

Corporate Governance | FY2023 Archive

| Basic Approach to Corporate Governance

The Board of Directors of Sumitomo Pharma Co., Ltd. (the "Company") passed a resolution on the following Basic Policy on Corporate Governance, and has been continually implementing the basic policy.

▶ Basic Policy on Corporate Governance

| Factors That Could Significantly Influence Corporate Governance

Sumitomo Chemical Co., Ltd. is the parent company holding 51.78% (as of September 30, 2024) of the voting rights of the Company.

However, the Company secures a certain level of independence from the parent company, and engages in business activities based on its own management judgments without any restrictions from the parent company (such as prior approval by the parent company). The Company retains some personnel seconded from the parent company based on the Company's own judgment, and believes this has no influence on the Company's management or business operations. Based on the above, the Company understands that the interests of its retail shareholders are not impaired by its parent company.

| Management Structure

The Company has established the Basic Policy on Corporate Governance and commits itself to continuously pursuing the establishment of a corporate governance system which is highly effective, aiming for the fuller realization of its Mission. The Company has elected the organizational structure of a "Company with an Audit & Supervisory Board" and has appointed Independent Outside Directors to audit the execution of duties by the Directors, independent of the Board of Directors. In addition, the Company has adopted an executive officer system to separate management supervision from business execution.

The Board of Directors consists of eight members (including one female Director), including four Independent Outside Directors. The Board of Directors holds a meeting once a month, in principle, and resolves and reports on material business matters .

The Audit & Supervisory Board consists of five members (including one female Director), including three Outside Audit & Supervisory Board Members. The Audit & Supervisory Board holds a meeting once a month, in principle, discusses and resolves material matters relating to auditing, and also examines in advance matters to be submitted to the Board of Directors for discussion.


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

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

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

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

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

The Knowledge, Experience and Skills to be Held by the Board of Directors and the Audit & Supervisory Board as a Whole (Skill Sets for Directors and Audit & Supervisory Board Members) which was determined by the Board of Directors, and the Skills Matrix of the current Directors and Audit & Supervisory Board Members are available on [Skill Sets for Directors and Audit & Supervisory Board Members and Skills Matrix](#)  .

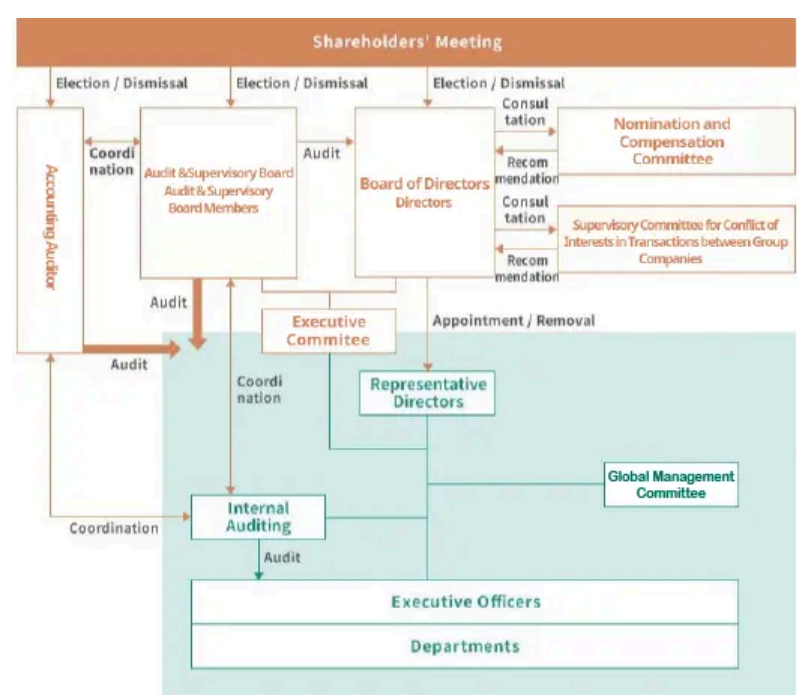
Audit System

The Audit & Supervisory Board consists of five members, including three Outside Audit & Supervisory Board Members. In accordance with the audit policies, audit plans, allocation of duties among members and other relevant matters determined by the Audit & Supervisory Board, the members audit the implementation status of the internal control system, while attending meetings of the Board of Directors and the Executive Committee and other various briefing sessions (as for the Full-time Audit & Supervisory Board Members, by attending the meetings of the Global Management Committee and other important meetings) and monitoring legality and appropriateness of management decisions by the Directors, by holding meetings with the Representative Directors on a regular basis, receiving reports from the Directors

and employees on the status of the execution of their duties, requesting additional explanations as necessary, conducting field audits at principal offices, reviewing important approval documents and taking other necessary actions. In addition, each member strives to establish an appropriate environment in order to enhance the effectiveness of audit practices by having opportunities on a regular basis for collaboration with the Accounting Auditor and the Internal Auditing Department, and for collaboration in a three-party auditing structure. The implementation status of the internal control system of subsidiaries of the Company is audited by holding meetings with the representative directors and other relevant persons of the subsidiaries located in Japan and abroad, holding meetings with audit & supervisory board members of the subsidiaries as necessary and seeking to obtain relevant information.

Accounting audits are conducted by KPMG AZSA LLC, under the audit agreement.

The Company has established the Internal Auditing Department, which reports directly to the President and CEO of the Company. The Internal Auditing Department conducts internal audits for not only the Company but also its subsidiaries to check the basic elements necessary for achieving the objectives of internal control, from a fair and independent standpoint.



Development of an Internal Control System

The Board of Directors of the Company passed a resolution on the basic policies for the development of a system to ensure appropriate business operation. The status of implementation efforts pursuant to the basic policies for each year is reported based on the Companies Act at the Board of Directors meeting held in the last month of the fiscal year and the basic policies are revised as necessary to improve the system.

▶ Basic Policy for Developing the Internal Control System

Corporate Governance Report

