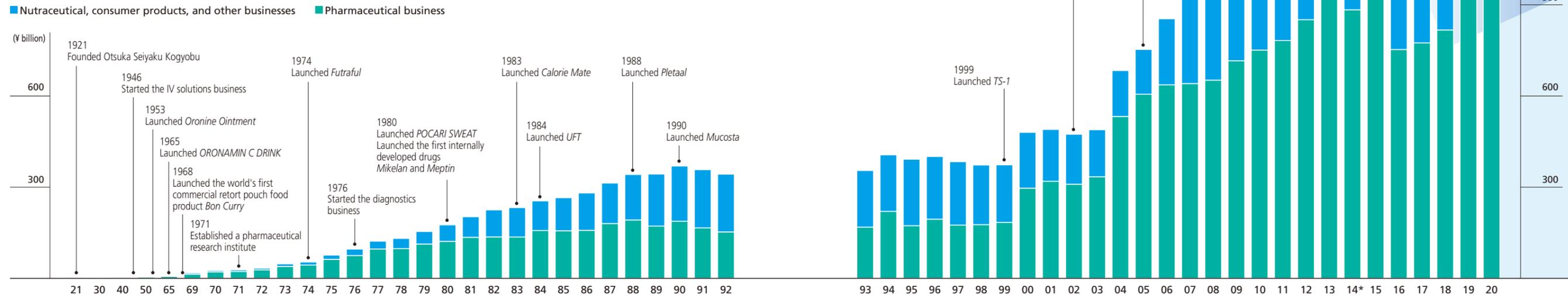


Otsuka's Story

Since its founding in 1921 as a chemical raw material manufacturer, the Otsuka group has steadily developed by providing products that lead to the resolution of social issues related to healthcare and are aligned with society's expectations, while diversifying its businesses.

Revenue performance



Diversification of business aimed at the resolution of social issues

| Social issues | Issues in clinical nutrition and public health | | Higher incidence of heat disorder and unbalanced diet | Shift toward nuclear families and diversified lifestyles | Unmet medical needs | | | Skin health | | Medical needs that are not satisfied by pharmaceuticals only |
|-----------------------------|--|--|---|---|--|---------|--------|--|--------------------|--|
| What we can achieve | Stable supply of high-quality IV solutions | | Development of sterilizers and disinfectants | Development of functional beverages and food products | Providing total healthcare solutions, from diagnosis to treatment | | | Evidence-based development of skincare products | | Development of minimally invasive medical devices specialized for treatment |
| Representative products | IV solutions | | Oronine H Ointment | POCARI SWEAT, Calorie Mate | Bon Curry | ABILIFY | Samsca | Quick Navi | InnerSignal, UL-OS | BioMimics 3D |
| Diversification of business | Chemicals, Clinical nutrition, OTC | | Nutraceuticals, OTC, Chemicals | Consumer Products, OTC, Clinical nutrition, Nutraceuticals, Chemicals | Pharmaceuticals, Clinical nutrition, Nutraceuticals, Consumer Products, OTC, Chemicals | | | Cosmetics, Diagnostics, Consumer Products, OTC, Clinical nutrition, Pharmaceuticals, Nutraceuticals, Chemicals | | Medical devices, Diagnostics, Consumer Products, OTC, Pharmaceuticals, Clinical nutrition, Nutraceuticals, Chemicals |

*Due to a change in fiscal year, results for fiscal 2014 are for the 9-month transitional period ended December 31, 2014.

Otsuka's Strengths

People are the source of our strengths. Since Otsuka's establishment in 1921, employees everywhere have pursued business guided by our enduring corporate philosophy in order to bring health to people worldwide. Through the determination of these employees, we have developed many strengths. The six strengths described below are a representative sample, and more continue to evolve each day. Making the best possible use of these strengths, employees take on new challenges to fulfill our potential, all in order to contribute to better health worldwide.



An enduring corporate philosophy and essence of management, passed down and practiced throughout the group

→Page 1

We engage our employees to think and act creatively without preconceived notions. We also support their development, so that they can embody our unique capabilities and potential. We believe that this as well as engagement with our corporate philosophy and essence of management (reflected in our corporate culture), has brought us to where we are today, and will build the Otsuka of tomorrow.

32 countries/regions

Our corporate philosophy is displayed prominently in offices in every country where we do business



Ryukan-godo

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

Jissho

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

Sozosei

Pursuing that which only Otsuka is capable of delivering



A business model centered on total healthcare

→Pages 4-5

We provide a variety of science-based products and services that meet the specific healthcare needs of the times in each community. We conceive products and services that will contribute in 10 or 20 years' time in the three areas of physical, and social well-being.



Providing value
Bringing health to people worldwide



An unwavering quest for originality

→Pages 28-41

We pursue the creativity implicit in our corporate philosophy across our entire value chain, from research and development through marketing. In the ongoing challenge to create innovative products and services, we are always thinking about how to generate the kind of innovation that defines Otsuka, targeting unmet medical needs as well as the yet-to-be-imagined needs of consumers.



In-house drug discovery ratio: 80%¹

Development projects for unmet needs²:

| Psychiatry and neurology | Oncology | Cardiovascular and renal system | Other |
|--------------------------|-------------|---------------------------------|------------|
| 10 projects | 16 projects | 1 project | 6 projects |



A global reach incorporating solutions to social issues through our core business processes

→Pages 28-41

We are extending our global reach by addressing social issues (e.g. heat disorders and infectious diseases) that differ in each country/region depending on culture, customs and the times. Going forward, we will provide products and services that lead to resolution of social issues in many more countries/regions.

IV solutions business overseas companies: 15³

Countries/Regions where POCARI SWEAT is available: More than 20

Countries/Regions where the tuberculosis drug DELTYBA is available: More than 110





An ability to nurture enduring brands

→Pages 28-41

We have developed our brands through unceasing efforts to convey the health value of innovative products born from creative research and development. Our ability to nurture brands has been developed through these activities, and leads to sustainable growth and enhanced corporate value, enabling us to take on the challenge of finding original approaches to new healthcare needs.

Top-share products by pharmaceutical category⁴:

8 in Japan, 3 outside Japan

Share of consumers with the experience of using POCARI SWEAT⁵: 88.9%





A solid financial foundation and strong earnings power that drive sustainable growth

→Pages 26-27

We are cultivating a solid financial foundation and strong earnings power whereby nutraceuticals and IV solutions generate stable earnings and act as a base, while therapeutic agents, which are a driver of growth, fund ongoing investment in creative new areas befitting Otsuka. This will form the basis for sustained investment in areas that create new value in the face of a changing business environment.

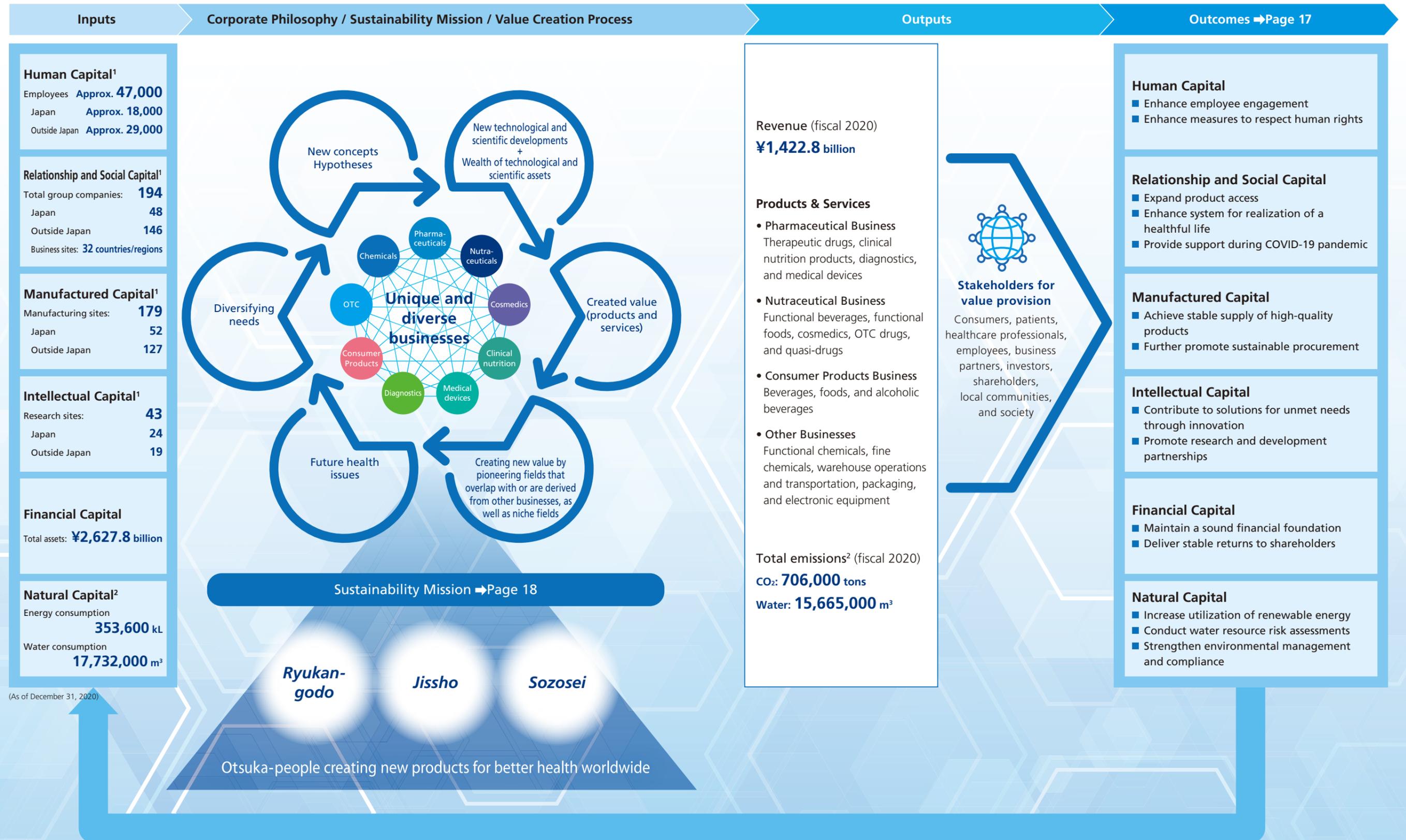
Rating: AA-⁶

Business profit margin of Nutraceutical Business: 12.7%⁷



1. Ratio of in-house drug discovery project among late-phase development projects
 2. As of December 2020; unmet needs areas defined by Otsuka based on *PatientsMap2020JP* and *PatientsMap2020US*, M3 & SSRI
 3. Number of companies engaged in the IV solutions business; Many of these companies also export products to neighboring countries, thereby making a meaningful contribution to medical care in those countries.
 4. Copyright © 2021 IQVIA. Created based on annual category totals for the past 10 years, including IQVIA MIDAS 2010 to 2020 and Otsuka research. Categories defined by Otsuka. Reprinted with permission.
 5. January 2021 survey in Japan conducted by Otsuka
 6. Rating and Investment Information, Inc.
 7. Average for the previous three years (For reference: average operating profit margin of S&P Food & Beverage Select Industry Index constituents for the previous three years: 7.6%)

Value Creation Model



1. Data for 194 companies including Otsuka Holdings and its subsidiaries and affiliated companies
2. All manufacturing sites of the consolidated Otsuka group

Value Creation Process That Generates Originality

Taking on the challenge of doing what only Otsuka can do

The originality of Otsuka is generated from the combination of unique and diverse businesses.

The first step of the Otsuka group's value creation process is an approach that envisions the future in order to anticipate the various needs of healthcare aligned with society's expectations. We try to anticipate the needs that arise from the changing times, environment, and ways that people think about health. Then, by leveraging our group strengths consisting of unique and wide-ranging businesses, combined with human resources who have extensive knowledge and experience, we formulate hypotheses and combine new technologies and scientific developments with accumulated ones to create new value (new products and services).

We are also able to create new value by pioneering fields overlapped with or derived from various businesses. In this way, Otsuka takes on challenges to create new value that are only possible for a total healthcare company.



Impact of Value Creation on Capital

| Capital | Impact of Value Creation (FY 2020 Progress) | Related SDGs |
|---------------------------------|---|--------------|
| Human Capital | <ul style="list-style-type: none"> • Enhance employee engagement <ul style="list-style-type: none"> · Diversity promotion: Female manager ratio at Otsuka Holdings: 23.8% · Increased number of employees taking parental leave: 548 total, 280 (51% male)¹ • Enhance measures to respect human rights <ul style="list-style-type: none"> · Formulated and implemented Otsuka Group Human Rights Policy (March 2021) | |
| Relationship and Social Capital | <ul style="list-style-type: none"> • Expand product access <ul style="list-style-type: none"> · Countries / Regions where tuberculosis drug <i>DELTYBA</i> is available: More than 110 · Launched ADPKD drug <i>JINARCI/JYNARQUE</i> in more than 30 countries/regions • Enhanced system for realization of a healthful life <ul style="list-style-type: none"> · Executed cooperation agreements with all 47 prefectures of Japan for promotion of collaboration in health awareness activities • Provide support during COVID-19 pandemic <ul style="list-style-type: none"> · Donated relief goods and funds | |
| Manufactured Capital | <ul style="list-style-type: none"> • Achieve stable supply of high-quality products <ul style="list-style-type: none"> · Established and began operation of Tokushima Mima Factory (Otsuka Pharmaceutical), and new manufacturing site of Daiya Foods • Further promote sustainable procurement <ul style="list-style-type: none"> · Revised Otsuka Group Procurement Policy (September 2020) · Established Otsuka Group Sustainable Procurement Guidelines (September 2020) · Conducted supplier briefings for 73 suppliers | |
| Intellectual Capital | <ul style="list-style-type: none"> • Contribute to solutions for unmet needs through innovation <ul style="list-style-type: none"> · New drugs launched: 8² · Development projects for unmet needs: 33³ · Research and Development expenses: ¥216.8 billion · In-house drug discovery ratio: 80%⁴ • Promote research and development partnerships <ul style="list-style-type: none"> · Signed joint research agreements with 4 new partners⁵ | |
| Financial Capital | <ul style="list-style-type: none"> • Maintain a sound financial foundation <ul style="list-style-type: none"> · Credit rating: AA- · Business profit ¥216.9 billion (record high since listing) • Deliver stable returns to shareholders <ul style="list-style-type: none"> · Annual dividend per share: ¥100 | |
| Natural Capital | <ul style="list-style-type: none"> • Increase utilization of renewable energy <ul style="list-style-type: none"> · Reduction in CO₂ emissions through adoption of renewable energy: 84,000 tons • Conduct water resource risk assessments <ul style="list-style-type: none"> · Assessments conducted at 87 manufacturing sites of 51 companies • Strengthen environmental management and compliance <ul style="list-style-type: none"> · The Otsuka group acquired ISO 14001 integrated certification⁶ | |

1. Scope: 11 companies (Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Warehouse, Otsuka Chemical, Otsuka Foods, Otsuka Pharmaceutical Development & Commercialization, Otsuka America Pharmaceutical, Pharmavite, Otsuka Holdings, and Otsuka Medical Devices)
2. Cabpirin, Quick Navi-Adeno2, AILAMIDE, VISCOCLEAR, Entrest, INQOVI, Quick Navi-COVID19 Ag, and ENEFLUID Injection
3. Unmet needs areas defined by Otsuka based on PatientsMap2020JP and PatientsMap2020US, M3 & SSRI
4. Ratio on in-house drug discovery project among late-phase development projects
5. Strategic partnership of Taiho Pharmaceutical and Astex Pharmaceuticals with MSD, joint research of Otsuka Pharmaceutical with Axcelead Drug Discovery Partners, strategic partnership of Taiho Pharmaceutical with MD Anderson Cancer Center, and license agreement between Taiho Pharmaceutical and PeptiDream
6. Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical (including its subsidiary, Okayama Taiho Pharmaceutical), Otsuka Chemical, Otsuka Foods, and Otsuka Holdings as the controlling company