

August 30, 2016

Sumitomo Dainippon Pharma Co., Ltd.

**Sumitomo Dainippon Pharma announces offering an Early Retirement Program to Japanese Employees and Reduction in Executive Remuneration**

The Board of Directors of Sumitomo Dainippon Pharma Co., Ltd. (Head Office: Osaka, Japan; President: Masayo Tada; Securities Code: 4506, First Section of TSE) resolved today to offer an early retirement program, as detailed below.

1. Reason for offering an early retirement program

Fiscal 2017 marks the final year in the five-year term of the company's third Mid-term Business Plan. As a result of the strong encouragement for the use of generic drugs in Japan, there has been a significant downturn in sales of the long-listed brands in Japan at a speed exceeding that envisaged when the third Mid-term Business Plan was originally drawn up. In addition, sales in the strategic products have not grown as expected, and the strengthening of the company's domestic business base has therefore become an urgent priority. The numerical targets in the third Mid-term Business Plan were revised in May this year in response to these changing conditions. Meanwhile, the North America business achieved sales revenue of 1 billion dollars in fiscal 2015 for the atypical antipsychotic agent LATUDA<sup>®</sup>, but the exclusivity period for that drug will expire in 2019.

In light of these conditions, and with a view to building highly efficient operating structures for our domestic business into the future, there is a need to achieve optimal number of personnel in line with corporate earnings. It is on this basis that the Board of Directors has now resolved to offer an early retirement program.

2. Scope of the program for early retirement

- (1) Eligibility: Employees aged 45 and older with at least five years' continuous service as of November 30, 2016 (some exemptions)
- (2) Number of applications sought: Not specified
- (3) Application period: From September 26 to October 14, 2016
- (4) Effective date of retirement: November 30, 2016
- (5) Preferential conditions: A special retirement benefit will be paid in addition to the normal retirement benefit. Re-employment support services will also be provided on request.

3. Future outlook

The company plans to record payment for the special retirement benefits arising from this early retirement program as an extraordinary loss in the fiscal year ending March 2017, but as the number of applicants and total payment amounts are not known at this stage, the projected

impact on business performance will be announced at a later date.

In addition, in order to underline management responsibility for implementation of this early retirement program, remuneration for the company's Directors and Executive Officers will be reduced as follows.

(1) Scope of reduction:

- Directors (excluding Outside Directors): 20% reduction in monthly remuneration
- Executive Officers (all except 2): 10% reduction in monthly remuneration

(2) Period of reduction: From October 2016 to March 2017 (six months)

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