Otsuka Holdings Co Ltd

The 3rd Medium-Term Management Plan
FY 2019 - 2023

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

- Value Creation Model and Goals
- Position and Performance Targets
- Growth Strategies
  - Pharmaceutical Business
  - Nutraceutical* Business
  - Financial Policy

* (NC) Nutraceutical = nutrition + pharmaceuticals
Otsuka-people creating new products for better health worldwide

Creativity
SOZOSEI

Actualization
JISSHO

Commitment
RYUKAN-GODO
Unique Value Creation Model

Value Creation Process that Creates Originality
Value Creation Process that Creates Originality

Unique and Diversified Businesses

Real Needs Insights

Technology

Science

Niche

Derivation

Synergy

New Value Creation

Value Creation

New Concept

Chemical

Pharma

Medical Device

Diagnostics

Cosmedics

Clinical Nutrition

Consumer

OTC

NC

Diagnostics

Dermatics

Chemical

Pharma

Medical Device

Diagnostics

Cosmedics

Clinical Nutrition

Consumer

OTC

NC
Value Creation Process in Psychiatry & Neurology

Address Unmet Medical Needs

- Rexulti
- Abilify

New Value
- Psychiatry

D₂ partial agonist
- Multiple Hypothesis

Real needs

Science

Technology

Digital Therapeutics
Digital Medicine
Digital Health Solution

Medical Care Optimization

Solution for Adherence Issues

Abilify Maintena

Franchise

Solution
Our Vision

To become an indispensable contributor to people’s health worldwide

Total Healthcare

Unmet medical needs
Pharmaceutical Business

Yet-to-be-imagined needs
Nutraceutical Business
Position and Performance Targets
Position of the 3rd MTM Plan

Advance in the Global Market as a Unique Total Healthcare Company ~ Five-Year Growth Phase ~

- Existing Business Value Maximization and New Value Creation
- Business management with a corporate-wide awareness of capital costs
Outline of the 3rd MTM Plan

- **Performance Target: Business Profit CAGR of 10% or more**
  - By organic growth of mainstay products and brands on Pharmaceutical and NC business
  - Implement aggressive R&D investments and continue development of new drugs that drive revenue growth on and beyond next MTM

- **Business Strategy: Existing business value maximization and new value creation**
  1. **Strategic initiatives for mainstay products and brands accelerate growth**
     - Strengthen strategic initiatives on growth drivers:
       - 4 Global Products of the Pharmaceutical business
       - 3 Major Products & 3 Nurture Products of the NC business
  2. **Nurture next generation businesses and products**
     - Launch and nurture new drivers for sustainable growth on Pharmaceutical and NC business

- **Financial Policy: Business management with a corporate-wide awareness of capital costs**
  - Balancing investments for future growth and shareholders return
  - Securing funds for investments for growth and shareholders return
### Key Performance Targets

- **Business profits:** CAGR 10% or more
- **Revenue and Business profits before R&D expenses:** Surpass historic highs
- **R&D expenses:** Continue aggressive investments for sustainable growth

<table>
<thead>
<tr>
<th>(¥billion)</th>
<th>2018A</th>
<th>2021E</th>
<th>2023E</th>
<th>CAGR 2018A-2023E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>1,292.0</td>
<td>1,500.0</td>
<td>1,700.0</td>
<td>5.6%</td>
</tr>
<tr>
<td><strong>Business profit before R&amp;D expenses</strong></td>
<td>313.8</td>
<td>390.0</td>
<td>460.0</td>
<td>7.9%</td>
</tr>
<tr>
<td><strong>Ratio/Revenue</strong></td>
<td>24.3%</td>
<td>26.0%</td>
<td>27.1%</td>
<td></td>
</tr>
<tr>
<td><strong>R&amp;D expenses</strong></td>
<td>192.9</td>
<td>230.0</td>
<td>260.0</td>
<td>6.1%</td>
</tr>
<tr>
<td><strong>Business profit</strong></td>
<td>120.9</td>
<td>160.0</td>
<td>200.0</td>
<td>10.6%</td>
</tr>
<tr>
<td><strong>Ratio/Revenue</strong></td>
<td>9.4%</td>
<td>10.7%</td>
<td>11.8%</td>
<td></td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>4.7%</td>
<td>≧ 6.0%</td>
<td>≧ 8.0%</td>
<td></td>
</tr>
</tbody>
</table>

**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
Revenue Plan by Organic Growth

- Revenue forecast ¥1,700bn in 2023, ¥408.0bn increase from 2018, by organic growth of pharmaceutical business and NC business

<table>
<thead>
<tr>
<th>Year</th>
<th>Pharmaceutical Business</th>
<th>NC Business</th>
<th>Consumer and Other Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018A</td>
<td>¥817.1bn</td>
<td>¥338.6bn</td>
<td></td>
</tr>
<tr>
<td>2019E</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020E</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021E</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022E</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023E</td>
<td>¥1,080.0bn</td>
<td>¥450.0bn</td>
<td></td>
</tr>
</tbody>
</table>

* Revenue from external customers
- Home-grown products and brands to drive growth of Pharma and NC businesses
- Growth drivers account for 90% of ¥408.0bn revenue increase

**Growth Drivers’ Revenue Forecast**

- **Pharma | New Products**
  - Products to be launched in or beyond 2019
- **Pharma | 4 Global Products**
  - Abilify Maintena
  - Rexulti
  - Samsca/Jinarc/Jynarque
  - Lonsurf
- **NC | 3 Nurture Brands**
  - Daiya foods
  - EQUELLE
  - BODY MAINTE
- **NC | 3 Major Brands**
  - Pocari Sweat
  - Nature Made
  - N&S

**Revenue Growth by Year**

- **2018A→2023E**
  - **Approx. ¥510bn**
  - **+¥290bn**
  - **+¥80bn**

**Forecast Timeline**

- 2018A
- 2019E
- 2020E
- 2021E
- 2022E
- 2023E
- 2024E
- 2025E
- 2026E
- 2027E
- 2028E

**Revenue Target**

- **¥880bn**
Aggressive R&D Investments Support New Value Creation

- Aggressive R&D investments support Otsuka’s original business model in the two core businesses of pharma and NC
- Pharma business: maintain high level of R&D investments

**R&D expenses | Consolidated**

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D expenses (¥100 Mil)</th>
<th>Ratio/Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018A</td>
<td>1,929</td>
<td>14.9%</td>
</tr>
<tr>
<td>2021E</td>
<td>2,300</td>
<td>15.3%</td>
</tr>
<tr>
<td>2023E</td>
<td>2,600</td>
<td>15.3%</td>
</tr>
</tbody>
</table>

**R&D expenses | Pharma**

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D expenses (¥100 Mil)</th>
<th>Ratio/Pharma business Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018A</td>
<td>1,825</td>
<td>22.3%</td>
</tr>
<tr>
<td>2021E</td>
<td>2,150</td>
<td>22.6%</td>
</tr>
<tr>
<td>2023E</td>
<td>2,450</td>
<td>22.7%</td>
</tr>
</tbody>
</table>
Pharmaceutical Business
Maximize Values of Existing Businesses
Challenge New Frontiers that “Only Otsuka Can Do”
Generate Innovation From Creative and Diverse Research Platforms
Growth Drivers’ Revenue Forecast

- Aim to maximize value of 4 Global Products
- Challenge to launch New Products that drive sustainable growth during and beyond the 4th MTM plan period

2018A→2023E

+¥290.0 bn

**(¥bn)**

- **4 Global Products**
  - +¥200.0 bn

- **New Products**
  - +¥90.0 bn

- **Pharma | New Products**
  - Products to be launched in or beyond 2019

- **Pharma | 4 Global Products**
  - Abilify Maintena
  - Rexulti
  - Samsca/Jinarc/Jynarque
  - Lonsurf

Approx. ¥280.0 bn

3rd MTM Plan

4th MTM Plan
Address unmet medical needs and medical care optimization

Address Unmet Medical Needs

- Psychiatry
  - centanafadine
  - Selincro
  - AVP-786
  - Rexulti

- Neurology
  - fremanezumab
  - NUEDEXTA

Medical Care Optimization

- Digital Health Solution
- Digital Therapeutics

To improve adherence

Digital Medicine

- Abilify MyCite

Long-acting Injectable

- Rexulti LAI
- Abilify Maintena
- Abilify 2 month LAI

*LAI | long acting injectable
AD patients population increases with advancement of aging society

- BPSD including agitation is one of the big social issues for patients, caregivers and healthcare providers
- Challenge to solve this issue with Rexulti and AVP-786, which have different MOAs

**AD agitation patients in the US in 2027 (estimate)**

- 3.31 million | AD diagnosed patients
- 2.50 million | AD agitation diagnosed patients

1% ≈ $150~200 Million

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1) ©[2018 Alzheimer's Disease Epidemiology - Mature Markets Data] DR/Decision Resources, LLC. All rights reserved. Reproduction, distribution, transmission or publication is prohibited. Reprinted with permission.  
2) Annual estimate for illustrative purposes
Psychiatry & Neurology | Aim at the World Top Class Revenue

- Top player in Psychiatry & Neurology area, with high potential pipeline and product portfolio

Become the top class in Psychiatry & Neurology area

Top class revenue
In FY2013
Approx. ¥600.0 bn

High potential pipelines and products
- OPC-XXX
- Rexulti LAI
- centanafadine
- Abilify 2 month LAI
- fremanezumab
- Rexulti
- AVP-786
- Abilify Mycite

Otsuka’s revenue image in psychiatry and neurology area

Solution Business
- LAI
- Psychiatry
- Neurology

2nd MTM Plan
FY2014

3rd MTM Plan
FY2019

4th MTM Plan
FY2024
Strategy on Oncology | Small Molecule based R&D Platform

- Maximize values by combination with drugs of different MOA
- Challenge to refractory cancers and difficult drug discovery with small molecule based drug discovery
- Explore new modality and realize continuous creation of innovative new drugs

**Antimetabolite**

**Biochemical modulation**

- UFT
- TS-1
- TAS-118
- TAS-114
- Lonsurf
- Discovery

**Molecular targeted medicine**

- TAS-116
- TAS-120
- ASTX 660
- TAS 0728
- TAS 3681
- TAS 4464
- ASTX 029

**New modality, New technology**

- caner paturev
- TBI 1301
- TAS 0313
- TBI 1501

**Differentiation from other drugs or IOs**

- Challenge to existing drug-resistant cancer

**Challenge to new treatment**
Strategy on Oncology | Structure for Value Maximization

- Aim to maximize the oncology business value by leveraging strengths of group companies’ assets
TAS-116 | Challenge to “First-in-Class”

- TAS-116, an oral HSP90* inhibitor created by our tenacious R&D efforts
- HSP90 attracted attention as a target, but no drugs available in the market

TAS-116

Client protein
(EGFR, MET, HER2, ALK etc)

HSP90

Induce decomposition

Apoptosis

Global P1 | Solid tumor

P3 | GIST

Value Maximization

2019 2020 2021 2022

LCM to other cancer types
Combo with other drugs

*Heat Shock Protein 90
Strategy on Cardiovascular & Renal System

- Create first-in-class products by new drug discovery technology and devices

Cardiovascular Area

- Samscad (tolvaptan)
- ReCap Medical (Ultrasound Denervation Therapy)
- Veryan

Renal Area

- Vadadustat
- JYNARQUE™
- JINARC™
- Visterra

- Anti-C5aR
- VIS649
- IgA nephropathy P1

- Anti-C3 convertase
- C3 glomerulonephritis discovery

- Anti-IL-2R
- Lupus nephritis discovery

- Renal denervation
Further Contribution to ADPKD Treatment and Product Value Maximization

- Implementing multiple initiatives to maximize product value by improving diagnosis and treatment of ADPKD

Sales forecast* of JINARC/JYNARQUE*

Enhancement of disease awareness and proper use of JINARC/JYNARQUE

- Promote better understanding of clinical conditions and diagnosis of rapidly progressive ADPKD
- Promote efficacy and safety of JINARC/JYNARQUE
- Support REMS and product access

* North America, Europe, and Asia, except Japan
Strategy on Clinical Nutrition | Global Operation of High Value-added Products

- **Overseas** | Launch high value-added products and implement TNM*
- **Japan** | Maintain stable profitability

**Other**
- Launch high value-added products

**China**
- Expansion of Antibiotic Kit business

**India**
- Introduction and sales expansion of enteral nutrition products

**Japan**
- Upgrade product by preempting market needs and develop new technology
- Secure cost-competitiveness with streamlined production system

Revenue estimates | Clinical Nutrition business

- **Overseas**
  - CAGR 18.5%
- **Japan**
  - CAGR -0.5%

*Total Nutrition Management
Existing Product Value Maximization Enables New Investments

- Profits gained through value maximization of global products in the 2nd MTM plan enables active investments for sustainable growth

Revenue and SG&A forecasts of existing products\(^1\)

- **Revenue of existing products**
- **SG&A ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue of existing products (¥bn)</th>
<th>SG&amp;A ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018A</td>
<td>Approx. 36%</td>
<td></td>
</tr>
<tr>
<td>2021E</td>
<td>Approx. 29%</td>
<td>30%</td>
</tr>
<tr>
<td>2023E</td>
<td></td>
<td>20%</td>
</tr>
</tbody>
</table>

1) Except cost on new products, co-promotion fee, and one-time factors

Aggressive investments for sustainable growth
Create innovation by combining existing drug discovery platform and world’s cutting-edge technology: activities to show Commitment, Actualization, and Creativity

**Astex technology**
- Kisqali® (Novartis)
- BALVERSA™ (J&J)

**Visterra pipeline**
- VIS410 (P2)
- VIS649 (P1)

Transformable Innovation Platform

- Fragment-based drug discovery
- Protein crystallography
- Antibody design platform
- Phenotype drug discovery
- R&D platform of CNS and CV & Renal system
- Original R&D platform of Oncology
Nutraceutical Business
Growth Strategy | Nutraceutical Business

Existing Business Value Maximization and New Value Creation

- Create New Concepts Keeping an Eye on Changes in the Environments
- Challenge to New Categories and New Areas
- Continuous High Profit Structure
Growth Drivers’ Revenue Forecast

- **3 Major Brands | Challenge to new category and new area to be “100 billion-yen-brands”**

- **3 Nurture Brands | Construct business platforms to be main brands in the future**

### 2018A → 2023E

**+¥80.0bn**

- **Approx. ¥310.0bn**
- **3 Major Brands**
  - Pocari Sweat
  - Nature Made
  - N&S
  - **Approx. ¥210.0bn**
  - **+¥40.0bn**

- **3 Nurture Brands**
  - Daiya
  - EQUELLE
  - BODY MAINTE
  - **Approx. ¥230.0bn**
  - **+¥40.0bn**

Approx. ¥250.0bn
Target: Attractive High Growth Markets

- Global health related market: USD850Bil, CAGR(2014-2018) 4.2%
- Same growth rate as global pharmaceutical market
- Rising health consciousness accelerates the market growth

2018 Global health and wellness market USD850Bil

- Vitamins and dietary Supplements: 106
- HW* beverage: 298
- HW packaged Foods: 446

CAGR by category 2014-2018

- HW Beverage: 4.2%
- HW Packaged Foods: 3.9%
- Free From Products: 6.9%
- Vitamins and Dietary supplements: 5.6%
- Total: 4.2%
- Pharma: 3.4%

Sources | Pharma: Calculated based on IQVIA World Review 2014-2018 by Otsuka Holdings
Copyright © 2019 IQVIA. Reprinted with permission. Others: Euromonitor international
*Health and wellness
New Concept on the 4\textsuperscript{th} Industrial Revolution

- Needs for health maintenance are diversifying with advance of science and technology
- Create new concepts combining diversified needs with Otsuka’s unique business model

Health maintenance in the 4\textsuperscript{th} industrial revolution

- Signs of unwellness
  - Big data
  - IoT
  - 5G
  - AI
  - Robotics
- Self-medication

New Value Creation

- Diversified needs
  - Technology
  - Science
  - Pharma business
  - NC business

New Concept
Accelerate Global Expansion

- Accelerate global expansion and build a foundation for 3 Major Brands to be “100 billion-yen-brands” and for 3 Nurture Brands to be future main brands.

Asia

North America

Europe
Challenge to “100 billion-yen-Brand” | Pocari Sweat

- Focus on promoting importance of hydration in growing markets mainly in Asia where people’s health consciousness is rising
- Develop growth base by business expansion to new categories for sustainable growth

**Sports drink market | Asia-Pacific***

**Sales of Pocari Sweat | Overseas**

| Sources | Euromonitor international | *Except Japan |

**CAGR (2014-2018)**
- 5.2%

**CAGR (2018-2023)**
- 9.4%
Challenge to “100 billion-yen-Brand” and New Categories | Nutritional Supplement

- Nature Made | Challenge to new categories to be “100 billion-yen-brand”
- EQUELLE | Challenge to create new category and new market in North America
- New operation in highly growing Asia-Pacific areas

Nutritional supplement market
CAGR 2014-2018

Source | Euromonitor international

2018 Vitamins and Dietary Supplement Market
USD106Bil

<table>
<thead>
<tr>
<th>Region</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>6.6%</td>
</tr>
<tr>
<td>North America</td>
<td>3.7%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>4.3%</td>
</tr>
<tr>
<td>Others</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

Challenge to new categories
North America

- Personalized nutrition
- Create new category and new market
Category Leader of Plant-based Foods in North America: Daiya Foods

- Address health issues of health conscious consumers with aggressive marketing in highly growing plant-based alternatives market

### US plant-based alternatives market

- **Dairy**: 21%
- **Meat**: 20%
- **Others**: 11%

2018*

USD3.3Bil

YoY +20%

Milk

48%

### Revenue forecasts | Daiya Foods

CAGR (2018-2023)

25%


*Sources | PBFA-commissioned data from Nielsen (52 weeks dollar sales ending June 2018)

**Ice cream, Yogurt, Cheese, Creamer, Butter, Dressing
Revenue Forecasts by Category

- Each categories’ revenue grows at same pace as or faster pace than market, mainly with 3 Major Products and 3 Nurture Products

**Nutritional Supplement**
- Nature Made
- EQUELLE
- Kenja-brand etc.

**Functional Foods**
- Calorie Mate
- N&S
- Daiya
- SOYJOY

**Functional Beverages**
- Pocari Sweat
- Oronamin C
- BODY MAINTE
- OS-1
- Tiovita etc.

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**Revenue estimates | NC**

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>¥339bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CAGR 2018-2023**
- Nutritional Supplement: 5.8%
- Functional Foods: 5.1%
- Functional Beverages: 8.3%
- Others: 4.1%
Continuation of Stable Revenue Bases

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

The 3rd MTM Plan

- New Products
- Global Operation
- New Business

Business Profit over 10%

Strengthen business foundation

The 2nd MTM Plan

Review of business assets supporting value chains

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>2021E</td>
<td>500</td>
<td>12.7%</td>
</tr>
<tr>
<td>2023E</td>
<td>650</td>
<td>14.4%</td>
</tr>
</tbody>
</table>

Continued high profit structure and sales expansion lead to stable revenue base.
Financial Policy
Business Management with a Corporate-wide Awareness of Capital Costs

- Balancing Investments for Future Growth and Shareholders Return
- Clarifying Main Investment Areas
- Enhancing Management Efficiency
Corporate-wide Awareness of Capital Costs

- Implementing “Business management with a corporate-wide awareness of capital costs” throughout the group

- Increased awareness of capital costs reflecting business risks
- Performance evaluation based on capital costs

Business and investment strategies

- ROIC management
  - Value maximization of existing businesses
- Investment for new value creation

Optimal funding

- Financial policy
- Optimal capital structure

Corporate Value Maximization
Balancing investments for future growth and shareholders return

- Disciplined investments based on capital costs
- Ensure solid financial foundation and aim ROE $\geq 8\%$
- Keeping with our basic policy of stable dividends, further shareholders return depending on the profit growth

**Capital source**

- 5 years total operating cash flow
- Approx. ¥700～800bn
- Debt financing

**Capital use**

- Capital Expenditures
  - Approx. ¥250bn
- Shareholders return and further investment for growth
  - Approx. ¥600～700bn
Clarifying Main Investment Areas

- Investments that generate greater values by combining with our existing business assets
- Investments that fit our short-, mid- and long-term strategies

**Main investment areas**

**Pharma**
- Products and pipelines on Psychiatry & Neurology area
- Products and pipelines for Japanese market
- New technology

**NC**
- New business
- Pioneering high-growth markets

**Base assets**
- **Human resources**
- **Products/Technology**
Initiatives to Enhance Management Efficiency

- Group-wide management infrastructure to support accelerated global business operations

Initiatives to enhance management efficiency

- Task-standardization and optimization
- Strengthen internal control functions
- Correspond to regulatory environment

Sharing service

IT infrastructure

Intra-group financing

Procurement function optimization
Outline of the 3rd MTM Plan

- **Performance Target: Business Profit CAGR of 10% or more**
  - By organic growth of mainstay products and brands on Pharmaceutical and NC business
  - Implement aggressive R&D investments and continue development of new drugs that drive revenue growth on and beyond next MTM

- **Business Strategy: Existing business value maximization and new value creation**
  1. **Strategic initiatives for mainstay products and brands accelerate growth**
     - Strengthen strategic initiatives on growth drivers:
       - 4 Global Products of the Pharmaceutical business
       - 3 Major Products & 3 Nurture Products of the NC business
  2. **Nurture next generation businesses and products**
     - Launch and nurture new drivers for sustainable growth on Pharmaceutical and NC business

- **Financial Policy: Business management with a corporate-wide awareness of capital costs**
  - Balancing investments for future growth and shareholders return
  - Securing funds for investments for growth and shareholders return
Appendix
Forecasts by Segments | Revenue and Business Profit

**Pharmaceutical**

- Revenue
- Business Profit

(¥bn)

- 2018A: 817.1
- 2021E: 950.0
- 2023E: 1,080.0

**NC**

- Revenue
- Business Profit

(¥bn)

- 2018A: 339.0
- 2021E: 395.0
- 2023E: 450.0

*Revenue including intersegment sales or transfers, Business profit before corporate expenses deduction*
Forecasts by Areas | Revenue*

**Consolidated**

<table>
<thead>
<tr>
<th>Year</th>
<th>JP</th>
<th>North America</th>
<th>EU</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018A</td>
<td>646</td>
<td>347</td>
<td>146</td>
<td>153</td>
</tr>
<tr>
<td>2021E</td>
<td>395</td>
<td>147</td>
<td>52</td>
<td>41</td>
</tr>
<tr>
<td>2023E</td>
<td>450</td>
<td>147</td>
<td>99</td>
<td>41</td>
</tr>
</tbody>
</table>

**Pharma**

<table>
<thead>
<tr>
<th>Year</th>
<th>JP</th>
<th>North America</th>
<th>EU</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018A</td>
<td>817</td>
<td>408</td>
<td>236</td>
<td>85</td>
</tr>
<tr>
<td>2021E</td>
<td>950</td>
<td>408</td>
<td>236</td>
<td>85</td>
</tr>
<tr>
<td>2023E</td>
<td>1,080</td>
<td>408</td>
<td>236</td>
<td>85</td>
</tr>
</tbody>
</table>

**CAGR 2018-2023**

- **Consolidated**: 5.6%
- **Pharma**: 5.7%
- **NC**: 5.9%

*Revenue from external customers*
Consumer Business

Quick Improvement in Earnings

Nurture of New Products | Brand Expanding of Major Products

Challenge to New Category
- Meat-free Hamburger

Production Efficiency
Other Businesses

Accelerated Development of New Markets in Worldwide

Otsuka Chemical

- Interior Thorium Blowing Agent
- Cable Material for Parking Brake
- Clutch Bearing
- Electric Parking Brake Gear
- Clutch Vibration Absorbing Parts
- Brake Assist Parts
- Interior Goods

Automobile Related Products

- Windshield
- Decomposition Agent for Aldehyde
- Tail Lamp
- Door Mirror Gear
- Weather Strip
- Chipping Paint
- Brake Pad Friction Material
- Electrostatic Primer
- Capacitor electrolyte for electrical equipment

Reinforcement of materials & technologies

Otsuka Warehouse

Accelerated common platform & expanding efficiency by linking distribution data
# Major Products to be Filed in the 3rd MTM Plan

<table>
<thead>
<tr>
<th>Products¹)</th>
<th>CNS</th>
<th>Indication</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Abilify Maintena</strong></td>
<td>(2 month LAI) Schizophrenia Bipolar I disorder</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>REXULTI</strong></td>
<td>MDD²)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Agitation associated with dementia of the Alzheimer’s type</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AVP-786</strong></td>
<td>PTSD³)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>centanafadine</td>
<td>ADHD⁴)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital Medicine (quetiapine etc.)</td>
<td>Schizophrenia etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>fremanezumab</td>
<td>Migraine</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Cardiovascular & Renal system

<table>
<thead>
<tr>
<th>Products¹)</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SAMSCA</strong></td>
<td>SIADH⁵)</td>
</tr>
<tr>
<td><strong>vadadustat</strong></td>
<td>Renal anemia</td>
</tr>
<tr>
<td><strong>OPC-61815</strong></td>
<td>Cardiac edema</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Products¹)</th>
<th>Oncology</th>
<th>Indication</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TAS-118</strong></td>
<td>Gastric cancer</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SGI-110</strong></td>
<td>MDS⁶)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ASTX727</strong></td>
<td>AML⁷) / MDS⁶)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TAS-116</strong></td>
<td>GIST⁸)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pro-NETU</strong></td>
<td>CINV⁹)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TAS-120</strong></td>
<td>ICC¹⁰)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TBI-1301</strong></td>
<td>Synovial sarcoma</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TAS3681</strong></td>
<td>Prostate cancer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Others

<table>
<thead>
<tr>
<th>Products¹)</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DELTYBA</strong></td>
<td>MDR-TB¹¹)</td>
</tr>
<tr>
<td><strong>OPA-15406</strong></td>
<td>Atopic dermatitis</td>
</tr>
</tbody>
</table>

---

¹) Brand name, generic name or development code, 2) Major depressive Disorder, 3) Post traumatic stress disorder, 4) Attention deficit hyperactivity disorder, 5) Syndrome of inappropriate antidiuretic hormone, 6) Myelodysplastic syndromes, 7) Acute myelogenous leukemia, 8) Gastrointestinal stromal tumor, 9) Chemotherapy-induced nausea and vomiting, 10) Intrahepatic cholangiocarcinoma, 11) Multidrug-resistant tuberculosis

< Products filed from Jan. to May 2019 >

- canerpaturev (JP: Melanoma)
- Abilify MyCite (EU: Schizophrenia)
Adoption of “Business Profit”

- “Business profit” is to be used as an index of real earning power from business (before impairment loss and other income and expenses)
- Impairment losses previously included in SG&A and R&D expenses are combined and reported under “Impairment loss” in the financial statements

<table>
<thead>
<tr>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Revenue</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>Cost of sales</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>SG&amp;A</td>
</tr>
<tr>
<td></td>
<td>Share of profit of associates</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>Business profit before R&amp;D expenses</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>R&amp;D expenses</td>
</tr>
<tr>
<td></td>
<td>Business profit</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>Impairment loss</td>
</tr>
<tr>
<td>Share of profit of associates</td>
<td></td>
</tr>
<tr>
<td>Other income/expenses</td>
<td>Other income/expenses</td>
</tr>
<tr>
<td>Operating profit</td>
<td>Operating profit</td>
</tr>
</tbody>
</table>
For Sustainable Society | Otsuka’s CSR mission

- Promote business-integrated-CSR based on corporate philosophy
- Aim to realize sustainable growth and sustainable society
- Contribute to SDGs as a company signing the Global Compact

Contribution to Sustainable Society

Otsuka’s business = Address to social issues = CSR

Otsuka-people creating new products for better health worldwide

【Society】
Health  People  Quality in all we do

【Environment】
Climate change  Resource circulation  Water conservation

【Governance】
Corporate governance  Compliance  Risk management

<CSR Mission>
CSR is integrated into our businesses across the Otsuka group of companies, which aims to grow while contributing to the creation of a healthy and sustainable society. We pursue these objectives supported by a comprehensive governance system.
## Otsuka Group’s Materiality and Related SDGs

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Social Issues</th>
<th>Our Goals</th>
<th>Our Activities</th>
<th>Related SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Society</strong></td>
<td><strong>Health</strong></td>
<td><strong>Contribution to unmet needs solution</strong></td>
<td><strong>Promotion of R&amp;D for unmet needs</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Unmet medical and health needs*</td>
<td>● Eradication of tuberculosis</td>
<td>● R&amp;D of antituberculosis drugs and improvement of drug access</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Nutritional needs</td>
<td>● Creation of a system for the realization of a healthy life</td>
<td>● Support for people’s health maintenance / improvement mainly on exercise and nutrition etc., enlightenment activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Increasing aging issues</td>
<td>● Healthy life extension</td>
<td>● Promotion of problem solving by strengthening partnerships</td>
<td></td>
</tr>
<tr>
<td><strong>People</strong></td>
<td>● Presentism</td>
<td><strong>Creation of a corporate culture that stimulates creativity</strong></td>
<td><strong>Human resource development</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Unpaired to diversification</td>
<td>● Enhance employee engagement</td>
<td><strong>Diversity promotion</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Quality in all we do</strong></td>
<td>● Consumption and production that impairs sustainability</td>
<td><strong>Gaining stakeholder trust</strong></td>
<td><strong>Health management</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Pursuing sustainability at all levels of the value chain</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Establishing a quality assurance system for safety and security</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td><strong>Climate change</strong></td>
<td>**FY 2030 Goal</td>
<td>30% reduction in CO₂ emissions compared to FY 2017**</td>
<td><strong>Reduce CO₂ emissions throughout the value chain</strong></td>
</tr>
<tr>
<td></td>
<td>● Global warming</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>**FY 2030 Goal</td>
<td>50% reduction in simple incineration and landfill compared to FY 2019**</td>
<td><strong>Reduce environmental impact by improving resource efficiency</strong></td>
</tr>
<tr>
<td><strong>Resource circulation</strong></td>
<td>● Environmental load increase</td>
<td></td>
<td><strong>Promotion of business activities aimed at a sustainable state in both society and the earth</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Water conservation</strong></td>
<td>● Reducing freshwater availability</td>
<td>**FY 2030 Goal</td>
<td>Improvement of water use efficiency by 15% compared to FY 2017**</td>
<td><strong>Understanding water resources risk</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Management and effective use of water resources</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>● Fragile governance system</td>
<td><strong>Long-term improvement of corporate value</strong></td>
<td><strong>Strengthen corporate governance</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Social change risk</td>
<td></td>
<td><strong>Thorough compliance</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Risk identification, evaluation and management</strong></td>
<td></td>
</tr>
</tbody>
</table>

*The situation where productivity does not go up from the badness of the mind and body condition despite coming to work*