

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.

Securities code number: 4508
May 30, 2019

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 12th Ordinary General Meeting of Shareholders
(This document is purely for informational purposes)

Mitsubishi Tanabe Pharma Corporation (the “Company”) respectfully invites you to attend the 12th Ordinary General Meeting of Shareholders of the Company for the 12th Fiscal Year ended March 31, 2019 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 15), and exercise your voting rights by 5:30 p.m. on Thursday, June 20, 2019.

1. Date and Time

10:00 a.m., Friday, June 21, 2019

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 12th Fiscal Year (from April 1, 2018 to March 31, 2019).
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 nine (9) Board Directors
Proposed Resolution 3: Election of one (1) Corporate Auditor

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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 21, 2019 in Japan Time

【Exercise voting rights by sending Voting Right Exercise Form】

Deadline for exercise voting rights: 5:30 p.m., Thursday, June 20, 2019 in Japan Time

【Exercise voting rights via the Internet】

Deadline for exercise voting rights: 5:30 p.m., Thursday, June 20, 2019 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 attend the Meeting, please submit the enclosed Voting Form to the reception staff at the venue.

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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 stable and continuous returns to shareholders. In addition, based on the revision of the Medium-Term Management Plan as announced in November 2018, the Company also upholds a basic policy to maintain the current dividend (annual dividend of ¥56.0) during the period of the Plan.

Given the arbitration proceeding, there was a decrease in revenue in the fiscal year ended March 31, 2019 because a part of the royalty income of "GILENYA Royalty" was not recognized as sales revenue in accordance with IFRS 15. However, besides the impact of this matter, profit shifted consistently with the estimation in the revision of Medium-Term Management Plan.

In accordance with this situation and Company's 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 ¥56.0 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 ¥ 15,707,615,448

(3) Effective date of distribution of the dividend

June 24, 2019

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Proposed Resolution 2: Election of nine (9) Board Directors

The terms of office of all ten (10) Board Directors will expire at the conclusion of the Meeting. Accordingly, the Company proposes the nomination of nine (9) Board Directors by reducing 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 which is chaired by an Independent Outside Board Director and the majority of which are Independent Outside Board Directors.

Candidate No.	Name	Current Main Posts Held and Responsibilities of the Company
1	Masayuki Mitsuka • <u>Reappointed</u>	President & Representative Director, Chief Executive Officer Member of Nomination Committee Member of Compensation Committee
2	Takashi Kobayashi • <u>Reappointed</u>	Representative Director, Senior Managing Executive Officer, in charge of Digital Transformation Department
3	Eizo Tabaru • <u>Reappointed</u>	Board Director, Managing Executive Officer, in charge of Corporate Strategy & Planning Department, NeuroDerm Office, Finance & Accounting Department and Corporate Communications Department
4	Hiroaki Ueno • <u>Newly appointed</u>	Managing Executive Officer, in charge of Human Resources Department, General Affairs Department, International Business Department, China Operations Management Office, ASEAN Business, Europe Operations Management Office, Public Affairs & Policy Department
5	Yoshihiro Kobayashi • <u>Newly appointed</u>	Managing Executive Officer, in charge of Global Regulatory Affairs Department Head of Ikuyaku, Integrated Value Development Division
6	Takeshi Matsumoto • <u>Reappointed</u>	Board Director
7	Shigeki Iwane • <u>Reappointed</u> • <u>Outside Board Director Candidate</u> • <u>Independent Board Director Candidate</u>	Outside Board Director Member of Nomination Committee Member of Compensation Committee (Chairperson)
8	Tsutomu Kamijo • <u>Reappointed</u> • <u>Outside Board Director Candidate</u> • <u>Independent Board Director Candidate</u>	Outside Board Director Member of Nomination Committee Member of Compensation Committee
9	Kazutoshi Murao • <u>Newly appointed</u> • <u>Outside Board Director Candidate</u> • <u>Independent Board Director Candidate</u>	-

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(* 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
	Shares of the Company Owned 35,700	June 2008	Executive Officer, General Manager of Global Product Strategy Department of the Company
		June 2009	Board Director, Executive Officer, General Manager of Global Product Strategy Department of the Company
	Number of years in office: 10 years (as of the conclusion of the Meeting)	April 2012	Board Director, Managing Executive Officer, Division Manager of Development Division of the Company
		April 2014	Representative Director, Senior Managing Executive Officer of the Company
	Attendance of Board of Directors Meetings 15 out of 15 times (100%)	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 Nomination Committee 4 out of 4 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.	
	Attendance of Compensation Committee 4 out of 4 times (100%)	[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 a subsidiary of Mitsubishi Chemical Holdings Corporation.	

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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 25,800</p> <p>Number of years in office: 10 years (as of the conclusion of the Meeting)</p> <p>Attendance of Board of Directors Meetings 15 out of 15 times (100%)</p>	<p>April 1980 Entered the Company</p> <p>April 2004 General Manager of Pharmaceuticals Sales & 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 & PV Quality Assurance Department and Medway Business Management Office of the Company</p> <p>Chief Compliance Officer</p> <p>April 2019 Representative Director, Senior Managing Executive Officer, in charge of Digital Transformation Department of the Company(current)</p>	
		<p>[Reasons for selection as a Board Director candidate]</p> <p>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]</p> <p>•There are no special interests between Takashi Kobayashi and the Company.</p>	

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Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts	
3	<p>Eizo Tabaru (July 3, 1958)</p> <p>Reappointed</p> <p>Shares of the Company Owned 7,900</p> <p>Number of years in office: 4 years (as of the conclusion of the Meeting)</p> <p>Attendance of Board of Directors Meetings 15 out of 15 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 & Accounting Department of the Company</p> <p>June 2015 Board Director, Executive Officer, General Manager of Finance & Accounting Department of the Company</p> <p>April 2016 Board Director, Managing Executive Officer, General Manager of Finance & Accounting Department of the Company</p> <p>April 2017 Board Director, Managing Executive Officer, in charge of Corporate Strategic Planning Department, Finance & 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 Strategy & Planning Department, NeuroDerm Office, Finance & 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, thereby continue 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"> • There are no special interests between Eizo Tabaru and the Company. • Mitsubishi Chemical Industries Ltd. and Mitsubishi Chemical Corporation (currently, Mitsubishi Chemical Corporation) is a subsidiary of Mitsubishi Chemical Holdings Corporation, the parent company of the Company. 	

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Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts
4	<p>Hiroaki Ueno (September 8, 1958)</p> <p>Newly appointed</p> <p>Shares of the Company Owned 3,600</p>	<p>April 1983 Entered Mitsubishi Chemical Industries Ltd.</p> <p>July 2005 General Manager of Medicinal Research Laboratories IV of Research Department of Sohyaku, Division of Mitsubishi Pharma Corporation</p> <p>July 2006 General Manager of Chemistry Research Laboratories of Sohyaku and Research Division of Mitsubishi Pharma Corporation</p> <p>October 2007 General Manager of Chemistry Department II of Medicinal Chemistry Research Laboratories of Research Division of the Company</p> <p>April 2010 General Manager of Medicinal Chemistry Research Laboratories II of Research Division of the Company</p> <p>April 2012 General Manager of Medicinal Chemistry Research Laboratories II of Research Division of the Company</p> <p>April 2014 Executive Officer, General Manager of Research Strategy & Planning Department of Research Division of the Company</p> <p>April 2015 Executive Officer, Division Manager of CMC Division (Chemistry, Manufacturing and Control) of the Company</p> <p>April 2017 Executive Officer, Division Manager of Sohyaku, Innovative Research Division of the Company</p> <p>April 2018 Managing Executive Officer, Division Manager of Sohyaku, Innovative Research Division, in charge of Intellectual Property and Contract Department of the Company</p> <p>April 2019 Managing Executive Officer, in charge of Human Resources Department, General Affairs Department, International Business Department, China Operations Management Office, ASEAN Business, Europe Operations Management Office, Public Affairs & Policy Department of the Company (current)</p>
		<p>[Reasons for selection as a Board Director candidate]</p> <p>Hiroaki Ueno, based on his background in research and experience in technology development and product strategy, is capable of making judgments from such multiple perspectives. With his abundant operational experience and knowledge, he has devoted himself to creating new pharmaceuticals of the next generation by promoting global open innovation as Division Manager of Sohyaku, Innovative Research Division. The Company believes that, based on his experience, he can continue to contribute to improving the corporate value of the Group as a person responsible for general affairs, human resources and overseas business, 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"> • There are no special interests between Hiroaki Ueno and the Company. • Mitsubishi Chemical Industries Ltd. (currently, Mitsubishi Chemical Corporation) is a subsidiary of Mitsubishi Chemical Holdings Corporation.

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Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts	
5	Yoshihiro Kobayashi (October 19, 1960) Newly appointed Shares of the Company Owned 2,900	April 1983	Entered the Company
		April 2004	General Manager of Clinical Promotion Department of Clinical Operations Center of Development Division of the Company
		October 2007	General Manager of Development Department III of Development Division of the Company
		April 2009	General Manager of Clinical Research Planning and Coordination Department II of Development Division of the Company
		April 2010	General Manager of Development Promotion Department of Development Division of the Company
		April 2012	General Manager of Global Project Management Department II of Development Division of the Company
		October 2014	General Manager of Global Product Strategy Department of the Company
		April 2015	General Manager of Global Product Strategy Department of the Company
		October 2015	General Manager of Ikuyaku Product Strategy Department of Ikuyaku, Integrated Value Development Division of the Company
		April 2016	Executive Officer, General Manager of Ikuyaku Product Strategy Department of Ikuyaku, Integrated Value Development Division of the Company
		April 2017	Executive Officer, Deputy Division Manager of Ikuyaku, Integrated Value Development Division, in charge of Development in Japan and Asia of the Company
		April 2018	Executive Officer, Division Manager of Ikuyaku, Integrated Value Development Division of the Company
		April 2019	Managing Executive Officer, Division Manager of Ikuyaku, Integrated Value Development Division, in charge of Global Regulatory Affairs Department of the Company (current)
		[Reasons for selection as a Board Director candidate] Yoshihiro Kobayashi has a high degree of expertise and capability based on his background in development. As Division Manager of the Ikuyaku, Integrated Value Development Division, he not only planned and worked to realize domestic high-priority development compounds, but also promoted development and approval in overseas projects with overseas affiliates, and has contributed to enhancement of the Company's product pipelines. The Company has judged that he can 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 Yoshihiro Kobayashi and the Company.	

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Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts	
6	Takeshi Matsumoto (January 31, 1957)	April 1983	Entered the Company
		April 2002	General Manager, Discovery Research Laboratory of Research and Development Division of the Company
		April 2003	General Manager of Discovery & Pharmacology Research Laboratories of Research Division of the Company
		April 2004	General Manager of Discovery Research of Research Division of the Company
		October 2007	General Manager of Research Strategy & Planning Department of Research Division of the Company
		June 2008	Associate Director, General Manager of Research Strategy & Planning Department of Research Division of the Company
		April 2010	Associate Director, General Manager of Discovery Screening Center of Research Division of the Company
		April 2012	Executive Officer, General Manager of Discovery Screening Center of Research Division of the Company
		April 2014	Executive Officer, Division Manager of Development Division of the Company
		July 2015	Executive Officer, General Manager of Corporate Strategy Office of Mitsubishi Chemical Holdings Corporation (healthcare)
Reappointed	April 2018	Managing Executive Officer, General Manager, Healthcare Strategy Office, Corporate Strategy Division of Mitsubishi Chemical Holdings Corporation (current)*	
	June 2018	Board Director of Life Science Institute, Inc. (current)*	
Shares of the Company Owned 3,100		Board Director of the Company(current)	
Number of years in office: 1 years (as of the conclusion of the Meeting)			
Attendance of Board of Directors Meetings 12 out of 12 times (100%) (as from June 22, 2018)			
[Reasons for selection as a Board Director candidate] 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. As he held several positions at the Company, such as General Manager of Research Strategy & Planning Department and Division Manager of Development Division, he 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.			
[Other special instructions concerning the Board Director candidate] ・There are no special interests between Takeshi Matsumoto and the Company. ・Mitsubishi Chemical Holdings Corporation is the parent company of the Company and Life Science Institute, Inc. is subsidiary of Mitsubishi Chemical Holdings Corporation.			

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Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts
7	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 & 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>June 2016 Outside Corporate Auditor of KINDEN CORPORATION</p> <p>Outside Board Director of the Company (current)</p> <p>Representative Director, President of The Kansai Electric Power Company, Incorporated (current) *</p>
	<p>Outside Board Director Candidate</p> <p>Independent Board Director Candidate</p> <p>Reappointed</p> <p>Shares of the Company Owned 5,000</p> <p>Number of years in office: 3 years (as of the conclusion of the Meeting)</p> <p>Attendance of Board of Directors Meetings 15 out of 15 times (100%)</p> <p>Attendance of Nomination Committee 3 out of 4 times (75%)</p> <p>Attendance of Compensation Committee 3 out of 4 times (75%)</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 management perspective as a top management and wide-ranging knowledge in corporate governance. He has made pointed comments and proposals on ensuring the balance between business profitability and risk as well as the consistency between business execution and strategy from an independent and objective perspective. In addition, as a chair of the Compensation Committee and a member of the Nomination Committee, which are discretionary advisory bodies, he has contributed to appropriate decision making at the Board meetings and enhanced accountability of the Company concerning management nomination and compensation. The Company believes he will contribute to improving the 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"> • There are no special interests between Shigeki Iwane and the Company. • Shigeki Iwane has been designated as an Independent Board Director in accordance with the requirements of the Tokyo Stock Exchange, Inc., and the Company has filed a notice to it to that effect. • 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 Shigeki Iwane is reappointed, the Company plans to continue the liability limitation agreement with him.

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Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts	
8	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
		June 2017	Outside Board Director of the Company (current)
		June 2018	Outside Board Director of Tohoku Electric Power Co, Inc.(current)*
		March 2019	Chairman of Board of Directors of Sapporo Holdings Limited (current)*
	Shares of the Company Owned 2,200	[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 from diverse perspectives especially on strategic aspects of each business, and made pointed comments on risk management, from an independent and objective perspective. In addition, as a member of the Compensation Committee and the Nomination Committee, which are discretionary advisory bodies, he has contributed to appropriate decision making at the Board meetings and enhanced accountability of the Company concerning management nomination and compensation. The Company believes he will contribute to improving the 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.	
	Number of years in office: 2 years (as of the conclusion of the Meeting)		
	Attendance of Board of Directors Meetings 14 out of 15 times (93%)		
	Attendance of Nomination Committee 4 out of 4 times (100%)	[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., and the Company has filed a notice to it to that effect.	
	Attendance of Compensation Committee 4 out of 4 times (100%)	• 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.	

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Candidate No.	Name (Date of birth)	Carrier Summary, Main Posts Held, Responsibilities and Significant Concurrent Posts	
9	Kazutoshi Murao (October 21, 1952) Outside Board Director Candidate	April 1976	Entered Nippon Telegraph and Telephone Public Corporation
		July 1999	Head of Secretary Office of NIPPON TELEGRAPH AND TELEPHONE CORPORATION
		September 2000	Kyoto Branch Manager of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION
		June 2005	Board Director, Senior Vice President, Head of Corporate Strategy Planning Department of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION
		June 2008	Board Director, Executive Vice President, Head of Corporate Strategy Planning Department of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION
		June 2009	Representative Director, Senior Executive Vice President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION
		June 2012	Representative Director, President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION
		June 2018	Executive Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION(current)*
	Independent Board Director Candidate Newly appointed Shares of the Company Owned 0	<p>[Reasons for selection as an Outside Board Director candidate]</p> <p>Kazutoshi Murao assumed office as President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in 2012, and has wide-ranging knowledge regarding the utilization of diverse human resources and values in management for the creation of innovation, thorough compliance and the promotion of safety and health as well as health management. In addition, as top management, he has abundant experience related to resolving social challenges through ICT and initiatives toward achieving SDGs. The Company believes that he can contribute to improving the corporate value of the Group by supervising 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"> • There are no special interests between Kazutoshi Murao and the Company. • If Kazutoshi Murao is appointed as an Outside Corporate Director, he is to become an Independent Corporate Director in accordance with the requirements of the Tokyo Stock Exchange, Inc. • If the appointment of Kazutoshi Murao is approved, the Company plans to newly enter into a liability limitation agreement with Kazutoshi Murao that limits the liability of Outside Corporate 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. 	

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

With the aim of further enhancing the audit system, the Company proposes the election of one (1) new Outside Corporate Auditor in addition to the current members.

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
Mitsue Maru (April 17, 1964)	<p>April 1987 Nurse of National Hospital Medical Center</p> <p>September 1992 Assistant, Department of Nursing, Chiba University</p> <p>December 1999 Completed Doctorate Course of University of Alabama at Birmingham School Assistant Professor, Department of Nursing, Kitasato University, and Obtained Doctorate(Mother-Child Nursing)</p> <p>April 2000 Associate Professor of Development in Pediatric and Family Nursing, Graduate School of Tokyo Medical and Dental University</p> <p>April 2005 School of Tokyo Medical and Dental University</p> <p>April 2009 Professor of International Development Nursing , Graduate School of Tokyo Medical and Dental University</p> <p>October 2014 Professor of International Development Nursing, Department of Nursing and Rehabilitation, Konan Women's University (current)*</p>
Outside Corporate Auditor Candidate	<p>[Reasons for selection as an Outside Corporate Auditor candidate]</p> <p>Though Mitsue Maru has no direct experience in management of private companies, she has professional expertise and experience mainly in the nursing field. She experienced clinical medicine and research specializing in pediatric and adolescent nursing care as a nurse, and has currently focused on developing nursing human resources while promoting international cooperation as a university professor. The Company believes that she will contribute to sustainable growth of the corporate value of the Group and establishment of appropriate corporate governance based on her experience and knowledge as well as her perspective as a healthcare provider, and thus has selected her as an Outside Corporate Auditor candidate.</p> <p>[Other special instructions concerning the Outside Corporate Auditor candidate]</p> <ul style="list-style-type: none"> •There are no special interests between Mitsue Maru and the Company. •If Mitsue Maru is appointed as an Outside Corporate Auditor, she is to become an Independent Corporate Auditor in accordance with the requirements of the Tokyo Stock Exchange, Inc. . •If the appointment of Mitsue Maru is approved, the Company plans to newly enter into a liability limitation agreement with Mitsue Maru 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.
Independent Corporate Auditor Candidate	
Newly appointed	
Shares of the Company Owned 0	

[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, 2018 to March 31, 2019)

1. Overview of Business Results and Financial Position

(1) Overview of Business Results

① Overview of operating results

The business environment of the domestic pharmaceutical industry remains challenging due to the government's accelerating efforts to cut the medical expenses by undertaking radical reform of NHI drug price system with the intention to restrain the increase of social security costs.

In the current business environment, despite the sales of RADICAVA, the treatment of ALS (amyotrophic lateral sclerosis) in the U.S. achieved rapid growth, revenue decreased due to the decline in royalty revenue and domestic ethical drugs. From the viewpoint of profit, core operating profit and all other profit items below decreased due to the increase in R&D expenses owing to the progress in the late-stage development and the acquisition of NeuroDerm Ltd. (hereinafter referred to as "NeuroDerm").

(Millions of yen)

	Fiscal Year 2017	Fiscal Year 2018	Increase / Decrease	% change
Revenue	433,855	424,767	(9,088)	(2.1)
Core operating profit	78,549	55,832	(22,717)	(28.9)
Operating profit	77,285	50,303	(26,982)	(34.9)
Profit before income tax	78,764	50,439	(28,325)	(36.0)
Profit attributable to owners of the Company	57,963	37,372	(20,591)	(35.5)

【Revenue】

Revenue decreased by 2.1%, or ¥9.0 billion, year-on-year, to ¥424.7 billion.

(Millions of yen)

	Fiscal Year 2017	Fiscal Year 2018	Increase / Decrease	% change
Pharmaceuticals	433,855	424,767	(9,088)	(2.1)
Domestic ethical drugs	309,372	298,798	(10,574)	(3.4)
Overseas ethical drugs	38,574	55,119	16,545	42.9
Royalty revenue, etc.	79,151	63,117	(16,034)	(20.3)
OTC products	3,732	3,771	39	1.0
Others	3,026	3,962	936	30.9

- Revenue of domestic ethical drugs decreased by 3.4%, year-on-year, to ¥298.7 billion. Despite the sales of priority products increased contributed by SIMPONI, the treatment agent of Rheumatoid arthritis (RA), and CANALIA, a type 2 diabetes mellitus treatment agent launched in September 2017, as well as STELARA, a treatment for Crohn's disease jointly promoted with Janssen Pharmaceutical K.K., updated the co-promotion framework in July 2018, the NHI drug price revision in April 2018 and the transfer of generic drug business in October 2017 caused a net negative impact on revenue.
- Revenue of overseas ethical drugs increased by 42.9%, year-on-year, to ¥55.1 billion mainly driven by the launch of RADICAVA, the treatment of ALS in the U.S. in August 2017.
- Royalty revenue, etc. decreased by 20.3%, year-on-year, to ¥63.1 billion due to the decline in royalty revenue from GILENYA, the treatment for multiple sclerosis licensed to Novartis Pharma AG (hereinafter referred to as "Novartis") and INVOKANA

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and its fixed dose combination with metformin, the treatment for type 2 diabetes mellitus licensed to Janssen Pharmaceuticals, Inc (hereinafter referred to as "Janssen Pharmaceuticals").

With regard to "GILENYA Royalty" amounts, given the arbitration proceedings, there was a decrease in revenue because a part of the royalty income of "GILENYA Royalty" was not recognized as sales revenue in accordance with IFRS 15. The Company maintains it is entitled to receive the full royalty amounts due according to the license agreement with Novartis, and the Company will rigorously pursue its rights in the arbitration. As for the "GILENYA Royalty" amounts which will not be recognized as sales revenue, those will be recognized as revenue at the end of the arbitration, depending on the outcome of the arbitration.

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【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. Non-recurring items include gain or loss associated with a business transfer, restructuring loss, and impairment losses on intangible assets associated with products.

Core operating profit decreased by 28.9%, or ¥22.7 billion, year-on-year, to ¥55.8 billion due to the following results:

- Sales growth of domestic priority products and RADICAVA in the U.S.
- Decrease in SG&A expenses owing to the promotion of operational productivity reforming.
- Negative impact of the NHI drug price revision and the decline in royalty revenue.
- Increase in R&D expenses arising from advance to late stage of development and the acquisition of NeuroDerm Ltd.

【Operating profit】

Operating profit decreased by 34.9%, or ¥26.9 billion, year-on-year, to ¥50.3 billion.

In non-recurring items, restructuring expenses and impairment losses were recorded.

【Profit attributable to owners of the Company】

Profit attributable to owners of the Company decreased by 35.5%, or ¥20.5 billion, year-on-year, to ¥37.3 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 aiming to grow sustainably under the "Medium-Term Management Plan 16-20: Open Up the Future" established in 2015, which contains four strategic priorities, (i) Maximizing Pipeline Value, (ii) Accelerating U.S. Business Development, (iii) Strengthening IKUYAKU (Drug Fostering and Evolution) and Marketing, and (iv) Reforming Operational Productivity.

The major progresses achieved in the fiscal year ended March 31, 2019 are showed below.

(i) Maximizing Pipeline Value

Started with launching MCI-186 (generic name: edaravone, U.S. product name: RADICAVA), the indication for ALS in the U.S. in 2017, for the purpose of expanding its global market, the Group received approvals in Canada and Switzerland subsequently. Moreover, with the intend to reduce the patient's burden brought by the intravenous injection, MT-1186, the oral suspension is under development at the moment. Furthermore, in order to provide a more beneficial therapy option to patients, clinical study of biomarkers etc. to identify the disease progress in ALS patients is initiated.

As one of the growth driver following MCI-186 in the U.S. and European market, MT-2271 (plant-based VLP vaccine), prophylaxis of seasonal influenza has completed the phase 3 clinical trials for adults and applications in the U.S. and Canada are prepared currently. Moreover, phase 3 clinical trials for elderly have started. As for ND0612, the indication for Parkinson diseases, it has generally reached an agreement with FDA (Food and Drug Administration), and the preparation for new clinical trials in the U.S. and Europe is currently undergoing simultaneously.

Regarding four priority areas in domestic market, diabetes and kidney diseases (TA-7284, MT-6548), autoimmune diseases (MT-5547), central nervous system diseases (MT-5199) and vaccines (MT-2355), late stage developments are advancing. MT-6548 (hypoxia inducible factor prolyl hydroxylase inhibitor), the treatment for anemia due to chronic kidney diseases conducted phase 3 clinical studies over 24 weeks with positive results and plans to file an application in FY2019.

With aim of increasing the opportunity to discover innovative new drugs, besides the conventional areas like small molecule and antibody, the Company also engages in gene therapy, nucleic acid therapeutics and expands the extent of modality.

In the current consolidated fiscal year, the R&D expenses reached its highest level to ¥86.5 billion, accounting for 20.4% of revenue.

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

Acquisition of approval

- In June 2018, an anti-fungal agent, Jublia for the treatment of onychomycosis was approved in Taiwan.
- In August 2018, an additional pediatric indication for the prevention of cytomegalovirus disease in organ transplant patients for Valixa was approved in Japan.
- MCI-186 (generic name: edaravone, U.S. product name: RADICAVA), the treatment for ALS was approved in Canada in October 2018 and Switzerland in January 2019.
- In February 2019, immunosuppressant Azanin, the treatment for autoimmune hepatitis received approval in Japan.

Application of approval

- Applications of MCI-186, the treatment for ALS were filed in Canada in April 2018, and Europe in May 2018.
- Applications were filed for the treatment of schizophrenia, MP-214 (cariprazine, dopamine D3/D2 receptor partial agonist) in Singapore in June 2018, Thailand in August 2018, and Indonesia in December 2018.
- Applications were filed for MP-513 (generic name: teneligliptin, domestic product name: TENELIA), the treatment for type 2 diabetes mellitus in Singapore in July 2018, Thailand in September 2018, and Malaysia in December 2018.
- In August 2018, an application of Azanin, the treatment for autoimmune hepatitis was filed in Japan.
- Applications for TAU-284 (generic name: Bepotastine, domestic product name: Talion), the treatment for allergic rhinitis and urticaria were filed in Thailand in November 2018, and Singapore in March 2019.

In addition, applications for MCI-186, the treatment for ALS were filed in China and Singapore in April 2019.

Start of clinical trials (from phase 2)

- In July 2018, the Company started phase 2 clinical trials of MT-7117 for erythropoietic protoporphyria in the U.S.
- In September 2018, phase 3 clinical trials of MT-2271, prophylaxis of seasonal influenza in elderly adults started in the U.S., Europe and Canada etc.
- In January 2019, phase 2 clinical trials of MT-2990, the treatment for endometriosis started in the U.S.

Development status of licensing-out products

- Licensee Novartis received approval for FTY720 (generic name: fingolimod, product name: Gilenya), for pediatric multiple sclerosis in the U.S in May 2018, and Europe in November 2018.
- Licensee Janssen Pharmaceuticals, Inc. received approval for TA-7284 (generic name: canagliflozin, product name: INVOKANA), for composite risk reduction of CV death, nonfatal MI and stroke in type 2 diabetes with established, or risk for cardiovascular disease (CANVAS/CANVAS-R) in Europe in September 2018.
- Licensee Janssen Pharmaceuticals, Inc. received approval for TA-7284, for composite risk reduction of CV death, nonfatal MI and stroke in type 2 diabetes with established cardiovascular disease (CANVAS/CANVAS-R) in the U.S. in October 2018.
- Licensee Janssen Pharmaceuticals, Inc. submitted an application for TA-7284, for the treatment of diabetic nephropathy (CREDESCENCE) in the U.S. in March 2019.

In addition, licensee Kyowa Hakko Kirin Co., Ltd. submitted an application for MT-4580 (generic name: Evocalcet, product name: Orkedia), the treatment of hypercalcemia in patients with parathyroid carcinoma or primary hyperparathyroidism in April 2019.

(ii) Accelerating U.S. Business Development

Since the launch of RADICAVA for ALS in August 2017, the Company actively undertook sales promotion in various perspectives such as visiting healthcare professionals and optimizing patients access. By the end of the fiscal year ended March 31, 2019, the cumulative number of patients received treatment reached 3,760, and revenue totaled ¥27.0 billion.

With the intention of expanding business in the U.S., the Company acquired NeuroDerm, whose candidate ND0612, the drug-device combinations for Parkinson's disease, generally reached an agreement with FDA regarding its amended development plan of phase 3 clinical trial design towards launching in 2022.

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Furthermore, Medicago Inc., a R&D subsidiary is carrying out phase 3 clinical trials for MT-2271, an indication of prophylaxis of seasonal influenza, aiming to launch in North America in 2021.

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(iii) Strengthening IKUYAKU and Marketing

In the field of diabetes mellitus, CANALIA, jointly promoted with Daiichi Sankyo Co., Ltd continually showed a favorable increase since launched in September 2017. In immune inflammation area, the sales of Rupafin, which is jointly promoted with Teikoku Seiyaku Co., Ltd increased since launched in November 2017. Additionally, as to STELARA, an anti-IL-12/23p40 monoclonal antibody licensing from Janssen Pharmaceutical K.K., the Company recorded revenue since domestic distribution was transferred to the Company under the updated co-promotion agreement, effective June 2018.

(iv) Reforming Operational Productivity

To reduce cost of sales and SG&A expense by ¥30.0 billion (in comparison with FY2015) under the Medium-Term Management Plan, the Group strives to reduce labor cost by optimizing personnel and supply cost of the pharmaceutical ingredients etc. As a result, a reduction of ¥25.0 billion was achieved by the end of the fiscal year ended March 31, 2019. In addition, seeking to embrace the digital transformation, Mitsubishi Tanabe Pharma Provision Co., Ltd. was founded in January 2019 as a core company in the Group to promote efficient and high-quality operation handling pharmacy information and accounting, general affairs and human resources management by utilizing RPA (Robotic Process Automation) etc.

As for the working environment, the Company received several awards from external institutions such as a certification of "Outstanding Enterprise in Health and Productivity Management 2018 - White 500" in the large enterprise category carried out by the Ministry of Economy, Trade and Industry, the special encouragement award at "Ikumen (men raising children) Enterprise Award 2018" received from the Ministry of Health, Labor and Welfare, and an award of excellence at "Working Women Empowerment Awards" sponsored by Working Women's Empowerment Forum.

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

Total capital investment amounted to ¥6.8 billion (¥4.4 billion in the Fiscal Year 2017), which was allocated principally to production equipment. The Company invested ¥1.7 billion in information system development (¥1.6 billion in the Fiscal Year 2017), centered on the development and renewal of the business management system.

Major investment property, plant and equipment projects continuing during the Fiscal Year 2018

- Medicago, Inc. Expansion of production equipment

Capital investment in the Fiscal Year 2018: ¥1.8 billion

(3) Financing activities

There are no particular items.

(4) Status of major business combinations

There are no particular items.

(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 it is placed as the highest priority for all of the Group’s directors, officers and employees.

Based on these philosophies, in order to carry out sustainable business activities, the Group has designated seven material issues (materiality) to be addressed on a priority basis. Going forward, the Group will establish evaluation indices for these material issues, and disclose actual achievements as appropriate. The Group will work toward the resolution of social issues through its business activities, and further work together to contribute to the extension of healthy lifespans of people and realizing a sustainable society.

Materiality:

- ① Pharmaceuticals and healthcare services with differentiated value
- ② Reliable products and sustainable supply
- ③ Appropriate use of products
- ④ Ethics, fairness and sincerity in business practices
- ⑤ Stakeholder engagement and reliable information disclosure
- ⑥ Employee health, diversity and inclusion
- ⑦ Social contribution activities for health

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 the key issues for the Group to sustain growth are to develop and expand a business foundation based on sales of its own products in the U.S., the world’s largest pharmaceutical market, and 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 by contributing to opening up the future for patients and their families it can build its own future, and with an eye to expanding the area of its contribution to include the “supply of medical care”, in addition to the “supply of pharmaceuticals”, the Group formulated its Medium-Term Management Plan 16-20 in 2015 with the key concept of “Open Up the Future—the Group will open up the future of medical care” by addressing the four strategic priorities of (1) Maximizing Pipeline Value, (2) Accelerating U.S. Business Development, (3) Strengthening IKUYAKU (maximization of product value), and (4) Reforming Operational Productivity. In addition, based on changes in the environment, the Group revised its target figures in November 2018, aiming to accomplish revenues of ¥430.0 billion, core operating profit (*) of ¥60.0 billion, net profit attributable to owners of the Company of ¥40.0 billion, R&D expenses of ¥85.0 billion, and an overseas sales ratio of 30% in the fiscal year ending March 31, 2021, which is the last fiscal year of the plan.

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

(i) Maximizing Pipeline Value

- The Group set a goal to create 10 candidates that will advance to late-stage development during this Medium-Term Management Plan. In the course of achieving this goal, the Group will further focus on high-priority areas, redefine the diseases and the needs within the areas, and aim to provide original medicinal value with its unique products.
- In order to increase opportunity for creating pharmaceuticals, the Group will strategically address new modalities such as nucleic acid, gene therapy, designed pharmaceuticals, and digital medicines, in addition to the conventional modalities of small molecules and antibodies, in an aim to respond to new medicinal needs. Furthermore, to accelerate these initiatives, the Group will utilize external pharmaceutical research laboratories, and actively expand the “open shared business” by collaborating with academic and other organizations.

(ii) Accelerating U.S. Business Development

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- In addition to sales expansion for Amyotrophic Lateral Sclerosis (ALS) drug RADICAVA, the Group expects to bring to market the RADICAVA oral drug and an influenza VLP vaccine during the fiscal year ending March 31, 2022, and ND0612 during the fiscal year ending March 31, 2023, and aims for a substantial increase in revenue in the U.S. market during the fiscal year ending March 31, 2024. Furthermore, while setting an eye to “expand the U.S. business” by incorporating products and late-stage development compounds from external sources or through M&A, the Group will work to achieve “sustained growth in the U.S. business” and at the same time focus on internally-developed products that may be brought to the U.S. market.

(iii) Strengthening IKUYAKU (Drug Fostering and Evolution) and Marketing

- With the aim to bring 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 domestic market, in the field of autoimmune diseases, the Group will maintain the No. 1 share through the life cycle management program of high-priority products. 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, despite drug price revisions, the Group plans to maintain ¥300.0 billion of annual revenues of domestic pharmaceuticals and to increase the revenue ratio of new pharmaceuticals and high-priority products to 75%.
- For strengthening of sales promotion, the Group will utilize ICT to improve the accuracy of understanding market needs and promote digital marketing in order to increase operational efficiency. At the same time, the Group will implement a unique medical collaboration project that captures the needs of each region accurately and quickly by promoting area marketing with enhanced expertise in high-priority areas. With these measures, the Group will contribute to regional medicine from a medium- to long-term viewpoint.

(iv) Reforming Operational Productivity

- In order to deal with the harsh domestic business environment, the Group must urgently reform its profitability structure continuously to maintain revenue. The Group aims to reduce cost of sales and selling, general and administrative expenses by ¥30.0 billion, revising upward the initial target of ¥20.0 billion (versus the Fiscal Year 2015).
- 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 resources, the Group has started the executive development program (MT-VIVID) since the Fiscal Year 2016, and has been continuously working to develop 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 organizations that can work on a global level, while accepting the differences and respecting individuality, leading to the creation of results.

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

(Millions of yen)

Description	Japanese GAAP	IFRS			
	Fiscal year	Fiscal year	Fiscal year	Fiscal year	Fiscal year
	2015 April 1, 2015 to March 31, 2016	2015 April 1, 2015 to March 31, 2016	2016 April 1, 2016 to March 31, 2017	2017 April 1, 2017 to March 31, 2018	2018 April 1, 2018 to March 31, 2019
Revenue	431,701	425,764	423,977	433,855	424,767
Operating Profit	94,907	81,803	94,083	77,285	50,303
Ordinary income	94,763	—	—	—	—
Net profit attributable to owners of the company	56,434	59,306	71,263	57,963	37,372
Basic earnings per share	¥100.60	¥105.72	¥127.03	¥103.35	¥66.64
Total assets	930,242	958,445	984,537	1,048,444	1,056,286
Total equity	816,713	826,316	871,430	894,827	910,332

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.

3. Provisional accounting on business combinations was finalized during the Fiscal Year 2018. Accordingly, total assets for the Fiscal Year 2017 have been revised retroactively.

(7) Purpose of Business of the Group (as of March 31, 2019)

Manufacturing and sales of pharmaceutical products

(8) Major Offices and Factories (as of March 31, 2019)

	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 (Sanyo-Onoda, 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, Malaysia
	Production Bases	Asia: China, South Korea, Taiwan, Indonesia
	Research Centers	North America: United States, Canada Europe: United Kingdom Asia: Israel, China

※: Bases of subsidiaries

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(9) Status of Employees (as of March 31, 2019)

① The Company Group

Number of Employees	(Comparison with Previous Fiscal Year)
7,228	+41

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
4,111	△111	45.3	20 years and 1 month

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, 2019)

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, "KAITEKI Value for Tomorrow", 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

(i) 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.

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

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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
Mitsubishi Tanabe Pharma Provision Co., Ltd.	¥100million	100.0%	Provision of Information & Service
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\$752 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 34 consolidated subsidiaries, including 12 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.

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(11) The Current Situation of Important Technical Cooperation (as of March 31, 2019)

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※	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.

※The Company has received a Request for Arbitration regarding the License. Its content is presented in “6. Other Important Materials relating to the Company group”.

Trade Item

Name of Company	Content
Janssen Biotech Inc.	Commercialization of “Remicade”, an anti-human TNF α 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 Items

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.

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2. Status of Stocks (as of March 31, 2019)

(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 27,120 shareholders (+6,970)
- 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)	26,596	4.7
Japan Bank Trustee Services Bank, Ltd. (Trust)	14,679	2.6
Nippon Life Insurance Company	12,065	2.2
STATE STREET BANK WEST CLIENT - TREATY 505234	7,826	1.4
Japan Bank Trustee Services Bank, Ltd. (Trust 9)	4,627	0.8
Japan Bank Trustee Services Bank, Ltd. (Trust 5)	4,113	0.7
STATE STREET BANK AND TRUST COMPANY 505225	4,029	0.7
STATE STREET BANK AND TRUST COMPANY 505103	3,928	0.7
Nipro Corporation	3,821	0.7

Note : 1. Percentage ownership; Number of owned shares / Number of issued shares (excluding treasury stock: 431,650)

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

(2) Company equity warrants

There are no corresponding items.

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3. Information Related to Company Management

(1) Directors & Auditors (as of March 31, 2019)

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	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
Board Director, Managing Executive Officer	Yoshiaki Ishizaki	In charge of Sales & Marketing Division and OTC Business Department
Board Director, Managing Executive Officer	Seiichi Murakami	In charge of Ikuyaku, Integrated Value Development Division and Vaccine Business Development Office
Board Director, Managing Executive Officer	Eizo Tabaru	In charge of Corporate Strategy & Planning Department, NeuroDerm Office, Finance & Accounting Department and Corporate Communications Department
Board Director, Managing Executive Officer	Takashi Tanaka	In charge of Production Technology & Supply Chain Management Division
Board Director	Takeshi Matsumoto	Corporate Strategy Division of Mitsubishi Chemical Holdings Corporation Board Director of Life Science Institute, Inc.
Outside Board Director	Shigehiko Hattori	Senior Corporate Adviser, Shimadzu Corporation 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 of Board of Directors, Sapporo Holdings Limited Outside Board Director, Tohoku Electric Power Co., Inc.
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
Outside Corporate Auditor	Hiroshi Enoki	Representative of Hiroshi Enoki Certified Public Accountant Office

Note : 1. The following changes were made during the Fiscal Year 2018.

① Changes of Board Directors

Name	Changes date	Changes reason	Main Posts Held and Responsibilities at the Company
Takeshi Matsumoto	June 22, 2018	Newly appointed	Board Director

② Changes of Corporate Auditors

Name	Changes date	Changes reason	Main Posts Held and Responsibilities at the Company
Takashi Nishida	June 22, 2018	Resigned	Outside Corporate Auditor
Hiroshi Enoki	June 22, 2018	Newly appointed	Outside Corporate Auditor

2. Mr. Tsutomu Kamijo, an Outside Board Director, assumed the office of Outside Director of Tohoku Electric Power Co., Inc. on June 27, 2018. In addition, he resigned as Representative Director of Sapporo Holdings Limited on March 28, 2019.

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3. Mr. Hiroshi Enoki, an Outside Corporate Auditor, resigned from Deloitte Touche Tohmatsu LLC on June 15, 2019, and opened Hiroshi Enoki Certified Public Accountant Office in the same month.
4. Mr. Shigehiko Hattori, an Outside Board Director, resigned as Outside Board Director of Sapporo Holdings Limited on March 28, 2019.
5. 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.
6. Mr. Hiroshi Enoki, an Outside Corporate Auditor, is qualified as a certified public accountant, and has financial and accounting expertise appropriate to his position as a Corporate Auditor.
7. 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.
8. On April 1, 2019, the Company abolished the Medway Business Management Office and changed the name of the Future Design Department to the Digital Transformation Department.
7. As of April 1, 2019, 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 Digital Transformation Department	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
Yoshiaki Ishizaki	Board Director	Board Director, Managing Executive Officer In charge of Sales & Marketing Division and OTC Business Department
Seiichi Murakami	Board Director	Board Director, Managing Executive Officer In charge of Ikuyaku, Integrated Value Development Division and Vaccine Business Development Office
Takashi Tanaka	Board Director	Board Director, Managing Executive Officer In charge of Production Technology & Supply Chain Management 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.

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(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 corporate value. The Company decides the level of compensation by taking into consideration objective data such as a 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 executing business duties is comprised of (a) "base compensation", (b) "performance compensation" which is tied to short-term performance, and (c) "stock compensation" which is tied to medium- to long-term performance, with a ratio of (a): (b): (c) 1. In addition, the compensation plan for part-time directors who are in a position independent from executing business duties as well as compensation for Corporate Auditors are comprised of "base compensation" only.

The policy concerning the compensation of Board Directors and content of compensation of individual Board Directors 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.

[Performance Compensation]

"Performance compensation" is a performance-linked compensation plan that pays cash to Board Directors executing business duties according to the levels of their performance achievement of the Medium-Term Management Plan, taking also into consideration their position ranks and individual performance evaluations. For the purpose of improving the performance of the overall Group, the performance-linked compensation indicators are to be determined by the target consolidated core operating profit in the Medium-Term Management Plan. "Performance compensation" fluctuates from 0% to 200% depending on the levels of achievement of targets and individual performance.

<Formula>

Performance compensation = Basic amount by position rank × Consolidated core operating profit achievement coefficient × Ratio by position rank + Basic amount by position rank × Individual performance evaluation coefficient × Ratio by position rank

[Stock Compensation]

"Stock compensation" is a performance-linked compensation plan that delivers the Company's shares to Board Directors executing business duties according to the level of their performance achievement of the Medium-Term Management Plan and their position ranks. Under this plan, the Company's shares are acquired by a trust of which Board Directors are the beneficiaries, using funds contributed by the Company. Each Board Director is granted points each year according to the level of his/her performance achievement, and will receive a delivery of the Company's shares and a cash pay-out equivalent to the number of shares based on the cumulative points upon retirement.

For the purpose of improving the performance of the overall Group, the stock compensation indicators are set by the target consolidated revenue and the target net profit attributable to owners of the Company in the Medium-Term Management Plan. Stock compensation fluctuates from 0% to 200% depending on the levels of achievement of targets. The Company's shares are acquired from the stock market, and there is no effect on the total number of the Company's issued shares.

<Formula>

Stock compensation = Basic points by position rank ×
(Consolidated revenue achievement coefficient + net profit attributable to owners of the Company achievement coefficient)

Targets for consolidated revenue, net profit attributable to owners of the Company and consolidated core operating profit in the Medium-Term Management Plan to be used as indicators for "stock compensation" and "performance compensation" and their actual results for the fiscal year 2018

are as follows. Based on progress in the Medium-Term Management Plan, in November 2018, the Company made a midterm review of the target values and future initiatives for the fiscal year 2020.

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	Initial target*1	Revised target*2	Actual results (Fiscal Year 2018)
Consolidated revenue	¥500.0 billion	¥430.0 billion	¥424.7 billion
Net profit attributable to owners of the Company	¥70.0 billion	¥40.0 billion	¥37.3 billion
Consolidated core operating profit	¥100.0 billion	¥60.0 billion	¥55.8 billion

*1 Target for the last fiscal year (Fiscal Year 2020) at the formulation of the current Medium-Term Management Plan (Fiscal Year 2015)

*2 Target for the last fiscal year (Fiscal Year 2020) after the revision of the current Medium-Term Management Plan (Fiscal Year 2018)

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)	¥318million (¥32 million for Outside Directors)	<ul style="list-style-type: none"> • ¥500 million per fiscal year (excluding Outside Board Directors) (Outside Board Directors: upper limit of ¥50 million) • Resolved at Ordinary General Meeting of Shareholders in June 2007
	Stock Compensation	6	¥17million	
Auditors	Compensation	5 (3 Outside Auditors)	¥94 million (¥22 million for Outside Auditors)	<ul style="list-style-type: none"> • ¥120 million per fiscal year • Resolved at Ordinary General Meeting of Shareholders in June 2017
Total		15	¥429million	

Notes : 1. The above includes salaries and bonuses for one(1) Corporate Auditor who resigned in the Fiscal Year 2018. The number at the end of the Fiscal Year 2018 is ten(10) Board Directors (3 Outside Directors) and four(4) Corporate Auditors (2 Outside Auditors).

2. Amount of compensation paid for the Fiscal Year 2018 for Board Directors includes ¥14 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 2018 for Board Directors is the amount recorded as expenses for performance-linked stock compensation in the Fiscal Year 2018. 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. During the Fiscal Year 2018, the Company held four (4) Compensation Committee meetings. At the meetings, deliberations were made on individual performance evaluations and the amount of compensation (recommended to the Board of Directors) of each Board Director and Corporate Auditor for the Fiscal Year 2017, the performance targets for performance compensation of each Director and Corporate Auditor for the Fiscal Year 2018, and the verification of implementation of compensation plans for Board Directors and Corporate Auditors.

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(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 BROTHER INDUSTRIES, LTD and Meiji Yasuda Life Insurance Company, and was an Outside Board Director of Sapporo Holdings Limited. 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 of Board of Directors of Sapporo Holdings Limited and an Outside Board Director of Tohoku Electric Power Co, Inc. . There are no special conflicts of interests between the Company and those companies.
- Outside Corporate Auditor, Tadashi Fukuda is an Executive Partner of DAIICHI LAW OFFICE P.C., an Outside Corporate Auditor of EXEDY Corporation. There are no special conflicts of interests between the Company and those companies.
- Outside Corporate Auditor, Hiroshi Enoki is a representative of Hiroshi Enoki Certified Public Accountant Office. There are no special conflicts of interests between the Company and that office.

② Principal activities in the Company

Name	Attendance at Board of Directors meetings, etc.	Principal activities
Shigehiko Hattori (Outside Board Director)	<p>Board of Directors Meetings 14 out of 15 times</p> <p>Nomination Committee 4 out of 4 times</p> <p>Compensation Committee 4 out of 4 times</p>	At the Board meetings, 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. In addition, as a chair of the Nomination Committee and the Compensation Committee, which are discretionary advisory bodies, until June 2018, and as a chair of the Nomination Committee and a member of the Compensation Committee thereafter, he has contributed to appropriate decision making at the Board meetings and enhanced accountability of the Company concerning management nomination and compensation.
Shigeki Iwane (Outside Board Director)	<p>Board of Directors Meetings 15 out of 15 times</p> <p>Nomination Committee 3 out of 4 times</p> <p>Compensation Committee 3 out of 4 times</p>	At the Board meetings, based on his management perspective as a top management and wide-ranging knowledge in corporate governance, he has made pointed comments and proposals on ensuring the balance between business profitability and risk as well as the consistency between business execution and strategy from an independent and objective perspective. In addition, as a chair of the Compensation Committee and a member of the Nomination Committee, which are discretionary advisory bodies, he has contributed to appropriate decision making at the Board meetings and enhanced accountability of the Company concerning management nomination and compensation.

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Name	Attendance at Board of Directors meetings, etc.	Principal activities
Tsutomu Kamijo (Outside Board Director)	<p>Board of Directors Meetings 14 out of 15 times</p> <p>Nomination Committee 4 out of 4 times</p> <p>Compensation Committee 4 out of 4 times</p>	At the Board meetings, 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. In addition, as a member of the Compensation Committee and the Nomination Committee, which are discretionary advisory bodies, he has contributed to appropriate decision making at the Board meetings and enhanced accountability of the Company concerning management nomination and compensation.
Tadashi Fukuda (Outside Corporate Auditor)	<p>Board of Directors Meetings 14 out of 15 times</p> <p>Board of Corporate Auditors 13 out of 14 times</p>	At the meetings of the Board of Directors and the Board of Corporate Auditors, based on abundant experience and profound knowledge as an attorney-at-law, Tadashi Fukuda offers advice and remarks mainly related to legal decisions.
Hiroshi Enoki (Outside Corporate Auditor)	<p>Board of Directors Meetings 12 out of 12 times (as from June 22, 2018)</p> <p>Board of Corporate Auditors 11 out of 11 times (as from June 22, 2018)</p>	At the meetings of the Board of Directors and the Board of Corporate Auditors, based on professional expertise and experience as a certified public accountant, Hiroshi Enoki offers advice and remarks mainly related to finance and accounting issues.

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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 ¥92 million
②	Total amount of money to be paid by the Company or its subsidiaries, and other financial profits	Ernst & Young ShinNihon LLC ¥100 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 Control office 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

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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 2018, 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.

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During the Fiscal Year 2018, the Company established a compliance promotion policy and worked to strengthen compliance promotion systems across the Group, including rapidly expanding overseas bases.

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

Based on related internal 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 2018, the Company performed periodical reviews of information assets and promoted group network connections at overseas group companies, making efforts to strengthen information security. In addition, the Company established necessary systems for the enactment of General Data Protection Regulations, and notified the employees of their details through training.

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 faced with a crisis.

During the Fiscal Year 2018, as with last year, the Company conducted various necessary drills to prepare for unexpected events such as accidents and disasters. In addition, the Company established an emergency response plan for scenarios for certain emergency events overseas.

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 2018, the Company further strengthened the oversight of risk management and compliance of the Board of Directors. As for Executive Committee, the Company revised the operating methods, including meeting materials and discussions, and worked to increase the effectiveness and speed of the meetings.

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 2018, as with last year, the Company has had overseas group companies organize their rules based on common Group rules that apply to them. In addition, the Company held liaison meetings with management teams of the Company and the presidents of domestic and overseas group companies, working to share management policy and issues.

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

The Company maintains an environment for Corporate Auditors' audit by reporting to Corporate Auditors from Board Directors concerning progress in business execution, attendance by Corporate Auditors at various important meetings, review by Corporate Auditors of important documents, investigation by Corporate Auditors on operations and assets and interviews with Board Directors and the like are conducted efficiently.

(3) Basic Policy relating to Ownership of the Company

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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 stable and continuous returns to shareholders. In addition, based on the revision of the Medium-Term Management Plan as announced in November 2018, the Company also upholds a basic policy to maintain the current dividend (annual dividend of ¥56.0) during the period of the Plan.

Given the arbitration proceeding, there was a decrease in revenue in the fiscal year ended March 31, 2019 because a part of the royalty income of "GILENYA Royalty" was not recognized as sales revenue in accordance with IFRS 15. Besides the impact of this matter, profit shifted consistently with the estimation in the revision of Medium-Term Plan.

In accordance with 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 ¥56.0 per share.

6. Other Important Materials relating to the Company group

The situation in major court action are as follows:

【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 used as payment by Japanese government to patients infected with the HCV(hepatitis C virus) by using 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.

【Arbitration regarding "Gilenya", a drug for multiple sclerosis】

The Company received a Request for Arbitration from Novartis on February, 2019. Novartis has asked the arbitral tribunal to rule that Novartis has no obligation to pay certain royalties, because some terms of the license agreement entered into with the Company in September 1997 are allegedly invalid. The Company maintains it is entitled to receive the full royalty amounts due according to the 1997 License Agreement with Novartis, and the Company will rigorously pursue its rights in the arbitration. In addition, given the arbitration proceedings, a part of the royalty income of "GILENYA®," a drug for treatment for multiple sclerosis which is licensed to Novartis was not recognized as sales revenue in accordance with IFRS 15. As for the amounts among the "GILENYA® Royalty" amounts which will not be recognized as sales revenue, those will be recognized as revenue at the end of the arbitration, depending on the outcome of the arbitration.

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Consolidated Financial Statements
Consolidated Statements of Financial Position

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Assets		
Non-current assets		
Property, plant and equipment	80,457	73,338
Goodwill	91,136	91,640
Intangible assets	200,940	206,918
Investments in associates and joint ventures accounted for using equity method	16,445	16,294
Other financial assets	46,109	46,245
Net defined benefit assets	22,711	21,474
Other non-current assets	379	257
Deferred tax assets	4,742	11,687
Total non-current assets	462,919	467,853
Current assets		
Inventories	81,998	75,559
Trade and other receivables	123,537	116,951
Other financial assets	246,733	271,432
Other current assets	6,227	11,011
Cash and cash equivalents	127,030	111,850
Subtotal	585,525	586,803
Assets held for sale	-	1,630
Total current assets	585,525	588,433
Total assets	1,048,444	1,056,286

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	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Liabilities and equity		
Liabilities		
Non-current liabilities		
Borrowings	420	150
Other financial liabilities	2,199	2,151
Net defined benefit liabilities	868	629
Provisions	8,571	6,975
Other non-current liabilities	5,505	5,116
Deferred tax liabilities	37,861	39,234
Total non-current liabilities	55,424	54,255
Current liabilities		
Borrowings	122	45
Trade and other payables	35,631	31,477
Other financial liabilities	20,737	27,032
Income taxes payable	18,093	9,576
Provisions	1,934	1,638
Other current liabilities	21,676	21,682
Subtotal	98,193	91,450
Liabilities directly related to assets held for sale	-	249
Total current liabilities	98,193	91,699
Total liabilities	153,617	145,954
Equity		
Share capital	50,000	50,000
Capital surplus	451,228	451,253
Treasury shares	(1,045)	(1,040)
Retained earnings	382,122	387,964
Other components of equity	503	9,427
Total equity attributable to owners of the Company	882,808	897,604
Non-controlling interests	12,019	12,728
Total equity	894,827	910,332
Total liabilities and equity	1,048,444	1,056,286

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Consolidated Statements of Income

(Millions of yen)

	April 1, 2017 - March 31, 2018	April 1, 2018 - March 31, 2019
Revenue	433,855	424,767
Cost of sales	169,750	180,646
Gross profit	264,105	244,121
Selling, general and administrative expense	104,055	98,725
Research and development expense	79,083	86,533
Amortization of intangible assets associated with products	2,451	2,934
Other income	6,661	1,481
Other expense	7,915	7,027
Share of profit of affiliates accounted for using equity method	23	-
Share of loss of affiliates accounted for using equity method	-	80
Operating profit	77,285	50,303
Financial income	1,881	1,253
Financial expense	402	1,117
Profit before income tax	78,764	50,439
Income taxes	24,772	18,223
Profit for the year	53,992	32,216
Profit attributable to:		
Owners of the Company	57,963	37,372
Non-controlling interests	(3,971)	(5,156)
Profit for the year	53,992	32,216

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Non-Consolidated Balance Sheets

Accounts	3/31/2018	3/31/2019
Assets	881,868	907,910
Current assets	534,960	547,770
Cash and time deposits	30,454	25,778
Notes receivable	293	11
Accounts receivable, trade	134,581	135,280
Marketable securities	136,651	159,482
Merchandise and finished goods	53,286	47,940
Raw materials and supplies	10,069	7,881
Short-term loans receivable to subsidiaries and affiliates	-	120
Prepaid expenses	3,708	6,218
Accounts receivable - other	10,740	8,536
Deposits	153,407	153,523
Other	1,781	3,012
Less allowance for doubtful receivables	(14)	(14)
Fixed assets	346,908	360,139
Property, plant and equipment	34,202	32,254
Buildings	18,063	16,925
Structures	1,075	1,059
Machinery and equipment	1,996	1,843
Vehicles	4	2
Tools, furniture and fixtures	3,701	3,048
Land	9,279	9,279
Leased equipment	5	3
Construction in progress	76	92
Intangible fixed assets	3,809	3,815
Software	2,481	3,270
Other	1,328	544
Investments and other assets	308,896	324,069
Investment in securities	32,990	37,700
Shares of subsidiaries and affiliates	220,383	233,553
Investments in capital of subsidiaries and affiliates	1,942	1,942
Long-term loans receivable to subsidiaries and affiliates	1,316	1,167
Long-term prepaid expenses	10,095	8,631
Prepaid pension expenses	25,599	27,042
Deferred tax assets	10,189	11,805
Other	6,379	2,227
Less allowance for doubtful receivables	(1)	(0)
Total Assets	881,868	907,910

(Millions of yen)

Accounts	3/31/2018	3/31/2019
Liabilities	102,454	88,788
Current liabilities	91,598	80,634
Accounts payable, trade	34,702	31,692
Short-term loans payable from subsidiaries and affiliates	9,900	3,100
Accounts payable, other	14,676	15,942
Income taxes payable	18,846	10,152
Accrued consumption taxes	2,504	2,354
Accrued expenses	1,850	5,139
Deposits received	1,674	4,464
Reserve for employees' bonuses	6,784	6,307
Reserve for directors' bonuses	77	37
Reserve for sales returns	108	73
Reserve for sales rebates	16	17
Other	456	1,353
Long-term liabilities	10,855	8,154
Long-term deposits received	832	853
Reserve for share-based payment	41	66
Accrued retirement benefits	1,405	255
Reserve for health management allowances for HIV compensation	1,585	1,622
Reserve for health management allowances for SMON compensation	2,155	2,080
Reserve for HCV litigation	4,831	3,274
Other	3	1
Net assets	779,414	819,121
Shareholders' equity	761,997	798,127
Common stock	50,000	50,000
Capital surplus	121,825	121,824
Capital reserve	48,036	48,036
Other capital surplus	73,788	73,788
Retained earnings	591,217	627,342
Legal reserve	10,695	10,695
Other retained earnings	580,522	616,646
Reserve for advanced depreciation of fixed assets	3,396	3,258
Contingent reserve	199,693	199,693
Retained earnings carried forward	377,433	413,695
Treasury stock, at cost	(1,045)	(1,040)
Valuation and translation adjustment	17,417	20,994
Unrealized holding gains on securities	17,417	20,994
Total liabilities and Net Assets	881,868	907,910

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Non-Consolidated Statements of Income

(Millions of yen)

Account	From 04/01/2017 to 03/31/2018	From 04/01/2018 to 03/31/2019
Net sales	414,957	395,620
Cost of sales	163,342	170,693
Provision of reserve for sales returns	36	-
Reversal of reserve for sales returns	-	35
Gross profit	251,578	224,961
Selling, general and administrative expenses	161,192	145,706
Operating income	90,385	79,255
Non-operating income	3,766	11,039
Interest income and dividend income	2,857	10,150
Rent income	414	416
Other	493	473
Non-operating expenses	3,216	2665
Interest expense	12	18
Donations	1,153	1,057
Loss on disposal of property, plant and equipment	108	65
Foreign exchange loss	5	848
Provision of reserve for HCV litigation	1,170	-
Other	766	675
Ordinary income	90,935	87,630
Extraordinary gain	9,454	1,045
Gain on sales of investment in securities	3,437	1,045
Gain on sales of property, plant and equipment	2,650	-
Gain on sales of shares of subsidiaries and affiliates	3,366	-
Extraordinary loss	807	275
Loss on impairment of fixed assets	588	275
Other	219	-
Income before income taxes	99,581	88,400
Income taxes-current	26,231	24,046
Income taxes-deferred	(404)	(3,185)
Net income	73,755	67,539

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Audit Report

Transcript of Report of Accounting Auditor regarding Consolidated Financial Statements

Independent Auditor's Report

(Translation)

May 8, 2019

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, 2018 to March 31, 2019.

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

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

Independent Auditor's Report

(Translation)

May 8, 2019

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 12th fiscal year from April 1, 2018 to March 31, 2019.

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, 2019 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 12th fiscal year, from April 1, 2018 to March 31, 2019, 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, et. al., 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, et. al., 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, et. al., 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, et. al., 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, et. al., 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 2018.

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 9, 2019

Board of Corporate Auditors

Mitsubishi Tanabe Pharma Corporation

Standing Corporate Auditor Koji Kudo (Seal)

Standing Corporate Auditor Matsuo Kikuchi (Seal)

Outside Corporate Auditor Tadashi Fukuda (Seal)

Outside Corporate Auditor Hiroshi Enoki (Seal)