

# Executive Remuneration | FY2023 Archive

The Company has the Nomination and Compensation Committee as the consultative body to the Board of Directors for enhancing the objectivity and independence of the functions of the Board of Directors relating to matters such as the nomination of candidates for Directors and Audit & Supervisory Board Members and decisions regarding remuneration for Directors. As a system of remuneration for Directors, the Company has provided as described below the policy for determining remuneration and the like for individual Directors, and the policy was determined by the Board of Directors based on the recommendation from the Nomination and Compensation Committee after the Board of Directors sought such recommendation and the Nomination and Compensation Committee deliberated the relevant matters.

Effective from July 1, 2023, revisions have been made to the system of remuneration for Directors, including changes to the policy for determining remuneration and the like for individual Directors. These changes were determined by the Board of Directors during their meeting held on June 27, 2023, following the recommendation from the Nomination and Compensation Committee.

## | System of Remuneration and the Like

Remuneration for the Directors (excluding Outside Directors) consists of base remuneration and performance-linked remuneration (bonuses), and this system is established to serve as an incentive for achieving sustained growth and enhancing the corporate value of the Group. Part of the base remuneration is the remuneration to be contributed to the Sumitomo Pharma Officers Shareholders' Association for the purpose of acquiring shares of the Company. The Directors continue to hold the shares they acquire through the said Association during their term of office and for one year after their retirement. Through such measures, the Directors' willingness to contribute to the increase of corporate value in the medium- to long-term is enhanced and value sharing with shareholders is promoted.

Remuneration for the Outside Directors consists of base remuneration only, and the Company adopts a remuneration system where the business performance of the Company is not linked thereto, for the purpose of securing the supervisory function and independence of the Outside Directors.

The base amounts are set with respect to the base remuneration and performance-linked remuneration (bonuses) according to each position, such as Representative Director. The ratios of the base amount of the base remuneration and the performance-linked remuneration (bonuses) of the Directors (excluding Outside Directors) are set to be 70% for the base remuneration and 30% for the performance-linked remuneration (bonuses), with respect to the total amount of the remuneration (when the performance-linked elements described in "Method of Calculating the amount of performance-linked Remuneration (bonuses)" and individual performance are all considered standard).

The total amount of the remuneration and the like shall be not more than 700 million yen annually as approved at the Shareholders' Meeting.

## Method of Calculating the Amount of Performance-Linked Remuneration (Bonuses)

The amount of the performance-linked remuneration (bonuses) for the Directors (excluding Outside Directors) is calculated based on the performance-linked elements and individual performance, and is calculated to be within the scope of zero to 200% of the base amount.

The performance-linked elements are evaluated by the Nomination and Compensation Committee based on the degree of achievement of targets, using as indicators the "core operating profit," which was set as a profit indicator showing recurring profitability of a company within the Group and serves as an original performance management indicator; "R&D results" which are the base of the business activities of the Group and important to its continuous growth; and "operating cash flow" which serves as the investment fund for R&D and related activities. The individual performance is evaluated by the Nomination and Compensation Committee based on the degree of achievement of performance targets of each Director (excluding Outside Directors).

Among the performance-linked elements, a target of 16.4 billion yen was set for "core operating profit" for fiscal 2023, and the result was a loss of 133.0 billion yen.

## Method of Determining Remuneration and the Like

Remuneration and the like for individual Directors are determined by the Board of Directors based on the recommendation from the Nomination and Compensation Committee after the Board of Directors seeks such recommendation and the Nomination and Compensation Committee deliberates the relevant matters. When the Board of Directors determines to delegate the decision-making thereof to the Representative Director, President and CEO, the Representative Director, President and CEO shall determine the same, respecting and in accordance with the recommendation made by the Nomination and Compensation Committee to the Board of Directors.

Upon the delegation by the Board of Directors, Representative Director, President and CEO Hiroshi Nomura, who oversees business operations as a whole and has a good understanding of the state of the execution of duties by all Directors (excluding Outside Directors), determined the said remuneration and the like for fiscal 2023, and the Nomination and Compensation Committee confirmed that the said remuneration and the like was in accordance with the system of remuneration for Directors. Accordingly, the Board of Directors has determined that the decision of the said remuneration and the like was in accordance with the above policy.

### Amount of Executive Remuneration (FY2023)

Category of Officer	Total Amount of Remuneration	Amount of Remuneration by Type		Number
		Base Remuneration	Performance-Linked Remuneration (Bonuses)	
Directors (excluding Outside Directors)	¥164mn	¥171mn	– ¥7mn	5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	¥55mn	¥55mn	–	3
Outside Directors and Outside Audit & Supervisory Board Members	¥87mn	¥87mn	–	7

(Note)

1. The amount of remuneration and the like for Directors that was determined by resolution at the 201st Annual Shareholders' Meeting held on June 24, 2021, does not exceed 700 million yen annually, and the number of Directors concerned under this resolution was nine (9).
2. The amount of remuneration and the like for Audit & Supervisory Board Members that was determined by resolution at the 185th Annual Shareholders' Meeting held on June 29, 2005, does not exceed 100 million yen annually, and the number of Audit & Supervisory Board Members concerned under this resolution was four (4).
3. The total amount of remuneration and the like for nine (9) Directors is 215 million yen, and the total amount of remuneration and the like for six (6) Audit & Supervisory Board Members is 91 million yen.
4. Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) include one (1) Audit & Supervisory Board Member who retired upon the conclusion of the 202nd Annual Shareholders' Meeting held on June 23, 2022.
5. No performance-linked remuneration (bonuses) is paid for fiscal 2023. The amount of performance-linked remuneration (bonuses) represents the difference between the initially planned and finalized amounts for fiscal 2022.