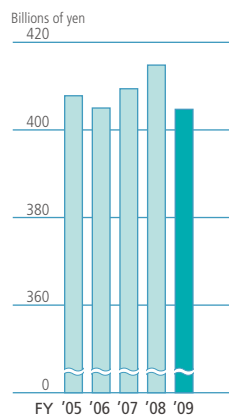
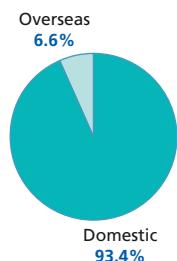


## NET SALES



Note: In general, figures in graphs for the previous fiscal year and prior years are the simple sum of the figures for Tanabe Seiyaku and Mitsubishi Pharma.

## SALES BY REGION



## Results of Operations

## Net Sales

Net sales in the year under review were down ¥10.0 billion, to ¥404.7 billion. The Company sold a portion of its holdings of shares in API Corporation (APIC), and consequently APIC changed from a consolidated subsidiary to an equity-method affiliate. This change had the effect of reducing sales by ¥25.7 billion year on year (pharmaceuticals: ¥10.8 billion, other business: ¥14.9 billion).

Pharmaceutical operations consist of ethical drugs and OTC drugs. These operations are conducted in Japan and overseas, but domestic sales of ethical drugs account for the majority of the Group's sales. In the fiscal year under review, the operating environment in the domestic ethical pharmaceutical industry grew increasingly challenging. The industry was affected by strengthened measures to reduce spending on drugs in order to control rising social welfare expenditures, intensified competition among pharmaceutical companies, higher R&D expenses, and increasingly strict conditions for drug approval. In addition, NHI drug prices were reduced by an industrywide average of 5.75% in April 2010. (For more information about the NHI drug price revisions, please see "Management Strategies" on page 2.)

In this setting, domestic sales of ethical drugs were up ¥19.2 billion, to ¥354.6 billion. Sales of Remicade, an anti-TNF $\alpha$  monoclonal antibody, increased substantially, rising ¥9.8 billion, to ¥47.2 billion. In addition, sales of Talion, a treatment for allergic disorders, were up ¥0.2 billion, to ¥10.6 billion, and sales of Maintate, a selective  $\beta_1$  antagonist, rose ¥0.8 billion, to ¥11.0 billion. In addition, domestic sales of vaccines increased by a large margin, rising ¥1.5 billion, to ¥23.0 billion (excluding ¥8.8 billion in sales of the H1N1 influenza vaccine), due to the launches of the H1N1 HA flu vaccine and JEBIK V, a freeze-dried, cell-culture-derived Japanese encephalitis vaccine. Furthermore, sales of generic drugs increased ¥4.6 billion, to ¥8.5 billion.

Overseas sales of ethical drugs were down ¥2.4 billion, to ¥22.8 billion, due in part to the appreciation of the yen. Sales of OTC drugs declined ¥0.3 billion, to ¥5.0 billion. Moreover, due to the exclusion of APIC from the scope of consolidation, other pharmaceutical sales, which include contract production, were down by a large margin, declining ¥7.9 billion, to ¥13.3 billion.

Overall, sales of pharmaceuticals increased ¥8.5 billion, to ¥395.7 billion, and accounted for 97.8% of net sales.

Overseas sales declined ¥8.3 billion, to ¥26.9 billion, and the overseas sales ratio was 6.6%, a decrease of 1.9 percentage points.

	Millions of yen				Change
	2010/3		2009/3		
Net sales	¥404,747	(100.0%)	¥414,752	(100.0%)	¥-10,005
Pharmaceuticals	395,734	(97.8 )	387,223	(93.4 )	+8,511
Domestic ethical drugs	354,612	(87.6 )	335,443	(80.9 )	+19,169
Overseas ethical drugs	22,834	(5.6 )	25,259	(6.1 )	-2,425
OTC drugs	4,975	(1.2 )	5,280	(1.3 )	-305
Others	13,313	(3.3 )	21,241	(5.1 )	-7,928
Other business	9,013	(2.2 )	27,529	(6.6 )	-18,516
Sales by region:					
Domestic	377,885	(93.4 )	379,544	(91.5 )	-1,659
Overseas	26,862	(6.6 )	35,208	(8.5 )	-8,346

Note: Figures in parentheses are percentages of net sales.

## SALES OF MAJOR PRODUCTS IN THE DOMESTIC MARKET

Billions of yen

	2010/3	2009/3	Change
Remicade	¥47.2	¥37.4	¥+9.8
Radicut	28.0	28.1	- 0.1
Anplag	18.4	18.5	- 0.1
Ceredist	16.9	16.2	+0.7
Urso	16.3	16.2	+0.1
Depas	11.6	11.8	- 0.2
Tanatril	11.1	11.9	- 0.8
Maintate	11.0	10.2	+0.8
Herbesser	10.8	11.9	- 1.1
Talion	10.6	10.4	+0.2
Vaccines	23.0	21.5	+1.5
Mearubik	11.8	11.8	- 0.1
Influenza	6.4	6.7	- 0.3

Note: In this table, sales of vaccines and influenza vaccine do not include H1N1 influenza vaccine sales of ¥8.8 billion.

## Operating Income

Operating income was down ¥10.2 billion, to ¥61.5 billion.

Due to the increase in domestic sales of ethical drugs, and to the exclusion of APIC from the scope of consolidation, which resulted in a significant decline in sales in other businesses with a relatively high cost of sales margin, the cost of sales ratio improved 1.6 percentage points, to 36.5%. Consequently, gross profit increased ¥0.4 billion, to ¥256.9 billion, despite the ¥10.0 billion decrease in net sales.

Accompanying a change in the licensing contract concluded with Vertex Pharmaceuticals Incorporated, of the United States, for MP-424, a treatment for chronic hepatitis C, the Company made a one-time payment of \$105 million, and as a result, R&D expenses increased substantially. In addition, retirement benefit expenses increased. Consequently, despite factors that had the effect of reducing expenses, such as thorough cost-reduction initiatives and the exclusion of APIC from the scope of consolidation, SG&A expenses rose ¥10.6 billion, to ¥195.5 billion. R&D expenses were up ¥10.0 billion, to ¥83.1 billion. The R&D expense ratio increased 2.9 percentage points, to 20.5%.

	2010/3		2009/3		Change
	Millions of yen		Millions of yen		
Cost of sales	¥147,800	(36.5%)	¥158,184	(38.1%)	¥-10,384
SG&A expenses	195,472	(48.3 )	184,874	(44.6 )	+10,598
R&D expenses	83,081	(20.5 )	73,122	(17.6 )	+9,959
Salaries and wages	53,028	(13.1 )	50,023	(12.1 )	+3,005
Sales promotion expenses	11,954	(3.0 )	11,679	(2.8 )	+275
Amortization of goodwill	10,137	(2.5 )	10,055	(2.4 )	+82
Other	37,272	(9.2 )	39,995	(9.6 )	-2,723
Operating income	61,475	(15.2 )	71,694	(17.3 )	-10,219

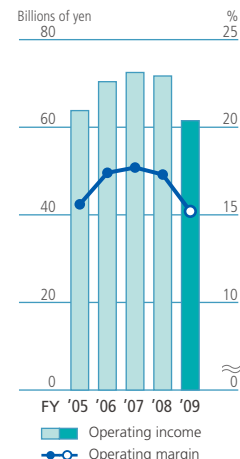
Note: Figures in parentheses are percentages of net sales.

## Net Income

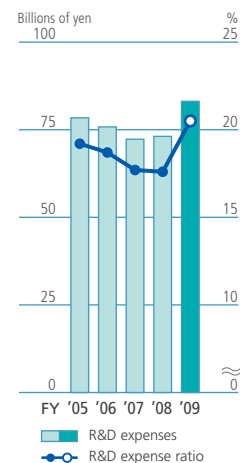
Operating income declined, but extraordinary loss improved substantially, and consequently net income increased ¥3.7 billion, to ¥30.3 billion.

Special gains were down ¥1.1 billion, to ¥0.1 billion, while special losses decreased ¥15.0 billion, to ¥10.8 billion. In regard to the reserve for HCV litigation, in consideration of the number of plaintiffs at the end of the fiscal period and the status of settlement negotiations, the number of future benefits recipients was expected to

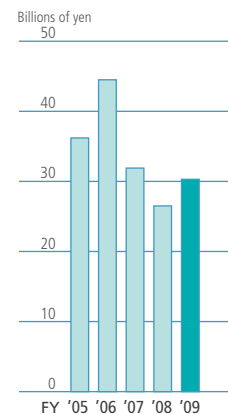
## OPERATING INCOME / OPERATING MARGIN

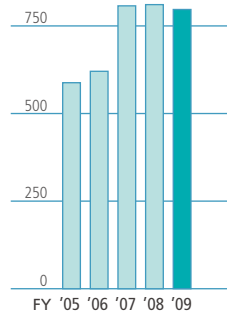


## R&D EXPENSES / R&D EXPENSE RATIO

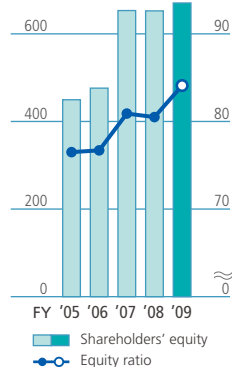
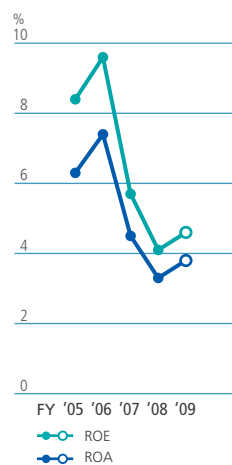


## NET INCOME



**TOTAL ASSETS**Billions of yen  
1,000**SHAREHOLDERS' EQUITY / EQUITY RATIO**Billions of yen  
800

%

**ROE<sup>1</sup> / ROA<sup>1</sup>**

increase from previous estimates. Accordingly, an additional provision of reserve of ¥3.0 billion was recorded as a special loss. Special losses of ¥10.8 billion included loss related to business suspension of ¥3.3 billion, which was related to Medway Injection, a recombinant human serum albumin preparation; impairment loss on idle assets accompanying head office relocation of ¥1.8 billion; and restructuring loss of ¥1.6 billion, such as expenses related to moving the head office. On the other hand, in the previous fiscal year special losses totaled ¥25.8 billion, including provision of reserve for HCV litigation of ¥8.8 billion, loss on valuation of investments in securities of ¥6.6 billion, special retirement expense of ¥4.3 billion, and impairment loss of ¥3.4 billion. Consequently, special loss improved by a substantial margin in the fiscal year under review.

**Financial Position****Assets, Liabilities, and Net Assets**

Total assets at the end of the fiscal year were ¥796.9 billion, a decline of ¥13.9 billion from the previous fiscal year-end. The exclusion of APIC from the scope of consolidation had the effect of reducing current assets by ¥11.3 billion, fixed assets by ¥4.3 billion, liabilities by ¥9.8 billion, and net assets by ¥5.8 billion.

Total current assets were down ¥20.2 billion from the end of the previous fiscal year, to ¥344.2 billion. In addition to the exclusion of APIC from the scope of consolidation, marketable securities decreased.

Fixed assets increased ¥6.3 billion, to ¥452.6 billion. Property, plant and equipment and goodwill declined due to depreciation and amortization. However, factors contributing to the increase in fixed assets included the exclusion of APIC from the scope of consolidation, which resulted in the inclusion of APIC stock in investments in securities, as well as the marking-to-market of securities.

Total liabilities were down ¥24.5 billion from the end of the previous fiscal year, to ¥120.0 billion. In regard to the reserve for HCV litigation, the amount of the Company's estimated future burden was revised and an additional provision of reserve of ¥3.0 billion was recorded. However, payments of ¥12.3 billion were made during the fiscal year, and consequently the balance was down by ¥9.3 billion from the end of the previous year. In addition, income taxes payable, reserve for employees' bonuses, and accrued retirement benefits for employees declined.

Total net assets at the end of the period were up ¥10.6 billion from the end of the previous fiscal year, to ¥676.8 billion. Net income was ¥30.3 billion, and cash dividends paid were ¥15.7 billion. As a result, retained earnings increased ¥14.7 billion. Total valuation and translation adjustments increased ¥3.3 billion, but due to the exclusion of APIC from the scope of consolidation, minority interests declined substantially. The equity ratio was 84.1%, an increase of 3.6 percentage points from the end of the previous fiscal year.

	Millions of yen				Change
	2010/3		2009/3		
Total assets	<b>¥796,858</b>	(100.0%)	¥810,756	(100.0%)	¥-13,898
Total current assets	<b>344,249</b>	(43.2 )	364,444	(45.0 )	-20,195
Fixed assets	<b>452,609</b>	(56.8 )	446,312	(55.0 )	+6,297
Total liabilities	<b>120,045</b>	(15.1 )	144,536	(17.8 )	-24,491
Total current liabilities	<b>77,767</b>	(9.8 )	89,150	(11.0 )	-11,383
Total long-term liabilities	<b>42,278</b>	(5.3 )	55,386	(6.8 )	-13,108
Total net assets	<b>676,813</b>	(84.9 )	666,220	(82.2 )	+10,593

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

<sup>1</sup> Special losses were ¥20.3 billion in the year ended March 31, 2008, ¥25.8 billion in the year ended March 31, 2009, and ¥10.8 billion in the year ended March 31, 2010.

## Cash Flows

Net cash provided by operating activities was ¥23.9 billion, a decrease of ¥26.6 billion. Major inflows included income before income taxes and minority interests of ¥51.0 billion, depreciation and amortization of ¥13.3 billion, and amortization of goodwill of ¥10.1 billion. Principal outflows included income taxes paid of ¥29.2 billion and decrease in reserve for HCV litigation of ¥9.3 billion. In the previous year, increase in reserve for HCV litigation was ¥8.8 billion, but in the year under review, due in part to reversals of the reserve accompanying payments, the reserve decreased by ¥9.3 billion, and consequently the amount of net cash provided by operating activities declined substantially.

Net cash used in investing activities was ¥61.2 billion, a decrease of ¥13.3 billion. Major items included purchases of marketable securities and proceeds from sales and redemption of marketable securities, which netted out to an outflow of ¥5.8 billion. Net increase in time deposits was ¥8.8 billion. Purchases of property, plant and equipment and proceeds from sales of property, plant and equipment netted out to an outflow of ¥42.3 billion.

Net cash used in financing activities was ¥17.1 billion, an increase of ¥1.1 billion. Major items included cash dividends paid of ¥15.7 billion.

As a result, net cash outflows for the year were ¥54.1 billion, and the balance of cash and cash equivalents at the end of the year under review was ¥63.0 billion, a decrease of ¥53.9 billion.

	Millions of yen		
	2010/3	2009/3	Change
Net cash provided by operating activities	¥ 23,923	¥ 50,540	¥-26,617
Net cash used in investing activities	(61,227)	(74,508)	+13,281
Net cash used in financing activities	(17,105)	(15,986)	-1,119
Cash and cash equivalents at end of year	62,958	116,903	-53,945

## Demand for Funds

The Group's working capital is used principally for purchases of raw materials and merchandise; production expenses; and marketing, R&D, and other SG&A expenses.

## Dividends

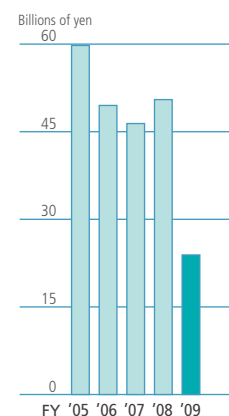
Mitsubishi Tanabe Pharma's basic policy on the distribution of earnings calls for providing a stable, ongoing distribution of earnings to shareholders while striving to maximize enterprise value by investing aggressively to bolster R&D and marketing activities from a medium-to-long-term perspective. Our objective is for a dividend payout ratio of 35% (prior to amortization of goodwill), and over the long term we will work to provide an enhanced return to shareholders.

In accordance with its basic policy on the distribution of earnings, the Company set annual dividends at ¥28.0 per share, the same as in the previous year. The dividend payout ratio, calculated on the basis of net income less amortization of goodwill, was 39.0%.

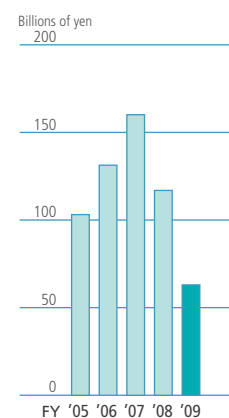
<sup>2</sup> Dividends per share are presented as follows: For the year ended March 31, 2007 and previous years, the dividends of the former Tanabe Seiyaku are used. For the year ended March 31, 2008, the interim dividends of the former Tanabe Seiyaku are used for the interim dividends (¥13) and the year-end dividends of Mitsubishi Tanabe Pharma are used for the year-end dividends (¥13).

<sup>3</sup> The dividend payout ratio is presented as follows: For the year ended March 31, 2007 and previous years, the dividend payout ratio of the former Tanabe Seiyaku is used. For the year ended March 31, 2008, the dividend payout ratio is calculated using Mitsubishi Tanabe Pharma's net income for the second half of the fiscal year (less amortization of goodwill) and Mitsubishi Tanabe Pharma's year-end dividends. For the years ended March 31, 2009 and 2010, the dividend payout ratio is calculated using Mitsubishi Tanabe Pharma's net income for the fiscal year (less amortization of goodwill) and annual dividends.

## NET CASH PROVIDED BY OPERATING ACTIVITIES



## CASH AND CASH EQUIVALENTS



## DIVIDENDS PER SHARE<sup>2</sup> / DIVIDEND PAYOUT RATIO<sup>3</sup>

