

Summary of 1st Quarter Financial Results for year ended March 31, 2015 (Japan GAAP) (Consolidated)

July 29, 2014

Company name: Mitsubishi Tanabe Pharma Corporation
 Stock exchange listings: Tokyo
 Securities code number: 4508
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 Title: President and Representative Director
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Planned date of filing of quarterly securities report: August 4, 2014

Planned date of start of dividend payments: —

Provision of supplementary explanatory materials for quarterly results: Yes

Quarterly results presentation: Yes (for institutional investors and investment analysts)

Notes: Amounts less than ¥ 1 million have been rounded.

Percentage changes in the list show change in comparison with the previous 1st quarter.

1. Results for 1st Quarter (April 1, 2014 to June 30, 2014)

(1) Consolidated Business Results

	Net sales		Operating income		Ordinary income	
	Yen million	% change	Yen million	% change	Yen million	% change
1st Quarter of Fiscal 2014	94,559	(9.0)	13,683	(15.7)	14,562	(14.6)
1st Quarter of Fiscal 2013	103,922	(0.4)	16,240	(13.8)	17,061	(13.1)

	Net income		Net income per share	Net income per share (diluted)
	Yen million	% change	Yen	Yen
1st Quarter of Fiscal 2014	9,587	(7.9)	17.09	—
1st Quarter of Fiscal 2013	10,410	(3.9)	18.56	—

(Note) Comprehensive Income ¥7,035 million, (38.6)% (¥11,451 million, (5.4)% in 1st Quarter of fiscal 2013)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Yen million	Yen million	%
As of June 30, 2014	866,376	765,895	87.1
As of March 31, 2014	886,476	777,837	86.4

(Note) Shareholders' equity ¥754,442 million (¥766,046 million in fiscal 2013)

2. Dividends

(Record date)	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	For the year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2013	—	20.00	—	20.00	40.00
Fiscal 2014	—	—	—	—	—
Fiscal 2014(projected)	—	20.00	—	20.00	40.00

(Note) Revision to recently announced dividend forecast: No

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
1st half	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
1st half	21,000	(26.4)	37.43
Full year	40,500	(10.8)	72.19

(Note) Revision to recently announced consolidated results forecast: No

※ Notes

(1) Significant change involving subsidiaries during the period: No
(Change in designated subsidiaries accompanying changes in the scope of consolidation)

(2) Application of special accounting methods in the preparation of quarterly financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatements

1. Change accompanying revision of accounting standards: Yes

2. Other changes: No

3. Change in accounting estimates: No

4. Restatements: No

(Note) For details, please refer to “(1) Changes in accounting policies, changes in accounting estimates, and restatements” under “2. Items Concerning Summary Data (The notes)” on page 5.

(4) Number of shares issued (common stock)

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

1st Quarter of fiscal 2014	561,417,916 shares	Fiscal 2013	561,417,916 shares
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2. Number of shares of treasury stock at the end of the period

1st Quarter of fiscal 2014	427,042 shares	Fiscal 2013	426,862 shares
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3. Average number of shares of during the period (cumulative total)

1st Quarter of fiscal 2014	560,990,959 shares	1st Quarter of fiscal 2013	560,992,796 shares
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*Note regarding implementation of quarterly review procedures

At the time when this summary of 1st quarter financial results was released, the review procedures were in progress for the quarterly financial statements in accordance with the Financial Instruments and Exchange Act.

*Explanation regarding the appropriate use of results forecasts and other matters of special note

(Note about forward-looking information)

In these materials, forecasts of results and other statements about the future are forward-looking statements based on a number of assumptions and beliefs in light of the information available to management as of the date of release of the materials and are subject to risks and uncertainties. Accordingly, the Company cannot make promises to achieve such forecasts. Actual financial results may differ materially from these forecasts depending on a number of important factors.

For matters related to results forecasts, please see page 4.

(Methods of obtaining the supplementary materials and the content of the results presentation)

•Supplementary materials are included from page 12 of this document in section “4. Supplementary information.”

•The Company plans to hold a results presentation (conference call) for institutional investors and securities analysts on July 29, 2014 (Tuesday).

The Company plans to make available on its website the content of the presentation (sound) and the presentation materials immediately after the presentation is held.

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1. [Qualitative Information for 1st Quarter of FY 2014]

(1) Explanation about results of operations

Consolidated operating results in the first quarter of the fiscal year ended March 31, 2015 (April 1, 2014 to June 30, 2014) were as follows.

(millions of yen)

	1 st quarter of FY 2013	1 st quarter of FY 2014	Increase/ Decrease	% change
Net Sales	103,922	94,559	(9,363)	(9.0)
Cost of sales	43,530	39,192	(4,338)	(10.0)
Cost of sales ratio	41.9%	41.4%		
Gross profit	60,392	55,367	(5,025)	(8.3)
SG&A expenses	44,152	41,684	(2,468)	(5.6)
Operating Income	16,240	13,683	(2,557)	(15.7)
Non-operating income/loss	821	879	58	
Ordinary Income	17,061	14,562	(2,499)	(14.6)
Extraordinary income/loss	—	328	328	
Net Income	10,410	9,587	(823)	(7.9)

【Net sales】

Net sales decreased 9.0%, or ¥9.3 billion, year-on-year, to ¥94.5 billion.

(millions of yen)

	1 st quarter of FY 2013	1 st quarter of FY 2014	Increase/ Decrease	% change
Pharmaceuticals	103,426	94,434	(8,992)	(8.7)
Domestic ethical drugs	88,543	77,535	(11,008)	(12.4)
Overseas ethical drugs	5,124	5,288	164	3.2
OTC products	1,139	1,215	76	6.7
Others in Pharmaceuticals	8,620	10,396	1,776	20.6
Others	496	125	(371)	(74.8)

In the pharmaceuticals segment, net sales were ¥94.4 billion, down 8.7%, or ¥8.9 billion, year-on-year.

- Domestic sales of ethical drugs decreased 12.4%, year-on-year, to ¥77.5 billion due to the influence of NHI drug price revision in April 2014 and the growing impact of generics.
- Sales of others in pharmaceuticals increased 20.6%, year-on-year, to ¥10.3 billion due to the increase in royalty revenue from Gilenya, for the treatment of multiple sclerosis, licensed to Novartis and from INVOKANA, for the treatment of type2 diabetes mellitus, licensed to Janssen Pharmaceuticals.

【Operating income】

Operating income decreased 15.7%, or ¥2.5 billion, year-on-year, to ¥13.6 billion.

- Gross profit decreased ¥5.0 billion, year-on-year, to ¥55.3 billion due to the influence of NHI drug price revision. The cost of sales ratio improved by 0.5 percentage points, due to the increase in royalty revenue and the change of sales product mix, despite the influence of NHI drug price revision.
- SG&A expenses decreased ¥2.4 billion, year-on-year, to ¥41.6 billion, due to the decrease in R&D expenses and the labor cost accompanying the decrease in retirement benefit expenses. R&D expenses were ¥16.3 billion, accounting for 17.3% of net sales.

【Ordinary income and net income】

Ordinary income was down 14.6%, or ¥2.4 billion, year-on-year, to ¥14.5 billion, and net income was down 7.9%, or ¥0.8 billion, year-on-year, to ¥9.5 billion.

- In extraordinary income, gain on sales of shares of subsidiaries and associates was ¥0.5 billion. Extraordinary loss was ¥0.2 billion, including loss on valuation of investment in securities.

【Comprehensive income】

Net income before minority interests was ¥9.2 billion and other comprehensive loss was ¥2.1 billion. As a result, comprehensive income was ¥7.0 billion. Comprehensive income attributable to shareholders of the Company was ¥7.9 billion.

(2) Explanation about financial position

【Balance sheets】

(millions of yen)

	End of FY 2013 (As of March 31, 2014)	End of 1 st quarter of FY 2014 (As of June 30, 2014)	Increase/ Decrease
Current assets	540,492	545,128	4,636
Fixed assets	345,984	321,248	(24,736)
Total assets	886,476	866,376	(20,100)
Liabilities	108,639	100,481	(8,158)
Net assets	777,837	765,895	(11,942)
Total liabilities and net assets	886,476	866,376	(20,100)

Total assets at the end of the first quarter were ¥866.3 billion, a decrease of ¥20.1 billion from the end of the previous fiscal year. Major factors causing changes in the balance sheet in comparison with the previous year-end were as follows.

- Cash and time deposits decreased, on the other hand, inventory and notes and accounts receivable, trade increased. Consequently, total current assets were up ¥4.6 billion, to ¥545.1 billion.
- Net defined benefit asset decreased mainly due to the adjustment at the beginning of the first quarter of the fiscal year under review with the application of revised accounting standard for retirement benefits. Consequently, total fixed assets were down ¥24.7 billion from the previous fiscal year-end, to ¥321.2 billion.

- Notes and accounts payable, trade increased. On the other hand, income taxes payable and reserve for employees' bonuses decreased. Consequently, total liabilities were down ¥8.1 billion, to ¥100.4 billion.
- Total net assets were down by ¥11.9 billion, to ¥765.8 billion. Net income was ¥9.5 billion, dividends paid totaled ¥11.2 billion, and the adjustment at the beginning of the first quarter with the application of revised accounting standard for retirement benefits was ¥8.3 billion. As a result, retained earnings decreased ¥9.9 billion. The equity ratio was 87.1%, compared with 86.4% a year earlier.

【Cash flows】

(millions of yen)

	1 st quarter of FY 2013	1 st quarter of FY 2014	Increase/ Decrease
Operating activities	(2,418)	5,144	7,562
Investing activities	9,812	(18,230)	(28,042)
Financing activities	(11,281)	(11,934)	(653)
Change in cash and cash equivalents	(3,201)	(25,352)	(22,151)
At beginning of year	58,745	84,957	26,212
At end of period	55,544	59,605	4,061

Net decrease in cash and cash equivalents was ¥25.3 billion, and the balance of cash and cash equivalents at the end of the period under review was ¥59.6 billion.

- Net cash provided by operating activities was ¥5.1 billion. Cash inflows included income before income taxes and minority interests of ¥14.8 billion, while cash outflows included income taxes paid of ¥9.5 billion.
- Net cash used in investing activities was ¥18.2 billion, due to purchase of marketable securities.
- Net cash used in financing activities was ¥11.9 billion, due in part to dividends paid.

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

There are no revisions to the first half and full-year results forecasts for the fiscal year ending March 31, 2015, which were announced on May 8, 2014.

【Consolidated results forecasts for first half of the current fiscal year (released on May 8, 2014)】

(millions of yen)

	Results for first half of FY 2013	Forecasts for first half of FY 2014	Increase/Decrease	% change
Net sales	202,834	201,000	(1,834)	(0.9)
Operating income	30,459	29,500	(959)	(3.1)
Ordinary income	32,198	30,500	(1,698)	(5.3)
Net income	28,544	21,000	(7,544)	(26.4)

【Consolidated results forecasts for the current fiscal year (released on May 8, 2014)】

(millions of yen)

	Results for FY 2013	Forecasts for FY 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. [Items Concerning Summary Data (The notes)]

(1) Changes in accounting policies, changes in accounting estimates, and restatements

Concerning the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on May 17, 2012), the Company has applied the text in Paragraph 35 of the Accounting Standard for Retirement Benefits and the text in Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits from the first quarter of the fiscal year under review, revising its method of calculating retirement benefit obligations and prior service costs. The method of attributing expected benefit has been changed from a straight-line basis to a benefit formula basis. The bond period used as the basis for determining the discount rate has been changed from a method of referring to the average period to the expected date of payment for retirement benefits to one using a single weighted average discount rate for each expected retirement benefit payment period and expected retirement benefit payment amount.

Regarding the application of the Accounting Standard for Retirement Benefits, in accordance with the transitional treatment stipulated in paragraph 37, from the beginning of the first quarter of the fiscal year under review the amount of change resulting from the method of calculating retirement benefit obligations and prior service costs is added to or deducted from retained earnings.

As a result, net defined benefit asset decreased ¥11,830 million, net defined benefit liability increased ¥1,046 million, and retained earnings decreased ¥8,313 million at the beginning of the first quarter of the fiscal year under review. Furthermore, operating income, ordinary income, and income before income taxes for the first quarter of the fiscal year under review each increased ¥170 million.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

Year Accounts	As of March 31, 2014	As of June 30, 2014
	Amount	Amount
Assets		
Current assets		
Cash and time deposits	27,187	23,167
Notes and accounts receivable, trade	123,537	125,546
Marketable securities	106,470	107,932
Merchandise and finished goods	70,406	74,992
Work in process	998	1,459
Raw materials and supplies	22,296	21,907
Deposits	172,149	172,312
Deferred income taxes	8,153	6,913
Other	9,335	10,940
Less allowance for doubtful receivables	(39)	(40)
Total current assets	540,492	545,128
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	33,398	31,941
Machinery, equipment and vehicles, net	16,384	14,871
Tools, furniture and fixtures, net	6,017	5,709
Land	38,346	38,053
Leased equipment, net	542	554
Construction in progress	3,653	3,740
Total property, plant and equipment	98,340	94,868
Intangible fixed assets		
Goodwill	96,180	93,105
Other	36,912	35,120
Total intangible fixed assets	133,092	128,225
Investments and other assets		
Investment in securities	71,583	67,124
Deferred income taxes	677	485
Net defined benefit asset	16,305	5,648
Other	25,989	24,900
Less allowance for doubtful receivables	(2)	(2)
Total investments and other assets	114,552	98,155
Total fixed assets	345,984	321,248
Total assets	886,476	866,376

(millions of yen)

Year Accounts	As of March 31, 2014	As of June 30, 2014
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable, trade	33,986	39,648
Short-term debt	1,225	—
Current maturities of long-term debt	128	117
Accounts payable, other	16,773	15,815
Income taxes payable	10,161	3,909
Reserve for employees' bonuses	10,169	5,039
Other reserve	116	142
Other	9,279	12,767
Total current liabilities	81,837	77,437
Long-term liabilities		
Long-term debt, less current maturities	958	839
Deferred income taxes	13,356	9,149
Reserve for health management allowances for HIV compensation	1,576	1,576
Reserve for health management allowances for SMON compensation	2,976	2,889
Reserve for HCV litigation	2,634	2,469
Net defined benefit liability	2,146	3,024
Other	3,156	3,098
Total long-term liabilities	26,802	23,044
Total liabilities	108,639	100,481
Net assets		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	451,186	451,186
Retained earnings	266,575	256,630
Treasury stock, at cost	(490)	(490)
Total shareholders' equity	767,271	757,326
Accumulated other comprehensive income		
Unrealized holding gains (losses) on securities	8,747	8,693
Deferred (losses) gains on hedges	493	152
Translation adjustments	(2,399)	(3,966)
Remeasurements of defined benefit plans	(8,066)	(7,763)
Total accumulated other comprehensive income	(1,225)	(2,884)
Minority interests	11,791	11,453
Total net assets	777,837	765,895
Total liabilities and net assets	886,476	866,376

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

(millions of yen)

Year Accounts	April 01, 2013– June 30, 2013	April 01, 2014– June 30, 2014
	Amount	Amount
Net sales	103,922	94,559
Cost of sales	43,530	39,192
Gross profit	60,392	55,367
Selling, general and administrative expenses		
Advertising expenses	809	789
Sales promotion expenses	1,986	1,895
Salaries and allowances	6,423	6,425
Provision for bonuses	2,935	2,726
Retirement benefit expenses	758	305
Depreciation and amortization	332	422
Research and development expenses	17,553	16,346
Amortization of goodwill	2,601	2,699
Other	10,755	10,077
Total selling, general and administrative expenses	44,152	41,684
Operating income	16,240	13,683
Non-operating income		
Interest income	361	390
Dividend income	446	397
Equity in earning of affiliates	353	3
Foreign exchange income	576	483
Other	272	409
Total non-operating income	2,008	1,682
Non-operating expenses		
Interest expense	18	48
Donations	222	237
Taxes and dues	196	122
Other	751	396
Total non-operating expenses	1,187	803
Ordinary income	17,061	14,562
Extraordinary gain		
Gain on sales of shares of subsidiaries and associates	—	560
Total extraordinary income	—	560
Extraordinary loss		
Loss on valuation of investment in securities	—	130
Settlement for USA AWP litigation	—	102
Total extraordinary losses	—	232
Income before income taxes and minority interests	17,061	14,890
Income taxes—current	3,414	3,368
Income taxes—deferred	3,211	2,302
Total income taxes	6,625	5,670
Net income before minority interests	10,436	9,220
Minority interests	26	(367)
Net income	10,410	9,587

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

Year Accounts	April 01, 2013– June 30, 2013	April 01, 2014– June 30, 2014
	Amount	Amount
Net income before minority interests	10,436	9,220
Other comprehensive income		
Unrealized holding gains (losses) on securities	(185)	(53)
Deferred (losses) gains on hedges	(90)	(341)
Translation adjustments	1,278	(2,087)
Remeasurements of defined benefit plans, net of tax	—	267
Other comprehensive income (loss) of equity method companies attributable to the Company	12	29
Total other comprehensive income (loss)	1,015	(2,185)
Comprehensive income	11,451	7,035
Comprehensive income (loss) attributable to:		
Shareholders of the Company	11,187	7,928
Minority interests	264	(893)

(3) Consolidated Statements of Cash Flows

(millions of yen)

Year Accounts	April 01, 2013– June 30, 2013	April 01, 2014– June 30, 2014
Cash flows from operating activities:		
Income before income taxes and minority interests	17,061	14,890
Depreciation and amortization	2,084	2,230
Amortization of goodwill	2,601	2,699
Decrease (increase) in prepaid pension expenses	626	—
Decrease (increase) in net defined benefit asset	—	(1,173)
Interest and dividend income	(807)	(787)
Loss (gain) on sales of shares of subsidiaries and associates	—	(560)
Equity in (earnings) losses of affiliates	(353)	(3)
Decrease (increase) in notes and accounts receivable, trade	(5,481)	(2,056)
Decrease (increase) in inventories	367	(4,765)
Increase (decrease) in notes and accounts payable, trade	(300)	5,724
Increase (decrease) in accounts payable, other	(1,248)	266
Other, net	(1,755)	(2,404)
Subtotal	12,795	14,061
Interest and dividends received	721	680
Interest paid	(24)	(69)
Income taxes paid	(15,910)	(9,528)
Net cash provided by (used in) operating activities	(2,418)	5,144
Cash flows from investing activities:		
Purchase of marketable securities	(11,500)	(31,250)
Proceeds from sales and redemption of marketable securities	24,250	7,250
Increase in time deposits	(1,126)	(497)
Decrease in time deposits	631	1,715
Purchase of property, plant and equipment	(2,500)	(2,431)
Purchase of intangible fixed assets	(266)	(505)
Purchase of investment in securities	(970)	(27)
Proceeds from sales and redemption of investment in securities	1,511	—
Proceeds from sales of shares of subsidiaries and associates	—	7,600
Other, net	(218)	(85)
Net cash provided by (used in) investing activities	9,812	(18,230)
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	(25)	(1,209)
Cash dividends paid	(11,219)	(11,219)
Proceeds from stock issuance to minority shareholders	—	555
Other, net	(37)	(61)
Net cash provided by (used in) financing activities	(11,281)	(11,934)
Effect of exchange rate change on cash and cash equivalents	686	(332)
Net increase (decrease) in cash and cash equivalents	(3,201)	(25,352)
Cash and cash equivalents at beginning of the year	58,745	84,957
Cash and cash equivalents at end of the period	55,544	59,605

(4) Notes of Quarterly Consolidated Financial Statements

(Note regarding going concern assumption)

Not applicable.

(Note regarding substantial change in shareholders' equity)

Not applicable.

4. Supplementary information

(1) Consolidates Financial Indications for 1st Quarter of FY2014

i. PL

[Billion yen]

	Q1/FY2014		Q1/FY2013		Year-on-year		Comparison to forecasts		Notes [year-on-year comparison]
	Actual	Ratio to sales	Actual	Ratio to sales	Increase (decrease)	Change	Forecasts for 1st half of FY2013*	Achieved	
Net sales	94.6	100.0	103.9	100.0	(9.4)	(9.0)	201.0	47.0	Ethical drugs domestic sales (11) Ethical drugs overseas sales 0.2 Contracted manufacturing products (0.6) Royalty income, etc. 2.4 See "Sales of Main Products" on page 13. Average exchange rate Q1 FY2013: 1US\$ = ¥ 99.23 Q1 FY2014: 1US\$ = ¥ 101.88
Domestic	79.8	84.3	91.4	88.0	(11.7)	(12.8)	167.2	47.7	
Overseas	14.8	15.7	12.5	12.0	2.3	18.4	33.8	43.8	
Cost of sales	39.2	41.4	43.5	41.9	(4.3)	(10.0)	78.5	49.9	
Gross operation profit	55.4	58.6	60.4	58.1	(5.0)	(8.3)	122.5	45.2	
SG&A expenses	41.7	44.1	44.2	42.5	(2.5)	(5.6)	93.0	44.8	
R&D expenses	16.3	17.3	17.6	16.9	(1.2)	(6.9)	36.0	45.4	
Non-R&D expenses	25.3	26.8	26.6	25.6	(1.3)	(4.7)	57.0	44.5	
Labor cost	11.1	11.7	11.9	11.4	(0.7)	(6.3)	23.5	47.3	Decrease in retirement benefit expenses
Amortization of goodwill*2	2.7	2.9	2.6	2.5	0.1	3.8	5.4	50.0	
Others	11.5	12.2	12.1	11.7	(0.6)	(5.0)	28.1	41.0	
Operating income	13.7	14.5	16.2	15.6	(2.6)	(15.7)	29.5	46.4	
Non-operating income	1.7		2.0		(0.3)				
Interest income	0.4		0.4		0.0				
Dividend income	0.4		0.4		0.0				
Equity in earnings of affiliates	0.0		0.4		(0.4)				
Foreign exchange income	0.5		0.6		(0.1)				
Others	0.4		0.3		0.1				
Non-operating expenses	0.8		1.2		(0.4)				
Donations	0.2		0.2		0.0				
Tax and dues	0.1		0.2		(0.1)				
Others	0.4		0.8		(0.3)				
Ordinary income	14.6	15.4	17.1	16.4	(2.5)	(14.6)	30.5	47.7	
Extraordinarily income	0.6		-		0.6				
Gains on sales of shares of subsidiaries and associates	0.6		-		0.6				
Extraordinary losses	0.2		-		0.2				
Loss on valuation of investment in securities	0.1		-		0.1				
Settlement for USA AWP litigation	0.1		-		0.1				
Net income	9.6	10.1	10.4	10.0	(0.8)	(7.9)	21.0	45.7	
Total labor cost	19.6	20.7	20.9	20.2	(1.4)	(6.5)	40.1	48.9	Decrease in retirement benefit expenses

*: Published forecasts announced on May 8, 2014 in the financial results for FY2013.

ii Sales of Main Products

[Billion yen]

	Q1/FY2014	Y-on-Y			Comparison to Forecasts	
		Q1/FY2013	Increase (Decrease)	Change %	Forecasts *1	Change %
Ethical drugs	93.2	102.3	(9.1)	(8.9)	198.6	46.9
Ethical drugs domestic sales	77.5	88.5	(11.0)	(12.4)	157.9	49.1
Remicade	17.3	19.2	(1.9)	(9.7)	33.3	52.1
Ceredist	4.1	4.7	(0.6)	(12.2)	7.9	52.4
Maintate	3.8	4.0	(0.2)	(5.0)	7.9	47.7
Talion	3.3	2.7	0.5	19.1	5.6	58.1
Kremezin	2.8	3.2	(0.4)	(13.5)	6.0	46.7
Venoglobulin IH	2.8	2.9	(0.1)	(2.7)	6.3	44.9
Urso	2.7	3.3	(0.6)	(18.8)	5.6	47.7
Simponi	2.5	2.1	0.4	19.1	5.4	45.6
Anplag	2.4	3.1	(0.7)	(23.2)	4.8	49.5
Depas	2.1	2.6	(0.5)	(18.5)	4.5	46.4
Radicut	2.0	3.0	(1.0)	(33.6)	3.7	53.3
Lexapro	1.7	1.0	0.7	63.1	4.2	40.0
Herbesser	1.5	1.9	(0.4)	(19.1)	3.0	49.9
Tanatril	1.3	1.7	(0.4)	(23.7)	2.7	47.8
Tenelia	1.1	0.0	1.1	-	3.1	36.0
BIKEN Products [Vaccine]	4.9	8.8	(3.9)	(44.1)	10.5	46.8
Tetrabik	1.8	2.9	(1.1)	(38.6)	3.9	45.6
Influenza	(0.1)	(0.1)	0.0	-	0.8	-
Tanabe Seiyaku Hanbai Products *2	3.4	3.5	(0.1)	(3.7)	6.6	51.2
Ethical drugs overseas sales	5.3	5.1	0.2	3.2	11.3	46.8
Herbesser	1.6	1.5	0.1	8.3	3.3	47.9
Argatroban (Novastan)	0.7	0.7	0.0	5.3	1.3	53.2
Tanatril	0.5	0.5	0.0	(3.0)	1.1	41.2
Contracted manufacturing products *3	0.9	1.5	(0.6)	(39.6)	1.7	53.6
Royalty income, etc.	9.5	7.1	2.4	33.4	27.7	34.2
Royalty from Gilenya	7.7	6.5	1.3	19.7	-	-
OTC products	1.2	1.1	0.1	6.7	2.2	55.2
Total sales	94.6	103.9	(9.4)	(9.0)	201.0	47.0

*1: Published forecasts announced on May 8, 2014 in the financial results of FY2013.

*2: Tanabe Seiyaku Hanbai Products are composed of generic drugs and the long-listed drugs which were transferred from MTPC

*3: Active pharmaceutical ingredients and others ordered by other companies.

iii Profit and Loss

	FY2013					FY2014		
	Q1 Apr. to Jun.	Q2 Jul. to Sep.	Q3 Oct. to Dec.	Q4 Jan. to Mar.	FY2013 Actual	Q1 Apr. to Jun.	Forecasts for 1st Half	Forecasts for Full Year
Net sales	103.9 25.2%	98.9 24.0%	120.4 29.2%	89.5 21.7%	412.7 100.0%	94.6 23.1%	201.0 49.1%	409.0 100.0%
Domestic	91.4 25.9%	85.3 24.1%	103.3 29.2%	73.4 20.8%	353.3 100.0%	79.8 23.5%	167.2 49.3%	339.2 100.0%
Overseas	12.5 21.0%	13.7 23.0%	17.1 28.8%	16.1 27.1%	59.4 100.0%	14.8 21.2%	33.8 48.4%	69.8 100.0%
Cost of sales	43.5	38.9	50.6	36.4	169.4	39.2	78.5	161.5
Sales Cost Ratio	41.9%	39.3%	42.0%	40.7%	41.0%	41.4%	39.1%	39.5%
Gross operating profit	60.4 24.8%	60.0 24.7%	69.8 28.7%	53.1 21.8%	243.3 100.0%	55.4 22.4%	122.5 49.5%	247.5 100.0%
SG&A expenses	44.2 24.0%	45.8 24.9%	44.8 24.3%	49.5 26.9%	184.2 100.0%	41.7 22.2%	93.0 49.6%	187.5 100.0%
R&D expenses	17.6 24.9%	16.7 23.8%	17.1 24.3%	19.0 27.0%	70.4 100.0%	16.3 22.4%	36.0 49.3%	73.0 100.0%
Non-R&D expenses	26.6 23.4%	29.1 25.6%	27.7 24.3%	30.5 26.8%	113.8 100.0%	25.3 22.1%	57.0 49.8%	114.5 100.0%
Labor costs	11.9 24.5%	12.0 24.8%	12.4 25.6%	12.1 25.1%	48.4 100.0%	11.1 23.6%	23.5 50.0%	47.0 100.0%
Amortization of goodwill	2.6 24.5%	2.7 25.0%	2.6 24.5%	2.8 26.0%	10.6 100.0%	2.7 25.0%	5.4 50.0%	10.8 100.0%
Others	12.1 22.2%	14.4 26.3%	12.7 23.1%	15.6 28.4%	54.8 100.0%	11.5 20.3%	28.1 49.6%	56.7 100.0%
Operating income	16.2 27.5%	14.2 24.1%	25.1 42.4%	3.6 6.1%	59.1 100.0%	13.7 22.8%	29.5 49.2%	60.0 100.0%
Ordinary income	17.1 27.6%	15.1 24.5%	25.6 41.3%	4.1 6.6%	61.9 100.0%	14.6 23.7%	30.5 49.6%	61.5 100.0%
Net income	10.4 22.9%	18.1 39.9%	15.3 33.7%	1.5 3.4%	45.4 100.0%	9.6 23.7%	21.0 51.9%	40.5 100.0%

The each figure (excluding Cost of sales) in the lower displays the progress rate.

iv Sales of Main Products

[Billion yen]

	FY2013					FY2014		
	Q1 Apr. to Jun.	Q2 Jul. to Sep.	Q3 Oct. to Dec.	Q4 Jan. to Mar.	FY2012 Actual	Q1 Apr. to Jun.	Forecasts for 1st Half	Forecasts for Full Year
Ethical drugs	102.3	97.3	119.1	88.4	407.2	93.2	198.6	404.3
	25.1%	23.9%	29.3%	21.7%	100.0%	23.1%	49.1%	100.0%
Ethical drugs domestic sales	88.5	82.4	100.5	70.2	341.7	77.5	157.9	326.0
	25.9%	24.1%	29.4%	20.5%	100.0%	23.8%	48.4%	100.0%
Remicade	19.2	19.9	21.9	15.4	76.3	17.3	33.3	68.7
	25.1%	26.0%	28.7%	20.2%	100.0%	25.2%	48.5%	100.0%
Ceredist	4.7	4.4	5.0	3.6	17.8	4.1	7.9	15.3
	26.5%	24.9%	28.4%	20.2%	100.0%	27.1%	51.6%	100.0%
Maintate	4.0	3.8	4.4	3.3	15.5	3.8	7.9	16.0
	25.7%	24.3%	28.6%	21.4%	100.0%	23.6%	49.4%	100.0%
Talion	2.7	2.4	4.4	4.2	13.7	3.3	5.6	15.7
	19.9%	17.5%	31.9%	30.7%	100.0%	20.7%	35.7%	100.0%
Kremezin	3.2	3.2	3.5	2.6	12.6	2.8	6.0	12.0
	25.8%	25.2%	28.1%	20.9%	100.0%	23.3%	50.0%	100.0%
Venoglobulin IH	2.9	2.7	3.4	2.1	11.1	2.8	6.3	11.8
	26.2%	24.6%	30.3%	18.9%	100.0%	24.0%	53.4%	100.0%
Urso	3.3	3.1	3.5	2.5	12.4	2.7	5.6	11.0
	26.5%	25.0%	28.2%	20.3%	100.0%	24.3%	50.9%	100.0%
Simponi	2.1	2.4	2.8	2.1	9.4	2.5	5.4	12.0
	22.1%	25.2%	29.8%	22.9%	100.0%	20.5%	45.0%	100.0%
Anplag	3.1	2.8	3.2	2.1	11.2	2.4	4.8	9.2
	27.7%	24.9%	28.3%	19.1%	100.0%	25.8%	52.2%	100.0%
Depas	2.6	2.4	2.7	2.1	9.8	2.1	4.5	8.9
	26.1%	24.7%	27.4%	21.8%	100.0%	23.4%	50.6%	100.0%
Radicut	3.0	2.7	3.2	2.1	10.9	2.0	3.7	7.0
	27.1%	25.1%	28.9%	18.9%	100.0%	28.2%	52.9%	100.0%
Lexapro	1.0	1.4	2.3	1.7	6.5	1.7	4.2	9.4
	15.9%	21.8%	35.4%	26.9%	100.0%	17.9%	44.7%	100.0%
Herbesser	1.9	1.7	1.9	1.4	6.9	1.5	3.0	5.8
	26.9%	24.7%	28.2%	20.2%	100.0%	25.8%	51.7%	100.0%
Tanatril	1.7	1.5	1.8	1.2	6.2	1.3	2.7	5.2
	27.4%	24.6%	28.4%	19.6%	100.0%	24.8%	51.9%	100.0%
Tenelia	0.0	0.0	0.5	0.3	0.8	1.1	3.1	6.7
	0.1%	3.8%	64.0%	32.1%	100.0%	16.7%	46.3%	100.0%
BIKEN products	8.8	5.2	9.6	4.9	28.4	4.9	10.5	27.3
[Vaccines]	30.9%	18.3%	33.7%	17.1%	100.0%	18.0%	38.5%	100.0%
Tetrabik	2.9	0.5	1.2	2.2	6.7	1.8	3.9	7.6
	43.1%	7.5%	17.3%	32.2%	100.0%	23.4%	51.3%	100.0%
Influenza	(0.1)	1.2	6.5	(0.4)	7.2	(0.1)	0.8	7.5
	(0.7%)	16.2%	90.6%	(6.1%)	100.0%	(0.7%)	10.7%	100.0%
Tanabe Seiyaku Hanbai products *1	3.5	3.2	4.1	3.2	14.1	3.4	6.6	14.4
	25.0%	22.5%	29.4%	23.1%	100.0%	23.5%	45.8%	100.0%
Ethical drugs overseas sales	5.1	5.3	5.9	5.7	22.0	5.3	11.3	21.5
	23.3%	24.1%	26.9%	25.8%	100.0%	24.6%	52.6%	100.0%
Herbesser	1.5	1.3	1.5	1.6	5.8	1.6	3.3	6.0
	25.3%	22.6%	25.1%	26.9%	100.0%	26.4%	55.0%	100.0%
Argatroban (Novastan)	0.7	0.7	0.7	0.6	2.7	0.7	1.3	2.4
	24.8%	26.3%	25.3%	23.7%	100.0%	28.8%	54.2%	100.0%
Tanatril	0.5	0.4	0.5	0.5	1.8	0.5	1.1	2.0
	25.8%	20.8%	27.2%	26.3%	100.0%	22.7%	55.0%	100.0%
Contracted manufacturing products *2	1.5	1.4	1.4	1.5	5.8	0.9	1.7	3.2
	25.9%	24.5%	24.0%	25.6%	100.0%	28.5%	53.1%	100.0%
Royalty income, etc.	7.1	8.2	11.3	11.0	37.6	9.5	27.7	53.6
	18.9%	21.8%	30.0%	29.3%	100.0%	17.7%	51.7%	100.0%
Royalty from Gilenya	6.5	7.6	9.5	8.6	32.2	7.7	Undisclosed	Undisclosed
	20.1%	23.6%	29.6%	26.6%	100.0%	-	-	-
OTC products	1.1	1.3	1.1	0.9	4.5	1.2	2.2	4.3
	25.5%	29.0%	24.4%	21.1%	100.0%	28.3%	51.2%	100.0%
Total sales	103.9	98.9	120.4	89.5	412.7	94.6	201.0	409.0
	25.2%	24.0%	29.2%	21.7%	100.0%	23.1%	49.1%	100.0%

The each figure in the lower displays the progress rate.

*1: Tanabe Seiyaku Hanbai Products are composed of generic drugs and the long-listed drugs which were transferred from MTPC.

*2: Active pharmaceutical ingredients and others ordered by other companies.

(2) State of New Product Development (As of July 29, 2014)

i. New Drugs

Development code (Generic name)	Category (Indications)	Region	Stage	Origin
MP-424 (Telaprevir)	NS3-4A protease inhibitor (Chronic hepatitis C)	Taiwan	Filed (Jan., 2013)	US:Vertex Pharmaceuticals
		Korea	Phase 1	
MT-4666	α 7nACh receptor agonist (Dementia of Alzheimer's type)	Multinational study*	Phase 3	US: FORUM Pharmaceuticals
MP-214 (Cariprazine)	Dopamine D3/D2 receptor partial agonist (Schizophrenia)	Japan	Phase 2b/3	Hungary: Gedeon Richter
MT-9938 (Nalfurafine)	κ -opioid receptor agonist (Refractory pruritus in Hemodialysis patients)	US	Phase 2	Japan:Toray
MP-513 (Teneligliptin)	DPP-4 inhibitor (Type 2 diabetes mellitus)	Europe	Phase 2	In-house
		US	Phase 1	
MT-3995	Selective mineralocorticoid receptor antagonist (Diabetic nephropathy)	Europe	Phase 2	In-house
		Japan	Phase 2	
		US	Phase 1	
MT-1303	S1P receptor functional antagonist (Multiple sclerosis)	Europe	Phase 2	In-house
	(Psoriasis)	Europe	Phase 2	
	(Inflammatory disease, autoimmune disease)	Japan, Europe, US	Phase 1	
MT-2301	Haemophilus influenza type b (Hib) vaccine (Prophylaxis of Pediatric Hib)	Japan	Phase 2	US: Nuron Biotech
Influenza vaccine	Plant-based VLP vaccine (Prophylaxis of H5N1 influenza)	Canada	Phase 2	In-house
Influenza vaccine	Plant-based VLP vaccine (Prophylaxis of seasonal influenza)	US	Phase 1/2	In-house
Influenza vaccine	Plant-based VLP vaccine (Prophylaxis of H7N9 influenza)	Canada	Phase 1	In-house
GB-1057 (Recombinant human serum albumin)	Recombinant human serum albumin (Stabilizing agent)	US	Phase 1	In-house
MP-124	PARP inhibitor (Acute ischemic stroke)	US	Phase 1	In-house
MP-157	Angiotensin type 2 receptor agonist (Hypertension)	Europe	Phase 1	In-house

*: Co-developed with FORUM Pharmaceuticals.

ii. Additional Indications

Product name (Generic name)	Category (Indications)	Region	Stage	Origin	Notes
Telavic (Telaprevir)	NS3-4A protease inhibitor (Chronic hepatitis C, [genotype2])	Japan	sNDA filed (Dec., 2013)	US:Vertex Pharmaceuti cals	
	(Chronic hepatitis C, [combination with Pegasys])		Phase 3		
	(Chronic hepatitis C, [combination with Feron])		Phase 3		
Talion (Bepotastine)	Selective histamine H1 receptor antagonist, anti- allergic agent (Pediatric allergic rhinitis)	Japan	sNDA filed (May, 2014)	Japan: Ube Industries	
	(Pediatric atopic dermatitis)		sNDA filed (May, 2014)		
Radicut (Edaravone)	Free radical scavenger (Amyotrophic lateral sclerosis*)	Japan	Phase 3	In-house	
Remicade (Infliximab [recombinant])	Anti-human TNF α monoclonal antibody (Refractory Kawasaki disease*)	Japan	Phase 3	US:Janssen Biotech	
	(Behcet's disease with special lesions*)		Phase 3		
	(Pediatric Crohn's disease)		Phase 3		
	(Pediatric ulcerative colitis)		Phase 3		
	(Psoriasis: increased dose)		Phase 3		
Imusera (Fingolimod)	S1P receptor functional antagonist (Chronic inflammatory demyelinating polyradiculoneuropathy)	Multinational study	Phase 3	In-house	Co-developed with Novartis Pharma in Japan, licensed to Novartis overseas
Tribik (Adsorbed diphtheria-purified pertussis-tetanus combined vaccine)	Vaccine (Prophylaxis of pertussis, diphtheria, and tetanus; Stage 2 vaccination)	Japan	Phase 3	Japan:The Research Foundation for Microbial Diseases of Osaka University	Co-developed with The Research Foundation for Microbial Diseases of Osaka University
Canaglu (Canagliflozin)	SGLT2 inhibitor (Diabetic nephropathy)	Multinational study	Phase 3	In-house	Sponsor: Janssen Research & Development
BindRen (Colestilan[INN])	Non-absorbed phosphate binder (Pediatric hyperphosphatemia)	Europe	Phase 3	In-house	
Cholebine (Colestimide[JAN])	Bile acid signal regulation (Type 2 diabetes mellitus)	Japan	Phase 2	In-house	
	Non-absorbed phosphate binder (Hyperphosphatemia)		Phase 1		

* Orphan drug designated

iii. Licensing-out

Development code (Generic name)	Category (Indications)	Region	Stage	Licensee (Notes)
TA-7284 (Canagliflozin)	SGLT2 inhibitor (Type2 diabetes mellitus / fixed dose combination with metformin, IR)	US	FDA Complete Response (Dec., 2013)	US: Janssen Pharmaceuticals
	(Type2 diabetes mellitus / fixed dose combination with metformin, XR)	US	Phase 3	
	(Diabetic nephropathy)	Multinational study	Phase 3	
FTY720 (Fingolimod)	S1P receptor functional antagonist (Chronic inflammatory demyelinating polyradiculoneuropathy)	Multinational study	Phase 3	Switzerland: Novartis (Co-developed with Novartis Pharma in Japan)
	(Primary progressive multiple sclerosis)	Multinational study	Phase 3	Switzerland: Novartis
Y-39983	ROCK (rho-kinase) inhibitor (Glaucoma)	Japan	Phase 2	Japan: Senju Pharmaceutical
MT-210	5-HT2A/ Sigma 2 receptor antagonist (Schizophrenia)	Europe	Phase 2	US:Minerva Neuroscience
TA-7906	PDE4 inhibitor (Atopic dermatitis)	Japan	Phase 2	Japan: Maruho
MCC-847	Leukotriene D4 receptor antagonist (Asthma)	Korea	Phase 2	Korea: SAMA Pharma
TA-8995	CETP inhibitor (Dyslipidemia)	Netherlands, Denmark	Phase 2	Netherlands: DEZIMA Pharma
MT-4580	Ca sensing receptor agonist (Secondary hyperparathyroidism in hemodialysis patients)	Japan	Phase 1/2	Japan: Kyowa Hakko Kirin
MP-513 (Teneligliptin)	DPP-4 inhibitor (Type2 diabetes mellitus / fixed dose combination with metformin, XR)	Korea	Phase 1	Korea: Handok
sTU-199 (Tenatoprazole)	Proton pump inhibitor (Gastroesophageal reflux disease)	Europe	Phase 1	France: Negma/Sidem
Wf-516	SSRI / 5HT1A receptor antagonists (Depression)	Europe	Phase 1	US:Minerva Neuroscience
Y-803	Bromodomain inhibitor (Hematological cancer)	US, Europe	Phase 1	Switzerland: OncoEthix (Development code: OTX015)

iv. Changes Since Previous Announcement on May 8, 2014

In-house Development

Development code/Product name (Generic name)	Category (Indications)	Region	As of May 8, 2014	As of July 29, 2014
TA7284/Canaglu (Canagliflozin)	SGLT2 inhibitor (Type2 diabetes mellitus)	Japan	Filed (May, 2013)	Approved (July, 2014)
	(Diabetic nephropathy)	Multinational study*	None	Phase 3
Talion (Bepotastine)	Selective histamine H1 receptor antagonist, anti-allergic agent (Pediatric allergic rhinitis)	Japan	Phase 3	sNDA filed (May, 2014)
	(Pediatric atopic dermatitis)	Japan	Phase 3	sNDA filed (May, 2014)
MT-2301	Haemophilus influenza type b(Hib) vaccine (Prophylaxis of pediatric Hib)	Japan	None	Phase 2

*Sponsor: Janssen Research & Development

Licensing-out

Development code (Generic name)	Category (Indications)	Region	As of May 8, 2014	As of July 29, 2014
MP-513 (Teneligliptin)	DPP-4 inhibitor (Type 2 diabetes mellitus)	Korea	NDA filed (Sep., 2013)	Approved (Apr., 2014)
	(Type2 diabetes mellitus / fixed dose combination with metformin, XR)		None	Phase 1
FTY720 (Fingolimod)	S1P receptor functional antagonist (Primary progressive multiple sclerosis)	Multinational study	None	Phase 3
T-0047 (Firategrast)	Cell adhesion inhibitor [α 4 β 7/ α 4 β 1 inhibitor] (Multiple sclerosis)	Europe	Phase 2	Termination of license agreement