Otsuka Holdings Co., Ltd.
First Medium-Term Management Plan
Overview

May 14, 2014
Otsuka Holdings Co., Ltd.
Performance Evaluation of the First Medium-Term Management Plan

- Net sales & Net income exceeded the plan
- R&D expenses increased due to prior investments
- ROE showed double-digit growth

<table>
<thead>
<tr>
<th></th>
<th>FY2010 actual</th>
<th>FY2013 plan</th>
<th>2010-2013 plan CAGR</th>
<th>FY2013 actual</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,127.6</td>
<td>1,330.0</td>
<td>5.7%</td>
<td>1,452.8</td>
<td>8.8%</td>
</tr>
<tr>
<td>(Ratio of overseas sales to net sales)</td>
<td>49.0%</td>
<td>50%</td>
<td>56.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>164.7</td>
<td>200.0</td>
<td>6.7%</td>
<td>249.0</td>
<td>14.8%</td>
</tr>
<tr>
<td>vs. net sales</td>
<td>14.6%</td>
<td>15.0%</td>
<td>17.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>126.3</td>
<td>200.0</td>
<td>16.6%</td>
<td>198.7</td>
<td>16.3%</td>
</tr>
<tr>
<td>vs. net sales</td>
<td>11.2%</td>
<td>15.0%</td>
<td>13.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>82.4</td>
<td>130.0</td>
<td>16.4%</td>
<td>151.0</td>
<td>22.4%</td>
</tr>
<tr>
<td>EPS</td>
<td>164.5yen</td>
<td>230yen</td>
<td>11.8%</td>
<td>278.1yen</td>
<td>19.1%</td>
</tr>
<tr>
<td>ROE</td>
<td>7.9%</td>
<td>10% or more</td>
<td></td>
<td>10.8%</td>
<td></td>
</tr>
</tbody>
</table>

Note: <Foreign exchange rate>
Assumptions at the time of the planning: $1=¥85; Euro1=¥115
FY2013 actual: $1=¥97.72; Euro1=¥129.77
Business Globalization

FY2010 consolidated sales
¥ 1,127.6 Bil

- Overseas 49%
- Japan 51%

FY2010 sales ratio by segment
- Pharma 67%
- Japan 53%
- US 46%
- others 11%

FY2013 consolidated sales
¥ 1,452.8 Bil

- Overseas 57%
- Japan 43%

FY2013 sales ratio by segment
- Pharma 71%
- Japan 36%
- US 51%
- Others 13%
CAGR by area & business segment

### Total
- **1st MTP**
  - Total: 5.6%
  - Pharma: 4.1%
  - NC: 6.6%
  - Others: 3.1%

- **Actual**
  - Total: 8.8%
  - Pharma: 11.3%
  - NC: 12.7%
  - Others: 4.4%

### Japan
- **1st MTP**
  - Total: 4.8%
  - Pharma: 11.6%
  - NC: 2.6%

- **Actual**
  - Total: 3.0%
  - Pharma: 5.2%
  - NC: 5.1%
  - Δ1.5%

### US
- **1st MTP**
  - Total: 14.2%
  - Pharma: 15.0%
  - NC: 7.8%

- **Actual**
  - Total: 3.3%
  - Pharma: 8.5%

### Europe
- **1st MTP**
  - Total: 7.6%
  - Pharma: 15.1%
  - NC: 19.9%

- **Actual**
  - Total: 11.6%
  - Pharma: 2.0%
  - NC: 7.1%

### Asia
- **1st MTP**
  - Total: 17.7%
  - Pharma: 13.7%
  - NC: 13.8%

- **Actual**
  - Total: 13.8%
  - Pharma: 12.8%
  - NC: 14.3%
Measures to reinforce next growth drivers (by business segment)

<table>
<thead>
<tr>
<th>Area</th>
<th>Pharma-ceuticals</th>
<th>Japan</th>
<th>US/EU</th>
<th>Products-based Strategy (global new products)</th>
<th>CNS</th>
<th>Oncology</th>
<th>Others</th>
<th>NC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td></td>
<td>Expand market share through maximizing sales of 7 new products</td>
<td></td>
<td>Expand overseas sales ratio</td>
<td></td>
<td>Expand overseas sales ratio</td>
<td>Expand overseas sales ratio</td>
<td></td>
</tr>
<tr>
<td>US/EU</td>
<td></td>
<td>Focus on GI area (TAK-438)</td>
<td></td>
<td>Profitability restructure</td>
<td></td>
<td>Profitability restructure</td>
<td>Profitability restructure</td>
<td></td>
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<tr>
<td>CNS</td>
<td></td>
<td>Enhance own sales structure</td>
<td></td>
<td></td>
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<tr>
<td>CNS</td>
<td></td>
<td>Alliance with Lundbeck</td>
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<tr>
<td>CNS</td>
<td></td>
<td>• Abilify Maintena (Launches in US and EU)</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CNS</td>
<td></td>
<td>• Brexpiprazole</td>
<td></td>
<td></td>
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<tr>
<td>CNS</td>
<td></td>
<td>• Lu AE58054 (Alzheimer’s disease agent)</td>
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<tr>
<td>CNS</td>
<td></td>
<td>• Lonsurf (colorectal cancer - approval in Japan, to be filed in US and EU)</td>
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<tr>
<td>CNS</td>
<td></td>
<td>• 5 drug candidates from Astex</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>CNS</td>
<td></td>
<td>• Tolvaptan (ADPKD: approval in Japan, filing in EU)</td>
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<td></td>
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<tr>
<td>CNS</td>
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</tbody>
</table>
A major push up in profits is due to new drugs in Japan. The table below details the new drugs launched with their indications and principal characteristics:

<table>
<thead>
<tr>
<th>New drug</th>
<th>Launch</th>
<th>Indication (supplement)</th>
<th>Principal characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E Keppra</strong></td>
<td>Sep. 2010</td>
<td>Partial seizures for adults and pediatric use</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dry Syrup Formulation</td>
<td>Antiepileptic agent with anti-epileptogenic activity</td>
</tr>
<tr>
<td><strong>Aloxi</strong></td>
<td>Apr. 2010</td>
<td>Gastrointestinal symptoms associated with anti-tumor agents</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>I.V. infusion bag</td>
<td>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</td>
<td>No need for pretreatment shortens infusion time from 3 hrs to 30 min.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gastric cancer and NSCLC</td>
<td></td>
</tr>
<tr>
<td><strong>SAMSCA</strong></td>
<td>Dec. 2010</td>
<td>Cardiac edema, hepatic edema, ADPKD</td>
<td></td>
</tr>
<tr>
<td><strong>Mucosta OS</strong></td>
<td>Jan. 2012</td>
<td>Dry-eye syndrome</td>
<td></td>
</tr>
<tr>
<td><strong>Neupro Patch</strong></td>
<td>Feb. 2013</td>
<td>Parkinson’s disease, Restless-legs syndrome</td>
<td></td>
</tr>
</tbody>
</table>

### Sales of new drugs in Japan

- **6 drugs + IV solutions**

### New Drug Sales Ratio in Japan

- **Existing products** 96%
- **New** 17%
- **CAGR** 66%
Otsuka’s solutions to unmet needs

CNS
- Adherence management
  - Pediatrics
  - IM Depot
  - Combination with IT
  - Abilify Maintena

CV
- Treatment of cognitive impairment and conduct disorder
  - BPSD
  - Alzheimer’s disease
  - Brexpiprazole
  - Lu AE58054

Oncology
- Water diuretics
  - Hyponatremia
  - Adherence management
  - No response to other drugs
  - Efficacy to KRAS-mutation
  - Hyponatremia
  - ADPKD
  - Lonsurf
  - Approved in Japan
  - To be filed in US and EU

TB
- No new drugs for 40 years
- MDR-TB
- Deltyba
  - Approved in EU
  - Filed in Japan
CNS business evolution

**New Indication**
- Anxiety disorder (PTSD)
- Conduct Disorder
  Agitation associated with dementia of the Alzheimer's type

**Lu AE58054**
- Treatment of Alzheimer’s disease with new MOA

**Lu AF20513**
- Vaccine for Alzheimer’s disease (disease modifier)

**Brexpiprazole**
- Creation of new category beyond existing indications

**ABILIFY (tablet)**
- Gains acceptance in the market
- Proves hypothesis through verification
- Abundant clinical experience

**Abilify Maintena**
- Long-term relapse prevention effect based on the reliable effect and excellent safety & tolerability profile

**Smart tablet**
- Existing treatment + Information technologies

In-licensed products
Oncology business evolution

New Technology

Hematological cancer

Solid Tumor

Supportive Care

New
Technology

Busulfex®
(SGI-110
(MDS,AML)
ASTX727
(MDS)
Sprycel®
(CML)
Molecular
Targeted Agents

Abraxane®

FT®
UFT®
TS-1®

TAS-114
Continuous Innovation
to develop new
Anti-metabolites

Pain
Sativex®
E-fen®

Edema
Samsca®

Nausea &
vomiting
Aroxi®

Dry Mouth
Mucosta®
NC Business Development

- Profit growth driven by increase in overseas sales and cost structure review in Japan

**Overseas sales ratio**
- Japan 60.1% (2010), 52.5% (2013)
- Overseas 39.9% (2010), 47.5% (2013)

**Operating profit**
- 2009: 0.9%
- 2010: 7.1%
- 2011: 8.7%
- 2012: 8.5%
- 2013: 8.8%

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**US**

- Launch new formulations (Nature Made)
- Area expansion to the East Coast

**Japan**

- Profit structure reform
  - Optimized cost control (sales promotion & distribution expenses)
  - Sales growth by new product launches

**Europe**

- Growth of diet food business in France, Italy and Spain

**Asia**

- Expansion to emerging markets
- Gain new customers

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**CAGR 7.1%**

- 2010: 344
- 2013: 423

**CAGR 14.3%**

- 2010: 212
- 2013: 316

**CAGR ▲1.5%**

- 2010: 1,541
- 2013: 1,475
### Investment activities

**Diversify business structure**
- Pharmaceuticals: Reinforce in each therapeutic area by pipeline expansion
- NC: Expand markets by sales network and brand equity

**Execute through innovation and globalization**

#### Current Structure

- **ABILIFY**
  - Diversify business risk

#### Achievements

<table>
<thead>
<tr>
<th>Segment</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals</td>
<td>Japan • Co-promotion (TAK-438)</td>
</tr>
<tr>
<td></td>
<td>CNS • Alliance with Lundbeck (Lu AE58054 and other two products)</td>
</tr>
<tr>
<td></td>
<td>Oncology • Addition of 5 products from Astex</td>
</tr>
<tr>
<td>Medical Devices</td>
<td>Clinical nutrition • Establishment of Claris-Otsuka</td>
</tr>
<tr>
<td></td>
<td>• Acquisition of KiSCO • Collaboration with Pioneer • Collaboration with Era Endoscopy</td>
</tr>
<tr>
<td>NC</td>
<td>• Acquisition of Valpiform • Joint Venture in Vietnam</td>
</tr>
</tbody>
</table>
Further investments

Execution by Innovation and Globalization

Global CNS business
- Lu AE58054
- Abilify Maintena
- brexpiprazole

Global Oncology business
- Lonsurf
- SGI-110
- ASTX-727
- AT-13387

Pharmaceuticals in Japan
- TAK-438
- New product

Global other business areas
- SAMSCA

NC
- Nature Made
- Oronamin C
- Next generation
- Gerble
- Sylution
- Pocari Sweat

Next generation
- Area strategy

Next generation
- ASTX-727
- AT-13387
Management Cycle

Invention
Drug Discovery Capability

Globalization

Innovation

Diversity
Outside know-how & in-house transformation

Creativity

Execution

Open Innovation

Management Driver

Progress and Outcome
(Human Resource ・ Technology ・ Capital)
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