

18:00-19:35, Wednesday, May 16, 2007

Abbreviations used for persons answering questions:

Hayama: Natsuki Hayama, President and Representative Director,
Tanabe Seiyaku Co., Ltd.

Komine: Takeshi Komine, President and Representative Director
Mitsubishi Pharma Corporation

Tsuchiya: Michihiro Tsuchiya, Representative Director and Senior Executive
Corporate Officer,
Tanabe Seiyaku Co., Ltd.

Shimajuku: Kunihiko Shimajuku, Representative Director and Executive Vice President
Mitsubishi Pharma Corporation

【Business Management Goals of the New Company】

Q: You have set a sales target for fiscal 2010 of JPY 480Bn., with a sales target for the 8 major products of JPY 160Bn, and for generics JPY 10Bn. The remaining sales comprise JPY 310Bn. No matter how much the number of MRs increases, considering that there are many long-term listed items, a plan to push up the sales to JPY 310Bn. from the 2006 figure of JPY 305Bn. seems optimistic. How do you explain about it?

A: (Shimajuku) Besides the 8 major products of the new company, vaccines sales will increase, and overseas sales including royalties are estimated to reach JPY 10Bn. Therefore, we do not consider it an optimistic plan.

(Hayama) Significant growth from products not listed under major products will be amount to JPY 5Bn. from vaccines. The total of overseas sales and royalties will equal that amount. Our management is strongly committed to the sales target of JPY 480Bn.

Q: To realize the goals for the generics business and successfully implement the overseas strategy, an increase in advance investment obviously will be necessary. Under such circumstances, how do you perceive the projected increase of business profit of JPY 70Bn. in fiscal 2006 to JPY 110Bn. in fiscal 2010?

A: (Shimajuku) Until synergy effects occurs, certain amount of costs will go up in the early stages. Later on, expenses that will have an impact on net income as a structural reform cost or as an extraordinary loss will be estimated.

(Hayama) Reduction in the prices of drugs and system itself are unclear, introducing many uncertain factors. Therefore, comments by specific fiscal year will not be made.

【Merger Synergies】

Q: The synergy effect of the merger was announced as being JPY 20Bn. on February 2. This time, the figure is JPY 27Bn. The difference in cost synergy is JPY 7Bn. and in sales synergy is JPY 5Bn. What are the reasons for these changes?

A: (Shimojuku) Cost synergy is related to expenditure. It was JPY 7Bn. on February 2, but we were able to add JPY 2Bn. to make a total of JPY 9Bn. Mitsubishi Pharma since the earlier merger has cut total costs equaling JPY 15 Bn. Using the same method, raw materials, base integration, and personnel expense were all reviewed, bringing about these revised results. Sales synergy has not been changed. On February 2, sales synergy was indicated to be in net balance with potential dissynergies. This time, we have categorized them separately, and that makes it seem as if there is a difference of JPY 5Bn

Q: Regarding the cost synergy of JPY 20Bn, how can the synergy be divided into a 3-year period until fiscal 2010?

A: (Shimojuku) We will refrain from commenting about specific figures by each fiscal year. However, the effect will bring about steady growth.

Q: Can you break down cost synergy into research and development expenses, operating expenses, and others?

A: (Shimojuku) We see cost synergy by use. Hence, cost reductions by selecting specific research themes and focusing on them has not been incorporated.

Q: Do you mean that MRs are not included in downsizing?

A: (Komine) No, not at the beginning. We may possibly see an MRs surplus in the mid- to long-term period. We will consider appropriate number of MRs decide after seeing how things go.

【3 Keys of Marketing Strategies】

Q: The three keys of marketing strategies are strategic marketing areas, priority products, and areas to strengthen. How do you plan to prioritize them?

A: (Komine) Specific strategies are under discussion now. First, as for regional MRs, a certain number of staff will be placed in the fields of immunology and neurology. The major rest will be divided into hospitals and general practitioners, with regional conditions being taken into consideration. There are regions where we have been losing because of a narrow margin due to competition, however, we plan to increase the number of staff to win the competitive battle in such regions. We'll be especially conscious of increasing staff in

urban areas.

Q: Regarding the strategic marketing areas, but do you have any intention to form an alliance with other companies?

A: (Komine) In the areas of immunology and neurology, a full-time specialized MRs system will be arranged. An in-depth search will be carried in the field to gain the confidence of patients and medical staff.

(Tsuchiya) With regard to drug discovery, our strength, that is Mitsubishi Pharma's theme-discovering abilities and Tanabe Seiyaku's drug optimization capabilities will be brought together. Furthermore, alliances with pharmaceutical companies and venture businesses at the domestic and international level as well as Mitsubishi Chemical Holdings' group will be cultivated to ensure progress is made.

Q: Do you have any plans to procure drugs for neurological diseases from other companies for sale?

A: (Komine) There have been no specific talks regarding that matter up to now.

Q: Regarding RADICUT. There is an impression that you currently have a limited number of specialized MRs. Is there to be any change to this strategy?

A: (Komine) We have no plans to make a change in strategy. In this field, we have own products such as GRTPA and Novastan. By combining these two and ensuring provisions of information, we hope to increase our market share.

Q: Please explain to us the premise upon which the Remicade sales target of JPY 51Bn. for fiscal 2010 is based. What are your perceptions of the possibility of re-calculation and of COC?

A: (Hayama) Effects from COC and cannibalization of products are totally estimated to JPY 5Bn., as potential dissynergies. We have taken an extremely conservative view of dissynergies including COC and cannibalization. Breakdown by individual products under dissynergies cannot be commented on. No comments on re-calculation can also be made. We set up our sales target based on assuming that the reduction in drug prices will be conducted with current adjustment range of 2% and under the condition of reviewing drug prices every alternate year.

Q: What are the reasons for choosing 4 priority products? If you take a look at sales, Tanatril has forecast trend in reducing sales volume. It is incomprehensible why Tanatril has been chosen.

A: (Komine) In the hypertension drug market, ARB has been actively promoted. However, there have been some interesting academic reports on ACE inhibitors recently, and we believe there is an opportunity for reconsideration. Comparing the medical costs and other factors to the case of ARB, ACE inhibitor is a drug class of significance.

Q: It feels somewhat out of place to see Talion as one of the 4 priority products. Talion already seem to have its own place in the market. Do you expect the sales to reach JPY 12Bn. simply because details for Talion increases as a result of the merger?

A: (Komine) For instance, ANPLAG attained a certain stable stage after it was released into the market. However, as promotion activities were stepped up, it has enjoyed 2-digit growth in the past few years. Talion seems to stand low in market rankings due to insufficient call numbers. Depending on the field, we can focus advertising on products that have been competing with products from other companies, eventually leading to an increase in sales.

Q: When do the patent rights expire for RADICUT, ANPLAG, and Tanatril? Especially with ANPLAG, do you expect to see generic versions next year? When would these 3 products become long-term listed items?

A: (Komine) The re-examination period of RADICUT will be extended in April this year, so that we do not expect to see generics within the next 2 years. Also with ANPLAG, we are not expecting to see patent rights expire.

(Hayama) Tanabe Seiyaku does not disclose information on a product's patent period.

Q: With regards to ANPLAG, Mitsubishi Pharma published a warning advertisement last year. According to that, the composition-of-material patent is valid through 2006, but the patent as a Serotonin antagonist is valid to May 2009. If, for instance, generics are reviewed under the medicine cost listing twice a year, as the patent for the Serotonin antagonist expires in May 2009, generics will go on sale in November 2009. Isn't it highly possible that an additional cut in drug price will be anticipated for long-term listed items in April 2010?

A: We have examined various measures while looking into future plans.

【Strengthening our Discovery Research Capabilities】

Q: There seems to lack consistency in priority field among domestic operations, development, and drug discovery research. Do you have any plans to narrow down those areas?

A: (Komine) A factor of the time lag was not fully explained in the presentation. For the

immediate future, we are considering the priority field for marketing business. In development, we will focus on specifically successful areas. Moreover, the research field has long-term projects, and we hope to work on it after we begin anew as the merged company. Yet, looking at the achievements up to now, Tanabe Seiyaku excels in cardiovascular and immunology areas and Mitsubishi Pharma in the neurological area. These merits will always be carefully preserved.

(Tsuchiya) From the drug discovery research view, priority research areas will become the core business. Future technological development and the course of research development will be taken into consideration for us to move forward. In fact, the common field of basic research and all other areas will be receiving close to a half of the total research expenditure. Also, 60 to 70 percent of all diseases will be tackled as priority areas. It does not mean that non-priority areas will be getting less attention. When something interesting comes up outside of the priority areas in the future, we will adjust our orientation and focus on the needs of new research.

(Hayama) Cardiovascular is an area where many companies compete and a high rate of satisfaction is brought. Both companies specialized in immunology and central nervous system disorders. Even if our company research does not lead to an actual product release, as long as we have a powerful sales apparatus, we can reinforce priority areas through the resale business. This will be one of the options to help pharmaceutical companies survive.

Q: When selecting a theme, is there any tendency when it comes to setting priorities?

A: (Tsuchiya) Products from both companies according to the research development phase will be placed on one table. Evaluation will be carried then, to decide the order of priority. This will occur after October.

Q: Wouldn't it better to select the theme earlier, to move towards conclusion and introduction?

A: (Tsuchiya) At this moment, we have not decided on specific measures regarding our licensing. It would be good to start early.

Q: Are there any specific items you are working on in partnership with Mitsubishi Kagaku Institute of Life Sciences?

A: (Tsuchiya) As a new company, we will examine specific strategies from now on. There will be options such as joint research, seeds proposal, and many others.

Q: Could you provide figures for the effect of partnership with the Mitsubishi Chemical Holdings group? How much research development expense would it be equal to?

A: (Tsuchiya) The specific agenda will be discussed henceforward. We haven't examined the

expenses yet.

【Regarding Overseas Business Strategies】

Q: Regarding the 300 additional staff overseas, which regions are you talking about?

A: (Komine) We are eyeing an operation in the U.S. in 2010. We assume the number of MRs enough to realize the scheme. Also, in the Asian region, we expect personnel increases, especially in China. We estimate 100 additional personnel in the U.S. and 200 in China

Q: What do you plan to sell in the U.S.?

A: (Komine) Two products, Cholebine and MP-146, which are now underway in phase III trials. Although it is a niche marketing area, it has a sufficiently large market for in-house sales.

Q: You have explained in-house sales activities in the U.S. Once Argatoroban, FTY720, and T-0047 are introduced to the market, would the new company possibly co-promote them?

A: (Komine) It is on the products. We reserve different rights in each product.
(Tsuchiya) In some of the developing products, Tanabe Seiyaku has undertaken a partnership with J&J and GSK overseas with retaining co-promotion rights.

【Generics Medicine Business】

Q: It will cost you something to provide “reliable generics”. What are the business models for generics?

A: (Komine) The new company will directly be involved in drug substances and formulations, gaining confidence in the quality, information, and brand-name of products. Undoubtedly, it will cost to some extent to supply reliable generics using a new generic company. However, we hope to start up the business, build the foundation, use merit of the scale, and improve the future profit margin.

Q: So, you prefer to undertake operations within the group as much as possible, instead of outsourcing?

A: (Komine) With regard to the production, lot size will be taken into account, sorting self-developed and outsourced items according to the scale. Yet, the new company also plans to be directly involved in outsourcing.

Q: Entering the generics business: none of the current generics manufacturers produce their own active ingredients. Does your new company plan to develop active ingredients itself?

A: (Komine) There will be question of scale also with regard to active ingredients. There may be cases where active ingredients will be bought from other companies. Production at APIC is a possibility but not so realistic. We use the term “reliable generics”, meaning, quality will be guaranteed by the new company even when active ingredients are procured from outside companies.

Q: Do you have plans to sell generics of your original products?

A: (Komine) No, not at this moment.

Q: The current plan includes generic sales of JPY 10Bn. After the basic agreement, operating profit increased by JPY 5Bn. and increased synergies JPY 7Bn. The balance will then be, for generics, JPY 10Bn. in sales and JPY 2Bn. in operating deficit. Do you want to make any comments on these figures?

A: (Shimajuku) Since the previous basic agreement, research development expense has increased JPY 2Bn. from JPY 85Bn. to JPY 87Bn.

Q: Do you mean that the generics business will be at break-even point at JPY 10Bn.?

A: (Komine) The break-even point is assumed to be just slightly above that level.

Q: You are planning to start with forty ingredients when entering into the generics business. Tanabe Seiyaku has already obtained a production permit for some ingredients in March. Of these 40 components, what would be the ratio of out-sourcing?

A: (Komine) Those already with a permit and ones for which preparations to acquire permission next year are underway will all become the centerpiece. In addition, both companies already have close to 20 ingredients for generics from the past. Starting next fiscal year, the new company will be ready to cover 40 ingredients.

Q: A subsidiary for generics is going to be established. Does it mean you will be transferring redundant or retrenched personnel to the subsidiary?

A: (Komine) No, that is not our intention.

【Others】

Q: Has Mitsubishi Chemical Holdings submitted any terms or propositions regarding the merger this time?

A: (Komine) There is nothing to comment on at this moment.

(Shimajuku) For strategic collaborations, we will work actively if we can continuously build win-win relationships. However, separate, an independent management style will

also be secured.

Q: The new company will come under the control of Mitsubishi Chemical Holdings. When you say an independent management style will be maintained, how would the business be operated specifically?

A: (Komine) The new company's usual pharmaceutical business will be conducted in order to maximize the profit of all stockholders including minority shareholders as well as Mitsubishi Chemical Holdings.

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