Mitsubishi Tanabe Pharma Corporation

Revision to Consolidated Financial Forecasts for Fiscal Year Ending March 31, 2019

April 24, 2019

Eizo Tabaru
Member of the Board, Managing Executive Officer

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Revision to Financial Forecasts for FY2018

■ Revision to Consolidated Financial Forecasts for Fiscal Year Ending March 31, 2019

Billion yen

	Previous forecast* (A)	Revised forecast (B)	Difference (B-A)	Percentage change (%)	(Reference) Results of the previous year (FY2017)
Revenue	435.0	424.5	-10.5	-2.4	433.8
(Royalty revenue, etc.)	(69.8)	(63.0)	(-6.8)		
(Radicava)	(31.5)	(27.0)	(-4.5)		
Core operating profit	70.0	55.5	-14.5	-20.7	78.5
(R&D expenses)	(84.5)	(86.5)	(2.0)		
Operating profit	67.0	50.0	-17.0	-25.4	77.2
Profit attributable to owners of the Company	47.0	37.0	-10.0	-21.3	57.9

*The Company announced full year forecasts on May 9, 2018.

■ Dividends Forecast

There is no change to the year-end dividend forecast from 28 JPY per share announced on May 9, 2018. (Annual dividend of 56 JPY per share)

Revenue Recognition of Gilenya Royalty

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As MTPC announced on February 20, 2019 in our “Mitsubishi Tanabe Pharma Received Notice of Request for Arbitration,” MTPC is currently in the arbitration proceedings with Novartis Pharma AG (hereinafter "Novartis"), and among the GILENYA® Royalty amounts that MTPC is going to receive from Novartis, MTPC has decided not to recognize some of those amounts, which correspond to the clauses in the 1997 License Agreement of which Novartis has protested the validity, as our revenue because such payments do not satisfy one of the requirements under IFRS15, *i.e.*, “Revenue under contract with customers,” which requires a payment to be made because “the parties to the contract acknowledge the contract, and each signing party is committed to fulfilling the obligations.”

Future Forecasts of Gilenya Royalty

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With regard to the “GILENYA® Royalty” amounts, during the period of the arbitration proceedings, among the "GILENYA® Royalty" amounts that MTPC is going to receive from Novartis, MTPC will continue the accounting practice of not recognizing those amounts which correspond to the clauses in the 1997 License Agreement of which Novartis has protested the validity as sales revenue, as MTPC does in fiscal year 2018.

In addition, at the announcement of financial results for the fiscal year ending in March 2019, which is scheduled on May 10, 2019, MTPC is planning on disclosing the consolidated business forecast for the fiscal year ending in March 2020. Regardless of the disclosed amounts, MTPC maintains it is entitled to receive the full royalty amounts due according to the 1997 License Agreement with Novartis, and MTPC will rigorously pursue its rights in the arbitration.

As for the amounts among the “GILENYA® Royalty” amounts which will not be recognized as sales revenue, those will be recognized as revenue at the end of the arbitration, depending on the outcome of the arbitration.

Radicava:
Sales in the US (Actual／Expected)

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Deviation of the expected

Full year : Forecast 31.5 ／ Expected 27.0 **[Billion yen]**

Reason : **RADICAVA did not reach the expected number of newly administered patients in the U.S.**

[Billion yen]

FY2018 Revenue	1H FY2018		2H FY2018	
Forecast	14.1		17.4	
Actual／Expected	13.9		13.1	
Number of Patients	Q1	Q2	Q3	Q4
Cumulative	2,850	3,190	3,500	3,760
Continuous administration (approximately)	2,000	2,000	1,900	1,900

NeuroDerm Products Impairment Test Results (1)

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n Background

We have been discussing with the U.S. Food and Drug Administration (FDA) regarding the development plan for ND0612, NeuroDerm's **development candidate, and we reached a general agreement with the FDA.**

n Revision in Development Plan

- **In our original plan, we were considering backing up "test to clarify drug efficacy and usage" (P3 test, approved in fiscal year 2021), in addition to the main scenario where we obtain U.S. approval in fiscal year 2019 by "PK test with existing drugs."**

- **In our development plan after review, we will conduct the P3 test in the above. We plan to submit our application in fiscal year 2021 simultaneously in the U.S. and Europe and obtain approval in fiscal year 2022 based on the data from long-term safety tests.**

(There is no change from the development plan schedule incorporated in the midterm review and publication from last November)

n Conclusion

MTPC conducted an impairment test for intangibles related to NeuroDerm products and did not observe any impairment.

NeuroDerm Products Impairment Test Results (2)

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n Situation that includes the main premise

We included the latest market research and changes due to acquisition.

<Negative Factors>

- **We have taken into account the delay in the application period and the associated increase in development costs.**
- **Although we expected drug prices to rise steadily, we re-evaluated given the recent situation of competitor products.**

<Positive Factors>

- **Although we set an exclusion period in consideration of the risk of launching similar products that avoided formulation patents, but we re-evaluated such risk to be unlikely.**
- **The discount rate (rebate) was revised based on the latest market research.**

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Cautionary Statement

The statements contained in this presentation is based on a number of assumptions and belief in light of the information currently available to management of the company and is subject to significant risks and uncertainties.