Dynamic Synergy

MITSUBISHI TANABE PHARMA CORPORATION
ANNUAL REPORT 2008

Mitsubishi Tanabe Pharma

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.

Mitsubishi Tanabe Pharma Corporation was formed through the merger of Tanabe Seiyaku Co., Ltd., and Mitsubishi Pharma Corporation on October 1, 2007. The new company targets the creation of global new drugs and uses its business platform, which was strengthened by the merger, to accelerate the development of its overseas operations. In these ways, Mitsubishi Tanabe Pharma is implementing initiatives that maximize its enterprise value.

Our vision is to be a global research-driven pharmaceutical company that is trusted by communities. Through the creation and provision of superior pharmaceuticals, we will contribute to the healthier lives of people around the world and fulfill our responsibilities as a company engaged in the life sciences.

Contents

TANABE SEIYAKU AND MITSUBISHI PHARMA BEFORE THE MERGER

TANABE SEIYAKU CO., LTD.

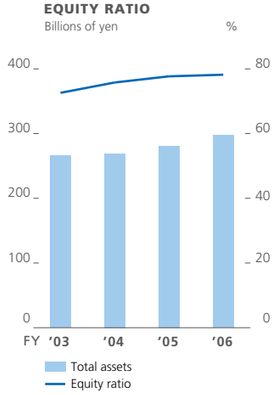
Tanabe Seiyaku Co., Ltd., was founded in 1678. Based on its corporate philosophy of "contributing to people over the world desiring to live healthy and securely through pharmaceuticals and pharmaceutical-related products and services," Tanabe Seiyaku contributed to the advance of medicine by developing and launching a wide range of pharmaceuticals. Centered on cardiovascular drugs, Tanabe Seiyaku launched many drugs that are highly regarded in Japan and overseas. In particular, in 1974 it began sales of Herbesser, which is used to treat angina and hypertension. Herbesser has grown to become one of Japan's representative drugs and is currently prescribed in more than 110 countries. In addition, Tanabe licensed Remicade from Centocor, of the U.S., and in 2002, began sales in Japan of Remicade for the treatment of Crohn's disease. Remicade was subsequently approved for multiple additional indications, including rheumatoid arthritis, and became one of Tanabe Seiyaku's core products. Mitsubishi Tanabe Pharma continues working to maximize the value of Remicade and to achieve the Remicade sales target of ¥50.0 billion in fiscal 2010. In this way, Remicade will serve as a driver of Mitsubishi Tanabe Pharma's growth. In addition, Tanabe strived to meet medical needs, such as those for vaccines, narcotics and orphan drugs, and worked to establish a position as a global, research-driven pharmaceutical company.

SALES OF TANABE SEIYAKU'S MAJOR PRODUCTS

Billions of yen	FY 2005	FY 2006
Remicade	¥12.8	¥20.5
Herbesser	18.7	18.0
Ceredist	13.7	14.5
Tanatril	14.7	14.5
Sermion	11.4	10.2
Maintate	10.2	9.9
Talion	6.4	7.0
Gastrom	6.4	6.1
Fulcaliq	5.4	5.3
Lochol	5.4	5.1
Cerekinon	3.6	3.4
Adona	2.7	2.6
Proscope	3.8	1.9
Vaccines	12.8	16.1

NET SALES / OPERATING MARGIN

TOTAL ASSETS / EQUITY RATIO



MITSUBISHI PHARMA CORPORATION

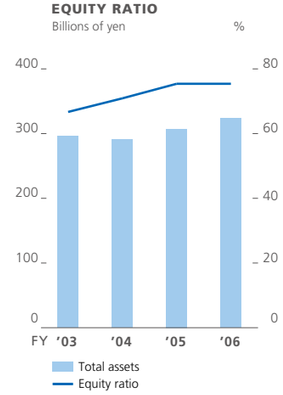
Mitsubishi Pharma Corporation was established in October 2001 through the merger of Welfide Corporation and Mitsubishi-Tokyo Pharmaceuticals, Inc. In 2005, Mitsubishi Pharma joined with its parent company, Mitsubishi Chemical Corporation, to establish Mitsubishi Chemical Holdings Corporation. As a company at the core of the Mitsubishi Chemical Holdings Group healthcare business, Mitsubishi Pharma pursued development as an international, research-driven pharmaceutical company while maintaining its operational independence. Mitsubishi Pharma established a broad lineup of cerebrovascular drugs, such as the neuroprotectant Radicut, which is highly regarded for its unique mechanism of action and high level of efficacy and which was the first domestically developed drug to be awarded an innovation premium under the National Health Insurance (NHI) drug pricing scheme. This lineup will be a key strength for Mitsubishi Tanabe Pharma. In addition, Mitsubishi Pharma developed distinctive pharmaceuticals in the fields of respiratory system/immunology and circulatory system/metabolism. Mitsubishi Pharma was also a global pioneer in the field of biomedicine, developing Medway Inj., the world's first recombinant albumin product for therapeutic use. The company also implemented aggressive initiatives in such areas as personalized medicine. In these ways, Mitsubishi Pharma worked to become a highly innovative pharmaceutical company.

SALES OF MITSUBISHI PHARMA'S MAJOR PRODUCTS

Billions of yen	FY 2005	FY 2006
Radicut	¥29.3	¥28.6
Urso	16.3	15.9
Anplag	15.5	16.7
Venoglobulin-IH	12.5	13.2
Depas	11.5	11.3
Liple	9.8	10.2
Theodur	12.7	7.7
Omeprazon	6.1	5.9
Neuart	5.5	5.9
Novastan	4.9	5.4
Doral	4.5	4.5
Cholebine	3.5	3.7
Kerlong	3.9	3.6
Albumin	3.2	3.3
Heparin Na Lock	3.9	3.2

NET SALES / OPERATING MARGIN

TOTAL ASSETS / EQUITY RATIO



FINANCIAL HIGHLIGHTS

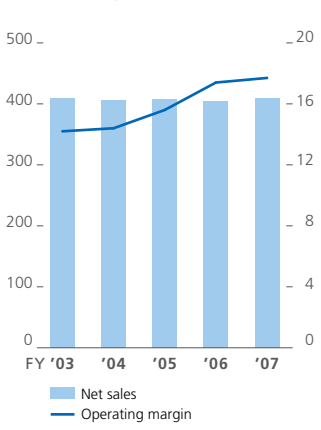
Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 (FY 2007), 2007 (FY 2006) and 2006 (FY 2005)

Consolidated financial highlights are presented as the simple sum of the consolidated results of Tanabe Seiyaku Co., Ltd., and Mitsubishi Pharma Corporation to facilitate comparisons and analysis of performance following the merger.

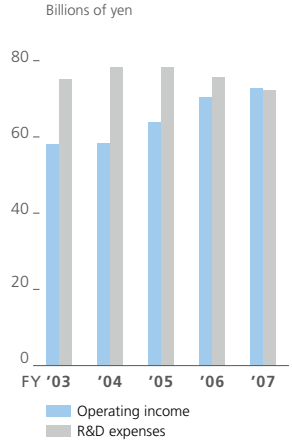
	Millions of Yen (except financial indicators and number of employees)			Thousands of U.S. Dollars (except per share amounts)	% change
	FY 2007	FY 2006	FY 2005	**FY 2007**	FY2007/FY2006
Net sales	**¥409,427**	¥405,048	¥407,759	**$4,086,506**	+1.1%
Operating income	**72,468**	70,411	63,803	**723,306**	+2.9
Net income	**31,932**	44,479	36,165	**318,714**	– 28.2
R&D expenses	**72,335**	75,758	78,447	**721,978**	– 4.5
Capital expenditures	**9,987**	9,541	12,447	**99,681**	+4.7
Total assets	**807,261**	620,451	587,865	**8,057,301**	+30.1
Net assets	**667,808**	486,837	450,899	**6,665,416**	+37.2
Financial indicators (%):					
Operating margin	**17.7%**	17.4%	15.6%	**–**	–
Ratio of R&D expenses to net sales	**17.7**	18.7	19.2	**–**	–
Equity ratio	**80.9**	76.7	76.5	**–**	–
ROE	**5.7**	9.6	8.4	**–**	–
Number of employees	**10,361**	10,461	10,414	**–**	– 1.0

Note: U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥100.19 to US$1, the prevailing exchange rate at March 31, 2008.

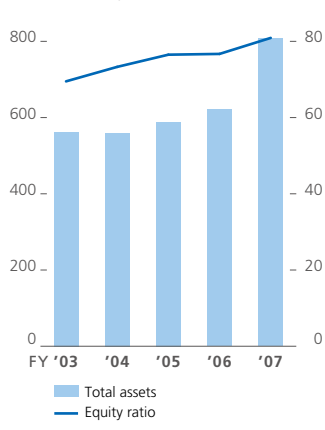
NET SALES / OPERATING MARGIN



OPERATING INCOME / R&D EXPENSES



TOTAL ASSETS / EQUITY RATIO



MESSAGE FROM THE PRESIDENT

We will strive to realize Dynamic Synergy and to make steady progress toward our vision.

Natsuki Hayama
President & Representative Director
Chief Executive Officer

ESTABLISHMENT OF MITSUBISHI TANABE PHARMA CORPORATION

A Strong Start as a New Company

It has been about a year and a half since we announced the merger agreement between Tanabe Seiyaku Co., Ltd., and Mitsubishi Pharma Corporation. During that period, in line with the new company's business plan, which was released in May 2007, we made steady progress with preparations for the merger, and on October 1, 2007, we made a new start as Mitsubishi Tanabe Pharma Corporation. As the new company got underway, we quickly took steps to consolidate operations in order to benefit as quickly as possible from the effects of the merger, and began full-fledged operations.

Results in Fiscal 2007

Fiscal 2007 was the first fiscal year for Mitsubishi Tanabe Pharma. On a simple sum basis, net sales increased 1.1% from the previous fiscal year, to ¥409.4 billion, and operating income was up 2.9%, to ¥72.5 billion. Sales were basically in line with the plan announced in November 2007 (¥411.8 billion), while operating income exceeded the planned level (¥70.4 billion). In both merger initiatives and results, we have gotten off to an excellent start.

On the other hand, net income fell short of the planned level (¥35.9 billion), declining 28.2%, to ¥31.9 billion. This decline was attributable to the provision of reserve for HCV litigation of ¥9.1 billion that was recorded in accordance with a law providing relief to all people infected through use of specific fibrinogen products or specific coagulation factor IX products that the Japanese government promulgated and put into effect on January 16, 2008. The Company is currently working toward a settlement with the plaintiffs, and will do its utmost to reach a comprehensive settlement of this lawsuit and to ensure that there is no recurrence of health problems caused by pharmaceuticals.

Working to Realize Our Vision

When it was established, the Company formulated a corporate philosophy and a vision of the type of company that it would strive to become through the implementation of business activities in accordance with this philosophy. The corporate philosophy is to "contribute to the healthier lives of people around the world through the creation of pharmaceuticals," and the vision is "to be a global research-driven pharmaceutical company that is trusted by communities." To realize our vision, we are implementing a wide range of business activities.

Looking at the operating environment in recent years, it has become increasingly clear that survival as an R&D-focused company requires the creation of drugs that are used around the world, not just in the domestic ethical drug market. In this environment, the overseas sales ratios of the major domestic pharmaceutical companies have generally been above 50% in recent years, while the overseas sales ratios of the former Tanabe Seiyaku and the former Mitsubishi Pharma were both limited to about 10%. To secure future growth and take on new challenges, we set the objectives of further strengthening the drug discovery capabilities of both companies and accelerating overseas business development. To those ends, it was necessary that we expand the scale of our business and bolster our management foundation. Our management foundation

was strengthened by the merger, so our goal of being a global research-driven pharmaceutical company has now become possible.

We have clarified the course that we must follow as an R&D-oriented company, and everyone at Mitsubishi Tanabe Pharma will work together to quickly achieve our vision of being a global research-driven pharmaceutical company.

MEDIUM-TERM MANAGEMENT PLAN 08–10 DYNAMIC SYNERGY FOR 2015

In May 2008, we formulated our medium-term management plan. The Medium-Term Management Plan 08–10, Dynamic Synergy for 2015, covers the three-year period ending March 31, 2011.

In formulating this plan, we first selected Dynamic Synergy as the key concept. Since Tanabe Seiyaku and Mitsubishi Pharma announced their merger in February 2007, I have continued to emphasize the importance of rapidly generating merger synergies. That is because the purpose of the merger of the two companies is to achieve goals together that we could not achieve on our own by leveraging merger synergies. To that end, we must leverage the strengths that each company brought to the merger. Mitsubishi Tanabe Pharma is taking on the challenge of making Dynamic Synergy a reality. For the Company, Dynamic Synergy means making full use of the abundant management resources that were enhanced through the merger, focusing the expertise and energy of all employees throughout the Company, and creating new business domains and differentiated business models.

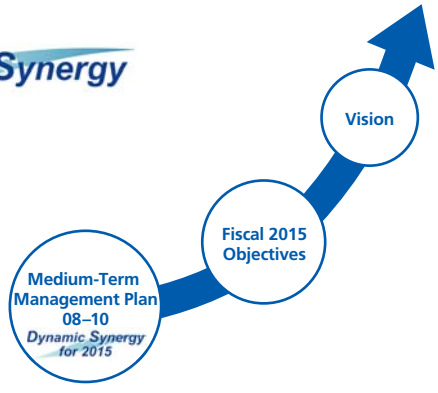
BASIC POLICIES OF MEDIUM-TERM MANAGEMENT PLAN 08–10

POSITIONING

Formulated as a three-year implementation plan targeting the achievement of fiscal 2015 objectives and the realization of the vision

KEY CONCEPT

Dynamic Synergy



FISCAL 2015 OBJECTIVES

Setting Goals to Achieve our Vision

The Medium-Term Management Plan 08–10 includes fiscal 2015 objectives as milestones on the path toward the realization of our vision. In setting those objectives, we formulated key challenges and action plans for the next three years.

In the new company's first management plan, I thought that it was necessary to clarify as much as possible the direction and driving force of Mitsubishi Tanabe Pharma from a slightly longer point of view, and we decided to set fiscal 2015 objectives in addition to the three-year medium-term management plan.

There are four specific fiscal 2015 objectives. First, build an R&D pipeline capable of launching one product every two years, with a focus on the areas of metabolism and circulation. Second, establish a top position in the domestic pharmaceutical market by launching and cultivating major products. Third, establish an in-house sales structure in the U.S. and achieve overseas sales of more than ¥100 billion. And fourth, establish competitive superiority through the creation of a differentiated business model.

Direction of Our Product Strategy

Targeting the achievement of the first three of these four objectives, we have formulated the following product strategies.

First, is clarification of the "area strategy." We have positioned metabolism and circulation as priority fields for R&D. To become a global research-driven pharmaceutical company, it is essential to

FISCAL 2015 OBJECTIVES—WORKING TO BECOME A GLOBAL, RESEARCH-DRIVEN PHARMACEUTICAL COMPANY

- Build an R&D pipeline capable of launching one product every two years, with a focus on the metabolism and circulation disease areas
- Establish a top position in the domestic pharmaceutical market by launching and cultivating major products
- Establish an in-house sales structure in the U.S. and achieve overseas sales of more than ¥100 billion
- Establish competitive superiority through the creation of a differentiated business model

create new drugs that can be developed globally. Based on that recognition, we comprehensively evaluated such factors as the strengths of our pipeline and the chances of market expansion. Also, among our priority fields, we have identified diabetes and stroke as focus disease areas to which we will allocate substantial management resources.

Next, is our strategy in the U.S. and Europe. In the U.S. market, we have two compounds—MCI-196 and MP-146—in Phase 3 trials for renal disease, and our top priority is to acquire approvals and establish an independent sales system in the U.S. as soon as possible. The U.S. market accounts for more than 40% of global sales of ethical drugs. Accordingly, the establishment of an independent sales system in the U.S. is vitally important for Mitsubishi Tanabe Pharma to accelerate its overseas development. These two drugs have results in Japan, and they are effective and highly safe. With these two drugs, we will strive to take our next step in international development and establish a foothold in the U.S. market. We are also taking aggressive steps to bolster our independent sales system in Europe. Also, in the field of diabetes agents, which is a top priority field that is expected to record substantial growth, we will follow a basic policy of licensing-out and joint research, with consideration for progress in expanding our in-house sales structure and for the distinctive characteristics of the market.

On the other hand, our domestic strategy calls for launching diabetes agents and developing them into major drugs while taking steps to implement lifecycle management for existing products, such as acquiring additional indications, thereby maximizing the value of key products, such as Remicade and Radicut.

Furthermore, we will aggressively utilize strategic alliances to accelerate these strategies.

The growth drivers in the medium-term management plan are six priority products—Remicade, Radicut, Anplag, Talion, Urso and Tanatril. As we steadily advance our product strategy, we will strive to generate new growth drivers and to achieve overseas pharmaceutical sales of more than ¥100 billion and a stronger presence in the domestic market by fiscal 2015. In the priority fields of metabolism and circulation, potential growth drivers include two renal disease agents that we are targeting for independent sales in the U.S. (MCI-196 and MP-146) and two diabetes agents (MP-513 and TA-7284). In addition, FTY720, a treatment for multiple sclerosis, and MP-424, a treatment for chronic hepatitis C, are expected to contribute to revenues in the future.

PRODUCT STRATEGY TARGETING THE FISCAL 2015 OBJECTIVES

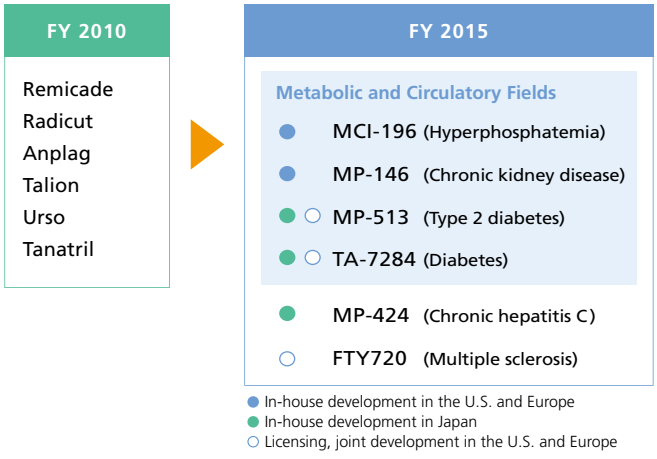
FOCUSED THERAPEUTIC AREAS
Metabolism and circulation to be positioned as "Priority Fields" in R&D
→ Diabetes and Stroke: Highest priority diseases

U.S./EUROPE
- Rapidly acquire approval for two products in renal disease field; build and strengthen in-house sales structure
- Operations in diabetes through licensing, co-development and co-promotions, etc.

JAPAN
- Establish product pipeline in diabetes agent field
- Maximize value of core products through lifecycle management

STRATEGIC ALLIANCES
Implement strategic alliances to accelerate the above strategies

NEW GROWTH DRIVERS FOR FISCAL 2015



Establishing a Differentiated Business Model

The fourth fiscal 2015 objective is to establish competitive superiority through the creation of a differentiated business model. Our potential competitive edge is our distinctive position as a unique group with a broad technical foundation is accompanied by the diverse product lineup that we have as a result of the merger.

Our lineup of ethical drugs is very diverse in comparison with those of other companies. In addition to such distinctive drugs as Remicade and Radicut, we also have plasma derivatives, vaccines, narcotics and psychiatric medications as well as over-the-counter (OTC) drugs. In addition, in April 2008 Mitsubishi Tanabe Pharma established Tanabe Seiyaku Hanbai Co., Ltd., which has made a

full-fledged start in generic drug operations. I believe that this depth and breadth is our greatest strength.

Furthermore, through alliances with companies in the Mitsubishi Chemical Holdings Group, we are able to utilize biomarker research capabilities, fundamental drug discovery capabilities and biotechnologies. This is another strength that other companies do not have.

Through the comprehensive use of these rich management resources, Mitsubishi Tanabe Pharma will create a differentiated business model and establish a competitive edge.

ESTABLISHMENT OF FISCAL 2010 BUSINESS OBJECTIVES

Under the Medium-Term Management Plan 08–10, we have set numerical objectives for fiscal 2010—net sales of ¥460.0 billion, an increase of ¥50.6 billion from our results in fiscal 2007; operating income of ¥95.0 billion, up ¥22.5 billion; net income of ¥56.0 billion, up ¥24.0 billion; and R&D expenses of ¥82.0 billion, up ¥10.0 billion.

This sales objective represents a reduction of ¥20.0 billion from the previous objectives, which were released as the business plan for the newly merged company in May 2007. This change stems from our decision to refine the sales target in consideration of internal and external environmental changes. In domestic pharmaceutical operations, our objective is ¥390.0 billion, up ¥38.6 billion from fiscal 2007. The combined total objective for our six priority products—Remicade, Radicut, Anplag, Urso, Talion and Tanatril—is ¥146.0 billion, up ¥34.6 billion from the year under review. From the previous objectives, this represents a combined reduction of ¥7.0 billion for the six drugs, including reductions of ¥1.0 billion for Remicade, ¥2.0 billion for Radicut and ¥6.0 billion for Urso.

The sales objective was reduced substantially, but we have also reevaluated the profit/cost structure, and by thoroughly reducing cost of sales and SG&A expenses, we are targeting cost synergies of ¥24.0 billion, an increase of ¥4.0 billion from the previous objectives. On the other hand, R&D expenses are a driver of future growth, and we will maintain the R&D expense ratio, limiting the decline in both operating income and R&D expenses to ¥5.0 billion from the previous objectives announced in May 2007. The net income objective, meanwhile, has been reduced ¥4.0 billion from the previous objective.

KEY MANAGEMENT ISSUES AND ACTION PLAN FOR THE 08–10 MEDIUM-TERM PERIOD

Targeting the achievement of fiscal 2015 objectives and fiscal 2010 numerical targets, under the plan, we formulated five key management issues and action plans for dealing with them. Those issues are enhancement of the Company's domestic sales presence, steady progress in key development projects, progress in developing overseas pharmaceutical operations, progress in generic operations and the creation of an efficient organization and cost structure.

FISCAL 2010 NUMERICAL TARGETS

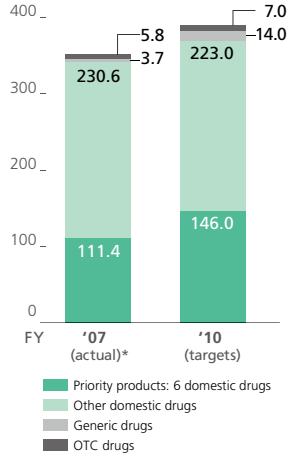
Billions of yen (except number of employees)

Consolidated	FY 2007 (actual)*	FY 2010 (targets)**	
Net sales	¥ 409.4	¥ 460.0	¥ [480.0]
Priority products*** :			
Remicade	28.6	50.0	[51.0]
Radicut	27.9	30.0	[32.0]
Anplag	17.6	22.0	[22.0]
Urso	16.6	20.0	[26.0]
Talion	8.3	14.0	[12.0]
Tanatril	12.4	10.0	[10.0]
Operating income	72.5	95.0	[100.0]
Net income	31.9	56.0	[60.0]
R&D expenses	72.3	82.0	[87.0]
Number of employees	10,361	9,400	[9,400]
Cost synergies		24.0	[20.0]

* Figures are simple sums.
** Figures in brackets were announced May 2007 for the newly merged company.
*** Sales figures for priority products are domestic sales.

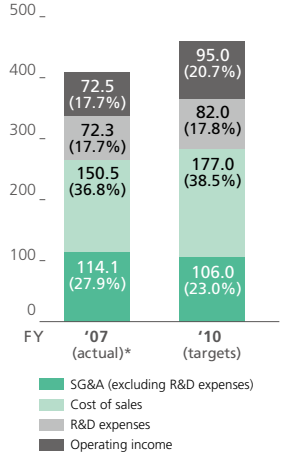
Sales Targets For Domestic Pharmaceutical Operations

Billions of yen



Trends in Profit and Cost Structures

Billions of yen



Note: Figures in parentheses are percentages of net sales.

Enhancing the Company's Domestic Sales Presence

The medium-term management plan does not anticipate the launch of new products, so the improvement of our domestic sales presence is an essential issue. Remicade, which will be our largest growth driver through fiscal 2010, is expected to see the launch of a number of competing drugs and intensified competition. In this setting, we will increase the number of specialized Remicade area managers and emphasize the strengths of clinical experience and evidence with Japanese patients, based on the six years of prescription results since its launch. We will also move ahead with additional usages/dosages for rheumatoid arthritis (RA) and with additional indications. In this way, we will strive to maximize the product value of Remicade, aiming for sales of ¥50.0 billion in fiscal 2010. Next, in the cerebrovascular field, centered on Radicut, Grtpa and Novastan, we will take steps to further enhance our specialized knowledge and expand sales of our products, including the addition of specialized medical representatives (MRs). In addition, in April 2008 we implemented a complete integration of the two promotion systems of the predecessor companies. Under this new system, we will take steps to undertake promotional activities that fully leverage our MR workforce, one of the largest in Japan, such as strengthening tie-ups with institution-based MRs and field-specific MRs. In this way, we will work to increase sales of priority products. At the same time, by strengthening cooperation with Group companies, we will maximize marketing synergies.

Steady Progress in Key Development Projects

Targeting the launch of new growth drivers for the period starting in fiscal 2011, the Company has identified a number of focus development projects. In the U.S. and European markets, these are MCI-196 (hyperphosphatemia) and MP-146 (chronic kidney disease). In Japan, they are MP-424 (chronic hepatitis C) and, in our focus disease area of diabetes, MP-513 (type 2 diabetes) and TA-7284 (diabetes). We will strive to make steady progress in their development. In regard to existing products, we are working to get additional indications to maximize the potential of Remicade and Radicut, which are priority products.

Progress in Developing Overseas Pharmaceutical Operations

In the U.S., targeting the launch of MCI-196 and MP-146, which the Company plans to sell through its own sales system, the Company has begun to build a U.S. sales system and to conduct pre-marketing activities targeting nephrologists and dialysis specialists. In Europe, the Company will reinforce the market position of selective antithrombin agent Argatroban (generic name: Argatroban, brand name: Novastan), which has already been launched in seven countries, and we will use the platform provided by Argatroban sales as we proceed with preparations for the launch of MCI-196 and MP-146 at the same time in Europe as in the U.S. In Asia, to bolster its existing operational foundation in China, Korea, Taiwan and Indonesia, the Group will increase the number of MRs from 500 to 600. We will strive to expand pharmaceutical operations in Asia by increasing the range of products sold through our own sales network.

Progress in Generic Operations

Generic drugs are expected to record further growth, with support from government-led promotional initiatives. The Mitsubishi Tanabe Pharma Group will work to further strengthen its back-up systems to provide health care professionals and patients with reliable generics that they can trust. By strengthening cooperation with Tanabe Seiyaku Hanbai and wholesalers, we will build a transaction platform with pharmacies that fill prescriptions and diagnosis procedure combination (DPC) hospitals. Moreover, with widespread changes expected in the generic drug market, the rapid expansion of our lineup to raise our market presence as quickly as possible will be a key challenge in the development of our generic operations. We are moving forward with a basic agreement with Choseido Pharmaceutical Co., Ltd., regarding an equity-based alliance in the field of generic drugs, and to further bolster our lineup of injectable formulations of generic drugs, we plan to aggressively implement alliances with other companies. Steadily advancing these initiatives, we will strive to achieve our fiscal 2010 targets of sales of ¥14.0 billion and a lineup of 100 ingredients ahead of schedule as well as further operational expansion.

Creating an Efficient Organization and Cost Structure

To achieve our fiscal 2010 numerical objectives, the pursuit of cost synergies is essential. Also, the establishment of an efficient organization and cost structure and the reinforcement of the fundamental strengths of the Company are prerequisites for the growth of the Company over the medium to long term and are important from the viewpoint of our growth strategies. In accordance with this viewpoint, to optimize our organization and cost structure, we have considered base consolidation, reorganization of subsidiaries and affiliates, workforce optimization and cost cuts, and have clarified the direction that we will take in each of these areas. Specifically, the

Company will consolidate bases, centered on head offices (Osaka and Tokyo) and research facilities, consolidate of production related companies and domestic service companies, establish an optimally sized workforce, consolidate overlapping bases, organizations and administrative tasks, and reduce costs. As the same time, we will take thorough steps to improve administration and enhance efficiency.

WORKING TO REALIZE DYNAMIC SYNERGY

To achieve the goal of the medium-term management plan, it is important that every employee be able to work to their full potential. To that end, it is important that all employees have a common understanding of our future direction and take the initiative in working to achieve the Company's objectives.

From May to June 2008, I and the other members of the Operating Committee have been assigned domestic and overseas work sites to visit and make presentations on the medium-term management plan. By ensuring information is shared on a Companywide basis and linked to the manifestation of the concept of Dynamic Synergy, we will make strides toward the achievement of the plan's objectives and the realization of our vision.

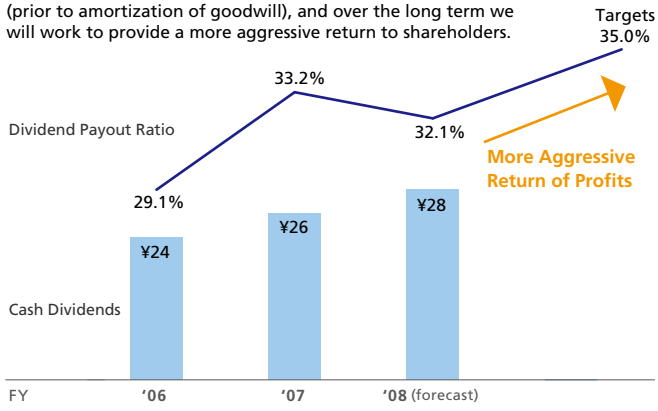
MAXIMIZING ENTERPRISE VALUE

We have become a member of the Mitsubishi Chemical Holdings Group, but there will be no change in our approach to meeting the expectations of our shareholders. Our highest priority mission is to maximize enterprise value by investing aggressively to bolster R&D and marketing activities from a medium-to-long-term perspective. I believe that by realizing Dynamic Synergy and making steady progress toward our vision, we will maximize enterprise value.

Also, there will be no change to our fundamental policy of providing a stable, ongoing return of profits. Our objective for dividend payout ratio is 35% (prior to amortization of goodwill), and over the long term we will work to provide an enhanced return to shareholders to meet the expectations of our shareholders. For fiscal 2007, we have paid annual dividends of ¥26.0 per share, an increase of ¥2.0 per share from the previous fiscal year.

POLICIES FOR RETURNING PROFITS

Objective for the consolidated dividend payout ratio is 35% (prior to amortization of goodwill), and over the long term we will work to provide a more aggressive return to shareholders.



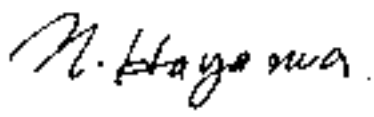
*Tanabe Seiyaku's interim figures and Mitsubishi Tanabe Pharma's year-end figures are used for the FY 2007 dividends. The dividend payout ratio is calculated exclusive of the amortization of goodwill and provision of reserve for HCV litigation from Mitsubishi Tanabe Pharma's second-half net income, and with year-end dividends.

ESTABLISHMENT OF CORPORATE BEHAVIOR CHARTER

The Company has established the Corporate Behavior Charter. Based on our philosophy, the charter spells out the top priority activities for all directors and employees at Mitsubishi Tanabe Pharma in the implementation of business activities targeting the realization of our vision. To meet the needs of various stakeholders and become a global research-driven pharmaceutical company that is trusted by communities, every director and employee will maintain high ethical standards, place priority on fairness and integrity in all activities, and act in accordance with four key phrases—Pride and Sense of Mission, Challenge and Innovation, Trust and Teamwork and Harmonious Coexistence with Society.

I would like to ask for the continued support and understanding of our shareholders and other stakeholders.

July 2008



Natsuki Hayama
President & Representative Director
Chief Executive Officer

RESEARCH AND DEVELOPMENT

We are working to further strengthen our discovery research capabilities and to increase the speed of our development activities as we build a system that can continually discover new drugs that meet global needs. In this way, we will establish our position as a global research-driven pharmaceutical company.

DISCOVERING NEW GLOBAL DRUGS

We are working to establish our position as a global research-driven pharmaceutical company. Competition in new drug development is intensifying on a global basis, and to achieve this position we must rapidly discover superior drugs. Based on this recognition, we are working to further strengthen our discovery research capabilities and to increase the speed of our development activities as we build a system that can continually discover new drugs that meet global needs.

Accordingly, we will continue to invest aggressively in R&D, as demonstrated by our fiscal 2010 target of R&D expenses of ¥82.0 billion. In particular, in consideration of our pipeline and market growth potential, we will focus our R&D resources. We have positioned metabolism and circulation as priority fields, with diabetes and cerebral infarction as focus disease areas. We will take on the challenge of discovering new drugs from the viewpoint of comprehensive disease care, extending from prevention to convalescence. With diabetes, for example, this approach would include metabolic risks, such as obesity and lipid abnormalities, and complications, and with cerebral infarction, our focus would extend from the acute phase to recovery and maintenance. In this way, we will work to build an R&D pipeline that can launch one drug every two years, centered on the fields of metabolism and circulation, by fiscal 2015.

FURTHER BOLSTERING DRUG DISCOVERY CAPABILITIES

Discovery research entails theme discovery, where the compounds that will be candidates for new drugs are identified, and optimization, where those compounds are converted into forms that are appropriate for pharmaceuticals. Subsequently, preclinical testing is conducted, followed by the move to clinical testing. In regard to discovery research, Mitsubishi Pharma had strengths in theme discovery, while in optimization, Tanabe Seiyaku had strengths in low-molecular compound optimization. As a result, by integrating the strengths of these two former companies, we can shorten the time required for research and increase the number of development candidates.

Moreover, we will aggressively cooperate with members of the Mitsubishi Chemical Holdings Group and strengthen our discovery research capabilities. Specifically, through tie-ups with Molecuence Corporation, Mitsubishi Chemical Medience Corporation and Mitsubishi Chemical Group Science and Technology Center, we will work in discovery research using biomarkers. This is an example of how we will strive to discover global new drugs by leveraging the comprehensive strengths of the Group.

Our discovery research bases—which include five domestic sites and, overseas, Tanabe Research Laboratories, U.S.A., Inc.—are moving ahead with research activities. In the future, we plan to consolidate domestic research operations into two sites—one each in eastern and western Japan.

STEADY PROGRESS IN KEY DEVELOPMENT PROJECTS

To conduct effective, efficient development activities, we are working to clarify the priority ranking of the development pipeline and achieve the optimal allocation of management resources. In particular, a key focus will be the development of new drugs that have the potential to become our growth drivers in fiscal 2011 and subsequent years. We have positioned these drugs as focus development projects that will have high priority in the allocation of management resources.

First, in regard to the U.S. and Europe, the Company has positioned MCI-196 (indication: hyperphosphatemia) and MP-146 (indication: chronic kidney disease), as focus development projects in those markets. Using them as a foothold for international development, we plan to conduct independent sales of these two renal disease agents in the U.S. and Europe, and expect them to contribute significantly to accelerating the development of our overseas operations.

Next, in Japan we have positioned MP-513 (indication: type 2 diabetes) and TA-7284 (indication: diabetes) as focus development projects in the domestic market. Including these two compounds, we have several development compounds in the field of diabetes that have different mechanisms of action. We will move forward with development of these diabetes agents, which have the potential to become major drugs. In the U.S. and Europe, our basic approach to the development of diabetes agents will entail the use of licensing-out and joint development.

In addition, MP-424 (indication: chronic hepatitis C), which is in development in Japan, has also been positioned as a focus development project. We will strive to make steady progress in the development of these five new drug candidate compounds and nurture them into new growth drivers for Mitsubishi Tanabe Pharma by fiscal 2015.

In lifecycle management (LCM), the acquisition of additional indications for Remicade and Radicut have been made priority development projects, and accordingly we will work to maximize their product potential.

Moreover, to proceed steadily with development, we will strengthen our project management system and enhance our global development framework. At the same time, we will increase the productivity of R&D by aggressively working to secure backup compounds in key development projects.

UTILIZING STRATEGIC ALLIANCES

To bolster our discovery research capabilities and speed up development activities, we will aggressively implement strategic alliances. In conducting joint R&D with domestic and overseas companies and research institutions, we combine our strengths with those of our alliance partners, thereby facilitating progress with high-quality research themes.

Furthermore, through joint development with pharmaceutical companies in the U.S. and Europe, we have built a system that makes possible concurrent development of promising development candidates in Japan, the U.S. and Europe. We are moving ahead with development in the optimal location in terms of speed, costs and quality of clinical trials. Specifically, in regard to the two diabetes compounds that have been positioned as priority development projects in Japan, Europe and the U.S., we have licensed TA-7284 to Johnson & Johnson, of the U.S., and are considering alliances for MP-513. Also, FTY720 (indication: multiple sclerosis) is expected to become a major drug. In the U.S. and Europe, we have licensed it to Novartis Pharma, of Switzerland, and domestically, we are working with Novartis to implement joint development.

FOCUS DEVELOPMENT PROJECTS (AS OF MAY 7, 2008)

Key Development Projects

- MP-513: DPP4 inhibitor (indication: type 2 diabetes mellitus)

Inhibits dipeptidyl peptidase 4 (DPP 4) and thus accelerates insulin secretion after meal intake but not in a fasting state. It is in development for the treatment of type 2 diabetes. In Phase 2 trials in Japan and in Phase 1 trials in Europe and the U.S.

- TA-7284: SGLT2 inhibitor (indication: diabetes mellitus)

Selective SGLT2 inhibitor. Inhibits reabsorption of sugar in the kidneys, eliminates excess sugar in the urine and lowers blood sugar. Phase 1 trials in Japan were started in September 2007. In Europe and the U.S., it is licensed to Johnson & Johnson, which is conducting Phase 2 trials.

- MP-424: NS3-4A protease inhibitor
  (indication: chronic hepatitis C)

Hepatitis C virus NS3-4A protease inhibitor. Chronic hepatitis C agent that can be taken orally. Licensed from Vertex Pharmaceuticals, of the U.S., in 2004. In Japan, Phase 2 trials began in February 2008. In Europe and the U.S., Vertex, from which it was licensed, is conducting Phase 3 trials.

- MCI-196: Non-absorbed phosphate binder
  (indication: hyperphosphatemia)

A resin preparation that has phosphate binding and excretion action. In Europe and the U.S., Phase 3 trials are under way for hyperphosphatemia in kidney dialysis.

- MP-146: Uremic toxic adsorbent
  (indication: chronic kidney disease)

An oral adsorbent carbon that adsorbs uremic toxins produced in the digestive tract and promotes their excretion. Licensed from Kureha in 2006. In Europe and the U.S., it is in Phase 3 trials for chronic kidney disease patients.

Lifecycle Management

- Remicade: Anti-TNFα monoclonal antibody

Licensed from Centocor, of the U.S., in 1993. In 2002 we began marketing Remicade for Crohn's disease. In 2003, an additional indication was approved for rheumatoid arthritis. In 2007, additional indications were received for Behcet's disease and for maintenance therapy for Crohn's disease.

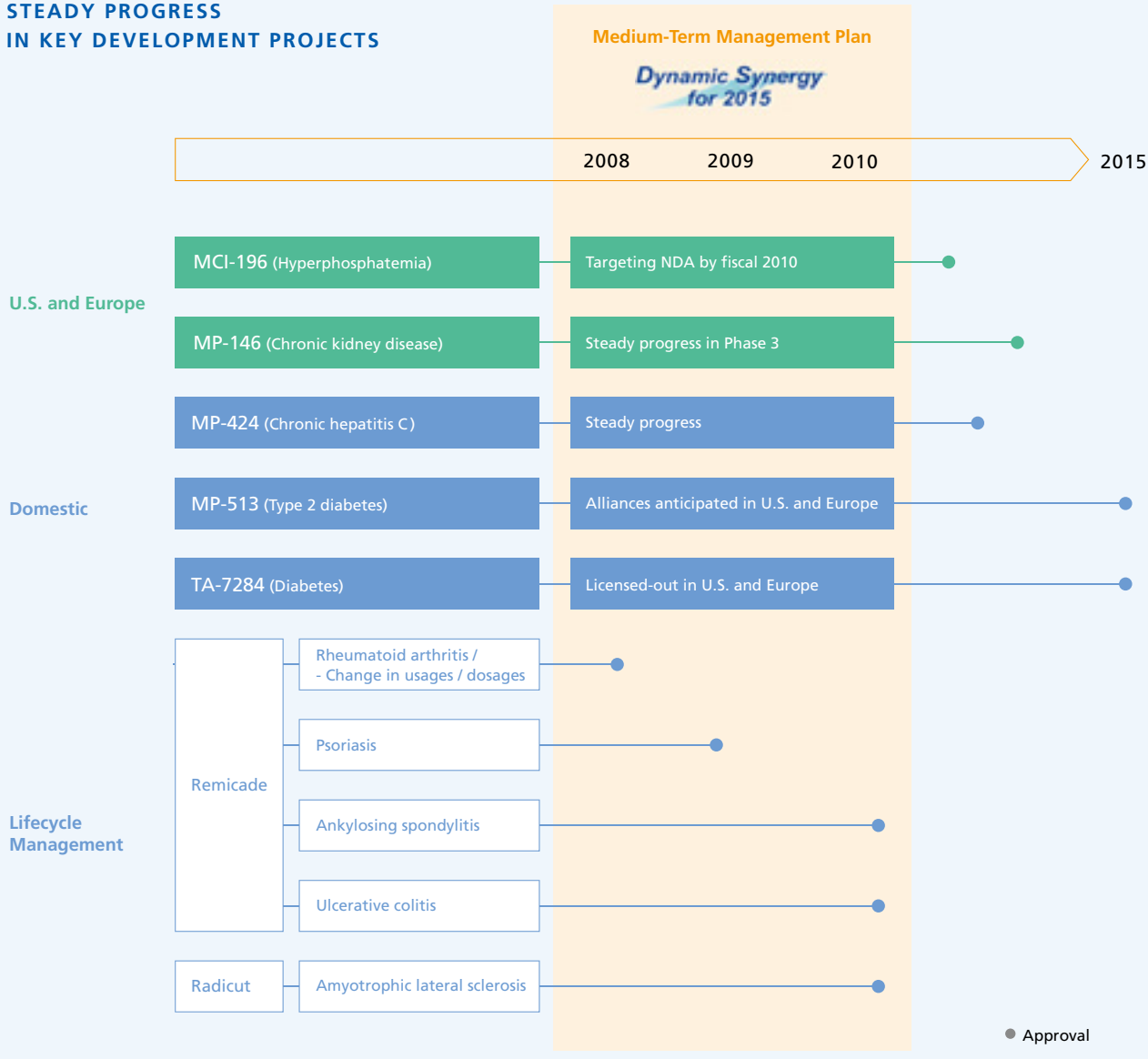
In September 2007, we filed an application for a change in usage/dosages for rheumatoid arthritis, and in February 2008 we filed an application for an additional indication for psoriasis.

Moreover, Phase 3 trials are under way for additional indications for ankylosing spondylitis and ulcerative colitis.

- Radicut: Free radical scavenger

Neuroprotectant. Sales began in 2001. In regard to the additional indication for amyotrophic lateral sclerosis (ALS), it has received orphan drug status and is in Phase 3 trials in Japan.

STEADY PROGRESS IN KEY DEVELOPMENT PROJECTS



STATE OF NEW PRODUCT DEVELOPMENT

(As of May 7, 2008)

JAPAN

New Molecular Entities

Development Code / Product Name (Generic Name)	Category	Indications	Stage (Phase 1 / 2 / 3)	NDA Filed	Origin	Remarks
TA-8317 (Fentanyl)	Narcotic analgesic	Breakthrough cancer pain: oral transmucosal	3		US: Cephalon	
MCC-847	Leukotriene D4 antagonist	Asthma	3		UK: AstraZeneca	
		Allergic rhinitis	2			
APTA-2217 (Roflumilast)	PDE 4 inhibitor	Asthma	2 / 3		Switzerland: Nycomed	Co-development - Nycomed, Switzerland
		Chronic Obstructive Pulmonary Disease (COPD)	2 / 3			
FTY720 (Fingolimod hydrochloride)	Sphingosine-1-phosphate receptor modulator	Multiple sclerosis	2		In-house	Co-development - Novartis Pharma - Mitsui Sugar
MP-513	DPP4 inhibitor	Type 2 diabetes mellitus	2		In-house	
MP-424	NS3-4A protease inhibitor	Chronic hepatitis C	2		US: Vertex	(VX-950)
MP-214	D3/D2 antagonist	Schizophrenia	1		Hungary: Gedeon-Richter	(RGH-188)
MP-435	C5a antagonist	Rheumatoid arthritis	1		In-house	
TA-6666	DPP4 inhibitor	Type 2 diabetes mellitus	1		In-house	
CNTO148 (Golimumab)	Anti-TNFα monoclonal antibody	Rheumatoid arthritis	1		US: Centocor	Co-development - Janssen Pharma
TA-7284	SGLT2 inhibitor	Diabetes mellitus	1		In-house	

Additional Indications

Neuart (Freeze-dried Concentrated Human Anthithromibin III)	Anti-coagulant	Toxemia of pregnancy	3	95.12	In-house	Co-development - CSL Behring
Remicade (Infliximab [recombinant])	Anti-TNFα monoclonal antibody	Rheumatoid arthritis: dose escalation	3	07.09	US: Centocor	
		Psoriasis	3	08.02		
		Ankylosing spondylitis*	3			
		Ulcerative colitis	3			
Venoglobulin-IH (Polyethylene Glycol Treated Human Normal Immunoglobulin)	Human immunoglobulin G	IgG2 deficiency	3	97.12	In-house	
		Polymyositis, Dermatomyositis*	3	03.05		
		Hypo and gammaglobulinemia: additional dose	3	08.03		
		Systemic sclerosis	3			
		Myasthenia gravis	3			
Novastan (Argatroban)	Thrombin inhibitor	Heparin-Induced Thrombocytopenia (HIT)	3	07.09	In-house	
Anplag (Sarpogrelate hydrochloride)	5HT2 antagonist	Prevention of recurrence of cerebral infarction	3		In-house	
Radicut (Edaravone)	Free radical scavenger	Amyotrophic lateral sclerosis*	3		In-house	
Valixa (Valganciclovir)	Anti-viral	Transplantation	3		Switzerland: Roche	
Modiodal (Modafinil)	Psychoneurotic agent	Obstructive sleep apnea	3		US: Cephalon	Co-development - Alfresa Pharma
Maintate (Bisoprolol)	Selective β1 antagonist	Chronic heart failure	3		Germany: Merck KGaA	
Cholebine (Colestimide (JAN))	New mode of action for diabetes treatment	Type 2 diabetes mellitus	2		In-house	
	Non-absorbed phosphate binder	Hyperphosphatemia	1			

*Orphan drug designated (On June 6, 2008, Remicade was designated as an orphan drug for ankylosing spondylitis)

Note: Since the merger in October 2007, the priority ranking of development compounds has been clarified and the Company is moving ahead with reevaluation of the pipeline.

OVERSEAS

New Molecular Entities

Development Code / Product Name (Generic Name)	Category	Indications	Region	Stage: Phase 1	Phase 2	Phase 3	NDA Filed	Origin
MP-146	Uremic toxin adsorbent	Chronic kidney disease	US, EU	▷	▷	▶		Japan: Kureha
MCI-196 (Colestilan)	Non-absorbed phosphate binder	Hyperphosphatemia	US, EU	▷	▷	▶		In-house
TA-6666	DPP 4 inhibitor	Type 2 diabetes mellitus	US	▷	▶			In-house
TA-5538	NK-1 receptor antagonist	Overactive bladder	EU	▷	▶			In-house
MCC-135 (Caldaret)	Intracellular Ca handling modulator	Myocardial infarction	US, EU	▷	▶			In-house
MCC-257	Neurotrophin enhancer	Diabetic neuropathy	US	▷	▶			In-house
TA-5493	p38 inhibitor	Rheumatoid arthritis, Psoriasis	EU	▶				In-house
MCI-186 (Edaravone)	Free radical scavenger	Acute cerebral infarction	EU	▶				In-house
MP-513	DPP4 inhibitor	Type 2 diabetes mellitus	US, EU	▶				In-house
GB-1057 (Human serum albumin [recombinant])	Recombinant human serum albumin	Stabilizing agent	US	▶				In-house
TA-8995	CETP inhibitor	Dyslipidemia	EU	▶				In-house

Additional Indications

MCI-9038 (Argatroban)	Thrombin inhibitor	Heparin-Induced Thrombocytopenia (HIT)	EU	▷	▷	▷	Preparing for NDA Filed	In-house
		HIT patients undergoing Percutaneous Coronary Intervention (PCI)	EU	▷	▷	▶		

LICENSING-OUT

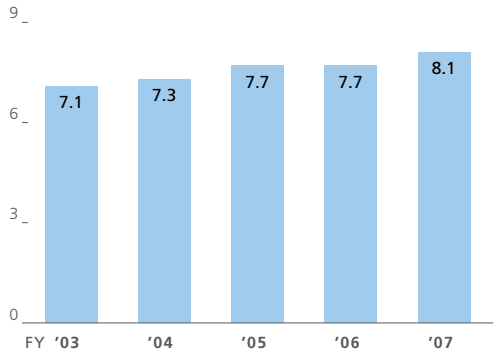
Development Code / Product Name (Generic Name)	Category	Indications	Region	Stage: Phase 1	Phase 2	Phase 3	NDA Filed	Licenses
FTY720 (Fingolimod hydrochloride)	Sphingosine 1–phosphate receptor agonist	Multiple sclerosis	US, EU	▷	▷	▶		Switzerland: Novartis Pharma
MKC-242	5-HT1A receptor agonist	Insomnia	US	▷	▶			US: MediciNova
MCI-225	Norepinephrine reuptake inhibitor + 5-HT3 receptor antagonist	Diarrhea-predominant irritable bowel syndrome	US	▷	▶			US: Dynogen Pharmaceuticals
MKC-733	5-HT3 receptor antagonist	Constipation-predominant irritable bowel syndrome	US	▷	▶			US: Dynogen Pharmaceuticals
		Gastroesophageal reflux disease at nighttime	US	▶				
TA-1790 (Avanafil)	PDE5 inhibitor	Erectile dysfunction	US,	▷	▶			US: Vivus
			Korea	▷	▶			Korea: Choongwae Pharma
TA-2005 (Carmoterol)	Long-acting β2 agonist	Asthma, Chronic Obstructive Pulmonary Disease (COPD)	EU	▷	▶			Italy: Chiesi Farmaceutici
T-0047 (Firategrast)	Cell adhesion inhibitor [$\alpha4\beta7$ / $\alpha4\beta1$ inhibitor]	Multiple sclerosis	EU	▷	▶			UK: GlaxoSmithKline
MKC-231	Neurogenesis enhancer	Depression / Anxiety	US	▷	▶			US: BrainCells
TA-7284	SGLT2 inhibitor	Diabetes mellitus	EU, US	▷	▶			US: Johnson & Johnson Pharmaceutical Research & Development, L.L.C.
T-0128	DNA Topoisomerase I inhibitors [DDS drug camptothecin derivative]	Malignant tumor	EU	▶				Italy: Menarini
sTU-199 (Tenatoprazole)	Proton pump inhibitor	Gastroesophageal reflux dsease	EU	▶				France: Negma (Sidem)
MCC-555 (Netoglitazone)	PPARγ agonist	Type 2 diabetes mellitus	US	▶				US: Perlegen Sciences
Y-39983	ROCK (rho-kinase) inhibitor	Glaucoma	Japan	▶				Japan: Senju Pharmaceutical
MP-412	Tyrosine kinase inhibitor	Malignant tumor	US	▶				US: AVEO Pharmaceuticals
TT-138	β3 receptor agonist	Pollakiuria, Anischuria	US	▶				US: MediciNova

MARKETING ACTIVITIES

We will endeavor to maximize marketing synergies and enhance our presence in the domestic market as well as accelerate operational growth in the U.S. and Europe and bolster our operational foundation in Asia.

ETHICAL PHARMACEUTICAL MARKET IN JAPAN

Trillions of yen



NHI Drug Price Revisions Rate—Industry Average	
2004/4	2006/4
-4.2%	-6.7%

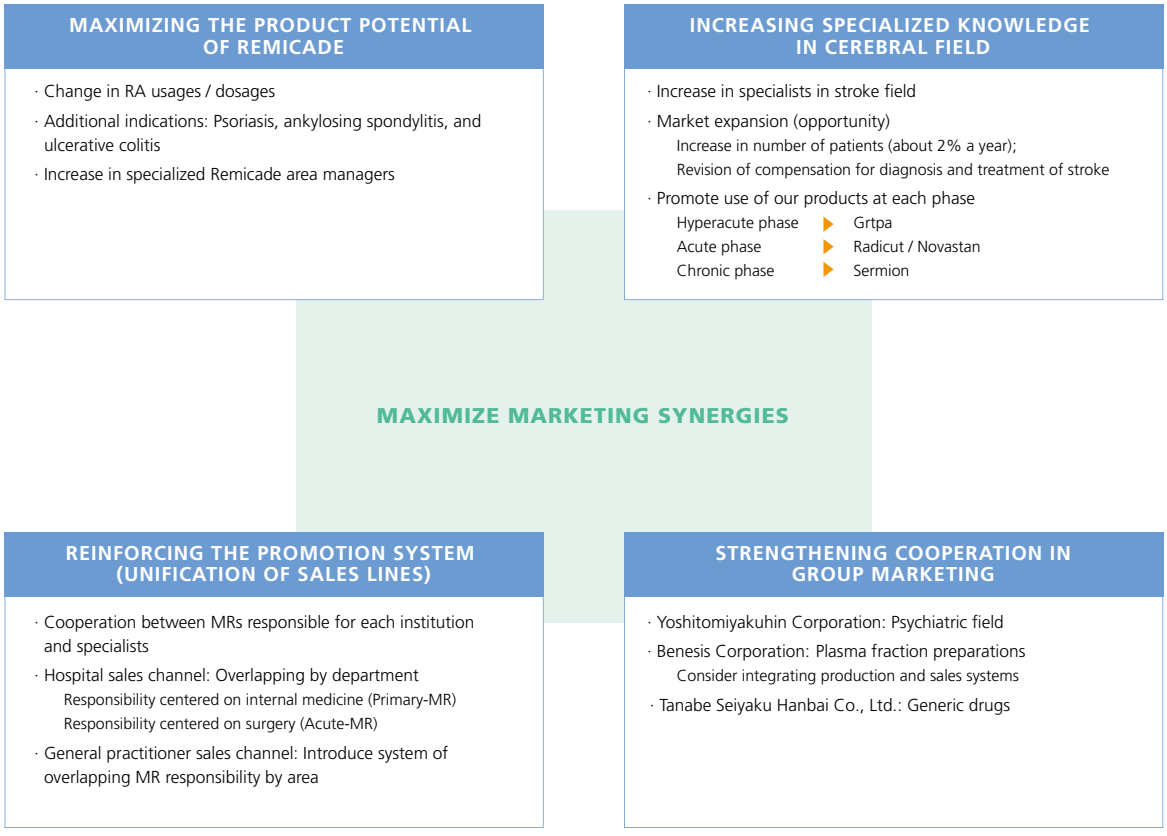
OPERATING ENVIRONMENT

Due to the aging of the population and the launch of new drugs, the domestic market for ethical pharmaceuticals is expanding. However, the rate of growth is sluggish due to the implementation of measures to control healthcare spending, such as substantial reductions in NHI drug prices and the promotion of the use of generics. Even in 2007, when there were no reductions in NHI drug prices, the rate of market growth was very limited. In 2008, NHI drug prices have been reduced (an average reduction of 5.2% on an industry-wide basis), and moving forward, measures to promote the use of generics will be strengthened. As a result, operating conditions are expected to become even more severe.

ENHANCING OUR PRESENCE IN THE DOMESTIC MARKET

In this setting, the Company is leveraging its business platform, which was strengthened by the merger, and accelerating the creation of global new drugs and the development of its overseas operations. We are working to bolster our domestic operational foundation, which will provide the funding for these initiatives.

ENHANCING OUR PRESENCE IN DOMESTIC MARKETING



As of April 2008, Mitsubishi Tanabe Pharma had 2,450 MRs, giving the Company one of the top-ranked sales forces in Japan. Using those capabilities, we will work to maximize the product potential of Remicade, to enhance our specialized knowledge in the cerebrovascular field, and to reinforce our promotion system, thereby increasing sales of priority products. Furthermore, by strengthening cooperation in Group marketing, we will endeavor to maximize marketing synergies and enhance our presence in the domestic market.

Maximizing the Product Potential of Remicade

Mitsubishi Tanabe Pharma has positioned Remicade as a driver of the Company's earnings growth, and we are working to maximize Remicade's product potential. In April 2008, a number of biological products that will compete with Remicade were launched, and competition is expected to intensify. We will continue to take such steps as pursuing changes in RA usages/dosages and additional indications, and will increase the number of specialized Remicade area managers and work to achieve qualitative increases among all MRs. By leveraging the clinical experience with Japanese patients and the strength of the evidence based on the established record of results, we will strive to differentiate Remicade from competing drugs and achieve further growth in its sales.

Increasing Specialized Knowledge in Cerebral Field

The number of patients with cerebrovascular diseases is increasing each year, and there is a growing need for drugs to treat those diseases. To meet those needs, Mitsubishi Tanabe Pharma will leverage its lineup of cerebrovascular drugs, which is the largest in the industry. This lineup includes Grtpa, for the hyperacute phase; Radicut and Novastan, for the acute phase; and Sermion, for the chronic phase. We will take steps to increase our specialized knowledge in the cerebrovascular field, such as increasing MRs specializing in the field. In this way, we will aggressively provide information to doctors and other healthcare professionals, and will work to promote treatment methods in line with the distinctive characteristics of each drug.

Reinforcing the Promotion System

We began combined training for joint promotion products prior to the merger, and at the time of the merger in October 2007, we completed the consolidation of the branches and sales offices of the former Tanabe Seiyaku and the former Mitsubishi Pharma. In April 2008, a complete integration of the two promotion systems of the predecessor companies was implemented. Furthermore, we will endeavor to provide higher quality information through strengthened tie-ups with institution-based MRs and field-specific MRs and through the establishment of separate acute/chronic promotion systems. Also, for our priority products—Remicade, Radicut, Anplag, Urso, Talion, and Tanatril—we will conduct promotion activities that leverage our MR workforce, one of the largest in Japan, and strive to achieve our fiscal 2010 sales targets.

DOMESTIC SALES TARGETS FOR SIX PRIORITY PRODUCTS IN FISCAL 2010

Billions of yen

Remicade	¥50.0	¥[28.6]
Radicut	30.0	[27.9]
Anplag	22.0	[17.6]
Urso	20.0	[16.6]
Talion	14.0	[8.3]
Tanatril	10.0	[12.4]

Note: Figures in brackets are results in fiscal 2007.

Strengthening Cooperation in Group Marketing

The Mitsubishi Tanabe Pharma Group includes many companies with special strengths. Specific examples include Benesis Corporation, which develops and manufacturers plasma derivatives, Yoshitomiyakuhin Corporation, which handles promotion of psychiatric medications, and Tanabe Seiyaku Hanbai, a generic drug sales company. Through cooperation among these Group companies, we expect to expand our sales routes and meet medical needs. For example, in advanced acute phase hospitals, principally university hospitals, plasma derivatives are one of the essential drugs. Through cooperation with Benesis, we can flexibly meet needs at these hospitals, thereby expanding sales.

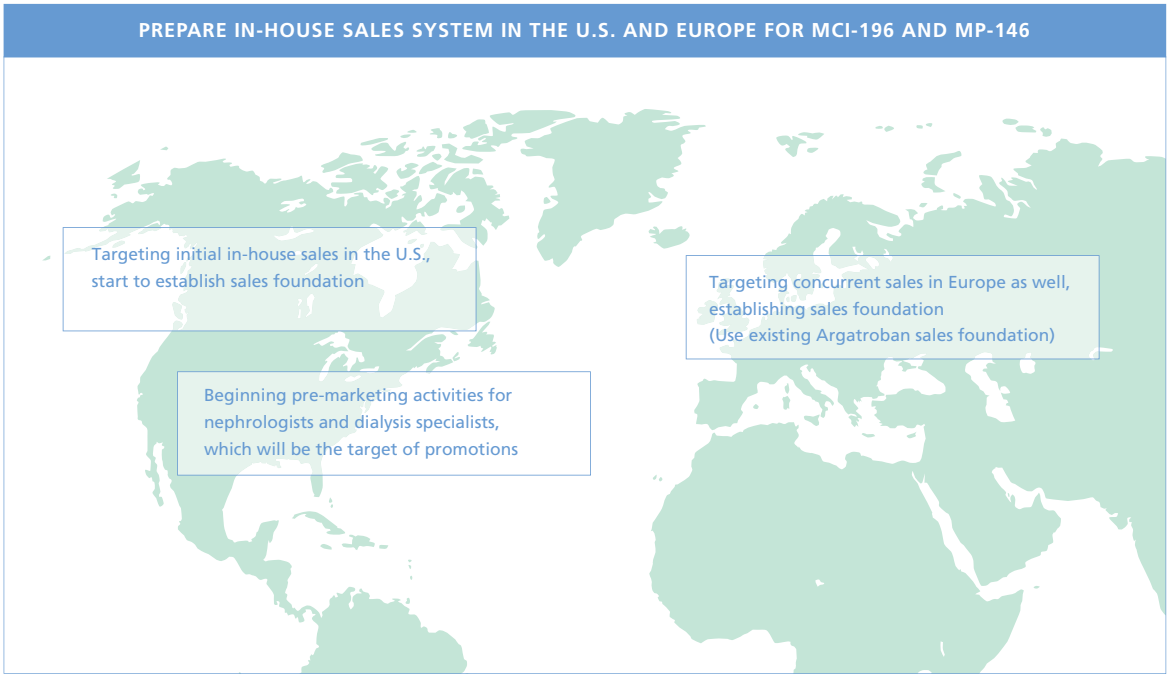
GENERIC DRUG OPERATIONS LAUNCHED

Establishment of Tanabe Seiyaku Hanbai

On April 1, 2008, we established Tanabe Seiyaku Hanbai Co., Ltd., a subsidiary that will focus on promoting and marketing generic drugs. With the government promoting measures to control healthcare spending, the market for generic drugs is expected to record further growth, and there are growing needs for generic drugs that patients and healthcare professionals can use with confidence.

In response, Mitsubishi Tanabe Pharma will provide Reliable Generics that can be used with reassurance in regard to brand, quality, product lineup and stable supply. Over the long term, Mitsubishi Tanabe Pharma will strive to become a leader in the generic drug business.

PROGRESS IN DEVELOPING OVERSEAS PHARMACEUTICAL OPERATIONS



Accelerating Development of Overseas Operations

U.S. and Europe

MCI-196 (indication: hyperphosphatemia) and MP-146 (indication: chronic kidney disease), which are in Phase 3 trials in the U.S. and Europe, are slated to be the first products that we offer in the U.S. through independent sales in fiscal 2011 and thereafter. Accordingly, we have begun to establish our own sales system, targeting the rapid launch of these products. Also, the Company will start to conduct pre-marketing activities targeting nephrologists and dialysis specialists, such as cultivating influential specialists and holding symposiums.

In Europe, the Company will reinforce the market position of Argatroban (generic name: Argatroban, brand name: Novastan), an antithrombin agent, which has already been launched in seven countries, and we will use the sales foundation provided by Argatroban as we proceed with preparations for the launch of MCI-196 and MP-146 in Europe and in the U.S.

Asia

In Asia, the Company already has an operational foundation in China, Korea, Taiwan and Indonesia. In Asian markets, the principal products that we will provide through independent sales systems include Tanatril, Herbesser, Talion, Anplag and Liple. As of March 31, 2008, we had 500 MRs in Asia. In each market, Mitsubishi Tanabe Pharma will work to expand the lineup of products that it offers through its own sales systems. At the same time, we will take steps to further increase our operational foundation, such as increasing our number of MRs to 600.

OVERVIEW OF CORE ETHICAL DRUGS AND SALES TRENDS

PRIORITY PRODUCTS

Remicade Infliximab

Treatment of rheumatoid arthritis (RA), active Crohn's disease and Behcet's disease with refractory uveoretinitis (Anti-TNFα monoclonal antibody)

Fiscal 2007 sales: ¥28.6 billion
Launch: 2002 **Origin:** Centocor (U.S.)
Development: Mitsubishi Tanabe Pharma

Overview: Anti-TNFα antibody that targets TNFα, an inflammatory cytokine. It is very fast-acting and its efficacy is sustained for two months with a single administration. Remicade has been shown to inhibit joint destruction in RA. In January 2007, it became the first drug in the world to receive an indication for Behcet's disease complicated with refractory uveoretinitis that does not respond to conventional therapies. It received an additional indication for the maintenance treatment of Crohn's disease in November 2007, and an application for another new indication, psoriasis, was filed in February 2008.
Sales trend: Sales in fiscal 2007 were up 39.6%. In the future, competition among TNFα drugs is expected to intensify, but the market still shows potential for growth. The forecast for sales in fiscal 2008 is ¥35.7 billion.

Radicut Edaravone

Cerebral neuroprotectant
(Free radical scavenger)

Fiscal 2007 sales: ¥27.9 billion
Launch: 2001
Origin: Mitsubishi Tanabe Pharma

Overview: Radicut, which was developed in Japan, is the world's first cerebral neuroprotectant (free radical scavenger) shown to improve neurological symptoms at the acute stage of cerebral infarction, interference with activities of daily living and functional disability. It inhibits damage to brain cells and protects cerebral blood vessels and cells. It is applicable to the treatment of three major types of cerebral infarction (cerebral lacunar, atherothrombotic and cardiogenic).
Sales trend: Sales in fiscal 2007 were down 2.4%. We will add more specialized MRs in the cerebral field, expand its use in the treatment of acute cerebral infarction, and bolster promotion. The forecast for sales in fiscal 2008 is ¥29.3 billion.

Anplag Sarpogrelate

Anti-platelet agent
(5-HT2 blocker)

Fiscal 2007 sales: ¥18.3 billion
(domestic, ¥17.6 billion; overseas, ¥0.7 billion)
Launch: 1993
Origin: Mitsubishi Tanabe Pharma

Overview: Anplag is an oral anti-platelet that is used to treat patients with chronic arterial occlusion, such as arteriosclerosis obliterans (ASO). Anplag improves ischemic symptoms associated with chronic arterial occlusion, such as ulcer, pain and coldness of limbs, through the inhibition of platelet aggregation, vascular contraction and growth of vascular smooth muscle cells, which are intensified by serotonin. It especially improves blood flow in the collateral circulatory system. A small-sized tablet that is convenient for elderly patients was approved in August 2007.
Sales trend: Domestic sales in fiscal 2007 were up 6.5%. Anplag, which has an excellent balance of safety and efficacy, is recording the strongest growth in the expanding ASO market. The forecast for sales in fiscal 2008 is domestic sales of ¥20.2 billion and overseas sales of ¥0.8 billion.

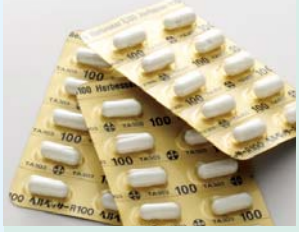
OTHER CORE ETHICAL DRUGS

Ceredist Taltirelin

Treatment of spinocerebellar degeneration

Fiscal 2007 sales: ¥15.2 billion
Launch: 2000
Origin: Mitsubishi Tanabe Pharma

Overview: Ceredist, developed by Tanabe Seiyaku, is the world's first oral thyrotropin-releasing hormone (TRH) derivative drug. TRH was known to be effective against ataxia caused by spinocerebellar degeneration, but it was previously administered only through injection.
Sales trend: Sales in fiscal 2007 were up 4.9%. Ceredist's penetration rate in this market is high, and with steady growth in patient numbers, sales are expected to increase. The forecast for sales in fiscal 2008 is ¥15.3 billion.



Herbesser Diltiazem

Treatment of angina pectoris and hypertension
(Calcium antagonist)

Fiscal 2007 sales: ¥17.6 billion
(domestic, ¥13.0 billion; overseas, ¥4.6 billion)
Launch: 1974
Origin: Mitsubishi Tanabe Pharma

Overview: Herbesser is a representative calcium antagonist that is used in more than 110 countries around the world. In addition to a blood-pressure-lowering effect, it reduces the cardiac load by lowering the heart rate and increases the oxygen supply through a coronary vasodilating effect. It has a gentle cardioprotective action in patients with hypertension or angina pectoris.
Sales trend: In fiscal 2007, domestic sales declined 3.1% due to the influence of generics. Overseas sales were down 0.2%. In fiscal 2008, in conjunction with Tanatril and Maintate, we will implement effective promotion targeting cardiovascular specialists. The forecast for sales in fiscal 2008 is domestic sales of ¥12.0 billion and overseas sales of ¥6.0 billion.

Talion Bepotastine

Treatment of allergic disorders

Fiscal 2007 sales: ¥8.8 billion
(domestic, ¥8.3 billion; overseas, ¥0.5 billion)
Launch: 2000 **Origin:** Ube Industries
Development: Co-development with Ube Industries, Ltd.

Overview: Talion has rapid onset of anti-histamine (H_1) effects and is effective for allergic rhinitis, urticaria and pruritus accompanying dermatitis. It has minimal incidence of sedation. In March 2007, approval was received for an additional formulation, orally disintegrating tablets, and they were launched in July.
Sales trend: Domestic sales in fiscal 2007 were up 23.9%, the highest rate of growth in the market for allergic disorder drugs. In fiscal 2008, we will continue aggressive promotion activities, which are on the largest scale in the allergic disorder field, and strive for further growth. The forecast for sales in fiscal 2008 is domestic sales of ¥10.8 billion and overseas sales of ¥0.5 billion.

Urso Ursodeoxycholic Acid

Agent for improving hepatic, biliary and digestive functions

Fiscal 2007 sales: ¥17.1 billion
(domestic, ¥16.6 billion; overseas, ¥0.5 billion)
Launch: 1962
Origin: Mitsubishi Tanabe Pharma

Overview: Ursodeoxycholic acid, which is the principal ingredient of Urso, is the source of the effectiveness of black bear gallbladder. It has been used to improve digestive diseases. UDCA is one of the bile acids existing in the human body. In addition to the dissolution of gall stones, in 2007, additional indications were received for improvement of liver function in chronic liver disease and hepatitis C.
Sales trend: Domestic sales in fiscal 2007 were up 4.7%. As a result of our marketing activities, general practitioners and non-specialists are approaching the same administration criteria as hepatologists. In fiscal 2008, we will work to disseminate the treatment objectives under the chronic hepatitis treatment guidelines. The forecast for sales in fiscal 2008 is domestic sales of ¥18.0 billion and overseas sales of ¥0.5 billion.

Tanatril Imidapril

Treatment of hypertension (ACE inhibitor)

Fiscal 2007 sales: ¥14.4 billion
(domestic, ¥12.4 billion; overseas, ¥2.0 billion)
Launch: 1993
Origin: Mitsubishi Tanabe Pharma

Overview: Tanatril shows excellent blood pressure control with effective organ protection as well as minimal incidence of dry cough, a common side effect of ACE inhibitors. With the approval of an additional indication in 2002, it became the first drug in Japan approved for diabetic nephropathy with type 1 diabetes.
Sales trend: Although the size of the market for ACE inhibitors is declining, we limited the decline in domestic sales to 2.9%. We will promote Tanatril by emphasizing its differences from angiotensin receptor blockers (ARBs), which are expanding rapidly, and its superiority in terms of its protective effect against coronary artery disease. The forecast for sales in fiscal 2008 is domestic sales of ¥12.6 billion and overseas sales of ¥2.0 billion.

Venoglobulin-IH

Human immunoglobulin

Liquid human immunoglobulin formulation for intravenous use (plasma derivative)

Fiscal 2007 sales: ¥12.9 billion
(domestic, ¥11.8 billion; overseas, ¥1.1 billion)
Launch: 1992
Origin: Mitsubishi Tanabe Pharma

Overview: Venoglobulin-IH is an intravenous human immunoglobulin product derived from donated plasma in Japan. Due to four effects of immunoglobulin (opsonic effects, neutralizing effects on toxics and viruses, immuno-bacteriolytic effects, and antibody-dependent cytotoxic effects) it shows high efficacy against serious infectious diseases in combined administration with an anti-bacterial agent.
Sales trend: Domestic sales in fiscal 2007 were down 3.3%. In fiscal 2008, we will strive to improve sales through efficient activities leveraging the integration of MR systems. The forecast for sales in fiscal 2008 is domestic sales of ¥12.2 billion and overseas sales of ¥1.1 billion.

NEWLY LAUNCHED PRODUCT

Medway

Re-NSA Human albumin

Recombinant Human Serum Albumin (rHSA)

Origin: Mitsubishi Tanabe Pharma

Overview: Medway is the world's first recombinant albumin product for pharmaceuticals. Manufacturing approval was received in October 2007, and sales began in May 2008. This product enables mass production and supply of high-purity HSA using Pichia pastoris as a host. Since no animal-derived substances are used in the manufacturing process, there is no risk of infectious diseases caused by viruses. In marketing this product, we will carefully emphasize safe usage.

CORPORATE GOVERNANCE AND INTERNAL CONTROL

STRENGTHENING CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Mitsubishi Tanabe Pharma corporate philosophy is "to contribute to the healthier lives of people around the world through the creation of pharmaceuticals," and our vision is "to be a global research-driven pharmaceutical company that is trusted by communities." To successfully realize these corporate objectives, we have established fundamental policies for the maintenance of internal control systems in accordance with resolutions made by the Board of Directors. Based on these fundamental policies, 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 SYSTEM

Mitsubishi Tanabe Pharma 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, the Corporate Auditors and the Board of Corporate Auditors, and employs an independent auditor.

Management System

The Board of Directors has eight members. 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 management issues and supervises operational execution. Mitsubishi Tanabe Pharma has adopted the corporate officer system and clarified the distinction between the policy making/supervising function and the executive function. Composed of the President & Chief Executive Officer, Executive Vice President, Executive Officers and division managers, the Operating Committee convenes two or more times a month and discusses issues of importance for the overall execution of Company business, and refers issues to the Board of Directors.

Auditing System

Members of the Board of Corporate Auditors attend important meetings, such as meetings of the Board of Directors and the Operating Committee. In addition, they conduct interviews on the execution of duties with the Board of Directors and members of each Company division, review documents relating to major decisions, and investigate the operations and assets of principal work sites and subsidiaries (including internal control systems, such as those for compliance and risk management). In these ways, Corporate Auditors audit the execution of Company business. In regard to cooperation with the independent auditors, the Corporate Auditors also regularly provide information and exchange opinions on the independent auditors' auditing plans, progress and results. When necessary, the Corporate Auditors witness on-site work and review work by the independent auditors. In addition they receive appropriate reports on the progress of audits. Furthermore, the Corporate Auditors hold monthly meetings with the internal audit division to provide the information and to exchange opinions on auditing plans, progress and results.

The Board of Corporate Auditors has four members, two of whom are outside Corporate Auditors. At the Board of Corporate Auditors, reports are given on the progress of audits by all Corporate Auditors and the independent auditors. Also, the full-time staff in the Corporate Auditors' Office, which was established under the direct supervision of the Board of Corporate Auditors, provides support for Corporate Auditors in the execution of their duties, including the duties of the outside Corporate Auditors.

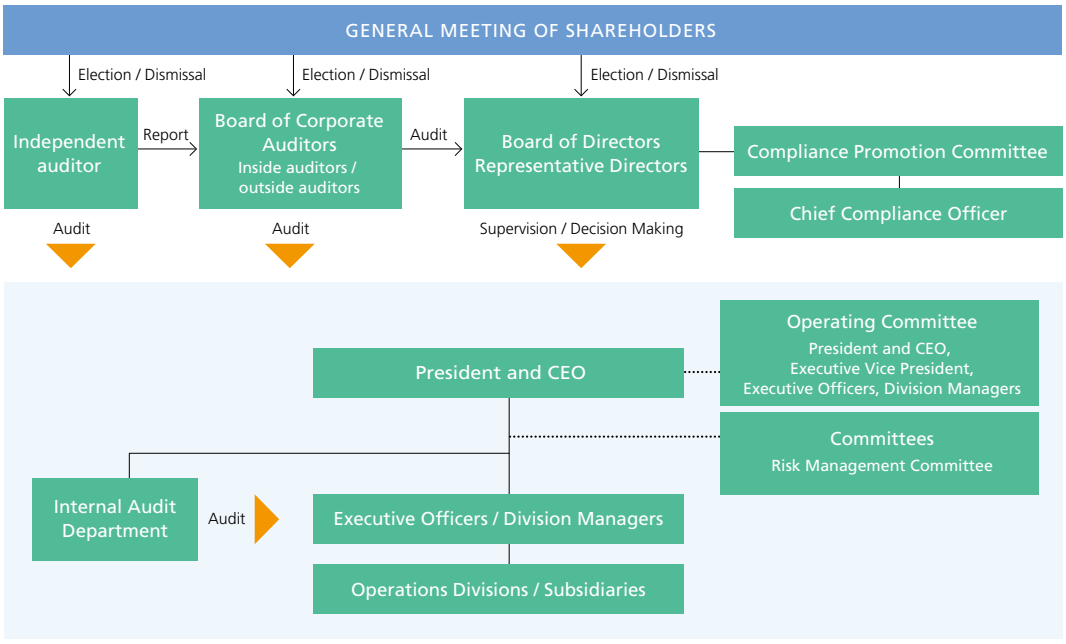
For internal auditing, we have established the Internal Audit Department, which is independent from the executive divisions and audits the internal control systems in operations divisions. In addition, we have established the Internal Control Promotion Department and are implementing measures to promote internal controls relating to financial statements.

In regard to our independent auditor, following the merger, Ernst & Young ShinNihon and KPMG AZSA & Co. were the Company's independent auditors. However, as of the conclusion of the shareholders' meeting held on June 24, 2008, the term of KPMG AZSA & Co. expired, and Ernst & Young ShinNihon continues to be Mitsubishi Tanabe Pharma Corporation's independent auditor.

Outside Corporate Auditors

The outside Corporate Auditors attend Board of Directors meetings and express appropriate opinions when required. They are also provided with auditing reports from the standing Corporate Auditors and independent auditors and reports on the execution of Company affairs by the Board of Directors. Masanao Iechika, an outside Corporate Auditor, has no personal relationships with members of the Board of Directors or Board of Corporate Auditors and has no conflict of interest with the Company. Takashi Nishida, an outside Corporate Auditor, is an outside Corporate Auditor at parent company Mitsubishi Chemical Holdings Corporation.

CORPORATE GOVERNANCE SYSTEM



Compensation of Directors and Corporate Auditors

The Company has adopted a method of calculating director compensation that reflects the Company's results. 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 the year ended March 31, 2008, Directors' compensation amounted to ¥268 million (of which, ¥4 million was for outside Directors) and Corporate Auditors' compensation totaled ¥81 million (of which, ¥20 million was for outside Auditors). In accordance with the contracts with Ernest & Young ShinNihon and KPMG AZSA & Co., auditing fees were ¥16 million and ¥34 million, respectively.

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

Following the merger of Tanabe Seiyaku and Mitsubishi Pharma, the Company became a consolidated subsidiary of Mitsubishi Chemical Holdings Corporation, which owns 56.36% of the Company's shares. The Company will remain listed, and Mitsubishi Chemical Holdings will, in principle, maintain its shareholding ratio in the Company for the next 10 years. The Company will be operated based on the principle of independent decisions and judgment as a publicly listed company and will maintain its independence from the parent company.

RISK MANAGEMENT SYSTEM

In accordance with the Company's 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 Company-wide level, we established the Risk Management Committee, which is working to reduce risks. When it appears that risk events may occur that could give rise to serious damage, we respond in accordance with our risk management regulations.

COMPLIANCE SYSTEM

To ensure sound business activities, the Company has formulated the Corporate Behavior Charter, which will identify the top priorities for directors and employees in the implementation of business activities, and the Mitsubishi Tanabe Pharma Declaration on Compliance and Behavior, which will provide specific behavioral guidelines. In accordance with the charter and the declaration, members of the Board of Directors take the lead in strictly adhering to laws, regulations and the Company's Articles of Incorporation. All relationships with groups that act in an anti-social manner will be terminated. Also, the Company is taking steps to create a Companywide compliance system, including the establishment of the Compliance Promotion Committee and the Compliance Promotion Office, both of which are led by the Chief Compliance Officer. Furthermore, we maintain an internal notification system managed according to separately defined regulations, which operates as an internal system for reporting on legal violations and other compliance issues. In addition, in accordance with our basic regulations for information systems security, document management and important document

storage, the Company appropriately stores and manages information relating to the execution of duties, and maintains it in a manner suitable for inspection, if necessary.

ACCOUNTABILITY TO STAKEHOLDERS

Mitsubishi Tanabe Pharma strives to provide fair, timely and appropriate information on all its activities, such as its management policies, management objectives and financial situation, to all of its stakeholders, including shareholders, investors, customers, consumers and local communities.

We adhere to the Financial Instruments and Exchange Law and other Japanese laws and regulations relating to information disclosure. 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.

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, and also for the Q&A sessions, can be viewed from the Company's web site.

Also, we report on our corporate social responsibility initiatives in our CSR Report.

CORPORATE BEHAVIOR CHARTER

Based on our corporate philosophy, we formulated the "Corporate Behavior Charter," which spells out the top priority activities for all directors and employees at Mitsubishi Tanabe Pharma in the implementation of business activities targeting the realization of our vision. In accordance with the recommendations of the "Final Report on the HIV Incident," published in July 2007 by an in-house investigative committee, measures reflecting the Company's strong resolve to guarantee product safety and quality have been incorporated into these guidelines.

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.

FOR PATIENTS

Ensuring the Quality and Safety of Pharmaceuticals

For pharmaceuticals, which are directly related to human life and health, nothing is more important than quality and safety. We have established internal systems for quality and safety assurance. In accordance with the revised Pharmaceutical Affairs Law that took effect in April 2005, as a manufacturer and distributor, we have established three key posts—the Manufacturing and Sales Chief Officer (Division Manager of Pharmacovigilance & Quality Assurance Division), the Quality Assurance Manager (General Manager of Quality Assurance Unit) and the Safety Control Manager (General Manager of Pharmacovigilance Unit)—which work in cooperation with related divisions.

Moreover, to further enhance the quality assurance and safety management systems for the Group's products, we established the Quality & Safe Liaison Council for subsidiaries and affiliates in the field of ethical drugs in Japan and overseas. In this way, we are fostering cooperation in such areas as sharing of related information and initiatives. Furthermore, in regard to drug safety we continue to implement training at the departmental level. In addition, for all officers and employees at all Group companies, we are providing safety education and training that draw on lessons learned from incidents of health problems caused by pharmaceuticals, such as the HIV and hepatitis C incidents.

Supply Chain

We have built a supply chain that provides a stable supply of high-quality drugs through raw material procurement, drug manufacturing control, quality control and distribution control. The Company's basic purchasing policy calls for open, fair and transparent transactions. In accordance with the principle of free competition, we select suppliers in a global, open manner without regard to whether they are located in Japan or overseas. Also, neutral evaluations and selections are made in accordance with supplier selection standards. Moreover, we require our suppliers to conduct their activities with consideration for corporate social responsibilities, not only quality and safety control but also strict observance of laws and regulations, environmental considerations and human rights.

FOR EMPLOYEES

To ensure that time can be used effectively in accordance with individual working styles, we have instituted a variety of systems that enable all employees to maintain a balance between their work and private lives and to achieve better results. These systems include flex-time, imputed working-hours and short-term work systems.

In regard to industrial safety and health, in fiscal 2007—the first year following the merger—we formulated a basic policy, established a system, and formulated various regulations. Under the three-year medium-term management plan starting in fiscal 2008, in regard to industrial safety and health, in the areas of people, facilities and management, we will move forward with developing human resources and organizations that emphasize thinking before acting, enhanced safety measures for equipment and advancing industrial safety and health management systems.

FOR COMMUNITIES

To coexist with a wide range of people and local communities as a corporate citizen, we are active in useful, ongoing social contribution activities.

For example, to facilitate exchange among people involved in volunteer activities, we have sponsored the MSC Volunteer Salon since 1968, marking the 40th year in February 2008. Furthermore, through foundations, we are taking steps to contribute to progress in research and the dissemination of knowledge in a wide range of fields, such as medicine, pharmacology, agricultural chemicals and science. These activities include supporting the Japan Foundation of Applied Enzymology and the Mitsubishi Pharma Research Foundation. In addition, for the purpose of patient-centered medicine, we are supporting the activities of patient groups and conducting educational and technical support activities that enable junior and senior high school students to experience work sites.

FOR THE ENVIRONMENT

In regard to important issues such as energy conservation, prevention of global warming, reduction of waste and reduced emissions of chemical substances, we have formulated the three-year environmental safety medium-term independent action guidelines, for which fiscal 2008 is the first year. In the future, we will implement activities targeting the achievement of these objectives. In particular, the Company has positioned climate change and global warming as top priority environmental issues, and will aggressively advance energy-saving activities. At plants and research centers, to increase the efficiency of energy usage, we are implementing energy conservation measures, such as adopting inverter-type equipment, introducing high-efficiency equipment, reevaluating the ventilation frequency and intermittent operation of refrigeration equipment and boiler feed pumps. In office buildings, through energy conservation campaigns, such as Cool Biz and Warm Biz, we are working to reduce CO_2 emissions.

BOARD OF DIRECTORS AND AUDITORS

(As of June 24, 2008)

DIRECTORS

1. Natsuki Hayama
President & Representative Director, Chief Executive Officer

2. Takeshi Komine
Representative Director, Executive Vice President

3. Michihiro Tsuchiya
Board Director, Executive Vice President
Medical Intelligence Department, Corporate Strategy Department, Business Development & Licensing Department, Global Product Strategy Department, CMC (Chemistry, Manufacturing and Control) Research Center

4. Kunihiko Shimojuku
Board Director, Executive Vice President
Corporate Management Department, Finance & Accounting Department, Information Systems Department, Internal Control Promotion Department

5. Ken-ichi Yanagisawa
Board Director, Managing Executive Officer
Head of Development Division

6. Junji Hamaoka
Board Director, Managing Executive Officer
Intellectual Property Department, Corporate Communications Department, Environment & Safety Department

7. Tohru Nakajima
Board Director, Executive Officer
Head of Research Division

8. Shotaro Yoshimura
Board Director

AUDITORS

Hiroshi Matsumoto
Corporate Auditor (standing)

Akihiro Narimatsu
Corporate Auditor (standing)

Masanao Iechika
Corporate Auditor (outside)

Takashi Nishida
Corporate Auditor (outside)

From left : Hiroshi Matsumoto, Akihiro Narimatsu, Masanao Iechika, Takashi Nishida

Financial Section and Corporate Information

SIX-YEAR FINANCIAL SUMMARY

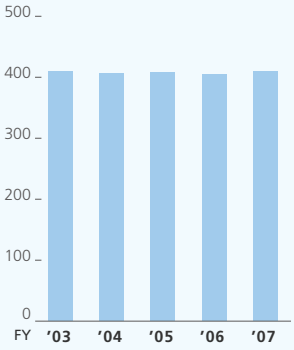
Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31

	2008*	2007	2006	2005	2004	2003
Financial figures (millions of yen):						
Net sales						
Tanabe Seiyaku	**¥315,636**	¥177,531	¥171,552	¥171,985	¥173,614	¥182,251
Mitsubishi Pharma	**[¥409,427]**	227,517	236,207	234,244	235,431	280,780
Cost of sales						
Tanabe Seiyaku	**113,471**	68,954	61,927	63,647	63,689	68,301
Mitsubishi Pharma	**[150,535]**	79,996	81,444	81,712	83,812	120,736
Selling, general and administrative expenses						
Tanabe Seiyaku	**148,225**	78,120	82,057	80,871	80,485	81,124
Mitsubishi Pharma	**[186,423]**	107,566	118,528	121,483	122,892	130,596
Operating income						
Tanabe Seiyaku	**54,024**	30,456	27,568	27,467	29,440	32,826
Mitsubishi Pharma	**[72,468]**	39,955	36,235	31,049	28,727	29,448
Net income						
Tanabe Seiyaku	**21,993**	20,174	15,466	15,902	17,688	8,766
Mitsubishi Pharma	**[31,932]**	24,305	20,699	13,172	10,818	8,255
R&D expenses						
Tanabe Seiyaku	**59,807**	28,520	30,534	27,789	24,605	23,445
Mitsubishi Pharma	**[72,335]**	47,239	47,913	50,482	50,528	48,270
Capital expenditures						
Tanabe Seiyaku	**5,968**	4,368	4,156	3,834	8,722	4,481
Mitsubishi Pharma	**[9,987]**	5,412	8,645	13,099	11,975	13,597
Depreciation						
Tanabe Seiyaku	**12,555**	6,774	7,641	8,414	8,055	8,080
Mitsubishi Pharma	**[15,085]**	10,602	11,796	11,457	12,440	15,957
Total assets						
Tanabe Seiyaku	**807,261**	297,087	280,813	269,049	266,245	237,721
Mitsubishi Pharma		323,364	307,052	290,628	296,200	340,775
Net assets**						
Tanabe Seiyaku	**667,808**	233,595	218,129	203,823	193,216	178,667
Mitsubishi Pharma		253,242	231,541	205,981	197,541	188,982
Interest-bearing debt						
Tanabe Seiyaku	**8,151**	132	693	1,695	1,881	1,795
Mitsubishi Pharma		8,485	8,819	11,192	16,798	54,085
Net cash provided by operating activities						
Tanabe Seiyaku	**38,096**	21,419	22,689	19,805	28,974	4,381
Mitsubishi Pharma	**[46,447]**	28,072	37,029	27,433	33,487	20,145
Net cash provided by (used in) investing activities						
Tanabe Seiyaku	**(4,829)**	(8,525)	(16,827)	(24,809)	1,272	(7,611)
Mitsubishi Pharma	**[(8,981)]**	4,357	(9,872)	(6,950)	20,475	(6,079)
Net cash used in financing activities						
Tanabe Seiyaku	**(6,070)**	(6,059)	(8,487)	(5,102)	(13,333)	(23,686)
Mitsubishi Pharma	**[(9,097)]**	(11,239)	(7,812)	(10,586)	(42,338)	(30,298)
Cash and cash equivalents at end of year						
Tanabe Seiyaku	**160,096**	46,122	39,249	41,942	51,964	35,137
Mitsubishi Pharma		85,182	63,812	44,192	34,196	23,020

	2008*	2007	2006	2005	2004	2003
Per share amounts (yen):						
Net income—basic						
Tanabe Seiyaku	**¥50.12**	¥82.36	¥62.43	¥63.70	¥69.06	¥33.44
Mitsubishi Pharma		53.02	45.39	29.02	23.81	18.05
Net income—diluted						
Tanabe Seiyaku	**–**	–	62.43	63.68	69.06	33.39
Mitsubishi Pharma		–	–	–	–	–
Net assets**						
Tanabe Seiyaku	**1,163.96**	948.30	890.21	822.43	775.48	684.87
Mitsubishi Pharma		531.95	505.01	454.94	435.90	416.90
Dividends						
Tanabe Seiyaku	**26.00*** **	24.00	20.00	17.00	14.00	10.00
Mitsubishi Pharma		14.15	20.44	10.00	10.00	10.00
Financial indicators (%):						
Ratio of cost of sales						
Tanabe Seiyaku	**35.9%**	38.8%	36.1%	37.0%	36.7%	37.5%
Mitsubishi Pharma	**[36.8]**	35.2	34.5	34.9	35.6	43.0
Ratio of selling, general and administrative expenses						
Tanabe Seiyaku	**(47.0)**	44.0	47.8	47.0	46.4	44.5
Mitsubishi Pharma	**[45.5]**	47.2	50.2	51.8	52.2	46.5
Operating margin						
Tanabe Seiyaku	**17.1**	17.2	16.1	16.0	17.0	18.0
Mitsubishi Pharma	**[17.7]**	17.6	15.3	13.3	12.2	10.5
Ratio of R&D expenses to net sales						
Tanabe Seiyaku	**18.9**	16.1	17.8	16.2	14.2	12.9
Mitsubishi Pharma	**[17.7]**	20.8	20.3	21.6	21.5	17.2
Equity ratio						
Tanabe Seiyaku	**80.9**	78.2	77.7	75.8	72.6	75.2
Mitsubishi Pharma		75.4	75.4	70.9	66.7	55.4
DE ratio						
Tanabe Seiyaku	**1.2**	0.1	0.3	0.8	1.0	0.9
Mitsubishi Pharma		3.4	3.8	5.4	8.5	28.6
ROA						
Tanabe Seiyaku	**4.0**	7.0	5.6	5.9	7.0	3.5
Mitsubishi Pharma	**[4.5]**	7.7	6.9	4.5	3.4	2.4
ROE						
Tanabe Seiyaku	**4.9**	9.0	7.3	8.0	9.5	5.0
Mitsubishi Pharma	**[5.7]**	10.2	9.5	6.5	5.6	4.3
Dividend payout ratio						
Tanabe Seiyaku	**33.2**** **	29.1	32.0	26.7	20.3	29.9
Mitsubishi Pharma		30.0	46.8	31.7	43.2	–
Others:						
Number of employees						
Tanabe Seiyaku	**10,361**	4,554	4,512	4,517	4,540	4,554
Mitsubishi Pharma		5,907	5,902	5,917	6,122	8,733
Number of common stock issued (thousands)						
Tanabe Seiyaku	**561,417**	267,598	267,598	267,598	267,598	267,598
Mitsubishi Pharma		458,435	458,435	458,435	458,435	458,435

* Figures in brackets are based on the simple sum of the results of the former Tanabe Seiyaku and the former Mitsubishi Pharma.
** Due to a change in accounting standards, figures for the fiscal year ended March 31, 2006 and prior years are total shareholders' equity.
*** Dividends per share is based on the sum of the interim dividends (¥13) of the former Mitsubishi Pharma and the year-end dividends (¥13) of Mitsubishi Tanabe Pharma.
**** 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 provision for reserve for HCV litigation) and Mitsubishi Tanabe Pharma's year-end dividends.

NET SALES
Billions of yen



Since the merger of the Company and Mitsubishi Pharma Corporation was treated as a reverse acquisition under the accounting standard for business combinations, the consolidated results for the full fiscal year were calculated as the sum of the consolidated results of the former Mitsubishi Pharma for the first half of the fiscal year and the consolidated results of Mitsubishi Tanabe Pharma Corporation for the second half of the fiscal year. The consolidated results for the previous fiscal year are the consolidated results of the former Tanabe Seiyaku.

However, in this section the results and financial position are based on the simple sum of the results of Tanabe Seiyaku and Mitsubishi Pharma in order to enable comparisons with the previous fiscal year.

RESULTS OF OPERATIONS

Net Sales

The pharmaceuticals segment recorded higher sales, and net sales increased 1.1% from the previous fiscal year, to ¥409.4 billion. (Note: Under Japanese GAAP, net sales were ¥315.6 billion.)

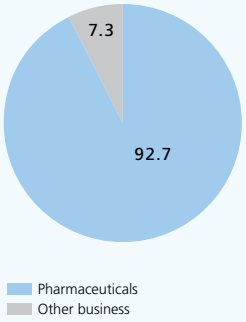
The Group's pharmaceutical operations consist of ethical drugs and OTC products. These operations are conducted in Japan and overseas, but domestic sales of ethical drugs account for the majority of the Company's sales.

In the fiscal year under review, the operating environment in the domestic pharmaceutical industry became more challenging as competition among companies steadily intensified. Although National Health Insurance (NHI) drug prices were not reduced, there was an ongoing trend toward measures to control healthcare spending as a means of reducing social security costs.

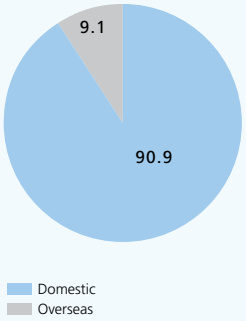
In this operating environment, in the fiscal year under review domestic sales of ethical drugs increased 1.5%, to ¥331.9 billion. Sales of Remicade, a driver of the Company's growth, were up substantially, rising 39.6%, to ¥28.6 billion. Higher sales were recorded by three products, Anplag, Urso and Talion, that have been positioned for joint promotion initiatives. Sales of Anplag, an anti-platelet agent, were up 6.5%, to ¥17.6 billion. Sales of Urso, an agent for improving hepatic, biliary and digestive functions, rose 4.7%, to ¥16.6 billion, and sales of Talion, a treatment for allergic disorders, were up 23.9%, to ¥8.3 billion. In addition, sales of vaccines increased 19.0%, to ¥16.9 billion, led by Mearubik, a combined measles–rubella vaccine. In overseas pharmaceuticals operations, sales of ethical drugs were up 14.4%, to ¥23.6 billion, and sales of OTC products rose 4.7%, to ¥5.8 billion. Overall, sales of pharmaceuticals rose 1.4%, to ¥379.5 billion, and accounted for 92.7% of net sales.

In the other business segment, due to lower sales of fine chemical products, sales were down 3.0%, to ¥29.9 billion, accounting for 7.3% of net sales.

NET SALES BY BUSINESS SEGMENT
%



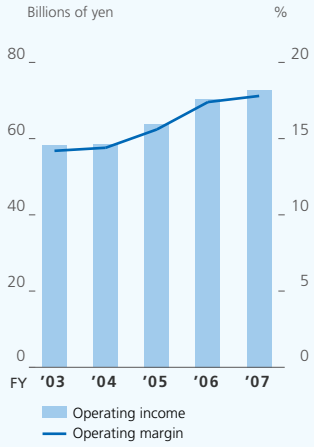
SALES BY REGION
%



Millions of yen	2008/3		2007/3		2008/2007
Net sales	¥409,427	(100.0%)	¥405,048	(100.0%)	+1.1%
Sales by business segment:					
Pharmaceuticals	379,503	(92.7)	374,189	(92.4)	+1.4
Domestic ethical drugs	331,946	(81.1)	326,982	(80.7)	+1.5
Overseas ethical drugs	23,638	(5.8)	20,669	(5.1)	+14.4
OTC products	5,828	(1.4)	5,567	(1.4)	+4.7
Other	18,091	(4.4)	20,971	(5.2)	– 13.7
Other business	29,923	(7.3)	30,858	(7.6)	– 3.0
Sales by region:					
Domestic	372,144	(90.9)	371,447	(91.7)	+0.2
Overseas	37,283	(9.1)	33,601	(8.3)	+11.0

Note: Figures in parentheses are percentages of net sales.

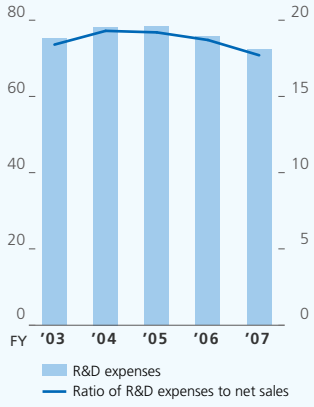
OPERATING INCOME / OPERATING MARGIN



SALES OF MAJOR PRODUCTS IN THE DOMESTIC MARKET

Billions of yen	2008/3	2007/3	2008/2007
Remicade	¥28.6	¥20.5	+39.6%
Radicut	27.9	28.6	– 2.4
Anplag	17.6	16.5	+6.5
Urso	16.6	15.9	+4.7
Ceredist	15.2	14.5	+4.9
Herbesser	13.0	13.4	–2.3
Tanatril	12.4	12.8	– 0.6
Venoglobulin-IH	11.8	12.2	– 3.3
Depas	11.5	11.2	+2.3
Maintate	10.2	9.9	+2.4
Talion	8.3	6.7	+23.9
Vaccines	16.9	14.2	+19.0
Mearubik	7.6	5.9	+28.0

R&D EXPENSES / RATIO OF R&D EXPENSES TO NET SALES



Operating Income

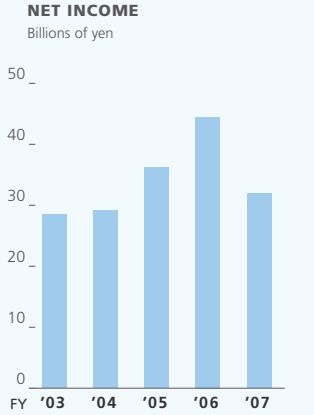
The cost of sales and SG&A expenses increased, but due to the increase in net sales, operating income was up 2.9%, to ¥72.5 billion. (Note: Under Japanese GAAP, operating income was ¥54.0 billion.)

Cost of sales increased 1.1%, to ¥150.5 billion, and the cost of sales ratio was about the same as in the previous fiscal year, at 36.8%.

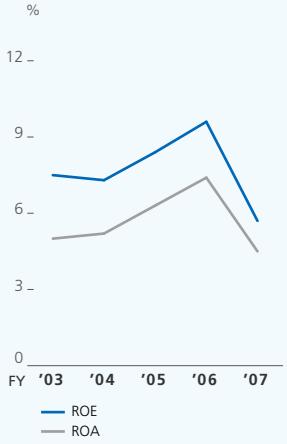
In SG&A expenses, the merger-related amortization of goodwill expense was ¥5.0 billion, and R&D expenses decreased, due in part to lower lump-sum payments for licensing contracts. In addition, labor costs were down, due in part to lower retirement benefits expense. As a result, growth in SG&A expenses edged up 0.4%, to ¥186.4 billion.

R&D expenses decreased 4.5%, to ¥72.3 billion.

NET INCOME



ROE/ROA



Millions of yen	2008/3		2007/3		2008/2007
Cost of sales	**¥150,535**	**(36.8%)**	¥148,950	(36.8%)	+1.1%
SG&A expenses	**186,423**	**(45.5)**	185,686	(45.8)	+0.4
R&D expenses	**72,335**	**(17.7)**	75,758	(18.7)	– 4.5
Salaries and wages	**53,021**		55,280		– 4.1
Amortization of goodwill	**5,136**		80		–
Selling expenses	**13,262**		12,484		+6.2
Other	**42,667**		42,082		+1.4
Operating income	**72,468**	**(17.7)**	70,411	(17.4)	+2.9

Note: Figures in parentheses are percentages of net sales.

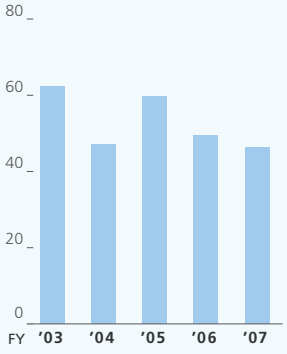
Net Income

Net income was down 28.2%, to ¥31.9 billion. (Note: Under Japanese GAAP, net income was ¥22.0 billion.)

Special gains totaled ¥2.0 billion, including ¥1.0 billion in prefectural subsidies for companies located in industrial parks. Special losses totaled ¥20.3 billion, including provision for reserve for HCV litigation of ¥9.1 billion; merger-related expenses of ¥7.0 billion; special retirement expenses of ¥1.8 billion; and loss on shutdown of a plant of ¥1.6 billion.

NET CASH PROVIDED BY OPERATING ACTIVITIES

Billions of yen



FINANCIAL POSITION

Liquidity and Sources of Funds

Net cash provided by operating activities was ¥46.4 billion, a decline of ¥3.0 billion from the previous fiscal year.

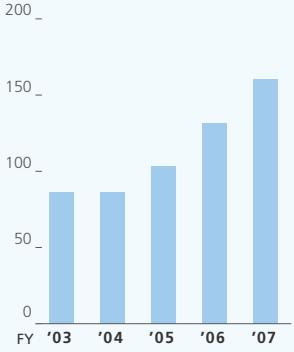
In investing activities, net inflow from purchases/sales of marketable securities was ¥10.7 billion, net outflow for purchases/sales of property, plant and equipment was ¥10.4 billion, and net outflow for purchases/sales of marketable securities was ¥6.9 billion. As a result, net cash used in investing activities totaled ¥9.0 billion, an increase of ¥4.8 billion from the previous fiscal year.

In financing activities, contribution from minority interest was ¥4.2 billion, and cash dividends paid was ¥12.6 billion. As a result, net cash used in financing activities amounted to ¥9.1 billion, a decrease of ¥8.2 billion from the previous year.

As a result, the balance of cash and cash equivalents at the end of the year under review was ¥160.1 billion, an increase of ¥28.8 billion.

CASH AND CASH EQUIVALENTS

Billions of yen



Millions of yen	2008/3	2007/3	2008/2007
Net cash provided by operating activities	**¥ 46,447**	¥ 49,491	– 6.2%
Net cash used in investing activities	**(8,981)**	(4,168)	+115.5
Net cash used in financing activities	**(9,097)**	(17,298)	– 47.4
Cash and cash equivalents at end of year	**160,096**	131,303	+21.9

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.

Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year were ¥807.3 billion, an increase of ¥186.8 billion from the previous fiscal year-end. Notes and accounts receivable declined, and short-term loans were down, but increases were recorded in cash and cash equivalents, marketable securities and inventories. Total current assets were up ¥16.5 billion from the end of the previous fiscal year, to ¥382.0 billion. Merger-related goodwill resulted in a substantial increase in intangible fixed assets, and property, plant and equipment increased due to mark-to-market valuation accompanying the merger. Fixed assets were up ¥170.3 billion, to ¥425.2 billion.

Total liabilities at year-end were up ¥5.8 billion, to ¥139.5 billion. Income taxes payable increased, but notes and accounts payable and other accounts payable declined, and total current liabilities were down ¥8.5 billion, to ¥89.4 billion. Reserve for HCV litigation rose substantially, and deferred income taxes increased. Total long-term liabilities were up ¥14.4 billion from a year earlier, to ¥50.0 billion.

Net assets at fiscal year-end were up ¥181.0 billion, to ¥667.8 billion, due in part to higher capital surplus accompanying the merger. As a result, the equity ratio was 80.9%.

Millions of yen	2008/3		2007/3		2008/2007
Total assets	**¥807,261**	**(100.0%)**	¥620,451	(100.0%)	+30.1%
Total current assets	**382,026**	**(47.3)**	365,543	(58.9)	+4.5
Fixed assets	**425,235**	**(52.7)**	254,907	(41.1)	+66.8
Total liabilities	**139,453**	**(17.3)**	133,613	(21.5)	+4.4
Total current liabilities	**89,449**	**(11.1)**	97,962	(15.8)	–8.7
Total long-term liabilities	**50,004**	**(6.2)**	35,651	(5.7)	+40.3
Net assets	**667,808**	**(82.7)**	486,837	(78.5)	+37.2

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

Dividends

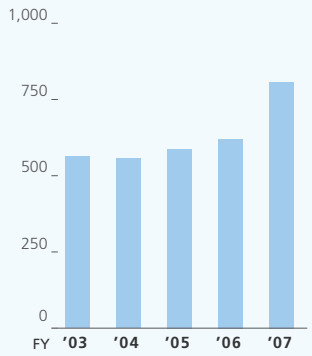
The Company's basic policy on the distribution of earnings calls for providing a stable, ongoing distribution of earnings to shareholders while striving to maximize enterprise value by investing to bolster R&D and marketing activities from a medium-to-long-term perspective. Our objective for consolidated dividend payout ratio is 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 year-end dividends at ¥13.0 per share. In conjunction with the interim dividends of ¥13.0 per share, this resulted in annual dividends of ¥26.0 per share, an increase of ¥2.0 per share from the previous fiscal year. The dividend payout ratio, calculated on the basis of the net income for Mitsubishi Tanabe Pharma in the second half of the year, less amortization of goodwill and provision for reserve for HCV litigation, and year-end dividends, was 33.2%.

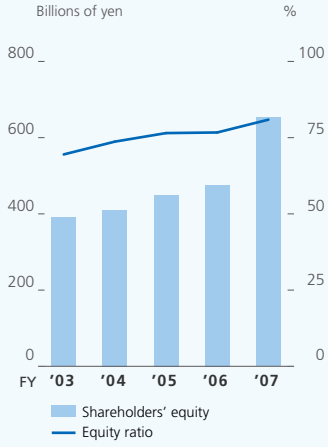
* Cash dividends per share are presented as follows: For the year ended March 31, 2007 and previous years, the dividends of the former Tanabe Seiyaku are used. For the year ended March 31, 2008, the interim dividends of the former Mitsubishi Pharma are used for the interim dividends (¥13) and the year-end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

** 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 provision for reserve for HCV litigation) and Mitsubishi Tanabe Pharma's year-end dividends.

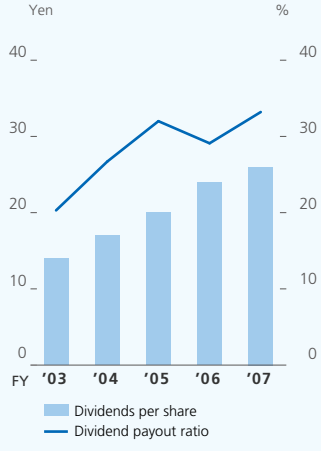
TOTAL ASSETS



SHAREHOLDERS' EQUITY / EQUITY RATIO



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 2007 (ended March 31, 2008).

1. RISKS RELATED TO NEW DRUG R&D

The research and development 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 approval will be acquired and the timing of the acquisition. The development of compounds currently in the new drug pipeline might be halted in the event that problems with effectiveness or safety are found in clinical trials or other tests or in the event that they are not expected to be profitable. 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, and from the information obtained prior to approval, it is not possible to know everything about safety in post-marketing use. At the stage of widespread post-marketing use, it is possible that there will be reports of new adverse drug reactions that had not been experienced previously.

3. RISKS RELATED TO THE HEALTH INSURANCE SYSTEM

In Japan, the official drug price system, which is a part of the health insurance system, has an enormous influence on the sale of ethical drugs. Continued pharmaceutical expense reduction measures are being implemented in Japan, and drug price standards are revised about once every two years. Accordingly, it is possible that a situation will develop in which it is difficult to secure the expected business results. Further, from the viewpoints of improving healthcare and separating medical functions, fundamental reform of the health insurance system is under way. The details of these reforms could have an adverse influence on the Group's financial position or results.

4. RISKS RELATED TO PRODUCT SALES

The Company's pharmaceutical products include 10 products with annual sales of more than ¥10.0 billion, which accounts for more than 70% of sales. In the future, in the event of the emergence of factors such as the launch of competing new products or generic products, 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 products, including the products mentioned above, in clinical treatment, 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 there could be a legal dispute or that activities could be suspended. 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 TIE-UPS WITH OTHER COMPANIES

To use its management resources effectively, the Group works with other companies in joint research, joint development, product licensing, 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 tie-ups dissolved, if the management environment of suppliers worsens or if the management policies of suppliers changes substantially, there could be an adverse influence on the Group's financial position or results.

7. RISKS RELATED TO PRODUCTION AND STABLE SUPPLY

a) In the event of the emergence of technical or legal/regulatory problems in production and distribution facilities, or in the event of operational stoppages or disorder due to fires, earthquakes or other disasters, product supply could be delayed or stopped, and there could be an influence on the Group's results.

b) For certain raw materials, the Group is dependent on specific sources of supply, and in the event that the supply is interrupted, production could be delayed and there could be a significant influence on the Group's financial position or results.

8. RISKS RELATED TO LEGAL ISSUES

In the research 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 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 ISSUES

A valuation loss stemming from a decline in the market price of the marketable securities held by the Group could be recorded. Due to fluctuations in the foreign exchange market, the performance of overseas subsidiaries, foreign currency settlement of exports and imports, or financial products denominated in foreign currencies could have an adverse influence on the Group's financial position or results.

11. RISKS RELATED TO ENVIRONMENTAL SAFETY

In the event that, in the course of operations at work sites, soil, air, water, livestock, agricultural products, etc., are contaminated due to the leakage or discharge of chemical substances, radioactive substances, microorganisms or viruses, the Group could face substantial legal and regulatory liability, including penalties. In regard to the discharge of greenhouse gases, in the event that appropriate controls and countermeasures are neglected, measures might include the public release of the Company's name. Also, in the event that health problems or damage are caused by the inappropriate

control or handling of chemical substances, radioactive substances, biological materials, etc., it is possible that the Group could be held liable.

12. RISKS RELATED TO LAWSUITS

a) The Japanese government, the Company, its subsidiary Benesis Corporation and another party are defendants in lawsuits in which the plaintiffs seek compensation for damages allegedly suffered through HCV (hepatitis C virus) infection following use of a fibrinogen product or a blood coagulant factor IX product (Christmassin). In January 2008, the Japanese government promulgated and put into effect a law providing relief to all people infected as described above ("the Relief Law"). Accordingly, the Company and Benesis Corporation will continue working earnestly toward a complete settlement of these lawsuits. As a result, based on estimates of the people who will get payment and the amount of payment, etc., in accordance with the Relief Law, provision has been made for the estimated amount of the Company's burden in the reserve for HCV litigation, but based on the results of future consultations with the Minister of Health, Labour and Welfare regarding the method and allocation of the burden of the expense of the relief payments, etc., it is possible that there could be a significant influence on the Group's financial position or results.
b) 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.

13. RISKS RELATED TO INFORMATION MANAGEMENT

The Group possesses large amounts of non-public information, including personal information, and in the event that information is leaked outside the Group due to system damage, accidents, etc., there could be an influence on the Group's results, such as a decline in reputation. The Group is working to ensure rigorous information control. In addition to formulating a privacy policy, in order to protect information, the Group has established countermeasures to prevent inappropriate system access and information leakage.

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 or to the worsening of diplomatic relations, etc., the opportunity to recover that investment might be lost and operations under development might be affected.

15. MAJOR ASSUMPTIONS REGARDING OPERATIONAL ACTIVITIES

Ethical pharmaceutical operations are the Group's principal business operation. In accordance with the Pharmaceutical Affairs Law, the Group has obtained licenses for drug manufacturing and sales, drug manufacturing and wholesaling, and conducts manufacturing and sales of ethical drugs and OTC drugs. The products handled include narcotics, psychotropic agents, etc., and the Group is subject to the provisions of the Narcotics and Psychotropic Substances Control Law and the Stimulant Drugs Control Law.

Since the Group also handles medical devices, veterinary pharmaceuticals and poisons/toxic substances, the Group is subject to the laws and regulations covering the sales of those products. In manufacturing drugs that are exported overseas, the Group is subject to the regulations of the Pharmaceutical Affairs Law. In addition, the Group is required to register the raw materials master

file, etc., with the authorities in the importing counties and acquire import permission, local manufacturing permission, etc. The Group is also subject to the pharmaceutical legal/regulatory system in the exporting country, as well as the laws and regulations related to customs clearance.

In regard to these permissions, etc., they must be extended, etc., 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. At this point, the Group believes that there are no facts that would constitute a reason for cancellation, etc., of permissions, etc., but in the event that cancellation, etc., of permissions, etc., is ordered, there could be a significant influence on the Group's financial position or results.

16. TRANSACTIONS WITH PARENT COMPANY

The Company's relationship with its parent company, Mitsubishi Chemical Holdings Corporation, and Mitsubishi Chemical Holdings Corporation's corporate group, includes the following transactions:

- 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; Kamisu City, Ibaraki Prefecture; and Kitakyushu City, Fukuoka Prefecture.
- payment as compensation for exclusive rights to intellectual property held by the corporate group of the parent company.
- conclusion of contracts for research outsourcing and information disclosure.

Fundamentally, these transactions involve rational transaction terms decided upon following two-way negotiations conducted with reference to general market prices and are automatically extended unless one of the parties requests otherwise. Payment of compensation for exclusive rights in regard to product sales will end on September 30, 2009, but those rights will extend beyond October 1, 2009, and will not be cancelled without the Company's agreement.

In addition, a contract has been concluded with Mitsubishi Chemical Holdings regarding the burden of operational expenses, and for enjoyment of benefits based on the brand value and comprehensive strengths of Mitsubishi Chemical Holdings, the Company is responsible for certain expenses arising in regard to the operation of Mitsubishi Chemical Holdings.

However, in all of the above cases the expenses are an insignificant percentage of the Company's total expenses.

The policy is to continue these transactions, etc., in the future, but in the event of changes in the contracts or details of the transactions with the Mitsubishi Chemical Holdings Group, there could be a significant influence on the Mitsubishi Tanabe Pharma Group's results or financial position.

17. RISKS RELATED TO DELISTING

On October 1, 2007, the date of the merger, the Company received notice from the Tokyo Stock Exchange and Osaka Securities Exchange regarding the commencement of a grace period (October 1, 2007 to March 31, 2011) in accordance with rules for inappropriate mergers for stock delisting criteria.

Targeting the termination of the grace period, the Company moved forward with preparations for applications for suitability examinations on both of the exchanges. In the event that the grace period is not terminated, it is possible that the Company could be delisted and there could be a significant influence on the Group's financial position or results.

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 SHEETS

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	**2008**	2007	**2008**
Current assets:			
Cash and time deposits (Note 3)	**¥ 79,655**	¥ 38,197	**$ 795,039**
Notes and accounts receivable, trade:			
Notes	**1,262**	1,624	**12,596**
Accounts	**124,018**	58,502	**1,237,828**
Less allowance for doubtful receivables	**(23)**	(23)	**(230)**
	125,257	60,104	**1,250,195**
Marketable securities (Note 4)	**55,634**	19,372	**555,285**
Inventories (Note 5)	**73,473**	20,790	**733,337**
Deferred income taxes (Note 8)	**12,664**	4,036	**126,400**
Other current assets	**35,343**	2,550	**352,759**
Total current assets	**382,026**	145,049	**3,813,015**
Property, plant and equipment (Note 6)**:**			
Land	**55,124**	12,829	**550,194**
Buildings and structures	**135,676**	62,931	**1,354,187**
Machinery and vehicles	**125,978**	41,840	**1,257,391**
Tools, furniture and fixtures	**39,758**	18,832	**396,826**
Construction in progress	**3,377**	1,536	**33,706**
	359,913	137,969	**3,592,304**
Less accumulated depreciation	**(220,403)**	(92,534)	**(2,199,850)**
Property, plant and equipment, net	**139,510**	45,434	**1,392,454**
Investments, goodwill and other assets:			
Investments in securities (Note 4):			
Unconsolidated subsidiaries and affiliates	**706**	857	**7,047**
Others	**87,294**	76,066	**871,285**
Goodwill	**145,550**	98	**1,452,740**
Software	**2,147**	1,839	**21,429**
Prepaid pension expenses (Note 7)	**33,988**	20,655	**339,235**
Deferred income taxes (Note 8)	**4,037**	430	**40,293**
Long-term deposits	**5,740**	3,000	**57,291**
Other assets	**6,296**	3,709	**62,841**
Less allowance for doubtful receivables	**(33)**	(51)	**(329)**
Total investments, goodwill and other assets	**285,725**	106,603	**2,851,832**
Total assets	**¥807,261**	¥297,087	**$8,057,301**

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
Current liabilities:			
Short-term loans (Note 6)	¥ 6,741	¥ 11	$ 67,282
Current maturities of long-term loans (Note 6)	1,240	30	12,376
Notes and accounts payable, trade:			
Notes	218	53	2,176
Accounts	26,921	13,917	268,699
	27,139	13,970	270,875
Accounts payable, other	18,206	7,668	181,715
Income taxes payable (Note 8)	14,461	9,188	144,336
Consumption taxes payable	990	648	9,881
Reserve for employees' bonuses	13,593	4,453	135,672
Reserve for sales returns	195	208	1,946
Reserve for loss on shutdown of a plant	830	–	8,284
Other current liabilities	6,054	1,791	60,426
Total current liabilities	89,449	37,973	892,793
Long-term liabilities:			
Long-term loans, less current maturities (Note 6)	170	90	1,697
Deferred income taxes (Note 8)	12,802	8,313	127,777
Accrued retirement benefits for employees (Note 7)	16,928	11,744	168,959
Accrued retirement benefits for directors and corporate auditors	43	341	429
Reserve for health management allowances for HIV compensation (Note 19)	1,758	–	17,547
Reserve for health management allowances for SMON compensation	5,093	4,891	50,833
Reserve for HCV litigation (Note 19)	11,200	–	111,788
Other liabilities	2,010	136	20,062
Total long-term liabilities	50,004	25,518	499,092
Net assets:			
Shareholders' equity (Note 9):			
Common stock:			
Authorized—2,000,000,000 shares			
Issued—561,417,916 shares at March 31, 2008 and 267,597,847 shares at March 31, 2007	50,000	44,261	499,052
Capital surplus	451,184	48,137	4,503,284
Retained earnings	153,332	143,612	1,530,412
Treasury stock, at cost	(209)	(22,270)	(2,086)
Total shareholders' equity	654,307	213,741	6,530,662
Valuation and translation adjustments:			
Unrealized holding gains on securities	1,511	18,811	15,081
Deferred (losses) gains on hedges	(841)	250	(8,394)
Translation adjustments	(1,748)	(536)	(17,447)
Total valuation and translation adjustments	(1,078)	18,525	(10,760)
Minority interests	14,579	1,327	145,514
Total net assets	667,808	233,595	6,665,416
Total liabilities and net assets	¥807,261	¥297,087	$8,057,301

CONSOLIDATED STATEMENTS OF INCOME

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
Net sales (Note 17)	**¥315,636**	¥177,531	**$3,150,374**
Cost of sales	**113,387**	68,954	**1,131,719**
Gross profit	**202,249**	108,576	**2,018,655**
Selling, general and administrative expenses (Note 11)	**148,225**	78,120	**1,479,440**
Operating income (Note 17)	**54,024**	30,456	**539,215**
Other income (expenses):			
Interest and dividend income	**1,841**	1,236	**18,375**
Interest expense	**(110)**	(9)	**(1,098)**
Foreign exchange (loss) gain	**(52)**	926	**(519)**
Donations	**(482)**	(168)	**(4,811)**
Loss on sales or disposal of property, plant and equipment, net	**(541)**	(256)	**(5,400)**
Gain on sales of investments in securities, net	**98**	1,540	**978**
Subsidies for establishing a business	**1,027**	–	**10,251**
Compensation received	**667**	–	**6,657**
Provision of reserve for HCV litigation (Note 19)	**(9,108)**	–	**(90,907)**
Merger-related expenses	**(4,904)**	(687)	**(48,947)**
Losses on shutdown of a plant (Note 12)	**(1,638)**	–	**(16,349)**
Special retirement expense (Note 7)	**(1,122)**	–	**(11,199)**
Provision for reserve for health management allowances for HIV compensation (Note 19)	**(424)**	–	**(4,232)**
Other, net	**(268)**	158	**(2,674)**
	(15,016)	2,740	**(149,875)**
Income before income taxes and minority interests	**39,008**	33,195	**389,340**
Income taxes (Note 8)**:**			
Current	**20,023**	14,020	**199,850**
Deferred	**(2,927)**	(1,082)	**(29,214)**
	17,096	12,938	**170,636**
Minority interests	**81**	(83)	**809**
Net income	**¥ 21,993**	¥ 20,174	**$ 219,513**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Number of shares of common stock (Thousands)	Millions of yen								
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on securities	Deferred (losses) gains on hedges	Translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	267,597	¥ 44,261	¥ 48,134	¥128,844	¥(22,193)	¥19,861	¥ –	¥ (779)	¥ 1,229	¥219,358
Net income for the year	–	–	–	20,174	–	–	–	–	–	20,174
Cash dividends	–	–	–	(5,388)	–	–	–	–	–	(5,388)
Directors' bonuses	–	–	–	(34)	–	–	–	–	–	(34)
Increase in treasury stock	–	–	–	–	(83)	–	–	–	–	(83)
Gain on sales of treasury stock	–	–	2	–	6	–	–	–	–	9
Increase in retained earnings resulting from change in fiscal year end for subsidiaries	–	–	–	17	–	–	–	–	–	17
Net changes in items other than shareholders' equity	–	–	–	–	–	(1,049)	250	243	98	(457)
Balance at March 31, 2007	267,597	44,261	48,137	143,612	(22,270)	18,811	250	(536)	1,327	233,595
Balance at March 31, 2007 of Mitsubishi Pharma Corporation	458,434	30,560	70,974	137,859	–	5,210	(0)	(738)	9,377	253,242
Net income for the year	**–**	**–**	**–**	**21,993**	**–**	**–**	**–**	**–**	**–**	**21,993**
Cash dividends	**–**	**–**	**–**	**(6,520)**	**–**	**–**	**–**	**–**	**–**	**(6,520)**
Transfer from common stock to capital surplus	**–**	**(24,822)**	**24,822**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Increase in net assets resulting from merger	**102,983**	**44,262**	**355,396**	**–**	**(196)**	**–**	**–**	**–**	**1,464**	**400,926**
Decrease in capital surplus resulting from exclusion of consolidated subsidiaries	**–**	**–**	**(10)**	**–**	**–**	**–**	**–**	**–**	**–**	**(10)**
Increase in treasury stock	**–**	**–**	**–**	**–**	**(32)**	**–**	**–**	**–**	**–**	**(32)**
Gain on sales of treasury stock	**–**	**–**	**2**	**–**	**19**	**–**	**–**	**–**	**–**	**21**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**	**(3,699)**	**(841)**	**(1,010)**	**3,738**	**(1,812)**
Balance at March 31, 2008	**561,417**	**¥ 50,000**	**¥451,184**	**¥153,332**	**¥ (209)**	**¥ 1,511**	**¥(841)**	**¥(1,748)**	**¥14,579**	**¥667,808**

* The consolidated statement of changes in net assets for the year ended March 31, 2007 represents the statement of the former Tanabe Seiyaku Co., Ltd. (Note 1).

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on securities	Deferred (losses) gains on hedges	Translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007 of Mitsubishi Pharma Corporation	$ 305,020	$ 708,395	$1,375,975	$ –	$ 52,001	$ (0)	$ (7,366)	$ 93,593	$2,527,618
Net income for the year	**–**	**–**	**219,513**	**–**	**–**	**–**	**–**	**–**	**219,513**
Cash dividends	**–**	**–**	**(65,076)**	**–**	**–**	**–**	**–**	**–**	**(65,076)**
Transfer from common stock to capital surplus	**(247,749)**	**247,749**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Increase in net assets resulting from merger	**441,781**	**3,547,220**	**–**	**(1,956)**	**–**	**–**	**–**	**14,612**	**4,001,657**
Decrease in capital surplus resulting from exclusion of consolidated subsidiaries	**–**	**(100)**	**–**	**–**	**–**	**–**	**–**	**–**	**(100)**
Increase in treasury stock	**–**	**–**	**–**	**(320)**	**–**	**–**	**–**	**–**	**(320)**
Gain on sales of treasury stock	**–**	**20**	**–**	**190**	**–**	**–**	**–**	**–**	**210**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**(36,920)**	**(8,394)**	**(10,081)**	**37,309**	**(18,086)**
Balance at March 31, 2008	**$ 499,052**	**$4,503,284**	**$1,530,412**	**$(2,086)**	**$ 15,081**	**$(8,394)**	**$(17,447)**	**$145,514**	**$6,665,416**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 39,008	¥ 33,195	$ 389,340
Adjustments for:			
Depreciation and amortization	12,555	6,774	125,312
Amortization of goodwill	5,105	–	50,953
Increase in accrued retirement benefits for employees	411	40	4,102
Increase in prepaid pension expenses	(7,166)	(734)	(71,524)
Decrease in allowance for doubtful receivables	(117)	(44)	(1,168)
Increase in reserve for HCV litigation	9,108	–	90,907
Interest and dividend income	(1,841)	(1,236)	(18,375)
Interest expense	110	9	1,098
Loss on sales and disposal of fixed assets	292	167	2,914
Gain on sales of investments in securities	(98)	(1,540)	(978)
Loss on devaluation of investments in securities	30	17	299
Equity in losses (earnings) of affiliates	117	(70)	1,168
Subsidies for establishing a business	(1,027)	–	(10,250)
Merger-related expense	4,904	–	48,947
Loss on shutdown of a plant	1,638	–	16,349
Special retirement expense	1,122	–	11,199
Decrease (increase) in notes and accounts receivable, trade	11,946	(6,008)	119,234
(Increase) decrease in inventories	(5,966)	49	(59,547)
Decrease in notes and accounts payable, trade	(7,711)	(1,032)	(76,964)
Decrease in accrued expenses	(2,540)	(154)	(25,352)
Other	138	902	1,378
Subtotal	60,018	30,335	599,042
Interest and dividends received	1,674	1,222	16,708
Interest paid	(117)	(9)	(1,168)
Merger-related expense paid	(5,940)	–	(59,287)
Special retirement expense paid	(1,834)	–	(18,305)
Income taxes paid	(15,705)	(10,129)	(156,752)
Net cash provided by operating activities	¥ 38,096	¥ 21,419	$ 380,238
Cash flows from investing activities:			
Purchases of marketable securities	(706)	(12,763)	(7,047)
Proceeds from sales and redemption of marketable securities	6,411	12,109	63,988
Increase in time deposits	(10,042)	(221)	(100,230)
Decrease in time deposits	10,184	116	101,647
Increase in long-term deposits	(2,825)	–	(28,196)
Decrease in long-term deposits	1,006	–	10,041
Purchases of property, plant and equipment	(8,583)	(3,879)	(85,667)
Proceeds from sales of property, plant and equipment	232	86	2,316
Purchases of intangible fixed assets	(1,820)	(903)	(18,165)
Purchases of investments in securities	(3,685)	(7,000)	(36,780)
Proceeds from sales and redemption of investments in securities	4,764	3,972	47,550
Other	235	(42)	2,345
Net cash used in investing activities	(4,829)	(8,525)	(48,198)
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	887	(529)	8,853
Repayments of long-term loans	(1,327)	(30)	(13,245)
Issuance of shares of common stock to minority shareholders	4,163	–	41,551
Purchases of treasury stock	(32)	(83)	(319)
Proceeds from sales of treasury stock	21	–	210
Cash dividends paid	(9,708)	(5,385)	(96,896)
Other	(74)	(30)	(739)
Net cash used in financing activities	(6,070)	(6,059)	(60,585)
Effect of exchange rate changes on cash and cash equivalents	(782)	89	(7,806)
Net increase in cash and cash equivalents	26,415	6,924	263,649
Cash and cash equivalents at beginning of year	85,182	39,249	850,205
Increase in cash and cash equivalents resulting from merger	47,255	–	471,654
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	1,277	–	12,746
Decrease in cash and cash equivalents resulting from exclusion of consolidated subsidiaries	(33)	–	(330)
Decrease in cash and cash equivalents accompanying change in fiscal year end of consolidated subsidiaries	–	(51)	–
Cash and cash equivalents at end of year (Note 3)	¥160,096	¥ 46,121	$1,597,924

* The consolidated statement of cash flows for the year ended March 31, 2007 represents the statement of the former Tanabe Seiyaku Co., Ltd. (Note 1).
See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries

1. BASIS OF PRESENTATION 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 accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in their respective countries of domicile. 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. 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.

On October 1, 2007, the Company merged with Mitsubishi Pharma Corporation. Because the merger was accounted for as a reverse acquisition under the "Accounting Standard for Business Combinations" (issued on October 31, 2003 by the Business Accounting Council of Japan ("BACJ")) the results for the full fiscal year ended March 31, 2008 were calculated as the sum of the consolidated results of the former Mitsubishi Pharma Corporation for the first half of the fiscal year and the consolidated results of the Company for the second half of the fiscal year. For the same reason, the consolidated financial statements of the former Tanabe Seiyaku Co., Ltd. for the year ended March 31, 2007 have been presented.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2007 to the 2008 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, 2008, which was ¥100.19 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.

As permitted, amounts of less than one million yen have been omitted in the accompanying consolidated financial statements for the year ended March 31, 2007. As a result, the totals shown in the accompanying consolidated financial statements for the year ended March 31, 2007 do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 32 and 17 significant consolidated subsidiaries for the years ended March 31, 2008 and 2007, respectively.

As a result of the merger of the Company with Mitsubishi Pharma Corporation in October 2007, 18 companies were newly included in the scope of consolidation for the year ended March 31, 2008.

In addition, on April 1, 2007, one consolidated subsidiary, Tanabe Total Service Co., Ltd., merged with two other consolidated subsidiaries of the Company, Ace Art Co., Ltd., and Tanabe Seiyaku Engineering Co., Ltd.

Tanabe Seiyaku Malaysia and one other company, which were previously consolidated subsidiaries, were removed from the scope of consolidation for the year ended March 31, 2008 because they have limited significance in regard to influencing rational judgments about the Group's financial position and operating results.

On April 1, 2008, the Company established Tanabe Seiyaku Hanbai Co., Ltd., which will focus on promoting and marketing generic drugs.

The Company applied the equity method to 5 and 6 affiliates, including Tama Kagaku Kogyo Co., Ltd., and Synthelabo-Tanabe Chimie S.A., for the years ended March 31, 2008 and 2007, respectively. Since Tanabe AAI LLC was liquidated in June 2007, the equity method was not applied to it for the year ended March 31, 2008.

Two subsidiaries, Tanabe Seiyaku Malaysia and one other company, were not consolidated and were removed from the scope of consolidation for the year ended March 31, 2008. Because net income and retained earnings of these companies were insignificant, they were not accounted for by the equity method.

Eighteen overseas consolidated subsidiaries have fiscal years ending on December 31. Since the difference between that date and the end of the Company's fiscal year is not greater than three months, the accounts of these subsidiaries as of December 31 have been used in preparing the Company's consolidated financial statements, with adjustments made as necessary to account for significant transactions occurring between December 31 and the end of March.

In addition, among the domestic consolidated subsidiaries, ARKEMA Yoshitomi, Ltd., has a fiscal year ending on September 30. For consolidation purposes, the financial statements of ARKEMA Yoshitomi, Ltd., as of and for the years ended March 31, 2008 and 2007 were prepared in accordance with procedures similar to those followed in previous years.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are valued using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill resulting from the difference between the cost and underlying net equity of investments in consolidated subsidiaries and affiliates accounted for under the equity method is deferred and amortized using the straight-line method over a period of fifteen years.

(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 accompany consolidated balance sheets.

(Change in accounting policy)
Effective April 1, 2007, in order to unify accounting practices as a result of the merger with Mitsubishi Pharma Corporation, the Company has changed its method of translation of the statements of income of its overseas consolidated subsidiaries to using the average rates of exchange in effect during the fiscal year, from the rates in effect at the balance sheet date. The effect of this change on the Company's operating income and income before income taxes and minority interests was immaterial for the year ended March 31, 2008.

(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 fair market value are stated at fair market value. Unrealized holding gains and unrealized holding losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Other available-for-sale securities with no available fair 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 fair 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
Merchandise and finished goods are valued at the lower of weighted average cost or market. Other inventories, including raw materials and supplies, are valued at cost determined by the weighted average method.

(Change in accounting policy)
Effective the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have changed their method of valuation of inventories of finished goods and raw materials from the moving average method to the weighted average method. The effect of this change on operating income and income before income taxes and minority interests was immaterial for the year ended March 31, 2007.

(7) Property, Plant and Equipment and Depreciation
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is calculated primarily by the declining-balance method using rates based on the estimated useful lives of the respective assets. Buildings (excluding structures attached to the buildings) acquired on or after April 1, 1998 are depreciated using the straight-line method. The principal estimated useful lives are as follows:

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

(Supplementary information)
On October 1, 2007, the Company merged with Mitsubishi Pharma Corporation. Since the merger was treated as a reverse acquisition under "Accounting Standard for Business Combinations" (issued on October 31, 2003 by the BACJ), it has been accounted for using the purchase method; however, the Company acquired the book value of property, plant and equipment of the former Tanabe Seiyaku Co., Ltd., as of the date of the merger.

(Change in accounting policy)
Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Corporation Tax Law. The effect of this change on operating income and income before income taxes and minority interests was immaterial for the year ended March 31, 2008.

(Supplementary information)
Depreciation expense for property, plant and equipment acquired before April 1, 2007 is computed based on the salvage value of 5% of acquisition cost, and the amount between the salvage value (5% of acquisition cost) and memorandum value is depreciated from the year following the year in which the book value of an asset reaches 5% of its acquisition cost by the straight-line method over a period of 5 years. This change was made based on an amendment to the Corporation Tax Law. The effect of this change on operating income and income before income taxes and minority interests was immaterial for the year ended March 31, 2008.

(8) Intangible Fixed Assets
Intangible fixed assets are amortized primarily 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) 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.

(10) Reserve for Sales Returns

The reserve for sales returns is provided based on the estimated amount expected to be incurred subsequent to the balance sheet date based on the historical ratio of sales returns.

(11) Reserve for Loss on Shutdown of a Plant

The reserve for loss on shutdown of a plant is stated at the estimated amount of removal costs and so forth to be incurred as a result of the closure of a plant of a consolidated subsidiary.

(12) Accrued Retirement Benefits for Employees

Accrued retirement benefits for employees are provided based on the estimated retirement benefit obligation and the pension assets.

For the former Mitsubishi Pharma Corporation, prior service cost is recognized as an expense when incurred. For the former Tanabe Seiyaku Co., Ltd., prior service cost is amortized by the straight-line method over a period of 13 years, which is within the estimated average remaining years of service of the eligible employees.

For the former Mitsubishi Pharma Corporation, 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 5 years, which is within the estimated average remaining years of service of the eligible employees. For the former Tanabe Seiyaku Co., Ltd., 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 13 years, which is within the estimated average remaining years of service of the eligible employees.

(13) Accrued Retirement Benefits for Directors and Corporate Auditors

Up to the date of the annual general meeting of the Company's shareholders held on June 26, 2007, the Company had retirement benefit plans for payments to directors and corporate auditors (collectively "officers") which were stated at 100 percent of the estimated amount calculated in accordance with the Company's internal rules. However, the Company abolished the retirement benefit plans for these officers at the annual general meeting referred to above. As a result, the outstanding balance of ¥193 million ($1,926 thousand) accrued for in the retirement benefit plan for officers at June 26, 2007 has been reclassified as "Long-term liabilities—Other liabilities" in the accompanying consolidated balance sheet at March 31, 2008.

Certain of the Company's consolidated subsidiaries still have retirement benefit plans for their officers which are stated at 100 percent of the estimated amount calculated in accordance with each company's internal rules.

(14) 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, for patients infected with HIV through the use of antihemophilic preparations (non-heat-treated concentrated preparations), the estimated amount of payments to be made to existing plaintiffs of HIV lawsuits as of March 31, 2008 and to future plaintiffs, calculated with reference to settlement outcomes up to March 31, 2008.

(Supplementary information)

The former Mitsubishi Pharma Corporation, which merged with the Company, previously set aside the estimated amount of future settlement payments (including attorney fees) in "Reserve for HIV litigation," and charged to income, at the time of payment, the health management allowances provided to patients with AIDS contracted from the use of antihemophilic preparations (non-heat-treated concentrated preparations).

A number of years have passed since the March 1996 settlement was reached and, in recent years, the number of people who have reached settlement has declined substantially. Accordingly, the Company has revaluated its previous provision for settlement payments (including attorney fees) and, at the same time, because the number of people receiving payments of health management allowances can now be estimated, it has become possible to rationally calculate the amount of future payments to be made. As a result, the health management allowances for people with AIDS have been recorded as a reserve for health management allowances for HIV compensation. For the settlement payments (including attorney fees), the Company has set aside ¥103 million ($1,028 thousand) (¥1,333 million prior to the revaluation) and for health management allowances for people with AIDS, the Company has set aside ¥1,654 million ($16,509 thousand) for the year ended March 31, 2008.

(15) 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.

(16) Reserve for HCV Litigation

To provide for losses that may arise in the future from a settlement of lawsuits filed by plaintiffs infected with HCV (hepatitis C virus), the Company has set aside an estimated amount for payments related to such settlement based on estimates of the number of people receiving relief and the amount of relief payments required under a law which stipulates that relief be provided to people who contracted hepatitis C from specific fibrinogen products or specific coagulation factor IX products (hereafter, the "Relief Law").

(Supplementary information)

The former Mitsubishi Pharma Corporation, which merged with the Company; Benesis Corporation; the Japanese government; and certain other parties are defendants in a number of lawsuits ongoing since October 21, 2002, in which the plaintiffs seek compensation for damages allegedly suffered through infection with HCV (hepatitis C virus) following the use of a fibrinogen product or a non-heat-treated prothrombin complex concentrate manufactured and sold by the former Green Cross

Corporation. Previously, a reserve for losses that may arise in the future with respect to this issue was set aside as a reserve for HCV litigation at an amount deemed necessary to resolve the issue for existing plaintiffs as of the end of the fiscal year.

However, in consideration of the fact that the Japanese government promulgated and put into effect the Relief Law on January 16, 2008, the Company has changed its accounting treatment with respect to this issue to a method which sets aside the estimated amount of relief to be paid by the Company, based on estimates of the number of people who will receive relief payments, the amounts of such payments and so forth in accordance with the Relief Law.

In accordance with Article 16 of the Relief Law (consultations between the Minister of Health, Labour and Welfare and manufacturers), the method and allocation of the expense required to provide payments of this relief are to be determined based on consultations between the Minister of Health, Labour and Welfare and the Company. It is possible that the estimated amount of relief to be paid by the Company will change based on the outcome of future consultations or due to an increase or decrease in the number of people eligible to receive relief.

(17) 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 (losses) gains on hedge in a separate component of net assets.

(Change in accounting policy)

Up to the year ended March 31, 2007, forward foreign exchange contracts which meet certain criteria were accounted for by the allocation method, which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates. However, the Company has changed its rules for accounting for basic hedging transactions effective the year ended March 31, 2008. The effect of this change on operating income and income before income taxes and minority interests was immaterial for the year ended March 31, 2008.

(18) Lease Transactions

Finance leases of the Company and its domestic consolidated subsidiaries, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for as operating leases.

(19) 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.

3. CASH AND TIME DEPOSITS

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2008 and 2007 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
At March 31,	**2008**	2007	**2008**
Cash and time deposits	**¥ 79,655**	¥38,197	**$ 795,039**
Time deposits maturing after three months	**(751)**	(664)	**(7,496)**
Marketable securities maturing within three months	**50,477**	8,589	**503,813**
Cash equivalents included in short-term loans	**30,715**	–	**306,568**
Cash and cash equivalents	**¥160,096**	¥46,121	**$1,597,924**

4. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

Held-to-maturity debt securities with available fair market value at March 31, 2008 were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Held-to-maturity debt securities					
	Carrying amount	Market value	Unrealized gain (loss)	Carrying amount	Market value	Unrealized gain (loss)
Securities with market value exceeding carrying amount:						
Bonds	**¥ 2,841**	**¥ 2,941**	**¥ 100**	**$ 28,356**	**$ 29,354**	**$ 998**
Securities with market value not exceeding carrying amount:						
Bonds	**17,509**	**15,353**	**(2,156)**	**174,758**	**153,239**	**(21,519)**
Total	**¥20,350**	**¥18,294**	**¥(2,056)**	**$203,114**	**$182,593**	**$(20,521)**

Available-for-sale securities with available fair market value at March 31, 2008 and 2007 were as follows:

	Millions of Yen					
	Available-for-sale securities with available fair market value					
	2008			2007		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Securities with carrying amount exceeding acquisition cost:						
Stocks	**¥17,114**	**¥26,326**	**¥ 9,212**	¥12,107	¥43,394	¥31,287
Bonds	**17,506**	**17,650**	**144**	3,003	3,006	3
Other	**114**	**117**	**3**	–	–	–
Subtotal	**34,734**	**44,093**	**9,359**	15,110	46,401	31,290
Securities with carrying amount not exceeding acquisition cost:						
Stocks	**28,033**	**21,539**	**(6,494)**	1,095	974	(120)
Bonds	**–**	**–**	**–**	12,118	11,997	(120)
Other	**36**	**35**	**(1)**	–	–	–
Subtotal	**28,069**	**21,574**	**(6,495)**	13,213	12,972	(241)
Total	**¥62,803**	**¥65,667**	**¥ 2,864**	¥28,323	¥59,373	$31,049

	Thousands of U.S. Dollars		
	Available-for-sale securities with available fair market value		
	2008		
	Acquisition cost	Carrying amount	Unrealized gain (Loss)
Securities with carrying amount exceeding acquisition cost:			
Stocks	**$170,815**	**$262,761**	**$ 91,946**
Bonds	**174,728**	**176,165**	**1,437**
Other	**1,138**	**1,168**	**30**
Subtotal	**346,681**	**440,094**	**93,413**
Securities with carrying amount not exceeding acquisition cost:			
Stocks	**279,798**	**214,982**	**(64,817)**
Bonds	**–**	**–**	**–**
Other	**360**	**349**	**(10)**
Subtotal	**280,158**	**215,331**	**(64,827)**
Total	**$626,839**	**$655,425**	**$ 28,586**

In addition to the above table, the Company recognized the portions attributable to its interests in unrecognized holding gain or loss on investments in investment business limited liability partnerships. These portions have been recorded under net assets as unrecognized loss on securities of ¥182 million ($1,816 thousand), net of applicable income taxes of ¥124 million ($1,238 thousand), and unrecognized gain on securities of ¥354 million, net of applicable income taxes of ¥242 million, for the years ended March 31, 2008 and 2007, respectively.

Impairment loss on available-for-sales securities amounting to ¥30 million ($299 thousand) was recorded for the year ended March 31, 2008.

Held-to-maturity debt securities sold during the years ended March 31, 2008 and 2007 were as follows:

Millions of Yen					
Held-to-maturity debt securities sold					
2008			2007		
Cost of securities sold	Proceeds	Gain (loss) on sale	Cost of securities sold	Proceeds	Gain on sale
¥1,000	**¥1,000**	**¥ –**	¥2,998	¥3,008	¥10

Thousands of U.S. Dollars		
Held-to-maturity debt securities sold		
2008		
Cost of securities sold	Proceeds	Gain (loss) on sale
$9,981	**$9,981**	**$ –**

Available-for-sale securities sold during the years ended March 31, 2008 and 2007 were as follows:

Millions of Yen					
Available-for-sale securities sold					
2008			2007		
Proceeds	Gain on sale	Loss on sale	Proceeds	Gain on sale	Loss on sale
¥10,175	**¥99**	**¥1**	¥32,880	¥1,562	¥14

Thousands of U.S. Dollars		
Available-for-sale securities sold		
2008		
Proceeds	Gain on sale	Loss on sale
$101,557	**¥988**	**¥10**

The redemption schedule for available-for-sale securities that have maturities and held-to-maturity debt securities at March 31, 2008 was as follows:

	Millions of Yen			
March 31, 2008	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Debt securities:				
Bonds, etc.	**¥ 5,005**	**¥12,645**	**¥2,841**	**¥ –**
Other	**–**	**2,509**	**–**	**15,000**
Other	**50,629**	**–**	**–**	**–**
Total	**¥55,634**	**¥15,154**	**¥2,841**	**¥15,000**

	Thousands of U.S. Dollars			
At March 31, 2008	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Debt securities:				
Bonds, etc.	**$ 49,955**	**$126,210**	**$28,356**	**$ –**
Other	**–**	**25,043**	**–**	**149,716**
Other	**505,330**	**–**	**–**	**–**
Total	**$555,285**	**$151,253**	**$28,356**	**$149,716**

Book value of marketable securities with no available fair market value at March 31, 2008 and 2007 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Book value of marketable securities with no available fair market value		
	2008	2007	2008
Held-to-maturity debt securities:			
Unlisted debt securities	**¥ –**	¥14,000	**$ –**
Available-for-sale securities:			
Unlisted and unquoted stocks	**5,359**	4,512	**53,488**
Certificates of deposit	**27,500**	8,700	**274,478**
Commercial paper	**22,977**	6,589	**229,334**
Investment limited partnerships	**1,075**	1,172	**10,731**
Investment trust fund	**–**	1,004	**–**
Other	**–**	84	**–**
Total	**¥56,911**	¥36,061	**$568,031**

5. INVENTORIES

Inventories at March 31, 2008 and 2007 were as follows:

At March 31,	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars 2008
Finished goods and merchandise	**¥32,846**	¥12,106	**$327,837**
Semi-finished products and work-in-process	**18,939**	4,998	**189,031**
Raw materials and supplies	**21,688**	3,686	**216,469**
Total	**¥73,473**	¥20,790	**$733,337**

6. SHORT-TERM LOANS AND LONG-TERM LOANS

The annual weighed average interest rates on bank loans at March 31, 2008 and 2007 were as follows:

At March 31,	2008	2007
Short-term loans	**1.07%**	5.83%
Current portion of long-term debt	**2.10**	0.70
Long-term debt	**1.18**	0.70

Long-term loans at March 31, 2008 and 2007 consisted of the following:

At March 31,	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars 2008
Loans from banks, insurance companies and other financial institutions	**¥ 1,410**	¥120	**$ 14,073**
Less current maturities	**(1,240)**	(30)	**(12,376)**
Total	**¥ 170**	¥ 90	**$ 1,697**

At March 31, 2008, property, plant and equipment amounting to ¥9,731 million ($97,125 thousand) were pledged as collateral for long-term debt of ¥1,120 million ($11,179 thousand).

The aggregate annual maturities of long-term loans subsequent to March 31, 2008 are summarized as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥1,240	$12,376
2010	140	1,397
2011	30	300
Total	¥1,410	$14,073

7. ACCRUED RETIREMENT BENEFITS

The Company and certain domestic consolidated subsidiaries have different retirement benefits plans with respect to the employees of the former Tanabe Seiyaku Co., Ltd., and those of the former Mitsubishi Pharma Corporation.

For the former Tanabe Seiyaku Co., Ltd., plans, employees have both defined contribution pension plans and defined benefit pension plans. The defined benefit pension plans include a lump-sum retirement allowance and company pension fund plans, and, in addition, there is also an approved retirement annuity system under which payments are made only to those retirees who are already receiving pensions.

For the former Mitsubishi Pharma Corporation plans, employees have a choice between cash-balance pension plans and advance payment schemes for retirement benefits. Reserves set aside prior to September 2003 have been transferred to the cash-balance pension or lump-sum retirement allowance plans.

In addition to the retirement benefit plans described above, the Company pays additional retirement benefits under certain conditions.

Certain consolidated subsidiaries have defined benefit pension plans.

The following table sets forth the funded and accrued status of the retirement benefit plans and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2008 and 2007 for the Companies' defined benefit pension plans:

At March 31,	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars 2008
Retirement benefit obligation	**¥(151,977)**	¥(93,059)	**$(1,516,888)**
Fair value of pension assets	**155,447**	99,280	**1,551,522**
Pension assets in excess of retirement benefit obligation	**3,470**	6,220	**34,634**
Unrecognized actuarial loss	**13,590**	2,793	**135,642**
Unrecognized prior service cost	**–**	(103)	**–**
Net amount shown on the consolidated balance sheets	**17,060**	8,910	**170,276**
Prepaid pension expenses	**33,988**	20,655	**339,235**
Accrued retirement benefits	**¥ (16,928)**	¥ (11,744)	**$ (168,959)**

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

Years Ended March 31,	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars 2008
Service costs	**¥ 2,138**	¥ 1,735	**$ 21,339**
Interest cost	**2,699**	2,321	**26,939**
Expected return on plan assets	**(2,998)**	(2,818)	**(29,923)**
Amortization of actuarial (gain) loss	**(847)**	716	**(8,454)**
Amortization of prior service costs	**–**	(8)	**–**
Retirement benefit expenses	**¥ 992**	¥ 1,946	**$ 9,901**

In addition to the retirement benefit expenses listed above, additional retirement allowances totaling ¥1,122 million ($11,199 thousand) were recorded as a special retirement expense.

The assumptions used in accounting for the above defined benefit pension plans for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Discount rate	**2.5%**	2.5%
Expected rates of return on plan assets	**2.5 to 3.5%**	3.5%

8. INCOME TAXES

The Company and certain domestic consolidated subsidiaries are subject to a number of different income taxes, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 40.6% for the years ended March 31, 2008 and 2007.

Overseas consolidated subsidiaries are subject to the income taxes of the respective countries in which they operate. The Company has recognized deferred income taxes on the undistributed income of overseas subsidiaries and affiliates in the accompanying consolidated financial statements as of and for the years ended March 31, 2008 and 2007 as it is anticipated that such earnings will be distributed as dividends in the future.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2008 differs from the above statutory tax rate for the following reasons:

Year ended March 31,	2008
Statutory tax rate	**40.6%**
Adjustments:	
Amortization of goodwill	**5.2**
Non-deductible expenses	**4.6**
Non-taxable dividend income, etc.	**(3.1)**
Elimination of dividends upon consolidation	**3.4**
Adjustment for per capita inhabitants taxes	**0.2**
Special deduction for R&D expenses	**(7.4)**
Other	**0.3**
Effective tax rate	**43.8%**

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2007 has been omitted because the difference between the tax rates was less than 5 percent of the statutory tax rate.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2008 and 2007 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
At March 31,	**2008**	2007	**2008**
Deferred tax assets:			
Reserve for employees' bonuses	**¥ 5,387**	¥ 1,900	**$ 53,768**
Enterprise taxes	**1,386**	857	**13,834**
Loss on devaluation of inventories	**2,352**	878	**23,475**
Unrealized gains on inventories	**2,077**	263	**20,731**
Retirement benefits	**851**	2,655	**8,494**
Reserve for health management allowances for SMON compensation	**932**	805	**9,302**
Reserve for health management allowances for HIV compensation	**717**	–	**7,156**
Reserve for HCV litigations	**4,547**	–	**45,384**
Loss on devaluation of investments in securities	**318**	53	**3,174**
Excess amortization of long-term prepaid expenses	**1,747**	1,162	**17,437**
Prepaid research and development expenses	**7,527**	1,297	**75,127**
Net operating loss carryforward	**20,190**	–	**201,517**
Excess depreciation	**1,468**	–	**14,652**
Loss on impairment of fixed assets	**1,037**	–	**10,350**
Other	**2,966**	1,114	**29,604**
Gross deferred tax assets	**53,502**	10,988	**534,005**
Valuation allowance	**(20,127)**	–	**(200,888)**
Total deferred tax assets	**33,375**	10,988	**333,117**
Deferred tax liabilities:			
Prepaid pension expenses	**(648)**	–	**(6,468)**
Unrealized holding gains on securities	**(13,724)**	(12,848)	**(136,980)**
Deferred capital gain on property	**(2,111)**	(1,417)	**(21,070)**
Reserve for special depreciation	**(250)**	(249)	**(2,495)**
Unrealized holding gain on land	**(11,273)**	–	**(112,516)**
Retained earnings	**(1,128)**	–	**(11,259)**
Other	**(342)**	(319)	**(3,413)**
Total deferred tax liabilities	**(29,476)**	(14,835)	**(294,201)**
Net deferred tax assets (liabilities)	**¥ 3,899**	¥ (3,847)	**$ 38,916**

9. 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, 2008 and 2007 are summarized as follows:

	Thousand of shares				
Year ended March 31, 2008	Number of shares at end of previous fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Increase resulting from merger	Number of shares at end of the fiscal year
Common stock	**458,434**	**–**	**–**	**102,983**	**561,417**
Treasury stock	**–**	**27**	**18**	**193**	**202**

Year ended March 31, 2007	Thousand of shares			
	Number of shares at end of previous fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at end of the fiscal year
Common stock	267,597	–	–	267,597
Treasury stock	22,616	56	6	22,666

Because the merger was considered to be a reverse acquisition, the number of shares of common stock in issue at end of previous fiscal year was equal to the number of shares of common stock in issue of the former Mitsubishi Pharma Corporation.

10. CONTINGENT LIABILITIES

The Company and consolidated subsidiaries had the following contingent liabilities at March 31, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Loans guaranteed:		
Synthelabo-Tanabe Chimie S.A.	¥ 23	$ 230
Employees' housing fund	203	2,026
Trade notes receivable discounted with banks	84	838

11. RESEARCH AND DEVELOPMENT EXPENSES

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

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2008 and 2007 were ¥59,807 million ($596,936 thousand) and ¥28,519 million, respectively.

12. LOSS ON SHUTDOWN OF A PLANT

For the year ended March 31, 2008, the Company and consolidated subsidiaries recorded a loss on shutdown of a plant of ¥1,638 million ($16,349 thousand), which consisted of an impairment loss of ¥790 million ($7,885 thousand) and removal expenses of ¥848 million ($8,464 thousand). The impairment loss of fixed assets is summarized as follows:

Location	Major use	Classification	Millions of yen	Thousands of U.S. dollars
API Corporation's Kusu Plant (Yokkaichi City, Mie Prefecture)	Fine chemical production facilities	Buildings, structures, and equipment, etc.	¥790	$7,885

The Company and its domestic 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. Assets, which are not definitely linked to a specific business, such as the head-office building, the facilities for research and development and the facilities for welfare, are classified as corporate assets.

Because a determination was made to close the plant, the book value of the plant was reduced to its recoverable amount, and the amount of the reduction of ¥790 million ($7,885 thousand) was included in loss on shutdown of a plant and recorded as a special loss

13. RELATED PARTY TRANSACTION

Principal transactions between the Company and its related company for the year ended March 31, 2008 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2008	
MCFA Inc.:		
Loans	**¥83,814**	**$836,551**
Interest income	**414**	**4,132**

The balance due to its related company at March 31, 2008 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2008	
Due to MCFA Inc.	**¥29,871**	**$ 298,144**

14. FINANCE LEASES

The following *pro forma* amounts represent the acquisition cost, accumulated depreciation and net book value of property leased to the Company and its domestic consolidated subsidiaries at March 31, 2008 and 2007, which would have been reflected in the accompanying consolidated balance sheets if finance leases other than those which transfer the ownership of the leased property to the Company and its domestic consolidated subsidiaries (which are currently accounted for as operating leases) had been capitalized:

	Millions of Yen					
	2008			2007		
At March 31	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Category of leased property:						
Machinery	**¥ 228**	**¥ 123**	**¥105**	¥ –	¥ –	¥ –
Tools and equipment	**1,657**	**855**	**802**	1,408	747	661
Other	**113**	**56**	**57**	–	–	–
Total	**¥1,998**	**¥1,034**	**¥964**	¥1,408	¥747	¥661

	Thousands of U.S. Dollars		
	2008		
At March 31	Acquisition cost	Accumulated depreciation	Net book value
Category of leased property:			
Machinery	**$ 2,276**	**$ 1,228**	**$1,048**
Tools and equipment	**16,539**	**8,534**	**8,005**
Other	**1,127**	**558**	**569**
Total	**$19,942**	**$10,320**	**$9,622**

Lease payments of the Company and its domestic consolidated subsidiaries relating to finance leases amounted to ¥324 million ($3,234 thousand) and ¥ 349 million for the years ended March 31, 2008 and 2007, respectively. Depreciation on these leased assets calculated by the straight-line method would have amounted to ¥324 million ($3,234 thousand) and ¥349 million for the years ended March 31, 2008 and 2007, respectively, if it had been reflected in the accompanying consolidated balance sheets.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2008 under finance leases other than those which transfer the ownership of the leased property to the Company and its domestic consolidated subsidiaries are summarized as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥358	$3,573
2010 and thereafter	606	6,049
	¥964	9,622

15. 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 and currency option 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 and currency option 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 evaluates the effectiveness of its hedging activities by reference to the accumulated gain or loss on each hedging instrument and on the related underlying hedged item from the commencement of the hedge.

Disclosure of value information on derivatives has been omitted because all open derivatives positions qualified for deferral hedge accounting.

16. AMOUNTS PER SHARE

Years ended March 31,	Yen 2008	Yen 2007	U.S. Dollars 2008
Net income	**¥ 50.12**	¥ 82.36	**$ 0.50**
Cash dividends	**20.68**	24.00	**0.21**
Net assets	**1,163.96**	948.30	**11.62**

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.

17. SEGMENT INFORMATION

The Company and consolidated subsidiaries are primarily engaged in manufacturing and selling in two business segments: Pharmaceuticals and Other Businesses.

Operations regarding the manufacture and sale of Pharmaceuticals include ethical drugs and over-the-counter drugs.

Operations regarding the manufacture and sale of Other Businesses include fine chemicals, real-estate leasing, information services, advertising, and so forth.

Business segment information for the years ended March 31, 2008 and 2007 was as follows:

Year ended March 31, 2008	Millions of Yen: Pharmaceuticals	Other business	Subtotal	Elimination or corporate	Consolidated
I. Sales and operating income:					
Sales to third parties	**¥292,157**	**¥23,479**	**¥315,636**	**¥ –**	**¥315,636**
Inter-segment sales or transfer	**8**	**4,242**	**4,250**	**(4,250)**	**–**
Net sales	**292,165**	**27,721**	**319,886**	**(4,250)**	**315,636**
Operating expenses	**240,112**	**25,908**	**266,020**	**(4,408)**	**261,612**
Operating income	**¥ 52,053**	**¥ 1,813**	**¥ 53,866**	**¥ 158**	**¥ 54,024**
II. Total assets, depreciation and amortization, impairment loss and capital expenditure:					
Total assets	**¥598,101**	**¥29,806**	**¥627,907**	**¥179,354**	**¥807,261**
Depreciation and amortization	**12,003**	**552**	**12,555**	**–**	**12,555**
Impairment loss	**–**	**790**	**790**	**–**	**790**
Capital expenditure	**7,448**	**340**	**7,788**	**–**	**7,788**

Year ended March 31, 2007	Millions of Yen: Pharmaceuticals	Other business	Subtotal	Elimination or corporate	Consolidated
I. Sales and operating income (loss):					
Sales to third parties	¥164,147	¥13,383	¥177,531	¥–	¥177,531
Inter-segment sales or transfer	–	–	–	–	–
Net sales	164,147	13,383	177,531	–	177,531
Operating expenses	133,348	13,727	147,075	–	147,075
Operating income (loss)	¥ 30,799	¥ (343)	¥ 30,456	¥–	¥ 30,456
II. Total assets, depreciation and amortization and capital expenditure:					
Total assets	¥288,726	¥ 8,361	¥297,087	¥–	¥297,087
Depreciation and amortization	6,796	99	6,896	–	6,896
Capital expenditure	4,818	52	4,870	–	4,870

Year ended March 31, 2008	Thousands of U.S. Dollars				
	Pharmaceuticals	Other business	Subtotal	Elimination or corporate	Consolidated
I. Sales and operating income:					
Sales to third parties	$2,916,029	$234,345	$3,150,374	$ –	$3,150,374
Inter-segment sales or transfer	80	42,340	42,420	(42,420)	–
Net sales	2,916,109	276,685	3,192,794	(42,420)	3,150,374
Operating expenses	2,396,567	258,589	2,655,156	(43,997)	2,611,159
Operating income	$519,542	$18,096	$537,638	$1,577	$ 539,215
II. Total assets, depreciation and amortization, impairment loss and capital expenditure:					
Total assets	$5,969,667	$297,495	$6,267,162	$1,790,139	$8,057,301
Depreciation and amortization	119,802	5,510	125,312	–	125,312
Impairment loss	–	7,885	7,885	–	7,885
Capital expenditure	74,338	3,394	77,732	–	77,732

Effective the year ended March 31, 2008, as a result of the merger with Mitsubishi Pharma Corporation, the Company has recorded unallocable accounts as corporate. As a result, total assets of Pharmaceuticals business segment decreased by ¥192,673 million ($1,923,076 thousand) at March 31, 2008 from the amount which would have been recorded under the method applied in the previous year.

As described in Note 2(2), effective the year ended March 31, 2008, the Company has changed its method of translation of the statements of income of its overseas consolidated subsidiaries to using the average rates of exchange in effect during the fiscal year, from the rates in effect at the balance sheet date. The effect of this change on business segment information was immaterial for the year ended March 31, 2008.

As described in Note 2(7), effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. Furthermore, depreciation expense for property, plants and equipment acquired before April 1, 2007 is computed based on the salvage value of 5% of acquisition cost, and the amount between the salvage value (5% of acquisition cost) and memorandum value is depreciated from the year following the year in which the book value of an asset reaches 5% of its acquisition cost by the straight-line method over a period of 5 years. The effect of this change on business segment information was immaterial for the year ended March 31, 2008.

As more than 90% of consolidated net sales for the years ended March 31, 2008 and 2007 and total assets at March 31, 2008 and 2007 were made or held in Japan, the disclosure of geographical segment information for the years then ended has been omitted.

As more than 90% of consolidated net sales for the years ended March 31, 2008 and 2007 were made in Japan, the disclosure of overseas sales information for the years then ended has been omitted.

18. BUSINESS COMBINATION

The Company was formed as a result of the merger on October 1, 2007 of Tanabe Seiyaku Co., Ltd., the surviving company, and Mitsubishi Pharma Corporation, the dissolving company.

Because the merger was treated as a reverse acquisition under "Accounting Standard for Business Combinations" (issued on October 31, 2003 by the BACJ), in the accompanying consolidated financial statements, the purchase method was applied with the dissolving company, the former Mitsubishi Pharma Corporation, as the acquiring company.

Prior to the merger, Tanabe Seiyaku Co., Ltd. was engaged in the production and sale of ethical drugs, OTC drugs, diagnostic agents, and chemicals. The Company determined that Tanabe Seiyaku Co., Ltd. and Mitsubishi Pharma Corporation share the goals of promoting the further enhancement of their drug discovery capacity and the acceleration of their global business development and of pursuing business opportunities by adapting actively to future changes in medical treatment. To realize these goals, the two companies agree that it is essential for them to position themselves among the ranks of Japan's leading pharmaceutical companies by expanding their operational scale and strengthening their business infrastructure. In this connection, and in order to assist in the development of new drugs for the global market and to create new business opportunities, the two companies concluded the merger agreement. After the merger, the Company acquired 56.4% of the voting rights and changed its name to Mitsubishi Tanabe Pharma Corporation.

In connection with the merger, the Company issued 293,820,069 shares of common stock and delivered 22,500,000 shares of common stock held in treasury based on a conversion ratio of 1 share of the Company's common stock for 0.69 shares of Mitsubishi Pharma Corporation.

Common stock delivered was valued at ¥101,525 million ($1,013,325 thousand). The valuation is determined based on the sum of the balances of Mitsubishi Pharma Corporation's common stock and capital surplus immediately prior to the merger. Goodwill of ¥150,505 million ($1,502,196 thousand) arising from the merger is being amortized over a period of fifteen years using the straight-line method.

The following table summarizes the acquisition cost of the acquired company:

	Millions of Yen	Thousands of U.S. Dollars
Acquisition price:		
Shares of common stock of Tanabe Seiyaku Co., Ltd.	¥399,461	$3,987,035
Expenditures directly related to acquisition:		
Advisory cost, etc.	493	4,920
Acquisition cost	¥399,954	$3,991,955

The amounts of assets acquired and liabilities assumed of Tanabe Seiyaku Co., Ltd., at the date of merger were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥148,773	$1,484,909
Fixed assets	181,584	1,812,396
Total assets	¥330,357	$3,297,305
Current liabilities	¥ 44,392	$ 443,078
Long-term liabilities	35,051	349,845
Total liabilities	¥ 79,443	$ 792,923

The following unaudited *pro forma* information presents a summary of the results of operations of Tanabe Seiyaku Co., Ltd., assuming that the merger had occurred on April 1, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Net sales	¥409,427	$4,086,506
Operating income	67,451	673,231
Ordinary profit	68,623	684,929
Income before income taxes and minority interests	50,306	502,106
Net income	26,921	268,699

19. LITIGATION

Court Action for Damages Relating to HIV (human immunodeficiency virus) infection

The former Green Cross Corporation, the Japanese government and four other pharmaceutical manufacturers, were named as defendants in a number of lawsuits for compensation filed by plaintiffs claiming to have been infected with HIV (human immunodeficiency virus) through the use of non-heat-treated concentrated preparations. Through the merger with Green Cross Corporation, liability for the lawsuits was transferred to Mitsubishi Pharma Corporation, and as a result of the Company's merger with Mitsubishi Pharma Corporation on October 1, 2007, liability for the lawsuits was transferred to the Company.

From the first settlement relating to the lawsuits, which was agreed to on March 29, 1996, to March 31, 2008, settlements have been reached with 1,379 plaintiffs.

In order to reach a full resolution on the issue of HIV infection through non-heat-treated concentrated preparations, the Company is committed to continued earnest engagement.

U.S. Court Action for Damages Relating to HIV (human immunodeficiency virus) Infection

A wholly-owned U.S. subsidiary of the Company, Alpha Therapeutic Corporation, and three other U.S. manufacturers of blood products, are defendants in a number of U.S. class action lawsuits filed chiefly by non-U.S. residents (residents of Europe and so forth) claiming to have been infected with HIV or other viruses by non-heat-treated concentrated preparations sold in the 1980s. The number of lawsuits as of March 31, 2008, was 115, and discovery is currently in progress.

Court Action for Compensation by Patients Infected with HCV (hepatitis C virus)

Since 2002, the Company and its subsidiary Benesis Corporation, together with the Japanese government and other parties, have been defendants in a number of lawsuits in which the plaintiffs seek compensation for damages allegedly suffered through the contraction of the HCV (hepatitis C virus) infection following the 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.

In regard to these lawsuits, the Company has disputed its legal responsibility, but on January 16, 2008, the Japanese government promulgated and put into effect a law providing relief to people who contracted hepatitis C from specific fibrinogen products or specific coagulation factor IX products.

Accordingly, to reach a resolution on the lawsuits, the Company is committed to continued earnest engagement with the plaintiffs.

Deposits related to litigation of ¥738 million ($7,366 thousand) are included in investments and other assets. These deposits are related to appeal procedures for lawsuits for damages filed by plaintiffs infected with HCV.

20. SUBSEQUENT EVENT

At the annual general shareholders' meeting held on June 24, 2008, the shareholders approved a resolution for the distribution of cash dividends amounting to ¥7,295 million ($72,812 thousand). No accrued has been provided for such distribution in the accompanying consolidated financial statements for the year ended March 31, 2008. Such distributions are recognized in the period in which they are approved by the shareholders.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Mitsubishi Tanabe Pharma Corporation

We have audited the accompanying consolidated balance sheet of Mitsubishi Tanabe Pharma Corporation and consolidated subsidiaries as of March 31, 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Tanabe Pharma Corporation and consolidated subsidiaries at March 31, 2008 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

KPMG AZSA & Co.

Osaka, Japan
June 24, 2008

Ernst & Young Shinnihon

Osaka, Japan

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Tanabe Seiyaku Co., Ltd.

We have audited the accompanying consolidated balance sheet of Tanabe Seiyaku Co., Ltd. and consolidated subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in net assets and cash flows for the period ended March 31, 2007, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tanabe Seiyaku Co., Ltd. and subsidiaries as of March 31, 2007, and the consolidated results of their operations and their cash flows for the period ended March 31, 2007, in conformity with accounting principles generally accepted in Japan.

KPMG AZSA & Co.

Osaka, Japan
June 26, 2007

GROUP COMPANIES

(As of March 31, 2008)

JAPAN	Establishment	Paid-in Capital	% Voting Control***	Principal Business
Tanabe Seiyaku Yamaguchi Co., Ltd.*	October 2005	¥100 million	100.0%	Manufacture and sale of pharmaceuticals and related products
Tanabe Seiyaku Yoshiki Factory Co., Ltd.*	July 1964	¥400 million	100.0%	Manufacture and sale of pharmaceuticals
Benesis Corporation*	October 2002	¥3,000 million	100.0%	Manufacture and sale of pharmaceuticals
MP-Technopharma Corporation*	September 1995	¥1,130 million	100.0%	Manufacture and sale of pharmaceuticals
BIPHA CORPORATION*	November 1996	¥7,500 million	51.0%	Manufacture and sale of pharmaceuticals
Tanabe R&D Service Co., Ltd.*	August 1984	¥44 million	100.0%	Testing and examination of pharmaceuticals
Yoshitomiyakuhin Corporation*	August 1981	¥385 million	100.0% (42.6%)	Provision of information about pharmaceuticals
API Corporation*	April 1982	¥4,000 million	52.6%	Manufacture and sale of chemicals and related products
ARKEMA Yoshitomi, Ltd.*	December 1961	¥100 million	26.8% (26.8%)	Manufacture and sale of chemicals
Tanabe Total Service Co., Ltd.*	February 1964	¥90 million	100.0%	Real estate
Welfide Service Corporation*	November 1968	¥106 million	100.0%	Real estate
MP-Logistics Corporation*	September 1980	¥95 million	65.0%	Distribution, warehouse operations
Tanabe Seiyaku Trading Co., Ltd.*	March 1995	¥70 million	100.0%	Sale of pharmaceuticals and related products
Sun Chemical Co., Ltd.**	June 1970	¥342 million	48.3%	Manufacture and sale of chemicals
Ogura Art Printing Co., Ltd.**	February 1957	¥145 million	30.8%	Printing
Tama Kagaku Kogyo Co., Ltd. **	December 1962	¥126 million	24.4%	Manufacture and sale of chemicals
Koei Shoji Co., Ltd.**	August 1954	¥10 million	50.0%	Non-life insurance agency

Notes: 1. On April 1, 2007, consolidated subsidiary Tanabe Total Service Co., Ltd., acquired consolidated subsidiaries Ace Art Co., Ltd., and Tanabe Seiyaku Engineering Co., Ltd., in an absorption merger.

2. On April 1, 2008, consolidated subsidiary Tanabe Seiyaku Trading Co., Ltd., changed its name to Tanabe Seiyaku Hanbai Co., Ltd., and its business to promoting and marketing generic drugs.

* Consolidated subsidiary

** Affiliated company accounted for by the equity method

*** Figures in parentheses show indirect control

	Establishment	Paid-in Capital	% Voting Control***	Principal Business
OVERSEAS				
Asia				
Tianjin Tanabe Seiyaku Co., Ltd.*	October 1993	US$12,000,000	66.7%	Manufacture and sale of pharmaceuticals
Mitsubishi Pharma (Guangzhou) Co., Ltd.*	December 1991	US$12,000,000	100.0%	Manufacture and sale of pharmaceuticals
Mitsubishi Pharma Research & Development (Beijing) Co., Ltd.*	October 2006	US$1,000,000	100.0%	Development of pharmaceuticals
Welfide Korea Co., Ltd.*	December 1983	W2,100,000,000	100.0%	Manufacture and sale of pharmaceuticals
P.T. Tanabe Indonesia*	July 1970	US$2,500,000	99.6%	Manufacture and sale of pharmaceuticals
Taiwan Tanabe Seiyaku Co., Ltd.*	September 1962	NT$90,000,000	65.0%	Manufacture and sale of pharmaceuticals
Tai Tien Pharmaceuticals Co., Ltd.*	July 1987	NT$20,000,000	65.0%	Sale of pharmaceuticals
United States				
MP Healthcare Venture Management Inc.*	August 2006	US$100	65.0%	Investments in bio-ventures, etc.
Tanabe Holding America, Inc.*	December 2000	US$165	100.0%	Management of Group companies in the United States
Tanabe Research Laboratories, U.S.A., Inc.*	November 1990	US$3,000,000	100.0% (100.0%)	Research of pharmaceuticals
Tanabe U.S.A., Inc.*	January 1970	US$1,400,000	100.0% (100.0%)	Import and sale of chemicals
Mitsubishi Pharma America Inc.*	October 2001	US$100	100.0%	Development of pharmaceuticals
Europe				
Tanabe Europe N.V.*	December 1972	EUR260,330	100.0%	Import and sale of chemicals and pharmaceuticals
Mitsubishi Pharma Europe Ltd*	March 2001	£4,632,000	100.0%	Development of pharmaceuticals
Mitsubishi Pharma Deutschland GmbH*	May 2003	EUR25,000	100.0%	Sale of pharmaceuticals
Synthelabo-Tanabe Chimie S.A.**	June 1987	EUR1,600,000	50.0%	Manufacture and sale of bulk pharmaceuticals

* Consolidated subsidiary
** Affiliated company accounted for by the equity method
*** Figures in parentheses show indirect control

CORPORATE DATA

(As of March 31, 2008)

Mitsubishi Tanabe Pharma Corporation
3-2-10, Dosho-machi, Chuo-ku, Osaka 541-8505, Japan
URL: http://www.mt-pharma.co.jp

Incorporated
December 1933

Date of Merger
October 1, 2007

Number of Employees
10,361 (Consolidated)
6,266 (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

INVESTOR INFORMATION

(As of March 31, 2008)

Stock Exchange Listings
Tokyo and Osaka

Stock Code
4508

Paid-in Capital
¥50,000 million

Common Stock
Authorized: 2,000,000,000 shares
Issued: 561,417,916 shares

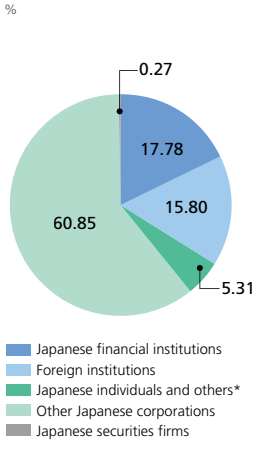
Closing Date of Accounts
March 31

Number of Shareholders
14,712

Major Shareholders (% voting rights)
Mitsubishi Chemical Holdings Corporation (56.4)
The Master Trust Bank of Japan, Ltd. (3.9)
Nippon Life Insurance Company (2.8)
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (2.2)
Japan Trustee Services Bank, Ltd. (1.9)
The Chase Manhattan Bank, N.A. London, S.L. Omnibus Account (1.8)
Nipro Corporation (1.4)
Tokio Marine & Nichido Fire Insurance Co., Ltd. (0.9)
State Street Bank and Trust Company 505103 (0.8)
Mizuho Corporate Bank, Ltd. (0.8)

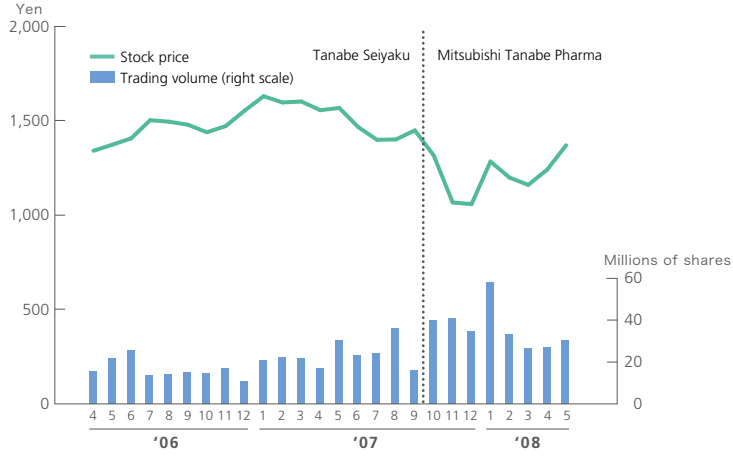
Shareholder Register Agent for Common Stock in Japan
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan

DISTRIBUTION OF SHARE OWNERSHIP BY TYPE OF SHAREHOLDER



* Individuals and others includes treasury stock (202 thousand shares at March 31, 2008)

STOCK PRICE RANGE / TRADING VOLUME



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