

Securities code number: 4508  
May 31, 2018

To Our Shareholders:

Masayuki Mitsuka  
President & Representative Director  
Chief Executive Officer  
Mitsubishi Tanabe Pharma Corporation  
3-2-10, Dosho-machi, Chuo-ku, Osaka, Japan

**Notice of Convocation of the 11<sup>th</sup> Ordinary General Meeting of Shareholders**  
**(This document is purely for informational purposes)**

Mitsubishi Tanabe Pharma Corporation (the “Company”) respectfully invites you to attend the 11<sup>th</sup> Ordinary General Meeting of Shareholders of the Company for the 11<sup>th</sup> Fiscal Year ended March 31, 2018 to be held as detailed below (the “Meeting”).

If you are unable to attend the Meeting, you can exercise your voting rights in writing or electronically (via the Internet or other means), as described in page 2 below. In that case, please review the “Reference Materials for General Meeting of Shareholders” (page 3 to page 17), and exercise your voting rights by 5:35 p.m. on Thursday, June 21, 2018.

**1. Date and Time**

10:00 a.m., Friday, June 22, 2018

**2. Venue**

Hilton Osaka hotel, 5th floor, “Sakura” meeting room,  
8-8, Umeda 1-chome, Kita-ku, Osaka, Japan

**3. Meeting Agenda**

**Reports**

1. The Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements for the 11<sup>th</sup> Fiscal Year (from April 1, 2017 to March 31, 2018).
2. The Audit Reports on the Consolidated Financial Statements from the Accounting Auditor and the Board of Corporate Auditors.

**Resolutions**

- |                        |  |
|------------------------|--|
| Proposed Resolution 1: | Appropriation of Surplus                         |
| Proposed Resolution 2: | Election of ten (10) Board Directors             |
| Proposed Resolution 3: | Election of one (1) Corporate Auditor            |
| Proposed Resolution 4: | Election of one (1) Substitute Corporate Auditor |

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

### **Exercise of voting rights in writing or electronically (via the Internet or other means)**

Please review the “Reference Materials for General Meeting of Shareholders” as described hereinafter, and exercise voting rights as the shareholders.

The following are the three means for exercising voting rights

**【Exercise voting rights by attending the General Meeting of Shareholders】**

Date and time of General Meeting of Shareholders: 10:00 a.m., Friday, June 22, 2018 in Japan Time

**【Exercise voting rights by sending Voting Right Exercise Form】**

Deadline for exercise voting rights: 5:35 p.m., Thursday, June 21, 2018 in Japan Time

**【Exercise voting rights via the Internet】**

Deadline for exercise voting rights: 5:35 p.m., Thursday, June 21, 2018 in Japan Time

### **Handling of multiple votes**

- (1) In the event that a duplicate vote is received through a mailed Voting Right Exercise Form and through the Internet, the vote received through the Internet will be counted.
- (2) In the event that multiple votes are received through the Internet, the last vote received will be counted. Also, in the event that multiple votes are received through the Internet by personal computers, smartphones, and mobiles, the last one will be counted.

### **Internet disclosure**

- (1) In accordance with laws and Article 15 of the Articles of Incorporation of the Company, the “Consolidated Statements of Changes in Equity” and “Notes to Consolidated Financial Statements” for the Consolidated Financial Statements and the “Non-Consolidated Statements of Changes in Net Assets” and “Notes to Non-Consolidated Financial Statements” for the Non-Consolidated Financial Statements are posted on the Company’s website, and accordingly they are not included in this Notice of Convocation.
- (2) The Consolidated Financial Statements and the Non-Consolidated Financial Statements that have been audited by the Board of Corporate Auditors and the Accounting Auditor comprise the documents in this Notice of Convocation and the “Consolidated Statements of Changes in Equity”, “Notes to Consolidated Financial Statements”, “Non-Consolidated Statements of Changes in Net Assets” and “Notes to Non-Consolidated Financial Statements”, which are available on the Company’s website.
- (3) In regard to the Reference Materials for General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, and the Non-Consolidated Financial Statements, in the event that revisions are necessary, the details of the revisions will be made available on the Company’s website.  
Company’s website: <https://www.mt-pharma.co.jp/>

**End**

---

**If you are attending the Meeting, please submit the enclosed Voting Form to the reception staff at the venue.**

## **Reference Materials for General Meeting of Shareholders**

### **Proposed Resolutions and Reference Items**

#### **Proposed Resolution 1: Appropriation of Surplus**

The following is an explanation of Appropriation of Surplus

##### **Year-end dividend**

The Company's basic policy is to call for maximizing corporate value by aggressively implementing strategic investment and investments in research and development toward realizing sustainable growth, as well as providing a stable and continuous return to shareholders.

Under the Medium-Term Management Plan 16-20, the Company is working to enhance return to shareholders with the basic for the dividend payout ratio of 50% under the adoption of IFRS (International Financial Reporting Standards).

Despite the contribution from growth in domestic high-priority products and release of RADICAVA in the U.S., in addition to various factors including the impact of decreased revenue from long listed drugs and royalty revenue, there was a significant increase in research and development expense due to the preparation for stage up to late-stage development and acquisition of NeuroDerm Ltd. causing profit to decrease.

In accordance with this situation and its basic policy on the dividend above, the Company proposes to set the year-end dividend to ¥28.0 per share. Together with the interim dividend, annual dividends will be ¥66.0 (including commemorative dividend of ¥10.0) per share.

##### **(1) Type of dividend property**

Cash

##### **(2) Allotment of cash dividend to shareholders, and cash dividend total amount**

¥28 per common share

Total amount ¥ 15,707,627,796

##### **(3) Effective date of distribution of the dividend**

June 25, 2018

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

## Proposed Resolution 2: Election of ten (10) Board Directors

The terms of office of all nine (9) Board Directors will expire at the conclusion of the Meeting. Accordingly, the Company proposes the nomination of ten (10) Board Directors by adding one (1) Board Director.

The following are the candidates for Board Director.

Board Director candidates for selection have been determined at a meeting of the Board of Directors, based on deliberation at the Nomination Committee, a discretionary advisory body.

Candidate No.	Name	Main Posts Held, Responsibilities and Significant Concurrent Posts
1	Masayuki Mitsuka • <u>Reappointed</u>	President & Representative Director, Chief Executive Officer of the Company Board Director of The KAITEKI Institute Inc.
2	Takashi Kobayashi • <u>Reappointed</u>	Representative Director, Senior Managing Executive Officer, in charge of Internal Control Office, Future Design Department, Global Quality Assurance Department, Global Regulatory Affairs Department, Clinical, Research & PV Quality Assurance Department and Medway Business Management Office of the Company Chief Compliance Officer of the Company
3	Yoshiaki Ishizaki • <u>Reappointed</u>	Board Director, Managing Executive Officer, in charge of Sales & Marketing Division and OTC Business Department of the Company
4	Seiichi Murakami • <u>Reappointed</u>	Board Director, Managing Executive Officer, in charge of Ikuyaku. Integrated Value Development Division and Vaccine Business Development Office of the Company
5	Eizo Tabaru • <u>Reappointed</u>	Board Director, Managing Executive Officer, in charge of Corporate Strategic Planning Department, NeuroDerm Office, Finance & Accounting Department and Corporate Communications Department of the Company
6	Takashi Tanaka • <u>Reappointed</u>	Board Director, Managing Executive Officer, in charge of Production Technology & Supply Chain Management Division of the Company
7	Takeshi Matsumoto • <u>Newly appointed</u>	Managing Executive Officer, General Manager, Healthcare Strategy Office, Corporate Strategy Division of Mitsubishi Chemical Holdings Corporation Board Director of Life Science Institute, Inc.
8	Shigehiko Hattori • <u>Reappointed</u> • <u>Outside Board Director Candidate</u> • <u>Independent Board Director Candidate</u>	Outside Board Director of the Company Senior Corporate Adviser of Shimadzu Corporation Outside Board Director of Sapporo Holdings Limited. Outside Board Director of BROTHER INDUSTRIES, LTD. Outside Board Director of Meiji Yasuda Life Insurance Company
9	Shigeki Iwane • <u>Reappointed</u> • <u>Outside Board Director Candidate</u> • <u>Independent Board Director Candidate</u>	Outside Board Director of the Company Representative Director, President of The Kansai Electric Power Company, Incorporated
10	Tsutomu Kamijo • <u>Reappointed</u> • <u>Outside Board Director Candidate</u> • <u>Independent Board Director Candidate</u>	Outside Board Director of the Company Chairman and Representative Director of Sapporo Holdings Limited

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

(\* stands for significant concurrent posts)

Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts	
1	Masayuki Mitsuka (October 30, 1954)	April 1982 October 1999	Entered Mitsubishi Chemical Industries Ltd. General Manager of Pharmaceuticals Discovery Laboratory of Yokohama Research Center of Mitsubishi-Tokyo Pharmaceuticals, Inc.
		April 2004 April 2007	President and Board Director of ZOEGENE Corporation Associate Director, General Manager of Product Strategy Department of Mitsubishi Pharma Corporation
	Reappointed	October 2007	Associate Director, General Manager of Global Product Strategy Department of the Company
		June 2008	Executive Officer, General Manager of Global Product Strategy Department of the Company
	Shares of the Company Owned 31,500	June 2009	Board Director, Executive Officer, General Manager of Global Product Strategy Department of the Company
		April 2012	Board Director, Managing Executive Officer, Division Manager of Development Division of the Company
	Number of years in office: 9 years (as of the conclusion of the Meeting)	April 2014	Representative Director, Senior Managing Executive Officer of the Company
		June 2014	President & Representative Director, Chief Executive Officer of the Company (current) Board Director of Mitsubishi Chemical Holdings Corporation Board Director of The KAITEKI Institute Inc. (current)*
	Attendance of Board of Directors Meetings 17 out of 17 times (100%)	[Reasons for selection as a Board Director candidate] Masayuki Mitsuka has held important positions at divisions of research, development and product strategy etc.. He assumed the position of President & Representative Director in June 2014 and has accumulated abundant operational experience and knowledge at the Company. The Company has judged that, based on such experience and knowledge, he can continue to fulfill his duties as a Board Director and take lead in the realization of the Medium-Term Management Plan 16 -20, thereby contribute to improving the corporate value of Mitsubishi Tanabe Pharma Group("the Group"), and thus has selected him as a Board Director candidate.	
		[Other special instructions concerning the Board Director candidate] • There are no special interests between Masayuki Mitsuka and the Company. • Mitsubishi Chemical Holdings Corporation is the parent company of the Company and The KAITEKI Institute Inc. is a subsidiary of Mitsubishi Chemical Holdings Corporation. • Mitsubishi Chemical Industries Ltd. (currently, Mitsubishi Chemical Corporation) is subsidiary of Mitsubishi Chemical Holdings Corporation.	

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts
2	<p>Takashi Kobayashi (September 28, 1955)</p> <p>Reappointed</p> <p>Shares of the Company Owned 22,300</p> <p>Number of years in office: 9 years (as of the conclusion of the Meeting)</p> <p>Attendance of Board of Directors Meetings 17 out of 17 times (100%)</p>	<p>April 1980 Entered the Company</p> <p>April 2004 General Manager of Pharmaceuticals Sales &amp; Marketing Department of Marketing Planning Division of the Company</p> <p>October 2007 Executive Officer, General Manager of Corporate Management Department of the Company</p> <p>June 2009 Board Director, Executive Officer, General Manager of Corporate Strategic Planning Department of the Company</p> <p>April 2012 Board Director, Managing Executive Officer, in charge of Business Unit, responsible for Special Assignments from the President of the Company</p> <p>April 2014 Board Director, Managing Executive Officer, Division Manager of Research Division of the Company</p> <p>October 2015 Board Director, Managing Executive Officer, Division Manager of Sohyaku. Innovative Research Division of the Company</p> <p>June 2016 Representative Director, Senior Managing Executive Officer, Division Manager of Sohyaku. Innovative Research Division of the Company</p> <p>April 2017 Representative Director, Senior Managing Executive Officer, Division Manager of CMC Division (Chemistry, Manufacturing and Control) of the Company</p> <p>April 2018 Representative Director, Senior Managing Executive Officer, in charge of Internal Control Office, Future Design Department, Global Quality Assurance Department, Global Regulatory Affairs Department, Clinical, Research &amp; PV Quality Assurance Department and Medway Business Management Office of the Company (current) Chief Compliance Officer (current)</p> <p>[Reasons for selection as a Board Director candidate] Takashi Kobayashi has held important positions at divisions of sales, research and corporate, etc., and has accumulated abundant operational experience and knowledge at the Company. Since his appointment in June 2016, he has fulfilled his duties as a Representative Director, and is expected to lead the Company organization toward the realization of the four strategic priorities of the Medium-Term Management Plan 16-20. The Company has judged that, based on such experience and knowledge, he can continue to contribute to improving the corporate value of the Group, and thus has selected him as a Board Director candidate.</p> <p>[Other special instructions concerning the Board Director candidate] • There are no special interests between Takashi Kobayashi and the Company.</p>

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant concurrent Posts
3	<p>Yoshiaki Ishizaki (April 10, 1955)</p> <p>Reappointed</p> <p>Shares of the Company Owned 9,400</p> <p>Number of years in office: 4 years (as of the conclusion of the Meeting)</p> <p>Attendance of Board of Directors Meetings 17 out of 17 times (100%)</p>	<p>April 1978 Entered Yoshitomi Pharmaceutical Industries Ltd.</p> <p>October 2006 General Manager of Distribution Management &amp; Wholesalers Relations Department of Sales &amp; Marketing Division of Mitsubishi Pharma Corporation</p> <p>October 2007 General Manager of Tokyo Branch of Sales &amp; Marketing Division of the Company</p> <p>June 2008 Associate Director, General Manager of Tokyo Branch of Sales &amp; Marketing Division of the Company</p> <p>June 2009 Executive Officer, General Manager of Tokyo Branch of Sales &amp; Marketing Division of the Company</p> <p>June 2011 Executive Officer, Division Manager of Pharmacovigilance &amp; Quality Assurance Division of the Company</p> <p>April 2012 Managing Executive Officer, Division Manager of Pharmacovigilance &amp; Quality Assurance Division of the Company</p> <p>April 2014 Managing Executive Officer, Division Manager of Pharmacovigilance &amp; Quality Assurance Division of the Company Chief Compliance Officer of the Company</p> <p>June 2014 Board Director, Managing Executive Officer, Division Manager of Pharmacovigilance &amp; Quality Assurance Division of the Company</p> <p>October 2015 Board Director, Managing Executive Officer, Division Manager of Sales &amp; Marketing Division of the Company</p> <p>April 2018 Board Director, Managing Executive Officer, in charge of Sales &amp; Marketing Division and OTC Business Department of the Company (current)</p>
		<p>[Reasons for selection as a Board Director candidate]</p> <p>Yoshiaki Ishizaki has held important positions at divisions of sales and pharmacovigilance &amp; quality assurance, etc., and has accumulated abundant operational experience and knowledge at the Company. Since his appointment in June 2014, he has fulfilled his duties as a Board Director working to strengthen sales under the Medium-Term Management Plan 16-20. The Company has judged that, based on such experience and knowledge, he can continue to contribute to improving the corporate value of the Group, and thus has selected him as a Board Director candidate.</p> <p>[Other special instructions concerning the Board Director candidate]</p> <p>• There are no special interests between Yoshiaki Ishizaki and the Company.</p>

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts	
4	Seiichi Murakami (March 5, 1957)  Reappointed  Shares of the Company Owned 11,700  Number of years in office: 3 years (as of the conclusion of the Meeting)  Attendance of Board of Directors Meetings 17 out of 17 times (100%)	April 1980      Entered the Company July 2003      General Manager of Remicade Department of Pharmaceuticals Sales & Marketing Division of the Company April 2006      Executive Officer, Deputy Division Manager of Pharmaceuticals Sales & Marketing Division of the Company June 2009      Executive Officer, Division Manager of Development Division of the Company April 2012      Managing Executive Officer, in charge of Management Strategy of the Company April 2014      Managing Executive Officer, Division Manager of Sales & Marketing Division June 2015      Board Director, Managing Executive Officer, Division Manager of Sales & Marketing Division of the Company October 2015   Board Director, Managing Executive Officer, Division Manager of Ikuyaku. Integrated Value Development Division of the Company April 2018      Board Director, Managing Executive Officer, in charge of Ikuyaku. Integrated Value Development Division and Vaccine Business Development Office of the Company (current)	
		[Reasons for selection as a Board Director candidate] Seiichi Murakami has held important positions at divisions of sales, development and management strategy, etc., and has accumulated abundant operational experience and knowledge at the Company. Since his appointment in June 2015, he has fulfilled his duties as a Board Director working to strengthen IKUYAKU (maximization of product value) under the Medium-Term Management Plan 16-20. The Company has judged that, based on such experience and knowledge, he can continue to contribute to improving the corporate value of the Group, and thus has selected him as a Board Director candidate.  [Other special instructions concerning the Board Director candidate] • There are no special interests between Seiichi Murakami and the Company.	



*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts	
5	<p>Eizo Tabaru (July 3, 1958)</p> <p>Reappointed</p> <p>Shares of the Company Owned 5,400</p> <p>Number of years in office: 3 years (as of the conclusion of the Meeting)</p> <p>Attendance of Board of Directors Meetings 17 out of 17 times (100%)</p>	<p>April 1981 Entered Mitsubishi Chemical Industries Ltd.</p> <p>April 2010 General Manager of Finance and Accounting Department of Mitsubishi Chemical Corporation</p> <p>June 2010 Associate Director, General Manager of Finance and Accounting Department of Mitsubishi Chemical Corporation</p> <p>April 2012 Executive Officer, General Manager of Finance and Accounting Department of Mitsubishi Chemical Corporation</p> <p>April 2014 Executive Officer, General Manager of Finance &amp; Accounting Department of the Company</p> <p>June 2015 Board Director, Executive Officer, General Manager of Finance &amp; Accounting Department of the Company</p> <p>April 2016 Board Director, Managing Executive Officer, General Manager of Finance &amp; Accounting Department of the Company</p> <p>April 2017 Board Director, Managing Executive Officer, in charge of Corporate Strategic Planning Department, Finance &amp; Accounting Department, Corporate Communications Department and ICT Management Department of the Company</p> <p>April 2018 Board Director, Managing Executive Officer, in charge of Corporate Strategic Planning Department, NeuroDerm Office, Finance &amp; Accounting Department and Corporate Communications Department of the Company (current)</p>	
		<p>[Reasons for selection as a Board Director candidate]</p> <p>Eizo Tabaru has accumulated abundant operational experience and knowledge in finance and accounting. The Company has judged that, based on such experience and knowledge, he can continue to fulfill his duties as a Board Director since his appointment in June 2015 while continuing to contribute to improving the corporate value of the Group as the person responsible for corporate strategic planning, finance and accounting, and other corporate matters, and thus has selected him as a Board Director candidate.</p> <p>[Other special instructions concerning the Board Director candidate]</p> <ul style="list-style-type: none"> <li>• There are no special interests between Eizo Tabaru and the Company.</li> <li>• Mitsubishi Chemical Industries Ltd. (currently, Mitsubishi Chemical Corporation is a subsidiary of Mitsubishi Chemical Holdings Corporation, the parent company of the Company.</li> </ul>	

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts	
6	Takashi Tanaka (October 7, 1956)  Reappointed  Shares of the Company Owned 2,600  Number of years in office: 1 year (as of the conclusion of the Meeting)  Attendance of Board of Directors Meetings 14 out of 14 times (100%) (as of June 21, 2017)	April 1985	Entered the Company
		October 2002	General Manager of Production Planning Department of Production Division of the Company
		April 2005	General Manager of Onoda Plant of Production Division of the Company
		October 2005	Director of TANABE YAMAGUCHI SEIYAKU CO., LTD.
		October 2008	General Manager of Production Strategy & Coordination Center of Production Division of the Company
		April 2010	General Manager of Production Strategy & Coordination Department of Production Division of the Company
		June 2010	President and Representative Director of Mitsubishi Tanabe Pharma Factory Ltd.
		April 2013	Associate Director, Deputy Division Manager of CMC Division (Chemistry, Manufacturing and Control) of the Company
		April 2014	Executive Officer, Deputy Division Manager of CMC Division (Chemistry, Manufacturing and Control) of the Company
		April 2015	Executive Officer, Division Manager of Production Division of the Company
		April 2017	Managing Executive Officer, Division Manager of Production Division of the Company
		June 2017	Board Director, Managing Executive Officer, Division Manager of Production Division of the Company
	April 2018	Board Director, Managing Executive Officer, in charge of Production Technology & Supply Chain Management Division of the Company (current)	
	<div>[Reasons for selection as a Board Director candidate] Takashi Tanaka has held important positions at pharmaceutical production of the Company, such as managing plant operation, production control and engineering, and has accumulated abundant operational experience and knowledge at the Company. Since his appointment as a Board Director in June 2017, he has fulfilled his duties, leading productivity improvement under the Medium-Term Management Plan 16-20, such as cost reduction by the reformation of manufacturing supply chain management. The Company has judged that, based on such experience and knowledge, he can continue to contribute to improving the corporate value of the Group, and thus has selected him as a Board Director candidate.</div> <div>[Other special instructions concerning the Board Director candidate] ・There are no special interests between Takashi Tanaka and the Company.</div>		

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

(\* stands for significant concurrent posts)

Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts
7	<p>Takeshi Matsumoto (January 31, 1957)</p> <p>Newly appointed</p> <p>Shares of the Company Owned 2,900</p>	<p>April 1983 Entered the Company</p> <p>April 2002 General Manager, Discovery Research Laboratory of Research and Development Division of the Company</p> <p>April 2003 General Manager of Discovery &amp; Pharmacology Research Laboratories of Research Division of the Company</p> <p>April 2004 General Manager of Discovery Research of Research Division of the Company</p> <p>October 2007 General Manager of Research Strategy &amp; Planning Department of Research Division of the Company</p> <p>June 2008 Associate Director, General Manager of Research Strategy &amp; Planning Department of Research Division of the Company</p> <p>April 2010 Associate Director, General Manager of Discovery Screening Center of Research Division of the Company</p> <p>April 2012 Executive Officer, General Manager of Discovery Screening Center of Research Division of the Company</p> <p>April 2014 Executive Officer, Division Manager of Development Division of the Company</p> <p>July 2015 Executive Officer, General Manager of Corporate Strategy Office of Mitsubishi Chemical Holdings Corporation (healthcare)</p> <p>April 2018 Managing Executive Officer, General Manager, Healthcare Strategy Office, Corporate Strategy Division of Mitsubishi Chemical Holdings Corporation (current)*</p> <p>Board Director of Life Science Institute, Inc. (current)*</p>
		<p>[Reasons for selection as a Board Director candidate]</p> <p>Takeshi Matsumoto is currently General Manager of Healthcare Strategy Office, Corporate Strategy Division of Mitsubishi Chemical Holdings Corporation and is responsible for the healthcare business of Mitsubishi Chemical Holdings Group. He has also held positions at the Company, such as General Manager of Research Strategy &amp; Planning Department and Division Manager of Development Division, and has a deep knowledge and understanding of the Company's business, especially research and development. The Company believes he will contribute to the Company, reflecting the Company's business plan to the healthcare business strategy of Mitsubishi Chemical Holdings Group, and thus has selected him as a Board Director candidate.</p> <p>[Other special instructions concerning the Board Director candidate]</p> <ul style="list-style-type: none"> <li>• There are no special interests between Takeshi Matsumoto and the Company.</li> <li>• Mitsubishi Chemical Holdings Corporation is the parent company of the Company and Life Science Institute, Inc. is subsidiary of Mitsubishi Chemical Holdings Corporation.</li> </ul>

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

(\* stands for significant concurrent posts)

Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts
8	Shigehiko Hattori (August 21, 1941)	<p>April 1964 Entered Shimadzu Corporation</p> <p>June 1993 Board Director of Shimadzu Corporation</p> <p>June 1997 Managing Board Director of Shimadzu Corporation</p> <p>June 2003 President &amp; Representative Director of Shimadzu Corporation</p> <p>June 2009 Chairman of the Board and Representative Director of Shimadzu Corporation</p> <p>June 2011 Outside Board Director of the Company (current)</p> <p>March 2012 Outside Board Director of Sapporo Holdings Limited (current)*</p> <p>June 2012 Outside Board Director of BROTHER INDUSTRIES, LTD. (current)*</p> <p>July 2012 Outside Board Director of Meiji Yasuda Life Insurance Company (current)*</p> <p>June 2015 Senior Corporate Adviser of Shimadzu Corporation (current) *</p>
	<p>Outside Board Director Candidate</p> <p>Independent Board Director Candidate</p> <p>Reappointed</p> <p>Shares of the Company Owned 9,900</p> <p>Number of years in office: 7 years (as of the conclusion of the Meeting)</p> <p>Attendance of Board of Directors Meetings 16 out of 17 times (94%)</p>	<p>[Reasons for selection as an Outside Board Director candidate]</p> <p>Since his appointment in June 2011, Shigehiko Hattori has fulfilled his duties as an Independent Outside Board Director at the Board of the Company, based on his abundant experience as a top management and wide-ranging knowledge in science and technology. He has made pointed comments and opinions on the growth strategy, and given advice and proposals considering the balance of interests among stakeholders, from an independent and objective perspective. In addition, as the chair of the Nomination Committee and the Compensation Committee, which are discretionary advisory bodies, he has contributed to appropriate judgments of the Board meetings and enhance accountability of the Company concerning management nomination and compensation. The Company believes that he will contribute to growth of corporate value of the Group, by continuing supervision of the management of the Company as an Independent Outside Board Director, and thus has selected him as an Outside Board Director candidate.</p> <p>[Other special instructions concerning the Outside Board Director candidate]</p> <ul style="list-style-type: none"> <li>• There are no special interests between Shigehiko Hattori and the Company.</li> <li>• Shigehiko Hattori has been designated as an Independent Board Director in accordance with the requirements of the Tokyo Stock Exchange, Inc. (TSE), and the Company has filed a notice to the TSE to that effect.</li> <li>• The Company has entered into a liability limitation agreement with Shigehiko Hattori that limits the liability of Outside Board Directors for damages under Article 423, Paragraph 1 of the Companies Act, within the limits stipulated by laws and regulations, pursuant to Article 427, Paragraph 1 of the Companies Act and Article 27, Paragraph 2 of the Articles of Incorporation of the Company. If Shigehiko Hattori is reappointed, the Company plans to continue the liability limitation agreement with him.</li> </ul>

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

(\* stands for significant concurrent posts)

Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts
9	Shigeki Iwane (May 27, 1953)	<p>April 1976 Entered The Kansai Electric Power Company, Incorporated</p> <p>April 2005 Senior Officer and Office Head of Nuclear Power Maintenance and Innovation Promotion Office of The Kansai Electric Power Company, Incorporated</p> <p>June 2007 Executive Officer, General Manager of Corporate Planning Office of The Kansai Electric Power Company, Incorporated</p> <p>June 2010 Managing Director of The Kansai Electric Power Company, Incorporated</p> <p>April 2012 Representative Director, Executive Vice President &amp; Director of The Kansai Electric Power Company, Incorporated</p> <p>June 2013 Representative Director, Executive Vice President of The Kansai Electric Power Company, Incorporated</p> <p>Outside Corporate Auditor of KINDEN CORPORATION</p> <p>June 2016 Outside Board Director of the Company (current)</p> <p>Representative Director, President of The Kansai Electric Power Company, Incorporated (current) *</p>
		<p>[Reasons for selection as an Outside Board Director candidate]</p> <p>Since his appointment in June 2016, Shigeki Iwane has fulfilled his duties as an Independent Outside Board Director at the Board of the Company, based on his abundant experience as a top management and wide-ranging knowledge in corporate governance. He has made pointed comments and proposals in regard to rationality in management, ensuring profitability in business as well as consistency between strategy and business execution, from an independent and objective perspective. In addition, he has, as a member of the Nomination Committee, which is discretionary advisory body, been engaged in establishing the criterion for selection of Board Directors, Corporate Auditors and Executive Officers as well as selection and appointment of each candidate. The Company believes that he will contribute to growth of corporate value of the Company Group, by continuing supervision of the management of the Company as an Independent Outside Board Director, and thus has selected him as an Outside Board Director candidate.</p> <p>[Other special instructions concerning the Outside Board Director candidate]</p> <ul style="list-style-type: none"> <li>• There are no special interests between Shigeki Iwane and the Company.</li> <li>• Shigeki Iwane has been designated as an Independent Board Director in accordance with the requirements of the Tokyo Stock Exchange, Inc. (TSE), and the Company has filed a notice to the TSE to that effect.</li> <li>• KINDEN CORPORATION, at which Shigeki Iwane served as an Outside Corporate Auditor, received a cease and desist order and a written payment order for a surcharge under the Antimonopoly Act from the Japan Fair Trade Commission on January 31, 2014 regarding electricity transmission construction transactions ordered by power companies, and made a payment of the surcharge accordingly. Additionally, in line with the above, on May 27, 2014, a business suspension order was received from the Ministry of Land, Infrastructure, Transport and Tourism pursuant to the Construction Business Act.</li> <li>• Shigeki Iwane had worked to provide fair audits for overall management, and the Company has received reports regarding this incident for measures to prevent recurrence and its implementation status, etc., responding as required as an Outside Corporate Auditor and fulfilled his duties accordingly. Shigeaki Iwane resigned Outside Corporate Auditor of KINDEN CORPORATION in June 2016.</li> <li>• The Company has entered into a liability limitation agreement with Shigeki Iwane that limits the liability of Outside Board Directors for damages under Article 423, Paragraph 1 of the Companies Act, within the limits stipulated by laws and regulations, pursuant to Article 427, Paragraph 1 of the Companies Act and Article 27, Paragraph 2 of the Articles of Incorporation of the Company. If Shigeaki Iwane is reappointed, the Company plans to continue the liability limitation agreement with him.</li> </ul>

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

(\* stands for significant concurrent posts)

Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts	
10	Tsutomu Kamijo (January 6, 1954)	April 1976	Entered Sapporo Breweries Limited
		March 2001	Board Director of Sapporo Beverage Co., Ltd.
		September 2003	Board Director and Managing Executive Officer of Sapporo Beverage Co., Ltd.
		March 2007	Board Director of Sapporo Holdings Limited
		March 2009	Managing Director (Member of the Board) of Sapporo Holdings Limited
		March 2011	President and Representative Director of Sapporo Holdings Limited and CEO of the Sapporo Holdings Group
		January 2017	Chairman and Representative Director of Sapporo Holdings Limited (current)*
		June 2017	Outside Board Director of the Company (current)
		[Reasons for selection as an Outside Board Director candidate] Since his appointment in June 2017, Tsutomu Kamijo has fulfilled his duties as an Independent Outside Board Director at the Board of the Company, based on his abundant experience as a top management and wide-ranging knowledge in globalization of the business. He has given advice and proposals especially on expansion of overseas business and operation thereof, and made pointed comments on risk management, from an independent and objective perspective. In addition, he has, as a member of the Compensation Committee, which is a discretionary advisory body, been engaged in the revision of compensation plan and the determination of compensation for Board Directors and Executive Officer. The Company believes that he will contribute to growth of corporate value of the Company Group, by continuing supervision of the management of the Company as an Independent Outside Board Director, and thus has selected him as an Outside Board Director candidate.	
		[Other special instructions concerning the Outside Board Director candidate] • There are no special interests between Tsutomu Kamijo and the Company. • Tsutomu Kamijo has been designated as an Independent Board Director in accordance with the requirements of the Tokyo Stock Exchange, Inc. (TSE), and the Company has filed a notice to the TSE to that effect. • The Company has entered into a liability limitation agreement with Tsutomu Kamijo that limits the liability of Outside Board Directors for damages under Article 423, Paragraph 1 of the Companies Act, within the limits stipulated by laws and regulations, pursuant to Article 427, Paragraph 1 of the Companies Act and Article 27, Paragraph 2 of the Articles of Incorporation of the Company. If Tsutomu Kamijo is reappointed, the Company plans to continue the liability limitation agreement with him.	
	Outside Board Director Candidate		
	Independent Board Director Candidate		
	Reappointed		
	Shares of the Company Owned 800		
	Number of years in office: 1 year (as of the conclusion of the Meeting)		
	Attendance of Board of Directors Meetings 13 out of 14 times (93%) (as of June 21, 2017)		

### Proposed Resolution 3: Election of one (1) Corporate Auditor

Takashi Nishida, current Corporate Auditor, will resign at the conclusion of the Meeting. Therefore, the Company newly proposes the nomination of one (1) Corporate Auditor.

The following is the candidate for the Corporate Auditor.

This submission of this Proposed Resolution has been approved in advance by the Board of Corporate Auditors.

(\* stands for significant concurrent posts)

Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts
<p>Hiroshi Enoki (June 27, 1956)</p> <p>Outside Corporate Auditor Candidate</p> <p>Independent Corporate Auditor Candidate</p> <p>Newly appointed</p> <p>Shares of the Company Owned 0</p>	<p>October 1984 Entered Tohmatsu Awoki &amp; Co.</p> <p>March 1990 Registered as Certified Public Accountant</p> <p>July 1999 Partner of Tohmatsu &amp; Co.</p> <p>December 1999 Representative Director of Tohmatsu Environmental Quality Research Institute Inc.</p> <p>April 2006 Representative Director of Tohmatsu Consulting Co., Ltd.</p> <p>July 2006 Managing Partner of Tohmatsu &amp; Co.</p> <p>July 2009 Partner of Deloitte ToucheTohmatsu LLC (current)*</p>
	<p>[Reasons for selection as an Outside Corporate Auditor candidate]</p> <p>Hiroshi Enoki, as a certified public accountant, has abundant experience in accounting audit and professional service to companies which are going to be listed on Stock Exchange. He also, as a consultant of corporate governance to increases corporate value, has professional expertise and experience including ESG. The Company believes that he will, as an Outside Corporate Auditor, contribute to sustainable growth of corporate value of the Company and establishment of an appropriate corporate governance, based on his experience and knowledge, and thus has selected him as an Outside Corporate Auditor candidate.</p> <p>[Other special instructions concerning the Outside Corporate Auditor candidate]</p> <ul style="list-style-type: none"> <li>• There are no special interests between Hiroshi Enoki and the Company.</li> <li>• Hiroshi Enoki is scheduled to resign the Partner of Deloitte ToucheTohmatsu LLC as of June 15, 2018.</li> <li>• If Hiroshi Enoki is appointed as an Outside Corporate Auditor, he is to become an Independent Corporate Auditor in accordance with the requirements of the Tokyo Stock Exchange, Inc. .</li> <li>• If the appointment of Hiroshi Enoki is approved, the Company plans to newly enter into a liability limitation agreement with Hiroshi Enoki that limits the liability of Outside Corporate Auditors for damages under Article 423, Paragraph 1 of the Companies Act, within the limits stipulated by laws and regulations, pursuant to Article 427, Paragraph 1 of the Companies Act and Article 35, Paragraph 2 of the Articles of Incorporation of the Company.</li> </ul>

#### **Proposed Resolution 4: Election of one (1) Substitute Corporate Auditor**

To prevent a decline in the number of Corporate Auditor below the level stipulated by laws and regulations, the election of one (1) Substitute Corporate Auditor is proposed pursuant to Article 329, Paragraph 3 of the Companies Act.

The following is the candidate for the Substitute Corporate Auditor.

This submission of this Proposed Resolution has been approved in advance by the Board of Corporate Auditors.

(\* stands for significant concurrent posts)

Name (Date of birth)	Carrier Summary, Main Posts Held and Important Concurrent Posts
<p>Ryo Ichida (April 2, 1952)</p> <p>Substitute Outside Corporate Auditor Candidate</p> <p>Reappointed</p> <p>Shares of the Company Owned 0</p>	<p>October 1981 Entered Kyoto Office, Tetsuzo Ota &amp; Co.</p> <p>March 1985 Registered as Certified Public Accountant</p> <p>July 2002 Representative partner of Ernst &amp; Young ShinNihon</p> <p>September 2007 Nishi-Nihon Block Managing Partner and Osaka Office Managing Partner of Ernst &amp; Young ShinNihon LLC</p> <p>June 2013 Resigned Ernst &amp; Young ShinNihon LLC</p> <p>July 2013 Ryo Ichida Certified Public Accountant Office (current)*</p> <p>June 2014 Outside Corporate Auditor of Daicel Corporation (current)*</p> <p>June 2015 Outside Corporate Director of Tanabe Management Consulting Co., Ltd. (current)*</p>
	<p>[Reasons for selection as a Substitute Outside Corporate Auditor candidate]</p> <p>Although Ryo Ichida does not have direct experience in corporate management, he has specialized experience and knowledge as a certified public accountant. The Company has judged that he can utilize such experience and knowledge as an Outside Corporate Auditor to contribute to sustainable growth and establishment of a governance structure of the Group, and thus has selected him as a Substitute Outside Corporate Auditor candidate.</p> <p>[Other special instructions concerning the Substitute Outside Corporate Auditor candidate]</p> <ul style="list-style-type: none"> <li>• There are no special interests between Ryo Ichida and the Company.</li> <li>• Ryo Ichida is of a relative within the third degree of kinship of a certified public accountant working for the Ernst &amp; Young ShinNihon LLC that is the Accounting Auditor of the Company.</li> <li>• If Ryo Ichida is appointed as an Outside Corporate Auditor, the Company plans to designate him as an Independent Corporate Auditor in accordance with the requirements of the Tokyo Stock Exchange, Inc. (TSE), and file a notice to the TSE to that effect.</li> <li>• If Ryo Ichida is appointed as an Outside Corporate Auditor, the Company plans to newly enter into a liability limitation agreement with Ryo Ichida that limits the liability of Outside Corporate Auditors for damages under Article 423, Paragraph 1 of the Companies Act, within the limits stipulated by laws and regulations, pursuant to Article 427, Paragraph 1 of the Companies Act and Article 35, Paragraph 2 of the Articles of Incorporation of the Company.</li> </ul>



[Reference]

Criteria for Independence of Outside Board Directors and Outside Corporate Auditors

1. An Outside Board Director/Outside Corporate Auditor (refers to Outside Board Directors and Outside Corporate Auditors as provided for in the Companies Act) is deemed independent and appointed as an Independent Board Director/Independent Corporate Auditor if he/she does not fall under any of the following.
  - (1) Parent company, etc., and Major Shareholders
    - 1) Parent company or Major Shareholders
    - 2) A person who currently serves or has served within the past one year as a Board Director, Corporate Auditor, Corporate Officer, Executive Officer, Manager or others of the parent company or Major Shareholders (including parent company and important subsidiaries thereof) of the Company (excluding Outside Board Directors and Outside Corporate Auditors in the case of important subsidiaries)
      - \* A “Major Shareholder” refers to a shareholder who directly or indirectly holds 10% or more of the total voting rights on shares of the Company.
  - (2) Major business partners
    - 1) A party whose major client or supplier is the Company or its subsidiaries (collectively the “Group”) in any of the most recent three fiscal years
      - \* A party whose major client or supplier is the Group refers to a party which receives payment from the Group equivalent to 2% or more of the party’s consolidated gross sales
    - 2) A major client or supplier of the Group in any of the most recent three fiscal years
      - \* A major client or supplier of the Group refers to a party which make payments equivalent to 2% or more of the Company’s consolidated revenue to the Group
    - 3) A person who currently serves or has served within the past one year as an Executive Board Director, Corporate Officer, Executive Officer, Manager or others of the above 1) or 2) (including the parent company and important subsidiaries thereof)
  - (3) Accounting Auditors
    - A person who currently serves or has served within the past three years as the Company’s Accounting Auditor or its employee, etc.
  - (4) Consultants
    - 1) A person who is a certified public accountant, tax accountant, attorney or other consultant not falling under the above (3) and who receives monetary or other financial benefits exceeding a certain amount, other than remuneration for Board Directors/Corporate Auditors, from the Group.
      - \* “A certain amount” refers to ¥10.0 million per year (average over the past three years).
    - 2) A person who is a professional advisor belonging to an auditing firm, tax accounting firm, law firm, consulting firm or other firms not falling under the above (3) and is an employee, etc. of a firm whose major client or supplier is the Group
      - \* “A firm whose major client or supplier is the Group” refers to a firm which receives payment from the Group equivalent to 2% or more of the firm’s consolidated gross sales (average over the past three years)
  - (5) Recipients of Donations
    - A Director (limited to those with executive functions) or other persons with executive functions of an organization that receives a donation or grant exceeding a certain amount from the Group
      - \* “A certain amount” refers to ¥10.0 million per year (average over the past three years), or 30% of the total annual expenses of said organization, whichever is greater.
  - (6) Mutual appointment of officers
    - An important person who is a Board Director, Corporate Auditor, Corporate Officer, Executive Officer, Manager, or others of a company (including the parent company or important subsidiaries thereof) which accepts Board Directors from the Group.
  - (7) Close relatives, etc.
    - 1) A person who is a spouse, relative within the second degree of kinship, or a relative living together with a person of the Group’s Board Directors, Corporate Auditors, Corporate Officers, Executive Officers, Managers, or others.
    - 2) A person who is a spouse, relative within the second degree of kinship, or co-habiting relative of the party falling under the above (1) to (6) (in the case of employees, limited to important employees)
2. In the election of Independent Board Directors and Independent Corporate Auditors, if the person substantially has conflicts of interest with the Company for the reasons other than those provided for in each item of the preceding paragraph, the Company does not elect such Outside Board Director or Outside Corporate Auditor as an Independent Board Director or Independent Corporate Auditor.

End

## Business Report (From April 1, 2017 to March 31, 2018)

### 1. Current Status of Corporate Group

#### (1) Business Progressives and Results

##### ① Overview of operating results

The business environment of the domestic pharmaceutical industry remains challenging due to the implementation of the fundamental reform of NHI drug price system and the penetration of the promotion of generic drugs use.

Facing such a business environment, in the consolidated operating results of the fiscal year ended March 31, 2018, revenue increased due to growth in revenue of domestic high-priority products and the launch of RADICAVA, for the treatment of ALS (amyotrophic lateral sclerosis) in the U.S. that exceeded the decline in revenue of long-listed drugs and royalty. On the other hand, operating profit and all other profit items decreased due to the increase in R&D expenses based on progress in the late-stage development and the acquisition of NeuroDerm Ltd. (hereinafter "NeuroDerm").

(Millions of yen)

	Fiscal Year 2016	Fiscal Year 2017	Increase / Decrease	% change
Revenue	423,977	433,855	9,878	2.3
Core operating profit	94,510	78,549	(15,961)	(16.9)
Operating profit	94,083	77,285	(16,798)	(17.9)
Profit before income tax	96,059	78,764	(17,295)	(18.0)
Profit attributable to owners of the Company	71,263	57,963	(13,300)	(18.7)

##### 【Revenue】

Revenue increased by 2.3%, or ¥9.8 billion, year-on-year, to ¥433.8 billion.

(Millions of yen)

	Fiscal Year 2016	Fiscal Year 2017	Increase / Decrease	% change
Pharmaceuticals	423,977	433,855	9,878	2.3
Domestic ethical drugs	314,221	309,372	(4,849)	(1.5)
Overseas ethical drugs	22,689	38,574	15,885	70.0
Royalty revenue, etc.	82,239	79,151	(3,088)	(3.8)
OTC products	3,413	3,732	319	9.3
Others	1,415	3,026	1,611	113.9

• Revenue of domestic ethical drugs decreased by 1.5%, year-on-year, to ¥309.3 billion due to the following reasons:

- Increase in revenue of SIMPONI, for the treatment agent of Rheumatoid arthritis (RA) and high-priority products such as TENELIA and CANAGLU, type 2 diabetes mellitus were offset by the decline in revenue of vaccines and long-listed drugs.
- The Company transferred generic drug business in October 2017.

- Revenue of overseas ethical drugs increased by 70.0%, year-on-year, to ¥38.5 billion largely owing to the launch of RADICAVA, for the treatment of ALS in the U.S. in August 2017.
- Royalty revenue, etc. decreased due to the following reasons:
  - Increase in royalty revenue from GILENYA, for the treatment of multiple sclerosis, licensed to Novartis.
  - Decrease in royalty revenue from INVOKANA and the fixed dose combination with metformin, for the treatment of type 2 diabetes mellitus, licensed to Janssen Pharmaceuticals.

#### 【Core operating profit】

With adoption of IFRS, the Company, its subsidiaries and its affiliates (collectively, "the Group") has introduced "core operating profit" as a major profit index to demonstrate its recurring profitability and positioned as an important indicator of business management, etc. "Core operating profit" is a profit excluding the income and loss recorded by non-recurring items specified by the Group (hereinafter "non-recurring items") from operating profit. The Company assumes gain or loss associated with a business transfer, restructuring loss, impairment losses on intangible assets associated with products and others as non-recurring items.

Core operating profit decreased by 16.9%, or ¥15.9 billion, year-on-year, to ¥78.5 billion because of the following reasons:

- Decrease in revenue of long-listed drugs and royalty in spite of the contributions from growth in revenue of domestic high-priority products and the launch of RADICAVA in the U.S.
- Large increase in R&D expense due to moving into the late-stage development and the acquisition of NeuroDerm.

#### 【Operating profit】

Operating profit decreased by 17.9%, or ¥16.7 billion, year-on-year, to ¥77.2 billion.

In non-recurring items, the expenses such as impairment losses and restructuring loss exceeded the income such as gain associated with a business transfer and the gain on sale of fixed assets.

#### 【Profit attributable to owners of the Company】

Profit attributable to owners of the Company decreased by 18.7%, or ¥13.3 billion, year-on-year, to ¥57.9 billion.

### ② The progress of the "Medium-Term Management Plan 16-20: Open Up the Future" during the current fiscal year

The Group engages business operations to grow sustainably under the "Medium-Term Management Plan 16-20: Open Up the Future" formulated in 2015, which contains four strategic priorities, ( i ) Maximizing Pipeline Value, ( ii ) Strengthening IKUYAKU (Drug Fostering and Evolution) and Marketing, ( iii ) Accelerating U.S. Business Development, and ( iv ) Reforming Operational Productivity. The major progress achieved in the fiscal year ended March 31, 2018 is showed below.

#### ( i ) Maximizing Pipeline Value

As the initial step to enter into the U.S. market, the Company received an approval for ALS for MCI-186 (generic name: edaravone, U.S. product name: RADICAVA) in May 2017.

In July 2017, MT-2412 (Japanese product name: CANALIA), the fixed dose combination of TENELIA and CANAGLU, both for type 2 diabetes mellitus, was approved as the first fixed dose combination of DPP-4 inhibitor and SGLT2 inhibitor in Japan.

Furthermore, MT-5199 (VMAT2 inhibitor) for an indication of tardive dyskinesia, MT-2271 (plant-based Virus Like Particle (hereinafter "VLP") vaccine) for an indication of prophylaxis of seasonal influenza, MT-5547

(fully human anti-NGF monoclonal antibody) for an indication of osteoarthritis, and MT-6548 (hypoxia inducible factor prolyl hydroxylase inhibitor) for an indication of renal anemia started late-stage clinical trials.

In the current consolidated fiscal year, the Company invested in R&D expense to maximize pipeline value, resulting in an increase of ¥14.3 billion, year-on-year, to ¥79.0 billion, accounting for 18.2% of revenue.

The progress of major clinical development activities (application and acquisition of the approval for manufacturing and marketing) is as follows.

#### Acquisition of approval

- In May 2017, MCI-186 was approved for ALS in the U.S.
- In May 2017, REMICADE was approved for a partial change on administration / dosage (a shortened administration interval) for Crohn's diseases in Japan.
- In July 2017, MT-2412 was approved for type 2 diabetes mellitus in Japan.
- In December 2017, NOVASTAN was approved for acute cerebral thrombosis in China.

#### Application of approval

- In August 2017, an application was submitted in Indonesia for type 2 diabetes mellitus for TA-7284 (generic name: canagliflozin, Japanese product name: CANAGLU).
- In December 2017, an application was submitted in Korea and Taiwan for schizophrenia for MP-214 (dopamine D3/D2 receptor partial agonist).
- In December 2017, an application was submitted in Switzerland for ALS for MCI-186.
- In February 2018, an application was submitted for an additional pediatric indication for the prevention of cytomegalovirus disease in organ transplant patients for Valixa in Japan.

In addition, an application was submitted in Canada for ALS for MCI-186 in April 2018.

#### Start of clinical trials

- In August 2017, the Company started phase 2/3 clinical trials for an indication of tardive dyskinesia for MT-5199 in Japan.
- In August 2017, the Group started phase 3 clinical trials for an indication of prophylaxis of seasonal influenza for MT-2271 in the U.S., Europe, Canada, and others.
- In August 2017, the Company started phase 2 clinical trials for painful diabetic peripheral neuropathy for MT-8554 in Europe.
- In November 2017, the Company started phase 2/3 clinical trials for an indication of osteoarthritis for MT-5547 in Japan.
- In November 2017, the Company started phase 2 clinical trials for vasomotor symptoms associated with menopause for MT-8554 in the U.S.
- In November 2017, the Company started phase 3 clinical trials for an indication of renal anemia for MT-6548 in Japan.

#### Development status of licensing-out products

- Licensee Kyowa Hakko Kirin Co., Ltd. filed an NDA in Japan in April 2017, and received an approval in March 2018, for an indication of secondary hyperparathyroidism in patients on maintenance dialysis for MT-4580 (generic name: evocalcet, product name: ORKEDIA). In addition, Kyowa Hakko Kirin Co., Ltd. started phase 3 clinical trials in Japan in October 2017 for an indication of hypercalcemia in patients with

parathyroid carcinoma or primary hyperparathyroidism for MT-4580.

- Licensee Janssen Pharmaceuticals, Inc. filed NDAs for risk reduction of death in type 2 diabetes with established, or risk for, cardiovascular disease (CANVAS/CANVAS-R) for TA-7284 in the U.S. in September 2017, and in Europe in October 2017.
- In November 2017, licensee Novartis filed NDAs for pediatric multiple sclerosis for FTY720 (generic name: fingolimod, product name: Gilenya) in the U.S. and Europe.
- In December 2017, licensee Minerva Neurosciences started phase 3 clinical trials for schizophrenia for MT-210 (5-HT2A/ Sigma 2 receptor antagonist) in the U.S. and Europe.

#### ( ii ) Strengthening IKUYAKU and Marketing

Following the steady sales growth of TENELIA and CANAGLU, through sales alliance with Daiichi Sankyo Co., Ltd. in the field of diabetes mellitus, the Company and Daiichi Sankyo Co., Ltd. launched and co-promoted CANALIA, a type 2 diabetes mellitus treatment agent in September 2017, and it shows smooth start.

In November 2017, the Company and Teikoku Seiyaku Co., Ltd. launched and co-promoted Rupafin, anti-allergy agent, developed by Teikoku Seiyaku Co., Ltd.

In addition, BIKEN Corporation (hereinafter "BIKEN") began its operation in September 2017 as a vaccine manufacturing joint venture with The Research Foundation for Microbial Diseases of Osaka University (hereinafter "BIKEN Foundation") to combine the Company's pharmaceutical production systems, management methods and other strengths with the BIKEN Foundation's vaccine manufacturing technologies, thereby accelerating enhancement of BIKEN's manufacturing base. BIKEN strives to contribute an even more steady supply of vaccines and increase vaccine production.

#### ( iii ) Accelerating U.S. Business Development

The Company received the approval of manufacture and marketing for RADICAVA for ALS in May 2017 and launched it in August 2017. By the end of the fiscal year ended March 31, 2018, the number of patients received treatment has reached 2,000, and revenue totaled ¥12.3 billion.

Besides, in order to expand the U.S. business, the Company acquired NeuroDerm in October 2017. As a result, ND0612, drug-device combinations for Parkinson's disease was added to the pipeline following RADICAVA. In addition, the Company acquired Stelic Institute & Co., Inc. in February 2018, and STNM01, nucleic acid pharmaceutical for intestinal disease was also added to the pipeline.

Furthermore, the Group aims to launch MT-2271 for an indication of prophylaxis of seasonal influenza in North America in 2020. Currently, Medicago Inc., the subsidiary with strengths in R&D for new vaccines using VLP technology, carries out phase 3 clinical trials for MT-2271.

#### ( iv ) Reforming Operational Productivity

To reduce cost of sales and SG&A expense by ¥20.0 billion (in comparison with the Fiscal Year 2015) under the Medium-Term Management Plan, the Group strived the reduction of labor cost by optimizing personnel, and of the supply cost of the pharmaceutical ingredients. As a result, the reduction of ¥14.0 billion was achieved by the end of the fiscal year ended March 31, 2018.

## **(2) Investment in Property, Plant and Equipment and Information systems**

Total capital investment amounted to ¥4.4 billion (¥12.6 billion in the Fiscal Year 2016), which was allocated principally to production equipment. The Company invested ¥1.6 billion in information system development (¥1.8 billion in the Fiscal Year 2016), centered on the development and renewal of the business management system.

### Major investment property, plant and equipment projects continuing during the Fiscal Year 2017

- Medicago, Inc. Expansion of production equipment

Capital investment in the Fiscal Year 2017: ¥0.6 billion

## **(3) Financing activities**

There are no particular items.

## **(4) Status of major business combinations**

- The Company transferred all its shares in the generic drugs sales company Tanabe Seiyaku Hanbai Co., Ltd. (currently, Nipro ES Pharma Co., Ltd.) to Nipro Corporation in October 2017.
- In October 2017, the Company acquired all of the shares of NeuroDerm (Israel), a pharmaceutical company that studies a new pharmaceutical formulation and has an outstanding capability of technology development for pharmaceuticals for Parkinson's disease, and NeuroDerm became a wholly-owned subsidiary of the Company.

## **(5) Overview of specific challenges and the status of our initiatives**

### **① Fundamental Corporate 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 is making efforts to accomplish its Vision of “Striving to be a global research-driven pharmaceutical company that is trusted by society”. To achieve its goal, the Group is taking on the challenges of discovering new global pharmaceuticals, overseas development of its business, and creating new business opportunities to meet 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, officers 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**

[“Medium-Term Management Plan 16-20: Open Up the Future”]

The business environment surrounding the domestic ethical drugs industry is changing rapidly, and in order to achieve sustainable growth, it is vital for the Group to promptly build a business foundation based on sales of our own products in the U.S., the world's largest pharmaceutical market, maximize the value of key products and increase the Company's presence in priority disease areas through enhancing IKUYAKU (maximization of product value) and sales in the domestic market.

The Group is confident that through opening up the future for patients it can build its own future, and with the intent of contributing from the wide perspective of not only “supply of medicine” but also “supply of medical care”, the Group formulated its Medium-Term Management Plan 16-20 in 2016 with the key concept of “Open Up the Future—the Group will open up the future of medical care,”

Under the Medium-Term Management Plan 16-20, through four strategic priorities of (1) Maximizing Pipeline Value, (2) Strengthening IKUYAKU (maximization of product value) and Marketing, (3) Accelerating U.S. Business Development, and (4) Reforming Operational Productivity, 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 the plan.

The key challenges of the four strategic priorities are as follows.

#### **(1) Maximizing Pipeline Value**

- The Group plans to create 10 candidates that will advance to late-stage development during this Medium-Term Management Plan by aggressively working the “open shared business” such as the in-licensing of discovery seeds and the implementation of collaboration with other organizations, and we are aiming to provide medicinal value not present in existing medications.
- The Group will aim to further increasing its presence by focusing on the creation of pharmaceuticals in four high-priority areas, i.e. autoimmune diseases, diabetes and kidney diseases, central nervous system diseases and vaccines, and leveraging its strengths in these areas.

#### **(2) Strengthening IKUYAKU (Drug Fostering and Evolution) and Marketing**

- With the aim to bringing developments to market at an early point, the Group will actively conduct clinical trials in anticipation of the product life cycle from the development stage and realize the maximization of the product's value in the shortest period of time. In the field of autoimmune diseases, the Group will maintain the No.1 share by taking the life cycle management program of a high-priority product. In the field of diabetes and kidney diseases, the Group will aim to obtain evidence and expand sales channels for high-priority

products. Through these measures, the Group plans to achieve ¥300.0 billion of annual sales of domestic pharmaceuticals in each fiscal year up to March 31, 2021 and to increase the sales ratio of new pharmaceuticals and high-priority products to 75% by the fiscal year ending March 31, 2021, leading to further growth.

- For strengthening of sales promotion, the Group will capture the needs of each region accurately and quickly and implement medical collaboration projects unique to each region by enhancing expertise in high-priority areas while promoting area marketing and contribute to regional medicine from a medium- to long-term viewpoint.

### (3) Accelerating U.S. Business Development

- With the aim to achieve U.S. revenue of ¥80.0 billion in the fiscal year ending March 31, 2021, in addition to the release of RADICAVA, an ALS drug, and acquisition of NeuroDerm, the Group put into place measures to “expand the U.S. business” by incorporating products and late-stage development compounds from external sources and/or by M&A, and to achieve “sustained growth in the U.S. business” by strengthening and enhancing the U.S. business, centered on self-developed products.

### (4) Reforming Operational Productivity

- In order to deal with the harsh domestic business environment, the Group needs to be urgently reform its profitability structure to generate revenue. The Group aims for a consolidated domestic workforce of 5,000 employees through improvement of operating process and transformation and reduces cost of sales and selling, general and administrative expenses by ¥20.0 billion (versus the Fiscal Year 2015), and the steady progress has been made.

As the trend of drug price revision is expected to be increasingly severe, the reformation of our profitability structure is required to be further accelerated.

- In reforming work-styles, the Group is implementing measures to incorporate diverse work-styles, such as reducing overtime work, encouraging to take paid leave, introducing the work interval system, improving the teleworking program, and promoting the paternity leave system (support the involvement of fathers in child-rearing). These programs are primarily focusing on the employees’ motivations for work and their health management which can lead to increase productivity at work.
- In developing human resource, the Group has started executive development program (MT-VIVID) since the Fiscal Year 2016, and has been continuously working to develop the next generation global leaders who will play important roles in the Future of the Company. By implementing “diversity and inclusion”, the Group will work to create personnel and organization that can work in the world while accepting and utilizing the differences, leading to the creation of results.



Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

## (6) Business Result & Progress of Status of Assets of the Company Group

Description	Japanese GAAP		IFRS		
	Fiscal year 2014	Fiscal year 2015	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017
	April 1, 2014 to March 31, 2015	April 1, 2015 to March 31, 2016	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2018
Revenue	415,124	431,701	425,764	423,977	<b>433,855</b>
Operating Profit	67,133	94,907	81,803	94,083	<b>77,285</b>
Ordinary income	67,654	94,763	—	—	—
Net profit attributable to owners of the company	39,502	56,434	59,306	71,263	<b>57,963</b>
Basic earnings per share	¥70.41	¥100.60	¥105.72	¥127.03	<b>¥103.35</b>
Total assets	929,301	930,242	958,445	984,537	<b>1,047,621</b>
Total equity	800,434	816,713	826,316	871,430	<b>894,827</b>

Note : 1. For calculation of basic earnings per share, the Company uses the average number of shares of the fiscal year after deduction of the number shares of treasury stock.

2. Representations are made via terminology in accordance with IFRS. Regarding terminology in accordance with IFRS, “revenue” corresponds to “net sales”, “net profit attributable to owners of the company” corresponds to “net income”, “basic earnings per share” corresponds to “net income per share”, “total assets” corresponds to “total assets”, and “total equity” corresponds to “net assets”, respectively, under Japanese GAAP.

## (7) Purpose of Business of the Group (as of March 31, 2018)

Manufacturing and sales of pharmaceutical products

## (8) Major Offices and Factories (as of March 31, 2018)

	Name and Location	
Domestic	Headquarters	Osaka
	Tokyo Head Office	Chuo-ku, Tokyo
	Sales Network	Sapporo / Sendai / Saitama / Chiba / Chuo-ku, Tokyo / Bunkyo-ku, Tokyo / Yokohama / Nagoya / Kyoto / Osaka / Kobe / Hiroshima / Takamatsu, Kagawa / Fukuoka
	Research Centers	Toda Office (Toda, Saitama Prefecture) / Yokohama Office (Yokohama) / Kashima Office (Osaka)
	Production Bases*	Onoda Factory (Sanyoonoda, Yamaguchi Prefecture) / Yoshitomi Factory (Chikujou-gun, Fukuoka Prefecture)
Overseas*	Sales Network	North America: United States Europe: United Kingdom, Germany Asia: China, South Korea, Taiwan, Indonesia, Thailand
	Production Bases	Asia: China, South Korea, Taiwan, Indonesia
	Research Centers	North America: United States, Canada Europe: United Kingdom Asia: Israel, China

※: Bases of subsidiaries

**(9) Status of Employees (as of March 31, 2018)**

**① The Company Group**

Number of Employees	(Comparison with Previous Fiscal Year)
7,187	△93

Note : The number of employees excludes those employees temporarily transferred out of the Group and includes those employees temporarily transferred into the Group.

**② The Company**

Number of Employees	(Comparison with Previous Fiscal year)	Average Age	Average Service Year
4,222	△17	45.0	19 years and 10 months

Note : The number of employees excludes those employees temporarily transferred out of the Company and includes those employees temporarily transferred into the Company.

**(10) Important information related to Parent Company and Subsidiaries (as of March 31, 2018)**

**① Matters Related to the Parent Company**

Mitsubishi Chemical Holdings Corporation, the Company's parent company, holds 316,320 thousand shares of the Company's stock (56.4%).

The Mitsubishi Chemical Holdings Group is a corporate group that globally provides products and services based on chemistry that contribute to the sustainable development for people, society and the Earth in the three domains of Performance Products, Industrial Materials and Health Care.

Mitsubishi Chemical Holdings Corporation acts as a pure holding company under the corporate brand, "THE KAITEKI COMPANY", and conducts corporate management across the entire group, determining strategy and distribution of resources across the entire group with the intent of realizing a "KAITEKI society".

With respect to decision making of the Company's business, the Company is not required to obtain prior approval from Mitsubishi Chemical Holdings Corporation.

**② Matters Related to Transactions with the Parent Company**

**(1) Matters Considered in order Not to Harm the Interests of the Company**

Concerning transactions with major shareholders (shareholders that hold 10% or more of the Company's issued shares), the Company has defined within its Corporate Governance Policy that it "verifies the appropriateness and economic rationality of transactions by checking if such transactions are on terms equivalent to those of general transactions. In addition, prior to entering into transactions with high importance, the Company obtains the approval of the Board of Directors, including two or more Independent Outside Board Directors upon adequate deliberations, to ensure such transactions will not harm the interests of the Group and common interests of shareholders. The Company develops a system for checking if transactions with related parties are conducted appropriately in accordance with the approved content."

Concerning fund deposit transactions with the parent company, in line with the above policy, such transactions are implemented after checking if the necessity and transaction conditions such as safety, liquidity and economic efficiency are fair and economically rational.

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

## (2) Judgment and Reasons of the Board of Directors of the Company Concerning Whether the Transaction Does Not Harm the Interests of the Company

As an independent listed company, important management decision-making of the Company is made at the Board of Directors, and also regarding the above transaction, the Board of Directors judged based on the necessity, transaction conditions and other related matters of the transaction that it would not harm the interests of the Company.

## ③ Matters Related to Subsidiaries

Company Name	Capital	Investment ratio	Outline of Business
Mitsubishi Tanabe Pharma Factory Ltd.	¥1,130 million	100.0%	Manufacture & Sale of Pharmaceuticals
Yoshitomi Yakuhin Corporation	¥385million	100.0%	Provision of Academic Information of Pharmaceuticals
Mitsubishi Tanabe Pharma Holdings America, Inc.	US\$167	100.0%	Control of U.S. Business
Mitsubishi Tanabe Pharma America, Inc.	US\$100	100.0%	Sale of Pharmaceuticals
Mitsubishi Tanabe Pharma Development America, Inc.	US\$200	100.0%	Development of Pharmaceuticals
Medicago, Inc.	C\$569 million	60.0%	Manufacture, Research & Development of Pharmaceuticals
Mitsubishi Tanabe Pharma Europe Ltd.	£ 4,632 thousand	100.0%	Research, Development & Sale of Pharmaceuticals
NeuroDerm Ltd.	US\$58 thousand	100.0%	Research & Development of Pharmaceuticals
Tianjin Tanabe Seiyaku Co., Ltd.	US\$ 16,230 thousand	75.4%	Manufacture & Sale of Pharmaceuticals
Mitsubishi Tanabe Pharma Korea Co., Ltd.	KRW 2,100 million	100.0%	Manufacture & Sale of Pharmaceuticals
Tai Tien Pharmaceuticals Co., Ltd.	NT\$ 20,000 thousand	65.0%	Sale of Pharmaceuticals

Note : 1. At the end the fiscal year under review, the Company had 33 consolidated subsidiaries, including 11 major subsidiaries listed above and 2 affiliates accounted for by the equity method.

2. The Company doesn't have the "specified wholly owned subsidiary" stipulated in the Companies Act.

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

# **(11) The Current Situation of Important Technical Cooperation (as of March 31, 2018)**

## **Technology licensing-in Item**

Name of Company	Content
Neurocrine Biosciences, Inc.	Exclusive license to develop and commercialize valbenazine (MT-5199), vesicular monoamine transporter type 2 inhibitor, in Japan and other Asian countries
REGENERON IRELAND	Exclusive license to develop and commercialize fasinumab, anti-NGF antibody (MT-5547) in Japan and other Asian countries (excluding China).
Akebia Therapeutics, Inc.	Exclusive license to develop and commercialize Vadadustat (MT-6548) (hypoxia inducible factor prolyl hydroxylase inhibitor) in Japan and other Asian countries (excluding China)

## **Technology licensing-out Item**

Name of Company	Content
Novartis Pharma AG	Exclusive License to develop and commercialize “Gilenya”, a drug for multiple sclerosis, worldwide, but excluding Japan.
Janssen Pharmaceuticals, Inc.	License to develop and commercialize “Invokana”, a drug for type 2 diabetes, worldwide, but excluding Japan and other Asian countries.

## **Trade Item**

Name of Company	Content
Janssen Biotech Inc.	Commercialization of “Remicade”, an anti-human TNF $\alpha$ monoclonal antibody.
Janssen Sciences Ireland, UC	Development and Commercialization of “Simponi”, a drug for the rheumatoid arthritis
Janssen Biotech Inc.	Co-Promotion in Japan regarding “Simponi”, a drug for the rheumatoid arthritis.
Mochida Pharmaceutical Co., Ltd.	Co-Marketing and Co-Promotion in Japan regarding Mochida’s antidepressant “Lexapro”
Kureha Corporation	Exclusive license to distribute and market “Kremezin”, a pharmaceutical product for chronic kidney disease
Teikoku Seiyaku Co., Ltd.	Marketing and Co-Promotion in Japan regarding Teikoku’s anti-allergy agent “Rupafin” tablets.
The Research Foundation for Microbial Diseases of Osaka University	Supply of human vaccines.
Daiichi Sankyo Company, Limited	Co-promotion in Japan regarding “Tenelia”, “Canaglu” and “Canalia” drugs for type 2 diabetes

## **Other Item**

Name of Company	Content
The Research Foundation for Microbial Diseases of Osaka University	The establishment of the joint venture BIKEN Co.,Ltd., for manufacture and sale of biological products including vaccines.
Philip Morris Investments B.V.	Establishment of the joint venture Medicago Inc., for research and development of VLP (Virus-like-Particles) vaccines.

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

## 2. Status of Stocks (as of March 31, 2018)

### (1) Status of Stocks

- ① Number of Shares Authorized by the Company 2,000,000,000 shares
- ② Number of Shares Issued by the Company 561,417,916 shares
- ③ Number of Shareholders 20,150 shareholders (+4,480)
- ④ Major 10 Shareholders

Name of Shareholder	Number of Shares (thousand shares)	Percentage Ownership (%)
Mitsubishi Chemical Holdings Corporation	316,320	56.4
The Master Trust Bank of Japan, Ltd. (Trust)	27,144	4.8
Japan Bank Trustee Services Bank, Ltd. (Trust)	12,733	2.3
Nippon Life Insurance Company	12,065	2.2
MSCO CUSTOMER SECURITIES	9,663	1.7
STATE STREET BANK WEST CLIENT - TREATY 505234	7,118	1.3
Japan Bank Trustee Services Bank, Ltd. (Trust 9)	4,822	0.9
Japan Bank Trustee Services Bank, Ltd. (Trust 5)	4,662	0.8
Japan Bank Trustee Services Bank, Ltd. (Trust7)	3,833	0.7
Nipro Corporation	3,821	0.7

Note : 1. Percentage ownership; Number of owned shares / Number of issued shares (excluding treasury stock: 431,209)

2. Percentage ownership is rounded to the nearest one-tenth of one percent.

### (2) Company equity warrants

There are no corresponding items.

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

### 3. Information Related to Company Management

#### (1) Directors & Auditors (as of March 31, 2018 )

Title	Name	Main Posts Held and Significant Concurrent Posts
President & Representative Director, Chief Executive Officer	Masayuki Mitsuka	Board Director, The KAITEKI Institute, Inc.
Representative Director, Senior Managing Executive Officer	Takashi Kobayashi	Division Manager of CMC Division (Chemistry, Manufacturing and Control)
Board Director, Managing Executive Officer	Yoshiaki Ishizaki	Division Manager of Sales & Marketing Division
Board Director, Managing Executive Officer	Seiichi Murakami	Division Manager of Ikuyaku. Integrated Value Development Division
Board Director, Managing Executive Officer	Eizo Tabaru	In charge of Corporate Strategic Planning Department, Finance & Accounting Department, Corporate Communications Department and ICT Management Department
Board Director, Managing Executive Officer	Takashi Tanaka	Division Manager of Production Division
Outside Board Director	Shigehiko Hattori	Senior Corporate Adviser , Shimadzu Corporation Outside Board Director, Sapporo Holdings Limited Outside Board Director, BROTHER INDUSTRIES, LTD. Outside Board Director, Meiji Yasuda Life Insurance Company
Outside Board Director	Shigeki Iwane	Representative Director, President of The Kansai Electric Power Company, Incorporated
Outside Board Director	Tsutomu Kamijo	Chairman and Representative Director of Sapporo Holdings Limited
Standing Corporate Auditor	Koji Kudo	
Standing Corporate Auditor	Matsuo Kikuchi	
Outside Corporate Auditor	Takashi Nishida	
Outside Corporate Auditor	Tadashi Fukuda	Executive Partner of DAIICHI LAW OFFICE, P.C. Outside Corporate Auditor of EXEDY Corporation

Note : 1. The following changes were made during the Fiscal Year 2017.

#### ① Changes of Board Directors

Name	Changes date	Changes reason	Main Posts Held and Responsibilities at the Company
Michihiro Tsuchiya	June 21, 2017	Retired	Chairman of the Board & Board Director
Takashi Tanaka	June 21, 2017	Newly appointed	Board Director, Managing Executive Officer Division Manager of Production Division
Tsutomu Kamijo	June 21, 2017	Newly appointed	Outside Board Director

#### ② Changes of Corporate Auditors

Name	Changes date	Changes reason	Main Posts Held and Responsibilities at the Company
Kenichi Yanagisawa	June 21, 2017	Retired	Standing Corporate Auditor
Matsuo Kikuchi	June 21, 2017	Newly appointed	Standing Corporate Auditor

2. Mr. Tadashi Fukuda, an Outside Corporate Auditor, resigned Outside Board Director of SHINYEI KAISHA on June 28, 2017.
3. Mr. Koji Kudo, a Standing Corporate Auditor, had worked at Finance & Accounting Department of the Chemistry Company for a long time. He has abundant working experience and considerable knowledge in finance and accounting.
4. Mr. Takashi Nishida, an Outside Corporate Auditor, has abundant experience in the banking and securities industries, and has

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

financial and accounting expertise appropriate to his position as a Corporate Auditor.

5. All the Outside Board Directors and the Outside Corporate Auditors have been designated as Independent Directors and Independent Corporate Auditors in accordance with the requirements of the Tokyo Stock Exchange (TSE), and the Company has filed notice with TSE.
6. The Company reorganized the Production Division and the CMC Division (Chemistry, Manufacturing and Control) and established the Production Technology & Supply Chain Management Division as of April 1, 2018.
7. As of April 1, 2018, the Main Posts Held and the Responsibilities of Board Directors were changed as follows.

Name	New	Former
Takashi Kobayashi	Representative Director, Senior Managing Executive Officer In charge of Internal Control Office, Future Design Department, Global Quality Assurance Department, Global Regulatory Affairs Department, Clinical, Research & PV Quality Assurance Department and Medway Business Management Office Chief Compliance Officer	Representative Director, Senior Managing Executive Officer Division Manager of CMC Division (Chemistry, Manufacturing and Control)
Yoshiaki Ishizaki	Board Director, Managing Executive Officer In charge of Sales & Marketing Division and OTC Business Department	Board Director, Managing Executive Officer Division Manager of Sales & Marketing Division
Seiichi Murakami	Board Director, Managing Executive Officer In charge of Ikuyaku. Integrated Value Development Division and Vaccine Business Development Office of the Company	Board Director, Managing Executive Officer Division Manager of Ikuyaku. Integrated Value Development Division
Eizo Tabaru	Board Director, Managing Executive Officer In charge of Corporate Strategic Planning Department, NeuroDerm Office, Finance & Accounting Department and Corporate Communications Department	Board Director, Managing Executive Officer In charge of Corporate Strategic Planning Department, Finance & Accounting Department, Corporate Communications Department and ICT Management Department
Takashi Tanaka	Board Director, Managing Executive Officer In charge of Production Technology & Supply Chain Management Division	Board Director, Managing Executive Officer Division Manager of Production Division

## (2) Overview of contents of liability limitation agreements

The Company has entered into agreements (liability limitation agreements) with Outside Board Directors and Outside Corporate Auditors that limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, within the limits stipulated by laws and regulations.

### **(3)Amounts of Compensations for Board Directors and Corporate Auditors and Content of the Policy concerning the Determination of its Calculation Method and Determination Method**

The Company's basic policy is to have an appropriate and balanced compensation plan for the Board Directors that can be tied to medium- and long-term performances and also improve the corporate value. The Company reviews the level of compensation by taking into consideration the objective data such as compensation survey conducted by outside professionals and the balance with the level of salaries of the Company's employees.

The compensation plan for the Board Directors (excluding part-time directors) is comprised of "base compensation", "bonuses" which are tied to short-term performance, and "stock compensation" which is tied to medium- to long-term performance, and will become a compensation plan with a greater degree of linkage with the Company's performance and stock value. "Bonuses" will be paid in the range of 0% to 200 % depending on the position and the evaluation of company performance and individual performance in the relevant fiscal year. "Stock compensation" will be paid in the range of 0% to 200 % depending on the evaluation of achieving Revenue and Net Profit as performance indicators.

Policy concerning the compensation of Board Directors and content of compensation of individual Board Director are determined by the Board of Directors through deliberation of a Compensation Committee, which is chaired by an Independent Outside Board Director and majority of which are Independent Outside Board Directors.

Post	Type of compensation	Number of Directors / Auditors	Amount paid for fiscal year	Upper limits on compensation paid to Directors / Auditors
Directors	Compensation	10 (3 Outside Directors)	¥380million (¥31 million for Outside Directors)	<ul style="list-style-type: none"> <li>• ¥500 million per fiscal year (excluding Outside Board Directors)</li> <li>(Outside Board Directors: upper limit of ¥50 million)</li> <li>• Resolved at June, 2007, Ordinary General Meeting of Shareholders</li> </ul>
	Stock Compensation	6	¥21million	
Auditors	Compensation	5 (2 Outside Auditors)	¥99 million (¥24 million for Outside Auditors)	<ul style="list-style-type: none"> <li>• ¥120 million per fiscal year</li> <li>• Resolved at June 2017, Ordinary General Meeting of Shareholders</li> </ul>
Total		15	¥501million	

Notes : 1. The above includes salaries and bonuses for one(1) Board Director and one(1) Corporate Auditor who resigned in the Fiscal Year 2017. The number at the end of the Fiscal Year 2017 is nine(9) Board Directors (3 Outside Directors) and four(4) Corporate Auditors (2 Outside Auditors).

2. Amount of compensation paid for the Fiscal Year 2017 for Board Directors includes ¥39 million of bonuses to be paid to Board Directors in the Fiscal Year 2017. Bonuses will not be paid to Outside Board Directors and Outside Corporate Auditors.

3. Amount of stock compensation paid for the Fiscal Year 2017 for Board Directors is the amount recorded as expenses for performance-linked stock compensation in the Fiscal Year 2017. The acquisition of the Company's shares to be delivered to Board Directors and the delivery of the Company's shares are made through the Trust. Upper limit of funds contributed by the Company for the Trust for the eligible period four (4) fiscal years starting from the Fiscal Year 2017 was resolved as ¥720 million at the 10th Ordinary General Meeting of Shareholders held on June 21, 2017. Stock compensation does not be paid to Outside Board Directors and Outside Corporate Auditors.



#### **(4) Matters concerning Outside Board Directors and Corporate Auditors**

##### **① Significant concurrent positions of Outside Board Directors and Outside Corporate Auditors and relationships with the Company**

The significant concurrent positions of Outside Board Directors and Outside Corporate Auditors and relationships with the Company are as follows.

- Outside Board Director, Shigehiko Hattori is a Senior Corporate Adviser of Shimadzu Corporation and an Outside Board Director of Sapporo Holdings Limited, BROTHER INDUSTRIES, LTD, and Meiji Yasuda Life Insurance Company. There are no special conflicts of interests between the Company and those companies.
- Outside Board Director, Shigeki Iwane is a Representative Director, President of The Kansai Electric Power Company, Incorporated. There are no special conflicts of interests between the Company and that company.
- Outside Board Director, Tsutomu Kamijo is a Chairman and Representative Director of Sapporo Holdings Limited. There are no special conflicts of interests between the Company and that company.
- Outside Corporate Auditor, Tadashi Fukuda is an Executive Partner of DAIICHI LAW OFFICE P.C., an Outside Corporate Auditor of EXEDY Corporation, and was an Outside Board Director of SHINYEI KAISHA. There are no special conflicts of interests between the Company and those companies.

##### **② Principal activities in the Company**

Name	Positions	Principal activities
Shigehiko Hattori	Outside Board Director	Shigehiko Hattori attended 16 out of 17 of the Board of Directors meetings held in the Fiscal Year 2017. Based on his abundant experience as a top management and wide-ranging knowledge in science and technology, he has made pointed comments and opinions on the growth strategy, and given advice and proposals considering the balance of interests among stakeholders.
Shigeki Iwane	Outside Board Director	Shigeki Iwane attended all 17 of Board of Directors meetings held in the Fiscal Year 2017. Based on his abundant experience as a top management and wide-ranging knowledge in corporate governance, he has made pointed comments and proposals in regard to rationality in management, ensuring profitability in business as well as consistency between strategy and business execution.
Tsutomu Kamijo	Outside Board Director	Tsutomu Kamijo attended 13 out of 14 of the Board of Directors meetings held in the Fiscal Year 2017 after his appointment as Board Director on June 21, 2017. Based on his abundant experience as a top management and wide-ranging knowledge in globalization of the business, he has given advice and proposals especially on expansion of overseas business and operation thereof, and made pointed comments on risk management, from an independent and objective perspective.
Takashi Nishida	Outside Corporate Auditor	Takashi Nishida attended all 17 of the Board of Directors meetings and all 14 of the Board of Corporate Auditors meetings held in the Fiscal Year 2017. He offered appropriate remarks regarding the Company's management based on his abundant experience in the banking and securities industries and on the knowledge acquired in those industries.
Tadashi Fukuda	Outside Corporate Auditor	Tadashi Fukuda attended 16 out of 17 of the Board of Directors meetings and all 14 of the Board of Corporate Auditors meetings held in the Fiscal Year 2017. He offered appropriate remarks regarding the Company's management from his viewpoint as a legal specialist.

#### **4. Accounting Auditor**

##### **(1) Name of Accounting Auditor**

Ernst & Young ShinNihon LLC

##### **(2) Amount of Compensation for Accounting Auditor for the Fiscal year**

①	Amount of Compensation for Accounting Auditor for the Fiscal year	Ernst & Young ShinNihon LLC ¥91 million
②	Total amount of money to be paid by the Company or its subsidiaries, and other financial profits	Ernst & Young ShinNihon LLC ¥98 million

Note: 1. Based on the contract between the Accounting Auditor and the Company, compensation paid to the Accounting Auditor for audits conducted according to the Companies Act and compensation paid for audits conducted according to the Financial Instruments and Exchange Act are not paid separately. Therefore, as it is impossible to properly separate the compensation paid for these different auditing activities, the amount of compensation listed for ① is the total compensation for all auditing activities.

2. The Board of Corporate Auditors of the Company has judged that the compensation for audits was at an appropriate level after receiving necessary documents and reports from the Accounting Auditor and related internal departments, and upon confirmation of the contents of the auditing plan, performance status of duties including past fiscal years, and rationale for calculating the estimated remuneration amount, etc. of the Accounting Auditor, and has given consent pursuant to Article 399, Paragraph 1 of the Companies Act.

3. Among important subsidiaries of the Company, audits of financial related statements of Medicago, Inc., Mitsubishi Tanabe Pharma Europe Ltd., Tianjin Tanabe Seiyaku Co., Ltd., and Tai Tien Pharmaceuticals Co., Ltd., are conducted by certified public accountant(s) or auditing company which (who) are not the Accounting Auditor of the Company.

4. The Company has no transaction with the Accounting Auditor other than those provided in Article 2, Paragraph 1 of the Certified Public Accountants Act.

##### **(3) Policy on Decisions to Dismiss or Not to Reappoint the Accounting Auditors**

The Board of Corporate Auditors will dismiss the Accounting Auditor with the unanimous consent of Corporate Auditors if the Accounting Auditor falls under any of the reasons for dismissal provided in the Items of Article 340, Paragraph 1 of the Companies Act, and deemed that there is probable cause for dismissal.

In addition to the above, in case any issues emerge with regard to the eligibility of the Accounting Auditor or other issues, and is considered that the Accounting Auditor will have difficulty in appropriately conducting audits, the Board of Corporate Auditors will determine the content of a proposal to be submitted to the general meeting of shareholders regarding the Accounting Auditor's dismissal or non-reappointment in order to replace the Accounting Auditor.

## **5. Company Systems and Policies**

### **(1) Systems to ensure business compliance**

Details of the Company's system for ensuring business compliance, as determined by the Board of Directors Meeting, are outlined below.

The Company's corporate philosophy is to contribute to the healthier lives of people around the world through the creation of pharmaceuticals, and its vision is to become a global research-driven pharmaceutical company that can be trusted by communities. To successfully realize these corporate objectives, as outlined below, the Company has created fundamental policies for the maintenance of internal control systems at the corporate group (hereinafter the "Group") which is composed of the Company and subsidiaries, and the Company have implemented initiatives to strengthen our corporate governance and internal control systems.

#### **1. Systems to ensure that Board Directors and employees comply with laws, regulations, and the Company's Articles of Incorporation when executing their duties**

- (1) To ensure soundness business activities, the Board Directors will formulate the Corporate Behavior Charter, which will identify the top priorities for the Board Directors, Corporate Auditors, Executive Officers and employees in the implementation of business activities, and the Mitsubishi Tanabe Pharma Declaration on Compliance and Behavior, which will provide specific behavioral guidelines. Board Directors will take the lead and set examples through their strict compliance with laws, regulations, and the Company's Articles of Incorporation, and a companywide compliance system will be established.
- (2) Under the overall control of the Chief Compliance Officer for the compliance structure, the Compliance Committee and the Internal Controls & Compliance Department will be formed and a spirit of compliance and a keen sense of ethics will be established in the Company.
- (3) The Internal Audit Department will be established, and it will operate independently of the business executive departments and audit the internal control systems in operational divisions.
- (4) As an internal reporting system for legal and regulatory violations and other compliance-related matters, the Internal Reporting System will be established and will be managed according to separately defined regulations regarding compliance.
- (5) In accordance with disclosure rules, company information will be announced in a timely and appropriate manner.
- (6) In accordance with the Declaration on Compliance and Behavior of the Mitsubishi Tanabe Pharma Group, the Company will assume a resolute attitude to groups that act in an anti-social group and cease, without exception, all relationships with them.
- (7) To ensure the trustworthiness of financial reporting, the Company will establish an internal control system for financial reporting, and work to ensure its appropriate operation and management.

#### **2. Systems for the storage and management of information relating to the Board Directors' executing their duties**

Based on the basic rules for information security and management of internal documents, which determine the basic policies for the handling of information held by the Company, the Company will store and manage information relating to the Board Directors' execution of their duties appropriately, and enable it to be inspected when necessary.

### **3. Crisis management regulations and other related systems**

- (1) In accordance with the risk management rules, the Company will identify and classify risks that may occur as the Company conducts its operations, and the Company will ensure each department is ready to implement necessary countermeasures. To facilitate a group-wide response to risks, the Company will establish the Risk Management Committee and work to reduce risks.
- (2) When it appears that risk events may occur, giving rise to serious damage, the Company will respond swiftly and accurately in accordance with its risk management rules.

### **4. Systems to ensure the Board Directors execute their duties efficiently**

- (1) Board of Directors meetings will be held regularly, providing for efficient administrative execution.
- (2) The Company will introduce the executive officer system to clarify distinctions between the policy making/auditing function and the executive function. Board Directors responsible for executing business duties may also serve as executive officers.
- (3) The Company will establish the Executive Committee to deliberate on important matters relating to the execution of operations for management as a whole.
- (4) The Company and each department will manage budgets and performance based on the medium-term management plan and the annual plan and budget.

### **5. Systems to ensure business compliance for the corporate group**

Based on rules on group management, in addition to sharing the internal control system, such as the compliance structure and risk management structure, across the entire Group, business compliance for the Group will be ensured through reports and approvals, etc., regarding important items for management of the Group.

### **6. Systems to ensure that the Corporate Auditors conduct audits effectively**

- (1) As employees to provide support for the work of the Corporate Auditors, a Corporate Auditors Office independent from business execution departments will be established, and the Board of Corporate Auditors will be consulted on Corporate Auditors Office employee's appointments, evaluations, and transfers, and their opinions will be respected.
- (2) Regarding the business execution status of Board Directors and employees, a structure will be established to allow for periodic reports to the Corporate Auditors, and in the event that facts arise or may arise that may cause serious damage to the Group, or dishonest acts or facts that conflict with laws and regulations or the Articles of Incorporation occur regarding the execution of duties Board Directors or employees, a report will be made to the Corporate Auditors without delay.
- (3) It will be stipulated that parties who report to the Corporate Auditors under the previous items cannot be penalized due to such reporting.
- (4) On a group-wide basis, the Group will establish systems to allow audits by the Corporate Auditors to be performed effectively, including attending all important meetings, investigating related departments, reviewing documents related to important matters, responding to interview requests from the Corporate Auditors, and responding proactively to information disclosure requests from the Corporate Auditors.
- (5) Expenses required for the Corporate Auditors to execute duties will be budgeted based on the opinions of the Corporate Auditors, and will be a system to ensure that Corporate Auditors are able to execute duties without impediment.

## **(2) Summary of Operational Status of Systems to Ensure Business Compliance**

The Company works for appropriate operation of the Basic Policy on Internal Control Systems. During the Fiscal Year 2016, the Company made efforts in initiatives aiming to strengthen governance, in line with the globalization of its business.

### **1. Systems to ensure that Board Directors and employees comply with laws, regulations, and the Company's Articles of Incorporation when executing their duties**

Based on an annual policy set yearly by the Compliance Committee, the Company implements compliance training for all employees of its domestic Group companies, and works to improve corporate ethics and compliance awareness of employees.

### **2. Systems for the storage and management of information relating to the Board Directors' executing their duties**

Based on related rules, the Company stores and manages information (documents related to approval and reporting) relating to the Board Directors' execution of their duties appropriately, and make it available for reviewing by all Board Directors and Corporate Auditors at any time.

During the Fiscal Year 2017, the Company established the Group policy for information management, strengthened information security and prepared internal rules to comprehensively manage the company information including confidential information and personal information. The Company also established emergency response team responding in the event of an information security incident.

### **3. Crisis management regulations and other related systems**

Centered on the Risk Management Committee, the Company works to assess risk and prevent or reduce risk, and a system has been established to appropriately and rapidly respond if risks materialize and the Company is placed in danger.

During the Fiscal Year 2017, the Company held a drill to switch network servers to substitute site, to ensure that important core systems can be used without interruption even in the event that an unpredictable serious accident or disaster occurs, continuing from the Fiscal Year 2016. The Company also held a drill covered the initial phase in the event of disaster and the members of the management participated.

### **4. Systems to ensure the Board Directors execute their duties efficiently**

The Company works on efficient management by conducting important management decision making and supervision of business execution at the Board of Directors, as well as implementing an executive officer system and clarifying the approval/reporting criteria for the Board of Directors, thereby aiming at distinction of roles between supervisory functions and executing functions.

During the Fiscal Year 2017, the Company revised the approval/reporting criteria for the Board of Directors and Executive Committee, in light of the respective role/function of Board of Directors and Executive Committee, to speed up business operations.

### **5. Systems to ensure business compliance for the corporate group**

Based on regulations on group management, the Company works to appropriately manage group companies both within and outside of Japan through approvals and reports regarding important business execution. Additionally, continuous measures are in place to secure appropriateness of business within the Group by revising the internal control system that includes overseas Group companies as necessary.

During the Fiscal Year 2017, the Company established Code of Conduct which set forth the principles of business activities of the Company applicable to domestic and overseas Group companies and adjusted global rules and local rules for overseas companies related to the global rules.

#### **6. Systems to ensure that the Corporate Auditors conduct audits effectively**

The Company works to maintain an environment for audits by Corporate Auditors by reporting to Corporate Auditors by Board Directors, etc., concerning progress in business execution, attendance by Corporate Auditors at various important meetings, review by Corporate Auditors of important documents, etc., and ensuring that research by Corporate Auditors on operations and assets and interviews with Board Directors, etc., are conducted efficiently.

#### **(3) Basic Policy relating to Ownership of the Company**

There are no corresponding items.

#### **(4) Basic Policy on the Distribution of Earnings / Dividends in the Fiscal Year under Review and the Current Fiscal Year**

The Company's basic policy is to call for maximizing corporate value by aggressively implementing strategic investment and investments in research and development toward realizing sustainable growth, as well as providing a stable and continuous return to shareholders.

Under the Medium-Term Management Plan 16-20, the Company is working to enhance return to shareholders with the basic for the dividend payout ratio of 50% under the adoption of IFRS (International Financial Reporting Standards).

Despite the contribution from growth in domestic high-priority products and release of RADICAVA in the U.S., in addition to various factors including the impact of decreased revenue from long listed drugs and royalty revenue, there was a significant increase in research and development expense due to the preparation for stage up to late-stage development and acquisition of NeuroDerm causing each stage of profits below the core operating profit to decrease.

Despite the situation, as initially planned, the Company propose to set the year-end dividend to ¥28.0 per share. Together with the interim dividend, annual dividends will be ¥66.0 (including commemorative dividend of ¥10.0) per share.

#### **6. Other Important Materials relating to the Company group**

The situation in major court action is as follow:

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

Under “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” (promulgated and executed on January 16, 2008), the Company bears a part of the costs required for payment to the patients allegedly suffered through HCV (hepatitis C virus) infection following use of a fibrinogen product or a blood coagulant factor IX product (Christmassin) sold by the former Green Cross Corporation, one of the predecessors of the Company.

*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

## Consolidated Financial Statements

### Consolidated Statements of Financial Position

(million ¥)

	As of March 31, 2018	As of March 31, 2017
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	80,457	85,836
Goodwill	90,313	80,328
Intangible assets	200,940	61,209
Investments in associates and joint ventures accounted for using equity method	16,445	245
Other financial assets	46,109	51,623
Net defined benefit assets	22,711	14,769
Other non-current assets	379	482
Deferred tax assets	4,742	6,286
Total non-current assets	462,096	300,778
<b>Current assets</b>		
Inventories	81,998	79,168
Trade and other receivables	123,537	116,856
Other financial assets	246,733	354,255
Other current assets	6,227	9,183
Cash and cash equivalents	127,030	113,215
Subtotal	585,525	672,677
Assets held for sale	-	11,082
Total current assets	585,525	683,759
<b>Total assets</b>	<b>1,047,621</b>	<b>984,537</b>

Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

(million ¥)

	As of March 31, 2018	As of March 31, 2017
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	420	581
Other financial liabilities	2,199	2,405
Net defined benefit liabilities	868	1,092
Provisions	8,571	7,890
Other non-current liabilities	5,505	5,576
Deferred tax liabilities	37,861	7,156
Total non-current liabilities	55,424	24,700
<b>Current liabilities</b>		
Borrowings	122	127
Trade and other payables	35,631	35,741
Other financial liabilities	20,737	24,135
Income taxes payable	18,093	4,815
Provisions	1,934	86
Other current liabilities	20,853	20,358
Subtotal	97,370	85,262
Liabilities directly related to assets held for sale	-	3,145
Total current liabilities	97,370	88,407
Total liabilities	152,794	113,107
<b>Equity</b>		
Share capital	50,000	50,000
Capital surplus	451,228	451,187
Treasury shares	(1,046)	(496)
Retained earnings	382,122	353,427
Other components of equity	503	6,387
Total equity attributable to owners of the Company	882,808	860,505
Non-controlling interests	12,019	10,925
<b>Total equity</b>	<b>894,827</b>	<b>871,430</b>
<b>Total liabilities and equity</b>	<b>1,047,621</b>	<b>984,537</b>



*Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

## Consolidated Statements of Income

(million ¥)

	April 1, 2017 - March 31, 2018	April 1, 2016 - March 31, 2017
<b>Revenue</b>	<b>433,855</b>	<b>423,977</b>
Cost of sales	169,750	164,397
<b>Gross profit</b>	<b>264,105</b>	<b>259,580</b>
Selling, general and administrative expense	104,055	98,302
Research and development expense	79,083	64,783
Amortization of intangible assets associated with products	2,451	1,528
Other income	6,661	974
Other expense	7,915	1,882
Share of profit of affiliates accounted for using equity method	23	24
<b>Operating profit</b>	<b>77,285</b>	<b>94,083</b>
Financial income	1,881	2,212
Financial expense	402	236
<b>Profit before tax</b>	<b>78,764</b>	<b>96,059</b>
Income taxes	24,772	27,137
<b>Profit for the year</b>	<b>53,992</b>	<b>68,922</b>
<b>Net profit attributable to:</b>		
<b>Owners of the Company</b>	<b>57,963</b>	<b>71,263</b>
Non-controlling interests	△3,971	△2,341
<b>Profit for the year</b>	<b>53,992</b>	<b>68,922</b>

Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

## Non-Consolidated Balance Sheets

			(million ¥)		
Accounts	3/31/2018	3/31/2017	Accounts	3/31/2018	3/31/2017
<b>Assets</b>	<b>881,868</b>	<b>838,638</b>	<b>Liabilities</b>	<b>102,454</b>	<b>96,961</b>
<b>Current assets</b>	<b>540,992</b>	<b>646,071</b>	<b>Current liabilities</b>	<b>91,598</b>	<b>85,575</b>
Cash and time deposits	30,454	7,241	Accounts payable, trade	34,702	39,458
Notes receivable	293	190	Short-term loans payable from subsidiaries and affiliates	9,900	6,650
Accounts receivable, trade	134,581	119,963	Accounts payable, other	14,676	18,195
Marketable securities	136,651	239,205	Income taxes payable	18,846	5,439
Merchandise and finished goods	53,286	50,876	Accrued consumption taxes	2,504	2,321
Raw materials and supplies	10,069	14,028	Accrued expenses	1,850	3,336
Prepaid expenses	3,708	3,614	Deposits received	1,674	2,527
Accounts receivable - other	10,740	9,146	Reserve for employees' bonuses	6,784	7,322
Deposits	153,407	193,280	Reserve for directors' bonuses	77	-
Deferred tax assets	6,031	4,548	Reserve for sales returns	108	72
Other	1,781	3,986	Reserve for sales rebates	16	14
Less allowance for doubtful receivables	(14)	(12)	Other	456	236
<b>Fixed assets</b>	<b>340,876</b>	<b>192,566</b>	<b>Long-term liabilities</b>	<b>10,855</b>	<b>11,386</b>
<b>Property, plant and equipment</b>	<b>34,202</b>	<b>37,691</b>	Long-term deposits received	832	827
Buildings	18,063	19,757	Reserve for share-based payment	41	-
Structures	1,075	1,105	Accrued retirement benefits	1,405	2,633
Machinery and equipment	1,996	2,501	Reserve for health management allowances for HIV compensation	1,585	1,538
Vehicles	4	6	Reserve for health management allowances for SMON compensation	2,155	2,394
Tools, furniture and fixtures	3,701	4,303	Reserve for HCV litigation	4,831	3,958
Land	9,279	9,996	Other	3	34
Leased equipment	5	7	<b>Net assets</b>	<b>779,414</b>	<b>741,676</b>
Construction in progress	76	13	<b>Shareholders' equity</b>	<b>761,997</b>	<b>725,816</b>
<b>Intangible fixed assets</b>	<b>3,809</b>	<b>3,769</b>	<b>Common stock</b>	<b>50,000</b>	<b>50,000</b>
Software	2,481	2,969	<b>Capital surplus</b>	<b>121,825</b>	<b>121,825</b>
Other	1,328	799	Capital reserve	48,036	48,036
<b>Investments and other assets</b>	<b>302,864</b>	<b>151,105</b>	Other capital surplus	73,788	73,788
Investment in securities	32,990	35,179	<b>Retained earnings</b>	<b>591,217</b>	<b>554,487</b>
Shares of subsidiaries and affiliates	220,383	65,642	Legal reserve	10,695	10,695
Investments in capital of subsidiaries and affiliates	1,942	1,942	Other retained earnings	580,522	543,792
Long-term loans receivable to subsidiaries and affiliates	1,316	1,449	Reserve for advanced depreciation of fixed assets	3,396	3,533
Long-term prepaid expenses	10,095	6,444	Contingent reserve	199,693	199,693
Prepaid pension expenses	25,599	25,084	Retained earnings carried forward	377,433	340,565
Deferred tax assets	4,157	5,919	<b>Treasury stock, at cost</b>	<b>(1,045)</b>	<b>(496)</b>
Other	6,379	9,445	<b>Valuation and translation adjustment</b>	<b>17,417</b>	<b>15,859</b>
Less allowance for doubtful receivables	(1)	(1)	<b>Unrealized holding gains on securities</b>	<b>17,417</b>	<b>15,859</b>
<b>Total Assets</b>	<b>881,868</b>	<b>838,638</b>	<b>Total liabilities and Net Assets</b>	<b>881,868</b>	<b>838,638</b>

Notice: This document, a translation of a business report in Japanese, is purely for information purposes, and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

## Non-Consolidated Statements of Income

(million ¥)

Account	From 04/01/2017 to 03/31/2018	From 04/01/2016 to 03/31/2017
<b>Net sales</b>	<b>414,957</b>	<b>396,319</b>
<b>Cost of sales</b>	<b>163,342</b>	<b>161,001</b>
Provision of reserve for sales returns	36	-
Reversal of reserve for sales returns	-	51
<b>Gross profit</b>	<b>251,578</b>	<b>235,369</b>
<b>Selling, general and administrative expenses</b>	<b>161,192</b>	<b>148,583</b>
<b>Operating income</b>	<b>90,385</b>	<b>86,786</b>
<b>Non-operating income</b>	<b>3,766</b>	<b>4,866</b>
Interest income and dividend income	2,857	3,709
Rent income	414	461
Foreign exchange income	-	406
Other	493	288
<b>Non-operating expenses</b>	<b>3,216</b>	<b>2,644</b>
Interest expense	12	13
Donations	1,153	1,488
Loss on disposal of property, plant and equipment	108	149
Foreign exchange loss	5	-
Provision of reserve for HCV litigation	1,170	-
Other	766	992
<b>Ordinary income</b>	<b>90,935</b>	<b>89,007</b>
<b>Extraordinary gain</b>	<b>9,454</b>	<b>1,666</b>
Gain on sales of investment in securities	3,437	1,393
Gain on sales of property, plant and equipment	2,650	94
Gain on sales of shares of subsidiaries and affiliates	3,366	-
Gain on liquidation of subsidiaries and affiliates	-	179
<b>Extraordinary loss</b>	<b>807</b>	<b>20,087</b>
Loss on impairment of fixed assets	588	97
Loss on valuation of shares of subsidiaries and affiliates	-	19,693
Loss on sales of property, plant and equipment	-	234
Other	219	61
<b>Income before income taxes</b>	<b>99,581</b>	<b>70,586</b>
Income taxes-current	26,231	19,331
Income taxes-deferred	(404)	3,346
<b>Net income</b>	<b>73,755</b>	<b>47,908</b>

## Audit Report

### Transcript of Report of Accounting Auditor regarding Consolidated Financial Statements

#### Independent Auditor's Report (Translation)

May 7, 2018

The Board of Directors of  
Mitsubishi Tanabe Pharma Corporation

Ernst & Young ShinNihon LLC

Yoshio Ogawa (Seal)  
Certified Public Accountant  
Designated and Engagement Partner

Nobuaki Kenmochi (Seal)  
Certified Public Accountant  
Designated and Engagement Partner

Hiroyuki Kurihara (Seal)  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the Consolidated Financial Statements, which comprise the Consolidated Statements of Financial Position, the Consolidated Statements of Income, the Consolidated Statements of Changes in Equity and the Notes to Consolidated Financial Statements of Mitsubishi Tanabe Pharma Corporation (the "Company") for the fiscal year from April 1, 2017 to March 31, 2018.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with the latter part of Article 120, Item 1 of the Ordinance on Accounting of Companies that provides for the omission of some disclosure items required by designated International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion independently on the Consolidated Financial Statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to the plan to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected and applied depend on the auditors' judgment, that of the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control, but, in making these risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements so as to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the accounting policies and the method of applying the policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the Consolidated Financial Statements referred to above, which were prepared in accordance with the latter part of Article 120, Item 1 of the Ordinance on Accounting of Companies that provides for the omission of some disclosure items required by designated International Financial Reporting Standards, present fairly, in all material respects, the financial position and results of operations of the corporate group, which comprise the Company and its consolidated subsidiaries for the period, for which the Consolidated Financial Statements were prepared.

#### Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

End

## Transcript of Report of Accounting Auditor regarding Non-Consolidated Financial Statements

### Independent Auditor's Report

(Translation)

May 7, 2018

The Board of Directors of  
Mitsubishi Tanabe Pharma Corporation

Ernst & Young ShinNihon LLC

Yoshio Ogawa (Seal)  
Certified Public Accountant  
Designated and Engagement Partner

Nobuaki Kenmochi (Seal)  
Certified Public Accountant  
Designated and Engagement Partner

Hiroyuki Kurihara (Seal)  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the Non-consolidated Financial Statements, which comprise the Non-Consolidated Balance Sheets, the Non-Consolidated Statements of Income, the Non-Consolidated Statements of Changes in Net Assets, the Notes to Non-consolidated Financial Statements, and the related supplementary schedules of Mitsubishi Tanabe Pharma Corporation (the "Company") for the 11th fiscal year from April 1, 2017 to March 31, 2018.

Management's Responsibility for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the Non-consolidated Financial Statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the Non-consolidated Financial Statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion independently on the Non-consolidated Financial Statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to the plan to obtain reasonable assurance about whether the Non-consolidated Financial Statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Non-consolidated Financial Statements and the related supplementary schedules. The procedures selected and applied depend on the auditors' judgment, that of the assessment of the risks of material misstatement of the Non-consolidated Financial Statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control, but, in making these risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the Non-consolidated Financial Statements and the related supplementary schedules so as to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the accounting policies and the method of applying the policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Non-consolidated Financial Statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Non-consolidated Financial Statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company for the fiscal year ended March 31, 2015 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

End

## **Transcript of Report of the Board of Corporate Auditors**

### **Audit Report**

The Board of Corporate Auditors, upon deliberation, prepared this audit report regarding the Board Directors' execution of their duties during the 11th fiscal year, from April 1, 2017 to March 31, 2018, based on the audit reports prepared by each Corporate Auditor and hereby reports as follows.

#### **1. Auditing Method Employed by Corporate Auditors and the Board of Corporate Auditors and Contents Thereof**

(1) The Board of Corporate Auditors established audit policies, audit plans, etc. and received reports from all the Corporate Auditors regarding the execution of audits and the results thereof. In addition, we received reports, and seek explanations as necessary, from Board Directors, etc. and the Accounting Auditor regarding the execution of their duties.

(2) In reference to auditor's audit established by the Board of Corporate Auditors, in accordance with the audit policies, audit plans, etc. of Corporate Auditors, each Corporate Auditor worked to communicate with Board Directors, the Internal Audit Department, and other employees, etc., gather information, and establish an auditing environment, and executed audits through the following methods.

① We attended the Board of Directors meetings and other important meetings, received reports from the Board Directors and other employees, etc., regarding the execution of their duties, requested reports as required, inspected documents, etc., related to important decisions, and examined the operations and assets at the Company's Head Office and primary Business Offices.

Furthermore, with regard to the Company's subsidiaries, the Board of Corporate Auditors worked to communicate and exchange information with Board Directors, Corporate Auditors, etc., of subsidiaries, and received reports from them as necessary

② With respect to the resolution of the Board of Directors concerning the development of the system to ensure the compliance of Board Directors with laws, regulations and the Articles of Incorporation in the execution of their duties and other systems required to ensure the properness of the operations of the corporate group composed of a joint stock company (kabushiki-kaisha) and its subsidiaries as stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, as well as the system (internal control system) developed based on such resolution of the Board of Directors contained in the Business Report, we received regular reports regarding the status of formulation and operation of such system from the Board Directors and other employees, etc., sought explanations as necessary, and expressed opinion thereon.

③ With respect to matters to be considered provided in Article 118, Item 5 (a) of the Ordinance for Enforcement of the Companies Act and the decision and its rationale provided in (b) of the same Item, in light of the status, etc., of deliberations in the Board of Directors and other meetings, further consideration of its content was given.

④ We had monitored and confirmed whether the Accounting Auditor had maintained its independence and conducted audits appropriately, and received reports regarding the execution of their duties, and sought explanations as necessary. We received notification from the Accounting Auditor that "Systems for Ensuring Appropriate Execution of Duties" (matters provided in each item of Article 131 of the Ordinance on Accounting of Companies) have been established in accordance with "Quality Control Standard for Auditing," etc. as set out by the Business Accounting Council, and sought explanations as necessary.

Based on the above, we examined the Business Report and the related supplementary schedules, and the Non-Consolidated Financial Statements (the Non-Consolidated Balance Sheets, the Non-Consolidated Statements of Income, the Non-Consolidated Statements of Changes in Net Assets, and the Notes to the Non-consolidated Financial Statements) and the related supplementary schedules, as well as the Consolidated Financial Statements (the Consolidated Statements of Financial Position, the Consolidated Statements of Income and Loss, the Consolidated Statements of Changes in Equity, and the Notes to the Consolidated Financial Statements) for the fiscal year 2016.

## 2. Audit Results

### (1) Results of Audit of Business Report, etc.

- 1) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.
- 2) No inappropriate conduct concerning the execution of duties by Board Directors or material facts in violation of laws, regulations or the Articles of Incorporation were found.
- 3) We found that the Board of Directors' resolutions concerning the internal control system are appropriate in content. We also found no matters requiring note on our part with respect to the description of the Business Report and the execution of duties by Board Directors concerning the internal control system,.
- 4) We found no matters requiring note on our part with respect to transactions with the parent company, etc., as contained in the Business Report concerning matters that were considered not to harm the interests of the Company in executing said transactions, and on decision and its rationale of the Board of Directors on whether said transaction will harm the interests of the Company.

### (2) Results of Audit of Non-Consolidated Financial Statements and Related Supplementary Schedules

We found that the methods and the results of the audit conducted by Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

### (3) Results of Audit of Consolidated Financial Statements

We found that the methods and the results of the audit conducted by Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 8, 2018

Board of Corporate Auditors  
Mitsubishi Tanabe Pharma Corporation

Standing  
Corporate Auditor    Koji Kudo

Standing  
Corporate Auditor    Matsuo Kikuchi

Outside  
Corporate Auditor    Takashi Nishida

Outside  
Corporate Auditor    Tadashi Fukuda