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[Translation]

Security Code No. 4506

May 28, 2018

Dear Shareholders:

**Notice of Convocation of the 198<sup>th</sup> Annual Shareholders' Meeting**

You are cordially invited to attend the 198<sup>th</sup> Annual Shareholders' Meeting (hereinafter referred to as the "Meeting") of Sumitomo Dainippon Pharma Co., Ltd. (hereinafter referred to as the "Company"), which will be held as stated below.

**If you are unable to attend the Meeting in person, you may exercise your voting rights by either of the methods specified below. Please review the attached Reference Documents for the Shareholders' Meeting on pages 40 to 55 and exercise your voting rights no later than 5:00 p.m., Monday, June 18, 2018 (JST).**

**■ Voting in Writing**

Please indicate your approval or disapproval of the proposals on the voting form enclosed herewith, and return the form to the Company so that it will arrive by the deadline noted above.

**■ Voting by Electromagnetic Methods (the Internet, etc.)**

After reading the "Instructions for Voting by Electromagnetic Methods (the Internet, etc.)" on pages 56 to 57, please access the online voting website designated by the Company (<https://www.web54.net>) and indicate your approval or disapproval of the proposals by following the instructions displayed on the screen by the deadline noted above.

1. **Date and Time:** 10:00 a.m. on Tuesday, June 19, 2018 (JST)  
\* Reception will open at 9:00 a.m.
  
2. **Place:** Hall on the 7<sup>th</sup> floor of the Company's  
Corporate Headquarters Building  
6-8, Doshomachi 2-chome,  
Chuo-ku, Osaka, Japan  
\* Please note that, if the hall on the 7<sup>th</sup> floor becomes full, you  
will be guided to other venues in the Company's Corporate  
Headquarters Building.
  
3. **Purpose of the Meeting:**  
**Matters to be Reported:**
  1. Business Report; Consolidated Financial Statements; and  
Non-Consolidated Financial Statements for the 198<sup>th</sup> Fiscal  
Year (from April 1, 2017 to March 31, 2018)
  2. Audit Report of the Accounting Auditor and Audit Report  
of the Audit & Supervisory Board on the Consolidated  
Financial Statements  
**Matters to be Resolved:**
  - First Proposal:** Appropriation of Surplus
  - Second Proposal:** Election of Eight (8) Directors
  - Third Proposal:** Election of Two (2) Audit & Supervisory Board Members

Yours faithfully,

Hiroshi Nomura  
Representative Director and President  
Sumitomo Dainippon Pharma Co., Ltd.  
6-8, Doshomachi 2-chome,  
Chuo-ku, Osaka, Japan

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- If you will be attending the Meeting in person, please submit the voting form enclosed herewith to the receptionist at the place of the Meeting. Also, please bring this Notice with you on the day of the Meeting at the Meeting venue.
  - Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements, Non-Consolidated Statement of Changes in Net Assets, and Notes to Non-Consolidated Financial Statements are posted on the Company's website in accordance with laws and

regulations, as well as with Article 16 of the Company's Articles of Incorporation; accordingly, they are no longer included in the documents attached to this Notice.

- Consolidated Financial Statements and Non-Consolidated Financial Statements, which have been audited by the Audit & Supervisory Board Members and the Accounting Auditor, include not only the documents contained in the documents attached to this Notice but also Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements, Non-Consolidated Statement of Changes in Net Assets, and Notes to Non-Consolidated Financial Statements, which are posted on the Company's website.
- Any modification that may be made to the Reference Documents for the Shareholders' Meeting, Business Report, Consolidated Financial Statements and/or Non-Consolidated Financial Statements will be posted on the Company's website.
- The Company's website address is <http://www.ds-pharma.co.jp/> .

[Attached Documents]

## **Business Report**

(From April 1, 2017 to March 31, 2018)

Note: The Company's group companies, consisting of the Company and its subsidiaries, are hereinafter referred to collectively as the "Group."

### **Adoption of the International Financial Reporting Standards (IFRS)**

Starting from the fiscal year ended March 31, 2018 (FY2017), the Group has adopted the International Financial Reporting Standards (IFRS) for preparing its consolidated financial statements with a view toward improving the international comparability of its financial statements in the capital markets and improving business management within the Group by standardizing accounting treatment.

Financial data for the previous fiscal year (FY 2016) are also represented under the IFRS.

## **1. Matters Regarding the Current Circumstances of the Group**

### **(1) Group Business Progress and Results**

During the fiscal year ended March 31, 2018, the Japanese economy remained on a mild recovery track as consumer spending picked up, capital expenditures and production showed a gradual increase, and corporate earnings and business sentiments improved. Overseas, the U.S. economy steadily recovered, while the Chinese economy continued to rally. As employment and income environments continuously improve, the Japanese economy is expected that these mild recovery trends should be sustained, in part due to government economic packages. Nevertheless, uncertainties in overseas business situations and fluctuations in financial and capital markets still warrant attention.

In the pharmaceutical sector, the Japanese authorities are undertaking a drastic reform of the National Health Insurance (NHI) drug price scheme and authorities around the world are taking further steps to curb prices of brand-name drugs and promote use of generics in a bid to put the brakes on ever-expanding social security benefit expenditures. Amid these circumstances, the increasing difficulty of developing new drugs, rising R&D expenses, and other factors serve to lower businesses' visibility and add to business risks.

Against this backdrop, in an attempt to bolster sales of TRERIEF<sup>®</sup> (therapeutic agent for Parkinson's disease), LONASEN<sup>®</sup> (atypical antipsychotic), Trulicity<sup>®</sup> (therapeutic agent for Type 2 diabetes), and other drugs in Japan, the Group has focused its management resources to provide scientific information on these key offerings.

In North America, the Company's U.S. subsidiary Sunovion Pharmaceuticals Inc. (hereinafter referred to as "Sunovion") continued to pour its resources into expanding the sales of global strategic product LATUDA<sup>®</sup> and other mainstay products. The Company possesses multiple patents for LATUDA<sup>®</sup>, which is one of the primary sources of revenue of the Group. As counter-measures against application submissions for generic products, the Company and Sunovion filed patent infringement lawsuits in the U.S. against those submissions in January 2015 based on the compound patent, and further filed patent infringement lawsuits against those submissions in February 2018 based on the method of use patent issued in November 2017.

In the Oncology area, Boston Biomedical Inc. (hereinafter referred to as "Boston Biomedical"), which is another U.S. subsidiary of the Company, expedited the clinical development of napabucasin (product code: BBI608) by placing top priority on an early launch of the drug. Meanwhile, Tolero

Pharmaceuticals, Inc. (hereinafter referred to as "Tolero"), which the Company acquired in FY 2016, mainly focused on the clinical development of alvocidib (product code: DSP-2033).

In China, Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. pursued business opportunities in a bid to expand sales of MEROPEN® (carbapenem antibiotic) and other products in the Chinese market.

In Europe, the Company signed a partnership agreement with Angelini S.p.A. (hereinafter referred to as "Angelini") with the aim of expanding sales of LATUDA®.

### **Adoption of "core operating profit" as a new performance indicator**

To coincide with the adoption of the IFRS, the Group has set an original performance indicator for the Company's recurring profitability in the form of "core operating profit."

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter referred to as "Non-recurring Items"). Among the main Non-recurring Items are impairment losses, business structure improvement expenses, litigation related expenses, and changes in fair value of contingent consideration related to company acquisitions.

Highlights of the Group's consolidated financial results for the fiscal year under review are as follows:

	FY2017 (Billions of Yen)	FY2016 (Billions of Yen)	Change (Billions of Yen)	Rate of Change
Revenue	466.8	408.4	58.5	14.3%
Core operating profit	90.6	64.4	26.2	40.8%
Operating profit	88.2	40.3	47.9	118.9%
Profit before taxes	84.9	42.8	42.1	98.4%
Net profit attributable to owners of the parent	53.4	31.3	22.1	70.7%

### **Revenue increased by 14.3% year-on-year to reach 466.8 billion yen.**

This increase is attributable to sales growth of Trulicity® in the Japan segment and MEROPEN® and other products in the China segment, as well as a substantial sales expansion of LATUDA® in the North America segment.

### **Core operating profit increased by 40.8% year-on-year to reach 90.6 billion yen.**

Despite the increase in selling, general, and administrative expenses in the North America segment and R&D expense, core operating profit rose as gross profit grew in tandem with the increase in revenue.

### **Operating profit increased by 118.9% year-on-year to reach 88.2 billion yen.**

This substantial increase is attributable to a reversal of expenses resulting from a decline in the fair value of contingent consideration following the Company's decision, in June 2017, of unblinding of Phase 3 global study of napabucasin, which is under development by Boston Biomedical, for gastric

and gastro-esophageal junction cancer patients, in addition to a decline in business structure improvement expenses.

**Net profit attributable to owners of the parent increased by 70.7% year-on-year to reach 53.4 billion yen.**

The ratio of net profit attributable to owners of the parent to revenue was 11.4%.

#### **Adoption of "core segment profit" as a performance indicator for each segment**

To coincide with the adoption of the IFRS, for segment performance, the Group has set an original performance indicator for each segment's recurring profitability in the form of "core segment profit."

"Core segment profit" is each segment profit calculated by deducting from "core operating profit" any items such as R&D expenses and gains and losses on business transfers, which are managed globally and thus cannot be allocated to individual segments.

Business performance by reportable segment is as follows:

#### **1. Japan**

**Composition of Revenue 30.7%**

**Revenue increased by 1.8% year-on-year to reach 143.3 billion yen.**

Sales increases of AIMIX<sup>®</sup> (therapeutic agent for hypertension), TRERIEF<sup>®</sup>, and REPLAGAL<sup>®</sup> (Anderson-Fabry disease drug), as well as the substantial growth of Trulicity<sup>®</sup> sales, together advanced sales by more than offsetting the declining sales of long-listed drugs.

**Core segment profit increased by 6.2% year-on-year to reach 40.3 billion yen.**

This increase is attributable to the decrease in selling, general, and administrative expenses owing primarily to lower labor costs for a smaller headcount and reduction of selling expenses.

#### **2. North America**

**Composition of Revenue 51.6%**

**Revenue increased by 23.7% year-on-year to reach 240.8 billion yen.**

This increase is attributable to the fact that sales of mainstay LATUDA<sup>®</sup> continued to expand substantially and sales of APTIOM<sup>®</sup> (antiepileptic agent) and other products advanced.

**Core segment profit increased by 18.3% year-on-year to reach 109.5 billion yen.**

Despite the increase in selling, general, and administrative expenses resulting from a rise in selling expenses related to new launches, core segment profit grew as gross profit increased in tandem with the increase in revenue.

#### **3. China**

**Composition of Revenue 5.0%**

**Revenue increased by 33.0% year-on-year to reach 23.4 billion yen.**

This increase is attributable to the strong sales performance of mainstay MEROPEN<sup>®</sup> and other product lines.

**Core segment profit increased by 59.3% year-on-year to reach 10.7 billion yen.**

Core segment profit grew as gross profit increased in tandem with the increase in revenue.

#### **4. Other Regions**

**Composition of Revenue 3.5%**

**Revenue increased by 42.7% year-on-year to reach 16.5 billion yen.**

This increase is attributable to brisk exports of MEROPEN<sup>®</sup> and other products.

**Core segment profit increased by 81.1% year-on-year to reach 5.1 billion yen.**

Core segment profit grew as gross profit increased in tandem with the increase in revenue.

In addition to the above reportable segments, the Group is also engaged in sales of food ingredients, food additives, materials for chemical products, veterinary drugs, diagnostics, and other product lines, which together generated revenue of 42.8 billion yen (down by 2.0% year-on-year) and core segment profit of 2.7 billion yen (up by 11.5% year-on-year).

The status of research and development activities is as follows:

The Group remains committed to research and development by taking every available opportunity to assimilate cutting-edge technologies through combinations of a wide variety of avenues, including in-house research, technology in-licensing, and joint research with venture businesses and academia, with the aim of continually discovering excellent pharmaceutical products with Psychiatry & Neurology, Oncology, and Regenerative Medicine and Cell Therapy as its focus therapeutic areas.

① Psychiatry & Neurology

In order to enhance its attractive development pipeline with greater efficiency, the Company revamped its research structure and consequently renamed its Drug Research Division (in Japanese language only) in October 2017. As a part of this organizational realignment, the Company applied a new "Project-based Research Management System" by appointing Project Leaders and Project Directors in the Drug Research Division.

In the early stages of research, the Company is working to apply cutting-edge scientific technologies including high-performance computer-based in-silico drug discovery technology and utilization of iPS cells to drug discovery.

The progress statuses of key development projects during the fiscal year under review are as follows:

i. Dasotraline (product code: SEP-225289)

A New Drug Application (NDA) for use in patients with adult and pediatric attention-deficit hyperactivity disorder (ADHD) was submitted in the U.S. in August 2017.

ii. TRERIEF® (generic name: zonisamide)

In August 2017, an application for partial change of approved indications to add Parkinsonism in dementia with Lewy bodies (DLB) was submitted in Japan.

iii. Apomorphine hydrochloride (product code: APL-130277)

In the U.S., an NDA was filed for management of OFF episodes associated with Parkinson's disease in March 2018.

iv. LONASEN® (generic name: blonanserin)

In February 2018, the Phase 3 study in Japan, which is currently under joint development with Nitto Denko Corporation evaluating a transdermal patch formulation of blonanserin, met the primary endpoint and blonanserin was well-tolerated by study participants.

② Oncology

The Company's basic strategy in this therapeutic area is to conduct research and development with a focus on cancer stemness inhibitors, cancer peptide vaccines, and kinase inhibitors and deliver unique, previously unavailable products through alliances with Boston Biomedical and Tolero.

During the fiscal year under review, the Company continued with a Phase 3 global clinical study of napabucasin for colorectal cancer and pancreatic cancer (combination therapy). Meanwhile, in June 2017, the Company decided to unblind the Phase 3 global clinical study of napabucasin in

patients with gastric and gastro-esophageal junction cancer, based on a recommendation by the study's independent Data and Safety Monitoring Board (DSMB) saying that the study was unlikely to reach its primary endpoint following an interim analysis.

### ③ Regenerative Medicine & Cell Therapy

The Company is engaged in multiple research and development projects aimed at early commercialization of regenerative medicine and cell therapy products.

In order to resolve one of the greatest bottlenecks to the commercialization of such products, namely, development of their production system, the Company completed in March 2018 the Sumitomo Dainippon Manufacturing Plant for Regenerative Medicine & Cell Therapy (SMaRT), which is the world's first commercial manufacturing facility for regenerative medicine and cell therapy products derived from allogeneic iPS cells.

The Company will remain committed to promoting the regenerative medicine and cell therapy business using allogeneic iPS cells for age-related macular degeneration, Parkinson's disease, retinitis pigmentosa, and spinal cord injury.

### ④ Other therapeutic areas

Lonhala<sup>®</sup> Magnair<sup>®</sup> (generic name: glycopyrrolate)

In December 2017, an indication for long-term maintenance treatment of airflow obstruction in chronic obstructive pulmonary disease (COPD) patients was approved in the U.S.

### ⑤ Acquisitions and alliances

The Group proactively seeks opportunities for acquisitions and alliances in an effort to enhance its development pipeline.

During the fiscal year under review, the Company obtained from Poxel SA of France the development and marketing rights to imeglimin (product code: PXL008) in Japan, China, South Korea, Taiwan, and nine Southeast Asian countries in October 2017. Then, in December 2017, the Company initiated a Phase 3 study for type 2 diabetes in Japan together with this French partner.

In October 2017, the Company and The Kitasato Institute signed a joint research agreement on drug discovery for infections caused by bacteria with antimicrobial resistance (AMR). This joint research has been selected by the Japan Agency for Medical Research and Development (AMED) for its first-ever Cyclic Innovation for Clinical Empowerment (CiCLE) grant program.

As a result of the abovementioned activities, R&D expenses for the fiscal year under review amounted to 86.9 billion yen (up by 6.8% year-on-year). Please note that the Group manages its R&D expenses globally and, as such, does not allocate such expenses to individual segments.

## **(2) Capital Investments by the Group**

The total amount of capital investments made by the Group during the fiscal year under review was 10.2 billion yen, and the major capital investment work completed during the fiscal year under review was SMaRT, which was newly constructed in the Company's Central Research Laboratories.

## **(3) Financing of the Group**

During the fiscal year under review, the Company arranged a long-term loan to refinance the short-term loan which had been obtained to partially fund acquisitions in FY 2016.



#### **(4) Issues to be Addressed by the Group**

The Company's 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. Accordingly, the Company is engaged in business activities in accordance with its vision to "aspire to be a globally active R&D-based company" and to "contribute to medical care through leading-edge technologies."

In order for the Company to realize its Corporate Mission and vision and sustain its growth, it is absolutely necessary to proactively pursue research and development activities and continue creating innovative new drugs that satisfy unmet medical needs (for diseases that currently have no effective therapeutics).

The Company provides LATUDA® and other pharmaceutical products of its own creation to society and wishes to take the profits gained from such healthcare contributions and reinvest them in research and development to create new values in such therapeutic areas as Psychiatry & Neurology, Oncology, and Regenerative Medicine and Cell Therapy. The Company and Sunovion have filed patent infringement lawsuits in the U.S. as counter-measures against application submissions for generics of LATUDA®, and will continue to address properly infringement of the patent rights regarding LATUDA®.

The fiscal year under review marks the final year of the Company's third Mid-term Business Plan, and thus the Company has been drawing up the next five-year Mid-term Business Plan that starts from FY 2018. While the Company has decided to postpone the announcement of the next Mid-term Business Plan in light of the patent infringement lawsuits filed in February 2018, the Company still needs to create continuously innovative new drugs to be on a path of sustainable growth, and will remain proactive in research and development in FY 2018.

The Group's policies for its business activities in FY 2018 are as follows:

① CSR management

The Company defines the practice of Corporate Mission as "CSR-based management" and carries out all of its business activities accordingly.

More concretely, the Company endeavors to enhance its corporate value by fulfilling its social responsibilities, including the thorough observation of compliance activities that serve as prerequisites for its business activities, pursuit of effective corporate governance and transparent management, communications with diverse stakeholders, reduction of environmental load, work style innovation, promotion of diversification through support of women's active participation and other activities, and social contributions both in Japan and abroad.

② R&D and business development activities

The Company proactively allocates its management resources to R&D in the Psychiatry & Neurology, Oncology, and Regenerative Medicine and Cell Therapy areas, with top priority being placed on the development of products in later phases. In the research stages, the Company seeks opportunities for joint research with research institutions from all across the world, as well as in-house research, in a bid to create innovative pharmaceutical products.

In the Psychiatry & Neurology area, steady efforts will be made to obtain approval for dasotraline and apomorphine hydrochloride in the U.S. and TRERIEF® in Japan, for which NDAs were submitted in FY 2017. There are also plans in FY 2018 to apply for an additional dasotraline indication for binge eating disorder (BED) in the U.S. and submission of an NDA for a

LONASEN<sup>®</sup> transdermal patch formulation in Japan. Also, with regard to lurasidone hydrochloride (product name in the U.S. is LATUDA<sup>®</sup>), the Company will expedite development with the aim of submitting an NDA in Japan in FY 2019 for schizophrenia, bipolar I depression, and bipolar maintenance.

In the Oncology area, the Company will further reinforce its alliances with Boston Biomedical and Tolero to forge ahead with initiatives to develop products in later phases and submit NDAs for them. The utmost efforts will be made to develop napabucasin, which is a first-in-class cancer stemness inhibitor for colorectal cancer and pancreatic cancer that is currently undergoing Phase 3 study. Proactive efforts will also be made to develop alvocidib, which is currently undergoing Phase 2 study for acute myeloid leukemia (AML) in the U.S. and cancer peptide vaccine adegramotide/nelatimotide (product code: DSP-7888), which is currently undergoing Phase 2 study for glioblastoma, respectively.

In the Regenerative Medicine and Cell Therapy area, the Company will promote multiple R&D projects to achieve early commercialization. Phase 2 study for chronic stroke is currently being promoted in North America for SB623, which is derived from bone marrow stromal cells and was in-licensed from SanBio Inc. With regard to iPS cell-derived cells, preparations are under way at the Company's research partner, Kyoto University, for commencement of an investigator-initiated clinical study for Parkinson's disease by the end of FY 2018 on "allogeneic iPS cell-derived dopaminergic neural progenitor cells," which have been designated as a "SAKIGAKE Designation System" product. The Company will promote joint research project on cell culture with Kyoto University and Hitachi, Ltd. In the eye disease area, the Company will promote joint development with Healios K.K. to commence clinical studies early for age-related macular degeneration, and will promote joint research projects with RIKEN, Japan for the regenerative medicine development of iPS cell-derived three-dimensional retinas for treatment of retinal degenerative diseases. The Company will also proceed joint research on spinal cord injuries using iPS cell-originated neural precursor cells together with Keio University and the National Hospital Organization Osaka National Hospital. To achieve practical use of these products, the Company will prepare for the establishment of manufacturing system of iPS cell-derived investigational agents and manufacturing their commercial production at SMaRT, which was completed in March 2018. Meanwhile, Sighregen K.K., a joint venture company between the Company and Healios K.K., will prepare for the commercial production of its products at SMaRT.

Outside of these therapeutic areas and fields, the Company will promote the development of imeglimin for type 2 diabetes in Japan, which was in-licensed in October 2017.

In anticipation of further progress in artificial intelligence (AI) and digitalization in the healthcare field, the Company will be seeking digital healthcare and other new business fields (Frontier areas) going forward.

At the same time, in order to ensure that the Company's income continues to expand over the short and long terms, the Company will take every available opportunity for in- and out-licensing, alliances, and acquisitions that match the strategies in each region.

### ③ Business activities in each regional segment

In the Japan segment, the Company will continue to bolster sales of its TRERIEF<sup>®</sup> and LONASEN<sup>®</sup> products, as well as Trulicity<sup>®</sup>, which is marketed through an alliance with Eli Lilly Japan K.K., pruritus treatment REMITCH<sup>®</sup> under promotion arrangements with Torii Pharmaceutical Co., Ltd., and depression treatment EFFEXOR<sup>®</sup>, which was started co-promotion

activities with Pfizer Japan Inc. With the NHI drug price revisions and the promotion of generic use having a major impact on revenues earnings, revenues in the Japan segment are expected to decrease overall. In order to shore up the earnings structure of the Japan segment, the Group established the Japan Business Unit in April 2018 as a virtual organization. This virtual organization should allow the Japan business to be operated in an integrated manner by devising investment units, thereby ensuring earnings expansion over the mid-term.

In the North America segment, the Company aims to further advance revenues of LATUDA<sup>®</sup>, which is one of its primary revenue sources and accounts for nearly 40% of its consolidated revenue. In the Psychiatry & Neurology area, efforts will be made to expand sales of APTIOM<sup>®</sup> and apomorphine hydrochloride, which is scheduled to be launched during FY 2018, and five products for the treatment of chronic obstructive pulmonary disease (COPD) in the respiratory area, namely, BROVANA<sup>®</sup>, UTIBRON<sup>™</sup>, SEEBRI<sup>™</sup>, ARCAPTA<sup>®</sup>, and Lonhala<sup>®</sup> Magnair<sup>®</sup>, which was launched in April 2018. At the same time, by increasing efficiency in sales activities, the Company seeks to maximize the amount of its profit.

In the China segment, the Company will endeavor to maintain its business scale by continuing to offer MEROPEN<sup>®</sup> and other lines, and also to achieve early market penetration of LONASEN<sup>®</sup>, which debuted there in February 2018.

In other regions, in addition to direct marketing of LATUDA<sup>®</sup> in countries such as the U.K., the Company aims to expand its sales by reinforcing alliances with local partners for LATUDA<sup>®</sup> in Europe, where the market has extended through the partnership with Angelini, as well as countries in Asia, Oceania, and South America.

#### ④ Strengthening business foundations

In order to efficiently forge ahead with research and development and flexibly transform business structures in response to changes in the business environment and conditions in regions where the Group operates, the Company will continue to enhance business efficiency by optimizing the allocation of labor costs and general expenses, improving asset efficiency, and making quick decisions, thereby strengthening its business foundations and establishing a resilient corporate culture.

#### ⑤ Returns to shareholders and financial strategy

The Company's basic policy on returns to shareholders is to achieve sustainable and integrated improvement of corporate and shareholder value. Accordingly, a performance-linked dividend hike will be considered in addition to stable dividend payments. The Company's achievement for FY 2017 marked a record high in the history of the Company, thereby greatly exceeding that year's target laid out in the third Mid-term Business Plan. In light of this, the Company proposes to pay a special dividend.

With regard to the financial situation, for the acquisitions of Cynapsus Therapeutics Inc. and Tolero in FY 2016, the Company took out a new loan that year in the amount of 40.0 billion yen. At the same time, the Company has been paying back interest-bearing debts as appropriate and expects to repay in full the 177.0 billion yen that it financed in FY2009 for the acquisition of Sepracor Inc. (now Sunovion) by the end of FY 2018. For the Group to achieve sustainable growth, it is necessary to make even more proactive investments in in-licensing of drugs and drug candidates, the Japan business, the North America business, and new business fields, as well as advanced investments in drug candidates gained through acquisitions. As such, the Company will

generate funds for such investments not only from its own finances, but from loans in order to use its financial leverage whenever appropriate.

⑥ Measures against risks

Risks associated with pursuit of the above business plans may involve delay or termination of product development, unexpected adverse events after a product has been launched, litigation, operational suspension, overseas operations, information management, and loss of the Company's reputation due to non-compliance.

The Group is striving to strengthen its risk management by developing and implementing a risk management system under the DSP Group Risk Management Policy, which is its basic policy on its risk management.

**(5) Assets and Income**

Assets and Income of the Group

	Japanese GAAP			IFRS	
	FY2014 (Fiscal year ended March 2015)	FY2015 (Fiscal year ended March 2016)	FY2016 (Fiscal year ended March 2017)	FY2016 (Fiscal year ended March 2017)	FY2017 (Fiscal year ended March 2018) (the fiscal year under review)
Revenue (Millions of yen)	371,370	403,206	411,639	408,357	466,838
Operating profit (Millions of yen)	23,275	36,929	52,501	40,286	88,173
Ordinary income (Millions of yen)	23,331	35,221	54,083	-	-
Net profit attributable to owners of the parent (Millions of yen)	15,447	24,697	28,733	31,316	53,448
Basic earnings per share	38.88 yen	62.16 yen	72.32 yen	78.82 yen	134.53 yen
Total assets (Millions of yen)	711,583	707,715	783,640	779,072	809,684
Total equity (Millions of yen)	451,021	446,472	460,389	412,268	452,723

- (Note)
1. From the fiscal year under review, the Company has adopted IFRS in preparing the Consolidated Financial Statements. Results based on IFRS for FY2016 are also shown as a reference.
  2. The terms “Revenue,” “Net profit attributable to owners of the parent,” “Basic earnings per share,” “Total assets,” and “Total equity” used under IFRS are “Net sales,” “Net income attributable to owners of the parent,” “Net

income per share,” “Total assets,” and “Net assets,” respectively, under generally accepted accounting principles in Japan (Japanese GAAP).

3. Because provisional accounting treatment for business combinations conducted during FY2016 was fixed during the fiscal year under review, the allocation of the acquisition cost was reviewed. Accordingly, amounts for FY2016 have been adjusted retroactively.
4. While amounts had been rounded down to the nearest million yen until FY2015, from FY2016, amounts are now rounded to the nearest million yen.

#### (6) Details of the Principal Businesses of the Group

Manufacturing, processing, purchase, sale, and import and export of pharmaceuticals, food ingredients, food additives, materials for chemical products, veterinary drugs and the like.

#### (7) Major Sales Branches, Plants, etc., of the Group

	Name	Place	Name	Place	Name	Place
	Osaka Head Office	Osaka	Tokyo Head Office	Chuo-ku, Tokyo		
Branches	Sapporo Branch	Sapporo	Tohoku Branch	Sendai	Kita-kanto Branch	Chuo-ku, Tokyo
	Koshinetsu Branch	Chuo-ku, Tokyo	Chiba Branch	Chiba	Saitama Branch	Saitama
	Tokyo Branch	Chuo-ku, Tokyo	Yokohama Branch	Yokohama	Tokai Branch	Nagoya
	Keiji-Hokuriku Branch	Kyoto	Osaka Branch	Osaka	Kobe Branch	Kobe
	Chugoku Branch	Hiroshima	Shikoku Branch	Takamatsu, Kagawa	Kyushu Branch	Fukuoka
Plants	Suzuka Plant	Suzuka, Mie	Ibaraki Plant	Ibaraki, Osaka	Ehime Plant	Niihama, Ehime
	Oita Plant	Oita, Oita				
Research Laboratories	Central Research Laboratories	Suita, Osaka	Osaka Research Center	Osaka		
Subsidiaries	DSP Gokyo Food & Chemical Co., Ltd.	Osaka	DS Pharma Animal Health Co., Ltd.	Osaka	DS Pharma Biomedical Co., Ltd.	Suita, Osaka
	Sunovion	U.S.A.	Boston Biomedical	U.S.A.	Tolero	U.S.A.

	Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.	China				
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## (8) Employees

### ① Employees of the Group

Business Segment	Number of Employees
Pharmaceutical Business	5,968
Others	300
Total	6,268

(Note) The number of employees of the Group indicated above is the total number of all persons currently working in the Group, including the seconded employees accepted by the Group, but excluding the employees seconded to other companies.

### ② Employees of the Company

Number of Employees	Change from the Previous Fiscal Year	Average Age	Average Length of Continuous Employment
3,402	-170	42.0	17.2 years

(Note) 1. The number of the Company's employees indicated above is the total number of all persons currently working in the Company, including the 132 seconded employees accepted by the Company, but excluding the 415 employees seconded to other companies.

2. The average age and average length of continuous employment were calculated based on the number that excludes the seconded employees accepted by the Company.

## (9) Parent Company and Significant Subsidiaries

### ① Parent Company

The parent company of the Company is Sumitomo Chemical Co., Ltd. holding 204,834,000 shares of common stock of the Company (investment ratio: 51.48%). The business transactions between the Company and Sumitomo Chemical Co., Ltd. are: the lease and rental of manufacturing/research facilities for certain pharmaceuticals, the consignment and undertaking of services in relation thereto, the purchase of raw materials, and the provision of a loan to Sumitomo Chemical Co., Ltd.

### ② Matters concerning Business Transactions with the Parent Company

Among the business transactions between the Company and Sumitomo Chemical Co., Ltd., the loan to Sumitomo Chemical Co., Ltd. needs to be noted in the Notes to Non-Consolidated

Financial Statements for the fiscal year under review.

- i. Considerations made so as not to harm the interests of the Company in conducting the business transaction

With respect to the loan to Sumitomo Chemical Co., Ltd., the Company has set relevant terms and conditions paying attention not to harm the interests of the Company by, for example, determining a reasonable interest rate that takes the market interest rate into account.

- ii. Decision of the Board of Directors of the Company on whether or not the business transaction might harm the interests of the Company, and the reason therefor

The terms and conditions of the business transaction are reasonable and accordingly the Board of Directors decided that the business transaction would not harm the interests of the Company.

- iii. Opinion of the Outside Director(s) when the opinion is different from the decision of the Board of Directors (if applicable)

There was no applicable matter.

③ Significant Subsidiaries

	Name	Investment Ratio (%)	Principal Businesses
Japan	DSP Gokyo Food & Chemical Co., Ltd.	100	Manufacture and sale of food ingredients, food additives, chemical product materials and the like
	DS Pharma Animal Health Co., Ltd.	100	Manufacture and sale of veterinary drugs and the like
	DS Pharma Biomedical Co., Ltd.	100	Manufacture and sale of diagnostic products and the like
Overseas	Sunovion	100 (100)	Manufacture and sale of medical drugs
	Boston Biomedical	100 (100)	Research and development in the oncology area
	Tolero	100 (100)	Research and development in the oncology and hematologic disease areas
	Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.	100	Manufacture and sale of medical drugs

(Note) The figure indicated in parentheses under the Investment Ratio column indicates the indirect ownership ratio (%) vis-a-vis the total ownership ratio.

**(10) Principal Lenders and the Amounts of Loans**

Lender	Outstanding Amount of the Loan
Sumitomo Mitsui Banking Corporation	11,400 million yen
Sumitomo Mitsui Trust Bank, Limited	7,100 million yen
The Norinchukin Bank	6,100 million yen
The Hyakujushi Bank, Ltd.	4,300 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,000 million yen

(Note) The Bank of Tokyo-Mitsubishi UFJ, Ltd., has changed its name to MUFG Bank, Ltd., as of April 1, 2018.

**2. Matters Regarding the Shares**

**(1) Total Number of Issuable Shares:** 1,500,000,000 shares

**(2) Total Number of Issued Shares:** 397,900,154 shares  
(including 601,983 treasury stocks)

**(3) Number of Shareholders**

**As of the end of the Fiscal Year Under Review:** 26,810

**(4) Top Ten Shareholders**

Name of Shareholder	Number of Shares Held (Thousand Shares)	Shareholding Ratio (%)
Sumitomo Chemical Co., Ltd.	204,834	51.56
Inabata & Co., Ltd.	21,882	5.51
The Master Trust Bank of Japan, Ltd. (Trust account)	21,478	5.41
Japan Trustee Services Bank, Ltd. (Trust account)	12,976	3.27
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
Aioi Nissay Dowa Insurance Co., Ltd.	4,435	1.12
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	3,597	0.91
Sumitomo Dainippon Pharma Employee	3,486	0.88



Shareholders' Association		
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- (Note)
1. The 7,000,000 shares of the Company which are held by SMBC Trust Bank Ltd. (Trust account for Sumitomo Mitsui Banking Corporation's retirement benefits) and which were contributed by Sumitomo Mitsui Banking Corporation, were placed in a retirement benefit trust account. After deducting the aforementioned shares that were contributed, Sumitomo Mitsui Banking Corporation holds 1,125,000 shares of the Company (shareholding ratio: 0.28%).
  2. The shareholding ratios were calculated after deducting the treasury stocks (601,983 shares).

### 3. Matters Regarding the Directors and Audit & Supervisory Board Members of the Company

#### (1) Directors and Audit & Supervisory Board Members (as of March 31, 2018)

Position	Name	Responsibilities, Principal Duties, and Significant Concurrent Positions
Representative Director and President	Masayo Tada	President and Chief Executive Officer Member, Board of Directors of Sunovion Member, Board of Directors of Boston Biomedical Board Chairman of the Japan Epilepsy Research Foundation
Representative Director	Hiroshi Nomura	Executive Vice President In charge of Global Corporate Planning, External Affairs, Corporate Secretariat & Industry Affairs, Personnel and Finance & Accounting Member, Board of Directors of Sunovion Member, Board of Directors of Boston Biomedical Member, Board of Directors of Tolero
Member, Board of Directors	Hitoshi Odagiri	Senior Executive Officer Executive Director, Sales & Marketing Division
Member, Board of Directors	Toru Kimura	Executive Officer Senior Executive Research Director, Drug Research Division In charge of the Regenerative & Cellular Medicine Office and the Regenerative & Cellular Medicine Kobe Center

Member, Board of Directors	Nobuyuki Hara	Executive Officer Executive Director, Corporate Regulatory Compliance & Quality Assurance Division In charge of Regulatory Affairs, Medical Information, Medical Affairs and the Drug Development Division Member, Board of Directors of DSP Gokyo Food & Chemical Co., Ltd.
Member, Board of Directors (Outside Director)	Hidehiko Sato	Attorney at Law Outside Director of Resona Holdings, Inc.
Member, Board of Directors (Outside Director)	Hiroshi Sato	Senior Adviser of Kobe Steel, Ltd. Outside Director of Sumitomo Electric Industries, Ltd. Outside Director of Nitto Denko Corporation
Member, Board of Directors (Outside Director)	Yutaka Atomi	President of Kyorin University
Full-Time Audit & Supervisory Board Member	Nobuo Takeda	
Full-Time Audit & Supervisory Board Member	Yoshinori Oh-e	
Outside Audit & Supervisory Board Member	Harumichi Uchida	Attorney at Law Outside Director of Suntory Beverage & Food Limited
Outside Audit & Supervisory Board Member	Kazuto Nishikawa	Nonmember Inspector of the Hyogo Prefectural Credit Federation of Agricultural Cooperatives
Outside Audit & Supervisory Board Member	Junsuke Fujii	Outside Audit & Supervisory Board Member of House Foods Group Inc. Outside Audit & Supervisory Board Member of The Royal Hotel, Limited

- (Note)
1. Directors Nobuyuki Hara and Yutaka Atomi and Audit & Supervisory Board Members Yoshinori Oh-e and Junsuke Fujii were newly appointed at the 197<sup>th</sup> Annual Shareholders' Meeting held on June 22, 2017 and assumed their office thereafter.
  2. Directors Hiroshi Noguchi and Masaru Ishidahara and Audit & Supervisory Board Members Yasuji Furutani and Yutaka Atomi retired as of June 22, 2017 due to the expiration of their terms of office.
  3. Directors Hidehiko Sato, Hiroshi Sato and Yutaka Atomi are Outside Directors as defined in Item 15, Article 2 of the Companies Act.
  4. Audit & Supervisory Board Members Harumichi Uchida, Kazuto Nishikawa and Junsuke Fujii are Outside Audit & Supervisory Board Members as defined in Item 16, Article 2 of the Companies Act.

5. Audit & Supervisory Board Member Kazuto Nishikawa has a considerable amount of knowledge in finance and accounting affairs, having served in many relevant positions such as Director-General of the Inspection Bureau of the Financial Services Agency.
6. The Company designated Directors Hidehiko Sato, Hiroshi Sato and Yutaka Atomi as Independent Directors as defined by the Tokyo Stock Exchange, Inc., and reported the same to the said exchange.
7. As of April 1, 2018, there were changes in the “Responsibilities, Principal Duties, and Significant Concurrent Positions” of the Directors as follows:

Position	Name	Responsibilities, Principal Duties, and Significant Concurrent Positions
Representative Director and Chairman	Masayo Tada	Member, Board of Directors of Sunovion Member, Board of Directors of Boston Biomedical Board Chairman of the Japan Epilepsy Research Foundation
Representative Director and President	Hiroshi Nomura	Member, Board of Directors of Sunovion Member, Board of Directors of Boston Biomedical Member, Board of Directors of Tolero
Member, Board of Directors	Hitoshi Odagiri	Senior Executive Officer Executive Director, Sales & Marketing Division Head of Japan Business Unit
Member, Board of Directors	Toru Kimura	Executive Officer Senior Executive Research Director, Drug Research Division In charge of the Regenerative & Cellular Medicine Office, the Regenerative & Cellular Medicine Kobe Center and the Regenerative & Cellular Medicine Manufacturing Plant
Member, Board of Directors	Nobuyuki Hara	Executive Officer Executive Director, Corporate Regulatory Compliance & Quality Assurance Division In charge of Regulatory Affairs, Medical Information, Medical Affairs and the Drug Development Division Deputy Head of Japan Business Unit Member, Board of Directors of DSP Gokyo Food & Chemical Co., Ltd.

Member, Board of Directors (Outside Director)	Hiroshi Sato	Adviser of Kobe Steel, Ltd. Outside Director of Sumitomo Electric Industries, Ltd. Outside Director of Nitto Denko Corporation
Member, Board of Directors (Outside Director)	Yutaka Atomi	President Emeritus of Kyorin University

## **(2) Overview of the Agreement Limiting the Liability of the Directors and Audit & Supervisory Board Members**

Pursuant to Paragraph 1 of Article 427 of the Companies Act, with respect to liability for damages, the Company executed an agreement (hereinafter referred to as the “Limited Liability Agreement”) with Outside Directors Hidehiko Sato, Hiroshi Sato and Yutaka Atomi and Outside Audit & Supervisory Board Members Harumichi Uchida, Kazuto Nishikawa and Junsuke Fujii to limit their liability for damages under circumstances where they acted in good faith and were not grossly negligent in performing their respective duties. The Limited Liability Agreement provides for a total maximum liability of ten (10) million yen or any amount stipulated by the relevant laws and regulations, whichever is higher.

## **(3) Matters Regarding the Outside Directors and Outside Audit & Supervisory Board Members**

- ① The Relationships between the Company and the Companies or Organizations Where the Outside Directors and Outside Audit & Supervisory Board Members Concurrently Hold Significant Positions

The relationships between the Company and the companies or organizations where the Outside Directors and Outside Audit & Supervisory Board Members concurrently hold significant positions are as follows:

- i. There is no significant trading relationship between the Company and Resona Holdings, Inc. where Director Hidehiko Sato serves as an outside director.
- ii. There is no significant trading relationship between the Company and Kobe Steel, Ltd. where Director Hiroshi Sato serves as a senior adviser, or Sumitomo Electric Industries, Ltd. or Nitto Denko Corporation where he serves as an outside director.
- iii. There is no significant trading relationship between the Company and Kyorin University where Director Yutaka Atomi serves as the President.
- iv. There is no significant trading relationship between the Company and Suntory Beverage & Food Limited where Audit & Supervisory Board Member Harumichi Uchida serves as an outside director.
- v. There is no significant trading relationship between the Company and the Hyogo Prefectural Credit Federation of Agricultural Cooperatives where Audit & Supervisory Board Member Kazuto Nishikawa serves as a nonmember inspector.

- vi. There is no significant trading relationship between the Company and House Foods Group Inc. or The Royal Hotel, Limited where Audit & Supervisory Board Member Junsuke Fujii serves as an outside audit & supervisory board member.

② The Principal Activities of the Outside Directors and Outside Audit & Supervisory Board Members

	Name	Principal Activities
Outside Director	Hidehiko Sato	Among the fourteen (14) meetings held by the Board of Directors during the fiscal year under review, he attended thirteen (13) meetings, and he made statements at those meetings, primarily based on his extensive experience and broad perspective gained at government agencies and from the professional standpoint of an attorney.
	Hiroshi Sato	Among the fourteen (14) meetings held by the Board of Directors during the fiscal year under review, he attended thirteen (13) meetings, and he made statements at those meetings, primarily based on his extensive experience and broad perspective as a corporate executive.
	Yutaka Atomi	Among the fourteen (14) meetings held by the Board of Directors during the fiscal year under review, he attended all eleven (11) meetings held after his assumption of office as a Director, and he made statements at those meetings, primarily from the professional standpoint of a medical doctor.
Outside Audit & Supervisory Board Members	Harumichi Uchida	He attended all fourteen (14) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from the professional standpoint of an attorney.
	Kazuto Nishikawa	He attended all fourteen (14) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from the professional standpoint of an expert in the fields of finance and accounting.
	Junsuke Fujii	Among the fourteen (14) meetings held by the Board of Directors and the thirteen (13) meetings

		held by the Audit & Supervisory Board during the fiscal year under review, he attended all eleven (11) meetings held by the Board of Directors and nine (9) meetings out of the ten (10) meetings held by the Audit & Supervisory Board, after his assumption of office as an Audit & Supervisory Board Member. He made statements at those meetings, primarily from the professional standpoint of a corporate executive.
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**(4) Remuneration and the like for Directors and Audit & Supervisory Board Members**

	Number	Amount of Remuneration and the like (Millions of Yen)	Memo
Directors	10	350	
Audit & Supervisory Board Members	7	90	
Total	17	440	

- (Note)
1. The above includes the amount of remuneration and the like for Outside Directors and Outside Audit & Supervisory Board Members, six (6) persons in total, which is 72 million yen in total.
  2. The above includes two (2) Directors and two (2) Audit & Supervisory Board Members who retired upon the conclusion of the 197<sup>th</sup> Annual Shareholders' Meeting held on June 22, 2017.
  3. The respective amounts of remuneration and the like for Directors and Audit & Supervisory Board Members that were determined in the Shareholders' Meeting do not exceed 400 million yen annually for Directors, and 100 million yen annually for Audit & Supervisory Board Members.
  4. The amount of remuneration and the like for Directors includes the amount of 35 million yen, which represents the bonuses for Directors to be paid after the 198<sup>th</sup> Annual Shareholders' Meeting to be held on June 19, 2018.

**4. Accounting Auditor**

**(1) Name**

KPMG AZSA LLC

**(2) Amount of Remuneration and the like**

	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	132

Public Accountant Act (Act No. 103 of 1948)	
Total amount of fees to be paid in cash or otherwise by the Company or Subsidiaries of the Company	132

- (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 remuneration 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 remuneration and the like related to the audit attestation services reflects the total sum of these two kinds of amounts. The amount of remuneration and the like related to the audit attestation services includes the amount of remuneration for the adoption of International Financial Reporting Standards (IFRS).
  3. Significant subsidiaries located abroad were audited by auditing firms other than the Accounting Auditor of the Company.

### **(3) Policy for the Determination of the Dismissal or Non-Reelection of the Accounting Auditor**

The Audit & Supervisory Board of the Company is entitled to dismiss the Accounting Auditor pursuant to Article 340 of the Companies Act. In addition, in case the Audit & Supervisory Board finds substantial concerns with respect to the continuation of the performance by the Accounting Auditor of its duties, the Audit & Supervisory Board will determine the content of a proposal regarding the dismissal or non-re-election of such Accounting Auditor in accordance with the policy for the determination of the dismissal or non-re-election of the Accounting Auditor separately provided for. Based on the determination made by the Audit & Supervisory Board of the Company, the Board of Directors of the Company will submit the proposal to the Shareholders' Meeting as a matter to be resolved.

## **5. System to Ensure the Appropriateness of Business Operations and its Implementation**

### **(System to Ensure the Appropriateness of Business Operations)**

At a meeting held by the Board of Directors, the Company passed a resolution on the following basic policy for the establishment of a system to ensure the appropriateness of business operations.

#### **(1) System to Ensure Compliance by the Directors and Employees of the Company with Laws and Regulations and the Articles of Incorporation in the Execution of Their Duties**

- ① The Company shall establish the Compliance Standard and shall take measures to

fully disseminate its corporate ethics in order to further ensure daily compliance pursuant to the Declaration of Conduct.

- ② As a system to promote compliance, the Company shall establish the Compliance Committee, in which the Executive Officer for Compliance will serve as the chairperson, and the Compliance Committee Secretariat, and shall appoint department leaders as compliance promotion leaders.
- ③ The Company shall periodically hold meetings of the Compliance Committee, and shall keep track of the status of promoting compliance. The Compliance Committee shall appropriately provide a summary of the status to the Board of Directors.
- ④ The Compliance Committee shall formulate and carry out the annual policy of education and training for the Directors and employees.
- ⑤ The Company shall establish a compliance hotline inside and outside the Company that will serve as a window for reporting and consulting matters related to compliance. The Company shall not adversely treat persons who have reported or consulted such matters on the basis that they made such reports or consultation.
- ⑥ The Company shall establish a department that is in charge of internal audit. The department shall audit the status of compliance, and shall appropriately report to the President and the Executive Officer for Compliance.

**(2) System for the Maintenance and Management of Information Concerning the Execution of Duties by the Directors of the Company**

The Company shall establish internal regulations with respect to the handling of records and information, and shall appropriately maintain and manage information in connection with the execution of duties by the Directors.

**(3) Rules and Other Systems Regarding the Management of the Risk of Loss of the Company**

- ① The Company shall establish the DSP Group Risk Management Policy that provides for basic thoughts as the Group with respect to risk management and shall conduct appropriate risk management.
- ② The Company shall establish the Risk Management Rules under which it is clarified that the President oversees risk management and shall develop systems to promote risk management for respective risks classified on the basis of risk characteristics. The status of operations in each system to promote risk management is periodically reported to the Board of Directors.
- ③ In order to minimize any effects of an emergency, which is likely to materially affect the management or business activities of the Company, the Company shall establish the Rules for Emergency Response and secure the continuity of management and business.



- (4) System to Ensure Efficient Execution of Duties by the Directors of the Company**
- ① The Company shall establish internal regulations such as the Regulations of the Board of Directors, the Regulations of Duties and Authority, the Regulations on Organization and the Rules for Division of Duties, and shall clarify the rules regarding duties and authority, division of duties and decision making.
  - ② The Company shall aim to realize speedy and efficient management by introducing an executive officer system.
  - ③ The Company shall aim to promote speedy and efficient decision making by introducing an electronic approval system.
- (5) System to Ensure the Appropriateness of the Operations of the Corporate Group (consisting of the Company, its Parent Company and Subsidiaries)**
- ① System to Ensure the Efficient Execution of Duties by Directors, etc. of Subsidiaries  
The subsidiaries shall clarify the rules regarding duties and authority, division of duties and decision making.
  - ② System Regarding the Report to the Company of Matters Related to the Execution of Duties by Directors, etc. of Subsidiaries  
The Company shall establish internal regulations that provide for basic matters to promote appropriate group operations, and through commitment by the subsidiaries to comply with such regulations, shall receive from the subsidiaries, reports regarding material matters on management.
  - ③ Rules and Other Systems Regarding the Management of the Risk of Loss of Subsidiaries
    - i. The subsidiaries shall develop systems to promote risk management in accordance with the types of their business and the characteristics of risks and shall conduct appropriate risk management.
    - ii. The Company shall govern risk management of the subsidiaries in general, and shall take necessary measures such as giving advice and instructions.
    - iii. The Company shall develop necessary systems to promote risk management for risks the Group should cross-functionally address and shall enhance the Group's risk management.
  - ④ System to Ensure Compliance by Directors, etc. and Employees of Subsidiaries with Laws and Regulations and the Articles of Incorporation in the Execution of Their Duties
    - i. The subsidiaries shall develop an appropriate system to promote compliance.
    - ii. The Company shall enhance compliance by the subsidiaries by periodically holding meetings, such as committee meetings, related to compliance, which the subsidiaries participate in.
    - iii. The department that is in charge of the internal audit of the Company shall audit the status of compliance by the subsidiaries, and shall appropriately

report to the President and the Executive Officer for Compliance of the Company.

- ⑤ Other Systems to Ensure the Appropriateness of the Operations of the Corporate Group (consisting of the Company, its Parent Company and Subsidiaries)
  - i. The Company shall ensure its independence and shall develop an autonomous internal control system, while respecting the group operation policy of Sumitomo Chemical Co., Ltd., the parent company.
  - ii. The Company shall appropriately conduct transactions with the parent company by ensuring the fairness and rationality of transactions.

**(6) System to Ensure Effective Implementation of Audits by the Audit & Supervisory Board Members**

- ① Matters Concerning Employees Assigned to Assist the Audit & Supervisory Board Members in the Execution of Their Duties, Matters Concerning the Independence of Such Employees from the Directors of the Company and Matters for Ensuring the Effectiveness of Instructions Given to Such Employees

The Company shall assign one or more employees, who are not under the line of command of the department that executes operations of the Company, to assist the duties of the Audit & Supervisory Board Members and serve in the secretariat of the Audit & Supervisory Board. Decisions on transfer and evaluation of such employees will be made upon consultation with the Audit & Supervisory Board Members and by respecting their opinions.

- ② System for the Directors and Employees to Report to the Audit & Supervisory Board Members

The Company shall establish procedures or the like with respect to reports by the Directors and employees of the Company to the Audit & Supervisory Board Members, and shall provide information needed by the Audit & Supervisory Board Members in a timely and appropriate manner.

- ③ System for the Directors, Audit & Supervisory Board Members, Members Who Execute Operations and Employees of Subsidiaries, or Persons Who Receive Report from the Same, to Report to the Audit & Supervisory Board Members of the Company

The Company shall establish procedures or the like with respect to reports by the directors or the like of its subsidiaries to the Audit & Supervisory Board Members, and shall provide information needed by the Audit & Supervisory Board Members in a timely and appropriate manner.

- ④ System to Ensure That Persons Who Have Made Reports As Provided in the Immediately Preceding Two Paragraphs Will Not Receive Any Adverse Treatment for Having Made Such Reports

The Company shall not adversely treat persons who have made reports as provided in the immediately preceding two paragraphs on the basis that they made such reports.

- ⑤ Matters Concerning the Procedures for Advance Payment or the Reimbursement of Expenses Incurred in Relation to the Execution of the Duties by the Audit & Supervisory Board Members and Any Other Policy for Processing of Costs and Obligations Incurred in Relation to the Execution of Their Duties

The Company shall process the costs and obligations incurred in relation to the execution of duties by the Audit & Supervisory Board Members in a timely and appropriate manner by respecting their opinions.

- ⑥ Other Systems to Ensure Effective Implementation of Audits by the Audit & Supervisory Board Members
- i. The Company shall periodically hold meetings between the Audit & Supervisory Board Members and the Representative Directors, between the Audit & Supervisory Board Members and the department which is in charge of the internal audit, and among the three parties of the Audit & Supervisory Board Members, the department which is in charge of the internal audit and the Accounting Auditor.
  - ii. If there is any request from the Audit & Supervisory Board Members regarding their duties, the Company shall respect such request and shall respond to such request in a timely and appropriate manner.

#### **(7) Elimination of Anti-Social Forces**

The Company shall keep its Directors and employees thoroughly informed to take decisive actions against anti-social forces, and shall promote efforts aimed at cutting off any and all relationships with such forces.

#### **(Overview of the Implementation of the System to Ensure the Appropriateness of Business Operations)**

The overview of the status of the implementation of the system to ensure the appropriateness of business operations is as follows:

- ① **Implementation Relating to the Improvement of the Efficiency of the Execution of Duties**
- The Company established a department of Corporate Governance for further enhancing corporate governance within the Group, and strives for the effective operation of the Basic Policy on Corporate Governance which sets forth basic concepts and basic policies on corporate governance.
  - Pursuant to the Regulations of the Board of Directors, fourteen (14) meetings of the Board of Directors were held during the fiscal year under review.
  - The Company conducted a questionnaire to all the Directors and Audit & Supervisory Board Members about the effectiveness of the Board of Directors as a whole. Based on the analyzed results of the questionnaire, opinions were exchanged at the meeting of the Board of Directors. As a result, as matters to be

addressed, suggestions were made regarding the prior explanations to the Outside Directors and the Outside Audit & Supervisory Board Members and the provision of information to them at the meetings of the Board of Directors, which would be helpful to further stimulate the discussion by the Board of Directors. The Company has taken action for improvement with respect to such matters.

② **Implementation Relating to the Compliance System**

- In order to ensure compliance throughout the Group, the Company developed a system to promote compliance and appointed the Executive Officer for Compliance who oversees compliance matters of the Company and the group companies in Japan and abroad.
- The Executive Officer for Compliance delivered his compliance-related messages within the Company and to the group companies in Japan and abroad, and thoroughly emphasized the importance of making further efforts to enhance compliance.
- The Company held meetings of the Company's Compliance Committee, the Compliance Committee for Group Companies in Japan, and the Compliance Committee for Overseas Group Companies, respectively. At such meetings, the status of compliance promotion within the Group was discussed.
- The status of compliance promotion within the Group, the activities of each Compliance Committee and other related matters were reported during the meetings of the Board of Directors.
- The compliance hotline established inside and outside the Company has been appropriately operated, and the status of its operations was reported to the Company's Compliance Committee.
- The Company held educational seminars with topics such as the Financial Instruments and Exchange Act, the Compliance Standard, the Personal Information Protection Act and the JPMA Code of Practice during the fiscal year under review.

③ **Implementation Relating to the Risk Management System**

- The Company established the DSP Group Risk Management Policy which sets forth basic policies on the Group's risk management.
- For the further promotion of the Group's risk management, the Company classified risks depending on risk characteristics for risks to be addressed by the Group cross-functionally and risks to be addressed by each company at its own responsibility, and developed systems to promote risk management for each classified risk.
- The Company established the systems to keep track of the promotion system for risk management of group companies in Japan and abroad as well as the status of their operations, and to provide guidance, advice and the like to group companies as necessary.
- The status of operations in each system to promote risk management were

periodically reported to the Board of Directors by the responsible person for each system.

- The Company has enhanced a system to promote information management by reorganizing the structure of internal regulations related to information management and establishing the Regulations on Information Management which aim to promote the appropriate management of information.
- Pursuant to the Regulations on Information Management, the meeting of the Information Management Committee was held, wherein the system to promote information management of the Group and the status of measures being taken were reported, and the details of such meeting were reported to the Board of Directors.

④ **Implementation Relating to the Audit by the Audit & Supervisory Board Members**

- In order to enable the Audit & Supervisory Board Members to carry out their duties effectively, the Company has secured an appropriate system in accordance with the Basic Policy for Developing the Internal Control System by, for example, assigning a full-time staff member, who is not under the line of command of the department that executes operations of the Company, to assist the Audit & Supervisory Board Members.
- The Audit & Supervisory Board Members regularly conducted meetings with the Representative Director, the department that is in charge of internal auditing and the Accounting Auditor, respectively, to exchange opinions and for other purposes. In addition, the Audit & Supervisory Board Members have made efforts to keep track of the status relating to internal control by attending important meetings such as the meetings of the Management Committee and the Compliance Committee.
- Pursuant to the Regulations of the Audit & Supervisory Board, thirteen (13) meetings of the Audit & Supervisory Board were held during the fiscal year under review.

⑤ **Transactions with the Parent Company, etc.**

- Pursuant to the Regulations of the Board of Directors, the Company categorized significant transactions with related parties as matters to be resolved by the Board of Directors, and transactions that do not fall thereunder as matters to be reported to the Board of Directors. Accordingly, transactions with Sumitomo Chemical Co., Ltd., the parent company, were reported as transactions with related parties during the meetings of the Board of Directors, at which Independent Outside Directors were present.

**Consolidated Statement of Financial Position**

(As of March 31, 2018)

(millions of yen)

<b>Item</b>	<b>Amount</b> As of March 31, 2018	<b>(Reference)</b> <b>Amount</b> As of March 31, 2017	<b>Item</b>	<b>Amount</b> As of March 31, 2018	<b>(Reference)</b> <b>Amount</b> As of March 31, 2017
<b>Assets</b>			<b>Liabilities</b>		
<b>Non-current assets</b>	<b>461,103</b>	<b>471,512</b>	<b>Non-current liabilities</b>	<b>146,713</b>	<b>134,671</b>
Property, plant and equipment	58,204	61,121	Bonds and borrowings	30,940	10,000
Goodwill	95,097	100,194	Other financial liabilities	88,427	100,873
Intangible assets	189,681	197,114	Retirement benefit liabilities	20,700	16,374
Other financial assets	70,993	52,681	Other non-current liabilities	6,551	7,352
Income tax receivable	2,453	-	Deferred tax liabilities	95	72
Other non-current assets	3,067	3,313	<b>Current liabilities</b>	<b>210,248</b>	<b>232,133</b>
Deferred tax assets	41,608	57,089	Bonds and borrowings	16,460	58,000
			Trade and other payables	58,708	47,394
<b>Current assets</b>	<b>348,581</b>	<b>307,560</b>	Other financial liabilities	6,278	13,917
Inventories	60,169	60,286	Income taxes payable	14,368	10,001
Trade and other receivables	112,982	112,732	Provisions	84,433	76,905
Other financial assets	22,066	17,494	Other current liabilities	30,001	25,916
Income tax receivable	419	6,234	<b>Total liabilities</b>	<b>356,961</b>	<b>366,804</b>
Other current assets	5,170	5,211	<b>Equity</b>		
Cash and cash equivalents	147,775	105,603	<b>Equity attributable to owners of the parent</b>	<b>452,723</b>	<b>412,268</b>
			Share capital	22,400	22,400
			Capital surplus	15,860	15,860
			Treasury shares	(669)	(667)
			Retained earnings	396,037	357,769
			Other components of equity	19,095	16,906
			<b>Total equity</b>	<b>452,723</b>	<b>412,268</b>
<b>Total assets</b>	<b>809,684</b>	<b>779,072</b>	<b>Total liabilities and equity</b>	<b>809,684</b>	<b>779,072</b>

(Note) All amounts are rounded to the nearest million yen

**Consolidated Statement of Profit or Loss**

**(April 1, 2017 to March 31, 2018)**

(millions of yen)

Item	Amount Year ended March 31, 2018	(Reference) Amount Year ended March 31, 2017
Revenue	466,838	408,357
Cost of sales	112,345	94,625
Gross profit	<b>354,493</b>	<b>313,732</b>
Selling, general and administrative expenses	183,651	181,668
Research and development expenses	86,928	81,373
Other income	9,417	3,554
Other expenses	5,158	13,959
Operating profit	<b>88,173</b>	<b>40,286</b>
Finance income	2,430	3,182
Finance expenses	5,737	687
<b>Profit before taxes</b>	<b>84,866</b>	<b>42,781</b>
Income tax expenses	31,418	11,465
<b>Net profit</b>	<b>53,448</b>	<b>31,316</b>
<b>Net profit attributable to:</b>		
Owners of the parent	53,448	31,316

(Note) All amounts are rounded to the nearest million yen

**Non-consolidated Statement of Financial Position**

(As of March 31, 2018)

(millions of yen)

Item	Amount As of March 31, 2018	(Reference) Amount As of March 31, 2017	Item	Amount As of March 31, 2018	(Reference) Amount As of March 31, 2017
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>	<b>271,187</b>	<b>246,123</b>	<b>Current liabilities</b>	<b>68,761</b>	<b>101,104</b>
Cash and time deposits	79,201	40,798	Accounts payable	10,638	7,884
Accounts receivable	64,470	74,094	Short-term borrowings to affiliates	3,500	40,000
Marketable securities	2,000	4,000	Current portion of bonds	10,000	10,000
Merchandise and finished goods	34,190	33,759	Current portion of long-term borrowings	2,960	8,000
Work-in-process	2,902	3,029	Accounts payable-other	20,036	14,943
Raw materials and supplies	9,075	9,840	Accrued expenses	931	1,002
Advance payments	92	79	Income taxes payable	12,280	7,898
Prepaid expenses	332	325	Advances received	1,308	1,558
Deferred tax assets	17,314	14,884	Deposits received	655	3,159
Short-term loans to affiliates	58,755	61,876	Reserve for bonuses	6,297	6,257
Accounts receivables - other	2,856	3,440	Others	155	404
<b>Fixed assets</b>	<b>409,214</b>	<b>395,989</b>	<b>Long-term liabilities</b>	<b>50,531</b>	<b>25,422</b>
<b>Property, plant and equipment</b>	<b>46,837</b>	<b>48,893</b>	Bonds	-	10,000
Buildings	30,074	30,960	Long-term borrowings	30,940	-
Structures	569	604	Long-term deposits payable	3,190	3030
Machinery and equipment	6,563	5,675	Deferred tax liabilities	4,509	873
Vehicles	14	20	Provision for retirement benefit liabilities	11,481	11,109
Tools, furniture and fixtures	3,046	3,712	Others	410	410
Land	4,683	5,843	<b>Total Liabilities</b>	<b>119,292</b>	<b>126,527</b>
Construction in progress	1,888	2,081	<b>Net assets</b>		
<b>Intangible assets</b>	<b>6,430</b>	<b>7,491</b>	<b>Shareholders' equity</b>	<b>532,038</b>	<b>497,623</b>
Software	2,624	2,664	Share capital	22,400	22,400
Marketing rights	2,708	3,775	Capital surplus	15,861	15,861
Others	1,098	1,052	Legal capital surplus	15,860	15,860
<b>Investments and other assets</b>	<b>355,946</b>	<b>339,605</b>	Other capital surplus	0	0
Investment securities	59,846	44,334	Retained earnings	494,447	460,029
Investment in affiliates	282,920	283,214	Legal retained earnings	5,288	5,288
Amount invested in capital of affiliates	3,148	3,148	Other retained earnings	489,158	454,741
Long-term prepaid expenses	2,129	2,230	Reserve for advanced depreciation of non-current assets	1,489	1,564
Prepaid pension cost	6,266	5,014	General reserve	275,510	275,510
Others	1,664	1,687	Retained earnings carried forward	212,159	177,667
Allowance for doubtful receivables	(26)	(23)	Treasury shares	(669)	(667)
			<b>Valuation, translation adjustments and others</b>	<b>29,071</b>	<b>17,962</b>
			Unrealized gains on available-for-sale securities, net of tax	29,071	17,962
			<b>Total net assets</b>	<b>561,109</b>	<b>515,585</b>
<b>Total assets</b>	<b>680,400</b>	<b>642,112</b>	<b>Total liabilities and net assets</b>	<b>680,400</b>	<b>642,112</b>

(Note) All amounts are rounded to the nearest million yen



**Non-consolidated Statement of Profit or Loss**

**(April 1, 2017 to March 31, 2018)**

(millions of yen)

Item	Amount Year ended March 31, 2018	(Reference) Amount Year ended March 31, 2017
<b>Net sales</b>	<b>251,101</b>	<b>256,532</b>
<b>Cost of sales</b>	<b>66,590</b>	<b>58,921</b>
<b>Gross profit</b>	<b>184,511</b>	<b>197,611</b>
Reversal of reserve for sales returns	0	8
<b>Gross profit-net</b>	<b>184,512</b>	<b>197,619</b>
<b>Selling, general and administrative expenses</b>	<b>109,943</b>	<b>107,851</b>
<b>Operating profit</b>	<b>74,568</b>	<b>89,768</b>
<b>Non-operating income</b>	<b>4,044</b>	<b>4,308</b>
Interest and dividend income	3,512	2,288
Foreign exchange gains	-	1,708
Others	533	312
<b>Non-operating expenses</b>	<b>7,293</b>	<b>1,978</b>
Interest expenses	349	822
Donations	768	726
Losses on disposal of fixed assets	183	119
Foreign exchange losses	5,612	-
Others	381	311
<b>Ordinary income</b>	<b>71,320</b>	<b>92,099</b>
<b>Extraordinary income</b>	<b>-</b>	<b>5,754</b>
Gains on sales of investment securities	-	5,754
<b>Extraordinary loss</b>	<b>11,777</b>	<b>12,878</b>
Loss on valuation of investment securities	6,445	-
Business structure improvement expenses	3,185	10,872
Impairment losses	2,147	-
Loss due to suspension of research and development	-	2,006
<b>Profit before taxes</b>	<b>59,543</b>	<b>84,974</b>
Income tax expenses - current	20,867	18,127
Income tax expenses - deferred	(3,687)	2,945
<b>Net profit</b>	<b>42,364</b>	<b>63,902</b>

(Note) All amounts are rounded to the nearest million yen

## **Independent Auditor's Report**

May 9, 2018

The Board of Directors  
Sumitomo Dainippon Pharma Co., Ltd.

KPMG AZSA LLC

Koichi Inoue (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Koji Narumoto (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to consolidated financial statements of Sumitomo Dainippon Pharma Co., Ltd. (the "Company") as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 in accordance with Article 444-4 of the Companies Act.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards("IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above, prepared with the omission of a part of the disclosures required under IFRS pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period.

### **Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## **Independent Auditor's Report**

May 9, 2018

The Board of Directors  
Sumitomo Dainippon Pharma Co., Ltd.

KPMG AZSA LLC

Koichi Inoue (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Koji Narumoto (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the notes to non-consolidated financial statements, and the supplementary schedules of Sumitomo Dainippon Pharma Co., Ltd. (the "Company") as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 in accordance with Article 436-2-1 of the Companies Act.

### **Management's Responsibility for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

### **Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## **Audit Report by the the Audit & Supervisory Board**

### **Audit Report**

The Audit & Supervisory Board prepared this audit report with regard to the performance of duties of Directors of the Company for the 198<sup>th</sup> fiscal year from April 1, 2017 to March 31, 2018, upon deliberation based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby reports as follows:

#### **1. Auditing Method adopted by Audit & Supervisory Board Members as well as the Audit & Supervisory Board and details thereof**

(1) The Audit & Supervisory Board established the audit policies, assignment of duties, and other matters, and received reports from each Audit & Supervisory Board Member on the status of implementation of their audits and results thereof. In addition, the Audit & Supervisory Board received reports from Directors and the Accounting Auditor on the status of the performance of their duties, and requested explanations as necessary.

(2) In conformity with Audit & Supervisory Board Members auditing standards established by the Audit & Supervisory Board, and in accordance with the audit policies, assignment of duties, and other matters, each Audit & Supervisory Board Member endeavored to communicate with Directors and other employees including those at the internal auditing division, endeavored to collect information and maintain and improve the audit environment, and conducted audits through the methods described below:

- ① Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings, received reports from Directors and employees on the status of the performance of their duties, requested explanations as necessary, examined important approval documents, and inspected the status of the business operations and assets at the head offices and other principal offices. With respect to subsidiaries, Audit & Supervisory Board Members endeavored to communicate and exchange information with Directors and Audit & Supervisory Board Members, etc. of each subsidiary, and received reports concerning their business through the Executive Committee.
- ② With regard to the contents of the Board of Directors' resolutions regarding the development and maintenance of the system to ensure that the Directors' performance of their duties complies with all laws, regulations and the Articles of Incorporation of the Company, that is described in the Business Report, and other systems prescribed in Paragraphs 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act as systems necessary for ensuring the appropriateness of the business operations of a group of enterprises consisting of a stock company and its subsidiaries, and the system (internal control system) developed based on such resolutions, Audit & Supervisory Board Members regularly received reports from Directors and employees on the status of their construction and implementation, requested explanations as necessary and represented opinion.
- ③ Audit & Supervisory Board Members monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received reports from the Accounting Auditor on the status of its performance of duties and requested explanations as necessary. Audit & Supervisory Board Members were notified by the Accounting Auditor that "a system to ensure the proper performance of the duties" (matters set forth in each item of Article 131 of the Ordinance on Accounting of Companies) had been established in accordance with "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005) and other relevant standards, and requested explanations as necessary.

Audit & Supervisory Board Members examined the Business Report and its supporting schedules, financial statements (Balance Sheet, Statement of Income, Statement of Changes in Net Assets, and Notes to Non-consolidated Financial Statements) and their supporting schedules, as well as the consolidated financial statements (Consolidated Statement of Financial Position, Consolidated Statements of Income, Consolidated Statement of Changes in Equity, and Notes to Consolidated Financial Statements) for the fiscal year under review in accordance with the above methods.

#### **2. Results of Audit**

(1) Results of audit of the Business Report and other documents

- ① We confirm that the Business Report and supporting schedules accurately represent the position of the Company according to the laws, regulations and the Articles of Incorporation of the Company.
- ② We have not found any improper conduct or any material evidence of violations of any law or any Articles of Incorporation of the Company in relation to the performance of duties by Directors.
- ③ We confirm that the resolutions adopted by the Board of Directors with respect to the internal control system are appropriate. In addition, we have not found any matters that should be noted regarding the contents of the Business Report and the performance of duties by Directors in relation to the internal control system.
- ④ With respect to the business transactions with the parent company, etc., described in the Business Report, we have not found any matters that should be noted in relation to the considerations made not to harm the interests of the Company in conducting the business transaction and the decision of the Board of Directors of the Company on whether or not the business transaction might harm the interests of the Company, and the reason therefor.

(2) Results of audit of financial statements and supporting schedules

We confirm that the method and the results of the audit conducted by KPMG AZSA LLC, Accounting Auditor of the Company, are appropriate.

(3) Results of audit of consolidated financial statements

We confirm that the method and the results of the audit conducted by KPMG AZSA LLC, Accounting Auditor of the Company, are appropriate.

May 10, 2018

The Audit & Supervisory Board, Sumitomo Dainippon Pharma Co., Ltd.

Nobuo Takeda, Audit & Supervisory Board Member (seal)

Yoshinori Oh-e, Audit & Supervisory Board Member (seal)

Harumichi Uchida, Audit & Supervisory Board Member (seal)

Kazuto Nishikawa, Audit & Supervisory Board Member (seal)

Junsuke Fujii, Audit & Supervisory Board Member (seal)

Note: Harumichi Uchida, Kazuto Nishikawa and Junsuke Fujii are Outside Audit & Supervisory Board Members.

## Reference Documents for the Shareholders' Meeting

### Proposals and Matters for Reference:

#### **First Proposal: Appropriation of Surplus**

The allocation of the Company's profits in a customarily appropriate manner to its shareholders is one of the Company's fundamental management policies. In addition to stressing the distribution of surplus in an appropriate manner that reflects the Company's performance, the Company intends to make decisions on dividends from a comprehensive standpoint, while, among others, actively investing in its future growth, ensuring a solid management base and enhancing its financial condition to further increase its enterprise value. The Company aims to give consideration so that profits will continue to be allocated to its shareholders in a consistent manner.

In the fiscal year under review, the Company achieved a record-high operating income owing primarily to continued expanded sales of LATUDA® from the previous fiscal year, thereby largely surpassing the target for FY2017, which was laid out in the 3<sup>rd</sup> Mid-Term Business Plan.

Given the above mentioned basic policy on profit distribution to shareholders and earnings results of the fiscal year under review, we hereby propose the year-end dividend of nineteen (19) yen per share, which comprises an ordinary dividend of nine (9) yen and a special dividend of ten (10) yen, as follows:

Matters related to the year-end dividend

(1) Category of dividend property:

Cash

(2) Matters related to the allocation of dividend property to the shareholders, and the aggregate amount of the dividend:

Nineteen (19) yen per share of common stock of the Company (7,548,665,249 yen in aggregate)

Therefore, the annual dividend, including the interim dividend, shall be twenty-eight (28) yen per share.

(3) Date on which the distribution of surplus will take effect:

June 20, 2018



## Second Proposal: Election of Eight (8) Directors

The term of office of all the current Directors (8 persons) of the Company will expire upon the conclusion of this Shareholders' Meeting.

Therefore, we would like you to elect eight (8) Directors.

The candidates for Directors are as follows:

Candidate No.	Name (Date of birth)	Summary of the Profile, Position(s), Responsibilities and Significant Concurrent Position(s)	Number of Shares of the Company Owned
1	Masayo Tada (Jan. 13, 1945)	<p>April 1968: Joined Sumitomo Chemical Co., Ltd.</p> <p>June 1998: Director of Sumitomo Chemical Co., Ltd.</p> <p>June 2002: Managing Director of Sumitomo Chemical Co., Ltd.</p> <p>January 2005: Managing Executive Officer of the former Sumitomo Pharmaceuticals Co., Ltd.</p> <p>June 2005: Director and Managing Executive Officer of the former Sumitomo Pharmaceuticals Co., Ltd.</p> <p>October 2005: Member of the Board of Directors and Executive Vice President of the Company</p> <p>June 2007: Member of the Board of Directors and Senior Executive Vice President of the Company</p> <p>June 2008: Representative Director, President and Chief Executive Officer of the Company</p> <p>April 2018: Representative Director and Chairman of the Company (up to the present)</p> <p>[Significant Concurrent Positions]</p> <p>Member of the Board of Directors of Sunovion</p> <p>Member of the Board of Directors of Boston Biomedical</p> <p>Board Chairman of the Japan Epilepsy Research Foundation</p> <p>[Reason for Nomination as a Candidate for</p>	117,900 shares

		<p>Director]</p> <p>Masayo Tada served as the Representative Director and President of the Company for about 10 years from June 2008 to March 2018, and exercised his leadership in enhancing the foundations of the business including the globalization of the Company. The Company has nominated him as a candidate for Director, finding that he will be able to continue to contribute to the further development of the Group with his extensive knowledge, capacity and experience.</p>	
2	Hiroshi Nomura (Aug. 31, 1957)	<p>April 1981: Joined Sumitomo Chemical Co., Ltd.</p> <p>January 2008: Joined the Company</p> <p>January 2008: Director of Corporate Planning of the Company</p> <p>June 2008: Executive Officer of the Company</p> <p>June 2012: Member of the Board of Directors of the Company</p> <p>April 2014: Member of the Board of Directors and Senior Executive Officer of the Company</p> <p>April 2016: Member of the Board of Directors and Executive Vice President of the Company</p> <p>April 2017: Representative Director and Executive Vice President of the Company</p> <p>April 2018: Representative Director and President of the Company (up to the present)</p> <p>[Significant Concurrent Positions]</p> <p>Member of the Board of Directors of Sunovion</p> <p>Member of the Board of Directors of Boston Biomedical</p> <p>Member of the Board of Directors of Tolero</p> <p>[Reason for Nomination as a Candidate for Director]</p> <p>Hiroshi Nomura has extensive knowledge, capacity and experience in pursuing strategic business planning, having served as a responsible person for the departments of global strategy, global corporate management, human resources,</p>	35,400 shares

		finance and accounting, and drug development, and also, since April 2018, as the Representative Director and President of the Company. The Company has nominated him as a candidate for Director, finding that he is well-qualified for promoting the corporate strategies of the Group.	
3	Hitoshi Odagiri (Jan. 4, 1957)	<p>April 1979: Joined Inabata &amp; Co., Ltd.  October 1984: Joined the former Sumitomo Pharmaceuticals Co., Ltd.  June 2007: Director of Strategic &amp; Marketing Planning of the Company  June 2008: Director of Strategic Planning &amp; Management of the Company  June 2009: Senior Vice President of Dainippon Sumitomo Pharma America Inc. (currently, Sunovion)  April 2012: Executive Officer of the Company  April 2016: Senior Executive Officer of the Company (up to the present)  June 2016: Member of the Board of Directors of the Company (up to the present)  April 2018: Executive Director of the Sales &amp; Marketing Division and Head of Japan Business Unit of the Company (up to the present)</p> <p>[Reason for Nomination as a Candidate for Director]  Hitoshi Odagiri has extensive knowledge, capacity and experience in sales and marketing, having served as a responsible person of the sales and marketing department and in responsible positions of the human resources department of the Company and at its overseas subsidiaries. The Company has nominated him as a candidate for Director, finding that he is well-qualified for promoting the corporate strategies of the Group.</p>	19,100 shares
4	Toru Kimura (Aug. 5, 1960)	<p>April 1989: Joined Sumitomo Chemical Co., Ltd.  October 1992: Joined the former Sumitomo Pharmaceuticals Co., Ltd.  June 2009: Director of Genomic Science Laboratories of the Company</p>	12,600 shares

		<p>June 2010: Director of Research Planning &amp; Management of the Company</p> <p>April 2012: Director of Global Strategy of the Company</p> <p>September 2013: Director of the Regenerative &amp; Cellular Medicine Office of the Company</p> <p>April 2015: Executive Officer of the Company (up to the present)</p> <p>June 2016: Member of the Board of Directors of the Company (up to the present)</p> <p>April 2018: Senior Executive Research Director of the Drug Research Division, and in charge of the Regenerative &amp; Cellular Medicine Office, the Regenerative &amp; Cellular Medicine Kobe Center and the Regenerative &amp; Cellular Medicine Manufacturing Plant of the Company (up to the present)</p> <p>[Reason for Nomination as a Candidate for Director]</p> <p>Toru Kimura has extensive knowledge, capacity and experience in global strategy and research, having served as a responsible person of the global strategy department and the department for regenerative and cellular medicine and of the research department of the Company. The Company has nominated him as a candidate for Director, finding that he is well-qualified for promoting the corporate strategies of the Group.</p>	
5	Nobuyuki Hara (Dec. 2, 1955)	<p>April 1981: Joined Sumitomo Chemical Co., Ltd.</p> <p>October 1984: Joined the former Sumitomo Pharmaceuticals Co., Ltd.</p> <p>June 2007: Director of Product Strategy &amp; Promotion Planning II of the Company</p> <p>June 2008: Director of the Tokyo Branch II, Capital Region of the Company</p> <p>June 2009: Director of Product Management &amp; Promotion Planning of the Company</p> <p>April 2012: Executive Officer of the Company (up to the present)</p>	15,800 shares

		<p>April 2013: Executive Director of the Corporate Regulatory Compliance &amp; Quality Assurance Division of the Company</p> <p>April 2014: Executive Director of the Drug Development Division of the Company</p> <p>June 2017: Member of the Board of Directors of the Company (up to the present)</p> <p>April 2018: Executive Director of the Corporate Regulatory Compliance &amp; Quality Assurance Division, and in charge of Regulatory Affairs, Medical Information, Medical Affairs and the Drug Development Division, and Deputy Head of Japan Business Unit of the Company (up to the present)</p> <p>[Significant Concurrent Position] Member of the Board of Directors of DSP Gokyo Food &amp; Chemical Co., Ltd.</p> <p>[Reason for Nomination as a Candidate for Director] Nobuyuki Hara has extensive knowledge, capacity and experience in regulatory compliance and quality assurance, research and development as well as sales and marketing, having served as a responsible person of departments of regulatory compliance and quality assurance and drug development, and in responsible positions of sales and marketing of the Company. The Company has nominated him as a candidate for Director, finding that he is well-qualified for promoting the corporate strategies of the Group.</p>	
6	<p>Hidehiko Sato (Apr. 25, 1945)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Outside</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Independent</div>	<p>April 1968: Joined the National Police Agency</p> <p>August 1986: Counselor of the Second Department of the Cabinet Legislation Bureau</p> <p>April 1992: Director General of the Criminal Investigation Bureau of the Metropolitan Police Department</p> <p>February 1995: Chief of the Saitama Prefectural Police Headquarters</p>	0 share

		<p>December 1996: Director General of the Criminal Investigation Bureau of the National Police Agency</p> <p>January 1999: Chief of the Osaka Prefectural Police Headquarters</p> <p>January 2000: Deputy Commissioner General of the National Police Agency</p> <p>August 2002: Commissioner General of the National Police Agency</p> <p>February 2005: President of the Police Personnel Mutual Aid Association</p> <p>June 2011: Admitted to the Bar (Japan)</p> <p>June 2011: Outside Audit &amp; Supervisory Board Member of the Company</p> <p>June 2011: Outside Director of JS Group Corporation (currently, LIXIL Group Corporation)</p> <p>June 2013: Member of the Board of Directors (Outside Director) of the Company (up to the present)</p> <p>June 2014: Outside Director of Resona Bank, Ltd.</p> <p>June 2015: Outside Director of Resona Holdings, Inc. (up to the present)</p> <p>[Significant Concurrent Position] Outside Director of Resona Holdings, Inc.</p> <p>[Reason for Nomination as a Candidate for Director] Hidehiko Sato has a wide range of knowledge and extensive experience, which he has acquired in the course of his career during which he held various positions such as the Counselor of the Cabinet Legislation Bureau and the Commissioner General of the National Police Agency. He also has expertise as an attorney. The Company has nominated him as a candidate for Outside Director, finding that he will be able to contribute to the management of the Company with his knowledge, experience and expertise. Although Hidehiko Sato has not been directly involved in corporate management, the Company has</p>	
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		determined that he is capable of appropriately performing his duties as an Outside Director for the reasons described above.	
7	<p>Yutaka Atomi (Dec. 5, 1944)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Outside</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Independent</div>	<p>April 1970: Intern Doctor at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo</p> <p>April 1971: Intern Doctor at the Department of Surgery of Tokyo Hitachi Hospital</p> <p>April 1972: Intern Doctor at the Department of Surgery of Tokyo Kosei Nenkin Hospital</p> <p>April 1976: Research Assistant at the Department of Radiology of the Faculty of Medicine of the University of Tokyo</p> <p>April 1977: Intern Doctor at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo</p> <p>April 1982: Chief of the Medical Staff at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo</p> <p>June 1988: Visiting Researcher at the Department of Surgery of the University of California, San Francisco</p> <p>February 1989: Research Assistant at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo</p> <p>July 1992: Lecturer at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo</p> <p>October 1992: Professor at the First Department of Surgery of the School of Medicine of Kyorin University</p> <p>April 1998: Vice Director of Kyorin University Hospital</p> <p>April 2004: Dean of the School of Medicine of Kyorin University</p> <p>April 2010: President of Kyorin University</p> <p>June 2013: Outside Audit &amp; Supervisory Board Member of the Company</p> <p>June 2017: Member of the Board of Directors (Outside Director) of the Company (up to the present)</p>	0 share

		<p>April 2018: President Emeritus of Kyorin University (up to the present)</p> <p>[Significant Concurrent Position] President Emeritus of Kyorin University</p> <p>[Reason for Nomination as a Candidate for Director] Yutaka Atomi has extensive experience and expertise as a medical doctor. The Company has nominated him as a candidate for Outside Director, finding that he will be able to contribute to the management of the Company with his experience and expertise. Although Yutaka Atomi has not been directly involved in corporate management, the Company has determined that he is capable of appropriately performing his duties as an Outside Director for the reasons described above.</p>	
8	<p>Saeko Arai (Feb. 6, 1964)</p> <p style="text-align: center;">New</p> <p style="text-align: center;">Outside</p> <p style="text-align: center;">Independent</p>	<p>October 1987: Joined Eiwa Audit Corporation (currently, KPMG AZSA LLC)</p> <p>August 1992: Registered as a Certified Public Accountant (Reregistered in January 1997)</p> <p>October 1993: Joined Sasaki Certified Public Accountants Office</p> <p>April 1997: Joined Internet Research Institute, Inc., General Manager of General Affairs and Accounting</p> <p>September 1998: Director, General Manager of Administration and CFO of Internet Research Institute, Inc.</p> <p>February 2000: Director of IRI USA, Inc.</p> <p>November 2002: President and CEO of IRI USA, Inc.</p> <p>November 2002: Established Gratia, Inc. (currently, Acuray, Inc.) and assumed the position of President thereof (up to the present)</p> <p>December 2008: Joined Crystal Hotel, Inc. (currently, Crystal International, Inc.), CFO and General Manager of</p>	0 share



		<p>Administration</p> <p>February 2010: Joined Nano-Optonics Energy Inc., CFO and General Manager of Administration</p> <p>December 2010: Director of Nano-Optonics Energy Inc.</p> <p>April 2016: Professor at the Faculty of Business Administration of Hakuoh University</p> <p>January 2017: Outside Audit &amp; Supervisory Board Member of teamS Inc. (up to the present)</p> <p>June 2017: Outside Audit &amp; Supervisory Board Member of AEON Credit Service Co., Ltd. (up to the present)</p> <p>April 2018: Professor at the Faculty of Global Business of Showa Women's University (up to the present)</p> <p>[Significant Concurrent Positions]</p> <p>Professor at the Faculty of Global Business of Showa Women's University</p> <p>President of Acuray, Inc.</p> <p>Member of the contract supervisory committee and member of the committee for appointing a candidate for the accounting auditor, etc. of Government Pension Investment Fund (GPIF)</p> <p>[Reason for Nomination as a Candidate for Director]</p> <p>Saeko Arai has extensive experience as a corporate executive, having engaged in business management at multiple companies, and expertise as a certified public accountant. The Company has nominated her as a candidate for Outside Director, finding that she will be able to contribute to the management of the Company with her experience and expertise.</p>	
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- (Note) 1. None of the above candidates have any special interests in the Company.
2. Hidehiko Sato, Yutaka Atomi and Saeko Arai are candidates for Outside Directors as defined in Item 7, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act.
3. The Company designated Hidehiko Sato and Yutaka Atomi as Independent Directors as

defined by the Tokyo Stock Exchange, Inc., and reported the same to the said exchange. Upon the approval of the election of Saeko Arai as an Outside Director, the Company intends to designate her as an Independent Director as defined by the said exchange, and report the same thereto.

4. Hidehiko Sato and Yutaka Atomi currently serve as Outside Directors of the Company, and Hidehiko Sato will have served as an Outside Director for five (5) years and Yutaka Atomi will have served as an Outside Director for one (1) year, at the conclusion of this Shareholders' Meeting.
5. The Company entered into an agreement with each of Hidehiko Sato and Yutaka Atomi, who currently serve as Outside Directors of the Company, which limits their liability for damages under Paragraph 1, Article 423 of the Companies Act. Under the terms of the agreement, their liability is limited to either ten (10) million yen or the amount stipulated under applicable laws and regulations, whichever is higher. Upon the approval of the re-election of Hidehiko Sato and Yutaka Atomi as Outside Directors, the Company intends to extend the term of the said agreement. Upon the approval of the election of Saeko Arai as an Outside Director, the Company intends to enter into an agreement with her with the same terms as those of the said agreement.

[Reference]

### Independence Criteria for Outside Directors

The Company considers persons who do not fall under any of the following to be independent; provided, however, that this does not preclude the Company from making judgment that such persons who meet these independence criteria are virtually not independent given specific circumstances:

- (1) Persons who have the Company as their major business partner (persons who received payments from the Company for products or services in an amount that exceeds, in any of the last three (3) fiscal years, two percent (2%) of their consolidated annual net sales), or persons executing the business operations thereof (meaning “persons executing the business operations” as defined in Article 2, paragraph 3, item (vi) of the Ordinance for Enforcement of the Companies Act; the same shall apply hereinafter);
- (2) Persons who are the Company’s major business partners (persons who made payments to the Company for products or services in an amount that exceeds, in any of the last three (3) fiscal years, two percent (2%) of the Company’s consolidated annual net sales), or persons executing the business operations thereof;
- (3) Consultants, accounting or legal professionals who received from the Company monetary consideration or other properties of ten (10) million yen or more, except for the compensation of the Directors, in the immediately preceding fiscal year (or those persons who belong to corporations, associations or any other entity, which received from the Company monetary consideration or other properties one hundred (100) million yen or more);
- (4) Persons who met any of (1) to (3) above in any of the past three (3) years;
- (5) Persons who were persons executing the business operations or directors who were not persons executing the business operations of the parent company of the Company or persons who were persons executing the business operations of any subsidiary of the parent company (excluding the Company; the same shall apply hereinafter), in any of the past three (3) years;
- (6) Close relatives (Note 1) of persons who fall under any of ① to ③ below (excluding persons other than persons with important positions (Note 2))
  - ① Persons who fall under any of (1) to (5) above;
  - ② Persons executing the business operations of any subsidiary of the Company, persons executing the business operations or directors who are not persons executing the business operations of the parent company of the Company, or persons executing the business operations of any subsidiary of the parent company;
  - ③ Persons who were persons executing the business operations of the Company or any subsidiary of the Company in any of the past three (3) years;

(Note 1) Close relatives mean the spouse and relatives within the second degree of kinship.

(Note 2) Persons with important positions mean the directors (excluding outside directors), executive officers, department leaders, certified public accountants who belong to audit corporations or accounting firms, lawyers who belong to law firms and any other person who is objectively and reasonably found to have a similar importance.

### Third Proposal: Election of Two (2) Audit & Supervisory Board Members

The term of office of the two (2) Audit & Supervisory Board Members of the Company, Nobuo Takeda and Harumichi Uchida, will expire upon the conclusion of this Shareholders' Meeting.

Therefore, we would like you to elect two (2) Audit & Supervisory Board Members.

The Audit & Supervisory Board has already approved this proposal.

The candidates for Audit & Supervisory Board Members are as follows:

Candidate No.	Name (Date of birth)	Summary of Profile, Position(s) and Significant Concurrent Position(s)	Number of Shares of the Company Owned
1	Takashi Kutsunai (Jun. 26, 1958)  <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">New</div>	<p>April 1981: Joined Sumitomo Chemical Co., Ltd.</p> <p>October 1984: Joined the former Sumitomo Pharmaceuticals Co., Ltd.</p> <p>October 2005: Director of Personnel of the Company</p> <p>June 2008: Director of Strategic Marketing &amp; Planning (Asia), International Business Management of the Company</p> <p>November 2009: Director of International Business Strategic Marketing and Planning of the Company</p> <p>September 2010: Director of Global Sales and Marketing of the Company</p> <p>June 2011: Director of Global Business Planning and Development, and Director of Global Sales and Marketing of the Company</p> <p>April 2012: Director of Internal Auditing of the Company (up to the present)</p> <p>April 2013: Administration Officer of the Company (up to the present)</p> <p>[Reason for Nomination as a Candidate for Audit &amp; Supervisory Board Member] Takashi Kutsunai has extensive knowledge, capacity and experience in pharmaceutical business in general, having served in responsible positions of the departments of human resources, international business management and internal auditing of the</p>	12,300 shares

		Company. The Company has nominated him as a candidate for Audit & Supervisory Board Member, finding that he will be able to contribute to the auditing of the Company with his knowledge, capacity and experience.	
2	<p>Yoshio Iteya (Jan. 9, 1956)</p> <div style="border: 1px solid black; width: 100px; height: 20px; margin: 5px auto; text-align: center;">New</div> <div style="border: 1px solid black; width: 100px; height: 20px; margin: 5px auto; text-align: center;">Outside</div>	<p>April 1983: Admitted to the Bar (Japan)  April 1989: Admitted to the Bar (New York)  January 1992: Partner at Mori Hamada &amp; Matsumoto (up to the present)  April 2000: Lecturer at the Graduate School of International Corporate Strategy of Hitotsubashi University (currently, the Graduate School of Law of Hitotsubashi University) (up to the present)  April 2004: Adjunct Professor at Hitotsubashi University School of Law (up to the present)</p> <p>[Significant Concurrent Positions]  Partner at Mori Hamada &amp; Matsumoto  Adjunct Professor at Hitotsubashi University School of Law</p> <p>[Reason for Nomination as a Candidate for Audit &amp; Supervisory Board Member]  Yoshio Iteya has extensive experience and expertise as an attorney. The Company has nominated him as a candidate for Outside Audit &amp; Supervisory Board Member, finding that he will be able to contribute to the auditing of the Company using his experience and expertise. Although Yoshio Iteya has not been directly involved in corporate management, the Company has determined that he is capable of appropriately performing his duties as an Outside Audit &amp; Supervisory Board Member for the reasons described above.</p>	0 share

- (Note)
1. None of the above candidates have any special interests in the Company.
  2. Yoshio Iteya is a candidate for Outside Audit & Supervisory Board Member as defined in Item 8, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act.
  3. Upon the approval of the election of Yoshio Iteya as an Outside Audit & Supervisory Board Member, the Company intends to enter into an agreement with him, which limits

his liability for damages under Paragraph 1, Article 423 of the Companies Act. Under the terms of the agreement, his liability is limited to either ten (10) million yen or the amount stipulated under applicable laws and regulations, whichever is higher.

END

**[Instructions for Voting by Electromagnetic Methods (the Internet, etc.)]**

*\*Please be reminded that the online voting website and phone inquiries services are available only in Japanese.*

**1. To Shareholders Who Will Use the Internet**

Please note the following matters if you chose to exercise your voting rights via the Internet.

- (1) Online voting is possible only by accessing the following online voting website designated by the Company. This website is available through the Internet via cellular phone also.

[Online voting website URL] <https://www.web54.net>


\*You may also access the online voting website by scanning the two-dimensional code on the right [shown in the Japanese original] if your cellular phone is equipped with a barcode reader. For more detailed instructions on this procedure, please refer to the user manual of your cellular phone.

**2D  
Code**

(Note) The scanning of the two-dimensional code is possible only with the code shown in the Japanese original of this translation.

- (2) When you vote online, please enter the “voting code” and the “password” provided in the enclosed voting form, and indicate your approval or disapproval of the proposals by following the instructions displayed on the screen.
- (3) Online votes will be accepted until 5:00 p.m., Monday, June 18, 2018 (JST), the day immediately prior to the date of the Annual Shareholders’ Meeting. However, your early voting would be highly appreciated for the convenience of vote counting.
- (4) In the event that a voting right is exercised twice via the enclosed voting form and online, only the online vote shall be counted as an effective vote.
- (5) In the event that a voting right is exercised online more than once, only the most recent vote shall be counted as an effective vote.
- (6) Shareholders shall bear the connection charges of the Internet providers and the communication charges of the telecommunications carriers (telephone charges, etc.) for accessing the online voting website.
- (7) The following system environments are required for accessing the online voting website:
- (i) Internet access;
  - (ii) When voting via PC, either Microsoft® Internet Explorer version 6.0 or above as the Internet browsing software (browser), and a hardware environment that enables the use of the relevant browser; and
  - (iii) When voting via cellular phone, a handset model that supports 128-bit SSL communication (encrypted communication). (To ensure security, only cellular phones that support 128-bit SSL communication may access the online voting website. Some models do not support this system. Additionally, although voting via smart phones and other cellular phones with full browser functionality is also supported, please note that some models may not be compatible with this system.)
- (8) If you have any question related to online voting, please contact the following for inquiry services.

**Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited.**

[Special Phone Line]  0120-652-031

(9:00 a.m. to 9:00 p.m. (JST), toll-free within Japan)



**2. Electronic Voting Platform for Institutional Investors**

In addition to the aforementioned online voting method, nominee shareholders (including any standing proxy) such as trust banks who have registered beforehand for the use of the electronic voting platform operated by ICJ, Inc., a joint venture established by the Tokyo Stock Exchange, Inc., among others, may use the said platform as a means of exercising their voting rights by electromagnetic method for the Annual Shareholders' Meeting of the Company.

End