

**Last Update: July 3, 2023**

## **Sumitomo Pharma Co., Ltd.**

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The corporate governance of Sumitomo Pharma Co., Ltd. (the "Company") is described below.

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Views**

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

The Company posts on the website the summary for its basic concept and basic policy titled the "Basic Policy on Corporate Governance" (the "Basic Policy").

(Website)

[https://www.sumitomo-pharma.com/profile/governance/basic\\_policy.html](https://www.sumitomo-pharma.com/profile/governance/basic_policy.html)

## **Reasons for Non-compliance with the Principles of the Corporate Governance Code**

The Company has implemented all of the principles of the Corporate Governance Code.

## **Disclosure Based on the Principles of the Corporate Governance Code**

### **[Principle 1-4 Strategic Shareholdings]**

- The strategic shareholdings policy is presented under 4-1 of the Basic Policy. In addition to this policy, pursuant to 4-2 of the Basic Policy, the Board of Directors annually evaluates whether it is reasonable to continue respective strategic shareholdings based on points such as the purpose of such shareholdings, as well as the transaction status and unrealized profit and loss thereof. As a result of such evaluation, while the Company had strategic shareholdings in 39 listed companies as of June 2015 when the Corporate Governance Code was introduced, the Company embarked on selling shares that were found not reasonable for continued shareholdings, and the number of listed companies whose shares are held by the Company is 16 as of March 31, 2023.

- The review and decision standards for exercising voting rights for the strategic shareholdings are presented under 4-3 of the Basic Policy. To be specific, it was decided that decisions regarding some proposals such as M&A related proposals and all the proposals at the Shareholders' Meeting held for the first time after any major scandal has occurred should be made with special care.

- If any shareholders who hold the Company's shares for the purpose of strategic shareholdings inform the Company of their intention to sell their shares or take any other similar action, the Company respects their intentions.

<Basic Policy> (excerpt)

- 4-1 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.
- 4-2 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.
- 4-3 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.

[Principle 1-7 Related Party Transactions]

The outline of procedures for the related party transactions is presented under 3 of the Basic Policy.

<Basic Policy> (excerpt)

- 3 The Board of Directors shall supervise transactions between the Company and any of its Directors, Audit & Supervisory Board Members, 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.

[Supplementary Principle 2-4-1 Ensuring Diversity in the Promotion to Core Human Resources, etc.]

The details are presented in "Other" in "3. Status of Measures to Ensure Due Respect for Stakeholders" in "III. Implementation of Measures for Shareholders and Other Stakeholders" of this Report.

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

Aiming for the stable operation of the corporate pension plan through the corporate pension fund, the Company has established a basic policy on the operation of pension reserves and established appropriate bodies such as the board of representatives and the asset management committee as stipulated under applicable laws and regulations. In order to secure the effectiveness of the basic policy, a system has been established through which the Company can appropriately keep track of and evaluate the management status of the pension reserves by such measures as appointing an appropriate person who has specialized knowledge regarding reserve fund management as the chair of the committee and seeking advice of outside specialized agencies.

[Principle 3-1 Full Disclosure]

(i) The Mission of the Company is presented under "1. Basic Views" of this Report. The Company established its Vision, a corporate vision aimed to be realized in the medium- to long-term, and the five-year Mid-term Business Plan 2027 starting in FY2023, which have both been posted on its website.

(Website)

<https://www.sumitomo-pharma.com/ir/library/presentation/>

(ii) The basic concept and the basic policy on corporate governance are available on its website as the Basic Policy.

(iii) The Board policies and procedures in determining remuneration of Directors are presented under II-1 "Director Remuneration" of this Report.

(iv) The policies and procedures for the nomination of candidates for, and the dismissal of, the Directors and the Audit & Supervisory Board Members are resolved by the Board of Directors based on the recommendation from the Nomination and Compensation Committee. The candidates for the Directors and the Audit & Supervisory Board Members are nominated by the resolution of the Board of Directors in accordance with Exhibit 1 "Nomination Criteria for Candidates for Directors and Audit & Supervisory Board Members" and Exhibit 2 "Knowledge, Experience and Skills to be Held by the Board of Directors and the Audit & Supervisory Board as a Whole" of the Basic Policy, based on the recommendation from the Nomination and Compensation Committee. The candidates for the Audit & Supervisory Board Members are nominated with consent of the Audit & Supervisory Board. The

appointment and removal of the Representative Directors, the President and CEO, and other Directors with special titles are resolved by the Board of Directors based on the recommendation from the Nomination and Compensation Committee.

(v) The reasons for nominating each candidate for the Directors and the Audit & Supervisory Board Members are presented in reference documents for the Shareholders' Meeting. Explanation will be made if any Director or Audit & Supervisory Board Member is dismissed.

[Supplementary Principle 3-1-3 Initiatives on Sustainability, etc.]

The details are presented in III-3 "Implementation of Environmental Preservation Activities and CSR Activities, etc." and "Other" of this Report.

[Supplementary Principle 4-1-1 Matters Resolved by the Board of Directors and Matters Delegated to the Senior Management]

The matters resolved by the Board of Directors and the matters delegated to the senior management are stipulated in the Regulations of the Board of Directors, Regulations Regarding Electronic Approval, and other relevant internal regulations.

The following matters require a resolution of the Board of Directors: (1) matters stipulated in the laws and regulations or the Articles of Incorporation; (2) matters delegated at the Shareholders' Meeting for resolution; (3) material business matters; and (4) other matters deemed necessary by the Board of Directors. Status of execution of business operations and material matters among those approved by the President and CEO are reported to the Board of Directors.

[Principle 4-9 Independence Criteria and Qualification for Independent Outside Directors]

The independence criteria are presented in Exhibit 3 "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members" of the Basic Policy and II-1 "Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members" of this Report.

[Supplementary Principle 4-10-1 Appropriate Involvement of and Advice from Independent Outside Directors by the Establishment of an Independent Nomination Committee and Compensation Committee]

The details are presented in "Supplementary Explanation" of "Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee" in II-1 "Directors" of this Report.

[Supplementary Principle 4-11-1 Views on the Balance of Knowledge, Experience and Skills, the Diversity and the Size of the Board of Directors as a Whole]

The Knowledge, Experience and Skills to be Held by the Board of Directors and the Audit & Supervisory Board as a Whole (Skill Sets for Directors and Audit & Supervisory Board Members) which was determined by the Board of Directors, and the Skills Matrix of the current Directors and Audit & Supervisory Board Members are available on the Company's website.

(Website)

[https://www.sumitomo-pharma.com/ir/managerial\\_policy/governance](https://www.sumitomo-pharma.com/ir/managerial_policy/governance)

The Company's views on the balance, diversity and size of the Board of Directors as a whole are presented under 7-1 of the Basic Policy.

<Basic Policy> (excerpt)

7-1-1 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 Audit & Supervisory Board Members" and Exhibit 2 "Knowledge, Experience and Skills to be Held by the Board of Directors and the Audit & Supervisory Board as a Whole."

7-1-2 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.

7-1-3 One (1) or more of the Independent Outside Directors shall be persons who have experience in management at other companies.

7-1-4 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 and Outside Audit & Supervisory Board Members.”

[Supplementary Principle 4-11-2 Status of the Positions Concurrently Held by Directors and Audit & Supervisory Board Members as Officers at Other Listed Companies]

The status of the positions concurrently held by Directors and Audit & Supervisory Board Members at other companies and organizations are described in reference documents for the Shareholders’ Meeting and II-1 “Directors” and “Audit & Supervisory Board Members” of this Report.

[Supplementary Principle 4-11-3 Evaluation of the Effectiveness of the Board of Directors]

The Company has evaluated the effectiveness of the Board of Directors annually since FY2015. In FY2018 and FY2021, the Company utilized external evaluation.

1) Purpose, method and process 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 and the actual circumstances; regularly and repeatedly engaging in agenda-finding and improvement activities; and thereby continuously enhancing the functions of the Board of Directors. In FY2022, the Company conducted a questionnaire to all the Directors and Audit & Supervisory Board Members from February to March 2023, and based on the analyzed results of answers thereto, opinions were exchanged at the meeting of the Board of Directors held in April 2023.

2) Topics to be evaluated

The questionnaire (anonymous) is conducted to seek answers of quantitative evaluation on four scales for each topic and also opinions freely entered in comment boxes.

The major topics of the questionnaire were as follows:

- (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 and responsibilities of Independent Outside Directors;
- (7) Roles and responsibilities of Audit & Supervisory Board Members/Response to what is pointed out by Audit & Supervisory Board Members at the meeting of the Board of Directors;
- (8) Relationship with stakeholders/examination of issues of sustainability;
- (9) Related party transactions;
- (10) Review on strategic shareholdings;
- (11) Provision of training; and
- (12) Efforts made for the agendas identified in the previous fiscal year.

3) Results of evaluation

Based on the report of the quantitative analysis of answers to the questionnaire (including the comparative analysis with the numerical values of the evaluation results in the past) and all the opinions entered in the comment boxes, opinions were exchanged at the meeting of the Board of Directors in April of 2023. 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 FY2022 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 efforts for the major agendas of FY2022 ((i) Effective supervision of the management through more efficient and effective monitoring of material items, (ii) Constructive discussions regarding agendas to be addressed in the medium- to long-term, and (iii) Deepening of discussion regarding issues related to sustainability).

4) Major agendas to be addressed in FY2023

The following agendas have been identified as major agendas to be addressed in FY2023 as a result of the evaluation of the effectiveness of the Board of Directors for FY2022:

- (i) Effective supervision of execution of resolved matters;

- (ii) Constructive discussions regarding agendas to be addressed in the medium- to long-term; and
- (iii) Deepening of discussion regarding issues related to sustainability.

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

[Supplementary Principle 4-14-2 Policies for the Training for Directors and Audit & Supervisory Board Members]

The Company's policies for the training for Directors and Audit & Supervisory Board Members are presented under 11 of the Basic Policy.

<Basic Policy> (excerpt)

11-1 The Company shall provide opportunities for newly elected Directors and Audit & Supervisory Board Members 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.

11-2 The Company shall continuously provide and arrange training opportunities that suit each of the Directors and Audit & Supervisory Board Members 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.

11-3 The Company shall report and assess the implementation status of the training provided to the Directors and Audit & Supervisory Board Members at a meeting of the Board of Directors on an annual basis.

[Principle 5-1 Policies for Constructive Dialogues with Shareholders]

The Company's policies and system for promoting constructive dialogues with shareholders are described in Exhibit 4 "Basic Policy for Promoting Constructive Dialogues with Shareholders, Investors, etc." of the Basic Policy. The details of the status of the dialogues with shareholders are presented in III "2. Status of IR-related Activities" of this Report. The status of the dialogues with shareholders and investors (including opinions, etc. heard from shareholders and investors) have been reported in the form of reports quarterly to Directors and Executive Officers since FY2018, and biannually to the Board of Directors since FY2019.

The Company has made efforts to disclose information in a timely, appropriate and fair manner pursuant to the Information Disclosure Code. The Company has appropriately managed insider information pursuant to the Rules on the Management of Internal Information.

## 2. Capital Structure

Foreign Shareholding Ratio	10% or more and less than 20%
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### Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
Sumitomo Chemical Co., Ltd.	205,634,000	51.76
The Master Trust Bank of Japan, Ltd. (Trust account)	39,494,400	9.94
Custody Bank of Japan, Ltd. (Trust account)	15,797,600	3.98
Inabata & Co., Ltd.	9,782,000	2.46
Nippon Life Insurance Company	7,581,756	1.91
SMBC Trust Bank Ltd. (Trust account for Sumitomo Mitsui Banking Corporation's retirement benefits)	7,000,000	1.76
Sumitomo Life Insurance Company	5,776,000	1.45
Sumitomo Pharma Employee Shareholders' Association	3,136,704	0.79
BNYM AS AGT/CLTS NON TREATY JASDEC	3,098,919	0.78

Aioi Nissay Dowa Insurance Co., Ltd.	2,661,430	0.67
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Name of Parent Company, if applicable	Sumitomo Chemical Co., Ltd. (Listed Stock Exchange: Tokyo Stock Exchange) (Code: 4005)
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Supplementary Explanation

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- 1) The 7,000,000 shares of the Company, which are held by SMBC Trust Bank Ltd. (Trust account for Sumitomo Mitsui Banking Corporation's retirement benefits) and which were contributed by Sumitomo Mitsui Banking Corporation, were placed in a retirement benefit trust account.
- 2) The shareholding ratios were calculated after deducting the treasury stocks (608,365 shares).

### 3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market (Tokyo Stock Exchange)
Fiscal Year-End	March
Business Sector	Pharmaceuticals
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more and fewer than 50

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

Sumitomo Chemical Co., Ltd. is the parent company holding 51.78% (as of March 31, 2023) of the voting rights of the Company.

In the case where the Company conducts 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 from the viewpoint of enhancing the corporate value of the Company. With respect to the Company's significant transactions, etc. with its parent company or any subsidiary of the parent company (excluding the Company and its subsidiaries) (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 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. It is set forth in the Basic Policy that the Board of Directors shall respect recommendations from the Supervisory Committee for Conflict of Interests in Transactions between Group Companies.

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. In addition, the Company has made a short-term loan to the parent company. The Company has set the relevant terms and conditions for the loan so that the interests of the Company will not be harmed. For example, a reasonable rate for the interest rate was set while taking the market interest rate into account.

## 5. Other Special Circumstances which May have Material Impact on Corporate Governance

Sumitomo Chemical Co., Ltd. is the parent company of the Company. However, the Company secures a certain level of independence from the parent company, and engages in business activities based on its own management judgments without any restrictions from the parent company (such as prior approval by the parent company).

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Corporate Governance System	Company with Audit & Supervisory Board*
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\*Referred to in the Corporate Governance Code reference translation as "Company with *Kansayaku* Board"

### Directors

Number of Directors Stipulated in Articles of Incorporation	The maximum number is not stipulated (three (3) or more Directors).
Directors' Term of Office Stipulated in Articles of Incorporation	1 year (expire at the conclusion of the Annual Shareholders' Meeting held for the last business year that ends within one (1) year from their election).
Chairperson of the Board	President and CEO
Number of Directors	9
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	4

### Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Saeko Arai	From another company											
Nobuhiro Endo	From another company								△			
Minoru Usui	From another company											
Koji Fujimoto	Academic								○		○	

\*Categories for "Relationship with the Company"

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit & Supervisory Board Member compensation from the Company

- g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- i. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- j. Person who executes business for an entity receiving contributions from the Company (applies to self only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Saeko Arai	<p>Independent Director</p> <p>None.</p>	<p>Ms. Arai has extensive experience as a corporate executive, having engaged in 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 sustainable 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.</p> <p>As the Company has determined that she meets the Independence Criteria stipulated by the Company and is unlikely to have conflicts of interest with general shareholders, she has been designated as an Independent Director.</p>
Nobuhiro Endo	<p>Independent Director</p> <p>Mr. Endo is the executive advisor of NEC Corporation, and the Company has had transactions with NEC. However, the annual amount of such transactions is less than the amount specified in the Independence Criteria stipulated by the Company.</p>	<p>Mr. 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 sustainable 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.</p> <p>As the Company has determined that he meets the Independence Criteria stipulated by the Company and is unlikely to have conflicts of interest with general shareholders, he has been designated as an Independent Director.</p>
Minoru Usui	<p>Independent Director</p> <p>None.</p>	<p>Mr. 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 sustainable growth of the Group and increase of its corporate value using his knowledge and experience, while</p>



		<p>supervising the management from an independent and objective standpoint as an Outside Director.</p> <p>As the Company has determined that he meets the Independence Criteria stipulated by the Company and is unlikely to have conflicts of interest with general shareholders, he has been designated as an Independent Director.</p>
Koji Fujimoto	<p>Independent Director</p> <p>Mr. Fujimoto is a specially appointed professor at Tokyo Medical and Dental University, and the deputy director/senior URA of the Open Innovation Center of the Institute of Research Innovation of the said University. The Company has had transactions with and made donations to the said University. However, the annual amounts of such transactions and donations are both less than the amounts specified in the Independence Criteria stipulated by the Company.</p>	<p>Mr. Fujimoto has served in various responsible positions at the Ministry of Economy, Trade and Industry and the Cabinet Secretariat, and has a wide range of knowledge and extensive experience which he has acquired in the course of the development and promotion of healthcare industry policies. He has been appointed as an Outside Director in the expectation that he will be able to contribute to the management for the sustainable 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.</p> <p>As the Company has determined that he meets the Independence Criteria stipulated by the Company and is unlikely to have conflicts of interest with general shareholders, he has been designated as an Independent Director.</p>

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Compensation Committee	5	0	1	4	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination and Compensation Committee	5	0	1	4	0	0	Outside Director

Supplementary Explanation

The Company has 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 on matters such as the nomination of the candidates for the Directors and the Audit & Supervisory Board Members, and decisions on the remuneration of the Directors. The Nomination and Compensation Committee consists of the following five

members, the majority (four members) of which being Independent Outside Directors, and the chairperson being appointed from the Independent Outside Directors, placing importance on the independence of the Nomination and Compensation Committee. It is set forth in the Basic Policy that the Board of Directors shall respect recommendations from the Nomination and Compensation Committee.

(Composition of the Nomination and Compensation Committee)

Chairperson: Saeko Arai (Outside Director)  
 Member: Nobuhiro Endo (Outside Director)  
 Minoru Usui (Outside Director)  
 Koji Fujimoto (Outside Director)  
 Hiroshi Nomura (Representative Director, President and CEO)

In FY2022, the Nomination and Compensation Committee held seven meetings and deliberated various matters including the appointment of Representative Directors and Directors with special titles, candidates for Directors and Audit & Supervisory Board Members, candidates for Executive Officers, the policy for appointing successors of the President and CEO and other positions, the policy for determining remuneration for Directors, and individual remuneration for respective Directors. The attendance rate of the members was 89%.

### Audit & Supervisory Board Members\*

\*Referred to in the Corporate Governance Code reference translation as "*kansayaku*"

Establishment of Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	The maximum number is not stipulated. (three (3) or more Audit & Supervisory Board Members).
Number of Audit & Supervisory Board Members	5

#### Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

The Audit & Supervisory Board Members cooperate and collaborate closely with the Internal Auditing department by holding a meeting once a month, in principle, among others, to hear reports on the audit system, the audit plans and the audit implementation status as well as to exchange opinions. In addition, the Audit & Supervisory Board Members and the Audit & Supervisory Board actively set up opportunities for the exchange of information and opinions with the Accounting Auditor, such as holding regular meetings at the beginning of the fiscal year and the closing of the quarterly accounting period and other meetings as necessary.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	2

#### Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yoshio Iteya	Lawyer										o			



		<p>financial policies, and also as an attorney. He has been appointed as an Outside Audit &amp; Supervisory Board Member in the expectation that he will be able to contribute to the auditing of the Group using his expertise.</p> <p>As the Company has determined that he meets the Independence Criteria stipulated by the Company and is unlikely to have conflicts of interest with general shareholders, he has been designated as an Independent Audit &amp; Supervisory Board Member.</p>
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## Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

Number of Independent Directors and Independent Audit & Supervisory Board Members	6
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### Other Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

The Company has defined the Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members as described below, and considers Outside Directors and Outside Audit & Supervisory Board Members who meet such criteria to be independent.

#### <Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members>

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

- (1) Persons who have the Company as their major business partner (meaning persons who received payments from the Company for products or services in an amount that exceeds, in any of their last three (3) fiscal years, two percent (2%) of their consolidated annual revenue or consolidated annual net sales), or persons executing the business operations thereof (meaning an "executive" as defined in Article 2, paragraph 3, item (vi) of the 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 yen or more, except for the remuneration of the Directors or the Audit & Supervisory Board Members, in any of their last three (3) fiscal years (or those persons who belong to corporations, associations or any other entity, which received from the Company monetary consideration or other properties of one hundred (100) million yen or more in any of their last three (3) fiscal years);
- (4) Persons who received from the Company any donation or grant of ten (10) million yen or more in any of their last three (3) fiscal years (or those persons who belong to corporations, associations or any other entity, which received from the Company any donation or grant of one hundred (100) million yen or more in any of their last three (3) fiscal years);
- (5) Persons who fall under either of (i) and (ii) below in any of the past ten (10) years;
  - (i) Persons executing the business operations of the parent company of the Company (including directors who are not persons executing the business operations, and including audit & supervisory board members in cases where it must be determined whether Outside Audit & Supervisory Board Members meet these independence criteria); or
  - (ii) 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 (i) to (iii) below (excluding persons other than persons with important positions (Note 2));
  - (i) Persons who fall under any of (1) to (5) above;

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

(iii) Persons who were persons executing the business operations of the Company or any subsidiary of the Company in any of the past three (3) years (including directors who are not persons executing the business operations in cases where it must be determined whether Outside Audit & Supervisory Board Members meet these independence criteria).

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

(Note 2) Persons with important positions mean the directors (excluding outside directors), executive officers, department 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.

## Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of Performance-linked Remuneration Scheme

Supplementary Explanation for Applicable Items

Please see the section titled "Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof" below.

## Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

Disclosure for Selected Directors

Supplementary Explanation for Applicable Items

The Company has disclosed the total amount of remuneration and the like, the total amount of remuneration and the like by type, and the number of officers concerned, according to the category of officers, in the business report and the annual securities report.

The Company has disclosed the amounts of remuneration of selected Directors in the annual securities report pursuant to applicable laws and regulations.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

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 sustainable growth and enhancing the corporate value of the Group. Part of the base remuneration is the remuneration to be contributed to the Sumitomo Pharma Officers Shareholders' Association for the purpose of acquiring shares of the Company. The Directors continue to hold the shares they acquire through the said Association 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.

Remuneration for the Outside Directors consists of base remuneration only, 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 and performance-linked remuneration (bonuses) according to each position, such as Representative Director. The ratios of the base amount of the base remuneration and the performance-linked remuneration (bonuses) of the Directors (excluding Outside Directors) are set to be 70% for the base remuneration and 30% for the performance-linked remuneration (bonuses), with respect to the total amount of the remuneration (when the performance-linked elements described in (2) below and individual performance are all considered standard). 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 as indicators the "core operating profit," which was set as a profit indicator showing recurring profitability of a company within the Group and serves as an original performance management indicator; "R&D results" which are the base of the business activities of the Group and important to its continuous growth; and "operating cash flow" which serves as the investment fund for R&D and related activities. 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). Among the performance-linked elements, a target of 58.5 billion yen was set for "core operating profit" for FY2022, and the result was 16.4 billion yen. With respect to "operating cash flow" for FY2022, a target was set as 16.7 billion yen, and the result was 11.9 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, President and CEO, the Representative Director, President and CEO shall determine the same, respecting and in accordance with the recommendation made by the Nomination and Compensation Committee to the Board of Directors.

Upon the delegation by the Board of Directors, Representative Director, President and CEO Hiroshi Nomura, 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 FY2022, 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 above policy.

### Support System for Outside Directors and/or Outside Audit & Supervisory Board Members

The Corporate Governance department provides support for the Outside Directors and Outside Audit & Supervisory Board Members.

The secretariat of the Board of Directors provides explanations to the Outside Directors in advance, on matters to be submitted to the Board of Directors.

Also, the Company has assigned a full-time staff member who assists the Audit & Supervisory Board Members including the Outside Audit & Supervisory Board Members for performing their audit duties effectively and

efficiently. The staff plays a role as the secretariat of the Audit & Supervisory Board, engages in matters specially assigned by the Audit & Supervisory Board Members, and provides the Outside Audit & Supervisory Board Members with relevant information necessary for performing their duties effectively and efficiently.

## Statutes of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/CEO ended	Term
Masayo Tada	Honorary Advisor	External activities (business organizations, etc.)	No distinction of full or part time, and without remuneration.	June 23, 2022	Until March 2026

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) After Retiring as Representative Director and President, etc. 1

### Other Related Matters

- The Honorary Advisor will not attend the Global Management Committee, etc., and will not get involved in the decision-making of the management.
- The appointment of the Honorary Advisor was resolved by the Board of Directors.
- The "Date when former role as president/CEO ended" in the "Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc." is the date on which Mr. Masayo Tada retired as a Member, Board of Directors and Chairperson of the Board of the Company. Mr. Tada retired as a Representative Director on March 31, 2021.

## 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

The Company has adopted an executive officer system under the Board of Directors to separate management supervision from business execution.

The Board of Directors consists of nine members (including one female Director), including four Independent Outside Directors (the chairperson: President and CEO). The Board of Directors holds a meeting once a month, in principle, and resolves and reports on material business matters (18 meetings were held in FY2022: The attendance rate of the Outside Directors was 100%).

The Audit & Supervisory Board consists of five members (including one female Audit & Supervisory Board Member), including three Outside Audit & Supervisory Board Members. Audit & Supervisory Board Member Hisayoshi Kashima has a considerable amount of knowledge in finance and accounting affairs, having served in responsible positions of the department of finance and accounting of the Company for many years. Audit & Supervisory Board Member Daishiro Michimori has a considerable amount of knowledge in finance and accounting affairs, having served in various responsible positions at the Ministry of Finance and as the Regional Commissioner of the Tokyo Regional Taxation Bureau. 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 (13 meetings were held in FY2022: The attendance rate of the Outside Audit & Supervisory Board Members was 100%).

Meetings of the Nomination and Compensation Committee, which is a consultative body to the Board of Directors, are held as necessary to review matters such as those related to the nomination of the candidates for the Directors and Audit & Supervisory Board Members and the remuneration of the Directors, and the Nomination and Compensation Committee provides the recommendations to the Board of Directors. The Nomination and Compensation Committee consists of five members, the majority (four members) of which being Independent Outside Directors, and the chairperson being appointed from the Independent Outside Directors.

The Company has 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 the Parent Company's Group are fair and reasonable and help protect the interest of minority shareholders of the Company. The meetings are held as necessary. The Supervisory Committee for Conflict of Interests in Transactions between Group Companies consists of all the Independent Outside Directors, and the chairperson is appointed from among the members by mutual vote of the members (One meeting was held in FY2022: The attendance rate of the members was 100%).

The Global 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.

In addition, 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.

The Audit & Supervisory Board consists of five members, including three Outside 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, the members audit the implementation status of the internal control system, while attending key business meetings, including those of the Board of Directors, and monitoring legality and appropriateness of management decisions by the Directors, by holding meetings with the Representative Directors on a regular basis, receiving reports from the Directors and employees on the status of the execution of their duties, requesting additional explanations as necessary, reviewing important approval documents and taking other necessary actions. In addition, each member strives to establish an appropriate environment in order to enhance the effectiveness of audit practices by 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. 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.

Accounting audits are conducted by KPMG AZSA LLC, under the audit agreement. The certified public accountants who engaged in the accounting audits for FY2022 are Mr. Daisuke Harada, Mr. Hiroyuki Matano and Mr. Masato Tateishi. Mr. Daisuke Harada has been in charge of audit of the Company for five years, Mr. Hiroyuki Matano for three years, and Mr. Masato Tateishi for five years, respectively. A total of 26 persons, including, in addition to the above three certified public accountants, eight certified public accountants and 15 accountants who work as assistants, engage in audit work.

The Company has established the Internal Auditing department, which reports directly to the Representative Director, President and CEO of the Company (11 persons as of March 31, 2023). 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.

Pursuant to Paragraph 1 of Article 427 of the Companies Act, the Company has entered an agreement regarding liability for damages (the "Limited Liability Agreement") with the four Outside Directors and the three Outside Audit & Supervisory Board Members to limit their liability for damages under circumstances where they acted in good faith and were not grossly negligent in performing their respective duties. The Limited Liability Agreement provides for a total maximum liability of 10 million yen or any amount stipulated by the relevant laws and regulations, whichever is higher.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company has elected the organizational structure of a "Company with an Audit & Supervisory Board" and has appointed Independent Outside Directors 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 Independent Outside Directors strive to fulfill their expected roles in decision making at the meeting of the Board of Directors and supervision of conflicts of interest and other matters. The Independent Outside Directors strive to collect information necessary to perform 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 the Audit & Supervisory Board Members. The Outside Directors appropriately cooperate and collaborate with the other Outside Directors, the Outside Audit & Supervisory Board Members, the Accounting Auditor and the Internal Auditing department, as necessary.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	The Company sends the notice approximately one week earlier than the statutory time limit, which is two weeks prior to the date of the Shareholders' Meeting. Date of the Most Recent Shareholders' Meeting: June 27, 2023 Date of Sending the Notice of Convocation: June 1, 2023 Date of Posting the Notice of Convocation on the Company's website: May 30, 2023
Scheduling of the General Shareholders Meeting During Non-Peak Days	The Company schedules the Shareholders' Meeting to avoid the date on which shareholders' meetings are expected to be most concentrated.
Electronic Exercise of Voting Rights	Since the Annual Shareholders' Meeting held in 2009, the Company has adopted electromagnetic means as methods to exercise voting rights.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	Since the Annual Shareholders' Meeting held in 2009, the Company has participated in the electronic voting platform operated by ICJ Inc.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The Company posts an English translation of the notice of convocation on the Company's website together with the Japanese version two days prior to the day on which the notice is sent.
Other	The Company has made sincere efforts to vitalize the Shareholders' Meeting, such as providing video presentations and narration of the business report and other reports during the meeting. Details of the results of resolutions on proposals at the Shareholders' Meeting are submitted in an extraordinary report and posted on the Company's website.

#### 2. Status of IR-related Activities

Supplementary Explanation	Explanation by a representative director or a representative executive officer

Formulation and Publication of Disclosure Policies	<p>The Company has prescribed its Basic Stance on Information Disclosure (disclosure policy) in the Information Disclosure Code as follows.</p> <p>“In accordance with the policy stated in our Declaration of Conduct, we at Sumitomo Pharma proactively disclose information to the public and, under the recognition of the importance of transparency in earning society’s trust, we work to disclose our corporate information in a timely, appropriate, and fair manner to our stakeholders.”</p> <p>In addition, the Company has prescribed in the same Code, matters such as the standards for information disclosure, procedures of disclosure, handling of material non-public information, as the Stance on Information Disclosure, which has been posted on the Company’s website.</p> <p>(Website)  <a href="https://www.sumitomo-pharma.com/ir/managerial_policy/d_policy/">https://www.sumitomo-pharma.com/ir/managerial_policy/d_policy/</a></p>	
Regular Investor Briefings held for Individual Investors	The Company held meetings for individual investors every year, but due to the COVID-19 pandemic, the Company held an online meeting by an Executive Officer in charge one time in FY2022.	Not held
Regular Investor Briefings held for Analysts and Institutional Investors	The Company held biannual meetings, each following the close of the six-month and full-year operation periods, where the Company presented the financial results and R&D status updates, among others. At the time of the announcement of the first and third quarter financial results, the Company held web meetings. The Company held the ESG (environmental, social and governance) Meeting (for opinion exchange, with the participation of the President and CEO and Outside Directors as panelists) in December 2022. In April 2023, the Mid-term Business Management Plan 2027 Presentation was held. Small meetings of analysts, institutional investors and the President and CEO have been regularly held, and individual meetings with institutional investors have been held by the President and CEO multiple times, and by personnel in charge of IR as the need arises.	Held
Regular Investor Briefings held for Overseas Investors	The Company undertakes regular visits to foreign shareholders. The Company also dubs the meetings and web meetings held in Japan into English (including the Q&As) and makes them available on its website. The Company also takes part in small meetings arranged by securities firms for foreign investors. Individual meetings have been held by personnel in charge of IR as the need arises.	Held
Online Disclosure of IR Information	The Company posts materials of presentations for investors (including video and audio streaming and transcripts), financial results summaries and supplementary materials, press releases, Integrated Reports, Fact Books, annual securities reports, notices of convocation for the Shareholders’ Meeting, and notices of resolutions among others. (Presentation materials, etc.)	

	<a href="https://www.sumitomo-pharma.com/ir/library/presentation/">https://www.sumitomo-pharma.com/ir/library/presentation/</a> (Information for shareholders and investors) <a href="https://www.sumitomo-pharma.com/ir/">https://www.sumitomo-pharma.com/ir/</a>
Establishment of Department and/or Placement of a Manager in Charge of IR	The Public & Investor Relations Group of Corporate Communications is in charge.

### 3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	<p>The Company has prescribed the Declaration of Conduct for cultivating corporate culture which gives due respect for the rights and position of stakeholders as well as corporate ethics. The Declaration has been posted on the Company's website.</p> <p>(Website)  <a href="https://www.sumitomo-pharma.com/profile/principles/">https://www.sumitomo-pharma.com/profile/principles/</a></p>
Implementation of Environmental Preservation Activities and CSR Activities, etc.	<p>The Company considers it to be the "Sustainability Management" to contribute to the realization of a sustainable society and thereby making a sustainable increase of its corporate value through the pursuit of its Mission. The Company has identified material issues of the Sustainability Management from the viewpoint of the expectation from society and the impact on the increase of its corporate value, and raised "development of innovative products and healthcare solutions" as its most important material issue. The Company also established targets and KPIs for respective material issues.</p> <p>With respect to issues related to sustainability, such as the environment, human rights and health of employees, the status of implementation of measures regarding such issues is regularly reported to the Board of Directors, and active discussions take place from the perspective of enhancing corporate value over the mid to long term.</p> <p>As environmental conservation activities, the Company announced its goal of reducing Scope 1 and 2 emissions (greenhouse gas (GHG) emissions by the Company associated with its business activities) to zero by FY2050, prepared a roadmap to achieve the goal, and enhanced its targets for Scope 1 and 2 emissions for FY2030. In addition, the Company set new targets for Scope 3 emissions (GHG emissions by other companies associated with the business activities of the Company). In April 2022, the Company disclosed relevant information based on the Task Force on Climate-related Financial Disclosure (TCFD) recommendations (response to climate change) on the Company's website. In FY2022, the Company has deepened its efforts by integrating management of climate change risks/opportunities into the risk management promotion system which comprehensively manages risks of the Company.</p> <p>As activities for promoting respect for human rights, the Company established and enforced the "SMP Group Human Rights Policy" in March 2022, as a basic policy for efforts to be made by the Group to respect human rights. Thereafter in September 2022, the Rules for Promotion of Respecting Human Rights, which stipulate systems and procedures for appropriately promoting respect for human rights, including the establishment of the secretariat, were established and enforced. Under this system for promoting respect for human rights, the Company, as part of human rights due diligence, started evaluation of human rights risks of the Group and conducted e-training targeting all employees in December 2022 with the aim of disseminating this system and related efforts.</p> <p>Information regarding specific examples of measures taken regarding material issues is available in the Integrated Report issued every year as well as on the Company's website.</p> <p>(Integrated Report)  <a href="https://www.sumitomo-pharma.com/ir/library/annual">https://www.sumitomo-pharma.com/ir/library/annual</a>          (Sustainability site)  <a href="https://www.sumitomo-pharma.com/sustainability">https://www.sumitomo-pharma.com/sustainability</a>          (TCFD)</p>

		<a href="https://www.sumitomo-pharma.com/sustainability/environment/tcf.html">https://www.sumitomo-pharma.com/sustainability/environment/tcf.html</a> (Human Rights) <a href="https://www.sumitomo-pharma.com/sustainability/human_rights">https://www.sumitomo-pharma.com/sustainability/human_rights</a>
Formulation of Policies, etc. Provision of Information to Stakeholders	of on of to	The Company has prescribed its Basic Stance on Information Disclosure in the Information Disclosure Code as described below, which has been posted on its website: "In accordance with the policy stated in our Declaration of Conduct, we at Sumitomo Pharma proactively disclose information to the public and, under the recognition of the importance of transparency in earning society's trust, we work to disclose our corporate information in a timely, appropriate, and fair manner to our stakeholders." (Website) <a href="https://www.sumitomo-pharma.com/ir/managerial_policy/d_policy/">https://www.sumitomo-pharma.com/ir/managerial_policy/d_policy/</a>
Other		<<Ensuring Diversity in the Company and Ensuring Diversity in the Promotion to Core Human Resources, etc.>> The Company believes that in order to achieve its Mission it is essential that respective employees make the most of their abilities without regard to their attributes such as gender and nationality or disabilities. Therefore, the Company proactively supports the growth of its employees and is committed to develop an environment where they can fully display their abilities. Information regarding specific measures and the status of implementation is available in the Integrated Report issued every year as well as on the Company's website. (Integrated Report) <a href="https://www.sumitomo-pharma.com/ir/library/annual">https://www.sumitomo-pharma.com/ir/library/annual</a> (Website) <a href="https://www.sumitomo-pharma.com/sustainability/social/diversity_inclusion.html">https://www.sumitomo-pharma.com/sustainability/social/diversity_inclusion.html</a>  With respect to support for the active participation by women, the Company considers that achieving a ratio of men and women among its management positions equal to the ratio among its employees serves as one yardstick. The Company aims to increase the numbers of female employees who continue to work through life events such as marriage and childbirth and of female employees who are promoted to management positions. The percentage of women in management positions is steadily rising. The Company has achieved its target to increase the percentage of women in management positions to 10% by December 2020, ahead of schedule, in April 2019. In April 2023, such percentage was 14.4%. Currently, the Company has set a target of making such percentage 20% or higher by FY2027, and continues to foster female employees to serve in management positions through various opportunities such as seminars for training female leaders. At the same time, the Company has a target for the percentage of male employees who take childcare leave (for at least five consecutive business days) at 100%, and aims to create an environment which further supports respective employees to successfully balance their work and life. The Company strives to gain personnel with high capacity and diverse experience without regard to their attributes such as gender and nationality or disabilities, and is proactively conducting mid-career recruitment in accordance with the needs from relevant departments. In addition, the Company introduced the Professional Human Resources System in FY2016, and has designated, among executive employees, those who deliver excellent results based on their capacity in organization management as PMs (Professional Managers: the management position/management professionals), and those who create value based on their high level of expertise as PCs (Professional Contributors: professionals of respective duties). In designating the titles of PMs and PCs, the Company considers that the most important factor is that relevant employees have the level of abilities and expertise that is appropriate as professionals. Therefore, the Company does not have any fixed targets for the percentages of foreign nationals and persons employed in mid-career, in management positions. As of April 2023, in management positions, the percentage of foreign nationals was 0.3% and the percentage of the mid-career hired employees was 13.0%. The Company operates an extensive system that surpasses the statutory requirements as necessary, in terms of length of terms that the employees may obtain as childcare leave and family care leave, as well as various shorter work-hour systems which have been enhanced. The Company has also introduced the following various systems to support employees to successfully balance their work and life beyond their work without regard to gender and to

provide an environment where the use of such systems will not be affected by the status of their family life:

- MR region selecting system under which MRs are transferred upon their marriage to enable them to live with their spouse, or the region in which they work is limited during the child-caring period (started in April 2016)
- Work-at-home system that employees can use without restriction on reason for use and location of work (started in October 2017)
- Same-sex partnership system, which provides equal treatment for same-sex partners and spouses (started in April 2020)
- Increase in the number of days (from five to 10 days) that are not deducted in the calculation of both salaries and bonuses for all employees who take childcare leave (started in April 2021)

As a result of such efforts, the Company received the following certifications:

- a 3-star “Eruboshi” (highest rank) for the excellent status of implementation of its efforts, etc. in encouraging participation and career advancement of women
- “Platinum Kurumin” for the excellence of its efforts to promote support for child rearing
- “Gold” in the PRIDE Index for its efforts for LGBTQ (in 2020, 2021 and 2022)

<<Investment in Human Capital>>

While cultivating a corporate culture where each employee independently works on developing their own abilities, the Company proactively supports the growth of employees and is committed to develop an environment where they can fully display their abilities. Such efforts include a career grade-specific training program for future leaders, a training program to enhance English proficiency aiming to foster global human resources, and a DX personnel training aiming to develop personnel who resolve various issues through digital transformation.

Information regarding specific measures and the status of implementation is available in the Integrated Report issued every year as well as on the Company’s website.

(Integrated Report)

<https://www.sumitomo-pharma.com/ir/library/annual>

(Website)

[https://www.sumitomo-pharma.com/sustainability/with\\_employee/education.html](https://www.sumitomo-pharma.com/sustainability/with_employee/education.html)

<<Investment in Intellectual Property>>

The Company proactively invests profits gained from business activities in R&D with a target R&D expenses-to-revenue ratio of up to 20%. The Company is acquiring rights to inventions, etc. created in R&D activities in a proactive and strategic manner and is securing competitive advantage for its business.

Information regarding specific R&D expenses and their transition is available in the Integrated Report issued every year, and information regarding activities related to intellectual property rights is available on the Company’s website.

(Integrated Report (Financial Highlights))

<https://www.sumitomo-pharma.com/ir/library/annual>

(Website)

[https://www.sumitomo-pharma.com/sustainability/innovative\\_medicines\\_medical\\_solutions/intellectual\\_property.html](https://www.sumitomo-pharma.com/sustainability/innovative_medicines_medical_solutions/intellectual_property.html)

## IV. Matters Concerning the Internal Control System

### 1. Basic Views on Internal Control System and Status of Development

The Company passed a resolution for and has been implementing the basic policy for establishment of a system to ensure the appropriateness of the business operations.

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

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

#### 2. System for the Maintenance and Management of Information Concerning the Execution of Duties by the Directors of the Company

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

#### 3. Rules and Other Systems Regarding the Management of the Risk of Loss of the Company

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

#### 4. System to Ensure Efficient Execution of Duties by the Directors of the Company

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

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

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

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

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

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

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

- ① The subsidiaries shall develop systems to promote risk management in accordance with the types of their business and the characteristics of risks and shall conduct appropriate risk management.
- ② The Company shall govern risk management of the subsidiaries in general, and shall take necessary measures such as giving advice and instructions.

③ The Company shall develop necessary systems to promote risk management for risks the Group should cross-functionally address and shall enhance the Group's risk management.

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

① The subsidiaries shall develop an appropriate system to promote compliance.

② The Company shall enhance compliance by the subsidiaries by periodically holding meetings, such as committee meetings, related to compliance, which the subsidiaries participate in.

③ The department that is in charge of the internal audit of the Company shall audit the status of compliance by the subsidiaries, and shall appropriately report to the President and CEO and the Executive Officer for Compliance of the Company.

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

① The Company shall ensure its independence and shall develop an autonomous internal control system, while respecting the group operation policy of Sumitomo Chemical Co., Ltd., the parent company.

② The Company shall appropriately conduct transactions with the parent company by ensuring the fairness and rationality of transactions.

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

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

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

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

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

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

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

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

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

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

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

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

① The Company shall periodically hold meetings between the Audit & Supervisory Board Members and the Representative Directors, between the Audit & Supervisory Board Members and the department which is in charge of the internal audit, and among the three parties of the Audit & Supervisory Board Members, the department which is in charge of the internal audit and the Accounting Auditor.

② If there is any request from the Audit & Supervisory Board Members regarding their duties, the Company shall respect such request and shall respond to such request in a timely and appropriate manner.

7. Elimination of Anti-Social Forces

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

## 2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The Company specifies in its Declaration of Conduct to cut off all relationships with anti-social forces, which threaten the order and safety of civil society, and promotes the elimination of such forces through measures including working to raise the awareness of employees through in-house seminars and other activities and concluding a memorandum of agreement regarding the elimination of anti-social forces with its business partners. With the Corporate Governance as the department in charge of the Company's response, the Company strives to improve its ability for response by strengthening cooperation with corporate defense councils and the National Center for the Elimination of Boryokudan.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation for Applicable Items

As the Company has the parent company, no special measure is currently taken.

### 2. Other Matters Concerning the Corporate Governance System

<<Overview of System for Timely Disclosure>>

Pursuant to the Information Disclosure Code that prescribes such matters as standards and procedures for disclosing information, the Company discloses corporate information in a timely, appropriate and fair manner. The system for timely disclosure of information is prescribed as follows:

#### (1) Disclosure of Decisions

The decisions, set forth in the rules of the Tokyo Stock Exchange for timely disclosure (the "Timely Disclosure Rules"), are immediately disclosed as soon as such decisions are made by the Board of Directors or other decision making bodies (including decision making bodies of subsidiaries). The details of the matters to be disclosed are determined by the Vice President, Head of Corporate Communications, upon discussion with heads of other relevant departments.

#### (2) Disclosure of Facts Which Occurred

The facts which occurred, set forth in the Timely Disclosure Rules, are promptly disclosed after the occurrence of the said facts. The details of the matters to be disclosed are determined by the Vice President, Head of Corporate Communications, upon discussion with heads of other relevant departments.

#### (3) Disclosure of Account Settlement Information

The account settlement information, set forth in the Timely Disclosure Rules, is immediately disclosed after the resolution of the Board of Directors. The details of the matters to be disclosed are discussed by the Vice President, Head of Corporate Communications, the Vice President, Head of Global Corporate Strategy, and the Vice President, Head of Finance & Accounting. The details of the matters to be disclosed relating to financial result summaries and other related matters are determined by the Vice President, Head of Finance & Accounting, and revision of financial forecasts and dividend forecasts and other related matters are determined by the Vice President, Head of Global Corporate Strategy, respectively.

#### (4) Information Other Than Information to be Timely Disclosed

The Company discloses information necessary for stakeholders to correctly understand the Company in principle. The necessity of disclosure and the details and time of disclosure are determined by the Vice President, Head of Corporate Communications, upon discussion with heads of other relevant departments.



[Framework of the Corporate Governance System]

