



Mitsubishi Tanabe Pharma

# Mitsubishi Tanabe Pharma Corporation

## **FY2010 Business Results**

May 12, 2011

Nomura Conference Plaza Nihonbashi

Michihiro Tsuchiya

President and Representative Director

# FY2010 Business Results Outline

(April 1, 2010 - March 31, 2011)



# FY2010 Financial Results

	FY2010	FY2009	Increase/ decrease		Published forecasts	Achieved
	Billion yen	Billion yen	Billion yen	%	Billion yen	%
Net sales	409.5	404.7	+4.7	+1.2	401.0	102.1
Cost of sales	154.5	147.8	+6.7	+4.6	154.0	100.4
Sales cost ratio	37.7%	36.5%			38.4%	
Gross Operation Profit	254.9	256.9	-1.9	-0.8	247.0	103.2
SG & A	178.3	195.4	-17.0	-8.7	180.0	99.1
Operating income	76.5	61.4	+15.1	+24.6	67.0	114.3
Ordinary income	76.6	61.6	+15.0	+24.4	67.0	114.5
Net income	37.7	30.2	+7.4	+24.8	35.5	106.3

Published forecasts: announced on Oct. 29, 2010 in the financial results for Q2 FY2010



# Sales by Business Segment

【 FY2010 Financial Results 】

	FY2010	FY2009	Increase/ decrease		Published forecasts	Achieved
	Billion yen	Billion yen	Billion yen	%	Billion yen	%
Net sales	409.5	404.7	+4.7	+1.2	401.0	102.1
[Overseas sales]	[25.7]	[26.8]	[-1.0]	[-4.1]	[27.5]	[93.7]
Pharmaceuticals	400.2	395.7	+4.4	+1.1	390.7	102.4
Ethical drugs domestic sales	361.6	354.6	+7.0	+2.0	350.7	103.1
Ethical drugs overseas sales	21.3	22.8	-1.5	-6.7	22.1	96.4
OTC	5.4	4.9	+0.4	+9.2	5.2	103.0
Others	11.8	13.3	-1.4	-11.2	12.6	93.7
Other Businesses	9.3	9.0	+0.2	+3.3	10.3	90.4

# Ethical Drugs Domestic Sales of Main Products



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【 FY2010 Financial Results 】

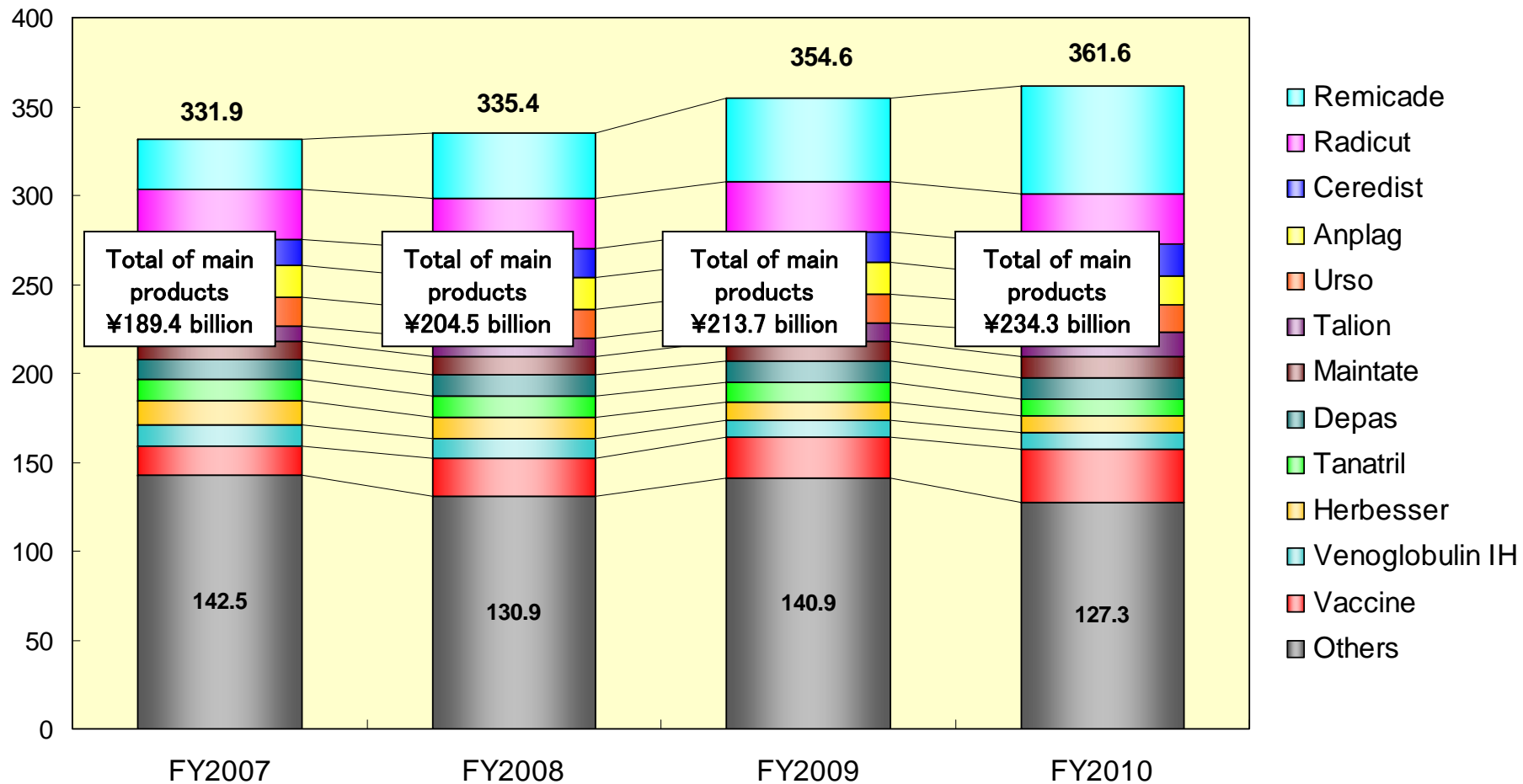
	FY2010	FY2009	Increase/ decrease		Published forecasts	Achieved
	Billion yen	Billion yen	Billion yen	%	Billion yen	%
Ethical drugs domestic sales	361.6	354.6	+7.0	+2.0	350.7	103.1
Remicade	60.4	47.1	+13.2	+28.1	60.7	99.5
Radicut	28.7	27.9	+0.7	+2.6	28.2	101.5
Ceredist	18.0	16.8	+1.1	+7.0	17.7	101.5
Anplag	16.4	18.3	-1.9	-10.6	15.9	103.0
Urso	15.3	16.2	-0.9	-5.6	15.0	102.3
Talion	13.4	10.6	+2.7	+26.2	12.5	106.8
Maintate	12.3	11.0	+1.2	+11.6	11.8	103.9
Depas	11.4	11.5	-0.1	-1.2	11.1	103.0
Tanatril	9.6	11.1	-1.4	-13.2	9.2	104.1
Herbesser	9.6	10.7	-1.1	-10.6	9.5	101.4
Venoglobulin IH	9.6	9.6	0	-0.2	8.7	109.4
Vaccines	29.6	22.9	+6.6	+28.8	26.7	110.6
[Mearubik]	[12.2]	[11.7]	[+0.4]	[+4.2]	[11.8]	[104.0]
[Influenza]	[7.1]	[6.3]	[+0.7]	[+12.1]	[7.2]	[97.8]
[JEBIK V]	[6.9]	[2.0]	[+4.9]	[+244.3]	[4.7]	[147.2]

Sales of infuluenza(H1N1)2009 vaccine are not included in sales of vaccine and influenza vaccine.



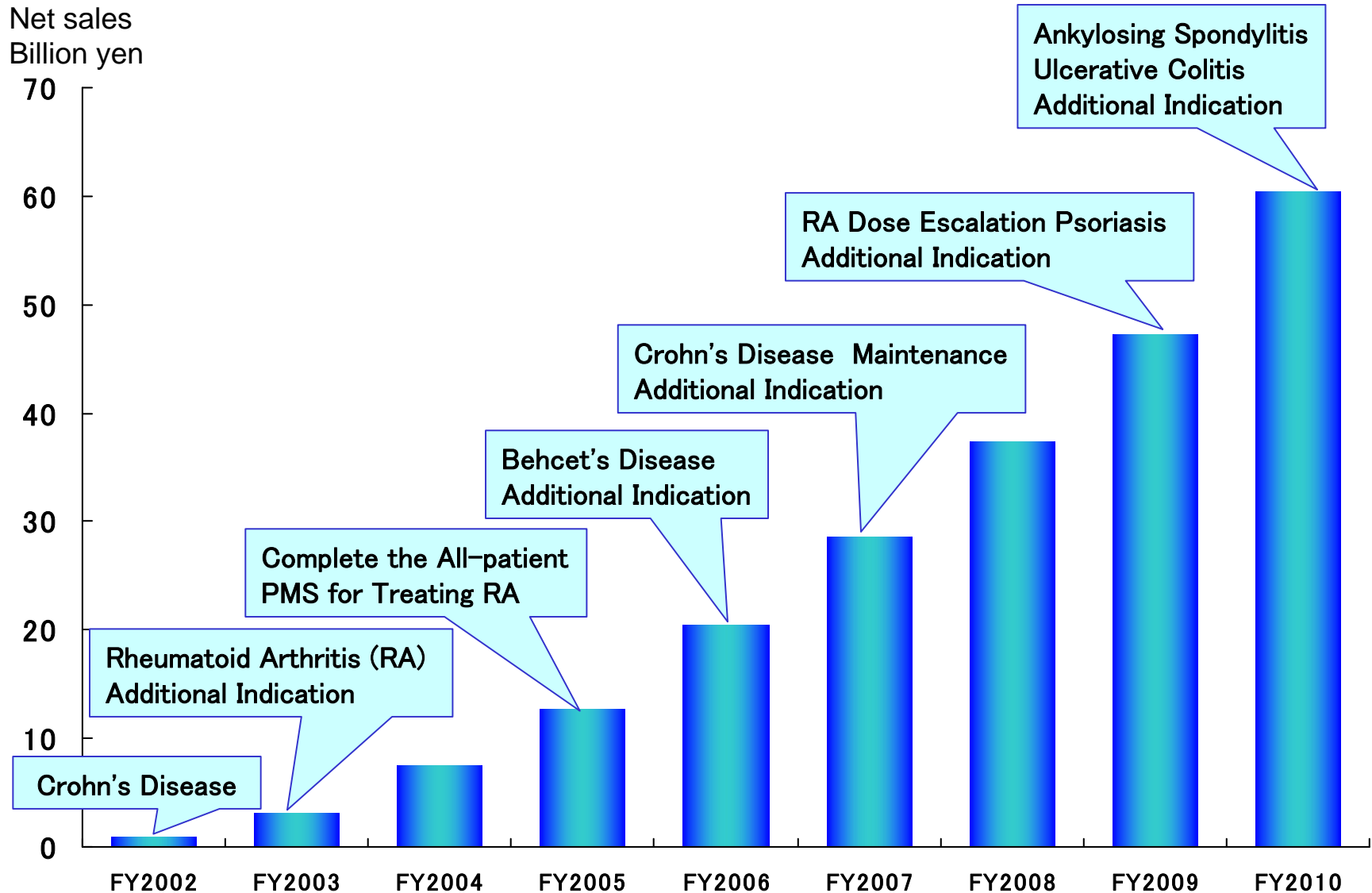
# Sales Trends of Domestic Main Products

Billion yen





# Remicade LCM & Sales Trend



# Cost of Sales/SG&A Expenses



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【 FY2010 Financial Results 】

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	Billion yen	Billion yen	Billion yen	%	Billion yen	%
Net sales	409.5	404.7	+4.7	+1.2	401.0	102.1
Cost of sales	154.5	147.8	+6.7	+4.6	154.0	100.4
Sales cost ratio	37.7%	36.5%			38.4%	
Gross Operatin Profit	254.9	256.9	-1.9	-0.8	247.0	103.2
SG&A	178.3	195.4	-17.0	-8.7	180.0	99.1
R&D expenses	65.7	83.0	-17.2	-20.8	70.0	94.0
Labor costs	52.5	53.0	-0.5	-1.0	51.0	103.0
Sales promotion expenses	11.3	11.9	-0.6	-5.5	11.8	95.8
Amortization of goodwill	10.1	10.1	0	+0.1	10.1	100.5
Others	38.6	37.2	+1.3	+3.7	37.1	104.2
Operating income	76.5	61.4	+15.1	+24.6	67.0	114.3



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



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【 FY2010 Financial Results 】

	FY2010	FY2009	Increase/ decrease		Published Forecasts	Achieved
	Billion yen	Billion yen	Billion yen	%	Billion yen	%
Operating income	76.5	61.4	+15.1	+24.6	67.0	114.3
Non-operating income & expenses	0.1	0.1	0			
Ordinary income	76.6	61.6	+15.0	+24.4	67.0	114.5
Extraordinary Income	0.6	0	+0.5		0.5	125.8
Extraordinary losses	13.2	10.7	+2.4		7.5	176.2
Loss on valuation of investment in securities	8.0	0.2	+7.7			
Loss related to disaster	2.1	–	+2.1			
Impairment loss	0.8	1.8	–1.0			
Loss related to business suspension	0.7	3.2	–2.5			
Special retirement expenses	0.4	–	0.4			
Net income	37.7	30.2	+7.4	+24.8	35.5	106.3

# Forecasts for FY2011

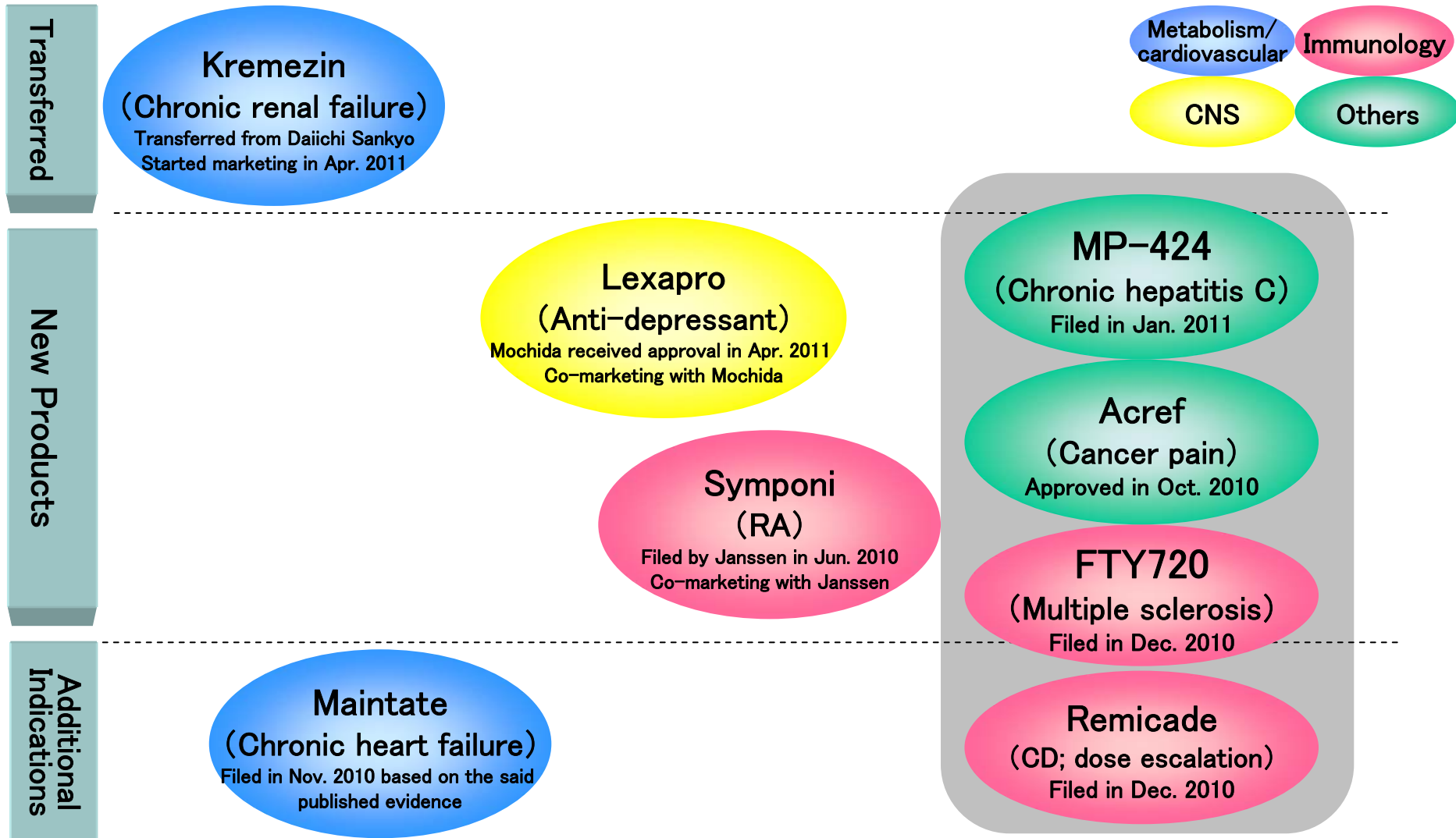
(Fiscal Year Ending March 31, 2012)



# Forecasts for FY2011

	FY2011 (Estimate)	FY2010 (Achieved)	Increase/ decrease	
	Billion yen	Billion yen	Billion yen	%
Net sales	403.0	409.5	-6.5	-1.6
Cost of sales	150.5	154.5	-4.0	-2.6
Sales cost ratio	37.3%	37.7%		
Gross Operatin Profit	252.5	254.9	-2.4	-1.0
SG&A	189.5	178.3	+11.1	+6.2
Operating income	63.0	76.5	-13.5	-17.7
Ordinary income	63.0	76.6	-13.6	-17.8
Extraordinary Income	-	0.6	-0.6	
Extraordinary losses	1.0	13.2	-12.2	
Net income	35.5	37.7	-2.2	-6.0

# New Products expected in FY2011



# Cost of Sales/SG&A Expenses



Mitsubishi Tanabe Pharma

【 Forecasts for FY2011 】

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Sales cost ratio	37.3%	37.7%		
Gross Operatin Profit	252.5	254.9	-2.4	-1.0
SG&A	189.5	178.3	+11.1	+6.2
R&D expenses	69.0	65.7	+3.2	+4.9
Labor costs	51.3	52.5	-1.2	-2.3
Amortization of goodwill	10.1	10.1	0	-0.5
Others	59.1	49.9	+9.1	+18.3
Operating income	63.0	76.5	-13.5	-17.7



# Dividend Policy

- The Basic Policy on the Distribution of Earnings
  - ✓ The Company provides a stable, ongoing distribution of earnings to shareholders while striving to maximize enterprise value by investing aggressively to bolster R&D and marketing activities from a medium-to-long term perspective.
- The basic concept for the dividend payout ratio is 35% (prior to amortization of goodwill).
- The Company work to provide an enhanced return to shareholders over the medium-to-long term.

	FY2008	FY2009	FY2010	FY2011 (Estimate)
Dividends	¥28	¥28	¥28	¥28
Dividend payout	43.0%	39.0%	32.9%	34.5%

\* The dividend payout ratio is calculated using net income for the fiscal year (less amortization of goodwill) and annual dividends.

# Review of Medium-Term Management Plan 08-10



# Medium-Term Management Plan 08-10

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## Key Concept: **Dynamic Synergy** for 2015

The Company is taking on the challenge of making Dynamic Synergy a reality. To the Group, Dynamic Synergy means making full use of the abundant management resources, focusing the expertise and energy of all employees throughout the Group, and creating new business domains and business models.

### <Key Management Issues>

- ◆ Enhancing the Company's Domestic Sales Presence
- ◆ Steady Progress in Key Development Projects
- ◆ Progress in Developing Overseas Pharmaceutical Operations
- ◆ Progress in Generic Operations
- ◆ Creating an Efficient Organization and Cost Structure





## ◆ Enhancing the Company's Domestic Sales Presence

- ✓ Increased sales of the six priority products\*
  - Increased numbers of MRs specializing in Remicade and cerebrovascular drugs and strengthened marketing activities for the priority products
  - Amount of sales : ¥111.4 billion in FY2007 → ¥143.8 billion in FY2010  
(target:¥146.0 billion)
  - Remicade: Achieved ¥60.0 billion of sales (target: ¥50.0 billion)  
through LCM strategy
- ✓ Obtained marketing rights of externally developed products (Kremezin, Lexapro)

## ◆ Steady Progress in Key Development Projects

- ✓ Japan: Steady progresses of MP-424(telaprevir), MP-513(teneligliptin) and TA-7284(canagliflozin)
- ✓ US and EU: Progresses of MCI-196 and MP-146, almost as scheduled
- ✓ FTY720/Gilenya, licensed to Novartis: Approval in US, EU and other countries

\* Six priority products: Remicade, Radicut, Anplag, Urso, Talion Tanatril



# Creation of New Growth Drivers

			P2	P3	Filed	Approved		
FTY720	Multiple sclerosis	Japan	—————●					Co-development with Novartis Pharma, filed in 2010
		US, EU	—————●					Licensed to Novartis Pharma, Approved in US in Sep. 2010 and in EU in Mar. 2011.
MP-424	Chronic hepatitis C	Japan	—————●					Filed in Jan. 2011
TA-7284	Diabetes mellitus	Japan	—————●					P2 completed, preparing for P3
		US, EU	—————●					Licensed to Johnson & Johnson, P3 started in Sep. 2009
MP-513	Type 2 diabetes mellitus	Japan	—————●					P3 started in Oct. 2009
		EU	———●					P2 started in Aug. 2009, planning license-out
MCI-196	Hyperphosphatemia	US, EU	—————●					P3 underway
MP-146	Chronic kidney disease	US, EU	—————●					P3 underway
Symponi (CNTO148)	RA	Japan	—————●					Filed by Janssen in Jun. 2010
Lexapro	Anti-depressant	Japan	—————●					Mochida received approval in Apr. 2011. Co-marketing with Mochida



## ◆ Progress in Developing Overseas Pharmaceutical Operations

- ✓ Established sales companies, Mitsubishi Tanabe Pharma America in US and Guangdong Tanabe Pharmaceutical in China
- ✓ Steady growth of Argatroban business in Europe and existing businesses in Asia
- ✓ Remaining challenge: Caching up with the growth of Chinese market.

## ◆ Progress in Generic Operations

- ✓ Expansion of product lines (135 substances) and sales channels through establishment of Tanabe Seiyaku Hanbai and acquisition of Choseido Pharmaceutical .
- ✓ Achieved sales target of ¥14.0 billion and favorable balance

## ◆ Creating an Efficient Organization and Cost Structure

- ✓ Achieved ¥23.5 billion of accumulated total for the cost synergies (target: ¥24.0 billion)
- ✓ Consolidation of functional subsidiaries and strongholds, as scheduled
- ✓ Remaining challenge: Optimization of employee numbers

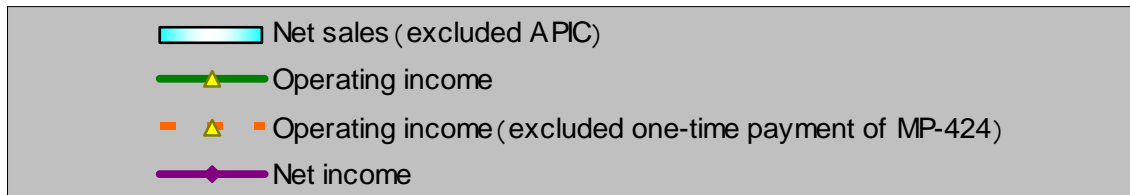
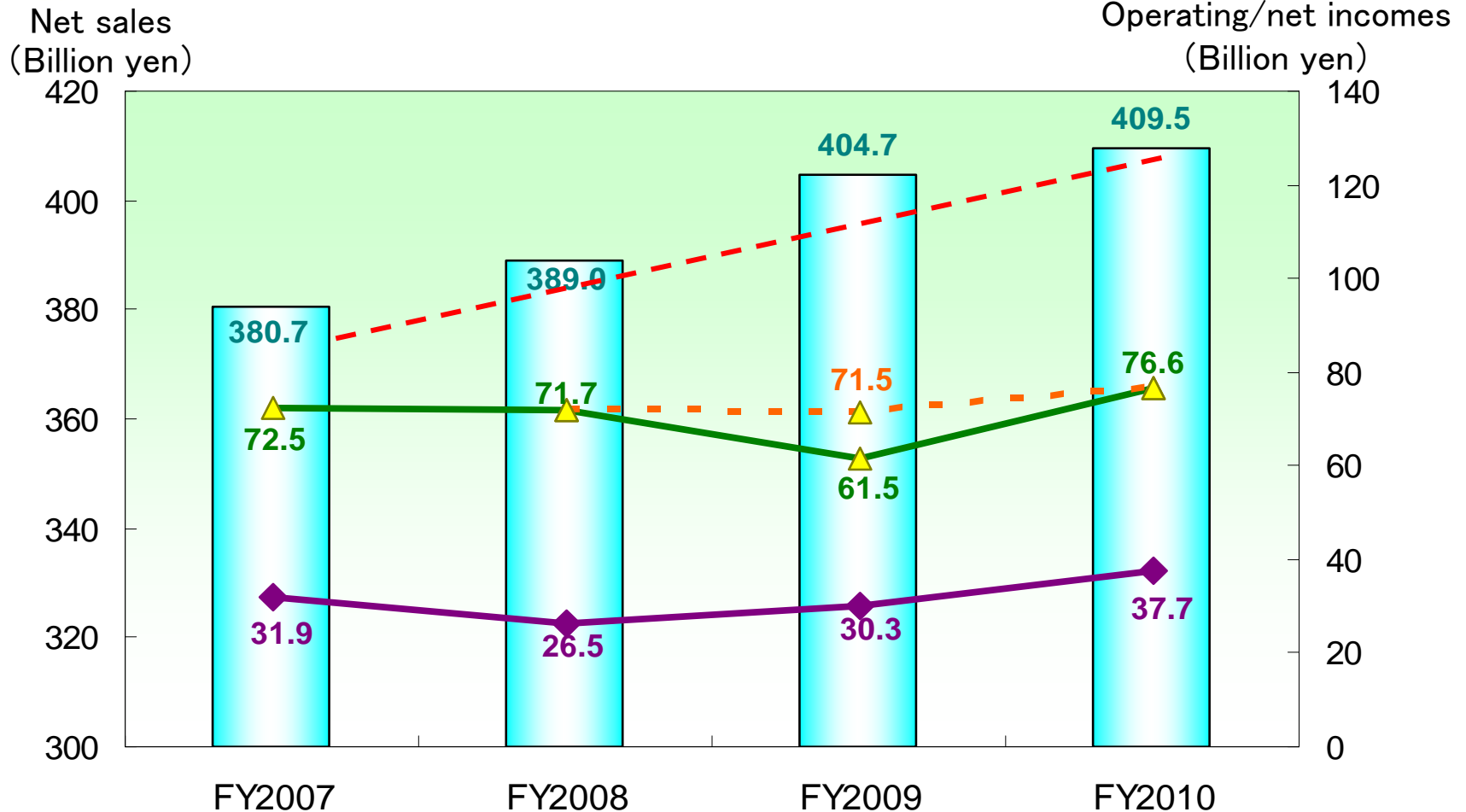
# Review of Numerical Targets



	Target for Medium-Term Management plan	Achieved in FY2010	Difference
	Billion yen	Billion yen	Billion yen
<b>Net sales</b>	<b>460.0</b>	<b>409.5</b>	<b>-50.4</b>
<b>Operating income</b>	<b>95.0</b>	<b>76.5</b>	<b>-18.4</b>
<b>Net income</b>	<b>56.0</b>	<b>37.7</b>	<b>-18.2</b>
<b>R&amp;D expenses</b>	<b>82.0</b>	<b>65.7</b>	<b>-16.2</b>

Due to changes in the internal and external environments (exclusion of the subsidiary from the scope of consolidation and Government measures to control medical expenses, etc.), the sales and incomes fell short of their targets.

# Trends of Net Sales and Operating Income





# Business Plan for FY2011

- To realize “our vision\*”, the Company gives the top priority to “contribution to patients,” and strives to restore the public’s confidence through provisions of the pharmaceuticals that meet medical needs.
- The Company positions the thorough implementation of stable supply, quality and appropriate use of pharmaceutical products as its key tasks in FY2011, taking into account our response to the Great East Japan Earthquake as well as the quality control problem.
- The Company strengthens the management system to build the new product pipeline that was progressed in the Medium-Term Management Plan 08-10 into secure new growth drivers in the next medium-term management plan.
- The Company will formulate the next medium-term management plan with a view to the numerical targets, net sales of ¥500 billion, operating income of ¥100 billion.

\* Our vision: the Company strives to be a global research-driven pharmaceutical company that is trusted by communities.

### **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.**