Wednesday, July 31, 2013 from 6:00pm to 6:45pm

[Attendees]

Ken-kichi Kosakai, Board Director and Managing Executive Officer, Corporate Management

Masayuki Mitsuka, Board Director and Managing Executive Officer, Division Manager of Development Division

Seiichi Murakami, Managing Executive Officer, Corporate Strategy, Global Product Strategy Department, Business Development & Licensing Department

Tetsuo Yoshikawa, Executive Officer, Division Deputy Manager of Sales & Marketing Division

[Q1 FY2013 financial results]

Overall earnings

Q. Why was the sales cost ratio in Q1 (41.9%) roughly 2 points higher than your estimate for 1H (39.0%)? Also, will the sales cost ratio remain higher than expected due to special factors? Or was this only specific to Q1 and will it drop for 1H overall?

A. Our 1H sales cost ratio estimate factors in a revision to the purchasing price for Remicade. The sales cost ratio in Q1 was higher than we anticipated as there was not price revision. There was also impact from foreign exchange rates and sales of vaccines with a high sales cost ratio. However, we expected our sales cost ratio in 1H to be within our expectation.

Invokana (TA-7284, licensed out to Janssen Pharmaceuticals)

Q. Invokana sales appear to be off to a solid start in the US but what is your analysis? Although impact in the short term might be unlikely, do you envisage royalty income outperforming your estimates further out?

A. From what Janssen has explained to us, the number of prescriptions issued by specialists is already in the lead, surpassing that for other DPP-4 inhibitors. Although we anticipated brisk demand, we view this as a very good start.

Q. When do you plan to post royalties on these sales?

A. Based on our contract, we will receive a royalty payment within 60 days after the end of each quarter. In other words, we expect to post royalties in Q2 for the sales in April-June 2013.

Remicade supply price arbitration

Q. When do you plan to factor this into your results? Do you plan to revise your earnings forecast?

A. At present, we are awaiting a final award. We believe we will be able to announce the outcome of the arbitration in Q2 at the latest. We will revise our earnings forecasts depending on the impact from the final award.

Tenelia

Q. What were sales of Tenelia in Q1? Around ¥200 million or ¥300 million?

A. In FY2013, the sales have been positive, although below ¥200 million or ¥300 million. We forecast the sales should increase as a ban on the long-term prescription will be lifted in September.

Q. Are you sticking with your full-year sales plan (¥3.5 billion)?

A. We are not changing our sales plan.

Radicut

Q. Although your sales are down, they are basically in line with your plan. Is this a temporary issue?

A. The decline in sales is not a one-off factor. Recently, the generic erosion rate has increased to nearly 40% and we believe this is likely to rise moving forward. However, the progress of Radicut sales on 1H forecast is within our expectaion.

[Development pipeline]

Gilenya (multiple sclerosis)

Q. Novartis recently reported that patients that were not given Tysabri developed progressive multifocal leukoencephalopathy (PML). Are there similar reports of patients developing PML in Japan?

A. This is the first incidence, out of 71,000 cases, in which a patient, with no history of being administered Tysabri, developed PML. We are exchanging information with Novartis regarding this case but based on MRI tests, this is an atypical finding. We understand Novartis is accumulating data to ascertain whether this was actually due to the administration of Gilenya.

INVOKANA (TA-7284) (Type 2 diabetes)

Q. Is there any indication that academic societies will revise the treatment guidelines, mainly in the US at some point?

A. We have not heard any talk of changes to treatment guidelines. We have heard Janssen Pharmaceuticals focuses on the positioning of INVOKANA in medical expenses reimbursements. Janssen Pharmaceuticals purses the strategy of combination therapy with INVOKANA and Metformin, which is a first-line drug in the US, and is doing its best to allocate this combination therapy to the second tier in reimbursement list. We believe that demand for the drug is will grow further, if it is positioned as a second-tier drug like other DPP-4 inhibitors.

TA-1790 (erectile dysfunction, licensed out to VIVUS)

Q. TA-1790 has been approved in the US and Europe. How is the situation toward start of the sales?

A. In Europe, VIVUS has announced that it decided a partnership with Menarini. This agreement covers 40 countries in Europe, as well as Australia and New Zealand. In the US, VIVUS has fortified its management structure so we expect it to pour its energies into finding a sales partner.

[The acquisition of Medicago]

Q. Is it your strategy to expand your vaccine business overseas?

A. We have been trying to expand our overseas business with low-molecular compounds so far, and will continue to. We view the acquisition of Medicago as an opportunity to expand our overseas business with other than low-molecular compounds.

Q. What sequence of events led you to acquire Medicago with Philip Morris International?

A. Prior to this, Philip Morris had already been an investor in Medicago, with which it shared technologies. Philip Morris plans to maintain its collaboration with Medicago so we decided to manage Medicago together.

Q. Do you retain the rights to buyout Philip Morris International's shareholdings in Medicago?

A. We and Philip Morris are examining the exit but the details are undisclosed.

Q. What impact will the acquisition of Medicago have to your balance sheet and are there other accounting issues? Do you plan to revise your earnings forecast for FY2013?

A. We will analyze the impact of this acquisition on our consolidated financial results, and also if it is goodwill or in-process R&D. It takes roughly two months and as a result, if need be, we will revise the forecasts.