

## Corporate Governance

### Corporate governance

Sumitomo Dainippon Pharma commits itself to continuously pursuing the establishment of a corporate governance system which is highly effective, aiming for the fuller realization of our Corporate Mission and Management Mission. The Company posts on its website the summary for its basic concept and basic policy titled the “Basic Policy on Corporate Governance.”

The Company will respond appropriately to the June 2021 revisions of the Corporate Governance Code, including the submission of a Corporate Governance Report corresponding to the revisions by December 30, 2021.

### Corporate governance system

Sumitomo Dainippon Pharma has elected the organizational structure of a “Company with an Audit & Supervisory Board” to audit the execution of duties by the Directors, independent of the Board of Directors. In addition, the Company has adopted an executive officer system to separate management supervision from business execution.

The Board of Directors consists of nine members (including one female Director as of July 1, 2021), including four Independent Outside Directors (the chairperson: Chairman). The Board of Directors holds a meeting once a month, in principle, and resolves and reports on material business matters.

The Company has a Nomination and Compensation Committee, which has Independent Outside Directors for a majority of its members and as its chairperson, and holds meetings as necessary, as a consultative body to the Board of Directors.

The Company has also set up the Supervisory Committee for Conflict of Interests in Transactions between Group Companies, which holds meetings as necessary, as a

consultative body to the Board of Directors, and it consists of all the Independent Outside Directors.

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

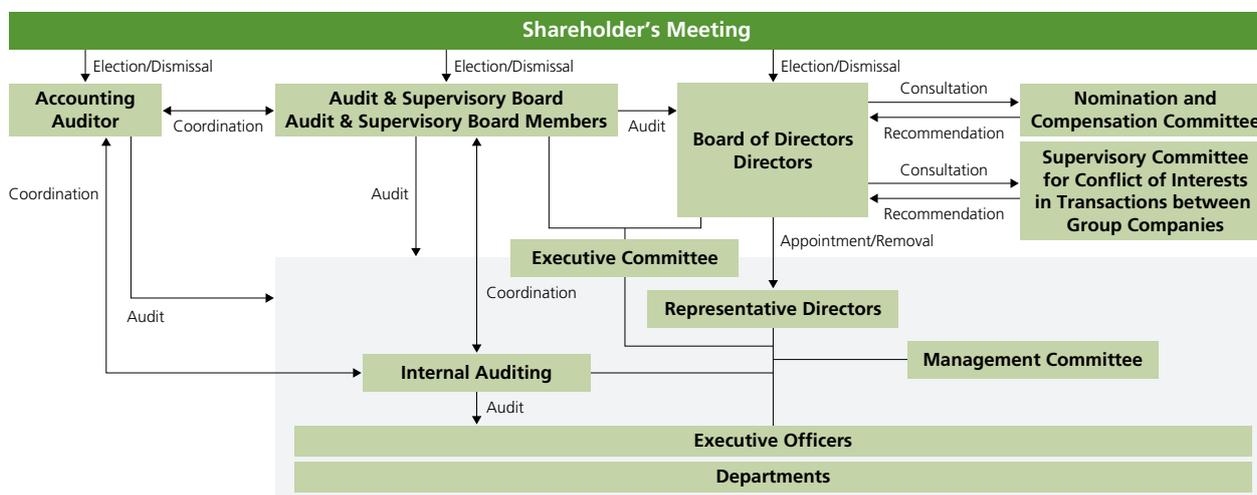
The Executive Committee holds a meeting once a month, in principle, for the purpose of appropriately sharing among the Directors and the Audit & Supervisory Board Members, including the Outside Directors and the Outside Audit & Supervisory Board Members, as well as Executive Officers and other related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

### Nomination and Compensation Committee

The Company has the Nomination and Compensation Committee, which holds a meeting as necessary, as a consultative body to the Board of Directors for enhancing the objectivity and independence of the functions of the Board of Directors on matters such as the nomination of the candidates for Directors and Audit & Supervisory Board Members, and decision on compensation of Directors. The Committee consists of the following six members, the majority (four members) of them being Independent Outside Directors as of July 1, 2021, and the chairperson being appointed from among the Independent Outside Directors.

<b>Chairperson</b>	Yutaka Atomi (Outside Director)
<b>Members</b>	Masayo Tada (Director, Chairman) Hiroshi Nomura (Representative Director, President and CEO) Saeko Arai (Outside Director) Nobuhiro Endo (Outside Director) Minoru Usui (Outside Director)

### Corporate governance structure



### Supervisory Committee for Conflict of Interests in Transactions between Group Companies

The Company set up the Supervisory Committee for Conflict of Interests in Transactions between Group Companies on April 1, 2020 as a consultative body to the Board of Directors in order to ensure that the Company's significant transactions, etc. with its parent company or any subsidiary of the parent company (excluding the Company and its subsidiaries) are fair and reasonable and help protect the interest of minority shareholders of the Company. The meetings are held as necessary. The Committee consists of all the Independent Outside Directors, and the chairperson is appointed from among the members by mutual vote of the members.

<b>Chairperson</b>	Saeko Arai (Outside Director)
<b>Members</b>	Yutaka Atomi (Outside Director) Nobuhiro Endo (Outside Director) Minoru Usui (Outside Director)

The Committee meetings were held twice in fiscal 2020. At the first meeting, the Committee appointed the chairperson. At the second meeting, the Committee confirmed that the transaction for the establishment of S-RACMO Co., Ltd., a joint venture between the Company and Sumitomo Chemical, did not pose any problems from the perspective of protecting the interest of the Company's minority shareholders.

### Audit system

The Audit & Supervisory Board consists of five members (including one female Audit & Supervisory Board Member), including three Outside Audit & Supervisory Board Members. The Audit & Supervisory Board holds a meeting once a month, in principle, discusses and resolves material matters relating to auditing, and also examines in advance matters to be submitted to the Board of Directors for discussion. The Audit & Supervisory Board determines audit policies, audit plans, allocation of the duties among members and other matters. The Audit & Supervisory Board evaluates the Accounting Auditor based on the evaluation standards established by it, and determines proposals regarding the appointment, dismissal and non-reappointment of the Accounting Auditor to be resolved at the shareholders' meetings. Accounting audits are conducted by KPMG AZSA LLC, under the audit agreement.

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

the Internal Auditing department evaluates the status of development and operation of the internal control over financial reports in accordance with the Financial Instruments and Exchange Act.

### Details of non-audit services

The Company delegates to its Accounting Auditor the "preparation of a comfort letter associated with the issuance of corporate bonds" (which is a non-audit service) described in Paragraph 1 of Article 2 of the Certified Public Accountants Act.

### Accounting Audits, Remuneration (FY2020)

	Amount to be paid (Millions of Yen)
<b>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)</b>	159
<b>Total amount of fees to be paid in cash or otherwise by the Company or Subsidiaries of the Company</b>	162

(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. Significant subsidiaries located overseas were audited by auditing firms other than the Accounting Auditor of the Company.

### Directors

The Directors prepare well for meetings of the Board of Directors by proactively collecting the information necessary for promoting discussions at the meetings. The Directors shall also actively contribute to swift and proper decision making for achieving the Company's sustained growth and the enhancement of the corporate value over the mid to long term. The Directors perform their duties for the common interests of both the Company and the shareholders, recognizing their fiduciary responsibilities to shareholders and fully understanding the importance of appropriate communication and cooperation with stakeholders.

At present, four of the Outside Directors satisfy the Company's criteria for the independence of Outside Directors, and having determined that there is no possibility of conflict of interest with ordinary shareholders, the Company has designated them as Independent Outside Directors.

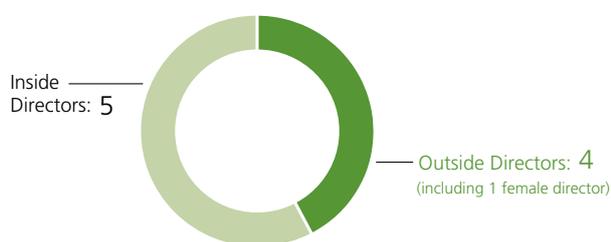
From the independent standpoint, the Independent

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Outside Directors strive to fulfill their expected roles in decision making at meetings of the Board of Directors and supervision of conflicts of interest, among others, based on their knowledge, experience and insights in their respective fields of expertise.

The Independent Outside Directors participate actively in the Executive Committee and strive to understand the overall business of the Company. In light of this understanding, they make constructive statements at the meetings of the Board of Directors based on their respective expertise and extensive experience and broad perspective as corporate executives.

Ratio of Outside Directors (as of July 1, 2021)



Audit & Supervisory Board Members

In accordance with the audit policies, audit plans, allocation of duties among members and other relevant matters determined by the Audit & Supervisory Board, each member strives to enhance the effectiveness of audit practices by holding meetings with the Representative Directors on a regular basis, proactively seeking reporting from the Directors and employees as necessary and having opportunities on a regular basis for collaboration with the Accounting Auditor and the Internal Auditing department, and for collaboration in a three-party auditing structure. In addition, the members attend key business meetings, including those of the Board of Directors, to monitor legality and appropriateness of management decisions by the Directors, and audit the implementation status of the internal control system by such

means as receiving reports from the Directors, employees and other relevant persons on the execution of their duties, requesting additional explanations as necessary, as well as conducting field audits at and holding remote meetings with major offices and reviewing important approval documents. The implementation status of the internal control system of subsidiaries of the Company is audited through field audits at and holding remote meetings with overseas subsidiaries, holding meetings with the representative directors and other relevant persons of the subsidiaries located in Japan and abroad, holding meetings with audit & supervisory board members of the subsidiaries in Japan as necessary and seeking to obtain relevant information.

The three members satisfy the Company’s criteria for independence, and, having determined that there is no possibility of conflict of interest with ordinary shareholders, the Company has designated two of the three Outside Audit & Supervisory Board Members as Independent Outside Directors.

**Material issues Corporate governance**

**Targets**

- Pursuit of highly effective corporate governance
- Ensuring the independence of management and protecting the interests of minority shareholders

**KPIs**

- Appropriate management and supervision of Group companies
- Addressing the revised Corporate Governance Code appropriately
- Implementing evaluation of the effectiveness of the Board of Directors and working on priority issues based on the results of evaluation
- Conducting appropriate transactions between Group companies with consideration to protecting the interests of minority shareholders

Governance reform: progression of initiatives

(FY)

	2008–2012	2013	2014	2015	2016	2017-2019	2020	2021
<b>Outside Directors</b> (number of Directors)		1 (8)	2 (8)			3 (8)		4 (9)
<b>Outside Audit &amp; Supervisory Board Members</b> (number of Audit & Supervisory Board Members)	3 (5)							
<b>Supervisory function</b>	Company with an Audit & Supervisory Board							
	Nomination and Compensation Committee							
	Supervisory Committee for Conflict of Interests in Transactions between Group Companies							
<b>Effectiveness</b>	Evaluation of effectiveness of Board of Directors							
	Regular meetings of Outside Directors and Outside Audit & Supervisory Board Members							
<b>Policy</b>	Declaration of Conduct							
	Compliance Standards							
	Basic Policy on Corporate Governance							
	DSP Group Risk Management Policy							
<b>Human Resource Development</b>	DSP Academy, a selective training program that includes the Management Course to foster future managers, established							

### Executive remuneration

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

#### 1) System of remuneration and the like

Remuneration for the Directors (excluding Outside Directors) consists of base remuneration and performance-linked remuneration (bonuses), and this system is established to serve as an incentive for achieving sustained growth and enhancing the corporate value of the Group. The Directors contribute a certain ratio of their base remuneration every month to the Sumitomo Dainippon Pharma Officers Shareholders' Association to acquire shares of the Company. The Directors continue to hold the shares they acquire during their term of office and for one year after their retirement. Through such measures, the Directors' willingness to contribute to the increase of corporate value in the medium-

to long-term is enhanced and value sharing with shareholders is promoted. The performance-linked remuneration (bonuses) is calculated by the method described in 2) below, and the ratio of such remuneration is approximately 10% of the total of remuneration and the like.

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

The base amounts are set with respect to the base remuneration, performance-linked remuneration (bonuses) and non-performance-linked remuneration (bonuses) according to each position, such as Representative Director. The total amount of the remuneration and the like shall be not more than 700 million yen annually as approved at the Shareholders' Meeting.

#### 2) Method of calculating the amount of performance-linked remuneration (bonuses)

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

The performance-linked elements are evaluated by the Nomination and Compensation Committee based on the degree of achievement of targets, using the "core operating profit," which was set as a profit indicator showing

#### Status of convocation of the meeting of the Board of Directors (FY2020)

Organizational Body	Composition	Frequency of convocation	Purpose
<b>The Board of Directors</b>	The Directors 8 members, (including 3 Outside Directors)	Once a month as a rule	Resolving and reporting important management matters Met 21 times in fiscal 2020
<b>The Audit &amp; Supervisory Board</b>	The Audit & Supervisory Board 5 members, (including 3 Outside Audit & Supervisory Board members)	Once a month as a rule	Discussing and resolving important audit-related matters Met 13 times in fiscal 2020
<b>Nomination and Compensation Committee</b>	The Directors 4 members, (includes 3 Independent Outside Directors)	Meets as Necessary	Deliberating on matters related to nomination of candidates for Directors and Audit & Supervisory Board Members and compensation, etc. of Directors Met 10 times in fiscal 2020
<b>Supervisory Committee for Conflict of Interests in Transactions between Group Companies</b>	The Directors 3 members, (consists of 3 Independent Outside Directors only)	Meets as Necessary	Deliberating on material transactions, etc. with the parent company Group from the perspective of protecting the interests of minority shareholders Met 2 times in fiscal 2020
<b>Management Committee</b>	The members of the Board of Directors, and Executive Officers 13 members	Twice a month as a rule	As a consultative body to the Representative Director, President and CEO for decision making and reviewing important business management matters, guided by the basic policies set by the Board of Directors Met 28 times in fiscal 2020
<b>Executive Committee</b>	Executives, including the members of the Board of Directors, the Audit & Supervisory Board, and Executive Officers 25 members (including 3 Outside Directors and 3 Outside Audit & Supervisory Board members)	Once a month as a rule	Sharing the status of business operations and other important management matters among the company executives, including the members of the Board of Directors, the Audit & Supervisory Board, and Executive Officers Met 11 times in fiscal 2020

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recurring profitability of a company within the Group and serves as an original performance management indicator. The individual performance is evaluated by the Nomination and Compensation Committee based on the degree of achievement of performance targets of each Director (excluding Outside Directors). The “core operating profit” forecast publicized in the announcement of the consolidated financial results for fiscal 2019 (33 billion yen) was used as a target, and the result of fiscal 2020 was 69.6 billion yen.

### 3) Method of determining remuneration and the like

Remuneration and the like for individual Directors are determined by the Board of Directors based on the recommendation from the Nomination and Compensation Committee after the Board of Directors seeks such recommendation and the Nomination and Compensation Committee deliberates the relevant matters. When the

Board of Directors determines to delegate the decision-making thereof to the Representative Director and President, the Representative Director and President shall determine the same, respecting the recommendation made by the Nomination and Compensation Committee to the Board of Directors.

Upon the delegation by the Board of Directors, Representative Director and President, who oversees business operations as a whole and has a good understanding of the state of the execution of duties by all Directors (excluding Outside Directors), determined the said remuneration and the like for FY2020, and the Nomination and Compensation Committee confirmed that the said remuneration and the like was in accordance with the system of remuneration for Directors. Accordingly, the Board of Directors has determined that the decision of the said remuneration and the like was in accordance with the said policy.

#### Amount of executive remuneration (FY2020)

Category of Officer	Number	Total Amount of Remuneration (Millions of yen)	Amount of Remuneration by type (Millions of Yen)		
			Base remuneration	Performance-linked remuneration (bonuses)	Non-performance-linked remuneration (bonuses)
Directors (excluding Outside Directors)	6	352	304	48	–
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	51	51	–	–
Outside Directors and Outside Audit & Supervisory Board Members	6	75	72	–	3

- (Note) 1. The respective amounts of remuneration and the like for Directors and Audit & Supervisory Board Members that were determined in the 185th Annual Shareholders' Meeting held on June 29, 2005, do not exceed 400 million yen annually for Directors, and 100 million yen annually for Audit & Supervisory Board Members, and the numbers of officers concerned under this resolution were ten (10) Directors and four (4) Audit & Supervisory Board Members. The amount of remuneration for the Directors was revised to no more than 700 million yen annually by resolution of the 201st Annual Shareholders' Meeting held on June 24, 2021.
2. The total amount of remuneration for nine (9) Directors is 391 million yen, and the total amount of remuneration for five (5) Audit & Supervisory Board Members is 87 million yen.
3. The total amount of remuneration for nine Directors includes the amount of 50 million yen, which represents the bonuses paid to Directors with respect to fiscal 2020.

#### Principal areas of expertise and experience of Directors and Audit & Supervisory Board Members

Category	Position/Name	Corporate strategy	Human resources	Sales/Marketing	Finance/Accounting	Global	Research/Development	Production/Quality	Quality assurance
Directors	Member, Board of Directors, Chairman Masayo Tada	●		●		●			
	Representative Director, President and CEO Hiroshi Nomura	●	●	●	●	●	●		
	Representative Director, Executive Vice President Hitoshi Odagiri		●	●		●			
	Representative Director, Executive Vice President Toru Kimura	●					●	●	
	Member, Board of Directors, Senior Executive Officer Yoshiharu Ikeda	●					●	●	●
Audit & Supervisory Board Members	Yoshinori Oh-e					●	●		●
	Takashi Kutsunai		●	●		●			

- (Note) ● indicates current positions and responsibilities held for at least the past two years  
The Company plans to disclose the skill matrix and other disclosures required under the revised Corporate Governance Code by December 30, 2021.

**The principal activities of the Outside Directors and Outside Audit & Supervisory Board Members (FY2020)**

Category	Name	Name Principal Activities	Attendance/Frequency of Convocation (Attendance Rate)
Outside Directors	Yutaka Atomi	He attended all twenty-one (21) meetings held by the Board of Directors during the fiscal year under review, and made statements at those meetings, primarily from the professional standpoint of a medical doctor. He attended all ten (10) meetings held by the Nomination and Compensation Committee during the fiscal year under review, and made statements at those meetings from an independent and objective standpoint. He also attended all two (2) meetings held by the Supervisory Committee for Conflict of Interests in Transactions between Group Companies during the fiscal year under review, and made statements at those meetings from the standpoint of protecting the interests of minority shareholders.	The Board of Directors: 21 times/21 times (100%) Nomination and Compensation Committee: 10 times/10 times (100%) Supervisory Committee for Conflict of Interests in Transactions between Group Companies: 2 times/2 times (100%)
	Saeko Arai	She attended all twenty-one (21) meetings held by the Board of Directors during the fiscal year under review, and made statements at those meetings, primarily based on her extensive experience as a corporate executive and from the professional standpoint of a certified public accountant. She attended all ten (10) meetings held by the Nomination and Compensation Committee during the fiscal year under review, and made statements at those meetings from an independent and objective standpoint. She also attended all two (2) meetings held by the Supervisory Committee for Conflict of Interests in Transactions between Group Companies during the fiscal year under review, and made statements at those meetings from the standpoint of protecting the interests of minority shareholders.	The Board of Directors: 21 times/21 times (100%) Nomination and Compensation Committee: 10 times/10 times (100%) Supervisory Committee for Conflict of Interests in Transactions between Group Companies: 2 times/2 times (100%)
	Nobuhiro Endo	He attended all twenty-one (21) meetings held by the Board of Directors during the fiscal year under review, and made statements at those meetings, primarily based on his extensive experience and broad perspective as a corporate executive. Among the ten (10) meetings held by the Nomination and Compensation Committee during the fiscal year under review, he attended nine (9) meetings, and made statements at those meetings from an independent and objective standpoint. He also attended all two (2) meetings held by the Supervisory Committee for Conflict of Interests in Transactions between Group Companies during the fiscal year under review, and made statements at those meetings from the standpoint of protecting the interests of minority shareholders.	The Board of Directors: 21 times/21 times (100%) Nomination and Compensation Committee: 9 times/10 times (90%) Supervisory Committee for Conflict of Interests in Transactions between Group Companies: 2 times/2 times (100%)
Outside Audit & Supervisory Board Members	Kazuto Nishikawa	He attended all twenty-one (21) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review. He made statements at those meetings, primarily from the professional standpoint of an expert in the fields of finance and accounting.	The Board of Directors: 21 times/21 times (100%) Audit & Supervisory Board Members: 13 times/13 times (100%)
	Junsuke Fujii	He attended twenty (20) meetings out of the twenty-one (21) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review. He made statements at those meetings, primarily based on his extensive experience and broad perspective as a corporate executive.	The Board of Directors: 20 times/21 times (95%) Audit & Supervisory Board Members: 13 times/13 times (100%)
	Yoshio Iteya	He attended all twenty-one (21) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review. He made statements at those meetings, primarily from the professional standpoint of an attorney.	The Board of Directors: 21 times/21 times (100%) Audit & Supervisory Board Members: 13 times/13 times (100%)

**Reasons for appointment and principal areas of expertise of Outside Directors and Outside Audit & Supervisory Board Members**

Category	Name	Reasons for Appointment	Principal Areas of Expertise
Outside Directors	Yutaka Atomi	Yutaka Atomi has extensive experience and expertise as a medical doctor. He has been appointed as an Outside Director in the expectation that he will be able to contribute to the management for the sustained growth of the Group and increase of its corporate value using his experience and expertise, while supervising the management from an independent and objective standpoint as an Outside Director.	Medical science
	Saeko Arai	Saeko Arai has extensive experience as a corporate executive, having engaged in business management at multiple companies, and expertise as a certified public accountant. She has been appointed as an Outside Director in the expectation that she will be able to contribute to the management for the sustained growth of the Group and increase of its corporate value using her experience and expertise, while supervising the management from an independent and objective standpoint as an Outside Director.	Accounting and management
	Nobuhiro Endo	Nobuhiro Endo has a wide range of knowledge and extensive experience which he has acquired in the course of his long career as a corporate executive at a company conducting ICT business, etc. at a global level. He has been appointed as an Outside Director in the expectation that he will be able to contribute to the management for the sustained growth of the Group and increase of its corporate value using his knowledge and experience, while supervising the management from an independent and objective standpoint as an Outside Director.	Management
	Minoru Usui	Minoru Usui has a wide range of knowledge and extensive experience which he has acquired in the course of his long career as a corporate executive at a company providing products including information-related equipment and related services at a global level. He has been appointed as an Outside Director in the expectation that he will be able to contribute to the management for the sustained growth of the Group and increase of its corporate value using his knowledge and experience, while supervising the management from an independent and objective standpoint as an Outside Director.	Management
Outside Audit & Supervisory Board Members	Junsuke Fujii	Junsuke Fujii has a wide range of knowledge and extensive experience which he has acquired in the course of his long career as a corporate executive at a major commercial bank and a company providing consulting and other related services. He has been appointed as an Outside Audit & Supervisory Board Member in the expectation that he will be able to contribute to the auditing of the Group using his knowledge and experience.	Management
	Yoshio Iteya	Yoshio Iteya has extensive experience and expertise as an attorney. He has been appointed as an Outside Audit & Supervisory Board Member in the expectation that he will be able to contribute to the auditing of the Company using his expertise and experience.	Laws
	Mayumi Mochizuki	Mayumi Mochizuki has extensive experience and expertise as a pharmacologist. She has been appointed as an Outside Audit & Supervisory Board Member in the expectation that she will be able to contribute to the auditing of the Group using her experience and expertise.	Pharmacy

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## Messages from Outside Directors



Yutaka Atomi

I supervise and give advice at Board of Directors meeting mainly from the perspective of my experience as a medical doctor and university president. At Sumitomo Dainippon Pharma, the diverse members of the Board of Directors give their opinions in a free and open manner based on their own experience and backgrounds. Moreover, I believe we have been able to have particularly robust discussions for important projects as a result of extremely thorough preliminary explanations from the secretariat.

We recognize there are significant expectations on Outside Directors for supervision to ensure the interests of minority shareholders are not infringed. The Supervisory Committee for Conflict of Interests in Transactions between Group Companies, which was established in April 2020 and made up entirely of Independent Outside Directors, undertakes this role. This committee discusses primarily the appropriateness of the purpose and prices of important transactions with our parent company or its subsidiaries. Further, the committee confirms there are no issues from the perspective of protecting the interests of minority shareholders, and the Board of Directors makes the final decision in this process. In fiscal 2020, the establishment of S-RACMO Co., Ltd., a joint venture company between us and our parent company, was discussed in this manner and it was confirmed there were no issues.

Considering the state of the world, the Sustainable Development Goals advocated by the United Nations are significant issues for corporations. While the core business of pharmaceutical companies benefits peoples' health and wellbeing, we need to be more proactive than simply promoting our core business activities. I believe the Company's management clearly understand this situation and is setting and executing appropriate goals.



Saeko Arai

I supervise and give advice at Board of Directors meetings from a different perspective, based on my expertise and experience to enhance corporate value in the medium to long term, from the viewpoint of minority shareholders, investors and patients. The Board of Directors is managed appropriately by the Chairman and is a forum conducive to robust discussions so that vigorous discussions between inside and outside Directors and Audit & Supervisory Board Members are held. The membership of the Board of Directors has achieved a certain level of diversity, and there are ongoing efforts to ensure diversity. I also have expectations for its ongoing focus on human resource development.

Furthermore, there are increasing opportunities to discuss business plans and priority management issues, even outside the Board of Directors meetings. The effectiveness of the board is steadily increasing through an ongoing cycle of annual effectiveness evaluations of the Board of Directors, that is, discussions of the results, establishment of targets, and the process of making improvements.

The Company has to date undertaken proactive dialogues, at the opportunities such as ESG meetings, to exchange opinions with its shareholders. Moreover, there are expectations for this to be further enhanced, and I believe initiatives to this end should be progressed.

In an environment where rapid responses to changes of the times are required, I believe it is desirable to link executive compensation where necessary to appropriate KPIs for corporate material issues. In addition, environmental disclosure requirements are being strengthened, and there is increasing importance to meet these requirements not only within our Group, but also throughout our supply chain. We are undertaking measures to meet these requirements.



**Nobuhiro Endo**

I supervise and give advice to strengthen governance for management of the Company from the perspective of whether there are risks in what we consider common sense at the Company.

The Company is devising ways for sharing detailed information with Outside Directors by providing opportunities for explanations of agenda items in advance of Board of Director meetings, in addition to committee for sharing the management situation with all Directors, Audit & Supervisory Board Members, and Executive Officers. This is making the discussions more vigorous. Proactive opinions from the diverse Outside Directors and the Outside Audit & Supervisory Board Members is invigorating the discussions, and the discussions have been of a high quality.

Because the Company undertakes advanced technological research, I believe geopolitical perspectives are necessary, including from an economic security viewpoint. In particular, it is important to constantly be aware of risk management.

I believe that in a long term strategy it is important to take on challenges in areas of potential growth without restricting the boundaries of the strategy. Particularly the future society proposed by the Japanese government, Society 5.0, is a data-based society and we are in the process of changing from a society of individual optimums to a society of overall optimum value. It is essential we appropriately respond to these changes; therefore, we are focused on a strategy that includes collaboration with other companies.

The Company has already recognized that having both ourselves and our parent- company listed is a risk from the perspective of protecting the interests of minority shareholders. To this end, the Company has established the Supervisory Committee for Conflict of Interests in Transactions between Group Companies. While currently it is unlikely for an issue to arise, it is important to constantly be aware of this as a risk from the perspective of predicting problems in advance.



**Minoru Usui**

I was appointed as an Outside Director at the 2021 annual shareholders' meeting. My greatest strengths are understanding the potential inherent in technology and knowledge and expertise related to commercializing these technologies based on my experience creating global businesses by nurturing areas of potential uncovered through research and development. At Sumitomo Dainippon Pharma, the R&D divisions play an extremely significant role. I believe I can make the most of the Company's strengths in this area through proposals such as for refining and defining ways of implementing its strategic focus, developing human resources, and for improving its organizational culture.

My role as an Outside Director is to maximize the Group's capacity for creating new value by utilizing my experience after first understanding the reason for existence and the ideal status of the Group based on its strengths.

To solve social issues, we must act swiftly from long term and overarching and broad perspectives. We can appropriately respond to opportunities to expand our business and to risks that may cause our business to decline by learning from changes to our operating environment and evolving as an organization. It is important to foster a corporate culture where we all work in such a manner, and it is extremely important we have the leaders to foster and drive this culture.

Further, I believe improving the quality of dialogue with shareholders will help protect the interests of minority shareholders, and I will give advice and supervision in line with this way of thinking and will work to enhance corporate value.

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## Messages from Outside Audit &amp; Supervisory Board Members



Junsuke Fujii

I get a strong sense of the zeal of executive managers and division leaders for organizational management, a clear sense of their ideas and concrete policies, and the pride and passion employees have for their work, when listening to internal division meetings, reporting sessions, presentations, and so on. I believe, from my many years of experience in personnel-related work, that this kind of motivation of personnel is extremely important in realizing our globalized and diversified business strategy.

When auditing, I have access to a wide range of information from full-time Audit & Supervisory Board Members and have ample opportunities for questions and answers. Through its collaboration with Internal Auditing Department, the Audit & Supervisory Board has forums for receiving reports on audit results and exchanging opinions, and accurately points out risks and issues, and works to make improvements. Moreover, we cooperate substantially with the Accounting Auditor.

The presence and importance of overseas subsidiaries is growing, and the Group is proceeding with clarifying the roles of overseas subsidiaries in an already global R&D system. Moreover, the Group has also established as a system a forum for domestic and overseas employees to have discussions. I hope that as information sharing progresses and transparency increases, such integration will progress further, and the Group will achieve innovative drug discovery through employees' friendly competition.



Yoshio Iteya

As a lawyer, I endeavor to objectively judge the legality of business execution by Directors. Also, as a lawyer specializing in international affairs, I try to focus on the overseas expansion and globalization of the Group's business.

Regarding discussions and effectiveness of the Board of Directors, there is active and comprehensive discussions on a wide range of themes, and I believe governance is effective. As for cooperation with Internal Auditing Department, we have established forums where Outside Audit & Supervisory Board Members can directly exchange opinions with the internal auditors, enabling us to understand the details of the business; and this support and response has been highly appreciated.

Regarding responses to the environmental changes of COVID-19, the Company rapidly implemented measures for remote Board of Directors and Audit & Supervisory Board meetings to enable participation in discussions using tools such as telephone conferencing and iPads.



Mayumi Mochizuki

I was appointed as an Outside Audit & Supervisory Board Member at the 2021 annual shareholders' meeting. I have worked for pharmaceutical companies, hospitals, and universities. From my experience, I have a deep understanding of the way a pharmaceutical company should be to ensure it is trusted from the perspective of healthcare professionals and patients. In addition, through my involvement with the Pharmaceutical Affairs and Food Sanitation Council and the Japanese Society of Drug Informatics, I consider what medical information is necessary for appropriate drug therapy, and would like to be able to give advice that makes the best use of my expertise, on what information should be created by pharmaceutical companies.

I believe, based on the Company's track record of transforming METGLUCO® into a new product, Sumitomo Dainippon Pharma is a company of integrity that persistently provides thorough information on risk factors.

I would like to contribute to the management of the Company through my auditing work by making the most of my experience as a healthcare professional.

## Evaluation of the effectiveness of the Board of Directors

The Company has evaluated the effectiveness of the Board of Directors annually since fiscal 2015. In fiscal 2018, the Company utilized external evaluation by outside legal counsel. In fiscal 2020, the Company evaluated the effectiveness of the Board of Directors after revising topics of the questionnaire.

### 1) Purpose and method of evaluation of effectiveness

The Company has evaluated the effectiveness of the Board of Directors with the aim of improving the effectiveness of the Board of Directors for enhancing corporate governance of the Company: specifically, recognizing any differences between the ideal status of the roles and duties, etc. of the Board of Directors of the Company that are set forth in the Basic Policy on Corporate Governance and the actual circumstances; regularly and repeatedly engaging in agenda-finding and improvement activities; and thereby continuously improving the functions of the Board of Directors. In fiscal 2020, the Company conducted a questionnaire on all the Directors and Audit & Supervisory Board Members during the period from February 2021 to March 2021. Based on the results of analysis of the answers to the questionnaire, opinions were exchanged at the meeting of the Board of Directors held in May 2021.

### 2) Survey Categories

The major topics of the questionnaire for fiscal 2020 were as follows (topic 13 was added this year):

- 1) Composition of the Board of Directors
- 2) Roles and duties of the Board of Directors
- 3) Status of the operations of the Board of Directors
- 4) Functions of the Nomination and Compensation Committee
- 5) Support system for Outside Directors and Outside Audit & Supervisory Board Members
- 6) Roles of Independent Outside Directors
- 7) Roles of Audit & Supervisory Board Members and the expectations for the Audit & Supervisory Board Members
- 8) Relationship with stakeholders
- 9) Related party transactions
- 10) Strategic shareholdings
- 11) Training
- 12) Improvements from the previous fiscal year
- 13) Method of holding the meeting of the Board of Directors

### 3) Evaluation results

Based on the report of the answers to the questionnaire

(quantitative evaluation by four grade scales and the entry of opinions in free space) and analysis thereof (such as the comparative analysis of the numerical values of the evaluation results for each topic for fiscal 2020 and those in the past), all the Directors and Audit & Supervisory Board Members exchanged opinions at the meeting of the Board of Directors in May 2021. As a result, it was confirmed that there is no major problem to be pointed out with respect to the operation of the Board of Directors in fiscal 2020 and the effectiveness of the Board of Directors of the Company has been ensured in general. In addition, it was agreed that appropriate progress was seen as to the handling of the agenda identified in fiscal 2019.

### 4) Major matters to be addressed in fiscal 2021

The following agendas have been identified as major matters to be addressed in fiscal 2021 as a result of the evaluation of the effectiveness of the Board of Directors for fiscal 2020.

- Further enhancement of discussions for risk management
- Provision of the appropriate number of agenda items and appropriate time for deliberation
- Enhancement of training.

The Board of Directors of the Company is determined to further enhance its functions, while addressing these agendas.

### Relationship with the parent company

Sumitomo Chemical Co., Ltd. is the parent company holding 51.78% (as of March 31, 2021) of the voting rights of the Company.

Sumitomo Dainippon Pharma's Basic Policy on Corporate Governance stipulates the objective of ensuring the Company's independence while respecting the management policy of the Sumitomo Chemical Group. When carrying out significant matters of business (mergers, capital increase/decrease, significant capital expenditure, investments and loans, etc.), we contact Sumitomo Chemical in advance. However, there are no restrictions by the parent company on our conduct of business activities (such as prior approval by the parent company), and a certain independence has been ensured.

In the case where the Company conducts significant transactions with the parent company, appropriate supervision is given in light of the importance of the transactions, and in accordance with relevant procedures such as a requirement of approval at meetings of the Board of Directors at which Independent Outside Directors are present, in order to ensure that such transactions are fair and reasonable. With respect to the Company's significant transactions, etc. with the parent Company's Group, deliberations are conducted from the viewpoint of protecting the interest of minority shareholders at the Supervisory Committee for Conflict of Interests in

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Transactions between Group Companies which was set up as a consultative body to the Board of Directors and consists of all the Independent Outside Directors.

The Company conducts transactions with the parent company, such as leasing lands and procuring raw materials from the parent company. In these transactions, the prices were reasonably determined through negotiations between the two companies, taking into account the general market conditions. The contractual agreements resulting from these negotiations include the clause that the prices may be adjusted when relevant market conditions change.

The Company expects to generate synergies in the regenerative medicine/cell therapy business in which the Company has engaged in research activities since the 1990s taking advantage of the large volume of useful knowledge and intellectual property possessed by Sumitomo Chemicals obtained through basic research using human ES cells in the area of regenerative medicine and joint research with RIKEN in the ophthalmology area. In addition, in September 2020, the Company and Sumitomo Chemical established and began operating S-RACMO Co., Ltd., a joint venture engaged in the CDMO business to develop manufacturing methods and manufacture products in the regenerative medicine/cell therapy field.

### Management and governance of subsidiaries

With the aim of maximizing Group-wide corporate value, Sumitomo Dainippon Pharma has established corporate rules on operational management so that management of Group companies is conducted appropriately. We have set up departments to manage each Group company as well as departments that oversee this management, and we strive to understand the status of management and business execution at Group companies while providing the appropriate support for business execution.

Overseas in particular, we share our management mission and global strategy with Group companies while taking advantage of the strengths of acquired companies in their operations. With regard to decision-making on important matters at subsidiaries, including subsidiaries in the U.S., we require clarification of the functions of the Board of Directors and other decision-making bodies at those subsidiaries. We also require them to consult with us in advance and report after the fact in a timely and appropriate manner taking into consideration the impact on the entire Group to enhance Group-wide governance. Going forward, we will continue to strengthen group governance, aiming for sustained growth as a united group. We also strive to consider protection of the interest of minority shareholders of listed subsidiaries.

### Strategic shareholdings

Sumitomo Dainippon Pharma shall not hold any shares of other companies except when such shareholding supports the sustained enhancement of its corporate value, such as establishment or maintenance of corporate alliances and other types of relationships with important business partners and customers. In addition to this policy, the Board of Directors annually evaluates whether it is reasonable to continue each respective strategic shareholding based on points such as the purpose of such shareholding, as well as the transaction status and unrealized profit and loss thereof. As a result of such evaluation, the Company embarked on selling shares for which continued shareholding was found unreasonable, and the number of listed companies whose shares are held by the company is 26 as of May 31, 2021.

With respect to exercising voting rights for such strategic shareholdings, the Company examines the proposal from the viewpoint of whether it will lead to enhancing not only the corporate value of the relevant issuing company, but also that of the Company. To be specific, it was decided that decisions regarding some proposals such as M&A related proposals and all proposals at a shareholders' meeting held for the first time after the occurrence of any major scandal should be made with special care.

Upon implementing the strategic alliance with Roivant, the Company acquired its shares (unlisted) in December 2019. The ratio of such shares to total equity on the Group's Consolidated Statement of Financial Position as of March 31, 2021 was 19.0%.

### Efforts to facilitate the exercise of voting rights

Sumitomo Dainippon Pharma takes the appropriate measures so that the rights of shareholders are actually ensured, sending out a notice of convocation of the annual shareholders' meeting approximately three weeks before the date of the meeting to facilitate the exercise of voting rights and other rights of shareholders and posting the materials on the Company's website approximately three business days before the convocation notices are sent out. For foreign shareholders, Sumitomo Dainippon Pharma posts an English translation of the convocation notice and other materials on the Company's website at the same time as the Japanese version. Methods of voting include the Electronic Voting Platform, "Smart Voting" and other digital methods in addition to conventional voting in writing.

The Company has implemented initiatives to invigorate the annual shareholders' meeting such as presenting the business report with the use of video and narration. In addition, details of the results of resolutions on proposals at the annual shareholders' meeting are submitted in an extraordinary report and disclosed on our website. The business report,

the presentation by the President and the summary of question-and-answer session at the annual shareholders' meeting are also posted on our website.

### Information disclosure

Based on the recognition that transparency is vital to being a company trusted by society, Sumitomo Dainippon Pharma discloses corporate information to various stakeholders in a timely, appropriate and fair manner in accordance with the in-house regulations for disclosure of information (the Disclosure Policy\*), which stipulate the criteria and procedures for the disclosure of information.

We promptly disclose information for which timely disclosure is required, such as determined facts, occurring facts, and account settlement-related information provided for in the Tokyo Stock Exchange's various rules concerning timely disclosure, through the Timely Disclosure Network (TDnet), the notification system provided by the stock exchange, as well as on our website. We also disclose information in English.

With regard to information for which timely disclosure is not required, we actively disclose information needed for stakeholders, including shareholders, to understand Sumitomo Dainippon Pharma properly through such means as press releases and our corporate website.

\* Information on our information disclosure policies and criteria are posted on our website.

### Development and implementation of internal control system

Based on the Companies Act, the Board of Directors of Sumitomo Dainippon Pharma passed a resolution on the basic policies for the development of a system to ensure appropriate business operation. The status of implementation efforts pursuant to the basic policies for each year is reported at the Board of Directors meeting held in March of the fiscal year and the basic policies are revised as necessary to improve the internal control system.

### Internal control over financial reporting

In order to ensure the reliability of financial reporting, Sumitomo Dainippon Pharma is striving to enhance its internal control system in accordance with the Company's basic framework for internal control as required by Japan's

Financial Instruments and Exchange Act. Specifically, the scope of the system encompasses the company-wide internal control system at Sumitomo Dainippon Pharma and those of its major consolidated subsidiaries, as well as business processes with the potential for significant impact on finances. Every year, the President assesses the effectiveness of the design and implementation of the internal control framework, while also confirming the effectiveness of internal control.

## Risk management and compliance

### Risk management

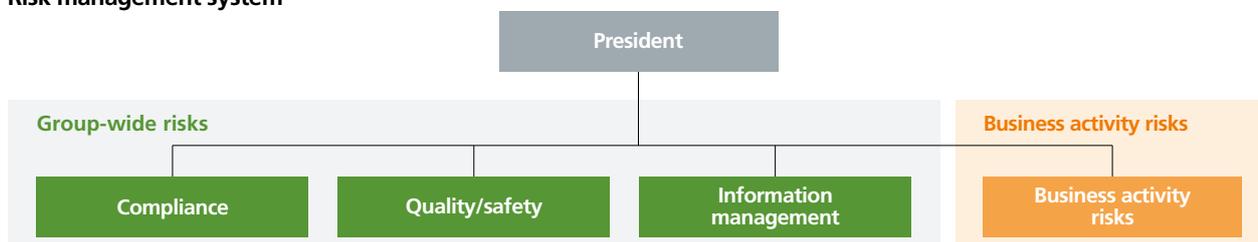
Sumitomo Dainippon Pharma has enacted DSP Group Risk Management Policy stipulating the Company's fundamental approach to risk management and has developed a system to appropriately promote risk management for the Group. Under this promotional framework, according to the particularities of each risk, risks are divided into those requiring a horizontal, group-wide approach (group-wide risks), and those requiring specific approaches by each company (business activity risks). The Company keeps track of the risk management of the group companies as a whole through reports from each group company, and provides each group company with its guidance and advice as necessary.

In order to address risks bearing an impact on business activities, we have enacted the internal "Risk Management Rule" that clarifies the President's role in overseeing risk management, and specifies a system for promoting management of each specific risk. The status of operations in each system to promote risk management is periodically reported to the Board of Directors. One of the Company's specific initiatives is to carry out annual risk assessments for all business units, including Group companies in Japan and overseas, and formulate necessary countermeasures based on the results followed by implementation and evaluation. This is undertaken systematically by each business unit company-wide working on the solution to each problem.

### Rebuilding business continuity plans (BCP)

Sumitomo Dainippon Pharma formulates its business continuity plans (BCP) from the viewpoint of stable supply of the pharmaceutical products that is our social mission, which assumes the occurrence of a large-scale disaster, a new

### Risk management system



→ Please see pages 26 and 169 for Quality/safety of risk management.

## Corporate Governance

infectious disease (pandemic), etc.

However, in recent years there have been many natural disasters other than earthquakes, such as typhoons and local heavy rain. Given these circumstances, we are rebuilding our BCP to be effective for responding to diverse disasters and unexpected situations, while also establishing sustainable BCP management (BCM). Our goal is to strengthen the Company's risk management, transition to a more effective BCP, and move forward in establishing a more effective management cycle.

### Initial response plan

We separated certain functions, such as the information gathering functions and publicity functions, that had previously been handled by Disaster Response Headquarters, and launched a Crisis Management Team (CMT)\* that, immediately after a disaster occurs, starts gathering information, outlines the status of damage, offers advice on whether a Disaster Management Headquarters should be established, and if established, works to gather further information.

We carry out regular, remote CMT training and other measures with the objective of increasing our swift and precise first-response capabilities. Going forward, we will carry out training to facilitate coordination between the CMT and administrative offices (the Disaster Management Headquarters in the disaster area) as well as the Disaster Response Headquarters, and will work to boost crisis management capabilities during times of disaster.

\* CMT (Crisis Management Team): A team that is quickly assembled after a disaster breaks out, then starts gathering information, surveying the status of damage, and offering advice on whether a Disaster Response Headquarters should be established. If a Disaster Response Headquarters is established, the CMT continues gathering information, outlining the situation, and conducting similar tasks.

### Information management

"Information" is an essential asset in our corporate activities, and how it is utilized and protected is of particular importance to Sumitomo Dainippon Pharma. We have established global policies for records and information management as well as various rules for information management and Information Technology security, etc. to minimize risks.

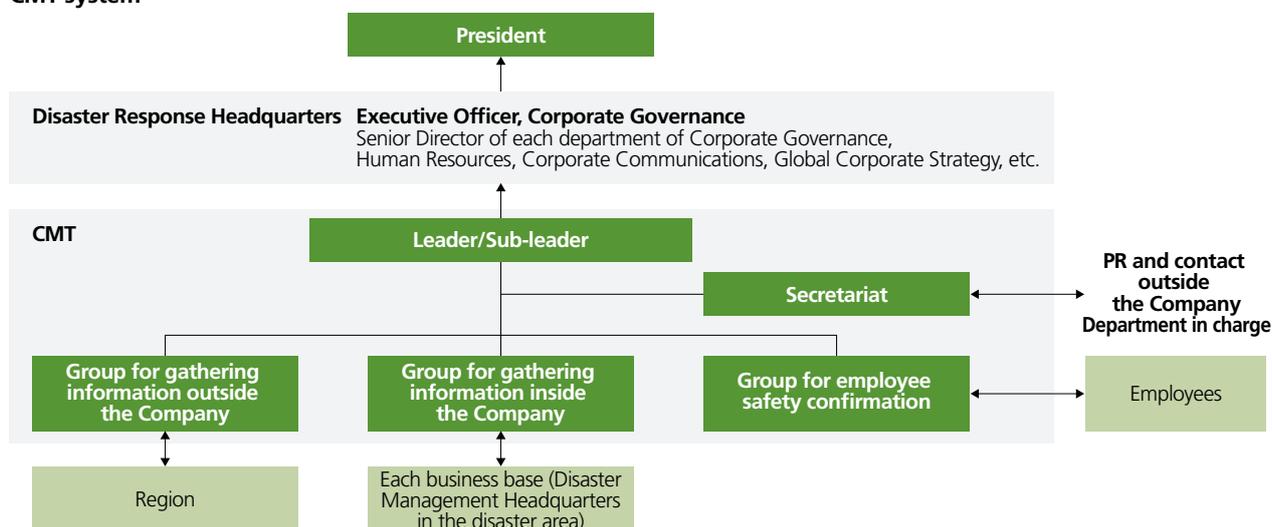
### Management of confidential information and inside information

In accordance with the internal rules, we manage confidential information in an appropriate manner according to the degree of importance. We have the information management system such as executive officer who is in charge of information management and the Information Management Committee. In order to prevent insider trading, we have internal rules which specify matters that all officers and employees must comply with. Additionally, we regularly hold training for officers and employees and we work to increase their level of awareness.

### Managing personal information

Sumitomo Dainippon Pharma has a privacy policy in place, and in accordance with its internal rules, properly handles and protects personal information acquired through its business activities from healthcare professionals, product users, business partners, shareholders, employees and other persons. In addition, Sumitomo Dainippon Pharma actively promotes protection of personal information by building a solid management system that includes an executive officer in charge of personal information management and a personal information hotline, and educating and training its officers and employees.

### CMT system



### Information security

With respect to our information security efforts, we continue to update technical measures, rules and procedures according to change of social environment or progress of information technology and monitor compliance. We also strive to strengthen information security in our group companies. In addition, we hold periodic information security training for officers and employees to raise awareness.

Moreover, in addition to creating a system that prevents and detects unauthorized access and responds rapidly when an incident occurs (Computer Security Incident Response Team: CSIRT), we continue to implement efforts to prevent information security incidents. In fiscal 2020, CSIRT conducted response training based on a cyberattack scenario.

Material issues		Risk management
Targets		<ul style="list-style-type: none"> <li>• <b>Implementing risk assessment and taking countermeasures</b></li> <li>• <b>Rebuilding of business continuity plans (BCP)</b></li> <li>• <b>Proper information management (management of confidential information, internal information and personal information, Information Technology security)</b></li> </ul>
KPIs		<ul style="list-style-type: none"> <li>• <b>Implementing risk assessment and examining and implementing appropriate countermeasures based on results of assessment</b></li> <li>• <b>Rebuilding, and implementing training and drills of business continuity management (BCM) and business continuity plans (BCPs)</b></li> <li>• <b>Provision of education and training aimed at proper information management</b></li> <li>• <b>Number of serious information leaks and other incidents</b></li> </ul>

### Compliance

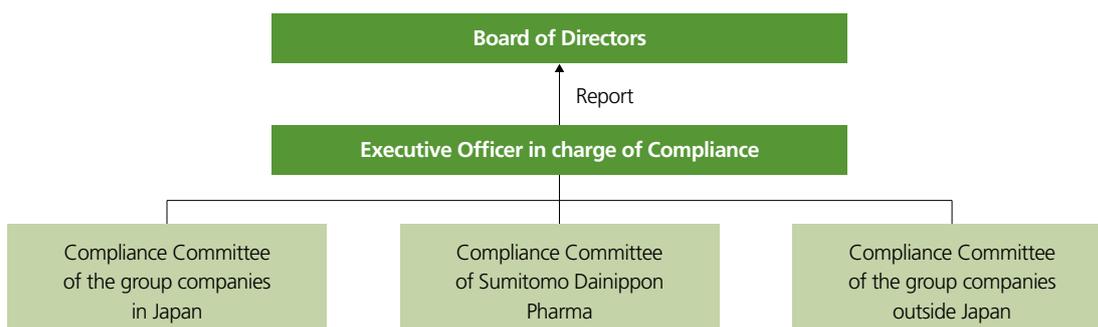
Sumitomo Dainippon Pharma has declared in our publicly announced Declaration of Conduct our commitment to “comply with laws and regulations, and conduct transparent and fair corporate activities with a good sense of ethics.” To put this declaration into practice and ensure full compliance, we have established Compliance Standards and use them as concrete guidelines for business activities.

One of Sumitomo Dainippon Pharma’s executive officers is charged with overseeing all compliance matters of Sumitomo Dainippon Pharma and its group companies around the world. Three compliance committees have been set up: the Compliance Committee of Sumitomo Dainippon Pharma, the Compliance Committee of the group companies in Japan and the Compliance Committee of the group companies outside Japan. The Sumitomo Dainippon Pharma executive officer in charge of compliance serves as chair of each of the three committees and reports to the Board of Directors on the committee activities. In fiscal 2020, each compliance committee held meetings remotely and the details of those meetings were reported to the Board of Directors.

Sumitomo Dainippon Pharma has set up internal and external compliance hotlines through which its officers and employees can make consultations and reports relating to incidents of real or threatened compliance violation, and the Company operates such compliance hotline in an appropriate manner. Similar compliance hotlines have been installed in the group companies in and outside Japan. The officers and employees of such group companies may use the Sumitomo Dainippon Pharma hotlines, if the use of their own compliance hotlines is not appropriate.

The Company rejects any relationships whatsoever with anti-social forces and, when signing business-related contracts, performs adequate due diligence on the contracting parties and their characteristics. Special provisions have been stipulated allowing for the termination of a contract signed with a counter party that the Company

### Framework for compliance implementation



## Corporate Governance

deems to be an anti-social force. Additionally, from the perspective of preventing corruption in business activities, the Company has stipulated Corruption Prevention Guidelines, while also specifying provisions against corruption in new transaction contracts that accompany the acceptance of compensation.

Material issues <b>Compliance</b>	
<b>Targets</b>	<ul style="list-style-type: none"> <li>• Practice of the Declaration of Conduct and Compliance Standards</li> <li>• Appropriate operation of compliance promotion system and establishment of rules</li> <li>• Improvement in the effectiveness of the whistle-blowing system</li> <li>• Ensure exclusion of anti-social forces and prevention of corruption</li> </ul>
<b>KPIs</b>	<ul style="list-style-type: none"> <li>• Number of serious compliance violations</li> <li>• Implementation of compliance education and training</li> <li>• Implementation rate of initiatives to ensure compliance (identification of compliance risk and review of countermeasures)</li> <li>• Implementation of compliance awareness surveys</li> <li>• Level of awareness and understanding of whistle-blowing system and number of reports</li> </ul>

### Fair and transparent corporate activities

#### Promoting communication with stakeholders

In its Declaration of Conduct, Sumitomo Dainippon Pharma has stated its commitment to “7. Build harmonious relationships with society,” and is working to foster a high level of awareness as a corporate citizen.

We place importance on stakeholder engagement based on dialogue (stakeholder dialogue) with all of the stakeholders involved in the Company, including patients and their families, healthcare professionals, local communities, collaboration partners, employees, shareholders and investors, and business partners. We are working to solve social issues by proactively identifying what stakeholders expect and demand of us and reflecting these in our business and social contribution activities.

→ Please see page 23 for relationships with stakeholders.

#### Communication with patients and healthcare professionals

Sumitomo Dainippon Pharma has established a Product Information Center as a customer support contact center for inquiries about our products from patients and their families,

in addition to healthcare professionals. Going forward, we will continue to contribute to the health of patients by swiftly and politely providing accurate information on the proper use of pharmaceuticals, while pursuing appropriate internal feedback on content learned from external requests, visualizing trends in patient opinions, and strengthening our role to improve our products and materials. In FY2020, the Product Information Center engaged in approximately 3,800 inquiries from patients and their families, and approximately 34,800 inquiries from healthcare professionals.

Sumitomo Dainippon Pharma complies with relevant laws and regulations, the Ministry of Health, Labour and Welfare’s Guidelines for Provision of Sales Information on Prescription Drugs, the Fair Competition Code, the Japan Pharmaceutical Manufacturers Association (JPMA) Code of Practice, the IFPMA Code of Practice, internal rules, etc. and engages in fair and transparent activities when collaborating with healthcare professionals and patient group. We also disclose information on cash payments and the like to healthcare professionals and patient group in accordance with the JPMA Transparency Guideline for the Relation between Corporate Activities and Medical Institutions and the JPMA Transparency Guideline for the Relation between Corporate Activities and Patients’ Groups.

#### Communication with shareholders and investors

Sumitomo Dainippon Pharma shall strive to facilitate purposeful dialogues with shareholders, investors, etc., in accordance with “Basic Policy for Promoting Constructive Dialogues with Shareholders, Investors, etc.”

Sumitomo Dainippon Pharma regularly holds meetings with analysts and institutional investors from Japan and from abroad. In Japan, meetings are held to coincide with financial results announcements at the end of the second and fourth quarters, while conference calls are carried out for announcements of financial results of the first and third quarters. In addition, meetings focused on specific topics are held as appropriate. In December 2020, Sumitomo Dainippon Pharma held the third ESG meeting. In March 2021, we held a meeting on the business of Sumitovant, a subsidiary of the Company.

We conduct regular visits for foreign shareholders, but these meetings were held online in fiscal 2020 due to the impact of COVID-19. We also dub the meetings and conference calls held in Japan into English (including the Q&As) and post them on our website. We also take part in the small meetings arranged by securities firms in Japan for foreign investors.

We hold meetings for individual investors a number of times each year (seven meetings in fiscal 2019). However, in fiscal 2020, we held one online meeting due to the impact

of COVID-19.

We also post other materials on our website in Japanese and English. These materials include financial results summaries and supplementary data, materials from investor meetings (including video and audio streaming and transcripts), press releases, integrated reports, Fact Books and notices of convocation for the annual shareholders' meetings, among others.

Moreover, since fiscal 2018, feedback from shareholders and investors has been reported to the Directors and Executive Officers each quarter in a report format as well as being reported to the Board of Directors semi-annually since fiscal 2019.

<b>Material issues</b> <b>Fair and transparent corporate activities</b>	
<b>Targets</b>	<ul style="list-style-type: none"> <li>• <b>Sincere corporate activities contributing to the enhancement of stakeholder engagement</b></li> </ul>
<b>KPIs</b>	<ul style="list-style-type: none"> <li>• <b>Number of stakeholder dialogues</b></li> <li>• <b>Ensuring transparency on relationships with healthcare professionals and patient groups</b></li> <li>• <b>Promotion of appropriate provision of information based on scientific evidence</b></li> </ul>

<b>Material issues</b> <b>Respecting human rights</b>	
<b>Targets</b>	<ul style="list-style-type: none"> <li>• <b>Promotion of respecting human rights throughout all the value chain based on global trends</b></li> <li>• <b>Promotion of initiatives in accordance with the United Nations Guiding Principles on Business and Human Rights</b></li> </ul>
<b>KPIs</b>	<ul style="list-style-type: none"> <li>• <b>Formulation of a basic policy for human rights</b></li> <li>• <b>Promotion of understanding of and action on the basic policy at Group companies</b></li> <li>• <b>Encouragement of respect for human rights by business partners, including suppliers</b></li> </ul>

## Respecting human rights

Sumitomo Dainippon Pharma respects the human rights of all stakeholders involved with the Company. In the "Declaration of Conduct: Item 5. Respect Human Rights," we clearly support the Universal Declaration of Human Rights and Core Labour Standards. And in the "Compliance Standard: Item 25. Prohibition of Harassment including Discrimination" clearly rejects any discrimination or harassment based on race, nationality, ethnicity, gender, age, religion, faith, belief, sexual orientation, gender identity (LGBTQ), academic background, disability, disease and the like.

Sexual harassment and power harassment in the workplace should be addressed as important issues that can relate to the violation of human rights. To prevent any harassment, Sumitomo Dainippon Pharma Office Regulations clearly stipulates anti-harassment policies including standards of disciplinary action.

Going forward, we will establish the Basic Human Rights Policy as our global policy in order to further promote our past initiatives to establish an appropriate working environment and respect the human rights of our business partners, including suppliers in the supply chain, and all of our stakeholders.