Towards Sustainable Growth

— Moving Towards the Next Stage —

February 14, 2018

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President and Representative Director, CEO
Otsuka Holdings Co., Ltd.
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Today’s Agenda

- **Summary of 2018 Guidance**
  - Towards sustainable growth

- **Review of 2nd Medium-Term Management Plan**

- **Pharmaceutical Business Update**
  - Establish new product growth
  - Moving to the next stage
    — Intensifying the mid-to-long term strategy

- **Nutraceutical* Business Update**
  - Establish profitable business model by reviewing business assets that support value-chain
  - Progress of global business operations

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*nutrition + pharmaceutical*
Summary of 2018 Guidance

- Towards sustainable growth
Summary of 2018 Guidance

- Towards sustainable growth – Moving to the next stage

- 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 and global expansion in nutraceutical (NC) business
- Increase operational efficiency through optimal resource allocation

<table>
<thead>
<tr>
<th>IFRS</th>
<th>2016A</th>
<th>2017A</th>
<th>2018E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>11,955</td>
<td>12,400</td>
<td>13,000</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>1,688</td>
<td>1,756</td>
<td>1,900</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,011</td>
<td>1,042</td>
<td>1,400</td>
</tr>
<tr>
<td>Profit*</td>
<td>926</td>
<td>1,125</td>
<td>1,050</td>
</tr>
</tbody>
</table>

*Profit attributable to owners of the Company
2018 OP Guidance — Changes from the previous reference

- **NC business contribution**
- **Cost optimization**
- **Aggressive investment in global products for sustainable growth**
- **Additional price cuts by NHI* price revision in 2018 and severe generic erosion in Japan and EU**

### Key Points

1. **NC contribution**
2. **Cost optimization**
3. **Additional investment for growth of global products**
4. **Impact of new NHI price revision and generic erosion in JP and EU**

### Operating profit before R&D expenses (¥ 100mn)

- **2016A**: 1,688
- **2017A**: 1,756
- **2018E**: 3,300

<table>
<thead>
<tr>
<th>Year</th>
<th>2016A</th>
<th>2017A</th>
<th>2018E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,688</td>
<td>1,756</td>
<td>1,900</td>
</tr>
<tr>
<td></td>
<td>2,700</td>
<td>2,797</td>
<td>3,300</td>
</tr>
</tbody>
</table>

*NHI: National Health Insurance

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**Reference announced in '17/2**

**Guidance announced in '18/2**

**¥155.0Bn**

**¥140.0Bn**
Review of 2nd Medium-Term Management Plan
## Review of 2nd MTM Plan – Changes from initial target

**Growth trend with over-achievement of global products**

<table>
<thead>
<tr>
<th>2nd MTM plan</th>
<th>Guidance</th>
<th>Factors for difference from 2018 target in MTM plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target*</td>
<td></td>
<td>&lt;Positive factors&gt;</td>
</tr>
<tr>
<td>Reference announced in ‘17/2</td>
<td>¥ 1,440 bil</td>
<td>Pharma : Over-achievement of global product sales</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pharma : Acquire new pipelines to ensure growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NC : Progress of global expansion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&lt;Negative factors&gt;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Severe generic erosion in Japan and EU</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Additional price cuts by NHI price revision in 2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Less than expected sales of new drugs in Japan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Impact of Lu AE58054 impairment , etc.</td>
</tr>
<tr>
<td>Net sales</td>
<td>¥ 1,300 bil</td>
<td>&lt;Positive factors&gt;</td>
</tr>
<tr>
<td></td>
<td>¥ 1,300 bil</td>
<td>Contribution of NC business that establishes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>profitable business model</td>
</tr>
<tr>
<td>Operating profit</td>
<td>¥ 140 bil</td>
<td>Over-achievement of cost optimization</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>¥ 190 bil</td>
<td>&lt;Negative factors&gt;</td>
</tr>
<tr>
<td></td>
<td>¥ 190 bil</td>
<td>Impact on profit by sales difference from projection</td>
</tr>
<tr>
<td>ROE</td>
<td>5.8%</td>
<td>Additional investments for maximization of profit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>contribution toward beyond 2019</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Avanir acquisition etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Steady progress seen in global products</td>
</tr>
</tbody>
</table>

* J-GAAP
Otsuka’s Goal

1st mid-term plan
Globalization & Investment

2nd mid-term plan
Sustained investment & Structural reform

Nth mid-term plan

To become an indispensable contributor to people’s health worldwide
Review of 2nd MTM Plan – diversified sales structure

Sales structure diversification is progressing as planned by each core area’s growth

2013 A
Sales ¥1,452.8 bil (J-GAAP)

2016 A
Sales ¥1,195.5 bil (IFRS)

2018 E
Sales ¥1,300.0 bil (IFRS)

*the figures above refer to net sales to external customers
Finance management in 2nd MTM plan

- Earnings and their use proceeding as planned

(¥ billion)

- Net cash at the end of FY2013
  - Approx. 500

- Net income + R&D expense + depreciation/amortization
  - Approx. 1,700
  - 1,727

- Approx. 1,150
  - R&D Approx. 900

- R&D expense and CapEx

- Cash flow accumulated in 5 years + Net cash
  - Approx. 1,050
  - 1,070

- The 2nd medium-term management plan period

- Strategic investments
  - Long term
  - Short to mid term

- Shareholder return
  - Stable return

- Working capital

Blue: 2nd MTM plan

Net income + R&D expense + depreciation/amortization

- Blue: 2nd MTM plan

Net cash at the end of FY2013

1) Cash and deposits + marketable securities - short & long term debt

2) Total of net income, depreciation and R&D expense from FY2014 to FY2018
Pharmaceutical Business Update

- Establish new product growth
- Moving to the next stage
  — Intensifying the mid-to-long term strategy
Establish Growth of New Products

- Establishment of a business platform for growth beyond 2019 by maximizing product value

Sales (¥ billion)

- 2013A: 80.4
- 2015A: 183.0
- 2016A: 342.4
- 2017A: 405.0
- 2018E: 271.3
- 2023E: 405.0

* New drugs in Japan: products launched or to be launched there between 2009 and 2018, excluding the global products and next-generation products above.
Global products: tolvaptan (SAMSCA/JINARC), brexipiprazole (Rexulti), Abilify Maintena,
Next-generation products: TAS-102 (Lonsurf), SGI-110
New pipelines: Nuedexta, Onzeta Xsail, AVP-786, centanafadine, vadadustat, fremazumab
LCM Plans for Further Growth Acceleration

- Abilify Maintena: expansion of bipolar LAI market in the US
- Tolvaptan: NDA filed for ADPKD* indication in the US
- REXULTI, Lonsurf: accelerating growth by market expansion

Sales (¥ 100 million)

<table>
<thead>
<tr>
<th>Year</th>
<th>3 Global products</th>
<th>New drugs in Japan</th>
<th>Next-generation products</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016A</td>
<td>2,713</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017A</td>
<td>3,424</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018E</td>
<td>4,050</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Growth drivers

- **Market Expansion**
  - Launch in over 20 countries

- **Additional indication: Bipolar**
  - Approved: Jul, 2017

- **NDA filed for ADPKD**
  - PDUFA: 24 Apr, 2018

- **Market Expansion**
  - Filed: Mar, 2017
  - Approved: Jan, 2018

*ADPKD: Autosomal dominant polycystic kidney disease **Not approved in the corresponding areas as of end of December 2017. Brand names to be determined after approval.
LCM Plans for Product Value Maximization: Indications and Formulations Expansion

- LCM plans to contribute to further growth in mid-to-long term
- Aggressive investments to maximize product value

LCM strategies underway

Three global products

- LAI*
- Bipolar
- Agitation associated with AD*
- PTSD*
- LAI (2 months)
- SIADH* (Japan)

Next-generation product

- 3L* Gastric cancer
- 1L* Colorectal cancer
- 2L* Colorectal cancer

*LAI: Long acting injectable, AD: alzheimer’s disease, PTSD: Post Traumatic Stress Disorder, SIADH: Syndrome of inappropriate secretion of antidiuretic hormone, 1L: 1st line, 2L: 2nd line, 3L: 3rd line
Achievements in 2017

- New challenges to address highly unmet needs
- Aggressive investment for sustainable growth beyond 2019

### CNS
- **centanafadine**
  - ADHD*
  - P3 to be initiated
- **fremanezumab**
  - Migraine in P2/3 (Japan)
- **Abilify Maintena**
  - 2 months LAI* in P1
- **AVP-786**
  - Neurobehavioral disinhibition associated with TBI*
  - in P2
- **Nalmefene**
  - Alcohol dependent
  - Filed in Japan
- **REXULTI**
  - LAI in P1
- **OPC-64005**
  - ADHD in P2
- **fremanezumab**
  - R/Recurrent Migraine
  - in P3

### Oncology
- **SGI-110**
  - r/r MDS*
  - in P3
- **KEYTRUDA**
  - Co-promotion (Japan)
- **LONSURF**
  - Colorectal cancer 2L in P2/3
- **SGI-110**
  - r/r AML*
  - in P3
- **TAS-115**
  - Prostate cancer
  - in P2
- **ASTX727**
  - High risk MDS
  - P3 to be initiated
- **ASTX660**
  - Solid tumor/lymphoma
  - in P2
- **REXULTI LAI**
  - Bipolar in P3
- **OPC-61815**
  - Cardiac edema in P2 (Japan)

### Renal Cardiovascular
- **vadadustat**
  - Renal anemia in P3
- **tolvaptan**
  - SIADH*
  - in P3 (Japan)
- **OPC-61815**
  - Cardiac edema in P2 (Japan)
- **AVP-786**
  - Neurobehavioral disinhibition associated with TBI*
  - in P2
- **Abilify Maintena**
  - LAI in P1
- **ASTX727**
  - Solid tumor/lymphoma
  - in P2
- **ASTX660**
  - Solid tumor/lymphoma
  - in P2
- **REXULTI LAI**
  - Bipolar in P3
- **OPC-61815**
  - Cardiac edema in P2 (Japan)


All logo marks are trademarks or registered trademarks.
Intensifying Growth Strategy in Core Therapeutic Areas: CNS

Contribution in addressing unmet medical needs

- Neurologic disease: fremanezumab (NUEDXTA), centanafadine (OPC-64005), AVP-786, REXULTI
- Psychiatric disease: Abilify, REXULTI-LAI, AVP-786

Medical treatment optimization

- Solutions for Adherence issue: Long acting injectables, Digital medicine
  - Abilify Maintena
  - REXULTI-LAI
  - Abilify 2 months LAI

Digital health solutions

- Otsuka: people creating new products for better health worldwide
Intensifying Growth Strategy in Core Therapeutic Areas: Oncology

Solid tumors

Establish global drug discovery platform and marketing network centering Japan

- Futraful
- UFT
- TS-1

Development of nucleic acid analog formulation

- SGI-110

Development of unique and creative drugs

- TAS-114
- TAS-118
- TAS-115
- TAS-116
- ASTX660

Colorectal cancer

High risk MDS

Establish a new basic treatment regimen

Solid tumors

- LONSURF
- TS-1

Hematologic cancers

- Dacogen
- Iclusig
- Busulfex
- Sprycel

Establish global marketing platform

- Sprycel
Numerous study completions and key readouts are expected in 2018-2019.

**CNS**

- **fremazinezumab**
  - Episodic migraine
  - P2/3-JP Dec'18

- **brexpiprazole (Rexulti)**
  - Bipolar
  - P3-US/EU Jan'19

- **fremazinezumab**
  - Chronic migraine
  - P2/3-JP Apr'19

- **AVP-786**
  - AD agitation
  - P3-US/EU Apr'19

- **TAS-102 (Lonsurf)**
  - 3L gastric cancer
  - P3-Global Dec'18

- **TAS-118**
  - 1L gastric cancer
  - P3-JP May'19

- **SGI-110**
  - Treatment-naive AML
  - P3-global Jun'18

- **SGI-110**
  - r/r MDS
  - P3-Global Dec'18

- **ASTX727**
  - MDS
  - P3-Global Jun'19

**Cardiovascular Renal system**

- **vadadustat**
  - Renal anemia (dialysis)
  - P3-US/EU Sep'19

- **vadadustat**
  - Renal anemia (nondialysis)
  - P3-US/EU Sep'19

Sources: ClinicalTrials.gov, Study Completion Date as of end of Jan 2018. 
Nutraceutical Business Update

- Establish profitable business model by reviewing business assets that support value-chain
- Progress of global business operations
Review of business assets that support value-chain

- **Product strategy, R&D**
  - R&D acceleration focused on “healthy life expectancy”

- **Production**
  - Enhanced production efficiency by new capital investments

- **Marketing, Sales**
  - Reintroduce creative pull-marketing approach based on the concept of “total healthcare”

- **Distribution**
  - Establish distribution bases according to market needs
Profitability Improvement and Structural Reform

Accelerate global expansion

Foster new products

Review business assets that support value chain

Structural reform

>10% OP margin
Establish business structure

NC operating profit

(¥100Mil)

Operating profit
Operating profit margin

>10% OP margin

* Standardized company’s fiscal year (Jan-Dec) (unaudited)
## Progress of Global Business Operations

<table>
<thead>
<tr>
<th>area</th>
<th>Measures in MTM plan (progress during MTM)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japan</strong></td>
<td><strong>Foster new products</strong></td>
</tr>
<tr>
<td></td>
<td>✓ Reviewing business asset through fostering new products</td>
</tr>
<tr>
<td></td>
<td>✓ Launched 3 new brands</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td><strong>Pocari Sweat</strong></td>
</tr>
<tr>
<td></td>
<td>✓ Focused investments in Indonesia and China</td>
</tr>
<tr>
<td></td>
<td>✓ Area expansion of Japan-origin products including Pocari Sweat to 9 countries</td>
</tr>
<tr>
<td><strong>EU</strong></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></td>
<td>✓ Reinforce “Free From” products business through acquisitions of BIOCENTURY and BC BIO</td>
</tr>
<tr>
<td><strong>US</strong></td>
<td><strong>Nature Made</strong></td>
</tr>
<tr>
<td></td>
<td>✓ Developing new category</td>
</tr>
<tr>
<td></td>
<td>✓ Expansion of supplement business and launch into a new category of plant-based products</td>
</tr>
</tbody>
</table>
Brand new products nurturing in Japan

- New solutions by Otsuka’s strategic R&D
- Unique and strategic marketing to foster new products

Women’s health

Active nutrition

Lifestyle

New category

Focus on “healthy life expectancy”
Daiya Foods Inc. : Showing Significant Growth

- Cheese and Yogurt alternative markets expect to show significant growth*
- High CAGR of 43% (2014-2017)

*Sources: Euromonitor, OC&C Strategy Consultants S.a.r.l.
**sales consolidated from '17/September
Summary

- Establish diversified revenue structure

- Strengthen business foundation for sustainable growth

**<Pharmaceutical business>**
- Aggressive R&D investment for the next stage by intensifying growth strategy in core therapeutic areas

**<Nutraceutical business>**
- Global expansion and establish business structure for over 10% operating margin