*New **Value** Creation*

Mitsubishi Tanabe Pharma
Corporate Report 2015

Mitsubishi Tanabe Pharma

Corporate Communications Tools

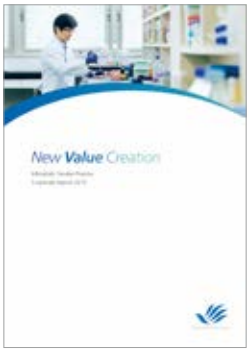
To foster a deeper understanding of the Group among stakeholders, Mitsubishi Tanabe Pharma prepares a variety of communications tools in addition to disclosure materials.

Providing Information about Initiatives Targeting Sustained Growth

MITSUBISHI TANABE PHARMA CORPORATE REPORT 2015

Mitsubishi Tanabe Pharma prepares this report to provide information to its shareholders, investors, and other stakeholders about the Group's initiatives targeting sustained growth. This report, which was prepared with reference to the framework released by the International Integrated Reporting Council (IIRC)*, is positioned as the Group's integrated report. Its principal sections comprise reports on value creation over the short, medium, and long term. The business model for value creation is explained in the business overview section, initiatives to create value are covered in the business strategy section, and initiatives to support value creation are described in the ESG section.

* Private-sector organization established in 2010 by private-sector companies, investors, accountants' organizations, and government institutions to develop an international corporate reporting framework.



Providing Information about Initiatives Targeting the Sustainable Development of Society

CSR ACTIVITIES REPORT 2015 WEB

Mitsubishi Tanabe Pharma prepares this report to provide information to a wide range of stakeholders, including patients, health care professionals, shareholders and investors, local communities, and employees, about the principal CSR activities implemented in fiscal 2014 (initiatives targeting the sustainable development of society). This report includes information about specific initiatives based on the corporate philosophy, presented in accordance with the ISO 26000 core subjects.

Inclusion in FTSE4Good Index Series*

Mitsubishi Tanabe Pharma has been included in the FTSE4Good Index Series, a leading index for responsible investing (RI), for 12 consecutive years.

*** FTSE4Good Index Series**
An index related to RI prepared by the FTSE Group. Based on FTSE Group original standards, companies that fulfill a certain level of CSR activities are selected for inclusion in the index. As of the end of March 2015, the index included 770 companies, including 176 Japanese companies.

FTSE4Good

Other Communications Tools

To foster a better understanding of the Group's businesses among a wide range of stakeholders, Mitsubishi Tanabe Pharma has created a corporate website and prepared a corporate profile in pamphlet form.

CORPORATE WEBSITE WEB

In addition to corporate information, the Group has prepared a variety of specialized sites, such as an investor relations site for shareholders and investors and a health support site.

CORPORATE PROFILE

A corporate profile is a digest version of the Mitsubishi Tanabe Pharma Corporate Report 2015.

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Forward-Looking Statements
Statements contained in this corporate report that are not historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, performance, or achievements to differ materially from those anticipated in these statements.

OUR PHILOSOPHY

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

OUR VISION

We strive to be a global research-driven pharmaceutical company that is trusted by communities.

BRAND MARK

Our brand mark takes the form of hands gently enfolding the health of people around the world, symbolizing Mitsubishi Tanabe Pharma's future growth and unlimited potential as a global research-driven pharmaceutical company.

The corporate color of blue symbolizes the "intellect," "technology," and "ethics" of the Company and represents the "enterprising spirit" to take on the challenges of creating novel drugs that will help people around the world.

Mitsubishi Tanabe Pharma has designed this brand mark to represent the Company's "growth" as well as "trust" from society.

The Story of **Value Creation**

Since its founding in 2007, the Mitsubishi Tanabe Pharma corporate philosophy has been "to contribute to the healthier lives of people around the world through the creation of pharmaceuticals." In accordance with this philosophy, we have worked to become a global research-driven pharmaceutical company that is trusted by communities. To explain the business model that the Company has established to realize its vision, this section introduces the value creation story through three case studies.

Reaching Out to Patients

Remicade is the world's first anti-TNFα monoclonal antibody. In Japan, it was in-licensed by the Company and launched in 2002. It has been more than 10 years since its launch, and over that period we have worked to maximize Remicade's value in order to contribute to the treatment of as many patients as possible.

Since its launch in 2002, Remicade has contributed to the treatment of patients suffering from refractory diseases, such as RA, and it has been used by more than 100 thousand patients.

100 thousand patients

Remicade: Opening Up the Future for Biologics

In 1993, the Company in-licensed Remicade from Janssen Biotech, of the U.S. Remicade is a biologic[1] that is effective against inflammatory autoimmune diseases. In 2002, we started sales of Remicade as a treatment agent for Crohn's disease. From the point at which we in-licensed Remicade, it took nearly 10 years until the launch. Remicade was the first biologic in Japan used for chronic diseases. Accordingly, the Ministry of Health, Labour and Welfare set stringent conditions for its approval, and it was necessary to proceed with development in a deliberate manner. After overcoming many challenges, in 2003 we received an additional indication for Remicade for RA. A number of biologics have subsequently been launched in Japan, and they are contributing to the treatment of many patients. It was Remicade that opened up the future of biologics in Japan.

Contributing to the Treatment of a Wide Range of Diseases

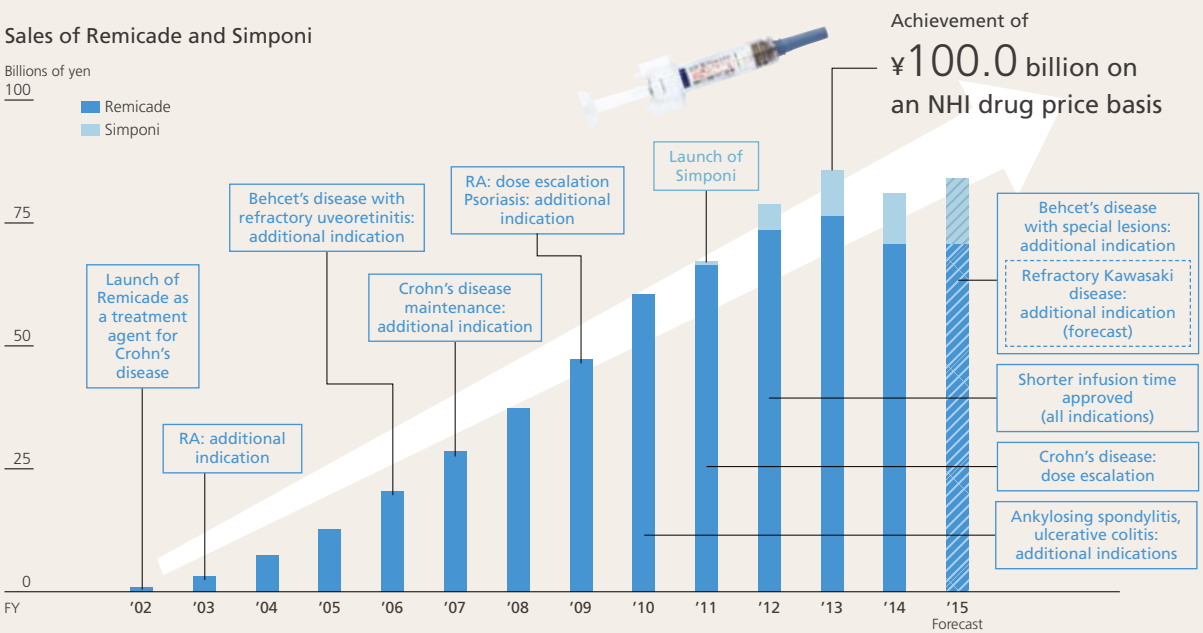
To maximize the value of this innovative drug, we worked to secure additional indications and changes in administration / dosage. Remicade is making a wide-ranging contribution to the treatment of patients, centered on refractory diseases. We filed applications for an additional indication of refractory Kawasaki disease in May 2015 and a change of administration / dosage for psoriasis (increase of the dosage) in July 2015, and we received approval for an additional indication of Behcet's disease with special lesions in August 2015. The Ministry of Health, Labour and Welfare required post-marketing surveillance[2] of all patients when Remicade was approved for RA, and we have continued to implement this surveillance after the condition was removed. Over many years, we have accumulated important data (evidence) regarding the efficacy and safety of Remicade in the Japanese population, and that data is being used to further enhance treatment.

Achieving Net Sales of ¥100.0 Billion (NHI drug price basis)

In 2011, we began sales of Simponi, an RA treatment agent that, like Remicade, is an anti-TNFα monoclonal antibody. As a subcutaneous injection, Simponi has a different method of administration from Remicade, which is an intravenous injection. We are promoting the uptake of Simponi on the foundation of the relationships of trust with healthcare professionals that we have cultivated through Remicade. In fiscal 2013, combined sales of the two drugs on an NHI drug price basis surpassed ¥100.0 billion. Moving forward, we will continue working to further increase the value of Remicade so that it can contribute to as many patients as possible.

1. A general term for products that use substances of biological origin or biological functionality, including vaccines, plasma fractionation products and other protein drugs, therapeutic antibodies, nucleic acid drugs, and cells for use in regenerative medicine.
2. Implementation of post-marketing surveillance for 5,000 patients

Sales of Remicade and Simponi



80 *countries*

Gilenya, which was discovered by the Company and out-licensed overseas to Novartis, of Switzerland, has currently been approved in more than 80 countries and has been prescribed to more than 110,000 patients.

Reaching into **Overseas Markets**

Gilenya, which is the world's first oral treatment agent for multiple sclerosis (MS), was discovered by Mitsubishi Tanabe Pharma. Through our collaboration with a global company, Gilenya grew into a blockbuster drug, with annual sales of more than $1.0 billion in just two years after its launch, and royalty revenues from Gilenya have become a pillar of revenues for the Company.

World's First Oral Treatment Agent for MS

Fingolimod hydrochloride, the active ingredient in MS treatment agent Gilenya, is a compound that was discovered through joint research by Professor Tetsuro Fujita of Kyoto University, Taito (currently Mitsui Sugar), and Yoshitomi Pharmaceutical Industries (currently, the Company). It was obtained by changing the structure of a natural immunosuppressive substance (myriocin), derived from a type of Cordyceps fungus.

The Company subsequently handled clinical development, but in 1997 we out-licensed it to Novartis, which received exclusive development and sales rights worldwide, except for Japan, and Novartis took charge of overseas development. In 2003, clinical development for the current indication of MS was commenced, and in 2010, as the world's first oral MS treatment agent, it was launched under the name Gilenya[1] in the U.S.

Helping Patients around the World through Collaboration with a Global Company

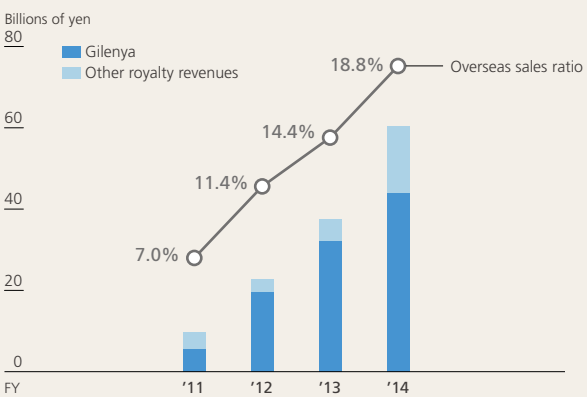
The number of MS patients worldwide is estimated to be about 2.5 million. However, previously the only existing treatments were injections, and there was a comparatively heavy physiological and physical burden on patients. Gilenya, an oral treatment, has been highly evaluated by health care professionals and patients as a drug that addresses unmet medical needs[2]. Global annual sales reached $1.0 billion in just two years after its launch. Royalty revenues based on net sales of Gilenya have become a pillar of the Company's revenues, and reached ¥43.9 billion in fiscal 2014.

It was the implementation of overseas development and sales by Novartis that made it possible to rapidly deliver Gilenya to this many patients. If we had handled clinical development in-house, it likely would have taken more time. In addition, we do not have an adequate sales foundation in such markets as Europe and the U.S., where there are especially large numbers of patients, and as a result it would have been difficult for us to achieve smooth market uptake after launch.

What is important is that Gilenya's value as a drug is maximized, in other words, that it contributes to the treatment of many patients as rapidly as possible. To that end, it was necessary to collaborate with a global company, Novartis. In the future, with a focus on each product's distinctive characteristics, Mitsubishi Tanabe Pharma will select the optimal method. In this way, we will strive to provide new drugs to patients around the world as rapidly as possible.

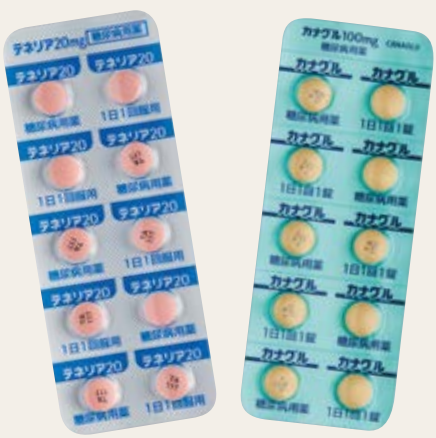
1. In Japan the Company conducted joint development with Novartis Pharma (Japan), and sales began in 2011 under the brand name Imusera.
2. Unmet medical needs: Medical needs that are not addressed adequately by existing therapies.

Royalty Revenues, etc.



Reaching Out to New Challenges

Mitsubishi Tanabe Pharma is taking on the challenge of expanding into new fields. In 2012, we made a full-scale entry into the diabetes fields in Japan with the launch of Tenelia, a DPP-4 inhibitor. Overseas, Invokana, an SGLT2 inhibitor discovered by the Company, was launched in 2013. It has been highly evaluated on the medical frontlines, and has recorded rapid growth in sales.



600 *million people*

Around the world, the number of people with diabetes has increased to nearly 400 million, and in 20 years it is expected to increase to about 600 million.

Source: International Diabetes Federation, Diabetes Atlas, Sixth Edition, 2014 Update

Launch of Two Promising Oral Diabetes Treatment Agents Discovered by the Company

The scale of the domestic market for oral diabetes treatment agents is expanding rapidly, and it is now more than 2.5 times its size 10 years ago. DPP-4 inhibitors have shown especially strong growth in recent years and are currently used by about 70% of patients who are taking oral diabetes treatment agents. In addition, like DPP-4 inhibitors, SGLT2 inhibitors are drawing attention for their potential to foster a paradigm shift in drug treatments for diabetes. SGLT2 inhibitors have completely different mechanisms of action from previous treatment agents, and since April 2014 a number of these drugs have been launched by pharmaceutical companies.

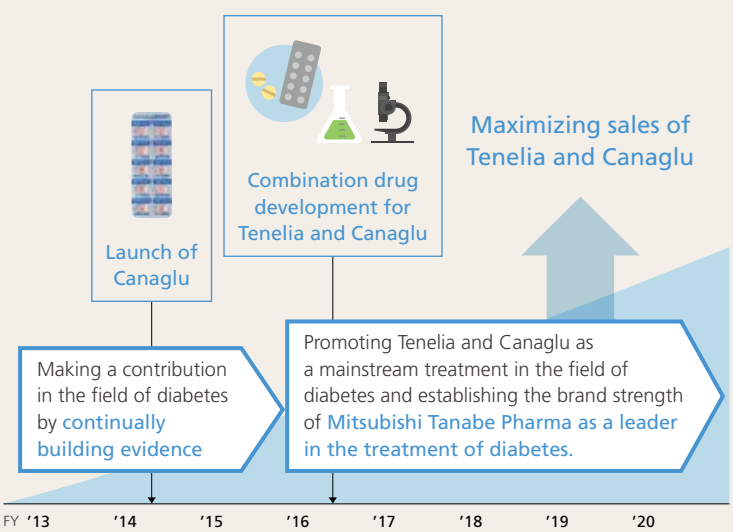
In this setting, the Company launched Tenelia, a DPP-4 inhibitor, in 2012. Under a strategic joint sales agreement with Daiichi Sankyo, we entered the diabetes field and commenced promotional activities using one of the largest marketing teams in the domestic market. Furthermore, we strengthened our lineup in 2014 with the launch of Canaglu, an SGLT2 inhibitor. Both Tenelia and Canaglu were discovered in-house, and we are one of only two companies that have both a DPP-4 inhibitor and an SGLT2 inhibitor originated in-house. Leveraging this strength, we are advancing development of a combination drug, and in the future we will take steps to further enhance our presence in the domestic diabetes market.

Contributing to Diabetes Treatment in Japan and Overseas with Superior Drug Characteristics

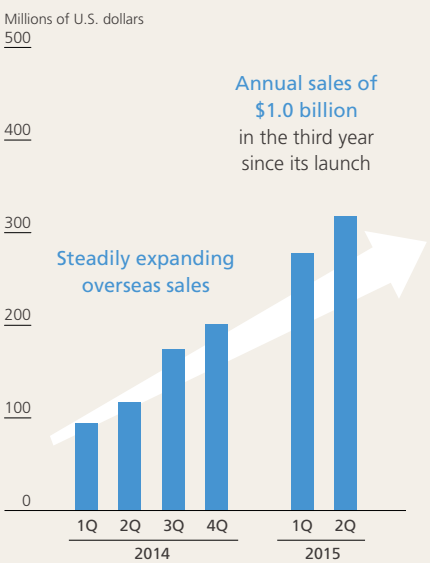
Canaglu has been out-licensed to Janssen Pharmaceuticals, of the U.S., for overseas markets. In 2013, Janssen Pharmaceuticals began sales under the name Invokana as the first SGLT2 inhibitor in the U.S. Invokana offers blood glucose lowering, weight reducing, and blood pressure lowering effects in a single drug, and this advantage has been well received on the medical frontlines. Invokana has the number one share of new prescriptions by endocrinologists in the U.S. Currently, it has been approved in 66 countries, including the U.S. Total annual sales of Invokana and Invokamet / Vokanamet, which combines Invokana and metformin hydrochloride, were $0.6 billion in the second year after its launch and are expected to reach $1.0 billion.

Canaglu's overseas results and superior product characteristics have been highly evaluated, and in 2014 researchers from the Company received the Pharmaceutical Society of Japan Award for Drug Research and Development for their work on Canaglu. Targeting the development of a new product to follow Tenelia and Canaglu, the Company has positioned "diabetes and kidney diseases" as one of priority disease areas for R&D and is working enhance its pipeline. Moving forward, the Company will strive to discover new drugs and to make a further contribution to diabetes treatment in Japan and around the world.

Domestic Growth Strategy in the Diabetes Field



Sales of Invokana / Invokamet*



* Sales by Johnson & Johnson, of the U.S.

Reaching for
a New Stage

The Medium-Term Management Plan 11–15 was announced in October 2011. In accordance with the key concept of New Value Creation, Mitsubishi Tanabe Pharma implemented reforms to become a company that can continue to create new value. In the current fiscal year, the final year of the plan, the Company will take further steps to reach for a new stage.

Continuing to Take on Challenges

Business Strategy Section

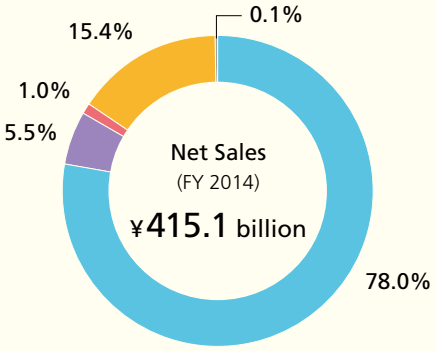
This section introduces the business strategies that play the central role in initiatives to create value.

Mitsubishi Tanabe Pharma's Business

Business Portfolio

Mitsubishi Tanabe Pharma provides ethical drugs, including drugs for autoimmune diseases, diabetes and kidney diseases, and central nervous system diseases. We meet a wide range of medical needs through the sale of distinctive ethical drugs, including vaccines and narcotics, as well as through the sale of generic drugs and OTC products.

Sales Composition



- Domestic ethical drugs ..... ¥323.9 billion
- Overseas ethical drugs ..... ¥23.0 billion
- OTC drugs ..... ¥4.0 billion
- Others (Royalty revenues, etc.) ..... ¥63.7 billion
- Other business ..... ¥0.4 billion

Major Products (Results of Fiscal 2014)

Priority Products

Existing Products

Remicade 1

Treatment of rheumatoid arthritis (RA), Crohn's disease, psoriasis, ulcerative colitis, Behcet's disease with refractory uveoretinitis, and ankylosing spondylitis

Domestic Sales: ¥70.6 billion
Overseas Sales: ¥30 million

Talion 2

Treatment of allergic disorders

Domestic Sales: ¥16.0 billion
Overseas Sales: ¥0.7 billion

Maintate 3

Treatment of hypertension, angina pectoris, extrasystole, chronic heart failure, and atrial fibrillation

Domestic Sales: ¥14.1 billion
Overseas Sales: ¥0.1 billion

Kremezin 4

Treatment of chronic kidney disease

Domestic Sales: ¥10.5 billion

New Products

(launched during the period of the Medium-Term Management Plan 11–15)

Simponi 5

Treatment of RA

Domestic Sales: ¥10.5 billion
Overseas Sales: ¥0.9 billion

Lexapro 6

Treatment of depression

Domestic Sales: ¥8.0 billion

Tenelia 7

Treatment of type 2 diabetes mellitus

Domestic Sales: ¥6.2 billion
Overseas Sales: ¥0.5 billion

Imusera 8

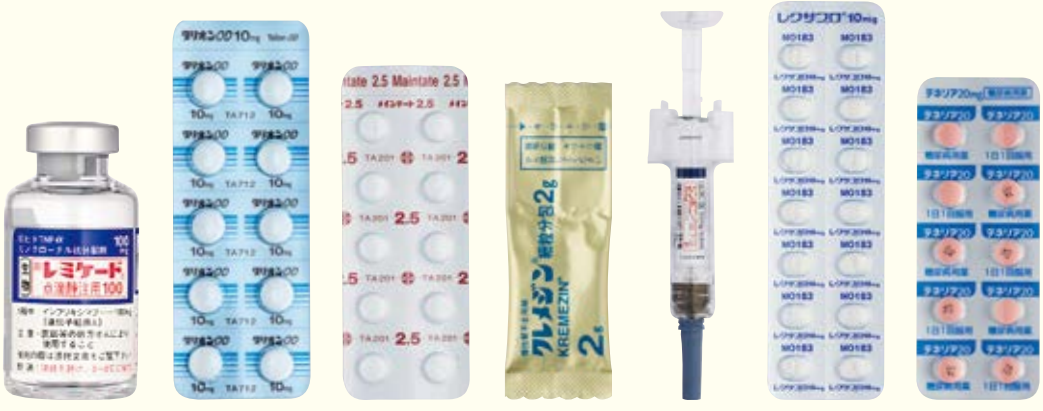
Treatment of multiple sclerosis (MS)

Domestic Sales: ¥3.2 billion

Canaglu 9

Treatment of type 2 diabetes mellitus

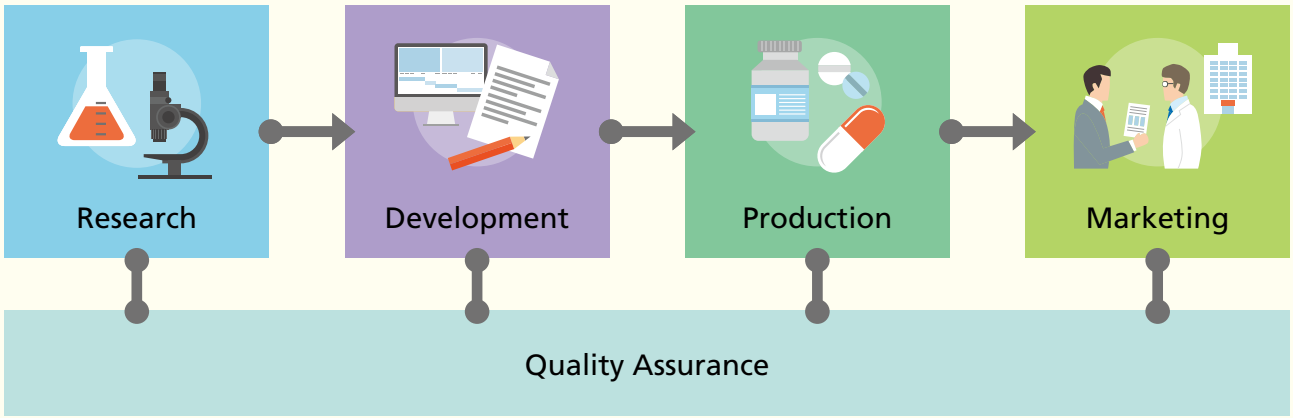
Domestic Sales: ¥1.2 billion



1 2 3 4 5 6 7

Business Processes

Mitsubishi Tanabe Pharma conducts research, development, marketing, and sales in the field of ethical drugs.
To ensure that our pharmaceuticals can be used by patients with peace of mind, we have built a system to assure efficacy, safety, and quality in all of these processes.



For information about business strategies by process, please see page 38.

● Vaccines

Tetrabik 10

Combined vaccine for diphtheria, pertussis, tetanus, and polio
Domestic Sales: ¥7.5 billion

Varicella vaccine 11

Freeze dried live attenuated varicella vaccine
Domestic Sales: ¥7.2 billion

Major Out-Licensed Products

Gilenya

Treatment of MS
Royalty Revenues: ¥43.9 billion

Invokana

Treatment of type 2 diabetes mellitus
Royalty Revenues: ¥9.8 billion

Generic Drugs 12

Tanabe Seiyaku Hanbai's products*
Domestic Sales: ¥13.6 billion

* Composed of generic drugs and the long-listed drugs that were transferred from the Company

OTC Drugs 13

Domestic Sales: ¥4.0 billion
Overseas Sales: ¥0.1 billion

8 9 10 11 12 13

Financial and Non-Financial Highlights

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 (FY 2014), 2014 (FY 2013), 2013 (FY 2012), 2012 (FY 2011) and 2011 (FY 2010)

					Billions of yen
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Net sales	¥409.5	¥407.2	¥419.2	¥412.7	¥415.1
Operating income	76.6	69.0	69.0	59.1	67.1
Net income	37.7	39.0	41.9	45.4	39.5
R&D expenses	65.8	70.2	66.5	70.4	69.6
Capital expenditures on an accrual basis	10.2	7.1	9.2	12.6	15.7
Total assets	818.7	819.9	866.8	886.5	929.3
Total net assets	696.0	721.5	752.9	777.8	800.4
Net cash provided by operating activities	59.1	37.2	60.6	69.9	68.2
Net cash used in investing activities	(7.7)	(63.2)	(35.0)	(24.3)	(59.8)
Net cash used in financing activities	(15.4)	(17.2)	(23.7)	(21.1)	(21.9)

Financial indicators

					%
Overseas sales ratio	6.3%	7.0%	11.4%	14.4%	18.8%
Operating margin	18.7	17.0	16.5	14.3	16.2
R&D expenses ratio	16.1	17.3	15.9	17.1	16.8
Equity ratio	84.3	87.3	86.3	86.4	84.9
ROE	5.5	5.5	5.7	6.0	5.1
Dividend payout ratio	41.6	50.3	53.6	49.4	59.6

Per share amounts

					Yen
Net income	¥67.27	¥69.54	¥74.67	¥80.92	¥70.41
Cash dividends	28.00	35.00	40.00	40.00	42.00

Non-financial data

Number of employees	9,198	9,180	8,835	9,065	8,457
Number of new ethical drugs approved in Japan[2]	1	3	2	0	1
Energy used (TJ)	2,577	2,588	2,332	2,010	1,815
CO_2 emissions (thousands of tons)	122	126	123	115	104
Amount of waste generated (thousands of tons)	18	20	18	16	15

1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥120.17 to U.S.$1, the prevailing exchange rate at March 31, 2015.
2. Number of new ethical drugs approved in Japan includes co-developed drugs.

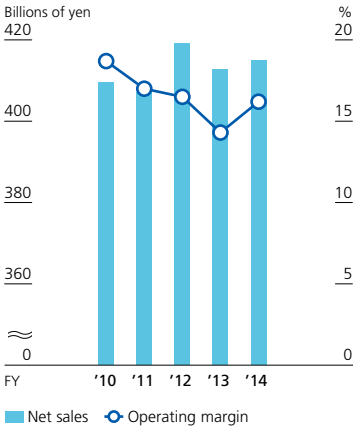
Millions of U.S. dollars[1]	% change
FY 2014	FY 2014 / 2013
$3,454	+ 0.6%
559	+ 13.6
329	– 13.0
579	– 1.1
131	+ 24.6
7,733	+ 4.8
6,660	+ 2.9
567	—
(498)	—
(182)	—

—	—
—	—
—	—
—	—
—	—
—	—

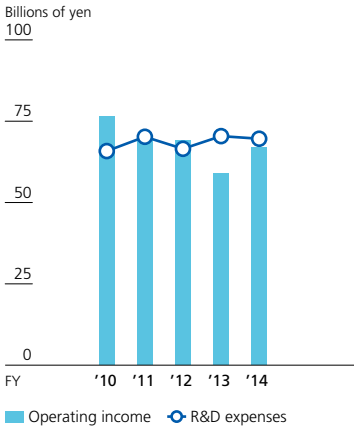
U.S. dollars[1]	
$0.59	– 13.0%
0.35	—

—	– 6.7%
—	—
—	– 9.7
—	– 9.6
—	– 11.3

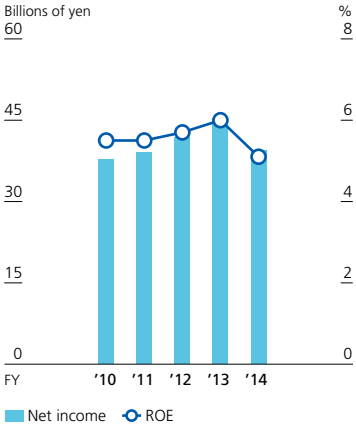
Net Sales / Operating Margin



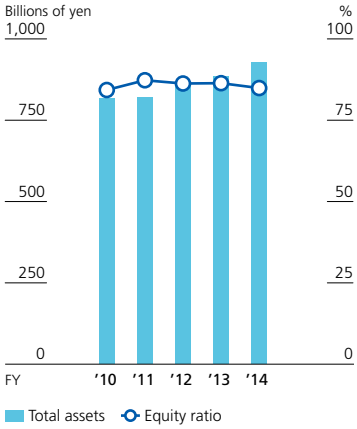
Operating Income / R&D Expenses



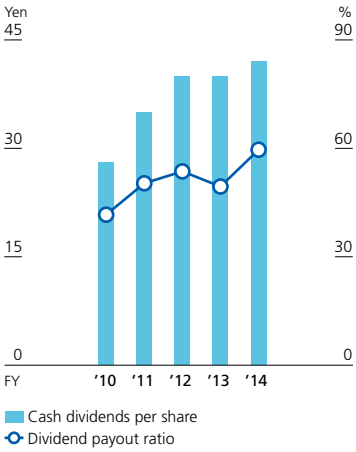
Net Income / ROE



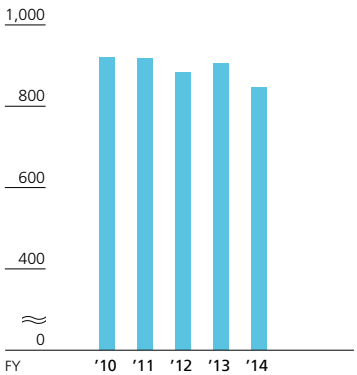
Total Assets / Equity Ratio



Cash Dividends per Share / Dividend Payout Ratio



Number of Employees



State of New Product Development

As of May 8, 2015

Over the period from the start of Medium-Term Management Plan 11–15 to May 8, 2015, we have received approval in Japan for six new drugs and ten additional indications. Overseas, we have received approval for eight new drugs. In addition, in out-licensed products, approval has been received for nine new drugs. As of May 8, 2015, the Company had the following product development projects under way.

Disease area: Autoimmune diseases | Diabetes and kidney diseases | Central nervous system diseases | Vaccines | Other

Pipeline

Development code (Generic name)	Category	Indications	Region	Stage (Phase 1 / 2 / 3 / NDA filed)	Origin
New Drugs					
TA-650 (Infliximab [recombinant])	Anti-human TNFα monoclonal antibody	Crohn's disease, ulcerative colitis, pediatric Crohn's disease, pediatric ulcerative colitis	Taiwan	Sep. 2013	US: Janssen Biotech
TA-7284 (Canagliflozin)	SGLT2 inhibitor	Type 2 diabetes mellitus	Taiwan	Mar. 2015	In-house
MP-513 (Teneligliptin)	DPP-4 inhibitor	Type 2 diabetes mellitus	Indonesia	Apr. 2015	In-house
			Europe		
			US		
MT-4666	α7nACh receptor agonist	Dementia of Alzheimer's type	Global clinical trial[1]		US: FORUM Pharmaceuticals
MT-2412 (Teneligliptin, Canagliflozin)	Fixed-dose combination of DPP-4 inhibitor and SGLT2 inhibitor	Type 2 diabetes mellitus	Japan		In-house
MP-214 (Cariprazine)	Dopamine D3 / D2 receptor partial agonist	Schizophrenia	Japan, Asia	Phase 2b/3	Hungary: Gedeon Richter
MT-3995	Selective mineralocorticoid receptor antagonist	Diabetic nephropathy	Europe		In-house
			Japan		
			US		
MT-1303	S1P receptor functional antagonist	Multiple sclerosis	Europe		In-house
		Psoriasis	Europe		
		Inflammatory diseases, autoimmune diseases	Japan, Europe, US		
MT-2301	Haemophilus influenza type b (Hib) vaccine	Prophylaxis of pediatric Hib infection	Japan		US: Nuron Biotech
Influenza vaccine	Plant-based VLP vaccine	Prophylaxis of H5N1 influenza	Canada		In-house
Influenza vaccine	Plant-based VLP vaccine	Prophylaxis of seasonal influenza	US, Canada		In-house
Influenza vaccine	Plant-based VLP vaccine	Prophylaxis of H7N9 influenza	Canada		In-house
GB-1057 (Recombinant human serum albumin)	Recombinant human serum albumin	Blood and Blood forming organs	US		In-house
MP-124	PARP inhibitor	Nervous system	US		In-house
MP-157	Angiotensin type 2 receptor agonist	Cardiovascular system	Europe		In-house
MT-0814	CC chemokine receptor 3 antagonist	Ophthalmologicals	Japan		In-house

Additional Indications

Brand name (Generic name)	Category	Indications	Region	Stage (Phase 1 2 3 / NDA filed)	Origin (Remarks)
Talion (Bepotastine)	Selective histamine H1 receptor antagonist, anti-allergic agent	Pediatric allergic rhinitis	Japan	May 2014	Japan: Ube Industries (Approved in May 2015)
		Pediatric atopic dermatitis		May 2014	
Radicut (Edaravone)	Free radical scavenger	Amyotrophic lateral sclerosis[2]	Japan	Oct. 2014	In-house (Approved in June 2015)
Remicade (Infliximab [recombinant])	Anti-human TNFα monoclonal antibody	Behcet's disease with special lesions[2]	Japan	Oct. 2014	US: Janssen Biotech (Approval for Behcet's disease with special lesions in August 2015)
		Refractory Kawasaki disease[2]		(May 2015)	
		Pediatric Crohn's disease			
		Pediatric ulcerative colitis			
		Psoriasis: increased dose		(Jul. 2015)	
Tribik (Adsorbed diphtheria–purified pertussis–tetanus combined vaccine)	Vaccine	Prophylaxis of pertussis, diphtheria, and tetanus; Stage 2 vaccination	Japan	Apr. 2015	Japan: BIKEN (The Research Foundation for Microbial Diseases of Osaka University) (Co-developed with BIKEN)
Telavic (Telaprevir)	NS3-4A protease inhibitor	Chronic hepatitis C, [combination with Feron]	Japan		US: Vertex Pharmaceuticals
Imusera (Fingolimod)	S1P receptor functional antagonist	Chronic inflammatory demyelinating polyradiculoneuropathy	Global clinical trial		In-house (Co-developed with Novartis Pharma in Japan, licensed to Novartis overseas)
Canaglu (Canagliflozin)	SGLT2 inhibitor	Diabetic nephropathy	Global clinical trial		In-house (Sponsor: Janssen Research & Development)

Licensing-Out

Development code (Generic name)	Category	Indications	Region	Stage (Phase 1 2 3 / NDA filed)	Licensee (Remarks)
TA-7284 (Canagliflozin)	SGLT2 inhibitor	Type 2 diabetes mellitus / fixed dose combination with metformin, XR	US		US: Janssen Pharmaceuticals
		Diabetic nephropathy	Global clinical trial		
FTY720 (Fingolimod)	S1P receptor functional antagonist	Chronic inflammatory demyelinating polyradiculoneuropathy	Global clinical trial		Switzerland: Novartis (Co-developed with Novartis Pharma in Japan)
Y-39983	ROCK (rho-kinase) inhibitor	Glaucoma	Japan		Japan: Senju Pharmaceutical
MT-210	5-HT2A / Sigma 2 receptor antagonist	Schizophrenia	Europe		US: Minerva Neuroscience
TA-7906	PDE4 inhibitor	Atopic dermatitis	Japan		Japan: Maruho
MCC-847 (Masilukast)	Leukotriene D4 receptor antagonist	Asthma	Korea		Korea: SAMA Pharma
TA-8995	CETP inhibitor	Dyslipidemia	Europe		Netherlands: DEZIMA Pharma
MT-4580	Ca sensing receptor agonist	Secondary hyperparathyroidism in hemodialysis patients	Japan		Japan: Kyowa Hakko Kirin
sTU-199 (Tenatoprazole)	Proton pump inhibitor	Alimentary tract and metabolism	Europe		France: Negma/Sidem
Wf-516	Multiple mechanisms on several receptors[3]	Nervous system	Europe		US: Minerva Neuroscience
Y-803	Bromodomain inhibitor	Cancer	Europe, Canada		US: Merck[4] (Development code: OTX015)

1. Co-developed with FORUM Pharmaceuticals
2. Orphan drug designated
3. Selective serotonin reuptake inhibition / serotonin 1A receptor antagonist / dopamine uptake inhibition / α1A and α1B adrenergic receptor modulation
4. Merck acquired OncoEthix, the licensee, in December 2014.

Taking on the challenge while maintaining a focus on the star

In April 2015, Mitsubishi Tanabe Pharma moved its Head Office back to Dosho-machi, the birthplace of Japan's pharmaceutical industry. Mitsubishi Tanabe Pharma was established in 2007 through the merger of Tanabe Seiyaku and Mitsubishi Pharma, but the Company's roots extend back more than 330 years, and about 260 years ago one of our predecessors opened a store on the current site of our Head Office. Over many years, we have grown into a company that creates innovative pharmaceuticals that are utilized not just in Japan but around the world.

Throughout that long history, the Company's operating environment has continually changed. In recent years, these changes have been dramatic, and for manufacturers of branded pharmaceuticals the challenges in the current market have been exceeding our expectations. Major global trends include lower success rates in new drug discovery and changes in the market structure. Furthermore, in Japan the government is working to control medical expenditures, and to that end measures to reduce spending on pharmaceuticals have been strengthened. Long-listed drugs have been important sources of earnings for domestic manufacturers of branded pharmaceuticals, but due to the rapidly growing influence of generic drugs the earnings capacity of long-listed drugs has declined by a large margin.

In response to these types of changes, pharmaceutical companies are taking steps to update their business models. The business model under which a company handles all functional areas by itself, including research, development, production, and marketing, has reached its limit. Companies are now utilizing a variety of means to move forward with the construction of new business models, such as M&A activities, alliances, and selection and concentration in the allocation of business resources.

Moreover, there are limits to the number of new drugs that are discovered, and in this environment post-marketing development initiatives, which maximize the value of individual drugs, have become even more important. To secure funds for reinvestment in new drug development, we will

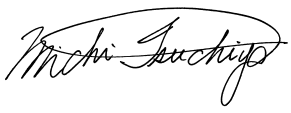
# of creating new value
ting point of our business activities

need to maximize earnings through operating activities and lifecycle management strategies. Moreover, further increases in speed are also necessary.

To address the changes in its operating environment, Mitsubishi Tanabe Pharma must also change itself. Under the Medium-Term Management Plan 11–15, we have implemented reforms to become a "company that can continue to create new value," but if we do not further accelerate these initiatives we will not be able to address the dramatic changes in our markets.

Nonetheless, no matter what type of changes we face, we will always remember the starting point for our business activities: "Everything we do is for the patients." We are now in the final year of the Medium-Term Management Plan 11–15, but the challenge that we are addressing—creating new value—will never end as long as there are patients. We contribute to the health of people around the world by creating new drugs that address unmet medical needs and by maximizing the value of those drugs. I believe that this is the largest challenge that we face in realizing sustained growth for the Company, and that it is also our social responsibility as a pharmaceutical company. I would like to ask our shareholders, investors, and other stakeholders for their continued understanding and support of Mitsubishi Tanabe Pharma in the years ahead.

August 2015



Michihiro Tsuchiya
Chairman of the Board & Representative Director

The First to Deliver Original Value

Implementing Reforms and Moving Forward to a New Growth Stage

Masayuki Mitsuka
President & Representative Director

Overview of Fiscal 2014

In the domestic pharmaceutical market, the operating environment was challenging in the year under review. In this setting, Mitsubishi Tanabe Pharma achieved growth in net sales and operating income due to the sales growth of new products and other priority products as well as expansion in overseas royalty revenues.

In fiscal 2014, net sales were up 0.6% year on year, to ¥415.1 billion, and operating income rose 13.6%, to ¥67.1 billion. In Japan, NHI drug prices were revised in April 2014, but we achieved growth in net sales and operating income due to the sales growth of new products and other priority products as well as expansion in overseas royalty revenues.

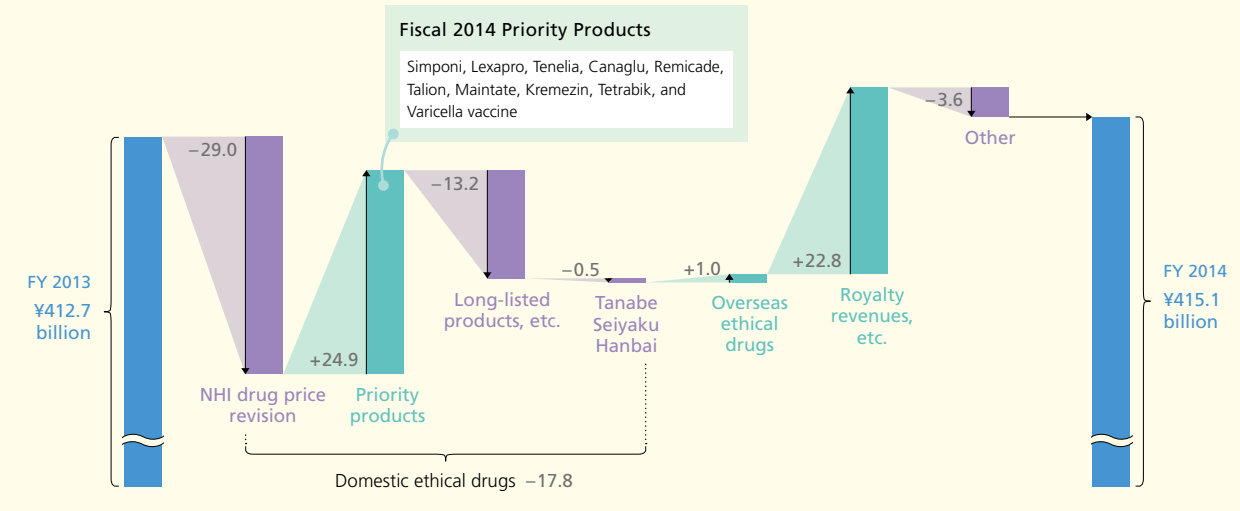
I will explain the factors affecting net sales in more detail. First, in domestic ethical drugs, the NHI drug price revision had the effect of reducing sales by about ¥29.0 billion. Furthermore, following a decline in the previous year, we registered another substantial drop in sales of long-listed drugs, other than priority products, due in part to the growing generic market. On the other hand, unit sales of Remicade and Tenelia increased, and sales of priority products overall were up by ¥24.9 billion year on year (excluding the influence of the NHI drug price revision). The increase in sales of priority products substantially exceeded the decline in sales of long-listed drugs. Consequently, net sales of ethical drugs in the domestic market were down 5.2%, to ¥323.9 billion.

In a challenging business environment, it was royalty revenues that drove the Company's growth. Royalty revenues from Gilenya (our brand name: Imusera), which we out-licensed to Novartis, of Switzerland, were up 36.7% year on year, to ¥43.9 billion. Rapid growth in sales was also recorded by Invokana (our brand name: Canaglu), which we out-licensed to Janssen Pharmaceuticals, and by Invokamet, which combines Invokana and metformin hydrochloride. In the third year since the launch, combined total sales of Invokana and Invokamet/Vokanamet will reach more than $1.0 billion, and they generated royalty revenues for the Company of ¥9.8 billion in fiscal 2014.

In addition, we recorded a gain from the sale of the former site of our Nihonbashi Building, as well as restructuring expenses. As a result of these factors, net income was down 13.0%, to ¥39.5 billion. The restructuring expenses were associated with "Accelerating Operational and Structural Reforms," which is a strategic challenge under the Medium-Term Management Plan 11–15. Restructuring expenses exceeded the planned level in fiscal 2014, reaching ¥12.3 billion, due to an unplanned extraordinary loss of ¥4.5 billion resulting from the acceleration of research facility restructuring.

Factors Increasing or Decreasing Net Sales (YOY)

Billions of yen



Medium-Term Management Plan 11–15: Achievements and Challenges

The achievements and challenges of the current plan are relatively clear. There are two major achievements and three principal challenges.

Fiscal 2015 will be the final year of the current plan, and the achievements and challenges to date are relatively clear.

There are two major achievements. First, the new products that we expected to introduce in Japan during the period of the plan were launched on schedule. In fiscal 2014, we launched Canaglu, a type 2 diabetes mellitus treatment agent. Canaglu was the seventh new product that we introduced during the period of the current plan.

Second, products out-licensed overseas grew into major drugs. Gilenya and Invokana both have been showing favorable sales growth and generating revenues that exceeded our expectations. There are a number of reasons for this performance, but especially important was the fact that each of these drugs addresses patient needs and was the first medicine of its type to be launched. We are proud that both of these drugs are superior at the global level, and they have fostered a renewed appreciation of the R&D capabilities of Mitsubishi Tanabe Pharma.

On the other hand, we face three principal challenges. First, we were able to launch new products in Japan according to the plan, but it has taken time to start-up these drugs and their sales growth has not met our expectations. Second, we were unable to achieve clear success with drugs that we are developing on our own overseas. In other words, I believe that the fact that we could not make progress in building a business foundation in the U.S. was a serious negative factor in regard to the Company's future growth. Third, I would have to say that our efforts to strengthen our R&D capabilities have not been sufficient. I believe that we need to substantially revise the methods that we have used to date.

Overview of Medium-Term Management Plan 11–15

Key Concept: *New **Value** Creation*

Period: April 2011 to March 2016 (five years)

Objectives that Will be Realized under the Medium-Term Management Plan 11–15:

Becoming a Company that Can Continue to Create New Value

Building a Foundation for Future Growth

- Taking on the challenge of unmet medical needs
- Discovering drugs and building a foundation to provide them around the world
- Investing aggressively in future growth

Steadily Nurturing and Providing New Products and Priority Products, Centered on Remicade

Strategic Challenges:

1. Bolstering Our Ability to Discover New Drugs
2. Advancing Domestic Operations, Centered on New Drugs
3. Building a Foundation for the Expansion of Overseas Operations
4. Accelerating Operational and Structural Reforms

Fiscal 2015 Numerical Management Objectives:

(Revised on May 9, 2014)

Net sales	¥410.0 billion
Operating income	¥65.0 billion
R&D expenses	¥80.0 billion
Overseas sales ratio*	15% or more

* On an operating income basis, we are aiming for an overseas sales ratio of 40% in fiscal 2015.

Reform Initiatives

Aiming to be a research-driven pharmaceutical company that is the first to deliver original value and works with a sense of speed, we have selected "Move" as our key word and are advancing reforms in four areas.

Our operating environment is changing rapidly. Recently, in the domestic ethical drugs business, which is the foundation of our revenue, generic drugs have had a rapidly growing influence on long-listed drugs. The NHI drug price revisions that were implemented in April 2014 have further promoted substitutions for generics, and the revenue from long-listed drugs is expected to decline further.

In this setting, I think that we need to implement reforms to build a robust business structure that can succeed in our dramatically changing operating environment and to become a research-driven pharmaceutical company that works with a sense of speed and is the first to deliver unique value to patients, health care professionals, and other stakeholders.

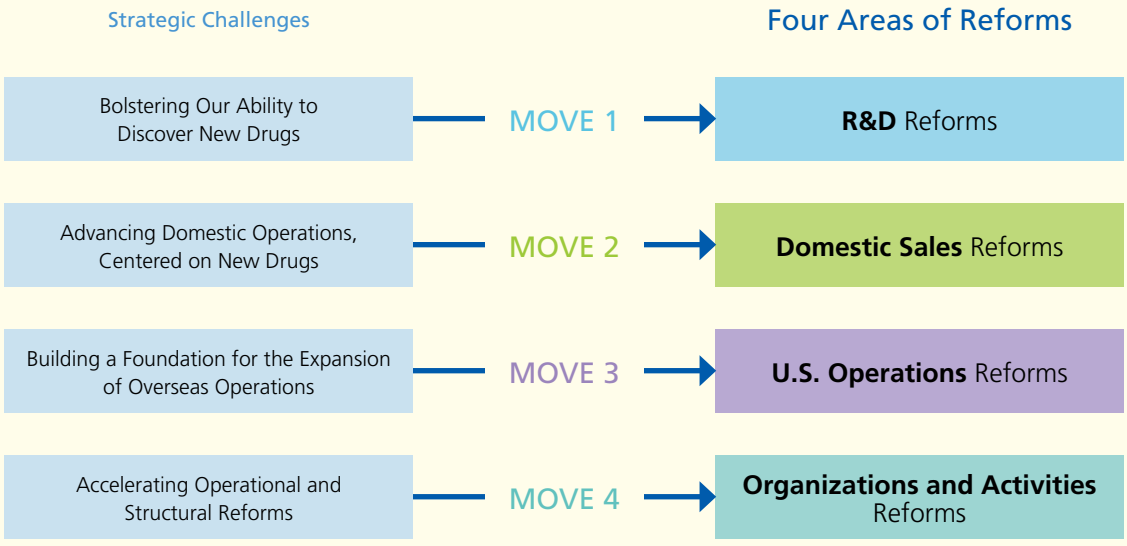
To that end, we are picking up the pace of reforms of our business structure, and guided by the key word "Move," we are implementing reforms in four areas—R&D, domestic sales, U.S. operations, and organizations and activities. These initiatives will accelerate the implementation of the four strategic challenges in the plan. In addition, these initiatives will also involve moving up the implementation of measures to establish the system that will be the foundation for the advancement of the next medium-term management plan, which is scheduled to be announced in fall 2015.

Reforms in the areas of R&D, domestic sales, and U.S. operations will address the three challenges of the current plan that I explained. Reforms in the area of organizations and activities are positioned as a support for the reforms in the other three areas. By assigning personnel to take charge of each area of reforms and transferring substantial authority to them, we are advancing reform initiatives with a sense of speed.

The reforms can be divided into two types—those that we will implement on our own and those that we will implement together with an outside partner. To increase speed, we will not be overly committed to doing things on our own. Rather, we must further step up collaborative works with partners. To what extent can we sustain and bolster our strengths and become a company that is selected as a partner? And what type of network will we utilize in working with those partners? I think that these questions hold the key to the success of these reforms.

For further information about the four reforms, please refer to "Special Feature: Move Forward." P29

Implementing and Accelerating the Current Medium-Term Management Plan's Strategic Challenges



Strengthening Our R&D Capabilities

To be the first to deliver drugs, centered on our priority disease areas—autoimmune diseases, diabetes and kidney diseases, central nervous system diseases, and vaccines—we will take steps to accelerate R&D.

To be the first to deliver original value, our highest priority will be strengthening the R&D capabilities that are the core of the pharmaceutical business. Mitsubishi Tanabe Pharma has identified autoimmune diseases, diabetes and kidney diseases, central nervous system diseases, and vaccines as its priority disease areas, and we are concentrating our allocation of R&D resources on these areas.

In autoimmune diseases, we are advancing development of MT-1303 (indications: multiple sclerosis (MS) and others) in Europe, a successor to Imusera / Gilenya. In May 2015 we started MT-1303 phase 2 clinical trials in Japan for Crohn's disease. In addition, for Remicade we filed applications in Japan for an additional indication of refractory Kawasaki disease in May 2015 and a change of administration / dosage for psoriasis (increase of the dosage) in July 2015. Leveraging the know-how that we have cultivated in the development of Remicade and Imusera, we are also implementing development initiatives for other autoimmune diseases.

In central nervous system diseases, a global clinical trial for MT-4666 (indication: dementia of Alzheimer's type) and an Asian clinical trial for MP-214 (indication: schizophrenia) are underway. In addition, in June 2015 we received approval in Japan for Radicut for amyotrophic lateral sclerosis (ALS), and we also plan to file an application in the U.S. Furthermore, in March 2015 we in-licensed MT-5199, a VMAT2 inhibitor, from Neurocrine Biosciences, of the U.S., thereby strengthening our development pipeline in central nervous system diseases. Moving forward, we will advance development of MT-5199 for indications of Huntington's disease and tardive dyskinesia.

In diabetes and kidney diseases, as I mentioned, TA-7284 (Canagliflozin), an SGLT2 inhibitor that was discovered in-house, was approved for an indication of type 2 diabetes mellitus, and it has been launched under the brand name Canaglu. In Japan, we are currently moving ahead with development of MT-2412 (indication: type 2 diabetes mellitus), which is a combination of Canaglu and Tenelia, a DPP-4 inhibitor. In addition, development of MT-3995 (indication: diabetic nephropathy) is under way in Europe, the U.S., and Japan. In vaccines, Medicago, of Canada, which became a subsidiary of Mitsubishi Tanabe Pharma in 2013, is moving forward with development of plant-derived Virus-Like Particle (VLP) vaccines in Canada and the U.S. Furthermore, MT-2301 (Hib vaccine), which we in-licensed from Nuron Biotech, of the U.S., started phase 2 clinical trials in Japan in May 2014.

In addition, in regard to out-licensed products, Y-803, which we discovered in-house and out-licensed to Merck, of the U.S., obtained favorable results in phase 1 trials for cancer, and it is expected to become a first-in-class product on global level.

These drug candidates have the potential to become products with original value, but it is important to become the first to deliver that value. With new pharmaceuticals, only the first-in-class drug generates substantial profits. It is becoming difficult for the second and third drugs to secure profits. In addition, the patent durations have a significant influence on product value, and accordingly we must focus on speed in R&D. In our R&D reforms, this is the most important objective that we must accomplish. In that regard, our previous methods can no longer be applied. We must substantially revise the methods that we have used in the past and pursue new ways of doing things. I have told our researchers that I want them to be aware of saving even a single second. In October 2014, we established the R&D Transformation Department, which has advanced R&D reform initiatives. In October 2015, aiming to establish a framework to increase the speed of R&D and maximize product value, we plan to implement restructuring initiatives to establish the "Sohyaku. Innovative Research Division," which will handle the stages from basic research to early phase of development to acquire POC* as rapidly as possible, and the "Ikuyaku. Integrated Value Development Division" which will handle the stages from late phase of development (after POC acquisition) to launch preparations and post-launch product-value maximization measures.

* Proof of Concept: Confirmation that the mechanism is effective and safe in humans.

Strengthening Our Earnings Capacity

With our earnings capacity in the domestic ethical drug market declining substantially, we are advancing initiatives to quickly maximize the value of our new products and other priority products.

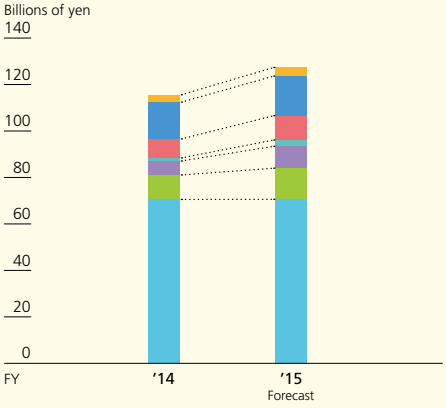
We also need to increase our earnings capacity and establish a business structure with sufficient strength for investment, and to that end the key factor will be the reinforcement of our domestic sales capabilities. Royalty revenues have become an important source of our earnings, but on the other hand in the domestic ethical drug market the revenue from long-listed drugs has declined substantially. In this operating environment, we are advancing initiatives to rapidly maximize the value of our priority products.

First, in regard to Remicade and Simponi, total combined sales reached ¥100.0 billion (NHI drug price basis) in fiscal 2013. In fiscal 2014, sales were affected by the NHI drug price revisions and did not reach the previous year's level, but in fiscal 2015 we are taking on the challenge of achieving ¥100.0 billion in sales (NHI drug price basis) again. In the field of RA, we will aim to position Remicade as the number one choice among biologics, and to promote Simponi we will focus on its ease of use as a subcutaneous injection. Furthermore, we will work to obtain new prescriptions for Remicade for inflammatory bowel disease.

The start-up of Tenelia, which was launched in September 2012, has taken some time. However, limits on the prescription period for Tenelia have been removed, and in December 2013 it became possible to use Tenelia in combination with all oral diabetes mellitus treatment agents and insulin. For these reasons, sales of Tenelia have been increasing rapidly. Total sales, combining those of the Company and our joint sales partner Daiichi Sankyo, were ¥17.4 billion in fiscal 2014. In fiscal 2015, together with Daiichi Sankyo we will implement the largest number of promotions in the field of diabetes. By positioning this product as a DPP-4 inhibitor that is easy to use for elderly patients, we will work to expand the number of new prescribers.

The start-up of Canaglu, which was launched in September 2014, is taking time, but other SGLT2 inhibitors are in the same situation. This is due to the fact that the prescription standards have not yet been established. In this setting, it is increasingly important for Medical Representatives (MRs) to focus on the strengths of this product and to link them to prescriptions. As one part of domestic sales reforms, we are advancing initiatives to increase the abilities of individual MRs, and are working to nurture MRs who can grasp the needs in clinical settings and suggest treatments. Specifically, by quantifying MR activities and analyzing individual strengths and weaknesses, we will bolster the sales capabilities of each MR. Furthermore, in October 2014 we established the Sales Innovation and Strategy Department, and the department has advanced initiatives in three areas- expanding the product line-up with alliances, reinforcing MR sales capabilities, and establishing a framework to maximize the value of new products. We plan to establish the "Ikuyaku. Integrated Value Development Division" in October 2015. Based on information collected from medical and scientific viewpoints, this division will identify the most effective and safe way to use products and fulfill the role of nurturing products with high value for both patients and health care professionals.

Nurturing Fiscal 2015 Priority Products



Billions of yen	FY 2014	Forecast FY 2015
Remicade	70.6	70.7
Simponi	10.5	13.3
Tenelia	6.2	9.6
Canaglu	1.2	2.6
Lexapro	8.0	10.5
Talion	16.0	17.1
Imusera	3.2	3.8

Business Operations in the U.S.

We need to build our U.S. operations into the second core of our business, after domestic operations. I believe that the key to the success of our U.S. operations is the extent to which we can combine our strengths with those of other companies.

For the Company to realize further growth, we need to build our U.S. operations into the second core of our business, after domestic operations. The U.S. pharmaceutical market is the largest in the world and is expected to grow continually over the medium to long term. In addition, unlike the domestic market, in the U.S. the prices of pharmaceuticals do not decline while they are on patent. Moreover, the U.S. is an important center for new drug discovery, and it is said that in recent years about one-half of new drugs have originated in the U.S.

We will focus on two points in our U.S. operations. We will strengthen our development pipeline, and we will reinforce our business foundation. Rather than striving to address these points on our own, we will utilize alliances and take aggressive steps to obtain external products and drug candidates as well as an external sales platform. A major difference between the domestic and U.S. markets is speed. Rather than trying to do everything ourselves, I believe that the key to the success of our U.S. operations is the extent to which we can combine our strengths with those of other companies and work with a sense of speed.

To advance U.S. operations reforms, in October 2014 we newly assigned an officer with responsibility for our U.S. business, and in December we reorganized our Group companies in the U.S. Mitsubishi Tanabe Pharma Holdings America has been given overall responsibility for the U.S. operations. By promoting collaboration with each Group company in the U.S., we will accelerate the evaluation and acquisition of drug discovery seeds, technologies, and drug candidates from U.S. universities, venture companies, and other sources. We will also take steps to strengthen translational research. Furthermore, in July 2015 Mitsubishi Tanabe Pharma Holdings America was given overall responsibility for global business development, and we established business development divisions in three markets—Japan, the U.S., and Europe. In this way, we will reinforce the business development function in the U.S. and strengthen our development pipeline.

Operational and Structural Reforms

The Company aims to accelerate the consolidation and reorganization of the research, production, and Head Office functions and to establish a strong and sturdy business foundation.

The Company aims to accelerate the consolidation and reorganization of its research, production, and Head Office functions and to establish an organization that has enhanced functions and productivity as well as lower costs. In domestic discovery research bases, in February 2015 we decided to close the Kazusa Research Center at the end of fiscal 2015 and to consolidate these operations into the Yokohama Office and the Toda Office. CMC research bases have been consolidated into the Kashima Office. In manufacturing bases, we transferred Mitsubishi Tanabe Pharma Factory's Ashikaga Plant and Kashima Plant according to our reorganization policy of consolidating the manufacturing sites of Mitsubishi Tanabe Pharma Factory, a domestic production subsidiary, into two bases by the end of fiscal 2017. The Ashikaga Plant was transferred to CMIC HOLDINGS in April 2014, and the Kashima Plant was transferred to Sawai Pharmaceutical in April 2015. Furthermore, in February 2015 we started construction of new production facilities at the Yoshitomi Plant. In these ways, we are simultaneously advancing both reorganization and reinforcement initiatives. On the other hand, in Asia, in January 2015 we completed new production facilities at overseas subsidiaries—Tianjin Tanabe Seiyaku and P.T. Tanabe Indonesia. Through these local manufacturing bases, we will aim to bolster our production capacity, ensure product quality, and provide a stable supply. We have also implemented consolidation initiatives to strengthen and increase the efficiency of Head Office functions. Manufacturing-related functions have been consolidated into an office building newly constructed at the Kashima

Office, while sales and streamlined corporate functions have been transferred to a new office building constructed on the site of our Head Office building at the time of our founding.

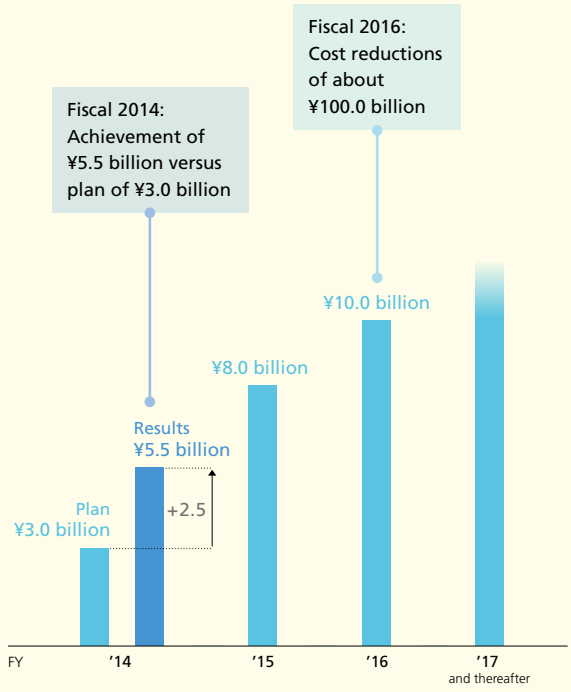
In business reorganization, we advanced selection and concentration, and withdrew from the plasma fractionation business and fine chemical business as well as infusion solution business in China.

Currently, aiming to establish a strong and sturdy business foundation, as a Companywide project we are reevaluating administrative and purchasing processes, personnel systems, organizations and workforces, as well as low-profit businesses. In this process of reform, there is nothing that is off limits. In fiscal 2014, we exceeded our plans and achieved cost reductions of ¥5.5 billion on an annualized basis, including reductions from the base consolidations . We anticipate an effect of about ¥10.0 billion by the end of fiscal 2016, and will work to exceed that amount by as much as possible.

The cost reductions are the most visible aspect of these restructuring measures, but the objective is to reinvest the funds generated into new drug R&D. In addition, I believe it is important to reevaluate the way in which employees do their work and to pursue faster, more-efficient methods of working. As one part of reforms of organizations and activities in fiscal 2014, we asked Group employees to submit proposals for ways to increase the speed and value of work. These activities were conducted under the title of "i Move" as Activity Reform Proposals. The response exceeded our expectations, and we received many proposals that will increase our work efficiency. I personally decided whether or not to accept the proposals, which have been implemented in stages. Moving forward, we will aggressively implement these type of employee-led, bottom-up reforms.

Cost Reductions Achieved through Restructuring*

* Benchmark: Fiscal 2012 expenses, including base reorganization



Targeting Sustained Growth

I believe that if we simply implement business activities that are an extension of what we have done in the past, then there is no path for the Company to record sustained growth in the years ahead. We must take the initiative and open up the future by plotting a course through uncharted territory.

In May 2014, we revised the numerical management objectives of the current plan. In fiscal 2015, we expect to achieve the new objective for operating income, but not the objective for sales. The operating environment in the domestic ethical drug market has become more challenging at a pace that has exceeded our expectations. I believe that if we simply implement business activities that are an extension of what we have done in the past, then there is no path for the Company to record sustained growth in the years ahead. We must take the initiative and open up the future by plotting a course through uncharted territory. That is the meaning of "reform."

The accomplishment of reform initiatives will be a major theme of the next medium-term management plan. However, in fiscal 2015 we will accelerate initiatives to the greatest extent possible. In addition, we will make a major change in how we invest in future growth. When a pharmaceutical company makes an investment,

it takes a comparatively long time until returns are generated. For a large investment, it can take more than 10 years. However, we cannot wait that long, and I believe that we must take on the challenge of shortening that period as much as possible.

We will work to increase corporate value by aggressively investing in future growth. In addition, another important management issue will be enhancing shareholder return in a stable, ongoing manner. Under the current medium-term management plan, we have worked to increase the return of profits to shareholders through growth in profits as well as through an increase in the consolidated dividend payout ratio to 50% (40% prior to amortization of goodwill). In fiscal 2014, we recorded significant extraordinary losses due primarily to the progress of structural reforms, and consequently net income was down year on year. However, operating income increased substantially due to the progress of measures to strengthen our earnings structure. In consideration of these circumstances and our basic policy for shareholder return, we set the fiscal 2014 annual dividend at ¥42 per share, an increase of ¥2 per share. Under the current medium-term management plan, this represents an increase of ¥14 per share over the past four years. The dividend payout ratio was 59.6%. In fiscal 2015, we are forecasting a decline in net sales but increases in operating income and net income. We plan to increase the per-share dividend by ¥2 from fiscal 2014, to ¥44, with a dividend payout ratio of 60.9%. Moving forward, we will continue working to enhance our return of profits to shareholders, with consideration for the Company's results.

In addition, we cannot achieve sustained growth without the trust of patients and health care professionals as well as society and shareholders. To implement management centered on transparency and fairness, the Company will work to further strengthen compliance. Furthermore, we will continually strive to reinforce corporate governance, including taking steps to address the corporate governance code formulated by the Tokyo Stock Exchange. Since 2011, the Company has had outside directors in order to secure management transparency and objectivity and to strengthen the oversight function of the Board of Directors. The Company receives frank opinions about management from the two outside directors, and deliberations are effective and lively. We are also implementing activities to deepen our relationship with stakeholders. Specifically, we are conducting corporate citizenship activities in areas that have a strong relationship to our business activities, such as aid for R&D activities related to the treatment of disease; support for patients' organizations; and initiatives to activate the communities where we have worksites.

Forecasts for Fiscal 2015 (Announced on May 8, 2015)

	FY 2014	Forecast FY 2015
Net sales	¥415.1 billion	¥396.0 billion
Operating income	¥67.1 billion	¥67.5 billion
R&D expenses	¥69.6 billion	¥74.0 billion
Overseas sales ratio	18.8%	23.9%

It has been one year since I became president. Considering the Company from my perspective as president, I think that we have the R&D capability to create major new drugs, and our employees have ability and motivation. However, to aim for a higher level as we move forward, we must focus on our customers and our competitors and become a company that can take the initiative and stay one step ahead. Of course, this is not something that I can accomplish on my own. Since I became president, I have continued to send messages to our employees and have worked hard to create opportunities for direct dialogue with them. I am constantly thinking about how I can communicate and how we can change our activities. We will take steps to ensure a shared understanding of the Company's future direction and sense of crisis, and to nurture more employees who will be the central force in advancing reforms. I believe that these initiatives will be our largest driver as we strive to realize our aim of being a research-driven pharmaceutical company that is the first to deliver unique value and works with a sense of speed. We will continue to move forward, and the entire Company will work together as we implement reforms and steer a course toward a new stage.

August 2015

Masayuki Mitsuka
President & Representative Director

Move Forward

To move to a new stage, the Company is taking on the challenge of reforms in four areas. This section covers the details of those initiatives through interviews with five people who are in charge of reforms.

1

R&D Reforms

Takashi Kobayashi
Board Director, Managing Executive Officer
Division Manager of Research Division

2

Domestic Sales Reforms

Seiichi Murakami
Board Director, Managing Executive Officer
Division Manager of Sales & Marketing Division

3

U.S. Operations Reforms

Eiji Tanaka
Executive Officer, General Manager of U.S. Operations
Head of Global Business Development
President of Mitsubishi Tanabe Pharma Holdings America, Inc.

4

Organizations and Activities Reforms

Kazuyuki Hirakoso
Managing Executive Officer
General Manager of General Affairs & Human Resources Department

Eizo Tabaru
Board Director, Executive Officer
General Manager of Finance & Accounting Department

1 R&D Reforms
Changing Existing Frameworks, Focusing on Speed

Takashi Kobayashi
Board Director, Managing Executive Officer
Division Manager of Research Division

Tracking Global Standards, Changing Existing Frameworks

After establishing the R&D Transformation Department, in October 2014 we realized that if we implemented changes within existing frameworks, no matter what we changed or how we changed it, any improvement that we achieved would not really reach the level of reforms. It is clear that we need to make improvements, but that is not the only reason why we established the new R&D Transformation Department.

We started by studying approaches from outside the Company, with a special focus on the current state of R&D in the U.S. This is also related to "U.S. operations reforms," but it is something that cannot be overlooked in studying state-of-the-art R&D. Of course, we had previously looked at R&D in the U.S., but when we thoroughly researched it once again, we re-recognized the large differences in all areas, including quality, speed, and cost. We also looked at domestic pharmaceutical companies. The members of the R&D Transformation Department conducted direct interviews with each company, checking what types of activities they are participating in and who they are collaborating with. In this way, we gathered a large amount of information on an unprecedented scale, and as a result we were able to clarify the status of global standards and the areas we needed to improve.

Accelerating R&D Speed, Centered on Three Initiatives

Targeting reform, we will implement three principal initiatives. The first is "strengthening collaboration" outside the Company. Large U.S. pharmaceutical companies do not hesitate to collaborate with outside resources if that is the fastest way to reach the objective of commercialization. These companies are well informed about the best choices for collaboration partners among companies, venture companies, and universities, and they are prepared to access these resources immediately when work gets under way. On the other hand, our speed has been limited by the process we follow. We start our deliberations with the idea that we will handle all of the processes ourselves, and if we later decide to engage in collaboration, we then start to search for a partner. This approach is clearly inferior, not only in speed but also in cost and quality, and it is something that we will change. We will aggressively advance collaboration with external resources to a greater extent than in the past and we will work to strengthen the business development function, centered on the U.S.

Second, we will clarify clinical value. We will focus on what kind of drugs are needed on the medical frontlines, now and in the future, and aggressively conduct R&D targeting those drugs. To develop new drugs that will be used around the world, it is essential that we grasp the needs of health care professionals in the U.S., and accordingly we are establishing a system to conduct those investigations. Of course, it is also important to track medical frontline needs through our MRs. I think that it is absolutely vital to reflect the information obtained in this way in discovery research at an early stage, such as the point at which themes are established.

Third, we will accelerate R&D speed. To provide the framework for the above two initiatives, in July 2015 we established three units by region. Moreover, in October 2015 we will establish the "Sohyaku. Innovative Research Division," which will be in charge of the stages from basic research to early stage development. In this way, we will establish a system for the seamless, rapid verification of stages up to the acquisition of Proof of Concept, which is the confirmation of efficacy and safety in humans.

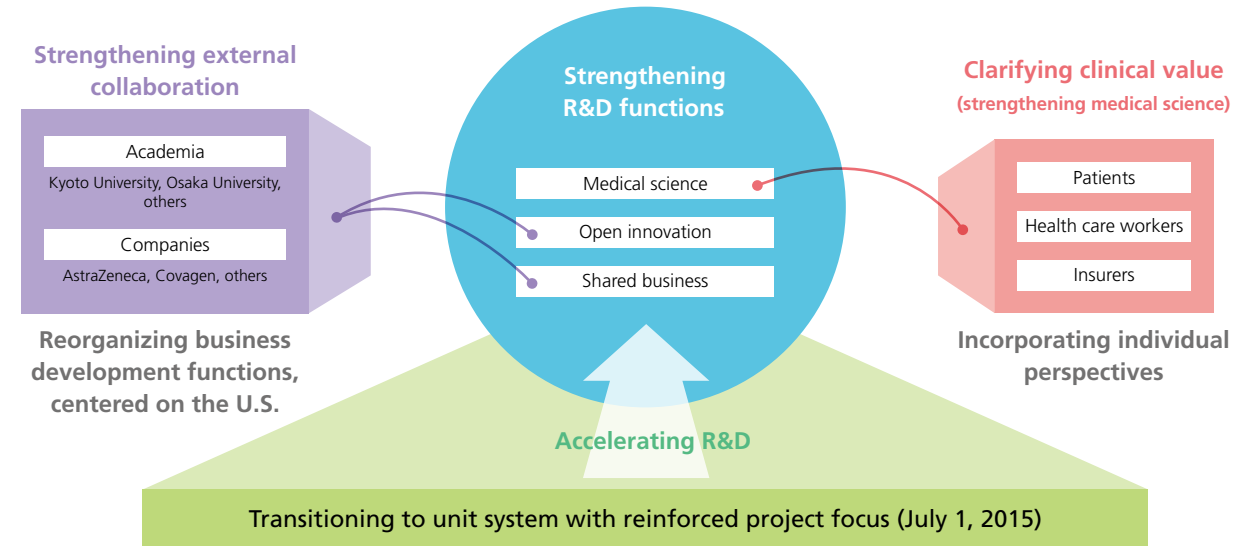
Motivating Individual Researchers

Our reform initiatives are still at the halfway point, but I believe that we have clarified the issues that we face and have shifted to the direction that we need to follow in order to resolve those issues. One major challenge is to focus on speed. We will clarify the tasks that we need to accomplish for each function, and in each area we will emphasize speed. I think we need to be strongly committed to doubling our overall speed and number of projects.

However, if we just change the framework without changing the approach of individual researchers, we will not be able to achieve reforms. Rather than a taking a passive approach and assuming that someone else will make changes, we want researchers to take a proactive approach to change. The fact that we have created drugs with value gives us confidence, and on that basis we will implement a process of self-reform. I am the person responsible for these initiatives, and I believe that increasing motivation in this way is my most important responsibility.

In advancing reforms, I want to motivate each researcher. I have asked people to aggressively participate in discussions, and I have gathered the managers of our three research facilities in Japan and directly explained the main points of the reforms. I believe that if managers carefully explain the main points to individual researchers, then all employees, including me, will share the same approach and confidence, and we will be able to take on the challenge of advancing these reforms.

Building an R&D System that is Focused on Speed



2 Domestic Sales Reforms
Returning to the Starting Point, Overcoming Adverse Conditions

Seiichi Murakami
Board Director, Managing Executive Officer
Division Manager of Sales & Marketing Division

Increasing Our Strength to Overcome Adverse Conditions

In the domestic ethical drugs business, conditions are extremely challenging due to the impact of the NHI drug price revisions and to growth in the substitution of generic drugs. We need to overcome these challenges as rapidly as possible, and I think that it will not be enough to simply bolster our ability to sell products. We will also need to obtain products from outside the Company and increase product value.

To that end, there are three things that we must do. First, we need to strengthen the sales capabilities of our MRs. This will involve developing the promotion capabilities that will enable us to succeed in competition. Second, to expand the products handled by MRs, we are moving forward with the establishment of a system to obtain products from outside the Company in order to expand alliance products. Third, to establish a framework for the maximization of new product value, we will aggressively take steps to track needs on the medical frontlines and foster the acquisition of additional indications based on the suggestions of the Sales & Marketing Division. Centered on the Sales Innovation and Strategy Department, we are taking steps to advance these three initiatives, which will be the pillars of our reforms.

However, the basic element of these initiatives is bolstering the sales capabilities of our MRs. If we can show results in terms of our ability to sell products, it will be a major driving force for the expansion of alliance products. Moreover, to establish a framework for the maximization of new product value, we will need to accurately track needs on the medical frontlines, and to that end we will need to be able to draw out medical needs from doctors. Without this basic element, our reforms will not be successful.

Returning to the Starting Point, Revising Promotional Methods

To strengthen the sales capabilities of our MRs, we first returned to the starting point and examined our promotional methods. We introduced a technique for each step in the process of building relationships of trust between individual MRs and health care professionals. We evaluated the level of each MR's relationship-building skills and clarified points to improve in order to progress to the next step. If we implement initiatives on the basis of these types of standards, then our actual strengths will be enhanced, and as we experience that improvement we will be able to move to the next step. In changing our promotional methods, if the MRs do not first assess their own situation and acknowledge the areas where they need to improve, then we will not be able to change. With this method, we have been able to demonstrate to individual MRs, in an easy-to-understand format, issues that had previously been unclear.

Next, clearly communicating our objectives is also important. One of these objectives is working to achieve specialization among our MRs. Information has become easy to obtain through the Internet and other means, and MRs are expected to conduct more-advanced information

provision. We must address that trend, and therefore we will shift away from the previous system, under which generalist MRs handled wide ranges of information, to a system with an enhanced emphasis on MRs who specialize in specific disease areas.

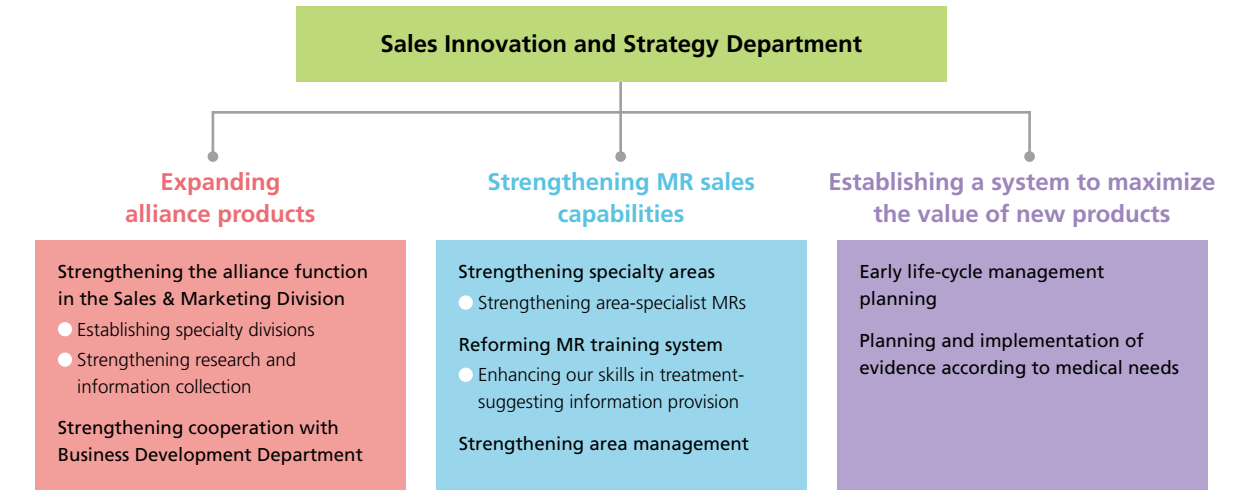
After we clarify our issues and communicate our objectives, the key point will be the extent to which we can enhance the capabilities of our MRs. In this regard, I think that it will be important to go back to the basics. MRs need to be the type of people who look forward to meeting with others. If MRs have basic strengths, then they will develop the ability to apply them. Accordingly, we reformed MR education and training in order to enhance their basic strengths. To draw out the needs of the medical frontlines, and link them to the provision of useful information and proposals, we are implementing education and training aimed at increasing our skills in "treatment-suggesting information provision." To build strength, we must climb up one step at a time. By continuing to make steady efforts, we will strive to reach a standard level and then reach higher.

Toward an Organization Linked by Communication

The Sales & Marketing Division, which is the Company's largest unit, has many employees and sales offices throughout Japan. There is no point to my declaring that we need to implement reforms if my voice doesn't reach individual employees, and a major key to the realization of reforms is the extent to which we can implement close communications.

The Sales Innovation and Strategy Department includes members who have worked as branch managers and sales office managers. Members who are familiar with the sales frontlines serve as communication links, and they visit sites to explain the necessity of "Domestic Sales Reforms" and the reform measures that we will implement. Through these types of activities, we will create a network and shift to a system in which information flows not just in one direction but in both directions. Moving forward, we will carefully implement these types of measures.

Three Pillars of Domestic Sales Reforms



3 U.S. Operations Reforms
Seizing Limited Opportunities

Eiji Tanaka

Executive Officer, General Manager of U.S. Operations
Head of Global Business Development
President of Mitsubishi Tanabe Pharma Holdings America, Inc.

Transitioning to a System of Rapid Decision-Making

The objectives of the reforms are to make the U.S. our second source of revenues, after Japan, and to incorporate innovations from the U.S. into our R&D activities. To that end, we thought that it was necessary to change our U.S. organization to support aggressive risk taking and rapid decision-making.

Therefore, in December 2014 we completed a reorganization of Group companies in the U.S. that was designed to speed up decision-making. Mitsubishi Tanabe Pharma Holdings America (MTHA), our holding company in the U.S., is positioned as the company with overall responsibility for U.S. operations. MTHA oversees Tanabe Research Laboratories U.S.A. (TRL), a pharmaceutical research company; Mitsubishi Tanabe Pharma Development America, a pharmaceutical development company; and MP Healthcare Venture Management, a bio-venture investment company.

In July 2015, we established three business development divisions in Japan, the U.S., and Europe, and assigned the global business development supervisory function to MTHA. Under this system, we will implement the following three types of specific activities. In addition, as members in each area collaborate, we will move forward with information collection and evaluation for the purpose of acquiring discovery seeds, drug discovery technologies, and drug candidates from companies, venture companies, universities, and other sources in Europe and the U.S.

Seizing Limited Opportunities with Limited Information

First, in research / technology acquisition we will focus on upstream areas, such as discovery seeds and drug discovery technologies. In these areas, the key to success is the extent to which we can access large amounts of new information. We will strengthen information exchange and sharing, not only among the research units of Group companies but also among MPH and TRL. In making judgments, we need to look 10 or 20 years ahead, and with consideration for the future direction of our business we will also focus on information peripheral to pharmaceuticals.

The second type of activity is pipeline acquisition. The principal target will be the in-licensing of drug candidates for Japan, the U.S., Europe, and Asia. However, many pharmaceutical companies have weaknesses in their own pipelines, and acquisition is becoming more difficult each year. In particular, it is not easy to make acquisitions, including acquisitions of rights related to Europe and the U.S. The primary targets are early-stage drug candidates for which information is limited, and judgment is required for these decisions. As we work with the strategy department in Japan, we will take steps to streamline indications and access limited opportunities. To that end, we will continue to actively search for opportunities and implement discovery activities through our three-part system in Japan, the U.S., and Europe. In evaluating business viability, we have introduced an evaluation process that reflects the distinctive market conditions in each of Japan, the U.S., and Asia.

The third type of activity will be business acquisitions in downstream areas. We will move ahead with the streamlining of product and drug candidate acquisitions, with consideration for sales synergies with the Company's current drug candidates and development candidates. With the objective of generating earnings from the U.S. at an early stage, we will consider a range of options, including M&A transactions. Furthermore, the rapid start-up of business in the U.S. is one of the minimum requirements for pipeline acquisition. Even if we set out to make acquisitions, including acquisitions of rights related to Europe and the U.S, no company will sell us rights for a territory where we have no sales foundation.

One point in common among these initiatives is the extent to which we can take advantage of limited opportunities in an environment marked by limited information. To that end, we will need judgment, aggressive risk taking, and rapid decision-making.

Realizing Reforms, Converting Our Business Model

We have completed the infrastructure for the realization of reforms and the conversion of our business model, and have progressed to the stage of results generation. Through these "U.S. Operations Reforms," we will transition to a business model under which a sufficient level of inputs from the U.S. are supplied to the cycle of research, development, sales, and then the reinvestment of the earnings acquired, which is currently centered on Japan. In this way, we will improve the Group's overall profitability and enhance sustainability.

To that end, we must be persistent, continue to think, and continue to act. Furthermore, as we take steps to enhance our forecasting ability, it will be necessary to have both flexibility and speed so that we can respond in a timely manner no matter how the business environment changes. I would like to share this point with all of the team members who will participate in the implementation of the reforms.

For the Company to survive in the years following the next medium-term management plan, we must establish earnings sources in the U.S. and bolster the R&D pipeline during the period covered by the plan. Accordingly, we will do our utmost to realize these reforms.

Strengthening the Business Development Function, Centered on the U.S.

Setting up the global business development control function in MTHA

U.S. Organizational System

- Company with Overall Responsibility for U.S. Operations
  - Mitsubishi Tanabe Pharma Holdings America
- Pharmaceutical Research Company
  - Tanabe Research Laboratories U.S.A.
- Pharmaceutical Development Company
  - Mitsubishi Tanabe Pharma Development America
- Bio-Venture Investment Company
  - MP Healthcare Venture Management

4 Organizations and Activities Reforms

Building a Framework Under Which Everyone Can Leverage Their Capabilities

Kazuyuki Hirakoso
Managing Executive Officer
General Manager of General Affairs & Human Resources Department

Strengthening Organizational Functions and Optimizing Labor Costs

My objective, and my mission, is to build a framework for the transition to a company in which employees, with their diverse attributes and values, can leverage their individual capabilities and play active roles in their respective workplaces.

In regard to strengthening organizational functions, with the objective of speeding up decision-making, we reduced the layers in each organization and substantially reduced the number of departments, from 150 to 105. Moving forward, we will advance reforms at the division level.

On the other hand, we have asked employees to think about how they can increase the quality of their work and boost speed, and then to take action. We are moving ahead with reforms of certain aspects of the personnel system so that we can reward employees who contribute to the Company's results through these actions.

Building Strength by Taking the Lead in Reforms

Although some of the reforms might be difficult for employees, we are working to carefully explain and obtain their understanding of how the reforms are a response to the changes in the Group's operating environment and how they will improve our results in 5 years or 10 years, as well as why we need to make changes now.

Our objective is not simply to change organizations or systems. I believe that if individual employees take the lead role in these reforms, it will be a source of major strength for the realization of the reforms. What kinds of organizations and systems are suitable to establish an environment in which employees, who have a wide range of values, can leverage their capabilities? I would like to hear proposals from employees and link those to the creation of an effective framework.

Building a Robust Organization that Focuses the Group's Strengths on One Goal

Eizo Tabaru

Board Director, Executive Officer
General Manager of Finance & Accounting Department

Implementing Reforms to Establish a Flexible yet Strong Management Constitution

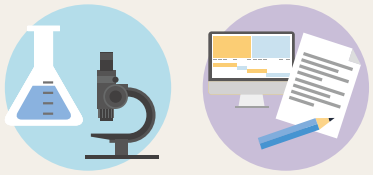
The domestic ethical drugs business has been an important source of earnings for the Company, but the operating environment is becoming more challenging each year and the earnings capacity of this business has declined significantly. This is a major change for the Company. However, this is just a single phenomenon. Moving forward, we will continue to see changes in a wide range of areas, and accordingly we need to continually reform ourselves in response to any type of change in the business environment. The entire Company is implementing the Structural Reform Project, which may appear to have the objective of cost reductions, but those reductions are the means of achieving the objective. To establish a flexible yet strong management constitution that can respond to changes in the business environment, we must not only reduce costs but also extend the changes to the ways in which we work.

Focusing the Company's Strengths

In reducing costs, in fiscal 2014 we exceeded the planned level by ¥2.5 billion and reduced costs by ¥5.5 billion on an annualized basis. We expect to achieve the cost reduction plan in fiscal 2015, and can say that we are making favorable progress in this area. However, in changing the way we work we are still at the halfway point. To make further progress, it is important that we repeatedly ask ourselves questions such as is this work really necessary and is this something that will truly create value?

We need to take a rigorous look at ourselves. It is not easy to question the nature of our own work, but I believe that it is my responsibility to establish a system under which we will maintain a forward-looking approach and take on challenges. To that end, I think it is important to outline the direction the Company is heading and obtain the understanding of each employee. For example, to further strengthen our R&D capabilities and our sales capabilities, if employees understand what the Company is trying to change, and how, they should be able to see how to change their own methods of working. Through organizational and activities reforms, we will transition to an organization under which each employee repeatedly changes the way they do their own work. In this way, I would like to help Mitsubishi Tanabe Pharma become a company that fully leverages and focuses its strengths on one goal.

R&D



Basic R&D Policy

Aiming to be a pharmaceutical company that continually provides new drugs to address unmet medical needs[1] around the world, Mitsubishi Tanabe Pharma has positioned "Bolstering Our Ability to Discover New Drugs" as one of the strategic challenges under the Medium-Term Management Plan 11–15.

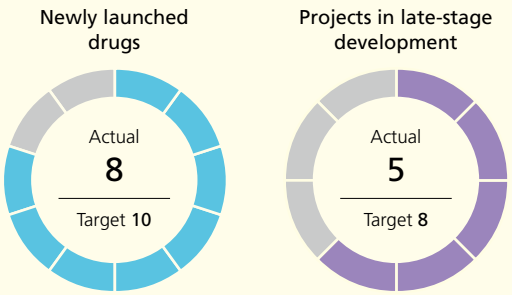
We are now advancing R&D activities in Japan and overseas in accordance with this strategic challenge. Our targets are to launch 10 new products and advance 8 projects to late-stage development by fiscal 2015, the final year of the plan. Furthermore, we have set a target of establishing a system that can discover 3 compounds each year that start new clinical trials, and to that end we are working to strengthen our development pipeline.

Moreover, with consideration for the next Medium-Term Management Plan, we have begun to implement R&D reforms to further accelerate initiatives targeting the challenge of "Bolstering Our Ability to Discover New Drugs."

For further information about "R&D Reforms," please see "Special Feature: Move Forward." P30

1. Unmet medical needs: Medical needs that are not addressed adequately by existing therapies.

Targets of Medium-Term Management Plan 11–15



As of May 8, 2015

Four Priority Disease Areas

Mitsubishi Tanabe Pharma has identified autoimmune diseases, diabetes and kidney diseases, central nervous system diseases, and vaccines as its priority disease areas. We are striving to implement effective, efficient R&D activities by focusing the allocation of management resources on key projects. In these priority disease areas, pharmaceuticals make a strong contribution to treatment and the markets have growth potential. In addition, the sales results of existing products have enabled the Company to build a strong market foundation in these areas. Due to the know-how that we have accumulated in R&D and sales activities, we expect to be able to rapidly launch drug candidates and achieve quick market uptake after launch.

Medicago Starts Development of Alternative Production Methods for Ebola Antibodies

Ebola hemorrhagic fever has become a major threat to international society, but there are not yet any effective treatment methods, drugs, or vaccines, and new treatment methods have been long-awaited. Against this backdrop, ZMapp, an anti-Ebola virus agent that is under development by Mapp Biopharmaceutical, of the U.S., has been the focus of attention as a means of treating Ebola hemorrhagic fever.

In February 2015, Medicago, a subsidiary of Mitsubishi Tanabe Pharma that is based in Canada, signed a contract with the U.S. Biomedical Advanced Research and Development Authority (BARDA)* for alternative production methods for Ebola antibodies. Under this contract, Medicago will leverage its proprietary technologies for the plant-based production, extraction, and refining of proteins to develop processes with a focus on increased productivity and to produce investigational antibodies for pre-clinical trials.

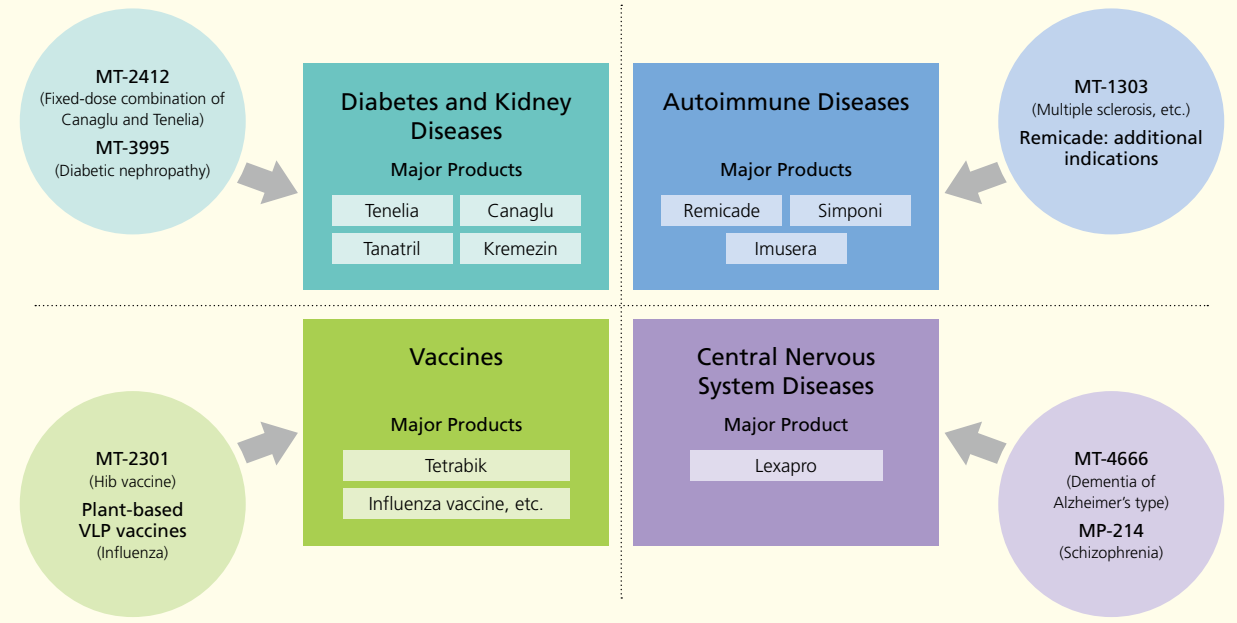
Andrew Sheldon

Medicago CEO

Moving forward, countries around the world are expected to continue to face such threats as pandemic influenza and the Ebola virus. Medicago is confident that it can respond quickly to these threats and make a contribution around the world through the use of its vaccine and antibody and stockpiling capabilities.

* BARDA: A public institution within the U.S. Department of Health and Human Services that provides an approach to the development and purchase of vaccines, drugs, treatment methods, and diagnostic tools that are needed for public health emergencies.

Establishing Four Priority Disease Areas, Focusing Allocation of Management Resources on Key Projects



For further information about drug candidates in priority disease areas, please see "Progress with Our Pipeline." P42

Collaboration with External Partners

The Company is taking steps to strengthen its foundation for in-house R&D activities. In addition, we are advancing open innovation, under which we collaborate with the most-appropriate partners, in order to optimize and speed up the processes involved in drug discovery.

Joint Research

To identify promising discovery targets, we are engaging in joint research with academic institutions and companies. In diabetes and kidney diseases, which is a priority disease area, we are working with Kyoto University in joint research through the Basic and Clinical Research Project for Discovering Innovative Treatments for Chronic Kidney Disease. In addition, we are implementing joint research with AstraZeneca, of the U.K., with the objective of enhancing our development pipeline in diabetic nephropathy. By effectively leveraging complementary strengths—expertise and research assets related to diabetic nephropathy—through this research program the Company and AstraZeneca are aiming to rapidly discover new low molecular weight drugs for the treatment of diabetic nephropathy.

In addition, biologics[2] have had a growing presence in pharmaceutical markets in recent years. In biologics research, Tanabe Research Laboratories U.S.A. (TRL), our research base in the U.S., is collaborating with Covagen, of Switzerland, to conduct joint research related to the discovery of bispecific proteins using Covagen's proprietary Fynomer-antibody platform. Unlike typical therapeutic antibodies, which bind to only one type of antigen, bispecific proteins are expected to be next-generation therapeutic antibodies that bind to multiple antigens. Plans call for their use in such areas as the development of treatment agents in the field of inflammatory autoimmune diseases.

Since 2012, the Company has worked with Medicago to conduct collaborative research into the development of next-generation, new vaccines using plant-derived VLP production technology. In September 2013, Medicago became a subsidiary of the Company.

2. Biologics: A general term for products that use substances of biological origin or biological functionality, including vaccines, plasma fractionation products and other protein drugs, therapeutic antibodies, nucleic acid drugs, and cells for use in regenerative medicine.

In-Licensing of Products and Technologies

To continually strengthen our development pipeline, we are aggressively working to in-license products and technologies. In March 2015, we in-licensed[3] NBI-98854 (MT-5199), a VMAT2 inhibitor, from Neurocrine Biosciences, of the United States, thereby strengthening our development pipeline in central nervous system diseases, a priority disease area. Moving forward, we will advance

the development of NBI-98854 for indications of Huntington's disease and tardive dyskinesia, for which there are a high level of unmet medical needs.

In addition, in vaccines, which are also a priority disease area, we are working to create new vaccines, centered on our cooperative relationship with BIKEN. We are also moving ahead with the introduction of competitive new vaccines and vaccine technologies. MT-2301 (Hib vaccine[4]), which we in-licensed from Nuron Biotech, of the U.S., in 2012, started phase 2 clinical trials in Japan in May 2014.

3. Exclusive development and sales rights in Asia, including Japan
4. Haemophilus influenza type b

Out-Licensing Drug Candidates

We are out-licensing drug candidates as one effective means of maximizing the value of drugs that we have discovered in-house. Through out-licensing of drug candidates and collaboration with other companies, we can further accelerate development.

We out-licensed[5] FTY720 (indication: MS) to Novartis, of Switzerland, and in 2011 it was launched in the U.S. under the name Gilenya. The royalty revenues from Gilenya have increased, reaching ¥43.9 billion in fiscal 2014. In addition, we out-licensed TA-7284 (indication: type 2 diabetes mellitus) to Janssen Pharmaceuticals, of the U.S. Under the brand name Invokana, TA-7284 was launched in 2013 by Janssen Pharmaceuticals as the first SGLT2 inhibitor in the U.S. Royalty revenues from Invokana reached ¥9.8 billion in fiscal 2014. Y-803, a bromodomain inhibitor that we out-licensed to Merck, of the U.S., is in multiple clinical trials in Europe and Canada for a number of cancers.

5. Exclusive development and sales rights worldwide, except for Japan

Advancing Life-Cycle Management

To maximize product value, we continually implement development targeting the acquisition of additional indications. In fiscal 2014, we received approval in Japan in September 2014 for an additional indication of chronic hepatitis C (genotype 2) for Telavic, a new product. In Japan, we received approvals for additional indications of pediatric allergic rhinitis and pediatric atopic dermatitis for Talion in May 2015, and for an additional indication of ALS for Radicut in June 2015.

Remicade, which plays a central role in our life-cycle management strategy, received approval in Japan in August 2015 for an additional indication of Behcet's disease with special lesions. In addition, we are implementing phase 3 clinical trials in Japan for additional indications for refractory Kawasaki disease, pediatric Crohn's disease, and pediatric ulcerative colitis, as well as a change in administration / dosage for psoriasis (increased dosage).

Bolstering the Capabilities of Our Bases

When Mitsubishi Tanabe Pharma was established in 2007, the Company had five domestic discovery research bases. We subsequently made steady progress in the consolidation of functions, and were able to consolidate discovery research in three bases—the Yokohama Office, the Toda Office, and the Kazusa Office. In February 2015, to increase efficiency and speed in discovery research activities, we decided to consolidate discovery research operations into the Yokohama Office and the Toda Office and to close the Kazusa Office at the end of fiscal 2015. CMC research[6], which includes the manufacturing and formulation of pharmaceutical ingredients and the preparation for commercial production of

Reaching for **a New Stage**

The Cumulative Effect of Reforms

Masashi Nishio, Research Unit C, Research Division

In the discovery of new drugs, I believe that previous approaches and research methods are no longer effective. Researchers need approaches and innovation that are not limited by previous ways of doing things, as well as persistence through the process of trial and error. I am aware of the need for collaborative work and increasing speed. Through collaboration that transcended departments and areas of expertise, we achieved high-quality results for a certain issue in short period of time, which would not have been possible under previous methods. I have directly experienced the new value and strength created by bringing together technologies and people from different parts of the Company, including exchanges of technologies and interaction among researchers who have high levels of expertise. In addition, to be the first to identify new drugs with original value, we are working to collaborate with others and establish new drug testing that incorporates innovative research technologies that were not previously available. Moreover, others are also aware of the need for reforms, and the methods we use to handle daily discussions and meetings are changing. There is a growing sense that we must implement reforms and record strong growth. My objective as a researcher is to see that the cumulative effects of these types of changes and challenges become the driving force behind R&D reforms and lead to the continuous discovery of new drugs that contribute to medical treatment.

new drugs, has been consolidated at the Kashima Office. Facilities at the Kashima Office have been bolstered to increase the production capacity for pharmaceutical ingredients, and we are now considering the implementation of further measures at this office to reinforce manufacturing of the investigational drugs used in clinical trials.

In addition, overseas, Tanabe Research Laboratories U.S.A. (TRL), our research base in the U.S., shifted its research focus from low-molecular compounds to biologics. As a result, TRL is now a discovery research facility specializing in biologics. Moreover, MP Healthcare Venture Management, which handles the Group's corporate venture function in the research field, has shifted the focus of its investment to companies with a promising development pipeline and technologies. To speed up decision-making even further, in 2013 we made MP Healthcare Venture Management a wholly owned subsidiary.

6. Chemistry, manufacturing, and control research: Comprehensive research supporting pharmaceutical manufacturing and quality, such as research into manufacturing and formulation of pharmaceutical ingredients and analytical research involving the evaluation of the quality of pharmaceutical ingredients and pharmaceuticals.

Enhancing Our Global Development System

Through a global development system that has bases in the U.S., Europe, and Asia, we are advancing the development of drugs that meet the needs of each market.

In the U.S. and Europe, we are aiming to develop innovative and highly cost-competitive products that address unmet medical needs. Our basic policy is to work in-house to acquire POC[7] as rapidly as possible. With consideration for our in-house sales system, we consider alliances with other companies to quickly launch products and to maximize product value. On this basis, we are advancing development in these markets. On the other hand, in Asia, in line with the needs in each market, we are working to quickly launch products that have been approved in Japan, the U.S., or Europe.

Moreover, we are utilizing a project system for the promotion of global development under which drugs in development with the same active ingredients will, in principle, be handled by the same project leader, regardless of where clinical trials are implemented. International drug development and review standards are being unified, and in this setting clinical trial data obtained outside of the country or region in which development is being conducted can now be used in application documents. Accordingly, through the management of projects by active ingredient, we can utilize clinical trial data that transcends national boundaries and increase speed and efficiency in global development.

In addition, as one facet of U.S. operations reforms, in December 2014 we reorganized Group companies in the U.S., positioning Mitsubishi Tanabe Pharma Holdings America as the company with overall responsibility for the U.S. operations. As a result, by promoting collaboration with each Group company in the U.S., we will accelerate the evaluation and acquisition of drug discovery seeds, technologies, and drug candidates from U.S. universities, venture companies, and other sources, and will take steps to strengthen translational research. In these ways, we will enhance our development pipeline. In July 2015, with the objective of bolstering the driving force behind alliance activities, overall responsibility for global business development was assigned to Mitsubishi Tanabe Pharma Holdings America, and three business development divisions were established in the U.S., Europe, and Asia.

For further information about "U.S. Operations Reforms," please see "Special Feature: Move Forward." P34

7. Proof of Concept: Confirmation that the mechanism is effective and safe in humans.

Consideration for Ethics in R&D Activities

Initiatives in Discovery Research

In recent years, research using human tissue and cells provided by patients is increasingly important to gain a better understanding of the pathology of diseases and more accurately predict the efficacy and safety of new drugs. In addition, in discovery research using samples of human origin, it is essential to pay careful attention to ethical issues, such as a serious and careful approach to informed consent by the donors and the maintenance of their privacy. We have established ethics review committees, which carefully consider the ethics and scientific validity of research plans. These committees include outside members to promote objectivity, impartiality, and transparency. This system facilitates balanced screening with respect for a variety of viewpoints. Furthermore, we post the regulations of the ethics review committees and summaries of their proceedings on the Ministry of Health, Labour and Welfare's clinical research ethics committee reporting system and on our website.

For testing using animals, the Animal Experiment Committee deliberates the validity of testing plans based on international standards for animal testing. In addition, we carry out internal inspections and self-assessments to confirm that all animal experiments comply with our own management system and are in accordance with laws, regulations, and guiding principles. We also obtain external evaluation and certification from a third-party evaluation institution.

Clinical Testing Initiatives

All of our clinical trials are conducted in strict compliance with the guidelines set by the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use / Good Clinical Practices (ICH-GCP) (standards for the implementation of clinical testing of pharmaceuticals), which were formulated in accordance with the spirit of the Declaration of Helsinki. All participants give their voluntary informed consent. In implementing clinical trials, advance discussions are conducted by the Clinical Trial Protocol Review Committee, which includes members from outside the Company and medical experts who are well-versed in clinical trial ethics. Before a trial begins, the committee confirms its ethical and scientific validity.

Progress with Our Pipeline

In fiscal 2014, we received approval in Japan for TA-7284 (Canagliflozin), an SGLT2 inhibitor discovered in-house, and started sales as a treatment agent for type 2 diabetes mellitus under the brand name Canaglu. In addition, we started phase 3 clinical trials for a fixed-dose combination of Canaglu and Tenelia (Teneligliptin; DPP-4 inhibitor), a treatment agent for type 2 diabetes mellitus discovered in-house. Moreover, we joined a global clinical study conducted by licensee Janssen Pharmaceuticals, of the U.S., for TA-7284 for the indication of diabetic nephropathy.

In central nervous system diseases, clinical trials are underway for two of our drug candidates—a global clinical trial of MT-4666, for Alzheimer's disease and an Asian clinical trial of MP-214, which is in the late stage of clinical development, for schizophrenia. In March 2015, the Company in-licensed NBI-98854 (MT-5199), a VMAT2 inhibitor, from Neurocrine Biosciences, of the U.S. Moving forward, we will advance the development of NBI-98854 for indications of Huntington's disease and tardive dyskinesia.

For the fiscal 2014, R&D expenses were ¥69.6 billion, accounting for 16.8% of net sales.

As of May 8, 2015, the status of progress in major development projects was as follows.

Development code / Brand name	Generic name	Indications	Region	Stage (Phase 1 / 2 / 3 / NDA filed)
Autoimmune diseases				
MT-1303		Multiple sclerosis	Europe	
		Psoriasis	Europe	
		Inflammatory diseases, autoimmune diseases	Japan, Europe, US	
Remicade	Infliximab [recombinant]	Behcet's disease with special lesions	Japan	Oct. 2014 (Approved in Aug. 2015)
		Refractory Kawasaki disease		(May 2015)
		Pediatric Crohn's disease		
		Pediatric ulcerative colitis		
		Psoriasis: increased dose		(July 2015)
Imusera	Fingolimod	Chronic inflammatory demyelinating polyradiculoneuropathy	Global clinical trial	
Diabetes and kidney diseases				
MT-2412	Teneligliptin,Canagliflozin	Type 2 diabetes mellitus	Japan	
MT-3995		Diabetic nephropathy	Europe	
			Japan	
			US	
Canaglu	Canagliflozin	Diabetic nephropathy	Global clinical trial	
Central nervous system diseases				
MT-4666		Dementia of Alzheimer's type	Global clinical trial*	
MP-214	Cariprazine	Schizophrenia	Japan, Asia	Phase2b/3
Vaccines				
MT-2301		Prophylaxis of pediatric Hib infection	Japan	
Influenza vaccine (Plant-based VLP vaccine)		Prophylaxis of H5N1 influenza	Canada	
Influenza vaccine (Plant-based VLP vaccine)		Prophylaxis of seasonal influenza	US, Canada	
Influenza vaccine (Plant-based VLP vaccine)		Prophylaxis of H7N9 influenza	Canada	

* Co-developed with FORUM Pharmaceuticals

Autoimmune Diseases

MT-1303

Like MS treatment agent Imusera / Gilenya, MT-1303 is a sphingosine-1-phosphate (S1P) receptor functional antagonist. By controlling lymphocyte exit from lymph nodes, MT-1303 controls the auto-immune response. It is expected to have reduced side effects on the cardiovascular system while having efficacy similar to that of Imusera. It is being developed as a successor to Imusera, and is in phase 2 clinical trials in Europe for MS. Leveraging the development know-how cultivated in the development of Remicade and Imusera, we are moving ahead with additional development of MT-1303 for other autoimmune diseases. In addition, it is in phase 2 clinical trials in Europe for psoriasis and in phase 1 clinical trials in Japan, Europe, and the U.S. for inflammatory diseases and autoimmune diseases. In May 2015, we commenced phase 2 clinical trials in Europe and Japan for Crohn's disease.

Diabetes and Kidney Diseases

MT-2412

MT-2412 is a fixed-dose combination of DPP-4 inhibitor Tenelia and SGLT2 inhibitor Canaglu. Tenelia and Canaglu are both oral type 2 diabetes mellitus treatment agents. This combination increases convenience for patients by reducing the formulation types and the number of pills taken. Merits in treatment are thought to include the facilitation of good blood glucose control as well as the expectation that blood glucose will be controlled through both improvement of impaired insulin secretion (DPP-4 inhibitor) and elimination of glucotoxicity (SGLT2 inhibitor). Currently, MT-2412 is in phase 3 clinical trials in Japan.

MT-3995

MT-3995 is a selective mineralocorticoid receptor antagonist. It inhibits the binding of aldosterone to the mineralocorticoid receptor. As a result, MT-3995 inhibits the increase of protein in the urine. It is expected that its use will then reduce renal tissue damage and treat diabetic nephropathy. In pre-clinical studies, the anti-albuminuria effect was confirmed. In addition, because it has a nonsteroid structure, side effects related to sex hormones will be avoided. Currently, for diabetic nephropathy it is in phase 2 clinical trials in Japan and Europe and phase 1 clinical trials in the U.S.

Central Nervous System Diseases

MT-4666

MT-4666, which the Company licensed from FORUM Pharmaceuticals (formerly EnVivo Pharmaceuticals), of the U.S., is an α7nACh receptor agonist. MT-4666 selectively activates the α-7 nicotinic acetylcholine receptors, which are located mainly in the cerebral cortex and the hippocampus and play a significant role in cognitive function. It improves cognitive function by activating acetylcholine and glutamic acid signal transmission. MT-4666 is expected to lessen side effects, such as nausea and vomiting, that are seen with existing acetylcholinesterase inhibitors, and accordingly is expected to be used in combination with those drugs. It acts not only on presynaptic receptors but also on post-synaptic receptors, and even if symptoms progress and the amount of acetylcholine decreases, its efficacy is expected to be resistant to weakening. In phase 2b clinical trials conducted overseas by FORUM Pharmaceuticals, the licensor, it showed favorable results with cognitive function and clinical symptoms in Alzheimer's disease. It is currently in phase 3 global clinical trial conducted by the Company and FORUM Pharmaceuticals for dementia of Alzheimer's type.

MP-214

MP-214 is a dopamine D3 / D2 receptor partial agonist in-licensed from Gedeon Richter, of Hungary. It is a new type of schizophrenia treatment agent that differs from existing agents. In addition to the dopamine D2 receptor, it also acts on the D3 receptor, and consequently it is expected to be effective not only against positive symptoms, such as hallucinations and paranoia, but also against negative symptoms, such as depression and cognitive function disorders. In addition, because side effects like Parkinson's disease are limited, it is expected to be usable for a long period of time. In Europe and the U.S., the licensor Gedeon Richter and Allergan, of the U.S., are moving ahead with development. In November 2012, Allergans (formerly Forest Laboratories) filed an application in the U.S. for schizophrenia and mania. Currently, it is in phase 2b/3 clinical trials in Japan.

Vaccines

MT-2301

MT-2301 is a Haemophilus influenza type b vaccine in-licensed from Nuron Biotech, of the U.S. Invasive diseases caused by Hib include bacteremia, meningitis, acute epiglottitis, and septic arthritis. In particular, pediatric meningitis caused by Hib can be fatal or have long-lasting sequela. Accordingly, the prevention of infection through vaccination is considered to be highly important. MT-2301 is a liquid vaccine that includes avirulent mutated diptheria toxin to increase production of antibodies to Hib constituents. Since the second half of the 1980s, it has been used in more than 50 overseas countries and regions. Currently, it is in phase 2 clinical trials in Japan for prevention of pediatric Hib infection.

Plant-based VLP vaccines

These vaccines use the plant-based VLP manufacturing technology of Medicago, of Canada, a member of the Group. VLPs have the same external structure as viruses, so VLP vaccines are expected to offer a high level of immunization effectiveness. On the other hand, because they do not include virus genes, there is no virus replication in the body, and therefore this technology is drawing attention as a promising vaccine technology that offers superior safety. Currently, we are implementing a phase 2 clinical trial in the U.S. and Canada for prevention of seasonal influenza, a phase 2 clinical trial in Canada for prevention of influenza (H5N1), and a phase 1 clinical trial in Canada for prevention of influenza (H7N9).

Marketing

Basic Policy

We have implemented marketing activities in accordance with "Advancing Domestic Operations, Centered on New Drugs," which is one of the strategic challenges under the Medium-Term Management Plan 11–15. In fiscal 2014, we launched Canaglu in September 2014. This SGLT2 inhibitor is a type 2 diabetes mellitus treatment agent. Canaglu was the seventh new drug that we launched during the period of the current plan.

With the NHI drug price revisions and further acceleration of measures to promote the use of generics, the operating environment in fiscal 2014 remained extremely challenging. We worked to sustain and increase sales of our priority products, including new products Simponi, Lexapro, Tenelia, Imusera, and Canaglu; existing products Remicade, Talion, Maintate, and Kremezin; and vaccines Tetrabik and Varicella vaccine. As a result, excluding the effect of the NHI drug price revisions, the increase in sales of priority products was substantially more than the decline in sales of long-listed products.

In the future, to rapidly maximize the product value of our new drugs and other priority products, we will continue to steadily implement alliances with other companies and life-cycle management initiatives. In addition, we will steadily work to provide necessary evidence and receive approval of additional indications and formulations. In addition, we will advance "Domestic Sales Reforms" to contribute to growth under the next Medium-Term Management Plan. In October 2014 we established the Sales Innovation and Strategy Department. The new department is advancing reforms, such as strengthening MR sales capabilities, expanding alliance products, maximizing the value of new products, and strengthening the sales foundation in priority areas.

Through these initiatives, we will strive to contribute to the treatment of patients and to improving their quality of life (QOL)[1] by providing them with accurate information based on global evidence and with more products that address unmet medical needs[2].

1. Quality of life (QOL): Benchmark that addresses whether patients can enjoy their daily lives with a sense of fulfillment and satisfaction, without a decline in the quality of their daily lifestyles.
2. Unmet medical needs: Medical needs that are not addressed adequately by existing therapies.

For further information about "Domestic Sales Reforms," please see "Special Feature: Move Forward." P32

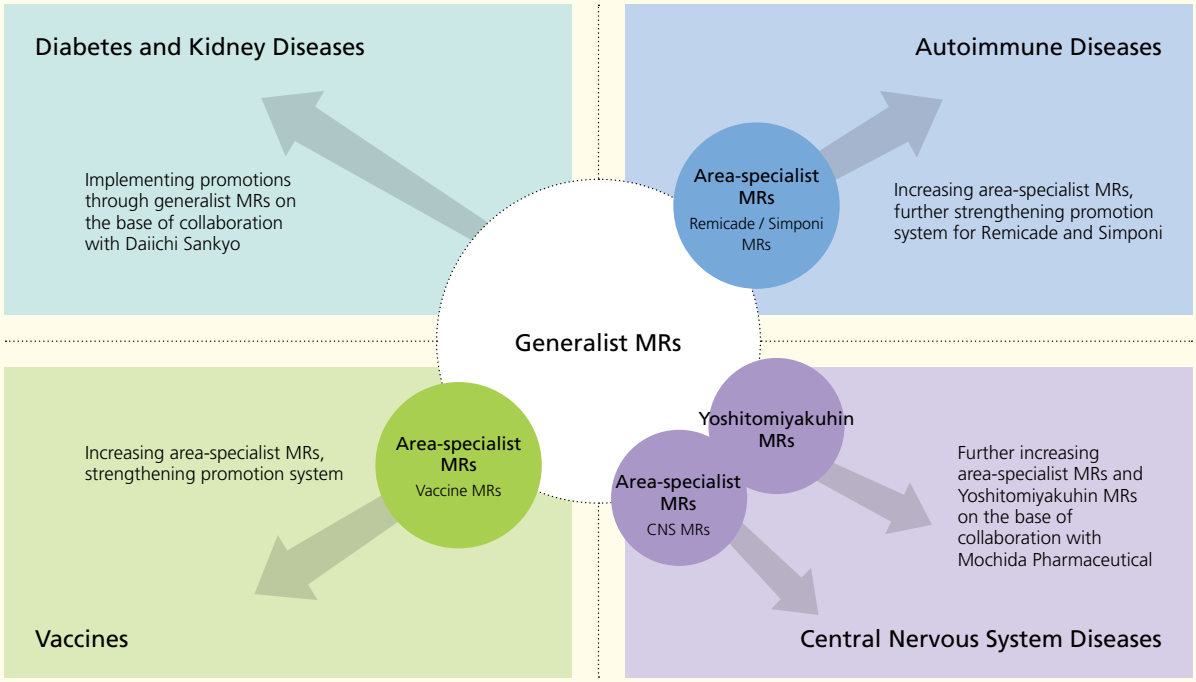
Launch of SGLT2 Inhibitor Canaglu

In September 2014, we launched Canaglu, an SGLT2 inhibitor, in Japan. Canaglu is a treatment agent for type 2 diabetes mellitus that was discovered in-house, and it has an entirely different mechanism from previous drugs. It inhibits the reabsorption of glucose in the renal tubules, thereby promoting the excretion of excess glucose in the urine. It has an excellent blood glucose lowering effect. In addition, it also has a weight reduction effect that is not seen with other oral diabetes treatment drugs.

In Japan, a number of SGLT2 inhibitors have been launched since April 2014, and the market environment has become challenging. Canaglu was the fifth to be launched, but overseas, licensee Janssen Pharmaceuticals, of the U.S., received approval in March 2013, making this drug the first SGLT2 inhibitor approved in the U.S. It was launched under the brand name Invokana, and currently it has been approved in 66 countries.

This is a major strength that other SGLT2 inhibitors do not have. In addition to the distinctive characteristics of Canaglu, our information provision activities are also drawing on abundant evidence regarding efficacy and safety obtained through its extensive use overseas. In this way, with Canaglu and Tenelia, a DPP-4 inhibitor launched in 2012, we are aiming to be No. 1 in the domestic diabetes field.

Marketing System Based on Disease Areas



Establishing Information Provision Systems

For efficacy to be provided safely and steadily, it is important that ethical drugs are used in an appropriate manner. If the usage of a drug, including administration and dosage, is inappropriate, then it is possible not only that sufficient effectiveness will not be obtained but also that risks, such as side effects, will increase. Mitsubishi Tanabe Pharma provides information regarding appropriate usage of ethical drugs to doctors, pharmacists, and other health care professionals. These information provision activities are centered on medical representatives (MRs).

To achieve increases in the quality and quantity of information provision, we have established a system under which generalist MRs, who are located throughout the country, are backed up by area-specialist MRs, who have deep levels of knowledge in specific areas. The generalist MRs conduct information provision activities for a wide range of products and disease areas. In contrast, the area-specialist MRs offer support with highly specialized, high-quality information in each disease area. This information has been gathered from inside and outside the Company. In this way, it is possible to accurately provide information about a wide range of products with only a limited number of MRs.

In addition, in our information provision and other promotion activities, we are working to strictly follow the Ethical Pharmaceutical Promotion Code of the Japan Pharmaceutical Manufacturers Association. A "promotion code" is an explicitly written code of behavior and modality of promotion—the obligations that must be fulfilled as a matter of course and the moderation that naturally must be adhered to—when conducting promotion, as understood in terms of corporate ethics in the pharmaceutical industry. Moreover, in accordance with our Corporate Behavior Charter, our MRs maintain high ethical standards and awareness as appropriate for employees of a life sciences company. They place priority on fairness and integrity in all activities, and conduct information provision activities with full consideration for the rights of patients.

Marketing System Focused on Priority Areas

As with R&D activities, we have identified autoimmune diseases, diabetes and kidney diseases, central nervous system diseases, and vaccines as our priority disease areas for our sales and marketing activities, and have established a marketing system that leverages alliances with other companies.

Based on the relationships of trust that we have cultivated with health care professionals through core product Remicade, we already have a strong marketing foundation in autoimmune diseases. We will take steps to further strengthen specialist MRs and focus on increasing sales of Remicade and Simponi.

In diabetes and kidney diseases, under a strategic joint sales agreement with Daiichi Sankyo, we are conducting information provision activities for Tenelia and Canaglu using one of the largest marketing teams in the domestic diabetes market.

In central nervous system diseases, we are conducting joint sales activities for Lexapro with Mochida Pharmaceutical. Together

with Yoshitomiyakuhin, a Group company that has strengths in this field, we are implementing joint promotional activities with three companies. Moving forward, based on our alliance with Mochida Pharmaceutical and Yoshitomiyakuhin, we will work to enhance our specialist MRs.

In vaccines, we are marketing vaccines developed and manufactured by BIKEN, and maintain a position of leadership in vaccines in Japan. Centered on our relationship with BIKEN, we are working to further strengthen our domestic business foundation in vaccines. We are also taking steps to support education about vaccination, such as establishing a health support website about vaccines.

Maintaining Earnings from Long-Listed Drugs

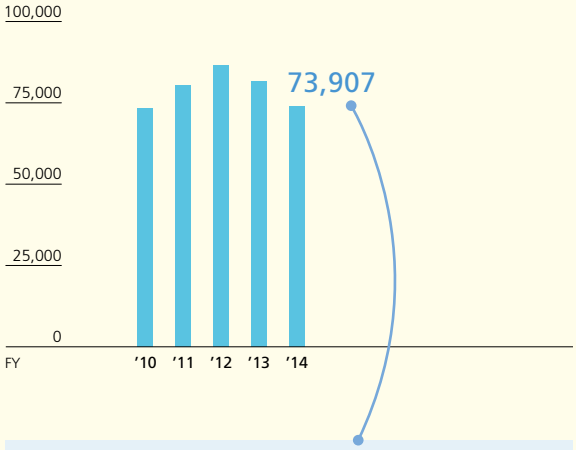
The influence of generics is increasing, and the revenues and profits from long-listed drugs are rapidly declining. Maintaining those revenues and profits is an important challenge for the Company. These long-listed drugs include many drugs that make a strong contribution to medical treatment, such as highly evaluated drugs that are widely used on the medical frontlines and drugs for which there are no substitutes. Accordingly, we are working to further increase their value.

Specifically, we are effectively promoting these long-listed drugs by conducting information provision activities through a multichannel approach that does not rely on MRs. We have established a specialized medical website for the exclusive use of doctors, pharmacists, and other health care professionals. This website introduces pharmaceutical information, the latest pharmacotherapy evidence, and other information. In addition, through such measures as the use of IT and the establishment of two-way networks, we will strengthen our on-demand information provision system in line with the individual needs of health care professionals.

Establishing the Medical Information Center

We established the Medical Information Center to respond directly to inquiries from patients, consumers, and health care professionals. For patients and consumers, this is the only product information center, and we are working to provide information that is easy

Number of Inquiries to the Medical Information Center



Principal Subjects of Inquiries

Product distribution	14.5%
Safety (precautions for use)	14.1%
Usage and dosage	12.6%
Stability	9.7%
Requests for printed materials	6.7%

Reaching for **a New Stage**

Enhancing the Quality and Quantity of MR Activities

Masanori Okamoto, Sakai Sales Office II, Osaka Branch, Sales & Marketing Division

With the domestic competitive environment becoming more challenging, the role of MRs is becoming even more important. It is difficult to increase sales just by providing information about the efficacy and safety of the Company's products. It is necessary to track the needs of patients and health care professionals, to provide information that is useful on the medical frontlines, and to propose treatments. Accordingly, I think it is important to visit as many doctors as possible and to listen to what they want to say. By reevaluating the way we work in the office and increasing efficiency, we are working to enhance our ability to secure time for visits with doctors. On the other hand, to make that time significant, we must be able to provide high-quality information. With a balance between time to input knowledge, such as through training, and time to output that knowledge to doctors, we will strive to increase both the quality and the quantity of MR activities.

to understand while at the same time making certain not to dispense the type of medical advice that should only come from a physician. In response to more than 70,000 inquiries a year, we work to promote appropriate usage of our products by sharing objective facts and data based on drug approval documents and scientific evidence. Furthermore, the center tracks information about side effects and other safety- and quality-related information obtained through inquiries and then communicates that information to related departments. In this way, the center helps us to improve products and ensure reliability.

Initiatives that Address a Wide Range of Medical Needs

Medical needs, which are diversifying, include not only the provision of drugs that address unmet medical needs but also progress in the area of cost effectiveness. In response to this wide range of needs, we are working in the areas of generic drugs and OTC products.

In the generic drug business, the Group is making the most of its marketing foundation. These initiatives, which are centered on Tanabe Seiyaku Hanbai, a sales company, also include Mitsubishi Tanabe Pharma, which handles new drugs, and Yoshitomiyakuhin, which has strengths in the psychiatric field. Leveraging the rigorous quality control system and wide-ranging distribution system that we have cultivated to this point, we will provide a stable supply of high-quality generics. In addition, Tanabe Seiyaku Hanbai, which has MRs who specialize in generics, will utilize abundant experience and diverse knowledge to implement high-quality information provision activities. Through these initiatives, we will provide generic drugs that can be used with peace of mind under the slogan Reliable Generics. Measures to promote the use of generic drugs have been further strengthened, and we will work to enhance our presence in the generic drug market by responding steadily when major drugs go off patent.

Overseas Marketing Activities

Mitsubishi Tanabe Pharma also has sales bases overseas. We have Group companies with sales functions in Europe (the U.K. and Germany) and in Asia (China, South Korea, Taiwan, and Indonesia). While drawing on alliances with other companies, we are conducting pharmaceutical information provision activities for local health care professionals.

In fiscal 2015, we will focus on expanding sales of Argatroban (brand name in Japan: Novastan) in Europe; Talion and Anplag in China; Novastan in South Korea; and Simponi in Taiwan. In Indonesia, we will focus on domestic sales and exports of Herbesser, Maintate, and other existing drugs.

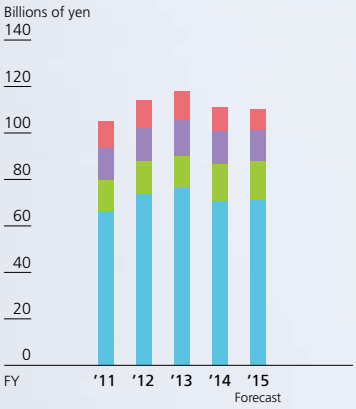
MRs involved in drug information provision activities need advanced levels of knowledge, information, and skills in order to conduct discussions with doctors and pharmacists. Accordingly, we are working to enhance the quality of information provision activities through periodic training. Specific activities include the implementation of initiatives that support the diagnosis and treatment activities of health care professionals, such as visiting medical institutions and doctors, participating in related academic conferences, exchanging opinions with opinion leaders, implementing academic research, and creating and distributing information materials,

In overseas information provision activities for pharmaceuticals, the Group will continue working to improve the quality of medical information and to contribute to the health of people around the world.

Overview of Domestic Core Ethical Drugs and Sales Trends

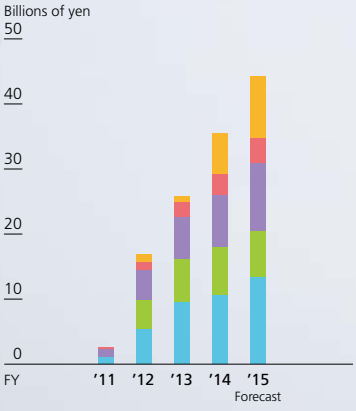
The sales forecasts in this section were announced on May 8, 2015.

Sales of Existing Products



Billions of yen	'11	'12	'13	'14	Forecast '15
Remicade	66.3	73.5	76.3	70.6	70.7
Talion	13.3	14.3	13.7	16.0	17.1
Maintate	13.7	14.1	15.5	14.1	13.2
Kremezin	11.7	12.2	12.6	10.5	9.3

Sales of New Products



Billions of yen	'11	'12	'13	'14	Forecast '15
Simponi	1.0	5.3	9.4	10.5	13.3
Tetrabik	—	4.5	6.7	7.5	7.1
Lexapro	1.3	4.6	6.5	8.0	10.5
Imusera	0.1	1.3	2.3	3.2	3.8
Tenelia	—	1.2	0.8	6.2	9.6

Existing Products

Remicade

Domestic Sales: ¥70.6 billion (overseas sales: ¥30 million)

| OVERVIEW | Remicade is the world's first anti-TNFα monoclonal antibody. It targets TNFα, an inflammatory cytokine. Administered through IV infusion, it is very fast-acting and its efficacy is sustained for eight weeks with a single administration. In Japan, it was launched as a treatment agent for Crohn's disease in 2002 and received an additional indication for RA in 2003. In 2009, approval was received for a change of dosage / administration for RA (increase of the dosage, shortening of the administration interval). Furthermore, additional indications for a wide range of inflammatory autoimmune diseases, such as psoriasis and ulcerative colitis, have contributed to growth in sales. In 2012, it became possible to shorten the IV infusion time from the 4th administration for patients with no safety problems. This change has reduced the burden on patients and increased convenience on the medical frontlines. Currently, applications have been filed for additional indications of refractory Kawasaki disease. In addition, phase 3 clinical trials are being conducted for multiple additional indications and for a change of administration / dosage for psoriasis (increase of the dosage).

| SALES TREND | Sales in fiscal 2014, which were affected by the NHI drug price revision, were down 7.5%, to ¥70.6 billion. Competition in the RA drug market remains intense, and we will aim to maintain sales by increasing the rate at which Remicade is used as the first-line drug. In addition, in fiscal 2015 we will strengthen our initiatives in the IBD field, including ulcerative colitis, and work to further increase the number of patients who are using Remicade. The forecast for sales in fiscal 2015 is ¥70.7 billion, an increase of 0.1%.

Talion

Domestic Sales: ¥16.0 billion (overseas sales: ¥0.7 billion)

| OVERVIEW | Talion has rapid onset of histamine H1 receptor antagonist effects and quickly displays a high degree of effectiveness for allergic rhinitis, urticaria, and pruritus accompanying dermatitis. It has a low frequency of sedation, which is a side effect of anti-histamines. In May 2015, approval was received for a partial change in approved information related to additional pediatric indications (for children at least seven years of age). Talion, which is less likely to result in sleepiness, is thought to be effective for pediatric patients who are putting strenuous effort into schoolwork. In addition, an additional formulation, orally disintegrating tablets, has been sold since 2007.

| SALES TREND | In fiscal 2014, sales rose 16.7%, to ¥16.0 billion. The market environment remains challenging, and sales of this drug are influenced by pollen levels. We will work to increase prescriptions by strengthening results in dermatology and otolaryngology. In particular, we will strengthen results in dermatology in collaboration with Remicade in the field of psoriasis. The forecast for sales in fiscal 2015 is ¥17.1 billion, an increase of 7.0%.

Remicade

Infliximab

Treatment of rheumatoid arthritis (RA), Crohn's disease, psoriasis, ulcerative colitis, Behcet's disease with refractory uveoretinitis, and ankylosing spondylitis

Launch: May 2002
Origin: Janssen Biotech (U.S.)
Development: Mitsubishi Tanabe Pharma

Talion

Bepotastine

Treatment of allergic disorders

Launch: October 2000
Origin: Ube Industries
Development: Co-development with Ube Industries

Overview of Domestic Core Ethical Drugs and Sales Trends

Maintate

Domestic Sales: ¥14.1 billion (overseas sales: ¥0.1 billion)

| OVERVIEW | Maintate is a representative β blocker used in more than 100 countries around the world. It exhibits high selectivity for β1 receptor and excellent pharmacokinetics profiles. Maintate has high efficacy and safety, and there is abundant evidence for its cardioprotective action. Maintate received an additional indication for chronic heart failure in 2011 and for atrial fibrillation (tachycardiac) in 2013. It is the only β blocker with indications for heart failure and atrial fibrillation.

| SALES TREND | In fiscal 2014, sales were down 8.5%, to ¥14.1 billion. In addition to the NHI drug price revision in spring 2014, the substitution of generic drugs increased beyond expectations, but Maintate was the only product in the domestic β blocker market that recorded growth on a volume basis, and it has the No. 2 market share. Overall, Maintate has the No. 1 share of prescriptions among bisoprolol fumarate pills, including generic drugs, and it is making steady progress in market uptake. The loss of sales to generics has become significant, but in June 2013 Maintate received an additional indication of atrial fibrillation, a first for a major β blocker. Maintate has the widest range of indications, and this has become a major point of differentiation from other drugs. In fiscal 2015, we will work to further increase recognition and to achieve the plan for this drug. The sales forecast for fiscal 2015 is ¥13.2 billion, a decline of 6.7%.

Maintate

Bisoprolol

Treatment of hypertension, angina pectoris, extrasystole, chronic heart failure, and atrial fibrillation

Launch: November 1990
Origin: Merck Serono (Germany)
Development: Mitsubishi Tanabe Pharma

Kremezin

Domestic Sales: ¥10.5 billion

| OVERVIEW | Kremezin is an oral absorptive charcoal consisting of porous spherical activated carbon of high purity. Kremezin, which absorbs and excretes uremic toxins out of the body, improves the symptoms of uremia and controls the progress of kidney damage. It has the effect of delaying the commencement of dialysis, and has been highly evaluated on the medical frontlines. It was introduced to the Japanese market in 1991 as the world's first ethical drug for chronic kidney disease. Mitsubishi Tanabe has handled sales of Kremezin since the marketing rights were transferred from Daiichi Sankyo to the Company in 2011.

| SALES TREND | In fiscal 2014, sales were down 16.1%, to ¥10.5 billion. The substitution of generic drugs has advanced, and conditions are challenging. However, we will continue working so that as many patients as possible can delay the start of dialysis as long as possible. To that end, in fiscal 2015 we will continue striving to increase prescription awareness for Kremezin and to advance activities targeting improved medication adherence. The sales forecast for fiscal 2015 is ¥9.3 billion, a decline of 11.7%.

Kremezin

Spherical carbon adsorbent

Treatment of chronic kidney disease

Start of sales by the Company: April 2011
Origin: Kureha
Development: Kureha

New Products

Simponi

Domestic Sales: ¥10.5 billion (overseas sales: ¥0.9 billion)

| OVERVIEW | Simponi is a human TNFα monoclonal antibody that targets TNFα, an inflammatory cytokine. It has an indication for RA (including prevention of articular structural damage). With simple administration—subcutaneous injection once every four weeks—it has superior efficacy that continues for an extended period of time. Its efficacy and safety are higher than other subcutaneous injections, and it is expected to contribute to raising the percentage of patients who continue treatment. We are conducting joint sales with Janssen Pharmaceutical. In addition, Janssen Pharmaceutical is currently conducting phase 3 clinical trials for ulcerative colitis.

| SALES TREND | In fiscal 2014, sales rose 11.6%, to ¥10.5 billion. Competition is intensifying in the market for subcutaneous injections for RA, but the distinctive features of Simponi—convenient administration through subcutaneous injection once every four weeks and high dosage (100mg)—have been highly evaluated. In fiscal 2015, we will work to emphasize efficacy, which is a strength of Simponi, and to achieve further market uptake. The forecast for sales in fiscal 2015 is ¥13.3 billion, an increase of 27.2%.

Lexapro

Domestic Sales: ¥8.0 billion

| OVERVIEW | Lexapro is a selective serotonin reuptake inhibitor (SSRI). It was launched in 2002 in Europe and the U.S., and is currently approved in 98 countries and regions. Among SSRIs, it has the highest serotonin transporter selectivity. Its superior efficacy for depression and depressive symptoms and good tolerability have been confirmed. In addition, it has simple administration, and as a result it is expected to contribute to the improvement of medication adherence, which is especially important in patients with depression. We have been conducting joint sales activities with Mochida Pharmaceutical since 2011.

| SALES TREND | In fiscal 2014, sales rose 23.4%, to ¥8.0 billion. In recent years, growth in the market for antidepressants has slowed, but Lexapro has recorded steady growth in sales and market share. Working together with Yoshitomiyakuhin and Mochida Pharmaceutical, we will continue working to further strengthen information provision activities and to enhance Lexapro's market presence. The forecast for sales in fiscal 2015 is ¥10.5 billion, an increase of 31.6%.

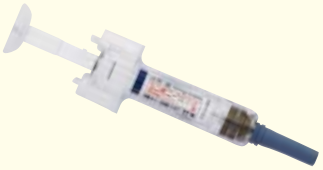
Tetrabik

Domestic Sales: ¥7.5 billion

| OVERVIEW | Tetrabik is a combined vaccine for four diseases that combines a DPT vaccine (diphtheria, pertussis, and tetanus) with an inactivated polio vaccine. Simultaneous immunization with multiple vaccines is expected to lead to reductions in the burden on people receiving vaccinations and to increases in the vaccination rate. In periodic vaccinations, it is used a total of four times. Also, a live polio vaccine was traditionally used in polio preventive vaccinations, and there were extremely rare cases of vaccine-related paralysis. Tetrabik represents a world first in the successful development of an attenuated, inactivated polio vaccine. This inactivated polio vaccine does not have the risk of vaccine-related paralysis, and as a result it features a high level of safety.

Simponi

Golimumab



Treatment of rheumatoid arthritis (RA)

Launch: September 2011
Origin: Janssen Biotech (U.S.)
Development: Co-development with Janssen Pharmaceutical

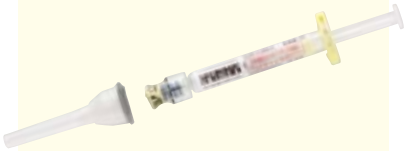
Lexapro

Escitalopram

Treatment of depression

Launch: August 2011
Origin: H. Lundbeck (Denmark)
Development: Mochida Pharmaceutical

Tetrabik



Combined vaccine for four diseases (Prevention of diphtheria, pertussis, tetanus, and polio)

Launch: October 2012
Origin, manufacturing, and distribution: BIKEN (The Research Foundation for Microbial Diseases of Osaka University)

| SALES TREND | In fiscal 2014, sales rose 11.9%, to ¥7.5 billion. The transition in vaccination from a combined vaccine for three diseases to a combined vaccine for four diseases is basically complete, and competing products are expected to be launched. Accordingly, the sales forecast for fiscal 2015 is ¥7.1 billion, a decline of 5.6%.

Tenelia

Domestic Sales: ¥6.2 billion (overseas sales: ¥0.5 billion)

| OVERVIEW | Tenelia is the first dipeptidyl peptidase-4 (DPP-4) inhibitor originating in Japan that has ever been launched. DPP-4 is an enzyme that selectively breaks down glucagon-like peptide-1 (GLP-1), a hormone secreted from the gastrointestinal tract in response to food intake. By inhibiting the function of DPP-4, Tenelia promotes insulin secretion and suppresses glucagon secretion, thereby demonstrating blood glucose lowering action. Due to the strength and duration of its action, it can improve post-prandial blood glucose, after three meals, with once-a-day oral administration. In addition, in monotherapy it does not have problems associated with conventional diabetes treatments, such as hypoglycemia and weight gain. Its kidney excretion rate is low, so it is not necessary to adjust the dosage for patients with impaired kidney function. In September 2013, limits on the prescription period were removed. In December 2013, approval was received for an indication of additional combination for type 2 diabetes mellitus, making it possible to use Tenelia in combination with all oral diabetes mellitus treatment agents and insulin.

| SALES TREND | In fiscal 2014, sales rose 684.1%, to ¥6.2 billion. The market for DPP-4 inhibitors is intensely competitive, but market conditions remain strong. In this environment, in collaboration with Daiichi Sankyo we will work to expand the number of new prescriptions by implementing the largest number of promotions in the field of diabetes. In this way, we will position this product as a DPP-4 inhibitor that is easy to use for senior citizens for whom there is concern about impaired kidney function. The forecast for sales in fiscal 2015 is ¥9.6 billion, an increase of 54.2%.

Tenelia

Teneligliptin

Treatment of type 2 diabetes mellitus

Launch: September 2012
Origin: Mitsubishi Tanabe Pharma
Development: Mitsubishi Tanabe Pharma

Imusera

Domestic Sales: ¥3.2 billion

| OVERVIEW | Imusera is a first-in-class drug that controls inflammation in the brain and spinal cord in MS. It inhibits the receptor function of sphingosine-1-phosphate (S1P) receptor on the lymphocyte, and prevents auto-aggressive lymphocytes from invading the central nervous system. Unlike previous drug treatments for MS, which are limited to injections, it can be administered orally (once daily), thereby lowering the burden on patients. Imusera was discovered by Mitsubishi Tanabe Pharma and developed jointly by Mitsubishi Tanabe Pharma and Novartis Pharma in Japan. We are marketing this product under the name Imusera, while Novartis Pharma is marketing it under the name Gilenya. Overseas, Novartis, of Switzerland, which licensed the product, has obtained approval in more than 80 countries, including countries in Europe and the U.S. It has been administered to more than 110,000 patients.

| SALES TREND | In fiscal 2014, sales rose 42.7%, to ¥3.2 billion. Three years have passed since the launch of Imusera, and the combined results of Imusera and Gilenya give them the No. 1 share in the market for MS treatment agents. High levels of patient satisfaction with treatment have also been obtained. In fiscal 2015, new competing products are expected to be launched, and we will continue to implement information provision activities with a focus on safety. The forecast for sales in fiscal 2015 is ¥3.8 billion, an increase of 18.8%.

Imusera

Fingolimod

Treatment of multiple sclerosis (MS)

Launch: November 2011
Origin: Mitsubishi Tanabe Pharma
Development: Co-development with Novartis Pharma

Canaglu

Domestic Sales: ¥1.2 billion

| OVERVIEW | Canaglu is an SGLT2 inhibitor. SGLT2 is a type of protein that contributes to the reabsorption into the blood of glucose from the urine in the renal tubules. By inhibiting this action, urinary glucose excretion and blood glucose reduction are promoted. This is a new mechanism of action that does not work through insulin. In addition to a strong blood glucose lowering effect, Canaglu is expected to have a low hypoglycemia risk in monotherapy. It also has a weight reduction effect that is not seen with other oral diabetes treatment drugs. Overseas, licensee Janssen Pharmaceuticals, of the U.S., received approval in March 2013, making this drug the first SGLT2 inhibitor approved in the U.S. Approval has now been obtained in 66 countries, and this drug is sold under the brand name Invokana. In addition, Invokana/Vokanamet, a fixed dose combination of Invokana and metformin hydrochloride, has been approved in 34 countries, and it was launched in the U.S. in August 2014.

| SALES TREND | In fiscal 2014, net sales were ¥1.2 billion. New prescriptions for SGLT2 inhibitors were following a declining trend, but from February 2015 the market overall turned to a course of gradual expansion. We are leveraging the strength of being able to provide information based on abundant evidence from more than 11,000 type 2 diabetes mellitus patients in Japan and overseas. We are aiming to establish the No. 1 presence in the diabetes field for Canaglu and Tenelia together. In fiscal 2015, limits on the prescription period will be removed, and accordingly we will work to expand the number of facilities at which it is available and to acquire loyal users. The forecast for sales in fiscal 2015 is ¥2.6 billion, an increase of 125.3%.

Canaglu

Canagliflozin

Treatment of type 2 diabetes mellitus

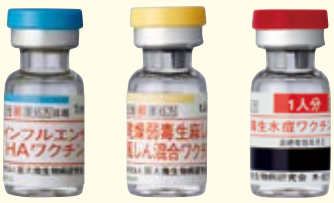
Launch: September 2014
Origin: Mitsubishi Tanabe Pharma
Development: Mitsubishi Tanabe Pharma

Vaccines

Domestic Sales: ¥30.3 billion*

(overseas sales: ¥0.0 billion)

* Including sales of Tetrabik, a new product



The Company sells vaccines developed and produced by BIKEN. As described above, in fiscal 2014 Tetrabik recorded solid sales, which rose year on year. In addition, sales of a chicken pox vaccine, which is one of the Company's priority products, were up ¥3.6 billion, to ¥7.2 billion. Consequently, overall sales of vaccines rose 6.5%, to ¥30.3 billion. In fiscal 2015, competing combined vaccines for four diseases are expected to be launched, and vaccination with the chicken pox vaccine is no longer available for free for children three to four years old. Accordingly, substantial growth cannot be expected, and the sales forecast for fiscal 2015 is ¥26.9 billion, a decline of 11.1%.

Production

Basic Policy

To securely deliver drugs to patients, even in the event of a disaster or other unforeseen problem, we have built a system for the stable supply of drugs. In addition, to build an even more efficient supply system while maintaining the highest priority on quality, we are working to further strengthen a range of qualities, such as procurement, manufacturing, and distribution.

Initiatives in Procurement

In procuring the raw materials for pharmaceuticals, we are committed to engaging in fair, transparent activities with our suppliers. In accordance with the standards that we have established—our Purchasing Principles and Purchasing Compliance Code of Conduct—we conduct purchasing activities with a strict observance of related laws and regulations, consideration for environmental conservation, and an emphasis on human rights.

In selecting (changing) raw materials for pharmaceuticals, we consider supplier selection standards developed in-house and conduct on-site confirmations of manufacturing sites prior to the selection (change) and after the start of transactions. We make decisions after evaluating such factors as the capabilities of the raw materials manufacturer, which is the supplier, in such areas as quality assurance, technical capabilities, customer focus (ability to respond flexibly), and management capabilities (continuity). In addition, with reference to the Corporate Behavior Charter of the Mitsubishi Chemical Holdings Group, we use a questionnaire for suppliers regarding areas in which we wish to work together with them. Furthermore, to deepen mutual understanding we hold explanation meetings and exchange opinions.

By establishing rules, such as inventory management standards and information cooperation standards that take into account the emergence of unusual situations, we have established a Business Continuity Management (BCM) system. We have built a supply system that can deliver drugs to patients in a stable manner, even in the event of a disaster or other unforeseen problem.

In fiscal 2015, to further reinforce our supply chain, we decided to consolidate supply chain-related departments into the Supply Chain Management Department.

Production System

To manufacture drugs that can be used with peace of mind by patients, Mitsubishi Tanabe Pharma is implementing initiatives to ensure quality. We act in accordance with Good Manufacturing Practices (GMP) in all manufacturing processes—acceptance testing of raw materials procured from Japan or overseas, manufacturing of pharmaceutical ingredients, manufacturing of pharmaceutical products, and testing / inspection. The CMC Division, which conducts CMC research[1], works together with the Group's production plants to develop production technologies designed to support the stable, low-cost manufacturing of high-quality products from the new drug development stage.

Currently, our global manufacturing system has five production plants in Japan and four overseas, as well as subcontracted manufacturers. Through this system, we provide a stable supply of pharmaceuticals to patients around the world. Overseas, we have manufacturing and sales bases in Asia, with Tianjin Tanabe Seiyaku manufacturing oral agents in China and Mitsubishi Tanabe Pharma Korea and Taiwan Tanabe Seiyaku handling products for their respective markets as well as products for Japan. Also, Tanabe Indonesia serves as a manufacturing base for its domestic market and other markets in Southeast Asia. With the objective of rationalizing and increasing efficiency in pharmaceutical operations in China, we decided to withdraw from our intravenous solution operations in China. In October 2014, we transferred Mitsubishi Pharma (Guangzhou), which had been manufacturing intravenous solutions.

1. Chemistry, manufacturing, and control research: Comprehensive research supporting pharmaceutical manufacturing and quality, such as research into manufacturing and formulation of pharmaceutical ingredients and analytical research involving the evaluation of the quality of pharmaceutical ingredients and pharmaceuticals.

Reorganization of Production Bases

We are moving ahead with initiatives targeting the establishment of a new-drug supply system that meets global standards and a shift to a flexible, efficient manufacturing system that is less susceptible to the influence of changes in the operating environment. We decided on a policy of consolidating the five manufacturing bases of Mitsubishi Tanabe Pharma Factory, a domestic production subsidiary, into two bases, the Onoda Plant and the Yoshitomi Plant. In accordance with this policy, in 2014 we transferred the Ashikaga Plant to CMIC HOLDINGS, and in April 2015 we transferred the Kashima Plant to Sawai Pharmaceutical. We plan to close the Osaka Plant by the end of fiscal 2017, and are moving forward with the transfer of the plant's products and other preparations. Moreover, we plan to complete the construction of a new pharmaceutical production building at the Yoshitomi Plant in fiscal 2016, and in fiscal 2015 we commenced the rebuilding of injection drug production facilities at the Onoda Plant, which are scheduled to be completed in fiscal 2016.

In addition, we are working to increase production capacity to address growth in demand in China and ASEAN markets. In January 2015, we completed new production facilities Tianjin Tanabe Seiyaku and P.T. Tanabe Indonesia. In the future, through the steady implementation of a range of initiatives, we will build a global system that meets QCD (quality, cost, stable delivery) standards.

Distribution System

We have developed a dual-base supply system that ships drugs from distribution centers in eastern and western Japan. To reduce a variety of risks that could adversely affect a stable supply, both of these centers have earthquake isolation systems, in-house power generators, and redundant installations of important equipment. In this way, they will be able to maintain a supply of important drugs even in a crisis situation, such as a major disaster. In addition, if either distribution center becomes inoperable at any time, the other center will be able to provide backup distribution, thereby facilitating a continued supply of pharmaceuticals.

Furthermore, each distribution center employs an inventory control system that carefully monitors product inventory and other items. As a result, we can appropriately control products in a variety of categories, such as by product characteristics and storage temperatures, and can accurately and rapidly conduct operation in response to orders. In addition, we periodically conduct training for the employees who use these types of facilities and equipment. In this way, we aim to enhance the skills of each employee and to reduce human error. At the same time, we are heightening awareness of pharmaceutical distribution extending all the way to the patient.

In May 2014, all of the distribution operations that had previously been handled at distribution centers by MP Logistics, a Group company, were transferred to new distribution centers operated by Collabo-Create, an external subcontractor. In this way, we expect to increase the level of various services, respond flexibly to changes in the environment inside and outside the Company, and continue to reduce distribution costs, all while maintaining a stable supply and quality assurance.

Quality Control in Distribution

In addition to conducting operations in accordance with the various conditions related to structural facilities and administrative operation as required by the Pharmaceuticals and Medical Devices Law[2] and other related laws and regulations, the distribution centers prepare guidelines and procedure manuals that reflect the distinctive characteristics of the products being handled. By implementing operations in strict conformance with the content of these guidelines and procedure manuals, we are maintaining both the operational and physical aspects of distribution quality. The Company is particularly vigilant about regulating the temperature at which cold storage products are stored. In addition to measures such as periodic temperature validation and thermometer calibration in cold warehouses, the Company has introduced an emergency response system, including an emergency contact system for unusual conditions and in-house power generators to maintain the power supply. In this way, it is possible to maintain an appropriate temperature 24 hours a day, seven days a week.

Products are shipped from the distribution centers by transport companies that are in compliance with transport quality standards. These companies strictly supervise the transport of this cargo in a manner that reflects the importance of pharmaceuticals. The Company takes steps to minimize any loss of quality during the distribution process, such as periodically inspecting transport companies, conducting temperature validation of transport vehicles, and using special insulated boxes. In these ways, we have built a transport system that can supply high-quality pharmaceuticals.

2. Previously the Pharmaceutical Affairs Law. The formal name is the "Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics."

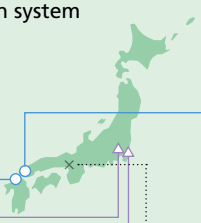
Bolstering Production Bases

Increasing production capacity to meet demand growth in China and the ASEAN region

New pharmaceutical production building
Tianjin Tanabe Seiyaku
Location: Tianjin (China)
Start of operations: July 2015

New pharmaceutical production building
Tanabe Indonesia
Location: Bandung (Indonesia)
Start of operations: March 2015

Consolidating Mitsubishi Tanabe Pharma Factory's production bases into two bases to enhance the new-drug supply system and realize an optimal production system



New pharmaceutical production building
Yoshitomi Plant
Location: Fukuoka Prefecture
Start of operations: November 2016 (planned)

Onoda Plant
Location: Yamaguchi Prefecture

Transfer
Ashikaga Plant
Location: Tochigi Prefecture
Transfer: April 2014
The party to transfer: CMIC HOLDINGS

Transfer
Kashima Plant
Location: Ibaraki Prefecture
Transfer: April 2015
The party to transfer: Sawai Pharmaceutical

Closure
Osaka Plant
Location: Osaka Prefecture
Closure: March 2018 (planned)

Quality Assurance

Basic Policy

To ensure that our pharmaceuticals can be used with peace of mind, we have built a system to assure efficacy, quality, and safety at all stages of business processes, such as research, development, production, and marketing. Divisions related to the various business processes must implement their operations in rigorous compliance with the Pharmaceuticals and Medical Devices Law[1] as well as other laws, regulations, and guidelines. Independent supervisory units—the Quality Audit Section and the Product QA Section—provide objective appraisals of compliance and offer suggestions and instructions on improvement, as appropriate. These initiatives help to assure the reliability of the efficacy and safety data obtained through discovery research, clinical trials, and post-marketing surveillance, as well as the quality of investigational drugs, which are used in clinical trials, and of post-marketing products.

1. Previously the Pharmaceutical Affairs Law. The formal name is the "Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics."

Implementing Post-Marketing Surveillance

Based on the results of clinical trials and other trials, product sales begin after the receipt of manufacturing and sales approval from the regulatory authorities. Clinical trials are conducted with the number of patients that are needed to scientifically verify pharmaceutical efficacy and safety. However, clinical trials are implemented under restricted conditions, and consequently there are limits to the information that can be obtained in the period up to approval. Accordingly, adverse reactions that were not discovered in clinical trials are sometimes discovered after the drug is marketed. By gathering and analyzing data related to new products that are actually prescribed on the medical frontlines, the Company is the first to track this information, which is provided as feedback to the medical frontlines. In this way, the Company is working to support the safer, more-effective use of pharmaceuticals. The Company believes that it can support the use of new drugs on the medical frontlines by helping to prevent adverse reactions from new drugs and to promote appropriate usage through the implementation of these types of proactive safety management measures.

In September 2014, we began sales of Canaglu, a treatment agent for type 2 diabetes mellitus with an entirely new mechanism. Prior to the launch in Japan, sales were commenced in the U.S. and Europe, where it has been highly evaluated as a superior, effective drug. However, because it has a completely new mechanism of action, safety measures are extremely important. With Remicade and Telavic we implemented proactive safety management measures, and we have valuable experience in advancing appropriate usage. We will make full use of that experience as we work with safety measures for Canaglu.

Product Quality Assurance

The Company's first priority is patient safety, and we are implementing initiatives targeting further quality assurance with a focus not only on results but also on processes. Through management, supervision, and guidance of Group manufacturing plants in Japan and overseas, we work to improve quality through the formulation of quality targets and the implementation of quality assurance plans.

In addition, we receive lectures from doctors, nurses, and pharmacists about the contributions made to the medical frontlines by the Company's products. These lectures reinforce the sense of mission and pride that individual employees have regarding the discovery of pharmaceuticals. Moreover, the lectures also help to increase employee awareness of quality enhancement.

In 2014, the Japanese Ministry of Health, Labour and Welfare became a Participating Authority in the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S)[2], and moving forward the trend toward globalization is expected to accelerate. Based on the Quality Assurance Standards formulated by the Company and all Group manufacturing plants, we will aim to achieve further unification with global quality assurance standards.

2. A group aiming to support international harmonization in the areas of pharmaceutical Good Manufacturing Practice (GMP) standards and methods of inspecting manufacturers in regard to compliance with standards.

ESG Section

This section includes ESG-related information as initiatives to support value creation.

Corporate Governance and Internal Control

Our philosophy is "to contribute to the healthier lives of people around the world through the creation of pharmaceuticals," and we strive to be a global research-driven pharmaceutical company that is trusted by communities. To realize our philosophy on an ongoing basis, fundamental policies for the maintenance of internal control systems have been established in accordance with a resolution of the Board of Directors. We are implementing a range of initiatives to strengthen our corporate governance and internal controls. Also, once a year reports are made to the Board of Directors on the current status of the fundamental policies, and revisions are made if necessary.

Corporate Governance

Corporate Governance System

The Company has adopted the corporate auditor system. In addition to the General Meeting of Shareholders and the Directors, the Company has established the Board of Directors, Corporate Auditors, and the Board of Corporate Auditors and employs an independent auditor.

The Board of Directors has eight members, two of whom are outside directors. Regular meetings of the Board of Directors are held once a month, and in addition are held flexibly as needed. The Board makes decisions about important business execution matters and supervises operational execution. The Company has adopted the corporate officer system for the execution of Company business and clarified the distinction between the decision-making / auditing function and the executive function. The Executive Committee, which includes the President and CEO, Senior Managing Executive Officers, Managing Executive Officers, and Executive Officers who are appointed by the President and CEO, meets two or more times per month as a general rule. The committee discusses issues of importance to the overall execution of Company business. In this way, the Company works to increase the speed and efficiency of decision-making.

In addition, the Company is working to strengthen the management oversight function by implementing oversight and supervision through the two outside directors and by enhancing the corporate auditor auditing system

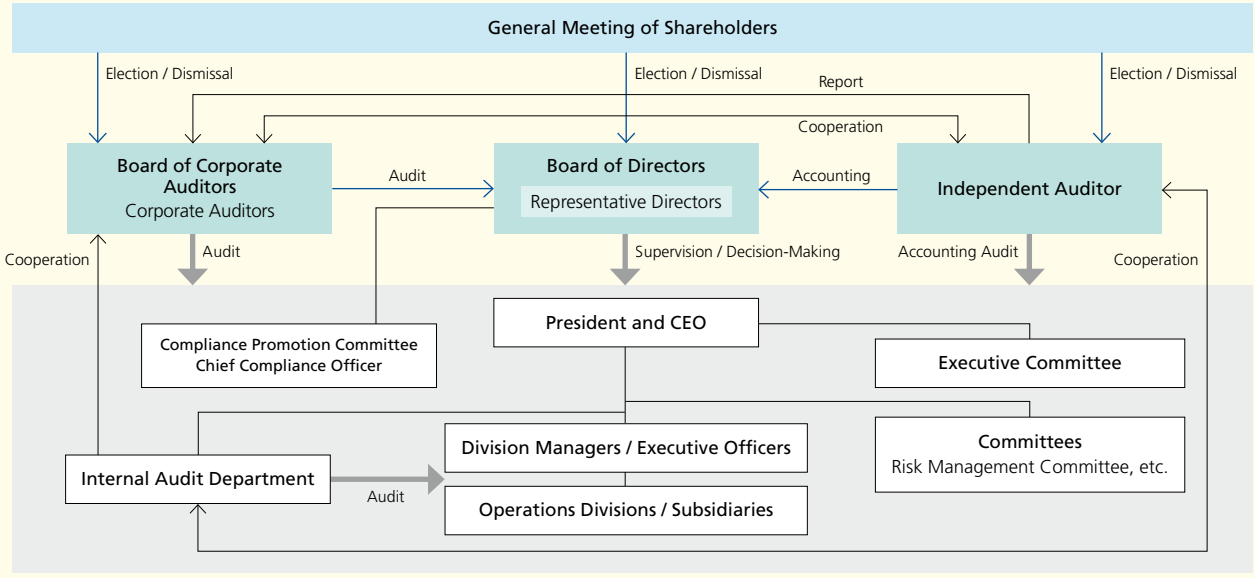
The Board of Corporate Auditors has four members, two of whom are Outside Corporate Auditors. The Board of Corporate Auditors receives reports on the progress of audits by all Corporate Auditors and the independent auditor.

In addition, the Board of Corporate Auditors is strengthening the audit function through cooperation with the independent auditors and the Internal Audit Division.

Reasons for Use of the Current Corporate Governance System

The Company believes that the appointment of outside directors strengthens the oversight function of the Board of Directors, and that the highly independent Board of Corporate Auditors enhances the auditing system. In this way, the Company believes that it can

Corporate Governance System (As of June 19, 2015)



establish a corporate governance system that earns the trust of society.

The people appointed as outside directors are highly independent, have abundant experience as corporate managers, and have wide-ranging insight into science and technology as well as corporate governance. From the outside directors, the Company obtains advice about management and secures management transparency and objectivity.

Auditing System

Corporate Auditors attend important meetings, such as meetings of the Board of Directors and the Executive Committee. In addition, they conduct interviews on the execution of duties with Directors, Executive Officers, and members of each Company division, review documents relating to major decisions, and investigate the operations and assets of principal worksites and subsidiaries (including internal control systems, such as those for compliance and risk management). In these ways, the Corporate Auditors audit the execution of Company business.

The Corporate Auditors receive explanations from the independent auditor of audit plans and policies as well as quarterly reports on audit implementation and results. The Corporate Auditors also regularly exchange opinions with the independent auditor. When necessary, the Corporate Auditors witness on-site work and review work by the independent auditor. At the end of each period, the Corporate Auditors receive explanations concerning measures to ensure the proper execution of the independent auditor's duties. Also, in regard to the audit plans of the internal auditing divisions and the progress and results of those plans, the Corporate Auditors exchange opinions with internal auditing divisions on a regular monthly basis. At the same time, the Corporate Auditors receive reports on the results of the evaluation of internal control systems for financial reporting.

In addition, the Company is working to build an auditing system that is highly independent and specialized, and lawyers, who are legal specialists, and people with experience in banks or securities companies are nominated to be outside Corporate Auditors.

Furthermore, to provide support for the Corporate Auditors in the execution of their duties, including the duties of the Outside Corporate Auditors, the Company has established the Corporate Auditors' Office, which is independent from business execution. The Corporate Auditors' Office has 3 full-time staff.

For internal auditing, the Company has established the Internal Audit Department, which is independent from the executive divisions and audits the internal control systems in operations divisions. The Internal Audit Department has 15 employees.

The Company has appointed Ernst & Young ShinNihon LLC as its independent auditor. There are 3 certified public accountants who are in charge of the account auditing activities. Assisting in the account auditing activities are 9 certified public accountants and 15 other people.

Name of Outside Officers, Relationships between Outside Officers and the Company, and Reason for Nomination

	Relationships between outside officers and the Company	Reason for nomination
Shigehiko Hattori Outside Director	Shigehiko Hattori is Senior Advisor of Shimadzu and an Outside Director of Sapporo Holdings, Brother Industries, and Meiji Yasuda Life Insurance. The Company has a business transaction relationship with Shimadzu. However, this relationship comprises ordinary transactions, such as the inspection and maintenance of research equipment, and the annual amount of these transactions is less than 0.01% of Shimadzu's consolidated net sales. There is no special relationship that would influence Shigehiko Hattori's independence as an outside officer. Shigehiko Hattori served as Representative Director, Chairman of the Board, of Shimadzu until June 26, 2015.	Shigehiko Hattori was nominated as Outside Director on account of the Company's judgment that his abundant experience as a corporate manager and his wide-ranging knowledge in science and technology are suitable for an outside director.
Shigetaka Sato Outside Director	Shigetaka Sato is Chairman, Advisory Council, of Keihan Electric Railway, an outside corporate auditor of Asahi Kogyosha, an outside corporate auditor of Asahi Broadcasting Corporation, and Chairman, Osaka Chamber of Commerce and Industry. There is no special relationship that would influence Shigetaka Sato's independence as an outside officer.	Shigetaka Sato was nominated as Outside Director on account of the Company's judgment that his abundant experience as a corporate manager and his wide-ranging knowledge in corporate governance are suitable for an outside director.
Masanao Iechika Outside Corporate Auditor	The Company has a business transaction relationship with Daiichi Law Office, at which Masanao Iechika works as an executive partner. However, this relationship comprises a legal advice contract with attorneys other than Masanao Iechika, and the amount of the transactions with this law office is insignificant. There is no special relationship that would influence Masanao Iechika's independence as an outside officer	Masanao Iechika was nominated as Outside Corporate Auditor on account of the Company's judgment that his wide-ranging knowledge and abundant experience are suitable for an outside corporate auditor.
Takashi Nishida Outside Corporate Auditor	The Company has a business transaction relationship with The Bank of Tokyo-Mitsubishi UFJ, where Takashi Nishida has worked. However, this relationship comprises ordinary banking transactions, and there is no special relationship that would influence Takashi Nishida's independence as an outside officer. Takashi Nishida served as an outside corporate auditor at Mitsubishi Tanabe Pharma's parent company Mitsubishi Chemical Holdings Corporation until June 24, 2015.	Takashi Nishida was nominated as Outside Corporate Auditor on account of the Company's judgment that his abundant experience in financial institutions and his wide-ranging knowledge regarding finance are suitable for an outside corporate auditor.

Message from Outside Directors

With the introduction of Japan's Corporate Governance Code, the reform of corporate governance in Japanese companies has become a topic of active discussion. In this setting, Shigehiko Hattori and Shigetaka Sato were asked to discuss their roles as outside directors of Mitsubishi Tanabe Pharma.

I will work to support the realization of proactive governance and to earn the trust of all stakeholders.

Shigehiko Hattori
Outside Director

Targeting the realization of more-effective corporate governance, the application of Japan's Corporate Governance Code was commenced in June 2015. This code comprises important governance principles. Within the framework of the new code, the Company is aiming for a system of decision-making that is more transparent, fair, rapid, and bold.

The code describes the roles and duties of outside directors, which include the role that I have played at meetings of the Company's Board of Directors, that is, leveraging one's own experience to provide advice that contributes to the sustained growth of the Company and gains in its corporate value; securing management transparency and objectivity; and strengthening the oversight function of the Board of Directors. I believe that continued effort is required in these areas.

In addition, led by the president and with all employees working together, Mitsubishi Tanabe Pharma is currently aiming to be a research-driven pharmaceutical company that works with a sense of speed and is the first to deliver original value. From the perspective of an outside director, I am striving to help the Company to realize the starting point of its activities: "Everything we do is for the patients." To that end, I am working to rigorously discuss the Company's vision and specific management strategies, as needed, at meetings of the Board of Directors, and to discuss leadership succession on a day-to-day basis. Moving forward, I will continue working to realize the proactive governance that is expected of an outside director and to earn the trust of all stakeholders.

I would like to play the role of encouraging the leadership team to accelerate initiatives, while maintaining risk-taking at an appropriate level.

Shigetaka Sato
Outside Director

Since I became an outside director of Mitsubishi Tanabe Pharma in 2013, I have observed the Company through meetings of the Board of Directors, plant tours, and other means, and I have also viewed the Company in comparison with other companies. I believe that Mitsubishi Tanabe Pharma is taking an extremely serious approach to building a governance system. In addition, the Company has many excellent employees with superior analytical capabilities. I believe that the Company's initiatives in establishing a governance system are based on a solid grasp of the current situation.

On the other hand, we are now at a stage where the operating environment for new drug manufacturers is undergoing dramatic change, and companies that cannot rapidly address the needs of the market will find it difficult to survive. It is important to seriously address issues and carefully analyze them, but I think that the Company would be in an even stronger position if it bolstered the approach of implementing rapid, resolute decision-making and proactively resolving issues. To support further growth, I would like to see the Company strengthen its breakthrough ability and reinforce the practice of issue-resolution style governance.

Accordingly, as an outside director working to protect the interests of shareholders and hedging risks, I have the important role of speaking directly, even things that are difficult to say. In addition to the protecting the interests of shareholders, I would also like to support initiatives that will contribute to Company growth and increases in corporate value, and thereby to the happiness of employees. In that regard, I would also like to play the role of encouraging the leadership team to accelerate these initiatives, while maintaining risk-taking at an appropriate level.

Nomination of Outside Directors / Corporate Auditors

To enhance management transparency and objectivity and to strengthen the Board of Directors' supervisory function, 2 Outside Directors have been nominated. Furthermore, 2 Outside Corporate Auditors have been nominated. From an independent perspective, these Outside Corporate Auditors implement audits regarding the legality and soundness of management.

In nominating outside officers, the Company has not established standards, etc., regarding independence. The outside Directors / Corporate Auditors have been nominated in consideration of the reason for nomination and relationships with the Company, as described on page 59. All 4 of the outside Directors / Corporate Auditors meet the requirements of the Tokyo Stock Exchange (TSE) for independent Directors / Corporate Auditors, and the Company has reported them as independent Directors / Corporate Auditors to the TSE.

Compensation of Directors and Corporate Auditors

The Company has adopted a performance-linked method of calculating director compensation. The compensation amount is determined by the Board of Directors within a range fixed at the General Meeting of Shareholders and as provided for by the basic formula for the calculation of compensation for the Board of Directors. This is to ensure the transparency of compensation-related decision-making.

In fiscal 2014, Directors' basic compensation (for 8 Directors; excluding Outside Directors) amounted to ¥294 million and Corporate Auditors' compensation (for 3 Corporate Auditors; excluding Outside Corporate Auditors) totaled ¥70 million. Basic compensation for Outside Directors / Corporate Auditors (for 4 Outside Directors / Corporate Auditors) was ¥42 million.

The Company and consolidated subsidiaries paid ¥75 million and ¥13 million, respectively, to Ernst & Young ShinNihon LLC as compensation for auditing and verification.

Other Special Matters that May Have a Significant Impact on Corporate Governance

In regard to the independence of the Company from its parent company, Mitsubishi Chemical Holdings Corporation (MCHC), both companies have agreed that, in principle, for 10 years from October 1, 2007, the Company will remain listed and MCHC will maintain its shareholding ratio in the Company. Both companies have also agreed that the Company will be operated based on the principle of independent decisions and judgment as a publicly listed company. The Company believes that it has secured its independence from its parent company.

MCHC is a holding company, and accordingly, between MCHC and the Company, there are no transactions that have the potential to significantly influence the results of the Company, and there are no plans to engage in such transactions in the future. The Company has concluded a contract with MCHC under which the Company provides payment to MCHC for Group management expenses in an amount equivalent to the benefits received based on the brand value and comprehensive strengths of MCHC. However, the amount of those payments is not significant.

In regard to transactions between the Company and other companies in the MCHC Group, in making decisions the highest priority is given to increasing the enterprise value of the Group in order to maximize the benefit to all of the Company's shareholders.

Risk Management and Compliance

Risk Management System

With the objective of appropriately managing the risks resulting from its business activities, the Company has formulated risk management regulations. We ascertain the areas and types of risks that we face in our business activities and ensure that the necessary countermeasures are implemented by the relevant department.

To handle risks at the Companywide level, we established the Risk Management Committee, which is led by the President and CEO and, as a general rule, meets twice per year. The committee has overall responsibility for risk management, such as consideration of the progress of the Group's risk reduction measures, and has established and operates a system to advance risk management.

In addition, the Company has formulated the Regulations on Managing Business Continuity in a Large-scale Disaster. To address the risk of a large-scale disaster, such as an earthquake, tsunami, typhoon, snowstorm, flooding, or pandemic, and related risks, the Company has established the Mitsubishi Tanabe Pharma Disaster Management Committee and Regional Disaster Management Committees and is working to implement disaster prevention and reduction measures.

Moreover, the Company has formulated a business continuity plan and established a system facilitating the implementation of activities with a focus on business continuity and rapid restoration in the event of an emergency, with the central role in the disaster countermeasures center filled by the Mitsubishi Tanabe Pharma Disaster Management Committee.

Compliance System

To ensure sound business activities, Mitsubishi Tanabe Pharma has formulated the Corporate Behavior Charter, which identifies the top priorities for Directors and employees in the implementation of business activities, and the Mitsubishi Tanabe Pharma Group Code

of Conduct, which provides specific behavioral guidelines. In accordance with the code, members of the Board of Directors and Board of Corporate Auditors take the lead in strictly adhering to laws, regulations, and the Company's Articles of Incorporation. Also, the Company is taking steps to create a Companywide compliance system, including the establishment of the Compliance Promotion Committee and the Internal Controls & Compliance Department, both of which are led by the Chief Compliance Officer. A total of 200 compliance implementation personnel, including managers and staff, meet semiannually. These meetings are held to facilitate coordination among individual workplaces, heighten sensitivity to risk associated with compliance and potential scandals, share information on related problems, and enhance the capacity of workplaces to address compliance issues. In addition, in January 2015, with the objective of strengthening measures to prevent bribery and corruption in business, the Group formulated the Mitsubishi Tanabe Pharma Group Global Policy for the Prevention of Bribery and Corruption, which has been adopted throughout the Group.

In regard to antisocial elements, the Group follows a resolute approach with no compromise. The provision of gains and any other relationships with groups that act in an antisocial manner are forbidden. In addition, we have formulated guidelines for checking suppliers for any possible affiliations with such antisocial elements. In this way, we have established a system for eliminating transactions with antisocial elements.

Furthermore, we have established an internal notification system that operates as an internal system for reporting on legal violations and other compliance issues. We have established internal and external hotlines for reports and consultations, and are working to respond to a wide variety of needs for consultation, including for the employees of Group subsidiaries. The number of responses is released on the intranet twice a year, and recent trends and noteworthy examples are reported through Companywide training. In fiscal 2014, 43 hotline consultations were handled.

To ensure a solid compliance foundation, the Company is conducting a range of training, including top seminars for Directors and officers, Companywide training for all employees, and human rights training, as well as department-level training that deals with issues specific to the operations of each department. In fiscal 2014, Companywide training sessions were held a total of 206 times, and 7,032 people participated. For Group subsidiaries, we are taking steps to build a system to ensure appropriate operational activities are implemented in a seamless manner with the Company, such as building a system for the application of the Group's Compliance Program.

Furthermore, we conduct an employee awareness survey once a year with the objective of tracking employee motivation. This survey includes compliance awareness. In this way, we are tracking and periodically observing awareness on a Companywide level. We are utilizing the results to advance compliance by providing them to each division as feedback. Moving forward, we plan to further deepen compliance awareness through such means as Companywide compliance training designed to ensure that compliance awareness does not decline.

In addition, the Group consults regularly with relevant departments concerning action programs to strengthen compliance and risk management systems at Group companies outside Japan. Through these consultations, we are sharing policies that are important in Group management while respecting diversity, such as the cultures, laws, and business practices that differ by country.

Personal Information Protection

In regard to the important personal information of customers, we have formulated and announced the Privacy Policy: Personal Information Protection Policies. In accordance with the basic policy of suitable and secure handling of personal information, we gather personal information through appropriate means and use personal information within the scope necessary to fulfill the purpose of use.

Appropriate Relationships with Medical Institutions and Patient Organizations

In March 2011, the Japan Pharmaceutical Manufacturers Association formulated and released the Transparency Guideline for the Relation between Corporate Activities and Medical Institutions, which addresses information disclosure for such matters as monetary payments from pharmaceutical companies

Corporate Behavior Charter

We will maintain high ethical standards, place priority on fairness and integrity in all activities, and act in accordance with the following guidelines.

Pride and Sense of Mission	As people involved in the creation of pharmaceuticals, we will work with pride and a sense of mission as we endeavor to research and develop pharmaceuticals that are needed by society and to ensure product safety and quality.
Challenge and Innovation	With acute sensitivity and a broad perspective, we will focus on our future direction, decisively take on the challenge of meeting higher goals, and strive to create innovative value.
Trust and Teamwork	Through free and open communication, we will promote mutual understanding and respect, and we will emphasize teamwork as we strive to maximize our results based on strong relationships of trust.
Harmonious Coexistence with Society	We will work to achieve harmonious coexistence with society by acting with consideration for local communities and the environment.

to medical institutions. In response, in July 2011 the Company formulated its guidelines for transparency in relationships with medical institutions, etc. In accordance with these guidelines, from fiscal 2012 we follow a policy of releasing related information on the Company's website after the announcement of financial results. This information includes payments to medical institutions as R&D expenses, support for academic research, manuscript writing fees, provision-related expenses, and hospitality and other expenses. In regard to guidelines related to cooperative work with patient organizations, as of April 2013, we formulated our guidelines for transparency in relationships with patient organizations as well as detailed rules. In accordance with these guidelines and rules, from fiscal 2013, information regarding the funds and labor provided to these patient organizations is provided on the Company's website, as with the transparency guidelines for medical institutions.

In addition, in May 2014 the Company formulated Scholarship and Donation Regulations and determined the method that will be used to manage conflicts of interest related to scholarships and donations. Decisions will be made about the provision of scholarships and donations after confirmation and documentation, from the viewpoint of conflicts of interest, of all types of contractual relationships with the parties being considered for the receipt of the scholarships and donations. Our general policy is not to provide scholarships or donations for clinical trials involving our products.

Accountability to Stakeholders

Promoting Accountability

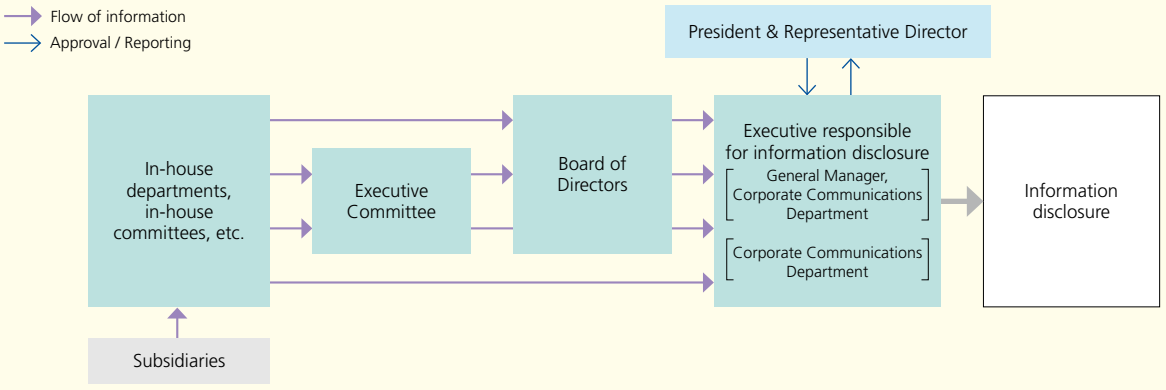
In order to promote understanding of the Company and to obtain fair evaluations of the Company, Mitsubishi Tanabe Pharma strives to disclose in a fair, timely, and appropriate manner important Company information related to its activities, such as its management policies, management objectives, and financial situation, to all of its stakeholders, including shareholders, investors, patients and health care workers, and local communities. We adhere to the Financial Instruments and Exchange Law and other Japanese laws and regulations relating to information disclosure and stock exchange regulations for listed securities. Also, based on our information disclosure regulations, and in accordance with the relevant internal systems, we ensure that both the content and timing of our information disclosure is fair to all stakeholders. Moreover, as a member of society, we take feedback from all stakeholders seriously, strive to share information with stakeholders, and work to deepen mutual understanding.

We give a range of presentations to explain the Company's financial situation, describe the development of new products, and explain important management policies and business developments. These presentations include results briefings for institutional investors, R&D presentations, and business presentations. To enable individual and overseas investors to access presentations, the audio and video for presentations are distributed via the Company's website, and the content of Q&A sessions is also released. In addition, in fiscal 2014 we held 11 presentations for individual investors. Furthermore, as an initiative related to corporate social responsibility, we make our CSR Activities Report available on the Company's website.

In-House Information Disclosure System

The Company has established an in-house system to implement Companywide disclosure of company information in a timely and appropriate manner—the Mitsubishi Tanabe Pharma In-House Information Disclosure System. The executive responsible for information disclosure will control the in-house system, which was established in accordance with information disclosure regulations; will determine whether or not disclosure of company information is appropriate; and will implement disclosure.

Mitsubishi Tanabe Pharma In-House Information Disclosure System (As of July 1, 2015)



Board of Directors and Auditors

As of August 1, 2015

Board of Directors

Michihiro Tsuchiya

Chairman of the Board & Representative Director

1976 Entered Tanabe Seiyaku Co., Ltd.
2001 Director, General Manager of Corporate Strategic Planning Department, Tanabe Seiyaku Co., Ltd.
2003 Managing Director, Division Manager of Research Division, Tanabe Seiyaku Co., Ltd.
2006 Representative Director, Senior Managing Executive Officer, Division Manager of Research Division, Tanabe Seiyaku Co., Ltd.
2007 Director, Vice President, Executive Officer, the Company
2008 Director, Mitsubishi Chemical Holdings Corporation
2009 President & Representative Director, Chief Executive Officer, the Company
2011 Director, The KAITEKI Institute, Inc.
2014 Chairman of the Board & Representative Director, the Company (current)

Masayuki Mitsuka

President & Representative Director, Chief Executive Officer

1982 Entered Mitsubishi Chemical Industries Ltd. (currently, Mitsubishi Chemical Corporation)
1999 General Manager of Pharmaceuticals Discovery Laboratory of Yokohama Research Center, Mitsubishi-Tokyo Pharmaceuticals, Inc.
2004 President and Director, ZOEGENE Corporation
2007 Associate Director, General Manager of Product Strategy Department, Mitsubishi Pharma Corporation
2007 General Manager of Global Product Strategy Department, the Company
2008 Executive Officer, General Manager of Global Product Strategy Department, the Company
2009 Director, Executive Officer, General Manager of Global Product Strategy Department, the Company
2012 Director, Managing Executive Officer, Division Manager of Development Division, the Company
2014 Representative Director, Senior Managing Executive Officer, the Company
2014 President & Representative Director, Chief Executive Officer, the Company (current), Director, Mitsubishi Chemical Holdings Corporation (current), Director, The KAITEKI Institute, Inc. (current)
2015 Division Manager of Development Division, the Company (current)

Takashi Kobayashi

Board Director, Managing Executive Officer

1980 Entered Tanabe Seiyaku Co., Ltd.
2003 General Manager of Secretary's office, Administrative Division, Tanabe Seiyaku Co., Ltd.
2004 General Manager of Pharmaceuticals Sales & Marketing Department of Marketing Planning Division, Tanabe Seiyaku Co., Ltd.
2007 Executive Officer, General Manager of Corporate Management Department, the Company
2009 Director, Executive Officer, General Manager of Corporate Strategic Planning Department, the Company
2012 Director, Managing Executive Officer, the Company (current)
2014 Division Manager of Research Division (current)

Seiichi Murakami

Board Director, Managing Executive Officer

1980 Entered Tanabe Seiyaku Co., Ltd.
2003 General Manager of Remicade Department of Pharmaceuticals Sales & Marketing Division, Tanabe Seiyaku Co., Ltd.
2006 Executive Officer, Deputy Division Manager of Pharmaceuticals Sales & Marketing Department, General Manager of Product Marketing Department, Tanabe Seiyaku Co., Ltd.
2007 Executive Officer, General Manager of Product Marketing Department of Pharmaceuticals Sales & Marketing Department, General Manager of Remicade Department, the Company
2009 Executive Officer, Division Manager of Development Division, the Company
2012 Managing Executive Officer, in charge of Management Strategy, the Company
2014 Managing Executive Officer, Division Manager of Sales & Marketing Division, in charge of Tokyo Head Office, in charge of Medicinal Intelligence Department, the Company (current)
2015 Director, the Company (current)

Eizo Tabaru

Board Director, Executive Officer

1981 Entered Mitsubishi Chemical Industries Ltd. (currently, Mitsubishi Chemical Corporation)
2010 General Manager of Finance and Accounting Department, Mitsubishi Chemical Corporation
2012 Executive Officer, General Manager of Finance and Accounting Department, Mitsubishi Chemical Corporation
2014 Executive Officer, General Manager of Finance & Accounting Department, the Company (current)
2015 In charge of Procurement Management Department (current), Director, the Company (current)

Shigehiko Hattori

Board Director (Outside)

1964 Entered Shimadzu Corporation
2003 President and Representative Director, Shimadzu Corporation
2009 Chairman of the Board and Representative Director, Shimadzu Corporation
2011 Director, the Company (current)
2012 Outside Director, Sapporo Holdings Ltd. (current)
2012 Outside Director, Brother Industries, Ltd. (current)
2012 Outside Director, Meiji Yasuda Life Insurance Company (current)
2015 Senior Advisor, Shimadzu Corporation (current)

Auditors

Yoshiaki Ishizaki

Board Director, Managing Executive Officer

1978 Entered Yoshitomi Pharmaceutical Industries, Ltd.
2007 General Manager of Tokyo Branch of Sales & Marketing Division, the Company
2009 Executive Officer, General Manager of Tokyo Branch of Sales & Marketing Division, the Company
2011 Executive Officer, Division Manager of Pharmacovigilance & Quality Assurance Division, the Company
2012 Managing Executive Officer, Division Manager of Pharmacovigilance & Quality Assurance Division, the Company (current)
2014 In charge of Internal Controls & Compliance Department (current), Chief Compliance Officer, (current)
2014 Director, the Company (current)
2015 In charge of Medical Affairs Department, the Company (current)

Koichi Fujisawa

Corporate Auditor (Standing)

1975 Entered Mitsubishi Petrochemical Co., Ltd. (currently, Mitsubishi Chemical Corporation)
2006 Executive Officer, General Manager of Administration & Human Resources, and CSR Offices, Mitsubishi Chemical Holdings Corporation
2009 President and Chief Executive Officer, Dia Rix Corporation
2011 Executive Consultant, Mitsubishi Chemical Corporation
2011 Senior Corporate Advisor, the Company
2011 Corporate Auditor (standing), the Company (current)

Kenichi Yanagisawa

Corporate Auditor (Standing)

1973 Entered Tanabe Seiyaku Co., Ltd.
2001 Executive Officer, Head of Pharmaceutical Development Center, Tanabe Seiyaku Co., Ltd.
2003 Executive Officer, Division Manager of Development Division, Tanabe Seiyaku Co., Ltd.
2003 Director, Division Manager of Development Division, Tanabe Seiyaku Co., Ltd.
2007 Director, Managing Executive Officer, Division Manager of Development Division, the Company
2009 Director, Managing Executive Officer, Division Manager of Sales & Marketing Division, the Company
2012 Director, Senior Managing Executive Officer, Manager of Sales & Marketing Division, the Company
2014 Corporate Auditor (standing), the Company (current)

Shigetaka Sato

Board Director (Outside)

1965 Entered Keihan Electric Railway Co., Ltd.
2001 President & Representative Director, Keihan Electric Railway Co., Ltd.
2007 Representative Director, CEO, Keihan Electric Railway Co., Ltd.
2009 Outside Corporate Auditor, Asahi Kogyosha Co., Ltd. (current)
2010 Chairman, Osaka Chamber of Commerce and Industry (current)
2011 Director, Senior Adviser & Chairman, Keihan Electric Railway Co., Ltd.
2012 Outside Corporate Auditor of Asahi Broadcasting Corporation (current)
2013 Director, the Company (current), Chairman, Advisory Council, Keihan Electric Railway Co., Ltd. (current)

Masanao Iechika

Corporate Auditor (Outside)

1962 Registered lawyer (Osaka Bar Association)
1994 Corporate Auditor, Tanabe Seiyaku Co., Ltd.
2007 Corporate Auditor, the Company (current)
2007 Executive Partner of DAIICHI LAW OFFICE, P.C. (current)

Takashi Nishida

Corporate Auditor (Outside)

1976 Entered The Mitsubishi Bank, Ltd. (currently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
2004 Executive Officer, General Manager of Treasury & Investment Division of The Bank of Tokyo-Mitsubishi, Ltd. (currently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
2006 Executive Officer, General Manager of Treasury & Investment Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
2007 Outside Corporate Auditor (standing), Mitsubishi Chemical Holdings Corporation, Outside Corporate Auditor, Mitsubishi Pharma Corporation
2007 Corporate Auditor, the Company (current)
2015 Corporate Auditor, Mitsubishi Chemical Corporation (current)

Corporate Citizenship Activities

In accordance with the Mitsubishi Tanabe Pharma Group Declaration on Corporate Citizenship, as a good corporate citizen, the Mitsubishi Tanabe Pharma Group is implementing activities reflecting consideration for the local community and local environment to contribute to the resolution of problems related to health and living environments in the countries and regions where the Group conducts business. This section introduces major initiatives related to social contribution activities, environmental conservation, and employees.

WEB **CSR ACTIVITIES REPORT 2015** http://www.mt-pharma.co.jp/e/company/csr-report/2015/

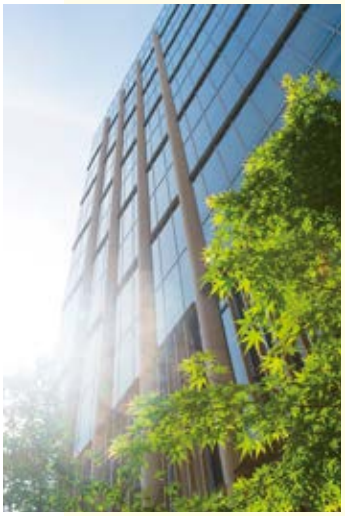
In regard to the social contribution made by pharmaceutical operations, please refer to "Business Strategy Section." P11

The Mitsubishi Tanabe Pharma Group Declaration on Corporate Citizenship

The Mitsubishi Tanabe Pharma Group will strive to contribute to society through its pharmaceutical operations in accordance with its Philosophy, Vision, and Corporate Behavior Charter. In addition, as a good corporate citizen, the Mitsubishi Tanabe Pharma Group will proactively implement the following activities to contribute to the resolution of problems related to health and living environments in the countries and regions where the Group conducts business.

Activities to Contribute to the Resolution of Problems Related to Health and Living Environments

1. Activities to promote medical research and nurture human resources
2. Activities to help patients and families find more joy and satisfaction in their lives
3. Activities to improve health and welfare in developing countries
4. Activities to activate communities and develop more-comfortable living environments
5. Other activities



Initiatives Related to Social Contribution Activities

Contributing to Local Communities

In accordance with the Mitsubishi Tanabe Pharma Group Declaration on Corporate Citizenship, we will proactively implement corporate citizenship activities in the countries and regions where we conduct business activities. At the Kashima Office, as an activity to help patients and families find more joy and satisfaction in their lives, we are supporting CP Soccer (soccer played by seven people with cerebral palsy), which is a Paralympic sport. The Kashima Office (Yodogawa Ward, Osaka City) makes the office grounds available for the CP soccer tournament and other events.

CP Soccer Tournament at the Kashima Office

Support for Developing Countries

We have introduced the TFT Program at the Kashima Office and the Head Office. TFT is an abbreviation for Table for Two, a social contribution activity that originated in Japan. This activity is aimed at simultaneously resolving the problems of hunger in developing countries and the problems of obesity and lifestyle-related diseases in industrially developed countries. At the employee cafeterias, when employees eat low-calorie meals that help prevent obesity, ¥20 of the price is allocated to the cost of school meals in developing countries, such as in Africa. We plan to extend this initiative to other employee cafeterias in the future.

The Company participated in vaccine support activities through the collection of books, CDs, and DVDs at worksites.

In addition, as a Companywide program, we are also participating in vaccine support activities for children in developing countries. Through this program, when books, CDs, and DVDs are sold because they are no longer needed, 10% of the assessed amount is donated to Japan Committee Vaccines for the World's Children. Through this international contribution activity, those financial resources are used to deliver vaccines to children in developing countries, such as vaccines for six major infectious diseases. In fiscal 2014, the total assessed amount of items collected at the Company's worksites was ¥171,984. Therefore, the donation was equivalent to 8,600 vials of polio vaccine.

Support for Volunteer Activities

Mitsubishi Tanabe Pharma sponsors the MSC Volunteer Salon, an event held every other month that provides opportunities for people interested in volunteer activities to interact with active volunteers. The MSC Volunteer Salon features introductions to the activities of volunteer organizations, information useful in daily life, seminars about exercise, and small concerts. It also coordinates the collection of used stamps and telephone cards and donates them to domestic welfare and other institutions, thereby supporting the operation of those institutions. Furthermore, as a means of fostering patient-centered health care, Mitsubishi Tanabe Pharma shares information with patients' associations and provides assistance for volunteer activities, such as at general assemblies of patients' associations and medical lecture meetings.

Implementing Donation and Assistance Activities

With the objective of contributing to medical treatment and public health in Japan, we are making donations to the SENSIN Medical Research Foundation and to the Japan Foundation for Applied Ezymology. In this way, through the activities of these foundations we are working to contribute to the promotion of research and the dissemination of knowledge in a broad range of fields, such as medicine, pharmacology, agriculture, and the physical sciences. In fiscal 2014, we provided a total of about ¥200 million to these foundations.

In addition, we marked our fifth anniversary in 2012 by establishing the Mitsubishi Tanabe Pharma Tenohira Partnership Program, which supports associations of patients with incurable diseases. The program provides aid to associations and support groups for patients with incurable diseases. We support these groups' efforts to enhance patients' quality of life, such as through improved medical treatment and career prospects. In fiscal 2014, the program provided aid to 12 organizations.

Also, since 1971 the Company has been donating OTC drugs, including Mitsubishi Tanabe Pharma products, to Kodomo-no-kuni Children's Land), which is operated by the Kodomo-no-kuni Association, a social welfare service organization.

Initiatives Related to Environmental Conservation

Environmental Safety Management

In order to help protect the global environment and create a sustainable society, in every aspect of its business operations Mitsubishi Tanabe Pharma is working to reduce resource consumption, energy consumption, and waste and to achieve sustained reductions in the environmental burden.

In accordance with the Mitsubishi Tanabe Pharma Environmental Safety Philosophy and the Policy on Environmental Safety Activities, which we formulated independently, we work proactively to ensure that our operations are environmentally friendly. Furthermore, the Group discloses information related to the environment and promotes dialogue with the public in its initiatives aimed at contributing to the environment and society.

In addition, as a member of the MCHC Group, we are striving to realize *KAITEKI** (comfort) for the world by aiming to increase sustainability and contributing to reductions in environmental burdens, such as reductions of greenhouse gas emissions.

In environmental information collection and disclosure, the Group collects and discloses information regarding the manufacturing and research facilities of Mitsubishi Tanabe Pharma and its domestic and overseas consolidated subsidiaries.

* For further information about *KAITEKI*, please see the MCHC website.
http://www.mitsubishichem-hd.co.jp/english/kaiteki_management/kaiteki/

Establishment of an Environmental and Occupational Safety Management System

Mitsubishi Tanabe Pharma has established an environmental and occupational safety management system, overseen by the President and CEO. The Environmental Safety Committee serves as the consultative committee for this system, with members comprising representatives from the Operating Committee. The Liaison Council for Environmental Safety plans and carries out activities in response to issues relating to the environmental safety of the Mitsubishi Tanabe Pharma Group. In addition, the Environmental Safety Division has been established as a full-time specialized organization. This system promotes the management of environmental issues both in and outside Japan.

Under this management system, we formulated the Medium-Term Environmental Action Plan, which covers the five-year period from fiscal 2011, and are working to achieve key objectives in four areas.

Medium-Term Environmental Action Plan (from fiscal 2011 to fiscal 2015)

Area	Objectives	Fiscal 2014 results
Energy conservation and global warming mitigation	• Reduce CO_2 emissions for fiscal 2015 by at least 30% compared to the fiscal 2005 level	• Reduced CO_2 emissions by 46.1% compared to the fiscal 2005 level (9.6% reduction compared to the fiscal 2013 level) • Increased number of hybrid vehicles used by sales personnel to 1,399, from 1,259 in fiscal 2013
Reduction of waste, reuse and recycling of resources	• Promote zero emissions (final waste disposal rate of less than 0.5%) and continually reduce waste and emissions output and final waste disposal • Fulfill the responsibility of a waste-discharging enterprise for handling waste correctly and ensuring proper treatment by contractors	• Achieved a final waste disposal rate of 0.28% (0.62% in fiscal 2013) • Promoted recycling and effective use of resources • Performed 46 on-site inspections of waste collection and transportation companies and intermediate and final disposal sites
Chemical substance emissions reductions	• Properly manage chemical substances and continually reduce their discharge into the environment	• Slight increase in handling volume and emission volume of PRTR substances, substantial declines in emissions of VOCs into the atmosphere and into water
Enhancement of environmental management	• Improve environment-related risk management at company facilities • Maintain zero environmental accidents	• Conducted environmental safety audits at 12 Group worksites in and outside Japan • At overseas worksites, conducted environmental compliance audits at one worksite by outside experts • Conducted online environmental training courses • Implemented on-site confirmation and training at waste management contractors • Had zero environmental accidents and one incident

Environmental Compliance

The Mitsubishi Tanabe Pharma Group is committed to proactively protecting the global environment and coexisting in harmony with society.

In addition, we work to achieve strict observance of environment-related laws, regulations, and agreements. In particular, at domestic plants and research facilities we have formulated more-rigorous independent management reference values for water pollution and air pollution, and we conduct our business activities in accordance with those reference values. At overseas manufacturing sites, in fiscal 2012 we commenced environmental safety audits based on the theme of strict observance of laws and regulations. We continue working to strengthen these initiatives. For example, in fiscal 2014 the strict observance of laws and regulations by Tianjin Tanabe Seiyaku was confirmed by an external specialist organization that is well-versed in environmental laws and regulations.

Environmental Risk Management

The Group has formulated risk management guidelines. For each worksite, to prevent impacts on the environment from natural disasters and unexpected events, and to minimize disaster damage, we have established procedures for rapid, accurate responses in times of crisis, and we periodically implement education and training in preparation for emergencies.

In particular, the Group is concerned about any influence on local communities, such as from an accidental discharge of chemical substances to rivers or the sea, and accordingly the Group has installed equipment and systems (automation of emergency shutoff valves for wastewater and installation of water tanks for use in prevention of outflow) that can prevent environmental pollution in case of an unforeseen contingency. In this way, the Group is working to prevent risk.

ISO 14001 Certification

The Mitsubishi Tanabe Pharma Group's principal production sites have acquired either ISO 14001 certification or other certifications established by relevant local municipalities. The Group has established and operates an environmental management system and works to continually improve that system. Furthermore, in research facilities and offices we are working to implement appropriate environmental management in accordance with the nature and scale of the environmental burden associated with business activities. In this way, these facilities and offices are implementing activities that reflect consideration for the environment.

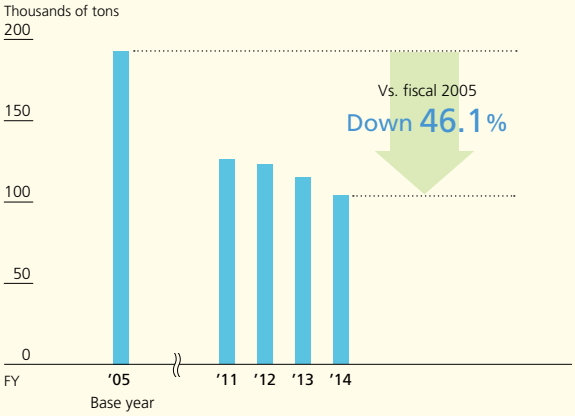
Environmental Accounting

Mitsubishi Tanabe Pharma works to promote effective and efficient environmental management by ascertaining and analyzing the costs and effects of environmental conservation activities and the impact these activities have on economic performance. Environmental conservation costs for fiscal 2014 were ¥218 million in investments and ¥1,001 million in running costs. The economic benefit of environmental conservation measures was ¥20 million.

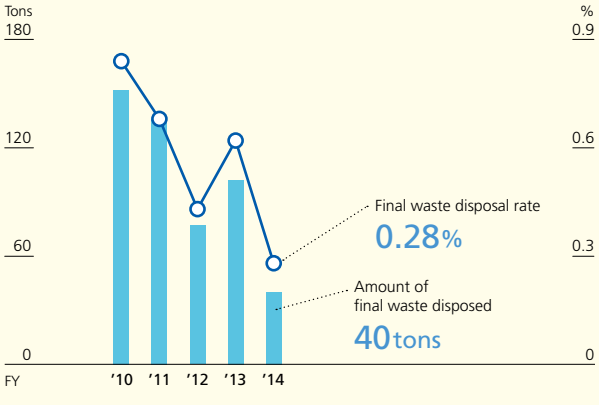
Notes regarding calculations for fiscal 2014 data:

1. Data was calculated according to the Environmental Accounting Guidelines (2005 edition) published by the Ministry of the Environment of Japan.
2. Calculation period: April 1, 2014 to March 31, 2015
3. Scope: All worksites in Japan
4. Calculation methods:
   (1) Simple method for amount invested (25%, 50%, 75%, and 100%);
   (2) Depreciation is calculated based on the legally defined service life of applicable items; and
   (3) The full amounts for non-depreciation costs are posted only if 100% environment related.
5. Calculation and evaluation methods for effects resulting from environmental conservation measures:
   (1) Only material effects based on conclusive grounds for each environmental measure are tallied and assessed; and
   (2) Effects observed within the fiscal year are tallied by converting them to a period of 12 months, and evaluated by comparing them to the year before the measures were implemented (or the previous fiscal year).

CO_2 Emissions



Amount of Final Waste Disposed / Final Waste Disposal Rate



Promoting Environmental Communications

At worksites and nearby areas, Mitsubishi Tanabe Pharma engages in social and environmental activities that include employees and their families. The Osaka Head Office and Kashima Office support the Osaka Marathon Cleanup, and before the marathon is held cleanup activities are implemented around worksites. In addition, worksites in Japan and overseas are aggressively taking steps to increase greenery and beautify worksites and neighboring areas. At the Tokyo Head Office, in August 2014 we held an event using reclaimed wastewater provided by the Tokyo metropolitan government's Bureau of Sewerage to water the roads.

Road watering event at the Tokyo Head Office

Consideration for the Environment at the New Head Office Building

In February 2015, the Company completed a new Head Office building (Doshomachi, Chuo-ku, Osaka). The new building, which has 14 stories above ground and 2 stories below ground, includes environmentally friendly facilities. In addition, the building has strong disaster-resistance, with a base-isolation structure that makes it able to withstand long-period earthquakes and epicentral earthquakes. It received an "A" ranking under CASBEE (Comprehensive Assessment System for Built Environment Efficiency), a method for evaluating the environmental friendliness level of buildings and structures. The building reflects consideration for both a comfortable work environment and the natural environment.

Exterior view of new Head Office building

Major Environmentally Friendly Initiatives

To effectively control humidity in offices, the building uses an air conditioning system that separates latent heat and sensible heat. In addition, heat insulation in the summer has been secured through the use a compact double skin curtain wall. In this way, the building offers comfortable work spaces while saving energy.

CO_2 emissions
Approx. 18.4 tons-CO_2 / year reduction

LED lighting is utilized in principal areas, and large windows have been used to let in natural light. Human sensors have been installed in common areas, and offices have been equipped with daylight sensors. In these ways, the amount of electric power used for lighting has been reduced.

CO_2 emissions
Approx. 597 tons-CO_2 / year reduction

Rooftop rain water is collected in underground water tanks, and after filtration it is used in toilets. In this way, we are reducing water consumption.

CO_2 emissions
Approx. 36 kg-CO_2 / year reduction

Initiatives Related to Employees

Fundamental Approach to Human Resources

Mitsubishi Tanabe Pharma is working to further enhance its competitiveness by focusing on its people as a management resource and giving individual employees the opportunity to demonstrate their full potential. To further enhance its competitiveness and achieve sustained growth, the Company operates the Comprehensive Management System for Human Resources. In October 2013, with the objectives of increasing the motivation of employees to grow, strengthening human resources development, enhancing willingness to take on challenges to achieve goals, and increasing the success of organizational units, we revised our rank, evaluation, and compensation systems. To operate these systems effectively, we utilize a cycle of training, utilization, evaluation, and treatment. In this way, we are striving to maximize the potential of our human resources and to strengthen our organizational capabilities.

In addition, under the Medium-Term Management Plan 11–15, we are "working to enhance our human resources and organizational structures to facilitate global development" and thereby contribute to reforms that will help us to become a "company that can continue to create new value."

Enhancing Personnel Training

To strengthen our corporate vitality and competitiveness, we must work to enhance the capabilities of our human resources, who are the source of that vitality and competitiveness. Aiming to develop people with key attributes, we support the development and demonstration of the capabilities of employees through the smooth coordination of four frameworks: employing diverse human resources, on-the-job and off-the-job training through management by objectives, transfers and rotations, and fair evaluations. To that end, we are enhancing individual capabilities through daily on-the-job (OJT) and in-house training programs and through the assignment of the right person to the right place. The Company is also working in the areas of employee career management and individual skill development. We will continue to offer next-generation leadership training programs for future managers as well as global leadership training programs.

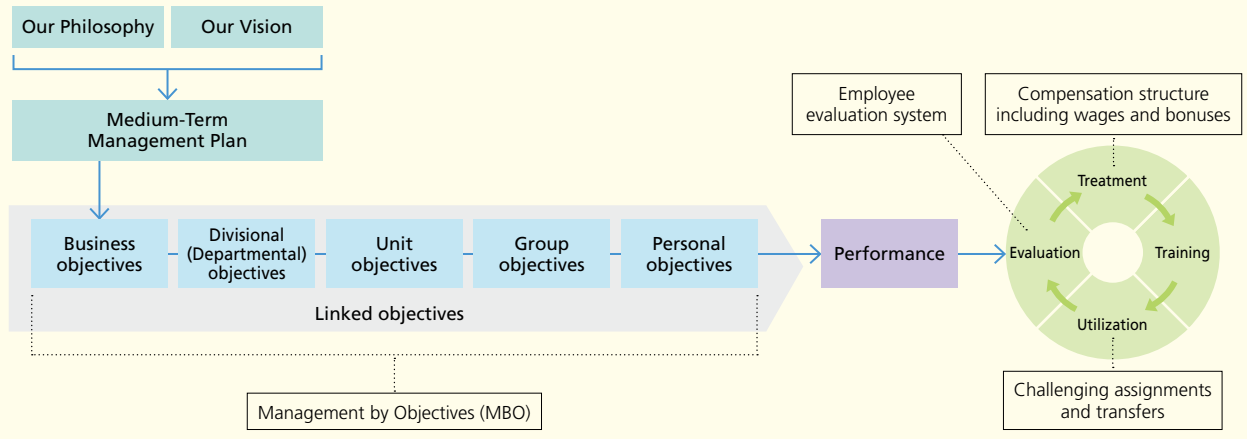
Actively Utilizing Diverse Human Resources

In accordance with the concepts of diversity and integration, the Company considers it important to establish a free and open workplace environment that respects individual diversity and independence. In addition, the Company's basic policies for advancing the employment of women are fostering women's career awareness, changing the awareness of others in the workplace, and enhancing systems. The Company is taking steps to further advance the employment of women, such as establishing a diversity promotion project team that extends across organizational boundaries. The number of female employees with expert qualifications* at the CC/EM level or above has increased steadily, reaching 348 (at the end of fiscal 2014), or 11.24% of the total number of employees with expert qualifications.

Comprehensive Management System for Human Resources

Basic Approach

This system is a tool for the achievement of management objectives, and the Company thinks it is important to link the system to objective management, evaluation, treatment, training, and utilization.



The Company employs people with disabilities at a rate higher than the rate that is legally required, which was raised to 2.0% as of April 2013. In fiscal 2014, the Company's rate was 2.32%. In the future, we will continue to take steps to proactively advance the employment of people with disabilities, such as providing workplace environments and opportunities that accommodate the nature and degree of specific disabilities.

* Employees who serve in specialist and leadership roles, considered equivalent to subsection managers.

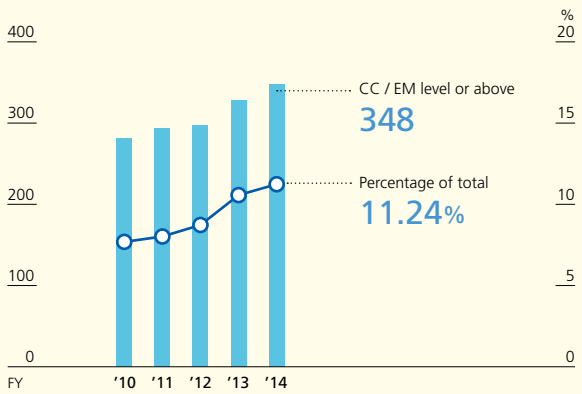
Consideration for Work-Life Balance

Mitsubishi Tanabe Pharma strives to help employees comfortably balance work with personal life and family commitments. The Company recognizes the importance of employees gaining satisfaction and pride from their work while fully experiencing meaningful life events, such as the birth of a child or caring for children and family members. This approach has earned the Company "KURUMIN" accreditation as a "general business owner conforming to standards" every year since 2007. This accreditation mark is based on the Next Generation Nurturing Support Measures Promotion Law. Mitsubishi Tanabe Pharma continues to take steps to enhance its work environment, such as establishing "No Overtime Days" to promote efficient working styles and encouraging employees to use their annual paid vacations.

Initiatives to Raise Human Rights Awareness

The Mitsubishi Tanabe Pharma Group respects the ten principles of the United Nations Global Compact, which address human rights, labor, the environment, and anticorruption, and upholds these principles in its business activities as a responsible corporate citizen in line with its Corporate Behavior Charter. The Company's Human Rights Awareness Promotion Committee, chaired by the president, plays a key role in both training for officers and employees and other Groupwide human rights training programs, which include collaborating with outside experts and promoting employee participation in outside lectures.

Percentage of Female Employees with Expert Qualifications at the CC / EM Level or Above



Addressing Harassment and Mental Health Issues

To eliminate harassment in the workplace, the issue of harassment is addressed in Groupwide compliance training, new management training, and new employee training. In these ways, the Group is working to raise awareness. Also, Mitsubishi Tanabe Pharma is actively working in employee mental health management. Stress diagnosis initiatives will be legally required from December 2015. We have conducted these diagnoses from fiscal 2010. Our initiatives include employee self diagnoses, evaluations of organizational units, and response measures for people with high stress.

Securing Occupational Health and Safety

We believe that ensuring the safety of all workers will support the realization of *KAITEKI*, which is being advanced by the Mitsubishi Chemical Holdings Group. In accordance with this belief, the Mitsubishi Tanabe Pharma Group strives to be a "company that is trusted by communities" and advances activities that are designed to eliminate workplace accidents or disasters and are implemented by all employees. To that end, the Company operates an occupational health and safety management system at each worksite and strives to prevent accidents and disasters by reducing risks.

Moving forward, we will work to effectively operate the occupational health and safety management system. Moreover, to maintain the culture of safety that we have cultivated, we believe that it will be important to raise safety awareness among employees. On that basis, we will continue to implement safety training for employees.

Surveying Employee Attitudes

Since fiscal 2011, the Mitsubishi Tanabe Pharma Group has implemented employee attitude surveys to provide a comprehensive, periodic understanding of employee attitudes toward their jobs and of the Company's workplace environments. The findings are incorporated into management policies. "Vertical" communication between management leaders and frontline staff continued to improve through fiscal 2014, and it appears that the messages of management have reached the employees. On the other hand, we consider improvement in work stress and fatigue to be an ongoing challenge. We will aim to record improvement by advancing work efficiency and realizing work-life balance, and will also take steps to enhance mental health measures.

Financial Section

Six-Year Financial Summary

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31

	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
Financial figures (billions of yen):						
Net sales	**¥415.1**	¥412.7	¥419.2	¥407.2	¥409.5	¥404.7
Cost of sales	**169.6**	169.4	166.4	152.3	154.6	147.8
Selling, general and administrative expenses	**178.4**	184.2	183.8	185.8	178.4	195.5
Operating income	**67.1**	59.1	69.0	69.0	76.6	61.5
Net income	**39.5**	45.4	41.9	39.0	37.7	30.3
R&D expenses	**69.6**	70.4	66.5	70.2	65.8	83.1
Capital expenditures on an accrual basis	**15.7**	12.6	9.2	7.1	10.2	8.4
Depreciation and amortization	**9.0**	9.1	8.4	12.5	12.4	13.3
Total assets	**929.3**	886.5	866.8	819.9	818.7	796.9
Total net assets	**800.4**	777.8	752.9	721.5	696.0	676.8
Interest-bearing debt	**3.0**	4.1	1.2	2.2	2.9	2.5
Net cash provided by operating activities	**68.2**	69.9	60.6	37.2	59.1	23.9
Net cash used in investing activities	**(59.8)**	(24.3)	(35.0)	(63.2)	(7.7)	(61.2)
Net cash used in financing activities	**(21.9)**	(21.1)	(23.7)	(17.2)	(15.4)	(17.1)
Cash and cash equivalents at end of the year	**73.3**	85.0	58.7	54.3	97.9	63.0
Per share amounts (yen):						
Net income—basic	**70.41**	80.92	74.67	69.54	67.27	53.91
Net assets	**1,406.41**	1,365.52	1,333.22	1,275.85	1,230.16	1,194.79
Cash dividends	**42.00**	40.00	40.00	35.00	28.00	28.00
Financial indicators (%):						
Cost of sales ratio	**40.9**	41.0	39.7	37.4	37.7	36.5
SG&A expenses ratio	**43.0**	44.6	43.9	45.6	43.6	48.3
Operating margin	**16.2**	14.3	16.5	17.0	18.7	15.2
R&D expenses ratio	**16.8**	17.1	15.9	17.3	16.1	20.5
Equity ratio	**84.9**	86.4	86.3	87.3	84.3	84.1
ROA	**4.4**	5.2	5.0	4.8	4.7	3.8
ROE	**5.1**	6.0	5.7	5.5	5.5	4.6
Dividend payout ratio	**59.6**	49.4	53.6	50.3	41.6	51.9
Others:						
Number of employees	**8,457**	9,065	8,835	9,180	9,198	9,266
Number of common stock issued (thousands)	**561,417**	561,417	561,417	561,417	561,417	561,417

Pharmaceutical Market Trends

The global pharmaceutical market is recording ongoing expansion against a worldwide backdrop of growing populations, aging societies, and expanding economies in emerging countries. In Japan's pharmaceutical market, which is the second largest market in the world after North America, growth is slowing. This sluggish growth is occurring against a background of stepped up government measures to control health care expenditures. In general, the official national health insurance (NHI) prices for ethical drugs are reduced once every two years, and measures to promote the use of generics are also being implemented. These factors have restrained growth in Japan's pharmaceutical market. In addition, the government has announced the objective of raising the generic drug substitution rate[1] to 60% or more by the end of March 2018. With the NHI drug price revisions implemented in April 2014 a new system to further advance the substitution of generic drugs for long-listed drugs (please refer to the system overview below) was introduced. In addition, given the expected increase in the consumption tax rate and the progress in discussions regarding the implementation of NHI drug price revisions every year for a three-year period starting in 2016, the business environment is expected to become increasingly challenging for manufacturers of new drugs.

Moreover, there is an increase in new drug development in the area of unmet medical needs[2], where the degree of satisfaction with existing treatments is low and new drugs are expected to drive progress in treatment. Furthermore, due to increasingly advanced drug discovery technologies and to stricter standards for drug approval, the success rate in new drug discovery is decreasing while the R&D expenses needed for new drug development are rising. As major ethical drugs go off patent, the earnings power of pharmaceutical companies declines. In this setting, companies are increasingly pursuing mergers and alliances (M&As) to expand their operational scale and reinforce their R&D capabilities.

1. Substitution rate = Number of generic drugs / (Number of original drugs for which there are generic competitors + Number of generic drugs)
2. Unmet medical needs: Medical needs that are not addressed adequately by existing therapies.

Japan's NHI Drug Price Revision Rate

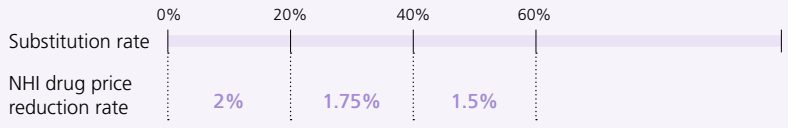
	April 2006	April 2008	April 2010	April 2012	April 2014
Drug price revision rate	– 6.7%	– 5.2%	– 5.75%[3]	– 6.00%[4]	**– 2.65%[5]**

3. Not including the portion of the reduction regarding original drugs for which there are generic competitors
4. Not including the portion of the reduction regarding original drugs for which there are generic competitors or the portion of the reduction regarding generics
5. Figures include the additional consumption tax burden accompanying the increase in the consumption tax rate implemented in April 2014.

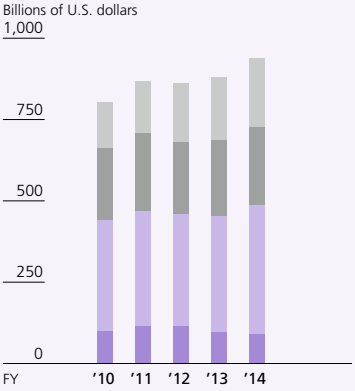
Source: Ministry of Health, Labour and Welfare, 2014 overview of revision of medical care compensation system

Overview of New System of Drug Price Reductions for Long-Listed Drugs

The NHI drug price revisions implemented in April 2014 included the introduction of a new system to further advance the substitution of generic drugs for long-listed drugs. When NHI drug prices are revised, the prices of long-listed drugs that have had competing generics for five years or more will be uniformly reduced if the generic drug substitution rate is less than 60%. In this event, the NHI drug price reduction rate will be as follows. Accompanying the introduction of the new system, the previous system of special drug price reductions has been abolished. Under the previous system, the prices of long-listed drugs were reduced in the NHI drug price revision immediately following the launch of competing generics.

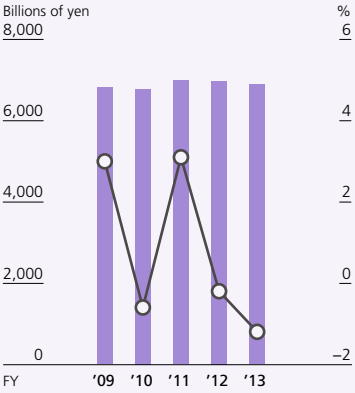


Worldwide Pharmaceutical Market



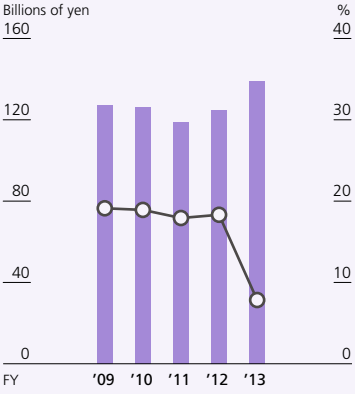
Source: Calculated based on World Review Analyst 2015
January 2010–December 2014,
Reprinted with permission

Amount of Domestic Drug Production



Source: Ministry of Health, Labour and Welfare, Annual Report on Statistical Survey of Trends in Pharmaceutical Production 2013

Average R&D Expenses of 10 Leading Pharmaceutical Companies in Japan*



Source: Japan Pharmaceutical Manufacturers Association (JPMA), DATA BOOK 2015

Results of Operations (amounts less than ¥100 million are rounded)

Net Sales

In fiscal 2014, net sales increased ¥2.4 billion year on year, to ¥415.1 billion. Sales in the pharmaceuticals segment, which accounts for the majority of the Company's net sales, rose ¥3.1 billion, to ¥414.7 billion. Sales in the other business were down ¥0.6 billion, to ¥0.4 billion. Overseas sales rose ¥18.6 billion, to ¥77.9 billion, and the overseas sales ratio was 18.8%, an increase of 4.4 percentage points.

The Group's pharmaceutical operations, which are its main business, consist of ethical drugs and OTC products. These operations are conducted in Japan and overseas, but domestic sales of ethical drugs account for the majority of the Group's sales.

In fiscal 2014, the Company's net sales of ethical drugs in the domestic market were down ¥17.8 billion, to ¥323.9 billion. Higher unit sales were recorded by such products as Remicade, an anti-TNFα monoclonal antibody, and Tenelia, a treatment agent for type 2 diabetes mellitus. However, the effect of the April 2014 NHI drug price revision and the influence of generics on long-listed drugs increased. The impact of the NHI drug price revisions was ¥29.0 billion.

In priority products, sales of the five new products were up ¥10.2 billion, to ¥29.0 billion, while sales of the four existing products declined ¥6.7 billion, to ¥111.3 billion. Sales of two vaccines rose ¥4.4 billion, to ¥14.7 billion. Overall sales of priority products were up ¥7.8 billion, to ¥155.0 billion.

In addition, overall sales of vaccines rose ¥1.9 billion, to ¥30.3 billion, while sales of products handled by the Company's sales subsidiary, Tanabe Seiyaku Hanbai (including generic drugs and long-listed drugs transferred from the Company) declined ¥0.5 billion, to ¥13.6 billion.

Overseas sales of ethical drugs increased ¥1.0 billion, to ¥23.0 billion, due in part to the depreciation of the yen, while sales of OTC drugs were down ¥0.5 billion, to ¥4.0 billion.

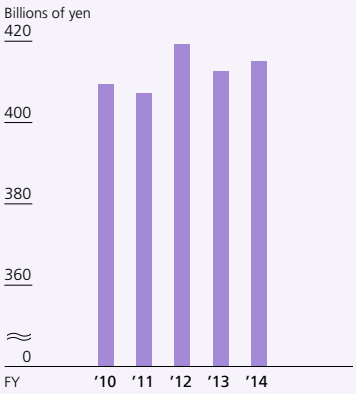
In the Others category of pharmaceutical operations, sales were up ¥20.3 billion, to ¥63.7 billion. This increase was due to higher royalty revenues from Gilenya, a treatment agent for multiple sclerosis (MS) licensed to Novartis, of Switzerland, and from Invokana and its fixed dose combination with metformin, treatment agents for type 2 diabetes mellitus licensed to Janssen Pharmaceuticals, of the U.S.

Billions of yen

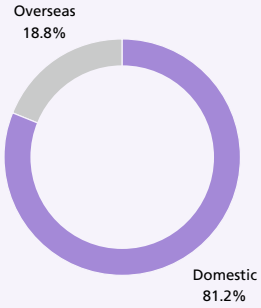
	FY 2014		FY 2013	Change	% Change
Net sales	**¥415.1**	**(100.0%)**	¥412.7	¥+2.4	+0.6%
Sales by business segment:					
Pharmaceuticals	**414.7**	**(99.9)**	411.6	+3.1	+0.7
Domestic ethical drugs	**323.9**	**(78.0)**	341.7	−17.8	−5.2
Overseas ethical drugs	**23.0**	**(5.5)**	22.0	+1.0	+4.6
OTC drugs	**4.0**	**(1.0)**	4.5	−0.5	−10.5
Others	**63.7**	**(15.4)**	43.4	+20.3	+46.9
Other business	**0.4**	**(0.1)**	1.0	−0.6	−58.0
Sales by region:					
Domestic	**337.2**	**(81.2)**	353.3	−16.1	−4.6
Overseas	**77.9**	**(18.8)**	59.4	+18.6	+31.3

Note: Figures in parentheses are percentages of net sales.

Net Sales



Sales by Region



Sales of Major Ethical Drugs

Billions of yen

	FY 2014	FY 2013	Change	% Change
Priority products of domestic ethical drugs	**¥155.0**	¥147.2	¥+7.8	+5.3%
New Products[1]	**29.0**	18.9	+10.2	+53.8
Simponi	**10.5**	9.4	+1.1	+11.6
Lexapro	**8.0**	6.5	+1.5	+23.4
Tenelia	**6.2**	0.8	+5.4	+684.1
Imusera	**3.2**	2.3	+1.0	+42.7
Canaglu	**1.2**	—	+1.2	—
Existing Products	**111.3**	118.0	−6.7	−5.7
Remicade	**70.6**	76.3	−5.7	−7.5
Talion	**16.0**	13.7	+2.3	+16.7
Maintate	**14.1**	15.5	−1.3	−8.5
Kremezin	**10.5**	12.6	−2.0	−16.1
Vaccines	**14.7**	10.3	+4.4	+42.4
Tetrabik	**7.5**	6.7	+0.8	+11.9
Varicella vaccine	**7.2**	3.6	+3.6	+99.6
Royalty revenues, etc.	**60.4**	37.6	+22.8	+60.7
Royalty from Gilenya	**43.9**	32.2	+11.8	+36.7
Royalty from Invokana[2]	**9.8**	—	—	—

1. New products launched since April 2011
2. Royalty from Invokana in fiscal 2013 is undisclosed.

Operating Income

In fiscal 2014, operating income was up ¥8.0 billion, to ¥67.1 billion.

The NHI drug price revision had an effect, but due principally to the increase in royalty revenues, gross profit rose ¥2.2 billion, to ¥245.5 billion. The cost of sales ratio declined 0.1 percentage point, to 40.9%.

SG&A expenses decreased ¥5.8 billion, to ¥178.4 billion, due to a decrease in retirement benefit expenses and other labor costs and to a decline of ¥0.8 billion, to ¥69.6 billion, in R&D expenses resulting from development phase progress.

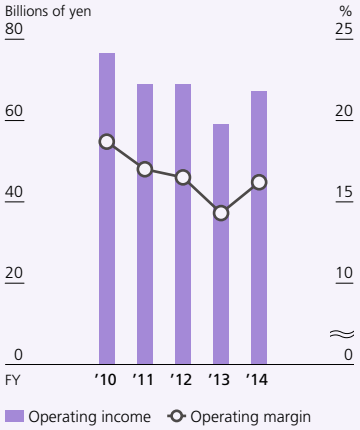
The R&D expenses ratio in fiscal 2014 was down 0.3 percentage point, to 16.8%.

Billions of yen

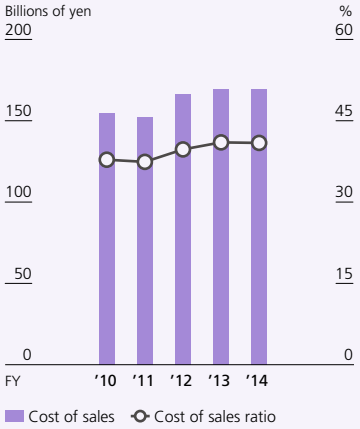
	FY 2014		FY 2013	Change	% Change
Cost of sales	**¥169.6**	**(40.9%)**	¥169.4	¥+0.2	+0.1%
SG&A expenses	**178.4**	**(43.0)**	184.2	−5.8	−3.2
R&D expenses	**69.6**	**(16.8)**	70.4	−0.8	−1.1
Non-R&D expenses	**108.8**	**(26.2)**	113.8	−5.0	−4.4
Labor costs	**46.8**	**(11.3)**	48.4	−1.6	−3.3
Amortization of goodwill	**10.9**	**(2.6)**	10.6	+0.3	+2.6
Other	**51.1**	**(12.3)**	54.8	−3.7	−6.8
Operating income	**67.1**	**(16.2)**	59.1	+8.0	+13.6

Note: Figures in parentheses are percentages of net sales.

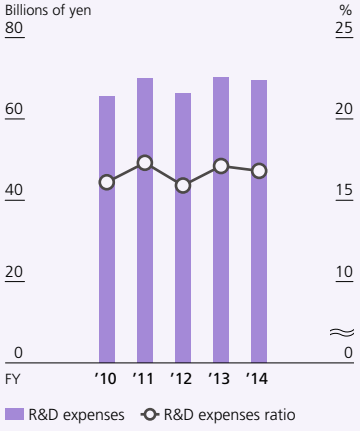
Operating Income / Operating Margin



Cost of Sales / Cost of Sales Ratio



R&D Expenses / R&D Expenses Ratio



Net Income

In fiscal 2014, net income declined ¥5.9 billion, to ¥39.5 billion. Operating income increased, but foreign exchange income decreased to ¥0.4 billion, from ¥2.5 billion in the previous fiscal year, and net extraordinary loss was ¥5.0 billion, compared with net extraordinary income of ¥10.6 billion in the previous fiscal year.

Gain on sales of property, plant and equipment, such as the site of the former Nihonbashi Building, was ¥12.0 billion. Gain on sales of investments in securities was ¥1.1 billion (compared with ¥2.4 billion in the previous fiscal year). Total extraordinary income was down ¥1.7 billion, to ¥13.7 billion. In the previous fiscal year, profit on arbitration award of ¥11.0 billion was recorded as extraordinary income, due principally to the receipt of reimbursement following an arbitration decision regarding Remicade.

Total extraordinary losses were up ¥13.9 billion, to ¥18.6 billion. These included restructuring expenses of ¥12.3 billion, such as the sale of Kashima Plant and the closure of the Kazusa Office as part of "Accelerating Operational and Structural Reforms," which is one of the strategic challenges of the Medium-Term Management Plan. In addition, amortization of goodwill was ¥3.5 billion and loss on impairment of fixed assets was ¥2.6 billion, compared with ¥1.4 billion in the previous fiscal year. In the previous fiscal year, extraordinary losses included special retirement expenses of ¥2.6 billion.

Comprehensive income

Income before minority interests was ¥37.3 billion, and total other comprehensive income was ¥14.1 billion. As a result, comprehensive income was up ¥2.2 billion, to ¥51.4 billion. Comprehensive income attributable to shareholders of the Company increased ¥5.1 billion, to ¥53.7 billion.

Financial Position (amounts less than ¥100 million are rounded)

Assets, Liabilities, and Net Assets

Total assets at the end of the fiscal year were ¥929.3 billion, an increase of ¥42.8 billion from the previous year-end. Increases were recorded in cash and deposits and in deposits, and as a result total current assets rose ¥63.2 billion year on year, to ¥603.6 billion. Total fixed assets decreased ¥20.3 billion, to ¥325.7 billion. Intangible fixed assets declined ¥16.2 billion, due primarily to depreciation of intangible fixed assets and to amortization of goodwill.

Total liabilities were up ¥20.2 billion from the end of the previous year, to ¥128.9 billion. Income taxes payable and accounts payable, other increased.

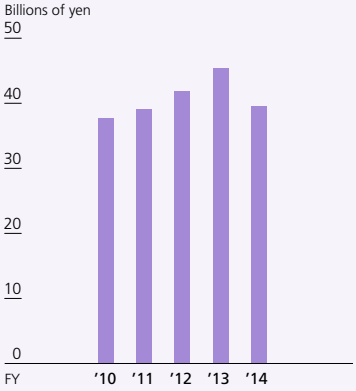
Total net assets at the end of the period were up ¥22.6 billion from the end of the previous fiscal year, to ¥800.4 billion. Net income was ¥39.5 billion, and cash dividends paid was ¥22.4 billion. Accompanying the application of revised accounting standards for retirement benefits, an adjustment of ¥8.3 billion that was made at the beginning of the fiscal year had the effect of reducing retained earnings. As a result, retained earnings increased ¥8.8 billion. Total accumulated other comprehensive income (loss) increased ¥14.2 billion, and minority interests declined ¥0.3 billion. Consequently, the equity ratio was 84.9%, a decrease of 1.5 percentage points from the end of the previous fiscal year.

Billions of yen

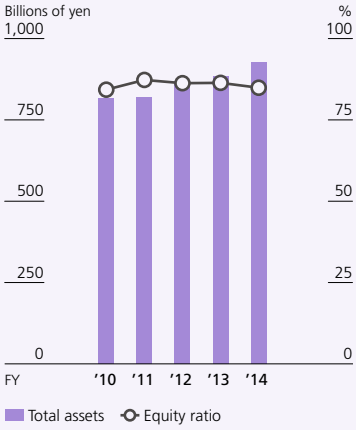
	FY 2014		FY 2013	Change	% Change
Total assets	¥929.3	(100.0%)	¥886.5	¥+42.8	+4.8%
Total current assets	603.6	(65.0)	540.5	+63.2	+11.7
Fixed assets	325.7	(35.0)	346.0	−20.3	−5.9
Total liabilities	128.9	(13.9)	108.6	+20.2	+18.6
Total current liabilities	105.4	(11.3)	81.8	+23.6	+28.8
Total long-term liabilities	23.5	(2.5)	26.8	−3.3	−12.4
Total net assets	800.4	(86.1)	777.8	+22.6	+2.9

Note: Figures in parentheses are percentages of total assets or percentages of the total of liabilities and net assets.

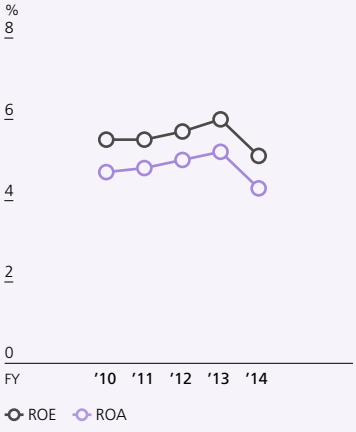
Net Income



Total Assets / Equity Ratio



ROE / ROA



Note: Extraordinary losses were ¥13.2 billion in fiscal 2010, ¥6.1 billion in fiscal 2011, ¥5.9 billion in fiscal 2012, ¥4.8 billion in fiscal 2013, and ¥18.6 billion in fiscal 2014.

Cash Flows

Net cash provided by operating activities was ¥68.2 billion, a decrease of ¥1.7 billion. Major inflows included income before income taxes and minority interests of ¥62.7 billion, while major outflows included income taxes paid of ¥20.0 billion.

Net cash used in investing activities was ¥59.8 billion, an increase of ¥35.5 billion from the previous fiscal year. This was due in part to an increase of ¥84.3 billion in purchase of marketable securities.

Net cash used in financing activities was ¥21.9 billion, an increase of ¥0.8 billion. Cash dividends paid was ¥22.4 billion, the same as in the previous year.

As a result, net cash outflows for the fiscal year were ¥11.6 billion, and the balance of cash and cash equivalents at fiscal year-end was ¥73.3 billion.

Billions of yen

	FY 2014	FY 2013	Change
Net cash provided by operating activities	**¥68.2**	¥69.9	¥–1.7
Net cash used in investing activities	**59.8**	24.3	+35.5
Net cash used in financing activities	**21.9**	21.1	+0.8
Cash and cash equivalents at end of the year	**73.3**	85.0	–11.6

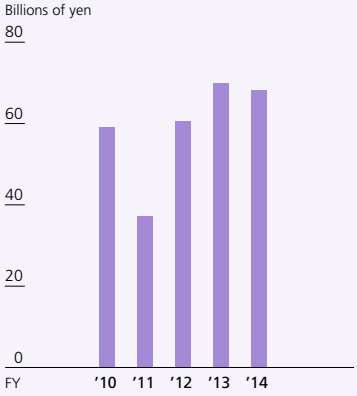
Dividends

Mitsubishi Tanabe Pharma's basic policy for the distribution of profits calls for providing a stable and continuous return to shareholders while striving to increase enterprise value by aggressively investing in future growth. Under the Medium-Term Management Plan 11–15, the basic aims are for profit growth and a dividend payout ratio of 50% (the basic objective for the dividend payout ratio prior to amortization of goodwill is 40%), and the Company will work to provide an enhanced return to shareholders.

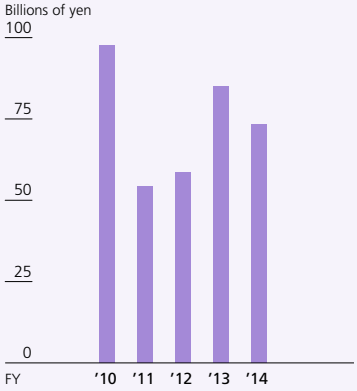
In fiscal 2014, the Company recorded significant extraordinary losses, principally as a result of the progress of structural reforms, and consequently net income was slightly less than the forecast. However, operating income substantially exceeded the forecast, due primarily to higher sales of priority ethical drugs, to increased royalty revenues, and to the effects of cost reductions achieved through structural reform initiatives. The Company has made progress in strengthening its earnings structure.

In accordance with this situation and the basic policy on shareholder return, the Company set annual dividends for fiscal 2014 at ¥42.0 per share, an increase of ¥2.0 per share. The dividend payout ratio was 59.6%, compared with 49.4% in the previous fiscal year.

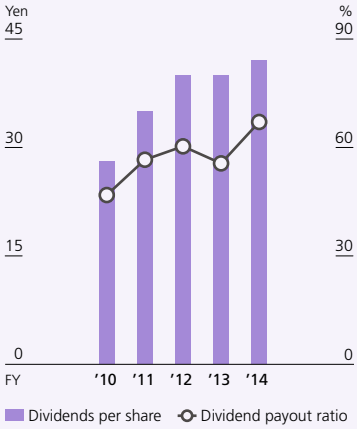
Net Cash Provided by Operating Activities



Cash and Cash Equivalents



Dividends per Share / Dividend Payout Ratio



Operational Risks

The following are major risks that have the potential to significantly influence the financial position or performance of the Mitsubishi Tanabe Pharma Group. In recognition of the possibility that these events could occur, the Group works to prevent their occurrence and to implement countermeasures in the event of their occurrence. Items in this document relating to the future are based on the judgment of the Group as of the end of fiscal 2014 (ended March 31, 2015).

1. Risks Related to New Drug R&D

The R&D of new drugs requires lengthy investment and the commitment of substantial resources, but there is no guarantee that this process will result in the creation of new products or new technologies. In addition, pharmaceuticals cannot be sold if approval is not obtained under the legal and regulatory system of each country, and it is difficult to accurately predict whether or not products will be sold and the timing of those sales. The development of current drugs in development might be halted in the event that problems with effectiveness or safety are found in non-clinical trials, clinical trials, etc., or in the event that they are determined to lack economic value due to innovation in medical treatment techniques, the launch of other drugs, etc. In the event that R&D investment does not lead to the sales of new drugs, there could be a significant influence on the Group's financial position or results.

2. Risks Related to Adverse Drug Reactions

Clinical trials conducted prior to the receipt of approval for a new drug are implemented with a limited number of test subjects who meet certain standards, and even in the event that approval is acquired following a rigorous safety evaluation, it is not possible to predict everything about safety in post-marketing use. Under the post-marketing use for the patients with backgrounds that are more diverse than those of the test subjects in the clinical trials, it is possible that there will be reports of new adverse drug reactions that had not been experienced previously. In the event that sales are suspended or that a large amount of compensation to victims arises, depending on such factors as the severity and frequency of those side effects, the Group's financial position and results of operations could be significantly affected.

3. Risks Related to the Domestic and Overseas Health Insurance System and the Revisions to National Health Insurance (NHI) Drug Price Standards

The sale of ethical drugs is significantly impacted by the various health insurance systems that relate to drug price standards as well as medical and other fees. Revisions to the drug price standard that is the official price of pharmaceuticals or its system; various health insurance systems, encompassing medical and other fees, that influence trends in the use of pharmaceuticals by medical institutions and similar revisions to the standards and systems employed overseas could substantially impact the Group's financial position and results.

4. Risks Related to Product Sales

In the future, in the event of the emergence of factors—such as the launch of competing new products or generic products due to the termination of the patent, the launch of innovative new drugs or new technologies that lead to new methods of treatment, or the announcement of new evidence—that lead to a relative change in the position of the Company's pharmaceutical products in clinical use and to a decline in sales, the Group's financial position or results could be significantly affected.

5. Risks Related to Intellectual Property

If the Group's business activities conflict with the patents or other intellectual property rights of other parties, it is possible that activities could be suspended or that there could be a legal dispute. Also, in the event that the Group believes that its patents or other intellectual property rights have been infringed upon by another party, the Group might file lawsuits. As a result of these actions, there could be an influence on the Group's financial position or results.

6. Risks Related to Alliance with Other Companies

The Group works with other companies in joint research, joint development, product licensing and introduction, commissioned production, commissioned sales, joint promotion, and joint marketing in each business field, such as research, development, production, and marketing. However, in the future if contracts are changed or alliances dissolved, if the management environment of alliance partners worsens, if the management policies of alliance partners changes substantially, or if the supply of products suspend or delay substantially, there could be an adverse influence on the Group's financial position or results.

7. Risks Related to Production and Stable Supply

In the event of the emergence of technical or legal / regulatory problems in the Group's internal or external production and distribution facilities, or in the event of operational stoppages or disorder, etc., due to fires or other disasters, a suspension of or substantial delay in the supply of products, there could be an influence on the Group's financial position or results.

8. Risks Related to Legal Issues

In the research, development, and production of pharmaceuticals, there is a trend toward stricter regulations regarding product quality and the environment. In the event that these regulations are further tightened, there is a possibility that corresponding additional expenses will arise, which could have an adverse influence on the Group's financial position or results.

9. Risks Related to Product Liability

It is possible that the Group will be responsible for potential product liability stemming from product research, development, manufacturing, or sales activities. The Group is covered by product liability insurance, but in the event that claims exceeding the limits of this insurance coverage are approved, there could be a significant influence on the Group's financial position or results.

10. Risks Related to Financial Market Fluctuations

a) In fiscal 2014, overseas sales accounted for 18.8% of the Group's consolidated net sales. Certain raw materials for products and finished goods handled by the Group are directly imported from overseas. Substantial fluctuations in exchange rates could lead to declines in sales, increases in procurement costs, the generation of foreign exchange losses, etc., as well as declines in the assets of overseas consolidated subsidiaries, etc., and the Group's financial position and results of operations could be significantly affected.

b) At the end of fiscal 2014, the Group held marketable securities of ¥118.8 billion and investments in securities of ¥76.3 billion, certain of which are liquid stocks and bonds, etc. Accordingly, events such as the recording of a loss on valuation due to declines in market prices could have a significant influence on the Group's financial position or results.

11. Risks Related to Environmental Safety

In the event that serious damage to the environment is caused by hazardous chemical substances that are used in operating activities, it is possible that the Group could incur expenses needed for environmental improvement, face a decline in societal trust, bear responsibility for the payment of compensation, etc. In the event that one or more of these situations occurs, the Group's financial position or results could be significantly affected.

12. Risks Related to Lawsuits

a) In regard to operational activities, in addition to adverse drug reactions, it is possible that the Group could face lawsuits regarding product liability, labor problems, fair trade, etc. As a result, there could be a significant influence on the Group's financial position or results.

b) In January 2008 the Japanese government promulgated and put into effect "the Special Relief Law Concerning the Payment of Benefits to Relieve the Patients of Hepatitis C Infected through Specified Fibrinogen Preparations and Specified Blood-Coagulation Factor IX Preparations Contaminated by Hepatitis C Virus" ("the Special Law"). In regard to the expenses associated with the relief payments, the standards for the method and the allocation of the burden of the expenses were announced on April 10, 2009. In accordance with those standards, the Company has made provisions for those expenses. For this expense burden, the cumulative total of the provisions for reserve for HCV litigation was ¥25.0 billion, of which ¥23.0 billion had already been paid out as of the end of March 2015. However, due to changes in the expected number of benefits recipients or the revision of the Special Law, the Group's financial position or results could be significantly affected.

The standards determining the Company's portion of the expense burden are shown below:

1. Portion of expense burden

Classification	The Company's portion of the burden
People infected with HCV, as stipulated in Article 2, Paragraph 3, of the Special Law, through use of specific fibrinogen products from August 21, 1985 to April 21, 1987	100%
People infected with HCV, as stipulated in Article 2, Paragraph 3, of the Special Law, through use of specific fibrinogen products from April 22, 1987 to June 23, 1988	Two-thirds
People infected with HCV, as stipulated in Article 2, Paragraph 3, of the Special Law, through the use of specific blood-coagulation factor IX products on or after January 1, 1984	100%

2. Lump-sum payment of ¥5.2 billion in addition to payments made in accordance with the portions in (1) above.

13. Risks Related to Information Management

The Group possesses large amounts of confidential information, including personal information, and in the event that information is leaked due to inappropriate handling, etc., there could be an influence on the Group's financial position or results, such as a decline in reputation.

14. Risks Related to Substantial Upfront Investment for the Purpose of Expanding Overseas Operations

Substantial upfront investment is necessary to expand and advance overseas operations, and it is possible that, due to changes in the laws and systems of each country, the worsening of diplomatic relations, or natural disaster, etc., the opportunity to recover that investment might be lost and operations under development might be affected. As a result of these actions, there could be an influence on the Group's financial position or results.

15. Major Assumptions Regarding Operational Activities

Pharmaceutical manufacturing and sales are the Group's principal business operations. In accordance with the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics, the Group has obtained licenses for pharmaceutical manufacturing and sales, pharmaceutical manufacturing and wholesale pharmaceutical sales, and conducts manufacturing and sales of ethical drugs, OTC switch products, and OTC products. These activities include activities that are subject to related laws, such as the Narcotics and Psychotropic Substances Control Law.

In addition, the Group also conducts pharmaceutical manufacturing and sales activities overseas and is subject to the regulations of each country, such as laws and regulations related to pharmaceuticals. The Group acquires permissions, etc., as necessary.

In regard to these permissions, etc., they must be extended periodically, as determined by laws / regulations. Also, in the event of a violation of laws / regulations, it is possible that permissions, etc., of the Group could be cancelled or the Group could be ordered to suspend all or a portion of operations for a specified period of time. The Group is currently unaware of any reasons for the validity of its permissions, etc., to come into question. In the event that cancellation, etc., of permissions, etc., is ordered, because of the damage to the societal trust or the termination of contracts, there could be a significant influence on the Group's financial position or results.

16. Risks Related to Major Disasters and Other Events

In the event of a major or secondary disaster that results in stoppages at the production or distribution bases of the Group or supplier, or damages and / or interruptions to the operations of raw material suppliers or outsourced manufacturers, the Group may be forced to suspend or incur significant delays in the supply of products. In each case, the potential exists for the Group's financial position and operating results to be substantially affected. In addition, the implementation of research and development plans may be impacted by damages to the Group's research facilities, medical, and other institutions at which testing is conducted, or secondary disaster such as blackouts. In addition, problems with communications with the Group's production and distribution bases or with the Group's research bases, or problems with the Group's computer bases, could have a similar impact.

17. Relationship with Parent Company and Other Group Companies

Transactions with Mitsubishi Chemical Holdings Corporation Group

The Company's relationship with its parent company, Mitsubishi Chemical Holdings Corporation (MCHC), and companies in that Group (MCHC Group), includes the following transactions:

- conclusion of the deposition contract of money with MCHC.
- procurement of raw materials, etc., and sales of chemical products, etc.
- conclusion of leases and consignment contracts for the sites of research facilities and plants and the buildings, etc., thereon, in Yokohama City, Kanagawa Prefecture, and Kamisu City, Ibaraki Prefecture.
- payment as consideration for exclusive rights to intellectual property held by the corporate group of the parent company.
- conclusion of contracts for research outsourcing and information disclosure.
- consignment contracts with overseas subsidiaries.
- conclusion of the contract of the burden of operational expenses with MCHC.

Fundamentally, these transactions involve rational transaction terms decided upon following two-way negotiations conducted with reference to general market prices.

Accompanying the transfer of the Kashima Plant of Mitsubishi Tanabe Pharma Factory to Sawai Pharmaceutical on April 1 2015, leases for land, buildings, etc., in Kamisu City, Ibaraki Prefecture, and consignment contracts were terminated.

Personnel Relationships with the MCHC Group

a) Concurrent service of directors and corporate auditors

As of June 19, 2015, the directors, corporate auditors, and employees of the MCHC Group include one MCHC Group corporate auditor who is concurrently serving as a corporate auditor (non-full time) of the Company.

Masayuki Mitsuka, who is a representative director of the Company, serves concurrently as a director (non-full time) of MCHC and a director (non-full time) of The KAITEKI Institute, Inc.

b) Acceptance of reassigned personnel

The Group has accepted the reassignment of some people from the MCHC Group with such objectives as enhancing links among each division.

Capital Relationship with MCHC

Currently, MCHC holds 56.34% of the Company's issued shares. In regard to management decision-making, there are no matters that require the prior approval of MCHC, the Company's parent company. Also, the percentage of the Company's stock held by MCHC will, in principle, be maintained for 10 years from October 1, 2007. At this time, the Company believes that the ownership ratio remains unchanged.

However, in the future, in the event that there is a change in the transactions or the capital relationship with the MCHC Group, the Company's financial position and results of operations could be affected.

There are risks other than those described above, and the risks listed here do not include all of the risks faced by the Group.

Consolidated Balance Sheet

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Assets			
Current assets:			
Cash and deposits (Notes 5, 6 and 13)	¥ 50,203	¥ 27,187	$ 417,766
Notes and accounts receivable, trade (Note 6):			
Notes	629	681	5,234
Accounts	129,702	122,856	1,079,321
Less allowance for doubtful receivables	(44)	(39)	(366)
	130,287	123,498	1,084,189
Marketable securities (Notes 6 and 7)	118,805	106,470	988,641
Inventories (Note 8)	85,091	93,700	708,089
Deferred income taxes (Note 11)	8,319	8,153	69,227
Deposits (Note 6 and 25)	192,758	172,149	1,604,044
Other current assets	18,186	9,335	151,336
Total current assets	603,649	540,492	5,023,292
Property, plant and equipment (Note 21):			
Land	34,689	38,346	288,666
Buildings and structures	106,853	106,307	889,182
Machinery and vehicles	93,180	99,686	775,402
Tools, furniture and fixtures	37,306	37,594	310,444
Leased equipment	670	518	5,575
Construction in progress	4,597	3,653	38,254
	277,295	286,104	2,307,523
Less accumulated depreciation	(184,798)	(187,764)	(1,537,805)
Property, plant and equipment, net	92,497	98,340	769,718
Investments, goodwill and other assets:			
Investments in securities (Notes 6 and 7):			
Unconsolidated subsidiary and affiliate	301	4,547	2,505
Others	76,027	67,036	632,662
Goodwill	81,517	96,180	678,347
Software	4,275	3,891	35,575
Asset for retirement benefits (Note 10)	15,730	16,305	130,898
Deferred income taxes (Note 11)	763	677	6,349
Other assets	54,544	59,010	453,891
Less allowance for doubtful receivables	(2)	(2)	(17)
Total investments, goodwill and other assets	233,155	247,644	1,940,210
Total assets	¥929,301	¥886,476	$7,733,220

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Liabilities and Net Assets			
Current liabilities:			
Short-term debt (Note 6)	¥ —	¥ 1,225	$ —
Current portion of long-term loans (Notes 6 and 9)	132	128	1,098
Notes and accounts payable, trade (Note 6)	34,620	33,986	288,092
Accounts payable, other	25,386	16,773	211,251
Income taxes payable (Note 11)	19,189	9,683	159,682
Reserve for employees' bonuses	9,957	10,169	82,858
Reserve for sales returns	127	106	1,057
Other current liabilities (Note 9)	15,988	9,767	133,045
Total current liabilities	105,399	81,837	877,083
Long-term liabilities:			
Long-term debt (Notes 6 and 9)	894	958	7,439
Deferred income taxes (Note 11)	9,776	13,356	81,351
Reserve for health management allowances for HIV compensation	1,700	1,576	14,147
Reserve for health management allowances for SMON compensation	2,731	2,976	22,726
Reserve for HCV litigation (Note 30)	2,036	2,634	16,943
Liability for retirement benefits (Note 10)	2,456	2,146	20,438
Other liabilities (Note 9)	3,875	3,156	32,246
Total long-term liabilities	23,468	26,802	195,290
Net assets:			
Shareholders' equity (Note 12):			
Common stock:			
Authorized – 2,000,000,000 shares			
Issued – 561,417,916 shares at March 31, 2015 and 2014	50,000	50,000	416,077
Capital surplus	451,186	451,186	3,754,564
Retained earnings	275,325	266,575	2,291,129
Treasury stock, at cost	(493)	(490)	(4,102)
Total shareholders' equity	776,018	767,271	6,457,668
Accumulated other comprehensive income (loss):			
Unrealized holding gain on securities	14,929	8,747	124,232
Deferred gain on hedges	105	493	874
Translation adjustments	105	(2,399)	874
Retirement benefits liability adjustments (Note 10)	(2,178)	(8,066)	(18,124)
Total accumulated other comprehensive income (loss)	12,961	(1,225)	107,856
Minority interests	11,455	11,791	95,323
Total net assets	800,434	777,837	6,660,847
Total liabilities and net assets	¥929,301	¥886,476	$7,733,220

Consolidated Statement of Income

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales (Note 29)	**¥415,124**	¥412,675	**$3,454,473**
Cost of sales (Note 14)	**169,605**	169,363	**1,411,376**
Gross profit	**245,519**	243,312	**2,043,097**
Selling, general and administrative expenses (Note 15)	**178,386**	184,193	**1,484,447**
Operating income	**67,133**	59,119	**558,650**
Other income (expenses):			
Interest and dividend income (Note 25)	**2,351**	2,375	**19,564**
Interest expense	**(223)**	(90)	**(1,856)**
Equity in earnings of affiliates	**32**	595	**266**
Foreign exchange gain, net	**379**	2,527	**3,154**
Donations	**(1,522)**	(659)	**(12,665)**
Gain on sales or disposals of fixed assets, net (Note 16)	**11,718**	632	**97,512**
Gain on sales of investments in securities, net (Note 17)	**1,558**	2,399	**12,965**
Personnel expenses for seconded employees	**(102)**	(799)	**(849)**
Restructuring loss (Note 22)	**(12,294)**	—	**(102,305)**
Amortization of goodwill (Note 23)	**(3,504)**	—	**(29,159)**
Loss on impairment of fixed assets (Note 21)	**(2,565)**	(1,372)	**(21,345)**
Loss on impairment of investments in securities (Note 7)	**(130)**	(594)	**(1,082)**
Gain on arbitration award (Note 20)	**—**	11,011	**—**
Gain on step acquisitions (Note 18)	**—**	930	**—**
Special retirement expenses (Note 19)	**—**	(2,603)	**—**
Other, net	**(154)**	(1,030)	**(1,281)**
	(4,456)	13,322	**(37,081)**
Income before income taxes and minority interests	**62,677**	72,441	**521,569**
Income taxes (Note 11):			
Current	**29,805**	22,377	**248,023**
Deferred	**(4,416)**	4,655	**(36,748)**
	25,389	27,032	**211,275**
Income before minority interests	**37,288**	45,409	**310,294**
Minority interests	**(2,214)**	16	**(18,424)**
Net income	**¥ 39,502**	¥ 45,393	**$ 328,718**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	**¥37,288**	¥45,409	**$310,294**
Other comprehensive income (Note 24):			
Unrealized holding gain on securities	**6,183**	1,558	**51,452**
Deferred loss on hedges	**(388)**	(1,147)	**(3,229)**
Translation adjustments	**2,385**	3,240	**19,847**
Retirement benefits liability adjustments	**5,852**	—	**48,698**
Other comprehensive income of equity-method companies attributable to Mitsubishi Tanabe Pharma Corporation	**38**	55	**316**
Total other comprehensive income	**14,070**	3,706	**117,084**
Comprehensive income	**¥51,358**	¥49,115	**$427,378**
Comprehensive income attributable to:			
Shareholders of Mitsubishi Tanabe Pharma Corporation	**¥53,688**	¥48,625	**$446,767**
Minority interests	**(2,330)**	490	**(19,389)**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Year ended March 31, 2015

Millions of yen

	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Retirement benefits liability adjustments	Minority interests	Total net assets
Balance at April 1, 2013	561,417	¥50,000	¥451,186	¥243,621	¥(487)	¥ 7,189	¥1,640	¥(5,220)	¥ —	¥ 4,993	¥752,922
Net income for the year	—	—	—	45,393	—	—	—	—	—	—	45,393
Cash dividends	—	—	—	(22,439)	—	—	—	—	—	—	(22,439)
Increase in treasury stock	—	—	—	—	(3)	—	—	—	—	—	(3)
Net changes in items other than shareholders' equity	—	—	—	—	—	1,558	(1,147)	2,821	(8,066)	6,798	1,964
Balance at April 1, 2014	561,417	50,000	451,186	266,575	(490)	8,747	493	(2,399)	(8,066)	11,791	777,837
Cumulative effects of changes in accounting policies	—	—	—	(8,313)	—	—	—	—	—	—	(8,313)
Restated balance at April 1, 2014	—	50,000	451,186	258,262	(490)	8,747	493	(2,399)	(8,066)	11,791	769,524
Net income for the year	—	—	—	39,502	—	—	—	—	—	—	39,502
Cash dividends	—	—	—	(22,439)	—	—	—	—	—	—	(22,439)
Increase in treasury stock	—	—	—	—	(3)	—	—	—	—	—	(3)
Net changes in items other than shareholders' equity	—	—	—	—	—	6,182	(388)	2,504	5,888	(336)	13,850
Balance at March 31, 2015	561,417	¥50,000	¥451,186	¥275,325	¥(493)	¥14,929	¥ 105	¥ 105	¥(2,178)	¥11,455	¥800,434

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Retirement benefits liability adjustments	Minority interests	Total net assets
Balance at April 1, 2014	$416,077	$3,754,564	$2,218,316	$(4,077)	$ 72,788	$ 4,103	$(19,963)	$(67,122)	$98,119	$6,472,805
Cumulative effects of changes in accounting policies	—	—	(69,177)	—	—	—	—	—	—	(69,177)
Restated balance at April 1, 2014	416,077	3,754,564	2,149,139	(4,077)	72,788	4,103	(19,963)	(67,122)	98,119	6,403,628
Net income for the year	—	—	328,718	—	—	—	—	—	—	328,718
Cash dividends	—	—	(186,728)	—	—	—	—	—	—	(186,728)
Increase in treasury stock	—	—	—	(25)	—	—	—	—	—	(25)
Net changes in items other than shareholders' equity	—	—	—	—	51,444	(3,229)	20,837	48,998	(2,796)	115,254
Balance at March 31, 2015	$416,077	$3,754,564	$2,291,129	$(4,102)	$124,232	$ 874	$ 874	$(18,124)	$95,323	$6,660,847

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 62,677	¥ 72,441	$ 521,569
Adjustments for:			
Depreciation and amortization	9,028	9,122	75,127
Loss on impairment of fixed assets	2,565	1,372	21,345
Amortization of goodwill	14,421	10,637	120,005
Decrease in accrued retirement benefits for employees	—	(9,443)	—
(Decrease) increase in net defined benefit liability	(510)	7,893	(4,244)
Decrease in prepaid pension expenses	—	36,883	—
Increase in net defined benefit asset	(3,887)	(34,482)	(32,346)
Decrease in reserve for HCV litigation	(598)	(959)	(4,976)
Interest and dividend income	(2,351)	(2,375)	(19,564)
Gain on sales or disposals of fixed assets, net	(11,823)	(709)	(98,386)
Restructuring loss	12,294	—	102,305
Gain on arbitration award	—	(11,011)	—
Gain on sales of shares of subsidiaries and affiliates	(560)	—	(4,660)
Gain step acquisitions	—	(930)	—
Gain on sales of investments in securities	(998)	(2,399)	(8,305)
Loss on impairment of investments in securities	130	594	1,082
Equity in earnings of affiliates	(32)	(595)	(266)
(Increase) decrease in notes and accounts receivable, trade	(6,711)	6,570	(55,846)
Decrease (increase) in inventories	7,796	(702)	64,875
Increase (decrease) in notes and accounts payable, trade	502	(4,071)	4,177
Increase in accounts payable, other	5,927	803	49,322
Other, net	(1,842)	3,797	(15,328)
Subtotal	86,028	82,436	715,886
Interest and dividends received	2,354	3,473	19,589
Interest paid	(241)	(91)	(2,005)
Proceeds from arbitration award	—	12,208	—
Income taxes paid	(19,974)	(28,130)	(166,215)
Net cash provided by operating activities	68,167	69,896	567,255
Cash flows from investing activities:			
Purchases of marketable securities	(122,300)	(38,000)	(1,017,725)
Proceeds from sales and redemption of marketable securities	95,871	60,371	797,795
Increase in time deposits	(25,006)	(11,142)	(208,089)
Decrease in time deposits	4,819	9,265	40,102
Increase in deposits	(20,609)	(20,677)	(171,499)
Purchases of property, plant and equipment	(12,976)	(12,302)	(107,980)
Proceeds from sales of property, plant and equipment	11,687	2,919	97,254
Purchases of intangible fixed assets	(1,503)	(2,038)	(12,507)
Purchases of investments in securities	(249)	(2,329)	(2,072)
Proceeds from sales and redemption of investments in securities	1,318	11,241	10,968
Purchases of investments in subsidiaries	—	(3,692)	—
Proceeds from sales of investment in a subsidiary and an affiliate (Note 22)	7,600	—	63,244
Purchases of investments in a subsidiary resulting in change in scope of consolidation	—	(17,897)	—
Proceeds from sales of investment in a subsidiary resulting in change in scope of consolidation (Note 22)	1,467	—	12,208
Other, net	47	(63)	390
Net cash used in investing activities	(59,834)	(24,344)	(497,911)
Cash flows from financing activities:			
Decrease in short-term debt, net	(1,216)	(168)	(10,119)
Increase in long-term debt	—	1,011	—
Proceeds from stock issuance to minority shareholders	2,564	581	21,336
Cash dividends paid	(22,439)	(22,439)	(186,727)
Cash dividends paid to minority shareholders	(570)	(31)	(4,743)
Other, net	(223)	(52)	(1,856)
Net cash used in financing activities	(21,884)	(21,098)	(182,109)
Effect of exchange rate changes on cash and cash equivalents	1,931	1,758	16,069
Net (decrease) increase in cash and cash equivalents	(11,620)	26,212	(96,696)
Cash and cash equivalents at beginning of the year	84,957	58,745	706,973
Cash and cash equivalents at end of the year (Notes 5 and 13)	¥ 73,337	¥ 84,957	$ 610,277

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries

1. Basis of Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements of Mitsubishi Tanabe Pharma Corporation (the "Company") and its consolidated subsidiaries (collectively, the "Group") have been prepared in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2014 to the 2015 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S.$1. The approximate rate of exchange prevailing at May 31, 2015 was ¥123.73 to U.S.$1. This translation of convenience should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 28 significant consolidated subsidiaries for the year ended March 31, 2015.

On October 1, 2014, the Company merged with Benesis Corporation, which had been a consolidated subsidiary, and as a result, it was removed from the scope of consolidation.

In the third quarter, the Company sold its entire shareholdings in Mitsubishi Pharma (Guangzhou) Co., Ltd., which had been a consolidated subsidiary, and as a result, it was removed from the scope of consolidation.

One affiliate, Synthelabo-Tanabe Chimie S.A., is accounted for by the equity method.

In the first quarter, the Company sold its shareholdings in API Corporation, which had been an affiliate accounted for by the equity method, and as a result, it was removed from the scope of equity method application.

Tanabe Seiyaku Malaysia, as unconsolidated subsidiary, is not accounted for by the equity method because the net income and retained earnings of this company is insignificant.

Among consolidated subsidiaries, Tianjin Tanabe Seiyaku Co., Ltd. and four other subsidiaries have fiscal years ending on December 31. Their temporary financial statements based on a provisional settlement of accounts as of March 31, are used for preparing the consolidated financial statements. However, the closing dates of the other consolidated subsidiaries are the same as the consolidated closing date.

Medicago Inc., and other two companies changed their fiscal year ends from December 31 to March 31.

As a result of this change, the consolidated financial statements are prepared based on their results of operations for a fifteen-month fiscal period from January 1, 2014 to March 31, 2015.

(2) Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding minority interests are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating foreign currency financial statements are not included in the determination of net income and are presented as translation adjustments and minority interests in the accompanying consolidated balance sheets.

(3) Cash and Cash Equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(4) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount has been individually estimated.

(5) Marketable Securities and Investments in Securities

Marketable securities and investments in securities are classified into one of the following categories based on the intent of holding, resulting in different measurements of and method of accounting for changes in fair value. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with available market value are stated at market value. Unrealized holding gains and unrealized holding losses on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income (loss). Other available-for-sale securities with no available market value are stated at cost determined by the moving average method. Cost of securities sold is determined by the moving average method. Investments in investment business limited liability partnerships and other similar partnerships, which are deemed to be securities under Article 2, Clause 2 of the Financial Instruments and Exchange Law of Japan, are valued at the amount of the underlying equity in their net assets based on the latest financial statements available as of the closing date stipulated in the partnership agreement.

Significant declines in market value or the net asset value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies not accounted for by the equity method, and available-for-sale securities, judged to be other than temporary, are charged to income.

(6) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined primarily by the weighted average method.

(7) Property, Plant and Equipment and Depreciation (excluding leased equipment)

Depreciation of property, plant and equipment is calculated primarily by the straight-line method. Principal estimated useful lives are as follows:

Buildings and structures	10 to 50 years
Machinery and equipment	4 to 8 years

(8) Intangible Fixed Assets (excluding leased assets)

Intangible fixed assets are amortized by the straight-line method. Amortization of software utilized internally is calculated by the straight-line method over an estimated useful life of primarily 5 years.

(9) Leased Equipment

Leased equipment arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

Among finance lease transactions which do not transfer ownership to lessee, those that started on or before March 31, 2008 are accounted for as operating leases.

(10) Reserve for Employees' Bonuses

Reserve for employees' bonuses is provided at the estimated amount of bonuses to be paid to the employees in the following year which has been allocated to the current fiscal year.

(11) Reserve for Sales Returns

Reserve for sales returns is estimated and recorded to provide for future losses on the return of products.

(12) Reserve for Health Management Allowances for HIV Compensation

To provide for future payments of health management allowances and settlement payments (including attorney fees) in connection with a lawsuit for damages filed by plaintiffs infected with HIV, the Company has set aside an estimated amount for such future payments.

In accordance with the settlement reached in March 1996, for health management allowances, the Company has set aside the present value of the estimated amount of future payments to be made calculated with reference to the amounts actually paid to patients with AIDS who have already reached settlements; and, for settlement payments, the Company has set aside the estimated amount of payments to be made to existing plaintiffs of HIV lawsuits as of March 31, 2015 and to future plaintiffs, as patients infected with HIV through the use of antihemophilic preparations (non-heat-treated concentrated preparations), calculated with reference to settlement outcomes up to March 31, 2015.

(13) Reserve for Health Management Allowances for SMON (Sub-acute Myelo-Optical-Neuropathy) Compensation

The Company pays health management allowances and nursing expenses for plaintiffs covered under the compromise settlement reached in the SMON litigation.

The Company has made a provision in the accompanying consolidated financial statements for the estimated future medical treatment payments to be made over the remaining lives of the parties entitled to such payments under the compromise settlement.

(14) Reserve for HCV Litigation

To provide for losses that may arise in the future in accordance with "the Special Relief Law Concerning the Payment of Benefits to Relieve the Patients of Hepatitis C Infected through Specified Fibrinogen Preparations and Specified Blood-Coagulation Factor IX Preparations Contaminated by Hepatitis C Virus" ("Special Law"), which was promulgated and enacted to facilitate the settlement of damage recovery lawsuits filed on behalf of people infected with HCV (hepatitis C virus), the Company has set aside the estimated amount of payments based on estimates of the people receiving relief and the amount of relief payments required under the Special Law.

(15) Accounting Treatment of Retirement Benefits for Employees

Accrued retirement benefits for employees are provided based on the estimated retirement benefit obligation and the pension assets. The retirement benefits are attributed to periods corresponding to service years of eligible employees based on the benefit formula method.

Prior service cost is amortized by the straight-line method over a period of 10 years, which is within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of 10 years, which is within the estimated average remaining years of service of the eligible employees.

(16) Derivatives and Hedging Transactions

Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred and reported as deferred gains or losses on hedges in a separate component of accumulated other comprehensive income (loss).

(17) Income Taxes

Deferred income taxes are recognized with respect to the differences between financial reporting and the tax bases of the assets and liabilities. Deferred taxes are measured at the rates which are expected to apply to the period when each asset or liability is realized, based on the tax rates which have been enacted as of the balance sheet date or are subsequently enacted.

The Company and certain consolidated subsidiaries adopt the consolidated taxation system.

3. Accounting Change

Accounting Standards for Retirement Benefits

The Company and its domestic subsidiaries adopted Section 35 of "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26 of May 17, 2012) and the main clause of Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012) effective from April 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed from using a discount rate based on the estimated average period up to the benefit payments to using a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits.

As a result, the asset for retirement benefits decreased by ¥11,830 million ($98,444 thousand), the liability for retirement benefits increased by ¥1,046 million ($8,704 thousand), and retained earnings decreased by ¥8,313 million ($69,177 thousand) at April 1, 2014. In addition, operating income, ordinary income, and income before income taxes for the year ended March 31, 2015 increased by ¥680 million ($5,659 thousand), respectively. Furthermore, net assets per share at March 31, 2015 decreased by ¥14.04 ($0.12) and net income per share for the year ended March 31, 2015 increased by ¥0.78 ($0.01).

4. Standards Issued but Not Yet Effective

Accounting Standards for Business Combinations

On September 13, 2013, the ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10), and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4).

(1) Overview

The main revisions are as follows.

- In cases where the parent company continues to have control, differences arising from changes in holdings of equity-method subsidiaries are now recorded in capital surplus. The previous accounting standard category of "minority interests" has changed to "non-controlling interests" under the revised standard.
- Acquisition expenses for business combinations are now treated as expenses in the consolidated financial statements for the year in which they arise.
- In cases where provisional accounting treatments are confirmed in the fiscal year following the year in which the business combination occurs, when consolidated financial statements for both years are presented, any change to the allocation of the acquisition price arising from confirmation of the provisional accounting treatment must be reflected in the consolidated financial statements for the year in which the business combination occurred.
- The previous accounting standard category of "net income before minority interests" has changed to "net income" under the revised standard. Concomitant with this change, the previous accounting standard category of "net income" has changed to "profit attributable to owners of parent."

(2) Scheduled Date of Adoption

The Company expects to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016. Provisional accounting treatment will be applied to business mergers that are implemented on or after the start of the fiscal year ending March 31, 2016.

(3) Impact of Adopting Revised Accounting Standards and Guidance

The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

5. Cash and Time Deposits

A reconciliation of cash and deposits in the accompanying consolidated balance sheets at March 31, 2015 and 2014 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and deposits	¥ 50,203	¥27,187	$ 417,766
Time deposits maturing after three months	(25,552)	(4,819)	(212,632)
Marketable securities maturing within three months	28,000	42,000	233,003
Cash equivalents included in other current assets	686	589	5,709
Cash equivalents included in deposits	20,000	20,000	166,431
Cash and cash equivalents	¥ 73,337	¥84,957	$ 610,277

6. Financial Instruments

Overview

(1) Policy for Financial Instruments

The Group manages its funds by investing in both short-term and long-term, highly stable financial assets.

The Group has introduced a cash management system ("CMS") to efficiently use capital and reduce financing costs, and enable Group companies to internally borrow and lend among themselves.

The policy with regard to derivative transactions is to limit the amount to the actual demand, and transactions are not carried out for speculative purposes.

(2) Types of Financial Instruments and Related Risk

Notes and accounts receivable, trade, are amounts owed to the Group, and are subject to the credit risk of customers. Marketable securities and investments in securities are mainly Japanese government bonds, bonds to be held to maturity, or shares of counterparty companies in operational or capital alliances, and are subject to risk from market price fluctuations. The deposits are funds to the parent company primarily. The deposits are exposed to its credit risks.

Notes and accounts payable, trade, are operating obligations to be paid by the Group and most are payable within one year. A portion of these are for purchases of raw materials and are denominated in foreign currencies, and are subject to risk from exchange rate fluctuations. As necessary, however, these are netted against operating claims and forward foreign exchange contracts are used to hedge the net position.

Long-term loans are mainly used for investments in the business and have maturities of up to 9 years.

Derivative transactions involve forward foreign exchange contracts entered into in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates related to operating claims and obligations denominated in foreign currencies.

(3) Risk Management for Financial Instruments

(a) Monitoring of credit risk

As to the management of credit risk (risk of non-performance by counterparty), the Group regularly monitors the status of major counterparties with regard to operating claims and manages maturity dates and outstanding amounts by transaction counterparty in accordance with its claims management regulations, while at the same time working to quickly identify and reduce concerns of repayment resulting from the weakening of a counterparty's financial position.

Japanese government bonds, bonds to be held to maturity and deposits are deemed to have minimal credit risk because the Group primarily invests only in bonds with high ratings.

To strictly minimize the credit risk related to counterparty non-performance when entering into derivative transactions, counterparties are limited to financial institutions with high credit ratings.

The maximum amount of credit risk as of the end of the fiscal year is reflected in the amounts recorded for financial assets in the consolidated balance sheets that are subject to credit risk.

(b) Monitoring of market risk

As to the management of market risks (risks from exchange rate or interest rate fluctuations), operating claims and obligations denominated in foreign currencies are hedged as necessary using forward foreign exchange contracts.

The market value of marketable securities and investments in securities are regularly determined and the financial position of the issuer (counterparty company) is monitored, and for securities other than Japanese government bonds and bonds to be held to maturity, the decision of whether to continue to hold the security or not is regularly reviewed taking into account for the relationship with the counterparty companies.

For derivative transactions, the authority to enter into transactions and the maximum amounts of those transactions are determined based on internal regulations, and outstanding contract amounts, and market values are regularly reported to the responsible director.

(c) Monitoring of liquidity risk

As to the management of liquidity risk associated with fund procurement (risk of being unable to make payment on payment date), based on reports submitted by each department, the Finance & Accounting Department prepares and updates funding plans in a timely manner, while at the same time the Group manages liquidity risk by means of maintaining sufficient liquidity on hand.

(4) Supplementary Explanation of the Estimated Fair Value of Financial Instruments

The market value of financial instruments is based on the market price, and when no market price exists, a rationally calculated amount is used. These calculations include variable factors, so the resulting amount may fluctuate if different underlying assumptions are applied. The notional amounts shown in Note 27 "Derivative and Hedging Transactions" do not represent the amounts of their market risk.

The carrying value of financial instruments on the accompanying consolidated balance sheets as of March 31, 2015 and 2014, and their estimated market value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the market value.

Fair value of financial instruments

Millions of yen

2015

	Carrying value	Market value	Difference
Assets:			
Cash and deposits	¥ 50,203	¥ 50,203	¥ —
Notes and accounts receivable, trade	130,331	130,331	—
Marketable securities and investments in securities	189,743	190,073	330
Deposits	192,758	192,758	—
Total assets	¥563,035	¥563,365	¥330
Liabilities:			
Notes and accounts payable, trade	34,620	34,620	—
Long-term debt	1,026	1,065	39
Total liabilities	¥ 35,646	¥ 35,685	¥ 39
Derivative transactions in other current assets or other assets			
Derivatives for which hedge accounting is applied	157	157	—
Derivatives for which hedge accounting is not applied	(203)	(203)	—
Total derivative transactions	¥ (46)	¥ (46)	¥ —

Millions of yen

2014

	Carrying value	Market value	Difference
Assets:			
Cash and deposits	¥ 27,187	¥ 27,187	¥ —
Notes and accounts receivable, trade	123,537	123,537	—
Marketable securities and investments in securities	168,436	168,457	21
Deposits	172,149	172,149	—
Total assets	¥491,309	¥491,330	¥ 21
Liabilities:			
Notes and accounts payable, trade	33,986	33,986	—
Short-term debt	1,225	1,225	—
Long-term debt	1,086	1,052	(34)
Total liabilities	¥ 36,297	¥ 36,263	¥(34)
Derivative transactions in other current assets or other assets			
Derivatives for which hedge accounting is applied	764	764	—
Total derivative transactions	¥ 764	¥ 764	¥ —

Thousands of U.S. dollars

2015

	Carrying value	Market value	Difference
Assets:			
Cash and deposits	$ 417,766	$ 417,766	$ —
Notes and accounts receivable, trade	1,084,555	1,084,555	—
Marketable securities and investments in securities	1,578,956	1,581,702	2,746
Deposits	1,604,044	1,604,044	—
Total assets	$4,685,321	$4,688,067	$2,746
Liabilities:			
Notes and accounts payable, trade	288,092	288,092	—
Long-term debt	8,537	8,862	325
Total liabilities	$ 296,629	$ 296,954	$ 325
Derivative transactions in other current assets or other assets			
Derivatives for which hedge accounting is applied	1,306	1,306	—
Derivatives for which hedge accounting is not applied	(1,689)	(1,689)	—
Total derivative transactions	$ (383)	$ (383)	$ —

Long-term debt includes current maturities of long-term debt.

The value of assets and liabilities arising from derivative transactions are shown as the net amount, with total net obligations shown in parentheses.

The financial instruments such as cash and deposits; notes and accounts receivable, trade; deposits; notes and accounts payable, trade; and short-term debt are settled within a short period of time and the market value is therefore nearly equal to the book value, so the book value is used.

As to the market value of marketable securities and investments in securities, the exchange price prevailing in the applicable stock exchange is used for equities, and the exchange price prevailing in the applicable stock exchange or price provided by financial institutions is used for bonds. Negotiable certificates of deposit and commercial paper are settled within a short period of time and the market value is therefore nearly equal to the book value, so the book value is used.

The fair value of long-term debt with variable interest rates is nearly equal to the book value because the interest rate reflects the market rate in a short period of time. The fair value of long-term bank loans with fixed interest rates is the sum of the principal and total interest discounted by the rate that is applied if the same new loan is made.

Financial instruments for which it is deemed extremely difficult to determine the market value at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
			Carrying value
Unlisted and unquoted stocks	¥4,174	¥8,299	$34,734
Investments in investment business limited liability partnerships	1,220	1,318	10,152

Scheduled redemption amounts subsequent to March 31, 2015 for monetary claims and marketable securities with maturities are as follows:

	Millions of yen			
	2015			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Current and time deposits	¥ 50,187	¥ —	¥—	¥ —
Notes and accounts receivable, trade	130,331	—	—	—
Marketable securities and investments in securities:				
Held-to-maturity debt securities:				
Bonds	—	2,932	—	—
Other	—	3,500	—	6,000
Available-for-sale securities with maturities:				
Bonds	7,300	6,400	—	—
Other	111,500	—	—	—
Deposits	192,758	—	—	—
Total	¥492,076	¥12,832	¥—	¥6,000

	Thousands of U.S. dollars			
	2015			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Current and time deposits	$ 417,633	$ —	$—	$ —
Notes and accounts receivable, trade	1,084,555	—	—	—
Marketable securities and investments in securities:				
Held-to-maturity debt securities:				
Bonds	—	24,399	—	—
Other	—	29,125	—	49,929
Available-for-sale securities with maturities:				
Bonds	60,747	53,258	—	—
Other	927,853	—	—	—
Deposits	1,604,044	—	—	—
Total	$4,094,832	$106,782	$—	$49,929

7. Marketable Securities and Investments in Securities

Held-to-maturity debt securities with available market value at March 31, 2015 and 2014 are as follows:

Millions of yen

	Held-to-maturity debt securities					
	2015			2014		
	Carrying value	Market value	Unrealized gain (loss)	Carrying value	Market value	Unrealized gain (loss)
Securities with market value exceeding carrying value:						
Bonds	¥11,450	¥11,907	¥ 457	¥ 7,034	¥ 7,350	¥ 316
Securities with market value not exceeding carrying value:						
Bonds	1,000	873	(127)	5,000	4,705	(295)
Total	¥12,450	¥12,780	¥ 330	¥12,034	¥12,055	¥ 21

Thousands of U.S. dollars

	Held-to-maturity debt securities		
	2015		
	Carrying value	Market value	Unrealized gain (loss)
Securities with market value exceeding carrying value:			
Bonds	$ 95,281	$ 99,084	$ 3,803
Securities with market value not exceeding carrying value:			
Bonds	8,322	7,265	(1,057)
Total	$103,603	$106,349	$ 2,746

Available-for-sale securities with available market value at March 31, 2015 and 2014 are as follows:

Millions of yen

	Available-for-sale securities with available market value					
	2015			2014		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost:						
Stocks	¥ 30,042	¥ 52,024	¥21,982	¥ 22,680	¥ 36,881	¥14,201
Bonds	10,400	10,450	50	43,371	43,473	102
Other	—	—	—	7,400	7,444	44
Subtotal	40,442	62,474	22,032	73,451	87,798	14,347
Securities with carrying value not exceeding acquisition cost:						
Stocks	23	21	(2)	7,365	6,612	(753)
Bonds	3,300	3,298	(2)	—	—	—
Other	111,500	111,500	—	62,000	61,992	(8)
Subtotal	114,823	114,819	(4)	69,365	68,604	(761)
Total	¥155,265	¥177,293	¥22,028	¥142,816	¥156,402	¥13,586

Thousands of U.S. dollars

	Available-for-sale securities with available market value		
	2015		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost:			
Stocks	$ 249,996	$ 432,920	$182,924
Bonds	86,544	86,960	416
Other	—	—	—
Subtotal	336,540	519,880	183,340
Securities with carrying value not exceeding acquisition cost:			
Stocks	192	175	(17)
Bonds	27,461	27,444	(17)
Other	927,852	927,852	—
Subtotal	955,505	955,471	(34)
Total	$1,292,045	$1,475,351	$183,306

Impairment losses on available-for-sale securities amounting to ¥130 million ($1,082 thousand) and ¥594 million were recorded for the years ended March 31, 2015 and 2014, respectively.

Available-for-sale securities sold during the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen					
	Available-for-sale securities sold					
	2015			2014		
	Proceeds	Gain on sale	Loss on sale	Proceeds	Gain on sale	Loss on sale
Stocks	**¥1,296**	**¥1,069**	**¥—**	¥6,176	¥2,412	¥—
Total	**¥1,296**	**¥1,069**	**¥—**	¥6,176	¥2,412	¥—

	Thousands of U.S. dollars		
	Available-for-sale securities sold		
	2015		
	Proceeds	Gain on sale	Loss on sale
Stocks	**$10,785**	**$8,896**	**$—**
Total	**$10,785**	**$8,896**	**$—**

8. Inventories

Inventories at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Finished goods and merchandise	**¥63,566**	¥70,406	**$528,968**
Semi-finished products and work-in-process	**582**	998	**4,843**
Raw materials and supplies	**20,943**	22,296	**174,278**
Total	**¥85,091**	¥93,700	**$708,089**

9. Long-Term Debt and Lease Obligations

Long-term debt and lease obligations at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans, principally from banks at average interest rates ranging from 5.52% to 6.09%, due through 2024	**¥1,026**	¥1,086	**$ 8,538**
Lease obligations due through 2026	**1,945**	1,761	**16,185**
	2,971	2,847	**24,723**
Less current portion	**(222)**	(193)	**(1,847)**
	¥2,749	¥2,654	**$22,876**

The aggregate annual maturities of long-term debt and lease obligations recorded as other current liabilities and other liabilities subsequent to March 31, 2015 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 222	$ 1,847
2017	233	1,939
2018	267	2,222
2019	246	2,047
2020	224	1,864
2021 and thereafter	1,779	14,804
	¥2,971	$24,723

10. Retirement Benefits

1. Outline of retirement benefits for employees

The Company and certain consolidated subsidiaries offer a choice between a defined contribution pension plan and a prepaid plan; a choice between a cash balance plan and a prepaid plan; a contract-type defined-benefit corporate pension plan; or a system of lump-sum payments at retirement.

There are also cases in which additional retirement allowances not included in the actuarial calculation as per retirement benefit accounting are paid when an employee retires.

The Company has established a retirement benefit trust. On April 1, 2011, the Company transferred a qualified pension system (closed-type) to a contract-type defined-benefit corporate pension plan in accordance with the Defined Benefit Corporate Pension Act.

Certain subsidiaries have calculated their retirement benefit obligations based on the amount which would be payable at the year-end if all eligible employees terminated their services voluntarily ("simplified method").

2. Information on defined benefit pension plans for the years ended March 31, 2015 and 2014

(1) The changes in retirement benefit obligation except for simplified method for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at the beginning of the year	¥148,049	¥147,161	$1,231,996
Cumulative effects of changes in accounting policies	12,876	—	107,149
Restated balance at the beginning of the year	160,925	147,161	1,339,145
Service cost	3,122	2,597	25,980
Interest cost	1,425	2,660	11,858
Actuarial loss	2,987	4,264	24,856
Retirement benefit paid	(10,519)	(8,623)	(87,534)
Other	(67)	(10)	(558)
Balance at the end of the year	¥157,873	¥148,049	$1,313,747

(2) The changes in plan assets except for simplified method for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at the beginning of the year	¥162,761	¥155,289	$1,354,423
Expected return on plan assets	4,063	3,881	33,810
Actuarial gain	10,580	7,144	88,042
Contributions by the employer	4,696	4,566	39,078
Retirement benefit paid	(10,363)	(8,119)	(86,236)
Balance at the end of the year	¥171,737	¥162,761	$1,429,117

(3) The changes in retirement benefit liabilities calculated by the simplified method for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at the beginning of the year	¥553	¥520	$4,602
Retirement benefit expenses	75	107	624
Retirement benefit paid	(1)	—	(8)
Contribution to pension plans	(64)	(64)	(533)
Other	27	(10)	225
Balance at the end of the year	¥590	¥553	$4,910

(4) The reconciliations of the defined benefit obligations and plan assets at fair value to the liabilities and assets included based on the simplified method recognized in the consolidated balance sheet are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligation	¥ 157,831	¥ 147,909	$ 1,313,398
Plan assets at fair value	(171,989)	(162,947)	(1,431,214)
	(14,158)	(15,038)	(117,816)
Unfunded retirement benefit obligation	884	879	7,356
Net amount of liabilities and assets recognized in consolidated balance sheet	(13,274)	(14,159)	(110,460)
Liability for retirement benefits	2,456	2,146	20,438
Asset for retirement benefits	(15,730)	(16,305)	(130,898)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (13,274)	¥ (14,159)	$ (110,460)

(5) The components of retirement benefit expenses for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 3,122	¥ 2,597	$ 25,980
Interest cost	1,425	2,660	11,858
Expected return on plan assets	(4,063)	(3,881)	(33,810)
Amortization:			
Actuarial gain and loss	1,835	4,729	15,270
Prior service cost	(203)	(201)	(1,689)
Retirement benefit expenses calculated by simplified method	75	107	624
Retirement benefit expenses	¥ 2,191	¥ 6,011	$ 18,233

(Note) In addition to the above, additional payments resulting from the transfer of employees were recorded as restructuring loss of ¥507 million ($4,219 thousand) and special retirement expenses of ¥2,603 million for the years ended March 31, 2015 and 2014, respectively.

(6) The components of retirement benefit liability adjustments included in other comprehensive income before the deduction of the tax effect for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost	¥ (203)	¥—	$ (1,689)
Actuarial loss	9,384	—	78,089
Total	¥9,181	¥—	$76,400

(7) The components of retirement benefit liability adjustments included in accumulated other comprehensive income before the deduction of the tax effect as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost	¥ (737)	¥ (937)	$ (6,133)
Unrecognized actuarial loss	3,976	13,357	33,086
Total	¥3,239	¥12,420	$26,953

(8) The breakdown of plan assets by major category is as follows:

	2015	2014
Bonds	41.4%	46.6%
Equities	30.8%	31.5%
Cash and deposits	3.8%	3.2%
General accounts at life insurance companies	14.3%	13.0%
Other	9.7%	5.7%
Total	100.0%	100.0%

(Note) 16% and 15% of the total amount of pension assets are in a retirement benefit trust as of March 31, 2015 and 2014, respectively.
The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rate expected to earn the profit from multiple plan assets at present and in the future.

(9) The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2015 and 2014 are as follows:

	2015	2014
Discount rate	Principally 0.6%	1.8%
Expected long-term rate of return on plan assets	2.5%	2.5%
Rate of compensation increase	1.39–4.14%	1.39–4.14%

3. Information on defined contribution pension plans for the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Contributions to defined contribution pension plans	¥882	¥946	$7,340

11. Income Taxes

The Company and certain domestic consolidated subsidiaries are subject to a number of different income taxes, which, in the aggregate, indicate statutory tax rates in Japan of approximately 35.5% and 37.9% for the years ended March 31, 2015 and 2014, respectively.

Overseas consolidated subsidiaries are subject to the income taxes of the respective countries in which they operate.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014 differ from the above statutory tax rates for the following reasons:

	2015	2014
Statutory tax rate	35.5%	37.9%
Adjustments:		
Amortization of goodwill	8.1	5.5
Non-deductible expenses	0.8	1.1
Non-taxable dividend income, etc.	(1.4)	(1.7)
Elimination of dividends upon consolidation	1.1	1.4
Adjustment for per capita inhabitant taxes	0.3	0.2
Special deduction for R&D expenses	(7.0)	(7.7)
Valuation allowance	2.8	1.0
Gain on step acquisitions	—	(0.5)
Effect of changes in corporation tax rate	1.3	0.9
Other	(1.0)	(0.8)
Effective tax rates	40.5%	37.3%

(Adjustment of deferred tax assets and liabilities due to change in the corporate tax rate)

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and "Act for Partial Adjustment of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities in the fiscal year ended March 31, 2015 was changed from 35.5% to 33.0% and 32.2% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be realized or settled from April 1, 2016, respectively.

As a result of this change, net deferred tax assets decreased by ¥143 million ($1,190 thousand), income taxes–deferred increased by ¥808 million ($6,724 thousand), unrealized holding gain on securities increased by ¥715 million ($5,950 thousand), deferred gain on hedges increased by ¥4 million ($33 thousand), and retirement benefits liability adjustments decreased by ¥54 million ($449 thousand) as of and for the year ended March 31, 2015.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Reserve for employees' bonuses	¥ 3,159	¥ 3,440	$ 26,288
Enterprise taxes	1,465	1,039	12,191
Loss on devaluation of inventories	2,036	2,369	16,943
Unrealized gain on inventories	1,043	784	8,679
Reserve for health management allowances for SMON compensation	268	338	2,230
Reserve for health management allowances for HIV compensation	548	560	4,560
Reserve for HCV litigation	661	935	5,501
Liability for retirement benefits	2,190	1,846	18,224
Loss on devaluation of investments in securities	330	325	2,746
Excess amortization of long-term prepaid expenses	2,518	2,058	20,954
Prepaid research expenses	7,896	6,980	65,707
Net operating loss carryforward	13,070	10,060	108,763
Excess depreciation	2,081	597	17,317
Loss on impairment of fixed assets	1,515	241	12,607
Internally generated goodwill	1,716	1,867	14,280
Other	2,019	1,828	16,801
Gross deferred tax assets	42,515	35,267	353,791
Valuation allowance	(13,945)	(10,321)	(116,044)
Total deferred tax assets	28,570	24,946	237,747
Deferred tax liabilities:			
Gain on revaluation of assets	(8,011)	(8,319)	(66,664)
Unrealized holding gain on securities	(12,056)	(10,360)	(100,325)
Deferred capital gain on fixed assets	(2,244)	(1,162)	(18,674)
Reserve for special account for advanced depreciation of fixed assets	—	(1,418)	—
Unrealized holding gain on land	(6,362)	(7,368)	(52,942)
Deferred gain on hedges	(52)	(271)	(433)
Other	(539)	(574)	(4,484)
Total deferred tax liabilities	(29,264)	(29,472)	(243,522)
Net deferred tax liabilities	¥ (694)	¥ (4,526)	$ (5,775)

The net deferred tax liabilities of ¥694 million ($5,775 thousand) and ¥4,526 million as of March 31, 2015 and 2014, respectively, in the above table are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred income taxes – current assets	¥ 8,319	¥ 8,153	$ 69,227
Deferred income taxes – non-current assets	763	677	6,349
Deferred income taxes included in other current liabilities	—	—	—
Deferred income taxes – non-current liabilities	(9,776)	(13,356)	(81,351)
	¥ (694)	¥ (4,526)	$ (5,775)

12. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital.

Common stock and treasury stock

Movements in common stock in issue and treasury stock for the years ended March 31, 2015 and 2014 are summarized as follows:

Thousands of shares

	2015			
	Number of shares at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at end of the fiscal year
Common stock	**561,417**	**—**	**—**	**561,417**
Treasury stock	**426**	**1**	**—**	**428**

Thousands of shares

	2014			
	Number of shares at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at end of the fiscal year
Common stock	561,417	—	—	561,417
Treasury stock	424	1	—	426

13. Pledged Assets

Assets pledged as collateral for opening a stand-by letter of credit at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and cash equivalents	**¥8**	¥7	**$67**

14. Loss on Devaluation of Inventories

Cost of sales included a loss on devaluation of inventories of ¥1,617 million ($13,456 thousand) and ¥1,916 million for the years ended March 31, 2015 and 2014, respectively.

15. Research and Development Expenses

Research and development expenses for improvement of existing products and development of new products, including basic research and fundamental development costs, are charged to income as incurred.

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2015 and 2014 were ¥69,600 million ($579,179 thousand) and ¥70,405 million, respectively.

16. Gain on Sales or Disposals of Fixed Assets

Gain on sales of fixed assets primarily consists of sales of vacant land after dismantling the former Nihonbashi Building.

17. Gain on Sales of Investments in Securities

Gain on sales of investments in securities included gains on sales of shares of CMIC CMO ASHIKAGA Co., Ltd., which had been an unconsolidated subsidiary, of ¥277 million ($2,305 thousand) and shares of API Corporation, which had been an affiliate accounted for by the equity method, of ¥283 million ($2,355 thousand) for the year ended March 31, 2015.

18. Gain on Step Acquisitions

The Company recognized a gain on step acquisitions when it obtained control of Medicago Inc. through the additional acquisition of shares.

19. Special Retirement Expenses

The Company paid extra retirement expenses due to employment transfers resulting from the transfer of a business during the previous fiscal year.

20. Gain on Arbitration Award

In August 2013, the Company was granted an arbitration award from the International Chamber of Commerce (ICC) in a dispute with Janssen Biotech, Inc. (U.S). The dispute involved the supply price of Remicade, an anti-TNFα monoclonal antibody sold by the Company in Japan. The Company had been requesting arbitration to the ICC regarding a revision of the supply price in accordance with a development and distribution agreement with the supplier. As a result, an arbitration decision was awarded requiring the supplier to reduce the supply price and ¥12,208 million was reimbursed to the Company, including the amount of the overpayment based on the previous purchase price on and after April 1, 2008. The reimbursed amounts corresponding to the beginning inventory for the fiscal year ended March 31, 2014 were allocated to cost of sales or merchandise and finished goods. The remaining amount, after deducting a lawyer contingency fee, was recorded as extraordinary income.

21. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries group their assets in association with their business and production process. Idle assets which are not anticipated to be utilized in the future and leased property are classified as individual cash-generating units.

For the year ended March 31, 2015, the book value of the impaired fixed assets was reduced to the recoverable amount, and the amount of the reduction of ¥10,936 million ($91,004 thousand) was recorded as loss on impairment of fixed assets of ¥2,565 million ($21,345 thousand) and restructuring expenses of ¥8,371 million ($69,660 thousand) under extraordinary losses. The impairment loss on primary fixed assets is summarized as follows:

Location	Major use	Classification	Millions of yen	Thousands of U.S. dollars
Mitsubishi Tanabe Pharma Toda Dormitory (Toda-City, Saitama)	Idle asset	Land, buildings and structures	¥ 589	$ 4,901
Mitsubishi Tanabe Pharma (Former Benesis) Former Osadano Dormitory / Housing (Fukuchiyama-City, Kyoto)	Idle asset	Land, buildings and structures	265	2,205
Mitsubishi Tanabe Pharma Chugoku Branch (Naka-ku, Hiroshima)	Idle asset	Buildings and structures	111	924
Mitsubishi Tanabe Pharma Hiranomachi No.1 Building (Chuo-ku, Osaka)	Administrative and sales operations	Land, buildings and structures	1,215	10,111
Mitsubishi Tanabe Pharma Factory Kashima Factory (Kamisu-City, Ibaraki)	Manufacturing facilities	Machinery, equipment and vehicles	274	2,280
Mitsubishi Tanabe Pharma and Mitsubishi Tanabe Pharma Factory Kashima Factory (Kamisu-City, Ibaraki)	Manufacturing facilities	Buildings and structures, machinery, equipment and vehicles	2,161	17,983
Mitsubishi Tanabe Pharma Kazusa Office (Kisarazu-City, Chiba)	Research facilities	Land, buildings and structures	4,432	36,881
Mitsubishi Tanabe Pharma Former Head Office (Chuo-ku, Osaka)	Administrative and sales operations	Buildings and structures	200	1,664
Mitsubishi Tanabe Pharma Japan	Exclusive rights for sales of ethical drugs	Investment of other assets Other	1,600	13,314

As the Company decided to sell the Toda Dormitory, the book value of those assets was written down to their recoverable value. The recoverable value is measured at the net selling value which was reasonably measured mainly by appraisal value.

As the Company decided to sell the former Osadano Dormitory / Housing, the book value of those assets was written down to their recoverable value. The recoverable value is measured at the net selling value, calculated by using sales value.

As the Company decided to transfer Chugoku Branch, the book value of these assets was written down to their recoverable value. The recoverable value is measured at the net sales amount, calculated by using estimated sales value.

The Company implemented the consolidation and relocation of the head office functions in this fiscal year ended March 31, 2015. As a result, the Hiranomachi No.1 Building was classified as an the idle asset, and the book value of these assets was written down to their recoverable value. The recoverable value is measured at the net selling value based on appraisal value.

As the Company decided to liquidate unprofitable businesses, the book value of the manufacturing facilities of Kashima Factory was written down to their recoverable value measured at memorandum value.

As the Company decided to sell the Kashima Factory, the book value of the related manufacturing facilities was written down to their recoverable value. The recoverable value is measured at the net selling value, calculated by using on estimated sales value.

As the Company decided to close down the Kazusa Office, it will be classified as an idle asset in the future. As a result, the book value of these assets was written down to their recoverable value. The recoverable value is measured at the net selling value, which was reasonably measured mainly by appraisal value.

As the Company transferred the head office and does not expect to use the former head office in the future, the book value of these assets was written down to their recoverable value measured at memorandum value.

Due to changes in the business environment, the future cash flows arising from exclusive rights for sales of ethical drugs is below its book value. As a result, the book value of the distribution rights was written down to the recoverable value measured at memorandum value.

In addition, losses on impairment of the buildings or manufacturing facilities of the Company's Hiranomachi No.1 Building, the former Head Office and the Kazusa Office, and the Kashima Factory of the Company and Mitsubishi Tanabe Pharma Factory are included in restructuring loss.

For the year ended March 31, 2014, the book value of the impaired fixed assets, which primarily includes idle assets, was reduced to the recoverable amount, and the amount of the reduction of ¥1,372 million was recorded as loss on impairment of fixed assets. The impairment loss on primary fixed assets is summarized as follows:

Location	Major use	Classification	Millions of yen
Mitsubishi Tanabe Pharma Former Yoshitomi Laboratory (Chikujou-gun, Fukuoka)	Idle asset	Buildings and structures	¥611
Mitsubishi Tanabe Pharma Former Shikoku Branch (Takamatsu-City, Kagawa)	Idle asset	Land, buildings and structures	106
Mitsubishi Tanabe Pharma Former Nihonbashi Building (Chuo-ku, Tokyo)	Idle asset	Buildings, structures, tools, furniture and fixtures	357
Mitsubishi Tanabe Pharma Former Neyagawa Distribution Center (Neyagawa-City, Osaka)	Idle asset	Land	198

As the Company decided to dismantle Former Yoshitomi Laboratory, the book value of these assets was written down to their recoverable value. The recoverable value is measured at the value in use, calculated by using estimated future cash in-flow.

As the Company decided to sell the former Shikoku Branch, the book value of those assets was written down to their recoverable value. The recoverable value is measured at the net selling value, calculated by using an estimated sales value.

As the Company decided to dismantle the former Nihonbashi Building, the book value of these assets was written down to their recoverable value measured at memorandum value.

As the Company decided to sell the former Neyagawa Distribution Center, the book value of these assets was written down to their recoverable value. The recoverable value is measured at the net selling value, calculated by using estimated sales value.

22. Restructuring Loss

Restructuring loss recognized as an expense for the year ended March 31, 2015 is related to the efforts described in "Accelerating Operational and Structural Reforms," one of the strategic challenges in the "Medium-Term Management Plan 11–15 ~ New Value Creation."

Restructuring of businesses

Restructuring of unprofitable businesses

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Loss on withdrawal from business of subsidiary, Mitsubishi Pharma (Guangzhou) Co., Ltd.:		
Loss on liquidation of subsidiary	¥1,413	$11,758
Loss on discontinuing part of overseas businesses:		
Loss on impairment of manufacturing facilities	274	2,280
Loss on disposal of inventories	690	5,742
Others	32	266

Restructuring of facilities

Restructuring of manufacturing facilities

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Loss on sales of Kashima Factory:		
Loss on impairment of building and manufacturing facilities	¥2,161	$17,983
Estimated amount of removal expenses	335	2,788
Additional payments resulting from transfer of employees	507	4,219
Others	104	865

Consolidation and relocation of the Head Office functions

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Expenses resulting from consolidation and relocation of head office functions:		
Loss on impairment of land, building and structures	¥1,415	$11,775
Removal expenses	843	7,015

Reorganization of research facilities

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Expenses of related to closing Kazusa Office		
Loss on impairment of land, building and structures	¥4,432	$36,881
Others	88	732

Details of loss on impairment included in restructuring loss are presented in Note 21 "Loss on Impairment of Fixed Assets."

23. Amortization of Goodwill

The Company accelerated the amortization of goodwill and amortized the entire amount in accordance with Paragraph 32 (1) of "Practical Guidance for Consolidated Procedures Related to Equity Accounts in Consolidated Financial Statements" (JICPA Accounting Committee Report No. 7).

24. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized holding gain on securities:			
Amount arising during the year	¥ 8,367	¥ 5,307	$ 69,626
Reclassification adjustments	76	(2,965)	633
Before tax effects	8,443	2,342	70,259
Tax effects	(2,260)	(784)	(18,807)
Unrealized holding gain on securities	6,183	1,558	51,452
Deferred gain on hedges:			
Amount arising during the year	522	1,405	4,344
Reclassification adjustments	(1,129)	(3,282)	(9,395)
Before tax effects	(607)	(1,877)	(5,051)
Tax effects	219	730	1,822
Deferred loss on hedges	(388)	(1,147)	(3,229)
Translation adjustments:			
Amount arising during the year	3,171	3,229	26,388
Reclassification adjustments	(786)	11	(6,541)
Translation adjustments	2,385	3,240	19,847
Remeasurements of defined benefit plans, net of tax:			
Amount arising during the year	¥ 7,549	¥ —	$ 62,819
Reclassification adjustments	1,632	—	13,581
Before tax effects	9,181	—	76,400
Tax effects	(3,329)	—	(27,702)
Remeasurements of defined benefit plans, net of tax	5,852	—	48,698
Other comprehensive income of equity-method companies attributable to the Company:			
Amount arising during the year	38	55	316
Other comprehensive income	¥14,070	¥ 3,706	$117,084

25. Related Party Transactions

Principal transactions between the Company and related parties for the years ended March 31, 2015 and 2014 are summarized as follows:
[Transactions with Mitsubishi Chemical Holdings Corporation ("MCHC")]

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deposits	¥20,609	¥20,596	$171,499
Interest income	609	595	5,068

MCHC is the parent company.

The balances due from MCHC at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due from MCHC	¥192,758	¥172,149	$1,604,044

26. Leases

The Company and its consolidated subsidiaries accounted for the finance lease transactions which do not transfer the ownership of the leased property to the Company or its consolidated subsidiaries in the same manner as operating leases that started on or before March 31, 2008. The information of such lease transactions is omitted due to insignificance of these amounts.

Future minimum lease payments subsequent to March 31, 2015 under non-cancelable operating leases are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 793	$ 6,599
2017 and thereafter	903	7,514
	¥1,696	$14,113

27. Derivative and Hedging Transactions

Derivative financial instruments are utilized by the Company principally in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates. The Company has established a control environment which includes policies and procedures for risk assessment, including an assessment of the effectiveness of hedging, and for the approval, reporting and monitoring of transactions involving derivatives. The Company does not hold or issue derivatives for speculative trading purposes.

The Company is exposed to certain market risk arising from forward foreign exchange contracts. The Company is also exposed to the risk of credit loss in the event of non-performance by any of the counterparties to the forward foreign exchange contracts; however, the Company does not anticipate non-performance by any of these counterparties, all of whom are financial institutions with high credit ratings.

The Company does not carry out an assessment of hedge effectiveness because of a high correlation between the hedging instruments and hedged items.

The notional amounts and estimated fair value on the outstanding derivatives positions for which hedge accounting has not been applied at March 31, 2015 are as follows:

Millions of yen

	2015		
	Notional amounts	Over one year	Estimated fair value
Forward foreign exchange contracts:			
Selling:			
USD	**¥24,034**	**¥—**	**¥(203)**
Total	**¥24,034**	**¥—**	**¥(203)**

Thousands of U.S. dollars

	2015		
	Notional amounts	Over one year	Estimated fair value
Forward foreign exchange contracts:			
Selling:			
USD	**$200,000**	**$—**	**$(1,689)**
Total	**$200,000**	**$—**	**$(1,689)**

The notional amounts and estimated fair value on the outstanding derivatives positions for which hedge accounting has been applied at March 31, 2015 and 2014 are as follows:

Millions of yen

	2015		
	Notional amounts	Over one year	Estimated fair value
Forward foreign exchange contracts:			
Buying:			
USD, accounts payable–trade	**¥9,721**	**¥—**	**¥158**
Total	**¥9,721**	**¥—**	**¥158**

	Millions of yen		
	2014		
	Notional amounts	Over one year	Estimated fair value
Forward foreign exchange contracts:			
Buying:			
USD, accounts payable–trade	¥3,026	¥—	¥755
CAD, investment in subsidiaries	652	—	8
Currency option contracts:			
Selling:			
USD, accounts payable–trade	118	—	1
Buying:			
USD, accounts payable–trade	118	—	(0)
Total			¥764

	Thousands of U.S. dollars		
	2015		
	Notional amounts	Over one year	Estimated fair value
Forward foreign exchange contracts:			
Buying:			
USD, accounts payable–trade	**$80,894**	**$—**	**$1,315**
Total	**$80,894**	**$—**	**$1,315**

28. Amounts per Share

Amounts per share as of and for the years ended March 31, 2015 and 2014 are as follows:

	Yen		U.S. dollars
	2015	2014	2015
Net income	**¥ 70.41**	¥ 80.92	**$ 0.59**
Cash dividends	**42.00**	40.00	**0.35**
Net assets	**1,406.41**	1,365.52	**11.70**

Diluted net income per share has not been presented since no potentially dilutive securities have been issued.

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year. The amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year-end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

29. Segment Information

The Group is primarily engaged in the research and development, manufacturing, procurement and sales of pharmaceuticals, and "Pharmaceuticals" is therefore the only reportable segment.

In the Pharmaceuticals segment, the Group operates business activities related to ethical drugs and over-the-counter ("OTC") drugs in Japan and overseas.

As the Pharmaceuticals segment is the only reportable segment, the disclosure of segment information, such as calculation method of net sales, profit or loss, assets, liabilities and other items by reportable segment; information regarding amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment; differences between totals for reportable segments and amounts presented in consolidated financial statements and major details about such differences; information regarding impairment losses on fixed assets by reportable segment; and information regarding amount of amortization of goodwill and unamortized balance by reportable segment, for the years ended March 31, 2015 and 2014 has been omitted.

As sales of products and services to external customers in a single segment account for more than 90% of net sales in the consolidated statements of income, the disclosure of the information by product and service for the years ended March 31, 2015 and 2014 has been omitted.

The following table summarizes the information of the sales by region for the years ended March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
Region	2015	2014	2015
Japan	**¥337,180**	¥353,300	**$2,805,858**
Europe	**48,618**	37,348	**404,577**
Asia	**17,245**	15,977	**143,505**
North America	**11,696**	5,627	**97,329**
Others	**385**	423	**3,204**
Total	**¥415,124**	¥412,675	**$3,454,473**

As the amounts of property, plant and equipment located in Japan accounts for more than 90% of property, plant and equipment in the consolidated balance sheets, the disclosure of property, plant and equipment by region for the years ended March 31, 2015 and 2014 has been omitted.

The following table summarizes the information by major customers for the years ended March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars	
	2015	2014	2015	
Customer name			Net sales	Related segment
SUZUKEN CO., LTD.	**¥69,188**	¥74,523	**$575,751**	Pharmaceuticals
Toho Pharmaceutical Co., Ltd.	**66,049**	67,790	**549,630**	Pharmaceuticals
Alfresa Corporation	**51,016**	55,259	**424,532**	Pharmaceuticals
MEDICEO CORPORATION	**48,995**	53,697	**407,714**	Pharmaceuticals

30. Litigation

Court action for compensation by patients infected with HCV (hepatitis C virus)

After "the Special Relief Law Concerning the Payment of Benefits to Relieve the Patients of Hepatitis C Infected through Specified Fibrinogen Preparations and Specified Blood-Coagulation Factor IX Preparations Contaminated by Hepatitis C Virus" ("the Special Law" promulgated on January 16, 2008) was put into effect, in accordance with the procedures determined by the law the patients allegedly suffered through HCV (hepatitis C virus) infection following use of a fibrinogen product or a blood coagulant factor IX product (Christmassin) sold by the former Green Cross Corporation, one of the predecessors of the Company, filed a lawsuit against the government and established their eligibility for relief. Subsequently, a settlement with the government was reached, and the relief for the patients was provided through the payment of benefits. On September 28, 2008, a "basic agreement" for the conclusion of the previous court action was signed with the nationwide plaintiff group and legal team.

In regard to the expense of relief payments under the Special Law, the burden of that expense and the method of sharing that burden were the subject of discussions with the Ministry of Health, Labour and Welfare, and those standards were announced by the Ministry of Health, Labour and Welfare on April 10, 2009, and the Company incurs the expenses in accordance with the standards. On January 16, 2013, a partial amendment was made to the Special Law and promulgated, and the period for claimants to file lawsuits was extended.

In order to reach a full resolution of the issue of HCV infection through use of specific fibrinogen products or specific coagulation factor IX products, the Company is committed to continued earnest engagement in the future.

Independent Auditor's Report

The Board of Directors
Mitsubishi Tanabe Pharma Corporation

We have audited the accompanying consolidated financial statements of Mitsubishi Tanabe Pharma Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Tanabe Pharma Corporation and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

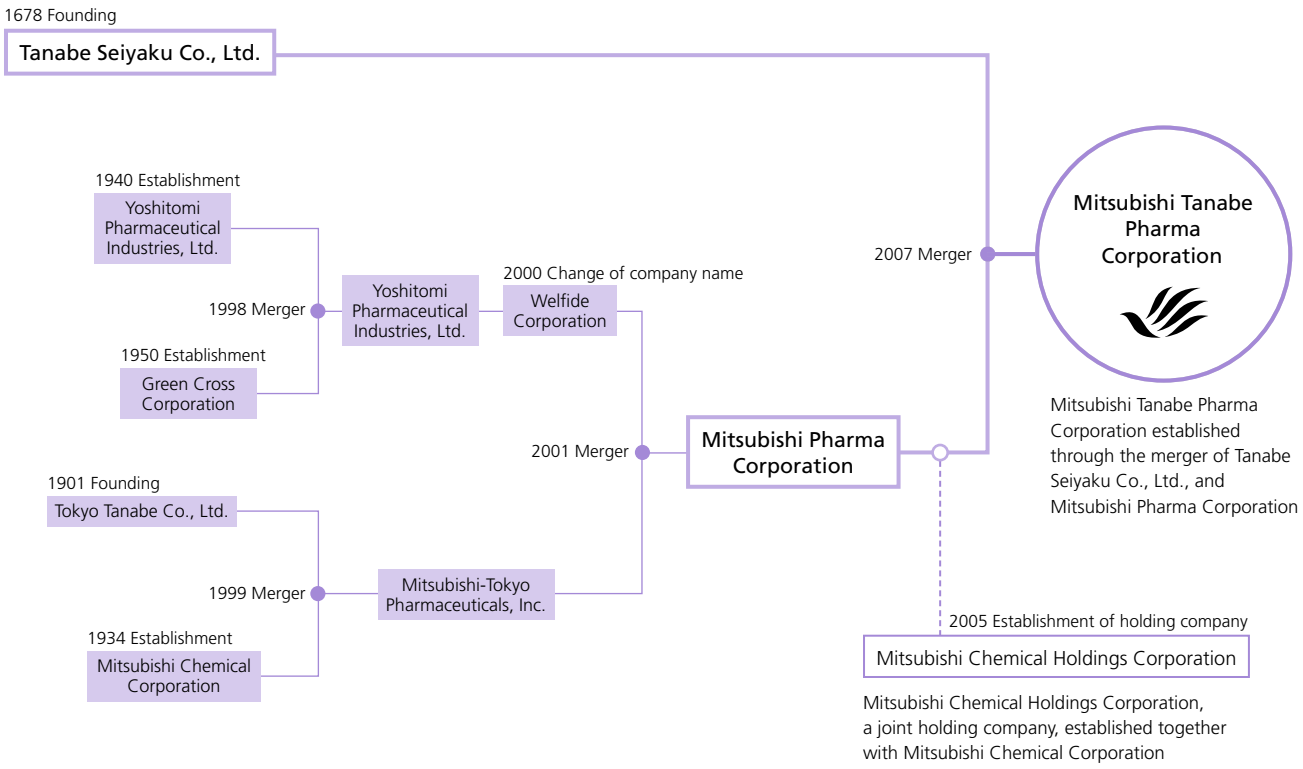
Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 19, 2015
Osaka, Japan

History



Mitsubishi Tanabe Pharma's History since Its Establishment

2007	October	Establishment of Mitsubishi Tanabe Pharma through the merger of Tanabe Seiyaku and Mitsubishi Pharma (President & Representative Director, Natsuki Hayama)
2008	April	Establishment of Tanabe Seiyaku Hanbai, a subsidiary handling generic drugs
	May	Announcement of Corporate Behavior Charter and Medium-Term Management Plan 08–10—Dynamic Synergy for 2015
	August	Choseido Pharmaceutical became a subsidiary, the start of a comprehensive, equity-based alliance centered on the generic drug business
	October	Merger of MP-Technopharma and Tanabe Seiyaku Yamaguchi; establishment of Mitsubishi Tanabe Pharma Factory
2009	June	Michihiro Tsuchiya became President & Representative Director
	October	Head Office relocated to Kitahama, Chuo-ku, Osaka
	November	Acquisition of domestic sales rights from Kureha Corporation for Kremezin, a treatment agent for chronic kidney disease
2010	September	Acquisition by Novartis, of Switzerland, of approval in the U.S. for Gilenya, a treatment agent for multiple sclerosis (MS)

2011	March	Acquisition by Novartis, of Switzerland, of approval in Europe for Gilenya, a treatment agent for MS
	April	Transfer of domestic sales of Kremezin, a treatment agent for chronic kidney disease, from Daiichi Sankyo to the Company
	August	Launch of Lexapro, an anti-depressant, and start of joint sales with Mochida Pharmaceutical
	September	Launch of Simponi, a treatment agent for rheumatoid arthritis (RA), and start of joint sales with Janssen Pharmaceutical
	October	Announcement of Medium-Term Management Plan 11–15—New Value Creation
	November	Launch of Imusera, a treatment agent for MS
		Launch of Telavic, a treatment agent for chronic hepatitis C
2012	March	Conclusion of strategic joint sales agreement with Daiichi Sankyo for Tenelia and Canaglu, treatment agents for type 2 diabetes mellitus
		Receipt of fiscal 2012 Pharmaceutical Society of Japan Award for Drug Research and Development for fingolimod hydrochloride (Imusera), a treatment agent for MS
	May	Relocation of Tokyo Head Office to Koamicho, Nihonbashi, Chuo-ku, Tokyo
	July	Transfer of fine chemical operations to API Corporation and TAISHO TECHNOS
	September	Launch of Tenelia, a treatment agent for type 2 diabetes mellitus
	October	Establishment of Japan Blood Products Organization in joint initiative with the Japanese Red Cross Society and transfer of plasma fractionation operations
		Comprehensive consignment to Collabo-Create of distribution operations that had been handled by MP Logistics
		Dissolution of comprehensive, equity-based alliance, centered on the generic drug business, with Choseido Pharmaceutical
		Launch of Tetrabik, a diphtheria-pertussis-tetanus-inactivated polio combined vaccine
2013	March	Acquisition by Janssen Pharmaceuticals, of the U.S., of approval for Invokana, a treatment agent for type 2 diabetes mellitus
	June	Transfer of Tanabe Europe to API Corporation
	September	Medicago, of Canada, a biopharmaceutical company, became a consolidated subsidiary
2014	March	Receipt of fiscal 2014 Pharmaceutical Society of Japan Award for Drug Research and Development for SGLT2 inhibitor Canagliflozin (Canaglu), a treatment agent for type 2 diabetes mellitus
	April	Transfer of Mitsubishi Tanabe Pharma Factory's Ashikaga Plant to CMIC HOLDINGS
	June	Masayuki Mitsuka became President & Representative Director
	September	Launch of Canaglu, a treatment agent for type 2 diabetes mellitus
2015	March	Termination of plasma fractionation product sales agreement with Japan Blood Products Organization
	April	Relocation of Head Office to Dosho-machi, Chuo-ku, Osaka
		Transfer of Mitsubishi Tanabe Pharma Factory's Kashima Plant to Sawai Pharmaceutical
	May	Opening of Mitsubishi Tanabe Historical Museum
		Receipt of commendation at the Fiscal 2015 National Commendation for Invention for discovery of diabetes treatment agent Teneligliptin (Tenelia)

Corporate Data / Investor Information

As of March 31, 2015

Corporate Data

Company Name	Mitsubishi Tanabe Pharma Corporation
Headquarters	3-2-10, Dosho-machi, Chuo-ku, Osaka 541-8505, Japan (from April 1, 2015)
Incorporated	December 1933
Date of Merger	October 1, 2007
Number of Employees	8,457 (Consolidated) 4,844 (Parent company only)

For Further Information

Investor Relations Group
Corporate Communications Department

TEL : 81-6-6205-5211
FAX: 81-6-6205-5105
URL: http://www.mt-pharma.co.jp/e/

Group Companies

● Consolidated subsidiary ○ Affiliated company accounted for by the equity method

Japan

	Paid-in Capital	% Voting Control*	Principal Business
Mitsubishi Tanabe Pharma Factory Ltd. ●	¥1,130 million	100.0%	Manufacture and sale of pharmaceuticals
Yoshitomiyakuhin Corporation ●	¥385 million	100.0%	Provision of information about pharmaceuticals
Bipha Corporation ●	¥100 million	100.0%	Manufacture and sale of pharmaceuticals
Tanabe Seiyaku Yoshiki Factory Co., Ltd. ●	¥400 million	100.0%	Manufacture and sale of pharmaceuticals
Tanabe Seiyaku Hanbai Co., Ltd. ●	¥169 million	100.0%	Sale of generic pharmaceuticals, etc.
Tanabe R&D Service Co., Ltd. ●	¥44 million	100.0%	Support of R&D regarding pharmaceuticals
Tanabe Total Service Co., Ltd. ●	¥90 million	100.0%	Real estate management, etc.

Overseas

Asia	Paid-in Capital	% Voting Control*	Principal Business
Tianjin Tanabe Seiyaku Co., Ltd. ●	USD16,230,000	75.4%	Manufacture and sale of pharmaceuticals
Mitsubishi Tanabe Pharma Development (Beijing) Co., Ltd. ●	USD1,000,000	100.0%	R&D of pharmaceuticals
Guangdong Tanabe Pharmaceutical Co., Ltd. ●	CNY7,000,000	100.0%	Sale of pharmaceuticals
Mitsubishi Tanabe Pharma Korea Co., Ltd. ●	KRW2,100,000,000	100.0%	Manufacture and sale of pharmaceuticals
Taiwan Tanabe Seiyaku Co., Ltd. ●	TWD90,000,000	65.0%	Manufacture and sale of pharmaceuticals
Tai Tien Pharmaceuticals Co., Ltd. ●	TWD20,000,000	65.0%	Sale of pharmaceuticals
P.T. Tanabe Indonesia ●	USD2,500,000	99.6%	Manufacture and sale of pharmaceuticals
U.S.			
MP Healthcare Venture Management Inc. ●	USD100	100.0% (100.0%)	Investments in bio-ventures
Mitsubishi Tanabe Pharma Holdings America, Inc. ●	USD167	100.0%	Management of Group companies in the U.S.
Mitsubishi Tanabe Pharma Development America, Inc. ●	USD100	100.0% (100.0%)	R&D of pharmaceuticals
Tanabe Research Laboratories U.S.A., Inc. ●	USD3,000,000	100.0% (100.0%)	R&D of pharmaceuticals
MTPC Holdings Canada Inc. ●	CAD241Mn	100.0%	Investments in Medicago Group
Medicago Inc. ●	CAD253Mn	60.0% (55.9%)	R&D and Manufacture of vaccines
Medicago USA Inc. ●	USD99	60.0% (60.0%)	Manufacture of vaccines
Medicago R&D Inc. ●	CAD500	60.0% (60.0%)	R&D of vaccines
Europe			
Mitsubishi Tanabe Pharma Europe Ltd. ●	GBP4,632,000	100.0%	R&D of pharmaceuticals
Mitsubishi Tanabe Pharma GmbH ●	EUR 25,000	100.0% (100.0%)	Sale of pharmaceuticals
Synthelabo-Tanabe Chimie S.A. ○	EUR1,600,000	50.0%	Manufacture and sale of pharmaceuticals

* Figures in parentheses show indirect control

Note: Aside from the companies mentioned above, there are four consolidated companies under the liquidations.

Investor Information

Stock Exchange Listings	Tokyo
Stock Code	4508
Paid-in Capital	¥50,000 million
Common Stock	Authorized: 2,000,000,000 shares Issued: 561,417,916 shares
Closing Date of Accounts	March 31
Number of Shareholders	14,797

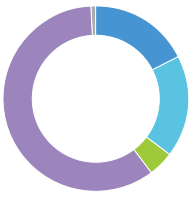
Major Shareholders

	% voting rights
Mitsubishi Chemical Holdings Corporation	56.3
The Master Trust of Japan, Ltd.	4.3
Nippon Life Insurance Company	2.2
Japan Trustee Services Bank, Ltd.	1.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1.3
STATE STREET BANK AND TRUST COMPANY 505225	1.0
Employee Stock Ownership Plan	0.8
STATE STREET BANK CLIENT OMNIBUS OM04	0.7
Nipro Corporation	0.7
STATE STREET BANK WEST CLIENT-TREATY 505234	0.7

Shareholder Register Agent for Common Stock in Japan

Mitsubishi UFJ Trust and Banking Corporation
Osaka Corporate Agency Division
3-6-3 Fushimi-machi, Chuo-ku, Osaka 541-8502, Japan

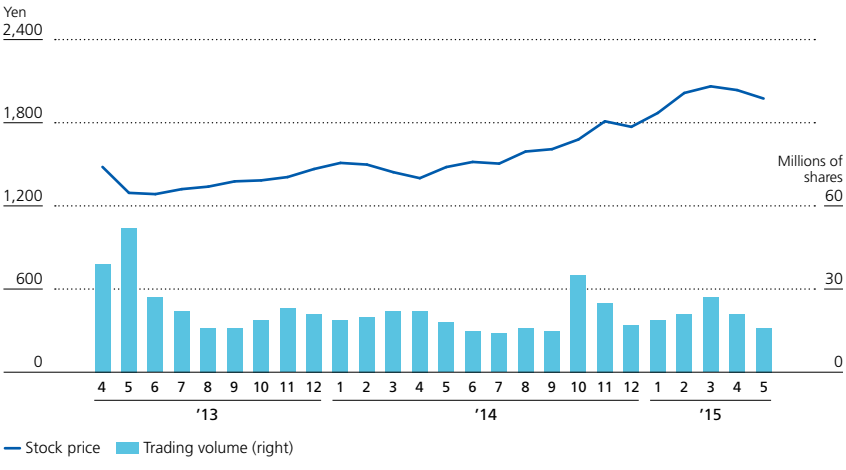
Distribution of Share Ownership by Type of Shareholder



Financial institutions	17.5%
Foreign institutions	17.9%
Individuals and others*	4.4%
Other Japanese corporations	59.6%
Securities firms	0.6%

* Individuals and others includes treasury stock (428 thousand shares at March 31, 2015)

Stock Price Range / Trading Volume



THE KAITEKI COMPANY
Mitsubishi Chemical Holdings Group

Printed in Japan