

Revision of Mid-term Business Plan 2022 in Light of Changes in Business Environment

Formulation of Mid-term Business Plan 2022

Sumitomo Pharma believes that the pharmaceutical industry is facing a “Time for Change” when the establishment of non-conventional new business models is imperative to adapt to diversifying healthcare needs that include not only the creation of innovative new drugs but also making preventative medical care more widely available and contributing to global health. In April 2019, we formulated our Vision and the five-year Mid-term Business Plan 2022 (fiscal 2018 to fiscal 2022) starting in fiscal 2018 based on this belief in order to solve social issues in a changing healthcare area.

Sumitomo Pharma set a vision of becoming a global leader in our three research focus areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine/Cell Therapy, as well as working on Frontier business where we expect synergies with development of pharmaceuticals and the pharmaceutical business, with the aspiration to establish a position as a “Global Specialized Player” in 2033.

Moreover, in order to adapt to the Time for Change ahead of the post-LATUDA situation (after the expiration of the exclusivity period for atypical antipsychotic LATUDA® in the U.S.), we indicated that Sumitomo Pharma will work to rebuild the business foundation through the “establishment of growth engine” and the “building of flexible and efficient organization.”

Positioning of the revision of Mid-term Business Plan 2022

Under the Mid-term Business Plan 2022, Sumitomo Pharma has been working to rebuild the business foundation. However, there have been significant changes in the medium- to long-term business outlook, including events such as the discontinued development of napabucasin for pancreatic cancer, which had been expected to be a revenue driver post-LATUDA. As a result of these changes, we decided to form a strategic alliance with Roivant Sciences Ltd. Through this strategic alliance, our group has acquired relugolix and vibegron, which are expected to become major products as a revenue base for the time being, and we have also been working to develop best in class* pharmaceuticals with a focus on the value of these products.

We also discontinued development of SB623 and dasotraline and revised sales forecasts downwards for new products launched in North America, including Lonhala® Magnair® for chronic obstructive pulmonary disease (COPD) and KYNMOBI® for treatment of Parkinson’s Disease OFF episodes. In addition, the environment has changed significantly with acceleration of measures to curb drug costs in Japan, China, and the U.S. among other factors.

In light of these circumstances, Sumitomo Pharma revised the financial targets of Mid-term Business Plan 2022 in May 2021.

* Best in class: There are existing drugs, but new drugs that have a clear advantage over the existing drugs.

Vision and aim for 2033 (Updated October 2019)

Vision

For Longer and Healthier Lives
We unlock the future with cutting-edge technology and ideas

Position we aspire to establish in 2033

Global Specialized Player

Aspire to establish a position as a “Global Specialized Player” with ability to meet increasingly diversified needs for healthcare in 2033

Pharmaceuticals + Solutions

Medicine /
Cell Therapy



Healthcare
Solutions
(Frontier business)

Global leader in 3 areas

Psychiatry &
Neurology

Oncology

Regenerative /
Cell

Best in class
focused on value

Mid-Term Business Plan 2022: Rebuild Business Foundation

- Establishment of growth engine → P.42
- Building of flexible and efficient organization → P.57

Acceleration of our growth by strategic alliance with Roivant

- Driver of sustained growth after LATUDA® LOE
- Innovative change to new business model based on data technology of DrugOME and Digital Innovation

Revision of financial goals and future outlook

Forecasts for fiscal 2022 (vs. Mid-term Business Plan 2022)

Revenue has been revised downward by 50 billion yen, but excluding the factor of increased revenue due to yen depreciation, revenue will actually decrease by 90 billion yen, mainly due to the fact that market penetration of new products in North America is taking longer than was expected in the revised Mid-term Business Plan 2022 due to the impact of COVID-19 and other factors. Core operating profit has been revised downward to 30 billion yen, although we plan to record “other operating income” due to the sale of priority review vouchers and other profit improvement measures, because of the significant impact of the decrease in gross profit due to the decline in sales revenue.

Regarding fiscal 2023 and beyond

The exclusivity period of LATUDA®, an atypical antipsychotic that accounts for about 40% of the Group's revenue, will end in February 2023 in the U.S. This will have a significant negative impact on profits due to the decrease in revenue, and core operating profit may be in the red in fiscal 2023. However, we will work to compensate for this by expanding sales of new products, strengthening our business foundation, and pursuing greater efficiency. Details will be clarified in the next Mid-term Business Plan (fiscal 2023-fiscal 2027), which is currently being formulated.

Difference between the forecast for fiscal 2022 and the Mid-term Business Plan 2022 financial targets

	Financial Forecast for FY2022	Mid-term Business Plan 2022 Financial Targets (Revised May 2021)
Revenue	¥550 billion	¥600 billion
Core operating profit	¥30 billion	¥60 billion
ROIC	0.7%	3%
ROE	3.6%	3%
Exchange rate against the U.S. dollar	¥125	¥110

Revenue (diagram prepared in May 2021)

