

December 26, 2014

Sumitomo Dainippon Pharma Co., Ltd.

Sumitomo Dainippon Pharma Announces Reorganization of Production Sites

Osaka, Japan, December 26, 2014 - Sumitomo Dainippon Pharma Co., Ltd. (Head Office: Osaka, Japan; President: Masayo Tada; Securities Code: 4506, First Section of TSE) announced today that the Company will reorganize its four production sites in Japan into two with a view to establishing a robust business management structure to respond flexibly to the changes in the business environment.

1. Objectives and an outline of the reorganization

Business environment for R&D-based pharmaceuticals manufacturers like Sumitomo Dainippon Pharma is becoming increasingly challenging, reflecting the healthcare cost reduction policies such as encouraged use of generic medicines and NHI price reduction of long-listed brands. One of the five basic strategies of our Third Mid-term Business Plan is to “establish a robust revenue base in Japan” to address such changes in business environment. From various angles, we examined measures to make our production system in Japan more stable and efficient to be capable of responding more flexibly to swings in production volumes and in this way maintain and improve our cost competitiveness.

As a result of this study, we have concluded that the best way forward is to integrate the entire productive functions of Ibaraki Plant (Ibaraki, Osaka) into Suzuka Plant (Suzuka, Mie) by fiscal year 2020 and to close Ehime Plant (Niihama, Ehime) by fiscal 2018 through outsourcing of the products currently produced there. We are hopeful that these measures will make our production system in Japan more efficient and bring down the production costs.

Sumitomo Dainippon Pharma will continue to pursue higher management efficiency and be a leaner and stronger pharmaceuticals company.

2. The reorganization plans

(1) Integration of productive functions of Ibaraki Plant and Suzuka Plant

The production of products currently done in Ibaraki Plant will be transferred stepwise to Suzuka Plant (and some of the products outsourced to third parties) with a target date of completion of this process in fiscal year 2020.

(2) Closure of Ehime Plant

The products Ehime Plant currently produces will be outsourced to third parties and Ehime Plant will be closed with a target date of completion in fiscal year 2018.

(3) Relocation of employees

In connection with the planned reorganization, the Sumitomo Dainippon Pharma employees currently working at Ibaraki Plant and Ehime Plant will be relocated, in principle, to Suzuka Plant,

based on the Company's belief that offering uninterrupted employment opportunities is a top priority matter.

(4) Production sites in Japan after the reorganization

The Company owns and operates Oita Plant, its core plant for active pharmaceutical ingredients. After the completion of productive function integration between Ibaraki Plant and Suzuka Plant and the complete closure of Ehime Plant, the Company's productive activities will be made in two plants (Suzuka and Oita) instead of present four.

3. Impact on business results

The planned integration of the productive functions of Ibaraki Plant and Suzuka Plant and the closure of Ehime Plant are expected to reduce the Company's overall production costs, which will be quantified in due course of time. An impairment loss of 5,128 million yen will be recognized as an extraordinary loss in the accounts for the third quarter of fiscal 2014 (October – December 2014) with respect to the productive facilities and other fixed assets of Ehime Plant as a result of reduction of the book value to the nominal residual value. This impairment loss has been taken into consideration in the consolidated financial forecasts for the year ending March 2015 that the Company publicly announced on October 30, 2014.

(Reference information)

About Ibaraki Plant

1. Location: 3-45, Kurakakiuchi 1-chome, Ibaraki, Osaka
2. Inaugurated in: 1962
3. Employees: 521 (as of December 1, 2014)

About Ehime Plant

1. Location: 5-1, Sobiraki-cho, Niihama, Ehime
2. Inaugurated in: 1985
3. Employees: 72 (as of December 1, 2014)

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