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[Translation]

Security Code No. 4506

May 31, 2017

Dear Shareholders:

Notice of Convocation of the 197th Annual Shareholders' Meeting

You are cordially invited to attend the 197th 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 58 and exercise your voting rights no later than 5:00 p.m., Wednesday, June 21, 2017 (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 59 to 60, 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 22, 2017 (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 197th Fiscal
Year (from April 1, 2016 to March 31, 2017)
 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
 - Third Proposal:** Election of Three (3) Audit & Supervisory Board Members

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 posted on the Company's website.
- The Company's website address is <http://www.ds-pharma.co.jp/> .

[Attached Documents]

Business Report

(From April 1, 2016 to March 31, 2017)

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, 2017, the Japanese economy remained on a mild recovery path, with corporate earnings showing improvements due to a pick up in consumer spending and exports. In overseas economy, the U.S. economy continued to expand, driven chiefly by increased consumer spending, and the Chinese economy showed signs of a turnaround as government economic packages began to take effect. Going forward, the U.S. and British governments' policy developments, prospects of Chinese and other emerging economies, and impacts of financial and capital market fluctuations all warrant attention.

In the pharmaceutical sector, authorities around the world are attempting to come up with a series of measures to curb prices of brand-name drugs and promote use of generic drugs in a bid to put the brakes on their ever-increasing social security benefits expenditures, which serves to lower businesses' visibility. Amid these circumstances, the increasing difficulty of developing new drugs, rising R&D expenses, and intensifying international competition are forcing businesses to run high risks.

Against this backdrop, the Group strove to boost sales of three of its strategic products, namely, AIMIX® (therapeutic agent for hypertension), TRERIEF® (therapeutic agent for Parkinson's disease), and LONASEN® (atypical antipsychotic; generic name: blonanserin), in Japan, while at the same time providing scientific information on Trulicity® (GLP-1 receptor agonist indicated for Type 2 diabetes), which was launched in FY2015, in order to accelerate its penetration into the market.

In North America, the Company's U.S. subsidiary Sunovion Pharmaceuticals Inc. (hereinafter referred to as "Sunovion") continued to pour its resources into expanding sales of the global strategic product LATUDA® (atypical antipsychotic; generic name: lurasidone hydrochloride) and other mainstay products. For the purpose of gaining a Psychiatry & Neurology pipeline, in October 2016 Sunovion acquired Cynapsus Therapeutics Inc., a Canadian biotechnology company that specializes in the central nervous system (hereinafter referred to as "Cynapsus"). In December 2016, Sunovion then acquired the exclusive rights to market three approved therapeutic agents for patients with chronic obstructive pulmonary disease (COPD) in the U.S. from two Novartis affiliates (hereinafter referred to as "Novartis") with a view toward expanding its respiratory portfolio.

In the Oncology area, Boston Biomedical, Inc. (hereinafter referred to as "Boston Biomedical"), which is another U.S. subsidiary of the Company, expedited clinical development of napabucasin (product code: BBI608) by placing top priority on an early U.S. launch of the drug. In January 2017, the Company acquired the U.S. biotechnology company Tolero Pharmaceuticals, Inc. (hereinafter referred to as "Tolero"), which specializes in pharmaceutical research and development in the oncology and hematologic disease areas,

through a U.S. holding company that is wholly owned by the Company.

Net sales in Japan during the fiscal year under review decreased, with the April 2016 NHI price revisions and a drop in sales of long-listed products having a significant impact, while North America saw a substantial sales increase on the back of steady growth for LATUDA® and other mainstay products. On a consolidated basis, net sales increased by 2.1% year-on-year to 411,638 million yen. Operating income increased by 42.9% year-on-year to 52,759 million yen as, in addition to the lower cost of sales, selling, general, and administrative expenses showed a decrease due to reduction of selling and other expenses in Japan. Ordinary income also increased by 54.3% year-on-year to 54,341 million yen owing primarily to foreign exchange gains after conversion of foreign currency assets to the yen. Net income attributable to owners of the parent increased by 17.4% year-on-year to 28,991 million yen, as the Company reported a gain on sales of investment securities under extraordinary income and business structure improvement expenses under extraordinary loss due to implementation of the Early Retirement Program.

	Fiscal year ended March 2017 (Billions of Yen)	Fiscal year ended March 2016 (Billions of Yen)	Rate of Change
Net Sales	411.6	403.2	2.1%
Operating Income	52.8	36.9	42.9%
Ordinary Income	54.3	35.2	54.3%
Net Income Attributable to Owners of parent	29.0	24.7	17.4%

Operating results by segment are as follows.

1. Japan segment

Composition of Net Sales 34.2%

Net Sales : 140.8 Billions of Yen (Year-on-Year -3.9%)
 Segment Income : 38.3 Billions of Yen (Year-on-Year -7.8%)

Sales of AIMIX®, TRERIEF®, and Trulicity® increased, but failed to make up for the negative impact of the NHI price revisions and declining sales of long-listed drugs, with the result that net sales decreased by 3.9% year-on-year to 140,847 million yen. Segment income decreased by 7.8% year-on-year to 38,307 million yen despite a decrease in selling, general, and administrative expenses, excluding R&D expenses, as the decline in gross profit due to the NHI price revisions exerted a significant influence.

2. North America segment

Composition of Net Sales 48.1%

Net Sales : 197.9 Billions of Yen (Year-on-Year +7.0%)
 Segment Income : 83.3 Billions of Yen (Year-on-Year +27.8%)

Net sales increased by 7.0% year-on-year to 197,889 million yen, as sales of LATUDA® continued to expand significantly and those of long-acting beta-agonist BROVANA® and antiepileptic agent APTIOM® expanded. Segment income increased by 27.8% year-on-year to 83,288 million yen, as, in addition to the increase in sales, the cost of sales decreased owing primarily to currency movements.

3. China segment

Composition of Net Sales 4.3%

Net Sales : 17.6 Billions of Yen (Year-on-Year -4.1%)
Segment Income : 6.7 Billions of Yen (Year-on-Year -15.6%)

Sales of mainstay carbapenem antibiotic MEROPEN® performed strongly on a local currency basis. Owing to currency movements, however, net sales of this segment nevertheless decreased by 4.1% year-on-year to 17,624 million yen. Segment income decreased by 15.6% year-on-year to 6,742 million yen.

4. Other Regions segment

Composition of Net Sales 2.8%

Net Sales : 11.6 Billions of Yen (Year-on-Year +3.4%)
Segment Income : 2.8 Billions of Yen (Year-on-Year +14.6%)

Net sales increased by 3.4% year-on-year to 11,566 million yen as exports of MEROPEN® and other drugs and gains on industrial property rights showed an increase. Segment income increased by 14.6% year-on-year to 2,803 million yen, as gross profit increased due to a change in the product mix.

In addition to the abovementioned reportable segments, the Group markets food ingredients, food additives, materials for chemical products, veterinary drugs, diagnostic agents, and other products. Net sales from these types of businesses increased by 3.4% year-on-year to 43,710 million yen, and segment income increased by 32.2% to 2,407 million yen.

The status of R&D activities is as follows.

The Group remains committed to research and development by proactively assimilating leading-edge technologies through every available method, 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 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 is working to apply leading-edge scientific technologies, including supercomputer-assisted *in silico* methods and iPS cells, to drug discovery and regenerative medicine/cell therapy. The Group also proactively seeks external research collaboration with universities and other research institutions throughout the globe. During the

fiscal year under review, the second term of the joint research project with Kyoto University (DSK Project), which aims to discover innovative anti-cancer drugs, was launched. Meanwhile, under the Partnership to Realize Innovative Seeds and Medicines (PRISM) framework, which is an open innovation program launched in FY2015 whereby research institutions and researchers in Japan are invited to submit ideas that meet the Company's drug discovery research needs, joint research agreements were signed on multiple ideas during the fiscal year under review.

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 and drug repositioning by developing dosage forms in ways that maximize product value.

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

[Psychiatry & Neurology]

i. Blonanserin

An indication for schizophrenia was approved in China in February 2017.

ii. Dasotraline (product code: SEP-225289)

In the U.S., the primary endpoint in a Phase 2/3 clinical study for pediatric attention deficit hyperactivity disorder (ADHD) has been satisfied and the concurrent Phase 3 clinical study has been completed. Also, the primary endpoint in a Phase 2/3 clinical study for binge eating disorder (BED) has been satisfied and a separate Phase 3 clinical study has been launched.

iii. SEP-363856

In the U.S., a Phase 2 clinical study for schizophrenia and another Phase 2 clinical study for psychotic symptoms in Parkinson's disease have begun.

[Oncology]

i. Napabucasin

A Phase 3 global clinical study for gastric and gastroesophageal junction adenocarcinoma and colorectal cancer (combination therapy) is under way in the U.S., Canada, Japan, and elsewhere. In addition, a Phase 3 global clinical study for pancreatic cancer (combination therapy) has begun in the U.S. Meanwhile, the Phase 2 part of the Phase 1/2 clinical study for glioblastoma has been launched in Canada.

ii. DSP-7888

The Phase 2 part of the Phase 1/2 clinical study for pediatric malignant glioma has begun in Japan.

[Regenerative medicine/cell therapy]

In February 2017, allogeneic iPS cell-derived dopaminergic neural progenitor cells, for which the Company addresses toward the practical use in collaboration with the Center for iPS Cell Research and Application, Kyoto University (CiRA), was designated for the "SAKIGAKE System" product for regenerative medicine & cell therapy by the Ministry of Health, Labour and Welfare (MHLW) in Japan.

[Other areas]

Glycopyrronium bromide (product code: SUN-101)

In July 2016, an application for approval as a long-term maintenance therapy for chronic

obstructive pulmonary disease (COPD) was filed in the U.S.

The Group remains committed to acquiring businesses and in-licensing products under development in a bid to expand the development pipeline. During the fiscal year under review, the Group promoted development of product candidates of acquired businesses, namely, apomorphine hydrochloride hydrate (product code: APL-130277) developed by Cynapsus and alvocidib developed by Tolero, as described below.

i. Apomorphine hydrochloride hydrate

A Phase 3 clinical study for OFF episodes in Parkinson's disease patients is currently under way in the U.S.

ii. Alvocidib

A Phase 2 clinical study for acute myeloid leukemia (AML) (combination therapy) is currently under way in the U.S.

In addition to the above, the Group is moving forward with the development of its product candidates including lurasidone hydrochloride in Japan, and amcasertib (product code: BBI503) in the U.S., Canada, and Japan.

As a result of the abovementioned activities, R&D expenses for the fiscal year under review amounted to 80,819 million yen (down by 1.5% year-on-year). Please note that the Group manages its R&D expenses globally and, as such, does not allocate such expenses into individual segments.

(2) Capital Investments by the Group

The total amount of capital investments made by the Group during the fiscal year under review was 6,680 million yen, and the major capital investment was for the cell production equipment newly constructed in the Central Research Laboratories (ongoing).

(3) Financing of the Group

The Company obtained a short-term loan of 40 billion yen from a financial institution as a part of funds to acquire Cynapsus and Tolero during the fiscal year under review.

(4) Issues to be Addressed by the Group

The Company upholds its Corporate Mission of contributing broadly 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. FY 2017 is the final fiscal year of the ongoing MTBP.

Sales of LATUDA®, a primary source of the Group's revenue, are continuing to expand, but its exclusivity period will expire in FY2018. As this expiration is expected to have a significant impact on the Group's performance, it has become the most significant management imperative to minimize its impact on the Group's earnings and map out a scenario for renewed growth thereafter. Some of the initiatives in this regard that were taken during FY2016 include acquisition of Cynapsus and Tolero to expand the R&D pipeline of late-stage development

products in the Psychiatry & Neurology and Oncology areas, and in-licensing of three approved therapeutic agents for patients with COPD from Novartis to acquire the exclusive rights to market them in the U.S.

In FY2017, the Company will continue to proactively make strategic investments in-licensing, partnerships, and other initiatives as well as to develop late-stage product candidates. Under the 3rd MTBP, the Company has set its operating income target at 50.0 billion yen for FY2017, but will do its utmost to outperform this figure to maximize its earnings.

The Group's policies on its FY2017 business activities are as follows.

① Strengthening business foundations

In order to flexibly transform business structures in response to changes in business environments/conditions in regions that the Group operates in, it will continue to enhance business efficiency by optimizing labor costs and general expenses, improving asset efficiency, accelerating the decision-making process, etc., thereby strengthening business foundations and establishing a resilient corporate culture.

② Strategies and business activities in each regional segment

In Japan, the Group seeks to expand sales of TRERIEF®, LONASEN®, AIMIX®, Trulicity®, which has been released through collaboration with Eli Lilly Japan K.K., and REMITCH®, a therapeutic agent for pruritus which is being co-promoted with Torii Pharmaceutical Co., Ltd. However, sales of long-listed products are expected to drop as a result of further penetration of generic drugs. In FY2016, in an effort to review its business management structure, the Company implemented initiatives including the Early Retirement Program, and the Group will strive to maintain a certain level of sales and income by increasing efficiency in business management with a focus on cost effectiveness.

In North America, the Group aims to further advance LATUDA® sales, which now account for over 30% of its consolidated net sales. In an attempt to sustain profitability of the North American business after the FY2018 expiration date of the exclusivity period for LATUDA®, the Group intends to boost sales of APTIOM® and BROVANA®, while at the same time focusing on promotions of glycopyrronium bromide, which is scheduled to be launched in FY2017, and the three products in-licensed from Novartis, so that these products can begin to turn a profit as soon as possible.

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

In other regions, the Group continues to consider every option available, including collaboration with new partners, in determining how to pursue the LATUDA® business in Europe. In Southeast Asia, the Group aims to expand regional profits by conducting a smooth startup of the MEROPEN® business there, which has recently been returned from AstraZeneca UK Limited.

The Group will make proactive efforts to promote acquisitions, in- and out-licensing, partnerships, and other opportunities in accordance with the state of business in each regional segment.

③ R&D strategies

The Group will continue to proactively allocate its management resources to research and development of rare diseases and other diseases for which no approved drugs currently exist and new areas of Regenerative Medicine/Cell Therapy, as well as its priority areas of Psychiatry & Neurology and Oncology, with top priority being placed on development of product candidates in the latter phases. In the research stage, the Group will engage in joint research and other forms of collaboration with research institutions across the globe as well as its own internal research activities in order to create innovative drugs. To make the most of limited R&D expenses, the Group will make continuous efforts to build an optimal R&D organization and increase the efficiency of R&D activities.

In the Psychiatry & Neurology area, the Group will make preparations to apply for approval of dasotraline for attention deficit hyperactivity disorder (ADHD) in the U.S. by the end of FY2017, while at the same time promoting development of dasotraline to apply for approval for an additional indication for binge eating disorder (BED) sometime in FY2018. The Group will also develop apomorphine hydrochloride hydrate to gain approval for OFF episodes in Parkinson's disease patients by the end of FY2017. By launching these products as scheduled, the Group believes that it can get Sunovion back on a path toward growth after expiration of the exclusivity period for LATUDA®. In Japan, steady preparations will be made to file an application for approval of TRERIEF® for an additional indication for Parkinsonism in dementia with Lewy bodies (DLB) by the end of FY2017. The Group will promote development to apply for approval of a transdermal patch formulation of LONASEN® sometime in FY2018 and promote development of lurasidone hydrochloride to apply for approval for schizophrenia, bipolar I depression, and bipolar maintenance sometime in FY2019.

In the Oncology area, the Group aims to file an application for approval of the first-in-class cancer stemness inhibitor napabucasin for gastric cancer or gastro-esophageal junction adenocarcinoma sometime in FY2018 in the U.S. and Japan. The Group will also make the utmost efforts to develop napabucasin, for which a Phase 3 clinical study for colorectal and pancreatic cancer is under way. Meanwhile, the Group will proactively develop alvocidib, for which a Phase 2 clinical study for acute myeloid leukemia (AML) is under way in the U.S., for a scheduled application to obtain approval in FY2018, and therapeutic cancer peptide vaccine DSP-7888, which has entered the Phase 2 part of the Phase 1/2 clinical study.

In Regenerative Medicine/Cell Therapy, the Group will promote multiple R&D projects for early commercialization of products in this new area. The Group will promote the Phase 2 clinical study of SB623 derived from bone marrow stromal cells (in-licensed from SanBio, Inc.) for chronic stroke in North America. For iPS cell-derived products, the Group is working toward the practical use of allogeneic iPS cell-derived dopaminergic neural progenitor cells, which was designated for the "SAKIGAKE Designation System," in collaboration with the Center for iPS Cell Research and Application, Kyoto University (CiRA). The Group will also promote a joint research project on cell culture with Hitachi, Ltd. In the eye disease area, the Group will promote joint development with Healios K.K. in an attempt to be the first in the world to commercialize iPS cells, and will have SighRegen K.K., a joint venture between the Company and Healios K.K., for setting up production and sales promotion structures. Among other initiatives that the Group will forge ahead with are a joint research project with RIKEN, Japan for the regenerative medicine development of iPS cell-derived three-dimensional retinas for treatment of retinal

degenerative diseases, and another joint research project with Keio University and the National Hospital Organization Osaka Medical Center for regenerative medicine to treat spinal cord injuries using iPS cell-originated neural precursor cells. In a bid to develop a production structure for regenerative medicine and cell therapy products, which is one of the overriding issues for practical application of such products, the Group will install cell production equipment within the Central Research Laboratories for the scheduled commencement of operation by the end of FY2017.

④ 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. In FY2016, the Company achieved a record-high operating income of 50.0 billion yen, thereby meeting the target for the FY2017 laid out in the 3rd MTBP one year ahead of schedule. Accordingly, the Company proposes to pay special dividends.

With regard to financial strategy, the Company had been paying interest-bearing debts as appropriate, but took out new borrowings for the acquisition of Cynapsus and Tolero in FY2016. For the Group to sustain its growth, it will be necessary to continue in-licensing products and products under development, and making proactive investments in businesses in Japan and North America and new businesses, in addition to making advance investments in products under development that have already been acquired. The Company will use its leverage to ensure access to financial resources as necessary.

⑤ 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 marketed, litigation, plant shutdowns, and other events.

In order to further reinforce the Group's risk management promotion system, the Company has established the "DSP Group Risk Management Policy," as well as the relevant systems. Going forward, the Company will tighten risk management to prevent and minimize such risks. In the event that any such risk should surface, its impact will be minimized through expeditious action.

The Company bases its business activities on CSR management. Accordingly, the Company enhances its compliance system, pursues an effective corporate governance structure and transparent management, facilitates communications with diverse stakeholders, engages in social contribution activities in Japan and abroad, promotes work style reform, and promotes diversification, including active participation by women, thereby setting the cornerstone for sustainable growth.

(5) Assets and Income

① Assets and Income of the Group

	Fiscal year ended March 2014	Fiscal year ended March 2015	Fiscal year ended March 2016	Fiscal year ended March 2017 (the fiscal year under review)
Net Sales (Millions of yen)	387,693	371,370	403,206	411,638
Ordinary Income (Millions of yen)	40,631	23,331	35,221	54,341
Net Income Attributable to Owners of the Parent (Millions of yen)	20,060	15,447	24,697	28,991
Net Income per Share	50.49 yen	38.88 yen	62.16 yen	72.97 yen
Total Assets (Millions of yen)	659,032	711,583	707,715	793,950
Net Assets (Millions of yen)	398,540	451,021	446,472	460,656

(Note) From the fiscal year ended March 2016, 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 2014 194 th fiscal year	Fiscal year ended March 2015 195 th fiscal year	Fiscal year ended March 2016 196 th fiscal year	Fiscal year ended March 2017 197 th fiscal year (the fiscal year under review)
Net Sales (Millions of	200,745	183,073	265,691	256,531

yen)				
Ordinary Income (Millions of yen)	23,403	15,136	94,525	92,098
Net Income (Millions of yen)	15,210	16,968	66,624	63,902
Net Income per Share	38.28 yen	42.71 yen	167.69 yen	160.84 yen
Total Assets (Millions of yen)	568,152	595,144	647,720	642,111
Net Assets (Millions of yen)	385,897	400,110	465,410	515,585

(6) Details of the Principal Businesses of the Group

Manufacturing, processing, purchase, sale, and import and export of pharmaceuticals, food ingredients, food additives, materials for chemical products, veterinary drugs and the like.

(7) Major Sales Branches, Plants, etc., of the Group

	Name	Place	Name	Place	Name	Place
	Osaka Head Office	Osaka	Tokyo Head Office	Chuo-ku, Tokyo		
Branches	Sapporo Branch	Sapporo	Tohoku Branch	Sendai	Kita-kanto Branch	Chuo-ku, Tokyo
	Koshinetsu Branch	Chuo-ku, Tokyo	Chiba Branch	Chiba	Saitama Branch	Saitama
	Tokyo Branch	Chuo-ku, Tokyo	Yokohama Branch	Yokohama	Tokai Branch	Nagoya
	Keiji-Hokuriku Branch	Kyoto	Osaka Branch	Osaka	Kobe Branch	Kobe
	Chugoku Branch	Hiroshima	Shikoku Branch	Takamatsu, Kagawa	Kyushu Branch	Fukuoka
Plants	Suzuka Plant	Suzuka, Mie	Ibaraki Plant	Ibaraki, Osaka	Ehime Plant	Niihama, Ehime
	Oita Plant	Oita, Oita				
Research Laboratories	Central Research Laboratories	Suita, Osaka	Osaka Research Center	Osaka		
Subsidiaries	DSP Gokyo Food & Chemical Co., Ltd.	Osaka	DS Pharma Animal Health Co., Ltd.	Osaka	DS Pharma Biomedical Co., Ltd.	Suita, Osaka
	Sunovion	U.S.A.	Boston Biomedical	U.S.A.	Tolero	U.S.A.
	Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.	China				

(8) Employees

① Employees of the Group

Business Segment	Number of Employees
Pharmaceutical Business	6,173
Others	319
Total	6,492

(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
3,572	-428	41.7	16.9 years

- (Note)
1. The number of the Company's employees indicated above is the total number of all persons currently working, including the 132 seconded employees accepted by the Company, but excluding the 458 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 201,134,000 shares of common stock of the Company (investment ratio: 50.55%). 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
	Boston Biomedical	100	Research and development in the oncology area
	Tolero	100 (100)	Research and development in the oncology and hematologic disease areas
	Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.	100	Manufacture and sale of medical drugs

- (Note)
1. The figure indicated in parentheses under the Investment Ratio column indicates the indirect ownership ratio (%) vis-a-vis the total ownership ratio.
 2. As of April 1, 2017, the Company made Boston Biomedical a wholly-owned subsidiary of a U.S. holding company which is wholly-owned by the Company, and accordingly the Company has the 100% indirect ownership ratio in Boston Biomedical.

(10) Principal Lenders and the Amounts of Loans

Lender	Outstanding Amount of the Loan
Sumitomo Mitsui Banking Corporation	40,000 million yen
Sumitomo Life Insurance Company	4,000 million yen
Nippon Life Insurance Company	4,000 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 600,484 treasury stocks)
- (3) **Number of Shareholders at the end of the Fiscal Year Under Review:** 21,384
- (4) **Top Ten Shareholders**

Name of Shareholder	Number of Shares Held (Thousand Shares)	Shareholding Ratio (%)
Sumitomo Chemical Co., Ltd.	201,134	50.63
Inabata & Co., Ltd.	25,582	6.44
The Master Trust Bank of Japan, Ltd. (Trust account)	17,153	4.32
Japan Trustee Services Bank, Ltd. (Trust account)	10,089	2.54
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
Sumitomo Dainippon Pharma Employee Shareholders' Association	3,687	0.93
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	3,477	0.88

- (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 (600,484 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 Boston Biomedical Board Chairman of the Japan Epilepsy Research Foundation
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 Boston Biomedical
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 Boston Biomedical
Member, Board of Directors	Masaru Ishidahara	Senior Executive Officer In charge of Corporate Governance and Personnel
Member, Board of Directors	Hitoshi Odagiri	Senior Executive Officer Executive Director, Sales & Marketing Division

Member, Board of Directors	Toru Kimura	Executive Officer Senior Director, Global Corporate Planning In charge of the Regenerative & Cellular Medicine Office and the Regenerative & Cellular Medicine Kobe Center Member, Board of Directors of Sunovion Member, Board of Directors of Boston Biomedical Member, Board of Directors of Tolero
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	Senior Adviser of Kobe Steel, Ltd. Outside Director of Sumitomo Electric Industries, 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	Yutaka Atomi	President of Kyorin University
Outside Audit & Supervisory Board Member	Kazuto Nishikawa	Nonmember Inspector of the Hyogo Prefectural Credit Federation of Agricultural Cooperatives

- (Note)
1. The Directors, Hitoshi Odagiri and Toru Kimura, were newly appointed at the 196th Annual Shareholders' Meeting held on June 23, 2016 and assumed their office thereafter.
 2. The Directors, Makoto Hara and Yoshihiro Okada, retired as of June 23, 2016 due to the expiration of their terms of office.
 3. The Directors, Hidehiko Sato and Hiroshi Sato, are Outside Directors as defined in Item 15, Article 2 of the Companies Act.
 4. 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.
 5. 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.
 6. 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.

7. As of April 1, 2017, 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 Nomura	Executive Vice President In charge of Global Corporate Planning, External Affairs, Corporate Secretariat & Industry Affairs, Personnel and Finance & Accounting Member, Board of Directors of Sunovion Member, Board of Directors of Boston Biomedical
Member, Board of Directors	Toru Kimura	Executive Officer In charge of the Regenerative & Cellular Medicine Office, the Regenerative & Cellular Medicine Kobe Center and the Drug Research Division
Member, Board of Director	Hiroshi Noguchi	
Member, Board of Directors	Masaru Ishidahara	

(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 senior adviser, or Sumitomo Electric Industries, Ltd. where he serves as an outside 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.
- 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 the Hyogo Prefectural Credit Federation of Agricultural Cooperatives where the Audit & Supervisory Board Member, Kazuto Nishikawa, serves as a nonmember inspector.

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 corporate executive.
Outside Audit &	Harumichi Uchida	Among the fourteen (14) meetings held by the

Supervisory Board Members		Board of Directors and the fourteen (14) meetings held by the Audit & Supervisory Board during the fiscal year under review, he attended the thirteen (13) meetings held by the Board of Directors and the thirteen (13) meetings held by the Audit & Supervisory Board. 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 fourteen (14) meetings held by the Audit & Supervisory Board during the fiscal year under review, he attended the twelve (12) meetings held by the Board of Directors and all the fourteen (14) meetings held by the Audit & Supervisory Board. 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 fourteen (14) 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.

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

	Number	Amount of Remuneration and the like (Millions of Yen)	Memo
Directors	10	346	
Audit & Supervisory Board Members	5	90	
Total	15	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 above includes two (2) Directors who retired upon the conclusion of the 196th Annual Shareholders' Meeting held on June 23, 2016.
 3. The respective amounts of remuneration and the like for Directors and Audit & Supervisory Board Members that were determined in the Shareholders' Meeting do not exceed 400 million yen annually for Directors, and 100

million yen annually for Audit & Supervisory Board Members.

4. The amount of remuneration and the like for Directors includes the amount of 35 million yen, which represents the bonuses for Directors to be paid after the 197th Annual Shareholders' Meeting to be held in June 2017.

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	91

- (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, Boston Biomedical 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-reelection of such Accounting Auditor in accordance with the policy for the determination of the dismissal or non-reelection of the Accounting Auditor separately provided for. Based on the determination made by the Audit & Supervisory Board of the Company, the Board of Directors of the Company will submit the proposal to the Shareholders' Meeting as a matter to be resolved.

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

(System to Ensure the Appropriateness of Business Operations)

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

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

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

- ⑥ The Company shall establish a department that is in charge of internal audit. The department shall audit the status of compliance, and shall appropriately report to the President and the Executive Officer for Compliance.

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

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

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

- ① The Company shall establish the DSP Group Risk Management Policy that provides for basic thoughts as the Group with respect to risk management and shall conduct appropriate risk management.
- ② The Company shall establish the Risk Management Rules under which it is clarified that the President oversees risk management and shall develop systems to promote risk management for respective risks classified on the basis of risk characteristics. The status of operations in each system to promote risk management is periodically reported to the Board of Directors.
- ③ In order to minimize any effects of an emergency, which is likely to materially affect the management or business activities of the Company, the Company shall establish the Rules for Emergency Response and secure the continuity of management and business.

(4) System to Ensure Efficient Execution of Duties by the Directors of the Company

- ① The Company shall establish internal regulations such as the Regulations of the Board of Directors, the Regulations of Duties and Authority, the Regulations on Organization and the Rules for Division of Duties, and shall clarify the rules regarding duties and authority, division of duties and decision making.
- ② The Company shall aim to realize speedy and efficient management by introducing an executive officer system.
- ③ The Company shall aim to promote speedy and efficient decision making by introducing an electronic approval system.

(5) System to Ensure the Appropriateness of the Operations of the Corporate Group (consisting of the Company, its Parent Company and Subsidiaries)

① System to Ensure the Efficient Execution of Duties by Directors, etc. of Subsidiaries

The subsidiaries shall clarify the rules regarding duties and authority, division of duties and decision making.

② System Regarding the Report to the Company of Matters Related to the Execution of Duties by Directors, etc. of Subsidiaries

The Company shall establish internal regulations that provide for basic matters to promote appropriate group operations, and through commitment by the subsidiaries to comply with such regulations, shall receive from the subsidiaries, reports regarding material matters on management.

③ Rules and Other Systems Regarding the Management of the Risk of Loss of Subsidiaries

- i. The subsidiaries shall develop systems to promote risk management in accordance with the types of their business and the characteristics of risks and shall conduct appropriate risk management.
- ii. The Company shall govern risk management of the subsidiaries in general, and shall take necessary measures such as giving advice and instructions.
- iii. The Company shall develop necessary systems to promote risk management for risks the Group should cross-functionally address and shall enhance the Group's risk management.

④ System to Ensure Compliance by Directors, etc. and Employees of Subsidiaries with Laws and Regulations and the Articles of Incorporation in the Execution of Their Duties

- i. The subsidiaries shall develop an appropriate system to promote compliance.
- ii. The Company shall enhance compliance by the subsidiaries by periodically holding meetings, such as committee meetings, related to compliance, which the subsidiaries participate in.
- iii. The department that is in charge of the internal audit of the Company shall audit the status of compliance by the subsidiaries, and shall appropriately report to the President and the Executive Officer for Compliance of the

Company.

- ⑤ Other Systems to Ensure the Appropriateness of the Operations of the Corporate Group (consisting of the Company, its Parent Company and Subsidiaries)
 - i. The Company shall ensure its independence and shall develop an autonomous internal control system, while respecting the group operation policy of Sumitomo Chemical Co., Ltd., the parent company.
 - ii. The Company shall appropriately conduct transactions with the parent company by ensuring the fairness and rationality of transactions.

(6) System to Ensure Effective Implementation of Audits by the Audit & Supervisory Board Members

- ① Matters Concerning Employees Assigned to Assist the Audit & Supervisory Board Members in the Execution of Their Duties, Matters Concerning the Independence of Such Employees from the Directors of the Company and Matters for Ensuring the Effectiveness of Instructions Given to Such Employees

The Company shall assign one or more employees, who are not under the line of command of the department that executes operations of the Company, to assist the duties of the Audit & Supervisory Board Members and serve in the secretariat of the Audit & Supervisory Board. Decisions on transfer and evaluation of such employees will be made upon consultation with the Audit & Supervisory Board Members and by respecting their opinions.

- ② System for the Directors and Employees to Report to the Audit & Supervisory Board Members

The Company shall establish procedures or the like with respect to reports by the Directors and employees of the Company to the Audit & Supervisory Board Members, and shall provide information needed by the Audit & Supervisory Board Members in a timely and appropriate manner.

- ③ System for the Directors, Audit & Supervisory Board Members, Members Who Execute Operations and Employees of Subsidiaries, or Persons Who Receive Report from the Same, to Report to the Audit & Supervisory Board Members of the Company

The Company shall establish procedures or the like with respect to reports by the directors or the like of its subsidiaries to the Audit & Supervisory Board Members, and shall provide information needed by the Audit & Supervisory Board Members in a

timely and appropriate manner.

- ④ System to Ensure That Persons Who Have Made Reports As Provided in the Immediately Preceding Two Paragraphs Will Not Receive Any Adverse Treatment for Having Made Such Reports

The Company shall not adversely treat persons who have made reports as provided in the immediately preceding two paragraphs on the basis that they made such reports.

- ⑤ Matters Concerning the Procedures for Advance Payment or the Reimbursement of Expenses Incurred in Relation to the Execution of the Duties by the Audit & Supervisory Board Members and Any Other Policy for Processing of Costs and Obligations Incurred in Relation to the Execution of Their Duties

The Company shall process the costs and obligations incurred in relation to the execution of duties by the Audit & Supervisory Board Members in a timely and appropriate manner by respecting their opinions.

- ⑥ Other Systems to Ensure Effective Implementation of Audits by the Audit & Supervisory Board Members
 - i. The Company shall periodically hold meetings between the Audit & Supervisory Board Members and the Representative Directors, between the Audit & Supervisory Board Members and the department which is in charge of the internal audit, and among the three parties of the Audit & Supervisory Board Members, the department which is in charge of the internal audit and the Accounting Auditor.
 - ii. If there is any request from the Audit & Supervisory Board Members regarding their duties, the Company shall respect such request and shall respond to such request in a timely and appropriate manner.

(7) Elimination of Anti-Social Forces

The Company shall keep its Directors and employees thoroughly informed to take decisive actions against anti-social forces, and shall promote efforts aimed at cutting off any and all relationships with such forces.

(Overview of the Implementation of the System to Ensure the Appropriateness of Business Operations)

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 a department of Corporate Governance for further enhancing corporate governance within the Group, and has strived for the effective operation of the Basic Policy on Corporate Governance which sets forth basic concepts and basic policies on corporate governance.
- Aiming for the efficient operation of the Board of Directors, the Company has clarified and categorized matters to be resolved by and to be reported to the Board of Directors.
- Pursuant to the Regulations of the Board of Directors, fourteen (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.
- 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, which were reorganized for the further enhancement of the Group's compliance promotion system during FY2015. At such meetings, each group company's report on the status of compliance promotion was discussed.
- The compliance hotline established inside and outside the Company has been appropriately operated, and the status of its operations was reported to the Company's Compliance Committee.
- The 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 held education seminars for the Company's Directors and employees with topics such as the Compliance Standard and insider trading regulations during the fiscal year under review.

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

- The Company established the DSP Group Risk Management Policy which sets forth basic policies on the Group's risk management.

- For the further promotion of the Group's risk management, the Company has reorganized and enhanced systems to promote risk management.
- The status of operations in each system to promote risk management has been periodically reported to the Board of Directors by the responsible person of each system.
- The Company has kept track of the systems to promote risk management of group companies within Japan and abroad as well as the status of their operations, and has established a system to provide guidance, advice and the like as necessary.

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 and the Compliance Committee.
- Pursuant to the Regulations of the Audit & Supervisory Board, fourteen (14) meetings of the Audit & Supervisory Board were held during the fiscal year under review.

⑤ Transactions with the Parent Company, etc.

- Pursuant to the Regulations of the Board of Directors, the Company has categorized significant transactions with related parties as matters to be resolved by the Board of Directors, and transactions that do not fall thereunder as matters to be reported to the Board of Directors.
- Accordingly, transactions with Sumitomo Chemical Co., Ltd., the parent company, were reported as transactions with related parties during the meetings of the Board of Directors, at which Independent Outside Directors were present.

Consolidated Balance Sheet

(As of March 31, 2017)

(millions of yen)

Item	Amount As of March 31, 2017	(Reference) Amount As of March 31, 2016	Item	Amount As of March 31, 2017	(Reference) Amount As of March 31, 2016
Assets			Liabilities		
Current assets	376,454	421,584	Current liabilities	228,447	179,722
Cash and time deposits	71,408	54,922	Notes and accounts payable	14,514	12,153
Notes and accounts receivable	110,932	107,165	Short-term loans payable	40,000	1,010
Marketable securities	34,195	81,039	Current portion of bonds payable	10,000	10,000
Merchandise and finished goods	54,973	48,100	Current portion of long-term loans payable	8,000	12,000
Work-in-process	3,356	3,206	Income taxes payable	8,818	26,357
Raw materials and supplies	10,477	8,281	Reserve for bonuses	10,986	10,809
Deferred tax assets	60,956	63,991	Reserve for sales returns	11,315	9,086
Short-term loans receivable	16,731	48,426	Reserve for sales rebates	65,652	49,224
Others	13,427	6,454	Accounts payable-other	36,986	34,212
Allowance for doubtful receivables	(4)	(4)	Others	22,172	14,869
Fixed assets	417,495	286,130	Long-term liabilities	104,846	81,520
Property, plant and equipment	59,253	61,824	Bonds payable	10,000	20,000
Buildings and structures	38,551	40,335	Long-term loans payable	—	8,000
Machinery, equipment and carriers	6,765	7,796	Deferred tax liabilities	32,583	16,209
Land	6,264	6,269	Liability for retirement benefit	13,498	16,158
Construction in progress	3,112	1,497	Contingent Consideration Liabilities	39,909	8,968
Others	4,559	5,926	Others	8,855	12,184
Intangible assets	304,310	156,580	Total liabilities	333,293	261,242
Goodwill	90,565	76,950	Net assets		
In-process research and development	193,970	60,144	Shareholders' equity	401,221	378,999
Others	19,774	19,485	Common stock	22,400	22,400
Investments and other assets	53,931	67,725	Capital surplus	15,860	15,860
Investment securities	48,034	60,432	Retained earnings	363,627	341,401
Asset for retirement benefit	646	66	Treasury stock	(666)	(663)
Deferred tax assets	710	2,313	Accumulated other comprehensive income	59,435	67,473
Others	4,568	4,953	Unrealized gains on available-for-sale securities, net of tax	18,439	25,293
Allowance for doubtful receivables	(29)	(40)	Deferred gains (losses) on hedge	(20)	(12)
			Foreign currency translation adjustment	45,729	48,025
			Remeasurements of defined benefit plans	(4,712)	(5,832)
Total assets	793,950	707,715	Total net assets	460,656	446,472
			Total liabilities and net assets	793,950	707,715

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

Consolidated Statement of Income

(April 1, 2016 to March 31, 2017)

(millions of yen)

Item	Amount Year ended March 31, 2017	(Reference) Amount Year ended March 31, 2016
Net sales	411,638	403,206
Cost of sales	100,078	104,470
Gross profit	311,560	298,736
Reversal of reserve for sales returns	7	—
Provision of reserve for sales returns	—	1
Gross profit-net	311,568	298,734
Selling, general and administrative expenses	258,808	261,805
Operating income	52,759	36,929
Non-operating income	3,519	3,231
Interest and dividend income	1,779	1,657
Foreign exchange gains	1,236	—
Others	503	1,574
Non-operating expenses	1,937	4,940
Interest expenses	631	919
Contribution	739	952
Losses on disposal of fixed assets	150	—
Foreign exchange losses	—	2,993
Others	415	74
Ordinary income	54,341	35,221
Extraordinary income	5,754	6,106
Gains on sales of investment securities	5,754	6,106
Extraordinary loss	12,878	1,766
Business structure improvement expenses	10,871	612
Loss on discontinuation of R&D programs	2,006	—
Losses on disposal of property, plant and equipment	—	601
Impairment loss	—	552
Income before income taxes	47,217	39,560
Income taxes-current	16,114	39,586
Income taxes-deferred	2,111	(24,723)
Net income	28,991	24,697
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent	28,991	24,697

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

Non-Consolidated Balance Sheet

(As of March 31, 2017)

(millions of yen)

Item	Amount As of March 31, 2017	(Reference) Amount As of March 31, 2016	Item	Amount As of March 31, 2017	(Reference) Amount As of March 31, 2016
Assets			Liabilities		
Current assets	246,122	247,394	Current liabilities	101,104	133,867
Cash and time deposits	40,797	34,112	Accounts payable	7,883	5,446
Accounts receivable	74,093	89,617	Short-term loans payable	40,000	—
Marketable securities	4,000	10,000	Short-term loans payable to affiliates	—	52,931
Merchandise and finished goods	33,758	35,208	Current portion of bonds payable	10,000	10,000
Work-in-process	3,029	2,632	Current portion of long-term loans payable	8,000	12,000
Raw materials and supplies	9,839	7,741	Accounts payable-other	14,942	16,849
Advance payments	78	62	Accrued expenses	1,001	1,204
Prepaid expenses	324	530	Income taxes payable	7,897	25,468
Deferred tax assets	14,884	15,931	Advances received	1,557	2,147
Short-term loans to affiliates	61,876	49,306	Deposits received	3,159	352
Accounts receivable-other	3,439	2,251	Reserve for bonuses	6,257	6,519
			Others	404	948
Fixed assets	395,989	400,325	Long-term liabilities	25,422	48,442
Property, plant and equipment	48,893	51,358	Bonds payable	10,000	20,000
Buildings	30,959	32,699	Long-term loans payable	—	8,000
Structures	604	616	Long-term deposits received	3,029	5,441
Machinery and equipment	5,674	6,686	Deferred tax liabilities	873	2,201
Carriers	19	21	Provision for retirement benefit	11,109	12,233
Tools, furniture and fixtures	3,711	4,891	Others	410	565
Land	5,842	5,845			
Construction in progress	2,080	597	Total liabilities	126,526	182,310
Intangible assets	7,491	8,596	Net assets		
Software	2,664	3,418	Shareholders' equity	497,622	440,491
Sales rights	3,775	4,680	Common stock	22,400	22,400
Others	1,051	498	Capital surplus	15,860	15,860
			Legal capital surplus	15,860	15,860
Investments and other assets	339,605	340,370	Other capital surplus	0	0
Investment securities	44,334	57,141	Retained earnings	460,029	402,894
Investments in affiliates	283,214	271,673	Legal retained earnings	5,288	5,288
Amount invested in capital of affiliates	3,147	3,147	Other retained earnings	454,740	397,606
Long-term prepaid expenses	2,230	2,205	Reserve for advanced depreciation of noncurrent assets	1,564	1,580
Prepaid pension cost	5,014	4,476	General reserve	275,510	275,510
Others	1,687	1,749	Retained earnings carried forward	177,666	120,516
Allowance for doubtful receivables	(22)	(23)	Treasury stock	(666)	(663)
			Valuation, translation adjustments and others	17,962	24,918
			Unrealized gains on available-for-sale securities, net of tax	17,962	24,918
			Total net assets	515,585	465,410
Total assets	642,111	647,720	Total liabilities and net assets	642,111	647,720

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

Non-Consolidated Statement of Income

(April 1, 2016 to March 31, 2017)

(millions of yen)

Item	Amount Year ended March 31, 2017	(Reference) Amount Year ended March 31, 2016
Net sales	256,531	265,691
Cost of sales	58,920	58,797
Gross profit	197,611	206,893
Reversal of reserve for sales returns	7	—
Provision of reserve for sales returns	—	1
Gross profit-net	197,618	206,892
Selling, general and administrative expenses	107,850	111,776
Operating income	89,768	95,115
Non-operating income	4,308	4,268
Interest and dividend income	2,287	2,657
Foreign exchange gains	1,707	—
Others	312	1,611
Non-operating expenses	1,977	4,859
Interest expenses	821	1,266
Contribution	725	941
Losses on disposal of fixed assets	119	439
Foreign exchange losses	—	2,157
Others	311	54
Ordinary income	92,098	94,525
Extraordinary income	5,754	—
Gains on sales of investment securities	5,754	—
Extraordinary loss	12,878	869
Business structure improvement expenses	10,871	612
Loss on discontinuation of R&D programs	2,006	—
Loss on valuation of shares of subsidiaries and associates	—	224
Impairment loss	—	32
Income before income taxes	84,974	93,655
Income taxes-current	18,127	27,727
Income taxes-deferred	2,945	(696)
Net income	63,902	66,624

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

Independent Auditor's Report

May 9, 2017

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, 2017 and for the year from April 1, 2016 to March 31, 2017 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, 2017

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, 2017 and for the year from April 1, 2016 to March 31, 2017 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 197th fiscal year from April 1, 2016 to March 31, 2017, 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 the Accounting Auditor on the status of the performance of their duties, and requested explanations as necessary.

(2) In conformity with Audit & Supervisory Board Members auditing standards established by the Audit & Supervisory Board, and in accordance with the audit policies, 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 from time to time received reports 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, 2017

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.

In the fiscal year under review, the Company achieved a record-high operating income of 50.0 billion yen, owing primarily to expanded sales of LATUDA[®], thereby meeting the target for FY2017, which was laid out in the 3rd Mid-Term Business Plan, one year ahead of schedule.

Given the above mentioned basic policy on profit distribution to shareholders and earnings results of the fiscal year under review, we hereby propose the year-end dividend of eleven (11) yen per share, which comprises an ordinary dividend of nine (9) yen and a special dividend of two (2) yen, as follows:

Matters related to the year-end dividend

(1) Category of dividend property:

Cash

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

Eleven (11) yen per share of common stock of the Company (4,370,296,370 yen in aggregate)

Therefore, the annual dividend, including the interim dividend, shall be twenty (20) yen per share.

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

June 23, 2017

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]</p> <p>Member of the Board of Directors of Sunovion</p> <p>Member of the Board of Directors of Boston Biomedical</p> <p>Board Chairman of the Japan Epilepsy Research Foundation</p> <p>[Reason for Nomination as a Candidate for Director]</p> <p>Masayo Tada has served as the Representative</p>	113,500 shares

		<p>Director and President of the Company since 2008, and has extensive knowledge, capacity and experience as 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.</p>	
2	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 April 2017: Representative Director and Executive Vice President of the Company (up to the present) April 2017: In charge of Global Corporate Planning, External Affairs, Corporate Secretariat & Industry Affairs, Personnel and Finance & Accounting 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 Boston Biomedical</p> <p>[Reason for Nomination as a Candidate for Director] Hiroshi Nomura has extensive knowledge, capacity and experience in pursuing strategic business planning, having served as a responsible person for the departments of global strategy,</p>	29,200 shares

		global corporate management, finance and accounting, and drug development 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	Hitoshi Odagiri (Jan. 4, 1957)	<p>April 1979: Joined Inabata & Co., Ltd. October 1984: Joined the former Sumitomo Pharmaceuticals Co., Ltd. October 2005: Director of Personnel Development of the Company June 2007: Director of Strategic & Marketing Planning of the Company June 2008: Director of Strategic Planning & Management of the Company June 2009: Senior Vice President of Dainippon Sumitomo Pharma America Inc. (currently, Sunovion) April 2012: Executive Officer of the Company April 2016: Senior Executive Officer of the Company (up to the present) April 2016: Executive Director of the Sales & Marketing Division of the Company (up to the present) June 2016: Member of the Board of Directors of the Company (up to the present)</p> <p>[Reason for Nomination as a Candidate for Director] Hitoshi Odagiri has extensive knowledge, capacity and experience in sales and marketing, having served as a responsible person of the sales and marketing department and in responsible positions of the personnel department of the Company and at 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>	12,400 shares
4	Toru Kimura (Aug. 5, 1960)	<p>April 1989: Joined Sumitomo Chemical Co., Ltd. October 1992: Joined the former Sumitomo Pharmaceuticals Co., Ltd. June 2009: Director of Genomic Science</p>	5,400 shares

		<p>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>June 2016: Member of the Board of Directors of the Company (up to the present)</p> <p>April 2017: In charge of the Regenerative & Cellular Medicine Office, the Regenerative & Cellular Medicine Kobe Center and the Drug Research Division 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 global strategy and research, having served as a responsible person of the global strategy department and the departments for new businesses and in responsible positions of the research department 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>Nobuyuki Hara (Dec. 2, 1955)</p> <div style="border: 1px solid black; width: 100px; height: 20px; margin: 10px auto; text-align: center;">New</div>	<p>April 1981: Joined Sumitomo Chemical Co., Ltd.</p> <p>October 1984: Joined the former Sumitomo Pharmaceuticals Co., Ltd.</p> <p>June 2007: Director of Product Strategy & Promotion Planning II of the Company</p> <p>June 2008: Senior Director of the Tokyo Branch II, Capital Region of the Company</p> <p>June 2009: Director of Product Management & Promotion Planning of the Company</p> <p>April 2012: Executive Officer of the Company (up to the present)</p>	10,900 shares

		<p>April 2013: Executive Director of the Corporate Regulatory Compliance & Quality Assurance Division of the Company</p> <p>April 2014: Executive Director of the Drug Development Division of the Company</p> <p>April 2017: Executive Director of the Corporate Regulatory Compliance & Quality Assurance Division, and in charge of Regulatory Affairs, Medical Information, Medical Affairs and the Drug Development Division of the Company (up to the present)</p> <p>[Reason for Nomination as a Candidate for Director]</p> <p>Nobuyuki Hara has extensive knowledge, capacity and experience in research and development as well as sales and marketing, having served in responsible positions of departments of research and development, regulatory compliance and quality assurance, and sales and marketing 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>	
6	<p>Hidehiko Sato (Apr. 25, 1945)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Outside</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Independent</div>	<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>	0 share

		<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] Hidehiko Sato has a wide range of knowledge and considerable experience, 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 knowledge, experience and expertise. Although Hidehiko Sato has not been directly involved in corporate management, the Company has determined that he is capable of appropriately performing his duties as an Outside Director for the reasons described above.</p>	
7	Hiroshi Sato (Sep. 25, 1945)	<p>April 1970: Joined Kobe Steel, Ltd.</p> <p>June 1996: Director of Kobe Steel, Ltd.</p>	0 share

	<div data-bbox="341 241 549 309" style="border: 1px solid black; padding: 5px; text-align: center;">Outside</div> <div data-bbox="341 353 549 421" style="border: 1px solid black; padding: 5px; text-align: center;">Independent</div>	<p>April 1999: Director and Officer of Kobe Steel, Ltd.</p> <p>June 1999: Senior Officer of Kobe Steel, Ltd.</p> <p>June 2000: Director and Senior Officer of Kobe Steel, Ltd.</p> <p>June 2002: Director and Executive Officer of Kobe Steel, Ltd.</p> <p>June 2003: Senior Managing Director of Kobe Steel, Ltd.</p> <p>April 2004: Executive Vice President and Representative Director of Kobe Steel, Ltd.</p> <p>April 2009: President and Representative Director of Kobe Steel, Ltd.</p> <p>April 2013: Chairman of the Board and Representative Director of Kobe Steel, Ltd.</p> <p>June 2014: Outside Member of the Board of Directors of the Company (up to the present)</p> <p>April 2016: Director (Senior Adviser) of Kobe Steel, Ltd.</p> <p>June 2016: Senior Adviser of Kobe Steel, Ltd. (up to the present)</p> <p>June 2016: Outside Director of Sumitomo Electric Industries, Ltd. (up to the present)</p> <p>[Significant Concurrent Positions] Senior Adviser of Kobe Steel, Ltd. Outside Director of Sumitomo Electric Industries, Ltd.</p> <p>[Reason for Nomination as a Candidate for Director] Hiroshi Sato has considerable experience and a wide range of knowledge as a corporate executive, having served as an officer of Kobe Steel, Ltd. for many years. 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</p>	
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		with his experience and knowledge.	
8	<p>Yutaka Atomi (Dec. 5, 1944)</p> <div style="border: 1px solid black; width: 100px; height: 20px; margin: 5px 0; text-align: center;">New</div> <div style="border: 1px solid black; width: 100px; height: 20px; margin: 5px 0; text-align: center;">Outside</div> <div style="border: 1px solid black; width: 100px; height: 20px; margin: 5px 0; text-align: center;">Independent</div>	<p>April 1970: Intern Doctor at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo</p> <p>April 1971: Intern Doctor at the Department of Surgery of Tokyo Hitachi Hospital</p> <p>April 1972: Intern Doctor at the Department of Surgery of Tokyo Kosei Nenkin Hospital</p> <p>April 1976: Research Assistant at the Department of Radiology of the Faculty of Medicine of the University of Tokyo</p> <p>April 1977: Intern Doctor at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo</p> <p>April 1982: Chief of the Medical Staff at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo</p> <p>June 1988: Visiting Researcher at the Department of Surgery of the University of California, San Francisco</p> <p>February 1989: Research Assistant at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo</p> <p>July 1992: Lecturer at the First Department of Surgery of the Faculty of Medicine of the University of Tokyo</p> <p>October 1992: Professor at the First Department of Surgery of the School of Medicine of Kyorin University</p> <p>April 1998: Vice Director of Kyorin University Hospital</p> <p>April 2004: Dean of the School of Medicine of Kyorin University</p> <p>April 2010: President of Kyorin University (up to the present)</p> <p>June 2013: Outside Audit & Supervisory Board Member of the Company (up to the present)</p>	0 share

		<p>[Significant Concurrent Position] President of Kyorin University</p> <p>[Reason for Nomination as a Candidate for Director] Yutaka Atomi has considerable experience and expertise as a medical doctor. 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 expertise. Although Yutaka Atomi has not been directly involved in corporate management, the Company has determined that he is capable of appropriately performing his duties as an Outside Director for the reasons described above.</p>	
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- (Note)
1. None of the above candidates have any special interests in the Company.
 2. Hidehiko Sato, Hiroshi Sato and Yutaka Atomi 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. Upon the approval of the election of Yutaka Atomi as an Outside Director, the Company intends to designate him as an Independent Director as defined by the said exchange, and report the same thereto.
 4. Hidehiko Sato and Hiroshi Sato currently serve as Outside Directors of the Company, and Hidehiko Sato will have served as an Outside Director for four (4) years and Hiroshi Sato will have served as an Outside Director for three (3) years, at the conclusion of this Shareholders' Meeting. Yutaka Atomi currently serves as an Outside Audit & Supervisory Board Member of the Company, and he will have served as an Outside Audit & Supervisory Board Member for four (4) years at the conclusion of this Shareholders' Meeting.
 5. The Company entered into an agreement with each of Hidehiko Sato and Hiroshi Sato, who currently serve as Outside Directors of the Company, which limits their liability for damages under Paragraph 1, Article 423 of the Companies Act. Under the terms of the agreement, their liability is limited to either ten (10) million yen or the amount stipulated under applicable laws and regulations, whichever is higher. Upon the approval of the re-election of Hidehiko Sato and Hiroshi Sato as Outside Directors, the Company intends to extend the term of the said agreement.
 6. The Company entered into an agreement with Yutaka Atomi, who currently serves as an Outside Audit & Supervisory Board Member of the Company, which limits his liability

for damages under Paragraph 1, Article 423 of the Companies Act. Under the terms of the agreement, his liability is limited to either ten (10) million yen or the amount stipulated under applicable laws and regulations, whichever is higher. Upon the approval of the election of Yutaka Atomi as an Outside Director, the Company intends to enter into an agreement anew with him with the same terms as those of the said agreement.

[Reference]

Independence Criteria for Outside Directors

The Company considers persons who do not fall under any of the following to be independent; provided, however, that this does not preclude the Company from making judgment that such persons who meet these independence criteria are virtually not independent given specific circumstances:

- (1) Persons who have the Company as their major business partner (persons who received payments from the Company for products or services in an amount that exceeds, in any of the last three (3) fiscal years, two percent (2%) of their consolidated annual net sales), or persons executing the business operations thereof (meaning “persons executing the business operations” as defined in Article 2, paragraph 3, item (vi) of the Ordinance for Enforcement of the Companies Act; the same shall apply hereinafter);
- (2) Persons who are the Company’s major business partners (persons who made payments to the Company for products or services in an amount that exceeds, in any of the last three (3) fiscal years, two percent (2%) of the Company’s consolidated annual net sales), or persons executing the business operations thereof;
- (3) Consultants, accounting or legal professionals who received from the Company monetary consideration or other properties of ten (10) million yen or more, except for the compensation of the Directors, in the immediately preceding fiscal year (or those persons who belong to corporations, associations or any other entity, which received from the Company monetary consideration or other properties one hundred (100) million yen or more);
- (4) Persons who met any of (1) to (3) above in any of the past three (3) years;
- (5) Persons who were persons executing the business operations or directors who were not persons executing the business operations of the parent company of the Company or persons who were persons executing the business operations of any subsidiary of the parent company (excluding the Company; the same shall apply hereinafter), in any of the past three (3) years;
- (6) Close relatives (Note 1) of persons who fall under any of ① to ③ below (excluding persons other than persons with important positions (Note 2))
 - ① Persons who fall under any of (1) to (5) above;
 - ② Persons executing the business operations of any subsidiary of the Company, persons executing the business operations or directors who are not persons executing the business operations of the parent company of the Company, or persons executing the business operations of any subsidiary of the parent company;
 - ③ Persons who were persons executing the business operations of the Company or any subsidiary of the Company in any of the past three (3) years;

(Note 1) Close relatives mean the spouse and relatives within the second degree of kinship.

(Note 2) Persons with important positions mean the directors (excluding outside directors), executive officers, department leaders, certified public accountants who belong to audit corporations or accounting firms, lawyers who belong to law firms and any other person who is objectively and reasonably found to have a similar importance.

Third Proposal: Election of Three (3) Audit & Supervisory Board Members

The term of office of the three (3) Audit & Supervisory Board Members of the Company, Yasuji Furutani, Yutaka Atomi and Kazuto Nishikawa, will expire upon the conclusion of this Shareholders' Meeting.

Therefore, we would like you to elect three (3) Audit & Supervisory Board Members.

The Audit & Supervisory Board has already approved this proposal.

The candidates for Audit & Supervisory Board Members are as follows:

Candidate No.	Name (Date of birth)	Summary of Profile, Position(s) and Significant Concurrent Position(s)	Number of Shares of the Company Owned
1	<p>Yoshinori Oh-e (Nov. 23, 1957)</p> <div style="border: 1px solid black; width: 100px; height: 20px; margin: 10px auto; text-align: center;">New</div>	<p>April 1982: Joined the Company June 2007: Director of Development Management of the Company June 2009: Director of Strategic Planning & Management of the Company June 2010: Executive Officer of the Company June 2010: Director of Business Development of the Company April 2014: Senior Executive Officer of the Company April 2014: Executive Director of the Corporate Regulatory Compliance & Quality Assurance Division of the Company April 2017: Corporate Advisor 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. (scheduled to retire due to the expiration of the term of office as of June 16, 2017)</p> <p>[Reason for Nomination as a Candidate for Audit & Supervisory Board Member] Yoshinori Oh-e has extensive knowledge, capacity and experience in pharmaceutical business in general, having served in responsible positions of the departments of business development, research and development as well</p>	6,900 shares

		as regulatory compliance and quality assurance of the Company. The Company has nominated him as a candidate for Audit & Supervisory Board Member, finding that he will be able to contribute to the auditing of the Company with his knowledge, capacity and experience.	
2	<p>Kazuto Nishikawa (Dec. 28, 1947)</p> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"> <p>Outside</p> </div>	<p>July 1971: Joined the Ministry of Finance</p> <p>July 1988: Assistant Regional Commissioner (Criminal Investigation) of the Tokyo Regional Taxation Bureau</p> <p>July 1990: Director of the Criminal Investigation Division of the Large Enterprise Examination and Criminal Investigation Department of the National Tax Agency</p> <p>July 1992: Assistant Regional Commissioner (Management and Coordination) of the Osaka Regional Taxation Bureau</p> <p>July 1993: Director of the Special Banks Division of the Banking Bureau</p> <p>July 1994: Director of the Personnel Division of the Commissioner's Secretariat of the National Tax Agency</p> <p>July 1996: Deputy Commissioner (Large Enterprise Examination and Criminal Investigation) of the National Tax Agency</p> <p>July 1998: Regional Commissioner of the Tokyo Regional Taxation Bureau</p> <p>July 2000: Director-General of the Inspection Department of the Financial Services Agency</p> <p>January 2001: Director-General of the Inspection Bureau of the Financial Services Agency</p> <p>July 2001: Retired from the Financial Services Agency</p> <p>July 2001: Managing Director of the Teito Rapid Transit Authority</p> <p>March 2004: Retired from the Teito Rapid Transit Authority</p> <p>June 2004: Senior Managing Director of the</p>	0 share

		<p>National Association of Shinkin Banks (Incorporated Association) (currently, General Incorporated Association)</p> <p>June 2012: Retired from the National Association of Shinkin Banks</p> <p>June 2012: Outside Audit & Supervisory Board Member of Murata Manufacturing Co., Ltd.</p> <p>June 2013: Outside Audit & Supervisory Board Member of the Company (up to the present)</p> <p>June 2014: Nonmember Inspector of the Hyogo Prefectural Credit Federation of Agricultural Cooperatives (up to the present)</p> <p>[Significant Concurrent Position] Nonmember Inspector of the Hyogo Prefectural Credit Federation of Agricultural Cooperatives</p> <p>[Reason for Nomination as a Candidate for Audit & Supervisory Board Member] Kazuto Nishikawa has considerable experience and expertise as an expert in the fields of tax affairs and finance, having served as the Regional Commissioner of the Tokyo Regional Taxation Bureau and the Director-General of the Inspection Bureau of the Financial Services Agency. The Company has nominated him as a candidate for Outside Audit & Supervisory Board Member, finding that he will be able to contribute to the auditing of the Company using his experience and expertise. Although Kazuto Nishikawa has not been directly involved in corporate management, the Company has determined that he is capable of appropriately performing his duties as an Outside Audit & Supervisory Board Member for the reasons described above.</p>	
3	Junsuke Fujii (Dec. 22, 1952)	April 1976: Joined Sumitomo Bank (currently, Sumitomo Mitsui Banking	0 share

	<div data-bbox="341 241 549 309" style="border: 1px solid black; padding: 2px; text-align: center;">New</div> <div data-bbox="341 371 549 439" style="border: 1px solid black; padding: 2px; text-align: center;">Outside</div>	<p style="text-align: center;">Corporation)</p> <p>June 2003: Executive Officer of Sumitomo Mitsui Banking Corporation</p> <p>April 2006: Managing Executive Officer of Sumitomo Mitsui Banking Corporation</p> <p>April 2008: Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc.</p> <p>June 2008: Director of Sumitomo Mitsui Financial Group, Inc.</p> <p>April 2009: Director and Senior Managing Executive Officer of Sumitomo Mitsui Banking Corporation</p> <p>April 2011: Director of The Japan Research Institute, Limited</p> <p>April 2012: Representative Director, President and CEO of The Japan Research Institute, Limited</p> <p>May 2015: Director and Chairman of The Japan Research Institute, Limited (up to the present)</p> <p>June 2016: Outside Audit & Supervisory Board Member of House Foods Group Inc. (up to the present)</p> <p>June 2016: Outside Audit & Supervisory Board Member of The Royal Hotel, Limited (up to the present)</p> <p>[Significant Concurrent Positions]</p> <p>Director and Chairman of The Japan Research Institute, Limited</p> <p>Outside Audit & Supervisory Board Member of House Foods Group Inc.</p> <p>Outside Audit & Supervisory Board Member of The Royal Hotel, Limited</p> <p>[Reason for Nomination as a Candidate for Audit & Supervisory Board Member]</p> <p>Junsuke Fujii has considerable experience and a wide range of knowledge as a corporate executive, having served as an officer at</p>	
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		Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Financial Group, Inc. and The Japan Research Institute, Limited. The Company has nominated him as a candidate for Outside Audit & Supervisory Board Member, finding that he will be able to contribute to the auditing of the Company using his experience and knowledge.	
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- (Note)
1. None of the above candidates have any special interests in the Company.
 2. Kazuto Nishikawa and Junsuke Fujii are candidates for Outside Audit & Supervisory Board Members as defined in Item 8, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act.
 3. Kazuto Nishikawa currently serves as an Outside Audit & Supervisory Board Member of the Company, and he will have served as an Outside Audit & Supervisory Board Member for four (4) years at the conclusion of this Shareholders' Meeting.
 4. The summary of the agreement with these candidates for Outside Audit & Supervisory Board Members, which limits their liability, is as follows:

The Company entered into an agreement with Kazuto Nishikawa, who currently serves as an Outside Audit & Supervisory Board Member of the Company, which limits his liability for damages under Paragraph 1, Article 423 of the Companies Act. Under the terms of the agreement, his liability is limited to either ten (10) million yen or the amount stipulated under applicable laws and regulations, whichever is higher. Upon the approval of the re-election of Kazuto Nishikawa as an Outside Audit & Supervisory Board Member, the Company intends to extend the term of the said agreement. Upon the approval of the election of Junsuke Fujii as an Outside Audit & Supervisory Board Member, the Company intends to enter into an agreement with him with the terms equivalent to those of the said agreement.

END

[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 21, 2017 (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