

SUMITOMO CHEMICAL's Subsidiary Proposes to Make Myovant Sciences a Wholly-Owned Subsidiary—JCR Will Watch Future Developments and Impact on Group Performance and Finances

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the proposal by Sumitomo Pharma Co., Ltd. (security code: 4506), a consolidated subsidiary of SUMITOMO CHEMICAL COMPANY, LIMITED (security code: 4005), to acquire additional outstanding shares of Myovant Sciences Ltd. ("Myovant").

- (1) On October 3, Sumitomo Pharma announced that it has made a proposal to Myovant, in which it holds a 52% stake through its wholly owned subsidiary Sumitovant Biopharma Ltd. ("Sumitovant"), to acquire all outstanding shares not already owned by Sumitovant and make Myovant a wholly owned subsidiary. The consideration for the transaction, if the proposal is followed, is USD 22.75 per Myovant share, based on which the equity value is USD 2.4 billion and the enterprise value is USD 2.5 billion, and the transaction is subject to approval by a majority of minority shareholders in addition to approval by Myovant's directors and others. In December 2019, Sumitomo Pharma concluded a strategic alliance agreement with UK-based Roivant Sciences ("Roivant"), and in the process made Myovant a consolidated subsidiary. Subsequently, Myovant has developed and is currently marketing Orgovix, a therapeutic agent for advanced prostate cancer, and Myfembree, a therapeutic agent for fibroids and endometriosis, in the United States. Myovant has issued a press release stating its reluctance to agree on this proposal, and at this stage it is undecided whether an agreement will be reached.
- (2) If an agreement on the proposal is reached, the SUMITOMO CHEMICAL Group will be able to strengthen its pharmaceutical business base in North America, and will be able to control the outflow of profit growth associated with the sales expansion of Orgovix and Myfembree to outside the Group. The termination of the exclusivity period for Latuda, the mainstay of the pharmaceuticals, is coming in February 2023, and as a countermeasure against it, it is also considered to be significant in terms of the Group's business strategy. If Sumitomo Pharma raises funds externally to finance the acquisition to make Myovant a wholly owned subsidiary, it is inevitable that the Group's financial structure will deteriorate commensurately. However, SUMITOMO CHEMICAL's consolidated financial structure, which temporarily deteriorated after the alliance with Roivant, has been steadily improving. In addition, its equity capital stood at 1.3 trillion yen as of the end of the first quarter of fiscal year ending March 2023, indicating that it has a reasonable risk endurance. Therefore, JCR does not believe that there is any need to immediately revise rating on SUMITOMO CHEMICAL as a result of this announcement. JCR will confirm the consequences of this proposal and its impact on the Group's performance and finances, and will reflect them in its rating.

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<Reference>

Issuer: SUMITOMO CHEMICAL COMPANY, LIMITED

Long-term Issuer Rating: A+ Outlook: Stable

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