

Otsuka Holdings Co., Ltd.

Financial Results Presentation FY2014 (Year Ending December 31, 2014)

Q&A

February 13, 2015

Q1: What will be the impact of Avanir Pharmaceuticals consolidation and exchange rates on income from fiscal 2016 onwards?

A1: In fiscal 2015, operating income is projected to be approximately ¥20 billion lower than initial forecasts due to the impact of Avanir consolidation and exchange rates. However, we expect to be able to achieve the target in the Second Medium-Term Management Plan in fiscal 2016 and beyond thanks to the contribution from profits at Avanir Pharmaceuticals and the growth of new drugs.

Q2: The projection for fiscal 2016 R&D expenses in the Second Medium-Term Management Plan is ¥170 billion, but what level of change do you expect from exchange rate fluctuations?

A2: The impact of exchange rates is estimated to be around ¥20 billion, assuming the rates are the same as in the current fiscal year. As exchange rates affect not only expenses but also sales and gross profit, we expect to be able to secure operating income of ¥100 billion in fiscal 2016.

Q3: Could you, as president, tell us your thoughts on cell transplantation as part of regenerative medicine in the central nervous system field?

A3: In many fields including regenerative medicine, it is unlikely that research and practical application progress at the same speed. Otsuka Group has also started research on regenerative medicine. Many areas of brain function are still unknowns, and the etiology is completely different between psychiatric diseases and neurological diseases. Naturally, we are interested in radical cures such as regenerative medicine and cell transplantation, but I also think there are many challenges in this field.

Q4: Fiscal 2015 sales for Samsca are projected to be at least 1.5 times the fiscal 2014 result. What is the sales breakdown between existing fluid retention indication and autosomal dominant polycystic kidney disease (ADPKD)? Has the designation of ADPKD as an intractable disease in Japan with subsidization of medical expenses produced any impact on the number of prescriptions?

A4: With regards to the ADPKD indication in Japan, all-case surveillance is currently ongoing and we are conducting sales activities very carefully. The main factor in the fiscal 2015 sales projection is an increase in prescriptions for cardiac edema.

Q5: You are conducting Phase I trials of Lonsurf for patients with renal or hepatic impairments. Are you going to consider niche indications for such patients?

A5: The Phase I trials you mentioned are to confirm safety. In the future, we are going to focus development on gastrointestinal cancers.

Q6: With regard to the policy on fostering leaders, how are you going to communicate the culture and challenging spirit to the next generation?

A6: I worked in the US pharmaceutical business with the late President of Otsuka Pharmaceutical, Dr. Taro Iwamoto, and we constantly discussed how to keep the business on track. The leader that Otsuka values has four qualities. A global mindset, the ability to understand the value chain, communication skills to facilitate active network building inside and outside the company, as well as a track record in embodying these qualities. Going forward, we have a duty to carry on with Dr. Iwamoto's wishes and to further expand our business, and we know that we need to develop a large base of human resources to follow in his footsteps. Problems such as the patent expiries of leading products are unavoidable in the pharmaceutical business, but we also would like to continue focusing on how we can foster the leaders who will underpin sustained growth for the company.

Q7: The Second Committee on Drugs of the Pharmaceutical Affairs and Food Sanitation Council to be held in February 2015 is expected to remove the "only if refractory to standard therapies" restriction of Lonsurf from the current indication. Do you think the fiscal 2015 sales go up in light of this?

A7: This impact has already been incorporated in the fiscal 2015 sales projection.