Mitsubishi Tanabe Pharma

February 2, 2015 (Mon) 18:00 - 18:35

[Attendees]

Minoru Muramatsu, Managing Executive Officer

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

Takeshi Matsumoto, Executive Officer, Division Manager of Development Division

Tetsuo Yoshikawa, Executive Officer, Division Deputy Manager of Sales & Marketing Division

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

Hayato Ishida, General Manager of Vaccine Business Development Department

[Q3 FY2014 financial results]

Q: What is the royalty rate for INVOKANA?

A: We do not disclose the royalty rate.

Q: Can you tell us how much royalty income on INVOKANA you recorded cumulatively for the third quarter of the previous fiscal year?

A: In accordance with the agreement we have with our licensee, we cannot disclose any details on royalties up to a cumulative total of 5 billion yen.

Q: What exchange rate did you employ to calculate the royalties on INVOKANA?

A: We do not disclose the exchange rate used to calculate the royalties.

Q: Were some of the INVOKANA royalties posted based on estimates?

A: We are posting estimated royalty income so that the recording periods of both companies coincide.

Q: It appears you have outperformed your initial plan to reduce costs by 3 billion yen via structural reforms. Can you please discuss trends in the third quarter?

A: The 3 billion yen cost reduction plan is a reduction versus FY2012. We have made smooth progress in cutting back costs through the third quarter but we have not actually calculated the total amount of cutbacks thus far. We note that third quarter cost reductions also reflect a temporary lull in expenses for development pipeline.

[Forecasts for FY2014]

Q: Is royalty income from INVOKANA in line with your plan?

A: Yes, royalty income is closely in line with our plan except for the influence by weak yen.

Q: To what extent are cost of goods sold likely to increase in the fourth quarter due to the product nearing expiration date?

A: We have not disclosed the amount but the overall increase is likely to be fairly large. Inventories of Mearubik increased due to the rubella outbreak in the previous fiscal year. In addition we anticipate other inventories will also reach expiration resulting in “dead stock.”

Q: Can you discuss the scale of your in-licensing costs? Can we expect this to be in the neighborhood of 3 billion yen-5 billion yen?

A: We are expecting these costs to be within the range of that estimate.

Q: At the second quarter financial results announcement, you said that cost reductions were being achieved faster than planned. Is this trend still intact?

A: We are still making better-than-expected progress. We anticipate our total cost reductions will exceed 3 billion yen.

[Domestic sales]

Remicade

Q: Please explain, to the best extent possible, the impact from the Remicade biosimilar.

A: There was no impact to our sales in the third quarter and we expect to see little-to-no impact in the fourth quarter. Accordingly, we believe we should achieve our Remicade sales target for the full fiscal year. At this time, I would like to refrain from commenting on potential impact in FY2015. However, it is our opinion that there are few patients out there that would benefit from a low-priced biosimilar.

Q: Is the biosimilar being used at major hospitals?

A: We understand that it is being used at the hospital where its clinical trials were conducted.

Q: Is it possible the biosimilar will trigger a further decline in invoice prices?

A: We would like to refrain from commenting on the invoice price policy of other company.

Q: Can you give us a break down of Remicade's market share by indications.

A: We do not have accurate numbers for a market share breakdown by disease given that the drug has a wide range of indications and the dose amount varies.

Q: It appears that an easier approach for the biosimilar would be to promote it as a treatment for rheumatoid arthritis, given that there is more data in this indication than inflammatory bowel disease. What is your company's view on this?

A: We believe the number of rheumatoid arthritis patients that would benefit from a low-priced biosimilar is limited.

Tenelia/CANAGLU

Q: Please discuss what progress you have made for these two drugs.

A: We are moving forward with the market penetration of Tenelia. We are making progress in line with our plan. Regarding CANAGLU, the Japan Diabetes Society gave its recommendations on SGLT2 inhibitors in June and August. To the end, new administrations of the SGLT2 inhibitors were decreased. Accordingly, CANAGLU sales are progressing slightly slower than our plan.

[Development pipeline]

Y-803 (bromodomain inhibitor)

Q: What is the extent of the rights you hold on this drug candidate?

A: We would like to refrain from commenting on the details of the contract.

Acquisition of in-licensed drugs

Q: Mitsubishi Tanabe Pharma has not licensed in any drugs for some time, aside from the acquisition of Medicago. Is there some special reason preventing you from licensing in drugs?

A: When negotiating the terms of a contract, we have failed to find common ground where the needs of our company and those of the licensing partner are both met. Other than this there is no special reason. We plan to continue to actively look for promising licensing deals.

Q: Is there a high likelihood you will successfully license in drugs as planned for the fourth quarter?

A: We would like to refrain from answering at this time as the terms of this deal are currently under negotiation.

[Others]

Q: Do you plan to sell products by yourself in the US?

A: We plan to carry out business development in the US as quickly as possible. Our target is around 2020. We are still examining what business model to employ, including whether we should conduct sales by ourselves.

Q: Please tell us when you plan to release your next Medium-Term Management Plan?

A: We have not yet decided on a date but we are planning to make an announcement sometime in late November or early December.

Q: Can you tell us about your stance on ROE and the buyback of shares?

A: We understand that the market is placing heavy emphasis on ROE given that it is one of the indicators cited in Abenomics. We recognize this to also be an issue that we must tackle. As for the buyback of shares, we understand that this is an issue we should take into consideration.

Q: Is there a possibility to buyback shares sometime before the planned announcement of your new Medium-Term Management Plan in FY2015?

A: We do not deny this possibility as it is an issue we have to address.

End