

SUMITOMO CHEMICAL's Subsidiary Agreed on Strategic Alliance with Roivant Sciences—JCR will Pay Attention to Impact on the Group's Financial Structure

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement that Sumitomo Dainippon Pharma Co., Ltd., which is a wholly-owned subsidiary of SUMITOMO CHEMICAL COMPANY, LIMITED (security code: 4005) had entered into memorandum of understanding with respect to strategic alliance with Roivant Sciences Ltd. in UK.

- (1) Sumitomo Dainippon Pharma Co., Ltd. ("Sumitomo Dainippon Pharma") announced today that it has entered into memorandum of understanding with respect to strategic alliance with Roivant Sciences Ltd. ("Roivant") in UK. The two companies will continue to conduct necessary due diligence and engage in mutual consultations as required as they work toward the conclusion of a legally binding definitive agreement by the end of October 2019. Sumitomo Dainippon Pharma will acquire Roivant's interests in 5 of its subsidiaries and over 10% of Roivant shares, if an official agreement is entered into. Along with consideration for acquisition of Roivant's pharma-related technology platform and others, it is assumed that Sumitomo Dainippon Pharma will pay USD 3 billion (approximately 320 billion yen) in total to Roivant.
- (2) Sumitomo Dainippon Pharma's core LATUDA for the treatment of bipolar depression symptoms will contribute to the profit for the time being because of the obtaining of patents for the formulations and uses. It is expected that the generic drugs will enter into the market in and after 2023, and thus it is necessary to take measures after the end of sales exclusivity. If this strategic alliance is realized, Sumitomo Dainippon Pharma will acquire many pipelines which will be approved by FY2022 and will become a blockbuster. The alliance can lead to the SUMITOMO CHEMICAL Group's growth over the medium and long term including post-LATUDA assets. The consideration, however, far exceeds cash and deposits on hand of Sumitomo Dainippon Pharma as of the end of the 1st quarter of the fiscal year ending March 2020. If the payment is made, the SUMITOMO CHEMICAL Group's interest-bearing debt may also increase. Going forward, JCR will confirm and carefully examine the progress of the consultations and financing method by Sumitomo Dainippon Pharma, impact on the Group's financial structure, and so on to be reflected in the rating.

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<Reference>

Issuer: SUMITOMO CHEMICAL COMPANY, LIMITED

Long-term Issuer Rating: A+ Outlook: Positive

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