

July 30, 2008 (Wednesday) from 18:00 to 18:50

[Attendees]

Kunihiko Shimojuku, Board Director, Executive Vice President

Junji Hamaoka, Board Director, Managing Executive Officer

Kenkichi Kosakai, General Manager, Finance & Accounting Department

[First quarter business results]

Q: You have said that there is a possibility that the projects planned for licensing-out in the second quarter would be delayed. Please give concrete explanation on this matter.

A: The prospect of income from licensing fee, etc. is incorporated in the plan for each quarter. A possible delay should be considered in the projects scheduled for the second quarter. We would like to decline to comment on individual projects.

Q: What influence do you suppose if the delay actually occurs? When the first quarter results are subtracted from the second quarter cumulative plan, the expected sales in the second quarter becomes ¥ 4.5 billion. Are we to understand the possibility of ¥3 to 4 billion less in the cumulative total in the second quarter?

A: We are only indicating a possibility of delay in some of the several licensing-out projects that are being discussed in parallel. We are not giving a comment by concretely accumulating individual results.

Q: Are we to understand that there is no need to change the ¥6.8 billion estimate for licensing fee in the full fiscal year even if income from it expected in the second quarter moves back to the third or fourth quarters?

A: At present, we may say that we do not have the information that draws on a change in the plan. As to the results, we cannot give any estimate because we are now at the negotiation table.

Q: Concerning the sales promotion cost and other sales administration cost, the synergy of merger was given as a factor for a decrease of ¥1.1 billion in the first quarter year-on-year comparison. It was explained that some parts of sales related cost deviated from the first quarter to the second quarter due to the influence of unification of marketing lines in the sales of ethical drugs in Japan, and the plan for the cumulative second quarter is as originally planned. In this regard, does the above-mentioned influence cause such a big change in the sales administration cost?

A: If you look at page 18 of the Summary of 1st Quarter Financial Results for year ended March 31, 2009, the sales promotion cost in the first quarter decreased by ¥0.4 billion from ¥2.7 billion in the previous term to ¥2.3 billion in the current term. The

decrease is assumed to be mainly attributable to the lag into the second quarter due to the unification of the sale lines. Concerning the second quarter, ¥5.1 billion is expected by subtracting the results of first quarter from the cumulative second quarter plan. This is an increase by ¥0.7 billion from ¥4.4 billion year-on year. This is partly because of the originally higher estimate in the second quarter in comparison with the first quarter and because of the lag from the first quarter.

Q: It was explained that a carryover in a part of R&D cost is expected from the first to the second quarter is expected in a part of R&D cost. In this regard, if a delay in the expenses due to the carryover in the second quarter as well, is there a possibility that the R&D cost does not reach ¥39.5 billion prescribed in the second quarter cumulative plan?

A: Sometimes the results consequently go down from the planned level. Therefore, it would be difficult to deny the possibility of not reaching the planned level this quarter but individual projects are showing steady progress. Therefore, the R&D cost is mostly expected to reach the planned level.

Q: Can you tell us the total cost required in this quarter for the license of CTA018 from Cytochroma Inc. and the joint development of Pazucross?

A: The R&D cost in the previous year's second quarter was ¥18.9 billion and that in the second quarter this year after subtraction is ¥23.2 billion, indicating an increase of ¥4.3 billion. Compared with the same quarter of the previous year, the overseas development proceeded fully to phase 3. In addition, there are two unplanned projects such as Cytochroma and Pazucross. Considering the above, an increase is expected in the second quarter year-on-year. However, it is difficult to estimate the increase with high precision. By combining the first and second quarters, and by including the unplanned projects, the budgeted sum will be spent as the R&D cost.

Q: Though this is a arbitrary interpretation on our side, the cost accrued in the second quarter in association with the license of CTA018 and the start of joint development of Pazucross is assumed to be about ¥3 billion. Is our assumption wrong?

A: That is not exactly it, but it might be close.

Q: We heard that the early retirement support program was closed in the beginning of this week. Have you figured out a concrete number, etc.?

A: We shall report this as soon as the results are finalized.

Q: According to the balance sheet in page 7 of the Summary of 1st Quarter Financial Results, the cash and time deposits decreased by ¥48.4 billion while the short-term loans receivable and investment in securities increased. Please explain the background in this regard.

A: It was planned to allocate the surplus capital for the safe assets such as government securities. However, due to rising in long-term interest rates, and the ever-increasing difference in between long- and short-term interest rates from this June, we bought

actively long-term government securities. The short-term loans were increased because of the deposit in MCFA that is a finance company affiliated to Mitsubishi Chemical. Since the rates offered by MCFA is higher than that of the ordinary deposit in the bank, the working capital is deposited there.

Q: Does the loan to MCFA lead to the improvement of non-operating profit and loss? Isn't this incorporated in the plan?

A: Yes, we expect that it leads to the improvement and this is incorporated in the plan to some extent.

Q: Is any influence of Choseido Pharmaceutical involved in the increase in investment in securities?

A: There is no influence because there is no capital participation yet.

[Status of new product development]

Q: Hasn't the milestone payment generated in association with the stage-up of the clinical study of Golimumab (CNT0148) licensed from Centocor Inc.?

A: We would like to decline to comment on it, because this is a part of the contract conditions.

Q: Show us the clinical study design of Golimumab currently in progress.

A: Since this is a joint development project with Janssen Pharmaceutical, we cannot tell you the details of study for the time being. However, we plan to utilize the overseas study data for approval application in Japan.

Q: When do you plan to file the application for Golimumab in Japan?

A: We decline to answer your question at present because this is a joint development project with Janssen Pharmaceutical and the decision has to be made through discussion with Janssen's intention.

Q: At the business results briefing in May, DPP4 inhibitor and SGLT2 inhibitor treating diabetes mellitus were cited as focus development projects. However, FDA's development guideline for diabetes mellitus treatment has recently become more stringent. Under such circumstance, has any change occurred in the development concept for these two drugs or has the priority for these drugs gone down?

A: No particular change has occurred. In Japan, the development of MP-513 is steadily progressing. Concerning TA-7284, the licensee J&J is steadily engaged in the development.

Q: Concerning the guideline, do you have an impression that the development has become difficult?

A: Since we have not acknowledged the guideline as an instruction for individual compounds, we have not changed our stance to solemnly proceed with the development of our compounds.

Q: When the hurdle for obtaining the approval on anti-diabetes drug is raised, doesn't the licensing-out become difficult? Don't you have any predicament at present?

A: Yes, we cannot deny that possibility. As to the individual products, we cannot give

any definite comment because we are negotiating with our partners after concluding a secrecy agreement.

Q: What is the time point for TA-7284 to enter the phase 3?

A: At present, we are not at the stage to disclose any information on that.

Q: Is the OD tablet of Ceredist a part of life cycle management?

A: Spinocerebellar degeneration is a disease to decrease the motor function. The patients are demanding an easy-to-take drug because their swallowing function becomes deteriorated. We are trying to meet the request of patients.

[Marketing]

Q: The sales of Remicade was ¥8.9 billion in the first quarter. Subtracting this sum from the second quarter cumulative plan, the sales expected in the second quarter becomes ¥7.8 billion, indicating a decrease from the first quarter. Is there any special factor leading to this decrease? Or does this mean that no change has been made in the plan about Remicade because the overall plan was left as it was?

A: The latter is correct. We left the overall plan as it was.

Q: Please tell us your concept about expanding the indications of Remicade. We expect that you plan to obtain the indications for ankylosing spondylitis, ulcerative colitis, etc. in the future. Concerning each indication, are we to understand that the drug that obtained approval first is expected to expand the sales, thereby forming a market such as the current anti-RA drug market? Efficacy is important but do you also consider that the confidence in the evidence including safety information is expected to increase the sales?

A: If the indication is obtained ahead of a competitors, we may accumulate the evidence and have an advantage in the market. In this regard, our strategy is to additionally obtain other indications, thereby securing the sales because we expect severer competition in the anti-RA drug market.

Q: Humira is coming up in the race for expanding the indications for ankylosing spondylitis and ulcerative colitis. Do you expect the situation similar to that in the anti-RA drug market if Remicade succeeds to expand the indications for these diseases ahead of Humira?

A: We expect such outcome.

Q: How is the situation concerning the patient registration for post-marketing survey of Medway? Has the prescription begun?

A: Targeting at 200 institutions, we have started making request for the cooperation in the survey. The prescription has just begun.

Q: The sales of Mearubik shows pretty good progressing against the prediction for the first half of fiscal year. Is this a seasonal feature or do you expect the sales to exceed the planned sum?

A: Because of the expanded inoculation target from this year, the sales achieved favorable result in the first quarter. Since the product continues to sell well in July, we expect that the sales will exceed the planned sum even though it is difficult to estimate the sales in and after the third quarter.

Q: Considering the high reliance on the generic drugs of new drug pharmaceuticals, the generics by these pharmaceuticals are expected to sell well. In this regard, how is the circumstance of the generic of amlodipine?

A: Since the product has just entered the market, we have not learned how the product is evaluated in the market.

[License agreement of CTA018 with Cytochroma, Inc.]

Q: Concerning the license agreement with Cytochroma, Inc., how much R&D cost is appropriated to this quarter?

A: In total, C\$105 million with the breakdown of C\$85 million to milestone and C\$20 million as the investment capital. The investment capital ratio is 20% or less to which the holdings law is not applicable. Concerning the cost related to milestone, the lump sum money at the time of contract is paid in the second quarter this year. We cannot tell the concrete sum because we concluded a secrecy agreement with them.

Q: Does this mean that C\$85 million is generated as the R&D cost of this quarter?

A: This is the total sum related to milestone. We cannot tell the sum generated in this quarter.

Q: You have licensed CTA018 from Cytochroma Inc. In this regard, please tell us how the R&D cost is expected to go up from the next quarter onward.

A: We are paying total C\$85 million to milestone and the upfront fee constitutes a part of it. In addition, we have to account for the development cost shouldered by our company. However, considering that the drug is for the kidney field, we do not expect a large sum for the development.

Q: Do you shoulder the whole development cost or at the 50:50 ratio?

A: They will share some of the cost but our cost is larger.

Q: Existing drugs “Zemplar” and “Hectorol” are top-ranked vitamin D preparations. A calcium receptor agonist “Sensipar” is also selling well. Is CTA018 differentiated from calcium receptor agonists as a new genre rather than the vitamin drugs on the whole?

A: As a concept, CTA018 is positioned as an active type vitamin D, we still consider it as a part of vitamin D at present, although differentiation as a calcium receptor agonist may become necessary depending on the situation of the development in the future.

Q: Concerning CTA018 licensed from Cytochroma, there is a talk about the comparison with Zemplar which is an oral drug. Is CTA018 also an oral drug?

A: CTA018 is an injection.

Q: An injection is not preferable, is it?

A: We find it difficult to understand that an injection is not preferable. Since the target patients are those with renal failure, we consider that an injection is fully acceptable to them.