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

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

| R&D | 1,924 | 2,000 | 2,000 | 4.0% | 100% |
| ROE | 9.7% | 10%> | 10.1% ¹) | - | - |

¹) excluding buy-back
FY 2013 Sales Plan by Business Segment

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

¥ 100 Mil

FY2012 actual

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2012 Actual</th>
<th>FY2013 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharma.</td>
<td>9,420</td>
<td>13,700</td>
</tr>
<tr>
<td>NC</td>
<td>2,880</td>
<td></td>
</tr>
<tr>
<td>Consumer</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>1,330</td>
<td></td>
</tr>
<tr>
<td>Corp/Elim.</td>
<td>▲ 430</td>
<td></td>
</tr>
</tbody>
</table>

Sales increase:
- Pharmaceuticals: +10.7%
- NC: +6.6%
- Consumer Products: +19.1%
- Others: +12.5%
Progress in Mid-term Plan

Sales by Business Segment

CAGR FY2010～FY2013
(FY2013 EST vs FY2013 MTP)

- **Op**
  - FY2010: 16.6%
  - FY2011: 17.5%
  - FY2012: 17.5%
  - FY2013 MTP: 16.6%
  - FY2013 EST: 106%

- **NC**
  - FY2010: 6.7%
  - FY2011: 6.7%
  - FY2012: 6.7%
  - FY2013 MTP: 5.7%
  - FY2013 EST: 54%

- **Pharma**
  - FY2010: 4.1%
  - FY2011: 7.8%
  - FY2012: 190%
  - FY2013 MTP: 4.1%
  - FY2013 EST: 190%

- **Consumer, Others**
  - FY2010: 9.5%
  - FY2011: 5.7%
  - FY2012: 60%
  - FY2013 MTP: 9.5%
  - FY2013 EST: 60%

- **Total**
  - FY2010: 5.7%
  - FY2011: 119%
  - FY2012: 119%
  - FY2013 MTP: 5.7%
  - FY2013 EST: 119%

MTP: Mid-tem plan
EST: Estimate
Progress of FY2013 Sales Estimate compared to FY2013 Mid-term Plan

**US**
- Progress beyond Mid-term Plan both in pharmaceutical and nutraceutical
  - Total: 244%
  - Pharma: 159%
  - NC: 37%

**Japan**
- 66% progress due to delay of business in Japan except pharmaceuticals
  - Total: 66%
  - Pharma: 244%
  - NC: 37%

**EU**
- Progress beyond Mid-term Plan both in pharmaceutical and nutraceutical

**Asia**
- Low growth due to strong yen and delay against plan
- Double digit growth in local currency in China and Indonesia
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

FY2010
- CNS area
  - Reinforce marketing structure through alliance with Lundbeck
- Oncology area
  - Expand market share in EU market

FY2013
- CNS area
  - Reinforce marketing structure through alliance with Lundbeck
- Oncology area
  - Expand market share in EU market

EU, Asia
- $100 mil
  - CNS area
  - Reinforce marketing structure through alliance with Lundbeck
  - Oncology area
  - Expand market share in EU market
  - Access to emerging markets
  - Clinical nutrition
  - Expand in emerging markets

CAGR x 3

Countries with Otsuka operation

MTP: Mid-term plan
EST: Estimate
## Profit Expansion with Major New Drugs in Japan

<table>
<thead>
<tr>
<th>New drug</th>
<th>Launch</th>
<th>Indication</th>
<th>Principal characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E Keppra</strong></td>
<td>Sep. 2010</td>
<td>• Partial seizures (in combination with other antiepileptic agents)</td>
<td>• No. 1 concomitant drug, due to different mechanism of action from other drugs&lt;br&gt;• Antiepileptic agent with anti-epileptogenic activity.</td>
</tr>
<tr>
<td><strong>Aloxi</strong></td>
<td>Apr. 2010</td>
<td>• Delayed gastrointestinal symptoms due to anti-tumor agents</td>
<td>• Approved and launched in 64 countries&lt;br&gt;• The only 5-HT3 receptor antagonist effective against delayed emesis</td>
</tr>
<tr>
<td><strong>Abraxane</strong></td>
<td>Sep. 2010</td>
<td>• Breast cancer&lt;br&gt;• Gastric Cancer and NSCLC</td>
<td>• Enhances paclitaxel efficacy&lt;br&gt;• No need for pretreatment, and shortened infusion time from 3 hrs to 30 min.</td>
</tr>
<tr>
<td><strong>SAMSCA</strong></td>
<td>Dec. 2010</td>
<td>• Cardiac edema</td>
<td>• Alleviates fluid retention in heart failure patients&lt;br&gt;• Alleviates edema when efficacy of existing diuretics is not sufficient</td>
</tr>
<tr>
<td><strong>Mucosta OS</strong></td>
<td>Jan. 2012</td>
<td>• Dry-eye syndrome</td>
<td>• Improves tear quality by increasing mucin secretion</td>
</tr>
<tr>
<td><strong>Neupro Patch</strong></td>
<td>Feb. 2013</td>
<td>• Parkinson’s disease&lt;br&gt;• Restless-legs syndrome</td>
<td>• Applied In-house percutaneous absorption technology</td>
</tr>
</tbody>
</table>

### New Drug Sales in FY2010: ¥14 bil

(6 drugs + IV solutions)

- Sales of new drugs in Japan, including infusions:
  - Accelerating CAGR 60%
  - CAGR 50%

### New Drug Sales Ratio in Japan

- FY2010: Existing products 96%
- FY2013 estimate: Existing products 84%
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

Operative profit and profit margin by year:
- FY2009: Operating profit ¥100 mil, Operating profit margin 0.9%
- FY2010: Operating profit ¥200 mil, Operating profit margin 7.1%
- FY2011: Operating profit ¥300 mil, Operating profit margin 8.7%
- FY2012: Operating profit ¥400 mil, Operating profit margin 8.5%
- FY2013: Operating profit ¥500 mil, Operating profit margin 10%

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

<Mid-term plan> <FY2013 EST>

Japan: 60% Overseas: 40%
Japan: 55% Overseas: 45%
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

<table>
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<tr>
<th>Next Growth drivers</th>
<th>Measures</th>
</tr>
</thead>
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<tr>
<td><strong>Pharmaceuticals</strong></td>
<td></td>
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</tbody>
</table>
| - New products growth in Japan  
  - Sales expansion with 6 new product launches | - Reinforce product portfolio in CNS and oncology. |
| - Global new products  
  - CNS: alliance with Lundbeck  
    1. *Abilify Maintena* (launched in US)  
    2. Brexipiprazole (P-3, successor to *ABILIFY*)  
    3. Lu AE58054 (P-3, Alzheimer's disease)  
  - Oncology: TAS-102 (P-3, colorectal cancer)  
  - Ophthalmology, Tolvaptan (NDA filed in US) | - Development of new therapeutic areas |
| **NC** | -Reinforce marketing structure in ASEAN |
| - Expand overseas sales ratio  
  - Expand profitable overseas business | -Foster new products |
| - Improve profitability in Japan  
  - Improve profit structure in Japan where our sales ratio is higher | -Strengthen marketing capability in Japan |
Direction: A diversified business structure

Current Structure

- ABILIFY

Strengthen business structure through strategic alliances

Diversify business risk

Structure beyond FY2015
(contributions to profits from various businesses)

| Pharmaceutical business in Japan |
| CNS business (alliance: Lu AE58054) |
| Oncology |
| Medical devices (acquisition of KiSCO, collaboration with Pioneer, Era Endoscopy) |
| Nutraceuticals (acquisition of Valpiform, JV business in Vietnam) |
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’

Creating our own unique and innovative products

Corporate Philosophy

Developing a truly global business

Building new category markets
Otsuka’s Goal: Innovation & Sustainable Growth

- Destructive innovation
- Existing products, systems

+ New technology, idea

= New Values

⇒ Big Social Change

Category A

Category B

Category C

Growth by destructive innovation

Declination on innovation dilemma

Company Growth

Time

Otsuka’s Innovation

Secure market by creating new category

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)

- 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)
- 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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