Summary of Financial Results for year ended March 31, 2014
[Japan GAAP] (Consolidated)

May 8, 2014

Company name: Mitsubishi Tanabe Pharma Corporation
Stock exchange listings (Section): Tokyo
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: Kenji Hara
Title: General Manager, Corporate Communications Department
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Planned date of ordinary general meeting of shareholders: June 20, 2014
Planned date of start of dividend payments: June 23, 2014
Planned date of filing of securities report: June 20, 2014
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.
Percentage changes in the list show change in comparison with the previous year.

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

(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 2013	412,675	(1.6)	59,119	(14.3)	61,873	(10.8)	45,393	8.4
Fiscal 2012	419,179	3.0	68,968	(0.1)	69,392	0.9	41,892	7.4

(Note) Comprehensive income ¥49,115 million (11.6)% (¥55,541 million 32.4% in fiscal 2012)

	Net income per share	Net income per share (diluted)	Return on equity	Ordinary income / Total assets	Operating income / Net sales
	Yen	Yen	%	%	%
Fiscal 2013	80.92	–	6.0	7.1	14.3
Fiscal 2012	74.67	–	5.7	8.2	16.5

(Note) Equity in earnings (losses) of non-consolidated subsidiaries ¥595 million (¥369 million in fiscal 2012)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Yen million	Yen million	%	Yen
Fiscal 2013	886,476	777,837	86.4	1,365.52
Fiscal 2012	866,774	752,922	86.3	1,333.22

(Note) Shareholders' equity ¥766,046 million (¥747,929 million in fiscal 2012)

(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 2013	69,896	(24,344)	(21,098)	84,957
Fiscal 2012	60,589	(34,968)	(23,677)	58,745

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 2012	–	20.00	–	20.00	40.00	22,439	53.6	3.1
Fiscal 2013	–	20.00	–	20.00	40.00	22,439	49.4	3.0
Fiscal 2014 (projected)	–	20.00	–	20.00	40.00		55.4	

3. Forecasts for Fiscal 2014 (April 1, 2014 to March 31, 2015)

	Net sales		Operating income		Ordinary income	
	Yen million	% change	Yen million	% change	Yen million	% change
Interim	201,000	(0.9)	29,500	(3.1)	30,500	(5.3)
Full year	409,000	(0.9)	60,000	1.5	61,500	(0.6)

	Net income		Net income per share
	Yen million	% change	Yen
Interim	21,000	(26.4)	37.43
Full year	40,500	(10.8)	72.19

(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.

***Notes**

(1) Significant change involving subsidiaries during the period (changes in designated subsidiaries accompanying changes in the scope of consolidation) [Yes/No]: Yes
New: 2 companies (Company name: Medicago Inc., MTPC Holdings, Canada Inc.)
Note: For details, please see "Consolidation of Corporate Group" on page 11.

(2) Changes in accounting policies, changes in accounting estimates, restatements
1. Change accompanying revision of accounting standards: Yes
2. Other changes: No
3. Change in accounting estimates: No
4. Restatements: No
Note: For detailed information, please see "Change in accounting policies" on page 30.

(3) Number of shares issued (common stock)
1. Number of shares issued at the end of the period (including treasury stock)
Fiscal 2013 561,417,916 shares Fiscal 2012 561,417,916 shares
2. Number of shares of treasury stock at the end of the period
Fiscal 2013 426,862 shares Fiscal 2012 424,977 shares
3. Average number of shares of during the period
Fiscal 2013 560,992,141 shares Fiscal 2012 560,993,957 shares

*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
(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 May 9, 2014 (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.

Contents of supplement

1. Business Results

(1) Analysis of Business Results

① Overview of business results

In the fiscal year under review, (April 1, 2013, to March 31, 2014), the domestic economy showed signs of a gradual recovery due to the efforts to overcome deflation early and achieve the revitalization of the Japanese economy by the Government and the Bank of Japan. However, slowing down of overseas economies is still downside risk of the Japanese economy. Accordingly, it remains difficult to predict the future course of business conditions.

In the pharmaceutical industry, with such factors as strengthened drug cost-cutting measures, a decline of success probability in creating new drugs and a changing of market structure, market conditions remain challenging.

Under this circumstance, consolidated operating results in this fiscal year were as follows.

(millions of yen)

	Fiscal 2012	Fiscal 2013	Increase/ decrease	% change
Net Sales	419,179	412,675	(6,504)	(1.6)
Cost of sales	166,388	169,363	2,975	1.8
Cost of sales ratio	39.7%	41.0		
Gross profit	252,791	243,312	(9,479)	(3.7)
SG&A expenses	183,823	184,193	370	0.2
Operating Income	68,968	59,119	(9,849)	(14.3)
Non-operating income/loss	424	2,754	2,330	
Ordinary Income	69,392	61,873	(7,519)	(10.8)
Extraordinary income/loss	(1,701)	10,568	12,269	
Net Income	41,892	45,393	3,501	8.4

【Net sales】

Net sales decreased 1.6%, or ¥6.5 billion, to ¥412.6 billion.

(millions of yen)

	Fiscal 2012	Fiscal 2013	Increase/ decrease	% change
Pharmaceuticals	414,686	411,631	(3,055)	(0.7)
Domestic ethical drugs	356,552	341,733	(14,819)	(4.2)
Overseas ethical drugs	23,388	22,025	(1,363)	(5.8)
OTC products	5,288	4,465	(823)	(15.6)
Others in Pharmaceuticals	29,458	43,408	13,950	47.4
Others	4,493	1,044	(3,449)	(76.8)

In the pharmaceuticals segment, net sales were ¥411.6 billion, down 0.7%, or ¥3.0 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 its subcutaneous injection, SIMPONI. 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 4.2%, year-on-year, to ¥341.7 billion.

- Overseas sales of ethical drugs were ¥22.0 billion, down 5.8%, year-on-year, and sales of OTC products decreased 15.6%, to ¥4.4 billion.
- Sales of others in pharmaceuticals increased 47.4%, year-on-year, to ¥43.4 billion, due to the increase in royalty revenue from Gilenya, for the treatment of multiple sclerosis, licensed to Novartis.

In others, sales were down 76.8% or ¥3.4 billion, year-on-year, due to the transfer of fine chemical operations in July, 2012.

【Operating income】

Operating income was ¥59.1 billion, down 14.3%, or 9.8 billion, year-on-year.

- Gross profit decreased ¥9.4 billion, year-on-year, to ¥243.3 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, and there were change of product mix and write-down of inventory.

  The cost of sales ratio worsened by 1.3 percentage points, year-on-year.
- SG&A expenses increased ¥0.3 billion, year-on-year, to ¥184.1 billion, due to the increase in R&D expenses despite the decrease in expenses related to the plasma fractionation operations caused by the above integration.

【Ordinary income/ Net income】

Ordinary income was down 10.8%, or ¥7.5 billion, year-on-year, to ¥61.8 billion, and net income was up 8.4%, or ¥3.5 billion, year-on-year, to ¥45.3 billion.

- Foreign exchange gain was ¥2.5 billion (foreign exchange loss was ¥1.1 billion in the previous fiscal year). As a result, non-operating income and loss improved ¥2.3 billion, year-on-year.
- Extraordinary income was ¥15.3 billion, including profit on arbitration award and gain on sales of investment in securities. In the previous fiscal year, the Company recorded extraordinary income of ¥4.2 billion, such as gain on sales of property, plant and equipment.
- Extraordinary loss was ¥4.7 billion, including special retirement expenses and loss on impairment of fixed assets. In the previous fiscal year, the Company recorded extraordinary loss of ¥5.9 billion, such as loss on business integration.

【Comprehensive income】

Income before minority interests was ¥45.4 billion, due to other comprehensive income of 3.7 billion including translation adjustments and comprehensive income of ¥49.1 billion. Comprehensive income attributable to shareholders of the Company was ¥48.6 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's priority disease areas were autoimmune disorders, diabetes/ renal diseases and central nervous system diseases, and vaccines are newly added into these priority disease areas. In addition to these four areas, the Company focuses on the discovery of drugs that address unmet medical needs and continues to taking steps to bolster its pipeline, including the aggressive introduction of products and technologies.

In the year under review, the Company made a lot of progresses in the development of TA-7284. In Japan, the Company filed an NDA for an indication of type 2 diabetes mellitus. In overseas, licensee Janssen Pharmaceuticals received approval in Europe and made progress in the development of the fixed dose

combination with metformin and diabetic nephropathy. The Company participated in the global clinical trial implemented by FORUM pharmaceuticals (former EnVivo) and started phase 3 clinical trials for MT-4666. In addition, the Company acquired ownership of Medicago, a pharmaceutical company based in Canada in order to expand in the field of vaccines, especially in the global market, through the acquisition of new biologics technology. As a result, the Company added Influenza (H5N1) vaccine (phase2 in Canada), Influenza seasonal vaccine (phase1/2 in U.S.) and Influenza (H7N9) vaccine (phase1 in Canada) using Medicago's unique technology of plant-based VLP vaccine to the pipeline.
For the fiscal year, R&D expenses were ¥70.4 billion, accounting for 17.1% of net sales. Because the amount of R&D expenses in other businesses is small, that amount is included in the R&D expenses of pharmaceutical segment.
Progress in major clinical development activities in the year under review was as follows:

Acquisition of approval

- In June 2013, approval was received for an indication of chronic atrial fibrillation for MAINTATE Tablets in Japan.
- In December 2013, approval was received for an indication of additional combination for type 2 diabetes mellitus for TENELIA, in Japan.

Applications filed

- In May 2013, the Company filed an NDA for an indication of type 2 diabetes mellitus for TA-7284 (Canagliflozin) in Japan.
- In December 2013, the Company filed an NDA for an indication of chronic hepatitis C (genotype2) for Telavic in Japan.

Clinical trials started and advanced

- In April 2013, the Company started phase 3 clinical trials for an indication of pediatrics atopic dermatitis for Talion in Japan.
- In June 2013, the Company started phase 3 clinical trials for treatment of pediatric hyperphosphatemia for BindRen in Europe.
- In September 2013, the Company started phase 2 clinical trials for MT-3995 (Selective mineralocorticoid receptor antagonist / Diabetic nephropathy) in Japan.
- In October 2013, the Company started phase 2 clinical trials for MT-1303 (Sphingosine-1-phosphate receptor functional antagonist / Psoriasis) in Europe.
- In December 2013, the Company started phase 3 clinical trials for MT-4666 (α7nACh receptor agonist / Alzheimer's disease) in the grobal clinical trials.

In addition, in April 2014, the Company started phase 3 clinical trials for an indication of prophylaxis of pertussis, diphtheria, and tetanus (stage 2 vaccination) for Torivic, jointly with the Reserch Foundation for Microbial Diseases of Osaka University.

Development of Out-Licensed Products

- In June 2013, licensee VIVUS received approval for an indication of ED for TA-1790 (Avanafil, European product name:SPEDRA) in Europe.
- In September 2013, licensee Handk Pharmaceuticals received approval for an indication of type2 diabetes mellitus for MP-513 (Teneligliptin) in Korea.
- In September 2013, licensee Kyowa Hakko Kirin started phase 1/2 clinical trials for an indication of secondary hyperparathyroidism in hemodialysis patients for MT-4580 in Japan.

- In October 2013, licensee DEZIMA Pharma started phase 2b clinical trials for an indication of dyslipidemia for TA-8995 in the Netherlands and Denmark.
- In November 2013, licensee Janssen Pharmaceuticals received approval for an indication of type2 diabetes mellitus for TA-7284 (Canagliflozin, Product name: INVOKANA) in Europe. The Company started phase 3 clinical trials for an indication of diabetic nephropathy and the fixed dose combination with metformin (XR) in the U.S.

In addition, in April 2014, Janssen Pharmaceuticals received approval for the fixed dose combination with metformin (IR) and Canagliflozin in Europe.

③ Forecasts for the current fiscal year (ending March 2015)

In the fiscal year ending March 31, 2015, the Company expects an increase of royalty revenue from licensed Gilenya and INVOKANA. However, in domestic sales of ethical drugs, the Company expects decreased sales due to the NHI drug price revision in April, 2014.

In profits, the Company anticipates the increase of royalty revenue, the decrease in cost of sales due to the decrease in loss on valuation of inventory, and the increase in SG&A expenses, such as R&D expenses. As a result, the Company is forecasting a slight increase in operating income. On the other hand, the Company is forecasting a decrease in ordinary income due to the reduction of foreign exchange gain, and a decrease in net income due to the decrease in extraordinary income.

(millions of yen)

	Fiscal 2013	Fiscal 2014	Increase/decrease	% change
Net sales	412,675	409,000	(3,675)	(0.9)
Operating income	59,119	60,000	881	1.5
Ordinary income	61,873	61,500	(373)	(0.6)
Net income	45,393	40,500	(4,893)	(10.8)

(2) Financial Position

① Assets, liabilities and net assets

(millions of yen)

	Fiscal 2012	Fiscal 2013	Change
Current assets	476,686	540,492	63,806
Fixed assets	390,088	345,984	(44,104)
Total assets	866,774	886,476	19,702
Liabilities	113,852	108,639	(5,213)
Net assets	752,922	777,837	24,915
Total liabilities and net assets	866,774	886,476	19,702

At the end of the year under review, total assets were ¥886.4 billion, up ¥19.7 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 ¥63.8 billion, to ¥540.4 billion.
- Fixed assets were down ¥44.1 billion from the previous fiscal year-end, to ¥345.9 billion. Intangible fixed assets increased, while investments in securities decreased.
- Income taxes payable decreased. Consequently, total liabilities were down ¥5.2 billion, to ¥108.6 billion.

・ Total net assets were up ¥24.9 billion, to ¥777.8 billion. Net income was ¥45.3 billion, and dividends paid totaled ¥22.4 billion. As a result, retained earnings increased by ¥22.9 billion. In addition, total accumulated other comprehensive income decreased by ¥4.8 billion and minority interests increased by ¥6.7 billion. The equity ratio was 86.4%, compared with 86.3% a year earlier.

② Cash flows

(millions of yen)

		Fiscal 2012	Fiscal 2013	Increase/ decrease
	Operating activities	60,589	69,896	9,307
	Investing activities	(34,968)	(24,344)	10,624
	Financing activities	(23,677)	(21,098)	2,579
Change in cash and cash equivalents		4,401	26,212	21,811
At beginning of year		54,344	58,745	4,401
At end of year		58,745	84,957	26,212

Net increase in cash and cash equivalents was ¥26.2 billion, and the balance of cash and cash equivalents at the end of the year under review was ¥84.9 billion.

・ Net cash provided by operating activities was ¥69.8 billion. Cash inflows included income before income taxes and minority interests of ¥72.4 billion, while cash outflows included income taxes paid of ¥28.1 billion.

・ Cash inflows included proceeds from redemption of marketable securities and investment in securities, while cash outflows such as purchase of investment in subsidiaries and increase in deposits for investment purposes exceeded cash inflows. As a result, net cash used in investing activities was ¥24.3 billion.

・ Net cash used in financing activities was ¥21.0 billion, due in part to dividends paid.

③ Cash Flow Indicators

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Shareholders' equity ratio(%)	84.1	84.3	87.3	86.3	86.4
Shareholders' equity ratio (market price) (%)	93.0	92.5	79.4	93.5	91.3
Ratio of interest-bearing debt to cash flow (years)	0.1	0.0	0.1	0.0	0.1
Interest coverage ratio	920.1	4,219.1	4,138.6	1,009.8	768.1

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

In accordance with its basic policy on the distribution of earnings, the Company set year-end dividends at ¥20.0 per share. In conjunction with the interim dividends, this resulted in annual dividends of ¥40.0 per share.

For the current fiscal year, dividends of ¥40.0 per share are planned, including interim dividends of ¥20.0 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 2013 (ended March 31, 2014).

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 current development compounds might be halted in the event that problems with effectiveness or safety are found in nonclinical trials, clinical trials, etc., or in the event that they are determined to lack economic value due to innovation in medical treatment techniques, the launch of other drugs, etc. In the event that R&D investment does not lead to the sales of new drugs, there could be a significant influence on the Group's financial position or results.

② Risks related to adverse drug reactions

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

③ Risks related to the domestic and overseas health insurance system and the revisions to NHI drug price standards

The sale of ethical drugs is significantly impacted by the various health insurance systems that relate to drug price standards as well as medical and other fees. Revisions to the drug price standard that is the official price of pharmaceuticals or its system; various health insurance systems, encompassing medical and other fees, that

influence trends in the use of pharmaceuticals by medical institutions, 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 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 those activities could be suspended or that there could be a legal dispute. Also, in the event that the Group believes that its patents or other intellectual property rights have been infringed upon by another party, the Group might file lawsuits. As a result of these actions, there could be an influence on the Group's financial position or results.

⑥ Risks related to alliance with other companies

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

⑦ Risks related to production and stable supply

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

⑧ Risks related to legal issues

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

⑨ Risks related to product liability

It is possible that the Group will be responsible for potential product liability stemming from product research, development, manufacturing, or sales activities. The Group is covered by 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, 2014, overseas sales accounted for 14.4% of the Group's consolidated net

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

b) As of the end of March 2014, the Group held marketable securities of ¥106.4 billion and investments in securities of ¥71.5 billion, certain of which are liquid stocks and bonds, etc. Accordingly, events such as the recording of a loss on valuation due to declines in market prices could have a significant influence on the Group's financial position or results.

⑪ Risks related to environmental safety

In the event that serious damage to the environment is caused by 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 Special Law). In regard to the expenses associated with the relief payments under the Special Law, the standards for the method and the allocation of the burden of the expenses were announced on April 10, 2009. In accordance with those standards, the Company has made provisions for those expenses. For this expense burden, the cumulative total of the provisions for reserve for HCV litigation was ¥25.0 billion, of which ¥22.4 billion had already been paid out as of the end of March 2014. However, due to changes in the expected number of benefits recipients or the revision of the Special Law, the Group's financial position or results could be significantly affected.
The standards determining the Company's portion of the expense burden are shown below:

(1) Portion of expense burden

Classification	The Company's portion of the burden
People infected with HCV, as stipulated in Article 2, Paragraph 3, 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 confidential information, including personal information, and in the event that information is leaked outside due to inappropriate handling, etc., there could be an influence on the Group's financial position or results, such as a decline in reputation.

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

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

⑮ Major assumptions regarding operational activities

Pharmaceutical manufacturing and sales are the Group's principal business operations. In accordance with the Pharmaceutical Affairs Law, the Group has obtained licenses for pharmaceutical manufacturing and sales, pharmaceutical manufacturing and wholesale pharmaceutical sales, and conducts manufacturing and sales of ethical pharmaceutical and OTC products. As for some of these products the Group is subject to laws and regulations related to the Narcotics and Psychotropic Substances Control Law.

In conjunction with operating pharmaceutical manufacturing and sales in overseas, the Group is subject to the pharmaceutical regulations of the countries concerned. The Group receives permissions as necessary.

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.

⑯ Quality control problem at consolidated subsidiary

The administrative action of the quality control problem at consolidated subsidiary has damaged the Group's reputation among patients and health care professionals and adversely affected the Group's image. If such

incidents continue, it is possible that the Group's financial position and results of operations could be significantly affected.

⑰ Risks related to major disasters and other events

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

⑱ Relationship with parent company and other group companies

ⅰ.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:

・conclusion of the deposition contract of money with the parent company
・procurement of raw materials, etc., and sales of chemical products, etc.
・conclusion of leases and consignment contracts for the sites of research facilities and plants and the buildings, etc., thereon, in Yokohama City, Kanagawa Prefecture; Kamisu City, Ibaraki Prefecture
・payment as consideration for exclusive rights to intellectual property held by the corporate group of the parent company
・conclusion of contracts for research outsourcing and information disclosure
・consignment contracts with overseas subsidiaries
・conclusion of the contract about a burden of operational expenses with the parent company

Fundamentally, these transactions involve rational transaction terms decided upon following two-way negotiations conducted with reference to general market prices.

ⅱ. Personnel relationships with Mitsubishi Chemical Holdings Group

(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. And two representative directors of these companies serve concurrently as directors of the Company.

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

(b) Acceptance of reassigned personnel

The Group has accepted the reassignment of some people from Mitsubishi Chemical Holdings Group with such objectives as enhancing links among each division.

ⅲ. 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 transactions or the capital relationship with the Mitsubishi Chemical Holdings Group, the Group'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 2014, the Mitsubishi Tanabe Pharma Group comprised 40 companies – Mitsubishi Tanabe Pharma Corporation (the Company), its parent company, 33 subsidiaries (31 consolidated subsidiaries, 2 non-consolidated subsidiaries), and 5 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 (FY2013)
Ethical drugs	Remicade	Rheumatoid arthritis (RA), active Crohn's disease, Behcet's disease with refractory uveoretinitis, psoriasis, ankylosing spondylitis and ulcerative colitis	Domestic : ¥76.3 billion Overseas : ¥0.0 billion
	Ceredist	Improvement of ataxia caused by spinocerebellar degeneration	Domestic : ¥17.8 billion Overseas : ¥0.0 billion
	Maintate	Essential hypertension, angina pectoris, ventricular extrasystole, chronic heart failure	Domestic : ¥15.5 billion Overseas : ¥0.2 billion
	Talion	Allergic rhinitis, urticaria, pruritus accompanying dermatitis	Domestic : ¥13.7 billion Overseas : ¥0.8 billion
	Kremezin	Improvement of symptoms of uremia in chronic renal failure, control of the decline of kidney function and delay of the commencement of dialysis	Domestic : ¥12.6 billion Overseas : —

	Product name	Efficacy	Sales (FY2013)
Ethical drugs	Urso	Liver function in chronic liver disease and hepatitis C, dissolution of gall stones	Domestic : ¥12.4 billion Overseas : ¥0.3 billion
	Anplag	Ischemic symptoms associated with chronic arterial occlusion, such as ulcer, pain and coldness of limbs	Domestic : ¥11.2 billion Overseas : ¥0.9 billion
	Venoglobulin-IH	Severe infection, idiopathic thrombocytopenic purpura, Kawasaki disease, etc.	Domestic : ¥11.1 billion Overseas : —
	Radicut	Neurological symptoms at the acute stage of cerebral infarction, interference with activities of daily living, functional disability	Domestic : ¥10.9 billion Overseas : —
	Depas	Neuroses, psychosomatic disorders, depression, integration dysfunction syndrome, muscle contraction headache, cervical spondylosis, anxiety/tension/neurasthenia/sleep disturbance, etc. in lower back pain	Domestic : ¥9.8 billion Overseas : ¥0.5 billion
	Herbesser	Essential hypertension, angina pectoris, variant angina pectoris, etc.	Domestic : ¥6.9 billion Overseas : ¥5.8 billion
	Vaccines	Mearubik (measles/rubella prevention), HA flu vaccine (Influenza prevention), JEBIK V (Japanese encephalitis prevention), TETRABIK (pertussis, diphtheria, tetanus, and polio prevention) etc.	Domestic : ¥28.4 billion Overseas : ¥0.0 billion
OTC products	Flucort	Eczema, dermatitis	Domestic : ¥2.0 billion Overseas : —
	Aspara Drink	Nutritional tonic for physical fatigue	Domestic : ¥1.3 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. Generic drugs and others are supplied from the Company to Tanabe Seiyaku Hanbai Co., Ltd, then to pharmaceutical wholesalers. 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.

(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 addition, Medicago, Inc. which jointed the Group from September, 2013, works in research and development of vaccines.

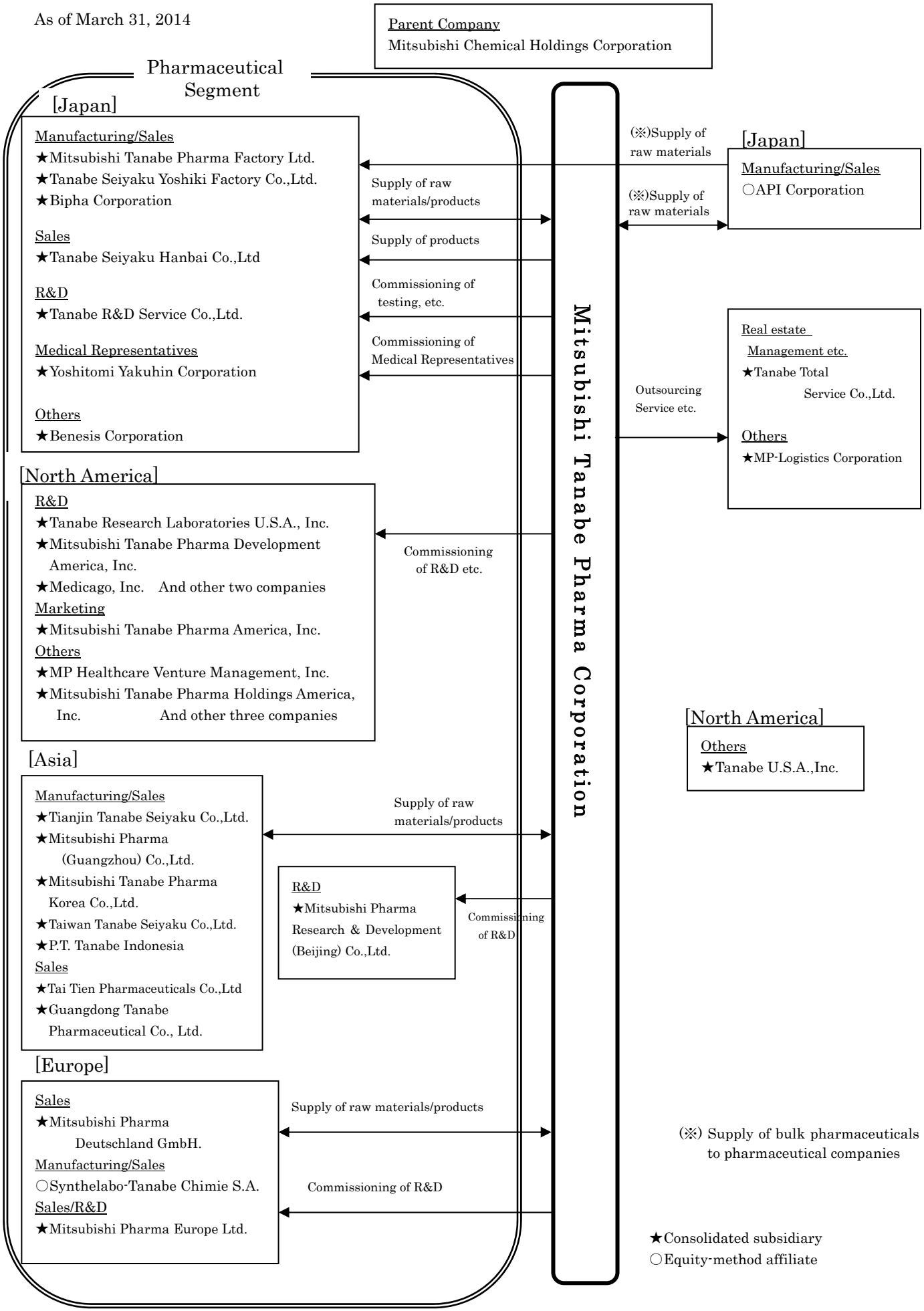
In Europe, Mitsubishi Pharma Deutschland GmbH. conducts sales. The Company also outsources certain development operations to Mitsubishi Pharma Europe Ltd.

[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.

Business organization chart is as follows;

As of March 31, 2014



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

1. Progress of "Medium-Term Management Plan 11-15 ～New Value Creation"

In 2011, the Group has formulated "Medium-Term Management Plan 11-15 ～New Value Creation" (From April, 2011 to March, 2016). The Group is working to discover new drugs that respond to unmet medical needs and to establish a foundation for the provision of those drugs on a global basis.

This Medium-Term Management Plan contains four strategic challenges: (1) Bolstering Our Ability to Discover New Drugs; (2) Advancing Domestic Operations, Centered on New Products, (3) Building a Foundation for the Expansion of Overseas Operations, and (4) Accelerating Operational and Structural Reforms. Through the steady implementation of these issues, the Group will become a "Company that Can Continue to Create New Value."

Main progress of these issues in the current fiscal year is as follows;

(1) Bolstering Our Ability to Discover New Drugs

During the period of the current Medium-Term Management Plan, the Group aims to build a system that can launch 10 new products, advance 8 compounds to late-stage development, and commence clinical trials for 3 development compounds. On that basis, the Group is striving to strengthen its pipeline.

In September 2013, the Company acquired Medicago, Inc., which has new technology of manufacturing vaccines in order to bolster the pipeline of the vaccine field and expand into its global market.

Moving forward, the Group will continue to reinforce its foundation for the in-house drug discovery process and to enhance its ability to discover new drugs that respond to unmet medical needs. To that end, the Group will actively work in cooperation with external resources, such as clinical academia and venture companies.

(2) Advancing Domestic Operations, Centered on New Products

In addition to priority products including Remicade, the Group will also provide accurate information based on global evidence for products newly launched during the period of the plan, and provide them to as many patients as possible. In the marketing organization, the Group will establish a "T-shaped" marketing system in which specialized MRs will backup generalist MRs. In addition, the Group will establish an information provision system that can provide on-demand responses to customer needs in a wide range of fields.

In the fiscal year, the Company has been in challenging situation because of further acceleration in measures to promote the use of generic products, even though Remicade, one of the priority products, and newly launched products showed favorable progress. In this situation, with the recognition that it is important to maximize the product's value for major and newly launched products promptly, the Company will implement the collaboration with other companies and the steady approach of life-cycle management. Also the Company will surely conduct the provision of the needed evidences, additional indications and additional dosage form. Furthermore, the Company will handle of increasing product's value of highly-vaunted drugs which are widely used in medical front, and drugs which

do not have any other alternatives.
Especially, in the diabetes field, the Company filed an NDA for TA-7284 (Canagliflozine) as SGLT2 inhibitor in May 2013, following Tenelia as DPP-4 inhibitor. The Company will strive to make a further contribution to the field of diabetes treatment by implementing activities to ensure the provision of accurate and detailed information of these two type 2 diabetes treatment agents with different mechanisms of action. These activities will based on the information provision system that the Company established through a strategic sales agreement with Daiichi Sankyo Co., Ltd. This system is the largest of its kind in Japan. The Group will continue to contribute the improvements in the treatment and QOL of patients through the post-marketing development of priority products and these new products.

(3) Building a Foundation for the Expansion of Overseas Operations
In industrially developed markets in Europe, the United States, and other regions, the Group is developing and expanding innovative and cost competitive products that respond to unmet medical needs. In this endeavor, the Group will consider utilizing alliances with other companies.
In developing countries market such as China and Asia, the Group will work to rapidly launch products that have been approved in industrially developed markets and the Group will aggressively promote products that match market characteristics and needs. For implementing above, the Company positively works on acquiring management resources and products. In addition, the Company aims to strengthen and expand its business foundation in the global market.
In April 2013, approval was received in Germany and Austria for BindRen, a treatment agent for hyperphosphatemia. In the future, the Group will steadily develop the operations in Europe, centered on BindRen and Argatroban.
Overseas subsidiaries, Tianjin Tanabe Seiyaku Co., Ltd. and P.T. Tanabe Indonesia, started to build pharmaceutical production buildings in order to prepare overseas manufacturing capability. As a result, these companies as local manufacturing bases, will strive to ensure products quality and maintain a stable supply.
In regard to products licensed overseas, Gilenya, a treatment agent for multiple sclerosis, licensed to Novartis, has been launched all over the world. Gilenya has been prescribed to patients who suffer from this disease, and comes to be a blockbuster drug.
Moreover, approvals were received in Europe for TA-1790, a treatment for ED, licensed to Vivus in June 2013, and for TA-7284, licensed to Janssen Pharmaceuticals in November 2013. In the future, the Group expects that the royalty revenue from these products becomes a major pillar of the Group's return.

(4) Accelerating Operational and Structural Reforms
The Group will accelerate the consolidation and reorganization of the research, production, and head office functions, thereby establishing an organization with both improved functions/productivity and lower costs. In addition, to focus the resources on the pharmaceutical business, the Group will implement operational restructuring measures in order to maximize enterprise value and achieve overall optimization of the Mitsubishi Tanabe Pharma Group. Furthermore, by strengthening human resources / organizations that can contribute to global business development, the Group will become a company that can continue to create new value.
In August 2013, the Company decided that the current five existing production sites of the Company's domestic manufacturing subsidiary, Mitsubishi Tanabe Pharma Factory Ltd., will be consolidated into a two-plant system comprising the Onoda and Yoshitomi plants in order to set up a new pharmaceutical supply system at a global level and shift to a flexible and effective production system that is resistant to changes in the business environment. In accordance with this policy, the Company first transferred Mitsubishi Tanabe Pharma Factory's Ashikaga Plant to CMIC HOLDINGS Co., Ltd. on April 1, 2014. The Company plans to close the Kashima and Osaka plants by the end of the fiscal year ending March 2018 and is making preparations, including transferring product lines manufactured at

these plants.
On the other hand, the Company broke ground for Osaka Head Office building and Kashima Office building, respectively to strengthen and streamline headquarters functions.
Furthermore, the Company devotes the utmost efforts towards operational and structural reforms. In this endeavor, the Company will transform its management culture into strong and lean one through the following actions without exceptions, such as re-examination of business process, reform of purchase system, personnel system reform, improvement of the organization and needed personnel and further re-examination of poorly-performing business.
In this way, with "contributing to patients" as its highest priority, the Group will strive to provide pharmaceuticals that meet medical needs in the optimal form for patients and will work to further strengthen its management systems.

When the Company announced its Medium-Term Management Plan, the Company set targets for the fiscal year ending March 31, 2016, of ¥500.0 billion for net sales and ¥100.0 billion for operating income. Even after the Company implemented the various business challenges as above, there was a significant impact such as the rapid deterioration of the business environment surrounding the Company. As a result, the Company revises the targets for the fiscal year ending March 31, 2016, of ¥410.0 billion for net sales and ¥65.0 billion for operating income. The Company will focus all efforts on achieving its goal.

2. Business improvement order based on the Pharmaceutical Affairs Law

On September 30, 2013, Bipha Corporation, the consolidated subsidiary of the Company and the Company received a business improvement order from the Minister of Health, Labour and Welfare in regard to the manufacture and sales of Medway Injection, which are recombinant human serum albumin products by the addition of an ingredient that is not listed in the approval documentation. Both companies designed the plans regarding business improvement measures and recurrence countermeasures. 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Year / Accounts	As of March 31, 2013 Amount	As of March 31, 2014 Amount
Assets		
Current assets		
Cash and time deposits ※3	20,281	27,187
Notes and accounts receivable, trade	129,868	123,537
Marketable securities	63,993	106,470
Merchandise and finished goods	67,944	70,406
Work in process	717	998
Raw materials and supplies	24,122	22,296
Deposits	151,554	172,149
Deferred income taxes	8,373	8,153
Other	9,877	9,335
Less allowance for doubtful receivables	(43)	(39)
Total current assets	476,686	540,492
Fixed assets		
Property, plant and equipment		
Buildings and structures, net ※1	33,833	33,398
Machinery, equipment and vehicles, net ※1	12,271	16,384
Tools, furniture and fixtures, net ※1	4,835	6,017
Land	38,998	38,346
Leased equipment, net ※1	59	542
Construction in progress	2,287	3,653
Total property, plant and equipment	92,283	98,340
Intangible fixed assets		
Goodwill	99,527	96,180
Software	2,428	3,891
Other	2,204	33,021
Total intangible fixed assets	104,159	133,092
Investments and other assets		
Investment in securities ※2	120,984	71,583
Deferred income taxes	4,173	677
Prepaid pension expenses	36,883	–
Net defined benefit asset	–	16,305
Other	31,608	25,989
Less allowance for doubtful receivables	(2)	(2)
Total investments and other assets	193,646	114,552
Total fixed assets	390,088	345,984
Total assets	866,774	886,476

(Millions of yen)

Year / Accounts	As of March 31, 2013 Amount	As of March 31, 2014 Amount
Liabilities		
Current liabilities		
Notes and accounts payable, trade	38,072	33,986
Short-term debt	1,174	1,225
Current maturities of long-term debt	—	128
Accounts payable, other	15,589	16,773
Income taxes payable	16,191	10,161
Reserve for employees' bonuses	10,291	10,169
Reserve for sales returns	139	106
Reserve for sales rebates	9	10
Other	4,653	9,279
Total current liabilities	86,118	81,837
Long-term liabilities		
Long-term debt, less current maturities	—	958
Deferred income taxes	8,365	13,356
Accrued retirement benefits for employees	9,443	—
Reserve for health management allowances for HIV compensation	1,627	1,576
Reserve for health management allowances for SMON compensation	3,172	2,976
Reserve for HCV litigation	3,593	2,634
Net defined benefit liability	—	2,146
Other	1,534	3,156
Total long-term liabilities	27,734	26,802
Total liabilities	113,852	108,639
Net assets		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	451,186	451,186
Retained earnings	243,621	266,575
Treasury stock, at cost	(487)	(490)
Total shareholders' equity	744,320	767,271
Accumulated other comprehensive income		
Unrealized holding gains (losses) on securities	7,189	8,747
Deferred gains (losses) on hedges	1,640	493
Translation adjustments	(5,220)	(2,399)
Remeasurements of defined benefit plans	—	(8,066)
Total accumulated other comprehensive income	3,609	(1,225)
Minority interests	4,993	11,791
Total net assets	752,922	777,837
Total liabilities and net assets	866,774	886,476

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

(Consolidated Statements of Income)

(Millions of yen)

Year / Accounts	April 1, 2012 – March 31, 2013 Amount	April 1, 2013 – March 31, 2014 Amount
Net sales	**419,179**	**412,675**
Cost of sales ※1,2	166,416	169,397
Reversal of reserve for sales returns	28	34
Gross profit	252,791	243,312
Selling, general and administrative expenses		
Advertising expenses	3,832	3,592
Sales promotion expenses	10,659	10,384
Salaries and allowances	32,216	31,574
Provision for bonuses	5,721	5,615
Retirement benefit expenses	5,329	3,006
Depreciation and amortization	1,290	1,466
Research and development expenses ※2	66,530	70,405
Amortization of goodwill	10,294	10,637
Provision of reserve for health management allowances for SMON compensation	70	—
Other	47,882	47,514
Total selling, general and administrative expenses	183,823	184,193
Operating income	**68,968**	**59,119**
Non-operating income		
Interest income	1,708	1,527
Dividend income	781	848
Equity in earning of affiliates	369	595
Rent income	291	332
Foreign exchange gain	—	2,527
Other	1,334	1,039
Total non-operating income	4,483	6,868
Non-operating expenses		
Interest expense	70	90
Foreign exchange loss	1,137	—
Adjustment for salaries for employees on secondment	490	799
Donations	474	659
Other	1,888	2,566
Total non-operating expenses	4,059	4,114
Ordinary income	**69,392**	**61,873**

(Millions of yen)

Year / Accounts	April 1, 2012 – March 31, 2013 Amount	April 1, 2013 – March 31, 2014 Amount
Extraordinary income		
Profit on arbitration award ※3	—	11,011
Gain on sale of investment in securities	935	2,412
Gain on sales of property, plant and equipment ※4	2,957	994
Gain on step acquisitions ※5	—	930
Gain on transfer of business ※6	354	—
Total extraordinary income	4,246	15,347
Extraordinary loss		
Special retirement expenses ※7	—	2,603
Loss on impairment of fixed assets ※8	756	1,372
Loss on valuation of investment in securities	257	594
Loss on sales of investment in securities	391	13
Loss on business integration ※9	2,269	—
Provision of reserve for HCV litigation	2,020	—
Other	254	197
Total extraordinary losses	5,947	4,779
Income before income taxes and minority interests	**67,691**	**72,441**
Income taxes-current	26,926	22,377
Income taxes-deferred	(1,188)	4,655
Total income taxes	25,738	27,032
Net income before minority interests	41,953	45,409
Minority interests	61	16
Net income	**41,892**	**45,393**

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

Year / Accounts	April 1, 2012 – March 31, 2013 Amount	April 1, 2013 – March 31, 2014 Amount
Income before minority interests	**41,953**	**45,409**
Other comprehensive income		
Unrealized holding gains (losses) on securities	7,273	1,558
Deferred (losses) gains on hedges	1,547	(1,147)
Translation adjustments	4,743	3,240
Share of other comprehensive income of associates accounted for by the equity method	25	55
Total other comprehensive income	13,588	3,706
Comprehensive income	**55,541**	**49,115**
(Breakdown)		
Comprehensive income attributable to		
Shareholders of the Company	54,624	48,625
Minority interests	917	490

(3) Consolidated Statements of Changes in Net Assets

April 1, 2012 – March 31, 2013

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the period	50,000	451,186	224,168	(486)	724,868
Changes of items during the period					
Cash dividends			(22,439)		(22,439)
Net income for the year			41,892		41,892
Increase in treasury stock				(1)	(1)
Decrease in treasury stock				0	0
Net changes in items other than shareholders' equity					
Total changes of items during the period	—	—	19,453	(1)	19,452
Balance at the end of current period	50,000	451,186	243,621	(487)	744,320

(Millions of yen)

	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized holding (losses) gains on securities	Deferred gains (losses) on hedges	Translation adjustments	Remeasure-ments of defined benefit plans	Total Accumulated other comprehensive income		
Balance at the beginning of the period	(82)	93	(9,134)	—	(9,123)	5,740	721,485
Changes of items during the period							
Cash dividends							(22,439)
Net income for the year							41,892
Increase in treasury stock							(1)
Decrease in treasury stock							0
Net changes in items other than shareholders' equity	7,271	1,547	3,914	—	12,732	(747)	11,985
Total changes of items during the period	7,271	1,547	3,914	—	12,732	(747)	31,437
Balance at the end of current period	7,189	1,640	(5,220)	—	3,609	4,993	752,922

April 1, 2013 – March 31, 2014

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the period	50,000	451,186	243,621	(487)	744,320
Changes of items during the period					
Cash dividends			(22,439)		(22,439)
Net income for the year			45,393		45,393
Increase in treasury stock				(3)	(3)
Net changes in items other than shareholders' equity					
Total changes of items during the period	—	—	22,954	(3)	22,951
Balance at the end of current period	50,000	451,186	266,575	(490)	767,271

(Millions of yen)

	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Translation adjustments	Remeasure-ments of defined benefit plans	Total Accumulated other comprehensive income		
Balance at the beginning of the period	7,189	1,640	(5,220)	—	3,609	4,993	752,922
Changes of items during the period							
Cash dividends							(22,439)
Net income for the year							45,393
Increase in treasury stock							(3)
Net changes in items other than shareholders' equity	1,558	(1,147)	2,821	(8,066)	(4,834)	6,798	1,964
Total changes of items during the period	1,558	(1,147)	2,821	(8,066)	(4,834)	6,798	24,915
Balance at the end of current period	8,747	493	(2,399)	(8,066)	(1,225)	11,791	777,837

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Year / Accounts	April 1, 2012 – March 31, 2013	April 1, 2013 – March 31, 2014
Cash flows from operating activities:		
Income before income taxes and minority interests	67,691	72,441
Depreciation and amortization	8,438	9,122
Loss on impairment of fixed assets	756	1,372
Amortization of goodwill	10,294	10,637
Increase (decrease) in accrued retirement benefits for employees	(1,201)	(9,443)
Increase (decrease) in net defined benefit liability	—	7,893
Decrease (increase) in prepaid pension expenses	5,218	36,883
Decrease (increase) in net defined benefit asset	—	(34,482)
Increase (decrease) in reserve for HCV litigation	1,073	(959)
Increase (decrease) in reserve for loss of disaster	(40)	—
Interest and dividend income	(2,489)	(2,375)
Loss (gain) on sales and disposal of fixed assets	(2,767)	(709)
Loss (gain) on transfer of business	(354)	—
Profit on arbitration award	—	(11,011)
Loss (gain) on step acquisitions	—	(930)
Loss (gain) on sale of investment in securities	(544)	(2,399)
Loss (gain) on valuation of investment in securities	257	594
Equity in (earnings) losses of affiliates	(369)	(595)
Loss on business integration	2,269	—
Decrease (increase) in notes and accounts receivable, trade	(1,869)	6,570
Decrease (increase) in inventories	(17,704)	(702)
Increase (decrease) in notes and accounts payable, trade	8,584	(4,071)
Increase (decrease) in accounts payable, other	(716)	803
Other, net	(723)	3,797
Subtotal	75,804	82,436
Interest and dividends received	2,747	3,473
Interest paid	(60)	(91)
Proceeds from arbitration award	—	12,208
Income taxes paid	(17,902)	(28,130)
Ner cash provided by (used in) operating activities:	60,589	69,896

Year / Accounts	April 1, 2012 – March 31, 2013	April 1, 2013 – March 31, 2014
Cash flows from investing activities:		
Purchase of marketable securities	(64,250)	(38,000)
Proceeds from sales and redemption of marketable securities	54,945	60,371
Increase in time deposits	(611)	(11,142)
Decrease in time deposits	978	9,265
Increase in deposits	(20,720)	(20,677)
Decrease in long-term deposits	1,875	—
Purchase of property, plant and equipment	(8,681)	(12,302)
Proceeds from sales of property, plant and equipment	10,157	2,919
Purchase of intangible fixed assets	(2,142)	(2,038)
Purchase of investment in securities	(6,830)	(2,329)
Proceeds from sales and redemption of investment in securities	6,283	11,241
Purchase of investment in subsidiaries	(6,015)	(3,692)
Purchase of investment in subsidiaries resulting in consolidation scope change	—	(17,897)
Proceeds from transfer of business	1,384	—
Other, net	(1,341)	(63)
Net cash provided by (used in) investing activities	(34,968)	(24,344)
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	(1,208)	(168)
Increase (decrease) in long-term debt	—	1,011
Proceeds from stock issuance to minority shareholders	—	581
Cash dividends paid	(22,439)	(22,439)
Other, net	(30)	(83)
Net cash provided by (used in) financing activities	(23,677)	(21,098)
Effect of exchange rate change on cash and cash equivalents	2,457	1,758
Net increase (decrease) in cash and cash equivalents	4,401	26,212
Cash and cash equivalents at beginning of year	54,344	58,745
Cash and cash equivalents at end of year	58,745	84,957

(5) Notes of Consolidated Financial Statements

(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 31 consolidated subsidiaries. The names of the principal consolidated subsidiaries are not presented here because they are included in the Consolidation of Corporate Group section. In the current fiscal year under review, the Company sold its all shareholding in Tanabe Europe N.V., and as a result, it was removed from the scope of consolidation. And the consolidated financial results of the current fiscal year included the results of Tanabe Europe N.V. for the first quarter ended June 30, 2013, because the deemed date of stock sales was set on June 30, 2013.

MTPC Holdings Canada, Inc., newly established, was included in the Company's scope of consolidation in the second quarter ended September 30, 2013. And the Company acquired shares of Medicago Inc. through MTPC Holdings Canada, Inc. and as a result, Medicago Inc. was added to the scope of consolidation.

2. Application of the equity method

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

Non-consolidated subsidiaries of Tanabe Seiyaku Malaysia and other 1 company, and affiliated companies of Arkema Yoshitomi, Ltd., and other 2 companies 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

Among the consolidated subsidiaries, Tianjin Tanabe Seiyaku Co.,Ltd. and other 5 companies have fiscal years ending on December 31. The financial statements based on the provisional settlement of account as of March 31, are used for preparing the consolidated financial statements.

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

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 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 have 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 Company and certain of its consolidated subsidiaries have recorded the estimated amount based on the historical sales returns to provide for losses for sales returns.

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 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.

f. 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.

g. 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," (hereafter, the Special Law), 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) Accounting treatment of retirement benefits for employees:

a. Method of recording expected retirement benefits in proper terms

In calculating expected retirement benefits, the Company basically employs a standard for recording a fixed amount for each term.

b. Accounting for actuarial difference and prior service costs

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.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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 accounting policies)

(Application of Accounting Standard for Retirement Benefits)

From the end of the fiscal year under review, the Company has applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; hereinafter the "Guidance on Retirement Benefits") (except for the provisions set forth in Clause 35 of Accounting Standard for Retirement Benefits and in Clause 67 of Guidance on Retirement Benefits). The Company has changed its accounting method to post retirement benefit obligations less pension assets as net defined benefit asset/liability and posts an unrecognized actuarial difference and unrecognized prior service costs as net defined benefit asset/liability.

The application of Accounting Standard for Retirement Benefits is subject to the transitional accounting treatment set forth in Clause 37 of Accounting Standard for Retirement Benefits. As the end of the fiscal year under review, the Company has added the effect of the change in the accounting policy to remeasurements of defined benefit plans in accumulated other comprehensive income. As a result, the Company recorded ¥16,305 million of net defined benefit asset, and ¥2,146 million of net defined benefit liability, at the end of the year under review. In addition, accumulated other comprehensive income decreased ¥8,066 million.

Furthermore, net assets per share decreased ¥14.38.

(Notes relating to consolidated balance sheets)

*1. Accumulated depreciation of property, plant and equipment (millions of yen)

	As of March 31, 2013	As of March 31, 2014
Accumulated depreciation	186,046	187,764

Accumulated impairment loss amouting to ¥1,306 million, and ¥1,149 million are included in accumulated depreciation for the years ended March 31, 2014 and 2013, respectively.

*2. Investment in non-consolidated subsidiaries and affiliated company (millions of yen)

	As of March 31, 2013	As of March 31, 2014
Investment in securities (stock)	5,040	4,547

*3. Assets pledged as collateral (millions of yen)

	As of March 31, 2013	As of March 31, 2014
Cash and deposits	12	7

Cash and deposits (time deposits) in collateral is provided as deposits for opening letters of credit.

4. Contingent liabilities

Liabilities for guarantees

(Guarantees for loans from financial institutions) (millions of yen)

	As of March 31, 2013	As of March 31, 2014
Employees' housing fund	66	54

(Notes relating to consolidated statements of income)

*1. The amount of year-end inventories is calculated after reducing book value in accordance with declines in profitability.
The following valuation loss of year-end inventories is included in cost of sales.

(millions of yen)

	Apr.1, 2012- Mar.31, 2013	Apr.1, 2013- Mar.31, 2014
Valuation loss of year-end inventories	1,823	1,916

*2. Research and development expenses included in general administrative expenses

	Apr.1, 2012- Mar.31, 2013	Apr.1, 2013- Mar.31, 2014
Research and development expenses	66,530	70,405

No research and development expenses were included in manufacturing expenses.

*3. Profit on arbitration award
The Company received an arbitration decision from the International Chamber of Commerce(ICC) in a dispute with Janssen Biotech Inc.(U.S). The dispute involved the supply price for Remicade, an anti-TNF α monoclonal antibody sold by the Company in Japan. The Company submitted the request for arbitration to the International Chamber of Commere(ICC) requesting a revision in the supp price in accordance with the development and distribution agreement, and the arbitration decision awarded a reduction in the supply price. Consequently, in August 2013, ¥12,208 million of arbitration award was reimbursed to the Company, including the overpayment attributable to the previous purchase price on and after April 1, 2008. Of the proceeds from arbitration award, the amounts corresponding to the beginning inventory for the fiscal year under review were allocated to cost of sales or merchandise and finishe goods. The rest of them, offsetting a contingency fee to a lawyer was recorded as extraordinary income.

*4. Gain on sales of property, plant and equipment is principally from the sale of land and buildings.

*5. Gain on step acquisitions is from the additional acquisition of shares of Medicago, Inc. to be a consolidated subsidiary.

*6. Gain on transfer of business is from the transfer of fine chemical operations (manufacture, purchase and sale of chemical products).

*7. Special retirement expenses
Extra retirement expenses resulting from the transfer of employment, related to the transfer of business.

*8. 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.

Previous fiscal year (April 1, 2012 to March 31, 2013)
For the fiscal year under review, the amount of the write-down (¥756 million) was recorded as an impairment loss under extraordinary losses.
The following are the primary assets on which impairment losses were recognized:

Location	Use	Type
Mitsubishi Tanabe Pharma No.2 Nabari Training Center (Nabari-City, Mie)	Training facility	Land, buildings and structures
Mitsubishi Tanabe Pharma Former Fukusaki Laboratory (Kanzaki-Gun, Hyogo)	Idle asset	Land, buildings and structures
Mitsubishi Tanabe Pharma Former Hirakata Laboratory (Hirakata-City, Osaka)	Idle asset	Land

Breakdown by location
・No.2 Nabari Training Center (Mitsubishi Tanabe Pharma)
¥184 million (Land – ¥60 million; Buildings and structures – ¥124 million)
・Former Fukusaki Laboratory (Mitsubishi Tanabe Pharma)
¥121 million (Land – ¥120 million; Buildings and structures – ¥1 million)
・Former Hirakata Laboratory (Mitsubishi Tanabe Pharma)
¥324 million (Land – ¥324 million)

As the Company decided to sell No.2 Nabari Training Center, the former Fukusaki Laboratory and the former Hirakata Laboratory, the book value of those assets was written down to their recoverable value. The recoverable value is the net sales amount, calculated using an estimated sales value.

Current fiscal year (April 1, 2013 to March 31, 2014)
For the fiscal year under review, the amount of the write-down (¥1,372 million) was recorded as an impairment loss under extraordinary losses.
The following are the primary assets on which impairment losses were recognized:

Location	Use	Type
Mitsubishi Tanabe Pharma Former Yoshitomi Laboratory (Chikujou-Gun, Fukuoka)	Idle asset	Buildings and structures
Mitsubishi Tanabe Pharma Former Shikoku Branch (Takamatsu-City, Kagawa)	Idle asset	Land, buildings and structures
Mitsubishi Tanabe Pharma Former Nihonbashi Building (Chuo-Ku, Tokyo)	Idle asset	Buildings, structures, tools, furniture and fixtures
Mitsubishi Tanabe Pharma Former Neyagawa Distribution Center (Neyagawa-City, Osaka)	Idle asset	Land

Breakdown by location
・Former Yoshitomi Laboratory (Mitsubishi Tanabe Pharma)
¥611 million (Buildings and structures – ¥111 million; Demobilization cost – ¥500 million)
As the Company decided to dismantle Former Yoshitomi Laboratory, the book value of those assets was written down to their recoverable value. The recoverable value is the utility value, calculated using estimated cash inflows.
・Former Shikoku Branch (Mitsubishi Tanabe Pharma)
¥106 million (Land – ¥78 million; Buildings and structures – ¥28 million)
As the Company decided to sell Former Shikoku Branch, the book value of those assets was written down to their recoverable value. The recoverable value is the net sales amount, calculated using an estimated sales value.
・Former Nihonbashi Building (Mitsubishi Tanabe Pharma)
¥357 million (Buildings and structures – ¥229 million; Tools, furniture and fixtures – ¥4 million; Demobilization cost – ¥124 million)
As the Company decided to dismantle Former Nihonbashi Building, the book value of those assets was written down to their recoverable value (memorandum value).
・Former Neyagawa Distribution Center (Mitsubishi Tanabe Pharma)
¥198 million (Land – ¥198 million)
As the Company decided to sell Former Neyagawa Distribution Center, the book value of those assets was written down to their recoverable value. The recoverable value is the net sales amount, calculated using an estimated sales value.

*9. Loss on business integration is mainly from the disposal of assets for the integration of the plasma fractionation operations between Benesis Corporation, the consolidated subsidiary and the Japanese Red Cross Society.

(Notes to Consolidated Statements of Changes in Net Assets)

Previous Fiscal Period (April 1, 2012 to March 31, 2013)

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

	Number of shares at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at end of the fiscal year
Shares outstanding (common stock)	561,417	–	–	561,417
Total	561,417	–	–	561,417
Treasury stock (common stock)	423	1	0	424
Total	423	1	0	424

Notes

1. The increase of 1 thousand shares in the number of shares of treasury stock (common stock) was due to the purchase of one thousand shares constituting less than one unit.
2. The decrease of 0 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, 2012, the following was approved.

Common stock dividends

Total amount of dividends	11,219 millions of yen
Dividend per share	20 yen
Record date	31-Mar-12
Effective date	25-Jun-12

The following plan was adopted at the Board of Directors meeting held on October 29, 2012.

Common stock dividends

Total amount of dividends	11,219 millions of yen
Dividend per share	20 yen
Record date	30-Sep-12
Effective date	3-Dec-12

(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 21, 2013.

Common stock dividends

Total amount of dividends	11,219 millions of yen
Funds for dividends	Retained earnings
Dividend per share	20 yen
Record date	31-Mar-13
Effective date	24-Jun-13

Current Fiscal Period (April 1, 2013 to March 31, 2014)

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

	Number of shares at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at end of the fiscal year
Shares outstanding (common stock)	561,417	–	–	561,417
Total	561,417	–	–	561,417
Treasury stock (common stock)	424	1	–	426
Total	424	1	–	426

Notes

1. The increase of 1 thousand shares in the number of shares of treasury stock (common stock) was due to the purchase of one thousand 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 21, 2013, the following was approved.

Common stock dividends

Total amount of dividends	11,219 millions of yen
Dividend per share	20 yen
Record date	31-Mar-13
Effective date	24-Jun-13

The following plan was adopted at the Board of Directors meeting held on October 30, 2013.

Common stock dividends

Total amount of dividends	11,219 millions of yen
Dividend per share	20 yen
Record date	30-Sep-13
Effective date	2-Dec-13

(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 20, 2014.

Common stock dividends

Total amount of dividends	11,219 millions of yen
Funds for dividends	Retained earnings
Dividend per share	20 yen
Record date	31-Mar-14
Effective date	23-Jun-14

(Notes relating to consolidated statements of cash flows)

1. The reconciliation of items in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of the end of the fiscal year

(millions of yen)

	Apr.1, 2012–Mar.31, 2013	Apr.1, 2013–Mar.31, 2014
Cash and deposits	20,281	27,187
Time deposits maturing after three months	(2,388)	(4,819)
Short-term marketable securities maturing within three months from acquisition date	20,593	42,000
Cash equivalents included in short-term loans (other in current assets)※1	177	589
Cash equivalents included in deposits ※2	20,082	20,000
Cash and cash equivalents	58,745	84,957

※1 CMS (Cash management servise)
※2 Deposits (within 3 months)

2. Assets and liabilities of newly consolidated subsidiaries through acquisition of shares for the fiscal year ended Mar
Breakdown of assets and liabilities of Medicago that became a consolidated subsidiary due to acquisition of shares a
the consolidation as well as the relationship between the acquisition cost of Medicago's shares and the cost (net) of
acquisition are presented below.

	(millions of yen)
Current assets	2,001
Fixed assets	32,892
Goodwill	7,029
Current liabilities	(714)
Long-term liabilities	(11,092)
Minority interests	(9,234)
Acquisition costs of shares	20,882
Book value on a consolidated basis prior to additional acquisition	(783)
Gain on step acquisitions	(930)
Cash and cash equivalents	(1,272)
Balance: purchase of investments in subsidiaries resulting in change of consolidation	17,897

(Business combination related)

1 Business combination through acquisition

1. Outline of the transaction

(1) Name and business of combined company

Name: Medicago Inc. and its two wholly-owned subsidiaries

Business activities: R&D in VLP (Virus Like Particles) vaccines using a transient expression system in plants.

(2) Name of company after business combination

There is no change in the name.

(3) Purpose of business combination

The Company decided that Medicago's VLP technology was highly useful, that it could be employed to manufacture efficiently a wide variety of vaccines, and that the acquisition of Medicago would enable the Company to further strengthen its pipeline. Consequently, the Company acquired, together with Philip Morris Investments B.V. (head office: New York States, U.S.) which is a subsidiary of Philip Morris International Inc. (head office: Bergen op Zoom, the Netherlands), the entire share of Medicago.

The Company and its subsidiary owned 60.0% shares of Medicago.

(4) Date of business combination

September 18, 2013

(5) Legal form of business combination

Acquisition of shares for cash consideration

(6) Percentage of acquired voting rights

Percentage of voting rights owned prior to the business combination:	5.8%
Percentage of voting rights acquired at the time of business combination:	54.2%
Percentage of voting rights after acquisition:	60.0%

2. Period for which the acquired company's results are included in the consolidated financial statements

From October 1, 2013 to December 31, 2013

3. Acquisition cost of acquired company and its breakdown

Fair value of Medicago's shares held prior to the business combination as of the date of the business combination:		¥1,713 million
Consideration for acquisition of Medicago's shares:	Cash and deposits:	¥18,487 million
Expenditures directly related to acquisition:	Advisory expenses:	¥682 million
Acquisition cost		¥20,882 million

4. Difference between the acquisition cost and the total cost of each transaction in the acquisition

Gain on step acquisitions: ¥930 million

5. Amount of goodwill, reason for recognition, amortization method and amortization period

(1) Amount of goodwill: ¥7,029 million

(2) Reason for recognition

As the acquisition cost of the shares exceeded the net amount of assets acquired and liabilities assumed, the excess amount was regarded as goodwill.

(3) Amortization method and amortization period

Straight-line method over 15 years

6. Amounts of assets acquired and liabilities assumed on the date of the business combination and its breakdown

Current assets	¥2,001 million
Fixed assets	¥32,892 million
Total assets	¥34,893 million
Current liabilities	¥714 million
Long-term liabilities	¥11,092 million
Total liabilities	¥11,806 million

Note) The amount of goodwill mentioned in 5 above is not included in the amounts of assets and liabilities.

7. Allocation of acquisition cost

In the allocation of the acquisition cost, in-process R&D costs amounting to 29,797 million yen were allocated to intangible fixed assets other than goodwill. The intangible assets are planned to be amortized over the estimated useful life.

8. The impact of estimated amounts on the consolidated statement of income for the fiscal year under review if it was assumed that the business combination was concluded on April 1, 2013, and the method of calculation

As the impact of estimated amounts on the consolidated statement of income for the fiscal year under review is not significant, the impact has been omitted.

The impact of estimated amounts is not acceted by audit certification.

2 Transactions under common control

1. Outline of the transaction

(1) Name and business of combined company

Name: MP Healthcare Venture Management, Inc.

Business activities: Direct investment in venture companies

(2) Date of business combination

August 2, 2013

(3) Legal form of business combination

Additional acquisition of subsidiary's shares

(4) Name of company after business combination

There is no change in the name.

(5) Outline and purpose of the transaction

The Company acquired the shares held by minority shareholder to pursue the efficiency in consolidated management.

2. Outline of accounting methods

The Company accounted for as a transaction with minority shareholders under common control based on the Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued December 26, 2008).

3. Additional acquisition of subsidiary's shares

(1) Acquisition cost and its breakdown

Acquisition price	Cash and deposits	¥3,452 million
Expenditures directly related to acquisition	Advisory expenses	¥7 million
Acquisition cost		¥3,459 million

(2) Amount of goodwill, reason for recognition, amortization method and amortization period

① Amount of goodwill: ¥56 million

② Reason for occurrence

Goodwill resulted from the difference between the acquisition cost of additional acquisition of subsidiary's shares and the decrease in minority interest accompanying such additional acquisition.

③ Amortization method and amortization period

One-time amortization

(Segment Information)

a.Segment information

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.

b.Related information

Previous fiscal year (April 1, 2012 – March 31, 2013)

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

Japan	Europe	Asia	North America	Others	Total
371,444	26,492	16,591	3,940	712	419,179

(Note) Segmentation of countries and regions is based on the location of clients.

(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 (millions of yen)

Customer name	Net sales	Related segment name
SUZUKEN CO., LTD.	72,151	Pharmaceuticals
Toho Pharmaceutical Co., Ltd.	68,379	Pharmaceuticals
Alfresa Corporation	54,970	Pharmaceuticals
MEDICEO CORPORATION	53,652	Pharmaceuticals

Fiscal year under review (April 1, 2013 – March 31, 2014)

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

(millions of yen)

Japan	Europe	Asia	North America	Others	Total
353,300	37,348	15,977	5,627	423	412,675

(Note) Segmentation of countries and regions is based on the location of clients.

(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

(millions of yen)

Customer name	Net sales	Related segment name
SUZUKEN CO., LTD.	74,523	Pharmaceuticals
Toho Pharmaceutical Co., Ltd.	67,790	Pharmaceuticals
Alfresa Corporation	55,259	Pharmaceuticals
MEDICEO CORPORATION	53,697	Pharmaceuticals

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

Previous fiscal year (April 1, 2012 – March 31, 2013)

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

Fiscal year under review (April 1, 2013 – March 31, 2014)

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

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

Previous fiscal year (April 1, 2012 – March 31, 2013)

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

Fiscal year under review (April 1, 2013 – March 31, 2014)

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

e. Information regarding gain on negative goodwill by reportable segment

Previous fiscal year (April 1, 2012 – March 31, 2013)

Not applicable.

Fiscal year under review (April 1, 2013 – March 31, 2014)

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

(Per-Share Data) (yen)

	Apr.1, 2012–Mar.31, 2013	Apr.1, 2012–Mar.31, 2013
Net assets per share	1,333.22	1,365.52
Net income per share	74.67	80.92

(Notes) 1. Fully diluted net income per share are not presented because there are no potential shares.

2. The calculation basis of net income per share is as follows:

	Apr.1, 2012–Mar.31, 2013	Apr.1, 2012–Mar.31, 2013
Net income per share		
Net income (millions of yen)	41,892	45,393
Amount not belonging to shareholders of common stock (millions of yen)	—	—
Net income related to common stock (millions of yen)	41,892	45,393
Average number of shares of common stock outstanding (thousand shares)	560,993	560,992

(Notes) 3. The calculation basis of net assets per share is as follows:

	Apr.1, 2012–Mar.31, 2013	Apr.1, 2012–Mar.31, 2013
Total net assets (millions of yen)	752,922	777,837
Amount deducted from total net assets (millions of yen)	4,993	11,791
[Including minority interests] (millions of yen)	[4,993]	[11,791]
Net assets at year-end available to common stock (millions of yen)	747,929	766,046
Number of shares of common stock at year-end used in the calculation of net assets per share (thousand shares)	560,992	560,991

(Subsequent event)

Not applicable.

(Omission of disclosure)

In notes to the consolidated financial statements, disclosure of some items other than the above items has been omitted because disclosure of these items is not considered to be of significant importance in the summary of financial results.

(6) 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 Special Law). Subsequently, on September 28, 2008, a "basic agreement" for the conclusion of the court action was signed with the nationwide plaintiff group.

After the Special Law was put into effect, in accordance with the procedures determined by the law, patients filed 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 Special 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.

On September 14, 2012, the Special Law was made a partial amendment and promulgated, and the period of suing was extended.

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

【U.S. court action 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.