



Thursday, October 30th, 2014, from 1.30pm to 2.45pm

[Attendees]

Masayuki Mitsuka, President & Representative Director, CEO

Seiichi Murakami, Managing Executive Officer, Division Manager of Sales & Marketing Division

Kouji Noborihayashi, Executive Officer, General Manager of Corporate Management Department

Takeshi Matsumoto, Executive Officer, Division Manager of Development Division

Eizou Tabaru, Executive Officer, General Manager of Finance & Accounting Department

[Earnings Forecasts for FY2014 Ending March 31, 2015]

Q: Please give us a breakdown for the extraordinary losses for the 2H this fiscal year.

A: Extraordinary losses we expect for the 2H of FY2014 include expenses on the transfer of the Kashima Plant and the movement of the Osaka Head Office, and expenses for a number of structural reforms.

Q: With regard to the revision of the forecasts, you have revised down your sales forecasts not only for long-listed drugs, but also for new products such as Simponi and Lexapro. What is the situation at your foot?

A: While long-listed drugs suffer from sales reductions, we think that no pharmaceutical companies will survive without achieving an annual growth of 15% or more for new products. Our current figure is less than 10%, so we must increase this rate by 5 percents. To this end, we must make efforts not only at Sales & Marketing Division, but also over the entire company as a whole.

[Domestic Sales]

Q: What do you think about a number of MRs in Japan?

A: In view of the current lineup of our products and competitive situation in the Japanese market, we are planning to slightly increase the number of MRs in Japan mainly through personnel reshuffling.

Remicade

Q: I heard that the launch of a biosimilar to Remicade would have only a minimal impact on

your business for this fiscal year. Does this viewpoint of yours remain unchanged?

A: We believe it will take time before the biosimilar is employed for use by hospitals, and our viewpoint remains unchanged. We will carefully watch the situation for the coming several years, taking into account the actions of government.

CANAGLU

Q: Are you operating a marketing system that allows CANAGLU to assume a global position in Japan as well? Have you obtained favorable evaluations from medical front?

A: While the market circumstances are harsh, we are working to provide information based on much evidence from abroad. Since the Japan Diabetes Society announced its recommendations for SGLT2 inhibitors, we have been more aware of the proper use of CANAGLU in conducting sales promotion activities.

Vaccines

Q: What do you expect for the future growth of the domestic sales of vaccines?

A: For FY2014, we expect the decreased income from Mearubik to be compensated for by increased income from varicella vaccines, which were newly included in Japan's routine immunization program in October this year. For the domestic vaccine business as a whole, we anticipate an amount of overall sales that is similar to the previous term's level. In the future, sales growth will vary widely depending on progress of the development.

[Research and Development]

Q: Have you obtained favorable results from your research collaboration with AstraZeneca and Kyoto University in the field of nephrology?

A: Diabetic nephropathy is positioned as a disease in our priority area. We are working to create new drugs of their unique value by implementing initiatives that have so far been impossible merely in-house, including translational research with patient samples.

MT-2412

Q: Is there any demand for a combination drug of a DPP-4 inhibitor and an SGLT2 inhibitor?

A: Since such combinations are beneficial to patients over concomitant uses in terms of medication regimen compliance and economic aspects, we believe there are demands for the combination of a DPP-4 inhibitor and an SGLT2 inhibitor, which have potent hypoglycemic action.

MT-1303/MT-3995

Q: Do you update the data for MT-1303 and MT-3995?

A: For both MT-1303 and MT-3995, patient registrations of a number of clinical studies have been completed, and we expect to obtain results in sequence.

MT-0814

Q: Please explain about the positioning of MT-0814 in exudative age-related macular degeneration (AMD), mechanism of action, and likely side effects.

A: The standard treatment of exudative AMD is intraocular administration of biologics. Our MT-0814 is a low-molecular-weight drug, and we expect it to be prescribed as an oral medication of high convenience that can be administered for long periods. In exudative AMD, vascularization and edema occur in the macular area of the eye due to vascular endothelial cell proliferation via chemical mediators (VEGF, eotaxin, etc.) released by retinal pigment cells, resulting in decreased visual acuity. As an inhibitor of CC chemokine receptor (CCR3, an eotaxin receptor), MT-0814 is believed to suppress disease progression by inhibiting vascularization in the macular area, thus maintaining or improving visual acuity. Currently, we foresee no side effects based on the mechanism of action of MT-0814, and we will obtain confirmatory data through future clinical studies.

[The Medium-Term Management Plan]

Structural reform

Q: Can you add some amount to the cost reductions proposed in your structural reform project?

A: We want to attain our numeric target of 10 billion yen for cost reduction by the end of FY2016. Although our production base reorganization is ongoing steadily, we cannot tell the amount to be added up without a due investigation. We would like to show our overall strategy and numeric evidence in the last half of the coming year when the next medium-term management plan will be announced.

Overseas business

Q: Could you explain your policy on overseas business development.

A: We will focus on the US market for the time being. We would like to establish our own sales force and sell even niche products through it.

Q: Will your US business consist of the marketing of in-house products? What is the likelihood of M&A?

A: In addition to marketing in-house products, another option of acquiring other companies' pipelines is feasible. Although we may have a scenario for market entry by company acquisition, such a chance seems to be unlikely.

Generics business

Q: Please show your viewpoint on your generic business.

A: We will conduct more than one case study on the partnering for our generic drug business to secure our future vision by the announcement of our next medium-term management plan.

Vaccine business

Q: What do you think about your vaccine business? When do you expect that Medicago will become profitable?

A: We purchased Medicago last year, and are planning to launch an influenza vaccine under development a few years later, but it is likely that a reasonable time will be taken to achieve a positive turnaround. For the domestic market of vaccines, we would like to shift to R&D-oriented business operations, while endeavoring to expand the sales of products from the Research Foundation for Microbial Diseases of Osaka University.

[The New President's Viewpoint and Policy]

Q: Is your phrase "own unique value" distinct from "first in class" and "best in class?"

A: Rather than merely aiming at first in class and best in class, we want to develop products that allow patients and patient care providers to realize their differentiation from conventional products.

Q: While drug prices will be maintained through the NHI drug pricing system, will some pharmaceutical companies be unable to survive the competition in the future?

A: With recent years' dramatic changes in the domestic business environment in Japan, branded drugs have been rapidly replaced by generics. In this situation, no companies will survive unless establishing measures to secure stable benefits.

[Other]

Relationship to the parent company

Q: What do you think about your relationship to your parent company? Please include the current deposit to your parent company.

A: We will not change our business area coverage. Because of our policy, there can be a

synergy with Life Science Institute, Inc., which was founded by our parent company, Mitsubishi Chemical Holdings Corporation, but we would first like to endeavor to strengthen the business of each company.

In addition, while the deposit to our parent company is increasing, we think it is our managerial responsibility to effectively use our cash for our US business, generic drug business, and other operations in the future.

End