

# Otsuka Holdings Co., Ltd.

## Financial Results Presentation FY2011 (Fiscal Year Ending March 31, 2012)

### Q&A

May 11, 2012  
Tokyo, Japan

Q1: What is the ratio of pharmaceutical business and nutraceutical business in the operating profit forecast for fiscal 2012?

A1: We do not generally disclose specific operating profit by business segment, but probably about 2/3 is driven by pharmaceutical business and 1/3 by nutraceutical business.

Q2: So nutraceutical business will also see profit growth?

A2: Yes. We want to have an operating profit margin higher than last year.

Q3: It seems that Otsuka is conducting a trial to directly compare IM depot with oral ABILIFY. Should we infer that the IM depot is equal to the oral formulation? How do you see its market potential?

A3: At the point of transition from the stabilization phase by oral ABILIFY (phase 2) to the IM depot formulation stabilization phase (phase 3), PANSS scores improved by about 4 points, so we should be able to expect positive effects by switching from the oral formulation to the IM depot. At present, it is estimated that there are about 200,000 patients who are eligible for treatment with IM depot in the U.S., but only 70,000 are currently being treated. So, there is a market potential. IM depot is intended for patients who have problems with compliance. Also, the slight increase in PANSS scores in phase 4 of the trial is not a problem, as it is thought to have been caused by the investigators interviewing patients a bit rigorously, since a comparison with placebo began in phase 4.

Q4: Does “new businesses” in the fiscal 2012 principal measures mean those within existing business domains?

A4: Exactly. We will reinforce businesses that we are already working on.

Q5: Can we take it that there will be no IM depot advisory committee?

A5: We have not received any announcement on that.

Q6: Is it correct to understand that \$100 million will be paid by Lundbeck when the IM depot is approved?

A6: Yes. That is correct.

Q7: As far as I can see from the design for the IM depot trial, the switch from ABILIFY tablet is the main focus, and I understand that there is an advantage. I want to ask you about the sales infrastructure. The oral ABILIFY is marketed with BMS and the IM depot will be marketed with Lundbeck, so I am concerned about the sales balance. Can you manage the balance?

A7: There is a two-week period when the IM depot is administered together with the oral formulation until a steady state is reached for safety reason. IM depot is intended for patients who have trouble complying with the oral medication, and so there is an advantage in that regard.  
As for the sales infrastructure, there is no problem since Otsuka will be in control of it.

Q8: Can a switch be made from other oral antipsychotics to an Abilify IM depot?

A8: It is hard to say, since we have not checked the final label. The current clinical trial has been designed to switch from oral ABILIFY.

Q9: Are sales from the IM depot included in this year's forecast?

A9: The timing of approval is unclear, and so you may think that its sales are hardly included.

Q10: Give us an idea about your plans to strengthen the marketing infrastructure in the U.S. Are you anticipating a sufficient increase in sales representatives for the IM depot?

A10: We do not disclose specific number of sales representatives, but we will secure a sufficient number to roll out the IM depot.

Q11: Why did the number of employees in pharmaceutical business go down by 599?

A11: Because a Chinese subsidiary that markets I.V. solutions, which was included in consolidated figures last year, has been changed from a consolidated company to an equity method affiliate.

Q12: How will you use the nearly ¥830 billion in financial assets? Are you planning an M&A or stock buybacks?

A12: We cannot deny the potential of investments in various forms. We will make investments for growth. Regarding dividends, we will consider increasing dividends in accordance with the level of profit. In the long term, we would like to have a stable dividend that is not influenced by performance fluctuations, and would like to avoid dividend cuts.  
We also consider stock buybacks to be a meaningful option.

Q13: Looking at the forecast for this year, sales of ABILIFY in the U.S. will increase in the first half of the year and go flat in the second half of the year. Is the conservative forecast for the second half of the year because you have factored in the impact of Seroquel generics?

A13: Generally, pharmacies dispense 30 days' worth of the drug and mail order companies dispense 90 days' worth. So, we think it will still take some time before we see the impact of generics. As for prescriptions of quetiapine, Seroquel IR has already been affected, but so far there has been no impact on other antipsychotics.

Q14: Development phase of TS-1 and TAS-102 has been advancing and it seems like it is time to think seriously about the marketing of anti-cancer agents in the U.S. For the sales infrastructure, do you consider forming an alliance or rolling out the drugs on your own?

A14: Based on our experience in CNS area, managerial resources such as infrastructure development are needed to roll out products outside Japan. It would be difficult for us to go it alone from the beginning. We will consider what the best scenario is.

Q15: Regarding the profitability of nutraceutical business, since the target operating profit is 10% in fiscal 2013, assuming 9% this year, operating profit would be about ¥25 billion. That is no more than about 20% of the growth in overall operating profit. In the previous explanation in this QA session, you said that the operating profit growth contribution from nutraceutical was 1/3 of total profit growth. That doesn't mach.

A15: The numbers are as you say. The 1/3 mentioned before includes all of our businesses other than pharmaceuticals. In nutraceutical business, we will secure operating profit by streamlining costs and at the same time we think that we are in the investment phase for nurturing new products.

Q16: What are the main factors behind increase in the sales forecast of nutraceutical business by ¥17 billion this fiscal year?

A16: The contribution from new products such as SoyCarat is about 1/5.  
For existing products, we are anticipating increased revenue of Pocari Sweat in Japan and overseas, InnerSignal, OS-1 and others.