Thursday, February 21, 2013 from 5:30pm to 6:20pm

Michihiro Tsuchiya, President & Representative Director, CEO
Kuniaki Kaga, Representative Director, Senior Managing Executive Officer, Division Manager of Research Division
Kenichi Yanagisawa, Board Director and Senior Managing Executive Officer, Division Manager of Sales & Marketing Division
Kenkichi Kosakai, Board Director and Managing Executive Officer, Corporate Management
Masayuki Mitsuka, Board Director and Managing Executive Officer, Division Manager of Development Division
Takashi Kobayashi, Board Director and Managing Executive Officer, Business Unit, Responsible for Special Assignments from the President
Seiichi Murakami, Managing Executive Officer, Global Product Strategy Department

[Progress of the Medium-Term Management plan 11-15]

Fiscal 2015 numerical management objectives

Q/ The first two years have almost passed. How do you evaluate the first two years' performance?

A/ In the domestic markets, several new products were launched in Japan during the first two years; Sales of Remicade, one of our priority products, expanded its sales as planned. In overseas markets, Gilenya, licensed out to Novartis, has become a blockbuster. In the remaining three years of the plan, we will nurture the priority products and new products and maximize the products values.

Q/ The sales target for FY2015 is ¥500 billion and operating income target is ¥100 billion. Do you expect that the company can achieve these targets? And is there any possibility the company will revise the targets?

A/ At this time, we have no plans to change the initial targets for FY2015. There are several factors that had not been taken into account when we announced the plan. Among them are slower-than-expected sales of ethical drugs in Japan due to the government's policy of promoting the use of generic products; integration of our plasma fractionation operations with the Japanese Red Cross Society, and transfer of the fine chemical operations to other companies. On the other hand, royalty revenues from overseas companies have been

increasing at a greater-than-expected pace, while TA-7284, a drug for type-2 diabetes, is expected to be approved in the near future both for domestic and overseas market. Given these plus factors, we have no immediate plan to revise the FY2015 numerical objectives. We will stick to the targets in our management.

Q/ Do you expect that you can achieve the goal of raising the ratio of overseas sales to more than 15% of the company's overall sales?
A/ We think that it's possible to achieve the 15% target, which includes royalty revenues from overseas companies.

Q/ How are you going to reform the company's cost structure?
A/ We are working on increasing business efficiency in indirect divisions and on enhancing cost competitiveness in the fields of research and production.

Q/ Can you explain the optimization of the number of employees? Have there been any changes in the number of employees at Mitsubishi Tanabe Pharma since the 2007 merger? And how many employees are expected to be as of fiscal 2015?
A/ The number of employees is projected to be about 9,000 at the end of FY2012 ending March 31, which represents a decline of some 1,000 employees from the 2007 merger. The decline of 1,000 mainly affects employees in Japan. The consolidated number is projected at about 9,000 at the end of fiscal 2015, roughly the same as the current level. The number of employees will be prevented from exceeding the current 9,000 level through business efficiency.

<u>Marketing</u>

Q/ New products sales has been apparently growing at a sluggish pace. How do you see the situation?
A/ We have launched several new products in the past two years as planned. We are confident that markets will give positive marks to this. How we can expand sales of these new products is the next important challenge for us. These new products are those aimed at meeting "unmet medical needs" and "only-one" products that can't be replaced by any other drugs. Only one year into the marketing, these products have yet to see significant growth. Both Lexapro and Simponi have been received favorably in the market and their sales have been put on a steady growth track. As for Tenelia, we are cooperating with our sales partner Daiichi Sankyo to expand its sales following the lifting of a ban in September this year on

long-term prescription. But our prospects for Telavic are bleak. Its sales chalked up so far are smaller than our initial expectations.

Q/Please explain the marketing strategy, multi-marketing channels for “mature“ products, long-listed drugs except priority products. Specifically, what would you do about such products?

A/ “Mature” products are major revenue sources for our company. To maintain the current level of profits derived from such products, we will implement a set of measures. The measures we’ll take are ones that don’t require MR’s activity. Specifically, we will use IT tools and make active use of outside resources such as a contract sales organization (CSO). Doing this would enable us to establish a smooth information provision system and an efficient product-supply system.

Q/ Do you have any plans to curtail the number of MRs from the current 2,200?

A/ We intend to maintain the current number of MRs. As the environment surrounding the MR’s activity is changing significantly, the quality of MRs is asked to be improved. Our MRs are divided into two groups—those called “general MRs” and others known as “medical science liaison (MSRs),” aimed at supporting general MRs as specialists in certain fields. Our “T-Shaped Marketing” system is intended to provide necessary information to medical institutions based on an efficient combination of general MRs and MSRs. In view of the current size of our company and the current product lineup, we believe that the current number of MRs, given as 2,200, is appropriate.

Q/ Is there any possibility of Mitsubishi Tanabe Pharma developing and selling bio-similar of Remicade?

A/ It is uncertain how bio-similar of Remicade will be positioned in the market after its launch. Unlike low-molecular-weight generic products, “bio-similar” products are likely to be handled very cautiously by medical institutions. Remicade’s efficacy and safety were established through the all-patients surveillance for all 5,000 users completed at the launch. The biggest advantage of Remicade is its abundant data accumulated for 10 years, which differentiates from competing products. We are considering the possibility of approaching bio-pharmaceutical products. Bio-similar products could be one option but we haven’t yet made any specific plan.

Q/ What will be the estimated market size and projected sales for Telavic in the future?

A/ In the drug market for chronic hepatitis C, we didn’t think from the beginning that the number of new patients would keep rising. Our initial projection was that sales of Telavic

would reach their peak soon after its launch in view of the fact that there were patients who had been waiting for the drug's launch. We thought that after reaching its peak, Telavic's sales would gradually decrease. The actual sales peak time of the drug was not as initially expected, affected by safety issues and a decrease in the dosage prescribed to patients. After the ongoing all-patients surveillance, we will establish a "safety profile" for the drug and increase medical facilities where the treatment with Telavic is available. By doing so, we will try to boost sales of Telavic.

Q/ When do you think the requirement will be lifted?
A/ Data need to be collected for one year monitoring period for each patient after using Telavic for submission to the authorities. Data collection and analysis have already started for some of the patients. The number of patients whose data are monitored will soon reach the level where accurate evaluation is possible. If the amount of data collected reaches a sufficient level, we will compile an interim report based on the data and submit it to the authorities so that the requirement can be lifted as soon as possible.

Development pipeline

Q/ As for development pipelines, there appears to be a shortage of new products being developed for launch in fiscal 2016 or later. Are you planning any strategy, such as licensing-in later development-phase products?
A/ We believe that products that have been launched in the past two years will contribute to our earnings in fiscal 2016 or later. But that does not mean that we've become complacent about existing pipelines. We are considering introducing new products that can be launched on a sustainable basis. In addition, we are thinking of developing new biologics products, including new vaccine technologies and new vaccines, though none of them have yet to enter the clinical stage. These preparatory works will possibly lead to substantial pipelines in the future.

Q/ Why are you developing MT-3995 for treatment of diabetic nephropathy?
A/ MT-3995 is a mineral corticoid receptor antagonist. It was developed at other companies for treatment of heart failure and high blood pressure. But we judged it is best for the drug to be developed to treat diabetic nephropathy in view of its characteristics and "unmet medical needs" associated with the disease. The Phase-2 trial has already begun for MT-3995.

Overseas business operations

Q/ Can you tell us about the company's future plans for overseas business operations?

A/ If we find potential products that are deemed commercially feasible in overseas markets, we should employ all available means to develop and sell them in the markets—in addition to development on our own. In the development of new drugs, our basic policy is to conduct development in-house to the establishment of POC (Proof of Concept: confirmation that the mechanism is effective and safe I humans). However, after the acquisition of POC, we carefully consider the maximization of the drug, and our resources. In addition to in-house development and sales, we will aggressively implement joint development or out-licensing. In such medical fields as metabolic and circulatory systems, where huge business resources are necessary, we will not consider establishing a large-scale overseas marketing network such as one in which 2,000 to 3,000 MRs are deployed. But we will do business on our own for kidney and autoimmune diseases where 200 to 300 MRs is considered sufficient for marketing. As part of our overseas operations, we think it an option acquiring an overseas pharmaceutical company that has already had a proven track record in earnings in certain fields while developing and owning promising products.

Generic business

Q/ Little progress has apparently been made about your generic business since you've terminated your business partnership with Choseido Pharmaceutical, for example. Has there been any change in the targeted sales in the field of ¥50 billion in fiscal 2015?

A/ We thought from the beginning that attaining organic growth alone would not result in achieving the sales target for fiscal 2015. Since the environment surrounding the generic drugs business has changed significantly, reorganization may occur any time. Under these circumstances, we are striving to attain the targeted sales of ¥50 billion for fiscal 2015. Toward that goal, we are considering acquiring other company or forming strategic partnerships with other companies.

OTC pharmaceutical business

Q/ Can you tell us about your business policy regarding OTC pharmaceutical business?

A/ Besides the earnings, OTC business provide the company with opportunities to make direct contact with general consumers while helping enhance Mitsubishi Tanabe Pharma's name recognition among the society. Therefore, we will continue to do our best in this business.

Reform of corporate culture

Q/ A series of problems associated with compliance have occurred at Mitsubishi Tanabe Pharma since the 2007 merger. Are you making any efforts to improve the company's corporate culture?

A/ Five and a half years have passed since the merger. Each time a compliance-related problem surfaced during that time, we did all company-wide efforts in order to improve our corporate culture. I think all employees have become united toward the goal of improving corporate culture.