

September 27, 2017

Sumitomo Dainippon Pharma Co., Ltd.

**Sumitomo Dainippon Pharma announces offering an Early Retirement Program to Japanese Employees**

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**

In Japan, as the strong encouragement for the use of generic drugs has had a negative impact on sales of our long-listed brands and sales of our strategic products have not grown as expected, it has become an urgent priority to strengthen the company's domestic business base. Meanwhile, the North America business achieved sales revenue of more than 1.2 billion dollars in fiscal 2016 for the atypical antipsychotic agent LATUDA<sup>®</sup>, however the exclusivity period for that drug will expire in 2019.

In light of these circumstances, and with a view toward building highly efficient operating structures for our domestic business into the future, it is necessary to achieve an optimal number of personnel in line with our corporate earnings. It was on this basis that in August 2016 the company offered an early retirement program to its employees in Japan, except for those affiliated with the Manufacturing Division. Now that we have better visibility of the integration of all manufacturing functions of the Ibaraki Plant (Ibaraki, Osaka) into the Suzuka Plant (Suzuka, Mie) and the transfer of production at the Ehime Plant (Niihama, Ehime) in time for its closure, the Board of Directors has resolved to offer another early retirement program to employees affiliated with the Manufacturing Division as well.

**2. Scope of the program for early retirement**

- (1) Eligibility: Employees affiliated with the Manufacturing Division as of September 1, 2016 who are aged 45 or older with at least five years' continuous service as of March 31, 2018 (some exceptions)
- (2) Number of applications sought: Not specified
- (3) Application period: From November 15 to December 15, 2017
- (4) Effective date of retirement: March 31, 2018
- (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 31, 2018 (fiscal 2017). Please note that the consolidated financial forecasts for fiscal 2017 announced on July 28, 2017 factored in a certain amount of business structure improvement expenses as an extraordinary loss. Since the number of applicants to that program and the total amounts to be paid in the form of special retirement benefits are unknown at this stage, however, the projected impact on business performance will be announced at a later date.

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