Dynamic Synergy

MITSUBISHI TANABE PHARMA CORPORATION
ANNUAL REPORT 2009

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.

Our vision is to become a global research-driven pharmaceutical company that is trusted by communities. Targeting the realization of that vision, in May 2008 we formulated the Medium-Term Management Plan 08–10—Dynamic Synergy for 2015. Fiscal 2010 is the final year of the plan. Mitsubishi Tanabe Pharma is taking on the challenge of making Dynamic Synergy a reality. To the Group, Dynamic Synergy means making full use of abundant management resources, focusing the expertise and energy of all employees throughout the Group and creating new business domains and business models.

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 life sciences.

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FORWARD-LOOKING STATEMENTS

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

BUSINESS PROFILE

The core business activities of Mitsubishi Tanabe Pharma are the research, development, production and sale of ethical pharmaceuticals. Including the ethical drugs introduced here, we provide a broad range of pharmaceuticals that contribute to an enhanced quality of life (QOL) for patients. We are working to maximize the product value of these drugs and are aggressively advancing R&D, targeting the creation of new drugs.

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

Radicut
Edaravone
Cerebral neuroprotectant (Free radical scavenger)

Anplag
Sarpogrelate
Anti-platelet agent (5-HT2 blocker)

Talion
Bepotastine
Treatment of allergic disorders

Urso
Ursodeoxycholic Acid
Agent for improving hepatic, biliary and digestive functions

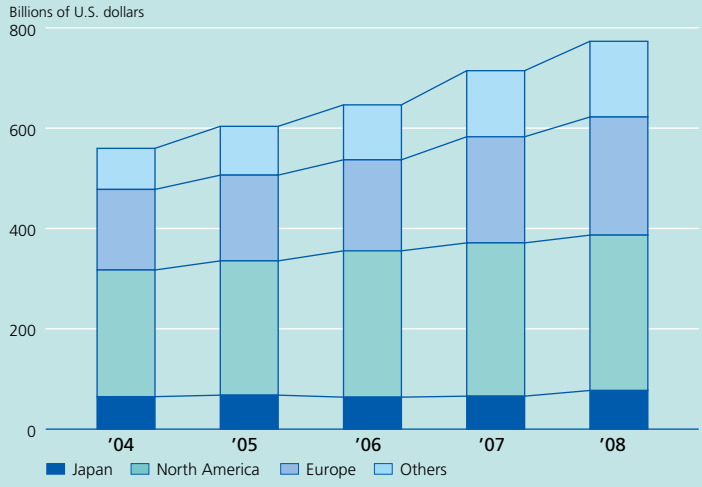
Tanatril
Imidapril
Treatment of hypertension (ACE inhibitor)

MANAGEMENT ENVIRONMENT

Global pharmaceutical markets continue to record moderate growth, despite the global financial crisis. However, in industrialized regions, such as Japan, the U.S. and Europe, the rate of growth is declining due to such factors as measures to limit health care spending. In Japan, the rate of growth in the pharmaceutical market remains sluggish due to measures to limit health care spending, such as national health insurance (NHI) drug price revisions; an increase in the number of hospitals implementing the diagnosis procedure combination (DPC) system, which entails fixed-amount payments for in-patient care; and promotion of the use of generics. Consequently, Japan's share of the global market is declining even though it remains the second largest pharmaceutical market in the world. Moreover, due to such factors as rising R&D expenses, intensifying competition in the development of new drugs in specified disease areas where the degree of satisfaction with existing treatments is low, and increasingly strict requirements for drug approval, the management environment for pharmaceutical companies continues to grow more challenging.

For a research-driven pharmaceutical company to survive in this type of market environment, it must create new drugs that are used around the world. Accordingly, it is essential to implement a growth strategy that takes into account not just the domestic market but also overseas markets. The overseas sales ratios of Mitsubishi Tanabe Pharma's predecessor companies—Tanabe Seiyaku and Mitsubishi Pharma—were limited to around 10%, and both companies faced the challenge of further strengthening their discovery capabilities and accelerating their overseas operational growth. Tanabe Seiyaku and Mitsubishi Pharma agreed that to achieve those goals it was necessary to expand the scale of operations and strengthen the management foundation, and on that basis, the companies merged and made a new start as Mitsubishi Tanabe Pharma.

WORLDWIDE PHARMACEUTICAL MARKET



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BACKGROUND OF THE MERGER

The pharmaceutical industry is one of the most important industries for supporting Japanese economic growth

- Increased medical needs in an aging society
- Progress of technological innovations of life sciences
- Penetration of medical cost reduction policy
- Intensifying global competition over novel drug R&D

For continuous growth in the midst of a conflicting future environmental outlook

Expansion of the scale and strengthening the business infrastructure are necessary

MITSUBISHI TANABE PHARMA—KEY FIGURES

Domestic Sales ¥379.5 billion

Enhancing our presence in the domestic market

Overseas Sales ¥35.2 billion

Accelerating development of overseas operations

Overseas Sales Ratio **8.5%**

MANAGEMENT STRATEGIES

At the time of its establishment, Mitsubishi Tanabe Pharma formulated its vision—to be a global research-driven pharmaceutical company that is trusted by communities. To clarify as much as possible the direction of Mitsubishi Tanabe Pharma from a long-term point of view, we have established fiscal 2015 objectives that will serve as milestones on the path toward the realization of our vision. The Medium-Term Management Plan 08–10—Dynamic Synergy for 2015, which is the first medium-term management plan for Mitsubishi Tanabe Pharma, was formulated as a three-year action plan targeting the realization of our fiscal 2015 objectives and our vision.

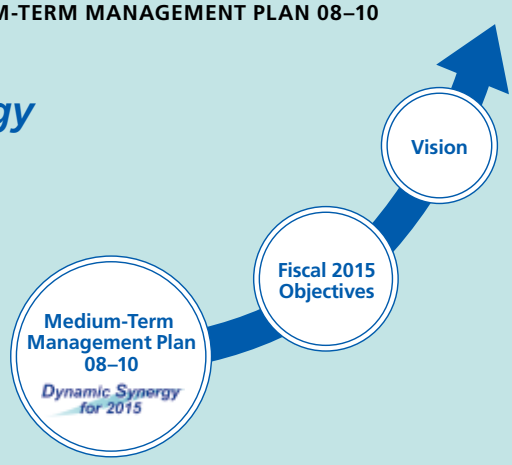
BASIC POLICIES OF MEDIUM-TERM MANAGEMENT PLAN 08–10

KEY CONCEPT

Dynamic Synergy

POSITIONING

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



FISCAL 2015 OBJECTIVES

- 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 pharmaceuticals sales of more than ¥100.0 billion
- Establish competitive superiority through the creation of a differentiated business model

Under the Medium-Term Management Plan, we have set numerical objectives for fiscal 2010. In comparison with fiscal 2007, these objectives call for increases of ¥50.6 billion in net sales, to ¥460.0 billion, ¥22.5 billion in operating income, to ¥95.0 billion, ¥24.0 billion in net income, to ¥56.0 billion, and ¥9.7 billion in R&D expenses, to ¥82.0 billion. Targeting the achievement of these objectives as well as the fiscal 2015 objectives, we have identified five key management issues and are now implementing corresponding action plans.

FISCAL 2010 NUMERICAL TARGETS

Billions of yen (except number of employees)	FY 2007 (actual)	FY 2010 (targets)
Net sales	409.4	**460.0**
Operating income	72.5	**95.0**
Net income	31.9	**56.0**
R&D expenses	72.3	**82.0**
Cost synergies*		**24.0**
Number of employees	10,361	**9,400**

* Cost synergies are cumulative totals from October 2007

KEY MANAGEMENT ISSUES

- Enhancing the Company's Domestic Sales Presence
- Steady Progress in Key Development Projects
- Progress in Developing Overseas Pharmaceutical Operations
- Progress in Generic Operations
- Creating an Efficient Organization and Cost Structure

FINANCIAL HIGHLIGHTS

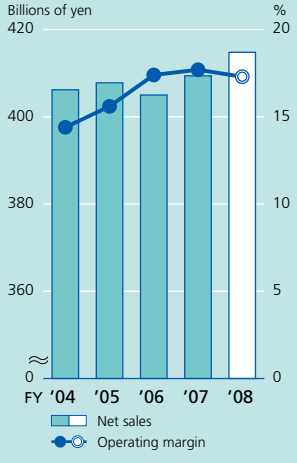
Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31, 2009 (FY 2008), 2008 (FY 2007) and 2007 (FY 2006)

Figures in financial highlights for the previous fiscal year and prior years are the simple sum of the figures for Tanabe Seiyaku and Mitsubishi Pharma to facilitate comparisons and analysis of performance following the merger.

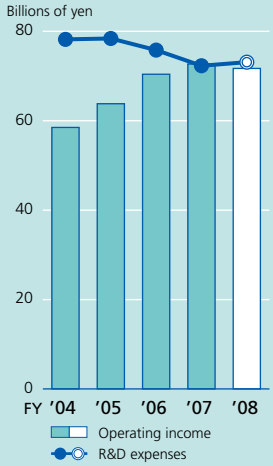
	Millions of Yen (except financial indicators, per share amounts and number of employees)			Thousands of U.S. Dollars[1] (except per share amounts)	% change
	FY 2008	FY 2007	FY 2006	**FY 2008**	FY 2008/FY 2007
Net sales	**¥414,752**	¥409,427	¥405,048	**$4,222,254**	+1.3%
Operating income	**71,694**	72,468	70,411	**729,859**	– 1.1
Net income	**26,532**	31,932	44,479	**270,101**	– 16.9
R&D expenses	**73,122**	72,335	75,758	**744,396**	+1.1
Capital expenditures	**12,175**	9,987	9,541	**123,944**	+21.9
Total assets	**810,756**	807,261	620,451	**8,253,650**	+0.4
Total net assets	**666,220**	667,808	486,837	**6,782,246**	– 0.2
Financial indicators (%):					
Operating margin	**17.3%**	17.7%	17.4%	**–**	–
Ratio of R&D expenses to net sales	**17.6**	17.7	18.7	**–**	–
Equity ratio	**80.5**	80.9	76.7	**–**	–
ROE	**4.1**	5.7	9.6	**–**	–
Per share amounts (yen / dollars):					
Net income	**¥47.28**	¥50.12	–	**$0.48**	– 0.6%
Cash dividends	**28.00**	26.00[2]	–	**0.29**	+7.7
Number of employees	**10,030**	10,361	10,461	**–**	– 3.2%

1 U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥98.23 to US$1, the prevailing exchange rate at March 31, 2009.
2 Dividends per share is based on the sum of the interim dividends (¥13) of the former Tanabe Seiyaku and the year-end dividends (¥13) of Mitsubishi Tanabe Pharma.

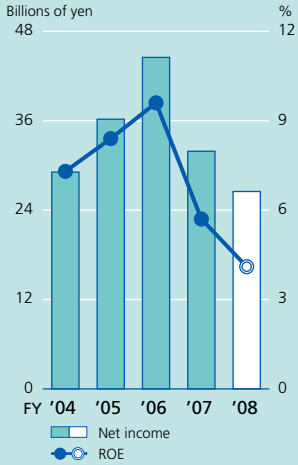
NET SALES / OPERATING MARGIN



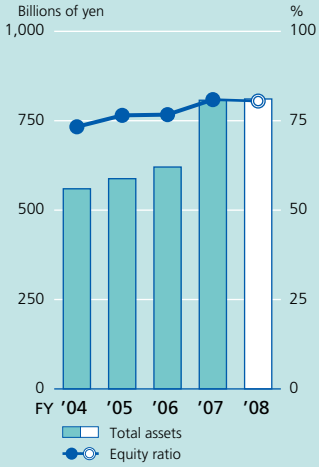
OPERATING INCOME / R&D EXPENSES



NET INCOME / ROE



TOTAL ASSETS / EQUITY RATIO



MESSAGE FROM THE PRESIDENT

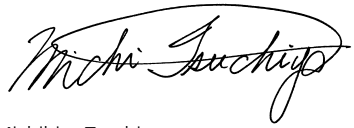
With the approval of the Ordinary General Meeting of Shareholders held on June 19, 2009 and the Board of Directors, I was appointed president and representative director of Mitsubishi Tanabe Pharma.

Since Mitsubishi Tanabe Pharma was established on October 1, 2007, I have served as an executive vice president, working primarily in business strategy. The Company's future vision includes the key phrase "a global research-driven pharmaceutical company." This phrase refers not to simply expanding our operations to a global scale, but rather to being a company that can continually provide new drugs throughout the world.

Today, every country is faced with the pressing need to reduce social security expenditures, and consequently the operating environment in the pharmaceutical industry has become even more challenging. This is especially true in Japan, where additional measures for reform of the health care system are under consideration and the pharmaceutical market is expected to undergo dramatic change. In this setting, I believe that research-driven pharmaceutical companies that cannot successfully launch new drugs will not be able to stay in business. In an environment characterized by an aging population and an increasingly high-stress society, disease patterns are changing. There are many diseases that highlight unmet medical needs, that is, diseases for which there are no treatments or for which the current treatments are not satisfactory. Our mission is to launch new drugs for those diseases as rapidly as possible and to deliver them to patients around the world. I believe that success in these endeavors will increase our enterprise value and be the driving force behind our sustained growth.

When I was appointed president, I told all of our employees that I wanted Mitsubishi Tanabe Pharma to be an *inspiring company*. I believe that an *inspiring company* is one that fosters inspiration, pride and affection among all employees, who work together to create the highest value and strive to continue to provide drugs that help society. We can maximize the value of the Group if we achieve dynamic synergy and facilitate close cooperative work and alliances among the various functional divisions that are unique to a pharmaceutical company by aligning the interests and directions of the Company and its employees and fostering cooperative work among the employees. With each employee showing a strong sense of purpose and enthusiasm, we can discover and develop *inspiring drugs* and provide them to people around the world. Success in that endeavor will lead to success in becoming a global research-driven pharmaceutical company. For the new Mitsubishi Tanabe Pharma, the real test of our capabilities lies in the future. Everyone at the Company will work together to make progress toward our vision of being a global research-driven pharmaceutical company. In this endeavor, I would like to ask for the continued support and understanding of shareholders and other stakeholders.

July 2009



Michihiro Tsuchiya
President & Representative Director
Chief Executive Officer

Q What is your evaluation of the Company's results in fiscal 2008, the first full fiscal year as Mitsubishi Tanabe Pharma?

"We were able to secure an increase in sales in a difficult operating environment, but I cannot say that we are satisfied with our results."

The operating environment in the domestic ethical pharmaceutical industry is increasingly challenging. In April 2008, NHI drug prices were reduced by a domestic industrywide average of 5.2%. Furthermore, there has been no change in the trend toward measures to limit health care spending in order to reduce social security expenditures. These measures include an increase in the number of hospitals implementing the DPC system and initiatives to promote the use of generics. Domestic sales of ethical drugs account for about 80% of the Group's net sales, and as a result the changes in the operating environment have had a substantial effect on the Company. For example, the NHI drug price revisions reduced our sales by more than ¥13.0 billion.

Despite this environment, solid results were recorded by priority products for which we set numerical targets under the Medium-Term Management Plan 08–10, such as Remicade, a core product, as well as Anplag and Talion. In addition, sales of vaccine-related products recorded substantial growth. As a result, in fiscal 2008 domestic sales of ethical drugs were up 1.1% year on year*, to ¥335.4 billion. Overseas sales of ethical drugs also increased, and consequently overall net sales were up 1.3%, to ¥414.8 billion. On the other hand, the cost of sales ratio worsened, due in part to the influence of the NHI drug price revisions, and operating income declined 1.1%, to ¥71.7 billion. We recorded special losses, such as provision of reserve for HCV litigation and loss on valuation of investments in securities. Consequently, net income was down 16.9%, to ¥26.5 billion.

Although we achieved higher sales in a difficult operating environment, profits declined and net sales fell slightly short of the planned level of ¥420.0 billion. Accordingly, I believe that our results were not satisfactory.

Also, in regard to lawsuits by people infected with HCV through use of specific fibrinogen products or specific coagulation factor IX products, on January 16, 2008, Japan's government promulgated and put into effect "the Special Relief Law Concerning the Payment of Benefits to Relieve the Patients of Hepatitis C Infected through Specified Fibrinogen Preparations and Specified Blood-Coagulation Factor IX Preparations Contaminated by Hepatitis C Virus" (the "Relief Law"), and in September 2008 a "basic agreement" was concluded with the nationwide plaintiff group. The settlement organized by the government included the abandonment of claims by the plaintiffs against the Company, and the lawsuit with the nationwide plaintiff group ended successfully. Subsequently, the expense burden and the method of sharing that burden were the subject of discussions with the Minister of Health, Labour and Welfare. We recalculated the amount we needed to reserve in accordance with the standards, and estimated that the necessary reserve for litigation was ¥20.0 billion. We had already reserved ¥11.2 billion, and in the year under review we recorded the remainder of ¥8.8 billion as a special loss. We believe that we have made significant progress toward the full resolution of this major issue.

* Because of the merger on October 1, 2007, the results for the previous period are the simple sum of the results for Tanabe Seiyaku Co., Ltd., for the six-month interim period and the consolidated results for Mitsubishi Tanabe Pharma Corporation for the fiscal year. The year-on-year comparisons below are comparisons with this simple sum.

Q The Company has completed the first year of the Medium-Term Management Plan 08–10. Would you discuss the progress that has been made toward achieving the numerical objectives for fiscal 2010, and the outlook for the future?

"While responding to such factors as changes in the external environment, we will implement a number of initiatives to meet our fiscal 2010 objectives."

In fiscal 2009, the second year of the medium-term management plan, the transition of API Corporation from consolidated subsidiary to equity-method affiliate in April 2009 is expected to have the effect of reducing sales by ¥25.7 billion, and as a result we are forecasting a decline in net sales. However, with contributions from growth in domestic sales of ethical drugs and improvement in the cost of sales ratio, we expect an increase of about ¥5.0 billion in operating income before deduction of R&D expenses.

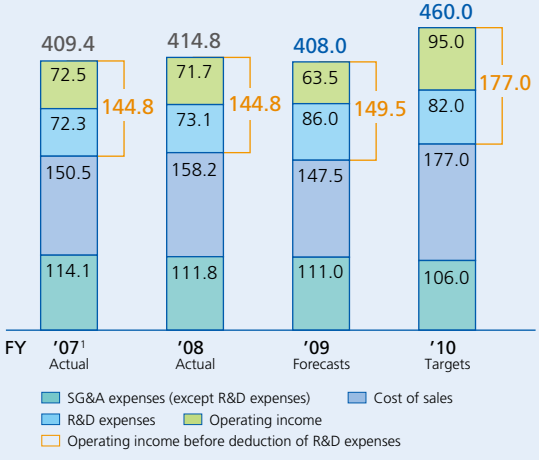
To generate cost synergies, since the merger we have worked to build a strong, tough corporate constitution—that is, an efficient organization and cost structure. During the period covered by the current medium-term management plan, we are aiming for cumulative cost reductions of ¥24.0 billion. To that end, we have already implemented a range of initiatives. For example, we have worked to steadily consolidate bases and reorganize affiliated companies, and have integrated our personnel systems and introduced an early retirement support system. Furthermore, as a result of progress in the reevaluation of purchasing, costs, distribution and overhead, total cost savings since the merger have reached ¥12.7 million.

We have made tangible progress in generating marketing synergies and cost synergies as a result of the merger. In fiscal 2009 and thereafter, we will work to maintain and expand domestic drug sales, including priority products. We will implement a number of initiatives to meet our fiscal 2010 objectives, such as expanding overseas sales, centered on Asia, securing patent fee revenues from product out-licensing, reducing the costs of key products and cutting other costs.

However, environmental changes have been much more severe than initially forecast, and the preconditions for the fiscal 2010 numerical targets have changed substantially. By itself, the implementation of the action plan will not be enough to close the gap with our initial targets. To achieve qualitative and quantitative progress under the current medium-term management plan, and to link that success to the next medium-term management plan,

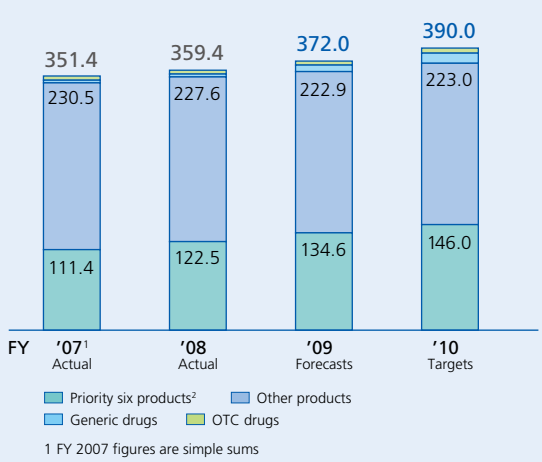
TOWARD ACHIEVING FISCAL 2010 NUMERICAL TARGETS

Billions of yen



SALES TRENDS OF PHARMACEUTICALS IN DOMESTIC MARKET

Billions of yen



1 FY 2007 figures are simple sums
2 Remicade, Radicut, Anplag, Urso, Talion and Tanatril

we need to move beyond the initial challenges that we faced after the merger. Accordingly, we will strive to rapidly implement a fundamental reevaluation of management resource allocation and our business model to ensure the survival and future growth of the Company.

Q The Company is making steady progress with the generation of marketing synergies. What future challenges will the Company face in strengthening the domestic sales force?

"We will work to achieve Remicade sales of ¥50.0 billion in fiscal 2010, and at the same time take steps to further expand sales of priority products."

Mitsubishi Tanabe Pharma currently depends on domestic ethical drug sales for more than 80% of its sales, and from this domestic revenue source we invest more than ¥70.0 billion in R&D. To continue to provide new drugs around the world, the most important issue faced by the Company is the maintenance and enhancement of its presence in the domestic pharmaceutical market. In domestic sales, we will utilize the scale of our sales structure, which has expanded to 2,400 medical representatives (MRs) as a result of the merger, to tackle three key challenges. First, we will maximize the value of Remicade, our current growth driver. Second, in the cerebrovascular field we will take steps to enhance our specialized knowledge, centered on Radicut. Third, following the complete integration of the promotion systems of the two predecessor companies, we will leverage the new promotion system to increase sales of our priority products.

In fiscal 2008, we completely integrated the promotion systems of the two predecessor companies and substantially increased the number of MRs specializing in Remicade and the cerebrovascular field. As a result, sales of priority products, such as Remicade and Talion, recorded substantial gains. Also, to increase efficiency in promotional activities, we streamlined the number of products for which we will implement focused promotions, and to enhance cooperation in Group management, we transferred certain MRs specializing in the promotion of plasma products from the Company to consolidated subsidiary Benesis Corporation. In this way, we have strengthened our marketing system by shifting to a cooperative system comprising Benesis, MRs and the Company's MRs.

In regard to future challenges, first, we are working to achieve our target of Remicade sales of ¥50.0 billion in fiscal 2010. So far, Remicade has recorded steady growth. Since its launch in 2002 for Crohn's disease, we have acquired additional indications for RA and Bechet's disease. In fiscal 2008, sales were ¥37.4 billion. Currently, we are moving ahead with the Remicade project, working toward additional indications for psoriasis, ankylosing spondylitis and ulcerative colitis, as well as expanded dosages for Crohn's disease. Through these lifecycle management initiatives and increases in specialized Remicade area managers, we will strive to maximize the product value of Remicade and achieve sales of ¥50.0 billion as rapidly as possible. Moreover, we will continue working to further expand sales of other priority products, and for Radicut and plasma fractionation products, we will take steps to enhance our response to DPC hospitals. In addition, together with GlaxoSmithKline, we will continue to focus on the co-promotion of Adoair, which was commenced in April 2009. Adoair is a combination drug for the treatment of asthma and Chronic Obstructive Pulmonary Disease (COPD).

In addition to these new drugs, the Mitsubishi Tanabe Pharma Group has a proud tradition of contributing to medicine in Japan as a distinctive pharmaceutical company with a diverse product lineup. Specifically, we have provided drugs with distinct characteristics, such as plasma fractionation products, vaccines, psychiatric and neurological medications, and narcotics. In addition, while maintaining our OTC drug operations, we have made a full-fledged start in generic drugs. Moving forward, we will continue to enhance and advance the strategic policies for these businesses, striving to strengthen and expand them as operations that support our domestic revenue foundation.

Q In the U.S., Mitsubishi Tanabe Pharma plans to enter the renal disease field. Would you discuss the Company's overseas business development?

"We will accelerate our overseas business development, targeting overseas drug sales of more than ¥100.0 billion in fiscal 2015."

The U.S. accounts for an overwhelming share of the worldwide pharmaceutical market, about 40%. Consequently, the U.S. is where we need to focus in order to accelerate our overseas business development. In the U.S., we will launch two products in the renal disease market—MCI-196 (indication: hyperphosphatemia) and MP-146 (indication: chronic kidney disease). In this way, we will establish a foothold in Europe and the U.S. and work to establish a foundation in the U.S. market. Targeting the launch of these two products, we have taken steps to establish a sales structure, such as hiring a marketing manager for the U.S. In fiscal 2009, we plan to conduct pre-marketing activities targeting nephrologists and dialysis specialists and to hire local marketing employees. In July 2008, we in-licensed MT-2832 (indication: secondary hyperparathyroidism) from Cytochroma, of Canada, thereby further strengthening our renal disease-related pipeline.

In Europe—in addition to Germany, where we already have an in-house sales base—we plan to move ahead with preparations for a sales system in major European countries, while selecting the optimal method for each country. In Asia, on the other hand, our operational scale has expanded due to the merger. In China, Korea, Taiwan and Indonesia, we will take steps to reinforce our foundation—such as increasing the number of MRs—and will work to expand sales by increasing the range of products sold.

To achieve overseas pharmaceuticals sales of more than ¥100.0 billion in fiscal 2015, we will accelerate our overseas business development.

Q It is difficult to generate future growth without launching new drugs. In that regard, would you explain the Company's approach to R&D?

"For Mitsubishi Tanabe Pharma to survive as a global research-driven pharmaceutical company, it is important that we bolster our R&D pipeline and establish a system that can continually create new drugs."

Under the current medium-term management plan, we do not anticipate the launch of any major drugs. However, we have a number of promising development candidates with the potential to become growth drivers from fiscal 2011. Targeting the rapid launch of these candidates, our policy is to make focused allocations of our R&D resources.

For us to survive as a global research-driven pharmaceutical company, it is important that we bolster our R&D pipeline and establish a system that can continually create new drugs. However, we do not have to do everything on our own. What is most important is maximizing the value of those drugs. Accordingly, our basic policy is to work in-house through to the acquisition of POC (Proof of Concept: confirmation that the mechanism is effective and safe in humans). Then, we always select the most appropriate method for rapidly launching the drug around the world, with consideration given to the option of cooperative work, such as the use of strategic alliances.

The scale of our R&D resources does not match those of the huge overseas pharmaceutical companies, but through selection and concentration—that is, by streamlining our R&D projects and focusing our management resources—I believe that we can compete on a global basis. Moreover, we will consider a variety of methods to create new drugs, as well as to launch them rapidly. For example, leveraging our research platform and development experience, we will promote strategic alliances through win–win partnerships in Japan and overseas, working with partners from industry, government and academia. I promote these cooperative ventures, which I call "encouraging collaboration," because I believe that they are an effective means of creating new drugs and maximizing their value.

Under the medium-term management plan, we will allocate substantial management resources to the metabolism and cardiovascular fields, which we have positioned as priority fields, and to diabetes and stroke, which we have identified as focus disease areas. I believe that the future value of pharmaceutical companies is evaluated on the basis of the R&D pipeline, so in preparation for the next medium-term management plan, we need to build a pipeline that will be a future growth driver. To that end, we will steadily advance our current key development projects and rapidly identify our third and fourth priority diseases, after diabetes and stroke. Further, we will take on the challenge of identifying the next priority research area, after the metabolism and cardiovascular fields.

Q Following the merger, the Company entered the field of generic drugs. Please discuss the Company's results and future policies in this field.

"We are striving to strengthen our system for the supply of generic drugs that are trusted by patients and health care professionals and to build a robust lineup as rapidly as possible."

In the generic drug business, in April 2008 we established Tanabe Seiyaku Hanbai as a subsidiary for promotion and sales. Sales began in July 2008 with a lineup of 9 ingredients/15 products.

We are striving to strengthen our system for the supply of Reliable Generics that are trusted by patients and health care professionals and to build a robust lineup as rapidly as possible. To that end, we made Choseido Pharmaceutical Co., Ltd.—which has abundant operational experience and a strong foundation in generic drug markets—into a subsidiary of the Company. Furthermore, in April 2009 Tanabe Seiyaku Hanbai was merged with Chosei Yakuhin Co., Ltd., a wholly owned subsidiary of Choseido Pharmaceutical. We have now integrated the Group's generic drug sales operations, creating a lineup of 114 ingredients and a system with 120 MRs. Sales in fiscal 2008 were about ¥4.0 billion, falling short of the initial target of ¥5.9 billion. However, we did reach the medium-term management plan's goal of a lineup of 100 ingredients.

Moving forward, we will further strengthen the Group's generic drug development and quality assurance systems and continue to bolster the lineup of injections and other products as well as the management foundation for generic drug operations as a whole. We want to provide generic drugs that contribute to economical medicine and can be used with confidence, including the handling of long-term listed drugs.

Q Would you describe your approach to management?

"By continually creating new drugs used around the world and realizing our vision, we will increase our enterprise value."

It has been a year and nine months since the establishment of Mitsubishi Tanabe Pharma Corporation. Over that period, the entire Group has worked to tackle such challenges as consolidating a range of functions following the merger, generating marketing synergies and cost synergies, advancing key development projects and making a full-scale entry into the generic drug business, and we have had a certain level of results with those initiatives. We have also made significant progress toward the full resolution of the pending HCV litigation.

However, in March 2009 it was discovered that consolidated subsidiary BIPHA CORPORATION had intentionally exchanged a portion of the data from tests performed in 2005. This data was necessary for the acquisition of manufacturing approval for Medway Injection 5%, which is a recombinant human serum albumin preparation. We withdrew marketing authorization for Medway Injection 5%, and at the same time voluntarily recalled Medway Injection 5% and Medway Injection 25% from the market. As a pharmaceutical enterprise in a life-related industry, we are taking this incident very seriously, and offer our sincere apologies to our stakeholders, including patients and heath care professionals. At the same time, we will conduct a thorough inquiry into the cause of this incident and take steps to prevent a recurrence.

In this setting, Mitsubishi Tanabe Pharma started a new management system on June 19, 2009. Even under the new system, however, there will be no change to the fundamental concept of the medium-term management plan. We will continue working to realize our vision, with our fiscal 2015 objectives as milestones.

My dream is to provide *inspiring new drugs* to people around the world and to deliver happiness in the form of health to all people, including patients, health care professionals and families. I believe that an *inspiring company* is one that fosters inspiration, pride and affection among all employees, who work together to create the highest value and strive to continue to provide drugs that help society. With each employee showing a strong sense of purpose and enthusiasm, we can discover and develop *inspiring drugs* and provide them to people around the world. Success in that endeavor will lead to success in becoming a global research-driven pharmaceutical company.

Also, moving beyond the initial challenges that we faced after the merger, we will enter a new stage of growth in which we implement initiatives focused on future growth. To achieve qualitative and quantitative progress under the current medium-term management plan, and to link that success to the next medium-term management plan, I think it is necessary to examine a range of possibilities, including cooperative ventures and M&A activities in all areas, including R&D, production and sales, and to decide how to maximize the value of each new drug.

Accordingly, it is important that we build a free and open corporate culture and that our employees do not limit themselves to previous methods and ways of thinking. We need to be a company with a broad viewpoint, keen sensitivity and dynamic vitality, and I believe it is my responsibility as a management leader to create that type of corporate culture.

The operating environment in ethical pharmaceutical markets is growing increasingly challenging in Japan and overseas. Furthermore, there is cause for concern that the global economic recession could lead to funding shortages in health care systems around the world, with a significant effect on the future results of pharmaceutical companies. As a management leader, responding to changes in the business environment is an important challenge that must be resolved, and accordingly we will continue to implement a variety of initiatives. However, no matter what the environment, the creation of new drugs is always the most significant growth driver for a pharmaceutical company. By continually creating new drugs used around the world and realizing our vision, we will increase enterprise value and meet the expectations of our shareholders and investors.

Q Finally, what is your approach to providing a return to shareholders?

"Our basic policy on the distribution of earnings calls for providing a stable, ongoing distribution of earnings to shareholders."

In regard to shareholder return, 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. For fiscal 2008, we have decided to pay annual dividends of ¥28.0 per share, an increase of ¥2.0 per share from the previous fiscal year. The dividend payout ratio is 37.6%, calculated on the basis of net income less amortization of goodwill and provision of reserve for HCV litigation. Our objective for a dividend payout ratio is 35% (prior to amortization of goodwill), and over the long term we will work to provide an additional return to shareholders.

Striving to Realize Our Vision

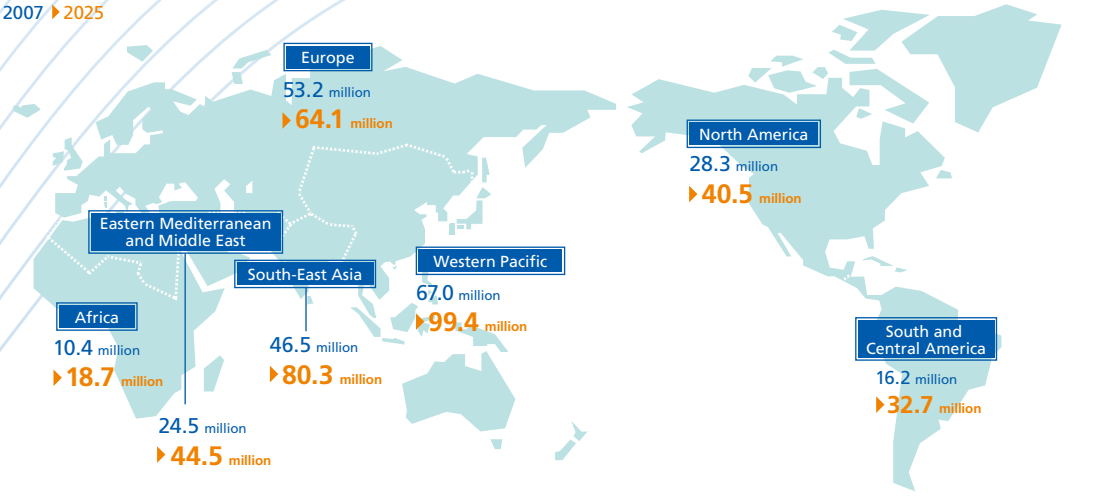
Creating New Products Used Around the World. For Mitsubishi Tanabe Pharma, which aims to be "a global research-driven pharmaceutical company," that is the most important goal.

In the midst of intensifying competition worldwide in the development of new drugs, we have formulated key development projects, to which we will make a focused allocation of our R&D resources, thereby moving forward with efficient R&D activities.

In this section, we introduce the direction of our product strategy for new drugs, and our progress with key development projects.

NUMBER OF DIABETES PATIENTS — 2007 (ACTUAL) AND 2025 (FORECAST) Source: Diabetes Atlas, International Diabetes Federation

2007 ▸ 2025



Priority Fields in R&D

One of the Company's objectives for fiscal 2015 is to build a development pipeline capable of launching one product every two years. Targeting the achievement of that goal, we have positioned metabolism and cardiovascular as priority fields, with diabetes and stroke as focus disease areas. This framework is based on our comprehensive evaluation of such factors as the extent of contribution to disease treatment, the chances of market expansion and the strengths of our pipeline.

The number of patients with diabetes, one of the focus disease areas, is more than 250 million worldwide (2007), and the scale of the market for the treatment of diabetes is expected to continue to grow. It is said that the number of patients will expand to 380 million in 2025. Our R&D pipeline includes a number of development compounds with indications for diabetes and related diseases. We are conducting R&D not only in drugs to decrease blood glucose levels but also in drugs to treat metabolic disease risks, such as obesity and dyslipidemia, as well as kidney damage and other complications.

Along with cancer and heart disease, cerebral infarction is one of the three leading causes of death in Japan, and is also the cause of sequela, such as being bedridden. Cerebral infarction is a disease for which medical needs are very high. Due to the graying of society and the spread of lifestyle-related diseases, such as diabetes and dyslipidemia, the number of patients continues to increase. The Company already has a broad lineup of drugs for the treatment of cerebral infarction, extending from the hyperacute phase to the chronic phase. By making use of the technologies and experience that we have acquired in relation to these drugs, we are promoting the creation of pharmaceuticals from the viewpoint of total care for the disease, including convalescence, prevention of recurrence and sequela.

Establishment of Key Development Projects

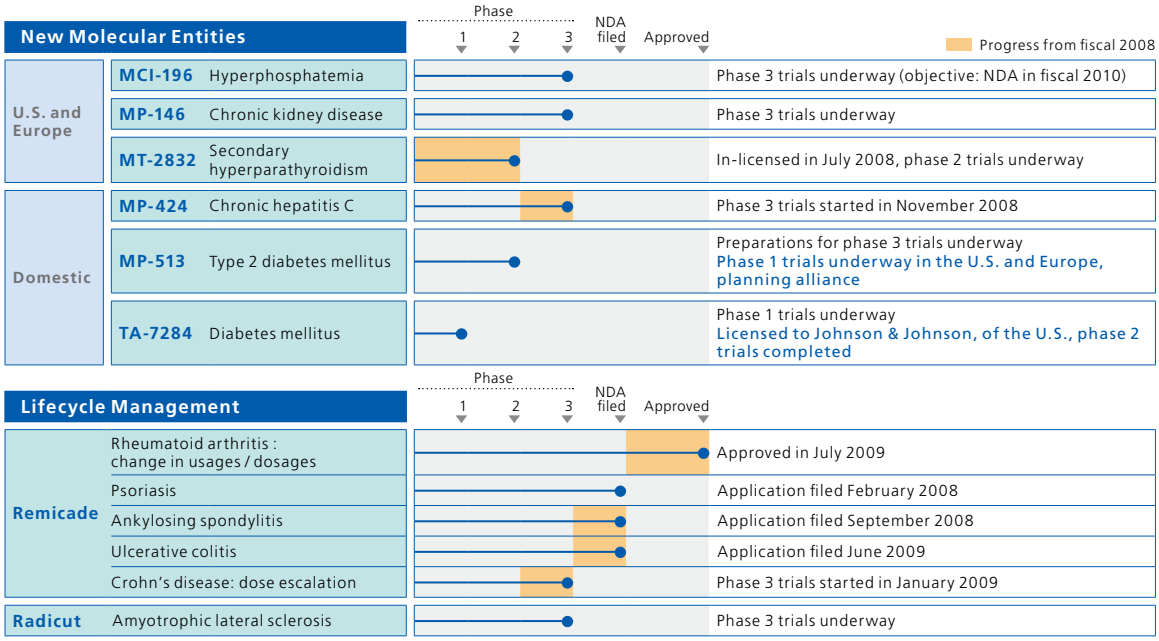
Targeting the launch of growth drivers from fiscal 2011, the Company has identified eight key development projects, centered on the fields of metabolism and cardiovascular, and is giving priority to these fields in the allocation of R&D resources.

In the U.S. and Europe, we are moving forward with development of renal disease treatment agents MCI-196 (indication: hyperphosphatemia) and MP-146 (indication: chronic kidney disease), as well as MT-2832 (indication: secondary hyperparathyroidism in patients with chronic kidney disease), which was in-licensed from Cytochroma, of Canada. We intend to sell these drugs in the U.S., which is the largest pharmaceutical market in the world, with a 40% share of worldwide sales. Accordingly, the establishment of a sales structure in the U.S. is vitally important for Mitsubishi Tanabe Pharma to accelerate its overseas development. MCI-196 and MP-146 both already have extensive usage records in Japan, and we will build a foothold for the expansion of our operations in the U.S. by rapidly securing approval for these two drugs. In addition, we plan to build a sales structure in major European countries, in addition to Germany, where we already have our own sales base.

In Japan, we have positioned MP-424 (indication: chronic hepatitis C), MP-513 (indication: type 2 diabetes) and TA-7284 (indication: diabetes) as key development projects. The two diabetes drugs are expected to be major products, and we will steadily advance development of these drugs in Japan while considering their development in the U.S. and Europe.

We are also aggressively advancing initiatives intended to maximize the value of existing products. Our key development projects include the acquisition of additional indications for core products Remicade and Radicut as one facet of lifecycle management.

PROGRESS IN KEY DEVELOPMENT PROJECTS



The status of progress with each key development project is as follows.

● Aiming for rapid approval of renal drugs in the US. and Europe

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

MCI-196 promotes the absorption of phosphate in the digestive tract and its excretion, thereby improving the hyperphosphatemia of renal disease patients. In Japan, it is marketed as Cholebine for the treatment of hypercholesterolemia.

It is currently in phase 3 trials for hyperphosphatemia in dialysis patients in a number of regions, such as the U.S. and Europe, with the objective of filing an NDA in the U.S. in fiscal 2010. These trials are intended to verify that MCI-196 reduces serum phosphate concentration.

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

MP-146 is a spherical adsorbent that adsorbs uremic toxins produced in the digestive tract and promotes their excretion. Mitsubishi Tanabe Pharma licensed MP-146 in 2006 from Kureha (Japan). Aiming to follow up MCI-196 with approval for MP-146 in the U.S. and Europe, MP-146 is in phase 3 trials for chronic kidney disease patients (moderate to severe), principally in the U.S. and Europe. In comparative trials with placebos, it was evaluated to be effective in controlling the progression of chronic renal disease.

MT-2832: Vitamin D analog (indication: secondary hyperparathyroidism in patients with chronic kidney disease)

On July 30, 2008, Mitsubishi Tanabe Pharma concluded an agreement with Cytochroma (Canada) under which the Company has an exclusive license in the U.S. and Asia, including Japan, to develop and commercialize MT-2832. MT-2832, a novel vitamin D analog, has been confirmed to lower parathyroid hormones in the blood, and has a distinctive feature of being less likely to cause hypercalcemia, a problem with previous vitamin D products. Together with renal disease agents MCI-196 and MP-146, we are aggressively moving ahead with development, with the objective of implementing sales as soon as possible.

● Turning diabetes and chronic hepatitis C drugs into major products

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

MP-513 inhibits dipeptidyl peptidase 4 (DPP 4), which breaks down GLP-1, which promotes the secretion of insulin. In this way, MP-513 promotes insulin secretion. It decreases blood glucose levels but does not have problems associated with conventional diabetes treatments, such as hypoglycemia and weight gain. There are high expectations for MP-513 as a next-generation diabetes drug.

The distinctive features of MP-513 are its strong DPP4 inhibition and its sustained action. We are proceeding with development, targeting best in class.

In Japan, it is in phase 2 trials. In the trials, as expected, excellent blood glucose-decreasing action has been obtained and excellent safety has been confirmed. Currently, we are preparing for phase 3 trials. In the U.S. and Europe, we are moving ahead with preparations for phase 2 trials, and will consider alliance opportunities.

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

TA-7284, an SGLT2 inhibitor, controls renal tubular reabsorption of glucose and promotes its excretion in the urine, thereby having the effect of controlling blood glucose levels. It has an entirely different mechanism in the strong excretion of sugar, and is also expected to have a weight reduction effect through calorie loss. We are moving forward with development of TA-7284, targeting first in class.

In Japan, we are currently conducting phase I trials. Steady progress is being made in development in the U.S. and Europe, where development is being conducted by Johnson & Johnson, which has licensed TA-7284 from Mitsubishi Tanabe Pharma. Phase 2 trials have been completed. Aiming for rapid acquisition of approval, we will make effective use of overseas data from Johnson & Johnson and accelerate domestic clinical trials.

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

MP-424, is the most advanced new treatment for hepatitis C in the world. It can be administered orally, and is a selective inhibitor of HCV NS3-4A protease, thereby resulting in sustained clearance of HCV RNA. We licensed MP-424 from Vertex, of the U.S., and are implementing development in Japan. In November 2008, phase 3 trials were commenced.

For patients with viral genotype 1 virus, the standard treatment of combination therapy administration of two drugs—pegylated interferon and ribavarin—is not sufficiently effective. We are collecting data to demonstrate that concomitant administration of three drugs, through the addition of MP-424, results in shorter treatment periods and superior effectiveness. MP-424 is also drawing attention from liver specialists, and is expected to be positioned as the "gold standard" in hepatitis C treatment.

● Aggressively promoting lifecycle management

Remicade: Anti-TNFα monoclonal antibody

Remicade, an anti-TNFα monoclonal antibody, is the first drug of its kind to be administered to more than one million people around the world.

We licensed Remicade from Centocor, of the U.S., and developed it in Japan. In January 2002, we received approval of an indication for Crohn's disease (induction), and subsequently Remicade got additional indications for RA, Behcet's disease complicated with refractory uveoretinitis that does not respond to conventional therapies and Crohn's disease (maintenance treatment).

In July 2009, the applications for a partial change in usages/dosages for RA and for a partial change in indication—prevention of structural damage to joints—were approved. In addition to previously filed applications for psoriasis and ankylosing spondylitis, in June 2009 we filed an application for an additional indication for ulcerative colitis. Also, we are now conducting phase 3 trials targeting the approval of a change in usages/dosages for Crohn's disease. We will continue working to maximize the product value of Remicade.

Radicut: Free radical scavenger

Radicut has radical-scavenging activity and lipid peroxidation inhibitory activity. It was approved in 2001 with indications of improvement of neurological symptoms, disorder of activities of daily living, and functional disability associated with acute ischemic stroke.

Currently, Radicut is in phase 3 trials in Japan for amyotrophic lateral sclerosis (ALS). ALS, in which motor neurons are selectively inhibited, is a progressive neurological disease in which the entire body undergoes muscular atrophy, including the respiratory muscles.

In Europe, phase 2 trials were commenced in April 2009 for acute ischemic stroke.

RESEARCH AND DEVELOPMENT

Establishing a Robust R&D Pipeline

In specific fields where the level of satisfaction with disease treatments is low, competition in new drug development is intensifying on a global basis. To provide more certain assurance of drug efficacy and safety, the importance of advanced research technologies and large-scale clinical trials is increasing. Accordingly, R&D expenses continue to increase, and to continually create new drugs it is necessary to commit financial resources to R&D and to further increase efficiency in R&D activities.

The Company has set a target of ¥82.0 billion in R&D expenditures in fiscal 2010, and we are leveraging the base of management resources provided by the merger as we conduct aggressive R&D activities. Furthermore, by enhancing our research capabilities and strengthening our development organization, we will work to bolster our R&D pipeline and establish a system that can continually create new drugs that are used around the world.

Enhancing Research Capabilities

Pharmaceutical research includes two major processes, discovery research, where research themes are selected and the compounds that will be candidates for new drugs are identified, and optimization research, where those compounds are developed into forms that are appropriate for pharmaceuticals.

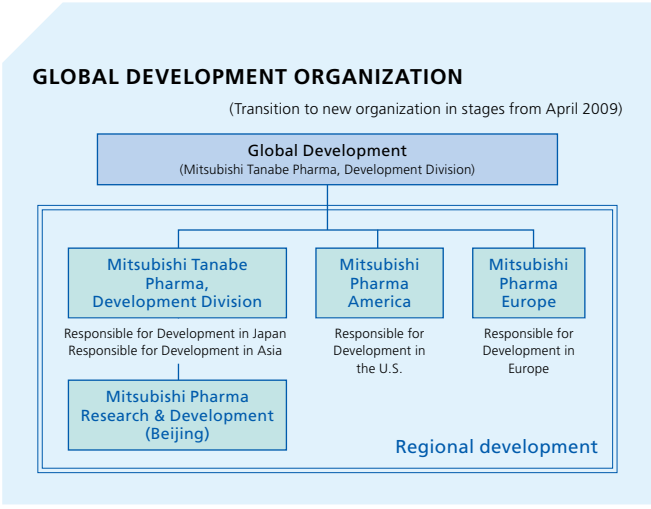
To discover attractive new themes, free and open discussions and independent theme discovery and candidate identification research are aggressively conducted at research facilities. In addition, to increase the success rate of optimization research and to shorten research time, we are taking steps to accelerate the progress of research projects by implementing selection and concentration and by giving priority to promising themes in the allocation of human resources. Following the merger, we had five domestic discovery research bases, but in December 2008 we closed the Hirakata Office and integrated its operations into the Kashima Office. We plan to steadily allocate research functions, consolidating domestic research operations into two sites—one each in eastern and western Japan. Overseas, discovery research is conducted at Tanabe Research Laboratories, U.S.A., Inc.

Moreover, the Mitsubishi Chemical Holdings Group includes many companies with advanced technologies that can be applied to discovery research, such as Molecuence Corporation, Mitsubishi Chemical Medience Corporation and Mitsubishi Chemical Group Science and Technology Center. Working together with these Group companies, we will draw on the technologies possessed by each company to implement cooperative work in biomarker research and analysis technologies.

Strengthening our Global Development Organization

To conduct rapid, efficient development activities, we are working to strengthen the project management system. By setting key development projects and clarifying the priorities of the development pipeline, we efficiently allocate R&D resources.

Our business environment was marked by advances in the international development of pharmaceuticals and a trend toward the international unification of requirements and evaluation standards. In this setting, we are working to expand and enhance the project management system and development governance systems. In April 2009, we implemented organizational reforms and are moving forward with the establishment of a global development organization.



The new organization is divided into the global development headquarters and the regional development centers, which lead regional development activities in domestic and overseas regions. Global development has been consolidated in the development headquarters in Tokyo. Mitsubishi Pharma America, Mitsubishi Pharma Europe, Mitsubishi Pharma Research & Development and the Japan and Asia development division in the development headquarters are responsible for development activities (regional development) in their respective regions of the U.S., Europe and Asia, including Japan. We will accelerate overseas development by expanding the authority to each region in such fields as resource management and decision-making in order to facilitate prompt judgments, rapid decisions and implementation.

Under this global development organization, in wide-ranging areas in the U.S. and Europe, we are advancing clinical trials centered on Mitsubishi Pharma America and Mitsubishi Pharma Europe, such as trials for key development projects MCI-196 (indication: hyperphosphatemia) and MP-146 (indication: chronic kidney disease).

Use of Strategic Alliances

The use of strategic alliances is an effective means of strengthening research capabilities and increasing efficiency in development activities. Accordingly, the Company is aggressively conducting joint research with pharmaceutical companies and research institutions in Japan and overseas, joint development with pharmaceutical companies in the U.S. and Europe, and in-licensing and out-licensing of development candidates.

Joint research with Shanghai Pharmaceutical has reached its sixth year, and favorable progress is being made in small-molecular compound optimization research. Also, in leading-edge fields we are conducting joint research with Cellartis AB, of Sweden on regenerative medicine utilizing ES cells.

TA-7284 (indication: diabetes), which has been positioned as a key development project in Japan, has been licensed to Johnson & Johnson, of the U.S., in the U.S. and Europe. FTY720 (indication: multiple sclerosis) has been licensed to Novartis Pharma, of Switzerland, in the U.S. and Europe, and domestically we are conducting joint development of FTY720 with Novartis and Mitsui Sugar. Also, T-0047 (indication: multiple sclerosis) has been licensed to GlaxoSmithKline, of the U.K., which is conducting development in Europe. These drugs, which have different mechanisms of action, are both orally administered, and are expected to make strong contributions to addressing unmet needs in multiple sclerosis treatment, where there is a need for more effective, safe drugs. To launch them as rapidly as possible, we are utilizing strategic alliances.

In the fiscal year under review, we concluded in-licensing agreements with Cytochroma for MT-2832 (indication: secondary hyperparathyroidism) and with EnVivo Pharmaceuticals, Inc., of the U.S., for EVP-6124 (indication: Alzheimer's disease).

STATE OF NEW PRODUCT DEVELOPMENT

As of July 30, 2009

Pipeline in Japan

NEW MOLECULAR ENTITIES

Development code (Generic name)	Category	Indications	Stage: Phase 1	Phase 2	Phase 3	NDA filed	Origin (Remarks)
TA-8317 / ACREF (Fentanyl citrate)	Narcotic analgesic	Breakthrough cancer pain: oral transmucosal				08.08	US: Cephalon
MCC-847 (Masilukast)	Leukotriene D4 antagonist	Asthma			●		UK: AstraZeneca
		Allergic rhinitis		●			
MP-424 (Telaprevir)	NS3-4A protease inhibitor	Chronic hepatitis C			●		US: Vertex
APTA-2217 (Roflumilast)	PDE4 inhibitor	Asthma		●			Switzerland: Nycomed (Co-development Nycomed, Switzerland)
		COPD		●			
CNTO148 (Golimumab)	Anti-TNFα monoclonal antibody	Rheumatoid arthritis		●			US: Centocor (Co-development Janssen Pharma)
FTY720 (Fingolimod hydrochloride)	Sphingosine-1-phosphate receptor modulator	Multiple sclerosis*		●			In-house (Co-development Novartis Pharma and Mitsui Sugar)
MP-513 (Teneligliptin)	DPP4 inhibitor	Type 2 diabetes mellitus		●			In-house
MP-214 (Cariprazine)	D3/D2 antagonist	Schizophrenia		●			Hungary: Gedeon-Richter
MP-435	C5a antagonist	Rheumatoid arthritis	●				In-house
TA-6666	DPP4 inhibitor	Type 2 diabetes mellitus	●				In-house
TA-7284 (Canagliflozin)	SGLT2 inhibitor	Diabetes mellitus	●				In-house

ADDITIONAL INDICATIONS

Development code (Generic name)	Category	Indications	Stage: Phase 1	Phase 2	Phase 3	NDA filed	Origin (Remarks)
Venoglobulin-IH (Polyethylene glycol-treated human normal immunoglobulin)	Human immunoglobulin G	IgG2 deficiency				97.12	In-house
		Polymyositis, Dermatomyositis*				03.05	
		Hypo and gammagloblinemia: additional dose				08.03	
		Systemic sclerosis			●		
		Myasthenia gravis			●		
Remicade (Infliximab [recombinant])	Anti-TNFα monoclonal antibody	Psoriasis				08.02	US: Centocor
		Ankylosing spondylitis*				08.09	
		Ulcerative colitis				09.06	
		Crohn's disease: dose escalation			●		
Pazucross (Pazufloxacin mesilate)	New quinolone antibacterial agent	Severe or intractable case: additional dose Sepsis, Pneumococcus				09.06	Japan: Toyama Chemical (Co-development Toyama Chemical)
Modiodal (Modafinil)	Psychoneurotic agent	Obstructive sleep apnea			●		US: Cephalon (Co-development Alfresa Pharma)
Radicut (Edaravone)	Free radical scavenger	Amyotrophic lateral sclerosis*			●		In-house
Maintate (Bisoprolol)	Selective β1 antagonist	Chronic heart failure			●		Germany: Merck KGaA
Cholebine (Colestimide JAN)	Bile acid signal regulation	Type 2 diabetes mellitus		●			In-house
	Non-absorbed phosphate binder	Hyperphosphatemia	●				

* Orphan drug designated

Pipeline Overseas

NEW MOLECULAR ENTITIES

Development code (Generic name)	Category	Indications	Region	Stage				Origin
				Phase 1	Phase 2	Phase 3	NDA filed	
MCI-196 (Colestilan INN)	Non-absorbed phosphate binder	Hyperphosphatemia	US, EU			●		In-house
MP-146	Uremic toxin adsorbent	Chronic kidney disease	US, EU			●		Japan: Kureha
TA-6666	DPP4 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
MT-2832	Vitamin D analog	Secondary hyperparathyroidism	US, Canada		●			Canada: Cytochroma (CTA018)
MCI-186 (Edaravone)	Free radical scavenger	Acute ischemic stroke	EU		●			In-house
TA-5493	p38 inhibitor	Rheumatoid arthritis, Psoriasis	EU	●				In-house
MP-513 (Teneligliptin)	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
MP-124	PARP inhibitor	Acute ischemic stroke	US	●				In-house
MP-136	PPAR alpha agonist	Dyslipidemia	EU	●				In-house

ADDITIONAL INDICATIONS

Development code (Generic name)	Category	Indications	Region	Stage				Origin
				Phase 1	Phase 2	Phase 3	NDA filed	
MCI-9038 (Argatroban)	Thrombin inhibitor	HIT patients undergoing percutaneous coronary intervention (PCI): dose escalation	EU				09.05	In-house
		Heparin-Induced Thrombocytopenia (HIT)	EU				Preparing for NDA filed	

Licensing-out

Development code (Generic name)	Category	Indications	Region	Stage				Licensee
				Phase 1	Phase 2	Phase 3	NDA filed	
FTY720 (Fingolimod hydrochloride)	Sphingosine 1–phosphate receptor agonist	Multiple sclerosis	US, EU			●		Switzerland: Novartis Pharma
TA-1790 (Avanafil)	PDE5 inhibitor	Erectile dysfunction	US			●		US: Vivus
			Korea			●		Korea: Choongwae Pharma
T-0047 (Firategrast)	Cell adhesion inhibitor [$\alpha4\beta7/\alpha4\beta1$ inhibitor]	Multiple sclerosis	EU		●			UK: GlaxoSmithKline
TA-7284 (Canagliflozin)	SGLT2 inhibitor	Diabetes mellitus, Obesity	EU, US		●			US: Johnson & Johnson Pharmaceutical Research & Development, L.L.C.
MKC-242	5-HT1A receptor agonist	Insomnia	US		●			US: MediciNova
TA-2005 (Carmoterol)	Long-acting $\beta2$ agonist	Asthma, COPD	EU		●			Italy: Chiesi Farmaceutici
MKC-231	Neurogenesis enhancer	Depression / Anxiety	US		●			US: BrainCells
Y-39983	ROCK (rho-kinase) inhibitor	Glaucoma	Japan		●			Japan: Senju Pharmaceutical
MT-210	5-HT2A / Sigma2 antagonist	Schizophrenia	EU		●			France: Index / Cyrenaic
T-0128	DNA topoisomerase I inhibitors [DDS drug camptothecin derivative]	Malignant tumor	EU	●				Italy: Menarini
sTU-199 (Tenatoprazole)	Proton pump inhibitor	Gastroesophageal reflux disease	EU	●				France: Negma (Sidem)
MP-412	Tyrosine kinase inhibitor	Malignant tumor	US	●				US: AVEO Pharmaceuticals
TT-138	$\beta3$ receptor agonist	Pollakiuria, Anischuria	US	●				US: MediciNova

MARKETING ACTIVITIES

Strengthening Domestic Operational Foundation

Due to the implementation of government measures to control health care spending, such as reductions in NHI drug prices, the promotion of the use of generics and an increase in DPC hospitals, the Company's operating environment in the domestic market is increasingly challenging. Moreover, under the current medium-term management plan, which covers the period to fiscal 2010, we do not anticipate the launch of any major drugs. However, by working to expand sales, in particular sales of the six drugs that we have positioned as priority products—Remicade, Radicut, Anplag, Talion, Urso and Tanatril—we are aiming to achieve domestic pharmaceutical sales of ¥390.0 billion in fiscal 2010.

Accordingly, we will implement four action plans: maximizing the product potential of Remicade, increasing specialized knowledge in the cerebral field, reinforcing the promotion system (integrating our MR systems) and strengthening cooperation in Group marketing. In this way, we will work to maximize marketing synergies and enhance our marketing 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. In the field of RA, competition is intensifying due to the launch of a number of biological products. In this setting, we have substantially increased the number of specialized Remicade area managers since the October 2007 merger, reaching a total of 170 in April 2009. At the same time, we are working to differentiate Remicade from competing products by fostering qualitative increases in each manager and by leveraging clinical experience and evidence with Japanese patients. Moreover, to maximize the product value of Remicade, we will move forward with additional dosages and usages for RA and Crohn's disease as well as with additional indications. We will continue to implement aggressive marketing activities for these additional indications, centered on specialized MRs.

● Increasing Specialized Knowledge in Cerebral Field

In Japan, the number of patients with cerebrovascular diseases is increasing each year. Currently, there are about 1.5 million stroke patients, and it is estimated that each year there are about 250,000 new stroke patients. The majority of stroke patients have cerebral infarction, which is an emergency disease. The drugs that can be administered to treat cerebral infarction vary based on how much time has passed from the onset of symptoms, and this has a major influence on the patient's prognosis. Mitsubishi Tanabe Pharma is the only company with a lineup of cerebrovascular drugs that extends from the hyper-acute phase to the chronic phase. This lineup includes Grtpa, for the hyperacute phase; Radicut and Novastan, for the acute phase; and Sermion, for the chronic phase. To use this advantage, we have assigned MRs specializing in the cerebrovascular field to each sales branch, reaching a total of about 50 in April 2009. We will improve expertise and provide consistent information for the proper use of these products in strokes from the acute phase to the chronic phase to become a good partner in the treatment of ischemic stroke.

● Reinforcing the Promotion System

As of April 2009, the Group had 2,400 MRs, including specialized MRs. To fully use this sales force, which is one of the top-ranked sales forces in Japan, we began training for joint promotion products prior to the merger. At the time of the merger in October 2007, we had completed

the consolidation of the branches and sales offices of the former Tanabe Seiyaku and the former Mitsubishi Pharma. In April 2008, we completely integrated the two promotion systems of the former companies. Furthermore, we are endeavoring to strengthen ties between MRs assigned to specific districts, and those assigned to specific institutions. In the hospital sales channel, we have introduced a system of overlapping MRs by department, and in the general practitioner sales channel, we have introduced a system of MRs for each area. In these ways, we are working to expand sales of priority products by strengthening our promotion system. To increase the efficiency of promotion activities, we have streamlined the number of products to focus on and promote. We have established a system of product lifecycle management (LCM) by the Sales & Marketing Division and the Global Product Strategy Department. In these ways, we are working to achieve continual increases in the product value of key products. In April 2009, we began co-promotion activities in the general practitioner channel for Adoair, a combination drug for the treatment of asthma and COPD. Adoair is manufactured and marketed by GlaxoSmithKline.

Strengthening Cooperation in Group Marketing

The Mitsubishi Tanabe Pharma Group includes many companies with special strengths, such as 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 with these companies, we strive to meet a wide range of medical needs. In April 2009 we shifted our plasma fractionation products business marketing system based on Mitsubishi Tanabe Pharma to one based on Benesis and made a transition to a framework based on cooperation between the MRs of the two companies. In generic drug operations, Tanabe Seiyaku Hanbai commenced sales in April 2008. In August 2008, we made Choseido Pharmaceutical Co., Ltd., our subsidiary. Choseido Pharmaceutical has extensive business experience and a strong operational foundation in the generic drug market. In April 2009, we completed the integration of the sales operations through a merger between Tanabe Seiyaku Hanbai and Chosei Yakuhin Co., Ltd., a wholly owned subsidiary of Choseido Pharmaceutical.

Accelerating Development of Overseas Operations

Our objectives for fiscal 2015 include the establishment of an in-house sales system in the U.S. and the achievement of overseas drug sales of more than ¥100.0 billion. To those ends, we are moving ahead with preparations for an in-house sales structure in the U.S., and strengthening our sales base in Europe. In Asia, we are implementing measures to bolster the sales function in China and to leverage our existing platform as we aim to expand our pharmaceutical operations.

U.S. and Europe

In the U.S., the Group plans to expand its operations by entering the renal disease market with MCI-196 (indication: hyperphosphatemia) and MP-146 (indication: chronic kidney disease). Targeting the rapid launch of these products, the Group will move ahead with preparation of its sales structure, and will conduct pre-marketing activities targeting nephrologists and dialysis specialists. In Europe, we will aim to expand sales of Argatroban and Tanatril, which are already on the market. We will also target the launch of MCI-196 and MP-146, in addition to Germany, where we already have an in-house sales base. We plan to move ahead with preparations for the sales structure in major European countries.

Asia

In Asia, the Group already has an operational foundation in China, Korea, Taiwan and Indonesia, and we conduct sales of such drugs as Tanatril, Herbesser, Talion, Anplag and Liple. By increasing the number of MRs, strengthening the operational foundation and expanding the number of products sold through in-house sales systems in each market, we will work to increase sales.

"We are enhancing our specialized expertise and conducting aggressive promotional activities so that more patients can safely and securely use drugs from Mitsubishi Tanabe Pharma."

OVERVIEW OF CORE ETHICAL DRUGS AND SALES TRENDS

Priority Products

Remicade
Infliximab

Fiscal 2008 sales
¥37.4 billion

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

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. In July 2009, a change in usages/dosages was approved for RA (increase in dosage amount, decrease in time interval between administrations) and "prevention of structural damage to joints" was approved for inclusion in the indications.

Sales trend: Sales in fiscal 2008 were up 30.9%. In fiscal 2009, competition with biological products is expected to intensify in the RA market, but with support from the change in usages/dosages, the forecast for sales is ¥46.8 billion, an increase of 25.2%.

Radicut
Edaravone

Fiscal 2008 sales
¥28.1 billion

Cerebral neuroprotectant (Free radical scavenger)

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 indicated for the treatment of three major types of cerebral infarction (cerebral lacunar, atherothrombotic and cardiogenic). Administration is started within 24 hours after onset, and it is not administered for more than 14 days.

Sales trend: Sales in fiscal 2008 were up 0.7%. Accompanying the aging of the population, the incidence of cerebral infarction is rising about 2% a year, while on the other hand the number of hospitals implementing the DPC system is increasing. Accordingly, the forecast for sales in fiscal 2009 is ¥27.6 billion. We will continue to promote this product through MRs specialized in the cerebral field.

Anplag
Sarpogrelate

Fiscal 2008 sales
¥19.4 billion
domestic ¥18.5 billion
overseas ¥0.9 billion

Anti-platelet agent (5-HT2 blocker)

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 launched in August 2007.

Sales trend: Sales in fiscal 2008 were up 5.2%. Accompanying the aging of Japan's population and a trend toward Western lifestyles, the ASO market is growing. Utilizing new data that shows effectiveness in improving gait disturbance, we will aggressively promote this product. The forecast for sales in fiscal 2009 is ¥19.6 billion in Japan and ¥0.6 billion overseas.

Talion
Bepotastine

Fiscal 2008 sales
¥11.0 billion
domestic ¥10.4 billion
overseas ¥0.6 billion

Treatment of allergic disorders

Launch: 2000
Origin: Ube Industries
Development: Co-development with Ube Industries, Ltd.

Overview: Talion has a rapid onset of antihistamine (H1) effects and is effective for allergic rhinitis, urticaria and pruritus accompanying dermatitis. It has minimal incidence of sedation. In July 2007, approval was received for an additional formulation, orally disintegrating tablets.

Sales trend: Sales in fiscal 2008 were up 25.3%, the highest rate of growth in the market for allergic disorder drugs. In fiscal 2009, 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 2009 is ¥12.2 billion in Japan and ¥0.6 billion overseas.

Urso
Ursodeoxycholic Acid

Fiscal 2008 sales
¥16.6 billion
domestic ¥16.2 billion
overseas ¥0.4 billion

Agent for improving hepatic, biliary and digestive functions

Launch: 1957
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, which is one of the bile acids existing in the human body, has a cytoproective effect on liver cells. In addition to the improvement of liver function in chronic liver disease and the dissolution of gall stones, in 2007 an additional indication was received for improvement of liver function in hepatitis C.

Sales trend: Due to the NHI drug price revisions, domestic sales in fiscal 2008 were down 2.6%. We will work to disseminate the treatment objectives under the 2008 chronic hepatitis C treatment guidelines. The forecast for sales in fiscal 2009 is ¥16.8 billion in Japan and ¥0.4 billion overseas.

Tanatril
Imidapril

Fiscal 2008 sales
¥14.2 billion
domestic ¥11.9 billion
overseas ¥2.3 billion

Treatment of hypertension (ACE inhibitor)

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, in fiscal 2008 we limited the decline in domestic sales to 3.9%. In fiscal 2009, generics will have an influence, but we will utilize evidence for Tanatril in various guidelines and its superiority in terms of its protective effect against coronary artery disease and its effects against hypertension in the elderly. The forecast for sales in fiscal 2009 is ¥11.6 billion in Japan and ¥2.2 billion overseas.

Other Core Ethical Drugs

Ceredist
Taltirelin

Fiscal 2008 sales
¥16.2 billion

Treatment of spinocerebellar degeneration

Launch: 2000
Origin: Mitsubishi Tanabe Pharma

Overview: Ceredist, developed by Tanabe Seiyaku, is the world's first oral thyrotropin-releasing hormone (TRH) derivative drug. In June 2009, approval was received for orally disintegrating tablets that are easily taken by patients who have difficulty swallowing due to the progress of spinocerebellar degeneration.

Sales trend: Sales in fiscal 2008 were up 6.7%. Spinocerebellar degeneration, for which this drug is indicated, is an intractable neurological disease that has been designated by the Ministry of Health, Labour and Welfare as a special chronic disease. The number of registered patients has been increasing each year, and sales are expected to grow as the number of patients records gradual growth. The usage rate among patients is high, and the launch of orally disintegrating tablets is also a positive factor. For fiscal 2009, the sales forecast is ¥17.0 billion.

Herbesser
Diltiazem

Fiscal 2008 sales
¥17.3 billion
domestic ¥11.9 billion
overseas ¥5.4 billion

Treatment of angina pectoris and hypertension (Calcium antagonist)

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 2008, due to the influence of NHI drug price revisions and the promotion of generics, domestic sales were down 8.7%, but overseas sales rose 17.3%. In fiscal 2009, we will focus on its unique mechanism of action as a calcium antagonist and, in conjunction with Tanatril and Maintate, will implement effective promotion targeting cardiovascular specialists. The forecast for sales in fiscal 2009 is ¥11.5 billion in Japan and ¥4.5 billion overseas.

JEBIK V

NEWLY LAUNCHED PRODUCT

Freeze-dried Japanese encephalitis vaccine (Cell culture derived)

Launch: 2009
Origin: BIKEN (The Research Foundation for Microbial Diseases of Osaka University)

Overview: This vaccine is a freeze-dried preparation containing inactivated Japanese encephalitis virus derived from cell cultures. It is used in the prevention of Japanese encephalitis. It was launched in June 2009 as a vaccine that can be used for routine vaccinations of children from 6 months to 90 months of age. Japanese encephalitis is a disease borne by culex tritaeniorhynchus and other mosquitoes, and is transmitted among humans, swine and other species. There is no specific method of treatment for Japanese encephalitis. Symptomatic treatment plays the central role. Accordingly, prevention is the most important, and preventive vaccines and mosquito countermeasures are important.

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, fundamental policies for the maintenance of internal control systems have been established 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 Directors, the Company has established the Board of Directors, Corporate Auditors and the Board of Corporate Auditors, and employs an independent auditor.

Management System

The Board of Directors has eight members. To ensure efficient business execution, 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 business execution and supervises operational execution. In regard to business 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 and CEO, Executive Vice President, Managing Executive Officers and executive officers who are appointed by the President and CEO, the Operating Committee convenes two or more times a month and discusses issues of importance for the overall execution of Company business. Directors with executive responsibilities are corporate officers.

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, the Corporate Auditors audit the execution of Company business. In addition, from the independent auditor the Corporate Auditors receive explanations of audit plans and policies and quarterly reports on audit implementation and results, and the Corporate Auditors also regularly exchange opinions with the independent auditor. When necessary, the Corporate Auditors witness on-site work and review work by the independent auditor. In addition, at the end of each period the Corporate Auditors receive reports on the execution of audits by the independent auditor. Also, the Corporate Auditors exchange opinions on a regular, monthly basis in regard to the audit plans, progress and results of the Internal Audit Department. At the same time, the Corporate Auditors receive reports on the results of the evaluation of internal control systems for financial reporting.

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

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. The Internal Audit Department has 14 employees.

The Company has taken steps to facilitate proper audits, appointing Ernst & Young ShinNihon LLC as its independent auditor and providing accurate management information.

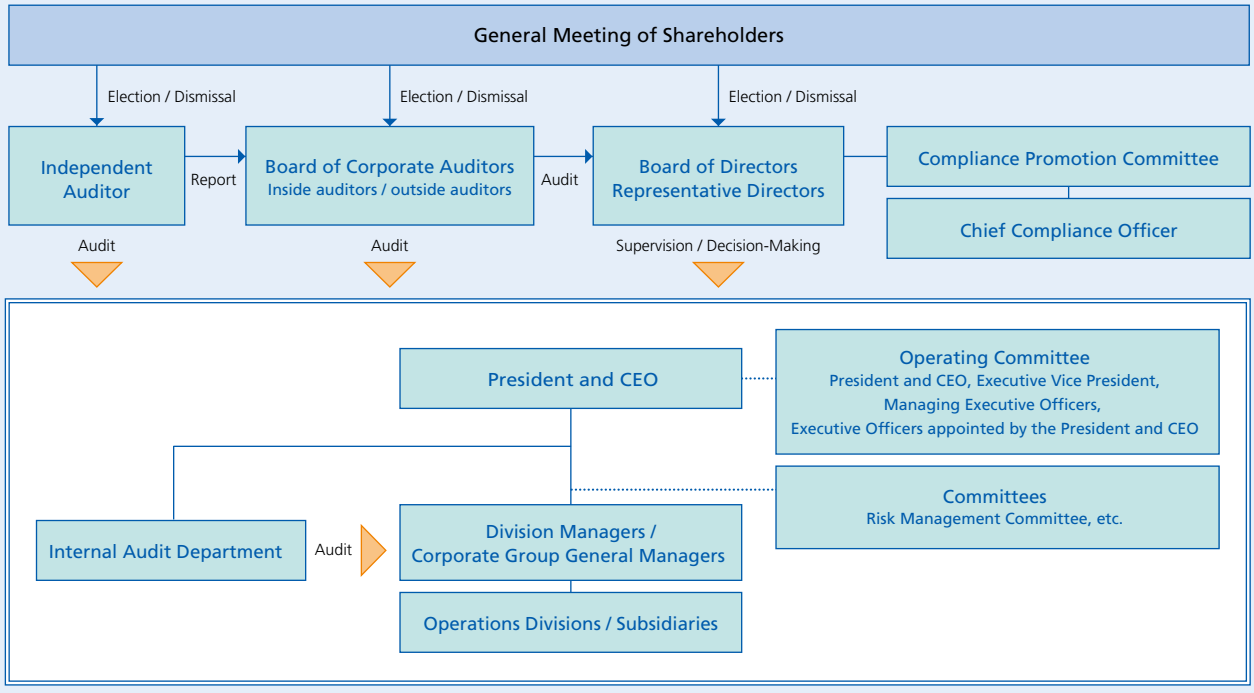
Outside Corporate Auditors

Outside management oversight is provided by the outside Corporate Auditors, who attend Board of Directors' meetings and express appropriate opinions when required. The outside Corporate Auditors receive audit progress reports from the standing Corporate Auditors, audit reports from the independent auditor and reports on the execution of Company affairs from members of the Board of Directors. Masanao Iechika, an outside Corporate Auditor, has no personal relationships with members of the Board of Directors or the 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.

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.

CORPORATE GOVERNANCE SYSTEM



In the year ended March 31, 2009, Directors' compensation amounted to ¥372 million (of which, ¥2 million was for outside Directors) and Corporate Auditors' compensation totaled ¥84 million (of which, ¥21 million was for outside Corporate Auditors). In accordance with the contracts with Ernst & Young ShinNihon LLC, auditing fees were ¥80 million.

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

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

Mitsubishi Chemical Holdings Corporation, the Company's parent company, is a pure holding company that does not conduct its own operating activities. Accordingly, between Mitsubishi Chemical Holdings Corporation and the Company, there are no transactions that have the potential to significantly influence the results of the Company, and there are no plans to engage in such transactions in the future.

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

Risk Management System

Mitsubishi Tanabe Pharma has established risk management regulations. In accordance with these regulations, the Risk Management Committee, which is led by the President, meets every six months and otherwise as necessary. The Group regularly monitors the risks that it faces. In implementing this monitoring, 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. In preparations for times when it appears that risk events that could give rise to serious damage, such as disasters, accidents or the emergence of new diseases, might occur, we have established a Companywide system for minimizing damage while continuing business activities.

Compliance System

To ensure sound business activities, Mitsubishi Tanabe Pharma 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 Group Code of Conduct, which will provide specific behavioral guidelines. In accordance with the declaration, members of the Board of Directors and Corporate Auditors take the lead in strictly adhering to laws, regulations and the Company's Articles of Incorporation. Also, the Company is taking steps to create a Companywide compliance system, including the establishment of the Compliance Promotion Committee and the Compliance Office, both of which are led by the Chief Compliance Officer. All relationships with groups that act in an anti-social manner will be terminated.

Furthermore, we have established 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 dealing with matters reported to the hotline, full-time staff members take steps targeting a resolution while giving full consideration to the protection of the person making the report and to the maintenance of his or her privacy. We have established internal and external hotlines for reports and consultations. We have also established a specialized external hotline for sexual harassment issues. In these ways, we are working to respond to a wide variety of needs for consultation.

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, as well as for the Q&A sessions, can be viewed on the Company's web site. Also, we report on our corporate social responsibility initiatives in our CSR Report.

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

To develop and provide a stable supply of effective, safe drugs, we are bolstering our comprehensive reliability assurance system for quality and safety, which extends from the R&D stage to raw material procurement, production and post-marketing activities. To ensure strict observance of domestic and overseas regulations and standards and to enhance the pharmaceutical quality assurance and safety management systems on a Groupwide basis, we established the Quality and Safe Liaison Council, together with subsidiaries and affiliates in Japan and overseas. In this way, we have established a system that fosters cooperation in such areas as sharing of related information and policies and also provides for mutual monitoring of the progress made by subsidiaries and affiliates in the implementation of initiatives.

Furthermore, with the objective of sustaining a corporate culture that gives the highest priority to drug safety, we are implementing drug safety training for all officers and employees, including those of Group companies. This training reflects the lessons learned from incidents of health problems caused by drugs, such as in the HIV and hepatitis C lawsuits.

We have also 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. With a fundamental policy of fair, impartial and transparent transactions, in January 2009 we formulated the Mitsubishi Tanabe Pharma Group Purchasing Compliance Action Guidelines. We ask our suppliers to conduct their activities with consideration for corporate social responsibilities, not only quality improvement and stable supply but also strict observance of laws and regulations, consideration for the environment, respect for human rights, and the elimination of transactions with antisocial organizations.

For Employees

Based on respect for styles of work that accommodate a variety of life events, we have established an environment that facilitates continued work with motivation and pride. We have established a variety of systems that support diverse working styles to facilitate the achievement of even better results through balanced work and private lives. These include flex-time, discretionary work, imputed working-hours and short-term work systems.

In addition, we will strive to systematically cultivate human resources that are conscious of their own duties, are motivated to grow and will contribute to a vibrant organization and to company results through independent action. To ensure that all employees can achieve their full potential, we support individual independent skill development and career management. These initiatives, which are centered on OJT that utilizes an appropriate goal management system, also include support provided through training programs tailored to individual circumstances and goals as well as the provision of human resources rotation systems and opportunities.

In regard to workplace safety, in accordance with the policy of "safety first for all workers and prevention of industrial accidents," in the industrial safety medium term independent action plan (2008–2010), we will move forward with "developing people and organizations that emphasize thinking before actions," "enhanced safety measures for equipment" and "advancing industrial safety and health management systems," respectively.

For Communities

To contribute to the development of local communities as a corporate citizen, we are implementing a range of activities for the people in those communities.

One of those activities is the MSC Volunteer Salon. Since 1968, we have sponsored the MSC Volunteer Salon, which includes lectures and mini-concerts, on a bimonthly basis to facilitate exchange among people involved in volunteer activities.

Furthermore, we provide financial support to the Japan Foundation of Applied Enzymology and the Mitsubishi Pharma Research Foundation. In this way, 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. In addition, at each work site we continue to foster exchange with people in the local communities through participation in clean-up activities, cooperation with blood donation activities, and participation in events, such as local summer festivals.

For the Environment

In accordance with its strong sense of mission as a life sciences-related company, the Group endeavors to contribute to the realization of a sustainable society. In all aspects of our business activities, we are working proactively and aggressively to support the preservation of the natural environment and the enhancement of safety.

Energy saving and the prevention of global warming are among the most important issues that we face. Through a variety of initiatives, we are working to save energy and to restrict emissions of greenhouse gases stemming from our business activities, not only at our plants, research facilities and distribution bases but also in our offices.

Our activities are not limited to work sites. To encourage employees to recognize that environmentally friendly activities in the home contribute to the prevention of global warming, we are encouraging employees to use household environmental account books.

In fiscal 2009, we will further advance energy saving activities and, in preparation for the full-scale enforcement of the Law Regarding the Rationalization of Energy Use from fiscal 2010, we are bolstering our energy management system on a Groupwide basis and taking steps to enhance the Group's carbon management.

BOARD OF DIRECTORS AND AUDITORS

As of June 19, 2009

Directors

1. Michihiro Tsuchiya
President & Representative Director, Chief Executive Officer

2. Kunihiko Shimojuku
Representative Director, Executive Vice President

3. Ken-ichi Yanagisawa
Board Director, Managing Executive Officer
Head of Sales & Marketing Division

4. Masayuki Mitsuka
Board Director, Executive Officer
Head of Global Product Strategy Department

5. Takashi Kobayashi
Board Director, Executive Officer
Head of Corporate Strategic Planning Department

6. Natsuki Hayama
Board Director, Senior Corporate Advisor

7. Takeshi Komine
Board Director, Senior Corporate Advisor

8. Kuniaki Kaga
Board Director

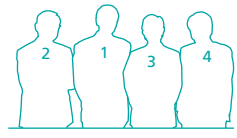
Auditors

1. Akihiro Narimatsu
Corporate Auditor (standing)

2. Junji Hamaoka
Corporate Auditor (standing)

3. Masanao Iechika
Corporate Auditor (outside)

4. Takashi Nishida
Corporate Auditor (outside)



FINANCIAL SECTION AND CORPORATE INFORMATION

SIX-YEAR FINANCIAL SUMMARY

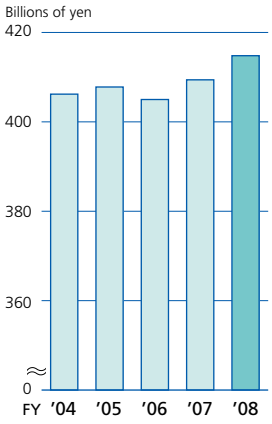
Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31

	2009	2008[1]	2007	2006	2005	2004
Financial figures (millions of yen):						
Net sales						
Tanabe Seiyaku	**¥414,752**	¥315,636	¥177,531	¥171,552	¥171,984	¥173,613
Mitsubishi Pharma		[409,427]	227,517	236,207	234,244	235,431
Cost of sales						
Tanabe Seiyaku	**158,184**	113,471	69,051	61,935	63,609	63,714
Mitsubishi Pharma		[150,535]	79,996	81,444	81,712	83,812
Selling, general and administrative expenses						
Tanabe Seiyaku	**184,874**	148,225	78,120	82,057	80,870	80,484
Mitsubishi Pharma		[186,423]	107,566	118,528	121,483	122,892
Operating income						
Tanabe Seiyaku	**71,694**	54,024	30,456	27,568	27,467	29,440
Mitsubishi Pharma		[72,468]	39,955	36,235	31,049	28,727
Net income						
Tanabe Seiyaku	**26,532**	21,993	20,174	15,466	15,902	17,687
Mitsubishi Pharma		[31,932]	24,305	20,699	13,172	10,818
R&D expenses						
Tanabe Seiyaku	**73,122**	59,807	28,519	30,534	27,789	24,605
Mitsubishi Pharma		[72,335]	47,239	47,913	50,482	50,528
Capital expenditure on an accrual basis						
Tanabe Seiyaku	**12,175**	5,968	4,368	4,156	3,834	8,722
Mitsubishi Pharma		[9,987]	5,412	8,645	13,099	11,975
Depreciation and amortization						
Tanabe Seiyaku	**15,658**	12,555	6,774	7,641	8,413	8,054
Mitsubishi Pharma		[15,085]	10,602	11,796	11,457	12,440
Total assets						
Tanabe Seiyaku	**810,756**	807,261	297,087	280,813	269,048	266,244
Mitsubishi Pharma			323,364	307,052	290,628	296,200
Total net assets[2]						
Tanabe Seiyaku	**666,220**	667,808	233,595	218,128	203,822	193,216
Mitsubishi Pharma			253,242	231,541	205,981	197,541
Interest-bearing debt						
Tanabe Seiyaku	**7,469**	8,151	132	693	1,695	1,881
Mitsubishi Pharma			8,485	8,819	11,192	16,798
Net cash provided by operating activities						
Tanabe Seiyaku	**50,540**	38,096	21,419	22,688	19,805	28,974
Mitsubishi Pharma		[46,447]	28,072	37,029	27,433	33,487
Net cash provided by (used in) investing activities						
Tanabe Seiyaku	**(74,508)**	(4,829)	(8,525)	(16,826)	(24,809)	1,271
Mitsubishi Pharma		[(8,981)]	4,357	(9,872)	(6,950)	20,475
Net cash used in financing activities						
Tanabe Seiyaku	**(15,986)**	(6,070)	(6,059)	(8,486)	(5,102)	(13,332)
Mitsubishi Pharma		[(9,097)]	(11,239)	(7,812)	(10,586)	(42,338)
Cash and cash equivalents at end of year						
Tanabe Seiyaku	**116,903**	160,096	46,121	39,249	41,941	51,963
Mitsubishi Pharma			85,182	63,812	44,192	34,196

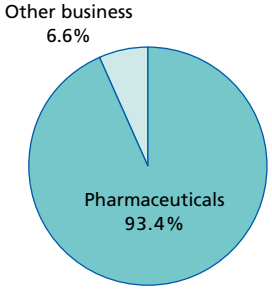
	2009	2008[1]	2007	2006	2005	2004
Per share amounts (yen):						
Net income—basic						
Tanabe Seiyaku	**¥47.28**	¥50.12	¥82.36	¥62.43	¥63.70	¥69.06
Mitsubishi Pharma			53.02	45.39	29.02	23.81
Net income—diluted						
Tanabe Seiyaku	**–**	–	–	62.43	63.68	69.06
Mitsubishi Pharma			–	–	–	–
Net assets[2]						
Tanabe Seiyaku	**1,162.69**	1,163.96	948.30	890.21	822.43	775.48
Mitsubishi Pharma			531.95	505.01	454.94	435.9
Cash dividends						
Tanabe Seiyaku	**28.00**	26.00[3]	24.00	20.00	17.00	14.00
Mitsubishi Pharma			14.15	20.44	10.00	10.00
Financial indicators (%):						
Ratio of cost of sales						
Tanabe Seiyaku	**38.1%**	35.9%	38.9%	36.1%	37.0%	36.7%
Mitsubishi Pharma		[36.8]	35.2	34.5	34.9	35.6
Ratio of SG&A expenses						
Tanabe Seiyaku	**44.6**	47.0	44.0	47.8	47.0	46.3
Mitsubishi Pharma		[45.5]	47.2	50.2	51.8	52.2
Operating margin						
Tanabe Seiyaku	**17.3**	17.1	17.2	16.1	16.0	17.0
Mitsubishi Pharma		[17.7]	17.6	15.3	13.3	12.2
Ratio of R&D expenses to net sales						
Tanabe Seiyaku	**17.6**	18.9	16.1	17.8	16.2	14.2
Mitsubishi Pharma		[17.7]	20.8	20.3	21.6	21.5
Equity ratio						
Tanabe Seiyaku	**80.5**	80.9	78.2	77.7	75.8	72.6
Mitsubishi Pharma			75.4	75.4	70.9	66.7
DE ratio						
Tanabe Seiyaku	**1.1**	1.2	0.1	0.3	0.8	1.0
Mitsubishi Pharma			3.4	3.8	5.4	8.5
ROA						
Tanabe Seiyaku	**3.3**	4.0	7.0	5.6	5.9	7.0
Mitsubishi Pharma		[4.5]	7.7	6.9	4.5	3.4
ROE						
Tanabe Seiyaku	**4.1**	4.9	9.0	7.3	8.0	9.5
Mitsubishi Pharma		[5.7]	10.2	9.5	6.5	5.6
Dividend payout ratio						
Tanabe Seiyaku	**37.6[5]**	33.2[4]	29.1	32.0	26.7	20.3
Mitsubishi Pharma			30.0	46.8	31.7	43.2
Others:						
Number of employees						
Tanabe Seiyaku	**10,030**	10,361	4,554	4,512	4,517	4,540
Mitsubishi Pharma			5,907	5,902	5,917	6,122
Number of common stock issued (thousands)						
Tanabe Seiyaku	**561,417**	561,417	267,598	267,598	267,598	267,598
Mitsubishi Pharma			458,435	458,435	458,435	458,435

1 Figures in brackets are based on the simple sum of the results of the former Tanabe Seiyaku and the former Mitsubishi Pharma.
2 Due to a change in accounting standards, figures for the year ended March 31, 2006 and prior years are total shareholders' equity.
3 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.
4 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 of reserve for HCV litigation) and Mitsubishi Tanabe Pharma's year-end dividends.
5 Dividend payout ratio is calculated using net income less amortization of goodwill and provision of reserve for HCV litigation.

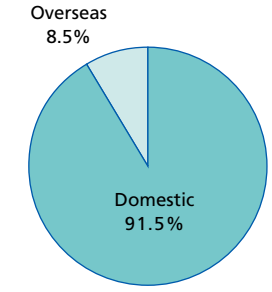
NET SALES



NET SALES BY BUSINESS SEGMENT



SALES BY REGION



The merger of Tanabe Seiyaku and Mitsubishi Pharma on October 1, 2007 was completed as a reverse acquisition under the "Accounting Standards for Business Combinations." Accordingly, under Japanese GAAP, the consolidated results for Mitsubishi Tanabe Pharma for the previous fiscal year are the sum of the consolidated results for Mitsubishi Pharma for the first half of the fiscal year and the consolidated results for Mitsubishi Tanabe Pharma for the second half of the fiscal year.

However, in regard to management's discussion and analysis, in order to enable comparisons between the fiscal year under review and the previous fiscal year, consolidated results for the previous fiscal year are the simple sum of the results for Tanabe Seiyaku for the first half of the fiscal year and Mitsubishi Tanabe Pharma for the fiscal year. (In general, figures in graphs for the previous fiscal year and prior years are the simple sum of the figures for Tanabe Seiyaku and Mitsubishi Pharma.)

Results of Operations

Net Sales

Net sales increased ¥5.3 billion, to ¥414.8 billion, due to higher revenues in the pharmaceuticals segment.

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 Group's sales. In the fiscal year under review, the operating environment in the domestic ethical pharmaceutical industry grew increasingly challenging. The industry was affected by continued measures to limit health care spending with the objective of reducing social security expenditures. These measures included the April 2008 NHI drug price revisions, an increase in the number of hospitals implementing the DPC system and the implementation of initiatives to promote the use of generics. In this environment, despite the NHI drug price revisions, domestic sales of ethical drugs rose ¥3.5 billion, to ¥335.4 billion. This gain was due in part to generally strong sales of priority products. Sales of Remicade, an anti-TNFα monoclonal antibody, were up substantially, rising ¥8.8 billion, to ¥37.4 billion. Sales of Anplag, an anti-platelet agent, were up ¥0.9 billion, to ¥18.5 billion. Sales of Talion, a treatment for allergic disorders, were up ¥2.1 billion, to ¥10.4 billion. In addition, sales of Mearubik, a combined measles–rubella vaccine, were up ¥4.2 billion, to ¥11.8 billion.

Overseas sales of ethical drugs totaled ¥25.3 billion, an increase of ¥1.6 billion, due in part to growth in sales of such products as calcium antagonist Herbesser. Sales of OTC products were down ¥0.5 billion, to ¥5.3 billion. Other pharmaceutical sales totaled ¥21.2 billion, up ¥3.2 billion, due to substantial growth in consignment manufacturing.

Millions of Yen

	2009/3		2008/3		Change
Net sales	**¥414,752**	(100.0%)	¥409,427	(100.0%)	¥+5,325
Sales by business segment:					
Pharmaceuticals	**387,223**	(93.4)	379,503	(92.7)	+7,720
Domestic ethical drugs	**335,443**	(80.9)	331,946	(81.1)	+3,497
Overseas ethical drugs	**25,259**	(6.1)	23,638	(5.8)	+1,621
OTC products	**5,280**	(1.3)	5,828	(1.4)	– 548
Other	**21,241**	(5.1)	18,091	(4.4)	+3,150
Other business	**27,529**	(6.6)	29,923	(7.3)	– 2,394
Sales by region:					
Domestic	**379,544**	(91.5)	372,144	(90.9)	+7,400
Overseas	**35,208**	(8.5)	37,283	(9.1)	– 2,075

Note: Figures in parentheses are percentages of net sales.

SALES OF MAJOR PRODUCTS IN THE DOMESTIC MARKET

Billions of yen

	2009/3	2008/3	Change
Remicade	**¥37.4**	¥28.6	¥+8.8
Radicut	**28.1**	27.9	+0.2
Anplag	**18.5**	17.6	+0.9
Urso	**16.2**	16.6	– 0.4
Ceredist	**16.2**	15.2	+1.0
Tanatril	**11.9**	12.4	– 0.5
Herbesser	**11.9**	13.0	– 1.1
Depas	**11.8**	11.5	+0.3
Venoglobulin-IH	**11.0**	11.8	– 0.8
Talion	**10.4**	8.3	+2.1
Vaccines	**21.5**	16.9	+4.6
Mearubik	**11.8**	7.6	+4.2

As a result, sales of pharmaceuticals increased ¥7.7 billion, to ¥387.2 billion, and accounted for 93.4% of net sales.

In the other business segment, due to lower sales of fine chemical products in Japan and overseas, sales were down ¥2.4 billion, to ¥27.5 billion, accounting for 6.6% of net sales.

Overseas sales were down ¥2.1 billion, to ¥35.2 billion, and the overseas ratio was 8.5%.

Operating Income

SG&A expenses declined, but the increase in cost of sales exceeded the increase in sales, and as a result operating income was down ¥0.8 billion, to ¥71.7 billion.

Accompanying the increase in net sales, cost of sales rose ¥7.6 billion, to ¥158.2 billion. The cost of sales ratio worsened 1.3 percentage points, to 38.1%, due in part to the influence of the April 2008 NHI drug price revisions.

SG&A expenses declined ¥1.5 billion, to ¥184.9 billion. R&D expenses were up ¥0.8 billion, due in part to upfront fees for in-licensing, and amortization of merger-related goodwill increased ¥4.9 billion. On the other hand, due in part to the introduction of an early retirement support program, labor costs declined ¥3.0 billion year on year. In addition, due to merger-related synergy effects, sales promotion expenses and related costs declined substantially.

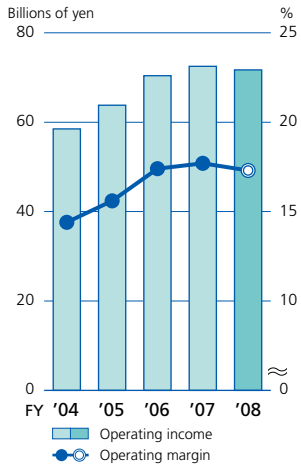
R&D expenses were ¥73.1 billion. The R&D expense ratio was 17.6%.

Millions of Yen

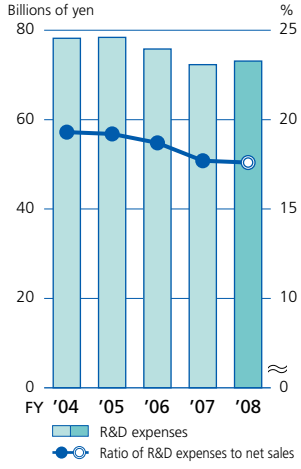
	2009/3		2008/3		Change
Cost of sales	**¥158,184**	(38.1%)	¥150,535	(36.8%)	¥ +7,649
SG&A expenses	**184,874**	(44.6)	186,423	(45.5)	– 1,549
R&D expenses	**73,122**	(17.6)	72,335	(17.7)	+787
Salaries and wages	**50,023**	(12.1)	53,021	(13.0)	– 2,998
Sales promotion expenses	**11,679**	(2.8)	13,262	(3.2)	– 1,583
Amortization of goodwill	**10,055**	(2.4)	5,136	(1.3)	+4,919
Other	**39,995**	(9.6)	42,667	(10.4)	– 2,672
Operating income	**71,694**	(17.3)	72,468	(17.7)	– 774

Note: Figures in parentheses are percentages of net sales.

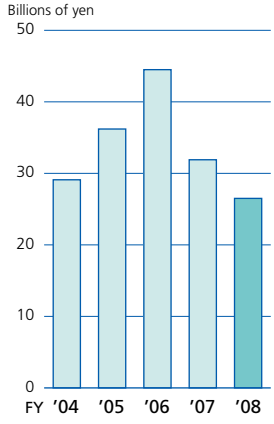
OPERATING INCOME / OPERATING MARGIN



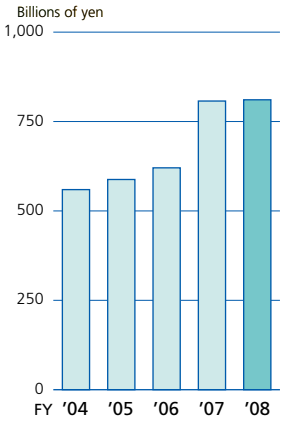
R&D EXPENSES / RATIO OF R&D EXPENSES TO NET SALES



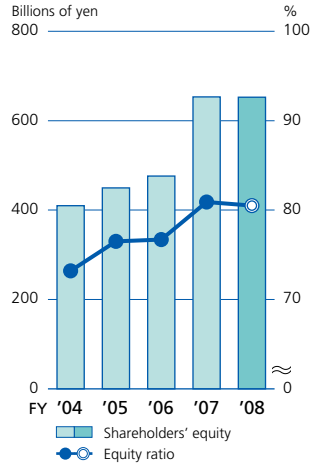
NET INCOME



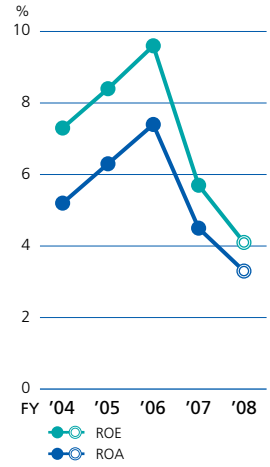
TOTAL ASSETS



SHAREHOLDERS' EQUITY / EQUITY RATIO



ROE[1] / ROA[1]



● Net Income

Net income was down ¥5.4 billion, to ¥26.5 billion.

Extraordinary income declined ¥0.8 billion, while extraordinary loss increased ¥5.5 billion. Extraordinary income totaled ¥1.2 billion, including ¥0.4 billion in prefectural subsidies for companies located in industrial parks. Extraordinary losses totaled ¥25.8 billion, including provision of reserve for HCV litigation of ¥8.8 billion; loss on valuation of investment in securities of ¥6.6 billion; special retirement expense of ¥4.3 billion; and impairment loss of ¥3.4 billion, due mainly to the consolidation of bases.

Financial Position

● Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year were ¥810.8 billion, an increase of ¥3.5 billion from the previous fiscal year-end. Inventories increased ¥4.2 billion, but total current assets were down ¥17.6 billion, to ¥364.4 billion, due to the shift of cash and time deposits to long-term investments. Property, plant and equipment, net declined ¥7.7 billion, and total intangible fixed assets decreased ¥9.4 billion. However, investments in securities rose ¥26.8 billion, due in part to the purchase of government bonds for investment. In addition, deferred income taxes rose ¥9.7 billion and long-term prepaid expenses rose ¥4.6 billion. Consequently, fixed assets were ¥446.3 billion, up ¥21.1 billion.

Total liabilities at year-end were up ¥5.1 billion, to ¥144.5 billion. Total current liabilities were ¥89.2 billion, down ¥0.3 billion. Reserve for HCV litigation rose substantially, to ¥8.8 billion. Consequently, total long-term liabilities were up ¥5.4 billion from a year earlier, to ¥55.4 billion.

Retained earnings increased ¥11.4 billion, but unrealized holding gains on securities declined ¥7.1 billion and translation adjustments were down ¥5.1 billion. Consequently, total net assets at the end of the fiscal year were down ¥1.6 billion year on year, to ¥666.2 billion.

As a result, the equity ratio was 80.5%.

Millions of Yen

	2009/3		2008/3		Change
Total assets	**¥810,756**	(100.0%)	¥807,261	(100.0%)	¥ +3,495
Total current assets	**364,444**	(45.0)	382,026	(47.3)	– 17,582
Fixed assets	**446,312**	(55.0)	425,235	(52.7)	+21,077
Total liabilities	**144,536**	(17.8)	139,453	(17.3)	+5,083
Total current liabilities	**89,150**	(11.0)	89,449	(11.1)	– 299
Total long-term liabilities	**55,386**	(6.8)	50,004	(6.2)	+5,382
Total net assets	**666,220**	(82.2)	667,808	(82.7)	– 1,588

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

1 Special losses were ¥20.3 billion in the year ended March 31, 2008 and ¥25.8 billion in the year ended March 31, 2009.

Liquidity and Sources of Funds

Net cash provided by operating activities was ¥50.5 billion, an increase of ¥4.1 billion.

In investing activities, net outflow from the purchase, sale and redemption of marketable securities was ¥8.5 billion, net outflow from the purchases and sales of property, plant and equipment was ¥10.7 billion and net outflow from the purchase and sale of investments in securities was ¥56.1 billion. As a result, net cash used in investing activities totaled ¥74.5 billion, an increase of ¥65.5 billion from the previous fiscal year.

In financing activities, cash dividends paid was ¥15.2 billion, and net cash used in financing activities amounted to ¥16.0 billion, an increase of ¥6.9 billion.

As a result, the balance of cash and cash equivalents at the end of the year under review was ¥116.9 billion, a decrease of ¥43.2 billion.

Millions of Yen

	2009/3	2008/3	Change
Net cash provided by operating activities	**¥ 50,540**	¥ 46,447	¥ +4,093
Net cash used in investing activities	**(74,508)**	(8,981)	– 65,527
Net cash used in financing activities	**(15,986)**	(9,097)	– 6,889
Cash and cash equivalents at end of year	**116,903**	160,096	– 43,193

Demand for Funds

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

Dividends

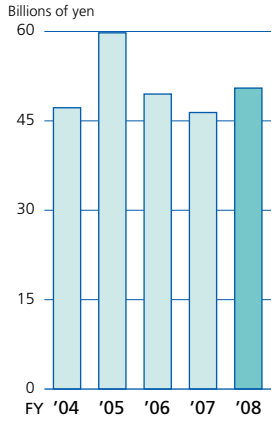
Mitsubishi Tanabe Pharma's basic policy on the distribution of earnings calls for providing a stable, ongoing distribution of earnings to shareholders while striving to maximize enterprise value by investing to bolster R&D and marketing activities from a medium-to-long-term perspective. Our objective is for a 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 annual dividends at ¥28.0 per share, an increase of ¥2.0 per share year on year. The dividend payout ratio, calculated on the basis of net income less amortization of goodwill and provision of reserve for HCV litigation, was 37.6%.

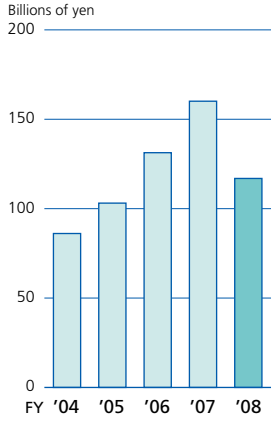
2 Cash dividends per share are presented as follows: For the year ended March 31, 2007 and previous years, the dividends of the former Tanabe Seiyaku are used. For the year ended March 31, 2008, the interim dividends of the former Mitsubishi Pharma are used for the interim dividends (¥13) and the year-end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

3 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 of reserve for HCV litigation) and Mitsubishi Tanabe Pharma's year-end dividends. For the year ended March 31, 2009, the dividend payout ratio is calculated using Mitsubishi Tanabe Pharma's net income for the fiscal year (less amortization of goodwill and provision of reserve for HCV litigation).

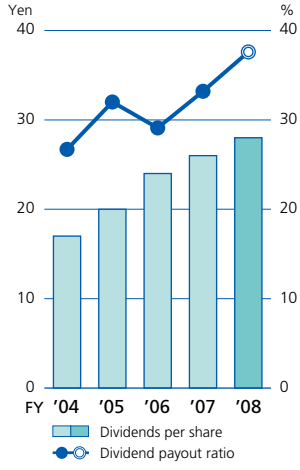
NET CASH PROVIDED BY OPERATING ACTIVITIES



CASH AND CASH EQUIVALENTS



DIVIDENDS PER SHARE[2] / DIVIDEND PAYOUT RATIO[3]



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 2008 (ended March 31, 2009).

1. Risks related to new drug R&D

The R&D of new drugs requires lengthy investment and the commitment of substantial resources, but there is no guarantee that this process will result in the creation of new products or new technologies. In addition, pharmaceuticals cannot be sold if approval is not obtained under the legal and regulatory system of each country, and it is difficult to accurately predict whether or not products will be sold and the timing of those sales. The development of 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. In that event, depending on such factors as the severity and frequency of those side effects, the Group's financial position and results of operations could be significantly affected.

3. Risks related to the 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 (April 2008: Industrywide average reduction of 5.2%) 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 health care 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

In the future, in the event of the emergence of factors—such as the launch of competing new products, the launch of generic products due to patent expiration, etc., the launch of innovative new drugs or new technologies that lead to new methods of treatment or the announcement of new evidence—that lead to a relative change in the position of the Company's pharmaceutical products in clinical 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 activities could be suspended or that there could be a legal dispute. Also, in the event that the Group believes that its patents or other intellectual property rights have been infringed upon by another party, the Group might file lawsuits. As a result of these actions, there could be an influence on the Group's financial position or results.

6. Risks related to 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 financial position or 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 market fluctuations

a) In the year ended March 31, 2009, overseas sales accounted for 8.5% of the Group's consolidated net sales. Certain raw materials for products handled by the Company are directly imported from overseas. Substantial fluctuations in exchange rates could lead to declines in sales, increases in procurement costs, the generation of foreign exchange losses, etc., as well as declines in the assets of overseas consolidated subsidiaries, etc., and the Group's financial position and results of operations could be significantly affected.

b) As of the end of March 2009, the Company held marketable securities of ¥67,680 million and investments in securities of ¥114,785 million, certain of which are marketable stocks and bonds, etc. Accordingly, events such as the recording of a loss on valuation due to declines in market prices could have a significant influence on the Group's financial position or results.

11. Risks related to environmental safety

In the event that, in the course of operating activities, the surrounding environment, including air, water, soil, livestock, agricultural products, etc., is contaminated due to the leakage or diffusion of hazardous chemical substances, radioactive substances or pathogens/microorganisms, etc., the Group could face substantial legal and regulatory liability, including penalties. In the event that appropriate controls and countermeasures for the handling of substances that affect the natural environment are neglected, including the discharge of greenhouse gases, 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 hazardous chemical substances, it is possible that the Group could be held liable. In the event that one or more of these situations occurs, the Group's financial position or results could be significantly affected.

12. Risks related to lawsuits

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

b) The Japanese government, the Company, its subsidiary Benesis Corporation and another party were defendants in lawsuits in which the plaintiffs sought 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). However, to resolve this litigation, 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"). In regard to the expenses associated with the relief payments under the Relief Law, the method and the allocation of the burden of the expenses were the subject of consultations between the government and companies. On April 10, 2009, the standards were announced. In accordance with those standards, at the end of March 2009 the Company's reserve for HCV litigation amounted to ¥20 billion. Due to changes in the expected number of benefits recipients, it is possible that there could be a significant influence on the Group's financial position or results.

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

1. Portion of expense burden

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

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

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. In the event that one or more of these situations occurs, the Group's financial position or results could be significantly affected.

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. As a result of these actions, there could be an influence on the Group's financial position or results.

15. Major assumptions regarding operational activities

Pharmaceutical manufacturing and sales are the Group's principal business operations. In accordance with the 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 laws and regulations related to 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 laws and regulations covering the sales and leasing of advanced medical devices, general sales of veterinary pharmaceuticals and general sales of poisons/toxins. 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 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.

Major permissions, etc. received are as follows:

Date received	Permission, etc.	Approving authority	Details of permission, etc.	Expiry of permission, etc.	Grounds for legal violation or primary reason for revocation of permission, etc.
Jan. 1, 2007	Pharmaceutical manufacturing and sales	Osaka Prefecture	Permission to manufacture and sell pharmaceutical products, etc.	Dec. 31, 2011 (5-year renewable)	Disqualification as per Article 12.2 of the Pharmaceutical Affairs Law
Jan. 1, 2008	Narcotics and Psychotropic Control Act, Stimulants Control Act[1]	Ministry of Health, Labour and Welfare, Local governments	Permission to research, import and export, manufacture and sell narcotic and psychotropic drugs	Dec. 31, 2009 (2-year renewable)	Disqualification as per Article 3.2 of the Narcotics and Psychotropic Control Act
Oct. 1, 2007	Wholesale and general pharmaceutical sales[2]	Local governments	Permission to sell or offer pharmaceutical products	Sept. 30, 2013 (6-year renewable)	Disqualification as per Article 26.2 of the Pharmaceutical Affairs Law
Jan. 1, 2007	Pharmaceutical manufacturing[3]	Local governments	Permission to manufacture or import pharmaceutical products	Dec. 31, 2011 (5-year renewable)	Disqualification as per Article 26.2 of the Pharmaceutical Affairs Law
Nov. 9, 2007	General sales of veterinary drugs[4]	Local governments	Permission to sell or offer pharmaceutical products for animals	Nov. 8, 2013 (6-year renewable)	Disqualification as per Article 26.2 of the Pharmaceutical Affairs Law
Sept. 18, 2007	Sales of highly controlled medical devices, etc.[5]	Local governments	Permission to sell or offer highly controlled medical devices	Sept. 17, 2013 (6-year renewable)	Disqualification as per Article 39.3 of the Pharmaceutical Affairs Law
Jan. 1, 2006	General sales of poisonous and toxic substances[6]	Local governments	Permission to sell, etc., poisonous and toxic substances	Dec. 31, 2011 (6-year renewable)	Disqualification as per Article 4.1, 5, 7 or 8 of the Poisonous and Deleterious Substances Control

1 Permission information for narcotic manufacturing at Osaka plant that primarily handles drugs covered by these regulations is shown.
2 Permission has been obtained by multiple places of operations, therefore permission information for Awaji-machi Office is shown.
3 Permission has been obtained by multiple places of operations, therefore permission obtained at Osaka plant for newly merged company is shown.
4 Permission has been obtained by multiple places of operations, therefore permission obtained at No. 2 Hirano-machi building for newly merged company is shown.
5 Permission has been obtained by multiple places of operations, therefore permission obtained at Osaka No. 2 distribution center for newly merged company is shown.
6 Permission has been obtained by multiple places of operations, therefore permission obtained at head office is shown.

16. Withdrawal of marketing authorization for Medway Injection 5%, a recombinant human serum albumin preparation, and voluntary recall of Medway Injection 5% and Medway Injection 25%

In regard to Medway Injection 5%, which is a recombinant human serum albumin preparation, in March 2009 it was discovered that consolidated subsidiary BIPHA CORPORATION had exchanged a portion of the test data (2005 test data) necessary for the acquisition of manufacturing approval. In response, the Company applied for the withdrawal of the marketing authorization for Medway Injection 5% and implemented a voluntary recall from the market of Medway Injection 5% and Medway Injection 25%. Currently, an investigation by the Company and the Ministry of Health, Labour and Welfare is under way, and in the event that the period until the restart of manufacturing and shipments of Medway Injection 25% by BIPHA CORPORATION is lengthy, it is possible that the progress of the Group's Medway operations could be delayed. Moreover, it is possible that this incident could result in damage to the Group's image or reputation among patients and health care professionals and to a loss of customers, and it is possible that the Group's financial position and results of operations could be affected.

17. Relationship with parent company and other Group companies

Position in the Group centered on Mitsubishi Chemical Holdings Corporation

The Company belongs to the Mitsubishi Chemical Holdings Group, which is centered on Mitsubishi Chemical Holdings Corporation, the Company's parent company. Mitsubishi Chemical Holdings Corporation was jointly established by Mitsubishi Chemical Corporation and Mitsubishi Pharma Corporation, one of the Company's predecessor companies, by means of a stock-for-stock exchange effective in October 2005. Due to the merger of Mitsubishi Pharma Corporation and Tanabe Seiyaku Co., Ltd., in October 2007, the ownership of Mitsubishi Chemical Holdings Corporation in Mitsubishi Tanabe Pharma Corporation reached 56.34%.

The Mitsubishi Chemical Holdings Group has three business domains: Performance Products, Health Care and Chemicals, and operates businesses with three core business companies—Mitsubishi Tanabe Pharma Corporation, Mitsubishi Chemical Corporation and Mitsubishi Plastics, Inc. The Company has integrated systems for the research, development, manufacturing and sales of ethical pharmaceuticals, and the Company plays a central role in the Mitsubishi Chemical Holdings Group's health care operations.

Operations are currently divided as described above, but in the future in the event that there is a change in the Mitsubishi Chemical Holdings Group's management policies, the financial position and results of operations of the Mitsubishi Tanabe Pharma Group could be affected.

Transactions with Mitsubishi Chemical Holdings Group

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.
- 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.
- consignment contracts with overseas subsidiaries.

Fundamentally, these transactions involve rational transaction terms decided upon following two-way negotiations conducted with reference to general market prices. Payment of compensation for exclusive rights 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 regard to laboratory buildings in Yokohama, Kanagawa Prefecture, that are leased by the Company, plans call for the construction of a research facility on that site that will be owned by the Company. Plans call for the leasing of the laboratory building to be cancelled in stages as the project progresses. Also, plans call for the outsourcing of work by overseas subsidiaries to be gradually eliminated as the Company's international operations progress, with a target date of 2011 or 2012.

In addition, a contract has been concluded with Mitsubishi Chemical Holdings Corporation regarding the burden of operational expenses, and for enjoyment of benefits based on the brand value and comprehensive strengths of Mitsubishi Chemical Holdings Corporation in the development of operations in Japan and overseas, the Company is responsible for certain expenses arising in regard to the operation of Mitsubishi Chemical Holdings Corporation. Operational expenses are calculated in accordance with the burden on the workforce, total assets and gross profit, with an upper limit of 0.5% of sales.

In the year ended March 31, 2009, the Company's expense burden included the following: procurement of raw materials, etc., of ¥2.6 billion, sales of chemical products, etc., of ¥0.8 billion, conclusion of leases and consignment contracts for the sites of research facilities and plants and the buildings, etc., thereon, in Yokohama City, Kanagawa Prefecture, and Kamisu City, Ibaraki Prefecture, of ¥2.0 billion, payment as compensation for exclusive rights to intellectual property held by the corporate group including the parent company of ¥2.3 billion and operating expenses of ¥0.4 billion. In all of the above cases, the expenses are an insignificant percentage of the Company's total expenses. 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.

● Personnel relationships with Mitsubishi Chemical Holdings Group

(a) Concurrent service of directors and corporate auditors

As of June 19, 2009, the Directors and Corporate Auditors and employees of Mitsubishi Chemical Holdings Corporation and its Group companies include one person who is concurrently serving on the Company's Board of Directors (non-full time), which comprises 8 Directors.

Position at the Company	Name	Position in Group company	Reason for position
Director	Kuniaki Kaga	Mitsubishi Chemical Holdings Corporation Executive Officer	Concurrent service from the viewpoint of Group management

As of June 19, 2009, one individual is concurrently serving as a Corporate Auditor (non-full time). The Company's Board of Auditors has four numbers.

Position at the Company	Name	Position in Group company	Reason for position
Corporate Auditor	Takashi Nishida	Mitsubishi Chemical Holdings Corporation Corporate Auditor (full time) (outside)	Concurrent service from the viewpoint of Group auditing
		Mitsubishi Chemical Corporation Corporate Auditor (outside)	

Michihiro Tsuchiya, who is a president and representative director of the Company, serves concurrently as a director (non-full time) of Mitsubishi Chemical Holdings Corporation.

(b) Acceptance of reassigned personnel

The Group has accepted the reassignment of 12 people from Mitsubishi Chemical Holdings Group for limited periods of time with such objectives as enhancing links among research functions and information systems departments and taking over work accompanying the elimination of operational consignment. One of these people is a section chief (section manager class), but none of them are in charge of departments (general manager class). They are not in a position to influence the Company's important management decisions.

● Capital relationship with Mitsubishi Chemical Holdings Corporation

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

However, in the future in the event that there is a change in the management policies of the Mitsubishi Chemical Holdings Group, the Company's financial position and results of operations could be affected.

18. 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 is cooperating with 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, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	**2009**	2008	**2009**
Current assets:			
Cash and time deposits (Note 3)	**¥ 23,931**	¥ 79,655	**$ 243,622**
Notes and accounts receivable, trade:			
Notes	**1,227**	1,262	**12,491**
Accounts	**126,903**	124,018	**1,291,897**
Less allowance for doubtful receivables	**(50)**	(23)	**(509)**
	128,080	125,257	**1,303,879**
Marketable securities (Note 4)	**67,680**	55,634	**688,995**
Inventories (Note 5)	**77,692**	73,473	**790,919**
Short-term loans	**50,410**	30,924	**513,183**
Deferred income taxes (Note 9)	**12,975**	12,664	**132,088**
Other current assets	**3,676**	4,419	**37,423**
Total current assets	**364,444**	382,026	**3,710,109**
Property, plant and equipment (Note 6)**:**			
Land	**53,524**	55,124	**544,885**
Buildings and structures	**135,613**	135,676	**1,380,566**
Machinery and vehicles	**127,198**	125,978	**1,294,900**
Tools, furniture and fixtures	**39,704**	39,758	**404,194**
Leased equipment	**24**	–	**244**
Construction in progress	**2,318**	3,377	**23,598**
	358,381	359,913	**3,648,387**
Less accumulated depreciation	**(226,584)**	(220,403)	**(2,306,668)**
Property, plant and equipment, net	**131,797**	139,510	**1,341,719**
Investments, goodwill and other assets:			
Investments in securities (Note 4):			
Unconsolidated subsidiaries and affiliates	**2,210**	706	**22,498**
Others	**112,575**	87,294	**1,146,035**
Goodwill	**135,494**	145,550	**1,379,354**
Software	**2,111**	2,147	**21,490**
Long-term prepaid expenses	**5,632**	1,003	**57,335**
Prepaid pension expenses (Note 8)	**35,475**	33,988	**361,142**
Deferred income taxes (Note 9)	**13,734**	4,037	**139,815**
Long-term deposits	**2,185**	5,740	**22,244**
Other assets	**5,122**	5,293	**52,143**
Less allowance for doubtful receivables	**(23)**	(33)	**(234)**
Total investments, goodwill and other assets	**314,515**	285,725	**3,201,822**
Total assets	**¥810,756**	¥807,261	**$8,253,650**

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
Current liabilities:			
Short-term debt (Note 6)	¥ 7,299	¥ 6,741	$ 74,305
Current maturities of long-term debt (Note 6)	140	1,240	1,425
Notes and accounts payable, trade:			
Notes	–	218	–
Accounts	26,093	26,921	265,632
	26,093	27,139	265,632
Accounts payable, other	20,944	18,206	213,214
Income taxes payable (Note 9)	14,101	14,461	143,551
Consumption taxes payable	2,056	990	20,930
Reserve for employees' bonuses	12,436	13,593	126,601
Reserve for sales returns	144	195	1,466
Reserve for loss on shutdown of a plant	439	830	4,469
Other current liabilities (Note 7)	5,498	6,054	55,971
Total current liabilities	89,150	89,449	907,564
Long-term liabilities:			
Long-term debt, less current maturities (Note 6)	30	170	305
Deferred income taxes (Note 9)	11,673	12,802	118,833
Accrued retirement benefits for employees (Note 8)	15,944	16,928	162,313
Accrued retirement benefits for directors and corporate auditors	21	43	214
Reserve for health management allowances for HIV compensation (Note 21)	1,728	1,758	17,591
Reserve for health management allowances for SMON compensation	4,634	5,093	47,175
Reserve for HCV litigation (Note 21)	20,000	11,200	203,604
Other liabilities (Note 7)	1,356	2,010	13,805
Total long-term liabilities	55,386	50,004	563,840
Net assets:			
Shareholders' equity (Note 10):			
Common stock:			
Authorized – 2,000,000,000 shares			
Issued – 561,417,916 shares at March 31, 2009 and 2008	50,000	50,000	509,010
Capital surplus	451,186	451,184	4,593,159
Retained earnings	164,712	153,332	1,676,799
Treasury stock, at cost	(275)	(209)	(2,800)
Total shareholders' equity	665,623	654,307	6,776,168
Valuation and translation adjustments:			
Unrealized holding (losses) gains on securities	(5,605)	1,511	(57,060)
Deferred losses on hedges	(747)	(841)	(7,604)
Translation adjustments	(6,809)	(1,748)	(69,317)
Total valuation and translation adjustments	(13,161)	(1,078)	(133,981)
Minority interests	13,758	14,579	140,059
Total net assets	666,220	667,808	6,782,246
Total liabilities and net assets	¥810,756	¥807,261	$8,253,650

CONSOLIDATED STATEMENTS OF INCOME

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Net sales (Note 19)	**¥414,752**	¥315,636	**$4,222,254**
Cost of sales	**158,184**	113,387	**1,610,343**
Gross profit	**256,568**	202,249	**2,611,911**
Selling, general and administrative expenses (Note 12)	**184,874**	148,225	**1,882,052**
Operating income (Note 19)	**71,694**	54,024	**729,859**
Other income (expenses):			
Interest and dividend income	**2,988**	1,841	**30,418**
Interest expense	**(87)**	(110)	**(886)**
Foreign exchange loss	**(443)**	(52)	**(4,510)**
Donations	**(399)**	(482)	**(4,062)**
Loss on sales or disposal of property, plant and equipment, net	**(958)**	(541)	**(9,753)**
Gain on sales of investments in securities, net	**144**	98	**1,466**
Subsidies for establishing a business	**400**	1,027	**4,072**
Compensation received	**489**	667	**4,978**
Provision of reserve for HCV litigation (Note 21)	**(8,800)**	(9,108)	**(89,586)**
Loss on valuation of investments in securities	**(6,635)**	(30)	**(67,545)**
Special retirement expense (Note 8)	**(4,344)**	(1,122)	**(44,223)**
Impairment loss (Note 13)	**(3,351)**	–	**(34,114)**
Settlement for USA HIV litigation	**(1,256)**	–	**(12,786)**
Loss on product recall	**(657)**	–	**(6,688)**
Loss on shutdown of a plant (Note 14)	**(164)**	(1,638)	**(1,670)**
Merger-related expense	**–**	(4,904)	**–**
Provision of reserve for health management allowances for HIV compensation (Note 21)	**–**	(424)	**–**
Other, net	**(635)**	(238)	**(6,463)**
	(23,708)	(15,016)	**(241,352)**
Income before income taxes and minority interests	**47,986**	39,008	**488,507**
Income taxes (Note 9):			
Current	**27,409**	20,023	**279,029**
Deferred	**(6,355)**	(2,927)	**(64,695)**
	21,054	17,096	**214,334**
Minority interests	**400**	(81)	**4,072**
Net income	**¥ 26,532**	¥ 21,993	**$ 270,101**

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, 2009 and 2008

	Number of shares of common stock (Thousands)	Millions of Yen								
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding (losses) gains on securities	Deferred losses on hedges	Translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	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
Net income for the year	**–**	**–**	**–**	**26,532**	**–**	**–**	**–**	**–**	**–**	**26,532**
Cash dividends	**–**	**–**	**–**	**(15,152)**	**–**	**–**	**–**	**–**	**–**	**(15,152)**
Increase in treasury stock	**–**	**–**	**–**	**–**	**(76)**	**–**	**–**	**–**	**–**	**(76)**
Gain on sales of treasury stock	**–**	**–**	**2**	**–**	**10**	**–**	**–**	**–**	**–**	**12**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**	**(7,116)**	**94**	**(5,061)**	**(821)**	**(12,904)**
Balance at March 31, 2009	**561,417**	**¥50,000**	**¥451,186**	**¥164,712**	**¥(275)**	**¥(5,605)**	**¥(747)**	**¥(6,809)**	**¥13,758**	**¥666,220**

	Thousands of U.S. Dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding (losses) gains on securities	Deferred losses on hedges	Translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	$509,010	$4,593,139	$1,560,948	$(2,128)	$ 15,382	$(8,561)	$(17,795)	$148,417	$6,798,412
Net income for the year	**–**	**–**	**270,101**	**–**	**–**	**–**	**–**	**–**	**270,101**
Cash dividends	**–**	**–**	**(154,250)**	**–**	**–**	**–**	**–**	**–**	**(154,250)**
Increase in treasury stock	**–**	**–**	**–**	**(774)**	**–**	**–**	**–**	**–**	**(774)**
Gain on sales of treasury stock	**–**	**20**	**–**	**102**	**–**	**–**	**–**	**–**	**122**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**(72,442)**	**957**	**(51,522)**	**(8,358)**	**(131,365)**
Balance at March 31, 2009	**$509,010**	**$4,593,159**	**$1,676,799**	**$(2,800)**	**$(57,060)**	**$(7,604)**	**$(69,317)**	**$140,059**	**$6,782,246**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 47,986**	¥ 39,008	**$ 488,507**
Adjustments for:			
Depreciation and amortization	**15,658**	12,555	**159,401**
Impairment loss	**3,351**	–	**34,114**
Amortization of goodwill	**10,055**	5,105	**102,362**
(Decrease) increase in accrued retirement benefits for employees	**(895)**	411	**(9,111)**
Increase in prepaid pension expenses	**(1,487)**	(7,166)	**(15,138)**
Increase (decrease) in allowance for doubtful receivables	**21**	(117)	**214**
Increase in reserve for HCV litigation	**8,800**	9,108	**89,585**
Interest and dividend income	**(2,988)**	(1,841)	**(30,418)**
Interest expense	**87**	110	**886**
Loss on sales and disposal of fixed assets	**554**	292	**5,640**
Gain on sales of investments in securities	**(144)**	(98)	**(1,466)**
Loss on devaluation of investments in securities	**6,635**	30	**67,545**
Equity in (earnings) losses of affiliates	**(100)**	117	**(1,018)**
Subsidies for establishing a business	**(400)**	(1,027)	**(4,072)**
Merger-related expense	**–**	4,904	**–**
Loss on shutdown of a plant	**164**	1,638	**1,669**
Special retirement expense	**4,344**	1,122	**44,223**
Settlement for USA HIV litigation	**1,256**	–	**12,786**
(Increase) decrease in notes and accounts receivable, trade	**(3,983)**	11,946	**(40,548)**
Increase in inventories	**(4,971)**	(5,966)	**(50,606)**
Decrease in notes and accounts payable, trade	**(4)**	(7,711)	**(41)**
Increase (decrease) in accounts payable, other	**232**	(2,540)	**2,362**
Other	**(5,508)**	138	**(56,072)**
Subtotal	**78,663**	60,018	**800,804**
Interest and dividends received	**3,086**	1,674	**31,416**
Interest paid	**(92)**	(117)	**(936)**
Subsidy received	**1,027**	–	**10,455**
Merger-related expense paid	**–**	(5,940)	**–**
Special retirement expense paid	**(4,344)**	(1,834)	**(44,223)**
Income taxes paid	**(27,800)**	(15,705)	**(283,009)**
Net cash provided by operating activities	**¥ 50,540**	¥ 38,096	**$ 514,507**
Cash flows from investing activities:			
Purchases of marketable securities	**¥ (57,980)**	¥ (706)	**$ (590,247)**
Proceeds from sales and redemption of marketable securities	**49,496**	6,411	**503,879**
Increase in time deposits	**(1,402)**	(10,042)	**(14,273)**
Decrease in time deposits	**610**	10,184	**6,210**
Increase in long-term deposits	**–**	(2,825)	**–**
Decrease in long-term deposits	**3,000**	1,006	**30,540**
Purchases of property, plant and equipment	**(10,737)**	(8,583)	**(109,305)**
Proceeds from sales of property, plant and equipment	**29**	232	**295**
Purchases of intangible fixed assets	**(1,720)**	(1,820)	**(17,510)**
Purchases of investments in securities	**(62,279)**	(3,685)	**(634,012)**
Proceeds from sales and redemption of investments in securities	**6,166**	4,764	**62,771**
Other	**309**	235	**3,146**
Net cash used in investing activities	**(74,508)**	(4,829)	**(758,506)**
Cash flows from financing activities:			
Increase in short-term debt, net	**579**	887	**5,894**
Repayments of long-term debt	**(1,246)**	(1,327)	**(12,684)**
Issuance of shares of common stock to minority shareholders	**–**	4,163	**–**
Purchases of treasury stock	**(76)**	(32)	**(774)**
Proceeds from sales of treasury stock	**12**	21	**122**
Cash dividends paid	**(15,154)**	(9,708)	**(154,271)**
Other	**(101)**	(74)	**(1,028)**
Net cash used in financing activities	**(15,986)**	(6,070)	**(162,741)**
Effect of exchange rate changes on cash and cash equivalents	**(3,239)**	(782)	**(32,973)**
Net (decrease) increase in cash and cash equivalents	**(43,193)**	26,415	**(439,713)**
Cash and cash equivalents at beginning of year	**160,096**	85,182	**1,629,808**
Increase in cash and cash equivalents resulting from merger	**–**	47,255	**–**
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	**–**	1,277	**–**
Decrease in cash and cash equivalents resulting from exclusion of consolidated subsidiaries	**–**	(33)	**–**
Cash and cash equivalents at end of year (Note 3)	**¥116,903**	¥160,096	**$1,190,095**

See accompanying notes to consolidated financial statements.

1. Basis of Preparation of Consolidated Financial Statements

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

The 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.

Certain reclassifications of previously reported amounts have been made to conform to the consolidated financial statements for the year ended March 31, 2008 to the 2009 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, 2009, which was ¥98.23 to U.S.$1. This translation of convenience should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 30 and 32 significant consolidated subsidiaries for the years ended March 31, 2009 and 2008, respectively.

On October 1, 2008, a consolidated subsidiary, MP-Technopharma Corporation merged with another consolidated subsidiary, Tanabe Seiyaku Yamaguchi Co., Ltd. On the same date, its name was changed to Mitsubishi Tanabe Pharma Factory Ltd.

In addition, a consolidated subsidiary, Fujikousan Corporation, was liquidated in December 2008.

Choseido Pharmaceutical Co., Ltd., whose shares were acquired by the Company in August 2008, its two subsidiaries as well as Tanabe Seiyaku Malaysia and one other company, were removed from the scope of consolidation because they have limited significance in regard to influencing rational judgments about the Group's financial position and operating results.

The Company applied the equity method to 3 non-consolidated subsidiaries including Choseido Pharmaceutical Co., Ltd. and 4 affiliates including Synthelabo-Tanabe Chimie S.A., for the year ended March 31, 2009, and 5 affiliates for the year ended March 31, 2008. Since the Company sold all of its shares of Tama Kagaku Kogyo Co., Ltd. in March 2009, the equity method was not applied to it for the year ended March 31, 2009.

Two non-consolidated subsidiaries, Tanabe Seiyaku Malaysia and one other company, and one affiliate were not accounted for by the equity method because the net income and retained earnings of these companies were insignificant.

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, 2009 and 2008 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.

(Change in accounting policy)
Effective the year ended March 31, 2009, the Company and overseas subsidiaries have adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Solution No. 18 issued on May 17, 2006). The adoption of this standard had no impact on the consolidated statement of income for the year ended March 31, 2009.

(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 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

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

(Change in accounting policy)
Up to the year ended March 31, 2008, merchandise and finished goods of the Company and its domestic subsidiaries were valued at the lower of weighted average cost or market. Other inventories, including raw materials and supplies, were valued at cost determined by the weighted average method.

Effective the year ended March 31, 2009, as the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006) has been applied, inventories of the Company and its domestic consolidated subsidiaries are stated at the lower of cost or net selling value, cost being determined primarily by the weighted average method. The effect of the adoption of this accounting standard on operating income and income before income taxes and minority interests was immaterial for the year ended March 31, 2009.

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

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)
Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed their useful lives for depreciation of tangible fixed assets, primarily machinery and equipment. This change was made based on an amendment to the Corporation Tax Law. As a result of this change, operating income increased by ¥612 million ($6,230 thousand) and income before income taxes and minority interests increased by ¥618 million ($6,291 thousand) for the year ended March 31, 2009 from the corresponding amounts which would have been recorded under the previous useful lives.

(Change in accounting policy)
Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries 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 (excluding leased equipment)

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) Leased Equipment

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

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

(Change in accounting policy)

Up to the year ended March 31, 2008, finance lease transactions which do not transfer ownership to lessee were accounted for as operating leases.

Effective the year ended March 31, 2009, as the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by the ASBJ on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by the ASBJ on March 30, 2007) have been applied, lease transactions of the Company and its domestic consolidated subsidiaries are accounted for as finance leases if substantially all of the benefits and risks of ownership have been transferred to the lessee. There was no impact on the consolidated statement of income for the year ended March 31, 2009.

(10) Reserve for Employees' Bonuses

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

(11) Reserve for Sales Returns

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.

(12) 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.

(13) Accrued Retirement Benefits for Employees

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

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

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.

(14) 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 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 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.

(15) 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, 2009 and to future plaintiffs, calculated with reference to settlement outcomes up to March 31, 2009.

(16) 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.

(17) Reserve for HCV Litigation

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

(Supplementary information)
Since the Japanese government promulgated and put into effect the Relief Law on January 16, 2008, in accordance with Article 16 of the Relief Law, consultations have been conducted between the Minister of Health, Labour and Welfare and the Company and other manufacturers regarding the method and allocation of the expense required to provide payment of this relief. On April 10, 2009, the Minister of Health, Labour and Welfare announced those standards. Accordingly, the Company has set aside the estimated amount of expense that will be incurred for relief payments based on an estimate of the number of people eligible to receive relief as of March 31, 2009, and other estimates.

It is possible that the estimated amount of relief to be paid by the Company will change due to an increase or decrease in the number of people eligible to receive relief.

(18) 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 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.

(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.

The Company adopted the consolidated tax payment system from the year ended March 31, 2009.

3. Cash and Time Deposits

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2009 and 2008 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,	**2009**	2008	**2009**
Cash and time deposits	**¥ 23,931**	¥ 79,655	**$ 243,622**
Time deposits maturing after three months	**(1,351)**	(751)	**(13,753)**
Marketable securities maturing within three months	**44,000**	50,477	**447,928**
Cash equivalents included in short-term loans	**50,323**	30,715	**512,298**
Cash and cash equivalents	**¥116,903**	¥160,096	**$1,190,095**

4. Marketable Securities and Investments in Securities

Held-to-maturity debt securities with available fair market value at March 31, 2009 and 2008 were as follows:

	Millions of Yen					
	Held-to-maturity debt securities					
	2009			2008		
	Carrying amount	Market value	Unrealized gain (loss)	Carrying amount	Market value	Unrealized gain (loss)
Securities with market value exceeding carrying amount:						
Bonds	**¥ 2,262**	**¥ 2,656**	**¥ 394**	¥ 2,841	¥ 2,941	¥ 100
Securities with market value not exceeding carrying amount:						
Bonds	**18,004**	**15,311**	**(2,693)**	17,509	15,353	(2,156)
Total	**¥20,266**	**¥17,967**	**¥(2,299)**	¥20,350	¥18,294	¥(2,056)

	Thousands of U.S. Dollars		
	Held-to-maturity debt securities		
	2009		
	Carrying amount	Market value	Unrealized gain (loss)
Securities with market value exceeding carrying amount:			
Bonds	**$ 23,028**	**$ 27,039**	**$ 4,011**
Securities with market value not exceeding carrying amount:			
Bonds	**183,284**	**155,869**	**(27,415)**
Total	**$206,312**	**$182,908**	**$(23,404)**

Available-for-sale securities with available fair market value at March 31, 2009 and 2008 were as follows:

	Millions of Yen					
	Available-for-sale securities with available fair market value					
	2009			2008		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Securities with carrying amount exceeding acquisition cost:						
Stocks	**¥ 1,854**	**¥ 3,836**	**¥ 1,982**	¥17,114	¥26,326	¥9,212
Bonds	**60,944**	**61,663**	**719**	17,506	17,650	144
Other	**89**	**93**	**4**	114	117	3
Subtotal	**62,887**	**65,592**	**2,705**	34,734	44,093	9,359
Securities with carrying amount not exceeding acquisition cost:						
Stocks	**36,687**	**25,551**	**(11,136)**	28,033	21,539	(6,494)
Bonds	**10,057**	**10,038**	**(19)**	–	–	–
Other	**28**	**28**	**(0)**	36	35	(1)
Subtotal	**46,772**	**35,617**	**(11,155)**	28,069	21,574	(6,495)
Total	**¥109,659**	**¥101,209**	**¥ (8,450)**	¥62,803	¥65,667	¥2,864

	Thousands of U.S. Dollars		
	Available-for-sale securities with available fair market value		
	2009		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Securities with carrying amount exceeding acquisition cost:			
Stocks	**$ 18,874**	**$ 39,051**	**$ 20,177**
Bonds	**620,421**	**627,741**	**7,320**
Other	**906**	**946**	**40**
Subtotal	**640,201**	**667,738**	**27,537**
Securities with carrying amount not exceeding acquisition cost:			
Stocks	**373,481**	**260,114**	**(113,367)**
Bonds	**102,382**	**102,189**	**(193)**
Other	**285**	**285**	**(0)**
Subtotal	**476,148**	**362,588**	**(113,560)**
Total	**$1,116,349**	**$1,030,326**	**$ (86,023)**

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 ¥248 million ($2,525 thousand), net of applicable income taxes of ¥169 million ($1,720 thousand), and unrecognized loss on securities of ¥182 million, net of applicable income taxes of ¥124 million, for the years ended March 31, 2009 and 2008, respectively.

Impairment losses on available-for-sale securities amounting to ¥6,635 million ($67,546 thousand), and ¥30 million were recorded for the years ended March 31, 2009 and 2008, respectively.

Held-to-maturity debt securities sold during the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen					
	Held-to-maturity debt securities sold					
	2009			2008		
	Cost of securities sold	Proceeds	Gain (loss) on sale	Cost of securities sold	Proceeds	Gain (loss) on sale
	¥2,500	**¥2,500**	**–**	¥1,000	¥1,000	–

	Thousands of U.S. Dollars		
	Held-to-maturity debt securities sold		
	2009		
	Cost of securities sold	Proceeds	Gain (loss) on sale
	$25,450	**$25,450**	**–**

Available–for-sale securities sold during the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen					
	Available-for-sale securities sold					
	2009			2008		
	Proceeds	Gain on sale	Loss on sale	Proceeds	Gain on sale	Loss on sale
	¥4,456	**¥174**	**¥7**	¥10,175	¥99	¥1

	Thousands of U.S. Dollars		
	Available-for-sale securities sold		
	2009		
	Proceeds	Gain on sale	Loss on sale
	$45,363	**$1,771**	**$71**

Available-for-sale securities with maturities redeemed during the year ended March 31, 2009 was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
				Available–for-sale securities with maturities redeemed		
				2009		
	Proceeds	Gain on redemption	Loss on redemption	Proceeds	Gain on redemption	Loss on redemption
	¥48,467	**¥–**	**¥6**	**$493,403**	**$–**	**$61**

The redemption schedule for available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2009 was as follows:

	Millions of Yen			
At March 31, 2009	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.	**¥17,059**	**¥54,642**	**¥2,262**	**¥ –**
Other	**502**	**1,502**	**–**	**16,000**
Other	**50,621**	**–**	**–**	**–**
Total	**¥68,182**	**¥56,144**	**¥2,262**	**¥16,000**

	Thousands of U.S. Dollars			
At March 31, 2009	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.	**$173,664**	**$556,266**	**$23,028**	**$ –**
Other	**5,111**	**15,291**	**–**	**162,883**
Other	**515,331**	**–**	**–**	**–**
Total	**$694,106**	**$571,557**	**$23,028**	**$162,883**

Book value of marketable securities with no available fair market value at March 31, 2009 and 2008 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Book value of marketable securities with no available fair market value		
	2009	2008	**2009**
Available-for-sale securities:			
Unlisted and unquoted stocks	**¥ 7,350**	¥ 5,359	**$ 74,824**
Certificates of deposit	**50,500**	27,500	**514,100**
Commercial paper	**–**	22,977	**–**
Investment limited partnerships	**930**	1,075	**9,468**
Total	**¥58,780**	¥56,911	**$598,392**

5. Inventories

Inventories at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
At March 31,	**2009**	2008	**2009**
Finished goods and merchandise	**¥59,317**	¥ 51,652	**$603,858**
Semi-finished products and work-in-process	**2,687**	4,017	**27,354**
Raw materials and supplies	**15,688**	17,804	**159,707**
Total	**¥77,692**	¥ 73,473	**$790,919**

6. Short-Term Debt and Long-Term Debt

The annual weighed average interest rates on bank debt at March 31, 2009 and 2008 were as follows:

At March 31,	**2009**	2008
Short-term debt	**0.99%**	1.07%
Current portion of long-term debt	**1.43%**	2.10%
Long-term debt	**0.70%**	1.18%

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
At March 31,	**2009**	2008	**2009**
Debt from banks, insurance companies and other financial institutions	**¥170**	¥1,410	**$1,730**
Less current maturities	**(140)**	(1,240)	**(1,425)**
Total	**¥ 30**	¥ 170	**$ 305**

At March 31, 2009, property, plant and equipment amounting to ¥8,535 million ($86,888 thousand) were pledged as collateral for the current portion of long-term debt of ¥110 million ($1,120 thousand).

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2010	¥140	$1,425
2011	30	305
Total	¥170	$1,730

7. Lease Obligations

The aggregate annual maturities of lease obligations subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 6	$ 61
2011	6	61
2012	5	51
2013	5	51
2014	2	20
Total	¥24	$244

8. 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, along with a lump-sum retirement allowance plans.

The Company made a decision during the year ended March 31, 2009 to merge the former Tanabe Seiyaku Co., Ltd. plans and the former Mitsubishi Pharma Corporation plans, both outlined above, excluding the approved retirement annuity system, on April 1, 2009, and to transfer these plans to a system with a choice between a defined contribution plan and a prepaid plan, or between a cash-balance plan and a prepaid plan, along with the system of lump-sum payments at retirement. This transfer will be accounted for in accordance with "Guidance on Accounting for Transfers between Retirement Benefits Plans" (ASBJ Guidance No. 1 issued January 31, 2002).

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, 2009 and 2008 for the Group's defined benefit pension plans:

	Millions of Yen		Thousands of U.S. Dollars
At March 31,	**2009**	2008	**2009**
Retirement benefit obligation	**¥(145,208)**	¥(151,977)	**$(1,478,245)**
Fair value of pension assets	**122,719**	155,447	**1,249,303**
Unfunded retirement benefit obligation	**(22,489)**	3,470	**(228,942)**
Unrecognized actuarial loss	**44,182**	13,590	**449,781**
Unrecognized prior service cost	**(2,162)**	–	**(22,010)**
Net amount shown on the consolidated balance sheets	**19,531**	17,060	**198,829**
Prepaid pension expenses	**35,475**	33,988	**361,142**
Accrued retirement benefits	**¥ (15,944)**	¥ (16,928)	**$ (162,313)**

As a result of the merge of the former Tanabe Seiyaku Co., Ltd. plans and the former Mitsubishi Pharma Corporation plans, retirement benefit obligation decreased by ¥2,215 million ($22,549 thousand), unrecognized prior service cost amortized by ¥18 million ($183 thousand), accrued retirement benefits decreased by ¥99 million ($1,008 thousand), and prepaid pension expenses decreased by ¥81 million ($825 thousand) for the year ended March 31, 2009.

The components of retirement benefit expenses for the years ended March 31, 2009 and 2008 are outlined as follows:

	Millions of Yen		Thousands of U.S. Dollars
Year ended March 31,	**2009**	2008	**2009**
Service cost	**¥ 2,906**	¥ 2,138	**$ 29,584**
Interest cost	**3,773**	2,699	**38,410**
Expected return on plan assets	**(4,032)**	(2,998)	**(41,047)**
Amortization of actuarial gain	**(761)**	(847)	**(7,747)**
Amortization of prior service cost	**(15)**	–	**(153)**
Retirement benefit expenses	**¥ 1,871**	¥ 992	**$ 19,047**

In addition to the retirement benefit expenses listed above, additional retirement allowances totaling ¥4,344 million ($44,223 thousand) and ¥1,122 million were recorded as a special retirement expense for the years ended March 31, 2009 and 2008, respectively.

The assumptions used in accounting for the above defined benefit pension plans for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Discount rate	**2.5%**	2.5%
Expected rates of return on plan assets	**2.5 to 3.5%**	2.5 to 3.5%

9. 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, 2009 and 2008.

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

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2009 and 2008 differ from the above statutory tax rate for the following reasons:

	2009	2008
Statutory tax rate	**40.6%**	40.6%
Adjustments:		
Amortization of goodwill	**8.5**	5.2
Non-deductible expenses	**4.3**	4.6
Non-taxable dividend income, etc.	**(2.8)**	(3.1)
Elimination of dividends upon consolidation	**2.9**	3.4
Adjustment for per capita inhabitant taxes	**0.2**	0.2
Special deduction for R&D expenses	**(9.0)**	(7.4)
Valuation allowance	**1.9**	–
Reversal of deferred tax liabilities for retained earnings of overseas subsidiaries	**(2.4)**	–
Other	**(0.3)**	0.3
Effective tax rates	**43.9%**	43.8%

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
At March 31,	**2009**	2008	**2009**
Deferred tax assets:			
Reserve for employees' bonuses	**¥ 4,955**	¥ 5,387	**$ 50,443**
Enterprise taxes	**1,383**	1,386	**14,079**
Loss on devaluation of inventories	**2,539**	2,352	**25,848**
Unrealized gain on inventories	**2,028**	2,077	**20,645**
Retirement benefits	**851**	851	**8,663**
Reserve for health management allowances for SMON compensation	**788**	932	**8,022**
Reserve for health management allowances for HIV compensation	**701**	717	**7,136**
Reserve for HCV litigation	**8,120**	4,547	**82,663**
Loss on devaluation of investments in securities	**197**	318	**2,006**
Excess amortization of long-term prepaid expenses	**2,668**	1,747	**27,161**
Prepaid research and development expenses	**6,755**	7,527	**68,767**
Net operating loss carryforward	**20,026**	20,190	**203,868**
Excess depreciation	**2,107**	1,468	**21,450**
Loss on impairment of fixed assets	**1,110**	1,037	**11,300**
Other	**3,052**	2,966	**31,070**
Gross deferred tax assets	**57,280**	53,502	**583,121**
Valuation allowance	**(20,921)**	(20,127)	**(212,980)**
Total deferred tax assets	**36,359**	33,375	**370,141**
Deferred tax liabilities:			
Prepaid pension expenses	**(1,480)**	(648)	**(15,067)**
Unrealized holding gains on securities	**(6,171)**	(13,724)	**(62,822)**
Deferred capital gain on property	**(2,111)**	(2,111)	**(21,490)**
Reserve for special depreciation	**(75)**	(250)	**(764)**
Unrealized holding gain on land	**(11,290)**	(11,273)	**(114,934)**
Retained earnings	**–**	(1,128)	**–**
Other	**(196)**	(342)	**(1,994)**
Total deferred tax liabilities	**(21,323)**	(29,476)	**(217,071)**
Net deferred tax assets	**¥ 15,036**	¥ 3,899	**$ 153,070**

10. 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, 2009 and 2008 are summarized as follows:

				Thousands of Shares
Year ended March 31, 2009	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	**561,417**	**–**	**–**	**561,417**
Treasury stock	**202**	**59**	**10**	**252**

					Thousands 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

11. Contingent Liabilities

The Company and consolidated subsidiaries had the following contingent liabilities at March 31, 2009 and 2008:

		Millions of Yen	Thousands of U.S. Dollars
At March 31,	**2009**	2008	**2009**
Debt guaranteed:			
Synthelabo-Tanabe Chimie S.A.	**¥ –**	¥ 23	**$ –**
Employees' housing fund	**150**	203	**1,527**
Trade notes receivable discounted with banks	**25**	84	**255**

12. 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 income as incurred.

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2009 and 2008 were ¥73,122 million ($744,396 thousand) and ¥59,807 million, respectively.

13. Loss on Impairment of Fixed Assets

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.

For the year ended March 31, 2009, the book value of the impaired fixed assets, which primarily includes idle assets, was reduced to the recoverable amount, and the amount of the reduction of ¥3,351 million ($34,114 thousand) was recorded as impairment loss. The impairment loss on primary fixed assets is summarized as follows:

Location	Major Use	Classification	Millions of Yen	Thousands of U.S. Dollars
Mitsubishi Tanabe Pharma No.2 Nabari Training Center (Nabari City, Mie Prefecture)	Training center	Land, buildings and structures	¥ 639	$ 6,505
Mitsubishi Tanabe Pharma Hirakata Office (Hirakata City, Osaka)	Research facility	Land, buildings and structures	1,917	19,515
Mitsubishi Tanabe Pharma No.1 Nabari Training Center (Nabari City, Mie Prefecture)	Training center	Land, buildings and structures	421	4,286
Mitsubishi Tanabe Pharma Osaka No.1 Distribution Center (Neyagawa City, Osaka)	Distribution facility	Land, buildings and structures	294	2,993
MP-Logistics Corporation Osaka No.1 Distribution Center (Neyagawa City, Osaka)	Distribution facility	Machinery and equipment	68	692

Because Mitsubishi Tanabe Pharma No.2 Nabari Training Center, Mitsubishi Tanabe Pharma Hirakata Office, and Mitsubishi Tanabe Pharma No.1 Nabari Training Center have become idle assets, and Mitsubishi Tanabe Pharma Osaka No.1 Distribution Center is not anticipated to be utilized in the future, the book value of the assets was reduced to its recoverable amount.

The recoverable amounts of the assets are measured based on their respective net selling value determined at a reasonably estimated amount, which takes posted price into account.

14. 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, which consisted of an impairment loss of ¥790 million and removal expenses of ¥848 million. The impairment loss of fixed assets is summarized as follows:

Location	Major Use	Classification	Millions of Yen
API Corporation's Kusu Plant (Yokkaichi City, Mie Prefecture)	Fine chemical production facilities	Buildings, structures, and equipment, etc.	¥790

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 was included in loss on shutdown of a plant and recorded as a special loss.

15. Related Party Transaction

Principal transactions between the Company and its related parties for the years ended March 31, 2009 and 2008 are summarized as follows:
[Transactions with MCFA Inc.]

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Loans	**¥56,320**	¥83,814	**$573,348**
Interest income	**320**	414	**3,258**

MCFA Inc. is a fellow subsidiary of the Company whose parent company is Mitsubishi Chemical Holdings Corporation.
[Transactions with directors]

			Millions of Yen
Name	Title	Transactions	2008
Natsuki Hayama	President and Representative Director, Chief Executive Officer	Rent for leased company housing	¥1
Akihiro Narimatsu	Standing Corporate Auditor	Rent for leased company housing	1

The balances due to the related parties at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Due to MCFA Inc.:	**¥50,002**	¥29,871	**$509,030**

(Supplementary information)
Effective the year ended March 31, 2009, the Company has adopted "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11 issued on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 issued on October 17, 2006).

16. 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, 2009 and 2008, 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 or its domestic consolidated subsidiaries, that started on or before March 31, 2008 (which are currently accounted for as operating leases) had been capitalized:

Millions of Yen

	2009			2008		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Category of leased property:						
Machinery	**¥ 217**	**¥126**	**¥ 91**	¥ 228	¥ 123	¥105
Tools and equipment	**1,409**	**837**	**572**	1,657	855	802
Other	**50**	**28**	**22**	113	56	57
Total	**¥1,676**	**¥991**	**¥685**	¥1,998	¥1,034	¥964

Thousands of U.S. Dollars

	2009		
	Acquisition cost	Accumulated depreciation	Net book value
Category of leased property:			
Machinery	**$ 2,209**	**$ 1,283**	**$ 926**
Tools and equipment	**14,344**	**8,521**	**5,823**
Other	**509**	**285**	**224**
Total	**$17,062**	**$10,089**	**$6,973**

Lease payments of the Company and its domestic consolidated subsidiaries relating to finance leases amounted to ¥377 million ($3,838 thousand) and ¥324 million for the years ended March 31, 2009 and 2008, respectively. Depreciation on these leased assets calculated by the straight-line method would have amounted to ¥377 million ($3,838 thousand) and ¥324 million for the years ended March 31, 2009 and 2008, 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, 2009 under finance leases, other than those which transfer the ownership of the leased property to the Company or its domestic consolidated subsidiaries, that started on or before March 31, 2008 are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 301	$ 3,064
2011 and thereafter	384	3,909
	¥ 685	$ 6,973

Future minimum payments subsequent to March 31, 2009 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 98	$ 998
2011 and thereafter	305	3,105
	¥ 403	$ 4,103

17. 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.

18. Amounts per Share

	Yen		U.S. Dollars
Year ended March 31,	**2009**	2008	**2009**
Net income	**¥ 47.28**	¥ 50.12	**$ 0.48**
Cash dividends	**28.00**	20.68	**0.29**
Net assets	**1,162.69**	1,163.96	**11.84**

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.

19. 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, 2009 and 2008 was as follows:

					Millions of Yen
Year ended March 31, 2009	Pharma-ceuticals	Other Businesses	Subtotal	Elimination or corporate	Consolidated
I. Sales and operating income:					
Sales to third parties	**¥387,223**	**¥27,529**	**¥414,752**	**¥ –**	**¥414,752**
Inter-segment sales or transfer	**–**	**6,111**	**6,111**	**(6,111)**	**–**
Net sales	**387,223**	**33,640**	**420,863**	**(6,111)**	**414,752**
Operating expenses	**317,946**	**31,396**	**349,342**	**(6,284)**	**343,058**
Operating income	**¥ 69,277**	**¥ 2,244**	**¥ 71,521**	**¥ 173**	**¥ 71,694**
II. Total assets, depreciation and amortization, impairment loss and capital expenditure:					
Total assets	**¥589,610**	**¥26,013**	**¥615,623**	**¥195,133**	**¥810,756**
Depreciation and amortization	**15,112**	**546**	**15,658**	**–**	**15,658**
Impairment loss	**3,283**	**68**	**3,351**	**–**	**3,351**
Capital expenditure	**13,353**	**545**	**13,898**	**–**	**13,898**

Millions of Yen

Year ended March 31, 2008	Pharma-ceuticals	Other Businesses	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

Thousands of U.S. Dollars

Year ended March 31, 2009	Pharma-ceuticals	Other Businesses	Subtotal	Elimination or corporate	Consolidated
I. Sales and operating income:					
Sales to third parties	**$3,942,003**	**$280,251**	**$4,222,254**	**$ –**	**$4,222,254**
Inter-segment sales or transfer	**–**	**62,211**	**62,211**	**(62,211)**	**–**
Net sales	**3,942,003**	**342,462**	**4,284,465**	**(62,211)**	**4,222,254**
Operating expenses	**3,236,750**	**319,618**	**3,556,368**	**(63,973)**	**3,492,395**
Operating income	**$ 705,253**	**$ 22,844**	**$ 728,097**	**$ 1,762**	**$ 729,859**
II. Total assets, depreciation and amortization, impairment loss and capital expenditure:					
Total assets	**$6,002,342**	**$264,817**	**$6,267,159**	**$1,986,491**	**$8,253,650**
Depreciation and amortization	**153,843**	**5,558**	**159,401**	**–**	**159,401**
Impairment loss	**33,422**	**692**	**34,114**	**–**	**34,114**
Capital expenditure	**135,936**	**5,548**	**141,484**	**–**	**141,484**

As described in Note 2(6), effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed the method of valuation of inventories. The effect of this change on business segment information was immaterial for the year ended March 31, 2009.

As described in Note 2(9), effective the year ended March 31, 2009, the accounting treatment for finance lease transactions, which do not transfer ownership to lessee, has been changed from an accounting manner similar to operating leases to one in which they are accounted for as finance leases. There was no impact on business segment information for the year ended March 31, 2009.

As described in Note 2(7), effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed the useful lives for depreciation of tangible fixed assets. As a result, operating income in the pharmaceuticals segment increased by ¥589 million ($5,996 thousand), and the other business segment increased by ¥23 million ($234 thousand) for the year ended March 31, 2009 from the amounts which would have been recorded under the method applied in the previous year.

Effective the year ended March 31, 2008, as a result of the merger with Mitsubishi Pharma Corporation, the Company recorded unallocable accounts as corporate. As a result, total assets of Pharmaceuticals business segment decreased by ¥192,673 million at March 31, 2008 from the amount which would had 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 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 changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. Furthermore, 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. 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, 2009 and 2008 and total assets at March 31, 2009 and 2008 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, 2009 and 2008 were made in Japan, the disclosure of overseas sales information for the years then ended has been omitted.

20. Business Combination

● Transactions under common control

During the year ended March 31, 2009, a merger has been carried out between MP-Technopharma Corporation, as the surviving entity and Tanabe Seiyaku Yamaguchi Co., Ltd., as the dissolved entity. Both entities were the Company's consolidated subsidiary, and the merger has been carried out to reinforce the Group's manufacturing capabilities and to raise manufacturing efficiency. After the merger, MP-Technopharma Corporation changed its name to Mitsubishi Tanabe Pharma Factory Ltd., and it is engaged in the manufacture, sales, import and export of pharmaceuticals.

This merger was treated as a transaction under common control under "Accounting Standard for Business Combinations" (issued on October 31, 2003 by the BACJ) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ revised November 11, 2007).

● Application of purchase method

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 dissolved 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 dissolved 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, accelerating 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 agreed that it was 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.

The common stock delivered was valued at ¥101,525 million. The valuation was 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 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:

	Millions of Yen
Acquisition price:	
Shares of common stock of Tanabe Seiyaku Co., Ltd.	¥399,461
Expenditures directly related to acquisition:	
Advisory costs, etc.	493
Acquisition cost	¥399,954

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

	Millions of Yen
Current assets	¥148,773
Fixed assets	181,584
Total assets	¥330,357
Current liabilities	¥ 44,392
Long-term liabilities	35,051
Total liabilities	¥ 79,443

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
Net sales	¥409,427
Operating income	67,451
Ordinary profit	68,623
Income before income taxes and minority interests	50,306
Net income	26,921

21. Litigation

● Court action for damages relating to HIV (human immunodeficiency virus) infection

The former Green Cross Corporation, one of the predecessors of the Company, together with 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 use of non-heat-treated concentrated preparations. However, from the first settlement relating to the lawsuits, which was agreed to on March 29, 1996, to March 31, 2009, 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, together with three other U.S. manufacturers of blood products, are defendants in a U.S. class action lawsuit filed chiefly by non-U.S. residents (residents of Europe, etc.) claiming to have been infected with HIV or other viruses by non-heat-treated concentrated preparations sold in the 1980s. Currently procedures targeting a resolution through settlement are underway.

In regard to this lawsuit, Alpha Therapeutic Corporation has product liability insurance, and in parallel with procedures for resolution of the lawsuit through settlement, negotiations with the insurance companies are underway.

● 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 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) sold by the former Green Cross Corporation, one of the predecessors of the Company. However, on January 16, 2008, the Japanese government promulgated and put into effect the Relief Law. Subsequently, on September 28, 2008, a "basic agreement" for the conclusion of the court action was signed with the nationwide plaintiff group.

In regard to the lawsuit with the nationwide plaintiff group, it has terminated successively, with the settlement organized by the government including the abandonment of claims by the plaintiffs against the Company. In district courts, there are pending lawsuits with plaintiffs other than those in the nationwide plaintiff group, and after a settlement of these lawsuits is reached with the government, the lawsuits will be concluded and claims against the Company will be abandoned.

In regard to the expense of relief payments under the Relief Law, the burden of that expense and the method of sharing that burden were the subject of discussions with the Minister of Health, Labour and Welfare, and those standards were announced by the Minister of Health, Labour and Welfare on April 10, 2009.

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

● Court action regarding average wholesale price

With respect to the sales of some pharmaceutical products in the United States, civil litigations have been brought against many pharmaceutical companies, including the Company's wholly-owned subsidiary Alpha Therapeutic Corporation, by the federal government and certain state governments, etc., in which plaintiffs claimed, among others, damages due to price discrepancies between the average wholesale prices (AWP) as publicized by independent industry compendia and the actual selling prices. These suits are currently pending.

22. Subsequent Event

At the annual general shareholders' meeting held on June 19, 2009, the shareholders approved a resolution for the distribution of cash dividends amounting to ¥7,856 million ($79,976 thousand), which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2009. 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, 2009, 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 audits.

We conducted our audits 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, 2009 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, 2009 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.

Ernst & Young ShinNihon LLC

June 19, 2009

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.

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KPMG AZSA & Co.

Osaka, Japan
June 24, 2008

Ernst & Young Shinnihon

Osaka, Japan

This Report of Independent Auditors is a duplicate of the Report of Independent Auditors that was included in the previous year's annual report.

GROUP COMPANIES

As of April 1, 2009

JAPAN	Establishment	Paid-in Capital	% Voting Control*	Principal Business
Mitsubishi Tanabe Pharma Factory Ltd. ●	September 1995	¥1,130 million	100.0%	Manufacture of pharmaceuticals and related products
Tanabe Seiyaku Yoshiki Factory Co., Ltd. ●	July 1964	¥400 million	100.0%	Manufacture of pharmaceuticals
Benesis Corporation ●	October 2002	¥3,000 million	100.0%	Manufacture and sale of pharmaceuticals
BIPHA CORPORATION ●	November 1996	¥7,500 million	51.0%	Manufacture of pharmaceuticals
API Corporation ●	April 1982	¥4,000 million	47.7%	Manufacture and sale of chemicals and related products
Sun Chemical Co., Ltd. ●	June 1970	¥342 million	48.3%	Manufacture and sale of chemicals
Yoshitomiyakuhin Corporation ●	August 1981	¥385 million	100.0%	Provision of information about pharmaceuticals
Tanabe Seiyaku Hanbai Co., Ltd. ●	March 1995	¥169 million	85.0%	Sale of pharmaceuticals and related products
Choseido Pharmaceutical Co., Ltd. ●	December 1947	¥340 million	51.0%	Manufacture and sale of pharmaceuticals and related products
Hoshienu Pharmaceutical Co., Ltd. ●	October 1962	¥75 million	100.0% (100.0%)	Manufacture and sales of pharmaceuticals and related products
Tanabe R&D Service Co., Ltd. ●	August 1984	¥44 million	100.0%	Testing and examination of pharmaceuticals
Tanabe Total Service Co., Ltd. ●	February 1964	¥90 million	100.0%	Real estate
MP-Logistics Corporation ●	September 1980	¥95 million	65.0%	Distribution, warehouse operations
Ogura Art Printing Co., Ltd. ●	February 1957	¥145 million	30.8%	Printing
Koei Shoji Co., Ltd. ●	August 1954	¥10 million	50.0%	Non-life insurance agency

Overseas	Establishment	Paid-in Capital	% Voting Control*	Principal Business
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
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
P.T. Tanabe Indonesia ●	July 1970	US$2,500,000	99.6%	Manufacture and sale of pharmaceuticals
Welfide Korea Co., Ltd. ●	December 1983	W2,100,000,000	100.0%	Manufacture and sale of pharmaceuticals
United States				
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
MP Healthcare Venture Management Inc. ●	August 2006	US$100	65.0%	Investments in bio-ventures, etc.
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

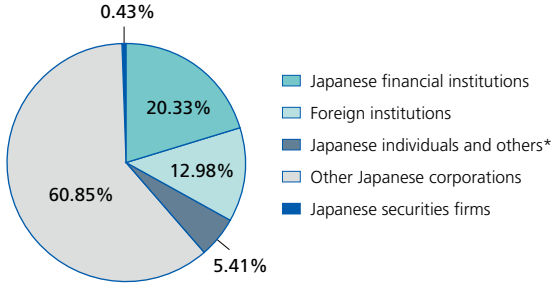
* Figures in parentheses show indirect control
● Consolidated subsidiary ● Equity-method subsidiary ● Affiliated company accounted for by the equity method

INVESTOR INFORMATION

As of March 31, 2009

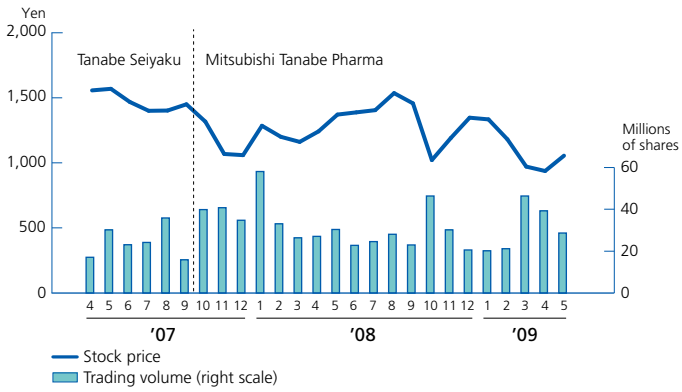
Stock Exchange Listings	Tokyo and Osaka
Stock Code	4508
Paid-in Capital	¥50,000 million
Common Stock	Authorized: 2,000,000,000 shares Issued: 561,417,916 shares
Closing Date of Accounts	March 31
Number of Shareholders	11,665
Major Shareholders (% voting rights)	Mitsubishi Chemical Holdings Corporation (56.3) Japan Trustee Services Bank, Ltd. (5.0) The Master Trust Bank of Japan, Ltd. (4.5) Nippon Life Insurance Company (2.9) The Bank of Tokyo-Mitsubishi UFJ, Ltd. (2.2) The Chase Manhattan Bank, N.A. London, S.L. Omnibus Account (1.6) Nipro Corporation (1.4) Tokio Marine & Nichido Fire Insurance Co., Ltd. (0.9) Mizuho Corporate Bank, Ltd. (0.8) Trust & Custody Services 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 (238 thousand shares at March 31, 2009)

STOCK PRICE RANGE / TRADING VOLUME



CORPORATE DATA

As of March 31, 2009

Mitsubishi Tanabe Pharma Corporation	3-2-10, Dosho-machi, Chuo-ku, Osaka 541-8505, Japan **NEW ADDRESS** 2-6-18, Kitahama, Chuo-ku, Osaka 541-8505, Japan (from October 1, 2009) URL: http://www.mt-pharma.co.jp
Incorporated	December 1933
Date of Merger	October 1, 2007
Number of Employees	10,030 (Consolidated) 5,715 (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

Mitsubishi Tanabe Pharma

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