

Message from the President



We continuously advance as a total healthcare company that contributes to a sustainable society.

Tatsuo Higuchi
President and Representative Director, CEO
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First, we wish to express empathy to people who have been afflicted by or affected in other ways by COVID-19. This includes our heartfelt gratitude to healthcare professionals and others who support those who have fallen ill.

The world is entering an era of change. Trends that are transforming the economy and society are progressing, such as geopolitical risks, advancement of AI and information and communications technology, heightened awareness for environmental conservation, and declining birthrates and aging populations in countries with mature economies. In addition, new lifestyles and work styles based on remote operations are becoming common, driven by the COVID-19 pandemic.

The Otsuka group of companies creates products and services that address consumer and patient needs and contribute to the resolution of social issues. We carefully monitor these changes in the business environment and market needs in order to provide new value.

This unchanged mission focuses Otsuka on value creation that has guided us right up to our 100th anniversary.

Q: In what direction is the Otsuka group headed over the medium to long term?

We seek to be a company that continues to contribute to society. Otherwise, there is no purpose for a company to exist.

We have created new concepts and products by marshalling our unique and diverse businesses and assets, and by effectively connecting the true needs identified through customer insights with technology and science. We have also pioneered in fields overlapped with or derived from our various businesses, as well as niche fields, thereby creating new value and responding to unmet or yet-to-be-imagined health needs.

Based on these experiences and strengths, we

determined to “advance in the global market as a unique total healthcare company” under the Third Medium-Term Management Plan. We will continuously pursue the creation of unique value in all healthcare fields, ranging from maintaining and improving day-to-day health to the diagnosis and treatment of diseases.

On a medium- to long-term basis, envisioning a society and economy 10 years, 20 years, and further ahead, we aim to become an indispensable contributor to people’s health worldwide by providing innovative products and services that only the Otsuka group can produce, leveraging our strengths as a total healthcare company.

Q: Otsuka will celebrate its 100th anniversary in September 2021.

What has changed and what has not changed in the Otsuka group across the decades?

In 1977, when I joined Otsuka, revenues of the group companies were 96 billion yen (USD 870 million at the 1977 exchange rate). Our revenues in fiscal 2020 exceeded 1,400 billion yen (USD 13.7 billion). Our operating bases have substantially increased in Japan and internationally, and our managerial systems have evolved.

While people’s healthcare needs have considerably transformed based on factors such as declining birthrates, aging populations, and lifestyle changes, we have promoted businesses, capitalizing on our strengths and confronting our weaknesses. Strengths may decay into weaknesses if we become complacent. On the other hand, weaknesses can be converted to strengths from the insights gained by understanding and addressing them. The Otsuka group has accepted and practiced new things, thereby creating new value free from stereotypes and conventional ideas. We have continuously advanced

by carefully monitoring and flexibly adapting to changes over time, and I consider that this is the largest factor for our continuous business operations over the 100 years since our foundation.

On the other hand, our basic mindset has not altered. The Otsuka group has inherited the three key messages from its leadership across several generations as our unchanged corporate culture: *Ryukan-godo* (by sweat we recognize the way), *Jissho* (actualization) and *Sozosei* (creativity). *Ryukan-godo* signifies the process of discovering the core substance of something through hard work and practice. *Jissho* means self-actualization through achievement, completion and the discovery of truth. *Sozosei* is pursuing that which only Otsuka is capable of delivering.

These are easier said than done. For example, *Sozosei* signifies not only creating something from scratch,

Ryukan-godo
(by sweat we recognize the way)

The process of discovering the core substance of something through hard work and practice

Jissho
(actualization)

Self-actualization through achievement, completion and the discovery of truth

Sozosei
(creativity)

Pursuing that which only Otsuka is capable of delivering

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but also the production of new things by leveraging existing assets in innovative ways. *Ryukan-godo*, *Jissho*, and *Sozosei* are interlinked. By rethinking creatively, hypothesizing, implementing, and carrying through, we can lead to *Sozosei* in combination with *Ryukan-godo* and *Jissho*.

Samsca/JINARC/JYNARQUE has become a blockbuster, but its development involved much trial and error to overcome various obstacles. The daily pursuit of what we can achieve and what only Otsuka can do has taken root in the corporate culture of the Otsuka group.

Q: What initiatives are you taking to lead innovation?

The first perspective is human resources. From our foundation up to the present, our predecessors produced products that cater to unmet market needs. We have become a large group of companies, and the mentality of employees has also changed. What I always advise them is to think for themselves and identify opportunities and problems by themselves. We can innovate only with this mindset.

The second perspective is a system that leads new innovation. To this end, it is crucial to actively promote communication inside and outside the group, and to establish a network across disciplines and areas free from fixed ideas. The culture must also encourage employees to try new ideas derived from the system above. Even if they fail, it is important to learn from those failures and apply the learnings.

One illustration of how these two perspectives operate in practice are initiatives in our pharmaceutical

business to advance patient centricity through digital innovation. Otsuka has been an early adopter, enabling optimized clinical trials at the location where patients want them, with real-time insights, and recruitment into the trials of larger and more diverse patient populations.

Innovation for patient centricity extends to our end products, with, for example, the approval in North America during 2020 of group company Astex Pharmaceutical's *INQOVI*, an orally administered hypomethylating agent which enables more patients to receive treatment at home.

I hope that Otsuka is a company that excites people on the outside to look forward to seeing what Otsuka introduces next. Organizations cannot survive without individuals. This is why I believe that Otsuka should be a company where individuals can pursue the challenges that they would like to, because it will fortify our organization to lead innovation.

Q: What will the Otsuka group need in order to continue sustainable growth?

The Otsuka group is strongly committed to quality. This commitment began with the words of Busaburo Otsuka, the founder of Otsuka, expressed in calligraphy upon launching the intravenous solutions business in 1946:

"Quality is vital in a factory and so is packaging. We have to manufacture and market, putting ourselves in the consumer's position." This commitment has been passed down in our group ever since. "Quality" in the Otsuka group signifies not only product quality, but quality in all stages of the value chain, and our entire group should pursue quality in management and multiple other dimensions.

Based on our corporate philosophy, we aim to contribute to people's health by addressing

social issues through our business. In other words, it is the Otsuka group's mission to contribute to the maintenance and promotion of people's health and the treatment of diseases. Our attitude to pursue the

resolution of social issues through our business matches the direction of the UN Sustainable Development Goals.

In recent years, actions to address environmental issues have been regarded as one of a company's most important obligations. We have set goals for 2030 tied to materiality such as *climate change*, *resource recycling and conservation*, and *water conservation*. We are endeavoring to achieve a sustainable society by harmonizing business growth and environmental conservation through group-wide collaboration.



Q: What is the basic policy of corporate governance in the Otsuka group?

In our corporate governance, the key elements are institutional design, internal control, and management transparency.

Institutional design refers to the formulation and operation of institutions such as the Board of Directors and the Audit & Supervisory Board. The Board of Directors of Otsuka Holdings holds vigorous discussions that reflect different viewpoints, including those of four outside directors with diverse backgrounds. The operations and business activities performed by board members are properly audited and monitored through close collaboration among Audit & Supervisory Board members, the Internal Audit Department, Internal Control Department, other accounting auditors.

We are taking measures on internal controls across all group companies, including the conservation of assets, information security, and business continuity planning. We consider legal compliance to be particularly crucial in order to operate diverse businesses around the world, and therefore ensure compliance through organizational structures and education.

To advance management transparency, we promote proper governance systems and information disclosure in accordance with Japan's Corporate Governance Code. We will continue to have proactive dialogue with investors and other external stakeholders.

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Q: What is your message to stakeholders on the 100th anniversary?

The Otsuka group of companies will celebrate its 100th anniversary in September 2021. The group has sustained its business operations for a century, and has developed into a group of companies operating in 32 countries and regions, with approximately 47,000 employees. We are deeply grateful for the support of stakeholders who have enabled these achievements.

The global economy and society are in the midst of transformation. The COVID-19 pandemic has amplified social issues and also uncovered new issues. We must

review our businesses from a bird's-eye view, and flexibly adapt to changes. It is necessary to search for new possibilities while adapting to the "new normal." Now is the time for us to demonstrate our true value as a unique total healthcare company. To satisfy new needs, we will further prepare ourselves under the unchanged corporate philosophy "Otsuka-people creating new products for better health worldwide." We sincerely ask for continued support and guidance from all stakeholders.