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Press release

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Formulation of the Medium-Term Management Plan 16-20: Open Up the Future

Mitsubishi Tanabe Pharma Corporation (President & Representative Director, Masayuki Mitsuka) has formulated the “Medium-Term Management Plan 16-20: Open Up the Future,” which covers the period to fiscal 2020.

1. Overview of the Medium-Term Management Plan 16-20

Through the “Medium-Term Management Plan 11-15: New Value Creation,” which was formulated in 2011, Mitsubishi Tanabe Pharma bolstered the foundation of its stage for future growth. In Japan, the Company added seven new products to its lineup. Overseas, growth was recorded by out-licensed drugs—Gilenya[®], a multiple sclerosis treatment agent, and INVOKANA^{®*}, a type 2 diabetes mellitus treatment agent—and the royalty revenues from these products became a pillar of the Company’s earnings. In addition, the Company consolidated and reorganized a range of functions, including the research, manufacturing, and head office functions, and accelerated reforms targeting a strong management system.

Mitsubishi Tanabe Pharma has now formulated the “Medium-Term Management Plan 16-20: Open Up the Future,” which is based on the concept of further strengthening that foundation and targeting sustained growth by taking independent steps to open up the future.

The business environment in the domestic ethical drugs industry is changing rapidly, and initiatives limited to past business practices will not lead to the achievement of sustained growth. In the U.S., the world’s largest pharmaceutical market, we must rapidly build a foundation for sustained growth through in-house sales. Accordingly, we will aggressively implement business investment and R&D investment. In addition, in the domestic market, by strengthening IKUYAKU (Drug Fostering and

Evolution) and marketing, we will work to maximize value and enhance our presence in priority products and priority disease areas, such as the type 2 diabetes mellitus treatment agents Tenelia[®] and Canaglu^{®*}.

Mitsubishi Tanabe Pharma has identified four strategic priorities to Open Up the Future in the new medium-term management plan—Maximizing Pipeline Value, Strengthening IKUYAKU (Drug Fostering and Evolution) and Marketing, Accelerating U.S. Business Development, and Reforming Operational Productivity. On that basis, the Company will implement reforms to become a “company that works with a sense of speed and is the first to deliver differentiated value.”

*A type 2 diabetes mellitus treatment agent discovered by the Company and sold under the name INVOKANA[®] in the U.S. and Canaglu[®] in Japan.

(1) Name and Period

Name: Medium-Term Management Plan 16-20: Open Up the Future

Period: April 2016 - March 2021 (5 years)

(2) Key Concept

Open Up the Future

The operating environment in the pharmaceutical industry is undergoing dramatic change.

In this setting, we must steer our own course and implement reforms to become a “company that works with a sense of speed and is the first to deliver differentiated value.”

Open Up the Future

In accordance with this key concept, Mitsubishi Tanabe Pharma will open up the future of medicine.

We will continue to contribute to the healthier lives of people around the world through the creation of new pharmaceuticals.

2. Four Strategic Priorities to Open Up the Future

(1) Maximizing Pipeline Value: Creating Differentiated Value as Rapidly as Possible

<“R&D process reforms” & “Expansion of medical and discovery technologies”>

- We will expand discovery seeds by aggressively leveraging the open shared business through the in-licensing of discovery seeds and the implementation of collaboration with other organizations. In addition, we will utilize the optimal method for each candidate and shorten the period required until acquisition of POC. In these ways, we will create 10 candidates that will advance to late-stage development under this medium-term management plan.
- The Company's R&D areas have included autoimmune diseases and central nervous system diseases. In addition to these areas, we also focus on vaccines and orphan diseases and work to discover new drugs that address unmet medical needs. In these ways, we strive to further enhance our presence in areas in which we can leverage our strengths.
- Centered on our ability to discover drugs in-house, we will utilize new discovery technologies in such fields as next-generation therapeutic antibodies, protein pharmaceuticals, nucleic acid drugs, vaccines, and gas pharmaceuticals. In addition, by extending our focus into new types of medicine and discovery fields, such as regenerative medicine and preemptive medicine, we will expand drug discovery opportunities worldwide, with the U.S. market as our main target.

(2) Strengthening IKUYAKU (Drug Fostering and Evolution) and Marketing: Delivering Differentiated Value to Patients

<“Maximizing product value” & “Strengthening sales promotions”>

- We will aim to quickly launch drug candidates and to rapidly maximize post-marketing product value by aggressively conducting clinical research, with a focus on product lifecycle from the development stage. In the area of autoimmune diseases, we will work to maintain a No. 1 position through additional indications and additional dosages for existing priority products Remicade[®] and Simponi[®]. In the area of diabetes and kidney diseases, we will aim for a No. 1 presence by obtaining evidence and expanding sales channels for priority products Tenelia[®] and Canaglu[®]. In this way, we will strive to achieve consolidated domestic pharmaceutical sales of ¥300.0 billion by fiscal 2020, increase our new drugs and priority products sales ratio to 75%, and achieve further growth.
- By strengthening sales promotions, we will further enhance our specialized expertise in priority disease areas and advance area marketing. In this way, we will track needs in each area and

contribute to medical collaboration with major hospitals and primary care clinics.

(3) Accelerating U.S. Business Development: Build Foundation for Sustained Growth

<“Establishing operational foundation” & “Building product lineup”>

- In Japan, an additional indication for Radicut[®] (development code: MCI-186) for amyotrophic lateral sclerosis (ALS) was approved in June 2015. In the U.S., we will aim to rapidly obtain approval and launch MCI-186 in fiscal 2016. This will be our first step in acquiring approval for in-house products in the U.S., accordingly, it will be our highest priority.
- With MCI-186 as our first step, we will build a lineup of products for central nervous system diseases and orphan diseases and build a sales system focused on specialist physicians. In these ways, we will establish the necessary functions. To build a business foundation in the U.S., during the period covered by the medium-term management plan, we will invest more than ¥200.0 billion, including M&As. We will strive to achieve U.S. sales of ¥80.0 billion in 2020.
- In addition to drugs discovered in-house (including Medicago and Tanabe Research Laboratories U.S.A.), we will acquire drugs and drug candidates through a variety of collaborative relationships with academic institutions, venture companies, and pharmaceutical companies. In these ways, we will build up our product lineup in the U.S.

(4) Reforming Operational Productivity: Realizing a Corporate Culture with a Sense of Speed and Profit Structure

<“Cost reductions” & “Utilization of human resources”>

- We will continue to implement administrative process reforms, aiming for a consolidated domestic workforce of 5,000 employees. In addition, we will reduce costs and optimize the cost of sales. In these ways, by fiscal 2020, we will further reduce costs by a further ¥20.0 billion in comparison with fiscal 2015.
- We will work to increase productivity in research, development, MR activities, and medical science liaison activities. In addition, we will enhance the capabilities of employees in indirect departments. We will also strengthen our human resources in the U.S. to expand our business in that market. Furthermore, we will take steps to enhance career opportunities for a diverse range of employees, including fostering opportunities for women (diversity and inclusion).

3. Financial Guidance

	FY 2020 objectives	(Reference) FY 2015 forecasts
Net sales	¥500.0 billion	¥411.0 billion
Core operating income	¥100.0 billion	¥88.0 billion
Net income attributable to shareholders of the Company	¥70.0 billion	¥47.0 billion

R&D expenses	¥80.0 billion	¥70.0 billion
Overseas sales ratio	40%	25%

* Calculations in accordance with IFRS. (Fiscal 2015 forecasts have been recalculated on the same basis.)

4. Strategic Investment

The Company's basic policy calls for enhancing shareholder returns in a stable, ongoing manner while striving to increase enterprise value by aggressively implementing strategic investment and R&D investment with a focus on sustained growth. Under this medium-term management plan, the Company will pay dividends in accordance with profit growth over the medium to long term, with a target of 50% for the consolidated dividend payout ratio (IFRS).

End