

Mitsubishi Tanabe Pharma Corporation

Q&A, FY2009 Third Quarter Business Results Conference Call

January 28, 2010 (Thu.) 18:00 - 18:45

[Attendees]

Kunihiko Shimojuku, Representative Director, Executive Vice President

Kenichi Yanagisawa, Board Director, Managing Executive Officer, Division Manager, Sales & Marketing Division

Seiichi Murakami, Executive Officer, Division Manager, Development Division

Kenkichi Kosakai, Executive Officer, General Manager, Finance and Accounting Department

[Results for the third quarter of fiscal 2009]

Sales and Marketing

Remicade

Q: Sales of Remicade for December seem to have increased greatly in comparison to October and November. Should we think that this is the impact of the change in usage and dosage (dose escalation and shortening of administration intervals) for RA that was approved in July last year?

A: We are unable to ascertain the proportion of sales contributed by the change in usage and dosage, but we do think that the dose escalation and shortening of administration intervals are leading to sales expansion and will contribute greatly to the growth of Remicade steadily as each period passes.

Q. How many patients do you envisage, who will use Remicade for psoriasis?

A: The estimated number of psoriasis patients in Japan is about 100,000 people. Of those, we estimate that the number of moderate to severe patients who will be prescribed Remicade at slightly less than 50,000 people. Because the prescription rate of biological drugs for psoriasis patients overseas is about 20%, we will aim for the equivalent in Japan, too.

Anplag

Q: Generic versions of Anplag were launched in November last year. Has there been any impact?

A: Some impact by generics was anticipated, but the market is tending towards expansion, and sales of Anplag are likewise growing as part of that trend. Consequently, we do not think we have been greatly affected at the present time.

Vaccines

Q: Has the sales of the H1N1 flu vaccine exceeded initial plans?

A: At the budget planning (during second-half planning), the situation in regard to the H1N1 flu was extremely unclear. Therefore, a fixed value was incorporated into the results forecast leaving the total sales unchanged. In comparison to that, results have exceeded the forecast slightly.

Q: Will the vaccine be shipped in the fourth quarter? Also, will it be necessary to consider the risk of returns?

A: We shipped a certain amount of the vaccine in January as well. As for returns, decision should be made between the health authorities (Ministry of Health, Labour and Welfare), local authorities and medical institutions, so we decline to comment on it.

Q: Mearubik seems to be making poor progress. Will it be able to achieve the results planned?

A: Because it was affected by the H1N1 flu during the time when it is supposed to be given as a routine vaccination, the immunization rate has fallen. However, the peak of the flu spread is over, and there is a national policy based on the measles eradication plan, a rush in demand of people who have not been vaccinated is anticipated at the end of this fiscal year so we would like to concentrate on achieving the planned results.

Selling, General and Administrative Expenses

Q: Planned R&D costs for the fourth quarter are considerably large in comparison to the third quarter. Are there any special plans such as in-licensing of products?

A: No special projects are scheduled. The trend is the same as in past years and we intend to use the budget as planned.

Q: Is the progress of cost synergies including the rationalization of personnel steady?

A: The plan is to achieve the generation of synergies of ¥24 billion (labor costs: ¥10 billion; other costs: ¥14 billion) by the end of fiscal year 2010. We had produced results of ¥12.7 billion by the end of fiscal year 2008. We are working under a plan of generating synergies of about ¥6 billion in fiscal 2009 as well, but because of the employment situation nowadays, the progress of downsizing of personnel has been slightly delayed.

Others

Q: The planned exchange rate (dollar) for the second half is 95 yen/dollar and the rate is currently hovering at a high level in comparison to the actual rate in the third quarter. Should we think there will be gains on foreign exchange due to the impact of factors such as imports of Remicade?

A: We imagine that will be the case if the yen continues trading at high levels.

Q: Could you explain the reason for the changes in short-term borrowings and deposits?

A: Some of the surplus funds of the company are entrusted for management to MCFA, a financial company in the Mitsubishi Chemical Holdings Group. In contrast to a loan contract, which states that the lender cannot request the borrower return the funds without providing a fixed period of interest (= a fixed length of time), a deposit contract differs in the point that the depositor can request the return of funds at any time. The deposits that we make with MCFA allow for the deposit and withdrawal of funds at any time at the request by us (the depositor). Accordingly, they fall more under the category of "deposits" than "loans" and after consulting with our accountants, we changed to a contract in accordance with the actual situation.

[Development]

FTY720

Q: Will there be a lump-sum payment due to Novartis applying for approval in December last year? Also, what will the running royalty rate be following the launch of the product?

A: We refrain from announcing the contract we have with Novartis.

Q: Has the FDA accepted the application officially? Will it be possible to receive a priority review?

A: We have confirmed the application in the U.S., but not the acceptance of the FDA or a priority review. As for the timing of approval, we have received the comment from Novartis (Japan) that they expect approval at an early time in 2011.

MCI-196 (Cholebine), MP-146 (Kremezin)

Q: Could you tell us about the state of progress of the clinical trials for MCI-196 and MP-146 in the U.S. and the timing of applications?

A: The application for MCI-196 is scheduled for fiscal year 2010. We think we would like to make application for approval for MP-146 in fiscal year 2011.

MP-424 (Telaprevir)

Q: Has administration of the drug finished in clinical studies in Japan? Also, when will the studies complete?

A: Final administration has finished in multiple trials. The drug will be evaluated from now on, but we do not mention in regard to the timing of completion of the studies.

[Others]

Drug Price Revision

Q: Should we think that the drugs that will be given higher prices for new drug creation in the drug price revision next fiscal year will be Remicade, Radicut and Ceredist?

A: The situation is unclear as we have not been notified by the authorities at the present time.

Escitalopram

Q: The company has acquired joint marketing rights for the antidepressant "Escitalopram" from Mochida Pharmaceutical. Does that mean joint marketing with Mochida Pharmaceutical? Also, will the co-promotion of "Paxil," similarly an antidepressant, continue in the future as well?

A: Yes, it means joint marketing between the two companies. We decline comment on Paxil at the present time.

Medway Issue

Q: What is the situation of the Medway issue?

A: Because the investigation of the authorities is currently ongoing, we would like to refrain from making comment on this issue.

Q: Will the losses related to the business suspension that are being posted as extraordinary losses in association with the cessation of Medway business occur until the resumption of shipments?

A: Because these losses are mainly the suspension costs of Bipha Corporation, they will occur until manufacturing activities resume. However, Medway is a product that was approved on the condition of implementing PMS of 10,000 cases after launch so Bipha started production at a very low rate of operation. Almost all of the costs generated are fixed costs and the situation was not one where profits would be made at the time of launch. Because no sales or selling costs have been posted in association with the discontinuation of business, the losses were transferred to extraordinary losses and they are not that great as real losses in periodic accounting of profit and loss.

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