Progress on the 2nd Medium-Term Management Plan
~Towards Sustainable Growth~

February 14, 2017

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President and Representative Director, CEO
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Agenda

- **Summary of 2017 Plan**
  - Towards sustainable growth

- **Pharmaceutical business**
  - Performance and projections for main products

- **Nutraceutical* business**
  - Review of business assets that support value chain
  - Progress of global business expansion

- **Strategy for sustainable growth**

*nutrition + pharmaceutical
Summary of 2017 Plan and Forecast

A year to strengthen the business foundation for sustainable growth from 2019

- Maximize value of global products
- Aggressive R&D investment to achieve sustainable growth
- Enrich product pipelines and acquire new technologies in core therapeutic areas
- Maintain >10% OP margin in nutraceutical business
- Increase operational efficiency through optimal resource allocation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (¥100 mn)</td>
<td>14,274</td>
<td>11,955</td>
<td>12,600</td>
</tr>
<tr>
<td>R&amp;D expenses (¥100 mn)</td>
<td>2,027</td>
<td>1,688</td>
<td>1,800</td>
</tr>
<tr>
<td>Operating profit (¥100 mn)</td>
<td>1,489</td>
<td>1,011</td>
<td>1,200</td>
</tr>
<tr>
<td>Net profit* (¥100 mn)</td>
<td>1,020</td>
<td>926</td>
<td>850</td>
</tr>
</tbody>
</table>

*Profit attributable to owners of parent
Towards Sustainable Growth

- 3 global products, 3 next-generation products and new drugs in Japan to contribute to sustainable growth
- ¥430+α billion sales target for new products in 2018 unchanged
- 2017 is a significant year for growth potential of new drugs

*T New drugs in Japan: products launched or to be launched there between 2009 and 2018, excluding the 3 global products and 3 next-generation products above. ** Source: ClinicalTrials.gov

3 global products: tolvaptan, brexpiprazole, Abilify Maintena, 3 next-generation products: SGI-110, TAS-102, Lu AE58054, New pipelines: Nuedexta, Onzeta Xsail, AVP-786
2018 guidance (IFRS)
~Last Year of 2nd Medium-Term Management Plan

- Operating profit before R&D expenditures on track for growth
- Established a foothold to next MTM Plan
- Aggressive investment plan from 2018 for sustainable growth

Operating profit before R&D expenditures

Sustainable growth

<table>
<thead>
<tr>
<th>IFRS (¥100mn)</th>
<th>2018 Guidance 1)</th>
<th>2018 MTM plan 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OP</td>
<td>1,550</td>
<td>2,150</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>1,900</td>
<td>1,800</td>
</tr>
<tr>
<td>Total</td>
<td>3,450</td>
<td>3,950</td>
</tr>
</tbody>
</table>

1) Changes in major assumptions from the original MTM plan announced in 2014:
- Long listed products (promotion of generic substitution in Japan)
- Impact of Lu AE58054, etc.
- Acquisition of Avanir and license agreement with Akebia
- Acceleration of R&D investment

2) IFRS adopted and exchange rate assumption change from the original MTM plan announced in 2014.
- 2017-2018: US$ 1= ¥115, Euro 1=¥ 120

Reference
Pharmaceutical Business
Abilify Maintena  -For Further Product Value Expansion-

- sNDA for expanded labeling for bipolar disorder: PDUFA July 28, 2017
- Target 30% share in rapidly growing antipsychotic LAI * market

**Abilify Maintena sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>JP</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014**</td>
<td>171</td>
<td>156</td>
<td>299</td>
<td>883</td>
</tr>
<tr>
<td>2015</td>
<td>572</td>
<td>374</td>
<td>204</td>
<td>1,150</td>
</tr>
<tr>
<td>2016</td>
<td>725</td>
<td>374</td>
<td>210</td>
<td>1,309</td>
</tr>
<tr>
<td>2017E</td>
<td>800</td>
<td>374</td>
<td>210</td>
<td>1,484</td>
</tr>
</tbody>
</table>

**Bipolar disorder**
Filed in the US PDUFA 7/28/2017

**LAI markets**

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,500</td>
<td>1,000</td>
</tr>
<tr>
<td>2014</td>
<td>1,700</td>
<td>1,300</td>
</tr>
<tr>
<td>2015</td>
<td>1,900</td>
<td>1,500</td>
</tr>
<tr>
<td>2016</td>
<td>2,100</td>
<td>1,700</td>
</tr>
</tbody>
</table>

CAGR 12%

Target share 30%

Sources: Otsuka, Lundbeck, and Johnson & Johnson reports.

* Long acting injectable
** Standardized company’s fiscal year (Jan-Dec)< unaudited>
Rexulti - Aim For Product Value Maximization -

- Aim for best-in-class drug in existing indications
- Address unmet medical needs for product value maximization
- Market expansion to Japan (filed) and EU (filing expected in 2017)

Product value maximization

- Schizophrenia
- MDD
- Bipolar disorder
- PTSD
- AD agitation

Rexulti sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (¥100M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>46</td>
</tr>
<tr>
<td>2016</td>
<td>298</td>
</tr>
<tr>
<td>2017E</td>
<td>480</td>
</tr>
</tbody>
</table>

PTSD: post-traumatic stress disorder
Samsca/JINARC - Growth as a Treatment for ADPKD -

- Aim for further global contribution as the world’s first and only treatment for ADPKD, by sales area expansion in EU and prescription growth in Japan
- P3b study underway on schedule in the US

Samsca/JINARC sales

Global contribution as ADPKD drug

1. Standardized company's fiscal year (Jan-Dec) <unaudited>
LONSURF - Further Product Value Expansion -

- Listed in NCCN guidelines immediately after launch with prescriptions increasing steadily
- Positioned as one of the standard therapies for 3rd, 4th-line of mCRC
- Planning strategic Lifecycle management (LCM) for product value expansion

LONSURF sales

**Earlier usage**
- mCRC
  - 1st, 2nd-line

**Product value expansion by strategic LCM with Servier**

- Additional indications
  - Gastric cancer 3rd-line
- Combination therapy
  - Immune checkpoint inhibitor

* Standardized company's fiscal year (Jan-Dec) <unaudited>
Upcoming Events

Numerous study completions and key readouts are expected in 2017-2018

Sources: ClinicalTrials.gov. Study completion dates as of Jan 2017
Nutraceutical Business
Profitability Improvement and Structural Reform

Accelerate global expansion

Foster new products

Review business assets that support value chain

Structural reform

>10% OP margin target achieved

NC operating profit

Operating profit margin

Operating profit

(¥100Mil)

0
500

0.9%
7.1%
8.7%
8.5%
8.8%
7.0%
10.9%
10.4%

IFRS

J-GAAP

J-GAAP


*Standardized company’s fiscal year (Jan-Dec) < unaudited>
Updates on Global Expansion

- Growth driven by international sales
- Steady progress in each region

<table>
<thead>
<tr>
<th>Area</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td><strong>Pocari Sweat</strong></td>
</tr>
<tr>
<td></td>
<td>• Investment focus in Indonesia and China</td>
</tr>
<tr>
<td>EU</td>
<td><strong>N&amp;S products</strong></td>
</tr>
<tr>
<td></td>
<td>• Investment in the growing gluten-free and organic food space</td>
</tr>
<tr>
<td>US</td>
<td><strong>Nature Made</strong></td>
</tr>
<tr>
<td></td>
<td>• Foster new categories</td>
</tr>
<tr>
<td>JP</td>
<td><strong>Fostering new products</strong></td>
</tr>
<tr>
<td></td>
<td>• Review business assets as a result of fostering new products</td>
</tr>
</tbody>
</table>

Sales plan by area in 2nd mid-term plan* (J-GAAP)

<table>
<thead>
<tr>
<th>Area</th>
<th>2013A (¥100Mil)</th>
<th>2018E (¥100Mil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>739</td>
<td>1,475</td>
</tr>
<tr>
<td>EU</td>
<td>598</td>
<td>792</td>
</tr>
<tr>
<td>US</td>
<td>1,475</td>
<td>1,471</td>
</tr>
</tbody>
</table>

Growth driven by international sales
Steady progress in each region

Actual sales in FY 2016* (J-GAAP)

<table>
<thead>
<tr>
<th>Area</th>
<th>2013A</th>
<th>2016A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>739</td>
<td>907</td>
</tr>
<tr>
<td>EU</td>
<td>598</td>
<td>792</td>
</tr>
<tr>
<td>US</td>
<td>1,475</td>
<td>1,471</td>
</tr>
</tbody>
</table>

FY 2013-18 CAGR

<table>
<thead>
<tr>
<th>Area</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>11%</td>
</tr>
<tr>
<td>EU</td>
<td>6%</td>
</tr>
<tr>
<td>US</td>
<td>5%</td>
</tr>
<tr>
<td>JP</td>
<td>1%</td>
</tr>
</tbody>
</table>

FY 2013-16 CAGR

<table>
<thead>
<tr>
<th>Area</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asis</td>
<td>5%</td>
</tr>
<tr>
<td>EU</td>
<td>8%</td>
</tr>
<tr>
<td>US</td>
<td>10%</td>
</tr>
<tr>
<td>JP</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Sales to customers by market
Review of Business Assets that Support Value-Chain

- **Product strategy, R&D**
  - Deliver new value propositions through existing assets
  - Continue new product R&D focused on “healthy life expectancy”
  - Joint research programs to promote sports medicine and science and boost international competitiveness

- **Production**
  - Manufacturing optimization for Pocari Sweat, Nature Made, etc.
  - Capital investment in gluten-free business to enhance production capacity

- **Marketing, Sales**
  - Offer beneficial solutions to consumers through enhanced product values based on utilize pharmaceutical expertise and scientific evidence

- **Distribution**
  - Create new distribution to address health problems: collaborate with local governments
Strategy for Sustainable Growth Using Otsuka’s assets
CNS -Comprehensive Contribution to Medicine through Product Evolution-

Contribution in addressing unmet medical needs

Neurological diseases
- NUEDEXTA
- AVP-786
- REXULTI

Psychiatric diseases
- Abilify
- Abilify Maintena

Solutions for adherence issue
- Long acting injectables: Abilify Maintena, REXULTI-LAI

Medical treatment optimization

Digital health solutions

Digital medicine
Growth Strategy of Oncology Business

Solid tumors

Hematologic cancers

Challenge

Become a global category leader

Access to the latest medications

Scientific Advances

Antimetabolites and molecular-targeted drugs

Growing global presence
Accumulated specialties

Original platforms

Epigenetic drug discovery

Global sales & marketing resources
**Otsuka’s Philosophy of Drug Discovery**

Otsuka people creating new products for better health worldwide

- **Creating unique and innovative products**
- **Building new categories/markets**
- **Developing global business**

### Late-stage pipeline projects number* (P2 or later)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>CNS</td>
<td>14</td>
</tr>
<tr>
<td>Oncology</td>
<td>17</td>
</tr>
<tr>
<td>Others</td>
<td>15</td>
</tr>
</tbody>
</table>

### Number of plans for starting projects in 2017 (P2 or later)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>CNS</td>
<td>8</td>
</tr>
<tr>
<td>Oncology</td>
<td>5</td>
</tr>
<tr>
<td>Others</td>
<td>5</td>
</tr>
</tbody>
</table>

*as of 2016 YE **including transition from P2 to P3 (oncology 3 projects, others 1 project)
Summary

- Strengthen business foundation for sustainable growth from 2019, the start year of the next MTM plan
- Investments with a long view