Progress of 3rd Medium-Term Management Plan

February 14, 2020

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

- Progress of 3rd MTM plan
  - Pharmaceutical business
  - Nutraceutical* business

- Summary

*nutrition + pharmaceutical; also referred to as “NC”
Summary of FY2020 guidance

Support sustainable growth

- Maximize value of global products
- Make aggressive R&D investments to achieve sustainable growth
- Enrich product pipelines and strengthen new technologies in core therapeutic areas
- Make aggressive investments to expand business and revenue growth in NC business
- Increase operational efficiency through optimal resource allocation

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>12,920</td>
<td>13,962</td>
<td>14,450</td>
</tr>
<tr>
<td>Business profit before R&amp;D expenses</td>
<td>3,138</td>
<td>4,030</td>
<td>4,150</td>
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<tr>
<td>R&amp;D expenses</td>
<td>1,929</td>
<td>2,158</td>
<td>2,200</td>
</tr>
<tr>
<td>Business profit</td>
<td>1,209</td>
<td>1,872</td>
<td>1,950</td>
</tr>
<tr>
<td>Net profit*</td>
<td>825</td>
<td>1,272</td>
<td>1,450</td>
</tr>
</tbody>
</table>

*Profit attributable to owners of the Company
Pharmaceutical business
Existing business value maximization and new value creation

- Maximize values of existing businesses
- Challenge new frontiers that “only Otsuka can do”
- Generate innovation from creative and diverse research platforms
FY2020 plan is to increase revenue by approx. ¥140 billion compared with the 3rd MTM plan which estimates an increase of approx. ¥200 billion in FY2023.

### Total sales of 4 Global products

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>2020 forecast</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Abilify Maintena</strong></td>
<td>1,018</td>
<td>1,105</td>
<td>+8.6%</td>
</tr>
<tr>
<td><strong>Rexulti</strong></td>
<td>898</td>
<td>1,060</td>
<td>+18.0%</td>
</tr>
<tr>
<td><strong>Samsca/JINARC/JYNARQUE</strong></td>
<td>1,491</td>
<td>1,605</td>
<td>+7.7%</td>
</tr>
<tr>
<td><strong>LONSURF</strong></td>
<td>345</td>
<td>380</td>
<td>+10.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,751</td>
<td>4,150</td>
<td>+10.6%</td>
</tr>
</tbody>
</table>

* 4 Global products (Abilify Maintena, Rexulti, Samsca/JINARC/JYNARQUE, LONSURF)
Further contribution to ADPKD treatment & maximizing product value

- Sales steadily increase each half year in US
- Enhance disease awareness and promote proper use of JYNARQUE for further contribution to ADPKD treatment

**Sales | JYNARQUE in US**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (USD Mil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018H2</td>
<td>60</td>
</tr>
<tr>
<td>2019H1</td>
<td>175</td>
</tr>
<tr>
<td>2019H2</td>
<td>257</td>
</tr>
<tr>
<td>2020H1E</td>
<td>295</td>
</tr>
<tr>
<td>2020H2E</td>
<td>325</td>
</tr>
<tr>
<td>620</td>
<td></td>
</tr>
</tbody>
</table>

**Cumulative number of new patients in US**

- *Exclude from clinical trial*
Existing business value maximization and new value creation

- Investment and results for existing business value maximization and new value creation

Update since August 2019

**Existing business value maximization**

- **Abilify Maintena**
  - JP | File for approval of bipolar disorder

- **Samsca**
  - JP | File for approval of SIADH
  - JP | Launch of OD tablet

- **Lonsurf**
  - Europe, JP | Approval of gastric cancer
  - China | Approval of colorectal cancer

- **Abraxane**
  - JP | Approval of additional dosage and administration for breast cancer

**New value creation**

- **Fremanezumab**
  - JP | Positive top-line results as a prophylactic treatment for migraine (P2/3)

- **ASTX727 | oral C-DEC**
  - US | File* for approval of MDS and CMML

- **Taiho, Astex and MSD establish strategic oncology collaboration**

- **Entering multi-project drug discovery collaboration with PhoreMost**
  - Discover novel targets for drug candidate by taking advantage of SITESEEKER® platform

*FDA accepts Otsuka’s submission to support a regulatory review of ASTX727 in the treatment of MDS and CMML

SIADH | syndrome of inappropriate secretion of ADH, MDS | Myelodysplastic syndromes, CMML | chronic myelomonocytic leukemia
Approach to research innovation

- Create innovation by integrating and linking original R&D platform and technology in core fields
- Realize innovative ideas with diversified external partners

Promote cross-sectional collaboration for basic research in Otsuka Group

Collaboration with external partners

- Immuno-oncology: Latest technology in oncology
- Dementia: Alzheimer’s disease
- Gene therapy: New drug target discovery
Strategic oncology collaboration

- Exclusive worldwide research collaboration in oncology among Taiho, Astex and Merck focused on the development of small molecule inhibitors against several drug targets, including the KRAS oncogene

- Strengthen drug discovery by sharing expertise
- Further improve development capabilities
- Accelerate Global Expansion
TCR gene therapy | toward world-first products

- Scheduled to file for approval of siTCR® gene therapy, unique technology of Takara Bio in 2020
- Designated “SAKIGAKE designation system” as a synovial sarcoma therapy in Japan

Outline of siTCR® gene therapy

- Down-regulate endogenous TCR expression with siRNA
  1. To lead efficient expression of the introduced TCRs
  2. To reduce the risk of unknown side effects caused by the mispaired TCR

siTCR® vector technology

12 Sources | Takara Bio
Estimated study completion timeline of major P3 trials

**Psychiatry & Neurology**

*Centanafadine*
- Adult ADHD #1
- P3-US ‘20/Apr.

*Brexipiprazole*
- Agitation in AD
- P3-US, Europe ‘20/Dec.

*AVP-786*
- Agitation in AD #305
- P3-US, Europe ‘21/June

**Cardiovascular & Renal system**

*SGI-110*
- Relapsed/refractory AML
- P3-Global ‘20/Apr.

*SGI-110*
- Relapsed/refractory MDS
- P3-Global ‘20/June

*OPC-61815*
- Cardiac edema

**Oncology**

*Brexipiprazole*
- PTSD
- P3-US ‘21/Nov.

*SGI-110*
- Relapsed/refractory MDS
- P3-Global ‘21/Mar.

*TAS-116*
- GIST

*Vadadustat*
- Renal anemia (non-dialysis)
- P3-US, Europe ‘20/Aug.

*Vadadustat*
- Renal anemia (dialysis)
- P3-US, Europe ‘20/May

*Brexpiprazole*
- Agitation in AD
- P3-JP ‘21/Nov.

*Brexpiprazole*
- Agitation in AD
- P3-US ‘21/Nov.

Sources: ClinicalTrials.gov (https://clinicaltrials.gov/)

Agitation in AD: Agitation associated with dementia of the Alzheimer's type
PTSD: Post traumatic stress disorder
ADHD: Attention deficit hyperactivity disorder
AML: Acute myelogenous leukemia
CINV: Chemotherapy-induced nausea and vomiting
MDS: Myelodysplastic syndromes
GIST: Gastrointestinal stromal tumor

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Nutraceutical business
Existing business value maximization and new value creation

- Create new concepts while staying vigilant of changes in the environment
- Challenge to new categories and new areas
- Maintain high profit structure
NC | Continuation of stable revenue bases

- Continued high profit structure and sales expansion lead to stable revenue bases

**The 3rd MTM Plan**

- New products
- Global operations
- New businesses

**Business profit over 10%**

Strengthen business foundation

**The 2nd MTM Plan**

- Review of business assets supporting value chains

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**NC | Business profit forecasts**

<table>
<thead>
<tr>
<th>Year</th>
<th>Business profit (¥100mil)</th>
<th>Business profit ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018A</td>
<td>430</td>
<td>12.7%</td>
</tr>
<tr>
<td>2019A</td>
<td>429</td>
<td>12.8%</td>
</tr>
<tr>
<td>2021E</td>
<td>500</td>
<td>12.7%</td>
</tr>
<tr>
<td>2023E</td>
<td>650</td>
<td>14.4%</td>
</tr>
</tbody>
</table>

- **3 Major brands** (*Pocari Sweat, Nature Made, N&S*)
- **3 Nurture brands** (*Daiya, EQUELLE, BODY MAINTEN*)

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*3 Major Brands (Pocari Sweat, Nature Made, N&S), 3 Nurture Brands (Daiya, EQUELLE, BODY MAINTEN)
Existing business value maximization | 3 Major brands

- Aim at sales growth and achieve targets by implementing strategies for each brand

## Sales forecast | 3 Major brands

<table>
<thead>
<tr>
<th></th>
<th>2018A</th>
<th>2019A</th>
<th>2020E</th>
<th>2023E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pocari Sweat</td>
<td>2,107</td>
<td>2,001</td>
<td>2,115</td>
<td>2,500</td>
</tr>
<tr>
<td>Nature Made</td>
<td>2,001</td>
<td>2,115</td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td>N&amp;S</td>
<td>2,107</td>
<td>2,001</td>
<td>2,115</td>
<td>2,500</td>
</tr>
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#### 3 Major brands

- **Pocari Sweat** | Expand business scale through aggressive growth investments in Asia
- **Nature Made** | Strengthen existing brands by launching new products in US
- **N&S** | Promote business structure reform including new channel initiatives for regrowth
Aggressive investment for cultivating consumers and developing unique brands to further accelerate growth

Sales forecast | 3 Nurture brands

- **Daiya** | Expand market share by aggressive growth investments with the start of operations of new plant
- **EQUELLE** | Continue to strengthen awareness-raising activities to promote understanding of product concepts
- **BODY MAINTÉ** | Aim for growth through unique marketing strategies to penetrate brand value into consumers
### Progress of 3rd medium-term management plan

- The 3rd MTM plan has been progressing well, surpassing planned expectations
- Positive impact of JYNARQUE in US is expected to be approximately 25 billion yen per year compared with the MTM plan
- Other planned key performance targets and assumptions remain unchanged

#### Progress to date

<table>
<thead>
<tr>
<th>100 million yen</th>
<th>2018A</th>
<th>2019A</th>
<th>2020E</th>
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<tr>
<td>ROE</td>
<td>4.7%</td>
<td>7.3%</td>
<td>8.0%</td>
</tr>
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#### 3rd MTM plan as of May 2019

<table>
<thead>
<tr>
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<th>2021E</th>
<th>2023E</th>
<th>CAGR 2018-2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>15,000</td>
<td>17,000</td>
<td>5.6%</td>
</tr>
<tr>
<td>Business profit before R&amp;D expenses</td>
<td>3,900</td>
<td>4,600</td>
<td>7.9%</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>2,300</td>
<td>2,600</td>
<td>6.1%</td>
</tr>
<tr>
<td>Business profit</td>
<td>1,600</td>
<td>2,000</td>
<td>10.6%</td>
</tr>
<tr>
<td>ROE</td>
<td>over 6.0%</td>
<td>over 8.0%</td>
<td></td>
</tr>
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Note: Exchange rate assumptions ¥110/$, ¥130/euro
Not including performance growth by strategic investments (M&A etc.)
Business profit = Revenue − COGS− SG&A+ Share of profit of associates − R&D expenses
Discussion based on the progress of the 3rd medium-term management plan

- Business profit CAGR is expected to increase to more than 13% from 10.6% in the 3rd MTM plan.
- Other planned key performance targets and assumptions remain unchanged.
Summary

- **Pharmaceutical business**
  - Focus on maximizing products value of 4 global products and new value creation

- **NC business**
  - Maintain stable revenue bases and aim for increasing sales to execute the each brand’s strategy

- **Progress of 3rd medium-term management plan**
  - Continued growth of business profit before R&D expense is expected with sales of JYNARQUE in US exceeding our plan