Progress of the 2nd Mid-term Plan and Prospects in 2016

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Agenda

- **Progress in Pharmaceutical Business**
  - Progress of Global three products and Lonsurf
  - Current status of regional expansion for early value maximization of each product
  - Progress after AVANIR acquisition

- **Progress in Nutraceutical Business**
  - Review of business assets that support value-chain and updates of new products
  - Current status of global expansion

- **FY2016 Summary**
  - Summary and prospects

*nutrition + pharmaceuticals: hereinafter called “NC”*
Pharmaceutical Business
Expansion of Growth Opportunities by Acceleration of New Drugs Growth and Avanir Acquisition

- 3 global products, 3 next-generation products, new drugs in Japan and new pipelines contribute to sustainable growth
- In FY 2016, new products achieved 107% of first half sales target and the sales target in FY 2018 is more than the 2nd mid-term plan estimate (¥430 billion)

*New drugs in Japan: products newly launched or to be launched in Japan between 2009 and 2018, excluding the 3 global products and 3 next-generation products above

- 3 Global products
  - Abilify Maintena
  - REXULTI
  - Samsca/JINARC

- 3 next-generation products
  - LONSURF
  - Lu AE58054
  - SGI-110

- New drugs in Japan*
  - NUEDEXTA
  - Onzeta Xsail (AVP-825)
  - AVP-786

- New pipelines
  - 4,300+α
  - 2,625 + New pipeline
  - 1,830 + New pipeline
  - 800

*New drugs in Japan*
Abilify Maintena (LAI* aripiprazole) – Moving into a Growth Phase –

Moving into a growth phase globally

- Sales progress is as planned in US and EU (local currency basis)
- Meet primary endpoint of Bipolar disorder P3** trial and plan to file by the end of 2016 in US

Global Sales

Sales Target Achievement Rate

* LAI: Long-acting injectable  **Phase 3 trial
**REXULTI (brexpiprazole) – To be Best-In-Class**

- **Strong sales for schizophrenia and major depressive disorder**
  - To establish value of best-in-class product through marketing activities based on Abilify’s business experience
- **LCM* plan is on target**

### Global Sales

<table>
<thead>
<tr>
<th>Area</th>
<th>Plan in FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japan</strong></td>
<td>Plan to file for schizophrenia</td>
</tr>
<tr>
<td><strong>USA</strong></td>
<td>Plan to file for maintenance treatment of schizophrenia</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>Plan to finish P3 trials of MDD for filing</td>
</tr>
</tbody>
</table>

*Life cycle management*
Samsca / JINARC (tolvaptan)

- Contribution to patients with rare disease -

**Samsca**: Steady growth globally by overcoming re-pricing for market expansion in Japan

**JINARC**: Launched in 6 EU countries*

*as of end of Jul 2016 **autosomal dominant polycystic kidney disease

Global Sales

First Half Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>JP</th>
<th>US</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 1H</td>
<td>110</td>
<td>56</td>
<td>18</td>
<td>184</td>
</tr>
<tr>
<td>2016 1H</td>
<td>143</td>
<td>60</td>
<td>28</td>
<td>231</td>
</tr>
</tbody>
</table>

Increasing rate 25%

Annual Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>JP</th>
<th>US</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015A</td>
<td>257</td>
<td>118</td>
<td>41</td>
<td>416</td>
</tr>
<tr>
<td>2016E</td>
<td>280</td>
<td>115</td>
<td>60</td>
<td>455</td>
</tr>
</tbody>
</table>

Increasing rate 9.4%

ADPKD** P3 in US will be completed in FY2017

*as of end of Jul 2016 **autosomal dominant polycystic kidney disease
LONSURF (TAS-102) -Globalization of Oncology Business-

- Significant sales expansion by being listed in NCCN* guideline immediately after approval
- EU approval was granted in April 2016
- Implement active LCM programs through licensing arrangements with Servier
  - P3 trial for gastric cancer has started (study completion: June 2016)

**LONSURF**

- Global Sales

**Global Sales**

- **First Half Sales**
  - 2015 1H: 0
  - 2016 1H: 145

- **Annual Sales**
  - 2015A: 94
  - 2016E beginning of the term: 205
  - 2016E revised: 265

**Status of Global Expansion**

- '14/5: Japan Launched
- '15/10: USA Launched
- '15/11: Listed in NCCN guidelines
- '16/4: Approval
- '16/7: Listed in ESMO** consensus guidelines

*NCCN: National Comprehensive Cancer Network, **ESMO: European Society for Medical Oncology
Regional Expansion of Global Products  –Toward 2018 –

- Plan to launch 4 global products in all areas by 2018

<table>
<thead>
<tr>
<th>Products</th>
<th>EU</th>
<th>JP</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abilify Maintena</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>REXULTI brexpiprazole tablets</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>JINARC Samsca</td>
<td>P3 Completion / FY2016</td>
<td>Plan to file / FY2016</td>
<td>P3 Completion / FY2017</td>
</tr>
<tr>
<td>Lonsurf</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

*“JINARC”, the brand name of tolvaptan for ADPKD indication overseas. ** Not approved in the corresponding areas as of end of July 2016. Brand names to be determined after approvals.
Progress After AVANIR Acquisition

- Good progress in clinical trials to get approvals of additional indications and new products

<table>
<thead>
<tr>
<th>Product</th>
<th>Jan 2015</th>
<th>New progress after Jan 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVP-786</td>
<td>✓ Major depressive disorder: P2</td>
<td>✓ Agitation associated with Alzheimer’s disease: P3 started</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Residual schizophrenia symptoms: P2 started</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Disinhibition syndrome in neurodegenerative disorders: P2 started</td>
</tr>
<tr>
<td>AVP-923</td>
<td>✓ Agitation associated with Alzheimer’s disease: P2</td>
<td>✓ Positive results of PRISM II trial are presented a scientific conferences and published in scientific journal</td>
</tr>
<tr>
<td></td>
<td>✓ Dyskinesia associated with Parkinson’s disease: P2</td>
<td>✓ Migraine (Onzeta Xsail): Launched</td>
</tr>
<tr>
<td>NUEDEXTA</td>
<td>✓ Migraine: Filed</td>
<td></td>
</tr>
</tbody>
</table>

- Dyskinesia associated with Parkinson’s disease: P2 started

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- Dyskinesia associated with Parkinson’s disease: P2 started
Nutraceutical Business
Review of Business Assets that Support Value-Chain

- **Product strategy, R&D**
  - Deliver new value proposition through existing assets
  - Continue new product R&D focused on “healthy life expectancy”

- **Production**
  - Manufacturing optimization of Pocari Sweat, Nature Made, etc

- **Marketing • Sales**
  - Offer solutions that are regarded as beneficial through enhanced product values which utilize pharmaceutical expertise and scientific evidence

- **Distribution**
  - Create distribution to solve health problems: collaborate with local governments
  - Launch Tiovita in Hong Kong

**Human resources, management**
Otsuka’s Identity and Business Model

Pharmaceutical business
Unmet medical needs

Nutraceutical business
Yet-to-be-imagined needs

Total Healthcare
from prevention to treatment
Deliver New Value Proposition Through Existing Assets

- Propose new products for “yet-to-be-imagined needs”
- Increase opportunities to contact with consumers to further disseminate brand values

POCARI SWEAT Jelly
- Create new value utilizing brand image, “edible hydration”
- Offer new value (jelly) when soft drinks are not popular for replenishing water

Calorie Mate Jelly
- Propose new value utilizing brand equity as a “balanced nutritional product”
- Create new market called nutritionally balanced jelly category

SOYJOY Crispy
- Increase opportunities to contact with consumers to further disseminate brand value
- With lighter texture than original ones, appeal to health conscious working women
Progress in Global Expansion
Profitability Improvement and Structural Reform

Accelerate global expansion

Foster new products

Review business assets that support value-chain

Structural reform

Target operating income ratio of 10% or more

NC Operating Income

- Operating income
- Operating income ratio

¥100M


0.9% 0.9% 7.1% 8.7% 8.5% 8.8% 7.0% 9.5%

>10%

*Standardized company’s business year (Jan-Dec) <unaudited>
Summary
Summary and Prospects

**Pharmaceuticals**
- Step to the next stage of accelerating sales growth with robust performance of global products
- Maintain good progress of development pipeline

**Nutraceuticals**
- Improve profitability and implement structural reform
- Continue to review business assets while nurturing new products

**Enhance cost efficiency and cost optimization**