The Mochida Pharmaceutical Group's "17-19 Medium Term Management Plan"

This material is an English translation of the press release issued on April 3, 2017 in Japanese, and the Japanese release is given priority regarding content and interpretation.

April 3, 2017

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 2017 through 2019

Medium-Term Management Plan Policy for the fiscal years 2017 through 2019

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 FY2017 to FY2019 are forecast 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 with the aim of raising the share of generic drug prescriptions to 80%, and movements in the drastic reform of the National Health Insurance (NHI) drug price system.
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.Making continuous investments to create next-generation leading products
2.Redistributing resources strategically through the selection and focusing processes
3.Focusing on sales of new drugs, etc. by enhancing sales capabilities

As the top priority issue, we are pursuing investments in business activities that will lead to future competitiveness in order to create next-generation leading products. In pharmaceutical research, we are enhancing our development pipelines by introducing candidate drugs for development at an early stage through the promotion of open innovation. 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, etc. so as to further promote strategic alliances which stress the importance of lifecycle management and partnerships. To maximize profit, we are focusing on new drugs. We will enhance the gastroenterology area with Lialda, an ulcerative colitis treatment drug, and AJG533, a chronic constipation treatment drug. We aim to increase sales of Lexapro, an antidepressant, obtaining reinforcement of the approval for the additional indication of social anxiety disorder, to become the No.1 antidepressant in the Japanese market. We have been taking on the challenge of new medical fields such as the development of a therapeutic drug for pulmonary arterial hypertension (PAH), which is an intractable disease, and we will work on biosimilar products and value-added products to further promote the generic drug business with high business and strategic significance.

Aiming at specialty pharmaceuticals that will be recognized for the value of their existence on a global scale as well, Mochida Pharmaceutical Group will strive to continually increase its 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.

Until the 15-17 Medium-Term Management Plan, we announced the management target values of the final fiscal year in the Medium-Term Management Plan period. However, due to the continued 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 also decided to defer the formulation and announcement of management target values for the final fiscal year.
In place of the management target values for the final fiscal year, we announce the management target values for FY2017.

Management Target Values for 2017 (Consolidated):

Sales	107.0	billion yen
Operating income	10.0	billion yen
Research and development expenditures	12.0	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, etc.) 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 obtain approval during the period of this Medium-Term Management Plan for the addition of drug indications to include dysmenorrhea for Dinagest (a treatment for endometriosis), LBEC0101, a biosimilar of etanercept, which is a rheumatoid arthritis drug, AJG533, a chronic constipation treatment drug, LBAL, a biosimilar of adalimumab, which is a rheumatoid arthritis drug, and RGB-10, a biosimilar of teriparatide, which is an osteoporosis drug;

To promote the development of FYU-981, a treatment drug for gout and hyperuricemia, and an inhaled form of treprostinil, a treatment drug for pulmonary arterial hypertension (PAH), which have 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;

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;

With the aim of enhancing the gastroenterology area, we will promptly expand sales of Lialda, an ulcerative colitis treatment drug, and elevate the drug to a key product;

To further increase sales of Lexapro, an antidepressant that has already received highly favorable reviews and achieved considerable success in overseas markets, obtaining reinforcement of the approval for the additional indication of social anxiety disorder to strive to become the No. 1 antidepressant in the Japanese market;

To reinforce the area of obstetrics and gynecology with Dinagest, a treatment drug for endometriosis, which has been reputed to contribute to patients' QOL, its authorized generic drug, and Frewell, a treatment drug for dysmenorrhea and the area of dermatology with Beselna, a treatment drug for condyloma acuminatum and actinic keratosis;

To further reinforce business in the area of internal medicine/cardiovascular medicine with Tramcet (an analgesic for chronic pain/tooth extraction pain) for which the framework for joint sales was changed in January this year;

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

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 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:
Research Center, which was founded in January this year, aims to enhance our development pipelines by introducing candidate drugs for development at an early stage through the promotion of open innovation.

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 that enjoys the top market share, and the Collage series, a line of gentle basic skincare 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.