

April 24, 2015

Sumitomo Dainippon Pharma Co., Ltd.

Sumitomo Dainippon Pharma Revises Its Basic Policy on Internal Control System

Sumitomo Dainippon Pharma Co., Ltd. (Head Office: Osaka, Japan; President: Masayo Tada; Securities Code: 4506, First Section of TSE) announces that its board of directors today passed a resolution to revise the Company's "Basic Policy on Internal Control System" effective May 1, 2015.

Purpose:

To reflect the changes newly introduced into the Companies Act and the Ordinance for Enforcement of the Companies Act with effect starting on May 1, 2015.

Revisions:

The Basic Policy will now be called "Basic Policy for the Development of Internal Control System" and will consist of the following paragraphs:

Basic Policy for Developing the Internal Control System

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

- ① The Company shall establish the Compliance Standard and shall take measures to fully disseminate its corporate ethics in order to further ensure daily compliance pursuant to the Declaration of Conduct.
- ② As a system to promote compliance, the Company shall establish the Compliance Committee, in which the Executive Officer for Compliance will serve as the chairperson, and the Compliance Committee Secretariat, and shall appoint department leaders as compliance promotion leaders.
- ③ The Company shall periodically hold meetings of the Compliance Committee, and shall keep track of the status of promoting compliance. The Compliance Committee shall appropriately provide a summary of the status to the Board of Directors.

- ④ The Compliance Committee shall formulate and carry out the annual policy of education and training for the Directors and employees.
- ⑤ The Company shall establish a compliance hotline inside and outside the Company that will serve as a window for reporting and consulting matters related to compliance. The Company shall not adversely treat persons who have reported or consulted such matters on the basis that they made such reports or consultation.
- ⑥ The Company shall establish a department that is in charge of internal audit. The department shall audit the status of compliance, and shall appropriately report to the President and the Executive Officer for Compliance.

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

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

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

- ① The Company shall establish the Regulations for Risk Management Promotion and the Risk Management Committee, in which the President will serve as the chairperson, and shall formulate the annual policy on risk management.
- ② Based on the annual policy on risk management, the Company shall formulate, carry out and evaluate risk management programs.
- ③ In order to minimize any effects of an emergency, which is likely to materially affect the management or business activities of the Company, the Company shall establish the Rules for Emergency Response and secure the continuity of management and business.

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

- ① The Company shall establish internal regulations such as the Regulations of the Board of Directors, the Regulations of Duties and Authority, and the Regulations for Division of Duties, and shall clarify the rules regarding duties and authority, division of duties and decision making.

- ② The Company shall aim to realize speedy and efficient management by introducing an executive officer system.
- ③ The Company shall aim to promote speedy and efficient decision making by introducing an electronic approval system.

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

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

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

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

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

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

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

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

- 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 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 (3) 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.

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