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Mitsubishi Tanabe Pharma to Acquire NeuroDerm Ltd.

Mitsubishi Tanabe Pharma Corporation (“MTPC”) announced today that it has entered into definitive agreement with NeuroDerm Ltd. (Nasdaq: NDRM) (“NeuroDerm”) pursuant to which MTPC will acquire all of the outstanding shares of NeuroDerm, for a total diluted equity value of US\$1.1 billion (US\$39.00 per share in cash). The offer is subject to customary conditions, including approval by NeuroDerm’s shareholders and receipt of applicable regulatory approvals. The merger will be conducted through a reverse triangular merger in which MTPC’s wholly-owned merger subsidiary established in Israel solely for the purpose of the acquisition process (“SPC”) will merge into NeuroDerm, after which NeuroDerm will become the surviving entity. Upon the closing of the transaction, NeuroDerm will become a wholly-owned subsidiary of MTPC.

1. Objective and background of the acquisition

NeuroDerm is a clinical-stage pharmaceutical company that develops novel formulation technology and drug-device combinations for Parkinson’s disease. Its lead product candidate, ND0612 has commenced phase III clinical trials in the U.S. and Europe, and the product is expected to launch in FY2019. Given the importance of controlling blood levels of levodopa in the treatment of Parkinson’s disease, ND0612 is expected to be used to treat advanced stage Parkinson’s disease, and will be used in patients for whom oral levodopa is no longer effective in the control of motor complications. NeuroDerm is the first to develop liquid levodopa and carbidopa in the world. ND0612 can be continuously subcutaneously administered over a 24-hour period through a convenient small belt-worn pump.

In its “Medium-Term Management Plan 16–20: Open Up the Future,” MTPC stated that it will strive, through in-house sales, to rapidly build a foundation for sustained growth in the U.S., the world’s largest pharmaceutical market.

As a first step toward advancing its franchise in the U.S., MTPC is expected to launch Radicava, an FDA approved treatment option for amyotrophic lateral

sclerosis (ALS) in the U.S. market in August 2017. Additionally, the acquisition of ND0612 through this transaction is intended to enable MTPC to achieve its U.S. sales target of 80 billion yen by FY2020, which is part of its Medium-Term Management Plan. MTPC will expand its product pipeline in the central nervous system disease area and advance its goal of providing patients with innovative drugs to address unmet medical needs.

2. Overview of NeuroDerm Ltd.

(1)	Company name	NeuroDerm Ltd.		
(2)	Address	Ruhrberg Science Building, 3 Pekeris Street, Rehovot 7670212, Israel		
(3)	Representative	Oded S. Lieberman, PhD, Chief Executive Officer and Director		
(4)	Business description	Development of treatments for CNS disorders including Parkinson's disease		
(5)	Capital	USD 49 thousand (as of March 31, 2017)		
(6)	Date of establishment	March 18, 2003		
(7)	Major shareholders and shareholding ratios (as of July 17, 2017)	Scopia Capital Management LP and affiliates		16.6%
		Robert Taub		12.3%
		Uwe Wascher		11.4%
		Shmuel Cabilly		10.0%
		Others		
(8)	Relationship between MTPC	Capital relationship	N.A.	
		Personnel relationship	N.A.	
		Business relationship	N.A.	
(9) NeuroDerm's consolidated operating results and consolidated financial position for the past three years				
Accounting period (Unit : thousands of USD)		Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Total shareholder's equity		39,469	97,056	149,570
Total assets		43,914	100,868	156,063
Net sales		-	-	-
Operating loss		13,381	17,970	33,092
Net loss		29,864	15,609	32,496
Basic and diluted net loss per ordinary share (USD)		12.97	0.82	1.48

Ordinary income is not indicated since NeuroDerm prepares its financial statements using International Financial Reporting Standards as issued by the International Accounting Standards Board, which does not include items that correspond to ordinary income.

Pipeline Products of NeuroDerm

Products	Generic Name	Expected Indication	Stage
ND0612	Levodopa / Carbidopa Continuous SC pump /patch pump	Advanced Parkinson's disease	P3
ND0701	Apomorphine Continuous SC pump	Severe Parkinson's disease	P2
ND0801	Nicotine and Opipramol Transdermal	CNS Disease Cognition disorders	P2

3. Number of shares to be acquired, purchase price, and the status of ownership of shares before and after the acquisition

(1) Number of shares already acquired	0 (Number of voting rights: 0) (Percentage of voting rights: 0%)
(2) Number of shares to be acquired	26,345,938 shares (as of July 21, 2017) (Number of voting rights: 26,345,938)
(3) Transaction consideration	NeuroDerm ordinary shares: USD 1,117 million (Approx. JPY 124.1 billion), USD 39.00 per share Advisory costs, etc. (estimate): JPY 1.1 billion Total (estimate): JPY 125.2 billion
(4) Number of shares held after the transfer	26,345,938 shares (Number of voting rights: 26,345,938) (Percentage of voting rights: 100.0%)

Transaction consideration represents aggregate amount payable for the acquisition of ordinary shares and stock options. Number of shares to be acquired may increase due to the exercise of stock options.

Calculated at the rate of 111.13 USD/JPY as of July 21, 2017.

NeuroDerm share price USD 33.20 (Nasdaq Closing Price as of July 21, 2017)

4. Transaction schedule

July 2017	MTPC established a local SPC for acquisition in Israel.
July 24, 2017	Definitive Agreement between NeuroDerm, MTPC and MTPC's SPC.
September 2017 (plan)	NeuroDerm's shareholders' meeting. Approval by NeuroDerm's shareholders.
October 2017 (plan)	SPC to merge with NeuroDerm, after which NeuroDerm will become the surviving entity.
October 2017 (plan)	NeuroDerm to become a wholly-owned subsidiary of MTPC upon merger.

MTPC and SPC have entered into voting agreements with three directors of NeuroDerm, who beneficially own in aggregate approximately 34% of the outstanding ordinary shares of NeuroDerm, pursuant to which the three directors have agreed to vote to approve the merger at NeuroDerm's shareholders' meeting.

5. Outlook

MTPC is currently examining the potential impact of the acquisition on MTPC's consolidated business results. Additional guidance will be presented after the acquisition procedures have been completed.

End

(Reference)

Transaction structure

