

# Summary of Financial Results for year ended March 31, 2016

## (Japan GAAP) (Consolidated)

May 11, 2016

Company name: Mitsubishi Tanabe Pharma Corporation  
 Stock exchange listings: Tokyo  
 Securities code number: 4508  
 URL: <http://www.mt-pharma.co.jp/>  
 Representative: Name: Masayuki Mitsuka  
 Title: President and Representative Director  
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Planned date of ordinary general meeting of shareholders: June 22, 2016  
 Planned date of start of dividend payments: June 23, 2016  
 Planned date of filing of annual securities report: June 22, 2016  
 Provision of supplementary explanatory materials for results: Yes  
 Results presentation: Yes (for institutional investors and securities analysts)

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

Percentage changes in the list show change in comparison with the previous fiscal year.

### 1. Results for Fiscal year 2015 (from April 1, 2015 to March 31, 2016)

#### (1) Consolidated Business Results

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the Company	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
Fiscal year 2015	431,701	4.0	94,907	41.4	94,763	40.1	56,434	42.9
Fiscal year 2014	415,124	0.6	67,133	13.6	67,654	9.3	39,502	(13.0)

Note: Comprehensive income ¥38,294 million, (25.4)% in fiscal 2015 (¥51,358 million, 4.6% in fiscal 2014)

	Net income attributable to shareholders of the Company per share	Net income attributable to shareholders of the Company per share (diluted)	Return on Equity	Ordinary income / Total assets	Operating income / Net sales
	Yen	Yen	%	%	%
Fiscal year 2015	100.60	—	7.1	10.2	22.0
Fiscal year 2014	70.41	—	5.1	7.5	16.2

Note: Equity in earnings (losses) of affiliates ¥31 million in fiscal 2015 (¥32 million in fiscal 2014)

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2016	930,242	816,713	86.6	1,436.63
As of March 31, 2015	929,301	800,434	84.9	1,406.41

Note: Shareholders' equity ¥805,931 million as of March 31, 2016 (¥788,979 million as of March 31, 2015)

### (3) Consolidated Results of Cash Flows

	Cash Flow from Operating activities	Cash Flow from Investing activities	Cash Flow from Financing activities	Cash and cash equivalents at the end of the period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal year 2015	65,188	(26,559)	(22,236)	88,919
Fiscal year 2014	68,167	(59,834)	(21,884)	73,337

## 2. Dividends

	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Fiscal year 2014	—	20.00	—	22.00	42.00	23,561	59.6	3.0
Fiscal year 2015	—	22.00	—	24.00	46.00	25,805	45.7	3.2
Fiscal year 2016 (forecasts)	—	24.00	—	24.00	48.00		47.2	

## 3. Forecasts for Fiscal year 2016 (from April 1, 2016 to March 31, 2017)

	Revenues		Operating profit		Profit before taxes	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
Interim	213,500	—	37,500	—	38,500	—
Full year	406,500	(4.5)	75,500	(8.0)	77,000	(7.8)

	Net profit		Net profit attributable to owners of the Company		Net profit attributable to owners of the Company per share
	Millions of Yen	% change	Millions of Yen	% change	Yen
Interim	27,100	—	28,500	—	50.80
Full year	54,200	(5.2)	57,000	(4.2)	101.61

Notes: The Company has voluntarily applied International Financial Reporting Standards (IFRS) instead of Japan GAAP from the first quarter of the fiscal year ending March 31, 2017. So, the Company shows the earnings forecasts of the fiscal year ending March 31, 2017 based on IFRS.

Percentage changes in the above list show change from the previous fiscal year for full-year data based on IFRS as reference values. (At the time when this summary of financial results was released, the audit procedures for these reference values were in progress.)

## ※ Notes

(1) Significant change involving subsidiaries during the period: No

(Change in designated subsidiaries accompanying changes in the scope of consolidation)

(2) 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 "Changes in Accounting Policies" under "5. Consolidated Financial Statements (5) Notes of Consolidated Financial Statements" on page 29.

(3) Number of shares issued (common stock)

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

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

Fiscal year 2015	428,945 shares	Fiscal year 2014	428,340 shares
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3. Average number of shares during the period

Fiscal year 2015	560,989,246 shares	Fiscal year 2014	560,990,460 shares
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\*Note regarding implementation of audit procedures

At the time when this summary of financial results was released, the audit procedures for 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 5.

(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 12, 2016 (Thursday).

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

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# 1. Business Results

## (1) Analysis of Business Results

### ① Overview of business results

The business environment around pharmaceutical industry continues to remain challenging as the industry faces strengthened restraint of healthcare expenditures and decline of a new drug success rate.

In such a business environment, in the fiscal year ended March 31, 2016, Mitsubishi Tanabe Pharma Corporation (hereinafter "the Company") paid the upfront fees accompanying licensing-in activities and further promoted the business restructuring. On the other hand, the Company received the upfront and lump-sum payments accompanying licensing-out activities of a therapeutic agent for autoimmune diseases and a treatment agent for dyslipidemia in addition to an increase in net sales of high-priority products and vaccines, and royalty revenues of Gilenya and INVOKANA. These activities significantly contribute to the Company's business results, so that the Company records its highest in sales and major profit items.

(Millions of yen)

	Fiscal year 2014	Fiscal year 2015	Increase / Decrease	% change
Net Sales	415,124	431,701	16,577	4.0
Cost of sales	169,605	155,806	(13,799)	(8.1)
Cost of sales ratio	40.9%	36.1%		
Gross profit	245,519	275,895	30,376	12.4
SG&A expenses	178,386	180,988	2,602	1.5
Operating income	67,133	94,907	27,774	41.4
Non-operating income/loss	521	(144)	(665)	
Ordinary income	67,654	94,763	27,109	40.1
Extraordinary income/loss	(4,977)	(10,451)	(5,474)	
Net income attributable to shareholders of the Company	39,502	56,434	16,932	42.9

### 【Net sales】

Net sales increased by 4.0%, or ¥16.5 billion, year-on-year, to ¥431.7 billion.

(Millions of yen)

	Fiscal year 2014	Fiscal year 2015	Increase / Decrease	% change
Pharmaceuticals	414,686	431,322	16,636	4.0
Domestic ethical drugs	323,910	308,084	(15,826)	(4.9)
Overseas ethical drugs	23,031	25,238	2,207	9.6
OTC products	3,997	3,765	(232)	(5.8)
Others in Pharmaceuticals	63,748	94,235	30,487	47.8
Others	438	379	(59)	(13.5)

In the pharmaceuticals segment, net sales were ¥431.3 billion, up 4.0%, or ¥16.6 billion, year-on-year.

- Domestic sales of ethical drugs decreased by 4.9%, year-on-year, to ¥308.0 billion due to the termination of the sales alliance of the plasma fractionation products in March 2015.
- Sales of others in pharmaceuticals increased by 47.8%, year-on-year, to ¥94.2 billion due to the following reasons;
  - Increase in royalty revenue from Gilenya, for the treatment of multiple sclerosis, licensed to Novartis,
  - Increase in royalty revenue from INVOKANA and the fixed dose combination with metformin (IR), for the treatment of type2 diabetes mellitus, licensed to Janssen Pharmaceuticals,
  - Receipt of the upfront payment accompanying the license agreement with Biogen related to MT-1303, a therapeutic agent for autoimmune diseases,

- Receipt of the lump-sum payment accompanying a patent and know-how transfer agreement with Amgen and Dezima regarding TA-8995, a treatment agent for dyslipidemia (CETP inhibitor).

#### 【Operating income】

Operating income increased by 41.4%, or ¥27.7 billion, year-on-year, to ¥94.9 billion.

- The cost of sales ratio improved by 4.8 percentage points, to 36.1% due to the ending of the sales alliance of the plasma fractionation products, the increase in royalty revenue and the receipt of the upfront payments. Gross profit increased by ¥30.3 billion, year-on-year, to ¥275.8 billion.
- R&D expenses increased in comparison with the previous fiscal year. Consequently, total SG&A expenses increased by ¥2.6 billion, year-on-year, to ¥180.9 billion.

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

Ordinary income was up 40.1%, or ¥27.1 billion, year-on-year, to ¥94.7 billion, and net income attributable to shareholders of the Company was up 42.9%, or ¥16.9 billion, year-on-year, to ¥56.4 billion.

- Non-operating income/loss was down ¥0.6 billion, year-on-year, due to the recording of foreign exchange loss.
- Extraordinary income was ¥14.1 billion, due to the recording of gain on sales of investment in securities of ¥13.4 billion, compared with ¥13.6 billion in the previous fiscal year, due to the recording of gain on sales of property, plant and equipment.
- Extraordinary loss was ¥24.5 billion, due to the recording of restructuring expenses of ¥16.3 billion including the extra retirement allowances concerning subscription of early retirement program of ¥15.2 billion, and loss on impairment of fixed assets of ¥4.4 billion. On the other hand, in the fiscal year ended March 31, 2015, extraordinary loss was ¥18.6 billion due to the recording of restructuring expenses.

## ② R&D activities

The Company, its subsidiaries and its affiliates (hereinafter "the Group") promote research and development activities both in Japan and overseas with aiming continuously to discover new drugs to the world. The Group focuses on the discovery of pharmaceuticals being able to "be the first to deliver its own unique value" in four high-priority areas: autoimmune diseases, diabetes and kidney diseases, nervous system diseases and vaccines. In addition, the Group actively engages in the open shared business through the in-licensing of discovery seeds and the implementation of collaboration with other organizations, and continues to work for enhancing its pipeline by utilizing the optimal method for each candidate.

In the fiscal year ended March 31, 2016, the Group has received approval for RADICUT for amyotrophic lateral sclerosis (ALS) in Japan and South Korea. Now, the Group proceeds with preparations of the application in the U.S. toward the further expansion of overseas business. In addition, the Company has received approval for REMICADE, for entero-Behcet's disease, neuro-Behcet's disease, vasculo-Behcet's disease, and Kawasaki disease in Japan.

Regarding of licensing-out activities, the Company granted to Biogen the exclusive right to develop and market MT-1303 globally except for Japan and Asia, which is a therapeutic agent for autoimmune diseases such as multiple sclerosis or Crohn's disease, be developed by the Company and positioned to become the successor of Gilenya. Furthermore, concerning TA-8995, a treatment agent for dyslipidemia (CETP inhibitor), the Company transferred TA-8995 patents and know-how to Amgen, Inc., worldwide except for Japan and certain parts of Asia, due to Amgen's acquisition of Dezima Pharma B.V., the licensee for TA-8995.

On the other hand, concerning licensing-in activities, the Company has acquired exclusive development and commercialization rights from Regeneron Pharmaceuticals, Inc. for Fasinumab, an NGF antibody, (expected indications: osteoarthritis and chronic low back pain), in Japan and some Asian countries, and from Akebia Therapeutics, Inc. for Vadadustat, HIF-PH inhibitor, (expected indication: anemia related to chronic kidney disease (CKD)), in Japan and certain other countries in Asia. In addition, the Group and MedImmune Limited have entered into a strategic collaboration and licensing agreement concerning antibody-drug conjugates (ADCs) in cancer treatment.

The Company aggressively implemented R&D investments during the fiscal year ended March 31, 2016. As a result, R&D expenses were ¥75.2 billion, accounting for 17.4% of net sales. Clinical development activities mainly saw progress as described below during the fiscal year ended March 31, 2016.

#### Acquisition of approval

- In May 2015, TALION, anti-allergic agent, was approved for additional pediatric indications in Japan.
- In June 2015, RADICUT was approved for amyotrophic lateral sclerosis (ALS) in Japan.
- In August 2015, REMICADE was approved for entero-Behcet's disease, neuro-Behcet's disease and vasculo-Behcet's disease in Japan.
- In September 2015, TA-650, (generic name: infliximab, Japanese product name: REMICADE) was approved for Crohn's disease, ulcerative colitis, pediatric Crohn's disease, and pediatric ulcerative colitis in Taiwan.
- In December 2015, MCI-186, (generic name: edaravone, Japanese product name: RADICUT) was approved for amyotrophic lateral sclerosis (ALS) in South Korea.
- In December 2015, REMICADE was approved for Kawasaki disease in Japan.
- In February 2016, TRIBIK was approved in Japan for an indication of prophylaxis of pertussis, diphtheria, and tetanus; stage 2 vaccination by The Research Foundation for Microbial Diseases of Osaka University, which is the partner in joint development.

#### Application of approval

- In April 2015, an application was submitted in Indonesia for an indication of type 2 diabetes mellitus for MP-513 (generic name: teneligliptin, Japanese product name: TENELIA).
- In July 2015, an application was submitted in Japan for a partial change of approved information regarding dosage and usage for REMICADE in psoriasis.
- In March 2016, an application was submitted in China for an indication of pediatric allergic rhinitis and pediatric allergic dermatitis for TAU-284 (generic name: bepotastine besilate, Japanese product name: TALION).

#### Start of clinical trials

- In May 2015, the Group started phase 2 clinical trials for an indication of Crohn's disease for MT-1303 (sphingosine-1-phosphate (S1P) receptor functional antagonist) in Japan and EU.

#### Development status of licensing-out products

- In June 2015, licensee Minerva Neurosciences, Inc. started phase 2 clinical trials for an indication of depression for Wf-516 in EU.
- In November 2015, licensee Janssen Pharmaceuticals, Inc. submitted an application for an indication of type 2 diabetes mellitus for the fixed dose combination of TA-7284 (generic name: canagliflozin, Japanese product name: CANAGLU) with metformin (XR) in the U.S.
- In November 2015, licensee Kyowa Hakko Kirin Co., Ltd. started phase 3 clinical trials for an indication of secondary hyperparathyroidism in hemodialysis patients for MT-4580 in Japan.

### **③ Alliance situation with other companies**

The Group promotes not only effective utilization of the management resources, but also strategic alliances with other companies to carry out the management tasks.

The Group's main alliances with other companies are as follows:

#### Gilenya business with Novartis Pharma AG

The Company grants to Novartis development and commercialization rights for Gilenya globally except for Japan. Novartis has received approval and launched in the U.S. and EU.

The Company receives the royalties according to sales of Gilenya from Novartis.

#### INVOKANA business with Janssen Pharmaceuticals, Inc.

The Company grants to Janssen the right for development and commercialization of INVOKANA worldwide except for Japan and certain parts of Asia. Janssen has received approval for INVOKANA and the fixed dose combination with Metformin (IR) and launched in the U.S., EU and other regions.

The Company receives the royalties according to sales of INVOKANA and the fixed dose combination from Janssen.

#### Sales alliance with Daiichi Sankyo Co., Ltd.

Daiichi Sankyo and the Company are promoting strategic alliance for TENELIA and CANAGLU to contribute to the treatment of type 2 diabetes mellitus in Japan.

#### Sales alliance with Mochida Pharmaceutical Co., Ltd.

The Company and Yoshitomiyakuhin Corporation, a subsidiary of the Company, conduct collaborative sales and promotion for LEXAPRO, anti-depressant, with Mochida.

#### Sales alliance with Janssen Biotech, Inc.

Janssen Biotech and the Company have conducted collaborative sales for SIMPONI since it was released. Under the new strategy of both companies, the distribution of SIMPONI is integrated in the Company. The Company and Janssen Pharmaceutical K.K., a group company of Janssen Biotech, continue to jointly implement promotional activities.

#### MT-1303 business with Biogen

The Company grants to Biogen the exclusive right to develop and market MT-1303 worldwide except for Japan and Asia, a therapeutic agent for autoimmune diseases, created and developed by the Company. The Company has a right to participate in Biogen's global clinical trials as well as a co-promotion right in the U.S. in non-multiple sclerosis indications.

The Company may receive from Biogen additional milestone payments according to territories and indications, and royalties according to the sales volume after Biogen's marketing the products.

#### Collaborative research with National University Corporation Kyoto University

Kyoto University and the Company concluded research and development agreement regarding "Basic and Clinical Research Project for Discovering Innovative Treatment for Chronic Kidney Disease (CKD)", and carry out joint research.

#### Collaborative research with AstraZeneca

AstraZeneca and the Company conduct collaborative research in the area of diabetic nephropathy. The aim of the research collaboration is to leverage complementary strengths, expertise and assets to validate and progress novel research targets and molecules into clinical development.

#### Strategic Collaboration with MedImmune

MedImmune, the Company and Tanabe Research Laboratories U.S.A., Inc. (hereinafter "TRL"), a subsidiary of the Company, carry out strategic collaboration for the development to generate antibody-drug conjugates (ADCs) using MedImmune's pyrrolbenzodiazepine (PBD) and TRL's specific cancer-targeting antibody technology.

#### Alliance with Astellas Pharma Inc.

Astellas and the Company agree the share of their respective approximately 250,000 compounds selected from their respective compound libraries, including a significant number of proprietary synthetic compounds, to further accelerate drug discovery research of innovative new drugs.

### **④ Situation of the overseas business development**

The Company has established MT Pharma America, Inc. (hereinafter "MTPA"), a pharmaceutical sales company to proceed with preparations to launch MCI-186 (Japanese product name: RADICUT) in the United States in February 2016. MTPA is a wholly-owned subsidiary of Mitsubishi Tanabe Pharma Holdings America, Inc., which is a holding company to control the U.S. business 100% owned by the Company. The Company aims to build the U.S. business foundation with launching MCI-186 as its first step, and expanding its product line utilizing the collaborations with its partners.

In addition, MT Pharma Singapore Pte. Ltd. (hereinafter "MTPS"), the Company's subsidiary in Singapore, started business operation in April 2016, with a view to develop new pharmaceutical products in the ASEAN region. MTPS will function as a base of the Group's business development in the ASEAN region, and work to launch new pharmaceutical products earlier by developing and in-licensing them aggressively.



## ⑤ Forecasts for the fiscal year ending March 31, 2017

In the fiscal year ending March 31, 2017, revenues are expected to decrease from the previous fiscal year due to the following reasons;

- Decrease in the revenue of domestic ethical drugs due to the revision of NHI drug price standards,
- Receipt of the lump-sum payment accompanying TA-8995, a treatment agent for dyslipidemia (CETP inhibitor) in the fiscal year ended March 31, 2016.

In terms of profit, core operating profit is also expected to decrease from the previous fiscal year because of the decrease in revenues, the increase in R&D expenses accompanying the progress of development projects, and the increase in the overseas business development expenses targeting mainly in the U.S.

In addition, the Company forecasts the decrease in operating profit and major profit items compared to the fiscal year ended March 31, 2016 although the Company expects the significant improvement of non-recurring items.

The Company has voluntarily applied International Financial Reporting Standards (IFRS) instead of Japan GAAP from the first quarter of the fiscal year ending March 31, 2017. So, the Company shows the earnings forecasts of the fiscal year ending March 31, 2017 based on IFRS.

The Company makes "Core operating profit" an important management indicator. "Core operating profit" is a profit except the income and loss recorded by non-recurring items from operating profit based on IFRS.

Consolidated business results of the fiscal year ended March 31, 2016 in the following list show the reference values based on IFRS. (At the time when this summary of financial results was released, the audit procedures for these reference values were in progress.)

(Millions of yen)

	Fiscal year 2015	Fiscal year 2016	Increase / Decrease	% change
Revenues	425,800	406,500	(19,300)	(4.5)
Core operating profit	107,200	77,000	(30,200)	(28.2)
Operating profit	82,100	75,500	(6,600)	(8.0)
Profit before taxes	83,500	77,000	(6,500)	(7.8)
Net profit	57,200	54,200	(3,000)	(5.2)
Net profit attributable to owners of the Company	59,500	57,000	(2,500)	(4.2)

## (2) Financial Position

### ① Assets, liabilities and net assets

(Millions of yen)

	End of Fiscal year 2014 (As of March 31, 2015)	End of Fiscal year 2015 (As of March 31, 2016)	Increase / Decrease
Current assets	603,649	657,253	53,604
Fixed assets	325,652	272,989	(52,663)
Total assets	929,301	930,242	941
Liabilities	128,867	113,529	(15,338)
Net assets	800,434	816,713	16,279
Total liabilities and net assets	929,301	930,242	941

Total assets at the end of the fiscal year 2015 were ¥930.2 billion, an increase by ¥0.9 billion from the end of the fiscal year 2014. 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 ¥53.6 billion from the previous fiscal year-end, to ¥657.2 billion.
- Total fixed assets were down ¥52.6 billion from the previous fiscal year-end, to ¥272.9 billion due to the decrease in investment in securities and intangible fixed assets.
- Accounts payable - other and income taxes payable decreased. Consequently, total liabilities were down ¥15.3 billion from the previous fiscal year-end, to ¥113.5 billion.
- Total net assets were up ¥16.2 billion, to ¥816.7 billion because the increase in retained earnings exceeded the decrease in remeasurements of defined benefit plans and translation adjustments. The equity ratio was 86.6%, compared with 84.9% as of the previous fiscal year-end.

### ② Cash flows

(Millions of yen)

	Fiscal year 2014	Fiscal year 2015	Increase / Decrease
Operating activities	68,167	65,188	(2,979)
Investing activities	(59,834)	(26,559)	33,275
Financing activities	(21,884)	(22,236)	(352)
Change in cash and cash equivalents	(11,620)	15,582	27,202
At the beginning of the year	84,957	73,337	(11,620)
At the end of the year	73,337	88,919	15,582

Net increase in cash and cash equivalents was ¥15.5 billion, and the balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2016 was ¥88.9 billion.

- Net cash provided by operating activities was ¥65.1 billion. Cash inflows including income before income taxes and non-controlling interests exceeded cash outflows including income taxes paid.
- Net cash used in investing activities was ¥26.5 billion because of the increase in time deposits.
- Net cash used in financing activities was ¥22.2 billion mainly due to dividends payment.

### ③ Cash flow indicators

	Fiscal year 2011	Fiscal year 2012	Fiscal year 2013	Fiscal year 2014	Fiscal year 2015
Shareholders' equity ratio (%)	87.3	86.3	86.4	84.9	86.6
Shareholders' equity ratio (market price) (%)	79.4	93.5	91.3	124.5	118.0
Ratio of interest-bearing debt to cash flow (years)	0.1	0.0	0.1	0.0	0.0
Interest coverage ratio	4,138.6	1,009.8	768.1	282.9	201.8

- Shareholders' equity ratio: shareholders' equity / total assets
- Shareholders' equity ratio (market price): total market capitalization / total assets
- Ratio of interest-bearing debt to cash flow: interest-bearing debt / cash flow from operating activities
- Interest coverage ratio: cash flow from operating activities / interest payments

Notes: 1. Each indicator is calculated on a consolidated basis.

2. Total market capitalization is calculated based on the number of shares outstanding at the end of the period, excluding treasury stock.
3. Interest-bearing debt includes all liabilities, reported on the consolidated balance sheets that are subject to interest payments.

### (3) Basic Policy regarding the Distribution of Profits and Dividends in the Fiscal Year ended March 31, 2016 and ending March 31, 2017

The Company aims to maximize corporate value through aggressively carrying out strategic investment and R&D investment targeting sustainable growth and provide a stable and continuous return to shareholders.

Under Medium-Term Management Plan 11-15, the Company strives to expand the return of profits to shareholders to achieve consolidated payout ratio of 50% (consolidated payout ratio of 40% before amortization of goodwill).

Despite the Company made some upfront and milestone payments for in-licensing and promoted business structure reform, the Company recorded its highest sales and major profit items in the fiscal year ended March 31, 2016 due to the following factors;

- Increase in domestic sales of vaccines and high-priority products,
- Increase in royalty revenues from Gileña and INVOKANA,
- Upfront income from out-licensing of a therapeutic agent for autoimmune diseases and consideration for transfer of patents and rights related to a treatment agent for dyslipidemia.

In light of this situation and basic policy regarding the distribution of profits, the Company plans to pay a year-end dividend of ¥24 per share (an increase of ¥2 per share) for the fiscal year ended March 31, 2016. Accordingly, the annual dividend for the fiscal year ended March 31, 2016 will be ¥46 per share (an increase of ¥4 per share), including the interim dividend.

In addition, under the Medium-Term Management Plan 16-20 starting since the fiscal year ending March 31, 2017, the Company aims to continue enhancing shareholder returns to achieve consolidated payout ratio 50% under the consideration of adopting IFRS, with improving substantially by 10% in comparison with current distribution policy of profits.

And, the Company plans to pay an annual dividend of ¥48 per share for the fiscal year ending March 31, 2017. (Breakdown: an interim dividend of ¥24 per share, and a year-end dividend of ¥24 per share)

### (4) Operational Risks

The Group is exposed to various risks which may have significant effects on its future financial position and business results. The Group recognizes the possibility that these risks may arise, and intends to work to prevent their occurrence and to respond to such occurrence appropriately if they arise. With respect to descriptions about future events, the Group has determined its assumptions and estimates based on information available as of March 31, 2016.

#### ① Risks related to R&D of new drug

The research and development of new drugs requires long-term investment and a large quantity of management resources, but there is no guarantee that these processes 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 if and when approval for new products can be obtained. The Group will have to give up R&D activities for such products in the case that problems with the efficacy or safety of the products under development are found in non-clinical trials and clinical trials, or in the event that they are determined to lack economic value due to innovation in medical treatment techniques or the launch of other drugs. As mentioned above, in the case that R&D investment results in

failure of the development of new drugs, there may have significant effects on the Group's future financial position and business results.

**② Risks related to side effects**

The Company implements clinical trials to be carried out for the approval of a new drug targeting with a limited number of test subjects to meet certain standards. Therefore, the Company cannot predict everything about safety in post-marketing use even if the pharmaceuticals are approved based on a strict safety evaluation. 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 side effects 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, there may have significant effects on the Group's future financial position and business results.

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

The sale of ethical pharmaceuticals is significantly impacted by the various health insurance systems such as medical treatment fee and NHI drug price standards. In the event that revisions of NHI drug price standards that is the official price of pharmaceuticals and its system, various health insurance systems, medical treatment fee that has an influence on the trend of the use of pharmaceuticals by medical institutions, and similar revisions that is carried out abroad are performed, there may have significant effects on the Group's future financial position and business results.

**④ Risks related to product sales**

In the future, concerning the Company's products, it may happen that the launch of competing new products, or of generic drugs with the expiration of the patent about its products, the launch of innovative new drugs or the finding of new technologies to lead to the establishment of new treatment method, or the announcement of new evidence. If it becomes such a situation, the position of the Company's products relatively changes or sales of the Company's products will decrease. In this case, there may have significant effects on the Group's future financial position and business results.

**⑤ Risks related to intellectual property rights**

If the Group's business activities conflict with the patents or other intellectual property rights of other parties, it is possible that these activities could be suspended or that legal disputes about them could arise. In addition, 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 may have significant effects on the Group's future financial position and business results.

**⑥ Risks related to alliance with other companies**

The Group enters into a variety of partnership with other companies in each business field such as research, development, production, logistics and marketing. For example, the following things cooperates with others; collaborative research and development with other companies, licensing in or out of products under development, outsourcing of logistics operation, contract manufacturing, contract sales, co-promotion and co-marketing. However, in the event that contracts are changed or partnerships are terminated for whatever reasons, that the management environment of alliance partners becomes severer, that the alliance partners substantially change their management policies, or that the supply of its products suspends or delays substantially, there may have significant effects on the Group's future financial position and business results.

**⑦ Risks related to stable supply of products**

In the event that the supply of products substantially suspends or delays because of the occurrence of technical, legal, or regulatory problems, or the shutdown of operation due to the occurrence of fires or other disasters in manufacturing or distribution facilities of both within and outside the Group, there may have significant effects on the Group's future financial position and business results.

**⑧ Risks related to legal issues**

In the research, development, logistics and marketing of pharmaceuticals, there is a trend toward the quality and environment regulations become severer. In the event that the Group pays an additional cost to comply these further stricter regulations, there may have significant effects on the Group's future financial position and business results.

### ⑨ Risks related to product liability

The Group may be responsible for potential product liability through research, development, manufacturing, distribution, and marketing activities of products. The Group takes out insurance against product liability claims. But in the event that compensation exceeds the coverage of this insurance, there may have significant effects on the Group's future financial position and business results.

### ⑩ Risks related to financial market and currency fluctuations

a) In the fiscal year ended March 31, 2016, overseas sales accounted for 27.1% of the Group's consolidated net sales. Some raw materials for products and finished goods handled by the Group are directly imported from overseas. The sudden change of foreign exchange rate may bring the decrease in sales, the increase in procurement costs, occurrence of foreign exchange loss, or the decline of assets of the overseas consolidated subsidiaries, and there may have significant effects on the Group's future financial position and business results.

b) As of March 31, 2016, the Group held marketable securities of ¥96.5 billion and investments in securities of ¥49.8 billion, part of which are liquid stocks and bonds. Accordingly, in the event such as the recording of a loss on valuation by decline in market prices, there may have significant effects on the Group's future financial position and business 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, decline in social trust, or be liable for the payment of compensation, there may have significant effects on the Group's future financial position and business results.

### ⑫ Risks related to lawsuits

a) There is a possibility that a lawsuit may be brought to court in terms of side effect of pharmaceuticals, product liability, labor issues, or fair trade relating to the business activities of the Group. As a result, there may have significant effects on the Group's future financial position and business results.

b) 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" (hereinafter "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 these standards, the Company has paid expenses. For this expense burden, the Company booked provision of ¥28.5 billion, then ¥23.5 billion have been paid out as of March 31, 2016. However, due to changes in the expected number of benefits recipients or the revision of the Special Law, the Group's future financial position and business results might be significantly affected.

The standards to determine 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. In the event such as information is leaked outside due to inappropriate handling, it is possible that the Group could decline in social trust and there may have significant effects on the Group's future financial position and business results

### **⑭ Risks related to substantial prior investment to accelerate overseas business development**

It is necessary to invest heavily in the acceleration of overseas business development. However, the Group may be unable to recover a portion or the full amount of its investments or may affect business under development because of changes in the laws and systems of each country, the worsening of diplomatic relations, natural disaster, or any other cause. As a result of these actions, there may have significant effects on the Group's future financial position and business results.

### **⑮ Major assumptions regarding business activities**

The Group's principal business operations are pharmaceutical manufacturing and sales. In accordance with the Pharmaceutical and Medical Device Act, the Group has obtained licenses for pharmaceutical manufacturing and sales, pharmaceutical manufacturing and wholesale pharmaceutical sales, and engages in manufacturing and sales of ethical pharmaceutical, pharmacist's intervention required medicines and OTC products. Some of these products are under the control of laws and regulations related to the Narcotics and Psychotropic Control Act.

In addition, even if operating pharmaceutical manufacturing and sales in overseas, the Group is subject to the pharmaceutical regulations of the countries concerned. The Group receives related authorizations as necessary.

In regard to these authorizations or any other licenses, the Group must receive update regularly, as determined by laws / regulations. In the event of a violation of laws or regulations, it is possible that these authorization or permissions provided to the Group could be cancelled or the Group could be ordered to suspend all or a portion of operations for certain prescribed period. The Group recognizes that there is no reason to cancel its permissions at this point. However, if its licenses are cancelled for any reason in the future, the Group may not be able to continue its business activities due to the damage of social trust or the termination of contracts, there may have significant effects on the Group's future financial position and business results.

### **⑯ Risks related to large-scale disasters or other events**

In the event of large-scale or secondary disasters, pandemic or other natural disasters, the supply of the Group's products may suspend or delay substantially because the manufacturing or logistics bases of the Group or supplier are damaged, or the operations of raw material suppliers or outsourced manufacturer are stopped. If such a situation happens, there may have significant effects on the Group's future financial position and business results. In addition, in the event of large-scale or secondary disasters such as interruption of electric supply or other cause, the research bases of the Group or enforcement organization of the clinical trial may be also damaged, and there may have significant effects on the progress of the Group's R&D projects. Furthermore, if the communication or computer systems connected to the manufacturing, logistics and research bases of the Group may be damaged, it may be affected similarly.

### **⑰ 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 (hereinafter "MCHC"), and Mitsubishi Chemical Holdings Corporation's corporate group (hereinafter "MCHC Group", including MCHC), includes the following transactions;

- Deposit contract of money with MCHC,
- Purchase of raw materials or other things,
- Leases and consignment contracts for the sites of research facilities and buildings, etc. in Yokohama City, Kanagawa Prefecture,
- Permission of exclusive rights to intellectual property which MCHC Group holds, and payment of the consideration,
- Contracts for research outsourcing and information disclosure,
- Consignment contracts of the affairs to be related to overseas subsidiaries,
- Contract to be related to a burden of operational expenses with MCHC Group.

Fundamentally, the decision of transaction terms is based on a discussion among both parties in reference to general market value.

ii . Personnel relationships with MCHC Group

(a) Concurrent serves of directors and corporate auditors

As of the filing date of this report, one corporate auditor of MCHC group is concurrently serving as a corporate auditor (non-full time) of the Company.

Masayuki Mitsuka, who is a president and representative director of the Company, serves concurrently as a director (non-full time) of MCHC and The KAITEKI Institute, Inc.

(b) Acceptance of MCHC Group employee

The Group has accepted some employees from MCHC Group to strengthen the cooperation with each division.

iii. Capital relationship with MCHC

Currently, MCHC holds 56.34% of the Company's issued shares. In regard to management decision-making, there are no matters that require the advanced approval of MCHC, the Company's parent company. Also, the percentage of the Company's stock to be held by MCHC 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 MCHC Group, there may have significant effects on the Group's future financial position and business results.

There are various risks other than above mentioned them, and the risks listed here are not all risks the Group faces.

## 2. The Status of Corporate Group

As of March 31, 2016, the Company and its related companies consist of 31 companies, including the Company, its parent company, 28 subsidiaries (28 consolidated subsidiaries), and 1 affiliate. The Group mainly operate the pharmaceuticals business. The following describes the operations and the positioning of the Group with respect to its businesses.

### [Pharmaceuticals]

The Group engages in research and development, manufacturing, purchasing, sales and other activities of ethical pharmaceutical, pharmacist's intervention required medicines and OTC products.

Ethical pharmaceuticals are intended for use by doctors or dentists or in accordance with prescriptions from them. OTC products are drugs other than ethical pharmaceuticals. Consumers purchase directly them at drugstores, referring to explanations by pharmacists or consulting with them. Pharmacist's intervention required medicines are drugs which have not yet settled their risk as OTC products because they have just switched from ethical pharmaceuticals to OTC.

In the Group, sales of ethical pharmaceuticals account for more than 90% of sales of pharmaceuticals.

The main products of ethical pharmaceuticals and OTC products are as follows:

	Product name	Efficacy	Sales (FY2015)
Ethical pharmaceuticals	Remicade	Rheumatoid arthritis (RA), active Crohn's disease, Behcet's disease with refractory uveoretinitis, psoriasis, ankylosing spondylitis, ulcerative colitis, and Kawasaki disease	Domestic : ¥69.4 billion Overseas : ¥0 billion
	Talion	Allergic rhinitis, urticaria, pruritus accompanying dermatitis	Domestic : ¥16.9 billion Overseas : ¥0.9 billion
	Tenelia	Type 2 diabetes mellitus	Domestic : ¥14.2 billion Overseas : ¥0.3 billion
	Ceredist	Improvement of ataxia caused by spinocerebellar degeneration	Domestic : ¥14.2 billion Overseas : ¥0 billion
	Maintate	Essential hypertension, angina pectoris, ventricular extrasystole, chronic heart failure, atrial fibrillation	Domestic : ¥13.5 billion Overseas : ¥0.1 billion
	Simponi	Rheumatoid arthritis (RA)	Domestic : ¥12.9 billion Overseas : ¥1.3 billion
	Lexapro	Depression, depressive symptoms, social anxiety disorder (SAD)	Domestic : ¥9.5 billion Overseas : —
	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 : ¥9.3 billion Overseas : —
	Urso	Liver function in chronic liver disease and hepatitis C, dissolution of gall stones	Domestic : ¥8.2 billion Overseas : ¥0.8 billion
	Depas	Neuroses, psychosomatic disorders, depression, integration dysfunction syndrome, muscle contraction headache, cervical spondylosis, anxiety/tension/neurasthenia/sleep disturbance, etc. in lower back pain	Domestic : ¥7.3 billion Overseas : ¥0.5 billion
	Radicut	Neurological symptoms at the acute stage of cerebral infarction, interference with activities of daily living, functional disability, amyotrophic lateral sclerosis (ALS)	Domestic : ¥7.3 billion Overseas : ¥0 billion
	Anplag	Ischemic symptoms associated with chronic arterial occlusion, such as ulcer, pain and coldness of limbs	Domestic : ¥6.4 billion Overseas : ¥1.1 billion



	Product name	Efficacy	Sales (FY2015)
Ethical pharmaceuticals	Herbesser	Essential hypertension, angina pectoris, variant angina pectoris, etc.	Domestic : ¥4.8 billion Overseas : ¥6.5 billion
	Vaccines	Mearubik (measles/rubella prevention), HA flu vaccine (Influenza prevention), JEBIK V (Japanese encephalitis prevention), TETRABIK (pertussis, diphtheria, tetanus, and polio prevention), Varicella vaccine, etc.	Domestic : ¥39.1 billion Overseas : ¥0 billion
OTC products	Flucort	Eczema, dermatitis	Domestic : ¥2.2 billion Overseas : —
	Aspara Drink	Nutritional tonic for physical fatigue	Domestic : ¥0.9 billion Overseas : —

(Domestic)

Pharmaceuticals are supplied from the Company to pharmaceutical wholesalers, then to medical institutions such as hospitals and clinics or to drugstores, and finally to patients. Many of pharmaceuticals supplied from the Company to pharmaceutical wholesalers are mainly manufactured by Mitsubishi Tanabe Pharma Factory Ltd., a manufacturing subsidiary of the Company, some of them are purchased from other companies. Generic drugs and others are supplied to pharmaceutical wholesalers through Tanabe Seiyaku Hanbai Co., Ltd from the Company. In addition, Yoshitomiyakuhin Corporation performs medical representatives affairs of some products which the Company handles.

(Overseas)

In Asia, with certain raw materials supplied by the Company, Tianjin Tanabe Seiyaku Co., Ltd., Mitsubishi Tanabe Pharma Korea Co., Ltd., and P.T. Tanabe Indonesia manufacture and sell pharmaceuticals in their regions. Products manufactured by Taiwan Tanabe Seiyaku Co., Ltd. are sold locally by Tai Tien Pharmaceuticals Co., Ltd. except for some products.

In North America, the Company outsources a portion of its R&D affairs to Mitsubishi Tanabe Pharma Development America, Inc. and Tanabe Research Laboratories U.S.A., Inc. MP Healthcare Venture Management, Inc. invests in recently launched bio-venture companies. In addition, Medicago Inc. works in research and development of vaccines.

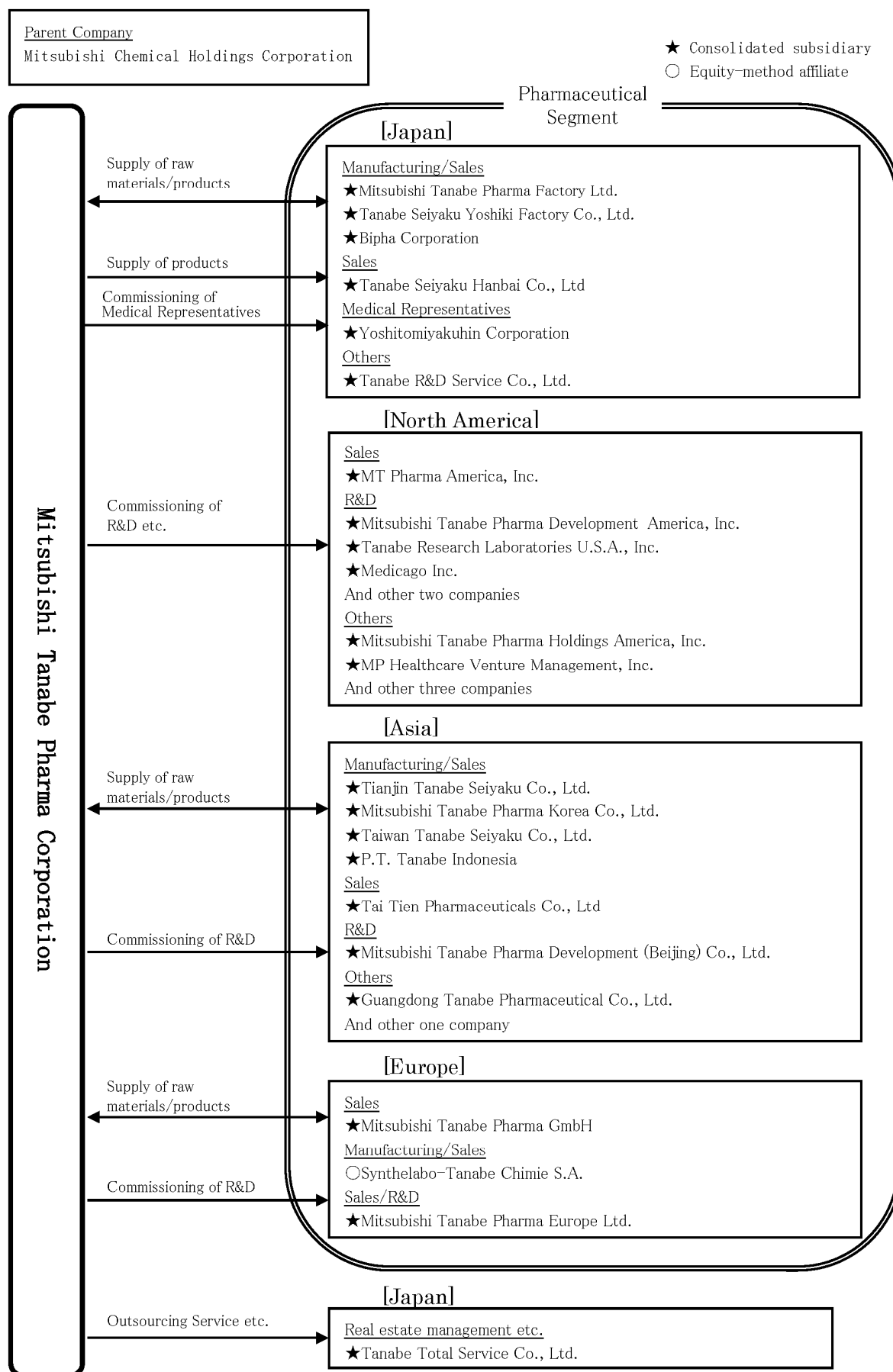
In Europe, Mitsubishi Tanabe Pharma GmbH and other companies engage in sales activities. The Company outsources a part of development affairs to Mitsubishi Tanabe Pharma Europe Ltd.

[Others]

Besides the pharmaceuticals businesses, real estate management and other activities are conducted in Japan.

Business organization chart is as follows;

As of March 31, 2016



### 3. Management Policies

#### (1) Basic Management Policy

The Group has formulated a corporate philosophy of "contributing to the healthier lives of people around the world through the creation of pharmaceuticals". According to this philosophy, the Group will strive to accomplish its vision of "becoming a global research-driven pharmaceutical company that is trusted by communities". To achieve its goal, the Group is taking on the challenges of discovering new global drugs, overseas development of its business, and creating new business opportunities to respond to medical needs.

In addition, the Corporate Behavior Charter of the Group determines having high ethical standards and acting with fairness and integrity in all business activities, and be placed the highest priority for all of the Group's directors and employees. The Group engages in business activities based on the corporate philosophy, vision, and Corporate Behavior Charter.

#### (2) Medium- and Long-Term Management Strategy and Issues to be Addressed

Summary of "Medium-Term Management Plan 11-15: New Value Creation"

The Group has worked to strengthen the business foundation of its stage for future growth through the "Medium-Term Management Plan 11-15: New Value Creation" (from April 2011 to March 2016), which was formulated in 2011.

In Japan, the Company added seven new products to its lineup, and has accomplished that the total amount of two products has exceeded ¥100 billion (based on NHI drug price standards) in sales by strengthening IKUYAKU (Drug Fostering and Evolution) of both REMICADE and SIMPONI, which are placed high-priority products. In overseas, growth was recorded by out-licensed drug—Gilenya, a multiple sclerosis treatment agent, and INVOKANA a type2 diabetes mellitus treatment agent—and the royalty revenues from these products became a pillar of the Company's earnings. In addition, the Group consolidated and reorganized a range of functions, including the research, manufacturing, and head office functions, and accelerated reforms targeting a strong management system.

However, during the period, in domestic ethical drugs market, which is earnings base of the Group, the Group has resulted in the decline in earning capacity of long listed drugs by further restraint of healthcare expenditures such as promotion of generic drug use exceeding initial forecasts. Furthermore, in the U.S., the world's largest pharmaceutical market, the Group's business development was delayed because of discontinuance of the product under development in kidney disease area. Therefore, the Group could not achieve Medium-Term Management Plan 11-15.

(Billions of yen)

Medium-Term Management Plan 11-15 Numerical target for FY 2015		
	Initial target	Result
Net sales	500.0	431.7
Operating income	100.0	94.9

The Group has selected "Move" as the key word and implemented these four reforms, "R&D reforms", "reforms of domestic business", "reform of business development in the U.S.", and "organizational and behavioural reforms". In addition, the Group has accelerated the accomplishment of strategic tasks in Medium-Term Management Plan 11-15, and built the business structures to promote the next Medium-Term Management Plan with a sense of speed.

In November 2015, the Group had formulated the "Medium-Term Management Plan 16-20: Open Up the Future" (from April 2016 to March 2021), which is based on the concept of further strengthening that foundation and targeting sustained growth by taking independent steps to open up the future.

"Medium-Term Management Plan 16-20: Open Up the Future"

Under the rapid change of the business environment of the domestic ethical drugs, early construction of a business foundation through in-house sales in the U.S., the world's largest pharmaceutical market, is vital to obtain sustainable growth. In addition, maximization of the value of priority products and enhancement of the presence in priority disease areas by strengthening IKUYAKU (Drug Fostering and Evolution) and Marketing are also needed in the domestic market.

The Group has identified four strategic priorities to open up the future in the new medium-term management plan—Maximizing Pipeline Value, Strengthening IKUYAKU (Drug Fostering and Evolution) and Marketing, Accelerating U.S. Business Development, and Reforming Operational Productivity. On that basis, the Group will implement reforms to become a "company that works with a sense of speed and is the first to deliver differentiated value". And the Group will continue to contribute to healthier lives of people around the world through the creation of new pharmaceuticals in accordance with this key concept "Open Up the Future—the Group will open up the future of medicine".

#### Four Strategic Priorities to Open Up the Future

##### ①Maximizing Pipeline Value: Creating Differentiated Value as Rapidly as Possible

< "R&D process reforms" & "Expansion of medical and discovery technologies" >

- The Group will expand discovery seeds by aggressively working the open shared business through the in-licensing of discovery seeds and the implementation of collaboration with other organizations. In addition, the Group will utilize the optimal method for each candidates and shorten the period required until acquisition of POC (Proof of Concept: confirmation of efficacy and safety of new drugs candidate substance in human). In these ways, the Group will create 10 candidates that will advance to late-stage development under this medium-term management plan.
- The Group's R&D areas have included autoimmune diseases and nervous system diseases. In addition to these areas, the Group also focuses on vaccines and orphan diseases and work to discover new drugs that address unmet medical needs. In these ways, the Group strives to further enhance the Group's presence in areas in which the Group can leverage the Group's strengths.
- With various cooprations and alliances centered on the Group's ability to discover drugs in-house, the Group will utilize new discovery technologies in such fields as next-generation therapeutic antibodies, protein pharmaceuticals, nucleic acid drugs, vaccines, and gas pharmaceuticals. In addition, by extending the Group's focus into new types of medicine and discovery fields, such as regenerative medicine and preemptive medicine, the Group will expand drug discovery oppotunities with the U.S. market as the Group's main target.

##### ②Strengthening IKUYAKU (Drug Fostering and Evolution) and Marketing: Delivering Differentiated Value to Patients

< "Maximizing product value" & "Strengthening sales promotions" >

- The Group will aim to quickly launch drug candidates and to rapidly maximize post-marketing product value by aggressively conducting clinical research, with a focus on product life cycle from the development stage. In the area of autoimmune diseases, the Group will work to maintain a No.1 position through life cycle management measures of existing high-priority products REMICADE and SIMPONI. In the area of diabetes and kidney diseases, the Group will aim to obtain evidence and expand sales channels for high-priority products TENELIA and CANAGLU. Through these mesures, the Group will strive to achieve consolidated domestic pharmaceutical sales of ¥300.0 billion by the fiscal year ending March 31, 2021, increase the Group's new drugs and high-priority products sales ratio to 75%, and achieve further growth.
- By strengthening sales promotions, the Group will further enhance the Group's specialized expertise in priority disease areas and advance area marketing. In this way, the Group will track needs in each area and contribute to medical collaboration with major hospitals and primary care clinics.

##### ③Accelerating U.S. Business Development: Build Foundation for Sustained Growth

< "Establishing operational foundation" & "Building product lineup" >

- In Japan, an additional indicaton for RADICUT (MCI-186) for amyotrophic lateral sclerosis (ALS) was approved in June 2015. In the U.S., the Group will aim to obtain early approval and launch MCI-186 in the fiscal year ending March 31, 2017. This will be the Group's highest priority.
- With MCI-186 as the first step, the Group will build a product lineup for nervous system diseases and orphan diseases and build a sales system focused on specialist physicians. In these ways, the Group will establish the necessary functions. To build a business foundation in the U.S., during the period covered by the medium-term management plan, the Group will invest more than ¥200.0 billion, including M&As. The Group will strive to achieve U.S. sales of ¥80.0 billion in the fiscal year ending March 31, 2021.
- In addition to drugs discovered in-house, the Group will acquire drugs and drug candidates through a variety of collaborative relationships with academic institutions, venture companies, and pharmaceutical companies. In these ways, the Group will build up the Group's product lineup in the U.S.

##### ④Reforming Operational Productivity: Realizing a Corporate Culture with a Sense of Speed and Profit Structure

< "Cost reductions" & "Utilization of human resources" >

- The Group will continue to implement administrative process reforms, aiming for a consolidated domestic workforce of 5,000 employees (6,325 employees as of March 31, 2016). In addition, the Group will reduce costs and optimize the cost of sales. In these ways, by the fiscal year ending March 31, 2021, the Group will reduce costs by a further ¥20.0 billion in comparison with the fiscal year ended March 31, 2016.
- The Group will work to increase productivity in resaearch, development, MR, and medical science liaison activities. In addition, the Group will enhance the capabilities of employees in indirect departments. The Group will also strengthen the Group's human resources in the U.S. to expand the Group's business in that market. Furthermore, the Group will take steps to

enhance career opportunities for a diverse range of employees, including fostering opportunities for women (diversity and inclusion).

Through these actions, the Group aims to accomplish revenues total of ¥500.0 billion, core operating profit of ¥100.0 billion, net profit attributable to owners of the Company of ¥70.0 billion, R&D expenses of ¥80.0 billion, and the overseas sales ratio of 40% in the fiscal year ending March 31, 2021, which is the last fiscal year of "Medium-Term Management Plan 16-20: Open Up the Future".

In addition, during this medium-term management plan, the Company plans to pay out the dividends based on medium- and long-term profit growth, and aims for the consolidated payout ratio of 50% under the adoption of IFRS(※), which is substantially improved by 10% in comparison with present dividend policy (consolidated dividend payout ratio of 40% before amortization of goodwill)

(※) The Group has voluntarily applied IFRS (International Financial Reporting Standards) from the first quarter of the fiscal year ending March 31, 2017.

#### **4. Basic Stance of the Selection for Accounting Standards**

The Group has taken the decision to voluntarily adopt IFRS from the first quarter of the fiscal year ending March 31, 2017, for the purpose of improving the international comparability of financial information in the capital market and unifying accounting standards across the Group.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	※3 50,203	※3 142,674
Notes and accounts receivable - trade	130,331	121,288
Marketable securities	118,805	96,500
Merchandise and finished goods	63,566	52,623
Work in process	582	552
Raw materials and supplies	20,943	22,456
Deposits	192,758	193,147
Deferred tax assets	8,319	7,287
Other	18,186	20,765
Less allowance for doubtful receivables	(44)	(39)
<b>Total current assets</b>	603,649	657,253
<b>Fixed assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	※1 34,480	※1 31,432
Machinery, equipment and vehicles, net	※1 11,904	※1 11,712
Tools, furniture and fixtures, net	※1 6,045	※1 5,716
Land	34,689	33,188
Leased equipment, net	※1 782	※1 817
Construction in progress	4,597	5,429
<b>Total property, plant and equipment</b>	92,497	88,294
<b>Intangible fixed assets</b>		
Goodwill	81,517	70,515
Software	4,275	3,680
Other	31,127	28,376
<b>Total intangible fixed assets</b>	116,919	102,571
<b>Investments and other assets</b>		
Investment in securities	※2 76,328	※2 49,835
Deferred tax assets	763	6,052
Net defined benefit asset	15,730	8,170
Other	23,417	18,068
Less allowance for doubtful receivables	(2)	(1)
<b>Total investments and other assets</b>	116,236	82,124
<b>Total fixed assets</b>	325,652	272,989
<b>Total assets</b>	929,301	930,242

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	34,620	32,737
Current maturities of long-term debt	132	125
Accounts payable - other	25,386	19,799
Income taxes payable	19,758	17,451
Reserve for employees' bonuses	9,957	10,686
Reserve for sales returns	127	124
Reserve for sales rebates	11	13
Other	15,408	10,374
<b>Total current liabilities</b>	105,399	91,309
<b>Long-term liabilities</b>		
Long-term debt, less current maturities	894	713
Deferred tax liabilities	9,776	7,532
Reserve for health management allowances for HIV compensation	1,700	1,564
Reserve for health management allowances for SMON compensation	2,731	2,522
Reserve for HCV litigation	2,036	5,020
Net defined benefit liability	2,456	1,354
Other	3,875	3,515
<b>Total long-term liabilities</b>	23,468	22,220
<b>Total liabilities</b>	128,867	113,529
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	50,000	50,000
Capital surplus	451,186	451,186
Retained earnings	275,325	307,075
Treasury stock, at cost	(493)	(494)
<b>Total shareholders' equity</b>	776,018	807,767
<b>Accumulated other comprehensive income</b>		
Unrealized holding gains (losses) on securities	14,929	11,875
Deferred gains (losses) on hedges	105	4
Translation adjustments	105	(3,813)
Remeasurements of defined benefit plans	(2,178)	(9,902)
<b>Total accumulated other comprehensive income</b>	12,961	(1,836)
<b>Non-controlling interests</b>	11,455	10,782
<b>Total net assets</b>	800,434	816,713
<b>Total liabilities and net assets</b>	929,301	930,242

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

(Millions of yen)

	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
	Amount	Amount
<b>Net sales</b>	415,124	431,701
Cost of sales	※1 ※2 169,584	※1 ※2 155,808
Provision for sales returns	21	—
Reversal of reserve for sales returns	—	2
Gross profit	245,519	275,895
Selling, general and administrative expenses		
Advertising expenses	3,482	3,504
Sales promotion expenses	9,758	8,090
Salaries and allowances	31,438	30,999
Provision for bonuses	5,649	6,845
Retirement benefit expenses	1,277	270
Depreciation and amortization	1,673	1,848
Research and development expenses	※2 69,600	※2 75,293
Amortization of goodwill	10,917	10,498
Other	44,592	43,641
Total selling, general and administrative expenses	178,386	180,988
<b>Operating income</b>	67,133	94,907
Non-operating income		
Interest income	1,577	1,801
Dividend income	774	1,159
Equity in earnings of affiliates	32	31
Foreign exchange income	379	—
Rent income	220	238
Other	779	747
Total non-operating income	3,761	3,976
Non-operating expense		
Interest expense	223	202
Loss on disposal of property, plant and equipment	291	467
Foreign exchange losses	—	463
Loss on investment securities operation	300	547
Adjustment for salaries for employees on secondment	102	—
Donations	1,522	1,409
Other	802	1,032
Total non-operating expense	3,240	4,120
<b>Ordinary income</b>	67,654	94,763
Extraordinary income		
Gain on sales of property, plant and equipment	※3 12,023	707
Gain on sales of investment in securities	1,069	13,425
Gain on sales of shares of subsidiaries and affiliates	※4 560	—
Total extraordinary income	13,652	14,132



(Millions of yen)

	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
	Amount	Amount
Extraordinary loss		
Loss on impairment of fixed assets	※ <sup>5</sup> 2,565	※ <sup>5</sup> 4,453
Restructuring expenses	※ <sup>6</sup> 12,294	※ <sup>6</sup> 16,330
Amortization of goodwill	※ <sup>7</sup> 3,504	—
Provision of reserve for HCV litigation	—	※ <sup>8</sup> 3,521
Loss on valuation of investment in securities	130	279
Loss on sales of investment in securities	71	—
Other	65	—
Total extraordinary loss	18,629	24,583
<b>Income before income taxes and non-controlling interests</b>	<b>62,677</b>	<b>84,312</b>
Income taxes-current	29,805	30,768
Income taxes-deferred	(4,416)	(613)
Total income taxes	25,389	30,155
Net income	37,288	54,157
Net income (loss) attributable to non-controlling interests	(2,214)	(2,277)
<b>Net income attributable to shareholders of the Company</b>	<b>39,502</b>	<b>56,434</b>

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
	Amount	Amount
<b>Net income</b>	37,288	54,157
Other comprehensive income		
Unrealized holding gains (losses) on securities	6,183	(3,054)
Deferred gains (losses) on hedges	(388)	(101)
Translation adjustments	2,385	(4,954)
Remeasurements of defined benefit plans, net of tax	5,852	(7,724)
Other comprehensive income (loss) of equity method companies attributable to the Company	38	(30)
Total other comprehensive income (loss)	14,070	(15,863)
<b>Comprehensive income</b>	51,358	38,294
Comprehensive income (loss) attributable to:		
Shareholders of the Company	53,688	41,637
Non-controlling interests	(2,330)	(3,343)

### (3) Consolidated Statements of Changes in Net Assets

April 1, 2014 - March 31, 2015

(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	266,575	(490)	767,271
Cumulative effects of changes in accounting policies			(8,313)		(8,313)
Balance at the beginning of the period after reflecting changes in accounting policies	50,000	451,186	258,262	(490)	758,958
Changes of items during the period					
Cash dividends			(22,439)		(22,439)
Net income attributable to shareholders of the Company			39,502		39,502
Purchase in treasury stock				(3)	(3)
Disposal of treasury stock				—	—
Net changes in items other than shareholders' equity					
Total changes of items during the period	—	—	17,063	(3)	17,060
Balance at the end of the period	50,000	451,186	275,325	(493)	776,018

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income		
Balance at the beginning of the period	8,747	493	(2,399)	(8,066)	(1,225)	11,791	777,837
Cumulative effects of changes in accounting policies							(8,313)
Balance at the beginning of the period after reflecting changes in accounting policies	8,747	493	(2,399)	(8,066)	(1,225)	11,791	769,524
Changes of items during the period							
Cash dividends							(22,439)
Net income attributable to shareholders of the Company							39,502
Purchase in treasury stock							(3)
Disposal of treasury stock							—
Net changes in items other than shareholders' equity	6,182	(388)	2,504	5,888	14,186	(336)	13,850
Total changes of items during the period	6,182	(388)	2,504	5,888	14,186	(336)	30,910
Balance at the end of the period	14,929	105	105	(2,178)	12,961	11,455	800,434

April 1, 2015 - March 31, 2016

(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	275,325	(493)	776,018
Cumulative effects of changes in accounting policies					—
Balance at the beginning of the period after reflecting changes in accounting policies	50,000	451,186	275,325	(493)	776,018
Changes of items during the period					
Cash dividends			(24,684)		(24,684)
Net income attributable to shareholders of the Company			56,434		56,434
Purchase in treasury stock				(1)	(1)
Disposal of treasury stock		0		0	0
Net changes in items other than shareholders' equity					
Total changes of items during the period	—	0	31,750	(1)	31,749
Balance at the end of the period	50,000	451,186	307,075	(494)	807,767

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income		
Balance at the beginning of the period	14,929	105	105	(2,178)	12,961	11,455	800,434
Cumulative effects of changes in accounting policies							—
Balance at the beginning of the period after reflecting changes in accounting policies	14,929	105	105	(2,178)	12,961	11,455	800,434
Changes of items during the period							
Cash dividends							(24,684)
Net income attributable to shareholders of the Company							56,434
Purchase in treasury stock							(1)
Disposal of treasury stock							0
Net changes in items other than shareholders' equity	(3,054)	(101)	(3,918)	(7,724)	(14,797)	(673)	(15,470)
Total changes of items during the period	(3,054)	(101)	(3,918)	(7,724)	(14,797)	(673)	16,279
Balance at the end of the period	11,875	4	(3,813)	(9,902)	(1,836)	10,782	816,713

#### (4) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
<b>Cash flows from operating activities:</b>		
Income before income taxes and non-controlling interests	62,677	84,312
Depreciation and amortization	9,028	8,838
Loss on impairment of fixed assets	2,565	4,453
Amortization of goodwill	14,421	10,498
Increase (decrease) in net defined benefit liability	(510)	(803)
Decrease (increase) in net defined benefit asset	(3,887)	(4,626)
Increase (decrease) in reserve for HCV litigation	(598)	2,984
Interest and dividend income	(2,351)	(2,960)
Loss (gain) on sale of property, plant and equipment	(11,823)	(240)
Restructuring expenses	12,294	16,330
Loss (gain) on sales of shares of subsidiaries and affiliates	(560)	—
Loss (gain) on sale of investment in securities	(998)	(13,425)
Decrease (increase) in notes and accounts receivable - trade	(6,711)	8,670
Decrease (increase) in inventories	7,796	6,333
Increase (decrease) in notes and accounts payable - trade	502	(1,660)
Increase (decrease) in accounts payable - other	5,927	(4,435)
Other, net	(1,744)	(2,720)
Subtotal	86,028	111,549
Interest and dividends received	2,354	2,976
Interest paid	(241)	(323)
Extra retirement payments	—	(15,282)
Income taxes paid	(19,974)	(33,732)
<b>Net cash provided by (used in) operating activities</b>	<b>68,167</b>	<b>65,188</b>

(Millions of yen)

	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
<b>Cash flows from investing activities:</b>		
Purchase of marketable securities	(122,300)	(142,500)
Proceeds from sales and redemption of marketable securities	95,871	183,800
Increase in time deposits	(25,006)	(150,027)
Decrease in time deposits	4,819	56,432
Increase in deposits	(20,609)	(389)
Purchase of property, plant and equipment	(12,976)	(11,861)
Proceeds from sales of property, plant and equipment	11,687	2,785
Purchase of intangible fixed assets	(1,503)	(1,153)
Purchase of investment in securities	(249)	(522)
Proceeds from sales and redemption of investment in securities	1,318	30,556
Proceeds from sales of shares of subsidiaries and affiliates	7,600	—
Proceeds from company split	—	3,323
Proceeds from transfer of business	—	3,000
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,467	—
Other, net	47	(3)
<b>Net cash provided by (used in) investing activities</b>	<b>(59,834)</b>	<b>(26,559)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term debt, net	(1,216)	—
Proceeds from share issuance to non-controlling shareholders	2,564	2,783
Cash dividends paid	(22,439)	(24,684)
Cash dividends paid to non-controlling shareholders	(570)	(113)
Other, net	(223)	(222)
<b>Net cash provided by (used in) financing activities</b>	<b>(21,884)</b>	<b>(22,236)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>1,931</b>	<b>(811)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(11,620)</b>	<b>15,582</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>84,957</b>	<b>73,337</b>
<b>Cash and cash equivalents at end of the period</b>	<b>※1 73,337</b>	<b>※1 88,919</b>

## **(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 ended March 31, 2016, there were 28 consolidated subsidiaries. The names of the principal consolidated subsidiaries are not presented here because they are included in "2. The Status of Corporate Group".

During the consolidated fiscal year ended March 31, 2016, Tanabe U.S.A., Inc. and MP-Logistics Corporation, which were the subsidiaries of the Company, were liquidated.

Furthermore, in the fourth quarter of the consolidated fiscal year ended March 31, 2016, MT Pharma America, Inc. and MT Pharma Singapore Pte. Ltd. were included in the scope of consolidation. MT Pharma America, Inc. was newly established by Mitsubishi Tanabe Pharma Holdings America, Inc., the subsidiary of the Company, and MT Pharma Singapore Pte. Ltd. was newly established by the Company.

#### **2. Application of the equity method**

Synthelabo-Tanabe Chimie S.A., the affiliate of the Company, is accounted for by the equity method. During the consolidated fiscal year ended March 31 2016, Tanabe Seiyaku Malaysia, a non-consolidated subsidiary that was not to be accounted for by the equity method, was liquidated.

#### **3. Year-end of consolidated subsidiaries**

Among the consolidated subsidiaries, Tianjin Tanabe Seiyaku Co., Ltd. and other 4 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.

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", 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 benefit formula basis.

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.

**(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 non-controlling interests in the net assets section.

**(6) Accounting for hedging**

- a. Hedge account - The Company applies deferral hedge accounting.
- b. Hedging method and hedge account object
  - Hedging method - forward-exchange contract and currency option translation
  - Hedge account object - denominated transactions based on actual demands, debts and credits in foreign currencies
- 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, therefore the evaluation of their effectiveness is 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.

**(Changes in Accounting Policies)**

From the fiscal year ended March 31, 2016, 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 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 consolidated statements of cash flows of the fiscal year ended March 31, 2016, cash flow from sales or purchases of shares of subsidiaries without the change in the scope of consolidation is listed in "Cash flows from financing 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 ended March 31, 2016, and will continue to apply this treatment going forward.

The application of the revised accounting standards does not affect the Company's consolidated financial statements during the fiscal year ended March 31, 2016.

**(Notes relating to Consolidated Balance Sheets)****\*1. Accumulated depreciation of property, plant and equipment**

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Accumulated depreciation	184,798	163,780
Accumulated impairment loss amounting to ¥5,482 million, and ¥5,175 million are included in accumulated depreciation for the fiscal years ended March 31, 2015 and 2016, respectively.		

**\*2. Investment in non-consolidated subsidiaries and affiliated company**

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Investment in securities (stock)	301	265

**\*3. Assets pledged as collateral**

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Cash and deposits	8	7
Cash and deposits (time deposits) in collateral is provided as deposits for opening letters of credit.		

**(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)

	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Valuation loss of year-end inventories	1,617	574

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

(Millions of yen)

	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Research and development expenses	69,600	75,293
No research and development expenses were included in manufacturing expenses.		

**\*3. Gain on sales of property, plant and equipment**

Gain on sales of property, plant and equipment is principally from the sale of the site of former Nihonbashi Building.

**\*4. Gain on sales of shares of subsidiaries and affiliates**

Gain on sales of shares of subsidiaries and affiliates includes gain on sales of shares of CIMIC CMO Ashikaga (¥277 million) and shares of APIC (¥283 million).

\*5. Impairment loss

As a general rule, the Group 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.

Fiscal year from April 1, 2014 to March 31, 2015

In the fiscal year ended March 31, 2015, the amount of the write-down (¥10,936 million) was recorded as an impairment loss (¥2,565 million) and restructuring expenses (¥8,371 million) under extraordinary losses.

The followings are the primary assets on which impairment losses were recognized:

Location	Use	Type
Mitsubishi Tanabe Pharma Toda Dormitory (Toda-City, Saitama)	Idle asset	Land, buildings and structures
Mitsubishi Tanabe Pharma (Former Benesis) Former Osadano Dormitory/Housing (Fukuchiyama-City, Kyoto)	Idle asset	Land, buildings and structures
Mitsubishi Tanabe Pharma Chugoku Branch (Chuo-ku, Hiroshima)	Idle asset	Buildings and structures
Mitsubishi Tanabe Pharma Hiranomachi No.1 Building (Chuo-ku, Osaka)	Administrative and selling operations	Land, buildings and structures
Mitsubishi Tanabe Pharma Factory Kashima Factory (Kamisu-City, Ibaraki)	Manufacturing facilities	Machinery, equipment and vehicles
Mitsubishi Tanabe Pharma and Mitsubishi Tanabe Pharma Factory Kashima Factory (Kamisu-City, Ibaraki)	Manufacturing facilities	Buildings and structures Machinery, equipment and vehicles
Mitsubishi Tanabe Pharma Kazusa Office (Kisarazu-City, Chiba)	Research facilities	Land, buildings and structures
Mitsubishi Tanabe Pharma Former Head Office (Chuo-Ku, Osaka)	Administrative and selling operations	Buildings and structures
Mitsubishi Tanabe Pharma Japan	Exclusive right for sales of ethical drugs	Investment of other assets Other

Breakdown by location

•Toda Dormitory (Mitsubishi Tanabe Pharma)

¥589 million (Land - ¥396 million, Buildings and structures - ¥193 million)

As the Company decided to sell Toda Dormitory, the book value of those assets was written down to their recoverable value.

The recoverable value is the net sales amount, based on reasonable estimates, real estate appraised value.

•Former Osadano Dormitory/Housing (Mitsubishi Tanabe Pharma (Former Benesis))

¥265 million (Land - ¥178 million; Buildings and structures - ¥87 million)

As the Company decided to sell Former Osadano Dormitory/Housing, the book value of those assets was written down to their recoverable value. The recoverable value is the net sales amount, calculated using sales value.

•Chugoku Branch (Mitsubishi Tanabe Pharma)

¥111 million (Buildings and structures - ¥110 million)

As the Company decided to transfer Chugoku 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.

•Hiranomachi No.1 Building (Mitsubishi Tanabe Pharma)

¥1,215 million (Land - ¥1,161 million, Buildings and structures - ¥54 million)

The Company implemented the consolidation and relocation of the head office functions. As a result, Hiranomachi No.1 Building became the idle asset. The book value of those assets was written down to their recoverable value. The recoverable value is the net sales amount, based on reasonable estimates, real estate appraised value.

•Kashima Factory (Mitsubishi Tanabe Pharma Factory)

¥274 million (Machinery, equipment and vehicles - ¥264 million)

As the Company decided to liquidate unprofitable businesses, the book value of the manufacturing facilities related to such business was written down to their recoverable value (memorandum value).

•Kashima Factory (Mitsubishi Tanabe Pharma and Mitsubishi Tanabe Pharma Factory)

¥2,161 million (Buildings and structures - ¥1,048 million, Machinery, equipment and vehicles - ¥901 million)

As the Company decided to sell Kashima factory, the book value of manufacturing facilities was written down to their recoverable value. The recoverable value is the net sales amount, calculated using an estimated sales value.

•Kazusa Office (Mitsubishi Tanabe Pharma)

¥4,432 million (Land - ¥1,870, Buildings and structures - ¥1,845, demobilization cost - ¥690 million)

As the Company decided to close down Kazusa Office, it was expected to be the idle asset and the book value was written down to their recoverable value. The recoverable value is the net sales amount, based on reasonable estimates, real estate appraised value.

•Former Head Office (Mitsubishi Tanabe Pharma)

¥200 million (Buildings and structures - ¥195 million)

As the idle asset became apparent due to the head office relocation, the book value of those assets was written down to their recoverable value (memorandum value).

•Exclusive right for sales of ethical drugs (Mitsubishi Tanabe Pharma)

¥1,600 million (Investments and other assets, other - ¥1,600 million)

Due to the change of business environment, the future cash flows of such distribution right is below its book value.

As a result, the book value of the distribution right was written down to their recoverable value (memorandum value.)

In addition, impairment loss of the buildings or manufacturing facilities for the Company's Hiranomachi No.1 Building, Former Head Office and Kazusa Office, and Kashima Factory of the Company and Mitsubishi Tanabe Pharma Factory is included in restructuring expenses.

Fiscal year from April 1, 2015 to March 31, 2016

In the fiscal year ended March 31, 2016, the amount of the write-down (¥4,724 million) was recorded as an impairment loss (¥4,453 million) and restructuring expenses (¥271 million) under extraordinary losses.

The followings are the primary assets on which impairment losses were recognized:

Location	Use	Type
Mitsubishi Tanabe Pharma Kashima Office No.2 Research Building and others (Yodogawa-ku, Osaka)	Idle asset	Buildings and structures
Mitsubishi Tanabe Pharma Kashima Office No.2 Manufacturing Building (Yodogawa-Ku, Osaka)	Manufacturing facilities	Buildings and structures
Mitsubishi Tanabe Pharma Kazusa Office (Kisarazu-City, Chiba)	Idle asset	Buildings and structures
Bipha Headquarters and factory (Chitose-City, Hokkaido)	Manufacturing facilities	Land, buildings and structures

Breakdown by location

•Kashima Office No.2 Research Building and others (Mitsubishi Tanabe Pharma)

¥846 million (Buildings and structures - ¥537 million, demobilization cost - ¥309 million)

As the Company decided to dismantle Kashima Office No.2 Research Building, the book value of those assets was written down to their recoverable value (memorandum value). The Company proceeds with the consolidation and relocation of personnel in this business site so that some facilities are expected to become idle assets. The book value of those assets were written down to their recoverable value (memorandum value).

•Kashima Office No.2 Manufacturing Building (Mitsubishi Tanabe Pharma)

¥184 million (Buildings and structures - ¥29 million, demobilization cost - ¥155 million)

As a part of reorganization of facilities, the Company is engaged in relocation of solid dosage production function in Kashima Office No.2 Manufacturing Building to other sites, mainly Onoda Plant, and CMC study drug production functions in other sites to the Building. As a result of the relocation, the book value of the unnecessary assets in the Building was written down to recoverable value (memorandum value).

•Kazusa Office (Mitsubishi Tanabe Pharma)

¥87 million (Buildings and structures - ¥73 million)

Due to Kazusa Office closure on March 31, 2016 as a part of reorganization of facilities, the book value of the office was written down to recoverable value (memorandum value).

•Headquarters and factory (Bipha)

¥3,593 million (Land - ¥858 million, Buildings and structures - ¥2,019 million, Machinery, equipment and vehicles - ¥548 million)

The Group has revised the business plan of rHSA which is the product in preparation for resumption of production, due to delay of schedule for partial change application.

Since the Group decided to convert its focus from therapeutic uses to non-therapeutic in the revised plan, a substantial downsizing in the business was expected. Because estimated future cash flows are lower than the current book value of assets as a result of this downsizing, the book value of the office was written down to recoverable value. The recoverable value is the net sales amount based on reasonable estimates, real estate appraised value.

In addition, impairment loss of the buildings and structures for Kashima Office No.2 Manufacturing Building and Kazusa Office is included in restructuring expenses.

\*6. Restructuring expenses

Restructuring expenses are expenses associated with the efforts on "Accelerating Operational and Structural Reforms", one of the strategic challenges for "Medium-Term Management Plan 11-15: New Value Creation".

Fiscal year from April 1, 2014 to March 31, 2015

<Business restructuring>

•Restructuring of unprofitable businesses

Loss on withdrawal from a business of the subsidiary, Mitsubishi Pharma (Guangzhou) Co.,Ltd.

Loss on liquidation of subsidiaries and affiliates	¥1,413 million
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Loss on discontinuing a part of overseas businesses

Impairment loss of manufacturing facilities	¥274 million
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Loss on disposal of inventory	¥690 million
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Other	¥32 million
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<Reorganization of bases>

•Reorganization of manufacturing bases

Loss on sales of Kashima Factory

Impairment loss of building and manufacturing facilities	¥2,161 million
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Estimated amount of the demobilization cost	¥335 million
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Special benefits resulting from the transfer of employment	¥507 million
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Other	¥104 million
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•Consolidation and relocation of the head office functions

Expenses resulting from the consolidation and relocation of the head office functions

Impairment loss of land, building and structures	¥1,415 million
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Removal expenses	¥843 million
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•Reorganization of research bases

Expenses of closing down Kazusa Office

Impairment loss of land, building and structures	¥4,432 million
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Other	¥88 million
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In addition, contents of impairment loss included in restructuring expenses are stated in "\*5 Impairment loss".

Fiscal year from April 1, 2015 to March 31, 2016

<Organization/Human resources>

•Implementation of early retirement program

Extra retirement allowances that are incurred as a result of the program      ¥15,282 million

<Reorganization of bases>

•Reorganization of manufacturing bases

Expenses accompanying the transfer of manufacturing operations of Kashima Office No.2 Manufacturing Building, and consolidation and relocation of manufacturing facilities for CMC investigational agent

Impairment loss of building and structures      ¥29 million

Estimated amount of the demobilization cost      ¥155 million

•Reorganization of research bases

Expenses of closing down Kazusa Office

Impairment loss of building and structures      ¥87 million

Removal expenses      ¥777 million

In addition, contents of impairment loss included in restructuring expenses are stated in "\*\*5 Impairment loss".

\*7. Amortization of goodwill

The Company fully amortized goodwill, in accordance with paragraph 32 of "Practical Guidances on Capital Consolidation Procedures in Consolidated Financial Statement" (JICPA Accounting Committee Report No. 7).

\*8. Provision of reserve for HCV litigation

Provision of reserve for HCV litigation is estimated amount to be borne by the Company related to the Company's responsibilities which was newly clarified in this fiscal year.

**(Notes to Consolidated Statements of Changes in Net Assets)**

Fiscal year from April 1, 2014 to March 31, 2015

## 1. Type and number of shares outstanding and treasury stock

(Unit: thousand of shares)

	Number of shares at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at the end of the fiscal year
Shares outstanding (common stock)	561,417	—	—	561,417
Total	561,417	—	—	561,417
Treasury stock (common stock)	426	1	—	428
Total	426	1	—	428

## 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

Not applicable

## 3. Dividends

## (1) Dividends paid

At the ordinary general meeting of shareholders held on June 20, 2014, the following was approved.

## Common stock dividends

Total amount of dividends	11,219 millions of yen
Dividend per share	20 yen
Record date	March 31, 2014
Effective date	June 23, 2014

The following plan was adopted at the Board of Directors meeting held on October 29, 2014,

## Common stock dividends

Total amount of dividends	11,219 millions of yen
Dividend per share	20 yen
Record date	September 30, 2014
Effective date	December 1, 2014

## (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 19, 2015.

## Common stock dividends

Total amount of dividends	12,341 millions of yen
Funds for dividends	Retained earnings
Dividend per share	22 yen
Record date	March 31, 2015
Effective date	June 22, 2015

Fiscal year from April 1, 2015 to March 31, 2016

1. Type and number of shares outstanding and treasury stock

(Unit: thousand of shares)

	Number of shares at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at the end of the fiscal year
Shares outstanding (common stock)	561,417	—	—	561,417
Total	561,417	—	—	561,417
Treasury stock (common stock)	428	0	0	428
Total	428	0	0	428

Notes

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

2. Items related to stock options and own stock options

Not applicable.

3. Dividends

(1) Dividends paid

At the ordinary general meeting of shareholders held on June 19, 2015, the following was approved.

Common stock dividends

Total amount of dividends	12,341 millions of yen
Dividend per share	22 yen
Record date	March 31, 2015
Effective date	June 22, 2015

The following plan was adopted at the Board of Directors meeting held on October 30, 2015,

Common stock dividends

Total amount of dividends	12,341 millions of yen
Dividend per share	22 yen
Record date	September 30, 2015
Effective date	December 1, 2015

(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 22, 2016.

Common stock dividends

Total amount of dividends	13,463 millions of yen
Funds for dividends	Retained earnings
Dividend per share	24 yen
Record date	March 31, 2016
Effective date	June 23, 2016



**(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)	
	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Cash and deposits	50,203	142,674
Time deposits maturing after three months	(25,552)	(118,004)
Short-term marketable securities maturing within three months from acquisition date	28,000	43,000
Cash equivalents included in short-term loans (other in current assets) ※1	686	1,249
Cash equivalents included in deposits ※2	20,000	20,000
Cash and cash equivalents	73,337	88,919
※1 CMS (Cash management service)		
※2 Deposits (within 3 months)		

**(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

Fiscal year from April 1, 2014 to March 31, 2015

## 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
337,180	48,618	17,245	11,696	385	415,124

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.	69,188	Pharmaceuticals
Toho Pharmaceutical Co., Ltd.	66,049	Pharmaceuticals
Alfresa Corporation	51,016	Pharmaceuticals
MEDICEO CORPORATION	48,995	Pharmaceuticals

Fiscal year from April 1, 2015 to March 31, 2016

### 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
314,764	66,962	18,507	31,043	425	431,701

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.	64,121	Pharmaceuticals
Toho Pharmaceutical Co., Ltd.	61,809	Pharmaceuticals
Alfresa Corporation	46,403	Pharmaceuticals
MEDICEO CORPORATION	45,100	Pharmaceuticals

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

Fiscal year from April 1, 2014 to March 31, 2015

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

Fiscal year from April 1, 2015 to March 31, 2016

"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

Fiscal year from April 1, 2014 to March 31, 2015

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

Fiscal year from April 1, 2015 to March 31, 2016

"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

Fiscal year from April 1, 2014 to March 31, 2015

Not applicable.

Fiscal year from April 1, 2015 to March 31, 2016

Not applicable.

**(Per-Share Data)**

(yen)

	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Net assets per share	1,406.41	1,436.63
Net income attributable to shareholders of the Company per share	70.41	100.60

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:

	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Net income attributable to shareholders of the Company per share		
Net income attributable to shareholders of the Company (millions of yen)	39,502	56,434
Amount not attributable to shareholders of common stock (millions of yen)	—	—
Net income attributable to shareholders of the Company related to common stock (millions of yen)	39,502	56,434
Average number of shares of common stock outstanding (thousand shares)	560,990	560,989

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

	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Total net assets (millions of yen)	800,434	816,713
Amount deducted from total net assets (millions of yen)	11,455	10,782
[Including non-controlling interests] (millions of yen)	[11,455]	[10,782]
Net assets at year-end available to common stock (millions of yen)	788,979	805,931
Number of shares of common stock at year-end used in the calculation of net assets per share (thousand shares)	560,989	560,988

**(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 significant in the summary of financial results.

## **(6) Other**

The situation in major court action of the Group was as follows:

### **【Court action for compensation by patients infected with HCV (hepatitis C virus)】**

After "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" promulgated on January 16, 2008) was put into effect, in accordance with the procedures determined by the Special Law the patients allegedly suffered through HCV (hepatitis C virus) infection following use of a fibrinogen product or a blood coagulant factor IX product sold by the former Green Cross Corporation, one of the predecessors of the Company, filed a lawsuit against the government and established their eligibility for relief. Subsequently, a settlement with the government was reached, and the relief for the patients was provided through the payment of benefits.

On September 28, 2008, a "basic agreement" for the conclusion of the previous court action was signed with the nationwide plaintiff group and legal team. 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 Ministry of Health, Labour and Welfare, and those standards were announced by the Ministry of Health, Labour and Welfare on April 10, 2009, and the Company incurs the expenses in accordance with the standards. On January 16, 2013, a partial amendment was made to the Special Law and promulgated, and the period for claimants to file lawsuits 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 continue earnest engagement in the future.