

Third-Party Opinion on Positive Impact Finance Evaluation by Sumitomo Mitsui Trust Bank, Limited. to Sumitomo Dainippon Pharma Co., Ltd.

Japan Credit Rating Agency, Ltd. (JCR) provided a third party opinion to Positive Impact Finance ("PIF") provided by Sumitomo Mitsui Trust Bank, Limited (SMTB) to Sumitomo Dainippon Pharma Co., Ltd. (Sumitomo Dainippon Pharma)

<Executive Summary>

This Third-Party Opinion examined the PIF ("the Finance") implemented by SMTB to Sumitomo Dainippon Pharma on its suitability to the PIF Principles and the PIF Model Framework ("the Model Framework") for financial products which allow borrowers not to limit the use of proceeds established by the United Nations Environmental Programme Finance Initiative ("UNEP FI"). To ensure the transparency and objectivity of evaluation which are recommended in PIF Principle 4, JCR, as an independent third-party organization, reviewed (1) the rationality of SMTB's PIF evaluation for Sumitomo Dainippon Pharma and the impacts related to the identified impact indicators; and (2) Compliance of SMTB's PIF evaluation framework and the Finance to PIF Principles.

(1) The rationality of SMTB's PIF evaluation for Sumitomo Dainippon Pharma and the impacts related to the identified impact indicators

Sumitomo Dainippon Pharma is a global pharmaceutical company with strengths in the fields of psychoneurosis and diabetes, mainly in Japan, North America and China.

In Psychiatry & Neurology area (global), Sumitomo Dainippon Pharma has a world-class position in sales and development pipeline numbers in the psychotic and neurological drug market, including LATUDA®, an atypical antipsychotic drug that sells more than JPY 190 billion worldwide (4% global market share in 2018: USD 2.2 billion).

In Diabetes area (Japan), Sumitomo Dainippon Pharma has a broad lineup of products, including Trulicity®, with revenue of JPY 30 billion, and Equa® and EquMet®, with revenue of JPY 17.1 billion, and has established a top-level position in the domestic market in this field (12% domestic market share in FY2019 : JPY 69.3 billion).

Sumitomo Dainippon Pharma with high unmet medical needs aims to become a global leader in the three focus research areas (Psychiatry & Neurology, Oncology, and Regenerative Medicine / Cell Therapy), which strongly influence healthy life expectancy. It is also working on the frontier business, where it can expect synergies with its best-in-class drug development and pharmaceuticals business, which focus on values, and aims to establish its position as a "Global Specialized Player" position in 2033.

Based on the Basic Environment Policies established by the Board of Directors, Sumitomo Dainippon Pharma has formulated the three-year Mid-term Environmental Plan and Annual Implementation Plan. It intends to increase its corporate value through evaluating the content of initiatives at the Environmental and Safety Committee to respond to risks and opportunities appropriately. In fiscal 2019, new environmental targets up to fiscal 2030 were formulated for realizing a sustainable society.

Sumitomo Dainippon Pharma identified the material issues (materiality) in July 2018, which is an important issue for its CSR-based management. As the initial process of identifying materiality, it gave a consideration on global society issues and ESG trends with reference to SDGs, GRI guidelines, ISO26000, FTSE4Good, MSCI evaluation items, etc., and identify issues to be considered. The issues were narrowed down in light of the expectation of the stakeholders to Sumitomo Dainippon Pharma, and these were classified and prioritized from the viewpoint of "Societal Significance" and "Importance to Sumitomo Dainippon Pharma's Business". Materiality was updated in August 2019 based on the

subsequent social changes, progress of initiatives, and opinions obtained through dialogue with stakeholders. Sumitomo Dainippon Pharma classified them into two categories: "Materiality linked to value creation (11 items)," where solving issues is important for its sustainable growth, and "Materiality that forms the foundation for business continuity (9 items)," where solving issues is essential for its sustained growth. The updates were resolved after deliberation in the Management Committee and was shared with all the directors at the Executive Committee.

Details of the goals, management status, and results of Sumitomo Dainippon Pharma's sustainability initiatives can be seen in the Integrated Report, ESG Data Table, website, etc. The results of environmental, social, and economic initiatives are disclosed through various media, and are readily available for stakeholders to monitor the results.

In this financing, a holistic analysis was conducted on the overall business activities of Sumitomo Dainippon Pharma, and individual impacts related to the three themes of "Development of innovative products and healthcare solutions," "Contribution to global health, Improvement of healthcare infrastructure in developing countries and Initiatives to improve access to medicines," and "Environmental Initiatives" were identified as the impacts to be monitored in light of the organizational structure and activities related to sustainability described above for this financing, and impact indicators (KPIs) were set for each.

Monitoring will be conducted on the above-mentioned KPIs of individual impacts relating to the three themes.

JCR checked the details of holistic analysis and the processes of identifying impacts for this financing in line with the items indicated in the model and concluded that the analysis was properly conducted. The categories and KPIs identified as impacts for this financing were selected in line with "Materiality linked to value creation" and "Materiality that forms the foundation for business continuity" in the Sumitomo Dainippon Pharma's materiality, and it is expected that this financing will promote Dainippon Sumitomo Pharma's future efforts regarding the materiality.

As a result of examining the impacts based on KPI in accordance with the evaluation criteria exemplified in the PIF Principles, JCR concluded that diversification, effectiveness, efficiency and additionality can be expected. The KPIs are also appropriate in respect of the impact identification and sustainability activities described above. JCR also concluded that the monitoring policy of the financing is appropriate in terms of the details of the impact identification and the KPIs.

Based on the above, JCR concludes that the holistic impact analyses (impact identification, assessment, and monitoring) on the Model Frameworks that captures the three aspects of SDGs (environment, society, and economy) are fully utilized in the financing.

(2) Compliance of SMTB's PIF Evaluation Framework and the Finance to PIF Principles

JCR checked SMTB's product origination, method, and the establishment of internal regulations and structures as well as PIF product origination for Sumitomo Dainippon Pharma in line with the PIF Principles, and evaluated that those met all requirements.

Based on the above, JCR confirmed that the Finance complies with PIF Principles and the Model Framework.

Important explanation of this third-party opinion

1. Assumptions, Significance, and Limitations of JCR Third-party opinions

The third-party opinion granted and provided by Japan Rating Research Institute (JCR) is a comprehensive opinion of business entities and procurement entities regarding their compliance with the Positive Impact Financial (PIF) Principles formulated by the United Nations Environmental Programme Finance Initiative, and do not fully indicate the extent of the positive impact of the positive impact finance.

This third-party opinion is a statement of opinion on the current plan or status based on information provided by the client, the procurement entity and the business entity, and information independently collected by JCR, and does not guarantee positive results in the future. In addition, this third-party opinion does not quantitatively demonstrate the positive effects of PIFs, and does not represent a commitment to the effects of PIFs. JCR confirms that the funds procured from this project are quantitatively and qualitatively measured by a procurement entity or a third party commissioned by a procurement entity with respect to the degree of achievement of the impact indicators set by the Company. However, in principle, JCR does not directly measure the degree of achievement.

2. International initiatives, principles, etc. referenced in the preparation of this third-party opinion

In preparing this opinion, JCR refers to the following principles and guides developed by the United Nations Environment Programme Finance Initiative.

Positive Impact Financial Principles

Positive Impact Finance Model Framework, which does not limit the use of funds

3. Relationship with Acts Related to Credit Rating Business

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■ Glossary

Third-Party Opinion: This Report, at the request of the client, provides a third-party opinion on the conformity of the Bank's Positive Impact Financial Assessment Report to the United Nations Environmental Programme Finance Initiative's Positive Impact Finance Principles from an independent, neutral and impartial standpoint.

Business entities: Financial institutions that implement positive impact finance.

Procurement entities: Operating companies, etc. that borrow through positive impact finance for positive impact business.

■ Registration as an External Evaluator of Sustainable Finance

- Members of the United Nations Environment Programme Financial Initiative Positive Impact Working Group
- Ministry of the Environment's external green bond reviewer registration
- Climate Bonds Initiative Approved Verifier (Climate Change Initiative Accreditation Verification Organization)
- ICMA (registration as an observer with the International Association of Capital Markets as an external evaluator) Member of the Working Group on Principles of Social Bonds

■ Status of registration as a credit rating agency, etc.

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