



How We Will Create Value

Further Advancing as a Unique Total Healthcare Company

As a comprehensive provider of a diverse range of science-based products and services, the Otsuka group's growth has been underpinned by our dedication to addressing healthcare needs in accordance with the times and the characteristics of the communities we serve. The social issues faced by countries and regions differ depending on local cultures and customs, and are constantly evolving. By identifying and helping to resolve these changing social issues, we continue to expand globally. We are devoted to supplying products and services that can help more countries and regions overcome their challenges.

Business Strategy:

Existing Business Value Maximization and New Value Creation

- Strengthen strategic initiatives for growth drivers four Global Products in the Pharmaceutical Business; three Major Brands and three Nurture Brands in the Nutraceutical Business
- Launch and nurture new drivers for sustainable growth in Pharmaceutical and Nutraceutical Businesses

Performance Target:

Business Profit CAGR of 10% or More

- Organic growth of mainstay products and brands in Pharmaceutical and Nutraceutical Businesses
- Actively invest in R&D to continue creating new drugs that will drive revenue during and beyond the next medium-term management plan

Third Medium-Term Management Plan Targets (FY 2023)

Revenue: ¥1,700 billion

Business profit: ¥200 billion (CAGR of 10% or more)

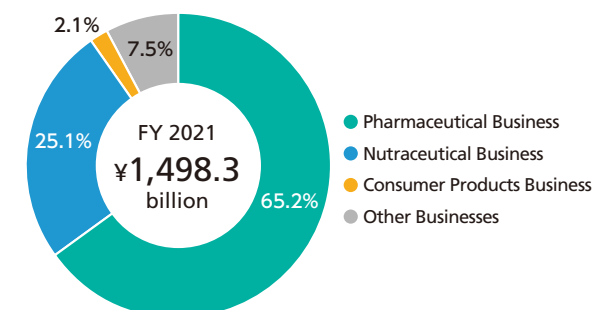
ROE: 8.0% or higher

Progress of the Third Medium-Term Management Plan

Overview of Fiscal 2021

Fiscal 2021, the third year of the Third Medium-Term Management Plan, saw ongoing social uncertainty due to the COVID-19 pandemic, which also had an impact on the Otsuka group's business activities. However, despite restrictions on sales activity and reduced consumption, we took heightened health awareness as a growth opportunity, and leveraged our true value as a unique total healthcare company. As a result, we maintained solid growth, achieving revenue of 1,498.3 billion yen, an increase of 5.3% from the previous year.

Revenue by Business Segment



Outcomes and Progress

Total healthcare company

- Disseminate and provide new value as a unique total healthcare company in response to new social issues caused by the pandemic
- Adapt to environmental changes and tailor the Third Medium-Term Management Plan

Results

- Fiscal 2021 results are progressing in line with Third Medium-Term Management plan targets
- Pharmaceuticals | Four Global Products sales achieved Third Medium-Term Management Plan targets two years ahead of schedule
- Nutraceuticals | Profitability has reached one of the highest in the Japanese food sector

Growth strategy

- Strengthen pipeline in psychiatry and neurology area
- Enrich pipeline for Japan business
- Nutraceuticals | New categories (women's health, plant-based foods)
- Achieve *Nature Made* target as a "100 billion-yen-brand"

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Among the Otsuka group's materialities, we set specific goals for three health-related social issues (unmet medical and health needs, spread of infectious diseases, and nutritional needs) under the Third Medium-Term Management Plan (ending in fiscal 2023), and are making progress toward meeting these goals.

Social Issues	Unmet medical and health needs	Spread of infectious diseases	Nutritional needs
Goals	Contribute to the resolution of unmet needs	Eradication of tuberculosis	Creation of a system for the realization of healthy lifestyles
FY 2023 Goals	Promotion of R&D for unmet needs <ul style="list-style-type: none"> • Address unmet needs in the psychiatry and neurology areas • Create first-in-class products in the oncology area • Create first-in-class products in the cardiovascular and renal area In areas with unmet needs <ul style="list-style-type: none"> • New development projects: 10 or more • Late-phase development projects advancing to the next phase: 30 or more 	<ul style="list-style-type: none"> • Provide delamanid for more than 60,000 cases • Supply <i>DELYBA</i> (generic name: delamanid) for pediatric patients • Launch a clinical trial for new treatment regimen • Increase access to delamanid by collaborating with partners 	<ul style="list-style-type: none"> • Challenge new categories and new areas • Create new systems and reinforce existing systems for the realization of healthy lifestyles • Create new concepts and products keeping an eye on changes in environments
FY 2021 Progress	In areas with unmet needs¹ <ul style="list-style-type: none"> • New development projects: 15 projects² • Late-phase development projects advanced to the next phase: 15 projects² 	<ul style="list-style-type: none"> • Provided delamanid for 60,000 cases ahead of schedule, in more than 120 countries/regions • <i>DELYBA</i> approved for pediatric patients in Europe in October 2021 • Determined to conduct clinical trial for new three-drug combination therapy regimen that includes OPC-167832 and delamanid • Continued participation in Pan-TB collaboration and accelerated the development of new TB treatment regimen • Delamanid supplied through the Global Drug Facility (GDF) of the Stop TB Partnership and alliance partners • Continued participation in the Global Health Innovative Technology Fund (GHIT Fund) 	<ul style="list-style-type: none"> • Executed cooperation agreements on health with all 47 prefectures in Japan and other local governments, and promoted collaboration in health and other fields • Raised awareness of proper hydration and electrolyte replenishment • Continued to hold Women's Health Seminars • More than 30 years of publishing the Otsuka Health Comic Library • Cumulative total OATHAS registrants: Approximately 21,000 • Ongoing provision of the <i>Kenko Shacho</i> ("Healthy President") service • Expanded dietary education to communicate the importance of good nutrition • Support for disasters and emergencies • Support for the Tokyo Marathon • Support for the Inter-High School Championships

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

2. Cumulative total since 2019

Further Advancing as a Unique Total Healthcare Company

Pharmaceutical Business

The Third Medium-Term Management Plan calls on us to maximize existing business value, to challenge new frontiers by doing what only Otsuka can do, and to generate innovation from creative and diverse research platforms. We will take advantage of this strategic framework to position our four Global Products—*ABILIFY MAINTENA*, *REXULTI*, *Samsca/JINARC/JYNARQUE* and *LONSURF*—as growth drivers. With a focus on increasing revenue from these Global Products, we will continue to develop the business as we work to achieve the plan target of 1,080 billion yen in revenue in fiscal 2023.

The Otsuka group focuses on unmet medical and health needs as a social issue. In fiscal 2021, in unmet needs areas*

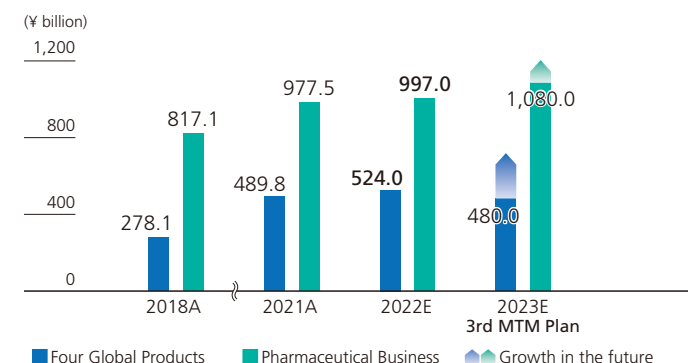
we began six new development projects (15 projects since fiscal 2019) and advanced six late-phase development projects to the next phase (15 projects since fiscal 2019).

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

Progress of Four Global Products

For the four Global Products, we expanded regions and added indications overseas, and worked to increase awareness of convenient dosage formulations of our drugs. Revenue in fiscal 2021 rose 14.0% from the previous year to 489.8 billion yen, achieving the 480 billion yen target of the Third Medium-Term Management Plan two years ahead of schedule.

Progress of the Third Medium-Term Management Plan



(¥ billion)	FY 2020 revenue	FY 2021 revenue	Year-on-year	FY 2022 revenue plan	Growth rate
<i>ABILIFY MAINTENA</i>	116.0	130.3	+12.3%	143.5	+10.2%
<i>REXULTI</i>	104.6	121.1	+15.7%	130.0	+7.4%
<i>Samsca/JINARC/JYNARQUE</i>	168.3	192.4	+14.3%	199.0	+3.4%
<i>LONSURF</i>	40.7	46.1	+13.1%	51.5	+11.8%
Total	429.7	489.8	+14.0%	524.0	+7.0%

ABILIFY MAINTENA

aripiprazole | Antipsychotic long-acting injectable

As a global treatment for schizophrenia, there is increased awareness of this drug's efficacy claims and convenient dosage formulation. Following U.S. approval in 2017 for an additional indication for the treatment of bipolar disorder, prescriptions are increasing. Prescriptions are also increasing in Japan following approval for an additional indication for the treatment of bipolar disorder in September 2020.

REXULTI

brexpiprazole | Atypical antipsychotic

Marketed as an adjuvant treatment for major depressive disorder and as a treatment for schizophrenia in the U.S., this drug is highly evaluated for its efficacy and safety as a new treatment option for both diseases. In Japan, where the drug is marketed as a treatment for schizophrenia, we began sales of orally disintegrating tablets in November 2021. In Europe, sales began from April 2019.

At present, several clinical trials are under way with the aim of further contributing to treating unmet needs in the psychiatry and neurology area.

Further Advancing as a Unique Total Healthcare Company

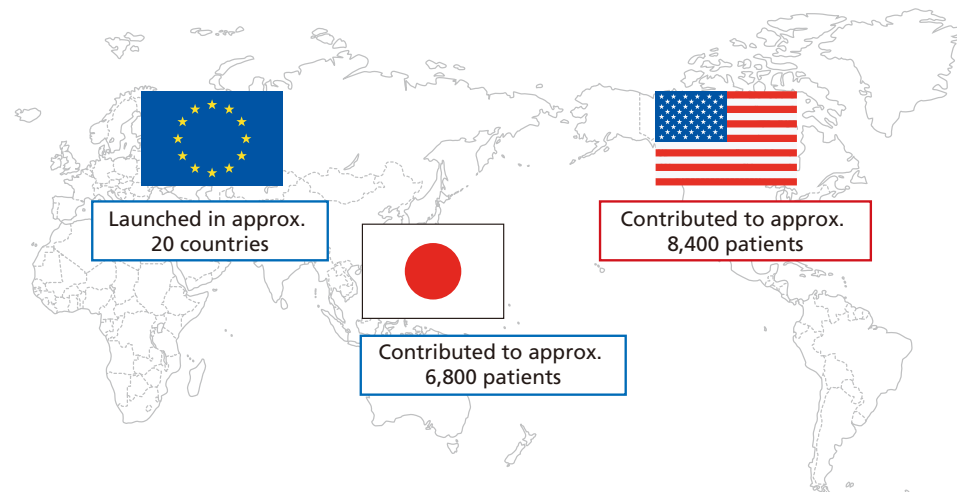
Samsca/JINARC/JYNARQUE

tolvaptan | V₂-receptor antagonist

Samsca is highly evaluated in various guidelines in Japan, and prescriptions are increasing for the treatment of cardiac edema and hepatic edema. Prescriptions for the treatment of autosomal dominant polycystic kidney disease (ADPKD), an intractable renal disease, are increasing owing to the promotion of proper use guidelines and disease awareness activities. The drug has also contributed to resolving unmet needs following approval for an additional indication for the syndrome of inappropriate antidiuretic hormone secretion (SIADH) in June 2020.

In May 2018, *JYNARQUE* was launched in the U.S. as a treatment for ADPKD. Efforts to raise disease awareness and make clinical trial data available have helped spread recognition of both the disease and the drug, leading to a steady increase in prescriptions. In Europe, *JINARC* is sold in approximately 20 countries and the number of patients receiving treatment through the drug is on the increase.

Global operation as an ADPKD drug



Estimated number of ADPKD patients

U.S.: 140,000, Europe: 205,000, Japan: 31,000

(As of December 31, 2021, in-house survey)

LONSURF

trifluridine/tipiracil | Anticancer agent

LONSURF is a treatment option for unresectable advanced or recurrent colorectal cancer. As of December 2021, it has been approved in 98 countries and regions, and prescriptions are increasing. Furthermore, combination therapy with bevacizumab has been listed as a recommended treatment option in both the National Comprehensive Cancer Network (NCCN)* Guidelines for Colon Cancer (January 2021) and Rectal Cancer (December 2020) in the U.S. and the Japanese Society for Cancer of the Colon and Rectum (JSCCR) Guidelines (January 2022). Meanwhile, also as a treatment option for metastatic gastric cancer, both the number of countries and regions in which *LONSURF* has been approved and the total number of prescriptions are increasing. To further maximize its value, we are currently conducting several clinical studies to develop better combination therapies.

* National Comprehensive Cancer Network: A non-profit alliance of 32 leading cancer centers in the U.S. that is devoted to patient care, research, and education.



Chisato Mashita

Assistant Section Manager,
Yokohama Sales Branch Ethical Drug Sales Section 1,
Taiho Pharmaceutical

The Role of *LONSURF* in Medical Settings

LONSURF is a third-line or subsequent chemotherapy option for patients with colorectal and gastric cancers. In addition to its efficacy, as an oral agent I believe it provides additional value due to its convenience, which enables patients to spend less time receiving treatment and more time outside the medical facility. For me, it is important in the field of oncology to support treatment specialists on the frontline and to work closely with them to identify each patient's needs. Although the pandemic has made it difficult to gather and communicate information in medical settings, the Otsuka group is enhancing its cooperative framework by means that include sharing information between group companies. This is something that only the Otsuka group can do. By utilizing our unique group synergy, our aim is to quickly and carefully communicate essential information, and in doing so, improve quality of life for patients and their families.

Further Advancing as a Unique Total Healthcare Company

Future of Pharmaceutical Business

Opportunities and Risks

Risks that affect the Pharmaceutical Business include those relating to reduced visits to medical institutions and delayed clinical development due to the global COVID-19 pandemic, paradigm shifts in treatment caused by advances in digital technologies, medical cost inflation, and supply chain

disruptions caused by global conflicts or other factors. Against this backdrop, in addition to working to reduce these risks—such as by reinforcing supply chains to ensure stable product supplies—the Otsuka group will contribute to the resolution of social issues through initiatives targeting diseases where there are unmet needs.

Future Initiatives

In the Pharmaceutical Business, we are taking on challenges in new areas where we can utilize the unique qualities of the Otsuka group, working to address unmet needs and generate innovation using our creative, diverse research platforms, and working to develop systematic solutions to optimize medical care. Furthermore, we will form alliances, promote open innovation, and work with venture capital firms to reinforce our drug discovery foundation and diversify our modalities. We will also seek to strengthen supply chains by securing back-up suppliers and enhancing the accuracy of sales forecasts, and promote development and marketing activities that use digital technologies.

In addition, we will strive to improve profitability by maximizing the value of existing products, carry out trials for new projects that we actively invested in during the Second and Third Medium-Term Management Plans, and develop new products. In doing so, we aim to grow the pipelines that will drive our development from 2030 onward and achieve sustainable growth.

Strengths <ul style="list-style-type: none"> ● Providing total healthcare solutions, from diagnosis to treatment ● Global R&D and marketing assets in the psychiatry and neurology area, and the renal area ● Presence in the oncology area ● Stable profit in the IV solutions business ● Medical techniques using digital technologies ● Originality free from fixed ideas 	Weaknesses <ul style="list-style-type: none"> ● Delays in registering trial participants due to specific to problems in the field of psychiatry and neurology caused by the spread of COVID-19 ● Patent expiration of mainstay products ● Dependence on manufacturing sites, raw material suppliers, and production contractors concentrated in specific regions
Opportunities <ul style="list-style-type: none"> ● Advances in science and technology, and the progress of basic research related to diseases ● Creation of synergies in therapeutic drugs through advances in digital technologies ● Promotion of precision medicines to enhance efficacy 	Threats <ul style="list-style-type: none"> ● Global drug price control policies and promotion of generic drug use due to medical cost inflation ● Intensifying competition in core areas ● Pandemic related to the spread of infectious diseases ● Supply chain disruptions due to geopolitical risks and other factors

Further Advancing as a Unique Total Healthcare Company

● Psychiatry and Neurology

Aiming to become a top-class global player in the psychiatry and neurology area, with a high-potential pipeline and product portfolio

Psychiatric diseases such as schizophrenia, bipolar disorder, and major depressive disorder can develop at any age and affect a person's social life, career, and studies. Moreover, there are concerns about the increase in Alzheimer's disease as the world population ages. These diseases affect not just the patient's quality of life; they also place a strain on family members and caregivers, as well as on the healthcare economy. There are still many psychiatric and neurological diseases for which satisfactory treatments have yet to be established. This is because their causes and mechanisms are not fully understood, which makes the discovery of new drugs extremely difficult. The Otsuka group entered the psychiatry and neurology area in the 1970s and has continued to take on the challenge of new drug discovery with the goal of contributing to medical needs.

At the Otsuka group, we have developed an extensive and high-potential pipeline and product lineup through the application of both small molecule and large molecule compound technologies and digital technologies. Our aim is to become a top-class global player in the psychiatry and neurology area.

Agitation Associated with Dementia of the Alzheimer's Type

It is estimated that approximately 3.90 million people (estimated 2022)* in the U.S. have Alzheimer's disease, and it is thought that a large number of those patients exhibit some form of behavioral disorder (agitation), such as excessive motor activity, and verbal or physical aggression. This kind of disorder places a burden on patients and caregivers, impacting quality of life. The Otsuka group aims to market the world's first treatment for agitation associated with dementia of the Alzheimer's type. Clinical trials are under way on two drugs with different mechanisms of action, brexpiprazole and AVP-786.

We hope that these therapeutic development projects contribute not only to the physical well-being of patients, but also to mental well-being and social well-being including that of caregivers, and will become a solution for the realization of a sustainable society.

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● Oncology

Maximizing business value through proprietary drug discovery platforms and initiatives for new drug discovery technologies and methodologies

Taiho Pharmaceutical's broad product portfolio is supported by its proprietary drug discovery platform technologies, including the biochemical modulation technology it has continued to develop throughout its history, the Cysteinomix Drug Discovery Platform¹ that enables specific covalent modification of therapeutic targets, and the fragment-based drug discovery² platform established by Astex Pharmaceuticals. One example is futibatinib, which was discovered using the Cysteinomix Drug Discovery Platform. It has been granted Breakthrough Therapy Designation by the U.S. FDA. In March 2022, the FDA also accepted the New Drug Application of futibatinib under priority review. Likewise, pimitespib was approved by Japan's Ministry of Health, Labour and Welfare for the indication of gastrointestinal stromal tumors that have progressed after chemotherapy. Taiho Pharmaceutical is also accelerating its drug development to resolve unmet needs, collaborating with partner companies. Furthermore, it looks for opportunities for collaboration with promising startups through corporate venture capitals, thereby expanding its development pipelines in cancer immunotherapy and other areas, and acquiring innovative drug discovery platform technologies.

Meanwhile, centering on external collaborations, Otsuka Pharmaceutical is taking on the challenge of establishing new therapies with a focus on the future. This includes creating synergies with new modalities, in areas such as gene-modified T cell therapies.

Individual group companies are combining their accumulated assets in their fields of strength to bolster global operations and enhance business value.

1. Platform for discovering compounds that specifically form a covalent bond with reactive amino acid residues (mainly cysteine residues) of protein as potential drug target proteins.
2. Technology to create new compounds through molecular design. It clarifies interactions between small-molecular fragments showing pharmacological activity that cannot be measured in high-throughput screening and large molecule proteins with complicated 3D structures that have been implicated in diseases and are potential drug targets.

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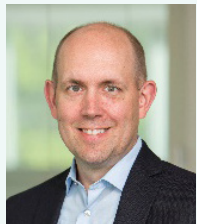
● Cardiovascular and Renal System

Creating first-in-class products through new drug discovery technologies and medical devices

In the cardiovascular and renal area, in addition to strengthening our proprietary drug discovery platforms, we also plan to actively make growth investments, examples of which have included our business alliance with Aurinia Pharmaceuticals for voclosporin and the acquisition of Visterra, a company with a renal disease-related pipeline. Combining our expertise in pharmaceuticals and medical device technologies, we also develop medical devices that are minimally invasive and less impactful on the body. In 2021, we launched the *BioMimics 3D Vascular Stent System* in Japan. Meanwhile, our Ultrasound Renal Denervation System, a revolutionary treatment method for patients with high blood pressure where existing treatments have proved ineffective, was granted Breakthrough Device Designation by the U.S. FDA. The treatment bears the CE mark* in Europe, and clinical trials are under way in the U.S. and Japan.

Moving forward, we aim to provide first-in-class products through our innovative approaches.

* Displayed on products that conform with relevant health, safety, and environmental protection standards specified by EU legislation.



Zachary Shriver
Chief Scientific Officer,
Visterra

Focusing on Building Otsuka's Kidney Franchise

Since joining Otsuka in 2018, Visterra has endeavored to grow our capabilities in biologics-based drug discovery and accelerate medicines into clinical testing. We continue to develop state-of-the-art machine learning algorithms to expedite our workflows and employ innovative scientific strategies to create novel antibody-based designs.

Through successful collaboration between the medical teams at Visterra and Otsuka, we continue to advance our investigational medicines, even with the challenges presented by the COVID pandemic. Our collective efforts led to several noteworthy successes. Sibeprenlimab (VIS649) has progressed rapidly to Phase III clinical trials for the treatment of IgA nephropathy, a serious autoimmune disease of the kidney, and was recently awarded an orphan drug designation by the European Medicines Agency. In addition, VIS171, a drug intended to regulate autoimmune responses, was recently granted regulatory permission to initiate clinical trials.

Given recent successes, we look forward to continued collaboration, expanding upon Otsuka's franchise in nephrology and immunology.

● Anti-Tuberculosis Drug Research and Development

Delamanid is improving global health one of the first new drugs in 40 years "If nobody does it, Otsuka must do it."

Delamanid is one of the newest anti-tuberculosis drugs approved in the world in the past 40 years. Although MDR-TB is currently gaining prominent attention, it had been thought that TB had become a disease that humankind has already overcome since rifampicin, currently used as one of the first-line drugs, was discovered in 1964. In the 1970s, when many researchers and research institutes around the world stopped development, Otsuka Pharmaceutical continued research, based on the belief that "TB is a serious global health problem, and we must continue our research if nobody else does it." Delamanid was created after more than 40 years. Otsuka Pharmaceutical remains actively engaged in R&D on new anti-tuberculosis drugs. For more than a decade, the company has consistently ranked among the top funders of TB R&D worldwide.

Next-generation tuberculosis drug candidate, OPC-167832

Otsuka Pharmaceutical is conducting research into anti-tuberculosis drugs that will follow delamanid. The latest development is a compound called OPC-167832, which as of 2021 is undergoing Phase II trials in South Africa to confirm its safety and efficacy. OPC-167832 kills TB bacteria through a mechanism that inhibits the activity of enzymes that are essential for synthesizing mycobacterium tuberculosis cell walls. Because its mechanism of action differs completely from those of existing anti-tuberculosis drugs, including delamanid, it is expected to be effective as a treatment for various strains of TB. In developing the drug, we received grants from the Bill & Melinda Gates Foundation, which has cited elimination of TB worldwide as one of its top priorities, to advance clinical trials. We will continue engaging in TB R&D with the aim of establishing innovative treatment methods.

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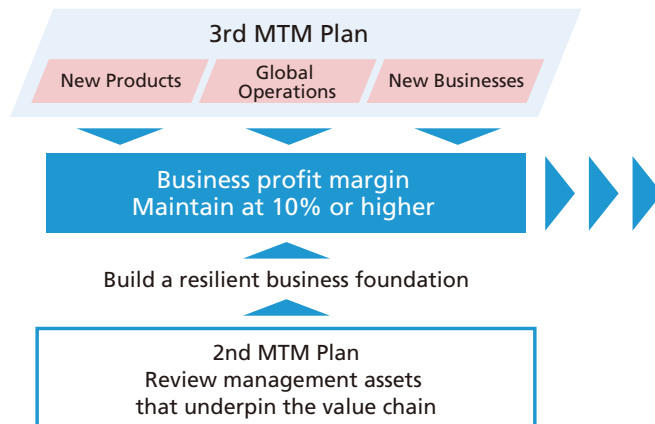
Major Development Progress in 2021

Product	Indication	Country/Region	Progress
Psychiatry and neurology			
brexpiprazole	Schizophrenia in pediatric patients	U.S.	Approved
fremanezumab	Migraine	Japan	Approved
aripiprazole (long-acting injectable)	Schizophrenia	China	Filed
centanafadine	Smoking cessation	U.S.	Started Phase II
ulotaront	Schizophrenia	U.S.	Implemented Phase III
		Japan	Implemented Phase II/III
SEP-4199	Bipolar I depression	Japan/U.S.	Implemented Phase III
Oncology			
pimipitespib	Gastrointestinal stromal tumor	Japan	Filed
fosnetupitant	Chemotherapy-induced nausea and vomiting	Japan	Filed
futibatinib	Cholangiocarcinoma	Japan/U.S./Europe	Started Phase III
	Urothelial cancer	U.S./ Europe	Started Phase II
TAS-117	Solid tumors harboring germline PTEN inactivating mutations	Japan/U.S./Europe	Started Phase II
ASTX727	Acute myeloid leukemia	U.S.	Started Phase II
OPC-415	Multiple myeloma	Japan	Started Phase I/II
TAS1553	Acute myeloid leukemia	U.S.	Started Phase I
Cardiovascular and renal system			
OPC-61815	Cardiac edema	Japan	Filed
voclosporin	Lupus nephritis	Europe	Filed
bempedoic acid	Hypercholesterolemia	Japan	Started Phase II
NO-13065	Obesity	U.S.	Started Phase I
Other categories			
difamilast	Atopic dermatitis	Japan	Approved
pamufetinib	Chronic fibrosing interstitial lung diseases with a progressive phenotype	Japan	Started Phase II

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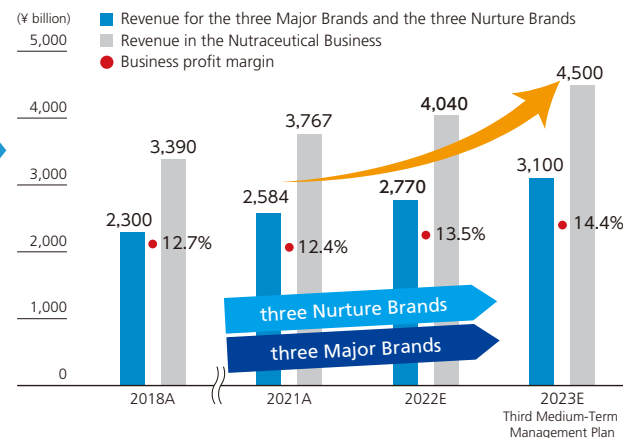
Nutraceutical Business

The Third Medium-Term Management Plan calls for revenue growth of 40 billion yen in the three Major Brands—*POCARI SWEAT*, *Nature Made*, and *Nutrition & Santé*—and 40 billion yen in the three Nurture Brands—*BODYMAINTÉ*, *EQUELLE*, and *Daiya*.

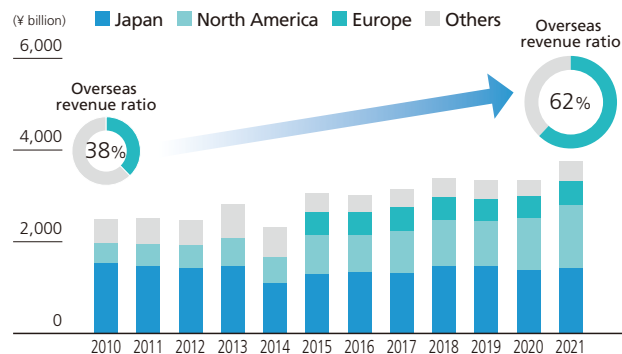


Furthermore, we are working to maintain a high-profit structure capable of a sustained business profit margin of 10% or higher. Our strategies include creating new product concepts in anticipation of changes in business and other landscapes, expanding into new categories and new regions, and accelerating our global expansion.

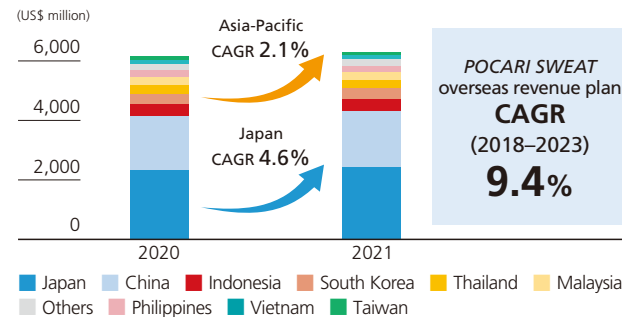
Revenue During the Third Medium-Term Management Plan



Accelerating Global Expansion—Trends in Overseas Revenue



Sports Beverage Market (Asia-Pacific)*



* Euromonitor International of the U.K.

Progress of the Three Major Brands

POCARI SWEAT

Despite the effect of restrictions due to the COVID-19 pandemic on consumer activity, sales volume for *POCARI SWEAT* (a beverage for replenishing fluids and electrolytes) is increasing, particularly overseas, due to awareness-raising activities and market development tailored to conditions in each region. In Japan, in addition to our regular activities to raise awareness of heat disorder countermeasures, new activities included providing support for the running of the Inter-High School Championships and the All-Japan Junior High School Championships, at which we also communicated the importance of measures to prevent the spread of infectious diseases. Public understanding of the importance of replenishing fluids and electrolytes at home has also been increasing, and revenue has been growing steadily as a result. In 2021, the Asia-Pacific sports beverage market expanded with CAGR of 2.1%.^{*} However, we expect to outpace market growth, forecasting CAGR of 9.4% in overseas revenue for *POCARI SWEAT* during the period of the Third Medium-Term Management Plan.

Furthermore, given higher levels of health consciousness, we are strengthening our global sales structure to expand into new regions where we expect growth in demand for health beverages. In the future, we aim to grow *POCARI SWEAT* into a 100-billion-yen brand by further enhancing brand strength through original marketing that thoroughly communicates the product concept.

Further Advancing as a Unique Total Healthcare Company

Nature Made

Launched in 1971 by Pharmavite LLC, a California-based corporation engaged in supplement-specific research and development, *Nature Made* is the No. 1 supplement brand¹ sold in U.S. stores.

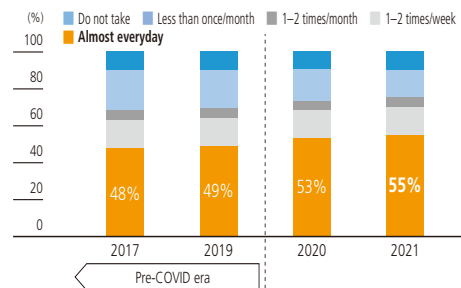
Sales of *Nature Made* in Japan began in 1993, and the brand has continued to grow by offering a range of high-quality products designed and manufactured for Japanese consumers. As a pioneer, *Nature Made* leads the Japanese supplement market, with its multivitamin and mineral supplements and vitamin D supplements ranking No. 1 for in-store sales in their respective market categories.²

Nature Made marked its 50th anniversary in 2021, and continues to be recognized for its quality and dedication to health and wellness. For 24 years beginning in 1997, a U.S. News & World Report survey conducted in collaboration with specialist publication *Pharmacy Times* has named *Nature Made* the No. 1 Pharmacist Recommended supplement.³

Compared to the pre-COVID era, the percentage of individuals in the U.S. who take supplements almost every day has increased, indicating that awareness of the importance of health is rising. As a result of rising demand, CAGR in the supplement market in the U.S. is 4.5% per year.⁴

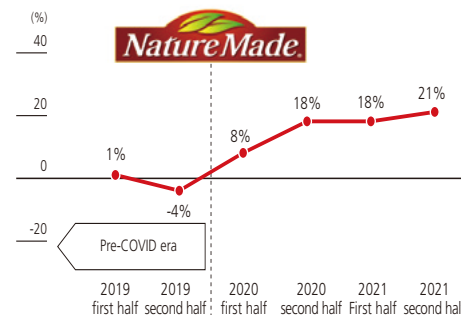
1. Based on total U.S. retail sales aggregate data reported through the Scantrack service in the supplement vitamin category for the 52-week period ended December 26, 2021. ©2022 Information Resources Inc.
2. INTAGE SRI Multivitamin / Vitamin D markets, cumulative market share by brand for January–December 2021
3. US News & World Report and Pharmacy Times 2021 Survey: Product categories: Letter Vitamins (A–E), Coenzyme Q10, Omega-3/Fish Oil, Flax Seed Oil, Herbal Supplements, Mood Health Supplements, Diabetic Multivitamins, Cholesterol Management—Natural, Garlic Supplements
4. Euromonitor International of the U.K.

Results of Survey on Frequency of Supplement and Vitamin Intake in the U.S.



Source: Euromonitor International of the U.K.

YoY Change in *Nature Made* Revenue



Nutrition & Santé

Nutrition & Santé (N&S) was founded in 1972, and is a pioneer in European health food manufacturing. “*Santé*” means “health” in French, so the company’s objective is to provide better nutrition to keep consumers healthy. N&S has 11 factories and people stationed in France, Belgium, the Netherlands, Italy, Spain, Brazil, and Portugal.

One important asset of N&S is the partnerships it has built over 40 years with local farmers, enabling it to achieve the objectives of sourcing main ingredients cultivated using sustainable farming methods and ensuring traceability. Today, consumers’ and governments’ concept of health is shifting from “human health” to the wider concept of “the Earth’s health,” which has increased the value of such partnerships among our stakeholders. We will continue to strengthen this asset to deliver health to more people.

Accelerating toward Our Vision at *Nutrition & Santé*



Luis Uribe
President
Nutrition & Santé

At *Nutrition & Santé*, we are accelerating our transformation journey—focusing and strengthening our categories and brands like *Gerbé* and rapidly growing our e-commerce business—while at the same time simplifying our portfolio and improving our operating performance in order to fuel growth.

In that sense, we aim to develop strong capabilities in e-commerce in our core countries—France, Belgium, the Netherlands, Italy, Spain, and Portugal—proposing services to consumers that go beyond products. Doing so should enable us to not only develop our D2C* business, but also to accelerate our transformation toward our Vision: “Be the recommended partner of natural nutritional solutions for the wellbeing of body and mind.” This represents an important shift in our business strategy. While we continue to respect our foundations based on nutrition and local supply chain sourcing. In 2022, we celebrate the 50th anniversary of *Nutrition & Santé*. We will reflect on our foundations while pursuing our Vision to lead preventive nutritional solutions.

* D2C: Direct to Consumer

Further Advancing as a Unique Total Healthcare Company

Progress of three Nurture Brands

BODYMAINTÉ

Focusing on the fact that athletes who put their bodies through demanding training and people under regular stress due to work or study are at a higher risk of health problems, Otsuka Pharmaceutical used research findings in the fields of “intestines and nutrition” and “exercise and nutrition,” to develop *BODYMAINTÉ*. *BODYMAINTÉ Jelly* is a conditioning food that contains the proprietary lactic acid bacteria B240, as well as BCAA, arginine, and whey protein as main ingredients, and has won the support of many athletes, sports trainers and others who challenge their bodies daily. *BODYMAINTÉ Drink* is a conditioning beverage containing lactic acid bacteria B240 and electrolytes that help keep the body hydrated. It is a convenient way for consumers everywhere to regularly maintain their health and condition.

EQUELLE

EQUELLE originated from research conducted at Otsuka Pharmaceuticals' Saga Nutraceuticals Research Institute, where women's health is a research theme. *EQUELLE*, which contains equol, is sold in Japan and the U.S. as a food product that supports women's health and beauty at a time when aging brings physical and mental changes. In Japan, we have deployed dedicated staff with expert knowledge of women's health nationwide. With the cooperation of physicians, pharmacists and other healthcare professionals we convey the importance of personal care to women who are experiencing physical and mental changes, among other activities aimed at maintaining and improving the health of women and enhancing quality of life. Otsuka Pharmaceutical also provides a broad range of up-to-date information concerning women's health, including through the Women's Healthcare Project website.

Daiya

Daiya Foods develops, manufactures, and sells high-quality, creative plant-based food products such as cheese alternatives, dressings, and desserts. Its brand, *Daiya*, is enjoyed not only by vegetarians and people with food allergies, but also by the health-conscious millennial generation.

The U.S. plant-based alternatives market continues to grow. *Daiya Foods* is expanding its sales channels and product lineup, mainly in the area of cheese alternatives, which are its core product. Under the Third Medium-Term Management Plan, we plan to achieve revenue CAGR of 25%.



**BODY
MAINTÉ**

Lactic Acid Bacteria B240

Lactiplantibacillus pentosus ONRICb0240 is a plant-derived lactic acid bacteria isolated through the fermentation of a type of tea leaf, traditionally consumed in northern Thailand. It was isolated by Sanae Okada, Professor Emeritus of Tokyo University of Agriculture* and its efficacy was confirmed by Otsuka Pharmaceutical.

* J Gen. Appl. Microbiol. 1986;32:57-65

Equol

Equol is an ingredient produced when daidzein, a soybean isoflavone, is metabolized by intestinal bacteria. One aspect of Otsuka Pharmaceutical's many years of soybean research was a focus on the properties of equol. The Saga Nutraceuticals Research Institute succeeded in isolating the *Lactococcus* 20-92 strain, a lactic acid bacteria that produces equol. We publicize the progress results of a variety of research and continue to be a leader in global research in this field.



Further Advancing as a Unique Total Healthcare Company

Future of Nutraceutical Business

Opportunities and Risks

The Nutraceutical Business involves risks such as stagnation in the global economy due to the COVID-19 pandemic, intensifying competition, soaring raw material and shipping prices, a shrinking market in Japan due to population decline, and sluggish markets due to unseasonable weather. Despite these risks, the Otsuka group continues to search for solutions

to emerging health issues. Utilizing expertise honed in its Pharmaceutical Business, the Otsuka group will develop original science-based products to maintain and improve people's health and supply these products around the world. Furthermore, by tenaciously continuing with activities to communicate the value our products, we will create entirely new product markets.

Future Initiatives

Health awareness is on the rise. In the Nutraceutical Business we will use the unique expertise we have accumulated in the Pharmaceutical Business to provide solutions (based on entirely new concepts) that address yet-to-be-imagined needs and health issues. In doing so, we aim to extend healthy life expectancy through the maintenance and improvement of people's health. Furthermore, we will reinforce our supply chain by decentralizing manufacturing sites and optimizing logistics, and respond to pandemic-related changes in consumer needs using our current strategy of targeting the self-medication market. In countries where we already do business, we will engage in new types of marketing activities for our Major Brands and Nurture Brands to improve brand value, expand the scale of our business, and accelerate our global expansion through new growth markets.

<p>Strengths</p> <ul style="list-style-type: none"> • Creative products and marketing based on scientific evidence • <i>POCARI SWEAT</i> and other products with long-term popularity • Overseas businesses that incorporate solutions to social issues through their core business processes • Steady earnings power <p>Strength</p>	<p>Weaknesses</p> <ul style="list-style-type: none"> • Brand development in this field takes time • Mechanisms for responding to unforeseen increases in demand • Dependence on manufacturing sites and raw material suppliers concentrated in specific regions <p>Weakness</p>
<p>Opportunities</p> <ul style="list-style-type: none"> • Rising consumer awareness of self-medication, prevention and daily health in tandem with medical cost inflation • Diversification of diet • Changing consumer needs due to the pandemic <p>Opportunity</p>	<p>Threats</p> <ul style="list-style-type: none"> • Sluggish overall beverage market due to unseasonal weather • Intensification of competition in core areas due to entry of new competitors • Pressure on earnings due to soaring raw material and shipping prices • Supply chain disruptions due to geopolitical risk and other factors <p>Threat</p>

Further Advancing as a Unique Total Healthcare Company

Research and Development

At our R&D sites in the Nutraceutical Business, we are investigating themes such as nutrition and exercise from unique viewpoints that utilize expertise honed in our Pharmaceutical Business.

Saga Nutraceuticals Research Institute

In addition to developing new science-based products using in-house research published data, we will continue to undertake research on the replenishment of fluids, electrolytes, and nutrients to support improved physical performance and conditioning among consumers.

Since its establishment in 1984 as Japan's first private research institute for clinical exercise and nutrition, the Saga Nutraceuticals Research Institute has conducted R&D in various fields related to exercise and nutrition, women's health, and other health issues. In 2014, one of the largest controlled-environment rooms in Japan was completed at the institute, enabling the recreation of



hypoxic environments equivalent to those found at an altitude of 5,000 meters, which were previously difficult to recreate, as well as high-temperature/high-humidity and low-temperature/low-humidity conditions. This facility helps advance research into sports nutrition, such as by verifying the effects of fluid and nutritional intake in such environments.

Otsu Nutraceuticals Research Institute

The Otsu Nutraceuticals Research Institute was established in 2000 to advance research on intestinal immunity, with a particular focus on the intestines, which play a key role in overall health. One example of the institute's research is related to enhancing the body's biological barrier by increasing the secretion of immunoglobulin A (IgA), an antibody that plays a crucial role in mucosal immunity. Exploratory R&D demonstrated that lactic acid bacteria B240 heightens the function of mucosal immunity and lowers the probability of catching the common cold.



Otsu Skin Care Research Institute

Otsu Skin Care Research Institute performs R&D of cosmetics. We wanted to improve people's health not only from within, but also from without, by ensuring the skin, the body's protective covering, was cared for. Focusing on the ingredient AMP,¹ a substance found naturally in the body, we developed Energy Signal AMP.² An active ingredient that supports skin turnover and encourages melanin excretion from the body, it is an ingredient of the main products of the *InnerSignal* series. *UL-OS* contains the moisturizing ingredient AMP,³ which is based on one of Otsuka's proprietary formulas. The product line has steadily expanded to include moisturizer, sunblock, skin wash, refresh sheets, shampoo, and whitening care,⁴ and has grown into a brand that offers total skin care for the body from head to toe.

1. Adenosine monophosphate
2. Disodium adenosine monophosphate OT

3. Adenosine monophosphate (moisturizing ingredient)
4. Suppresses production of melanin and prevents skin blemishes and freckles



Further Advancing as a Unique Total Healthcare Company

Continued Activities to Achieve Healthy Lifestyles

Considering nutritional problems to be a social issue, the Otsuka group continues to work to create systems that can support people's health in a range of situations, including exercise and sport—which are an essential health maintaining.

Activities to Communicate the Importance of Replenishing Fluids and Electrolytes

Since launching *POCARI SWEAT*, Otsuka Pharmaceutical has continued to communicate the importance of replenishing fluids and electrolytes in a variety of contexts. Following the establishment of the Japan Sport Association's Study Group for the Prevention of Heat Disorders in Sports Activities in 1991, from 1992 Otsuka Pharmaceutical began working with the association on activities to build understanding of and help prevent heat disorders. During the ensuing years, the company has continued to provide information on a growing number of themes, including children's sport, labor health and safety, and rehydration for senior citizens. Otsuka Pharmaceutical's website includes an information section titled Protect Yourself From Heat Disorders and a section presenting content based on the Japan Sport Association's *A Guidebook for the Prevention of Heat Disorder During Sports Activities (First Edition)*. Another initiative is the Heat Disorders Prevention website, which was created in collaboration with weather forecasters. Through these and other activities, we are further raising awareness of the topic. In addition, Otsuka Pharmaceutical Factory, which sells *OS-1*, an oral rehydration solution, provides operational support to Oshiete! "Kakure Dassui" linkai, an organization that raises awareness of ways to prevent and treat dehydration before it becomes critical.



Sponsoring the Tokyo Marathon from the Inaugural Race: Supporting Runners in Replenishing Fluids, Electrolytes and Nutrients

Otsuka Pharmaceutical has been an official partner of the Tokyo Marathon—one of the largest urban marathons in Asia—since the inaugural race, and has supported runners in replenishing fluids, electrolytes and nutrients during the event. The Tokyo Marathon sparked a running boom in Japan, and in conjunction with rising health awareness, has been a major factor in increasing the number of domestic runners. In 2021, with thorough infection prevention measures in place, the public were able to run in the Tokyo Marathon for the first time in three years.

For runners competing in the 26.2 miles (42.195 km), dehydration, loss of energy, and muscle injury can be serious issues. Every year at the Tokyo Marathon, replenishing fluids, electrolytes and nutrients that runners lose is a major challenge to finishing the race safely. Using the expertise from its Pharmaceutical Business, Otsuka Pharmaceutical has provided runners with evidence-based nutraceutical products and relevant information, and will continue to offer support to runners in future races.

Heat Disorder Countermeasures Suited to the New Normal at the All Japan Inter-High School Championships Ensuring Safe Operation and Supporting the Health of Competitors and Officials

Otsuka Pharmaceutical has been a special sponsor of the All Japan Inter-High School Championships for eight consecutive years since 2014. Due to the pandemic, in 2021 the championships had to be held with thorough infection prevention measures in place. As such, Otsuka Pharmaceutical worked with the All Japan Inter-High School Sporting Association and the hosting prefectures to create a system to ensure thorough support for the prevention of heat disorders. Measures included encouraging the use of personal squeeze bottles by athletes, which minimizes interaction with officials and prevents the sharing of drinks and other forms of close contact. In addition to supporting organizing committee members in becoming qualified as Heat Disorder Prevention Advisors, the company also worked with students in the broadcasting team to draft warning announcements regarding heat disorders. In these and other ways, Otsuka Pharmaceutical is supporting both athletes and event staff.

Further Advancing as a Unique Total Healthcare Company

Consumer Products

In 1968, Otsuka Foods released *Bon Curry*, the world's first commercially available food in plastic pouch bags (retort bags), and has since launched a range of products that have been ahead of their time, such as *Mannan Hikari*, a rice-like processed food made from refined konjac flour and other ingredients, the *My Size* series, perfect for people who feel that the portion size and calorie count of their meals are high, and *Zero Meat*, meat-free products made from soybeans.

Otsuka Foods aims to develop the kinds of products that people are happy to serve to their friends and family and incorporate the four key ingredients of flavor, safety, peace of mind, and health.

Based on its original concepts and development capabilities, as well as a traditional pioneering spirit, Otsuka Foods will continue to deliver original flavors and new dreams to people's tables as only Otsuka Foods can.



Zero Meat



Bon Curry Veggie

Zero Meat was developed to solve a range of current social issues related to health, food shortages, and environmental impact. With no animal-based ingredients,¹ *Zero Meat* products are entirely plant-based, using soy² as a meat alternative.

1. Animal-based ingredients include those made from beef, pork, chicken, eggs, milk, honey, and seafood.
2. This product uses processed soybeans.

Bon Curry Veggie is an addition to the *Bon Curry* lineup that brings out the delicious flavors of plant-based ingredients and uses no animal-derived ingredients. Made using vegetables and beans produced in Japan, *Bon Curry Veggie* is unlike conventional curries that use a flour-based stock, instead using pureed vegetables and fruits to gently thicken the sauce. Moreover, ingredients have been carefully selected to ensure the product is vegan-friendly.³

3. Otsuka Foods' definition of vegan friendly is as below: Products that do not use animal-based ingredients (beef, pork, chicken, eggs, milk, honey, or seafood).
Further information:
<https://www.otsukafoods.co.jp/en/company/business/vegan.html>

Others

Otsuka's diversified operations include a chemical business that supplies various materials in the fields of automobiles, electrical and electronic equipment, and building materials; a transportation and warehousing business that aims for environmentally friendly logistics, mainly for Otsuka group pharmaceuticals, foods, and beverages; and an electronic equipment business that supports the development of leading-edge technologies. Otsuka Chemical's operations center on materials. The company aims for continuous technological innovation in automotive, electrical and electronic equipment, housing, and healthcare areas, and provides products worldwide.

Based on organic, inorganic, and high-molecular chemical technologies, Otsuka Chemical is engaged in diverse material development with the aim of offering high added value in line with the needs of the smart device, mobility, and other markets. Moreover, the company goes beyond offering materials to propose solutions for various industries from a global perspective.

Otsuka Chemical has also succeeded in the development of GCLE, a proprietary pharmaceutical intermediate for cephalosporin antibiotics. Leveraging the technological expertise accumulated in this development process, the company is moving forward with research and development on active pharmaceutical ingredients and intermediates, including for *B*-lactam antibiotics.



Otsuka Chemical India (GCLE Production Plant)

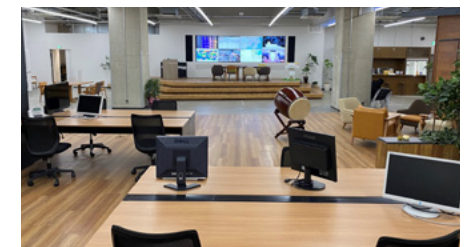


New office at Zhangjiagang Otsuka Chemical

Otsuka Warehouse provides optimal logistics solutions. This includes working with external manufacturers to promote joint distribution, with a focus on the Otsuka group's pharmaceuticals, beverages/food products, and daily necessities. Furthermore, the company has built an IT-based connected logistics system and is promoting paperless working environments, eco-friendliness, and work style innovation.



Warehouse work using digital devices



Paperless offices using data-sharing systems