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Agenda

Management Policy & Plan Outline

Performance Targets

Pharmaceutical Business Strategy

Nutraceutical Business Strategy

Investment Policy and Shareholder Return
Corporate Philosophy

Dramatic expansion of business opportunities rooted in corporate philosophy

Developing a truly global business

Building new category markets

Creating our own unique and innovative products

Otsuka - people creating new products for better health worldwide
Transition of business opportunity
expansion
OTC
NC
alliance
diagnostics
chemical
Clinical
nutrition
medical
devices
cosmedics
consumer
products
pharma
Otsuka’s identity and business model

Unmet medical needs

Pharmaceutical business

Yet-to-be-imagined needs

Nutraceutical* business

Total Healthcare from prevention to treatment

*Nutraceutical: Nutrition + Pharmaceutical
Otsuka’s Goal

To become an indispensable contributor to people’s health worldwide

1st mid-term plan
- Globalization & Investment

2nd mid-term plan
- Sustained investment & Structural reform

Nth Mid-term plan
Outline of the 2nd mid-term plan

- Strengthen core therapeutic areas
- Nutraceutical business - structural reform, evolution and growth
- Active investment in new growth areas and shareholder return

5 year period to establish diversified business portfolio
Performance Targets
## Performance Targets

<table>
<thead>
<tr>
<th></th>
<th>2013A1)</th>
<th>2016E1</th>
<th>2018E1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,452.8</td>
<td>1,190</td>
<td>1,440</td>
</tr>
<tr>
<td>R&amp;D expense</td>
<td>249</td>
<td>170</td>
<td>170</td>
</tr>
<tr>
<td>Operating income</td>
<td>198.7</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td>vs. net sales (%)</td>
<td>13.7</td>
<td>8.4</td>
<td>13.9</td>
</tr>
<tr>
<td>Net income</td>
<td>151</td>
<td>70</td>
<td>140</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>10.8</td>
<td>4-5</td>
<td>8-10</td>
</tr>
</tbody>
</table>

- Performance recovers in FY2018 to FY2013 level
- R&D expenses maintained at high level for growth beyond 2020

**Note:**
- Foreign currency exchange rate assumptions: US$ 1= ¥100, Euro 1= £140
- Excluding external growth

1) FY 2013 is 12 months ended March 2014. FY 2016 and 2018 are calendar year due to change in business year from 2014.
Diversified sales structure

2013A  2018E

1,440

New Drugs & others

NC*

Consumer & others  1,452.8

Impact of Abilify

Net Sales "¹\billion\" ¹\"Net Sales"

*NC: nutraceutical business
Each core area’s growth
**New Drugs - Key driver for growth platform**

- 3 global products, 3 next-generation products and new drugs in Japan to contribute to sustainable growth

- 80% of $4.3bn sales (FY2018E) from products already filed or launched

- Investments to enrich pipeline, including in-licensing deals

<table>
<thead>
<tr>
<th>Year</th>
<th>New drugs in Japan*</th>
<th>3 next-generation products</th>
<th>Revenue (billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018E</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023E</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*New drugs in Japan: products newly launched or to be launched in Japan between 2009 and 2018, excluding 3 global products and 3 next-generation products above.

- Foreign currency exchange rate assumptions: US$ 1= 100, Euro 1= 140

**3 next-generation products**
- Lonsurf
- Lu AE58054
- SGI-110

**3 global products**
- Abilify Maintena
- brexpiprazole
- tolvaptan
Cross-organizational cost optimization

COGS
SG&A
R&D
Promotion
Administration

Pharmaceutical
Consumer/others
NC
Energy cost reduction by investment in energy saving system
Enhance production efficiency through new capital expenditures
Clearly focused spending and saving
Accelerated investments by 2014
Maintain at steady level from 2016

• Prioritize assets in the pipeline
• Utilize & coordinate research functions in the Group

Continuous efforts for overhead costs efficiency

• Utilize the Group assets
• Decrease in Abilify co-promotion expenses
• Review & optimization of cost mainly in the US
• Full use of the Group’s sales infrastructure
**Profit Diversification**

**2013A**

Operating income

**Effect of R&D acceleration**

**2016E**

Operating income

**Increase in gross profit by new drugs’ contribution**

**Cost optimization**

**Investment for growth**

**Impact of US Abilify* and Contribution of new drugs**

*Include decrease in co-promotion fee of Abilify

($ billion)
Outline of pharmaceutical business strategy

- Maximize product values
- Aggressive R&D investments in core therapeutic areas (CNS and oncology)

Strengthen core therapeutic areas
Lu AE58054
• Alzheimer’s disease

Lu AF20513
• Amyloid β vaccine

Abilify Maintena
Smart tablet
Value-added drug therapy

Abilify
brexpiprazole
• Schizophrenia
• MDD adjunctive therapy

New category creation
Anxiety disorder
PTSD
Behavioral disorder
Agitation associated with AD

AD: Alzheimer’s disease, PTSD: Posttraumatic stress disorder
<table>
<thead>
<tr>
<th>Year</th>
<th>Development Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>Acute schizophrenia (PDUFA 2014/12)</td>
</tr>
<tr>
<td>2013</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>New administration route (deltoid)</td>
</tr>
<tr>
<td>2015</td>
<td>Bipolar disorder</td>
</tr>
<tr>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
</tr>
</tbody>
</table>

**LCM Plan (Additional Indications & Administration Routes, Improved Formulations)**

- Collaboration with Lundbeck in US and Europe
- NDA filed in Japan for schizophrenia
Abilify Maintena targets 30% market share

**Total sales of three atypical antipsychotics LAI products**
(Source: annual reports, Datamonitor, company data)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002A</td>
<td></td>
</tr>
<tr>
<td>2004A</td>
<td></td>
</tr>
<tr>
<td>2006A</td>
<td></td>
</tr>
<tr>
<td>2008A</td>
<td></td>
</tr>
<tr>
<td>2010A</td>
<td></td>
</tr>
<tr>
<td>2012A</td>
<td></td>
</tr>
<tr>
<td>2018E</td>
<td></td>
</tr>
</tbody>
</table>

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Source: Estimated based on IMS Data (NPA) 2013-2014
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n NDA filed in US for schizophrenia and MDD
n P-3 studies ongoing for PTSD and for agitation associated with dementia of the Alzheimer’s type
US: Additional Phase 3 study started
EU: MA filed for ADPKD in December 2013
Japan: Penetration of ADPKD market
Asia: NDA filed for hepatic edema/cardiac edema
Evolution of anti-metabolite franchise

Broad therapeutic coverage from hematological & solid cancers to cancer supportive care

Lonsurf – a growth driver in the 2nd mid-term plan

Conditioning regimen prior to BMT

Busulfex

Dacogen

ASTX-727

Sprycel

Aloxi

Nausea, vomiting

TS-1

Gastric, others

Lonsurf

Colorectal cancer

UFT

Colorectal, others

TAS-118

Prostate, others

OCV-501

AML

AT13387

Prostate, NSCLC

Abraxane

Breast, others

E-fen

Cancerous breakthrough pain

Samsca

Carcinomatous edema

rebamipide

Oral Mucositis

SATIVEX

Cancerous pain

TAS-114

Solid cancer

Hematologic cancer

Solid tumor

Supportive care

Expansion of molecular target agents

Note) AML: acute myelogenous leukemia, MDS: myelodysplastic syndromes, Oral mucositis: stomatitis associated with cancer chemoradiotherapy

CML: chronic myelogenous leukemia, NSCLC: non-small cell lung cancer

*BMT: bone marrow transplant
Lonsurf

Japan: Penetration of Japanese market

US/EU: NDA/MA to be filed for colorectal cancer

Establishment of sales infrastructure in US and Europe

2014 (plan)

1Q 2015 (plan)

Colorectal cancer

2014

2015

2016

2017

2018
New drugs in Japan

- Foster new drugs in the 2nd mid-term plan period
- Contribute as growth drivers together with 1st mid-term new drugs

2013-2018 total sales of new drugs in Japan
- CAGR approx. 30%

- 2nd mid-term new drugs
  - Aloxi
  - Abraxane
  - Ekepra
  - Samsca
  - Mucosta eye drop
  - Neupro patch
  - Elneopa
  - Lonsurf
  - Abilify Maintena
  - TAK-438
  - brexpiprazole
  - others

- 1st mid-term new drugs

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*New drugs in Japan: drugs launched or to be launched between 2009 and 2018, including 3 global products and 3 next-generation products. Definitions are different from those on page 13.
Global expansion of clinical nutrition business

Japan: Expand the stable profitability

Overseas: Target to be a leading company in Asia

Area Principal measures

India
- Business expansion through Claris Otsuka

China
- Aiming at higher I.V. market share

Indonesia
- Expansion of clinical nutrition business including high value-added products

Japan
- New product introductions to surgical operation area
- Product development to reflect clinical needs
n
For diversified therapeutic solutions

Offer therapeutic solutions with medical devices to address unmet medical needs that remain unsolved by drugs.
Strengthening in house drug discovery capability

Combination of the Group’s fragmented assets

Complementary use of each strength

Group’s fragmented
Active R&D investment

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D Expenses in Pharmaceutical Business</th>
<th>% of R&amp;D expenses/Pharmaceutical net sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,534</td>
<td>17%</td>
</tr>
<tr>
<td>2011</td>
<td>1,493</td>
<td>19%</td>
</tr>
<tr>
<td>2012</td>
<td>1,835</td>
<td>22%</td>
</tr>
<tr>
<td>2013</td>
<td>2,408</td>
<td>23%</td>
</tr>
<tr>
<td>2014</td>
<td>1,600</td>
<td>20%</td>
</tr>
<tr>
<td>2015</td>
<td>1,600</td>
<td>22%</td>
</tr>
</tbody>
</table>

Maintain R&D expenses for sustainable growth
Outline of nutraceutical business strategy

- Review of business assets that support value-chain
- Acceleration of global expansion
- Improved profitability
- Structural reform and evolution to achieve growth
Review of business assets that support value-chain

Product strategy
- 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 philosophy of "total healthcare"

Distribution
- Establish distribution bases according to market needs
Promote growth through brand-building in established markets

Expansion to new markets capitalizing on regional network

Areas where Otsuka group companies have operations

<table>
<thead>
<tr>
<th>Year</th>
<th>Core brand*</th>
<th>International Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>FSOYJOY, Pocari Sweat, Nature Made, N&amp;S products</td>
<td></td>
</tr>
</tbody>
</table>

CAGR 7%
Sales plan by area

<table>
<thead>
<tr>
<th>Area</th>
<th>Driver</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>Pocari Sweat</td>
<td>• Focused investments in Indonesia and China</td>
</tr>
<tr>
<td>EU</td>
<td>N&amp;S products</td>
<td>• Focusing on growing areas such as gluten-free and soy products</td>
</tr>
<tr>
<td>US</td>
<td>Nature Made</td>
<td>• Fostering new category</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td>• Reviewing business asset through fostering new products</td>
</tr>
</tbody>
</table>

2013-2018 CAGR

<table>
<thead>
<tr>
<th>n</th>
<th>2013-2018 CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>n</td>
<td>11%</td>
</tr>
<tr>
<td>n</td>
<td>6%</td>
</tr>
<tr>
<td>n</td>
<td>5%</td>
</tr>
<tr>
<td>n</td>
<td>1%</td>
</tr>
</tbody>
</table>
Improve profitability and structural reform

Target operating income ratio of 10% or more

- Operating income
- Operating income ratio

Review of business assets that support value-chain

Structural reform

Foster new products

Accelerate global expansion
Flexibility based on strong balance sheet

Approx. 1,700

Approx. 1,150

Approx. 500

Approx. 1,050

Working capital

Shareholder return

Strategic investments

Net cash at the end of FY2013 1)

Net income + R&D expense + depreciation/amortization 2)

R&D expense and CapEx

1) Cash and deposits + marketable securities - short & long term debt
2) Total of net income, depreciation and R&D expense from FY2014 to FY2018

The 2nd medium-term management plan period

Cash Flow & Net Cash accumulated for 5 years: ¥1 tril
### Investment Policy

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

**Focusing area**
- **Pharma**
  - Product-based acquisitions and alliances mainly in CNS and oncology
  - Strengthen oncology sales infrastructure in the US
  - Investment in medical device business
- **NC**
  - Brand-based acquisitions and alliances
  - Acquisitions of overseas distribution network
  - Aggressive global expansion of our own brands

**Products**
- Technologies
- Human resources
Shareholder return policy

- Raise dividend to ¥100 per share in 2015
- Shareholder return balancing with strategic investment
- Flexible share buyback

Graph showing total dividend payments from 2009 to 2018.
Plan by business segment

Net sales

<table>
<thead>
<tr>
<th></th>
<th>2013A</th>
<th>2016E</th>
<th>2018E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceutical</td>
<td>2,871</td>
<td>3,200</td>
<td>3,500</td>
</tr>
<tr>
<td>Nutraceutical</td>
<td>254</td>
<td>310</td>
<td>390</td>
</tr>
<tr>
<td>Consumer/others</td>
<td>1,743</td>
<td>2,000</td>
<td>2,250</td>
</tr>
</tbody>
</table>

Operating income

<table>
<thead>
<tr>
<th></th>
<th>2013A</th>
<th>2016E</th>
<th>2018E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceutical</td>
<td>50</td>
<td>85</td>
<td>110</td>
</tr>
<tr>
<td>Nutraceutical</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Consumer/others</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

*Net sales before elimination of inter-segment transaction. Operation income before elimination of unallocated corporate expense.
Consumer product business

Early return to profitability

Match Natural water

Tea

Crystal Geyser sparkling water

Mannan Hikari

Increase new customers Develop new markets

Stable profit by balanced investment and spending

Enhance production efficiency

Pouch-packed food business
Other businesses (Chemical)

Accelerate new market development in Japan as well as overseas.

Area measures

• EU
• Asia
• Business expansion from raw material to upstream business

• US
• Raw material business

• Japan
• New highly functional polymer business

Sales plan of chemical business (¥ 100 million)
### Major products to be filed in the 2nd mid-term plan

#### CNS Products

<table>
<thead>
<tr>
<th>Indication Area</th>
<th>Brand Name</th>
<th>Country</th>
<th>Development Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abilify</td>
<td>Indication Area</td>
<td>Japan</td>
<td>ABILIFY</td>
</tr>
<tr>
<td>Bipolar I disorder</td>
<td>brexpiprazole</td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Schizophrenia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjunctive therapy for major depressive disorder</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agitation associated with dementia of the Alzheimer’s type</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>PTSD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autism</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Agitation associated with dementia of the Alzheimer’s type</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>ASC-01</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Major depressive disorder</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lu AE58054</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Alzheimer’s disease</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Epilepsy (generalized onset seizures)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E Keppra</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SGI -110</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AML  / MDS</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Lonsurf</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colorectal cancer</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>SATIVEX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cancer pain</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>rebamipide</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stomatitis associated with cancer chemoradiotherapy</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
</tbody>
</table>

#### Oncology Products

<table>
<thead>
<tr>
<th>Indication Area</th>
<th>Brand Name</th>
<th>Country</th>
<th>Development Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cervical cancer</td>
<td>TS -1</td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Pancreatic cancer</td>
<td>TAS-118</td>
<td>Japan</td>
<td>trabectedin</td>
</tr>
<tr>
<td>Sarcoma</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malignant soft tissue sarcoma</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>AML  / MDS</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Lonsurf</td>
<td></td>
<td>Japan</td>
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</tr>
<tr>
<td>Colorectal cancer</td>
<td></td>
<td>Japan</td>
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</tr>
<tr>
<td>SATIVEX</td>
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<td>Japan</td>
<td></td>
</tr>
<tr>
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<td>Japan</td>
<td></td>
</tr>
<tr>
<td>rebamipide</td>
<td></td>
<td>Japan</td>
<td></td>
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<tr>
<td>Stomatitis associated with cancer chemoradiotherapy</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>ADPKD</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Multidrug-resistant tuberculosis</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>bilastine</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Allergic rhinitis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chronic urticaria, pruritus associated with skin disease</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>OPF-105</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Peripheral parenteral nutrition</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>OPC-1085EL</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Glaucoma</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>OPA-15406</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Atopic dermatitis</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Chronic urticaria, pruritus associated with skin disease</td>
<td></td>
<td>Japan</td>
<td></td>
</tr>
</tbody>
</table>

#### Other area

- tolvaptan
- ADPKD
- Deltyba
- Multidrug-resistant tuberculosis
- bilastine
- Allergic rhinitis
- Chronic urticaria, pruritus associated with skin disease
- OPF-105
- Peripheral parenteral nutrition
- OPC-1085EL
- Glaucoma
- OPA-15406
- Atopic dermatitis
- Chronic urticaria, pruritus associated with skin disease