Pharmaceutical Business

The group’s pharmaceutical business addresses unmet medical needs with comprehensive healthcare solutions, from diagnosis through to the treatment of disease.

Strategy in the 2nd Medium-Term Management Plan

Strengthen core therapeutic areas
- Maximize product value
- Aggressive R&D investments in core therapeutic areas (CNS and Oncology)

Overview of business in fiscal 2016

In the pharmaceutical business, the loss of exclusivity for the antipsychotic agent ABILIFY in the U.S. and Europe and price reductions for several core products under the April 2016 Japanese National Health Insurance repricing to take account of market expansion resulted in a 22.6% reduction in segment net sales over the previous year to 753.0 billion yen and a 37.3% drop in operating profit to 92.0 billion yen in fiscal 2016. However, the segment showed growth in new products marketed globally, including ABILIFY MAINTENA, a long-acting injectable of ABILIFY, the new antipsychotic agent REXULTI, the V₂-receptor antagonist Samsca/JINARC, and the anti-cancer agent LONSURF, as well as new drugs released in Japan. Their performance offset the decline in sales of ABILIFY and will lead to medium- and long-term growth.

In R&D activities, the Company made good progress with clinical trials and application filings for manufacturing and marketing authorization including approvals of ONZETRA Xsail for acute migraine treatment (U.S.), the combination ophthalmic solution Mikeluna for glaucoma and ocular hypertension treatment (Japan), and the anti-allergy drug Bilanoa (Japan).

Steady growth of new products

<table>
<thead>
<tr>
<th>Product</th>
<th>FY2015 (¥ billion)</th>
<th>FY2016 (¥ billion)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABILIFY MAINTENA</td>
<td>40.4</td>
<td>57.2</td>
<td>+41.4%</td>
</tr>
<tr>
<td>REXULTI</td>
<td>4.6</td>
<td>29.8</td>
<td>+545.7%</td>
</tr>
<tr>
<td>Samsca/JINARC</td>
<td>41.6</td>
<td>48.9</td>
<td>+17.5%</td>
</tr>
<tr>
<td>LONSURF</td>
<td>9.4</td>
<td>30.1</td>
<td>+220.6%</td>
</tr>
<tr>
<td>New drugs in Japan</td>
<td>87.0</td>
<td>105.4</td>
<td>+21.1%</td>
</tr>
</tbody>
</table>

Otsuka group of companies’ achievements in fiscal 2016

NHI drug price revision rate: 8.4%

Sales ratio of products receiving new drug development premium: approx. 19%

Sales ratio of long-listed drugs: approx. 17%
**Key topics in 2016**

**2016**

**JAN.**

ONZETRA Xsail (U.S.) was approved for the acute treatment of migraine—U.S.

Otsuka signed licensing agreement with Medimetrix for OPA-15406, currently under development for atopic dermatitis treatment—U.S.

**FEB.**

Otsuka established a public-private partnership with the STOP TB Partnership to ensure a global supply of the antituberculosis drug DELTYBA—Global.

**E Keppra,** an antiepileptic drug, was approved for an additional indication as adjunctive therapy for generalized tonic-clonic seizures—Japan.

Co-promotion agreement with MSD for pembrolizumab, an immune checkpoint inhibitor (anti-PD-1 therapy)—Japan.

Clinical collaboration agreement with Genentech for combining SGI-110, guadecitabine (DNA methyltransferase inhibitor) with Genentech’s anti-PD-L1 monoclonal antibody, atezolizumab, in the treatment of AML—U.S.

**LONSURF** was approved for treatment of colorectal cancer—Europe.

**APR.**

Otsuka Digital Health established—Japan.

**JUN.**

**AUG.**

Joint development agreement with NEC for Pletaal Assist System, a drug adherence support system for anti-stroke medication—Japan.

Labeling update of antipsychotic drug REXULTI for maintenance treatment of schizophrenia—U.S.

**Mikeluna combination ophthalmic solution** was approved for treatment of glaucoma and ocular hypertension—U.S.

Additional indication of antipsychotic agent ABILIFY for irritability associated with pediatric autistic spectrum was approved—Japan.

ICLUSIG was approved for CML and Ph+ ALL—Japan.

Anti-allergy drug Bilanoa was approved—Japan.

Additional indication of bipolar I disorder was filed for antipsychotic agent ABILIFY MAINTENA—U.S.

Exclusive license agreement with Takara Bio for oncolytic virus HF10—Japan.

Collaboration agreement with Akebia Therapeutics to develop and commercialize vadadustat, currently in development for the treatment of anemia—U.S.

**DEC.**

Collaboration agreement with NEC for Pletaal Assist System, a drug adherence support system for anti-stroke medication—Japan.

Japan’s National Health Insurance drug price system

In Japan, the Ministry of Health, Labour and Welfare sets the prices of prescription drugs. These official prices (drug prices) are regularly revised based on the results of a survey of actual market prices (the price at which the drugs are actually sold in hospitals and pharmacies). When these revisions are made, the official price can be reduced based on the discrepancy between the official price and the market price, and additional reductions can be made on the price of long-listed drugs. In addition, repricing to reflect market expansion is carried out for drugs whose sales have exceeded forecasts.

* The name and price of drugs that can be used in the medical insurance system are listed in the NHI Drug Price Standards, a list of drugs prepared by the Ministry of Health, Labour and Welfare.
* The price of long-listed drugs for which generics have been available for five years or more is reduced based on the replacement rate by generics. The prices of drugs with lower replacement rates tend to be reduced at a higher rate.
* Further drug price reductions are applied in the event that annual sales exceed the forecasts by a certain degree.
* Pricing premium for the promotion of new drug development and the elimination/resolution of off-label use. With the goal of promoting the development of innovative new drugs and off-label drugs, new drugs for which no generics are available and whose market price does not vary significantly from the official price are granted a price premium, which essentially maintains the drug price.

**Fiscal 2017 initiatives**

The group is endeavoring to strengthen the business foundation for sustainable growth beyond fiscal 2018. In the pharmaceutical business segment, the group will particularly emphasize the following measures in fiscal 2017:

- Maximize value of global products
- Aggressive R&D investment to achieve sustainable growth
- Enrich product pipelines and acquire new technologies in core therapeutic areas
In the area of central nervous system (CNS) and neurology, the group continues its efforts to maximize the medical and commercial value of ABILIFY MAINTENA and REXULTI. The group is accelerating its strategy to expand operations in this field by integrating Otsuka Pharmaceutical’s business strength in CNS and Avanir Pharmaceutical’s expertise in the neurological area.

Main products

**Antipsychotic**

**ABILIFY**
- Generic name: aripiprazole
- Primary sales region: Japan, U.S., Europe, Asia
- Category: Dopamine system stabilizer
- FY 2016 sales (¥ billion): 95.4

**REXULTI**
- Generic name: brexpiprazole
- Primary sales region: U.S.
- Category: Serotonin and dopamine activity modulator
- FY 2016 sales (¥ billion): 29.8

**Antipsychotic (Long-acting injectable)**

**ABILIFY MAINTENA**
- Generic name: aripiprazole
- Primary sales region: Japan, U.S., Europe
- Category: Dopamine system stabilizer
- FY 2016 sales (¥ billion): 57.2

**Pseudobulbar Affect (PBA) agent**

**NUDEXTA**
- Generic name: dextromethorphan, quinidine
- Primary sales region: U.S.
- Category: NMDA receptor antagonist, Sigma-1 receptor agonist
- FY 2016 sales (¥ billion): 23.6

**Dopaminergic antiparkinsonian agent**

**Neupro Patch**
- Generic name: rotigotine
- Primary sales region: Japan
- Category: Dopamine agonist
- FY 2016 sales (¥ billion): 10.7

Otsuka’s business history in the central nervous system and neurology

- **1980’s**: Research in the CNS started
- **1999**: Agreement for the development and commercialization of ABILIFY with Bristol-Myers Squibb Company
- **2002**: ABILIFY launched in the U.S.
- **2002**: Acquisition of the exclusive rights from UCB for developing and marketing Neupro Patch in Japan
- **2008**: Agreement for the development and commercialization of E Keppra in Japan with UCB
- **2010**: E Keppra launched in Japan
- **2011**: Alliance agreement with Lundbeck in the CNS area

*co-promoted with UCB Japan.*
Unmet needs in CNS and neurology

The field of central nervous system and neurology encompasses a wide range of diseases, including schizophrenia, bipolar disorder, major depressive disorder, anxiety disorder that leads to behavioral and psychological problems, and adjustment disorders that undermine the patient’s social life and occupational and academic success, epilepsy, a chronic disorder of the cerebrum, and progressive neurodegenerative diseases such as Alzheimer’s disease and Parkinson’s disease. Complex networks of cranial nerves contribute to these diseases, and, despite advances in science, we have not yet identified the cause or radical treatment for many diseases.

A World Health Organization (WHO) study showed that in many countries one out of every three people experiences a neuropsychiatric disorder in their lifetime. This statistic rises to one out of every two people in developed countries. Moreover, a survey conducted in the U.S. in 2010 on the number of years when people are prevented from leading a healthy life due to disability (years lived with disability) found that mental and behavioral disorders and neurological disorders were the main factors, and occurred at a wide range of ages, from childhood and adolescence to old age.* These disorders not only significantly harm the quality of life for people, but also result in massive losses for society.

Otsuka’s challenges

The Otsuka group of companies began its research in the CNS area in the 1980s. A quarter century of research resulted in the development of the antipsychotic agent ABILIFY, which was the world’s first therapy to work by stabilizing the dopamine system. ABILIFY garnered high praise from medical fields. The group continued with a process of trial-and-error based on expertise achieved in the research and development and marketing of ABILIFY, ultimately creating REXULTI. With the addition of centanafadine, acquired from the U.S. firm Neurovance, Inc., in March 2017 and currently being developed as a treatment for attention deficit/hyperactivity disorder (ADHD), the group is pursuing a further deepening of its franchises in this field.

Moreover, in 2015 the group added NUEDEXTA, a treatment for pseudobulbar affect (PBA), and AVP-786 to its product portfolio with its purchase of the U.S.-based Avanir Pharmaceuticals. This heralds the group’s full-scale entry into the neurology area. The group is taking up the challenge of solving unmet medical needs that have not seen effective medical treatments, such as Alzheimer’s disease, a global problem that cannot be ignored, as well as PBA and disinhibition in neurodegenerative diseases.

Moreover, the group is providing solutions to optimize healthcare in the area of CNS and neurology to make comprehensive contributions to healthcare. As well as the launch of digital health solution businesses, these solutions include innovations to resolve the problem of medication adherence, for instance formulations such as long-acting injectable and medication measurement tools that integrate specialized knowledge and cutting-edge technology to create the world’s first ingestible in-medication sensor to measure medication-taking patterns.

In the area of oncology, the Otsuka group of companies operates in a wide range of sectors, from solid tumors and hematological cancers to cancer support care, with the aim of providing total cancer care. The in-house developed anti-cancer agent LONSURF has been recognized as one of the standard treatments for colorectal cancer and has expanded its sales regions. Moreover, Astex Pharmaceuticals, known for its fragment-based drug discovery technology, joined the group in 2013, and collaborates within the group in the development of innovative new drugs.

Main products

**Anti-cancer agent**

**TS-1**
- **Generic name**: tegafur, gimeracil, oteracil
- **Primary sales region**: Japan, Europe, Asia
- **Category**: anti-metabolic agent
- **FY 2016 sales (¥ billion)**: 26.9

**LONSURF**
- **Generic name**: trifluridine, tipiracil
- **Primary sales region**: Japan, U.S., Europe
- **Category**: anti-metabolic agent
- **FY 2016 sales (¥ billion)**: 30.1

**Abraxane**
- **Generic name**: paclitaxel protein-bound particles for injectable suspension (albumin-bound)
- **Primary sales region**: Japan
- **Category**: Taxane anti-cancer agent
- **FY 2016 sales (¥ billion)**: 20.7

**Aloxi**
- **Generic name**: palonosetron
- **Primary sales region**: Japan
- **Category**: 5-HT3 receptor antagonist
- **FY 2016 sales (¥ billion)**: 14.0

Unmet needs in oncology

According to WHO reports, there are 14 million new cancer cases every year around the world as of 2012, and as aging of the population continues, this is expected to increase to 22 million by 2022.

According to the National Cancer Institute, the five-year survival rate for cancer patients in the U.S. improved from less than 50% up until 1980 to 67% (data for 2007–2013), thanks to advances in diagnostic methods and medical treatment. However, this still means that approximately 30% of patients do not survive five years after diagnosis. At the same time, there are significant disparities in the survival rate and success rate for existing treatments depending on the type of cancer and age of the patient. Despite the astonishing advances in drugs, there are still many issues to resolve in the oncology field.

The Otsuka group of companies continues to take up the challenge of unmet medical needs and aims to make comprehensive contributions to cancer treatment.

Otsuka’s history in the oncology field

- **1969**: License with the former Soviet Union to introduce anti-cancer agent Futrafu in Japan
- **1974**: Futrafu launched in Japan
- **1999**: TS-1 launched in Japan
- **2004**: Acquisition of the exclusive rights from Helixon Healthcare for developing and marketing Aloxi in Japan
- **2005**: Acquisition of the exclusive rights from F. Hoffmann-La Roche for developing and marketing Abraxane in Japan
Cardiovascular, Renal System

The V2-receptor antagonist Samsca/JINARC has contributed to healthcare as the world’s only oral aquaretic agent which facilitates excretion of free water only without electrolyte loss. Samsca/JINARC is also growing steadily as the world’s first treatment for the rare kidney condition autosomal dominant polycystic kidney disease (ADPKD). The group has designated this as a priority area, after CNS and neurology and the oncology, and is actively carrying out research and development.

Other areas

Clinical nutrition

The Otsuka group of companies has been operating in the intravenous solution business for over 70 years and leading the industry in Japan. Since the 1970s, the group has established intravenous solution manufacturing bases in eight countries overseas,*2 primarily in Asia, in a business that capitalizes on its advanced technical skills. Going forward, the group will continue to develop high-value-added products that meet market needs around the world and contribute to global healthcare.

*2 India, Indonesia, Egypt, Thailand, Taiwan, China, Pakistan, Vietnam

Diagnostics

Companion diagnostics*3 is extremely important in identifying the individual differences in the effect of drugs and their side effects and in providing the right healthcare. The group provides companion diagnostic products in a wide range of fields such as digestive, respiratory and infectious diseases, cancer and the cardiovascular system.

*3 Companion diagnostics is a diagnostic test used to identify patients most likely to benefit from a particular therapy and to determine the optimal dose.

Medical devices

The group’s medical device business promotes medical devices globally with the aim of addressing unmet needs in the area of drug-resistant diseases and complex diseases by using a different approach from that of the therapeutic drug business.
The Otsuka group of companies provides innovative products based on scientific evidence that support and enhance people's daily health.

### Overview of business in fiscal 2016

In the nutraceutical business, launching new products and strengthening sales promotion of mainstay products such as POCARI SWEAT, Calorie Mate, and SOYJOY contributed to consolidated performance in Japan. Outside Japan, sales of POCARI SWEAT fell short of the previous year due to weather conditions and the effect of competing products in Indonesia. However, Nature Made vitamins and supplements by Pharmavite in the U.S. and gluten-free products and organic soy products from nutritional and health food brands such as Gerblé, which are manufactured and sold primarily in Europe by Nutrition & Santé, achieved growth in sales.

Overall, net sales in the nutraceutical business in fiscal 2016 underperformed the previous year, impacted by the appreciation of the yen. Higher sales growth outside Japan, however, made a substantial contribution to the performance of this business and helped to improve profit margins.

Research and development activities focused on developing new products, based on the concept of extending healthy life expectancy.

In December 2016, the Otsuka group began a joint project involving collaboration among industry, government, and academia. This new initiative with the Japan Sport Council (JSC) aims to promote sports medicine and sports science and to further strengthen international competitiveness.

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**Strategy in the 2nd Medium-Term Management Plan**

**Structural reform and evolution to achieve growth**

- Review of business assets that support value chain
- Acceleration of global expansion
- Improved profitability

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**DATA 1**

Sales of nutraceutical business

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>24.8%</td>
</tr>
<tr>
<td>2009</td>
<td>55.5%</td>
</tr>
<tr>
<td>2010</td>
<td>36.1%</td>
</tr>
<tr>
<td>2011</td>
<td>32.5%</td>
</tr>
<tr>
<td>2012</td>
<td>32.0%</td>
</tr>
<tr>
<td>2013</td>
<td>28.2%</td>
</tr>
<tr>
<td>2014*</td>
<td>29.5%</td>
</tr>
<tr>
<td>2015</td>
<td>31.6%</td>
</tr>
<tr>
<td>2016</td>
<td>31.1%</td>
</tr>
</tbody>
</table>

**DATA 2**

Sales ratio in nutraceutical business

- Functional beverages etc.*3: 36.1%
- Functional foods etc.*4: 24.0%
- Nutritional supplements: 28.2%
- Others: 11.7%

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* Sales to external customers

* Due to a change in the consolidated fiscal year, fiscal 2014 (ended December 31, 2014) was a transitional period covering the nine months from April 1 to December 31, 2014.

*3 POCARI SWEAT, ORONAMIN C, Tiovita, Fibe-Mini

*4 Nutrition & Santé products, Calorie Mate, SOYJOY

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* Sales of nutraceutical business include sales of POCARI SWEAT, Calorie Mate, and SOYJOY.

* Functional beverages etc. include POCARI SWEAT, ORONAMIN C, and Tiovita.

* Functional foods etc. include Fibe-Mini, Nutritional supplements include Nutritional supplements, and Others include Nutritional and health food brands such as Gerblé.
Key topics in 2016

2016

**JAN.**
Joint venture functional food and beverage company established in the Philippines.

**FEB.**
Announcement of support for JapanAnti-Doping Agency’s official Sports Pharmacist certification system

**MAR.**
Renewal of flavor and packaging

**APR.**
SOYJOY Crispy, the newest addition to the SOYJOY line, launched in three flavors

**MAY.**
Three new flavors of Calorie Mate Jelly launched

**JUN.**
POCARI SWEAT ION WATER Powder (for 750ml) launched

**JUL.**
POCARI SWEAT

**AUG.**
POCARI SWEAT

**SEP.**
POCARI SWEAT

**OCT.**
ORONAMIN C DRINK, POCARI SWEAT

**NOV.**
EQUOL Relationship between PMS/PMDD* and production status of soy isoflavone metabolite equol presented at the Japan Society for Menopause and Women’s Health

**DEC.**
Start of a joint project with the Japan Sports Council (JSC) to promote sports medicine and science and strengthen international competitiveness

*PMS stands for Premenstrual Syndrome and PMDD for Premenstrual Dysphoric Disorder

Cooperative projects with prefectural and metropolitan governments

Otsuka Pharmaceutical collaborates with prefectural and metropolitan governments on activities aimed at utilizing Otsuka’s unique knowledge and knowhow to maintain and promote the health of people in communities everywhere and extend healthy life expectancy. These activities focus on areas such as heat disorder countermeasures, the prevention of lifestyle diseases, sports promotion, food education, disaster prevention, and women’s health. As of March 31, 2017, Otsuka Pharmaceutical had collaboration agreements with a total of 39 prefectural and metropolitan governments.

Fiscal 2017 initiatives

The nutraceutical business has been making good progress on profitability and structural reform by executing the strategy of the 2nd Medium-Term Management Plan. The group is striving to maintain the stable profitability and expansion of the nutraceutical business, working on the following measures:

- Maintain over 10% operating profit margin
- Increase operational efficiency through optimal resource allocation
The group focuses investments for Pocari Sweat sales expansion in Asian countries, mainly Indonesia and China. In Japan, it is pursuing review of business assets through fostering new products for further growth.

**POCARI SWEAT**

Year launched 1980

A functional drink that created a new market for ion drinks, which replenish the water and ions lost due to perspiration. Globally expanding, particularly in Asia, with the highest share of sports drinks in Indonesia. *1 In 2016, POCARI SWEAT Jelly was launched.

**ORONAMIN C**

Year launched 1965

A carbonated nutritional drink with vitamins.

**Tiovita Drink**

Year launched 1964

A long-selling product originally launched more than half a century ago. This nutrient drink contains taurine, vitamins and carnitine chloride.

**Amino-Value**

Year launched 2003

A drink developed based on knowledge acquired through research into branched-chain amino acids (BCAA) in the clinical nutrition and sports nutrition fields.

**Fibe-Mini**

Renewal 2017


A dietary fiber beverage approved as food for specified health uses helping to regulate gastrointestinal conditions. It was re-launched in 2017 to mark the 30th anniversary.

**Solmack Plus**

Year launched 1979

A gastrointestinal remedy for symptoms of nausea due to overeating or overdrinking.

**OS-1**

Year launched 2001

An oral rehydration drink with a balance of electrolytes and glucose, based on the concept of oral rehydration therapy advocated by the World Health Organization (WHO).

**BODYMAINTÉ**

Year launched 2017


A conditioning food to support athletic performance that contains BCAA + Arginine and whey protein, in addition to the lactic bacteria B240,*3 a strain licensed to Otsuka Pharmaceutical. This product is the result of research into the digestive tract and nutrition carried out at the Otsuka Pharmaceutical Otsu Nutraceuticals Research Institute and research into exercise and nutrition carried out by the Otsuka Pharmaceutical Saga Nutraceuticals Research Institute.

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*1 Source: GlobalData plc.
*2 Amino-Value 4000 and Amino-Value Powder 8000
*3 Lactic acid bacteria B240 is a strain isolated by Tokyo University of Agriculture, for which Otsuka Pharmaceutical has confirmed efficacy.

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**DATA 3** Sales share of POCARI SWEAT in Indonesia

![Graph showing sales share](image)

71%

Source: GlobalData plc.

**DATA 4** Soft drink market in Indonesia

![Graph showing soft drink market](image)

Source: GlobalData plc.
In the functional foods and nutritional supplements business, the group is accelerating its global expansion through focused investments in organic/gluten-free products in Europe and the supplements business in the U.S.

**Functional Foods and Nutritional Supplements**

**Calorie Mate**
- Year launched: 1983
- A product that created a new market for balanced nutritional foods containing all five major nutrients. In 2016, three types of jellies were launched, tailored to hobbies and settings.

**SOJOY**
- Year launched: 2006
- A new type of nutrition bar made using only soybean dough (gluten-free) and various other ingredients. In 2016, SOJOY Crispy was launched as a light, and crunchy bar.

**Gerblé**
- Year launched: 2010 (Japan)
- A health food from the south of France introduced in 1928 providing nutrients that tend to be lacking in the modern diet from natural ingredients like wheat germ and fruit. The brand is growing with the market expansion of gluten-free products in Europe.

**Nature Made**
- Year launched: 1993 (Japan)
- A lineup of nutritional supplements that are free of fragrances, food coloring, or preservatives. First launched in the U.S. in 1972, it is the No. 1 retail vitamin and supplement brand in the U.S.*

**EQUELLE**
- Year launched: 2014
- A product containing equol, made by fermenting soybeans with Lactobacillus, supporting women’s health and beauty. It was the outcome of Otsuka’s long years of research on soybeans.

**Oronine H Ointment**
- Year launched: 1953
- An ointment for the treatment of skin ailments and injuries. In 2015, the tube packaging was changed from aluminum to laminate, improving convenience.

**Kenja-no-shokutaku Double Support**
- Year launched: 2005***
- A product that uses dietary fiber (digestion-resistant dextrin) to slow down the body’s absorption of sugars and lipids, thereby reducing the rise in blood glucose levels and triglycerides after a meal.

**InnerSignal**
- Year launched: 2005
- A skincare brand for women that employs the active ingredient Energy Signal AMP,* which obtained approval as a quasi-drug with new effects and efficacy for a brighter complexion.

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*1 © 2017, The Nielsen Company, Scantrack® service, US xAOC channels 2007-2016. All rights reserved, no reproduction without permission.  
*2 Super Fish Oil, Lutein, Astaxanthin, Fish Oil Pearl, Gingko Biloba  
*3 Launch year of Kenja-no-shokutaku. Kenja-no-shokutaku Double Support was launched in 2012.  
*4 Adenosine monophosphate/OTC drugs

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**DATA 5**
**Gluten-free food market in Europe (five countries in Europe)**

**DATA 6**
**Vitamins and dietary supplements market in the U.S.**
Global operations of nutraceutical business

The nutraceutical business is accelerating its global expansion by promoting growth through brand-building in established markets and expansion into new markets based on the group’s regional network.

Middle East

Countries where *POCARI SWEAT* is sold and years launched
- Bahrain, Saudi Arabia, Oman (1983)
- Kuwait (1986)
- Qatar (2003)
- Egypt (2008)

1985 Launched *ORONAMIN C DRINK* (U.A.E., Kuwait, Bahrain, Oman, Saudi Arabia, Qatar)

Europe

2009 Nutrition & Santé joined the Otsuka group

South Korea

1987 Launched *POCARI SWEAT*
2007 Launched *SOYJOY*
2015 Launched *ORONAMIN C DRINK*

China

2003 Launched *POCARI SWEAT*
2006 Launched *SOYJOY*
1982 Launched POCARI SWEAT
2007 Launched SOYJOY
2014 Launched POCARI SWEAT ION WATER

1982 Launched POCARI SWEAT
2007 Launched SOYJOY
2015 Launched Kenja-no-shokutaku Double Support and ORONAMIN C DRINK
2016 Launched Tiovita 3000

1989 Launched POCARI SWEAT
2007 Launched SOYJOY
2015 Launched POCARI SWEAT IONESSENCE

Countries where POCARI SWEAT is sold and years launched
- Singapore (1983)
- Thailand (1998)
- Malaysia (1999)
- Philippines (2007)

1989 Pharmavite joined the Otsuka group
2014 FoodState joined the Otsuka group

2014 Jasmine joined the Otsuka group
Consumer Products Business

The Otsuka group’s consumer products business focuses on delivering familiar food and beverages that are delicious, safe, reassuring, and healthy.

Overview of business in fiscal 2016

The group launched Berry Match and Match Set Position in the Match brand of carbonated vitamin drinks. The group worked to energize the brand by continuing with proactive marketing strategies and marketing activities, increasing sales volume over the previous fiscal year. The group focused on marketing activities aimed at expanding the new customer base for mineral water products such as CRYSTAL GEYSER and others, but sales volume fell compared to the previous year, due in part to the impact of changes to the revenue structure in the vending machine business. The group refined its product strategy to meet consumer needs and reinforced marketing and sales promotion activities for Bon Curry, and despite some impact from competition, continued to improve brand value.

Fiscal 2017 initiatives

In this business, the Otsuka group endeavored to attract new customers by strengthening its flagship brands such as Bon Curry and Match and developing new products. In addition, the group refined its marketing strategies and sales promotion activities in order to improve its revenue structure and continued to make reforms to improve cost efficiency.

Main products

**Bon Curry**
- Year of launch: 1968
- The world's first commercially available food product in a retort pouch

**Mannan Hikari**
- Year of launch: 2001
- A processed food similar to rice made from konjac

**Match**
- Year of launch: 1996
- Carbonated vitamin drink

**CRYSTAL GEYSER**
- Year of launch: Launched in Japan in 1994
- Mineral water (soft water) bottled directly from spring water sourced at Mount Shasta in California

**Sinvino JAVA Tea Straight**
- Year of launch: 1989
- Straight tea with no sugar or flavoring, made with 100% high-quality tea leaves produced on the Indonesian island of Java

**RIDGE**
- 1986 joined the Otsuka group
- Premium wine grown in California; in 2006, earned first place in the 30-year re-enactment of the Judgment of Paris, which was originally held in 1976

“My Size” series

Based on the concept of a meal that is just the right size, Otsuka Foods launched the 100kcal My Size series in 2010. This product, which has moderate calorie content and volume, is offered in a retort pouch that lets customers easily visualize the size of the meal.

In 2016, Otsuka Foods launched the My Size: jine! Plus series, an added-value product, sold exclusively in pharmacies, that promises even more mealtime enjoyment. This line of products targets consumers who are more concerned about their health and watch their salt, protein and carbohydrate intake.
Fiscal 2017 initiatives

In the specialty chemical and fine chemical business, the Otsuka group will keep accelerating its drive to enter new markets in and outside Japan. The Otsuka group will also expand its shared platform business and roll out a new logistics system in the warehouse and distribution field.

Main products and services

**TERRACESS**
Friction material for brake pads; magnesium potassium titanate, lithium potassium titanate

**POCone** (Medical equipment)
Infrared spectrophotometer that measures the amount of change in the isotope ratio ($^{13}$C/$^{12}$C) in carbon contained in carbon dioxide in exhaled breath

**Warehouse and distribution**
Promotion of joint logistics for group products and other companies’ products

**OPTM series**
Microscope film thickness meter

Otsuka Warehouse wins the Logistics Award for the second straight year

— High praise for internet reservations and e-receipts, which help to reduce drivers’ long workhours —

Otsuka Warehouse, which is in charge of the group’s logistics, won the fiscal 2016 Logistics Grand Prize*, given by the Japan Institute of Logistics Systems for its efforts to reduce long working hours, which is one of the main factors in the lack of truck drivers.

This award recognized Otsuka Warehouse’s initiatives to address the long working hours of drivers with the proactive use of IT. For example, Otsuka Warehouse reduced waiting time for trucks arriving at the warehouse by using internet reservations for trucks delivering goods; introduced e-receipts, which eliminate inspections when goods enter the warehouse; and devised an efficient delivery system involving the wholesale company that receives the goods.

*3. Logistics Grand Prize. This award was established with the aim of spreading awareness of logistics and raising awareness of those working in logistics. The award recognizes companies’ efforts to advance logistics and their impressive achievements. This award was given for the 33rd time in fiscal 2016. The assessment is carried out based on the six criteria of creativity, scope of outcome, management innovation, technological innovation, social value, and extent of effort.