

# **Briefing on the Merger of Tanabe Seiyaku Co., Ltd. and Mitsubishi Pharma Corporation**

May 16, 2007  
Mandarin Oriental Tokyo

- **Corporate Philosophy  
and Vision of the New Company**
- **Brand Mark of the New Company**
- **Business Management Goals  
of the New Company**
- **Merger Effects**
- **Management Structure  
and Integration Schedule**

**Natsuki Hayama  
President & Representative Director  
Tanabe Seiyaku Co., Ltd.**

# Corporate Philosophy and Vision of the New Company

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## Corporate Philosophy

**We contribute to healthier lives of people around the world through creating pharmaceuticals.**

## Vision

**We become a global research-driven pharmaceutical company that can be trusted by communities.**

# Brand Mark of the New Company

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**“Hands, gently enfolding the health of  
people around the world”  
“Future growth and Unlimited potential”**

# Business Management Goals of the New Company

# Business Management Goals of the New Company



(billion yen)

	FY 2006 Actual (combined)	FY 2010 Target
Sales	405.0	480.0
Synergy Effects	—	27.0
Operating Income (before amortization of goodwill)	70.4	110.0
Amortization of Goodwill*	—	10.0
Operating Income	70.4	100.0
Net Income	44.5	60.0

■ EPS (earnings per share)

Tanabe Seiyaku EPS (mid-term plan)  
before merger

82.4

92.2

New Company EPS  
(before amortization of goodwill)

—

124.7

New Company EPS  
(after amortization of goodwill)

—

106.9

\*The amortization of goodwill has been provisionally calculated based on an estimate of goodwill at the present point in time.

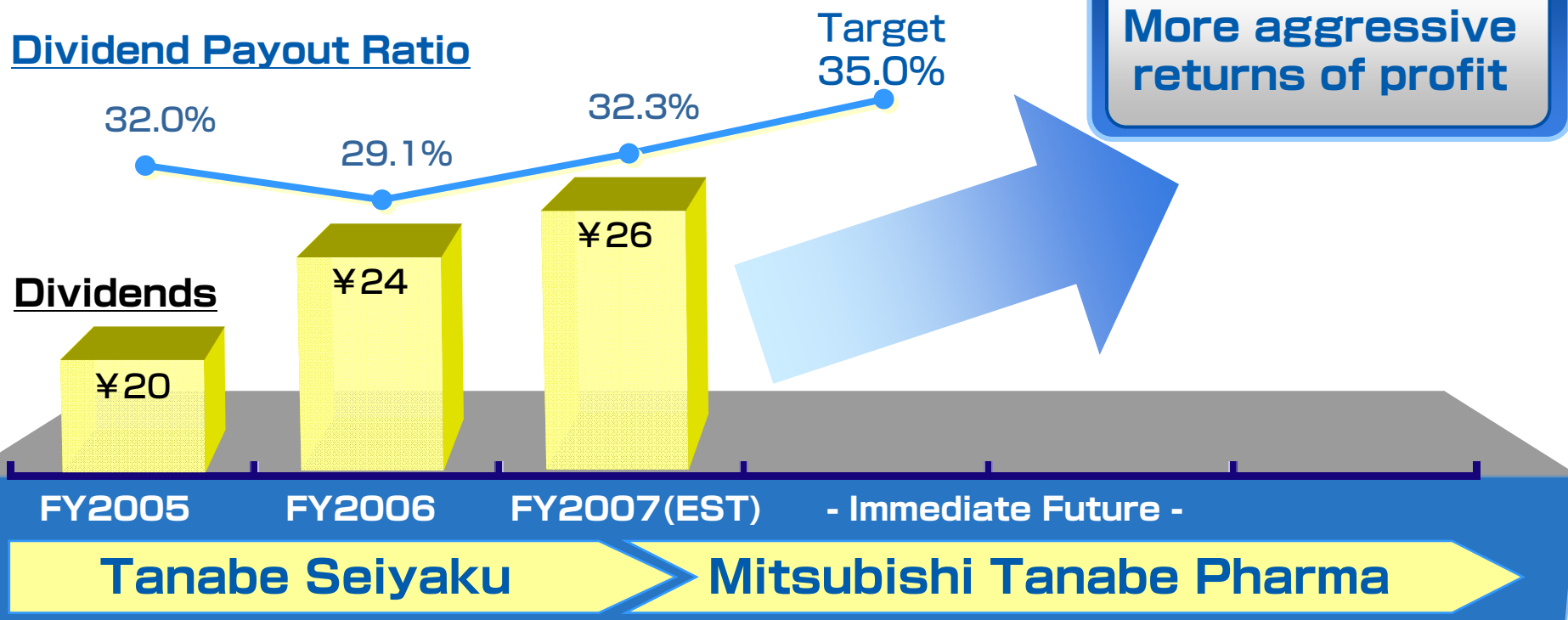
R&D Expenses (reference)	75.8	87.0
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# Policy for Returning Profits to Shareholders



- Target 35% for consolidated dividend payout ratio based on net income before amortization of goodwill.
- Aim for even more aggressive returns to shareholders in medium to long term.

## Dividend Payout Ratio



Note : Tanabe Seiyaku's first-half figures and Mitsubishi Tanabe Pharma's second-half figures have been used for the FY 2007 dividends and dividend payout ratio.  
Also, the dividend payout ratio has been calculated exclusive of the amortization of goodwill and merger costs.

# Merger Effects



# Merger Synergies



(billion yen)

Synergy factors	Synergy value in FY 2010
Cost synergies	20.0
Sales synergies	12.0
Potential dissynergies	-5.0
<b>Total</b>	<b>27.0</b>

- Cost synergies : FY 2010 simple sum  
- FY 2010 business management goals
- Sales synergies : FY 2010 business management goals  
- FY 2010 simple sum
- Potential dissynergies : Risk of negative profits impact due to consequences of merger,  
including change of control and product cannibalization

# Merger Costs and Structural Reform Costs



(billion yen)

		FY 2007	FY 2008	FY 2009
Merger costs	System integration	3.0	—	—
	Early retirement payment	2.5	—	—
	Other	2.0	—	—
Structural reform costs (*)		—	5.0	5.0
<b>Total</b>		<b>7.5</b>	<b>5.0</b>	<b>5.0</b>

\*Early retirement, center integration, transfer support, system integration, etc.

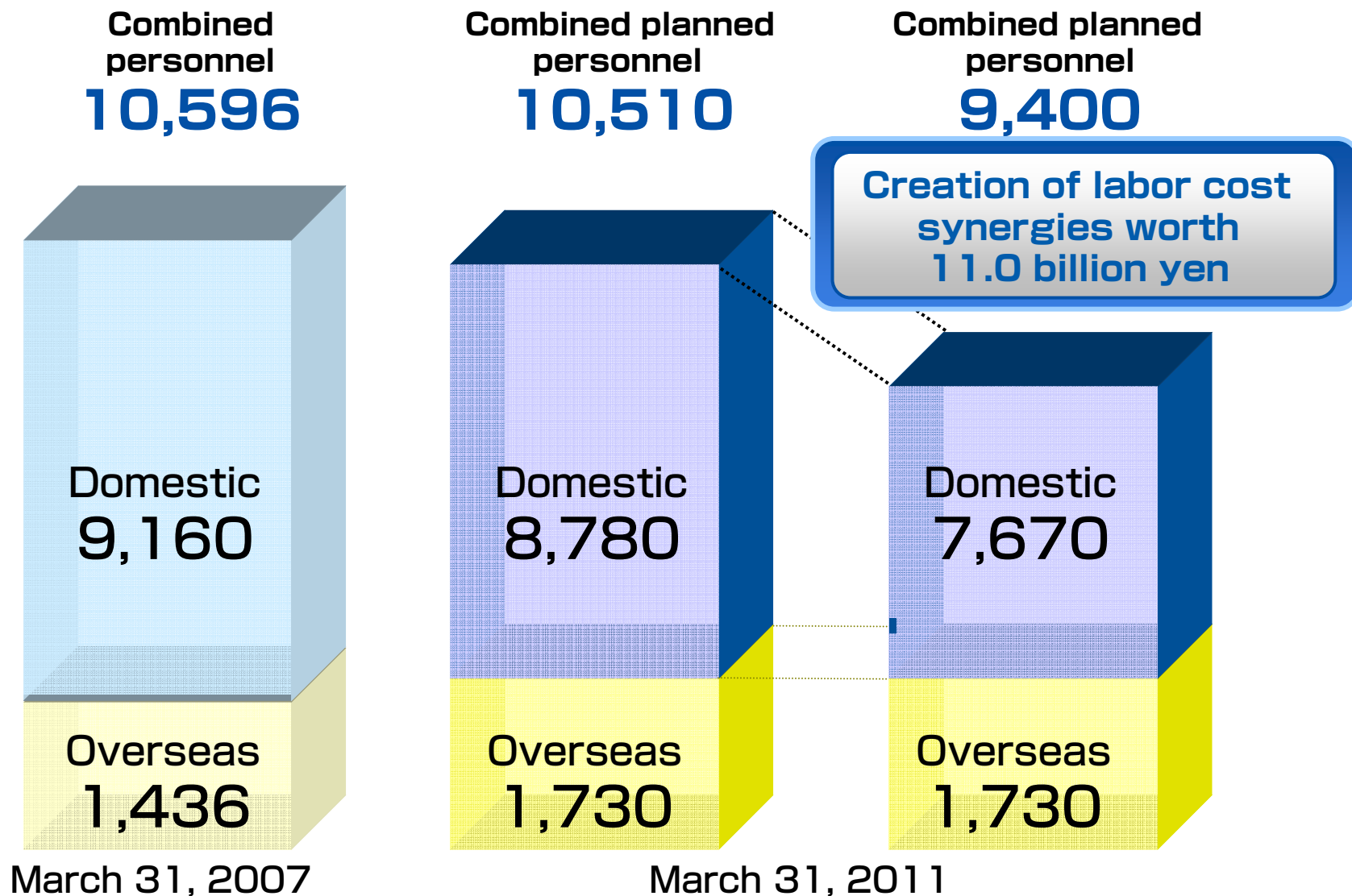
# Cost Synergies



(billion yen)

Synergy factors	Synergy value in FY 2010
<b>Labor cost reductions</b> <ul style="list-style-type: none"><li>-Tightening in the employment of new graduates</li><li>-Support for external transfers</li></ul>	11.0
<b>Various cost reductions</b> <ul style="list-style-type: none"><li>-Improvement in efficiencies of promotional and advertisement expenses</li><li>-Reduction of redundant costs</li><li>-Reduction of IT costs</li></ul>	7.5
<b>Base integration</b> <ul style="list-style-type: none"><li>-Integration of branch and sales offices</li><li>-Consolidation of domestic and overseas sites</li></ul>	1.5
<b>Total</b>	<b>20.0</b>

# Labor Cost Synergies (consolidated basis)



# Sales Synergies

- Aim for total sales synergies of **20.0 billion yen** (12.0 billion yen in profit).

**Business Management Goal 480.0**

**20.0  
billion yen**

## Synergy Effects

**Create synergy  
through priority  
products, etc.**

**Improve presence at  
core distributors**

**Increase overseas  
sales**

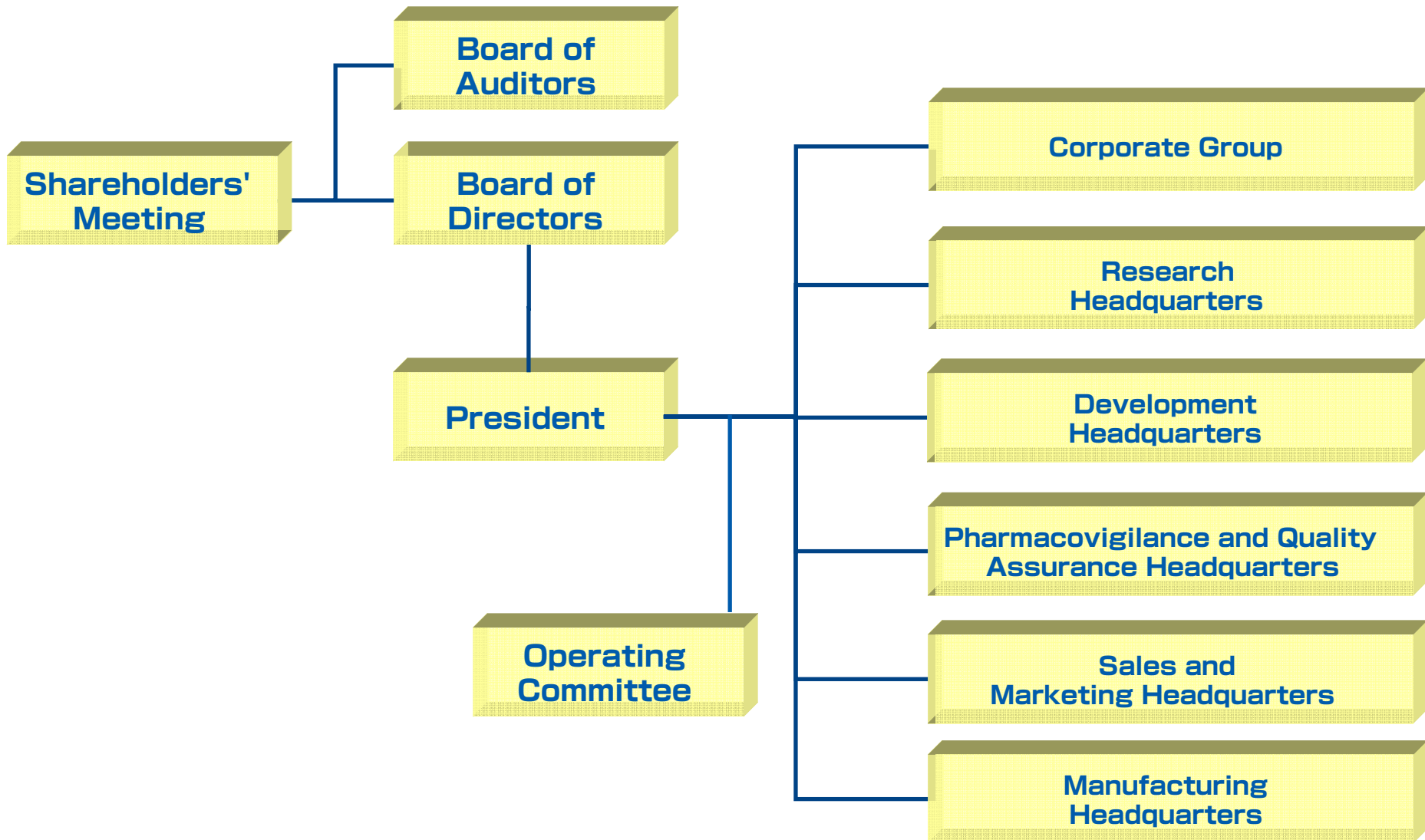
Simple sum  
450.0

Simple sum  
+  
Generics  
Business  
460.0

**FY 2010**

# Management Structure and Integration Schedule

# Management of the New Company and Organizational Structure



# List of Corporate Officers (1)



<b>Natsuki Hayama</b>	<b>President and Corporate Officer</b>	<b>Junji Hamaoka</b>	<b>Managing Executive Officer, Corporate Group</b>
<b>Takeshi Komine</b>	<b>Vice President and Corporate Officer</b>	<b>Akira Shimosakon</b>	<b>Managing Executive Officer, Corporate Group</b>
<b>Michihiro Tsuchiya</b>	<b>Vice President and Corporate Officer, Corporate Group</b>	<b>Akio Nakao</b>	<b>Managing Executive Officer, Head of Manufacturing Headquarters</b>
<b>Kunihiko Shimojuku</b>	<b>Vice President and Corporate Officer, Corporate Group</b>	<b>Akira Eto</b>	<b>Managing Executive Officer, Head of Sales and Marketing Headquarters</b>
<b>Toshinobu Kawata</b>	<b>Managing Executive Officer, Head of Pharmacovigilance and Quality Assurance Headquarters</b>	<b>Katsuyoshi Matsushita</b>	<b>Managing Executive Officer, Corporate Group</b>
<b>Ken-ichi Yanagisawa</b>	<b>Managing Executive Officer, Head of Development Headquarters</b>	<b>Yoshinao Shima</b>	<b>Managing Executive Officer</b>



# List of Corporate Officers (2)



**Shoji  
Nagashige**

**Corporate Officer**

**Ken-ichi  
Ozaki**

**Corporate Officer**

**Toru  
Nakajima**

**Corporate Officer,  
Head of Research  
Headquarters**

**Kiyotaka  
Hattori**

**Corporate Officer**

**Hidenobu  
Ikoma**

**Corporate Officer**

**Hiroshi  
Ohmizu**

**Corporate Officer**

**Shin-ichi  
Matsuda**

**Corporate Officer**

**Seiichi  
Murakami**

**Corporate Officer**

**Yoshimasa  
Yoshida**

**Corporate Officer**

**Takashi  
Kobayashi**

**Corporate Officer**

# Schedule prior to the Merger Date

2007

Feb

Apr

Feb 2 : Announcement of basic merger agreement

Feb 20 : Establishment of the Merger Preparatory Committee

Apr 27 : Signing of the Merger Agreement

May 10 : Announcement of key group organizational structure and corporate officers

May 16 : Briefing on the merger

Late June : Approval of the merger at Shareholders' meeting (plan)

Oct

2008

Apr

**Start of Mitsubishi Tanabe Pharma**

- Integration of main systems
- Integration of branch and sales offices
- Start of the generics business group
  - ➡ Establishment of a new generics business
    - Integration of personnel systems (Oct 2008)
    - Integration of distribution centers
- ~ Restructuring and integration of domestic affiliates (including production centers) ~
- ~ Integration of research centers ~

- **Basic Strategies of the New Company**
- **Challenge for  
New Business Opportunities**

**Takeshi Komine**  
**President & Representative Director**  
**Mitsubishi Pharma Corporation**

# Basic Strategies of the New Company

# Basic Strategies of the New Company



## Promptly establish the position of the company as a global research-driven pharmaceutical company

Accelerate overseas business development by leveraging the two companies' drug discovery capabilities and business platform reinforced by the merger.

## Enhance the presence of the company in the domestic market

Enhance market presence through a top-tier domestic sales force.

## Aim to be a distinctive pharmaceutical company

Proactively take on challenges for new business opportunities in response to changes in the medical environment.

**Entry into the generics business**

**Initiatives for personalized medicine**

# 3 Keys to Marketing Strategies



## Strategic Marketing Areas

**Strengthen Immunology diseases (Remicade, etc.) and Cerebrovascular diseases (Radicut, etc.) areas.**

## Priority Products

**Focus investment of marketing resources on four products: Anplag, Talion, Urso, and Tanatril.**

## Areas to Strengthen

**Make marketability-oriented allocation of MR on a priority basis by region.**

**Maximize the Synergy Effects**

# Strengthening of strategic marketing areas



## **Immunology (Remicade, etc.)**

### **Enhancement of Remicade specialists**

Disseminate the latest treatments  
and establish  
the Remicade brand.

## **Cerebrovascular diseases (Radicut, etc.)**

### **Establishment of new specialist cerebral area organization**

Support healthcare network,  
especially with  
core regional hospitals.

**Strive for improvements to customer satisfaction by providing  
advanced specialized information.**

**Establish the position of the company as the market leader in  
immunology and cerebrovascular diseases.**

# Focus of Marketing Resources on 4 Priority Products



## Anplag

### Penetration and establishment of the brand

Enhance the approach to medical specialists, from general practitioners to hospital doctors.

## Talion

### The highest number of details in the area

Take on the challenge utilizing launch of OD tablets.

## Maximizing the Synergy Effects

### Maximization of potential

Disseminate the treatment for dissolving gallstones. Expose the potential market using additional indications\*.

\* Chronic hepatitis C disease

## Urso

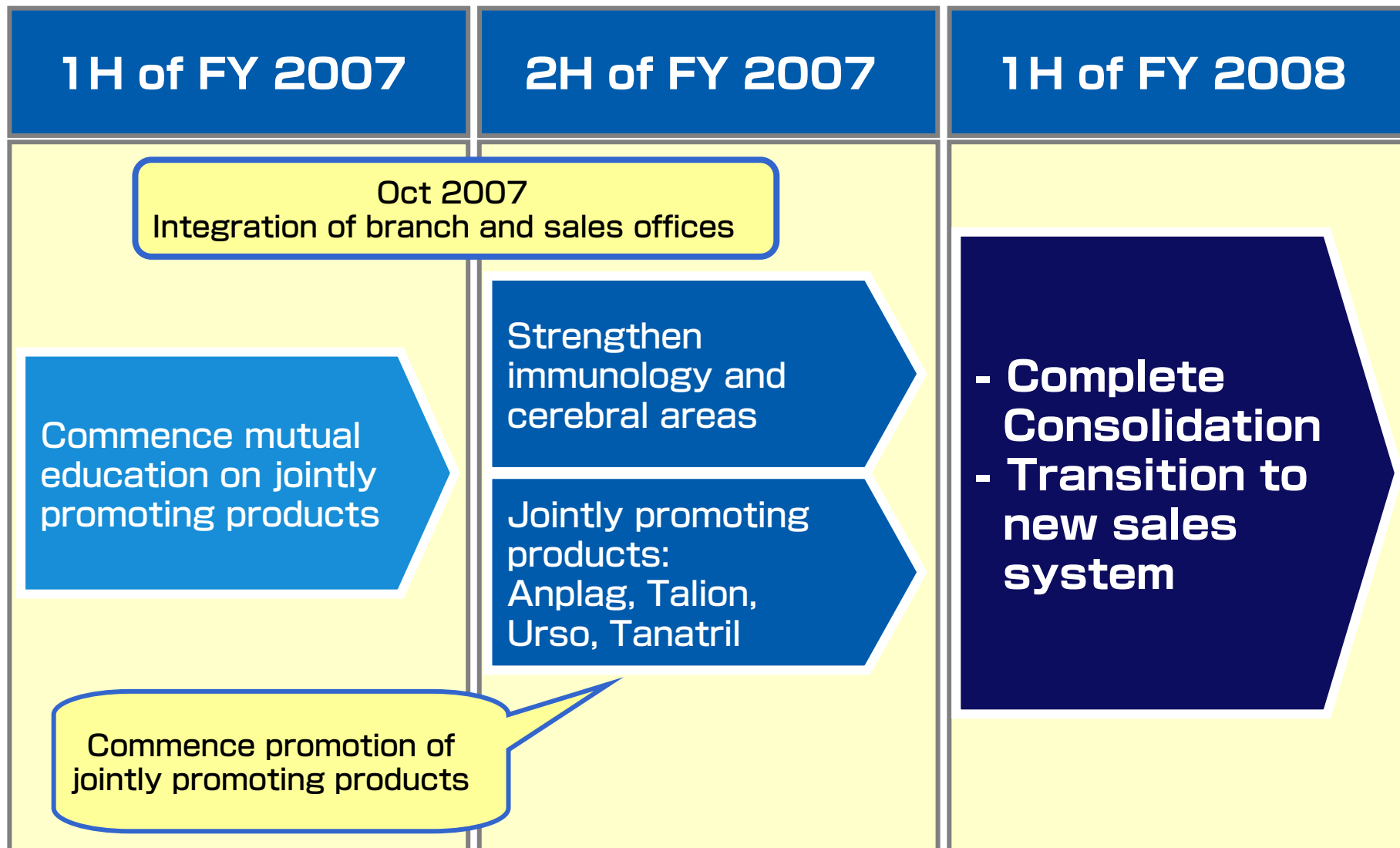
### Restructuring of the position

Maximize product value based on evidence.

## Tanatril



# Transition of the Promotion System



# Strengthen Domestic Development



In order to strengthen the domestic business base, focus injection of development resources on the following areas.

- ◎ Immunology and inflammation diseases,
- ◎ Diabetes and hyperlipidemia diseases ,
- ◎ Hepatic diseases

	Preclinical	Ph 1	Ph 2	Ph 3	NDA Filing
<b>Immunology/ Inflammation</b>	T-0047 (MS) TA-5493 (RA, PS) Antirheumatic drug	CNTO-148 (RA)	FTY720 (MS)	Remicade * (RA/ dosage) Remicade * (PS, UC, AS) Venoglobulin-IH* (Scleroderma)	Remicade * (CD/ maintenance) Venoglobulin-IH* (Myositis, IgG2 deficiency)
<b>Diabetes/ Lipid Metabolism Disorders</b>	Antidiabetic drug (1) Antidiabetic drug (2) Antilipemic agent Treatment of Hypertriglyceridemia	TA-6666 (Diabetes)	MP-513 (Diabetes) Cholebine * (Diabetes)		
<b>Hepatic Diseases</b>		MP-424 (Hepatitis C)			Urso (Hepatitis C, approved in Mar) * Albrec (Hypoalbuminemia)

\* Additional indications, or change in usage or dosage

**Shortening of development period by merging strengths and sharing know-how in these areas**

**Strengthening of project management**

# Target Sales of Key Products in FY 2010 in Japan



(Net Sales: billion yen)

<b>Remicade</b>	<b>51.0</b>
<b>Radicut</b>	<b>32.0</b>
<b>Urso</b>	<b>26.0</b>
<b>Anplag</b>	<b>22.0</b>
<b>Talion</b>	<b>12.0</b>
<b>Tanatril</b>	<b>10.0</b>
<b>Albrec</b>	<b>5.0</b>
<b>Actiq</b>	<b>2.5</b>

# Strengthening our Discovery Research Capabilities

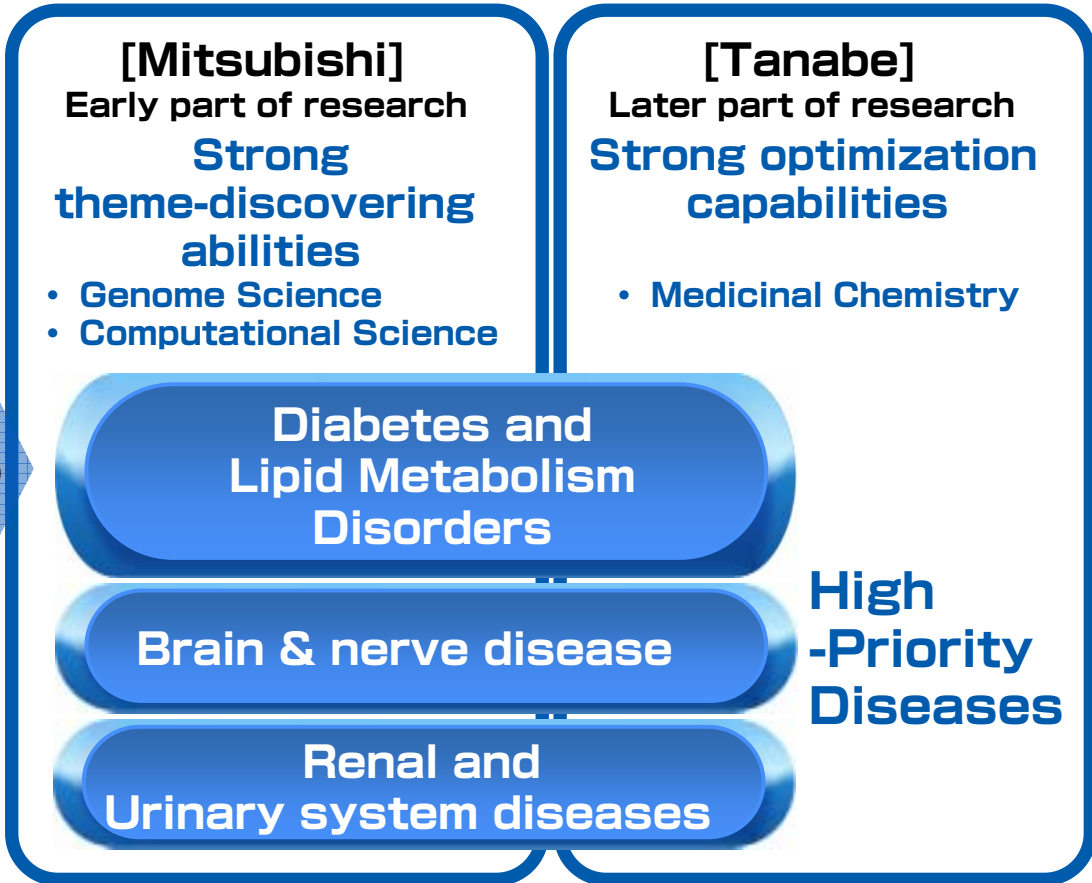


Areas of both companies

- Cardiovascular/ Metabolics
- Psychiatry/ Neurology
- Liver
- Respiratory
- Plasma Fractionation
- Immunology/ Inflammation
- Urology
- Cancer

Research know-how in the areas is applied to the priority diseases

## Merging and further enhancing the companies' strengths

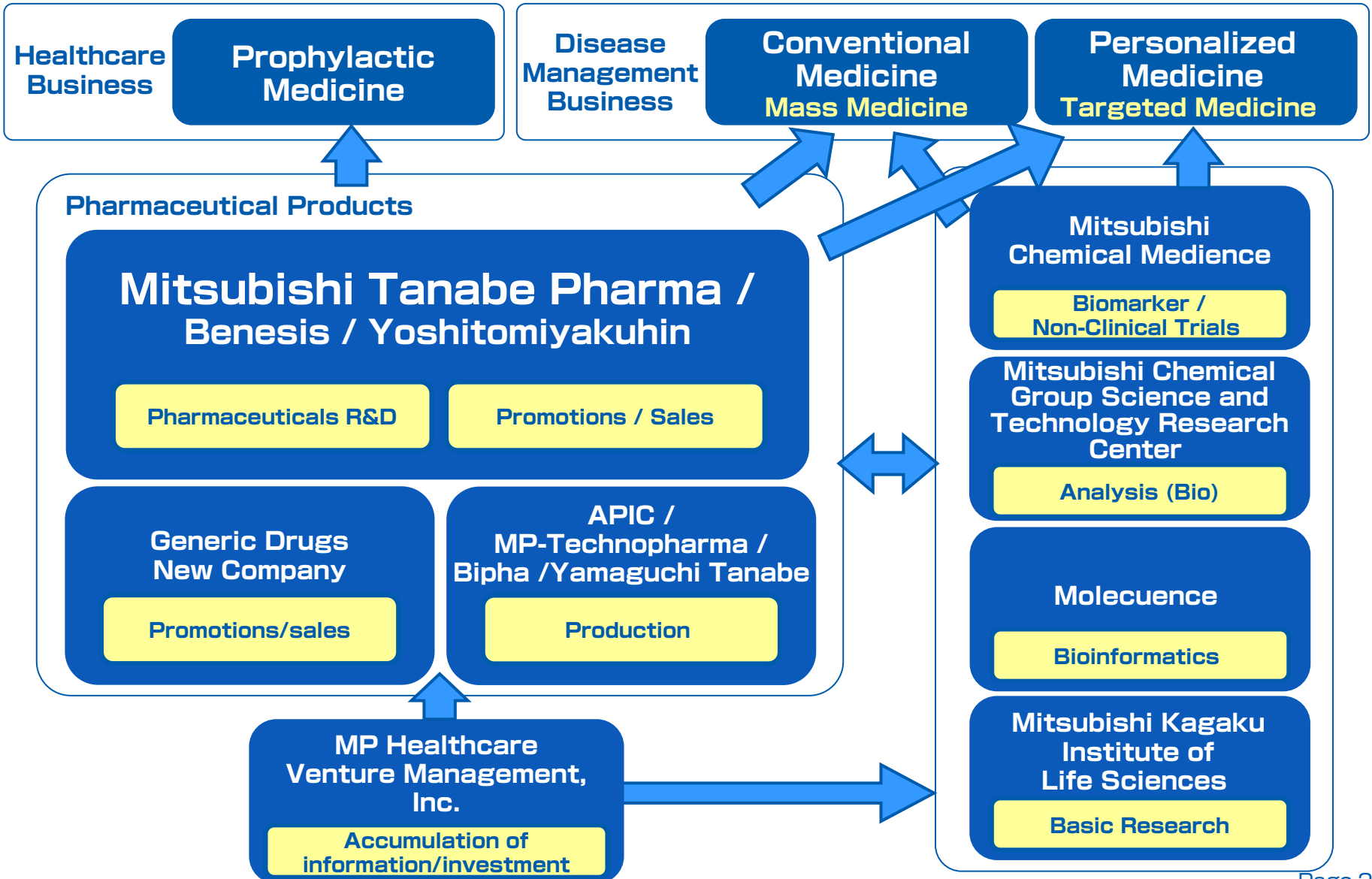


- Shorter research period
- More products in clinical testing

**Continued creation of new drugs that are Globally competitive**

- Enrich chemical library and evaluation system (drug discovery technology)
- Strengthen project management
- Strengthen alliance with Mitsubishi Chemical Holdings Group

# Alliance with Mitsubishi Chemical Holdings Group for a Stronger Discovery Research Capability

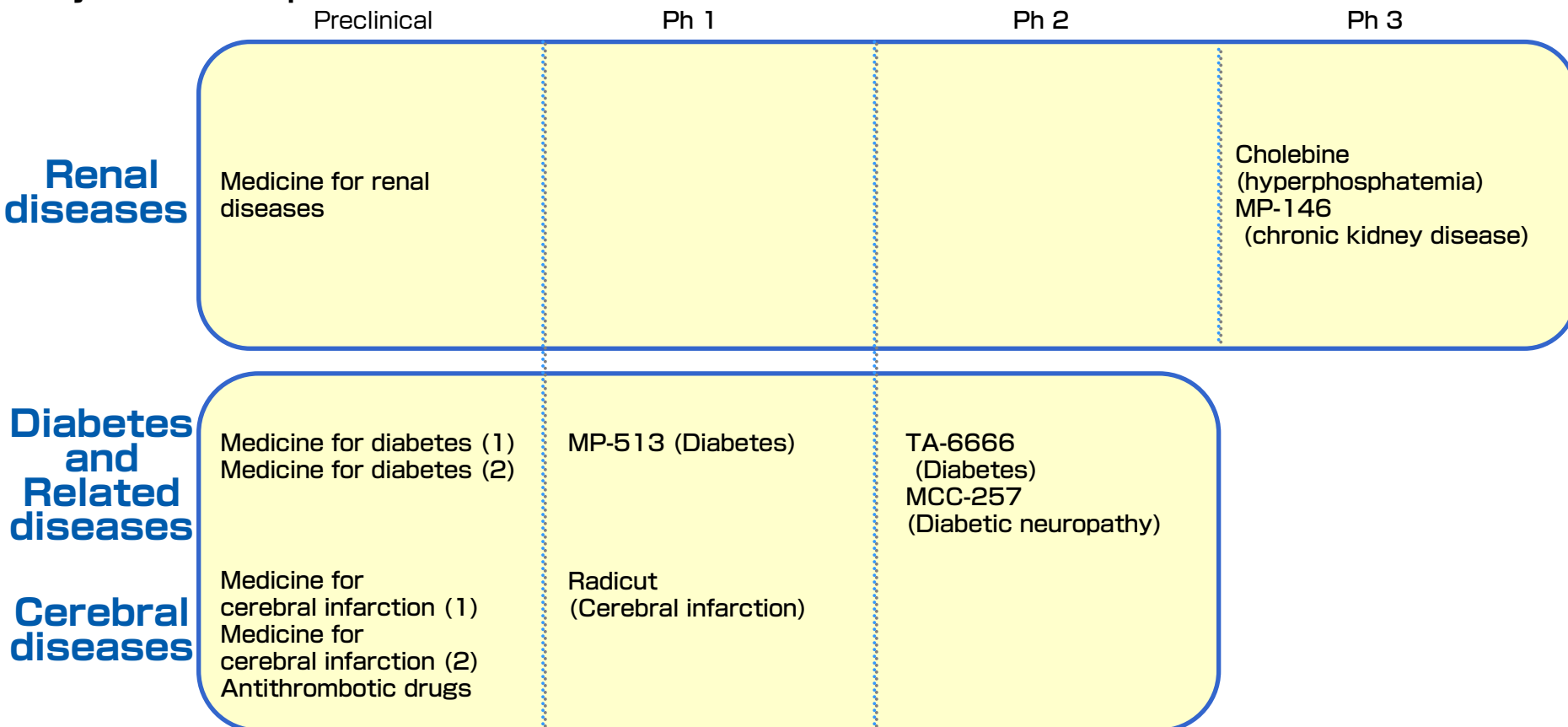


# Promotion of Global Development



- Promote phase III clinical trials in the U.S. and Europe, with a focus on the renal area.
- Following the renal area, select the globally developed disease areas by 2010.

## Major Product Pipeline



# Overseas Business Strategy: Basic Concepts by Region

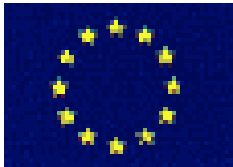
## U.S.



### Prompt Establishment of Business Platform in the Largest Market

- Gain prompt approval for Cholebine and MP-146.
- Build an in-house sales structure in the renal area.
- Strengthen business base by expanding product areas.

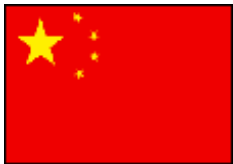
## Europe



### Development of Global Products that Utilize Existing Platform and Products

- Gain prompt approval for global products in parallel with the U.S.
- Develop in-house sales structures in key countries, including co-promotion.
- Maximize business income by expanding geographical regions and product areas targeted for development.

## China



### Acceleration of Business Development in a Growing Market

- Integrate the business platform and know-how of both companies.
- Accelerate development by taking full advantage of the management resources of both companies.
- Expand company as a comprehensive business center, combining development, production and marketing.

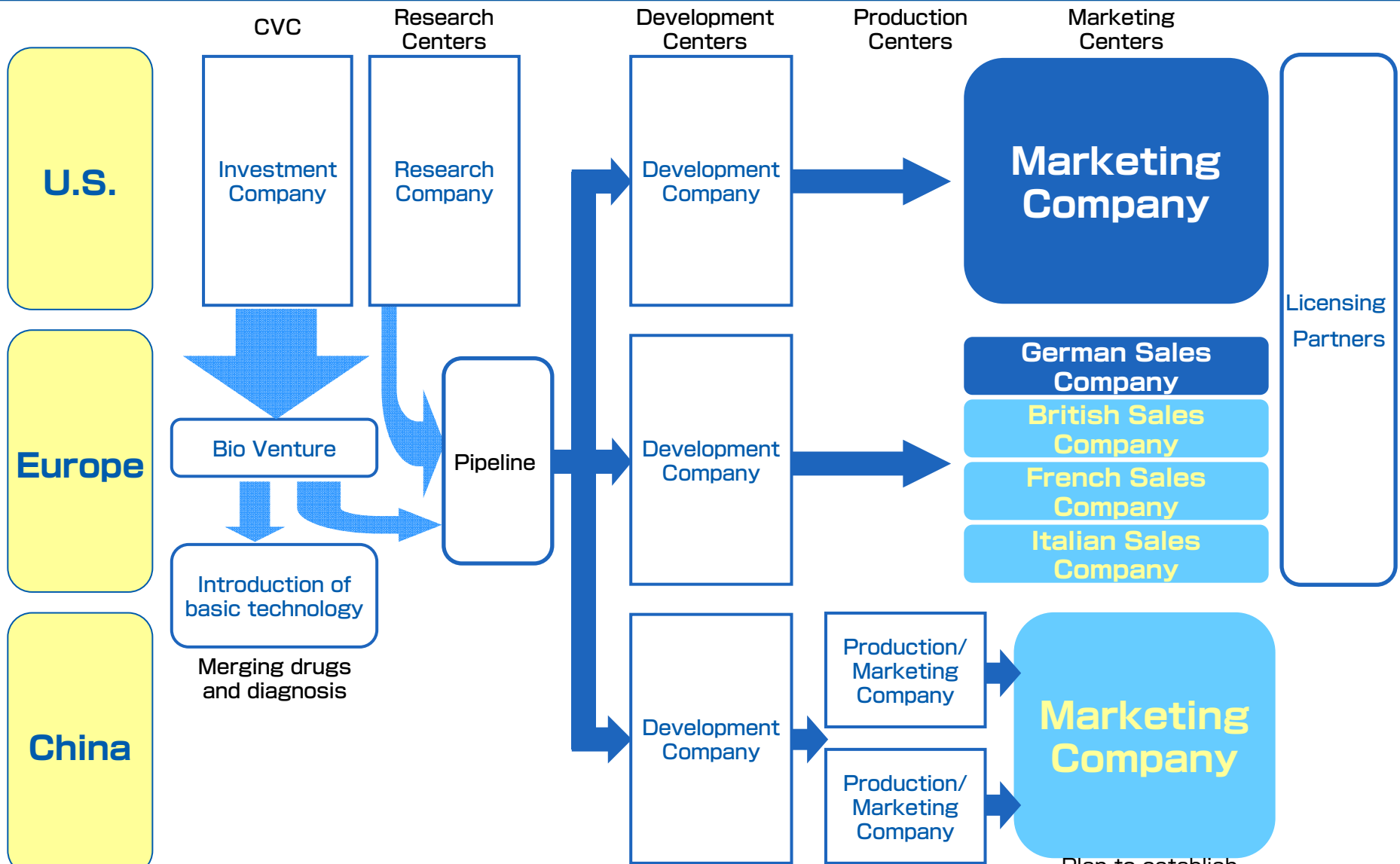
## Other Regions



### Utilization of Existing Business Platform, and Development into Promising Markets

- Redevelop existing products by utilizing the existing business bases of both companies in Asia.
- Promote international joint clinical trials in Asia.
- Expand into promising markets.

# Overseas Business Structure following Merger

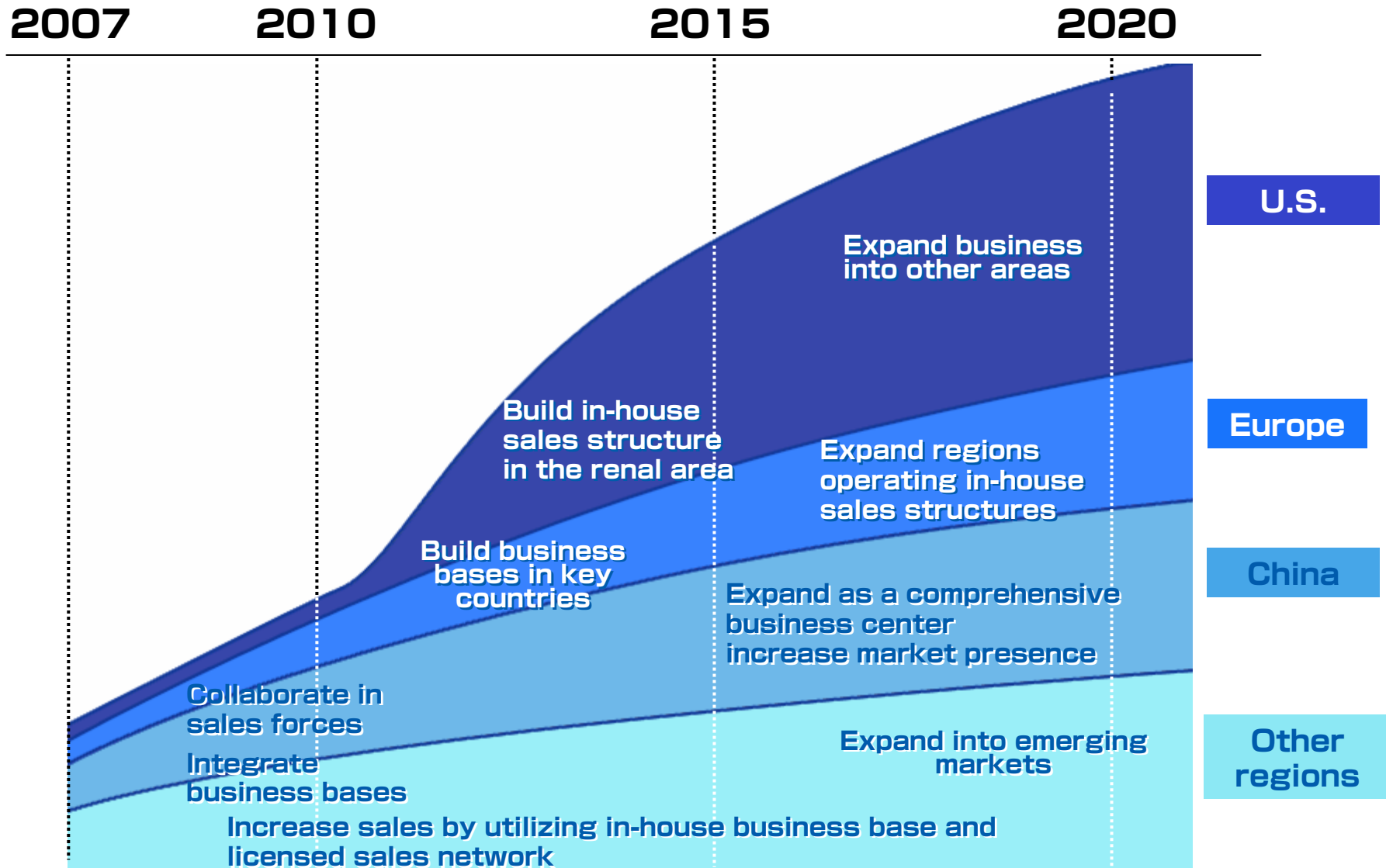


Merging drugs and diagnosis

Plan to establish Consolidated marketing company



# Overseas Business Strategy: Business Expansion Concept



# Challenge to Explore New Business Opportunities

- **Generic Drugs Business**
- **Personalized Medicine**

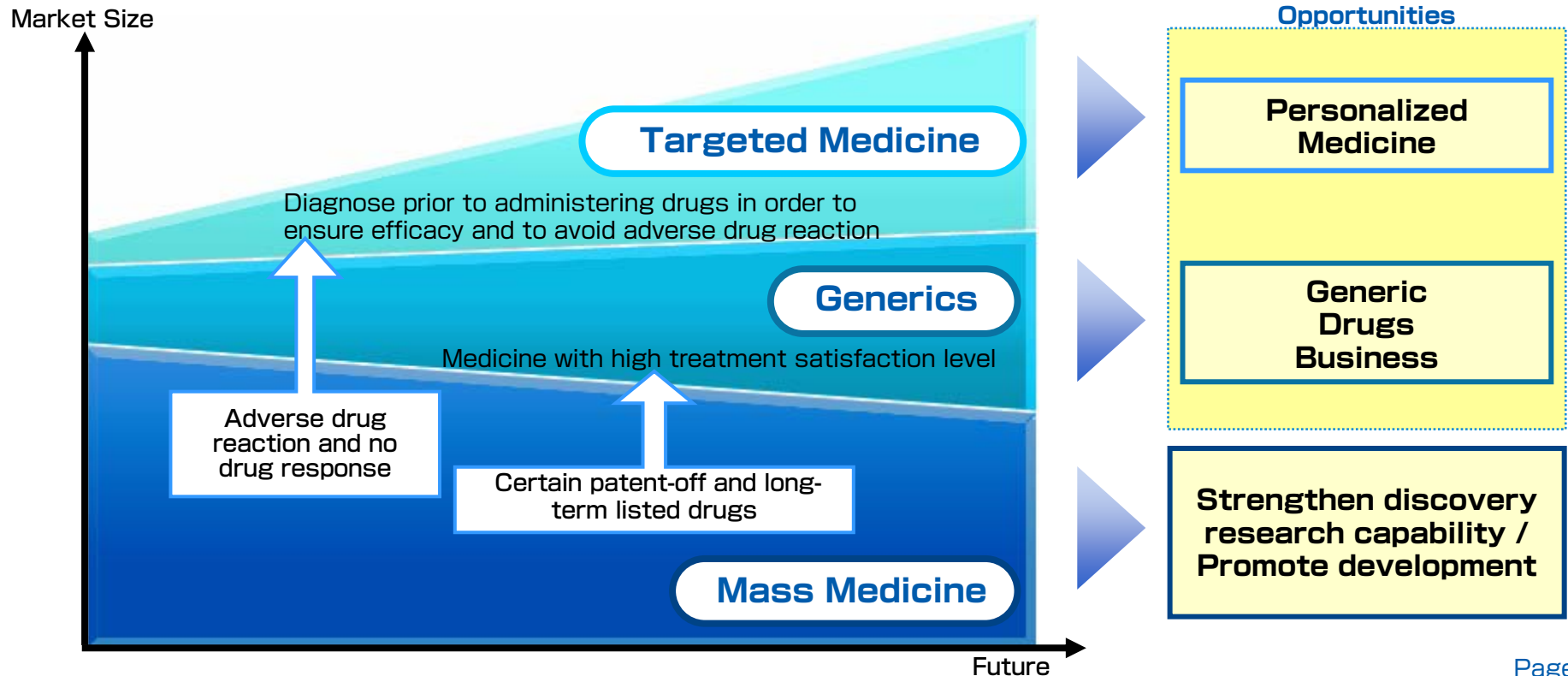
# Strategic Goals of the New Company



Take on the challenge to explore new business opportunities in response to the diversification of drug values

- Strengthen discovery research capabilities, and promote domestic and global development.
- Collaborate with the Mitsubishi Chemical Holdings Group, and take on the challenge to explore new business opportunities.

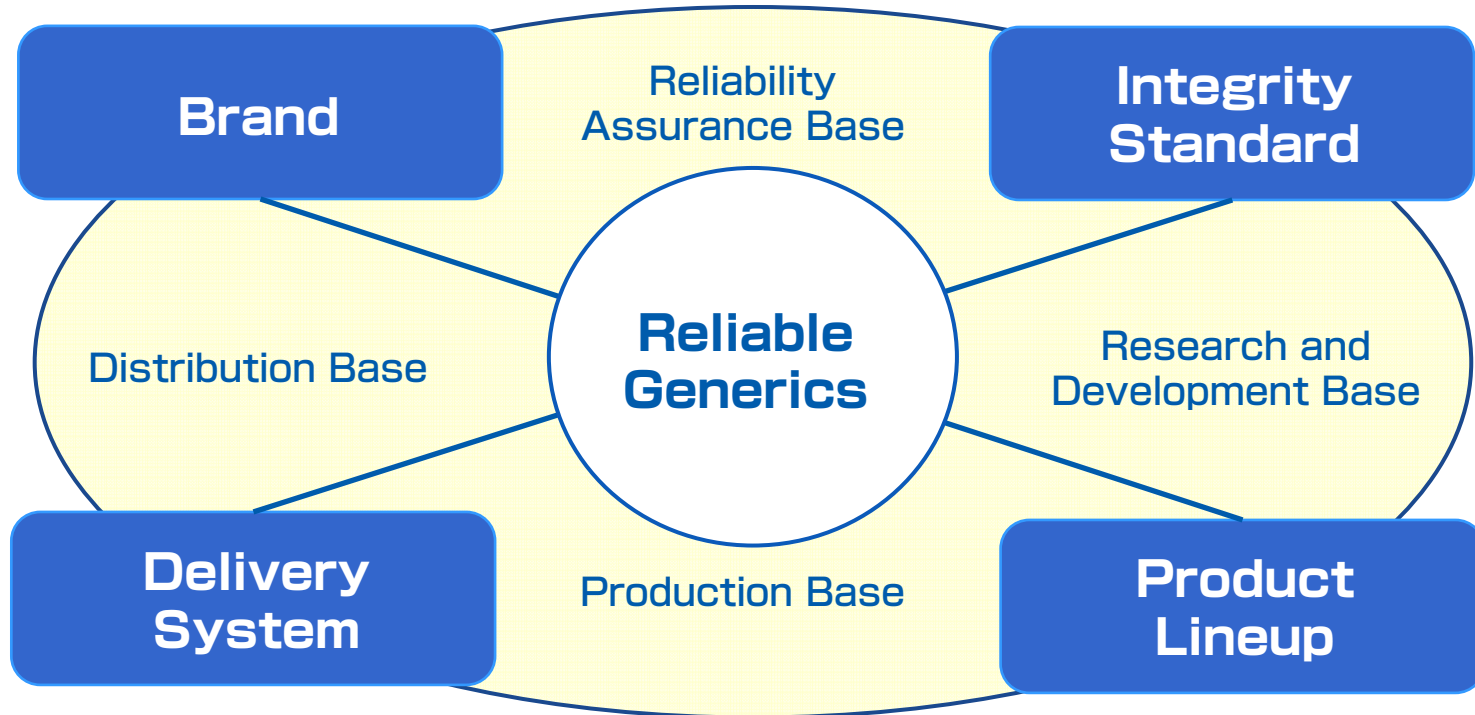
## Future Domestic Pharmaceutical Market



# Generics Business Policy



## Mitsubishi Tanabe Pharma's Business Base



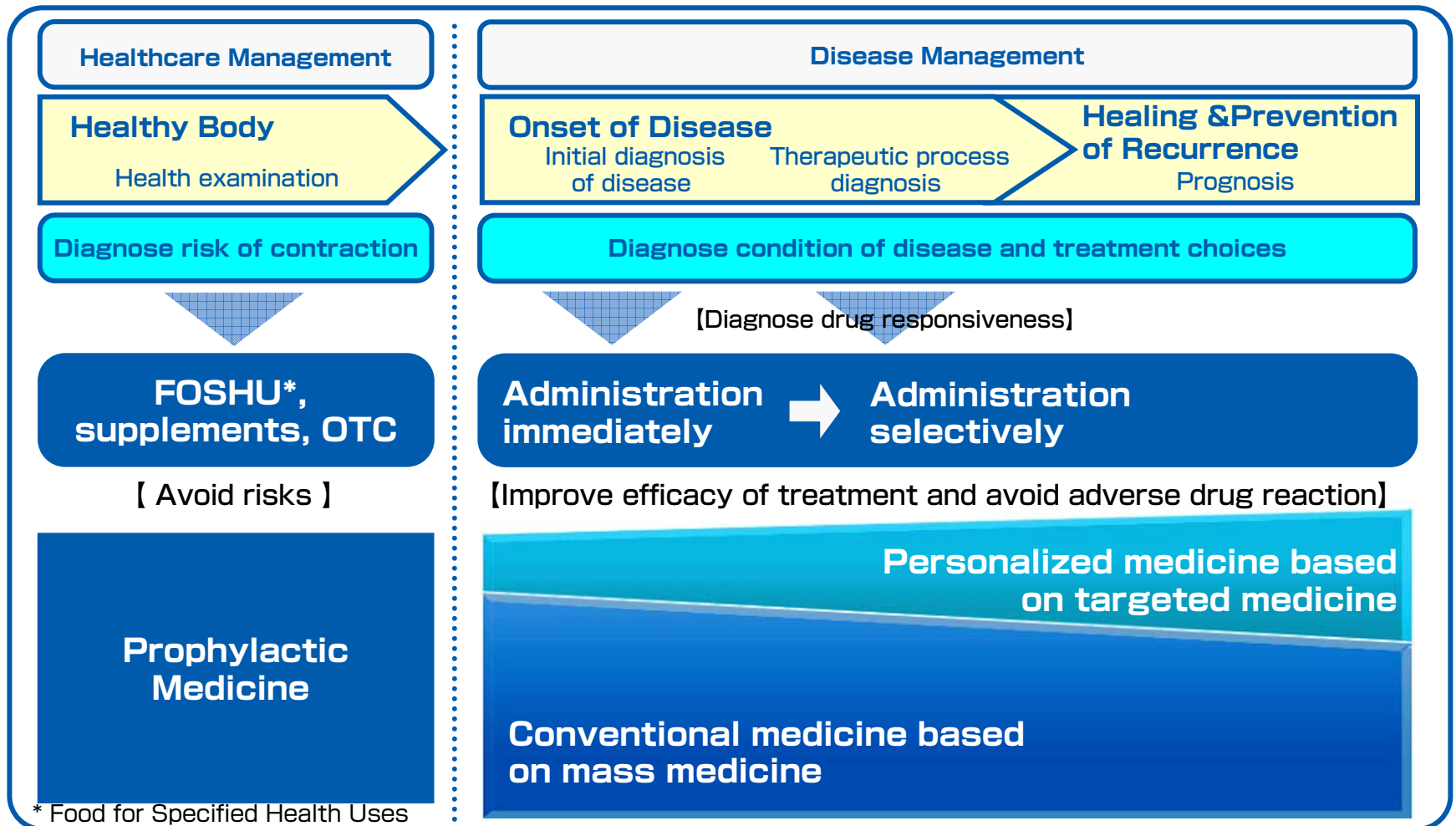
**We provide generic drugs  
that patients and healthcare professionals can use reliably.**

# Expansion Concept for the Generic Drugs Business



	FY 2008	by FY 2010	by FY 2020
<b>Market size</b>	400 billion yen	500 billion yen	1 trillion yen
<b>Sales target</b>		Over 10 billion yen	Leading company
<b>Core areas</b>	Cardiovascular / metabolics, gastroenterology etc.		
<b>Formulation</b>	Solid oral pharmaceuticals		
		Injection	
<b>Product lineup</b>	about 40 ingredients	10 new GE products / year	
		60-100 ingredients	
<b>Issues</b>	Joint development, Strategic alliances		
	Establishment of sales company		

# Healthcare in the Age of “Personalized Medicine”



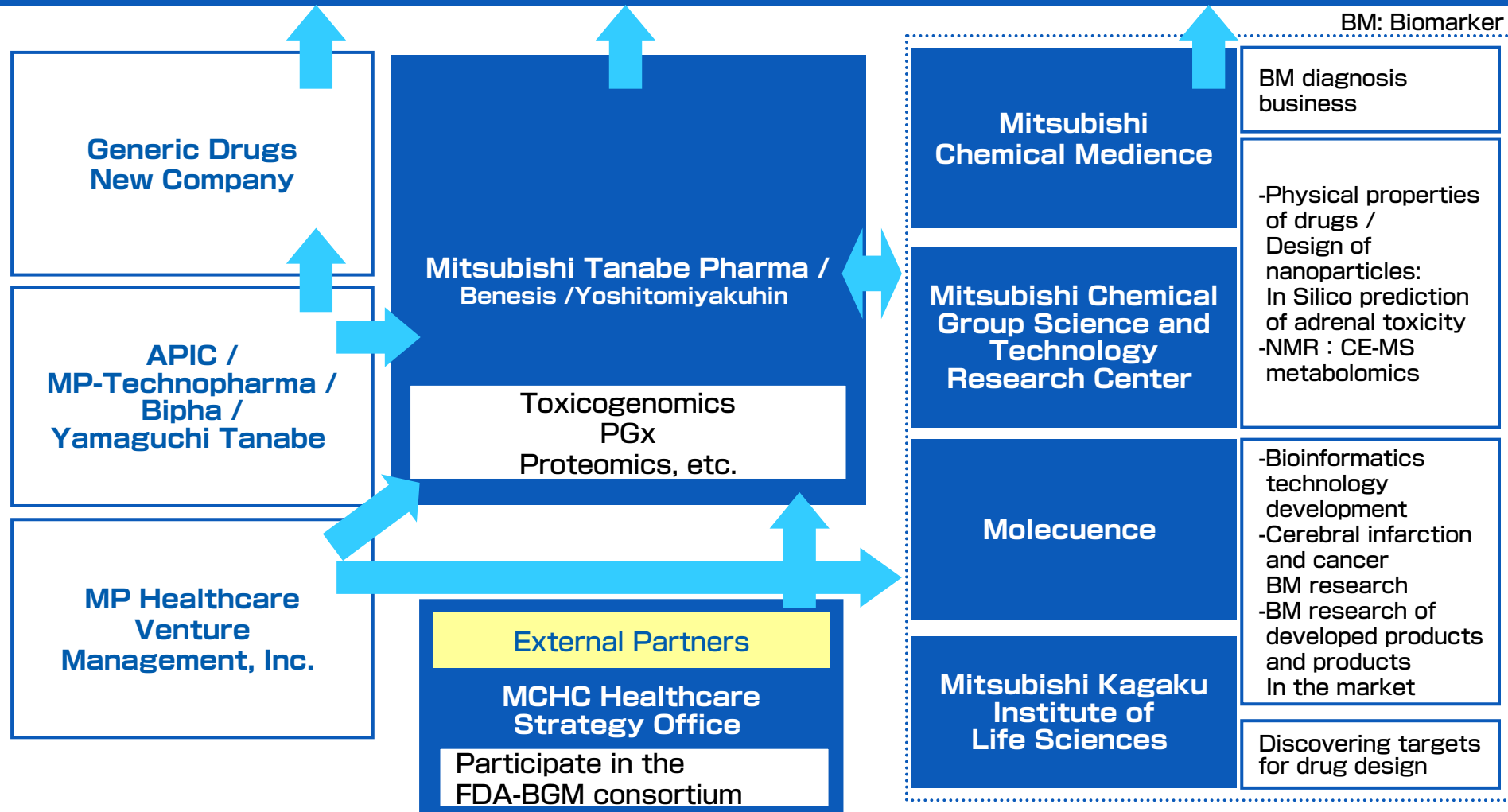
In about 2020, healthcare that combines healthcare management and disease management will be conducted over the course of a patient's life, and if a patient contracts a disease, diagnosing drug responsiveness prior to administering the drug will have become par for the course.

# Specific Initiatives for Personalized Medicine



Disease Management Business

## Personalized Medicine



**We contribute to healthier lives of people around the world through creating pharmaceuticals.**



Mitsubishi Tanabe Pharma



# Reference Data

# Outline of the New Company



## ■ Company name

Mitsubishi Tanabe Pharma Corporation

## ■ Headquarters

2-10, 3-chome, Dosho-machi, Chuo-ku, Osaka  
(Current headquarters of Tanabe Seiyaku)

## ■ Capital

50 billion yen (tentative)

## ■ Representatives

Natsuki Hayama, President & Representative Director  
Takeshi Komine, Vice President & Representative Director

# Directors and Auditors



Directors		Auditors	
Natsuki Hayama	President & Representative Director	Hiroshi Matsumoto	Corporate Auditor (standing)
Takeshi Komine	Representative Director	Akihiro Narimatsu	Corporate Auditor (standing)
Michihiro Tsuchiya	Director	Masanao Iechika	Corporate Auditor (outside)
Kunihiko Shimojuku	Director	Takashi Nishida	Corporate Auditor (outside)
Toshinobu Kawata	Director	Junichiro Kawanishi	Substitute Corporate Auditor
Ken-ichi Yanagisawa	Director		
Junji Hamaoka	Director		
Kiyoshi Nakayama	Director (outside)		

# Financial Data of the New Company



## ■ Financial Results (FY 2006 Simple Sum) (Billion yen)

P/L	Sales	405.0
	Operating Income	70.4
	Ordinary Income	71.6
	Net Income	44.5
	(R&D Expenses)	(75.7)
B/S	Total Assets	620.5

## ■ Number of Employees (consolidated) 10,596

## ■ Major Shareholders

Shareholder	Shareholding*	Shareholder	Shareholding*
Mitsubishi Chemical Holdings	56.3	The Chase Manhattan Bank	1.5
Nippon Life Insurance Company	2.8	Nipro Corporation	1.4
The Master Trust Bank of Japan	2.7	State Street Bank and Trust Company	1.1
The Bank of Tokyo-Mitsubishi UFJ	2.2	State Street Bank and Trust Company 505103	1.0
Japan Trustee Services Bank	2.0	Tokio Marine & Nichido Fire Insurance	0.9
		Aggregate of top 10 shareholders	72.1

\* The shareholding ratios for all shareholders except for Mitsubishi Chemical Holdings have been calculated by dividing the number of shares in Tanabe Seiyaku held on March 31, 2007 by the total number of issued shares of the New Company following the increase attributable to the merger.

# Goodwill of the New Company



Under accounting for business combinations, this merger is regarded as a “reverse acquisition.” The “purchase method” will be applied and “goodwill” will be recorded as if Mitsubishi Pharma had acquired Tanabe Seiyaku on the consolidated financial statements of the New Company.

## ■ Estimate of goodwill

### Market value of Tanabe Seiyaku (acquisition cost)

(Based on share price prior to announcement of merger agreement)

approx. 400 billion yen (A)

### Estimated value of Tanabe Seiyaku net assets as of Sep. 30, 2007

(based on market value)

approx. 250 billion yen (B)

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### Estimated value of goodwill (A-B)

approx. 150 billion yen

## ■ Period of amortization (planned)

**15 years (annual amortization: approx. 10 billion yen)**

# Sales of Key Products by Area (domestic)



## ■ Key Products and Areas (FY 2006)

(Net Sales: Billion yen)

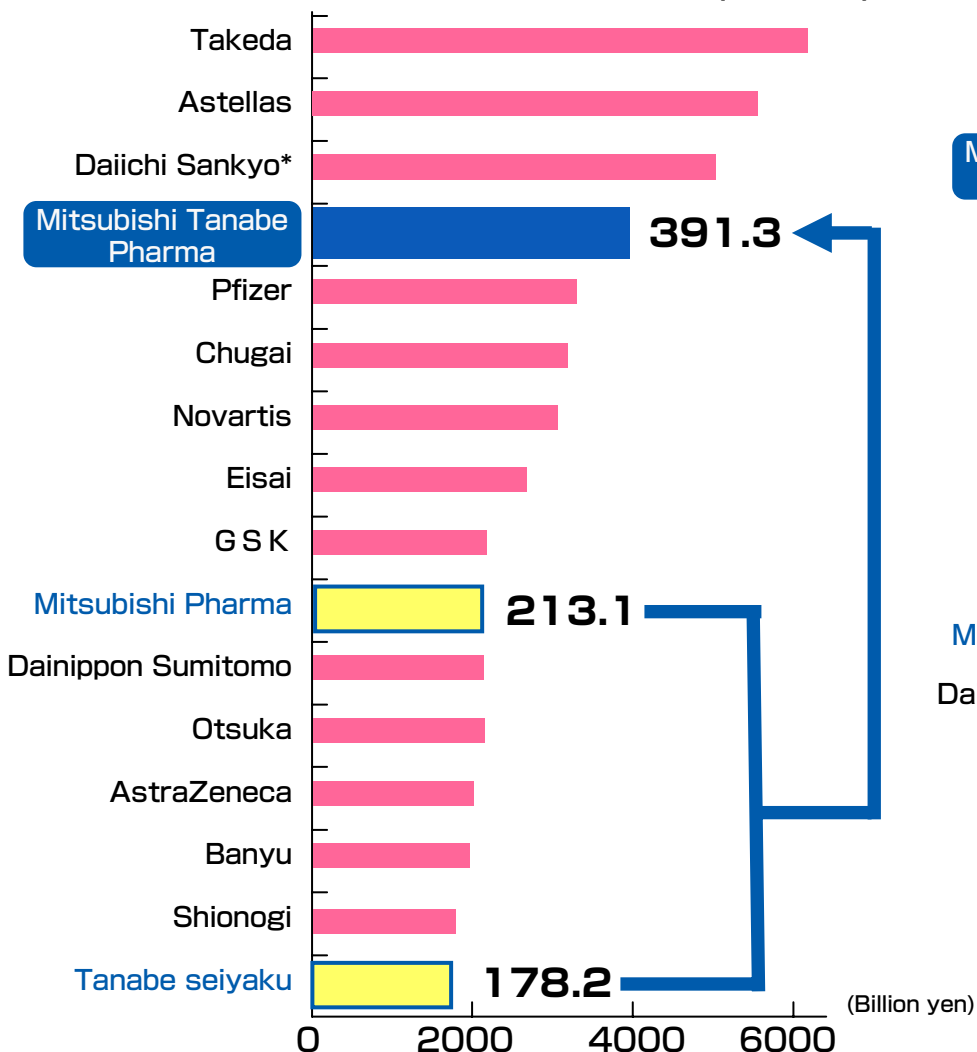
Cardiovascular System	Anplag	166
	Tanatril	128
	Herbesser	134
	Maintate	99
	Liple	102
Immunology System	Remicade	205
	Venoglobulin-IH	132
Central Nervous System	Radicut	285
	Ceredist	145
	Depas	112
	Sermion	102
Gastrointestinal System	Urso	159
	Omeprazon	58
	Gastrom	61

Red: Tanabe Seiyaku Blue: Mitsubishi Pharma

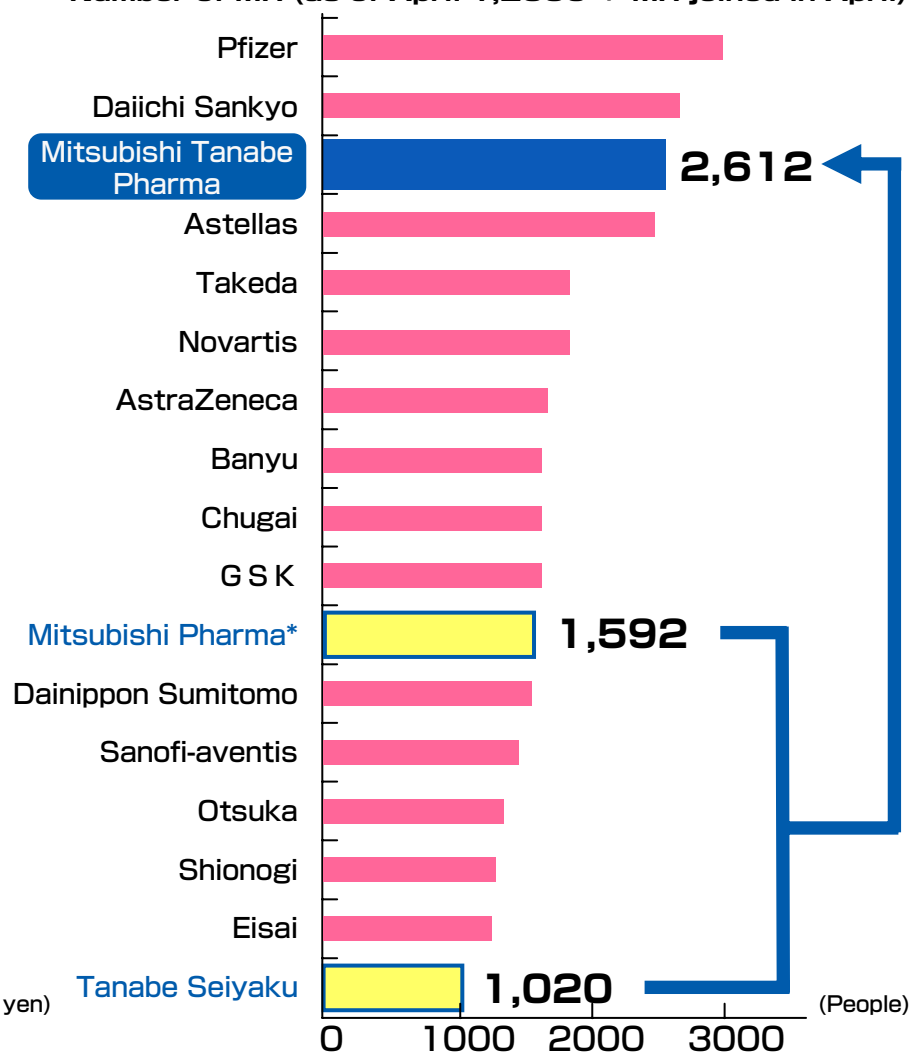
# Positioning of the New Company



Domestic Ethical Pharmaceutical Sales(FY 2006)



Number of MR (as of April 1, 2006 + MR joined in April)



\* The data for "Daiichi Sankyo" is the simple aggregate of "Daiichi Pharmaceutical" and "Sankyo" based on IMS data.

\* The above figure for Mitsubishi Pharma includes the Yoshitomiyaquin and Benesis MR figures.

# R&D Pipeline by Area



	Preclinical	Ph 1	Ph 2	Ph 3	NDA Filed
Cardiovascular/ Metabolics	Treatment of cerebral infarction(1)	*Radicut (Cerebral infarction)	MCC-977 (DVT)	*Novastan (PCI in HIT)	*Novastan (HIT)
	Treatment of cerebral infarction(2)	*Abrec (Stabilizer agent)	MCC-135 (Myocardial infarction)	Anplag (Relapse prevention for cerebral infarction)	*Maintate (Heart failure)
	Antithrombotic drug		TA-6666 (Diabetes)	MP-146 (Chronic renal disease)	Abrec (Hypoalbuminemia)
	Treatment of renal disease		MP-513 (Diabetes)	Cholebine (Hyperphosphatemia)	*Novastan (Cerebral thrombosis) China
	Anti-obesity drug		MCC-257 (Diabetic neuropathy)		
	Antidiabetic drug (1)		Y-700 (Gout, hyperuricemia)		
	Antidiabetic drug (2)		*Cholebine (Diabetes)		
	Antilipemic agent Treatment of hypertriglyceridemia				
Immunology/ Inflammation	Antirheumatic drug	CNTO-148 (RA)	T-0047 (MS)	*Remicade (RA/dosage)	*Remicade (CD maintenance)
		TA-5493 (RA, PS)	FTY720 (MS)	*Remicade (PS, UC, AS)	*Venoglobulin-IH (Polymyositis)
				*Venoglobulin-IH (scleroderma)	*Venoglobulin-IH (IgG2 deficiency)
Respiratory			TA-2005 (Asthma, COPD)	MCC-847 (Asthma)	*Talion (OD tablet) <sup>1)</sup>
			*Cleanal (Acute respiratory disease)	APTA-2217 (Asthma, COPD)	
			MCC-847 (Rhinitis)	*Modiodal (OSA)	
Others (CNS) (Hepatic) (Urology)		MP-214 (Schizophrenia)	TA-5538 (Overactive bladder)	*Radicut (ALS)	*Urso (Hepatitis C) <sup>2)</sup>
		TA-1702 (Overactive bladder)	TA-1790 (ED)	TA-8317 (Cancer pain)	*Omeprazon (NERD) <sup>3)</sup>
		MP-424 (Hepatitis C)		*Gastrom (IBD)	*Omeprazon (Secondary eradication of H. pylori)
		TA-0128 (Cancer)		*Valixa (Transplantation)	*Neuart (Gestosis)

\*Additional indications, additional formulation, or change in dosage. 1) March 2007 approval for manufacture and selling (orally-disintegrating (OD) tablet).

2) March 2007 approval for partial change to approved manufacture and selling items.

3) April 2007 report to First Pharmaceuticals Committee (complete).



# Relationship with Mitsubishi Chemical Holdings Corporation



**The New Company will become a consolidated subsidiary, with Mitsubishi Chemical Holdings Corporation holding a majority of the shares.**

**The New Company will be operated based on the principle of independent decision-making as a publicly listed company so as to maximize the profit of its shareholders as a whole.**

**Mitsubishi Chemical Holdings Corporation will, in principle, maintain its shareholding ratio in the New Company for the next 10 years.**

*Good **Chemistry** for Tomorrow*

Mitsubishi Chemical Holdings Group

## Cautionary Statement

The statements contained in this presentation is based on a number of assumptions and belief in light of the information currently available to management of the two companies and is subject to significant risks and uncertainties.

Information on the companies, excluding the two companies and the new company, is generally based on and referring directly to publicly available information, and the companies have not assumed any responsibility for independently verifying and makes no warranties or representations with respect to the accuracy and completeness of such information.