Otsuka Holdings Co., Ltd.

Financial Results Presentation Q4 FY2010
(Fiscal Year Ending March 31, 2011)

First Medium-Term Management Plan for Fiscal 2011 to Fiscal 2013

Q&A

May 16, 2011
Tokyo, Japan

Q1: Does the Company plan to review its medium-term management plan prior to fiscal 2013 on a continuous basis and to provide details of its future direction beyond the term of the plan? If so, does the Company also intend to announce numerical information on how it expects to offset the loss due to the expiration of ABILIFY's patent?

A1: The Company is considering making such an announcement including a review of the mid-term management plan.

Q2: With no NHI price revision, and sales contributions from ABILIFY, it seems that the depth of earnings growth is becoming shallow. Which segment is projected to provide the greatest contribution?

A2: The contribution from the pharmaceutical business is large. Compared with the previous year, R&D expenses have grown by more than ¥20.0 billion. This largely reflects the advance of OPC-34712 to phase 3.

Q3: Is it correct to assume that the M&A strategy identified in the medium-term management plan refers solely to alliance activities?

A3: M&A is an initiative that is included in the Company's alliance activities. We have not ruled out the possibility of undertaking an M&A.

Q4: What level of investment is the Company contemplating with respect to its M&A strategy?

A4: On a quantitative basis, the Company has calculated a figure of between ¥700.0 and ¥800.0 billion. Our M&A strategy is not, however, based on a predetermined investment figure. The key issues here are opportunity and timing. We will not undertake M&A for its own sake.

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Q5: The dividend payout ratio for this fiscal year is 30%. Calculations indicate that the payout ratios for the next two fiscal years will be 50% or more taking into consideration ROE. Is this correct?

A5: We are currently in a growth period. This medium-term management plan is also a preparatory step as we work toward 2020. Our goal is to increase dividends together with profits. We have made no specific n moves at this stage to determine the level of dividends to be paid.

Q6: It is important that the Company clarify its intentions with regard to its dividend payout ratio and buyback of its shares in the event of an anticipated substantial drop in earnings resulting from the patent expiration of blockbuster product. How conscious is the Company with regard to its share price?

A6: The Otsuka Group has been engaged in a wide range of businesses. Its growth through to the present day has been built on its ability to identify the seeds of future growth and to undertake investments as considered necessary. While we are most conscious of our share price, we are not currently in a position to provide specific details with respect to our dividend payout ratio and buyback of our shares.

Q7: ABILIFY sales are projected to reach around $3.7 billion in 2013. Do you consider this a conservative estimate?

A7: Impacted by a slowdown in the market due to such factors as healthcare reform as well as the growing emergence of generic drugs, future prospects are clouded in uncertainty. We believe that growth is below 5% on a prescription basis. There is no room for complacency.

Q8: Is the OPC-34712 data better than those of ABILIFY for major depression?

A8: This phase 2 study, does not include a direct comparison with ABILIFY. Clinical results, however, compare favorably with ABILIFY meta-analysis data. The clinical data have confirmed significant efficacy relative to placebo arm at an early stage, two weeks after administration. This positive result is essentially as the Company expected.

Q9: Concerning the facts of an article by the Nihon Keizai Shimbun (The Nikkei) regarding collaboration with the Gates Foundation on anti-tuberculosis drug and its profitability.

A9: We are extremely bewildered by the report . From a factual perspective, nothing is yet to be determined.
The article was based on independent interviews with the Gates Foundation. While it is true that research is being undertaken into anti-tuberculosis drug, more time is required before clinical results are released and a detailed report provided. The Company is not in the position to set a price and, therefore, is unable to make comments. Otsuka's stance toward delivering innovation in areas where unmet medical needs are high remains unchanged.

Q10: Will funds be channeled toward R&D should earnings exceed current forecasts?

A10: We will closely monitor and control R&D expenditures. Looking ahead, we plan to provide the necessary updates on a quarterly basis.

Q11: Is the ¥200.0 billion in R&D expenses bottom-up or top-down? What is the Company's stance?

A11: R&D expenditure is based on the status and progress of each project and determined in full discussion with the operating companies. Priorities are established and expenditures managed accordingly.

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Q12: How are the unique strengths of the Otsuka Group reflected in the medical device business?

A12: We believe that the manner in which we engage and invest in businesses as well as our efforts to develop products outside the scope of other companies is extremely important. In 2004, the Company took an equity interest in Micro Port Medical (Shanghai) Co., Ltd., a company that is active in the field of medical devices focusing largely on stents. At that time, Micro Port recorded net sales of between ¥100 and ¥200 million. With market growth and advances in technology, the company's sales are today approaching ¥8.0 billion. Otsuka's support has extended beyond equity investment encompassing technology, product control and business management assistance.
In this regard, we are active in identifying the seeds that can be expected to blossom in the future. Otsuka is not solely focused on the acquisition of established companies. We maintain an investment strategy that places the utmost emphasis on business details and potential. Turning to the medical device business, Otsuka will provide a full explanation when it is in a position to do so.

Q13: What is the trend of the number of medical reps (MR) in the US during the period of the medium-term management plan?

A13: The Company does not disclose details of its overseas MR. Plans are in place, however, to increase the current number by a factor of 1.5 during the period of the medium-term management plan.

Q14: Please provide specific details with respect to the Company's plans to reduce manufacturing costs and optimize operating expenses in the Nutraceutical business?

A14: In overall terms, overseas manufacturing costs in the nutraceutical business is particularly high. We will focus on reviewing costs in this area. In optimizing operating expenses, we will enhance qualitative measures and pursue increased efficiency with respect to advertising as well as sales promotion expenses.

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Q15: Why do domestic and overseas operating profit ratios differ?

A15: There are no sales promotion expenses overseas. Accordingly, the overseas operating profit ratio is higher.