

The Mochida Pharmaceutical Group's "16-18 Medium Term Management Plan"

This material is an English translation of the press release issued on April 1, 2016 in Japanese, and the Japanese release is given priority regarding content and interpretation.

April 1, 2016

Dear All,

Every year, Mochida Pharmaceutical Group (Mochida Pharmaceutical Co., Ltd., TSE: 4534, 1st Section) establishes its rolling three-year plan. We are pleased to present an overview of the Medium-term Management Plan for the fiscal years 2016 through 2018.

Medium-Term Management Plan Policy for the fiscal years 2016 through 2018

We will respond to medical and healthcare needs with concentration of the total power of the Group covering research and development, manufacturing and marketing, and we will restructure the earnings structure directed at sustainable growth by promoting selection and focusing processes.

The three years from FY2016 to FY2018 are forecasted to be even more challenging, given the continuing government policy of pharmaceutical cost reduction in the context of the need to secure stable financial resources for the social security system, the further promotion of generic drugs in the aim to raise the share of generic drug prescriptions to 80%, and movements in National Health Insurance (NHI) drug-price revision.

In order to be capable of responding to any change in our environment, Mochida Pharmaceutical Group strives specifically toward the following three key points:

- 1.Redistributing resources strategically through the selection and focusing processes
- 2.Focusing on sales of new drugs, etc. by enhancing sales capabilities
- 3.Making continuous investments to create next-generation leading products

We will proceed with selection and focusing in companywide organizational management, further promote structural reform, and enhance interdepartmental cooperation for the further improvement of productivity. We will also strategically maximize the productivity of our finite human, material, and financial resources, and actively seek collaboration with external resources at the same time.

Our core pharmaceutical business will focus its resources on the targeted areas of cardiovascular medicine, obstetrics and gynecology, dermatology, emergency medicine and psychiatry so as to further promote strategic alliances which stress the importance of lifecycle management and partnerships. We aim to increase the sales of Lexapro, an antidepressant, getting reinforcement of the approval for the additional indication of social anxiety disorder, to gain the largest share of antidepressants in the Japanese market. We have been challenging new medical fields such as the development of therapeutic drugs for pulmonary arterial hypertension (PAH) and ulcerative colitis, which are intractable diseases, and will work on biosimilar products and value-added products to further promote generic drug business with high business and strategic significance.

Aiming, in the long term, at specialty pharmaceuticals that will be recognized for the value of their existence also on a global scale, we are pursuing investment in business activities that will lead to future competitiveness in order to, for example, create next-generation leading products.

Mochida Pharmaceutical Group will strive to continually increase the corporate value as a group of

companies in the comprehensive healthcare business by taking full advantage of the agility and responsiveness of a mid-sized firm.

Up to now, we have announced the management target values of the final fiscal year in the Medium-term Management Plan period. However, due to the extreme difficulty in forecasting the impact of market environment changes, including the government policy of promoting generic drugs and NHI drug price revision, we have decided to defer the formulation and announcement of management target values for the final fiscal year.

This time, in place of the management target values for the final fiscal year, we announce the management target values for FY2016.

Management Target Values for 2016 (Consolidated):

Sales	91.0 billion yen
Operating income	7.0 billion yen
Research and development expenditures	15.0 billion yen
Productivity per worker	50 billion yen

[Reference]

1. Business Strategies

1) Pharmaceuticals

The Group will seek:

- To focus its resources on the targeted areas (cardiovascular medicine, obstetrics and gynecology, dermatology, emergency medicine and psychiatry), in order to become a specialty pharmaceutical company;
- To expand our products and development pipelines by maximizing the benefits of alliances;
- To build up our life cycle management to maximize values of development pipelines and current products;
- To promote customer-centered marketing and business strategies.

a) Development

The Group will seek:

To optimize organizational structuring and to allocate resources for accelerating drug development and improving accuracy, in close cooperation with our partners;

To aim at obtaining approval for an ulcerative colitis treatment drug MD-0901 (mesalazine), and the addition of drug indications to include adenomyosis to Dinagest (a treatment for endometriosis), and LBEC0101, a biosimilar of etanercept, which is a rheumatoid arthritis drug, during the 16-18 Medium-term Management Plan;

To work to file an application for the approval of the addition of drug indications to include functional dysmenorrhea to Dinagest (a treatment for endometriosis), during the 16-18 Medium-term Management Plan;

To promote the development of chronic constipation treatment drug AJG533, which has been newly added to our pipeline;

To promote the addition of drug indications and dosage forms to the drugs under development and products on the market;

To enhance the strategies for the introduction of the products in development so as to expand the pipeline in the fields in which we specialize, including internal medicine;

To introduce and develop high value-added products which meet the needs of medical professionals as well as customers;

To promote the development of biosimilars to follow filgrastim and etanercept;

To promote the development of dMD-001, an articular cartilage lesion restoration material created through industry-academia collaboration.

b) Marketing

The Group will seek:

To develop medical representatives (MRs) who can capably cover all targeted areas (cardiovascular medicine, obstetrics and gynecology, dermatology, emergency medicine and psychiatry), and to maintain and continue with the complement of 750 MRs;

To enhance sales capabilities through, among others, the positive use of e-promotion;

To further increase sales of Lexapro, a new antidepressant which has already received a highly favorable review and achieved considerable success in overseas markets, getting reinforcement of the approval for the additional indication of social anxiety disorder to strive to gain the largest share of antidepressants in the Japanese market;

To reinforce the areas of obstetrics and gynecology and dermatology with Dinagest and Beselna that have been reputed to be products offering new treatment options for medical professionals and contribute to the QOL of their patients;

To promote the appropriate use of Treprost for the treatment of pulmonary arterial hypertension (PAH), an intractable disease, by providing accurate information in a timely manner to medical professionals, based on the characteristics of the drug;

To further reinforce business in the areas of internal medicine/cardiovascular medicine with Tramcet (an analgesic for chronic pain/tooth extraction pain) that has been sold by joint sales;

To focus on Atedio (valsartan / cilnidipine combination) to maintain the presence of Atelec (a long-acting Ca-channel antagonist);

To aim at securely maintaining the prominence of Epadel, a drug for the treatment of hyperlipidemia, in the cardiovascular area through the maximum utilization of the abundant EBM-information obtained from JELIS (the world's first large-scale clinical trial of a highly purified EPA drug), etc. as well as any new EBM-information;

To expand sales of ulcerative colitis treatment drug MD-0901 (mesalazine) promptly after obtaining approval, to promote the drug into a key product;

To introduce products in which we specialize and create efficiency in sales activities;

To aim to achieve sales of more than 20 billion yen, mainly by Mochida Pharmaceutical Sales Co., Ltd., for our generic drug business including the sales of biosimilar filgrastim and generic

anticancer drugs;

To work toward increasing the prominence of the Epadel-OTC drug as a leader in the manufacture and sales of EPA drugs.

c) Pharmaceutical Research

The Group will seek:

To aim at licensing out candidate drugs for development at an early date, through the discovery of drugs that measure up to global standards;

To focus resources on two fields of “central nervous system diseases” and “diabetes and obesity” through selection and focusing process.

2) Mochida Pharmaceutical Plant Co., Ltd.

Mochida Pharmaceutical Plant will promote contract manufacturing business of medical products with high reliability and efficiency in response to diverse needs of our customers, using both state-of-the-art manufacturing facilities and leading-edge technologies that meet global standards. We will strengthen our commitment to maintain a stable supply of our products.

3) Mochida Healthcare Co., Ltd.

Since 1970, our skincare products business has promoted itself as an expert in basic skin care products for sensitive skin. Our success includes Skina Babe, a baby bath oil which enjoys the top market share, and the Collage series, a line of gentle basic skin products. Building upon its high rate of support and popularity among dermatologists, obstetricians and gynecologists, Mochida Healthcare will seek to expand sales of the Collage Furfur series (antimicrobial care products that contain an antimycotic agent), etc. and consolidate their brand image through strengthened marketing, and to further develop our market.

2. Promotion of restructuring and better awareness

Mochida Pharmaceutical Group promotes structural improvement of the entire group and better awareness by all employees of the group companies so as to eliminate every type of waste and inefficiency, and further enhance lean management style in order to respond to more difficult changes in the business environment and to ensure continued profitable growth.

a) Innovations toward independent and collaborative business units

Business units such as pharmaceuticals, pharmaceutical research, pharmaceutical manufacturing and skincare products are managed under the self-support accounting system with an awareness of the business environment of each unit and operational efficiency. In addition, the Group enhances the liaison among the units. Headquarters will also seek to further strengthen its functions as one of the Group's business units so as to improve the efficiency in organizational operation and enhance its corporate value.

b) Innovations toward boosting productivity

The Group will continue to review its personnel allocation, strategy, and utilization, from the viewpoint of development and vitalization of human resources, in accordance with the restructuring of the Group's management system.

The Group will promote better awareness among employees and continue to assist them in their efforts to develop competencies so as to enhance their performance. We will enhance interdepartmental cooperation in order to meet our target of increasing productivity by 10% through operational restructuring.

Disclaimer

- The target values contained in the Medium-term Management Plan and presented in this document are not forecasts; rather they are only intended to show the directions of the goals we aim to achieve.
- The information provided in this document contains some "forward-looking statements". These forward-looking statements are based on the judgments of the Company derived from the information available to us at this time, and include known and unknown risks and uncertain elements. Accordingly, the actual results may differ materially from these statements due to a variety of factors.
- These risks and uncertainties include general economic conditions in Japan and worldwide, such as general conditions in the industry and markets, interest rates and currency exchange rate fluctuations. The risks and uncertainties exist in forward-looking statements relating to products in particular. These product-related risks and uncertainties include, but are not limited to, technological advancements, granting of patents to our competitors, completion of clinical trials, claims or concerns relating to safety or efficacy of products, acquisition of approval from regulatory authorities, reform of health insurance systems inside and outside Japan, trends toward the containment of health care cost, government law and regulations that affect the Company's business inside and outside Japan, and issues pertaining to development of new products.
- Approved products contain risks relating to manufacturing and marketing which include, but not are limited to, situations in which the Company may face deficiencies in manufacturing capacity needed to meet demand, difficulties in securing the supplies of raw materials, and demand not created in markets.
- We do not intend to, and assume no obligation to, update or modify any forward-looking statements even if such updating or modification is desirable due to the emergence of new information, future events or other reasons.
- The information contained in this document regarding pharmaceutical products (including those which are being developed) is not intended to act as a promotion or advertisement, or to provide medical advice.