



Mitsubishi Tanabe Pharma

# Mitsubishi Tanabe Pharma Corporation FY2008 Second Quarter Business Results Briefing

November 4, 2008  
Keidanren Kaikan

Natsuki Hayama  
President  
Representative Director

# **FY2008 Second Quarter**

**(Ended September 30, 2008)**

## **Overview of Business Results**

# 1<sup>st</sup> Half of FY2008 Financial Results

【April to September, 2008】



Mitsubishi Tanabe Pharma

	FY2007	FY2008	Increase Decrease		Published forecasts	% achieve
	Billion yen	Billion yen	Billion yen	%	Billion yen	%
<b>Net sales</b>	<b>207.7</b>	<b>206.3</b>	<b>-1.4</b>	<b>-0.7</b>	<b>206.0</b>	<b>100.2</b>
Cost of sales	75.8	78.9	+3.1	+4.2	74.5	106.0
Sales cost ratio	36.5%	38.3%			36.2%	
<b>SG&amp;A</b>	<b>92.2</b>	<b>93.3</b>	<b>+1.1</b>	<b>+1.2</b>	<b>98.0</b>	<b>95.2</b>
Operating income	39.7	34.1	-5.6	-14.2	33.5	101.7
Ordinary income	40.2	35.1	-5.1	-12.6	34.0	103.4
<b>Net income</b>	<b>20.4</b>	<b>16.4</b>	<b>-4.0</b>	<b>-19.5</b>	<b>15.0</b>	<b>109.2</b>

FY2007: Simple sum of Tanabe Seiyaku and Mitsubishi Pharma

Published forecasts: forecasts for 1<sup>st</sup> half of FY2008 announced in FY2007 Business Results Briefing on May 7, 2008

# Sales by Segment

## 【1<sup>st</sup> Half of FY2008 Financial Results】



	FY2007	FY2008	Increase Decrease		Published forecasts	% achieve
	Billion yen	Billion yen	Billion yen	%	Billion yen	%
<b>Net sales</b>	<b>207.7</b>	<b>206.3</b>	<b>-1.4</b>	<b>-0.7</b>	<b>206.0</b>	<b>100.2</b>
[Overseas sales]	[18.9]	[ 19.0]	[ +0.1]	[ +0.7]	[ 21.5]	[88.5]
<b>Pharmaceuticals</b>	<b>192.7</b>	<b>191.0</b>	<b>-1.7</b>	<b>-0.9</b>	<b>191.2</b>	<b>99.9</b>
Ethical drugs domestic sales	167.3	165.1	-2.2	-1.3	163.5	101.0
Ethical drugs overseas sales	11.8	13.4	+1.6	+13.3	12.6	106.5
OTC	3.1	2.9	-0.2	-7.2	2.6	110.0
Others	10.5	9.6	-0.9	-8.8	12.6	76.4
<b>Other Businesses</b>	<b>15.0</b>	<b>15.4</b>	<b>+0.4</b>	<b>+2.4</b>	<b>14.8</b>	<b>104.0</b>

# Ethical Drugs Domestic Sales

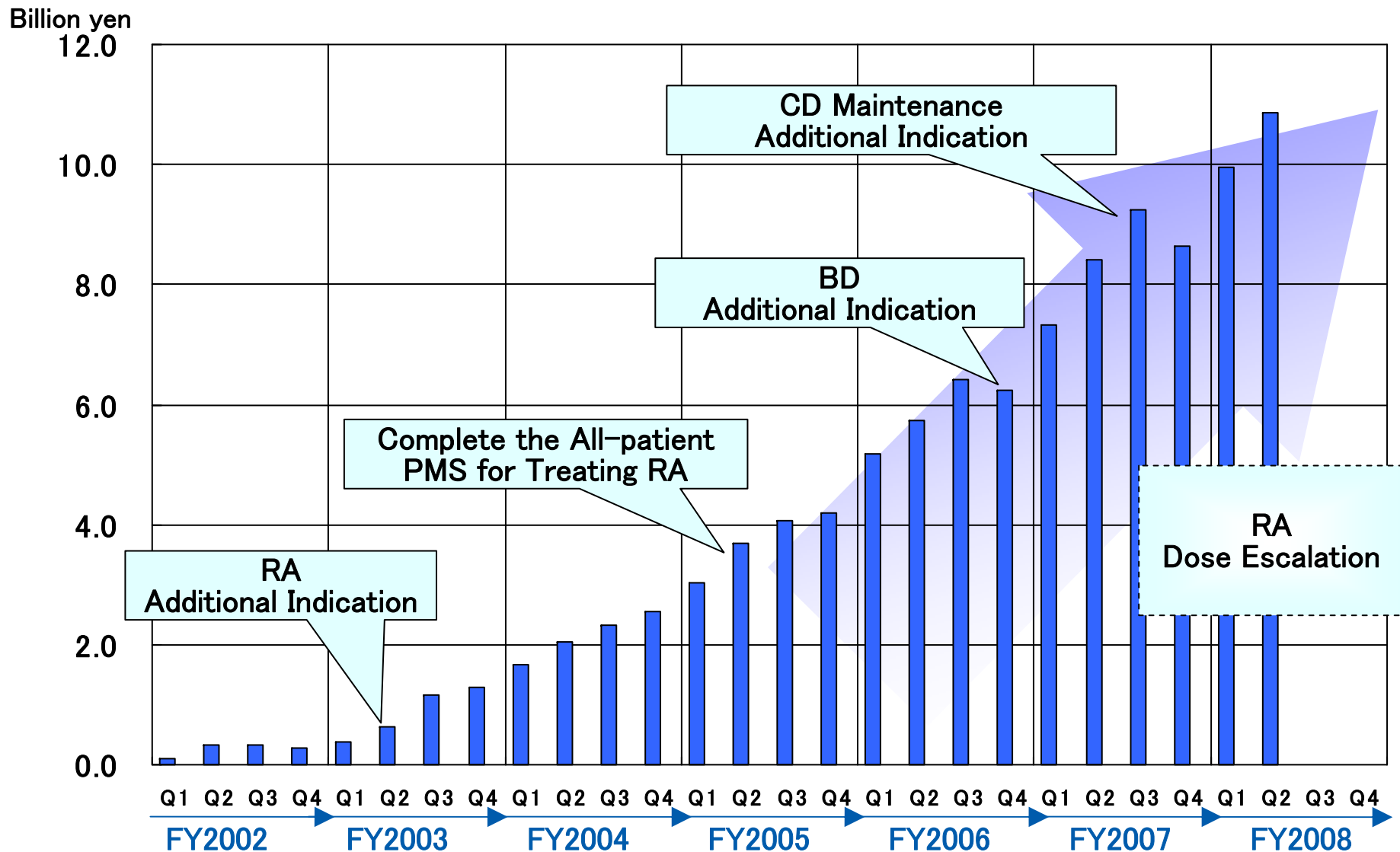
## Main Products

### 【1<sup>st</sup> Half of FY2008 Financial Results】



	FY2007	FY2008	Increase Decrease		Published forecasts	% achieve
	Billion yen	Billion yen	Billion yen	%	Billion yen	%
<b>Ethical drugs domestic sales</b>	167.3	165.1	-2.2	-1.3	163.5	101.0
Remicade	13.5	17.7	+4.2	+31.5	16.7	106.3
Radicut	14.6	13.9	-0.7	-5.0	14.4	96.3
Anplag	9.2	9.1	-0.1	-1.1	9.8	92.4
Urso	8.4	8.0	-0.4	-4.3	8.9	90.4
Tanatril	6.4	6.1	-0.3	-5.6	6.4	95.1
Talion	3.1	3.5	+0.4	+13.3	3.8	91.6
Ceredist	7.9	8.2	+0.3	+3.9	7.7	105.8
Herbesser	6.7	6.0	-0.7	-10.5	6.1	99.0
Depas	5.8	5.9	+0.1	+1.3	6.1	96.5
Venoglobulin-IH	6.3	5.6	-0.7	-11.8	6.0	93.0
Vaccines [Mearubik]	6.9 [4.4]	10.3 [7.2]	+3.4 [+2.8]	+50.1 [+63.1]	6.5 [4.7]	159.1 151.8

# Remicade Sales Trend (Drug Price Basis) 【1st Half of FY2008 Financial Results】



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# Cost of Sales/SG&A Expenses

## 【1<sup>st</sup> Half of FY2008 Financial Results】



	FY2007	FY2008	Increase Decrease		Published forecasts	% achieve
	Billion yen	Billion yen	Billion yen	%	Billion yen	%
<b>Net sales</b>	207.7	206.3	-1.4	-0.7	206.0	100.2
<b>Cost of sales</b>	75.8	78.9	+3.1	+4.2	74.5	106.0
<b>Sales cost ratio</b>	36.5%	38.3%			36.2%	
<b>SG&amp;A</b>	92.2	93.3	+1.1	+1.2	98.0	95.2
R&D expenses	36.6	37.6	+1.0	+2.7	39.5	95.2
Labor costs	27.2	25.2	-2.0	-7.2	25.0	101.0
Sales promotion expenses	7.1	5.7	-1.4	-19.6	7.4	77.3
Amortization of goodwill	0.0	5.0	+5.0	—	5.0	100.5
Others	21.2	19.7	-1.5	-7.2	21.1	93.4
<b>Operating income</b>	39.7	34.1	-5.6	-14.2	33.5	101.7

# Non-operating Income and Expenses/ Extraordinary Income and Losses

【1<sup>st</sup> Half of FY2008 Financial Results】



Mitsubishi Tanabe Pharma

	FY2007	FY2008	Increase Decrease		Published forecasts	% achieve
	Billion yen	Billion yen	Billion yen	%	Billion yen	%
Operating income	39.7	34.1	-5.6	-14.2	33.5	101.7
Non-operating income & expenses	0.5	1.1	+0.6		0.5	
Ordinary income	40.2	35.1	-5.1	-12.6	34.0	103.4
Extraordinary income	0.2	0.1	-0.1		—	
Extraordinary losses	6.9	4.8	-2.1		6.5	74.4
Additional retirement allowance	1.6	3.9	+2.3			
Losses due to impairment	—	0.6	+0.6			
Merger-related expenses	3.7	—	-3.7			
Losses on plant shutdown	1.4	—	-1.4			
Net income	20.4	16.4	-4.0	-19.5	15.0	109.2



Mitsubishi Tanabe Pharma

# Forecasts for FY2008

(Fiscal Year Ending March 31, 2009)

# Revision of Forecasts for FY2008



Mitsubishi Tanabe Pharma

	Published forecasts	Current forecasts	Revision	
	Billion yen	Billion yen	Billion yen	%
<b>Net sales</b>	425.0	420.0	-5.0	-1.2
Cost of sales	159.0	161.5	+2.5	+1.6
Sales cost ratio	37.4%	38.5%		
<b>SG&amp;A</b>	191.0	185.5	-5.5	-2.9
Operating income	75.0	73.0	-2.0	-2.7
Ordinary income	76.0	74.5	-1.5	-2.0
Extraordinary losses	8.0	10.5	+2.5	+31.3
<b>Net income</b>	39.0	35.5	-3.5	-9.0

# Revision of Forecasts for FY2008

## 【Sales by Segment】



	Published forecasts	Current forecasts	Revision	
	Billion yen	Billion yen	Billion yen	%
<b>Net sales</b>	<b>425.0</b>	<b>420.0</b>	<b>-5.0</b>	<b>-1.2</b>
<b>Pharmaceuticals</b>	<b>395.6</b>	<b>390.7</b>	<b>-4.9</b>	<b>-1.2</b>
Ethical drugs domestic sales	<b>339.1</b>	<b>337.1</b>	<b>-2.0</b>	<b>-0.6</b>
Vaccines	16.3	20.7	+4.4	+26.8
Remicade	35.7	37.3	+1.6	+4.6
Anplag	20.2	18.6	-1.6	-8.1
Urso	18.0	16.4	-1.6	-9.3
Venoglobulin-IH	12.2	11.0	-1.2	-9.4
Tanatril	12.6	11.9	-0.7	-5.7
Radicut	29.3	28.7	-0.6	-2.0
Generic drugs	5.9	4.2	-1.7	-27.4
Ethical drugs overseas sales	<b>26.3</b>	<b>26.7</b>	<b>+0.4</b>	<b>+1.4</b>
OTC	5.7	5.6	-0.1	-1.9
Others	24.4	21.3	-3.1	-13.0
<b>Other businesses</b>	<b>29.4</b>	<b>29.3</b>	<b>-0.1</b>	<b>-0.3</b>

# Forecasts for FY2008

## 【Year on Year Comparison】



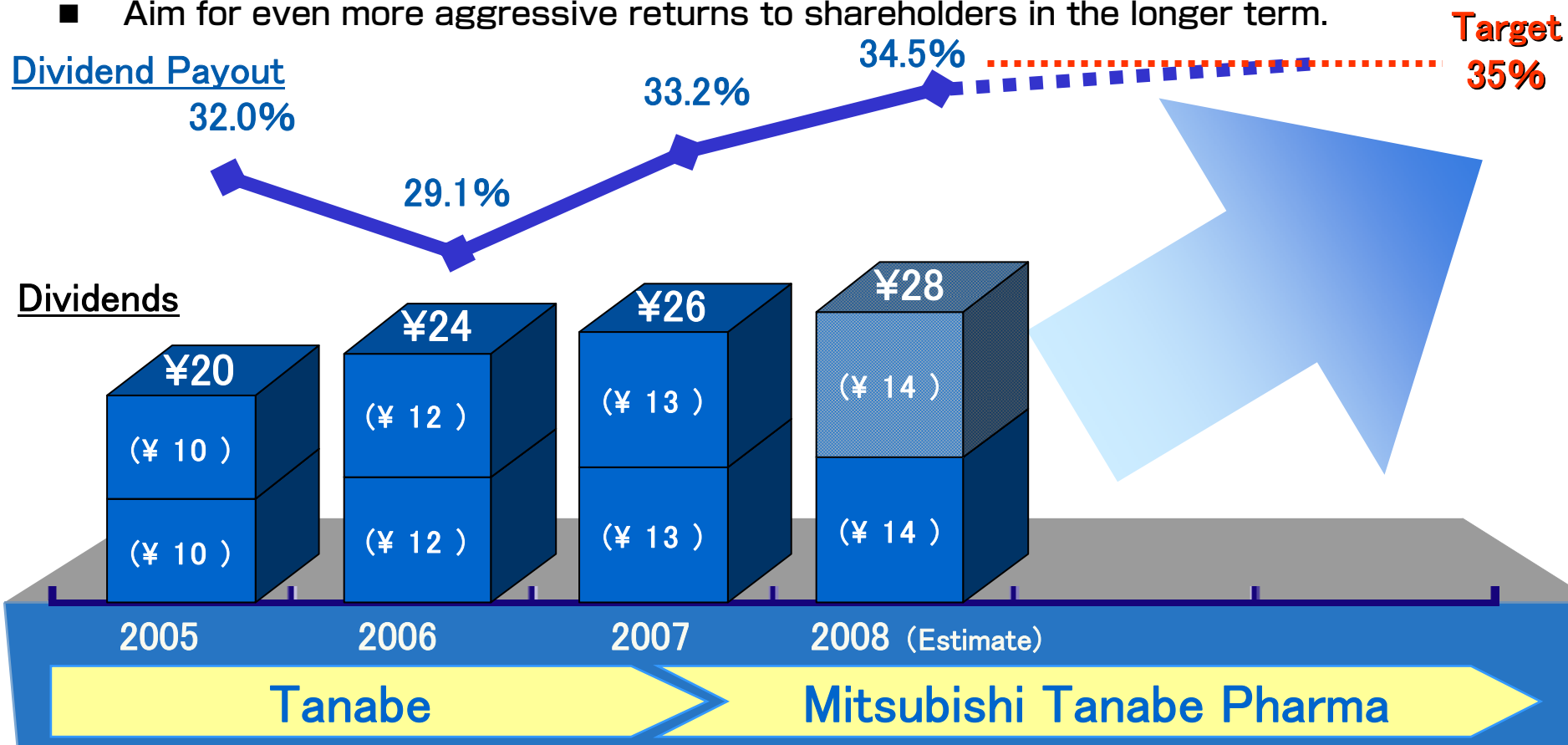
	FY2007	FY2008	Increase/Decrease	
	Billion yen	Billion yen	Billion yen	%
<b>Net sales</b>	<b>409.4</b>	<b>420.0</b>	<b>+10.6</b>	<b>+2.6</b>
Pharmaceuticals	379.5	390.7	+11.2	+2.9
Other businesses	29.9	29.4	-0.5	-1.8
<b>Cost of sales</b>	<b>150.5</b>	<b>161.5</b>	<b>+11.0</b>	<b>+7.3</b>
Sales cost ratio	36.8%	38.5%		
<b>SG&amp;A</b>	<b>186.4</b>	<b>185.5</b>	<b>-0.9</b>	<b>-0.5</b>
R&D expenses	72.3	74.0	+1.7	+2.3
Labor cost	53.0	49.4	-3.6	-6.8
Amortization of goodwill	5.1	10.0	+4.9	+94.7
<b>Operating income</b>	<b>72.5</b>	<b>73.0</b>	<b>+0.5</b>	<b>+0.7</b>
<b>Ordinary income</b>	<b>73.6</b>	<b>74.5</b>	<b>+0.9</b>	<b>+1.2</b>
Extraordinary income	2.0	0.1	-1.9	-95.0
Extraordinary losses	20.3	10.5	-9.8	-48.3
<b>Net income</b>	<b>31.9</b>	<b>35.5</b>	<b>+3.6</b>	<b>+11.2</b>

FY2007 Actual: simple sum

# 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 the longer term.



Tanabe Seiyaku's interim figures and Mitsubishi Tanabe Pharma's estimated year-end figures are used for the FY 2007 dividends. The dividend payout ratio is calculated exclusive of the amortization of goodwill and provision for reserve for HCV litigation from Mitsubishi Tanabe Pharma's second-half net income, and with estimated year-end dividends.

# **Medium-Term Management Plan 08-10 Updates**

# Key Management Issues and the Action Plan for the 08–10 Medium–Term Period



Enhancing Our Presence in Domestic Marketing

Steady Progress in Key Development Projects

Progress in Developing Overseas Pharmaceutical Operations

Progress in Generic Operations

Creating an Efficient Organization and Cost Structure

# Enhancing Our Presence in Domestic Marketing



## ◆ Maximizing the product potential of Remicade

- Specialized Remicade area managers; 95 → 170 (Apr. 2008)
- Additional indication; ankylosing spondylitis, NDA filed (Sep. 2008)

## ◆ Increasing specialized promotion in cerebral field

- Specialized MRs; 15 (before the merger) → 45 (Oct. 2007) → 50 (Oct. 2008)

## ◆ Promotion system

- Unification of sales lines (Apr. 2008)

Multiple Cover System

Cooperation between MRs responsible for each institution and specialists  
Hospital sales channel: Overlapping by department  
General practitioner sales channel: Overlapping by area

## ◆ Strengthening cooperation in group marketing

- Tanabe Seiyaku Hanbai Co., Ltd. (Apr. 2008)
- Benesis Corporation, product managers; 35 → 80 (Oct. 2008)

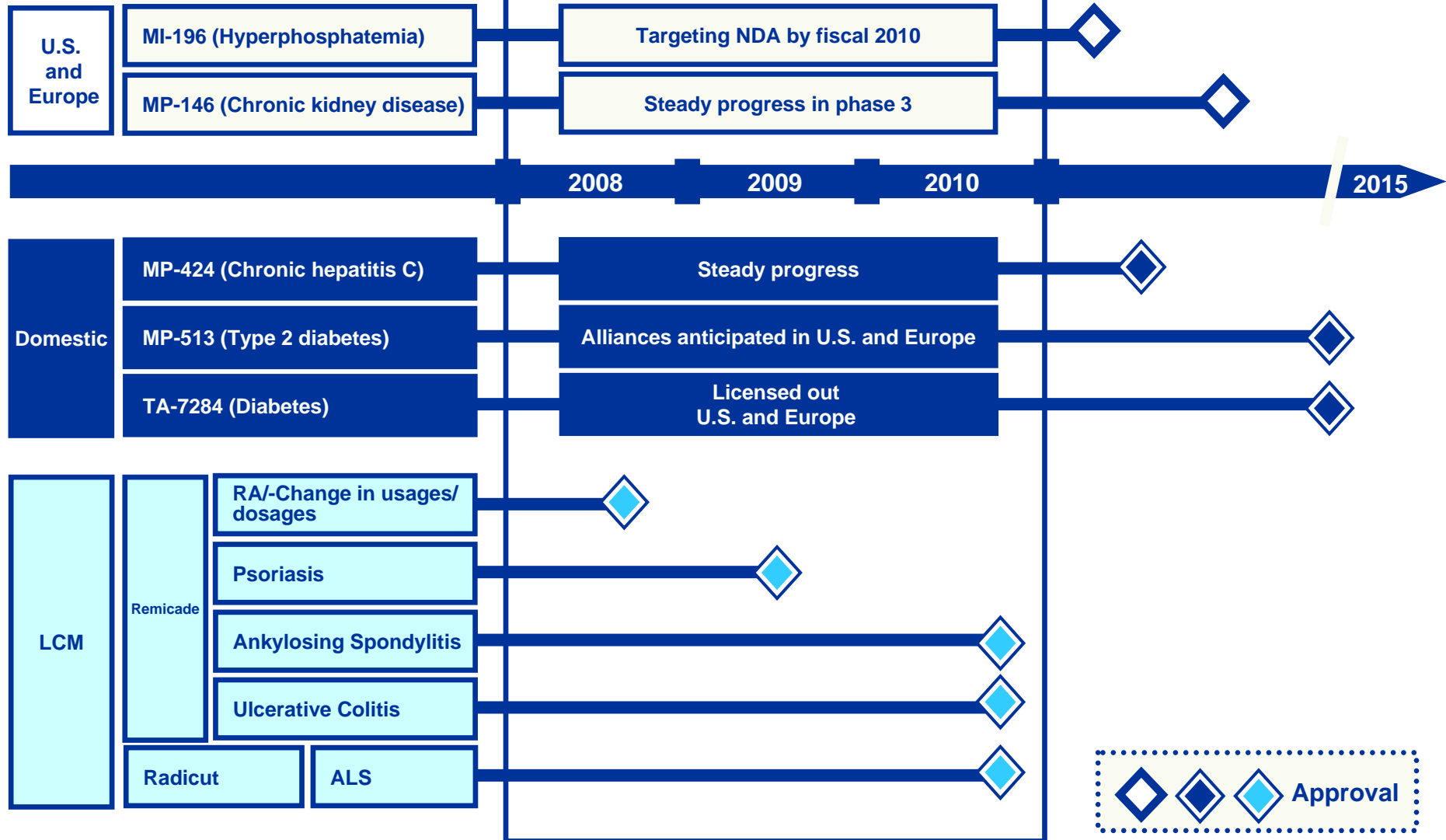
## ◆ Others

- Launch; Medway Injection (May 2008)
- Start joint marketing of Glucobay® with Bayer Yakuhin Ltd. (Sep. 2008)

# Steady progress in key development projects



## Medium-Term Management Plan Dynamic Synergy for 2015



# Progress in Developing Overseas Pharmaceutical Operations

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- ◆ Prepare in-house sales system in the U.S. and Europe for MCI-196 and MP-146
  - License agreement with Cytochroma Inc. on CTA018  
Secondary hyperparathyroidism treatment agent  
Enhance CKD pipeline in the U.S.
- ◆ Accelerating development in Asian operations
  - Maximize the existing operational foundation  
Expand the lineup of marketing products

# Progress in Generic Operations



## ◆ Marketing system

- Established Tanabe Seiyaku Hanbai Co., Ltd. (Apr. 2008)

## ◆ Alliance

- Capital and business alliance with Choseido Pharmaceutical Co., Ltd.  
Acquired majority of shares (Aug. 2008)
- Revise generic business plan including Choseido Pharmaceutical

## ◆ Reliable generics supply system

- Set up GE Business Promotion Committee  
(R&D, Medical Information Center, PMS, QA)
- Launch 9 products in 15 standards (July 2008)

# Creating an efficient organization and cost structure



## ◆ Ensure optimal sized workforce

- Early retirement, 217 (Sep. 2008)
- Integrate personnel system (2008/10), Consolidate pensions (2009/4)

## ◆ Base consolidation

- Close Nabari Training Center No.2 (May 2008)
- Relocate research facilities currently in Hirakata to Kashima, Osaka (Dec. 2008)
- Osaka head office relocation project (Move in Autumn, 2009)

## ◆ Reorganize subsidiaries & affiliates

- Consolidate production companies to Mitsubishi Tanabe Pharma Factory (Oct. 2008)
- Consolidate subsidiaries providing general services (Apr. 2009)

## ◆ Cost reductions

- Generate cost synergy, ¥11.5 billion

# Dynamic Synergy for 2015

-Toward Global Research-Driven Pharmaceutical Company -



## Vision

### FY2015 Objectives

- Enhance R&D pipeline with a focus on the metabolism and circulation disease areas
- Launch and cultivate major products in domestic market
- Establish an in-house sales structure in the U.S. and achieve overseas sales of more than ¥100 billion
- Establish competitive business model

### Key Management Issues and the Action Plan for the 08-10 Medium-Term Period

- Enhance Our Presence in Domestic Marketing
- Steady Progress in Key Development Projects
- Progress in Developing Overseas Pharmaceutical Operations
- Progress in Generic Operations
- Create an Efficient Organization and Cost Structure

### **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 company and is subject to significant risks and uncertainties.**