

Toward the Next Medium-Term Management Plan



We will Create New Value through Synergies among Group Companies.

Looking back on 2022

In 2022, we achieved double-digit sales growth and profit growth from 2021, with revenue of 1,738 billion yen and business profit of 174.9 billion yen.

In the Pharmaceutical Business, the four Global Products, our mainstay products, achieved the targets of the Third Medium-Term Business Plan two years ahead of schedule, and sales grew significantly. In clinical development, *REXULTI* was designated for priority review by the U.S. FDA for the indication of agitation associated with dementia due to Alzheimer's disease, and in the medical device business, ultrasound renal denervation (uRDN) system was accepted for filing by the U.S. FDA for the indication of poorly controlled hypertension.

In the Nutraceutical Business, we maintained stable, high profitability centered on our three major brands, *POCARI SWEAT*, *Nature Made*, and Nutrition & Santé products, and achieved record high revenue and business profit. On the other hand, the three nurtured brands did not achieve the significant growth that had been expected, due in part to the spread of the COVID-19 pandemic and the inflationary effects of Russia's invasion of Ukraine.

2023 Initiatives

In 2023, we aim to achieve record revenue of 1.8 trillion yen and business profit of 210 billion yen, exceeding the 2023 plan in the Third Medium-Term Management Plan.

In the Pharmaceutical Business, we will continue to aim to maximize the value of our four Global Products, steadily execute trials of late-stage development projects, nurture new products, and further expand the product pipeline that will drive our growth beyond 2030. In particular, the results of the U.S. review of *REXULTI* for agitation associated with dementia due to Alzheimer's disease and uRDN system for poorly controlled hypertension are very important for our future growth strategy.

In the Nutraceutical Business, Otsuka will work to further expand the scale of its business centered on its three Major Brands, while aiming to accelerate the growth of the three Nurture Brands that will support its future business. In addition, as a unique total healthcare company, Otsuka will work to create new concepts of products and new markets that are unique to Otsuka. Under the theme of women's health, after acquiring Uqora in the U.S. in 2021, Otsuka launched a Women's Health Business Unit and will aim to further accelerate growth.

Otsuka Group Management Supporting Growth Strategies

The Otsuka group currently consists of 196 companies, and historically, it has respected the autonomy of each company, creating a variety of innovations through friendly competition among them. It is well known that the Otsuka Group has applied technologies based on ideas from pharmaceuticals to different business fields, resulting in hit products such as *Bon Curry*, *POCARI SWEAT*, and *Calorie Mate*.

Otsuka's unique strength lies in its ability to contribute to total healthcare through a broad range of products that contribute to clinical nutrition, including nutraceutical products that support the maintenance and promotion of daily health, diagnostics that play a role in the diagnosis and treatment of diseases, therapeutic drugs and devices, and IV solutions and enteral nutrition products. Otsuka Holdings will continue to play a central role in communicating with each of the operating companies, acting as a bridge between them and supporting their growth strategies to maximize the effective use of their assets.

Review of Current and Past Medium-Term Management Plans, and Looking Forward to the Next Medium-Term Management Plan

Click here for details of the Third Medium-Term Management Plan.



<https://www.otsuka.com/en/ir/management/plan.html>

Under the corporate philosophy of “Otsuka people creating new products for better health worldwide,” the Otsuka group has formulated medium-term management plans with the aim of becoming an indispensable contributor to the people’s health worldwide as a total healthcare company. Based on Otsuka’s DNA of “*Ryukan-godo*,” “*Jissho*,” and “*Sozosei*,” we will continue contributing to society and achieving sustainable growth through “what only Otsuka can do.”

Review of past medium-term management plans

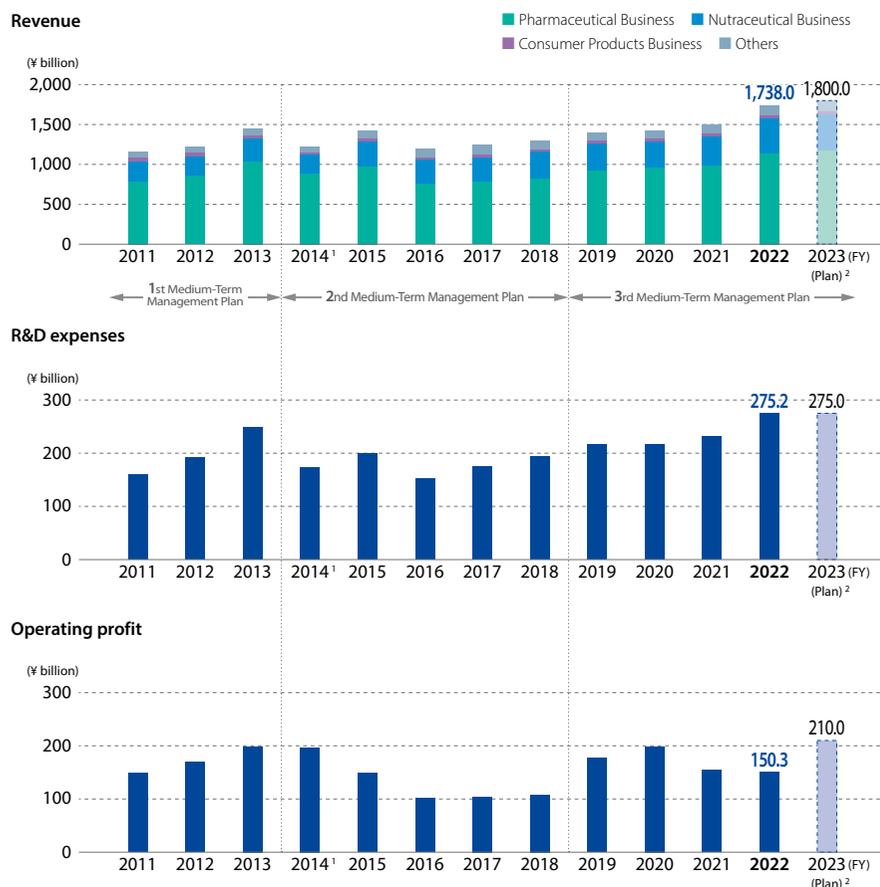
	The First Medium-Term Management Plan (FY 2011-FY 2013)	The Second Medium-Term Management Plan (FY 2014 - FY 2018)	The Third (current) Medium-Term Management Plan (FY 2019 - FY 2023)
Gist of the Medium-Term Management Plan	Three years to establish a world-class structure as a global healthcare company with both medical and nutraceutical businesses.	Establish a diversified earnings structure to achieve sustainable growth	Advance in the Global Market as a Unique Total Healthcare Company ~ Five-Year Growth Phase ~
Final year targets of the Medium-Term Management Plan	FY 2013 Plan (announced in May 2011) <ul style="list-style-type: none"> Revenue: ¥1,330 billion Research and development expenses: ¥200.0 billion Operating income: ¥200.0 billion Profit: ¥130.0 billion EPS: ¥230 ROE: more than 10% 	FY 2018 Plan (announced in August 2014) <ul style="list-style-type: none"> Revenue: ¥1,440.0 billion Operating income before investment in R&D expenses: ¥370.0 billion Research and development expenses: ¥170.0 billion Operating income: ¥200 billion ROE: 8-10% 	FY 2023 Plan (announced in May, 2019) <ul style="list-style-type: none"> Revenue: ¥1,700.0 billion Operating income before investment in R&D expenses: ¥460.0 billion Research and development expenses: ¥260.0 billion Operating profit: ¥200 billion (CAGR above 10%) ROE: above 8.0%
Results	FY 2013 Results Revenue and profit grew faster than originally planned. <ul style="list-style-type: none"> Revenue: ¥1,452.8 billion Research and development expenses: ¥249.0 billion Operating income: ¥198.7 billion Profit: ¥151.0 billion EPS: ¥278.1 ROE: 10.8% 	FY 2018 Results Established a diversified revenue structure <ul style="list-style-type: none"> Revenue: ¥1,292.0 billion Operating income before investment in R&D expenses: ¥324.4 billion Research and development expenses: ¥192.9 billion Operating income: ¥108.3 billion ROE: 4.7% 	FY 2022 Results <ul style="list-style-type: none"> Revenue: ¥1,738.0 billion Operating income before investment in R&D expenses: ¥450.1 billion Research and development expenses: ¥275.2 billion Operating profit: ¥150.3 billion FY 2023 forecast* <ul style="list-style-type: none"> Revenue: ¥1,800.0 billion Operating profit: ¥210 billion
Issues	Pharmaceutical Business <ul style="list-style-type: none"> Strengthening of core therapeutic areas Diversification of the sales structure Nutraceutical Business <ul style="list-style-type: none"> Revision of business assets that support the value-chain Acceleration of global expansion Improvement of profitability 	Pharmaceutical Business <ul style="list-style-type: none"> Maximizing value of existing businesses Try new frontiers that only Otsuka can do Generate innovation from creative and diverse research platforms Nutraceutical Business <ul style="list-style-type: none"> Creating new concepts keeping an eye on changes in the environments Trying new categories and new areas Maintaining a high profit margin structure 	<ul style="list-style-type: none"> Organically growing mainstay products and brands in Pharmaceutical and Nutraceutical businesses Implementing aggressive R&D investments and continuing development of new drugs that drive revenue growth from the next MTM on Strategic initiatives for mainstay products and brands to accelerate growth Nurturing next-generation businesses and products Balancing investments for future growth and shareholder return Securing funds for investments for growth and shareholders return

* Announced February 2023

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Results

The Otsuka group is characterized by the diversity of its businesses. In particular, during the period of the medium-term management plans, the group as a whole has achieved stable growth through the growth of its Pharmaceutical Business, such as four global products, and the continuous profit generation of the Nutraceutical Business through profit structure reform. By supporting this unique Otsuka business model with aggressive R&D investment, we aim to make further progress by creating new value.



1. For 2014, figures used are for the nine-month period from April 1, 2014 to December 31, 2014 due to a change in the fiscal year end.
2. Announced February 2023

Developing the next generation of growth drivers

In 2013, approximately 40% of our revenue came from just one product, *ABILIFY*. In order to diversify our earnings structure, we made aggressive investments and steadily implemented key measures during the periods of the First and Second Medium-Term Management Plans.

The major results of these efforts are the four Global Products. The current total sales of these products have grown to surpass the 2013 sales of *ABILIFY*, enabling us to diversify our revenue sources and produce results that drive our growth going forward. Under the ongoing Third Medium-Term Business Plan, we are actively working to nurture the next generation of growth drivers, and during the Fourth Medium-Term Management Plan, we will increase the number of products to 10 for which patents will continue until 2028, and increase the number of products in each therapeutic area.

