

July 30, 2020

Sumitomo Dainippon Pharma Co., Ltd.

**Sumitomo Dainippon Pharma Announces Issuance of Publicly Offered
Hybrid Bonds (Subordinated Bonds)**

Sumitomo Dainippon Pharma Co., Ltd. (Head Office: Osaka, Japan; Representative Director, President and CEO: Hiroshi Nomura) announced today that it has decided to publicly issue up to ¥120 billion of hybrid bonds (subordinate bonds; hereinafter, the "Hybrid Bonds") and submitted an amended shelf registration statement for the issuance to the head of the Kanto Local Finance Bureau.

1. Purpose and Background of the Hybrid Bonds Issuance

Sumitomo Dainippon Pharma is currently working to reshape its business foundation under the Mid-term Business Plan 2022 (fiscal 2018-2022) announced in April 2019, in a bid to sustain the growth of its business after the expiry of the exclusive marketing period for atypical antipsychotic LATUDA® in the U.S.; this drug's sales in the U.S. are one of the primary sources of revenue for the Sumitomo Dainippon Pharma Group.

As part of this initiative, we signed a definitive agreement for a strategic alliance with Roivant Sciences Ltd. in October 2019 (hereinafter, the "Strategic Alliance") and paid a total of approximately US\$3.0 billion (approximately ¥330 billion) as consideration for the Strategic Alliance, securing part of the required financing with bridge loans in the amount of ¥270 billion in December 2019.

To finance these transactions, Sumitomo Dainippon Pharma has been exploring the idea of hybrid financing and other means to raise funds so that we can maintain our financial integrity. The decision to issue the Hybrid Bonds has been made to partially finance the funds for repayment of borrowings raised for the Strategic Alliance.

2. Characteristics of the Hybrid Bonds

The Hybrid Bonds are a form of hybrid financing that form a hybridization of equity and debt. Because they are debts, there is no dilution of the equity value per share, whereas they are similar to equity in features and characteristics, such as an option to defer interest payments, extremely long-term redemption periods, and subordination in liquidation or bankruptcy proceedings. Accordingly, Sumitomo Dainippon Pharma expects that Rating and Investment Information, Inc. (R&I) will deem 50% of the funds raised under the Hybrid Bonds as equity for the purposes of their ratings. For an outline of the Hybrid Bonds, please see the amended shelf registration statement submitted today to the head of the Kanto Local Finance Bureau.

3. Future Schedule

For the issuance of the Hybrid Bonds, Sumitomo Dainippon Pharma has designated Daiwa Securities Co., Ltd. as the book runner and SMBC Nikko Securities Inc., Nomura Securities Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as the joint lead managers. After considering relevant factors such as the general situation of demand from investors and interest rate trends as a whole, we will determine the terms and conditions of the Hybrid Bonds, including the issue amount. We will announce the decision as soon as it has been made.

Note

This notice has been prepared for the sole purpose of publicly announcing Sumitomo Dainippon Pharma's issuance of hybrid bonds (subordinated bonds), not for the purpose of soliciting investments or performing any similar act.

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