

Q&A, FY2008 the 3rd Quarter Business Results Briefing

January 29, 2009 (Thursday) from 18:15 to 19:00

[Attendees]

Kunihiko Shimojuku, Board Director, Executive Vice President
Ken-ichi Yanagisawa, Board Director, Managing Executive Officer
Junji Hamaoka, Board Director, Managing Executive Officer
Kenkichi Kosakai, Executive Officer, General Manager, Finance & Accounting Dep.

[Business Results]

- Q: You have explained that the sales down to the 3rd quarter are largely as supposed. How were the progresses of both costs and profits? I think I am not able to see the trends as yet as this is the first year since the merger. Also, both former companies tended to have a high level of profits down to the 3rd quarter and to generate a lot of costs in the 4th quarter, but has the new company been able to control costs properly since the merger?
- A: There are fewer business days in the 4th quarter compared to the 3rd quarter so we do suppose that sales will decrease considerably. In the last fiscal term, we increased wholesaler inventories considerably at the end of September in order to avoid trouble in distribution at the merger, and because we reduced those inventories down to an appropriate level during January to March, sales decreased more than actual. This term, wholesaler inventories at the end of December were reduced more than last term so we are supposing that sales would increase in the 4th quarter. In regard to costs, too, the progress down to the 3rd quarter was about the same as last term so we are supposing that costs would go in the same way. Consequently, looking at the picture overall, we have judged that at the present time, results will progress as envisaged.
- Q: Remicade sales are steady, but a new TNF inhibitor and IL-6 inhibitor have newly entered the rheumatoid arthritis (RA) market, while full-scale sales of the drugs have not yet started. I would like you to give us some feedback on the current market situation if there is any.
- A: Two new competing products have newly entered the market from this fiscal year. We may say there would be some facilities that are being affected, but the share of biological drugs such as TNF inhibitors and IL-6 inhibitor is expanding in the RA markets and sales of Remicade are also continuing to increase.

Q: Radicut was in a difficult situation, I remember, but sales for the 3rd quarter were not bad. Has the Company taken some special promotion to recover?

A: We do not have any specific measures in place, but we have increased the number of specialized MRs in cerebral field and concentrated heavily on Radicut promotion as a company. My understanding is that the effects of such activities have started to emerge.

Q: If you subtract the cumulative results at the end of the 3rd quarter from the results forecast for the full term, there will be a high sales cost ratio of 39.7% in the 4th quarter. Sales and SG&A expenses may be progressing as planned, but I got the impression that there may be a little leeway in product costs. Have there been some cost reduction effects in Remicade purchases due to the strong yen?

A: We have not changed our previous forecasts for full-term sales and sales costs. Working backwards from cumulative results to the end of the 3rd quarter to calculate the sales cost ratio for the 4th quarter would give that result, but I would like you to think it as the differences in actual accounting. In regard to foreign exchange, too, we made our forecasts on the assumption of ¥110 to the US\$1 but it is currently at about ¥90 so we do expect some positive effects there, too.

Q: There was an explanation that R&D expenses increase by about ¥2.5 billion if there were no synergies. There has been, however, an increase in comparison to the previous term of ¥1.1 billion so synergies may be worth about ¥1.4 billion. Please explain what items you include and calculate for R&D expenses.

A: Personnel costs are also included in R&D expenses. We are promoting more appropriate levels of personnel in the R&D Division as well, and are working on cost-cutting, too. The figures you quoted were that combined both personnel costs and other costs, and about half of those figures were for personnel.

Q: The short term loans shown on the balance sheet have increased in comparison to the end of the previous term. Has the company lent any money to Mitsubishi Chemical Holdings?

A: We increased loans as a surplus fund management strategy, because interest at MCFA, the financial subsidiary of Mitsubishi Chemical, is considerably good at the moment.

Q: Will you increase them in the future? Will you lend funds because the operating environment for the parent company has worsened?

A: We do not have that kind of plan. We do things like this for the management of surplus funds and dependent on the interest conditions.

[Development Situation]

Q: Why Modiodal took a backwards step to Phase 3 from being under application?

A: As a result of consultation with the authorities, it was required to add some more data.

Q: How much time will be required in order to prepare the additional data?

A: We are currently discussing specific points, and no clear schedule has been decided at the present stage.

Q: I understand that Phase 3 study for Avanafil has initiated, and also the results for Phase 2 were good. I would like to hear about the characteristics of the drug, including differentiation from existing products.

A: Vivus started the Phase 3 study in U.S. The main characteristic of Avanafil is that it has a quick onset of effect. Vivus is planning to develop with the drug with that characteristic as a significant point of differentiation in accordance with its intended use.

Q: Will it be the best in its class?

A: This may have a different shade of meaning to “best in its class,” but the drug’s mechanism of action is PDE-5 inhibition, which is the same as the preceding products. I understand that the quick and the duration of effects are the respective points of differentiation. There are products that have a very long duration of effects while others do not, and there are others that have a sharp action or quick onset, etc. We will develop Avanafil with quick onset as the point of differentiation.

Q: I think that the Company has obtained the data from Nycomed in regard to COPD for roflumilast, but will it be difficult for Mitsubishi Tanabe in terms of the timing of NDA filing and the possibility of bridging, etc., provided that Nycomed is not at a stage where it can make NDA filing? Or, will it be possible for Mitsubishi Tanabe to pursue bridging irrespective of any Nycomed application?

A: Last year, Nycomed announced its preliminary report of the clinical trial results and we assumed that at that stage, Nycomed was aiming to make NDA filing in 2009. As for

the Company, we have obtained the Nycomed data results and decided to investigate them. We will determine our policy after that.

Q: Assuming that Nycomed has made an application, if it is possible for Mitsubishi Tanabe to pursue bridging a few months later, will NDA filing be determined?

A: We are just about to start looking into Nycomed's internal data and our future plan will be decided after we have examined that data.

Q: When Novartis announced its results the other day, it commented that it would present FTY720 TRANSFORMS study in the American Academy of Neurology (AAN) at the end of April? Is that correct?

A: We have also heard that they will give a presentation at AAN in April.

Q: I would like to be told, within the scope possible, FTY720's points of differentiation from Merck's (Germany) cladribine. Cladribine produced good results in a 2-year placebo-controlled study and Merck announced last week that it would make NDA filing in the middle of 2009. Did you discuss with the partner, Novartis on this point?

A: We know about the announcement on Merck's compound. As Merck is planning to make NDA filing in the middle of 2009, we would like an application made quickly for FTY720 as well, but at the present time, we have not had detailed discussions with Novartis in regard to the details of this compound.

Q: The results of the comparative study with interferon that were released at the end of last year indicated that FTY720 is about 30% as effective as interferon. What do you expect in the placebo-controlled study?

A: I cannot say anything as a guess. However, in regard to cladribine, just from looking at the announcement, the protocol was a little different to FTY720. Consequently, I do not think that the figures can be compared simply.

Q: What is the new dosage and administration for use of Remicade with Crohn's disease?

A: The current dosage and administration in maintenance therapy for patients with Crohn's disease is 5 mg/kg, but we would like to increase the dosage to 10 mg/kg in a study and check and make NDA filing.

[Others]

Q: The Company has mentioned the handling of Remicade after the merger. Does it mean that there have not been changes made to the conditions, etc., or that things are continuing as they were without any monetary payments or the like? Is there any relationship with golimumab, the drug under joint development?

A: As a result of discussions with Centocor we have resolved all issues with respect to Remicade arising from the merger, and we will continue to sell Remicade as we have done to date. We are not at liberty to disclose the details of the arrangement reached with Centocor.

Q: The Company has announced the implementation of early retirement support, but what is happening at the present time in regard to the target in the mid-term management plan, that is reducing the total number of employees to 9,400 people? Apart from the support in the announcement this time, will the Company encourage early retirement in the future to achieve this figure? Or, is the reduction in personnel advancing ahead of schedule?

A: The number of employees at the time of the merger was about 10,500 people, and the same figure at the end of December was about 10,100 people. The number of employees has fallen by about 800 people from about 6,600 to about 5,700 in non-consolidated basis, so the transition to a more appropriate number of employees is advancing in accordance with our plans. However, the recruitment of employees for early retirement planned for March is not related to a more appropriate number of employees. Because employees' working conditions will change when they are transferred with the divestiture of the Kashima Plant, we are providing an alternative for employees hoping for a change in their life plans and the early retirement support announced recently is aimed at 150 applicants of Kashima Plant, etc. Consequently, we are not thinking of this as a contribution to down-sizing the employees. We are investigating comprehensive measures for human resource liquidity in regard to the appropriate number of employees.

Q: It is supposed that a certain generics company will be releasing a generic drug of Anplag in 2009. I think the Company explained at the information meeting prior to the merger that no Anplag generics would be released until fiscal 2010, but should we now see the situation as being that a generic of Anplag will actually be released in

2009?

A: Actually, we are not in a position to comment on whether or not a generic of Anplag will be released in 2009. We are executing various life-cycle management measures.

Q: Some announcements on patent rights have appeared in an industry newspapers etc. in regard to Radicut as well, but are there any companies that look as though they may release the generic?

A: We are active in the prevention of such matters and we have not obtained any information that specific companies are preparing generics of Anplag.

Q: In regard to the generic drug industry, Tanabe Seiyaku Hanbai will merge with the sales subsidiary of Choseido Pharmaceutical. While Mitsubishi Tanabe Pharma's holding of shares in Choseido Pharmaceutical is 51% of the total, it feels like an tepid approach. Are you thinking of taking Choseido Pharmaceutical in and integrating all the generic drug operations?

A: At the present time, we are planning to keep things as they are, and not hold any more shares.

Q: Choseido Pharmaceutical has acquired approval for a generic of Cravit, but Daiichi Sankyo has appealed to the Intellectual Property High Court in regard to Cravit and I do not think the outcome is yet known. However, how possible do you think it is that Choseido will be able to launch the generic in May?

A: Currently, we are pushing ahead the project with Choseido Pharmaceutical in organizing each other's overlapping products and work has not advanced to the point where we can give an evaluation on the products that they have under development.