Notice: This is an English translation of a notice issued in Japanese made solely for the convenience of foreign shareholders. In case of any discrepancy between this translation and the Japanese original, the latter shall prevail.

[Translation]

Security Code No. 4506
May 29, 2019

Dear Shareholders:

Notice of Convocation of the 199th Annual Shareholders' Meeting

You are cordially invited to attend the 199th 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 43 to 53 and exercise your voting rights no later than 5:00 p.m., Wednesday, June 19, 2019 (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 Electronic or Magnetic Means (the Internet, etc.)" on page 56, 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 Thursday, June 20, 2019 (JST)
* Reception will open at 9:00 a.m.

2. Place: Hall on the 7th 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 7th 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 199th Fiscal Year (from April 1, 2018 to March 31, 2019)
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

Yours faithfully,

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

- 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 https://www.ds-pharma.co.jp/.

[Attached Documents]

Business Report

(From April 1, 2018 to March 31, 2019)

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.

1. Matters Regarding the Current Circumstances of the Group

(1) Group Business Progress and Results

During the fiscal year ended March 31, 2019, the world economy continued to follow a mild recovery track overall as the U.S. economy remained strong due to the increase of personal consumption, despite increased uncertainties including the trade issues between the U.S. and China, unpredictable political situations in Europe, and slowdown of the Chinese economy. Likewise, the Japanese economy showed a mild recovery overall, as corporate capital expenditures increased and consumer spending picked up, although weakness was suggested in some areas of exports and production and corporate earnings experienced a standstill in improvement.

In the pharmaceutical sector, R&D expenses continue to rise and competition is intensifying, as 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. Meanwhile, this industrial sector is showing signs of change, such as a growing interest in preventive medicine and advancements in drug discovery utilizing digital technology.

Against this backdrop, in Japan the Group has focused its management resources to bolster sales of Trulicity® (therapeutic agent for type 2 diabetes), TRERIEF® (therapeutic agent for Parkinson's disease), and LONASEN® (atypical antipsychotic agent), to name but a few, while at the same time increasing efficiency in its business activities.

In North America, the Company's U.S. subsidiary Sunovion Pharmaceuticals Inc. (hereinafter referred to as "Sunovion") poured its resources into maximizing the sales of global strategic product LATUDA® (atypical antipsychotic agent) and expanding the sales of other mainstay products.

In FY2018, the Company and Sunovion were parties to (a) one (1) consolidated patent infringement lawsuit against 16 generic companies filed in February 2018 (the "Lawsuit"), and (b) three (3) additional patent infringement lawsuits against three (3) other generic companies (collectively, "Additional Lawsuits"). The Additional Lawsuits were filed during the period of August – October 2018. Both the Lawsuit and the Additional Lawsuits were filed in the U.S. District Court for the District of New Jersey (the "Court") and involved two U.S. patents protecting LATUDA®. With the assistance of the Court, the Company and Sunovion entered into settlement agreements with all of the defendants involved in the Lawsuit and the Additional Lawsuits except for one generic company. All of the defendants involved in the Lawsuit had entered into settlement agreements with the Company and Sunovion by December 3, 2018 and two of the defendants involved in the Additional Lawsuit had settled with the Company and Sunovion by March 31, 2019. Pursuant to the terms of the settlement agreements, the generic companies

involved in the Lawsuit and the Additional Lawsuit will be permitted to distribute their generic versions of lurasidone hydrochloride starting on February 20, 2023.

In the Oncology area, Boston Biomedical Inc. (hereinafter referred to as “Boston Biomedical”), another U.S. subsidiary of the Company, worked on its top priority agenda of an early launch of napabucasin (product code: BBI608), while Tolero Pharmaceuticals, Inc. (hereinafter referred to as “Tolero”), yet another U.S. subsidiary of the Company, focused on research and development of alvocidib (product code: DSP-2033) and other drugs.

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.

Adoption of "core operating profit" as a 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, 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:

	FY2018 (Billions of Yen)	FY2017 (Billions of Yen)	Change (Billions of Yen)	Rate of Change
Revenue	459.3	466.8	(7.6)	(1.6)%
Core operating profit	77.3	90.6	(13.3)	(14.7)%
Operating profit	57.9	88.2	(30.3)	(34.4)%
Profit before taxes	65.0	84.9	(19.8)	(23.4)%
Net profit attributable to owners of the parent	48.6	53.4	(4.8)	(9.0)%

Revenue decreased by 1.6% year-on-year to 459.3 billion yen.

Sales grew in the North America segment primarily owing to increases in sales of LATUDA®, one of the primary revenue sources of the Group, as well as antiepileptic agent APTIOM®. Nevertheless, revenue for the Group slightly decreased as sales in the Japan segment showed a decrease owing primarily to the National Health Insurance (NHI) drug price revisions of April 2018 and declines in sales of long-listed drugs.

Core operating profit decreased by 14.7% year-on-year to 77.3 billion yen.

Core operating profit decreased as gross profit showed a decrease in the Japan segment chiefly attributable to NHI drug price revisions and the absence of one factor that existed in the previous year: other income as a result of divestiture of marketing rights.

Operating profit decreased by 34.4% year-on-year to 57.9 billion yen.

Operating profit decreased even further than core operating profit. This is primarily owing to

impairment losses on intangible assets, including in-process research and development and marketing rights, and to business structure improvement expenses associated with the consolidation of production sites by the Company. This occurred despite an increase in reversal of expenses under changes in fair value of contingent consideration resulting chiefly from modifications of business plans, including a review of development plans.

Profit before taxes decreased by 23.4% year-on-year to 65.0 billion yen.

In addition to an increase in interest income, the Company reported foreign exchange gains on its financial assets denominated in foreign currencies at the end of the period under review as the yen depreciated against the U.S. dollar over the previous fiscal year-end. As a result, finance income increased substantially.

Net profit attributable to owners of the parent decreased by 9.0% year-on-year to 48.6 billion yen.

The ratio of net profit attributable to owners of the parent to revenue was 10.6%, which is down by 0.8 percentage points year-on-year.

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 28.2%**

Revenue decreased by 9.8% year-on-year to 129.3 billion yen.

Sales of Trulicity®, SUREPOST® (therapeutic agent for type 2 diabetes), REPLAGAL® (therapeutic agent for Anderson-Fabry disease), and other products increased, but revenue decreased due to difficulties in offsetting the impacts of NHI drug price revisions and declines in sales of long-listed products, including AIMIX® (therapeutic agent for hypertension) for which new generics have been released.

Core segment profit decreased by 37.6% year-on-year to 25.1 billion yen.

This major decrease is chiefly attributable to the decrease in gross profit due to NHI drug price revisions and declines in sales of long-listed products.

2. North America segment **Composition of Revenue 55.0%**

Revenue increased by 4.9% year-on-year to reach 252.5 billion yen.

This increase is primarily attributable to the growth in sales of APTIOM®, on top of strong sales of LATUDA®.

Core segment profit increased by 4.6% year-on-year to reach 114.5 billion yen.

This increase is attributable to the increase in gross profit due to an increase in sales.

3. China **Composition of Revenue 5.4%**

Revenue increased by 5.6% year-on-year to reach 24.7 billion yen.

This increase is attributable to an increase in sales of mainstay MEROPEN® and other products.

Core segment profit increased by 14.8% year-on-year to reach 12.3 billion yen.

This increase is owing to growth in gross profit due to an increase in sales.

4. Other Regions segment **Composition of Revenue 3.1%**

Revenue decreased by 13.2% year-on-year to 14.3 billion yen.

This decrease is chiefly attributable to a decrease in overall exports with the exception of Southeast Asian countries, where sales of MEROPEN® increased.

Core segment profit decreased by 2.3% year-on-year to 5.0 billion yen.

This slight decrease is primarily owing to a decrease in sales.

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 38.4 billion yen (down by 10.3% year-on-year) and core segment profit of 3.1 billion yen (up by 14.2% 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. The aim is to continually discover excellent pharmaceutical products with Psychiatry & Neurology, Oncology, and Regenerative Medicine and Cell Therapy as the Group's focal therapeutic areas. In a bid to contribute to global health, the Group is also working on the Infectious Diseases area. Furthermore, with the aim of providing new solutions to social issues in healthcare areas other than pharmaceuticals, we are working toward launching frontier businesses.

① Psychiatry & Neurology

The Company is leveraging its core competencies to forge ahead with drug discovery research based on its proprietary drug discovery platforms established by constantly incorporating cutting-edge technologies. Every effort is being made to boost the success rate of R&D by applying a wealth of knowledge, gained from clinical study data of in-house products, to translational research and by selecting drug discovery targets and biomarkers through the use of big data, such as genome information and image pictures.

In the development stages, the Company is working closely with its U.S. subsidiaries under the global clinical development framework to expedite the receipt of approvals from regulatory authorities by efficiently promoting clinical development according to strategic development planning.

During the fiscal year under review, the Company out-licensed the development, marketing, and other rights of a compound that it created (product code: DSP-2230) to AlphaNavi Pharma Co., Ltd., a carve-out business venture from the Company.

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

i. TRERIEF® (generic name: zonisamide)

In July 2018, an additional indication for parkinsonism in dementia with Lewy bodies (DLB) was approved in Japan.

ii. LATUDA® (generic name: lurasidone hydrochloride)

In January 2019, an indication for schizophrenia was approved in China.

In Japan, a Phase 3 study in patients with schizophrenia met its primary endpoints and showed favorable tolerability.

iii. LONASEN® (generic name: blonanserin)

A New Drug Application (NDA) was submitted in Japan in July 2018 for a transdermal patch formulation, under joint development with Nitto Denko Corporation, for use in patients with schizophrenia.

iv. Dasotraline (product code: SEP-225289)

In August 2018, a Complete Response Letter (CRL) for an NDA for use in patients with adult and pediatric attention-deficit hyperactivity disorder (ADHD) was received from the U.S. Food and Drug Administration (FDA), which determined that they cannot approve the dasotraline NDA for the treatment of ADHD in its current form and indicated that additional clinical data are needed to further evaluate the efficacy and tolerability of the drug. The Group is considering its future development plans.

Also in the U.S., a Phase 3 study in patients with binge eating disorder (BED) met its primary endpoints and showed favorable tolerability.

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

In January 2019, a CRL for an NDA for sublingual film to treat OFF episodes associated with Parkinson's disease was received from the FDA. The Agency determined that it was unable to approve the NDA in its present form and requested additional information and analyses, but no new clinical studies are required. The Group is planning to re-submit the NDA by the end of FY2019.

vi. SEP-363856

In the U.S., a Phase 2 study in patients with schizophrenia met its primary endpoints and showed favorable tolerability.

② Oncology

The Group aims to create innovative new drugs by conducting research projects that focus on intercellular networks in the tumor microenvironment as part of its efforts to work on unique seeds and themes. By promoting network-oriented drug discovery among the Company, its subsidiaries in North America and external parties, the Group aims to swiftly move the outcomes of the projects to clinical trials through integration of research and development.

In the development stages, the Group is working proactively on early-stage clinical development, while steadily advancing development of late-stage products.

During the fiscal year under review, the Group continued with Phase 3 global clinical studies of napabucasin for colorectal cancer and pancreatic cancer (combination therapy). The progress statuses of key development projects during the period under review are as follows:

RETHIO® (therapeutic agent for conditioning treatment prior to autologous hematopoietic stem cell transplantation (HSCT), generic name: thiotepa)

In 2013, the Company replied to an invitation from the Ministry of Health, Labour and Welfare of Japan (MHLW) to pharmaceutical companies to develop thiotepa, an unapproved drug with high medical needs. In March 2019, the Company received approval for a conditioning treatment prior to autologous hematopoietic stem cell transplantation (HSCT) for pediatric malignant solid tumors.

Also in Japan, an application for an additional indication of a conditioning treatment prior to autologous HSCT for malignant lymphoma was submitted in March 2019.

③ Regenerative Medicine & Cell Therapy

The Company is promoting multiple R&D projects with a view toward quickly commercializing regenerative medicine and cell therapy by developing a unique growth model where we pursue advanced industrialization/manufacturing technologies and state-of-the-art science through the open innovation strategy. While steadily advancing projects, which are mostly in the neurology and ophthalmology areas, the Company is setting its eyes on the global opportunities that this therapeutic area offers with a view toward embarking on development of next-generation regenerative medicine including organs.

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

i. SB623

A Phase 2b study conducted in the U.S. evaluating SB623 for the treatment of patients with chronic ischemic stroke did not meet its primary endpoint. The Company is conducting additional analyses of the study results. Based on the results of the analyses, SanBio Co., Ltd. and the Group will consider future development plans.

ii. Allogeneic iPS cell-derived dopaminergic neural progenitor cells

Kyoto University Hospital and the Center for iPS Cell Research and Application (CiRA) started an investigator-initiated clinical study for Parkinson's disease using dopaminergic neural progenitor cells derived from iPS cells in Japan. The Company plans to submit an NDA based on the results of this clinical study.

④ Infectious Diseases area

Through joint research with academic institutions, the Company is conducting drug discovery research of malaria vaccines and universal influenza vaccines based on treatments for antimicrobial-resistant bacterial infections and its adjuvant technologies for vaccine development.

⑤ Frontier business

As part of the efforts to explore the Frontier business, the Company signed a joint research and development agreement with MELTIN MMI and Aikomi, Ltd. in October 2018 and February 2019, respectively. With these partners, the Company aims to deliver new value that benefits patients.

As a result of the activities mentioned above, R&D expenses for the fiscal year under review amounted to 102.4 billion yen (up by 17.8% year-on-year). Please note that, if the impairment loss of 19.5 billion yen reported during the fiscal year under review were excluded, R&D expenses were 82.9 billion yen (down by 4.6% year-on-year) on the core basis. 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 13.2 billion yen, and the major capital investment made during the fiscal year under review was an additional investment in Sumitomo Dainippon Manufacturing Plant for Regenerative Medicine & Cell Therapy (SMaRT) in the Company's Central Research Laboratories.

(3) Financing of the Group

There was no applicable matter.

(4) Issues to be Addressed by the Group

The Company pursues its business activities following its Corporate Mission: to broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide. We define the implementation of this Corporate Mission as "CSR-Based Management," and we also seek to contribute to attainment of the Sustainable Development Goals through our business activities.

With the prospect of advancement of the aging society and further pressure on healthcare funding, the pharmaceutical industry is approaching a "Time for Change" in which digital technologies are utilized in drug discovery and creation of new approaches to medical treatment, and preventative medicine becomes widely entrenched. To respond to this changing environment, in April 2019 we have published a new Vision: "For Longer and Healthier Lives – We unlock the future with cutting-edge technology and idea." and the Mid-term Business Plan 2022 commencing in FY2018 and running for five years to FY2022 under our Corporate Mission in order to contribute to resolve issues in healthcare area.

The Group has adopted Psychology & Neurology, Oncology, and Regenerative Medicine and Cell Therapy as its three focus areas, and is now working to contribute to medicine through pharmaceutical products and regenerative medicine and cell therapy, as well as developing healthcare solutions in other areas (frontier business). Our aim is to establish the Group's position as a "Global Specialized Player" by 2033.

An outline of the Mid-term Business Plan 2022 is provided below.

Mid-term Business Plan 2022

① Basic Strategy

The Group will reshape its business foundation through the "establishment of growth engine" and the "building of flexible and efficient organization," preparing for the "Time for Change" and "Post-LATUDA®" business environment – referring to the time, beginning February 20, 2023, when generic versions of LATUDA® can be launched in the U.S. market.

② Material Issues

i Establishment of growth engine

The Group will work on the following five material issues with a view to establishment of a growth engine.

i-1. Enhance innovation base with new approaches to drug discovery

In the three focus areas and the area of infectious disease, the Group will leverage its unique strengths and seek to shift toward and promote new approaches to drug discovery utilizing external networks centered on our operations in Japan and the United States.

i-2. Deliver highest performance of clinical development

Through goal-setting to secure success, management of business risk, and adopting advanced new technology, the Group will reinforce its development capability for delivering the highest performance (CHANTO) in the three focus areas, all of which are characterized by a high degree of uncertainty.

i-3. Pipeline expansion through strategic investment

Over the course of the Mid-Term Business Plan 2022 period (FY2018-2022), the Group will enable investment of 300 to 600 billion yen in M&A opportunities, giving top priority to the establishment of a pipeline in Psychiatry & Neurology area that contributes to profits in FY2023 and onward. The Group will also seek to develop pipelines and technology in the three focus areas that will contribute to profits in FY2028 and onward.

i-4. Regional strategy centering in Japan, North America and China

In Japan, the Company will build foundations to achieve the target of 200 billion yen revenue during the next Mid-Term Business Plan period (FY2023-2027). In North America, the Group will seek to maximize the value of LATUDA® and establish a post-LATUDA® growth trajectory. The Group will also seek to strengthen its foundations in China as the third regional pillar, as well as expanding its presence in the growing markets of Asia.

i-5. Launch frontier business

Looking ahead to an era in which not only pharmaceutical products but also new solutions are necessary to meet the medical needs of society, the Group will work to launch frontier business that delivers “wide-ranging well-being” together with pharmaceutical products.

ii. Building of Flexible and Efficient Organization

To support the growth engine, the Group will realize organizational/operational reform and the development of culture/talent that drive innovation, in parallel with digital innovation to build flexible and efficient organizational foundation in which the concept of “CHANTO” is instilled.

③ Financial Goals

FY2022 financial goals

Revenue	600 billion yen
Core operating profit	120 billion yen
ROIC*1	10%
ROE*2	12%

*1 ROIC = (core operating profit – income taxes) / (capital + interest-bearing liabilities)

*2 ROE = current profit / capital

We will also aim to achieve ROE of 10% or more over the long term.

Activity Policy for FY2019

The following is the Group’s business activity policy for FY2019. In line with the basic strategies set forth in the Mid-Term Business Plan 2022, the Group will pro-actively advance its business activities directed to attainment of the financial goals.

① CSR-Based Management

“CSR-based management” puts our Corporate Mission into practice and is a prerequisite for all of the Group’s business activities. The Group will work to raise its corporate value through rigorous compliance, pursuit of highly effective corporate governance systems and transparent management, promotion of diversity and inclusion, and human resource development through talent management, together with initiatives to fully discharge our social responsibility, such as contributing to global health, reducing environmental load, and pursuing social contribution activities in Japan and around

the world.

② Research and Development Activities

In drug discovery, the Group will actively pursue research in the three focus areas of Psychology & Neurology, Oncology, and Regenerative Medicine and Cell Therapy. With their high levels of unmet medical needs, these are the areas in which the Group's experience and knowledge can be leveraged to the greatest extent. The Group will advance drug discovery utilizing big data and digital technologies, in addition to its external networks centered on Japan and the United States. The Group will also work on drug discovery in the area of infectious diseases, including treatment of anti-microbial resistance and adjuvant-added vaccines.

In development activities, the highest priority will be given to gaining approval of products in later phases and maximizing business value.

i. Psychology & Neurology area

The Company submitted an application in FY2018 for approval of the LONASEN® transdermal patch in Japan, and will work steadily toward gaining this approval by the end of FY2019. The Company is currently preparing an application for approval of lurasidone hydrochloride (branded in the United States as LATUDA ®) whose Phase 3 study has been completed, and by the end of FY2019 we will reliably complete the application for this drug's use in the treatment of schizophrenia and bipolar I depression and seek to obtain approval therefor.

One product that the Group will seek approval for next is SEP-363856, for which we will commence the Phase 3 study for treatment of schizophrenia in the U.S., as well as investigating possibilities for its deployment in the treatment of other indications, and begin a Phase 2 study of the drug as a schizophrenia treatment in the areas including Japan and China.

The Group has received a CRL from the FDA for two products: dasotraline, for which the Group will determine its approach to development following further investigation, and APL-130227, for which the Group will aim to re-apply for approval within FY2019 and respond appropriately to the requirements of the FDA.

ii. Oncology area

The Group is developing napabucasin, an orally administered small molecule that provides a new mechanism for blocking STAT3 and other cancer stemness pathways. With the aim of bringing this product to the U.S. and Japanese markets by FY2021, the Group will devote its full energies to the Phase 3 study for colorectal and pancreatic cancers. The Group will actively continue to develop alvocidib, a treatment for acute myeloid leukemia (AML) currently in Phase 2 study in the U.S., and Adegramotide Acetate/Nelatimotide Trifluoroacetate (product code: DSP-7888), a cancer peptide vaccine also currently in Phase 2 study for the treatment of glioblastoma in the U.S. Moreover, the Group will move forward with clinical development of products in earlier phases in a speedy manner for prompt establishment of its Oncology franchise.

iii. Regenerative Medicine and Cell Therapy area

The Group will advance a number of research and development projects with the aim of commercialization during the next Mid-Term Business Plan cycle.

With regard to SB623 derived from stromal marrow cells for the treatment of chronic stroke,

the Group will determine the future approach to development in consultation with its development partner SanBio Co., Ltd. based on the outcome of Phase 2b study in the U.S.

In the area of iPS cell-derived treatments, an investigator-initiated clinical study has been launched in regenerative medicine for Parkinson's disease in August 2018 using dopaminergic neural progenitor cells derived from allogeneic iPS cells, which has received designation under the Sakigake Designation System. The Company intends to work harder to pursue commercialization of this product in collaboration with Kyoto University. In the field of ocular disease, under our partnership with the National Research and Development Institute RIKEN, we will pursue joint development of a therapy for age-related macular degeneration using iPS cell-derived retinal pigment epithelial cells, together with Healios, K.K. We will also undertake joint research with RIKEN toward clinical applications of regenerative medicine for retinal pigmentary degeneration using iPS cell-derived 3D-retina. Furthermore, we will advance joint research with Keio University and the National Hospital Organization Osaka National Hospital toward clinical applications of regenerative medicine for spinal cord injuries using iPS cell-derived neuron progenitors. As the Company works toward commercialization of these products, the Company will also be developing production systems for trial drugs for iPS cell-derived products and preparing for commercial production in the Sumitomo Dainippon Manufacturing Plant for Regenerative Medicine & Cell Therapy (SMaRT), which was completed in March 2018. Moreover, we will pursue joint research and development activities with the Jikei University School of Medicine, Meiji University, Bios Co., Ltd., and PorMedTec Co., Ltd. in the field of renal regenerative medicine through the organogenic niche method using iPS cells.

iv. Outside the three focus areas and the Frontier business

Outside the three focus areas in Japan, the Company will work on the Phase 3 study of imeglimin for Type2 diabetes, with the aim of applying for approval in FY2020.

In the Frontier business, the Group will also seek to establish frontier business as a growth engine in the next Mid-Term Business Plan cycle, and explore various possibilities for developing this area.

③ Business Activities in each Regional Segment

In the Japan segment, the Company will aim to shift to a growth trajectory in the medium term, minimizing the impact of the recent launch of a succession of generic versions of its mainstay products on the profitability of its Japan business. The Company will do this through early maximization of the value of the LONASEN® patch, which the Company plans to launch on the market in FY2019, further strengthening of the Japan Business Unit, a virtual organization established in April 2018, and early realization of in-licensing and partnerships that contribute to the profitability of its business in Japan.

In the North America segment, the Group will continue to focus its energies on the top priority of further expanding profit from LATUDA®, the main profit pillar for the Group as a whole. The Group will also work to expand sales of LONHALA® MAGNAIR® (therapeutic agent for chronic obstructive pulmonary disease (COPD)) and APTIOM®, as well as proactively pursuing in-licensing and partnerships that will contribute to profit in the post-LATUDA® era. In the Oncology area, centered on Boston Biomedical, the Group will develop structures in preparation for marketing napabucasin and alcvocidib at an appropriate time in light of the progress of development of these drugs.

In the China segment, the Group will expand sales of MEROPEN® and achieve early market

penetration for LONASEN® and LATUDA®, as well as look at ways to enhance pipelines.

Southeast Asian subsidiaries will commence full-scale operations, and the Group will advance discussion of mid-term growth strategies for Southeast Asia as well as expanding sales of LATUDA® and MEROPEN® in collaboration with its partner companies.

In Europe, the Group will increase profits through sales of LATUDA® both directly and in collaboration with partners.

④ Building a Flexible and Efficient Organization

In order to respond to the "Time for Change" and develop our capability for delivering highest performance (CHANTO), while maintaining a "culture with resilient and detailed execution," the Group will foster talent/culture responsive to environmental changes and encourage innovation and flexibility.

The Group will also pursue greater operational efficacy through operational reforms using technologies such as AI (Artificial Intelligence) and RPA (Robotic Process Automation), digital innovation that makes communication more effective using the latest digital tools, and work-style reforms.

Shareholder Returns

In terms of returns to shareholders, the Company's basic policy is that a performance-linked dividend hike will be considered in addition to consistent dividend payments. The Mid-Term Business Plan 2022, states the aim of having an average payout ratio of 20% or above over the five years from FY2018 to FY2022.

The Company proposes 19 yen per share in the final dividend payment in light of the dividend policy and business performance in the fiscal year under review.

(5) Assets and Income

Assets and Income of the Group

	Japanese GAAP		IFRS		
	FY2015 (Fiscal year ended March 2016)	FY2016 (Fiscal year ended March 2017)	FY2016 (Fiscal year ended March 2017)	FY2017 (Fiscal year ended March 2018)	FY2018 (Fiscal year ended March 2019) (the fiscal year under review)
Revenue (Millions of yen)	403,206	411,639	408,357	466,838	459,267
Operating profit (Millions of yen)	36,929	52,501	40,286	88,173	57,884
Ordinary income (Millions of yen)	35,221	54,083	-	-	-
Net profit attributable to owners of the parent (Millions of yen)	24,697	28,733	31,316	53,448	48,627

Basic earnings per share	62.16 yen	72.32 yen	78.82 yen	134.53 yen	122.39 yen
Total assets (Millions of yen)	707,715	783,640	779,072	809,684	834,717
Total equity (Millions of yen)	446,472	460,389	412,268	452,723	498,138

(Note)
1. From FY2017, 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. 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				

(Note) 1. DS Pharma Biomedical Co., Ltd. changed its corporate name to DS Pharma Promo Co., Ltd. as of April 1, 2019.

2. The above plants were reorganized as described below as of April 1, 2019.

	Name	Place	Name	Place	Name	Place
Plants	Suzuka Plant	Suzuka, Mie	Oita Plant	Oita, Oita		

(8) Employees

① Employees of the Group

Business Segment	Number of Employees
Pharmaceutical Business	5,657
Others	483
Total	6,140

(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
3,067	-335	42.3	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 134 seconded employees accepted by the Company, but excluding the 453 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 205,634,000 shares of common stock of the Company (investment ratio: 51.68%). 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 medical drugs, 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) 1. The figure indicated in parentheses under the Investment Ratio column indicates the indirect ownership ratio (%) vis-a-vis the total ownership ratio.

2. DS Pharma Biomedical Co., Ltd. changed its corporate name to DS Pharma Promo Co., Ltd. as of April 1, 2019. DS Pharma Biomedical Co., Ltd. caused, as of April 1, 2019, its in-vitro diagnostics business to be taken over by SB Bioscience Co., Ltd., which is a joint company established on October 9, 2018 by Sumitomo Bakelite Co., Ltd. and the Company through an absorption-type company split.

(10) Principal Lenders and the Amounts of Loans

Lender	Outstanding Amount of the Loan
Sumitomo Mitsui Banking Corporation	6,940 million yen
Sumitomo Mitsui Trust Bank, Limited	6,300 million yen
The Norinchukin Bank	5,300 million yen
MUFG Bank, Ltd.	4,000 million yen
The Hyakujushi Bank, Ltd.	3,900 million yen

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 603,851 treasury stocks)

(3) Number of Shareholders

As of the end of the Fiscal Year Under Review: 19,507

(4) Top Ten Shareholders

Name of Shareholder	Number of Shares Held (Thousand Shares)	Shareholding Ratio (%)
Sumitomo Chemical Co., Ltd.	205,634	51.76
The Master Trust Bank of Japan, Ltd. (Trust account)	28,769	7.24
Inabata & Co., Ltd.	20,182	5.08
Japan Trustee Services Bank, Ltd. (Trust account)	12,756	3.21
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)	3,251	0.82
Japan Trustee Services Bank, Ltd. (Trust account 5)	2,908	0.73

(Note)
1. The numbers of shares held are rounded down to the nearest thousand shares.
2. The shareholding ratios were calculated after deducting the treasury stocks (603,851 shares).
3. 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%).

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

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2019)

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)	Hidehiko Sato	Attorney at Law Outside Director of Resona Holdings, Inc.
Member, Board of Directors (Outside Director)	Yutaka Atomi	President Emeritus of Kyorin University President of the Pancreas Research Foundation of Japan
Member, Board of Directors (Outside Director)	Saeko Arai	Professor at the Faculty of Global Business of Showa Women's University President of Acuray, Inc. Outside Director of Tokyu Fudosan Holdings Corporation Member of the contract supervisory committee and member of the committee to appoint candidates for the accounting auditor, etc. of the Government Pension Investment Fund (GPIF)
Full-Time Audit & Supervisory Board Member	Yoshinori Oh-e	
Full-Time Audit & Supervisory Board Member	Takashi Kutsunai	

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
Outside Audit & Supervisory Board Member	Yoshio Iteya	Partner at Mori Hamada & Matsumoto Adjunct Professor at Hitotsubashi University School of Law

(Note)
1. Director Saeko Arai and Audit & Supervisory Board Members Takashi Kutsunai and Yoshio Iteya were newly appointed at the 198th Annual Shareholders' Meeting held on June 19, 2018 and assumed their office thereafter.
2. Director Hiroshi Sato and Audit & Supervisory Board Members Nobuo Takeda and Harumichi Uchida retired as of June 19, 2018 due to the expiration of their terms of office.
3. Directors Hidehiko Sato, Yutaka Atomi and Saeko Arai are Outside Directors as defined in Item 15, Article 2 of the Companies Act.
4. Audit & Supervisory Board Members Kazuto Nishikawa, Junsuke Fujii and Yoshio Iteya 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, Yutaka Atomi and Saeko Arai, and Audit & Supervisory Board Members Kazuto Nishikawa and Junsuke Fujii as Independent Directors/Audit & Supervisory Board Members as defined by Tokyo Stock Exchange, Inc., and reported the same to the said exchange.
7. As of April 1, 2019, 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
Member, Board of Directors	Hitoshi Odagiri	Executive Vice President Executive Director, Sales & Marketing Division Head of Japan Business Unit

Member, Board of Directors	Toru Kimura	Senior 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 Chief Research Officer
Member, Board of Directors	Nobuyuki Hara	
Member, Board of Directors (Outside Director)	Saeko Arai	Professor at the Faculty of Business Administration of Hakuoh University President of Acuray, Inc. Outside Director of Tokyu Fudosan Holdings Corporation Member of the contract supervisory committee and member of the information security auditor selection committee of the Government Pension Investment Fund (GPIF)

(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, Yutaka Atomi and Saeko Arai and Outside Audit & Supervisory Board Members Kazuto Nishikawa, Junsuke Fujii and Yoshio Iteya 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 Kyorin

University where Director Yutaka Atomi serves as the president emeritus or the Pancreas Research Foundation of Japan where he serves as the president.

iii. There is no significant trading relationship between the Company and Showa Women's University where Director Saeko Arai served as a professor, Hakuoh University where she serves as a professor, Acuray, Inc. where she serves as the president, Tokyu Fudosan Holdings Corporation where she serves as an outside director, or the Government Pension Investment Fund (GPIF) where she serves as a member of the contract supervisory committee and member of the committee to appoint candidates for the accounting auditor, etc.

iv. 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.

v. 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.

vi. There is no significant trading relationship between the Company and Mori Hamada & Matsumoto where Audit & Supervisory Board Member Yoshio Iteya serves as a partner or Hitotsubashi University where he serves as an adjunct professor.

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

	Name	Principal Activities
Outside Directors	Hidehiko Sato	Among the eighteen (18) meetings held by the Board of Directors during the fiscal year under review, he attended fifteen (15) 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.
	Yutaka Atomi	Among the eighteen (18) meetings held by the Board of Directors during the fiscal year under review, he attended all eighteen (18) meetings, and he made statements at those meetings, primarily from the professional standpoint of a medical doctor.
	Saeko Arai	Among the eighteen (18) meetings held by the Board of Directors during the fiscal year under review, she attended fourteen (14) meetings out of the fifteen (15) meetings held after her assumption of office as a Director. She made statements at those meetings, primarily based on her extensive experience as a corporate executive and from the

		professional standpoint of a certified public accountant.
Outside Audit & Supervisory Board Members	Kazuto Nishikawa	He attended all eighteen (18) meetings held by the Board of Directors and all sixteen (16) 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	He attended all eighteen (18) meetings held by the Board of Directors and the fifteen (15) meetings out of the sixteen (16) meetings held by the Audit & Supervisory Board during the fiscal year under review. He made statements at those meetings, primarily based on his extensive experience and broad perspective as a corporate executive.
	Yoshio Iteya	Among the eighteen (18) meetings held by the Board of Directors and the sixteen (16) meetings held by the Audit & Supervisory Board during the fiscal year under review, he attended fourteen (14) meetings out of the fifteen (15) meetings held by the Board of Directors and ten (10) meetings out of the eleven (11) 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 an attorney.

(4) Remuneration and the like for Directors and Audit & Supervisory Board Members

	Number	Amount of Remuneration and the like (Millions of Yen)	Memo
Directors	9	368	
Audit & Supervisory Board Members	7	88	
Total	16	455	

(Note) 1. The above includes the amount of remuneration and the like for Outside Directors and Outside Audit & Supervisory Board Members, eight (8) persons in total, which is 72 million yen in total.

2. The above includes one (1) Director and two (2) Audit & Supervisory Board Members who retired upon the conclusion of the 198th Annual Shareholders'

Meeting held on June 19, 2018.

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 29 million yen, which represents the bonuses for Directors to be paid with respect to the fiscal year under review.

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 Public Accountant Act (Act No. 103 of 1948)	99
Total amount of fees to be paid in cash or otherwise by the Company or Subsidiaries of the Company	103

(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.
3. Significant subsidiaries located abroad were audited by auditing firms other than the Accounting Auditor of the Company.

(3) Details of Non-Audit Services

The Company assigns the Accounting Auditor to provide advisory services regarding the application of IFRS 16 Leases, which are outside the scope of the services set forth in Paragraph 1 of Article 2 of the Certified Public Accountant Act (i.e., non-audit services).

(4) 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-reelection of such Accounting Auditor in accordance with the policy for the determination of the dismissal or non-reelection 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, eighteen (18) 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. The Company has taken action for improvement with respect to matters to be addressed that were identified as a result of such discussion.

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 to 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 also reviewed the system and engaged in promotion and educational activities to improve the effectiveness of the compliance hotline.

- The Company revised its Compliance Standard in accordance with, among other things, the revision of the JPMA Compliance Program Guidelines of the Japan Pharmaceutical Manufacturers Association.
- For the further enhancement of compliance, the Company examined compliance risks at each workplace, and reviewed, formulated and implemented measures to prevent the occurrence of such risks.
- The Company held company-wide educational seminars about compliance with topics such as "Standards regarding the Collaboration with Healthcare Professionals, etc.," "EU General Data Protection Regulation (GDPR)," "Prevention of Harassment" and "Information Management."

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 was periodically reported to the Board of Directors.
- 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.
- The Company decided to establish the Computer Security Incident Response Team (CSIRT) as an expert group to respond to cyberattacks.
- The Company conducted disaster drills that assumed an earthquake striking the Tokyo metropolitan area. Disaster drills were also conducted at respective business sites such as plants and research laboratories.

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, sixteen (16) 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, 2019)

(millions of yen)

Item	Amount As of March 31, 2019	(Reference) Amount As of March 31, 2018	Item	Amount As of March 31, 2019	(Reference) Amount As of March 31, 2018
Assets			**Liabilities**		
Non-current assets	**461,449**	**461,103**	**Non-current liabilities**	**138,405**	**146,713**
Property, plant and equipment	59,485	58,204	Bonds and borrowings	27,980	30,940
Goodwill	99,348	95,097	Other financial liabilities	80,387	88,427
Intangible assets	171,390	189,681	Retirement benefit liabilities	23,613	20,700
Other financial assets	74,668	70,993	Other non-current liabilities	6,425	6,551
Income tax receivable	2,562	2,453	Deferred tax liabilities	—	95
Other non-current assets	3,277	3,067	**Current liabilities**	**198,174**	**210,248**
Deferred tax assets	50,719	41,608	Bonds and borrowings	2,960	16,460
			Trade and other payables	49,238	58,708
			Other financial liabilities	8,673	6,278
			Income taxes payable	15,723	14,368
Current assets	**373,268**	**348,581**	Provisions	92,176	84,433
Inventories	66,889	60,169	Other current liabilities	29,404	30,001
Trade and other receivables	118,760	112,982	**Total liabilities**	**336,579**	**356,961**
Other financial assets	43,750	22,066	**Equity**		
Income tax receivable	483	419	**Equity attributable to owners of the parent**	**498,138**	**452,723**
Other current assets	6,090	5,170	Share capital	22,400	22,400
Cash and cash equivalents	137,296	147,775	Capital surplus	15,861	15,860
			Treasury shares	(674)	(669)
			Retained earnings	431,799	396,037
			Other components of equity	28,752	19,095
			Total equity	**498,138**	**452,723**
Total assets	**834,717**	**809,684**	**Total liabilities and equity**	**834,717**	**809,684**

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

Consolidated Statement of Profit or Loss

(April 1, 2018 to March 31, 2019)

(millions of yen)

Item	Amount Year ended March 31, 2019	(Reference) Amount Year ended March 31, 2018
Revenue	**459,267**	**466,838**
Cost of sales	113,553	112,345
Gross profit	**345,714**	**354,493**
Selling, general and administrative expenses	180,439	183,651
Research and development expenses	102,364	86,928
Other income	885	9,417
Other expenses	5,912	5,158
Operating profit	**57,884**	**88,173**
Finance income	7,369	2,430
Finance expenses	207	5,737
Profit before taxes	**65,046**	**84,866**
Income tax expenses	16,419	31,418
Net profit	**48,627**	**53,448**
Net profit attributable to:		
Owners of the parent	48,627	53,448

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

Non-consolidated Statement of Financial Position

(As of March 31, 2019)

(millions of yen)

Item	Amount As of March 31, 2019	(Reference) Amount As of March 31, 2018	Item	Amount As of March 31, 2019	(Reference) Amount As of March 31, 2018
Assets			**Liabilities**		
Current assets	**293,930**	**253,873**	**Current liabilities**	**56,812**	**68,761**
Cash and time deposits	63,435	79,201	Accounts payable	9,614	10,638
Accounts receivable	98,685	64,470	Short-term borrowings to affiliates	-	3,500
Marketable securities	-	2,000	Current portion of bonds	-	10,000
Merchandise and finished goods	35,031	34,190	Current portion of long-term borrowings	2,960	2,960
Work-in-process	554	2,902	Accounts payable-other	21,977	20,036
Raw materials and supplies	9,900	9,075	Accrued expenses	787	931
Advance payments	300	92	Income taxes payable	13,418	12,280
Prepaid expenses	336	332	Advances received	1,144	1,308
Short-term loans to affiliates	80,990	58,755	Deposits received	1,126	655
Accounts receivables - other	4,699	2,856	Reserve for bonuses	5,672	6,297
Fixed assets	**424,868**	**422,019**	Others	114	155
Property, plant and equipment	**47,709**	**46,837**	**Long-term liabilities**	**42,880**	**46,022**
Buildings	30,656	30,074	Long-term borrowings	27,980	30,940
Structures	538	569	Long-term deposits payable	3,375	3,190
Machinery and equipment	6,927	6,563	Provision for retirement benefit liabilities	11,073	11,481
Vehicles	23	14	Others	452	410
Tools, furniture and fixtures	3,391	3,046			
Land	4,607	4,683			
Construction in progress	1,567	1,888	**Total Liabilities**	**99,692**	**114,783**
			Net assets		
Intangible assets	**5,531**	**6,430**	**Shareholders' equity**	**589,379**	**532,038**
Software	3,301	2,624	Share capital	22,400	22,400
Marketing rights	1,609	2,708	Capital surplus	15,861	15,860
Others	621	1,098	Legal capital surplus	15,860	15,860
			Other capital surplus	1	0
Investments and other assets	**371,628**	**368,751**	Retained earnings	551,792	494,447
Investment securities	62,637	59,846	Legal retained earnings	5,288	5,288
Investment in affiliates	283,620	282,920	Other retained earnings	546,504	489,158
Amount invested in capital of affiliates	3,148	3,148	Reserve for advanced depreciation of non-current assets	1,392	1,489
Long-term prepaid expenses	1,806	2,129	General reserve	275,510	275,510
Prepaid pension cost	6,490	6,266	Retained earnings carried forward	269,602	212,159
Deferred tax assets	12,326	12,805	Treasury shares	(674)	(669)
Others	1,626	1,664	**Valuation, translation adjustments and others**	**29,727**	**29,071**
Allowance for doubtful receivables	(25)	(26)	Unrealized gains on available-for-sale securities, net of tax	29,727	29,071
			Total net assets	619,106	561,109
Total assets	**718,798**	**675,891**	**Total liabilities and net assets**	**718,798**	**675,891**

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

Non-consolidated Statement of Profit or Loss

(April 1, 2018 to March 31, 2019)

(millions of yen)

Item	Amount Year ended March 31, 2019	(Reference) Amount Year ended March 31, 2018
Net sales	**264,462**	**251,101**
Cost of sales	**66,107**	**66,590**
Gross profit	**198,355**	**184,511**
Reversal of reserve for sales returns	11	0
Gross profit-net	**198,366**	**184,512**
Selling, general and administrative expenses	**110,729**	**109,943**
Operating profit	**87,637**	**74,568**
Non-operating income	**10,156**	**4,044**
Interest and dividend income	5,066	3,512
Foreign exchange gains	4,681	-
Others	409	533
Non-operating expenses	**1,959**	**7,293**
Interest expenses	141	349
Donations	632	768
Losses on disposal of fixed assets	491	183
Foreign exchange losses	-	5,612
Others	695	381
Ordinary income	**95,834**	**71,320**
Extraordinary loss	**3,842**	**11,777**
Business structure improvement expenses	3,725	3,185
Impairment losses	117	2,147
Loss on valuation of investment securities	-	6,445
Profit before taxes	**91,992**	**59,543**
Income tax expenses - current	23,206	20,867
Income tax expenses - deferred	316	(3,687)
Net profit	**68,470**	**42,364**

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

Independent Auditor's Report

May 8, 2019

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

KPMG AZSA LLC

Daisuke Harada (Seal)
Designated Limited Liability Partner
Engagement Partner

Certified Public Accountant

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

Masato Tateishi (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, 2019 and for the year from April 1, 2018 to March 31, 2019 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 8, 2019

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

KPMG AZSA LLC

Daisuke Harada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

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

Masato Tateishi (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, 2019 and for the year from April 1, 2018 to March 31, 2019 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 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 199th fiscal year from April 1, 2018 to March 31, 2019, 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, audit plans, 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, other related persons, 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, audit plans, assignment of duties, and other matters, each Audit & Supervisory Board Member endeavored to communicate with Directors, the internal auditing division, other employees and the Accounting Auditor, among others, 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, employees and other related parsons on the status of the performance of their duties, requested explanations as necessary, examined important approval documents, etc., 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 regularly received reports concerning their business, and endeavored to communicate and exchange information with Directors, Audit & Supervisory Board Members and other related persons of each of the major domestic and overseas subsidiaries.

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, employees and other related parsons on the status of their construction and implementation, requested explanations as necessary and represented opinion.

③ Audit & Supervisory Board Members 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, requested explanations as necessary, and monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit.

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 9, 2019

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

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

Takashi Kutsunai, Full-time Audit & Supervisory Board Member (seal)

Kazuto Nishikawa, Outside Audit & Supervisory Board Member (seal)

Junsuke Fujii, Outside Audit & Supervisory Board Member (seal)

Yoshio Iteya, Outside Audit & Supervisory Board Member (seal)

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.

The Company believes it important to distribute surplus in an appropriate manner reflecting the Company's performance. Accordingly, a performance-linked dividend hike will be considered in addition to consistent dividend payments. In a constant effort to further increase its corporate value, the Company remains committed to establishing a solid management base and a strong financial position, while making proactive investments for sustainable business growth. In the Mid-term Business Plan covering the period from FY2018 through FY2022, the Company aims for a five (5) year average dividend payout ratio of 20% or higher during the period.

During the fiscal year under review, the Company reported core operating profit of 77.3 billion yen and net profit attributable to owners of the parent of 48.6 billion yen.

Given the dividend policy and earnings results of the fiscal year under review, we hereby propose the year-end dividend of nineteen (19) yen per share 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 (7,548,629,757 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 21, 2019

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)	April 1968: Joined Sumitomo Chemical Co., Ltd. June 1998: Director of Sumitomo Chemical Co., Ltd. June 2002: Managing Director of Sumitomo Chemical Co., Ltd. January 2005: Managing Executive Officer of the former Sumitomo Pharmaceuticals Co., Ltd. June 2005: Director and Managing Executive Officer of the former Sumitomo Pharmaceuticals Co., Ltd. October 2005: Member of the Board of Directors and Executive Vice President of the Company June 2007: Member of the Board of Directors and Senior Executive Vice President of the Company June 2008: Representative Director, President and Chief Executive Officer of the Company April 2018: Representative Director and Chairman of the Company (up to the present) [Significant Concurrent Positions] Member of the Board of Directors of Sunovion Member of the Board of Directors of Boston Biomedical Board Chairman of the Japan Epilepsy Research Foundation [Reason for Nomination as a Candidate for	120,700 shares

		Director] Mr. 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. Since April 2018, he has served as the Representative Director and Chairman of the Company. The Company has continued to nominate him as a candidate for Director, finding that he will be able to contribute to the sustainable growth of the Group and increase of its corporate value using his extensive knowledge, capacity and experience.	
2	Hiroshi Nomura (Aug. 31, 1957)	April 1981: Joined Sumitomo Chemical Co., Ltd. January 2008: Joined the Company June 2008: Executive Officer of the Company June 2012: Member of the Board of Directors of the Company April 2014: Member of the Board of Directors and Senior Executive Officer of the Company April 2016: Member of the Board of Directors and Executive Vice President of the Company April 2017: Representative Director and Executive Vice President of the Company April 2018: Representative Director and President of the Company (up to the present) [Significant Concurrent Positions] Member of the Board of Directors of Sunovion Member of the Board of Directors of Boston Biomedical Member of the Board of Directors of Tolero [Reason for Nomination as a Candidate for Director] Mr. Hiroshi Nomura served as a responsible person for the departments of global strategy, global corporate management, human resources, finance and accounting, and drug development of	39,600 shares

		the Company, and in responsible positions at its overseas subsidiaries. Since April 2018, he has served as the Representative Director and President of the Company. The Company has continued to nominate him as a candidate for Director, finding that he will be able to contribute to the sustainable growth of the Group and increase of its corporate value by using his extensive knowledge, capacity and experience.	
3	Hitoshi Odagiri (Jan. 4, 1957)	April 1979: Joined Inabata & Co., Ltd. October 1984: Joined the former Sumitomo Pharmaceuticals Co., Ltd. June 2008: Director of Strategic Planning & 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 June 2016: Member of the Board of Directors of the Company (up to the present) April 2018: Executive Director of the Sales & Marketing Division and Head of Japan Business Unit of the Company (up to the present) April 2019: Executive Vice President of the Company (up to the present) [Reason for Nomination as a Candidate for Director] Mr. Hitoshi Odagiri has served as a responsible person for the Japan business and 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 continued to nominate him as a candidate for Director, finding that he will be able to contribute to the sustainable growth of the Group and increase of its corporate value using his extensive knowledge, capacity and experience.	23,300 shares
4	Toru Kimura	April 1989: Joined Sumitomo Chemical Co., Ltd.	17,100 shares

	(Aug. 5, 1960)	October 1992: Joined the former Sumitomo Pharmaceuticals Co., Ltd. June 2009: Director of Genomic Science Laboratories of the Company June 2010: Director of Research Planning & Management of the Company April 2012: Director of Global Strategy of the Company September 2013: Director of the Regenerative & Cellular Medicine Office of the Company April 2015: Executive Officer of the Company June 2016: Member of the Board of Directors of the Company (up to the present) April 2019: Senior Executive Officer (up to the present) April 2019: Senior Executive Research Director of the Drug Research Division, and in charge of the Regenerative & Cellular Medicine Office, the Regenerative & Cellular Medicine Kobe Center and the Regenerative & Cellular Medicine Manufacturing Plant, and Chief Research Officer of the Company (up to the present) [Reason for Nomination as a Candidate for Director] Mr. Toru Kimura has served as a responsible person for the departments of global strategy, regenerative and cellular medicine and research of the Company. The Company has continued to nominate him as a candidate for Director, finding that he will be able to contribute to the sustainable growth of the Group and increase of its corporate value using his extensive knowledge, capacity and experience.	
5	Nobuhiko Tamura (Apr. 28, 1956) New	April 1982: Joined Sumitomo Chemical Co., Ltd. October 1984: Joined the former Sumitomo Pharmaceuticals Co., Ltd. April 2007: President of Dainippon Sumitomo Pharma America, Inc. (currently,	600 shares

		Sunovion) November 2009: Executive Officer of the Company Director of Sepracor Inc. (currently, Sunovion) April 2012: Executive Director of the Drug Development Division of the Company April 2013: Senior Executive Officer of the Company (up to the present) April 2014: Vice Chair and Executive Vice President of Sunovion November 2014: Vice Chair and President of Sunovion April 2016: Chair and President of Sunovion April 2019: Executive Director of the Corporate Regulatory Compliance & 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) [Reason for Nomination as a Candidate for Director] Mr. Nobuhiko Tamura has served in responsible positions of the drug development department of the Company and at its overseas subsidiaries. The Company has nominated him as a candidate for Director, finding that he will be able to contribute to the sustainable growth of the Group and increase of its corporate value using his extensive knowledge, capacity and experience.	
6	Yutaka Atomi (Dec. 5, 1944) Outside Independent	April 1970: Intern Doctor at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo April 1971: Intern Doctor at the Department of Surgery of Tokyo Hitachi Hospital April 1972: Intern Doctor at the Department of Surgery of Tokyo Kosei Nenkin Hospital April 1976: Research Assistant at the Department	0 share

		of Radiology of the Faculty of Medicine of the University of Tokyo April 1977: Intern Doctor at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo April 1982: Chief of the Medical Staff at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo June 1988: Visiting Researcher at the Department of Surgery of the University of California, San Francisco February 1989: Research Assistant at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo July 1992: Lecturer at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo October 1992: Professor at the First Department of Surgery of the School of Medicine of Kyorin University April 1998: Vice Director of Kyorin University Hospital April 2004: Dean of the School of Medicine of Kyorin University April 2010: President of Kyorin University June 2013: Outside Audit & Supervisory Board Member of the Company June 2017: Member of the Board of Directors (Outside Director) of the Company (up to the present) April 2018: President Emeritus of Kyorin University (up to the present) June 2018: President of the Pancreas Research Foundation of Japan (up to the present) [Significant Concurrent Positions] President Emeritus of Kyorin University President of the Pancreas Research Foundation of Japan [Reason for Nomination as a Candidate for Director]	

		Mr. Yutaka Atomi has extensive experience and expertise as a medical doctor. The Company has continued to nominate him as a candidate for Outside Director so that he will be able to contribute to the management of the Group using his experience and expertise. Although he 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.	
7	Saeko Arai (Feb. 6, 1964) Outside Independent	October 1987: Joined Eiwa Audit Corporation (currently, KPMG AZSA LLC) August 1992: Registered as a Certified Public Accountant (Reregistered in January 1997) October 1993: Joined Sasaki Certified Public Accountants Office April 1997: Joined Internet Research Institute, Inc., Manager of General Affairs and Accounting September 1998: Director, Manager of General Administration and CFO of Internet Research Institute, Inc. February 2000: Director of IRI USA, Inc. November 2002: President and CEO of IRI USA, Inc. November 2002: Established Gratia, Inc. (currently, Acuray, Inc.) and assumed the position of President thereof (up to the present) December 2008: Joined Crystal Hotel, Inc. (currently, Crystal International, Inc.), CFO and General Manager of Administration February 2010: Joined Nano-Optonics Energy Inc., CFO and General Manager of Administration December 2010: Director of Nano-Optonics Energy Inc. April 2016: Professor at the Faculty of Business Administration of Hakuoh University January 2017: Outside Audit & Supervisory Board	0 share

		Member of teamS Inc. (up to the present) June 2017: Outside Audit & Supervisory Board Member of AEON Credit Service Co., Ltd. (up to the present) April 2018: Professor at the Faculty of Global Business of Showa Women's University June 2018: Member of the Board of Directors (Outside Director) of the Company (up to the present) June 2018: Outside Director of Tokyu Fudosan Holdings Corporation (up to the present) April 2019: Professor at the Faculty of Business Administration of Hakuoh University (up to the present) [Significant Concurrent Positions] Professor at the Faculty of Business Administration of Hakuoh University President of Acuray, Inc. Outside Director of Tokyu Fudosan Holdings Corporation Member of the contract supervisory committee and member of the information security auditor selection committee of the Government Pension Investment Fund (GPIF) [Reason for Nomination as a Candidate for Director] Ms. 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 continued to nominate her as a candidate for Outside Director so that she will be able to contribute to the management of the Group using her experience and expertise.	
8	Nobuhiro Endo (Nov. 8, 1953)	April 1981: Joined NEC Corporation April 2006: Senior Vice President and Executive General Manager of the Mobile	0 share

	New Outside Independent	Network Operations Unit of NEC Corporation April 2009: Executive Vice President of NEC Corporation June 2009: Executive Vice President and Member of the Board of NEC Corporation April 2010: President (Representative Director) of NEC Corporation April 2016: Chairman of the Board (Representative Director) of NEC Corporation (up to the present) June 2016: Outside Director of JAPAN POST INSURANCE Co., Ltd. June 2017: Outside Director of Seiko Holdings Corporation (up to the present) June 2018: Outside Director of Japan Exchange Group, Inc. (up to the present) [Significant Concurrent Positions] Outside Director of Seiko Holdings Corporation Outside Director of Japan Exchange Group, Inc. [Reason for Nomination as a Candidate for Director] Mr. Nobuhiro Endo has a wide range of knowledge and extensive experience which he has acquired in the course of his long career as a corporate executive at a company conducting ICT business, etc. at a global level. The Company has nominated him as a candidate for Outside Director so that he will be able to contribute to the management of the Group using his knowledge and experience.	

(Note) 1. None of the above candidates have any special interests in the Company.

2. Mr. Yutaka Atomi, Ms. Saeko Arai and Mr. Nobuhiro Endo 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 Mr. Yutaka Atomi and Ms. Saeko Arai as Independent Directors as defined by Tokyo Stock Exchange, Inc., and reported the same to the said exchange. Upon the approval of the election of Mr. Nobuhiro Endo as an Outside Director, the Company intends to designate him as an Independent Director as defined by the said exchange, and report the same thereto.

4. Mr. Yutaka Atomi and Ms. Saeko Arai currently serve as Outside Directors of the Company, and Mr. Yutaka Atomi will have served as an Outside Director for two (2) years and Ms. Saeko Arai 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 Mr. Yutaka Atomi and Ms. Saeko Arai 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 Mr. Yutaka Atomi and Ms. Saeko Arai as Outside Directors, the Company intends to extend the term of the said agreement. Upon the approval of the election of Mr. Nobuhiro Endo as an Outside Director, the Company intends to enter into an agreement with him with the same terms as those of the said agreement.
6. As for NEC Corporation where Mr. Nobuhiro Endo serves as the chairman of the board (representative director), the company's activities were identified by the Japan Fair Trade Commission on July 12, 2016, as violating the Antimonopoly Act with respect to transactions with Tokyo Electric Power Company Holdings, Inc. (formerly, Tokyo Electric Power Company, Inc.) on telecommunications equipment for electric power systems. NEC Corporation respectively received from the Japan Fair Trade Commission a cease and desist order and an order for payment of surcharge for activities in violation of the Antimonopoly Act with respect to transactions for fire-fighting emergency radio systems on February 2, 2017, and with respect to transactions for hybrid optical communication equipment and equipment for transmission lines for Chubu Electric Power Co., Inc. on February 15, 2017. After these incidents were brought to his attention, Mr. Endo fulfilled his duties by promoting measures to prevent recurrence of such problems through such means as reinforcing the compliance system and enhancing the development and operation of the internal control system.

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[Reference]

Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members

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 revenue or 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 revenue), 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 or the Audit & Supervisory Board Members, 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 of 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.

Instructions for Voting by Electronic or Magnetic Means (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., Wednesday, June 19, 2019 (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) 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 to exercise their voting rights by electronic or magnetic means for the Annual Shareholders' Meeting of the Company.

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