Summary of Financial Results for year ended March 31, 2011 (Japan GAAP) (Unaudited)

May 10, 2011

Company name: Mitsubishi Tanabe Pharma Corporation
Stock exchange listings (Section): Tokyo, Osaka (First Sections)
Securities code number: 4508
URL: http://www.mt-pharma.co.jp/
Representative: Name: Michihiro Tsuchiya
Title: President and Representative Director
For further information, please contact: Name: Yoshihisa Sasou
Title: General Manager, Corporate Communications Department
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Planned date of ordinary general meeting of shareholders: June 22, 2011
Planned date of start of dividend payments: June 23, 2011
Planned date of filing of securities report: June 22, 2011
Provision of supplementary explanatory materials for results: Yes
Results presentation: Yes (for institutional investors and investment analysts)

(Note) Amounts less than ¥ 1 million have been rounded.

1. Results for Fiscal 2010 (April 1, 2010 to March 31, 2011)

(1) Consolidated business results

	Net sales		Operating income		Ordinary income		Net income	
	Yen million	% change	Yen million	% change	Yen million	% change	Yen million	% change
Fiscal 2010	409,540	1.2	76,584	24.6	76,684	24.4	37,747	24.8
Fiscal 2009	404,747	(2.4)	61,475	(14.3)	61,649	(15.1)	30,253	14.0

(Notes) Comprehensive income ¥35,007 million (8.4%) (¥32,301 million (-%) in fiscal 2009)

	Net income per share	Net income per share (diluted)	Return on equity	Ordinary income / Total assets	Operating income / Net sales
	Yen	Yen	%	%	%
Fiscal 2010	67.27	-	5.5	9.5	18.7
Fiscal 2009	53.91	-	4.6	7.7	15.2

(Notes) a. Equity in earnings (losses) of non-consolidated subsidiaries ¥259 million (¥490 million in fiscal 2009)
b. Percentage changes in the above list show change in comparison with the previous year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Yen million	Yen million	%	Yen
Fiscal 2010	818,705	695,959	84.3	1,230.16
Fiscal 2009	796,858	676,813	84.1	1,194.79

(Note) Shareholders' equity ¥690,201 million (¥670,470 million in fiscal 2009)

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Yen million	Yen million	Yen million	Yen million
Fiscal 2010	59,067	(7,651)	(15,419)	97,880
Fiscal 2009	23,923	(61,227)	(17,105)	62,958

2. Dividends

(Record date)	Dividends per share					Total dividends (for the year)	Payout ratio (consolidated)	Dividends / Net assets (consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	For the year			
	Yen	Yen	Yen	Yen	Yen	Yen million	%	%
Fiscal 2009	-	14.00	-	14.00	28.00	15,712	51.9	2.4
Fiscal 2010	-	14.00	-	14.00	28.00	15,710	41.6	2.3
Fiscal 2011 (projected)	-	14.00	-	14.00	28.00		44.3	

3. Forecasts for Fiscal 2011 (April 1, 2011 to March 31, 2012)

	Net sales		Operating income		Ordinary income	
	Yen million	% change	Yen million	% change	Yen million	% change
Interim	194,500	(5.0)	22,500	(44.0)	22,500	(44.4)
Full year	403,000	(1.6)	63,000	(17.7)	63,000	(17.8)

	Net income		Net income per share
	Yen million	% change	Yen
Interim	11,500	(49.3)	20.50
Full year	35,500	(6.0)	63.27

(Note) Percentage changes in the above list show change from previous year for full-year data and change from same period of previous year for interim data.

4. Other

(1) Significant change involving subsidiaries during the period (changes in designated subsidiaries accompanying changes in the scope of consolidation) [Yes/No]: No
Note: For details, please see "Consolidation of Corporate Group" on page 16.

(2) Changes in accounting principles, procedures, method of presentation
1. Change accompanying revision of accounting standards: Yes
2. Other changes: No
Note: For detailed information, please see "Change in the Basis of Presenting Consolidated Financial Statements" on page 38.

(3) Number of shares issued (common stock)
1. Number of shares issued at the end of the period (including treasury stock)
Fiscal 2010 561,417,916 shares Fiscal 2009 561,417,916 shares
2. Number of shares of treasury stock at the end of the period
Fiscal 2010 353,152 shares Fiscal 2009 256,440 shares
3. Average number of shares of during the period
Fiscal 2010 561,110,775 shares Fiscal 2009 561,164,102 shares

(Reference) Overview of Non-Consolidated Business Results

1. Results for Fiscal 2010 (April 1, 2010 to March 31, 2011)

(1) Non-consolidated business results

	Net sales		Operating income		Ordinary income		Net income	
	Yen million	% change	Yen million	% change	Yen million	% change	Yen million	% change
Fiscal 2010	390,281	1.2	75,709	21.1	79,282	21.7	50,113	17.5
Fiscal 2009	385,630	4.9	62,496	(9.0)	65,132	(11.8)	42,654	34.1

	Net income per share	Net income per share (diluted)
	Yen	Yen
Fiscal 2010	89.31	-
Fiscal 2009	76.01	-

(Note) Amounts less than ¥ 1 million have been truncated in the non-consolidated results .
Percentage changes in the above list show change in comparison with the previous year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Yen million	Yen million	%	Yen
Fiscal 2010	663,198	542,555	81.8	967.01
Fiscal 2009	630,948	512,799	81.3	913.82

(Note) Shareholders' equity ¥542,555 million (¥512,799 million in fiscal 2009)

*Note regarding implementation of audit procedures
This summary of financial results is not subject to the audit procedures in accordance with the Financial Instruments and Exchange Act.
At the time when this summary of financial results was released, the audit procedures were in progress for the financial statements in accordance with the Financial Instruments and Exchange Act.

*Explanation regarding the appropriate use of results forecasts and other matters of special note
In these materials, forecasts of results and other statements about the future are forward-looking statements based a number of assumptions and beliefs in light of the information available to management as of the date of release of the materials. Actual financial results may differ materially from these forecasts depending on a number of important factors.
For matters related to results forecasts, please see page 4.

* Methods of obtaining the supplementary materials and the content of the results presentation.
・Supplementary materials are disclosed on TDnet on the same day and are made available on the Company's website.
・The Company plans to hold a results presentation for institutional investors and securities analysts on May 12, 2011 (Thursday).
The Company plans to make available on its website the content of the presentation (video) and the materials used in the presentation immediately after the presentation is held.

Contents of supplement

1.Business Results

(1)Analysis of Business Results

① Overview of business results

In the fiscal year under review (April 1, 2010, to March 31, 2011), there were signs of improvement in the domestic economy against a background of a recovery in global economic conditions and the effects of a range of government policies.

Nonetheless, deflation continued to have an influence and the future course of employment and income conditions remained unclear. Overall, the economic environment remained challenging. Furthermore, the Great East Japan Earthquake that occurred on March 11 caused tremendous impact. Also there is uncertainty and what will be needed for recovery is expected to take a considerable amount of time.

In the pharmaceutical industry, NHI drug prices were revised in April 2010, and a system offering a pricing premium for newly developed drugs was introduced on a trial basis. Consequently, NHI drug prices were reduced by an industrywide average of 5.75%, and additional price cuts were implemented for long-term listed drugs. Moreover, with such factors as intensified competition among companies and further measures to promote the use of generic drugs, market conditions remain challenging.

As detailed below, SG&A expenses decreased significantly, and as a result operating income, ordinary income and net income increased substantially under this circumstance.

(millions of yen)

	Fiscal 2009	Fiscal 2010	Increase/ decrease	% change
Net Sales	404,747	409,540	4,793	1.2
Cost of sales Cost of sales ratio	147,800 36.5%	154,564 37.7%	6,764	4.6
Gross profit	256,947	254,976	(1,971)	(0.8)
SG&A expenses	195,472	178,392	(17,080)	(8.7)
Operating Income	61,475	76,584	15,109	24.6
Non-operating income/loss	174	100	(74)	
Ordinary Income	61,649	76,684	15,035	24.4
Extraordinary income/loss	(10,675)	(12,583)	(1,908)	
Net Income	30,253	37,747	7,494	24.8

【Net sales】

Net sales increased 1.2%, or ¥4.7 billion, to ¥409.5 billion.

(millions of yen)

	Fiscal 2009	Fiscal 2010	Increase/ decrease	% change
Pharmaceuticals	395,734	400,229	4,495	1.1
Domestic ethical drugs	354,612	361,662	7,050	2.0
Overseas ethical drugs	22,834	21,311	(1,523)	(6.7)
OTC products	4,975	5,432	457	9.2
Others in Pharmaceuticals	13,313	11,824	(1,489)	(11.2)
Others	9,013	9,311	298	3.3

- In the pharmaceuticals segment, net sales were ¥400.2 billion, up 1.1%, or ¥4.4 billion, year-on-year.
- The domestic sales of ethical drugs were up 2.0%, or 7.0 billion, year-on-year, to ¥361.6 billion. Although NHI drug prices were revised in April 2010, favorable sales were recorded by such products as Remicade, an anti-TNFα monoclonal antibody; Maintate, a selective ß1 antagonist; and Talion, a treatment for allergic disorders. In addition, higher sales were recorded by generic drugs as well as by JEBIK V, a freeze-dried, cell-culture derived Japanese encephalitis vaccine, which the government reinstated as a recommended vaccination in April 2010. In addition, following the Great East Japan Earthquake, there were rising concerns throughout Japan about the supply of pharmaceuticals. As a result, there was a temporary increase in orders for most pharmaceutical products, including those of the Company.
- Overseas sales of ethical drugs were down 6.7%, or ¥1.5 billion, year-on-year, to ¥21.3 billion.
- Sales of OTC products increased 9.2%, or ¥0.4 billion, year-on-year.
- Sales of others in pharmaceuticals were down 11.2%, or ¥1.4 billion, year-on-year, due to the decrease of one-time revenue from a licensing agreement and contracted manufacturing products.

【Operating income】

Operating income increased 24.6%, or ¥15.1 billion, year-on-year, to ¥76.5 billion.

- Net sales increased ¥4.7 billion, year-on-year. On the other hand, gross profit declined by ¥1.9 billion, year-on-year, to ¥254.9 billion due to the influence of NHI drug price revisions and other factors. The cost of sales ratio worsened by 1.2 percentage points, to 37.7%.
- In R&D expenses, accompanying a change in a licensing contract, the Company made a one-time payment of about ¥10.0 billion in the previous fiscal year. Also, expenditures for overseas development projects have passed their peak level and started to decline. As a result, R&D expenses decreased by ¥17.2 billion year-on-year, to ¥65.7 billion.

As described above, due to the significant decrease of R&D expenses, SG&A expenses were down 8.7%, or ¥17.0 billion, to ¥178.3 billion.

【Ordinary income/ Net income】

Due to the increase of operating income, ordinary income was up ¥15.0 billion, year-on-year, to ¥76.6 billion, and net income was up ¥7.4 billion, year-on-year, to ¥37.7 billion.

- Extraordinary income was ¥0.6 billion, with major item including gain on sales of property, plant

and equipment.

- Extraordinary loss was ¥13.2 billion, with major items including loss on valuation of investment in securities of ¥8.0 billion, loss on disaster accompanying the Great East Japan Earthquake of ¥2.1 billion, impairment loss of ¥0.8 billion, and loss related to business suspension for Medway injection recombinant human serum albumin preparation of ¥0.7 billion. In the previous fiscal year, the Company recorded extraordinary losses of ¥10.7 billion, such as impairment loss accompanying head office relocation, restructuring expenses, and loss related to business suspension in regard to Medway injection.

【Comprehensive income】

Income before minority interests was ¥37.5 billion, due to other comprehensive loss of ¥2.5 billion including loss on translation adjustments of ¥2.4 billion, comprehensive income was ¥35.0 billion. Comprehensive income attributable to owners of the Company was ¥35.5 billion.

② R&D activities

Aiming to be a pharmaceutical company that continually provides new drugs to patients around the world, the Mitsubishi Tanabe Pharma Group is advancing R&D initiatives in Japan and overseas. The Company has positioned the metabolism and circulation disease as key areas in R&D. Centered on these areas, late-stage development projects are progressing steadily, and concrete results were seen in the year under review.

The Company filed NDAs for FTY720, a treatment for multiple sclerosis, and MP-424, a treatment for chronic hepatitis C. The Company is also making smooth progress in the development of MP-513 and TA-7284, which are treatments for diabetes with differing mechanisms of action. In the Company's life-cycle management, the Company is taking steps to maximize the product value of Remicade, such as acquiring approvals for additional indications.

On the other hand, rather than relying solely on in-house development to strengthen our R&D pipeline, the Company is also utilizing strategic alliances, such as joint development and licensing. In particular, for FTY720, licensee Novartis has obtained approval in such markets as the U.S., and the EU, and for TA-7284, licensee Johnson & Johnson is making steady progress in development in Europe and the U.S.

For the fiscal year, R&D expenses were ¥65.7 billion, and the ratio of R&D expenses to net sales was 16.1%. Progress in major clinical development activities in the year under review was as follows:

Acquisition of approval

- In April 2010, approval was received for an additional indication of ankylosing spondylitis for Remicade.
- In May 2010, approval was received for an additional dosage for the treatment of hypogammaglobulinemia / agammaglobulinemia with human immunoglobulin G Venoglobulin-IH.
- In June 2010, approval was received for an additional indication of ulcerative colitis for Remicade.
- In June 2010, approval was received for an additional indication for Omeprazon--the eradication of Helicobacter pylori in gastric mucosa associated lymphoid tissue (MALT) lymphoma, the stomach after endoscopic resection of early stage gastric cancer, and idiopathic thrombocytopenic purpura.
- In July 2010, approval was received for Pazucross for additional indications for sepsis and

pneumococcus and for additional administration/dosage for severe or intractable infection (pneumonia, secondary infections in chronic respiratory lesions).

- In October 2010, approval was received for additional indications for human immunoglobulin G Venoglobulin-IH (polymyositis / dermatomyositis) and for Acref, an oral transmucosal fentanyl citrate (breakthrough cancer pain).

Applications filed

- In April 2010, Tai Tien Pharmaceuticals Co., Ltd., a consolidated subsidiary filed an NDA for Livalo for hypercholesterolemia and familial hypercholesterolemia in Taiwan. In addition, P.T. Tanabe Indonesia, a consolidated subsidiary also filed an NDA for Livalo for the same indications in Indonesia in June 2010.
- In May 2010, Alfresa Pharma Corporation, the joint development partner, provided additional data for an additional indication of obstructive sleep apnea for Modiodal.
- In June 2010, Janssen Pharmaceutical K.K., the joint development partner, filed an NDA for an indication of RA for CNTO148.
- In August 2010, the Company filed an NDA for Novastan for additional indications of percutaneous transluminal coronary angioplasty intervention in heparin-induced thrombocytopenia and for the prevention of blood coagulation in hemodialysis.
- In November 2010, following requests from the Ministry of Health, Labour and Welfare for the development of unapproved drugs and drugs used off label, the Company filed NDAs for Maintate (chronic heart failure), Azanin (systemic vasculitis, systemic lupus erythematosus, polymyositis, dermatomyositis, scleroderma, mixed connective tissue disease, and refractory rheumatic diseases), and Human normal immunoglobulin anti-D (suppression of immunization of the D(Rho) factor (post partum, treatment through pregnancy or for parturition, abdominal bruise etc., and pregnancy around 28 weeks)).
- In December 2010, the Company filed an NDA for a change in usages/dosages for Remicade for Crohn's disease.
- In December 2010, the Company filed an NDA for an indication of multiple sclerosis for FTY720.
- In December 2010, the Company filed an application for an indication of myasthenia gravis for Venoglobulin-IH.
- In January 2011, the Company filed an NDA for an indication of chronic hepatitis C for MP-424.

Clinical trials started and advanced

- In July 2010, the Company started phase 2 clinical trials for MP-435 (C5a receptor antagonist/RA).

Development of Out-Licensed Products

- Novartis, which has licensed FTY720, received approval for an indication of multiple sclerosis in Russia in August 2010, in the U.S. in September 2010, and in the EU in March 2011.
- In January 2011, licensee JW Pharmaceutical (former name: Choongwae Pharma Corporation) filed an application in South Korea for an indication of ED for TA-1790 (Avanafil).

③ Forecasts for the current fiscal year (ending March 2012)

In the fiscal year ending March 31, 2012, the Company anticipates a contribution to sales from the launch of new ethical drugs. On the other hand, the Company also forecasts a rebound effect from

the spike in demand that was seen in the year under review as a result of the Great East Japan Earthquake. The Company is forecasting an increase in SG&A expenses, including R&D expenses and sales promotion and other expenses. The forecast for results in the fiscal year ending March 31, 2012, is as follows.

(millions of yen)

	Fiscal 2010	Fiscal 2011	Increase/decrease	% change
Net sales	409,540	403,000	(6,540)	(1.6)
Operating income	76,584	63,000	(13,584)	(17.7)
Ordinary income	76,684	63,000	(13,684)	(17.8)
Net income	37,747	35,500	(2,247)	(6.0)

(2)Financial Position

①Assets, liabilities and net assets

(millions of yen)

	Fiscal 2009	Fiscal 2010	Change
Current assets	344,249	391,581	47,332
Fixed assets	452,609	427,124	(25,485)
Total assets	796,858	818,705	21,847
Liabilities	120,045	122,746	2,701
Net assets	676,813	695,959	19,146
Total liabilities and net assets	796,858	818,705	21,847

At the end of the year under review, total assets were ¥818.7 billion (up ¥21.8 billion year-on-year). Major factors causing changes in the balance sheet in comparison with the previous year-end were as follows.

- Marketable securities and deposits increased. Consequently, total current assets were up ¥47.3 billion, to ¥391.5 billion.
- Fixed assets were down ¥25.4 billion from the previous fiscal year-end, to ¥427.1 billion, as property, plant and equipment and goodwill decreased by the depreciation and the amortization. Moreover, investment in securities decreased with significant declines in fair market value.
- Notes and accounts payable-trade and income taxes payable increased. On the other hand, reserve for HCV litigation declined. Consequently, total liabilities were up ¥2.7 billion, to ¥122.7 billion.
- Total net assets were up ¥19.1 billion, to ¥695.9 billion. Net income was ¥37.7 billion, and dividends paid totaled ¥15.7 billion. As a result, retained earnings increased by ¥22.0 billion. In addition, total accumulated other comprehensive income declined by ¥2.1 billion. The equity ratio was 84.3%, compared with 84.1% a year earlier.

② **Cash flows**

(millions of yen)

		Fiscal 2009	Fiscal 2010	Increase/ decrease
	Operating activities	23,923	59,067	35,144
	Investing activities	(61,227)	(7,651)	53,576
	Financing activities	(17,105)	(15,419)	1,686
Change in cash and cash equivalents		(54,135)	34,858	88,993
At beginning of year		116,903	62,958	(53,945)
At end of year		62,958	97,880	34,922

Net increase in cash and cash equivalents was ¥34.8 billion, and the balance of cash and cash equivalents at the end of the year under review was ¥97.8 billion (up ¥34.9 billion year-on-year).

- Net cash provided by operating activities was ¥59.0 billion. Cash inflows included income before income taxes and minority interests of ¥64.1 billion, depreciation and amortization of ¥12.4 billion, amortization of goodwill of ¥10.1 billion, while cash outflows included income taxes paid of ¥22.2 billion, and decrease in reserve for HCV litigation of ¥6.0 billion
- Net cash used in investing activities was ¥7.6 billion, due in part to purchase or redemption of marketable securities and purchase of investment in securities for investment purposes, and purchase of fixed assets.
- Net cash used in financing activities was ¥15.4 billion, due in part to dividends paid of ¥15.7 billion.

③ **Cash Flow Indicators**

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Shareholders' equity ratio(%)	78.2	80.9	80.5	84.1	84.3
Shareholders' equity ratio (market price) (%)	132.2	80.7	67.2	93.0	92.5
Ratio of interest-bearing debt to cash flow (years)	0.0	0.2	0.1	0.1	0.0
Interest coverage ratio	2,364.0	325.6	549.3	920.1	4,219.1

*Shareholders' equity ratio: shareholders' equity / total assets
*Shareholders' equity ratio (market price): aggregate market value of listed stock / total assets
*Ratio of interest-bearing debt to cash flow: Interest-bearing debt / cash flow
*Interest coverage ratio: operating cash flow / interest paid

1. Each indicator is calculated on a consolidated basis.
2. Aggregate market value of listed stock is calculated by the number of shares outstanding at the end of the period, less treasury stock.
3. Net cash provided by operating activities from the consolidated statements of cash flows is used as operating cash flow.
4. Interest-bearing debt is that portion of debt on the consolidated balance sheets for which interest is paid.

(3)Basic Policy on the Distribution of Earnings / Dividends in the Fiscal Year under Review and the Current Fiscal Year

The Company's basic policy on the distribution of earnings calls for providing a stable, ongoing distribution of earnings to shareholders while striving to maximize enterprise value by investing to bolster R&D and marketing activities from a medium-to-long-term perspective. The basic for the dividend payout ratio is 35% (prior to amortization of goodwill), 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 year-end dividends at ¥14.0 per share. In conjunction with the interim dividends of ¥14.0 per share, this resulted in annual dividends of ¥28.0 per share.

For the current fiscal year, dividends of ¥28.0 per share are planned, including interim dividends of ¥14.0 per share.

(4)Operational Risks

The following are major risks that have the potential to significantly influence the financial position or performance of the Mitsubishi Tanabe Pharma Group. In recognition of the possibility that these events could occur, the Group works to prevent their occurrence and to implement countermeasures in the event of their occurrence. Items in this document relating to the future are based on the judgment of the Group as of the end of fiscal 2010 (ended March 31, 2011).

① Risks related to new drug R&D

The research and development of new drugs requires lengthy investment and the commitment of substantial resources, but there is no guarantee that this process will result in the creation of new products or new technologies. In addition, pharmaceuticals cannot be sold if approval is not obtained under the legal and regulatory system of each country, and it is difficult to accurately predict whether or not products will be sold and the timing of those sales. The development of compounds currently in the new drug pipeline might be halted in the event that problems with effectiveness or safety are found in clinical and nonclinical trials as well as other tests or in the event that they are substitutable but not expected to be profitable. In the event that R&D investment does not lead to the sales of new drugs, there could be a significant influence on the Group's financial position or results.

② Risks related to adverse drug reactions

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

③ Risks related to the health insurance system and the reduction of drug price standards

The sale of ethical drugs is significantly impacted by the various health insurance systems that relate to drug price standards as well as medical and other fees. Revisions to drug price standards or

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

④ Risks related to product sales

In the future, in the event of the emergence of factors--such as the launch of competing new products or generic products due to the termination of 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

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

⑦ Risks related to production and stable supply

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

b) For certain raw materials, the Group is dependent on specific sources of supply. Any interruption in the supply of raw materials may result in delays in production leading to a significant lag in product delivery. This could severely influence the Group's financial position or results.

⑧ Risks related to legal issues

In the research and production of pharmaceuticals, there is a trend toward stricter regulations regarding product quality and the environment. In the event that these regulations are further tightened, there is a possibility that corresponding additional expenses will arise, which could have

an adverse influence on the Group's financial position or results.

⑨ Risks related to product liability

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

⑩ Risks related to financial market fluctuations

a) In the fiscal year ended March 31, 2011, overseas sales accounted for 6.3% of the Group's consolidated net sales. Certain raw materials for products and finished goods handled by the Company are directly imported from overseas. Substantial fluctuations in exchange rates could lead to declines in sales, increases in procurement costs, the generation of foreign exchange losses, etc., as well as declines in the assets of overseas consolidated subsidiaries, etc., and the Group's financial position and results of operations could be significantly affected.

b) As of the end of March 2011, the Group held marketable securities of ¥84.7 billion and investments in securities of ¥127.6 billion, certain of which are marketable stocks and bonds, etc. Accordingly, events such as the recording of a loss on valuation due to declines in market prices could have a significant influence on the Group's financial position or results.

⑪ Risks related to environmental safety

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

⑫ Risks related to lawsuits

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

b) The Japanese government, the Company, its subsidiary Benesis Corporation and another party were defendants in lawsuits in which the plaintiffs sought compensation for damages allegedly suffered through HCV (hepatitis C virus) infection following use of a fibrinogen product or a blood coagulant factor IX product (Christmassin). However, to resolve this litigation, in January 2008, the Japanese government promulgated and put into effect "the Special Relief Law Concerning the Payment of Benefits to Relieve the Patients of Hepatitis C Infected through Specified Fibrinogen Preparations and Specified Blood-Coagulation Factor IX Preparations Contaminated by Hepatitis C Virus" (the Relief Law). In regard to the expenses associated with the relief payments under the Relief Law, the standards for the method and the allocation of the burden of the expenses were announced on April 10, 2009. In accordance with those standards, the Company has made provisions for those expenses. For this expense burden, the cumulative total of the provisions for reserve for HCV litigation was ¥23.0 billion as of the end of March 2010, of which ¥18.3 billion had

already been paid out as of the end of March 2011. However, due to changes in the expected number of benefits recipients, the Group's financial position or results could be significantly affected.
The standards determining the Company's portion of the expense burden are shown below:
(1) Portion of expense burden

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

(2) Lump-sum payment of ¥5,186,725 thousand in addition to payments made in accordance with the portions in (1) above.

⑬ Risks related to information management

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

⑭ Risks related to substantial upfront investment for the purpose of expanding overseas operations

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

⑮ Major assumptions regarding operational activities

Pharmaceutical manufacturitg 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 material for stimulants etc., and the Group is subject to laws and regulations related to the Narcotics and Psychotropic Substances Control Law and the Stimulant Drugs Control Law.
Since the Group also handles veterinary drugs as well as poisonous and toxic substances, the Group is subject to laws and regulations covering the wholesale of veterinary drug sales and general sales

of poisonous and toxic substances.
In manufacturing drugs that are exported overseas, the Group is subject to the regulations of the Pharmaceutical Affairs Law. In addition, the Group is required to register 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 under development may be affected.
In regard to these permissions, etc., they must be extended periodically, as determined by laws / regulations. Also, in the event of a violation of laws / regulations, it is possible that permissions, etc., of the Group could be cancelled or the Group could be ordered to suspend all or a portion of operations for a specified period of time. The Group is currently unaware of any reasons for the validity of its permissions etc. to come into question. In the event that cancellation, etc., of permissions, etc., is ordered, because of the damage to the societal trust or the termination of contracts, there could be a significant influence on the Group's financial position or results.

Major permissions, etc. received are as follows:

Date received	Permission, etc.	Approving authority	Details of permission, etc.	Expiry of permission, etc.	Grounds for legal violation or primary reason for revocation of permission, etc.
Jan. 1, 2007	Pharmaceutical manufacturing and sales	Osaka Prefecture	Permission to manufacture and sell pharmaceutical products, etc.	Dec. 31, 2011 (5-year renewable)	Disqualification as per Article 12.2 of the Pharmaceutical Affairs Law
Jan. 1, 2011	Manufacturing of narcotics *1	Ministry of Health, Labour and Welfare	License to manufacture narcotic drugs	Dec. 31, 2012 (2-year renewable)	Disqualification as per Article 3.2 of the Narcotics and Psychotropic Control Act
Oct. 1, 2009	Manufacturing of psychotropic drugs *1	Ministry of Health, Labour and Welfare	License to manufacture psychotropic drugs	Sep. 30, 2014 (5-year renewable)	Disqualification as per Article 50.2 of the Narcotics and Psychotropic Control Act
Oct. 19, 2009	Handling of raw materials for stimulants *2	Local governments	Permission to sell raw materials for stimulants	Dec. 31, 2013 (4-year renewable)	Disqualification as per Article 30.3 of the Stimulant Drugs Control Law

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.
Oct. 13, 2009	Wholesale pharmaceutical sales *3	Local governments	Permission to sell or offer pharmaceutical products	Oct. 12, 2015 (6-year renewable)	Disqualification as per Article 34.2 of the Pharmaceutical Affairs Law
Oct. 1, 2009	Pharmaceutical manufacturing*4	Local governments	Permission to manufacture or import pharmaceutical products	Sep. 30, 2014 (5-year renewable)	Disqualification as per Article 13.4 of the Pharmaceutical Affairs Law
Oct. 19, 2009	Wholesale veterinary drug sales*5	Local governments	Permission to sell or offer pharmaceutical products for animals	Oct. 18, 2015 (6-year renewable)	Disqualification as per Article 34.2 of the Pharmaceutical Affairs Law
Oct. 19, 2009	General sales of poisonous and toxic substances*6	Local governments	Registration to sell, etc., poisonous and toxic substances	Oct. 18, 2015 (6-year renewable)	Disqualification as per Article 5, or 19 of the Poisonous and Deleterious Substances Control Act

Notes:

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

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

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

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

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

⑱ Risks related to major disasters and other events

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

⑲ Relationship with parent company and other group companies

ⅰ.Position in the group centered on Mitsubishi Chemical Holdings Corporation

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

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

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

ⅱ.Transactions with Mitsubishi Chemical Holdings Group

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

- procurement of raw materials, etc., and sales of chemical products, etc.
- conclusion of leases and consignment contracts for the sites of research facilities and plants and the buildings, etc., thereon, in Yokohama City, Kanagawa Prefecture; Kamisu City, Ibaraki Prefecture.
- payment as consideration for exclusive rights to intellectual property held by the corporate group of the parent company.

・conclusion of contracts for research outsourcing and information disclosure.
・consignment contracts with overseas subsidiaries.

Fundamentally, these transactions involve rational transaction terms decided upon following two-way negotiations conducted with reference to general market prices. Payment of compensation for exclusive rights ended on September 30, 2009, but those rights would continue on and after October 1, 2009, and will not be cancelled without the Company's agreement.
The Company leases buildings used for the research laboratory in Yokohama, Kanagawa. After formulating plans to construct a laboratory building of its own on that site, construction of the Medicinal Chemistry Research Laboratories was completed in February 2011. In line with future plans, the lease on the buildings used for the research laboratory will be canceled in stages.
Also, plans call for the outsourcing of work by overseas subsidiaries to be gradually eliminated as the Company's international operations progress.
In addition, a contract has been concluded with Mitsubishi Chemical Holdings Corporation regarding the burden of operational expenses, and for enjoyment of benefits based on the brand value and comprehensive strengths of Mitsubishi Chemical Holdings Corporation in the development of operations in Japan and overseas, the Company is responsible for certain expenses arising in regard to the operation of Mitsubishi Chemical Holdings Corporation. Operational expenses are calculated in accordance with listing maintenance expenses as well as the burden on the workforce, total assets, and operating profit, with an upper limit of 0.5% of consolidated sales.
In the year ended March 31, 2011, the Company's expense included the following: procurement of raw materials, etc., of ¥0.4 billion, sales of chemical products, etc., of ¥0.1 billion, conclusion of leases and consignment contracts for the sites of research facilities and plants and the buildings, etc., thereon, in Yokohama City, Kanagawa Prefecture, and Kamisu City, Ibaraki Prefecture, of ¥1.7 billion, payment as consideration for exclusive rights to intellectual property held by the corporate group including the parent company of ¥0.7 billion and operating expenses of ¥0.4 billion. In all of the above cases, the expenses are an insignificant percentage of the Company's total expenses. In the event of changes in the contracts or details of the transactions with the Mitsubishi Chemical Holdings Group, there could be a significant influence on the Mitsubishi Tanabe Pharma Group's results or financial position. API Corporation, a group company of the Mitsubishi Chemical Holdings Group, is an associated company of the Mitsubishi Tanabe Pharma Group, and the above amounts do not include transactions between the Company and API Corporation (purchases of raw materials, etc.: ¥7.6 billion, etc.).

iii. Personnel relationships with Mitsubishi Chemical Holdings Gruop
(a) Concurrent service of directors and corporate auditors
As of the filing date of this report, the directors, corporate auditors and employees of Mitsubishi Chemical Holdings Corporation and its Group companies include one person who is concurrently serving as a corporate auditor (non-full time) of the Company. The Company's board of corporate auditors has four members.

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

Michihiro Tsuchiya, who is a representative director of the Company, serves concurrently as a director (non-full time) of Mitsubishi Chemical Holdings Corporation. Also, on April 1, 2011, he became a director of The KAITEKI Institute, Inc.

(b) Acceptance of reassigned personnel

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

iv. Capital relationship with Mitsubishi Chemical Holdings Corporation

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

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

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

2.Consolidation of Corporate Group

As of the end of March 2011, the Mitsubishi Tanabe Pharma Group comprised 36 companies – Mitsubishi Tanabe Pharma Corporation (the Company), its parent company, 31 subsidiaries (28 consolidated subsidiaries, 2 equity-method subsidiaries, 1 non-consolidated subsidiaries), and 3 affiliates. The Group companies mainly operate the pharmaceutical businesses. The Group's core operations and the roles of Group companies in regard those operations are shown below.

[Pharmaceuticals]

The Group conducts R&D, manufacturing, purchasing, and sales of ethical drugs and OTC products in Japan and overseas.

Ethical drugs are drugs intended for use by doctors or dentists or in accordance with prescriptions from doctors or dentists. OTC products are drugs other than ethical drugs. They are purchased directly by consumers at drug stores, etc., and used in accordance with explanations and consultations from pharmacists, etc.

For the Group, sales of ethical drugs account for more than 90% of sales of pharmaceuticals.

Major ethical and OTC products are shown below.

	Product name	Efficacy	Sales (FY2010)
Ethical drugs	Remicade	Rheumatoid arthritis (RA), active Crohn's disease, Behcet's disease with refractory uveoretinitis, psoriasis, ankylosing spondylitis and ulcerative colitis	Domestic : ¥60.4 billion Overseas : ¥0.0 billion
	Radicut	Neurological symptoms at the acute stage of cerebral infarction, interference with activities of daily living, functional disability	Domestic : ¥28.7 billion Overseas : －
	Ceredist	Improvement of ataxia caused by spinocerebellar degeneration	Domestic : ¥18.1 billion Overseas : ¥0.0 billion
	Anplag	Ischemic symptoms associated with chronic arterial occlusion, such as ulcer, pain and coldness of limbs	Domestic : ¥16.4 billion Overseas : ¥0.6 billion
	Urso	Liver function in chronic liver disease and hepatitis C, dissolution of gall stones	Domestic : ¥15.4 billion Overseas : ¥0.2 billion
	Talion	Allergic rhinitis, urticaria, pruritus accompanying dermatitis	Domestic : ¥13.4 billion Overseas : ¥0.7 billion
	Maintate	Essential hypertension, angina pectoris, ventricular extrasystole	Domestic : ¥12.3 billion Overseas : ¥0.2 billion

	Product name	Efficacy	Sales (FY2010)
	Depas	Neuroses, psychosomatic disorders, depression, integration dysfunction syndrome, muscle contraction headache, cervical spondylosis, anxiety/tension/neurasthenia/sleep disturbance, etc. in lower back pain	Domestic : ¥11.4 billion Overseas : ¥0.4 billion
	Tanatril	Hypertension, renal parenchymal hypertension, diabetic nephropathy with type 1 diabetes	Domestic : ¥9.7 billion Overseas : ¥1.8 billion
	Herbesser	Essential hypertension, angina pectoris, variant angina pectoris, etc.	Domestic : ¥9.6 billion Overseas : ¥4.7 billion
	Venoglobulin-IH	Severe infection, idiopathic thrombocytopenic purpura, Kawasaki disease, etc.	Domestic : ¥9.6 billion Overseas : －
	Vaccines	Mearubik (measles/rubella prevention), HA flu vaccine (Influenza prevention), JEBIK V, (Japanese encephalitis prevention) etc.	Domestic : ¥28.7 billion Overseas : ¥1.4 billion
OTC products	Aspara Drink	Nutritional tonic for physical fatigue	Domestic : ¥2.6 billion Overseas : －
	Flucort	Eczema, dermatitis	Domestic : ¥1.4 billion Overseas : －

(Domestic)

Pharmaceuticals are supplied from the Company to pharmaceutical wholesalers, then to hospitals, clinics, and drugstores, and then to patients. Certain pharmaceuticals are purchased from other companies, but the drugs supplied by the Group to pharmaceutical wholesalers are principally manufactured by production subsidiaries, such as Mitsubishi Tanabe Pharma Factory Ltd. and Benesis Corporation. For certain products, pharmaceutical intermediates are supplied by API Corporation. Certain sales activities for the Company's products are handled by Yoshitomi Yakuhin Corporation's medical representatives. Moreover, generic drug promotions and sales are handled by Tanabe Seiyaku Hanbai Co.,Ltd.

(Overseas)

In Asia, with certain raw materials supplied by the Company, Tianjin Tanabe Seiyaku Co., Ltd., Mitsubishi Pharma (Guangzhou) Co., Ltd., Mitsubishi Tanabe Pharma Korea Co., Ltd., and P.T. Tanabe Indonesia manufacture and sell pharmaceuticals in their regions. Except for certain products, products manufactured by Taiwan Tanabe Seiyaku Co., Ltd., are sold locally by Tai Tien Pharmaceuticals Co., Ltd.

In North America, the Company outsources a portion of its R&D operations to Tanabe Research Laboratories U.S.A., Inc., and Mitsubishi Tanabe Pharma Development America, Inc. and its marketing operations to Mitsubishi Tanabe Pharma America, Inc. MP Healthcare Venture Management, Inc. invests in recently launched bio-venture companies.

In Europe, Tanabe Europe N.V. and Mitsubishi Pharma Deutschland GmbH. conduct sales. The Company also outsources certain development operations to Mitsubishi Pharma Europe Ltd.

[Others]

Besides the pharmaceuticals businesses, the Company conducts manufacturing, purchasing, and sales of fine chemical products as well as real estate management and other activities in Japan and overseas.

As of March 31, 2011

Parent Company
Mitsubishi Chemical Holdings Corporation

Pharmaceutical Segment

[Japan]

Manufacturing/Sales
★Mitsubishi Tanabe Pharma Factory Ltd.
★Tanabe Seiyaku Yoshiki Factory Co.,Ltd.
★Benesis Corporation
★Bipha Corporation
◎Choseido Pharmaceutical Co.,Ltd.
◎Hoshienu Pharmaceutical Co.,Ltd.

Sales
★Tanabe Seiyaku Hanbai Co.,Ltd

R&D
★Tanabe R&D Service Co.,Ltd.

Medical Representatives
★Yoshitomi Yakuhin Corporation

[North America]

R&D
★Tanabe Research Laboratories U.S.A., Inc.
★Mitsubishi Tanabe Pharma Development America, Inc.
Marketing
★Mitsubishi Tanabe Pharma America, Inc.
Others
★MP Healthcare Venture Management, Inc.
★Mitsubishi Tanabe Pharma Holdings America, Inc. And other two companies

[Asia]

Manufacturing/Sales
★Tianjin Tanabe Seiyaku Co.,Ltd.
★Mitsubishi Pharma (Guangzhou) Co.,Ltd.
★Mitsubishi Tanabe Pharma Korea Co.,Ltd.
★Taiwan Tanabe Seiyaku Co.,Ltd.
★P.T. Tanabe Indonesia
Sales
★Tai Tien Pharmaceuticals Co.,Ltd
★Guangdong Tanabe Pharmaceutical Co., Ltd.

R&D
★Mitsubishi Pharma Research & Development (Beijing) Co.,Ltd.

[Europe]

Sales
★Mitsubishi Pharma Deutschland GmbH.
Manufacturing/Sales
○Synthelabo-Tanabe Chimie S.A.
Sales/R&D
★Mitsubishi Pharma Europe Ltd.

Supply of raw materials/products
Commissioning of R&D
Commissioning of sales
Commissioning of testing, etc.
Commissioning of Medical Representatives
Commissioning of R&D etc.
Supply of raw materials/products
Commissioning of R&D
Supply of raw materials/products
Commissioning of R&D

(※)Supply of raw materials
(※)Supply of raw materials
Outsourcing Service etc.
Supply of products
Supply of products

Mitsubishi Tanabe Pharma Corporation

[Japan]

Manufacturing/Sales
○API Corporation

Real estate management and etc.
★Tanabe Total Service Co.,Ltd.

Distribution and Warehouse management etc.
★MP-Logistics Corporation

[North America]

Sales of fine chemicals
★Tanabe U.S.A.,Inc.

[Europe]

Sales of fine chemicals
★Tanabe Europe N.V.

(※) Supply of bulk pharmaceuticals to pharmaceutical companies

★Consolidated subsidiary
◎Equity-method subsidiary
○Equity-method affiliate

3.Management Policies

(1) Fundamental Corporate Policy

The Mitsubishi Tanabe Pharma Group has formulated a corporate philosophy of "contributing to the healthier lives of people around the world through the creation of pharmaceuticals." In accordance with that philosophy, the Group will strive to achieve its vision of "becoming a global research-driven pharmaceutical company that is trusted by communities." To that end, the Group is taking on the challenges of creating new global drugs, developing overseas operations, and seizing new business opportunities by responding to medical needs. In addition, the Corporate Behavior Charter positions the fair and honest implementation of business activities, with high ethical standards, as the highest priority for all of the Group's directors and employees. Together, the corporate philosophy, vision, and Corporate Behavior Charter comprise the fundamental corporate management policy.

(2) Overview of specific challenges and the status of the initiatives and Medium to Long Term Management Strategies

①Administrative Action Related to Violation of Pharmaceutical Affairs Law

In April 2010, Mitsubishi Tanabe Pharma Corporation and consolidated subsidiary Bipha Corporation received an administrative action (order to suspend operations and improvement order) related to violation of the Pharmaceutical Affairs Law as a result of a series of problems (hereinafter, the Medway problem) related to recombinant human serum albumin (rHSA) preparations "Medway Injection 5%".

The Group identified areas for improvement and presented the business improvement plan to the Minister of Health, Labour and Welfare. In accordance with that plan, the Group's highest management priorities were to rectify problems, prevent a recurrence, and recover the trust of society.

In addition, the Group instituted Corporate Behavior Charter Affirmation Day and began to implement initiatives to reaffirm our presence in society and our mission as a pharmaceutical company as well as our approach to our business.

②Quality control problems

The Company confirmed that certain tests related to the shipping of three injection products (Liple, Pazucross, Limethason) were not conducted for some lots of certain products manufactured at the Ashikaga Plant of Mitsubishi Tanabe Pharma Factory Ltd., a subsidiary of the Company, and released it on January 26, 2011. The Company immediately conducted quality testing on the retention samples for these products, reconfirmed the quality, and confirmed that there was no problem with the quality of the products. Furthermore, the Company implemented a voluntary recall of all of the lots of these products for which there was any doubt about whether tests had been conducted. In addition, in consideration of the seriousness of this problem, the Company instituted the Risk Management Committee for Quality Control Problems (hereinafter, the Risk Management Committee), which is composed of experts. The entire Company worked to investigate this problem, to determine its cause, and to consider and implement countermeasures. As one part of those emergency countermeasures, the Company implemented comprehensive inspections of quality testing at the Group's domestic manufacturing plants. On April 27, 2011, the Company released the Comprehensive Report on Quality Control Problem, which was based on the results of these tests, on successive improvement measures that were implemented following the detection of problems,

and on advice from the Risk Management Committee regarding the investigation of the cause of the incident and measures to prevent a recurrence.
This incident occurred while the Group was in the process of implementing initiatives to regain the trust of society that was lost due to the Medway incident. The Group recognizes that the entire Group must work together even more rigorously to implement the measures in the business improvement plan for the Medway incident.
The Group offers its sincere apologies for causing trouble and concern to patients, heath care professionals, and the many others affected by this incident. The Group will do our utmost to regain the trust of society.

③Results of Medium-Term Management Plan 08-10
In accordance with its fundamental corporate policy, in fiscal 2008 the Group formulated the Medium-Term Management Plan 08-10. The Group then worked to implement the plan, which took into account the internal and external environment over the medium to long term, management objectives, and key issues.
Under the Medium-Term Management Plan 08-10, which was completed in fiscal 2010, the Company identified five key issues: enhancing the Company's sales presence, steady progress in key development projects, progress in developing overseas pharmaceutical operations, progress in generic operations, and creating an efficient organization and cost structure. The results with each issue are as follows.

(a) Enhancing the Company's Domestic Sales Presence
In domestic sales the Group has selected six priority products; Remicade, Radicut, Anplag, Urso, Talion and Tanatril, and has worked to nurture these products.
The Group has increased the number of MRs specializing in Remicade, which is the Group's growth driver, and Radicut, brain protecting agent, in the cerebral field. In addition, the Group has pursued a life-cycle management strategy, including additional indications for Remicade, and implemented effective promotional activities, centered on priority products.
In addition, the Group bolstered collaborative sales efforts with Yoshitomi Yakuhin Corporation, Benesis Corporation, and Tanabe Seiyaku Hanbai Co., Ltd. within the Group.

(b) Steady Progress in Key Development Projects
Targeting the launch of a new growth driver in the future, the Group is making steady progress with drugs in late-stage development. In particular, Novartis, which has licensed FTY720 (multiple sclerosis), has launched it in the U.S. and Russia and received approval in the EU. In addition, an NDA has been filed in Japan, where the Company is developing FTY720 jointly with Novartis.
Moreover, steady progress has been made in clinical trials. In the U.S, and Europe, two treatments for renal diseases have progressed to later stages: MCI-196 (hyperphosphatemia, phase 3) and MP-146 (chronic kidney disease, phase 3). Three drugs have also progressed to later stages in Japan: MP-424 (chronic hepatitis C, NDA filed), MP-513 (type 2 diabetes, phase 3), and TA-7284 (diabetes, phase 2).
As part of the lifecycle management strategy, the Company has had results with the acquisition of additional indications in Japan for Remicade and Radicut.

(c) Progress in Developing Overseas Pharmaceutical Operations

In the U.S. and Europe, the Group has worked to establish its own sales system and implemented pre-marketing activities in preparation for the launch of MCI-196 and MP-146. In Asia, the Group is working strengthen its foundation in countries where it already has operations, such as China, South Korea, Taiwan, and Indonesia, and to increase the number of products sold via its own sales network.

The Company also established Mitsubishi Tanabe Pharma America, Inc., a business corporation that will provide the base for the launch of its own sales network in the United States in the future.

(d) Progress in Generic Operations

In generic drug operations, to strengthen the system for the supply of generic drugs that are trusted by patients and health care professionals (Reliable Generics), to continue to launch new products, and to build a robust lineup as rapidly as possible, the Group consolidated its generic drug sales operations. This was achieved through making Choseido Pharmaceutical Co., Ltd. (hereinafter, Choseido) a subsidiary of the Company, and a merger between Tanabe Seiyaku Hanbai Co., Ltd. and Chosei Yakuhin Co., Ltd., a wholly owned subsidiary of Choseido.

(e) Creating an Efficient Organization and Cost Structure

The realization of post-merger synergies is included in the medium-term management plan as one of the highest priority challenges, and the Company is targeting the achievement of a cumulative total of ¥24.0 billion in cost savings through the realization of a lean, efficient organization and cost structure. As a result of progress in the reevaluation of purchasing, costs, distribution, and overhead, total cost savings since the merger have reached ¥23.5 billion.

However, the environment inside and outside the Company changed dramatically such as the exclusion of API Corporation from the scope of consolidation, or extended impact due to measures to control healthcare spending which includes an increase in the number of hospitals implementing the diagnosis procedure combination (DPC) system, and the implementation of measures to promote the use of generics. The results in the fiscal year under review fell short of the initial management objectives.

Medium Term Plan: Objectives and Results (Unit: ¥100 million)

	Medium-term plan management objectives	Results in fiscal 2010	Difference
Net sales	4,600	4,095	(504)
Operating income	950	765	(184)
Net income	560	377	(182)
R&D expenses	820	657	(162)

④Formulation of Next Medium-Term Management Plan

In fiscal 2011, targeting the realization of the Group's vision, the highest priority will be contributing to patients. The Group will provide patients with pharmaceuticals that meet medical needs, and on that basis the Group will strive to regain the trust of society.

In addition, in consideration of the quality control problem as well as the need to respond to the

Great East Japan Earthquake, in fiscal 2011 the Group's priority challenges will be to reinforce the focus on providing a stable supply of pharmaceuticals, maintaining a quality orientation, and ensuring appropriate usage. In addition, the Group will further strengthen its management system in order to make the new drug pipeline, which was enhanced under the Medium-Term Management Plan 08-10, into a steady growth driver under the next medium-term management plan.
As the Group institutes these initiatives, the Group will formulate the next medium-term management plan with targets for the fiscal year ended March 31, 2016, of ¥500.0 billion for net sales and ¥100.0 billion for operating income.

⑤Influence of the Great East Japan Earthquake
The Tohoku - Pacific Ocean Earthquake, which occurred on March 11, 2011, and its tsunami caused unprecedented damage, centered on eastern Japan. In addition, the accident at the Fukushima No. 1 nuclear power plant, which was caused by the earthquake and tsunami, had a major effect on society as a whole, including radioactive contamination and the electricity shortage.
The effects of the earthquake on the Company are as follows.

(a) Employees
The Group has confirmed that all of the Group's employees are safe.

(b) Manufacturing and distribution facilities
At Mitsubishi Tanabe Pharma Factory Ltd.'s Kashima Plant (Kamisu City, Ibaraki Prefecture) and Ashikaga Plant (Ashikaga City, Tochigi Prefecture), there was no significant damage to buildings or equipment, but operations were halted temporarily. The Group worked to achieve a rapid recovery, and operations were restarted on April 11, 2011.
Certain buildings and equipment were damaged at East Japan Distribution Center (Kashiwa City, Chiba Prefecture), a distribution facility, and as a result incoming and outgoing shipments were halted. However, by having West Japan Distribution Center (Hirakata City, Osaka) make shipments instead, the Group was able to continue the stable supply of pharmaceuticals, and incoming and outgoing shipments were restarted from April 11, 2011.

(c)Stable supply of products
In regard to our key products, the Group has basically sufficient quantities in stock. In addition, because the Group was able to quickly restart operations at the two plants where operations were halted, the Group believes that, at this point, there will be no influence on the stable supply of products.

(d) Response to shortage of electricity supply
Due to the influence of the accident at the Fukushima No. 1 nuclear power plant, in the area served by The Tokyo Electric Power Company, Incorporated and Tohoku Electric Power Co., Inc., there are concerns about a shortage of electricity in the summer and the winter.
From the viewpoint of maintaining a stable supply of pharmaceuticals, the Group will implement measures at the Kashima Plant and the Ashikaga Plant, such as installing power generation equipment; instituting flexible production planning, such as through the introduction of shifts; and stockpiling inventory.
Also, at all research facilities at the Kazusa Office (Kisarazu City, Chiba Prefecture), the Toda Office

(Toda City, Saitama Prefecture), and the Yokohama Office (Yokohama City, Kanagawa Prefecture), the Company will take steps to minimize the effect on research activities, such as the installation of power generation equipment. In addition, at all of the Group's work sites, the Group will work to respond to the electricity shortage by reducing electricity consumption and advancing energy saving initiatives.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Year / Accounts	As of March 31, 2010 Amount	As of March 31, 2011 Amount
Assets		
Current assets		
Cash and time deposits ※3	22,792	27,409
Notes and accounts receivable-trade	126,227	128,375
Marketable securities	59,726	84,788
Merchandise and finished goods	52,774	57,173
Work in process	1,298	1,417
Raw materials and supplies	19,094	19,112
Deposits ※5	46,271	56,356
Short-term loans receivable	426	-
Deferred income taxes	11,394	12,551
Other	4,288	4,445
Allowance for doubtful receivables	(41)	(45)
Total current assets	344,249	391,581
Fixed assets		
Property, plant and equipment		
Buildings and structures, net ※1	41,359	40,975
Machinery, equipment and vehicles, net ※1	18,932	15,929
Tools, furniture and fixtures, net ※1	4,489	4,269
Land	50,931	50,009
Lease assets, net ※1	31	31
Construction in progress	1,476	2,299
Total property, plant and equipment	117,218	113,512
Intangible fixed assets		
Goodwill	125,765	115,682
Software	2,873	2,555
Other	976	1,012
Total intangible fixed assets	129,614	119,249
Investments and other assets		
Investment in securities ※2	139,133	127,602
Long-term loans receivable	147	-
Long-term prepaid expenses	8,941	7,393
Deferred income taxes	14,300	13,789
Prepaid pension expenses	36,730	40,449
Long-term deposits	3,393	1,956
Other ※3	3,177	3,213
Allowance for doubtful receivables	(44)	(39)
Total investments and other assets	205,777	194,363
Total fixed assets	452,609	427,124
Total assets	796,858	818,705

(Millions of yen)

Year / Accounts	As of March 31, 2010 Amount	As of March 31, 2011 Amount
Liabilities		
Current liabilities		
Notes and accounts payable-trade	27,557	29,617
Short-term loans	2,410	2,891
Current maturities of long-term loans ※3	30	-
Accounts payable-other	20,202	20,373
Income taxes payable	11,080	15,212
Consumption taxes payable	1,789	2,336
Reserve for employees' bonuses	11,155	11,467
Reserve for sales returns	169	163
Reserve for sales rebates	3	4
Reserve for loss of disaster	-	1,531
Other	3,372	4,128
Total current liabilities	77,767	87,722
Long-term liabilities		
Deferred income taxes	11,267	11,450
Accrued retirement benefits for employees	13,159	11,853
Accrued retirement benefits for directors and corporate auditors	4	5
Reserve for health management allowances for HIV compensation	1,627	1,513
Reserve for health management allowances for SMON compensation	4,205	3,835
Reserve for HCV litigation	10,689	4,627
Other	1,327	1,741
Total long-term liabilities	42,278	35,024
Total liabilities	120,045	122,746
Net assets		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	451,185	451,186
Retained earnings	179,409	201,424
Treasury stock, at cost	(277)	(407)
Total shareholders' equity	680,317	702,203
Accumulated other comprehensive income		
Unrealized holding (losses) gains on securities	(3,218)	(2,712)
Deferred (losses) gains on hedges	(378)	(1,010)
Translation adjustments	(6,251)	(8,280)
Total Accumulated other comprehensive income	(9,847)	(12,002)
Minority interests	6,343	5,758
Total net assets	676,813	695,959
Total liabilities and net assets	796,858	818,705

(2) Consolidated Statements of Income

(Millions of yen)

Year / Accounts	April 1, 2009 - March 31, 2010 Amount	April 1, 2010 - March 31, 2011 Amount
Net sales	**404,747**	**409,540**
Cost of sales ※1,2	147,778	154,570
Provision for sales returns	22	-
Reversal of reserve for sales returns	-	6
Gross profit	256,947	254,976
Selling, general and administrative expenses		
Advertising expenses	3,148	2,939
Sales promotion expenses	11,954	11,300
Salaries and allowances	33,487	33,172
Provision for bonuses	6,009	6,122
Retirement benefit expenses	4,990	3,659
Provision for directors' retirement benefits	2	1
Depreciation and amortization	1,803	1,770
Research and development expenses ※2	83,081	65,784
Amortization of goodwill	10,137	10,149
Provision of reserve for health management allowances for SMON compensation	181	205
Other	40,680	43,291
Total selling, general and administrative expenses	195,472	178,392
Operating income	**61,475**	**76,584**
Non-operating income		
Interest income	1,773	1,545
Dividend income	742	797
Equity in earnings of affiliates	490	259
Rent income	236	247
Other	480	616
Total non-operating income	3,721	3,464
Non-operating expenses		
Interest expenses	25	15
Foreign exchange losses	1,452	1,422
Loss on disposal of property, plant and equipment	459	403
Donations	360	361
Other	1,251	1,163
Total non-operating expenses	3,547	3,364
Ordinary income	**61,649**	**76,684**

(Millions of yen)

Year / Accounts	April 1, 2009 - March 31, 2010 Amount	April 1, 2010 - March 31, 2011 Amount
Extraordinary income		
Gain on sales of property, plant and equipment	-	306
Reversal of past year patent royalties	-	179
Gain on sales of investment in securities	85	144
Total extraordinary income	85	629
Extraordinary loss		
Loss on valuation of investment in securities	233	8,005
Loss on disaster ※3	-	2,140
Impairment loss ※4	1,837	807
Loss related to business suspension ※5	3,296	737
Special retirement expenses ※6	-	482
Loss on sales of property, plant and equipment	-	354
Restructuring expenses ※7	1,583	149
Provision of reserve for HCV litigation	3,000	-
Other	811	538
Total extraordinary losses	10,760	13,212
Income before income taxes and minority interests	**50,974**	**64,101**
Income taxes-current	24,841	26,988
Income taxes-deferred	(2,796)	(485)
Total income taxes	22,045	26,503
Income before minority interests	**28,929**	**37,598**
Minority interests	(1,324)	(149)
Net income	**30,253**	**37,747**

(2) Consolidated Statements of Comprehensive Income

(Millions of yen)

Year / Accounts	April 1, 2009 - March 31, 2010 Amount	April 1, 2010 - March 31, 2011 Amount
Income before minority interests	-	**37,598**
Other comprehensive income		
Unrealized holding (losses) gains on securities	-	500
Deferred (losses) gains on hedges	-	(633)
Translation adjustments	-	(2,418)
Share of other comprehensive income of associates accounted for by the equity method	-	(40)
Total other comprehensive income	-	(2,591)
Comprehensive income	-	**35,007**
(Breakdown)		
Comprehensive income attributable to		
Owners of the Company	-	35,592
Minority interests	-	(585)

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

Year / Accounts	April 1, 2009 - March 31, 2010 Amount	April 1, 2010 - March 31, 2011 Amount
Shareholders' equity		
Common stock		
Balance at the end of previous period	50,000	50,000
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	50,000	50,000
Capital surplus		
Balance at the end of previous period	451,186	451,185
Changes of items during the period		
Gain on sales of treasury stock	(1)	1
Total changes of items during the period	(1)	1
Balance at the end of current period	451,185	451,186
Retained earnings		
Balance at the end of previous period	164,712	179,409
Changes of items during the period		
Change of scope of consolidation	99	-
Change of scope of equity method	57	(21)
Cash dividends	(15,712)	(15,711)
Net income for the year	30,253	37,747
Total changes of items during the period	14,697	22,015
Balance at the end of current period	179,409	201,424
Treasury stock, at cost		
Balance at the end of previous period	(275)	(277)
Changes of items during the period		
Increase in treasury stock	(21)	(135)
Gain on sales of treasury stock	0	5
Change in equity in affiliates accounted for by equity method-treasury stock	19	-
Total changes of items during the period	(2)	(130)
Balance at the end of current period	(277)	(407)
Total shareholders' equity		
Balance at the end of previous period	665,623	680,317
Changes of items during the period		
Change of scope of consolidation	99	-
Change of scope of equity method	57	(21)
Cash dividends	(15,712)	(15,711)
Net income for the year	30,253	37,747
Increase in treasury stock	(21)	(135)
Gain on sales of treasury stock	(1)	6
Change in equity in affiliates accounted for by equity method-treasury stock	19	-
Total changes of items during the period	14,694	21,886
Balance at the end of current period	680,317	702,203

Year / Accounts	April 1, 2009 - March 31, 2010 Amount	April 1, 2010 - March 31, 2011 Amount
Accumulated other comprehensive income		
Unrealized holding (losses) gains on securities		
Balance at the end of previous period	(5,605)	(3,218)
Changes of items during the period		
Net changes in items other than shareholders' equity	2,387	506
Total changes of items during the period	2,387	506
Balance at the end of current period	(3,218)	(2,712)
Deferred (losses) gains on hedges		
Balance at the end of previous period	(747)	(378)
Changes of items during the period		
Net changes in items other than shareholders' equity	369	(632)
Total changes of items during the period	369	(632)
Balance at the end of current period	(378)	(1,010)
Translation adjustments		
Balance at the end of previous period	(6,809)	(6,251)
Changes of items during the period		
Net changes in items other than shareholders' equity	558	(2,029)
Total changes of items during the period	558	(2,029)
Balance at the end of current period	(6,251)	(8,280)
Total Accumulated other comprehensive income		
Balance at the end of previous period	(13,161)	(9,847)
Changes of items during the period		
Net changes in items other than shareholders' equity	3,314	(2,155)
Total changes of items during the period	3,314	(2,155)
Balance at the end of current period	(9,847)	(12,002)
Minority interests		
Balance at the end of previous period	13,758	6,343
Changes of items during the period		
Net changes in items other than shareholders' equity	(7,415)	(585)
Total changes of items during the period	(7,415)	(585)
Balance at the end of current period	6,343	5,758
Total net assets		
Balance at the end of previous period	666,220	676,813
Changes of items during the period		
Change of scope of consolidation	99	-
Change of scope of equity method	57	(21)
Cash dividends	(15,712)	(15,711)
Net income for the year	30,253	37,747
Increase in treasury stock	(21)	(135)
Gain on sales of treasury stock	(1)	6
Change in equity in affiliates accounted for by equity method-treasury stock	19	-
Net changes in items other than shareholders' equity	(4,101)	(2,740)
Total changes of items during the period	10,593	19,146
Balance at the end of current period	676,813	695,959

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Year / Accounts	April 1, 2009 - March 31, 2010	April 1, 2010 - March 31, 2011
Cash flows from operating activities:		
Income before income taxes and minority interests	50,974	64,101
Depreciation and amortization	13,291	12,432
Impairment loss	1,837	807
Amortization of goodwill	10,137	10,149
Increase (decrease) in accrued retirement benefits for employees	(1,105)	(1,285)
Decrease (increase) in prepaid pension expenses	(1,254)	(3,719)
Increase (decrease) in allowance for doubtful receivables	(18)	4
Increase (decrease) in reserve for HCV litigation	(9,311)	(6,062)
Increase (decrease) in reserve for loss of disaster	-	1,531
Interest and dividend income	(2,515)	(2,342)
Interest expenses	25	15
Loss (gain) on sales and disposal of fixed assets	312	309
Loss (gain) on sales of investment in securities	(85)	(144)
Loss (gain) on devaluation of investment in securities	233	8,005
Equity in losses (earnings) of affiliates	(490)	(259)
Decrease (increase) in notes and accounts receivable-trade	(3,108)	(2,566)
Decrease (increase) in inventories	(4,960)	(4,772)
Increase (decrease) in notes and accounts payable-trade	1,213	2,489
Increase (decrease) in accrued expenses	425	(2,123)
Other, net	(5,622)	2,151
Subtotal	49,979	78,721
Interest and dividends received	2,733	2,577
Interest expenses paid	(26)	(14)
Proceeds from subsidy	400	-
Income taxes paid	(29,163)	(22,217)
Net cash provided by (used in) operating activities	23,923	59,067

Year / Accounts	April 1, 2009 - March 31, 2010	April 1, 2010 - March 31, 2011
Cash flows from investing activities:		
Purchase of marketable securities	(58,990)	(74,834)
Proceeds from sales and redemption of marketable securities	53,183	100,605
Increase in time deposits	(10,322)	(18,674)
Decrease in time deposits	1,565	17,739
Increase in long-term deposits	(636)	(548)
Decrease in long-term deposits	-	569
Purchase of property, plant and equipment	(8,248)	(7,954)
Proceeds from sales of property, plant and equipment	77	894
Purchase of intangible fixed assets	(1,070)	(754)
Purchase of investment in securities	(44,962)	(29,767)
Proceeds from sales and redemption of investment in securities	2,644	5,002
Proceeds from sales of subsidiaries' shares resulting in consolidation scope change	511	-
Other, net	5,021	71
Net cash provided by (used in) investing activities	(61,227)	(7,651)
Cash flows from financing activities:		
Increase (decrease) in short-term loans, net	(398)	482
Repayment of long-term loans payable	(923)	(29)
Cash dividends paid	(15,712)	(15,711)
Other, net	(72)	(161)
Net cash provided by (used in) financing activities	(17,105)	(15,419)
Effect of exchange rate changes on cash and cash equivalents	274	(1,139)
Net increase (decrease) in cash and cash equivalents	(54,135)	34,858
Cash and cash equivalents at beginning of year	116,903	62,958
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	190	5
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	-	59
Cash and cash equivalents at end of year	62,958	97,880

Note regarding Going Concern Assumption

Not applicable.

Basis of Presenting Consolidated Financial Statements

1. Scope of consolidation

At the end of the consolidated fiscal year under review, there were 28 consolidated subsidiaries. The names of the principal consolidated subsidiaries are not presented here because they are included in the Consolidation of Corporate Group section.

On April 1, 2010, Guangdong Tanabe Pharmaceutical Co., Ltd., a non-consolidated subsidiary accounted for by the equity method, was removed from the scope of application of the equity method and is included in the Company's scope of consolidation due to an increase in its significance.

2. Application of the equity method

Two non-consolidated subsidiaries are accounted for by the equity method, including Choseido Pharmaceutical Co., Ltd., and two affiliates are accounted for by the equity method, including API Corporation.

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

On April 1, 2010, Guangdong Tanabe Pharmaceutical Co., Ltd., a non-consolidated subsidiary accounted for by the equity method, was removed from the scope of equity method application and is included in the Company's scope of consolidation due to an increase in its significance.

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

Tanabe Seiyaku Malaysia, a non-consolidated 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.

3. Year-end of consolidated subsidiaries

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

4. Significant accounting policies

(1) Basis and method of valuation of major assets

a. Marketable securities:

Held-to-maturity debt securities are carried at amortized cost.

Available-for-sale securities with available fair market values are stated at fair market value as of the closing date for this fiscal year. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. The cost of securities sold is determined by the moving average method.

Other securities with no available fair market value are stated at moving average cost.

Investment limited partnerships are stated at moving average cost. Operational profit and loss of the partnership or unrealized gains and losses on available-for-sale securities held by the partnership is recorded in the consolidated financial statements pro rata to the Company's ownership percentage.

b. Derivatives:

Derivatives are stated at fair market value.

c. Inventories:

Inventories are generally valued at cost, determined by the weighted average method (method of reducing book value in accordance with declines in profitability).

(2) Depreciation and amortization of major fixed assets

a. Property, plant and equipment (excluding lease assets):

Depreciation of property, plant and equipment is calculated primarily by the declining-balance method using rates based on the estimated useful lives of the assets. Buildings (excluding equipment attached to the buildings) acquired after April 1, 1998 are depreciated using the straight-line method.

Principal estimated useful lives are as follows:

Buildings and structures: 10 to 50 years

Machinery, equipment and vehicles: 4 to 8 years

b. Intangible fixed assets (excluding lease assets):

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

c. Lease assets

Lease assets related to finance lease transactions that do not transfer ownership

The lease term is used as the useful life and the straight-line method is applied with the residual value equal to zero. Among finance lease transactions that do not transfer ownership, those that started on or before March 31, 2008, are accounted for in the same manner as ordinary rental transactions.

d. Long-term prepaid expenses:

Long-term prepaid expenses are amortized by the straight-line method.

(3) Method of accounting for major allowances and reserves

a. 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 uncollectable amount has been individually estimated.

b. Reserve for employees' bonuses:

Accrued bonuses are stated at the estimated amount applicable to the year.

c. Reserve for sales returns:

The reserve for sales returns is provided based on current sales in the maximum amount (at the prescribed rate) permitted by Japanese tax laws.

d. Reserve for sales rebates:

The reserve for sales rebates is provided to cover possible expenditures for sales rebates that are expected to be incurred after the end of the fiscal year. It is stated at an amount calculated by multiplying the accounts receivable-trade at the end of the fiscal year by the rebate ratio for the current period.

e. Reserve for loss of disaster

The Company and certain of its consolidated subsidiaries have recorded amounts estimated to be necessary for expenditures related to the Great East Japan Earthquake, such as restoration of fixed assets.

f. Accrued retirement benefits for employees:

To provide for employees' retirement benefits, they are recorded based on estimates of projected benefit obligations and pension assets at the end of the fiscal year under review. Prior service cost is charged to expense when incurred based on the straight-line method within the average remaining service period of employees (10 years). Actuarial calculation discrepancies are expensed from the consolidated fiscal year following the year in which they arise based on the straight-line method over a standard number of years that is less than or equal to the average remaining service period of employees (10 years) at the time such differences arise.

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 calculation discrepancies that arose prior to the integration are expensed from the fiscal year following the year in which they arise based on the straight-line method, over 13 years for the retirement benefit system used by the former Tanabe Seiyaku Co., Ltd., and over five years for the retirement benefit system used by the former Mitsubishi Pharma Corporation.

g. Accrued retirement benefits for directors and corporate auditors:

To provide for retirement benefits for directors, certain domestic subsidiaries accrue an amount that

would be sufficient to provide for benefits arising from services performed through the period.

h. Reserve for health management allowances for HIV compensation

To provide for future payments for health management allowances and settlement payments (including attorney fees) for a lawsuit for damages filed by plaintiffs infected with HIV, the Company has set aside the estimated amount of 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, calculated with reference to the amount actually paid to patients with AIDs who have reached settlements; and for settlement payments, the Company has set aside, for patients infected with HIV through the use of antihemophilic preparations (non-heat-treated concentrated preparations), the estimated amount of payments to HIV litigation plaintiffs as of the end of the consolidated fiscal year under review, and to future plaintiffs, calculated with reference to settlement outcomes up to the end of the consolidated fiscal year under review.

i. Reserve for health management allowances for SMON compensation

Reserve for health management allowances for SMON (subacute myelo-optico-neuropathy) compensation is stated at the estimated future amount over the lifetime of the plaintiffs for health care allowances and nursing expenses covered under the compromise settlement reached in the SMON litigation.

j. 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,", which was promulgated and enacted to facilitate the settlement of damage recovery lawsuits filed on behalf of people infected with hepatitis C virus (HCV), the Company has set aside the estimated amount of payments based on estimates of the people receiving relief and the amount of relief payments.

(4) Foreign currency translation

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot rates of exchange in effect on the settlement date and foreign exchange gains and losses are recorded as income or losses. Assets and liabilities of overseas subsidiaries are translated into yen at the spot rates of exchange in effect at the balance sheet date. Revenues and expenses are translated into yen at the average exchange rate for the period. Differences arising from such translations are presented separately in foreign currency translation adjustments and in minority interests in the net assets section.

(5) Accounting for hedging

a. Hedge account-The Company adopts deferral hedge accounting.

b. Hedging method and hedge account object

・ Hedging method - forward-exchange contract and currency option translation
・ Hedge account object - any foreign currency denominated transactions, debts and credits, which are trade demands

c. Hedging policies - The Company uses derivatives transactions for the purpose of reducing the risk of exchange rate fluctuations. The Company does not engage in speculative transactions.

d. Evaluation method of effectiveness of hedging – The important conditions of transactions are the same and the hedge effect is deemed to be extremely high, and the evaluation of their effectiveness is therefore not carried out.

(6) Amortization of consolidation goodwill

Goodwill is amortized by the straight-line method, principally over 15 years, in accordance with the reason why the goodwill was incurred.

(7) Cash and cash equivalents of Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments that are not exposed to insignificant risk of price fluctuations and with maturities not exceeding 3 months at the time of purchase are considered to be cash and cash equivalents.

(8) Others

a. Consumption tax is separately accounted for by excluding it from each transaction amount.

b. Adoption of consolidated tax payment system

The Company adopted the consolidated tax payment system.

Change in Basis of Presenting Consolidated Financial Statements

(Application of Accounting Standards for Asset Retirement Obligations)

From the fiscal year under review, the Company applies “Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008).

This change will not have a significant effect on results.

Change in Method of Presentation

(The fiscal year consolidated balance sheet)

1. In the previous fiscal year, short-term loans receivable were presented separately under current assets, but due to a decline in significance, in the fiscal year under review, short-term loans receivable are included in the “other” under current assets. In the fiscal year under review, ¥200 million in short-term loans receivable were included in “other” under current assets.
2. In the previous fiscal year, long-term loans receivable were presented separately under investments and other assets, but due to a decline in significance, in the fiscal year under review,

long-term loans receivable are included in “other” under investments and other assets. In the fiscal year under review, ¥101 million in long-term loans receivable were included in “other” under investments and other assets.

Additional Information

(Application of Accounting Standard for Presentation of Comprehensive Income)

From the fiscal year under review, the Company has adopted “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No.25, June 30, 2010). However, in the financial statements for the fiscal year under review, the amounts presented for “accumulated other comprehensive income” and “total accumulated other comprehensive income” for the previous fiscal year are the amounts that were presented as “valuation and translation adjustments” and “total valuation and translation adjustments” in the financial statements for the previous fiscal year.

Notes

(Omission of disclosure)

In notes to the consolidated financial statements, disclosure of the following items has been omitted because disclosure of these items was not considered to be of significant importance in the summary of financial results.

・Lease transactions
・Financial instruments
・Marketable securities
・Derivatives transactions
・Transactions with related parties
・Stock options
・Leased real estate
・Asset retirement obligations

(Notes relating to consolidated balance sheets) (millions of yen)

As of March 31, 2010	As of March 31, 2011
*1. Accumulated depreciation of property, plant and equipment 215,763 Accumulated impairment loss of ¥3,436 million is included in accumulated depreciation	*1. Accumulated depreciation of property, plant and equipment 218,682 Accumulated impairment loss of ¥3,698 million is included in accumulated depreciation
*2. Investment in non-consolidated subsidiaries and affiliated company: Investment in securities (stock) 7,656	*2. Investment in non-consolidated subsidiaries and affiliated company: Investment in securities (stock) 7,307
*3. Assets pledged as collateral: ¥47 million in cash and deposits (time deposits) in collateral is provided as deposits for opening letters of credit, and ¥9 million in investments and other assets is provided as trade deposits.	*3. Assets pledged as collateral: ¥36 million in cash and deposits (time deposits) in collateral is provided as deposits for opening letters of credit, and ¥8 million in investments and other assets is provided as trade deposits.
4. Contingent liabilities Liabilities for guarantees (guarantees for loans from financial institutions) Employees' housing fund 121 Choseido Pharmaceutical Co., Ltd. 3,834	4. Contingent liabilities Liabilities for guarantees (guarantees for loans from financial institutions) Employees' housing fund 97 Choseido Pharmaceutical Co., Ltd. 3,174
*5. During the fiscal year under review, deposits representing monies deposited in connection with the cash management service (CMS) used to centrally manage funds increased based on a change in the CMS contract from a revolving loan contract to a contract for consignment of monetary consumption.	*5. ―――――――――

(Notes relating to consolidated statements of income)

Apr.1, 2009- Mar.31, 2010	Apr.1, 2010- Mar.31, 2011
*1. The amount is calculated after reducing book value in accordance with declines in profitability of year-end inventories. The resulting valuation loss amounted to ￥88 million.	*1. The amount is calculated after reducing book value in accordance with declines in profitability of year-end inventories. The resulting valuation loss amounted to ￥300 million.
*2. Research and development expenses of ¥83,081 million are included in general administrative expenses. No research and development expenses were included in manufacturing expenses for the term.	*2. Research and development expenses of ¥65,784 million are included in general administrative expenses. No research and development expenses were included in manufacturing expenses for the term.
3. ―――――――――	3. Loss of disaster This amount comprises the following: as a result of the Great East Japan Earthquake, losses on inventories, expenses for support of the restoration of wholesalers, fixed expenses during the period in which certain consolidated subsidiaries are shut down, and provision for reserve for loss of disaster.
*4. Impairment loss As a general rule, the Company divides assets into assets for business use, leased assets, and idle assets. For assets for business use, the smallest amount is the asset group, while the corresponding unit for leased assets and idle assets is the individual asset. For the fiscal year under review, the amount of the write-down (¥1,837 million) was recorded as an impairment loss under extraordinary losses. The following are the primary assets on which impairment losses were recognized:	*4. Impairment loss As a general rule, the Company divides assets into assets for business use, leased assets, and idle assets. For assets for business use, the smallest amount is the asset group, while the corresponding unit for leased assets and idle assets is the individual asset. For the fiscal year under review, the amount of the write-down (¥807miillion) was recorded as an impairment loss under extraordinary losses. The following are the primary assets on which impairment losses were recognized:
・Location: Mitsubishi Tanabe Pharma Head Office (Chuo-ku, Osaka) Use: Administrative and selling operations Type: Buildings and structures Impairment loss: ￥350 million	・Location: Mitsubishi Tanabe Pharma Kyushu Branch (Hakata-ku, Fukuoka City) Use: Selling operations Type: Land and buildings Impairment loss: ￥227 million
・Location: Mitsubishi Tanabe Pharma Awaji-machi Office (Chuo-ku, Osaka) Use: Administrative and selling operations Type: Land, buildings and structures Impairment loss: ￥983 million	・Location: Mitsubishi Tanabe Pharma Yokohama Office (Aoba-ku, Yokohama City) Use: Research facility Type: Buildings and structures Impairment loss: ￥131 million
・Location: Mitsubishi Tanabe Pharma No. 3 Hirano-machi Building (Chuo-ku, Osaka) Use: Administrative and selling operations Type: Land, buildings and structures Impairment loss: ￥404 million	・Location: Mitsubishi Tanabe Pharma Toyonaka Parking lot (Toyonaka City, Osaka) Use: Rental facilities Type: Land Impairment loss: ￥256 million
・Location: Mitsubishi Tanabe Pharma No. 4 Hirano-machi Building (Chuo-ku, Osaka) Use: Administrative and selling operations Type: Land and buildings Impairment loss: ￥85 million	

Breakdown by location ・Head Office (Mitsubishi Tanabe Pharma) ¥350 million (Buildings and structures - ¥350 million) ・Awaji-machi Office (Mitsubishi Tanabe Pharma) ¥983 million (Land - ¥619 million; Buildings and structures - ¥363 million) ・No. 3 Hirano-machi Building (Mitsubishi Tanabe Pharma) ¥404 million (Land - ¥348 million; Buildings and structures - ¥56 million) ・No. 4 Hirano-machi Building (Mitsubishi Tanabe Pharma) ¥85 million (Land - ¥66 million; Buildings - ¥18 million) The Company consolidated and transferred head office functions during the fiscal year under review, and with those consolidations and transfers, the buildings listed above became idle assets. The book value of those assets was therefore written down to their recoverable value. The recoverable value is the net sales amount, calculated using rational estimates based on declared values, etc.	Breakdown by location ・Kyushu Branch (Mitsubishi Tanabe Pharma) ¥227 million (Land - ¥146 million; Buildings and structures - ¥81 million) ・Yokohama Office (Mitsubishi Tanabe Pharma) ¥131 million (Buildings and structures - ¥120 million, Other - ¥10 million) ・Toyonaka Parking lot(Mitsubishi Tanabe Pharma) ¥256 million (Land - ¥256 million) Accompanying the relocation of the Company's Kyushu Branch, the building that formerly housed the branch became an idle asset. Also, accompanying the completion of the new building for the Medicinal Chemistry Laboratory, the building that formerly housed the laboratory on the premises of the Yokohama Office became an idle asset. Consequently, The book value of those assets was written down to their recoverable value. The recoverable value is the net sales amount, calculated using
*5. Losses related to business Expenses from the suspension of manufacturing were recorded in relation to the business suspension for the recombinant human serum albumin preparation Medway.	*5. Losses related to business Expenses from the suspension of manufacturing were recorded in relation to the business suspension for the recombinant human serum albumin preparation Medway.
*6. ―――――――――	*6. Special retirement expenses Extra retirement allowances resulting from permanent reassignments to affiliated companies.
*7. Restructuring expenses – Relocation expenses that arose in connection with the integration of head office functions and the research operations, which is one of the activities in the Medium-Term Management Plan 08-10.	*7. Restructuring expenses – These are expenses that arose in connection with the reorganization of consolidated subsidiaries, which is one of the activities in the Medium-Term Management Plan 08-10.

(Notes relating to Consolidated Statements of Comprehensive Income)

Fiscal year under review (Apr.1, 2010-Mar.31, 2011)

*1. Comprehensive Income for the previous fiscal year

Comprehensive income attributable to owners of the Company	¥33,567 million
Comprehensive income attributable to minority interests	(¥1,266 million)
Total	¥32,301 million

*2. Other comprehensive income for the previous fiscal year

Unrealized holding (losses) gains on securities	¥2,381 million
Deferred (losses) gains on hedges	¥369 million
Translation adjustments	¥618 million
Share of other comprehensive income of associates accounted for by the equity method	¥4 million
Total	¥3,372 million

(Notes to Consolidated Statements of Changes in Net Assets)

Previous Fiscal Period (April 1, 2009 to March 31, 2010)

1. Type and number of shares outstanding and treasury stock (Unit: thousand of shares)

	No. of shares at end of previous fiscal year	Increase during the fiscal year	Decrease during the fiscal year	No. of shares at end of the fiscal year	Comments
Shares outstanding (common stock)	561,417	-	-	561,417	
Total	561,417	-	-	561,417	
Treasury stock (common stock)	252	19	14	256	(Notes:1, 2)
Total	252	19	14	256	

Notes

1. The increase of 19 thousand shares in the number of shares of treasury stock (common stock) was due to the purchase of shares constituting less than one unit.
2. The decrease of 14 thousand shares in the number of shares of treasury stock (common stock) represented decreases of 14 thousand shares (of the Company's stock) belonging to the Company from the removal of equity-method affiliates from the scope of consolidation, and 0 thousand shares from the sale of shares constituting less than one unit.

2. Items related to stock options and own stock options

No applicable items

3. Dividends

(1) Dividends paid

At the ordinary general meeting of shareholders held on June 19, 2009, the following was approved.

Common stock dividends

Total amount of dividends	7,856 millions of yen
Dividend per share	14 yen
Record date	31-Mar-09
Effective date	22-Jun-09

The following plan was adopted at the Board of Directors meeting held on October 29, 2009.

Common stock dividends

Total amount of dividends	7,856 millions of yen
Dividend per share	14 yen
Record date	30-Sep-09
Effective date	1-Dec-09

(2) Dividends with a record date in the period but an effective date after the end of the period.

The following is to be approved at the ordinary general meeting scheduled on June 22, 2010.

Common stock dividends

Total amount of dividends	7,856 millions of yen
Funds for dividends	Retained earnings
Dividend per share	14 yen
Record date	31-Mar-10
Effective date	23-Jun-10

(Notes to Consolidated Statements of Changes in Net Assets)

Current Fiscal Period (April 1, 2010 to March 31, 2011)

1. Type and number of shares outstanding and treasury stock (Unit: thousand of shares)

	No. of shares at end of previous fiscal year	Increase during the fiscal year	Decrease during the fiscal year	No. of shares at end of the fiscal year	Comments
Shares outstanding (common stock)	561,417	-	-	561,417	
Total	561,417	-	-	561,417	
Treasury stock (common stock)	256	101	4	353	(Notes:1, 2)
Total	256	101	4	353	

Notes

1. The increase of 101 thousand shares in the number of shares of treasury stock (common stock) was due to the purchase of shares constituting less than one unit.
2. The decrease of 4 thousand shares in the number of shares of treasury stock (common stock) was due to the sale of shares constituting less than one unit.

2. Items related to stock options and own stock options

No applicable items

3. Dividends

(1) Dividends paid

At the ordinary general meeting of shareholders held on June 22, 2010, the following was approved.

Common stock dividends

Total amount of dividends	7,856 millions of yen
Dividend per share	14 yen
Record date	31-Mar-10
Effective date	23-Jun-10

The following plan was adopted at the Board of Directors meeting held on October 29, 2010.

Common stock dividends

Total amount of dividends	7,855 millions of yen
Dividend per share	14 yen
Record date	30-Sep-10
Effective date	1-Dec-10

(2) Dividends with a record date in the period but an effective date after the end of the period.

The following is to be approved at the ordinary general meeting scheduled on June 22, 2011.

Common stock dividends

Total amount of dividends	7,854 millions of yen
Funds for dividends	Retained earnings
Dividend per share	14 yen
Record date	31-Mar-11
Effective date	23-Jun-11

(Notes relating to consolidated statements of cash flows) (millions of yen)

Apr.1, 2009- Mar.31, 2010		Apr.1, 2010- Mar.31, 2011	
1. The reconciliation of items in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2010		1. The reconciliation of items in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2011	
Cash and time deposits	22,792	Cash and time deposits	27,409
Time deposits maturing after three months	(9,550)	Time deposits maturing after three months	(11,540)
Short-term marketable securities maturing within three months from acquisition date	3,100	Short-term marketable securities maturing within three months from acquisition date	25,497
Cash and cash equivalents included in short-term loans ※	346	Cash equivalents included in short-term loans (other in current assets)※	159
Cash and cash equivalents included in deposits ※	46,270	Cash equivalents included in deposits ※	56,355
Cash and cash equivalents	62,958	Cash and cash equivalents	97,880
※CMS (Cash management servise)		※CMS (Cash management servise)	
2. During the fiscal year under review, the Company sold a portion of its shareholding in API Corporation, and as a result, API Corporation became an affiliated company and was included in the scope of equity method application. The following summarizes the assets and liabilities, the profit on the sale of a portion of its shareholding in API Corporation and the cash and cash equivalents at the time of sale.		―	
Current assets	10,355		
Fixed assets	4,259		
Current liabilities	(7,819)		
Long-term liabilities	(1,753)		
Minority interests	(4,522)		
Profit on sale of a portion of its shareholding in API Corporation	71		
Sales amounts of the shareholding	591		
Cash and cash equivalents	(80)		
Net proceeds from sales of shareholding	511		
3. Details of significant non-cash transactions During the fiscal year under review, Tanabe Seiyaku Hanbai Co., Ltd., a consolidated subsidiary of the Company merged with Chosei Yakuhin Co., Ltd, the Company's equity-method subsidiary. Transferred assets and liabilities were as follows:		―	
Current assets	1,832		
Fixed assets	125		
Total assets	1,957		
Current liabilities	1,455		
Long-term liabilities	1,007		
Total liabilities	2,462		

(Notes relating to employees' retirement benefits) (millions of yen)

1. Overview of retirement benefit plan

Previous Fiscal year (as of March 31, 2010)

The Company and certain consolidated subsidiaries had different retirement benefit systems for the employees of the former Tanabe Seiyaku Co., Ltd. and the employees of the former Mitsubishi Pharma Corporation. With the exception of the (closed-type) qualified pension system, the retirement benefit systems of the former Tanabe Seiyaku Co., Ltd. and the former Mitsubishi Pharma Corporation were integrated on April 1, 2009, and converted to a system with a choice between a defined contribution plan and a prepaid plan, and between a cash balance plan and a prepaid plan, along with a system of lump-sum payments at retirement. The accounting treatment for this shift was as per ASB Guidance No. 1: Accounting for the Transfer between Retirement Benefits Plans.
Certain consolidated subsidiaries have joined comprehensive welfare pension funds operated by multiple employers. In addition, the Company has established a retirement benefit trust. There are also cases in which additional retirement funds not included in the mathematical calculation as per retirement benefit accounting are paid when an employee retires.

Fiscal year under review (as of March 31, 2011)

The Company and certain consolidated subsidiaries have a system that offers a choice between a defined contribution pension plan and a prepaid plan, a system that offers a choice between a cash balance plan and a prepaid plan, a (closed-type) qualified pension system, and a system of lump-sum payments at retirement. There are also cases in which additional retirement funds not included in the actuarial calculation as per retirement benefit accounting are paid when an employee retires.
Certain consolidated subsidiaries have joined comprehensive welfare pension funds operated by multiple employers. In addition, the Company has established a retirement benefit trust.

2. Retirement benefit obligation

	(As of March 31, 2010)	(As of March 31, 2011)
Retirement benefit obligation	(142,990)	(142,177)
Pension assets	139,227	138,610
Unfunded retirement benefit obligation	(3,763)	(3,567)
Unrecognized actuarial differences	29,272	33,817
Unrecognized prior service cost (reduced obligation)	(1,938)	(1,654)
Net amount shown on the consolidated balance sheets	23,571	28,596
Prepaid pension expenses	36,730	40,449
Accrued employees' retirement benefits	(13,159)	(11,853)

(Note) Some of the subsidiaries adopted a simplified method of calculating the retirement benefit obligation.

3. Severance and pension benefit costs

	(Apr. 1, 2009 - Mar. 31, 2010)	(Apr. 1, 2010 - Mar. 31, 2011)
Service costs (Note 1)	2,393	2,235
Interest costs	3,577	3,567
Expected earnings of return	(2,658)	(3,475)
Amortization of actuarial differences	5,002	4,039
Amortization of prior service cost	(217)	(217)
Contributions to multiple employer pension system	9	8
Severance and pension benefit costs	8,106	6,157
Other (Note3)	723	870
Severance and pension benefit costs	8,829	7,027

(Notes)

1. Some of the subsidiaries that adopted a simplified method in calculating retirement benefit obligation include such severance and pension cost in the service costs.
2. In addition to the retirement benefit expenses listed above, ¥23 million of special retirement benefits were recorded in "Other" under "Non-operating expenses" in the previous fiscal year, and ¥482 million were recorded as an extraordinary loss in the fiscal year under review.
3. “Other” is contributions to defined benefit pension plans and comprehensive welfare pension funds.

4. Basic assumptions for calculating retirement benefit obligation

A) As of March 31, 2010

(1) Period allocation method for estimated retirement benefits:
Fixed period standard

(2) Discount rate:
2.5%

(3) Expected rate of return:
2.5%

(4) Number of years for amortization of unrecognized prior services cost:
10 years
(to be charged to expense based on the straight-line method within the average remaining service period of employees)

(5) Number of years for amortization of unrecognized actuarial differences:
10 years
To be charged to expense from the following consolidated financial year based on the straight-line method within the average remaining service period of employees calculated in the previous period.
Actuarial calculation discrepancies that arose prior to the integration are expensed from the fiscal year following the year in which they arise based on the straight-line method.
Former-Tanabe Seiyaku retirement benefit system : 13 years
Former-Mitsubishi Pharma retirement benefit system and certain subsidiaries: 5 years

B) As of March 31, 2011

(1) Period allocation method for estimated retirement benefits:
Fixed period standard

(2) Discount rate:
2.5%

(3) Expected rate of return:
2.5%

(4) Number of years for amortization of unrecognized prior services cost:
10 years
(to be charged to expense based on the straight-line method within the average remaining service period of employees)

(5) Number of years for amortization of unrecognized actuarial differences:
10 years
To be charged to expense from the following consolidated financial year based on the straight-line method within the average remaining service period of employees calculated in the previous period.
Actuarial calculation discrepancies that arose prior to the integration are expensed from the fiscal year following the year in which they arise based on the straight-line method.
Former-Tanabe Seiyaku retirement benefit system : 13 years
Former-Mitsubishi Pharma retirement benefit system and certain subsidiaries: 5 years

5. Items related to the multiple employer system for treatment of amounts paid as retirement benefit expenses

A) As of March 31, 2010

(1) Overall system reserves (as of March 31, 2009)

Pension fund assets	¥217,352 million
Benefit obligations calculated under pension financing	¥388,740 million
Difference	(¥171,388 million)

(2) Group's percentage of contributions to overall fund (as of March 31, 2009)
0.16%

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

B) As of March 31, 2011

(1) Overall system reserves (as of March 31, 2010)

Pension fund assets	¥254,274 million
Benefit obligations calculated under pension financing	¥365,248 million
Difference	(¥110,974 million)

(2) Group's percentage of contributions to overall fund (as of March 31, 2010)
0.15%

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

(Notes relating to deferred tax accounting) (millions of yen)

1. Significant components of the deferred tax assets and liabilities are as follows :

	As of March 31, 2010	As of March 31, 2011
Deferred tax assets		
Accrued bonuses	4,403	4,539
Enterprise taxes payable	1,151	1,382
Losses resulting from revaluation of inventory	2,680	2,121
Unrealized gains on inventory	2,137	2,220
Accrued employees' retirement benefits	173	201
Reserve for health management allowances for SMON compensation	671	500
Reserve for health management allowances for HIV compensation	660	614
Reserve for HCV litigation	4,339	1,878
Write-down of stock	173	110
Excess of amortization of long-term prepaid expenses	5,819	4,726
Prepaid research and development expenses	10,808	12,718
Net operating loss carryforwards	20,217	17,943
Depreciation	1,968	1,697
Loss on impairment of fixed assets	1,388	1,464
Other	2,272	3,360
Gross deferred tax assets	58,859	55,473
Valuation allowance	(21,060)	(18,320)
Total deferred tax assets	37,799	37,153
Deferred tax liabilities		
Prepaid pension costs	(2,322)	(4,295)
Unrealized gains on available-for-sale securities	(7,752)	(5,057)
Deferred gains on sale of fixed assets	(1,972)	(1,834)
Reserve for special depreciation	(1)	(1)
Gains or losses from mark to market valuation of land	(11,147)	(10,888)
Other	(179)	(188)
Total deferred tax liabilities	(23,373)	(22,263)
Net deferred tax assets	14,426	14,890
(Notes)		
Net deferred tax assets is included in the following items of the consolidated balance sheets.		
Deferred income taxes in current assets	11,394	12,551
Deferred income taxes in fixed assets	14,300	13,789
Other in current liabilities	1	-
Deferred income taxes in long-term liabilities	11,267	11,450

2. The following table summarizes the significant differences between the statutory tax rate and the actual effective tax rate.

	As of March 31, 2010	As of March 31, 2011
	%	%
Statutory tax rate	40.6	40.6
(Adjustments)		
Amortization of goodwill	8.0	6.3
Non-deductible expenses	3.8	2.7
Non-taxable dividend income, etc.	(2.3)	(2.0)
Elimination of dividends upon consolidation	2.0	1.7
Adjustment for per capital inhabitants tax	0.2	0.2
Special deduction for R&D expenses	(10.7)	(7.7)
Increase(decrease) in valuation allowance	2.4	0.1
Other	(0.8)	(0.6)
Actual effective tax rate	43.2	41.3

(Business combination related)

Previous fiscal year (April 1, 2009 to March 31, 2010)

Transactions under common control

1. Name and business of combined company, legal form of business combination, name of company after business combination, and outline and purpose of the transaction

(1) Name of combined company

Combined company: Mitsubishi Tanabe Pharma Factory Ltd.

Divesting company: Mitsubishi Tanabe Pharma Corporation

(2) Business of combined company

①Manufacturing capabilities at the Company's Kashima Plant (effective April 1, 2009)

②Manufacturing capabilities at the Company' s Osaka Plant (effective October 1, 2009)

(3) Legal form of business combination

Simple absorption-type company splits, with the Company as the divesting company and the Company's 100% subsidiary Mitsubishi Tanabe Pharma Factory Ltd. as the inheriting company, in which Mitsubishi Tanabe Pharma Factory Ltd. assigns the total number of shares issued due to the divestiture to the Company.

(4) Name of company after business combination

Mitsubishi Tanabe Pharma Factory Ltd.

(5) Outline and purpose of the transaction

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

2. Accounting method

These transactions were accounted for as transactions under common control as per the "Accounting Standard for Business Combinations" (ASBJ Statement No.21 of December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 of December 26, 2008).

3. Additional acquisitions of shares of subsidiaries

(1) Acquisition price and details

①Kashima Plant (as of March 31, 2009)

Shares of Mitsubishi Tanabe Pharma Factory Ltd. ¥3,502 million

Assets	Amount (millions yen)	Liabilities	Amount (millions yen)
Current assets	2,791	Current liabilities	1,037
Fixed assets	1,748		
Total	4,539	Total	1,037

②Osaka Plant (as of September 30, 2009)

Shares of Mitsubishi Tanabe Pharma Factory Ltd. ¥3,000 million

Assets	Amount (millions yen)	Liabilities	Amount (millions yen)
Current assets	3,706	Current liabilities	901
Fixed assets	200	Long-term liabilities	5
Total	3,907	Total	906

(2) Number of shares delivered

Upon the corporate divesture, Mitsubishi Tanabe Pharma Factory Ltd. issued one (1) share of common stock and assigned it to the Company.

Fiscal year under review (April 1, 2010 to March 31, 2011)

No applicable items.

(Segment Information)

1. Segment information by business segment

Previous fiscal year (April 1, 2009 - March 31, 2010)

Since net sales, operating income and assets from the pharmaceuticals segment account for more than 90% of the consolidated total net sales, operating income and assets, the disclosure of segment information by type of business has been omitted.

2. Segment information by geographical area

Previous fiscal year (April 1, 2009 - March 31, 2010)

Since net sales and total assets outside Japan of all segments constituted less than 10% of the consolidated totals, the disclosure of geographical segment information has been omitted.

3. Overseas sales

Previous fiscal year (April 1, 2009 - March 31, 2010) (millions of yen)

Overseas sales	Consolidated net sales	Ratio of overseas sales to consolidated net sales
26,862	404,747	6.6%

(Notes)

1. Overseas sales include export sales of the Company and its domestic subsidiaries and sales of its foreign consolidated subsidiaries other than exports to Japan.
2. Since overseas sales of each segment constituted less than 10% of the consolidated totals for the year, the disclosure of overseas sales by region has been omitted.

4. Segment information

Fiscal year under review (April 1, 2010 - March 31, 2011)

1. Overview of Reportable Segments

The Company conducts business activities centered on the research and development, manufacturing, procurement, and sales of pharmaceuticals, and “Pharmaceuticals” is a reportable segment.

In Pharmaceuticals, the Company conducts business activities related to ethical drugs and OTC drugs in Japan and overseas

2. Method of calculating amounts of net sales, profit/loss, assets, liabilities, and other items by reportable segment

“Pharmaceuticals” is the Company's only reportable segment, and as a result presentation has been omitted.

3. Information regarding amounts of net sales, profit/loss, assets, liabilities, and other items by reportable segment

"Pharmaceuticals" is the Company's only reportable segment, and as a result presentation has been omitted.

4. Differences between totals for reportable segments and amounts presented in consolidated financial statements and major details about such differences (items related to adjustment of such differences)

"Pharmaceuticals" is the Company's only reportable segment, and as a result presentation has been omitted.

5. Related information

Fiscal year under review (April 1, 2010 - March 31, 2011)

1. Information by product/service

Sales of products/services to external customers in a single segment account for more than 90% of net sales in the consolidated statements of income, and as a result presentation has been omitted.

2. Information by region

(1) Net sales

Sales of products/services to external customers in Japan account for more than 90% of net sales in the consolidated statements of income, and as a result presentation has been omitted.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan accounts for more than 90% of property, plant and equipment in the consolidated balance sheets, and as a result presentation has been omitted.

3. Information by major customer

Customer name	Net sales	Related segment name
SUZUKEN CO., LTD.	72,453	Pharmaceuticals
Toho Pharmaceutical Co., Ltd.	67,643	Pharmaceuticals
MEDICEO CORPORATION	58,570	Pharmaceuticals
Alfresa Corporation	56,377	Pharmaceuticals

6. Information regarding impairment losses on fixed assets by reportable segment

Fiscal year under review (April 1, 2010 - March 31, 2011)

Not applicable.

7. Information regarding amount of amortization of goodwill and unamortized balance by reportable segment

Fiscal year under review (April 1, 2010 - March 31, 2011)

Not applicable.

8. Information regarding gain on negative goodwill by reportable segment

Fiscal year under review (April 1, 2010 - March 31, 2011)

Not applicable.

(Additional Information)

Fiscal year under review (April 1, 2010 - March 31, 2011)

From the fiscal year under review, the Company applies "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008).

(Per-Share Data) (yen)

Apr.1, 2009-Mar.31, 2010		Apr.1, 2010-Mar.31, 2011	
Net assets per share	1,194.79	Net assets per share	1,230.16
Net income per share	53.91	Net income per share	67.27
Fully diluted net assets per share are not presented because there are no potential shares.		Fully diluted net assets per share are not presented because there are no potential shares.	

(Notes) 1. Net income per share and diluted net income per share are calculated as follows:

	Apr.1,2009-Mar.31,2010	Apr.1,2010-Mar.31,2011
Net income per share		
Net income (millions of yen)	30,253	37,747
Amount not belonging to shareholders of common stock (millions of yen)	-	-
Net income related to common stock (millions of yen)	30,253	37,747
Average number of shares of common stock outstanding (thousand shares)	561,164	561,110

2. Net assets per share are calculated as follows:

	Apr.1,2009-Mar.31,2010	Apr.1,2010-Mar.31,2011
Total net assets (millions of yen)	676,813	695,959
Amount deducted from total net assets (millions of yen)	6,343	5,758
[Including minority interests] (millions of yen)	[6,343]	[5,758]
Net assets at year-end available to common stock (millions of yen)	670,470	690,201
Number of shares of common stock at year-end used in the calculation of net assets per share (thousand shares)	561,161	561,064

(Subsequent Event)

・Previous fiscal year (April 1, 2009 to March 31, 2010)

On April 13, 2010, the Minister of Health, Labour and Welfare issued an administrative action ordering Mitsubishi Tanabe Pharma Corporation and consolidated subsidiary Bipha Corporation to suspend operations (Mitsubishi Tanabe Pharma Corporation, 25 days from April 17; Bipha Corporation, 30 days from April 14) and for both companies to submit business improvement plans. The administrative action resulted from acts that violated the Pharmaceutical Affairs Law in regard to Medway Injection, which was manufactured by Bipha and manufactured and marketed by Mitsubishi Tanabe Pharma.

As a result of this administrative action, it is possible that the Company's financial position and results of operations could be affected in the next fiscal year and thereafter, but at this time it is difficult to reasonably estimate the amount of that influence.

・Fiscal year under review (April 1, 2010 to March 31, 2011)

No applicable items.

(5) Other

The situation in major court action was as follows:

【Court action for damages relating to HCV (hepatitis C virus) infection】

Since 2002, the Company and its subsidiary Benesis Corporation, together with the Japanese government and other parties, have been defendants in lawsuits in which the plaintiffs seek compensation for damages allegedly suffered through HCV (hepatitis C virus) infection following use of a fibrinogen product or a blood coagulant factor IX product (Christmassin) sold by the former Green Cross Corporation, one of the predecessors of the Company. However, to resolve these lawsuits, on January 16, 2008, Japan's government promulgated and put into effect "the Special Relief Law Concerning the Payment of Benefits to Relieve the Patients of Hepatitis C Infected through Specified Fibrinogen Preparations and Specified Blood-Coagulation Factor IX Preparations Contaminated by Hepatitis C Virus" (the Relief Law). Subsequently, on September 28, 2008, a "basic agreement" for the conclusion of the court action was signed with the nationwide plaintiff group.

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

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

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

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

The former Green Cross Corporation, one of the predecessors of the Company, together with the Japanese government and four other pharmaceutical manufacturers were named as defendants in a number of lawsuits for compensation filed by the plaintiffs claiming to have been infected with HIV (human immunodeficiency virus) through use of non-heat-treated concentrated preparations.

During the period from the first settlement relating to the lawsuits, which was agreed to on March 29, 1996, to March 31, 2011, settlements were reached with 1,379 plaintiffs. Subsequently, on April 15, 2011, settlements were reached with an additional 3 plaintiffs, and as a result settlements have been reached with 1,382 plaintiffs.

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

【U.S. court action for damages relating to HIV (human immunodeficiency virus) infection】

A wholly-owned U.S. subsidiary of the Company, Alpha Therapeutic Corporation, together with three other U.S. manufacturers of blood products, are defendants in a U.S. class action lawsuit filed chiefly by non-U.S. residents (residents of Europe, etc.) claiming to have been infected with HIV or other viruses by non-heat-treated concentrated preparations sold in the 1980s. In September 2010, a settlement was reached with more than 95% of the more than 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 as to insurance coverage, negotiations with the insurance companies are underway.

【Court action regarding average wholesale price】
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 reporting of prices that were higher than actual sales prices resulted in an average wholesale price (AWP) that led to payments higher than past payments under public reimbursement systems. These suits are currently pending. In certain of the AWP lawsuits, settlements have been reached with the plaintiffs.