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
June 1, 2020

Dear Shareholders:

Notice of Convocation of the 200th Annual Shareholders' Meeting

We would like to express our deepest sorrow for the people who passed away due to the novel coronavirus disease (COVID-19). We also extend our sincerest condolences to the bereaved families, and our heartfelt sympathies to those who are suffering from or affected by the disease.

We hereby notify you of the 200th 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.

You can exercise your voting rights in writing or by electronic or magnetic means (the Internet, etc.) without attending the Meeting in person on its scheduled date. As the spread of COVID-19 is still continuing, from the perspective of ensuring your safety and preventing the spread of infection, we request you to exercise your voting rights in advance in writing or by electronic or magnetic means (the Internet, etc.), and refrain from attending the Meeting in person on its scheduled date, as much as possible, regardless of your health condition.

In order to exercise your voting rights in advance, please review the attached Reference Documents for the Shareholders' Meeting and exercise your voting rights no later than 5:00 p.m., Monday, June 22, 2020 (JST) according to the description on pages 4 and 5.

1. Date and Time: 10:00 a.m. on Tuesday, June 23, 2020 (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 as the number of seats in the hall on the 7th floor is limited, you may 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 200th Fiscal Year (from April 1, 2019 to March 31, 2020)
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 Equity, 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 Equity, 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/.

Guidance for Exercising Voting Rights

You can exercise your voting rights by any of the three methods described below:

If you exercise your voting rights 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 (you need not affix a stamp).

Deadline: **To be received by 5:00 p.m. on Monday, June 22, 2020 (JST)**

If you exercise your voting rights by electronic or magnetic means (the Internet, etc.)

Please access the online voting website (https://www.web54.net) with your personal computer or smart phone, etc. and 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.

Deadline: **5:00 p.m. on Monday, June 22, 2020 (JST)**

1. Please be advised that shareholders who use the online voting website will be required to change their "passwords" on the said website for the purpose of preventing unauthorized access ("impersonation") or tampering of the shareholders' votes by any other person.
2. The Company will provide a new "voting code" and "password" each time the Annual Shareholders' Meeting is convened.
3. Shareholders are required to bear the charges that accrue in accessing the online voting website (Internet provider connection charges, telephone charges, etc.).

If you attend the Meeting in person

Please submit the voting form to the receptionist at the place of the Meeting.

Date and Time: **10:00 a.m. on Tuesday, June 23, 2020 (JST)**

Place: **Hall on the 7th floor of the Company's Corporate Headquarters Building**
6-8, Doshomachi 2-chome, Chuo-ku, Osaka, Japan
(Please see the access map at the end of this document.)

Instructions for Exercising Voting Rights by Electronic or Magnetic Means (the Internet, etc.)

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

If you choose to exercise your voting rights via the Internet, please access the online voting website designated by the Company with your personal computer or smart phone, etc., and exercise your voting rights by following the instructions displayed on the screen.

Online Voting Website Designated by the Company: https://www.web54.net

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

2D Code

Deadline for Online Voting: 5:00 p.m. on Monday, June 22, 2020 (JST)

*We appreciate early exercise of your voting rights for the sake of counting of votes.

1. Access to the online voting website	►	2. Log in to the online voting website	➡	Please vote by following the instructions displayed on the screen.
https://www.web54.net Please click on “次へすすむ” ("next”).		Please enter the “議決権行使コード” (“voting code”) provided in the voting form, and click on “ログイン” (“log in”).		

* In the event that a voting right is exercised twice via the voting form and online, only the online vote shall be counted as an effective vote. 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.

Contact for inquiry related to online voting	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)

For Institutional Investors

Institutional investors can use the electronic voting platform for institutional investors operated by ICJ, Inc. to exercise their voting rights.

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 72.0 billion yen and net profit attributable to owners of the parent of 40.8 billion yen.

Given the dividend policy and earnings results of the fiscal year under review, we hereby propose the year-end dividend of fourteen (14) 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:
Fourteen (14) yen per share of common stock of the Company (5,562,131,624 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 24, 2020

Second Proposal: Election of Eight (8) Directors

The term of office of all the current Directors (7 persons) of the Company will expire upon the conclusion of this Shareholders' Meeting. Mr. Nobuhiko Tamura retired from the office of Director as of March 31, 2020 as he resigned. Therefore, we would like you to elect eight (8) Directors.

The candidates for Directors are as follows:

Candidate No.	Name	Current Position(s), Responsibilities, etc. at the Company	Attendance at the Meetings of the Board of Directors
1	Masayo Tada Reelection	Representative Director and Chairman	100% (20/20)
2	Hiroshi Nomura Reelection	Representative Director and President	100% (20/20)
3	Hitoshi Odagiri Reelection	Member, Board of Directors Executive Vice President In charge of the Sales & Marketing Division Executive Director, Sales & Marketing Division Head of Japan Business Unit	100% (20/20)
4	Toru Kimura Reelection	Member, Board of Directors Senior Executive Officer Chief Scientific Officer In charge of the Regenerative & Cellular Medicine Office, the Regenerative & Cellular Medicine Kobe Center, the Regenerative & Cellular Medicine Manufacturing Plant, and the Drug Research Division Senior Executive Research Director, Drug Research Division	100% (20/20)
5	Yoshiharu Ikeda New	Senior Executive Officer In charge of Regulatory Affairs, Medical Information, Medical Affairs, the Corporate Regulatory Compliance & Quality Assurance Division, the Technology Research & Development Division and the Manufacturing Division Executive Director, Corporate Regulatory Compliance & Quality Assurance Division Deputy Head of Japan Business Unit	-

6	Yutaka Atomi Reelection Outside Independent	Member, Board of Directors (Outside Director)	100% (20/20)
7	Saeko Arai Reelection Outside Independent	Member, Board of Directors (Outside Director)	95% (19/20)
8	Nobuhiro Endo Reelection Outside Independent	Member, Board of Directors (Outside Director)	94% (15/16)

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

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) Reelection	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 Pharmaceuticals Inc. Member of the Board of Directors of Boston Biomedical, Inc. Member of the Board of Directors of Sumitovant Biopharma Ltd. Member of the Board of Directors of Roivant Sciences Ltd. [Reason for Nomination as a Candidate for Director]	124,900 shares

		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) Reelection	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 Boston Biomedical, Inc. Member of the Board of Directors of Tolero Pharmaceuticals, Inc. Member of the Board of Directors of Sumitovant Biopharma Ltd. Member of the Board of Directors of Myovant Sciences Ltd. [Reason for Nomination as a Candidate for Director] Mr. Hiroshi Nomura served as a responsible	45,800 shares

		person for the departments of global strategy, global corporate management, human resources, finance and accounting, and drug development of 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) Reelection	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 Pharmaceuticals Inc.) 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: In charge of the Sales & Marketing Division, 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	29,300 shares

		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.	
4	 Toru Kimura (Aug. 5, 1960) Reelection	April 1989: Joined Sumitomo Chemical Co., Ltd. October 1992: Joined the former Sumitomo Pharmaceuticals Co., Ltd. June 2009: Director of Genomic Science Laboratories of the Company 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 of the Company (up to the present) April 2020: Chief Scientific Officer, and in charge of the Regenerative & Cellular Medicine Office, the Regenerative & Cellular Medicine Kobe Center, the Regenerative & Cellular Medicine Manufacturing Plant, and the Drug Research Division, and Senior Executive Research Director of the Drug Research Division of the Company (up to the present) [Significant Concurrent Positions] Member of the Board of Directors of Boston Biomedical, Inc. Member of the Board of Directors of Tolero Pharmaceuticals, Inc. Member of the Board of Directors of Enzyvant Therapeutics Ltd. [Reason for Nomination as a Candidate for Director]	23,600 shares

		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	 Yoshiharu Ikeda (Jan. 5, 1958) New	April 1985: Joined the former Sumitomo Pharmaceuticals Co., Ltd. June 2009: Director of Corporate Planning of the Company June 2010: Executive Officer of the Company January 2012: Executive Vice President of Sunovion Pharmaceuticals Inc. April 2016: Senior Executive Officer of the Company (up to the present) April 2020: In charge of Regulatory Affairs, Medical Information, Medical Affairs, the Corporate Regulatory Compliance & Quality Assurance Division, the Technology Research & Development Division, and the Manufacturing Division, Executive Director of the Corporate Regulatory Compliance & Quality Assurance Division, and Deputy Head of Japan Business Unit (up to the present) [Significant Concurrent Position] Member of the Board of Directors of DS Pharma Promo Co., Ltd. [Reason for Nomination as a Candidate for Director] Mr. Yoshiharu Ikeda has served in responsible positions of the departments of global strategy, IT system, research, technology research and manufacturing of the Company and at its overseas subsidiaries. The Company has nominated him as a candidate for Director, finding that he will be	2,800 shares

		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) Reelection Outside Independent	April 1970: 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) June 2019: Outside Audit & Supervisory Board Member of Sanki Engineering Co., Ltd. (up to the present) [Significant Concurrent Positions] President Emeritus of Kyorin University	0 share

		Outside Audit & Supervisory Board Member of Sanki Engineering Co., Ltd. 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) Reelection Outside Independent	October 1987: Joined Eiwa Audit Corporation (currently, KPMG AZSA LLC) August 1992: Registered as a Certified Public Accountant (Reregistered in January 1997) 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) April 2016: Professor at the Faculty of Business Administration of Hakuoh University January 2017: Outside Audit & Supervisory Board Member of teamS Inc. (up to the present) June 2017: Outside Audit & Supervisory Board Member of AEON Credit Service Co.,	0 share

		Ltd. (up to the present) 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 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	0 share

	Reelection Outside Independent	NEC Corporation April 2016: Chairman of the Board (Representative Director) of NEC Corporation June 2016: Outside Director of JAPAN POST INSURANCE Co., Ltd. June 2017: Outside Director of Seiko Holdings Corporation June 2018: Outside Director of Japan Exchange Group, Inc. (up to the present) June 2019: Member of the Board of Directors (Outside Director) of the Company (up to the present) June 2019: Chairman of the Board of NEC Corporation (up to the present) June 2019: Outside Director of Tokio Marine Holdings, Inc. (up to the present) [Significant Concurrent Positions] Chairman of the Board of NEC Corporation Outside Director of Japan Exchange Group, Inc. Outside Director of Tokio Marine Holdings, 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 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 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, Ms. Saeko Arai and Mr. Nobuhiro Endo as Independent Directors as defined by Tokyo Stock Exchange, Inc., and reported the same to the said exchange.

4. Mr. Yutaka Atomi, Ms. Saeko Arai and Mr. Nobuhiro Endo currently serve as Outside

Directors of the Company, and Mr. Yutaka Atomi will have served as an Outside Director for three (3) years, Ms. Saeko Arai will have served as an Outside Director for two (2) years, and Mr. Nobuhiro Endo 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, Ms. Saeko Arai and Mr. Nobuhiro Endo 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 reelection of Mr. Yutaka Atomi, Ms. Saeko Arai and Mr. Nobuhiro Endo as Outside Directors, the Company intends to extend the term of the said agreement.
6. As for NEC Corporation where Mr. Nobuhiro Endo serves as the chairman of the board, 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.
7. As for JAPAN POST INSURANCE Co., Ltd. where Mr. Nobuhiro Endo served as an outside director from June 2016 to June 2018, the company received a partial business suspension order and a business improvement order from the Financial Services Agency as of December 27, 2019, with respect to improper solicitation, etc. of its life insurance products. These facts were found out after his retirement, and while he was not aware of such facts during his term as an outside director of the company, he used to give compliance-oriented advice on a regular basis.

END

[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 (meaning persons who received payments from the Company for products or services in an amount that exceeds, in any of their 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 an "Executive" as defined in Article 2, paragraph 3, item (vi) of the Ordinance for Enforcement of the Companies Act; the same shall apply hereinafter in these independence criteria);

(2) Persons who are the Company's major business partners (meaning persons who made payments to the Company for products or services in an amount that exceeds, in any of the Company's 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 any of their last three (3) fiscal years (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 in any of their last three (3) fiscal years);

(4) Persons who received from the Company any donation or grant of ten (10) million yen or more in any of their last three (3) fiscal years (or those persons who belong to corporations, associations or any other entity, which received from the Company any donation or grant of one hundred (100) million yen or more in any of their last three (3) fiscal years);

(5) Persons who fall under either of ① and ② below in any of the past ten (10) years;
   ① Persons executing the business operations of the parent company of the Company (including directors who are not persons executing the business operations, and including audit & supervisory board members in cases where it must be determined whether Outside Audit & Supervisory Board Members meet these independence criteria); or
   ② Persons executing the business operations of any subsidiary of the parent company of the Company (excluding the Company and its subsidiaries; the same shall apply hereinafter); or

(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 (including directors who are not persons executing the business operations in cases where it must be determined whether Outside Audit & Supervisory Board Members meet these independence

criteria), persons executing the business operations of the parent company of the Company (including directors who are not persons executing the business operations, and including audit & supervisory board members in cases where it must be determined whether Outside Audit & Supervisory Board Members meet these independence criteria), or persons executing the business operations of any subsidiary of the parent company; or

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 (including directors who are not persons executing the business operations in cases where it must be determined whether Outside Audit & Supervisory Board Members meet these independence criteria).

(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.

[Attached Documents]

Business Report

(From April 1, 2019 to March 31, 2020)

Adoption of the International Financial Reporting Standards (IFRS)

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, 2020, the world economy followed a decelerating trend overall amid the ongoing trade tension between the U.S. and China and the continued slowdown of the Chinese economy, but it took a sudden plunge due to the rapid spread of the novel coronavirus disease (COVID-19) from January 2020 throughout the globe. Likewise, the Japanese economy experienced a major downturn due to the spread of COVID-19, as well as weakening exports on the back of the slowdown of the world economy, causing a highly uncertain economic outlook.

In the pharmaceutical sector, R&D expenses continue to rise, and competition is intensifying as governments take further steps to curb the prices of brand-name drugs and promote the use of generics. Meanwhile, there have been some moves to utilize digital technology for drug discovery and forge ahead with business in the areas of preventive medicine and presymptomatic diseases.

Against this backdrop, the Group has advanced business activity based on the Mid-Term Business Plan 2022, which the Group published in April 2019, commencing in FY2018 and running for five years to FY2022.

In Japan, the Group has sought to bolster sales of mainstay products, such as Trulicity® (therapeutic agent for Type 2 diabetes) and TRERIEF® (therapeutic agent for Parkinson's disease), while at the same time focusing on the provision of medical information to maximize sales of Equa® and EquMet® (therapeutic agent for Type 2 diabetes), which were started by the Company through collaboration with Novartis Pharma K.K.

In North America, Sunovion Pharmaceuticals Inc. (hereinafter, "Sunovion") continued to pour its resources into maximizing revenue of global strategic product LATUDA® (atypical antipsychotic) and expanding sales of other mainstay products.

Following the signing of a definitive agreement for a strategic alliance with Roivant Sciences Ltd. (hereinafter, "Roivant") in October 2019 (hereinafter, the "Alliance") and the completion of the procedure related to stock transfers, etc. in December 2019, Sumitovant Biopharma Ltd. (hereinafter, "Sumitovant") and the operating entities under this holding company, including Myovant Sciences Ltd. (hereinafter, "Myovant"), Urovant Sciences Ltd. (hereinafter, "Urovant"), Enzyvant Therapeutics Ltd. (hereinafter, "Enzyvant"), Altavant Sciences Ltd. (hereinafter, "Altavant"), and Spirovant Sciences Ltd. (hereinafter, "Spirovant"), as well as their subsidiaries, have joined the Group.

Through this Alliance, the Company has acquired multiple pipelines, including gonadotropin-releasing hormone (GnRH) receptor antagonist relugolix and β3 adrenergic receptor agonist vibegron, both of which are blockbuster candidates that are expected to sustain growth after the expiration of the term for market exclusivity of LATUDA® in the U.S. In addition, the Company acquired DrugOme and Digital Innovation, which should accelerate its digital transformation, as well as talents who run these healthcare technology platforms through this Alliance.

In the Oncology area, the launch of napabucasin (product code: BBI608), which is under development by another U.S. subsidiary, Boston Biomedical, Inc. (hereinafter, "Boston Biomedical"), continues to be assumed top priority despite the discontinuation of its Phase 3 study

in patients with pancreatic cancer; however, the Phase 3 study of the product for colorectal cancer is moving forward. Meanwhile, Tolero Pharmaceuticals, Inc. (hereinafter, “Tolero”) continued to focus on research and development of anti-cancer drugs.

In China, Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. pursued business opportunities in a bid to expand sales of MEROPEN® (carbapenem antibiotic), LATUDA®, which was released there in September 2019, and other products.

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 Group'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 non-recurring 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:

	FY2019 (Billions of Yen)	FY2018 (Billions of Yen)	Change (Billions of Yen)	Rate of Change
Revenue	482.7	459.3	23.5	5.1%
Core operating profit	72.0	77.3	(5.3)	(6.9)%
Operating profit	83.2	57.9	25.4	43.8%
Profit before taxes	83.9	65.0	18.9	29.1%
Net profit	35.9	48.6	(12.7)	(26.1)%
Net profit attributable to owners of the parent	40.8	48.6	(7.9)	(16.2)%

■ **Revenue increased by 5.1% year-on-year to 482.7 billion yen.**

Sales grew in the Japan segment owing to launches of Equa® and EquMet® and other factors. The North America segment, too, showed revenue growth as sales of LATUDA® and other products expanded. Likewise, the China segment and Other Regions segment registered increases in revenue.

■ **Core operating profit decreased by 6.9% year-on-year to 72.0 billion yen.**

Core operating profit decreased as a result of increases in selling, general and administrative expenses and research and development expenses on the core basis as expenses incurred by Sumitovant and its subsidiaries, which were acquired through the Alliance, were recognized, despite an increase in gross profit on account of revenue growth.

■ **Operating profit increased by 43.8% year-on-year to 83.2 billion yen.**

Operating profit showed a substantial increase because a cost reversal from change in the fair value of contingent consideration associated with company acquisitions surpassed the amount of impairment losses, though core operating profit decreased. The Group reported impairment losses

on intangible assets, including in-process research and development and patent rights, as part of a review of business plans in Oncology and other areas. Meanwhile, the review of business plans led to a significant decline in the fair value of contingent consideration associated with acquisitions of Boston Biomedical, Tolero, and other companies, which resulted in the reversal of expenses.

■ **Profit before taxes increased by 29.1% year-on-year to 83.9 billion yen.**

Profit before taxes showed higher growth than operating profit as finance income surpassed finance expenses.

■ **Net profit decreased by 26.1% year-on-year to 35.9 billion yen.**

The net profit took a downward turn as income tax expenses increased substantially though the profit before taxes increased. The increase of income tax expenses is attributed to the reversal of deferred tax assets recognized in the U.S. following the decision to discontinue the Phase 3 study of napabucasin in patients with pancreatic cancer, among other factors.

■ **Net profit attributable to owners of the parent decreased by 16.2% year-on-year to 40.8 billion yen.**

The net profit attributable to owners of the parent (less the amount of losses attributable to non-controlling shareholders from net profit) increased greater than net profit because Sumitovant's subsidiaries with non-controlling interests registered loss.

The ratio of the net profit attributable to owners of the parent to revenue decreased by 2.2 point year-on-year to 8.4%.

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

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

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

Business performance by reportable segment is as follows:

1. Japan

■ **Revenue increased by 8.1% year-on-year to 139.7 billion yen.**

Revenue increased as sales of Trulicity®, TRERIEF®, and REPLAGAL® (therapeutic agent for Anderson-Fabry disease) and the launch of Equa® and EquMet® successfully offset the declines in sales of long-listed drugs, including LONASEN® tablet/powder (atypical antipsychotic) and AIMIX® (therapeutic agent for hypertension).

■ **Core segment profit decreased by 8.8% year-on-year to 22.9 billion yen.**

This decrease is attributable to the decrease in gross profit due to the change in the product mix.

2. North America

■ **Revenue increased by 3.9% year-on-year to 262.3 billion yen.**

This increase is attributable to the sales expansion of APTIOM® (antiepileptic agent) and other products, in addition to the Group's mainstay product LATUDA®.

■ **Core segment profit increased by 2.6% year-on-year to 117.5 billion yen.**

This increase is attributable to the increase in gross profit due to revenue growth, although selling, general and administrative expenses increased as expenses incurred by Sumitovant and its subsidiaries after the date of their acquisition were recognized.

3. China

■ **Revenue increased by 15.6% year-on-year to 28.6 billion yen.**

This increase is attributable to the sales growth of MEROPEN® and other products.

■ **Core segment profit increased by 17.2% year-on-year to 14.4 billion yen.**

This increase is attributable to the increase in gross profit due to the revenue growth.

4. Other Regions

■ **Revenue increased by 3.5% year-on-year to 14.8 billion yen.**

This increase is attributable to an increase in fees for industrial property rights from licensees, as well as strong sales of MEROPEN® in Southeast Asia.

■ **Core segment profit increased by 27.7% year-on-year to 6.4 billion yen.**

This increase is primarily attributable to an increase in gross profit due to improvement in cost to sales ratio.

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, and other product lines, which together generated revenue of 37.4 billion yen (down by 2.7% year-on-year) and core segment profit of 3.2 billion yen (up by 5.4% year-on-year).

The status of research and development activities is as follows:

The Group has been committed to research and development of drugs 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 academic institutions. The Group aims to continually discover excellent pharmaceutical products with Psychiatry & Neurology, Oncology, and Regenerative Medicine and Cell Therapy as the Group's focus areas for research. In order 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.

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

① Psychiatry & Neurology

i. LONASEN® tape (generic name: blonanserin)

In June 2019, an indication for schizophrenia was approved in Japan.

ii. LATUDA® (generic name: lurasidone hydrochloride)

In March 2020, indications for schizophrenia and bipolar depression were approved in Japan.

iii. Dasotraline (product code: SEP-225289)

A New Drug Application (NDA) was submitted in the U.S. in May 2019 for binge-eating disorder (BED) in adults and was accepted in July 2019.

Note: In April 2020, NDAs for BED and attention-deficit hyperactivity disorder (ADHD), for which a development plan was under consideration, were withdrawn since the Group believes that additional clinical studies would be needed due to the benefit/risk profile of the evidence generated to date.

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

An NDA was resubmitted in the U.S. for the treatment of OFF episodes associated with Parkinson's disease in adults in November 2019 and was accepted in December 2019.

v. SEP-363856

In May 2019, Breakthrough Therapy Designation was received from the FDA for the treatment of schizophrenia in the U.S., and the Phase 3 studies have commenced.

② Oncology

i. Napabucasin (product code: BBI608)

Phase 3 global clinical studies for colorectal cancer and pancreatic cancer (combination therapy) were underway in the U.S., Japan, and elsewhere; however, as per a recommendation received from the independent Data and Safety Monitoring Board (DSMB) in July 2019 to terminate the Phase 3 study for patients with pancreatic cancer on the grounds of futility as a result of its interim analysis, the study in patients with pancreatic cancer was discontinued. Meanwhile, the Phase 3 study in patients with colorectal cancer continues as per the DSMB recommendation received in June 2019 to continue the study based on its interim analysis results, which met the pre-specified threshold.

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

In Japan, an additional indication of conditioning treatment prior to autologous hematopoietic stem cell transplantation for malignant lymphoma was approved in March 2020.

③ Regenerative Medicine & Cell Therapy

i. RVT-802

In April 2019, an NDA was submitted for pediatric congenital athymia in the U.S., however, a Complete Response Letter from the FDA was received in December 2019, stating that the NDA could not be approved as of the time of the review. Preparations are currently underway for resubmission.

ii. SB623

Based on the additional analyses of the results of the Phase 2b study for the treatment of patients with chronic ischemic stroke in the U.S., the joint development with SanBio, Inc. in North America was discontinued in December 2019.

iii. Renal regenerative medicine

In April 2019, joint research/development was commenced with Jikei University/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, targeting a launch in the 2020s.

④ Infectious Disease

Through joint research with academic institutions and others, the Company is conducting drug discovery research for drugs for treatments for antimicrobial-resistant bacterial infections and malaria vaccines/universal influenza vaccines (which would have extensive efficacy against most influenza viruses) based on the Company' s adjuvant technologies for vaccine development.

⑤ Others

i. Vibegron

In the U.S., an NDA for the treatment of overactive bladder was submitted in December 2019 and accepted in March 2020.

ii. Relugolix

In Europe, an NDA for the treatment of uterine fibroids was submitted in March 2020.

iii. Imeglimin (product code: PXL008)

In the three Phase 3 studies for the treatment of type 2 diabetes in Japan, the primary endpoints were met, and favorable tolerability was shown.

⑥ Frontier Business

In July 2019, the Company entered into an investment agreement with Drawbridge Health, Inc., which aims to integrate more comfortable collection of blood samples, sample stabilization, and simple transportation of blood samples into a single device designed to simplify collection of samples. The Company is planning to start a business in Japan, utilizing its blood-drawing device technology.

As a result of the research and development activities mentioned above, R&D expenses for the fiscal year under review amounted to 115.1 billion yen (up by 12.5% year-on-year). Please note that, if the impairment losses of 22.5 billion yen reported during the fiscal year under review were excluded, R&D expenses were 92.6 billion (up by 11.7% 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 12 billion yen, and the major capital investment made during the fiscal year under review includes an investment in manufacturing facilities in the Suzuka Plant of the Company.

(3) Financing of the Group

With respect to financing for the fiscal year under review, the Company obtained a short-term loan (bridge loan) of 270 billion yen from a financial institution as a fund for the formation of a Strategic Alliance with Roivant in December 2019.

(4) Issues to be Addressed by the Group

The Company pursues its business activities in line with 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. To fulfill the corporate mission, we are focusing on our management mission as follows:

- To contribute to healthcare and people's well-being based upon the principles of

customer-oriented management and innovative research
- To continuously strive to maximize corporate value through constant business development and to fulfill shareholder expectations
- To provide an environment in which employees can fulfill their potential and increase their creativity
- To maintain our social confidence as a member of society and to contribute to the realization of a better global environment

We define the implementation of this corporate mission as "CSR-Based Management," and we also seek to contribute to the attainment of the Sustainable Development Goals (SDGs) through our business activities.

With the prospect of the 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 preventive medicine becomes commonplace. To respond to this changing environment, in April 2019 we published a new vision: "For Longer and Healthier Lives - We unlock the future with cutting-edge technology and ideas," as well as the Mid-term Business Plan 2022, which commenced in FY2018 and will run for five years to FY2022, in order to contribute to resolving issues in the healthcare area under our corporate mission.

The basic strategy of the Mid-term Business Plan 2022 is provided below:

Basic Strategy of the Mid-term Business Plan 2022

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.

In accordance with this strategy, the Company embarked on the alliance with Roivant in December 2019, which resulted in the establishment of five new subsidiaries under new holding company Sumitovant. With the Alliance, the Company has acquired multiple pipelines, including Relugolix and Vibegron, both of which are blockbuster candidates that are expected to sustain growth after the expiration of the exclusive marketing period of LATUDA® in the U.S. The Company also acquired DrugOme and Digital Innovation, which should accelerate its digital transformation, as well as talent who run these healthcare technology platforms through the Alliance.

Additional expenses for research and development and marketing associated with the Alliance are expected to put pressure on our income for several years to come. Although this creates a lingering drag on our profit and loss situation, we have decided that these are necessary up-front costs that we hope will sustain a post-LATUDA® growth trajectory. With this in mind, we will revise our business goals for FY2022, the last year of the Mid-term Business Plan 2022, during FY2020.

FY2022 business goals (to be revised)

Revenue	600.0 billion yen
Core operating profit[*1]	120.0 billion yen
ROIC[*1]	10%
ROE[*2]	12%
Long-term ROE target	10% or more

[*1] ROIC = (Core operating profit - income taxes) / (Capital + Interest-bearing liabilities)

[*2] ROE = Net profit attributable to owners of the parent / Equity attributable to owners of the parent

Activity Policy for FY2020

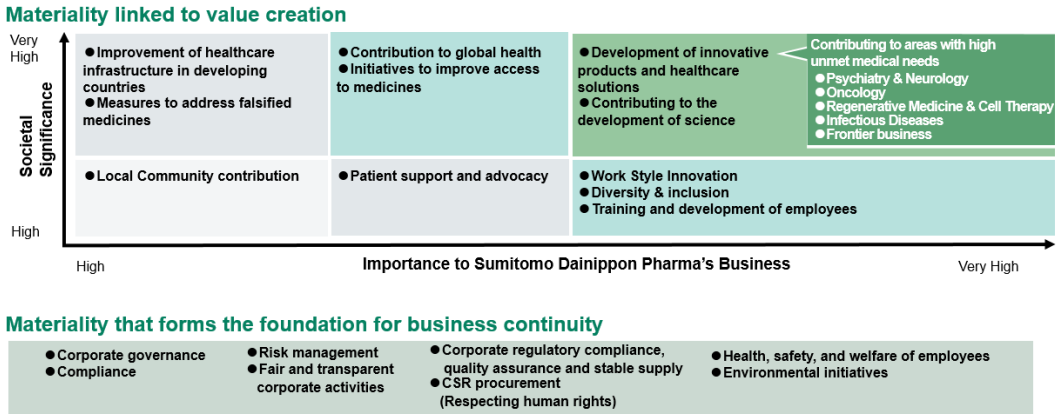
The ongoing novel coronavirus disease (COVID-19) pandemic has affected a broad range of our business activities, including restricting information provision activities and delaying clinical studies in Japan and other countries/regions. Amid this difficulty, the Group is putting in its best efforts to ensure a stable supply of products, placing top priority on the safety of patients, parties concerned, and employees in our business undertakings. Should this situation continue for an extended period of time, further impact on our business activities is possible, which could affect our results of operations. We will, therefore, pay the utmost care in what we do by keeping abreast of the latest updates to the situation.

In April 2020, the Company announced a voluntary recall of METGLUCO® tablets. We would like to express our sincere apologies for the great anxiety and inconveniences that this voluntary recall has caused for patients and their families, as well as for medical professionals.

The following is the Group's business activity policy for FY2020.

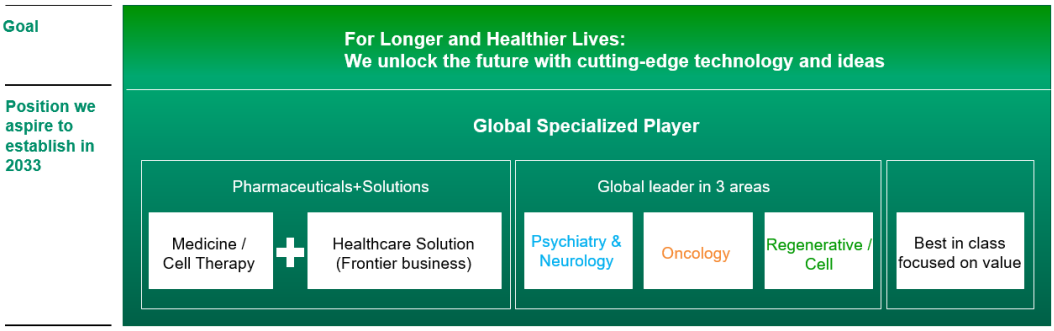
① CSR-Based Management

The Group has identified materialities (material issues) for CSR-based management. We have divided materialities into the two categories of: materiality linked to value creation, which is highly unique and vital for the sustained growth of our business, including development of innovative products and healthcare solutions and contribution to the development of science; and materiality that forms the foundation for business continuity, which is essential for the continuation of our business activities, including corporate governance and compliance. By tackling issues in each category, we will work to enhance our corporate value.



② Research and Development Activities

The Group aims to establish itself as a “Global Specialized Player” by 2033. Accordingly, we will continue to actively engage in research and development to become a global leader in the three focus areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine and Cell Therapy. We will also work on drug discovery in the infectious diseases area and the development of best-in-class pharmaceutical products focused on making values. At the same time, we will work on the frontier businesses with a view toward providing solutions in healthcare fields other than pharmaceuticals. We will leverage external networks centered on our operations in Japan and the U.S. and digital technologies such as DrugOme and Digital Innovation, which have been acquired through the Alliance, to promote research and development activities efficiently.



i. Psychiatry & Neurology area

For psychiatric disorders, including schizophrenia, depression, and psychiatric symptoms related to neurological disorders, we aim to optimize treatments through drug discovery based on neural circuit pathology. For neurological disorders, including dementia, Parkinson’s disease, and rare diseases, we seek to develop innovative disease-modifying drugs through drug discovery based on molecular pathophysiology, by leveraging our core competencies to forge ahead with drug discovery research based on our proprietary drug discovery platforms established by continuously incorporating cutting-edge technologies. Every effort is being made to raise the success rate of research and development 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 imaging data.

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.

Initially, we will make steady efforts to have APL-130277, whose NDA was resubmitted in November 2019, approved.

For SEP-363856, the Group will continue to promote the Phase 3 study in patients with schizophrenia in the U.S., while at the same time preparing for the commencement of Phase 2/3 studies in Japan, China, and other regions. Efforts will also be made to study plans for additional indications.

We will also continue aggressive efforts to develop products such as SEP-4199, whose Phase 2 global clinical study is underway in patients with bipolar I depression, and DSP-1181, which was created by using artificial intelligence technology through joint research with

Exscientia Ltd., and whose Phase 1 study is underway in patients with obsessive compulsive disorder.

ii. Oncology area

We will work on unique seeds and themes through research focused on cell-cell interaction and intercellular signals in the tumor microenvironment to discover innovative new drugs. Moreover, through external collaborations such as joint research with academic institutions and investment in venture funds, we aim to assimilate innovative technologies and seeds to enhance our research and development portfolio. We will also promote network-based drug discovery among the Company, our subsidiaries in North America and external institutions in an attempt to accelerate the migration of promising seeds to clinical studies early and expedite translational research. Late-stage assets will be developed steadily to obtain early approvals so that the oncology franchise will be established as soon as possible.

In more concrete terms, we will work toward gaining approval for Relugolix, whose NDA was submitted in April 2020 for treatment of prostate cancer in the U.S. For napabucasin, whose Phase 3 global clinical studies are being undertaken for treatment of colorectal cancer (combination therapy), we will expedite its clinical studies, aiming at early approval in Japan and the U.S.

We will also move forward with the clinical development of Adegramotide Acetate/Nelatimotide Trifluoroacetate (product code: DSP-7888), a cancer peptide vaccine currently in the Phase 2 global clinical study for treatment of glioblastoma, as well as products in earlier phases, with a sense of urgency.

iii. Regenerative Medicine and Cell Therapy area

In the regenerative medicine and cell therapy area, the Company is promoting multiple research and development projects with a view toward early commercialization of regenerative medicine and cell therapy by developing a unique growth model wherein we pursue advanced industrialization/manufacturing technologies and state-of-the-art science through an open innovation strategy. While steadily advancing projects in the neurology and ophthalmology areas, we are setting our sights on global opportunities in Japan, the U.S. and other Asian countries, plotting a trajectory for the development of next-generation regenerative medicine, including organ regeneration. Our current target is to have these projects start contributing to earnings mainly in Japan and the U.S. during the period of the next Mid-term Business Plan (FY 2023 - 2027, hereinafter, the “Next MTBP”).

For RVT-802, we will aim to reapply for approval for treatment of pediatric congenital athymia within FY2020 by responding appropriately to the requirements of the FDA.

In the area of iPS cell-derived treatments, Kyoto University is running an investigator-initiated clinical study in patients with Parkinson’s disease using dopaminergic neural progenitor cells derived from allogeneic iPS cells, which has received designation under the Sakigake Designation Scheme (priority review), and we expect them to complete cell transplantation to all seven clinical study candidates by the end of FY2020. The Group continues to work hard to commercialize this product in collaboration with Kyoto University. We will continue to be committed to propelling research and development projects with the relevant partners on regenerative medicine for age-related macular degeneration, retinal pigmentary degeneration, spinal cord injuries, and kidney failure. We will also expand the

pipeline that takes advantage of next-generation technology.

iv. Infectious Diseases area

In the infectious diseases area, the Group continues to be committed to ongoing joint research and development projects in a bid to contribute to global health. Examples of such projects that we hope to commercialize during the Next MTBP are: a treatment for antimicrobial resistance (AMR) with the Kitasato Institute, a malaria transmission-blocking vaccine with Ehime University and a U.S. non-profit organization PATH; and a universal influenza vaccine with the National Institutes of Biomedical Innovation, Health and Nutrition (NIBIOHN).

v. Other areas

In other areas, the Group is propelling the development of value-oriented, best-in-class pharmaceutical products, and of pharmaceutical products for the diabetes field, a focal area in Japan, in a bid to sustain growth after the expiration of the exclusive marketing period of LATUDA® in the U.S.The Group will make steady efforts to have Vibegron, whose NDA for treatment of overactive bladder was submitted in the U.S. in FY2019, approved by the end of FY2020. For Relugolix, we will prepare for an NDA for treatment of uterine fibroids, while at the same time working on a Phase 3 study for treatment of endometriosis, in the U.S.

In Japan, the Company will prepare for an NDA for Imeglimin for treatment of type 2 diabetes.

vi. Frontier businesses

In terms of frontier businesses, the Group has identified areas that are expected to create synergy with our pharmaceutical business as core business domains, which include mental resilience (preventing psychiatric diseases from worsening by discovering their signs early) and active aging (improving the health of the elderly from their state of mind to maintain/enhance their well-being). Accordingly, we will build business foundations, including core technologies (in information, engineering, etc.) and networks (through alliances, venture investments, etc.), in a bid to launch such businesses during the period of the Mid-term Business Plan 2022. Furthermore, we will seek the possibility of various avenues mainly in Japan, the U.S., and China, in an effort to establish them as additional growth drivers during the period of the Next MTBP.

③ Business Activities in Each Regional Segment

In the Japan segment, the Company will aim to focus on the Psychiatry & Neurology and Diabetes areas to strive for annual sales of 200.0 billion yen during the Next MTBP. In the Psychiatry & Neurology area, we will ensure the proliferation of LATUDA®, whose indication for the treatment of schizophrenia and bipolar depression was approved in March 2020, and LONASEN® tape, which was launched in September 2019. In the diabetes area, we will strive to expand sales of Equa® and EquMet®, in addition to Trulicity®.

In the North America segment, we will navigate our business activities by Sunovion, Sumitovant group, Boston Biomedical, and Tolero, in a bid to establish a post-LATUDA® growth path. Sunovion will focus its efforts on further revenue expansion of LATUDA®, one of the primary revenue sources of the Group, and development of APL-130277, whose launch is scheduled within FY2020. Sumitovant group will make preparations for the marketing of

Vibegron, which Urovant is planning to launch in FY2020, and Relugolix, for which Myovant has submitted an NDA for treatment of prostate cancer as of April 2020 and will submit another for treatment of uterine fibroids within FY2020. In preparing for the marketing of these products, Sumitovant group takes advantage of Sunovion's commercial function to build an efficient marketing structure. Boston Biomedical and Tolero are due for consolidation in July 2020. Under the leadership of the Global Head of Oncology, they will lose no time in making prompt preparations for the launch of napabucasin for treatment of colorectal cancer, based on the results of the Phase 3 global clinical studies. Furthermore, in April 2020 the Group changed the form of incorporation of Sumitomo Dainippon Pharma America, Inc. from a holding company to a company that encompasses legal affairs, intellectual properties, internal auditing, compliance, accounting, and other functions, and which now provides such services to its subsidiaries, namely, Sunovion, Boston Biomedical, and Tolero, in a bid to further enhance the efficiency of its North America business.

The Group will reinforce its business foundations in China, the third pillar of its business, while at the same time consolidating its foothold in the Asian market to seize its growth potential. In the China segment, we will expand sales of MEROPEN® and strengthen marketing practices of LONASEN® and LATUDA® to achieve their early market penetration. Meanwhile, in Southeast Asia, we intend to expand sales of MEROPEN® and LATUDA® in collaboration with respective partner companies and we are preparing a mid-term business strategy there.

In Europe, we aim to boost earnings through sales of LATUDA® both directly and in collaboration with partners.

④ Building a Flexible and Efficient Organization

In order to respond to the slogan of "Time for Change" and develop our capability of delivering the highest performance (CHANTO), while maintaining a "culture with resilient and detailed execution," the Group will foster a culture in which our personnel can take advantage of environmental changes and perform their tasks with innovation and flexibility.

The Group will also make extensive use of Digital Innovation to accelerate the digital transformation of the Group in pursuit of greater operational efficacy.

Currently, the spread of COVID-19 is forcing us to refrain from face-to-face contact in many aspects of our business. We will take this opportunity to reform our current business style and improve operational efficiency, by way of, for instance, comprehensive reviews of work style and active promotion of teleworking.

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 Company aims to achieve an average payout ratio of 20% or more over the five years from FY2018 to FY2022, as is laid out in the Mid-term Business Plan 2022.

(5) Assets and Income

Assets and Income of the Group

	Japanese GAAP	IFRS

	FY2016 (Fiscal year ended March 2017)	FY2016 (Fiscal year ended March 2017)	FY2017 (Fiscal year ended March 2018)	FY2018 (Fiscal year ended March 2019)	FY2019 (Fiscal year ended March 2020) (the fiscal year under review)
Revenue (Millions of yen)	411,639	408,357	466,838	459,267	482,732
Operating profit (Millions of yen)	52,501	40,286	88,173	57,884	83,239
Ordinary income (Millions of yen)	54,083	-	-	-	-
Net profit attributable to owners of the parent (Millions of yen)	28,733	31,316	53,448	48,627	40,753
Basic earnings per share	72.32 yen	78.82 yen	134.53 yen	122.39 yen	102.58 yen
Total assets (Millions of yen)	783,640	779,072	809,684	834,717	1,252,878
Total equity (Millions of yen)	460,389	412,268	452,723	498,138	632,105

(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. Amounts are 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	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 Promo Co., Ltd.	Suita, Osaka
	Sunovion	U.S.A.	Boston Biomedical	U.S.A.	Tolero	U.S.A.
	Sumitovant	U.K.	Myovant	U.K.	Urovant	U.K.
	Enzyvant	U.K.	Altavant	U.K.	Spirovant	Bermuda
	Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.	China				

(8) Employees

① Employees of the Group

Business Segment	Number of Employees
Pharmaceutical Business	6,171
Others	286
Total	6,457

(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	Change from the	Average Age	Average Length of

Employees	Previous Fiscal Year		Continuous Employment
3,023	-44	42.8	17.6 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 260 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 Promo Co., Ltd.	100	Manufacture and sale of medical drugs 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 area
	Sumitovant	100	Management of the Sumitovant group companies, and formulation and promotion of business strategies and the like therefor
	Myovant	52 (52)	Research and development of medical drugs (women's health and prostate cancer)
	Urovant	75 (75)	Research and development of medical drugs (urological diseases)
	Enzyvant	100 (100)	Research and development of medical drugs (rare pediatric diseases)
	Altavant	100 (100)	Research and development of medical drugs (rare respiratory diseases)
	Spirovant	100 (100)	Research and development of medical drugs (cystic fibrosis (gene therapy))
	Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.	100	Manufacture and sale of medical drugs

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

(10) Principal Lenders and the Amounts of Loans

Lender	Outstanding Amount of the Loan
Sumitomo Mitsui Banking Corporation	275,980 million yen
Sumitomo Mitsui Trust Bank, Limited	5,500 million yen
The Norinchukin Bank	4,500 million yen
MUFG Bank, Ltd.	4,000 million yen
The Hyakujushi Bank, Ltd.	3,500 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 605,038 treasury stocks)

(3) Number of Shareholders

As of the end of the Fiscal Year Under Review: 24,563

(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)	29,364	7.39
Inabata & Co., Ltd.	18,555	4.67
Japan Trustee Services Bank, Ltd. (Trust account)	11,742	2.96
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
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	4,907	1.24
Japan Trustee Services Bank, Ltd. (Trust account 7)	3,676	0.93
Aioi Nissay Dowa Insurance Co., Ltd.	3,104	0.78

(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

(605,038 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, 2020)

Position	Name	Responsibilities, Principal Duties, and Significant Concurrent Positions
Representative Director and Chairman	Masayo Tada	Member, Board of Directors of DSP Gokyo Food & Chemical Co., Ltd. Member, Board of Directors of Sunovion Member, Board of Directors of Boston Biomedical Member, Board of Directors of Sumitovant Member, Board of Directors of Roivant 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 of Sumitovant Member, Board of Directors of Myovant
Member, Board of Directors	Hitoshi Odagiri	Executive Vice President In charge of the Sales & Marketing Division 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 of Enzyvant
Member, Board of Directors	Nobuhiko Tamura	Senior 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 (Outside Director)	Yutaka Atomi	President Emeritus of Kyorin University Outside Audit & Supervisory Board Member of Sanki Engineering Co., Ltd. President of the Pancreas Research Foundation of Japan
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)
Member, Board of Directors (Outside Director)	Nobuhiro Endo	Chairman of the Board of NEC Corporation Outside Director of Japan Exchange Group, Inc. Outside Director of Tokio Marine Holdings, Inc.
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	Yoshio Iteya	Partner at Mori Hamada & Matsumoto Adjunct Professor at Hitotsubashi University School of Law

(Note)
1. Directors Nobuhiko Tamura and Nobuhiro Endo were newly appointed at the 199th Annual Shareholders' Meeting held on June 20, 2019 and assumed their office thereafter.
2. Directors Nobuyuki Hara and Hidehiko Sato retired as of June 20, 2019 due to the expiration of their terms of office.
3. Director Nobuhiko Tamura retired as of March 31, 2020 as he resigned the office.
4. Director Nobuhiro Endo retired the office of outside director of Seiko Holdings Corporation as of June 27, 2019.
5. Audit & Supervisory Board Member Junsuke Fujii retired the office of outside audit & supervisory board member of The Royal Hotel, Limited as of June 25, 2019.
6. Directors Yutaka Atomi, Saeko Arai and Nobuhiro Endo are Outside Directors as defined in Item 15, Article 2 of the Companies Act.
7. 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.
8. 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.
9. The Company designated Directors Yutaka Atomi, Saeko Arai and Nobuhiro Endo 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.
10. As of April 1, 2020, there were changes in the "Responsibilities, Principal Duties, and Significant Concurrent Positions" of the Directors as follows:

Position	Name	Responsibilities, Principal Duties, and Significant Concurrent Positions
Representative Director and President	Hiroshi Nomura	Member, Board of Directors of Sumitovant Member, Board of Directors of Boston Biomedical Member, Board of Directors of Tolero Member, Board of Directors of Myovant

Member, Board of Directors	Toru Kimura	Senior Executive Officer Chief Scientific Officer In charge of the Regenerative & Cellular Medicine Office, the Regenerative & Cellular Medicine Kobe Center, the Regenerative & Cellular Medicine Manufacturing Plant, and the Drug Research Division Senior Executive Research Director, Drug Research Division Member, Board of Directors of Boston Biomedical Member, Board of Directors of Tolero Member, Board of Directors of Enzyvant

(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 Yutaka Atomi, Saeko Arai and Nobuhiro Endo 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 Kyorin University where Director Yutaka Atomi serves as the president emeritus, Sanki Engineering Co., Ltd. where he serves as an outside audit & supervisory board member, or the Pancreas Research Foundation of Japan where he serves as the president.

ii. There is no significant trading relationship between the Company and Hakuoh University where Director Saeko Arai 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 information security auditor selection committee.

iii. There is no significant trading relationship between the Company and Seiko Holdings Corporation where Director Nobuhiro Endo served as an outside director, NEC Corporation where he serves as the chairman of the board, Japan Exchange Group, Inc. where he serves as an outside director, or Tokio Marine Holdings, Inc. where he serves as an outside director.

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 The Royal Hotel, Limited where Audit & Supervisory Board Member Junsuke Fujii served as an outside audit & supervisory board member, or House Foods Group Inc. where he 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	Yutaka Atomi	Among the twenty (20) meetings held by the Board of Directors during the fiscal year under review, he attended all twenty (20) meetings, and he made statements at those meetings, primarily from the professional standpoint of a medical doctor.
	Saeko Arai	Among the twenty (20) meetings held by the Board of Directors during the fiscal year under review, she attended nineteen (19) meetings, and 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.
	Nobuhiro Endo	Among the sixteen (16) meetings held by the Board of Directors after his assumption of office as a Director, he attended fifteen (15) meetings, and he made statements at those meetings, primarily based on his extensive experience and broad perspective as a corporate executive.

Outside Audit & Supervisory Board Members	Kazuto Nishikawa	He attended all twenty (20) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from the professional standpoint of an expert in the fields of finance and accounting.
	Junsuke Fujii	He attended all twenty (20) meetings held by the Board of Directors and twelve (12) meetings out of the thirteen (13) 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	He attended nineteen (19) meetings out of the twenty (20) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review. 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	10	378	
Audit & Supervisory Board Members	5	87	
Total	15	465	

(Note)
1. The above includes the amount of remuneration and the like for Outside Directors and Outside Audit & Supervisory Board Members, seven (7) persons in total, which is 72 million yen in total.
2. The above includes two (2) Directors who retired upon the conclusion of the 199th Annual Shareholders' Meeting held on June 20, 2019.
3. The respective amounts of remuneration and the like for Directors and Audit & Supervisory Board Members that were determined in the 185th Annual Shareholders' Meeting held on June 29, 2005, 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 28 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)	101
Total amount of fees to be paid in cash or otherwise by the Company or Subsidiaries of the Company	101

(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) 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

① 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.

② Pursuant to the Regulations of the Board of Directors, twenty (20) meetings of the Board of Directors were held during the fiscal year under review.

③ 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. In evaluating the effectiveness of the Board of Directors, the Company introduced an external evaluation by outside legal counsel. The Company has taken action for improvement with respect to matters to be addressed that were identified as a result of such measures.

(2) Implementation Relating to the Compliance System

① 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.

② 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.

③ 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.

④ 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.

⑤ 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. To improve the effectiveness of the compliance hotline, the Company also reviewed the system by including its business partners, retired employees and other relevant persons as eligible users, and engaged in promotion and educational activities for the system.

⑥ 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 major risks.

⑦ The Company held company-wide educational seminars about compliance with topics such as "Guidelines for Provision of Sales Information on Prescription Drugs," "Information Management," and the "Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors."

(3) Implementation Relating to the Risk Management System

① The Company established the DSP Group Risk Management Policy which sets

forth basic policies on the Group's risk management.

② 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.

③ 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.

④ The status of operations in each system to promote risk management was periodically reported to the Board of Directors.

⑤ 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.

⑥ The Company established the Computer Security Incident Response Team (CSIRT) as an expert group to respond to cyberattacks. The Company also conducted training of the CSIRT, simulating the occurrence of incidents.

⑦ The Company conducted e-learning training regarding information management and IT security.

⑧ The Company reviewed measures to be taken at the initial stage upon the occurrence of disasters by using the service of an outside consultant. Disaster drills were also conducted at respective business sites such as plants and research laboratories.

⑨ The Company established a task force for COVID-19 to collect information as well as examine and conduct necessary measures. The details of its activities were reported to the Board of Directors.

(4) Implementation Relating to the Audit by the Audit & Supervisory Board Members

① 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.

② 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.

③ Pursuant to the Regulations of the Audit & Supervisory Board, thirteen (13) meetings of the Audit & Supervisory Board were held during the fiscal year under review.

(5) Transactions with the Parent Company, etc.

Pursuant to the Regulations of the Board of Directors, at the meeting of the Board of Directors at which Independent Outside Directors are present, the relevant deliberation is conducted on significant transactions with related parties as matters to be resolved, and transactions that do not fall thereunder are reported as matters to be reported. The Company decided to establish the Supervisory Committee for Conflict of Interests in Transactions between Group Companies, which is composed of the Independent Outside Directors only, as a consultative body to the Board of Directors, where the deliberation is conducted on significant transactions, etc. with its parent company's group in light of protecting the interest of minority shareholders.

Consolidated Statement of Financial Position

(As of March 31, 2020)

(millions of yen)

Item	Amount As of March 31, 2020	(Reference) Amount As of March 31, 2019	Item	Amount As of March 31, 2020	(Reference) Amount As of March 31, 2019
Assets			**Liabilities**		
Non-current assets	**888,788**	**461,449**	**Non-current liabilities**	**124,275**	**138,405**
Property, plant and equipment	65,748	59,485	Borrowings	25,020	27,980
Goodwill	169,046	99,348	Other financial liabilities	41,306	80,387
Intangible assets	421,791	171,390	Retirement benefit liabilities	23,870	23,613
Other financial assets	200,923	74,668	Other non-current liabilities	7,212	6,425
Income tax receivable	—	2,562	Deferred tax liabilities	26,867	—
Other non-current assets	4,173	3,277	**Current liabilities**	**496,498**	**198,174**
Deferred tax assets	27,107	50,719	Borrowings	272,960	2,960
			Trade and other payables	62,251	49,238
			Other financial liabilities	13,906	8,673
			Income taxes payable	22,637	15,723
Current assets	**364,090**	**373,268**	Provisions	84,644	92,176
Inventories	79,368	66,889	Other current liabilities	40,100	29,404
Trade and other receivables	134,491	118,760	**Total liabilities**	**620,773**	**336,579**
Other financial assets	28,717	43,750	**Equity**		
Income tax receivable	5,877	483	**Equity attributable to owners of the parent**	**529,485**	**498,138**
Other current assets	9,624	6,090	Share capital	22,400	22,400
Cash and cash equivalents	101,708	137,296	Capital surplus	14,655	15,861
Assets held for sale	4,305	—	Treasury shares	(677)	(674)
			Retained earnings	457,330	431,799
			Other components of equity	35,777	28,752
			Non-controlling interests	**102,620**	—
			Total equity	**632,105**	**498,138**
Total assets	**1,252,878**	**834,717**	**Total liabilities and equity**	**1,252,878**	**834,717**

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

Consolidated Statement of Profit or Loss

(April 1, 2019 to March 31, 2020)

(millions of yen)

Item	Amount Year ended March 31, 2020	(Reference) Amount Year ended March 31, 2019
Revenue	**482,732**	**459,267**
Cost of sales	129,673	113,553
Gross profit	**353,059**	**345,714**
Selling, general and administrative expenses	154,348	180,439
Research and development expenses	115,112	102,364
Other income	1,404	885
Other expenses	1,764	5,912
Operating profit	**83,239**	**57,884**
Finance income	3,568	7,369
Finance expenses	2,860	207
Profit before taxes	**83,947**	**65,046**
Income tax expenses	48,029	16,419
Net profit	**35,918**	**48,627**
Net profit attributable to:		
Owners of the parent	40,753	48,627
Non-controlling interests	(4,835)	—
Net profit	**35,918**	**48,627**

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

Non-consolidated Statement of Financial Position

(As of March 31, 2020)

(millions of yen)

Item	Amount As of March 31, 2020	(Reference) Amount As of March 31, 2019	Item	Amount As of March 31, 2020	(Reference) Amount As of March 31, 2019
Assets			**Liabilities**		
Current assets	**295,920**	**293,930**	**Current liabilities**	**336,927**	**56,812**
Cash and time deposits	27,694	63,435	Accounts payable	19,899	9,614
Accounts receivable	97,173	98,685	Short-term borrowings	270,000	—
Merchandise and finished goods	45,716	35,031	Current portion of long-term borrowings	2,960	2,960
Work-in-process	1,862	554	Accounts payable-other	14,632	21,977
Raw materials and supplies	10,821	9,900	Accrued expenses	953	787
Advance payments	219	300	Income taxes payable	22,069	13,418
Prepaid expenses	149	336	Advances received	—	1,144
Short-term loans to affiliates	104,714	80,990	Deposits received	255	1,126
Accounts receivables - other	7,572	4,699	Reserve for bonuses	5,461	5,672
Fixed assets	**777,707**	**424,868**	Others	698	114
Property, plant and equipment	**46,954**	**47,709**	**Long-term liabilities**	**39,537**	**42,880**
Buildings	29,777	30,656	Long-term borrowings	25,020	27,980
Structures	593	538	Long-term deposits payable	3,608	3,375
Machinery and equipment	6,842	6,927	Provision for retirement benefit liabilities	10,846	11,073
Vehicles	16	23	Others	63	452
Tools, furniture and fixtures	3,397	3,391			
Land	4,607	4,607			
Construction in progress	1,722	1,567			
			Total Liabilities	**376,464**	**99,692**
Intangible assets	**5,936**	**5,531**	**Net assets**		
Software	3,421	3,301	**Shareholders' equity**	**677,036**	**589,379**
Marketing rights	1,785	1,609	Share capital	22,400	22,400
Others	730	621	Capital surplus	15,861	15,861
			Legal capital surplus	15,860	15,860
Investments and other assets	**724,817**	**371,628**	Other capital surplus	1	1
Investment securities	156,017	62,637	Retained earnings	639,452	551,792
Investment in affiliates	522,688	283,620	Legal retained earnings	5,288	5,288
Amount invested in capital of affiliates	3,148	3,148	Other retained earnings	634,164	546,504
Long-term loans to affiliates	21,893	—	Reserve for advanced depreciation of non-current assets	1,321	1,392
Long-term prepaid expenses	1,702	1,806	General reserve	275,510	275,510
Prepaid pension cost	5,248	6,490	Retained earnings carried forward	357,333	269,602
Deferred tax assets	12,736	12,326	Treasury shares	(677)	(674)
Others	1,409	1,626	**Valuation, translation adjustments and others**	**20,127**	**29,727**
Allowance for doubtful receivables	(24)	(25)	Unrealized gains on available-for-sale securities, net of tax	20,127	29,727
			Total net assets	**697,163**	**619,106**
Total assets	**1,073,627**	**718,798**	**Total liabilities and net assets**	**1,073,627**	**718,798**

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

Non-consolidated Statement of Profit or Loss

(April 1, 2019 to March 31, 2020)

(millions of yen)

Item	Amount Year ended March 31, 2020	(Reference) Amount Year ended March 31, 2019
Net sales	**311,994**	**264,462**
Cost of sales	**77,562**	**66,107**
Gross profit	**234,432**	**198,355**
Reversal of reserve for sales returns	2	11
Gross profit-net	**234,434**	**198,366**
Selling, general and administrative expenses	**96,581**	**110,729**
Operating profit	**137,853**	**87,637**
Non-operating income	**6,063**	**10,156**
Interest and dividend income	5,842	5,066
Foreign exchange gains	—	4,681
Others	221	409
Non-operating expenses	**3,158**	**1,959**
Interest expenses	433	141
Donations	687	632
Losses on disposal of fixed assets	463	491
Foreign exchange losses	783	—
Others	792	695
Ordinary income	**140,758**	**95,834**
Extraordinary income	**1,063**	**—**
Gains on sales of investment securities	1,063	—
Extraordinary loss	**4,972**	**3,842**
Losses on valuation of investment securities	4,422	—
Losses on product recalls	550	—
Business structure improvement expenses	—	3,725
Impairment losses	—	117
Profit before taxes	**136,849**	**91,992**
Income tax expenses - current	32,387	23,206
Income tax expenses - deferred	3,691	316
Net profit	**100,771**	**68,470**

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

Independent Auditor's Report

May 11, 2020

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

KPMG AZSA LLC
Osaka Office, Japan

Daisuke Harada
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Koji Narumoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masato Tateishi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

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") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above, prepared with the omission of a part of the disclosures required under International Financial Reporting Standards("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 consolidated financial position and the results of operations of the Group for the period.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern 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 IFRS.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are 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 IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely

responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act 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 for the conveniences of the reader.

Independent Auditor's Report

May 11, 2020

To the Board of Directors of Sumitomo Dainippon Pharma Co., Ltd.:

KPMG AZSA LLC
Osaka Office, Japan

Daisuke Harada
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Koji Narumoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masato Tateishi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the Non-consolidated Statement of Financial Position, the Non-consolidated Statement of Profit or Loss, the Non-consolidated Statement of Changes in Equity and the Notes to Non-Consolidated Financial Statements, and the supplementary schedules of Sumitomo Dainippon Pharma Co., Ltd. ("the Company") as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 436-2-1 of the Companies Act.

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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors 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 misstatement, whether due to fraud

or error.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and Others

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where

applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:
This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

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 200th fiscal year from April 1, 2019 to March 31, 2020, 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 keep track of the status of the business operations and assets by communicating and exchanging 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 regularly 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, the non-consolidated financial statements (Non-consolidated Statement of Financial Position, Non-consolidated Profit or Loss, Non-consolidated Statement of Changes in Equity, and Notes to Non-consolidated Financial Statements) and their supporting schedules, as well as the consolidated financial statements (Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, 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 12, 2020

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)

END