

9:00 - 10:30am, Friday, May 9, 2008

[Persons present from the Company]

Natsuki Hayama, President and Representative Director

Takeshi Komine, Representative Director and Executive Vice President

Michihiro Tsuchiya, Board Director, Executive Vice President

Kunihiro Shimojuku, Board Director, Executive Vice President

Ken-ichi Yanagisawa, Board Director, Managing Executive Officer

Junji Hamaoka, Board Director, Managing Executive Officer

[Business forecast for FY2008]

- Q. Your results for FY2007 showed that your mainstay products other than Remicade failed to attain their planned goals, although their sales grew year-on-year. You have forecasted continued growth in FY2008, centering on mainstay products. Based on your previous year's performance, however, we see risks that you may not attain these figures. Please describe your sales strategies for eliminating these risks.
- A. In the second half of FY2007 when we carried out sales activities in two lines, we failed to meet our plans, mostly products from the former Mitsubishi Pharma, in particular. In the second half of 2007, as you may well know, the former Mitsubishi Pharma MRs had to deal with the hepatitis C issue, and, as a result, a considerable amount of time was spent on it. In FY2008, the issue is headed for a resolution, therefore, it is expected to regain a normal or more level of promotion activity. Starting this April, promotion activity has been carried out in one line, so we believe that integrated power of both companies will lead to synergetic results. We have also drawn up marketing strategy by taking into consideration the market background of each product. We see more than sufficient market potentials for the six mainstay products. We believe that whether or not we can achieve positive result depends on our efforts from here on.
- Q. For FY2008, you expect to post increased revenue of 3.5 billion yen year-on-year as licensing fee and other items. Are incomes related to MP-513, TA-6666, and TA-7284 also included?

A. We have a variety of licensing-out candidates. The amount shows the total of the value expected which also includes milestone payments of products that have already been licensed out.

[Medium-term management plan]

Q. Six months have passed since the corporate merger. Does this mean that you no longer need to worry about the COC of Remicade and other products?

A. At the half-year FY2007 Business Results Briefing, I could tell you that I would be able to discuss this at the next briefing. Although I cannot give you clear-cut information since this pertains to our contract, we are still aware of the dyssynergy on which I have mentioned last May, or, in other words, dyssynergy of 5 billion yen that includes product cannibalization towards 2010.

Q. In looking at the sales target for FY2010, is there a need to be concerned about the issue of the domestic patent of Anplag and Radicut, or, in other words, the so-called generic issue?

A. You may understand our current target that way.

Q. You said that you set 100 billion yen as overseas sales target. Am I correct in understanding that this 100 billion yen includes licensed out products sold by other companies?

A. Our sales results for FY2007 were 37 billion yen including royalties. Our goal is to increase this amount to over 50 billion yen in FY2010 and to over 100 billion yen in FY2015.

Q. You have downwardly revised the sales figures by 20 billion yen. Among your downward revision of 13 billion yen, are there items other than your mainstay products whose anticipated sales have changed dramatically?

A. It is the result of the accumulation of sales target of each item.

Q. Your goal of the number of employees in FY2010 remains unchanged at 9,400 people. Does this mean that you will maintain your 2,600 MRs? Are we correct in understanding that no feeling of “redundancy or surplus” has arisen?

- A. Compared to last October, the total number of MRs has decreased to about 2,450. To maintain a strong presence in the domestic market, we do not intend to aggressively reduce the number of MRs. Rather, we recognize that MRs are valuable management assets, so we encourage them to demonstrate maximum performance and boost our company's presence. Yet, we will be curtailing recruitment, and some MRs leave the company because of personal circumstances.
- Q. In the medium-term management plan, there is a phrase, "launching one product every two years" as FY 2015 objective. As the setup at that time, about how many items do you feel it necessary to develop each year in phase I? We would like to learn your numerical target for this, and what sort of activities you currently carry out, or, in other words, the degree of improvement of your drug discovery operations.
- A. As the priority areas, we will focus on the circulatory and metabolic disease areas. Our aim of launching one product every two years includes joint research and licensing as well. The probability of pre-clinical compounds being launched on the market is said to be about 13%. This shows the rate of about one out of eight products. To make this a reality, we can adopt the strategy of selection and concentration. We are also thinking of reducing research period by, for example, reducing the optimization period, or enhancing the probability of launching.
- Q. Do you intend to carry out alliances from FY2010 to FY2015 in terms of the US presence, or the domestic or Asian presence? Or do you intend to do all these on your own?
- A. We anticipate our goals for FY2015 on a stand-alone basis. However, we see that alliances are also possible several years from now.
- Q. In your announcement of the business plan last May, you mentioned a special loss of 5 billion yen for both FY2008 and FY2009 as structural reform expenses. Since it is 8 billion yen for FY2008, does this mean that the special losses for FY2009 would be less?
- A. The structural reform expenses included in the business plan that we announced last May, of 5 billion yen for FY2008 and 5 billion yen for FY2009, are not the results of meticulous or detailed accumulation (an empirical approach by former Mitsubishi Pharma). On the other hand, 8 billion yen, which we announced today, is a number

that has come about through accumulation. Specifically, it includes the expenses that results from the integration of the personnel system and the pension program associated with the integration of business bases, etc. Integration of bases is being planned in FY2009 and FY2010 as well, but the amount of special losses is not that large.

[Development pipeline]

Q. You plan to make MP-513 your priority development project. What is to be done with the development of TA-6666 which is the same DPP IV inhibitor as MP-513?

A. Regarding DPPIV inhibitors, we give development of MP-513 priority in Japan, so TA-6666 will be developed as its backup. For overseas, licensing-out is being considered with both products. We have studied the profiles of both drugs and the status of the progress of their development in Japan, and decided to focus on MP-513 in Japan.

Q. Please inform us the approximate filing schedule of application for the HCV protease inhibitor, MP-424, in the best-case scenario in which you have expedited domestic development.

A. MP-424 is being developed by Vertex in Europe and the US. In Japan, phase II clinical trial has been initiated. We are using these data as a basis to hold discussions with the authorities. At this point, we have not yet reached the stage where we can disclose the application schedule; however, we intend to set dates that do not lag too much behind those of Europe and the US.

Q. Do you have the rights in China and other Asian countries for MP-424? Are we correct in assuming that, if the drug is approved in the US, you can launch the product in the Chinese market alongside it? If so, won't the potential be huge?

A. We own the rights in the Asian region, as a territory. However, since each country has drastically different situations in terms of HCV treatment and patient status, it is considerably difficult to proceed the development in the same clinical basis. There is a system called "Class three" under Chinese regulations. Under these regulations, if a drug is approved overseas, manufacturers can file application with a limited number of patients based on it, so it is a powerful weapon. This strategy is one of the options we can take after the drug is approved outside China.

- Q. Overseas, Cholebine and Kremezin either do not have much time left in their patent term, or have no time remaining at all. Even if they are approved and can be marketed, are we correct in understanding that the exclusive sales rights in the US cover only six years?
- A. We do not disclose any patent information. Cholebine is a drug that is difficult to manufacture, so it will not be easy for other companies to launch this product. Kremezin was licensed to us from Kureha Corporation, so the patent is controlled by Kureha. For both drugs, we do not believe that any major problems would arise in terms of patents immediately after their market launch, even after a rapeseed of six years.
- Q. Seven patients enrolled in FTY720's phase II extension study developed skin cancer. We have heard that two of these patients had melanoma. Were all incidents of serious skin symptoms caused by high doses? Also, phase III trials are currently under way, but how do you overcome this issue?
- A. In the presentation in AAN Conference, the drug was administered to 250 patients. Since this is an extension study, however, the data cover a 36-month period which shows an extension from the original administration period. In terms of the number of incidents, there were 3 basal cell carcinoma, 2 localized squamous cell carcinoma, and 2 melanoma cases. No data has been disclosed on the breakdown such as whether the incidents occurred in high-dose groups or not. At present, phase III trials are being carried out in Europe and the US targeting several thousand patients. On the other hand, as measures to ensure safety including domestic phase II study, a Data Safety Monitoring Board has been established, and various kinds of safety programs such as implementation of dermatology examination and assessment in case skin cancer develops have been carried out. Ultimately, we will decide by studying the results as a whole after completion of Phase study while continuing to pay attention to drug safety. From the information disclosed by Novartis AG, their regulatory submission will be made before the end of 2009, so we expect the study results will be shown by around the middle of next year.

[Sales]

Q. Remicade's sales goal is 50 billion yen in FY2010. About how much sales do you expect to be in FY2015?

A. We have not yet made any simulations of sales in FY2015.

Q. I recall a move taken by the Japan College of Rheumatology, advising that the administration of Remicade be discontinued once a patient goes into remission. Are there any patients, at the site of clinical practice, who actually discontinued taking Remicade after having gone into remission? What do you think the issue from the medical economic point of view?

A. When it was first released, Remicade was positioned as a drug that was used in rheumatoid patients who tried all sorts of drugs but failed to respond to any of them. Recently, however, the trend has been changing among rheumatism specialists, such as administering Remicade early to early-stage patients and obtaining a complete cure. We are, however, seeing some patients who have gone into remission and discontinued taking Remicade. How this move will proceed from now on would be an issue that the Japan College of Rheumatology must discuss, I think. Remicade is the only drug available at the moment that has the potential to show the direction that rheumatism can be completely cured if it is diagnosed early and if the drug is used early on, instead of using it endlessly. If, by using Remicade at an early stage, we can cure rheumatism completely, it will bring about a major advantage to the medical economy as well.

Q. Integrating your sales promotion lines beginning in April carries the risk of diluting sales, since the number of product line for an MR would increase. What are your views on this?

A. In the hospital market, we divide our MRs into those in charge of acute-stage institutions, and those in charge of chronic-stage institutions. On the other hand, in the regional general practitioner market, we have established an integrated sales promotion structure. Something we often see through corporate mergers is that many MRs find themselves unable to promote the increased number of product lines they are assigned to, and see their activity level drop. To prevent such "indigestion," we have made considerations, based on our past experiences, to minimize problems such as conducting training programs even before the merger.

Q. Have any changes occurred after integrating your sales promotion structure in April?

A. I would like to refrain from evaluating and comment on this, since not much time has passed after we have integrated our sales operations.

Q. It appears that you have reduced the 3-year sales forecast of Medway slightly from that you cited in the announcement of Business Plan, last May. We understand that this was because the framework for total-patient registration, etc., has been determined. Please explain this a little more concretely.

A. With the recent approval, Medway is obligated to carry out post-marketing surveys with 10,000 patients. Medway is a recombinant that will be administered in massive doses not seen in the past, so the authorities are paying close attention to safety. We do confirm the drug's safety, we hope to first carry out, without fail, a survey of 10,000 patients. Therefore, during this period, we intend not to place any burden on our sales personnel, such as assigning a sales goal of so-and-so yen, but to carry out a survey of 10,000 cases without fail. Once the drug's safety has been confirmed, we hope to go after sales goal. This means, therefore, that sales are expected to be delayed by 1 to 2 years from our initial plan.

Q. Is it correct in understanding that the survey period would be 3 years?

A. That's our plan. If possible, however, we hope to complete the survey with 10,000 patients in 2 years.

[Alliance with Choseido Pharmaceutical Co., Ltd.]

Q. Do sales from generic drugs amounting to 14 billion yen include sales of Choseido?

A. No, their sales are not included in this year's forecast.

Q. We know that it would be difficult to disclose while still at the basic agreement stage. However, is it correct in understanding that, according to your plan, Choseido will become the subject to consolidated accounting within this business term?

A. That is the form of business we hope to aim at in FY2008.

Q. Choseido does not have many MRs, and carries the image of selling products cheaply. If they switch to your company's sales channels, won't conflicts occur with their existing channels? Do you plan to carry out combined sales for the time being?

A. We will work on the details from here on. Since we have created a generic drug company named Tanabe Seiyaku Hanbai, we hope to eventually unify sales into this channel. I believe that this would take place in 2009 or so. In FY2008, therefore, the realistic option would be to maintain the existing channels in parallel with the new channel and manage them. Ultimately, we intend to maintain parts of Choseido's current sales setup that focuses on small- to medium-scale wholesalers, which we feel are important in allowing the setup to function into the future. Generally speaking, we hope to gradually integrate into Mitsubishi Tanabe Pharma's sales setup that goes through large-scale wholesalers. However, the market is still uncertain, so we hope to integrate our sales activities in phases while checking various circumstances.

Q. About how large Choseido's existing manufacturing capacity is?

A. Choseido currently has sales of slightly under 6 billion yen, not only from generic businesses but also through contracted production. The manufacturing capacity has thoroughly been used up, more or less. More facilities would become necessary to increase sales further. In terms of generic business, moreover, this company focuses on oral preparations, so we still do not have a sufficient setup for the injection market, which we strongly want as another key pillar in the generic business. In this regard, we hope to continue studying the possibility of alliances.

Q. If you decide to boost Choseido's manufacturing capacity in the future, are you going to support the company?

A. We can also utilize the facilities of our other affiliates such as MP-Technopharma, Tanabe Seiyaku Yamaguchi, etc. All in all, we are thinking of proceeding while making use of the manufacturing of the group as a whole.