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# Outline of FY2013 Estimate

- Compares to Mid-term Plan-

May 14, 2013

**Tatsuo Higuchi**

**President and Representative Director, CEO**

**Otsuka Holdings Co., Ltd.**

# Financial Highlights

¥100 mil	FY2012 actual	FY2013 estimate in mid-term plan	FY2013 estimate	% change	% progress to mid-term plan
<b>Net Sales</b>	<b>12,181</b>	<b>13,300</b>	<b>13,700</b>	<b>12.5%</b>	<b>103.0%</b>
<b>Operating Income</b>	<b>1,697</b>	<b>2,000</b>	<b>2,050</b>	<b>20.8%</b>	<b>102.5%</b>
<b>Net Income</b>	<b>1,224</b>	<b>1,300</b>	<b>1,380</b>	<b>12.7%</b>	<b>106.2%</b>

<b>R&amp;D</b>	<b>1,924</b>	<b>2,000</b>	<b>2,000</b>	<b>4.0%</b>	<b>100%</b>
<b>ROE</b>	<b>9.7%</b>	<b>10%&gt;</b>	<b>10.1%<sup>1)</sup></b>	<b>-</b>	<b>-</b>

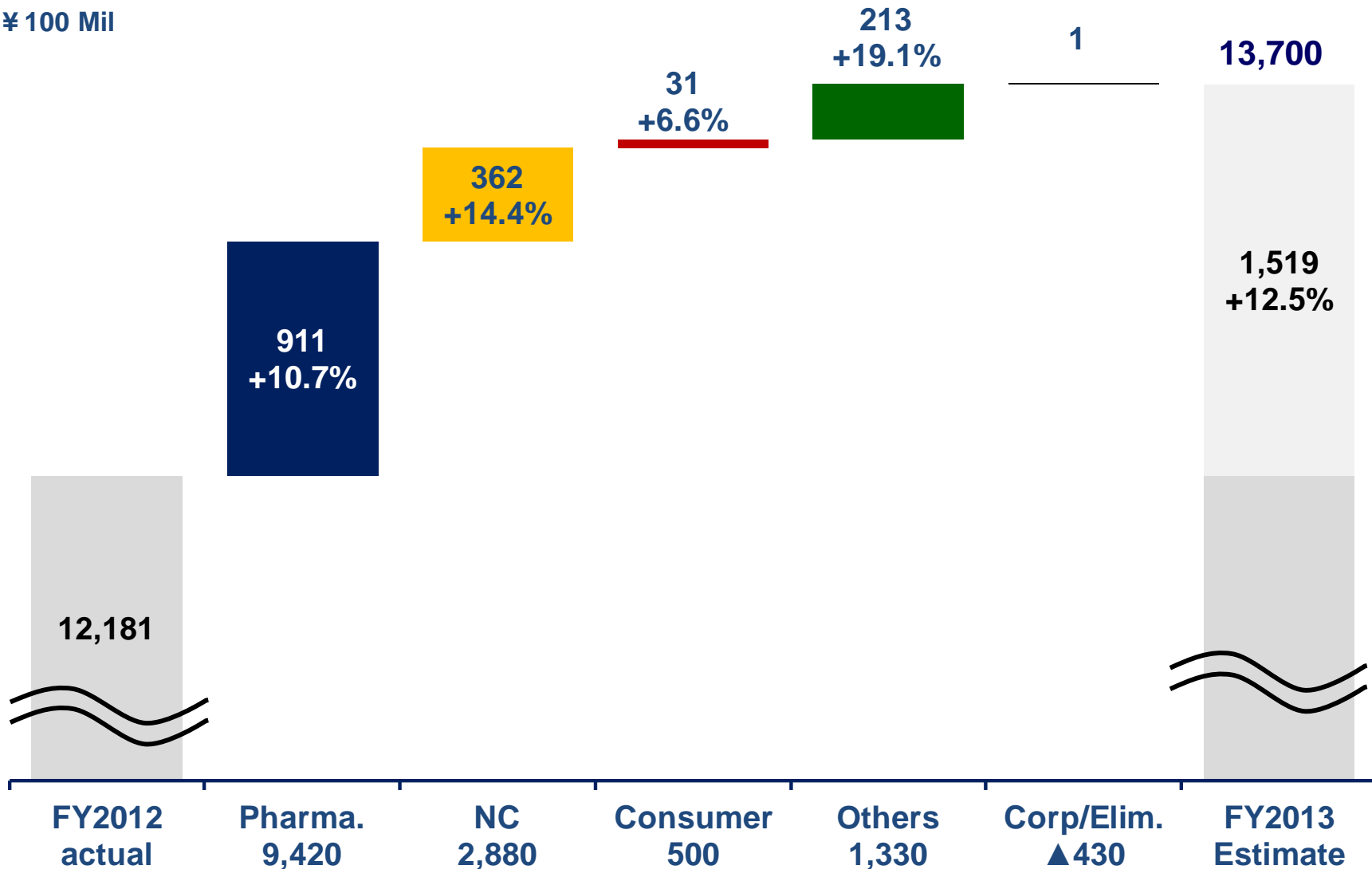
1) excluding buy-back

# FY 2013 Sales Plan by Business Segment

■ Sales increase:

Pharmaceuticals (60%), Nutraceuticals (23%), Consumer Products (3%), Others (14%)

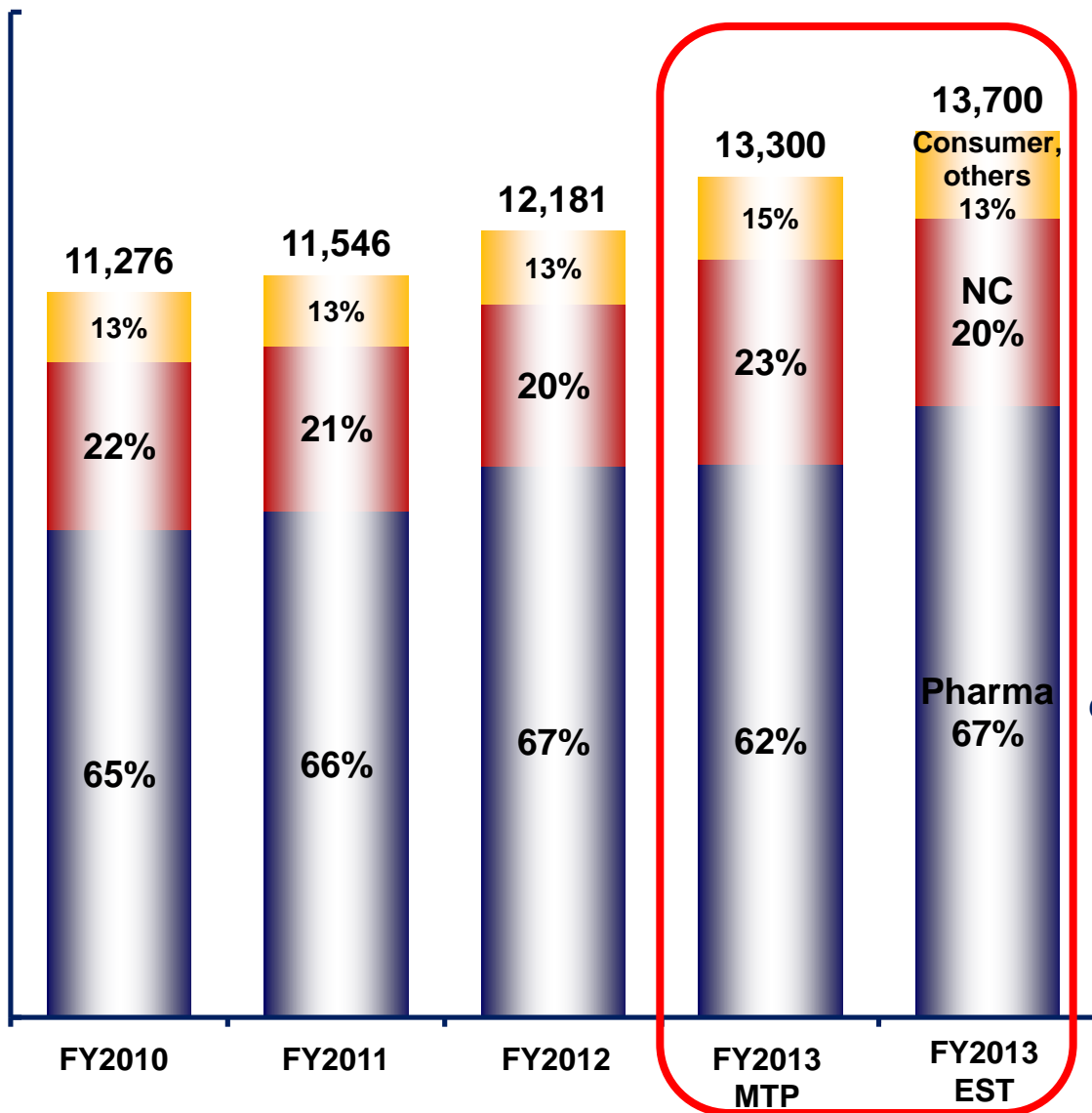
¥ 100 Mil



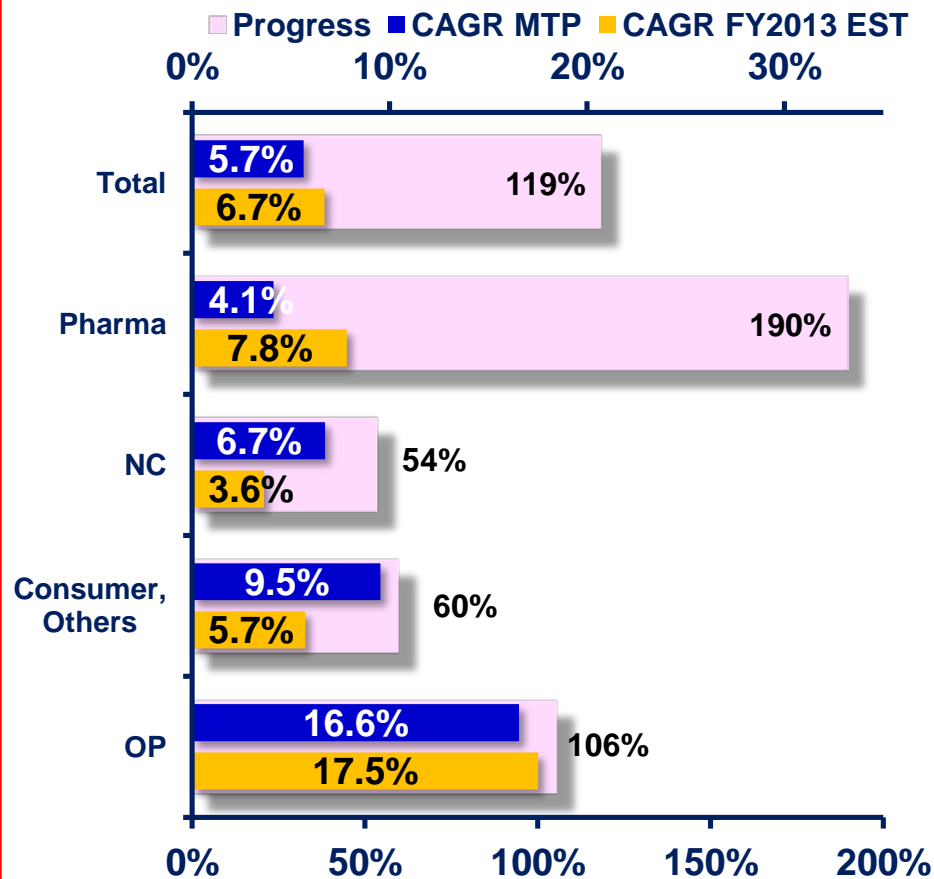
# Progress in Mid-term Plan

¥100 mil  
15,000

## Sales by Business Segment

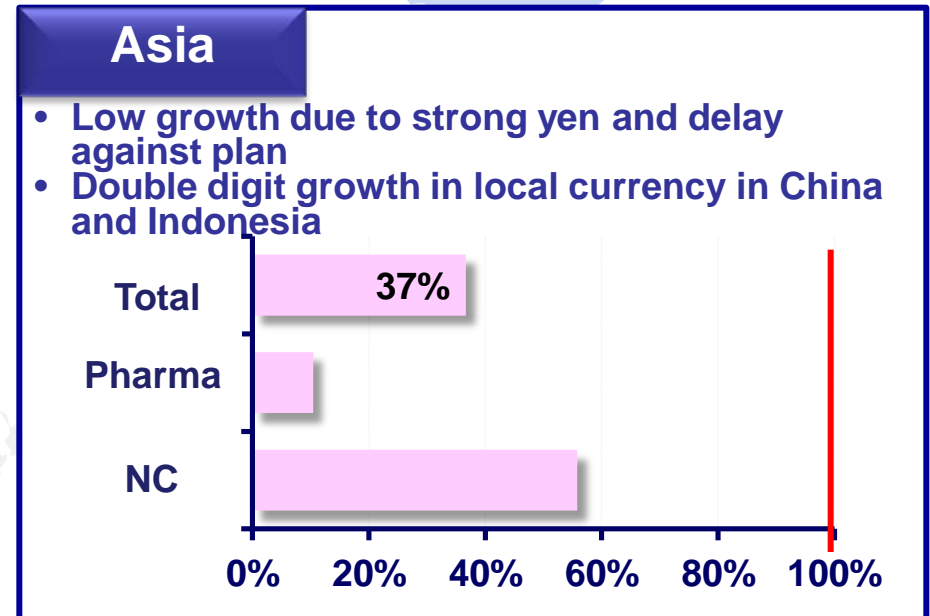
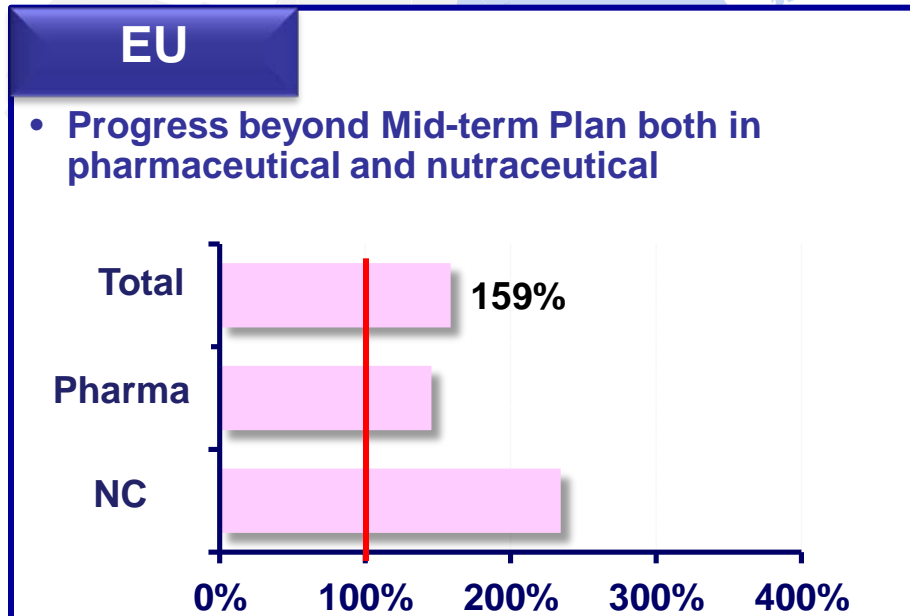
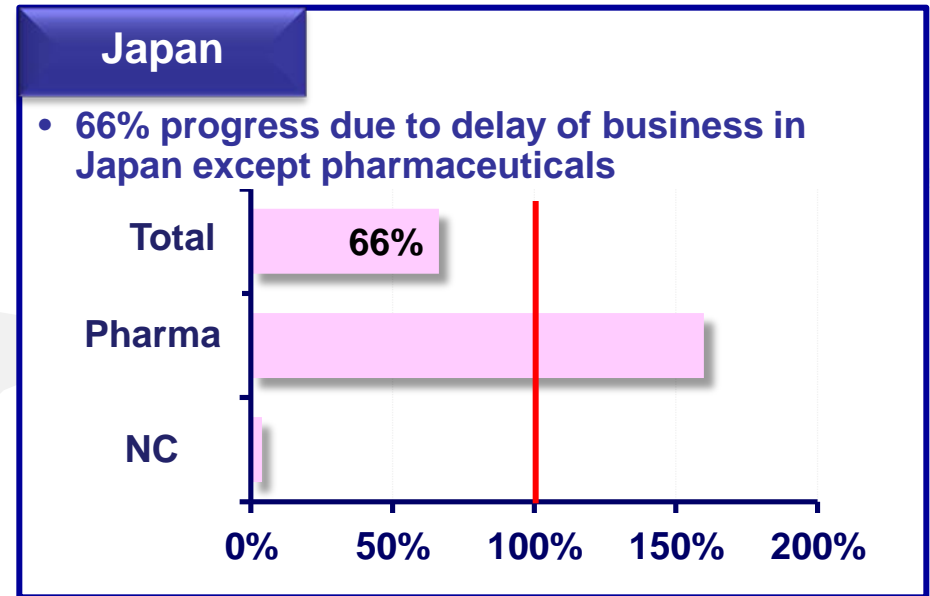
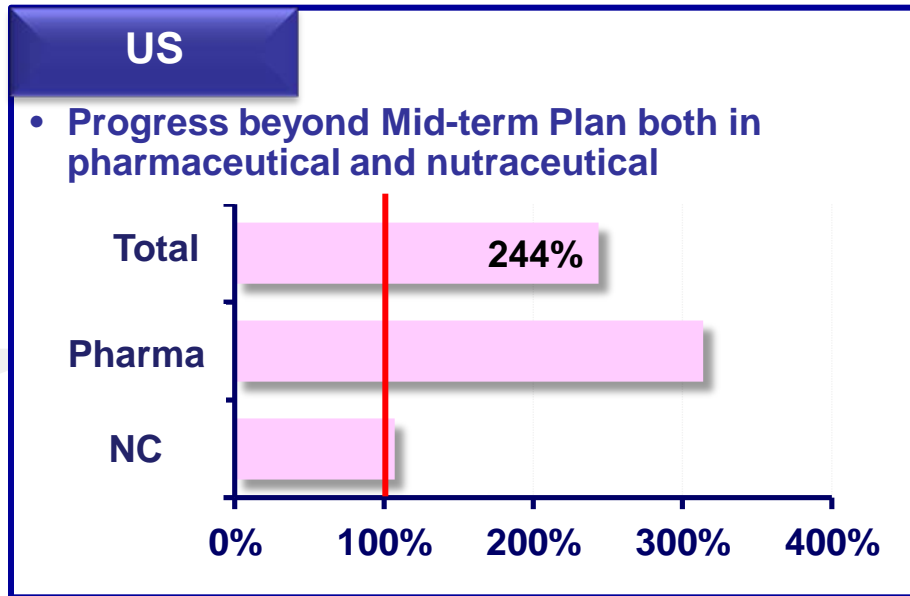


## CAGR FY2010~FY2013 (FY2013 EST vs FY2013 MTP)



MTP: Mid-tem plan  
EST: Estimate

# Progress of FY2013 Sales Estimate compared to FY2013 Mid-term Plan



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# **Analysis by Business Segment**

# Steady Growth in Pharmaceutical Business

## R&D strategies

- ✓ Accelerate new drug development
- ✓ Establish next generation therapeutic area

## Sales & Marketing structure

- ✓ Promote EU business and expand to emerging markets

## USA

### Reinforce marketing structure in CNS and cardiovascular areas

- ✓ Full utilization of own sales force from Jan. 2013
- ✓ New marketing alliance with Lundbeck
- ✓ Reinforce cardiovascular marketing

## Europe

### CNS area

- ✓ Reinforce marketing structure through alliance with Lundbeck

### Oncology area

- ✓ Expand market share in EU market

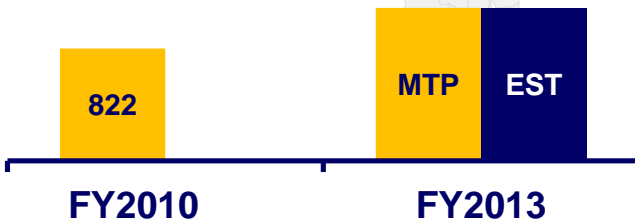
## Japan

### Enhance sales capability

- ✓ Reinforce CNS and oncology areas
- ✓ Develop multiple new products

## EU, Asia

¥100 mil



FY2010

FY2013

CAGR approx. x 2

3,199

MTP

EST

## Asia and other

### Oncology area

- ✓ Access to emerging markets

### Clinical nutrition

- ✓ Expand in emerging markets

3,490

FY2010

CAGR x 3

MTP

EST

FY 2013

■ Countries with Otsuka operation

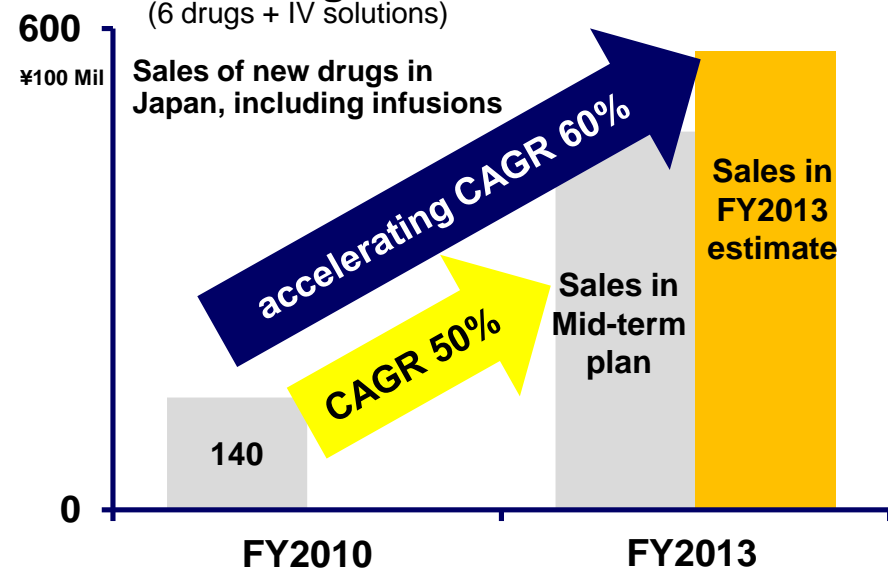
MTP: Mid-tem plan  
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# Profit Expansion with Major New Drugs in Japan

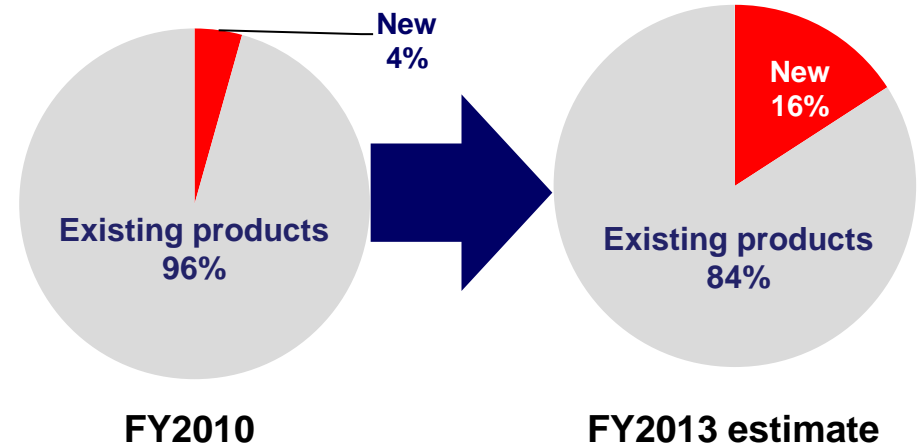


New drug	Launch	Indication	Principal characteristics
<i>E Keppra</i>	Sep. 2010	<ul style="list-style-type: none"> <li>Partial seizures (in combination with other antiepileptic agents)</li> </ul>	<ul style="list-style-type: none"> <li>No. 1 concomitant drug, due to different mechanism of action from other drugs</li> <li>Antiepileptic agent with anti-epileptogenic activity.</li> </ul>
<i>Aloxi</i>	Apr. 2010	<ul style="list-style-type: none"> <li>Delayed gastrointestinal symptoms due to anti-tumor agents</li> </ul>	<ul style="list-style-type: none"> <li>Approved and launched in 64 countries</li> <li>The only 5-HT3 receptor antagonist effective against delayed emesis</li> </ul>
<i>Abraxane</i>	Sep. 2010	<ul style="list-style-type: none"> <li>Breast cancer</li> <li>Gastric Cancer and NSCLC</li> </ul>	<ul style="list-style-type: none"> <li>Enhances paclitaxel efficacy</li> <li>No need for pretreatment, and shortened infusion time from 3 hrs to 30 min.</li> </ul>
<i>SAMSCA</i>	Dec. 2010	<ul style="list-style-type: none"> <li>Cardiac edema</li> </ul>	<ul style="list-style-type: none"> <li>Alleviates fluid retention in heart failure patients</li> <li>Alleviates edema when efficacy of existing diuretics is not sufficient</li> </ul>
<i>Mucosta OS</i>	Jan. 2012	<ul style="list-style-type: none"> <li>Dry-eye syndrome</li> </ul>	<ul style="list-style-type: none"> <li>Improves tear quality by increasing mucin secretion</li> </ul>
<i>Neupro Patch</i>	Feb. 2013	<ul style="list-style-type: none"> <li>Parkinson's disease</li> <li>Restless-legs syndrome</li> </ul>	<ul style="list-style-type: none"> <li>Applied In-house percutaneous absorption technology</li> </ul>

## ● New Drug Sales in FY2010: ¥14 bil (6 drugs + IV solutions)



## ● New Drug Sales Ratio in Japan





# Profit Growth of Nutraceutical Business

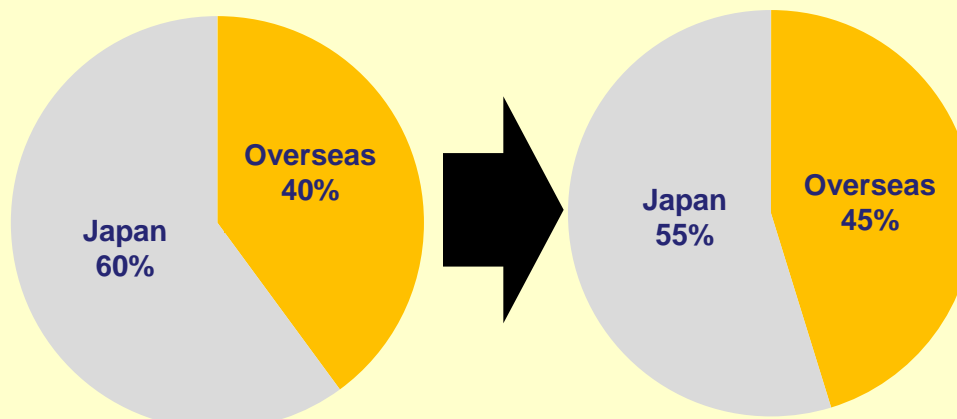
- Profit growth driven by sales increase due to market expansion and cost structure review

**Improved profitability  
OP margin over 10%**

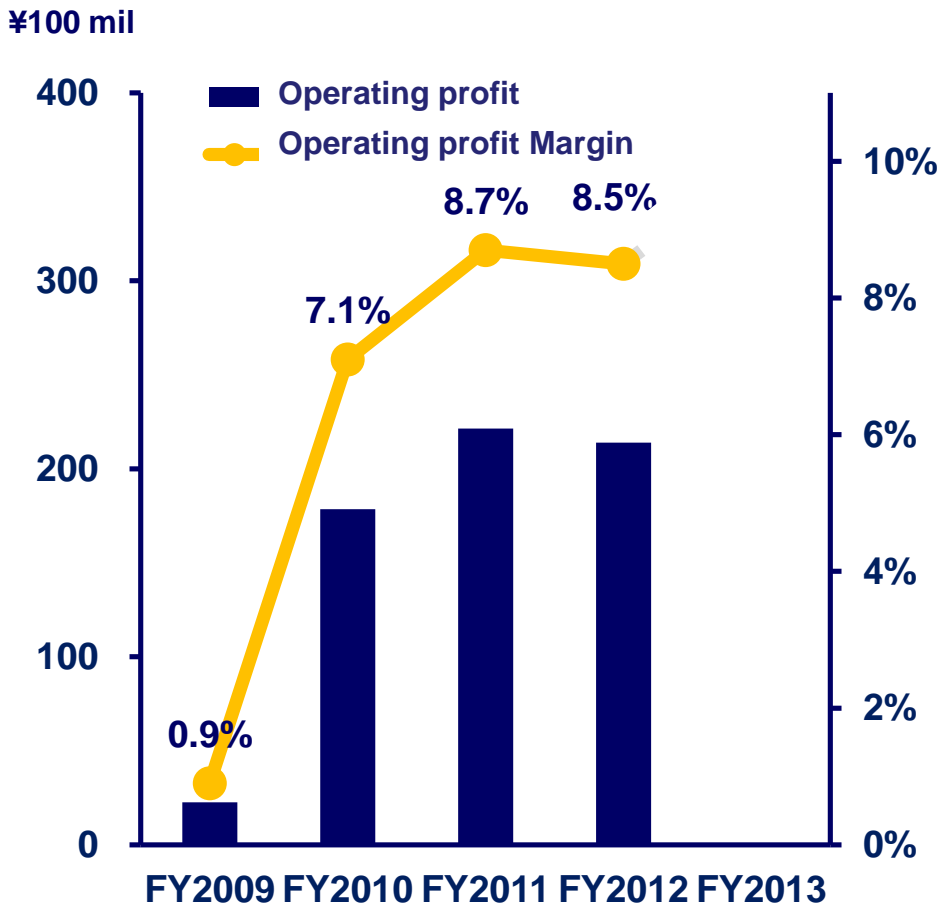
① **Improve profitability in Japan**  
 -Sales expansion by effective product launches & nurturing  
 -Optimization of expenses (sales promotion and distribution expenses)

② **Increase of profitable overseas sales ratio**

<Mid-term plan>                      <FY2013 EST>



Overseas sales ratio increase 5pt with strong growth along with low growth rate in Japanese market.



# Nutraceuticals Business Strategy

## Overseas

- **Products:** Introducing new formulation (Nature Made Gummy, Melts), creating new customers, expanding age brackets, differentiation from competitions
- **Area:** Area expansion to the East Coast of the US and Asia



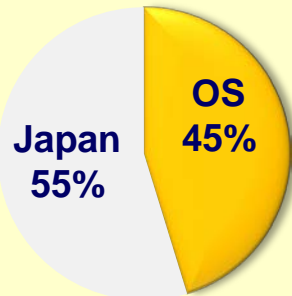
## Japan

- **Products:** Rebuild competitiveness with new items (Pocari Sweat Ion Water, SOYJOY Peanuts)
- **Marketing:** Rebuild competitive advantage through pull marketing, appeal product values through evidence-based information

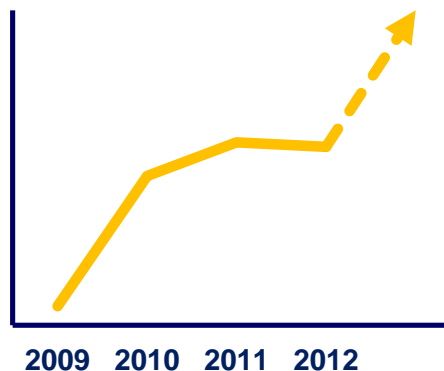


### Increase overseas sales ratio

- Overseas sales record higher profitability



### Further profit growth



### Growth by improvement

- Create new category
- Increase sales
- Sustain high-profitability business structure

# Groundwork for Further Growth

	Next Growth drivers	Measures
Pharma- ceuticals	<ul style="list-style-type: none"> <li>● <b>New products growth in Japan</b> <ul style="list-style-type: none"> <li>- Sales expansion with 6 new product launches</li> </ul> </li> <li>● <b>Global new products</b> <ul style="list-style-type: none"> <li>- <b>CNS: alliance with Lundbeck</b> <ol style="list-style-type: none"> <li>1. <i>Abilify Maintena</i> (launched in US)</li> <li>2. Brexpiprazole (P-3, successor to <i>ABILIFY</i>)</li> <li>3. Lu AE58054 (P-3, Alzheimer's disease)</li> </ol> </li> <li>- <b>Oncology: TAS-102 (P-3, colorectal cancer)</b></li> <li>- <b>Ophthalmology, Tolvaptan (NDA filed in US)</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Reinforce product portfolio in CNS and oncology.</li> <li>- Development of new therapeutic areas</li> </ul>
NC	<ul style="list-style-type: none"> <li>● <b>Expand overseas sales ratio</b> <ul style="list-style-type: none"> <li>- Expand profitable overseas business</li> </ul> </li> <li>● <b>Improve profitability in Japan</b> <ul style="list-style-type: none"> <li>- Improve profit structure in Japan where our sales ratio is higher</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Reinforce marketing structure in ASEAN</li> <li>- Foster new products</li> <li>- Strengthen marketing capability in Japan</li> </ul>

## ■ Direction: A diversified business structure

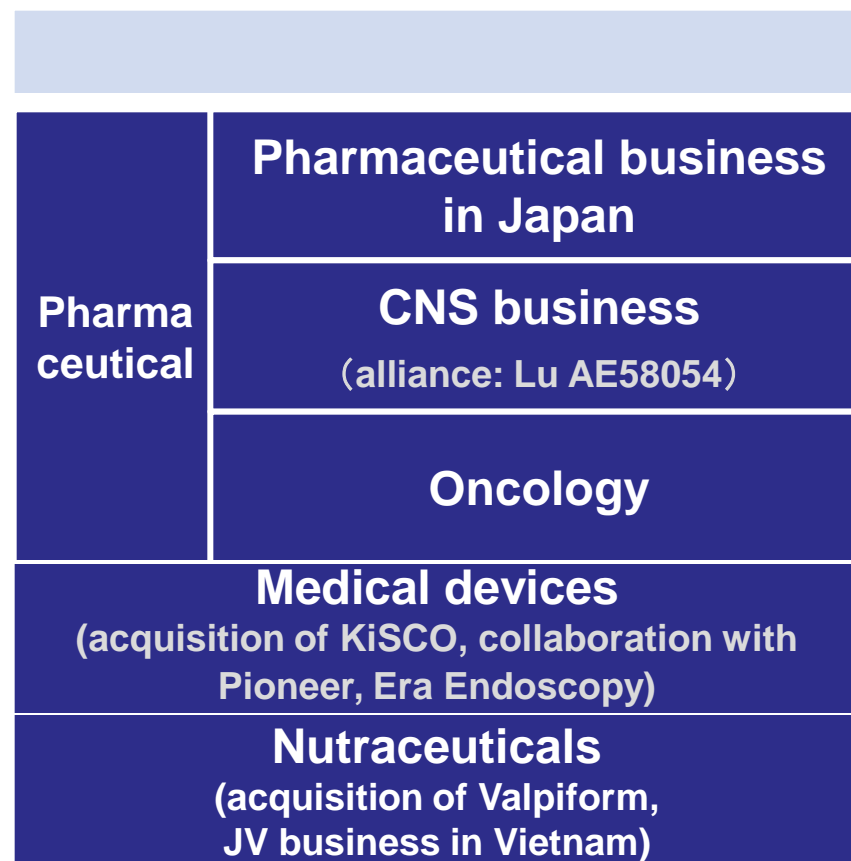
### Current Structure



Strengthen business structure through strategic alliances

Diversify business risk

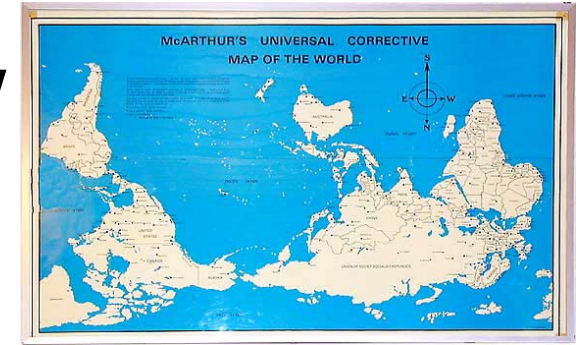
### Structure beyond FY2015 (contributions to profits from various businesses)



# The Otsuka Group's Corporate Philosophy

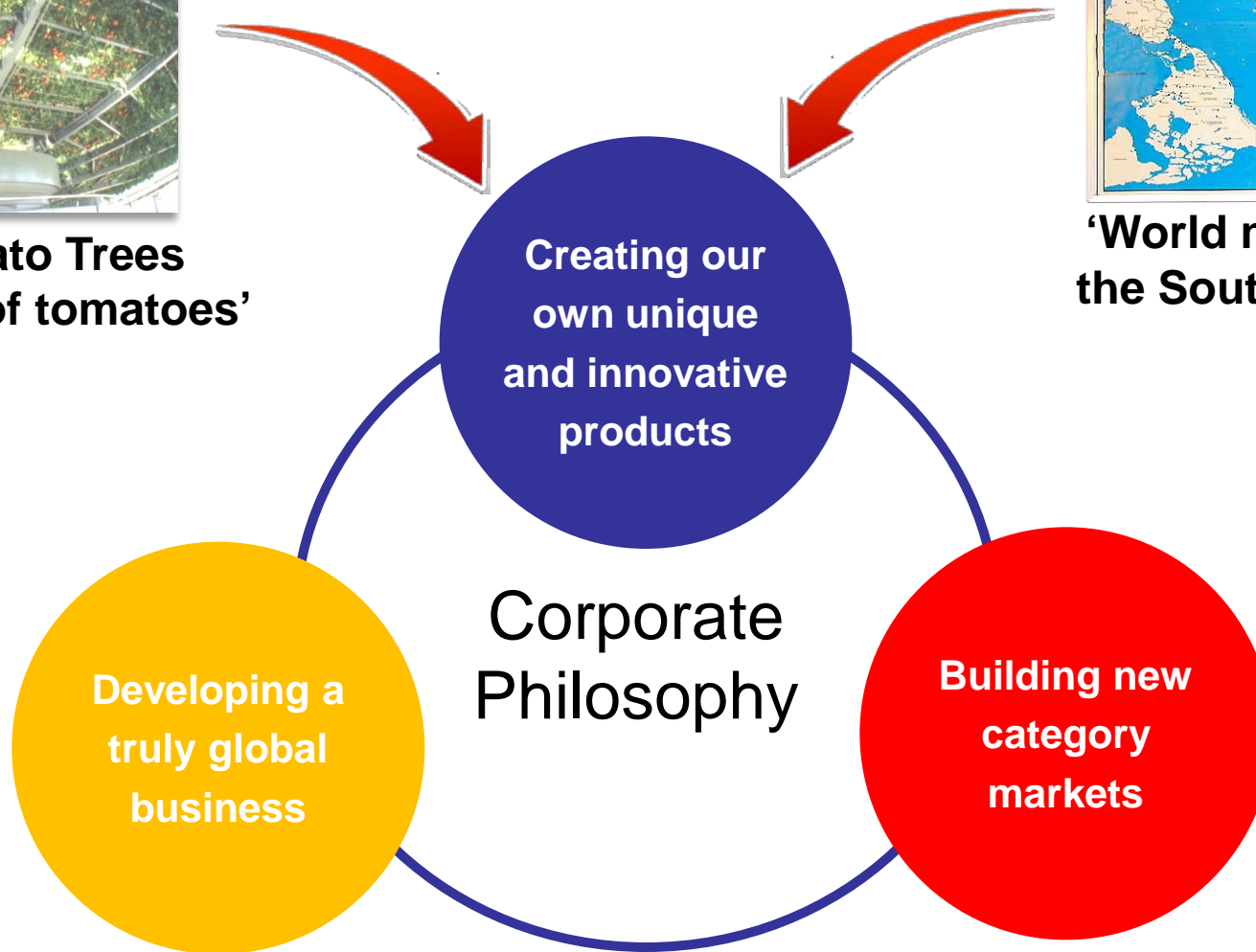


- Unconventional way of thinking
- Ideas from diversified point of view

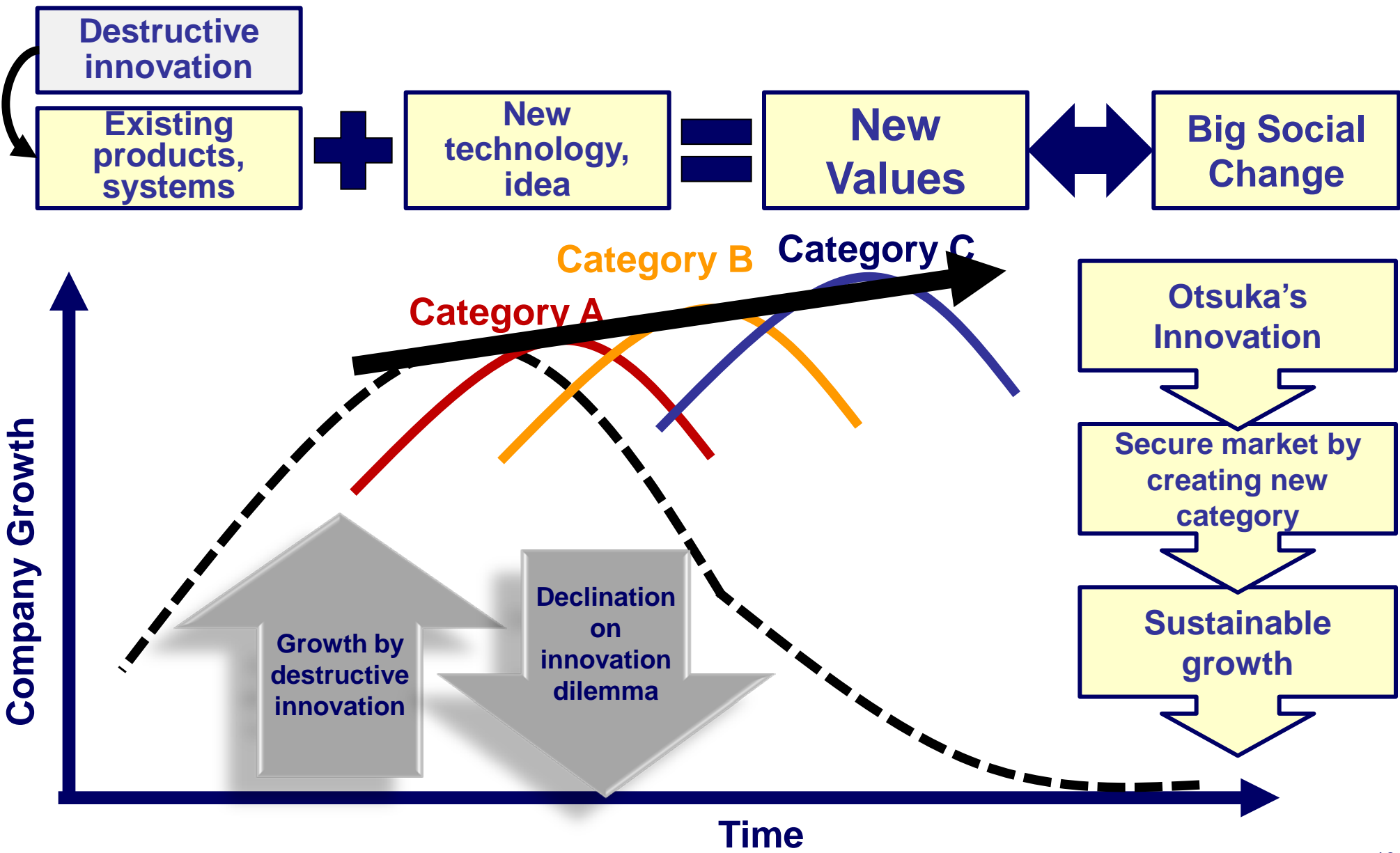


**'Giant Tomato Trees bearing a lot of tomatoes'**

**'World map looking from the Southern Hemisphere'**



# Otsuka's Goal: Innovation & Sustainable Growth



# Financial Strategy and Shareholders' Return Policy

**FY2011-FY2013 accumulated cash flow: Approx. ¥1,043.8 bil\***  
(cash flows from operating activities + R&D expenses)

## Growth Investment

- R&D expenses: ¥551.6 bil
- Capital investment: ¥158.6 bil
- Alliances: Lundbeck etc.  
(Foster the next-generation businesses; engage in proactive investments aiming at diversifying revenue sources)

## Share- holders' return (plan)

- Dividend for FY2013: ¥65 per share
- Buybacks: ¥30 bil
- Total shareholders' return: ¥142.8 bil (FY2011-FY2013)

\* The aggregate sum total of net income for the period from FY 2011 to FY 2013 (¥352.6 billion), depreciation (¥139.6 billion) and R&D expenses (¥551.6 billion).

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