

# Value Creation Model

## INPUTS

### Human Capital<sup>1</sup>

Employees: Approx. 47,000  
 Japan Approx. 17,500  
 Outside Japan Approx. 29,500

### Social and Relationship Capital<sup>1</sup>

Total group companies: 200  
 Japan 49  
 Outside Japan 151  
 Business sites: 33 countries/regions

### Manufactured Capital<sup>1</sup>

Manufacturing sites: 175  
 Japan 50  
 Outside Japan 125

### Intellectual Capital<sup>1</sup>

Research sites: 44  
 Japan 24  
 Outside Japan 20

### Financial Capital

Total assets: ¥2,820.9 billion

### Natural Capital<sup>2</sup>

Energy consumption 359,100 kL  
 Water consumption 17,680,000 m<sup>3</sup>

## Corporate Philosophy / Sustainability Mission / Value Creation Process



## Sustainability Mission → Page 18

*Ryukan-godo*

*Jissho*

*Sozosei*

Otsuka-people creating new products for better health worldwide

## OUTCOMES Providing Stakeholder Value → Page 15

## OUTPUTS

Revenue (Fiscal 2021)  
 ¥1,498.3 billion

### Products & Services

• **Pharmaceutical Business**  
 Therapeutic drugs, clinical nutrition products, diagnostics, and medical devices

• **Nutraceutical Business**  
 Functional beverages and foods, cosmetics, OTC products, and quasi-drugs

• **Consumer Products Business**  
 Beverages, foods, and alcoholic beverages

• **Other Businesses**  
 Chemicals, fine chemicals, warehouse and distribution, packaging, and electronic equipment

Total CO<sub>2</sub> Emissions<sup>2</sup> (Fiscal 2021)  
 683,000 t-CO<sub>2</sub>

Consumers

Patients

Healthcare professionals

Shareholders and investors

Employees

Suppliers

Local communities and society

Bringing health to people worldwide

Reinvestment and allocation of capital

(As of December 31, 2021)

1. Data for 200 companies including Otsuka Holdings and its subsidiaries and affiliated companies  
 2. All manufacturing sites of the consolidated Otsuka group

## Providing Stakeholder Value (Initiatives in Fiscal 2021)

Consumers, patients, and healthcare professionals	<ul style="list-style-type: none"> <li>● <b>Expand product access</b> <ul style="list-style-type: none"> <li>• Countries/Regions where the anti-tuberculosis drug delamanid is available: <b>More than 120</b></li> <li>• Countries/Regions where the antipsychotic drug <i>ABILIFY MAINTENA</i> is sold: <b>48</b></li> <li>• Otsuka Pharmaceutical formulated the Otsuka Global Patient Access Support Policy (July 2021)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● <b>Contribute to the resolution of unmet needs through innovation</b> <ul style="list-style-type: none"> <li>• New drugs approved: <b>4<sup>1</sup></b></li> <li>• Development projects for unmet needs: <b>38<sup>2</sup></b></li> <li>• Research and development expenses: <b>¥232.3 billion</b></li> <li>• In-house drug discovery ratio: <b>76%<sup>3</sup></b></li> </ul> </li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>● <b>Maintain a sound financial foundation</b> <ul style="list-style-type: none"> <li>• Credit rating: <b>AA<sup>-4</sup></b></li> <li>• D/E ratio: <b>0.11</b></li> <li>• Net cash<sup>5</sup> ÷ Average monthly consolidated revenue: <b>2.2 months</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● <b>Deliver stable returns to shareholders</b> <ul style="list-style-type: none"> <li>• Annual dividend per share: <b>¥100</b></li> </ul> </li> <li>● <b>Provide new information</b> <ul style="list-style-type: none"> <li>• Business briefings for institutional investors: <b>3<sup>6</sup></b></li> </ul> </li> </ul>
Employees	<ul style="list-style-type: none"> <li>● <b>Enhance employee engagement</b> <ul style="list-style-type: none"> <li>• Female manager ratio at Otsuka Holdings: <b>30.3%</b></li> <li>• Employees taking parental leave: <b>637</b> (at 19 group companies<sup>7</sup>)</li> <li>Male employees taking parental leave: <b>341 (54% of above total)</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● <b>Create vibrant workplace environments</b> <ul style="list-style-type: none"> <li>• Group companies recognized as 2021 Certified Health &amp; Productivity Management Outstanding Organizations by METI: <b>10<sup>8</sup></b></li> </ul> </li> <li>● <b>Enhance measures to respect human rights</b> <ul style="list-style-type: none"> <li>• Formulated and implemented the Otsuka Group Human Rights Policy (March 2021) and offered necessary training</li> </ul> </li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>● <b>Further promote sustainable procurement</b> <ul style="list-style-type: none"> <li>• Companies that attended supplier briefings: <b>53</b></li> <li>• Suppliers implementing self-assessment questionnaire (SAQ): <b>57</b></li> <li>• Interviews held with suppliers: <b>7</b></li> </ul> </li> </ul>	
Local communities and society	<ul style="list-style-type: none"> <li>● <b>Enhance system for the realization of healthy lifestyles</b> <ul style="list-style-type: none"> <li>• Executed cooperation agreements with all 47 prefectures of Japan for the promotion of collaboration in health awareness activities (Otsuka Pharmaceutical)</li> </ul> </li> <li>● <b>Provide support during COVID-19 pandemic</b> <ul style="list-style-type: none"> <li>• Donated relief goods and funds</li> </ul> </li> <li>● <b>Increase utilization of renewable energy</b> <ul style="list-style-type: none"> <li>• Reduction in CO<sub>2</sub> emissions through adoption of renewable energy: <b>143,000 t-CO<sub>2</sub></b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● <b>Reassess use of raw materials</b> <ul style="list-style-type: none"> <li>• Launch of PET bottles made using recycled materials</li> </ul> </li> <li>● <b>Environmental management</b> <ul style="list-style-type: none"> <li>• Formulated 2050 Environmental Vision, "Net Zero"</li> <li>• Revised medium-term goals and targets for material issues</li> <li>• Announced support for the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and carried out scenario analyses</li> </ul> </li> </ul>

1. Quick Navi – Flu+COVID-19 Ag, Otsuka minor BCR-ABL mRNA measurement kit, AJOVY, and Moizerto

2. Unmet needs areas defined by Otsuka based on *PatientsMap2021JP* and *PatientsMap2020US*, M3 & SSRI

3. In-house drug discovery ratio among late-phase development projects (Phase 3 onward)

4. Rating and Investment Information, Inc.

5. Net cash = Cash and cash equivalents – (Borrowings + Bonds)

6. Briefing on Tuberculosis Initiatives, Briefing on Daiya Business for Institutional Investors, and Briefing on Pharmavite Business for Institutional Investors

For briefing materials, visit: <https://www.otsuka.com/en/ir/library/briefing.html>

7. Domestic: Otsuka Holdings, Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Warehouse, Otsuka Chemical, Otsuka Foods, Otsuka Medical Devices, Otsuka Electronics, Otsuka Techno, Okayama Taiho Pharmaceutical, Otsuka Packaging Industries, Otsuka Ohmi Ceramics, Higashiyama Film, Otsuka Wellness Vending, and JIMRO Overseas: Otsuka Pharmaceutical Development & Commercialization, Otsuka America Pharmaceutical, and Pharmavite

8. Otsuka Holdings, Otsuka Pharmaceutical, Taiho Pharmaceutical, Earth Corporation, Otsuka Pharmaceutical Factory, Otsuka Pharmaceutical Health Insurance Association, Otsuka Medical Devices, Otsuka Wellness Vending, Otsuka Electronics, and JIMRO

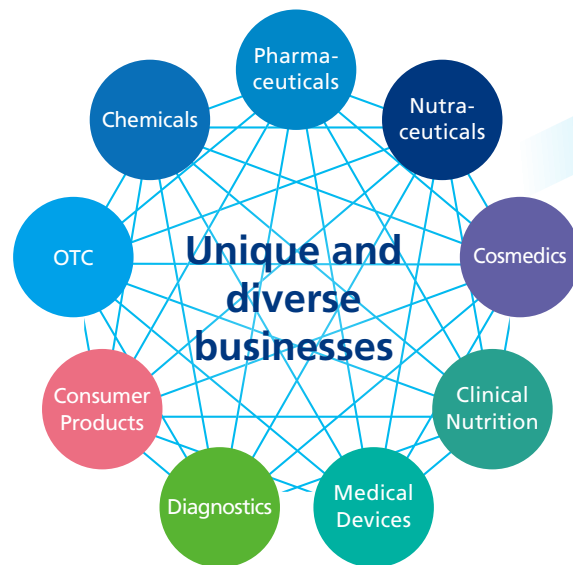
Value Creation Process That Generates Originality

# 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. We are attempting to create new value using our unique standing as a total healthcare company involved in diverse businesses.

## Diverse businesses

The Otsuka group boasts a wealth of human resources with diverse expertise and experience, and has accumulated various technological and scientific assets.



Utilize links between businesses

Create new domains from existing businesses

Rather than enter existing markets, create new markets that no other company has thought to take on

## Diversifying needs

- Changes brought by the times
- Environmental changes
- Changes in health-related notions

Anticipate needs that will arise from these changes

**New original value**  
(Products and services)



## Value Creation Process That Generates Originality

# What only Otsuka can do: 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 their determination, we have developed many strengths. The six strengths described below are a representative sample. Otsuka group employees utilize these and other strengths in working to maximize effects and contributing to the health of people around the world.

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

**33 countries/regions**

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

Through communication of our corporate philosophy and essence of management, Otsuka employees around the world work to do what only Otsuka can do to contribute to the health of people worldwide.

## A business model centered on total healthcare

**Social well-being  
Physical well-being  
Mental well-being**

Contributing to three aspects of health

We provide a variety of science-based products and services that meet the specific healthcare needs of the times in each community.

## An unwavering quest for originality

In-house drug discovery ratio: **76%**<sup>1</sup>  
Development projects for unmet needs: **38 projects**<sup>2</sup>

We continue to take on the challenge of revolutionary products and services by striving for creativity in all value chains and always looking for opportunities to make unique Otsuka innovations.

1. In-house drug discovery ratio among late-phase development projects (Phase 3 onward)
2. As of December 2021; unmet needs areas defined by Otsuka based on *PatientsMap2021JP* and *PatientsMap2020US*, M3 & SSRI

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

IV solutions business overseas companies: **16**<sup>3</sup>  
Countries/Regions where *POCARI SWEAT* is available: **More than 20**  
Countries/Regions where the anti-tuberculosis drug delamanid is available: **More than 120**

We are extending our global reach by addressing social issues that differ in each country/region depending on culture, customs, and the times.

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.

## An ability to nurture enduring brands

Top-share products by pharmaceutical category<sup>4</sup>:  
**8 in Japan, 3 outside Japan**  
Share of consumers with the experience of using *POCARI SWEAT*: **87.7%**<sup>5</sup>

We are developing each product's brand by tenaciously communicating the value of our revolutionary products, and in doing so aim for sustainable growth and further enhancement of our corporate value.

4. Copyright © 2022 IQVIA. Created based on annual category totals for the past 10 years, including IQVIA MIDAS 2011 to 2021 and Otsuka research. Categories defined by Otsuka. Reprinted with permission.
5. November 2021 survey in Japan conducted by Otsuka

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

Rating: **AA-**<sup>6</sup>  
Business profit margin of Nutraceutical Business: **12.4%**<sup>7</sup>

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.

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: 8.2%)