Making Steady Progress

Mitsubishi Tanabe Pharma Corporation
ANNUAL REPORT 2011

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.

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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.

Making Steady Progress
to Support Quality of Life

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Mitsubishi Tanabe Pharma Corporation was established in October 2007 through the merger of Tanabe Seiyaku Co., Ltd., and Mitsubishi Pharma Corporation. Since that time, the Group has worked step by step to establish a strong track record based on the universal values of protecting the health of people around the world and contributing to comfortable lifestyles through the creation of pharmaceuticals.

Our vision is to be a global research-driven pharmaceutical company that is trusted by communities. Through the ongoing creation and provision of new pharmaceuticals in global markets, we will strive to record growth as a pharmaceutical company and contribute to the health of people around the world.

Targeting the realization of this challenging objective, as we move forward we will continue to emphasize working step by step, thereby fulfilling our responsibilities as a company engaged in the life sciences.

Our Progress to Date

Our Progress to Date

The Company has contributed to the health of people through the provision of distinctive pharmaceuticals, including drugs for inflammatory and autoimmune diseases, cerebral diseases, and metabolism and circulation diseases as well as psychiatric and neurological drugs, narcotics, plasma fractionation products, and vaccines.

Working to Increase the Product Value of Remicade

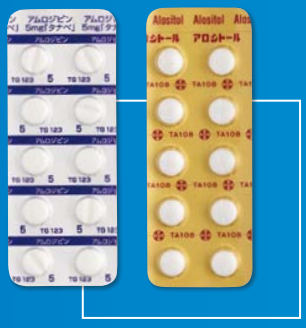
Remicade, one of the Company's core products, is an innovative biological agent that is effective against a wide range of inflammatory autoimmune diseases, including rheumatoid arthritis (RA). In fiscal 2007, the first year after the Company's establishment, sales of Remicade were ¥28.6 billion. However, one of the targets in the Medium-Term Management Plan 08–10 was to raise sales of Remicade to ¥50.0 billion by fiscal 2010, and we have worked to increase its product value. To that end, we have steadily implemented lifecycle management. In fiscal 2009, approval was received for a partial change of usage/dosage for RA, and in fiscal 2010 approval was received for indications of psoriasis, ankylosing spondylitis, and ulcerative colitis. In addition, we have established a system of medical representatives (MRs) specializing in Remicade, and currently 140 of them are continuing to provide appropriate usage information in all regions. In fiscal 2010, sales of Remicade reached ¥60.4 billion, surpassing the target by a substantial margin.

Working to Increase Specialized Knowledge in the Cerebral Field

Radicut, which was developed in Japan, is the world's first cerebral neuroprotectant. It is highly regarded for its unique mechanism of action and high level of efficacy, and an innovation premium was added to its price under the national health insurance (NHI) drug pricing scheme. Mitsubishi Tanabe Pharma has a lineup of cerebrovascular drugs, including Radicut, that covers treatment from the hyper-acute phase to the chronic phase. As a leading company in this field, we will contribute to the health of people through the provision of the evidence and appropriate usage information that we have accumulated over many years. In addition, in 2010 we launched an intravenous (IV) infusion bag formulation of Radicut. In comparison with the existing ampule formulation, the new formulation offers superior convenience, and has been well received by health care professionals.

Responding to Growing Needs in the Area of Preventive Medicine

The Japanese government continues to implement measures to control health care spending, and in this setting there is a growing focus on preventive medicine. Vaccines play an especially important role in preventive medicine. Mitsubishi Tanabe Pharma sells vaccines developed and manufactured by BIKEN (The Research Foundation for Microbial Diseases of Osaka University). We have expanded the lineup of these products, and currently offer 11 types of vaccines. We are aggressively conducting activities targeting the spread of vaccination, and in fiscal 2010 we opened a specialized website to support educational activities for vaccination. Furthermore, we are also working with BIKEN on the development of new vaccines. In fiscal 2010, the Company's vaccine operations recorded domestic sales of ¥29.6 billion, reinforcing our number one position in the domestic market.



Our Progress
in the Future

Adding New Products to Respond to Unmet Medical Needs and Continuing to Contribute to the Health of People

Bolstering the Foundation in the Generics Business

Mitsubishi Tanabe Pharma entered the generics business at the time of the Company's establishment. In 2008, we established Tanabe Seiyaku Hanbai to handle generic drug promotion and sales. In addition, the same year we made Choseido Pharmaceutical our subsidiary. Choseido Pharmaceutical has extensive business experience and a strong operational foundation in the generic drug market. In 2009, we completed the integration of the sales operations through a merger between Tanabe Seiyaku Hanbai and Chosei Yakuhin, a subsidiary of Choseido Pharmaceutical. We have also made steady progress in strengthening our product lineup, and currently have a lineup of more than 135 ingredients. In fiscal 2010, sales of generic drugs were ¥14.0 billion.*

* Includes long-time listed drugs transferred from Mitsubishi Tanabe Pharma to Tanabe Seiyaku Hanbai.

The Company has built a broad R&D pipeline, with metabolism, circulation, autoimmunity, and inflammation positioned as key areas in R&D. In fiscal 2011, we expect to launch six drugs in Japan, including FTY720, a treatment for multiple sclerosis, and MP-424, a treatment for chronic hepatitis C. In addition, we are implementing lifecycle management, and expect to acquire approval of additional indications for several products. Moreover, as of July 29, 2011, we had a large number of projects in Japan and overseas that were in phase 3 or had New Drug Applications (NDAs) filed, including licensed products. Moving forward, we will continue working step by step to deliver new drugs that respond to unmet medical needs as rapidly as possible to as many patients as possible.

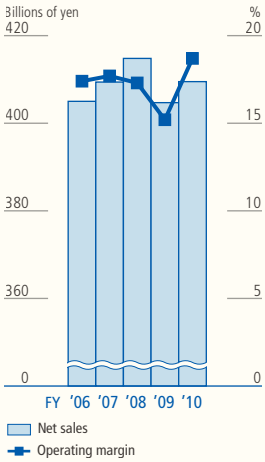
Financial Highlights

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 (FY 2010), 2010 (FY 2009) and 2009 (FY 2008)

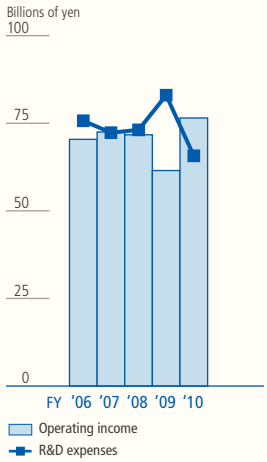
	Billions of yen (except financial indicators, per share amounts and number of employees)			Millions of U.S. dollars* (except per share amounts)	% change
	FY 2010	FY 2009	FY 2008	**FY 2010**	FY 2010/FY 2009
Net sales	**¥409.5**	¥404.7	¥414.7	**$4,925**	+1.2%
Operating income	**76.5**	61.4	71.6	**921**	+24.6
Net income	**37.7**	30.2	26.5	**453**	+24.8
R&D expenses	**65.7**	83.0	73.1	**791**	– 20.8
Capital expenditures on an accrual basis	**10.1**	8.3	12.1	**122**	+21.4
Total assets	**818.7**	796.8	810.7	**9,846**	+2.7
Total net assets	**695.9**	676.8	666.2	**8,369**	+2.8
Net cash provided by operating activities	**59.0**	23.9	50.5	**710**	+146.9
Net cash used in investing activities	**(7.6)**	(61.2)	(74.5)	**(92)**	– 87.5
Net cash used in financing activities	**(15.4)**	(17.1)	(15.9)	**(185)**	– 9.9
Financial indicators (%):					
Operating margin	**18.7%**	15.2%	17.3%	**–**	–
Ratio of R&D expenses to net sales	**16.1**	20.5	17.6	**–**	–
Equity ratio	**84.3**	84.1	80.5	**–**	–
ROE	**5.5**	4.6	4.1	**–**	–
Per share amounts (yen / U.S. dollars*):					
Net income	**¥67.27**	¥53.91	¥47.28	**$0.80**	+24.8%
Cash dividends	**28.00**	28.00	28.00	**0.33**	–
Number of employees	**9,198**	9,266	10,030	**–**	– 0.7

* U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥83.15 to U.S.$1, the prevailing exchange rate at March 31, 2011.

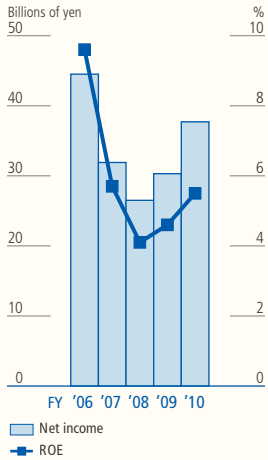
NET SALES / OPERATING MARGIN



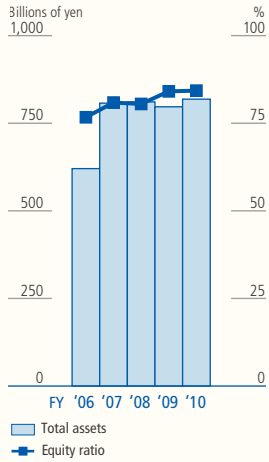
OPERATING INCOME / R&D EXPENSES



NET INCOME / ROE



TOTAL ASSETS / EQUITY RATIO



Note: In general, figures in graphs for fiscal 2007 and fiscal 2006 are the simple sum of the figures for Tanabe Seiyaku and Mitsubishi Pharma.

Message from the President

Michihiro Tsuchiya
President & Representative Director
Chief Executive Officer

Mitsubishi Tanabe Pharma is generating steady results under the Medium-Term Management Plan 08–10. We have made qualitative and quantitative enhancements in our R&D pipeline, and are planning to launch a number of products that have the potential to be new growth drivers. We have completed the preparations for the realization of our vision. Our new medium-term management plan will demonstrate the true value of Mitsubishi Tanabe Pharma and will play an important role in determining the future direction of the Company. Targeting development and growth under the new plan, the Company will continue moving ahead step by step.

With the management environment becoming increasingly challenging, pharmaceutical companies will struggle to survive unless they can create and provide new drugs that are used around the world.

Management Environment

Since our establishment, our vision has been to be a global research-driven pharmaceutical company that is trusted by communities, and we have worked step by step to realize that vision. To be a global research-driven pharmaceutical company, we need to continually create and provide new drugs that are used around the world.

Our management environment is undergoing dramatic change. The domestic pharmaceutical market, which is currently the foundation of our earnings, remains the second largest drug market in the world. Due to the aging of society and to increasingly stressful lifestyles, demand for pharmaceuticals in Japan continues to grow. However, the rate of market growth is sluggish. Government measures to control health care expenditures are one of the reasons behind those sluggish conditions. In addition to NHI drug price revisions, which are implemented once every two years, there has been an increase in the number of hospitals implementing the diagnosis procedure combination (DPC) system (a system of fixed payments for in-patient treatment using comprehensive evaluation of diagnosis category), and the government has instituted measures to promote the use of generics. The influence of these measures continues to increase. In April 2010, NHI drug prices were revised and a system offering a pricing premium for newly developed drugs was introduced on a trial basis. (Under this system, the prices of drugs that have no generic competitors will be maintained if they meet certain conditions.) Overall, however, drug prices were reduced substantially, by an industrywide average of 5.75%, with an additional reduction of 2.2% for long-term listed products.

To achieve further growth in this environment, we need to look to overseas markets. Currently, industrially developed countries, such as the U.S., Japan, and Europe, account for a substantial share of the global pharmaceutical market. However, market growth is being driven not by the industrially developed countries but by the emerging countries. In other industrially developed countries, demand for pharmaceuticals is increasing but, as in Japan, governments are implementing measures to limit health care spending. As a result, growth is sluggish. In contrast, emerging countries continue to record strong growth. China, which is posting especially notable growth, is on course to become the world's third largest pharmaceutical market within the next few years.

We are also seeing significant changes in the business models of pharmaceutical companies. In addition to changes in market structure, drug companies face changes in disease structure, rising R&D expenses, lower success rates in new drug discovery, a stream of major drugs going off patent, and other changes. Many mega-pharmaceutical companies are shifting away from business models centered on the development and sales of major drugs, principally the blockbuster drugs used to treat lifestyle diseases. These companies have begun to diversify their operations. For example, in new drug development they have shifted to disease areas that pose unmet medical needs, either because there are no treatments available or because the existing treatments are not satisfactory. In addition, they have advanced into emerging country markets and established footholds in generics and vaccines. In this way, competition is intensifying in all areas of the pharmaceutical industry.

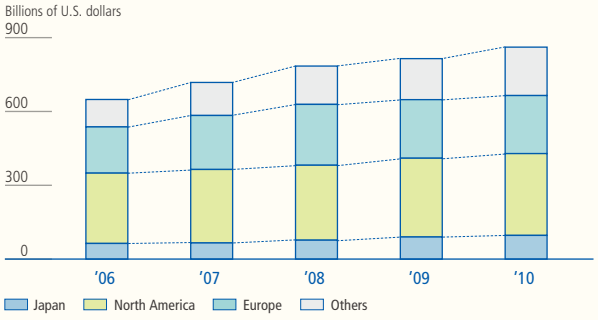
With the management environment becoming increasingly challenging, pharmaceutical companies will struggle to survive unless they can create and provide new drugs that are used around the world. To achieve sustained growth as a research-driven pharmaceutical company, we must realize our vision.

Results in Fiscal 2010

As mentioned above, NHI drug prices were revised in fiscal 2010. The Company had nine ingredients and 14 products that were given a pricing premium for newly developed drugs, but the impact of drug price revisions on our sales was about ¥17.0 billion. In this way, the market environment was challenging, but sales of core product Remicade were up significantly, rising 28.1% year on year, and sales of other products, such as Maintate and Talion, also recorded favorable growth. Vaccines and generics also registered higher sales. In addition, following the Great East Japan Earthquake, which occurred in March 2011, there was a temporary increase in orders for most of our products. Domestic sales of ethical drugs were up 2.0%, to ¥361.6 billion. Consequently, net sales in fiscal 2010 were up 1.2%, to ¥409.5 billion. Due to a substantial decline in R&D expenses, operating income was up 24.6%, to ¥76.5, and net income increased 24.8%, to ¥37.7 billion. Each of these was a record high result for the Company.

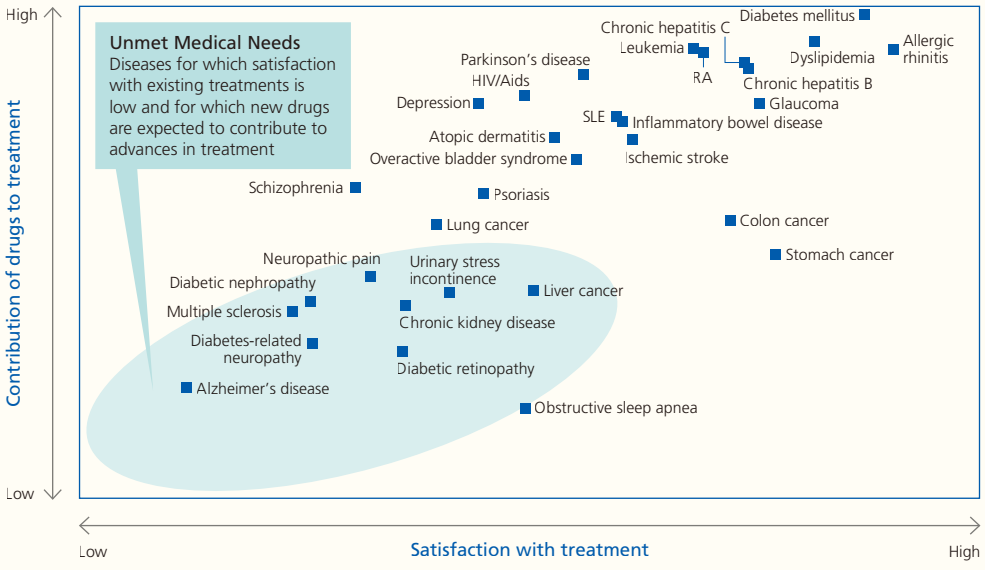
Sales of core product Remicade were up significantly and sales of other products, such as Maintate and Talion, also recorded favorable growth.

WORLDWIDE PHARMACEUTICAL MARKET



Source: Estimated based on (MIDAS, WORLD REVIEW) January 2006–December 2010, Reprinted with permission

CORRELATION BETWEEN SATISFACTION WITH TREATMENT AND CONTRIBUTION OF DRUGS TO TREATMENT



Source: Report issued in 2010 by Japan Heath Sciences Foundation (revised by Mitsubishi Tanabe Pharma)

We achieved results that will lead to the next stage of growth for the Company.

Medium-Term Management Plan 08–10

Under the Medium-Term Management Plan 08–10, which was our first plan as Mitsubishi Tanabe Pharma, we identified the following key issues: enhancing the Company's domestic sales presence, steady progress in key development projects, progress in developing overseas pharmaceutical operations, progress in generic operations, and creating an efficient organization and cost structure. Through the steady implementation of action plans, we achieved results that will lead to the next stage of growth for the Company, especially in making steady progress in key development projects and enhancing the Company's domestic sales presence.

We did fall short of certain fiscal 2010 management objectives, due in part to changes in the external environment, such as ongoing government measures to control health care expenditures, and to the removal of subsidiary API Corporation (APIC) from the scope of consolidation. However, excluding the effect of the APIC change, we achieved favorable progress in sales. NHI drug prices have been revised twice since the Company was established, but we have been able to increase sales each year and generate stable profits, which are the source of funds for R&D expenses. We are steadily improving our results.

We have made steady progress in advancing promising projects to subsequent stages of the development process.

Progress with Promising Development Projects

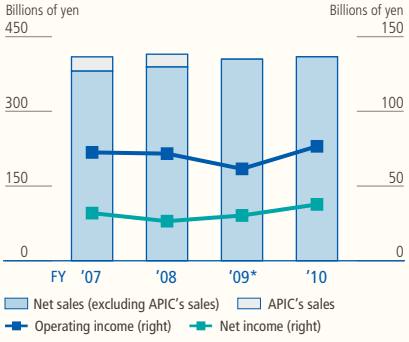
In regard to making steady progress in key development projects, targeting the launch of growth drivers in fiscal 2011 and thereafter, we have made steady progress in advancing promising projects to subsequent stages of the development process.

One example is FTY720, a treatment for multiple sclerosis (MS). In the U.S. and Europe, development is being conducted by Novartis, of Switzerland, which has licensed FTY720 from the Company. Approval was received in August 2010 in Russia, in September 2010 in the U.S., and in March 2011 in Europe. As of July 2011, it had been approved in more than 40 countries and was being sold under the name Gilenya. Gilenya is the world's only orally administered MS treatment agent. It has already earned a solid reputation in the marketplace as a drug that responds to unmet medical needs for MS treatment. With an estimated 2.5 million MS patients worldwide, I believe that FTY720 has the potential to grow into a blockbuster product. In addition, the Company and Novartis Pharma are moving ahead with joint development of FTY720 in Japan, and we plan to file a New Drug Application (NDA) in 2011.

TA-7284, a diabetes treatment, is also making favorable progress. The number of diabetes patients worldwide is estimated to be about 350 million, and it is expected to increase in the future. TA-7284 has an entirely different

OVERVIEW OF MEDIUM-TERM MANAGEMENT PLAN 08–10

Financial Results



Fiscal 2010 Management Objectives

	Fiscal 2010 Results	Management Objectives
Net sales	**¥409.5 billion**	¥460.0 billion
Operating income	**¥ 76.5 billion**	¥ 95.0 billion
Net income	**¥ 37.7 billion**	¥ 56.0 billion
R&D expenses	**¥ 65.7 billion**	¥ 82.0 billion

* In fiscal 2009, the Company made a one-time payment of about ¥10.0 billion due to a change in the licensing contract for MP-424.

mechanism from conventional diabetes treatment agents, and we expect it to achieve best-in-class status. Development in the U.S. and Europe is being conducted by Johnson & Johnson, which has licensed TA-7284 from the Company. Phase 3 clinical trials are underway, and development is on track for the filing of an NDA in the first half of 2012. In Japan, phase 3 trials were started in May 2011. We are also making steady progress with MP-513, which is also a treatment for diabetes. In Japan, phase 3 trials were started in October 2009, and we are currently preparing to file an NDA.

We discovered these drugs, and if they are launched in markets around the world, they will make a significant contribution to the health of people around the world. For Mitsubishi Tanabe Pharma, this will be a highly significant step toward our vision of being a global research-driven pharmaceutical company.

In addition, in January 2011 we received approval for MP-424, a treatment for chronic hepatitis C. MP-424 is the world's most advanced new HCV treatment. It has drawn considerable attention from hepatologists, and many patients are waiting for its launch. It has been designated as a priority review drug, and we expect it to be approved in 2011. Also, CNTO148, an RA treatment agent that we have developed jointly with Jannsen Pharmaceutical, was approved in July 2011. Together with Jannsen Pharmaceutical, we plan to conduct co-matket activities under the same brand name—Simponi—from fall 2011.

Achievement of Remicade Sales Targets

In enhancing our domestic sales presence, we had strong results with initiatives to maximize the value of Remicade, which is positioned as our growth driver. We substantially exceeded the target of sales of ¥50.0 billion that was included in the Medium-Term Management Plan 08–10. We have increased the number of MRs specializing in Remicade and steadily implemented our lifecycle management strategy. Consequently, Remicade sales substantially exceeded the target level, reaching ¥60.4 billion in fiscal 2010.

Among the indications that Remicade has received, the largest market is for RA, which accounts for the highest percentage of our Remicade sales. In July 2009, approval was received for Remicade for a partial change of usage/dosage for RA (increase of the dosage, shortening of the administration interval) and for a partial change of indications (including prevention of structural joint damage). This led to improved effectiveness in the treatment of RA, and consequently Remicade has been highly evaluated on the medical front-lines. The percentage of RA patients receiving Remicade has steadily increased, making a significant contribution to our sales growth. Furthermore, it has been reported that there is evidence that Remicade has the potential to induce clinical remission and that it is now becoming possible to reach the point where biological agents are no longer necessary (biologic-free remission), and even reach the point where all drugs, including antirheumatic drugs, are no longer necessary (drug-free remission).

With this type of domestic and overseas usage experience and clinical research related to efficacy and safety, the latent potential of Remicade is being realized. Remicade has grown into a product that contributes to the health of a large number of patients. In the pharmaceutical industry, there is a practice known as post-marketing development of drugs, and that phrase certainly describes Remicade, which has been developed on the medical front-lines. Currently, about 50,000 patients have used Remicade for RA, and the number of patients is expected to grow further.

In addition, we have made steady progress in obtaining additional indications. Approval was received for indications of psoriasis in January 2010, ankylosing spondylitis in April 2010, and ulcerative colitis in June 2010. Going forward, we will continue working to support the market penetration of Remicade to contribute to raising the quality of life for patients suffering from intractable diseases.

In the pharmaceutical industry, there is a practice known as post-marketing development of drugs, and that phrase certainly describes Remicade, which has been developed on the medical front-lines.

With the highest priority on "contributing to patients," we will work to restore trust through our core business activities—providing patients with a stable supply of pharmaceuticals that meet medical needs.

Enhancing Domestic Sales Capabilities

Since the merger in October 2007, we have had one of the largest MR workforces in the domestic market. We have effectively used our marketing capabilities and conducted efficient promotion activities, centered on our priority products. As a result, we have been able to steadily expand sales of our core products, including the six priority products selected under the Medium-Term Management Plan 08–10, such as Remicade, Radicut, and Talion. Vaccines and generics have begun to contribute to our sales, and our domestic ethical drug operations are on a solid footing.

Furthermore, we have worked to expand the range of products that we sell through alliances. In January 2010 we signed an agreement with Mochida Pharmaceutical, for the co-marketing in Japan of the antidepressant Escitalopram. Escitalopram has already been launched in more than 90 countries and has been highly evaluated as an antidepressant. In Japan, the number of patients with depression is estimated at more than 1 million. Escitalopram is positioned as a growth driver of our new medium-term management plan. Mochida Pharmaceutical received approval for Escitalopram in April 2011, and joint sales activities began in August 2011 under the name Lexapro. For Kremezin, a treatment for chronic renal failure, we acquired domestic sales rights from Kureha in November 2009, and we began sales in April 2011. Including Lexapro and Kremezin, we plan to launch six drugs in fiscal 2011.

Response to the Great East Japan Earthquake

Due to the Great East Japan Earthquake, which occurred in March 2011, the Company's Kashima Plant and Ashikaga Plant temporarily suspended operations. At the East Japan Distribution Center, a distribution facility, certain buildings and equipment were damaged, and as a result incoming and outgoing shipments were halted. However, we responded with a temporary priority backup system using the West Japan Distribution Center. The entire Group then worked to restore shipments. On April 11, a month after the earthquake, both of these plants and the East Japan Distribution Center were back in operation, and we had restored our usual shipping system.

OVERVIEW OF MEDIUM-TERM MANAGEMENT PLAN 08–10

Key Management Issues

Enhancing the Company's Domestic Sales Presence	Increased sales of six priority products—Remicade, Radicut, Anplag, Urso, Talion, and Tanatril. ■ Fiscal 2007 sales: ¥111.4 billion → Fiscal 2010 sales: ¥143.8 billion (target: ¥146.0 billion) ■ Implemented lifecycle management for Remicade, and achieved sales of ¥60.4 billion (target: ¥50.0 billion)
	In-licensed products (Kremezin, Lexapro)
Steady Progress in Key Development Projects	Made steady progress in moving products in development in Japan (MP-424, MP-513, TA-7284) to subsequent development stages.
	Made generally favorable progress with products in development in the U.S. and Europe (MCI-196, MP-146).
	FTY720, which was out-licensed to Novartis, was approved in the U.S. and Europe.
Progress in Developing Overseas Pharmaceutical Operations	Established U.S. sales company (Mitsubishi Tanabe Pharma America) and China sales company (Guangdong Tanabe Pharmaceutical)
	Achieved steady growth with Argatroban operations in Europe and existing operations in Asia.
Progress in Generic Operations	Established Tanabe Seiyaku Hanbai through merger with sales subsidiary of Choseido Pharmaceutical, expanded lineup (135 ingredients) and sales channels.
	Achieved fiscal 2010 objectives of ¥14.0 billion in sales and profitability.
Creating an Efficient Organization and Cost Structure	Achieved cumulative cost synergies of ¥23.5 billion (target: ¥24.0 billion)
	Completed integration of functional subsidiaries, made favorable progress in base integration

We were able to maintain a stable supply of products through the rapid implementation of restoration initiatives, and reaffirmed our sense of the importance of our mission as a pharmaceutical company—delivering drugs to patients. As a company engaged in the life sciences, we will continue to do our utmost to provide a stable supply of pharmaceuticals to avoid causing problems for patients and medical professionals. We offer our prayers for the earliest possible success in the reconstruction of the disaster-stricken areas.

Response to Quality Control Problem

In January 2011, we confirmed that the Ashikaga Plant of Mitsubishi Tanabe Pharma Factory, a consolidated subsidiary of the Company, had not performed certain quality tests. As a result of this problem, in July 2011 the Ashikaga Plant received a 10-day business suspension order for pharmaceutical manufacturing operations from Tochigi Prefecture, and the Company received a business improvement order from the Minister of Health, Labour and Welfare. We have reflected deeply on this problem, which has substantially damaged society's trust in Mitsubishi Tanabe Pharma as a pharmaceutical company. We offer our sincere apologies for causing any trouble or concern to patients, medical professionals, and the rest of society. The Company is taking this problem very seriously and will work earnestly to implement fundamental reforms in order to prevent a recurrence.

We must return to our starting point: everything we do, we do for patients. In fiscal 2011, we plan to launch six new drugs that will respond to unmet medical needs. It is important that we ensure that these drugs penetrate the market and that we provide a steady supply to patients. With the highest priority on "contributing to patients," we will work to restore trust through our core business activities—providing patients with a stable supply of drugs that meet medical needs.

→ P.26 For further information about the quality control problem, please see the CSR section. In addition, information about this problem is provided in the CSR Report 2011 and on the Company website.

New Medium-Term Management Plan

Four years have passed since Mitsubishi Tanabe Pharma was established. As mentioned above, over that period we have generated steady results under the Medium-Term Management Plan 08–10. We have made qualitative and quantitative enhancements in our R&D pipeline, and are planning to launch a number of new products that have the potential to be future growth drivers for the Company. We are also seeing steady results in the area of merger synergies, and have developed a strong sense of unity as a single company.

Being a global research-driven pharmaceutical company entails operational development centered on new drugs. We have completed the preparations for the realization of our vision. Moving forward, Mitsubishi Tanabe Pharma will start to realize its true potential. Our new medium-term management plan will demonstrate the true value of Mitsubishi Tanabe Pharma and will play an important role in determining the future direction of the Company. We must continue to be a company that creates new value and provides it to society and patients. In accordance with this conviction, we are currently formulating the new medium-term management plan. We postponed the announcement of the plan due to the quality control problem and the Great East Japan Earthquake. However, we intend to announce the plan in October 2011, including measures to restore the trust of society.

Our new medium-term management plan will demonstrate the true value of Mitsubishi Tanabe Pharma.

With the upcoming launch of multiple new products for which we have high expectations, the steady provision of these pharmaceuticals to patients is a key issue under the new plan.

We will cooperate with other companies as we expand overseas operations and strive to be a global research-driven pharmaceutical company.

Outlook for the New Medium-Term Management Plan

The new medium-term management plan covers the five-year period from fiscal 2011. In the first two years of the plan, we will focus on restoring the trust of society as we strive to carefully but steadily advance the market penetration of new products. In the subsequent three years, we will endeavor to build these new products into growth drivers and to further improve our financial results, working toward net sales of ¥500.0 billion and operating income of ¥100.0 billion.

First, with the upcoming launch of multiple new products for which we have high expectations, the steady delivery of these pharmaceuticals to patients is a key issue under the new plan. Certain new drugs have high levels of efficacy but also require special care in prescribing. We will work to promote appropriate usage through the provision of safety information. At the same time, with the cooperation of medical professionals, we will aggressively implement post-marketing surveillance activities. We believe that ongoing, steady efforts will lead to positive evaluations from patients and medical professionals, and as a consequence the drugs will be used by more patients. On a base of "society's trust," we will endeavor to enter the top tier of the domestic market for ethical drugs.

In addition, we will strive to enhance our R&D pipeline. We believe that we need to qualitatively and quantitatively strengthen projects that are slated to be launched in fiscal 2016 or thereafter. Earnings from new drugs will be allocated to R&D investment on a priority basis. In this way, we will strive to be a global research-driven pharmaceutical company that can continually create and provide new drugs that are used around the world. I believe that the use of strategic alliances is one effective means of making progress toward that goal.

In the development of new drugs, our basic policy is to conduct development in-house to the establishment of POC (Proof of Concept: confirmation that the mechanism is effective and safe in humans). However, after the acquisition of POC, we carefully consider the features of each drug, and examine a range of options to maximize the drug's value. In addition to in-house development and sales, we will aggressively implement joint development or out-licensing if we conclude that these methods would be effective in maximizing a drug's value. Moreover, we will consider in-licensing of promising compounds, and will aggressively implement joint development and joint research with other pharmaceutical companies, research institutions, and universities in Japan as well as overseas.

In expanding overseas operations, we will also utilize strategic alliances. The ranks of global research-driven pharmaceutical companies are not limited to companies with their own manufacturing and sales bases around the world. What is important is to provide products to patients around the world as rapidly as possible. It is essential to consider the optimal method for each product and select the method that is a match for the operational scale of the companies involved. Overseas, we have out-licensed Gilenya, a new product, and TA-7284, which is currently under development, in order to make them available as soon as possible in markets around the world. In the future, we will receive royalty income from these products, and expect them to make a substantial contribution to our profits. On the other hand, for MCI-196 and MP-146, which are drugs in the renal disease field, we will conduct development in-house in Europe and the U.S. We have established an in-house sales system in preparation for the launch of these products. In this way, we will consider the appropriate method to maximize the value of each product, centered on new products, and will cooperate with other companies as we expand overseas operations and strive to be a global research-driven pharmaceutical company.

Reforming the Corporate Culture

Since I became president, we have worked to be an *inspiring company* and to make dramatic progress toward being a global research-driven pharmaceutical company through the discovery of *inspiring new drugs*. 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 discover and provide drugs that help people around the world.

We are achieving strong results in the discovery of *inspiring new drugs*. Next, we will work to become an *inspiring company*. To that end, we need to make further progress in reforming the corporate culture. We are working to create a new corporate culture that will foster the development of employees who can break away from past methods and concepts and who have broad perspectives, acute sensitivity, and a strong action orientation. I would like to create a company where all employees are persistent and tenacious as they work to realize their dreams in an open atmosphere. To that end, it is important to give employees opportunities to be creative without being bound by previous frameworks. These opportunities include participating in planning projects that extend across organizational boundaries and in cooperative ventures with other companies. When we launch our new products, we expect to see an increase in those types of opportunities, leading to the activation of our workforce.

I would like us to reform our corporate culture and implement a change in our direction, toward more aggressive management. We will boldly take on the challenge of implementing reorganizational and restructuring initiatives. In this way, we will strive to reform the Company to make it stronger and ensure that it can continue to grow in the years ahead. In this way, we will achieve development and growth under the new medium-term management plan.

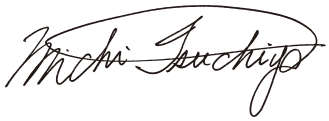
Basic Policy for the Return of Profits

Since the merger, the Company's shares had been designated by the Tokyo Stock Exchange and Osaka Securities Exchange as "shares subject to a grace period for loss of substantial continuance due to merger, etc." In December 2010, however, the designation as "shares subject to a grace period" was removed. As a result, we can report that the Company's stock will continue to be listed on both exchanges.

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 2010, the Company set annual dividends at ¥28.0 per share, the same as in the previous year. The dividend payout ratio, calculated on the basis of net income less amortization of goodwill, was 32.9%. We will maintain our target for a dividend payout ratio of 35% (prior to amortization of goodwill), and over the long term we will work to provide an even higher return to shareholders. The Company believes that a reduction in the number of shares constituting one trading unit is one effective means of promoting the participation of investors in the stock market and of increasing stock liquidity. In December 2012, we changed the number of shares constituting one trading unit of our stock from 1,000 shares to 100. In the future, we will continue to respond to the needs of the capital market as appropriate, with consideration for market demand, stock price levels, and stock administration costs.

With contributing to patients as its highest priority, Mitsubishi Tanabe Pharma will continue moving ahead step by step so that it can meet the expectations of its shareholders and investors. I would like to ask for your continued support and understanding.

August 2011



Michihiro Tsuchiya, Ph.D.
President & Representative Director, Chief Executive Officer

We are achieving strong results in the discovery of *inspiring new drugs*. Next, we will work to become an *inspiring company.*

Research and Development

Aiming to be a pharmaceutical company that can continually create and provide new pharmaceuticals in global markets, we are taking steps to reinforce our R&D system.

Aiming to be a Global Research-Driven Pharmaceutical Company

Our vision is to be a global research-driven pharmaceutical company. To Mitsubishi Tanabe Pharma, a global research-driven pharmaceutical company is one that continually creates and provides new drugs that are used around the world. We will conduct efficient R&D activities by securing a certain level of R&D expenditures for new drug development and by focusing our allocation of management resources on key R&D projects. Our basic policy is to conduct development in-house to the establishment of POC (Proof of Concept: confirmation that the mechanism is effective and safe in humans). We have taken a number of steps to bolster our R&D system, such as restructuring our organization to facilitate the rapid acquisition of POC. Moreover, we are aggressively utilizing strategic alliances as an effective means of quickly launching new drugs in global markets.

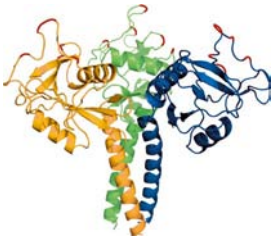
R&D Activities Focused on Priority Diseases

We have positioned metabolism and circulation as priority areas for R&D. In these areas, we have identified diabetes as a priority disease. Our diabetes-related R&D activities are not limited to the development of new drugs to lower blood sugar. They also include metabolic risks, such as obesity and dyslipidemia, as well as complications, such as kidney problems. In the selection of priority diseases, we make a comprehensive assessment of such factors as the degree of a drug's contribution to the treatment of a disease, the future market potential, and the strengths of our R&D pipeline. Moving forward, the diabetes market is expected to continue to grow. The Company is advancing development of TA-7284 (type 2 diabetes) and MP-513 (type 2 diabetes). By focusing our R&D resources on these types of promising projects, we are working to rapidly launch products. Moreover, we will not limit our initiatives to the current priority areas and priority diseases. We will also aggressively take steps to identify new research areas in order to build an R&D pipeline that will generate the Company's future growth drivers.

Full-Scale Research Initiatives Targeting Biologics

Currently, biologics[1] account for about 40% of the global sales of major pharmaceuticals, which total more than $4 billion a year. In this setting, the Company consolidated its therapeutic antibody research bases in the Kashima Office. In April 2010, we established the Biologics Research Department in the Research Division's Advanced Medical Research Laboratories. In vaccines, we are working in joint development with BIKEN, as well as in cooperation with other research institutions and venture companies to introduce infectious disease vaccines and to secure improved technologies.

Moreover, at Tanabe Research Laboratories U.S.A. (TRL), our research base in the U.S., in fiscal 2009 we shifted the research focus away from low-molecular weight compounds and started a new research program that is related to biologics. TRL is in San Diego, which is one of the leading locations in the U.S. for research institutions, universities, and biotechnology companies and is an active center for information exchange and joint development activities. In November 2010, we signed an agreement with Anaphore, of the U.S., for joint research. Following the conclusion of this agreement, TRL and Anaphore commenced joint research based on Anaphore's Atrimer[2] technology. This research targets the discovery of drugs for the treatment of autoimmune diseases, such as RA, ulcerative colitis, and psoriasis.



Structure of Atrimer

Restructuring Initiatives Targeting a Stronger R&D System

Consolidating Discovery Research

Immediately after the merger, we had five domestic discovery research sites, but we are making steady progress toward the division of responsibilities, and in the future plan to streamline our system down to two or three sites. In December 2008, we closed the Hirakata Office and integrated its operations into the Kashima Office. Also, in February 2011 we completed Pharma Research Building 2 at the Yokohama Office and transferred discovery chemistry functions from the Kashima Office to the Yokohama Office and the Toda Office. The discovery research bases related to new drug discovery have been consolidated, and as a result we expect to realize increased efficiency in discovery. In April 2010, we established the Discovery Screening Center in the Research Division to increase the speed and success rate of our discovery research activities. In vitro testing[3], which previously had been implemented independently by individual research centers, has now been consolidated into a single center. In addition, to ensure the reliability of testing results, we established the Research Quality Assurance Department in April 2010. In June 2011, we established the Project Management Department,

which will work to facilitate rapid progress in projects by bolstering ties with the Development Division.

Working to Achieve POC More Rapidly

In the process from discovery research to clinical development and product launch, the key point in maximizing the value of a new drug is how rapidly POC can be obtained. In April 2010, aiming to facilitate the rapid acquisition of POC, we established the Clinical Incubation Department in the Development Division. This new department has overall responsibility for early-stage clinical projects. Researchers who had been working in toxicity and biomarkers in the Research Division have been assigned to the new department, and we have strengthened links with the CMC Division, the Safety Research Laboratories, and the DMPK Research Laboratories. In April 2011, we changed the name of the Clinical Incubation Department to the Early Stage Clinical Research Center. To increase operational efficiency, we established the Clinical Pharmacology Department and the Early Stage Clinical Research Department within the Early Stage Clinical Research Center. By building this type of seamless R&D system, we can move smoothly from the late research stages to the early clinical stages and rapidly obtain POC.

Establishing a Global Development System

International drug development and review standards are being standardized, and in this setting the Company has taken steps to build a global project management system with bases in the U.S., Europe, and Asia. Specifically, the Development Division will serve as the headquarters for global development, with overall responsibility for these operations, while development activities will be advanced in each region in Japan and overseas by regional development centers. In the U.S. and Europe, the regional development centers will be Mitsubishi Tanabe Pharma America, and Mitsubishi Pharma Europe, respectively. In Japan and other parts of Asia, the regional development centers are Mitsubishi Pharma Research & Development (Beijing) and the development divisions for Japan and Asia, which are based in the Company's Development Division. These centers will manage and make decisions about R&D resources in each region. Furthermore, in April 2011, to bolster our ability to advance development in Asia, we established the Asia Development Department in the Clinical Operations Center: Japan and Asia. In these ways, we are working to further accelerate overseas development.

Aggressively Leveraging Strategic Alliances

To bolster our R&D pipeline, we will aggressively advance the in-licensing and out-licensing of new drug candidate compounds. In April 2011, to strengthen the evaluation of candidates for in-licensing from the viewpoint of medical science, we established the Medical Science Department in the Development Division. In addition, the Company is also working in joint research and joint development with pharmaceutical companies and research institutions in Japan and overseas. In March 2011, we entered into an R&D agreement with Kyoto University regarding the "Basic and Clinical Research Project for Discovering Innovative Treatment for Chronic Kidney Disease (CKD)." Targeting the creation of innovative new drugs, we are moving ahead with the search for new candidates for the treatment of CKD.

Advances in Eliminating the Drug Lag in Japan

There are many drugs that have already been approved overseas but have not yet been approved in Japan. In addition, many existing drugs are used off label. In Japan the average drug lag—the time between the initial launch of a drug overseas and its approval for the same indication in Japan—is 4.7 years. Among major countries, this is an especially long period. In response, the Ministry of Health, Labour and Welfare is taking steps to rapidly reducing this drug lag, such as advancing international joint clinical trials and speeding up the examination process. As one facet of these initiatives, the Ministry is asking pharmaceutical companies to conduct development of unapproved drugs and drugs used off label when there is a high degree of medical necessity. In accordance with a pre-assessment report related to an application for approval of additional indication for a publicly known prescription that was received from the Ministry of Health, Labour and Welfare in October 2010, additional indications were approved in May 2011 for Maintate, Azanin, and Anti-D Human Immunoglobulin. Going forward, we will continue working to cooperate in initiatives targeting the reduction of drug lag.

1. A general term for biological products that use substances of biological origin or biological functionality, including vaccines, plasma fractionation products and other protein drugs, therapeutic antibodies, nucleic acid drugs, and cells for use in regenerative medicine.
2. Functional protein created with next-generation biologics technology developed by Anaphore.
3. Testing conducted using cells, etc., in test tubes, etc., for the purpose of evaluating in vitro function, pharmacokinetics, or safety of a drug.

Making Steady Progress
in the Development of New Drugs

Strong Results in the Generation of New Growth Drivers

In the Medium-Term Management Plan 08–10, "steady progress in key development projects" is positioned as a key management issue. We are seeing strong results with initiatives targeting that issue. In fiscal 2011, we expect to start sales of FTY720 and MP-424. In addition, diabetes treatment agents TA-7284 and MP-513 are making favorable progress through clinical trials. With the lifecycle management strategy, we are also making good progress in expanding indications for Remicade. To contribute to the treatment of patients as soon as possible, we are aiming to quickly acquire approvals.

FTY720 / Fingolimod

Sphingosine-1-phosphate receptor modulator (Multiple sclerosis (MS))

The number of MS patients worldwide is estimated to be about 2.5 million. MS is a chronic autoimmune disease that results in lesions on nerve cells, such as on the brain, spinal cord, and optical nerves. Its cause is unknown. A frequent characteristic of the disease is a cycle of relapse and recurrence in a range of neurological symptoms. Treatment has involved the use of injections, which have not provided satisfactory results. FTY720 is orally administered, and has shown a high level of efficacy in clinical trials. For example, in comparison with interferon, an existing treatment agent, the annual relapse rate is substantially lower. Its safety and tolerability have been demonstrated in clinical trials of more than 2,600 patients, and it is expected to record strong results as a first-in-class drug that responds to unmet medical needs for MS.

The Company has licensed FTY720 to Novartis, which has been developing it in the U.S. and Europe. Approval was received in Russia in August 2010 and in the U.S. in September 2010. It was launched in October 2010 under the name Gilenya. As of July 2011, it had been approved in more than 40 countries. Gilenya is the world's only orally administered MS treatment agent. It has been used by more than 13,000 patients in the U.S. and Europe, and has been well received in the marketplace.

In Japan, the Company and Novartis Pharma have moved ahead with joint development of FTY720, and an NDA was filed in December 2010. The Japanese government has designated MS as a refractory disease, and there are an estimated 10,000 MS patients in Japan. Approval is expected in 2011, and moving forward we will work to ensure that FTY720, as Japan's first orally administered treatment for MS, contributes to the treatment of patients suffering from this refractory disease.

MP-424 / Telaprevir

NS3-4A protease inhibitor (Chronic hepatitis C)

The number of people infected with hepatitis C virus (HCV) in Japan is estimated to be about 1.5 million to 2 million. Chronic hepatitis C is caused by infection with HCV. MP-424 inhibits HCV reproduction by bonding with an enzyme that is needed for reproduction. It is the world's most advanced new chronic hepatitis C treatment that can be administered orally, and has been positioned as a first-in-class drug. Currently, the standard treatment for chronic hepatitis C is combination therapy administration of two drugs—pegylated interferon and ribavarin. This treatment requires continued administration of injections for 48 weeks, placing a heavy burden on patients. Combination therapy that adds MP-424 to the standard treatment has been shown in domestic clinical trials to substantially improve treatment effectiveness and to shorten the

required treatment period. In addition, this treatment has been shown to be effective for patients that have had a recurrence after the standard treatment and for patients for whom the standard treatment has not been effective. Given the results of these trials, a Ministry of Health, Labour and Welfare research team has announced new treatment guidelines (March 2011 revision) for use after the drug is approved. For genotype 1* patients with high viral loads, the recommendation is for 24 weeks of treatment with 3 drugs, including MP-424.

The Company licensed MP-424 from Vertex Pharmaceuticals, and filed an NDA in January 2011 after a short development period of 4.5 years. It has been designated as a priority review drug, and we expect it to be approved in 2011. Also, in China, where there are an estimated 40 million to 45 million people infected with HCV, we are preparing to start clinical development after it is approved in Japan. We are also considering clinical development in other Asian markets.

TA-7284 / Canagliflozin

SGLT2 inhibitor (Type 2 diabetes mellitus)

TA-7284 inhibits reabsorption of glucose in the renal tubules and promotes its excretion in the urine. It reduces blood sugar through an entirely different mechanism from other diabetes treatment agents, and is also expected to have a weight reduction effect. Development in the U.S. and Europe is being conducted by Johnson & Johnson, which has licensed TA-7284 from the Company. Development is on track for the filing of an NDA in the first half of 2012.

MP-513 / Teneligliptin

DPP4 inhibitor (Type 2 diabetes mellitus)

Dipeptidyl peptidase 4 (DPP4) is an enzyme that breaks down GLP-1, which increases the secretion of insulin. MP-513 promotes the secretion of insulin by inhibiting DPP4. It does not have problems associated with conventional diabetes treatments, such as hypoglycemia and weight gain. Due to MP-513's strong DPP4 inhibition and sustained action, we expect it to have the effect of improving blood glucose with once-a-day, low-dose oral administration. MP-513's renal excretion rate is low, so it is possible that it will not be necessary to adjust the dosage for patients with impaired renal function. In Japan, phase 3 trials were started in October 2009, and we are currently preparing to file an NDA.

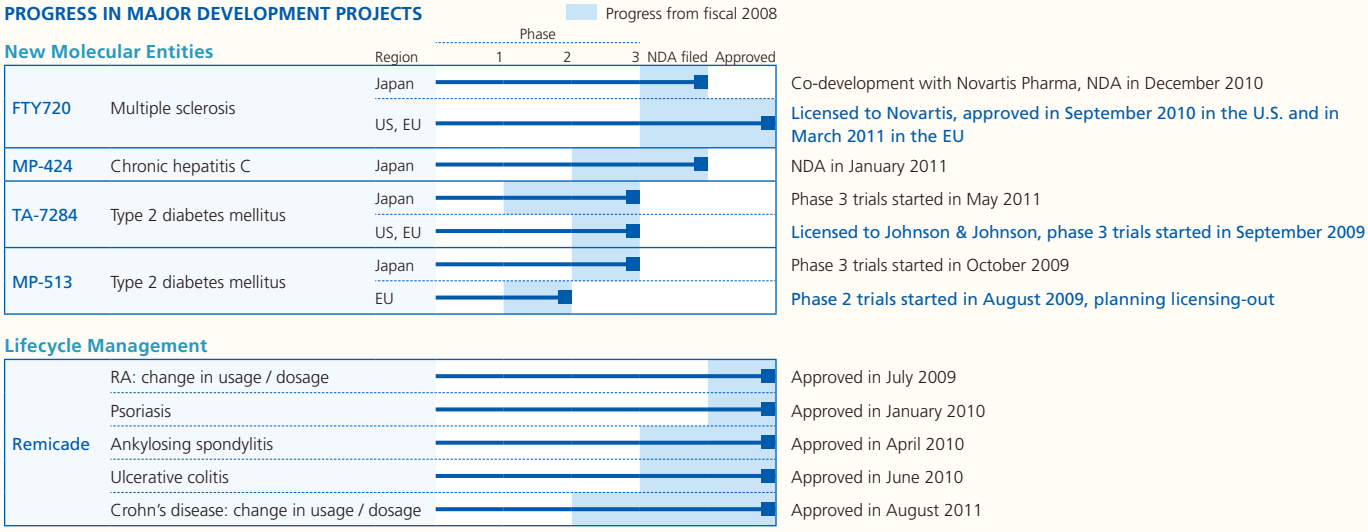
Remicade / Infliximab

Anti-TNFα monoclonal antibody

Remicade has indications for the treatment of RA, Crohn's disease, Behcet's disease with refractory uveoretinitis, psoriasis, ankylosing spondylitis, and ulcerative colitis. In addition, the Company has received approval for a partial change of usage/dosage for RA and for a partial change of indications to include the prevention of structural joint damage. In August 2011, a change in usage/dosage for Remicade for Crohn's disease was approved.

* HCV is classified into genotypes 1, 2, and 3 in accordance with similarity in the base sequence. In Japan and other parts of Asia, genotype 1 is the most common.

PROGRESS IN MAJOR DEVELOPMENT PROJECTS



State of New Product Development

As of July 29, 2011

Pipeline in Japan

Development code / Product name (Generic name)	Category	Indications	Stage (Phase 1 / 2 / 3 / NDA filed)	Origin (Remarks)
New Molecular Entities				
FTY720 (Fingolimod)	Sphingosine-1-phosphate receptor modulator	Multiple sclerosis[1]	NDA filed 10.12	In-house (Co-development Novartis Pharma)
MP-424 (Telaprevir)	NS3-4A protease inhibitor	Chronic hepatitis C	NDA filed 11.01	US: Vertex Pharmaceuticals
MP-513 (Teneligliptin)	DPP4 inhibitor	Type 2 diabetes mellitus	3	In-house
BK-4SP	Vaccine	Prophylaxis of pertussis, diphtheria, tetanus, and poliomyelitis	3	Japan: BIKEN (The Research Foundation for Microbial Diseases of Osaka University) (Co-development The Research Foundation for Microbial Diseases of Osaka University)
TA-7284 (Canagliflozin)	SGLT2 inhibitor	Type 2 diabetes mellitus	3	In-house
MP-214 (Cariprazine)	D3/D2 receptor antagonist	Schizophrenia	2	Hungary: Gedeon-Richter
MP-435	C5a receptor antagonist	Rheumatoid arthritis	2	In-house
MT-4666	α7nAChR agonist	Alzheimer's disease	1	US: EnVivo Pharmaceuticals

Development code / Product name (Generic name)	Category	Indications	Stage (Phase 1 / 2 / 3 / NDA filed)	Origin (Remarks)
Additional Indications				
Venoglobulin IH (Polyethylene glycol-treated human normal immunoglobulin)	Human immunoglobulin G	IgG2 deficiency	NDA filed 97.12	In-house
		Myasthenia gravis[1]	NDA filed 10.12	
		Systemic scleroderma	3	
Modiodal (Modafinil)	Psychoneurotic agent	Obstructive sleep apnea syndrome	NDA filed 10.05	US: Cephalon (Co-development Alfresa Pharma)
Remicade (Infliximab [recombinant])	Anti-TNFα monoclonal antibody	Crohn's disease[1]: dose escalation	NDA filed 10.12[2]	US: Jannsen Biotech (formerly Centocor Ortho Biotech)
Radicut (Edaravone)	Free radical scavenger	Amyotrophic lateral sclerosis[1]	3	In-house
Cholebine (Colestimide (JAN))	Bile acid signal regulation	Type 2 diabetes mellitus	2	In-house
	Non-absorbed phosphate binder	Hyperphosphatemia	1	

1. Orphan drug designated
2. Approved in August 2011

Pipeline Overseas

Development code / Product name (Generic name)	Category	Indications	Region	Stage (Phase 1 / 2 / 3 / NDA filed)	Origin (Remarks)
New Molecular Entities					
Livalo (Pitavastatin)	HMG-CoA reductase inhibitor	Primary hyperlipidemia and mixed dyslipidemia	Indonesia	NDA filed 10.06	Japan: Kowa (NDA filed by Tanabe Indonesia)
MCI-196 (Colestilan (INN))	Non-absorbed phosphate binder	Hyperphosphatemia	US, EU	3	In-house
MP-146	Uremic toxin adsorbent	Chronic kidney disease	US, EU	3	Japan: Kureha
MT-2832 (Lunacalcipol)	Vitamin D analog	Secondary hyperparathyroidism	US, Canada	2	Canada: Cytochroma
MCI-186 (Edaravone)	Free radical scavenger	Acute ischemic stroke	EU	2	In-house
MP-513 (Teneligliptin)	DPP4 inhibitor	Type 2 diabetes mellitus	EU	2	In-house
			US	1	
GB-1057 (Human serum albumin [recombinant])	Recombinant human serum albumin	Stabilizing agent	US	1	In-house
TA-8995	CETP inhibitor	Dyslipidemia	EU	1	In-house
MP-124	PARP inhibitor	Acute ischemic stroke	US, Canada	1	In-house
MP-136	PPARα agonist	Dyslipidemia	EU	1	In-house
MT-3995	Selective mineral corticoid receptor antagonist	Hypertension	EU	1	In-house
MP-157	Angiotensin type 2 receptor agonist	Hypertention	EU	1	In-house
MT-1303	Sphingosine-1-phosphate receptor modulator	Multiple sclerosis	EU	1	In-house

Licensing-out

Development code / Product name (Generic name)	Category	Indications	Region	Stage (Phase 1 / 2 / 3 / NDA filed)	Origin (Remarks)
TA-1790 (Avanafil)	PDE5 inhibitor	Erectile dysfunction	Korea	NDA filed 11.01	Korea: JW Pharmaceutical (formerly Choongwae Pharma)
			US	NDA filed 11.06	US: Vivus
TA-7284 (Canagliflozin)	SGLT2 inhibitor	Type 2 diabetes mellitus	US, EU	3	US: Johnson & Johnson
		Obesity	US, EU	2	
T-0047 (Firategrast)	Cell adhesion inhibitor [α4β7 /α4β1 inhibitor]	Multiple sclerosis	EU	2	UK: GlaxoSmithKline
MKC-242	5-HT1A receptor agonist	Insomnia	US	2	US: MediciNova
MKC-231	Neurogenesis enhancer	Depression / Anxiety	US	2	US: BrainCells
Y-39983	ROCK (rho-kinase) inhibitor	Glaucoma	Japan	2	Japan: Senju Pharmaceutical
MT-210	5-HT2A / Sigma2 receptor antagonist	Schizophrenia	EU	2	France: Cyrenaic
MKC-733	5-HT3 receptor agonist	Gastroesophageal reflux disease	US	2	US: Edusa Pharmaceuticals
sTU-199 (Tenatoprazole)	Proton pump inhibitor	Gastroesophageal reflux disease	EU	1	France: Negma (Sidem)
TT-138	β3 receptor agonist	Pollakiuria, urinary incontinence	US	1	US: MediciNova
TA-7906	PDE4 inhibitor	Atopic dermatitis	Japan	1	Japan: Maruho

Marketing Activities

By taking steps to strengthen our domestic operational foundation, centered on new products, and by making steady progress in overseas operations, we will work to become a global research-driven pharmaceutical company.

Strengthening Our Domestic Business Foundation

Strong Progress in Ethical Pharmaceuticals Operations

To strengthen its domestic operational foundation and become a global research-driven pharmaceutical company, Mitsubishi Tanabe Pharma is taking steps to enhance its domestic marketing presence.

Under the Medium-Term Management Plan 08–10, we have identified six priority products including Remicade and Radicut and implemented efficient promotion activities. In regard to Remicade, we have increased the number of MRs specializing in Remicade and steadily implemented our lifecyle management strategy, which includes obtaining additional indications. Consequently, Remicade sales substantially exceeded the target level of ¥50.0 billion, reaching ¥60.4 billion in fiscal 2010. In cerebrovascular drugs, centered on Radicut, we have taken steps to enhance our specialized knowledge, such as increasing the number of specialized MRs. Leveraging our broad product portfolio in the cerebrovascular field, we have conducted information provision activities for our lineup of products, which extends from the hyper-acute phase of cerebral infarction to the chronic phase. In this way, we have worked to support appropriate usage.

In addition, the number of MRs in the Company's sales force (including specialized MRs) has placed it in the top ranks in Japan since the merger. To make full use of these marketing capabilities, we integrated the branches and sales offices of our predecessor companies, Tanabe Seiyaku and Mitsubishi Pharma, at the time of the merger in October 2007. In addition, in April 2008 we completely integrated the two promotion systems of the former companies. Furthermore, because we have taken such steps as bolstering tie-ups with Group companies and moving ahead with the reorganization of sales offices, our domestic ethical pharmaceuticals operations have made strong progress, centered on our priority products.

Focusing on Priority Products, with a Special Emphasis on New Products

We began sales of Kremezin (chronic renal failure) in April 2011 and Lexapro (depression) in August 2011. In fall 2011, we expect to begin sales of Simponi (RA). We have also filed NDAs for MP-424 (chronic hepatitis C) and FTY720 (MS), and expect to receive approval within 2011.

In fiscal 2011, in addition to these new products, we have positioned Remicade, Radicut, Talion, Maintate, Anplag, and Tanatril as priority products. By focusing the allocation of management resources on these products, we will increase the productivity of our sales activities. To foster the market penetration of new products, we will strive to implement high-quality information provision activities and to steadily implement post-marketing surveillance activities. In these ways, we will endeavor to support appropriate usage. Moreover, we will use training and other means to improve MR quality. In addition, we will introduce a new in-house certification system for evaluation of specialized knowledge and practical skills. In this way, we will strive to enhance the capabilities of our MRs.

We have also established a system for the evaluation of product lifecycle management. With this system, we will endeavor to maintain and improve the product quality of existing products.

P.22 For information regarding initiatives to promote appropriate usage of ethical drugs, please see page 22, "Close Up: Making Steady Progress in the Provision of Medical Information."

OVERVIEW OF NEW PRODUCTS

In fiscal 2011, we expect to launch a number of new drugs. This section introduces the distinctive features of two drugs that have already been launched. The Company will do its utmost to conduct appropriate information provision activities for these products, to ensure quality, and to provide a stable supply.

Kremezin (Chronic renal failure)

Kremezin, which was discovered by Kureha, is an oral adsorbent made of high-purity multiporous spherical activated carbon. It adsorbs uremic toxins that are secreted in the digestive tract or produced in the intestinal tract and excretes them with feces. It was launched in Japan in 1991 as the world's first ethical drug for chronic renal failure in the maintenance period. In Japan, there are an estimated 13.3 million patients with chronic renal failure. Kremezin has been highly evaluated on the medical front-lines for its ability to relieve uremic symptoms and delay the commencement of dialysis, and it has built a solid market position in the field of chronic renal failure.

Lexapro (Depression)

Lexapro is a selective serotonin reuptake inhibitor (SSRI) originated by H. Lundbeck, of Denmark. It was launched in Europe and the U.S. in 2002, and is currently sold in more than 90 countries around the world. It has been well received overseas, where it has a strong track record. In Japan, Mochida Pharmaceutical acquired approval, and the Company and Mochida Pharmaceutical are conducting joint sales activities. In addition, we are also participating in joint promotion activities with Yoshitomiyakuhin. In Japan, the number of patients with mood disorders, principally depression, is estimated at more than 1 million. With the number of patients increasing each year, this drug is expected to provide another pharmacotherapy option for these disorders.

Taking on the Challenge of Achieving Further Market Penetration for Remicade

Remicade has been positioned as our highest priority product, and moving forward we will continue working to maximize its product value. Among Remicade's many indications, RA has especially high market potential, and our biggest challenge is to increase its market penetration rate. The prescription rate of biological agents in RA treatment in Japan remains below 20%, but in the future it is expected to approach 40%, the current level in the U.S. A number of competing biological products have been launched, and competition is intensifying. However, we will take on the challenge of securing share in this growing market by broadly emphasizing the abundant treatment experience and evidence that has been accumulated in the Japanese population. In addition, in 2010 new indications were acquired for psoriasis, ankylosing spondylitis, and ulcerative colitis. We will also work to achieve rapid market penetration for these indications, with MRs specializing in Remicade working closely with institution-based MRs.

Bolstering Product Lineup through the Use of Alliances

To increase the number of products in our lineup, we are relying not only on products developed in-house but also on the active use of alliances. For Kremezin, we acquired domestic sales rights from Kureha in November 2009. Subsequently, we procured products from Kureha and supplied them to Daiichi Sankyo, which handled sales and promotion. However, in April 2011 the sales were transferred from Daiichi Sankyo to the Company, and we began to sell Kremezin ourselves. For Lexapro, in January 2010 we signed an agreement with Mochida Pharmaceutical for co-marketing in Japan, and sales began in August 2011. Furthermore, together with Jannsen Pharmaceuticals, we plan to conduct joint sales of Simponi from fall 2011. In addition, BIKEN has contracted with the Company for sales of BIKEN's vaccines. The Company is also aggressively conducting activities targeting the spread of vaccination and is taking on the challenge of developing new vaccines. In these ways, we have established a solid position in the vaccine market.

Strengthening Cooperation in Group Marketing

Mitsubishi Tanabe Pharma offers many distinctive drugs through cooperative initiatives with Group companies. We are meeting a wide range of medical needs through these initiatives, which include cooperation with Benesis, which conducts plasma fractionation operations; Yoshitomiyakuhin, which handles promotion of psychiatric medications; and Tanabe Seiyaku Hanbai, a generic drug sales company. The co-marketing agreement between the Company and Mochida Pharmaceutical for Lexapro is handled through a framework that includes joint promotion initiatives with Yoshitomiyakuhin. Also, Tanabe Seiyaku Hanbai is working to bolster its lineup of generic drugs and to market the long-listed drugs that were transferred from the Company.

Providing Support for Marketing Activities with a Website for Medical Professionals

As one facet of our marketing activities, we have established a specialized medical website—Medical Viewpoint—for the exclusive use of doctors, pharmacists, and other medical professionals. The information on this website extends over a wide range, including pharmaceutical information, the latest pharmacotherapy evidence, lectures and other academic information, treatment methods and surgical techniques used by doctors on the medical front-lines, popular publications, and methods of providing instructions on the use of drugs as related by eminent pharmacists. In addition to the activities of our MRs, we are also working to provide information in ways that are not centered on the MRs, such as through this site.

Accelerating Development of Overseas Operations

In the U.S., we are taking steps to establish a system for sales of our own products. We plan to enter the renal disease market in conjunction with the launch of MCI-196 (hyperphosphatemia) and MP-146 (chronic kidney disease). Targeting the rapid launch of these products, Mitsubishi Tanabe Pharma America, a pharmaceutical sales company, conducts pre-marketing activities targeting nephrologists and dialysis specialists and is assembling a local workforce.

In Europe, we are aiming to expand sales of Argatroban and Tanatril, which are already on the market, and are also moving ahead with preparations for 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 forward with preparations for sales systems in the U.K., France, Italy, and Spain, selecting the method that is best suited to each country.

In Asia, the Group already has an operational foundation in China, Korea, Taiwan, and Indonesia. We are working to increase the number of local MRs and expand the number of products sold through our in-house system. In May 2011, we started sales of Talion in China and Indonesia. In Taiwan, we expect to receive approval in 2011 for Livalo (hypercholesterolemia and mixed dyslipidemia), which is currently under development, and plan to start sales by the end of the year. We have also filed an NDA for Livalo in Indonesia, and plan to start sales in 2012.

Close Up

Making Steady Progress
in the Provision of Medical Information

Contributing to the health of each individual patient by working to foster appropriate usage of ethical drugs

Ethical drugs are effective but they also carry the risk of side effects. Accordingly, appropriate usage is of the utmost importance. Remicade, which has developed into one of the Company's core products, is a drug that requires special attention in prescription practices. Consequently, we have implemented promotion activities with a focus on appropriate usage, and have steadily increased Remicade's market penetration. In fiscal 2011, we plan to launch a number of new products. The experience that we have gained through the careful nurturing of Remicade will be put to use in the information provision activities for these new drugs. In this way, we will strive to contribute to the health of each individual patient.

Information Provision Activities Centered on MRs

For ethical drugs to be used effectively and safely and to provide their full benefits, it is important that they are used appropriately in line with the condition of the patient. To achieve certain treatment effects, it is essential that the appropriate methods of administration and intervals between administrations are rigorously followed.

Targeting the appropriate usage of ethical drugs, the Group has about 2,200 MRs in Japan (including specialized MRs, as of April 2011). These MRs provide information to doctors, pharmacists, and other medical professionals about the efficacy and safety of each of our ethical drugs.

In addition, with the cooperation of medical professionals, we are using post-marketing surveillance activities to collect information that was not available at the R&D stages. This includes information in such areas as treatment effectiveness and side effects. Based on this information, we identify methods of facilitating more-effective, safer usage of ethical drugs. By communicating those methods to medical institutions, we can contribute to increases in treatment effectiveness and reductions in side effects and other risks.

Utilizing MRs Specializing in Remicade

Mitsubishi Tanabe Pharma handles a wide range of ethical drugs, including a large number of distinctive ethical drugs, such as cerebrovascular drugs, psychiatric and neurological drugs, narcotics, and plasma derivatives.

Our core product Remicade is one of those drugs. Remicade is a biologic that is effective against a wide range of inflammatory autoimmune diseases. In 1993, Tanabe Seiyaku, one of our predecessor companies, in-licensed Remicade from Jannsen Biotech (formerly Centocor Ortho Biotech, of the U.S.). In 2002, we started sales of Remicade as a treatment agent for Crohn's disease.

At that time, biologics were an entirely new type of drug, and to avoid expected side effects it was necessary to request medical professionals to be very cautious in their use of these drugs. Accordingly, we established a system of MRs specializing in Remicade and commenced information provision activities on a foundation of highly specialized knowledge. Furthermore, when Remicade was approved for RA in 2003, we established the Remicade Department and increased the number of MRs specializing in Remicade.

The MRs specializing in Remicade have worked closely with institution-based MRs and have provided information about the appropriate use of Remicade to doctors specializing in inflammatory disorders. In addition,

they are working to propose the best Remicade treatment for each patient by conducting detailed monitoring that extends to the condition of each patient.

Implementing All-Patient Post-Marketing Surveillance

As a one condition of Remicade's approval, the Ministry of Health, Labour and Welfare required all-patient post-marketing surveillance*. As a result, when the additional indication of RA was approved for Remicade, its use was limited to 400 medical institutions around Japan.

The surveillance, which was handled primarily by the MRs specializing in Remicade, reached a scale of 5,000 patients. In July 2005, about two years after it was commenced, the surveillance of all patients was removed as a condition of Remicade's approval. The important information about efficacy and safety in Japanese patients that was acquired through the all-patient post-marketing surveillance has subsequently been used in the promotion of appropriate usage. In addition, the fact that we have been able to secure a high level of trust in Remicade and in our information provision activities is also a significant result of the post-marketing surveillance activities.

Even after the removal of the surveillance as a condition of Remicade's approval, our basic policy has been to give the highest priority to the safety of patients and to take a cautious approach to promoting Remicade's market penetration. The number of institutions where Remicade is used is steadily increasing because we have built up trust with their medical professionals. As a result, the cumulative number of patients who have been prescribed Remicade is currently about 50,000.

Contributing to the Treatment of a Broad Range of Diseases

Remicade is currently used to treat Crohn's disease, RA, Behcet's disease with refractory uveoretinitis, psoriasis, ankylosing spondylitis, and ulcerative colitis.

To accommodate this wide range of diseases, the Company has worked to achieve qualitative improvement among its MRs specializing in Remicade. As we did with RA, we have taken steps to facilitate Remicade's careful yet steady market penetration for other diseases, establishing relationships of trust with doctors specializing in each of these disease areas. Sales continue to expand steadily, and Remicade is playing a key role as a driver of the Company's growth.

Promoting Appropriate Usage of New Drugs

In fiscal 2011, we expect to launch ethical drugs that will require special caution in prescribing practices. As with Remicade, we will implement activities with a focus on appropriate usage. The experience that we have acquired by nurturing Remicade, and the relationships of trust that we have established with doctors specializing in a wide range of fields, will be the foundation for the implementation of activities promoting the expansion of these new drugs.

Specifically, we will implement training to ensure that each MR acquires product knowledge. In addition, to realize higher-quality information provision activities, in June 2011 we established the Special Product Marketing Department. In addition, MRs specializing in each of these diseases will be assigned to each branch, and we will conduct prescription proposals and other activities in accordance with highly specialized knowledge.

Through these activities, we will promote the appropriate usage of these new drugs and will steadily advance their market penetration. In this way, we will strive to contribute to the health of each individual patient.

* For a certain period after the commencement of marketing, all patients to whom the drug is administered are registered, and safety and efficacy are tracked. In addition, the accumulated results are periodically reported.

REMICADE—CONTRIBUTING TO THE TREATMENT OF A BROAD RANGE OF DISEASES

	Approved
RA	July 2003
Change in indications and usage / dosage	July 2009
Crohn's disease	January 2002
Additional indication (maintenance)	November 2007
Change in usage / dosage	August 2011
Psoriasis	January 2010
Ulcerative colitis	June 2010
Behcet's disease	January 2007
Ankylosing spondylitis	April 2010

Overview of Core Ethical Drugs and Sales Trends

Remicade

Infliximab

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

Launch: May 2002

Origin: Jannsen Biotech (formerly Centocor Ortho Biotech) (U.S.)

Development: Mitsubishi Tanabe Pharma

Net sales: ¥60.4 billion

Overview: Remicade is an anti-TNFα antibody that targets TNFα, an inflammatory cytokine and is administered through IV infusion. It is very fast-acting and its efficacy is sustained for two months with a single administration. It has indications for the treatment of RA, Crohn's disease, Behcet's disease with refractory uveoretinitis, psoriasis, ankylosing spondylitis, and ulcerative colitis. In addition, in 2009 and August 2011, changes in usage/dosage were approved for RA, and Crohn's disease, respectively.

Sales trend: Sales in fiscal 2010 were up 28.1%. In fiscal 2011, we will strive to increase sales for psoriasis and ulcerative colitis, which were approved in 2010, as well as for RA, which is expected to see continued market growth.

Radicut

Edaravone

Cerebral neuroprotectant

Launch: June 2001

Origin: Mitsubishi Tanabe Pharma

Net sales: ¥28.7 billion

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. In 2010, we launched an IV infusion bag formulation.

Sales trend: Sales in fiscal 2010 were up 2.6%. In fiscal 2011, generics will go on sale, and competition is expected to intensify. However, we will position Radicut to make a continued contribution to the treatment of cerebral infarction as a highly reliable drug with a substantial amount of evidence and appropriate usage information.

Talion

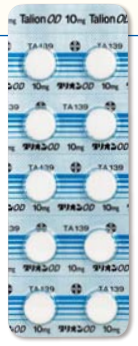
Bepotastine

Treatment of allergic disorders

Launch: October 2000

Origin: Ube Industries

Development: Co-development with Ube Industries



Net sales: ¥14.1 billion

domestic: ¥13.4 billion overseas: ¥0.7 billion

Overview: Talion has rapid onset of anti-histamine (H1) effects and is effective for allergic rhinitis, urticaria, and pruritus accompanying dermatitis. It has minimal incidence of sedation. In addition to conventional tablets, in 2007 we launched orally disintegrating tablets (OD tablets).

Sales trend: Domestic sales in fiscal 2010 were up 26.2%. In fiscal 2011, in addition to hay fever, we will bolster promotion activities in the area of dermatitis, and strive for stable growth.

Maintate

Bisoprolol

Treatment of hypertension, angina pectoris, arrhythmia, and chronic heart failure

Launch: November 1990

Origin: Merck Serono (Switzerland)

Development: Mitsubishi Tanabe Pharma

Net sales: ¥12.5 billion

domestic: ¥12.3 billion overseas: ¥0.1 billion

Overview: Maintate is a representative β blocker used in more than 85 countries around the world. It exhibits high selectivity for β1 receptor and excellent pharmacokinetics profiles. It has high efficacy and safety, and there is evidence for its cardioprotective action. In May 2011, an additional indication was approved for chronic heart failure resulting from ischemic heart disease or dilated cardiomyopathy.

Sales trend: Domestic sales in fiscal 2010 were up 11.6%. In June 2011, we launched Maintate Tablets 0.625mg, a tablet exclusively for use in treating chronic heart failure. In fiscal 2001, we are planning higher sales as a result of initiatives to strengthen its position as a cardioprotective β blocker.

Anplag

Sarpogrelate

Anti-platelet agent

Launch: October 1993

Origin: Mitsubishi Tanabe Pharma

Net sales: ¥17.0 billion

domestic: ¥16.4 billion overseas: ¥0.6 billion

Overview: Anplag is a 5-HT2 blocker. Through the inhibition of platelet aggregation, vascular contraction, and growth of vascular smooth muscle cells, which are intensified by serotonin, it improves ulcer, pain, coldness of limbs, and other ischemic symptoms associated with chronic arterial occlusion, including arteriosclerosis obliterans (ASO). It especially improves blood flow in the collateral circulatory system.

Sales trend: Domestic sales in fiscal 2010 were down 10.6% due to the influence of generics and NHI drug price revisions. In fiscal 2011, as in the previous year, an impact from generics is anticipated, but the number of patients with diabetes-related complications is expected to record its highest increase in the ASO market. We will work to increase new prescriptions by bolstering promotion targeting diabetes-related complications.

Tanatril

Imidapril

Treatment of hypertension

Launch: December 1993

Origin: Mitsubishi Tanabe Pharma

Net sales: ¥11.4 billion

domestic: ¥9.6 billion overseas: ¥1.8 billion

Overview: Tanatril is an angiotensin converting enzyme (ACE) inhibitor that shows excellent blood pressure control with effective organ protection. It is the only ACE inhibitor approved for diabetic nephropathy with type 1 diabetes. It also has minimal incidence of dry cough, a common side effect of ACE inhibitors.

Sales trend: The size of the market for ACE inhibitors is declining, and in fiscal 2010 domestic sales declined 13.2%. In fiscal 2011, generics and other competing drugs will continue to have an influence, but we will utilize evidence for its superiority in terms of its protective effect against coronary artery disease.

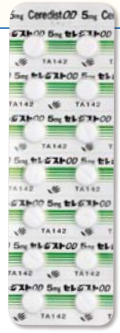
Ceredist

Taltirelin

Treatment of spinocerebellar degeneration

Launch: September 2000

Origin: Mitsubishi Tanabe Pharma



Net sales: ¥18.0 billion

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

Sales trend: Sales in fiscal 2010 were up 7.0%. Spinocerebellar degeneration 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 increases each year, and we will work to achieve a steady increase in prescriptions due to the spread of the easy-to-take orally disintegrating tablets.

Vaccines

Net sales: ¥30.9 billion domestic: ¥29.6 billion overseas: ¥1.3 billion

The Company sells vaccines produced by BIKEN. In April 2010, the government reinstated its recommendation of vaccination against Japanese encephalitis. In fiscal 2010, sales of JEBIK V, a freeze-dried, cell-culture derived Japanese encephalitis vaccine, were up substantially, and domestic sales of vaccines rose 28.8%, to ¥29.6 billion.* We will continue working to support educational activities for vaccination and to contribute to increases in the vaccination rate.

* Excluding sales of "Influenza (H1N1) 2009."

Mearubik

Freeze-dried live attenuated measles and rubella combined vaccine

Launch: December 2005

Origin, Manufacturing and Distribution: BIKEN

Overview: Vaccination against measles and rubella can be implemented at the same time. In fiscal 2011, new competitors will be put on the market, and we expect competition to intensify. Nonetheless, the scheduled vaccination rate still needs to be increased, and we will continue to implement educational activities in order to increase the vaccination rate.

JEBIK V

Freeze-dried Japanese encephalitis vaccine

Launch: June 2009

Origin, Manufacturing and Distribution: BIKEN

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. In April 2010, the government reinstated the recommendation of vaccination against Japanese encephalitis, and in August 2010 it became possible to use cell-culture derived vaccines in periodic vaccinations of children from 9 years to 13 years of age. Accordingly, we expect a further increase in the number of people vaccinated in fiscal 2011.

Corporate Social Responsibility

Mitsubishi Tanabe Pharma strives to be a pharmaceutical company that earns the trust of society by demonstrating deep respect for the many types of stakeholders who make up society.

For Patients

To ensure that we can develop and provide a stable supply of pharmaceuticals that can be used with peace of mind, we have taken steps to establish an integrated reliability assurance system for quality and safety. This system extends from R&D to raw material procurement, production, and the post-marketing stage. These efforts are not limited to Japan. In cooperation with Group affiliates and partners overseas, we are bolstering our global reliability assurance system to ensure that we can respond in a timely manner to regulations and standards in Japan and overseas.

To ensure pharmaceutical safety and efficacy, we collect safety information regarding side effects and infectious diseases. We collect this information from a variety of sources, including our MRs, the Medical Information Center and overseas Group companies. When needed, we consult with the regulatory authorities and implement any necessary measures, such as revising the prescribing information materials for our products. In addition, to prevent medical errors, such as the incorrect usage of pharmaceuticals, we change product names and indication method as appropriate.

We have established a supply chain management system that provides a stable supply of high-quality pharmaceuticals through raw material procurement and manufacturing control, quality control, and distribution control. The Company's basic purchasing policy calls for open, fair, and transparent transactions. In accordance with the MTPC Group Purchasing Compliance Code of Conduct and standards for choosing suppliers, we evaluate and select suppliers in a neutral manner. We also request that suppliers not only strive to increase quality and achieve stable supply but also conduct their activities with consideration for CSR. This includes complying with laws and regulations, taking the environment into consideration, respecting human rights, and eliminating dealings with antisocial companies.

In distribution, to ensure stable supply we distribute risk by having two distribution centers—one each in eastern and western Japan. Emergency-use products that have no substitutes are positioned as important pharmaceuticals, and special attention is paid to inventories of these products. Consequently, in our initial response to the Great East Japan Earthquake we were able to provide a stable supply of pharmaceuticals to patients, with no shortages or delays.

Furthermore, we implement training for directors and officers and for all employees, including those of Group companies. By learning from examples of health problems caused by pharmaceuticals, we are enhancing awareness of pharmaceutical safety issues.

For Employees

To achieve sustained growth, we believe that our human resources are our most important asset. To ensure that all employees can realize their full potential and individual talents, we are working to develop our human resources and to create open work environments. Our personnel system—the Comprehensive Management System for Human Resources—is designed to achieve that goal. We are striving to maximize the potential of our human resources and to strengthen our organizational capabilities. In April 2011 we established the Human Resources Development Department to provide integrated support over the medium to long term, from the hiring of new employees to employee development. We are providing training by level, training for selected employees, and support for career management and individual skills development.

To create environments that are easy to work in, we have introduced systems that accommodate diverse styles of working, including flex time, discretionary work, deemed working hour, and short-term work systems. We have created environments that support work styles that are aligned with employee lifestyles and that help employees to work to their full potential. With consideration for work-life balance, we are committed to helping employees meet both work and family responsibilities. In accordance with this commitment, we formulated a general business owner action plan pursuant to the Law for Measures to Support the

TOPICS

Inclusion in the FTSE4Good Global Index

Mitsubishi Tanabe Pharma has been included in the FTSE4Good Global Index, a leading index for socially responsible investing, for eight consecutive years.

FTSE4Good

FTSE4Good Global Index

FTSE4Good is a social responsibility index (SRI) created by the FTSE Group. Based on FTSE Group original standards, companies that fulfill a certain level of CSR activities are selected for inclusion in the index. As of the end of March, the index included 720 companies, including 190 Japanese companies, out of a total of about 2,400 companies from 25 countries.

Initiatives to Realize *KAITEKI*

The philosophy of the Mitsubishi Chemical Holdings Group is "Good Chemistry for Tomorrow—Creating better relationships among people, society, and our planet." In accordance with that philosophy, Mitsubishi Chemical Holdings has been targeting the realization of *KAITEKI* (comfort) with standards for evaluating company activities in terms of how they generate value that contributes to sustainability, health, and comfort. As a member of the Mitsubishi Chemical Holdings Group, we are striving to realize *KAITEKI* by contributing to the medical treatment of patients suffering from illnesses and to improvement of their quality of life.

Development of the Next Generation, and since 2007 we have been certified as a "general business owner conforming to standards."

In occupational health and safety initiatives, in accordance with the belief that safety is the foundation of a company's existence, we are moving ahead with the establishment of an occupational health and safety management system, and continue to provide safety training for employees every year.

We also continue working to support mental health. We have taken steps to establish a comprehensive follow-up system, such as increasing the number of offices where employees can meet and consult with visiting contracted medical specialists and offering guidance regarding returning to work. In addition, we have taken steps to reduce long work hours.

For Local Communities

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

For example, to facilitate interaction among people interested in volunteering, we have been holding the MSC Volunteer Salon, which consists of lectures and mini-concert gatherings, every other month since 1968. We also make donations to the Japan Foundation of Applied Enzymology and the Mitsubushi Pharma Research Foundation. In this way, through the activities of these foundations we contribute to the promotion of research and the dissemination of knowledge as well as to the treatment and health of people in Japan.

Furthermore, to contribute to relief operations for those who suffered from the Great East Japan Earthquake and to the reconstruction of the disaster-stricken regions, the Group donated ¥110 million. We also donated pharmaceuticals. Furthermore, in Japan and overseas we work to foster ongoing exchange with local communities. These initiatives include support for patient organizations as well as participation in river beautification activities by Group company P.T. Tanabe Indonesia.

For the Environment

In accordance with our strong sense of mission as an enterprise in a life-related industry, we strive to contribute to the realization of a sustainable society. To that end, we independently and proactively work to protect the earth's environment and ensure the safety of its people in all aspects of our business activities.

The Group believes that energy conservation and the prevention of global warming are the most important challenges in the Group's environmental activities. Accordingly, we strive to limit the emissions of greenhouse gases and atmospheric emissions associated with our business activities and to reduce waste. In fiscal 2010, the amended Act on the Rational Use of Energy took full effect. To observe this act and further enhance our energy management system, we have appointed an Energy Management Control Officer and an Energy Management Planning Promoter and established the Energy Conservation Promotion Liaison.

In response to the need to conserve electricity following the Great East Japan Earthquake, we are working to maximize energy saving on a Groupwide basis while maintaining our highest priority on the stable supply of pharmaceuticals. In addition to installing power generation equipment at manufacturing facilities and shifting days off, we are implementing a Companywide energy-saving campaign.

Moreover, Pharma Research Building 2 at the Yokohama Office, which was completed in February 2011, uses a design that reflects consideration for the environment, such as measures to reduce emissions of air pollutants and conserve energy. This building received an A ranking from Yokohama City under the Comprehensive Assessment System for Building Environmental Efficiency (CASBEE* Yokohama).

* A system for the comprehensive assessment of building environmental efficiency from a variety of perspectives. The system has five rating levels: S (Excellent), A (Very good), B+ (Good), B- (Fair), and C (Poor).

➔ The Company issues a CSR Report, which provides information about specific CSR initiatives. The English version is available on the Company's website.

RESPONSE TO INCIDENT REGARDING FAILURE TO PERFORM CERTAIN QUALITY TESTS (QUALITY CONTROL PROBLEM)

In January 2011, the Company announced that it had confirmed that certain tests related to the shipping of Liple, Pazucross, and Limethason were not conducted at the Ashikaga Plant of Mitsubishi Tanabe Pharma Factory, a consolidated subsidiary of the Company. In response, we rapidly established the Risk Management Committee for the Quality Control Problems, which is composed of outside experts. The committee investigated the cause of the problem and provided advice on preventing a recurrence. In addition, as an emergency countermeasure we conducted comprehensive inspections of quality testing at all of the Group's manufacturing sites.

In April 2011, in consideration of the advice from the committee, we released the Comprehensive Report on the Quality Control Problem, which covers rectification measures and Companywide initiatives to prevent a recurrence and restore trust. As a result of this problem, the Ashikaga Plant received a 10-day business suspension order for pharmaceutical manufacturing operations from Tochigi Prefecture. Also, Mitsubishi Tanabe Pharma received a business improvement order from the Minister of Health, Labour and Welfare in accordance with the Pharmaceutical Affairs Law.

We will return to our starting point as a company engaged in the life sciences, work earnestly to prevent a recurrence of this problem, and do our utmost to restore the trust of society.

(The Comprehensive Report on the Quality Control Problem is available on the Company's website.)

Corporate Governance and Internal Control

Strengthening Corporate Governance and Internal Controls

The Mitsubishi Tanabe Pharma corporate philosophy is "to contribute to the healthier lives of people around the world through the creation of pharmaceuticals," and our vision is "to be a global research-driven pharmaceutical company that is trusted by communities." To continuously realize these corporate objectives, fundamental policies for the maintenance of internal control systems have been established by the Board of Directors. We are implementing a range of initiatives to strengthen our corporate governance and internal controls. Also, once a year reports are made to the Board of Directors on the current status of the fundamental policies, and revisions are made if necessary.

Corporate Governance System

Mitsubishi Tanabe Pharma has adopted the corporate auditor system. In addition to the General Meeting of Shareholders and the Directors, the Company has established the Board of Directors, Corporate Auditors, and the Board of Corporate Auditors and employs an independent auditor. In June 2011, the Company began to utilize outside directors, and two outside directors with high levels of independence were appointed. These directors have abundant experience as corporate managers and wide-ranging knowledge in science, technology, and corporate governance. Under this management system and auditing system, the Company has identified its most important issues as fulfilling its responsibilities to shareholders and all other stakeholders and working to maximize enterprise value. To that end, the Company works to ensure efficiency and speed in management decision-making and to ensure transparency and objectivity in management by enhancing the supervision and auditing conducted by the outside directors and by enhancing the auditing system, centered on the corporate auditors. In these ways, the Company is working to establish a corporate governance system that can earn the trust of society.

Management System

The Board of Directors has eight members, two of whom are outside directors. 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. Mitsubishi Tanabe Pharma has adopted the corporate officer system for the execution of Company business and clarified the distinction between the decision-making / auditing function and the executive function. The Operating Committee, which includes the President and CEO, Managing Executive Officers, and executive officers who are appointed by the President and CEO, meets two or more times per month as a general rule. The committee discusses issues of importance to the overall execution of Company business, and important matters are brought before the Board of Directors. In this way, the Company works to enhance the speed and effectiveness of decision-making.

In addition, by enhancing oversight and supervision through the two newly appointed outside directors and the auditing system under the corporate auditors, the Company is working to strengthen the management oversight function.

Auditing System

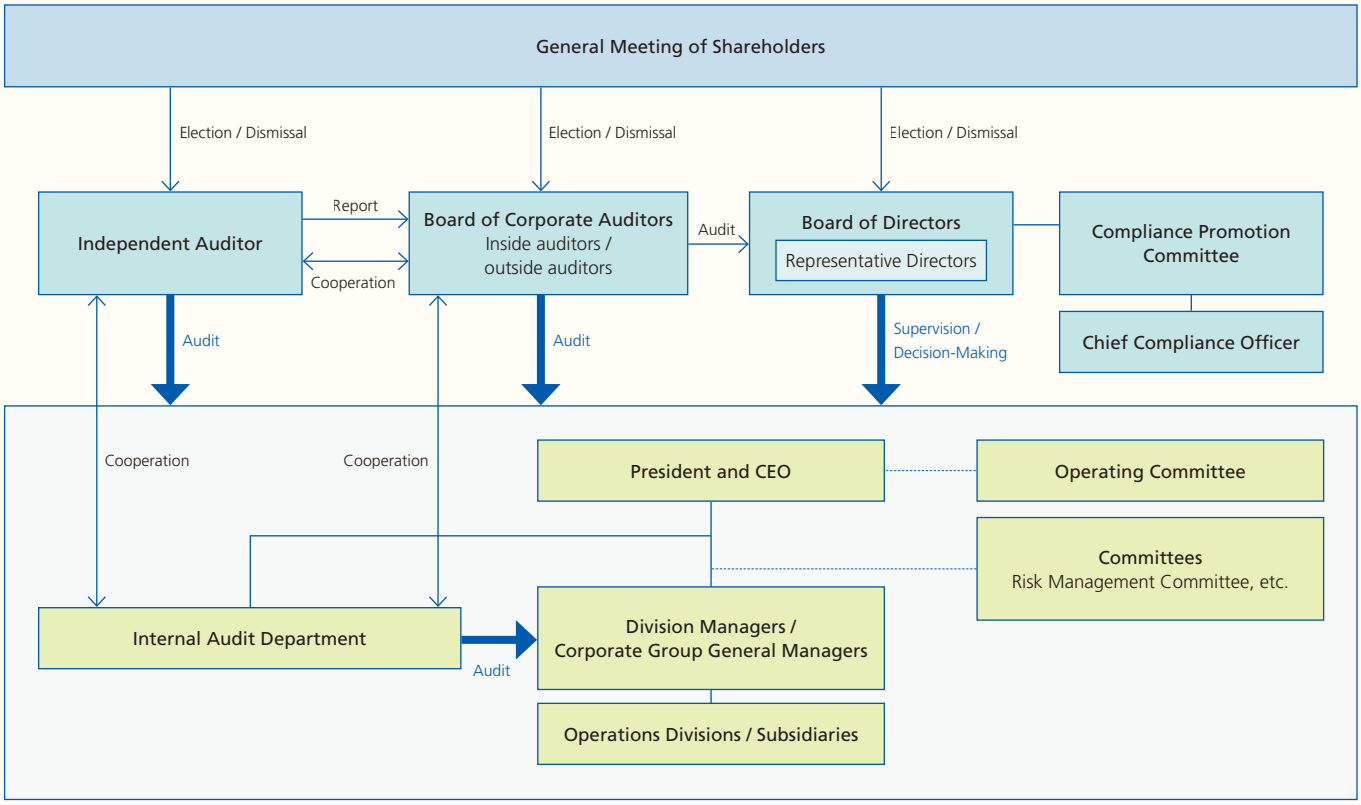
The Board of Corporate Auditors has four members, two of whom are outside corporate auditors. The Board of Corporate Auditors receives reports on the progress of audits by all corporate auditors and the independent auditor. Lawyers, who are legal specialists, and people with experience in banks or securities companies are nominated to be outside corporate auditors. At the same time, people with considerable knowledge in finance or accounting are nominated to be standing corporate auditors. In this way, the Company has established an auditing system with high levels of independence and specialized skills.

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, executive officers, 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.

Outside management oversight is provided by the outside corporate auditors, who attend Board of Directors' meetings, monitor directors, and express appropriate opinions when required. In regard to audits, the outside corporate auditors receive audit progress reports from the standing corporate auditors, audit reports from the independent auditor, and report on the execution of Company affairs from members of the Board of Directors.

The Board of Corporate Auditors works to maintain close ties with the independent auditor and the internal auditing divisions and to strengthen the auditing function. The corporate auditors also receive explanations of audit plans and policies and quarterly reports on audit implementation and results from the independent auditor, as well as regularly exchange opinions with the independent auditor. When necessary, the corporate auditors witness on-site work and review work by the independent auditor. At the end of each period the corporate auditors receive reports on the execution of audits by the independent auditor. Also, in regard to audit plans, progress, and results, the corporate

CORPORATE GOVERNANCE SYSTEM



auditors exchange opinions with the Internal Audit Department on a regular, monthly basis. At the same time, the corporate auditors receive reports on the results of the evaluation of internal control systems for financial reporting.

To provide support for the corporate auditors in the execution of their duties, including the duties of the outside corporate auditors, the Company has established the Corporate Auditors' Office, which is independent from business execution. The Corporate Auditors' Office has three full-time staff.

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

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

Compensation of Directors and Corporate Auditors

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

In the year ended March 31, 2011, directors' compensation (for 9 directors; excluding outside directors) amounted to ¥263 million and corporate auditors' compensation (for 2 corporate auditors; excluding outside corporate auditors) totaled ¥61 million. Compensation for outside corporate auditors was ¥20 million.

The Company and consolidated subsidiaries paid ¥75 million and ¥19 million, respectively, to Ernst & Young ShinNihon LLC as compensation for auditing and verification.

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

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

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

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 Mitsubishi Tanabe Pharma Group in order to maximize the benefit to all of the Company's shareholders.

The Company received administrative actions in April 2010 for the Medway incident and in July 2011 for the quality control incident. The Company has reflected deeply on these incidents. To recover the trust of society, the Company will work earnestly to rigorously implement recurrence prevention as well as business improvement measures. To further advance these measures, the Company established the Outside Committee for Recovering Trust Following the Medway and Quality Control Problems. The committee is conducting investigations and providing advice.

Risk Management System

Mitsubishi Tanabe Pharma has established risk management regulations with the objective of implementing appropriate management for the risks that accompany the Company's business activities, and the Company has established and operates a system based on those 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, including the risks faced by Group companies, 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, such as providing important pharmaceuticals and meeting customer needs.

Compliance System

To ensure sound business activities, Mitsubishi Tanabe Pharma has formulated the Corporate Behavior Charter, which identifies the top priorities for directors and employees in the implementation of business activities, and the Mitsubishi Tanabe Pharma Group Code of Conduct, which provides specific behavioral guidelines. In accordance with the code, members of the Board of Directors and Board of Corporate Auditors take the lead in strictly adhering to laws, regulations, and the Company's Articles of Incorporation. Also, the Company is taking steps to create a Companywide compliance system, including the establishment of the Compliance Promotion Committee and the Internal Controls & Compliance Department, both of which are led by the Chief Compliance Officer. The provision of gains and any other relationships with groups that act in an antisocial manner are forbidden. Furthermore, we have formulated guidelines for checking suppliers for any possible affiliations with such antisocial elements. In this way, we have established a system for eliminating transactions with antisocial elements.

Furthermore, we have established an internal notification system managed according to internal regulations, which operates as an internal system for reporting on legal violations and other compliance issues. We have established internal and external hotlines for reports and consultations, and are working to respond to a wide variety of needs for consultation, including for the employees of Group subsidiaries.

To ensure a solid compliance foundation, the Company is conducting a range of training. These include top seminars for directors and officers, Companywide training for all employees, and human rights training, as

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.

well as department-level training that deals with issues specific to the operations of each department. For Group subsidiaries, we are taking steps to build a system to ensure appropriate operational activities are implemented in a seamless manner with the Company, such as building a system for the application of the Company's Compliance Program.

Furthermore, we conduct compliance progress checks once a year, and implement monitoring of such factors as compliance awareness and workplace environments.

Accountability to Stakeholders

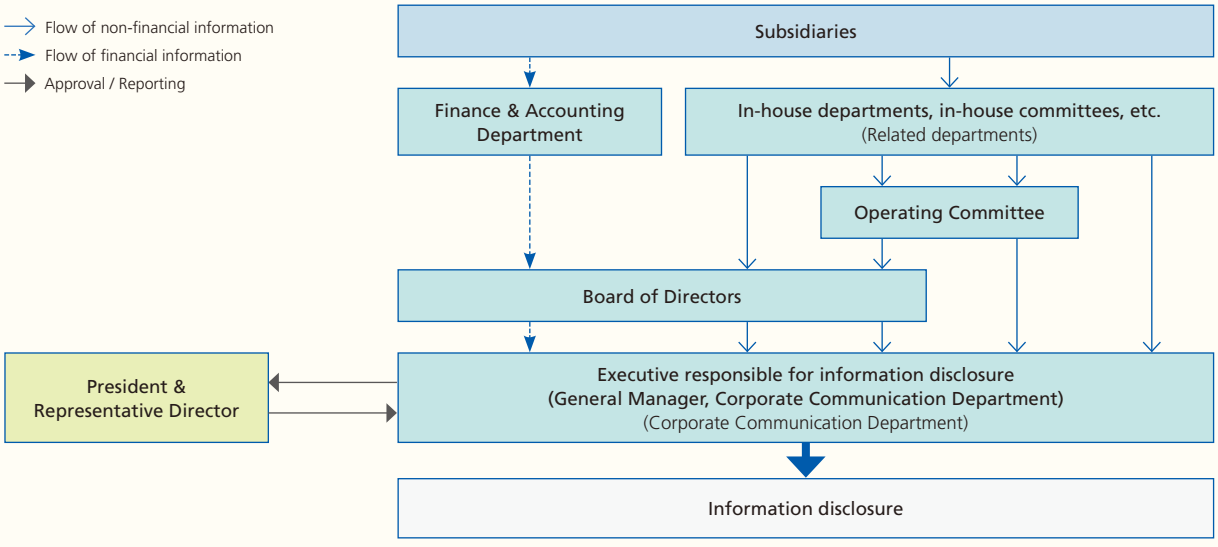
In order to promote understanding of the Company and to obtain fair evaluations of the Company, Mitsubishi Tanabe Pharma strives to disclose in a fair, timely, and appropriate manner important Company information related to its activities, such as its management policies, management objectives, and financial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

We give a range of presentations to explain the Company's financial situation, describe the development of new products, and explain important management policies and business developments. These presentations include results briefings for institutional investors, R&D presentations, and business presentations. To enable individual and overseas investors to access presentations, the audio and video for presentations, as well as for the Q&A sessions, can be viewed on the Company's website. We also report on our CSR initiatives in our CSR Report.

In-House Information Disclosure System

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

MITSUBISHI TANABE PHARMA IN-HOUSE INFORMATION DISCLOSURE SYSTEM



Close Up

Making Steady Progress
in Corporate Governance

Leveraging Outside Viewpoints

The roles of outside directors include providing advice from a societal perspective and serving as a check on conflicts of interest among shareholders and on the actions of managers. Previously, the Company considered it possible to fulfill these functions through outside corporate auditors, and accordingly the Company had not introduced outside directors. However, to enhance management transparency and objectivity and to strengthen the Board of Directors' oversight function, with the approval of the Ordinary General Meeting of Shareholders held on June 22, 2011, Shigehiko Hattori and Seishiro Yoshioka were appointed as outside directors.

Shigehiko Hattori has as strong track record in corporate management as president and representative director and as chairman and representative director of Shimadzu. He has abundant experience as a corporate manager and wide-ranging knowledge in science and technology. Seishiro Yoshioka has held the posts of representative director and executive vice president and corporate auditor at Osaka Gas. He has abundant experience as a corporate manager and wide-ranging knowledge in corporate governance. For these types of reasons, the Company determined that Shigehiko Hattori and Seishiro Yoshioka were qualified to be outside directors.

Furthermore, from an independent perspective, outside corporate auditors implement audits regarding the legality and soundness of management. Masanao Iechika and Takashi Nishida have been appointed as outside corporate auditors. Masanao Iechika has abundant experience as an attorney and extensive knowledge, with a focus on social responsibility. Takashi Nishida has abundant financial institution experience and wide-ranging knowledge in finance.

There are no special conflicts of interest between the Company and Shigehiko Hattori, Seishiro Yoshioka, or Masanao Iechika. Takashi Nishida is an outside corporate auditor at parent company Mitsubishi Chemical Holdings.

The four people listed above have been designated as independent officers in accordance with the requirements of the Tokyo Stock Exchange and the Osaka Securities Exchange, and the Company has filed notice with both exchanges.

The Company will continue to draw on outside points of view as it steadily advances initiatives to strengthen corporate governance.

Board of Directors and Auditors

As of June 22, 2011

Directors

Michihiro Tsuchiya
President & Representative Director,
Chief Executive Officer

Kuniaki Kaga
Representative Director,
Managing Executive Officer
General Manager of International Business Unit,
International Strategy & Operation,
Internal Controls & Compliance
Chief Compliance Officer

Kenichi Yanagisawa
Board Director,
Managing Executive Officer
Division Manager of Sales & Marketing Division
General Manager of Marketing & Scientific Support Department

Kenkichi Kosakai
Board Director,
Managing Executive Officer
Business Management
Finance & Accounting, Information Systems,
Environment & Safety, Human Resources Management

Masayuki Mitsuka
Board Director,
Executive Officer
Global Product Strategy,
General Manager of Global Product Strategy Department
Business Development & Licensing and Intellectual Property

Takashi Kobayashi
Board Director,
Executive Officer
Corporate Strategic Planning,
General Manager of Corporate Strategic Planning Department
Medical Intelligence and Corporate Communications

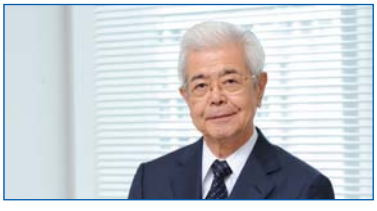
Shigehiko Hattori
Board Director (outside)

Seishiro Yoshioka
Board Director (outside)

Auditors

Junji Hamaoka
Corporate Auditor (standing)

Koichi Fujisawa
Corporate Auditor (standing)



Masanao Iechika
Corporate Auditor (outside)

Takashi Nishida
Corporate Auditor (outside)

Financial Section

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Six-Year Financial Summary

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31

	2011/3	2010/3	2009/3	2008/3[1]	2007/3	2006/3
Financial figures (billions of yen):						
Net sales						
Tanabe Seiyaku	**¥409.5**	¥404.7	¥414.7	¥315.6	¥177.5	¥171.5
Mitsubishi Pharma				[409.4]	227.5	236.2
Cost of sales						
Tanabe Seiyaku	**154.5**	147.8	158.1	113.4	69.0	61.9
Mitsubishi Pharma				[150.5]	79.9	81.4
Selling, general and administrative expenses						
Tanabe Seiyaku	**178.3**	195.4	184.8	148.2	78.1	82.0
Mitsubishi Pharma				[186.4]	107.5	118.5
Operating income						
Tanabe Seiyaku	**76.5**	61.4	71.6	54.0	30.4	27.5
Mitsubishi Pharma				[72.4]	39.9	36.2
Net income						
Tanabe Seiyaku	**37.7**	30.2	26.5	21.9	20.1	15.4
Mitsubishi Pharma				[31.9]	24.3	20.6
R&D expenses						
Tanabe Seiyaku	**65.7**	83.0	73.1	59.8	28.5	30.5
Mitsubishi Pharma				[72.3]	47.2	47.9
Capital expenditures on an accrual basis						
Tanabe Seiyaku	**10.1**	8.3	12.1	5.9	4.3	4.1
Mitsubishi Pharma				[9.9]	5.4	8.6
Depreciation and amortization						
Tanabe Seiyaku	**12.4**	13.2	15.6	12.5	6.7	7.6
Mitsubishi Pharma				[15.0]	10.6	11.7
Total assets						
Tanabe Seiyaku	**818.7**	796.8	810.7	807.2	297.0	280.8
Mitsubishi Pharma					323.3	307.0
Total net assets[2]						
Tanabe Seiyaku	**695.9**	676.8	666.2	667.8	233.5	218.1
Mitsubishi Pharma					253.2	231.5
Interest-bearing debt						
Tanabe Seiyaku	**2.8**	2.4	7.4	8.1	0.1	0.6
Mitsubishi Pharma					8.4	8.8
Net cash provided by operating activities						
Tanabe Seiyaku	**59.0**	23.9	50.5	38.0	21.4	22.6
Mitsubishi Pharma				[46.4]	28.0	37.0
Net cash provided by (used in) investing activities						
Tanabe Seiyaku	**(7.6)**	(61.2)	(74.5)	(4.8)	(8.5)	(16.8)
Mitsubishi Pharma				[(8.9)]	4.3	(9.8)
Net cash used in financing activities						
Tanabe Seiyaku	**(15.4)**	(17.1)	(15.9)	(6.0)	(6.0)	(8.4)
Mitsubishi Pharma				[(9.0)]	(11.2)	(7.8)
Cash and cash equivalents at end of the year						
Tanabe Seiyaku	**97.8**	62.9	116.9	160.0	46.1	39.2
Mitsubishi Pharma					85.1	63.8

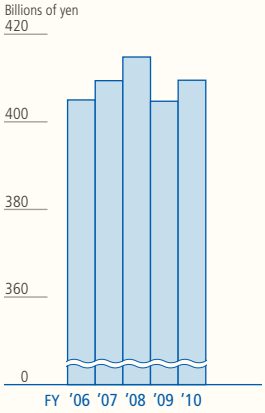
	2011/3	2010/3	2009/3	2008/3[1]	2007/3	2006/3
Per share amounts (yen):						
Net income—basic						
Tanabe Seiyaku	**¥67.27**	¥53.91	¥47.28	¥50.12	¥82.36	¥62.43
Mitsubishi Pharma					53.02	45.39
Net assets[2]						
Tanabe Seiyaku	**1,230.16**	1,194.79	1,162.69	1,163.96	948.30	890.21
Mitsubishi Pharma					531.95	505.01
Cash dividends						
Tanabe Seiyaku	**28.00**	28.00	28.00	26.00[3]	24.00	20.00
Mitsubishi Pharma					14.15	20.44
Financial indicators (%):						
Ratio of cost of sales						
Tanabe Seiyaku	**37.7%**	36.5%	38.1%	35.9%	38.9%	36.1%
Mitsubishi Pharma				[36.8]	35.2	34.5
Ratio of SG&A expenses						
Tanabe Seiyaku	**43.6**	48.3	44.6	47.0	44.0	47.8
Mitsubishi Pharma				[45.5]	47.2	50.2
Operating margin						
Tanabe Seiyaku	**18.7**	15.2	17.3	17.1	17.2	16.1
Mitsubishi Pharma				[17.7]	17.6	15.3
Ratio of R&D expenses to net sales						
Tanabe Seiyaku	**16.1**	20.5	17.6	18.9	16.1	17.8
Mitsubishi Pharma				[17.7]	20.8	20.3
Equity ratio						
Tanabe Seiyaku	**84.3**	84.1	80.5	80.9	78.2	77.7
Mitsubishi Pharma					75.4	75.4
DE ratio						
Tanabe Seiyaku	**0.4**	0.4	1.1	1.2	0.1	0.3
Mitsubishi Pharma					3.4	3.8
ROA						
Tanabe Seiyaku	**4.7**	3.8	3.3	4.0	7.0	5.6
Mitsubishi Pharma				[4.5]	7.7	6.9
ROE						
Tanabe Seiyaku	**5.5**	4.6	4.1	4.9	9.0	7.3
Mitsubishi Pharma				[5.7]	10.2	9.5
Dividend payout ratio						
Tanabe Seiyaku	**32.9[5]**	39.0[5]	43.0[5]	44.0[4]	29.1	32.0
Mitsubishi Pharma					30.0	46.8
Others:						
Number of employees						
Tanabe Seiyaku	**9,198**	9,266	10,030	10,361	4,554	4,512
Mitsubishi Pharma					5,907	5,902
Number of common stock issued (thousands)						
Tanabe Seiyaku	**561,417**	561,417	561,417	561,417	267,598	267,598
Mitsubishi Pharma					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 are total shareholders' equity.
3. 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.
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 Mitsubishi Tanabe Pharma's year-end dividends.
5. Dividend payout ratio is calculated using net income less amortization of goodwill.

Management's Discussion and Analysis

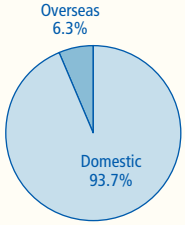
(Amounts less than ¥100 million are omitted)

NET SALES



Note: In general, figures in graphs for fiscal 2007 and fiscal 2006 are the simple sum of the figures for Tanabe Seiyaku and Mitsubishi Pharma.

SALES BY REGION



Results of Operations

Net Sales

Net sales in fiscal 2010 were up ¥4.7 billion, to ¥409.5 billion.

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

In the domestic ethical drug market, NHI drug prices were revised in April 2010, and a system offering a pricing premium for newly developed drugs was introduced on a trial basis. (Under this system, the prices of drugs for which there are no available generics will be maintained if they meet certain conditions.) Consequently, NHI drug prices were reduced by an industrywide average of 5.75%, and additional price cuts were implemented for long-term listed drugs. Moreover, due to such factors as intensified competition among companies and further measures to promote the use of generic drugs, market conditions remain challenging.

In this setting, net sales of ethical drugs in the domestic market were up ¥7.0 billion year on year, to ¥361.6 billion. Despite the NHI drug price reductions, favorable sales were recorded by key products. Sales of Remicade, an anti-TNFα monoclonal antibody, increased substantially, rising ¥13.2 billion, to ¥60.4 billion. In addition, sales of Maintate, a selective β1 antagonist, rose ¥1.2 billion, to ¥12.3 billion, and sales of Talion, a treatment for allergic disorders, were up ¥2.7 billion, to ¥13.4 billion. Further, sales of JEBIK V, a freeze-dried, cell-culture derived Japanese encephalitis vaccine, which the government reinstated as a recommended vaccination in April 2010, were up substantially, rising ¥4.9 billion. Overall, sales of vaccines rose ¥6.6 billion, to ¥29.6 billion (excluding sales of a new influenza vaccine, Influenza (H1N1) 2009). Also, sales of products handled by the Company's sales subsidiary, Tanabe Seiyaku Hanbai (including generic drugs and long-time listed drugs transferred from the Company) rose ¥5.5 billion, to ¥14.0 billion. In addition, following the Great East Japan Earthquake, which occurred on March 11, 2011, there were rising concerns throughout Japanese society about the supply of pharmaceuticals. As a result, there was a temporary increase in orders for most pharmaceutical products, including the Company's products.

On the other hand, overseas sales of ethical drugs were down ¥1.5 billion, to ¥21.3 billion, due primarily to the appreciation of the yen. Sales of OTC drugs rose ¥0.4 billion, to ¥5.4 billion, and in others sales were down ¥1.4 billion, to ¥11.8 billion.

Overall, sales of pharmaceuticals increased ¥4.4 billion, to ¥400.2 billion, and accounted for 97.7% of net sales. Overseas sales declined ¥1.0 billion, to ¥25.7 billion, and the overseas sales ratio was 6.3%, a decrease of 0.3 percentage point.

Billions of yen

	2011/3		2010/3		Change
Net sales	**¥409.5**	(100.0%)	¥404.7	(100.0%)	¥+4.7
Sales by business segment:					
Pharmaceuticals	**400.2**	(97.7)	395.7	(97.8)	+4.4
Domestic ethical drugs	**361.6**	(88.3)	354.6	(87.6)	+7.0
Overseas ethical drugs	**21.3**	(5.2)	22.8	(5.6)	–1.5
OTC drugs	**5.4**	(1.3)	4.9	(1.2)	+0.4
Others	**11.8**	(2.9)	13.3	(3.3)	–1.4
Other business	**9.3**	(2.3)	9.0	(2.2)	+0.2
Sales by region:					
Domestic	**383.7**	(93.7)	377.8	(93.4)	+5.8
Overseas	**25.7**	(6.3)	26.8	(6.6)	–1.0

Note: Figures in parentheses are percentages of net sales.

SALES OF MAJOR PRODUCTS IN THE DOMESTIC MARKET

Billions of yen

	2011/3	2010/3	Change
Remicade	**¥60.4**	¥47.1	¥+13.2
Radicut	**28.7**	27.9	+0.7
Ceredist	**18.0**	16.8	+1.1
Anplag	**16.4**	18.3	–1.9
Urso	**15.3**	16.2	–0.9
Talion	**13.4**	10.6	+2.7
Maintate	**12.3**	11.0	+1.2
Depas	**11.4**	11.5	–0.1
Tanatril	**9.6**	11.1	–1.4
Herbesser	**9.6**	10.7	–1.1
Venoglobulin IH	**9.6**	9.6	–0.0
Vaccines	**29.6**	22.9	+6.6
Mearubik	**12.2**	11.7	+0.4
Influenza	**7.1**	6.3	+0.7
JEBIK V	**6.9**	2.0	+4.9

Note: In this table, sales of vaccines and influenza vaccine do not include sales of a new influenza vaccine, Influenza (H1N1) 2009.

Operating Income

Operating income was up ¥15.1 billion, to ¥76.5 billion.

Net sales were up ¥4.7 billion, but due to such factors as the NHI drug price revisions, gross profit declined ¥1.9 billion, to ¥254.9 billion. The cost of sales ratio worsened 1.2 percentage points, to 37.7%.

SG&A expenses deceased ¥17.0 billion, to ¥178.3 billion. In R&D expenses, due to a change in the licensing contract with Vertex Pharmaceuticals, of the U.S., for MP-424 (chronic hepatitis C), the Company made a one-time payment of about ¥10.0 billion in the previous fiscal year. Also, expenditures for certain overseas development projects have passed their peak level. As a result, R&D expenses declined substantially, decreasing ¥17.2 billion year on year, to ¥65.7 billion, and this decline was the major reason for the decrease in SG&A expenses.

The R&D expense ratio declined 4.4 percentage points, to 16.1%.

Billions of yen

	2011/3		2010/3		Change
Cost of sales	**¥154.5**	(37.7%)	¥147.8	(36.5%)	¥ +6.7
SG&A expenses	**178.3**	(43.6)	195.4	(48.3)	–17.0
R&D expenses	**65.7**	(16.1)	83.0	(20.5)	–17.2
Non-R&D expenses	**112.6**	(27.5)	112.3	(27.8)	+0.2
Labor costs	**52.5**	(12.8)	53.0	(13.1)	–0.5
Sales promotion expenses	**11.3**	(2.8)	11.9	(3.0)	–0.6
Amortization of goodwill	**10.1**	(2.5)	10.1	(2.5)	0.0
Other	**38.6**	(9.4)	37.2	(9.2)	+1.3
Operating income	**76.5**	(18.7)	61.4	(15.2)	+15.1

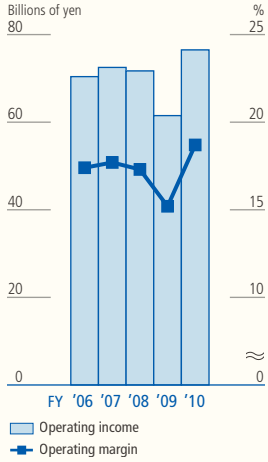
Note: Figures in parentheses are percentages of net sales.

Net Income

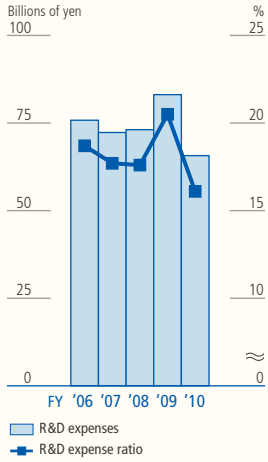
Operating income rose, and consequently, net income was up ¥7.4 billion, to ¥37.7 billion.

Extraordinary income was up ¥0.5 billion, to ¥0.6 billion, due primarily to gain on sales of property, plant and equipment of ¥0.3 billion. Extraordinary losses were up ¥2.4 billion, to ¥13.2 billion. In the fiscal year under review, extraordinary losses included loss on valuation of investment in securities of ¥8.0 billion; loss on disaster

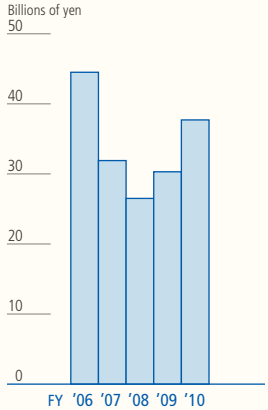
OPERATING INCOME / OPERATING MARGIN



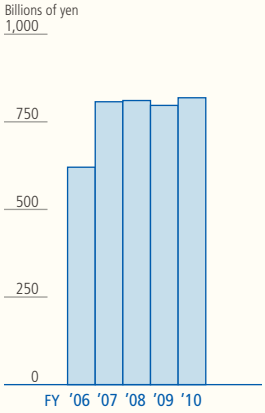
R&D EXPENSES / R&D EXPENSE RATIO



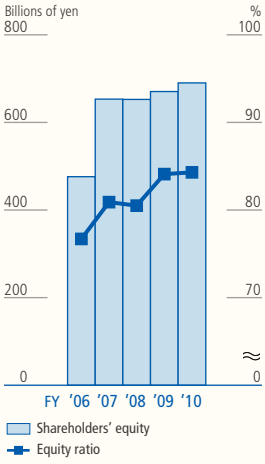
NET INCOME



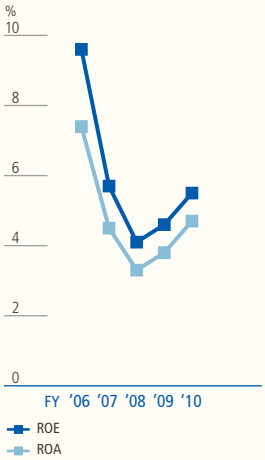
TOTAL ASSETS



SHAREHOLDERS' EQUITY / EQUITY RATIO



ROE[1] / ROA[1]



of ¥2.1 billion due to the Great East Japan Earthquake, loss on impairment of fixed assets of ¥0.8 billion, and loss related to business suspension for Medway recombinant human serum albumin preparation of ¥0.7 billion. In the previous fiscal year, special losses of ¥10.7 billion included impairment loss related to moving the head office, restructuring expenses, and loss related to business suspension in relation to Medway Injection.

Financial Position

Assets, Liabilities, and Net Assets

Total assets at the end of the fiscal year were ¥818.7 billion, an increase of ¥21.8 billion from the previous fiscal year-end. Due primarily to increases in marketable securities and deposits, total current assets rose ¥47.3 billion year on year, to ¥391.5 billion. Fixed assets decreased ¥25.4 billion, to ¥427.1 billion. Property, plant and equipment and goodwill declined due to depreciation and amortization. In addition, investments in securities recorded a substantial decline due to fair market value.

Total liabilities were up ¥2.7 billion from the end of the previous fiscal year, to ¥122.7 billion. Notes and accounts payable and income taxes payable increased, but the reserve for HCV litigation declined.

Total net assets at the end of the period were up ¥19.1 billion from the end of the previous fiscal year, to ¥695.9 billion. Net income was ¥37.7 billion, and cash dividends paid were ¥15.7 billion. As a result, retained earnings increased by ¥22.0 billion. Total accumulated other comprehensive loss increased ¥2.1 billion. As a result, the equity ratio was 84.3%, an increase of 0.2 percentage point from the end of the previous fiscal year.

Billions of yen

	2011/3		2010/3		Change
Total assets	**¥818.7**	(100.0%)	¥796.8	(100.0%)	¥+21.8
Total current assets	**391.5**	(47.8)	344.2	(43.2)	+47.3
Fixed assets	**427.1**	(52.2)	452.6	(56.8)	–25.4
Total liabilities	**122.7**	(15.0)	120.0	(15.1)	+2.7
Total current liabilities	**87.7**	(10.7)	77.7	(9.8)	+9.9
Total long-term liabilities	**35.0**	(4.3)	42.2	(5.3)	–7.2
Total net assets	**695.9**	(85.0)	676.8	(84.9)	+19.1

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

1. Extraordinary losses were ¥20.3 billion in fiscal 2007, ¥25.7 billion in fiscal 2008, ¥10.7 billion in fiscal 2009, and ¥13.2 billion in fiscal 2010.

Cash Flows

Net cash provided by operating activities was ¥59.0 billion, an increase of ¥35.1 billion. Major inflows included income before income taxes and minority interests of ¥64.1 billion, depreciation and amortization of ¥12.4 billion, and amortization of goodwill of ¥10.1 billion. Major outflows included income taxes paid of ¥22.2 billion and decrease in reserve for HCV litigation of ¥6.0 billion. The substantial gain in net cash provided by operating activities was primarily due to the increase of ¥13.1 billion in income before income taxes and minority interests.

Net cash used in investing activities was ¥7.6 billion, a substantial decline from the previous year. Major items included purchases of marketable securities and proceeds from sales, etc., which netted out to an inflow of ¥25.7 billion; purchases of property, plant and equipment and proceeds from sales of property, plant and equipment, which netted out to an outflow of ¥7.0 billion; and purchases of investments in securities and proceeds from sales, etc., which netted out to an outflow of ¥24.7 billion.

Net cash used in financing activities was ¥15.4 billion, a decrease of ¥1.6 billion. Major items included cash dividends paid of ¥15.7 billion.

As a result, net cash inflows for the year were ¥34.8 billion, and the balance of cash and cash equivalents at the end of fiscal 2010 was ¥97.8 billion, an increase of ¥34.9 billion.

Billions of yen

	2011/3	2010/3	Change
Net cash provided by operating activities	**¥ 59.0**	¥ 23.9	¥+35.1
Net cash used in investing activities	**(7.6)**	(61.2)	+53.5
Net cash used in financing activities	**(15.4)**	(17.1)	+1.6
Cash and cash equivalents at end of the year	**97.8**	62.9	+34.9

Demand for Funds

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

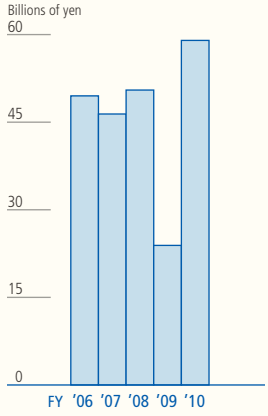
Dividends

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

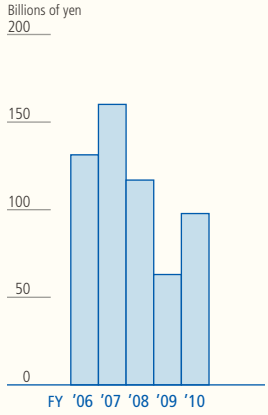
In accordance with its basic policy on the distribution of earnings, the Company set annual dividends at ¥28.0 per share, the same as in the previous year. The dividend payout ratio, calculated on the basis of net income less amortization of goodwill, was 32.9%.

2. Dividends per share are presented as follows: For fiscal 2006, the dividends of the former Tanabe Seiyaku are used. For fiscal 2007, the interim dividends of the former Tanabe Seiyaku are used for the interim dividends (¥13) and the year-end dividends of Mitsubishi Tanabe Pharma are used for the year-end dividends (¥13).
3. The dividend payout ratio is presented as follows: For fiscal 2006, the dividend payout ratio of the former Tanabe Seiyaku is used. For fiscal 2007, the dividend payout ratio is calculated using Mitsubishi Tanabe Pharma's net income for the second half of the fiscal year (less amortization of goodwill) and Mitsubishi Tanabe Pharma's year-end dividends. For fiscal 2008 and subsequent years, the dividend payout ratio is calculated using Mitsubishi Tanabe Pharma's net income for the fiscal year (less amortization of goodwill) and annual dividends.

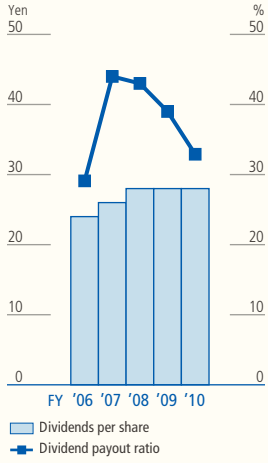
NET CASH PROVIDED BY OPERATING ACTIVITIES



CASH AND CASH EQUIVALENTS



DIVIDENDS PER SHARE[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 2010 (ended March 31, 2011).

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 and nonclinical trials as well as other tests or in the event that they are substitutable but 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, even in the event that approval is acquired following a rigorous safety evaluation, 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 the event that sales are suspended or that compensation to victims exceeds the limits of the Company's product liability insurance, 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 national health insurance system (NHI) and the reduction of drug price standards

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

4. Risks related to product sales

In the future, in the event of the emergence of factors—such as the launch of competing new products or generic products due to the termination of a patent, the launch of innovative new drugs or new technologies that lead to new methods of treatment, or the announcement of new evidence—that lead to a relative change in the position of the Company's pharmaceutical products in clinical 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 alliance with other companies

To use its management resources effectively, the Group works with other companies in joint research, joint development, product licensing and introduction, commissioned production, commissioned sales, joint promotion, and joint marketing in each business field, such as research, development, production, and marketing. However, in the future if contracts are changed or alliances dissolved, if the management environment of alliance partners worsens, or if the management policies of alliance partners 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, a suspension of or substantial delay in the supply of products, 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. Any interruption in the supply of raw materials may result in delays in production leading to a significant lag in product delivery. This could severely influence 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, 2011, overseas sales accounted for 6.3% of the Group's consolidated net sales. Certain raw materials for products and finished goods 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 2011, the Group held marketable securities of ¥84.7 billion and investments in securities of ¥127.6 billion, 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 serious damage to the environment is caused by hazardous chemical substances that are used in operating activities, it is possible that the Group could incur expenses needed for environmental improvement, face a decline in societal trust, bear responsibility for the payment of compensation, etc. In the event that one or more of these situations occurs, the Group's financial position or results could be significantly affected.

12. Risks related to lawsuits

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

b) 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 coagulation factor IX product (Christmassin). However, to resolve this litigation, in January 2008, the Japanese government promulgated and put into effect "the Special Relief Law Concerning the Payment of Benefits to Relieve the Patients of Hepatitis C Infected through Specified Fibrinogen Preparations and Specified Blood-Coagulation Factor IX Preparations Contaminated by Hepatitis C Virus" ("the Relief Law"). In regard to the expenses associated with the relief payments under the Relief Law, the standards for the method and the allocation of the burden of the expenses were announced on April 10, 2009. In accordance with those standards, the Company has made provisions for those expenses. For this expense burden, the cumulative total of the provisions for reserve for HCV litigation was ¥23.0 billion as of the end of March 2010, of which ¥18.3 billion had already been paid out as of the end of March 2011. However, due to changes in the expected number of benefits recipients, the Group's financial position or results could be significantly affected.

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

1. Portion of expense burden

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

2. Lump-sum payment of ¥5.1 billion in addition to payments made in accordance with the portions in (1) above.

13. Risks related to information management

The Group possesses large amounts of 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, the worsening of diplomatic relations, or natural disaster, etc., the opportunity to recover that investment might be lost and operations under development might be affected. As a result of these actions, there could be an influence on the Group's financial position or results.

15. Major assumptions regarding operational activities

Pharmaceutical manufacturing and sales are the Group's principal business operations. In accordance with the Pharmaceutical Affairs Law, the Group has obtained licenses for pharmaceutical manufacturing and sales, pharmaceutical manufacturing and wholesale pharmaceutical sales, and conducts manufacturing and sales of ethical pharmaceutical and OTC products. The products handled include narcotics, psychotropic agents, and raw materials for stimulants, 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 veterinary drugs as well as poisonous and toxic substances, the Group is subject to laws and regulations covering the wholesale of veterinary drug sales, and general sales of poisonous and toxic substances. 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 countries and acquire import permission, local manufacturing permission, etc. Moreover, the Group is subject to the rules and regulations relating to the control of exports and international transportation of hazardous materials in each importing country, as well as the laws and regulations related to customs clearance. These rules and regulations are revised and subject to additional stipulations on an individual country basis. Certain terms and conditions are also reinforced annually. Taking the aforementioned into consideration, Group operations under development may be affected.

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

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, 2011	Manufacturing of narcotics[1]	Ministry of Health, Labour and Welfare	License to manufacture narcotic drugs	Dec. 31, 2012 (2-year renewable)	Disqualification as per Article 3.2 of the Narcotics and Psychotropic Control Act
Oct. 1, 2009	Manufacturing of psychotropic drugs[1]	Ministry of Health, Labour and Welfare	License to manufacture psychotropic drugs	Sep. 30, 2014 (5-year renewable)	Disqualification as per Article 50.2 of the Narcotics and Psychotropic Control Act
Oct. 19, 2009	Handling of raw materials for stimulants[2]	Local governments	Permission to sell raw materials for stimulants	Dec. 31, 2013 (4-year renewable)	Disqualification as per Article 30.3 of the Stimulant Drugs Control Law
Oct. 13, 2009	Wholesale pharmaceutical sales[3]	Local governments	Permission to sell or offer pharmaceutical products	Oct. 12, 2015 (6-year renewable)	Disqualification as per Article 34.2 of the Pharmaceutical Affairs Law
Oct. 1, 2009	Pharmaceutical manufacturing[4]	Local governments	Permission to manufacture or import pharmaceutical products	Sep. 30, 2014 (5-year renewable)	Disqualification as per Article 13.4 of the Pharmaceutical Affairs Law
Oct. 19, 2009	Wholesale veterinary drug sales[5]	Local governments	Permission to sell or offer pharmaceutical products for animals	Oct. 18, 2015 (6-year renewable)	Disqualification as per Article 34.2 of the Pharmaceutical Affairs Law
Oct. 19, 2009	General sales of poisonous and toxic substances[6]	Local governments	Registration to sell, etc., poisonous and toxic substances	Oct. 18, 2015 (6-year renewable)	Disqualification as per Article 5, or 19 of the Poisonous and Deleterious Substances Control Act

1. Permission information for narcotic manufacturing at Osaka plant of Mitsubishi Tanabe Pharma Factory Ltd. that primarily handles drugs covered by these regulations is shown.
2. Permission information for handling of raw materials for stimulants at Head Office (Production Division) that primarily handles them covered by these regulations is shown.
3. Permission has been obtained by multiple places of operations, therefore permission information for Head Office (Sales and Marketing Division) is shown.
4. Permission has been obtained by multiple places of operations, therefore permission information for Osaka plant of Mitsubishi Tanabe Pharma Factory Ltd. is shown.
5. Permission has been obtained by multiple places of operations, therefore permission information for Head Office (Production Division) is shown.
6. Permission has been obtained by multiple places of operations, therefore permission information for Head Office (Production Division) is shown.

16. Administrative action related to Medway Injection violation of Pharmaceutical Affairs Law

On April 13, 2010, the Minister of Health, Labour and Welfare issued an administrative action ordering Mitsubishi Tanabe Pharma Corporation and consolidated subsidiary Bipha Corporation to suspend operations due to a violation of the Pharmaceutical Affairs Law. Consequently, it is possible that the Group's image and reputation among patients and medical professionals could worsen, and that situation could continue, and the Group's financial position or results could be significantly affected.

17. Problems related to certain deficiencies in quality testing (hereinafter, quality control problems) at consolidated subsidiary

In January 2011, the quality control problems at Ashikaga plant of consolidated subsidiary Mitsubishi Tanabe Pharma Factory Ltd. became apparent. The Group suffered damage to its reputation among patients and medical professionals. If that situation continues, the Group's financial position and results of operations could be significantly affected.

18. Risks related to major disasters and other events

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

19. 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 Industrial Materials, and operates businesses with four core business companies—Mitsubishi Tanabe Pharma Corporation, Mitsubishi Chemical Corporation, Mitsubishi Plastics, Inc., and Mitsubishi Rayon Co., Ltd. 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 consideration for exclusive rights to intellectual property held by the corporate group of the parent company.
- conclusion of contracts for research outsourcing and information disclosure.
- consignment contracts with overseas subsidiaries.

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 ended on September 30, 2009, but those rights would continue on and after October 1, 2009, and will not be cancelled without the Company's agreement.

The Company leases buildings used for the research laboratory in Yokohama, Kanagawa. After formulating plans to construct a laboratory building of its own on that site, construction of the Medicinal Chemistry Research Laboratories (the Pharma Research Building 2) was completed in February 2011. In line with future plans, the lease on the buildings used for the research laboratory will be canceled in stages. Also, plans call

for the outsourcing of work by overseas subsidiaries to be gradually eliminated as the Company's international operations progress.

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 listing maintenance expenses as well as the burden on the workforce, total assets, and operating profit, with an upper limit of 0.5% of consolidated sales.

In the year ended March 31, 2011, the Company's expenses, included the following: procurement of raw materials, etc., of ¥0.4 billion, sales of chemical products, etc., of ¥0.1 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 ¥1.7 billion, payment as consideration for exclusive rights to intellectual property held by the corporate group including the parent company of ¥0.7 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. API Corporation, a group company of the Mitsubishi Chemical Holdings Group, is an associated company of the Mitsubishi Tanabe Pharma Group, and the above amounts do not include transactions between the Company and API Corporation (purchases of raw materials, etc.: ¥7.6 billion, etc.).

Personnel relationships with Mitsubishi Chemical Holdings Group

a) Concurrent service of directors and corporate auditors

As of June 22, 2011, the directors, corporate auditors, and employees of Mitsubishi Chemical Holdings Corporation and its Group companies include one person who is concurrently serving as a corporate auditor (non-full time) of the Company. The Company's Board of Corporate Auditors has four members.

Position at the Company	Name	Position in Group company	Reason for position
Corporate auditor (outside)	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 representative director of the Company, serves concurrently as a director (non-full time) of Mitsubishi Chemical Holdings Corporation. Also, on April 1, 2011, he became a director of The KAITEKI Institute, Inc.

b) Acceptance of reassigned personnel

The Group has accepted the reassignment of 7 people from Mitsubishi Chemical Holdings Group for limited periods of time with such objectives as enhancing links among research functions and information systems departments.

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.

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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Assets			
Current assets:			
Cash and time deposits (Notes 3 and 4)	¥ 27,409	¥ 22,792	$ 329,633
Notes and accounts receivable, trade (Note 4):			
Notes	1,100	1,281	13,229
Accounts	127,275	124,946	1,530,667
Less allowance for doubtful receivables	(45)	(41)	(541)
	128,330	126,186	1,543,355
Marketable securities (Notes 4 and 5)	84,788	59,726	1,019,699
Inventories (Note 6)	77,702	73,166	934,480
Deferred income taxes (Note 10)	12,551	11,394	150,944
Other current assets	60,801	50,985	731,221
Total current assets	391,581	344,249	4,709,332
Property, plant and equipment (Note 16):			
Land	50,009	50,931	601,431
Buildings and structures	132,555	130,741	1,594,167
Machinery and vehicles	108,976	111,155	1,310,595
Tools, furniture and fixtures	38,306	38,637	460,686
Leased equipment	49	41	589
Construction in progress	2,299	1,476	27,649
	332,194	332,981	3,995,117
Less accumulated depreciation	(218,682)	(215,763)	(2,629,970)
Property, plant and equipment, net	113,512	117,218	1,365,147
Investments, goodwill and other assets:			
Investments in securities (Notes 4 and 5):			
Unconsolidated subsidiaries and affiliates	7,284	7,630	87,601
Others	120,318	131,503	1,446,999
Goodwill	115,682	125,765	1,391,245
Software	2,555	2,873	30,728
Long-term prepaid expenses	7,393	8,941	88,912
Prepaid pension expenses (Note 9)	40,449	36,730	486,458
Deferred income taxes (Note 10)	13,789	14,300	165,833
Long-term deposits	1,956	3,393	23,524
Other assets	4,225	4,300	50,811
Less allowance for doubtful receivables	(39)	(44)	(469)
Total investments, goodwill and other assets	313,612	335,391	3,771,642
Total assets	¥ 818,705	¥ 796,858	$ 9,846,121

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Liabilities and Net Assets			
Current liabilities:			
Short-term debt (Notes 4 and 7)	¥ 2,891	¥ 2,410	$ 34,768
Current maturities of long-term debt (Note 7)	–	30	–
Accounts payable, trade (Note 4)	29,617	27,557	356,188
Accounts payable, other	20,373	20,202	245,015
Income taxes payable (Note 10)	14,649	10,310	176,176
Consumption taxes payable	2,336	1,789	28,094
Reserve for employees' bonuses	11,467	11,155	137,907
Reserve for sales returns	163	169	1,960
Reserve for loss on disaster (Note 17)	1,531	–	18,413
Other current liabilities (Note 8)	4,695	4,145	56,464
Total current liabilities	87,722	77,767	1,054,985
Long-term liabilities:			
Accrued retirement benefits for employees (Note 9)	11,853	13,159	142,550
Accrued retirement benefits for directors and corporate auditors	5	4	60
Deferred income taxes (Note 10)	11,450	11,267	137,703
Reserve for health management allowances for HIV compensation (Note 26)	1,513	1,627	18,196
Reserve for health management allowances for SMON compensation	3,835	4,205	46,122
Reserve for HCV litigation (Note 26)	4,627	10,689	55,646
Other liabilities (Note 8)	1,741	1,327	20,938
Total long-term liabilities	35,024	42,278	421,215
Net assets:			
Shareholders' equity (Note 11):			
Common stock:			
Authorized – 2,000,000,000 shares			
Issued – 561,417,916 shares at March 31, 2011 and 2010	50,000	50,000	601,323
Capital surplus	451,186	451,185	5,426,170
Retained earnings	201,424	179,409	2,422,417
Treasury stock, at cost	(407)	(277)	(4,895)
Total shareholders' equity	702,203	680,317	8,445,015
Accumulated other comprehensive loss			
Unrealized holding losses on securities	(2,712)	(3,218)	(32,616)
Deferred losses on hedges	(1,010)	(378)	(12,147)
Translation adjustments	(8,280)	(6,251)	(99,579)
Total accumulated other comprehensive loss	(12,002)	(9,847)	(144,342)
Minority interests	5,758	6,343	69,248
Total net assets	695,959	676,813	8,369,921
Total liabilities and net assets	¥818,705	¥796,858	$9,846,121

Consolidated Statements of Income

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Net sales (Note 24)	¥409,540	¥404,747	$4,925,316
Cost of sales	154,564	147,800	1,858,858
Gross profit	254,976	256,947	3,066,458
Selling, general and administrative expenses (Note 14)	178,392	195,472	2,145,424
Operating income (Note 24)	76,584	61,475	921,034
Other income (expenses):			
Interest and dividend income	2,342	2,515	28,166
Interest expense	(15)	(25)	(180)
Foreign exchange loss, net	(1,422)	(1,452)	(17,102)
Donations	(361)	(360)	(4,341)
Loss on sales or disposal of fixed assets, net	(451)	(459)	(5,424)
Gain on sales of investments in securities	144	85	1,732
Loss on disaster (Note 17)	(2,140)	–	(25,737)
Loss related to business suspension (Note 15)	(737)	(3,296)	(8,863)
Provision of reserve for HCV litigation (Note 26)	–	(3,000)	–
Loss on valuation of investments in securities (Note 5)	(8,005)	(233)	(96,272)
Special retirement benefits (Note 9)	(482)	(23)	(5,797)
Loss on impairment of fixed assets (Note 16)	(807)	(1,837)	(9,705)
Restructuring loss	(149)	(1,583)	(1,792)
Other, net	(400)	(833)	(4,811)
	(12,483)	(10,501)	(150,126)
Income before income taxes and minority interests	64,101	50,974	770,908
Income taxes (Note 10):			
Current	26,988	24,841	324,570
Deferred	(485)	(2,796)	(5,833)
	26,503	22,045	318,737
Net income before minority interests	37,598	28,929	452,171
Minority interests	(149)	(1,324)	(1,792)
Net income	¥ 37,747	¥ 30,253	$ 453,963

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	2011
Net income before minority interests	¥37,598	$452,171
Other comprehensive income (loss) (Note 18)		
Unrealized holding gains on securities	500	6,013
Deferred losses on hedges	(633)	(7,613)
Translation adjustments	(2,418)	(29,080)
Other comprehensive loss of equity method companies attributable to the Company	(40)	(481)
Total other comprehensive loss (Note 18)	(2,591)	(31,161)
Comprehensive income	¥35,007	$421,010
Comprehensive income (loss) attributable to:		
Shareholders of the Company	¥35,592	$428,046
Minority interests	¥ (585)	$ (7,036)

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, 2011 and 2010

	Number of shares of common stock (Thousands)	Millions of yen								
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding losses on securities	Deferred losses on hedges	Translation adjustments	Minority interests	Total net assets
Balance at March 31, 2009	561,417	¥50,000	¥451,186	¥164,712	¥(275)	¥(5,605)	¥ (747)	¥(6,809)	¥13,758	¥666,220
Net income for the year	–	–	–	30,253	–	–	–	–	–	30,253
Cash dividends	–	–	–	(15,712)	–	–	–	–	–	(15,712)
Increase in treasury stock	–	–	–	–	(21)	–	–	–	–	(21)
Change in scope of consolidation	–	–	–	99	–	–	–	–	–	99
Change in scope of equity method	–	–	–	57	–	–	–	–	–	57
Gain on sales of treasury stock	–	–	(1)	–	–	–	–	–	–	(1)
Decrease in treasury stock resulting from change in ownership of affiliates accounted for by the equity method	–	–	–	–	19	–	–	–	–	19
Net changes in items other than shareholders' equity	–	–	–	–	–	2,387	369	558	(7,415)	(4,101)
Balance at March 31, 2010	561,417	¥50,000	¥451,185	¥179,409	¥(277)	¥(3,218)	¥ (378)	¥(6,251)	¥ 6,343	¥676,813
Net income for the year	–	–	–	37,747	–	–	–	–	–	37,747
Cash dividends	–	–	–	(15,711)	–	–	–	–	–	(15,711)
Increase in treasury stock	–	–	–	–	(135)	–	–	–	–	(135)
Change in scope of equity method	–	–	–	(21)	–	–	–	–	–	(21)
Gain on sales of treasury stock	–	–	1	–	5	–	–	–	–	6
Net changes in items other than shareholders' equity	–	–	–	–	–	506	(632)	(2,029)	(585)	(2,740)
Balance at March 31, 2011	561,417	¥50,000	¥451,186	¥201,424	¥(407)	¥(2,712)	¥(1,010)	¥(8,280)	¥ 5,758	¥695,959

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding losses on securities	Deferred losses on hedges	Translation adjustments	Minority interests	Total net assets
Balance at March 31, 2010	$601,323	$5,426,158	$2,157,655	$(3,331)	$(38,701)	$ (4,546)	$(75,178)	$76,283	$8,139,663
Net income for the year	–	–	453,963	–	–	–	–	–	453,963
Cash dividends	–	–	(188,948)	–	–	–	–	–	(188,948)
Increase in treasury stock	–	–	–	(1,624)	–	–	–	–	(1,624)
Change in scope of equity method	–	–	(253)	–	–	–	–	–	(253)
Gain on sales of treasury stock	–	12	–	60	–	–	–	–	72
Net changes in items other than shareholders' equity	–	–	–	–	6,085	(7,601)	(24,401)	(7,035)	(32,952)
Balance at March 31, 2011	$601,323	$5,426,170	$2,422,417	$(4,895)	$(32,616)	$(12,147)	$(99,579)	$69,248	$8,369,921

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 64,101	¥ 50,974	$ 770,908
Adjustments for:			
Depreciation and amortization	12,432	13,291	149,513
Loss on impairment of fixed assets	807	1,837	9,705
Amortization of goodwill	10,149	10,137	122,057
Decrease in accrued retirement benefits for employees	(1,285)	(1,105)	(15,454)
Increase in prepaid pension expenses	(3,719)	(1,254)	(44,726)
Increase (decrease) in allowance for doubtful receivables	4	(18)	48
Decrease in reserve for HCV litigation	(6,062)	(9,311)	(72,904)
Increase in reserve for loss on disaster	1,531	–	18,413
Interest and dividend income	(2,342)	(2,515)	(28,166)
Interest expense	15	25	180
Loss on sales or disposal of fixed assets, net	309	312	3,716
Gain on sales of investments in securities	(144)	(85)	(1,732)
Loss on valuation of investments in securities	8,005	233	96,272
Equity in earnings of affiliates	(259)	(490)	(3,115)
Increase in notes and accounts receivable, trade	(2,566)	(3,108)	(30,860)
Increase in inventories	(4,772)	(4,960)	(57,390)
Increase in accounts payable, trade	2,489	1,213	29,934
(Decrease) increase in accounts payable, other	(2,123)	425	(25,532)
Other, net	2,151	(5,622)	25,868
Subtotal	78,721	49,979	946,735
Interest and dividends received	2,577	2,733	30,992
Interest paid	(14)	(26)	(168)
Subsidy received	–	400	–
Income taxes paid	(22,217)	(29,163)	(267,192)
Net cash provided by operating activities	59,067	23,923	710,367
Cash flows from investing activities:			
Purchases of marketable securities	(74,834)	(58,990)	(899,988)
Proceeds from sales and redemption of marketable securities	100,605	53,183	1,209,922
Increase in time deposits	(18,674)	(10,322)	(224,582)
Decrease in time deposits	17,739	1,565	213,337
Increase in long-term deposits	(548)	(636)	(6,590)
Decrease in long-term deposits	569	–	6,843
Purchases of property, plant and equipment	(7,954)	(8,248)	(95,658)
Proceeds from sales of property, plant and equipment	894	77	10,752
Purchases of intangible fixed assets	(754)	(1,070)	(9,068)
Purchases of investments in securities	(29,767)	(44,962)	(357,992)
Proceeds from sales and redemption of investments in securities	5,002	2,644	60,156
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation (Note 23)	–	511	–
Other, net	71	5,021	854
Net cash used in investing activities	(7,651)	(61,227)	(92,014)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	482	(398)	5,797
Repayments of long-term debt	(29)	(923)	(349)
Cash dividends paid	(15,711)	(15,712)	(188,948)
Other, net	(161)	(72)	(1,936)
Net cash used in financing activities	(15,419)	(17,105)	(185,436)
Effect of exchange rate changes on cash and cash equivalents	(1,139)	274	(13,699)
Net increase (decrease) in cash and cash equivalents	34,858	(54,135)	419,218
Cash and cash equivalents at beginning of the year	62,958	116,903	757,162
Increase in cash and cash equivalents resulting from merger with an unconsolidated subsidiary	5	190	60
Increase in cash and cash equivalents resulting from inclusion of a consolidated subsidiary	59	–	710
Cash and cash equivalents at end of the year (Note 3)	¥ 97,880	¥ 62,958	$1,177,150

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries

1 Basis of Preparation of Consolidated Financial Statements

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

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

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2010 to the 2011 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, 2011, which was ¥83.15 to U.S.$1. This translation of convenience should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2 Summary of Significant Accounting Policies

(1) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 28 and 27 significant consolidated subsidiaries for the years ended March 31, 2011 and 2010, respectively.

On April 1, 2010, Guangdong Tanabe Pharmaceutical Co., Ltd., which had been an unconsolidated subsidiary accounted for by the equity method, was removed from the scope of equity method application and included in the scope of consolidation to reflect its increased significance.

The Company applied the equity method to 2 unconsolidated subsidiaries, including Choseido Pharmaceutical Co., Ltd., and 2 affiliates, including API Corporation, for the year ended March 31, 2011, and 4 unconsolidated subsidiaries and 3 affiliates for the year ended March 31, 2010.

On April 1, 2010, Koei Shoji Co., Ltd. was liquidated as the result of an absorption-type merger with the Company's consolidated subsidiary, Tanabe Total Service Co., Ltd., and was therefore removed from the scope of equity method application.

On October 1, 2010, the Company sold a portion of its shareholding in Sun Chemical Co., Ltd. and, as a result, Sun Chemical Co., Ltd. ceased to be an affiliated company and was therefore removed from the scope of equity method application.

Tanabe Seiyaku Malaysia, an unconsolidated subsidiary, and Arkema Yoshitomi, Ltd., an affiliated company, are not accounted for by the equity method because the net income and retained earnings of these companies are insignificant.

Nineteen and eighteen overseas consolidated subsidiaries have fiscal years ending on December 31 for the years ended March 31, 2011 and 2010, respectively. 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 March 31.

Goodwill resulting from the difference between the cost and underlying net equity of investments in consolidated subsidiaries and affiliates accounted for by 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, 2010, the Company adopted the following accounting standards: "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No.21 issued on December 26, 2008); the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on December 26, 2008); the "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23 issued on December 26, 2008); the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 (Revised 2008) issued on December 26, 2008); the "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 (Revised 2008) issued on December 26, 2008), and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 (Revised 2008) issued on December 26, 2008), which is applicable for corporate mergers, splits and others, etc., conducted since April 1, 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 accompanying consolidated balance sheets.

(3) Cash and Cash Equivalents

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

(4) Allowance for Doubtful Receivables

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

(5) Marketable Securities and Investments in Securities

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

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

(6) Inventories

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

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

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

(Change in accounting policy)

Effective April 1, 2010, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008).

The effect of this change on the consolidated statement of income for the year ended March 31, 2011 was immaterial.

(8) Intangible Fixed Assets (excluding leased assets)

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

(9) Leased Equipment

Leased equipment arising from finance lease transactions which do not transfer ownership to the lessee are 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.

(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 Disaster

The Company and certain consolidated subsidiaries have recorded a reserve for loss on disaster at the amount estimated to provide for necessary expenditures resulting from the Great East Japan Earthquake, such as restoration of fixed assets.

(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.

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

On April 1, 2009, the Company integrated the retirement benefit system used by the former Tanabe Seiyaku Co., Ltd. with the retirement benefit system used by the former Mitsubishi Pharma Corporation. Actuarial gain or loss incurred up to the year ended March 31, 2009, on the former Tanabe Seiyaku Co., Ltd. and the former Mitsubishi Pharma Corporation pensions is being amortized beginning in the year following the year in which the gain or loss was recognized by the straight-line method over periods of 13 years for the former Tanabe Seiyaku Co., Ltd. and 5 years for the former Mitsubishi Pharma Corporation, respectively.

(Change in accounting policy)

Effective the year ended March 31, 2010, the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No.19 issued on July 31, 2008) has been applied. There was no impact on the consolidated statement of income for the year ended March 31, 2010.

(14) Accrued Retirement Benefits for Directors and Corporate Auditors

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, the estimated amount of payments to be made to existing plaintiffs of HIV lawsuits as of March 31, 2011 and to future plaintiffs, as patients infected with HIV through the use of antihemophilic preparations (non-heat-treated concentrated preparations), calculated with reference to settlement outcomes up to March 31, 2011.

(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" ("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.

(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 gains or losses on hedges in a separate component of accumulated other comprehensive income (loss).

(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 taxation system.

3 Cash and Time Deposits

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2011 and 2010 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
	2011	2010	2011
Cash and time deposits	¥ 27,409	¥ 22,792	$ 329,633
Time deposits maturing after three months	(11,540)	(9,550)	(138,785)
Marketable securities maturing within three months	25,497	3,100	306,639
Cash equivalents included in short-term loans	159	346	1,912
Cash equivalents included in deposits	56,355	46,270	677,751
Cash and cash equivalents	¥ 97,880	¥ 62,958	$1,177,150

4 Financial Instruments

Overview

(1) Policy for Financial Instruments

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

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

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

(2) Types of Financial Instruments and Related Risk

Notes and accounts receivable, trade, are amounts owed to the Company, and are subject to the credit risk of customers. Marketable securities and investments in securities are mainly Japanese government bonds, bonds to be held to maturity, or shares of counterparty companies in operational or capital alliances, and are subject to risk from market price fluctuations.

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

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

(3) Risk Management for Financial Instruments

(a) Monitoring of credit risk

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

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

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

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

(b) Monitoring of market risks

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

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

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

(c) Monitoring of liquidity risk

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

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

The market value of financial instruments is based on the market price, and when no market price exists, a rationally calculated amount is used. These calculations include variable factors, so the resulting amount may fluctuate if different underlying assumptions are applied. The notional amounts shown in Note 21 "Derivative and Hedging Transactions" do not represent the amounts of their market risk.

Estimated fair value of financial instruments

The amounts recorded in the consolidated balance sheets, market values and resulting differences as of March 31, 2011 and 2010, are as follows. Financial instruments for which market value is deemed extremely difficult to determine are not included.

Millions of yen

	2011		
	Carrying amount	Market value	Difference
Assets:			
Cash and time deposits	¥ 27,409	¥ 27,409	¥ –
Notes and accounts receivable, trade	128,375	128,375	–
Marketable securities and investments in securities	199,005	196,896	(2,109)
Deposits included in other current assets	56,356	56,356	–
Total assets	¥411,145	¥409,036	¥(2,109)
Liabilities:			
Accounts payable, trade	29,617	29,617	–
Short-term debt	2,891	2,891	–
Total liabilities	¥ 32,508	¥ 32,508	¥ –
Derivative transactions	¥ (1,702)	¥ (1,702)	¥ –

Millions of yen

	2010		
	Carrying amount	Market value	Difference
Assets:			
Cash and time deposits	¥ 22,792	¥ 22,792	¥ –
Notes and accounts receivable, trade	126,227	126,227	–
Marketable securities and investments in securities	184,349	182,469	(1,880)
Deposits included in other current assets	46,271	46,271	–
Short-term loans	426	426	–
Total assets	¥380,065	¥378,185	¥ (1,880)
Liabilities:			
Accounts payable, trade	27,557	27,557	–
Short-term debt	2,440	2,440	–
Total liabilities	¥ 29,997	¥ 29,997	¥ –
Derivative transactions	¥ (638)	¥ (638)	¥ –

	Thousands of U.S. dollars		
	2011		
	Carrying amount	Market value	Difference
Assets:			
Cash and time deposits	$ 329,633	$ 329,633	$ –
Notes and accounts receivable, trade	1,543,897	1,543,897	–
Marketable securities and investments in securities	2,393,325	2,367,961	(25,364)
Deposits included in other current assets	677,763	677,763	–
Total assets	$4,944,618	$4,919,254	$(25,364)
Liabilities:			
Accounts payable, trade	356,188	356,188	–
Short-term debt	34,768	34,768	–
Total liabilities	$ 390,956	$ 390,956	$ –
Derivative transactions	$ (20,469)	$ (20,469)	$ –

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

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

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

Financial instruments for which it is deemed extremely difficult to determine the market value at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Carrying amount		
	2011	2010	2011
Unlisted and unquoted stocks	¥12,477	¥13,505	$150,054
Investment limited partnerships	908	1,005	10,920

Scheduled redemption amounts after the end of the fiscal years ended March 31, 2011 and 2010 for monetary claims and marketable securities with maturities are as follows:

	Millions of yen			
	2011			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Time deposits	¥ 27,399	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	128,375	–	–	–
Marketable securities and investments in securities:				
Held-to-maturity debt securities:				
Bonds	490	–	2,018	–
Other	4,582	4,509	2,518	10,000
Available-for-sale securities with maturities:				
Bonds	28,585	61,841	–	–
Other	55,547	–	–	–
Deposits	56,356	–	–	–
Total	¥301,334	¥66,350	¥4,536	¥10,000

	Millions of yen			
	2010			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	¥ 22,792	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	126,227	–	–	–
Marketable securities and investments in securities:				
Held-to-maturity debt securities:				
Bonds	1,078	–	2,285	–
Other	1,524	1,909	2,034	13,000
Available-for-sale securities with maturities:				
Bonds	27,116	67,641	–	–
Other	32,587	–	–	–
Deposits	46,271	–	–	–
Short-term loans	426	–	–	–
Total	¥258,021	¥69,550	¥4,319	¥13,000

Thousands of U.S. dollars

	2011			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Time deposits	$ 329,513	$ –	$ –	$ –
Notes and accounts receivable, trade	1,543,897	–	–	–
Marketable securities and investments in securities:				
Held-to-maturity debt securities:				
Bonds	5,893	–	24,269	–
Other	55,105	54,228	30,283	120,265
Available-for-sale securities with maturities:				
Bonds	343,776	743,728	–	–
Other	668,034	–	–	–
Deposits	677,763	–	–	–
Total	$3,623,981	$797,956	$54,552	$120,265

(Supplementary information)

The "Accounting Standard for Financial Instruments" (ASBJ Statement No.10; issued on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19; issued on March 10, 2008) were applied from the fiscal year ended March 31, 2010.

5 Marketable Securities and Investments in Securities

Held-to-maturity debt securities with available market value at March 31, 2011 and 2010 are as follows:

Millions of yen

	Held-to-maturity debt securities					
	2011			2010		
	Carrying amount	Market value	Unrealized gain (loss)	Carrying amount	Market value	Unrealized gain (loss)
Securities with market value exceeding carrying amount:						
Bonds	¥ 6,935	¥ 7,179	¥ 244	¥ 4,363	¥ 4,526	¥ 163
Securities with market value not exceeding carrying amount:						
Bonds	17,182	14,829	(2,353)	17,467	15,424	(2,043)
Total	¥24,117	¥22,008	¥(2,109)	¥21,830	¥19,950	¥(1,880)

Thousands of U.S. dollars

	Held-to-maturity debt securities		
	2011		
	Carrying amount	Market value	Unrealized gain (loss)
Securities with market value exceeding carrying amount:			
Bonds	$ 83,403	$ 86,337	$ 2,934
Securities with market value not exceeding carrying amount:			
Bonds	206,639	178,341	(28,298)
Total	$290,042	$264,678	$(25,364)

Available-for-sale securities with available market value at March 31, 2011 and 2010 are as follows:

Millions of yen

	Available-for-sale securities with available market value					
	2011			2010		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Securities with carrying amount exceeding acquisition cost:						
Stocks	¥ 3,023	¥ 5,097	¥ 2,074	¥ 7,090	¥ 10,104	¥ 3,014
Bonds	70,345	70,915	570	71,484	72,283	799
Subtotal	73,368	76,012	2,644	78,574	82,387	3,813
Securities with carrying amount not exceeding acquisition cost:						
Stocks	30,165	23,818	(6,347)	33,516	25,071	(8,445)
Bonds	19,517	19,511	(6)	22,544	22,474	(70)
Other	55,547	55,547	–	32,587	32,587	–
Subtotal	105,229	98,876	(6,353)	88,647	80,132	(8,515)
Total	¥178,597	¥174,888	¥(3,709)	¥167,221	¥162,519	¥(4,702)

Thousands of U.S. dollars

	Available-for-sale securities with available market value		
	2011		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Securities with carrying amount exceeding acquisition cost:			
Stocks	$ 36,356	$ 61,299	$ 24,943
Bonds	846,001	852,856	6,855
Subtotal	882,357	914,155	31,798
Securities with carrying amount not exceeding acquisition cost:			
Stocks	362,778	286,446	(76,332)
Bonds	234,720	234,648	(72)
Other	668,034	668,034	–
Subtotal	1,265,532	1,189,128	(76,404)
Total	$2,147,889	$2,103,283	$(44,606)

Impairment losses on available-for-sale securities amounting to ¥8,005 million ($96,272 thousand), and ¥233 million were recorded for the years ended March 31, 2010 and 2009, respectively.

Held-to-maturity debt securities sold during the year ended March 31, 2010 is as follows:

Millions of yen

Held-to-maturity debt securities sold		
2010		
Cost of securities sold	Proceeds	Gain (loss) on sale
¥2,500	¥2,500	¥–

Available-for-sale securities sold during the years ended March 31, 2011 and 2010 are as follows:

Millions of yen

	Available-for-sale securities sold					
	2011			2010		
	Proceeds	Gain on sale	Loss on sale	Proceeds	Gain on sale	Loss on sale
Stocks	¥452	¥135	¥64	¥657	¥ 99	¥14
Other	50	9	–	240	5	–
Total	¥502	¥144	¥64	¥897	¥104	¥14

Thousands of U.S. dollars

	Available-for-sale securities sold		
	2011		
	Proceeds	Gain on sale	Loss on sale
Stocks	$5,436	$1,624	$770
Other	601	108	–
Total	$6,037	$1,732	$770

Available-for-sale securities with maturities redeemed during the year ended March 31, 2010 is as follows:

	Millions of yen		
	Available-for-sale securities with maturities redeemed		
	2010		
	Proceeds	Gain on redemption	Loss on redemption
Bonds	¥21,000	¥16	¥31
Other	31,981	–	–
Total	¥52,981	¥16	¥31

6 Inventories

Inventories at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Finished goods and merchandise	¥57,173	¥52,774	$687,589
Semi-finished products and work-in-process	1,417	1,298	17,041
Raw materials and supplies	19,112	19,094	229,850
Total	¥77,702	¥73,166	$934,480

7 Short-Term Debt and Long-Term Debt

The annual weighted average interest rates on bank debt at March 31, 2011 and 2010 are as follows:

	2011	2010
Short-term debt	0.41%	0.65%
Current portion of long-term debt	–	0.70%

Long-term debt at March 31, 2010 consisted of the following:

	Millions of yen
	2010
Debt from banks, insurance companies and other financial institutions	¥ 30
Less current maturities	(30)
Total	¥ –

8 Lease Obligations

The aggregate annual maturities of lease obligations recorded as other current liabilities and other liabilities subsequent to March 31, 2011 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥11	$133
2013	10	120
2014	8	96
2015	5	60
2016	3	36
Total	¥37	$445

9 Accrued Retirement Benefits

Up to March 31, 2009, the Company and certain domestic consolidated subsidiaries had different retirement benefit plans with respect to the employees of the former Tanabe Seiyaku Co., Ltd. and those of the former Mitsubishi Pharma Corporation.

The Company made a decision to merge the former Tanabe Seiyaku Co., Ltd. plans and the former Mitsubishi Pharma Corporation plans, 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. The transfer was implemented, except for a qualified pension system (closed-type), effective April 1, 2009. This transfer is accounted for in accordance with "Guidance on Accounting for Transfers between Retirement Benefits Plans" (ASBJ Guidance No.1 issued on January 31, 2002).

As of March 31, 2011, the Company and certain domestic consolidated subsidiaries have a system with a choice between a defined contribution plan and a prepaid plan; a system with a choice between a cash balance plan and a prepaid plan; a qualified pension system; and a lump-sum payment system.

In addition to the retirement benefit plans described above, the Company pays additional retirement benefits under certain conditions. The liability under these plans is partially funded by contributions to pension fund trusts.

Certain consolidated subsidiaries have joined comprehensive, multiple employer welfare 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, 2011 and 2010 for the Group's defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Retirement benefit obligation	**¥(142,177)**	¥(142,990)	**$(1,709,885)**
Fair value of pension assets	**138,610**	139,227	**1,666,987**
Unfunded retirement benefit obligation	**(3,567)**	(3,763)	**(42,898)**
Unrecognized actuarial loss	**33,817**	29,272	**406,699**
Unrecognized prior service cost	**(1,654)**	(1,938)	**(19,892)**
Net amount recognized in the consolidated balance sheets	**28,596**	23,571	**343,909**
Prepaid pension expenses	**40,449**	36,730	**486,459**
Accrued retirement benefits	**¥ (11,853)**	¥ (13,159)	**$ (142,550)**

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥ 2,235**	¥ 2,393	**$ 26,879**
Interest cost	**3,567**	3,577	**42,898**
Expected return on plan assets	**(3,475)**	(2,658)	**(41,792)**
Amortization of actuarial loss	**4,039**	5,002	**48,575**
Amortization of prior service cost	**(217)**	(217)	**(2,609)**
Contributions to multiple employer welfare pension plans	**8**	9	**96**
Retirement benefit expenses	**¥ 6,157**	¥ 8,106	**$ 74,047**
Other	**870**	723	**10,463**
Total retirement benefit expenses	**¥ 7,027**	¥ 8,829	**$ 84,510**

In addition to the retirement benefit expenses listed above, additional retirement allowances totaling ¥482 million ($5,797 thousand) and ¥23 million were recognized and accounted for as special retirement benefits for the years ended March 31, 2011 and 2010, respectively.

"Other" in the above table represents contributions to defined contribution pension plans.

The assumptions used in accounting for the above defined benefit pension plans for the years ended March 31, 2011 and 2010 are as follows:

	2011	2010
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**2.5%**	2.5%

The funded status related to the multiple employer welfare pension plans for the years ended March 31, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Pension assets	**¥ 254,274**	¥ 217,352	**$ 3,058,016**
Benefit obligations calculated under pension financing	**365,248**	388,740	**4,392,640**
Unfunded obligations	**¥(110,974)**	¥(171,388)	**$(1,334,624)**

The Group's overall contributions to the plan were 0.15% and 0.16% as of March 31, 2011 and 2010, respectively.

This percentage is not the same as the Group's actual percentage of obligations.

The above information on funded status and the Group's contribution percentage were as of March 31, 2010 and 2009, the most recent valuation date.

10 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, 2011 and 2010.

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, 2011 and 2010 differ from the above statutory tax rate for the following reasons:

	2011	2010
Statutory tax rate	40.6%	40.6%
Adjustments:		
Amortization of goodwill	6.3	8.0
Non-deductible expenses	2.7	3.8
Non-taxable dividend income, etc.	(2.0)	(2.3)
Elimination of dividends upon consolidation	1.7	2.0
Adjustment for per capita inhabitant taxes	0.2	0.2
Special deduction for R&D expenses	(7.7)	(10.7)
Valuation allowance	0.1	2.4
Other	(0.6)	(0.8)
Effective tax rates	41.3%	43.2%

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Reserve for employees' bonuses	¥ 4,539	¥ 4,403	$ 54,588
Enterprise taxes	1,382	1,151	16,621
Loss on devaluation of inventories	2,121	2,680	25,508
Unrealized gain on inventories	2,220	2,137	26,699
Accrued retirement benefits for employees	201	173	2,417
Reserve for health management allowances for SMON compensation	500	671	6,013
Reserve for health management allowances for HIV compensation	614	660	7,384
Reserve for HCV litigation	1,878	4,339	22,586
Loss on devaluation of investments in securities	110	173	1,323
Excess amortization of long-term prepaid expenses	4,726	5,819	56,837
Prepaid research and development expenses	12,718	10,808	152,952
Net operating loss carryforward	17,943	20,217	215,791
Excess depreciation	1,697	1,968	20,409
Loss on impairment of fixed assets	1,464	1,388	17,607
Other	3,360	2,272	40,409
Gross deferred tax assets	55,473	58,859	667,144
Valuation allowance	(18,320)	(21,060)	(200,325)
Total deferred tax assets	37,153	37,799	446,819
Deferred tax liabilities:			
Prepaid pension expenses	(4,295)	(2,322)	(51,654)
Unrealized holding gains on securities	(5,057)	(7,752)	(60,818)
Deferred capital gain on property	(1,834)	(1,972)	(22,057)
Reserve for special depreciation	(1)	(1)	(12)
Unrealized holding gain on land	(10,888)	(11,147)	(130,944)
Other	(188)	(178)	(2,260)
Total deferred tax liabilities	(22,263)	(23,372)	(267,745)
Net deferred tax assets	¥ 14,890	¥ 14,427	$ 179,074

11 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, 2011 and 2010 are summarized as follows:

Thousands of shares

	2011			
	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	**256**	**101**	**4**	**353**

Thousands of shares

	2010			
	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	252	19	14	256

12 Contingent Liabilities

The Company and consolidated subsidiaries had the following contingent liabilities at March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Debt guaranteed:			
Employees' housing loans from banks	**¥ 97**	¥ 121	**$ 1,167**
Bank loans to Choseido Pharmaceutical Co., Ltd.	**3,174**	3,834	**38,172**

13 Deposits Included in Other Current Assets

During the year ended March 31, 2010, deposits representing monies deposited in connection with the cash management system ("CMS"), which is used to centrally manage funds, increased based on a change in the CMS contract from a revolving loan contract to a monetary deposit contract.

14 Research and Development Expenses

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

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were ¥65,784 million ($791,149 thousand) and ¥83,081 million, respectively.

15 Loss Related to Business Suspension

Loss related to business suspension was recorded mainly in relation to the suspension of manufacturing for recombinant human serum albumin preparation, "Medway Injection."

16 Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries group their assets in association with their business and production process. Idle assets which are not anticipated to be utilized in the future and leased property are classified as individual cash-generating units. 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, 2011, 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 ¥807 million ($9,705 thousand) was recorded as loss on impairment of fixed assets. The impairment loss on primary fixed assets is summarized as follows:

Location	Major use	Classification	Millions of yen	Thousands of U.S. dollars
Mitsubishi Tanabe Pharma Kyushu Branch (Hakata-ku, Fukuoka City)	Sales operations	Land and buildings	¥227	$2,730
Mitsubishi Tanabe Pharma Yokohama Office (Aoba-ku, Yokohama City)	Research facility	Buildings and structures	131	1,575
Mitsubishi Tanabe Pharma Toyonaka Parking Lot (Toyonaka City, Osaka)	Leasing	Land	256	3,079

In connection with the relocation of the Company's Kyushu Branch, the former building became an idle asset. In addition, in connection with the completion of the new building for the Medicinal Chemistry Laboratory, the former research laboratory on the premises of the Yokohama Office became an idle asset. The future cash flows of the Toyonaka Parking lot is below its book value due to the decline of its profitability. The book value of the above assets was reduced to its recoverable amount accordingly.

For the year ended March 31, 2010, the book value of the impaired fixed assets, which primarily includes idle assets, was reduced to the recoverable amount, and the amount of the reduction of ¥1,837 million was recorded as loss on impairment of fixed assets. The impairment loss on primary fixed assets is summarized as follows:

Location	Major use	Classification	Millions of yen
Mitsubishi Tanabe Pharma Head Office (Chuo-ku, Osaka)	Administrative and sales operations	Buildings and structures	¥350
Mitsubishi Tanabe Pharma Awaji-machi Office (Chuo-ku, Osaka)	Administrative and sales operations	Land, buildings and structures	983
Mitsubishi Tanabe Pharma No.3 Hirano-machi Building (Chuo-ku, Osaka)	Administrative and sales operations	Land, buildings and structures	404
Mitsubishi Tanabe Pharma No.4 Hirano-machi Building (Chuo-ku, Osaka)	Administrative and sales operations	Land and buildings	85

The Company integrated its head office functions during the year ended March 31, 2010, and in connection with this integration, the buildings listed above became idle assets. The book value of the assets was reduced to its recoverable amount.

The recoverable amounts of these assets are measured at their net selling values. The net selling value is based on reasonable estimates made with reference to the officially published prices.

17 Loss on Disaster

In connection with the impact of the Great East Japan Earthquake, the Group recorded a loss on disaster consisting of losses on inventories, expenses for supporting the restoration of third-party wholesalers, fixed costs during the period in which operations of certain consolidated subsidiaries were shut down, and a reserve for loss on disaster.

18 Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2010.

	Millions of yen
	2010
Unrealized holding gains on securities	¥ 2,381
Deferred gains on hedges	369
Translation adjustments	618
Other comprehensive income of equity method companies attributable to the Company	4
Other comprehensive income	¥ 3,372
Total comprehensive income (loss) attributable to:	
Shareholders of the Company	¥33,567
Minority interests	¥ (1,266)

(Supplementary information)
Effective the year ended March 31, 2011, the Group adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25 issued on June 30, 2010). In connection with the application of this standard, the amounts of "Accumulated other comprehensive loss" and "Total accumulated other comprehensive loss" shown in the accompanying consolidated balance sheet as of March 31, 2010 had previously been stated as "Valuation and translation adjustments" and "Total valuation and translation adjustments," respectively, in the prior year consolidated balance sheet as of March 31, 2010.

19 Related Party Transaction

Principal transactions between the Company and a related party for the years ended March 31, 2011 and 2010 are summarized as follows:
[Transactions with MCFA Inc.]

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deposits	¥17,384	¥14,269	$209,068
Interest income	184	269	2,213

MCFA Inc. is a fellow subsidiary of the Company whose parent company is Mitsubishi Chemical Holdings Corporation.

The balances due to MCFA Inc. at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due to MCFA Inc.	¥56,355	¥46,270	$677,751

20 Leases

The following pro forma amounts represent the acquisition cost, accumulated depreciation and net book value of property leased to the Company and its consolidated subsidiaries at March 31, 2011 and 2010, 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 consolidated subsidiaries, that started on or before March 31, 2008 (which are currently accounted for as operating leases) had been capitalized:

Millions of yen

	2011			2010		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Category of leased property:						
Machinery	¥ 80	¥ 72	¥ 8	¥ 187	¥157	¥ 30
Tools and equipment	657	540	117	1,009	727	282
Other	–	–	–	44	39	5
Total	¥737	¥612	¥125	¥1,240	¥923	¥317

Thousands of U.S. dollars

	2011		
	Acquisition cost	Accumulated depreciation	Net book value
Category of leased property:			
Machinery	$ 962	$ 866	$ 96
Tools and equipment	7,901	6,494	1,407
Total	$8,863	$7,360	$1,503

Lease payments of the Company and its consolidated subsidiaries relating to finance leases accounted for as operating leases amounted to ¥177 million ($2,129 thousand) and ¥273 million for the years ended March 31, 2011 and 2010, respectively. Depreciation on these leased assets calculated by the straight-line method would have amounted to ¥177 million ($2,129 thousand) and ¥273 million for the years ended March 31, 2011 and 2010, 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, 2011 under finance leases, other than those which transfer the ownership of the leased property to the Company or its consolidated subsidiaries, that started on or before March 31, 2008 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 86	$1,034
2013 and thereafter	39	469
	¥125	$1,503

Future minimum payments subsequent to March 31, 2011 under non-cancelable operating leases are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥1,016	$12,219
2013 and thereafter	1,723	20,721
	¥2,739	$32,940

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

The notional amounts and estimated fair value on the outstanding derivatives positions for which hedge accounting has been applied at March 31, 2011 and 2010 are as follows:

Millions of yen

	2011		
	Notional amounts	Over one year	Estimated fair value
Forward foreign exchange contracts:			
Buying:			
USD, accounts payable–trade	**¥28,146**	**¥13,454**	**¥(1,656)**
EUR, accounts payable–other	**106**	**–**	**2**
GBP, accounts payable–other	**603**	**–**	**10**
Currency option contracts:			
Selling:			
USD, accounts payable–trade	**8,972**	**8,972**	**2**
Buying:			
USD, accounts payable–trade	**8,972**	**8,972**	**(60)**
Total			**¥(1,702)**

Millions of yen

	2010		
	Notional amounts	Over one year	Estimated fair value
Forward foreign exchange contracts:			
Buying:			
USD, accounts payable–trade	¥24,706	¥11,629	¥(558)
EUR, accounts payable–other	592	–	7
GBP, accounts payable–other	622	–	9
Currency option contracts:			
Selling:			
USD, accounts payable–trade	9,779	9,779	(33)
Buying:			
USD, accounts payable–trade	9,779	9,779	(63)
Total			¥(638)

Thousands of U.S. dollars

	2011		
	Notional amounts	Over one year	Estimated fair value
Forward foreign exchange contracts:			
Buying:			
USD, accounts payable–trade	**$338,497**	**$161,804**	**$(19,916)**
EUR, accounts payable–other	**1,275**	**–**	**24**
GBP, accounts payable–other	**7,252**	**–**	**120**
Currency option contracts:			
Selling:			
USD, accounts payable–trade	**107,901**	**107,901**	**24**
Buying:			
USD, accounts payable–trade	**107,901**	**107,901**	**(721)**
Total			**$(20,469)**

22 Amounts per Share

Amounts per share as of and for the years ended March 31, 2011 and 2010 are as follows:

	Yen		U.S. dollars
	2011	2010	2011
Net income	¥ 67.27	¥ 53.91	$ 0.81
Cash dividends	28.00	28.00	0.34
Net assets	1,230.16	1,194.79	14.79

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.

23 Supplementary Cash Flow Information

On April 1, 2009, the Company sold a portion of its shareholding in API Corporation, and as a result, API Corporation became an affiliated company and was included in the scope of equity method application. The following table summarizes the assets and liabilities, the profit on the sale of a portion of its shareholding in API Corporation and the cash and cash equivalents at the time of sale.

	Millions of yen
	2010
Current assets	¥10,355
Non-current assets	4,259
Current liabilities	(7,819)
Non-current liabilities	(1,753)
Minority interests	(4,522)
Profit on sale of a portion of its shareholding in API Corporation	71
Sales amounts of the shareholding	591
Cash and cash equivalents	(80)
Net proceeds from sales of shareholding	¥ 511

On April 1, 2009, Chosei Yakuhin Co., Ltd., which had been accounted for by the equity method, was liquidated as the result of an absorption-type merger with the Company's consolidated subsidiary, Tanabe Seiyaku Hanbai Co., Ltd., and was therefore removed from the scope of equity method application. The following table summarizes the assets and liabilities assumed by Tanabe Seiyaku Hanbai Co., Ltd. as of the date of merger.

	Millions of yen
	2010
Current assets	¥1,832
Non-current assets	125
Total assets	¥1,957
Current liabilities	¥1,455
Non-current liabilities	1,007
Total liabilities	¥2,462

24 Segment Information

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

In the Pharmaceuticals segment, the Company and consolidated subsidiaries operate business activities related to ethical drugs and over-the-counter ("OTC") drugs in Japan and overseas.

As the Pharmaceuticals segment is the only reportable segment, the disclosure of segment information, such as calculation method of net sales, profit or loss, assets, liabilities and other items by reportable segment; information regarding amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment; differences between totals for reportable segments and amounts presented in consolidated financial statements and major details about such differences; information regarding impairment losses on fixed assets by reportable segment; and information regarding amount of amortization of goodwill and unamortized balance by reportable segment, for the year ended March 31, 2011 has been omitted.

As sales of products and services to external customers in a single segment account for more than 90% of net sales in the consolidated statements of income, the disclosure of the information by product and service for the year ended March 31, 2011 has been omitted.

As sales of products and services to external customers in Japan account for more than 90% of net sales in the consolidated statements of income, the disclosure of net sales by region for the year ended March 31, 2011 has been omitted.

As the amount of property, plant and equipment located in Japan accounts for more than 90% of property, plant and equipment in the consolidated balance sheets, the disclosure of property, plant and equipment by region for the year ended March 31, 2011 has been omitted.

The following table summarizes the information by major customers for the year ended March 31, 2011:

	Millions of yen	Thousands of U.S. dollars	
Customer name	Net sales		Related segment
SUZUKEN CO., LTD.	**¥72,453**	**$871,353**	Pharmaceuticals
Toho Pharmaceutical Co., Ltd.	**67,643**	**813,506**	Pharmaceuticals
MEDICEO CORPORATION	**58,570**	**704,390**	Pharmaceuticals
Alfresa Corporation	**56,377**	**678,016**	Pharmaceuticals

As more than 90% of consolidated net sales and operating income for the year ended March 31, 2010, and total assets at March 31, 2010 were made or held in the Pharmaceuticals segment, the disclosure of business segment information for the year then ended has been omitted.

As more than 90% of consolidated net sales for the year ended March 31, 2010, and total assets at March 31, 2010 are made or held in Japan, the disclosure of geographical segment information for the year then ended has been omitted.

As more than 90% of consolidated net sales for the year ended March 31, 2010 are made in Japan, the disclosure of overseas sales information for the year then ended has been omitted.

(Supplementary information)

Effective April 1, 2010, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 issued on March 21, 2008).

25 Business Combination

Transactions under common control

During the year ended March 31, 2010, a merger has been carried out between a wholly-owned subsidiary of the Company, Mitsubishi Tanabe Pharma Factory Ltd., as the inheriting entity and the Company, as the divesting entity.

The Company undertook corporate divestitures of its Kashima Plant effective April 1, 2009, and its Osaka Plant effective October 1, 2009, and integrated these factories into Mitsubishi Tanabe Pharma Factory Ltd. to construct a production system that can appropriately handle environmental changes and optimize production bases. With these integrations, Mitsubishi Tanabe Pharma Factory Ltd. would work toward the further improvement of quality and productivity based on a high level of specialization and technological capabilities as the drug manufacturing company of the Mitsubishi Tanabe Pharma Group, which has global operations.

This merger was treated as a transaction under common control under "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 issued on December 26, 2008).

The Company invested ¥3,502 million in Mitsubishi Tanabe Pharma Factory Ltd. as part of the divestiture of the Kashima Plant as of March 31, 2009.

The following table summarizes the acquisition cost:

	Millions of yen
Current assets	¥2,791
Fixed assets	1,748
Total assets	¥4,539
Current liabilities	¥1,037
Total liabilities	¥1,037

The Company also invested ¥3,000 million in Mitsubishi Tanabe Pharma Factory Ltd. as part of the divestiture of the Osaka Plant as of September 30, 2009.

The following table summarizes the acquisition cost:

	Millions of yen
Current assets	¥3,706
Fixed assets	200
Total assets	¥3,906
Current liabilities	¥ 901
Long-term liabilities	5
Total liabilities	¥ 906

Upon the corporate divestiture, Mitsubishi Tanabe Pharma Factory Ltd. issued one share of common stock and assigned it to the Company.

26 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 the plaintiffs claiming to have been infected with HIV (human immunodeficiency virus) through use of non-heat-treated concentrated preparations.

During the period from the first settlement relating to the lawsuits, which was agreed to on March 29, 1996, to March 31, 2011, settlements were reached with 1,379 plaintiffs. Subsequently, on April 15, 2011, settlements were reached with three additional plaintiffs, and, on May 16, 2011, a settlement was reached with one additional plaintiff. As a result, settlements have been reached with 1,383 plaintiffs in total.

The court action has essentially terminated.

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. In September 2010, a settlement was reached with more than 95% of over 2,650 plaintiffs, and as a result the majority of this lawsuit has been concluded.

In regard to this lawsuit, Alpha Therapeutic Corporation has product liability insurance, and negotiations for insurance coverage 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, to resolve these lawsuits, 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"). Subsequently, on September 28, 2008, a "basic agreement" for the conclusion of the court action was signed with the nationwide plaintiff group.

After the Relief Law was put into effect, in accordance with the procedures determined by the law, patients filed a lawsuit against the government and established their eligibility for relief. Subsequently, a settlement with the government was reached, and the relief for the patients was provided through the payment of benefits.

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 in the future.

Court action regarding average wholesale prices

In the United States, the federal government and certain state governments, etc., have filed claims for damages against multiple pharmaceutical companies including the Company's wholly owned subsidiary Alpha Therapeutic Corporation, alleging that the reported average wholesale prices ("AWP") higher than actual sales prices resulted in overpayment as compared to the amounts which would have been paid under public reimbursement systems. These suits are currently pending. In certain of the AWP lawsuits, settlements have been reached with the plaintiffs.

27 Subsequent Events

(1) At the annual general shareholders' meeting held on June 22, 2011, the shareholders approved a resolution for the distribution of cash dividends amounting to ¥7,854 million ($94,456 thousand), which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011. Such distributions are recognized in the period in which they are approved by the shareholders.

(2) On June 17, 2011, the Company concluded a basic agreement with the Japanese Red Cross Society regarding the commencement of discussions about an integration of their respective plasma fractionation operations in accordance with a resolution of the Company's Board of Directors held on the same day.

This integration would entail the combination of Benesis Corporation, a wholly owned subsidiary of the Company, which is engaged in the production and sale of plasma fractionation products, and the plasma fractionation operations of the Japanese Red Cross Society, by a target date of April 1, 2012.

The new corporation, formed through the integration of the two operations, will be intended to provide sustained, stable plasma fractionation operations in Japan through economies of scale. It will be a non-profit organization that works to enhance the public welfare by achieving national self-sufficiency in blood products.

It is anticipated that the integration will be carried out through a contribution in kind or operations transfer of the respective plasma fractionation operations of both organizations.

Report of Independent Auditors

The Board of Directors
Mitsubishi Tanabe Pharma Corporation

We have audited the accompanying consolidated balance sheets of Mitsubishi Tanabe Pharma Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, 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 audits provide 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years 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, 2011 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 21, 2011

Group Companies

As of March 31, 2011

Japan

	Establishment	Paid-in Capital	% Voting Control*	Principal Business
Benesis Corporation ■	October 2002	¥3,000 million	100.0%	Manufacture and sale of pharmaceuticals
Mitsubishi Tanabe Pharma Factory Ltd. ■	October 2008	¥1,130 million	100.0%	Manufacture and sale of pharmaceuticals
Yoshitomiyakuhin Corporation ■	April 2000	¥385 million	100.0%	Provision of information about pharmaceuticals
MP-Logistics Corporation ■	September 1980	¥95 million	65.0%	Distribution, warehouse operations
Bipha Corporation ■	November 1996	¥7,500 million	51.0%	Manufacture and sale of pharmaceuticals
Tanabe Seiyaku Yoshiki Factory Co., Ltd. ■	July 1964	¥400 million	100.0%	Manufacture and sale of pharmaceuticals
Tanabe Seiyaku Hanbai Co., Ltd. ■	April 2008	¥169 million	92.9% (7.9%)	Sale of generic pharmaceuticals and related products
Tanabe R&D Service Co., Ltd. ■	August 1984	¥44 million	100.0%	Support of research and development regarding pharmaceuticals
Tanabe Total Service Co., Ltd. ■	February 1964	¥90 million	100.0%	Real estate management and related services
Choseido Pharmaceutical Co., Ltd. ■	December 1947	¥340 million	52.5%	Manufacture and sale of pharmaceuticals
Hoshienu Pharmaceutical Co., Ltd. ■	October 1962	¥75 million	52.5% (52.5%)	Manufacture and sale of pharmaceuticals
API Corporation ■	April 1982	¥4,000 million	47.7%	Manufacture and sale of chemicals and related products

Overseas

	Establishment	Paid-in Capital	% Voting Control*	Principal Business
Asia				
Mitsubishi Pharma (Guangzhou) Co., Ltd. ■	December 1991	US$12,000,000	100.0%	Manufacture and sale of pharmaceuticals
Tianjin Tanabe Seiyaku Co., Ltd. ■	October 1993	US$12,000,000	66.7%	Manufacture and sale of pharmaceuticals
Mitsubishi Pharma Research & Development (Beijing) Co., Ltd. ■	October 2006	US$1,000,000	100.0%	Research and development of pharmaceuticals
Guangdong Tanabe Pharmaceutical Co., Ltd. ■	May 2009	RMB7,000,000	100.0%	Sale of pharmaceuticals
Mitsubishi Tanabe Pharma Korea Co., Ltd. ■	April 1989	KRW2,100,000,000	100.0%	Manufacture and sale of pharmaceuticals
Taiwan Tanabe Seiyaku Co., Ltd. ■	September 1962	NT$90,000,000	65.0%	Manufacture and sale of pharmaceuticals
Tai Tien Pharmaceuticals Co., Ltd. ■	July 1987	NT$20,000,000	65.0%	Sale of pharmaceuticals
P.T. Tanabe Indonesia ■	July 1970	US$2,500,000	99.6%	Manufacture and sale of pharmaceuticals
U.S.				
MP Healthcare Venture Management Inc. ■	August 2006	US$100	65.0%	Investments in bio-ventures, etc.
Mitsubishi Tanabe Pharma Holdings America, Inc. ■	December 2000	US$166	100.0%	Management of Group companies in the United States
Mitsubishi Tanabe Pharma Development America, Inc. ■	October 2001	US$100	100.0% (100.0%)	Research and development of pharmaceuticals
Tanabe Research Laboratories, U.S.A., Inc. ■	November 1990	US$3,000,000	100.0% (100.0%)	Research and development of pharmaceuticals
Tanabe U.S.A., Inc. ■	January 1970	US$1,400,000	100.0% (100.0%)	Sale of chemicals and related products
Mitsubishi Tanabe Pharma America, Inc. ■	July 2009	US$100	100.0% (100.0%)	Sale of pharmaceuticals
Europe				
Mitsubishi Pharma Europe Ltd. ■	October 2001	£4,632,000	100.0%	Research and development of pharmaceuticals
Tanabe Europe N.V. ■	December 1972	€260,330	100.0%	Sale of chemicals and related products
Mitsubishi Pharma Deutschland GmbH ■	June 2003	€25,000	100.0% (100.0%)	Sale of pharmaceuticals
Synthelabo-Tanabe Chimie S.A. ■	June 1987	€1,600,000	50.0%	Manufacture and sale of pharmaceuticals

* Figures in parentheses show indirect control

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

■ Consolidated subsidiary ■ Equity-method subsidiary ■ Affiliated company accounted for by the equity method

Corporate Data / Investor Information

As of March 31, 2011

Corporate Data

Mitsubishi Tanabe Pharma Corporation

2-6-18, Kitahama, Chuo-ku, Osaka 541-8505, Japan

URL: http://www.mt-pharma.co.jp

Incorporated

December 1933

Date of Merger

October 1, 2007

Number of Employees

9,198 (Consolidated)

4,957 (Parent company only)

FOR FURTHER INFORMATION

Investor Relations Group

Corporate Communications Department

TEL: 81-6-6205-5211

FAX: 81-6-6205-5105

URL: http://www.mt-pharma.co.jp

Investor Information

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

13,638

Major Shareholders (% voting rights)

Mitsubishi Chemical Holdings Corporation (56.3)

The Master Trust Bank of Japan, Ltd. (4.5)

Japan Trustee Services Bank, Ltd. (3.1)

Nippon Life Insurance Company (2.8)

Nipro Corporation (1.4)

The Bank of Tokyo-Mitsubishi UFJ, Ltd. (1.3)

Goldman Sachs & Company Regular Account (1.3)

JPMorgan Chase Bank, N.A., 385147 (1.3)

Tokio Marine & Nichido Fire Insurance Co., Ltd. (0.9)

Pershing-Div. of DLJ Secs. Corp. (0.8)

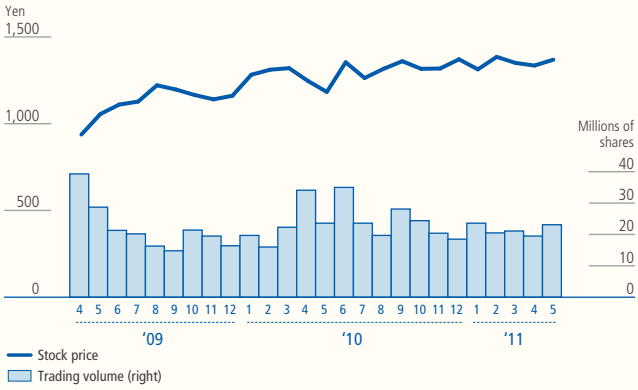
Shareholder Register Agent for Common Stock in Japan

Mitsubishi UFJ Trust and Banking Corporation

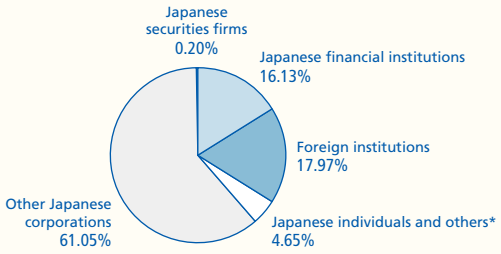
Osaka Corporate Agency Division

3-6-3 Fushimi-machi, Chuo-ku, Osaka 541-8502, Japan

STOCK PRICE RANGE / TRADING VOLUME



DISTRIBUTION OF SHARE OWNERSHIP BY TYPE OF SHAREHOLDER



* Individuals and others includes treasury stock (353 thousand shares at March 31, 2011)

Mitsubishi Tanabe Pharma Corporation
www.mt-pharma.co.jp

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