name of the company to Dainippon Pharmaceutical Co., Ltd. Dainippon Pharmaceutical Co., Ltd. operated a wide-ranging business that included the manufacture and sale of animal health products, food additives, and industrial materials in addition to pharmaceuticals.

A pharmaceutical company that grew out of a chemical manufacturer and inherited the business spirit and technology of Sumitomo

Sumitomo Pharmaceuticals Co., Ltd.

Sumitomo Pharmaceuticals Co., Ltd. was established in 1984 from the Research, Development and Manufacturing divisions of Sumitomo Chemical Co., Ltd.'s pharmaceuticals business, as well as the Pharmaceutical Sales division of Inabata & Co., Ltd., the sole distributor of Sumitomo Chemical Company's pharmaceuticals. Sumitomo Pharmaceuticals Co., Ltd. grew through the pharmaceuticals business with its focus on the cardiovascular/diabetes area, the psychiatry & neurology area, the immunology (inflammation/allergy) area, and the oncology/infection area.

October 1, 2005
Establishment of Sumitomo Dainippon Pharma through a merger between Dainippon Pharmaceutical and Sumitomo Pharmaceuticals

2012
Acquisition of U.S.-based Elevation Pharmaceuticals, Inc. (Acquisition of LONHALA® MAGNAIR®)

2012
Acquisition of U.S.-based Boston Biomedical, Inc. (currently, Sumitomo Pharma Oncology, Inc.)

2009
Acquisition of U.S.-based Sepracor Inc. (currently, Sunovion Pharmaceuticals Inc.)

Revenue

Overseas revenue

1897 Dainippon Pharmaceutical Co., Ltd.

1984 Sumitomo Pharmaceuticals Co., Ltd.

2005 | 2006

Maximizing synergies from the integration

2007 | 2008 | 2009

First Mid-term Business Plan
Solid Fundamentals

Establishing an overseas sales organization
Expanding pipeline in the Psychiatry & Neurology area

2010 | 2011 | 2012

Second Mid-term Business Plan
Take off

Growth for LATUDA®
Full-fledged entry into oncology area

Evolving toward a new business stage

In research and development, which is the core of our business, in addition to the Psychiatry & Neurology area, we entered the Oncology area full-scale in 2011. We have also been working in the Regenerative Medicine/Cell Therapy area as a new business sector since 2013, well ahead of our competitors. Recent years have seen us embark on Frontier business, which aims to create healthcare solutions powered by digital and other technologies.

Over the sixteen and a half years since the merger, we have globalized our business and taken on many challenges, including carrying out large-scale acquisitions and partnerships while entering new areas of research and development. With the aim of evolving to a new business stage and continually developing ourselves, we changed our name to Sumitomo Pharma Co., Ltd. on April 1, 2022 and renewed the Sumitomo Pharma Group's brand.

Sumitomo Pharma will continue striving to provide pharmaceuticals that are groundbreaking and valuable to people in Japan and all over the world.

Revenue (FY2021)
560,035 million yen

Overseas revenue (FY2021)
370,771 million yen

2014
Establishment of Regenerative & Cellular Medicine Kobe Center

2016
Acquisition of Canada-based Cynapsus Therapeutics Inc. (Acquisition of KYNMOBI®)

2017
Acquisition of U.S.-based Tolero Pharmaceuticals, Inc. (currently, Sumitomo Pharma Oncology, Inc.)

2018
Completion of the Sumitomo Pharma Manufacturing Plant for Regenerative Medicine & Cell Therapy (SMaRT)

2019
Strategic alliance with Roivant Sciences Ltd.

April 1, 2022
Changing of company name from Sumitomo Dainippon Pharma to Sumitomo Pharma

2013 | 2014 | 2015 | 2016 | 2017

Third Mid-term Business Plan
Sustained growth

Re-building and streamlining structure aimed at reinforcing business base in Japan
Expanding pipeline in Oncology area through M&As
Full-fledged entry into the Regenerative Medicine/Cell Therapy field

2018 | 2019 | 2020 | 2021 | 2022 (FY)

Mid-term Business Plan 2022
Re-build Business Foundation

Prepare for the "Time for Change" and post-LATUDA revenue replacement
Reshape business foundation through the "establishment of growth engine" and "building of flexible and efficient organization"

2033

Global Specialized Player

For the betterment of healthcare and fuller lives of people worldwide

Sumitomo Pharma Group is a member of the Sumitomo Group, which has a history of about 400 years. We strive to enhance corporate value and contribute to solving social issues under the Sumitomo's Business Philosophy.

For more details about Sumitomo's history and Sumitomo's Business Philosophy, please see the link below:
website of the Sumitomo Group Public Affairs Committee

Our Mission

Implementation of corporate mission = CSR-Based Management

The Corporate Mission defines our commitment to society, while the Management Mission states the goals of management, considering relationships with our stakeholders.
The Corporate Mission encapsulates the CSR (corporate social responsibility) that the Company needs to fulfill; we define the practice of the Corporate Mission as "CSR-Based Management" and make it our utmost priority.

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

Management Mission

- 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

Declaration of Conduct

The Declaration of Conduct is a set of concrete guidelines for implementation of our missions.
All executives and employees not only comply with all laws and regulations, but also follow this Declaration of Conduct in carrying out corporate activities with a commitment to becoming a company with a strong presence that is trusted by society.

1. Follow through the global slogan "Innovation today, healthier tomorrows."
2. Pursue trustworthy corporate activities.
3. Positively disclose information and properly manage information.
4. Improve individual capabilities and collaborate with peers.
5. Respect human rights.
6. Positively address global environmental issues.
7. Build harmonious relationships with society.

➡ **Please see the website for more details philosophy**
Philosophy

Fostering an organizational culture characterized by unrelenting efforts and not being satisfied with the status-quo, and this is based on a corporate culture of diligence and integrity

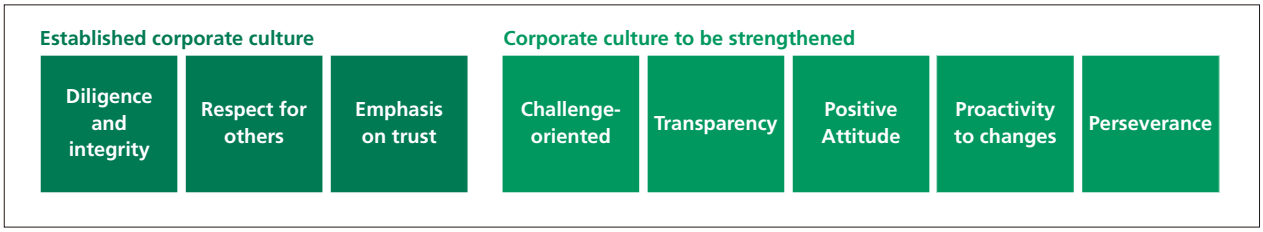
Our perception of corporate culture

Sumitomo Dainippon Pharma (currently, Sumitomo Pharma), which was created through the merger of Dainippon Pharmaceutical Co., Ltd. and Sumitomo Pharmaceuticals Co., Ltd. in October 2005, started its journey with a commitment to providing innovative and valuable pharmaceuticals for people not only in Japan, but also worldwide.

The merger was a major decision to ensure our ability to continue thriving in the pharmaceutical industry, and we focused on a fusion and harmony of minds to point the employees of both companies in the same direction and achieve synergies as quickly as possible. The management team and employees of the time worked together to promote business as the new Sumitomo Dainippon Pharma rather than as the former Dainippon Pharmaceutical and the former Sumitomo Pharmaceuticals. As a result, we have recognized we were able to unite as a new company quickly and nurture a corporate culture in which the positive elements that both companies possessed before the merger are even more pronounced, namely, diligence, integrity, respect for others, and trust.

Our basic strategy at the time of the merger was "nurturing a corporate culture imbued with an enterprising spirit" in which we identify changes in the environment rapidly and proactively try new things. The many challenges we have tackled since the merger have created the Sumitomo Pharma Group of today, which has transformed itself into a global company. On April 1, 2022, the Company changed its name from Sumitomo Dainippon Pharma to Sumitomo Pharma. With difficult changes likely coming to our business environment, we will make further efforts to foster a corporate culture that is never satisfied with status quo and is always challenging itself.

Keywords that symbolize our corporate culture



Instilling CHANTO: delivery of the highest performance

Sumitomo Pharma is building a flexible and efficient organizational foundation instilled with "CHANTO": capability to deliver the highest performance to achieve continuously fostering and delivering innovation to patients and other customers while transforming our organization in flexible ways to adapt to changes in the world.

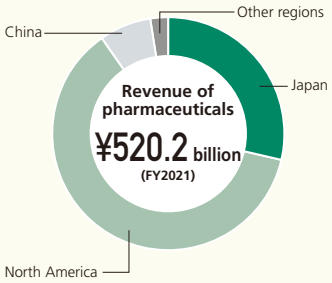
We have been promoting the "Project CHANTO." Under this initiative, executives have set Conduct Guidelines (=CHANTO) for all employees to challenge themselves to realize the Company's vision and constantly evolve, and we will continue to instill company-wide awareness of "CHANTO." Through the initiative, we aim to tie together the behavior modifications of each and every employee and the generation of individual and organizational results. In fiscal 2020, the Executive Officers defined and articulated "CHANTO" and implemented initiatives to help every employee better understand it. In fiscal 2021, we moved from understanding "CHANTO" to putting it into practice. As we did in fiscal 2020, we worked to instill "CHANTO" in workplaces through primarily navigators* selected from each workplace. The navigators helped workplace employees target one or two issues to be addressed from the five Conduct Guidelines of "CHANTO," and then action plans to address those issues were created and executed. We also conducted surveys to gauge how our employees' perception of "CHANTO" changed by executing their action plans. As a result of comparing surveys at the start of the action plan and six months later, some positive signs were observed. Employees indicated a strong desire to "continually change," and we evaluate that these activities have led to employees feeling more strongly that they themselves need to change.

*Employees selected with the criteria that they are non-managerial staff, exhibit leadership, and seem able to draw in their colleagues in a fun way.

➡ Please see page 29 for details about "Project CHANTO."

Strengthening our presence with innovative pharmaceutical products

Pharmaceuticals revenue breakdown by region

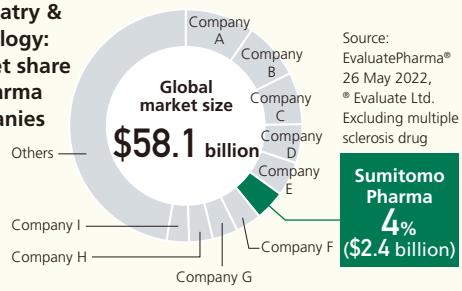


Position in focus areas

Psychiatry & Neurology area (Global)

Sumitomo Pharma has established a leading position in the global market as the company continues to build a unique R&D pipeline in the psychiatric and neurological disorder therapeutic drug market, including atypical antipsychotic LATUDA®, which has global sales of approximately ¥200.0 billion.

Therapeutic drugs for Psychiatry & Neurology: Market share of pharma companies (2020)



Source: EvaluatePharma® 26 May 2022, ® Evaluate Ltd. Excluding multiple sclerosis drug

North American market Psychiatry & Neurology area

LATUDA®

Revenue: ¥204.1 billion

Indications Schizophrenia, Bipolar I depression

Features An atypical antipsychotic with antagonistic effects for dopamine D_2, serotonin 5-HT_{2A} and serotonin 5-HT_7 receptors and also acts as a partial agonist on serotonin 5-HT_{1A} receptors

About target disease
- Schizophrenia is a chronic disorder with various symptoms, including hallucinations, delusions, social withdrawal, decreased spontaneity, cognitive impairment, anxiety, and depression, that makes life, employment, and education difficult. The number of schizophrenia patients in the U.S. is approximately 2.4 million.
- Bipolar disorder is a chronic and serious disease characterized by repeated cycles of manic and depressive episodes. The main symptoms reported are depressed mood, loss of interest and joy, significant weight loss, insomnia, fatigue, feelings of worthlessness, decrease in ability to concentrate, and repeated suicide attempts. The number of schizophrenia patients in the U.S. is approximately 12.6 million.

APTIOM®

Revenue: ¥27.1 billion

Indications Partial-onset seizures (Monotherapy/Combination therapy)

Features APTIOM® is a once-daily antiepileptic treatment FDA-approved for use as a monotherapy or adjunctive therapy for partial-onset seizures.

About target disease
- In the U.S., epilepsy is the fourth most prevalent neurological condition and approximately 2.9 million people are living with active epilepsy, including approximately 460,000 children aged 0 to 17 years.

KYNMOBI® Launched in September 2020

Revenue: ¥0.6 billion

Indications OFF episodes in patients with Parkinson's disease

Features A sublingual film formulation of apomorphine, a dopamine agonist

About target disease
- Parkinson's disease is a chronic and progressive neurodegenerative disease characterized by motor and non-motor symptoms. By 2030, It is estimated that approximately 1.2 million people in the U.S. and 10 million people worldwide will be living with Parkinson's disease.
- OFF episodes are the worsening or re-emergence of motor and non-motor symptoms otherwise controlled with appropriate drug therapy. 40–60% of Parkinson's disease patients experience OFF episodes.

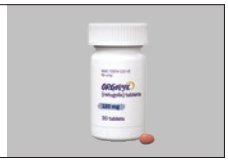
North American market Oncology and other areas

ORGOVYX® (relugolix* monotherapy)

Launched in January 2021

Revenue: ¥9.3 billion

Indications Advanced prostate cancer



Features The first and only oral gonadotropin-releasing hormone (GnRH) receptor antagonist approved in the U.S.

About target disease
- Prostate cancer is the second most prevalent form of cancer in men and the second leading cause of death due to cancer in men in the U.S.
- More than 3 million men diagnosed with prostate cancer are alive in the U.S., and approximately 190,000 men were estimated to be newly diagnosed in 2020.

MYFEMBREE®

(relugolix*, combination tablet)

Launched in June 2021

Revenue: ¥1.3 billion (Includes RYEQO® sales)

Indications Uterine fibroids

Features The first once-daily treatment approved in the U.S. for heavy menstrual bleeding associated with uterine fibroids in premenopausal women

About target disease
- An estimated 5 million women in the U.S. suffer from symptoms of uterine fibroids, and an estimated three million women are inadequately treated by current medical therapy and require further treatment.

*Relugolix is owned by Myovant Sciences Ltd. Sumitomo Pharma Group owns approximately 52% of the outstanding shares of Myovant.

GEMTESA® Launched in April 2021

Revenue: ¥7.1 billion

Indications Overactive bladder (OAB)

Features First and only ß3-adrenergic receptor agonist in the U.S. with urgency data and no blood pressure warning in its label

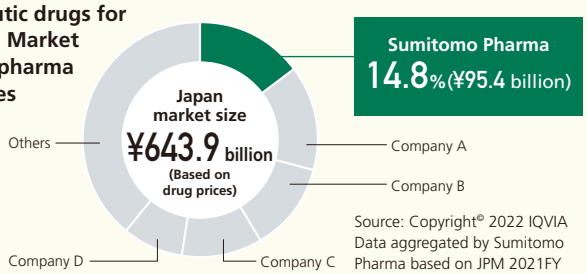
About target disease
- Approximately over 30 million people in the U.S. suffer from bothersome symptoms of OAB, including urinary urgency, urge urinary incontinence, frequent urination, and nocturia which can have a significant impairment on a patient's day-to-day activities.

Diabetes area (Japan)

In addition to Equa®, a DPP-4 inhibitor, and EquMet®, a combination agent, Sumitomo Pharma has an extensive lineup of products which have different mechanisms of action, including Trulicity®, a GLP-1 receptor agonist, METGLUCO®, a biguanide, SUREPOST®, a glinide, GLIMICRON®, a sulfonylurea, and TWYMEEG®, a new product with a novel mechanism of action, securing a leading position for sales in Japan in this area.

*The sales collaboration for Trulicity® will conclude upon the expiration of the contract period on December 31, 2022.

Therapeutic drugs for diabetes: Market share of pharma companies
(FY2021)



Japanese market Psychiatry & Neurology area

TRERIEF®

Revenue: ¥16.4 billion
Indications Parkinson's disease, Parkinsonism in dementia with Lewy bodies

Features Parkinson's disease drug with levodopa-enhancing effect

About target disease
- The number of Parkinson's disease patients in Japan is approximately 160,000. Onset often affects those aged 50-65, with the rate of incidence increasing with age.
- Since no treatment currently exists for stopping the progression of the disease, appropriate pharmaceutical treatment or surgery is selected according to the severity of conditions.

LATUDA® Launched in June 2020

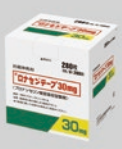
Revenue: ¥6.9 billion
Indications Schizophrenia and bipolar depression

Features See North American market

About target disease
- Schizophrenia affects approximately 800,000 people in Japan.
- Bipolar disorder affects approximately 220,000 people in Japan.

LONASEN® Tape

Revenue: ¥2.1 billion
Indications Schizophrenia



Features The world's first transdermal formulation approved for the indication of schizophrenia

About target disease
- See LATUDA® for Schizophrenia

Note: Revenue for the Japan market is fiscal 2021 performance results based on Invoice price.

Japanese market Diabetes area

Equa®/EquMet®

Revenue: ¥37.5 billion
Indications Type 2 diabetes

Features Equa®: DPP-4 Inhibitor
EquMet®: A combination agent that includes DPP-4 Inhibitor and metformin

About target disease
- An estimated 10 million people in Japan have diabetes, with the majority of them having type 2 diabetes.
- Basic treatment is through exercise and dietary approaches; however, when blood glucose levels are not adequately managed, oral or injectable hypoglycemic agents are administered.

TWYMEEG®

Launched in September 2021

Revenue: ¥200 million
Indications Type 2 diabetes

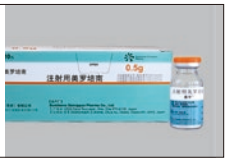
Features
- An oral hypoglycemic agent in a new class with a structure different from other such existing agents
- This drug may show a glucose lowering effect by both a pancreatic action that promotes glucose concentration-dependent insulin secretion and an extra-pancreatic action that improves glucose metabolism in the liver and skeletal muscle (suppression of gluconeogenesis and improvement of glucose uptake) through an action on mitochondria.

About target disease
- See Equa® and EquMet® for type 2 diabetes

Chinese market Infectious diseases

MEROPEN®
(brand name in China: MEPEM®)

Revenue: ¥29.9 billion
Indications General infections, febrile neutropenia

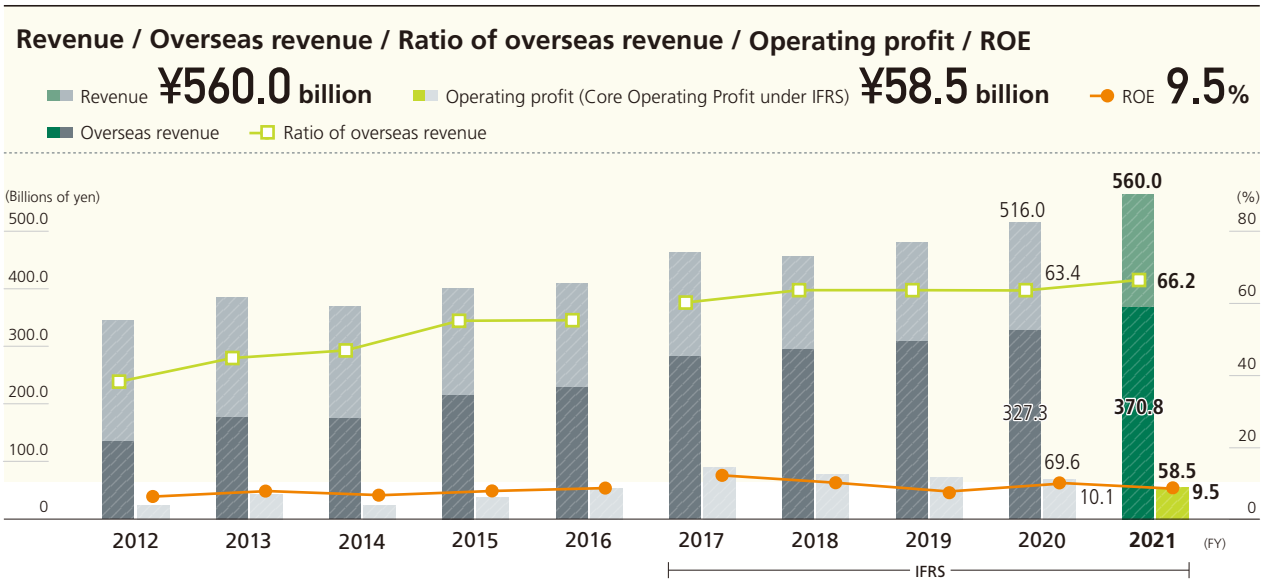


Features Standard therapy for severe infections, used in many countries

Financial Highlights

The Sumitomo Pharma Group has adopted the International Financial Reporting Standards (IFRS) for preparing its consolidated financial statements from the fiscal year ended March 31, 2018.

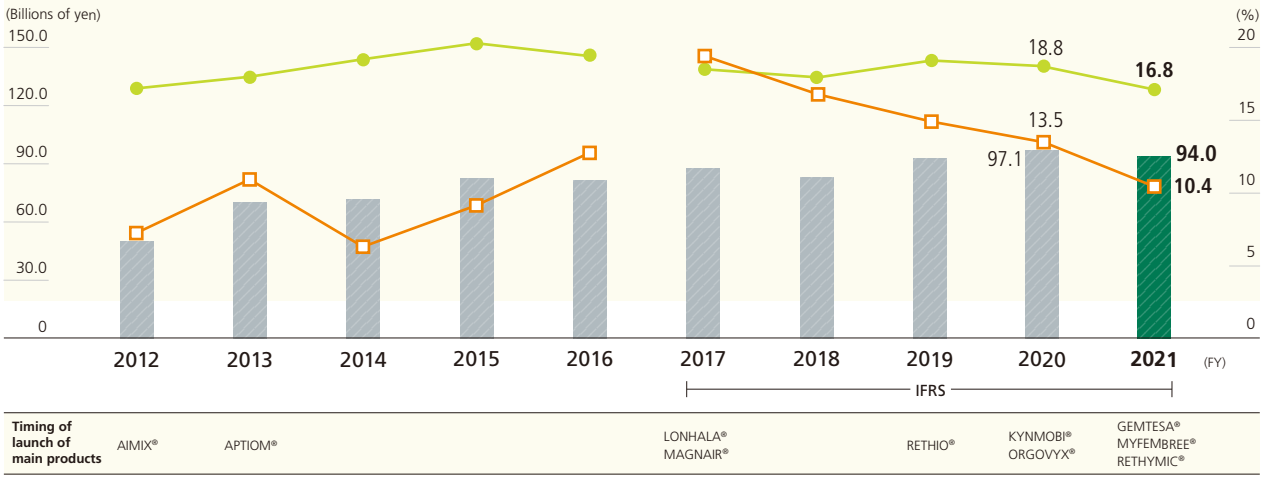
Revenue / Overseas revenue / Ratio of overseas revenue / Operating profit / ROE



The Group's overseas revenue was ¥22.0 billion (ratio of overseas revenue: 8.4%) in fiscal 2006, which is the fiscal year after our merger. Our business foundation in North America was secured by the acquisition of U.S.-based Sepracor Inc. (currently, Sunovion Pharmaceuticals Inc.) in 2009, together with the launch of LATUDA® in the U.S. in February 2011, which grew into a blockbuster product exceeding $1 billion in sales in fiscal 2015, and overseas revenue has grown steadily to ¥370.8 billion (ratio of overseas revenue: 66.2%) in fiscal 2021. As a result, in fiscal 2017 the Group achieved an all-time high operating profit (from fiscal 2017 shown as IFRS core operating profit*1 in the graph), and in fiscal 2021 we achieved an all-time high revenue. Our ROE in fiscal 2021 was 9.5%. Although ROE declined to between 3.0 and 3.99% in fiscal 2022 due to a downturn in gross profit and a rise in selling, general and administrative expenses, we aim to achieve an ROE of 10% or higher in the latter half of the 2020s.

*1 Core operating profit is calculated by deducting from operating profit any gains and losses resulting from non-recurring factors that the Group designates.

R&D expenses / Ratio of R&D expenses to revenue / Ratio of operating profit to revenue / Launched products

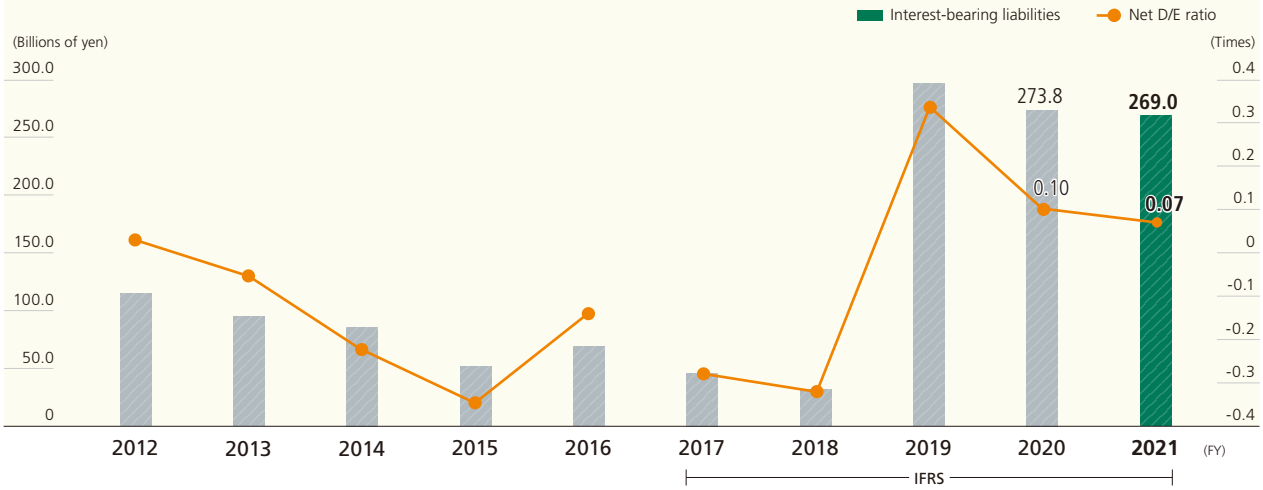


Timing of launch of main products	AIMIX®	APTIOM®	LONHALA® MAGNAIR®	RETHIO®	KYNMOBI® ORGOVYX®	GEMTESA® MYFEMBREE® RETHYMIC®

Research and development investment is essential for the Group to deliver innovative new pharmaceuticals to patients. We proactively invest profit from our business activities with a target ratio of R&D expenses to revenue of up to 20%.
As a result, we have launched 18 new drugs since our merger in 2005.

(Note) Timing of launch of main products: The graph shows the timing new drugs were first launched, excluding additional indications.
New drugs launched before fiscal 2011 are LATUDA® (in the U.S.), SUREPOST®, METGLUCO®, TRERIEF®, MIRIPLA®, AmBisome®, AVAPRO®, and LONASEN®.

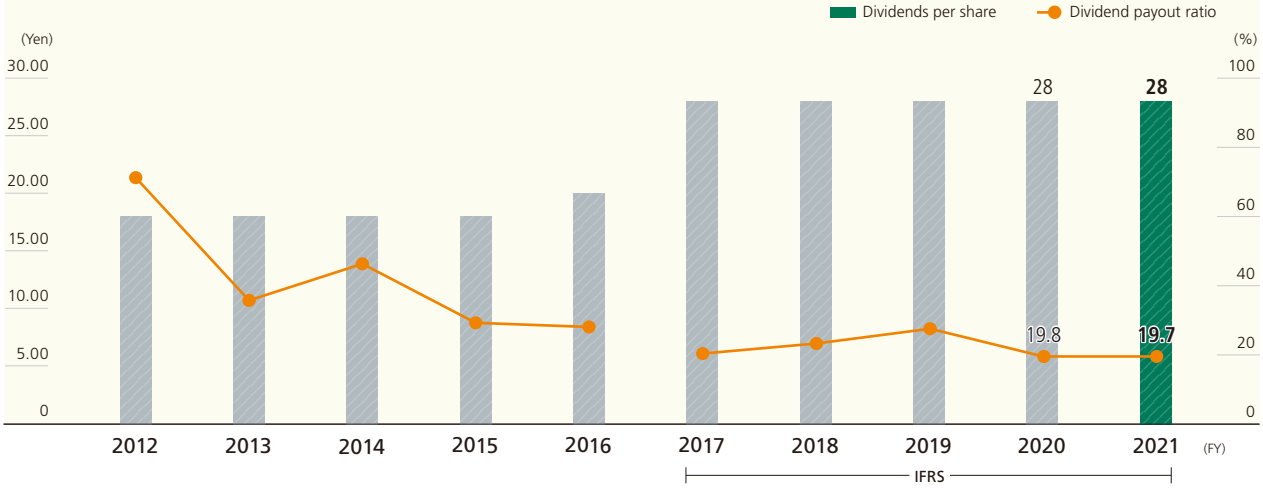
Interest-bearing liabilities / Net D/E ratio



In fiscal 2019, interest-bearing liabilities increased significantly as a result of short-term borrowings of ¥270.0 billion to finance payment of consideration for the strategic alliance with Roivant Sciences Ltd. In fiscal 2020, to maintain financial soundness we issued ¥120.0 billion of hybrid bonds (subordinated bonds) and renewed long-term borrowings of ¥125.0 billion from financial institutions. We will continue to work to strengthen our financial position such as by improving net cash.

➡ **Please see page 25 for Financial Policy (Message from the President).**

Dividends per share / Dividend payout ratio



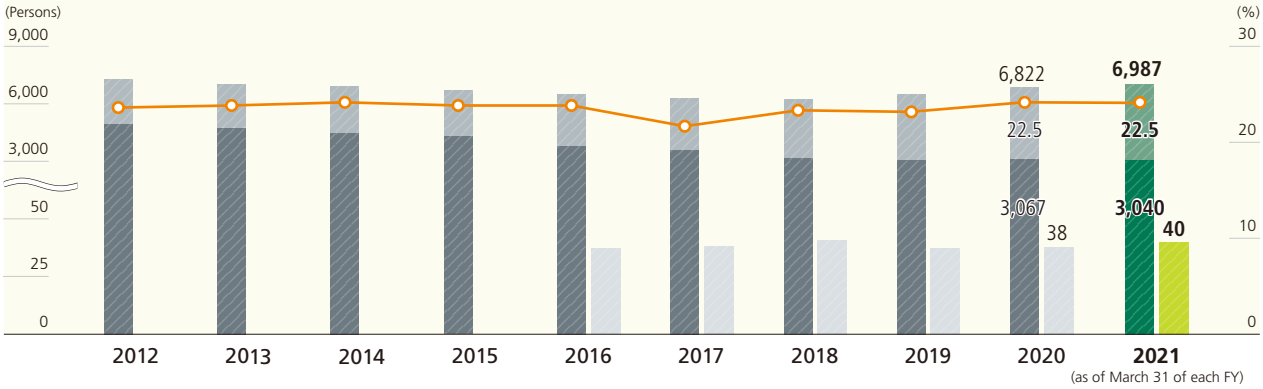
Sumitomo Pharma's dividend policy is to maintain consistent dividend payments while also considering a performance-linked dividend hike. We were aiming for a five-year average dividend payout ratio of 20% or higher for the five-year period of the Mid-term Business Plan 2022 (FY2018-2022) and expect it to be 28%.

All figures are non-consolidated except number of employees (consolidated)

Number of employees / Number of R&D positions / Number of Professional Contributor positions

Number of employees (consolidated) **6,987** Number of employees (non-consolidated) **3,040**

Ratio of R&D positions to the number of employees (non-consolidated) **22.5%** Number of Professional Contributor positions **40**



The Company has pursued management efficiency while simultaneously pursuing business expansion and globalization. Moreover, we have maintained a certain ratio of R&D positions to domestic employees, which is a source of value creation. Additionally, in fiscal 2016 we adopted a professional human resources system and established a new position of Professional Contributor (PC).

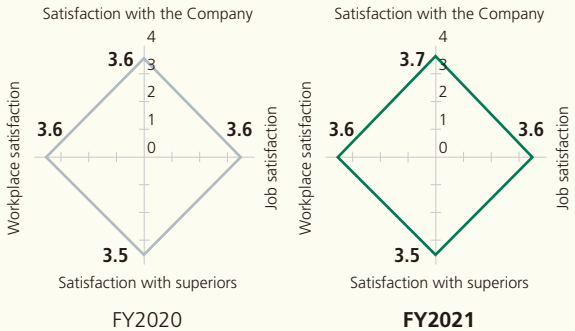
This is the appointment of human resources that produce maximal results through outstanding individual capacity or excellent results based on high level of professionalism.

KPI for work style innovation

Employee engagement

Sumitomo Pharma's score: 59.1
Other companies' average: 50.0

Sumitomo Pharma's score: 59.0
Other companies' average: 50.0



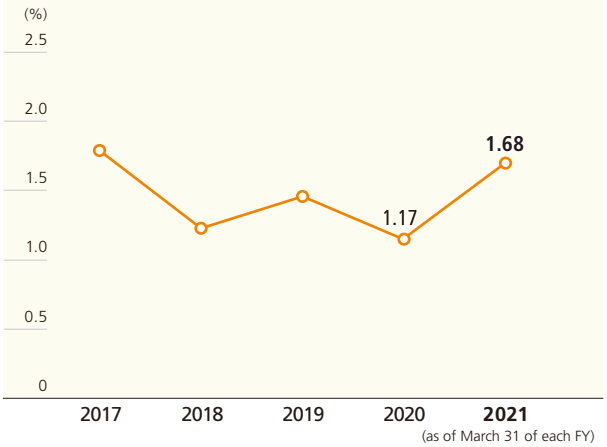
Employee engagement has been set as a key performance indicator (KPI) of work style innovation and we confirm this KPI using employee engagement scores as an indicator. To compare our progress with other companies, we have adopted the Motivation Cloud Service to measure and survey employee satisfaction and expectations since fiscal 2019.

The Company has achieved high scores that exceed the averages of other companies in every category.

(Note) Each of the categories—satisfaction with the Company and with superiors, and job and workplace satisfaction—are scored out of five.

KPI for work style innovation

Employee turnover rate

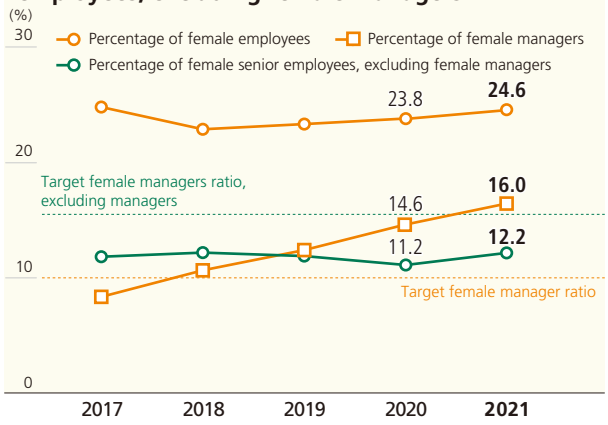


We are aiming to enhance productivity through our promotion of work style innovation. Our key focuses on evaluating productivity are employee work-life balance and sense of fulfilment in work and sense of contribution to the Company. As an indicator to measure these, we are using employee turnover rate as a KPI.

The employee turnover rate of employees leaving for personal reasons has been in the 1–1.99% range (less than 2%) for the last five years as a result of enhancing HR systems and creating comfortable working environments.

KPIs for diversity and inclusion

Percentage of female employees / Percentage of female managers / Percentage of female senior employees, excluding female managers



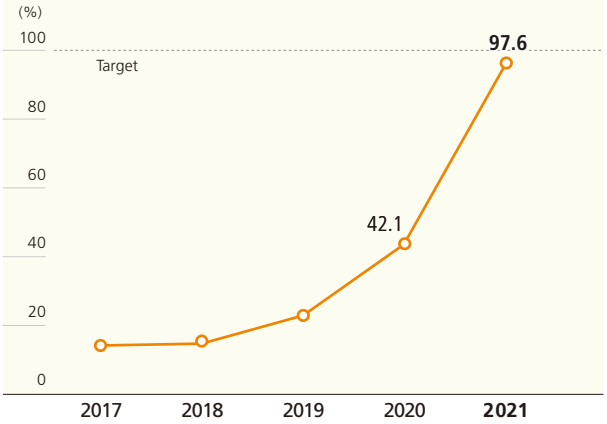
We believe that an equal ratio of men and women among our employees and among our managerial staff is one yardstick of our vision for women's active participation. Moreover, we are maintaining a ratio of female managers of 10% or higher and are aiming for a ratio of female managerial candidates to become female senior employees of 15% or higher. (goals for March 31, 2023).

Female manager ratios by region are 12.3% for Japan, 49.2% for North America, and 52.3% for China (consolidated).

(Note) Ratio of female employees is as of the end of the fiscal year, and the ratio of female managers and the ratio of female senior employees excluding managers are as of April 1 of the following fiscal year.

KPI for diversity and inclusion

Percentage of male employees taking childcare leave



(as of March 31 of each FY)

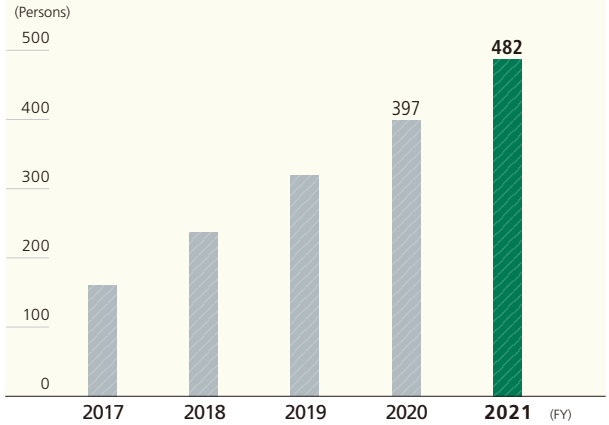
We believe a workplace environment with a healthy work-life balance for both males and females is desirable.

We are aiming for a workplace environment that is even more conducive to a healthy work-life balance and have set and are working towards an aspirational goal of 100% of male employees taking childcare leave (goal for March 31, 2023).

This ratio was 88.2% for those taking five consecutive business days and 97.6% for those taking at least one business day of leave.

KPI for training and development of employees

Number of participants in selective training (SMP Academy)

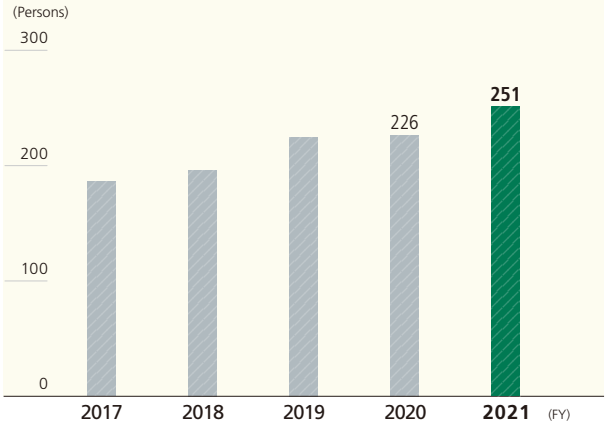


We established the SMP Academy in July 2016 with the aim of providing selected employees involved in management opportunities to acquire the knowledge and so on necessary for senior management positions.

Employees with ambition and potential who can be expected to thrive as future executive candidates are selected from various levels—from junior to mid-career to management. In the six years from fiscal 2016 to 2021, 482 employees took part in the training. Females account for 28% of all SMP Academy participants.

KPI for training and development of employees

Number of employees with overseas work experience



We are promoting initiatives to develop and strengthen human resources who can take on global management roles in future.

Every year we are increasing the number of our employees with overseas work experience through measures such as ongoing promotion of HR development initiatives and systematic rotation of employees including to overseas subsidiaries.

(Note) The total number of employees with overseas work experience—starting from the number out of the total workforce as of March 31, 2016, and for each fiscal year thereafter.

Contents

Editorial Policy

Applicable period

This report is based on the results for fiscal 2021 (April 1, 2021 to March 31, 2022).
Some of the activities described were conducted in fiscal 2022.

Organizational scope

This report is based on the activities of Sumitomo Pharma Co., Ltd. and its consolidated subsidiaries. Some of the information is based on Sumitomo Pharma.

Reference guidelines

- IFRS, International Integrated Reporting Framework
- Company-Investor Dialogue for Collaborative Value Creation compiled by the Ministry of Economy, Trade and Industry of Japan
- GRI Sustainability Reporting Standards
- ISO26000
- International Financial Reporting Standards (IFRS) (applied from the fiscal year ended March 31, 2018)

Disclaimer regarding forward-looking statements

This Report contains forecasts, projections, goals, 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, 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.
Information concerning pharmaceuticals and medical devices (including compounds under development) contained herein is not intended as advertising or as medical advice. Consolidated subsidiary Myovant Sciences Ltd. ("Myovant") is listed on the New York Stock Exchange, and the Sumitomo Pharma Group holds roughly 52% of the company's outstanding shares. ORGOVYX® (relugolix) and MYFEMBREE®/RYEQO® (relugolix combination tablet) are products owned by Myovant. This material contains information about Myovant, which is based on information disclosed by Myovant.

➡ **For more information, please visit Myovant's website.**
More information about Myovant

(Note) The information in this report is presented on the IFRS core base unless otherwise specified.

Information Disclosure Media

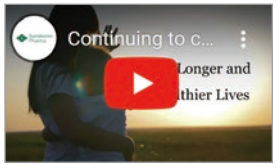
We disclose a variety of information so that our diverse stakeholders understand our business and initiatives. In addition to the investor relations (IR) and sustainability content on our website, we have posted a movie introducing Sumitomo Pharma and videos that introduce our roots and our thoughts on our business. We also publish a Fact Book (published twice a year) and a Corporate Profile.

Corporate Site

IR Site

Sustainability Site

Video: Sumitomo Pharma introduction



Video: Sumitomo Pharma's challenge

Video: Sumitomo Pharma's roots (Only available in Japanese)

Integrated Report 2022

Fact Book 2022

Corporate Profile

Interim shareholder report (Only available in Japanese)

Backcasting to identify future changes in the environment

The changes which are expected in the overall social environment include the advancement of the 4th Industrial Revolution, demographic aging and the shrinking of the working population, and the relatively lower positioning of Japan and Europe due to the rise of China and other emerging countries.

In the pharmaceutical and healthcare industry to which the Sumitomo Pharma Group belongs, further aging of the population and pressure on healthcare financing are expected to become major issues. In addition, the clarification of disease mechanisms and the enhancement of preventive and interventional measures may lead to a shift from treatment to prevention and the discovery of new treatment methods for diseases that were previously untreatable.

In the area of pharmaceuticals, the options offered by new modalities such as antibody drugs, nucleic acid drugs, gene therapy, and regenerative medicine and cell therapy are expanding beyond the previous focus on small molecule drugs. In addition, advances in the use of big data and AI across the value chain from drug discovery to marketing are expected to shorten development time, reduce costs, and increase the probability of success.

In the future, it is expected that pharmaceuticals will continue to be the mainstay of treatment as the solution to unmet medical needs while non-pharmaceutical treatments and preventive medical care using digital technology will become more widely available.

We believe that due to these changes in the environment the pharmaceutical industry will face a Time for Change which will require the establishment of non-conventional new business models. Based on this belief, in April 2019, Sumitomo Pharma formulated a new vision and the Mid-term Business Plan 2022 (fiscal 2018 to fiscal 2022) covering the five years starting in fiscal 2018 in order to contribute to solving social issues in a changing healthcare environment.

Anticipated changes by 2033

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 becomes available

Identifying and responding to opportunities and risks in the value chain

Sumitomo Pharma recognizes opportunities and risks in the value chain, which includes research and development, production and quality control, sales, marketing, corporate regulatory compliance & quality assurance and medical science, and takes measures to reduce risks, including for M&As and alliances. The direction of our responses for each area is as below.

➡ **Please see page 103 for more details on the significant risks that could negatively impact the operating results, cash flow and financial position of Sumitomo Pharma Group.**
➡ **Please see page 113 for more details on our value chain initiatives.**

Value chain	Opportunities	Risks	Direction of responses
Research and development	• There are high unmet medical needs in the three focus areas (psychiatry & neurology, oncology, and regenerative medicine/cell therapy) with significant impact on healthy life expectancy. • Open innovation with academia and biotech companies is gaining momentum. • Support from regulatory authorities, public institutions, governments and others can be actively utilized.	• The focus areas of psychiatry & neurology and oncology are areas with a higher degree of uncertainty in research and development, and there is a high degree of difficulty in research and development. As regenerative medicine/cell therapy is a new field, the rules on regulatory approval and drug price listing are not completely in place. • If clinical development fails, there are significant losses due to soaring research and development expenses. • Non-pharmaceutical disease prevention and treatment methods are emerging (which is an opportunity for Frontier business).	• We will expand our pipeline by leveraging our outstanding technology and know-how and focusing on research and development in our three research focus areas. • We will establish a strategic development plan under our global development framework, which includes coordination with our partners, to implement efficient clinical development. • We will manage our portfolio appropriately by reviewing research and development policy as is appropriate to match the timing of development stage transitions.
Production and quality control	• We are building a framework for stable supply by strengthening our global supply chains in collaboration with partners in Japan and overseas.	• The stable supply of products can be impacted by supply chain disruptions caused by natural disasters such as a major earthquake or flooding, unforeseen accidents, deterioration of social conditions, or pandemics. • Product quality issues can lead to product recalls, administrative penalties, and loss of social trust.	• To ensure stable and safe procurement, we use multiple suppliers and consider alternative products and stockpiling. We secure safe inventory of products based on risk. • We use audits of our suppliers to check on quality, the environment, and safety, and to request improvements. • We have established a global quality assurance system which complies with the laws and regulations of each country. • We are making efforts to prevent the occurrence of counterfeit pharmaceuticals.
Sales and marketing	• Unmet medical needs are increasing due to the aging of the population and responses to rare diseases. • Treatment opportunities are growing to meet the need for early detection and prevention.	• There is a global policy trend to control drug prices to reduce healthcare costs. • Changes in the competitive environment, such as the emergence of major competing products, could lead to delays in market penetration and decrease in revenue.	• We will expand our pipeline to enable contribution to revenue at an early stage. • We will commercialize healthcare solutions that provide new value to society with a focus on areas where synergies with our pharmaceutical business can be expected.
Corporate Regulatory Compliance	• We can identify unmet medical needs by collecting information from patients, their families, and healthcare professionals.	• There can be unexpected side effects after a product is launched. • There is an increasingly high level of management due to the diversifying supply chain.	• We will evaluate safety information collected from Japan and overseas through centralized database management. • We will plan the measures needed to ensure the safety and proper use of pharmaceuticals, and implement safety measures in a timely manner.
Medical Science	• Expanding usage of real-world data • Growing proliferation of digital devices • Expanding online diagnosis and treatment • Unmet medical needs are coming to light with advancements in exams and diagnosis technologies	• The needs of patients and healthcare professionals are diversifying • Society is requiring higher-quality scientific evidence • Rapid advances in science and technology shorten the period of evidence obsolescence.	• Identify the healthcare situation and identify health care needs using real-world data • Develop human resources and build systems for swiftly creating high-quality scientific evidence that satisfies healthcare needs • Identifying digital technologies and quickly utilizing digital technologies that show promise for growth
M&A and alliances	• We can maximize profit and reduce business risk by partnering on a global scale. • We can acquire pipeline products utilizing our strong marketing base.	• The development of acquired pipeline products may be delayed or terminated. • Acquired pipeline products may fall short of revenue contribution forecasts after launch.	• Through strategic investment, we will acquire pipeline products in late-stage development which can be expected to contribute to revenue at an early stage. • We will improve profitability by selling products for which the exclusive marketing period has expired and research and development assets.

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

Research & Development
We possess a rich pipeline, drug discovery capability, leading-edge technology and know-how, broad network related to science, and dedicate efforts mainly in the three research focus areas*.

* Three research focus areas: Psychiatry & Neurology, Oncology, Regenerative Medicine/Cell Therapy

➡ See page 42

Human Resources
We have a framework that utilizes the capabilities of individual employees, sincere and excellent human resources, and a corporate culture that promotes a spirit of perseverance and precision.

➡ See page 60

Global Platform
We have a strong sales network in Japan, North America, and China which forms a base that supports global expansion, and we engage in sales and marketing activities tailored for each region.

➡ See page 52

Business activities and strategy

Material issues linked to value creation
- Development of Innovative Products and Healthcare Solutions

Psychiatry & Neurology Area	Oncology Area	Regenerative Medicine / Cell Therapy Field
Infectious Diseases Area	Other Areas	Frontier Business

- 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

➡ See page 35-36

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

➡ See page 37-38

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

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

➡ See page 42

Basic Policy II

Building of flexible and efficient organization

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

➡ See page 57

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 fulfilment and a sense of happiness through work

Also contributing to achieving the Sustainable Development Goals (SDGs)

Position we aspire to establish in 2033

Global Specialized Player

In addition to becoming a global leader in its three research focus areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine / Cell Therapy, Sumitomo Pharma will work to develop pharmaceuticals, as well as Frontier business where we expect synergies with the pharmaceutical business, aspiring to establish a position as a "Global Specialized Player" in 2033.

We will practice our business philosophy centered on entrepreneurship and accelerate our advancement to a new stage.

With unflagging resolve, we are striving to rebuild our business foundation for sustained growth

In April 2022, the Company changed its name from Sumitomo Dainippon Pharma Co., Ltd. to Sumitomo Pharma Co., Ltd. Sumitomo Dainippon Pharma Co., Ltd. was formed following the merger of Dainippon Pharmaceutical Co., Ltd. and Sumitomo Pharmaceuticals Co., Ltd. in October 2005, and the company has grown enormously both in terms of its scale and business areas over the intervening sixteen and a half years. The company has renewed its group brand with the aim of further improvement and development toward a new business stage. Now, all Group companies are coming together as one team and stepping up efforts to reach a new business stage.

When Sumitomo Dainippon Pharma began in October 2005, the decision to give it a combination of the names of its precursors was to respect the weight of history behind Dainippon Pharmaceutical, which was founded in 1897, while also achieving a harmony among all employees as quickly as possible. Over the more than 16 years since that merger, we have not only achieved a great harmony but have also significantly increased the Group's sales while massively globalizing its business.

Since the merger, we have promoted the worldwide development of the atypical antipsychotic LATUDA®, built a business foundation in the U.S. with the acquisition of Sepracor Inc. (currently, Sunovion Pharmaceuticals Inc.) in 2009, and seen LATUDA® become the company's first blockbuster product. In 2012, we entered into the Oncology area which has high unmet medical needs with the acquisition of Boston Biomedical, Inc. (currently, Sumitomo Pharma Oncology, Inc.). We then advanced the Regenerative Medicine/Cell Therapy field in 2013. In 2018, we began Frontier business on a full-scale aimed at providing solutions beyond pharmaceuticals for every stage of wellness promotion, from illness prevention to physical therapy to social reintegration.

At the same time, not having launched products from Sumitomo Pharma Group in 10 years, it must be said that we still have some distance to go toward fulfilling our corporate mission of "creating new value based on innovative research and development activities." Moreover, there will be a loss of exclusivity (LOE) for LATUDA®, which accounts for approximately 40% of the Group's revenue, in the U.S. in February 2023. We acquired multiple pipelines, including future Blockbuster candidates, through the strategic alliance with Roivant Sciences Ltd. ("Roivant") in December 2019. However, conditions may remain challenging through fiscal 2023 and beyond as it will take time for these candidates to develop into post-LATUDA growth engines.

To prevail as quickly as possible and achieve sustained growth for the Group, we will accelerate the growth of new products while also expanding further pipelines as well as stepping up efforts in our Regenerative Medicine/Cell Therapy business as well as the Frontier business. All of these pursuits will be

extremely challenging, but the Sumitomo Group, which has nearly 400 years of history, manifest its business philosophy centered on entrepreneurship. This means that we face challenges head-on and persevere through any difficulties. Taking the opportunity presented by our corporate rebranding, all Group employees, whether in Japan or abroad, will take this sprit in their hearts and strive to rebuild our business foundation with unflagging resolve.

Becoming a global leader with a unique presence in the three focus areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine/Cell Therapy

With the aim of becoming a corporate group with solutions to a range of social issues in a changing global healthcare environment, Sumitomo Pharma established a new vision —

Hiroshi Nomura
Representative Director,
President and Chief Executive Officer

"For Longer and Healthier Lives. We unlock the future with cutting edge technologies and ideas" — in April 2019. We set a vison of becoming a global leader in specific areas as well as working on Frontier business, with the aspiration to establish a position as a "Global Specialized Player" with a strong presence in 2033.

The specific areas are Psychiatry & Neurology, Oncology, and Regenerative Medicine/Cell Therapy, our three research focus areas. Unmet medical needs are growing rapidly in each area with the aging of society. We are therefore looking to utilize cutting-edge technologies to create innovative pharmaceuticals.

However, the kind of global leader that we envision does not mean the company that makes the most sales revenue. Our goal is to provide distinctive pharmaceuticals indispensable for each area. Moreover, in addition to pharmaceuticals, we also aim to become a company with a unique presence by commercializing a range of healthcare solutions to support healthy lifestyles through the Frontier business, which includes everything from illness prevention to physical therapy, social welfare, and caregiving.

Joint development begun on four development pipelines with Otsuka Pharmaceutical as a global partnering strategy

As the first step toward achieving the "position we aspire to establish in 2033," we are working towards achieving the goals of the Mid-term Business Plan 2022 ("the MTBP"), which commenced in fiscal 2018. Sales of LATUDA® in North America declined year-over-year in fiscal 2021, the fourth year of the MTBP. Meanwhile, we are working to expand the sales of three new products in the U.S. that we acquired through the strategic alliance with Roivant, namely ORGOVYX® (indication: advanced prostate cancer), MYFEMBREE® (indication: uterine fibroids), and GEMTESA® (indication: overactive bladder). In the U.S., we launched RETHYMIC®, an allogeneic cultured thymus tissue used in regenerative medicine for immune reconstitution in pediatric patients with congenital athymia. In Japan we launched TWYMEEG® for the treatment of type 2 diabetes. The successes of these products led to the highest ever sales revenue for the company.

Furthermore, as one of the global partnering strategies described in the MTBP, in September 2021 we signed an agreement with Otsuka Pharmaceutical concerning joint development and sales involving four development pipelines in the area of psychiatry and neurology. The four compounds covered under the agreement, which include ulotaront (SEP-363856), a compound in Phase 3 studies in the U.S., and Phase 2/3 studies in Japan and China, show promise as future growth engines in the Psychiatry & Neurology area. Through this collaboration with Otsuka Pharmaceutical, we will expeditiously and certainly develop these compounds and provide them to as many patients around the world as possible. This type of strategic alliance will become particularly important after the LOE of LATUDA®, as our R&D budget will be limited. Identifying Otsuka

Pharmaceutical as the best partner for us in the first step of the strategic alliance was a major achievement for us in fiscal 2021.

Promoting digital transformation within the Group using two healthcare technology platforms

Fiscal 2021 also saw us make steady progress toward digital transformation, a key measure in the MTBP. Through the strategic alliance with Roivant, we acquired two healthcare technology platforms — DrugOME and Digital Innovation — along with the digital experts who will run them. Dedicated technology teams have since been working closely with broader business teams to promote the use of the digital technology platforms throughout the Group. They have already made an array of achievements over the two years since they got fully underway.

For example, with DrugOME, we are working to support business development activities that include conducting asset searches and disease landscape and forecast research using natural language processing technologies, and we have built a system to identify and rank promising drug discovery targets based on data from the latest research papers in the Drug Research Division. We will be active on many fronts going forward, which includes commercial assessment of compounds in clinical stage, optimizing clinical development plans and study design, improving clinical study efficiency, and expeditiously acquiring promising pipelines.

Regarding Digital Innovation, we have assigned specialist engineers from each broader business team to serve as digital innovators. These individuals use digital technologies to solve teams' business problems and improve productivity. As examples from Japan, digital innovators have developed a variety of applications including domestic regulatory information and support tools for preparing clinical study-related documents, and have boosted operational efficiency as a result. Their activities in the U.S. include developing clinical study enrollment prediction tools and tools to speed up enrollment, using chat bots to improve sales operation efficiency, and analyzing social media information to find key opinion leaders to approach as part of marketing activities.

These are examples of how the two platforms are achieving more than we had hoped. Along with using data in a more sophisticated fashion, we will continue to further the digital transformation throughout the Group by replicating these successes in other departments.

Instilling "CHANTO" (the capability of delivering the highest performance) and revising human resources system in order to foster a corporate culture where employees can take full aim at their goals

As part of strengthening our business foundation to support sustained growth for the Group, the MTBP calls for fostering a corporate culture and developing talent to drive innovation, in addition to pursuing digital transformation. "CHANTO" will be a key concept for this endeavor and constitutes Conduct Guidelines that aim to instill in all Group employees the capability to deliver the highest performance. This ties in with the "spirit of entrepreneurship" I mentioned earlier and refers to continuously setting and achieving ambitious goals.

Our Corporate Mission is "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." However, drug discovery research today is a difficult arena with a success rate that is said to be just one in 20,000, or even one in 30,000. To overcome this hurdle and create value, it will be vital that we make effective use of

DrugOME and Digital Innovation to enhance our R&D precision and productivity, and that everyone involved in our business — whether R&D, production, sales, or management — delivers the highest performance toward achieving established goals.

Since the start of the MTBP, we have instilled the "CHANTO" concept throughout the Group, including at overseas subsidiaries, by making opportunities to communicate with Group management and employees. In fiscal 2021, along with formulating and implementing action plans at each workplace in order to encourage the putting into practice of "CHANTO" in a variety of places, we also began monitoring the degree to which workplaces are practicing "CHANTO".

For employees to overcome difficulties and achieve goals, we need to provide evaluation and compensation programs to reward challenge seeking, while also making it so that employees can pursue ambitious goals without worrying about being adversely evaluated if they fail. To this end, a new human resource system was implemented in Sumitomo Pharma in Japan in April 2022 that is in line with this approach. By further instilling "CHANTO" group-wide and revising the human resources system, we will foster a corporate culture where employees take full aim at achieving their goals.

A focus on maximizing LATUDA® profits and making steady progress with major development projects in the final year of the MTBP

In fiscal 2022, the final year of the MTBP, we will focus on maximizing profits from LATUDA® before its LOE in February 2023. We will also concentrate on expanding sales of ORGOVYX®, MYFEMBREE®, and GEMTESA®, all newly launched products in the U.S., as growth drivers post-LATUDA.

Regarding R&D, we will promote to develop ulotaront (SEP-363856) and SEP-4199, which includes starting clinical studies for two additional indications for ulotaront in collaboration with Otsuka Pharmaceutical. With regard to ulotaront, while factors such as the situation in Ukraine have had an impact on recruiting patients for clinical studies, we will work with the CRO and take the best possible approach to ensure that we do not miss our target launch window of fiscal 2024. In the Oncology area, we will advance our early-stage development pipelines. The Regenerative Medicine/Cell Therapy field will see us commence clinical studies in Japan for allogeneic iPS cell-derived products (for age-related macular degeneration). In the U.S., we plan to start clinical studies for Parkinson's disease and begin construction of an iPS cell product manufacturing facility. For the Frontier business, we will commercialize existing projects that involve products such as the MELTz Hand Rehabilitation System, digital device for relieving BPSD, and VR contents for mental health.

For fiscal 2022, we forecast sales revenue of ¥550 billion and core operating profit of ¥30 billion. Achieving market penetration with new products has taken longer than expected due to factors such as the effects of COVID-19. Compared to targets in the revised MTBP, excepting revenue growth due to a weakened yen, sales revenue was revised downward by ¥90 billion. Heavily impacted by the downward revision to sales revenue, core operating profit was revised downward to ¥30 billion, despite a profit increase of ¥21 billion owing to the sale of assets and other factors.

Assessing and analyzing risks and opportunities presented by climate change in preparation for information disclosure in line with the TCFD recommendations

In 2018, we defined material issues (materialities) for CSR-based management in order to contribute to solving a broad range

of social issues through our business activities. Since then, we have continuously revised our material issues, including updating them in 2020, based on changes in society, the progress of our activities, and the results of communications with our stakeholders.

We also established KPIs in June 2021 for evaluating and analyzing progress made toward the targets of these material issues, and have disclosed our fiscal 2021 results in this report. To develop even more fitting KPIs in light of our business lineup and plans, we will continue to hold discussions that take into consideration the views of external stakeholders.

Among all our many material issues, our environmental initiatives have become especially important in recent years. We recognize our responsibility as a pharmaceutical company and have worked to reduce our environmental impact in all our business pursuits. We established our Basic Environmental Policies in 2005, laying out the kind of company we should become and the measures we must take to get there. We then revised the policies in May 2021 in response to social needs, and gave more attention to efforts aimed at making society more sustainable. Going forward, we will follow these Basic Environmental Policies and strengthen efforts to reduce our environmental impact with the entire value chain in mind. To this end, we announced our goal of achieving zero greenhouse gas emissions (Scope 1 &2) by 2050 when we revised the Basic Environmental Policies, and we have already deployed renewable energy at our Oita and Suzuka plants.

Having declared our support for the TCFD (Task Force on Climate-related Financial Disclosures) in November 2021, we are also continuing to analyze and assess risks and opportunities for the purpose of information disclosure according to these recommendations. An analysis and assessment of Sumitomo Pharma (Japan only) under the +2°C and +4°C scenarios found

that there would be no significant financial impact on the company in either scenario in terms of risks or opportunities. We will continue to review these scenarios as global warming progresses and the international situation changes. At the same time, we will expand the scope of analyses and assessments to the entire Group and will respond quickly to risks and opportunities that have a significant financial impact.

Sumitomo Pharma will continue to create innovative pharmaceuticals and healthcare solutions that will contribute to healthier and fuller lives for people. We will also achieve sustained growth by maximizing the value of next-generation blockbuster pharmaceutical candidates that will support us post-LATUDA, strengthening the business foundation continually, and promoting CSR-based management. I would like to ask all of our stakeholders for your ongoing support in the future.

Representative Director, President and Chief Executive Officer

We are focused on improving global management efficiency and enhancing profitability by bringing new Sumitomo Pharma products to market.

Focusing R&D investments on high-priority pipelines

As a financial strategy, the Mid-term Business Plan 2022 (the MTBP) calls for aggressive R&D investment and establishes a five-year strategic investment budget of ¥300-600 billion beginning in fiscal 2018 via financial leverage.

Under this strategy, we made roughly ¥330 billion in investments through a strategic alliance with Roivant Sciences Ltd. ("Roivant") in fiscal 2019, and thereafter made R&D investments centered on compounds in clinical late-stage, as well as acquiring 100% ownership of Urovant Sciences. This brought total investments to ¥510 billion as of the end of fiscal 2021. With these large-scale investments, we were able to map out a post-LATUDA growth trajectory.

While we are not currently considering any further large-scale investments, other initiatives include investing in acquiring development pipelines, and we will be in-licensing products that can achieve profitability quickly along with products that can be effectively utilized in our existing marketing infrastructure.

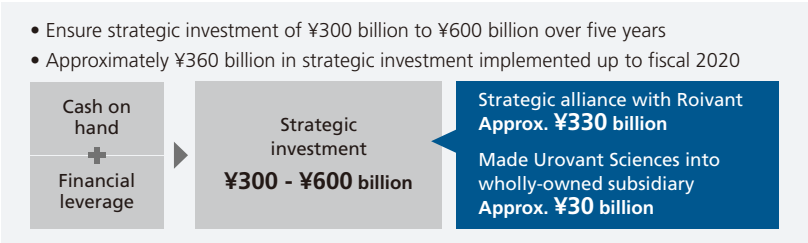
For R&D investment, our strategy calls for establishing an investment level of roughly ¥450 billion for the five-year period of the MTBP, which includes ¥94 billion in fiscal 2021 and ¥93 billion forecast for fiscal 2022. Major factors behind the increase in R&D investment have been R&D expenses for ORGOVYX®, MYFEMBREE®, and GEMTESA® by the Sumitovant Group. Now that these products have launched, we will be shifting investment toward segments that include regenerative medicines and cell therapies, as well as existing compounds in clinical late-stage such as ulotaront (SEP-363856) and SEP-4199.

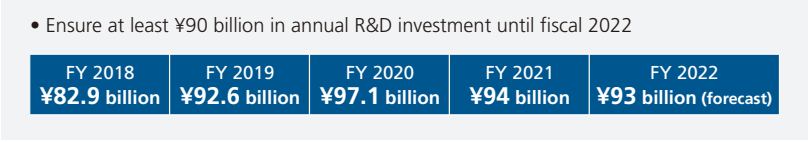
In fiscal 2023 and beyond, after the loss of exclusivity (LOE) for LATUDA® in the U.S., we will need to scale back R&D investment from the current level. To more effectively utilize limited R&D funds, we will carefully assess what pipelines will facilitate Sumitomo Pharma Group growth and concentrate funds in high-priority pipelines. Our basic plan is to prioritize the development and launch of new drug candidates originating from the Sumitomo Pharma Group. We are also considering a reduction of R&D expenses through strategic partnering akin to our joint development efforts with Otsuka Pharmaceutical.

A focus on reducing interest-bearing liabilities and increasing net cash in order to maintain medium- to long-term financial soundness

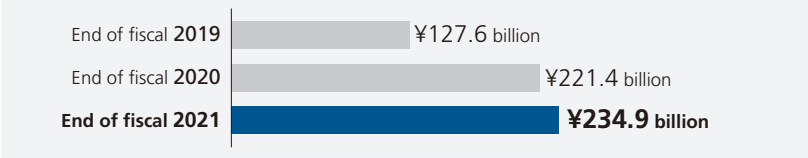
Our policy on fund procurement is to raise funds giving due consideration to maintaining financial soundness based on funding costs and the impact on our credit ratings. For the strategic alliance with Roivant in fiscal 2019, we raised ¥270 billion through short-term borrowings in

Financial policy: Ensure strategic investment with financial leverage





Working capital at end of year



order to pay the consideration, and we refinanced ¥120 billion of that amount through the issuing of hybrid bonds aimed at raising capital. In fiscal 2020, we refinanced ¥125 billion of the ¥150 billion balance through long-term borrowings from financial institutions for the purpose of stabilizing our financial position.

In so doing, we believe we have maintained a high level of financial soundness in terms of cash flow.

Our policy is to reduce the Group's interest-bearing liabilities of ¥270.1 billion (as of March 31, 2022) in order to maintain financial soundness over the medium to long term. In fiscal 2022, the repayment of ¥20.1 billion in long-term borrowings will constitute the complete repayment of borrowings made in fiscal 2017, and remaining interest-bearing liabilities will be reduced to ¥250 billion, the amount procured in the strategic alliance with Roivant. As a further effort to improve financial soundness, we will focus on increasing net cash flows from working assets minus interest-bearing liabilities.

As a result of maximizing business earnings and achieving cash flows, through means such as the sale of investment securities, we increased net cash from (¥170 billion) in fiscal 2019 to (¥35 billion) in fiscal 2021. While net cash is projected to decline in fiscal 2022 due to decreased earnings, we aim to make ongoing improvements by continuing to promote cash flow-focused management throughout the Group.

Striving for an ROE of at least 10% for the second half of the 2020s

Sumitomo Pharma has incorporated ROIC and ROE targets into the financial goals of the MTBP in order to manage business, with a focus on capital efficiency.

ROIC and ROE are projected to decline to 0.7% and 3.6%, respectively, in fiscal 2022. The significant ROIC decline owes primarily to core operating profit falling by half as well as a meager decrease in corporate taxes due to loss situation for some of our North American subsidiaries, which is unable to benefit from a tax effect.

While difficult business conditions are likely to persist in fiscal 2023, after the LOE for LATUDA® in the U.S., we aim to achieve an ROE of at least 10% in the second half of the 2020s by strengthening profitability through the launch of new products from Sumitomo Pharma Group and by boosting global management efficiency.

Finally, with regard to our shareholder return policy, there has been no change to our dividend policy, which is that "a performance-linked dividend hike will be considered in addition to consistent dividend payments." During the period of the MTBP, our goal for the five-year average payout ratio is 20% or higher.

Based on these dividend policies, we plan to pay an interim and year-end dividend of ¥14 per share in fiscal 2022, the year ending March 21, 2023, for a total annual dividend of ¥28 (consolidated payout ratio of 50.6%), which is the same as the dividend in fiscal 2021.

Hiroshi Nomura
Representative Director,
President and Chief Executive Officer

Financial impact awareness and swift responses to risks and opportunities

In November 2021, Sumitomo Pharma announced its support for the TCFD recommendations*1. Concerning climate change-related risks and opportunities, we will proceed with initiatives and information disclosure in line with the TCFD recommendations, promote dialog with stakeholders and ensure that we are properly prepared for climate change. In addition, we will further reduce the risks of climate change and precisely make use of its opportunities by thinking about our preparedness for climate change from both aspects of "mitigation" and "adaptation." Sumitomo Pharma will include its response to climate change in "Environmental initiatives", one of the material issues forming the foundation for business continuity. With an awareness of the financial impacts of environmental changes on our business, we will incorporate responses to risks and opportunities in management strategies.

*1 https://www.sumitomo-pharma.com/ir/news/2021/20211102.html

Governance

In fiscal 2021, under the environmental management system*2, we extracted and evaluated environmental risks and opportunities due to climate change at each location in our 8 business sites, identified important risks and opportunities and devised measures to deal with them. In fiscal 2022, we will pursue initiatives integrated with the risk management systems*3 to extract and evaluate risks and opportunities due to climate change for all of Sumitomo Pharma's divisions and domestic group companies. These initiatives to tackle climate change will be expanded to include overseas group companies in the future. Also, from fiscal 2022 onwards, they will be reported to the Board of Directors regularly at least once a year and be further enhanced under the Board's supervision.

*2 https://www.sumitomo-pharma.com/sustainability/environment
*3 https://www.sumitomo-pharma.com/profile/risk_management

Strategy

We analyzed and evaluated risks and opportunities due to climate change according to a 2℃*4 scenario and a 4℃*4 scenario. The results of an examination of ongoing measures and those that have been planned and begun showed that there were no risks which would have a major financial impact on the Company for either scenario. While no opportunities having a major financial impact have been found at present, we will continue to pay close attention to the effect of climate change on infectious diseases, one of our research areas.

Going forward, continuously reviewing scenarios to reflect the steady march of global warming and rapidly changing global trends, we aim to respond swiftly to risks and opportunities considered to have a major financial impact.

*4 Scenarios created with reference to "RCP2.6" and "RCP8.5" issued by IPCC (Intergovernmental Panel on Climate Change) as well as various predicted values and peripheral information from the IEA (International Energy Agency) and Ministry of the Environment

Management of risks and opportunities

Risks and opportunities due to climate change will be managed through integration with the risk management promotion structure from fiscal 2022*5. After extracting and evaluating risks and opportunities for individual divisions and group companies, they will be aggregated and important risks and opportunities identified. Risks will be extracted according to the 6 categories in the TCFD recommendations (Transition risks: "Policy and Legal Risks", "Technology Risk", "Market Risk", "Reputational Risk"; Physical risks: "Acute risk", "Chronic Risk", and the 5 opportunity categories ("Resource Efficiency", "Energy Source", "Products and Services", "Market" and "Resilience") as the starting point. Specifically, envisaged risks will be evaluated according to the 2 aspects of "degree of impact" and "potential". Degree of impact will be evaluated on any of "economic impact", "impact on the human body", "reputational impact" and "impact on business" while potential will be evaluated by frequency of occurrence on a time scale of 1 year (short term), 3 years (medium term) and 10 years (long term). Scenarios for risks and opportunities with a high overall evaluation for degree of impact and potential will be analyzed, risks and opportunities will be identified for each scenario and the financial impact will be calculated. In addition, measures will be drawn up for the identified risks and opportunities, fiscal year plans drawn up for initiatives and progress assessed each year. If required, goals will be managed in accordance with mid- to long-term environmental goals*6.

*5 In fiscal 2021, implemented at each business location under environmental management system
*6 https://www.sumitomo-pharma.com/sustainability/environment/goals_performance.html#burden04

Metrics and Targets

Measures for individual risks and opportunities are as shown in the above table - Risks and Opportunities due to Climate Change. The measures against "Flooding, inundation and landslides caused by typhoons and heavy rain disrupt supplies of raw materials and purchased products as well as the sales and supply of the Company's products" given in Physical Risks, "Acute" (i.e., Formulation of BCP, inventory optimization, diversification of suppliers) are common to those for risks in the value chain (including those not due to climate change) and actions are already being carried out. Also, for reductions in GHG emissions and water usage amounts, we have set mid- to long-term goals[*6], evaluate progress each year[*7] and disclose this together with actual results[*8, 9].

*7 https://www.sumitomo-pharma.com/sustainability/environment/goals_performance.html#burden03
*8 https://www.sumitomo-pharma.com/sustainability/environment/global_warming.html#global03
*9 https://www.sumitomo-pharma.com/sustainability/environment/resource_saving.html#resource01

Risks and Opportunities due to Climate Change

Scenario	Risk classification		Risk details	Financial impact	Countermeasures
2˚C and 4˚C	Physical risks	Acute risks	Flooding, inundation and landslides caused by typhoons and heavy rain disrupt supplies of raw materials and purchased products as well as the sales and supply of the Company's products.	Major[*10]	• Formulate BCP to reinforce stable supply structure • Avoid supply disruptions by optimizing inventories • Enhance stability of procurement by diversifying suppliers
2˚C	Transition risks	Policy and legal risks	Introduction of carbon tax results in tax burden depending of CO_2 emissions.	Approx. ¥540 million/year[*11]	Implement various measures toward achieving fiscal 2050 goals[*6] • Reinforce fiscal 2030 goals[*6] with a view to achieving long-term goals. • Continue planned investment in carbon neutral equipment. • Continue energy saving measures and consider alternative fuels.
		Market risks	Introduction of carbon tax results in increasing costs of supplies, deliveries, and related energies.	Approx. ¥3.45 billion/year[*12]	• Encourage business partners including suppliers to reduce greenhouse gas (GHG) emissions. • Make continuous efforts toward resource and energy savings through technology development and improved operational efficiency.

Scenario	Opportunity classification		Opportunity details	Financial impact	Countermeasures
2˚C and 4˚C	Opportunities	Resource efficiency	Reducing water withdrawal helps to reduce costs. It also indirectly contributes to the reduction of GHG emissions generated in the process of supplying tap water and treating wastewater, and to the maintenance of ecosystems by protecting water intake sources.	Minor[*10]	Implement various measures toward achieving fiscal 2030 goals[*6] • We have installed water-saving nozzles on the faucets at some facilities. Going forward, we will continue to proactively promote initiatives in this area.

*10 Carry out qualitative evaluation (major, medium, small) for items whose financial impact is difficult to calculate
*11 Calculated by multiplying CO_2 emissions in fiscal 2020 of approximately 54,000 t (Reporting entity's Scope 1+2) by IEA's assumed carbon price for developed countries of ¥10,000/t-CO_2 (hereafter, "assumed carbon price")
*12 Calculated by multiplying fiscal 2020 CO_2 emissions for Scope 3 Category 1 "Purchased goods and services" and Category 4 "Transportation and distribution (upstream)" of approximately 345,000 t by assumed carbon price.

Fostering “CHANTO,” the capability to deliver the highest performance

Our concept of "CHANTO" refers to the capability to continuously create and deliver innovation to people, while transforming our organization in flexible ways to adapt to changes in the world. By simultaneously pursuing digital innovation, organizational and operational reform, and fostering a corporate culture and talent that drive innovation, we are building a flexible and efficient organizational foundation in which CHANTO is instilled.

Challenges

Goal-oriented

Collaborate

Courage

Self-disciplined, independent

Diligence

Integrity

Q What is the origin of Project CHANTO?

Mid-term Business Plan 2022 calls for building a flexible and efficient organizational foundation in which CHANTO is instilled. This is aimed at continuously creating and delivering innovation to people, transforming our organization to adapt to changes in the world, and continually growing our business.

To deliver the highest performance, it is important for every employee to set goals and think about how best to achieve them. Goals cannot be achieved alone. Employees need to coordinate with others in the organization and determine what action to take in order to contribute. Taking on challenges is another important concept. Just doing the same things over and over will not lead to success. One can become proficient in their work and achieve a certain measure of success, but growth will stop if complacency sets in. Aiming higher and continually taking on challenges is key. This thinking led to our developing and instilling throughout the company the CHANTO concept, which refers to the aspects that the company wants every employee to model in order to deliver the highest performance in solidarity as professionals.

Unfortunately, there has been inconsistencies among organizations and individuals with regard to how CHANTO has been interpreted, resulting in situations that have not led to changes in behavior. This prompted us to launch Project CHANTO in February 2020 in an effort to define and articulate CHANTO, educate employees about it, and instill its philosophy in the organization.

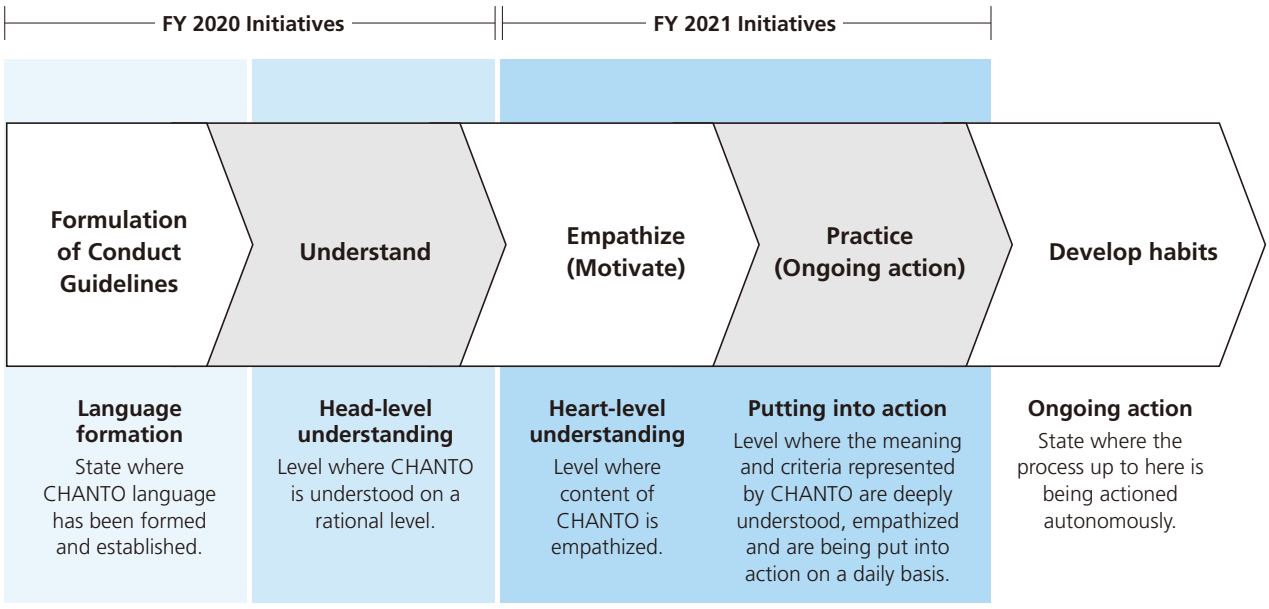
With Project CHANTO, we seek to effect a change of behavior in every employee and foster individual and organizational successes by establishing and instilling throughout the company Conduct Guidelines (=CHANTO) for realizing the Company's vision.

In fiscal 2020, executives defined CHANTO at a workshop and established five Conduct Guidelines to serve as guideposts for employees when they lose their way or hit a wall.

Five Conduct Guidelines

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

The Process of Instilling CHANTO



Fostering "CHANTO," the capability to deliver the highest performance

Q What have you done to instill CHANTO in employees?

To instill the CHANTO Conduct Guidelines throughout the organization, we have taken steps to facilitate workplace-led initiatives aimed at employees gaining a better understanding of CHANTO. More specifically, we have held sessions to provide navigators* chosen from each workplace with opportunities to understand the importance of the Company's principles and CHANTO. These navigators have then led efforts to familiarize team members with CHANTO, resulting in an environment where CHANTO is understood. Although there are top-down methods for instilling CHANTO or other such principles in an organization, we have emphasized a bottom-up approach led by navigators, thereby making the implementation of CHANTO fun and making CHANTO something that employees take ownership of.

In fiscal 2021, we moved from understanding CHANTO to putting it into practice. This involved navigators directing their organizations in identifying guidelines requiring improvement from the five CHANTO Conduct Guidelines at their workplaces, and then formulating and executing action plans to make those improvements. We also conducted surveys to gauge how our employees' perception of CHANTO changed by executing their action plans. As a result of comparing surveys at the start of the action plan and six months later, some positive signs were observed. This suggests that employees feeling more strongly that they themselves must change is the result of Project CHANTO.

*Employees selected with the criteria that they are non-managerial staff, exhibit leadership, and seem able to draw in their colleagues in a fun way.

Main CHANTO instillment initiatives

- Provided video messages from seven Executive Officers serving as CHANTO ambassadors
- Held "Group CHANTO Sessions" and "CHANTO Parties" for navigators chosen from each workplace
- Held "CHANTO Cafe" meetings at all worksites to understand CHANTO and put it into practice
- Held "CHANTO Session for Management"
- Produced a movie to foster a closeness with team members practicing CHANTO
- Put up the key graphic, posters, etc. at business sites
- Made "Stories of CHANTO in Practice" available on the Company intranet

■Changes and Results in the Workplace from Implementing CHANTO

Product Marketing Department Initiatives of a diabetes area member

We have built a consensus among all team members on the meanings of "having fun," "making effective proposals," and "practicing CHANTO so as to serve as a model for the company," and the last 10 months have seen us refine our action plan while taking an agile approach to work. These efforts have led to more independent thinking as employees made their own proposals, reviewed their usual activities in the short-term, and made a habit of doing the job right. Many of the initiatives proposed have been actualized, with some becoming success stories to share with the entire Sales & Marketing Division.

The months ahead will see us build a structure and accumulate the expertise needed to communicate healthcare information appropriately and efficiently, and deliver results.

Research Division Initiatives of Chemistry Research Unit Group 3

To establish the foundation for a culture capable of consistently innovating, we have created an action plan focused on "respecting each other and collaborating with peers," revitalized briefings, visualized strengths, provided opportunities to share knowledge, and improved communication during group work and other situations aimed at better understanding one another. Through this process, workplace communication has improved and cooperation has led to a redefining of work, while employees have taken ownership of and become much more capable of addressing the issues their organizations face.

Using these changes as a headwind, we will pursue innovation that will bring successes to our organizations.

Q What's in store for the future?

The goal of Project CHANTO is to establish and instill throughout the company Conduct Guidelines (=CHANTO) for realizing the Company's vision, connect it to a change of behavior in every employee, and link it to individual and organizational results. Ultimately, employees will become able to articulate in their own words what CHANTO means to them — what they should do as individuals and as an organization based on an understanding of the Company's vision and what the Company expects of its employees.

Our aim in instilling CHANTO is to get every workplace to work towards ambitious goals and deliver results, but there is too much variation among individuals with respect to what "ambitious goal" means. To improve this situation, every workplace will imagine the external environment roughly 10 years in the future and discuss where they want to be by then, taking ownership of getting there. Meanwhile, we will get all employees on the same page and foster a culture focused on delivering the highest performance.

Hopes for CHANTO as expressed by a navigator on the Company's intranet

We define and promote putting into practice our Corporate Mission as CSR-based management

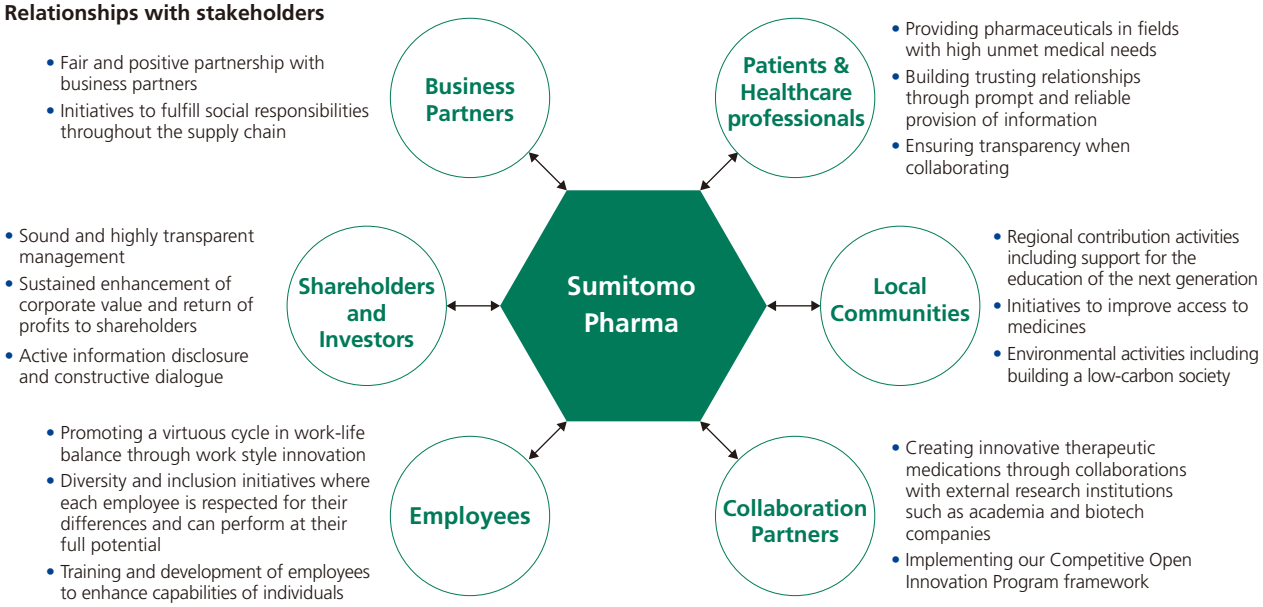
Our approach to CSR-based management

Sumitomo Pharma defines the practice of its 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. We aspire to implement CSR-based management through developing innovative products and healthcare solutions as well as respecting human rights, maintaining and reinforcing the corporate governance system, promoting work style innovation and diversity & inclusion, strengthening employees training and development, contribution to global health, and taking initiatives to improve access to medicines.

In promoting CSR-based management, we are also conscious of contributing toward the achievement of the United Nations Sustainable Development Goals (SDGs). While concentrating most efforts on Goal 3: Good health and well-being, Sumitomo Pharma is also actively addressing Goal 8: Decent work and economic growth, Goal 12: Responsible consumption and production, and Goal 17: Partnerships for the goals.

We also believe we need to continue strengthening our relationships by enhancing dialogue with our stakeholders.

Relationships with stakeholders



Our Top Priority Sustainable Development Goals and Targets

3 GOOD HEALTH AND WELL-BEING	3.4	By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.
	3.3	By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.
8 DECENT WORK AND ECONOMIC GROWTH	8.5	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.4	By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.
17 PARTNERSHIPS FOR THE GOALS	17.17	Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

➡ **Please see the corporate website for more details.**
Sumitomo Pharma's Initiatives for Each of the SDG Goals

Sustainable Management

With respect to issues related to sustainability, such as the environment, human rights, and the health of employees, the status of implementation of measures regarding such issues is regularly reported to the Board of Directors, and active discussions take place from the perspective of enhancing corporate value over the medium to long term.

As environmental conservation activities, the Company has formulated long-term environmental targets for fiscal 2030. In May 2021, the Company revised the Basic Environmental Policies and set a new target to strive for zero-emissions of greenhouse gases (GHG) associated with its business activities by fiscal 2050. In November 2021, the Company expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In April 2022, the Company disclosed relevant information based on the TCFD recommendations (response to climate change) on the Company's website.

As activities for promoting respect for human rights, the Company identified human rights risks in its business activities as a whole. In order to prevent and further reduce such risks, the Company established and enforces the "SMP Group Human Rights Policy" in March 2022, as a basic policy for efforts to be made by the Group to respect human rights, upon the resolution by the Board of Directors.

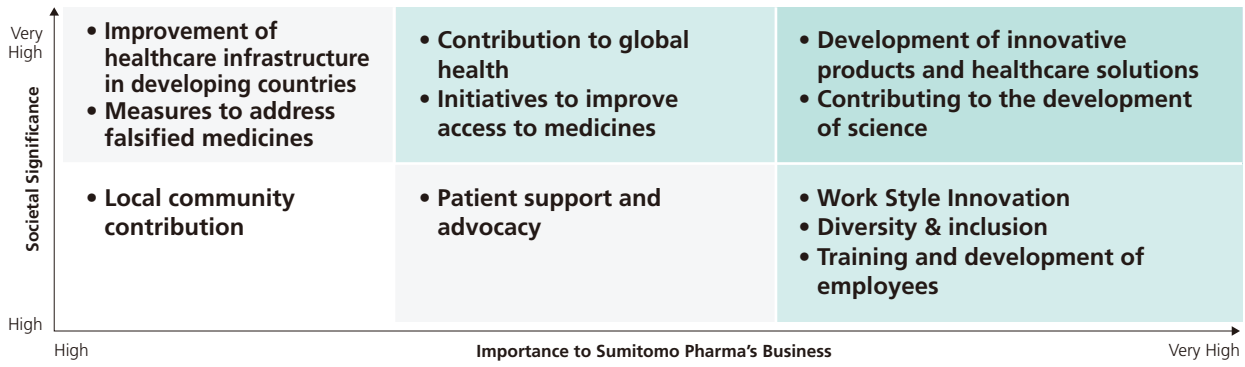
Materiality

In fiscal 2018, we identified our material issues for CSR management (materiality). Since then, we have been continuously reviewing them based on feedback obtained through dialogue with our stakeholders, and in fiscal 2019, we organized them into two categories: material issues that lead to value creation, in which solving the issues is important for our sustainable growth, and material issues that serve as the foundation for business continuity, in which solving the issues is essential for the continuity of our business activities.

In fiscal 2021, in addition to targets linked to our business plan and management issues for these material issues, we established KPIs for evaluating and analyzing our progress in each of these areas. We believe that sharing our initiatives, including non-financial information, will promote further dialogue with our stakeholders. The Management Committee deliberates on and reviews material issues and targets, as well as the establishment of KPIs, and reports the results to the Board of Directors.

➡ **Please see the corporate website for more details.**
The process for defining materiality

Material issues linked to value creation —solving issues is important for our sustained growth



Material issues that form 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

Material issues linked to value creation

<table>
<tr><th>Material issues</th><th colspan="3">Targets</th><th>Page</th></tr>
<tr><td rowspan="10">Development of innovative products and healthcare solutions

Contributing to the development of science</td><td colspan="3">• 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</td><td rowspan="10">P.42</td></tr>
<tr><td>KPIs</td><td>Fiscal 2021 progress</td><td>Changes to KPI</td></tr>
<tr><td>①Progress 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)</td><td>ulotaront (SEP-363856): Continued Phase 3 (U.S.) for schizophrenia
Continued Phase 2/3 (Japan and China), target for launch changed to fiscal 2024.
SEP-4199: Starting Phase 3 (Japan and U.S.) for Bipolar I depression.</td><td>ulotaront (SEP-363856): launch in fiscal 2024 (U.S.)</td></tr>
<tr><td>• Targets in Oncology area (DSP-7888: launch in fiscal 2024 (Japan and U.S.)</td><td>DSP-7888: Stopped Phase 3 for glioblastoma, continued Phase 1/2 for solid tumors.</td><td>(Item to be determined): Launch in the late 2020s (Japan and the U.S.)</td></tr>
<tr><td>• 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))</td><td>Pediatric congenital athymia: Approved in the U.S. in October 2021, launched in March 2022.
Parkinson's disease: Phase 1/2 (investigator-initiated clinical trial), launch target changed to fiscal year 2024
Age-related macular degeneration (AMD): Preparing for clinical trials</td><td>Delete congenital athymia: launch in fiscal 2021 (U.S.)
Parkinson's Disease: launch in fiscal 2024 (Japan)</td></tr>
<tr><td>• Targets for other areas with high unmet medical needs (relugolix: Myovant approval for endometriosis in fiscal 2022 (U.S.), rodatristat ethyl: launch in latter half of 2020s (Japan and U.S.))</td><td>Relugolix: Filed for additional indication of endometriosis in July 2021 (U.S.) rodatristat ethyl: Phase 2 (U.S.)</td><td></td></tr>
<tr><td>• Targets for Frontier business (commercialization of multiple products (target: launch in fiscal 2023–2025 (Japan and U.S.)))</td><td>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.)</td><td></td></tr>
<tr><td>②Progress on early-stage development pipeline
• Number of transitions to Phase 2 and Phase 1 in Psychiatry & Neurology area and Oncology area (fiscal 2018-21 cumulative)</td><td>Psychiatry & neurology area: Phase 2: 1 drug 1 study, Phase 1: 7 drug 7 studies
Oncology area: Phase 2: 1 drug 1 study, Phase 1: 7 drugs 7 studies</td><td></td></tr>
<tr><td>③Progress on development of modalities</td><td>Oligopeptide MVT-602, gene therapy URO-902, Proteins including antibody drugs (affiliated with JCR Pharma Co., Ltd.), Nucleic acids (affiliated with Luxna Biotech Co., Ltd.),
Peptides (affiliated with FunPep Co., Ltd.), Advancement of recombinant protein ALTA-2530, SP-101/102, and multiple vaccine projects.</td><td></td></tr>
<tr><td>④Work motivation of research & development staff
• Evaluation score of research & development staff in employee engagement survey*expectation and satisfaction
*Average score out of 5 points in the research & development department</td><td>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</td><td></td></tr>
<tr><td>Material issues</td><td colspan="3">Targets</td><td>Page</td></tr>
<tr><td>Work Style Innovation</td><td colspan="3">• More sophisticated work styles • Virtuous cycle in Work-life balance</td><td>P.58</td></tr>
<tr><td>KPIs</td><td colspan="2">Fiscal 2021 progress</td><td></td></tr>
<tr><td>①Employee engagement</td><td colspan="2">Company-wide engagement score: 59.0
Percentage of departments with engagement scores under 55: 23.9%
Note: Engagement scores indicate engagement for an organization (as a deviation) and are determined using the Motivation Cloud from Link and Motivation Inc.
Other companies' average score is 50</td><td></td></tr>
<tr><td>②Employee Turnover Rate</td><td colspan="2">3-year turnover rate: 1.44% 5-year turnover rate: 1.51% 10-year turnover rate: 1.57%</td><td></td></tr>
<tr><td>Material issues</td><td colspan="3">Targets</td><td>Page</td></tr>
<tr><td rowspan="6">Diversity & inclusion</td><td colspan="3">• Promotion of active participation by female employees • Promotion of LGBTQ understanding
• Promotion of active participation by people with disabilities through appropriate placement</td><td rowspan="6">P.62</td></tr>
<tr><td>KPIs</td><td>Fiscal 2021 progress</td><td>Changes to KPI</td></tr>
<tr><td>①Percentage of female managers (target for the end of fiscal 2022: maintain at least 10%)
Percentage of female senior employees, excluding female managers (target for the end of fiscal 2022: 15%)</td><td>16.0%
12.2%</td><td></td></tr>
<tr><td>②Percentage of male employees taking childcare leave (target for the end of fiscal 2022: 100%)</td><td>88.2% (5 or more business days)</td><td></td></tr>
<tr><td>③Number of participants in e-learning on LGBTQ</td><td>2,755</td><td></td></tr>
<tr><td>④Number of Ally activities</td><td>4</td><td></td></tr>
<tr><td>⑤Average length of employment of employees with disabilities</td><td>18.9 years</td><td>Percentage of employees with disabilities (target: more than the legally specified employment percentage of 2.3%)</td></tr>
<tr><td>Material issues</td><td colspan="3">Targets</td><td>Page</td></tr>
<tr><td rowspan="6">Training and development of employees</td><td colspan="3">• Fostering of leaders and training of globally-minded human resources
• Fostering a corporate culture that encourages self-disciplined and independent career development</td><td rowspan="6">P.61</td></tr>
<tr><td>KPIs</td><td colspan="2">Fiscal 2021 progress</td></tr>
<tr><td>①Number of participants in selective training</td><td colspan="2">SMP Academy trainees: 85</td></tr>
<tr><td>②Number of employees with overseas work experience</td><td colspan="2">25 (individuals who started working overseas in fiscal 2021)</td></tr>
<tr><td>③Number of participants in programs to enhance English proficiency</td><td colspan="2">e-learning (goFLUENT program) Participants
e-learning: 1,201 Private instruction program: 159</td></tr>
<tr><td>④Number of cases and applicants utilizing internal job posting system</td><td colspan="2">Internal posts: 6 (13 people)
Applicants: 55 people</td></tr>
<tr><td>⑤Number of career consultations</td><td colspan="2">Self-career dock consultations: About 200</td></tr>
</table>

Material issues	Targets		Page
Patient support and advocacy	• Improving disease-related literacy for patients, their families, and society		**P.75**
	KPIs	**Fiscal 2021 progress**	
	①Activities from patient perspective through healthcare professionals	Diabetes • Held training on bringing attention to stigmatizing language (all Branch Senior Directors and Sales Office Directors) • Distributed material for patients made by the Japan Association for Diabetes Education and Care Psychiatry Area • Promoted schizophrenia patient awareness through the use of materials • Promoted employment support for schizophrenia patients and increased disease awareness and diagnosis rate of bipolar disorder through the use of disease awareness website, "Kokoro Share,"-related materials Neurology Area • Promoted disease awareness on Parkinson's disease and on dementia with Lewy bodies by providing information using VR content (daily life experiences for patients and caregivers) • Provided Parkinson's disease patient education materials: rehabilitation logbooks, "Rehabili Kitchen," etc.	
	②Level of understanding and satisfaction of participants in public lectures	Understanding: 94.2%, Satisfaction: 90.7%	
	③Number of support activities through donations and cooperation with patients' associations	Donated to 9 organizations Supported 1 organization's activity	
	④Dissemination to raise awareness of diseases through our website	New contents: 23	

Material issues	Targets		Page
Local community contribution	• Fulfilling responsibilities and contributing as a member of the community with awareness of harmony with society		**P.77**
	KPIs	**Fiscal 2021 progress**	
	①Number of activities to support the development of the next generation and level of understanding and satisfaction of participants	Schools visited: 7, Participating students: 551 Lecturers from the Company: 13 Understanding: 95.3%, Satisfaction: 98.1%	
	②Number of donations for social contribution that lead to resolution of social issues (disasters, people with disabilities, the environment, biodiversity, etc.)	19	
	③Number of charitable activities in local communities	2	

Material issues	Targets		Page
Contribution to global health	• 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		**P.73**
	KPIs	**Fiscal 2021 progress**	
	①Progress of development in infectious diseases area - Number of projects - Number of products (number of products launched)	6 projects 0 products	
	②Number of policy recommendations in infectious diseases area	8 recommendations	
	③Number of doctors and pharmacists who participated in the AMR countermeasure support program	31	
	④Number of local residents assisted by maternal and child health programs in developing countries	Cooking class participants: 691 Home visits: 1,061	

Material issues	Targets		Page
Initiatives to improve access to medicines	• 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		**P.74**
	KPIs	**Fiscal 2021 progress**	
	①Number of programs aiming to improve medicine-related literacy	4 programs	
	②Number of responses to requests for unapproved and off-label drugs	2 products	
	③Number of policy recommendations by the Company on access to medicines	11 recommendations	

Material issues	Targets		Page
Improvement of healthcare infrastructure in developing countries	• 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		**P.74**
	KPIs	**Fiscal 2021 progress**	
	①Number of community care volunteers trained through maternal and child health programs in developing countries	62	
	②Number of partnerships working to improve healthcare infrastructure in developing countries	5 partnerships	

Material issues	Targets		Page
Measures to address falsified medicines	• Prevention of falsified medicines and illicit distribution		**Web site**
	KPIs	**Fiscal 2021 progress**	

Material issues that form the foundation for business continuity

Material issues	Targets			Page
Respecting human rights	• 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			**P.96**
	KPIs	**Fiscal 2021 progress**	**Changes to KPI**	
	①Formulation of a basic policy for human rights	Established and put into force the SMP Group Human Rights Policy on March 1, 2022 Published the policy on our website	Delete "Formulation of a basic policy for human rights"	
	②Promotion of understanding of and action on the basic policy at Group companies	After the policy was established and put into force, all Group companies were notified and their acknowledgement received		
	③Encouragement of respect for human rights by business partners, including suppliers	Established the Sumitomo Pharma Sustainable Code of Conduct for Business Partners Published the Code of Conduct on our website		

Material issues	Targets		Page
Corporate governance	• Pursuit of highly effective corporate governance • Ensuring the independence of management and protecting the interests of minority shareholders		**P.79**
	KPIs	**Fiscal 2021 progress**	
	①Appropriate management and supervision of Group companies	Sumitomo Pharma officers and employees assumed positions as part of Directors at subsidiaries such as those in the U.S. (included part of the corporate auditors for domestic and Chinese subsidiaries), and are monitoring management	
	②Addressing the revised Corporate Governance Code appropriately	Made appropriate revisions to the Basic Policy on Corporate Governance, Regulations of the Board of Directors, and Nomination and Compensation Committee Regulations (December 1, 2021) Released new disclosure guidelines based on revised CG codes for such things as Director and Audit & Supervisory Board Member skill sets and skills matrix (December 3, 2021) Made disclosures in accordance with TCFD recommendations concerning climate change response	
	③Implementing evaluation of the effectiveness of the Board of Directors and working on priority issues based on the results of evaluation	Directors and Audit & Supervisory Board Members did an evaluation of the fiscal 2020 Board of Directors meetings. Based on those results, the effectiveness of the Board of Directors in fiscal 2020 was largely confirmed at the Board of Directors meeting in May 2021. It was agreed that appropriate progress was seen as to the efforts for the major agendas of fiscal 2021 (i) Further enhancement of discussions for risk management, (ii) Provision of the appropriate number of agenda items and appropriate time for deliberation, and (iii) Enhancement of training.	
	④Conducting appropriate transactions between Group companies with consideration to protecting the interests of minority shareholders	The Supervisory Committee for Conflict of Interests in Transactions between Group Companies met once (to choose a committee chairman and share information about transactions with Group companies)	

Material issues	Targets		Page
Risk management	• 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)		**P.92**
	KPIs	**Fiscal 2021 progress**	
	①Implementing risk assessment and examining and implementing appropriate countermeasures based on results of assessment	Conducted risk assessments for organizations that include Group companies Japan overseas, and carry out measures based on assessment results	
	②Rebuilding, and implementing training and drills of business continuity management (BCM) and business continuity plans (BCPs)	Prepared BCPs for each department and site based on the company-wide BCP (Basic Plan) made in fiscal 2020	
	③Provision of education and training aimed at proper information management	Conducted training for new employees on managing information and personal information Conducted training (e-learning) for all officers and employees on information management and revisions to the Act on the Protection of Personal Information	
	④Number of serious information leaks and other incidents	0	

Material issues	Targets		Page
Compliance	• Practice of the Declaration of Conduct and Compliance Standards • Appropriate operation of compliance promotion system and establishment of rules • Improvement in the effectiveness of the whistle-blowing system • Ensure exclusion of anti-social forces and prevention of corruption		**P.94**
	KPIs	**Fiscal 2021 progress**	
	①Number of serious compliance violations	0	
	②Implementation of compliance education and training	Conducted new compliance training for department heads Conducted training for new employees, including mid-career hires Conducted theme-based training company-wide on information management and other subjects	
	③Implementation rate of initiatives to ensure compliance (identification of compliance risk and review of countermeasures)	100%	
	④Implementation of compliance awareness surveys	Conducted opinion concerning mindset and culture with respect to compliance (92.5% response rate)	
	⑤Level of awareness of whistle-blowing system, understanding and number of reports	Understanding: 93% / Reports made: 19	

Material issues	Targets		Page
Fair and transparent corporate activities	• Sincere corporate activities contributing to the enhancement of stakeholder engagement		**P.95**
	KPIs	**Fiscal 2021 progress**	
	①Number of stakeholder dialogues	SMP Opinion (company-wide questionnaire): Once Individual meeting with analysts and institutional investors: 103 meetings Small meetings: 5 meetings Product Information Center: Approximately 34,000 inquiries	
	②Ensuring transparency on relationships with healthcare professionals and patients groups	Observed the guidelines on transparency on relationships with healthcare professionals and patient groups, and disclosed various information properly and in a timely fashion	
	③Promotion of appropriate provision of information based on scientific evidence	Improved information provided on our Q&A site for healthcare professionals based on appropriate evidence Pointed healthcare professionals with information gained from post-marketing surveillance	

Material issues	Targets			Page
Corporate regulatory compliance, quality assurance and stable supply	• 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			Web site
	KPIs	Fiscal 2021 progress		
	①Implementation of management reviews	Implemented development stage management reviews (QA), and Japan and global management reviews (QA, PV, GCP)		
	②Responding to inspections and audits	Planned and implemented audits to ensure the reliability of each operation from research to development to post-marketing based on risk assessment		
	③Providing education on collection of safety information, quality assurance and drug-induced suffering	Provided education on both Harmful Incident Concerning Pharmaceuticals and safety information collection to all employees		
	④Integrated management of safety information and early detection of risks	Continued regular safety monitoring of all marketing-approved products		
	⑤Consideration and implementation of revisions to precautions in package inserts	Revised and communicated precautions in package inserts for seven ingredients		
	Targets			Page
	• Continuation of three Ss (safe operations, sound quality and stable supply) • Strengthening of supply chain			Web site
	KPIs	Fiscal 2021 progress	Changes to KPI	
	①Number of serious accidents	0		
	②Number of product recalls due to quality issues	0		
	③Rationalization of safety stock standards			
	④Rebuilding and strengthening of BCPs	Fully revised basic policies for manufacturing divisions based on the company-wide BCP (Basic Plan) and created BCPs at each factory	Regularly review BCPs and conduct training	
	⑤Implementation of supplier risk assessments	Gather information on risks related to the business continuity of new and existing suppliers		
Material issues	Targets			Page
CSR procurement	• Achievement of balanced, fair, and transparent transactions			Web site
	KPIs	Fiscal 2021 progress		
	①Implementation of supplier surveys (identification of supplier survey targets and implementation of supplier survey)	Identified suppliers to be surveyed and started surveys		
Material issues	Targets			Page
Health, safety, and welfare of employees	• Promotion of health through practice of the declaration of "Health Innovation"			Web site
	KPIs	Fiscal 2021 progress		
	①Smoking rate of employees (target: -2point/year)	-1.4point/year (Smoking rate is 10.1% in fiscal 2020 ⇒ 8.7% in fiscal 2021)		
	②Prevention 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%)	90.1% (fiscal 2020 data) *Due to the timing of data aggregation, the fiscal 2020 data is the latest available 99.2%		
	③Percentage of employees receiving stress checks (target: 100%)	94.5%		
	④All insured persons and dependents to receive specific health checkups for preventing metabolic syndrome in the over-40s (target: 100%)	89.3% (fiscal 2020 data) *Due to the timing of data aggregation, the fiscal 2020 data is the latest available		
	Targets			Page
	• Occupational health and safety activities, prevention of occupational accidents			Web site
	KPIs	Fiscal 2021 progress		
	①Work-related accident frequency rate and lost-time injury frequency rate (excluding accidents involving business vehicles)	Work-related accident frequency rate: 0.79 Lost-time injury frequency rate: 0.16		
Material issues	Targets			Page
Environmental initiatives	• Building a low carbon society • Effective use of resources (water and waste) • Proper information disclosure and responding to TCFD			P.69
	KPIs	Fiscal 2021 progress		
	①Implementation of measures to achieve fiscal 2030 and fiscal 2050 goals	Replaced 100% of power purchased for all production facilities in Japan with renewables (Oita Plant: beginning in November 2021, Suzuka Plant: beginning in April 2022) Installed LED lighting in accordance with the long-term plan (Oita Plant and Suzuka Plant) Installed water-saving toilets and considered the installation of water-saving nozzles for facilities with heavy water usage		
	②Per-unit energy consumption	Installed LED lighting in accordance with the long-term plan (Oita Plant and Suzuka Plant) Recommended reducing air conditioning usage by more effectively managing thermostats and wearing different attire; removing lights; consolidating refrigerators and other equipment, turning off company signboards, eco-driving, and other energy-saving actions		
	③Recycling rate and final disposal rate of waste	Recycling rate 76% Final disposal rate 0.3%		
	④Acquisition of third-party assurance for environmental data	Obtain third-party assurance and disclose information on the website and in the integrated report		
	⑤Promotion of evaluation of risks and opportunities related to climate change and water	Announced support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) Information based on TCFD recommendations is available on the website		

Revision of Mid-term Business Plan 2022 in Light of Changes in Business Environment

Formulation of Mid-term Business Plan 2022

Sumitomo Pharma believes that the pharmaceutical industry is facing a "Time for Change" when the establishment of non-conventional new business models is imperative to adapt to diversifying healthcare needs that include not only the creation of innovative new drugs but also making preventative medical care more widely available and contributing to global health. In April 2019, we formulated our Vision and the five-year Mid-term Business Plan 2022 (fiscal 2018 to fiscal 2022) starting in fiscal 2018 based on this belief in order to solve social issues in a changing healthcare area.

Sumitomo Pharma set a vision of becoming a global leader in our three research focus areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine/Cell Therapy, as well as working on Frontier business where we expect synergies with development of pharmaceuticals and the pharmaceutical business, with the aspiration to establish a position as a "Global Specialized Player" in 2033.

Moreover, in order to adapt to the Time for Change ahead of the post-LATUDA situation (after the expiration of the exclusivity period for atypical antipsychotic LATUDA® in the U.S.), we indicated that Sumitomo Pharma will work to rebuild the business foundation through the "establishment of growth engine" and the "building of flexible and efficient organization."

Positioning of the revision of Mid-term Business Plan 2022

Under the Mid-term Business Plan 2022, Sumitomo Pharma has been working to rebuild the business foundation. However, there have been significant changes in the medium- to long-term business outlook, including events such as the discontinued development of napabucasin for pancreatic cancer, which had been expected to be a revenue driver post-LATUDA. As a result of these changes, we decided to form a strategic alliance with Roivant Sciences Ltd. Through this strategic alliance, our group has acquired relugolix and vibegron, which are expected to become major products as a revenue base for the time being, and we have also been working to develop best in class* pharmaceuticals with a focus on the value of these products.

We also discontinued development of SB623 and dasotraline and revised sales forecasts downwards for new products launched in North America, including Lonhala® Magnair® for chronic obstructive pulmonary disease (COPD) and KYNMOBI® for treatment of Parkinson's Disease OFF episodes. In addition, the environment has changed significantly with acceleration of measures to curb drug costs in Japan, China, and the U.S. among other factors.

In light of these circumstances, Sumitomo Pharma revised the financial targets of Mid-term Business Plan 2022 in May 2021.

* Best in class: There are existing drugs, but new drugs that have a clear advantage over the existing drugs.

Vision and aim for 2033 (Updated October 2019)

Vision

For Longer and Healthier Lives
We unlock the future with cutting-edge technology and ideas

Position we aspire to establish in 2033

Global Specialized Player

Aspire to establish a position as a "Global Specialized Player" with ability to meet increasingly diversified needs for healthcare in 2033

Pharmaceuticals + Solutions

Medicine / Cell Therapy + Healthcare Solutions (Frontier business)

Global leader in 3 areas

Psychiatry & Neurology | Oncology | Regenerative / Cell

Best in class focused on value

Mid-Term Business Plan 2022: Rebuild Business Foundation

- Establishment of growth engine ➡ P.42
- Building of flexible and efficient organization ➡ P.57

Acceleration of our growth by strategic alliance with Roivant

- Driver of sustained growth after LATUDA® LOE
- Innovative change to new business model based on data technology of DrugOME and Digital Innovation

Revision of financial goals and future outlook

Forecasts for fiscal 2022 (vs. Mid-term Business Plan 2022)

Revenue has been revised downward by 50 billion yen, but excluding the factor of increased revenue due to yen depreciation, revenue will actually decrease by 90 billion yen, mainly due to the fact that market penetration of new products in North America is taking longer than was expected in the revised Mid-term Business Plan 2022 due to the impact of COVID-19 and other factors. Core operating profit has been revised downward to 30 billion yen, although we plan to record "other operating income" due to the sale of priority review vouchers and other profit improvement measures, because of the significant impact of the decrease in gross profit due to the decline in sales revenue.

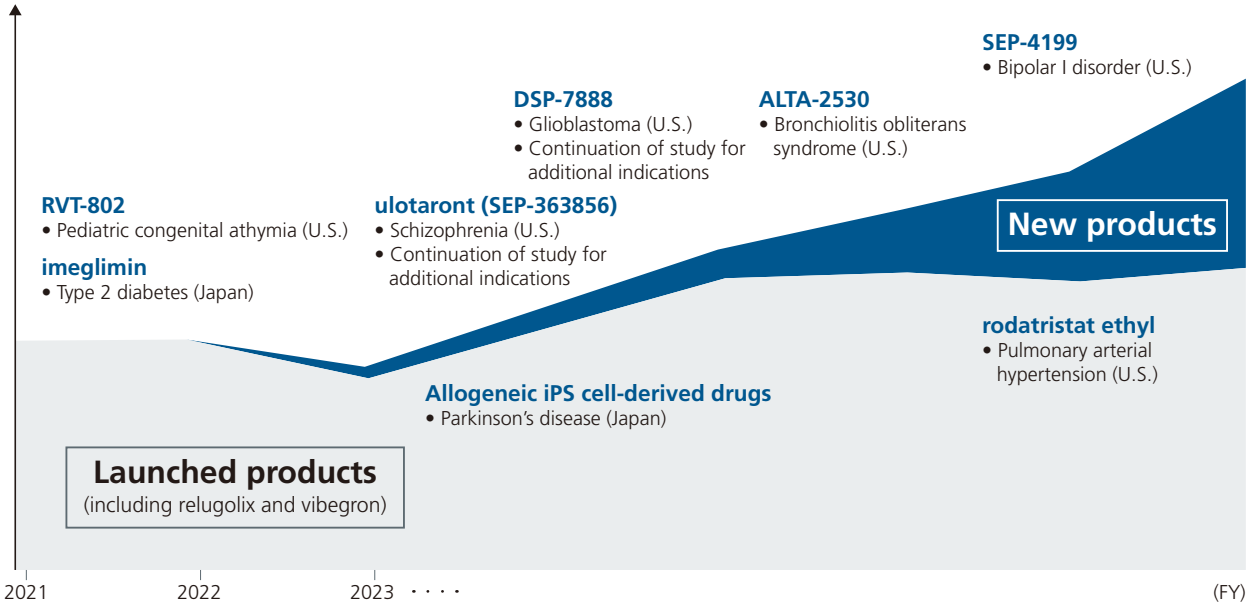
Regarding fiscal 2023 and beyond

The exclusivity period of LATUDA®, an atypical antipsychotic that accounts for about 40% of the Group's revenue, will end in February 2023 in the U.S. This will have a significant negative impact on profits due to the decrease in revenue, and core operating profit may be in the red in fiscal 2023. However, we will work to compensate for this by expanding sales of new products, strengthening our business foundation, and pursuing greater efficiency. Details will be clarified in the next Mid-term Business Plan (fiscal 2023-fiscal 2027), which is currently being formulated.

Difference between the forecast for fiscal 2022 and the Mid-term Business Plan 2022 financial targets

	Financial Forecast for FY2022	Mid-term Business Plan 2022 Financial Targets (Revised May 2021)
Revenue	¥550 billion	¥600 billion
Core operating profit	¥30 billion	¥60 billion
ROIC	0.7%	3%
ROE	3.6%	3%
Exchange rate against the U.S. dollar	¥125	¥110

Revenue (diagram prepared in May 2021)



Mid-term Business Plan 2022: Reshaping the Business Foundation

Under the Mid-term Business Plan 2022, we will significantly reshape our business foundation through the "establishment of growth engines" and the "building of a flexible and efficient organization."

In terms of the "establishment of growth engines," we will not only continue to focus on R&D and business growth in our three focus areas, but also promote drug discovery utilizing external networks, centering on our presence in Japan and the United States. In addition, we will also work to strengthen our innovation base through new approaches to drug discovery, such as the realization of precision medicine by leveraging cutting-edge research results and biomarkers. Moreover, in order to obtain results even in highly uncertain areas, we will focus on improving the probability of success and efficiency in research and development through targets that anticipate changes in the scientific and medical environment; evidence-based and objective evaluation and decision-making; thorough risk management; utilizing biomarkers and big data.

Another strategy pillar of the Mid-term Business Plan 2022 is the "building of a flexible and efficient organization" to support these growth engines. We will use digital transformation to enable our organization and talent to identify changes in the external environment and adapt proactively and flexibly, while maintaining the ability to do things diligently, which is called "CHANTO": deliver the highest performance.

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

Material issues Sumitomo Pharma has set targets and KPIs, and we have provided a list of them on pages 35–38.

Basic Policy I

Establishment of growth engine

Strategy 1 Enhance innovation base with new approaches to drug discovery

1 **Prioritize the three focus areas + Infectious diseases and Best in class initiatives focused on value**

2 **Accelerate external collaboration**
Psychiatry & Neurology | Oncology | Regenerative / Cell | Infectious diseases

3 **Explore innovation leveraging by digital technologies and big data**
Psychiatry & Neurology | Oncology | Regenerative / Cell | Infectious diseases

4 **Engage in initiatives to realize Precision Medicines**
Psychiatry & Neurology | Oncology | Regenerative / Cell | Infectious diseases

In addition to R&D in three research focus areas (Psychiatry & Neurology, Oncology, and Regenerative Medicine/Cell Therapy), Sumitomo Pharma engages in drug discovery in the infectious diseases & vaccines and the development of best in class pharmaceutical products focused on value.

Accelerate external collaboration

Taking advantage of our unique strengths, we are working to shift to and promote drug discovery utilizing our networks with outside partners, centering on our presence in Japan and the United States.

Leveraging digital technologies and big data

To increase the probability of success of R&D, we are taking on the challenge of innovation utilizing a wide range of digital technologies and big data, such as genome information, imaging, and clinical data. We are also promoting the use of our proprietary digital technologies, such as DrugOME, which we have acquired through our strategic alliance with Roivant Sciences Ltd. (hereinafter, "Roivant").

Engage in initiatives to realize Precision Medicines

We are working toward the realization of precision medicine through a deeper understanding of pathology and etiology based on cutting-edge science and technology, as exemplified by the utilization of biomarkers.

Targets · KPIs

Development of innovative products and healthcare solutions / Contributing to the development of science Material issues

Targets
- **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**

KPIs
- **Progress on early-stage development pipeline:** In the Psychiatry & Neurology and Oncology areas, we use the number of compounds advancing into clinical studies as an indicator to enhance the early development stage.
- **Progress on development of modalities:** To emphasize drug discovery of new modality beyond small molecules (cells / tissues / organs, gene therapy, protein formulations, etc.), we evaluate efforts to develop modality.
- **Work motivation of research & development staff:** Looking at company-wide engagement surveys, we measure the motivation of our R&D personnel based on evaluation scores, such as a sense of responsibility and satisfaction for work, a sense of contribution to customers and society, acquisition of professional skills, and demonstration of individuality and ability.

➡ Please see page 35 for KPI progress in fiscal 2021.

Basic Policy I

Establishment of growth engine

Psychiatry & Neurology area

Based on our proprietary drug discovery platform, built by incorporating cutting-edge technologies including AI, patient-derived iPS cells, and neural circuit evaluation technologies, we will work to develop innovative therapeutic agents for psychiatric disorders in areas of high unmet need, neurodegenerative disease and rare disease modifying therapies, as well as the treatment of peripheral symptoms of neurodegenerative diseases (ex. psychiatric symptoms, etc.).

The direction of drug discovery

Psychiatric disorders area

We will focus on research and development for things such as the treatment of schizophrenia, depression, developmental disorders, and psychiatric symptoms in neurological disorders considering these conditions as "modulation of genes and neural circuits." In particular, we will base our drug discovery work on neural circuit pathology, aiming to create new therapeutic agents to address unmet medical needs.

Neurological disorders area

We will focus on drugs for dementia, Parkinson's disease, and rare diseases as we enter an era of transformative change toward drug discovery methods approaching the root cause of these conditions. In this area, our goal is to develop life changing treatments for neurodegenerative diseases through drug discovery based on molecular pathological mechanisms. We will also develop treatments for peripheral symptoms of neurodegenerative diseases.

Initiatives to Utilize Our Competitive Technology/Know-how

- **Extensive experience with clinical studies**
- **Exploratory/development research using cutting-edge technology**
- **Organizational structure to support product creation on a consecutive basis**

Enhance probability of success in clinical studies

Sumitomo Pharma 15% **(6-8% industry average)**

Further improvement by utilization of biomarkers

Expand early pipeline

12 candidates in the past 4 years

5 of them are in clinical development

Exploratory/development research using cutting-edge technology

We are working to identify new targets for drug discovery through translational research using a range of clinical data (evaluation scores, brain wave and image data, etc.) obtained during the development of LATUDA® and ulotaront, as well as our proprietary data-driven in silico drug discovery method. We are also attempting to improve our probability of success in R&D by selecting biomarkers to be used in both clinical and pre-clinical studies. In addition, we are testing the effectiveness of compounds in disease model animals using optical genetics technology to activate certain neural circuits, and are identifying neural circuits targeted by compounds using brain imaging technology.

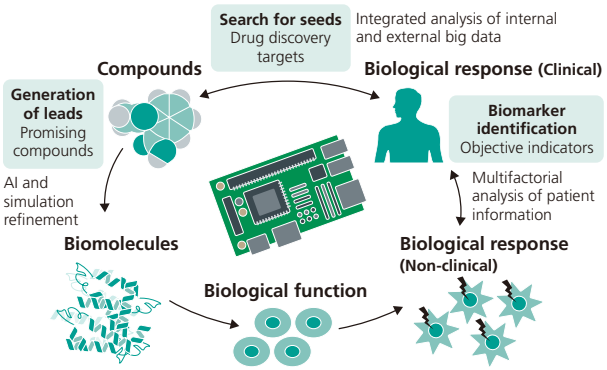
Furthermore, we are tackling new challenges such as the utilization of real-world data using DrugOME, acquired from Roivant, the utilization of evaluation systems that reflect human pathologies prepared using patient-derived iPS cells, and the development of new modalities beyond small molecules.

As a result of these initiatives, in fiscal 2021 we were able to advance two compounds into clinical phase and numerous compounds into the preclinical phase.

Example of utilization of cutting-edge technology in Psychiatry & Neurology area

In silico drug discovery

In silico = technology applied to drug design fully utilizing computational science on computers.



Organizational structure to support product creation on a consecutive basis (psychiatry & neurology area and infectious diseases area)

We are promoting an organizational structure that supports product creation, such as the new Research Project System adopted to allow researchers who have come up with project themes to serve as Project Leaders

up to the early clinical development stage, as well as cross-sectional virtual one-team activities to solicit ideas beyond the boundaries of our organizations. To date, DSP-0038, DSP-9632P, DSP-0187, DSP-3456, and KSP-1007, all created under the Research Project System, have advanced into clinical studies.

We are also actively promoting the creation of innovative pharmaceutical products through open innovation by utilizing the technologies and seeds of academia and biotech companies to bring novel ideas into drug discovery.

Oncology area

Working on drug discovery activities in pursuit of our competitive edge while focusing on assessing the value of the current pipeline and improving the probability of success

Future policy

We are devising ways to improve the probability of successful and strike an appropriate balance between investment and return by, for example, acquiring data that allow us to make decisions on stage transition from early on, as well as bolstering efforts to identify optimum cancer types/patients in short-term, small-scale studies.

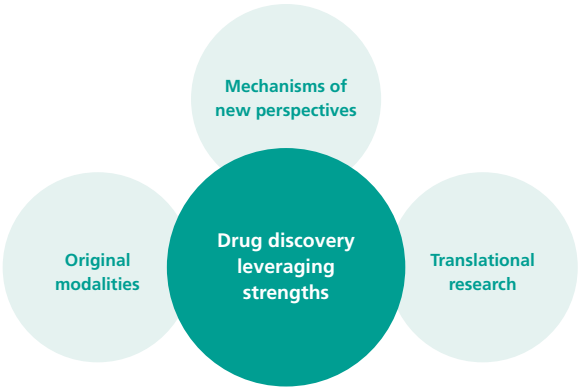
Over the last roughly 10 years, we have focused on building up the base of new modality technologies. By steadily implementing these technologies into drug discovery, we are aiming to establish a platform to achieve the sustained production of candidate compounds for development. We will develop highly competitive R&D pipelines by matching the best modalities with highly distinctive targets for drug discovery selected in collaboration with academia and by using digital technologies such as DrugOME. We are also stepping up our translational research by means that include working with academia and feeding our clinical development data back into translational research.

Basic strategies for drug discovery research

We have formulated four basic strategic pillars to meet unmet medical needs and develop competitive candidate compounds for development on an ongoing basis.

First, we will focus on drug discovery targets that enable us to obtain early clinical POC with clearly targeted patients while also seeking to select drug discovery targets by using clinical information big data analysis and patient-derived samples. The second is the expansion and improvement of new drug discovery modality technologies. We are pursuing our competitive edge by proactively implementing drug discovery and expanding its range. Thirdly, we will strengthen collaboration with the clinical development departments to advance translational research and focus on biomarker research, including the development of PD (pharmacodynamics) markers that will enable us to obtain early POC and the acquisition of markers that will enable patient selection. Lastly, we will maintain and bolster our coordination with academia. We will make use of the information we gain from key opinion leaders to formulate early clinical development strategies. We will also use it to find targets for drug discovery that have strong relevance to cancer pathology.

Initiatives to develop a pipeline with a competitive edge



Strengthening the global R&D structure

We aim to develop innovative products on an ongoing basis under a global R&D structure consisting of the Cancer Research Unit and the Oncology Clinical Development Unit in Japan, as well as the Sumitomo Pharma Oncology, Inc. in the United States. We will focus on developing new cancer drugs using new modalities in collaboration with the Modality Research Unit established in fiscal 2022.

Regenerative medicine/cell therapy field

Pursue advanced manufacturing expertise and cutting-edge science to become a global leader

We will aim for sales revenue in the Regenerative Medicine/Cell Therapy business of about ¥200 billion on a global scale by around 2030

We are working to achieve early commercialization through our open-innovation-based unique growth

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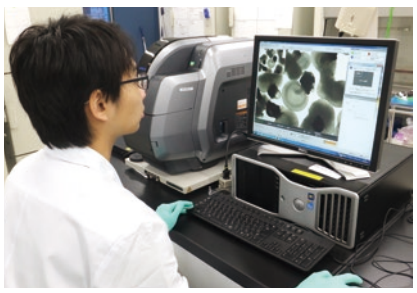
Establishment of growth engine

model, which pursues advanced industrialization and manufacturing expertise, and cutting-edge science. Thus, we are implementing five research and development projects aimed at providing therapies to patients with unmet medical needs, as well as therapies designed for radical cure.

We are steadily promoting research projects mainly in Neurology and Ophthalmology areas in pursuit of early commercialization. We are also setting our sights on next-generation regenerative medicine (gene therapy, organ regeneration, genome editing, autologous cell therapy, and peripheral services including diagnosis and rehabilitation) and aim for global expansion (Japan, the United States, and Asia). First, we intend to realize financial contributions mainly in Japan and the United States during the next MTBP period (fiscal 2023–2027).

Comprising two aboveground levels with a total floor area of 2,915 m², Sumitomo Pharma Manufacturing Plant for Regenerative Medicine & Cell Therapy (SMaRT) is the world's first facility dedicated to the commercial manufacture of regenerative medicine and cell therapy products derived from allogeneic iPS cells. The Plant complies with the latest standards, including GCTP (Good Gene, Cellular, and Tissue-based Products Manufacturing Practice), a standard for manufacturing and quality management of regenerative medicine and cell therapy. In addition to manufacturing clinical study materials, we plan to carry out commercial production after obtaining approval. Furthermore, in 2022 we have started the construction of a manufacturing plant in the U.S. for cell therapy products. The facility will manufacture "RETHYMIC®," an allogeneic cultured thymus tissue for which consolidated subsidiary Enzyvant Therapeutics Ltd. has obtained approval from the U.S. Food and Drug Administration (FDA). We plan to also make the facility capable of producing allogeneic iPS cell-derived products, which we are looking to commercialize.



Research in progress at the Regenerative & Cellular Medicine Kobe Center

From single cells to tissues and organs—taking on the challenge of new therapies through modality development

Through regenerative medicine and cell therapy products, we look to provide novel radical therapies for diseases for which only symptomatic relief and temporary suppression of progression have been available to date. To this end, we are also conducting research and development to create complex structures such as tissues and organs from iPS cells and put them into practical use as regenerative medicine and cell therapy products.

In addition to our world-leading expertise in regenerative medicine and cell therapy field, we have the production infrastructure, know-how, and human resources to commercialize our products and therapies. We are also working for pharmaceutical deregulation aiming at commercialization.

Infectious diseases & vaccines (AMR and adjuvanted vaccines)

Promote R&D in collaboration with academia to contribute to global health

Through joint research with academia and others, we will contribute to global health and aim for commercialization during the next MTBP period (fiscal 2023–2027).

Main Projects

Drug discovery to treat antimicrobial resistance (AMR) bacterial infections

We are promoting joint drug discovery research with The Kitasato Institute to treat antimicrobial resistance (AMR) bacterial infections covered by the Japan Agency for Medical Research and Development (AMED) CiCLE (Cyclic Innovation for Clinical Empowerment) program. KSP-1007, which was developed through this project, advanced to clinical study in the U.S.

Development of adjuvanted vaccines

We are implementing development of adjuvanted vaccines by combining TLR7 agonist adjuvant, our foundation technology, with promising antigens from outside research institutes. We are working on malaria vaccines with Ehime University, etc. and a universal influenza vaccine with the National Institutes of Biomedical Innovation, Health and Nutrition. We are also utilizing external funding with our malaria vaccine awarded from the Global Health Innovative Technology Fund (GHIT Fund) grant and our influenza vaccine selected for the Japan Agency for Medical Research and Development (AMED) CiCLE (Cyclical Innovation for Clinical Empowerment) program.

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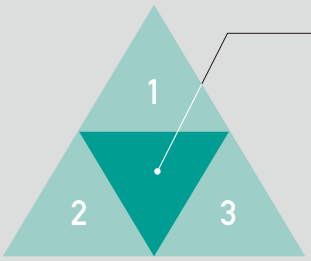
Strategy 1: Enhance innovation base with new approaches to drug discovery
Strategy 2: Deliver the highest performance of clinical development
Strategy 3: Pipeline expansion through strategic investment
Strategy 4: Regional strategy centering in Japan, North America and China
Strategy 5: Launch frontier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

Strategy 2 Deliver the highest performance of clinical development



Strengthen our ability to deliver the highest performance ("CHANTO")

1	Goal setting for securing success
2	Management of business risk
3	Adopting cutting-edge technology

With an eye on a post-LATUDA era, we are implementing a variety of measures to reinforce our ability to deliver the highest performance even in areas of high uncertainty ("CHANTO").

Goal setting for securing success

In addition to designing clinical studies for ulotaront in patients with schizophrenia, with its future clinical and medical economic significance taken into consideration, we have collaborated with alliance partner Otsuka Pharmaceutical and set goals to maximize the compound's value, including the identification of second and third indications. We strive to make objective, evidence-based evaluations and decisions by setting optimal clinical study designs based on our experience, knowledge, and know-how in the areas of psychiatry & neurology, utilizing adaptive design, which is a leading clinical study design in the oncology area, and conducting translational research in both areas. In addition, as an approach to diseases with high unmet medical needs, we are working on regenerative medicine and cell therapy field and Frontier Business projects that will address future healthcare needs.

Management of business risks

We plan to promote partnering on a global scale to share risks and complement resources. Sumitomo Pharma and Sunovion signed a licensing agreement in September 2021 with Otsuka Pharmaceutical for the joint development and worldwide commercialization of four new candidate compounds in the Psychiatry & Neurology area that include ulotaront and SEP-4199. Ulotaront is currently in phase 3 studies for schizophrenia while SEP-4199 is in phase 3 studies for bipolar I depression. Working with Otsuka Pharmaceutical will allow us to more rapidly and reliably develop these compounds into drugs of value and enable us to contribute to the treatment of more patients around the world.

In the Oncology area, we are strengthening our efforts to identify optimal indications in small-scale studies, as well as actively promoting partnership and out-licensing activities.

Targets · KPIs

Development of innovative products and healthcare solutions / Contributing to the development of science Material issues

Targets
- **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**

KPIs
- **Progress on main development pipeline:** Progress targets for key development products are set to help create pharmaceutical products and medical solutions on a consecutive basis.
- **Progress on early-stage development pipeline:** In the Psychiatry & Neurology and Oncology areas, the number of clinical transitions to Phase 2 is set as the indicator.
- **Work motivation of research & development staff:** Looking at company-wide engagement surveys, we measure the motivation of our R&D personnel based on evaluation scores, such as a sense of responsibility and satisfaction for work, a sense of contribution to customers and society, acquisition of professional skills, and demonstration of individuality and ability.

➡ Please see page 35 for KPI progress in fiscal 2021.

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Adopting cutting-edge technology and utilizing the regulatory system

In the Psychology & Neurology area, we use biomarkers to make decisions about whether or not to proceed at an early stage. By utilizing data from past studies, medical information databases (receipt information, genome information, regional cohorts, disease registries, etc.) as well as AI, we are also promoting clinical development by appropriately designing clinical studies, including eligibility criteria, endpoints, and study scale. In addition, we look to obtain early approval and reduce development costs by utilizing a wide range of programs available, such as the SAKIGAKE designation system, orphan medicinal product designation system, and breakthrough therapy designation system.

Development pipeline (as of July 29, 2022, not including drugs with additional indications and usages)

Psychiatry & Neurology area ····· New compounds under development: 12

Development products	Proposed indication	Development stage	Region	Launch target
ulotaront (SEP-363856)	Schizophrenia	Phase 3 Phase 2/3	U.S. Japan China	FY2024 (U.S.) FY2026 (Japan)
SEP-4199	Bipolar I depression	Phase 3	U.S. Japan	Latter half of the 2020s (U.S.)

Oncology area ····· New compounds under development: 8

Development products	Proposed indication	Development stage	Region	Launch target
DSP-7888	Solid tumors	Phase 1/2	U.S.	TBD
dubermatinib (TP-0903)	Acute myeloid leukemia (AML)	Phase 1/2	U.S.	TBD

Regenerative medicine/cell therapy field ····· Number of projects: 5

Projects	Proposed indication	Development stage	Region	Launch target
Allo iPS cell-derived dopamine neural progenitor	Parkinson's disease	Phase 1/2 (Investigator-initiated study)	Japan	FY2024*
HLCR011 (Allo iPS cell-derived retinal pigment epithelium)	Age-related macular degeneration (AMD)	Preparing for start of clinical study	Japan	FY2025*

* Launch target is based on our goal pending agreement with partners

Other area ····· New compounds under development: 5

Development products	Proposed indication	Development stage	Region	Launch target
lefamulin	Bacterial community acquired pneumonia	NDA submitted	China	FY2024
rodatristat ethyl	Pulmonary arterial hypertension (PAH)	Phase 2	U.S.	Latter half of the 2020s

Features of major products under development

ulotaront (SEP-363856)
Ulotaront has the potential to be highly effective with positive and negative symptoms of schizophrenia, and result in a low frequency of extra pyramidal reactions due to a mechanism of action that does not act against dopamine receptors. Phase 2 study results supported efficacy in positive and negative symptoms of schizophrenia, with adverse reactions similar to placebo. Notably, ulotaront was not associated with extrapyramidal symptoms, weight gain, increases in lipids or glucose, and prolactin elevation. Ulotaront has received U.S. FDA Breakthrough Therapy designation. We expect it to grow into a blockbuster at its peak, including for additional indications.

SEP-4199
SEP-4199 is a non-racemic ratio of amisulpride enantiomers. SEP-4199 is designed to reduce levels of dopamine D_2 receptor occupancy to levels appropriate for the treatment of bipolar depression by increasing the ratio of R-amisulpride to S-amisulpride. With a dopamine receptor occupancy that is the minimum necessary to achieve an effectiveness equal to or better than existing formulations, it is expected to result in a low frequency of extrapyramidal adverse reactions. It may also become a new option for treating bipolar disorder for which insufficient treatment options exist.

DSP-7888
DSP-7888 is the world's first immunotherapeutic cancer peptide vaccine derived from WT1 protein, designed to induce both helper T cells and WT1-specific cytotoxic T lymphocytes (CTLs). By adding a helper T cell-inducing peptide, improved efficacy over that observed with a CTL-inducing peptide alone may be achieved. DSP-7888 is potentially an option for a wide range of patients.

dubermatinib (TP-0903)
Dubermatinib (TP-0903) is an inhibitor of multikinase, including AXL receptor tyrosine kinase inhibitor, under development in a research group-initiated clinical study. Based on its pre-clinical study data, TP-0903 is potentially effective in AML with a TP53 mutation or complex chromosomal karyotype.

Allogeneic iPS cell-derived drugs
We are working with partners in industry and academia to advance our business involving regenerative medicines and cell therapies using allogeneic iPS cells (from healthy donners) that target Parkinson's disease, age-related macular degeneration, retinitis pigmentosa, spinal cord injuries, and kidney failure.

Parkinson's disease: A SAKIGAKE-designated medicine in Japan is under joint development with the Center for iPS Cell Research and Application (CiRA) at Kyoto University. We aim to begin clinical studies in the U.S. during fiscal 2022.
Age-related macular degeneration: Joint development with Healios K.K.

lefamulin
Lefamulin is a pleuromutilin antimicrobial agent and a novel anti-infective therapeutic drug with a mechanism of action different from existing antimicrobial agents. In the United States, it is marketed as XENLETA® by Nabriva.

rodatristat ethyl
Rodatristat ethyl is a tryptophan hydroxylase inhibitor designed to inhibit peripheral production of serotonin without transfer to the brain. A disease modification effect is expected in pulmonary arterial hypertension rather than symptomatic therapy.

Infectious diseases
We are currently developing KSP-1007 with the goal of creating a therapeutic drug for antimicrobial resistant (AMR) bacterial infections. We are also working with partners to advance universal influenza and malaria vaccine projects (preclinical trial stage).
We aim to commercialize them from the next Mid-term Business Plan period (fiscal 2023–2027) onward.

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Message from the Executive Officers (Regenerative Medicines/Cell Therapy field)

Toru Kimura

Representative Director,
Executive Vice President
Global Corporate Strategy; Regenerative & Cellular Medicine Office; Regenerative & Cellular Medicine Kobe Center; Regenerative & Cellular Medicine Manufacturing Plant

Establishing a business process covering R&D to manufacturing and sales

Sumitomo Pharma is undertaking multiple projects in the field of Regenerative Medicine/Cell Therapy with the goal of achieving ¥200 billion in annual revenues globally by around 2030.

In October 2021, we obtained approval in the U.S. for RETHYMIC®, an allogeneic processed thymus tissue and our first cell product as a product for immune reconstruction in pediatric patients with congenital athymia, beginning sales in March 2022. Then in April 2022, we made the decision to build a cell processing center (CPC) compliant with cGMP regulations in the U.S. Slated for completion in fiscal 2023, the CPC is being built to manufacture RETHYMIC® and regenerative medicine/cell therapy products derived from allogeneic iPS cells, which we are seeking to commercialize.

While our regenerative medicine/cell therapy business was a foray into the unknown for us, we are very satisfied with our progress in establishing business processes that include R&D, manufacturing, and sales.

Building up expertise in commercializing Regenerative Medicine/ Cell Therapy products as a front runner

The Regenerative Medicine/Cell Therapy field involves very different business models from the conventional pharmaceuticals business, and gaining expertise here can only be done through the process of commercialization.

In 2013, we made a full-scale entry into the Regenerative Medicine/Cell Therapy field ahead of other companies. Along with steady R&D, in 2018 we also built “SMaRT,” the world's first Regenerative Medicine/Cell Therapy manufacturing plant to serve as a commercial manufacturing facility for Regenerative Medicine/Cell Therapy products derived from allogeneic iPS cells in Japan. These efforts are a source of pride as we establish ourselves as a world leader in the field of iPS cell-based Regenerative Medicines/Cell Therapy.

We are currently conducting five projects involving iPS cells, and we expect to have a couple of new products approved during the period of the next Mid-term Business Plan. We will continue to get products to market before the competition, laying down a technological foundation and acquiring business management expertise as we develop the Regenerative Medicine/Cell Therapy field into a successful business that supports the future growth of the Sumitomo Pharma Group.

New challenges in unfamiliar fields nurture talent

In interacting with employees, it has occurred to me that carrying out our business in the Regenerative Medicine/Cell Therapy field helps develop the "professionals who are proactive in adapting to changes and taking on a challenge" that Sumitomo Pharma is looking for.

As this is a new business for us, trying to apply expertise gained through our prior pharmaceuticals business will not work in R&D, manufacturing, or sales. Work that requires taking on new challenges encourages ingenuity and broadens employees' horizons.

I believe such an environment provides good opportunities for employees to grow and for the Sumitomo Pharma Group to strengthen its competitiveness for the future.

Message from the Executive Officers (Psychiatry & Neurology, Oncology areas)

Yoshiharu Ikeda
Member, Board of Directors, Senior Executive Officer
Cancer Research; Modality Research; Drug Research Division
Head of Japan Business Unit

Upgrading our pipeline and advancing R&D through strategic investment

In the Psychiatry & Neurology and Oncology areas, R&D is challenging and unmet medical needs are extremely high. In Mid-term Business Plan 2022, we were unable to launch and maximize the profit potential of key products that we had high hopes for after LATUDA® LOE and that would fuel future growth in the areas of Psychiatry & Neurology and Oncology. These factors contributed to a significant change in our business forecasts.

Meanwhile, we have acquired post-LATUDA products through a strategic alliance with Roivant and are making steady progress with late-stage clinical development for compounds such as ulotaront and SEP-4199, which have good mid- to long-term earnings potential. As in-house drug discovery achievements, I feel that our efforts to improve and expand on our early-stage development pipeline, as well as our progress with modality research, have met with a very good response. Starting with the Oncology area, we are developing new modality technologies and implementing them in drug discovery. Going forward, I am hopeful that we will advance R&D in the Psychiatry & Neurology and Oncology areas by expanding our unique foundation technologies and leveraging in silico technologies and digital technologies.

Developing the talent that will create cutting-edge technologies and maximize their potential

In the pharmaceutical business, it takes between 10 and 15 years and an investment of more than ¥100 billion to develop a new pharmaceutical from the research stage. By pursuing drug discovery using a network with external players and by utilizing big data and digital technologies, we are working to further improve R&D efficiency and the probability of successful clinical developments.

The talents in charge of this process are becoming increasingly important as drug discovery technologies become more sophisticated. Since I believe that talents are the most important capital for a company, we are working to create systems that give highly ambitious employees opportunities to challenge themselves.

For example, in the Psychiatry & Neurology area, we have instituted a new "Research Project System", whereby, in the general case, researchers who have conceived of a project theme serve as Project Leaders up to the clinical stage. We are also conducting cross-sectional "Virtual One-Team Initiatives" comprising ambitious participants to solicit ideas beyond the boundaries of our organizations. Although we do of course sometimes fail in our R&D pursuits, but the role of management includes fostering a corporate culture that acknowledges those failures and encourages taking on new challenges. Along with these initiatives, we will work with the R&D teams at our foreign subsidiaries, carry out overseas personnel transfers, and conduct interviews with key opinion leaders. Through such efforts, we will develop talent capable of not only carrying out R&D but also running our global business.

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Establishment of growth engine

Strategy 3 Pipeline expansion through strategic investment

We set a range of ¥300 billion to ¥600 billion for strategic investments in the Mid-term Business Plan 2022

Top Priority:

Our top priority is developing a pipeline in Psychiatry & Neurology that will contribute to profits in fiscal 2023 and onward.

Second Priority:

Our second priority is developing a pipeline and technology in three focus areas that will contribute to profits in fiscal 2028 and onward.

Strategic alliance with Roivant Sciences Ltd.

Sumitomo Pharma actively promotes strategic investment in M&A and in-licensing to expand its the development pipeline. As noted above, in our Mid-term Business Plan 2022, we initially mapped out a strategy of obtaining pipeline assets in the Psychiatry & Neurology area that were expected to contribute to revenue in fiscal 2023 and beyond. We did not find compelling candidates to meet our goals, however, we decided to study a broader range of options in an effort to sustain business growth over the medium to long term.

In fiscal 2019, we acquired or acquired an interest in a pipeline numerous pipeline assets, some of which have the potential to be blockbusters, through a strategic alliance with Roivant Sciences Ltd. ("Roivant").

Under the strategic alliance, besides acquiring all of the shares of Sumitovant Biopharma Ltd. ("Sumitovant"), a new company to which the shares of Roivant's five subsidiaries have been transferred, Sumitomo Pharma acquired approximately 12% of the shares of Roivant. The total investment for this strategic alliance was approximately ¥330 billion, which is our biggest investment ever. We subsequently invested roughly ¥30 billion in, among other things, acquiring Urovant Sciences as a subsidiary, and made close to ¥150 billion in upfront investments (recorded on profit-loss statements) in Sumitovant through fiscal 2021. This resulted in a total investment of ¥510 billion.

Because two of the products developed by the entities in which we acquired equity interests —relugolix[*1] and vibegron — had already been launched in other countries, we assumed that these two products had a high likelihood of gaining regulatory approval. These products were launched in the U.S. in 2021. We hope that these products will help guide our post-LATUDA growth trajectory. We plan to advance research and development in our three research focus areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine/Cell Therapy with the cash generated by these products, in a bid to establish new growth engines for the coming generations.

*1 Relugolix is a compound owned by Myovant Sciences Ltd. The Sumitomo Pharma Group owns approximately 52% of the outstanding shares of Myovant.

Future investment policy

We will work to achieve early market penetration and maximize the value of relugolix and vibegron, which we obtained through the strategic alliance. With this initiative, we are hoping to minimize the impact of LATUDA®'s sales decline in fiscal 2023 and thereafter to realize sustained growth of our business. As of today, we do not anticipate any large investment projects other than our strategic alliance with Roivant during the period of the Mid-term Business Plan 2022, but we will continue to seek investment opportunities to obtain development pipelines for products that could be marketed using our existing infrastructures, potentially contributing to our earnings early.

Signing of a strategic alliance agreement with Roivant Sciences
(procedure completed in December 2019)

Purpose

- **To acquire growth engines after LATUDA® LOE in the U.S.**
- **To accelerate digital transformation**

Consideration

- **Approx. US$3 billion (approx. 330 billion yen)**

Stock Acquisition

- **Sumitovant Biopharma • Myovant Sciences**
- **Urovant Sciences • Enzyvant Therapeutics**
- **Altavant Sciences • Spirovant Sciences**

Healthcare Technology Platforms Transfer

- **DrugOME • Digital Innovation**

+

Acquired certain key employees involved in its healthcare technology platforms and 12% of Roivant shares

Strategy 4 Regional strategy centering in Japan, North America and China

Japan
Initiatives to optimize the structure to maintain sustainable revenue for business operations in Japan

North America
Establish post-LATUDA growth trajectory by maximizing on market products and promoting development of promising novel compounds

China & Asia
Strengthen and develop local subsidiary functions and maximize sales of marketed products through partnerships with external parties; reduce internal costs and expand business into geographical areas likely to contribute to profits

Europe, etc.
Collaboration with partners

Japanese market

SWOT

Strength
- Industry-leading sales revenue in the diabetes area and provision of neutral information based on an expansive product lineup
- Long-developed pharmaceutical R&D capabilities in the psychiatry & neurology area, and proposals for therapies based on actual cases using specialized MR
- Pursuit of digital transformation and promotion of products according to customer needs through online MR

Opportunity
- High unmet medical needs in the psychiatry & neurology area
- Opportunities to market other companies' products using our robust infrastructure
- Increasing opportunities to gather information digitally from healthcare professionals

Weakness
- Declining profit ratio due to a changing product mix

Threat
- Declining sales revenue and profits due to decreasing drug prices every year
- Declining sales of long-listed products due to an earlier-than-expected penetration of generic drugs

Main points of our regional strategy

Achieve a growth trajectory
- Maximize product value in the Diabetes area (Equa®/EquMet®, and TWYMEEG®)
- Maximize product value in the Psychiatry & Neurology area (TRERIEF®, LATUDA®, and LONASEN® Tape)

Optimize the structure for ensuring sustained earnings
- Build a structure appropriate to pharmaceutical market size
- Optimize global head office functions
- Maximize sales/profits through partnerships with external parties, and reduce internal costs

Achievements from FY2018 through July 31, 2022

FY2018
- TRERIEF® (Parkinsonism in dementia with Lewy bodies): Indication added

FY2019
- Equa® and EquMet® (Type 2 diabetes): Marketing alliance
- LONASEN® Tape (Schizophrenia): Launched
- RETHIO® (Conditioning treatment prior to autologous hematopoietic stem cell transplantation (HSCT)): Launched

FY2020
- LATUDA® (Schizophrenia, bipolar depression): Launched
- Started activities of online MR™ and vMR®
- LONASEN® tablet/powder (Schizophrenia in children): Dosage and administration added
- Established S-RACMO Co., Ltd. (CDMO business in the Regenerative Medicine/Cell Therapy field)

FY2021
- TWYMEEG® (Type 2 diabetes): Launched
- METGLUCO® (Type 2 diabetes): Public knowledge-based application for additional infertility treatment-related indications
- Agalsidase Beta BS I.V. Infusion [JCR] (Fabry Disease): Marketing alliance

Business activities in the Japan segment

In response to a market environment that is becoming increasingly challenging due to policies to curb drug costs, including the commencement of the off-cycle NHI drug price revision, we will further increase the efficiency of our business operations. We will maximize our product value in the Psychiatry & Neurology and Diabetes areas to

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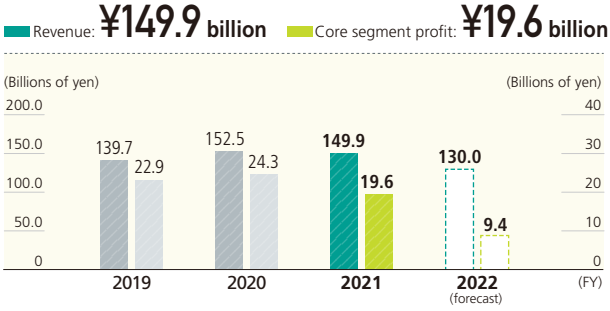
become a genuinely dominant player in both of these focus areas. In the Psychiatry & Neurology, we will expedite market penetration of LATUDA®, which was launched in June 2020, and in Diabetes, we will expand sales of Equa® and EquMet®, while at the same time furthering the market penetration of TWYMEEG®, which launched in September 2021.

Revenue / core segment profit



North American market

SWOT

Strength
- Capabilities of development and sales in Psychiatry & Neurology
- Best in class, late-stage assets focusing on value as well as talents who lead that business

Opportunity
- Enhancement of our innovation base and pursuit of digital transformation through the DrugOME and Digital Innovation technology platforms

Weakness
- Early maximization of new products will be a challenge

Threat
- LATUDA® LOE in the U.S. (slated for February 2023)

Main points of our regional strategy

Maximize product value in Psychiatry & Neurology
- Maximize LATUDA® profits and grow sales of KYNMOBI® and APTIOM®
- Promote the development of late-stage assets, including ulotaront

Further efforts to establish new products as growth drivers
- Maximize the product value of ORGOVYX®, MYFEMBREE®, GEMTESA®, and RETHYMIC®

Promote strategic investment and partnerships with other companies
- Expand pipelines and maximize value of internal assets
- Promote sales partnerships

Optimize business operations
- Improve business infrastructure and systems
- Realize cost synergies by strengthening coordination among subsidiaries

Achievements from FY2018 through July 31, 2022

FY2018
- LONHALA® MAGNAIR® (COPD): Launched

FY2019
- Acquired the shares of 6 subsidiaries through the strategic alliance with Roivant

FY2020
- Sumitomo Dainippon Pharma Oncology, Inc. (currently, Sumitomo Pharma Oncology, Inc.) established (as a result of integration between Boston Biomedical, Inc. and Tolero Pharmaceuticals, Inc.)
- KYNMOBI® (OFF episodes in patients with Parkinson's disease): Launched
- Myovant Sciences Ltd. ("Myovant") entered into a development and marketing alliance with Pfizer Inc. for relugolix.
- ORGOVYX® (Advanced prostate cancer): Launched

FY2021
- GEMTESA® (Overactive bladder): Launched
- MYFEMBREE® (Uterine fibroids): Launched
- RETHYMIC® (pediatric congenital athymia): Launched

Business activities in the North America segment

Sunovion Pharmaceuticals Inc. ("Sunovion") and the Sumitovant Group run its business operations in North America pursuing establishment of post-LATUDA growth trajectory. Sunovion focuses on maximization of LATUDA®, the biggest pillar of the Sumitomo Pharma Group's earnings, further growth of APTIOM®, as well as KYNMOBI®, which was launched in September 2020. The Sumitovant Group's focus is quicker market penetration and sales expansion of ORGOVYX® and MYFEMBREE®, which Myovant launched in January 2021 and June 2021, respectively, through co-promotion with Pfizer. Meanwhile, Urovant Sciences Ltd. ("Urovant") is working on market penetration of GEMTESA®, which was launched in April 2021. In so doing, we are striving for efficient sales and marketing for Myovant and Urovant by leveraging Sunovion's robust sales infrastructure. Enzyvant Therapeutics makes effort for delivering RETHYMIC®, which was launched in March 2022, to patients who are waiting for the therapy as soon as possible.

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Strategy 1: Enhance innovation base with new approaches to drug discovery
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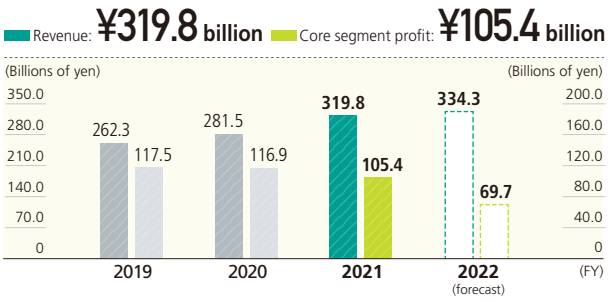
Basic Policy II

Revenue / core segment profit



Chinese & Asian market

SWOT (China)

Strength
- Strong business foundation (competent staff, business expertise)
- Handles high quality, competitive Sumitomo Pharma products such as MEROPEN®)

Opportunity
- Develop systems to help accelerate new drug approval and protect patents
- Sustainable growth potential for the pharmaceuticals market due to economic growth, healthcare infrastructure improvements, etc.

Weakness
- Expanding the lineup of launched products that have a medium- to long-term growth track will be an issue

Threat
- Further drug cost reduction measures are being taken
- Rising country risk attributable to worsening international relations, etc.

Main points of our regional strategy

Implement business strategy for Asian market
- Drive business strategy and expand pipelines in the Asian market
- Maximize sales/profits through partnerships with external parties and promote internal cost reduction
- Strengthen local subsidiary functions and expand business into geographical areas likely to contribute to profits
- Pursue business opportunities in the Regenerative Medicine/Cell Therapy field, Frontier business, Oncology area, etc.

Further expand China business
- Reinforce business infrastructure as the third pillar
- Maximize revenue from existing products
- Rebuild our business foundation and launch new products in anticipation of future market changes
- Participate in global development projects

Reinforce business in East and Southeast Asia
- Reinforce business functions at subsidiaries in Singapore, Thailand, and Taiwan
- Launch and develop functions at our Malaysian subsidiary
- Maximize revenue from MEROPEN® and LATUDA® and launch new products

Achievements from FY2018 through July 31, 2022

FY2018
- Reinforced functions of subsidiary in Singapore
- Established local subsidiary in Thailand

FY2019
- LATUDA® (schizophrenia): Launched (China)

FY2020
- Established local subsidiary in Taiwan

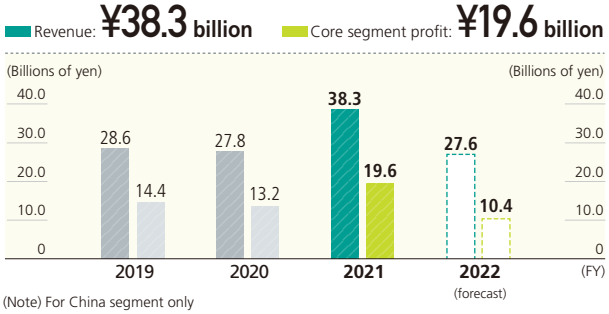
FY2021
- In-licensed lefamulin and other development compounds
- Opened representative office in Vietnam
- Established local subsidiary in Malaysia

FY2022
- Established holding company in China

Business activities in the China & Asia segment

The Sumitomo Pharma Group is reinforcing our business foundations in China, the third pillar of our business, while at the same time securing growth potential by continuing to consolidate our foothold in the Asian market. In the China segment, although measures to reduce drug costs continue to be taken, we will maximize the value of our current products while actively launching new products in order to achieve further growth. In East and Southeast Asia, we will strive to maintain and expand sales of MEROPEN® and LATUDA® by promoting sales through our subsidiaries and collaborating with respective partner companies, while launching new products aimed at achieving sustainable future growth.

Revenue / core segment profit



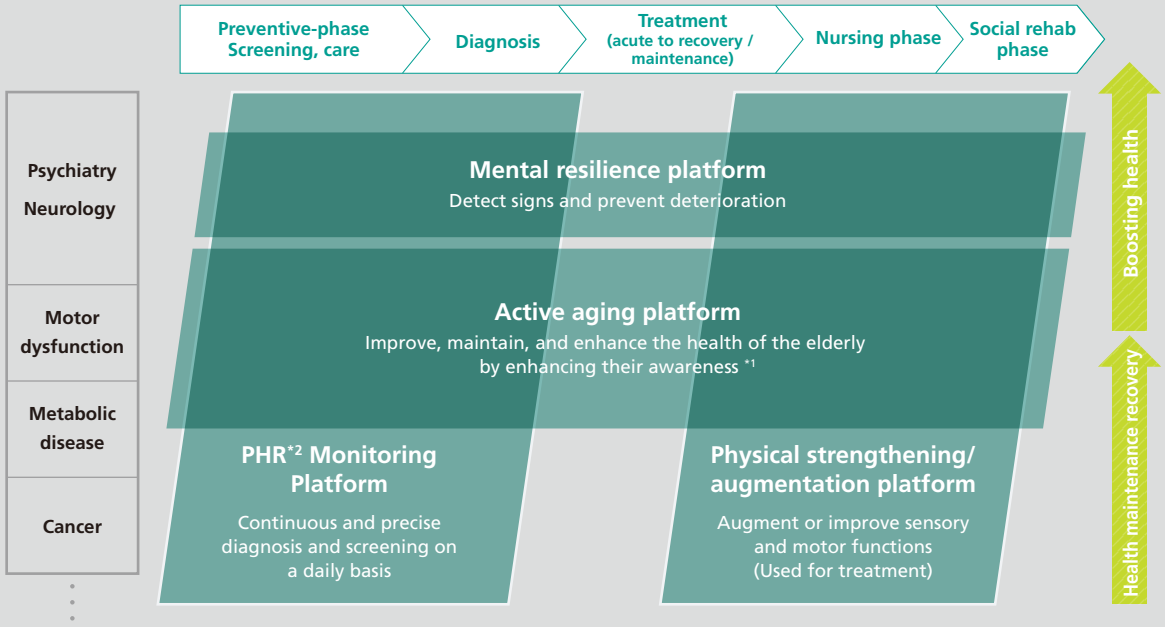
(Note) For China segment only

Basic Policy I

Establishment of growth engine

Strategy 5 Launch frontier business

Anticipating the advent of an era in which it will be difficult to achieve the required level of well-being through pharmaceuticals alone, we are promoting frontier business with the aim of providing new healthcare solutions other than pharmaceuticals while also utilizing digital transformation (DX) technologies.



*1 Includes mental and pain care for cancer patients *2 PHR: personal health record

Vision of Frontier Business

Contribute to "wide-ranging well-being" together with pharmaceutical products

Sumitomo Pharma aims to contribute to the well-being of patients not only through treatment, but also through prevention, care, and social rehabilitation, all stages from before they recognize their illness until they return to life in society.

As a "frontier business" that transcends the boundaries of conventional pharmaceutical companies, we are promoting the research, development, and commercialization of new non-pharmaceutical healthcare solutions in areas where synergies can be expected with the pharmaceutical business. These areas include "mental resilience" (the prevention of deterioration of neuropsychiatric disorders by detecting the signs at an early stage) and "active aging" (improving, maintaining, and enhancing the health of the elderly by enhancing their awareness).

Our Approach to the Frontier Business

Patient-driven

Flexible, personalized solutions that go beyond medication to improve access to care, offer additional options and diminish stigmas and isolation

Science-minded

Leveraging our expertise in developing medications that meaningfully enhance mental health and active aging

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

Basic Policy II

Solution-focused
Scouting for ideas, connecting the best scientific minds and collaborating on cutting-edge innovations to pioneer new frontiers in healthcare

Visionary
Redefining the relationship between pharma and total wellbeing to revolutionize supportive care through empowering and convenient choices

Global
Exploring and facilitating opportunities for exciting collaboration and inspiring business across the geographic border, starting from the U.S. Japan, and China

Major projects

Fiscal 2022 product launch schedule
- MELTz Hand Rehabilitation System: Certified under the general designation of "active extension/flexion/extension rotation exercise device"
  Manufacturer: MELTIN; Distributor: Sumitomo Pharma. Plan to start sales in 2022.
- Digital devices for relieving BPSD: Full-scale sales primarily by our partner (Aikomi, our associated company).
- VR contents for mental health: Sales primarily by our partner (BehaVR) (Profit share 50-50 with both companies)

Area	Program	Summary	Region	Development status	Partnering
Psychiatry Neurology	Digital devices for relieving BPSD	Tailor-made contents for stimulating five senses that digitally realize nonpharmacotherapy	Japan	In trial sale (non-medical device)	Aikomi Ltd., Sompo Japan Insurance Inc.
	VR contents for mental health wellness	VR program for the selfmanagement of mental health issues related to stress, worry and low mood. Users will set goals and objectives meaningful to them while they learn how to cope with negative situations encountered in their daily lives	U.S.	Product development (non-medical device)	BehaVR, Inc.
	Wearable EEG meter	Service for early detection of mental diseases by daily capture of the EEG profile with simple wearable EEG meter	Japan	Product development (medical device)	NeuroSky Co., Ltd.
	Smart device for hard of hearing people	Develop smart devices that display multiple utterances as subtitles as a new communication support tool for hard of hearing people	Japan	Product development (non-medical device)	Pixie Dust Technologies, Inc.
Motor dysfunction	MELTz Hand Rehabilitation System	Robotic neurorehabilitation device utilizing motion intention of patients with post-stroke hand/fingers paralysis from electromyogram for the patients	Japan	Certified (medical device)	MELTIN
Metabolic disease	Automated blood collection/ stabilization device	Blood collection device designed for low pain, long-term storage, and simple transportation for the self-management tool such as diabetes	Japan	Product development (medical device)	Drawbridge Health, Inc.

Basic Policy II

Building of flexible and efficient organization

Overview

Sumitomo Pharma is building a flexible and efficient organizational foundation instilled with CHANTO: delivery of the highest performance by simultaneously executing organizational and operational reform and nurturing corporate culture and talent to drive innovation in parallel with digital transformation to support the establishment of growth engines.

Under Flexible and efficient organization and operations we aim to pursue operational excellence and build an agile and flexible organization to proactively address changes in our business environment. Under Corporate culture and talent to drive innovation we aim to foster talent responsive to environmental changes and encourage innovation and flexibility. Under Digital transformation we aim to achieve both new value creation and operational reform through digital technology.

Basic Policy I

Basic Policy II **Building of flexible and efficient organization**
Corporate culture and talent to drive innovation
Digital transformation

Material issues Sumitomo Pharma has set targets and KPIs, and we have provided a list of them on pages 35-38.

Flexible and efficient organization and operations

Sumitomo Pharma pursues operational excellence and builds agile and flexible organization to proactively address changes in business environment.

As one method of achieving this, we promote work style innovation to enhance our value proposition to society by enhancing employee satisfaction and capability through improvements to productivity and work-life balance.

Pursue 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

HR system revision

Evaluation and compensation system reform

To further accelerate in our HR systems the principles of self-discipline, independence, delivering results, and taking challenges, we have incorporated the Conduct Guidelines (CHANTO) as evaluation criteria into the Skill & Conduct Evaluation Sheets/Management Evaluation Sheets that we have been using for individual evaluations. We have put a special emphasis on "showing courage to meet challenges" as a part of our culture that we want to strengthen further, making challenge seeking an even more important part of evaluations.

In addition, in order to encourage employees to target more challenging goals, we have kept our previous bonus system and added a departmental bonus system that allows each department to decide on additional compensation based on the extent to which employees demonstrate a "challenge-seeking attitude and process."

Work system reform

In April 2022, we revised our discretionary work system and instituted an imputed work system unique to Sumitomo Pharma.

For those eligible for the discretionary work system, we did away with the previous working hours of 7:00 AM to 8:00 PM and made changes to allow for more flexible work schedules. For those in the standard work system, we instituted an imputed work system unique to Sumitomo Pharma that allows employees to leave before the official closing time without having their pay docked if they efficiently finish their work before then.

These two system reforms encourage employees to adopt a more self-disciplined and independent work style, and we will take a flexible approach to addressing any issues that arise in the implementation of this system.

Work style innovation Material issues

More sophisticated work styles

Improvement of productivity

With our basic concept of work style innovation, which is to build a win-win relationship between employees and the company to enable employees to work with a firm sense of fulfillment and produce results, it is our aim that each and every person will fulfill their own roles and produce results in the limited time.

In fiscal 2020, due to the COVID-19 pandemic, we established and expanded communication infrastructure to enable all domestic employees (approx. 3,000) to work remotely and promoted active utilization of web conferencing system. Additionally, we have made efforts to maintain productivity by holding training to strengthen communication in teleworking and disseminated information and held events to maintain physical and mental health. In fiscal 2021, we continued efforts to

Basic Policy II

Building of flexible and efficient organization

enhance work styles to create a virtuous cycle of improving productivity by achieving results while enjoying work through work-life balance, which can become blurred when teleworking.

As one such effort aimed at boosting productivity amid an increase in telework and various other work styles, we have conducted training focused on building self-discipline and independence. This is because we believe that employees need to be self-disciplined and independent in carrying out their duties and responsibilities, rather than waiting for instructions from their supervisors.

Improvement of employee satisfaction

We value communication between management and employees, which includes lectures by directors at each business site and company-wide messages from the president and executive officers.

Starting in fiscal 2019, we undertook an employee engagement survey—SMP Opinion ("MinOpi")—through the Motivation Cloud service, which surveys and measures levels of employee satisfaction and expectations. In fiscal 2021, we were awarded third place for the third consecutive year in the large company division of the Best Motivation Company Awards 2021. Going forward, we will continue to work to improve the satisfaction of employees in each department.

Virtuous cycle in work-life balance

Sumitomo Pharma believes that it is necessary to create an environment conducive to exercising one's full capacities while effecting a positive cycle connecting work and personal lifestyles for every employee in order to achieve our Corporate Mission.

We believe that it is important for employees to have full and satisfying roles in both their professional and private lives. We encourage employees to produce maximum results within specified work hours, then, after work and in their free time, engage in personal development, outside interests, and leisure time with their family. We feel that a mindset oriented toward boosting the quality of hours spent on work tasks will spur individual growth and, as a result, produce a virtuous cycle that leads to better results for the organization. Since fiscal 2017, we have been continuously promoting Work Style Innovation Meetings to take stock of tasks at each workplace and to review work styles and have been working to resolve issues.

We will continue making efforts to refine our work styles, promote a good work-life balance, and maximize corporate value.

KPIs

- **Employee engagement**

  Fiscal 2021 progress
  - Company-wide engagement score: 59.0
  - Percentage of departments with engagement scores under 55: 23.9%

  Note: Engagement scores indicate engagement for an organization (as a deviation) and are determined using the Motivation Cloud from Link and Motivation Inc.
  Other companies' average score is 50

- **Employee turnover rate**

  Fiscal 2021 progress
  - 3-year turnover rate: 1.44%
  - 5-year turnover rate: 1.51%
  - 10-year turnover rate: 1.57%

Basic Policy I	
Basic Policy II	**Building of flexible and efficient organization** **Corporate culture and talent to drive innovation** Digital transformation

Material issues Sumitomo Pharma has set targets and KPIs, and we have provided a list of them on pages 35-38.

Corporate culture and talent to drive innovation

While maintaining a "culture with resilient and detailed execution," we are fostering talent responsive to environmental changes and encourage innovation and flexibility. We are promoting Project CHANTO to achieve goals toward the penetration and practice of CHANTO: delivery of the highest performance while responding to environmental changes, and are working to foster leaders and global talent.

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
- Penetration/practice of "CHANTO"

Penetration/practice of CHANTO

Promoting Project CHANTO

Under the Mid-term Business Plan 2022, our vision is to establish ourselves in a position as a Global Specialized Player by 2033. To that end, we thought it was necessary for each one of our employees to be always aware of CHANTO and to make personal progress, and launched Project CHANTO in February 2020.The goal of Project CHANTO is to establish and instill throughout the company Conduct Guidelines (= CHANTO) for realizing the Company's vision, connect it to a change of behavior in every employee, and link it to individual and organizational results.

➡ Please see pages 29-32 for details of Project CHANTO.

Training and development of employees Material issues

Fostering of leaders, globally-minded human resources, and DX professionals

Fostering the next generation of leaders

We established the SMP Academy in July 2016, which is a career grade-specific selective education and training program. The Academy provides extensive learning opportunities to highly talented and ambitious students, from young employees to mid-career employees as well as managers. The Academy's programs consist of A1 course, A2 course, A3 course and the Management course. In the six years between fiscal 2016 and fiscal 2021, 482 employees completed the program.

Since April 2020, due to the impact of COVID-19, all training has been moved to an online format. Training content relevant to our current era and the changes taking place was also incorporated, such as switching to

Basic Policy II

Building of flexible and efficient organization

lessons that instruct participants on proposing and executing business models for the digital age.

The HR Strategy Meeting, which has been held on an ongoing basis since 2008, plays a major role in this development and selection of the next generation of leaders. The HR Strategy Meeting, which consists of all the Directors except Outside Directors, some of the Executive Officers, as well as executive directors of divisions as necessary, has been held regularly with over one hundred meetings during the past ten years. In addition, important personnel-related issues are discussed from time to time, such as work style innovation and diversity & inclusion.

Promotion of English proficiency enhancement toward globalization

We are working to foster global human resources that can undertake business management overseas in future such as by dispatching personnel to overseas subsidiaries and overseas academic and research institutions.

Also, in addition to selective English proficiency enhancement training of personnel recommended by each department, in fiscal 2020, we adopted the goFLUENT program, which is an e-learning approach to English education, from the perspective of raising the base level of English proficiency company-wide. Similarly, we increased the number of times we offer the TOEIC test from two to four times per year and incorporated TOEIC scores as one of the criteria for applicants applying to sit exams for certain managerial positions. Going forward, we must increase our pool of employees able to work in a global setting, so we will polish our programs for enhancing English proficiency and will review and implement new programs as well.

Fostering professionals for achieving new value creation and operational reform via DX

In August 2021, we launched DX training aimed at developing 100 data scientists. We have created courses that include e-learning programs for all employees and managers and that aim to give individuals a higher level working knowledge of data science. Making effective use of a range of data, we will strive to swiftly develop digitally capable professionals who can address a variety of issues.

Fostering a corporate culture that encourages self-disciplined and independent career development

Strategic allocation of human resources through talent management, and acceleration of human resource development

We have adopted and are operating a talent management system to systematically understand and supervise the skills, assets, and capacities of our employees. Utilizing the talent management system, we encourage employees to take steps toward their own career planning with self-discipline and independence. We also have supervisors and direct reports work together to design customized development plans in order to realize human resources development and the proper placement of personnel, while striving to maximize results.

In fiscal 2021, we undertook people analytics (workforce analytics) leveraging the information accumulated and sped up policy decision making in the human resource affairs while searching for and identifying factors that encourage employee growth and factors that contribute to employee engagement.

Going forward, we will continue to implement HR policies and initiatives aimed at both accelerating employee growth by utilizing gathered data, and maximizing results for the organization.

We have stepped up mid-career hiring efforts in many departments and are growing the number of mid-career employees every year. In fiscal 2021, we hired 29 talent for primarily head office organizations, the Drug Research Division, and the Technology Research & Development Division.

KPIs

- **Number of participants in selective training**
  Fiscal 2021 progress
  SMP Academy trainees: 85
- **Number of employees with overseas work experience**
  Fiscal 2021 progress
  25 (individuals who started working overseas in fiscal 2021)
- **Number of participants in programs to enhance English proficiency**
  Fiscal 2021 progress
  e-learning (goFLUENT program) participants
  - e-learning: 1,201
  - Private instruction program: 159
- **Number of cases and applicants utilizing internal job posting system**
  Fiscal 2021 progress
  - Internal posts: 6 (13 people)
  - Applicants: 55 people
- **Number of career consultations**
  Fiscal 2021 progress
  Self-career dock consultations: About 200

Basic Policy I

Basic Policy II Building of flexible and efficient organization
Corporate culture and talent to drive innovation
Digital transformation

Material issues Sumitomo Pharma has set targets and KPIs, and we have provided a list of them on pages 35-38.

Diversity & Inclusion

Material issues

Promotion of active participation by female employees

We believe every employee, regardless of their gender or any other characteristics, being able to perform at their full potential is vital to achieving our Corporate Mission. Going forward, we believe that an equal ratio of men and women among our employees and among our managerial staff is one yardstick. Moreover, we are aiming to increase the number of female employees returning to and continuing work after a life event such as marriage or giving birth and to increase the number of females selected for managerial positions. The ratio of female managers is steadily increasing, which, among others, is evident in the early achievement, in April 2019, of the goal of at least 10% female managerial staff by fiscal 2020.

Since January 2021, we have maintained the 10% ratio of female managers and are progressing efforts to nurture such staff including training of female leaders with the goal of at least 15% of female senior employees (excluding managers), who are candidates for managers.

Additionally, we are aiming for a work environment where it is easier for each employee to achieve a positive work-life balance. To this end, we have set a goal of—and are working towards—100% of male employees taking childcare leave.

Obtained certification by the Ministry of Health, Labour and Welfare as a corporation that provides excellent support for raising children in 2017

Obtained the highest "Eruboshi" certification (three stars) as a company making excellent progress implementing initiatives for the active involvement of female employees in 2017

Promotion of LGBTQ understanding

Sumitomo Pharma clearly states in our Compliance Standard that we do not discriminate on grounds of sexual orientation and gender identity. We are undertaking measures such as the Ally initiative and providing training for all employees to promote understanding of LGBTQ (lesbian, gay, bisexual, transgender, questioning, and queer).

In addition, in April 2020, we introduced a same-sex partnership system, which provides equal treatment for same-sex partners and spouses in housing, special leave for weddings and funerals, and other programs. In recognition of our efforts, we have obtained "Gold" certification in the Pride Index for two consecutive years (2020 and 2021).

Promotion of active participation by people with disabilities

Cocowork Co. Ltd., which was established to support the independence of people with mental disabilities and has been accredited as a special subsidiary, engages in pursuits that include hydroponic leafy vegetables using solar power. Through this and other initiatives, the Group will continue to promote greater participation by those with disabilities.

Our ratio of employees with disabilities was 2.34% as of June 1,2022.

Cocowork Esaka Farm (Suita, Osaka)

KPIs

- **Percentage of female managers**
  (Target for the end of fiscal 2022: maintain at least 10%)
  Fiscal 2021 progress: 16.0%
- **Percentage of female senior employees, excluding female managers**
  (Target for the end of fiscal 2022: 15%)
  Fiscal 2021 progress: 12.2%
- **Percentage of male employees taking childcare leave**
  (Target for the end of fiscal 2022: 100%)
  Fiscal 2021 progress: 88.2% (5 or more business days)
- **Number of participants in e-learning on LGBTQ**
  Fiscal 2021 progress: 2,755
- **Number of Ally activities**
  Fiscal 2021 progress: 4
- **Average length of employment of employees with disabilities**
  Fiscal 2021 progress: 18.9 years

Basic Policy II

Building of flexible and efficient organization

Message from the Executive Officer in Charge of Human Resources

Personnel evaluation system tied to "Project CHANTO"

In response to changes in the business environment and to establish ourselves as a Global Specialized Player in 2033, we launched "Project CHANTO" in February 2020 based on the belief that each one of our employees should always be aware of "CHANTO" (the capability to deliver the highest performance) and make personal progress.

In April 2022, we reviewed our personnel evaluation system. We incorporated the "CHANTO" Conduct Guidelines as an evaluation factor and we hope to achieve greater results through a system that can especially evaluate those who "show courage to meet challenges." We have also introduced a new departmental bonus system. Based on funds allocated from the performance of each department, the departments can decide who is eligible for the bonus and the amount to be paid, according to the evaluation of their "attitude toward challenges" and "process of taking on challenges" with ambitious goals.

Before the system was introduced, employees received an explanation of the details and watched the president and other executives explain the significance of the system through video messages. We may encounter operational issues in the future; however, we believe that the introduction of this system is a challenge in itself and an initiative that embodies the "CHANTO" Conduct Guidelines.

Reforming work styles and creating an environment in which all people can play an active role

Over the past two years, COVID-19 responses and the reform of our work styles have been inextricably tied together. We have promoted initiatives to maximize results during COVID-19, including training aimed at strengthening communication, which can be lacking in the midst of adjusting to unfamiliar work styles, as well as holding events to maintain mental and physical health.

Steady progress has also been made in diversity and inclusion. The ratio of female managers is steadily increasing, and we will continue to promote development and training aimed at raising the ratio of female senior employees who are candidates for management positions. We have also established and are hoping to achieve the goal of 100% of male employees taking childcare leave.

Furthermore, in fiscal 2021 we conducted training for directors and executive officers that focused on better understanding the presence of unconscious bias.

Individual growth and organizational change as drivers of growth

The Group has focused on creating a workplace environment in which all employees who wish to demonstrate their abilities can play active roles, and furthermore, through "Project CHANTO," we have encouraged employees to modify their way of thinking and behavior. Although it is difficult to demonstrate quantitatively, we feel that our employees are making steady, consistent progress in this area.

We will continue our efforts to create a virtuous cycle that encourages individual growth, which in turn leads to organizational change and increased results.

Digital transformation

We will make strategic use of digital technology to reinforce the organizational base. Our goal is to leverage digital transformation to build an agile organization and human resources capable of spotting changes in the external environment and acting to address these changes proactively, and flexibly. Through this approach, we simultaneously create new value and bringing about operational reform.

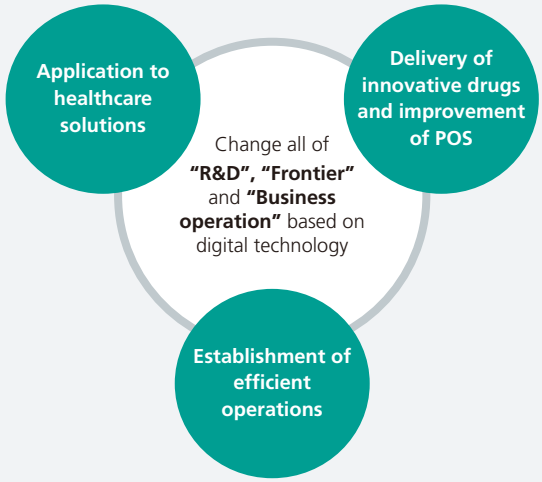
Further focus on digital capability:

- Improve company-wide digital capability
- 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 transformation functions

Digital transformation



Digital transformation strategy

In the Mid-term Business Plan 2022, Sumitomo Pharma highlights the pursuit of digital transformation (DX) as a key initiative to re-build the business foundation through "establishment of growth engines" and "building a flexible and efficient organization." Through the formation of a DX promotion system that integrates information technology and digital technology, Sumitomo Pharma Group can achieve prompt decision-making throughout the organization. Also, we have been working to develop digital workplaces and to raise Sumitomo Pharma Group's digital literacy (skills) and "digital-first" mindset.

Through the strategic alliance with Roivant Sciences completed in December 2019, we acquired two healthcare technology platforms, DrugOME and Digital Innovation, further accelerating the Group's DX efforts and talent pipeline. Through these systems, technologies, and human resources, we can set quantitative goals linked to sales and R&D milestones. This will allow us to increase the probability of success of drug discovery, shorten the development time, and ensure stable manufacturing to deliver safer and more reliable pharmaceutical products.

In doing so, we will deliver unique value to a broader range of people, including healthcare professionals as well as patients and their family members, while creating innovative pharmaceuticals and healthcare solutions.

By accelerating DX with a focus on creating and enhancing our business value, we are realizing sustained growth through "transformation into a data-driven pharmaceutical company" and "creation of new value and operational reform."

Basic Policy II

Building of flexible and efficient organization

Promotion system

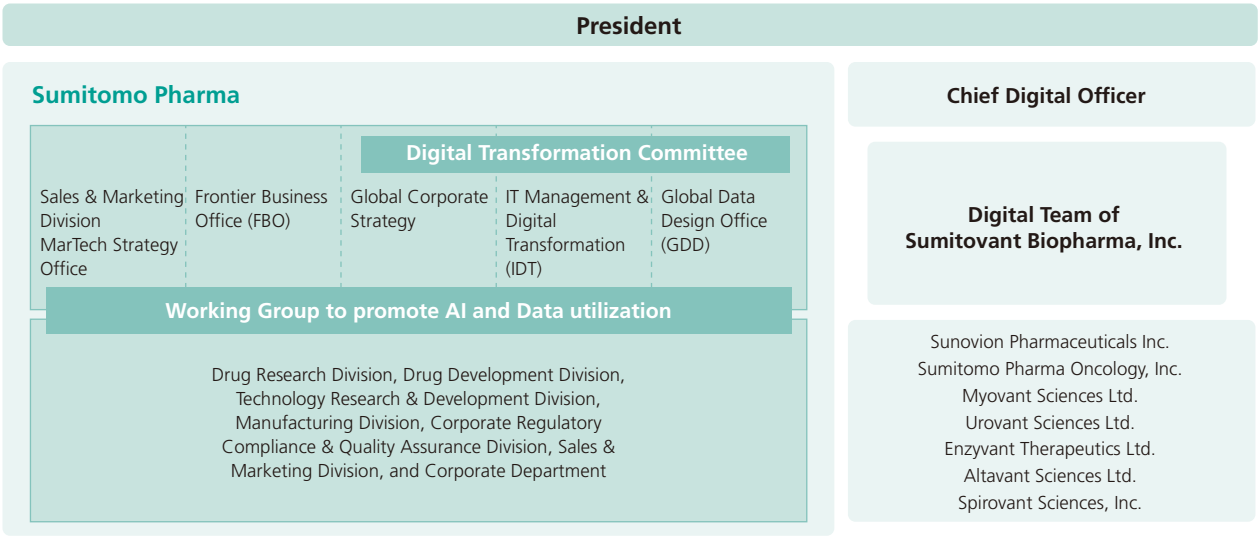
Under the lead of Dan Rothman, Chief Digital Officer (CDO) of the Group, we have assembled a team from IT-related departments of the Group companies to form the Digital Transformation Leadership Team in an effort to expedite DX throughout the Group. Also, we have established organizations specialized in DX, such as the Global Data Design Office, the IT Management & Digital Transformation, Frontier Business Office, and MarTech Strategy Office. Further, to ensure quick and flexible decisions on DX projects, we have established a Digital Transformation Committee in Japan comprised of the Global Data Design Office, Global Corporate Strategy, IT Management & Digital Transformation. We have also established the company-wide working group to promote AI and Data utilization, which consists of representatives from each department in the Company and are working across the organization.

It is under this framework that we are introducing DX to the Group's advanced technologies. At the same time, we have built an agile organization capable of flexibly addressing changes and combining various functions both from within and outside of the Group, while fostering a corporate culture that encourages employees to change and act flexibly and develops such human resources.

Overview of the DrugOME

DrugOME is a system that leverages diverse data points to promptly deliver quality solutions to varying business issues. The DrugOME team consists of data scientists with advanced expertise in computational research and capabilities. The team communicates and works closely with broader business teams to solve for issues or drive capabilities. We are promoting the use of DrugOME in various situations in our value chain. This includes evaluating the feasibility of compounds in clinical stage using real-world data, optimizing development plan and clinical study designs, efficiently seeking out key opinion leaders (KOL) using data from research papers and clinical studies, and making clinical studies more efficient.

Promotion system



Overview of Digital Innovation

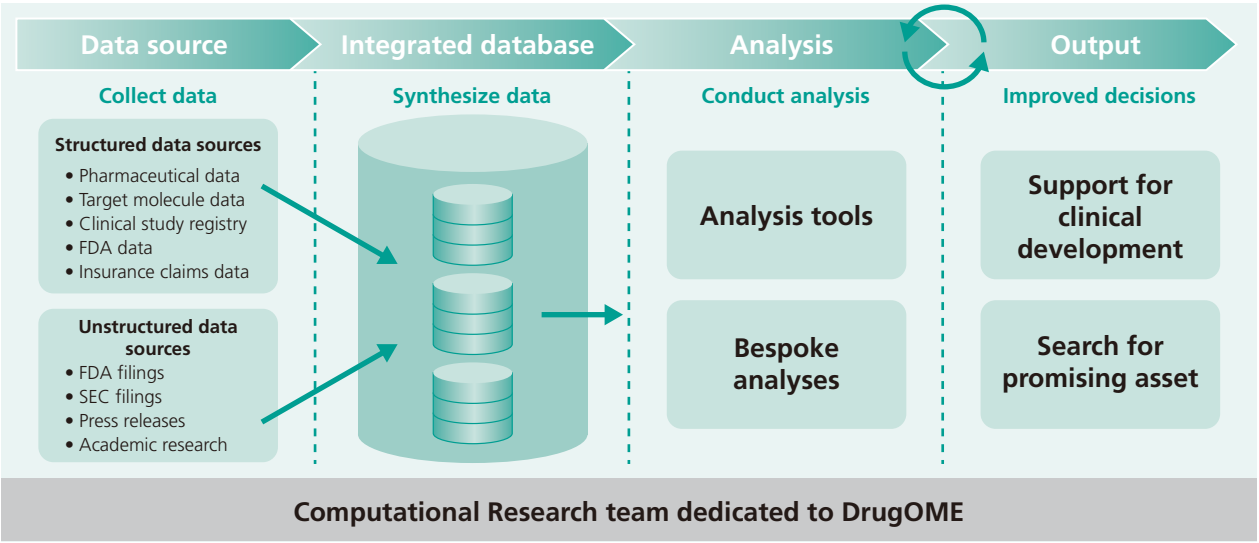
Digital Innovation is a system that uses digital processes to solve for various issues faced in business activities in the value chain and improve operational efficiency. The Digital Innovation team assigns a Digital Innovators to business teams in order to listen directly to the needs within the company and develop or offer new applications or automation technologies that in turn can drive business value. The Group companies use a common platform thus applications developed by Digital Innovators can be shared seamlessly between departments. Through this process, our Group's digital capabilities will be further strengthened and operational reform will be accelerated.

In Japan, we are developing applications such as search tools for regulatory information, support tools for creating documents related to clinical studies, tools for the semi-automated creation of documents by medical representatives (MR), and tools to make reviewing sales materials more efficient. In the U.S., we are doing enrollment prediction for clinical study subjects, developing an integrated platform that enhances the searchability of drug discovery-related information, and visualizing sales-related data.

Accelerating operational reform

To facilitate the provision of innovative pharmaceuticals and healthcare solutions, we are advancing operational reform based on a transformation to an agile and data-driven corporate culture in addition to strengthening digitally-capable human resources.

Overview of the DrugOME



Overview of Digital Innovation

Digital Innovators	Identifying issues and proposing solutions	Application implementation	Horizontal deployment of solutions
• Dedicated team of technologists (Digital Innovators) with strong coding and data analytics skills • Use standardized system infrastructure (common development platform)	• Digital Innovators are embedded in business teams • They identify operational issues and propose solutions that use digital technologies by working as one with business team	• Digital Innovators play a central role by agilely developing the solutions and offering them necessary for improving efficiency and solving issues in business teams	• Quickly deploy solutions horizontally across departments with similar operational issues

Basic Policy II

Building of flexible and efficient organization

We are working on developing human resources, like DX human resources training, data scientist training, fostering of human resources for DX planning, and recruiting citizen developers.

We are also working on introducing an agile work style. As for an environment to support our operational reform, we have developed and expanded a communications infrastructure and introduced web-conferencing system so that all of our 3,000 employees can work from home and can perform their job responsibilities, communicating with each other as they were in the office.

To assist collaboration between those working from home, we are advancing a digital workplace for general work by providing a variety of tools, such as electronic white boards for discussing meeting agendas or brainstorming together to incubate new ideas, mind maps for visualizing creative thinking, fresh ideas, and the flow of information, and tools for checking work status and schedules.

Furthermore, by introducing a workflow system and robotic process automation (RPA) technology to the application of documents and routine tasks, respectively, and proceeding with the automation of management work, we have achieved prompt decision-making and higher efficiency and standardization of work processes. Any surplus time thus gained is being allocated to high-value-added work to increase productivity.

Example applications: creating value through integrating business teams and the IT team

We are attempting to create a brand new business system by inspiring our employees to change the way they think and act by integrating business acumen and IT knowledge.

Data-driven drug discovery research using in silico drug discovery technology

We aim to enhance the probability of successful research and development for drug discovery by feeding knowledge gained from analysis results of patients' medical and healthcare data back to translational research, in addition to using AI and simulations to discover promising compounds. For toxicity and pharmacokinetics assessment, by leveraging AI developed in-house, we obtain predicted results. We then conduct experiments, and promising compounds are synthesized and evaluated with high priority, increasing efficiency. From the viewpoint of drug design process, the use of in silico drug discovery technology has become very common in the past 1-2 years, and there are several drug candidates being discovered efficiently and rationally as a result. We believe that in silico drug discovery can increase efficiency 20-30 % in both average development cost and time when conducting conventional drug research. We are also seeking out new drug targets by conducting our own analyses of clinical big data.

Improving efficiency of non-clinical studies with AI

After carefully picking promising compounds out of many new ones, we conduct non-clinical studies to evaluate their pharmacological activity and toxicity. In the past, we observed changes in cells and behaviors of animals for a long time to detect any changes.

To conduct experiments with high efficiency and objectivity, we analyze pathological images using AI and conduct behavioral pharmacology tests utilizing deep learning. This has shortened the evaluation process significantly and enabled us to analyze experiment results quickly and accurately and move onto the next phase.

DX of the frontier business

We are working on launching the frontier business early with a view toward realizing "wide-ranging well-being and diverse lifestyles" through the provision of never-before-seen healthcare solutions to social issues in the healthcare areas other than pharmaceutical products, such as digital therapeutics (DTx).

In designing and providing flexible, effective, and caring solutions that accurately capture latent issues shared by all, including healthy individuals with presymptomatic diseases, caregivers, guardians, and healthcare professionals, as well as patients, DX is not a mere tool but counted as a critical driver. For the frontier business, we will expedite the introduction of innovative DX technologies and joint research and development projects with many partner businesses, with social implementation and commercialization of healthcare solutions in mind.

➡ Please see page 55 for details of the frontier business.

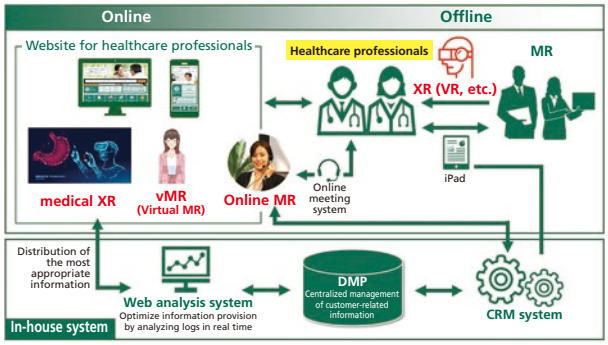
Basic Policy I

Basic Policy II Building of flexible and efficient organization
Corporate culture and talent to drive innovation
Digital transformation

Supporting information provision by MRs

On the sales front in Japan, we are accelerating data-driven DX by introducing AI, virtual reality (VR), and other digital technologies to traditional information provision by MRs. We are also accommodating the changing ways in which customers are acquiring information by providing information effectively through a combination of websites and external portal sites, and then we utilize data obtained from these activities.

We are seeking to establish a new sales style as we take advantage of a variety of digital technologies by, for example, building a product demand prediction model using AI, conducting advanced analysis and simulation of data gained from sales and marketing activities, and developing desk work automation tools for MRs using the latest programming technology.



New management style leveraging digital technologies

Building a platform and mechanisms to promote DX

Utilizing data both inside and outside of the company, Sumitomo Pharma is building a system to promote new value creation. We are also striving to achieve data-driven decision-making by develop a company-wide platform that allows all employees to seamlessly use data, while also promoting the use of data visualization tools.

Meanwhile, we have formed our own agile team for developing an innovative system that is without precedent, and are cultivating citizen developers to enable employees to digitize their own work. We are promoting digitization comprehensively through efforts that include building an internal system that will allow the programs made by citizen developers to be reused by others as they see fit.

Through these initiatives, for two consecutive years starting in 2020, we have been named a "Noteworthy DX Company" in the "Survey on Digital Transformation" for 2020 and 2021, which were jointly conducted by the Ministry of Economy, Trade and Industry of Japan (METI) and the Tokyo Stock exchange (TSE), and have obtained "Digital Transformer Certified Business Operator" certification under the METI's digital transformation certification initiative.

Digital Transformation Certification

Environment

Environmental management

Under our Basic Environmental Policies, Sumitomo Pharma formulates medium- to long-term environmental goals, along with medium-term environmental plans and annual implementation plans based on priority issues that we set. The Environmental and Safety Committee, chaired by the executive officer in charge, then evaluates such initiatives.

Through this process, we conduct environmental management that is systematic and effective. We revised the Basic Environmental Policies in May 2021, clarifying our position on the proactive disclosure of environmental information, the promotion of dialogue with stakeholders, and undertaking initiatives throughout our entire value chain.

■ Medium- to long-term environmental goals and major achievements

Priority issues	Target FY	Indicator	FY2021	
			Achievement	Progress/Results
Build a low-carbon society	FY2030	Reduce GHG emissions (Scope 1+2) by 35% from fiscal 2017.	Good progress	Reduced by 30% compared to base year
	FY2050	Aiming at zero GHG emissions (Scope 1+2.)	—	53 thousand t-CO_2
	Single-year	Reduce 5-year average per-unit energy consumption by 1% or more.	×	0.2% reduction
Effective use of resources **(Water)**	FY2030	Reduce water withdrawal by 12% from fiscal 2018.	Good progress	Reduce by 4% compared to base year
(Waste)	Single-year	Maintain recycling rate at 80% or higher and aim for at least 85%.	×	76%
	Single-year	Maintain final disposal rate at less than 1% and aim for less than 0.5%.	○	0.3%
Chemical substances management	Single-year	Maintain atmospheric emission rate of PRTR substances at less than 1%.	○	0.2%
	Single-year	Maintain atmospheric emission rate of VOC substances at less than 1%.	○	0.7%
	Single-year	Conduct regular AMR audits of Oita Plant.	—	(FY not applicable)
Legal compliance Prevention of environmental accidents	Single-year	Maintain ISO14001 certification for 2 plants.	○	Suzuka and Oita plants
	Single-year	Regularly carry out internal environmental audits.	○	Conducted for 6 business sites
	Single-year	Aim at zero serious violations of laws and regulations and zero environmental accidents.	○	0 incidents
	Single-year	Make Japanese "Environment Month (June)" an environmental awareness month and have all staff participate through awareness-enhancing messages from the executive officer in charge.	○	Done
Preserve biodiversity	Single-year	Have each business site actively participate in local activities contributing to biodiversity (cleaning up river beds etc.).	○	Done (decreased due to the pandemic)
Proper information disclosure Risk and opportunity assessment and management	Single-year	Evaluate and manage risks and opportunities related to climate change and water and disclose relevant information.	○	Disclose information according to TCFD Recommendations

See pgs. 70-71 of this report for information about "building a low-carbon society" and "effective use of resources (water and waste)." In fiscal 2021, we continued to prevent air and water pollution through proper chemical substances management. There were no serious deviations with regard to our policy concerning "legal compliance and the prevention of environmental accidents", and two of our plants continue to have ISO14001 certification. With regard to preserving biodiversity, an issue that is taking on increasing importance worldwide, making steady efforts locally and protecting water resources by reducing water withdrawal are issues that we feel require attention. With regard to proper information disclosure and the assessment and management of risks and opportunities, we have acted and released information in accordance with the TCFD Recommendations.

As part of activities conducted throughout the entire value chain, we established the Sumitomo Pharma Sustainable Code of Conduct for Business Partners. To further expand our activities in conjunction with activities to respecting human rights, we will consider setting goals as a priority issue.

➡ **Please visit our website for more information about our medium- to long-term environmental goals.**
our medium- to long-term environmental goals

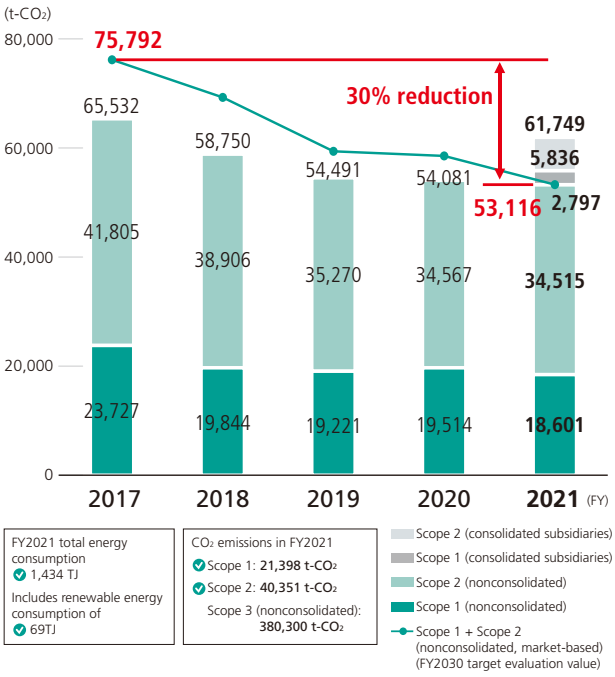
➡ **Please see page 27 for our policy on disclosing information based on TCFD.**

Building a low-carbon society

We are aiming to reducing greenhouse gas (GHG) emissions (Scope 1+2) to zero by fiscal 2050. Our medium- to long-term environmental goals call for achieving a 35% reduction in GHG emissions (Scope 1+2) by fiscal 2030 compared to fiscal 2017, a target established in fiscal 2019 in alignment with the well-below 2°C (WB-2°C) level set in the SBTi. Persistent efforts toward this target have already achieved a nearly 30% reduction in fiscal 2021, and we expect to achieve the target ahead of schedule in fiscal 2022. Going forward, we will be raising our target and cutting fossil fuel consumption further by leveraging energy-saving and CO_2 reduction technologies, which are expected to become more advanced, along with using more renewables, for which many foresee an increasing prevalence. Through these efforts, we will continue to seek carbon neutrality by fiscal 2050 as prepare for climate change risks, which include the introduction of a carbon tax. We plan to take steps toward reducing GHG emissions throughout our value chain.

In August 2021, we also replaced most of the city gas used in cogeneration systems and others at the Suzuka Plant with carbon-neutral city gas supplied by TOHO GAS Co., Ltd. (volume: 5,000 thousand m³/year, period: 2 years, 8 months)

CO_2 emissions trends



KPIs

- **Implementation of measures to achieve fiscal 2030 and fiscal 2050 goals**

  To achieve our long-term goals, we will continue investing in CO_2 reduction equipment, while taking specific measures that include transitioning to renewables.

  Fiscal 2021 Progress
  - Replaced 100% of power purchased for all production facilities in Japan with renewables (Oita Plant: beginning in November 2021, Suzuka Plant: beginning in April 2022)
  - Installed LED lighting in accordance with the long-term plan (Oita Plant and Suzuka Plant)

- **Per-unit energy consumption**

  To achieve more efficient use of energy, we will verify improvements in per-unit energy consumption

  Fiscal 2021 Progress
  - Installed LED lighting in accordance with the long-term plan (Oita Plant and Suzuka Plant)
  - Recommended all energy- saving actions such as reducing air conditioning usage by more effectively managing thermostats and wearing different attire, removing lights, consolidating refrigerators and other equipment, turning off company signboards, eco-driving, and others

Boundary of calculation:
Fiscal 2021: Sumitomo Pharma Co., Ltd., consolidated subsidiaries in Japan, overseas consolidated subsidiaries' production sites (Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.) and their major R&D facilities (Sunovion Pharmaceuticals Inc., Sumitomo Pharma Oncology, Inc.)
Prior to Fiscal 2021: Nonconsolidated (Sumitomo Pharma Co., Ltd. only)

Methods of calculation, emissions intensity, etc.
<CO_2 emissions>
Scope 1 (from energy sources only; includes fuel for business vehicles in Japan)
Fuel consumption × fuel unit calorific value × fuel CO_2 emissions factor
The unit calorific values and CO_2 emissions factors are based on "Greenhouse Gas Emissions Accounting, Reporting, and Disclosure System" which is provided in "Act on Promotion of Global Warming Countermeasures."

Scope 2
Purchased electricity × electricity CO_2 emissions factor*1 + purchased heat × heat CO_2 emissions factor*2

*1 Values used in Fiscal 2021 (market-based): For domestic sites, adjusted emissions factors from "Emission Factors by Power Suppliers (for the calculation of GHG emissions by specified emitters) (FY 2020 results)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan (January 7, 2022); for overseas sites, the emissions factors by country for 2019 most recently published by the International Energy Agency (IEA). However, we use values provided by Sumitomo Chemical Co, Ltd. for sites located on the premises of Sumitomo Chemical Co., Ltd. Scope 2 emissions for FY2021 calculated using the emissions factors prior to FY2021 is 38,737 t-CO_2.
Values used prior to Fiscal 2021: The value (0.33 t-CO_2/thousand kWh) that the Federation of Pharmaceutical Manufacturers' Associations of JAPAN has adopted to manage progress toward its CO_2 reduction targets.

*2 Values are based on "Greenhouse Gas Emissions Accounting, Reporting, and Disclosure System" which is provided in "Act on Promotion of Global Warming Countermeasures." However, we use values provided by Sumitomo Chemical Co, Ltd. for sites located on the premises of Sumitomo Chemical Co., Ltd.

<Energy consumption>
(Purchased electricity × unit calorific value) + (purchased heat × unit calorific value) + (fuel consumption × unit calorific value)
The unit calorific values and the types of fuel to be calculated are based on "Act on the Rational Use of Energy." Figures include fuel consumed by business vehicles in Japan and solar power generated at our business sites.

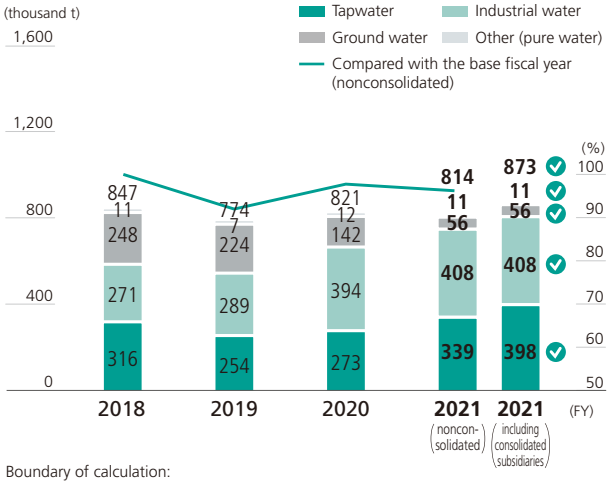
Environment

Effective use of resources (water and waste)

Effective use of water resources

An ample supply of quality fresh water is essential for Sumitomo Pharma's business activities, including the production of pharmaceuticals. Water resource problems are intensifying worldwide, and as part of efforts to use water more efficiently, we have established water withdrawal reduction target to ensure more sustainable use of water.

Water withdrawal by source



Boundary of calculation:
Fiscal 2021: Sumitomo Pharma Co., Ltd. (not including branches and business offices), consolidated subsidiaries in Japan (not including small offices), overseas consolidated subsidiaries' production sites (Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.) and their major R&D facilities (Sunovion Pharmaceuticals Inc., Sumitomo Pharma Oncology, Inc.)
Prior to fiscal 2021: Sumitomo Pharma Co., Ltd. only (not including branches and business offices)

KPIs

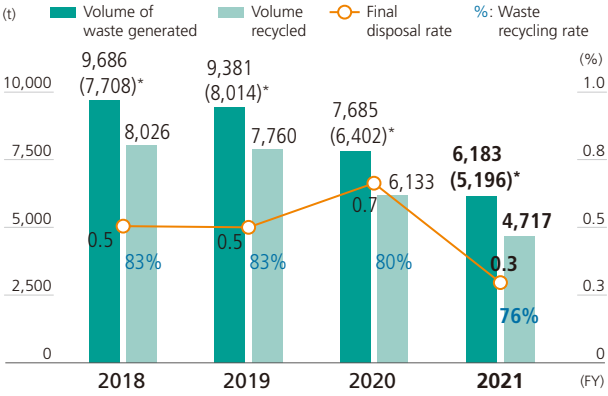
- **Implementation of measures to achieve fiscal 2030 and fiscal 2050 goals**
  To achieve fiscal 2030 goal, we will take concrete measures that include replicating existing measures at other business sites and considering and selecting new reduction measures.

  Fiscal 2021 progress
  - Installed water-saving toilets and considered the installation of water-saving nozzles for facilities with heavy water usage

Reduction of waste

To make effective use of limited resources, Sumitomo Pharma strives to actively practice the "3Rs" of waste management (Reduce, Reuse, Recycle). As part of our efforts to eliminate plastic bottles, we have replaced them with environmentally friendly containers and products, including metal bottles and canned beverages, in the vending machines we install and manage at our business facilities.

Waste-related indicators



*Figures in parentheses show the volume of specially-controlled industrial waste generated out of the volume of waste generated.

Boundary of calculation: Sumitomo Pharma Co., Ltd. only (not including branches and business offices)

KPIs

- **Recycling rate and final disposal rate of waste**
  We will verify the recycling rate and final disposal rate of waste as an indicator to measure the progress of efforts to promote recycling and avoid final disposal of waste as much as possible.

  Fiscal 2021 progress
  - Recycling rate 76% (target not achieved due to production plan effects)
  - Final disposal rate 0.3% (target achieved)

  Measures taken
  - Thoroughly sorted waste
  - Had a waste processor recycle or convert our waste into valuable resources

Third-party assurance

Fiscal 2021 environmental information indicated with a ✓ in the Integrated Report 2022 has received third-party assurance from KPMG AZSA Sustainability Co., Ltd. in order to enhance the reliability of the information. The Independent Assurance Report is on page 72.

KPMG

Independent Assurance Report

To the Representative Director, President and CEO of Sumitomo Pharma Co., Ltd.

We were engaged by Sumitomo Pharma Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental performance indicators marked with ✔ (the "Indicators") for the period from April 1, 2021 to March 31, 2022 included in its Integrated Report 2022 (the "Report") for the fiscal year ended March 31, 2022.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting one of the Company's laboratories selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Shinnosuke Kayumi

Shinnosuke Kayumi, Director
KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
August 26, 2022

Contribution to Societies

Contribution to global health Material issues

Development of drugs and vaccines to treat malaria, antimicrobial-resistant (AMR) bacterial infections, and influenza.

With global supply chain disruption caused by the spread of COVID-19 and the situation in Ukraine, the sustainability of healthcare internationally has become an urgent issue, and the expectations placed on pharmaceutical companies have increased even more.

We are committed to solving issues through research and development in the infectious diseases area that pose an international threat, such as malaria, AMR bacterial infections, and influenza. We believe that these efforts will not only contribute to the achievement of the SDGs and preparedness for future pandemics, but also enhance our presence as a global pharmaceutical company.

For malaria, we are continuing collaboration with Ehime University, the European Vaccine Initiative (EVI), and Instituto de Biologia Experimental e Tecnológica (iBET) on a vaccine to prevent malaria disease, and with Ehime University and PATH in the United States on a vaccine to prevent malaria transmission and a vaccine to prevent infection. Each of these projects has been selected for funding by the Global Health Innovative Technology Fund (GHIT Fund).

For AMR bacterial infections, several Sumitomo Pharma researchers are sent to the drug discovery group (currently, the Satoshi Omura Memorial Institute) of Distinguished Emeritus Professor Satoshi Omura at The Kitasato Institute, and this joint team of Sumitomo Pharma and the Memorial Institute promoted research to create KSP-1007 (beta-lactamase inhibitor). In January 2022, we started a Phase 1 study of KSP-1007 in the United States. For influenza, preclinical research continues for a universal influenza vaccine in collaboration with the National Institutes of Biomedical Innovation, Health and Nutrition. The joint research for AMR and influenza has been selected as research and development projects related to the Japan Agency for Medical Research and Development's Cyclic Innovation for Clinical Empowerment project.

Strengthening of public-private collaboration on countermeasures against AMR and appropriate use of antibiotics

In 2019-2020, we partnered with 10 major hospitals in Vietnam to conduct drug susceptibility surveillance research aimed at the appropriate use of antibiotics and countermeasures to AMR. To help develop the capability of each medical institution to select the most appropriate antibiotics for treatment, a detailed report and technical guidance for each hospital were completed in September 2020, and the study results were presented at the European Congress of Clinical Microbiology in July 2021 to be widely disseminated both in Vietnam and internationally. Preparations are underway for submission of papers for further clinical use, and in April 2022, we began preparations for the second round of drug susceptibility surveillance research (to be conducted in 2022-23).

Promotion of public awareness-raising activities for health, hygiene, and nutrition

Sumitomo Pharma provides an NPO-led health improvement program for mothers and children in Cambodia's Kampong Cham Province.

In fiscal 2021, the program made 591 home visits to pregnant women and 470 home visits to postpartum mothers, promoted health checks for pregnant women, postpartum mothers and infants, and raised awareness about nutrition and hygiene. In addition, cooking classes for making nutritious baby food were held 33 times, with a total of 691 local residents participating.

KPIs

- **Progress of development in infectious diseases area —Number of projects —Number of products (number of products launched)**
  The number of projects and number of products (number of products launched) will be used as indicators to measure the progress of development and the Company's contribution in the infectious diseases area.
  Fiscal 2021 progress: 6 projects, 0 products
- **Number of policy recommendations in infectious diseases area**
  The number of policy recommendations will be set as an indicator to make further improvements in the environment in the infectious diseases area, which will promote research and development in the area.
  Fiscal 2021 progress: 8 recommendations
- **Number of doctors and pharmacists who participated in the AMR countermeasure support program**
  The number of participants in support programs to help healthcare professionals will be used as an indicator in efforts to further promote public awareness.
  Fiscal 2021 progress: 31
- **Number of local residents assisted by maternal and child health programs in developing countries**
  We will promote public awareness around health, hygiene, and nutrition by providing assistance to more local residents through our programs.
  Fiscal 2021 progress: Cooking class participants: 691
  Home visits: 1,061

Initiatives to improve access to medicines

Material issues

Even with today's advances in medicine, there are still many unmet medical needs, and an R&D-oriented pharmaceutical company has a mission to solve this issue. In addition, there are parts of the world where it is difficult for all people to receive equal access to necessary healthcare due to inadequate medical systems and poverty, disorder due to natural disasters and conflict, etc.

In addition to research and development of pharmaceuticals, Sumitomo Pharma works to solve issues related to healthcare access by raising public awareness of health, hygiene, and nutrition in collaboration with international organizations, government agencies, research institutions, and civil society. As part of these efforts, since 2017 Sumitomo Pharma has been participating in the Access Accelerated partnership initiative by organizations around the world, including global pharmaceutical companies, City Cancer Challenge, and PATH.

In fiscal 2021 we worked to raise public awareness regarding non-communicable diseases such as cancer, heart disease, and diabetes and strengthened medical exams during the COVID-19 pandemic, aiming for improvements in access to pharmaceuticals.

In response to the disruption of the supply of medicines in Eastern European countries due to the situation in Ukraine, we donated the antiepileptic drug Excegran Tablets to Ukraine and the Republic of Moldova on multiple occasions, for a total of 3.52 million tablets, and provided it to local residents and displaced persons in response to requests from the governments of Ukraine and neighboring countries.

Promotion of public awareness-raising activities with the aim of improving medicine-related literacy

Using pharmaceuticals with a proper appreciation and understanding of treatment methods and adverse reactions is very important in improving access to medicines. We provide "Kusuri-no-shiori," "Instructional Leaflets," and guidance for patients using our pharmaceuticals and their families to promote appropriate use.

Response to requests for the development of unapproved and off-label drugs

As an initiative to provide new treatment options in areas with high unmet medical needs, Sumitomo Pharma also addresses requests for development of unapproved and off-label drugs. Thus far, we have obtained four such approvals, including a conditioning treatment prior to autologous hematopoietic stem cell transplantation for malignant lymphoma in March 2020. Also, in March 2022, we filed an application based on public knowledge of an additional indication for the biguanide oral hypoglycemic agent METGLUCO® Tablets for the treatment of infertility.

KPIs

- **Number of programs aiming to improve medicine-related literacy**
  The number of programs implemented will be used as an indicator due to the importance of providing opportunities for people to correctly learn about treatment using medicines and their side effects.
  Fiscal 2021 progress: 4 programs
- **Number of responses to requests for unapproved and off-label drugs**
  The number of responses on unapproved and off-label drugs will be used as an indicator to measure our contribution to new treatment options.
  Fiscal 2021 progress: 2 products
- **Number of policy recommendations by the Company on access to medicines**
  We will also take part in policy recommendations aimed at provision of fairly-priced drugs, leading to regulatory development.
  Fiscal 2021 progress: 11 recommendations

Improvement of healthcare infrastructure in developing countries

Material issues

Support for capacity building of healthcare professionals, development of healthcare networks, etc.

From July 2016, we have worked with NPOs, local governments, and the community to provide a health improvement program for mothers and children in Cambodia's Kampong Cham Province. To date, we have trained 62 Community Care volunteers for Mothers and Newborns, who visited the homes of 591 antenatal women and 470 postnatal women in fiscal 2021.

Moreover, in collaboration with the local government and health centers, and through these Community Care volunteers for Mothers and Newborns, we donated picture book-type texts on nutrition, health, and dentistry for mothers during home visits.

Home visit by a Community Care volunteers for Mothers and Newborns (Cambodia)

Contribution to Societies

KPIs

- **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**
  We will contribute to improving infrastructure in developing countries by setting the number of specialist human resources trained and the number of partnerships as indicators because securing human resources in healthcare and pharmaceutical deregulation are necessary to improve healthcare infrastructure in developing countries.

Fiscal 2021 progress: 62 people, 5 partnerships

Patient support and advocacy Material issues

Further improving disease-related literacy for patients, their families, and society

Holding public lectures

Sumitomo Pharma holds public lectures nationwide not only for patients and their families, but also for the wider general public with the objective of promoting the correct understanding of diseases and contributing to the solving social issues.

In fiscal 2021, we held 15 public lectures on Parkinson's disease dementia with Lewy bodies, 12 on the area of diabetes, and 1 on mental illness. These were held primarily online to prevent the spread of COVID-19.

From fiscal 2021, we have been conducting questionnaires on the level of understanding and satisfaction with the lectures, and have received positive evaluations from over 90% of respondents. We will continue conducting questionnaires and reflect the results in the lecture contents.

Working with patient advocacy groups (including donations)

In the spirit of our global slogan "Innovation today, healthier tomorrows," Sumitomo Pharma promotes patient advocacy activities in the hope that all patients and their families can lead healthier and more fulfilling lives.

Main donations in fiscal 2021

Patient advocacy

- Japan Patients Association
- Japan Fabry Disease Patients and Family Association
- Japan Epilepsy Association
- Japan Parkinson's Disease Association
- Dementia People and Family Association
- Children's Cancer Association of Japan
- Japan TSUBASA Association
- RDD JAPAN Organization

➡ **For details, please see the website.**
Guidelines Concerning Transparency in Collaborations with Patient Groups
Fiscal 2021 Patient Group Collaboration Report (Only available in Japanese)

Advancing patient advocacy in the U.S.

Sunovion Pharmaceuticals Inc. participates in walks and bicycle rides throughout the year that raise awareness and funds supporting people living with serious mental illnesses and Parkinson's disease. National Alliance on Mental Illness (NAMI) Walks Your Way events occur across the United States to bring greater awareness to serious mental illness (SMI) and reduce stigmas associated with SMI. Participants gain a greater sense of community while raising funds to help people living in SMI. Sunovion participated in The American Parkinson Disease Association (APDA) Optimism Walk, and The Parkinson's Foundation's Moving Day as well.

Sunovion employees participating in walking events

Raising disease awareness and providing information through websites and SNS

We work with patient groups to create and publish websites aimed at providing information for patients and their families and raising disease awareness among the general public. In fiscal 2020, we also set up official accounts on YouTube and Facebook to diversify and enhance our channels for dissemination of information.

The purpose of "Kokoro Share" (➡ **for details, please see the website, only available in Japanese**) content is contributing to better treatment and lifestyle by providing accurate and easy-to-understand information on schizophrenia and bipolar disorder for patients and their families.

The content of "Rehabili Kitchen for Parkinson's Disease Patients" (➡ **for details please see the website, only available in Japanese**) on our Parkinson's Disease Station features cooking-themed rehabilitation that can be done at home. The concept of the video is that cooking with awareness of each individual movement leads to rehabilitation.

"Diabetes My Care Notebook" provides information on daily self-care through diet and exercise for those diagnosed with type 2 diabetes, which they can start straightaway. The contents range from easy-to-implement to those that require a little more preparation, and are easy to continue and fit into your lifestyle.

➡ **For details, please see the website.**
Diabetes My Care Notebook (Only available in Japanese)

KPIs

- **Activities from patient perspective through healthcare professionals**

We will further promote activities from the patient perspective in the provision of information to healthcare professionals by MRs, in addition to our social contribution activities.

Fiscal 2021 progress:

Diabetes
- Held training on bringing attention to stigmatizing language (all Branch Senior Directors and Sales Office Directors)
- Distributed material for patients made by the Japan Association for Diabetes Education and Care

Psychiatry Area
- Promoted schizophrenia patient awareness through the use of materials
- Promoted employment support for schizophrenia patients and increased disease awareness and diagnosis rate of bipolar disorder through the use of disease awareness website, "Kokoro Share,"-related materials

Neurology Area
- Promoted disease awareness on Parkinson's disease and on dementia with Lewy bodies by providing information using VR content (daily life experiences for patients and caregivers)
- Provided Parkinson's disease patient education materials: rehabilitation logbooks, "Rehabili Kitchen," etc.

- **Level of understanding and satisfaction of participants in public lectures**

The level of understanding and satisfaction of participants will be used as an indicator to measure how much we are contributing to raising awareness of diseases and solving social issues in the opportunities we have for contact with patients and the general public.

Fiscal 2021 progress: Understanding: 94.2%
Satisfaction: 90.7%

- **Number of support activities through donations and cooperation with patients' associations**

We will support the activities of patient groups to further increase literacy about diseases.

Fiscal 2021 progress: Donated to 9 organizations
Supported 1 organization's activity

- **Dissemination to raise awareness of diseases through our website**

The volume of contents that strengthens the raising of awareness about diseases and the provision of information will be used as an indicator as the dissemination of better information to patients and the general public is important for further increasing literacy.

Fiscal 2021 progress: New contents: 23

Contribution to Societies

Local community contribution Material issues

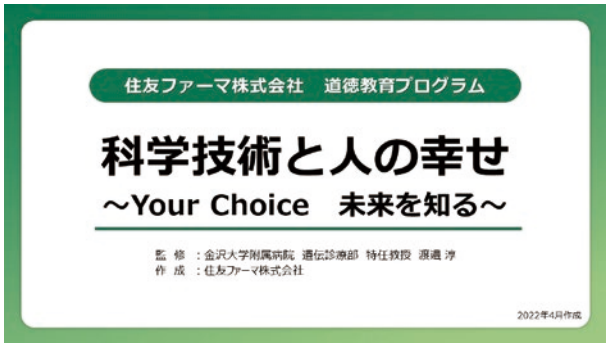
Fulfilling responsibilities and contributing as a member of the community with awareness of harmony with society

Providing learning opportunities leveraging our strengths as a pharmaceutical company

Since fiscal 2012, we have been providing visiting lectures at junior high and high schools. As medical technology continues to progress, we believe that bioethics is important in junior high and high school education as a discipline that does not offer simple right or wrong answers. Using an original program on bioethics and incorporating the particular perspective that a biology-related corporation can offer, Sumitomo Pharma employees deliver visiting lectures.

As a program that fosters young learners' abilities to think, feel, and empathize, the program has been highly praised by the Ministry of Economy, Trade and Industry and by classroom teachers.

In fiscal 2021, we use a class program we created on the topic of genome analysis and heredity, and held classes at 7 schools, and 551 students participated. Through this program, we hope that students will recognize the various and diverse ideas of other people, and their understanding of themselves and others will deepen. From fiscal 2021, we have not only conducted the lectures, but have also been conducting questionnaires on the level of understanding and satisfaction with the lectures, and have received positive evaluations from over 90% of respondents. We will continue conducting questionnaires to help us improve the program.



Our unique class program on genome analysis and genetics for high school students

We have continued participating in the "SDGs Quest Mirai Koshien"*1 in the Kansai Area Tournament since the first event (fiscal 2019) as a special sponsor based on our desire to support new ideas of high school students for solving social issues.

We believe that these initiatives will not only stimulate children's interest and involvement in science and improve the quality of education in local communities, but will also increase trust in the Company.

*1 SDGs Quest Mirai Koshien: a future-oriented contest in which high school students present SDGs Action ideas that are solutions for a variety of global and social problems, including climate change, energy, biodiversity, gender, water, and more.

The theme "Let's eliminate prejudice against mental health and go for consultation" devised by Hyogo Prefectural Hyogo Senior High School was selected for the Sumitomo Dainippon Pharma*2 Award.
*2 The Company's name in March 2022

Publishing the SUKOYAKA Compass website

Since fiscal 2012, Sumitomo Pharma has published "SUKOYAKA Compass" as a part of our website aimed at the children who will be forging the future and their families.

Through SUKOYAKA Compass, there is substantial content concerning medicine, from a description of research and development of the cutting-edge medicines using iPS cells to the specific work of pharmaceutical companies, how to use medicines, how to do free research on medicines, and, as the latest topic, an explanation of vaccines for the COVID-19 virus.

To make it more approachable for children, the magazine features an illustrator popular with teenagers and a navigator, "Scoppi," who explains and answers questions about medicines.

We hope that SUKOYAKA Compass will help children develop an interest in medicines and help them learn the importance of understanding and using medicines correctly.

➡ **For details, please see the website.**
SUKOYAKA Compass (Only available in Japanese)

Social contributions and donations

We donate to organizations that are committed to support for patients and their families, global health, and contributing to the community, which are all important for us. In fiscal 2021, we made donations to 28 organizations from directors and employees, including 4 organizations that received matching donations from the company. We also participated in READYFOR (crowd funding) for COVID-19.

➡ **For details, please see the website.**
Donations and Support

Cooperating in vaccination support work by pharmacist volunteers

The Osaka Pharmaceutical Association provided assistance to the Osaka City large-scale immunization center in providing vaccinations against COVID-19. Employees who agreed to cooperate and have pharmacist qualifications were recruited, and these employees used the volunteer leave system to assist with the vaccinations.

Contributing to the building of even stronger communities in North America

Since 2012, Sunovion's "Hands On!" community service program has engaged employees in volunteer activities that contribute to building even stronger communities in the areas where they live and work. So far, employees have volunteered more than 32,600 total hours to projects supporting youth and educational programs, health and medical services and community relief initiatives.

From 2020 to 2022, the program allowed not only employees to participate, but also their families, provided that measures were taken to prevent the transmission of COVID-19. Examples of activities included employees and their families donating food, clothing, books and other items to a local support facility near their homes, sending appreciation letters to military personnel, and responding to online inquiries from university students regarding employment and other issues.

Volunteer activities

KPIs

- **Number of activities to support the development of the next generation and level of understanding and satisfaction of participants**
  The level of understanding and satisfaction of participants (students and teachers) will be used as an indicator to measure the contribution of visiting lectures on the topics of bioethics and genome analysis.

  Fiscal 2021 progress: Schools visited: 7
  Participating Students: 551
  Lecturers from the Company: 13
  Understanding: 95.3%
  Satisfaction: 98.1%

- **Number of donations for social contribution that lead to resolution of social issues (disasters, people with disabilities, the environment, biodiversity, etc.)**
  We will contribute to solving social issues by supporting organizations involved in global health and education of the next generation, areas the Company places importance on.

  Fiscal 2021 progress: 19

- **Number of charitable activities in local communities**
  The level of implementation of employee participation-based activities and the number of participants will be used as indicators as it is important for employees to participate and to expand the circle of support.

  Fiscal 2021 progress: 2

Corporate Governance

Sumitomo Pharma commits itself to continuously pursuing the establishment of a corporate governance system which is highly effective, aiming for the fuller realization of its Corporate Mission and Management Mission. The Company posts on its website the summary for its basic concept and basic policy titled the "Basic Policy on Corporate Governance." The Company responds appropriately to the June 2021 revisions of the Corporate Governance Code.

Corporate governance system

Sumitomo Pharma has elected the organizational structure of a "Company with an Audit & Supervisory Board" to audit the execution of duties by the Directors, independent of the Board of Directors. In addition, the Company has adopted an executive officer system to separate management supervision from business execution.

The Board of Directors consists of nine members (including one female Director as of July 1, 2022), including four Independent Outside Directors (chairperson: the President). The Board of Directors holds a meeting once a month, in principle, and resolves and reports on material business matters.

The Company has a Nomination and Compensation Committee, which has Independent Outside Directors for a majority of its members and as its chairperson, and holds meetings as necessary, as a consultative body to the Board of Directors.

The Company has also set up the Supervisory Committee for Conflict of Interests in Transactions between Group Companies, which holds meetings as necessary, as a consultative body to the Board of Directors, and it consists of all the Independent Outside Directors.

The Management Committee holds meetings twice a month, in principle, as a consultative body to the President and CEO for the decision making for important business matters, based on the basic policy determined by the Board of Directors.

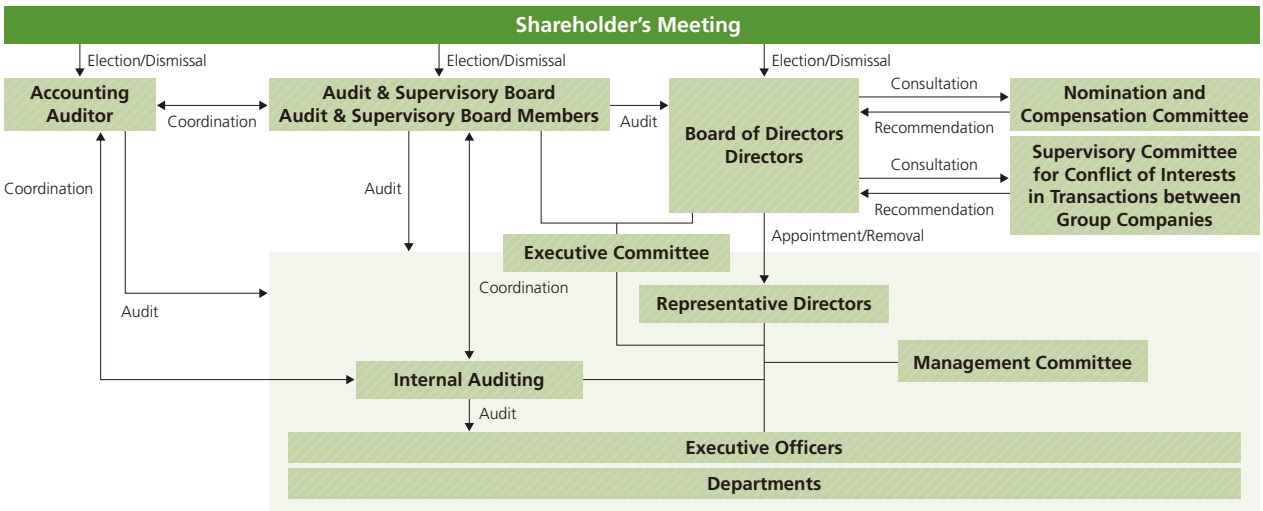
The Executive Committee holds a meeting once a month, in principle, for the purpose of appropriately sharing among the Directors and the Audit & Supervisory Board Members, including the Outside Directors and the Outside Audit & Supervisory Board Members, as well as Executive Officers and other related persons, the status of the execution of business and material matters relating to the execution of business.

Nomination and Compensation Committee

The Company has the Nomination and Compensation Committee, which holds a meeting as necessary, as a consultative body to the Board of Directors for enhancing the objectivity and independence of the functions of the Board of Directors on matters such as the nomination of the candidates for Directors and Audit & Supervisory Board Members, and decision on compensation of Directors. The Committee consists of the following five members, the majority (four members) of them being Independent Outside Directors as of July 1, 2022, and the chairperson being appointed from among the Independent Outside Directors.

Chairperson	Saeko Arai (Outside Director)
Members	Nobuhiro Endo (Outside Director) Minoru Usui (Outside Director) Koji Fujimoto (Outside Director) Hiroshi Nomura (Representative Director, President and CEO)

Corporate governance structure



Supervisory Committee for Conflict of Interests in Transactions between Group Companies

The Company set up the Supervisory Committee for Conflict of Interests in Transactions between Group Companies on April 1, 2020 as a consultative body to the Board of Directors in order to ensure that the Company's significant transactions, etc. with its parent company or any subsidiary of the parent company (excluding the Company and its subsidiaries) are fair and reasonable and help protect the interest of minority shareholders of the Company. The meetings are held as necessary. The Committee consists of all the Independent Outside Directors, and the chairperson is appointed from among the members by mutual vote of the members.

Chairperson	Nobuhiro Endo (Outside Director)
Members	Saeko Arai (Outside Director) Minoru Usui (Outside Director) Koji Fujimoto (Outside Director)

Audit system

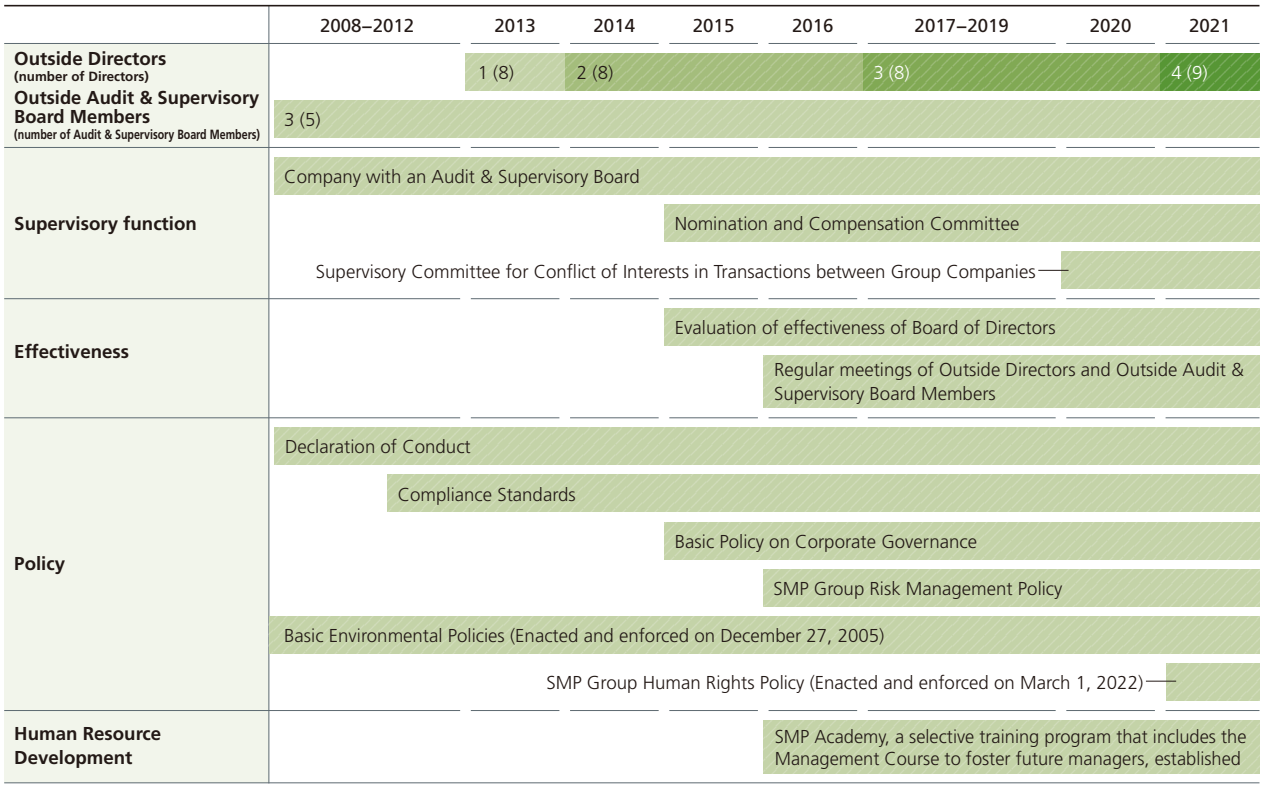
The Audit & Supervisory Board consists of five members (including one female Audit & Supervisory Board Member), including three Outside Audit & Supervisory Board Members. The Audit & Supervisory Board holds a meeting once a month, in principle, discusses and resolves material matters relating to auditing, and also examines in advance matters to be submitted to the Board of Directors for discussion. The Audit & Supervisory Board determines audit policies, audit plans, allocation of the duties among members, and other matters. The Audit & Supervisory Board evaluates the Accounting Auditor based on the evaluation standards established by it, and determines proposals regarding the appointment, dismissal and non-reappointment of the Accounting Auditor to be resolved at the shareholders' meetings. Accounting audits are conducted by KPMG AZSA LLC, under the audit agreement.

The Company has established the Internal Auditing department, which reports directly to the Representative Director, President and CEO of the Company. The Internal Auditing department conducts internal audits for not only the Company but also its subsidiaries to check the basic elements necessary for achieving the objectives of internal control from a fair and independent standpoint. In addition, the Internal Auditing department evaluates the status of development and operation of the internal control over financial reports in accordance with the Financial Instruments and Exchange Act.

Details of non-audit services

The Company does not delegate to its Accounting Auditors any services not described in Paragraph 1 of Article 2 of the Certified Public Accountants Act (non-audit services).

Governance reform: progression of initiatives



Accounting Audits, Remuneration (FY2021)

	Amount to be paid (Millions of Yen)
Consideration to be paid for the services (audit attestation services) described in Paragraph 1 of Article 2 of the Certified Public Accountant Act (Act No. 103 of 1948)	120
Total amount of fees to be paid in cash or otherwise by the Company or Subsidiaries of the Company	120

(Note) 1. The Audit & Supervisory Board of the Company has determined to consent to the amount of the remuneration and the like for the Accounting Auditor after performing necessary verifications on the details of the Accounting Auditor's audit plan, status of performance of accounting audit duties, and the appropriateness of the basis for calculating the remuneration.
2. Under the Audit Agreement between the Company and the Accounting Auditor, there is no distinction between the compensation and the like for an audit under the Companies Act and the Financial Instruments and Exchange Act. Moreover, the two amounts cannot be substantially distinguished from each other. Thus, the amount of compensation and the like related to the audit attestation services reflects the total sum of these two kinds of amounts.
3. Significant subsidiaries located overseas were audited by auditing firms other than the Accounting Auditor of the Company.

Directors

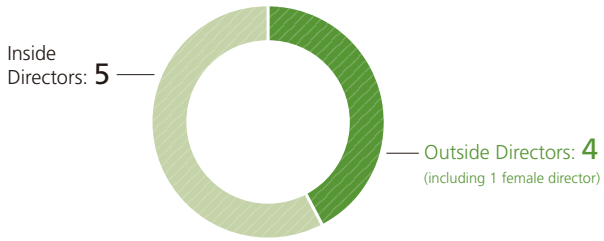
The Directors prepare well for meetings of the Board of Directors by proactively collecting the information necessary for promoting discussions at the meetings. The Directors shall also actively contribute to swift and proper decision making for achieving the Company's sustained growth and the enhancement of the corporate value over the medium- to long-term. The Directors perform their duties for the common interests of both the Company and the shareholders, recognizing their fiduciary responsibilities to shareholders and fully understanding the importance of appropriate communication and cooperation with stakeholders.

At present, four of the Outside Directors satisfy the Company's criteria for the independence of Outside Directors, and having determined that there is no possibility of conflict of interest with ordinary shareholders, the Company has designated them as Independent Outside Directors.

From the independent standpoint, the Independent Outside Directors strive to fulfill their expected roles and responsibilities in decision making at meetings of the Board of Directors and supervision of conflicts of interest, among others, based on their knowledge, experience and insights in their respective fields of expertise.

The Independent Outside Directors participate actively in the Executive Committee and strive to understand the overall business of the Company. In light of this understanding, they make constructive statements at the meetings of the Board of Directors based on their respective expertise and extensive experience and broad perspective as corporate executives.

Ratio of Outside Directors (as of July 1, 2022)



Audit & Supervisory Board Members

In accordance with the audit policies, audit plans, allocation of duties among members and other relevant matters determined by the Audit & Supervisory Board, each member strives to enhance the effectiveness of audit practices by holding meetings with the Representative Directors on a regular basis, proactively seeking reporting from the Directors and employees as necessary and having opportunities on a regular basis for collaboration with the Accounting Auditor and the Internal Auditing department,

Status of convocation of the meeting of the Board of Directors (FY2021)

Organizational Body	Composition	Frequency of convocation	Purpose
The Board of Directors	The Directors 9 members, (including 4 Outside Directors)	Once a month as a rule	Resolving and reporting important management matters Met 22 times in fiscal 2021
The Audit & Supervisory Board	The Audit & Supervisory Board 5 members, (including 3 Outside Audit & Supervisory Board members)	Once a month as a rule	Discussing and resolving important audit-related matters Met 13 times in fiscal 2021
Nomination and Compensation Committee	The Directors 6 members, (includes 4 Independent Outside Directors)	Meets as Necessary	Deliberating on matters related to nomination of candidates for Directors and Audit & Supervisory Board Members and compensation, etc. of Directors Met 12 times in fiscal 2021
Supervisory Committee for Conflict of Interests in Transactions between Group Companies	The Directors 4 members, (consists of 4 Independent Outside Directors only)	Meets as Necessary	Deliberating on material transactions, etc. with the parent company Group from the perspective of protecting the interests of minority shareholders Met 1 time in fiscal 2021
Management Committee	The members of the Board of Directors, and Executive Officers 13 members	Twice a month as a rule	As a consultative body to the Representative Director, President and CEO for decision making and reviewing important business management matters, guided by the basic policies set by the Board of Directors Met 29 times in fiscal 2021
Executive Committee	26 executives, including the members of the Board of Directors, the Audit & Supervisory Board, and Executive Officers	Once a month as a rule	Sharing the status of business operations and other important management matters among the company executives, including the members of the Board of Directors, the Audit & Supervisory Board, and Executive Officers Met 11 times in fiscal 2021

and for collaboration in a three-party auditing structure. In addition, the members attend key business meetings, including those of the Board of Directors, to monitor legality and appropriateness of management decisions by the Directors, and audit the implementation status of the internal control system by such means as receiving reports from the Directors, employees and other relevant persons on the execution of their duties, requesting additional explanations as necessary, as well as conducting field audits at and holding remote meetings with major offices and reviewing important approval documents. The implementation status of the internal control system of subsidiaries of the Company is audited through field audits at and holding remote meetings with overseas subsidiaries, holding meetings with the representative directors and other relevant persons of the subsidiaries located in Japan and abroad, holding meetings with audit & supervisory board members of the subsidiaries in Japan as necessary and seeking to obtain relevant information.

The three members satisfy the Company's criteria for independence, and, having determined that there is no possibility of conflict of interest with ordinary shareholders, the Company has designated two of the three Outside Audit & Supervisory Board Members as Independent Outside Directors.

Executive remuneration

The Company has the Nomination and Compensation Committee as the consultative body to the Board of Directors for enhancing the objectivity and independence of the functions of the Board of Directors relating to matters such as the nomination of candidates for Directors and Audit & Supervisory Board Members and decisions regarding remuneration for Directors. As a system of remuneration for Directors, the Company has provided as described below the policy for determining remuneration and the like for individual Directors, and the policy was determined by the Board of Directors based on the recommendation from the Nomination and Compensation Committee after the Board of Directors sought such recommendation and the Nomination and Compensation Committee deliberated the relevant matters.

1) System of remuneration and the like

Remuneration for the Directors (excluding Outside Directors) consists of base remuneration and performance-linked remuneration (bonuses), and this system is established to serve as an incentive for achieving sustainable growth and enhancing the corporate value of the Group. Part of the base remuneration is the remuneration to be contributed to the Sumitomo Pharma Officers Shareholders' Association for the purpose of acquiring shares of the Company. The Directors continue to hold the shares they acquire through the said Association during their term of office and for one year after their retirement. Through such measures, the Directors' willingness to contribute to the increase of corporate value in the medium- to long-term is enhanced and value sharing with shareholders is promoted.

Remuneration for the Outside Directors consists of base remuneration and non-performance-linked remuneration (bonuses), and the Company adopts a remuneration system where the business performance of the Company is not linked thereto, for the purpose of securing the supervisory function and independence of the Outside Directors.

The base amounts are set with respect to the base remuneration, performance-linked remuneration (bonuses) and non-performance-linked remuneration (bonuses) according to each position, such as Representative Director. The ratios of the base amount of the base remuneration and the performance-linked remuneration (bonuses) of the Directors (excluding Outside Directors) are set to be 70% for the base remuneration and 30% for the performance-linked remuneration (bonuses), with respect to the total amount of the remuneration (when the performance-linked elements described in (2) below and individual performance are all considered standard).

KPIs

Corporate governance Material issues

- **Appropriate management and supervision of Group companies**

  Fiscal 2021 progress

  Sumitomo Pharma officers and employees assumed positions as part of Directors at subsidiaries such as those in the U.S. (included part of the corporate auditors for domestic and Chinese subsidiaries), and are monitoring management

- **Addressing the revised Corporate Governance Code appropriately**

  Fiscal 2021 progress

  - Made appropriate revisions to the Basic Policy on Corporate Governance, Regulations of the Board of Directors, and Nomination and Compensation Committee Regulations (December 1, 2021)
  - Released new disclosure guidelines based on revised CG codes for such things as Director and Audit & Supervisory Board Member skill sets and skills matrix (December 3, 2021)
  - Made disclosures in accordance with TCFD recommendations concerning climate change response

- **Implementing evaluation of the effectiveness of the Board of Directors and working on priority issues based on the results of evaluation**

  Fiscal 2021 progress

  - Directors and Audit & Supervisory Board Members did an evaluation of the fiscal 2020 Board of Directors meetings. Based on those results, the effectiveness of the Board of Directors in fiscal 2020 was largely confirmed at the Board of Directors meeting in May 2021.
  - It was agreed that appropriate progress was seen as to the efforts for the major agendas of fiscal 2021 (i) Further enhancement of discussions for risk management, (ii) Provision of the appropriate number of agenda items and appropriate time for deliberation, and (iii) Enhancement of training.

- **Conducting appropriate transactions between Group companies with consideration to protecting the interests of minority shareholders**

  Fiscal 2021 progress

  The Supervisory Committee for Conflict of Interests in Transactions between Group Companies met once (to choose a committee chairman and share information about transactions with Group companies)

The total amount of the remuneration and the like shall be not more than 700 million yen annually as approved at the Shareholders' Meeting.

2) Method of calculating the amount of performance-linked remuneration (bonuses)

The amount of the performance-linked remuneration (bonuses) for the Directors (excluding Outside Directors) is calculated based on the performance-linked elements and individual performance, and is calculated to be within the scope of zero to 200% of the base amount.

The performance-linked elements are evaluated by the Nomination and Compensation Committee according to the degree of target achievement and based on "core operating profit," set as a profit indicator showing recurring profitability of a company within the Group and serves as an original performance management indicator; "R&D performance," a foundation for Group business activities and key to sustainable growth; and "operating cash flow," investment funds allocated to R&D and other pursuits. The individual performance is evaluated by the Nomination and Compensation Committee based on the degree of achievement of performance targets of each Director (excluding Outside Directors).

3) Method of determining remuneration and the like

Remuneration and the like for individual Directors are determined by the Board of Directors based on the recommendation from the Nomination and Compensation Committee after the Board of Directors seeks such recommendation and the Nomination and Compensation Committee deliberates the relevant matters. When the Board of Directors determines to delegate the decision-making thereof to the Representative Director and President, the Representative Director and President shall determine the same, respecting the recommendation made by the Nomination and Compensation Committee to the Board of Directors. Upon the delegation by the Board of Directors, Representative Director and President, who oversees business operations as a whole and has a good understanding of the state of the execution of duties by all Directors (excluding Outside Directors), determined the said remuneration and the like for FY2021, and the Nomination and Compensation Committee confirmed that the said remuneration and the like was in accordance with the system of remuneration for Directors. Accordingly, the Board of Directors has determined that the decision of the said remuneration and the like was in accordance with the said policy.

Skill Sets for Directors and Audit & Supervisory Board Members and Skills Matrix

As its Corporate Mission, the Company intends "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." The Company considers the pursuit of its Corporate Mission as "CSR-Based Management," and aims to solve social issues and enhance its corporate value by working on material issues (materiality) of CSR-based management while making use of the strengths of the Company.

In particular, under the Mid-term Business Plan 2022, the Company is reshaping its business foundation through the "establishment of growth engine" and the "building of flexible and efficient organization," aiming to establish itself as a "Global Specialized Player" by 2033, while targeting the three focus areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine/Cell Therapy and with a view toward providing solutions in healthcare fields beyond pharmaceuticals as well.

In order to realize these visions, the Board of Directors and the Audit & Supervisory Board of the Company shall be diverse and have the well-balanced knowledge, experience and skills described below as a whole so that the Board of Directors can fully exercise its function and secure its effectiveness

(1) Extensive knowledge, experience and skills as a person who is in charge of corporate management or organizational operations in Japan or abroad.
(2) Extensive knowledge, experience and skills in different industries.
(3) Extensive knowledge, experience and skills concerning the creation and cultivation of new business or business development.
(4) Extensive knowledge, experience and skills concerning digital technologies and data utilization.

Amount of executive remuneration (FY2021)

Category of Officer	Number	Total Amount of Remuneration (Millions of yen)	Amount of Remuneration by type (Millions of Yen)		
			Base remuneration	Performance-linked remuneration (bonuses) (Millions of yen)	Non-performance-linked remuneration (bonuses) (Millions of yen)
Directors (excluding Outside Directors)	5	343	316	27	–
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	53	53	–	–
Outside Directors and Outside Audit & Supervisory Board Members	8	85	81	–	4

(Note) 1. The amount of remuneration and the like for Directors that was determined by resolution at the 201st Annual Shareholders' Meeting held on June 24, 2021, does not exceed 700 million yen annually, and the number of Directors concerned under this resolution was nine (9).
2. The total amount of remuneration and the like for Audit & Supervisory Board Members that was determined by resolution at the 185th Annual Shareholders' Meeting held on June 29, 2005, does not exceed 100 million yen annually, and the number of Audit & Supervisory Board Members concerned under this resolution was four (4).
3. The total amount of remuneration and the like for nine (9) Directors is 392 million yen, and the total amount of remuneration and the like for six (6) Audit & Supervisory Board Members is 89 million yen.
4. The Outside Directors and Outside Audit & Supervisory Board Members include one (1) Audit & Supervisory Board Member who retired upon the conclusion of the 201st Annual Shareholders' Meeting held on June 24, 2021.
5. The amount of remuneration and the like includes the amount of 27 million yen, which represents the bonuses to be paid to Directors (excluding Outside Directors), and 4 million yen, which represents the bonuses to be paid to Outside Directors, with respect to the fiscal year under review.

(5) Professional knowledge, experience and skills in the healthcare industry.
(6) Professional knowledge, experience and skills concerning finance, accounting and tax matters.
(7) Professional knowledge, experience and skills concerning legal, compliance and risk management matters.

The knowledge, experience and skills to be held by the Board of Directors 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.

The Skills Matrix of the current Directors and Audit & Supervisory Board Members

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.			
Hiroshi Nomura	Representative Director, President and CEO	●						●	●		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.
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, as well as technology research and manufacturing of the Company, and in responsible positions of the departments of global strategy, IT system and research of the Company and at its overseas subsidiaries.
Hiroyuki Baba	Member, Board of Directors	●						●			Served in responsible positions of the departments of global strategy, business development, digital transformation, legal affairs, intellectual property, IT system and frontier business of the Company and at its overseas subsidiaries.
Shigeyuki Nishinaka	Member, Board of Directors	●					●	●			Served in responsible positions of the departments of global strategy, business development, international business management and research of the Company.
Saeko Arai	Member, Board of Directors (Outside)	●	●	●					●		Corporate executive, CPA
Nobuhiro Endo	Member, Board of Directors (Outside)	●	●	●	●						Corporate executive
Minoru Usui	Member, Board of Directors (Outside)	●	●	●	●						Corporate executive
Koji Fujimoto	Member, Board of Directors (Outside)					●					Served in responsible positions at the Ministry of Economy, Trade and Industry and the Cabinet Secretariat.
Yoshinori Oh-e	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	Audit & Supervisory Board Member							●			Served in responsible positions of the departments of human resources, international business management and internal auditing of the Company.
Yoshio Iteya	Audit & Supervisory Board Member (Outside)									●	Attorney at law
Mayumi Mochizuki	Audit & Supervisory Board Member (Outside)					●					Pharmacologist
Daishiro Michimori	Audit & Supervisory Board Member (Outside)								●	●	Served in responsible positions at the Ministry of Finance and the Cabinet Secretariat. Attorney at law

*1 Circles (●) for Internal Directors and Full-time Audit & Supervisory Board Members indicate knowledge, experience and skills cultivated through the relevant person's career, etc. Circles for Outside Directors and Outside Audit & Supervisory Board Members indicate knowledge, experience and skills 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 skills held by the relevant person.
*2 The Board of Directors considers that it is necessary that the Directors and Audit & Supervisory Board Members have comprehensive knowledge, experience and skills concerning various matters, including governance, sustainability, business strategy, and global business operations as the extensive knowledge, experience and skills of a person who is in charge of corporate management or organizational operations in Japan or abroad.
*3 The Board of Directors considers that it is necessary that the Directors and Audit & Supervisory Board Members have extensive knowledge, experience and skills in different industries to offer a perspective which is different from those of the healthcare industry.
*4 The Board of Directors considers that it is necessary that the Directors and Audit & Supervisory Board Members have extensive knowledge, experience and skills concerning the creation and cultivation of new business or business development to contribute to the development of new business.
*5 The Board of Directors considers that it is necessary that the Directors and Audit & Supervisory Board Members have extensive knowledge, experience and skills concerning digital technologies and data utilization to contribute to the creation of new value through digital technology or data utilization.

The Principal Activities of the Outside Directors and Outside Audit & Supervisory Board Members (fiscal 2021)

Category	Name	Principal Activities	Attendance/Frequency of Convocation (Attendance Rate)
Outside Directors	Yutaka Atomi	He attended all twenty-two (22) meetings held by the Board of Directors during the fiscal year under review, and made statements at those meetings, primarily from the professional standpoint of a medical doctor. He attended all twelve (12) meetings held by the Nomination and Compensation Committee during the fiscal year under review, and made statements at those meetings from an independent and objective standpoint. He also attended one (1) meeting held by the Supervisory Committee for Conflict of Interests in Transactions between Group Companies during the fiscal year under review, and made statements at the meeting from the standpoint of protecting the interests of minority shareholders.	Board of Directors meetings: 22/22 times (100%) Nomination and Compensation Committee: 12/12 times (100%) Supervisory Committee for Conflict of Interests in Transactions between Group Companies: 1/1 time (100%)
	Saeko Arai	She attended all twenty-two (22) meetings held by the Board of Directors during the fiscal year under review, and made statements at those meetings, primarily based on her extensive experience as a corporate executive and from the professional standpoint of a certified public accountant. She attended all twelve (12) meetings held by the Nomination and Compensation Committee during the fiscal year under review, and made statements at those meetings from an independent and objective standpoint. She also attended one (1) meeting held by the Supervisory Committee for Conflict of Interests in Transactions between Group Companies during the fiscal year under review, and made statements at the meeting from the standpoint of protecting the interests of minority shareholders.	Board of Directors meetings: 22/22 times (100%) Nomination and Compensation Committee: 12/12 times (100%) Supervisory Committee for Conflict of Interests in Transactions between Group Companies: 1/1 time (100%)
	Nobuhiro Endo	He attended twenty (20) meetings out of the twenty-two (22) meetings held by the Board of Directors during the fiscal year under review, and made statements at those meetings, primarily based on his extensive experience and broad perspective as a corporate executive. He attended eleven (11) meetings out of the twelve (12) meetings held by the Nomination and Compensation Committee during the fiscal year under review, and made statements at those meetings from an independent and objective standpoint. He also attended one (1) meeting held by the Supervisory Committee for Conflict of Interests in Transactions between Group Companies during the fiscal year under review, and made statements at the meeting from the standpoint of protecting the interests of minority shareholders.	Board of Directors meetings: 20/22 times (91%) Nomination and Compensation Committee: 11/12 times (92%) Supervisory Committee for Conflict of Interests in Transactions between Group Companies: 1/1 time (100%)
	Minoru Usui	He attended all seventeen (17) meetings held by the Board of Directors during the fiscal year under review after his assumption of office as a Director, and made statements at those meetings, primarily based on his extensive experience and broad perspective as a corporate executive. He attended all nine (9) meetings held by the Nomination and Compensation Committee during the fiscal year under review after his assumption of office as a Director, and made statements at those meetings from an independent and objective standpoint. He also attended one (1) meeting held by the Supervisory Committee for Conflict of Interests in Transactions between Group Companies during the fiscal year under review after his assumption of office as a Director, and made statements at the meeting from the standpoint of protecting the interests of minority shareholders.	Board of Directors meetings: 17/17 times (100%) Nomination and Compensation Committee: 9/9 times (100%) Supervisory Committee for Conflict of Interests in Transactions between Group Companies: 1/1 time (100%)
Outside Audit & Supervisory Board Members	Junsuke Fujii	He attended all twenty-two (22) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review. He made statements at those meetings, primarily based on his extensive experience and broad perspective as a corporate executive.	Board of Directors meetings: 22/22 times (100%) Audit & Supervisory Board meetings: 13/13 times (100%)
	Yoshio Iteya	He attended all twenty-two (22) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review. He made statements at those meetings, primarily from the professional standpoint of an attorney.	Board of Directors meetings: 22/22 times (100%) Audit & Supervisory Board meetings: 13/13 times (100%)
	Mayumi Mochizuki	She attended eleven (11) meetings out of the seventeen (17) meetings held by the Board of Directors and eight (8) meetings out of the ten (10) meetings held by the Audit & Supervisory Board during the fiscal year under review after her assumption of office as an Audit & Supervisory Board Member. She made statements at those meetings, primarily from the professional standpoint as a pharmacologist.	Board of Directors meetings: 11/17 times (65%) Audit & Supervisory Board meetings: 8/10 times (80%)

Reasons for appointment of Outside Directors and Outside Audit & Supervisory Board Members

Category	Name	Reasons for Appointment
Outside Directors	Saeko Arai	Saeko Arai has extensive experience as a corporate executive, having engaged in business management at multiple companies, and expertise as a certified public accountant. She has been appointed as an Outside Director in the expectation that she will be able to contribute to the management for the sustainable growth of the Group and increase of its corporate value using her experience and expertise, while supervising the management from an independent and objective standpoint as an Outside Director.
	Nobuhiro Endo	Nobuhiro Endo has a wide range of knowledge and extensive experience which he has acquired in the course of his long career as a corporate executive at a company conducting ICT business, etc. at a global level. He has been appointed as an Outside Director in the expectation that he will be able to contribute to the management for the sustainable growth of the Group and increase of its corporate value using his knowledge and experience, while supervising the management from an independent and objective standpoint as an Outside Director.
	Minoru Usui	Minoru Usui has a wide range of knowledge and extensive experience which he has acquired in the course of his long career as a corporate executive at a company providing products including information-related equipment and related services at a global level. He has been appointed as an Outside Director in the expectation that he will be able to contribute to the management for the sustainable growth of the Group and increase of its corporate value using his knowledge and experience, while supervising the management from an independent and objective standpoint as an Outside Director.
	Koji Fujimoto	Koji Fujimoto has served in various responsible positions at the Ministry of Economy, Trade and Industry and the Cabinet Secretariat, and has a wide range of knowledge and extensive experience which he has acquired in the course of the development and promotion of healthcare industry policies. He has been appointed as an Outside Director in the expectation that he will be able to contribute to the management for the sustainable growth of the Group and increase of its corporate value using his knowledge and experience, while supervising the management from an independent and objective standpoint as an Outside Director.
Outside Audit & Supervisory Board Members	Yoshio Iteya	Yoshio Iteya has extensive experience and expertise as an attorney. He has been appointed as an Outside Audit & Supervisory Board Member in the expectation that he will be able to contribute to the auditing of the Group using his experience and expertise.
	Mayumi Mochizuki	Mayumi Mochizuki has extensive experience and expertise as a pharmacologist. She has been appointed as an Outside Audit & Supervisory Board Member in the expectation that she will be able to contribute to the auditing of the Group using her experience and expertise.
	Daishiro Michimori	Daishiro Michimori has served in various responsible positions at the Ministry of Finance and the Cabinet Secretariat, and has expertise related to finance and accounting which he has acquired in the course of the development and promotion of financial policies, and also as an attorney. He has been appointed as an Outside Audit & Supervisory Board Member in the expectation that he will be able to contribute to the auditing of the Group using his expertise.

Evaluation of the effectiveness of the Board of Directors

The Company has evaluated the effectiveness of the Board of Directors annually since fiscal 2015.
In fiscal 2021, the Company utilized external evaluation for the second time since fiscal 2018.

1) Purpose, method and process of evaluation of effectiveness

The Company has evaluated the effectiveness of the Board of Directors with the aim of improving the effectiveness of the Board of Directors for enhancing corporate governance of the Company: specifically, recognizing any differences between the ideal status of the roles and duties, etc. of the Board of Directors of the Company that are set forth in the Basic Policy on Corporate Governance and the actual circumstances; regularly and repeatedly engaging in agenda-finding and improvement activities; and thereby continuously improving the functions of the Board of Directors. In fiscal 2021, the Company conducted a questionnaire for all the Directors and Audit & Supervisory Board Members from January to February 2022, and then interviews with Outside Directors, Outside Audit & Supervisory Board Members and Representative Directors (10 persons in total) by an external evaluator (outside legal counsel) in March 2022. Opinions were exchanged at the meeting of the Board of Directors held in April 2022 regarding the results of the questionnaire and the report of summary of interviews conducted by the external evaluator. Later, the external evaluator reported an evaluation result at the meeting of the Board of Directors held in May 2022.

2) Topics to be evaluated

The questionnaire (anonymous) is conducted to seek answers of quantitative evaluation on four scales for each topic and also opinions freely entered in comment boxes. In FY2021, some of the topics to be evaluated in the questionnaire were revised based on the revision of the Corporate Governance Code in June 2021. The major topics of the questionnaire were as follows:

1) Composition of the Board of Directors
2) Roles and duties of the Board of Directors
3) Status of the operations of the Board of Directors
4) Functions of the Nomination and Compensation Committee
5) Support system for Outside Directors and Outside Audit & Supervisory Board Members
6) Roles and responsibilities of Independent Outside Directors
7) Roles and responsibilities of Audit & Supervisory Board Members/Response to what is pointed out by Audit & Supervisory Board Members at the meeting of the Board of Directors
8) Relationship with stakeholders/examination of issues of sustainability
9) Related party transactions
10) Review on strategic shareholdings
11) Provision of training
12) Efforts made for the agendas identified in the previous fiscal year

3) Results of self-evaluation

Based on the report of the quantitative analysis of answers to the questionnaire (including the comparative analysis with the numerical values of the evaluation results in the past) 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 ((i) Further enhancement of discussions for risk management, (ii) Provision of the appropriate number of agenda items and appropriate time for deliberation, and (iii) Enhancement of training).

4) Results of external evaluation

At the meeting of the Board of Directors held in May of 2022, the external evaluator 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 (including efforts made for the major agendas), as a result of the review of the materials related to the Board of Directors and other documents, analysis of questionnaires, interviews conducted, as well as the observation of discussions at the meeting of the Board of Directors held in April 2022. In addition, the external evaluator provided suggestions and opinions regarding matters for which discussions would be preferable for further improvement of the effectiveness.

5) Major agendas to be addressed in fiscal 2022

The following agendas have been identified as major agendas to be addressed in fiscal 2022 as a result of the evaluation of the effectiveness of the Board of Directors for fiscal 2021.

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.

Relationship with the parent company

Sumitomo Chemical Co., Ltd. is the parent company holding 51.78% (as of March 31, 2022) of the voting rights of the Company.

Sumitomo Pharma's Basic Policy on Corporate Governance stipulates the objective of ensuring the Company's independence while respecting the management policy of the Sumitomo Chemical Group. When carrying out significant matters of business (mergers, capital increase/decrease, significant capital expenditure, investments and loans, etc.), we contact Sumitomo Chemical in advance. However, there are no restrictions by the parent company on our conduct of business activities (such as prior approval by the parent company), and a certain independence has been ensured.

In the case where the Company conducts significant transactions with the parent company, appropriate supervision is given in light of the importance of the transactions, and in accordance with relevant procedures such as a requirement of approval at meetings of the Board of Directors at which Independent Outside Directors are present, in order to ensure that such transactions are fair and reasonable. With respect to the Company's significant transactions, etc. with the parent Company's Group, deliberations are conducted from the viewpoint of protecting the interest of minority shareholders at the Supervisory Committee for Conflict of Interests in Transactions between Group Companies which was set up as a consultative body to the Board of Directors and consists of all the Independent Outside Directors.

The Company conducts transactions with the parent company, such as leasing lands and procuring raw materials from the parent company. In these transactions, the prices were reasonably determined through negotiations between the two companies, taking into account the general market conditions. The contractual agreements resulting from these negotiations include the clause that the prices may be adjusted when relevant market conditions change.

The Company expects to generate synergies in the regenerative medicine/cell therapy business in which the Company has engaged in research activities since the 1990s taking advantage of the large volume of useful knowledge and intellectual property possessed by Sumitomo Chemicals obtained through basic research using human ES cells in the area of regenerative medicine and joint research with RIKEN in the ophthalmology area. In addition, in September 2020, the Company and Sumitomo Chemical established and began operating S-RACMO Co., Ltd., a joint venture engaged in the CDMO business to develop manufacturing methods and manufacture products in the regenerative medicine/cell therapy field.

Management and governance of subsidiaries

With the aim of maximizing Group-wide corporate value, Sumitomo Pharma has established corporate rules on operational management so that management of Group companies is conducted appropriately. We have set up departments to manage each Group company as well as departments that oversee this management, and we strive to understand the status of management and business execution at Group companies while providing the appropriate support for business execution.

Overseas in particular, we share our management mission and global strategy with Group companies while taking advantage of the strengths of acquired companies in their operations. With regard to decision-making on important matters at subsidiaries, including subsidiaries in the U.S., we require clarification of the functions of the Board of Directors and other decision-making bodies at those subsidiaries. We also require them to consult with us in advance and report after the fact in a timely and appropriate manner taking into consideration the impact on the entire Group to enhance Group-wide governance. Going forward, we will continue to strengthen group governance, aiming for sustained growth as a united group. We also strive to consider protection of the interest of minority shareholders of listed subsidiaries.

Strategic shareholdings

Sumitomo Pharma shall not hold any shares of other companies except when such shareholding supports the sustained enhancement of its corporate value, such as establishment or maintenance of corporate alliances and other types of relationships with important business partners and customers. In addition to this policy, the Board of Directors annually evaluates whether it is reasonable to continue each respective strategic shareholding based on points such as the purpose of such shareholding, as well as the transaction status and unrealized profit and loss thereof. As a result of such evaluation, the Company embarked on selling shares for which continued shareholding was found unreasonable, and the number of listed companies whose shares are held by the company is 19 as of May 31, 2022.

With respect to exercising voting rights for such strategic shareholdings, the Company examines the proposal from the viewpoint of whether it will lead to enhancing not only the corporate value of the relevant issuing company, but also that of the Company. To be specific, it was decided that decisions regarding some proposals such as M&A related proposals and all proposals at a shareholders' meeting held for the first time after the occurrence of any major scandal should be made with special care.

Efforts to facilitate the exercise of voting rights

Sumitomo Pharma takes the appropriate measures so that the rights of shareholders are actually ensured, sending out a notice of convocation of the annual shareholders' meeting approximately three weeks before the date of the meeting to facilitate the exercise of voting rights and other rights of shareholders and posting the materials on the Company's website approximately three business days before the convocation notices are sent out. For foreign shareholders, Sumitomo Pharma posts an English translation of the convocation notice and other materials on the Company's website at the same time as the Japanese version. Methods of voting include the Electronic Voting Platform, "Smart Voting" and other digital methods in addition to conventional voting in writing.

The Company has implemented initiatives to invigorate the annual shareholders' meeting such as presenting the business report with the use of video and narration. In addition, details of the results of resolutions on proposals at the annual shareholders' meeting are submitted in an extraordinary report and disclosed on our website. The business report, the presentation by the President and the summary of question-and-answer session at the annual shareholders' meeting are also posted on our website.

Information disclosure

Based on the recognition that transparency is vital to being a company trusted by society, Sumitomo Pharma discloses corporate information to various stakeholders in a timely, appropriate and fair manner in accordance with the in-house regulations for disclosure of information (the Disclosure Policy*), which stipulate the criteria and procedures for the disclosure of information.

We promptly disclose information for which timely disclosure is required, such as determined facts, occurring facts, and account settlement-related information provided for in the Tokyo Stock Exchange's various rules concerning timely disclosure, through the Timely Disclosure Network (TDnet), the notification system provided by the stock exchange, as well as on our website. We also disclose information in English.

With regard to information for which timely disclosure is not required, we actively disclose information needed for stakeholders, including shareholders, to understand Sumitomo Pharma properly through such means as press releases and our corporate website.

* Information on our information disclosure policies and criteria are posted on our website.

Development and implementation of internal control system

Based on the Companies Act, the Board of Directors of Sumitomo Pharma passed a resolution on the basic policies for the development of a system to ensure appropriate business operation. The status of implementation efforts pursuant to the basic policies for each year is reported at the Board of Directors meeting held in March of the fiscal year and the basic policies are revised as necessary to improve the internal control system.

Internal control over financial reporting

In order to ensure the reliability of financial reporting, Sumitomo Pharma is striving to enhance its internal control system in accordance with the Company's basic framework for internal control as required by Japan's Financial Instruments and Exchange Act.

Specifically, the scope of the system encompasses the company-wide internal control system at Sumitomo Pharma and those of its major consolidated subsidiaries, as well as business processes with the potential for significant impact on finances. Every year, the President assesses the effectiveness of the design and implementation of the internal control framework, while also confirming the effectiveness of internal control.

Messages from Outside Directors

Saeko Arai

At Board of Directors meetings, lively conversations are being held with the aim of enhancing the effectiveness of business plans. The Board asked an outside expert to evaluate this effectiveness in fiscal 2021, and we will continue to carry out meticulous measures going forward.

Project CHANTO, launched in February 2020, has been gradually instilled throughout the Group. To establish the Group as a "Global Specialized Player," it is training employees and fostering a corporate culture focused on delivering results, while also connecting this to Conduct Guidelines for strengthening governance and compliance.

The Nomination and Compensation Committee has held lively discussions on transparency at meetings of the Board of Directors and other opportunities, and has seen transparency rise year after year. In 2021, we reviewed the skills required of Directors and the compensation system, making revisions that linked important KPIs to the compensation system and increased the proportion of performance-linked compensation. We are also discussing succession plans.

The Supervisory Committee for Conflict of Interests in Transactions between Group Companies, which comprises Independent Outside Directors, is maintaining its independence from the parent company with regard to its management, and it serves to protect minority shareholders' interests.

As LATUDA® nears the loss of exclusivity in the U.S. in February 2023, the issues that I believe we need to tackle are increasing the profitability of our partnership with Roivant, bringing the full capabilities of the Group to bear for R&D and new business development, contributing to the SDGs throughout the entire supply chain, and communicating more closely with our shareholders.

To enhance corporate value, as an Outside Director I will leverage my experience and knowledge as an expert to assess medium- to long-term risks and provide oversight and advice from the viewpoint of our shareholders and patients.

Nobuhiro Endo

I provide third-party advice and oversight on primarily corporate governance risks from the standpoint of an Outside Director.

Sumitomo Pharma allows Outside Directors to attend internal briefings on the state of its management, encourages us to understand its business, and gives us a better grasp of the Company's management in real time, which stimulates discussions about potential risks. I give advice and contribute to discussions as a third-party concerning the many governance risks associated with the Company's processes and other aspects of its culture, which has been built over a long history and is now taken for granted.

As Sumitomo Pharma does high-level research and also requires oversight from an economic security perspective, we also discuss matters such as cyber security and data management as aspects of risk management.

Ample explanations of proposals are given in advance of Board of Directors meetings, which allows Outside Directors and Audit & Supervisory Board Members to actively engage in discussions and makes for constructive, high quality meetings.

The formulation and execution of a corporate vision, as well as a medium- to long-term plan for achieving it, are the most important things to discuss for a pharmaceuticals company with long development times, so this is what we spend considerable time discussing. Regarding Sumitomo Pharma's product development environment, value creation fueled largely by data is something that the company has started doing and is an important aspect of product development as ICTs make dramatic advances. We will continue discussing long-term R&D, as well, including the issue of whether research is being actively piloted from this perspective.

Minoru Usui

Evaluations of the Board of Directors' governance are working well with respect to routine and managerial matters, but major issues loom as LATUDA® approaches loss of exclusivity in the U.S. Oversight of the company's efforts to acquire new pipelines through M&A and quickly put resources to work is obviously important. Yet, I feel it is even more important to take a broad view of the advance of cutting-edge technologies and discuss strategies for a business model that takes a long-term view and fully accounts for the company's strengths and weaknesses, as well as discussing the organizational culture and managerial practices needed to ensure those strategies succeed.

R&D activities seem to be given considerable weight as a factor contributing to the continual improvement of corporate value. I provide oversight and advice with an emphasis on the use of digital technologies, portfolio management for product development themes, and business model innovation. I also plan to fully carry out my duty to select and train successor.

Regarding the Nomination and Compensation Committee, while I feel it has made changes to systems that allow for individuals' contributions to both short-term and medium- to long-term goals to be reflected in their compensation, we will be thinking about increasing stock options in the future in order to strengthen performance incentives from a long-term view. It is clear to me that we need to evolve our systems for improving the objectivity of our evaluations, including all-encompassing evaluations for Outside Directors and others. As for nominating, we have to upgrade our processes for selecting and training the next generation of executives, especially CEOs.

Koji Fujimoto

I was selected to be an Outside Director at the General Meeting of Shareholders in 2022. I worked for many years as a government administrator, revitalizing Japan's healthcare industry through policymaking and other pursuits in a range of industries such as ICT, resources and energy, and international economics and trade.

In recent years, advances in science and technology and changes in society have seen even the healthcare industry struggle to find a path forward as medicine, pharmaceutics, and the administrations in our countries of business undergo change. In order for Sumitomo Pharma to smoothly accommodate the full spectrum of these changes and create innovative value that will support our future, I make use of my experience and focus on protecting minority shareholders' interests while providing oversight and advice as an Outside Director.

Sustainability and a greater investment in ESG are concepts that encourage forward-looking changes to systems such as capitalism and accounting, which have made civilization able to advance. Earnest efforts to actualize these ideas in concrete form through our corporate activities are very much in keeping with Sumitomo Pharma's corporate philosophy of creating new value for people's health. These concepts and our corporate philosophy will fuse together to help us reach a new level of achievement in our corporate value and growth. I will be doing my part as an Independent Outside Director to see that Sumitomo Pharma becomes a company that makes the future of healthcare even brighter, and that the various individuals involved with the Company's business, including shareholders, investors, and employees, will be able to share their aspirations through that involvement.

Messages from Outside Audit & Supervisory Board Members

Yoshio Iteya

As a lawyer, I endeavor to objectively judge the legality of business execution by Directors. Also, as a lawyer specializing in international affairs, I try to focus on the overseas expansion and globalization of the Group's business. The Company has an especially large number of projects centered on overseas business, and I verify their appropriateness and legality.

Regarding discussions by and the effectiveness of the Board of Directors, there are active and comprehensive discussions on a wide range of themes, and I believe governance is effective. As for cooperation with the Internal Auditing Department, we have established forums where Outside Audit & Supervisory Board Members can directly exchange opinions with the Internal Auditing Department, enabling us to understand the details of the business. This support and response have been highly appreciated.

Mayumi Mochizuki

With a background in pharmaceutics, I do auditing work with a focus on utilizing the experience I have gained in positions at pharmaceutical companies, hospitals, universities, and in reviewing new drugs.

On occasions such as meetings of internal departments and briefings on new research, I have observed Sumitomo Pharma working diligently on a range of businesses with a medium- to long-term perspective. It takes a lot of time for investments to deliver returns in the pharmaceuticals industry. Moreover, as pharmaceutical usage has a direct impact on human life, it is important to have systems that ensure a consistent supply of quality products. Sumitomo Pharma's commitment to establishing original KPIs and conducting proper reviews for all of its businesses, including support organizations, is highly commendable. CHANTO — the ability to deliver the highest performance — has become an ingrained part of the company's culture, and the CHANTO spirit can be felt in every organization.

In my auditing activities, I serve as an Outside Audit & Supervisory Board Member, receiving detailed information from standing Auditors and regularly discussing matters with the Internal Auditing Department.

Daishiro Michimori

I was selected to be an Outside Audit & Supervisory Board Member at the General Meeting of Shareholders in 2022.

Right now is a tumultuous time for the pharmaceuticals industry. Despite a sharp rise in the costs and time involved in developing a drug, the probability of success has plummeted. Healthcare costs have risen as the population ages, and there has never been more pressure to alleviate this burden on the public. Decision-making will inevitably become more difficult than ever at the company.

I served for 36 years in positions mostly at the Ministry of Finance, after which I worked as a lawyer for six years. As fate would have it, my civil servant years saw me handle difficult problems such as the 2008 financial crisis, the split-up of the Ministry of Finance, the missing pensions scandal, and the Great East Japan Earthquake. Though I haven't always met with success, I hope I'm able to make use of these experiences verifying the legality and appropriateness of an organization's activities when doing audits.

Though my contribution is small, I am fully committed to ensuring that the Company's governance and compliance is done properly and that its growth potential is enhanced.

Risk management and compliance

Risk management

Sumitomo Pharma has enacted SMP Group Risk Management Policy stipulating the Company's fundamental approach to risk management and has developed a system to appropriately promote risk management for the Group. Under this promotional framework, according to the particularities of each risk, risks are divided into those requiring a horizontal, group-wide approach (group-wide risks), and those requiring specific approaches by each company (business activity risks). The Company keeps track of the risk management of the group companies as a whole through reports from each group company, and provides each group company with its guidance and advice as necessary.

In order to address risks bearing an impact on business activities, we have enacted the internal "Risk Management Rule" that clarifies the President's role in overseeing risk management, and specifies a system for promoting management of each specific risk. The status of operations in each system to promote risk management is periodically reported to the Board of Directors. One of the Company's specific initiatives is to carry out annual risk assessments for all business units, including Group companies in Japan and overseas, and formulate necessary countermeasures based on the results followed by implementation and evaluation. This is undertaken systematically by each business unit company-wide working on the solution to each problem.

Rebuilding business continuity plans (BCP)

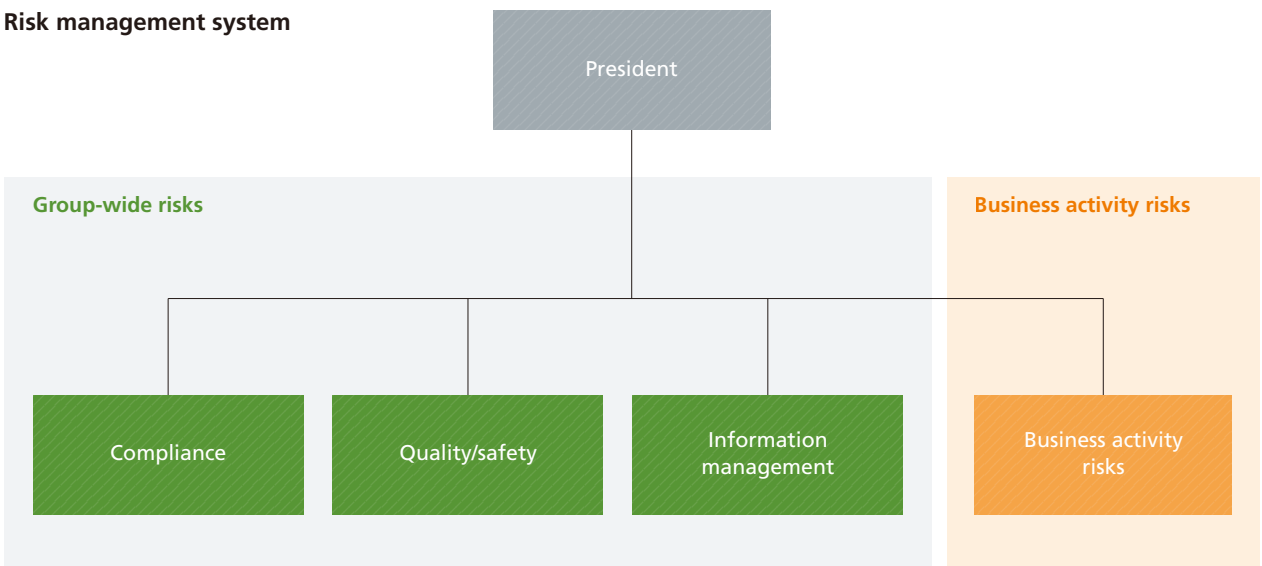
Sumitomo Pharma formulates its business continuity plans (BCP) from the viewpoint of ensuring a stable supply of pharmaceutical products, which is our social mission, and accounts for the possibility of events such as large-scale disasters and new infectious diseases (pandemics).

In recent years there have been many natural disasters other than earthquakes, such as typhoons and local heavy rain. Given these circumstances, we are rebuilding our BCP to be effective for responding to diverse disasters and unexpected situations, while also establishing sustainable BCP management (BCM). Our goal is to strengthen the Company's risk management, transition to a more effective BCP, and move forward in establishing a more effective management cycle. For the Oita Plant, there is a risk of earthquake-induced tremors and liquefaction under the plant, as well as a risk of flooding and the river overflowing due to the resulting tsunami. We therefore made the rebuilding of the Company's BCP a priority, completing it at the end of fiscal 2021.

Initial response plan

We separated certain functions, such as the information gathering functions and publicity functions, that had previously been handled by Disaster Response Headquarters, and launched a Crisis Management Team (CMT)* that, immediately after a disaster occurs, starts gathering information, outlines the status of damage, offers advice on whether a Disaster Management Headquarters should be established, and if established, works to gather further information.

Risk management system



➡ Please see pages 16 and 113 for Quality/safety of risk management.

We carry out regular, remote CMT training and other measures with the objective of increasing our swift and precise first-response capabilities. We are currently carrying out training to facilitate coordination between the CMT and administrative offices (the Disaster Management Headquarters in the disaster area) as well as the Disaster Response Headquarters, and are working to boost crisis management capabilities during times of disaster.

* CMT (Crisis Management Team): A team that is quickly assembled after a disaster breaks out, then starts gathering information, surveying the status of damage, and offering advice on whether a Disaster Response Headquarters should be established. If a Disaster Response Headquarters is established, the CMT continues gathering information, outlining the situation, and conducting similar tasks.

Information management

"Information" is an essential asset in our corporate activities, and how it is utilized and protected is of particular importance to Sumitomo Pharma. We have established global policies for records and information management as well as various rules for information management and Information Technology security, etc. to minimize risks.

Management of confidential information and inside information

In accordance with the internal rules, we manage confidential information in an appropriate manner according to the degree of importance. We have the information management system such as executive officer who is in charge of information management and the Information Management Committee. In order to prevent insider trading, we have internal rules which specify matters that all officers and employees must comply with. Additionally, we regularly hold training for officers and employees and we work to increase their level of awareness.

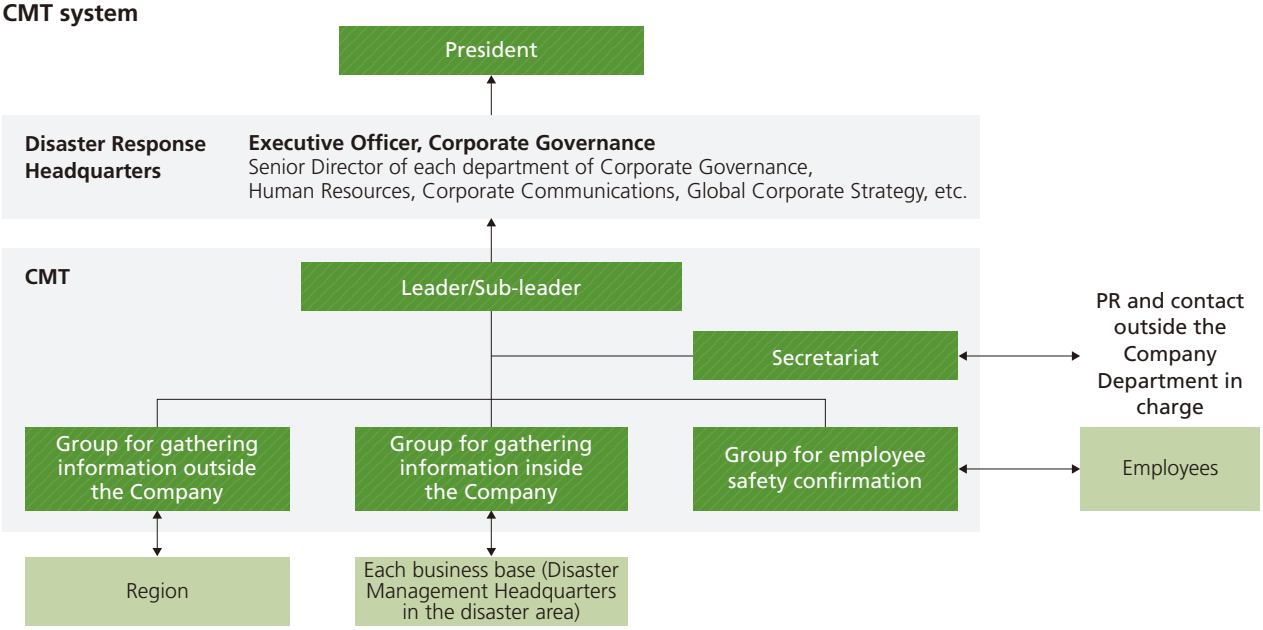
Managing personal information

Sumitomo Pharma has a privacy policy in place, and in accordance with its internal rules, properly handles and protects personal information acquired through its business activities from healthcare professionals, product users, business partners, shareholders, employees and other persons. In addition, Sumitomo Pharma actively promotes protection of personal information by building a solid management system that includes an executive officer in charge of personal information management and a personal information hotline, and educating and training its officers and employees.

Information security

As information security efforts, we continue to update technical measures, rules, and procedures according to societal changes and advances in information technology as we monitor compliance. In addition, we hold periodic information security training for officers and employees to raise awareness. We also strive to address information security risks at our group companies and business partners.

CMT system



Moreover, in addition to creating a system that prevents and detects unauthorized access and responds rapidly when an incident occurs (Computer Security Incident Response Team: CSIRT), we continue to implement efforts to prevent information security incidents. CSIRT also conduct regularly response training that presents a cyberattack scenario.

KPIs

Risk management Material issues

- **Implementing risk assessment and examining and implementing appropriate countermeasures based on results of assessment**

  Fiscal 2021 progress

  Conducted risk assessments for organizations that include Group companies Japan overseas, and carry out measures based on assessment results

- **Rebuilding, and implementing training and drills of business continuity management (BCM) and business continuity plans (BCPs)**

  Fiscal 2021 progress

  Prepared BCPs for each department and site based on the company-wide BCP (Basic Plan) made in fiscal 2020

- **Provision of education and training aimed at proper information management**

  Fiscal 2021 progress

  - Conducted training for new employees on managing information and personal information
  - Conducted training (e-learning) for all officers and employees on information management and revisions to the Act on the Protection of Personal Information

- **Number of serious information leaks and other incidents**

  Fiscal 2021 progress 0

Compliance

Sumitomo Pharma has declared in our publicly announced Declaration of Conduct our commitment to "comply with laws and regulations, and conduct transparent and fair corporate activities with a good sense of ethics." To put this declaration into practice and ensure full compliance, we have established Compliance Standards and use them as concrete guidelines for business activities.

One of Sumitomo Pharma's executive officers is charged with overseeing all compliance matters of Sumitomo Pharma and its group companies around the world. Three compliance committees have been set up: the Compliance Committee of Sumitomo Pharma, the Compliance Committee of the group companies in Japan, and the Compliance Committee of the group companies outside Japan. The Sumitomo Pharma executive officer in charge of compliance serves as chair of each of the three committees and reports to the Board of Directors on the committee activities.

Sumitomo Pharma has set up internal and external compliance hotlines through which its officers and employees can make reports and consultations relating to incidents of real or threatened compliance violation, and the Company operates such compliance hotline in an appropriate manner. Similar compliance hotlines have been installed in the group companies in and outside Japan. The officers and employees of such group companies may use the Sumitomo Pharma hotlines, if the use of their own compliance hotlines is not appropriate.

The Company rejects any relationships whatsoever with anti-social forces and has established special provisions allowing for the termination of a contract signed with a counter party that the Company deems to be an anti-social force. Additionally, from the perspective of preventing corruption in business activities, the Company has stipulated Corruption Prevention Guidelines, while also specifying provisions against corruption in new transaction contracts that accompany the acceptance of compensation.

KPIs

Compliance Material issues

- **Number of serious compliance violations**

  Fiscal 2021 progress 0

- **Implementation of compliance education and training**

  Fiscal 2021 progress

  - Conducted new compliance training for department heads
  - Conducted training for new employees, including mid-career hires
  - Conducted theme-based training company-wide on information management and other subjects

- **Implementation rate of initiatives to ensure compliance (identification of compliance risk and review of countermeasures)**

  Fiscal 2021 progress 100%

- **Implementation of compliance awareness surveys**

  Fiscal 2021 progress

  Conducted opinion concerning mindset and culture with respect to compliance (92.5% response rate)

- **Level of awareness of the whistle-blowing system, understanding and number of reports**

  Fiscal 2021 progress Understanding: 93% / Reports made: 19

Fair and transparent corporate activities

Promoting communication with stakeholders

In its Declaration of Conduct, Sumitomo Pharma has stated its commitment to "7. Build harmonious relationships with society," and is working to foster a high level of awareness as a corporate citizen.

We place importance on stakeholder engagement based on dialogue (stakeholder dialogue) with all of the stakeholders involved in the Company, including patients and their families, healthcare professionals, local communities, collaboration partners, employees, shareholders and investors, and business partners. We are working to solve social issues by proactively identifying what stakeholders expect and demand of us and reflecting these in our business and social contribution activities.

➡ Please see page 33 for relationships with stakeholders.

Communication with patients and healthcare professionals

Sumitomo Pharma has established a Product Information Center as a customer support contact center for inquiries about our products from patients and their families, in addition to healthcare professionals. Going forward, we will continue to contribute to the health of patients by swiftly and politely providing accurate information on the proper use of pharmaceuticals, while pursuing appropriate internal feedback on content learned from external requests, visualizing trends in patient opinions, and strengthening our role to improve our products and materials. In FY2021, the Product Information Center engaged in approximately 1,900 inquiries from patients and their families, and approximately 29,800 inquiries from healthcare professionals.

Sumitomo Pharma complies with relevant laws and regulations, the Ministry of Health, Labour and Welfare's Guidelines for Provision of Sales Information on Prescription Drugs, the Fair Competition Code, the Japan Pharmaceutical Manufacturers Association (JPMA) Code of Practice, the IFPMA Code of Practice, internal rules, etc. and engages in fair and transparent activities when collaborating with healthcare professionals and patient group. We also disclose information on cash payments and the like to healthcare professionals and patient group in accordance with the JPMA Transparency Guideline for the Relation between Corporate Activities and Medical Institutions and the JPMA Transparency Guideline for the Relation between Corporate Activities and Patients' Groups.

Communication with Shareholders and Investors

Sumitomo Pharma shall strive to facilitate purposeful dialogues with shareholders, investors, etc., in accordance with "Basic Policy for Promoting Constructive Dialogues with Shareholders, Investors, etc."

Sumitomo Pharma regularly holds meetings with analysts and institutional investors from Japan and from abroad. In Japan, meetings are held to coincide with financial results announcements at the end of the second and fourth quarters, while conference calls are carried out for announcements of financial results of the first and third quarters. In addition, meetings focused on specific topics are held as appropriate. Sumitomo Pharma held its fourth ESG meeting in December 2021 and a meeting on the Frontier Business in September 2021.

We conduct regular visits for foreign shareholders, but these meetings were held online in fiscal 2021 due to the impact of COVID-19. We also dub the meetings and conference calls held in Japan into English (including the Q&As) and post them on our website. We also take part in the small meetings arranged by securities firms in Japan for foreign investors.

We hold meetings for individual investors a number of times each year (seven meetings in fiscal 2019). However, in fiscal 2021, we held one online meeting due to the impact of COVID-19.

We also post other materials on our website in Japanese and English. These materials include financial results summaries and supplementary data, materials from investor meetings (including video and audio streaming and transcripts), press releases, integrated reports, Fact Books and notices of convocation for the annual shareholders' meetings, among others.

Moreover, since fiscal 2018, feedback from shareholders and investors has been reported to the Directors and Executive Officers each quarter in a report format as well as being reported to the Board of Directors semi-annually since fiscal 2019.

KPIs

Fair and transparent corporate activities

Material issues

- **Number of stakeholder dialogues**

  Fiscal 2021 progress

  - SMP Opinion (company-wide questionnaire): Once
  - Individual meeting with analysts and institutional investors: 103 meetings
  - Small meetings: 5 meetings
  - Product Information Center: Approximately 34,000 inquiries

- **Ensuring transparency on relationships with healthcare professionals and patient groups**

  Fiscal 2021 progress

  Observed the guidelines on transparency on relationships with healthcare professionals and patient groups, and disclosed various information properly and in a timely fashion

- **Promotion of appropriate provision of information based on scientific evidence**

  Fiscal 2021 progress

  - Improved information provided on our Q&A site for healthcare professionals based on appropriate evidence
  - Pointed healthcare professionals with information gained from post-marketing surveillance

Respecting human rights

In light of rising global concern for human rights and the societal responsibility of companies to respect human rights, we have respecting human rights as one of the material issues making up the foundation to continue business. In the "Declaration of Conduct: Item 5. Respect Human Rights", we clearly support the Universal Declaration of Human Rights and Core Labour Standards and, in conformance with the UN Guiding Principles on Business and Human Rights, articulates our commitment to complying with laws pertaining to labor and employment in our countries and regions of business. As for measures that concern respecting human rights, in the "Compliance Standard: Item 25. Respect for Human Rights, Prohibition of Discrimination and Harassing Behavior, and Prohibition of Harassment", we clearly rejects any discrimination or harassment based on race, nationality, ethnic or social origin, ancestry, ethnicity, age, religion, faith or belief, sex and gender, sexual orientation, gender identity, marital status, academic background, disability, disease, employment status, or any other status.

In fiscal 2021, we undertook a number of initiatives to promote compliance. Along with establishing human rights violations as a particularly significant risk, and discussed and proposed measures to prevent such violations, in all workplaces.

To better prevent and further mitigate the human rights risks throughout the Group's business activities, a resolution was passed by the Board of Directors that led to the SMP Group Human Rights Policy[*1]. The policy was established and put into force on March 1, 2022, and serves as high-level guidelines for all documents and rules pertaining to efforts aimed at respecting human rights throughout the Group. In accordance with the policy, the Group provides appropriate work environments, creates systems to carry out human rights due diligence[*2], identifies adverse impacts on human rights, and works to prevent and mitigate human rights violations while disclosing information appropriately. For all those involved with Sumitomo Pharma, including our suppliers and other business partners, we will continue to ask for their understanding and support of this policy, encourage a respect for human rights, show a respect for human rights throughout all value chain, and do business in a way that contributes to greater social sustainability.

*1 https://www.sumitomo-pharma.com/sustainability/human_rights
*2 A series of processes for assessing adverse impacts on human rights, responding to survey results, conducting follow-up surveys, and disseminating information about response methods

KPIs

Respecting human rights

Material issues

- **Formulation of a basic policy for human rights**

  Fiscal 2021 progress

  - Established and put into force the SMP Group Human Rights Policy on March 1, 2022
  - Published the policy on our website

- **Promotion of understanding of and action on the basic policy at Group companies**

  Fiscal 2021 progress

  After the policy was established and put into force, all Group companies were notified and their acknowledgement received

- **Encouragement of respect for human rights by business partners, including suppliers**

  Fiscal 2021 progress

  - Established the Sumitomo Pharma Sustainable Code of Conduct for Business Partners
  - Published the Code of Conduct on our website

Directors / Audit & Supervisory Board Members

Directors

1 Hiroshi Nomura

Representative Director, President and CEO

1981: Joined Sumitomo Chemical Co., Ltd.
2004: Senior Director of Finance & Accounting Department of the former Sumitomo Pharmaceuticals Co., Ltd.
2007: Senior Director of Global Corporate Strategy
2008: Joined the Company
2008: Executive Officer of the Company
2012: Member of the Board of Directors and Executive Officer of the Company
2014: Member of the Board of Directors and Senior Executive Officer of the Company
2016: Member of the Board of Directors and Executive Vice President of the Company
2017: Representative Director and Executive Vice President of the Company
2018: Representative Director and President and Chief Executive Officer of the Company (to the present)

2 Toru Kimura

Representative Director, Executive Vice President

Global Corporate Strategy; Regenerative & Cellular Medicine Office; Regenerative & Cellular Medicine Kobe Center; Regenerative & Cellular Medicine Manufacturing Plant

1989: Joined Sumitomo Chemical Co., Ltd.
1992: Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2009: Senior Director of Genomic Science Laboratories of the Company
2010: Senior Director of Research Planning & Management of the Company
2012: Senior Director of Global Strategy of the Company
2013: Senior Director of the Regenerative & Cellular Medicine Office of the Company
2015: Executive Officer of the Company
2016: Member of the Board of Directors and Executive Officer of the Company, Senior Director of Global Corporate Strategy of the Company
2017: Senior Executive Research Director of Drug Research Division of the Company
2019: Member of the Board of Directors and Senior Executive Officer of the Company
2020: Chief Scientific Officer of the Company
2021: Representative Director and Executive Vice President of the Company (to the present)

3 Yoshiharu Ikeda

Member, Board of Directors, Senior Executive Officer

Cancer Research; Modality Research; Drug Research Division
Head of Japan Business Unit

1985: Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2007: Senior Director of Research Planning & Coordination of the Company
2009: Senior Director of Global Corporate Strategy of the Company
2010: Executive Officer of the Company
2012: Sunovion Pharmaceuticals Inc., Executive Vice President
2013: Executive Director of the Technology Research & Development Division
2016: Senior Executive Officer, Executive Director of the Manufacturing Division of the Company
2020: Member of the Board of Directors and Senior Executive Officer of the Company (to the present)

4 Hiroyuki Baba

Member, Board of Directors, Senior Executive Officer

Global Data Design Office; Legal Affairs; Intellectual Property;
IT Management & Digital Transformation;
Frontier Business Office

1982: Joined Sumitomo Chemical Co., Ltd.
2014: Joined the Company, Executive Officer, Senior Director of Global Business Development and Head of Global Business Development
2017: Executive Officer, Senior Director of Global Corporate Strategy of the Company
2019: Senior Executive Officer of the Company
2022: Member of the Board of Directors and Senior Executive Officer of the Company (to the present)

5 Shigeyuki Nishinaka

Member, Board of Directors, Senior Executive Officer

Global Business Development; International Business Management

1989: Joined NKK Corporation (currently, JFE Holdings, Inc.)
1994: Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2001: Joined Daiichi Pharmaceutical Co., Ltd. (currently, Daiichi Sankyo Co., Ltd.)
2009: Joined the Company
2014: Deputy Executive Director of Drug Research Division and Senior Director of Global Oncology Office of the Company
2014: Deputy Executive Director of Drug Research Division and Senior Director of External Innovation Development Office of the Company
2016: Senior Director of Global Business Development of the Company
2017: Executive Officer of the Company
2020: Senior Executive Officer of the Company
2022: Member of the Board of Directors and Senior Executive Officer of the Company (to the present)

6 Saeko Arai

Member, Board of Directors (Outside)

1987: Joined Eiwa Audit Corporation (currently, KPMG AZSA LLC)
2002: President of Gratia, Inc. (currently, Acuray, Inc.) (to the present)
2017: Outside Audit & Supervisory Board Member of teamS Inc. (to the present)
2017: Outside Audit & Supervisory Board Member of AEON Credit Service Co., Ltd. (to the present)
2018: Outside Member of the Board of Directors of the Company (to the present)
2018: Outside Director of Tokyu Fudosan Holdings Corporation (to the present)
2019: Professor at the Faculty of Business Administration of Hakuoh University (to the present)

7 Nobuhiro Endo

Member, Board of Directors (Outside)

1981: Joined NEC Corporation
2006: Senior Vice President and Executive General Manager of the Mobile Network Operations Unit of NEC Corporation
2009: Executive Vice President of NEC Corporation
2009: Executive Vice President and Member of the Board of NEC Corporation
2010: President (Representative Director) of NEC Corporation
2016: Chairman of the Board (Representative Director) of NEC Corporation
2016: Outside Director of JAPAN POST INSURANCE Co., Ltd.
2017: Outside Director of Seiko Holdings Corporation
2018: Outside Director of Japan Exchange Group, Inc. (to the present)
2019: Outside Member of the Board of Directors of the Company (to the present)
2019: Chairman of the Board of NEC Corporation
2019: Outside Director of Tokyo Marine Holdings, Inc. (to the present)
2022: Executive Advisor of NEC Corporation (to the present)
2022: Outside Director of Nisshin Seifun Group Inc. (to the present)

8 Minoru Usui

Member, Board of Directors (Outside)

1979: Joined Shinshu Seiki Co., Ltd. (currently, Seiko Epson Corporation)
2002: Director of Seiko Epson Corporation
2005: General Administrative Manager of the Production Engineering & Development Division of Seiko Epson Corporation
2007: General Administrative Manager of the Corporate Research & Development Division of Seiko Epson Corporation
2007: Managing Director of Seiko Epson Corporation
2008: President and Representative Director of Seiko Epson Corporation, Chief Executive Officer of Seiko Epson Corporation
2020: Chairman and Director of Seiko Epson Corporation (to the present)
2021: Outside Member of the Board of Directors of the Company (to the present)
2021: Outside Director of IHI Corporation (to the present)

9 Koji Fujimoto

Member, Board of Directors (Outside)

1987: Joined the Ministry of International Trade and Industry (MITI) (currently, the Ministry of Economy, Trade and Industry (METI))
2008: Director, Service Industries Division of METI (Director, Healthcare Industries Division after organizational revision in July 2011)
2015: Councillor, Cabinet Secretariat (Assistant Director, Office of Healthcare Policy)
2019: Specially Appointed Professor, Tokyo Medical and Dental University (to the present)
2019: Senior URA, Research University Promotion Organization, Tokyo Medical and Dental University (up to the present)
2019: Deputy Director, Research Center for Industry Alliances, Tokyo Medical and Dental University (up to the present)
2022: Outside Member of the Board of Directors of the Company (to the present)

Audit & Supervisory Board Members

10 Yoshinori Oh-e

Audit & Supervisory Board Member

1982: Joined the former Dainippon Pharmaceutical Co., Ltd.
2007: Senior Director of Development Planning & Management of the Company
2009: Senior Director of Pharmaceutical Strategy of the Company
2010: Executive Officer of the Company, Senior Director of Business Development of the Company
2014: Senior Executive Officer of the Company, Executive Director of Corporate Regulatory Compliance & Quality Assurance Division of the Company
2017: Full-time Audit & Supervisory Board Member of the Company (to the present)

11 Takashi Kutsunai

Audit & Supervisory Board Member

1981: Joined Sumitomo Chemical Co., Ltd.
1984: Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2004: Senior Director of General Affairs & Human Resources
2005: Senior Director of Human Resources of the Company
2008: Senior Director of Strategic Marketing & Planning (Asia), International Business Management of the Company
2009: Senior Director of International Business Strategic Marketing and Planning of the Company
2010: Senior Director of Global Sales and Marketing of the Company
2012: Senior Director of Internal Auditing of the Company
2018: Full-time Audit & Supervisory Board Member of the Company (to the present)

12 Yoshio Iteya

Audit & Supervisory Board Member (Outside)

1983: Admitted to the Bar (Japan)
1989: Admitted to the Bar (New York)
1992: Partner at Mori Hamada & Matsumoto
2004: Specially Appointed Professor at Hitotsubashi University School of Law (to the present)
2018: Outside Audit & Supervisory Board Member of the Company (to the present)
2021: Partner at Anderson Mori & Tomotsune (to the present)

13 Mayumi Mochizuki

Audit & Supervisory Board Member (Outside)

1976: Joined Nippon Roche K.K. (currently, Chugai Pharmaceutical Co., Ltd.)
1983: Joined the Department of Pharmacy of Kitasato University Hospital
2007: Professor at Kyoritsu University of Pharmacy (currently, the Faculty of Pharmacy of Keio University)
2009: Associate Dean in Pharmacy at the Graduate School of Pharmaceutical Sciences of Keio University
2013: Dean of the Faculty of Pharmacy and Dean of the Graduate School of Pharmaceutical Sciences of Keio University
2015: Director of the Department of Pharmacy at Keio University Hospital
2019: Professor Emeritus at Keio University (to the present)
2019: Adviser of the International Medical Information Center (to the present)
2020: Special Adviser of the International University of Health and Welfare (to the present)
2020: Vice President of Science Council of Japan (to the present)
2021: Outside Audit & Supervisory Board Member of the Company (to the present)

14 Daishiro Michimori

Audit & Supervisory Board Member (Outside)

1979: Joined the Ministry of Finance
2010: Councillor of the Cabinet Secretariat (National Policy Unit)
2012: Regional Commissioner of the Tokyo Regional Taxation Bureau
2016: Advisor Attorney of TMI Associates
2016: Outside Member of the Board of World Co., Ltd.
2018: Senior Managing Director of the Institute of Daiwa Institute of Research Ltd.
2021: Visiting Lawyer of Shimada Hamba & Osajima (to the present)
2022: Senior Advisor of Daiwa Institute of Research Ltd. (to the present)
2022: Outside Audit & Supervisory Board Member of the Company (to the present)

Executive Officers

Hideyuki Harada

Senior Executive Officer

Technology Research & Development Division; Manufacturing Division
Deputy Head of Japan Business Unit

1991: Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2012: Senior Director of Research Planning & Coordination of the Company
2013: Senior Director of Research Planning & Intelligence of the Company
2016: Executive Officer, Executive Director of Drug Research Division of the Company
2017: Executive Officer, Executive Research Director of Drug Research Division of the Company
2021: Senior Executive Officer, Senior Executive Research Director of Drug Research Division of the Company
2022: Senior Executive Officer
Technology Research & Development Division; Manufacturing Division
Deputy Head of Japan Business Unit of the Company (to the present)

Atsuko Higuchi

Senior Executive Officer

External Affairs; Corporate Secretariat; Human Resources

1986: Joined Sumitomo Chemical Co., Ltd.
1992: Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2008: Senior Director of Public Relations of the Company
2014: Senior Director of International Business Management of the Company
2015: Senior Director, International Business Management of the Company
2017: Executive Officer, Corporate Governance; Corporate Communications; Human Resources of the Company
2022: Senior Executive Officer
External Affairs; Corporate Secretariat; Human Resources of the Company (to the present)

Takuya Taguchi

Senior Executive Officer

Sales & Marketing Division
Executive Director, Sales & Marketing Division
Deputy Head of Japan Business Unit

1982: Joined Sumitomo Chemical Co., Ltd.
1984: Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2010: Senior Director of Higashi-Nippon Region Minami-Tohoku Branch of the Company
2012: Senior Director of Capital Region Tokyo Branch Ⅰ of the Company
2013: Senior Director of Sales & Marketing Management of the Company
2019: Executive Officer, Deputy Executive Director of Sales & Marketing Division and Senior Director of Sales & Marketing Management of the Company
2021: Executive Officer, Deputy Executive Director of Sales & Marketing Division of the Company
2022: Senior Executive Officer
Sales & Marketing Division
Executive Director of Sales & Marketing Division
Deputy Head of Japan Business Unit of the Company (to the present)

Koichi Kozuki

Executive Officer

Regulatory Affairs; Medical Information; Medical Affairs; Corporate Regulatory Compliance & Quality Assurance
Executive Director, Corporate Regulatory Compliance & Quality Assurance Division
Deputy Head of Japan Business Unit

1989: Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2012: Senior Director of Global Project Management of the Company
2013: Senior Director of Global Strategy & Business Development of the Company
2014: Senior Director of Global Strategy & Business Development and Senior Director of Global R&D Office of the Company
2017: Executive Director of Drug Development Division of the Company
2020: Executive Officer, Executive Director of Drug Development Division and Deputy Executive Director of Corporate Regulatory Compliance & Quality Assurance Division of the Company
2022: Executive Officer, Regulatory Affairs; Medical Information; Medical Affairs; Corporate Regulatory Compliance & Quality Assurance
Executive Director of Corporate Regulatory Compliance & Quality Assurance Division
Deputy Head of Japan Business Unit of the Company (to the present)

Isao Shimizu

Executive Officer

Senior Executive Research Director, Drug Research Division

1991: Joined the former Dainippon Pharmaceutical Co., Ltd.
2014: Senior Director of Drug Development Research Laboratories of the Company
2016: Senior Director of Preclinical Research Laboratories of the Company
2017: Senior Director of External Innovation Development Office of the Company
2019: Senior Director of External Innovation of the Company
2020: Executive Officer, Executive Research Director of Drug Research Division of the Company
2022: Executive Officer
Senior Executive Research Director of Drug Research Division of the Company (to the present)

Yumi Sato

Executive Officer

Drug Development Division
Executive Director, Drug Development Division
Executive Vice President and Chief Corporate Strategy Officer, Sunovion Pharmaceuticals Inc.

1992: Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2015: Senior Director of Clinical Research of the Company
2018: Senior Director of Global Corporate Strategy of the Company
2020: Executive Officer, Executive Vice President of the Company and Chief Corporate Strategy Officer, Sunovion Pharmaceuticals Inc.
2022: Executive Officer
Drug Development Division
Executive Director of Drug Development Division
Executive Vice President of the Company and Chief Corporate Strategy Officer, Sunovion Pharmaceuticals Inc. (to the present)

Kenji Ueno

Executive Officer

Executive Director, Technology Research & Development Division

1990: Joined the former Dainippon Pharmaceutical Co., Ltd.
2014: Senior Director of Ibaraki Plant of the Company
2016: Senior Director of Manufacturing Management and Senior Director of Procurement of the Company
2019: Deputy Executive Director of Manufacturing Division and Senior Director of Suzuka Plant of the Company
2020: Executive Director of Technology Research & Development Division of the Company
2021: Executive Officer
Executive Director of Technology Research & Development Division of the Company (to the present)

Naoki Noguchi

Executive Officer

Corporate Governance; Corporate Communications
Senior Director, Corporate Governance

1986: Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2018: Chairman, President & CEO, Sumitomo Pharma (Suzhou) Co., Ltd.
2022: Executive Officer
Corporate Governance; Corporate Communications
Senior Director of Corporate Governance of the Company (to the present)

Tsutomu Nakagawa

Executive Officer

Senior Director, Global Corporate Strategy

1993: Joined the former Sumitomo Pharmaceuticals Co., Ltd.
2019: Senior Director of Global Oncology Office of the Company
2020: Senior Director of Global Corporate Strategy of the Company
2022: Executive Officer
Senior Director of Global Corporate Strategy of the Company (to the present)

Antony Loebel

Executive Officer

President and CEO, Sunovion Pharmaceuticals Inc.

2001: Joined Pfizer Inc.
2007: Joined Dainippon Sumitomo Pharma America, Inc. (currently, Sunovion Pharmaceuticals Inc.)
2011: Chief Medical Officer, Sunovion Pharmaceuticals Inc.
2012: Executive Officer of the Company, Head of Global Clinical Development
2019: Executive Officer of the Company
President and CEO, Sunovion Pharmaceuticals Inc. (to the present)

Patricia S. Andrews

Executive Officer

CEO, Sumitomo Pharma Oncology, Inc.
Global Head of Oncology

1991: Joined Pfizer Inc.
2008: Joined Incyte Corporation
2013: Joined Boston Biomedical Pharma, Inc. (currently, Sumitomo Pharma Oncology, Inc.)
2017: Executive Officer of the Company, CEO, Boston Biomedical, Inc. (currently, Sumitomo Pharma Oncology, Inc.)
2020: Executive Officer of the Company
CEO, Sumitomo Dainippon Pharma Oncology, Inc. (currently, Sumitomo Pharma Oncology, Inc.)
Global Head of Oncology (to the present)

Ten-Year Summary of Selected Financial Data

Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries Years Ended March 31

Japanese GAAP

Millions of yen

	2013	2014	2015	2016	2017	2018
RESULTS OF OPERATIONS:						
Net sales	¥ 347,724	¥ 387,693	¥ 371,371	¥ 403,206	¥ 411,639	¥ 477,966
Overseas sales revenue	133,125	174,286	174,911	215,055	227,495	290,321
Ratio to net sales	38.3%	45.0%	47.1%	53.3%	55.3%	60.7%
Cost of sales	101,686	104,100	101,228	104,471	100,071	119,852
Selling, general and administrative expenses	220,994	241,450	246,868	261,805	259,066	292,291
(Research and development costs)	59,844	69,804	71,304	82,034	80,819	91,397
(Ratio to net sales)	17.2%	18.0%	19.2%	20.3%	19.6%	19.1%
Operating income	25,044	42,143	23,275	36,930	52,501	65,823
Operating margin	7.2%	10.9%	6.3%	9.2%	12.8%	13.8%
Net income attributable to owners of the parent	10,044	20,061	15,448	24,697	28,733	37,525
FINANCIAL POSITION:						
Total assets	¥ 607,219	¥ 659,033	¥ 711,584	¥ 707,717	¥ 783,640	¥ 801,425
Net assets	349,248	398,540	451,021	446,473	460,389	483,050
OTHER STATISTICS:						
Capital expenditures	¥ 12,384	¥ 23,421	¥ 10,676	¥ 9,785	¥ 10,619	¥ 10,060
Depreciation and amortization	35,085	26,777	19,226	20,267	18,649	19,909
PER SHARE OF COMMON STOCK:						Yen
Basic net income	¥ 25.28	¥ 50.49	¥ 38.88	¥ 62.16	¥ 72.32	¥ 94.45
Net assets	879.03	1,003.11	1,135.21	1,123.76	1,158.80	1,215.84
Cash dividends applicable to the year	18.00	18.00	18.00	18.00	20.00	28.00
FINANCIAL INDICATORS:						
ROE	3.0%	5.4%	3.6%	5.5%	6.3%	8.0%
ROA	1.7%	3.2%	2.3%	3.5%	3.9%	4.7%
Equity ratio	57.5%	60.5%	63.4%	63.1%	58.8%	60.3%
Dividend payout ratio	71.2%	35.7%	46.3%	29.0%	27.7%	29.6%

(Note) 1. Because provisional accounting treatment for business combinations conducted during the fiscal year ended March 31, 2017 was fixed during the fiscal year ended March 31, 2018, the allocation of acquisition costs was reviewed. Consequently, the figures for the year ended March 31, 2017 were adjusted retroactively.
2. Because provisional accounting treatment for business combinations conducted during the fiscal year ended March 31, 2020 was fixed during the fiscal year ended March 31, 2021, the allocation of acquisition costs was reviewed. Consequently, the figures for the year ended March 31, 2020 were adjusted retroactively.
3. To coincide with the adoption of the IFRS, the Group has set "Core operating profit" as an earnings indicator showing the Company's recurring profitability.
Core operating profit is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors (hereinafter, "non-recurring items") designated by the Group.
Revenue and expenses under "RESULTS OF OPERATION (IFRS)" are reported by the "Core basis" figures after adjusting for non-recurring items.

IFRS

Millions of yen

	2018	2019	2020	2021	2022
RESULTS OF OPERATIONS:					
Revenue	¥ 466,838	¥ 459,267	¥ 482,762	¥ 515,952	**¥ 560,035**
Overseas sales revenue	281,434	293,325	307,819	327,286	**370,771**
Ratio to revenue	60.3%	63.9%	63.8%	63.4%	**66.2%**
Cost of sales	112,345	113,109	128,346	137,490	**157,117**
Selling, general and administrative expenses	186,176	186,143	189,979	211,770	**251,560**
Research and development expenses	86,881	82,891	92,607	97,082	**94,004**
Ratio of R&D expenses to revenue	18.6%	18.0%	19.2%	18.8%	**16.8%**
Core operating profit	90,604	77,299	71,982	69,583	**58,509**
Ratio of core operating profit to revenue	19.4%	16.8%	14.9%	13.5%	**10.4%**
Operating profit	88,173	57,884	83,239	71,224	**60,234**
Net profit attributable to owners of the parent	53,448	48,627	40,753	56,219	**56,413**
FINANCIAL POSITION:					
Total assets	¥ 809,684	¥ 834,717	¥ 1,256,534	¥ 1,308,127	**¥ 1,308,007**
Total equity	452,723	498,138	635,860	648,178	**673,569**
Equity attribute to owners of the parent	452,723	498,138	532,670	580,570	**607,888**
OTHER STATISTICS:					
Capital expenditures	¥ 10,184	¥ 13,231	¥ 11,990	¥ 12,660	**¥ 12,663**
Depreciation and amortization	12,887	13,976	17,365	22,673	**38,348**
PER SHARE OF COMMON STOCK:					Yen
Basic net profit	¥ 134.53	¥ 122.39	¥ 102.58	¥ 141.50	**¥ 141.99**
Equity attributable to owners of the parent	1,139.50	1,253.82	1,340.74	1,461.31	**1,530.08**
Cash dividends applicable to the year	28.00	28.00	28.00	28.00	**28.00**
FINANCIAL INDICATORS:					
ROIC	12.1%	11.8%	3.3%	3.1%	**1.7%**
ROE	12.4%	10.2%	7.9%	10.1%	**9.5%**
ROA	6.7%	5.9%	3.9%	4.4%	**4.3%**
Ratio of equity attributable to owners of the parent to total assets	55.9%	59.7%	42.4%	44.4%	**46.5%**
Dividend payout ratio	20.8%	22.9%	27.3%	19.8%	**19.7%**

4. Capital expenditures have typically shown the acquisition costs of property, plant and equipment and intangible assets. However, the figures under IFRS for the fiscal year ended March 31, 2017 and after show the acquisition costs of property, plant and equipment and software.
5. ROIC: (Core operating profit – Income taxes) / (Total equity + Interest-bearing liabilities)

Operating Results and Financial Condition, and Business Risks

Operating results and financial condition

Overview of overall operating results

During the fiscal year ended March 31, 2022, in the pharmaceutical sector, multiple factors have made it more difficult to foresee the future course of business, including the spread of preventive/compound solutions and the arrival of new entrants from outside the sector, on top of the push to curb prices of brand-name drugs and promote the use of generics in their stead, the greater difficulty in developing new drugs, and rising R&D expenses.

Against this backdrop, in May 2021 the Group revised its business goals laid out in the Mid-term Business Plan 2022, its five-year plan that commenced in FY2018, given the changes that had since occurred to the business environment. We have thus pursued business activities under the renewed goals. Despite the impact of the novel coronavirus infection on various aspects of our business activities throughout the fiscal year under review, we have managed to ensure the continuity of our business by taking the utmost precaution to prevent employees from being infected, with our top priority being the fulfillment of our duty to ensure a stable supply of pharmaceutical products. In the meantime, we have continued to focus on enhancing productivity by, for example, facilitating work-from-home initiatives for employees.

In Japan, the Group has continued its commitment to maximizing product value in our focus areas of Psychiatry & Neurology and Diabetes. With regards to the former, we have worked to increase market penetration of LATUDA® (atypical antipsychotic), which was launched in the previous fiscal year. In the latter area, we focused on the provision of medical information in a bid to achieve early market penetration of TWYMEEG® (therapeutic agent for type 2 diabetes), which was launched in the fiscal year under review, while at the same time seeking to bolster sales of Trulicity®, Equa®, and EquMet® (therapeutic agents for type 2 diabetes).

In North America, Sunovion Pharmaceuticals Inc. (hereinafter, "Sunovion") continued its drive to further expand sales of global strategic product LATUDA® and pushed ahead with development of the novel candidate compounds in the Psychiatry & Neurology area pursuant to the license agreement for joint development and commercialization concluded in September 2021 among the three parties including Otsuka Pharmaceutical Co., Ltd. (hereinafter, "Otsuka") and Sumitomo Pharma Co., Ltd.

In the U.S., Myovant, a subsidiary of Sumitovant Biopharma Ltd. (hereinafter, "Sumitovant"), focused on the achievement of early market penetration of ORGOVYX®, a therapeutic agent for advanced prostate cancer launched in the previous fiscal year, and MYFEMBREE®, a therapeutic agent for uterine fibroids launched in the fiscal year under review, through co-promotion with Pfizer Inc. (hereinafter, "Pfizer"). Meanwhile, Urovant Sciences Ltd. (hereinafter, "Urovant"), another subsidiary of Sumitovant, commenced marketing in the U.S. of GEMTESA®, a therapeutic agent for overactive bladder, in the fiscal year under review.

In China, Sumitomo Pharma (Suzhou) Co., Ltd. staged promotions designed to expand sales of LATUDA® and other products, in addition to MEROPEN® (carbapenem antibiotic), which has recovered from its pandemic-induced sluggish performance in the previous fiscal year.

Operating results

Revenue increased by 8.5% year-on-year to 560.0 billion yen.

Revenue increased overall, driven by the North America segment, which benefitted from the posting of the lump-sum upfront payment for the collaboration and license agreement for the joint development and commercialization with Otsuka in the Psychiatry & Neurology area and the contributions of new products from Myovant and Urovant. The growth in the China segment contributed to the increase as well.

Core operating profit decreased by 15.9% year-on-year to 58.5 billion yen.

Gross profit rose on higher revenues but core operating profit decreased due to Myovant and Urovant launching full-scale sales activities, as well as to a significant increase in selling, general and administrative expense owing to factors including increased depreciation expenses for intangible assets.

Operating profit decreased by 15.4% year-on-year to 60.2 billion yen.

Operating profit decrease year-on-year, despite a cost reversal from a decline in the fair value of contingent consideration.

Profit before taxes increased by 6.6% year-on-year to 83.0 billion yen.

Profit before taxes increased as financial income/expenses—a balance of financial income after the deduction of financial expenses—turned significantly increased due to the recording of forex gains resulting from the yen's depreciation on the year-end.

Net profit increased by 10.2% year-on-year to 40.6 billion yen.

Net profit increased, too, as profit before taxes increased.

Net profit attributable to owners of the parent increased by 0.3% year-on-year to 56.4 billion yen.

Net profit attributable to owners of the parent—the amount of net profit less the amount of losses attributable

to non-controlling interests—edged higher from the previous fiscal year.

The ratio of the net profit attributable to owners of the parent to revenue was 10.1%.

Financial Condition

Summary of assets, liabilities, and equity

-Assets

Non-current assets decreased by 39.8 billion yen from the previous fiscal year-end, primarily owing to a decrease in other financial assets that mainly resulted from fluctuations in the valuation of securities.

Current assets increased by 39.7 billion yen from the previous fiscal year-end, primarily owing to increases in trade and other receivables and cash and cash equivalents.

As a result, total assets amounted to 1,308.0 billion yen, which is almost flat from the previous fiscal year-end.

-Liabilities

Liabilities decreased by 25.5 billion yen from the previous fiscal year-end to 634.4 billion yen as a result of declines in trade and other payables and income taxes payable, despite an increase in provisions. Bonds and borrowings totaled 269.0 billion yen, down by 4.8 billion yen from the previous fiscal year-end.

-Equity

Equity attributable to owners of the parent increased by 27.3 billion yen from the previous fiscal year-end to 607.9 billion yen as retained earnings and other components of equity increased. Non-controlling interests decreased by 1.9 billion yen from the previous fiscal year-end.

As a result, total equity increased by 25.4 billion yen from the previous fiscal year-end to 673.6 billion yen.

The ratio of equity attributable to owners of the parent to total assets as of the end of the fiscal year under review was 46.5%.

Status of cash flows

-Net cash provided by (used in) operating activities

Cash flows provided by operating activities amounted to 31.2 billion yen, a decrease of 104.4 billion yen year-on-year, primarily owing to declines in trade and other payables and other financial liabilities, as well as a decrease in unearned revenue, despite an increase in profit before taxes.

-Net cash provided by (used in) investing activities

Cash flows used in investing activities amounted to 18.3 billion yen, as payments for purchase of investments and purchase of property, plant and equipment surpassed proceeds from sales of investment securities. This represents a decrease in proceeds of 27.2 billion yen from the previous fiscal year, as the Company recorded an increase in cash as a result of the sale of its former Ibaraki Plant in the previous fiscal year.

-Net cash provided by (used in) financing activities

Cash flows used in financial activities amounted to 21.4 billion yen. This represents a decrease in payments of 35.8 billion yen from the previous fiscal year, owing to repayment of the short-term borrowings as a result of refinancing loans with long-term borrowings and financing by issuing bonds and a decrease in payments for acquisition of interests in a subsidiary from non-controlling interests in the fiscal year under review.

-Cash and cash equivalents

As a result of the above, the balance of cash and cash equivalents as of March 31, 2022 was 203.0 billion yen, which represents an increase of 9.3 billion yen from the previous fiscal year-end.

Allocation of the Company's profits

The allocation of the Company's profits in a customarily appropriate manner to its shareholders is one of the Company's fundamental management policies.

The Company's basic policy is to make dividend payments from retained earnings twice each year, which includes an interim dividend determined by the Company's Board of Directors and a year-end dividend determined by the general meeting of shareholders.

The Company believes it important to distribute surpluses in an appropriate manner reflecting any improvement in its performance. Accordingly, a performance-linked dividend hike will be considered in addition to consistent dividend payments. In its continuous effort to further increase its corporate value, the Company remains committed to establishing a solid management base and a strong financial position, while making proactive investments for sustainable business growth. In the Mid-term Business Plan covering the period from fiscal 2018 through 2022, the Company aims for a five- year average dividend payout ratio of 20% or higher.

During the fiscal year under review, the Company reported core operating profit of 58.5 billion yen and net profit attributable to owners of the parent of 56.4 billion yen.

Given the dividend policy and earnings results of the fiscal year under review, the Company paid a year-end dividend of 14 yen per share, resulting in an annual dividend of 28 yen per share on a full-year basis.

The Company expects a decrease in profit for the fiscal year ending March 31, 2023 compared with the fiscal year under review. Given the importance of maintaining a stable dividend payment, however, the Company plans to pay an annual dividend of 28 yen per share, which comprises an interim dividend of 14 yen per share and a year-end dividend of another 14 yen per share.

Operating Results and Financial Condition, and Business Risks

Forecasts for the year ending March 31, 2023

In Japan, revenue is forecasted to decrease as the impacts of the NHI drug price revisions, the discontinuation of marketing for REPLAGAL®, and declines in sales of long-listed products may not be offset by our efforts to expand sales of LATUDA®, TWYMEEG®, and other new products.

In North America, although we will continue focusing on the sales expansion of ORGOVYX®, MYFEMBREE®, GEMTESA®, and other new products, primarily owing to the expiration of the exclusive marketing periods of LATUDA® and BROVANA® and the recording of the lump-sum upfront payment following the conclusion of the collaboration with Otsuka during the fiscal year under review, revenue is forecasted to decrease on a dollar basis. On a yen basis, however, revenue is forecasted to increase partly because of the ongoing depreciation of the currency. Overall, consolidated revenue is expected to decrease by 10.0 billion yen year-on-year to 550.0 billion yen.

Gross profit is forecasted to decline by a larger margin than the decline in sales due to a decrease in revenue and changes in our product mix. Selling, general and administrative expenses are expected to increase due to the yen's depreciation, as well as an increase in expenses which will result from greater efforts to market new products in North America. Although we expect other income mainly from the sale of FDA's priority review voucher (PRV), both core operating profit and operating profit are forecasted to decrease by 28.5 billion yen to 30.0 billion yen and by 36.2 billion yen to 24.0 billion yen year-on-year, respectively. Partly because we recorded a large sum of forex gains during the fiscal year under review, net profit attributable to owners of the parent for the fiscal year ending March 31, 2023 is forecasted to decrease by 34.4 billion yen year-on-year to 22.0 billion yen.

Foreign currency exchange rates used for the forecasts are: 1 USD = 125.0 JPY (112.4 JPY in the fiscal year under review) and 1 RMB = 19.5 JPY (17.5 JPY in the fiscal year under review).

Business risks

Below is a discussion of the most significant risks that could negatively impact the operating results, cash flow and financial position ("operating results, etc.") of Sumitomo Pharma Group.

The Group is aware that these risks could occur, works to prevent and minimize them and will take appropriate measures if they occur. Forward-looking matters statements in this discussion reflect the judgement of the Group as of March 31, 2022. It is not an exhaustive discussion of all risks, and the Group could be impacted in the future by risks that are currently unpredictable or considered immaterial.

➡ **Please see page 16 for details on opportunities and risks for each stage of the value chain.**

Risk relating to research and development of new products

The Group works to research and develop highly original and globally viable products. However, product development may not proceed as planned or attain approval and market launch because of the growing difficulty of developing new drugs. It is also possible that some development projects, from the standpoint of efficacy, safety, etc., may be delayed or abandoned.

Such cases involving research and development assets expected to become major products could have a significant and negative impact on the Group's operating results, etc. While taking research and development risks into consideration, the Group concentrates research and development efforts on the three focus areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine/Cell Therapy and is expanding its pipeline in those areas. Moreover, through the establishment of a system for the global management of development, the Group formulates strategic development plans and implements efficient clinical development. The Company reviews research and development policy appropriately through a committee system for confirming the advantages and disadvantages of plan revisions in time with transitional stages of development and other methods to manage its portfolio properly.

Risk relating to specific products comprising a large proportion of consolidated revenue

In the fiscal year under review, the revenue in North America for atypical antipsychotic LATUDA® (lurasidone hydrochloride) which is a pillar of Group earnings, comprised 36% of Sumitomo Pharma's consolidated revenue. If LATUDA® revenue falls due to the emergence of other strong competing products (including but not limited to the launch of competing products by manufacturers of branded prescription drugs as well as the sale of products that compete with LATUDA® by manufacturers of generic drugs), or through other unexpected events such as impacts on the supply chain, including raw material procurement, it could have a significant and negative effect on the Group's operating results, etc.

Under the Mid-term Business Plan 2022, the Group is working to establish growth engines. In addition to concentrating research and development efforts on the three focus areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine/Cell Therapy, the Group aims to expand its pipeline, including the acquisition of late-stage development assets that can be expected to contribute early to revenue. The Group is also working to launch Frontier business aimed at the commercialization of healthcare solutions that provide new value to society with a focus on areas in which synergies with its

pharmaceuticals business are expected. In its regional strategy, the Group is working to strengthen its business base with China as a third center in addition to the primary markets of Japan and North America.

Risk relating to intellectual property rights

The Group utilizes a wide range of intellectual property during the course of its R&D activities. However, if the Group is unable to acquire a sufficient scope of rights to its technology, a competitor evades the Group's intellectual property rights, or there is an external leak of trade secrets, including know-how that is strictly managed by the Company, due to unexpected circumstances, the Group could be unable to secure its competitive advantage. Furthermore, the Group's business is safeguarded by a large quantity of intellectual property. Consequently, if the Group's intellectual property were infringed by a third party, or if legal disputes pertaining to the validity and ownership of intellectual property rights were to arise, the Group could be unable to adequately maintain its competitive advantage. If such risks manifested, it could have a significant and negative impact on the Group's operating results, etc. On the other hand, the Group understands there are rights to lawfully use intellectual property rights required for business activities. Nevertheless, there is the possibility that it could infringe the intellectual property rights of a third party unknown to the Group.

The Group is building a patent portfolio that not only includes the core substance patents, but also related patents, such as applications, manufacturing methods, and formulations, to comprehensively safeguard its products and development assets. Furthermore, in order to advance commercialization in the Regenerative Medicine/Cell Therapy field, the Group is examining the issues involved in acquiring rights to its technologies in this field and taking measures to acquire such rights.

Healthcare system reforms

The precipitous decline in Japan's birthrate and the rapid rise in the country's elderly population are the prime factors causing the financial state of Japan to deteriorate. In this climate, measures continue to emerge aimed at curbing healthcare costs by price restraint of branded prescription drugs and promotion of generic drug use, while how to best reform the country's healthcare system continues to be debated. Moreover, in the U.S., the world's largest market for ethical pharmaceuticals, pressure from federal and state governments and public opinion to reduce the price of branded drugs is mounting year after year, and there is the possibility that system reforms aimed at controlling drug prices will be decided and introduced. In China also, healthcare system changes are being implemented with the aim of controlling national healthcare expenses, including an expansion in Volume Based Procurement by governments. The direction that each country's healthcare system reforms take could have a significant and negative impact on the Group's operating results, etc. As a pharmaceutical company, the Group will observe the system in each country and respond appropriately in accordance with such systems.

Problems relating to adverse reactions

Pharmaceutical products are approved only after rigorous safety testing, at different stages of development, and rigorous reviews by the competent authorities in all the countries involved. These efforts notwithstanding, previously unreported adverse reactions are sometimes discovered only after a drug has already been marketed. The appearance of such unexpected adverse reactions once a product of the Group has been sold could have a significant and negative impact on the Group's operating results, etc. The Group uses a database to centrally manage and evaluate safety information collected in Japan and overseas and formulates the necessary measures to ensure pharmaceutical safety and appropriate use, leading to the timely implementation of safety measures. These initiatives are implemented as pharmacovigilance activities in compliance with Japan's Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices and the Ministerial Ordinance on Good Vigilance Practice (GVP) for Drugs, Quasi-drugs, Cosmetics, Medical Devices, and Cellular and Tissue-based Products.

Risks relating to quality

The Group manufactures and subcontracts the manufacturing of products based on strict quality control. Nevertheless, if a serious quality issue occurs, it could have a significant and negative impact on the Group's operating results, etc. as a result of product recalls, administrative penalties, and the loss of social trust. The global manufacture and distribution of the Group's products are conducted in accordance with laws and regulations related to pharmaceuticals, including Good Manufacturing Practice (GMP) and the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) Guidelines, and have undergone rigorous inspections and approval by the competent authorities including the Ministry of Health, Labour and Welfare in Japan and the Food and Drug Administration (FDA) in the U.S., etc. Moreover, the Group carries out regular audits of these manufacturing facilities and has confirmed that there are no serious quality issues or violations of laws and regulations. Furthermore, at facilities that manufacture global products, we have in place high levels of facility design and quality assurance systems that conform to strict global quality standards and have been audited by overseas alliance partners.

Operating Results and Financial Condition, and Business Risks

Prerequisites for primary business activities
The Group's core business is the ethical pharmaceuticals business. Accordingly, the Group requires licenses and other certifications to engage in R&D and the manufacture and sale of drugs pursuant to Japan's "Law on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices" and other laws and regulations related to pharmaceuticals. The Company has obtained licenses and other certifications, including Type 1 and Type 2 Pharmaceuticals Manufacturing and Sales Business licenses (both valid for five years). In addition, in order to engage in the ethical pharmaceuticals business in overseas countries, the Group also has obtained licenses as needed under laws and regulations related to pharmaceuticals of those countries. These licenses and other certifications will cease to be valid unless they complete procedures as stipulated by the applicable laws and regulations. These laws and regulations also stipulate that these licenses and certifications may be revoked and/or that the Group may be ordered to suspend part of or all of its operations for a fixed period of time or be subject to other measures in the event that the Group violates these laws and regulations. The Group currently has no knowledge of any facts that would warrant the revocation of its licenses or other certifications. However, an order to revoke the Group's licenses or other certifications could have a significant and negative impact on the Group's operating results, etc.

The Group has positioned promotion of compliance as the foundation for all business activities and strives to observe laws and regulations and corporate ethics. The Company has established Compliance Standards as a specific code of conduct for business activities. An Executive Officer in charge of Compliance has also been appointed to oversee compliance at the Company and at Group companies in Japan and overseas. The Executive Officer in charge of Compliance serves as chair of Compliance Committees at Group companies in Japan and Group companies overseas as well as the Compliance Committee of the Company and reports to the Board of Directors on the activities of each committee.

Risk relating to litigation
There is always the possibility that a lawsuit may be brought in connection with the adverse effect of a pharmaceutical product, product liability, fair trade, etc., relating to the business activities of the Group. These lawsuits and other potential lawsuits involve inherent uncertainties. Depending on the development thereof, such lawsuits could have a significant and negative impact on the Group's operating results, etc.

Risks concerning supply chain management
A delay in or discontinuation of product supply due to the closure or suspension of operations at the Group's plants or the facilities of a raw material supplier or production contractor as a result of events such as quality or technical problems, fires, earthquakes, or other accidents or the spread of infectious diseases could materially impact the Group's business performance. We are working to establish a system of continuous pharmaceuticals supply and mitigate risks through efforts that include formulating business continuity plans (BCP), optimizing product inventory, ensuring raw material supplier redundancies, and strengthening coordination with suppliers.

Risk of impairment loss on non-financial assets
In order to achieve sustained growth, the Group engages in corporate acquisitions and in-licensing of development assets and records intangible assets, such as goodwill and in-process research and development, associated with these activities. In the event that the expected recoverable amount from acquisition or in-licensing is estimated to be lower than the book values of goodwill and intangible assets due to an expected decline in future profit, including suspension of development or failure to achieve the initial estimated profit, impairment loss will arise. Such cases could have a significant and negative impact on the Group's operating results, etc. The Group periodically assesses the values of such goodwill and intangible assets using impairment tests and applies the appropriate treatment.

Risk relating to financial assets
The Group owns financial assets including the shares of other companies. When the market value or fair value of owned financial assets is lower than the book value, such losses could have a significant and negative impact on the Group's operating results, etc. The Company will not acquire any new holdings of shares in other companies, except for corporate alliances, building and maintaining business relationships with key business partners, and other cases when necessary for business purposes. The Company also periodically assesses changes in the valuation of such financial assets using impairment tests and applies the necessary treatment.

Impact of the financial market situation and foreign exchange fluctuations
The interest rate trend may increase interest expenses on borrowings, etc., and the deterioration of the financial market situation will cause retirement benefit obligations to increase. All these factors could have a significant and negative impact on the Group's operating results, etc. Furthermore, foreign exchange fluctuations may have a material impact on foreign currency-denominated assets and the conversion of operating results of consolidated subsidiaries into yen. The Group enters into exchange contracts when necessary to avoid foreign exchange risk.

Transactions with the parent company

The Company and its parent company, Sumitomo Chemical Co., Ltd., have concluded agreements for the leasing of land for research laboratories and plants, as well as for the purchase of raw materials used in the production of active pharmaceutical ingredients at these sites and other locations. These agreements involve prices that are determined based on discussions between the two parties with reference to general market prices. These agreements are customarily renewed every year. The Company also accepts employees on loan from the parent company and we make short-term loans to our parent company for purposes such as raising capital efficiency.

The Company's policy is to continue these transactions and other ties with the parent company. However, changes in these agreements, including changes in the transaction terms specified therein, could have a significant and negative impact on the Group's operating results, etc. Important transactions that the Company conducts with its parent company are supervised appropriately through such means as obtaining the approval of a meeting of the Board of Directors attended by the independent directors in order to ensure fairness and rationality from the perspective of enhancing the Company's corporate value.

Risk relating to overseas operation, large-scale disasters and infectious disease, etc.

The Group conducts overseas business activity mainly in the regions of North America and China. The risks such as change of local restrictions, worsening of diplomatic relations, political uncertainties, and conflicts are inherent in these activities.

In the event that the Group faces such risks, it could have a significant and negative impact on the Group's operating results, etc. In the event of facing a large-scale disaster or infectious disease pandemic, the Group may be unable to achieve business plans, and this could have a significant and negative impact on the Group's operating results, etc. To address risks that impact business activities, the Company has formulated Risk Management Rules under which it is specified that the President oversees risk management, and has also developed risk management systems for each risk. In the event of a large-scale disaster or infectious disease pandemic, the Company immediately establishes a headquarters for countermeasures to build systems for a company-wide response and has established production and supply systems with a priority on the supply of products as the mission of a pharmaceutical company.

Risk relating to information management

Since the Group uses a variety of information systems, there is the possibility of business being interrupted by a system malfunction, computer virus, or the like. Additionally, since the Group holds a large amount of confidential information that includes personal information, an external leak of the data could have a significant and negative impact on the Group's operating results, etc. resulting from compensation for damages, administrative sanctions, loss of social credibility, or the like. The Company has established in-house rules on the handling of records and information and IT security and continually provides education for employees in striving for the appropriate operation of these rules. We have also formed the Computer Security Incident Response Team (CSIRT), a company-wide organization that can quickly and accurately respond to cyber security incidents.

Risk relating to environmental protection

The Group uses a variety of chemical substances in research and development and in the manufacture of products. In the event of a serious environmental problem, it could have a significant and negative impact on the Group's operating results, etc. due to shutdown of operations, administrative penalties, and loss of social trust, etc. Moreover, in the event that expenses related to environmental protection increase due to future strengthening of environmental laws and regulations, and additional obligations to reduce environmental impact, it could have a significant and negative impact on the Group's operating results, etc. Additionally, the Group's business performance could be materially impacted by the global issue of climate change and the water risks related to it, which include operations at our facilities inside or outside Japan, or at our suppliers, being impacted by an increased intensity or number of typhoons or localized torrential downpours, as well as increased raw material and utility costs due to the imposition of stricter regulations such as carbon taxes.

Either of these situations could have a significant and negative impact on the Group's operating results, etc. The Group complies with various environmental laws and regulations when engaging in business activities, and plants in Japan, as well as the Suzhou Plant (China), have obtained ISO 14001 certification, which is the international standard for environmental management systems. In addition, the Group engages in green product development and green facility design as well as operating green logistics guidelines to continue addressing environmental protection throughout the product lifecycle.

Sumitomo Pharma declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) In November 2021, and we have carried out initiatives and disclosed information in accordance with the TCFD Recommendations with regard to climate change-related risks and opportunities. We will continue to carry out dialogue with our stakeholders and improve our resiliency to climate change.

There are risks other than those described above, and the risks listed here do not include all of the risks faced by the Group.

Consolidated Statement of Profit or Loss

Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2022 and 2021

Millions of yen

	2021	2022
Revenue	¥ 515,952	**¥ 560,035**
Cost of sales	137,773	**157,127**
Gross profit	378,179	**402,908**
Selling, general and administrative expenses	190,373	**249,081**
Research and development expenses	132,682	**94,903**
Other income	17,662	**2,406**
Other expenses	1,562	**1,096**
Operating profit	71,224	**60,234**
Finance income	9,213	**25,777**
Finance costs	2,586	**3,050**
Profit before taxes	77,851	**82,961**
Income tax expenses	41,022	**42,361**
Net profit	36,829	**40,600**
Net profit attributable to:		
Owners of the parent	56,219	**56,413**
Non-controlling interests	(19,390)	**(15,813)**
Net profit total	36,829	**40,600**
Earnings per share (yen)		
Basic earnings per share	141.50	**141.99**

Consolidated Statement of Comprehensive Income

Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2022 and 2021

Millions of yen

	2021	2022
Net profit	¥ 36,829	**¥ 40,600**
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(7,621)	**(56,800)**
Remeasurements of defined benefit liability (asset)	6,330	**2,307**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	5,367	**42,004**
Cash flow hedges	102	**50**
Total other comprehensive income	4,178	**(12,439)**
Total comprehensive income	41,007	**28,161**
Total comprehensive income attributable to:		
Owners of the parent	61,008	**37,574**
Non-controlling interests	(20,001)	**(9,413)**
Total comprehensive income	41,007	**28,161**

Consolidated Statement of Financial Position

Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2022 and 2021

Millions of yen

	2021	2022
Assets		
Non-current assets		
Property, plant and equipment	¥ 64,966	**¥ 64,091**
Goodwill	176,492	**195,144**
Intangible assets	383,406	**398,692**
Other financial assets	193,035	**115,844**
Income taxes receivables	6,726	**5,538**
Other non-current assets	3,516	**6,527**
Deferred tax assets	20,191	**22,650**
Total non-current assets	848,332	**808,486**
Current assets		
Inventories	92,215	**99,021**
Trade and other receivables	135,866	**151,407**
Other financial assets	29,480	**35,596**
Income taxes receivables	194	**93**
Other current assets	8,342	**10,420**
Cash and cash equivalents	193,698	**202,984**
Total current assets	459,795	**499,521**
Total assets	1,308,127	**1,308,007**
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and Borrowings	263,859	**243,963**
Other financial liabilities	21,404	**16,471**
Retirement benefit liabilities	15,069	**11,461**
Other non-current liabilities	53,046	**57,620**
Deferred tax liabilities	28,424	**26,550**
Total non-current liabilities	381,802	**356,065**
Current liabilities		
Borrowings	9,960	**25,085**
Trade and other payables	64,638	**46,183**
Other financial liabilities	23,341	**13,302**
Income taxes payable	24,511	**7,583**
Provisions	99,851	**119,149**
Other current liabilities	55,846	**67,071**
Total current liabilities	278,147	**278,373**
Total liabilities	659,949	**634,438**
Equity		
Share capital	22,400	**22,400**
Capital surplus	15,855	**16,725**
Treasury shares	(679)	**(681)**
Retained earnings	508,677	**514,210**
Other components of equity	34,317	**55,234**
Equity attributable to owners of the parent	580,570	**607,888**
Non-controlling interests	67,608	**65,681**
Total equity	648,178	**673,569**
Total liabilities and equity	¥ 1,308,127	**¥ 1,308,007**

Consolidated Statement of Changes in Equity

Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2022 and 2021

Millions of yen

	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit liability (asset)
Balance as of April 1, 2020	¥ 22,400	¥ 17,837	¥ (677)	¥ 457,330	¥ 46,118	¥ —
Net profit	—	—	—	56,219	—	—
Other comprehensive income	—	—	—	—	(7,621)	6,330
Total comprehensive income	—	—	—	56,219	(7,621)	6,330
Purchase of treasury shares	—	—	(2)	—	—	—
Dividends	—	—	—	(11,124)	—	—
Transactions with non-controlling interests	—	(1,982)	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	6,252	78	(6,330)
Other increase/decrease	—	—	—	—	—	—
Total transactions with owners	—	(1,982)	(2)	(4,872)	78	(6,330)
Balance as of March 31, 2021	¥ 22,400	¥ 15,855	¥ (679)	¥ 508,677	¥ 38,575	¥ —
Net profit	**—**	**—**	**—**	**56,413**	**—**	**—**
Other comprehensive income	**—**	**—**	**—**	**—**	**(56,800)**	**2,307**
Total comprehensive income	**—**	**—**	**—**	**56,413**	**(56,800)**	**2,307**
Purchase of treasury shares	**—**	**—**	**(2)**	**—**	**—**	**—**
Dividends	**—**	**—**	**—**	**(11,124)**	**—**	**—**
Transactions with non-controlling interests	**—**	**870**	**—**	**—**	**—**	**—**
Reclassification from other components of equity to retained earnings	**—**	**—**	**—**	**(39,756)**	**42,063**	**(2,307)**
Other increase/decrease	**—**	**—**	**—**	**—**	**—**	**—**
Total transactions with owners	**—**	**870**	**(2)**	**(50,880)**	**42,063**	**(2,307)**
Balance as of March 31, 2022	**¥ 22,400**	**¥ 16,725**	**¥ (681)**	**¥ 514,210**	**¥ 23,838**	**¥ —**

Millions of yen

	Equity attributable to owners of the parent					
	Other components of equity					
	Exchange differences on translation of foreign operations	Cash flow hedges	Total	Total	Non-controlling interests	Total equity
Balance as of April 1, 2020	¥ (10,309)	¥ (29)	¥ 35,780	¥ 532,670	¥ 103,190	¥ 635,860
Net profit	—	—	—	56,219	(19,390)	36,829
Other comprehensive income	5,978	102	4,789	4,789	(611)	4,178
Total comprehensive income	5,978	102	4,789	61,008	(20,001)	41,007
Purchase of treasury shares	—	—	—	(2)	—	(2)
Dividends	—	—	—	(11,124)	—	(11,124)
Transactions with non-controlling interests	—	—	—	(1,982)	(15,630)	(17,612)
Reclassification from other components of equity to retained earnings	—	—	(6,252)	—	—	—
Other increase/decrease	—	—	—	—	49	49
Total transactions with owners	—	—	(6,252)	(13,108)	(15,581)	(28,689)
Balance as of March 31, 2021	¥ (4,331)	¥ 73	¥ 34,317	¥ 580,570	¥ 67,608	¥ 648,178
Net profit	**—**	**—**	**—**	**56,413**	**(15,813)**	**40,600**
Other comprehensive income	**35,604**	**50**	**(18,839)**	**(18,839)**	**6,400**	**(12,439)**
Total comprehensive income	**35,604**	**50**	**(18,839)**	**37,574**	**(9,413)**	**28,161**
Purchase of treasury shares	**—**	**—**	**—**	**(2)**	**—**	**(2)**
Dividends	**—**	**—**	**—**	**(11,124)**	**—**	**(11,124)**
Transactions with non-controlling interests	**—**	**—**	**—**	**870**	**7,486**	**8,356**
Reclassification from other components of equity to retained earnings	**—**	**—**	**39,756**	**—**	**—**	**—**
Other increase/decrease	**—**	**—**	**—**	**—**	**—**	**—**
Total transactions with owners	**—**	**—**	**39,756**	**(10,256)**	**7,486**	**(2,770)**
Balance as of March 31, 2022	**¥ 31,273**	**¥ 123**	**¥ 55,234**	**¥ 607,888**	**¥ 65,681**	**¥ 673,569**

Consolidated Statement of Cash Flows

Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2022 and 2021

Millions of yen

	2021	2022
Cash flows from operating activities		
Net profit	¥ 36,829	**¥ 40,600**
Depreciation and amortization	22,673	**38,348**
Impairment losses	35,720	**910**
Changes in fair value of contingent consideration	(22,463)	**(3,282)**
Loss (gain) on sales of property, plant and equipment	(16,731)	**(141)**
Interest and dividend income	(1,153)	**(1,175)**
Interest expenses	2,436	**2,970**
Income tax expenses	41,022	**42,361**
(Increase) decrease in trade and other receivables	185	**(6,097)**
(Increase) decrease in inventories	(10,039)	**5,356**
Increase (decrease) in trade and other payables	(320)	**(28,669)**
Increase (decrease) in unearned revenue	51,067	**(469)**
Increase (decrease) in other financial liabilities	12,001	**(11,540)**
Increase (decrease) in retirement benefits liabilities	288	**(348)**
Increase (decrease) in provisions	13,145	**8,034**
Others, net	7,042	**(11,953)**
Subtotal	171,702	**74,905**
Interest received	221	**173**
Dividends received	942	**992**
Interest paid	(2,229)	**(2,500)**
Income taxes paid	(35,035)	**(42,331)**
Net cash provided by operating activities	135,601	**31,239**
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,048)	**(7,347)**
Proceeds from sales of property, plant and equipment	21,520	**1,313**
Purchase of intangible assets	(4,758)	**(6,147)**
Purchase of investments	(9,366)	**(25,905)**
Proceeds from sales and redemption of investments	8,141	**19,472**
Net decrease (increase) in short-term loan receivables	(839)	**1,133**
Others, net	225	**(797)**
Net cash provided by (used in) investing activities	8,875	**(18,278)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(265,000)	**29**
Proceeds from long-term borrowings	125,000	—
Repayments of long-term borrowings	(2,960)	**(4,960)**
Proceeds from issuance of corporate bonds	118,927	—
Repayments of lease liabilities	(4,727)	**(4,499)**
Dividends paid	(11,120)	**(11,126)**
Payments for acquisition of interest in a subsidiary from non-controlling interests	(19,300)	**(3,636)**
Others, net	1,965	**2,766**
Net cash provided by (used in) financing activities	(57,215)	**(21,426)**
Net increase (decrease) in cash and cash equivalents	87,261	**(8,465)**
Cash and cash equivalents at beginning of year	101,708	**193,698**
Effect of exchange rate changes on cash and cash equivalents	4,729	**17,751**
Cash and cash equivalents at end of year	¥ 193,698	**¥ 202,984**

Value Chain Initiatives

Research

We are focusing on three research areas (Psychiatry & Neurology, Oncology, Regenerative Medicine/Cell Therapy), while also researching infectious diseases.

- Basic research (2–3 years): We discover and create new compounds that will be the starting point for medicines.
- Non-clinical studies (3–5 years): We examine the pharmacological activity and toxicity of candidate compounds for medicines using animals and cultured cells
- We make extensive use of cutting-edge technologies that have been developed by ourselves or obtained from academia or biotech companies.

Clinical Development

Based on our global development organization, we aim to obtain the early approval by formulating strategic clinical development plans and conducting clinical development effectively.

- Clinical studies (3–7 years): Clinical studies for obtaining approval are divided into three phases[*1] and are conducted in clinical sites such as hospitals with the enrollment of healthy volunteers and patients after obtaining their informed consent.
- In parallel with clinical studies, we design products and develop processes to make pharmaceutical products that are easy to use.
- After confirming the efficacy, safety, and quality of a drug through various studies, we submit new drug applications to the Ministry of Health, Labor and Welfare for approval.

Production and Quality Control

We provide a stable supply of products under strict quality controls.

- After obtaining approval as a pharmaceutical product, we consistently produce high quality drugs under our global supply chain system that covers procurement of raw materials through to distribution under strict quality controls.
- We provide medical institutions and dispensing pharmacies all over Japan with pharmaceuticals.

➡ **Please see the following page for more information.**
Corporate Regulatory Compliance and Quality Assurance
Supply Chain

Research → **Clinical Development** → **Obtaining Approval** → **Production and Quality Control**

Corporate Regulatory Compliance & Quality Assurance / Medical Science

M&A and Alliance

Contribution to Societies / Environment

Corporate Regulatory Compliance & Quality Assurance

We assure the quality of our products and information at a global level, from the development stage through to post-marketing stage.

- We have established a quality assurance system that delivers global "A-N-SHI-N[*3]."
- We conduct integrated management of safety information, including adverse reactions, from the development stage (clinical studies) to the post-marketing stage and engage in proactive safety measures and provision of information.

➡ **Please see the following page for more information.**
Corporate Regulatory Compliance and Quality Assurance

Medical Science

We create, provide, and disseminate high-level information that is based on robust scientific evidence and that meets medical needs.

- We build up and disseminate evidence to satisfy unmet medical needs of healthcare professionals and patients.
- We respond to inquiries on the quality, efficacy, and safety of our products from patients, their families, and healthcare professionals.
- We create materials to ensure the proper usage of our products and review information and materials meant for external use.

➡ **Please see the following page for more information.**
Medical Science

M&A and Alliance

In the interest of expanding the development pipeline, Sumitomo Pharma is stepping up M&A, in-licensing, and alliance making, while also promoting alliances with outside research institutions.

- We actively promote strategic investment in acquisitions and in-licensing.
- For in-licensing, we consider a broad range of assets and alliances in our focus areas, with a priority on late-stage development assets and approved products.
- We enter into research alliances with research institutions that include universities in Japan and overseas, as well as biotech companies with innovative technologies
- We engage in an open innovation activity called PRISM through which we call for original ideas and conduct joint research to match our drug discovery research needs.

Sales and Marketing

We engage in activities tailored to the region centered on Japan, North America, and China.

- Through an information provision system capable of adapting to market changes, we provide healthcare professionals with information on proper use of pharmaceutical products.

Innovation today, healthier tomorrows

Value Delivered to Society

1. By continually creating solutions, primarily innovative pharmaceutical products, we not only treat patients, but also contribute to improving the quality of life (QOL) for patients and their families.
2. In addition to a stable supply of high quality pharmaceutical products, we provide information for the proper use of pharmaceutical products and the correct understanding of diseases to healthcare professionals, patients and their families in an appropriate manner.
3. We contribute to scientific advancement by elucidating disease mechanisms and developing new modalities such as regenerative medicine/cell therapy based on our research and development activities, and open up new possibilities for prevention and treatment.

Contribution to Societies

Sumitomo Pharma is working on offering solutions to problems in society, by listening to expectations and requests, and reflecting them in our business operations and social contribution activities.

- We promote R&D activities through industry-academia collaboration in infectious diseases and vaccines such as malaria.
- We support the development of healthcare infrastructure in developing countries such as educating healthcare professionals.
- We strive to further improve the disease-related awareness of patients, their families, and society.
- We conduct community contribution activities such as those to support the development of the next generation, and social contributions and donations.

Environment

Sumitomo Pharma is aware of its responsibility for its own environmental impact and is working to reduce environmental impact across all business activities.

- We implement initiatives to reduce our greenhouse gas (GHG) emissions to contribute to the building of a low-carbon society.
- We work to effectively use water resources and reduce waste.
- We promote dialogue with stakeholders with the proactive disclosure of environmental information.
- We implement forest conservation activities contributing to the preservation of biodiversity.

*1 Phase 1 study: testing to confirm safety and pharmacokinetics among a small number of healthy people;
Phase 2 study: testing to confirm effective and safe dose and method of administration, etc. among a small number of patients;
Phase 3 study: testing to confirm efficacy and safety among a large number of patients.

*2 Cashpoint: We sell pharmaceutical products to wholesalers, delivering the products to medical institutions and health insurance pharmacies through wholesalers which are then prescribed to patients. The method for determining the official prices for ethical pharmaceuticals (drug prices) varies according to the country.
Please see page 115 for details of basic knowledge of pharmaceuticals

*3 A-N-SHI-N: Trustworthiness, reliability, peace of mind, making people feel reassured and safe.

Basic Knowledge of Pharmaceuticals

What are pharmaceuticals?

Pharmaceuticals are used to diagnose, treat or prevent illness in a form that matches each purpose, such as internal use, external use, and injection. There are three types of pharmaceuticals: "ethical drugs" and "over-the-counter drugs," which can be purchased at pharmacies, drug stores, and online, and "drugs that require instruction" that must be sold in person to the user.

We research and develop, manufacture and sell ethical drugs called "new drugs (original drugs)," which are usually produced over a period of 10 or more years and substantial R&D investment. To provide effective and safe drugs, numerous regulations have been established, from research and development to drug launch, and we are required to verify their quality, efficacy and safety for a certain period of time (reexamination period) even after launch.

➡ See page 113 for details about our value chain initiatives.

Research and development and approval of new drugs

The efficacy and safety of new drugs are studied through the process of basic research, non-clinical study, and clinical study. Subsequently, after approval by the Minister of Health, Labor and Welfare and the listing of NHI drug prices, the drug is covered by insurance and can be prescribed to patients. The approval system varies by country, and the materials that each country's system requires must be submitted.

New drugs created through drug discovery are useful not only to treat and prevent disease, but also to promote cutting-edge research in various fields including medicine and pharmacology through drug discovery activities, leading to the advancement of science.

Pharmaceuticals and intellectual property

Research and development of a new drug takes a long time, and the probability of successfully launching a new drug is extremely low at 1 out of 22,407 possible outcomes. Furthermore, enormous R&D expenses are required (please see the ratio of R&D expenses to sales of the Company on page 9).

Without the proper protection of the intellectual property of the developed drug, pharmaceutical companies will have a difficult time continuing to research and develop new drugs. Therefore, since pharmaceutical companies have the exclusive right to manufacture and sell new drugs for a certain period of time, they acquire and protect their intellectual property, mainly the patent rights.

A patent right is the right to protect an invention and is valid for 20 years from the patent's filing date. Pharmaceuticals require approval for manufacturing and marketing based on the Pharmaceuticals, Medical Devices and Other Therapeutic Products Act, and because it takes a long time to obtain that approval, the patent period will be eroded, so in some cases, an extension of the patent's life of up to five years may be permitted.

Pharmaceutical-related patents include "substance patents" that exclusively protect the pharmaceutical itself with a patent for the substance, and "use patents" related to new indications/effects and the safety of specific substances. There are also "formulation patents" that are granted to new formulation innovations such as drug stabilization, and "process patents" that are granted if the process is different even for the exact same drug.

Generic name and product name

Pharmaceuticals have generic names and product names. The generic name is the "ingredient name" that indicates the ingredients of the drug itself, while the product name is the "brand name" registered as a trademark by the pharmaceutical company. Even if the product name is different, when the drug has the same active ingredients, the generic name is the same and is universally used.

Generic drug

When the reexamination period for verifying the efficacy and safety of a new drug and the term of its patent right have both expired, other pharmaceutical companies will be able to manufacture and sell drugs with the same active ingredients as the new drugs (original drugs) as generic drugs.

Originally, the drug's common name was called the generic name in English, so generic drugs that use the same active ingredients as the new drug are called generic drugs after the common name (generic name), which is the ingredient name.

Drug price system

In Japan, under its universal health insurance system, ethical drugs must not only obtain approval for their manufacture and marketing, but must also be listed in the "drug price standard." The "drug price standard" establishes the "product name" and "price" of pharmaceuticals that can be used for treatments that are covered by insurance, and is the official price (drug price) set by the Minister of Health, Labor and Welfare.

In the United States, since there is no universal public health insurance that covers all citizens, the market is characterized by the extremely large presence of private

health insurance companies. Moreover, based on market principles in operation between pharmaceutical companies, insurance companies and medical institutions, pharmaceutical companies can independently set drug prices.

Drug prices in Japan tend to be lower than in the United States, which uses a free price system.

National Health Insurance (NHI) drug price revision

The drug price standard in Japan is based on the premise that the actual purchase price reflects the official price of ethical drugs.

The Ministry of Health, Labor and Welfare reviews drug prices (drug price revisions) generally once every two years to ensure that market transaction prices are reflected in drug prices. In addition, in the year between the biannual drug price revisions, an "interim year revision" is supposed to be applied to products that substantially deviate from the drug price based on the idea that the actual market price will be reflected in the drug price in a timely manner so as to lower the financial burden on the public.

(Note) The Company has revised basic knowledge of pharmaceuticals based on "Textbook 2020-2021" published by the Japan Pharmaceutical Manufacturers Association.

Glossary

An explanation of terms used in the pharmaceutical industry.

> Unmet medical needs
Medical needs that have not yet been met, in other words, medical needs for which there are still no effective treatment.

> Key Opinion Leader (KOL)
An experienced physician who provides thought leadership in the diagnosis, treatment and research of a diseases.

> In-licensing
Acquisition of the right to sell or develop a drug or drug candidate compound from another company. Typically, a portion of the profit is continuously paid to the licensor, and the profit is less than that of products developed in-house.

> Pipeline
A compound that is a new drug candidate.

> First in class
Highly innovative pharmaceuticals. Notably, it is an original drug that is highly novel and effective and can substantially transform the conventional system of treatment.

> Blockbuster
A new drug with unprecedented efficacy, such as a product that generates profits that far exceed development costs. While having no clear definition in terms of sales, it often refers to products that achieve more than ¥100 billion or $1 billion annually in sales.

> Best in class
New drugs that have a clear advantage over the existing drugs.

> Modality
This refers to the material classification (category) of a drug, and specifically includes small molecule compounds, therapeutic antibodies, nucleic acid drugs, regenerative and cell therapy medicine, and gene therapy. The definition of modality tends to shift from "substance" to "means," and therapeutic applications other than pharmaceuticals can be called a modality.

> MR
Abbreviation for Medical Representative. Their main task is to collect, provide, and communicate information on the quality, efficacy, and safety of medicines to healthcare professionals such as doctors and pharmacists to ensure their proper use and dissemination.

> New Drug Application (NDA)
Abbreviation for New Drug Application, and refers to new drug applications in the United States.

> POC
Abbreviation for Proof of Concept, which is the confirmation of expected safety and efficacy in humans.

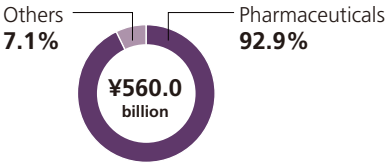
> Precision Medicine
High-precision healthcare through the understanding of pathophysiology and pathogenesis based on the latest science and technology, the stratification of patients using biomarkers, and the prediction of therapeutic effects.

> QOL
Abbreviation for Quality of Life.

Corporate Profile (As of June 30, 2022)

Name	Sumitomo Pharma Co., Ltd.
Establishment	May 14, 1897
Date of merger	October 1, 2005
Representative	Hiroshi Nomura, Representative Director, President and CEO
Number of employees	3,102 (7,026: consolidated)
Osaka head office	6-8, Doshomachi 2-chome, Chuo-ku, Osaka 541-0045, Japan TEL: +81-6-6203-5321 FAX: +81-6-6202-6028
Tokyo head office	Tokyo Nihombashi Tower, 2-7-1, Nihonbashi, Chuo-ku, Tokyo 103-6020, Japan (As of August 2022) TEL: +81-3-5205-3720 FAX: +81-3-3270-5510
Capital	¥22.4 billion
Total number of shares issued	397,900,154
Stock exchange listing	Tokyo Stock Exchange
Securities code	4506
Fiscal year-end	March 31
Ordinary general meeting of shareholders	June
Main banks	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd.
Key facilities	Osaka Head Office (Osaka) Tokyo Head Office (Tokyo) 12 Branches, 2 Plants (Mie, Oita), 2 Research Laboratories (Osaka), 2 Distribution Centers (Hyogo, Saitama)
Businesses (Consolidated)	1. Manufacturing and sales of pharmaceuticals 2. Related businesses (Manufacturing and sales of food ingredients, food additives, veterinary medicines, and others)

Composition of revenue (Consolidated: Fiscal year ended March 31, 2022)



Major consolidated subsidiaries (Japan)

	Establishment	Ownership	Fiscal year-end	Number of employees	Businesses
Sumitomo Pharma Food & Chemical Co., Ltd.	Oct 1947	100%	March 31	206	Manufacturing and sales of food ingredients, food additives, chemical product materials, etc.
Sumitomo Pharma Animal Health Co., Ltd.	Jul 2010	100%	March 31	102	Manufacturing, and sales of veterinary medicines, etc.
Sumitomo Pharma Promo Co., Ltd.	Jun 1998	100%	March 31	35	Manufacturing and sales of pharmaceuticals, etc.

Major consolidated subsidiaries (Overseas)

	Establishment	Ownership	Fiscal year-end	Number of employees	Businesses
Sumitomo Pharma America Holdings, Inc.	Jul 2009	100%	March 31	238	Holding company, shared service for general management operations
Sunovion Pharmaceuticals Inc.	Jan 1984	100%	March 31	1071*	Manufacturing and sales of pharmaceuticals
Sumitomo Pharma Oncology, Inc.	Nov 2006	100%	March 31	187	R&D in the oncology area
Sumitovant Biopharma, Inc.	Oct 2019	100%	March 31	116	Management of Sumitovant group companies, and formulation and promotion of business strategies, etc.
Myovant Sciences Ltd.	Feb 2016	52%	March 31	590*	Manufacturing and sales of pharmaceuticals in the women's health, prostate cancer area
Urovant Sciences Ltd.	Jan 2016	100%	March 31	312*	Manufacturing and sales of pharmaceuticals in the urology area
Enzyvant Therapeutics Ltd.	Jan 2016	100%	March 31	29*	Manufacturing and sales of pharmaceuticals in the pediatric rare diseases area
Altavant Sciences Ltd	Sep 2017	100%	March 31	25*	R&D in the respiratory rare diseases area
Spirovant Sciences, Inc.	Feb 2019	100%	March 31	43*	R&D in the cystic fibrosis gene therapy area
Sumitomo Pharma (Suzhou) Co., Ltd.	Dec 2003	100%	March 31	738	Manufacturing and sales of pharmaceuticals

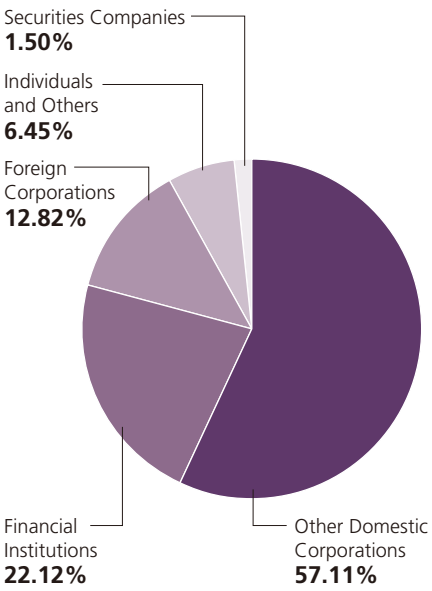
* Include employees of consolidated subsidiaries

Shareholder Data

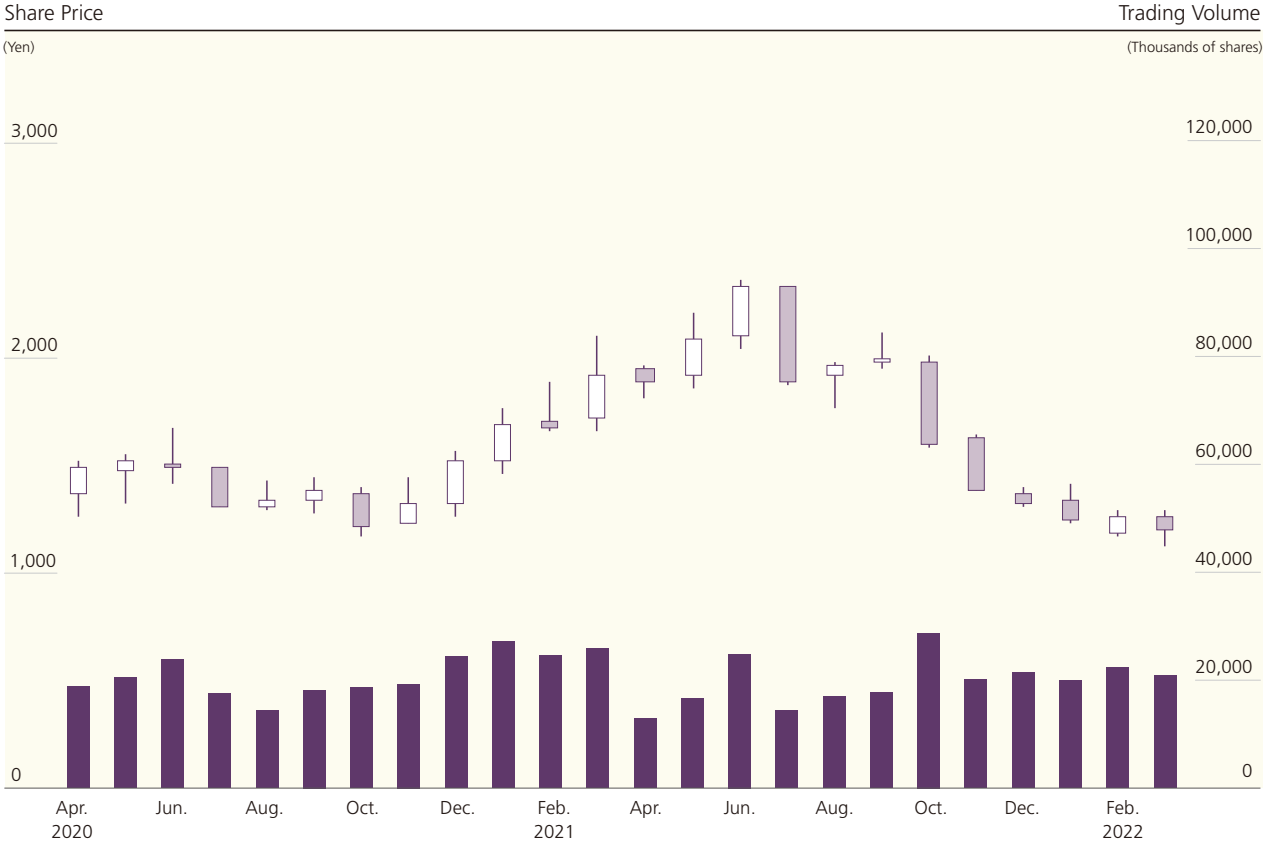
Principal shareholders (As of March 31, 2022)

Name of Shareholders	No. of Shares Held (Thousands of Shares)	Percentage of Shareholding
Sumitomo Chemical Co., Ltd.	205,634	51.76
The Master Trust Bank of Japan, Ltd. (Trust account)	40,506	10.20
Inabata & Co., Ltd.	13,782	3.47
Custody Bank of Japan, Ltd. (Trust account)	11,906	3.00
Nippon Life Insurance Company	7,581	1.91
SMBC Trust Bank Ltd. (Trust account for Sumitomo Mitsui Banking Corporation's retirement benefits)	7,000	1.76
Sumitomo Life Insurance Company	5,776	1.45
STATE STREET BANK WEST CLIENT-TREATY 505234	2,937	0.74
Sumitomo Dainippon Pharma Employee shareholders' association	2,907	0.73
Custody Bank of Japan, Ltd.	2,695	0.68

Composition of shareholders (As of March 31, 2022)



Share price range and trading volume



External Evaluations of Sumitomo Pharma Group on Sustainability

MSCI Japan Empowering Women Index (WIN)

The MSCI Japan Empowering Women Index (WIN) aims to represent the performance of companies that are leading within their GICS® sector groups in terms of promoting and maintaining gender diversity while also meeting certain quality factor criteria. Sumitomo Pharma has been independently assessed according to the MSCI Japan Empowering Women Index (WIN) criteria, and has satisfied the requirements to become a constituent of this index in 2017, 2019, 2020, 2021 and 2022.

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Japan ESG Select Leaders Index

The MSCI Japan ESG Select Leaders Index targets 50% of the free float-adjusted market capitalization of each Global Industry Classification Standard (GICS®) Sector and is designed to target companies that have high Environmental, Social and Governance (ESG) performance. Sumitomo Pharma has been independently assessed according to the MSCI Japan ESG Select Leaders Index criteria, and has continuously satisfied the requirements to become a constituent of this index since 2017.

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

FTSE4Good Index Series

The FTSE4Good Index Series is created by the global index provider FTSE Russell (U.K.) to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Sumitomo Pharma has been independently assessed according to the FTSE4Good criteria, and has continuously satisfied the requirements to become a constituent of this index since 2003.

FTSE4Good

FTSE Blossom Japan Index

The FTSE Blossom Japan Index is created by the global index provider FTSE Russell (U.K.) to measure the performance of Japanese companies demonstrating strong Environmental, Social and Governance (ESG) practices. Sumitomo Pharma has been independently assessed according to the FTSE Blossom Japan Index criteria, and has satisfied the requirements to become a constituent of this index since 2017.

FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index

The FTSE Blossom Japan Sector Relative Index is created by the global index provider FTSE Russell (U.K.) to measure the performance of Japanese companies demonstrating strong Environmental, Social and Governance (ESG) practices in each sector. Sumitomo Pharma has been independently assessed according to the FTSE Blossom Japan Sector Relative Index criteria, and has satisfied the requirements to become a constituent of this index in 2022. This index has been adopted as a benchmark for ESG passive management by the Government Pension Investment Fund (GPIF).

FTSE Blossom Japan Sector Relative Index

SOMPO Sustainability Index

SOMPO Sustainability index is created by the SOMPO Asset Management, and is used in SRI (socially responsible investment) fund for pension funds or institutional investors to invest widely in companies with the high ESG (environment, society, governance) evaluation ratings. Sumitomo Pharma has been independently assessed according to SOMPO Sustainability index criteria, and has continuously satisfied the requirements to become a constituent of this index since 2017.

2022 Sompo Sustainability Index

SUSTAINA ESG AWARD

SUSTAINA ESG AWARD is established by SUSTAINA JAPAN in order to celebrate and empower private companies that proactively implement their ESG (Environment, Social, and Governance) management. Based on the original ESG assessment metrics processed by AI, additionally combined with financial evaluation, top 100 ranked companies are selected as ESG Management Leading Companies. In fiscal 2020 and 2021, Sumitomo Pharma was selected as one of the ESG Management Leading Companies and received a Silver Class award as one of the top 21 to 50 companies selected.

SUSTAINA ESG AWARDS 2021 SILVER CLASS

S&P/JPX Carbon Efficient Index

The S&P/JPX Carbon Efficient Index is an ESG index jointly designed by S&P Dow Jones Indices and Japan Exchange Group. This index comprises companies included in the Tokyo Stock Price Index (TOPIX), and the weight of constituent is determined by carbon efficiency (Carbon emissions per unit of revenue) and the disclosure status of environmental information. Sumitomo Pharma is evaluated as the carbon efficiency decile classification is "2", and the carbon disclosure status is "Disclosed".

S&P/JPX Carbon Efficient Index

Sumitomo Pharma Co.,Ltd.

2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

FTSE4Good

FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index

2022 Sompo Sustainability Index

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IR Site
https://www.sumitomo-pharma.com/ir

Sustainability Site
https://www.sumitomo-pharma.com/sustainability

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