

Summary of 2nd Quarter Financial Results for year ended March 31, 2016 (Japan GAAP) (Consolidated)

October 30, 2015

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 9, 2015
 Planned date of start of dividend payments: December 1, 2015
 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 same period of the previous fiscal year.

1. Results for 2nd Quarter (April 1, 2015 to September 30, 2015)

(1) Consolidated Business Results

	Net sales		Operating income		Ordinary income	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
2nd Quarter of Fiscal 2015	201,729	1.4	43,519	24.5	43,318	22.2
2nd Quarter of Fiscal 2014	198,883	(1.9)	34,954	14.8	35,455	10.1

	Net income attributable to shareholders of the Company		Net income attributable to shareholders of the Company per share	Net income attributable to shareholders of the Company per share (diluted)
	Millions of Yen	% change	Yen	Yen
2nd Quarter of Fiscal 2015	29,148	(10.4)	51.96	—
2nd Quarter of Fiscal 2014	32,518	13.9	57.97	—

(Note) Comprehensive income ¥28,050 million, (14.6)% in 2nd quarter of fiscal 2015 (¥32,841 million, 15.7% in 2nd quarter of fiscal 2014)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2015	920,889	817,705	87.6
As of March 31, 2015	929,301	800,434	84.9

(Note) Shareholders' equity ¥806,395 million in 2nd quarter of fiscal 2015 (¥788,979 million in fiscal 2014)

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2014	—	20.00	—	22.00	42.00
Fiscal 2015	—	22.00			
Fiscal 2015 (forecasts)			—	22.00	44.00

(Note) Revisions to recently announced dividend forecasts: No

3. Forecasts for Fiscal 2015 (April 1, 2015 to March 31, 2016)

	Net sales		Operating income		Ordinary income	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
Full year	418,000	0.7	82,000	22.1	81,000	19.7

	Net income attributable to shareholders of the Company		Net income attributable to shareholders of the Company per share
	Millions of Yen	% change	Yen
Full year	46,000	16.4	82.00

(Note) Revisions to recently announced consolidated earnings forecasts: 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 detailed information, please see "(1) Change in accounting policies, changes in accounting estimates, and restatements" under "2. Items Concerning Summary Data (The notes)" on page 4.

(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 2015	561,417,916 shares	Fiscal 2014	561,417,916 shares
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2. Number of treasury stock at the end of the period

2nd Quarter of Fiscal 2015	428,692 shares	Fiscal 2014	428,340 shares
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3. Average number of shares during the period (cumulative total)

2nd Quarter of Fiscal 2015	560,989,386 shares	2nd Quarter of Fiscal 2014	560,990,827 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 for the quarterly financial statements were in progress in accordance with the Financial Instruments and Exchange Act.

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

(Note about forward-looking information)

In these materials, earnings forecasts 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 earnings forecasts, please see page 3.

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

• Supplementary materials are disclosed with this material on TDnet and are made available on the Company's website.

• The Company plans to hold a results presentation (conference call) for institutional investors and securities analysts on October 30, 2015 (Friday).

The Company plans to make available on its website the content of the presentation (sound) 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 2015

(1) Explanation about results of operations

Consolidated operating results in the second quarter of the fiscal year ended March 31, 2016 (April 1, 2015 to September 30, 2015) were as follows.

(Millions of yen)

	2 nd quarter of FY 2014	2 nd quarter of FY 2015	Increase/ Decrease	% change
Net sales	198,883	201,729	2,846	1.4
Cost of sales	78,176	73,170	(5,006)	(6.4)
Cost of sales ratio	39.3%	36.3%		
Gross profit	120,707	128,559	7,852	6.5
SG&A expenses	85,753	85,040	(713)	(0.8)
Operating income	34,954	43,519	8,565	24.5
Non-operating income/loss	501	(201)	(702)	
Ordinary income	35,455	43,318	7,863	22.2
Extraordinary income/loss	10,901	(195)	(11,096)	
Net income attributable to shareholders of the Company	32,518	29,148	(3,370)	(10.4)

【Net sales】

Net sales increased by 1.4%, or ¥2.8 billion, year-on-year, to ¥201.7 billion.

(Millions of yen)

	2 nd quarter of FY 2014	2 nd quarter of FY 2015	Increase/ Decrease	% change
Pharmaceuticals	198,660	201,539	2,879	1.4
Domestic ethical drugs	155,204	147,332	(7,872)	(5.1)
Overseas ethical drugs	11,336	14,261	2,925	25.8
OTC products	2,183	2,099	(84)	(3.8)
Others in Pharmaceuticals	29,937	37,847	7,910	26.4
Others	223	190	(33)	(14.8)

In the pharmaceuticals segment, net sales were ¥201.5 billion, up 1.4%, or ¥2.8 billion, year-on-year.

- Domestic sales of ethical drugs decreased by 5.1%, year-on-year, to ¥147.3 billion due to the ending of the sales alliance of the plasma fractionation products in March 2015.
- Sales of others in pharmaceuticals increased by 26.4%, year-on-year, to ¥37.8 billion due to the increase in royalty revenue from Gilenya, for the treatment of multiple sclerosis, licensed to Novartis and from INVOKANA and the fixed dose combination with metformin (IR), for the treatment of type2 diabetes mellitus, licensed to Janssen Pharmaceuticals.

【Operating income】

Operating income increased by 24.5%, or ¥8.5 billion, year-on-year, to ¥43.5 billion.

- The cost of sales ratio improved by 3.0 percentage points, to 36.3% due to the ending of the sales alliance of the plasma fractionation products and the increase in royalty revenue. Gross profit increased by ¥7.8 billion, year-on-year, to ¥128.5 billion.
- R&D expenses increased, on the other hand, sales promotion expenses decreased. Consequently, total SG&A expenses decreased by ¥0.7 billion, year-on-year, to ¥85.0 billion. R&D expenses were ¥33.2 billion, accounting for 16.5% of net sales.

【Ordinary income and net income attributable to shareholders of the Company】

Ordinary income was up 22.2%, or ¥7.8 billion, year-on-year, to ¥43.3 billion, and net income attributable to shareholders of the Company was down 10.4%, or ¥3.3 billion, year-on-year, to ¥29.1 billion.

- Non-operating income/loss was down ¥0.7 billion, year-on-year, due to foreign exchange loss of ¥0.6 billion.
- Extraordinary income was ¥0.4 billion in compared with ¥13.5 billion in the same period of the previous fiscal year, due to gain on sales of property, plant and equipment, and gain on sales of investment in securities.
- Extraordinary loss was ¥0.6 billion due to loss on impairment of fixed assets, in compared with ¥2.6 billion due to loss on liquidation of subsidiaries and affiliates and loss on impairment of fixed assets in the same period of the previous fiscal year.

【Comprehensive income】

Net income was ¥28.1 billion. In other comprehensive income, translation adjustments decreased, on the other hand, unrealized holding gains on securities increased. As a result, comprehensive income was ¥28.0 billion. Comprehensive income attributable to shareholders of the Company was ¥29.7 billion.

(2) Explanation about financial position

【Balance sheets】

(Millions of yen)

	End of FY 2014 (As of March 31, 2015)	End of 2 nd quarter of FY 2015 (As of September 30, 2015)	Increase/ Decrease
Current assets	603,649	610,979	7,330
Fixed assets	325,652	309,910	(15,742)
Total assets	929,301	920,889	(8,412)
Liabilities	128,867	103,184	(25,683)
Net assets	800,434	817,705	17,271
Total liabilities and net assets	929,301	920,889	(8,412)

Total assets at the end of the second quarter were ¥920.8 billion, a decrease of ¥8.4 billion from the end of the previous fiscal year.

Major factors causing changes in the balance sheet in comparison with the previous year-end were as follows.

- Cash and time deposits increased. Consequently, total current assets were up ¥7.3 billion, to ¥610.9 billion.
- Total fixed assets were down ¥15.7 billion from the previous fiscal year-end, to ¥309.9 billion, due to the decrease of intangible fixed assets and investment in securities.
- Accounts payable - other and income taxes payable decreased. Consequently, total liabilities were down ¥25.6 billion, to ¥103.1 billion.
- Total net assets were up by ¥17.2 billion, to ¥817.7 billion due to the increase of retained earnings. The equity ratio was 87.6%, compared with 84.9% as of the previous fiscal year-end.

【Cash flows】

(Millions of yen)

	2 nd quarter of FY 2014	2 nd quarter of FY 2015	Increase/ Decrease
Operating activities	25,366	23,434	(1,932)
Investing activities	(7,318)	87,284	94,602
Financing activities	(11,381)	(10,889)	492
Change in cash and cash equivalents	7,353	99,317	91,964
Cash and cash equivalents at beginning of year	84,957	73,337	(11,620)
Cash and cash equivalents at end of period	92,310	172,654	80,344

Net increase in cash and cash equivalents was ¥99.3 billion, and the balance of cash and cash equivalents at the end of the period under review was ¥172.6 billion.

- Net cash provided by operating activities was ¥23.4 billion. Cash outflows included income taxes paid, while cash inflows including income before income taxes and non-controlling interests exceeded cash outflows.
- Net cash provided by investing activities was ¥87.2 billion. Cash outflows included purchase of property, plant and equipment and purchase of marketable securities, while cash inflows including proceeds from redemption of marketable securities and decrease in time deposits exceeded cash outflows.
- Net cash used in financing activities was ¥10.8 billion, due in part to dividends paid.

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

There are no revisions to the full-year earnings forecasts for the fiscal year ending March 31, 2016, which were announced on September 30, 2015.

【Consolidated earnings forecasts for the current fiscal year (released on September 30, 2015)】

(Millions of yen)

	Results for FY 2014	Forecasts for FY 2015	Increase/ Decrease	% change
Net sales	415,124	418,000	2,876	0.7
Operating income	67,133	82,000	14,867	22.1
Ordinary income	67,654	81,000	13,346	19.7
Net income attributable to shareholders of the Company	39,502	46,000	6,498	16.4

2. Items Concerning Summary Data (The notes)

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

(The application of the accounting standards for business combinations)

From the first quarter of the fiscal year, the Company has applied the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21 on September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 on September 13, 2013) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 on September 13, 2013). The Company has revised the method to record the change in the Company’s ownership interests in the subsidiaries subject to ongoing control as capital surplus, and to recognize acquisition-related costs as expenses in the fiscal year incurred. With respect to the business combination carried out after the beginning of the current fiscal year, the Company has revised the allocation of acquisition costs based on provisional accounting treatment, reflecting these costs in the quarterly consolidated financial statements for the fiscal year in which the business combination occurred. In addition, the Company has revised the presentation of net income and changed the presentation from “Minority interests” to “Non-controlling interests”.

To reflect these changes in presentation method, the consolidated financial statements for the previous fiscal year have been subject to these arrangements.

In the quarterly consolidated statements of cash flows of the second quarter of the fiscal year under review, cash flow from sales or purchases of shares of subsidiaries without the change in the scope of consolidation is listed in “Cash flows from investing activities”. Also, the expenses related to the purchases of shares of subsidiaries accompanying changes in the scope of consolidation, or the cash flow related to the expenses resulting from sales or purchases of shares of subsidiaries without the change in the scope of consolidation are listed in “Cash flows from operating activities”.

Regarding the application of the Accounting Standard for Business Combinations, the Company has applied the transitional treatment provided in Paragraph 58-2 (4) of the Revised Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Revised Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Revised Accounting Standard for Business Divestitures from the beginning of the fiscal year and will continue to apply this treatment going forward. The application of the revised accounting standards does not affect the Company’s quarterly consolidated financial statements during the second quarter of the fiscal year under review.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
	Amount	Amount
Assets		
Current assets		
Cash and time deposits	50,203	75,892
Notes and accounts receivable - trade	130,331	129,149
Marketable securities	118,805	111,000
Merchandise and finished goods	63,566	56,183
Work in process	582	363
Raw materials and supplies	20,943	20,586
Deposits	192,758	192,969
Deferred tax assets	8,319	7,750
Other	18,186	17,127
Less allowance for doubtful receivables	(44)	(40)
Total current assets	603,649	610,979
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	34,480	33,789
Machinery, equipment and vehicles, net	11,904	11,814
Tools, furniture and fixtures, net	6,045	5,862
Land	34,689	34,111
Leased equipment, net	782	834
Construction in progress	4,597	3,836
Total property, plant and equipment	92,497	90,246
Intangible fixed assets		
Goodwill	81,517	75,916
Other	35,402	33,303
Total intangible fixed assets	116,919	109,219
Investments and other assets		
Investment in securities	76,328	69,706
Deferred tax assets	763	433
Net defined benefit asset	15,730	18,159
Other	23,417	22,149
Less allowance for doubtful receivables	(2)	(2)
Total investments and other assets	116,236	110,445
Total fixed assets	325,652	309,910
Total assets	929,301	920,889

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	34,620	28,825
Current maturities of long-term debt	132	121
Accounts payable - other	25,386	15,872
Income taxes payable	19,758	13,313
Reserve for employees' bonuses	9,957	9,965
Other reserve	138	129
Other	15,408	10,292
Total current liabilities	105,399	78,517
Long-term liabilities		
Long-term debt, less current maturities	894	797
Deferred tax liabilities	9,776	11,588
Reserve for health management allowances for HIV compensation	1,700	1,700
Reserve for health management allowances for SMON compensation	2,731	2,514
Reserve for HCV litigation	2,036	1,866
Net defined benefit liability	2,456	2,424
Other	3,875	3,778
Total long-term liabilities	23,468	24,667
Total liabilities	128,867	103,184
Net assets		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	451,186	451,186
Retained earnings	275,325	292,131
Treasury stock, at cost	(493)	(493)
Total shareholders' equity	776,018	792,824
Accumulated other comprehensive income		
Unrealized holding gains (losses) on securities	14,929	17,210
Deferred gains (losses) on hedges	105	0
Translation adjustments	105	(1,729)
Remeasurements of defined benefit plans	(2,178)	(1,910)
Total accumulated other comprehensive income	12,961	13,571
Non-controlling interests	11,455	11,310
Total net assets	800,434	817,705
Total liabilities and net assets	929,301	920,889

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

(Millions of yen)

	April 1, 2014 - September 30, 2014	April 1, 2015 - September 30, 2015
	Amount	Amount
Net sales	198,883	201,729
Cost of sales	78,176	73,170
Gross profit	120,707	128,559
Selling, general and administrative expenses		
Advertising expenses	1,803	1,807
Sales promotion expenses	4,784	3,758
Salaries and allowances	13,138	13,505
Provision for bonuses	5,341	5,288
Retirement benefit expenses	626	218
Depreciation and amortization	855	923
Research and development expenses	31,931	33,261
Amortization of goodwill	5,396	5,259
Other	21,879	21,021
Total selling, general and administrative expenses	85,753	85,040
Operating income	34,954	43,519
Non-operating income		
Interest income	756	838
Dividend income	409	624
Other	587	522
Total non-operating income	1,752	1,984
Non-operating expense		
Interest expense	96	103
Donations	343	422
Foreign exchange loss	—	677
Other	812	983
Total non-operating expense	1,251	2,185
Ordinary income	35,455	43,318
Extraordinary income		
Gain on sales of property, plant and equipment	11,923	257
Gain on sales of investment in securities	1,069	237
Gain on sales of shares of subsidiaries and affiliates	560	—
Total extraordinary income	13,552	494
Extraordinary loss		
Loss on impairment of fixed assets	854	689
Loss on liquidation of subsidiaries and affiliates	1,438	—
Loss on valuation of investment in securities	130	—
Other	229	—
Total extraordinary loss	2,651	689
Income before income taxes and non-controlling interests	46,356	43,123
Income taxes-current	16,068	13,001
Income taxes-deferred	(1,466)	1,981
Total income taxes	14,602	14,982
Net income	31,754	28,141
Net income (loss) attributable to non-controlling interests	(764)	(1,007)
Net income attributable to shareholders of the Company	32,518	29,148

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	April 1, 2014 - September 30, 2014	April 1, 2015 - September 30, 2015
	Amount	Amount
Net income	31,754	28,141
Other comprehensive income		
Unrealized holding gains (losses) on securities	232	2,281
Deferred gains (losses) on hedges	(493)	(105)
Translation adjustments	797	(2,516)
Remeasurements of defined benefit plans, net of tax	529	268
Other comprehensive income (loss) of equity method companies attributable to the Company	22	(19)
Total other comprehensive income (loss)	1,087	(91)
Comprehensive income	32,841	28,050
Comprehensive income (loss) attributable to:		
Shareholders of the Company	33,801	29,758
Non-controlling interests	(960)	(1,708)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2014 - September 30, 2014	April 1, 2015 - September 30, 2015
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	46,356	43,123
Depreciation and amortization	4,466	4,400
Loss on impairment of fixed assets	854	689
Amortization of goodwill	5,396	5,259
Decrease (increase) in net defined benefit asset	(2,080)	(2,429)
Interest and dividend income	(1,165)	(1,462)
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)	(164)
Loss (gain) on sale of investment in securities	(1,069)	(237)
Decrease (increase) in notes and accounts receivable - trade	(3,275)	990
Decrease (increase) in inventories	(3,971)	5,025
Increase (decrease) in notes and accounts payable - trade	(1,719)	(5,696)
Increase (decrease) in accounts payable - other	(1,309)	(5,949)
Other, net	2,512	(1,927)
Subtotal	33,974	41,622
Interest and dividends received	1,204	1,517
Interest paid	(117)	(103)
Income taxes paid	(9,695)	(19,602)
Net cash provided by (used in) operating activities	25,366	23,434
Cash flows from investing activities:		
Purchase of marketable securities	(33,800)	(36,000)
Proceeds from sales and redemption of marketable securities	20,511	96,800
Increase in time deposits	(782)	(941)
Decrease in time deposits	2,876	24,692
Increase in deposits	(10,319)	(210)
Purchase of property, plant and equipment	(4,889)	(7,793)
Proceeds from sales of property, plant and equipment	11,078	1,975
Purchase of intangible fixed assets	(831)	(660)
Proceeds from sales and redemption of investment in securities	1,297	6,173
Proceeds from sales of shares of subsidiaries and affiliates	7,600	—
Proceeds from company split	—	3,323
Other, net	(59)	(75)
Net cash provided by (used in) investing activities	(7,318)	87,284

	April 1, 2014 - September 30, 2014	April 1, 2015 - September 30, 2015
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	(1,209)	—
Cash dividends paid	(11,219)	(12,341)
Proceeds from share issuance to non-controlling shareholders	1,127	1,637
Other, net	(80)	(185)
Net cash provided by (used in) financing activities	(11,381)	(10,889)
Effect of exchange rate change on cash and cash equivalents	686	(512)
Net increase (decrease) in cash and cash equivalents	7,353	99,317
Cash and cash equivalents at beginning of the year	84,957	73,337
Cash and cash equivalents at end of the period	92,310	172,654

(4) Notes of Quarterly Consolidated Financial Statements

(Note regarding going concern assumption)

Not applicable.

(Note regarding substantial change in shareholders' equity)

Not applicable.

(Subsequent Event)

Implementation of Early Retirement Program

At a meeting held on October 30, 2015, the Board of Directors of the Company decided to implement an early retirement program, as described below.

1. Reason for implementation of early retirement program

Aiming to become a company that continues to create new value, the Company has been implementing the Medium-Term Management Plan 11–15, “New Value Creation”. Under this plan, the Company’s urgent challenges include the implementation of reforms targeting the establishment of a robust business structure that will succeed in a changing environment. Accordingly, to become a company that can record sustained growth, the company is implementing reforms in four areas — R&D Reforms, Sales Reforms, U.S. Operations Reforms, and Organizations and Activities Reforms.

With the business environment in the domestic pharmaceutical industry becoming increasingly severe, the Company believes that decisive business restructuring measures will be necessary from the next fiscal year.

Accordingly, targeting the future implementation of domestic restructuring initiatives, the Company is working from the perspective that it is necessary to optimize its workforce. On that basis, the Company decided to implement the early retirement program.

2. Overview

(1) Eligible employees

Employees who are 45 years of age and older as of April 1, 2016 (excluding certain Group companies)

(2) Number of employees who can be accepted into the program

Not specified

(3) Application period

From December 1, 2015 to December 25, 2015 (planned)

(4) Date of retirement

March 31, 2016

(5) Preferential benefits

In addition to the normal retirement allowance, an extra retirement allowance will be paid. Furthermore, support for reemployment will be provided to those who request it.

3. Impact on the Company's results

The Company plans to record the extra retirement allowances that are incurred as a result of the program as extraordinary losses in the fiscal year ending March 31, 2016. The forecasts in this material include a certain level of extra retirement allowances. Since the number of employees who will be accepted into the program has not been determined yet at this point, the impact of this program on the Company’s results has not been estimated.