Creating a future of Well-being as a total healthcare company

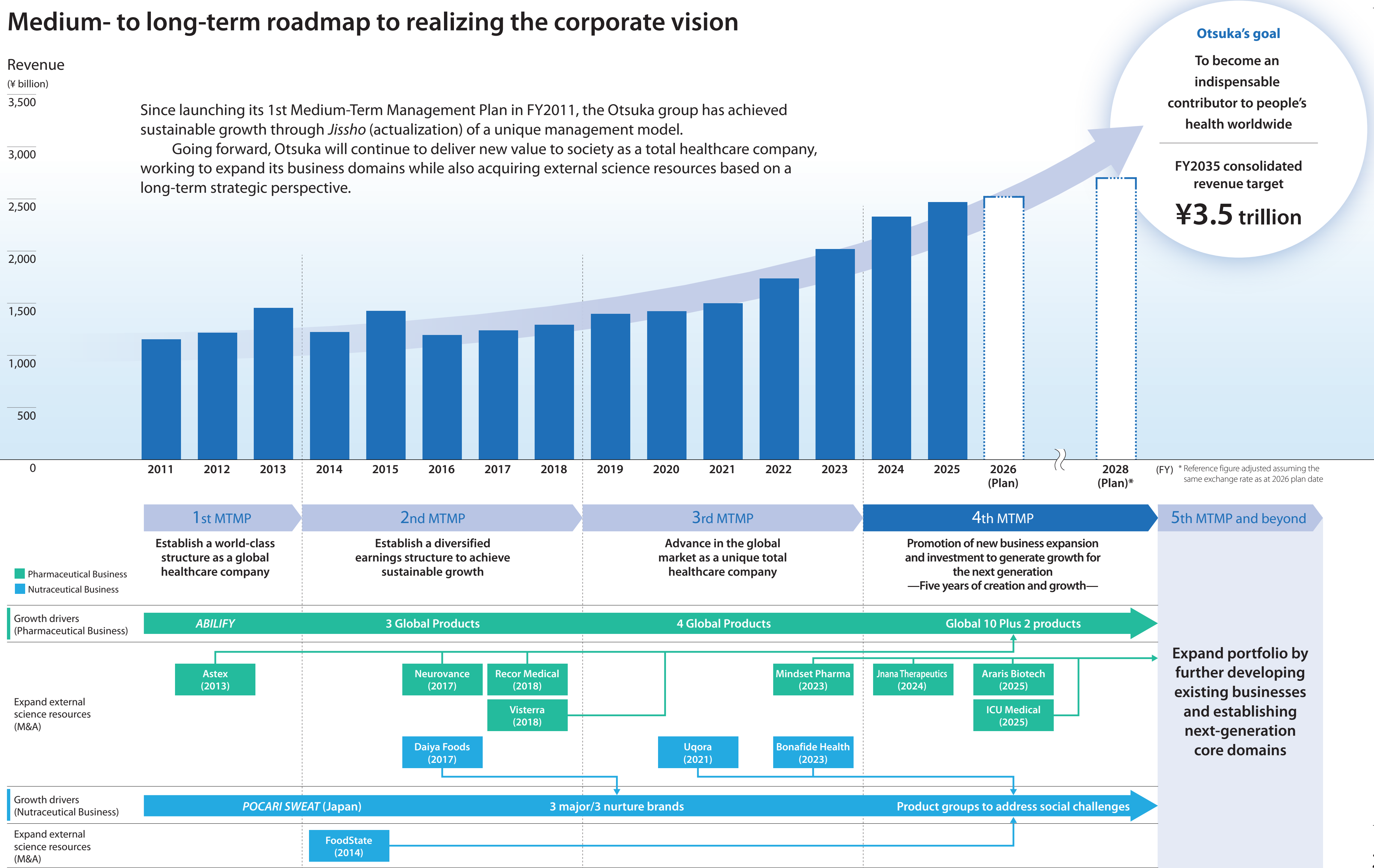
Medium- to long-term management plan

22 Medium- to long-term roadmap to realizing the Corporate Vision
23 The 4th MTMP (FY2024–FY2028)
Basic policy
Progress up to FY2025
Outlook for FY2026
26 Message from the CFO
32 Leadership message (sustainability)
34 Financial and non-financial highlights

Medium- to long-term roadmap to realizing the corporate vision

Since launching its 1st Medium-Term Management Plan in FY2011, the Otsuka group has achieved sustainable growth through *Jissho* (actualization) of a unique management model.

Going forward, Otsuka will continue to deliver new value to society as a total healthcare company, working to expand its business domains while also acquiring external science resources based on a long-term strategic perspective.



Basic policy of 4th MTMP

Promotion of new business expansion and investment to generate growth for the next generation
— Five years of creation and growth —

Social issues that Otsuka is particularly focused on

Global environment	Women's health	Aging societies with declining birthrates
Heat is a common global problem	Great health needs in various age groups	Population aging is progressing rapidly, especially in developed regions

Solving social issues and creating a future of Well-being

The 4th MTMP is positioned as a period of "promotion of new business expansion and investment to generate growth for the next generation—five years of creation and growth." During this period, we are focusing on addressing the social issues of the global environment, women's health, and aging society with declining birthrates based on the concept of total healthcare extending from health promotion to disease prevention, diagnosis, and treatment.

In the Pharmaceutical Business, we anticipate a period of temporary adjustment during the plan period due to LOE of some key products. In response, we will strive to maximize the value of our key products in both the Pharmaceutical and Nutraceutical Businesses, while also accelerating growth investments and fostering next-generation growth drivers. Furthermore, we will pursue a proactive financial strategy to support sustainable growth and implement management based on a strong awareness of the cost of capital with the aim of enhancing corporate value over the long term.

Growth drivers to deliver sustainable growth

Strengthen portfolio by further developing existing businesses and establishing next-generation growth drivers

Pharmaceutical Business: Global 10 Plus 2 products

		Product	Area
Core 2	Products to drive growth during the 4th MTMP	*REXULTI*	Psychiatry and neurology area
		LONSURF	Oncology area
Next 8	8 products expected to provide sales growth in the 5th MTMP and beyond	ulotaront	Psychiatry and neurology area
		centanafadine	Psychiatry and neurology area
		uRDN	Autoimmunity area
		VOYXACT	Cardiovascular area
		zipalertinib	Oncology area
		LYTGOBI	Oncology area
		INQOVI	Oncology area
		ASTX030	Oncology area
Plus 2	2 strategically out-licensed products	*Kisqali**	Oncology area
		Pluvicto	Oncology area

* Product sold by Novartis

Nutraceutical Business: Product groups to address social challenges

For climate & environmental risk	*POCARI SWEAT* Nutrition & Santé products	*OS-1* Daiya
For women's health	*EQUELLE* *Bonafide*	*Uqora* Cosmedics
For healthier life	*Nature Made* *Calorie Mate*	*MegaFood* */zeroz*

In the Pharmaceutical Business, we have positioned the Global 10 Plus 2 products as growth drivers and are working to maximize the value of the Core 2 products, which will drive growth in the 4th MTMP. Additionally, we have been accelerating efforts to nurture the Next 8 products, which will support growth in the subsequent period, and are achieving steady results.

In this way, we have continued to deliver unique value amid drastic change in the business environment by not only further developing existing businesses but also implementing a strategy focused on future growth.

In the Nutraceutical Business, we have created markets responding to each area of social challenge by delivering product value based on scientific evidence in the form of solutions to social issues. We will continue to leverage as growth drivers our three product groups to address social issues.

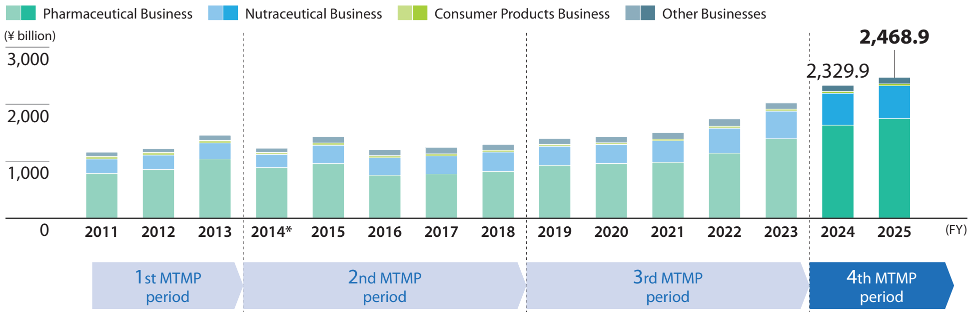
We will also maintain initiatives for sustainable growth by delivering value through group-wide efforts to support individual lifestyles, collaborating across the boundary between the Pharmaceutical and Nutraceutical Businesses.

The 4th MTMP (FY2024–FY2028) | Progress up to FY2025

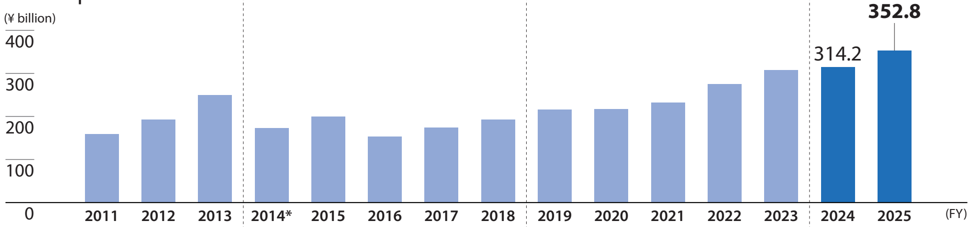
Results

The Otsuka group has achieved stable growth based on expansion of global and other products in the Pharmaceutical Business, and sustained profitability in the Nutraceutical Business through its high-margin strategy. By supporting this unique Otsuka business model with a solid financial foundation, we aim to achieve further growth through the creation of new value.

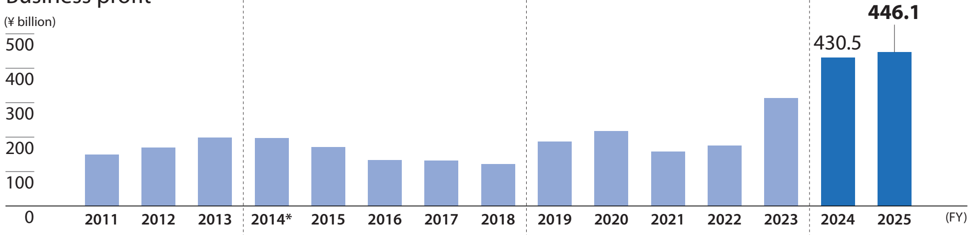
Progress in revenue



R&D expenses



Business profit



Note: 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.

Overview of FY2025 consolidated results

In FY2025, we achieved record highs in revenue and all profit indicators, due mainly to growth in the Pharmaceutical and Nutraceutical Businesses.

Revenue increased 6% year on year to ¥2,468.9 billion on the solid performance of the growth drivers *ABILIFY MAINTENA* and *REXULTI* combined with increased royalty income and a significant contribution from the Nutraceutical Business overseas. Business profit increased 3.6% to ¥446.1 billion, as higher gross profit resulting from revenue growth more than offset aggressive R&D investments. ROE meanwhile exceeded the 10% target set at the beginning of the period to reach 12.6%.

Performance targets | KPIs

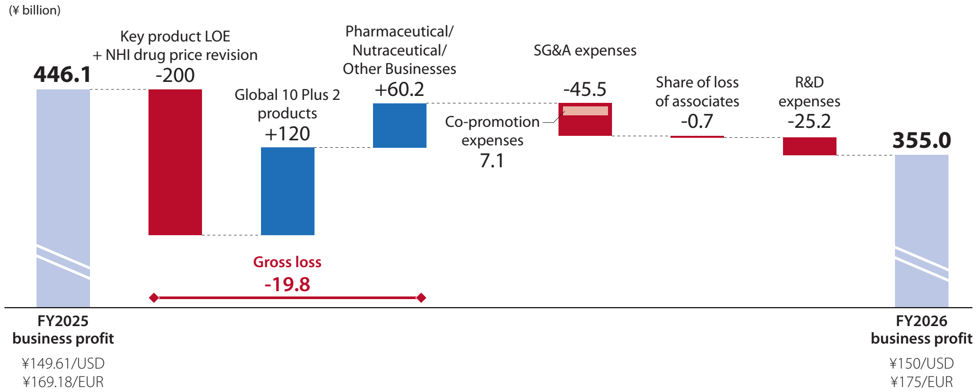
	FY2025 results	FY2026 plan (announced February 2026)	FY2028 MTMP	FY2028 MTMP* (after exchange rate adjustment)
Revenue (¥ billion)	2,468.9	2,520.0	2,500.0	2,700.0
Business profit before R&D investments (¥ billion)	799.0	733.0	720.0	820.0
Ratio/Revenue	32.4%	29.1%	28.8%	30.4%
R&D expenses (¥ billion)	352.8	378.0	330.0	—
Business profit (¥ billion)	446.1	355.0	390.0	450.0
Ratio/Revenue	18.1%	14.1%	15.6%	16.7%
Operating cash flow before R&D investments (¥ billion)	739.2	686.0	650.0	—
EPS	¥685.1	¥504.9	¥550	—
ROIC	11.9%	8% or more	9.5% or more	—
ROE	12.6%	8.5% or more	10% or more	—
Exchange rate assumptions	¥149.61/USD ¥169.18/EUR	¥150/USD ¥175/EUR	¥130/USD ¥140/EUR	¥150/USD ¥175/EUR

* Reference figure adjusted assuming the same exchange rate as at 2026 plan date

Revenue and business profit plans

Revenue in FY2026 is expected to grow 2.1% year on year to ¥2,520 billion due to growth in the Global 10 Plus 2 products and increased revenue in the Nutraceutical Business. Due to the combined impact of LOE in key products and drug price revisions in Japan, gross profit is expected to decrease by ¥19.8 billion. Growth in the Pharmaceutical and Nutraceutical Businesses, however, is progressing at above the level foreseen in the 4th MTMP. SG&A and R&D expenses are expected to increase, reflecting proactive investments in next-generation growth drivers and preparations for new product launches. As a result, business profit is expected to amount to ¥355.0 billion. By advancing with the expansion of existing businesses and the nurturing of products that will drive future growth, we aim to keep the period of profit adjustment short and its impact minimal so as to return to a growth trajectory.

Analysis of factors in increase/decrease of business profit in FY2025 and FY2026 (Announced February 2026)



Growth investments that support sustainable growth

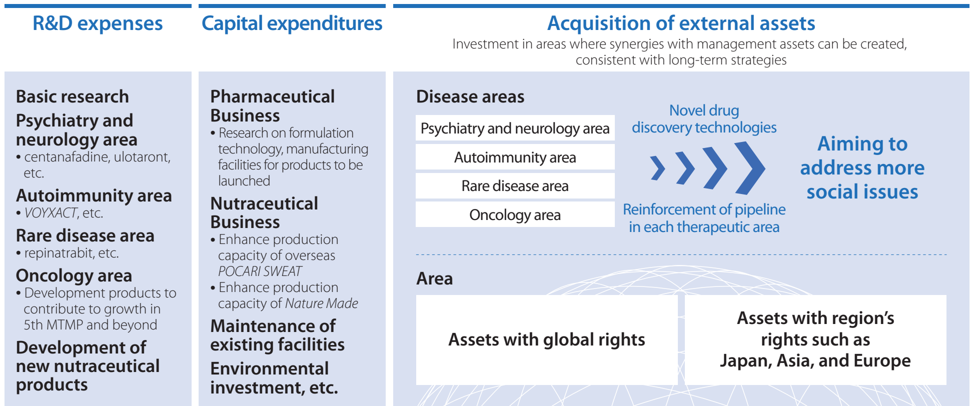
In line with the policy of strengthening the business portfolio as one driven by social issues, the Pharmaceutical Business is advancing with basic research and clinical development focused on the areas of psychiatry and neurology, autoimmunity, rare diseases, and oncology. This will facilitate the creation of innovative in-house products on a continuous basis. To maximize the product value of *VOYXACT*, a therapy for IgA nephropathy launched in the U.S. as a first-in-class drug in FY2026, we are progressing simultaneously with establishing a strong position in the field of IgA nephropathy and developing additional indications. Looking ahead over the next decade, we will promote investments that combine both short- and long-term perspectives, including the in-licensing of early-stage compounds across our focus areas. In March 2026, we concluded an agreement to acquire Transcend Therapeutics, Inc., which is currently developing TSND-201, a potential treatment for post-traumatic stress disorder (PTSD), an area with remaining unmet needs.

We envisage not only steady growth for TSND-201, but also synergies with group assets through this acquisition. Going forward, we will take this project forward actively with the aim of becoming a leading player in the field of psychiatry and neurology.

In the Nutraceutical Business, we are currently engaged in the development and marketing of */zeroz*, a new product that emerged from an integrated life science approach. For the further expansion of existing businesses, we are focusing on the nutritional supplement business and new product development and launches in the area of women's health. An additional focus area is *POCARI SWEAT*, where we have established factories and launched sales in regions that promise future growth. This will enable us to continue addressing social issues on a global basis.

Going forward, we will continue to proactively consider investment in areas where it is consistent with our long-term strategies and where synergies with existing management assets can be created. By also strengthening our pipeline in priority domains and regions, we aim to build a robust business portfolio and achieve sustainable growth.

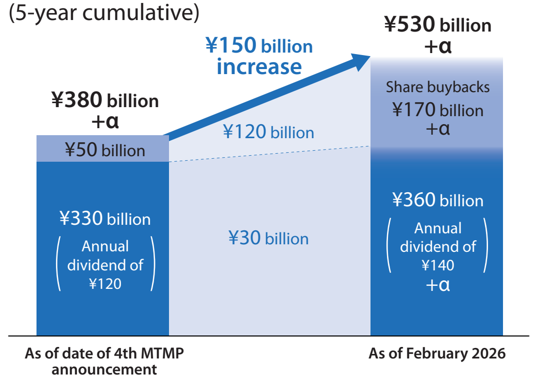
Future direction of investment for growth



Shareholder return policy and share buybacks

Our basic policy is to provide stable shareholder return in the medium to long term. During the period of the 4th MTMP, the favorable progress of next-generation products has created positive prospects for future growth. As a result, we were able to announce share buybacks of ¥70 billion in FY2025 and ¥50 billion in FY2026, providing a shareholder return exceeding the initial plan. We will take a flexible approach to additional shareholder returns based on a range of considerations, including short-term business progress, the outlook for sustainable growth in the 5th MTMP period and beyond, and the total shareholder return ratio.

Total shareholder return under 4th MTMP (5-year cumulative)



Message from the CFO

Creating a virtuous cycle of social and corporate value through cash generated by organic growth

—Otsuka group's financial strategy for sustainable value creation—

Yuko Makino
Senior Executive Director, CFO and Board Member
Otsuka Holdings Co., Ltd.

1. Overview of business performance and Corporate value creation (TSR)

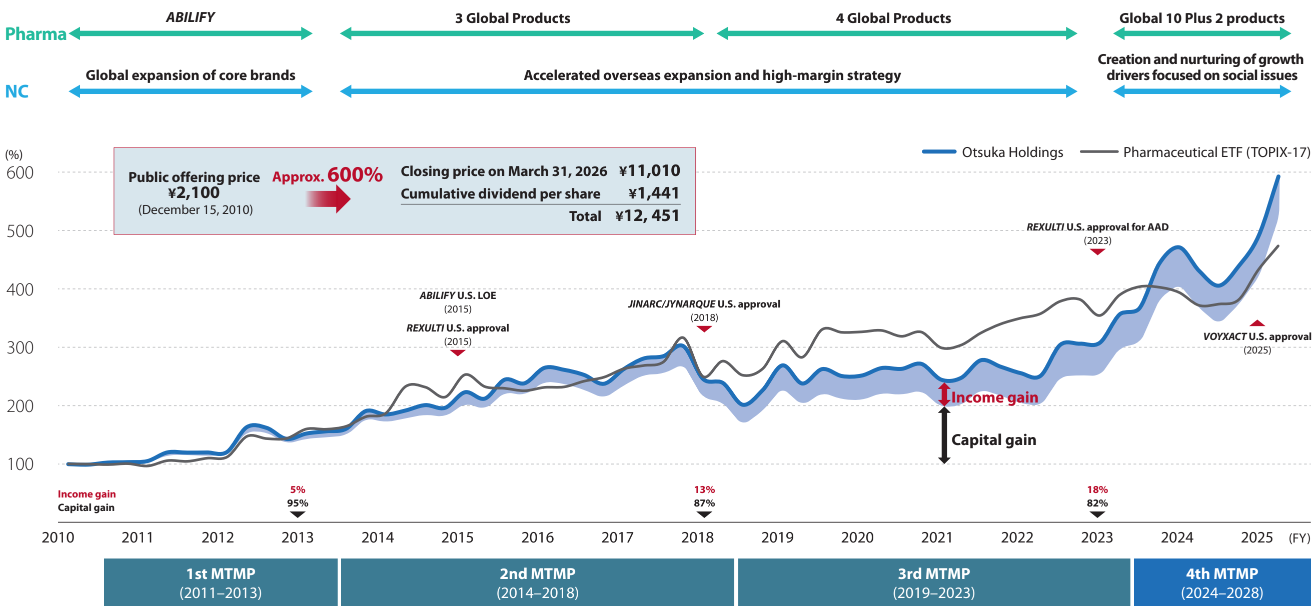
(1) Overview of consolidated business performance

In FY2025, the Otsuka group delivered strong business performance with consolidated revenue increasing 6.0% year on year to ¥2,468.9 billion. Although the Pharmaceutical Business was affected by generic competition with *JINARC/JYNARQUE*, revenue growth was driven primarily by higher sales of *REXULTI* and *ABILIFY MAINTENA*, as well as increased royalty income. Revenue also increased across all other business segments, including the Nutraceutical and Consumer Products Businesses.

Business profit increased by 3.6% year on year to ¥446.1 billion. This result was achieved even after absorbing new product launch expenses in the Pharmaceutical Business, notably for *VOYXACT*, making investments for growth, particularly in the "for women's health" category of the Nutraceutical Business, and funding higher R&D expenses for the future growth drivers repinatrabit, ulotaront, and zipalertinib expected to power business performance in the 5th MTMP and beyond. Operating profit increased by 48.2% year on year to ¥479.4 billion, driven by gains from the sale of MicroPort Scientific Corporation shares as well as the absence of the impairment losses recognized in the previous fiscal year. Net profit increased by 5.8% year on year to ¥363.2 billion.

As a result, we achieved our highest record in revenue, business profit, operating profit, and profit attributable to owners of the Company since our listing on the Tokyo Stock Exchange in December 2010. Profitability indicators also reached record highs.

Figure 1 Total shareholder return (TSR)



Notes: 1. TSR is calculated based on cumulative dividend and share price movements 2. Graph values indicate change based on public price at time of listing

(2) TSR

Looking at our TSR since our listing on the Tokyo Stock Exchange, our corporate value has steadily increased with TSR reaching approximately 600% over the past 15 years as of the end of March 2026. Over the past two years, our TSR has also exceeded the average TSR of the TOPIX Pharmaceutical ETF (TOPIX-17).

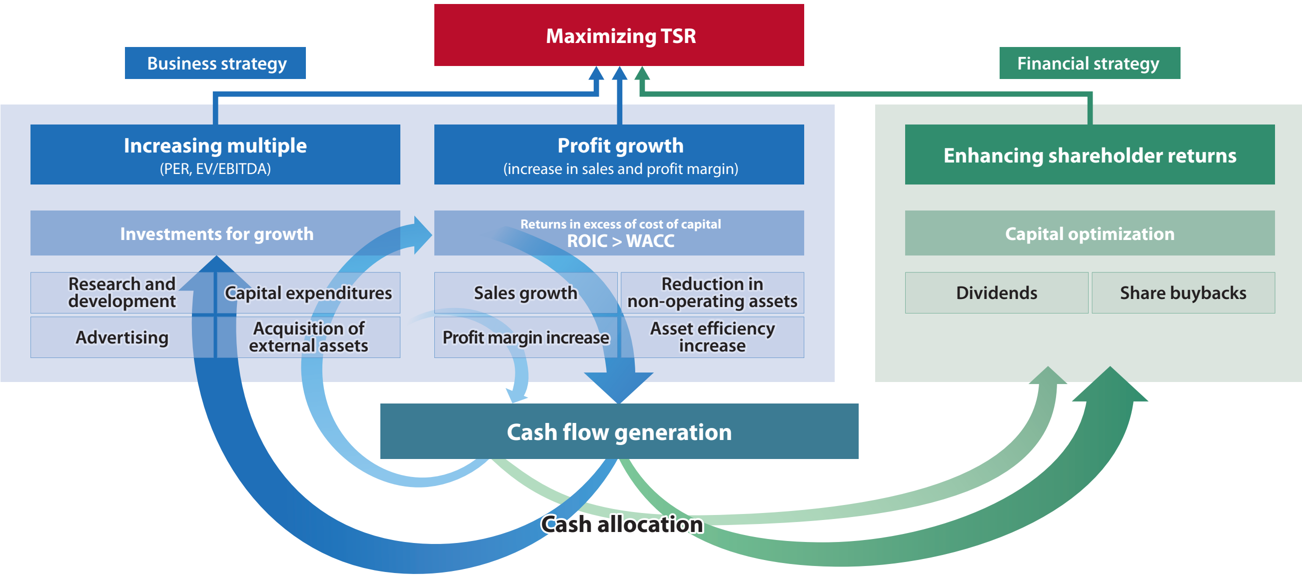
When we went public in December 2010, concerns were raised in the market about the LOE of *ABILIFY* in the U.S. in 2015. To respond to such concerns, during the 1st and 2nd MTMPs, we leveraged the cash generated by *ABILIFY* to diversify our revenue structure by developing our 3 Global Products (*ABILIFY MAINTENA*, *REXULTI*, and *Samsca/JINARC/JYNARQUE*), alongside growth drivers such as the next-generation product *LONSURF*. In parallel we implemented the high-margin strategy in the Nutraceutical Business.

Furthermore, the 3rd MTMP was positioned as a period to prepare for the LOE of *ABILIFY MAINTENA* and *JINARC/JYNARQUE*, during which we drew on the cash generated by the 3 Global Products to nurture next-generation growth drivers.

As a result, the final year of the 3rd MTMP saw the approval in the U.S. of an additional indication for *REXULTI* for agitation associated with dementia due to Alzheimer's disease (AAD), followed in 2025 by accelerated U.S. approval for *VOYXACT*. These products are expected to support revenue growth under the 4th MTMP and beyond.

By consistently allocating cash generated by our businesses toward investments for future growth, we have expanded our cycle of investment and growth and have worked to enhance corporate value. We believe these efforts in business expansion, improvements in earnings, and shareholder returns are reflected in the positive evaluation that we have received from the markets. (*See Figure 1*)

Figure 2 Corporate value enhancement framework



2. Initiatives to enhance corporate value

(1) Framework for enhancing corporate value

As part of the framework of financial policies and strategies that support the creation of new value at the Otsuka group, we believe that establishing a stable financial foundation is essential to continue delivering on "what's never been done and can only be done by Otsuka," which is our corporate philosophy and ultimately contributes to society through innovation.

A key element in sustaining our growth cycle is securing stable and continuous cash generation at a level that exceeds the cost of capital through return on invested capital (ROIC) management. Cash generated through profit growth is allocated to growth investments focused on medium- to long-term opportunities as well as to shareholder returns. Through sustainable value creation that addresses social challenges, we aim to enhance the multiple. By expanding this cycle of value creation, we seek to achieve continuous growth in corporate value. (*See Figure 2*)

In terms of our approach to investment for growth, we place strong emphasis on contributing to society through innovation. We will continue to pursue investment opportunities that contribute to both corporate value enhancement and social contribution. Investment decisions are made in line with the capital allocation framework in areas aligned with our long-term strategy and capable of generating synergies with existing management assets. In the Pharmaceutical Business, we invest in drug discovery technologies and alliances that continuously generate pipelines, as well as making sustained R&D investments to strengthen products and pipelines in key areas such as psychiatry and neurology, oncology, autoimmunity, and rare diseases. In the Nutraceutical Business, we invest in expanding sales channels into new regions, building brand value by promoting new product benefits, and strengthening production and sales infrastructure.

Where external cash procurement is required to meet an opportunity for growth investment, we are always prepared to implement the full range of options, including commercial paper, corporate bonds and bank loans, so as to act in a timely manner.

(2) Review of Otsuka's corporate value enhancement cycle

Looking back at our past MTMPs, operating cash flow before R&D investments has steadily increased, from ¥1.6 trillion during the five-year period of the 2nd to ¥2.3 trillion during the 3rd and a planned ¥3.0 trillion under the 4th MTMP. As cash generation has strengthened, growth investment has also expanded, from ¥1.8 trillion in the 2nd to ¥1.85 trillion in the 3rd and a planned ¥2.2 trillion in the 4th MTMP, reflecting an expanding cycle of corporate value enhancement. Under the 4th MTMP, we continue to take a long-term perspective and pursue the acquisition of assets and investments in R&D expected to generate future cash return, thereby sustaining this virtuous cycle. (*See Figure 3*)

In the Pharmaceutical Business, approximately ¥570 billion in growth investments in 4 Global Products has generated cumulative revenue of approximately ¥5.2 trillion from the 3rd MTMP onward. Investment in the Next 8 and Plus 2 product groups during the 3rd MTMP, meanwhile, is expected to drive revenue under the 4th and 5th MTMPs. (*See Figure 4-1*)

In the Nutraceutical Business, by investing in initiatives that address the three social issues specified in the 4th MTMP ("For climate & environmental risk," "For women's health," and "For healthier life") and making investments for growth to support the expansion of existing products into untapped overseas markets, we have significantly grown our business. As a result, the overseas revenue ratio has increased from approximately 40% at the time of listing to around 70%. (*See Figure 4-2*)

(3) Financial policy and progress under the 4th MTMP

① Cash allocation

Under the 4th MTMP, we plan to secure funds of approximately ¥3.2 trillion, which exceeds the amount in the 3rd MTMP period. Our planned R&D investments of approximately ¥1.5 trillion will be allocated mainly to the Pharmaceutical Business for basic research to create future fundamental drug discovery technologies and for late-stage clinical development. Of the approximately ¥500 billion in capital expenditures, about half is for investment for growth, such as increasing production capacity to meet the demand for *POCARI SWEAT* in high-growth overseas markets, while the remaining half will be invested in the maintenance and renewal of existing facilities in an

Figure 3 Corporate value enhancement cycle

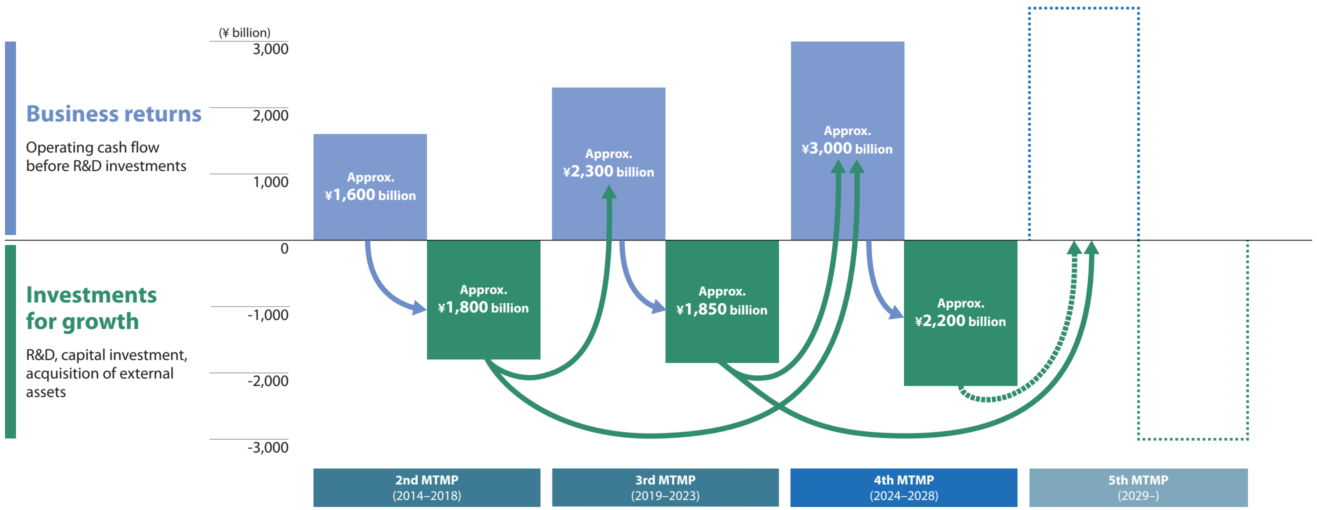
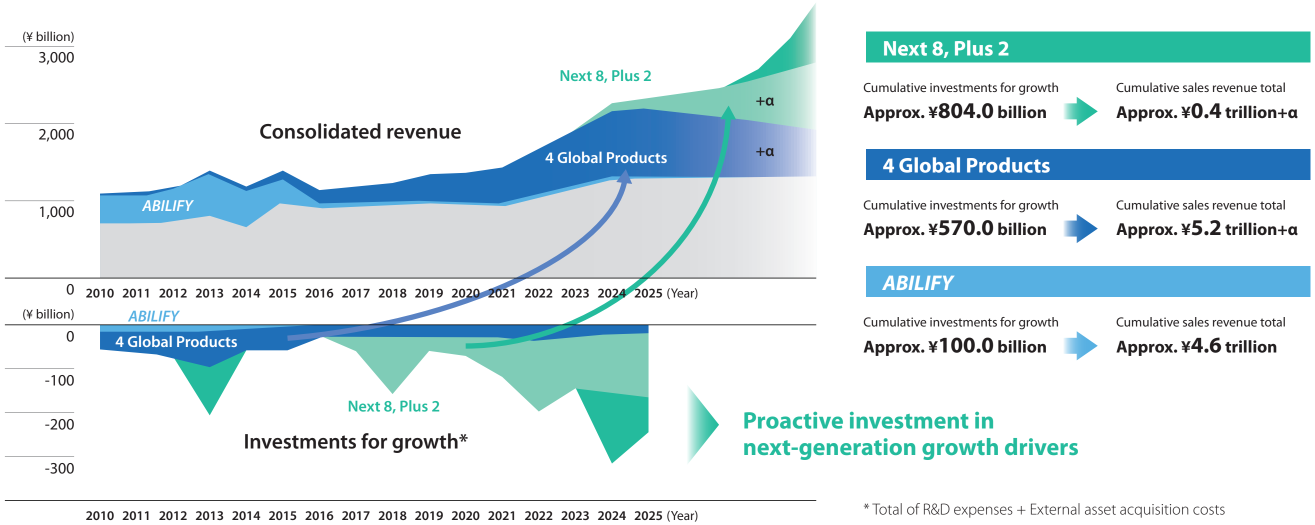


Figure 4-1 Growth investment cycle by business segment: Pharma (2010–2025)



* Total of R&D expenses + External asset acquisition costs

environmentally friendly manner. In addition, approximately ¥380 billion is planned for shareholder returns, including stable and continuous dividends and share buybacks.

In terms of progress over the first two years through FY2025, operating cash flow before R&D investments, which serves as the source of investment for growth, reached ¥1,592.3 billion, equivalent to 50% of the cash to be generated during the 4th MTMP period. This exceeds the two-year benchmark of 40% by approximately ¥190 billion.

Investments for growth have progressed to 41% of target, largely in line with the plan. R&D expenses progressed to 42% of target, driven by clinical development of products such as *VOYXACT*, centanafadine, and ulotaront. Capital expenditures reached 37% of target as investments progressed in areas such as expansion of the IV solutions business to the U.S. market and development of untapped markets in the Nutraceutical Business. In-licensing and acquisitions also reached ¥290.5 billion, exceeding the level achieved over the five years of the 3rd MTMP.

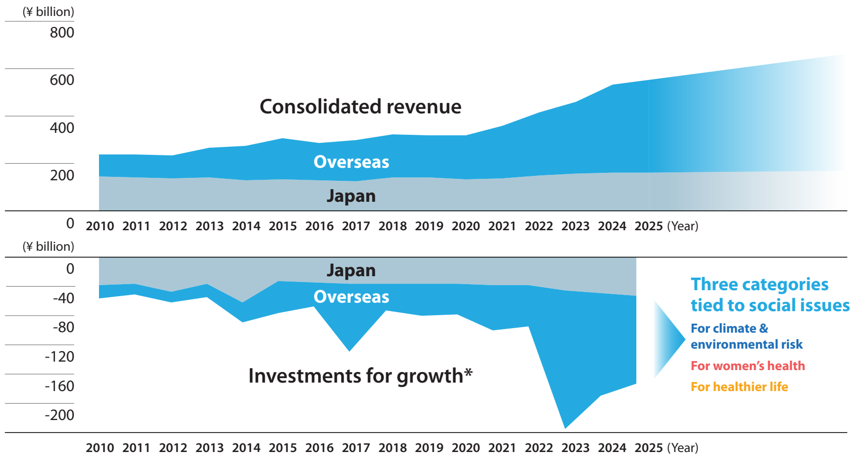
As for shareholder returns, supported by strong business performance and higher-than-expected cash generation, we implemented additional returns, resulting in a progress rate of 68%, significantly above the 4th MTMP. Going forward, we will continue to balance growth investments and shareholder returns in allocating generated cash, thereby supporting the sustainable enhancement of corporate value. (*See Figure 5*)

② ROIC management

ROIC management, which supports Otsuka's innovation, is considered a key initiative not only for improving short-term capital efficiency. It is also a framework for continuous monitoring of whether we are generating stable cash returns that exceed the cost of capital while continuing investments in research and development, external asset acquisition, and human resources development to support our social value. (*See Figure 6-1*)

FY2025 saw solid progress in ROIC, a management indicator of the efficiency of cash return generation, which reached 11.9%, significantly exceeding both the five-year average of 5.8% under the 3rd MTMP and the weighted average cost of capital (WACC) benchmark set under the 4th MTMP. Going forward, it will be essential to ensure that the outcomes of our investments for

Figure 4-2 Growth investment cycle by business segment: NC (2010–2025)



Overseas	Japan
Cumulative sales revenue total	Cumulative sales revenue total
Approx. ¥3,320 billion	**Approx. ¥2,370 billion**

Percentage of revenue from overseas
2010 **38%** → 2025 **71%**

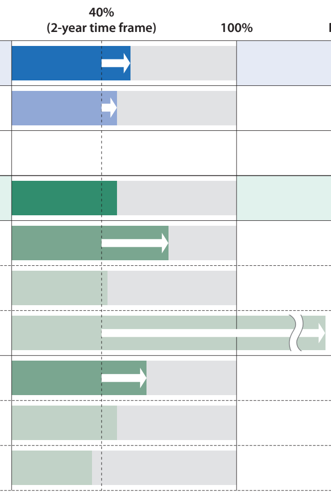
Overseas	Japan
Cumulative investments for growth	Cumulative investments for growth
Approx. ¥640 billion	**Approx. ¥440 billion**

Percentage of overseas growth investments
2010 **32%** → 2025 **69%**

* Total of R&D expenses + Capital investment + Advertising expenses + External asset acquisition costs

Figure 5 4th MTMP: Progress in cash generation and growth investment

(¥ billion)	4th MTMP (2024–2028)	2024–2025 results	Progress rate	Surplus cash (2-year time frame) and allocation
Cash IN	**3,200**	**1,592.3**	**50%**	**Approx. +190.0**
Operating cash flow before R&D investments	3,000	1,392.3	46%	Approx. +190.0
Carryover from 3rd MTMP	200	200	-	-
Cash OUT	**3,200**	**1,365.8**	**43%**	**Approx. + 95.0**
Shareholder returns	380+α	257.8	68%	Approx + 75.0
Dividends	330.0	137.8	42%	Approx. + 5.0
Share buyback	50.0	120.0	240%	+70.0
Investments for growth	2,000	1,108	41%	Approx. + 20.0
R&D expenses	1,500	634.1	42%	Approx. + 35.0
Capital expenditures	500.0	183.4	37%	Approx. - 15.0
Acquisition of external assets	Flexible	290.5		



Main capital expenditures in FY2024–2025
- Started operation of a dedicated factory for gummy-type supplements in Ohio, U.S. (2025).
- Established a new *POCARI SWEAT* production factory in Vietnam (2025).

Main external assets acquired in FY2024–2025
- Acquired Jnana Therapeutics, which has a potential first-in-class oral therapeutic drug for phenylketonuria in its development pipeline (2024).
- Acquired Araris Biotech, a company with ADC drug discovery technology (2025).
- Established a joint venture with ICU Medical, which has extensive production capacity and distribution networks in North America in the IV solutions industry (2025).

Reference: External asset acquisition in FY2026
Acquired Transcend Therapeutics, which owns a fast-acting neuroplastogen that is a candidate therapy for post-traumatic stress disorder (PTSD) and other conditions.

growth are steadily translated into earnings and cash generation. (*See Figure 6-2*)

With respect to cash returns, in the Pharmaceutical Business, the KPI of revenue from the Global 10 Plus 2 products increased by approximately ¥200 billion compared with FY2023 to reach ¥572.1 billion, highlighting steady expansion.

Improved cost efficiency in existing products contributed to an increase of approximately 0.4%, maximizing return by improving the business profit margin before R&D investments to reach 42.2%.

In the Nutraceutical Business, the KPI of overseas revenue ratio rose by approximately 5% compared with FY2023 to 70.6%, reflecting strong performance in overseas markets.

Although we have faced headwinds from steeply rising raw material costs in recent years, these were offset through ongoing efforts to reduce costs and price increases on certain products resulting in a 0.4% improvement in the cost ratio to 47.8%, contributing to profitability.

The EBITDA margin remained unchanged from FY2023 at 15.8%, reflecting increased costs for investments for growth. Going forward, we aim to improve margins through continued strengthening of high-margin product brands.

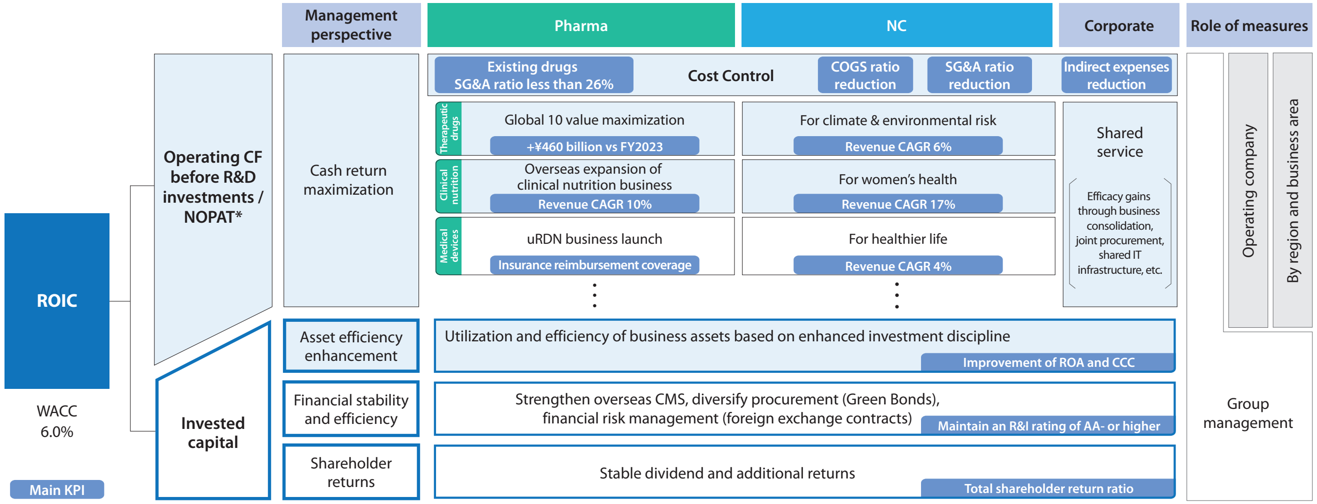
Regarding invested capital, we are acquiring external assets at a level above that of the 3rd MTMP to increase the portfolio of assets that can be expected to generate future cash return. Meanwhile, we maintained business asset turnover in both the Pharmaceutical and Nutraceutical Businesses by reviewing existing projects and other measures.

The cash conversion cycle has lengthened compared with the 3rd MTMP, primarily due to increased inventories to ensure stable supply and mitigate the impact of geopolitical risks and U.S. tariff policies. We will continue to seek the optimal balance between supply stability and working capital efficiency.

In addition, as part of initiatives beyond core operations, we have reduced cross-shareholdings by 31 issues since FY2023. From a financial efficiency perspective, while maintaining diversified financing options to cover potential financing needs, we have also worked to reduce interest-bearing debt, thereby lowering both financing costs and invested capital.

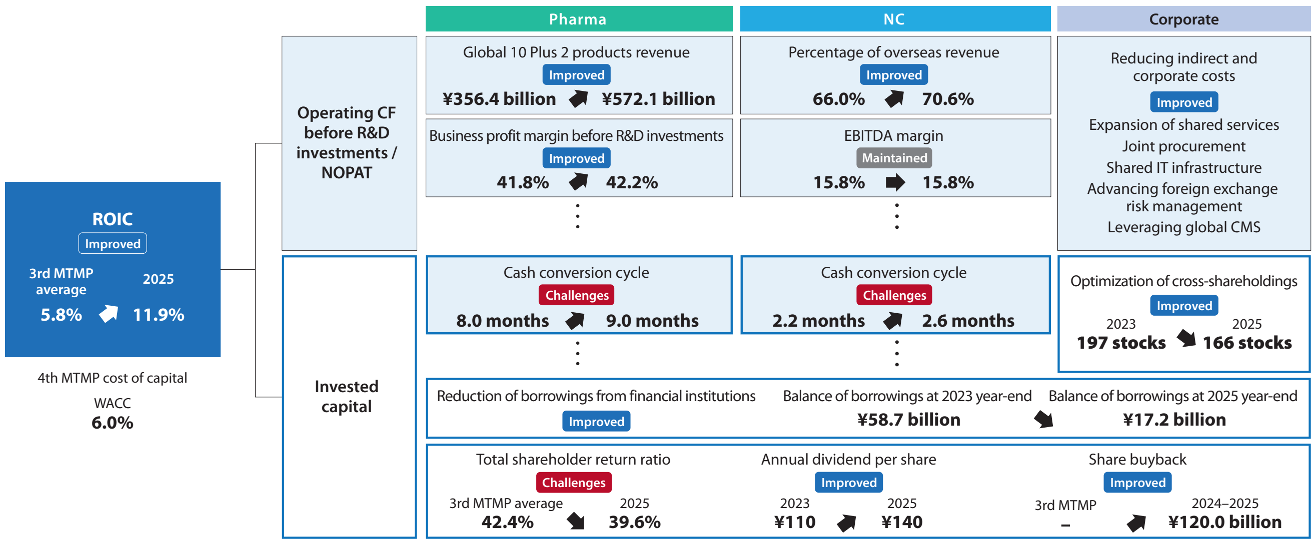
Figure 6-1 Otsuka Group ROIC management under 4th MTMP (Source: 4th MTMP launch materials)

Aim to achieve a ROIC of over 9.5% by FY2028 by balancing growth investment and the creation of economic value exceeding WACC



* Net Operating Profit After Tax

Figure 6-2 Progress of KPIs under FY2025 ROIC management



③ Shareholder returns

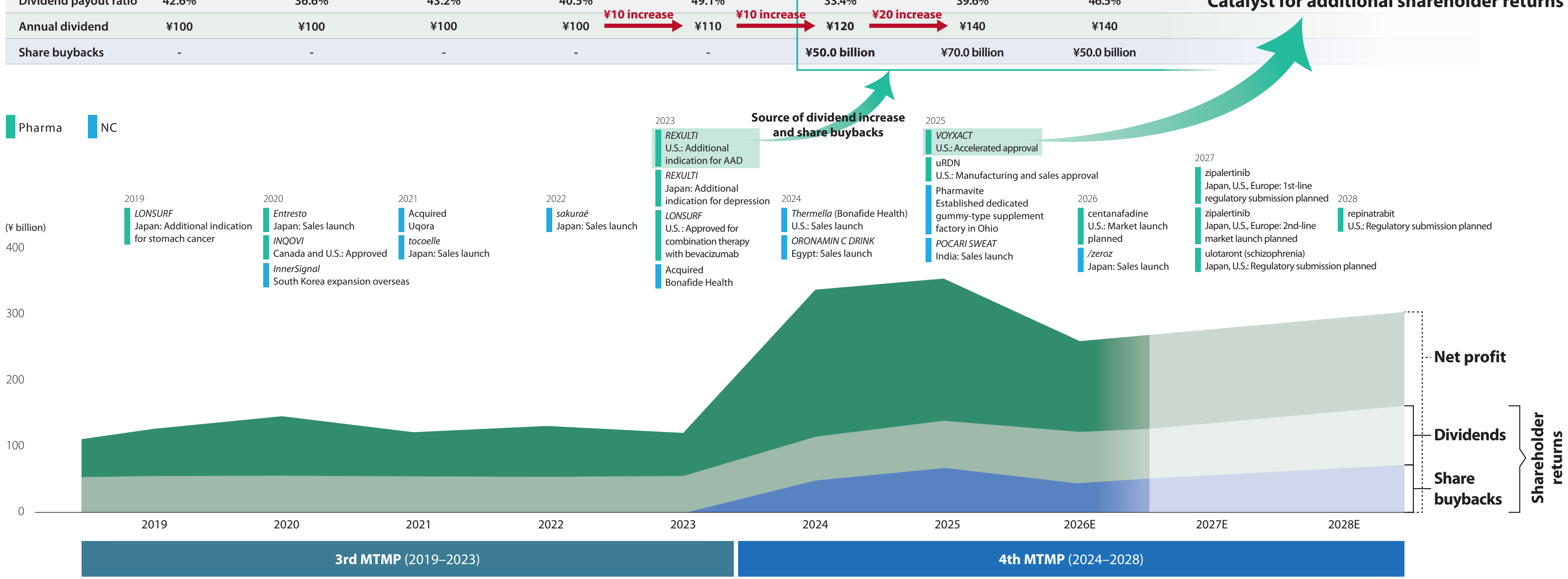
Our shareholder returns policy is to steadily implement dividends and share buybacks as planned during the MTMP period, and to consider additional returns based on the level of cash generated from business growth and the outlook for the next MTMP.

In FY2024, we reaped the benefit of measures under the 3rd MTMP by investing approximately ¥50 billion in share buybacks. In March 2025, based on improved future earnings visibility following the approval of *REXULTI* in the U.S. for the additional indication of agitation associated with dementia due to Alzheimer's disease (AAD), and on strong cash generation in FY2024 and steady progress in investments for growth, we executed approximately ¥70 billion of buybacks and increased the annual dividend by ¥20, from ¥120 to ¥140 per share.

On the strength of the positive business results for FY2025 and the improved future revenue visibility associated with the accelerated approval in the U.S. of *VOYXACT*, an APRIL inhibitor for the treatment of adults with IgA nephropathy (IgAN), we announced ¥50 billion of share buybacks to be implemented during FY2026. Going forward, we will continue to flexibly consider shareholder returns from multiple perspectives, including current upside in cash generation, progress in growth investments, future revenue visibility, and the key return indicator of total shareholder return ratio. (*See Figure 7*)

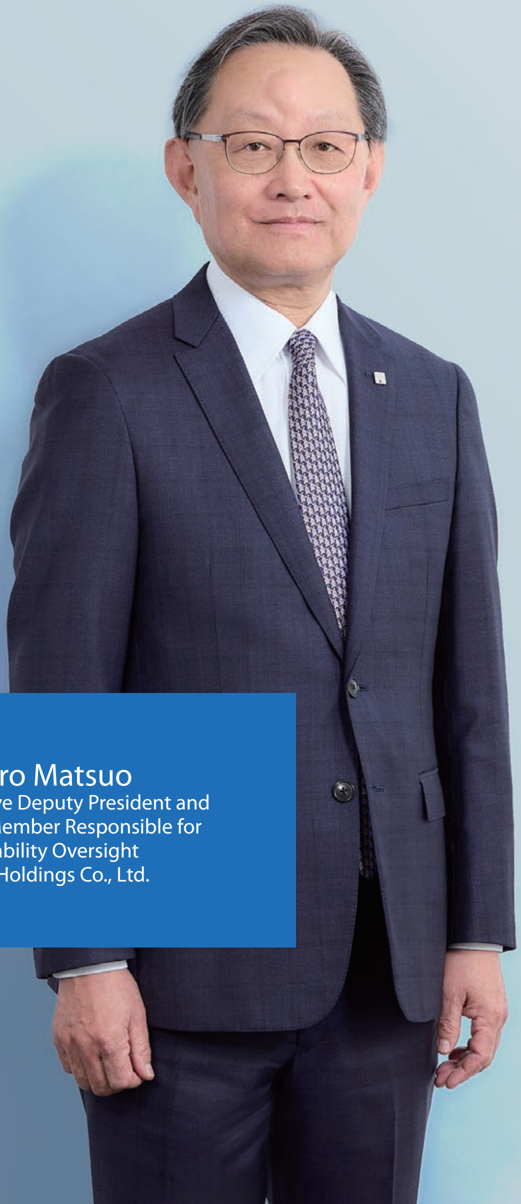
Figure 7 Shareholder return and net profit in 3rd and 4th MTMP periods

	2019	2020	2021	2022	2023	2024	2025	2026 plan
Dividend payout ratio	42.6%	36.6%	43.2%	40.5%	49.1%	33.4%	39.6%	46.5%
Annual dividend	¥100	¥100	¥100	¥100	¥110	¥120	¥140	¥140
Share buybacks	-	-	-	-	-	¥50.0 billion	¥70.0 billion	¥50.0 billion



Leadership message (sustainability)

Advancing sustainable growth and social value creation to drive long-term corporate value



Yoshiro Matsuo
Executive Deputy President and Board Member Responsible for Sustainability Oversight
Otsuka Holdings Co., Ltd.

Enhancing corporate value through business activities contributing to people's Well-being

For the Otsuka group, sustainability serves as the foundation of management, enabling both the creation of social value through business activities and the realization of sustainable growth. Guided by its corporate philosophy, "Otsuka-people creating new products for better health worldwide," the group believes that its essential role lies in continuously delivering value that contributes to the Well-being of people through collaboration with diverse stakeholders. The group believes that the cumulative impact of these efforts contributes to the enhancement of corporate value over the medium to long term.

The group's commitment extends beyond the provision of healthcare-related products. By positioning "total healthcare" at the core of its corporate activities, the group strives to support all aspects of people's lives—from daily health maintenance and mental wellness to the fostering of social connections. Through this approach, it aims to provide better choices tailored to each individual's circumstances and values, thereby remaining a truly indispensable presence in society.

To ensure the reliability of these value creation efforts, the group places strong emphasis on establishing sound and transparent business processes. Strong governance is a critical foundation for improving management effectiveness and credibility, thereby supporting long-term value creation. Looking ahead, under a robust governance framework, the group will continue to uphold clear decision-making processes and conduct its business operations with integrity, promoting management practices that enable sustainable growth together with society.

Steady progress of sustainability management

The Otsuka group established the Sustainability Promotion Committee in 2018 and has continuously advanced initiatives that position sustainability at the core of management. A distinguishing feature of the group lies in its organizational approach, whereby each operating company shares a common group-wide direction while leveraging its respective strengths and business characteristics and collaboratively formulates and executes initiatives. Through the cumulative impact of such operational efforts, the group aims to enhance both social and corporate value creation.

Within the committee, the activities and material issues identified by each operating company are consolidated, and key material issues to be addressed at the group level are reported and discussed. Across key sustainability areas including human rights, the environment, supply chain management, customer responsibility, and employee engagement, the group sets clear directions and steadily advances effective initiatives through coordination among operating companies.

These initiatives are supported by decision-making processes that emphasize transparency and effectiveness, linking management and operational levels. The status of sustainability initiatives at major operating companies, including committee deliberations and progress by relevant committees and task forces, is reported and deliberated annually by the Otsuka Holdings Board of Directors and the Nomination and Remuneration Committee. In addition, by reflecting the evaluation of each company's initiatives in directors' remuneration, the group has established a framework that encourages executives to fully recognize the objectives and importance of sustainability and proactively promote related initiatives as part of their own responsibilities.

Going forward, sustainability will be integrated into the group's medium- to long-term strategy, rather than treated as a set of discrete activities. The group's initiatives will be further evolved under clear direction and priorities. By further clarifying its approach to addressing social issues and its perspectives on value creation, the group will deepen dialogue with stakeholders both inside and outside the organization, thereby achieving sustainable growth supported by trust.

People as the source of value creation —— Accelerating human capital management through engagement

At the Otsuka group, people are the foundation for generating innovation and executing business strategies, and the source of value creation itself. The group believes that sustainable business growth and social value creation can only be achieved when every employee is empowered to fully realize their capabilities and individuality.

Based on this recognition, the group places particular emphasis on enhancing employee engagement. When employees understand the significance of their work and are able to experience personal growth, their motivation to take on challenges and act proactively is enhanced, leading to greater organizational vitality as a whole.

As part of these efforts, a group-wide common assessment was introduced in 2025, with standardized implementation. The results are used not only to assess the current state, but also to drive improvements in HR systems, organizational structures, and management practices. In practice, for managers at operating companies where the assessment has been conducted, the group's leadership directly communicates the importance of engagement and the desired future vision. This dialogue, driven by leadership commitment, will be expanded further going forward.

In addition, creating an environment where diverse talent can fully leverage their respective strengths is essential for advancing human capital management. With overseas operating companies outnumbering those in Japan, the group respects local cultures and HR practices across regions, including the U.S., Europe, and Asia, while promoting collaboration and ongoing dialogue among HR personnel on a global basis. For key positions, succession plans are established, and initiatives from recruitment to development and career advancement are implemented in a systematic and continuous manner.

Furthermore, to enable employees to thrive, it is essential to foster a workplace environment grounded in psychological safety. An environment in which employees with diverse backgrounds can openly exchange opinions and feel empowered to speak up when something does not feel right provides a foundation for sustainable value creation. Through the further advancement of people-centered management, the group will continue to enhance its overall competitiveness and value creation capabilities.

Sustainability as *HINKAKU** looking ahead

At the Otsuka group, a distinctive corporate culture—symbolized by three guiding principles, *Ryukan-godo* (by sweat we recognize the way), *Jissho* (actualization), and *Sozosei* (creativity)—has been passed down over generations. Actively engaging at the front line, tackling challenges head-on, and boldly venturing into uncharted domains are not merely ideals, but have been the very driving force behind the group's ability to create value for society and achieve sustainable growth.

The group believes that sustainable growth is strengthened when employees embrace this culture in their daily decisions and actions, and rely on it as a guiding compass in challenging situations.

To deepen understanding of this culture and pass it on to future generations, the group continues to conduct training programs in Tokushima, its birthplace, bringing together employees from across the world.

Experiencing these roots firsthand and sharing core values strengthens a sense of unity across the group. At the same time, it fosters sound judgment and a willingness to take on challenges in a rapidly changing environment, ultimately enhancing competitiveness and supporting sustainable growth based on character and integrity.

The group does not prioritize short-term financial gains or

immediate efficiency alone. Instead, it places importance on engaging sincerely with stakeholders—including society, employees, and customers—and on creating value from a long-term perspective. This approach reflects the essential quality of a corporation and the very notion of *HINKAKU*.

By placing sustainability at the core of its business and building trust through its activities, the group believes it can achieve sustained growth in corporate value.

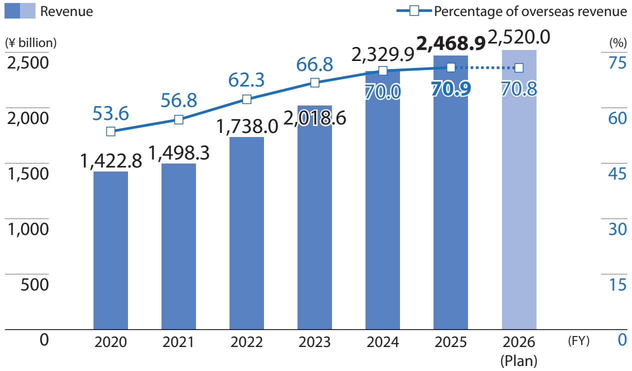
The Otsuka group will continue to address social issues with sincerity while creating value through its business activities, embracing change rather than resisting it. By advancing both business growth and social value creation as complementary drivers, it aims to remain a trusted and indispensable presence over the long term. Guided by this commitment, it will continue to advance sustainability management.

* *HINKAKU*: A Japanese concept encompassing integrity, values, and the character of a corporation.

Financial and non-financial highlights

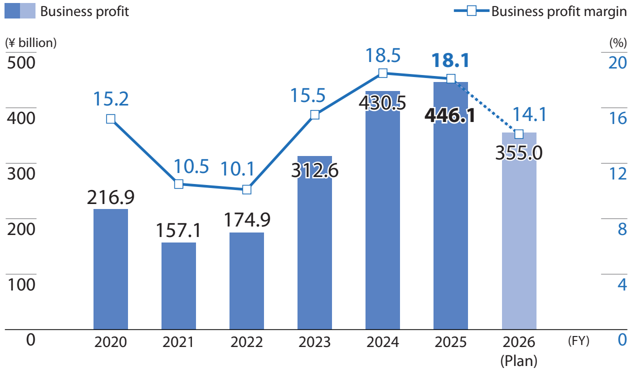
Financial highlights

Revenue and percentage of overseas revenue



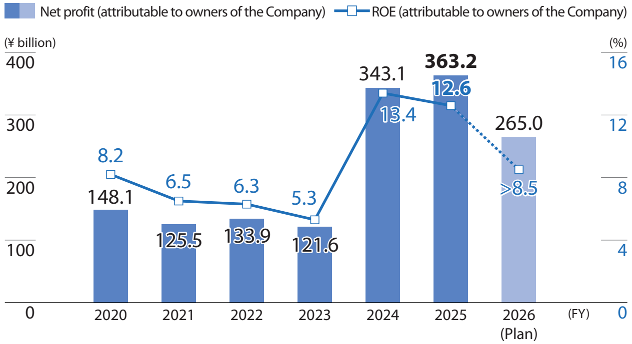
In FY2025, revenue increased across all business segments. In the Pharmaceutical Business, growth was driven by the Core 2 products, *REXULTI* and *LONSURF*, and also by *ABILIFY MAINTENA/ABILIFY ASIMTUFII* and domestic products. In the Nutraceutical Business, expansion in overseas business contributed significantly.

Business profit, Business profit margin (Percentage of revenue)



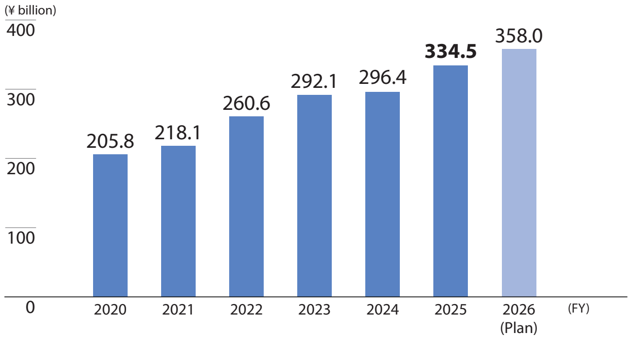
In FY2025, business profit reached a record high, supported by strong revenue growth, even as R&D investments aimed at future growth continued. In FY2026, although a decline in profit is expected due to increased SG&A associated with revenue growth and development expenses, business profit is projected to exceed the FY2026 target of ¥270 billion announced in the 4th MTMP.

Profit attributable to owners of the Company, Return on equity (ROE)



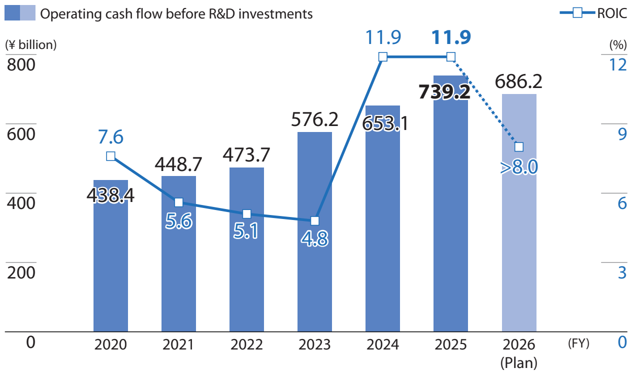
In FY2025, net profit reached a record high, driven by robust revenue growth primarily from key products. Although ROE was slightly lower than the previous fiscal year, it remained at a high level of 12.6%, exceeding the initial plan for FY2025.

Pharmaceutical Business R&D expenses



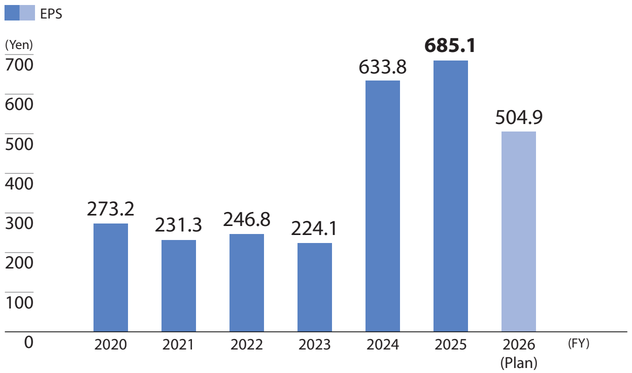
Proactive R&D investments for future growth are being expanded, including accelerated development of growth drivers such as ulotaront for schizophrenia and generalized anxiety disorder, zipalertinib for non-small cell lung cancer, and repinatrabit for phenylketonuria.

Operating cash flow before R&D investments, Return on invested capital (ROIC)



Accumulated cash generation under the 4th MTMP reached ¥1,392.3 billion over the first two years through FY2025, representing steady progress at 46.4% toward the five-year target of ¥3,000 billion. Although ROIC in FY2024 was temporarily impacted by tax adjustments, it remained at a high level in FY2025 at 11.9%.

Earnings per share (EPS)



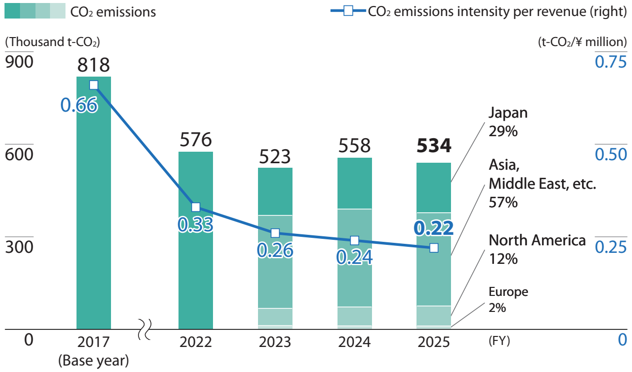
In FY2025, EPS increased compared with the previous fiscal year, supported by strong performance and the execution of share repurchase.

In FY2026, EPS is expected to decline in line with a decrease in net profit. However, despite the expected decline in EPS in FY2026, investments for future growth will be maintained to support medium- to long-term EPS growth, while shareholder return, including share repurchase, will continue to be considered.

Non-financial highlights

CO_2 emissions, CO_2 emissions intensity per revenue

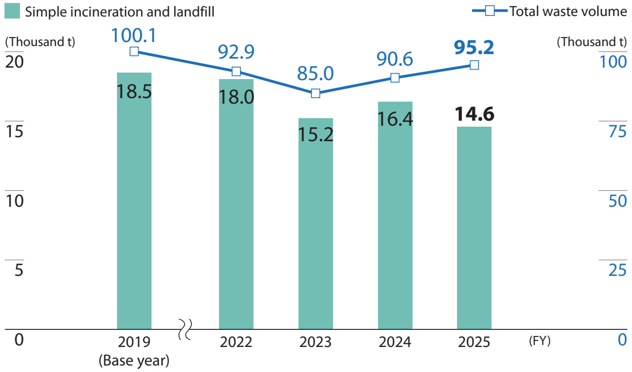
Scope: All production sites of the consolidated Otsuka group



CO_2 emissions decreased by 4.3% from the previous fiscal year due to factors including the introduction of CO_2-free electricity and fuel conversion.

Simple incineration and landfill volume, Total waste volume

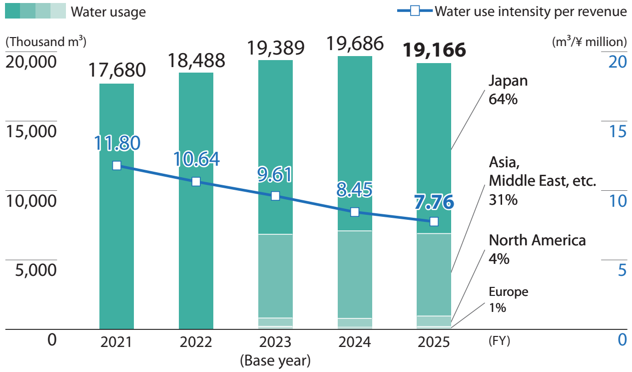
Scope: All production sites of the consolidated Otsuka group



Total waste volume increased by 5.1% from the previous fiscal year, while simple incineration and landfill volume showed a 21% decrease compared to the base year of FY2019.

Water usage, Water use intensity per revenue

Scope: All production sites of the consolidated Otsuka group

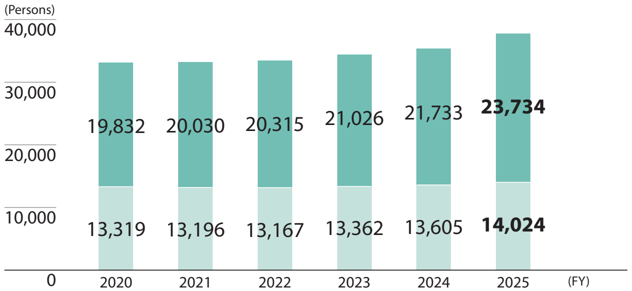


Water usage decreased by 2.6% from the previous fiscal year, while water use intensity per revenue was reduced by 8.1%.

Number of employees by region

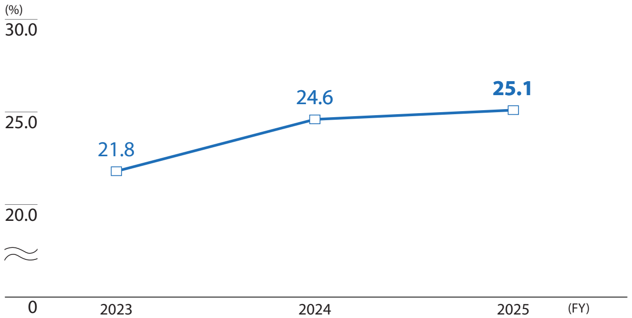
Outside Japan / Japan

Data scope: Otsuka Holdings and its 168 consolidated subsidiaries



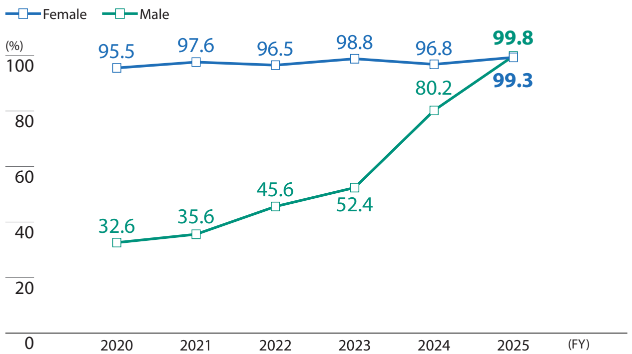
The globalization of our business has led to a higher proportion of our human resources being based outside Japan.

Percentage of female managers[1]



We are working to create an environment that offers managerial opportunities to diverse human resources. Due to a redefinition of the grade of manager at operating companies outside Japan, figures shown are from FY2023 onward.

Percentage of employees taking parental leave[2]



In FY2024, to coincide with the introduction of a parental leave system for new fathers and the compulsory publication of the system's uptake rate, we engaged in efforts to ensure knowledge of the system within the group and raise awareness. As a result, the percentage of male employees taking parental leave saw a large increase.

1. Scope of data: (FY2023) 22 companies: Otsuka Holdings, Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Warehouse, Otsuka Chemical, Otsuka Foods, Otsuka America Pharmaceutical, Pharmavite, Otsuka Medical Devices, Otsuka Electronics, Otsuka Techno, Okayama Taiho Pharmaceutical, Otsuka Packaging Industries, Otsuka Ohmi Ceramics, Higashiyama Film, Otsuka Wellness Vending, JIMRO, Otsuka Business Support, EN Otsuka Pharmaceutical, J.O. Pharma, and Otsuka Pharmaceutical Europe.
(FY2024/FY2025) 30 companies: Above 23 and: Nutrition & Santé SAS, PT Amerta Indah Otsuka, Otsuka Sims (Guangdong) Beverage, Tianjin Otsuka Beverage, Zhejiang Otsuka Pharmaceutical, PT Otsuka Indonesia, and Taiho Oncology; Percentage of consolidated revenue in FY2025: 78.1%.

2. Scope of data: (FY2020) 9 companies: Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Warehouse, Otsuka Chemical, Otsuka Foods, Otsuka America Pharmaceutical, Otsuka Pharmaceutical D&C, and Pharmavite.
(FY2021) 18 companies: Above 9 and: Otsuka Holdings, Otsuka Electronics, Otsuka Techno, Okayama Taiho Pharmaceutical, Otsuka Packaging Industries, Otsuka Ohmi Ceramics, Higashiyama Film, Otsuka Wellness Vending, and JIMRO.
(FY2022) 19 companies: Above 18 and: Otsuka Medical Devices.
(FY2023) 23 companies: Above 19 and: J.O. Pharma, EN Otsuka Pharmaceutical, Otsuka Business Support and Otsuka Pharmaceutical Europe.
(FY2024/FY2025): As in Note 1.