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Basic Policy on Corporate Governance

1. Basic Concept on Corporate Governance

Sumitomo Pharma Co., Ltd. (the “Company”) commits itself to continuously pursuing the establishment of a corporate governance system which is highly effective, aiming for the fuller realization of its Mission.

Mission

To broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide

2. Relationship with Stakeholders Including Shareholders

(1) Relationship with Shareholders, Investors, etc.

- ① The Company shall take appropriate measures to secure equal treatment of shareholders in accordance with the features and number of shares they hold.
- ② The Company shall regard Shareholders’ Meetings as an important forum for the Company to engage in direct dialogues with shareholders, and shall strive to provide information to shareholders in an appropriate and understandable manner.
- ③ The Company shall take appropriate measures to substantially secure shareholders’ rights, and shall strive to develop an environment in which shareholders may appropriately exercise their rights, including voting rights.
- ④ The Company shall strive to facilitate purposeful dialogues with shareholders, investors, etc., in accordance with Exhibit 4 “Basic Policy for Promoting Constructive Dialogues with Shareholders, Investors, etc.”
- ⑤ The Company shall seek to distribute dividends to shareholders in a stable and continuous manner, while securing both continuous investments for future growth and maintenance of internal reserves for a strong financial structure.
- ⑥ The Company shall secure its independence from Sumitomo Chemical Co., Ltd., the parent company, while respecting the group operation policy.

(2) Relationship with Stakeholders Other Than Shareholders

- ① The Company shall strive to continue improving relationships not only with its shareholders, but also with other various stakeholders, including its employees, customers, business partners, creditors and local communities, to enhance its corporate value over the mid to long term.
- ② The Board of Directors of the Company shall establish the Declaration of Conduct for the cultivation of a corporate culture in which the rights and positions of stakeholders

as well as corporate ethics are respected, and shall supervise the status of its implementation.

- ③ The Board of Directors shall establish policies on the environment, etc. with respect to issues of sustainability (sustainability over the mid to long term, including ESG factors), such as social and environmental matters. In addition, the Board of Directors shall deepen its examination, to engage in these issues in a positive and active manner from the perspective of enhancing corporate value over the mid to long term.
- ④ The Company shall seek to enhance its corporate value through diversification, including the acceleration of the participation of female employees, and shall strive to develop an environment where each employee would be encouraged to fully demonstrate his/her capabilities.

3. Related Party Transactions

The Board of Directors shall supervise transactions between the Company and any of its Directors, major shareholders, etc. (i.e., related party transactions) appropriately in light of the importance of such transactions, and in accordance with the Company's relevant procedures such as the requirement of approval at a meeting of the Board of Directors at which Independent Outside Directors are present, in order to ensure that such transactions are fair and reasonable from the viewpoint of enhancing the corporate value.

4. Strategic Shareholdings

- ① The Company shall not hold any shares of other companies except when such shareholding supports the sustainable enhancement of its corporate value, such as establishment or maintenance of corporate alliances and other types of relationships with important business partners and customers.
- ② The Company shall have the Board of Directors evaluate the reasonableness and the economic rationale of respective strategic shareholdings on an annual basis, and when the Board of Directors finds any such shareholdings not reasonable, the Company shall proceed to reduce the relevant shareholdings or sell the relevant shares.
- ③ With respect to exercising voting rights for such strategic shareholdings, the Company shall examine 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.
- ④ The Company shall conduct transactions on reasonable terms with shareholders who hold the Company's shares for the purpose of strategic shareholdings.

5. Information Disclosure

- ① To enhance transparency in management practices and proactively meet the demands of shareholders and other stakeholders for information, the Company shall disclose corporate information in a timely and appropriate manner pursuant to relevant laws and regulations as well as separately established internal standards and procedures. The

Company shall appropriately disclose information in English to the extent reasonable.

- ② The Company shall appropriately disclose its measures for sustainability in the disclosure of its business strategies.
- ③ In releasing its business strategies and business plans, the Company shall strive to provide sufficient information in an easily understandable manner, by presenting its basic principles for the earnings and capital policy, and the financial targets, including those for profitability and capital efficiency, as well as allocation of business resources, among other things. In addition, the Company shall review its business strategies, etc. as necessary, and strive to provide sufficient information regarding the state of such review in an easily understandable manner.

6. Organization

- ① The Company shall elect the organizational structure of a “Company with an Audit and Supervisory Committee” as stipulated by the Companies Act.
- ② The Company shall have the Nomination and Compensation Committee as a consultative body to the Board of Directors for enhancing the objectivity and independence of the functions of the Board of Directors in relation to matters such as nomination of candidates for Directors, and decisions on remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members).
- ③ The Company shall set up the Supervisory Committee for Conflict of Interests in Transactions between Group Companies 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) (hereinafter referred to as the “Parent Company’s Group”) are fair and reasonable and help protect the interest of minority shareholders of the Company.
- ④ The Company shall set up the Global Management Committee as a consultative body to the Representative Director, President and CEO for the decision making for important business matters.
- ⑤ The Company shall set up the Executive Committee for the purpose of appropriately sharing among the Directors, including Outside Directors, Executive Officers and others, the status of the execution of business operations and material matters related thereto.

7. Board of Directors and Directors

(1) Composition of the Board of Directors

- ① The Board of Directors shall consist of a diverse group of Directors who have various knowledge, experience and skills based on Exhibit 1 “Nomination Criteria for Candidates for Directors” and Exhibit 2 “Knowledge, Experience and Skills to be Held by the Board of Directors.”
- ② The Board of Directors shall have an appropriate number of Directors to ensure that the Board of Directors performs its functions effectively and efficiently. One third (1/3) or

more of the Directors shall be Independent Outside Directors.

- ③ One (1) or more of the Independent Outside Directors shall be persons who have experience in management at other companies.
- ④ The Independent Outside Directors shall be persons who meet the independence requirements for outside directors set forth by financial instruments exchanges, and Exhibit 3 “Independence Criteria for Outside Directors.”

(2) Roles and Responsibilities of the Board of Directors

- ① The Board of Directors shall establish the Mission of the Company, make decisions swiftly and appropriately for the realization thereof, and in the implementation of decided matters, support healthy risk-taking by the senior management, and supervise the effective management of the business.
- ② The Board of Directors shall conduct constructive discussions on matters such as business strategies, mid to long term business plans and allocation of business resources, and shall actively contribute to the Company’s sustainable growth and the enhancement of its corporate value over the mid to long term.
- ③ The Board of Directors shall expedite the decision-making process by having in place the Board of Directors’ approval policy and delegating certain authority to the senior management, and shall supervise the execution of business operations by requesting reports on important business matters from the respective senior managements.
- ④ The Board of Directors shall establish the “Basic Policy for Developing the Internal Control System,” have in place systems such as the risk management system and compliance promotion system of the entire group, and supervise the status of implementation of these systems while utilizing the internal auditing department.

(3) Operations of the Board of Directors

- ① The Company shall prepare an annual schedule of meetings of the Board of Directors, secure sufficient time to review agenda items in advance of the meetings by distributing information materials to the Directors, and shall appropriately set up the time for deliberations at the meetings of the Board of Directors.
- ② The Board of Directors shall evaluate the effectiveness of its operation as a whole on an annual basis, use the outcome of such evaluation to improve its operation, and enhance the transparency of management practices by externally releasing a summary of the outcome.
- ③ The Company shall develop a system in which effective communication and coordination can be made between the Company and the Outside Directors, and shall assist the Outside Directors in collecting information necessary for performing their duties effectively and efficiently. The Board of Directors shall periodically assess whether the information requested by the Directors has been smoothly provided.

(4) Roles and Responsibilities of Directors

- ① The Directors shall 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 sustainable growth and the enhancement of the corporate value over the mid to long term.
- ② The Directors shall strive to spend sufficient time to fulfill their expected roles and responsibilities for the Company, and shall perform their duties as Directors, making the most of their knowledge, experience and skills, and enlisting advice from outside experts as necessary. The Directors shall report to the Nomination and Compensation Committee on the status of the positions they concurrently hold at other companies or organizations.
- ③ The Directors shall 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.

(5) Roles and Responsibilities of Outside Directors

- ① The Outside Directors shall strive to collect the information necessary for performing their duties effectively and efficiently through efforts such as attending important meetings at the Company, including meetings of the Board of Directors, and appropriately cooperating and collaborating with other Directors. The Outside Directors shall appropriately cooperate and collaborate with the Accounting Auditor and the department in charge of internal auditing, as necessary.
- ② From the independent standpoint, the Independent Outside Directors shall strive to fulfill their expected roles and responsibilities in decision making at meetings of the Board of Directors and supervision of conflicts of interest, among other things, based on their knowledge, experience and insights in their respective fields of expertise.

8. Audit and Supervisory Committee and Audit and Supervisory Committee Members

(1) Composition of the Audit and Supervisory Committee

- ① The Audit and Supervisory Committee shall consist of the Audit and Supervisory Committee Members who have the necessary and appropriate knowledge, experience and skills based on Exhibit 1 "Nomination Criteria for Candidates for Directors" and Exhibit 2 "Knowledge, Experience and Skills to be Held by the Board of Directors."
- ② The Audit and Supervisory Committee shall have the appropriate number of Audit and Supervisory Committee Members to ensure that the Audit and Supervisory Committee performs its duties effectively and efficiently. At least half of the Audit and Supervisory Committee Members shall be Outside Directors.
- ③ One (1) or more of the Audit and Supervisory Committee Members shall be persons

who have considerable expertise in finance and accounting.

- ④ The Audit and Supervisory Committee Members who are Independent Outside Directors shall be persons who meet the independence requirements for outside directors set forth by the financial instruments exchanges, and Exhibit 3 “Independence Criteria for Outside Directors.”

(2) Roles and Responsibilities of the Audit and Supervisory Committee

- ① The Audit and Supervisory Committee shall conduct audits of the execution of duties by Directors as a statutory independent organization entrusted by the shareholders by playing a role in the supervisory function of the Company, determine the audit policies, detailed plans for investigating the Company’s business and financial status, and other matters regarding the execution of duties of the Audit and Supervisory Committee, prepare audit reports, determine its opinion regarding matters such as the election, etc. and remuneration, etc. of the Directors (excluding Directors who are Audit and Supervisory Committee Members), and conduct other duties stipulated in relevant laws and regulations as well as the Articles of Incorporation. The Audit and Supervisory Committee shall also express its opinion to the Directors (excluding Directors who are Audit and Supervisory Committee Members) or the Board of Directors as necessary.
- ② The Audit and Supervisory Committee shall strive to realize effective and efficient auditing by closely cooperating and collaborating with the department in charge of internal auditing, receiving reports of auditing plans and auditing results from the department in charge of internal auditing, and as necessary, requesting investigation or giving specific instructions to the department in charge of internal auditing.
- ③ The Audit and Supervisory Committee shall strive for qualitative improvement of accounting audits in close cooperation and collaboration with the Accounting Auditor.
- ④ The Audit and Supervisory Committee shall evaluate the Accounting Auditor based on the evaluation standards established by it, and determine proposals regarding the appointment, dismissal and non-reappointment of the Accounting Auditor to be resolved at Shareholders’ Meetings.
- ⑤ The Company shall assign one (1) or more Audit and Supervisory Special Officers and full-time staff members who are independent of the directions and orders of the officers and employees who execute operations, to assist the duties of the Audit and Supervisory Committee, and secure an environment in which necessary information will be provided to the Audit and Supervisory Committee in a timely and appropriate manner.

(3) Roles and Responsibilities of Audit and Supervisory Committee Members

- ① The Audit and Supervisory Committee Members shall strive to spend sufficient time to fulfill their expected roles and responsibilities for the Company, and shall perform their duties as Audit and Supervisory Committee Members, making the most of their knowledge, experience and skills, and enlisting advice from outside experts as necessary.

- ② The Audit and Supervisory Committee Members shall strive to proactively collect the information necessary for performing their duties effectively and efficiently through efforts such as attendance in important meetings at the Company, including meetings of the Board of Directors, and the exercise of their right to conduct an investigation under the law. The Audit and Supervisory Committee Members shall provide their opinions and recommendations on the performance of duties by the Directors in a timely and appropriate manner.
- ③ The Audit and Supervisory Committee Members shall cooperate and collaborate with the Outside Directors, including sharing information with the Outside Directors (excluding Directors who are Audit and Supervisory Committee Members) to assist the Outside Directors (excluding Directors who are Audit and Supervisory Committee Members) in improving their ability to collect information.

9. Nomination and Compensation Committee

- ① The Nomination and Compensation Committee shall consist of three (3) or more members, the majority of which shall be Independent Outside Directors, and the chairperson shall be an Independent Outside Director.
- ② The Nomination and Compensation Committee shall prepare and provide the Board of Directors with a recommendation in response to a consultation request therefrom, on the matters listed below. The Nomination and Compensation Committee shall submit to the Board of Directors a recommendation with respect to the agenda for Shareholders' Meetings regarding the election, dismissal and remuneration of the Directors who are Audit and Supervisory Committee Members with the consent of the Audit and Supervisory Committee.
 - 1) Agenda for Shareholders' Meetings regarding the election and dismissal of Directors;
 - 2) Appointment of, changes of or removal of the Representative Directors, the President and CEO and other Directors with special titles;
 - 3) Criteria for nomination of candidates for Directors;
 - 4) Knowledge, experience and skills to be held by the Board of Directors;
 - 5) Independence criteria for Outside Directors;
 - 6) Policy for appointing a successor of the President and CEO, etc. and other related matters;
 - 7) Agenda for Shareholders' Meetings regarding the remuneration of the Directors;
 - 8) Policy and procedures for determining remuneration for the Directors (excluding Directors who are Audit and Supervisory Committee Members) and their respective remuneration;
 - 9) Appointment and dismissal of Executive Officers; and
 - 10) Appointment and dismissal of Audit and Supervisory Special Officers.
- ③ The Board of Directors shall respect recommendations from the Nomination and

Compensation Committee.

10. Supervisory Committee for Conflict of Interests in Transactions between Group Companies

- ① The Supervisory Committee for Conflict of Interests in Transactions between Group Companies shall consist of all the Independent Outside Directors, and the chairperson shall be appointed from among the members by mutual vote of the members.
- ② The Supervisory Committee for Conflict of Interests in Transactions between Group Companies shall deliberate significant transactions, etc. with the Parent Company's Group from the viewpoint of protecting the interest of minority shareholders and provide the Board of Directors with a recommendation in response to a consultation request therefrom.
- ③ The Board of Directors shall respect recommendations from the Supervisory Committee for Conflict of Interests in Transactions between Group Companies.

11. Training

- ① The Company shall provide opportunities for newly elected Directors to deepen their understanding of the Mission of the Company, to obtain the necessary knowledge regarding the Company's business such as corporate strategies, finance and organizations, and to fully understand the roles and responsibilities that they are required to fulfill.
- ② The Company shall continuously provide and arrange training opportunities that suit each of the Directors so that they can obtain and renew the knowledge necessary for performing their respective duties. The Company shall bear the expenses incurred for training opportunities.
- ③ The Company shall report and assess the implementation status of the training provided to the Directors at a meeting of the Board of Directors on an annual basis.

Nomination Criteria for Candidates for Directors

[Nomination Criteria for Candidates for Directors (excluding Directors who are Audit and Supervisory Committee Members)]

The candidates for Directors (excluding Directors who are Audit and Supervisory Committee Members) of the Company shall be nominated from persons who meet the criteria described below and who the Company finds are capable of contributing to the realization of its Mission:

- (1) Persons who have a strong will and a high ability necessary to perform duties as Directors;
- (2) Persons who have the personality and insights suitable for Directors of the Company;
- (3) Persons who are committed to spending the time and effort necessary to appropriately fulfill the roles and responsibilities required of Directors of the Company;

provided, however, that the candidates for Outside Directors shall be nominated from persons who meet the above criteria and also satisfy the requirements for outside directors set forth in the Companies Act. In addition, candidates for Independent Outside Directors shall be nominated from persons who meet the “Independence Criteria for Outside Directors ” set forth in Exhibit 3, and who the Company finds are capable of implementing their duties from an independent and objective standpoint.

[Nomination Criteria for Candidates for Directors who are Audit and Supervisory Committee Members]

The candidates for Directors who are Audit and Supervisory Committee Members of the Company shall be nominated, with the consent of the Audit and Supervisory Committee, from persons who meet the criteria described below and who the Company finds are capable of contributing to the realization of its Mission:

- (1) Persons who have a strong will and a high ability necessary to perform duties as Directors who are Audit and Supervisory Committee Members;
- (2) Persons who have the personality and insights suitable for Directors who are Audit and Supervisory Committee Members of the Company;
- (3) Persons who are committed to spending the time and effort necessary to appropriately fulfill the roles and responsibilities required of Directors who are Audit and Supervisory Committee Members of the Company;

provided, however, that the candidates for Outside Directors shall be nominated from persons who meet the above criteria and also satisfy the requirements for outside directors set forth in the Companies Act. In addition, candidates for Independent Outside Directors shall be nominated from persons who meet the “Independence Criteria for Outside Directors” set forth in Exhibit 3, and who the Company finds are capable of implementing their duties from an independent and objective standpoint.

Knowledge, Experience and Skills to be Held by the Board of Directors

The Board of Directors of the Company shall be diverse and have the well-balanced knowledge, experience and skills described below so that the Board of Directors can fully exercise its function and secure its effectiveness to achieve the sustainable growth of the Company and enhancement of its corporate value over the mid to long term through implementation of the Mission:

- (1) Extensive knowledge, experience and skills as a person who is in charge of corporate management or organizational operations in Japan or abroad;
- (2) Extensive knowledge, experience and skills in different industries;
- (3) Extensive knowledge, experience and skills concerning the creation and cultivation of new business or business development;
- (4) Extensive knowledge, experience and skills concerning digital technologies and data utilization;
- (5) Professional knowledge, experience and skills in the healthcare industry;
- (6) Professional knowledge, experience and skills concerning finance, accounting and tax matters; and
- (7) Professional knowledge, experience and skills concerning legal, compliance and risk management matters.

The knowledge, experience and skills to be held by the Board of Directors shall be reviewed as necessary in accordance with changes such as those in the outside environment and the circumstances of the Company.

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

the business operations of any subsidiary of the parent company; or

- ③ Persons who were persons executing the business operations of the Company or any subsidiary of the Company in any of the past three (3) years.

(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 heads, 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.

Basic Policy for Promoting Constructive Dialogues with Shareholders, Investors, etc.

1. Basic Stance

The Company shall strive to engage in constructive dialogues with shareholders, investors, etc., to achieve its sustainable growth and enhancement of its corporate value over the mid to long term.

2. System for Dialogues with Shareholders, Investors, etc.

- (1) The Representative Director, President and CEO shall supervise investor relations (IR) management, including development of constructive dialogues with shareholders, investors, etc.
- (2) When a request for an individual meeting is made by any of the shareholders, investors, etc., the Directors, the Executive Officers, etc. shall respond to such request to the extent reasonable by taking into consideration the purpose and relevant circumstances of such request.
- (3) In addition to holding Shareholders' Meetings, the Company shall promote opportunities for dialogues with shareholders, investors, etc., through IR activities such as setting of meetings regarding financial reports and other types of meetings on specific topics, as appropriate.
- (4) Opinions and views obtained through the dialogues shall be duly shared with the pertinent Directors and senior management, and shall be reported to the Board of Directors in a timely and appropriate manner, depending on their nature.
- (5) The department in charge of corporate communications shall play a central role in promoting effective cooperation and collaboration among the pertinent functions within the Company to facilitate smooth and efficient dialogues with shareholders, investors, etc.

3. Management of Insider Information and Material Non-public Information

- (1) The Company shall manage insider information in accordance with internal regulations in dialogue with shareholders, investors, etc. The Company shall not disclose any unpublicized material facts to shareholders, investors, etc., except for information the disclosure of which is fair and appropriate under the relevant internal regulations.
- (2) The Company shall take appropriate measures to secure fairness in accordance with internal regulations when it discloses material non-public information to shareholders, investors, etc.