

Otsuka Holdings Co., Ltd.

Financial Results Presentation Q3 FY2012 (Nine Months Ending December 31, 2012)

Q&A

February 13, 2013

Q1: Could you explain the factors involved in the increase in R&D expenses? With a forecast of ¥170 billion for the year, R&D expenses for the fourth quarter would be ¥53.6 billion, but do you think this amount can actually be used?

A1: We expect R&D expenses to go up substantially in the fourth quarter due to three factors. The first is the depreciation of the yen. The second is that previous-term carryover related to central nervous system compounds, primarily OPC-34712, will be eliminated. The third factor is trials scheduled for next fiscal year will be brought forward. As a result of the above factors, we expect R&D expenses for the year to be nearly ¥170 billion, but there is also a possibility that the figure could be slightly less.

Q2: Could you tell us what proportion of R&D expenses are foreign currency denominated?

A2: The proportion is approximately 40 to 50%.

Q3: Are there any major factors in the turnaround to profit growth in the fourth quarter besides the milestone income from Lundbeck and the decrease in payments of promotion expenses to BMS?

A3: There are no other factors in particular. The biggest factor is the milestone payment from Lundbeck on approval of aripiprazole IM Depot.

Q4: Other expenses in the pharmaceutical business have risen by nearly ¥9.0 billion in the third quarter. Can you give us specific figures on the increase in expenses arising from the strengthening of the sales force for SAMSCA and the preparation for the launch of aripiprazole IM Depot?

A4: I am unable to cite specific figures, but I can tell you that we expect to use about the same level of expenses in the fourth quarter as in the third quarter.

Q5: Could you tell us the factors involved in the increase in other expenses in the pharmaceutical business from the current fiscal year through to next fiscal year?

A5: The number of medical representatives has increased compared to the previous year because we have brought hiring forward. We are currently considering expenses for the next fiscal year and beyond, including other areas such as Europe and Japan. The expenses from the second half of this year will remain unchanged as fixed expenses next year.

Q6: In the US market, prescriptions for atypical anti-psychotics rose by 4 percentage points from October to December. Can you explain the reasons for this?

A6: The price of branded drugs rises in January every year, so there is a tendency for prescribing to increase from October to December as a last minute surge in demand.

Q7: The FDA recently issued a warning about potential risk of liver injury caused by SAMSCA. What impact is this having?

A7: The FDA issued the warning about potential risk of liver injury based on concerns about off-label use, and we have dealt with this by releasing a doctor's letter to healthcare providers.

Q8: Could you tell us the outlook for approval of tolvaptan for ADPKD?

A8: We are negotiating with the FDA based on the data we published last November. We plan to file in the first half of 2013.

Q9: Materials from the Central Social Insurance Medical Council which has determined the price of Neupro Patch, mention that at its peak the drug will be administered to 38,000 Parkinson's Disease patients in Japan. Do you plan your sales forecasts based on the estimate that you will gain an approximate 30% share of the market, calculated from the 140,000 Parkinson's Disease patients in Japan?

A9: It will take time to carve out a market for Restless Leg Syndrome when other companies are not actively promoting their drugs for this indication. Unlike other Parkinson's Disease drugs, it comes in a transdermal patch form. I am not able to answer on peak sales at the current stage, but I can say that we do not expect patient share to reach 30%.

Q10: We heard that other expenses in the pharmaceutical business in the fourth quarter will be about the same as the approximate increase of ¥10 billion or slightly less in the third quarter. Could you tell us the proportions of fixed and variable expenses?

A10: If we take personnel expenses as fixed, the proportion is about 30%. The full increase of approximately just under ¥10 billion will not apply to each quarter of the next fiscal year.

Q11: Could you tell us about the amount of the milestone payments received from Lundbeck?

A11: The cumulative amount up to the third quarter is just over ¥10 billion.

Q12: There was an announcement that Lundbeck has increased the number of its medical representatives. Would it be correct to believe from this announcement that a potential expansion in Europe and a reduction in US sales expenses can be expected?

A12: We have filed for aripiprazole IM Depot in the US and Europe, and the fact that we have brought forward the increase in the number of medical reps in both markets is a major factor in rising expenses. This trend will not change next fiscal year and beyond, but there will not be a significant increase.

Q13: What are the Abraxane sales forecasts for stomach cancer and non-small cell lung cancer?

A13: I am not able to answer you about peak sales at the current stage, but I can say that it has passed through the subcommittee.

Q14: Could you tell us the breakdown of the \$275 million approval milestone from Lundbeck?

A14: \$100 million is paid on approval of aripiprazole IM Depot in the US, , \$75 million on approval of aripiprazole IM Depot in Europe and the remaining \$100 million on approval of aripiprazole IM Depot for bipolar disorder, making a total of \$275 million.

Q15: What is the breakdown of the approximately ¥10 billion in the milestone received from Lundbeck by the third quarter?

A15: Part is the pro-rated initial payment for the period and part is the partial development milestone for OPC 34712, pro-rated for the period.

Q16: Could you tell us about the impact of inventory held by BMS on US Abilify sales forecasts?

A16: With regard to inventory, we have been monitoring trading inventory very carefully, so we have verified that inventory has not accumulated as much as last year. We also believe that there will be no impact on sales at the beginning of this year.

Q17: Profit in the nutraceutical business has fallen. Are you specifically considering a review of business strategy for next fiscal year and beyond?

A17: Sales of Pocari Sweat fell in the first half of this fiscal year, partly due to new products from other companies, but it has been maintaining healthy sales recently. The nutraceutical business is also staying strong overseas, and we expect profit to recover to some extent in the fourth quarter.

Q18: Do you feel that profits in the nutraceutical business will be flat next fiscal year and beyond as well?

A18: We cannot yet give a detailed answer about next fiscal year and beyond, but we are hoping to aim for at least a 7% profit margin for the current fiscal year.