

February 12, 2021

Sumitomo Dainippon Pharma Co., Ltd.

Sumitomo Dainippon Pharma Announces Revisions to Its Financial Forecasts

Sumitomo Dainippon Pharma Co., Ltd. (Head Office: Osaka, Japan; Representative Director, President and CEO: Hiroshi Nomura; Securities Code: 4506, First Section of TSE) announced today that it has revised the consolidated financial forecasts that were announced on October 28, 2020 for the year ending March 31, 2021 (fiscal 2020), as summarized below, taking the Group's recent business performance trends, the outcome of napabucasin Phase 3 study for colorectal cancer announced on February 9 and other factors into consideration.

1. Revisions to the Forecasts of Consolidated Financial Results for the Year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Revenue	Core operating profit	Operating profit	Net profit	Net profit attributable to owners of the parent	Basic earnings per share
Previous Forecasts (A)	506,000	47,000	58,000	21,000	42,000	¥105.71
Revised Forecasts (B)	515,000	63,000	49,000	9,000	27,000	¥67.96
Variance in amount (B – A)	9,000	16,000	(9,000)	(12,000)	(15,000)	
Variance in percent (%)	1.8	34.0	(15.5)	(57.1)	(35.7)	
[Reference] Previous year (Year ended March 31, 2020)	482,732	71,982	83,239	35,918	40,753	¥102.58

Note: Core operating profit is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors, including changes in fair value of contingent consideration, impairment losses, and business structure improvement expenses.

2. Reasons for the revisions

Revenue is now expected to be 515.0 billion yen, up by 9.0 billion yen from the previous forecast, as sales of LATUDA® (atypical antipsychotic) remain strong in the North America segment, despite some revenue erosion caused by the strong yen.

Core operating profit is now expected to be 63.0 billion yen, up by 16.0 billion yen from the previous forecasts. This is a result of an expected increase in gross profit due to revenue growth, and an expected decrease in selling, general and administrative expenses and R&D expenses, primarily owing to the yen's appreciation.

Operating profit has been revised to 49.0 billion yen, down by 9.0 billion yen from the previous forecasts. This is mainly because we expect to post a reversal of expenses under changes in the fair value of contingent consideration and impairment losses, following a failure to meet the primary endpoint in the analysis results of the Phase 3 study of napabucasin for colorectal cancer. The revision also reflects the re-evaluation of business viability for alvocidib and TP-0903, which

are under development for acute myeloid leukemia (AML) and others, and solid tumors, respectively.

The forecast for net profit has been revised to 9.0 billion yen, down by 12.0 billion yen from the previous forecasts, as anticipated forex losses under finance costs. Net profit attributable to owners of the parent has been revised to 27.0 billion yen, down by 15.0 billion yen from the previous forecasts due to decrease in losses attributable to non-controlling interests.

In the revisions, we have changed our assumption of the yen-dollar exchange rate (yearly average) for the year ending March 31, 2021, from 108.0 yen to 106.0 yen.

Please refer to the attached reference material for details of the revision of the forecasts.

Disclaimer Regarding Forward-looking Statements

The statements made in this press release contain forward-looking statements based on management's assumptions and beliefs in light of information available as of the day of this release, which involve both known and unknown risks and uncertainties. Actual results of those matters covered in the forward-looking statements including financial forecast may differ materially from those contained in this release, due to a number of factors.

Contact:

Corporate Communications

Sumitomo Dainippon Pharma Co., Ltd.

TEL: +81-6-6203-1407 (Osaka); +81-3-5159-3300 (Tokyo)

Appendix

Financial Forecasts for FY2020 (Core Basis)



Billions of yen

	FY2020 Oct. 28 forecasts	FY2020 Revised forecasts	Change	FX impact
Revenue	506.0	515.0	9.0	(5.4)
Cost of sales	141.0	138.5	(2.5)	(2.2)
Gross profit	365.0	376.5	11.5	(3.2)
SG&A expenses	215.0	212.5	(2.5)	(2.6)
R&D expenses	103.0	101.0	(2.0)	(1.4)
Core operating profit	47.0	63.0	16.0	0.8
Changes in fair value of contingent consideration (negative number indicates loss)	(4.0)	26.0	30.0	
Other non-recurring items (negative number indicates loss)	15.0	(40.0)	(55.0)	
Operating profit	58.0	49.0	(9.0)	
Income tax expenses	36.0	34.0	(2.0)	
Net profit	21.0	9.0	(12.0)	
Net profit attributable to owners of the parent	42.0	27.0	(15.0)	
R O E (%)	7.7	5.2		
R O I C (%)	1.2	3.1		

FX rates:

FY20 Previous forecasts : 1US\$ = ¥ 108.0, 1RMB = ¥15.5

FY20 Revised forecasts : 1US\$ = ¥ 106.0, 1RMB = ¥15.5

Revised full-year forecasts considering Q3 performance trend and future outlook

- **Revenue** revised up by ¥9.0b mainly in North America segment
 - Sunovion revised upward ¥8.7b
 - Sumitovant revised upward ¥2.4b
 - Included a part of revenue from the collaboration with Pfizer and sales of ORGOVYX™
- **SG&A and R&D expenses** revised down from progress until Q3 and revised FX rate
- Expect **cost reversal** ¥26.0b from decrease in fair value of contingent consideration, impairment loss ¥55.0b on IPR&D and other expenses, by reflecting the outcome of napabucasin Phase 3 study for colorectal cancer and business viability of alvocidib and TP-0903
- **FX rate** assumption revised due to stronger yen

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Appendix

Segment Information (Core Basis)



Billions of yen

	Pharmaceuticals Business					Other Business	Total	
	Japan	North America	China	Other Regions	Subtotal			
Revised forecasts FY2020	Revenue (Sales to customers)	151.2	283.2	27.3	17.3	479.0	36.0	515.0
	Cost of sales	77.4	22.8	5.3	5.5	111.0	27.5	138.5
	Gross profit	73.8	260.4	22.0	11.8	368.0	8.5	376.5
	SG&A expenses	51.0	144.4	8.8	2.8	207.0	5.5	212.5
	Core segment profit	22.8	116.0	13.2	9.0	161.0	3.0	164.0
	R&D expenses					100.0	1.0	101.0
	Core operating profit				61.0	2.0	63.0	
Oct. 28 forecasts FY2020	Revenue (Sales to customers)	153.3	272.1	27.7	16.9	470.0	36.0	506.0
	Cost of sales	79.1	23.9	5.4	5.1	113.5	27.5	141.0
	Gross profit	74.2	248.2	22.3	11.8	356.5	8.5	365.0
	SG&A expenses	52.0	146.1	8.5	2.9	209.5	5.5	215.0
	Core segment profit	22.2	102.1	13.8	8.9	147.0	3.0	150.0
	R&D expenses					102.0	1.0	103.0
	Core operating profit				45.0	2.0	47.0	
Change	Revenue (Sales to customers)	(2.1)	11.1	(0.4)	0.4	9.0	—	9.0
	SG&A expenses	(1.0)	(1.7)	0.3	(0.1)	(2.5)	—	(2.5)
	Core segment profit	0.6	13.9	(0.6)	0.1	14.0	—	14.0
	R&D expenses					(2.0)	—	(2.0)
	Core operating profit					16.0	—	16.0

- **Japan segment:** Revenue down, profit up since revised down sales of Trulicity® (¥2.8b), LONASEN® (¥1.3b) and expected further reduction in SG&A expenses
- **North America segment:** Profit revised upward due to anticipated higher sales (LATUDA® ¥9.1b) despite negative impact of FX rate, and reduced SG&A expenses
- **China segment:** Both revenue and profit down due to decrease in MEROPEN® (¥0.4b)

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Revenue of Major Products in Japan



Billions of yen

	FY2020 Oct. 28 forecasts	FY2020 Revised forecasts	Change
Equa [®] /EquMet [®]	40.5	40.5	—
Trulicity [®] *	36.6	33.8	(2.8)
TRERIEF [®]	17.0	17.0	—
REPLAGAL [®]	13.7	13.7	—
METGLUCO [®]	8.8	9.2	0.4
AmBisome [®]	4.0	3.7	(0.3)
LATUDA [®]	2.2	2.2	—
LONASEN [®] Tape	2.5	1.2	(1.3)
Promoted products Total	125.3	121.3	(4.0)
AMLODIN [®]	6.1	6.4	0.3
SUREPOST [®]	3.5	4.0	0.5
AG products	7.2	7.7	0.5
Others	11.2	11.8	0.6
Total	153.3	151.2	(2.1)

■ Revised down Trulicity[®], LONASEN[®] Tape, etc. affected by COVID-19

■ Revised up long-listed products based on progress until Q3

Note: Sales of each product are shown by invoice price (* Trulicity[®] is shown by NHI price)

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Appendix

Revenue of Major Products in North America & China



	FY2020 Oct. 28 forecasts	FY2020 Revised forecasts	Change	FY2020 Oct. 28 forecasts	FY2020 Revised forecasts	Change
North America	Million \$			Billions of yen		
LATUDA [®]	1,843	1,963	120	199.0	208.1	9.1
BROVANA [®]	275	280	5	29.7	29.7	—
APTIOM [®]	228	234	6	24.6	24.8	0.2
LONHALA [®] MAGNAIR [®]	28	19	(9)	3.0	2.0	(1.0)
XOPENEX [®]	43	40	(3)	4.6	4.2	(0.4)
KYNMOBI [™]	10	10	—	1.1	1.1	—
Sunovion Others	55	66	11	6.1	7.2	1.1
Sumitovant	37	60	23	4.0	6.4	2.4
Total	2,519	2,672	153	272.1	283.2	11.1
China	Million RMB			Billions of yen		
MEROPEN [®]	1,452	1,426	(26)	22.5	22.1	(0.4)
Others	335	335	—	5.2	5.2	—
Total	1,787	1,761	(26)	27.7	27.3	(0.4)

■ **North America:** Revised upward in spite of FX impact (¥5.4b) by stronger yen

- LATUDA[®] revised up
- LONHALA[®] MAGNAIR[®] revised down from current trend
- Sumitovant included a part of revenue from the collaboration with Pfizer (¥2.3b*) and sales of ORGOVYX[™]

■ **China:** MEROPEN[®] revised down from current situation

* Upfront received from Pfizer, net of certain costs, will be recorded as revenue after deferred over 6 years

FX rates:

FY20 Previous forecasts : 1US\$ = ¥108.0, 1RMB = ¥15.5
FY20 Revised forecasts : 1US\$ = ¥106.0, 1RMB = ¥15.5

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