Realizing Sustainable Growth
— Towards the Next Stage —

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Otsuka Holdings Co., Ltd.
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Agenda

- **Summary of FY2018 Guidance**
- **Pharmaceutical Business Update**
  - Business progress and outlook of FY2018
  - Significance of Visterra acquisition
  - Investment cycle toward sustainable growth
- **Nutraceutical* Business Update**
  - Product development and global business operations

*nutrition + pharmaceutical
Summary of FY2018 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 business
- Increase operational efficiency through optimal resource allocation

<table>
<thead>
<tr>
<th>IFRS</th>
<th>2017A</th>
<th>Previous forecast 2018</th>
<th>New Forecast 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>12,400</td>
<td>13,000</td>
<td>13,000</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>1,756</td>
<td>1,900</td>
<td>2,000</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,042</td>
<td>1,400</td>
<td>1,450</td>
</tr>
<tr>
<td>Net Profit*</td>
<td>1,125</td>
<td>1,050</td>
<td>1,150</td>
</tr>
</tbody>
</table>

*Profit attributable to owners of the Company
Pharmaceutical Business Update
Acceleration of New Products Growth

- Sales forecast increased significantly through steady implementation of measures on new products
- Maximizing product value thorough global expansion and LCM

**Growth drivers**

- **3rd line gastric cancer study met primary endpoint**
  - Filing in preparation in Japan, US and EU
- **Seeking expansion in LAI bipolar market**
- **2-month option in development**
- **Approved for schizophrenia**
  - Launched in Japan in April, favorable evaluation from physicians
  - Marketing approval in EU on July 26
- **Approved for ADPKD**
  - Contribution to patients initiated

**Sales (¥ 100 million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>New drugs in Japan</th>
<th>3 Global 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>2018H1</td>
<td>1,952</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018E</td>
<td>4,150</td>
<td>H1 target achieved 103.3%</td>
<td>New-generation Product</td>
</tr>
</tbody>
</table>
**Strategic Arrangement for Sustainable Growth**

**R&D Achievements in 2018 H1**

- Numberless projects progressed and new projects acquired for further growth

<table>
<thead>
<tr>
<th>CNS</th>
<th>Oncology</th>
<th>Renal, Cardiovascular</th>
</tr>
</thead>
</table>
| REXULTI  
AD agitation  
Additional P3 initiated | TaKara  
Gene therapy  
Co-development and sales agreement in Japan | JYNARQUE  
Approved for ADPKD in US |
| AVP-786  
AD agitation  
3rd P3 initiated |  | VIS649  
IgA nephropathy in pre-clinical |
| AVP-786  
Intermittent Explosive Disorder P2 initiated |  |  |
|  | AB928  
License agreement on cancer immunotherapies |  |
|  | TAS-120  
Intrahepatic cholangiocarcinoma P2 initiated |  |
|  | Lonsurf  
Gastric cancer P3 met primary endpoint |  |
|  | Lonsurf  
P2 demonstrates efficacy on untreated metastatic colorectal cancer* |  |
|  |  | ReCor Medical  
Renal denervation  
Blood pressure reduction statistically confirmed |
|  | ASTX727  
MDS in P3 |  |
|  | ASTX029  
Solid tumor in P1/2 |  |
|  | TAS0728  
Solid tumor in P1/2 |  |
|  |  |  |

*untreated metastatic colorectal cancer, not suitable for intensive therapy

<abbr> MDS: myelodysplastic syndromes, ADPKD: Autosomal dominant polycystic kidney disease
Upcoming Events- Development Program

**CNS**

- **Brexipiprazole** (Rexulti)
  - Bipolar
  - P3-US/EU ’19/Jan

- **Fremazemuzab**
  - Episodic migraine
  - P2/3-JP ’18/Dec

- **AVP-786**
  - AD agitation [1]
  - P3-US/EU ’19/Apr

- **Centanafadine**
  - ADHD
  - P3 ’19/Dec

- **AVP-786**
  - AD agitation [2]
  - P3-US/EU ’19/Dec

Sources: ClinicalTrials.gov, Study Completion Date as of end of July 2018

<abbr> AD: Alzheimer’s disease, MDS: myelodysplastic syndromes, AML: Acute myeloid leukemia, r/r: Relapsed-Refractory, ADHD: attention-deficit hyperactivity disorder

**Cardiovascular**

- **TAS-118**
  - 1st Line gastric cancer
  - P3-JP ’19/May

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

- **SGI-110**
  - r/r AML
  - P3-Global ’19/Jun

- **ASTX727**
  - MDS
  - P3-US ’19/Jun

- **Vadadustat**
  - Renal anemia (dialysis)
  - P3-US/EU ’20/Jan

- **Vadadustat**
  - Renal anemia (nondialysis)
  - P3-US/EU ’20/Aug

Sources: ClinicalTrials.gov, Study Completion Date as of end of July 2018

<abbr> AD: Alzheimer’s disease, MDS: myelodysplastic syndromes, AML: Acute myeloid leukemia, r/r: Relapsed-Refractory, ADHD: attention-deficit hyperactivity disorder

**Oncology**

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

- **SGI-110**
  - r/r AML
  - P3-Global ’19/Jun

- **ASTX727**
  - MDS
  - P3-US ’19/Jun

Sources: ClinicalTrials.gov, Study Completion Date as of end of July 2018

<abbr> AD: Alzheimer’s disease, MDS: myelodysplastic syndromes, AML: Acute myeloid leukemia, r/r: Relapsed-Refractory, ADHD: attention-deficit hyperactivity disorder
Visterra Fits Otsuka’s Investment Policy

- Share management philosophy, human resources, products and technologies to enhance corporate value
- Investments with long-term perspective

Vision

Product Technologies

Human Resources

Drug discovery vision

Challenge to the targets that are not adequately addressed

Explore the causes of hard-to-treat diseases
Significance of Visterra Acquisition

1. Cutting-edge technologies
   ✓ Hierotope® platform: enables the design and engineering of precision antibody-based therapies that specifically bind to, and modulate, disease targets that are not adequately addressed by current technologies.

2. Early stage program expansion
   ✓ Expand early stage programs following tolvaptan and vadadustat
   ✓ Complement Otsuka’s pipeline in cardiovascular and renal system

3. Synergies
   ✓ Enhance innovation taking full advantage of the synergies with Otsuka’s drug development technologies

Hierotope® platform

Visterra programs in renal system

- VIS649: IgA nephropathy in pre-clinical P1 to be initiated in 2018
- Anti-C5aR: ANCA AV discovery
- Anti-IL-2R: Lupus nephritis discovery
- Anti-C3 convertase: C3 glomerulonephritis discovery
Create innovation by fusing technologies and expertise of partners in various therapeutic space, and Otsuka’s R&D foundation.
Investment Cycle Toward Sustainable Growth

- Medium-term foundations for growth established with favorable achievements led by global products
- Strengthening discovery platform to generate innovation for growth beyond 2030
Nutraceutical Business Update
Progress of Medium-Term Management Plan

- Operating income ratio of 10% or more
- Review of business assets that support value-chain
- Structural reform
- Foster new products
- Accelerate global expansion

Business Scale Expansion and Revenue Growth

- New products
- Global operation
- New Businesses
Solutions to Yet-to-be-imagined Needs

- **POCARI SWEAT ICE SLURRY**: new countermeasure to heat Disorder
- **EQUELLE Gelée**: new concept—beyond surface solutions, offering fundamental support for women's beauty and health from the inside out

**ICE SLURRY**

- Focus on core temperature as a heat disorder countermeasure, **POCARI SWEAT ICE SLURRY** “Cools from the Core” launched
- Ice beverage conceived to support activities in hot environments. Proprietary liquid composition enables room-temperature storage and formation of icy slurry with highly effective cooling properties when re-frozen

**EQUELLE**

- Supports the fundamentals of beauty and health from the inside out
- Refreshing, orange-flavored jelly-type beverage contains a variety of ingredients to benefit women in a single pouch
## Global Business Operation Progress in 2018 H1

<table>
<thead>
<tr>
<th>Area</th>
<th>Measures in MTM plan</th>
<th>progress during MTM</th>
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<tbody>
<tr>
<td><strong>Foster new products</strong></td>
<td></td>
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<tr>
<td>Japan</td>
<td>✓ Reviewing business asset through fostering new products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ Solutions to yet-to-be-imagined needs</td>
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<tr>
<td><strong>Pocari Sweat</strong></td>
<td></td>
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<tr>
<td>Asia</td>
<td>✓ Focused investments in Indonesia and China</td>
<td></td>
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<tr>
<td></td>
<td>✓ Pocari Sweat Ion Water launched in Singapore</td>
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<tr>
<td><strong>Oronamin C Drink</strong></td>
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<td></td>
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<tr>
<td></td>
<td>✓ Launched manufacturing and marketing in Indonesia</td>
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<tr>
<td><strong>SOYJOY</strong></td>
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<td></td>
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<tr>
<td></td>
<td>✓ Launched manufacturing in Indonesia</td>
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<tr>
<td><strong>N&amp;S products</strong></td>
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<tr>
<td>EU</td>
<td>✓ Investment in the growing gluten-free and organic food space</td>
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<tr>
<td></td>
<td>✓ Reinforcing free-from foods business through BC BIO acquisition</td>
<td></td>
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<tr>
<td><strong>Nature Made</strong></td>
<td></td>
<td></td>
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<tr>
<td>North America</td>
<td>✓ Developing new category</td>
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<tr>
<td><strong>Daiya Foods</strong></td>
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<tr>
<td></td>
<td>✓ New lineup of plant-based products</td>
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</tr>
</tbody>
</table>
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