Mitsubishi Tanabe Pharma

*New **Value** Creation*

Mitsubishi Tanabe Pharma Corporation

Annual Report 2013

Editorial Policy

To foster a better understanding among investors and other stakeholders in regard to the Company's initiatives targeting sustained growth, this report was prepared with the objective of providing integrated reporting of both financial and non-financial information.

The International Integrated Reporting Council (IIRC)* has positioned the integrated reporting of financial information and non-financial information as the core of reporting on the process of creating and preserving value. In accordance with this principle, in the planning of this report attention was paid to the correlation of business activities, which are the core of initiatives to create value, and corporate social responsibility (CSR) activities, which are the core of initiatives to support value creation.

* The IIRC is a private-sector group established in 2010 by private-sector companies, investors, accountants' groups, government institutions, and other entities with the aim of developing a framework for international corporate reporting.

Issuance of CSR Report

Detailed information regarding CSR activities is included in the CSR Report.

Selection for FTSE4Good Index Series

Mitsubishi Tanabe Pharma has been included in the FTSE4Good Index Series, a leading index for responsible investing (RI), for 10 consecutive years.

FTSE4Good

FTSE4Good Index Series

An index for RI created by the FTSE Group. Based on criteria developed by the FTSE Group, companies that fulfill a certain level of CSR activities are selected for inclusion in the index. As of the end of March 2013, the index included 722 companies, including 179 Japanese companies.

Contents

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.

OUR PHILOSOPHY

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

OUR VISION

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

Mitsubishi Tanabe Pharma Corporation was established in October 2007. At that time, the new company returned to the basics of the discovery of pharmaceuticals and put its fundamental purpose into words. Those words are our corporate philosophy: "We contribute to the healthier lives of people around the world through the creation of pharmaceuticals." In accordance with this corporate philosophy, our vision is to strive to be a global research-driven pharmaceutical company that is trusted by communities. Our shared sense of values is that "Everything we do is for the patients." In accordance with these values, we strive to contribute to the healthier lives of people around the world and to fulfill our responsibilities as a company engaged in the life sciences.

Our Mission is

In April 2011, we formulated the Medium-Term Management Plan 11–15, which covers a period of five years. The key concept of the plan is New Value Creation, and on that basis we are taking on the challenge of becoming a “company that can continue to create new value.” We will strive to continue to contribute to improving the QOL[1] for large numbers of patients around the world through the discovery of new drugs that address unmet medical needs[2]. This is how we provide a wide range of value to society.

It has been two years since we began the Medium-Term Management Plan 11–15, and during that time we have launched a number of new products. The creation of new value is beginning to have a positive influence on our results. Key issues for the Company are the extent to which we can maximize the value of these new products over the next three years and the achievement of the objectives of the medium-term management plan as well as the reinforcement of the foundation for the next medium-term management plan. To maximize value, the Company is accelerating its initiatives in all of its business processes.

1. Quality of life: Benchmark that addresses whether patients can enjoy their daily lives with a sense of fulfillment and satisfaction, without a decline in their quality of their daily lifestyles.
2. Unmet medical needs: Medical needs for which there are no effective treatments or drugs.

“By striving to understand the distinctive characteristics of a drug in development as well as medical needs, we are working to formulate clinical trial plans that realize the drug’s true value.”


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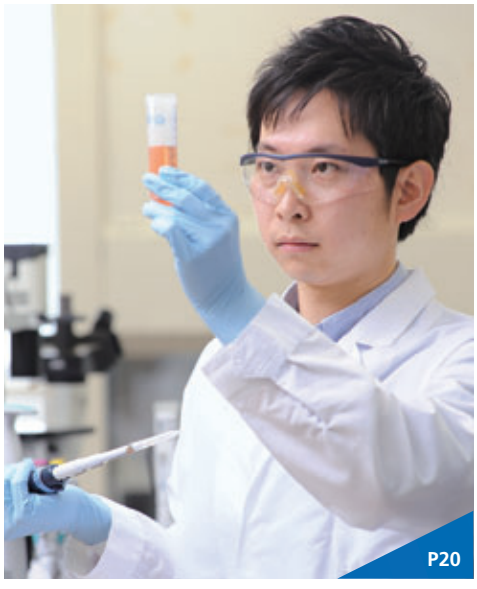
“Aiming to create products that help as many people as possible, as I take on the challenges of my research each day, I am always thinking about who will use the commercialized products and how they will use it.”


P20

to Maximize *Value*

"To raise the value of the Company, it will be necessary for each individual to raise the value of his or her work. In this way, I believe that the value of the Company will increase if we can work closely together across organizational boundaries in all functions, including research, development, CMC, marketing, production, quality assurance, and head office functions."

Michihiro Tsuchiya
President & Representative Director

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"We are working to ensure quality through testing operations and taking steps to see that skills and know-how are passed along to younger employees so that the Company can continue to deliver high-quality pharmaceuticals to patients in the years ahead."

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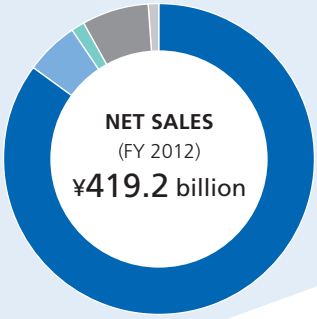
"By learning the academic information about products and diseases, and accurately providing information about safety as well as efficacy, we will build relationships of trust with health care professionals."

Overview of Core Ethical Drugs

SALES COMPOSITION



85.1%	Domestic ethical drugs	¥356.6 billion
5.6%	Overseas ethical drugs	¥23.4 billion
1.3%	OTC drugs	¥5.3 billion
7.0%	Others (licensing fee, etc.)	¥29.5 billion
1.1%	Other business	¥4.5 billion

For further information, please see page 32, "Overview of Domestic Core Ethical Drugs and Sales Trends."

Major Products

Remicade

Domestic Sales: ¥73.5 billion
Overseas Sales: ¥30 million

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

Ceredist

Domestic Sales: ¥18.4 billion

Treatment of spinocerebellar degeneration

Talion

Domestic Sales: ¥14.3 billion
Overseas Sales: ¥0.9 billion

Treatment of allergic disorders

Maintate

Domestic Sales: ¥14.1 billion
Overseas Sales: ¥0.3 billion

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

Radicut

Domestic Sales: ¥13.3 billion

Cerebral neuroprotectant

Kremezin

Domestic Sales: ¥12.2 billion

Treatment of chronic kidney disease

New Products (launched during the period of the Medium-Term Management Plan 11–15, excluding the Tetrabik vaccine)

Simponi

Domestic Sales: ¥5.3 billion
Overseas Sales: ¥0.1 billion

Treatment of RA

Telavic

Domestic Sales: ¥5.1 billion

Treatment of chronic hepatitis C

Lexapro

Domestic Sales: ¥4.6 billion

Treatment of depression

Imusera

Domestic Sales: ¥1.3 billion

Treatment of multiple sclerosis (MS)

Tenelia

Domestic Sales: ¥1.2 billion

Treatment of type 2 diabetes mellitus

Vaccines

Domestic Sales: ¥28.8 billion
Overseas Sales: ¥1.8 billion

Generic Drugs

Domestic Sales: ¥19.0 billion

(Sales of Tanabe Seiyaku Hanbai's products, which are composed of generic drugs and the long-term listed drugs that were transferred from the Company)

OTC Drugs

Domestic Sales: ¥5.1 billion
Overseas Sales: ¥0.2 billion

State of New Product Development

As of May 8, 2013

From the start of the Medium-Term Management Plan 11–15 to the present, we have received approval in Japan for five new drugs and seven additional indications. Overseas, we have received approval for eight new drugs. In addition, in out-licensed products, approval has been received for three new drugs. As of May 8, 2013, Mitsubishi Tanabe Pharma had the following product development projects under way.

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

Pipeline in Japan

Development code (Generic name)	Category	Indications	Stage (Phase 1 / 2 / 3 / NDA filed)	Origin (Remarks)
New Molecular Entities				
▶ **TA-7284** (Canagliflozin)	SGLT2 inhibitor	Type 2 diabetes mellitus	Phase 3	In-house (Filed in May 2013)
▶ **MP-214** (Cariprazine)	D3 / D2 receptor partial antagonist	Schizophrenia	Phase 3	Hungary: Gedeon Richter
▶ **MT-4666**	α7nAChR receptor agonist	Dementia of Alzheimer's type	Phase 2	US: EnVivo Pharmaceuticals
▶ **MT-3995**	Selective mineralocorticoid receptor antagonist	Hypertension	Phase 1	In-house
▶ **MT-1303**	S1P receptor functional antagonist	Multiple sclerosis	Phase 1	In-house

Product name (Generic name)	Category	Indications	Stage (Phase 1 / 2 / 3 / NDA filed)	Origin (Remarks)
Additional Indications				
▶ **Maintate** (Bisoprolol)	Selective β1 blocker	Chronic atrial fibrillation	NDA filed: Sep. 2012	Switzerland: Merck Serono (Approved for atrial fibrillation (tachycardiac) in June 2013)
▶ **Tenelia** (Teneligliptin)	DPP-4 inhibitor	Type 2 diabetes mellitus, additional combination	NDA filed: Feb. 2013	In-house
▶ **Radicut** (Edaravone)	Free radical scavenger	Amyotrophic lateral sclerosis[1]	Phase 3	In-house
▶ **Talion** (Bepotastine)	Selective histamine H1 receptor antagonist, anti-allergic agent	Pediatric allergic rhinitis	Phase 3	Japan: Ube Industries
		Pediatric atopic dermatitis	Phase 3	
▶ **Telavic** (Telaprevir)	NS3-4A protease inhibitor	Chronic hepatitis C (genotype 2)	Phase 3	US: Vertex Pharmaceuticals
		Chronic hepatitis C (combination with Pegasys)	Phase 3	
		Chronic hepatitis C (combination with Feron)	Phase 3	
▶ **Remicade** (Infliximab [recombinant])	Anti-human TNFα monoclonal antibody	Refractory Kawasaki disease[1]	Phase 3	US: Janssen Biotech
		Behcet's disease with special lesions[1]	Phase 3	
		Pediatric Crohn's disease	Phase 3	
		Pediatric ulcerative colitis	Phase 3	
		Psoriasis: Increased dose	Phase 3	
▶ **Imusera** (Fingolimod)	S1P receptor functional antagonist	Chronic inflammatory demyelinating polyradiculoneuropathy[2]	Phase 3	In-house (Co-development with Novartis Pharma)
▶ **Cholebine** (Colestimide (JAN))	Bile acid signal regulation	Type 2 diabetes mellitus	Phase 2	In-house
	Non-absorbed phosphate binder	Hyperphosphatemia	Phase 1	

1. Orphan drug designated
2. Multinational study

Pipeline Overseas

Development code (Generic name)	Category	Indications	Region	Stage (Phase 1 / 2 / 3 / NDA filed)	Origin
New Molecular Entities					
MP-424 (Telaprevir)	NS3-4A protease inhibitor	Chronic hepatitis C	Taiwan	NDA filed: Jan. 2013	US: Vertex
			Korea	Phase 1	
MP-146	Uremic toxin adsorbent	Chronic kidney disease	US, EU	Phase 2	Japan: Kureha
MT-9938 (Nalfurafine)	κ-opioid receptor agonist	Refractory pruritus	US	Phase 2	Japan: Toray
MP-513 (Teneligliptin)	DPP-4 inhibitor	Type 2 diabetes mellitus	EU	Phase 2	In-house
			US	Phase 1	
MT-3995	Selective mineralocorticoid receptor antagonist	Diabetic nephropathy	EU	Phase 2	In-house
MT-1303	S1P receptor functional antagonist	Multiple sclerosis	EU	Phase 2	In-house
GB-1057 (Human serum albumin [recombinant])	Recombinant human serum albumin	Stabilizing agent	US	Phase 1	In-house
MP-124	PARP inhibitor	Acute ischemic stroke	US, Canada	Phase 1	In-house
MP-157	Angiotensin type 2 receptor agonist	Hypertension	EU	Phase 1	In-house

Licensing-Out

Development code (Generic name)	Category	Indications	Region	Stage (Phase 1 / 2 / 3 / NDA filed)	Licensee (Remarks)
TA-1790 (Avanafil)	PDE5 inhibitor	Erectile dysfunction	EU	NDA filed: Mar. 2012	US: Vivus (Approved in June 2013)
TA-7284 (Canagliflozin)	SGLT2 inhibitor	Type 2 diabetes mellitus	EU	NDA filed: Jun. 2012	US: Janssen Pharmaceuticals
		Type 2 diabetes mellitus / fixed dose combination with metformin, IR	US	NDA filed: Dec. 2012	
			EU	NDA filed: Mar. 2013	
		Obesity	US, EU	Phase 2	
MP-513 (Teneligliptin)	DPP-4 inhibitor	Type 2 diabetes mellitus	Korea	Phase 2	Korea: Handok Pharmaceuticals
FTY720 (Fingolimod)	S1P receptor functional antagonist	Chronic inflammatory demyelinating polyradiculoneuropathy	Multinational study	Phase 2	Switzerland: Novartis (Co-development with Novartis Pharma in Japan)
T-0047 (Firategrast)	Cell adhesion inhibitor [α4β7 / α4β1 inhibitor]	Multiple sclerosis	EU	Phase 2	UK: GlaxoSmithKline
MKC-242	5-HT1A receptor agonist	Insomnia	US	Phase 2	US: MediciNova
Y-39983	ROCK (rho-kinase) inhibitor	Glaucoma	Japan	Phase 2	Japan: Senju Pharmaceutical
MT-210	5-HT2A / Sigma2 receptor antagonist	Schizophrenia	EU	Phase 2	France: Cyrenaic
TA-7906	PDE4 inhibitor	Atopic dermatitis	Japan	Phase 2	Japan: Maruho
MCC-847	Leukotriene D4 receptor antagonist	Asthma	Korea	Phase 2	Korea: SAMA Pharma
sTU-199 (Tenatoprazole)	Proton pump inhibitor	Gastroesophageal reflux disease	EU	Phase 1	France: Negma (Sidem)
TT-138	β3 receptor agonist	Pollakiuria, urinary incontinence	US	Phase 1	US: MediciNova
MT-4580	Ca sensing receptor agonist	Secondary hyperparathyroidism	Japan	Phase 1	Japan: Kyowa Hakko Kirin
Wf-516	SSRI / 5HT1A receptor antagonist	Depression	EU	Phase 1	US: SONKEI Pharmaceuticals
Y-803	Bromodomain inhibitor	Hematological cancer	US, EU	Phase 1	Switzerland: OncoEthix (Development code: OTX015)

Financial and Non-Financial Highlights

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 (FY 2012), 2012 (FY 2011), 2011 (FY 2010), 2010 (FY 2009) and 2009 (FY 2008)

Billions of yen

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Net sales	¥414.8	¥404.7	¥409.5	¥407.2	**¥419.2**
Operating income	71.7	61.5	76.6	69.0	**69.0**
Net income	26.5	30.3	37.7	39.0	**41.9**
R&D expenses	73.1	83.1	65.8	70.2	**66.5**
Capital expenditures on an accrual basis	12.2	8.4	10.2	7.1	**9.2**
Total assets	810.8	796.9	818.7	819.9	**866.8**
Total net assets	666.2	676.8	696.0	721.5	**752.9**
Net cash provided by operating activities	50.5	23.9	59.1	37.2	**60.6**
Net cash used in investing activities	(74.5)	(61.2)	(7.7)	(63.2)	**(35.0)**
Net cash used in financing activities	(16.0)	(17.1)	(15.4)	(17.2)	**(23.7)**

Financial Indicators (%)

Overseas sales ratio	8.5%	6.6%	6.3%	7.0%	**11.4%**
Operating margin	17.3	15.2	18.7	17.0	**16.5**
R&D expenses ratio	17.6	20.5	16.1	17.3	**15.9**
Equity ratio	80.5	84.1	84.3	87.3	**86.3**
ROE	4.1	4.6	5.5	5.5	**5.7**
Dividend payout ratio	59.2	51.9	41.6	50.3	**53.6**

Per Share Amounts (yen / U.S. dollars[1])

Net income	¥47.28	¥53.91	¥67.27	¥69.54	**¥74.67**
Cash dividends	28.00	28.00	28.00	35.00	**40.00**

Non-Financial Data

Number of employees	10,030	9,266	9,198	9,180	**8,835**
Number of new ethical drugs approved in Japan[2]	0	0	1	3	**2**
Energy used (TJ)	3,434	2,488	2,577	2,588	**2,332**
CO_2 emissions (thousands of tons)	177	124	122	126	**123**
Amount of waste generated (thousands of tons)	59	18	18	20	**18**

1. U.S. dollar amounts are converted from Japanese yen, for convenience only, at the rate of ¥94.05 to U.S.$1, the prevailing exchange rate at March 31, 2013.
2. Number of new ethical drugs approved in Japan, is including co-developed drugs.

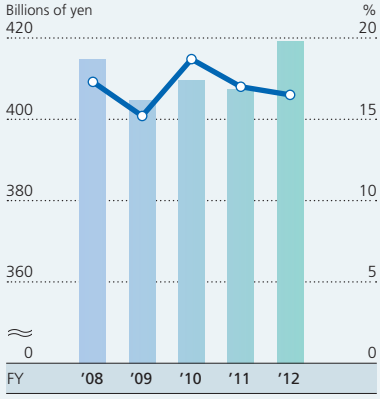
Millions of U.S. dollars[1]	% change
FY 2012	FY 2012 / FY 2011
$4,457	+ 3.0%
733	– 0.1
446	+ 7.4
707	– 5.3
98	+ 30.5
9,216	+ 5.7
8,006	+ 4.4
644	—
(372)	—
(252)	—

—	—
—	—
—	—
—	—
—	—
—	—

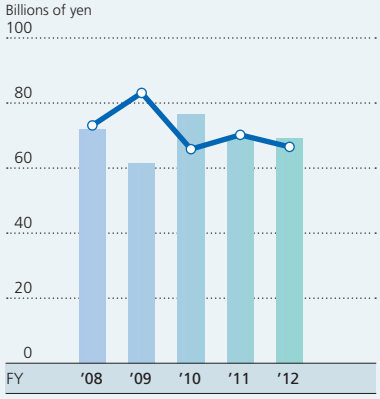
$0.79	+ 7.4%
0.43	+ 14.3

—	– 3.8%
—	—
—	– 9.9
—	– 2.4
—	– 10.7

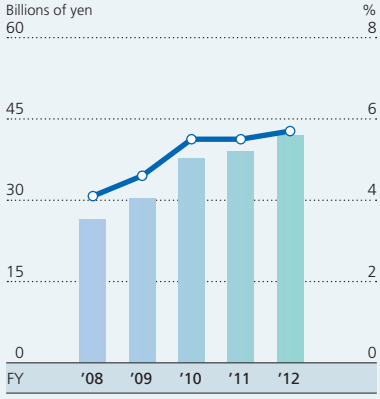
NET SALES / OPERATING MARGIN



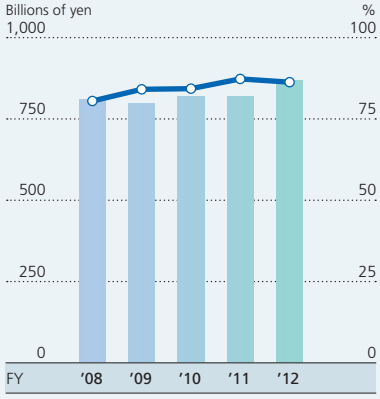
OPERATING INCOME / R&D EXPENSES



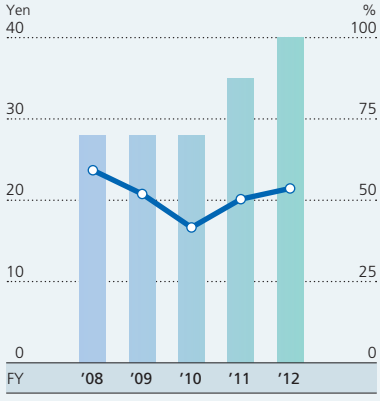
NET INCOME / ROE



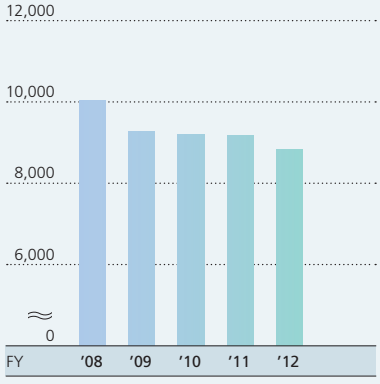
TOTAL ASSETS / EQUITY RATIO



CASH DIVIDENDS PER SHARE / DIVIDEND PAYOUT RATIO



NUMBER OF EMPLOYEES



Creating and Nurturing New Value

For Mitsubishi Tanabe Pharma, I believe this is the key to achieving sustained growth and fulfilling our responsibilities to society as a pharmaceutical company.

In October 2012, Mitsubishi Tanabe Pharma marked the 5th anniversary of its establishment. Looking back over that period, I can say that our path was not an easy one. Our management environment has become increasingly difficult in the past five years, and we have faced a growing array of issues. In response, we have tackled these issues one by one and worked to make steady progress.

Those efforts are now beginning to show tangible results. In accordance with the Medium-Term Management Plan 11–15, we are taking on the challenge of becoming a "company that can continue to create new value." For Mitsubishi Tanabe Pharma, I believe that the creation of value lies in contributing to patients through the discovery and provision of pharmaceuticals. Under our current plan, we have already launched a number of new drugs. These new drugs will make a difference, both in contributing to patients and in the Company's management, and we can truly say that they represent the realization of value creation.

The value of drugs is demonstrated when they are used appropriately by patients. Accordingly, to deliver new drugs to as many patients as possible as rapidly as possible, we will not only advance R&D but also provide the medical front lines with reliable information about efficacy and safety so that patients can use these drugs appropriately. Based on the information acquired on the medical front lines, it is important that we nurture these drugs so that they can make an even greater contribution to patients in the future. Our core product Remicade was nurtured through this type of post-marketing development, and as a result Remicade's sales continue to increase today, 10 years after its launch. Through Remicade, we have acquired valuable experience and relationships of trust with health care professionals, and on this strong foundation we will work to nurture new drugs and to maximize product value.

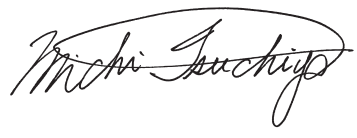
In addition, Gilenya—an MS treatment agent that was licensed to Novartis—has been approved in more than 70 countries and has already been administered to more than 60,000 patients. In just two years since it was launched, Gilenya has become a blockbuster drug, with worldwide sales of more than $1.2 billion in 2012. I believe that this success is a result of our cooperative ventures with companies that have a strong global presence. What is important is to maximize the value of these drugs and to make a contribution to as many patients as possible. To that end, we consider a variety of different approaches, including these types of cooperative ventures. I believe this approach will drive increases in corporate value.

Fiscal 2013 marked the midpoint of the Medium-Term Management Plan 11–15. The management environment in the pharmaceutical industry is increasingly challenging, and in this setting we are steadily advancing reforms to become a "company that can continue to create new value." Moving forward, we will focus on maximizing the value of our new drugs and priority products. In addition, targeting the discovery of the next generation of new drugs, we will work to strengthen our R&D capabilities and enhance our development pipeline.

"Everything we do is for the patients." This is the starting point of value creation. On that basis, we will create and nurture new value, and through the cycle of the discovery and post-marketing development processes, we will strive to realize sustained growth and fulfill our responsibilities to society as a pharmaceutical company. Moreover, to support value creation we must further increase the transparency of management. I would like to ask for the continued understanding and support of our shareholders, investors, and other stakeholders.

August 2013

Michihiro Tsuchiya
President & Representative Director



Interview with the President

This section presents an interview with President Michihiro Tsuchiya, who discusses the results to date with the Medium-Term Management Plan 11–15—New Value Creation, the Company's challenges over the next three years, and its growth strategies over the medium to long-term.

Q1 The Company has completed the first two years of the Medium-Term Management Plan 11–15. Would you explain your view of the changes that have occurred in the Company's operating environment since the plan was formulated?

"The operating environment in the pharmaceutical industry continues to undergo tremendous change, and the intensity of that change is increasing. It is within this setting that we will continue to implement reforms to become a "company that can continue to create new value."

The operating environment in the pharmaceutical industry continues to undergo tremendous change, and the intensity of that change is increasing. The global pharmaceutical market is expected to continue to record expansion against a backdrop of population growth, aging societies, and economic growth in emerging countries. However, in industrially developed markets, such as Japan, the U.S., and Europe, measures to control health care spending are being implemented to reduce social insurance expenditures, and major pharmaceuticals are going off patent. Due to these types of factors, growth in these markets is sluggish. In the domestic market, which is the foundation of our revenues and profits, government measures to control health care expenditures continue to depress the rate of market growth. National health insurance (NHI) drug prices are, in principle, revised once every two years. In addition to reductions in NHI drug prices, government measures to control health care expenditures include stepping up initiatives to promote the use of generics. While industrially developed countries continue to maintain a high share of the global pharmaceutical market, the role of growth driver is shifting to emerging countries, such as China and Brazil. The scale of these markets has surpassed the scale of the Japanese market and is nearing that of the U.S. market.

On the other hand, the mega-pharmaceutical companies that have heretofore led the industry have focused their development and sales initiatives on major pharmaceuticals with annual sales of more than $1 billion, which are known as blockbusters. However, there are limits to

OVERVIEW OF MEDIUM-TERM MANAGEMENT PLAN 11–15

▶ Key Concept:

*New **Value** Creation*

▶ Period: **April 2011 to March 2016 (five years)**

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

Becoming a Company that Can Continue to Create New Value

Building a Foundation for Future Growth

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

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

▶ Strategic Challenges:

1 Bolstering Our Ability to Discover New Drugs

2 Advancing Domestic Operations, Centered on New Drugs

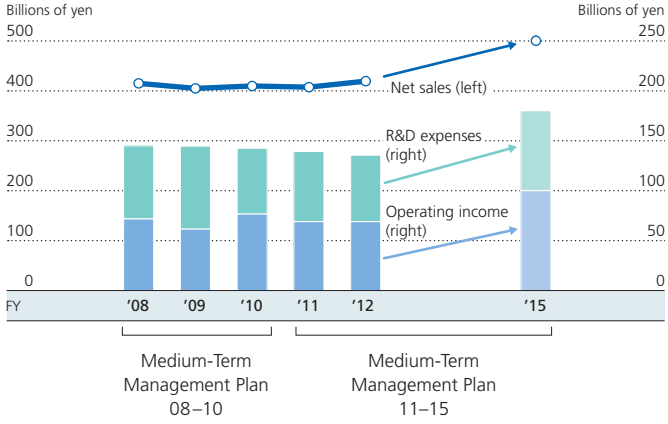
3 Building a Foundation for the Expansion of Overseas Operations

4 Accelerating Operational and Structural Reforms

▶ Fiscal 2015 Numerical Management Objectives:

	FY 2011	FY 2012	FY 2015 Objectives
Net sales	¥407.2 billion	¥419.2 billion	**¥500.0 billion**
Operating income	¥69.0 billion	¥69.0 billion	**¥100.0 billion**
R&D expenses	¥70.2 billion	¥66.5 billion	**¥80.0 billion**
Overseas sales ratio*	7.0%	11.4%	**15% or more**

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



this type of business model. In recent years, a number of these major pharmaceuticals have gone off patent and it has proven difficult to offset these losses through the discovery of major new drugs.

Companies target blockbusters in fields that have a large scale market but a low degree of satisfaction with existing drugs. Due in part to the new drugs that have been launched, the degree of satisfaction with medical treatment has increased and the number of fields meeting these conditions has rapidly declined. Accordingly, mega-pharmaceutical companies have started to target fields in which they had not previously been active. Moreover, the profitability of pharmaceutical companies has declined as a result of higher R&D expenses stemming from the growing difficulty of drug discovery and to the lower success rate in new drug development. Companies are employing a variety of measures in drug discovery, including M&A transactions, alliances with other companies, and application of the principles of selection and concentration of management resources. Competition among companies in the area of drug discovery is growing increasingly intense.

In this setting, to record sustained growth and succeed in the competition among companies in the global marketplace, I believe that it will be necessary to break away from previous ways of doing things, aggressively implement changes, and continually create new value.

When we formulated the Medium-Term Management Plan 11–15, we expressed our strong determination to implement reforms to become a "company that can continue to create new value." Today, that determination remains unchanged. Targeting the realization of that goal, we will steadily tackle four strategic challenges—Bolstering Our Ability to Discover New Drugs; Advancing Domestic Operations, Centered on New Drugs; Building a Foundation for the Expansion of Overseas Operations; and Accelerating Operational and Structural Reforms.

Q2 With this plan, the Company's numerical management objectives for fiscal 2015 are net sales of ¥500.0 billion and operating income of ¥100.0 billion. How were the Company's results in fiscal 2012?

"The domestic market for ethical drugs has become very challenging, due in part to the NHI drug price revisions. Nonetheless, as a result of the contribution of new drugs and other factors, we were able to achieve record-high levels of net sales and net income."

In the domestic ethical drug market, NHI drug prices were reduced by an industry-wide average of 6.00% in April 2012. Moreover, long-term listed drugs that have generic competitors were the subject of an additional reduction of 0.86%, and a pricing premium was introduced for prescriptions written with generic drug names. In these ways, measures to promote the use of generic drugs were strengthened. For companies that make new drugs, this was an extremely challenging market environment.

For Mitsubishi Tanabe Pharma, the NHI drug price revisions had the effect of reducing its sales by about ¥19.0 billion. Also, generic versions of long-term listed drugs captured a higher market share, and most of these long-term listed drugs registered substantial declines in sales. Nonetheless, our priority products—Remicade, Talion, Maintate, and Kremezin—each recorded higher sales. In particular, sales of our core product Remicade continued to make favorable progress, rising 10.8% year on year, to ¥73.5 billion.

Furthermore, a contribution to sales was made by six new products that have been launched during the current medium-term management plan. In fiscal 2011, sales of four of these totaled ¥3.9 billion. In fiscal 2012, we launched Tenelia, a treatment agent for type 2 diabetes mellitus, and Tetrabik, a combined vaccine for four diseases[1]. The sales of these six products in fiscal 2012 reached ¥22.0 billion. The influence of the NHI drug price revisions was greater than we anticipated, but nonetheless we were able to secure an increase in net sales of ethical drugs in the domestic market, which rose 0.3% year on year, to ¥356.6 billion.

Moreover, we recorded an increase in royalty revenues from Gilenya (Mitsubishi Tanabe Pharma sales name: Imusera), a treatment agent for multiple sclerosis (MS) that we licensed overseas to Novartis, of Switzerland. It is sold in more than 70 countries overseas, and has grown into a blockbuster drug with annual sales of more than $1.2 billion. Our royalty revenues from Gilenya have grown substantially, rising from ¥5.6 billion in fiscal 2011 to ¥19.5 billion[2] in fiscal 2012.

As a result of these factors, our net sales rose 3.0% year on year, to ¥419.2 billion. Operating income was on the same level as the previous year, at ¥69.0 billion, due to a worsening of the cost of sales as a result of the NHI drug price revisions. The net balance of extraordinary items improved ¥3.3 billion, and consequently net income rose 7.4% year on year, to ¥41.9 billion. R&D expenses were down 5.3%, to ¥66.5 billion, due to a decline in non-recurring expenses associated with drug in-licensing, and the ratio of R&D expenses to net sales was 15.9%.

Excluding special factors, such as the transfer of fine chemical operations and the dissolution of our alliance with Choseido Pharmaceutical, net sales in fiscal 2012 would have grown by nearly ¥20.0 billion year on year, which is not a substantial difference from our initial plans. Moving forward, the entire Company will continue working to achieve the numerical management objectives for fiscal 2015.

1. A combined vaccine for three diseases—pertussis, diphtheria, and tetanus—was combined with an inactivated polio vaccine to create a combined vaccine for four diseases.
2. Due to elimination of the differential in the timing by which Novartis records sales, royalty revenues for Novartis sales recorded in fiscal 2012 and the first quarter of fiscal 2013 are recorded in the Company's net sales for fiscal 2012.

Q3 Next, would you discuss the Company's results under the first two years of the current medium-term management plan?

"One major success was our ability to launch new products in line with our plan. Our priority products have recorded steady growth in sales, and overseas royalty revenues have become a pillar of our revenues."

One of our greatest successes was our ability to launch new drugs according to plan in Japan. In fiscal 2012, our sales of six new products—Simponi, Telavic, Lexapro, Imusera, Tenelia, and Tetrabik—reached ¥22.0 billion, and each of these products is expected to record continued growth in sales. The limits on period of administration of Imusera, an MS treatment agent, was removed in December 2012, and the limits on period of administration of Tenelia is expected to be removed in September 2013. Consequently, Imusera and Tenelia are expected to make substantial contributions to our results in the future. Moreover, in May 2013 we filed an application in Japan for TA-7284, a treatment agent for type 2 diabetes mellitus. I am proud that we have been able to discover a range of drugs that will make strong contributions to both patients and the Company's performance.

We were also able to achieve steady growth in sales of Remicade and our other priority products. Combined sales of Remicade, Talion, and Maintate were up more than 18% from fiscal 2010. Our success in post-marketing development initiatives, centered on lifecycle management, has contributed to improved results. Remicade acquired approval for a partial change in usage/dosage for Crohn's disease in August 2011, and in May 2012 it became possible to shorten the IV infusion time for all indications for patients with no safety problems. Targeting additional indications, we have steadily commenced phase 3 clinical trials for multiple autoimmune diseases. Also, Maintate received an additional indication for chronic heart failure in May 2011 and for atrial fibrillation (tachycardiac) in June 2013. Moving forward, we will continue to implement post-marketing development initiatives for these products to maximize their product value.

In overseas markets, as I mentioned, Gilenya has become a blockbuster, and royalty revenues from Gilenya have become a pillar of our sales. Our vision is to be a "global research-driven pharmaceutical company," but that does not necessarily mean that we will have production and sales bases throughout the world and develop all of our products in-house. What is important is that we contribute to the health of as many patients as possible by maximizing the value of our pharmaceuticals. To that end, we must select the most appropriate method in consideration of the characteristics of each product and our own operational scale. I believe that we were able to deliver Gilenya to more than 60,000 patients around the world in just two years after its launch because we decided to out-license it to a global company.

In March 2013, TA-7284, which we discovered and then licensed overseas to Janssen Pharmaceuticals, of the U.S., received approval in the U.S. It is the first SGLT2 inhibitor to be approved as a type 2 diabetes mellitus treatment agent in the U.S., and we expect it to grow into a major product. In addition, TA-1790, a treatment for erectile dysfunction (ED), was licensed in the U.S. and Europe to Vivus, of the U.S. It was approved in the U.S. in April 2012 and in Europe in June 2013. In addition, in South Korea we licensed TA-1790 to JW Pharma, which began sales in October 2011. Centered on these products, we expect further growth in royalty revenues.

On the other hand, in regard to in-house development overseas, we have been selling Argatroban, a selective antithrombin agent, in 10 European countries, such as Germany and France, and in June 2012 Mitsubishi Pharma Europe began sales of Argatroban in the U.K. under the brand name Exembol. In April 2013 Mitsubishi Pharma Deutschland began sales in Germany and Austria of BindRen, a treatment agent for hyperphosphatemia. Going forward, we will work to reinforce our sales foundation in Europe, centered on these two products.

Q4 In regard to the last three years of the current plan, would you discuss the key challenges in terms of the numerical management objectives for fiscal 2015?

"I think that this is the time when our marketing capabilities are going to be tested. It is essential that we rapidly maximize the value of new products. We will also continue working to maximize the product value of Remicade and quickly take steps to sustain revenues and profits from long-term listed products."

I think that it is now, when we have launched a number of new products, that our true marketing capabilities will be tested. In Japan, it is essential that we rapidly maximize the value of new products. Through new products, we strive to contribute to as many patients as possible as rapidly as possible. To that end, I think it is important to provide accurate information about efficacy and safety, and to steadily nurture our products.

Our new products include drugs that require special care in prescribing. For example, with Telavic, a treatment agent for chronic

hepatitis C, very serious side effects are expected, and consequently an all-patient post-marketing surveillance was made mandatory as a condition of its approval. Internally, we have assigned Telavic managers and established a system to support and advance the provision of information about appropriate usage by the medical representatives (MRs). Externally, we have established the Telaprevir[3] Appropriate Usage Committee, which is auditing and providing guidance for the all-patient surveillance. The percentage of patients using a reduced dosage has increased, and the contribution to our results has not reached the level that we had initially planned. However, through the steady implementation of these initiatives, we will build relationships of trust with health care professionals and prepare to promote market uptake of this drug after the approval condition has been removed.

New products other than Telavic are recording growth that is basically in line with our plans, and we are providing accurate information based on medical evidence for these drugs. We work to provide higher quality information through the "T-shaped" marketing system[4], which has strengthened tie-ups between generalist MRs and area-specialist MRs. In addition, we are striving to maximize our marketing capabilities through co-marketing initiatives with other companies. We entered the diabetes field with the launch of Tenelia, and at that time we concluded a co-marketing agreement with Daiichi Sankyo. We are also conducting co-marketing for TA-7284, which is scheduled to be launched in 2014. The two companies together have one of the largest marketing forces in Japan, and moving forward we will conduct aggressive information provision activities in the field of diabetes, where competition is intense. Moreover, we will work to expand sales of Lexapro based on cooperation with Mochida Pharmaceutical, our co-marketing partner, and Yoshitomiyakuhin, our consolidated subsidiary with strengths in the field of psychiatry.

In existing products, we will continue to focus on maximizing the product value of Remicade. In the rheumatoid arthritis (RA) drug market, competition is expected to continue intensifying due to the launch of biologics with new mechanisms of action, as well as biosimilars[5]. Nonetheless, we have a wealth of clinical data that we have accumulated over the 10 years since the approval of the additional indication of RA for Remicade, and will make full use of this data in the future. Furthermore, in contrast to Remicade, which is an intravenous injection, we also have Simponi, which is an RA treatment agent that is administered through subcutaneous injection. Sales of Simponi began in September 2011. Because we have two drugs with different methods of administration, we can provide a drug that matches patient symptoms and needs. We will leverage this strength to advance post-marketing development, and in fiscal 2013 we will strive to realize combined sales for Remicade and Simponi of ¥100.0 billion on an NHI price basis.

We also need to move quickly to maintain our revenues and profits from long-term listed products, which serve as a foundation for our revenues and profits. Excluding our priority products, our long-term listed products (mature products) are rapidly losing their earning power due to the influences of NHI drug price revisions and generic drugs. However, many of these mature products make strong contributions to medical treatment. Moving forward, we will work to build an efficient supply system, such as through the establishment of a multichannel information provision system that does not rely on MRs.

3. The generic name for Telavic.
4. An information provision system under which generalist MRs, who are responsible for a wide range of clinical departments, are supported by area-specialist MRs, who have deep levels of knowledge in specific areas. (Please refer to pages 26 and 27.)
5. Generic versions of biological agents.

Taking on the Challenge of the Diabetes Field

Mitsubishi Tanabe Pharma entered the diabetes field in September 2012 with the launch in Japan of Tenelia, a treatment agent for type 2 diabetes mellitus. Tenelia, which is the first DPP-4 inhibitor that originated in Japan, has the distinctive feature of 24-hour, sustained efficacy with once-a-day administration. Together with our co-marketing partner Daiichi Sankyo, we will leverage our combined marketing capabilities, which are the largest in Japan in the field of diabetes, and work to achieve rapid market uptake. In addition, in February 2012 we filed an application for use in combination with oral blood sugar lowering agents.

In May 2013, TA-7284, an SGLT2 inhibitor, was filed. This drug has an entirely different mechanism from other diabetes treatment agents. The reabsorption of glucose into the blood is controlled and excess glucose is excreted in the urine. It has a blood glucose lowering effect as well as a weight reduction effect. With the launch of TA-7284, we will be able to manufacture and market two drugs as the originating company—a DPP-4 inhibitor and an SGLT2 inhibitor. In Japan and overseas, there are only two companies that have originated these two types of drugs. This will be a major strength in leveraging our presence in the highly competitive field of diabetes. With these two drugs, we will strive to foster a paradigm shift in the treatment of diabetes and to contribute to patients who are fighting this disease. Moreover, in the future we will strive to establish a leading presence in the field of diabetes, with consideration for the development of a combination drug including a DPP-4 inhibitor and an SGLT2 inhibitor.

Q5 In the final three years of the current plan, the Company will begin preparations for the next medium-term management plan. Would you discuss the Company's initiatives targeting the discovery of new drugs in fiscal 2016 and later years?

"The Company has identified its priority disease areas as autoimmune diseases, diabetes and renal diseases, and central nervous system diseases, and on that basis we are enhancing our development pipeline in each field."

We were able to launch a large number of new products in the first two years of the plan. Moving forward, I believe that to achieve sustained growth we will need to continually discover new drugs. For pharmaceutical companies, the optimal means of implementing drug discovery differs in accordance with each company's operational scale and strengths. Mitsubishi Tanabe Pharma is not as large as the mega-pharmaceutical companies in Europe and the U.S., and I think that we do not need to compete through the same means, such as large-scale M&A transactions. The principles of selection and concentration are important, and in the current medium-term management plan we have identified our priority disease areas as autoimmune diseases, diabetes and renal diseases, and central nervous system diseases. On that basis, we are working to enhance our development pipeline in each field.

These are fields that offer future potential and in which we have strong product lineups. Leveraging the know-how that we have cultivated through our product development and sales activities to date, we will strive to develop new drugs that address unmet medical needs[6], to quickly launch them, and to ensure their smooth uptake in the market after their launch.

Currently, we are proceeding with the development of a number of drugs in Japan and overseas, including the following compounds. In autoimmune diseases, MT-1303 is in development for MS. In diabetes and kidney diseases, TA-7284 is in development for type 2 diabetes mellitus, MT-3995 for diabetic nephropathy and hypertension, and MT-9938 for refractory pruritus. In central nervous system diseases, MP-214 is in development for schizophrenia and MT-4666 for dementia of Alzheimer's type. In conjunction with in-house drug discovery, we will continue to aggressively in-license promising drug candidates.

Under the current plan, which covers the period through fiscal 2015, our targets are to launch 10 new products and advance 8 projects to late-stage development. As of May 8, 2013, we had launched 6 products and advanced 4 projects. Furthermore, targeting the establishment of a system that can start clinical trials for three projects each year, we will take steps to further strengthen our in-house drug discovery foundation and will aggressively advance cooperation with other pharmaceutical companies, clinical academia, and venture companies. In these ways, we will work to enhance our development pipeline.

6. Unmet medical needs: Medical needs for which there are no effective treatments or drugs.

Q6 In regard to the operational and structural reforms that have been implemented to help Mitsubishi Tanabe Pharma become a "company that can continue to create new value," would you describe the progress that has been made under the current medium-term management plan?

"We have made steady progress with tangible initiatives, such as measures to strengthen the capabilities of our bases, but I believe that the intangible elements that operate via those tangible systems are even more important."

To become a "company that can continue to create new value," we must establish a lean system and strengthen the organizational and human resources that will support that system. The former is based on tangible factors, while the latter involves intangible factors. In tangible factors, it is important to use profits for aggressive upfront investment. Heretofore, we have consolidated research facilities and our Tokyo head office functions, and have expanded our CMC research facilities. Moving forward, we will take additional steps, such as strengthening the production function in Japan and overseas. During the period covered by the current medium-term management plan, we will invest

a total of about ¥20.0 billion. We plan to build new manufacturing plants in Japan and overseas that will meet global standards and to strengthen the capabilities of our investigational drug facilities.

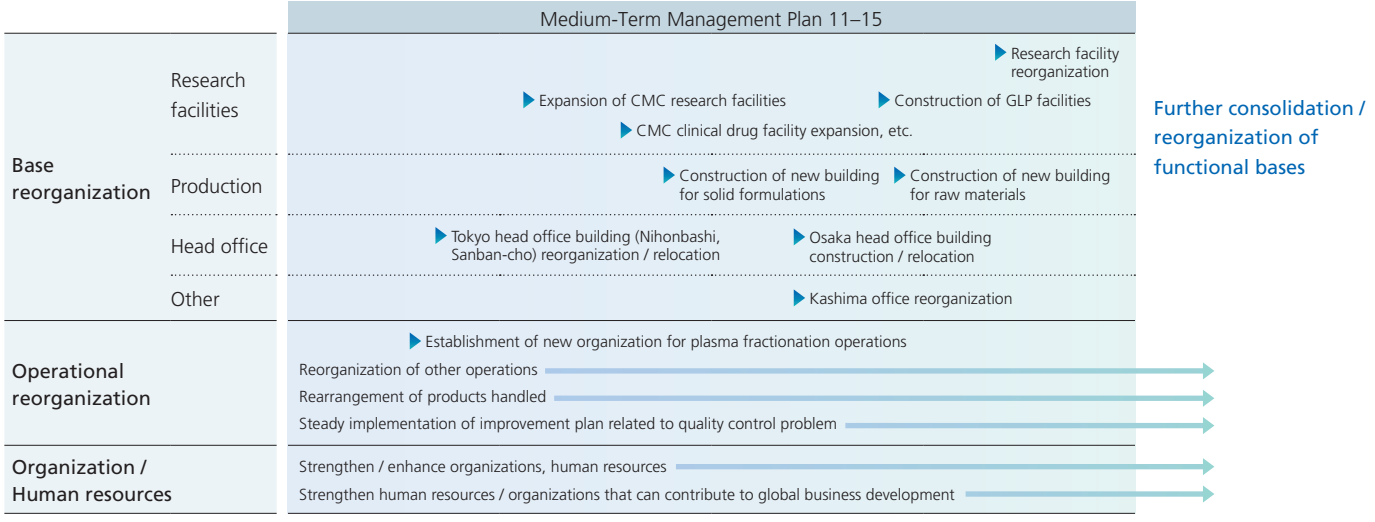
Furthermore, with the objective of focusing management resources on key operations and maximizing operational value, we have transferred our plasma fractionation operations and our fine chemical operations. In vaccines, we will further strengthen our domestic foundation, with a continued focus on our relationship with the Research Foundation for Microbial Diseases of Osaka University (BIKEN). We will also move ahead with the introduction of competitive products and technologies on our own and advance the development of new products. In these initiatives, we will consider not only the domestic market but also overseas markets. In generic drugs, we dissolved our alliance with Choseido Pharmaceutical in October 2012. However, in the future we plan to continue to expand our lineup of generic drugs as major pharmaceuticals go off patent, and we will work to increase our earning capacity in the generics business by making full use of the Group's foundation.

In this way, we have made steady progress with tangible initiatives, but I believe that the intangible elements that operate via those tangible systems are even more important. It goes without saying that it is people who make continued value creation possible. To maximize corporate value, it is essential to maximize the value of each person's work. I would like to create a 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. Consequently, since I became president, I have asked our employees to work to make Mitsubishi Tanabe Pharma an "*inspiring* company."

Companies are really groups of individuals. If the individual people do not change, then the company will not change. I think that it is important for each person to approach the Company's challenges as their own challenges, to take responsibility, and to work toward a solution. We are now revising our personnel management system with the objective of raising each employee's motivation and bolstering our organizational strengths. Furthermore, in December 2011 we launched Project NVC (New Value Creation). Under this project, we are implementing full-scale initiatives to activate our organization by promoting internal communication. Through interaction with management leaders and with other departments, we are making progress with the establishment of a work environment that has a free and open atmosphere.

Moving forward, I will continue to take the lead in striving to make progress toward being an "*inspiring* company" in which all employees have confidence and pride and everyone works together to discover and provide "*inspiring* pharmaceuticals." I believe this will lead to the continued creation of value and enable us to meet the expectations of our stakeholders.

SCHEDULE OF WORKSITE, STRUCTURAL, AND ORGANIZATIONAL REFORMS



Q7 Finally, would you explain the basic policy for the return of profits to shareholders under the current medium-term management plan?

"We will provide a stable, ongoing return to shareholders while striving to maximize enterprise value by aggressively investing in future growth."

The Company's basic policy for the return of profits calls for providing a stable, ongoing return to shareholders while striving to maximize enterprise value by aggressively investing in future growth.

The Company will work to provide an enhanced return to shareholders. In addition to growth in profits, under the current medium-term management plan, the basic objective for the dividend payout ratio is 50% (the basic objective for the dividend payout ratio prior to amortization of goodwill is 40%).

In consideration of this basic policy and our results in fiscal 2012, we set annual dividends at ¥40 per share, an increase of ¥5 per share year on year. The dividend payout ratio increased to 53.6%, from 50.3% in fiscal 2011. For fiscal 2013, we are forecasting a decline in sales, as shown on the right, due in part to the transfer of our fine chemical operations and to the dissolution of our alliance with Choseido Pharmaceutical. We are, however, forecasting continued growth in profits. For annual dividends, we are forecasting ¥40 per share, the same as in fiscal 2012, and a dividend payout ratio of 51.0%. In the future, we will strive to increase the return to shareholders in line with progress in our performance.

FORECASTS FOR FY 2013

Announced on May 8, 2013

	FY 2012	FY 2013 (forecast)	Change
Net sales	¥419.2 billion	¥417.0 billion	**– 0.5%**
Operating income	¥69.0 billion	¥70.0 billion	**+1.5%**
Net income	¥41.9 billion	¥44.0 billion	**+5.0%**

Finally, I think that the industries that can be expected to record continued growth in Japan are knowledge-intensive industries that do not consume large amounts of resources and energy. Certainly, the pharmaceutical business is one of those industries. In addition, we will target the realization of *KAITEKI* [7], which is a goal of the Mitsubishi Chemical Holdings Group (MCHC Group), of which Mitsubishi Tanabe Pharma is a Group member. To that end, we will strive to contribute to local communities and society. As the core health care company in the MCHC Group, through the creation of value in the form of drugs, we will work to contribute to patients, to the development of society, and to the realization of *KAITEKI*.

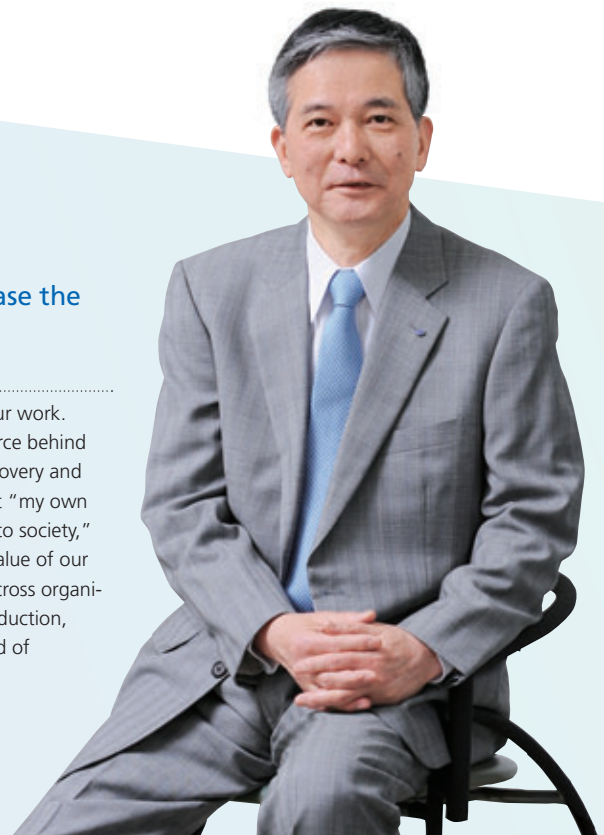
7. For further information on *KAITEKI*, please see the MCHC website. http://www.mitsubishichem-hd.co.jp/english/csr/feature/index.html

My Mission is to Maximize ***Value***

I will take the lead in reforming our corporate culture to increase the value of each employee's work and the value of the Company.

Michihiro Tsuchiya, President & Representative Director, Chief Executive Officer

To raise the value of the Company, it will be necessary for each of us to raise the value of our work. To that end, each individual must have strong determination and motivation. The driving force behind these efforts will be the satisfaction of being able to contribute to patients through the discovery and provision of pharmaceuticals. I believe that if we can have pride in our work, convinced that "my own work helps people" and "the business of a pharmaceutical company makes a contribution to society," then we will naturally develop strong determination and motivation, and will increase the value of our work. In this way, the value of the Company will increase if we can work closely together across organizational boundaries in all functions, including research, development, CMC, marketing, production, quality assurance, and head office functions. I will take the lead in working to build this kind of corporate culture. That is one of my most important missions.



Review of Operations

Mitsubishi Tanabe Pharma conducts research and development, manufacturing, and sales of ethical drugs. These business processes can be broadly divided into two stages.
First, the drug discovery stage extends from the discovery of drug candidates to the receipt of manufacturing and marketing approval and the start of sales. Through basic research and pre-clinical and clinical studies, we are working to discover drugs with superior efficacy and safety.
Next, in the post-marketing development stage we work to increase the value of drugs that have been launched and nurture them into pharmaceuticals that make an enhanced contribution to medical treatment. We are working to gather information, such as efficacy and side effects, boost efficacy and safety, improve usage methods, and expand indications. At the same time, we are striving to provide a stable supply of high-quality pharmaceuticals.
In this section, "initiatives to create value" and "initiatives to support value creation" are introduced for each stage.

Contents

Drug Discovery Stage

Bolstering Our Ability to Discover New Drugs

Aiming to be a pharmaceutical company that continually provides new drugs to patients around the world, Mitsubishi Tanabe Pharma has positioned Bolstering Our Ability to Discover New Drugs as one of the key challenges under the Medium-Term Management Plan 11–15. Under this plan, which covers the period through fiscal 2015, our targets are to launch 10 new products and advance eight projects to late-stage development. Furthermore, we are working to strengthen our development pipeline by establishing a system that can advance three projects to clinical trials each year.

Moving forward, the Group will continue to reinforce its in-house foundation for the drug discovery process and to enhance its ability to discover drug candidates that respond to unmet medical needs[1]. To that end, the Group will actively advance the use of outside resources, such as cooperative ventures with other companies.

1. Unmet medical needs: Medical needs for which there are no effective treatments or drugs.

TARGETS OF MEDIUM-TERM MANAGEMENT PLAN 11–15

Newly launched drugs
- Target 10
- Actual 6

As of May 8, 2013

Projects in late-stage development
- Target 8
- Actual 4

As of May 8, 2013

Nurturing Drugs in Priority Disease Areas

Under the current plan, the Company's priority disease areas are autoimmune diseases, diabetes and kidney diseases, and central nervous system diseases. These are areas in which pharmaceuticals make a strong contribution to treatment and the markets have growth potential. Moreover, through the sale of existing drugs we have already built strong market foundations in these areas. We have also accumulated know-how through our R&D and marketing activities, which allows us to rapidly launch new drugs and achieve quick market uptake after launch.

Currently, we are proceeding with the development of a number of drugs in our priority disease areas. In autoimmune diseases, MT-1303 is in development for MS. In diabetes and renal diseases, TA-7284 is in development for type 2 diabetes mellitus, MT-3995 for

My Mission is to Maximize*Value*

I am striving to contribute to the development of vaccines that can help save the lives of many people, and to that end, I envision what it will be like when a vaccine is finally commercialized.

Shigeki Hoshino, Advanced Medical Research Laboratories, Research Division

I conduct research on new vaccines. If someone is infected with the target virus for the vaccine that we are currently researching and the illness becomes serious, it could be life threatening. In particular, this virus is causing severe harm in emerging countries. The cost burden is also an issue, and the use of existing vaccines has not made sufficient progress. Nonetheless, we can develop inexpensive vaccines by drawing on the technology of our outside partner, with which we are conducting co-development. In this joint research, I am involved in the evaluation of vaccine samples. A single virus has different forms, and it is difficult to create one vaccine that works against all of those forms. Accordingly, my mission is to discover vaccines that are effective against a broader range of forms. Each day, as I take on the challenges of my research, I am always thinking about who will use the commercialized products, and how they will use it. Our aim is to create vaccines that help as many people as possible.

PRIORITY DISEASE AREAS

	Drugs in development		Marketing products	
Autoimmune diseases	MT-1303	Multiple sclerosis Other autoimmune diseases	Remicade	RA, inflammatory bowel disease, psoriasis, etc.
			Simponi	RA
			Imusera	Multiple sclerosis
Diabetes and kidney diseases	TA-7284	Type 2 diabetes mellitus	Tenelia	Type 2 diabetes mellitus
	MT-3995	Diabetic nephropathy / hypertension	Tanatril	Diabetic nephropathy, etc.
			Kremezin	Chronic kidney diseases
	MT-9938	Refractory pruritus	BindRen	Hyperphosphatemia
Central nervous system diseases	MP-214	Schizophrenia	Lexapro	Depression
	MT-4666	Dementia of Alzheimer's type		

diabetic nephropathy and hypertension, and MT-9938 for refractory pruritus. In central nervous system diseases, MP-214 is in development for schizophrenia and MT-4666 for dementia of Alzheimer's type.

▶ For further information, please see page 24, "Progress with Our Pipeline."

Integration of Discovery Research and Early Stage Clinical Trials

Our basic policy is to conduct development in-house until POC[2] is acquired. The probability of success in new drug development continues to decline. Accordingly, at the drug discovery stage, the most important step in maximizing the value of a new drug is the rapid acquisition of POC.

Through organizational restructuring and other means, Mitsubishi Tanabe Pharma has created a framework in which the Research Division handles discovery research and the Development Division handles clinical development, with the two divisions cooperating from late-stage pre-clinical trials. Furthermore, cooperation with the CMC Division, which handles CMC research[3], has been strengthened, ensuring a smooth transition from pre-clinical trials to clinical trials. In this way, we are aiming to acquire POC more rapidly.

2. Proof of Concept: Confirmation that the mechanism is effective and safe in humans.
3. Chemistry, manufacturing, and control research: Comprehensive research supporting pharmaceutical manufacturing and quality, such as research into manufacturing and formulation of pharmaceutical ingredients and analytical research involving the evaluation of the quality of pharmaceutical ingredients and pharmaceuticals.

Leveraging Alliances

Cooperative Ventures in Discovery Research

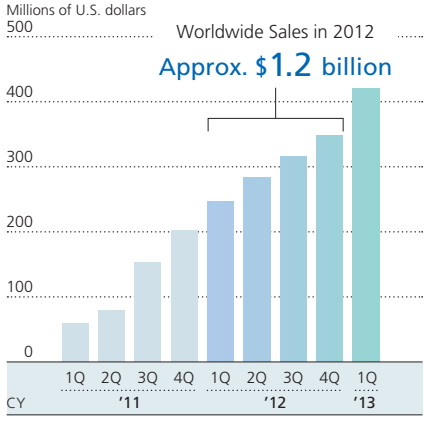
In the identification of discovery targets, we are moving ahead with cooperative initiatives involving academic institutions, centered on our priority disease areas. Furthermore, we are working to enhance our development pipeline by using alliances to draw on outside resources. For example, we are reinforcing one of our strengths—our compound optimization capabilities—by drawing on the discovery technologies of venture companies. In particular, joint research and the introduction of new technologies are indispensable in

Gilenya: From Launch to Blockbuster in Two Years

In 2012, Gilenya, an MS treatment agent licensed to Novartis, of Switzerland, recorded sales of more than $1 billion, in just the second year since its launch. Approval for Gilenya has already been acquired in more than 70 countries, and since its launch it has been administered to more than 60,000 patients. Royalty revenues paid to Mitsubishi Tanabe Pharma, which licensed the drug to Novartis, have increased, reaching ¥19.5 billion* in fiscal 2012. Royalty revenues from Gilenya now account for about one-third of overseas sales, and further growth is expected.

* Due to the elimination of the differential in the timing by which Novartis records sales, the Company's sales for fiscal 2012 include royalty revenues for Novartis sales recorded in fiscal 2012 and the first quarter of fiscal 2013.

WORLDWIDE SALES (NOVARTIS)



ROYALTY REVENUES (MITSUBISHI TANABE PHARMA)

the field of biologics[4], which have a growing presence in pharmaceutical markets.

Tanabe Research Laboratories U.S.A. (TRL), our research base in the U.S., is conducting discovery research focused on biologics. Together with Covagen, of Switzerland, TRL is implementing joint research related to the discovery of bispecific proteins using Covagen's proprietary Fynomer-antibody platform.

In vaccines, we have established a robust domestic sales base, centered on our cooperative relationship with BIKEN. We are also moving ahead with the introduction of competitive new vaccines and vaccine technologies. We introduced a Haemophilus influenzae type b (Hib) vaccine from Nuron Biotech, of the U.S., and are conducting joint research into next-generation vaccines with Medicago, of Canada. Medicago has technology for the rapid, low-cost manufacture of virus-like particles using plants. Through joint research, we are aiming to use this technology to discover vaccines, such as a rotavirus vaccine. In this way, we will continue to utilize alliances with overseas pharmaceutical companies and to work aggressively in the field of preventive medicine.

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

Cooperative Ventures in Clinical Development

As an effective means of maximizing the value of drugs, we are aggressively out-licensing and in-licensing drug candidates. FTY720, which was discovered by the Company for an indication of MS, was licensed[5] to Novartis, of Switzerland, in 1997. In 2010, it was approved in the U.S. as the world's first orally administered treatment for MS, and in 2011 it was launched under the name, Gilenya. It has also received approval in Europe and other markets, and currently is approved in more than 70 countries. By licensing a product discovered in-house to a global company, we were able to ensure that the new drug was quickly provided to patients around the world.

TA-1790 (indication: ED) was licensed to Vivus, of the U.S., and it was approved in the U.S. in April 2012 and in Europe in June 2013. Furthermore, in March 2013, Janssen Pharmaceuticals, of the U.S., received approval in the U.S. for TA-7284 (indication: type 2 diabetes mellitus), and began sales under the name Invokana. As the first SGLT2 inhibitor in the U.S., this product has the potential to grow into the next blockbuster, after Gilenya. Our royalty revenues from these out-licensed products are driving our growth. In the future, we will select the optimal method of development, such as alliances, with consideration for the specific characteristics of each drug.

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

Bolstering the Capabilities of Our Bases

At the point when Mitsubishi Tanabe Pharma was established, the Company had five discovery research bases in Japan. We subsequently made steady progress in the consolidation of responsibilities, and we were able to consolidate discovery research functions in the Yokohama Office and the Toda Office. By bringing together drug discovery chemistry, drug target discovery, effectiveness evaluation, and other functions, we have increased the efficiency of discovery research.

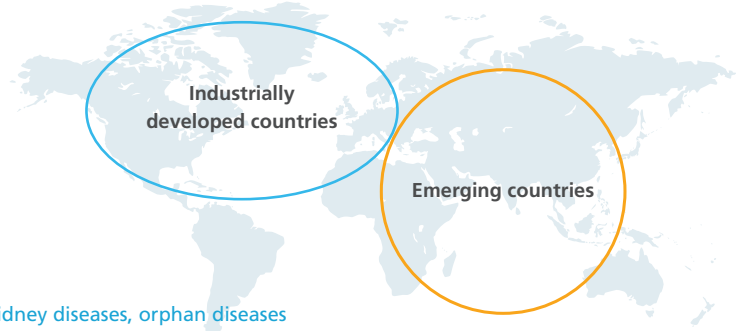
We are also working to reinforce CMC research, which includes the manufacturing and formulation of pharmaceutical ingredients and the preparation for commercial production of new drugs. To that end, we have expanded the CMC research facilities at the Kashima Office, and are considering steps to reinforce the clinical drug facilities used in clinical trials.

Strengthening Our Global Development System

We are building a global development system with bases in the U.S., Europe, and Asia. We have divided our overseas development into industrially developed markets, such as the U.S. and Europe, and emerging markets in Asia, centered on China. On that basis, we implement product development in accordance with local market conditions.

In industrially developed markets, the Group is developing innovative and highly cost-competitive products that respond to unmet medical needs. Specifically, for kidney diseases and orphan diseases, including autoimmune diseases, the clinical trials and the necessary sales networks are relatively small. For these diseases, we conduct development with a view to eventually handling sales in-house. On the other hand, for other disease areas, we conduct development in-house until the acquisition of POC and subsequently utilize other methods, such as alliances with

AREA STRATEGY



Kidney diseases, orphan diseases
- Late-stage development in-house
- Marketing of products that can be sold through in-house marketing system

Other products (circulatory and metabolism diseases, etc.)
- After establishment of POC, use of alliances to rapidly maximize product value

Circulatory and metabolism diseases, etc.
- Development in emerging markets after acquisition of approval in Japan, the U.S., or Europe

Chronic hepatitis, infectious diseases, etc.
- Development of products that meet medical needs in China / Asia

other companies, to quickly provide these drugs to the market.

In emerging markets, we will work to quickly launch products that have been approved in Japan, the U.S., or Europe. In particular, in Asia, centered on China, there are strong medical needs in such areas as chronic hepatitis and infectious diseases, and accordingly we will move forward with the development of drugs that meet those needs. Telavic (development code: MP-424) is a chronic hepatitis C treatment agent that was launched in Japan in November 2011. We filed an application in Taiwan in January 2013, and are implementing phase 1 clinical trials in South Korea.

Also, to strengthen our global development system, in April 2013 we established a Project Management Department that specializes in project management functions. With the Project Management Department, drugs in development with the same active ingredients will, in principle, be handled by the same project leader, regardless of where clinical trials are implemented. International drug development and review standards are being unified, and in this setting it is now possible to use clinical trial data obtained in different countries or regions in application documents. Accordingly, through the management of projects by active ingredient, we can increase speed and efficiency in global development.

Consideration for Ethics at the Drug Discovery Stage

Initiatives in Discovery Research

Discovery research, which uses tissue of human origin, has the important role of linking animal testing and clinical testing. In discovery research, it is essential to pay careful attention to ethical issues, such as a serious and careful approach to informed consent by the donors and the maintenance of their privacy. We have established the Ethics Review Committee, which includes outside members to promote objectivity, impartiality, and transparency. In addition, the committee carefully considers the ethics and scientific validity of research plans. In particular, in regard to human ES cell research and human genome / gene analysis research, we post the regulations of the Ethics Review Committee and the records of its proceedings on our website. For testing using animals, the Animal Experiment Committee deliberates the validity of testing plans based on international standards for animal testing, and tests are conducted with consideration for animal welfare.

Clinical Testing Initiatives

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

My Mission is to Maximize ***Value***

I strive to realize the true value from drugs in development and help the Company to provide drugs that make a contribution on the medical front lines.

Sachi Nakayama, Clinical Research Planning and Coordination Department II, Development Division

In my current position, I plan and coordinate clinical trials. My mission is to create trial plans that realize the true value of drugs in development. For example, a number of different indications are possible even for a single drug. To realize the potential of that drug in development and deliver it to patients as quickly as possible, it is important to consider how the drug will make a contribution on the medical front lines, and then to formulate the plans on that basis. An understanding of the distinctive characteristics of the drug in development as well as medical needs leads to the most appropriate trial plan. Currently, I am in charge of drugs in development in the areas of diabetes and kidney diseases, which are priority disease areas for the Company. I strive to realize the true value from drugs in development and help the Company to provide drugs that make a contribution on the medical front lines.

Progress with Our Pipeline

Through initiatives at the drug discovery stage, in fiscal 2012 the Company made smooth progress in development, especially in the areas of diabetes and kidney diseases. We made significant advances in Japan and overseas with the development of two treatment agents for diabetes (MP-513 and TA-7284). These compounds, which were developed in-house, have different mechanisms of action. Tenelia (MP-513), is a DPP-4 inhibitor that was approved in Japan in June 2012. TA-7284 is an SGLT2 inhibitor that we licensed to Janssen Pharmaceuticals, of the U.S., which received approval for TA-7284 in the U.S. in March 2013 and commenced sales. In Japan, Mitsubishi Tanabe Pharma is conducting development, and an application for TA-7284 was filed in May 2013. In July 2012, BIKEN, our joint development partner, received approval in Japan for Tetrabik (BK-4SP), a combined vaccine for four diseases[6]. Overseas, the Company received approval in Europe in January 2013 of BindRen (MCI-196), a treatment agent for hyperphosphatemia.

As of May 8, 2013, the status of progress in major development projects was as follows.

6. A combined vaccine for three diseases—pertussis, diphtheria, and tetanus—was combined with an inactivated polio vaccine.

Autoimmune Diseases

MT-1303

Indication:

Multiple sclerosis

Like MS treatment agent Imusera, MT-1303 is a sphingosine-1-phosphate (S1P) receptor functional antagonist. It is expected to have reduced side effects on the cardiovascular system while having efficacy similar to that of Imusera, and accordingly it is being developed as a successor to Imusera. Currently, it is in phase 1 clinical trials in Japan and phase 2 clinical trials in Europe. Leveraging the development know-how cultivated in the development of Remicade and Imusera, we are considering additional development for other autoimmune diseases.

Diabetes and Kidney Diseases

TA-7284 (Canagliflozin)

Indication:

Type 2 diabetes mellitus

It inhibits SGLT2, a transporter that is involved in the reabsorption of glucose in the renal tubules. In this way, glucose is excreted outside the body with urine, and the blood glucose level is lowered. TA-7284 is a type 2 diabetes mellitus treatment agent that has a strong blood glucose lowering effect through a new mechanism of action that does not work through insulin. In addition, it has a weight reduction effect that is not seen with other oral diabetes treatment drugs. Mitsubishi Tanabe Pharma is conducting development in Japan, where an application for TA-7284 was filed in May 2013. Overseas, TA-7284 licensee Janssen Pharmaceuticals, of the U.S., received approval for TA-7284, which is the first SGLT2 inhibitor approved in the U.S., in March 2013. An application has also been filed in Europe.

My Mission is to Maximize*Value*

I am working to develop drugs that are easy for patients to take and offer high added value.

Masaaki Sugimoto, Pharmaceutical Research Laboratories, CMC Division

My main job is the formulation of ethical pharmaceuticals. My background includes being in charge of the development of orally disintegrating (OD) tablets, through which I acquired significant experience. OD tablets dissolve easily in the mouth. They are a formulation that is easy to take, even for people who have difficulty swallowing, such as senior citizens. This was developed as an additional formulation for a product that is already on the market, but in terms of our objectives—developing high-value-added formulations—there was no difference from developing a formulation in the drug discovery stage.
I am working to develop high-value-added formulations, and to provide them to patients as quickly as possible. This is my mission. In creating a formulation for a new drug, I am involved from before the start of clinical trials, and as the clinical trials progress I work on developing the formulation that is most appropriate. In that process, speed and quality are both needed. While working together with many departments, such as research, development, and production, I strive to develop high-value-added formulations that further increase drug efficacy and safety.

MT-3995

Indications:

Diabetic nephropathy / hypertension

MT-3995 is a selective mineralocorticoid receptor antagonist. It inhibits the binding of aldosterone to the mineralocorticoid receptor. MT-3995 inhibits the increase of protein in the urine. As a result, it is expected that its use will reduce renal tissue damage and treat diabetic nephropathy. In pre-clinical trials, strong action against protein in the urine was confirmed. In addition, because it has a non-steroid structure, side effects related to sex hormones are avoided. Currently, it is in phase 1 clinical trials in Japan for hypertension and in phase 2 clinical trials in Europe for diabetic nephropathy.

MT-9938 (Nalfurafine)

Indications:

Refractory pruritus

MT-9938 is a κ-opioid receptor agonist licensed from Toray Industries, of Japan. In Japan, Torii Pharmaceutical has sold REMITCH CAPSULES 2.5 μg since 2009. One reason for the limited efficacy of conventional anti-pruritus drugs, such as anti-histamines, is thought to be that the mechanism of manifestation of central pruritus is modified by endogenous opiates. This drug is a selective agonist of the κ-opioid receptor, which is one of the opioid receptors. It can control central pruritus that could not be controlled by anti-histamines and other treatments, and shows effectiveness against pruritus in hemodialysis patients, for which existing treatments are not sufficiently effective. Currently, it is in phase 2 clinical trials in the U.S. for pruritus in hemodialysis patients.

Central nervous system diseases

MP-214 (Cariprazine)

Indications:

Schizophrenia

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

MT-4666

Indication:

Dementia of Alzheimer's type

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

PROGRESS IN MAJOR DEVELOPMENT PROJECTS
NEW MOLECULAR ENTITIES

As of May 8, 2013

Development code	Indications	Region	Phase 1	Phase 2	Phase 3	NDA filed
▼ Autoimmune diseases						
MT-1303	Multiple sclerosis	Japan				
		EU				
▼ Diabetes and kidney diseases						
TA-7284	Type 2 diabetes mellitus	Japan				Filed in May 2013
MT-3995	Hypertension	Japan				
	Diabetic nephropathy	EU				
MT-9938	Refractory pruritus	US				
▼ Central nervous system diseases						
MP-214	Schizophrenia	Japan				
MT-4666	Dementia of Alzheimer's type	Japan				

Post-Marketing Development Stage

Strengthening Domestic Business Foundation, Centered on New Products

Under the Medium-Term Management Plan 11–15, Mitsubishi Tanabe Pharma has identified Advancing Domestic Operations, Centered on New Drugs, as one of its key challenges. We have already launched six new products under the current plan. In fiscal 2012, we entered the diabetes field with the launch of Tenelia. This drug, a treatment agent for type 2 diabetes mellitus, is the first DPP-4 inhibitor that was originated in Japan from discovery to development. We also launched Tetrabik, a combined vaccine for four diseases that we developed jointly with BIKEN. In addition to these new products, we have worked to expand sales of our priority products—Remicade, Talion, Maintate, and Kremezin. As a result, sales of these products are recording steady growth. To maximize the value of existing products, we are also aggressively implementing life-cycle management.

Moving forward, through initiatives at the post-marketing development stage, we will strive to deliver accurate information based on global evidence and to provide more patients with drugs that address unmet medical needs[1]. In this way, we will contribute to improving the treatment received by patients as well as their QOL[2].

▶ For further information, please see page 32, "Overview of Domestic Core Ethical Drugs and Sales Trends."

1. Unmet medical needs: Medical needs for which there are no effective treatments or drugs.
2. Quality of life: Benchmark that addresses whether patients can enjoy their daily lives with a sense of fulfillment and satisfaction, without a decline in the quality of their daily lifestyles.

Establishing Information Provision Systems

Building a "T-Shaped" Marketing System

Ethical drugs have side effects and other risks. For efficacy to be provided effectively and safely, it is important that ethical drugs are used in an appropriate manner. Accordingly, Mitsubishi Tanabe Pharma provides information regarding appropriate usage of ethical drugs to doctors, pharmacists, and other health care professionals. These information provision activities are centered on medical representatives (MRs).

During the period of the current medium-term management plan, we expect to launch a large number of new products. To ensure the steady progress of these new drugs in the market, it is essential that we provide high-quality information to health care professionals. To accurately provide information about a wide range of products with only a limited number of MRs, we have established a "T-shaped" marketing system. Under this information provision system, generalist MRs, who are responsible for a wide range of clinical departments, are supported by area-specialist MRs, who have deep levels of knowledge in specific areas.

In Japan, the Company's generalist MRs conduct information provision activities for a wide range of products and disease areas. The activities of these generalist MRs are supported by the area-specialist MRs, who offer highly specialized, high-quality information in each disease area. This information has been gathered from inside and outside the Company. In this way, we are working to enhance the quality and quantity of the information that we provide.

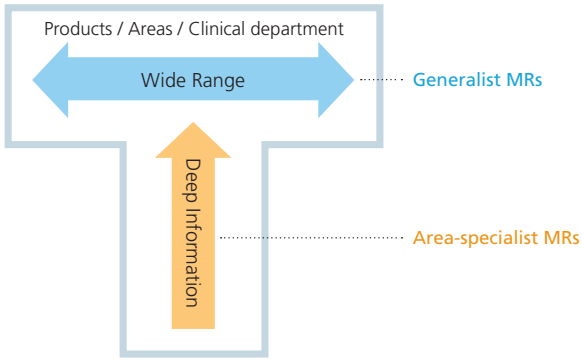
My Mission is to Maximize***Value***

In the field of diabetes, which the Company has recently entered, I will work to build relationships of trust with health care professionals as rapidly as possible.

Takashi Yamamoto, Osaka Sales Office II, Osaka Branch, Sales & Marketing Division

As a generalist MR, I conduct information provision activities for general hospitals, centered on university hospitals. My work covers a wide range of disease areas, but right now my primary focus is Tenelia, our new treatment agent for type 2 diabetes mellitus. Diabetes is also a new field for the Company, and consequently I think that my mission is to build relationships of trust with health care professionals as rapidly as possible. To that end, it is important to learn the scientific information about products and diseases. It is also important to accurately provide information, not only about efficacy but also about safety. In cooperation with area-specialist MRs and with Daiichi Sankyo, who is our co-marketing partner, I am working to conduct information provision activities that will earn the trust of health care professionals. To help make diabetes a pillar of the Company's operations, I will strive to fulfill my role on the front lines of post-marketing development.

"T-SHAPED" MARKETING SYSTEM



Enhancing
QUALITY
and
QUANTITY
of Information

In addition, in our information provision activities we strictly follow the Promotion Code, which stipulates the way that promotions should be conducted and procedural standards for promotions.

Moreover, our MRs maintain high ethical standards and awareness as appropriate for employees of a life sciences company. They place priority on fairness and integrity in all activities, and strive to conduct information provision activities with full consideration for the rights of patients.

Leveraging Alliances

To conduct effective information provision activities, we are utilizing strategic alliances with other pharmaceutical companies. Tenelia was launched in September 2012. This marked our entry to the diabetes field, and we commenced co-marketing with Daiichi Sankyo. We will also conduct co-marketing for TA-7284, an SGLT2 inhibitor. An application has been filed in Japan, and we expect to start sales in 2014. Both of these drugs are oral type 2 diabetes mellitus treatment agents discovered by Mitsubishi Tanabe Pharma. We have already started co-marketing of Tenelia with Daiichi Sankyo. Utilizing one of the largest sales forces in the field of diabetes in Japan, Mitsubishi Tanabe Pharma and Daiichi Sankyo are working together to conduct meticulous information provision activities.

In addition, we are conducting co-marketing of RA treatment agent Simponi with Janssen Pharmaceuticals and of depression treatment agent Lexapro with Mochida Pharmaceutical.

For Lexapro, we are also implementing co-promotion initiatives with Yoshitomi-yakuhin, a Group company with strengths in the psychiatric field.

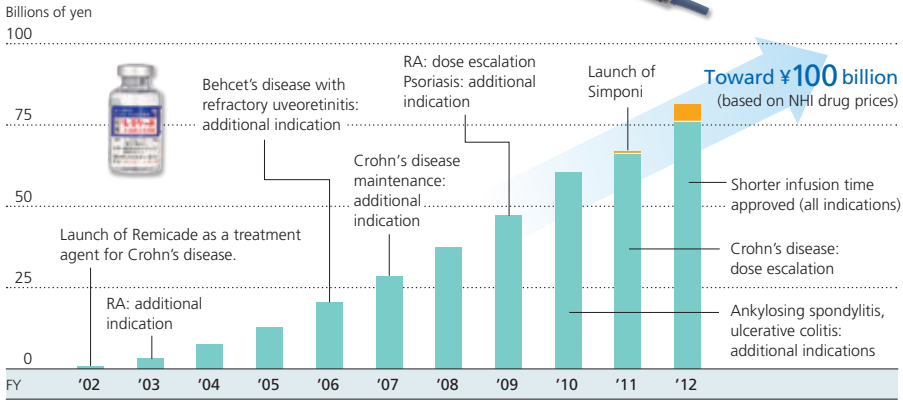
Enhancing Information Provision Activities Through Means Other Than MRs

In addition to strengthening our information provision system based on MRs, which is centered on new drugs and priority products, we are also working to maintain profits from long-term listed drugs (mature products). Mature products include many drugs that make a strong contribution to medical treatment, such as highly evaluated drugs that have been widely used on the medical front lines for many years and drugs for which there are no substitutes. We are effectively promoting these mature products by conducting information provision activities through a multichannel approach that does not rely on MRs. As one facet of those activities, we have established a specialized medical website for the exclusive use of doctors, pharmacists, and other health care professionals. This website introduces pharmaceutical information, the latest pharmacotherapy evidence, and other information. In addition, through such measures as the use

Aiming to Maximize the Value of Remicade to Achieve Total Sales of ¥100.0 billion

Since the launch of Remicade in 2002, we have conducted information provision activities with a focus on appropriate usage and increased indications. As a result, Remicade has contributed to the treatment of patients with a range of inflammatory autoimmune diseases, and sales have steadily increased. In fiscal 2012, sales of Remicade were ¥73.5 billion. We are currently implementing clinical trials, targeting the expansion of indications. Moreover, we also offer Simponi, an RA treatment agent that was launched in September 2011. In contrast to Remicade, which is administered through intravenous injection, Simponi is administered through subcutaneous injection. Competition in the RA drug market is intense, and we are aiming to achieve, as rapidly as possible, total combined sales of ¥100.0 billion (based on NHI drug prices) for these two drugs by emphasizing the superiority of biological agents with different methods of administration.

REMICADE AND SIMPONI SALES TREND

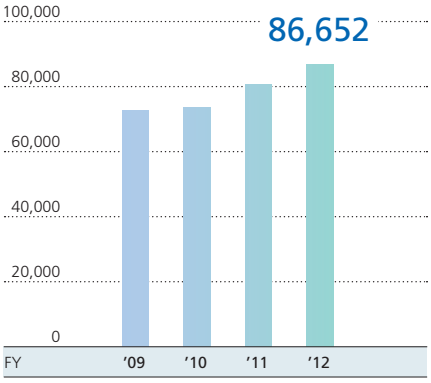


of IT and the establishment of two-way networks, we will strengthen our on-demand information provision system in line with the individual needs of health care professionals.

Establishing the Medical Information Center

We established the Medical Information Center to respond directly to inquiries from patients, consumers, and health care professionals. For patients and consumers, this is the only product information center, and we are working to provide information that is easy to understand while at the same time making certain not to dispense the type of medical advice that should only come from a physician. In response to about 80,000 inquiries a year, we work to promote appropriate usage of our products by sharing objective facts and data based on drug approval documents and scientific evidence. Furthermore, the center tracks information about side effects and other safety- and quality-related information obtained through inquiries and then communicates that information to related departments. In this way, the center helps us to improve products and ensure reliability.

NUMBER OF INQUIRIES TO THE MEDICAL INFORMATION CENTER



▶ Principal Subjects of Inquiries:

Product distribution	14.2%
Usage and dosage	13.3%
Safety (precautions for use)	13.1%
Stability	9.3%
Requests for printed materials	6.3%

Advancing Life-Cycle Management

To maximize product value, we continually strive to acquire additional indications for many products, such as Remicade. In fiscal 2012, we started a series of phase 3 clinical trials in Japan for Remicade, which plays a central role in our life-cycle management strategy. These trials are targeting the acquisition of additional indications for pediatric Crohn's disease, refractory Kawasaki disease, and pediatric ulcerative colitis. We also started phase 3 clinical trials in Japan for a partial change in usage / dosage for psoriasis. In February 2013, the Company received approval in Japan for additional indications for Omeprazon, which was approved for Helicobacter pylori eradication by concomitant therapy for Helicobacter pylori gastritis, and for Grtpa, which was approved for acute ischemic cerebrovascular disease (up to 4.5 hours after the onset of symptoms). In addition, in June 2013, Maintate was approved for an additional indication of atrial fibrillation (tachycardiac). Furthermore, in February 2013 we filed an application for Tenelia for a partial change in indication for type 2 diabetes mellitus in combination with all oral blood sugar lowering agents currently approved.

Addressing a Wide Range of Medical Needs

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

In addition to discovering and providing drugs used in the treatment of diseases, in the field of preventive medicine we are marketing vaccines developed and manufactured by BIKEN, with the aim of contributing to a higher QOL for patients. We are taking steps to further strengthen our domestic foundation in this field, centered on BIKEN, which is a leader in the domestic market. In fiscal 2012, we launched Tetrabik, a combined vaccine for four diseases that we developed jointly. We are also taking steps to support education about vaccination, such as establishing a health support website about vaccines.

In the generic drugs business, the Group is making the most of its marketing foundation. These initiatives, which are centered on Tanabe Seiyaku Hanbai, a sales company, also include Mitsubishi Tanabe Pharma, which handles new drugs, and Yoshitomiyakuhin, which has strengths in the psychiatric field. On this foundation, we are working to provide Reliable Generics that can be used with peace of mind against a background of high-quality information and a stable supply of quality drugs. We are working to respond steadily when major drugs go off patent and to increase our earnings capacity. In October 2012, we dissolved our capital and business alliance with Choseido Pharmaceutical. This alliance, which was established in May 2008, was centered on the generic drug business. Nonetheless, we continue working to enhance our presence in the market for generic drugs, including consideration for strategic alliances with other companies.

Overseas Pharmaceutical Sales

Mitsubishi Tanabe Pharma has sales bases in Europe—the U.K. and Germany—and in Asia—China, South Korea, Taiwan, and Indonesia. Centered on these sales bases, we are implementing drug information provision activities in overseas markets. These activities also draw on our alliances with other companies. We are working to increase the quality of information provision by holding periodic training for MRs involved in sales activities.

In Europe, in fiscal 2012 we began sales in the U.K. of Argatroban, a selective antithrombin agent (brand names: Exembol in the U.K., and Novastan HI Injection in Japan). This drug, which is currently sold in 10 countries in Europe, including Germany and France, is a treatment agent for heparin-induced thrombocytopenia (HIT) type II. In April 2013, we began sales in Germany and Austria for BindRen (brand name: Cholebine in Japan), a treatment agent for hyperphosphatemia. Moving forward, we will steadily strengthen our sales foundation in Europe, centered on Argatroban and BindRen.

In Asia, in fiscal 2012 we began sales in Indonesia and Taiwan of pitavastatin calcium (brand name in Japan: Livalo Tablets) for hypercholesterolemia. In the future, we will

strengthen our local MR workforces and expand the range of drugs sold through our in-house sales network in line with the characteristics and needs of local markets. In these ways, we will reinforce our business platform in Asia.

Aiming to Provide a Stable Supply of Drugs

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

Initiatives in Procurement

In procuring the raw materials for pharmaceuticals, we are committed to engaging in fair, transparent activities with our suppliers. In accordance with the standards that we have established—our Purchasing Principles and the MTPC Group Purchasing Compliance Code of Conduct—we conduct purchasing activities with a strict observance of related laws and regulations and with consideration for such factors as environmental conservation and observance of human rights. In procuring raw materials for pharmaceuticals, important capabilities for the raw materials manufacturer include quality assurance, technical capabilities, customer focus, and management capabilities. To evaluate these capabilities, we visit manufacturing sites to confirm them directly.

The Company is also focused on reinforcing its supply chain by incorporating CSR purchasing and business continuity management (BCM). Specifically, we use a CSR questionnaire for suppliers and ask them to provide information about raw material procurement. This provides the basis for evaluation and improvement initiatives. In addition, we have established a BCM system through the formulation of various rules, such as inventory management standards and information cooperation standards. We have built a system for the stable supply of pharmaceuticals so that we can securely deliver drugs to patients, even in the event of a disaster or other unforeseen problem.

Initiatives in Production

To manufacture drugs that can be used with peace of mind by patients, Mitsubishi Tanabe Pharma is implementing initiatives to ensure quality. We act in accordance with good manufacturing practices (GMP) in all manufacturing processes—acceptance testing of raw materials procured from Japan or overseas, manufacturing of pharmaceutical ingredients, manufacturing of pharmaceutical products, and testing / inspection. The CMC Division, which conducts CMC research[3], works together with the Group's production plants to develop production technologies designed to support the stable, low-cost manufacturing of high-quality products.

Currently, our global manufacturing system has 10 production plants in Japan and 5 overseas, as well as subcontracted manufacturers. Through this system, we provide a stable supply of pharmaceuticals to patients around the world. Overseas, we have manufacturing and sales bases in Asia, with Tianjin Tanabe Seiyaku, manufacturing oral agents and Mitsubishi Pharma (Guangzhou), manufacturing intravenous (IV) solutions. Mitsubishi Tanabe Pharma Korea, and Taiwan Tanabe Seiyaku, handle products for their respective markets as well as products for Japan. Also, Tanabe Indonesia serves as a manufacturing base for Southeast Asia.

In addition, under the current medium-term management plan, in Japan and overseas we plan to build four new manufacturing plants that will meet global standards. In Japan, we will enhance our supply system for new products and work to improve quality and cost competitiveness through the realization of the optimal supply system. Overseas,

My Mission is to Maximize *Value*

I will strive to pass along my experience and knowledge so that the Company can continue to deliver high-quality pharmaceuticals to patients.

Tomoko Okamoto, Production Department, Osaka Plant, Mitsubishi Tanabe Pharma Factory Ltd.

After I joined the Company, I was principally in charge of testing injection formulations at a manufacturing plant. Now, I am in charge of packaging, shipping, and narcotic control. Testing in the manufacturing process is the cornerstone of quality assurance, and it is a major responsibility. The testing that we conduct is not all done by machine; we also perform visual inspections on some products. Employees who perform visual inspections are themselves required to take tests periodically, and if they do not pass they cannot conduct this testing work. To continually support accuracy in visual inspections, the "sense" that is developed through experience and an awareness of one's duty are extremely important. My mission is to assure quality through visual inspection and to transmit to younger employees my experience and knowledge in an easy-to-understand manner. Mitsubishi Tanabe Pharma is working to ensure that skills and know-how are passed along to younger employees so that the Company can continue to deliver high-quality pharmaceuticals to patients.

we will strive to meet expanding demand in China and ASEAN markets.

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

Initiatives in Distribution

As a pharmaceutical company, Mitsubishi Tanabe Pharma is working to steadily and accurately provide high-quality pharmaceuticals, when they are needed and to the patients who need them. We have developed a dual-base distribution system that has distribution centers in eastern and western Japan. This system enables the Company to provide a stable supply of drugs to the medical front lines, even in the event of a large-scale disaster or other crisis. If either distribution center becomes inoperable at any time, the other center will be able to provide backup distribution, thereby facilitating a continued supply of pharmaceuticals. In addition, each distribution center employs an inventory control system that carefully monitors product inventory and other items. Under this system, we are able to quickly and accurately fill purchase orders.

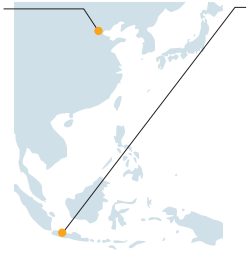
We are also implementing initiatives in the area of quality control in the distribution process. In addition to conducting operations in accordance with the Pharmaceutical Affairs Law of Japan, the distribution centers prepare guidelines and procedure manuals to ensure that pharmaceuticals are appropriately managed. In this way, the distribution centers support the maintenance of distribution quality. Products are shipped from the distribution centers by transport companies that are in compliance with transport quality standards. These companies strictly supervise the transport of this cargo in a manner that reflects the importance of pharmaceuticals. The Company takes steps to minimize any loss of quality during the distribution process, such as establishing terminals specially designed for pharmaceuticals, using specialized pharmaceutical transport vehicles, and implementing strict temperature control. In these ways, we have built a transport system that can provide a stable supply of high-quality pharmaceuticals.

In October 2012, the distribution operations that had previously been handled at distribution centers by MP Logistics, a Group company, were contracted out to Collabo-Create. In the future, we plan to shift to the new distribution centers that are being planned by Collabo-Create and to contract out all of the distribution operations that we now implement. In this way, we will increase the level of various services, respond flexibly to changes in the environment inside and outside the Company, and continue to reduce distribution costs, all while maintaining a stable supply and quality assurance.

BOLSTERING PRODUCTION BASES

Increasing production capacity to meet demand growth in China and ASEAN

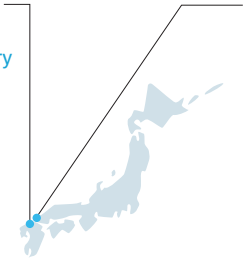
New pharmaceutical production building at Tianjin Tanabe
Location: Tianjin (China)
Start of construction: 2013
Planned completion: 2015



New pharmaceutical production building at Tanabe Indonesia
Location: Bandung (Indonesia)
Start of construction: 2013
Planned completion: 2014

Enhancing the new drug supply system and realizing an optimal production system

New pharmaceutical production building at Yoshitomi Plant, Mitsubishi Tanabe Pharma Factory
Location: Fukuoka Prefecture (Japan)
Start of construction: 2014
Planned completion: 2016



New pharmaceutical ingredient production building at Onoda Plant, Mitsubishi Tanabe Pharma Factory
Location: Yamaguchi Prefecture (Japan)
Start of construction: 2014
Planned completion: 2016

Enhancing Our System to Assure the Reliability of Drugs

To ensure that our pharmaceuticals can be used with peace of mind, we have built a system to assure efficacy, safety, and quality at all stages of the pharmaceutical life cycle, such as research, development, manufacturing, and marketing.

Rigorous Compliance with Laws and Regulations

Divisions in charge of the processes from pharmaceutical research through post-marketing activities must implement their operations in accordance with laws, regulations, and guidelines. Independent supervisory units—the Clinical and Research QA Section and the Product QA Section—provide objective appraisals of compliance and offer suggestions and instructions on improvement, as appropriate. This system helps to assure the reliability of the efficacy and safety data obtained through discovery research, clinical trials, and post-marketing surveillance, as well as the quality of investigational drugs, which are used in clinical trials, and of post-marketing products.

Managing Safety through Post-Marketing Surveillance

Following the confirmation of efficacy and safety in clinical trials, product sales begin after the receipt of manufacturing and sales approval from Japan's Ministry of Health, Labour and Welfare. However, clinical trials are implemented under restricted conditions, and consequently there are limits to the information that can be obtained in the period up to approval. Accordingly, even in the post-marketing stage the Company collects information about efficacy and safety. In this way, we are working to accurately understand information about pharmaceutical efficacy

SYSTEM TO ASSURE THE RELIABILITY OF DRUGS

Auditing Department

Research	Development	Production	Marketing	Medical Information Services
Assures reliability of research data based on GLP and reliability standards	Assures reliability of clinical studies and investigational drug quality based on GCP and GMP	Assures quality of post-marketed drugs based on GMP and GQP	Manages post-marketing drug safety based on GVP	Customer service
Good Laboratory Practice Standards related to safety on how non-clinical trials for drugs should be conducted	Good Clinical Practice Standards on how clinical trials for drugs should be conducted. Goods Manufacturing Practice Production and quality standards for control of pharmaceutical and quasidrug products	Good Quality Practice Standards for controlling the quality of pharmaceuticals, quasidrug products, cosmetics, and medical equipment	Good Vigilance Practice Standards for safety vigilance after production and marketing	

and safety through the accumulation and analysis of this data. Moreover, the provision of this information to health care professionals helps to support the safer, more-effective use of pharmaceuticals.

During the current medium-term management plan, Mitsubishi Tanabe Pharma has launched Imusera, a treatment agent for MS, and Telavic, a treatment agent for chronic hepatitis C. These are drugs that require special care in prescribing, and consequently all-patient post-marketing surveillance initiatives were made mandatory for these drugs. We are working to promote the appropriate use of these products by steadily implementing post-marketing surveillance activities.

Quality Assurance for Pharmaceuticals

In manufacturing pharmaceuticals, we promote quality assurance for the products that we manufacture, and strive to increase quality through the formulation of quality targets and the implementation of quality assurance plans. These activities are conducted in strict compliance with laws, regulations, and guidelines and in accordance with the Mitsubishi Tanabe Pharma Group Quality Assurance Standards and Quality Policy, which we established independently. In addition, aiming to unify our quality assurance standards on a global basis, we have formulated quality assurance standards for Mitsubishi Tanabe Pharma and all manufacturing bases in the Group. Mitsubishi Tanabe Pharma is sensitive to feedback from the front lines, and the Company calls on nurses and pharmacists to hear about how its products are being used and under what conditions. We are working to reflect that feedback in our quality improvement initiatives. Mitsubishi Tanabe Pharma will continue to implement measures to prevent a recurrence of the Medway problem and quality control problems, as well as business improvement measures. Moving forward, we will strive to provide a stable supply of high-quality pharmaceuticals that can be used by patients with peace of mind.

My Mission is to Maximize*Value*

I work to create high-quality databases so that the Company's pharmaceuticals can be used by patients with peace of mind.

Riyo Hashimoto, Safety Data Department, Pharmacovigilance & Quality Assurance Division

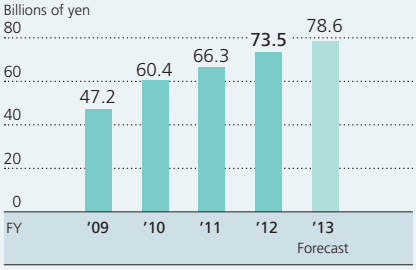
I work in the management of data related to post-marketing surveillance. My mission is to ensure the quality of that data so that patients can use these drugs with peace of mind. In the post-marketing surveillance, through MRs we ask doctors to complete case report forms. My principal job is to closely examine the case report forms that are returned and to create databases. Analysis is conducted based on these databases, and ultimately the information about the efficacy and safety of pharmaceuticals are used in the treatment of patients. If the data that is the foundation of information is not reliable, then of course the reliability of the information cannot be assured. On the other hand, for the patients who are using the pharmaceuticals, it is important that we work with speed. Through careful review in daily work, I am striving to rapidly create databases that everyone can rely on. In the future, I will work faithfully to handle each unit of data appropriately and to create high-quality databases.

Overview of Domestic Core Ethical Drugs and Sales Trends

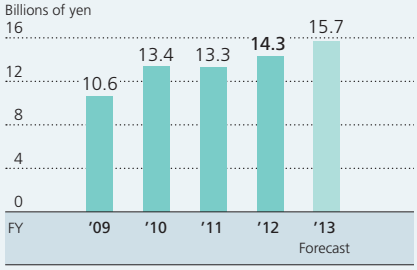
The sales forecasts in this section were announced on May 8, 2013.

Sales of Priority Products

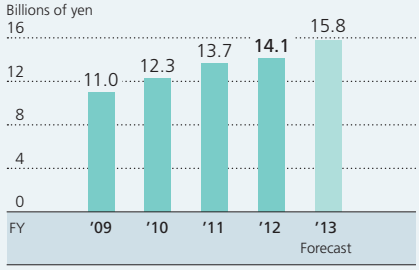
REMICADE



TALION



MAINTATE



PRIORITY PRODUCTS

Remicade Infliximab

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

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

Domestic Sales
¥73.5 billion
(overseas sales: ¥30 million)

Overview Remicade is an anti-TNFα monoclonal antibody that targets TNFα, an inflammatory cytokine. Administered through IV infusion, it is very fast-acting and its efficacy is sustained for two months with a single administration. In 2002, it was launched as a treatment agent for Crohn's disease, and sales have grown favorably as a result of the steady acquisition of additional indications such as RA. In 2012, it became possible to shorten the IV infusion time from the 4th administration for patients with no safety problems. This change has reduced the burden on patients and increased convenience on the medical front lines. Currently, Remicade is in phase 3 clinical trials in Japan for multiple indications, such as refractory Kawasaki disease, and for an increased dose for psoriasis.

Sales trend Sales in fiscal 2012 continued to record double-digit growth, rising 10.8%, to ¥73.5 billion. Competition is intensifying in the RA drug market, and prescriptions for the treatment of Crohn's disease and ulcerative colitis led growth. In fiscal 2013, conditions in the RA drug market are expected to remain challenging, but we will continue to devote management resources to the RA indication, which was approved 10 years ago. In addition, the increased dosage for Crohn's disease is expected to become the standard dosage, and the Company will work to support the acquisition of new patients in the ulcerative colitis drug market, which is a large latent market. The sales forecast for fiscal 2013 is ¥78.6 billion, an increase of 6.9%.

Talion Bepotastine

Treatment of allergic disorders

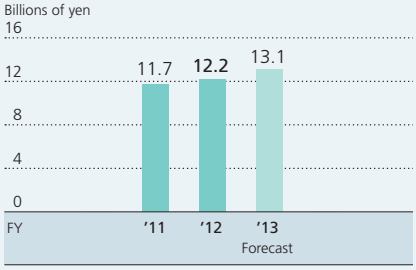
- **Launch:** October 2000
- **Origin:** Ube Industries
- **Development:** Co-development with Ube Industries

Domestic Sales
¥14.3 billion
(overseas sales: ¥0.9 billion)

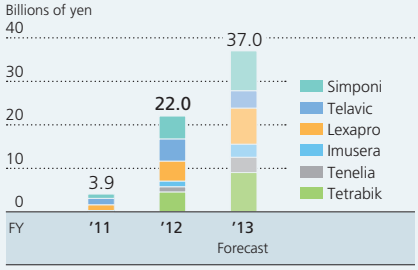
Overview Talion has rapid onset of anti-histamine effects and is effective for allergic rhinitis, urticaria, and pruritus accompanying dermatitis. It has minimal incidence of sedation, which is a side effect of anti-histamines. In 2007, an additional formulation, orally disintegrating tablets, was approved. This formulation makes it easier for patients to take the drug. Currently, Talion is in phase 3 clinical trials in Japan for indications of pediatric allergic rhinitis and pediatric atopic dermatitis.

Sales trend In fiscal 2012, sales were up 7.3%, to ¥14.3 billion. In spring 2013, pollen was higher than in the previous year, but the anti-histamine drug market itself was flat year on year. In this setting, Talion recorded a solid performance and sales steadily increased. The forecast for sales in fiscal 2013 is ¥15.7 billion, an increase of 9.6%, based on the assumption that pollen levels will be typical. Moreover, we will strive to achieve the plan by stepping up promotion activities for dermatitis, which is less susceptible to the influence of pollen trends.

KREMEZIN

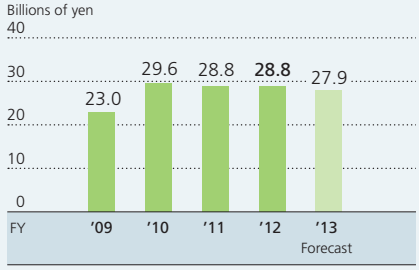


Sales of New Products*



* Sales of new products includes the Tetrabik vaccine.

Sales of Vaccines



Maintate Bisoprolol

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

- **Launch:** November 1990
- **Origin:** Merck Serono (Switzerland)
- **Development:** Mitsubishi Tanabe Pharma

Domestic Sales
¥14.1 billion
(overseas sales: ¥0.3 billion)

Overview Maintate is a representative β blocker used in more than 100 countries around the world. It exhibits high selectivity for β1 receptor and excellent pharmacokinetics profiles. Maintate has high efficacy and safety, and there is abundant evidence for its cardioprotective action. It is also recording the highest growth in the domestic β blocker market, where it has the No. 2 market share. Maintate received an additional indication for chronic heart failure in 2011 and for atrial fibrillation (tachycardiac) in 2013.

Sales trend In fiscal 2012, sales rose 3.1%, to ¥14.1 billion. The domestic β blocker market has leveled off, and generics have made substantial progress, but further growth is expected for Maintate because in June 2013 it received an additional indication of atrial fibrillation, a first for a major β blocker. The sales forecast for fiscal 2013 is ¥15.8 billion, an increase of 11.9%.

Kremezin Spherical carbon adsorbent

Treatment of chronic kidney disease

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

Domestic Sales
¥12.2 billion

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

Sales trend In fiscal 2012, sales were up 4.5%, to ¥12.2 billion. In fiscal 2013, the Company will work to contribute to delaying the commencement of dialysis by fostering awareness of Kremezin's merits as an ethical pharmaceutical and advancing activities to improve medication adherence. The sales forecast for fiscal 2013 is ¥13.1 billion, an increase of 7.5%.

NEW PRODUCTS (launched during the period of the Medium-Term Management Plan 11–15, excluding the Tetrabik vaccine)

Simponi Golimumab

Treatment of RA

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

Domestic Sales
¥5.3 billion
(overseas sales: ¥0.1 billion)

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

Sales trend In fiscal 2012, sales were up 453.6%, to ¥5.3 billion. In fiscal 2013, competing subcutaneous injections will be launched, and competition in the RA subcutaneous market is intensifying. However, the number of facilities using Simponi is increasing. In addition, distinctive characteristics of Simponi include simple administration—subcutaneous injection once every four weeks—and the ability to use larger dosages (100mg). Those characteristics have been well received, and we expect to acquire newly registered patients. The sales forecast for fiscal 2013 is ¥9.2 billion, an increase of 74.4%.

Telavic Telaprevir

Treatment of chronic hepatitis C

- **Launch:** November 2011
- **Origin:** Vertex Pharmaceuticals (U.S.)
- **Development:** Mitsubishi Tanabe Pharma

Domestic Sales
¥5.1 billion

Overview Telavic has been positioned as a first-in-class oral drug for treating chronic hepatitis C. It inhibits hepatitis C virus (HCV) proliferation by inhibiting NS3-4A serine protease, which is involved in HCV replication. For patients with chronic hepatitis C affected by genotype 1 virus, which includes a large number of Japanese patients, it has been shown that combination therapy of three drugs (pegylated interferon + ribavirin + Telavic) improves therapeutic efficacy and shortens the treatment period, compared to the current standard therapy. It is expected to offer a new treatment opportunity to patients for whom the conventional treatment was not effective. Currently, it is in phase 3 clinical trials for an additional indication of chronic hepatitis C (genotype 2) expansion of combination therapy.

Sales trend In fiscal 2012, sales were up 245.9%, to ¥5.1 billion. To conduct the all-patient surveillance that was a condition of its approval, the number of facilities at which it will be available is limited, but the all-patient surveillance has shown efficacy (SVR: sustained virological response) greater than that in clinical trials. In addition, the safety profile has basically been established, and as a result the approval condition is expected to be lifted in September 2013. We anticipate increases in the number of facilities in which it is available and in the number of new patients. On the other hand, the number of patients receiving smaller dosages is also increasing, and the sales forecast for fiscal 2013 is ¥4.0 billion, a decrease of 22.2%.

Lexapro Escitalopram

Treatment of depression

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

Domestic Sales
¥4.6 billion

Overview Lexapro, a selective serotonin reuptake inhibitor (SSRI), was launched in 2002 in Europe and the U.S. It is currently used in 96 countries and regions. Among SSRIs, it has the highest serotonin transporter selectivity. Its superior efficacy for depression and depressive symptoms and good tolerability have been confirmed. In addition, it has simple administration, and as a result it is expected to contribute to the improvement of medication adherence, which is especially important in patients with depression. We are conducting joint sales activities with Mochida Pharmaceutical.

Sales trend In fiscal 2012, sales were up 262.3%, to ¥4.6 billion. Since the limits on period of administration were removed in August 2012, it has steadily expanded its market share. The market for new antidepressants drug has been affected by the launch of generic versions of major products, and in fiscal 2013 the market is expected to follow a flat trend. In this environment, to increase awareness of the clinical efficacy of Lexapro, we will work together with Mochida Pharmaceutical to further strengthen information provision activities and to enhance Lexapro's market presence. The sales forecast for fiscal 2013 is ¥8.3 billion, an increase of 82.4%.

Imusera Fingolimod

Treatment of multiple sclerosis (MS)

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

Domestic Sales
¥1.3 billion

Overview Imusera is a first-in-class drug that controls inflammation in the brain and spinal cord in MS. It inhibits the receptor function of sphingosine-1-phosphate (S1P) receptor on the lymphocyte, and prevents auto-aggressive lymphocytes from invading the central nervous system. Unlike previous drug treatments for MS, which are limited to injections, it can be administered orally (once daily), thereby lowering the burden on patients. Imusera was developed jointly by Mitsubishi Tanabe and Novartis Pharma in Japan. We are marketing this product under the name Imusera, while Novartis Pharma is marketing it under the name Gilenya. Overseas, Novartis, of Switzerland, which licensed the product, has obtained approval in more than 70 countries, including countries in Europe and the U.S. It has been administered to more than 60,000 patients.

Sales trend In fiscal 2012, sales were up 1,103%, to ¥1.3 billion. Since the limits on period of administration were removed in December 2012, sales have grown significantly, and together, Imusera and Gilenya have the No. 2 share of the MS treatment agent market. An all-patient surveillance was required as a condition of its approval, and the number of registered patients has surpassed the target for Novartis and Mitsubishi Tanabe Pharma of 1,000. We anticipate continued favorable growth in prescriptions, and the sales forecast for fiscal 2013 is ¥3.0 billion, an increase of 139.8%.

Tenelia Teneligliptin

Treatment of type 2 diabetes mellitus

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

Domestic Sales
¥1.2 billion

Overview Tenelia is the first DPP-4 inhibitor originating in Japan that has ever been launched. It inhibits the function of dipeptidyl peptidase-4 (DPP-4), which selectively breaks down glucagon-like peptide-1 (GLP-1), a hormone secreted from the gastrointestinal tract in response to food intake. In this way, Tenelia promotes insulin secretion and suppresses glucagon secretion, thereby demonstrating blood glucose lowering action. Due to the strength and duration of its action, it can improve post-prandial blood glucose, after three meals, with once-a-day oral administration. It does not have problems associated with conventional diabetes treatments, such as hypoglycemia and weight gain. Its kidney excretion rate is low, so it is not necessary to adjust the dosage for patients with impaired kidney function.

Sales trend In fiscal 2012, sales were ¥1.2 billion. Competition in the DPP-4 inhibitors market is intense, but by implementing joint promotional activities with Daiichi Sankyo we have achieved solid increases in the number of administrations. When the limits on period of administration are removed in September 2013, prescriptions will increase substantially. The sales forecast for fiscal 2013 is ¥3.5 billion, an increase of 188.8%.

VACCINES

Domestic Sales
¥28.8 billion
(overseas sales: ¥1.8 billion)

The Company sells vaccines developed and produced by BIKEN. Vaccines that competed with Mearubik, a live attenuated measles and rubella combination vaccine, and JEBIK V, a freeze-dried, cell-culture derived Japanese encephalitis vaccine, had an effect on our sales of vaccines. However, Tetrabik, a combined vaccine for four diseases* that we launched in October 2012, contributed sales of ¥4.5 billion. Sales of vaccines in fiscal 2012 were ¥28.8 billion, about the same as in the previous year. In fiscal 2013, we expect sales of Tetrabik to increase 98.6% year on year, to ¥9.0 billion. However, market conditions are expected to remain difficult, and for vaccines overall the sales forecast for fiscal 2013 is ¥27.9 billion, a decrease of 3.1%.

* A combined vaccine for three diseases—pertussis, diphtheria, and tetanus—was combined with an inactivated polio vaccine.

Corporate Governance and Internal Control

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 realize the corporate philosophy, 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

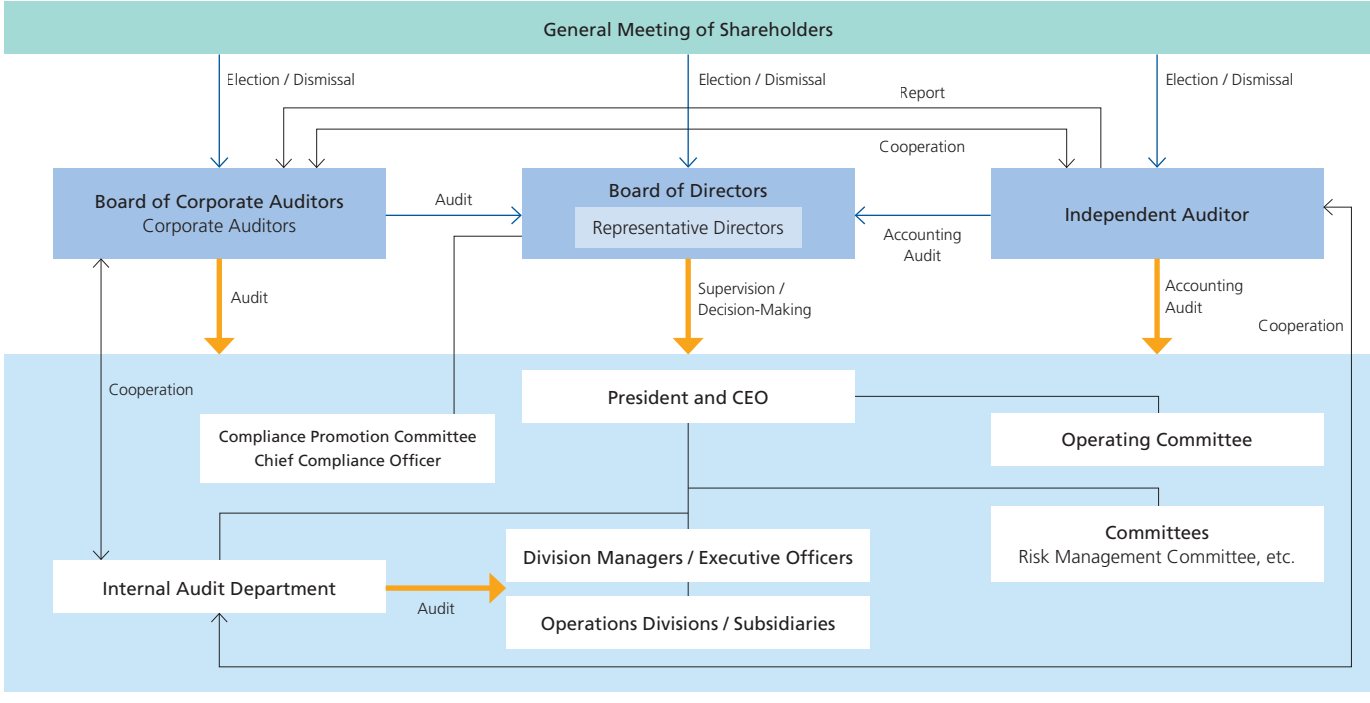
Corporate Governance System

The Company has adopted the corporate auditor system. In addition to the General Meeting of Shareholders and the Directors, the Company has established the Board of Directors, Corporate Auditors, and the Board of Corporate Auditors and employs an independent auditor. In addition, the Company utilizes Outside Directors, and two Outside Directors with high levels of independence have been 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. 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. The Company has adopted the corporate officer system for the execution of Company business and clarified the distinction between the decision-making / auditing function and the executive function. The Executive Committee, which includes the President and CEO, Senior Managing Executive Officers, Managing Executive Officers, and Executive

CORPORATE GOVERNANCE SYSTEM



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 up for discussion in Board of Directors' meeting. In this way, the Company works to enhance the speed and effectiveness of decision-making.

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. A lawyer, who is a legal specialist, and a person with experience in banks or securities companies are nominated to be Outside Corporate Auditors. At the same time, people with considerable knowledge in finance, accounting, or law 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 Executive Committee. In addition, they conduct interviews on the execution of duties with Directors, Executive Officers, and members of each Company division, review documents relating to major decisions, and investigate the operations and assets of principal worksites and subsidiaries (including internal control systems, such as those for compliance and risk management). In these ways, the Corporate Auditors audit the execution of Company business.

The 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 Auditors exchange opinions with the internal auditing divisions on a regular monthly basis. At the same time, the Corporate Auditors receive reports on the results of the evaluation of internal control systems for financial reporting.

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 14 employees.

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

Nomination of Outside Directors / Corporate Auditors

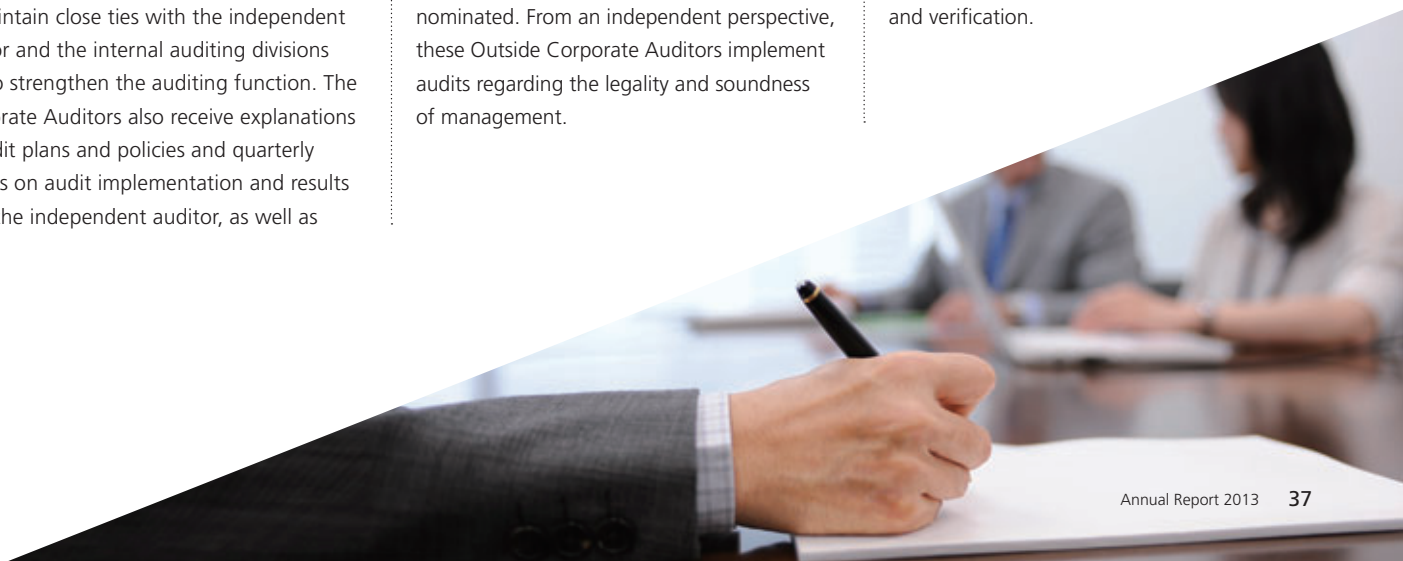
To enhance management transparency and objectivity and to strengthen the Board of Directors' supervisory function, two Outside Directors have been nominated. Furthermore, two Outside Corporate Auditors have been nominated. From an independent perspective, these Outside Corporate Auditors implement audits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

In nominating outside officers, the Company has not established standards, etc., regarding independence. The outside Directors / Corporate Auditors have been nominated in consideration of the reason for nomination and relationships with the Company, as described on page 38. The four people have been designated as Independent Directors / Corporate Auditors, and from the perspective of Independent Directors / Corporate Auditors, they offer opinions and advice at meetings of the Board of Directors and meetings of the Board of Corporate Auditors in regard to the Company's management.

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 fiscal 2012, Directors' compensation (for six Directors; excluding Outside Directors) amounted to ¥312 million and Corporate Auditors' compensation (for three Corporate Auditors; excluding Outside Corporate Auditors) totaled ¥69 million. Compensation for Outside Directors / Corporate Auditors (for four Outside Directors / Corporate Auditors) was ¥43 million. The Company and consolidated subsidiaries paid ¥75 million and ¥18 million, respectively, to Ernst & Young ShinNihon LLC as compensation for auditing and verification.



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

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

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

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

The Company received administrative actions in April 2010 for the Medway problem and in July 2011 for the quality control problem. The Company has reflected deeply on these problems. To recover the trust of society, the Company is working 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. Matters such as progress with the business improvement plan are reported in this committee as needed. The committee had met 24 times by the end of June 2013.

NAME OF OUTSIDE DIRECTORS / CORPORATE AUDITORS, RELATIONSHIPS BETWEEN OUTSIDE OFFICERS AND THE COMPANY, AND REASON FOR NOMINATION

	Relationships between outside officers and the Company	Reason for nomination
Shigehiko Hattori Outside Director	Shigehiko Hattori is Representative Director, Chairman of the Board of Shimadzu and an Outside Director of Sapporo Holdings, Brother Industries and Meiji Yasuda Life Insurance. There are no special conflicts of interest between the Company and Shimadzu, Sapporo Holdings, Brother Industries, or Meiji Yasuda Life Insurance.	Shigehiko Hattori was nominated as Outside Director on account of the Company's judgment that his abundant experience as a corporate manager and his wide-ranging knowledge in science and technology would be useful in the Company's management. In addition, in the Company's judgment there is no cause for concern about a conflict of interest between Shigehiko Hattori and public shareholders, and he has been designated as an Independent Director.
Shigetaka Sato Outside Director	Shigetaka Sato is Chairman, Advisory Council, Keihan Electric Railway, an Outside Corporate Auditor of Asahi Kogyosha and Chairman, Osaka Chamber of Commerce and Industry. There are no special conflicts of interest between the Company and Keihan Electric Railway, Asahi Kogyosha, or Osaka Chamber of Commerce and Industry.	Shigetaka Sato was nominated as Outside Director on account of the Company's judgment that his abundant experience as a corporate manager and his wide-ranging knowledge in corporate governance would be useful in the Company's management. In addition, in the Company's judgment there is no cause for concern about a conflict of interest between Shigetaka Sato and public shareholders, and he has been designated as an Independent Director.
Masanao Iechika Outside Corporate Auditor	Masanao Iechika is Executive Partner at Daiichi Law Office. There are no special conflicts of interest between the Company and Daiichi Law Office.	Masanao Iechika was nominated as Outside Corporate Auditor in the anticipation that he would conduct appropriate audits based on his abundant experience as an attorney and his high level of knowledge in regard to social responsibility. In addition, in the Company's judgment there is no cause for concern about a conflict of interest between Masanao Iechika and public shareholders, and he has been designated as an Independent Corporate Auditor.
Takashi Nishida Outside Corporate Auditor	Takashi Nishida holds a concurrent post as an Outside Corporate Auditor at MCHC, which is the parent company of the Company. Due to the importance of Group auditing, he is serving concurrently as an Outside Corporate Auditor of the Company. There are no special conflicts of interest between Takashi Nishida and the Company. In addition, Takashi Nishida previously worked at The Bank of Tokyo-Mitsubishi UFJ, with which the Company engaged in banking transactions. However, he has already retired from that bank, and there are no special conflicts of interest between that bank and the Company.	Takashi Nishida was nominated as Outside Corporate Auditor in the anticipation that he would conduct appropriate audits based on his abundant financial institution experience and wide-ranging knowledge in finance. In addition, in the Company's judgment there is no cause for concern about a conflict of interest between Takashi Nishida and public shareholders, and he has been designated as an Independent Corporate Auditor.

Message from an Outside Director

In this section, Shigetaka Sato, who was newly appointed as an Outside Director in June 2013, discusses his mission in working to maximize the value of Mitsubishi Tanabe Pharma.

My Mission is to Maximize *Value*

I will do my utmost to contribute to the realization of the Company's corporate philosophy by considering the issues of safety and security in the pharmaceutical industry from a variety of perspectives.

Shigetaka Sato, Outside Director

In many ways, the Doshomachi area of Osaka is the birth place of drug discovery in Japan. I am honored to have been appointed as an Outside Director of Mitsubishi Tanabe Pharma, which has continued that tradition for many years. I am aware of the weight of my responsibilities, and I am determined to do my utmost to fulfill my duties.

My role as Outside Director involves offering necessary advice from a third-party viewpoint while drawing on my experience in order to help increase the corporate value of Mitsubishi Tanabe Pharma.

At the Osaka Chamber of Commerce and Industry, where I work as Chairman, we took the initiative in Japan and began working in the field of life sciences 10 years ago. Currently, through the "Form a MEDICAL POLIS" strategic project, which is driving the Osaka economy, we are focusing on support for drug discovery and other aspects of the health care business. The recently announced government growth strategy also positions the life sciences as a key field. Accordingly, the Chamber plans to further strengthen its initiatives, and I believe that the experience cultivated through these initiatives will be useful to me in my duties as Outside Director.

I have also been involved in the management of railway operations at the Keihan Electric Railway. Railway operators have a serious responsibility for the lives of their customers, and railway operations require an extremely high awareness of safety and security. The same applies to Mitsubishi Tanabe Pharma, as drug discovery has a significant influence on people's lives. Moving forward, I will study the rigorous implementation of safety and security in the pharmaceutical industry from a variety of perspectives.

Finally, my motto is "the front lines come first." Accordingly, I will strive to develop a deep understanding of the situation on the front lines, not only through dialogue among officers and employees but also through tours of manufacturing plants and other means. On that basis, I will work as an Outside Director to provide appropriate advice based on the actual situation on the front lines.

I will do my best to contribute to the realization of Mitsubishi Tanabe Pharma's corporate philosophy: "We contribute to the healthier lives of people around the world through the creation of pharmaceuticals."

Risk Management and Compliance

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 Company has established the Risk Management Committee, which is led by the president. The Group regularly identifies, analyzes, and evaluates the risks that it faces. In implementing these measures, 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 for each risk are implemented by the relevant department. In times when it appears that risk events that could give rise to serious damage, such as disasters or accidents, might occur, we have a system under which we take steps to minimize the damage and support continued business operations, such as establishing a task force and implementing a Companywide response.

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 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.

Personal Information Protection

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

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.

Responding to Transparency Guidelines

In March 2011, the Japan Pharmaceutical Manufacturers Association formulated and released the Transparency Guideline for the Relation between Corporate Activities and Medical Institutions, which addresses information disclosure for such matters as monetary payments from pharmaceutical companies to medical institutions. In response, in July 2011 the Company formulated its guidelines for transparency in relationships with medical institutions, etc. In accordance with these guidelines, from fiscal 2012 we follow a policy of releasing related information on our external website after the announcement of financial results. This information includes payments to medical institutions as R&D expenses, support for academic research, manuscript writing fees, information-provision-related expenses, and hospitality and other expenses. In regard to guidelines related to cooperative work with patient organizations, as of April 1, 2013, we formulated our guidelines for transparency in relationships with patient organizations as well as detailed rules. From fiscal 2013, information regarding the funds and labor provided to these patient organizations will be provided on our external website, as with the transparency guidelines for medical institutions.

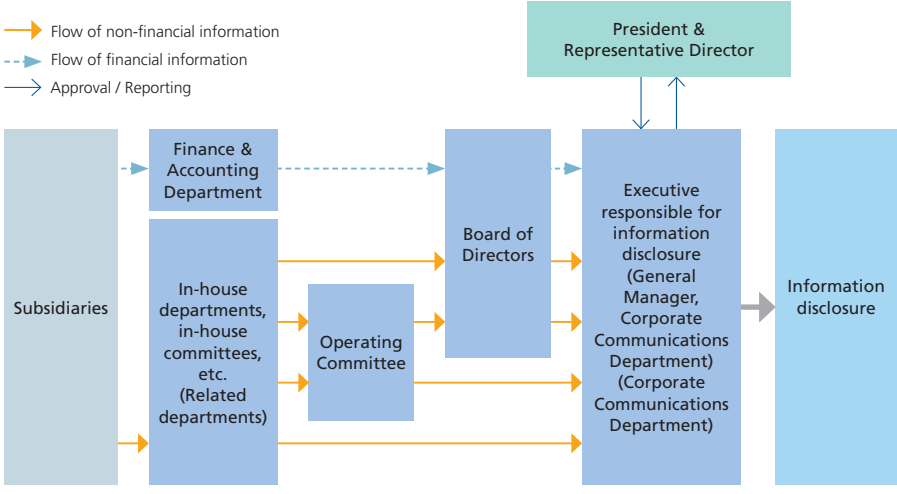
Accountability to Stakeholders

Promoting Accountability

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

We give a range of presentations to explain the Company's financial situation, describe the development of new products, and explain important management policies and business developments. These presentations include results briefings for institutional investors, R&D presentations, and business presentations. To enable individual and overseas investors to access presentations, the audio and video for presentations, 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.

MITSUBISHI TANABE PHARMA IN-HOUSE INFORMATION DISCLOSURE SYSTEM



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.

Explanation Meeting for Individual Investors

On June 5, 2013, we held our first explanation meeting for individual investors. About 80 individual investors participated. At the meeting, we explained our business, our future results, and our strengths. We plan to continue offering these meetings in the years ahead.

Board of Directors and Auditors

As of July 1, 2013

Directors

Michihiro Tsuchiya

President & Representative Director, Chief Executive Officer

1976 Enter the Company (former Tanabe Seiyaku Co., Ltd.)
2008 Director, Mitsubishi Chemical Holdings Corporation
2009 President & Representative Director, Chief Executive Officer, the Company
2011 Director, The KAITEKI Institute, Inc.

Kuniaki Kaga

Representative Director, Senior Managing Executive Officer
Division Manager of Research Division
Assistant to the President
Internal Controls & Compliance Department
Chief Compliance Officer

1975 Entered Mitsubishi Chemical Industries Ltd. (currently, Mitsubishi Chemical Corporation)
2012 Representative Director, Senior Managing Executive Officer, the Company

Kenichi Yanagisawa

Board Director, Senior Managing Executive Officer
Division Manager of Sales & Marketing Division
Tokyo Head Office, Medical Intelligence Department

1973 Entered the Company (former Tanabe Seiyaku Co., Ltd.)
2012 Director, Senior Managing Executive Officer, the Company

Masayuki Mitsuka

Board Director, Managing Executive Officer
Division Manager of Development Division

1982 Entered Mitsubishi Chemical Industries Ltd. (currently, Mitsubishi Chemical Corporation)
2012 Director, Managing Executive Officer, the Company

Takashi Kobayashi

Board Director, Managing Executive Officer
Business Unit, Special Appointer for the President
Products Quality Issue Management Office, Business Coordination Office, International Business Unit
OTC Business Department, Generics Business Department, Plasma Products Business Office

1980 Entered the Company (former Tanabe Seiyaku Co., Ltd.)
2012 Director, Managing Executive Officer, the Company

Shigehiko Hattori

Board Director (outside)

1964 Entered Shimadzu Corporation
2009 Chairman of the Board and Representative Director, Shimadzu Corporation
2011 Director, the Company
2012 Outside Director, Sapporo Holdings Ltd.
Outside Director, Brother Industries, Ltd.
Director, Meiji Yasuda Life Insurance Company

Kenkichi Kosakai

Board Director, Managing Executive Officer

Corporate Management
Corporate Management Department, Finance & Accounting Department, Corporate Communications Department, Human Resources Department, Human Resources Development Department

1976 Entered Mitsubishi Chemical Industries Ltd. (currently, Mitsubishi Chemical Corporation)
2011 Director, Managing Executive Officer, the Company

Shigetaka Sato

Board Director (outside)

1965 Entered Keihan Electric Railway Co., Ltd.
2009 Outside Auditor, Asahi Kogyosha Co., Ltd.
2010 Chairman, Osaka Chamber of Commerce and Industry
2013 Chairman, Advisory Council, Keihan Electric Railway Co., Ltd.
Director, the Company

Auditors

Junji Hamaoka

Corporate Auditor (standing)

1974 Entered Nippon Life Insurance Company
2004 Entered the Company (former Tanabe Seiyaku Co., Ltd.)
2009 Corporate Auditor (standing), the Company

Masanao Iechika

Corporate Auditor (outside)

1962 Registered lawyer
1994 Corporate Auditor (outside), the Company

Koichi Fujisawa

Corporate Auditor (standing)

1975 Entered Mitsubishi Petrochemical Co., Ltd. (currently, Mitsubishi Chemical Corporation)
2011 Corporate Auditor (standing), the Company

Takashi Nishida

Corporate Auditor (outside)

1976 Entered The Mitsubishi Bank, Ltd. (currently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
2007 Corporate Auditor (Standing), Mitsubishi Chemical Holdings Corporation
Corporate Auditor, Mitsubishi Chemical Corporation
Corporate Auditor (outside), the Company

Mitsubishi Tanabe Pharma is advancing CSR activities as initiatives that support value creation. In addition, through these activities we will contribute to the realization of a *KAITEKI*, which is a goal of the Mitsubishi Chemical Holdings Group. This section reports on major CSR activities related to employees, environmental conservation, and social contribution activities.

▶ For further information about CSR activities related to drug discovery and post-marketing development, please refer to the Review of Operations section on pages 20–31.

CSR Activities Related to Employees

Fundamental Approach to Human Resources

The Company is working to develop employees whose work is guided by the Corporate Behavior Charter. (Please refer to page 40.)

The Company established its Comprehensive Management System for Human Resources to create a system that encourages employees to pursue personal growth, while at the same time channeling their energies toward strengthening the Company. Through this system, the Company is working to cover every human resources stage, from human resources development and making the most of personnel to evaluation of personnel and compensation. In this way, we are working to build a flexible and dynamic organization. Moreover, under the Medium-Term Management Plan 11–15, the Company is moving ahead with measures to enhance its human resources and organizational systems to facilitate global development.

Enhancing Training Seminars

As it strives to become a global drug discovery company, Mitsubishi Tanabe Pharma is advancing systematic medium- to long-term career planning for employees. The Company established the Human Resources Development Department in 2011 to integrate its recruitment and training activities. We are implementing measures to further enhance our training system, centered on the Human Resources Development Department.

In fiscal 2012, we held training to enhance awareness for all management-level employees, with a special focus on strengthening their management capabilities. In fiscal 2013, plans call for the provision of support for career management and individual skills development, in conjunction with the introduction of a new personnel system. We will also continue to offer next-generation leadership training programs for future managers, as well as global leadership training programs.

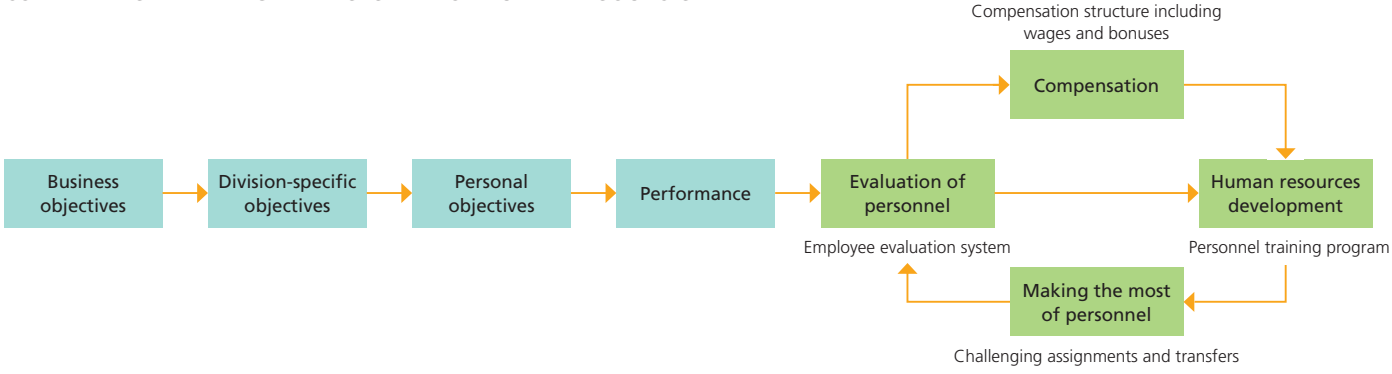
Surveying Employee Attitudes

In fiscal 2011, Mitsubishi Tanabe Pharma introduced employee attitude surveys. The surveys provide a comprehensive understanding of employee attitudes toward their jobs and a clear picture of the Company's workplace environments. The findings are incorporated into the Group's management policies. In fiscal 2012, feedback about the results was provided to each division and department. Moreover, as a means of addressing future Companywide issues, the survey results were used in the reinforcement of subordinate development capabilities in management training and in the provision of opportunities for exchange among officers as well as among employees.

Promoting Project NVC

In December 2011, the Mitsubishi Tanabe Pharma Group implemented Project NVC, which focuses on building a more dynamic and robust organization. NVC stands for New Value Creation, which is a key concept of the Medium-Term Management Plan 11–15. With the goal of ensuring continuous growth for the Mitsubishi Tanabe Pharma Group going forward, Project NVC targets a variety of different initiatives, including cross-divisional exchanges of opinion and the reevaluation of work structures and rules.

COMPREHENSIVE MANAGEMENT SYSTEM FOR HUMAN RESOURCES



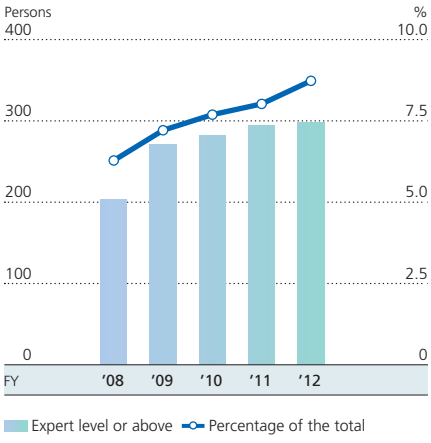
Valuing Diversity in the Workplace

The Company is moving ahead with initiatives to support a workplace environment in which all employees can play active roles, without regard to gender or age. The number of female employees with expert qualifications is steadily increasing, and the Company assists female employees in assuming other leadership responsibilities. The Company has employed people with disabilities at a rate higher than that required by law (1.8%). In fiscal 2012, this figure was 1.97%. As of April 1, 2013, the legally required rate was revised to 2.0%, and we will work to ensure that we reach that rate. To that end, we will take steps to proactively advance the employment of people with disabilities, such as providing workplace environments and opportunities that accommodate the nature of specific disabilities.

Promoting Work-Life Balance

Mitsubishi Tanabe Pharma strives to help every employee to comfortably balance work with his or her personal life and family commitments. The Company recognizes the importance of employees gaining satisfaction and pride from their work while fully experiencing meaningful life events, such as the birth of a child or caring for children and family members. As a result, since 2007 the Company has been continuously certified as a "general business owner conforming to standards" in accordance with the Next Generation Nurturing Support Measures Promotion Law. In addition, the Company continues taking steps to enhance the work environment, such as implementing the Time Management Movement, which is aimed at realizing work efficiency.

PERCENTAGE OF FEMALE EMPLOYEES WITH EXPERT QUALIFICATIONS



Initiatives to Raise Human Rights Awareness

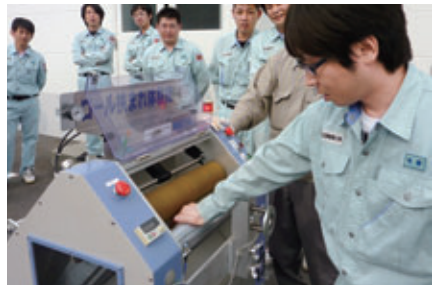
Based on an awareness of our social responsibilities as a company, we have formulated the Human Rights Awareness Promotion Regulations. The objective of these regulations is to foster the implementation of human rights awareness activities in order to raise the human rights awareness of all officers and employees and to ensure the established position of human rights at Mitsubishi Tanabe Pharma. The Company's Human Rights Awareness Promotion Committee, chaired by the president, plays a key role in the provision of in-house training for all employees as well in the participation of employees in outside lectures.

Addressing Harassment and Mental Health Issues

To eliminate harassment in the workplace, the issue of harassment is addressed in both Groupwide compliance training and management training. In these ways, the Group is working to raise awareness. Also, Mitsubishi Tanabe Pharma actively works with employees on managing stress for better mental health. The Company has introduced a self-diagnosis program to help employees identify stress. We have also released a Guidebook for Managing Mental Health that comprehensively outlines mental health measures.

Securing Occupational Health and Safety

In conducting its business operations, the Mitsubishi Tanabe Pharma Group implements safety measures designed to eliminate workplace accidents or disasters in accordance with the belief that safety is fundamental to the Company's very existence. By establishing an occupational health and safety management system and effectively implementing the Plan–Do–Check–Act (PDCA) cycle, the Group is working to eliminate accidents or disasters, but the rate of work loss due to accidents has not declined and remains at 0.61. In consideration of this situation, we continue to implement safety training for employees, including hazard prediction training, experience-based activities, and seminars on the prevention of human error. These activities are based on our belief that raising safety awareness among all employees is an important part of reducing risk.



Experience-based training
(We are working to prevent accidents through training that simulates occupational accidents caused by being caught in a machine.)

▶ CSR REPORT 2013
For further information about CSR activities related to employees, please refer to page 14–21 of CSR Report 2013.

CSR Activities Related to Environmental Conservation

Environmental Safety Management

In order to help protect the global environment and create a sustainable society, Mitsubishi Tanabe Pharma is working to be aware of how every aspect of its business operations impacts the environment and to reduce the environmental burden of its operations.

In accordance with the Mitsubishi Tanabe Pharma Environmental Safety Philosophy and the Basic Policy on Environmental Safety, which we formulated independently, we work proactively and aggressively to ensure that our operations are environmentally friendly. Furthermore, the Group discloses information related to the environment and promotes dialogue with the public in its initiatives aimed at contributing to the environment and society. In regard to the scope of environmental information collection and disclosure, the Group collects and discloses information regarding the manufacturing, research, and distribution facilities of Mitsubishi Tanabe Pharma and its domestic consolidated subsidiaries and equity-method subsidiaries, as well as the manufacturing and research facilities of its overseas consolidated subsidiaries.

Establishment of an Environmental and Occupational Safety Management System

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

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

ISO 14001 Certification

All of the Group's principal production sites, in Japan and overseas, have acquired certification, such as ISO 14001 certification.

Environmental Safety Audits

At its manufacturing and research facilities in Japan and overseas, the Group is working to enhance the level of activities related to the environment and safety through environmental safety audits. In the audits implemented in fiscal 2012, no items were indicated as entailing major environmental risk. In addition, at overseas manufacturing sites the Group has newly commenced environmental audits related to strict observance of laws and regulations. As one facet of those initiatives, we are using outside experts who are well versed in local environmental laws and regulations to conduct the audits.

MEDIUM-TERM ENVIRONMENTAL ACTION PLAN (FROM FISCAL 2011 TO FISCAL 2015)

Area	Objectives	Fiscal 2012 Results
Energy conservation and global warming mitigation	▶ Reduce CO_2 emissions for fiscal 2015 by at least 30% compared to the fiscal 2005 level	▶ Reduced CO_2 emissions by 36.3% compared to the fiscal 2005 level (2.4% reduction compared to the fiscal 2011 level) ▶ Increased number of hybrid vehicles used by sales personnel to 1,113, from 929 in fiscal 2011 ▶ Performed energy conservation analyses at Mitsubishi Tanabe Pharma Factory's Kashima Plant (Ministry of the Environment, analysis of potential energy saving and CO_2 emission reduction) and Ashikaga Plant (analysis by external institution)
Reduction of waste, reuse and recycling of resources	▶ Promote zero emissions (final waste disposal rate of less than 0.5%) and continually reduce waste and emissions output and final waste disposal ▶ Fulfill the responsibility of a waste-discharging enterprise for handling waste correctly and ensuring proper treatment by contractors	▶ Achieved a final waste disposal rate of 0.43% (0.68% in fiscal 2011) ▶ Promoted recycling and effective use of resources ▶ Performed on-site inspections of waste collection and transportation companies and intermediate and final disposal sites
Chemical substance emissions reductions	▶ Properly manage chemical substances and continually reduce their discharge into the environment	▶ Reduced emissions of PRTR substances into the air by 33% compared to the fiscal 2011 level and maintained emissions of water at the same level as the previous year
Enhancement of environmental management	▶ Improve environment-related risk management at company facilities ▶ Maintain zero environmental accidents	▶ Conducted environmental safety audits at 20 Group worksites in and outside Japan ▶ At overseas worksites, introduced environmental compliance audits by outside experts ▶ Conducted online environmental and safety training courses ▶ Had zero environmental accidents and three incidents

Advancing Energy Conservation and the Prevention of Global Warming

The Mitsubishi Tanabe Pharma Group has made the conservation of energy and the curbing of global warming two of its top-priority environmental objectives. In its efforts to reduce greenhouse gas emissions from its business activities, the Group implements energy conservation initiatives in consideration of the size and location of its various worksites, including plants, research facilities, distribution centers, and offices.

Under the Medium-Term Environmental Action Plan, we have set the target of reducing CO_2 emissions for fiscal 2015 by at least 30% compared to the fiscal 2005 level. In fiscal 2012, the Group's CO_2 emissions totaled 123,000 tons, a reduction of 36.3% compared to fiscal 2005.

In fiscal 2012, progress in conserving energy was made through energy conversion. At Mitsubishi Tanabe Pharma Factory's Onoda Plant, the boiler fuel was switched from kerosene to city gas. In addition, at Tanabe Seiyaku's Yoshiki Factory, kerosene is used as the heat source for air conditioning, but the heat source for the equipment that produces hot and cold water has been switched to electricity. Moreover, we are cooperating in the *KAITEKI* activities being promoted by the MCHC Group, such as an energy conservation campaign that includes strict control of air conditioning / heating temperatures in the summer and winter, setting PCs to energy conservation mode, and following the principle of 2-up / 3-down for the use of stairs. We are also participating in a "lights down" campaign being implemented by the Ministry of the Environment and municipalities. In these ways, we are working to reduce energy consumption.

Reducing Waste

Defining zero emissions as a final waste disposal rate (amount of final waste disposed / total amount of waste generated) of less than 0.5%, our objective is to achieve continued reductions in both the amount of waste generated and the amount of final waste disposed. In fiscal 2012, the Mitsubishi Tanabe Pharma Factory's Onoda Plant was able to achieve zero emissions with a final waste disposal rate of 0.43%. This achievement was the result of initiatives such as changing to a recyclable method for the processing of the surplus sludge that is generated when wastewater is processed. In addition, we visit the treatment facilities of treatment contractors and use an original check sheet to confirm the status of legal compliance, contract fulfillment, and processing. In fiscal 2012, on-site inspections were made at 43 waste treatment facilities at Group worksites.

Reducing Emissions of Chemical Substances

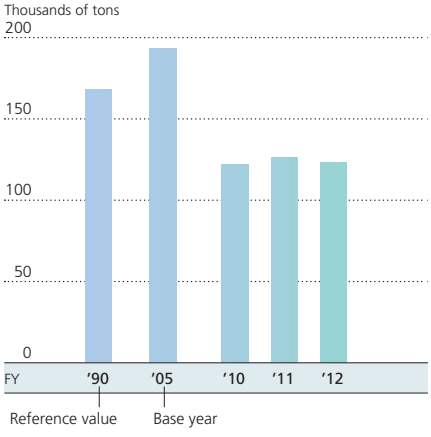
One of the Group's objectives is managing chemical substances in a suitable manner and continuously reducing emissions into the environment. The Group is striving to ascertain and control its emissions into the environment of pollutant release and transfer register (PRTR) substances (Class I Designated Chemical Substances) specified in the Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (PRTR Law) as well as non-PRTR volatile organic compounds (VOCs), such as ethyl alcohol and methanol. In fiscal 2012, the amount of Class I Designated Chemical Substances handled by the Group as a whole was 195.8 tons, down 36% from fiscal 2011, while the amount released into the air was 6.2 tons, a 29% decrease from the previous year.

Promoting Environmental Communications

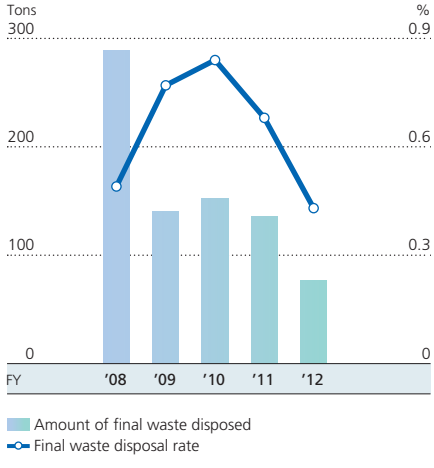
Mitsubishi Tanabe Pharma engages in environmental and social activities with employees and their families, including cleanups around worksites and in nearby areas. Before the Osaka Marathon, the Osaka Head Office and Kashima Office participated in the Osaka Marathon Cleanup, implementing cleanup activities around worksites. At the Tokyo Head Office, in August 2012 we held an event using reclaimed wastewater provided by the Tokyo metropolitan government's Bureau of Sewerage to water the roads.

Road watering event at the Tokyo Head Office

CO_2 EMISSIONS



AMOUNT OF FINAL WASTE DISPOSED / FINAL WASTE DISPOSAL RATE



▶ CSR REPORT 2013

In addition to the initiatives described above, we are implementing a wide range of environmental conservation activities, and are working to disclose environment-related data. For further information, please refer to pages 22–31 of CSR Report 2013.

CSR Activities Related to Social Contribution Activities

Establishment of Corporate Citizenship Charter

In fiscal 2013, the Mitsubishi Tanabe Pharma Group Corporate Citizenship Activity Declaration was formulated to clarify the Group's philosophy. In accordance with this declaration, we will proactively implement corporate citizenship activities in the countries and regions where we conduct business activities. In fiscal 2013, we began to support CP Soccer (soccer played by seven people with cerebral palsy) as a fun activity for patients and their families. The Kashima Office (Yodogawa Ward, Osaka City) supported the CP Soccer Oba Cup by making the office grounds available. In Indonesia, as an activity to increase health and welfare in emerging countries, we began to support a health center in Sujung Village, Tirtayasa Sub-district, Serang District, Banten Province.

CP Soccer (soccer played by seven people with cerebral palsy)

Support for Volunteer Activities

Mitsubishi Tanabe Pharma sponsors the MSC Volunteer Salon, an event held every other month featuring seminars and small concerts. The MSC Volunteer Salon provides opportunities for people interested in volunteer activities to interact with active volunteers. In fiscal 2012, more than 600 people participated in the salon. Further, as a means of fostering patient-centered health care, Mitsubishi Tanabe Pharma shares information with patients' associations and provides assistance for volunteer activities, such as at general assemblies of patients' associations and medical lecture meetings.

Implementing Donation and Assistance Activities

With the objective of contributing to medical treatment and public health in Japan, we are making donations to the Mitsubishi Pharma Research Foundation and to the Japan Foundation for Applied Ezymology. In this way, through the activities of these foundations we are working to contribute to the promotion of research and the dissemination of knowledge in a broad range of fields, such as medicine, pharmacology, agriculture, and the physical sciences. In fiscal 2012, we provided a total of about ¥200 million to these foundations. In addition, in April 2012 we established the Tenohira partnership program with the objective of assisting organizations for patients with incurable diseases and related support organizations.

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

▶ CSR REPORT 2013
For further information about CSR activities related to social contribution activities, please refer to pages 44–47 of CSR Report 2013.

THE MITSUBISHI TANABE PHARMA GROUP DECLARATION ON CORPORATE CITIZENSHIP

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

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

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

Financial Section

Contents

Six-Year Financial Summary

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Years ended March 31

	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007[1]
Financial figures (billions of yen):						
Net sales	¥419.2	¥407.2	¥409.5	¥404.7	¥414.8	¥409.4
Cost of sales	166.4	152.3	154.6	147.8	158.2	150.5
Selling, general and administrative expenses	183.8	185.8	178.4	195.5	184.9	186.4
Operating income	69.0	69.0	76.6	61.5	71.7	72.5
Net income	41.9	39.0	37.7	30.3	26.5	31.9
R&D expenses	66.5	70.2	65.8	83.1	73.1	72.3
Capital expenditures on an accrual basis	9.2	7.1	10.2	8.4	12.2	10.0
Depreciation and amortization	8.4	12.5	12.4	13.3	15.7	15.1
Total assets	866.8	819.9	818.7	796.9	810.8	807.3
Total net assets	752.9	721.5	696.0	676.8	666.2	667.8
Interest-bearing debt	1.2	2.2	2.9	2.5	7.5	8.2
Net cash provided by operating activities	60.6	37.2	59.1	23.9	50.5	46.4
Net cash used in investing activities	(35.0)	(63.2)	(7.7)	(61.2)	(74.5)	(9.0)
Net cash used in financing activities	(23.7)	(17.2)	(15.4)	(17.1)	(16.0)	(9.1)
Cash and cash equivalents at end of the year	58.7	54.3	97.9	63.0	116.9	160.1
Per share amounts (yen):						
Net income—basic	74.67	69.54	67.27	53.91	47.28	50.12
Net assets	1,333.22	1,275.85	1,230.16	1,194.79	1,162.69	1,163.96
Cash dividends	40.00	35.00	28.00	28.00	28.00	26.00[2]
Financial indicators (%):						
Cost of sales ratio	39.7	37.4	37.7	36.5	38.1	36.8
SG&A expenses ratio	43.9	45.6	43.6	48.3	44.6	45.5
Operating margin	16.5	17.0	18.7	15.2	17.3	17.7
R&D expenses ratio	15.9	17.3	16.1	20.5	17.6	17.7
Equity ratio	86.3	87.3	84.3	84.1	80.5	80.9
ROA	5.0	4.8	4.7	3.8	3.3	4.5
ROE	5.7	5.5	5.5	4.6	4.1	5.7
Dividend payout ratio	53.6	50.3	41.6	51.9	59.2	63.0
Others:						
Number of employees	8,835	9,180	9,198	9,266	10,030	10,361
Number of common stock issued (thousands)	561,417	561,417	561,417	561,417	561,417	561,417

1. Figures are based on the simple sum of the results of Tanabe Seiyaku and Mitsubishi Pharma.
2. Dividends per share is based on the sum of the interim dividends (¥13) of Tanabe Seiyaku and the year-end dividends (¥13) of Mitsubishi Tanabe Pharma.

Pharmaceutical Market Trends

The global pharmaceutical market is recording ongoing expansion against a worldwide backdrop of growing populations, aging societies, and expanding economies in emerging countries. In 2010, the market was about 2.4 times[1] larger than in 2000.

Japan's pharmaceutical market also continues to expand and maintains its position as the second largest market in the world after North America. However, that growth is slowing. In 2010, Japan's share of the global pharmaceutical market was only about two-thirds[1] of the level in 2000. This contraction occurred against a background of stepped up government measures to control health care expenditures. In general, the official national health insurance (NHI) prices for ethical pharmaceuticals are revised once every two years, and measures to promote the use of generics are also being implemented. These factors have restrained growth in Japan's pharmaceutical market.

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

1. Source: Japan Pharmaceutical Manufactures Association (JPMA), DATA BOOK 2013
2. Unmet medical needs: Medical needs for which there are no effective treatments or drugs.

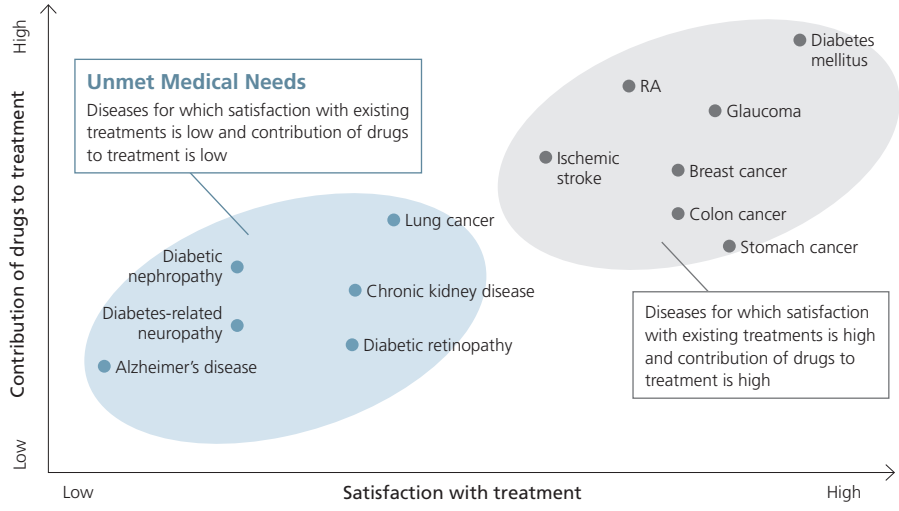
JAPAN'S NHI DRUG PRICE REVISION RATES

	April 2004	April 2006	April 2008	April 2010	April 2012
Drug Price Revision Rate	– 4.2%	– 6.7%	– 5.2%	– 5.75%[1]	**– 6.00%[2]**

1. Not including the portion of the reduction regarding original drugs for which there are generics
2. Not including the portion of the reduction regarding original drugs for which there are generics or the portion of the reduction regarding generics

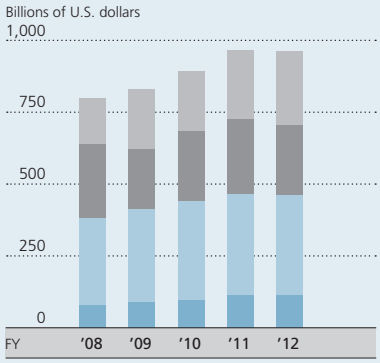
Source: Ministry of Health, Labour and Welfare, Outline of FY 2012 Revision of Medical Fee

CORRELATION BETWEEN SATISFACTION WITH TREATMENT AND CONTRIBUTION OF DRUGS TO TREATMENT



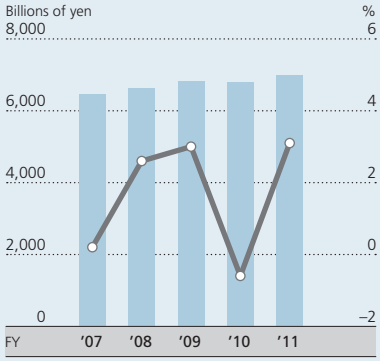
Source: Report issued in 2010 by Japan Heath Sciences Foundation (partly revised by Mitsubishi Tanabe Pharma)

WORLDWIDE PHARMACEUTICAL MARKET



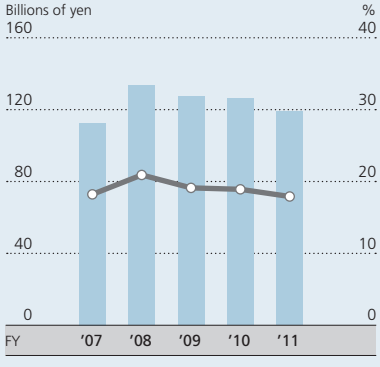
Source: Calculated based on (World Review Analyst 2013) January 2008-December 2012, Reprinted with permission

AMOUNT OF DOMESTIC DRUG PRODUCTION



Source: Ministry of Health, Labour and Welfare, Annual Report on Statistical Survey of Trends in Pharmaceutical Production 2011

AVERAGE R&D EXPENSES OF 10 MAJOR PHARMACEUTICAL COMPANIES IN JAPAN



Source: Japan Pharmaceutical Manufactures Association (JPMA), DATA BOOK 2013

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

Net Sales

In fiscal 2012, net sales increased ¥12.0 billion, to ¥419.2 billion.

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

In the domestic ethical drug market, NHI drug prices were revised in April 2012, and those revisions had the effect of reducing the Company's sales by approximately ¥19.0 billion. In addition, the influence of generics competing with long-time listed drugs increased. Nonetheless, the Company's net sales of ethical drugs in the domestic market were up ¥1.1 billion year on year in fiscal 2012, to ¥356.6 billion. Remicade, an anti-TNFα monoclonal antibody that is one of the Company's priority products, continued to record strong sales, posting a gain of ¥7.2 billion in the year under review, to ¥73.5 billion. Favorable results were also recorded by the Company's other priority products—Maintate, a selective β1 blocker; Kremezin, for treatment of chronic kidney disease; and Talion, for treatment of allergic disorders. Combined sales of the four priority products were up ¥9.1 billion, to ¥114.1 billion. Solid contributions were also made by Lexapro, an antidepressant; Simponi, an anti-humanTNFα monoclonal antibody; Imusera, a treatment agent for multiple sclerosis (MS); and Telavic, a treatment agent for chronic hepatitis C, which were launched in the previous year. In addition, contributions were made by Tenelia, a treatment agent for type 2 diabetes mellitus, and Tetrabik, a combined vaccine for four diseases, which were launched in fiscal 2012. Combined sales of these six new drugs were up ¥18.1 billion, to ¥22.0 billion.

Furthermore, overall sales of vaccines were basically unchanged, at ¥28.8 billion, while 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 ¥1.5 billion, to ¥19.0 billion.

Overseas sales of ethical drugs were up ¥4.9 billion, to ¥23.4 billion, while sales of OTC drugs were down ¥0.1 billion, to ¥5.3 billion. In Others, sales were up ¥11.2 billion, to ¥29.5 billion, due in part to royalties from Gilenya, an MS treatment agent that was licensed to Novartis.

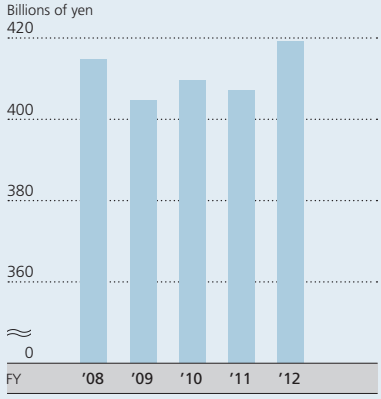
Overall, sales of pharmaceuticals increased ¥17.1 billion, to ¥414.7 billion, and accounted for 98.9% of net sales. In other business, sales were down ¥5.1 billion, to ¥4.5 billion, due in part to the transfer of the Company's fine chemical operations in July 2012. Overseas sales rose ¥19.4 billion, to ¥47.7 billion, and the overseas sales ratio was 11.4%, an increase of 4.4 percentage points.

Billions of yen

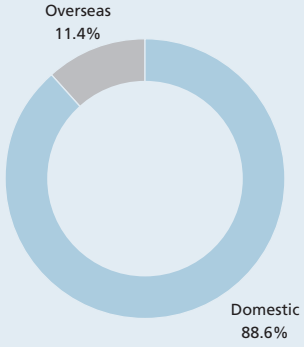
	FY 2012	FY 2011	Change	% Change
Net sales	**¥419.2 (100.0%)**	¥407.2	¥+12.0	+3.0%
Sales by business segment:				
Pharmaceuticals	**414.7 (98.9)**	397.6	+17.1	+4.3
Domestic ethical drugs	**356.6 (85.1)**	355.4	+1.1	+0.3
Overseas ethical drugs	**23.4 (5.6)**	18.5	+4.9	+26.7
OTC drugs	**5.3 (1.3)**	5.4	– 0.1	– 2.1
Others	**29.5 (7.0)**	18.3	+11.2	+61.3
Other business	**4.5 (1.1)**	9.6	– 5.1	– 53.2
Sales by region:				
Domestic	**371.4 (88.6)**	378.8	– 7.4	– 1.9
Overseas	**47.7 (11.4)**	28.3	+19.4	+68.5

Note: Figures in parentheses are percentages of net sales.

NET SALES



SALES BY REGION



SALES OF MAJOR ETHICAL DRUGS

Billions of yen

	FY 2012	FY 2011	Change	% Change
Domestic ethical drugs:				
Priority products	**¥114.1**	¥105.0	¥+9.1	+8.7%
Remicade	**73.5**	66.3	+7.2	+10.8
Talion	**14.3**	13.3	+1.0	+7.3
Maintate	**14.1**	13.7	+0.4	+3.1
Kremezin	**12.2**	11.7	+0.5	+4.5
New products[1]	**22.0**	3.9	+18.1	+464.1
Simponi	**5.3**	1.0	+4.3	+453.6
Telavic	**5.1**	1.5	+3.7	+245.9
Lexapro	**4.6**	1.3	+3.3	+262.3
Imusera	**1.3**	0.1	+1.1	—
Tenelia	**1.2**	—	+1.2	—
Vaccines	**28.8**	28.8	– 0.0	– 0.1
Mearubik	**8.0**	9.5	– 1.5	– 15.9
Influenza	**7.7**	9.0	– 1.4	– 15.1
JEBIK V	**4.8**	7.1	– 2.4	– 33.0
Tetrabik	**4.5**	—	+4.5	—
Tanabe Seiyaku Hanbai's products[2]	**19.0**	17.5	+1.5	+8.5
Licensing fee, etc.	**22.7**	9.6	+13.1	+136.2
Royalty from Gilenya	**19.5**	5.6	+13.9	+246.3

1. New products launched since April 2011 include the Tetrabik vaccine.
2. Tanabe Seiyaku Hanbai's products are composed of generic drugs and the long-time listed drugs that were transferred from the Company.

Operating Income

Operating income for fiscal 2012 was the same as in the previous year, at ¥69.0 billion.

Net sales were up ¥12.0 billion, but due to such factors as the NHI drug price revisions, gross profit declined ¥2.1 billion, to ¥252.8 billion. The cost of sales ratio worsened 2.3 percentage points, to 39.7%.

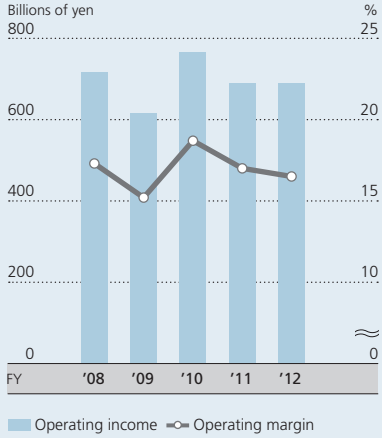
SG&A expenses decreased ¥2.0 billion, to ¥183.8 billion. Due in part to one-time licensing payments that were recorded in the previous year, R&D expenses in the year under review were down ¥3.7 billion, to ¥66.5 billion. The R&D expenses ratio declined 1.4 percentage points, to 15.9%.

Billions of yen

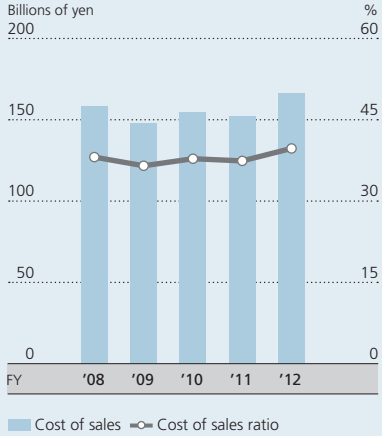
	FY 2012		FY 2011	Change	% Change
Cost of sales	**166.4**	**(39.7%)**	¥ 152.3	¥+14.1	+9.3%
SG&A expenses	**183.8**	**(43.9)**	185.8	– 2.0	– 1.1
R&D expenses	**66.5**	**(15.9)**	70.2	– 3.7	– 5.3
Non-R&D expenses	**117.3**	**(28.0)**	1,15.6	+1.7	+1.5
Labor costs	**51.9**	**(12.4)**	52.0	– 0.1	– 0.1
Amortization of goodwill	**10.3**	**(2.5)**	10.1	+0.2	+1.6
Other	**55.1**	**(13.1)**	53.5	+1.6	+3.0
Operating income	**69.0**	**(16.5)**	69.0	– 0.1	– 0.1

Note: Figures in parentheses are percentages of net sales.

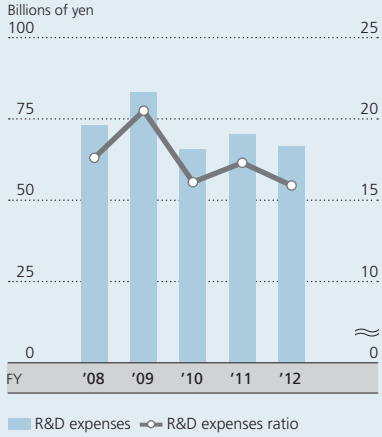
OPERATING INCOME / OPERATING MARGIN



COST OF SALES / COST OF SALES RATIO



R&D EXPENSES / R&D EXPENSES RATIO



Net Income

In fiscal 2012, net income increased ¥2.9 billion, to ¥41.9 billion. Operating income was the same as in the previous year, but the net balance of extraordinary items improved ¥3.3 billion.

Extraordinary income was up ¥3.1 billion, to ¥4.2 billion, due in part to gain on sales of property, plant and equipment of ¥3.0 billion. Extraordinary losses were down ¥0.2 billion, to ¥5.9 billion. The integration of plasma fractionation operations led to a loss on business integration of ¥2.3 billion, and provision of reserve for HCV litigation was ¥2.0 billion. In the previous year, extraordinary losses included loss on impairment of fixed assets of ¥3.3 billion, and loss on impairment of investments in securities of ¥2.2 billion.

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

Assets, Liabilities, and Net Assets

Total assets at the end of the fiscal year were ¥866.8 billion, an increase of ¥46.8 billion from the previous year-end. Deposits and marketable securities increased, and as a result total current assets rose ¥57.0 billion year on year, to ¥476.7 billion. Fixed assets decreased ¥10.2 billion, to ¥390.1 billion. Property, and plant and equipment and intangible assets were down due to sales of assets and amortization of goodwill.

Total liabilities were up ¥15.4 billion from the end of the previous year, to ¥113.9 billion. Increases were recorded in income taxes payable and notes and accounts payable–trade.

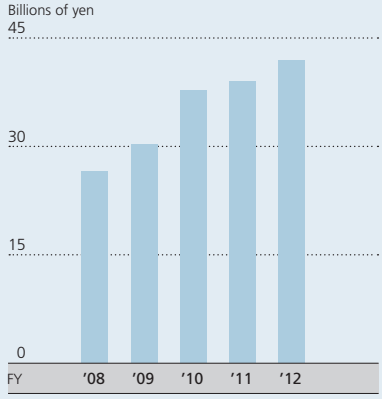
Total net assets at the end of the period were up ¥31.4 billion from the end of the previous year, to ¥752.9 billion. Net income was ¥41.9 billion, and cash dividends paid were ¥22.4 billion. As a result, retained earnings increased by ¥19.5 billion. Total accumulated other comprehensive income (loss) improved by ¥12.7 billion. As a result, the equity ratio was 86.3%, a decline of 1.0 percentage point from the end of the previous year.

Billions of yen

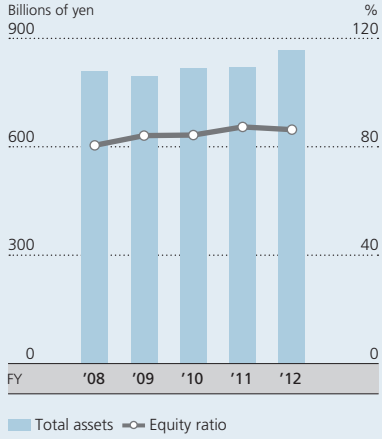
	FY 2012		FY 2011	Change	% Change
Total assets	¥866.8	(100.0%)	¥819.9	¥+46.8	+5.7%
Total current assets	476.7	(55.0)	419.7	+57.0	+13.6
Fixed assets	390.1	(45.0)	400.3	– 10.2	– 2.5
Total liabilities	113.9	(13.1)	98.4	+15.4	+15.7
Total current liabilities	86.1	(9.9)	69.6	+16.5	+23.8
Total long-term liabilities	27.7	(3.2)	28.9	– 1.1	– 3.9
Total net assets	752.9	(86.9)	721.5	+31.4	+4.4

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

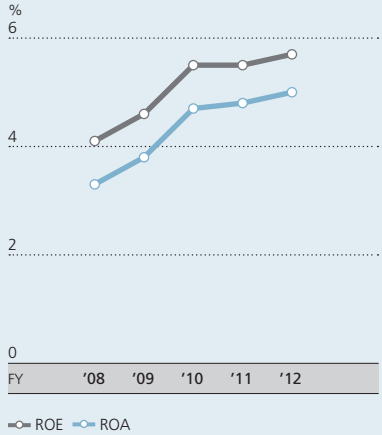
NET INCOME



TOTAL ASSETS / EQUITY RATIO



ROE / ROA



Note: Extraordinary losses were ¥25.7 billion in fiscal 2008, ¥10.7 billion in fiscal 2009, ¥13.2 billion in fiscal 2010, ¥6.1 billion in fiscal 2011, and ¥5.9 billion in fiscal 2012.

Cash Flows

Net cash provided by operating activities was ¥60.6 billion, an increase of ¥23.3 billion.

Major inflows included income before income taxes and minority interests of ¥67.7 billion, amortization of goodwill of ¥10.3 billion, and depreciation and amortization of ¥8.4 billion. Major outflows included income taxes paid of ¥17.9 billion, and increase in inventories of ¥17.7 billion.

Net cash used in investing activities was ¥35.0 billion, a decrease of ¥28.3 billion from the previous year. This substantial decline was due in part to increase in deposits, which decreased by ¥90.0 billion year on year, to ¥20.7 billion.

Net cash used in financing activities was ¥23.7 billion, an increase of ¥6.5 billion. Major items included cash dividends paid of ¥22.4 billion, an increase of ¥6.2 billion.

As a result, net cash inflows for the year were ¥4.4 billion, and the balance of cash and cash equivalents at year-end was ¥58.7 billion.

Billions of yen

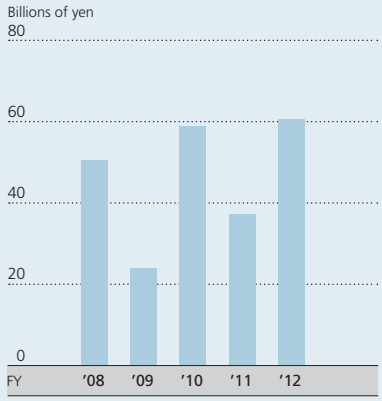
	FY 2012	FY 2011	Change
Net cash provided by operating activities	**¥60.6**	¥37.2	¥+23.3
Net cash used in investing activities	**(35.0)**	(63.2)	+28.3
Net cash used in financing activities	**(23.7)**	(17.2)	– 6.5
Cash and cash equivalents at end of the year	**58.7**	54.3	+4.4

Dividends

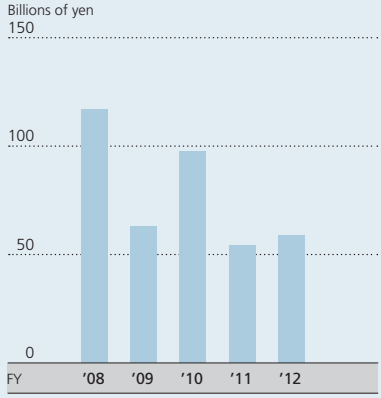
The Company's basic policy calls for providing a stable and continuous return to shareholders while striving to maximize enterprise value by aggressively investing in future growth. Under the Medium-Term Management Plan 11–15, the basic aims are for profit growth and a dividend payout ratio of 50% (the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

In accordance with its basic policy on the distribution of earnings, the Company set annual dividends at ¥40.0 per share, an increase of ¥5.0 per share. The dividend payout ratio was 53.6%, compared with 50.3% in the previous year.

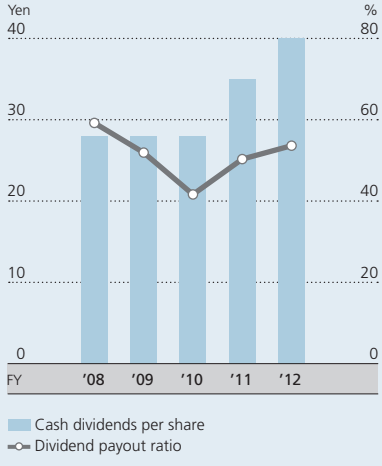
NET CASH PROVIDED BY OPERATING ACTIVITIES



CASH AND CASH EQUIVALENTS



CASH DIVIDENDS PER SHARE / DIVIDEND PAYOUT RATIO



Operational Risks

The following are major risks that have the potential to significantly influence the financial position or performance of the Mitsubishi Tanabe Pharma Group. In recognition of the possibility that these events could occur, the Group works to prevent their occurrence and to implement countermeasures in the event of their occurrence. Items in this document relating to the future are based on the judgment of the Group as of the end of fiscal 2012 (ended March 31, 2013).

1. Risks Related to New Drug R&D

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

2. Risks Related to Adverse Drug Reactions

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

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

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

4. Risks Related to Product Sales

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

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

7. Risks Related to Production and Stable Supply

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

8. Risks Related to Legal Issues

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

9. Risks Related to Product Liability

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

10. Risks Related to Financial Market Fluctuations

a) In the year ended March 31, 2013, overseas sales accounted for 11.4% 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 2013, the Group held marketable securities of ¥63.9 billion and investments in securities of ¥120.9 billion, certain of which are liquid stocks and bonds, etc. Accordingly, events such as the recording of a loss on valuation due to declines in market prices could have a significant influence on the Group's financial position or results.

11. Risks Related to Environmental Safety

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

12. Risks Related to Lawsuits

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

b) 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 Special Law"). In regard to the expenses associated with the relief payments under the Special 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 ¥25.0 billion, of which ¥21.4 billion had already been paid out as of the end of March 2013. However, due to changes in the expected number of benefits recipients or the revision of the Special Law, the Group's financial position or results could be significantly affected.

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

1. Portion of expense burden

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

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

13. Risks Related to Information Management

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

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

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

15. Major Assumptions Regarding Operational Activities

Pharmaceutical manufacturing and sales are the Group's principal business operations. In accordance with the 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 poisonous and toxic substances, the Group is subject to laws and regulations covering 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 a 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 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, 2012	Pharmaceutical manufacturing and sales	Osaka Prefecture	Permission to manufacture and sell pharmaceutical products, etc.	Dec. 31, 2016 (5-year renewable)	Disqualification as per Article 12.2 of the Pharmaceutical Affairs Law
Jan. 1, 2013	Manufacturing of narcotics[1]	Ministry of Health, Labour and Welfare	License to manufacture narcotic drugs	Dec. 31, 2014 (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	General sales of poisonous and toxic substances[5]	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.

16. Quality Control Problem at Consolidated Subsidiary

The administrative action of the quality control problem at a consolidated subsidiary has damaged the Group's reputation among patients and health care professionals and adversely affected the Group's image. If such incidents continue, it is possible that the Group's financial position and results of operations could be significantly affected.

17. Risks Related to Major Disasters and Other Events

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

18. Relationship with Parent Company and Other Group Companies

Transactions with Mitsubishi Chemical Holdings Corporation Group (MCHC Group)

The Company's relationship with its parent company, MCHC, and MCHC's corporate group, includes the following transactions:

- conclusion of the deposition contract of money with the parent company.
- 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.

Personnel Relationships with the MCHC Group

a) Concurrent service of directors and corporate auditors

As of June 21, 2013, the directors, corporate auditors, and employees of MCHC and its Group companies include one person who is concurrently serving as a corporate auditor (non-full time) of the Company. Michihiro Tsuchiya, who is a representative director of the Company, serves concurrently as a director (non-full time) of MCHC and a director (non-full time) of The KAITEKI Institute, Inc.

b) Acceptance of reassigned personnel

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

Capital Relationship with MCHC

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

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

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

Consolidated Balance Sheet

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Assets			
Current assets:			
Cash and deposits (Notes 3 and 5)	¥ 20,281	¥ 15,466	$ 215,641
Notes and accounts receivable, trade (Notes 4 and 5):			
Notes	880	902	9,357
Accounts	128,988	126,305	1,371,483
Less allowance for doubtful receivables	(43)	(41)	(457)
	129,825	127,166	1,380,383
Marketable securities (Notes 5 and 6)	63,993	46,345	680,415
Inventories (Note 7)	92,783	86,190	986,528
Deferred income taxes (Note 11)	8,373	9,343	89,027
Deposits (Note 5)	151,554	130,791	1,611,419
Other current assets	9,877	4,350	105,019
Total current assets	476,686	419,651	5,068,432
Property, plant and equipment (Note 17):			
Land	38,998	46,359	414,652
Buildings and structures	106,481	130,998	1,132,174
Machinery and vehicles	94,246	111,968	1,002,084
Tools, furniture and fixtures	36,212	38,391	385,029
Leased equipment	105	99	1,116
Construction in progress	2,287	594	24,318
	278,329	328,409	2,959,373
Less accumulated depreciation	(186,046)	(224,480)	(1,978,161)
Property, plant and equipment, net	92,283	103,929	981,212
Investments, goodwill and other assets:			
Investments in securities (Notes 5 and 6):			
Unconsolidated subsidiaries and affiliates	5,040	7,332	53,589
Others	115,944	109,264	1,232,791
Goodwill (Note 24)	99,527	105,549	1,058,235
Software	2,428	2,619	25,816
Long-term prepaid expenses	10,203	14,350	108,485
Prepaid pension expenses (Note 10)	36,883	42,101	392,164
Deferred income taxes (Note 11)	4,173	7,898	44,370
Long-term deposits	–	1,866	–
Other assets	23,609	5,368	251,025
Less allowance for doubtful receivables	(2)	(2)	(21)
Total investments, goodwill and other assets	297,805	296,345	3,166,454
Total assets	¥ 866,774	¥ 819,925	$ 9,216,098

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Liabilities and Net Assets			
Current liabilities:			
Short-term debt (Notes 5 and 8)	¥ 1,174	¥ 2,170	$ 12,483
Notes and accounts payable, trade (Note 5)	38,072	28,878	404,806
Accounts payable, other	15,589	15,723	165,752
Income taxes payable (Note 11)	15,661	6,254	166,518
Consumption taxes payable	1,885	2,030	20,043
Reserve for employees' bonuses	10,291	11,121	109,421
Reserve for sales returns	139	167	1,478
Reserve for loss on disaster	–	40	–
Other current liabilities (Note 9)	3,307	3,201	35,161
Total current liabilities	86,118	69,584	915,662
Long-term liabilities:			
Accrued retirement benefits for employees (Note 10)	9,443	10,584	100,404
Accrued retirement benefits for directors and corporate auditors	8	6	85
Deferred income taxes (Note 11)	8,365	9,338	88,942
Reserve for health management allowances for HIV compensation (Note 25)	1,627	1,461	17,299
Reserve for health management allowances for SMON compensation	3,172	3,622	33,727
Reserve for HCV litigation (Note 25)	3,593	2,520	38,203
Other liabilities (Note 9)	1,526	1,325	16,226
Total long-term liabilities	27,734	28,856	294,886
Net assets:			
Shareholders' equity (Note 12):			
Common stock:			
Authorized – 2,000,000,000 shares			
Issued – 561,417,916 shares at March 31, 2013 and 2012	50,000	50,000	531,632
Capital surplus	451,186	451,186	4,797,299
Retained earnings	243,621	224,168	2,590,335
Treasury stock, at cost	(487)	(486)	(5,178)
Total shareholders' equity	744,320	724,868	7,914,088
Accumulated other comprehensive income (loss):			
Unrealized holding gain (loss) on securities	7,189	(82)	76,438
Deferred gain on hedges	1,640	93	17,437
Translation adjustments	(5,220)	(9,134)	(55,502)
Total accumulated other comprehensive income (loss)	3,609	(9,123)	38,373
Minority interests	4,993	5,740	53,089
Total net assets	752,922	721,485	8,005,550
Total liabilities and net assets	¥866,774	¥819,925	$9,216,098

Consolidated Statement of Income

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Net sales (Note 23)	**¥419,179**	¥407,156	**$4,456,980**
Cost of sales	**166,388**	152,284	**1,769,144**
Gross profit	**252,791**	254,872	**2,687,836**
Selling, general and administrative expenses (Note 14)	**183,823**	185,829	**1,954,524**
Operating income	**68,968**	69,043	**733,312**
Other income (expenses):			
Interest and dividend income	**2,489**	2,352	**26,465**
Interest expense	**(70)**	(18)	**(744)**
Equity in earnings of affiliates	**369**	162	**3,923**
Foreign exchange loss, net	**(1,137)**	(1,507)	**(12,089)**
Donations	**(474)**	(383)	**(5,040)**
Gain on sale or disposal of fixed assets, net	**2,534**	305	**26,943**
Gain on sale of investments in securities	**544**	–	**5,784**
Personnel expenses for seconded employees	**(490)**	–	**(5,210)**
Loss on disaster	**–**	(108)	**–**
Provision of reserve for HCV litigation	**(2,020)**	–	**(21,478)**
Gain on transfer of business (Note 15)	**354**	–	**3,764**
Loss on business integration (Note 16)	**(2,269)**	–	**(24,125)**
Loss on impairment of investments in securities (Note 6)	**(257)**	(2,197)	**(2,733)**
Special retirement benefits (Note 10)	**–**	(109)	**–**
Loss on impairment of fixed assets (Note 17)	**(756)**	(3,334)	**(8,038)**
Other, net	**(94)**	(418)	**(1,000)**
	(1,277)	(5,255)	**(13,578)**
Income before income taxes and minority interests	**67,691**	63,788	**719,734**
Income taxes (Note 11):			
Current	**26,926**	20,031	**286,295**
Deferred	**(1,188)**	4,497	**(12,632)**
	25,738	24,528	**273,663**
Income before minority interests	**41,953**	39,260	**446,071**
Minority interests	**61**	246	**648**
Net income	**¥ 41,892**	¥ 39,014	**$ 445,423**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Income before minority interests	**¥41,953**	¥39,260	**$446,071**
Other comprehensive income (Note 18)			
Unrealized holding gain on securities	**7,273**	2,635	**77,331**
Deferred gain on hedges	**1,547**	1,104	**16,449**
Translation adjustments	**4,743**	(1,042)	**50,431**
Other comprehensive income (loss) of equity-method companies attributable to the Company	**25**	(11)	**266**
Total other comprehensive income	**13,588**	2,686	**144,477**
Comprehensive income	**¥55,541**	¥41,946	**$590,548**
Comprehensive income attributable to:			
Shareholders of the Company	**¥54,624**	¥41,893	**$580,798**
Minority interests	**¥ 917**	¥ 53	**$ 9,750**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Year ended March 31, 2013

Millions of yen

	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain (loss) on securities	Deferred gain on hedges	Translation adjustments	Minority interests	Total net assets
Balance at April 1, 2011	561,417	¥50,000	¥451,186	¥201,424	¥(407)	¥(2,712)	¥(1,010)	¥(8,280)	¥5,758	¥695,959
Net income for the year	–	–	–	39,014	–	–	–	–	–	39,014
Cash dividends	–	–	–	(16,270)	–	–	–	–	–	(16,270)
Increase in treasury stock	–	–	–	–	(79)	–	–	–	–	(79)
Gain on sales of treasury stock	–	–	–	–	0	–	–	–	–	0
Net changes in items other than shareholders' equity	–	–	–	–	–	2,630	1,103	(854)	(18)	2,861
Balance at April 1, 2012	561,417	¥50,000	¥451,186	¥224,168	¥(486)	¥ (82)	¥ 93	¥(9,134)	¥5,740	¥721,485
Net income for the year	–	–	–	**41,892**	–	–	–	–	–	**41,892**
Cash dividends	–	–	–	**(22,439)**	–	–	–	–	–	**(22,439)**
Increase in treasury stock	–	–	–	–	**(1)**	–	–	–	–	**(1)**
Gain on sales of treasury stock	–	–	–	–	**0**	–	–	–	–	**0**
Net changes in items other than shareholders' equity	–	–	–	–	–	**7,271**	**1,547**	**3,914**	**(747)**	**11,985**
Balance at March 31, 2013	**561,417**	**¥50,000**	**¥451,186**	**¥243,621**	**¥(487)**	**¥ 7,189**	**¥ 1,640**	**¥(5,220)**	**¥4,993**	**¥752,922**

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain (loss) on securities	Deferred gain on hedges	Translation adjustments	Minority interests	Total net assets
Balance at April 1, 2012	$531,632	$4,797,299	$2,383,498	$(5,167)	$ (872)	$ 988	$(97,119)	$61,031	$7,671,290
Net income for the year	–	–	**445,423**	–	–	–	–	–	**445,423**
Cash dividends	–	–	**(238,586)**	–	–	–	–	–	**(238,586)**
Increase in treasury stock	–	–	–	**(11)**	–	–	–	–	**(11)**
Gain on sales of treasury stock	–	–	–	**0**	–	–	–	–	**0**
Net changes in items other than shareholders' equity	–	–	–	–	**77,310**	**16,449**	**41,617**	**(7,942)**	**127,434**
Balance at March 31, 2013	**$531,632**	**$4,797,299**	**$2,590,335**	**$(5,178)**	**$76,438**	**$17,437**	**$(55,502)**	**$53,089**	**$8,005,550**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries
Year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 67,691	¥63,788	$ 719,734
Adjustments for:			
Depreciation and amortization	8,438	12,468	89,718
Loss on impairment of fixed assets	756	3,334	8,038
Amortization of goodwill	10,294	10,133	109,452
Decrease in accrued retirement benefits for employees	(1,201)	(1,257)	(12,770)
Decrease (increase) in prepaid pension expenses	5,218	(1,652)	55,481
Decrease in allowance for doubtful receivables	(3)	(40)	(32)
Increase (decrease) in reserve for HCV litigation	1,073	(2,106)	11,409
Decrease in reserve for loss on disaster	(40)	(1,491)	(425)
Interest and dividend income	(2,489)	(2,352)	(26,465)
Interest expense	70	18	744
Gain on sale or disposal of fixed assets, net	(2,767)	(530)	(29,421)
Gain on transfer of business	(354)	–	(3,764)
Gain on sale of investments in securities	(544)	–	(5,784)
Loss on impairment of investments in securities	257	2,197	2,733
Equity in earnings of affiliates	(369)	(162)	(3,923)
Loss on business integration	2,269	–	24,125
(Increase) decrease in notes and accounts receivable, trade	(1,869)	981	(19,872)
Increase in inventories	(17,704)	(8,601)	(188,240)
Increase (decrease) in notes and accounts payable, trade	8,584	(564)	91,271
Decrease in accounts payable, other	(716)	(2,142)	(7,613)
Other, net	(790)	(8,918)	(8,399)
Subtotal	75,804	63,104	805,997
Interest and dividends received	2,747	2,520	29,208
Interest paid	(60)	(9)	(638)
Income taxes paid	(17,902)	(28,368)	(190,346)
Net cash provided by operating activities	60,589	37,247	644,221
Cash flows from investing activities:			
Purchases of marketable securities	(64,250)	(34,898)	(683,147)
Proceeds from sales and redemption of marketable securities	54,945	78,065	584,211
Increase in time deposits	(611)	(1,940)	(6,497)
Decrease in time deposits	978	11,256	10,399
Increase in deposits	(20,720)	(110,752)	(220,308)
Increase in long-term deposits	–	(406)	–
Decrease in long-term deposits	1,875	–	19,936
Purchases of property, plant and equipment	(8,681)	(9,502)	(92,302)
Proceeds from sales of property, plant and equipment	10,157	2,172	107,996
Purchases of intangible fixed assets	(2,142)	(1,249)	(22,775)
Purchases of investments in securities	(6,830)	(1,407)	(72,621)
Proceeds from sales and redemption of investments in securities	6,283	5,449	66,805
Purchase of investments in subsidiaries	(6,015)	–	(63,955)
Proceeds from transfer of business	1,384	–	14,716
Other, net	(1,341)	(13)	(14,260)
Net cash used in investing activities	(34,968)	(63,225)	(371,802)
Cash flows from financing activities:			
Decrease in short-term debt, net	(1,208)	(718)	(12,844)
Cash dividends paid	(22,439)	(16,270)	(238,586)
Other, net	(30)	(172)	(319)
Net cash used in financing activities	(23,677)	(17,160)	(251,749)
Effect of exchange rate changes on cash and cash equivalents	2,457	(398)	26,124
Net increase (decrease) in cash and cash equivalents	4,401	(43,536)	46,794
Cash and cash equivalents at beginning of the year	54,344	97,880	577,821
Cash and cash equivalents at end of the year (Note 3)	¥ 58,745	¥ 54,344	$ 624,615

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Tanabe Pharma Corporation and Consolidated Subsidiaries

1. Basis of Preparation of Consolidated Financial Statements

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

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

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2012 to the 2013 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, 2013, which was ¥94.05 to U.S.$1. The approximate rate of exchange prevailing at May 31, 2013 was ¥101.18 to U.S.$1. This translation of convenience should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 28 significant consolidated subsidiaries for the year ended March 31, 2013.

Two affiliates including API Corporation are accounted for by the equity method.

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.

The Company sold its entire shareholdings in Choseido Pharmaceutical Co., Ltd. on October 30, 2012. As a result, Choseido Pharmaceutical Co., Ltd. and its subsidiary, Hoshienu Pharmaceutical Co., Ltd. were excluded from the scope of equity-method.

Among consolidated subsidiaries, Tianjin Tanabe Seiyaku Co., Ltd. and 5 other subsidiaries have fiscal years ending on December 31. Their temporary financial statements based on a provisional settlement of accounts as of March 31, are used for preparing the consolidated financial statements. However, the closing dates of the other consolidated subsidiaries are the same as the consolidated closing date.

(Additional information)
For better comparability and disclosure of consolidated operating results, certain consolidated subsidiaries changed their fiscal year ends as follows:
(a) Changes of fiscal year end
Mitsubishi Tanabe Pharma Korea Co., Ltd. and 12 other subsidiaries changed their fiscal year ends from December 31 to March 31.
(b) Implementation of provisional settlement of accounts
Tianjin Tanabe Seiyaku Co., Ltd. and 5 other subsidiaries that have a fiscal year end of December 31 prepared temporary financial statements based on a provisional settlement of accounts as of March 31.

As a result, the consolidated financial statements are prepared based on the statements of income for fifteen-month fiscal periods from January 1, 2012 to March 31, 2013 of 13 subsidiaries that changed their fiscal year ends and 6 subsidiaries that implemented the provisional settlement of accounts.

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.

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

(4) Allowance for Doubtful Receivables

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

(5) Marketable Securities and Investments in Securities

Marketable securities and investments in securities are classified into one of the following categories based on the intent of holding, resulting in different measurements of and method of accounting for changes in fair value. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with available market value are stated at market value. Unrealized holding gains and unrealized holding losses on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income (loss). Other available-for-sale securities with no available market value are stated at cost determined by the moving average method. Cost of securities sold is determined by the moving average method. Investments in investment business limited liability partnerships and

other similar partnerships, which are deemed to be securities under Article 2, Clause 2 of the Financial Instruments and Exchange Law of Japan, are valued at the amount of the underlying equity in their net assets based on the latest financial statements available as of the closing date stipulated in the partnership agreement.

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

(6) Inventories

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

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

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

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

(8) Intangible Fixed Assets (excluding leased assets)

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

(9) Leased Equipment

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

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

(10) Reserve for Employees' Bonuses

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

(11) Reserve for Sales Returns

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

(12) 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.

(13) Accrued Retirement Benefits for Directors and Corporate Auditors

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

(14) Reserve for Health Management Allowances for HIV Compensation

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

In accordance with the settlement reached in March 1996, for health management allowances, the Company has set aside the present value of the estimated amount of future payments to be made calculated with reference to the amounts actually paid to patients with AIDS who have already reached settlements; and, for settlement payments, the Company has set aside the estimated amount of payments to be made to existing plaintiffs of HIV lawsuits as of March 31, 2013 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, 2013.

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

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

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

(16) Reserve for HCV Litigation

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

(Additional information)

On September 14, 2012, a partial amendment was made to the Special Law and promulgated, and the period for claimants to file lawsuits extended. Accordingly, as the method and allocation of the expense were re-assessed, provision of reserve for HCV litigation of ¥2,020 million ($21,478 thousand) was recorded in other expenses for the year ended March 31, 2013.

(17) Derivatives and Hedging Transactions

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

(18) Income Taxes

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

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

(19) Standards Issued but Not Yet Effective

On May 17, 2012, the Accounting Standards Board of Japan ("ASBJ") issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and related practical guidances, being followed by partial amendments from time to time through 2009. The major changes are as follows:

(a) Treatment in the balance sheet – Actuarial gains and losses and prior service cost that have yet to be recognized in profit or loss shall be recognized as net assets (accumulated other comprehensive income) after adjusting for tax effects, and the reserve for retirement benefit shall be recognized as liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income – Actuarial gains and losses and prior service cost that arose in the current period and have yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and prior service cost that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustment.

In addition to the above changes, with respect to the amortization method of the expected benefit, the benefit formula basis is newly allowed as an option to the straight-line basis. Also, the method for determining the discount rate is amended.

This standard and related guidance are effective as of the end of the fiscal year beginning on or after April 1, 2013. The standard and guidance will not be applied retrospectively to the financial statements in prior years. The Company is currently evaluating the effect which these modifications will have on its consolidated results of operations and financial position.

(Change in accounting policies)

Previously, the Company and its domestic consolidated subsidiaries calculated depreciation of property, plant and equipment primarily by the declining-balance method (except for buildings, excluding structures attached to the buildings, acquired on or after April 1, 1998 to which the straight-line method is applied). Effective the year ended March 31, 2013, however, the Company and domestic consolidated subsidiaries have adopted straight-line method for depreciation of property, plant and equipment.

New drugs launched in the previous fiscal year contributed to increased sales in the current fiscal year. In addition, the Group plans to launch multiple new types of drugs in the next fiscal year and thereafter. In the Group's operating environment, the Group is required to strengthen safety measures after productions and sales. In this environment, the Group's policy is to rapidly collect and accumulate safety and efficacy data for the purpose of promoting the appropriate usage of these new drugs, and to conduct sales while formulating further safety measures as needed. Accordingly, it is expected that this will result in slower growth more than that in the past and to the trend of stable performance.

In addition, in October 2011, the Group formulated the "Medium-Term Management Plan 11-15~New Value Creation," which covers the period to fiscal 2015, and the Group announced aggressive upfront investment to strengthen its foundation and expand its business toward sustained growth. The Group is undertaking full-scale implementation of this investment plan from the current fiscal year.

At this turning point, through a reevaluation of the depreciation method, the Group confirmed that its product lines are expected to generate stable income over the long term; that its property, plant and equipment are operated consistently as a group; and that the upfront investment will contribute to further stable operation through consolidation and strengthening of production equipment.

Accordingly, the Group decided to revise the previous depreciation method and adopt the straight-line method effective the year ended March 31, 2013 because the allocation of expenses through uniform depreciation over the useful life of the property, plant and equipment is considered appropriate to reflect the actual usage conditions of the Group's property, plant and equipment.

As a result, gross profit, operating income and income before income taxes and minority interests increased by ¥1,183 million ($12,578 thousand), ¥2,637 million ($28,038 thousand) and ¥2,677 million ($28,464 thousand), respectively, for the year ended March 31, 2013 compared with the amounts that would have been recorded under the previous method.

3. Cash and Time Deposits

A reconciliation of cash and deposits in the accompanying consolidated balance sheet at March 31, 2013 and 2012 and cash and cash equivalents in the accompanying consolidated statement of cash flows for the years then ended is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and deposits	¥20,281	¥15,466	$215,641
Time deposits maturing after three months	(2,388)	(2,498)	(25,391)
Marketable securities maturing within three months	20,593	21,196	218,958
Cash equivalents included in other current assets	177	142	1,882
Cash equivalents included in deposits	20,082	20,038	213,525
Cash and cash equivalents	¥58,745	¥54,344	$624,615

The Company transferred the plasma fractionation business of Benesis Corporation during the year ended March 31, 2013. The following table represents details of assets and liabilities transferred:

	Millions of yen	Thousands of U.S. dollars
at October 1,	2012	2012
Current assets	¥ 8,767	$ 93,216
Non-current assets	6,522	69,346
Current liabilities	1	11
Long-term liabilities	1	11
Gain on transfer of business	–	–
Consideration for transferred business	15,287	162,540
Cash and cash equivalents	–	–
Account receivable as consideration for business transfer	15,287	162,540
Proceeds from transfer of business	¥ –	$ –

Proceeds from transfer of business of ¥1,384 million ($14,716 thousand) recorded in the consolidated statement of cash flows for the year ended March 31, 2013 correspond to the transfer of the fine chemical business.

4. Notes Receivable

The balance sheet dates for the year ended March 31, 2013 and 2012 fell on a bank holiday. Consequently, notes receivable, trade of ¥138 million ($1,467 thousand) and ¥109 million with due dates on March 31, 2013 and 2012, respectively, were included in the balance and settled on the next business day.

5. Financial Instruments

Overview

(1) Policy for Financial Instruments

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

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

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

(2) Types of Financial Instruments and Related Risk

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

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

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

(3) Risk Management for Financial Instruments

(a) Monitoring of credit risk

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

To strictly minimize the credit risk related to counterparty 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 consolidated 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), operating claims and obligations denominated in foreign currencies are hedged as necessary using forward foreign exchange contracts.

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

For derivative transactions, the authority to enter into transactions and the maximum amounts of those transactions are determined based on internal regulations, and outstanding contract amounts, 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.

The carrying value of financial instruments on the accompanying consolidated balance sheet as of March 31, 2013 and 2012, and their estimated market value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the market value.

Millions of yen

	2013		
	Carrying value	Market value	Difference
Assets:			
Cash and deposits	¥ 20,281	¥ 20,281	¥ –
Notes and accounts receivable, trade	129,868	129,868	–
Marketable securities and investments in securities	174,221	173,797	(424)
Deposits	151,554	151,554	–
Total assets	¥475,924	¥475,500	¥(424)
Liabilities:			
Notes and accounts payable, trade	38,072	38,072	–
Short-term debt	1,174	1,174	–
Total liabilities	¥ 39,246	¥ 39,246	¥ –
Derivative transactions in other current assets or other assets	¥ 2,641	¥ 2,641	¥ –

Millions of yen

	2012		
	Carrying value	Market value	Difference
Assets:			
Cash and deposits	¥ 15,466	¥ 15,466	¥ –
Notes and accounts receivable, trade	127,207	127,207	–
Marketable securities and investments in securities	150,717	149,168	(1,549)
Deposits	130,791	130,791	–
Total assets	¥424,181	¥422,632	¥(1,549)
Liabilities:			
Accounts payable, trade	28,878	28,878	–
Short-term debt	2,170	2,170	–
Total liabilities	¥ 31,048	¥ 31,048	¥ –
Derivative transactions in other current assets or other assets	¥ 150	¥ 150	¥ –

Thousands of U.S. dollars

	2013		
	Carrying value	Market value	Difference
Assets:			
Cash and deposits	$ 215,641	$ 215,641	$ –
Notes and accounts receivable, trade	1,380,840	1,380,840	–
Marketable securities and investments in securities	1,852,430	1,847,921	(4,509)
Deposits	1,611,419	1,611,419	–
Total assets	$5,060,330	$5,055,821	$(4,509)
Liabilities:			
Notes and accounts payable, trade	404,806	404,806	–
Short-term debt	12,483	12,483	–
Total liabilities	$ 417,289	$ 417,289	$ –
Derivative transactions in other current assets or other assets	$ 28,081	$ 28,081	$ –

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

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

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

Financial instruments for which it is deemed extremely difficult to determine the market value at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
			Carrying value
Unlisted and unquoted stocks	¥9,521	¥11,263	$101,233
Investments in investment business limited liability partnerships	1,235	961	13,131

Scheduled redemption amounts subsequent to March 31, 2013 for monetary claims and marketable securities with maturities are as follows:

Millions of yen

	2013			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Current and time deposits	¥ 20,253	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	129,868	–	–	–
Marketable securities and investments in securities:				
Held-to-maturity debt securities:				
Bonds	–	2,295	–	–
Other	595	3,500	–	10,000
Available-for-sale securities with maturities:				
Bonds	14,000	48,000	700	–
Other	49,850	–	–	–
Deposits	151,554	–	–	–
Total	¥366,120	¥53,795	¥700	¥10,000

Thousands of U.S. dollars

	2013			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Current and time deposits	$ 215,343	$ –	$ –	$ –
Notes and accounts receivable, trade	1,380,840	–	–	–
Marketable securities and investments in securities:				
Held-to-maturity debt securities:				
Bonds	–	24,402	–	–
Other	6,327	37,214	–	106,326
Available-for-sale securities with maturities:				
Bonds	148,857	510,367	7,443	–
Other	530,037	–	–	–
Deposits	1,611,419	–	–	–
Total	$3,892,823	$571,983	$7,443	$106,326

6. Marketable Securities and Investments in Securities

Held-to-maturity debt securities with available market value at March 31, 2013 and 2012 are as follows:

Millions of yen

	Held-to-maturity debt securities					
	2013			2012		
	Carrying value	Market value	Unrealized gain (loss)	Carrying value	Market value	Unrealized gain (loss)
Securities with market value exceeding carrying value:						
Bonds	¥ 8,322	¥ 8,820	¥ 498	¥ 3,922	¥ 4,286	¥ 364
Securities with market value not exceeding carrying value:						
Bonds	8,095	7,173	(922)	14,084	12,171	(1,913)
Total	¥16,417	¥15,993	¥(424)	¥18,006	¥16,457	¥(1,549)

Thousands of U.S. dollars

	Held-to-maturity debt securities		
	2013		
	Carrying value	Market value	Unrealized gain (loss)
Securities with market value exceeding carrying value:			
Bonds	$ 88,485	$ 93,780	$ 5,295
Securities with market value not exceeding carrying value:			
Bonds	86,071	76,268	(9,803)
Total	$174,556	$170,048	$(4,508)

Available-for-sale securities with available market value at March 31, 2013 and 2012 are as follows:

Millions of yen

	Available-for-sale securities with available market value					
	2013			2012		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost:						
Stocks	¥ 18,426	¥ 30,781	¥12,355	¥ 10,502	¥ 15,506	¥ 5,004
Bonds	61,783	62,158	375	61,319	61,948	629
Subtotal	80,209	92,939	12,730	71,821	77,454	5,633
Securities with carrying value not exceeding acquisition cost:						
Stocks	15,134	14,023	(1,111)	23,396	18,061	(5,335)
Bonds	1,000	999	(1)	–	–	–
Other	49,843	49,843	–	37,196	37,196	–
Subtotal	65,977	64,865	(1,112)	60,592	55,257	(5,335)
Total	¥146,186	¥157,804	¥11,618	¥132,413	¥132,711	¥ 298

Thousands of U.S. dollars

	Available-for-sale securities with available market value		
	2013		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost:			
Stocks	$ 195,917	$ 327,284	$131,367
Bonds	656,917	660,904	3,987
Subtotal	852,834	988,188	135,354
Securities with carrying value not exceeding acquisition cost:			
Stocks	160,914	149,101	(11,813)
Bonds	10,633	10,622	(11)
Other	529,963	529,963	–
Subtotal	701,510	689,686	(11,824)
Total	$1,554,344	$1,677,874	$123,530

Impairment losses on available-for-sale securities amounting to ¥257 million ($2,733 thousand), and ¥2,197 million were recorded for the years ended March 31, 2013 and 2012, respectively.

Available-for-sale securities sold during the years ended March 31, 2013 and 2012 are as follows:

Millions of yen

	Available-for-sale securities sold					
	2013			2012		
	Proceeds	Gain on sale	Loss on sale	Proceeds	Gain on sale	Loss on sale
Stocks	**¥1,940**	**¥870**	**¥6**	¥19	¥5	¥–
Total	**¥1,940**	**¥870**	**¥6**	¥19	¥5	¥–

Thousands of U.S. dollars

	Available-for-sale securities sold		
	2013		
	Proceeds	Gain on sale	Loss on sale
Stocks	**$20,627**	**$9,250**	**$64**
Total	**$20,627**	**$9,250**	**$64**

7. Inventories

Inventories at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Finished goods and merchandise	**¥67,944**	¥64,259	**$722,424**
Semi-finished products and work-in-process	**717**	897	**7,624**
Raw materials and supplies	**24,122**	21,034	**256,480**
Total	**¥92,783**	¥86,190	**$986,528**

8. Short-Term Debt

The annual weighted average interest rates on short-term debt at March 31, 2013 and 2012 are as follows:

	2013	2012
Short-term debt	**5.60%**	1.31%

9. Lease Obligations

The aggregate annual maturities of lease obligations recorded as other current liabilities and other liabilities subsequent to March 31, 2013 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥21	$223
2015	16	170
2016	15	160
2017	10	106
Total	¥62	$659

10. Accrued Retirement Benefits

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

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

The Company has established a retirement benefit trust.

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

The following table sets forth the funded and accrued status of the retirement benefit plans and the amounts recognized in the accompanying consolidated balance sheet at March 31, 2013 and 2012 for the Group's defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Retirement benefit obligation	¥(147,810)	¥(150,320)	$(1,571,611)
Fair value of pension assets	155,419	143,895	1,652,515
Unfunded retirement benefit obligation	7,609	(6,425)	80,904
Unrecognized actuarial loss	20,970	39,387	222,967
Unrecognized prior service cost	(1,139)	(1,445)	(12,111)
Net amount recognized in the consolidated balance sheets	27,440	31,517	291,760
Prepaid pension expenses	36,883	42,101	392,164
Accrued retirement benefits	¥ (9,443)	¥ (10,584)	$ (100,404)

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥ 2,728	¥2,497	$ 29,006
Interest cost	2,710	3,549	28,814
Expected return on plan assets	(3,593)	(3,461)	(38,203)
Amortization of actuarial loss	7,686	6,417	81,722
Amortization of prior service cost	(203)	(210)	(2,158)
Contributions to multiple employer welfare pension plans	–	8	–
Retirement benefit expenses	¥ 9,328	¥8,800	$ 99,181
Other	935	912	9,942
Total retirement benefit expenses	¥10,263	¥9,712	$109,123

In addition to the retirement benefit expenses listed above, additional retirement allowance totaling ¥109 million was recognized and accounted for as special retirement benefits for the year ended March 31, 2012.

"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, 2013 and 2012 are as follows:

	2013	2012
Discount rate	1.8%	1.8%
Expected rate of return on plan assets	2.5%	2.5%

11. Income Taxes

The Company and certain domestic consolidated subsidiaries are subject to a number of different income taxes, which, in the aggregate, indicate statutory tax rates in Japan of approximately 37.9% and 40.6% for the years ended March 31, 2013 and 2012, respectively.

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

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2013 and 2012 differ from the above statutory tax rate for the following reasons:

	2013	2012
Statutory tax rates	37.9%	40.6%
Adjustments:		
Amortization of goodwill	5.7	6.4
Non-deductible expenses	1.4	2.8
Non-taxable dividend income, etc.	(1.7)	(1.9)
Elimination of dividends upon consolidation	1.5	1.6
Adjustment for per capita inhabitant taxes	0.3	0.2
Special deduction for R&D expenses	(5.3)	(9.2)
Valuation allowance	(2.0)	(0.2)
Effect of changes in corporation tax rates	–	(1.3)
Other	0.2	(0.5)
Effective tax rates	38.0%	38.5%

(Adjustment of deferred tax assets and liabilities due to change in the corporate tax rate)
Due to the promulgation on December 2, 2011, of the "Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011), the effective statutory tax rate used to measure deferred tax assets and liabilities in the fiscal year ended March 31, 2012 has been changed from 40.6% used in the previous fiscal year to 37.9% for items expected to be realized from fiscal years during the period beginning April 1, 2012 to March 31, 2015, and to 35.5% for items expected to be realized in fiscal years beginning April 1, 2015.

As a result of this change, the net amount of deferred tax assets increased by ¥828 million, deferred gain on hedges increased by ¥4 million, income taxes-deferred decreased by ¥839 million, and unrealized holding loss on securities decreased by ¥15 million as of and for the year ended March 31, 2012.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Reserve for employees' bonuses	¥ 3,811	¥ 4,089	$ 40,521
Enterprise taxes	1,490	808	15,843
Loss on devaluation of inventories	2,486	2,007	26,433
Unrealized gain on inventories	522	1,980	5,550
Accrued retirement benefits for employees	284	228	3,020
Reserve for health management allowances for SMON compensation	358	478	3,806
Reserve for health management allowances for HIV compensation	579	522	6,156
Reserve for HCV litigation	1,310	955	13,929
Loss on devaluation of investments in securities	97	96	1,031
Excess amortization of long-term prepaid expenses	3,117	4,480	33,142
Prepaid research expenses	10,118	9,796	107,581
Net operating loss carryforward	8,985	16,833	95,534
Excess depreciation	500	1,364	5,316
Loss on impairment of fixed assets	347	1,425	3,690
Internally generated goodwill	2,942	–	31,281
Other	1,488	1,163	15,821
Gross deferred tax assets	38,434	46,224	408,654
Valuation allowance	(10,038)	(17,056)	(106,730)
Total deferred tax assets	28,396	29,168	301,924
Deferred tax liabilities:			
Prepaid pension expenses	(3,228)	(4,690)	(34,322)
Unrealized holding gain on securities	(9,831)	(6,103)	(104,530)
Deferred capital gain on fixed assets	(1,225)	(1,510)	(13,025)
Reserve for special account for advanced depreciation of fixed assets	(1,418)	–	(15,077)
Unrealized holding gain on land	(7,366)	(8,618)	(78,320)
Deferred gain on hedges	(1,000)	–	(10,633)
Other	(221)	(355)	(2,349)
Total deferred tax liabilities	(24,289)	(21,276)	(258,256)
Net deferred tax assets	¥ 4,107	¥ 7,892	$ 43,668

The net deferred tax assets of ¥4,107 million ($43,668 thousand) and ¥7,892 million as of March 31, 2013 and 2012 in the above table are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred income taxes – current assets	¥ 8,373	¥ 9,343	$ 89,027
Deferred income taxes – non-current assets	4,173	7,898	44,370
Deferred income taxes included in other current liabilities	(74)	(11)	(787)
Deferred income taxes – non-current liabilities	(8,365)	(9,338)	(88,942)
	¥ 4,107	¥ 7,892	$ 43,668

12. Shareholders' Equity

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

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

Common stock and treasury stock

Movements in common stock in issue and treasury stock for the years ended March 31, 2013 and 2012 are summarized as follows:

Thousands of shares

	2013			
	Number of shares at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at end of the fiscal year
Common stock	**561,417**	**–**	**–**	**561,417**
Treasury stock	**423**	**1**	**0**	**424**

Thousands of shares

	2012			
	Number of shares at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at end of the fiscal year
Common stock	561,417	–	–	561,417
Treasury stock	353	70	0	423

13. Contingent Liabilities

The Group had the following contingent liabilities at March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Debt guaranteed:			
Employees' housing loans from banks	**¥66**	¥ 80	**$702**
Bank loans to Choseido Pharmaceutical Co., Ltd.	**–**	2,577	**–**

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, 2013 and 2012 were ¥66,530 million ($707,390 thousand) and ¥70,241 million, respectively.

15. Gain on Transfer of Business

Gain on transfer of business for the year ended March 31, 2103 was due to the transfer of the fine chemical business of the Company (manufacturing, purchasing and selling of chemical products).

16. Loss on Business Integration

Loss on business integration for the year ended March 31, 2103 was due to the disposal of assets in relation to the integration of the plasma fractionation business between Benesis Corporation, the Company's consolidated subsidiary, and the Japanese Red Cross Society.

17. 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, 2013, 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 ¥756 million ($8,038 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 No.2 Nabari Training Center (Nabari-City, Mie)	Training facility	Land, buildings and structures	¥184	$1,956
Mitsubishi Tanabe Pharma Former Fukusaki Laboratory (Kanzaki-Gun, Hyogo)	Idle asset	Land, buildings and structures	121	1,287
Mitsubishi Tanabe Pharma Former Hirakata Laboratory (Hirakata-City, Osaka)	Idle asset	Land	324	3,445

As the Company decided to sell the No.2 Nabari Training Center, the former Fukusaki Laboratory and the former Hirakata Laboratory, the book values of those assets were reduced to their recoverable amounts. The recoverable amounts are measured at their net selling values, calculated based on estimated selling amounts.

For the year ended March 31, 2012, the book value of the impaired fixed assets, which primarily includes idle assets, was reduced to the recoverable amount, and the amount of the reduction of ¥3,334 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 Sanban-cho Building (Chiyoda-ku, Tokyo)	Administrative and sales operations	Land, buildings and structures	¥2,923
Mitsubishi Tanabe Pharma Kashima Building for Raw Materials (Kamisu City, Ibaragi)	Research facility	Buildings and structures	206
Mitsubishi Tanabe Pharma No. 3 Hirano-machi Building (Chuo-ku, Osaka City)	Administrative and sales operations	Land	141

In connection with the relocation of the Company's Tokyo Branch, the Sanban-cho Building will be classified as an idle asset. In addition, the Company decided to sell the Kashima Building used for the development of raw materials and the No.3 Hirano-machi Building. The book values of the above assets were reduced to its recoverable amounts accordingly. The recoverable amounts are measured at their net selling values. The net selling values are based on reasonable estimates made with reference to the officially published prices or estimated selling amounts.

18. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unrealized holding gain on securities:			
Amount arising during the year	¥11,872	¥ 4,932	$126,231
Reclassification adjustments	(555)	(491)	(5,901)
Before tax effects	11,317	4,441	120,330
Tax effects	(4,044)	(1,806)	(42,998)
Unrealized holding gain on securities	7,273	2,635	77,332
Deferred gain on hedges:			
Amount arising during the year	2,740	217	29,133
Reclassification adjustments	(249)	1,635	(2,647)
Before tax effects	2,491	1,852	26,486
Tax effects	(944)	(748)	(10,037)
Deferred gain on hedges	1,547	1,104	16,449
Translation adjustments:			
Amount arising during the year	4,743	(1,042)	50,431
Other comprehensive income of equity method companies attributable to the Company:			
Amount arising during the year	25	(11)	266
Other comprehensive income	¥13,588	¥ 2,686	$144,478

19. Related Party Transactions

Principal transactions between the Company and related parties for the years ended March 31, 2013 and 2012 are summarized as follows:
[Transactions with Mitsubishi Chemical Holdings Corporation ("MCHC")]

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deposits	¥20,763	¥130,789	$220,766
Interest income	763	496	8,113

MCHC is the parent company.

The balances due from MCHC at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due from MCHC	¥151,553	¥130,789	$1,611,409

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, 2013 and 2012, which would have been reflected in the accompanying consolidated balance sheet 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

	2013			2012		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Category of leased property:						
Tools and equipment	**¥100**	**¥88**	**¥12**	¥233	¥193	¥40
Total	**¥100**	**¥88**	**¥12**	¥233	¥193	¥40

Thousands of U.S. dollars

	2013		
	Acquisition cost	Accumulated depreciation	Net book value
Category of leased property:			
Tools and equipment	**$1,063**	**$935**	**$128**
Total	**$1,063**	**$935**	**$128**

Lease payments of the Company and its consolidated subsidiaries relating to finance leases accounted for as operating leases amounted to ¥25 million ($266 thousand) and ¥95 million for the years ended March 31, 2013 and 2012, respectively. Depreciation on these leased assets calculated by the straight-line method would have amounted to ¥25 million ($266 thousand) and ¥95 million for the years ended March 31, 2013 and 2012, respectively, if it had been reflected in the accompanying consolidated balance sheet.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2013 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
2014	¥ 9	$ 96
2015 and thereafter	3	32
	¥12	$128

Future minimum payments subsequent to March 31, 2013 under non-cancelable operating leases are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥1,540	$16,374
2015 and thereafter	2,608	27,730
	¥4,148	$44,104

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

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

The notional amounts and estimated fair value on the outstanding derivatives positions for which hedge accounting has been applied at March 31, 2013 and 2012 are as follows:

Millions of yen

	2013		
	Notional amounts	Over one year	Estimated fair value
Forward foreign exchange contracts:			
Buying:			
USD, accounts payable–trade	**¥15,951**	**¥2,765**	**¥2,641**

Millions of yen

	2012		
	Notional amounts	Over one year	Estimated fair value
Forward foreign exchange contracts:			
Buying:			
USD, accounts payable–trade	¥28,240	¥13,775	¥157
Currency option contracts:			
Selling:			
USD, accounts payable–trade	1,837	–	(5)
GBP, accounts payable-other	420	–	(2)
Buying:			
USD, accounts payable–trade	1,837	–	(1)
GBP, accounts payable-other	420	–	1
Total			¥150

Thousands of U.S. dollars

	2013		
	Notional amounts	Over one year	Estimated fair value
Forward foreign exchange contracts:			
Buying:			
USD, accounts payable–trade	**$169,601**	**$29,399**	**$28,081**

22. Amounts per Share

Amounts per share as of and for the years ended March 31, 2013 and 2012 are as follows:

	Yen		U.S. dollars
	2013	2012	2013
Net income	**¥ 74.67**	¥ 69.54	**$ 0.79**
Cash dividends	**40.00**	35.00	**0.43**
Net assets	**1,333.22**	1,275.85	**14.18**

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. 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 years ended March 31, 2013 and 2012 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 statement of income, the disclosure of the information by product and service for the years ended March 31, 2013 and 2012 has been omitted.

The following table summarizes the information of the sales by region for the year ended March 31, 2013:

Region	Millions of yen 2013	Thousands of U.S. dollars 2013
Japan	¥371,444	$3,949,431
Europe	26,492	281,680
Asia	16,591	176,406
North America	3,940	41,893
Others	712	7,570
Total	¥419,179	$4,456,980

As sales of products and services to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income, the disclosure of net sales by region for the year ended March 31, 2012 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 sheet, the disclosure of property, plant and equipment by region for the years ended March 31, 2013 and 2012 has been omitted.

The following table summarizes the information by major customers for the years ended March 31, 2013 and 2012:

Customer name	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013 Net sales	Related segment
SUZUKEN CO., LTD.	¥72,151	¥74,484	$767,156	Pharmaceuticals
Toho Pharmaceutical Co., Ltd.	68,379	68,837	727,049	Pharmaceuticals
Alfresa Corporation	54,970	58,305	584,476	Pharmaceuticals
MEDICEO CORPORATION	53,652	57,092	570,463	Pharmaceuticals

24. Business Combination

Transactions under common control

On September 5, 2012, the Company additionally acquired shares of its subsidiary, Bipha Corporation from minority shareholders to pursue efficiencies in consolidated management.

There was no change in the name of the subsidiary after the business combination.

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

The following table summarizes the acquisition cost and its breakdown:

	Millions of yen	Thousands of U.S. dollars
Acquisition price:		
Cash and deposits	¥5,800	$61,669
Expenditures directly related to acquisition:		
Advisory expenses, etc.	40	425
Acquisition cost	¥5,840	$62,094

Goodwill was recognized as the difference between the acquisition cost of the additional acquisition of the subsidiary's shares and the decrease in minority interest accompanied by such additional acquisition. Goodwill of ¥4,204 million ($44,700 thousand) arising from the transaction is amortized by the straight-line method over a period of 15 years.

Business divestitures

The Company concluded an agreement with the Japanese Red Cross Society for the integration of the plasma fractionation business on May 7, 2012. Based on this agreement and its accompanying business transfer agreement, on October 1, 2012, the Company transferred the plasma fractionation operations of Benesis Corporation, a wholly owned subsidiary which was engaged in the production and sale of plasma fractionation products to the "Japan Blood Products Organization," which was established by the Japanese Red Cross Society on June 1, 2012.

The new organization will secure sound operations by leveraging economies of scale to reduce costs at the stage of production and supply. The Japanese Red Cross Society and the Company believe that the Japan Blood Products Organization will make a broad contribution to improve the health of people in Japan in the years ahead by contributing to the achievement of national self-sufficiency in plasma fractionation products in accordance with the basic principles of the "Act on Securing a Stable Supply of Safe Blood Products", thus the Company transferred the plasma fractionation business of Benesis Corporation.

The consideration received for the business transfer was limited to assets including cash.

No profit or loss were recognized as a result of the business transfer.

The fair book value and its breakdown of assets and liabilities relating to the transferred operations as of October 1, 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 8,767	$ 93,216
Non-current assets	6,522	69,346
Total assets	15,289	162,562
Current liabilities	1	11
Long-term liabilities	1	11
Total liabilities	¥ 2	$ 22

The transferred business was included in the Pharmaceuticals segment.

The approximate amount of operating income relating to the divested business in the consolidated statement of income is ¥948 million ($10,080 thousand) for the fiscal year ended March 31, 2013. As the Company continues to purchase blood products from the Japan Blood Products Organization and to sell them to wholesalers for a certain term after the transfer of the plasma fractionation business, there is no impact on sales.

25. Litigation

U.S. 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 Special 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 Special Law was put into effect, in accordance with the procedures determined by the law, patients filed lawsuits 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 Special Law, the burden of that expense and the method of sharing that burden were the subject of discussions with the Ministry of Health, Labour and Welfare, and those standards were announced by the Ministry of Health, Labour and Welfare on April 10, 2009. On September 14, 2012, a partial amendment was made to the Special Law and promulgated, and the period for claimants to file lawsuits was extended.

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

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.

U.S. 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.

26. Subsequent Events

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2013, was approved at the annual general shareholders' meeting held on June 21, 2013:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥20.0 (U.S.$0.21) per share)	¥11,219	$119,288

Report of Independent Auditors

The Board of Directors
Mitsubishi Tanabe Pharma Corporation

We have audited the accompanying consolidated financial statements of Mitsubishi Tanabe Pharma Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Tanabe Pharma Corporation and its consolidated subsidiaries at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements, which describes that Mitsubishi Tanabe Pharma Corporation and its domestic consolidated subsidiaries have changed their method of depreciation from the declining-balance method to the straight-line method to depreciate tangible fixed assets from the year ended March 31, 2013.Previously, depreciation of Mitsubishi Tanabe Pharma Corporation and its domestic consolidated subsidiaries was computed mainly by the declining-balance method (except for buildings, excluding structures attached to the buildings, acquired on or after April 1, 1998 to which the straight-line method is applied).Our opinion is not qualified in respect of this matter.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 21, 2013
Osaka, Japan

Group Companies

As of March 31, 2013

Japan

	Establishment	Paid-in Capital	% Voting Control*	Principal Business
Benesis Corporation ●	October 2002	¥100 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	¥100 million	100.0%	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	100.0%	Sale of generic pharmaceuticals, etc.
Tanabe R&D Service Co., Ltd. ●	August 1984	¥44 million	100.0%	Support of R&D regarding pharmaceuticals
Tanabe Total Service Co., Ltd. ●	February 1964	¥90 million	100.0%	Real estate management, etc.
API Corporation ●	April 1982	¥4,000 million	47.7%	Manufacture and sale of API, etc.

Overseas

Asia	Establishment	Paid-in Capital	% Voting Control*	Principal Business
Mitsubishi Pharma (Guangzhou) Co., Ltd. ●	December 1991	US$23,500,000	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%	R&D of pharmaceuticals
Guangdong Tanabe Pharmaceutical Co., Ltd. ●	May 2009	CNY7,000,000	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
Mitsubishi Tanabe Pharma Holdings America, Inc. ●	December 2000	US$166	100.0%	Management of Group companies in the U.S.
Mitsubishi Tanabe Pharma Development America, Inc. ●	October 2001	US$100	100.0% (100.0%)	R&D of pharmaceuticals
Tanabe Research Laboratories U.S.A., Inc. ●	November 1990	US$3,000,000	100.0% (100.0%)	R&D of pharmaceuticals
Tanabe U.S.A., Inc. ●	January 1970	US$1,400,000	100.0% (100.0%)	Sale of chemicals, etc.
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%	R&D of pharmaceuticals
Tanabe Europe N.V. ●	December 1972	€260,330	100.0%	Sale of chemicals, etc.
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 ● Affiliated company accounted for by the equity method

Corporate Data / Investor Information

As of March 31, 2013

Corporate Data

Mitsubishi Tanabe Pharma Corporation

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

Incorporated

December 1933

Date of Merger

October 1, 2007

Number of Employees

8,835 (Consolidated)

4,850 (Parent company only)

For Further Information

Investor Relations Group

Corporate Communications Department

TEL: 81-6-6205-5211

FAX: 81-6-6205-5105

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

Investor Information

Stock Exchange Listings

Tokyo, 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

18,154

Major Shareholders (% voting rights)

Mitsubishi Chemical Holdings Corporation (56.3)

Japan Trustee Services Bank, Ltd. (5.7)

The Master Trust Bank of Japan, Ltd. (4.8)

Nippon Life Insurance Company (2.7)

Nipro Corporation (1.4)

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

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

Employee Stock Ownership Plan (0.9)

Goldman Sachs & Company Regular Account (0.8)

Tokio Marine & Nichido Fire Insurance Co., Ltd. (0.7)

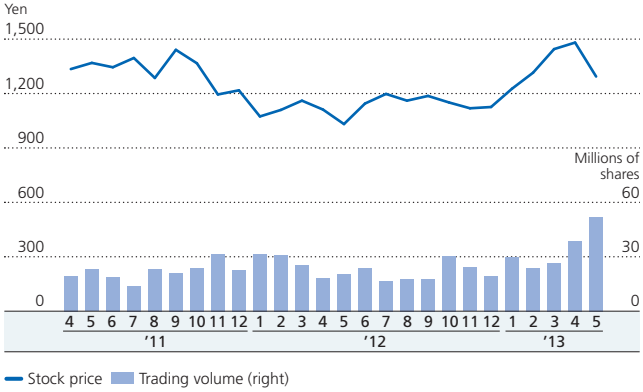
Shareholder Register Agent for Common Stock in Japan

Mitsubishi UFJ Trust and Banking Corporation

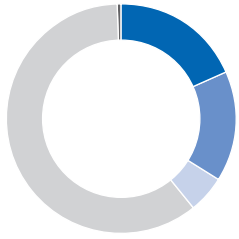
Osaka Corporate Agency Division

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

STOCK PRICE RANGE / TRADING VOLUME



DISTRIBUTION OF SHARE OWNERSHIP BY TYPE OF SHAREHOLDER



Japanese financial institutions	18.59%
Foreign institutions	15.41%
Japanese individuals and others*	5.24%
Other Japanese corporations	60.43%
Japanese securities firms	0.34%

* Individuals and others includes treasury stock (424 thousand shares at March 31, 2013)

Good **Chemistry** for Tomorrow

Mitsubishi Chemical Holdings Group

Printed in Japan