

Summary of 2nd Quarter Financial Results for year ended March 31, 2015 (Japan GAAP) (Consolidated)

October 29, 2014

Company name: Mitsubishi Tanabe Pharma Corporation
 Stock exchange listings: Tokyo
 Securities code number: 4508
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Planned date of filing of quarterly securities report: November 4, 2014
 Planned date of start of dividend payments: December 1, 2014
 Provision of supplementary explanatory materials for quarterly results: Yes
 Quarterly results presentation: Yes (for institutional investors and investment analysts)

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

1. Results for 2nd Quarter (April 1, 2014 to September 30, 2014)

(1) Consolidated Business Results

	Net sales		Operating income		Ordinary income	
	Yen million	% change	Yen million	% change	Yen million	% change
2nd Quarter of Fiscal 2014	198,883	(1.9)	34,954	14.8	35,455	10.1
2nd Quarter of Fiscal 2013	202,834	(0.5)	30,459	(5.5)	32,198	(2.8)

	Net income		Net income per share		Net income per share (diluted)	
	Yen million	% change	Yen		Yen	
2nd Quarter of Fiscal 2014	32,518	13.9	57.97		-	
2nd Quarter of Fiscal 2013	28,544	46.4	50.88		-	

(Note) Comprehensive Income ¥32,841 million, 15.7% (¥28,378 million, 41.3% in 2nd Quarter of fiscal 2013)

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Yen million		Yen million		%	
As of September 30, 2014	903,051		792,272		86.4	
As of March 31, 2014	886,476		777,837		86.4	

(Note) Shareholders' equity ¥780,314 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	-	20.00	-	-	-
Fiscal 2014(projected)	-	-	-	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
Full year	406,000	(1.6)	60,000	1.5	61,500	(0.6)

	Net income		Net income per share	
	Yen million	% change	Yen	
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)

2nd 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

2nd Quarter of fiscal 2014	427,412 shares	Fiscal 2013	426,862 shares
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3. Average number of shares of during the period (cumulative total)

2nd Quarter of fiscal 2014	560,990,827 shares	2nd Quarter of fiscal 2013	560,992,600 shares
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*Note regarding implementation of quarterly review procedures

At the time when this summary of 2nd quarter financial results was released, the review procedures were in progress for the quarterly financial statements in accordance with the Financial Instruments and Exchange Act.

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

(Note about forward-looking information)

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

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

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

• Supplementary materials are disclosed on TDnet on the same day and are made available on the Company's website.

• The Company plans to hold a results presentation for institutional investors and securities analysts on October 30, 2014 (Thursday).

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

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1. [Qualitative Information for 2nd Quarter of FY 2014]

(1) Explanation about results of operations

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

(millions of yen)

	2 nd quarter of FY 2013	2 nd quarter of FY 2014	Increase/ Decrease	% change
Net Sales	202,834	198,883	(3,951)	(1.9)
Cost of sales	82,414	78,176	(4,238)	(5.1)
Cost of sales ratio	40.6%	39.3%		
Gross profit	120,420	120,707	287	0.2
SG&A expenses	89,961	85,753	(4,208)	(4.7)
Operating Income	30,459	34,954	4,495	14.8
Non-operating income/loss	1,739	501	(1,238)	
Ordinary Income	32,198	35,455	3,257	10.1
Extraordinary income/loss	11,075	10,901	(174)	
Net Income	28,544	32,518	3,974	13.9

【Net sales】

Net sales decreased 1.9%, or ¥3.9 billion, year-on-year, to ¥198.8 billion.

(millions of yen)

	2 nd quarter of FY 2013	2 nd quarter of FY 2014	Increase/ Decrease	% change
Pharmaceuticals	202,059	198,660	(3,399)	(1.7)
Domestic ethical drugs	170,977	155,204	(15,773)	(9.2)
Overseas ethical drugs	10,427	11,336	909	8.7
OTC products	2,433	2,183	(250)	(10.3)
Others in Pharmaceuticals	18,222	29,937	11,715	64.3
Others	775	223	(552)	(71.2)

In the pharmaceuticals segment, net sales were ¥198.6 billion, down 1.7%, or ¥3.3 billion, year-on-year.

- Domestic sales of ethical drugs decreased 9.2%, year-on-year, to ¥155.2 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 64.3%, year-on-year, to ¥29.9 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 increased 14.8%, or ¥4.4 billion, year-on-year, to ¥34.9 billion.

- Despite the influence of NHI drug price revision and the impact of generics, gross profit remained the same level as the previous second quarter at ¥120.7 billion due to the increase in royalty revenue. As a result, the cost of sales ratio improved by 1.3 percentage points, year-on-year, to 39.3%.
- SG&A expenses decreased ¥4.2 billion, year-on-year, to ¥85.7 billion due to the decrease in R&D expenses and the labor cost accompanying the decrease in retirement benefit expenses. R&D expenses were ¥31.9 billion, accounting for 16.1% of net sales.

【Ordinary income and net income】

Ordinary income was up 10.1%, or ¥3.2 billion, year-on-year, to ¥35.4 billion, and net income was up 13.9%, or ¥3.9 billion, year-on-year, to ¥32.5 billion.

- Extraordinary income was ¥13.5 billion, including gain on sales of property, plant and equipment and gain on sales of investment in securities. In the previous fiscal year the Company recorded extraordinary income of ¥11.9 billion such as profit on arbitration award.
- Extraordinary loss was ¥2.6 billion, including loss on liquidation of subsidiaries and affiliates and loss on impairment of fixed assets.

【Comprehensive income】

Net income before minority interests was ¥31.7 billion and other comprehensive income was ¥1.0 billion. As a result, comprehensive income was ¥32.8 billion. Comprehensive income attributable to shareholders of the Company was ¥33.8 billion.

(2) Explanation about financial position

【Balance sheets】

(millions of yen)

	End of FY 2013 (As of March 31, 2014)	End of 2 nd quarter of FY 2014 (As of September 30, 2014)	Increase/ Decrease
Current assets	540,492	580,460	39,968
Fixed assets	345,984	322,591	(23,393)
Total assets	886,476	903,051	16,575
Liabilities	108,639	110,779	2,140
Net assets	777,837	792,272	14,435
Total liabilities and net assets	886,476	903,051	16,575

Total assets at the end of the second quarter were ¥903.0 billion, an increase of ¥16.5 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.

- Marketable securities and deposits increased. Consequently, total current assets were up ¥39.9 billion, to ¥580.4 billion.

- Net defined benefit asset decreased due to the adjustment at the beginning of the current fiscal year with the application of revised accounting standard for retirement benefits. Consequently, total fixed assets were down ¥23.3 billion from the previous fiscal year-end, to ¥322.5 billion.
- Income taxes payable increased. As a result, total liabilities were up ¥2.1 billion, to ¥110.7 billion.
- Total net assets were up by ¥14.4 billion, to ¥792.2 billion. Net income was ¥32.5 billion, dividends paid totaled ¥11.2 billion, and the adjustment at the beginning of the current fiscal year with the application of revised accounting standard for retirement benefits was ¥8.3 billion. As a result, retained earnings increased ¥12.9 billion. The equity ratio was 86.4%, compared with 86.4% a year earlier.

【Cash flows】

(millions of yen)

	2 nd quarter of FY 2013	2 nd quarter of FY 2014	Increase/ Decrease
Operating activities	36,781	25,366	(11,415)
Investing activities	(9,095)	(7,318)	1,777
Financing activities	(10,854)	(11,381)	(527)
Change in cash and cash equivalents	17,468	7,353	(10,115)
At beginning of year	58,745	84,957	26,212
At end of period	76,213	92,310	16,097

Net increase in cash and cash equivalents was ¥7.3 billion, and the balance of cash and cash equivalents at the end of the period under review was ¥92.3 billion.

- Net cash provided by operating activities was ¥25.3 billion. Cash inflows included income before income taxes and minority interests of ¥46.3 billion, while cash outflows included income taxes paid of ¥9.6 billion.
- In investing activities, there were purchase of marketable securities and increase in deposits as a factor for cash outflow. On the other hands, there were proceeds from sales of property, plant and equipment and shares of subsidiaries and affiliates as a factor for cash inflow. Consequently, net cash used in investing activities was ¥7.3 billion.
- Net cash used in financing activities was ¥11.3 billion, due in part to dividends paid.

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

There are no revisions to the consolidated operating results forecasts that were announced on October 21, 2014.

【Consolidated results forecasts for full-year of the current fiscal year (released on October 21, 2014)】

(millions of yen)

	Results in FY 2013	Forecasts for FY 2014	Increase/ Decrease	% change
Net sales	412,675	406,000	(6,675)	(1.6)
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 half of the fiscal year under review each increased ¥340 million.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

Year Accounts	As of March 31, 2014	As of September 30, 2014
	Amount	Amount
Assets		
Current assets		
Cash and time deposits	27,187	24,085
Notes and accounts receivable, trade	123,537	127,045
Marketable securities	106,470	128,182
Merchandise and finished goods	70,406	74,385
Work in process	998	923
Raw materials and supplies	22,296	22,484
Deposits	172,149	182,468
Deferred income taxes	8,153	10,997
Other	9,335	9,932
Less allowance for doubtful receivables	(39)	(41)
Total current assets	540,492	580,460
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	33,398	33,449
Machinery, equipment and vehicles, net	16,384	14,667
Tools, furniture and fixtures, net	6,017	5,735
Land	38,346	37,192
Leased equipment, net	542	559
Construction in progress	3,653	5,574
Total property, plant and equipment	98,340	97,176
Intangible fixed assets		
Goodwill	96,180	90,543
software	3,891	4,489
Other	33,021	31,237
Total intangible fixed assets	133,092	126,269
Investments and other assets		
Investment in securities	71,583	67,774
Deferred income taxes	677	496
Net defined benefit asset	16,305	6,555
Other	25,989	24,323
Less allowance for doubtful receivables	(2)	(2)
Total investments and other assets	114,552	99,146
Total fixed assets	345,984	322,591
Total assets	886,476	903,051

(millions of yen)

Year Accounts	As of March 31, 2014	As of September 30, 2014
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable, trade	33,986	32,389
Short-term debt	1,225	—
Current maturities of long-term debt	128	125
Accounts payable, other	16,773	16,680
Income taxes payable	10,161	16,469
Reserve for employees' bonuses	10,169	9,902
Provision for loss on liquidation of subsidiaries and affiliates	—	1,356
Other reserve	116	146
Other	9,279	10,211
Total current liabilities	81,837	87,278
Long-term liabilities		
Long-term debt, less current maturities	958	935
Deferred income taxes	13,356	9,811
Reserve for health management allowances for HIV compensation	1,576	1,576
Reserve for health management allowances for SMON compensation	2,976	2,773
Reserve for HCV litigation	2,634	2,355
Net defined benefit liability	2,146	2,969
Other	3,156	3,082
Total long-term liabilities	26,802	23,501
Total liabilities	108,639	110,779
Net assets		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	451,186	451,186
Retained earnings	266,575	279,561
Treasury stock, at cost	(490)	(491)
Total shareholders' equity	767,271	780,256
Accumulated other comprehensive income		
Unrealized holding gains (losses) on securities	8,747	8,978
Deferred (losses) gains on hedges	493	—
Translation adjustments	(2,399)	(1,419)
Remeasurements of defined benefit plans	(8,066)	(7,501)
Total accumulated other comprehensive income	(1,225)	58
Minority interests	11,791	11,958
Total net assets	777,837	792,272
Total liabilities and net assets	886,476	903,051

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

(millions of yen)

Year Accounts	April 01, 2013– September 30, 2013	April 01, 2014– September 30, 2014
	Amount	Amount
Net sales	202,834	198,883
Cost of sales	82,414	78,176
Gross profit	120,420	120,707
Selling, general and administrative expenses		
Advertising expenses	1,869	1,803
Sales promotion expenses	4,772	4,784
Salaries and allowances	13,054	13,138
Provision for bonuses	5,461	5,341
Retirement benefit expenses	1,485	626
Depreciation and amortization	693	855
Research and development expenses	34,286	31,931
Amortization of goodwill	5,263	5,396
Other	23,078	21,879
Total selling, general and administrative expenses	89,961	85,753
Operating income	30,459	34,954
Non-operating income		
Interest income	782	756
Dividend income	452	409
Equity in earning of affiliates	284	8
Foreign exchange income	1,104	4
Other	956	575
Total non-operating income	3,578	1,752
Non-operating expenses		
Interest expense	41	96
Donations	247	343
Other	1,551	812
Total non-operating expenses	1,839	1,251
Ordinary income	32,198	35,455
Extraordinary gain		
Gain on sales of property, plant and equipment	—	11,923
Gain on sales of investment in securities	—	1,069
Profit on arbitration award	11,011	—
Gain on step acquisitions	930	—
Gain on sales of shares of subsidiaries and affiliates	—	560
Total extraordinary income	11,941	13,552
Extraordinary loss		
Loss on impairment of fixed assets	800	854
Loss on valuation of investment in securities	—	130
Loss on liquidation of subsidiaries and affiliates	—	1,438
Other	66	229
Total extraordinary losses	866	2,651
Income before income taxes and minority interests	43,273	46,356
Income taxes—current	14,365	16,068
Income taxes—deferred	332	(1,466)
Total income taxes	14,697	14,602
Net income before minority interests	28,576	31,754
Minority interests	32	(764)
Net income	28,544	32,518

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

Year Accounts	April 01, 2013– September 30, 2013	April 01, 2014– September 30, 2014
	Amount	Amount
Net income before minority interests	28,576	31,754
Other comprehensive income		
Unrealized holding gains (losses) on securities	(632)	232
Deferred (losses) gains on hedges	(558)	(493)
Translation adjustments	969	797
Remeasurements of defined benefit plans, net of tax	—	529
Other comprehensive income (loss) of equity method companies attributable to the Company	23	22
Total other comprehensive income (loss)	(198)	1,087
Comprehensive income	28,378	32,841
Comprehensive income (loss) attributable to:		
Shareholders of the Company	28,106	33,801
Minority interests	272	(960)

(3) Consolidated Statements of Cash Flows

(millions of yen)

Year Accounts	April 01, 2013– September 30, 2013	April 01, 2014– September 30, 2014
Cash flows from operating activities:		
Income before income taxes and minority interests	43,273	46,356
Depreciation and amortization	4,304	4,466
Loss on impairment of fixed assets	800	854
Amortization of goodwill	5,263	5,396
Increase (decrease) in accrued retirement benefits for employees	(572)	—
Decrease (increase) in prepaid pension expenses	1,202	—
Increase (decrease) in reserve for HCV litigation	(364)	(279)
Decrease (increase) in net defined benefit asset	—	(2,080)
Interest and dividend income	(1,234)	(1,165)
Increase (decrease) in loss on liquidation of subsidiaries and affiliates	—	1,356
Loss (gain) on sales of shares of subsidiaries and affiliates	—	(560)
Loss (gain) on sale of property, plant and equipment	—	(11,818)
Profit on arbitration award	(11,011)	—
Loss (gain) on step acquisitions	(930)	—
Loss (gain) on sale of investment in securities	—	(1,069)
Decrease (increase) in notes and accounts receivable, trade	2,117	(3,275)
Decrease (increase) in inventories	(3,443)	(3,971)
Increase (decrease) in notes and accounts payable, trade	(700)	(1,719)
Increase (decrease) in accounts payable, other	(1,249)	(1,309)
Other, net	1,612	2,791
Subtotal	39,068	33,974
Interest and dividends received	1,315	1,204
Interest paid	(42)	(117)
Proceeds from arbitration award	12,208	—
Income taxes paid	(15,768)	(9,695)
Net cash provided by (used in) operating activities	36,781	25,366
Cash flows from investing activities:		
Purchase of marketable securities	(12,000)	(33,800)
Proceeds from sales and redemption of marketable securities	34,847	20,511
Increase in time deposits	(7,948)	(782)
Decrease in time deposits	833	2,876
Increase in deposits	(267)	(10,319)
Purchase of property, plant and equipment	(5,050)	(4,889)
Proceeds from sales of property, plant and equipment	7	11,078
Purchase of intangible fixed assets	(1,079)	(831)
Purchase of investment in securities	(997)	(97)
Purchase of investment in subsidiaries	(3,459)	—
Proceeds from sales and redemption of investment in securities	4,011	1,297
Proceeds from sales of shares of subsidiaries and affiliates	—	7,600
Purchase of investment in subsidiaries resulting in consolidation scope change	(17,897)	—
Other, net	(96)	38
Net cash provided by (used in) investing activities	(9,095)	(7,318)
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	(25)	(1,209)
Increase (decrease) in long-term debt	433	—
Cash dividends paid	(11,219)	(11,219)
Proceeds from stock issuance to minority shareholders	—	1,127
Other, net	(43)	(80)
Net cash provided by (used in) financing activities	(10,854)	(11,381)
Effect of exchange rate change on cash and cash equivalents	636	686
Net increase (decrease) in cash and cash equivalents	17,468	7,353
Cash and cash equivalents at beginning of the year	58,745	84,957
Cash and cash equivalents at end of the period	76,213	92,310

(4) Notes of Quarterly Consolidated Financial Statements

(Note regarding going concern assumption)

Not applicable.

(Note regarding substantial change in shareholders' equity)

Not applicable.