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[Translation]

Security Code No. 4506

June 1, 2016

Dear Shareholders:

Notice of Convocation of the 196th Annual Shareholders' Meeting

You are cordially invited to attend the 196th Annual Shareholders' Meeting (hereinafter referred to as the "Meeting") of Sumitomo Dainippon Pharma Co., Ltd. (hereinafter referred to as the "Company"), which will be held as stated below.

If you are unable to attend the Meeting in person, you may exercise your voting rights by either of the methods specified below. Please review the attached Reference Documents for the Shareholders' Meeting on pages 41 to 49 and exercise your voting rights no later than 5:00 p.m., Wednesday, June 22, 2016 (JST).

■ Voting in Writing

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

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

After reading the "Instructions for Voting by Electromagnetic Methods (the Internet, etc.)" on pages 50 to 51, please access the online voting website designated by the Company (<http://www.web54.net>) and indicate your approval or disapproval of the proposals by following the instructions displayed on the screen by the deadline noted above.

1. **Date and Time:** 10:00 a.m. on Thursday, June 23, 2016 (JST)
* Reception will open at 9:00 a.m.

2. **Place:** Hall on the 7th floor of the Company's
Corporate Headquarters Building
6-8, Doshomachi 2-chome,
Chuo-ku, Osaka, Japan
* Please note that, if the hall on the 7th floor becomes full, you
will be guided to other venues in the Company's Corporate
Headquarters Building.

3. **Purpose of the Meeting:**
Matters to be Reported:
 1. Business Report; Consolidated Financial Statements; and
Non-Consolidated Financial Statements for the 196th Fiscal
Year (from April 1, 2015 to March 31, 2016)
 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,

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

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

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

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

[Attached Documents]

Business Report

(From April 1, 2015 to March 31, 2016)

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

1. Matters Regarding the Current Circumstances of the Group

(1) Group Business Progress and Results

During the fiscal year ended March 31, 2016, the Japanese economy continued on a mild recovery path, overall, with corporate earnings remaining at high levels but exports and manufacturing output weakening somewhat, primarily due to slowdowns in emerging economies. The U.S. economy also continued to expand, driven chiefly by increased consumer spending, under a stable employment environment. The Chinese economy, on the other hand, experienced a gradual slowdown. Overall, the outlook for the global economy is growing more uncertain in light of downside risks in emerging economies, including China, and falling oil prices.

In the pharmaceutical sector, businesses are obliged to run high risks, as visibility lowers owing primarily to the increasing difficulty of developing new drugs, the rise in R&D costs, and intensifying international competition in line with the price curb on brand-name drugs and accelerated use of generic drugs in a bid to put the brakes on expansion of social security benefits expenditures worldwide.

Against this background, the Group focused on providing scientific information in Japan in an effort to further boost sales of its strategic products, such as AIMIX® (therapeutic agent for hypertension), TRERIEF® (therapeutic agent for Parkinson's disease), and LONASEN® (atypical antipsychotic).

In North America, the Company's U.S. subsidiary Sunovion Pharmaceuticals Inc. (hereinafter referred to as "Sunovion") poured its resources into expanding sales of the atypical antipsychotic LATUDA® (generic name: lurasidone hydrochloride), with the result that this global strategic product for the Group became a blockbuster drug with North American sales topping 1.0 billion US dollar. In the Oncology area, Boston Biomedical, Inc. (hereinafter referred to as "BBI"), another U.S. subsidiary of the Company, concentrated its efforts on the ongoing development of napabucasin (product code: BBI608), placing top priority on an early launch of this drug in the U.S.A.

In Europe, all development and commercialization rights with respect to LATUDA® in that region have been transferred back to the Company from Takeda Pharmaceutical Company Limited out of market and business considerations at Takeda Pharmaceutical Company Limited.

Sales in Japan fell sharply, primarily due to the decline in sales of long-listed brands as the government encourages the use of generic drugs. However, North America saw sales increase

substantially on the back of steady growth for LATUDA® and the antiepileptic agent APTIOM®, which has recently been approved for an additional indication as monotherapy, and the benefits of the weaker yen. On a consolidated basis, net sales increased by 8.6% year-on-year to reach 403,206 million yen. Selling, general, and administrative expenses increased due to the Group's series of strategic investments, including aggressive R&D activities in North America, and the additional impact of yen depreciation. As a result, operating income increased by 58.7% year-on-year to 36,929 million yen and ordinary income increased by 51.0% to 35,221 million yen. Meanwhile, net income attributable to owners of the parent increased by 59.9% to 24,697 million yen after recording extraordinary gains on the sale of investment securities, etc.

	Fiscal year ended March 2016 (Billions of Yen)	Fiscal year ended March 2015 (Billions of Yen)	Rate of Change
Net Sales	403.2	371.4	8.6%
Operating Income	36.9	23.3	58.7%
Ordinary Income	35.2	23.3	51.0%
Net Income Attributable to Owners of parent	24.7	15.4	59.9%

(Note) From the fiscal year under review, the Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21 revised on September 13, 2013), etc., and accordingly, the phrase "Net Income Attributable to Owners of the Parent" is used instead of "Net Income".

Business performance by reportable segment is as follows:

① Japan Composition of Net Sales 36.3%

Net Sales : 146.5 Billions of Yen (Year-on-Year -6.4%)
 Segment Income : 41.5 Billions of Yen (Year-on-Year -17.9%)

Sales advanced for products including the rapid-acting insulin secretagogue SUREPOST®, as well as the three strategic products AIMIX®, TRERIEF®, and LONASEN®, but this was not enough to offset the decline in sales of long-listed brands due to the greater spread of generic drug use. Accordingly, net sales decreased by 6.4% year-on-year to 146,492 million yen. Segment income declined by 17.9% year-on-year to 41,535 million yen due to the top line fall and increases in selling, general, and administrative expenses, excluding R&D expenses.

② North America Composition of Net Sales 45.8%

Net Sales : 184.9 Billions of Yen (Year-on-Year +24.8%)

Segment Income : 65.2 Billions of Yen (Year-on-Year +87.7%)

Net sales grew by 24.8% year-on-year to 184,869 million yen, thanks to the rapid sales growth of LATUDA® and sales expansion of APTIOM® and long-acting beta-agonist BROVANA®. On the income side, selling, general, and administrative expenses, excluding R&D expenses, showed an increase due to the weaker yen. However, as a result of the contribution of a substantial increase in net sales, segment income jumped by 87.7% year-on-year to 65,154 million yen.

③ China Composition of Net Sales 4.6%

Net Sales : 18.4 Billions of Yen (Year-on-Year + 7.2%)

Segment Income : 8.0 Billions of Yen (Year-on-Year +27.9%)

Net sales increased by 7.2% year-on-year to 18,374 million yen, due primarily to increased sales of the mainstay carbapenem antibiotic MEROPEN®. On the income side, selling, general, and administrative expenses, excluding R&D expenses, increased due to the weaker yen. Despite those increased costs, segment income increased by 27.9% year-on-year to 7,992 million yen.

④ Other geographical regions Composition of Net Sales 2.8%

Net Sales : 11.2 Billions of Yen (Year-on-Year + 27.4%)

Segment Income : 2.4 Billions of Yen (Year-on-Year +192.6%)

Net sales increased by 27.4% year-on-year to 11,187 million yen, due mainly to an increase in exports of MEROPEN®. Segment income rose sharply by 192.6% year-on-year to 2,446 million yen, as gross profit increased due to a change in the product mix.

Besides the above reportable segments, the Group is engaged in sales of food ingredients, food additives, materials for chemical products, veterinary drugs, diagnostic agents, and other lines, which together generated net sales of 42,282 million yen, up by 3.9% year-on-year, and segment income of 1,821 million yen, down by 17.5% year-on-year.

The status of research and development activities is as follows.

The Group remains committed to research and development by proactively assimilating cutting edge technologies through the combination of a wide variety of avenues, including in-house research, technology in-licensing, and joint research with venture businesses and academia, with the aim of creating innovative drugs with Psychiatry & Neurology and Oncology as its two focus therapeutic areas. The Group also aggressively engages in research and development in new areas, such as diseases for which no approved drugs currently exist

and regenerative medicine/cell therapy, in a bid to lead the world in these key areas.

In the initial research stage, the Group optimizes research efficiency by utilizing its proprietary cutting-edge technologies in the areas of genomics, proteomics, and metabolomics, to name but a few, while concurrently applying state-of-the-art science in such areas as iPS cells to drug discovery and regenerative medicine/cell therapy. The Company continues developing the joint research with Kyoto University's Center for iPS Cell Research and Application (hereinafter referred to as the "CiRA"), which is aimed at developing a new treatment for rare intractable diseases. The Company is also an integral member of the Research Center Network for Realization of Regenerative Medicine, a project that involves industry, government, and academia.

In the latter research stage and the development stage, a global perspective is taken to optimize the project portfolio for the Group's focus therapeutic areas and newer fields, as well as other areas. The Group is also committed to product life cycle management including development of dosage forms aimed at maximizing product value.

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

[Psychiatry & Neurology]

i. APTIOM®

An additional indication for partial epilepsy (monotherapy) was approved in the U.S.A. in August 2015.

ii. Lurasidone hydrochloride

A new Phase III clinical study for schizophrenia has been launched in Japan. An application for approval for schizophrenia was submitted in China in December 2015.

iii. Dasotraline (product code: SEP-225289)

In addition to the ongoing Phase III clinical study for attention-deficit hyperactivity disorder (ADHD), a Phase II/III clinical study for binge eating disorder (BED) has begun in the U.S.A.

[Oncology]

i. Napabucasin

A Phase III global clinical trial for gastric and gastroesophageal junction adenocarcinoma (combination therapy) is underway in the U.S.A. and elsewhere. In addition, a Phase III global clinical trial for colorectal cancer (combination therapy) has begun in the U.S.A. Meanwhile, Phase II of the Phase I/II clinical studies for malignant pleural mesothelioma has been launched in Japan.

ii. Amcasertib (product code: BBI503)

A Phase II clinical study for ovarian cancer has begun in the U.S.A.

iii. DSP-7888

Phase II of the Phase I/II clinical studies for myelodysplastic syndrome (MDS) has begun in Japan.

[Regenerative medicine/cell therapy]

i. Regenerative medicine

Sighregen K.K., a joint venture between the Company and Healios K.K., has commenced studying the manufacturing processes for retinal pigment epithelial (RPD) cells with commercial application in view. The Company has begun preparations for the installation of new cell production equipment.

ii. Cell therapy

A Phase IIb clinical study of SB623 for chronic stroke has begun in the U.S.A., in collaboration with SanBio, Inc. (hereinafter referred to as “SanBio”).

The Group continues to be proactive in pursuing in-licensing of products under development and research partnerships. During the fiscal year under review, the Company launched the Partnership to Realize Innovative Seeds and Medicines (PRISM), an open innovation program through which research institutions and researchers in Japan are invited to submit ideas that meet the Company’s drug discovery research needs.

(2) Capital Investments by the Group

The total amount of capital investments made by the Group during the fiscal year under review was 7,364 million yen, and the major capital investment work completed during the fiscal year under review was the earthquake-proofing and renovation of the building No. 2 of the Osaka Research Center.

(3) Financing of the Group

The Company has no particular matter to report on its fund raising activities for the fiscal year under review.

(4) Issues to be Addressed by the Group

The Company’s Corporate Mission is to broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide. To better live up to this Mission, the Company has set forth its vision: to “aspire to be a globally active R&D-based company” and to “contribute to medical care through leading-edge technologies.” Accordingly, the Company drew up its 3rd Mid-Term Business Plan (MTBP) for the five-year period from April 1, 2013 through March 31, 2018 and adopted the new global slogan of “Innovation today, healthier tomorrows,” to coincide with the 10th anniversary of the foundation of Sumitomo Dainippon Pharma Co., Ltd. in October 2015.

During the roughly three-year period since the launch of the 3rd MTBP, the business environment has deteriorated significantly due to several unforeseen circumstances, including delayed launches of new drugs in the Japanese market, sluggish sales of main products, and the faster-than-expected sales decline of long-listed brands on the back of accelerated use of generic drugs, leaving the Company to address these urgent issues. Meanwhile, the Company needs to make strategic investments in order to minimize the impact on earnings of the

FY2018 expiry of the exclusivity period for its mainstay LATUDA® and ensure renewed growth thereafter. In response to these rapid changes in the business environment, the Company has revised its original targets for FY2017 within the context of the 3rd MTBP as follows.

(Billions of Yen)

	Previous target (FY2017)	Revised target (FY2017)
Net Sales	450	440
(Pharmaceuticals)	(400)	(395)
Operating Income	80	50
EBITDA *	110	75
R&D cost	85	85

* EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization, and Extraordinary Income/Loss

In order to reach these targets and achieve sustainable growth, the Group will make concerted efforts to proactively address the following corporate imperatives.

① Pursuing CSR management

Pursuing CSR management is the single most important corporate imperative if the Group is to sustain its growth. Priority programs include enhancement of the compliance system, pursuit of an effective corporate governance structure and transparent management, efforts to make social contributions both within and outside of Japan, efforts for diversification, including active participation by female employees, and communication with various stakeholders.

② Strengthening business foundations

In order to flexibly transform business structures in response to changes in the business environment, the Group will continue to enhance business efficiency by rationalizing labor costs and general expenses, improving asset efficiency, streamlining organizations, etc. In addition, it will reinforce its business foundations by establishing a resilient corporate culture and developing competitive employees.

③ Strategies and business activities in each regional segment

In Japan, while fostering the growth of AIMIX®, LONASEN®, and TRERIEF®, the Company will strive to achieve early expansion of its pruritus treatment REMITCH®, for which a promotion arrangement was made with Torii Pharmaceutical Co., Ltd. last year, and Type II diabetes treatment TRULICITY®, which has been released through a sales collaboration arrangement with Eli Lilly Japan K.K. last year. Accordingly, the Company strives to minimize the impact of NHI(National Health Insurance) drug price revisions and declining sales of long-listed brands. In response to changes in the business environment in

Japan, where the use of generic drugs is being promoted at an accelerated rate, the Group will move quickly to build an efficient business management structure that helps to maximize income.

In North America, the Company aims to expand its business by further advancing sales of LATUDA® that generated over 1.0 billion US dollar in FY2015, and by fostering the growth of APTIOM® and BROVANA®.

In China, the Group will continue to market MEROPEN® in order to maintain the current business scale, there.

In Europe, the Group will consider every option available, including collaboration with a new partner, in determining how to go about pursuing the LATUDA® business.

④ R&D strategy

The top priority of the Group's R&D activities will be development of products in later phases.

By therapeutic area, the Group will continue to focus on the Psychiatry & Neurology and Oncology areas, while aggressively allocating management resources to rare and other diseases for which no approved drugs currently exist and new areas of regenerative medicine/cell therapy.

In the Psychiatry & Neurology area, the Group will aggressively develop dasotraline and other drugs in North America, and lurasidone hydrochloride, a transdermal patch formulation of LONASEN®, an indication for Parkinsonism in Dementia with Lewy Bodies (DLB) for TREFIEF®, and others in Japan.

In the Oncology area, the Group will make the utmost efforts for the global Phase III clinical study of napabucasin as a combination therapy for gastric cancer and gastroesophageal junction adenocarcinoma, with a view to filing an application for approval of the drug, which is a first-in-class cancer treatment expected to be an inhibitor targeting cancer stemness, by the end of FY2017. Meanwhile, the Group will also actively proceed with the global Phase III clinical study as a combination therapy for colorectal cancer, which was commenced in FY2015.

In the field of diseases for which no approved drugs exist, the Group will actively develop obeticholic acid (product code: DSP-1747), which was in-licensed from the Intercept Pharmaceuticals, Inc. (U.S.A.) for nonalcoholic steatohepatitis (NASH).

In Cell Therapy, the Company will continue developing SB623, which was in-licensed from SanBio. In the Regenerative Medicine area, it will accelerate joint development with Healios K.K. in an attempt to be the first in the world to commercialize iPS cells in the eye disease area. Meanwhile, Sighregen K.K. will consider setting up production and sales promotion structures. Also, the Company will expedite joint research with RIKEN, Japan for the development of iPS cell-derived three-dimensional retinas for treatment of retinal degenerative diseases. Key initiatives outside of the eye disease area include a joint research project with CiRA and Hitachi, Ltd. for practical application of human iPS cell-based regenerative medicine for Parkinson's disease and a joint research project with Keio University and the National Hospital Organization Osaka Medical Center for regenerative

medicine for spinal cord injury using iPS cell-originated neural precursor cells.

⑤ Returns to shareholders and financial strategy

The Company's basic policy on returns to shareholders is to achieve sustainable and integrated improvement of corporate and shareholder value. Accordingly, a performance-linked dividend hike will be considered in addition to stable dividend payment.

With regard to the financial strategy, the Company will be paying interest-bearing debts as appropriate. Meanwhile, for its sustainable growth, financial leverage will be used to generate cash whenever necessary, so that the Company can consider new in-licensing of products and products under development and make aggressive investments in Japan, and North America, as well as in new businesses.

⑥ Measures against risks

Risks associated with pursuit of the above business plans include loss of the Company's reputation due to non-compliance, delay or termination of product development, unexpected adverse events after a product has been sold, litigation, plant shutdowns, and others.

The Company is striving to prevent or minimize such risks by ensuring stringent risk management by the Risk Management Committee, Compliance Committee, and other organizations. In the event that any such risk should surface, its impact will be minimized through agile response actions.

(5) Assets and Income

① Assets and Income of the Group

	Fiscal year ended March 2013	Fiscal year ended March 2014	Fiscal year ended March 2015	Fiscal year ended March 2016 (the fiscal year under review)
Net Sales (Millions of yen)	347,724	387,693	371,370	403,206
Ordinary Income (Millions of yen)	24,505	40,631	23,331	35,221
Net Income Attributable to Owners of the Parent (Millions of yen)	10,043	20,060	15,447	24,697
Net Income per Share	25.28 yen	50.49 yen	38.88 yen	62.16 yen
Total Assets	607,219	659,032	711,583	707,715

(Millions of yen)				
Net Assets (Millions of yen)	349,248	398,540	451,021	446,472

(Note) From the fiscal year under review, the Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21 revised on September 13, 2013), etc., and accordingly, the phrase “Net Income Attributable to Owners of the Parent” is used instead of “Net Income”.

② Assets and Income of the Company

	Fiscal year ended March 2013 193 rd fiscal year	Fiscal year ended March 2014 194 th fiscal year	Fiscal year ended March 2015 195 th fiscal year	Fiscal year ended March 2016 196 th fiscal year (the fiscal year under review)
Net Sales (Millions of yen)	189,962	200,745	183,073	265,691
Ordinary Income (Millions of yen)	18,502	23,403	15,136	94,525
Net Income (Millions of yen)	11,356	15,210	16,968	66,624
Net Income per Share	28.58 yen	38.28 yen	42.71 yen	167.69 yen
Total Assets (Millions of yen)	554,480	568,152	595,144	647,720
Net Assets (Millions of yen)	376,918	385,897	400,110	465,410

(6) Details of the Principal Businesses of the Group

Manufacturing, processing, purchase, sale, and import and export of pharmaceuticals, food ingredients, food additives, chemical product materials, 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 I	Chuo-ku, Tokyo	Tokyo Branch II	Toshima-ku, Tokyo	Yokohama Branch	Yokohama
	Shizuoka Branch	Shizuoka	Nagoya Branch	Nagoya	Hokuriku Branch	Kanazawa, Ishikawa
	Keiji Branch	Kyoto	Osaka Branch I	Osaka	Osaka Branch II	Sakai
	Kobe Branch	Kobe	Chugoku Branch	Hiroshima	Shikoku Branch	Takamatsu, Kagawa
	Kyushu-kita Branch	Fukuoka	Kyushu-minami Branch	Fukuoka		
Plants	Suzuka Plant	Suzuka, Mie	Ibaraki Plant	Ibaraki, Osaka	Ehime Plant	Niihama, Ehime
	Oita Plant	Oita, Oita				
Research Laboratories	Central Research Laboratories	Suita, Osaka	Osaka Research Center	Osaka		
Subsidiaries	DSP Gokyo Food & Chemical Co., Ltd.	Osaka	DS Pharma Animal Health Co., Ltd.	Osaka	DS Pharma Biomedical Co., Ltd.	Suita, Osaka
	Sunovion	U.S.A.	BBI	U.S.A.	Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.	China

(Note) As of April 1, 2016, the branches of the Company shown in the table above were reorganized as shown in the table below.

	Name	Place	Name	Place	Name	Place
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

(8) Employees

① Employees of the Group

Business Segment	Number of Employees
Pharmaceutical Business	6,372
Others	325
Total	6,697

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

② Employees of the Company

Number of Employees	Change from the Previous Fiscal Year	Average Age	Average Length of Continuous Employment
4,000	-126	42.1	17.3 years

(Note) 1. The number of the Company's employees indicated above is the total number of all persons currently working, including the 138 seconded employees accepted by the Company, but excluding the 450 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 199,434,000 shares of common stock of the Company (investment ratio: 50.12%). 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 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 while taking 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 it is different from the decision of the Board of Directors (if applicable)
 There was no applicable matter.

③ Significant Subsidiaries

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

	Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.	100	Manufacture and sale of medical drugs
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(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 Life Insurance Company	4,000 million yen
Nippon Life Insurance Company	4,000 million yen
Sumitomo Mitsui Banking Corporation	3,360 million yen
Sumitomo Mitsui Trust Bank, Ltd.	2,640 million yen
The Norinchukin Bank	2,000 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 598,599 treasury stocks)
- (3) **Number of Shareholders
at the end of the Fiscal Year Under Review:** 29,607
- (4) **Top Ten Shareholders**

Name of Shareholder	Number of Shares Held (Thousand Shares)	Shareholding Ratio (%)
Sumitomo Chemical Co., Ltd.	199,434	50.20
Inabata & Co., Ltd.	27,282	6.87
The Master Trust Bank of Japan, Ltd. (Trust account)	16,373	4.12
Japan Trustee Services Bank, Ltd. (Trust account)	10,018	2.52
Nippon Life Insurance Company	7,581	1.91
Japan Trustee Services Bank, Ltd. (Trust account for Sumitomo Mitsui Banking Corporation's retirement benefits)	7,000	1.76
Sumitomo Life Insurance Company	5,776	1.45

Aioi Nissay Dowa Insurance Co., Ltd.	4,435	1.12
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	4,310	1.08
Sumitomo Dainippon Pharma Employee Shareholders' Association	4,248	1.07

- (Note)
1. The 7,000,000 shares of the Company, which are held by Japan Trustee Services Bank, Ltd. (Trust account for Sumitomo Mitsui Banking Corporation's retirement benefits) and which were contributed by Sumitomo Mitsui Banking Corporation, were placed in a retirement benefit trust account. After deducting the aforementioned shares that were contributed, Sumitomo Mitsui Banking Corporation holds 1,125,000 shares of the Company (shareholding ratio: 0.28%).
 2. The shareholding ratios were calculated after deducting the treasury stocks (598,599 shares).

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

(1) Directors and Audit & Supervisory Board Members

Position	Name	Responsibilities, Principal Duties, and Significant Concurrent Positions
Representative Director and President	Masayo Tada	President and Chief Executive Officer Member, Board of Directors of Sunovion Member, Board of Directors of BBI Board Chairman of the Japan Epilepsy Research Foundation
Representative Director	Hiroshi Noguchi	Senior Executive Vice President Executive Director, Drug Research Division In charge of the Global R&D Office and the Global Oncology Office Member, Board of Directors of BBI
Member, Board of Directors	Makoto Hara	Executive Vice President In charge of the Sales & Marketing Division, Legal Affairs, Intellectual Property and International Business Management
Member, Board of Directors	Yoshihiro Okada	Senior Executive Officer Executive Director, Manufacturing Division In charge of the Technology Research & Development Division Member, Board of Directors of DS Pharma Animal Health Co., Ltd.

Member, Board of Directors	Masaru Ishidahara	Senior Executive Officer In charge of Corporate Communications, Personnel, General Affairs, Procurement and the Corporate Service Center Member, Board of Directors of DSP Gokyo Food & Chemical Co., Ltd.
Member, Board of Directors	Hiroshi Nomura	Senior Executive Officer In charge of Global Corporate Planning, Global Business Development, External Affairs, Corporate Secretariat & Industry Affairs, Finance & Accounting, the Regenerative & Cellular Medicine Office and the Drug Development Division Member, Board of Directors of Sunovion Member, Board of Directors of BBI
Member, Board of Directors (Outside Director)	Hidehiko Sato	Attorney at Law Outside Director of LIXIL Group Corporation Outside Director of Resona Holdings, Inc.
Member, Board of Directors (Outside Director)	Hiroshi Sato	Chairman of the Board and Representative Director of Kobe Steel, Ltd.
Full-Time Audit & Supervisory Board Member	Nobuo Takeda	
Full-Time Audit & Supervisory Board Member	Yasuji Furutani	
Outside Audit & Supervisory Board Member	Harumichi Uchida	Attorney at Law Outside Director of Suntory Beverage & Food Limited Outside Audit & Supervisory Board Member of Daifuku Co., Ltd.
Outside Audit & Supervisory Board Member	Yutaka Atomi	President of Kyorin University
Outside Audit & Supervisory Board Member	Kazuto Nishikawa	Outside Audit & Supervisory Board Member of Murata Manufacturing Co., Ltd. Nonmember Inspector of the Hyogo Prefectural Credit Federation of Agricultural Cooperatives

- (Note)
1. The Directors, Hidehiko Sato and Hiroshi Sato, are Outside Directors as defined in Item 15, Article 2 of the Companies Act.
 2. The Audit & Supervisory Board Members, Harumichi Uchida, Yutaka Atomi and Kazuto Nishikawa, are Outside Audit & Supervisory Board Members as defined in Item 16, Article 2 of the Companies Act.
 3. The 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.

4. The Company designated the Directors, Hidehiko Sato and Hiroshi Sato, as Independent Directors as defined by the Tokyo Stock Exchange, Inc., and reported the same to the said exchange.
5. As of April 1, 2016, 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	Hiroshi Noguchi	Senior Executive Vice President In charge of Drug Research, Drug Development, Technology Research & Development, Regenerative & Cellular Medicine and Global Oncology Member, Board of Directors of BBI
Member, Board of Directors	Hiroshi Nomura	Executive Vice President In charge of External Affairs, Corporate Secretariat & Industry Affairs, Finance & Accounting, the Drug Development Division and Special Assignments Member, Board of Directors of BBI
Member, Board of Directors	Masaru Ishidahara	Senior Executive Officer In charge of Corporate Governance and Personnel Member, Board of Directors of DSP Gokyo Food & Chemical Co., Ltd.
Member, Board of Director	Makoto Hara	
Member, Board of Directors	Yoshihiro Okada	Member, Board of Directors of DS Pharma Animal Health Co., Ltd.
Member, Board of Directors (Outside Director)	Hiroshi Sato	Director (Senior Adviser) of Kobe Steel, Ltd.

(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 the Outside Directors, Hidehiko Sato and Hiroshi Sato, and the Outside Audit & Supervisory Board Members, Harumichi Uchida, Yutaka Atomi and Kazuto Nishikawa, 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 Relationship between the Company and the Companies or Organizations Where the Outside Directors and Outside Audit & Supervisory Board Members Concurrently Hold Significant Positions

The relationship 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 LIXIL Group Corporation or Resona Holdings, Inc. where the Director, Hidehiko Sato, serves as an outside director.
- ii. There is no significant trading relationship between the Company and Kobe Steel, Ltd. where the Director, Hiroshi Sato, serves as a representative director.
- iii. There is no significant trading relationship between the Company and Suntory Beverage & Food Limited where the Audit & Supervisory Board Member, Harumichi Uchida, serves as an outside director, or Daifuku Co., Ltd. where he serves as an outside audit & supervisory board member.
- iv. There is no significant trading relationship between the Company and Kyorin University where the Audit & Supervisory Board Member, Yutaka Atomi, serves as the President.
- v. There is no significant trading relationship between the Company and Murata Manufacturing Co., Ltd. where the Audit & Supervisory Board Member, Kazuto Nishikawa, serves as an outside audit & supervisory board member. Neither is there any significant trading relationship between the Company and the Hyogo Prefectural Credit Federation of Agricultural Cooperatives where Kazuto Nishikawa serves as a nonmember inspector.

(Note) There was a change in the concurrently-held positions of the Director, Hiroshi Sato, from the chairman of the board and representative director of Kobe Steel, Ltd. to its director (Senior Adviser) as of April 1, 2016.

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

	Name	Principal Activities
Outside Director	Hidehiko Sato	He attended all the fourteen (14) meetings held by the Board of Directors during the fiscal year under review, and he made statements at those meetings as necessary, primarily based on his extensive experience and broad perspective gained at government agencies and from the professional standpoint of an attorney.
	Hiroshi Sato	He attended all the fourteen (14) meetings held by the Board of Directors during the fiscal year under review, and he made statements at those meetings as necessary, primarily based on his extensive experience and broad perspective as a company manager.
Outside Audit & Supervisory Board Members	Harumichi Uchida	He attended all the fourteen (14) meetings held by the Board of Directors and all the thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings as necessary, primarily from the professional standpoint of an attorney.
	Yutaka Atomi	Among the fourteen (14) meetings held by the Board of Directors and the thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, he attended thirteen (13) meetings held by the Board of Directors and twelve (12) meetings held by the Audit & Supervisory Board, and he made statements at those meetings as necessary, primarily from the professional standpoint of a medical doctor.
	Kazuto Nishikawa	He attended all the fourteen (14) meetings held by the Board of Directors and all the thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made

		statements at those meetings as necessary, primarily from the professional standpoint of an expert in the fields of finance and accounting.
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(4) Remuneration and the like for Directors and Audit & Supervisory Board Members

	Number	Amount of Remuneration and the like (Millions of Yen)	Memo
Directors	8	346	
Audit & Supervisory Board Members	5	90	
Total	13	436	

- (Note)
1. The above includes the amount of remuneration and the like for Outside Directors and Outside Audit & Supervisory Board Members, five (5) persons in total, which is 62 million yen in total.
 2. The respective amounts of remuneration and the like for Directors and Audit & Supervisory Board Members that were determined in the Shareholders' Meeting do not exceed 400 million yen annually for Directors, and 100 million yen annually for Audit & Supervisory Board Members.
 3. The amount of remuneration and the like for Directors includes the amount of 33 million yen, which represents the bonuses for Directors to be paid after the 196th Annual Shareholders' Meeting to be held in June 2016.

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)	77
Total amount of fees to be paid in cash or otherwise by the Company or Subsidiaries of the Company	118

- (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 compensation 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 compensation and the like related to the audit attestation services reflects the total sum of these two kinds of amounts.
3. Among the significant subsidiaries, Sunovion, BBI and Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. were audited by auditing firms other than the Accounting Auditor of the Company.

(3) Details of Non-Audit Services

The Company assigns to the Accounting Auditor the provision of "advisory services regarding the introduction of the International Financial Reporting Standards" and the like (i.e., non-audit services), which do not constitute the services provided in Paragraph 1 of Article 2 of the Certified Public Accountant Act.

(4) Policy for the Determination of the Dismissal or Non-Reelection of the Accounting Auditor

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

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

(System to Ensure the Appropriateness of Business Operations)

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

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

Their Duties

- ① The Company shall establish the Compliance Standard and shall take measures to fully disseminate its corporate ethics in order to further ensure daily compliance pursuant to the Declaration of Conduct.
- ② As a system to promote compliance, the Company shall establish the Compliance Committee, in which the Executive Officer for Compliance will serve as the chairperson, and the Compliance Committee Secretariat, and shall appoint department leaders as compliance promotion leaders.
- ③ The Company shall periodically hold meetings of the Compliance Committee, and shall keep track of the status of promoting compliance. The Compliance Committee shall appropriately provide a summary of the status to the Board of Directors.
- ④ The Compliance Committee shall formulate and carry out the annual policy of education and training for the Directors and employees.
- ⑤ The Company shall establish a compliance hotline inside and outside the Company that will serve as a window for reporting and consulting matters related to compliance. The Company shall not adversely treat persons who have reported or consulted such matters on the basis that they made such reports or consultation.
- ⑥ The Company shall establish a department that is in charge of internal audit. The department shall audit the status of compliance, and shall appropriately report to the President and the Executive Officer for Compliance.

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

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

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

- ① The Company shall establish the Regulations for Risk Management Promotion and the Risk Management Committee, in which the President will serve as the chairperson, and shall formulate the annual policy on risk management.

- ② Based on the annual policy on risk management, the Company shall formulate, carry out and evaluate risk management programs.
- 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, and the Regulations 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

The subsidiaries shall conduct appropriate risk management in accordance with the types of their business and the characteristics of risks. The Company shall govern risk management of the subsidiaries in general, and shall take necessary measures such as giving advice and instructions.

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)

As to the implementation of the system to ensure the appropriateness of business operations, the overview of the main measures implemented during the fiscal year under review is as follows:

① Implementation Relating to the Improvement of the Efficiency of the Execution of Duties

- The Company has established the Basic Policy on Corporate Governance which sets forth basic concepts and basic policies on corporate governance, and has made efforts to further enhance corporate governance.
- In order to supervise the management more effectively, the Company has clarified and categorized matters to be resolved by and to be reported to the Board of Directors based on the Basic Policy on Corporate Governance, and has revised the Regulations of the Board of Directors.
- Pursuant to the Regulations of the Board of Directors, 14 meetings of the Board of Directors were held during the fiscal year under review.

② Implementation Relating to the Compliance System

- 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.
- For the further enhancement of the Group's compliance promotion system, the Company reorganized existing compliance surveillance organizations, and thereby established a system of three committees consisting of the Company's Compliance

Committee, the Compliance Committee for Group Companies in Japan, and the Compliance Committee for Overseas Group Companies, as well as developed a compliance promotion system where the Company's Executive Officer for Compliance is in charge of overseeing these committees.

- In order to further enhance the compliance promotion system of each group company, each group company was required to develop an appropriate compliance system under the Company's internal regulations, and such promotion system has been established at each group company in accordance therewith.
- The Company expanded the functions of its compliance hotline, enabled Directors and employees of the group companies in Japan and abroad to report and consult compliance-related matters through the Company's hotline, and reported to the Company's Compliance Committee an overview of the functions of the compliance hotline and the status of its implementation.
- The Company periodically held meetings of the Company's Compliance Committee, the Compliance Committee for Group Companies in Japan, and the Compliance Committee for Overseas Group Companies, in which each group company's report on the status of compliance promotion was discussed.
- The status of compliance promotion within the Group, the activities of each Compliance Committee and other related matters were reported during the meetings of the Board of Directors.
- The Company's Compliance Committee selected the topics of the compliance education seminars for the fiscal year under review, such as the review and confirmation of the Compliance Code of Conduct and the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure, and held compliance education seminars for the Company's Directors and employees.

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

- Based on the annual policy for risk management, a risk management program was established in each department, and in accordance with the program, each department has independently and systematically engaged in relevant activities.
- Meetings of the Risk Management Committee were held to keep track of the status of the promotion of risk management in each department, and a summary of the status was reported during the meetings of the Board of Directors.
- The Company confirmed the status of the implementation of response measures taken all over the Company, and has made efforts to maintain and improve appropriate management in the following ways: for environment and safety management, the Company held meetings of the Environment and Safety Committee and conducted environment and safety audits on each office; for the control of new chemical substances, the Company conducted specific audits on relevant divisions; and for export control of restricted goods, the Company held meetings of the Export Control Committee and conducted export control audits on

export control departments.

- The Company has made efforts to maintain and improve an appropriate risk management system by confirming the status of the promotion of risk management in each group company, and by sharing with each group company the status of the Company's promotion of risk management.
- Based on the Basic Policy for Developing the Internal Control System, the Company is discussing the reorganizing its risk management system in order to enhance the Group's risk management system.

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

- In order to enable the Audit & Supervisory Board Members to carry out their duties effectively, the Company has secured an appropriate system in accordance with the Basic Policy for Developing the Internal Control System by, for example, assigning a full-time staff member, who is not under the line of command of the department that executes operations of the Company, for assisting the Audit & Supervisory Board Members.
- The Audit & Supervisory Board Members regularly conducted meetings with the Representative Director and President, the department that is in charge of internal audit 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, the Compliance Committee and the Risk Management Committee.
- Pursuant to the Regulations of the Audit & Supervisory Board, 13 meetings of the Audit & Supervisory Board were held during the fiscal year under review.

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

- The Company has revised the Regulations of the Board of Directors, and categorized significant transactions with related parties as matters to be resolved by the Board of Directors, and transactions that do not fall thereunder as matters to be reported to the Board of Directors.
- Resolutions on significant transactions with Sumitomo Chemical Co., Ltd., the parent company, or with other relevant related parties were made during the meetings of the Board of Directors, at which Independent Outside Directors were present, pursuant to the revised Regulations of the Board of Directors, treating such significant transactions as transactions with related parties.

Consolidated Balance Sheet

(As of March 31, 2016)

(millions of yen)

Item	Amount As of March 31, 2016	(Reference) Amount As of March 31, 2015	Item	Amount As of March 31, 2016	(Reference) Amount As of March 31, 2015
Assets			Liabilities		
Current assets	421,584	401,699	Current liabilities	179,722	156,843
Cash and time deposits	54,922	30,553	Notes and accounts payable	12,153	12,492
Notes and accounts receivable	107,165	103,072	Short-term loans payable	1,010	—
Marketable securities	81,039	111,293	Current portion of bonds payable	10,000	30,000
Merchandise and finished goods	48,100	50,749	Current portion of long-term loans payable	12,000	6,522
Work-in-process	3,206	1,626	Income taxes payable	26,357	3,288
Raw materials and supplies	8,281	10,012	Reserve for bonuses	10,809	9,416
Deferred tax assets	63,991	38,867	Reserve for sales returns	9,086	8,580
Short-term loans receivable	48,426	49,052	Reserve for sales rebates	49,224	36,351
Others	6,454	6,598	Accounts payable-other	34,212	35,252
Allowance for doubtful receivables	(4)	(125)	Others	14,869	14,939
Fixed assets	286,130	309,884	Long-term liabilities	81,520	103,718
Property, plant and equipment	61,824	65,160	Bonds payable	20,000	30,000
Buildings and structures	40,335	41,365	Long-term loans payable	8,000	20,000
Machinery, equipment and carriers	7,796	9,068	Deferred tax liabilities	16,209	17,354
Land	6,269	6,297	Liability for retirement benefit	16,158	15,274
Construction in progress	1,497	1,245	Others	21,152	21,089
Others	5,926	7,182	Total liabilities	261,242	260,562
Intangible assets	156,580	173,863	Net assets		
Goodwill	76,950	88,075	Shareholders' equity	378,999	364,286
In-process research and development	60,144	64,456	Common stock	22,400	22,400
Others	19,485	21,332	Capital surplus	15,860	15,860
Investments and other assets	67,725	70,860	Retained earnings	341,401	326,686
Investment securities	60,432	58,193	Treasury stock	(663)	(660)
Asset for retirement benefit	66	1,935	Accumulated other comprehensive income	67,473	86,735
Deferred tax assets	2,313	4,794	Unrealized gains on available-for-sale securities, net of tax	25,293	23,099
Others	4,953	5,982	Deferred gains (losses) on hedge	(12)	1
Allowance for doubtful receivables	(40)	(44)	Foreign currency translation adjustment	48,025	68,171
			Remeasurements of defined benefit plans	(5,832)	(4,536)
Total assets	707,715	711,583	Total net assets	446,472	451,021
			Total liabilities and net assets	707,715	711,583

Note: All amounts are rounded down to the nearest million yen.

Consolidated Statement of Income

(April 1, 2015 to March 31, 2016)

(millions of yen)

Item	Amount Year ended March 31, 2016	(Reference) Amount Year ended March 31, 2015
Net sales	403,206	371,370
Cost of sales	104,470	101,227
Gross profit	298,736	270,142
Provision of reserve for sales returns	1	—
Reversal of reserve for sales returns	—	0
Gross profit-net	298,734	270,143
Selling, general and administrative expenses	261,805	246,867
Operating income	36,929	23,275
Non-operating income	3,231	4,178
Interest and dividend income	1,657	1,573
Gains on investments in partnership	1,296	1,990
Others	277	614
Non-operating expenses	4,940	4,122
Interest expenses	919	937
Contribution	952	1,111
Losses on disposal of fixed assets	—	369
Foreign exchange losses	2,993	996
Others	74	708
Ordinary income	35,221	23,331
Extraordinary income	6,106	17,695
Gains on sales of investment securities	6,106	—
Gains on sales of property, plant and equipment	—	15,984
Compensation income for damage	—	1,711
Extraordinary loss	1,766	7,271
Business structure improvement expenses	612	1,961
Losses on disposal of property, plant and equipment	601	—
Impairment loss	552	5,310
Income before income taxes	39,560	33,755
Income taxes-current	39,586	14,034
Income taxes-deferred	(24,723)	4,273
Net income	24,697	15,447
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent	24,697	15,447

Note: All amounts are rounded down to the nearest million yen.

Non-Consolidated Balance Sheet

(As of March 31, 2016)

(millions of yen)

Item	Amount As of March 31, 2016	(Reference) Amount As of March 31, 2015	Item	Amount As of March 31, 2016	(Reference) Amount As of March 31, 2015
Assets			Liabilities		
Current assets	247,394	209,253	Current liabilities	133,867	127,219
Cash and time deposits	34,112	8,706	Accounts payable	5,446	6,334
Accounts receivable	89,617	65,084	Short-term loans payable to affiliates	52,931	56,470
Marketable securities	10,000	22,800	Current portion of bonds payable	10,000	30,000
Merchandise and finished goods	35,208	33,992	Current portion of long-term loans payable	12,000	5,000
Work-in-process	2,632	1,333	Accounts payable-other	16,849	17,695
Raw materials and supplies	7,741	9,167	Accrued expenses	1,204	1,173
Advance payments	62	95	Income taxes payable	25,468	1,762
Prepaid expenses	530	220	Advances received	2,147	—
Deferred tax assets	15,931	15,244	Deposits received	352	369
Short-term loans to affiliates	49,306	49,822	Reserve for bonuses	6,519	6,180
Accounts receivable-other	2,251	2,904	Others	948	2,232
Allowance for doubtful receivables	—	(118)			
Fixed assets	400,325	385,891	Long-term liabilities	48,442	67,815
Property, plant and equipment	51,358	53,439	Bonds payable	20,000	30,000
Buildings	32,699	32,789	Long-term loans payable	8,000	20,000
Structures	616	655	Long-term other accounts payable	155	253
Machinery and equipment	6,686	7,511	Long-term deposits received	5,441	5,257
Carriers	21	17	Deferred tax liabilities	2,201	249
Tools, furniture and fixtures	4,891	5,669	Provision for retirement benefit	12,233	11,644
Land	5,845	5,845	Others	410	410
Construction in progress	597	950			
Intangible assets	8,596	9,300	Total liabilities	182,310	195,034
Software	3,418	2,540	Net assets		
Sales rights	4,680	5,565	Shareholders' equity	440,491	381,021
Others	498	1,194	Common stock	22,400	22,400
			Capital surplus	15,860	15,860
Investments and other assets	340,370	323,151	Legal capital surplus	15,860	15,860
Investment securities	57,141	50,113	Other capital surplus	0	0
Investments in affiliates	271,673	261,187	Retained earnings	402,894	343,421
Amount invested in capital of affiliates	3,147	3,147	Legal retained earnings	5,288	5,288
Long-term prepaid expenses	2,205	2,040	Other retained earnings	397,606	338,133
Prepaid pension cost	4,476	4,824	Reserve for advanced depreciation of noncurrent assets	1,580	1,610
Others	1,749	1,863	General reserve	275,510	275,510
Allowance for doubtful receivables	(23)	(25)	Retained earnings carried forward	120,516	61,012
			Treasury stock	(663)	(660)
			Valuation, translation adjustments and others	24,918	19,088
			Unrealized gains on available-for-sale securities, net of tax	24,918	19,088
Total assets	647,720	595,144	Total net assets	465,410	400,110
			Total liabilities and net assets	647,720	595,144

Note: All amounts are rounded down to the nearest million yen.

Non-Consolidated Statement of Income

(April 1, 2015 to March 31, 2016)

(millions of yen)

Item	Amount Year ended March 31, 2016	(Reference) Amount Year ended March 31, 2015
Net sales	265,691	183,073
Cost of sales	58,797	60,220
Gross profit	206,893	122,853
Provision of reserve for sales returns	1	—
Reversal of reserve for sales returns	—	0
Gross profit-net	206,892	122,853
Selling, general and administrative expenses	111,776	108,523
Operating income	95,115	14,329
Non-operating income	4,268	5,041
Interest and dividend income	2,657	2,547
Gains on investments in partnership	1,324	1,990
Others	287	503
Non-operating expenses	4,859	4,234
Interest expenses	1,266	1,189
Contribution	941	1,088
Losses on disposal of fixed assets	439	226
Foreign exchange losses	2,157	1,097
Others	54	632
Ordinary income	94,525	15,136
Extraordinary income	—	17,643
Gains on sales of property, plant and equipment	—	15,932
Compensation income for damage	—	1,711
Extraordinary loss	869	7,155
Business structure improvement expenses	612	1,961
Loss on valuation of shares of subsidiaries and associates	224	—
Impairment loss	32	5,194
Income before income taxes	93,655	25,625
Income taxes-current	27,727	6,608
Income taxes-deferred	(696)	2,049
Net income	66,624	16,968

Note: All amounts are rounded down to the nearest million yen.

Independent Auditor's Report

May 9, 2016

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

KPMG AZSA LLC

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

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

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to consolidated financial statements of Sumitomo Dainippon Pharma Co., Ltd. (the "Company") as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Independent Auditor's Report

May 9, 2016

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

KPMG AZSA LLC

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

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

We have audited the financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the notes to non-consolidated financial statements, and the supplementary schedules of Sumitomo Dainippon Pharma Co., Ltd. (the "Company") as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Audit Report by the the Audit & Supervisory Board

Audit Report

The Audit & Supervisory Board prepared this audit report with regard to the performance of duties of Directors of the Company for the 196th fiscal year from April 1, 2015, to March 31, 2016, upon deliberation based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby reports as follows:

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

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

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

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

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

2. Results of Audit

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

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

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

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

(3) Results of audit of consolidated financial statements

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

May 10, 2016

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

Nobuo Takeda, Audit & Supervisory Board Member (seal)

Yasuji Furutani, Audit & Supervisory Board Member (seal)

Harumichi Uchida, Audit & Supervisory Board Member (seal)

Yutaka Atomi, Audit & Supervisory Board Member (seal)

Kazuto Nishikawa, Audit & Supervisory Board Member (seal)

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

Reference Documents for the Shareholders' Meeting

Proposals and Matters for Reference:

First Proposal: Appropriation of Surplus

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

Based on such policy, and in view of the financial condition and business outcome of the closed fiscal year, as well as certain future business plans to be implemented, we hereby propose to appropriate the surplus at the end of the fiscal year under review as follows.

Matters related to the year-end dividend

(1) Category of dividend property:

Money

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

Nine (9) yen per share of common stock of the Company (3,575,704,995 yen in aggregate)

Therefore, the annual dividend, including the interim dividend, shall be eighteen (18) yen per share.

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

June 24, 2016

Second Proposal: Election of Eight (8) Directors

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

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

The candidates for Directors are as follows:

Candidate No.	Name (Date of birth)	Summary of the Profile, Position(s), Responsibilities and Significant Concurrent Position(s)	Number of Shares of the Company Owned
1	Masayo Tada (Jan. 13, 1945)	<p>April 1968: Joined Sumitomo Chemical Co., Ltd.</p> <p>June 1998: Director of Sumitomo Chemical Co., Ltd.</p> <p>June 2002: Managing Director of Sumitomo Chemical Co., Ltd.</p> <p>January 2005: Managing Executive Officer of the former Sumitomo Pharmaceuticals Co., Ltd.</p> <p>June 2005: Director and Managing Executive Officer of the former Sumitomo Pharmaceuticals Co., Ltd.</p> <p>October 2005: Member of the Board of Directors and Executive Vice President of the Company</p> <p>June 2007: Member of the Board of Directors and Senior Executive Vice President of the Company</p> <p>June 2008: Representative Director, President and Chief Executive Officer of the Company (up to the present)</p> <p>[Significant Concurrent Positions] Member of the Board of Directors of Sunovion Member of the Board of Directors of BBI Board Chairman of the Japan Epilepsy Research Foundation</p> <p>[Reason for Nomination as a Candidate for Director] Masayo Tada has served as the Representative Director of the Company since 2008, and has extensive knowledge, capacity and experience as</p>	111,100 shares

		a corporate executive. For example, he exercised his leadership in the promotion of the globalization of the Company. The Company has nominated him as a candidate for Director, finding that he is well-qualified for enhancing the business base and promoting the CSR management of the Group.	
2	Hiroshi Noguchi (Mar. 29, 1947)	<p>April 1971: Joined Sumitomo Chemical Co., Ltd.</p> <p>October 1992: Joined the former Sumitomo Pharmaceuticals Co., Ltd.</p> <p>June 2000: Director of the former Sumitomo Pharmaceuticals Co., Ltd.</p> <p>June 2004: Director and Executive Officer of the former Sumitomo Pharmaceuticals Co., Ltd.</p> <p>October 2005: Executive Officer of the Company</p> <p>June 2007: Member of the Board of Directors and Executive Officer of the Company</p> <p>June 2009: Member of the Board of Directors and Senior Executive Officer of the Company</p> <p>June 2011: Member of the Board of Directors and Executive Vice President of the Company</p> <p>April 2012: Representative Director and Senior Executive Vice President of the Company (up to the present)</p> <p>April 2016: In charge of Drug Research, Drug Development, Technology Research & Development, Regenerative & Cellular Medicine and Global Oncology of the Company (up to the present)</p> <p>[Significant Concurrent Position] Member of the Board of Directors of BBI</p> <p>[Reason for Nomination as a Candidate for Director] Hiroshi Noguchi has extensive knowledge, capacity and experience in research, having served as a responsible person for the research</p>	55,100 shares

		department and the departments for new businesses of the Company. The Company has nominated him as a candidate for Director, finding that he is well-qualified for promoting the corporate strategies of the Group.	
3	Hiroshi Nomura (Aug. 31, 1957)	<p>April 1981: Joined Sumitomo Chemical Co., Ltd. January 2008: Joined the Company January 2008: Director of Corporate Planning of 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 (up to the present) April 2016: In charge of External Affairs, Corporate Secretariat & Industry Affairs, Finance & Accounting, the Drug Development Division and Special Assignments (up to the present)</p> <p>[Significant Concurrent Position]Member of the Board of Directors of BBI</p> <p>[Reason for Nomination as a Candidate for Director] Hiroshi Nomura has extensive knowledge, capacity and experience in management as well as in finance and accounting, having served as a responsible person for the finance & accounting department and the department for corporate management of the Company. The Company has nominated him as a candidate for Director, finding that he is well-qualified for promoting the corporate strategies of the Group.</p>	23,800 shares
4	Masaru Ishidahara (Nov. 25, 1951)	April 1976: Joined The Sumitomo Bank, Limited (presently Sumitomo Mitsui Banking Corporation)	22,400 shares

		<p>July 2003: Joined the Company</p> <p>June 2006: Director of General Affairs of the Company</p> <p>June 2008: Executive Officer of the Company</p> <p>June 2011: Member of the Board of Directors and Executive Officer of the Company</p> <p>April 2013: Member of the Board of Directors and Senior Executive Officer of the Company (up to the present)</p> <p>April 2016: In charge of Corporate Governance and Personnel of the Company (up to the present)</p> <p>[Significant Concurrent Position] Member of the Board of Directors of DSP Gokyo Food & Chemical Co., Ltd.</p> <p>[Reason for Nomination as a Candidate for Director] Masaru Ishidahara has extensive knowledge, capacity and experience in personnel and general affairs, having served as a responsible person for the departments of personnel, general affairs and investor relations of the Company. The Company has nominated him as a candidate for Director, finding that he is well-qualified for promoting the corporate strategies of the Group.</p>	
5	<p>Hitoshi Odagiri (Jan. 4, 1957)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content;">New Candidate</div>	<p>April 1979: Joined Inabata & Co., Ltd.</p> <p>October 1984: Joined the former Sumitomo Pharmaceuticals Co., Ltd.</p> <p>October 2005: Director of Personnel Development of the Company</p> <p>June 2007: Director of Strategic & Marketing Planning of the Company</p> <p>June 2008: Director of Strategic Planning & Management of the Company</p> <p>June 2009: Senior Vice President of Dainippon Sumitomo Pharma America Inc. (currently, Sunovion)</p> <p>April 2012: Executive Officer of the Company</p> <p>April 2016: Senior Executive Officer of the</p>	7,600 shares

		<p>Company (up to the present)</p> <p>April 2016: Executive Director of the Sales & Marketing Division of the Company (up to the present)</p> <p>[Reason for Nomination as a Candidate for Director]</p> <p>Hitoshi Odagiri has extensive knowledge, capacity and experience in sales and marketing, having served in responsible positions of the sales & marketing departments of the Company and its overseas subsidiaries. The Company has nominated him as a candidate for Director, finding that he is well-qualified for promoting the corporate strategies of the Group.</p>	
6	<p>Toru Kimura (Aug. 5, 1960)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content;">New Candidate</div>	<p>April 1989: Joined Sumitomo Chemical Co., Ltd.</p> <p>October 1992: Joined the former Sumitomo Pharmaceuticals Co., Ltd.</p> <p>June 2009: Director of Genomic Science Laboratories of the Company</p> <p>June 2010: Director of Research Planning & Management of the Company</p> <p>April 2012: Director of Global Strategy of the Company</p> <p>September 2013: Director of the Regenerative & Cellular Medicine Office of the Company</p> <p>April 2015: Executive Officer of the Company (up to the present)</p> <p>April 2016: Director of Global Corporate Planning, and in charge of Regenerative & Cellular Medicine of the Company (up to the present)</p> <p>[Reason for Nomination as a Candidate for Director]</p> <p>Toru Kimura has extensive knowledge, capacity and experience in research and global strategy, having served in responsible positions of the research department and the global strategy department of the Company. The Company has nominated him as a candidate for Director,</p>	200 shares

		finding that he is well-qualified for promoting the corporate strategies of the Group.	
7	Hidehiko Sato (Apr. 25, 1945) Candidate for Outside Director	<p>April 1968: Joined the National Police Agency</p> <p>August 1986: Counselor of the Second Department of the Cabinet Legislation Bureau</p> <p>April 1992: Director General of the Criminal Investigation Bureau of the Metropolitan Police Department</p> <p>February 1995: Chief of the Saitama Prefectural Police Headquarters</p> <p>December 1996: Director General of the Criminal Investigation Bureau of the National Police Agency</p> <p>January 1999: Chief of the Osaka Prefectural Police Headquarters</p> <p>January 2000: Deputy Commissioner General of the National Police Agency</p> <p>August 2002: Commissioner General of the National Police Agency</p> <p>February 2005: President of the Police Personnel Mutual Aid Association</p> <p>June 2011: Admitted to the Bar (Japan)</p> <p>June 2011: Outside Audit & Supervisory Board Member of the Company</p> <p>June 2011: Outside Director of JS Group Corporation (currently, LIXIL Group Corporation) (up to the present)</p> <p>June 2013: Outside Member of the Board of Directors of the Company (up to the present)</p> <p>June 2014: Outside Director of Resona Bank, Ltd.</p> <p>June 2015: Outside Director of Resona Holdings, Inc. (up to the present)</p> <p>[Significant Concurrent Positions] Outside Director of LIXIL Group Corporation Outside Director of Resona Holdings, Inc.</p> <p>[Reason for Nomination as a Candidate for Director]</p>	0 share

		<p>Hidehiko Sato has considerable experience and a wide range of knowledge, which he has acquired in the course of his career during which he held various positions such as the Counselor of the Cabinet Legislation Bureau and the Commissioner General of the National Police Agency. He also has expertise as an attorney. The Company has nominated him as a candidate for Outside Director, finding that he will be able to contribute to the management of the Company with his experience, knowledge and expertise. Other than serving as an outside director, Hidehiko Sato has not been involved in the management of a company. However, for the reasons described above, the Company has determined that he is capable of appropriately performing his duties as an Outside Director.</p>	
8	<p>Hiroshi Sato (Sep. 25, 1945)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content;">Candidate for Outside Director</div>	<p>April 1970: Joined Kobe Steel, Ltd. June 1996: Director of Kobe Steel, Ltd. April 1999: Director and Officer of Kobe Steel, Ltd. June 1999: Senior Officer of Kobe Steel, Ltd. June 2000: Director and Senior Officer of Kobe Steel, Ltd. June 2002: Director and Executive Officer of Kobe Steel, Ltd. June 2003: Senior Managing Director of Kobe Steel, Ltd. April 2004: Executive Vice President and Representative Director of Kobe Steel, Ltd. April 2009: President and Representative Director of Kobe Steel, Ltd. April 2013: Chairman of the Board and Representative Director of Kobe Steel, Ltd. June 2014: Outside Member of the Board of Directors of the Company (up to the present) April 2016: Director (Senior Adviser) of Kobe Steel, Ltd.</p>	0 share

		<p>[Significant Concurrent Position] Director (Senior Adviser) of Kobe Steel, Ltd.</p> <p>[Reason for Nomination as a Candidate for Director] Hiroshi Sato has considerable experience and a wide range of knowledge, which he has acquired in his career as a corporate executive. The Company has nominated him as a candidate for Outside Director, finding that he will be able to contribute to the management of the Company with his experience and knowledge.</p>	
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- (Note)
1. None of the above candidates have any special interests in the Company.
 2. Hidehiko Sato and Hiroshi Sato are candidates for Outside Directors as defined in Item 7, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act.
 3. The Company designated Hidehiko Sato and Hiroshi Sato as Independent Directors as defined by the Tokyo Stock Exchange, Inc., and reported the same to the said exchange.
 4. Hidehiko Sato and Hiroshi Sato currently serve as Outside Directors of the Company, and Hidehiko Sato will have served as an Outside Director for three (3) years and Hiroshi Sato will have served as an Outside Director for two (2) year, at the conclusion of this Shareholders' Meeting.
 5. The summary of the agreement with the candidates, which limits their liability, is as follows:

The Company entered into an agreement with each of Hidehiko Sato and Hiroshi Sato, which limited their liability for damages under Paragraph 1, Article 423 of the Companies Act. Under the terms of the agreement, their liability was limited to either 10 million yen or the amount stipulated under applicable laws and regulations, whichever was higher. Upon the approval of the re-election of Hidehiko Sato and Hiroshi Sato as Outside Directors, the Company intends to extend the term of the said agreement.

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

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

1. To Shareholders Who Will Use the Internet

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

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

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


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

**2D
Code**

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

- (2) When you vote online, please enter the “voting code” and the “password” provided in the enclosed voting form, and indicate your approval or disapproval of the proposals by following the instructions displayed on the screen.
- (3) Online votes will be accepted until 5:00 p.m., Wednesday, June 22, 2016 (JST), the day immediately prior to the date of the Annual Shareholders’ Meeting. However, your early voting would be highly appreciated for the convenience of vote counting.
- (4) In the event that a voting right is exercised twice via the enclosed voting form and online, only the online vote shall be counted as an effective vote.
- (5) In the event that a voting right is exercised online more than once, only the most recent vote shall be counted as an effective vote.
- (6) Shareholders shall bear the connection charges of the Internet providers and the communication charges of the telecommunications carriers (telephone charges, etc.) for accessing the online voting website.
- (7) The following system environments are required for accessing the online voting website:
- (i) Internet access;
 - (ii) When voting via PC, either Microsoft® Internet Explorer version 6.0 or above as the Internet browsing software (browser), and a hardware environment that enables the use of the relevant browser; and
 - (iii) When voting via cellular phone, a handset model that supports 128-bit SSL communication (encrypted communication). (To ensure security, only cellular phones that support 128-bit SSL communication may access the online voting website. Some models do not support this system. Additionally, although voting via smart phones and other cellular phones with full browser functionality is also supported, please note that some models may not be compatible with this system.)
- (8) If you have any question related to online voting, please contact the following for inquiry services.

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

[Special Phone Line]  0120-652-031

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

2. Electronic Voting Platform for Institutional Investors

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

End