

Summary of 2nd Quarter Financial Results for year ended March 31, 2014 (Japan GAAP) (Consolidated)

October 30, 2013

Company name: Mitsubishi Tanabe Pharma Corporation
 Stock exchange listings: Tokyo
 Securities code number: 4508
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Planned date of filing of quarterly securities report: November 5, 2013
 Planned date of start of dividend payments: December 2, 2013
 Provision of supplementary explanatory materials for quarterly results: Yes
 Quarterly results presentation: Yes (for institutional investors and investment analysts)

Notes: Amounts less than ¥ 1 million have been rounded.
 Percentage changes in the list show change in comparison with the previous 2nd quarter.

1. Results for 2nd Quarter (April 1, 2013 to September 30, 2013)

(1) Consolidated Business Results

	Net sales		Operating income		Ordinary income	
	Yen million	% change	Yen million	% change	Yen million	% change
2nd Quarter of Fiscal 2013	202,834	(0.5)	30,459	(5.5)	32,198	(2.8)
2nd Quarter of Fiscal 2012	203,829	1.7	32,246	(10.6)	33,119	(8.9)

	Net income		Net income per share		Net income per share (diluted)	
	Yen million	% change	Yen		Yen	
2nd Quarter of Fiscal 2013	28,544	46.4	50.88		-	
2nd Quarter of Fiscal 2012	19,492	(2.4)	34.75		-	

(Note) Comprehensive Income ¥28,378 million, 41.3% (¥20,084 million, 4.4% in 2nd Quarter of fiscal 2012)

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Yen million		Yen million		%	
As of September 30, 2013	881,916		767,222		86.7	
As of March 31, 2013	866,774		752,922		86.3	

(Note) Shareholders' equity ¥764,815 million (¥747,929 million in fiscal 2012)

2. Dividends

(Record date)	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	For the year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2012	-	20.00	-	20.00	40.00
Fiscal 2013	-	20.00	-	-	-
Fiscal 2013(projected)	-	-	-	20.00	40.00

(Note) Revision to recently announced dividend forecast: No

3. Forecasts for Fiscal 2013 (April 1, 2013 to March 31, 2014)

	Net sales		Operating income		Ordinary income	
	Yen million	% change	Yen million	% change	Yen million	% change
Full year	419,000	(0.0)	63,000	(8.7)	65,500	(5.6)

	Net income		Net income per share	
	Yen million	% change	Yen	
Full year	45,000	7.4	80.21	

(Note) Revision to recently announced consolidated results forecast: Yes

✘ Notes

- (1) Significant change involving subsidiaries during the period: Yes
(Change in designated subsidiaries accompanying changes in the scope of consolidation)
New: 2 companies (Company name: Medicago Inc., MTPC Holdings, Canada Inc.)
- (2) Application of special accounting methods in the preparation of quarterly financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
1. Change accompanying revision of accounting standards: No
 2. Other changes: No
 3. Change in accounting estimates: No
 4. Restatements: No

(4) Number of shares issued (common stock)

1. Number of shares issued at the end of the period (including treasury stock)

2nd Quarter of fiscal 2013	561,417,916 shares	Fiscal 2012	561,417,916 shares
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2. Number of shares of treasury stock at the end of the period

2nd Quarter of fiscal 2013	425,613 shares	Fiscal 2012	424,977 shares
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3. Average number of shares of during the period (cumulative second quarter)

2nd Quarter of fiscal 2013	560,992,600 shares	2nd Quarter of fiscal 2012	560,994,305 shares
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*Note regarding implementation of quarterly review procedures

At the time when this summary of 2nd quarter financial results was released, the review procedures were in progress for the quarterly 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

(Note about forward-looking information)

In these materials, forecasts of results and other statements about the future are forward-looking statements based on a number of assumptions and beliefs in light of the information available to management as of the date of release of the materials and are subject to risks and uncertainties. Accordingly, the Company cannot make promises to achieve such forecasts. 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 November 1, 2013 (Friday).

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.

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1. [Qualitative Information for 2nd Quarter of FY 2013]

(1) Explanation about results of operations

Consolidated operating results in the second quarter of the fiscal year ended March 31, 2014 (April 1, 2013 to September 30, 2013) were as follows.

(millions of yen)

	2 nd quarter of FY 2012	2 nd quarter of FY 2013	Increase/ Decrease	% change
Net Sales	203,829	202,834	(995)	(0.5)
Cost of sales	79,260	82,414	3,154	4.0
Cost of sales ratio	38.9%	40.6		
Gross profit	124,569	120,420	(4,149)	(3.3)
SG&A expenses	92,323	89,961	(2,362)	(2.6)
Operating Income	32,246	30,459	(1,787)	(5.5)
Non-operating income/loss	873	1,739	866	
Ordinary Income	33,119	32,198	(921)	(2.8)
Extraordinary income/loss	(2,443)	11,075	13,518	
Net Income	19,492	28,544	9,052	46.4

【Net sales】

Net sales decreased 0.5%, or ¥0.9 billion, year-on-year, to ¥202.8 billion.

(millions of yen)

	2 nd quarter of FY 2012	2 nd quarter of FY 2013	Increase/ Decrease	% change
Pharmaceuticals	200,736	202,059	1,323	0.7
Domestic ethical drugs	176,618	170,977	(5,641)	(3.2)
Overseas ethical drugs	10,163	10,427	264	2.6
OTC products	2,808	2,433	(375)	(13.4)
Others in Pharmaceuticals	11,147	18,222	7,075	63.5
Others	3,093	775	(2,318)	(74.9)

In the pharmaceuticals segment, net sales were ¥202.0 billion, up 0.7%, or ¥1.3 billion, year-on-year.

- In the domestic sales of ethical drugs, favorable sales growth was recorded by Remicade, an anti-TNF α monoclonal antibody and other new drugs. However, there were the growing impact of generics and the cancellation of alliance in generics. As a result, the domestic sales of ethical drugs decreased 3.2%, year-on-year, to ¥170.9 billion.
- Overseas sales of ethical drugs increased 2.6%, year-on-year, to ¥10.4 billion, and sales of OTC products decreased 13.4%, year-on-year, to ¥2.4 billion.

- Sales of others in pharmaceuticals increased 63.5%, year-on-year, to ¥18.2 billion due to the increase in royalty revenue from Gilenya, for the treatment of multiple sclerosis, licensed to Novartis.

In others, sales decreased 74.9%, or ¥2.3 billion, year-on-year, due to the transfer of fine chemical operations in July 2012.

【Operating income】

Operating income decreased 5.5%, or ¥1.7 billion, year-on-year, to ¥30.4 billion.

- Gross profit decreased ¥4.1 billion, year-on-year, to ¥120.4 billion because plasma fractionation products were changed from the own products to other company's products after the integration of the plasma fractionation operations in October 2012.

The cost of sales ratio worsened by 1.7 percentage points, year-on-year.

- SG&A expenses decreased ¥2.3 billion, year-on-year, to ¥89.9 billion, due to the decrease in expenses related to the plasma fractionation operations caused by the above integration. R&D expenses were ¥34.2 billion, accounting for 16.9% of net sales.

【Ordinary income and net income】

Ordinary income was down 2.8%, or ¥0.9 billion, year-on-year, to ¥32.1 billion, and net income was up 46.4%, or ¥9.0 billion, year-on-year, to ¥28.5 billion.

- Extraordinary income was ¥11.9 billion, including profit on arbitration award. In the previous fiscal year, the Company recorded extraordinary income of ¥1.2 billion, such as gain on sales of property, plant and equipment.
- Extraordinary loss was ¥0.8 billion, including loss on impairment of fixed assets. In the previous fiscal year, the Company recorded extraordinary loss of ¥3.6 billion, such as loss on business integration.

【Comprehensive income】

Net income before minority interests was ¥28.5 billion, due to other comprehensive loss of ¥0.1 billion, and comprehensive income of ¥28.3 billion. Comprehensive income attributable to shareholders of the Company was ¥28.1 billion.

【Other】

On September 30, 2013, as a manufacturer, Bipla Corporation, the consolidated subsidiary of the Company received a suspension order and a business improvement order, and as a manufacturer and seller, the Company was issued a business improvement order from the Minister of Health, Labour and Welfare in regard to a violation of the Pharmaceutical Affairs Law of Japan related to Medway Injection, which are recombinant human serum albumin products. This violation was due to the addition of an ingredient that is not listed in the approval documentation during the period in which Medway Injection were manufactured and sold, from May 2008 to March 2009.

The Group will give a sincere approach to prevent a recurrence and strengthen the Medway problem improvement measures that the Group has worked to implement to regain the trust of society.

(2) Explanation about financial position

【Balance sheets】

(millions of yen)

		End of FY 2012 (As of March 31, 2013)	End of 2 nd quarter of FY 2013 (As of September 30, 2013)	Increase/ Decrease
	Current assets	476,686	484,914	8,228
	Fixed assets	390,088	397,002	6,914
	Total assets	866,774	881,916	15,142
	Liabilities	113,852	114,694	842
	Net assets	752,922	767,222	14,300
	Total liabilities and net assets	866,774	881,916	15,142

Total assets at the end of the second quarter were ¥881.9 billion, increase of ¥15.1 billion from the end of the previous fiscal year. Major factors causing changes in the balance sheet in comparison with the previous year-end were as follows.

- Cash and time deposits increased. Consequently, total current assets were up ¥8.2 billion, to ¥484.9 billion.
- Intangible fixed assets increased. Consequently, total fixed assets were up ¥6.9 billion from the previous fiscal year-end, to ¥397.0 billion.
- Accrued expense increased. Consequently, total liabilities were up ¥0.8 billion, to ¥114.6 billion.
- Total net assets were up by ¥14.3 billion, to ¥767.2 billion. Net income was ¥28.5 billion, and dividends paid totaled ¥11.2 billion. As a result, retained earnings increased ¥17.3 billion. In addition, minority interests decreased ¥2.5 billion. The equity ratio was 86.7%, compared with 86.3% a year earlier.

【Cash flows】

(millions of yen)

		2 nd quarter of FY 2012	2 nd quarter of FY 2013	Increase/ Decrease
	Operating activities	33,250	36,781	3,531
	Investing activities	(19,015)	(9,095)	9,920
	Financing activities	(12,668)	(10,854)	1,814
	Change in cash and cash equivalents	1,565	17,468	15,903
	At beginning of year	54,344	58,745	4,401
	At end of year	55,909	76,213	20,304

Net increase in cash and cash equivalents was ¥17.4 billion, and the balance of cash and cash equivalents at the end of the period under review was ¥76.2 billion.

- Net cash provided by operating activities was ¥36.7 billion. Cash inflows included income before income taxes and minority interests of ¥43.2 billion and amortization of goodwill of ¥5.2 billion, while cash outflows included income taxes paid of ¥15.7 billion.

- Cash inflows included proceeds from redemption of marketable securities, while cash outflows such as purchase of investment in subsidiaries exceeded cash inflows. As a result, net cash used in investing activities was ¥9.0 billion.
- Net cash used in financing activities was ¥10.8 billion, due in part to dividends paid.

(3) Explanation about future prediction information of consolidated results forecasts

In consideration of results in the first half of the current fiscal year and recent situations of sales, the Company has revised its full-year forecasts results that announced on May 8, 2013. The forecasts have been revised as follows.

(April 1, 2013 to March 31, 2014)

(millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Forecasts announced previously (A)	417,000	70,000	71,500	44,000	78.43
Revision of forecasts (B)	419,000	63,000	65,500	45,000	80.22
Increase/Decrease (B)–(A)	2,000	(7,000)	(6,000)	1,000	—
% change	0.5	(10.0)	(8.4)	2.3	—
(Reference)Results of previous fiscal year (Fiscal 2012)	419,179	68,968	69,392	41,892	74.67

In the fiscal year ended March 31, 2014, the Company has revised the forecast of sales upward because the royalty revenue from Gilenya is expected to increase.

On the other hand, operating income and ordinary income are expected to fall below the previous estimates. Sales of purchased goods such as Remicade and Vaccine are expected to increase. However, sales of new drugs such as Telavic, and long-listed drugs are expected to decrease. As a result, product mix in the domestic sales of ethical drugs will change. The Company is forecasting increases in purchasing cost of import products due to the devaluation of the yen, and SG&A expenses such as R&D expenses and operating expenses.

Meanwhile, profit on arbitration award of Remicade was booked in extraordinary income. Consequently, net income is expected to exceed the expectation.

2. [Items Concerning Summary Data (The notes)]

(1) Significant change involving subsidiaries during the period

In the 2nd quarter of the current fiscal year, the Company newly established MTPC Holdings, Canada Inc., and acquired shares of Medicago Inc. through MTPC Holdings Canada, Inc. Consequently the Company included 2 companies in the scope of consolidation.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

Year Accounts	As of March 31, 2013	As of September 30, 2013
	Amount	Amount
Assets		
Current assets		
Cash and time deposits	20,281	33,832
Notes and accounts receivable, trade	129,868	127,774
Marketable securities	63,993	56,543
Merchandise and finished goods	67,944	71,179
Work in process	717	921
Raw materials and supplies	24,122	24,138
Deposits	151,554	151,834
Deferred income taxes	8,373	8,981
Other	9,877	9,753
Less allowance for doubtful receivables	(43)	(41)
Total current assets	476,686	484,914
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	33,833	33,667
Machinery, equipment and vehicles, net	12,271	15,872
Tools, furniture and fixtures, net	4,835	5,198
Land	38,998	38,920
Leased equipment, net	59	507
Construction in progress	2,287	3,411
Total property, plant and equipment	92,283	97,575
Intangible fixed assets		
Goodwill	99,527	114,363
Other	4,632	5,618
Total intangible fixed assets	104,159	119,981
Investments and other assets		
Investment in securities	120,984	111,761
Deferred income taxes	4,173	4,248
Prepaid pension expenses	36,883	35,681
Other	31,608	27,758
Less allowance for doubtful receivables	(2)	(2)
Total investments and other assets	193,646	179,446
Total fixed assets	390,088	397,002
Total assets	866,774	881,916

(millions of yen)

Year Accounts	As of March 31, 2013	As of September 30, 2013
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable, trade	38,072	37,179
Short-term debt	1,174	1,325
Current maturities of long-term debt	–	59
Accounts payable, other	15,589	16,046
Income taxes payable	16,191	14,414
Reserve for employees' bonuses	10,291	10,332
Other reserve	148	123
Other	4,653	6,614
Total current liabilities	86,118	86,092
Long-term liabilities		
Long-term debt, less current maturities	–	405
Deferred income taxes	8,365	8,533
Accrued retirement benefits for employees	9,443	8,859
Reserve for health management allowances for HIV compensation	1,627	1,627
Reserve for health management allowances for SMON compensation	3,172	2,924
Reserve for HCV litigation	3,593	3,229
Other	1,534	3,025
Total long-term liabilities	27,734	28,602
Total liabilities	113,852	114,694
Net assets		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	451,186	451,186
Retained earnings	243,621	260,946
Treasury stock, at cost	(487)	(488)
Total shareholders' equity	744,320	761,644
Accumulated other comprehensive income		
Unrealized holding gains (losses) on securities	7,189	6,557
Deferred (losses) gains on hedges	1,640	1,080
Translation adjustments	(5,220)	(4,466)
Total accumulated other comprehensive income	3,609	3,171
Minority interests	4,993	2,407
Total net assets	752,922	767,222
Total liabilities and net assets	866,774	881,916

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(millions of yen)

Year Accounts	April 01, 2012– September 30, 2012	April 01, 2013– September 30, 2013
	Amount	Amount
Net sales	203,829	202,834
Cost of sales	79,260	82,414
Gross profit	124,569	120,420
Selling, general and administrative expenses		
Advertising expenses	2,018	1,869
Sales promotion expenses	4,894	4,772
Salaries and allowances	13,560	13,054
Provision for bonuses	5,658	5,461
Retirement benefit expenses	2,787	1,485
Depreciation and amortization	635	693
Research and development expenses	34,236	34,286
Amortization of goodwill	5,063	5,263
Other	23,472	23,078
Total selling, general and administrative expenses	92,323	89,961
Operating income	32,246	30,459
Non-operating income		
Interest income	826	782
Dividend income	412	452
Equity in earning of affiliates	456	284
Foreign exchange income	–	1,104
Other	652	956
Total non-operating income	2,346	3,578
Non-operating expenses		
Interest expense	22	41
Donations	271	247
Foreign exchange loss	286	–
Other	894	1,551
Total non-operating expenses	1,473	1,839
Ordinary income	33,119	32,198
Extraordinary gain		
Profit on arbitration award	–	11,011
Gain on step acquisitions	–	930
Gain on sales of property, plant and equipment	646	–
Gain on transfer of business	354	–
Gain on sales of investment in securities	201	–
Total extraordinary income	1,201	11,941
Extraordinary loss		
Loss on impairment of fixed assets	305	800
Loss on business integration	2,219	–
Loss on valuation of investment in securities	745	–
Loss on sales of investment in securities	123	–
Other	252	66
Total extraordinary losses	3,644	866
Income before income taxes and minority interests	30,676	43,273
Income taxes–current	13,484	14,365
Income taxes–deferred	(2,367)	332
Total income taxes	11,117	14,697
Net income before minority interests	19,559	28,576
Minority interests	67	32
Net income	19,492	28,544

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

Year Accounts	April 01, 2012– September 30, 2012	April 01, 2013– September 30, 2013
	Amount	Amount
Net income before minority interests	19,559	28,576
Other comprehensive income (loss)		
Unrealized holding gains (losses) on securities	685	(632)
Deferred (losses) gains on hedges	(461)	(558)
Translation adjustments	304	969
Other comprehensive income (loss) of equity method companies attributable to the Company	(3)	23
Total other comprehensive income (loss)	525	(198)
Comprehensive income	20,084	28,378
Comprehensive income (loss) attributable to:		
Shareholders of the Company	19,931	28,106
Minority interests	153	272

(3) Consolidated Statements of Cash Flows

(millions of yen)

Year Accounts	April 01, 2012– September 30, 2012	April 01, 2013– September 30, 2013
Cash flows from operating activities:		
Income before income taxes and minority interests	30,676	43,273
Depreciation and amortization	4,361	4,304
Loss on impairment of fixed assets	305	800
Amortization of goodwill	5,063	5,263
Increase (decrease) in accrued retirement benefits for employees	(572)	(572)
Decrease (increase) in prepaid pension expenses	2,310	1,202
Increase (decrease) in reserve for HCV litigation	(648)	(364)
Interest and dividend income	(1,238)	(1,234)
Loss (gain) on sale of property, plant and equipment	(558)	–
Loss (gain) on transfer of business	(354)	–
Profit on arbitration award	–	(11,011)
Loss (gain) on step acquisitions	–	(930)
Loss (gain) on valuation of investment in securities	745	43
Equity in (earnings) losses of affiliates	(456)	(284)
Loss on business integration	2,219	–
Decrease (increase) in notes and accounts receivable, trade	(750)	2,117
Decrease (increase) in inventories	(10,309)	(3,443)
Increase (decrease) in notes and accounts payable, trade	7,108	(700)
Increase (decrease) in accounts payable, other	(131)	(1,249)
Other, net	1,227	1,853
Subtotal	38,998	39,068
Interest and dividends received	1,305	1,315
Interest paid	(20)	(42)
Proceeds from arbitration award	–	12,208
Income taxes paid	(7,033)	(15,768)
Net cash provided by (used in) operating activities	33,250	36,781
Cash flows from investing activities:		
Purchase of marketable securities	(31,000)	(12,000)
Proceeds from sales and redemption of marketable securities	20,470	34,847
Increase in time deposits	(44)	(7,948)
Decrease in time deposits	587	833
Increase in deposits	(354)	(267)
Purchase of property, plant and equipment	(3,716)	(5,050)
Proceeds from sales of property, plant and equipment	2,600	7
Purchase of intangible fixed assets	(999)	(1,079)
Purchase of investment in securities	(4,173)	(997)
Purchase of investment in subsidiaries	(5,840)	(3,459)
Proceeds from sales and redemption of investment in securities	2,061	4,011
Purchase of investment in subsidiaries resulting in consolidation scope change	–	(17,897)
Proceeds from transfer of business	1,384	–
Other, net	9	(96)
Net cash provided by (used in) investing activities	(19,015)	(9,095)
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	(1,432)	(25)
Increase (decrease) in long-term debt	–	433
Cash dividends paid	(11,219)	(11,219)
Other, net	(17)	(43)
Net cash provided by (used in) financing activities	(12,668)	(10,854)
Effect of exchange rate change on cash and cash equivalents	(2)	636
Net increase (decrease) in cash and cash equivalents	1,565	17,468
Cash and cash equivalents at beginning of the year	54,344	58,745
Cash and cash equivalents at end of the period	55,909	76,213

(4) Notes of Quarterly Consolidated Financial Statements

(Note regarding going concern assumption)

Not applicable.

(Note regarding substantial change in shareholders' equity)

Not applicable.