Otsuka Holdings Co., Ltd.
First Medium-Term Management Plan
for Fiscal 2011 to Fiscal 2013

May 16, 2011

Tatsuo Higuchi
President and Representative Director, CEO
Otsuka Holdings Co., Ltd.
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The Otsuka Group’s Corporate Philosophy

Otsuka - people creating new products for better health worldwide

A Global Healthcare Company

- Pharmaceutical business: Focusing on addressing unmet medical needs
- Nutraceutical* business: Functional beverages and foods

Corporate Philosophy

- Creating our own unique and innovative products
- Developing a truly global business
- Building new category markets

* Nutraceuticals = Nutrition + Pharmaceuticals
Growth Underpinned by a Diverse Business Portfolio

**Foundation phase**
- 1946: Entered the pharmaceutical business (I.V. solutions)
- 1950: Established Otsuka Chemical Co., Ltd.
- 1953: Launched Oronine Ointment
- 1963: Entered the oncology field, established Taiho Pharmaceutical Co., Ltd.
- 1965: Launched Oronamin-C
- 1968: Launched Bon Curry
- 1973: Undertook overseas business development activities in the U.S. and Thailand
- 1974: Established P.T. Otsuka Indonesia, established Taiwan Otsuka Pharmaceutical Co., Ltd.
- 1977: Established Arab Otsuka Pharmaceutical S.A.E.

**Growth phase**
- 1980: Launched Mikelan, Meptin
- 1983: Launched Calorie Mate
- 1984: Launched UFT
- 1988: Launched Pletaal/Plental
- 1989: Acquired Pharmavite LLC
- 1990: Launched Mucosta
- 1999: Launched TS-1

**International business development phase**
- 2002: Launched ABILIFY
- 2006: Launched SOYJOY
- 2009: Acquired Nutrition & Santé SAS
- 2008: Established Otsuka Holdings Co., Ltd.
- 2010: Publicly listed the Company’s shares

**Expansion phase**
- 1999: Established Otsuka Holdings Co., Ltd.
- 2002: Launched ABILIFY

**Sales**
- Nutraceuticals, Consumer Products
- Pharmaceuticals

Source: In-house data
The Otsuka Group’s Business Model

Developing businesses that encompass every healthcare theme as a global healthcare company that pursues the excellence in manufacturing

Pharmaceutical business
From diagnosis to treatment of diseases
- ABILIFY driving earnings growth
- A leading company in the I.V. solutions and oncology fields
- Taking on the challenge of exploring new fields in drug discovery to address unmet medical needs

Nutraceutical business
Maintain and improve daily health and well-being
- Create unique and innovative products
- Build new market categories
- Establish powerful brand equity

High profitability and growth potential
Stable revenue platform

Contribute to health through the Company’s two mainstay businesses
Develop global business of this twin-engine business portfolio
- Proprietary production and sales platforms in each key region
- A wealth of experience in cultivating markets (I.V. solutions → nutraceuticals → pharmaceuticals)
1. Performance targets of the first medium-term management plan for FY2011 to FY2013

2. Priority measures to be implemented under the medium-term management plan

   1. Provide added-value in the Pharmaceutical business and maximize profits
      - Secure sustainable growth by maximizing pharmaceutical value
      - Create unique and innovative new products

   2. Expand the Nutraceutical business and increase profit
      - Growth through the introduction of new products and regional focus
      - Improve profitability

   3. Lay the groundwork for the next medium-term management plan
      - Foster new businesses
      - Establish a framework for facilitating reform

   4. Engage in activities to maximize corporate value, and secure shareholders’ return
      - Investment for growth, Alliance strategies, Financial Strategy and Shareholders’ Return Policy

3. Long-term business strategy
1. Positioning of the First Medium-Term Management Plan

Over the three-year period of the plan, we will complete the establishment of a structure and system to be a world-class global healthcare company which has two mainstay businesses of pharmaceuticals and nutraceuticals.

**Principal Measures**

- Development of innovative proprietary pharmaceuticals
- Profit structure reform aimed at securing profit growth in the nutraceutical business
- Next-generation business incubation through strategic alliances and other measures
## 1. Performance Targets of the First Medium-Term Management Plan

- Achieve constant profit growth rates of over 15%
- Expand forward-looking investment in preparation for the following period of the medium-term management plan

<table>
<thead>
<tr>
<th></th>
<th>FY2010 actual</th>
<th>FY2013 plan</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>1,090.2</td>
<td>1,330.0</td>
<td>6.9%</td>
</tr>
<tr>
<td>(Ratio of overseas sales to net sales)</td>
<td>47%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td><strong>R&amp;D expenses</strong></td>
<td>164.5</td>
<td>200.0</td>
<td>6.7%</td>
</tr>
<tr>
<td>vs. net sales</td>
<td>15.1%</td>
<td>15.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>117.5</td>
<td>200.0</td>
<td>19.4%</td>
</tr>
<tr>
<td>vs. net sales</td>
<td>10.8%</td>
<td>15.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>81.0</td>
<td>130.0</td>
<td>17.1%</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>162 yen</td>
<td>230 yen</td>
<td>12.4%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>7.8%</td>
<td>10% or more</td>
<td></td>
</tr>
</tbody>
</table>

Note: Assumptions regarding foreign currency exchange rates: $1 = ¥85; Euro 1 = ¥115
Note: Excluding external growth
### Growth Drivers under the First Medium-Term Management Plan by Business Segment

#### Contributions to profit growth from each business segment (profitability diversification)

Note: Segment operating income is before deducting corporate expenses.

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2010 actual (¥ billion)</th>
<th>FY2013 plan (¥ billion)</th>
<th>Growth drivers</th>
</tr>
</thead>
</table>
| Pharmaceuticals          | 721.4                      | 847.0                   | - Continued ABILIFY growth in North America: profit share increase according to the agreement with Bristol-Myers Squibb (BMS). (FY2010: 42% → FY2013: Approx. 60%)
- Contributions from oncology business collaborations with BMS (Earnings increase of approx. ¥22 billion)
- Domestic sales growth by quality new products that more than cover the revenue loss from the NHI price revision of existing products
- Secure R&D expenses that underpin steady advances in product development (Increase in expenditure by approx. ¥34 billion) |
| Nutraceuticals           | 249.5                      | 310.0                   | - Increase the overseas sales ratio to total sales by expanding global-scale core brands (*Pocari Sweat*, *SOYJOY*, etc.) (38% → 42%)
- Focus on brand strategies and customer cultivation while securing revenue growth in Japan
- Improve the operating income ratio (7.1% → 10%) by reducing costs |
| Consumer and other products | 119.3                      | 173.0                   | - Turn low-earning businesses to profits
- Increase sales through growth in existing products (*Crystal Geyser*, *Mannan Hikari*, functional chemicals) and contributions from new products |
1. Growth Drivers under the First Medium-Term Management Plan by Geographic Segment

- **Global expansion progress**

<table>
<thead>
<tr>
<th>Areas</th>
<th>FY2010 actual (¥ billion)</th>
<th>FY2013 Plan</th>
<th>Growth drivers</th>
</tr>
</thead>
</table>
| Japan       | 574.7                     | 662.0       | ● Pharmaceuticals: Overcome the impact of NHI price revision; new product growth  
   ABILIFY Life Cycle Management (expand indications to bipolar disorder and depression), Abraxane, Aloxi, E Keppra, SAMSCA, Mucosta ophthalmic suspension, rotigotine  
   ● Nutraceuticals: Pocari Sweat and SOYSH growth |
| U.S.        | 374.2                     | 456.0       | ● Pharmaceuticals: Continued ABILIFY growth amid US healthcare reform;  
   Contributions of aripiprazole IM Depot formulation, ABILIFY combination and SAMSCA  
   ● Nutraceuticals: Nature Made growth |
| Europe      | 79.7                      | 107.0       | ● Pharmaceuticals: Notwithstanding austerity measures implemented by each country, continued ABILIFY growth with bipolar disorder indication; contributions of SAMSCA  
   ● Nutraceuticals: SOYJOY market expansion by Nutrition & Santé SAS (N&S) |
| Asia and other | 61.6                     | 105.0       | ● Pharmaceuticals: Emerging market cultivation (India, etc.) utilizing I.V. solutions; expansion of high value-added products  
   ● Nutraceuticals: Pocari Sweat business expansion in emerging countries, focusing on the ASEAN region |
Outline of the Medium-Term Management Plan

1. Performance targets of the first medium-term management plan for FY2011 to FY2013

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3. Long-term business strategy
2-1. Current ABILIFY Business Status

- Atypical antipsychotic market affected by U.S. healthcare reforms (based on total prescription number)
  - Due to healthcare reforms, etc., market growth in 2010 was 2.1%, down from 5.2% in 2009.

- ABILIFY growth consistently outperforms market average
  - Continuous share increase due to differentiating features such as suitability for long-term use with high safety profile and wide range of indications.
  - In 2010, ABILIFY was the only brand showing higher growth than the market growth.
  - Growth continued in 1Q/2011.

- Growth phase in Europe and Japan
  - Europe
    - Year-on-year sales growth exceeded 20% in FY2010, due to strong sales promotion for bipolar disorder indication, which was approved in EU in 2008.
    - In 2010, year-on-year prescription-based sales growth of atypical antipsychotics in bipolar market was 13% (total market growth: 7%, schizophrenia market growth: 6%). Bipolar triggers the overall growth.
  - Japan
    - 2009-2010 sales growth in value was 14% for whole atypical antipsychotic market, and 28% for ABILIFY.
    - The oral solution, launched in 2009, exceeded 10% of total ABILIFY sales in value.
    - Launches for additional indication of bipolar disorder, and orally disintegrating tablets, expected in 2012.
2-1. Maximizing Profit from ABILIFY Business

- **Maximize product value by continuous life cycle management**
  - **U.S.:** Pediatric autism: approved 2010; Intramuscular (IM) Depot formulation: to be filed in 2011; once-weekly formulation for Tourette’s syndrome: Phase I; combination for depression: Phase III.
  - **Europe:** Pediatric bipolar disorder: filed in 2010; IM Depot formulation: Phase III.
  - **Japan:** Bipolar mania: filed in 2011; orally disintegrating tablet, major depression: Phase III; IM Depot formulation: Phase III.

  Exclusivity period: until 2016.

- **Increasing profit share in the U.S.**
  - Phased increase in profit share up to 2015 on basis of agreement with BMS.

### ABILIFY sales outlook by region

<table>
<thead>
<tr>
<th>(¥ billion)</th>
<th>2009</th>
<th>2010</th>
<th>2011E</th>
<th>2012E</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>400</td>
<td>350</td>
<td>320</td>
<td>380</td>
<td>450</td>
</tr>
<tr>
<td>Japan</td>
<td>100</td>
<td>120</td>
<td>140</td>
<td>170</td>
<td>220</td>
</tr>
<tr>
<td>Europe</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
<td>100</td>
</tr>
<tr>
<td>Asia and rest of world</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>70</td>
</tr>
</tbody>
</table>

### ABILIFY's share of U.S. profit in (sales basis; before consideration of sales promotion expenses)

<table>
<thead>
<tr>
<th>(Year)</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013~Apr. 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>35%</td>
<td>42%</td>
<td>46.5%</td>
<td>51.5%</td>
<td>Approx. 60%</td>
</tr>
<tr>
<td>BMS</td>
<td>65%</td>
<td>58%</td>
<td>53.5%</td>
<td>51.5%</td>
<td>Approx. 40%</td>
</tr>
</tbody>
</table>

To more than ¥400 billion worldwide
2-1. Aripiprazole IM Depot

- **Aripiprazole intramuscular (IM) Depot**
  - Aripiprazole: Highly evaluated safety profile
  - In-house formulation technology (administration at 4-week intervals)
  - Depot formulation with excellent compliance and long-term safety

- **U.S. development details**
  - Independent Data-Monitoring Committee’s October 2010 interim analysis results for Phase III, placebo-controlled schizophrenia study met efficacy and safety criteria for termination, two years earlier than original schedule. And the early study termination was recommended
  - FDA submission scheduled in 2011

- **Europe and Japanese development**
  - Phase III schizophrenia study in progress (comparison with ABILIFY tablets)
  - Submission scheduled for 2013 in Europe and Japan

- **Differentiation from currently available drugs**
  - Compared to the existing depot formulations, ABILIFY has **high tolerability**, suggested by its safety profile
  - IM injection: Administration frequency **only once every 4 weeks**, and easy to carry out
  - **Room-temperature storage** possible
  - Fine injection needle, so limited discomfort for patients

- Treated with oral schizophrenia drugs: 3 million U.S. patients
  - 65% of them stop medication due to poor compliance: 1.95 million patients
  - Among them, 10% need treatment due to symptom deterioration: Approx. 200,000 patients
  - Current estimate of patients treated: 70,000
  - Room for market expansion up to 200,000
  - Treatment with depot formulation
Conclusions: OPC-34712 Phase II (study no. 211)

- Effective as adjunctive treatment in subjects with MDD who had an inadequate response to prior antidepressant therapy.
- Patients exhibited statistically significant reductions in MADRS total score as early as Week 2 after initiation of treatment with the 1.5 ±0.5mg dose of OPC-34712.
- The results from this study suggest that 1.5 ± 0.5 mg of OPC-34712 may be the minimal effective dose for adjunctive treatment in MDD.
2-1. Maximization of Profit in Oncology Field

- **Collaboration on SPRYCEL and IXEMPRA sales promotion with BMS**
  - Otsuka’s profits depend on Europe, U.S. and Japanese sales (approaching ¥25 billion)

**Collaboration Fee Arrangement**
Based on combined Sprycel and Ixempra Net Sales (US, Japan & Europe)

- **Otsuka’s profits ($ million)**
  - 2009: 294
  - 2010: 290
  - 2011: 284
  - 2012: 260

- **Global sales of SPRYCEL and IXEMPRA**
  - 2009: 421
  - 2010: 576

- **Source:** BMS Earning Reports 2010 4Q

- **Otsuka’s proportional responsibility for commercial expenses**
  - Total commercial expenses up to $175 million: 20%
  - Total commercial expenses of $175 million or more: 1%
2-1. Strategy in Oncology Field

- **Development strategies aimed at future cancer treatments**
  - Various regimens combining anti-metabolites, molecular-targeted agents, and new categories of drugs.
  - Development and commercial strategies: Focusing on target patients, initial-phase treatment as primary indication.
  - Extend product line to supportive care, covering cancer treatment as a whole, together with anti-cancer agents.

<table>
<thead>
<tr>
<th>Anti-metabolites</th>
<th>Make full use of strengths, generating novel compounds by in-house drug discovery</th>
<th>Become a part of the standard regimens</th>
</tr>
</thead>
<tbody>
<tr>
<td>Molecular-targeted agents</td>
<td>Make full scale in-house drug discovery efforts. Complement anti-metabolites</td>
<td>Concomitant administration with other agents will still be mainstream</td>
</tr>
<tr>
<td>Cancer vaccines</td>
<td>Positioned as anti-cancer agents with 4th new mechanism of action: Intensive investment</td>
<td>Can be used concomitantly with anti-metabolites or molecular-targeted agents</td>
</tr>
<tr>
<td>Supportive care</td>
<td>Rapidly develop as one of the key businesses through in-licensing</td>
<td>Expansion possible irrespective of stage &amp; types of cancer, or treatment method</td>
</tr>
</tbody>
</table>

| TAS-102               | TS-1                          |
| UFT                  | Abraxane                      |
| OPB-31121            | OPB-51602                     |
| TSU-68               | SPRYCEL                       |
| OTS102               | OCV-101                       |
| Aoli                 | OVF                           |
| Sativex              |                               |
2-1. Cancer Vaccines

- **Cancer vaccines being developed by OTS: Cancer Immunotherapeutic Agents Project by OncoTherapy Science, Inc.**
  - Fourth treatment method, after chemotherapy, surgery and radiotherapy

<table>
<thead>
<tr>
<th>Development code</th>
<th>Target antigens</th>
<th>Indication</th>
<th>Region</th>
<th>Development stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTS102</td>
<td>VEGFR-2 (angiogenesis)</td>
<td>Pancreatic cancer</td>
<td>Japan</td>
<td>Phases II and III</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Biliary tract cancer</td>
<td>Japan</td>
<td>Phase II</td>
</tr>
<tr>
<td>OCV-101</td>
<td>VEGFR-1 (angiogenesis)</td>
<td>Pancreatic cancer</td>
<td>Japan</td>
<td>Phase II</td>
</tr>
</tbody>
</table>

- **Characteristics of the drugs**
  - Novel mechanism of action (First-in-Class)
  - Indicated for wide range of cancers
  - Broaden treatment options by combination with standard therapeutic agents
  - Utilize expertise of Taiho Pharmaceutical, a leading company in existing low molecular agents
### 2-1. Increasing Profits with Major New Drugs in Japan

<table>
<thead>
<tr>
<th>New drug</th>
<th>Launch</th>
<th>Indication</th>
<th>Principal characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E Keppra</strong></td>
<td>Sep. 2010</td>
<td>• Partial seizures (in combination with other antiepileptic agents)</td>
<td>• No. 1 concomitant drug, due to different mechanism of action from other drugs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Antiepileptic agent with anti-epileptogenic activity.</td>
</tr>
<tr>
<td><strong>Aloxi</strong></td>
<td>Apr. 2010</td>
<td>• Delayed gastrointestinal symptoms due to anti-tumor agents</td>
<td>• Approved and launched in 64 countries</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• The only serotonin antagonist effective against delayed emesis</td>
</tr>
<tr>
<td><strong>Abraxane</strong></td>
<td>Sep. 2010</td>
<td>• Breast cancer</td>
<td>• Improves paclitaxel efficacy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• No need for pretreatment, and shortened infusion time from 3 hours to 30 minutes</td>
</tr>
<tr>
<td><strong>SAMSCA</strong></td>
<td>Dec. 2010</td>
<td>• Cardiac edema</td>
<td>• Alleviates fluid retention in heart failure patients</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Alleviates edema when existing diuretics insufficiently effective</td>
</tr>
<tr>
<td><strong>Mucosta ophthalmic suspension</strong></td>
<td>Filed</td>
<td>• Dry-eye syndrome</td>
<td>• Improves tear quality by increasing mucin secretion</td>
</tr>
<tr>
<td><strong>rotigotine</strong></td>
<td>To be filed in 2013</td>
<td>• Parkinson’s disease  &lt;br&gt; • Restless-legs syndrome</td>
<td>• Applied In-house percutaneous absorption technology</td>
</tr>
</tbody>
</table>

- **Japanese sales of existing products in FY2010:** ¥305.7 billion
- **Maintain profits over FY2010 to FY2013**

![Graph of sales of existing drugs in Japan, including infusions](image1)

- **New drug sales in FY2010 (6 drugs + iv solutions):** ¥14 billion
- **CAGR from FY2010 to FY2013:** +50%

![Graph of sales of new drugs in Japan, including infusions](image2)
## 2-1. Products in the Pipeline Expected to Drive Corporate Growth

<table>
<thead>
<tr>
<th>Development stage</th>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
<th>NDA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central nervous system</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>OPC-34712 Major depression (US)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>OPC-34712 Schizophrenia (US)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>OPC-34712 ADHD (US)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Oncology</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPB-31121 Anti-cancer Agents (J, US, A)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPB-51602 Anti-cancer Agents (J, US, A)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSU-68 Lung cancer (J)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Metabolic and circulatory systems</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Diagnostic agents and others</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPC-12759E Dry eye syndrome (US)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>OPC-87683 MDR tuberculosis</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>OPC-6535 COPD (J, US, A)</td>
<td></td>
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</tr>
</tbody>
</table>

**Development stage Phase I Phase II Phase III NDA**

**Central nervous system**

- Major depression (US)
- Schizophrenia (US)
- ADHD (US)

**Oncology**

- Colorectal cancer (J)
- Prostate cancer (J)
- Renal cancer (J)
- Colorectal cancer (SK)
- Gastric cancer (J)
- Gastric cancer (J)
- Breast cancer (J, SK)
- Lung cancer (J)
- Liver cancer (J, A)

**Metabolic and circulatory systems**

**Diagnostic agents and others**

**NDA**

- Aripiprazole Bipolar disorder (J)
- Aripiprazole Major depression (J)
- Aripiprazole Tic (SK)
- Parkinson's disease (J)
- Restless-legs syndrome (J)
- Pediatric partial seizures (J)
- Bipolar disorder (J)
- Type-II diabetes (J)
- Hematological disorders (J)
- Dry eye syndrome (J)
- Streptococcus pneumoniae detection kit (J)
Outline of the Medium-Term Management Plan

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3. Long-term business strategy
2-2. Paradigm Shift in the Food Industry and Market Potential

- A paradigm shift in food culture along with economic growth

20th Century-type Food Culture
Based on manufacturing technology
Storage & processing: Safe and stable supply
Tastes: A sense of abundance, enjoyment, delicate flavor and satisfaction

Developed countries

21st century-type food culture
Based on health science
Nutritional science: Health, longevity
Physiological science: Beauty, prevention, anti-aging

Emerging countries

- Fragrance and flavor

Global health food market

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Diet foods</td>
<td></td>
<td>5.9%</td>
</tr>
<tr>
<td>Functional foods</td>
<td></td>
<td>5.9%</td>
</tr>
<tr>
<td>Sport and nutritional foods</td>
<td></td>
<td>6.4%</td>
</tr>
<tr>
<td>Supplements</td>
<td></td>
<td>6.8%</td>
</tr>
<tr>
<td>Natural and organic foods</td>
<td></td>
<td>6.9%</td>
</tr>
<tr>
<td>Functional beverages</td>
<td></td>
<td>9.2%</td>
</tr>
</tbody>
</table>

Global health food market $530 billion
Target market Nutraceuticals market
54% of the total market $285 billion

Source: Euromonitor
2-2. Expanding Overseas Sales of Nutraceutical Business

- Accelerate global development of core brand products
  - Accelerate promotion of global strategic products (*Pocari Sweat*, *SOYJOY*) in each country
    - *Pocari Sweat*: Introduce to new markets mainly in Asia
    - *SOYJOY*: Step up promotion in Europe (Four countries as of 2011)

**Regions in which the Otsuka Group operates (Regions with offices and operational activities)**

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**Four core brand products**

Sales (¥ billion)

- Japan: 71.7
- Overseas: 84.3

**CAGR: 12%**

**Maintain earnings**

**FY2010**

**FY2013 (Plan)**

---

*Four core brands: Pocari Sweat, SOYJOY, Nature Made, Nutrition & Santé SAS*
2-2. Expanding Overseas Sales of Nutraceutical Business

- **Focused investment in growing markets**
  - Asia strategy concept
    - Market expansion in China
    - Exceed ¥35 billion in sales through ASEAN market expansion focusing particularly on Indonesia

- **Total overseas sales ratio in the Nutraceuticals business:**
  38% in FY2010 → 42% in FY2013

*SOYJOY is marketed by VV Food & Beverage Co., Ltd., an equity method affiliated company, in China.
2-2. Nutraceutical Product Strategy

- **Continue to strengthen product portfolio**
  - Powerful brand capabilities
    - Foster next-generation mainstay brands
    - Foster long-selling products

- **Establish new brands by focused investment**
  - **SOYSH**
    - Develop into a core brand (Sales exceeding ¥10 billion)
  - **N&S products**
    - Introduce new items and products

- **Rebuild competitive advantage through pull marketing**
  - Pursue functional value
    - Promote understanding of product value through evidence-based information
    - Experience-based continuous communication

- **Shift operating expenses to customer education**
  - **Pocari Sweat**
    - Reemphasizing the product functionality
  - **SOYJOY**
    - Foster the SOYJOY brand through thoroughgoing value proposal-type sales and marketing

---

### Essential product value

- **Physical comfort**
  - Contents that leave a lasting impression
  - **Sense (Physical appeal)**
  - **Affinity (Emotional appeal)**

- **Understanding (Cognitive appeal)**
  - Insensible perspiration 900ml
  - Na 49mg
  - Spontaneous dehydration

<table>
<thead>
<tr>
<th>Years on the market</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>58</td>
<td>Oronine ointment (1953)</td>
</tr>
<tr>
<td>47</td>
<td>Tiovita (1964)</td>
</tr>
<tr>
<td>46</td>
<td>Oronamin-C (1965)</td>
</tr>
<tr>
<td>28</td>
<td>Pocari Sweat (1980)</td>
</tr>
<tr>
<td>18</td>
<td>CalorieMate (1983)</td>
</tr>
<tr>
<td>31</td>
<td>N&amp;S products</td>
</tr>
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</table>
2-2. Profit Growth of Nutraceutical Business

- Profit growth driven by sales increase due to market expansion and cost structure review

- Increased net sales
  - Overseas: Global product development resulting in a ¥36 billion increase (*Pocari Sweat*: Increase of ¥10 billion or more)
  - Japan: Focus mainly on new products resulting in a ¥25 billion increase (Increase of ¥18 billion in new product sales)

- Reduction of manufacturing costs
- Optimization of operating expenses
  - Sales promotion expenses
  - Distribution expenses
- Customer cultivation expenses
  - New market creation based on pull marketing (Slight increase as a percentage of net sales)

**Improved profitability**
(Operating profit ratio)
0.9% → 7.1% → 10% or more

**Graph:**
- Operating income ratio (¥ billion)
- Operating income

- 2009
- 2010
- 2013 (Fiscal Year)

- 0%
- 5%
- 10%
- 20
- 30
- 40
Outline of the Medium-Term Management Plan

1. Performance targets of the first medium-term management plan for FY2011 to FY2013

2. Priority measures to be implemented under the medium-term management plan
   1. Provide added-value in the Pharmaceutical business and maximize profits
      • Secure sustainable growth by maximizing pharmaceutical value
      • Create unique and innovative new products
   2. Expand the Nutraceutical business and increase profit
      • Growth through the introduction of new products and regional focus
      • Improve profitability
   3. Lay the groundwork for the next medium-term management plan
      • Foster new businesses
      • Establish a framework for facilitating reform

3. Long-term business strategy
2-3. New Business: Medical Devices

Medical Device Project: Established in October 2009

Otsuka Medical Devices Co., Ltd.: Established in February 2011
- Build up value chain to achieve cutting-edge technology, high quality, and low cost
- Expand business focusing on Asia, especially Japan and China

Brain and heart diseases
- Drug-eluting stents

Gastrointestinal diseases
- Granulocyte adsorption therapy for ulcerative colitis and Crohn’s disease
- Large intestine endoscopy

- Develop medical devices as core business for the next generation
  - Introduction of products through alliances
  - Utilizing networks in the group

Global market size: $6,462 mil (2010)
- Large intestine endoscopy: $1,668 million
- Drug-eluting stents: $4,794 million

References:
3. Large intestine endoscopy: In-house estimation
To take the same amount of protein

1 soybean = 32 times more soy (as feed) is needed

38 times more CO2 is emitted

http://www.otsuka.co.jp/soy/soylution/

Soylution
Soy may be your solution…
2-3. Establish a Framework for Facilitating Reform

- Sowing the seeds for internal Group reform to help generate growth in FY2013 and beyond

The Otsuka Group’s Basic Stance Remains Unchanged
1. Maintain the spirit and corporate culture like “a huge venture company”
2. Become a creative organization on a Group-wide scale
3. Deliver to the market unique and innovative products supported by advanced technologies
1. Performance targets of the first medium-term management plan for FY2011 to FY2013

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   3. Lay the groundwork for the next medium-term management plan
      - Foster new businesses
      - Establish a framework for facilitating reform
   4. Engage in activities to maximize corporate value, and secure shareholders’ return
      - Investment for growth, Alliance strategies, Financial Strategy and Shareholders’ Return Policy

3. Long-term business strategy
2-4. Alliance Strategy

- **Direction:** A diversified profit structure

**Current Profit Structure**
- **Steady implementation of existing strategies**
- **Strengthen structure through strategic alliances**

**FY2015 and Beyond**
- **Contributions to profits from various businesses**
  - Grasp wide-ranging growth opportunities
  - Diversify business risk

**Priority investment fields**

<table>
<thead>
<tr>
<th>Business</th>
<th>Key Focus Points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pharmaceutical business</strong></td>
<td>- Focus on the central nervous system and oncology fields</td>
</tr>
<tr>
<td></td>
<td>- Concentrate on joint research and the introduction of new products</td>
</tr>
<tr>
<td></td>
<td>→ Take into account of risks at each development phase and build up the pipeline</td>
</tr>
<tr>
<td></td>
<td>- Focus on new next-generation mechanisms</td>
</tr>
<tr>
<td></td>
<td>- Concentrate on global development potential</td>
</tr>
<tr>
<td><strong>Nutraceutical business</strong></td>
<td>- Upgrade and expand brands (Soylution)</td>
</tr>
<tr>
<td></td>
<td>- Strengthen sales channels for each products line and region</td>
</tr>
<tr>
<td><strong>Medical Devices business</strong></td>
<td>- Strengthen brands in each field (blood, GI, brain and cardiovascular)</td>
</tr>
<tr>
<td></td>
<td>- Solidify sales channels focusing particularly on Asia</td>
</tr>
</tbody>
</table>
2-4. Financial Strategy and Shareholders’ Return Policy

FY2011 – FY2013 accumulated cash flow: Approx. ¥990.0 billion* (Cash flows from operating activities + R&D expenses)

Growth investment

- R&D expenses: Approx. ¥570.0 billion
- Capital investment: Approx. ¥110.0 billion
- Alliance, etc.: Foster the next-generation businesses; engage in proactive investment aiming at diversifying earnings

Shareholders’ return

- Planned Dividend for FY2011: ¥45 per share
- Cash dividend payments in line with profit growth

* The aggregate sum total of net income for the period from FY 2011 to FY 2013 (¥310.0 billion), depreciation (assuming the amount equivalent to capital investment) (¥110.0 billion) and R&D expenses (¥570.0 billion).
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   4. Engage in activities to maximize corporate value, and secure shareholders’ return
      • Investment for growth, Alliance strategies, Financial Strategy and Shareholders’ Return Policy

3. Long-term business strategy
3. Long-Term Business Strategies

- Position activities toward reform under the first medium-term management plan as a foundation for the future
- Build a robust business model that is capable of producing sustainable growth across the two mainstay businesses of Pharmaceuticals and Nutraceuticals over the medium to long term
- Overcome the impact of ABILIFY patent expiration and target net sales of ¥1.5 trillion in 2020

Implement various measures that facilitate reform

- Development of innovative proprietary pharmaceuticals
- Structural reform aimed at generating growth in Nutraceutical business
- Fostering next-generation businesses through strategic alliances and other measures

FY 2020 Target
- Net sales of ¥1.5 trillion

Forecast Sales Breakdown
- Pharmaceuticals 60%
- Nutraceuticals, etc. 40%

Earnings per share
Long-term CAGR > 10%

FY2013 Plan
- Net sales: ¥1,330 billion
- Operating profit ratio: 15%

FY2010 Actual
- Net sales: ¥1,090.2 billion
- Operating profit ratio: 10.8%

Earnings growth analysis
Building up earnings through the effects of various measures
Growth from extending existing business
Contributions from diversified earnings
Patent expiration of ABILIFY

Implementation and strategy diagram