

Otsuka

Otsuka-people creating new products
for better health worldwide



INTEGRATED REPORT 2020

For the year ended December 31, 2020

Otsuka Holdings Co., Ltd.

Corporate Philosophy

Otsuka-people creating new products for better health worldwide

In keeping with this corporate philosophy and the Otsuka values of *Ryukan-godo* (by sweat we recognize the way), *Jissho* (actualization) and *Sozosei* (creativity), we strive to do what only Otsuka can do. The Otsuka group supports the lives of people worldwide through a wide range of innovative and creative products including pharmaceuticals, functional beverages, and functional foods. We are dedicated to cultivating a dynamic corporate culture and workplaces that reflect our vision as a healthcare company, to finding ways to live in harmony with local communities and the natural environment, and to contributing to richer and healthier lives.

Otsuka's Goal

To become an indispensable contributor to people's health worldwide

The Otsuka group aims to be an indispensable contributor to people's health worldwide, fulfilling its corporate philosophy in every aspect of its operations. This commitment to improving people's health worldwide is part of the unchanging value we will continue to provide society. Our operations encompass two core businesses: the Pharmaceutical Business, which provides comprehensive health support from diagnosis to treatment of diseases, and the Nutraceutical Business,* which helps people maintain and improve day-to-day health.

* Nutraceuticals = nutrition + pharmaceuticals

Essence of Management (Our Corporate Culture)

Ryukan-godo (by sweat we recognize the way)

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

Jissho (actualization)

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

Sozosei (creativity)

Pursuing that which only Otsuka is capable of delivering

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Providing Value through Our Businesses

As a total healthcare company, the Otsuka group contributes to people's health worldwide by creating innovative products in its two core businesses: the Pharmaceutical Business, which aims to address unmet medical needs, and the Nutraceutical Business, which seeks to fulfill the yet-to-be-imagined needs of consumers.

Providing value
Bringing health to people worldwide

Unmet medical needs

From diagnosis to treatment

Pharmaceutical Business

Yet-to-be-imagined needs

Maintaining and improving day-to-day health

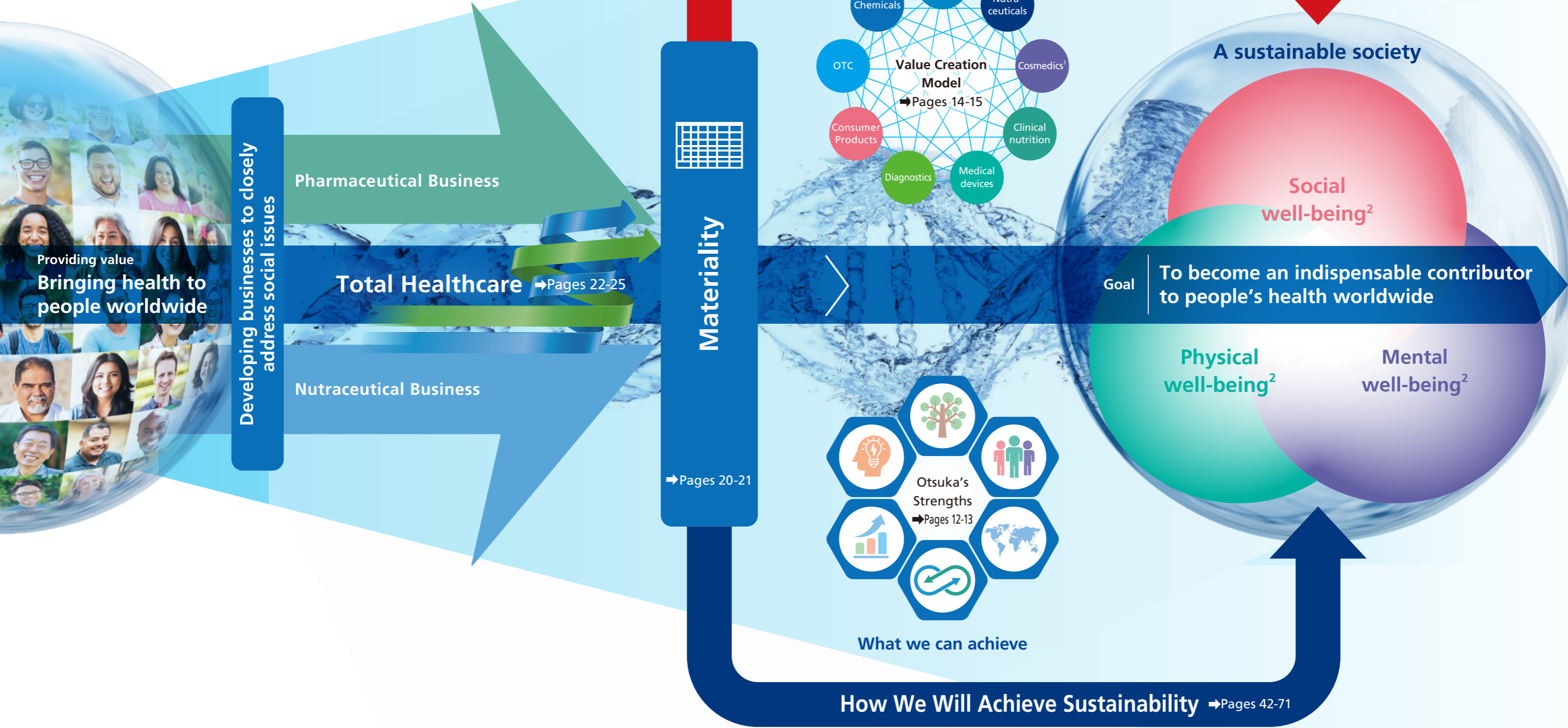
Nutraceutical Business



What only Otsuka can do

Otsuka's Goal through its Development as a Total Healthcare Company

The Otsuka group has continuously developed as a total healthcare company, by providing products and services that lead to the resolution of social issues, with the aim of bringing health to people worldwide. At present, we are pursuing what only Otsuka can do based on the six Otsuka's strengths, with an emphasis on the specified key material issues that require focused and prioritized efforts. Our goal is to become an indispensable contributor to people's health worldwide, thereby contributing to the realization of a sustainable society.



Founding → Present → Future

1. Cosmetics = cosmetics + medicine
 2. The state of health, as defined in the constitution of the World Health Organization(WHO)

Message from the President



We continuously advance as a total healthcare company that contributes to a sustainable society.

Tatsuo Higuchi
President and Representative Director, CEO
Otsuka Holdings Co., Ltd.

First, we wish to express empathy to people who have been afflicted by or affected in other ways by COVID-19. This includes our heartfelt gratitude to healthcare professionals and others who support those who have fallen ill.

The world is entering an era of change. Trends that are transforming the economy and society are progressing, such as geopolitical risks, advancement of AI and information and communications technology, heightened awareness for environmental conservation, and declining birthrates and aging populations in countries with mature economies. In addition, new lifestyles and work styles based on remote operations are becoming common, driven by the COVID-19 pandemic.

The Otsuka group of companies creates products and services that address consumer and patient needs and contribute to the resolution of social issues. We carefully monitor these changes in the business environment and market needs in order to provide new value.

This unchanged mission focuses Otsuka on value creation that has guided us right up to our 100th anniversary.

Q: In what direction is the Otsuka group headed over the medium to long term?

We seek to be a company that continues to contribute to society. Otherwise, there is no purpose for a company to exist.

We have created new concepts and products by marshalling our unique and diverse businesses and assets, and by effectively connecting the true needs identified through customer insights with technology and science. We have also pioneered in fields overlapped with or derived from our various businesses, as well as niche fields, thereby creating new value and responding to unmet or yet-to-be-imagined health needs.

Based on these experiences and strengths, we

determined to “advance in the global market as a unique total healthcare company” under the Third Medium-Term Management Plan. We will continuously pursue the creation of unique value in all healthcare fields, ranging from maintaining and improving day-to-day health to the diagnosis and treatment of diseases.

On a medium- to long-term basis, envisioning a society and economy 10 years, 20 years, and further ahead, we aim to become an indispensable contributor to people’s health worldwide by providing innovative products and services that only the Otsuka group can produce, leveraging our strengths as a total healthcare company.

Q: Otsuka will celebrate its 100th anniversary in September 2021.

What has changed and what has not changed in the Otsuka group across the decades?

In 1977, when I joined Otsuka, revenues of the group companies were 96 billion yen (USD 870 million at the 1977 exchange rate). Our revenues in fiscal 2020 exceeded 1,400 billion yen (USD 13.7 billion). Our operating bases have substantially increased in Japan and internationally, and our managerial systems have evolved.

While people’s healthcare needs have considerably transformed based on factors such as declining birthrates, aging populations, and lifestyle changes, we have promoted businesses, capitalizing on our strengths and confronting our weaknesses. Strengths may decay into weaknesses if we become complacent. On the other hand, weaknesses can be converted to strengths from the insights gained by understanding and addressing them. The Otsuka group has accepted and practiced new things, thereby creating new value free from stereotypes and conventional ideas. We have continuously advanced

by carefully monitoring and flexibly adapting to changes over time, and I consider that this is the largest factor for our continuous business operations over the 100 years since our foundation.

On the other hand, our basic mindset has not altered. The Otsuka group has inherited the three key messages from its leadership across several generations as our unchanged corporate culture: *Ryukan-godo* (by sweat we recognize the way), *Jissho* (actualization) and *Sozosei* (creativity). *Ryukan-godo* signifies the process of discovering the core substance of something through hard work and practice. *Jissho* means self-actualization through achievement, completion and the discovery of truth. *Sozosei* is pursuing that which only Otsuka is capable of delivering.

These are easier said than done. For example, *Sozosei* signifies not only creating something from scratch,

Ryukan-godo
(by sweat we recognize the way)

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

Jissho
(actualization)

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(creativity)

Pursuing that which only Otsuka is capable of delivering

Message from the President

but also the production of new things by leveraging existing assets in innovative ways. *Ryukan-godo*, *Jissho*, and *Sozosei* are interlinked. By rethinking creatively, hypothesizing, implementing, and carrying through, we can lead to *Sozosei* in combination with *Ryukan-godo* and *Jissho*.

Samsca/JINARC/JYNARQUE has become a blockbuster, but its development involved much trial and error to overcome various obstacles. The daily pursuit of what we can achieve and what only Otsuka can do has taken root in the corporate culture of the Otsuka group.

Q: What initiatives are you taking to lead innovation?

The first perspective is human resources. From our foundation up to the present, our predecessors produced products that cater to unmet market needs. We have become a large group of companies, and the mentality of employees has also changed. What I always advise them is to think for themselves and identify opportunities and problems by themselves. We can innovate only with this mindset.

The second perspective is a system that leads new innovation. To this end, it is crucial to actively promote communication inside and outside the group, and to establish a network across disciplines and areas free from fixed ideas. The culture must also encourage employees to try new ideas derived from the system above. Even if they fail, it is important to learn from those failures and apply the learnings.

One illustration of how these two perspectives operate in practice are initiatives in our pharmaceutical

business to advance patient centricity through digital innovation. Otsuka has been an early adopter, enabling optimized clinical trials at the location where patients want them, with real-time insights, and recruitment into the trials of larger and more diverse patient populations.

Innovation for patient centricity extends to our end products, with, for example, the approval in North America during 2020 of group company Astex Pharmaceutical's *INQOVI*, an orally administered hypomethylating agent which enables more patients to receive treatment at home.

I hope that Otsuka is a company that excites people on the outside to look forward to seeing what Otsuka introduces next. Organizations cannot survive without individuals. This is why I believe that Otsuka should be a company where individuals can pursue the challenges that they would like to, because it will fortify our organization to lead innovation.

Q: What will the Otsuka group need in order to continue sustainable growth?

The Otsuka group is strongly committed to quality. This commitment began with the words of Busaburo Otsuka, the founder of Otsuka, expressed in calligraphy upon launching the intravenous solutions business in 1946:

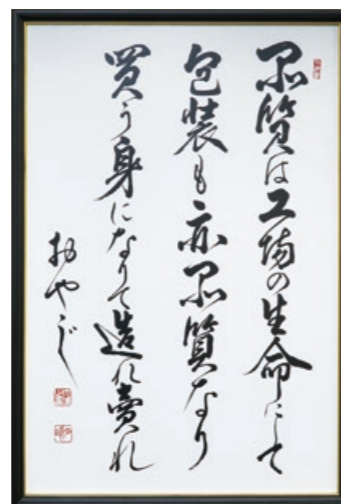
"Quality is vital in a factory and so is packaging. We have to manufacture and market, putting ourselves in the consumer's position." This commitment has been passed down in our group ever since. "Quality" in the Otsuka group signifies not only product quality, but quality in all stages of the value chain, and our entire group should pursue quality in management and multiple other dimensions.

Based on our corporate philosophy, we aim to contribute to people's health by addressing

social issues through our business. In other words, it is the Otsuka group's mission to contribute to the maintenance and promotion of people's health and the treatment of diseases. Our attitude to pursue the

resolution of social issues through our business matches the direction of the UN Sustainable Development Goals.

In recent years, actions to address environmental issues have been regarded as one of a company's most important obligations. We have set goals for 2030 tied to materiality such as *climate change*, *resource recycling and conservation*, and *water conservation*. We are endeavoring to achieve a sustainable society by harmonizing business growth and environmental conservation through group-wide collaboration.



Q: What is the basic policy of corporate governance in the Otsuka group?

In our corporate governance, the key elements are institutional design, internal control, and management transparency.

Institutional design refers to the formulation and operation of institutions such as the Board of Directors and the Audit & Supervisory Board. The Board of Directors of Otsuka Holdings holds vigorous discussions that reflect different viewpoints, including those of four outside directors with diverse backgrounds. The operations and business activities performed by board members are properly audited and monitored through close collaboration among Audit & Supervisory Board members, the Internal Audit Department, Internal Control Department, other accounting auditors.

We are taking measures on internal controls across all group companies, including the conservation of assets, information security, and business continuity planning. We consider legal compliance to be particularly crucial in order to operate diverse businesses around the world, and therefore ensure compliance through organizational structures and education.

To advance management transparency, we promote proper governance systems and information disclosure in accordance with Japan's Corporate Governance Code. We will continue to have proactive dialogue with investors and other external stakeholders.

→ Corporate Governance Pages 52-57

Q: What is your message to stakeholders on the 100th anniversary?

The Otsuka group of companies will celebrate its 100th anniversary in September 2021. The group has sustained its business operations for a century, and has developed into a group of companies operating in 32 countries and regions, with approximately 47,000 employees. We are deeply grateful for the support of stakeholders who have enabled these achievements.

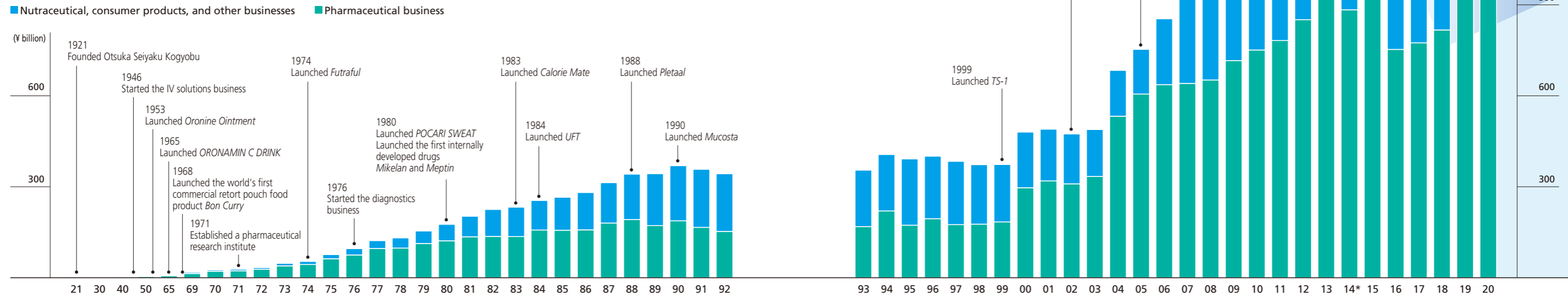
The global economy and society are in the midst of transformation. The COVID-19 pandemic has amplified social issues and also uncovered new issues. We must

review our businesses from a bird's-eye view, and flexibly adapt to changes. It is necessary to search for new possibilities while adapting to the "new normal." Now is the time for us to demonstrate our true value as a unique total healthcare company. To satisfy new needs, we will further prepare ourselves under the unchanged corporate philosophy "Otsuka-people creating new products for better health worldwide." We sincerely ask for continued support and guidance from all stakeholders.

Otsuka's Story

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

Revenue performance




Diversification of business aimed at the resolution of social issues

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

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

Otsuka's Strengths

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




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

→Page 1

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

32 countries/regions

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



Ryukan-godo


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

Jissho

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

Sozosei

Pursuing that which only Otsuka is capable of delivering



A business model centered on total healthcare

→Pages 4-5

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




Providing value
Bringing health to people worldwide



An unwavering quest for originality

→Pages 28-41

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



In-house drug discovery ratio: 80%¹

Development projects for unmet needs²:

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



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

→Pages 28-41

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

IV solutions business overseas companies: **15³**

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

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





An ability to nurture enduring brands

→Pages 28-41


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

Top-share products by pharmaceutical category⁴:

8 in Japan, 3 outside Japan

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






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

→Pages 26-27

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

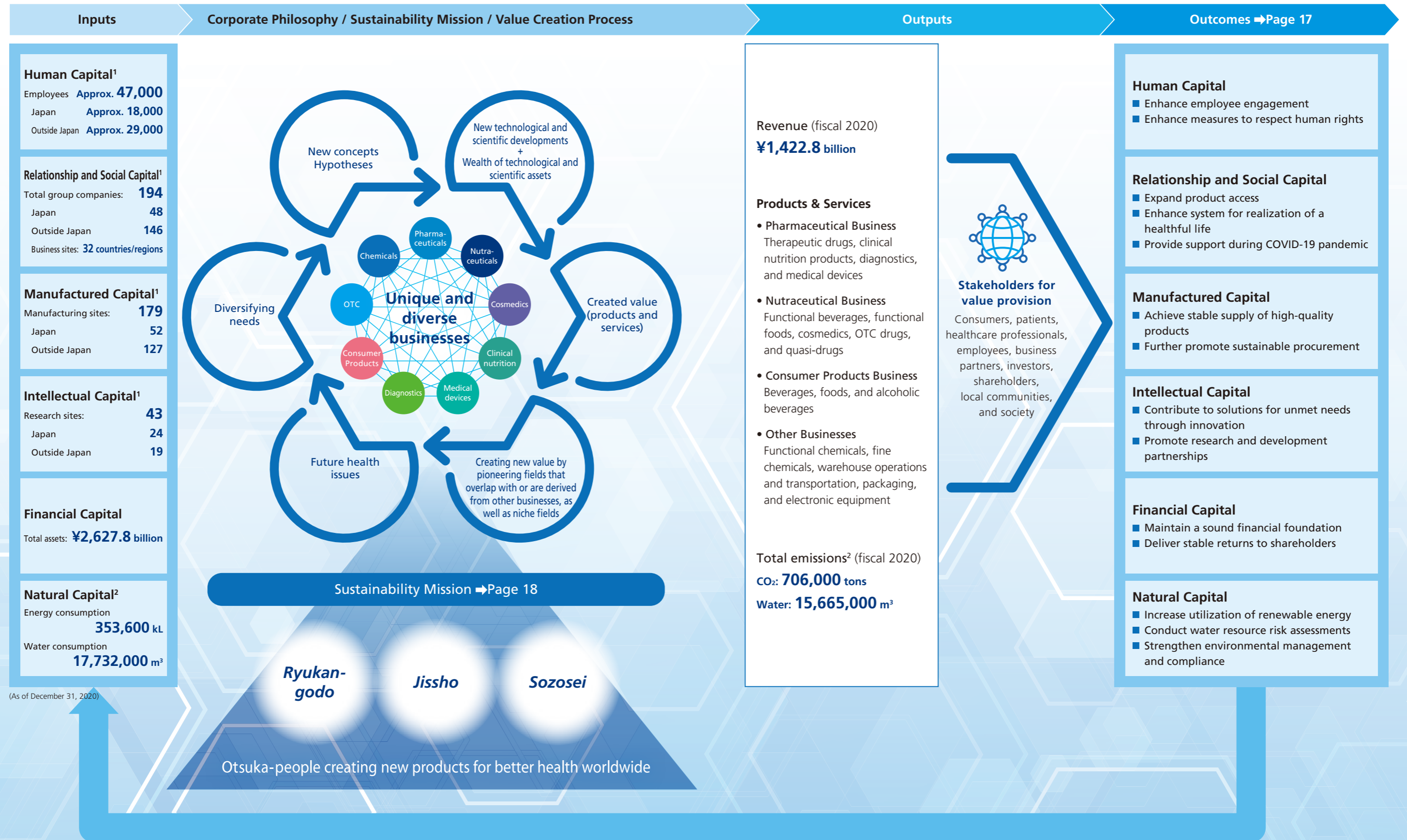
Rating: **AA-⁶**

Business profit margin of Nutraceutical Business: **12.7%⁷**



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

Value Creation Model



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

Value Creation Process That Generates Originality

Taking on the challenge of doing what only Otsuka can do

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

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

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



Impact of Value Creation on Capital

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

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

The Otsuka Group's Approach to Sustainability

Guided by its corporate philosophy, "Otsuka-people creating new products for better health worldwide," the Otsuka group works to contribute to the creation of a healthy and sustainable society, while achieving growth. We pursue these objectives supported by a comprehensive governance system. In 2019, we determined the material issues of the Otsuka group to be *society (health, people, quality in all we do)*, *environment (climate change, resource recycling and conservation, water conservation)*, and *governance*, and announced goals for 2030 to be pursued by the entire group.



Process for Determining Materiality (Material Issues)

Materiality is initiatives that Otsuka is focused on. To determine the Otsuka group's material issues, we first compiled a list of social issues, referencing a range of international guidelines and frameworks, including ISO 26000, GRI, and the U.N. SDGs. We narrowed down the list of issues by evaluating them in terms of their importance, taking into account our ability to contribute to a solution, their impact on business, and our strengths.

Issues were then discussed by the Sustainability Promotion Committee* and approved at the Otsuka Holdings Board of Directors meeting. As a result, the material issues of the Otsuka group were determined to be: *society (health, people, quality in all we do)*, *environment (climate change, resource recycling and conservation, water conservation)*, and *governance*.

- 1 Identification of social issues with reference to respective international guidelines
- 2 Assessment of social issues that our business activities can contribute to solving and their importance
- 3 Determination of material issues by the Sustainability Promotion Committee from the viewpoint of their impact on society and on the Otsuka group
- 4 Approval at the Otsuka Holdings Board of Directors meeting

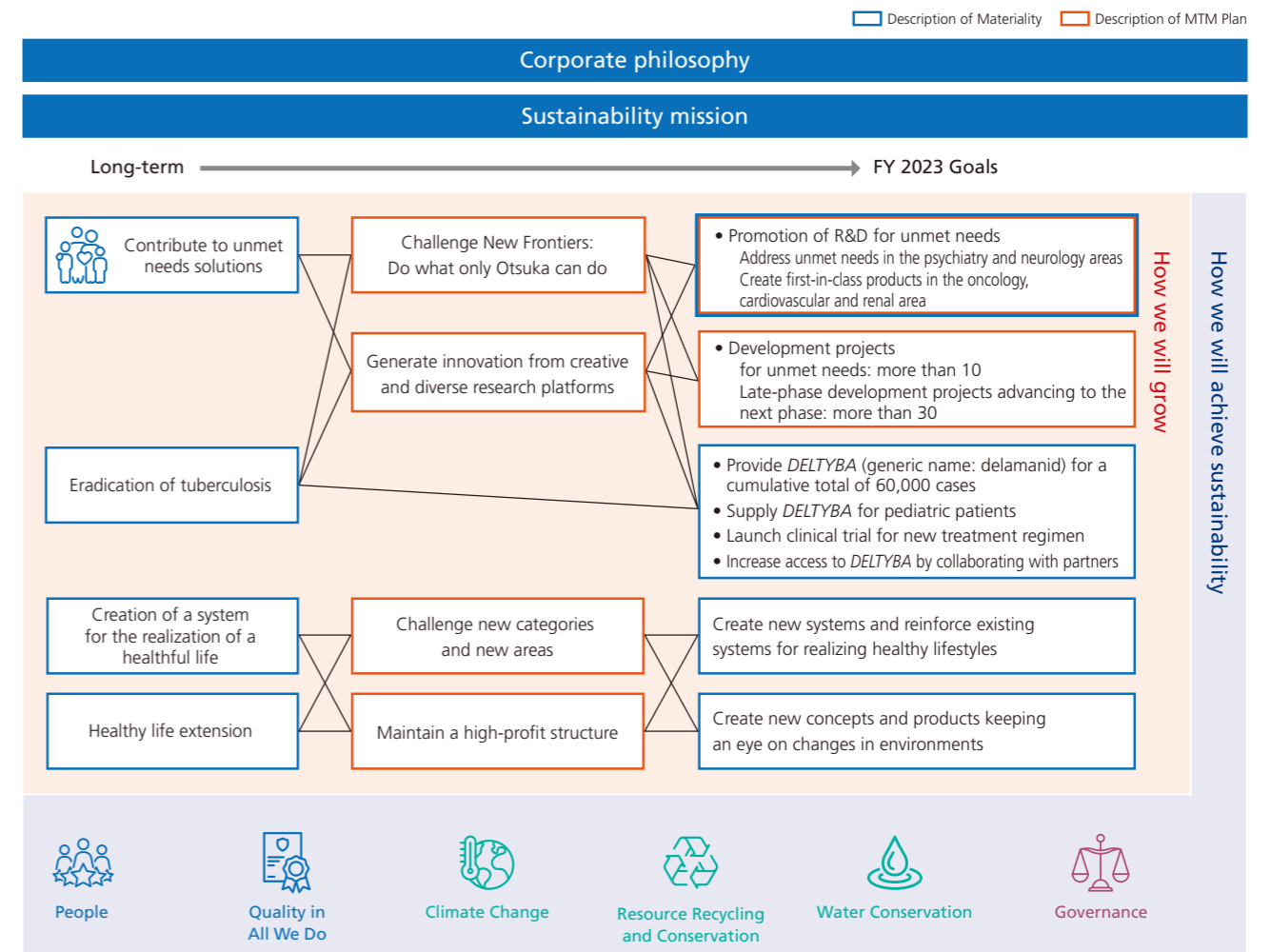
* The Sustainability Promotion Committee promotes sustainability throughout the Otsuka group. The committee's responsibilities include discussing and deciding on the direction and plans for sustainability activities. The Otsuka Holdings director in charge of sustainability promotion serves as the committee chair. Committee members comprise group managers of departments relating to sustainability and the sustainability officers of each company.

Visit the Otsuka Holdings website for a map of social issues
https://www.otsuka.com/en/csr/hd_activity/materiality.html



We are promoting business toward our goals for fiscal 2023 in the same direction of the materiality, under the medium-term management plan for fiscal 2019 to 2023.

Relationship between Materiality and the Medium-Term Management Plan



Relationship between Materiality and Capitals

Materiality		Capital					
		Human Capital	Relationship and Social Capital	Manufactured Capital	Intellectual Capital	Financial Capital	Natural Capital
Society	Health	●	●		●	●	
	People	●			●	●	
	Quality in All We Do	●	●	●	●	●	
Environment	Climate Change	●		●		●	●
	Resource Recycling and Conservation	●		●		●	●
	Water Conservation	●		●		●	●
Governance		●	●	●		●	

Materiality (Material Issues)

In 2019, the Otsuka group determined its material issues based on their importance to society and to the group's businesses. They are: *society (health, people, quality in all we do)*, *environment (climate change, resource recycling and conservation, and water conservation)*, and *governance*.

Materiality	Social Issues	Our Goals	Our Activities	Related SDGs
 Society (Healthier Society)	 Health <ul style="list-style-type: none"> 1 Unmet medical and health needs 2 Spread of infectious diseases 3 Nutritional needs 4 Increasing aging issues 	<ul style="list-style-type: none"> Contribution to unmet needs solutions Eradication of tuberculosis Creation of a system for the realization of a healthful life Healthy life extension 	<ul style="list-style-type: none"> Promotion of R&D for unmet needs R&D of antituberculosis drugs and improvement of drug access Support and awareness activities for people's health maintenance/improvement mainly on exercise and nutrition etc. Promotion of problem solving by strengthening partnerships 	
	 People <ul style="list-style-type: none"> 5 Presenteeism* 6 Unprepared for diversification 	<ul style="list-style-type: none"> Creation of a corporate culture that stimulates creativity Enhance employee engagement 	<ul style="list-style-type: none"> Human resource development Diversity promotion Healthful management 	
	 Quality in All We Do <ul style="list-style-type: none"> 7 Consumption and production that impairs sustainability 	<ul style="list-style-type: none"> Gaining stakeholder trust Pursuing sustainability at all levels of the value chain Establishing a quality assurance system for safety and security 	<ul style="list-style-type: none"> Sustainable procurement and product design Thorough quality control and stable supply Responsible promotional activities and information provision Deepening communication with stakeholders Promotion of "Customer-centric management" 	
 Environment (Healthier Planet)	 Climate Change <ul style="list-style-type: none"> 8 Global warming 	FY 2030 Goal <ul style="list-style-type: none"> 30% reduction in CO₂ emissions compared to FY 2017 	<ul style="list-style-type: none"> Reduce CO₂ emissions throughout the value chain 	
	 Resource Recycling and Conservation <ul style="list-style-type: none"> 9 Environmental load increase 	FY 2030 Goal <ul style="list-style-type: none"> 50% reduction in simple incineration and landfill compared to FY 2019 50% or higher content of recycled and plant-based materials in our PET bottles 	<ul style="list-style-type: none"> Reduce environmental impact by improving resource efficiency Promotion of business activities aimed at a sustainable state of society and the earth 	
	 Water Conservation <ul style="list-style-type: none"> 10 Reducing in freshwater availability due to water resource risks 	FY 2030 Goal <ul style="list-style-type: none"> Improvement of water use efficiency by 15% compared to FY 2017 	<ul style="list-style-type: none"> Understanding water resource risks Management and effective use of water resources 	
 Governance <ul style="list-style-type: none"> 11 Fragile governance system 12 Social change risk 	<ul style="list-style-type: none"> Long-term improvement of corporate value 	<ul style="list-style-type: none"> Strengthen corporate governance Thorough compliance Risk identification, evaluation and management 		

* The situation where productivity does not go up due to the poor condition of the mind and body despite coming to work

Fiscal Goals 2023 and Fiscal 2020 Progress

Among the 12 social issues determined to be Otsuka group's materiality, we selected nine issues that we regard as especially important at present, and set goals related to them for fiscal 2023.

Social Issues	Our Goals	FY 2023 Goals	FY 2020 Progress
1	Contribute to unmet needs solutions	<ul style="list-style-type: none"> Promotion of R&D for unmet needs 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 needs¹ New development projects: 10 or more Late-phase development projects advancing to the next phase: 30 or more 	<ul style="list-style-type: none"> In areas with unmet needs¹ New development projects: 9 projects² Late-phase development projects: 9 projects²
2	Eradication of tuberculosis	<ul style="list-style-type: none"> Provide DELTYBA (generic name: delamanid) for a cumulative total of 60,000 cases Supply DELTYBA for pediatric patients Launch a clinical trial for new treatment regimen Increase access to DELTYBA by collaborating with partners 	<ul style="list-style-type: none"> DELTYBA Provided DELTYBA for 40,000 a cumulative total of cases in more than 110 countries/regions Acquired the indication of DELTYBA for children in Europe in October 2020 R-pharm acquired marketing approval for DELTYBA in Russia in May 2020 Implemented supply through the Global Drug Facility (GDF) of the Stop TB Partnership and alliance partners Participated in Pan-TB collaboration and accelerated the development of new TB treatment regimen Continued participation in the Global Health Innovative Technology (GHIT) Fund
3	Creation of a system for the realization of a healthful life	<ul style="list-style-type: none"> Challenge new categories and new areas Create new systems and reinforce existing systems for realizing healthy lifestyles Create new concepts and products keeping an eye on changes in environments 	<ul style="list-style-type: none"> Further increased the supply of plant-based food products by starting operations at a new manufacturing site Executed cooperation agreements with all 47 prefectures and promoted collaboration in health and other fields Continued to hold the Women's Health Seminars 30th anniversary of the Otsuka Health Comic Library Cumulative total OATHAS³ registrants: Approximately 20,000 Started the "Healthy President" service
6	Creation of a corporate culture that stimulates creativity Enhanced employee engagement	<ul style="list-style-type: none"> Further instill the corporate culture and philosophy Build systems for ongoing human resource development aligned with changes in society and in the times Further promote and instill diversity as a source of innovation 	<ul style="list-style-type: none"> Cumulative total participants in the executive human resource development programs of Otsuka Global Academy (OGA): 171⁴ Cumulative total participants in Health Seminars: approx. 1,500 Implemented health and safety measures for employees during the COVID-19 pandemic Formulated the "Otsuka Group Human Rights Policy"
7	Pursuing sustainability at all levels of the value chain	<ul style="list-style-type: none"> Self-assessment questionnaire (SAQ) survey conducted on: 200 companies Sustainable procurement Conducted supplier briefings for 160 suppliers Original goal: Over 30 times/companies by fiscal 2023) 	<ul style="list-style-type: none"> Cumulative total of companies implementing SAQ: 80 Companies participating in supplier briefings: 73 Stable supply of products during the COVID-19 pandemic Held global production meetings and environmental management information exchange meetings Held global product quality meetings Improved products based on customer feedback
8	FY 2030 Goal 30% reduction in CO ₂ emissions compared to FY 2017	<ul style="list-style-type: none"> Introduce renewable energy and raise the usage rate of CO₂-free electricity 	<ul style="list-style-type: none"> Acquired ISO14001 integrated certification Expanded the introduction of CO₂-free electricity⁵ Introduced co-generation system and solar power generation facilities Switched supply to green power for office departments of five group companies
9	FY 2030 Goal 50% reduction in simple incineration and landfill compared to FY 2019 50% or higher content of recycled and plant-based materials in our PET bottles	<ul style="list-style-type: none"> Strengthen cooperation for reducing simple incineration and landfill volume Build an internal group system for improving the usage rate of recycled and plant-based materials 	<ul style="list-style-type: none"> Established the Otsuka Group Plastic Policy
10	FY 2030 Goal Improvement of water use efficiency by 15% compared to FY 201	<ul style="list-style-type: none"> Improve water use efficiency in accordance with water resource risks that are unevenly distributed by country/region 	<ul style="list-style-type: none"> Carried out water resource risk assessments using Aqeduct⁶ Formulated water resource risk analysis charts at each manufacturing site, and identified watershed issues around the sites
12	Promotion of R&D for unmet needs	<ul style="list-style-type: none"> Build a system to strengthen compliance within the group Strengthen corporate governance to further raise effectiveness Build a governance system capable of global business development and response to various changes 	<ul style="list-style-type: none"> Introduced enterprise risk management in July 2020 Carried out activities for directors to raise effectiveness Board of Directors meeting attendance rate: 100% Implemented the "Otsuka Group Global Policy for Conflict of Interest"

1. Unmet needs areas defined by Otsuka based on *PatientsMap2020JP* and *PatientsMap2020US*, M3 & SSRI
 2. Cumulative total since 2019
 3. Otsuka Advanced Training for Healthy Aging Supporters: A program that supports pharmacies as health information hubs with strong connections to local communities
 4. As of December 31, 2020
 5. Including carbon-neutral electricity
 6. Water resource risk assessment tool developed by the World Resources Institute

Feature: As a Unique Total Healthcare Company

The Otsuka group operates diverse healthcare businesses centered on the Pharmaceutical Business and the Nutraceutical Business. The combination of diverse businesses enables us to produce creative products and value. This is why we are able to contribute to people's health worldwide through total healthcare that only Otsuka can deliver. In this feature, we describe how the Otsuka group creates value through the combination of diverse businesses, and how the process is supported by our revenue structure and governance.

Creative Product Marketing and Value Creation through the Combination of Diverse Businesses

It is important for us to adapt to change and the needs of the times. This entails an ongoing focus on issues relating to changes in the social environment, including lifestyle changes, the super-aging of societies, unforeseen major disasters, the spread of infectious diseases, and the need for environmental conservation. The Otsuka group provides continuous support to address various health issues and social needs, leveraging its strengths as a total healthcare company.

Delivering Innovative Products through Synergy Effects

The technologies and expertise accumulated in the IV solutions and clinical nutrition product businesses since 1946 are the basis for many of the innovative products that we have developed to date.

For example, the development of *POCARI SWEAT* was inspired by the idea of a drinkable IV solution that could easily replenish fluids and electrolytes lost by the body. Similarly, the development of *Calorie Mate* was inspired by concentrated liquid food regimens and conceived as a nutritional food product that could be an alternative to IV solutions. Both these R&D projects leveraged the knowledge and production expertise related to the group's clinical nutrition products, which in turn has led to the development of unprecedented science-based products. The world's first commercial retort pouch food product *Bon Curry* was also developed by applying sterilization-related technology and expertise accumulated through the production of IV solutions.

In the Nutraceutical Business, we established Japan's first private research institute for clinical exercise and nutrition in 1984,

and we continue to develop science-based products. At the Saga Nutraceuticals Research Institute, we conduct research on the relationship between soybean isoflavones and women's health, in addition to research on exercise and nutrition. We particularly focused on equol (an ingredient produced when daidzein is metabolized by intestinal bacteria), which we used to develop *EQUELLE*, a dietary supplement that supports women's health and beauty. At the Otsu Nutraceuticals Research Institute, we conduct research under the theme "intestines and nutrition." This has led to the development of *BODYMAINTÉ*, which utilizes plant-derived lactic acid bacteria B240 and has evidence-based efficacy in health management.

➔Page 38, *EQUELLE* and *BODYMAINTÉ*



HINEX-R, concentrated liquid food that was the forerunner of *Calorie Mate*

Toward Realizing a Sustainable Society with Physical, Mental and Social Well-being

Given the climate change is becoming a major social issue, the Otsuka group has developing and marketed nutritional foods with a long-term view of the earth's health. Soybeans are a part of Japan's traditional food culture, and have been referred to as "the meat of the fields." Having welcomed Daiya Foods of Canada to the Otsuka group in 2017, and we are accelerating the marketing of plant-based food products on a global basis. By combining new technologies with know-how acquired through the group's diverse businesses we are providing new value that addresses various social needs.

➔Page 38 *Daiya*



Daiya Foods website, "Who We Are"
<https://daiyafoods.com/who-we-are/>



Otsuka's Soylution
<https://www.otsuka.co.jp/en/nutraceutical/about/soylution/about/>



In the Pharmaceutical Business, to provide comprehensive solutions for healthcare issues we promote various innovative initiatives that combine our expertise and experience in psychiatry and neurology with cutting-edge digital technologies. *ABILIFY MYCITE* the world's first "digital medicine" facilitates the monitoring of drug adherence and behavior in patients. It expands the available options for more suitable therapies and can lead to improved communication among patients, caregivers, and healthcare professionals. In the psychiatry area, text information makes up 90% of medical records. Otsuka Pharmaceutical and IBM Japan jointly developed *MENTAT*, an electronic medical record analysis solution that analyzes text information using text mining technology¹ to support the identification of optimal approaches for patients. The Otsuka group continues to take on the challenge of developing new medical solutions, aiming to improve quality of life for patients, relieve the burden placed on others, facilitate recovery, and enhance communication in the psychiatry area, where drug adherence management and repeated relapse and rehospitalization are among the many issues faced.

Life expectancy is extending globally, and one in two people born in 2007 in the developed world will live past age of 100. This era of the 100-year life-span will call for, mental and social well-being, in addition to physical well-being. As social environments and lifestyles become increasingly diverse, the Otsuka group address various issues to improve all three forms of well-being and to realize a sustainable society.

1. Electronic medical records in psychiatry contain free descriptions of various information that is difficult to quantify (e.g. medical history and symptoms), and more than 90% of information is in text form. *MENTAT* is an electronic medical record analysis solution that uses natural language processing technology to organize and analyze electronic medical records in psychiatry, which were previously considered difficult to aggregate in a database, and presents that information in a form that is useful for medical settings and hospital management.



Business Structure for Achieving the Sustainable Enhancement of Corporate Value

The Otsuka group's diverse business operations play an important role in its sustainable growth, including when it is necessary to respond to changes in the business environment. In this section we describe how we analyze risks and opportunities from the perspective of our business structure, and how we sustainably enhance our corporate value, as a total healthcare company.

History of Building a Revenue Foundation with Diverse Businesses

Since its foundation, the Otsuka group has developed innovative products ahead of the times that lead to the resolution of social issues relating to healthcare, and has continued to grow while diversifying its businesses. Business diversity has in turn supported this sustainable growth by making the group's revenue structure resilient to risks and ready to act on opportunities. In the 1990s, when the Otsuka group launched *POCARI SWEAT*, the main revenue source was the Nutraceutical Business. In addition to providing pharmaceutical information, medical representatives in those days cooperated in group cross-business activities, such as, by promoting the installation of vending machines in medical institutions. The revenues earned through the Nutraceutical Business were invested into research and development in the Pharmaceutical Business. Through tireless research and development, we developed *ABILIFY*, an antipsychotic launched in 2002, and other products that have contributed to better health worldwide. In this way, the Pharmaceutical Business has become the main revenue driver of the Otsuka group. The Nutraceutical Business has also developed many other long-selling brands, continuously achieving a business profit margin of 10% or higher. Our IV solutions business, which we have been engaged in since soon after our founding, maintains a leading share of more than 50% in Japan², and supports the sustainable growth of the group as a stable revenue base.

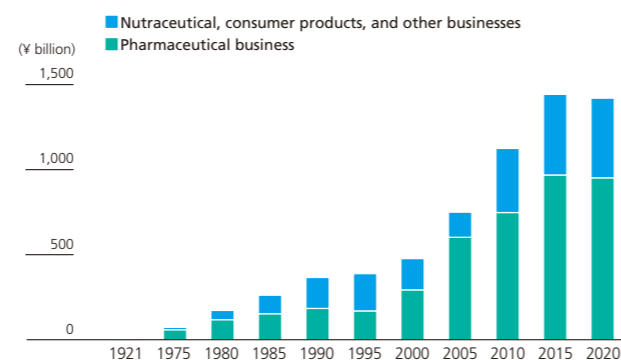
² Market defined by Otsuka. Copyright © 2021 IQVIA. Created based on MAT, December 2020 JPM. Reprinted with permission.

Diverse Business Foundation that Enables Adaptation to Various Environmental Changes

The Pharmaceutical Business and the Nutraceutical Business have substantially different business characteristics, and have achieved sustainable growth by respectively diversifying various risks in the business environment. For example, in the Pharmaceutical Business, medical expenses and drug prices have been reduced. However, these can be regarded as opportunities that lead to the advancement of health awareness and the dissemination of self-medication. We have multi-faceted business platforms and ideas unique to a total healthcare company, which enables us to adapt to rapid changes in the business environment and to take on various challenges envisioning the future.

- ➡ Opportunities and risks in the Pharmaceutical Business Page 32
- ➡ Opportunities and risks in the Nutraceutical Business Page 39

Revenue performance



Inter-Business Communication and Governance

While diversity is a source for new ideas and innovations, maintaining consistency in the direction of overall business management across different market environments, cultures, viewpoints, and values is a key issue. The Otsuka group has operates a global portfolio management structure with Otsuka Holdings at its core, and a governance structure that disseminates the corporate philosophy and the essence of management while ensuring close inter-business communication, with the view to creating synergistic value from its diverse businesses.

Dissemination of the Corporate Philosophy and the Essence of Management

The Otsuka group pursues the corporate philosophy "Otsuka-people creating new products for better health worldwide." We continuously implement various educational activities in order to promote the understanding and dissemination of this corporate

philosophy in the business practice of each employee across the world. At the same time, our executive management sends out proactive messages concerning the corporate philosophy and the essence of management that have been handed down by historical management executives.

- ➡ Message from the President Pages 6-9

Governance System and Global Portfolio Management

The composition of the Board of Directors of Otsuka Holdings includes multiple executive directors that serve concurrently on the management teams of operating companies. The Board promotes optimal group-wide investment strategies, and corporate strategies aimed at maximizing synergy, underpinned by the rapid relay of information and close-knit cooperation. Diverse

human resources familiar with a variety of industries and markets are appointed as outside directors, who bring a third-party viewpoint to the operations of the Board of Directors. In 2018, the Global Business Support Department was established to strengthen the monitoring of operating companies under the Executive Director in charge of Business Portfolio Management.

- ➡ Corporate Governance Pages 52-57
- ➡ Discussion on Corporate Governance Pages 60-65

Cooperation with Local Communities

The Otsuka group is promoting community-based health maintenance and improvement initiatives, as well as disaster prevention and relief activities. Here we describe activities for supporting people's health that are only possible for Otsuka as a total healthcare company.

Getting Closer to Consumers by Delivering New Value

In the Nutraceutical Business, in applying the knowledge and expertise we have accumulated through our products, including on such topics as health promotion, prevention of lifestyle-related diseases, dietary education, sports promotion and disaster countermeasures, we promote contribution to local communities. We have concluded health cooperation agreements with all 47 prefectures in Japan. Through these agreements we implement awareness activities for health promotion, provide speakers for lectures, and supply relief goods in the event of an emergency or disaster. In recent years, we have also provided new specialized information concerning our Pharmaceutical Business, in addition to preventive health information focused on nutrition, exercise, and recuperation. We provide support as only a total healthcare company can, through disease awareness activities and by helping healthy people stay healthy in both body and mind. At present, mental care needs are increasing, so we also plan to support the mental health of people in local communities, leveraging our strengths in the psychiatry and neurology area.

In addition, the combined initiatives of the Pharmaceutical

Business and the Nutraceutical Business in disaster prevention and response have provided local support closely aligned to consumer needs as a total healthcare company.

Healthcare needs vary substantially depending on an individual's circumstances, as well as over time and by region. Furthermore, the global COVID-19 pandemic has substantially transformed people's lifestyles. It is expected that health issues and social issues will become increasingly diverse and complex. The Otsuka group will continue its development through future-oriented value creation and its focus on diverse businesses, thereby enhancing its long-term corporate value based on the provision of total healthcare and making a social contribution.



Support for municipalities under the COVID-19 pandemic (photo provided by Sugunami-ku)



Naoshi Sato
Senior Vice President
Associate General Manager,
Nutraceuticals Division
Director of Societal Health
Relations Department
Director of Promotion and
Advertisement Department
Otsuka Pharmaceutical

Working to Resolve the Diversifying Health Issues of Consumers

In the Nutraceutical Business, we have continuously carried out health awareness activities by leveraging the assets that we acquire through R&D. We have been identifying health issues through dialog with local residents, and we continue to relationships support for resolving issues in cooperation with local communities. Based on the relationships of trust that we have established, we have concluded cooperation agreements with all 47 prefectures in Japan. Through new initiatives to complement these partnerships with expert strengths from the Pharmaceutical Business, we will help resolve increasingly diverse consumer health issues. Now we are in the era of the 100-year life span, I sense being able to identify social issues and health issues, including what information to provide, when and how to provide it, will be important in adapting to the continually changing healthcare environment and providing optimal solutions.

Message from the CFO



We will practice business management with an awareness of capital cost, and pursue sustainable growth and enhanced corporate value by maximizing business value and making growth investments.

Yuko Makino
Executive Director, CFO
Otsuka Holdings Co., Ltd.

Progress of the Third Medium-Term Overview of the Plan

Overview of the Plan

The Third Medium-Term Management Plan is positioned as "Advance in the Global Market as a Unique Total Healthcare Company: Five-Year Growth Phase".

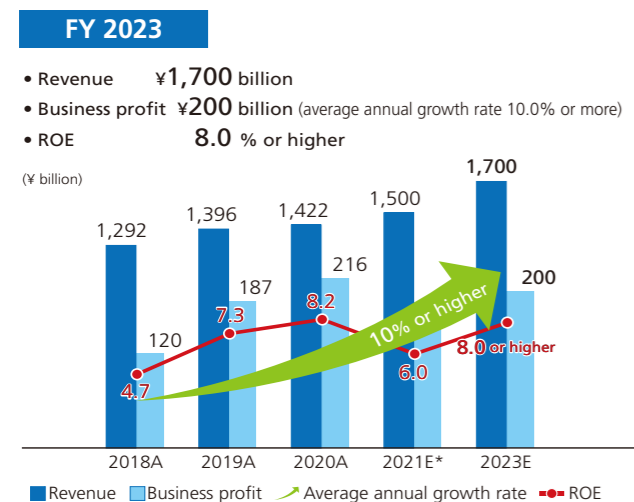
In the Pharmaceutical Business and the Nutraceutical Business, we will maximize existing business value and create new value, as well as conduct business management with a corporate-wide awareness of capital cost, and thereby maintain sustainable growth while making growth investments and ensuring returns to shareholders.

Business Progress

Performance targets for the Pharmaceutical Business under the five-year period of the Third Medium-Term Management Plan are set at increasing revenue by 200 billion yen from the 4 Global Products and by 90 billion yen from New Products that are scheduled for launch. The plan calls for revenue of 1,080 billion yen in 2023, its final fiscal year.

In fiscal 2020, IV solutions and certain therapeutic drugs were affected by reduced visits to medical institutions, fewer surgical operations, lower hospital bed occupancy, and other factors

• Third Medium-Term Management Plan



attributable to the COVID-19 pandemic. However, increased revenue from the 4 Global Products (*ABILIFY MAINTENA*, *REXULTI*, *Samsca/JINARC/JYNARQUE*, and *LONSURF*) has driven business performance, leading to progress ahead of the Plan.

We will continue working to achieve the plan's targets through various measures adapted to the "new normal."

We are pursuing challenging targets for the 3 Major Brands (*POCARI SWEAT*, Nutrition & Sante brand, and *Nature Made*) and for the 3 Nurture Brands (*BODYMAINTÉ*, *EQUELLE*, and *Daiya*) in the Nutraceutical Business. In fiscal 2020, in line with heightened health awareness, mainly with regard to disease prevention, our brands in the Nutraceutical Business were favorably received, with many consumers selecting *Nature Made* and *Daiya* products. In particular, revenue from *Daiya* plant-based food products has been increasing faster than market growth.

Our Nutraceutical Business involves diverse products and business fields, which makes it adaptable to rapid changes in the external environment and contributes to stable business operations in the medium to long term.

Plan for the Middle Year (Fiscal 2021) of the Third Medium-Term Management Plan

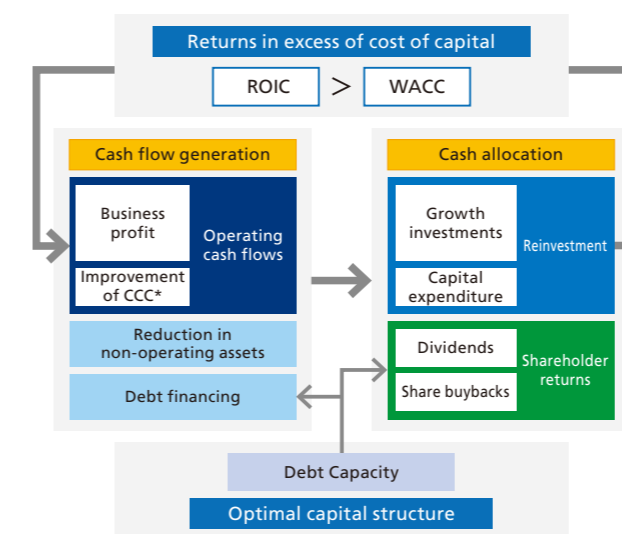
Fiscal 2021 is the middle year of the Third Medium-Term Management Plan. We plan to achieve revenue for the year of 1,423 billion yen, revised downward by 5.1% from the initial target of 1,500 billion yen.

We plan to achieve business profit of 190 billion yen, revised upward by 18.8% from the initial target, based on the growth of the 4 Global Products and the Nutraceutical Business, and have so far been making steady progress.

Measures for Enhancing Corporate Value

To achieve our goals under the Third Medium-Term Management Plan of maximizing existing business value and creating new value, we consider it important to strike a balance between organic growth of existing businesses and sustainable investment in new value creation. Instilling business management with a corporate-wide awareness of capital cost throughout the Otsuka group will enable us to maximize cash returns from existing businesses, allocate funds to growth investments, and strengthen our financial foundation, thereby allowing stable and ongoing shareholder returns.

• Framework of Financial Strategies



* Cash Conversion Cycle

Maximizing Existing Business Value through ROIC Management

During the Second Medium-Term Management Plan, we advanced the diversification of our revenue structure in order to counteract the patent expiration of *ABILIFY*. Doing so led to business profit in fiscal 2020 that set a record high since our listing on the First Section of the Tokyo Stock Exchange, and business performance recovered to the level before the patent expiration. Since then, however, factors relating to the COVID-19 pandemic, including people staying at home, have had a certain impact on our performance. From the viewpoint of business continuity, this situation has renewed our appreciation of the importance of diversity in our business portfolio, which combines the Pharmaceutical Business and the Nutraceutical Business, in mitigating business risks in emergency situations and in being able to make investments for sustainable growth.

We have set a standard for group-wide ROIC of at least 1% above the cost of capital (5.5%). In addition to measures for maximizing business returns, we are reviewing and improving business asset efficiency, and have set KPIs according to business characteristics. Furthermore, by introducing incentives linked to business performance, we are instilling ROIC management throughout the group, thereby maximizing existing business value.

Framework of Financial Strategies to Support New Value Creation

During the Third Medium-Term Management Plan, we aim to maximize returns on a cash basis and optimize the allocation of investment with a focus on our balance sheet. We will do so by strengthening product lifecycle management and business portfolio management, enabling us to link a diversified profit structure to new growth investments.

In the Pharmaceutical Business, to further our key strategies with regard to cash allocation we will first generate additional cash through cost optimization (controlling the ratio of selling, general and administrative expenses for products already on the

market), which will complement cash earned from the 4 Global Products. This cash is to be invested in sustainable R&D aimed at strengthening products and our pipeline in the psychiatry and neurology, oncology, and cardiovascular and renal areas. These investments are targeted at creating new value in answer to unmet medical needs, including diseases with no existing therapeutic drugs; in new concepts that integrate drugs with digital technologies, such as *ABILIFY MYCITE*; and in medical devices that apply new approaches such as ultrasound renal denervation treatment.

By refining manufacturing technologies, enhancing product quality and implementing rationalization measures, the IV solutions business has achieved stable cash creation in the Japanese market. To link this to development in overseas growth markets, we are reinvesting and reallocating funds among business areas as well as regional markets.

In the Nutraceutical Business, we will earn stable cash from the 3 Major Brands, whose markets are mature, and reallocate funds to creating new categories and developing new regions. We will build brands and strengthen manufacturing and marketing structures for the 3 Nurture Brands by making proactive investments and promoting the value of our products.

As a provider of total healthcare solutions, from daily health maintenance and promotion to the diagnosis and treatment of diseases, the Otsuka group emphasizes social contribution through innovation. We are always ready to take on challenges in investments that are aligned with our corporate philosophy, and that will help us to enhance our corporate value and social contribution.

In principle, these growth investments are funded through the reinvestment of cash returns from businesses, and from the stable cash supply structure established within the Otsuka group, centering on Europe, North America and Japan. We make decisions based on achieving the optimal capital structure without overreliance on any particular source of funding, taking into consideration business risks, credit ratings, expected rate of return among investors, and other factors. We have secured diverse funding means in case the impact of the COVID-19 pandemic is prolonged, including the issuance of corporate bonds, commercial paper, and funding from financial institutions through commitment lines.

The corporate department supports cost efficiency and smooth business operations by establishing a group-wide business foundation. Specific activities include promoting business and cost efficiency by expanding shared services and establishing IT infrastructure for non-manufacturing operations of the group centering on Japan, and standardizing purchasing at non-manufacturing departments. The corporate department also promotes asset efficiency by reviewing cross-shareholdings, which are held in accordance with Japan's Corporate Governance Code, and by utilizing or selling idle assets.

Our basic policy for shareholder returns is to maintain stable dividends. While emphasizing the continuity and stability of dividends, we will consider additional shareholder returns depending on profit growth, applying a comprehensive approach by securing sufficient cash returns to pursue growth investments, a solid financial standing and the optimal capital structure.

In coming years, we will continue to pursue business return and capital efficiency by promoting measures for business management with a corporate-wide awareness of capital cost.



How We Will Grow

Further Advancing as a Unique Total Healthcare Company

The Otsuka group's operations encompass two core businesses: the Pharmaceutical Business, which provides comprehensive health support from diagnosis to treatment of diseases, and the Nutraceutical Business, which contributes to maintaining and improving the health of healthy people. Going beyond the boundaries of a conventional pharmaceutical company, we aim to be an indispensable contributor to people's health worldwide, leveraging our strengths as a unique total healthcare company.

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

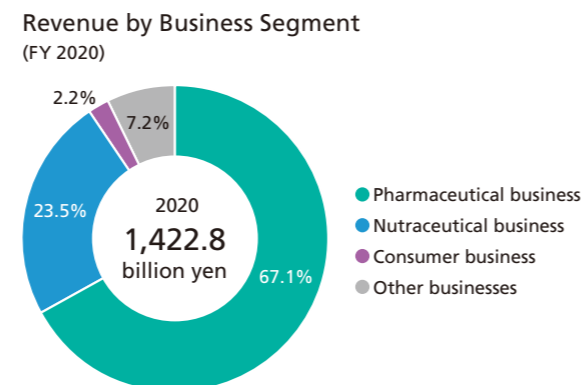
- Organic growth of mainstay products and brands in Pharmaceutical and Nutraceutical Businesses
- Actively invest in R&D to continue creating new drugs that will drive revenue during and beyond the next medium-term management plan

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 2020

In fiscal 2020, the second year of the Third Medium-Term Management Plan, though the COVID-19 pandemic had a certain impact, we took heightened health awareness as a growth opportunity. By leveraging our true value as a unique total healthcare company, we achieved revenue of 1,422.8 billion yen, an increase of 1.9% from the previous year, maintaining solid growth. Furthermore, business profit was 216.9 billion yen, an increase of 15.9% from the previous year, setting a record high since our stock listing.



	Progress to date		Third Medium-Term Management Plan: announcement as of May 2019		
	2019A	2020A	2021E	2023E	CAGR 2018-2023
(¥ billion)					
Revenue	1,396.2	1,422.8	1,500.0	1,700.0	5.6%
Business profit before R&D expenses	403.0	433.7	390.0	460.0	7.9%
R&D expenses	215.8	216.8	230.0	260.0	6.1%
Business profit	187.2	216.9	160.0	200.0	10.6%
ROE	7.3%	8.2%	6.0% or higher	8.0% or higher	—

For more details about our *health*-related initiatives, visit: <https://www.otsuka.com/en/csr/society/health/>



Among the Otsuka group's materialities, we set specific goals on the 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 measures are being taken toward their resolution.

Social Issue 1: Unmet Medical and Health Needs

Our Goal: Contribute to the resolution of unmet needs	
FY 2023 Goals	FY 2020 Progress
<ul style="list-style-type: none"> • 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"> • In areas with unmet needs¹ <ul style="list-style-type: none"> New development projects: 9 projects² Late-phase development projects: 9 projects²

1. Unmet needs areas defined by Otsuka based on *PatientsMap2020JP* and *PatientsMap2020US*, M3 & SSRI
2. Cumulative total since 2019

Social Issue 2: Spread of infectious Diseases

Our Goal: Eradication of Tuberculosis	
FY 2023 Goals	FY 2020 Progress
<ul style="list-style-type: none"> • Provide <i>DELTYBA</i> (generic name: delamanid) for more than 60,000 cases • Supply <i>DELTYBA</i> for pediatric patients • Launch a clinical trial for new treatment regimen • Increase access to <i>DELTYBA</i> by collaborating with partners 	<ul style="list-style-type: none"> • <i>DELTYBA</i> <ul style="list-style-type: none"> Provided <i>DELTYBA</i> for 40,000 cases in more than 110 countries/regions Acquired the indication of <i>DELTYBA</i> for children in Europe in October 2020 R-pharm acquired marketing approval for <i>DELTYBA</i> in Russia in May 2020 Implemented supply through the Global Drug Facility (GDF) of the Stop TB Partnership and alliance partners • Participated in Pan-TB collaboration and accelerated the development of new TB treatment regimen • Continued participation in the Global Health Innovative Technology Fund (GHIT Fund)

Social Issue 3: Nutritional needs

Our Goal: Creation of a System for the Realization of a Healthful Life	
FY 2023 Goals	FY 2020 Progress
<ul style="list-style-type: none"> • Challenge new categories and new areas • Create new systems and reinforce existing systems for realizing healthy lifestyles • Create new concepts and products keeping an eye on changes in environments 	<ul style="list-style-type: none"> • Further increased the supply of plant-based food products by starting operations at a new manufacturing site • Executed cooperation agreements with all 47 prefectures in Japan promoted collaboration in health and other fields • Continued to hold the Women's Health Seminars • 30th anniversary of the Otsuka Health Comic Library • Cumulative total OATHAS registrants: Approximately 20,000 • Launched the Kenko Shacho ("Healthy President") service

Pharmaceutical Business

The Third Medium-Term Management Plan calls on us to maximize existing business value and create new 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. We will further accelerate growth, targeting an increase in revenue by fiscal 2023 of 200 billion yen from Global Products, as well as 90 billion yen from New Products scheduled to be launched during the current Medium-Term Management Plan.

The Otsuka group focuses on unmet medical and health needs as a social issue. To this end, in fiscal 2020, we began eight new development projects to the next phase in the unmet needs areas (nine projects since fiscal 2019), and advanced three late-phase development projects to the next phase (nine projects since fiscal 2019), in unmet needs areas.*

* Unmet needs areas defined by Otsuka based on *PatientsMap2020JP* and *PatientsMap2020US*, M3 & SSRI

(¥ billion)	FY 2020 revenue	Year-on-year	FY 2021 revenue plan	Growth rate
<i>ABILIFY MAINTENA</i>	116.0	+14.0%	128.0	+10.3%
<i>REXULTI</i>	104.6	+16.5%	110.5	+5.6%
<i>Samsca/JINARC/JYNARQUE</i>	168.3	+12.9%	170.5	+1.3%
<i>LONSURF</i>	40.7	+18.1%	43.5	+6.8%
Total	429.7	+14.5%	452.5	+5.3%

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 and Japanese approval in 2020 for an additional indication for the treatment of bipolar disorder, prescriptions are increasing.

REXULTI

brexpiprazole | Atypical antipsychotic

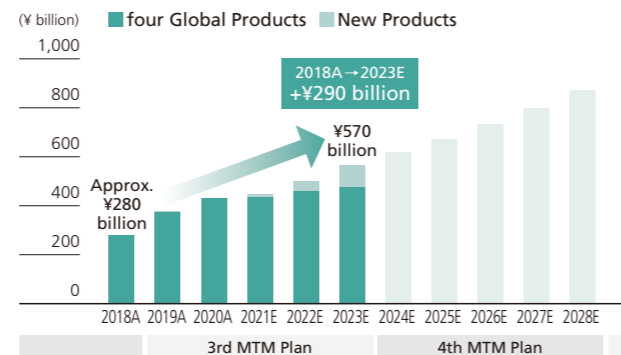
Marketed as an adjuvant treatment for major depressive disorder and as a treatment for schizophrenia in the U.S., this drug is highly evaluated for its efficacy and safety as a new treatment option for both diseases. In Japan, where the drug is marketed as a treatment for schizophrenia, prescriptions have grown significantly. 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.

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 2020 rose 14.5% from the previous year, making a considerable contribution to growth in consolidated performance.

Revenue Plan for the four Global Products and New Products

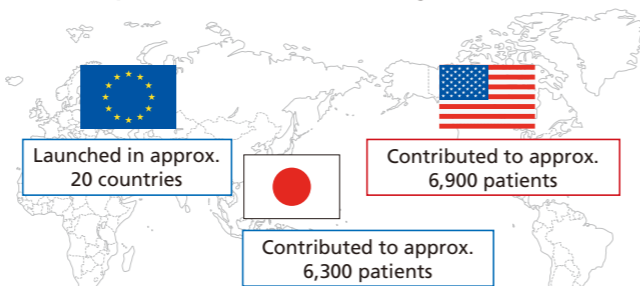


Samsca/JINARC/JYNARQUE

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

Global operation as an ADPKD drug



Estimated number of ADPKD patients
 U.S.: 140,000, Europe: 205,000, Japan: 31,000
 (As of March 31, 2021, in-house survey)

contributed to the resolving of unmet needs following approval for the additional of 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 also, *JINARC* is sold in approximately 20 countries and the number of patients receiving treatment through the drug is on the increase.

LONSURF

trifluridine/tipiracil | Anticancer agent

Backed by strengthened information provision as a treatment option for unresectable advanced or recurrent colorectal cancer, and approval for the additional indication of unresectable advanced or recurrent gastric cancer in Japan, the U.S. and Europe, prescriptions for *LONSURF* have been increasing. In the U.S. in particular, where home treatment and the use of oral anticancer agent are recommended given the COVID-19 pandemic, and *LONSURF* is being selected as one such oral therapy. To further maximize its value, we are currently pursuing promotion to lines of therapy and clinical studies for treatment combinations.



Timothy Whitten
 Taiho Oncology, Inc.
 President and CEO

Growing the North American Oncology Business

In 2020, Taiho Oncology had a strong year despite the COVID-19 pandemic. *LONSURF* sales grew significantly in metastatic colorectal cancer (mCRC) and metastatic gastric cancer, and the pandemic helped reveal the value of oral therapies as treatment options for cancer patients. Also, Taiho Oncology launched *INQOVI* into the market for myelodysplastic syndromes and is now a multi-product commercial organization focused on both solid and liquid tumors.

For the remainder of the medium-term plan, we are planning for continued growth in North America based on the following: potential *LONSURF* growth through a clinical trial life-cycle management plan studying *LONSURF* in treatment combinations and earlier in the course of mCRC; completing initial *INQOVI* launch; potentially commercializing new compounds originating from in-house discovery programs; and aggressively looking for external near-to-market in-licensing opportunities.

Additionally, our development organization continues to plan and implement clinical trials focused on exciting compounds originating from the Tsukuba Research Center.

DELTYBA

The Otsuka group considers the spread of infectious diseases as a social issue, and targets the eradication of tuberculosis (TB), one of the infectious diseases with the largest death toll in the present day. More than ten million people develop TB and approx. 1.5 million die of TB annually. As the culmination of more than 30 years of R&D, the Otsuka group developed *DELTYBA*, one of the world's first new TB drugs in about half a century. As of December 2020, it is available in more than 110 countries/regions as an important option for patients with multidrug-resistant TB. In October 2020, it was approved for an additional pediatric indication in Europe. Eradicating tuberculosis is still a major challenge worldwide. In support of that effort, Otsuka has been working to expand access to *DELTYBA*, and since 2016 has shipped enough doses to treat more than 40,000 cases.

- ▶ Supply from Stop TB Partnership's GDF (since February 2016)
- ▶ Participation in access programs implemented by countries and public international organizations
 - endTB program conducted by United (a global health agency)
 - Access programs implemented by the governments of South Africa and India
- ▶ Access through alliance partners
 - Alliance with R-Pharm JSC (Russia, CIS, etc.)
 - Alliance with Mylan N.V. (now Viatrix Inc.) (India, South Africa, and other high-burden countries)
- ▶ Access through the compassionate use program¹
 - Supplied to more than 200 patients in 19 countries²

1. Public programs that provides exceptional access to yet-to-be-approved drugs on an exceptional basis to patients with serious or life-threatening diseases
 2. Ghosh S et al., *Eur Respir J.* 2020 Nov 26; 2002483.

For more details about our TB initiatives, visit:
<https://www.otsuka.com/en/csr/society/health/pharmaceutical.html>



Future of Pharmaceutical Business

Opportunities and Risks

Risks that affect the environment surrounding the Pharmaceutical Business operating include those relating to reduced visits to medical institutions and delayed clinical development due to the global the COVID-19 pandemic, intensifying competition, paradigm shifts in treatment due to technological innovation, and policies

implemented in response to medical cost inflation, which has become a serious issue worldwide. Despite these risks, the Otsuka group is developing its multiple pipelines in multiple areas in order to contribute to the resolution of social issues, through initiatives targeting with diseases with high unmet needs.

<p>Strengths</p> <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 cardiovascular and renal area • Presence in the oncology area • Stable profit in the IV solutions business • Originality free from fixed ideas <p>Opportunities</p> <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 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Management personnel with advanced skills for diversifying businesses • Strengthening portfolio management related to patent expiration for mainstay products <p>Threats</p> <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 • Restrictions on sales promotion activities due to stricter regulations • Pandemic related to the spread of infectious diseases
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Future initiatives

In the Pharmaceutical Business, we are promoting various measures toward the resolution of issues. We are taking on challenges in new areas that only Otsuka can do, resolving unmet needs, and generating innovations based on creative and diverse research platforms.

With a focus on the psychiatry and neurology, oncology, and cardiovascular and renal areas –, where satisfaction with current treatment methods for many diseases remains with low –, we aim to create innovative new drugs through unique approaches that leverage the synergy of our diverse businesses.

● 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.

We have a high-potential pipeline and product lineup, and aim to become a top-class global player in this area.

Agitation Associated with Dementia of the Alzheimer's Type

It is estimated that approximately 3.76 million people (estimated 2021)* 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 (REXULTI) and AVP-786.

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

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Status of Psychiatry and Neurology Pipelines

(As of March 31, 2021)

Pipeline	Features	Indication	Country/Region	Development status	
brexpiprazole	Dopamine partial agonist	Major depressive disorder	Japan/Europe	Phase III	
		Schizophrenia	China	Phase III	
		Agitation associated with dementia of the Alzheimer's type	Japan/U.S./Europe	Phase III	
		Post-traumatic stress disorder	U.S.	Phase III	
		Borderline personality disorder	U.S.	Phase II	
		Schizophrenia; long-acting injectable	U.S.	Phase I	
aripiprazole (long-acting injectable)	Dopamine partial agonist	Bipolar disorder	Japan	Approved*	●
		Schizophrenia	China	Filed	●
OPC-64005	Serotonin, norepinephrine and dopamine reuptake inhibitor	Major depressive disorder	Japan	Phase II	●
AVP-786	NMDA receptor antagonist; serotonin and norepinephrine reuptake inhibitor; sigma-1 receptor agonist	Agitation associated with dementia of the Alzheimer's type	U.S./Europe	Phase III	
		Negative symptoms of schizophrenia	U.S.	Phase II/III	
		Traumatic brain injury	U.S.	Phase II	
		Intermittent explosive disorder	U.S.	Phase II	
centanafadine	Norepinephrine, dopamine and serotonin reuptake inhibitor	Attention deficit hyperactivity disorder	U.S.	Phase III	
pizuglanstat	PGD synthase inhibitor	Duchenne muscular dystrophy	Japan	Phase III	●
fremanezumab	Anti-CGRP antibody	Migraine	Japan	Filed	●
OPC-214870	—	Epilepsy	U.S.	Phase I	

■ Development projects in unmet needs areas as defined by Otsuka based on *PatientsMap2020JP* and *PatientsMap2020US*, M3 & SSRI

● Project that has advanced in or after fiscal 2020

* Approved September 2020, brand name ABILIFY prolonged release aqueous suspension for IM injection

● Oncology

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

Taiho Pharmaceutical has a broad portfolio supported by its proprietary drug discovery platform technologies, including proprietary biochemical modulation technology uniquely developed its history, as well as the Cysteinomix drug discovery technology¹ enabling specific covalent modification of therapeutic targets, and fragment-based drug discovery technology² established by Astex Pharmaceuticals. The company is also accelerating development of drugs to resolve unmet needs, working with pharmaceutical collaborators. 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 their strengths to bolster global operations and enhance business value.

1. Platform for discovering compounds that cause specifically from a covalent bonding 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.

● 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 alliances with Akebia Therapeutics for vadadustat and with Aurinia Pharmaceuticals for voclosporin, and the acquisition of Visterra, a company with a renal disease-related pipeline. Otsuka group also strive to find solutions to unmet needs which are not resolved by drugs. We are advancing development of

unique medical devices, drawing on our innovative technology and our strengths in drugs and clinical research. Ultrasound renal denervation treatment is a new therapy expected to decrease high blood pressure in cases that cannot be effectively treated with existing drugs, and our ultrasound renal denervation system has Breakthrough Device Designation from the U.S. FDA. We will aiming to create first-in-class products through new drug discovery technologies and medical devices.



Toshiki Sudo
Executive Director
(Research and Intellectual Property)
Otsuka Pharmaceutical

Strengths in Drug Discovery at Otsuka Pharmaceutical

Otsuka Pharmaceutical has a global satellite research structure with sites in Japan, the U.K., the U.S., and China, thereby pursuing drug discovery through diverse modalities including small-molecular drugs, antibodies, and cell & gene therapies. The company's small-molecular drug discovery platforms have created first-in-class drugs in the central nervous system, cardiovascular system, and renal areas. In addition, Astex in the U.K. has acquired approval for several new oncology drugs through fragment-based drug discovery based on the protein structural analysis and computational chemistry. Visterra in the U.S. is engaged in antibody drug discovery based on its proprietary antibody preparation technology. Otsuka Pharmaceutical aims to contribute to global healthcare by creating innovative drugs through open innovations with the academia and biotech in and outside Japan.

Status of Cardiovascular and Renal Pipelines

(As of March 31, 2021)

Pipeline	Features	Indication	Country/Region	Development status	
tolvaptan	V ₂ -receptor antagonist	Syndrome of inappropriate antidiuretic hormone secretion	Japan	Approved*	●
OPC-61815	V ₂ -receptor antagonist	Cardiac edema	Japan	Filed	●
vadadustat	HIF-prolyl hydroxylase inhibitor	Renal anemia	U.S.	Filed	●
			Europe	Phase III	
VI5649	Anti-APRIL monoclonal	IgA nephropathy	Japan/U.S./Europe	Phase II	●
Ultrasound renal denervation system	Cauterization of renal sympathetic nerves (medical device)	High blood pressure	Japan/U.S./Europe	—	

Development projects in unmet needs areas as defined by Otsuka based on *PatientsMap2020JP* and *PatientsMap2020US*, M3 & SSRI

● Project that has advanced in or after fiscal 2020

* Approved June 2020, brand name *Samsca*

Status of Oncology Pipelines

(As of March 31, 2021)

Pipeline	Features	Indication	Country/Region	Development status	
ASTX727	DNA methyltransferase inhibitor	Myelodysplastic syndromes	U.S.	Approved*	●
			Japan	Phase I	
		Acute myeloid leukemia	Europe	Phase III	●
			U.S.	Phase I	●
tolinapant	IAP inhibitor	Solid tumors, lymphomas	U.S.	Phase II	
		T-cell lymphoma	Japan	Phase I	
tolinapant + ASTX727	IAP inhibitor+ DNA methyltransferase inhibitor	Acute myeloid leukemia	U.S.	Phase I	●
ASTX029	ERK1/2 inhibitor	Solid tumors	U.S.	Phase I/II	
ASTX295	MDM2 inhibitor	Solid tumors	U.S.	Phase I/II	
ASTX030	DNA methyltransferase inhibitor	Myelodysplastic syndromes	Japan/U.S.	Phase I	●
ponatinib	BCR-ABL tyrosine kinase inhibitor	Chronic myeloid leukemia, acute lymphoblastic leukemia	China	Phase II	●
OPB-111077	—	Diffuse large B-cell lymphoma	Japan	Phase I	
		Hematological cancers	U.S.	Phase I	
OPB-171775	—	Solid tumors	Japan	Phase I	●
TAS-114	dUTPase inhibitor	Non-small cell lung cancer	Japan/U.S./Europe	Phase II	
pamufetinib	Multi-kinase inhibitor	Osteosarcoma	Japan	Phase III	●
		Prostate cancer	Japan	Phase II	
pimipitespib	HSP90 inhibitor	Gastrointestinal stromal tumor	Japan	Phase III	
		Solid tumors	U.S./Europe	Phase I	
TAS-117	—	Solid tumors	Japan	Phase I	
futibatinib	FGFR inhibitor	Cholangiocarcinoma	Japan/U.S./Europe	Phase III	●
		Breast cancer	U.S./Europe	Phase II	●
		FGFR aberrations cancers	Japan/U.S./Europe	Phase II	●
		Urothelial cancer	U.S./Europe	Phase II	●
TAS0313	Peptide vaccine	Urothelial cancer	Japan	Phase II	
TAS3681	—	Prostate cancer	U.S./Europe	Phase I	
TAS0728	—	Solid tumors	U.S./Europe	Phase I/II	
TAS0612	—	Solid tumors	U.S./Europe	Phase I	●
TAS1440	LSD1 inhibitor	Acute myeloid leukemia	U.S.	Phase I	●
TAS0953	—	Solid tumors	Japan	Phase I/II	●
TAS1553	—	Acute myeloid leukemia	U.S.	Phase I	●
trabectedin (YONDELIS)	—	Ovarian cancer	Japan	Phase I	
canerpatrev	Oncolytic virus	Pancreatic cancer	Japan	Phase I	
TBI-1301	NY-ESO-1 siTCR™ gene therapies	Synovial sarcoma	Japan	Phase I/II	
TBI-1501	CD19 CAR gene therapies	Acute lymphoblastic leukemia	Japan	Phase I/II	
fosnetupitant	NK ₁ receptor antagonist	Chemotherapy-induced nausea and vomiting	Japan	Filed	●

Development projects in unmet needs areas as defined by Otsuka based on *PatientsMap2020JP* and *PatientsMap2020US*, M3 & SSRI

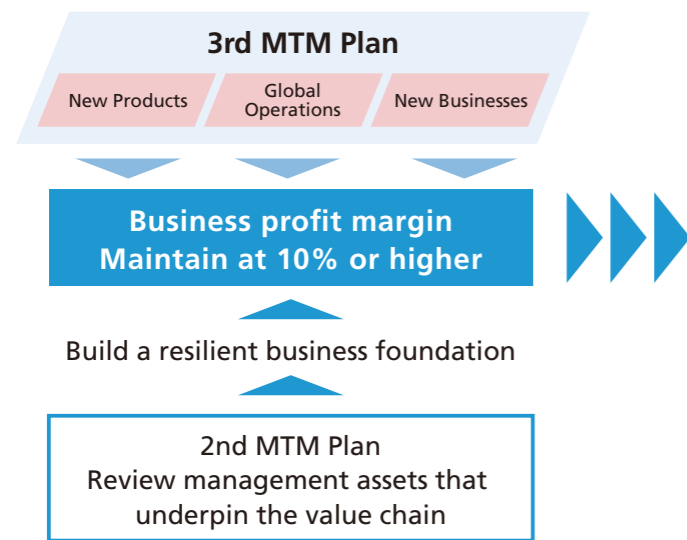
● Project that has advanced in or after fiscal 2020

* Approved July 2020, brand name *INQOVI*

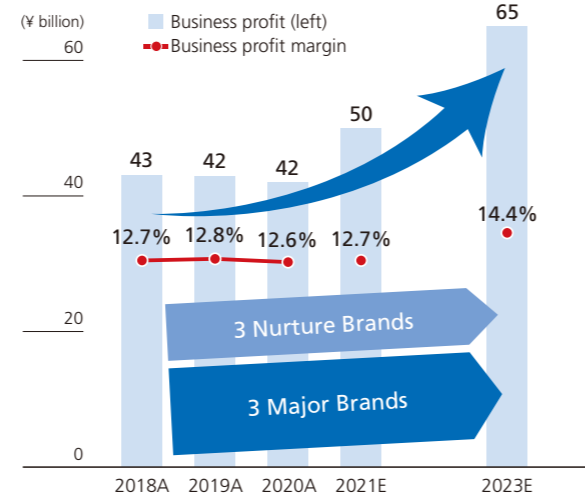
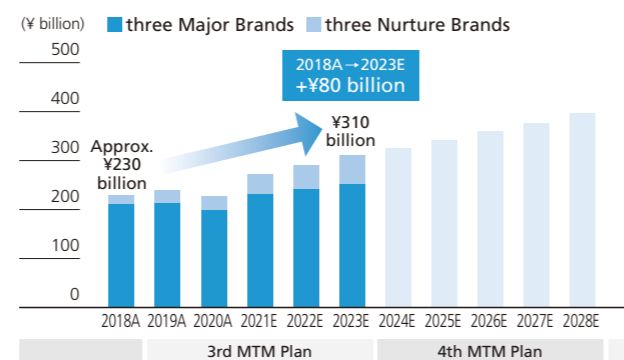
Nutraceutical Business

The Third Medium-Term Management Plan calls for revenue growth of 40 billion yen in the three Major Brands—*POCARI SWEAT*, *Nature Made*, and *N&S*—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 by creating new product concepts in anticipation of changes in business and other landscapes and by expanding into new categories and new regions.



Revenue Plan for three Major Brands and three Nurture Brands



Progress of three Major Brands

POCARI SWEAT

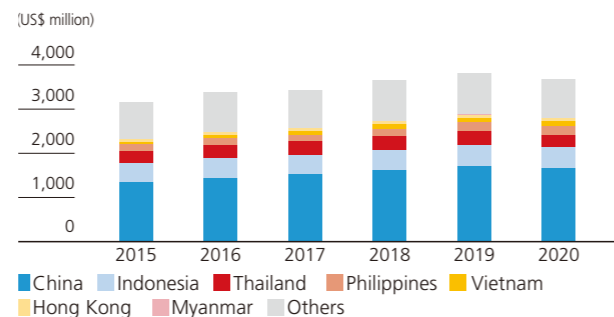
Overseas, mainly in Asia, sales volume for *POCARI SWEAT*, a beverage for replenishing fluids and electrolytes, is increasing due to awareness activities tailored to the characteristics and needs of each region. The CAGR* of the Asia-Pacific sports beverage market (excluding Japan) was 2.1% for the period 2016 to 2020. We intend to outpace recent market growth, forecasting a 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.

*Euromonitor International of the U.K.

Sports Beverage Market (Asia-Pacific*)



Euromonitor International of the U.K. * Excluding Japan

POCARI SWEAT
overseas revenue plan
CAGR
(2018–2023)
9.4%

ION SUPPLY DRINK
POCARI SWEAT

Nature Made

Pharmavite is a leading company in the U.S. supplement industry. Under the *Nature Made* supplement brand, Pharmavite develops and markets products free from flavorings, colorings and preservatives. With a lineup of high-quality supplements, key items of which have been verified as meeting the strict quality criteria set by the United States Pharmacopeia (USP), *Nature Made* is a leading choice of U.S. pharmacists.

Self-medication is increasingly prevalent in the U.S., and in recent years related demand has continued to increase, driven by factors that include medical cost inflation. The U.S. supplement



* Euromonitor International of the U.K.

Nutrition & Santé (N&S)

The organic food market in Europe has grown in recent years as more health-conscious consumers demand safer and more trustworthy foods. Trends such as “free-from” foods¹ and alternative products are attracting the attention of the millennial generation and others. In fiscal 2020, the European meat-free food market was worth approximately 1.8 billion U.S. dollars, having grown rapidly over the past five years at a CAGR of 12.3%².



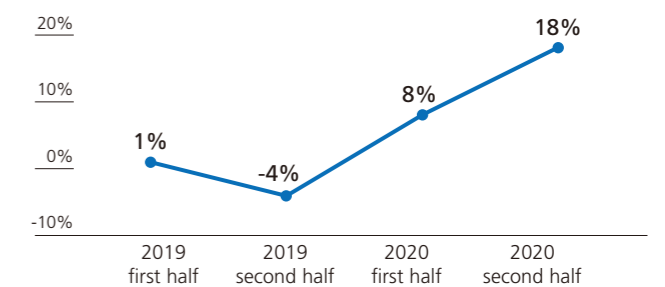
billion U.S. dollars after expanding at a CAGR of 12.3%².

N&S, a health and nutritional food company, provides



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 27, 2020. ©2020 Information Resources Inc.
2. INTAGE SRI Health Food Multivitamin Market, cumulative market share by brand for January–December 2020
3. US News & World Report and Pharmacy Times 2020 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

YoY Change in *Nature Made* Revenue



health foods and other products in more than 40 countries around the world, centered on Europe. At each of its manufacturing sites, N&S has obtained ISO 14000 and ISO 12000, as well as IFS certification, an international standard for auditing food manufacturers, and conducts production with concern for the environment and a high level of quality management. In 2017, N&S built a new factory for gluten-free products in France and strengthened the development of free-from products to meet evolving consumer needs.

1. Food products free from specific ingredients; foods that do not contain gluten are referred to as gluten-free products
2. Euromonitor International of the U.K. (Retail Value RSP)



Jeff Boutelle
CEO, Pharmavite LLC

Pharmavite Transformation Continues in 50th Anniversary Year

At Pharmavite, we’re continuing to build for the future and we’re ahead of our Medium-Term Management Plan as our transformation accelerates. We are shifting toward new ways in business model and mindset, while staying true to our foundational values rooted in science and quality. That means our business model is transitioning from a historically retail-focused company to further leveraging science. This is a unique moment where consumers are focused on proactive maintenance of their health and wellness. Pharmavite is seeking to meet that need by leveraging science, technology and innovation as a leader in preventative solutions. On the occasion of Pharmavite’s 50th anniversary, we reflect back on our founders’ philosophy of nutrition as the basis for proactive maintenance of health and wellness, while focusing on our future of bringing the gift of health to life with our *Nature Made*, *MegaFood*, *EQUELLE* and *Nurish* by *Nature Made* brands.

Progress of three Nurture Brands

BODYMAINTÉ

BODYMAINTÉ was commercialized based on research conducted by Otsuka Pharmaceutical on the themes of "intestines and nutrition" and "exercise and nutrition," and contains B240, a proprietary lactic acid bacteria. Focusing on health management for athletes exposed to risks related to intense training, we developed BODYMAINTÉ Jelly, a conditioning food that has won the support of many athletes and sports trainers. We also developed BODYMAINTÉ Drink, a conditioning beverage containing B240, to help replenish fluids and electrolytes that support proper hydration. BODYMAINTÉ Drink expands the value of this product line by supporting the health management of more consumers.

EQUELLE

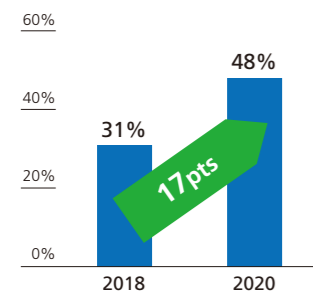
EQUELLE originated from research conducted at Otsuka Pharmaceuticals' Saga Nutraceuticals Research Institute, where women's health is a research theme. EQUELLE, which contains equol, is sold in Japan and the U.S. as a food product that supports women's health and beauty at a time when aging brings physical 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 provides a broad range of information concerning nutrition for women's health on its website and through other media.

Daiya

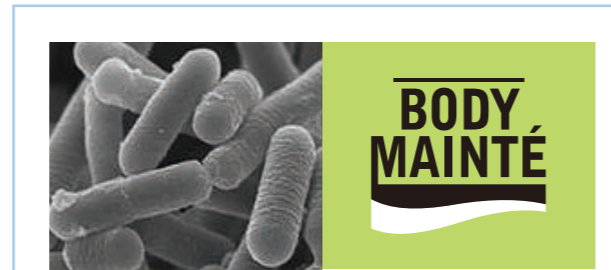
Daiya Foods develops, manufactures, and sells high-quality, creative plant-based food products such as cheese alternatives, dressings, and desserts. Its brand, Daiya, is enjoyed not only by vegetarians and people with food allergies, but also by the health-conscious millennial generation.

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 their core product. Under the Third Medium-Term Management Plan, we plan to achieve a revenue CAGR of 25%.

Percentage of People Who Bought Plant-Based Foods because of Environmental Concerns*



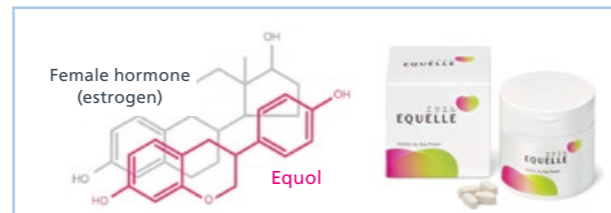
* <https://www.foodnavigator-usa.com/Article/2020/07/14/SHIFT20-How-are-consumers-thinking-about-plant-based-eating-Mattson-unveils-new-survey-data#>



Plant-Derived Lactic Acid Bacteria B240

Lactobacillus 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.



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, a diminishing market in Japan due to population decline, and sluggish markets due to unseasonable weather. Despite these risks, we pursue the solutions to emerging health

issues. Utilizing expertise honed in its Pharmaceutical Business, the Otsuka group will develop original science-based products that support each person's aspirations to live a healthy life. We will continue to identify underlying health needs by examining social issues, and develop our business with a focus on functional beverages and functional food products that resolve those needs.

<p>Strengths</p> <ul style="list-style-type: none"> • Creative products and marketing based on scientific evidence • POCARI SWEAT and other products with long-term popularity • Overseas businesses that incorporate solutions to social issues with their core business processes • Steady earnings power <p style="text-align: right; font-size: 2em; color: #0070C0;">Strength</p>	<p>Weaknesses</p> <ul style="list-style-type: none"> • Management personnel with advanced skills for diversifying businesses • Brand development in this field takes time <p style="text-align: right; font-size: 2em; color: #0070C0;">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 <p style="text-align: right; font-size: 2em; color: #0070C0;">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 • Pandemic related to the spread of infectious diseases <p style="text-align: right; font-size: 2em; color: #0070C0;">Threat</p>

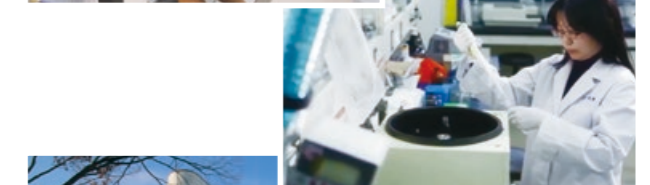
Future Initiatives

At our R&D site in Nutraceutical Business, we investigate themes such as nutrition and exercise from unique viewpoints that utilize expertise honed in our Pharmaceutical Business. Our

goal is to develop and provide the world with creative products that maintain and improve people's health, backed by scientific evidence.

Saga Nutraceuticals Research Institute

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 up to 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 AMP¹, a substance found naturally in the body, we developed Energy Signal AMP². Its active ingredient supports skin turnover and encourages melanin excretion from the body, and is contained in the main products of the *InnerSignal* series. *UL-OS* contains moisturizing ingredient AMP³, which is based on Otsuka's proprietary formula. 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

InnerSignal



Creation of a System for the Realization of a Healthful Life

The Otsuka group focuses on nutritional needs as a social issue, and pursues the creation of a system for the realization of a healthful life.

Support for Health & Productivity Management

Otsuka Pharmaceutical launched Kenko Shacho ("Healthy President,") a community website through which management executives across Japan can network and access information and services that support health and productivity management. To further enhance services and membership, we have launched comprehensive measures for health promotion among people of working age in collaboration with local governments, associations, companies and other organizations.

Women's Health

Our experts in women's health carry out activities across Japan to spread accurate understanding of the mental and physical changes experienced by women and related health issues, as well as solution to those issues. We also provide broad information concerning nutrition for enhancing women's health on the Otsuka Pharmaceutical website. The OATHAS program for developing healthy aging supporters is targeted at pharmacists who provide health support to local communities, enabling participants to acquire not only knowledge but also practical skills required for health support.

Otsuka Health Comic Library

We began publishing the Otsuka Health Comic Library in 1989 to promote sound growth and development of health habits among children of the next generation. Produced with editorial supervision from the Japan Medical Association and the Japan Society of School Health, and endorsed by the Japan Pediatric Society, the library seeks to convey basic health knowledge to children, covering topics such as the makeup of the human body and nutrition, in a broad, easy-to-understand manner through the medium of comics. Every year we choose a different theme and publish a new volume. The comics are donated to elementary schools, special needs schools, Japanese schools overseas, and public libraries.



Raising Awareness of Proper Hydration

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 for Oshiete! "Kakure Dassui" linkai, an organization that raises awareness of ways to prevent and treat dehydration before it becomes critical.



Maintaining and Improving People's Day-to-Day Health

Our goal in the Nutraceutical Business is to support the maintenance and improvement of people's health worldwide, thereby contributing to longer healthy life expectancy. To this end, we address yet-to-emerge needs and social issues through unique concepts. With an eye on changes in the global landscape, we take on the challenge of creating new value and expanding into new categories and regions by combining cutting-edge scientific and technological developments with our unique business model. Going forward, we will respond to various health-related social issues by continuing to implement health awareness activities that bring those issues to the forefront and offering solutions from each brand, while strengthening collaboration with external institutions.



How we will achieve sustainability

Health and People

As a total healthcare company, the Otsuka group aims to contribute to people's health as it conducts its business operations. In the pursuit of corporate philosophy, we consider it essential that all employees are able to work freely and vigorously in good health. Therefore, we are promoting proactive measures to enhance employees' health, while working to resolve health issues through our business operations.

For more details about our *health*-related initiatives, visit:
<https://www.otsuka.com/en/csr/society/health/>



For more details about our *people*-related initiatives, visit:
<https://www.otsuka.com/en/csr/society/people/>



Initiatives to Resolve Health Issues

Proactively Providing Information and Supporting Various Activities - Case of Taiho Pharmaceutical

Seeking to resolve the unmet medical needs of cancer patients worldwide, Taiho Pharmaceutical promotes the discovery and development of anticancer agents. It also undertakes diverse other diverse activities, including support for projects aim to address challenges in the oncology area, and proactive information provision.

Supports Various Activities

- Participation in "READYFOR SDGs" in2019, an SDGs matching platform provided for corporations by READYFOR, Inc.

Supporting diverse projects that address challenges in the field of oncology through crowdfunding.



"20 - TWENTY -"



Fertility Preservation Handbook for Cancer Patients: Thinking about Have a Child

Proactively Providing information

Taiho Pharmaceutical performs proactive activities to communicate product information and proper use information to healthcare professionals in a scientific and impartial manner. As a manufacturer of anticancer agents, we have published a "Handbook of Anticancer Agents" for patients since 1999, summarizing the mechanism of action and effect of each drug, symptoms and timing of frequently experienced adverse reactions, when to seek medical advice, and medication record sheet. We have also been the first Japanese pharmaceutical company to publish a "Guide to Proper Use" of anticancer drugs for healthcare professionals. At present, we continue to proactively provide proper information through the following activities.

- **Distribution of a booklet 20 - TWENTY - (since 2016)**
Supervised by the Appearance Support Center, National Cancer Center Hospital, the booklet is targeted at patients who receive cancer treatments in the AYA generation (Adolescents and Young Adults in their teens or 20s), their families, friends and other persons living together with them, and shares information regarding problems that may occur during treatments and some solutions to them.
- **Distribution of a booklet "Fertility Preservation Handbook for Cancer Patients - Thinking about Having a Child" (since 2017)**
Supervised by Fertility Preservation Support, Survivorship Support Department, Cancer Institute Hospital of JFCR
- **A documentary film "Things To Know Before You Become a Cancer Patient" was screened for free at the Kitajima Plant in 2019.**

Communicating the Value of Health Broadly and Continuously

Otsuka Holdings has published "Otsuka Health Comic Library" for more than 30 years to communicate the mechanism of body, diseases and health in an easy-to-understand manner, and has donated it to elementary schools and public libraries across Japan.

In the Nutraceutical Business, we have developed science-based products and provided information leveraging know-how from the Pharmaceutical Business. Since 1990s, when the idea of heat

disorders had yet to become common, we have been raising awareness of proper hydration. We have also promoted dietary education to communicate the importance of nutritional balance. To maintain and promote women's health, we are also providing information to disseminate correct knowledge concerning physical and mental changes in women's health and solutions to them, based on know-how and expertise acquired through the R&D of soybean products.



Measures to Enhance Employees' Health

Establishing a workplace where people under treatment can continue working - Case of Taiho Pharmaceutical

Recognizing its employee as precious human resources, Taiho Pharmaceutical has aimed to establish workplaces where employees under treatment for cancer or other diseases can continue working, by organizing in-house systems, providing consultation service, and promoting awareness raising activities. In 2016, volunteers at the Human Resources Department, including occupational nurses and public health nurses, established a "Cancer Patients' Work Support Team" (present "Work-Treatment Support" project). This has led to systems for harmonizing work with treatment, by extending leaves for cancer patients, eliminating ceiling on the number of leaves, considerations for transfers,¹ and a path for return to the job.² We have also formulated a "Guide to Work Support for Employees with Cancer" also have been formulated by summarizing information regarding work support for employees with cancer, and have broadly disseminated the information through the intranet and human resource seminars.

In 2019, a cancer-related information portal site "C-Guide Portal" was launched for employees. Cancer is a disease close to our living, with one in every two Japanese is considered to develop

cancer. However, due to the sensitivity of individual experiences, we only have limited occasions to come across its detailed information. This portal site provides information concerning systems and consultation services available to employees and their families who have developed cancer or other diseases, as well as the importance of cancer prevention and examination. The site also has pages for sharing actual treatment experiences by employees and their families, so that they can deepen their understanding, identify requirements in the experience, and recognize the significance of working as members of Taiho Pharmaceutical, a provider of anti-cancer agents.

In recognition of these initiatives, we received the gold prize for two consecutive years (2019 and 2020) at the Ally Declaration and Award for Cancer Survivorship sponsored by the Ally Community at Workplace for Cancer Survivorship, a private project committed to cancer and employment.

1. Relevant employees may change from a position with the possibility of transfer with moving across Japan to a position with the possibility of transfer only in a limited region.
2. This system enables employees to return to the job within three years after leaving the company due to special reasons, including cancer or other refractory diseases designated by the national government.



Akira Mita
Deputy Director, Human Resources Department, Taiho Pharmaceutical

Providing consultation Service and Other Truly Needed Support Systems

As a manufacturer that has been engaged in the oncology area for about half a century, Taiho Pharmaceutical has had a culture to warmly support employees with cancer or other diseases. Since 2013, we have further strengthened employment support by revising the employment rules and other systems, while enhancing consultation services. The types and symptoms of diseases and the style of coping vary among individuals. We endeavor to make our best possible efforts by sincerely pursuing support that is truly needed by each employee.

Maintaining and Improving the Health of Employees and Their Families

Otsuka Holdings undertakes activities to promote employees' health, in cooperation with the Otsuka Pharmaceutical health insurance association, healthcare professionals, and health management personnel at each group company. These activities include health seminars for group employees and their families based on knowledge in group business, started in 2015. The seminars have been held annually in major cities across Japan, under the themes

such as "Women's Health" and "Conditioning and Immunity," with approximately 1,500 participants in total.³ In 2020, the seminars were held online due to the COVID-19 pandemic.

Otsuka Pharmaceutical has also opened in-house seminars for education and support concerning alcohol-related issues, leveraging its knowledge in the Pharmaceutical Business.

3. As of December 31, 2020



Health Seminar

Quality in All We Do

For more details about our *quality in all we do*-related initiatives, visit:
<https://www.otsuka.com/en/csr/society/quality/>



To help build a sustainable society, the Otsuka group guided by an enduring philosophy of “Customers First” and “Quality First,” pursues quality at all stages of the value chain, and promotes initiatives taking into account the environment, society and human rights.



Ethical Considerations in Accordance with Laws and Guidelines

In R&D, it is at times necessary to apply various methodologies for verifying efficacy and safety. The Otsuka group complies with all related laws, ordinances and guidelines while striving to uphold bioethics and scientifically valid methodologies from the viewpoints of preservation of the environment and safety management.



Sustainable Procurement in Corporation with Business Collaborators

Across the entire value chain, the Otsuka group engages in business activities in compliance with laws and regulations, and with respecting the environment and human rights. For a new suppliers, transactions are determined only after we have carried out due diligence. Together with business collaborators, the entire Otsuka group will promote sustainable procurement with the aim of realizing a sustainable society.



Group-wide Cooperation for “Customer-First” and “Quality-First”

The Otsuka group complies with laws and regulations, administrative instructions and industrial standards, and also has been working to get ISO 9001, ISO 22000 and FSSC 22000 certified. In addition, we observe laws and regulations in other countries, perform quality control and quality assurance based on GxP,¹ and implement post-marketing safety control, by establishing a global safety surveillance system to collect and monitor safety information concerning adverse events.

1. GxP (Good x Practice): A general term for “Good Practice” standards ministerial (ordinances, regulations and guidelines) established by governments and other public institutions for ensuring safety and reliability



Control and Maintenance of Product Quality, and Business Continuity Planning as a Health-Related Company

We ensure rigorous control and maintenance of product quality throughout distribution for pharmaceuticals, food products and beverages. Furthermore, for the transport of pharmaceuticals, we have registered vehicles for authorized access to restricted areas in an emergency. We have also exchanged MOUs with shippers, warehouse owners and other collaborators, for transport during a disaster, as part of our system for business continuity planning.



Appropriate Promotion and Enhanced Information Access

To deliver high-value products and services to customers, each group company formulates and observes its own code of practice, which expands on the JPMA Promotion Code for Prescription Drugs. We have also established an expert panel, comprising people from several departments, to perform reviews of marketing plans and sales promotion materials.



Sincere Response to Inquiries and Reflection in Company Activities

The Otsuka group establishes dedicated customer contact points (staffed by specially trained personnel) to respond to inquiries that match the characteristics of drugs, quasi-drugs, food products, and other respective products. Opinions and requests regarding products and services are shared within the group for the purpose of product development and improvement.



Yasunobu Harada
 Project Office
 (Procurement),
 Otsuka Holdings

Promoting Sustainable Procurement throughout the Group

To promote sustainable procurement activities throughout the Otsuka group, we have established the Otsuka Sustainable Procurement Task Force made up of Otsuka Holdings, Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, Otsuka Foods, Otsuka Packaging Industries, Otsuka Techno, and EN Otsuka Pharmaceutical. The task force has formulated the Otsuka Group Procurement Policy and the Otsuka Group Sustainable Procurement Guidelines, and conducts surveys of sustainable procurement activities at business collaborators using a self-assessment questionnaire (SAQ), as well as in-house training. Given the task force was launched during the COVID-19 pandemic, its meeting sessions have been held exclusively online, nevertheless discussion have been vigorous.

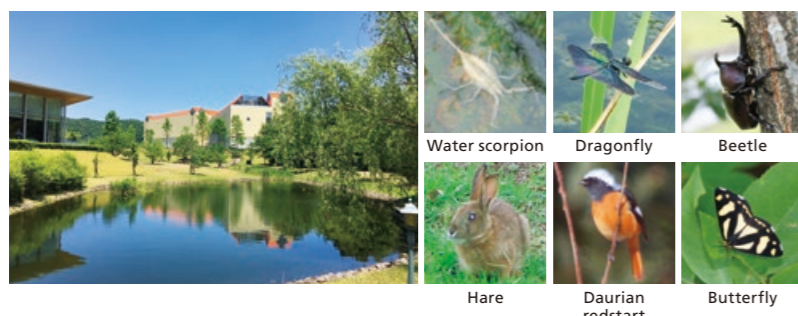


Kazumi Goto
 St. Luke's International University/
 Director, Pharmacy Department, St.
 Luke's International Hospital

Drug and Healthcare Information Provision Activities Expected of Employees

In fiscal 2020, the COVID-19 pandemic made collecting information in person difficult. However, Otsuka Pharmaceutical conducted timely information provision activities online, thereby ensuring access to drug and healthcare information whenever needed, while ensuring thorough infection prevention.

As a partner for drug therapy, we expect employees at Otsuka Pharmaceutical to continue appropriate information provision activities while ensuring compliance, and to come up with ideas for information provision using online tools other channels.



Various kinds of wild birds come and visit the biotope² in Tokushima Itano Factory every season; a biotope inhabited by insects including dragonflies and butterflies. Clean cooling water that was used in the factory is recycled by pouring it back into the pond where frogs, water scorpions and many other animals live. The ground of the biotope area is covered with leaf mold to raise beetles from larva.

2. “Biotope” is a compound formed from German words “Bio (life)” and “Top (place),” signifying a place where indigenous wildlife can flourish in nature.

Promotion of Customer-centric Management

In October 2018, the Otsuka group announced its Declaration of Customer-centric Commitment, as a way of putting the corporate philosophy into practice. Promotion of customer-centric management has been toward the group’s materialities under the medium-term management plan. In conducting business, we recognize that respecting consumer rights is an important human rights issue. Our Declaration of Customer-centric Commitment establishes basic policies stating our commitment to our social responsibilities as a corporation, which we fulfill by pursuing customer-centric management and making appropriate decisions that are based on dialogue with all stakeholders.

Below we present examples of measures taken in the value chain in 2020.

Measures with Business Collaborators Aimed at Sustainable Procurement

Across the entire value chain, the Otsuka group engages in business activities that are safe, reliable, socially acceptable, and in compliance with laws and regulations. When commencing transactions with a supplier, we perform screening and checks to ensure the quality of raw materials and to guarantee stable procurement. In Japan, we also conclude a basic transaction agreement. In the case of a new supplier, transactions are determined only after we have carried out due diligence.

We aim for mutually sustainable development through fair, equitable and transparent procurement and the establishment of healthy relationships with business collaborators. To further these

efforts, in 2020 we updated the Otsuka Group Procurement Policy, which takes into account factors such as human rights, labor issues, the environment and anti-corruption measures, and formulated the Otsuka Group Sustainable Procurement Guidelines, which provide more specific descriptions of the provisions of the above vision and policy. Both are shared with all business collaborators.

In order to ensure a stable supply of products, we perform advance risk assessments on key raw materials to clarify the nature of potential risks so that we can take countermeasures. We also make sure to source raw materials from multiple companies, in principle.

Otsuka Group Procurement Policy

The Otsuka group of companies, in accordance with our corporate vision, "Otsuka-people creating new products for better health worldwide", and international norms, conducts procurement activities in a responsible way. Otsuka delivers innovative, safe, secure, and high-quality products in order to contribute to the construction and maintenance of a sustainable society, as well as to the health of people around the world.

1. Relationships with suppliers

As a collaborator with many suppliers, the Otsuka group aims to build good relationships for mutual sustainable development through shared understanding, based on a fair exchange of appropriate information and opinions.

2. Supplier selection

The Otsuka group selects suppliers in a fair, and transparent manner based on comprehensive assessments of supplier quality, costs, quantity, delivery terms, compliance with laws and regulations, promotion of environment preservation, etc..

3. Responsibilities toward society

For the realization of sustainable society, the Otsuka group strives to maintain procurement activities that reflect consideration for human rights, labor, the environment, and non-tolerance of corruption.

4. Compliance

The Otsuka group of companies observes all applicable laws and rules, and all Otsuka employees and supplier employees must act at all times with the highest level of ethics, consistent with social norms.

Otsuka Holdings Co., Ltd.
September, 2020

As part of the Otsuka group's efforts to promote sustainable procurement, the Otsuka Sustainable Procurement Task Force, made up of Otsuka Holdings and five group companies,* was formed in 2019. The task force members are taking steps to promote the group's overall sustainable procurement, including revision of the Procurement Policy, formulation of Sustainable Procurement Guidelines, and conducting an SAQ and presentations for business collaborators.

We began presentations to business collaborators to share the details of the Procurement Policy in 2020, and 73 companies participated in the first year. We also conduct the common SAQ prepared by Global Compact Network Japan, and provide feedback to relevant companies. As of the end of 2020, we have received questionnaire responses from 80 companies.

* Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods (Otsuka Packaging Industries, Otsuka Techno, and EN Otsuka Pharmaceutical were added in March 2021.)

Global Initiatives by the Production Department and The Product Quality Department

Production departments at the Otsuka group employ a traceability system covering all stages of the value chain, from raw material procurement to production, distribution, and sales, thereby enabling thorough management throughout the entire supply chain.

Moreover, for over 30 years, the "Global Production Meeting" has been held by aiming enhancement of production technologies and sharing information group-wide. In 2020, the "Plant Manager Meeting" was held virtually and discussed the challenges and the measures around stable supply and occupational health and safety under the COVID-19 pandemic. The meeting had approximately 100 participants including management executives from 14 countries/regions.

In Otsuka Pharmaceutical's product quality operations, the Pharmaceutical Business and Nutraceutical Business jointly hold an annual global product quality meeting. The 2021 meeting was attended by approximately 120 managers and quality supervisors for pharmaceuticals and nutraceuticals from 11 countries/regions, including Japan. Participants shared their companies' measures for future business expansion and their approaches to product inspection amid the COVID-19 pandemic.

In addition, a Quality Performance Award was established to recognize quality control initiatives, and efforts are being made to train people for quality control and to raise awareness.

Reflecting Customer Feedback

Each group company establishes dedicated customer contact points for patients, healthcare professionals and general consumers, and provides appropriate training for employees in related departments. This approach helps us deepen communication with customers, provide appropriate information and reflect customer feedback and suggestions in product improvements.

One such product improvement was for OS-1 and OS-1 Jelly, produced by Otsuka Pharmaceutical Factory. These products are foods for persons with medical conditions. We received feedback from elderly individuals, customers receiving treatment, those in need of nursing care and others who said that they had difficulty opening the cap because of muscular strength issues. Based on this

feedback, we redesigned the container to be easier to open. Our efforts to develop improved, easier-to-use products were recognized with a Good Design Award in 2020.

Furthermore, for our ENORAS Liquid for Eternal Use, we adopted a package design that takes into consideration variation in color vision among users. The product line has received CUD certification.¹ Making it easier to tell product variations apart can be expected to help improve patient adherence,² and reduce the risk of medication errors by healthcare professionals.




1. Third-party certification ensuring that a product has a color scheme that is easy for most people to understand.
2. Adherence refers to patients actively understanding the meaning and significance of treatment and taking their medicine correctly rather than discontinuing medication of their own accord.





Environment

As a global group that contributes to the health of people worldwide, the Otsuka group works sincerely to reduce the impact its businesses have on the global environment, and seeks to contribute to the creation of a sustainable society that can protect nature and the future of the earth. To support the solution of social issues related to the global environment, the Otsuka group has formulated an environmental policy and activity guidelines, and has determined the materialities of its environmental initiatives to be *climate change, resource recycling and conservation, and water conservation*. We have set goals for 2030, and are carrying out activities aimed at achieving them.

 Climate Change	Goals <ul style="list-style-type: none"> Goal for FY 2030: 30% reduction in CO₂ emissions compared to FY 2017 					
	FY 2020 Results <table border="1"> <tr> <td>CO₂ emissions reduction through introduction of renewable energy</td> <td>CO₂ emissions Scopes 1 and 2¹</td> <td>CO₂ emissions Scope 3^{1,2}</td> </tr> <tr> <td>84,000t-CO₂</td> <td>706,000t-CO₂</td> <td>957,000t-CO₂</td> </tr> </table>	CO ₂ emissions reduction through introduction of renewable energy	CO ₂ emissions Scopes 1 and 2 ¹	CO ₂ emissions Scope 3 ^{1,2}	84,000t-CO₂	706,000t-CO₂
CO ₂ emissions reduction through introduction of renewable energy	CO ₂ emissions Scopes 1 and 2 ¹	CO ₂ emissions Scope 3 ^{1,2}				
84,000t-CO₂	706,000t-CO₂	957,000t-CO₂				
 Resource Recycling and Conservation	Goals <ul style="list-style-type: none"> Goal for FY 2030: 50% reduction in simple incineration and landfill compared to FY 2019 Goal for FY 2030: 50% or higher content of recycled and plant-based materials in our PET bottles 					
	FY 2020 Results <table border="1"> <tr> <td>Total waste volume</td> <td>Simple incineration and landfill</td> </tr> <tr> <td>88,900t</td> <td>14,500t</td> </tr> </table>	Total waste volume	Simple incineration and landfill	88,900t	14,500t	
Total waste volume	Simple incineration and landfill					
88,900t	14,500t					
 Water Conservation	Goals <ul style="list-style-type: none"> Goal for FY 2030: Improvement of water use efficiency by 15% compared to FY 2017 					
	FY 2020 Results <table border="1"> <tr> <td>Water usage</td> <td>Water use efficiency</td> <td>Water resource risk assessment</td> </tr> <tr> <td>17,732,000 m³</td> <td>12.5 m³/¥ million</td> <td>87 manufacturing sites at 51 companies</td> </tr> </table>	Water usage	Water use efficiency	Water resource risk assessment	17,732,000 m³	12.5 m³/¥ million
Water usage	Water use efficiency	Water resource risk assessment				
17,732,000 m³	12.5 m³/¥ million	87 manufacturing sites at 51 companies				

(Based on the performance of all manufacturing sites of the consolidated Otsuka group)

1. Scope 1: Direct emissions, Scope 2: Indirect emissions from energy sources, Scope 3: other indirect emissions
 2. Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods

Acquisition of Integrated ISO 14001 Certification for the Otsuka Group

The Otsuka group's first ISO14001 certification was acquired in 1999.¹ Since then, we have worked to acquire certification for the manufacturing sites of each group company, and promoted activities to achieve the environmental goals set by each company.² With the increasing severity of environmental issues in recent years, companies are being called upon to contribute to the resolution of such issues. To strengthen group-wide efforts toward more efficient and effective environmental activities, the Otsuka



group's five of major companies in Japan³ and Otsuka Holdings as the supervising organization acquired ISO 14001 integrated certification in August 2020. Under the integrated environmental goals and management systems outlined in the certification, we will further strengthen our environmental initiatives and make group-wide efforts to achieve the goals.

- Acquired at Tokushima Factory of Otsuka Chemical (present Tokushima Factory of Otsuka Chemical and Tokushima Factory of Otsuka Foods)
- Acquired certification at 9 companies in Japan and 11 overseas (as of December 31, 2019)
- Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical (including its subsidiary, Okayama Taiho Pharmaceutical), Otsuka Chemical, and Otsuka Foods

For more details about our *environment*-related initiatives, visit:
<https://www.otsuka.com/en/csr/environment/>



Introduced CO₂-Free Electricity¹ and Green Power Certificates

Since 2019, the Otsuka group has introduced CO₂-free and electricity from other renewable energy sources, extending their use to manufacturing sites. In fiscal 2020, we reduced CO₂ emissions by approximately 84,000 tons (equivalent to the annual emissions of approximately 29,000 households²) through the introduction of renewable energy.

In addition, five domestic group companies³ purchased Green Power Certificates for switching to green power at all sales sites and headquarters of the five group companies in Japan, and other offices, thereby reducing CO₂ emissions by approximately 6,000 tons/year.

Going forward, the group will work together toward the realization of a decarbonized society, and ultimately of a sustainable society, by optimizing and maximizing energy use through the introduction of renewable energy and fuel conversion, while exercising synergistic effects among group companies.

- Including carbon-neutral electricity utilizing certificates equal to renewable energy that does not emit CO₂
- Calculated from CO₂ emissions of the residential sector, fiscal 2018
- Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods

Introduced solar Power Generation System for In-House Consumption

As a countermeasure against climate change, the Otsuka group has set a goal of reducing CO₂ emissions by 30% by 2030.¹ Toward this goal, we are promoting the further utilization of renewable energy and improving energy use efficiency through the introduction of co-generation systems and, including solar power CO₂-free electricity generation systems.

In 2020, we introduced solar power generation systems for in-house consumption at the Kushiro Factory of Otsuka Pharmaceutical Factory and Otsuka Pharmaceutical India. We estimate that this will result in annual CO₂ emission reductions of approximately 10% at Kushiro Factory, and by 6% at Otsuka Pharmaceutical India.

1. Otsuka group, compared to FY 2017 (CO₂ emissions in Japan and overseas)



Kushiro Factory, Otsuka Pharmaceutical Factory

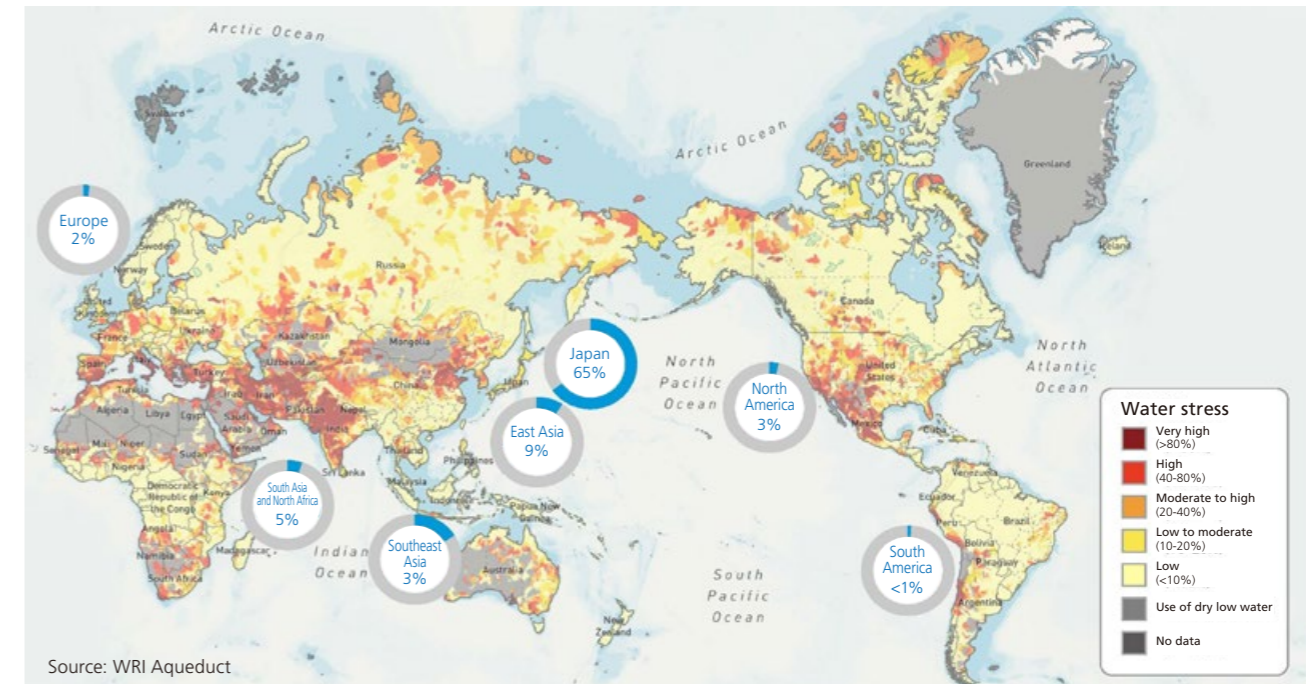
Otsuka Pharmaceutical India

Evaluating Water Risk at Manufacturing Sites

Considering environmental risk in each region is also important for sustainable growth in the diverse business models of the Otsuka group operating around the world. Since 2017, the Otsuka group has conducted primary water risk assessments at all consolidated manufacturing sites using the water risk assessment tool "Aquaduct," developed by the World Resources Institute (WRI), so as to understand and minimize the impact of

water-related risk on the group's business activities. We also formulate analysis records for each site and implement comprehensive risk assessment by utilizing more detailed water data and collaborating among group companies. We will pursue the water resource conservation improve and use efficiency by identifying regional risks and promoting more specific research and collaboration among group companies, and by taking measures for region-based management and effective utilization.

Aquaduct Water Stress Map and Breakdown by Region of Water Consumption by Region in the Otsuka Group



Measures against COVID-19

We express our deepest condolences to the loved ones of people who have lost their lives due to COVID-19, and extend our sincere sympathies to all persons who have been infected by the virus, their families, and other affected persons.

Thorough Implementation of Infection Prevention Measures

So that employees can continue to work safely during the COVID-19 pandemic, the Otsuka group introduced new work style systems including telework, implemented appropriate infection prevention measures and urged employees to make wide-ranging lifestyle changes.

Measures for Business Continuity

At every stage of the value chain, the Otsuka group has been working to increase operational efficiency, including by promoting diverse and flexible work styles as well as digital transformation. We are further accelerating these initiatives under the “new normal” thereby contributing to people’s health worldwide.

Clinical Development

Each group company is striving to minimize any delay the pandemic might cause to clinical studies. For example, measures at Otsuka Pharmaceutical include the launch of fully remote clinical studies.

Production, Quality Control and Patient/ Customer Safety

We formulated the COVID-19 Infection Prevention and Control Manual and implemented thorough infection control measures such as regular checking of body temperature, staggered lunchtimes, and avoidance of the “Three Cs” (closed spaces, crowded places and close-contact settings). We are also enhancing business continuity planning and developing for labor-saving technologies, among other measures to maintain a stable supply system. As additional measures to ensure stable supply, Otsuka Pharmaceutical has been placing advance orders for raw materials, evaluates second vendors, and increasing stocks of raw materials.

The product quality departments of the Otsuka group promote thorough measures to maintain or improve quality maintenance and ensure safety management, in accordance with the business characteristics of each company. For example, Otsuka Pharmaceutical has replaced direct visits with remote auditing at the manufacturing sites of contractors. Using video footage of the site, Otsuka personnel in a range of roles from multiple locations across Japan are able to participate in the verification process. This is contributing to energized communication and further quality improvement.

Sales and Marketing

At major group companies in the Pharmaceutical Business, to enable the continuous provision of information to healthcare professionals while there are restrictions on visits to medical institutions, we pursued hybrid approaches that combine real-world and digital (e.g. enhancing digital promotion, strengthening online access for healthcare professionals, and introducing smartphone apps).

Customer Service

pharmaceutical DI operations¹ telephone inquiries can now be taken by staff working from home, thereby ensuring business continuity and supporting the medical settings in this time of restrictions on visits to medical institutions. In the Contact Center Awards 2020,² initiatives at Otsuka Pharmaceutical Factory’s Intravenous Drug Information Center received the BCP Award, which recognizes the sustainability and stability of call centers.

1. DI (Drug Information) operations: Pharmaceutical information management operations
2. An award program for initiatives at contact centers, determined through assessment by review panel and participating firms; organized by Call Center Japan Editorial Department, RIC TELECOM Co., Ltd.,; co-organized by e.Partners, Inc.

Otsuka Pharmaceutical regards responsiveness to the COVID-19 pandemic as one of its social responsibilities, and since September 2020 has co-marketed *Quick Navi-COVID19 Ag*,³ a rapid-diagnostic test kit that confirms test results in only 15 minutes.

3. Manufactured and co-marketed by Denka Company Limited



As the entire world is forced to mobilize against this novel viral threat, the Otsuka group is implementing measures to prevent its spread, placing top priority on the safety and health of all stakeholders.

Ongoing Initiatives toward Maintaining and Improving Health

Under the “new normal” environment, the Otsuka group is continuing initiatives to support the resolution of local health issues and activities to communicate the importance of health maintenance and promotion. While many events have been suspended or postponed during the pandemic, Otsuka Pharmaceutical has provided innovative support through information provision. For example, during the inter-high school competition season, we provided *POCARI SWEAT* along with updated information concerning measures against heat disorders and physical condition management during exercise, in order to support high school students and enable safe, substitute competitions in each prefecture.

In Dubai, Singapore and Indonesia, Otsuka Pharmaceutical co-hosted the *POCARI SWEAT* Virtual Run, a running event utilizing a smartphone app, in collaboration with national governments. In addition to online seminars for communicating the importance of hydration and exercise, Otsuka personnel working in the nutraceuticals and pharmaceuticals fields provided information to help address issues related to a lack of exercise and mental health.



A project combining the blue color of *POCARI SWEAT* and the virtual run with #SeeltBlue, part of the global campaign on mental health #MakeltBlue, aimed at increasing awareness of the mental health crisis amidst COVID-19 pandemic (Singapore).

Support Activities

In Japan, we provided *POCARI SWEAT*, *BODYMAINTÉ*, *Calorie Mate*, *OS-1* and other Otsuka group products, as well as medical masks and protective suits, through local governments and related organizations.

Overseas, in addition to providing our beverages, food products and pharmaceuticals, we made donations to local medical facilities, the Red Cross and others. For example, our U.S.-based Sozosei Foundation⁴ donated a total of 939,000 U.S. dollars (approximately 100 million yen) to four organizations related to mental health and kidney diseases and five charitable organizations.

4. A public interest foundation established by Otsuka in the U.S. in 2019 that carries out activities in accordance with Otsuka’s Sustainability Mission, including awareness activities for mental health and kidney diseases, disaster relief, and contribution to local communities



Support for municipalities under the COVID-19 pandemic (photo provided by Suginami-ku)



Corporate Governance

Otsuka Holdings Co., Ltd. ("the Company") is committed to promoting sustainable increase of its corporate value over the medium to long term by realizing its corporate philosophy, "Otsuka-people creating new products for better health worldwide." To meet this commitment, it adopts a basic policy of making transparent, fair and timely decisions, and fulfilling its corporate social responsibility by living up to the expectations of all stakeholders, including customers, business partners, employees, local communities, and shareholders, through ongoing dialogue.

The Company discloses its basic approach to corporate governance in its Corporate Governance Guidelines, available on the corporate website.

Corporate Governance Guidelines

https://www.otsuka.com/en/csr/governance/pdf/governance_guideline.pdf



Corporate Governance Report (April 5, 2021)

https://www.otsuka.com/jp/csr/governance/pdf/governance_report2021.pdf (available only in Japanese)



Overview of Corporate Governance Structure

With the aim of promoting the sustainable growth of the Company and increasing corporate value over the medium to long term, the Board of Directors, which also includes outside directors, advances the execution of management plans and supervises the Company's management in order to enhance profitability and capital investment efficiency. The Company secures its soundness and has established a solid corporate governance structure that lives up to social expectations by ensuring that the Audit & Supervisory Board and its members, which are independent from the directors, can audit the directors' performance of their duties in collaboration with the accounting auditor, as well as the Internal Audit Department.

Initiatives to Strengthen Corporate Governance

2008	<ul style="list-style-type: none"> Establishment of Otsuka Holdings Term of directors set at one year Decision not to adopt a directors' retirement benefits system Corporate officer system adopted Two outside Audit & Supervisory Board members
2010	<ul style="list-style-type: none"> Three outside Audit & Supervisory Board members Stock options as performance-linked remuneration introduced Stock publicly listed in December
2011	<ul style="list-style-type: none"> First Medium-Term Management Plan announced
2013	<ul style="list-style-type: none"> Two outside directors; three outside Audit & Supervisory Board members
2014	<ul style="list-style-type: none"> Second Medium-Term Management Plan announced Three outside directors; two outside Audit & Supervisory Board members Otsuka Group Global Code of Business Ethics established Otsuka Group Global Anti-Corruption Policy established
2015	<ul style="list-style-type: none"> Corporate Governance Guidelines established Internal whistleblowing system (for Otsuka Holdings and major group companies) established, with reporting to an independent body outside the Company

Governance Structure (As of March 30, 2021)

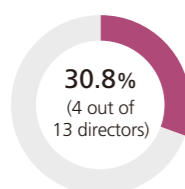
Form of organization	Company with an Audit & Supervisory Board
Directors [Outside directors]	13 [4 (independent directors)]
Term of directors	1 year
Audit & Supervisory Board members [Outside Audit & Supervisory Board members]	4 [3 (independent directors)]
Accounting auditor	KPMG AZSA LLC

Note: Deloitte Touche Tohmatsu LLC's term of office as the Company's accounting auditor expired with the conclusion of the annual Shareholders' Meeting held on March 30, 2021. At the same meeting, KPMG AZSA LLC was elected as the new accounting auditor.

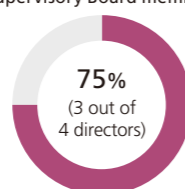
2016	<ul style="list-style-type: none"> Three outside directors; three outside Audit & Supervisory Board members Effectiveness of Board of Directors evaluated System for granting stock options conditional on progress with the medium-term management plan introduced
2017	<ul style="list-style-type: none"> Corporate Governance Guidelines revised Corporate Governance Committee established Started to evaluate the effectiveness of the Board of Directors based on questionnaires completed by all directors and Audit & Supervisory Board members Started to hold reporting meetings for outside directors and outside Audit & Supervisory Board members to improve their understanding of the group's management and business
2018	<ul style="list-style-type: none"> Two female directors Corporate Governance Guidelines revised
2019	<ul style="list-style-type: none"> Third Medium-Term Management Plan announced Restricted stock-based compensation plan introduced
2020	<ul style="list-style-type: none"> Four outside directors; three female directors Otsuka Group Global Policy for Conflict of Interest established

Composition of the Board of Directors and Committees

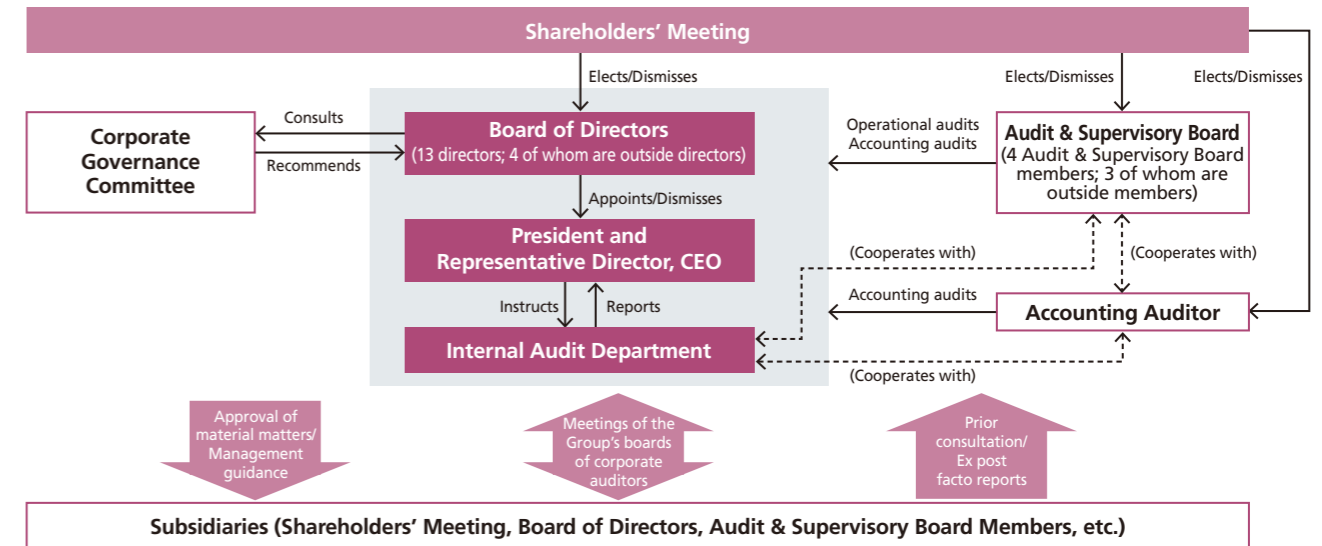
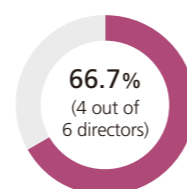
Board of Directors:
Ratio of independent outside directors



Audit & Supervisory Board:
Ratio of independent outside Audit & Supervisory Board members



Corporate Governance Committee:
Ratio of independent outside directors



Board of Directors

The Board of Directors convenes regularly once a month and holds extraordinary meetings as necessary to make important business decisions and supervise the execution of operations. To clarify executive responsibility for each fiscal year, the term of directors is set at one year.

Corporate Governance Committee

In February 2017, the Company established the Corporate Governance Committee with the aim of increasing transparency and objectivity in management. As an advisory body to the Board of Directors, the committee discusses matters relating to corporate governance, including the nomination of directors and Audit & Supervisory Board members, and the remuneration system and remuneration standards for directors, and reports the results of its deliberations to the Board of Directors. The committee consists of the president, the director in charge of administration, and all outside directors (four as of March 30, 2021). The president serves as the chair of the committee.

Content of Deliberations

(1) Nomination

The Corporate Governance Committee discusses the validity and fairness of matters related to the appointment and dismissal of directors and Audit & Supervisory Board members, and reports to the Board of Directors. Regarding candidates for Audit & Supervisory Board members, the committee obtains approval from the Audit & Supervisory Board prior to reporting to the Board of Directors.

Candidates are those put forward by the representative director(s).

(2) Remuneration

The Corporate Governance Committee discusses matters related to the remuneration system and remuneration standards for directors and Audit & Supervisory Board members, and reports to the Board of Directors.

(3) In addition, the Committee deliberates on matters related to the enhancement of the corporate governance structure, and reports to the Board of Directors as necessary.

Audit & Supervisory Board and Its Members

Audit & Supervisory Board members attend and express opinions at meetings of the Board of Directors, and monitor the performance of duties of directors in terms of legal compliance and soundness of management through audits. In striving to improve the effectiveness of audits, Audit & Supervisory Board members also share information and exchange opinions as appropriate with relevant departments, including the Internal Audit Department, Internal Control Department, Administration Department, and Finance and Accounting Department, as well as the accounting auditor.

Internal Audit Department

The Company's Internal Audit Department reports directly to the president. The department regularly conducts audits based on the Internal Audit Rules to verify that operations are being executed appropriately and efficiently with regard to the assets and business of the Company and its affiliated companies. The department submits audit reports to the president, directors, and Audit & Supervisory Board members. Where there is need for improvement, the department recommends remedial actions and later confirms their implementation, thereby contributing to the optimization of business execution. The department also shares information and cooperates in audits by Audit & Supervisory Board members and the accounting auditor.

Internal Control Department

The Company views internal controls as an integral component of corporate governance that functions together with compliance and risk management, and has established the Internal Control Department as the department in charge of compliance and risk management to improve the internal control system.

The Internal Control Department promotes the Otsuka Group Global Code of Business Ethics and other Otsuka group global rules at Otsuka Holdings and its affiliated companies. It also works to establish and promote compliance programs and risk management programs at each company. The status of the establishment and operation of those programs is regularly reported to the Board of Directors, the Audit & Supervisory Board and the accounting auditor.

Skill Matrix for Directors and Audit & Supervisory Board Members

In order to establish an effective corporate governance structure that supports sustainable growth, the Company appoints individuals with wide-ranging business experience, advanced expertise in broad fields, and extensive knowledge, as directors and Audit & Supervisory Board members. The table below summarizes areas of experience and expertise of directors and Audit & Supervisory Board members.

		Global business	Technology, R&D, production	Strategic planning, marketing, sales	Finance, accounting	Legal, compliance, risk management	Company analysis	Healthcare administration, public health	Major qualifications, etc.
Directors	Ichiro Otsuka	●	●	●					
	Tatsuo Higuchi	●	●	●				●	
	Yoshiro Matsuo					●			
	Yuko Makino				●				
	Shuichi Takagi	●		●	●				
	Sadanobu Tobe			●					
	Masayuki Kobayashi	●	●					●	
	Noriko Tojo	●				●	●		
	Makoto Inoue	●	●	●					
	Yukio Matsutani							●	MD
	Ko Sekiguchi			●			●		
	Yoshihisa Aoki			●					
Mayo Mita						●			
Audit & Supervisory Board members	Yozo Toba	●			●				
	Hiroshi Sugawara				●				CPA
	Yoko Wachi					●			Attorney
	Kazuo Takahashi			●		●			

Rationale for Selection of Outside Directors and Outside Audit & Supervisory Board Members

	Rationale for selection*	Attendance rate	
		Board of Directors meeting	Audit & Supervisory Board meeting
Outside directors	Yukio Matsutani Mr. Yukio Matsutani has abundant experience and extensive knowledge in the healthcare and welfare field, as well as a high level of expertise in overall health care. He also has provided appropriate and valuable suggestions and advice to the Company's management from an independent standpoint as an outside director, and from an objective and expert viewpoint.	100% (14 of 14)	—
	Ko Sekiguchi Mr. Ko Sekiguchi has abundant experience, a track record, and extensive knowledge as a corporate manager and a high level of expertise and network in pharmaceutical business. He also has provided appropriate and valuable suggestions and advice to the Company's management from an independent standpoint as an outside director, and from an objective and expert viewpoint.	100% (14 of 14)	—
	Yoshihisa Aoki Mr. Yoshihisa Aoki has abundant experience, a track record, and extensive knowledge as a corporate manager and abundant experience, expertise and a network in the food industry. He also has provided appropriate and valuable suggestions and advice to the Company's management from an independent standpoint as an outside director, and from an objective and expert viewpoint.	100% (14 of 14)	—
	Mayo Mita Ms. Mayo Mita, as a securities analyst, has abundant experience in corporate analysis and based on that, a high level of insight in objectively observing and analyzing companies. She has been providing appropriate and valuable suggestions and advice to the Company's management from an independent standpoint as an outside director, and from an objective and expert viewpoint.	100% (11 of 11)	—
Outside Audit & Supervisory Board Members	Hiroshi Sugawara Mr. Hiroshi Sugawara has specialized knowledge as a certified public accountant, and has abundant experience in and knowledge of many businesses and other areas.	100% (14 of 14)	100% (15 of 15)
	Yoko Wachi Ms. Yoko Wachi is well-versed in corporate legal affairs, and has specialized knowledge and insights based on abundant experience as an attorney.	100% (14 of 14)	100% (15 of 15)
	Kazuo Takahashi Mr. Kazuo Takahashi has held major positions in IT and internal control departments for many years, and has abundant experience and knowledge in corporate management.	100% (14 of 14)	100% (15 of 15)

* For all outside directors and outside Audit & Supervisory Board members, given no risk of conflict of interest with general shareholders, the Company believes each outside officer qualifies as an independent director/auditor.

The Internal Control Department handles internal controls regarding financial reporting by the Company and its affiliated companies. The department formulates rules and manuals pertaining to internal controls, provides training, and ensures that employees thoroughly understand operational rules. The department also works in cooperation with the Internal Audit Department to continuously monitor the status of operations. This is the basis of an internal control system under which management personnel can be reliably evaluated.

Evaluation of Effectiveness of Board of Directors

From January through February every year, the Company conducts a questionnaire survey of all directors and Audit & Supervisory Board members. Results of the survey are reviewed by a company attorney, and then reviewed and evaluated at the Board of Directors meeting in March.

Questionnaire items are as follows.

- (1) Composition of the Board of Directors
- (2) Each director's understanding and knowledge of business fields and specific management strategies and plans
- (3) Cooperation with outside directors
- (4) Cooperation with the Audit & Supervisory Board
- (5) Operation of Board of Directors meetings
- (6) Governance-related matters
 - i Function of the Board of Directors in determining the direction of management strategy
 - ii Monitoring of each business with respect to the execution of management strategy
 - iii Understanding of the perspectives of major investors and stakeholders
 - iv Risk management
 - v Cooperation and information sharing with each operating company
- (7) Support system for outside directors
- (8) Overall functioning of the Board of Directors from the perspective of effectiveness

Summary of Evaluation in Fiscal 2020

The overall opinion was that improvements have been made from the previous year, and we believe that the Board of Directors is functioning appropriately from the standpoint of effectiveness. Nonetheless, the results confirmed the need for further improvement in areas such as the role of the Company as a holding company, methodologies used for monitoring subsidiaries, and approaches to cooperation with group companies.

Remuneration for Directors and Audit & Supervisory Board Members

The Company's remuneration plan for directors and Audit & Supervisory Board members is designed to achieve sustainable growth and enhanced corporate value over the medium to long term for the group based on the corporate philosophy, while also ensuring that functions such as business execution and management supervision are exercised appropriately, maintaining transparency and fairness.

Remuneration Levels

Considering the need to acquire and motivate outstanding personnel who will take responsibility for the Company's global business activities, the Company sets remuneration levels fully commensurate with the roles and responsibilities expected of such personnel, while also considering levels at companies that the Company considers benchmarks based on the scale, industry and business model.

Remuneration System

With regard to remuneration for directors responsible for business execution, the Company has formulated a remuneration system that is closely linked to performance in individual fiscal years, as well as over the medium to long term, while emphasizing sustainable enhancement of corporate value. Remuneration consists of fixed remuneration as basic remuneration, performance-linked bonuses, and share-based payments emphasizing the link to shareholder value. Remuneration for outside directors and Audit & Supervisory Board members comprises only fixed remuneration as basic remuneration in light of their duties.

Method of Determining the Content of Remuneration of Individual Directors

The Board of Directors receives recommendations on the appropriateness of the remuneration system and remuneration levels, and the performance evaluation for performance-linked bonuses and share-based payments from the Corporate Governance Committee, which consists of the president, the director in charge of administration, and all outside directors. Based on these recommendations, the Board determines the individual remuneration for directors as follows.

- The president is delegated with deciding the specific payment amounts of individual fixed remuneration as basic remuneration to directors and individual performance-linked bonuses for each director (excluding outside directors) pursuant to resolution of the Board of Directors. In accordance with this delegation, the president makes the final decision on remuneration amounts based on deliberation and reports by the Corporate Governance Committee regarding remuneration levels.
- Individual share-based payments for each director (excluding outside directors) are determined by resolution of the Board of Directors based on reports on performance evaluation, etc. by the Corporate Governance Committee.

Content of Remuneration to Directors (Excluding Outside Directors)

The Content of remuneration to directors (excluding outside directors) is as listed below.

Remuneration type	Payment method Fixed/variable	Remuneration content (including policy for determining timing or conditions of remuneration)
Fixed remuneration	Cash Fixed	<ul style="list-style-type: none"> Fixed remuneration for directors of the holding company is determined based on their duties and responsibilities including formulation of group strategies, monitoring group operations, and strengthening corporate governance. Remuneration for directors who serve concurrently as directors of subsidiaries that are operating companies is determined based on their duties and responsibilities including execution of business based on group strategies formulated by Otsuka Holdings, formulation of strategies for the operating company, and strengthening corporate governance. (Remuneration shall not exceed the upper limit of remuneration resolved at the Shareholders Meeting.) <p>*3 Fixed remuneration is paid out equally every month.</p>
Performance-linked bonus	Cash Variable	<ul style="list-style-type: none"> Remuneration is paid in a lump sum at a certain timing every fiscal year, with the amount or calculation method determined based on (1) rate of achievement of the fiscal year's targets for consolidated revenue, consolidated operating profit, and consolidated business profit before R&D expenses; (2) progress with respect to medium-to-long-term consolidated performance targets; and (3) appropriate business management in compliance with corporate governance, along with the individual's personal performance.
Share-based payment	Non-cash* (restricted stock) Variable	<ul style="list-style-type: none"> The Company has introduced a share-based payment plan that reflects progress in achieving the targets in the Third Medium-Term Management Plan covering the period from fiscal 2019 to fiscal 2023. Under the plan, restricted stock allocation agreements stipulating conditions including transfer restrictions for a set period are concluded with the grantees. The plan is designed to function as an effective remuneration system by combining multiple release conditions for the transfer restrictions, including a set performance evaluation period and performance achievement, and by, in principle, granting restricted stock requiring evaluation of performance over several fiscal years at the same time in the first fiscal year. The specific timing for granting restricted stock is each fiscal year for items requiring evaluation of performance in a single fiscal year, and at the same time in the first fiscal year of the evaluation period for items requiring evaluation of performance over several fiscal years.

* Overview of non-cash remuneration (restricted stock): To determine the number of shares to be allocated to grantees of restricted stock, a standard number of shares is set for each fiscal year for each individual, giving consideration to his or her performance of duties, responsibilities, and the weighting versus fixed remuneration as basic remuneration. Based on this standard number of shares, shares are allotted for each series each fiscal year or at the same time in the first fiscal year of an evaluation period of several fiscal years, according to the release conditions in the table below.

The restricted stock allocation agreements concluded with the grantees stipulate that the transfer restrictions on the restricted stock shall not be removed and the Company shall acquire all of the shares without paying compensation if certain events occur.

Composition of Remuneration to Directors (Excluding Outside Directors)

The remuneration plan emphasizes medium-to-long-term enhancement of corporate value, and is designed so that performance-linked remuneration as a percentage of total remuneration varies according to the Company's single-year and medium-to-long-term consolidated performance.

As a rough guide to the ratio of remuneration by remuneration type, performance-linked bonuses are designed to be variable over the range of 0%–100% of fixed remuneration, and share-based payments over the range of 0%–100% of fixed remuneration. Performance-linked bonuses and share-based payments combined are roughly a maximum of 66% of total remuneration (200% of 300% total).

Remuneration for Directors of Subsidiaries (Operating Companies of the Otsuka Group)

Remuneration for directors of subsidiaries that are operating companies is determined based on their duties and responsibilities (including execution of business of operating companies based on group strategies formulated by the Company, formulation of strategies for operating companies, and strengthening corporate governance), and shall not exceed the upper limit of remuneration resolved at the Shareholders' Meeting.

It should be noted that the restricted stock-based compensation system newly implemented in fiscal 2019 will also apply to about 40 directors (excluding outside directors) of certain major subsidiaries of the group.

	Allotment ratio (%)	Fiscal year for evaluation and allocation timing	Summary of release conditions
Series A (Incumbency condition)	40% of the standard number of shares	Allocated each year, taking a single fiscal year as the evaluation period	On condition of incumbency in the subject fiscal year (single fiscal year) (However, the shares will not be released if the combined consolidated revenue and operating profit target achievement rate is less than 80%)
Series B (Achievement of medium-term performance targets)	30% of the standard number of shares	Evaluation period 1 is the three fiscal years from fiscal 2019 through fiscal 2021, with the shares for the three years allocated at the same time at the start of the period. Evaluation period 2 is the two fiscal years from fiscal 2022 through fiscal 2023, with the shares for the two years allocated at the same time at the start of the period.	In each evaluation period, the value of (2) below may not fall below the value of (1) (1) The cumulative amount of the planned value of "consolidated business profit before R&D expenses" of the Third Medium-Term Management Plan (2) The cumulative amount of the actual value of "consolidated business profit before R&D expenses" for the evaluation period
Series C (Satisfaction of the medium-term cost of capital condition)	30% of the standard number of shares	Evaluation period 1 is the three fiscal years from fiscal 2019 through fiscal 2021, with the shares for the three years allocated at the same time at the start of the period. Evaluation period 2 is the two fiscal years from fiscal 2022 through fiscal 2023, with the shares for the two years allocated at the same time at the start of the period.	In each evaluation period, the value of (2) below may not fall below the value of (1) (1) The cumulative amount of the "consolidated cost of capital" calculated in accordance with the consolidated capital cost ratio for the evaluation period (2) The cumulative amount of the actual value of "consolidated net operating profit after tax" for the evaluation period

Total Remuneration to Directors and Audit & Supervisory Board Members

Classification	Total amount of remuneration (Millions of yen)	Total amount by type of remuneration (¥ Million)			Number of eligible officers
		Fixed remuneration	Share-based payment	Bonus	
Directors (of which Outside Directors)	895 [27]	329 [27]	421 [—]	144 [—]	14 [4]
Audit & Supervisory Board members (of which Outside Audit & Supervisory Board Members)	56 [32]	56 [32]	—	—	4 [3]
Total (of which Outside Directors and Audit & Supervisory Board Members)	951 [59]	385 [59]	421 [—]	144 [—]	18 [7]

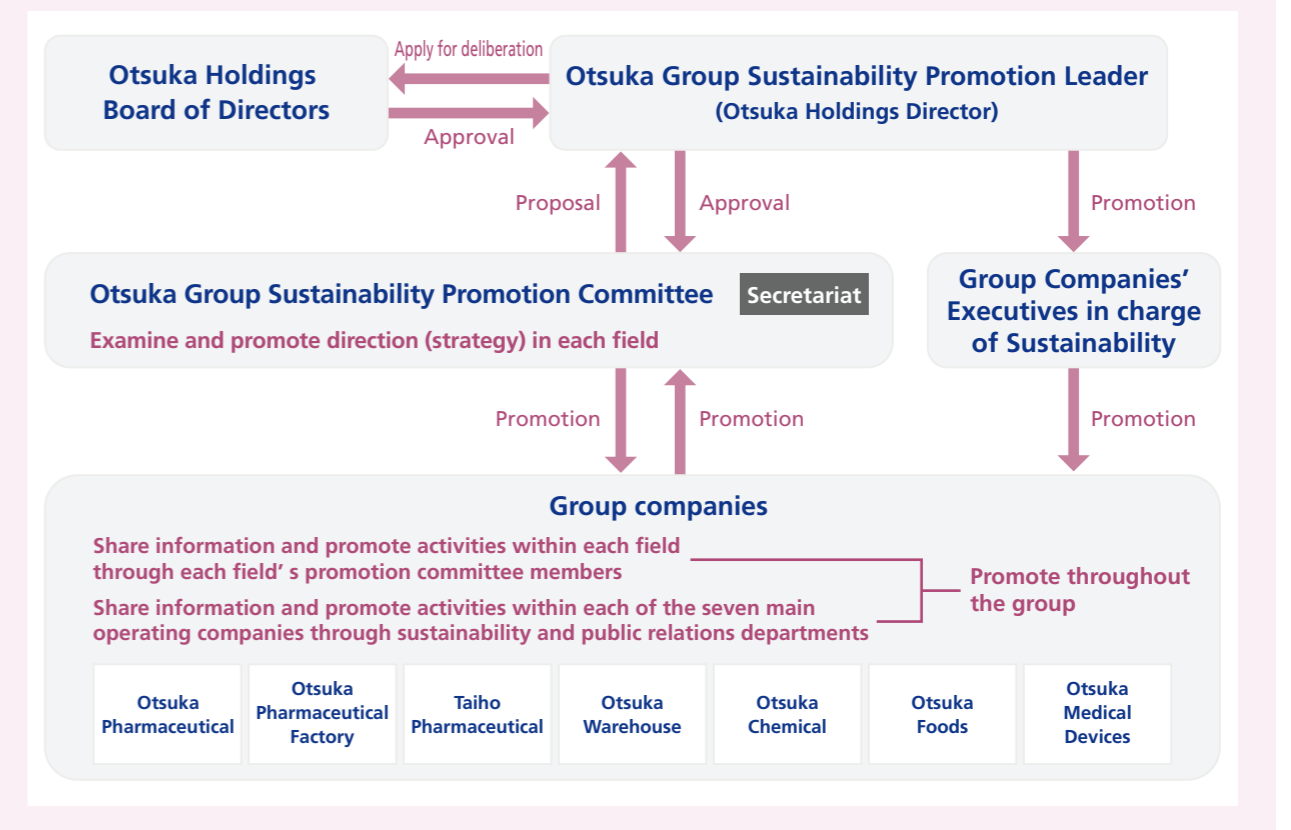
* There are no Directors of the Company who concurrently serve as employees.

During the current fiscal year, Outside Directors and Audit & Supervisory Board Members received total remuneration of ¥2 million from the Company's subsidiaries for their services as Directors and Audit & Supervisory Board Members.

Sustainability Management Structure at Otsuka Holdings

The Otsuka Group Sustainability Promotion Committee was established in 2018 and is chaired by the director in charge of sustainability promotion at Otsuka Holdings. The committee promotes sustainability for the entire Otsuka Group, acting as an engine for discussions and decision-making regarding the direction of sustainability-related activities, plans, and other measures. Committee meetings are held regularly to discuss direction and evaluate activities,

develop systems in each area of sustainability promotion, and update promotion plans, as necessary. Committee members comprise group officers in charge of areas relating to sustainability, such as supply chain, environment, human resources, corporate governance, compliance risk management, and public relations, with the Sustainability Promotion, IR and Corporate Planning Departments of Otsuka Holdings functioning as the secretariat.



Directors and Audit & Supervisory Board Members

(As of March 30, 2021)

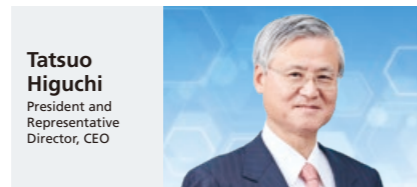
Directors



Ichiro Otsuka
Chairman and Representative Director

Profile

Apr. 1987 Joined Otsuka Pharmaceutical Factory, Inc.
 Jun. 1997 Executive Director, Director of Consumer Products Development Division, Otsuka Pharmaceutical Co., Ltd.
 Jun. 1998 Managing Director, responsible for Consumer Products, Publicity, Promotion and Development Division, Otsuka Pharmaceutical Co., Ltd.
 Dec. 2001 Executive Director, Research and Development, Otsuka Pharmaceutical Factory, Inc.
 May 2002 Representative Director, Otsuka Pharmaceutical Factory, Inc.
 Dec. 2003 Executive Deputy President and Representative Director, Otsuka Pharmaceutical Factory, Inc.
 Dec. 2004 President and Representative Director, Otsuka Pharmaceutical Factory, Inc.
 Jul. 2008 Executive Director, Otsuka Holdings Co., Ltd.
 Jun. 2010 Executive Deputy President and Executive Director, Otsuka Holdings Co., Ltd.
 Jun. 2014 Representative Director, Otsuka Pharmaceutical Factory, Inc. Vice Chairman and Representative Director, Otsuka Holdings Co., Ltd.
 Mar. 2015 Executive Director, Otsuka Pharmaceutical Co., Ltd. (current) Chairman, Otsuka Pharmaceutical Factory, Inc. (current) Chairman and Representative Director, Otsuka Holdings Co., Ltd. (current)



Tatsuo Higuchi
President and Representative Director, CEO

Profile

Mar. 1977 Joined Otsuka Pharmaceutical Co., Ltd.
 Jun. 1998 Senior Managing Director, Otsuka Pharmaceutical Co., Ltd. (Pharmavite)
 Nov. 1998 Executive Deputy President and Executive Director, Otsuka Pharmaceutical Co., Ltd.
 Jun. 1999 Executive Director, responsible for U.S. Business, Otsuka Pharmaceutical Co., Ltd.
 Jun. 2000 President and Representative Director, Otsuka Pharmaceutical Co., Ltd.
 Jun. 2008 Executive Director, Otsuka Pharmaceutical Co., Ltd.
 Jul. 2008 President and Representative Director, CEO, Otsuka Holdings Co., Ltd. (current)
 Dec. 2011 Executive Director, Otsuka Chemical Co., Ltd.
 Feb. 2015 President and Representative Director, Otsuka Pharmaceutical Co., Ltd.
 Mar. 2020 Chairman and Representative Director, Otsuka Pharmaceutical Co., Ltd. (current)



Yoshiro Matsuo
Senior Managing Director

Profile

Apr. 1985 Joined Otsuka Pharmaceutical Co., Ltd.
 Jan. 2003 Vice President, Associate General Manager of the General Affairs Department, Otsuka Pharmaceutical Co., Ltd.
 Jun. 2006 Vice President, General Manager of the General Affairs Department, Otsuka Pharmaceutical Co., Ltd.
 Nov. 2007 Senior Vice President, General Manager of the General Affairs Department with additional responsibility for Legal Affairs and External Relations, Otsuka Pharmaceutical Co., Ltd.
 Jul. 2008 Managing Director, Corporate Administration, Otsuka Holdings Co., Ltd.
 Mar. 2016 Senior Managing Director, Corporate Administration, Otsuka Holdings Co., Ltd.
 Jan. 2017 Executive Director, Otsuka Medical Devices Co., Ltd. (current)
 Mar. 2019 Senior Managing Director, Otsuka Holdings Co., Ltd. (current)



Yuko Makino
Executive Director, CFO

Profile

Apr. 1982 Joined Otsuka Pharmaceutical Co., Ltd.
 Apr. 1996 Joined Baxter Limited
 Apr. 2000 Joined Otsuka Pharmaceutical Co., Ltd.
 Mar. 2015 Director of the Corporate Finance & Accounting Department, Otsuka Holdings Co., Ltd.
 Sep. 2016 Vice President, Director of the Corporate Finance & Accounting Department, Otsuka Holdings Co., Ltd. Vice President, Director of Accounting Department, Otsuka Pharmaceutical Co., Ltd.
 Apr. 2017 Vice President, Director of the Tax Department, Otsuka Holdings Co., Ltd. Vice President, Director of the Finance & Accounting Department, Otsuka Pharmaceutical Co., Ltd.
 Mar. 2018 Executive Director, Corporate Finance, Otsuka Holdings Co., Ltd.
 Mar. 2019 Executive Director, CFO, Otsuka Holdings Co., Ltd. (current)



Shuichi Takagi
Executive Director, Business Portfolio Management

Profile

Apr. 1989 Joined Tobishima Corporation
 Sep. 1995 Joined Otsuka Pharmaceutical Co., Ltd.
 Aug. 2002 Finance Department of OIAA Division, Otsuka Pharmaceutical Co., Ltd.
 Jul. 2003 Corporate Finance & Accounting Department, Otsuka Pharmaceutical Co., Ltd.
 Mar. 2015 Vice President responsible for India Business, Otsuka Pharmaceutical Factory, Inc.
 May 2015 CEO, Claris Otsuka Private Limited (present Otsuka Pharmaceutical India Private Limited)
 Jan. 2019 Senior Vice President, President's Office, Otsuka Holdings Co., Ltd.
 Mar. 2019 Executive Director, Finance and Business Portfolio Management, Otsuka Pharmaceutical Co., Ltd. (current) Executive Director, Business Portfolio Management, Otsuka Holdings Co., Ltd. (current)



Sadanobu Tobe
Executive Director

Profile

Apr. 1976 Senior Managing Director and Representative Director, Shinko Foods Co., Ltd. (present Otsuka Foods Co., Ltd.)
 Jul. 1993 Executive Deputy President and Representative Director, Otsuka Foods Co., Ltd.
 Nov. 2004 Executive Deputy President and Representative Director, Otsuka Chemical Holdings Co., Ltd. (present Otsuka Chemical Co., Ltd.)
 May 2006 President and Representative Director, Otsuka Chemical Holdings Co., Ltd.
 Jul. 2008 Executive Director, Otsuka Holdings Co., Ltd.
 Jun. 2009 Vice Chairman and Representative Director, Otsuka Foods Co., Ltd.
 Jun. 2011 Chairman and Representative Director, Otsuka Chemical Co., Ltd.
 Jun. 2012 Vice Chairman, Otsuka Foods Co., Ltd.
 Jun. 2013 Standing Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd.
 Nov. 2013 President and Representative Director, Otsuka Foods Co., Ltd.
 Jun. 2014 Executive Director, Otsuka Holdings Co., Ltd. (current)
 Mar. 2018 Chairman, Otsuka Foods Co., Ltd.
 Mar. 2019 Executive Director, Otsuka Foods Co., Ltd. (current)



Masayuki Kobayashi
Executive Director

Profile

Apr. 1989 Joined The Daiwa Bank, Ltd. (present Resona Bank, Limited)
 Oct. 1993 Joined Taiho Pharmaceutical Co., Ltd.
 Aug. 2002 President, Taiho Pharma USA, Inc. (present Taiho Oncology, Inc.)
 Sep. 2003 Executive Director, Taiho Pharmaceutical Co., Ltd.
 Apr. 2010 President and CEO, Otsuka America, Inc.
 Apr. 2012 President and Representative Director, Taiho Pharmaceutical Co., Ltd. (current) Executive Director, Taiho Pharma USA, Inc.
 Apr. 2014 Chairman, Taiho Oncology, Inc. (current)
 Mar. 2017 Executive Director, Otsuka Holdings Co., Ltd. (current)



Noriko Tojo
Executive Director

Profile

Apr. 1987 Joined Goldman Sachs (Japan) Corporation
 Aug. 1991 Joined Shearson Lehman Brothers Holdings Inc.
 Jul. 2002 Engagement Manager, McKinsey & Company, Japan Office
 Jun. 2006 Director, Intel Capital Japan, Intel Corporation
 Aug. 2008 Managing Director, Corporate Development, Otsuka Holdings Co., Ltd.
 Feb. 2011 Executive Director, Otsuka Medical Devices Co., Ltd.
 Apr. 2012 President and CEO, Otsuka America, Inc.
 Aug. 2015 Executive Director and CEO, Pharmavite LLC
 Jan. 2017 President and Representative Director, Otsuka Medical Devices Co., Ltd. (current)
 May 2017 Executive Director, Otsuka America, Inc.
 Aug. 2017 Chairman, Pharmavite LLC
 Mar. 2018 Executive Director, Otsuka Holdings Co., Ltd. (current)



Makoto Inoue
Executive Director

Profile

Apr. 1983 Joined Otsuka Pharmaceutical Co., Ltd.
 Jun. 2008 Vice President, General Manager of Diagnostic Division, Otsuka Pharmaceutical Co., Ltd.
 Jun. 2009 Senior Vice President, Deputy General Manager of Pharmaceutical Business Division, Otsuka Pharmaceutical Co., Ltd.
 Mar. 2015 Executive Director, Executive Vice President, General Manager of Nutraceuticals Business Division, Otsuka Pharmaceutical Co., Ltd.
 Apr. 2015 Executive Director, Pharmavite LLC
 Mar. 2017 Managing Director, Nutraceuticals Business, Otsuka Pharmaceutical Co., Ltd.
 Sep. 2017 Executive Director, Daiya Foods Inc.
 Mar. 2018 Senior Managing Director, Nutraceuticals Business, Otsuka Pharmaceutical Co., Ltd.
 Oct. 2018 Chairman, Nardobel SAS
 Mar. 2019 Executive Deputy President and Executive Director, Otsuka Pharmaceutical Co., Ltd.
 Mar. 2020 President and Representative Director, Otsuka Pharmaceutical Co., Ltd. (current) Executive Director, Otsuka Holdings Co., Ltd. (current)

Outside Directors



Yukio Matsutani
Outside Director

Profile

Apr. 1975 Intern, Pediatric Department, St. Luke's International Hospital
 Oct. 1981 Joined Ministry of Health and Welfare (present Ministry of Health, Labour and Welfare)
 Aug. 2005 Director-General, Health Policy Bureau, Ministry of Health, Labour and Welfare
 Aug. 2007 Director, National Sanatorium Tama Zenshoen
 Apr. 2012 President, National Institute of Public Health
 Dec. 2015 Vice President, International University of Health and Welfare
 Mar. 2016 Outside Director, Otsuka Holdings Co., Ltd. (current)
 Jun. 2019 President, Japan Public Health Association (current)



Ko Sekiguchi
Outside Director

Profile

Apr. 1973 Joined Mitsubishi Corporation
 May 1990 Joined the Boston Consulting Group
 Jan. 1996 General Manager of Sierrad Business Division, Johnson & Johnson Medical K. K. (present Johnson & Johnson K. K. Medical Company) (present Janssen Pharmaceutical K.K.)
 Nov. 1998 President and Representative Director, Janssen Kyowa Co., Ltd.
 Jul. 2009 Chairman and Director, Janssen Kyowa Co., Ltd.
 Oct. 2009 Supreme Advisor, Janssen Kyowa Co., Ltd.
 Jan. 2011 Representative Director, DIA Japan (present SH DIA Japan)
 Apr. 2012 Outside Director, N.I.C. Corporation (present Solasto Corporation)
 Mar. 2014 Outside Director, Kenedix, Inc.
 Mar. 2018 Outside Director, Otsuka Holdings Co., Ltd. (current)

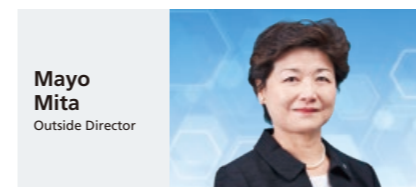


Yoshihisa Aoki
Outside Director

Profile

Apr. 1974 Joined Itochu Corporation
 Jun. 2003 Executive Officer, Itochu Corporation
 Apr. 2009 Managing Executive Officer, President, Food Company, Itochu Corporation
 Apr. 2010 Member of the Board, Senior Managing Executive Officer, President, Food Company, Itochu Corporation
 Mar. 2017 Administrative Officer, Itochu Corporation (current)
 Jun. 2017 Outside Director, Arata Corporation (current)
 Mar. 2019 Outside Director, Otsuka Holdings Co., Ltd. (current)

Outside Directors

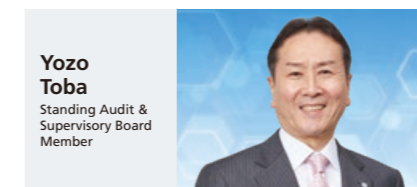


Mayo Mita
Outside Director

Profile

Apr. 1983 Joined Morgan Stanley Japan Securities Co., Ltd. (present Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
 Jan. 1989 Equity Research Division (Healthcare), Morgan Stanley Japan Securities Co., Ltd.
 Dec. 2000 Managing Director, Morgan Stanley Japan Securities Co., Ltd.
 Dec. 2013 Senior Advisor, Investment Banking Business Unit (Healthcare), Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
 Mar. 2020 Outside Director, Otsuka Holdings Co., Ltd. (current)

Audit & Supervisory Board Members



Yozo Toba
Standing Audit & Supervisory Board Member

Profile

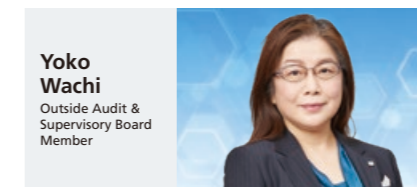
Apr. 1979 Joined Otsuka Chemical Holdings Co., Ltd. (present Otsuka Chemical Co., Ltd.)
 Jan. 1995 Director, Information Center, Otsuka Chemical Holdings Co., Ltd.
 Jan. 2006 CFO, Trocenen GmbH
 May 2009 Operating Officer, Information System Department, Otsuka Chemical Holdings Co., Ltd. (present Otsuka Chemical Co., Ltd.)
 Jun. 2009 Corporate Officer, Director of IT, Corporate Finance & Accounting Department, Otsuka Holdings Co., Ltd.
 Dec. 2011 Executive Director, Corporate Administration, Accounting and IT, Otsuka Chemical Co., Ltd.
 Mar. 2015 Executive Vice President, Corporate Finance & Accounting and Corporate Service Department, Otsuka Holdings Co., Ltd.
 Mar. 2018 Standing Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (current)
 Mar. 2019 Audit & Supervisory Board Member, Otsuka Chemical Co., Ltd. (current)



Hiroshi Sugawara
Outside Audit & Supervisory Board Member

Profile

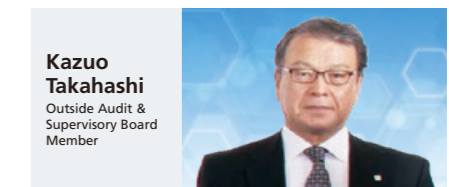
Oct. 1997 Joined Chuo Audit Corporation
 Oct. 2000 Joined Deloitte Touche Tohmatsu (present Deloitte Touche Tohmatsu LLC)
 Feb. 2006 Vice President, Will Capital Management Co., Ltd. (current)
 Jun. 2010 Outside Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (current)
 Jun. 2012 Outside Audit & Supervisory Board Member, Otsuka Pharmaceutical Co., Ltd.
 Oct. 2013 Outside Director, Nippon Parking Development Co., Ltd.
 Mar. 2016 Audit & Supervisory Board Member, Otsuka Pharmaceutical Co., Ltd. (current)



Yoko Wachi
Outside Audit & Supervisory Board Member

Profile

Apr. 1989 Registered as an attorney at law (Dai-ichi Tokyo Bar Association) Joined Kajitani Law Offices (current)
 Jun. 2015 Corporate Auditor, Nichias Corporation
 Mar. 2016 Outside Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (current)
 Jun. 2019 Outside Director, Nichias Corporation (current)



Kazuo Takahashi
Outside Audit & Supervisory Board Member

Profile

Apr. 1975 Joined Ebara-Udylite Co., Ltd. (present JCU Corporation)
 Mar. 1986 Executive Director, Strategic Planning, RA Institute Co., Ltd.
 Nov. 1992 Executive Director, General Manager of the System Division, Sunkus & Associates, Inc.
 Oct. 2004 Executive Director, Head of the Information System Division, Circle K Sunkus Co., Ltd.
 May 2006 Executive Director, Chief of the Management Strategy Office, the Customer & Franchisee Relations Office, and the Internal Control & Environmental Management Office, Circle K Sunkus Co., Ltd.
 May 2008 Executive Director, Head of Area Franchise, Circle K Sunkus Co., Ltd.
 May 2010 Executive Director, Head of Information Systems Division, Circle K Sunkus Co., Ltd.
 Mar. 2018 Outside Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (current)

Discussion on Corporate Governance

Four outside directors and two inside directors discuss corporate governance at Otsuka Holdings.



Yukio Matsutani
Outside Director
Member of Corporate Governance Committee



Ko Sekiguchi
Outside Director
Member of Corporate Governance Committee



Yoshihisa Aoki
Outside Director
Member of Corporate Governance Committee



Mayo Mita
Outside Director
Member of Corporate Governance Committee

Corporate Governance System

How effective is corporate governance at Otsuka Holdings?

Aoki

Otsuka Holdings' current structure is that of a company with a Board of Directors that executes business and an Audit & Supervisory Board. I feel that this structure is working well. It results in an environment where both Audit & Supervisory Board members and outside directors can exchange candid opinions without reserve, and I think our opinions are respected in decision making. As things stand, this has helped to maintain the effectiveness of corporate governance in practical terms, but society is increasingly calling for greater separation between supervision and execution. We must closely monitor this trend and work toward improving our system. Moreover, I think that cultivating management personnel is the most important factor in properly maintaining governance. In addition to training for management skills, I think Otsuka should conduct training that places more emphasis on management morality, or in other words, cultivating a sense of ethics to maintain sound management.

Mita

Three female directors out of 13 provides an adequate gender

balance, and the fact that two of the female directors are inside directors is significant. On the other hand, with the growing importance of overseas operations, the Company should be more proactive in promoting human resources who are familiar with overseas business. When conducting a variety of businesses, even though people may share a long-term vision as a group, ascertaining the changing conditions and status of each business in detail is not easy. I therefore feel that it is important for the Company to create a system for setting KPIs for each business, so that it can track business targets and their level of achievement for reliable oversight. I believe this will make business monitoring and management more effective.

Sekiguchi

When considering the significance of corporate governance, and the purpose and mission of a holding company, I think Otsuka Holdings must ask itself what it can do to raise the collective strength of the Otsuka group to the highest level. From that perspective, I think we should fully discuss and examine the optimal structure for the Otsuka group's sales composition and what it should aim to be going forward. The business environment is changing at a tremendous speed, brought on by factors including the COVID-19 pandemic and



Yoshiro Matsuo
Senior Managing Director
In charge of Otsuka Group Sustainability Promotion
Head of Otsuka Group Global Environmental Council
Member of Risk Management Committee
Member of Corporate Governance Committee



Shuichi Takagi
Executive Director
Business Portfolio Management



the adoption of digital technologies. Just keeping up is difficult, but that alone is no way to succeed. Going forward, it will be increasingly important to establish a forum for suggesting and discussing what Otsuka must prioritize in taking action. The forum should bring together everyone's abilities, acting as a stage for people to openly talk about how to demonstrate the collective strength of the group, how to stay ahead of the times, and how to bring Otsuka's advantages to the fore.

Takagi

The Board of Directors of the Company operates under a system of executive directors, where multiple directors serve concurrently on the management teams of operating companies. Bringing together critical external perspectives and

expertise from the front lines enables expeditious discussions at Board meetings. On the other hand, I think we must consider whether the current system is acceptable as it stands, or whether functions of a different order should be adopted for the Company in the future.

Matsuo

In the 10 years since the Company's stock listing, although the group's collective strength and a corporate governance system appropriate for a listed company have been enhanced and put on a firm footing, there are nevertheless issues remaining before Otsuka can be considered a truly global company. We have had ongoing animated discussions among directors about the ideal form of corporate governance, and we have received various insightful opinions from our four outside directors, who have diverse backgrounds. To move to the next stage, the Otsuka group must further strengthen its corporate functions. We have achieved some results in increasing corporate value to maximize group synergies. However, amid the dizzying changes in the operating environment, a company will not grow by simply playing catch-up, so it is necessary to accelerate our evolution. Looking ahead over the medium to long term, a key function of Otsuka Holdings is to lead the entire group. To do so, we understand the importance of cultivating human resources for management and opening the Company to external human resources. We must aim to maximize corporate value premised on being accepted by society and having a social impact. I believe that this generation of management must establish a system that enables Otsuka to compete on a global level as a global company.

Corporate Governance Committee



The Company has established the Corporate Governance Committee as an advisory body to the Board of Directors to deliberate on the nomination of directors and Audit & Supervisory Board members, the remuneration system and standards for directors, and other corporate governance matters. Please describe the status and effectiveness of the committee.

Matsutani

I think the committee is effective and there is no problem with the current system at this stage. I also believe its processes are appropriate and ensure transparency and objectivity. On the other hand, overseas businesses account for more than half of sales in real terms, and the system may not be sufficient to control overseas operations that have grown to such an extent.

Mita

There is a high degree of transparency. We receive reference materials on the remuneration system, comparisons with other companies and other information, all of which facilitates lively exchanges of opinions during deliberations. On the other hand, I have the impression that there is a slight lack of speed in incorporating opinions from outside directors in structuring systems and businesses. The topic of "Diversity and Inclusion" is becoming more important in society, and my impression is that women are very active in taking the lead in actual business execution at Otsuka. Is it a coincidence that women have been able to play more active roles, or has this been supported by special mechanisms such as promoting women to higher positions, improving motivation, role sharing between women or mutual support systems? I would like to discuss these points.

Matsuo

The Corporate Governance Committee, which comprises all outside directors, the president, and the director in charge of administration, was organized to hold wide-ranging discussions on the nomination and remuneration of directors and



Audit & Supervisory Board members as well as on corporate governance. The role of the committee changes according to the business and social environment. I believe that the role of Otsuka Holdings should also evolve.

Global Governance of Operating Companies

The Otsuka group conducts its management with respect for the diversity and originality of its operating companies as it promotes further global expansion to achieve medium-to-long-term growth. What are your thoughts on the issues management faces in sustainably maintaining a unified and consistent overall direction as it manages diversified businesses?

Matsutani

Otsuka started expanding overseas from an early stage, and while it has solidified its business foundation over its long history, its governance is still developing. Since the business environment is completely different for each region and country, I think governance is very difficult to coordinate. Fortunately, due to efforts on the front lines, each business has stayed aligned with Otsuka's philosophy, but it will be necessary to strengthen the mechanism by which that is achieved.

Aoki

I have a sense that the global governance of Otsuka's operating companies has been driven by the excellent management skills and leadership of successive management teams. However, now that the group has grown to its current scale, I feel there is a need to reconfigure the system between Otsuka Holdings

and operating companies, and between respective operating companies themselves, into a new form with a mechanism to "Trust, but verify." The creation of a mechanism that can weather further group expansion should help maintain governance and enable sound group development. To that end, I think the cultivation and diversification of management personnel is essential.

Sekiguchi

Decentralized management also requires a unifying force because it will fall apart if the centrifugal force is too strong. I think Otsuka has reached a stage where it should strengthen governance, or in other words, controls. The Global Business Support Department has been established at Otsuka Holdings and I feel it is making progress toward strengthening global governance. Risk management is also very important in global governance. I would like to see that function further enhanced going forward.

Takagi

The management of each operating company has been allowed a certain degree of freedom to encourage independence and the creation of innovative ideas. Also, as previously pointed out, Otsuka has proactively promoted globalization from quite an early stage. At the start there were restrictions on foreign



investment and circumstances made it difficult to import Japan-based management. Globalization has progressed in various countries in recent years, and Otsuka's governance system is at last evolving. Group-wide asset-sharing is under way in various therapeutic areas, such as oncology and the

Otsuka's Social Role in the New Normal and Achieving a Sustainable Society

The worldwide COVID-19 pandemic has had a major impact on society and people's lifestyles. What are your thoughts on opportunities and risks in the "new normal" going forward, and Otsuka's role and future issues as "a unique total healthcare company"?

In addition, in recent years there have been increasing calls for contributions to sustainability, and greater demands for corporate social responsibility. Now as ever, Otsuka aims to achieve sustainable growth and contribute to a healthy and sustainable society, based on its corporate philosophy and through its business activities that help resolve social issues. What are your thoughts on the direction Otsuka should take and its issues going forward?

Matsutani

The COVID-19 pandemic has had a substantial impact on companies, and there is still no end in sight. Even once the pandemic subsides, individual lifestyles and social conditions will be completely different, and companies will be required

central nervous system. The IV solutions business is also making progress through cooperation between Otsuka Pharmaceutical and Otsuka Pharmaceutical Factory. I am aware that we are at a stage where we should step up group governance for the sustainable growth of the Otsuka group. We are strengthening the monitoring function and building a system in collaboration with operating companies.

Matsuo

No matter how much its businesses expand or diversify, Otsuka must continue to uphold its approach to business and its systems for the unwavering actualization of creativity, as passed down by successive management teams. Organization and reproducibility are important for the group's future. Rather than sticking to what was successful in the past, it must build a structure that can reproduce its vision for itself as an organization.

I also believe that the structure of the Board of Directors needs to evolve and change in line with the Otsuka group's stage and direction from the perspectives of management supervision, maximization of group synergies, and global governance.

to change accordingly.

One of the greatest changes is increased use of information technology. There have been advances, but I think the largest impact has been rapid uptake by everyone from the elderly to children. This affects the entire corporate supply chain, making it essential for companies to prepare for any situation. Although every company is already dealing with visible primary impacts, each will also need to develop a flexible system to respond to secondary and tertiary impacts.

Aoki

I find the phrase "a unique total healthcare company" very appealing. I think most people want to lead healthy, long, enjoyable and beautiful lives. Otsuka has been operating in line with that perspective, and I think it should continue in that direction as it achieves sustainability. Otsuka's strength is in the solid business structure and profit of the Pharmaceutical Business, as well as its culture of tenaciously engaging in the creation of products that benefit people



worldwide, such as *POCARI SWEAT* and *Calorie Mate*. I think there will be greater demand for products that take a preventive approach to maintaining health in the future, so I would like Otsuka to focus on creating such products in the Nutraceutical Business.

Mita

Amid the growing social trend of health awareness, I believe that the Otsuka group's wide-ranging portfolio and long-term product and brand development are its core strengths. It is one of the few companies in the unique position of being able to provide comprehensive healthcare solutions. Even if the Company's strategy is aligned to a sustainable approach, keeping all products and businesses going indefinitely will surely be difficult in this era of rapid change. What will Otsuka focus on in the short term, the medium term and the long term? While making decisive investments with a view to the future, it may be necessary to sort out what is no longer in demand due to the changing times. This does not mean that Otsuka Holdings should have a short-term orientation, but rather a vision and strategy that looks ahead.

Sekiguchi

Otsuka's scope of business as a total healthcare company will be extremely important in this new era, and the concepts of prevention and pre-symptomatic healthcare, and measures for individual health management also apply in the control of infectious diseases.

In addition, in the wake of the COVID-19 pandemic, a considerable amount of both business operations and

opportunities have now shifted to the digital realm. The crucial questions will be how Otsuka can best make use of this shift and how it can develop products and services that use digital technology, not just to improve efficiency in areas such as promotion and new product development, but to capture the needs of this new era.

Matsuo

Our digital technology strategy is not a passive one. We view it as something we must do ahead of other companies to proceed to our next stage. We must set forth our digital technology strategy as one of the core strategies of the next medium-term management plan. Sustainability should be recognized as an intrinsic aspect of business activities. This view led Otsuka to become a signatory to the United Nations Global Compact in 2016. People will not rally to Otsuka unless it is an appealing company that fulfills its corporate responsibilities for a sustainable society. However, we cannot take a long-term perspective without an earnings base, so we intend to invest in medium-to-long-term growth while staying committed to maintaining our current business performance. Otsuka is capable of identifying and overcoming issues, and looking to the future with ideas unlike those of other companies. We will continue to strive to be a vibrant, active company. Opinions may differ among diverse types of business and diverse management personnel, but the alternative, one in which everyone has the same opinion, would be senseless. Through a lively exchange of opinions, I would like to lay the groundwork for the next stage and create an organization with reproducibility.



Compliance

We have established the Otsuka Group Global Code of Business Ethics and we openly convey information about our stance on related initiatives on our website in the form of a message from the president of Otsuka Holdings. Furthermore, we have formulated the Otsuka Group Global Anti-Corruption Policy, which expresses our stance against corruption at all sites worldwide; the Otsuka Group Global Policy for Conflict of Interest, aimed at maintaining objectivity in business; and the Otsuka Group Global Privacy Policy, which defines our stance and guiding principles on privacy protection. These policies form the basis for conducting our business with high ethical standards.

Otsuka Group Global Anti-Corruption Policy

The Otsuka Group Global Anti-Corruption Policy embodies and reiterates our steadfast commitment to conducting business with integrity and in compliance with all relevant anti-corruption laws. This Policy outlines how to prevent, detect and deter violations of anti-corruption laws. It sets forth our global minimum standards regarding the prevention of corruption and applies to all our worldwide business operations.

https://www.otsuka.com/en/csr/governance/pdf/OtsukaGroupGlobalAnti-CorruptionPolicy_IR.pdf



Otsuka Group Global Policy for Conflict of Interest

The Otsuka group recognizes conflicts of interest between the group and individual employees as a matter that could impact the integrity of the organization, and one that has a great bearing on the group's future. Based on this thinking, we formulated the Otsuka Group Global Policy for Conflict of Interest to prevent such conflicts and we are working to instill the policy at a global level.

https://www.otsuka.com/en/csr/governance/pdf/OtsukaGroupGlobalPolicyforConflictofInterest_IR.pdf



Otsuka Group Global Privacy Policy

In recent years, many countries have enacted privacy protection legislation, such as the European Union's General Data Protection Regulation (GDPR) implemented in May 2018. The Otsuka group is working to strengthen privacy protection. In addition to formulating the Otsuka Group Global Privacy Policy to define our stance and guiding principles on privacy protection, we establish related rules and review management systems in accordance with the laws and regulations related to privacy protection in each country.

https://www.otsuka.com/en/csr/governance/pdf/OtsukaGroupGlobalPrivacyPolicy_IR.pdf



Compliance Promotion System

To instill compliance at group companies, the Otsuka group conducts universal training based on the content of the above policies. Training materials, distributed to each operating company, and officers, employees, contract employees, and dispatched employees at each operating company attend related training at least once annually and submit a signed declaration to observe the regulations. The levels of understanding of compliance and its penetration among employees are evaluated through a test during training, awareness surveys, and other measures, and the results of training and the status of submission of declaration forms are regularly reported at meetings of the Board of Directors. Each operating company has also established related regulations in accordance with the laws of its country and conducts legal compliance. In addition, the operational status of the internal reporting systems and internal audits at major group companies is regularly reported at meetings of the Board of Directors of Otsuka Holdings.

Monitoring

As a holding company whose role is to maximize the Otsuka group's corporate value, Otsuka Holdings has established a system to ensure appropriate business operations from the perspective of the group as a whole. We have established a system for facilitating cooperation in the Otsuka group. Under this system, affiliated companies report to Otsuka Holdings as necessary regarding items specified in the Affiliated Company Management Regulations, and obtain approval on relevant important items.

Examples of overseas initiatives include the appointment of compliance officers at each group company in Asia and the holding of regular meetings for sharing the status of progress in each country. The director in charge of compliance also visits companies to gather information and offer suggestions on how improvements may be made.

In addition, an Internal Audit Department under the direct authority of the president has been established. It conducts regular audits based on the Internal Audit Rules to verify that operations are being executed appropriately and efficiently with regard to the assets and business in general of Otsuka Holdings and its affiliated companies. The department submits its audit reports to the president, directors, and Audit & Supervisory Board members. In cases where it finds the need for improvements, the department issues improvement advisories. It then follows up to check the implementation status of measures and ascertain that the execution of duties has been suitably improved. In addition, the department shares information with Audit & Supervisory Board members and the accounting auditor and coordinates a unified stance.

Tax Compliance

The Otsuka group complies with the Otsuka Group Global Code of Business Ethics, the group's tax policy, country-specific laws, regulations and tax treaties, as well as international taxation rules, and does not engage in transactions designed to evade the payment of taxes, but carries out the appropriate filing and payment of taxes in each country. We endeavor to appropriately disclose information and ensure a degree of transparency and trust when dealing with tax authorities in each country. The complexity of tax oversight increases as our businesses become more global. By continuously updating information and engaging in prior consultations with tax experts where necessary, we are appropriately responding in order to minimize tax risk.

Correspondence with Tax Authorities

The Otsuka group engages in constructive relationships with tax authorities in the countries/regions in which it operates. We will continue to improve the reliability of tax data and establish systems to provide it promptly.

Transfer Pricing Policy

The Otsuka group calculates transfer prices based on the OECD guidelines that were created for the prevention of double taxation and fair application of the transfer price tax system, as well as each country's transfer price tax system, and makes efforts to ensure proper transactions between related parties. In recent years, the OECD has issued an action plan on base erosion and profit shifting (BEPS), in which multinational corporations engage in international transactions that lead to double non-taxation. We will properly execute our obligations to make

submissions to relevant authorities. Also, when necessary, we make use of advance pricing agreements (APAs) to obtain ahead-of-time consensus with tax authorities.

Governance

We work to maintain and improve tax-related governance, recognizing that this contributes to the enhancement of corporate value. To this end, under the active involvement of the CFO, we are strengthening cooperation between departments and operating companies as well as securing and training capable human resources, thereby maintaining an appropriate system that enhances tax compliance and reduces tax risks. Furthermore, we have established reporting obligations to the Board of Directors and the Audit & Supervisory Committee regarding the above-mentioned policies and processes, as well as their ongoing implementation and maintenance.

Risk Management

The Otsuka group carries out risk management under the supervision of top management based on the recognition that pursuing management efficiency and controlling the risks inherent in business activities is important to enhancing corporate value.

Risk Management System

To further enhance risk management at Otsuka Holdings and its main operating companies, the Company introduced enterprise risk management (ERM) in July 2020 for the purpose of recognizing and assessing group-wide risks, and prioritizing allocation of resources to the control of principal risks.

As part of ERM activities, we have established a group-wide risk management framework and a system for risk assessment, and are identifying principal risks through risk assessments at the main operating companies, and formulating countermeasures against those risks.

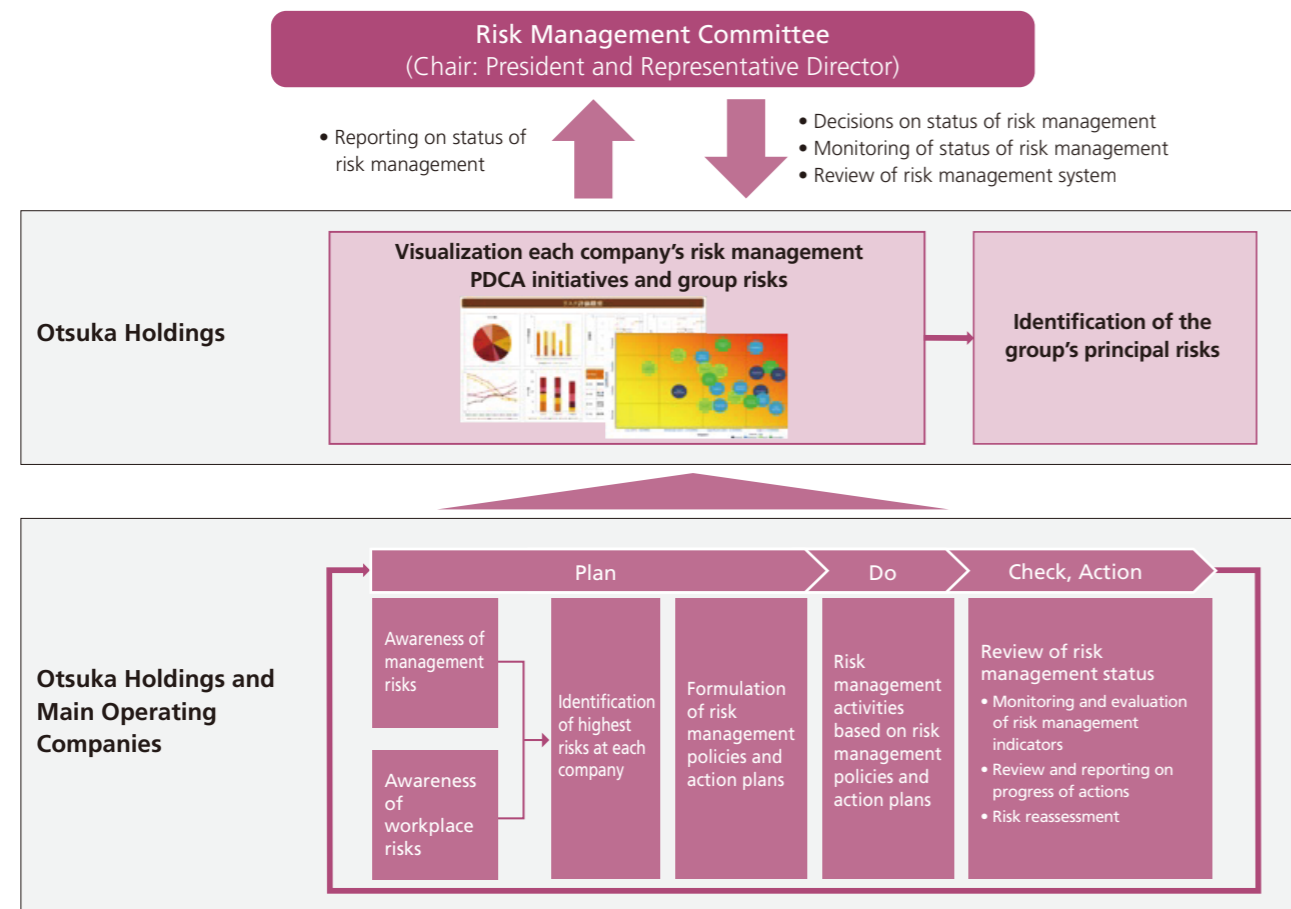
These risk management activities are reported to the Risk Management Committee, which is chaired by the President and Representative Director of the Company. The Risk Management Committee monitors principal risks, examines past risk management activities and considers proposals for their improvement, and regularly reviews the risk management system.

Details of Risk Management Activities

In conducting risk assessments, risk awareness in management is shared through management interviews at Otsuka Holdings and its main operating companies (top-down approach), and assessments and risk control are conducted by front-line employees (bottom-up approach). This enables us to comprehensively identify the risks that exist in the group. Each company formulates risk management policies and risk management action plans for risks that are judged to be its principal risks, and regularly reviews the risk situation and the progress of action plans.

In addition, Otsuka Holdings aggregates and visualizes the results of each group company's assessments to gain a comprehensive understanding of the risks that exist and the control situation in the group. Based on these results, Otsuka Holdings has identified the group's principal risks.

Risk Management System



Principal Risks

Through group-wide risk assessments, the Otsuka group recognizes the following principal risks in Otsuka Holdings and key operating companies, and is taking steps to mitigate them.

Business Risks
<https://www.otsuka.com/en/ir/management/risk.html>

	Item	Response
Risks related to management based on corporate philosophy	Talent recruitment and development risk	<ul style="list-style-type: none"> Establishing the Otsuka Global Academy Declaring diversity promotion in the Otsuka Group Global Code of Business Ethics, and providing relevant systems and mechanisms
	Risk related to corporate social responsibility	<ul style="list-style-type: none"> Determining materiality and resolving social issues through business activities Establishing the Otsuka Group Sustainability Promotion Committee
Risks related to business strategy	Risk as a holding company	<ul style="list-style-type: none"> Strategic allocation of managerial resources to measures in each business Establishing the Otsuka Group Global Code of Business Ethics and related global policies Upgrading the internal monitoring framework and establishing a group-wide internal reporting system Ensuring financial soundness
	Risk related to corporate brand management and reputation	<ul style="list-style-type: none"> Establishing the CI Management Committee In-house training Formulating the Otsuka Group PR Guidelines

	Item	Response
Risks related to business strategy	Risk related to uncertainty of new drug development	<ul style="list-style-type: none"> Decision-making at the Board of Directors Review of research and development directions as appropriate Enhancing pipelines Implementation of monitoring and risk reduction measures
	Risk related to business alliances and acquisitions	<ul style="list-style-type: none"> Forming appropriate strategic alliances and making acquisitions Detailed due diligence and valuation of target companies or assets, extensive discussion by the Board of Directors, and business operation monitoring after investment Developing in-house talent
	Risk related to digitalization	<ul style="list-style-type: none"> Adopting state-of-the-art technologies and conducting proof-of-concept, demonstrations and practical application Holding seminars to improve IT literacy
	Risk related to healthcare cost containment measures	<ul style="list-style-type: none"> Providing products at appropriate prices and demonstrating the value of new drugs Contributing to the control of soaring healthcare costs as a total healthcare company
Risks related to production and marketing of products	Risk related to side effects	<ul style="list-style-type: none"> Establishing a global safety management structure Centralized management of safety information Establishing a system for implementing safety measures
	Risk related to food safety	<ul style="list-style-type: none"> Compliance with legal and regulatory requirements, and governmental and industry standards Acquisition of certifications and specification of monitoring indicators Encouraging acquisition of international standard certification
	Risk related to natural disasters and pandemics	<ul style="list-style-type: none"> Formulating business continuity plans Conducting regular drills Conducting simulated desktop simulation drills jointly among group companies Promotion of measures against COVID-19 Establishing and enhancing work-from-home system and web conferencing systems
	Risk related to supply chain disruption	<ul style="list-style-type: none"> Fair, equitable and transparent procurement, and building good relationships with suppliers Ensuring the stable procurement and supply of raw materials Conducting risk assessments Establishing systems to ensure business continuity in the event of the COVID-19 pandemic
Other risks related to business management	Risk related to raw material price increases	<ul style="list-style-type: none"> Purchasing raw materials from multiple companies Gathering information such as market trends and securing alternative raw materials Maintaining appropriate inventories Reducing costs by improving productivity
	Risk related to expiration of patent protection	<ul style="list-style-type: none"> Focusing on research and development of new products that will drive sustainable growth Initiatives to extend the lifecycle of products
	Risk related to patent infringement	<ul style="list-style-type: none"> Establishing a management system for intellectual property rights Conducting investigations and gathering information
	Risk related to litigation	<ul style="list-style-type: none"> Establishing an internal reporting system Cooperation with outside counsels, etc.
Other risks related to business management	Risk related to information management	<ul style="list-style-type: none"> Establishing the Otsuka Group Global Information Security Policy Education and training for executives and employees Establishing the Group Information Security Committee
	Risk related to global business operations	<ul style="list-style-type: none"> Appropriate management and support for business operations based on the local operating environment
	Risk related to foreign exchange and stock prices	<ul style="list-style-type: none"> Use of forward exchange contracts Diversified and periodic review of portfolio


In addition to information included in this integrated report, the Otsuka group discloses the following ESG-related information on its website. Please visit the website for more details.

Item	Policies, commitments and systems	Initiatives
Overall	<ul style="list-style-type: none"> Signatory to the United Nations Global Compact Sustainability Mission →Page 18 Materialities →Pages 20-21 Goals and progress →Pages 20-21 Stakeholder engagement Sustainability management structure →Pages 57 External recognition Data(people, the environment, and governance) 	
Society		
Health	Basic policy	
Pharmaceutical Business	<ul style="list-style-type: none"> Basic policy Goals and progress →Pages 20-21 "FY 2023 Goals (Quantification)" and "FY 2020 Progress" 	<ul style="list-style-type: none"> Contribution to unmet medical needs →Pages 30-35 Initiatives for access to medicine Initiatives for infectious diseases including tuberculosis →Page 31
Nutraceutical Business	<ul style="list-style-type: none"> Basic policy Goals and progress →Pages 20-21 	<ul style="list-style-type: none"> Catering to yet-to-be-imagined needs Initiatives for Access to Nutrition →Pages 36-41
People	Basic policy	
Human resource development	Basic policy	<ul style="list-style-type: none"> Human resource development programs (including management human resource development programs) Internship programs Systems for leveraging abilities (open recruiting system, self-assessment system, etc.)
Diversity & Inclusion	<ul style="list-style-type: none"> "Otsuka Group Global Code of Business Ethics" ("Diversity and Inclusion") Basic policy Signatory to the Women's Empowerment Principles (WEPs) Iku Boss (managers supportive of work-life balance) declaration by group companies 	<ul style="list-style-type: none"> Diversity Systems for diversity promotion (including mindset and establishing structure to help diverse human resources play active roles regardless of nationality, race, age, gender, disability, sexual orientation, etc.) Examples of external recognition
Health and Safety	<ul style="list-style-type: none"> Otsuka Group Global Code of Business Ethics ("Human Rights and Labor Standards" and "Employee Health") Basic policy Declaration on health by group companies "Health and Safety Committee" and other promotion structures 	<ul style="list-style-type: none"> Initiatives for employee health maintenance and promotion →Page 43 Initiatives for workplace health and safety Initiatives for reduction overtime and encouraging employees to take paid leave Examples of external recognition
Fair employment and working condition	<ul style="list-style-type: none"> Otsuka Group Global Code of Business Ethics ("Human Rights and Labor Standards," "Discrimination and Harassment," and "Reporting Concerns") Basic policy 	<ul style="list-style-type: none"> Internal training on bullying, harassment and other issues Employee survey, and improvement activities based on survey results
Human rights initiatives	<ul style="list-style-type: none"> Otsuka Group Global Code of Business Ethics ("Human Rights and Labor Standards," "Discrimination and Harassment," and "Reporting Concerns") Basic policy Otsuka Group Human Rights Policy Promotional structure 	<ul style="list-style-type: none"> Implementing human right risk assessment to identify salient human right risks Identifying salient human right issues and implementing corrective measures Whistleblowing hotline Employee training on Otsuka Group Human Rights Policy External collaboration
Quality in All We Do	<ul style="list-style-type: none"> Basic policy Otsuka Group Global Code of Business Ethics ("Business Integrity," "Maintaining Books and Records," etc.) Certification status of ISO 9001 (quality), ISO 22000, FSSC 22000 (food safety), etc. 	
Research and development	<ul style="list-style-type: none"> Commitments in R&D (compliance with laws and guidelines, ethical considerations, etc.) →Pages 44-45 	<ul style="list-style-type: none"> Ethical considerations in research involving animals Ethical considerations in research involving human-derived specimens Ethical considerations in research involving pathogenic microorganisms (pathogens) and genetically modified organisms Ethics in clinical trials Compliance in R&D by Otsuka group companies Management of public research funds
Procurement	<ul style="list-style-type: none"> Basic policy →Pages 44-45 Otsuka Group Procurement Policy →Page 46 Otsuka Group Sustainable Procurement Guidelines Sustainable procurement Promotional structure (establishment of the Otsuka Sustainable Procurement Task Force) →Pages 44-46 Goals and progress →Pages 20-21 	<ul style="list-style-type: none"> Promotion of sustainable procurement with consideration for the environment, human rights other matters. (including due diligence investigation on new suppliers, and the common SAQ and briefing sessions for business collaborators) →Pages 44-46 Joint business collaborator audit by pharmaceutical companies Global initiatives for streamlining production and supply of products
Production, quality control and patient/customer safety	<ul style="list-style-type: none"> Basic policy →Pages 44-45 Measures including global product quality policies for the pharmaceutical products of Otsuka Pharmaceutical Promotion structure including Global Production Meeting and Global Product Quality Meetings. →Page 47 	<ul style="list-style-type: none"> Production, quality control and patient/customer safety in compliance with and regulatory requirements, and governmental and industry standards Acquisition of ISO 9001 (quality), ISO 22000, FSSC 22000 (food safety), etc. Quality control based on GQP and GVP, and post-marketing safety management Global implementation of pharmacovigilance activities Measures against falsified medicines Employee training
Logistics	<ul style="list-style-type: none"> Basic policy →Pages 44-45 Establishment of the GDP Promotion Office and other promotion structures for control and maintenance of product quality and stable supply in logistics 	<ul style="list-style-type: none"> Initiatives for quality control and maintenance (promotion of logistics in compliance with the Good Distribution Practice (GDP) guidelines, employee training, etc.) Initiatives for streamlined cooperation among shippers and distributors (standardization of IT-based data systems, digitization of forms, etc.) Initiatives for stable supply (distribution storage of inventory, registration of vehicles for authorized access to restricted areas, etc.) Environmentally friendly measures (the promotion of modal shift to reduce CO₂ emissions)

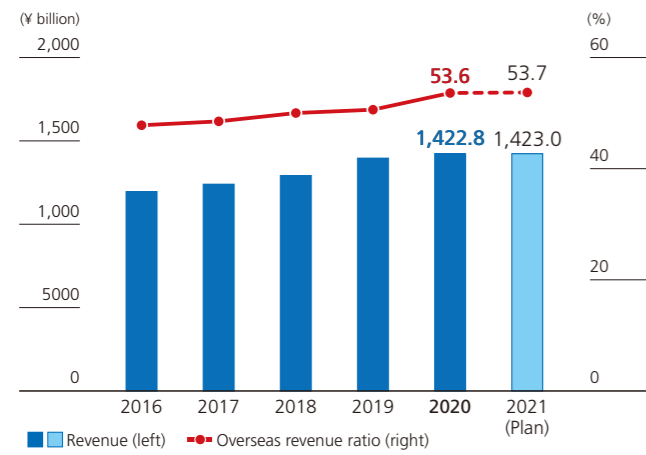
Item	Policies, commitments and systems	Initiatives
	Sales and Marketing	<ul style="list-style-type: none"> Basic policy →Pages 44-45 Establishing internal code of practice that expand on the JPMA Promotion Code for Prescription Drugs, for activities targeted at healthcare professionals Structural measures such as establishing the Scientific Affairs Department for gathering and disseminating information about products, related knowledge, and the latest academic information, and dedicated review unit to ensure appropriate marketing and promotion activities
	Customer Service	<ul style="list-style-type: none"> Basic policy →Pages 44-45 Declaration of Customer-centric Commitment →Page 45 Group-wide Customer Service Liaison Meeting, cross-department "Listen to Customer Feedback Meeting," and other promotion structures for consumer-centric management
		<ul style="list-style-type: none"> Conducting appropriate marketing and promotion activities in compliance with laws and regulations Gathering and disseminating information about products, related knowledge, latest academic information, etc. Employee training Reducing food loss (extending shelf life, switching to month-based expiration dates, etc.)
		<ul style="list-style-type: none"> Promoting customer-centric management Ensuring appropriate communication with customers Improved products based on customer feedback →Page 47 Establishing dedicated contact points for patients, healthcare professionals and customers respectively
Environment	Environmental management	<ul style="list-style-type: none"> Otsuka Group Global Code of Business Ethics ("Environmental Protection") Otsuka Group Environmental Policy Otsuka Group Environmental Activity Guidelines Group promotional structures centering on the Otsuka Group Global Environmental Council Disclosure of ISO 14001 certification status
	Climate Change	<ul style="list-style-type: none"> Basic policy Goals and progress →Pages 20-21
		<ul style="list-style-type: none"> Initiatives for efficient energy use and CO₂ reduction (expanded use of renewable energy sources, such as by introduction of CO₂-free electricity, including solar power generation for in-house consumption, and purchase of Green Power Certificates, etc.) →Pages 48-49 Validation of goals under the Science Based Targets (SBT) initiative Disclosure of CO₂ emissions and other data →Page 48 and 73
	Resource Recycling and Conservation	<ul style="list-style-type: none"> Basic policy Goals and progress →Pages 20-21
		<ul style="list-style-type: none"> Initiatives to achieve zero waste Initiatives for plastic resource and marine plastic pollution Disclosure of waste volume (effective use volume and final disposal volume) and other data →Page 73
	Water Conservation	<ul style="list-style-type: none"> Basic policy Goals and progress →Pages 20-21
		<ul style="list-style-type: none"> Water risk evaluation at manufacturing sites →Pages 48-49 Disclosure of water usage, water use efficiency and other data. →Page 48 and 73
Governance	Corporate Governance	<ul style="list-style-type: none"> Basic policy Corporate Governance Guidelines
	Governance Structure	<ul style="list-style-type: none"> Basic policy →Page 52 Overview of governance structure →Page 52
		<ul style="list-style-type: none"> Disclosure of Corporate Governance Report Initiatives to Strengthen Corporate Governance →Page 52 Board of Directors, Audit & Supervisory Board and Corporate Governance Committee →Page 53 Rationale for selection of directors and evaluation of board effectiveness →Page 55 Skill matrix for directors and Audit & Supervisory Board members →Page 54 Succession plan
	Remuneration for Directors and Audit & Supervisory Board Members	<ul style="list-style-type: none"> Basic policy →Page 54
		<ul style="list-style-type: none"> Disclosure of Corporate Governance Report Remuneration standards, system and method of determination →Page 55
	Compliance Overall	<ul style="list-style-type: none"> Basic policy Compliance promotion structure →Page 66
	Tax Compliance	<ul style="list-style-type: none"> Basic policy →Page 67 Tax policy →Page 67 Transfer pricing policy →Page 67
		<ul style="list-style-type: none"> Correspondence with tax authorities
	Anti-Corruption	<ul style="list-style-type: none"> Otsuka Group Global Code of Business Ethics ("Bribery and Corruption," etc.) Otsuka Group Global Anti-Corruption Policy →Page 66
		<ul style="list-style-type: none"> Due diligence Training for employees →Page 66 Monitoring →Page 66
	Conflicts of Interest	<ul style="list-style-type: none"> Otsuka Group Global Code of Business Ethics ("Conflicts of Interest," etc.) Otsuka Group Global Policy for Conflict of Interest →Page 66
		<ul style="list-style-type: none"> Training for employees →Page 66 Monitoring →Page 66
	Protecting Privacy	<ul style="list-style-type: none"> Otsuka Group Global Code of Business Ethics ("Privacy and Confidentiality," etc.) Otsuka Group Global Privacy Policy →Page 66
		<ul style="list-style-type: none"> Training for employees →Page 66 Monitoring →Page 66
	Whistleblowing Hotline	<ul style="list-style-type: none"> Provision of internal and external whistleblowing hotlines
	Risk Management Overall	<ul style="list-style-type: none"> Basic policy →Page 68 Risk Management Policy Enterprise risk management →Page 68 Risk management system operated through the Risk Management Committee →Page 68
		<ul style="list-style-type: none"> Identifying principal risks via risk assessments and mitigating risks →Pages 68-69 Business continuity planning and management Risk management training Initiatives to mitigate information security risk
	Contribution to Communities	<ul style="list-style-type: none"> Policy
		<ul style="list-style-type: none"> Activities to Contribute to communities

Financial and Non-Financial Highlights

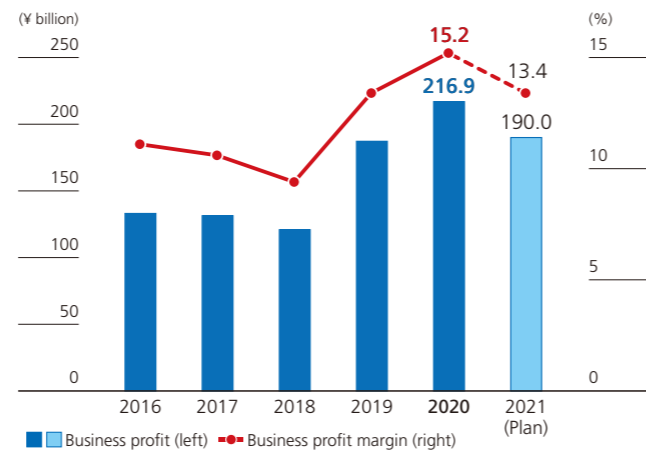
Visit the Otsuka Holdings website for key sustainability data at:
https://www.otsuka.com/en/csr/data/pdf/MajorCSRData_en.pdf



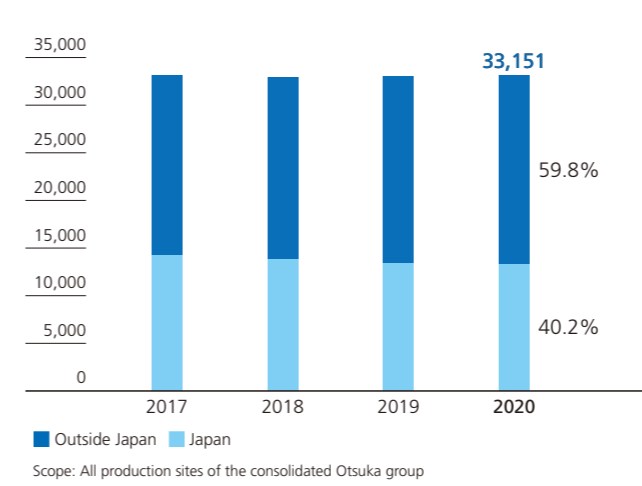
Revenue, Overseas Revenue Ratio



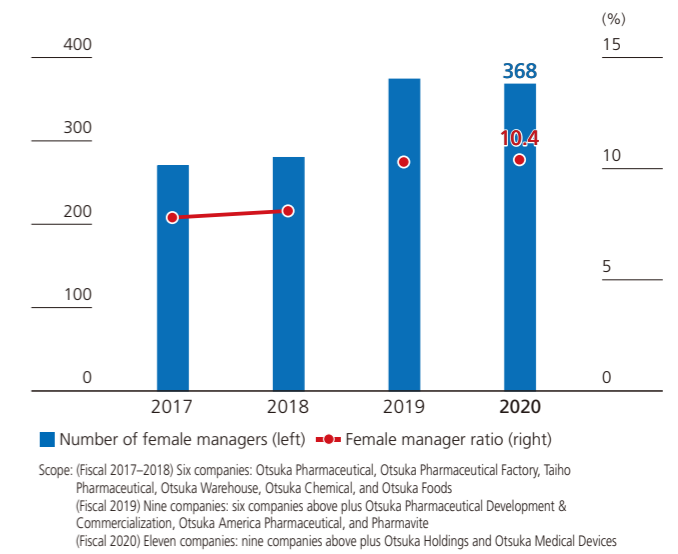
Business Profit, Business Profit Margin (Ratio to Revenue)



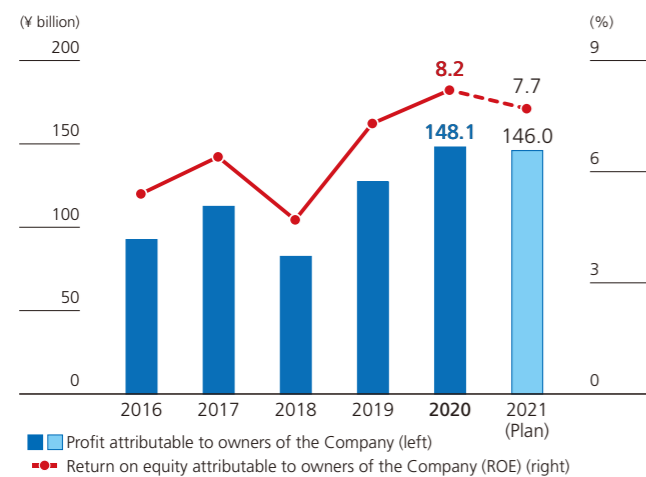
Number of Employees



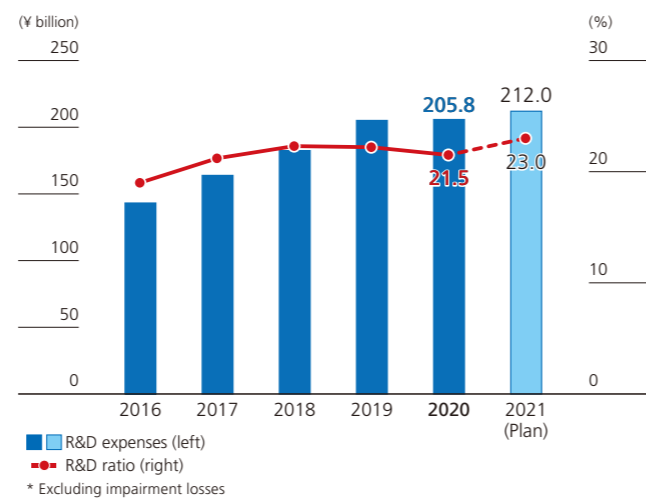
Number of Female Managers, Female Manager Ratio



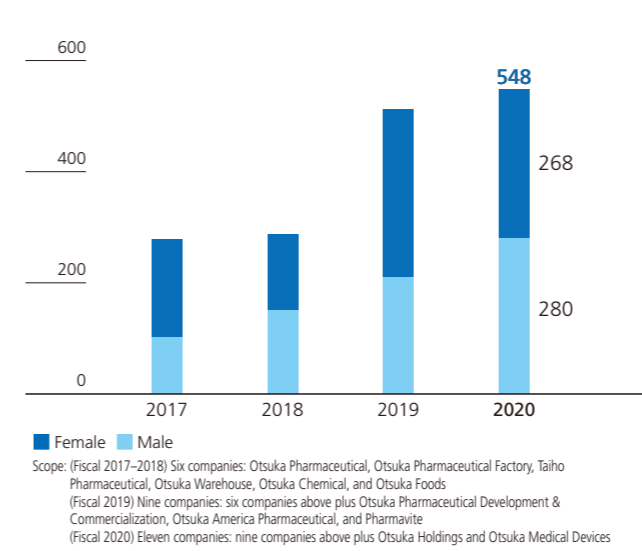
Profit Attributable to Owners of the Company, Return on Equity Attributable to Owners of the Company (ROE)



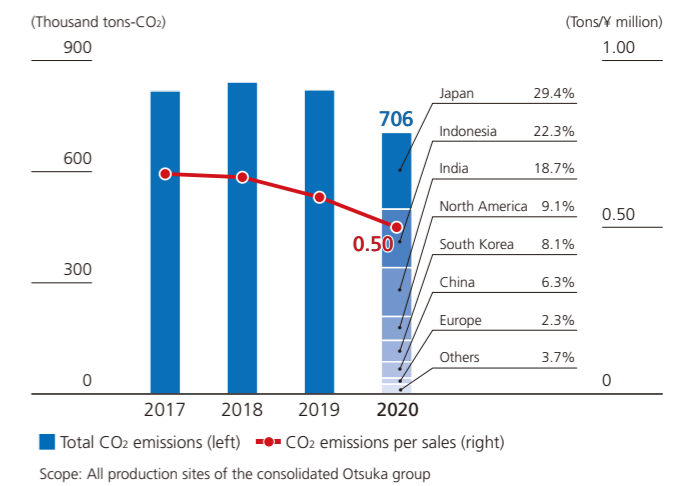
Pharmaceutical Business R&D Expenses*, R&D Ratio (Ratio to Revenue)



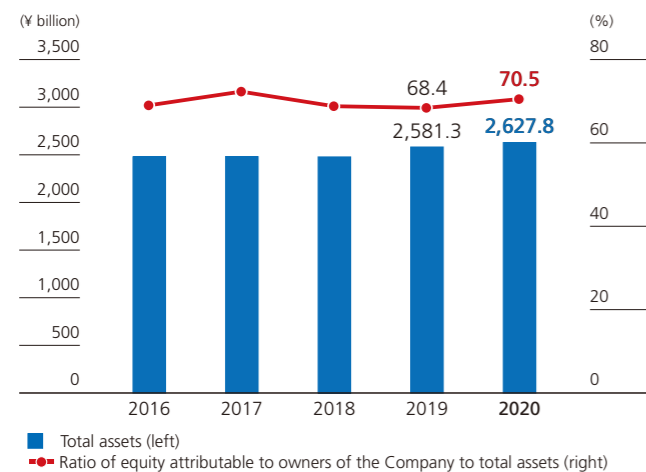
Number of Employees Taking Parental Leave



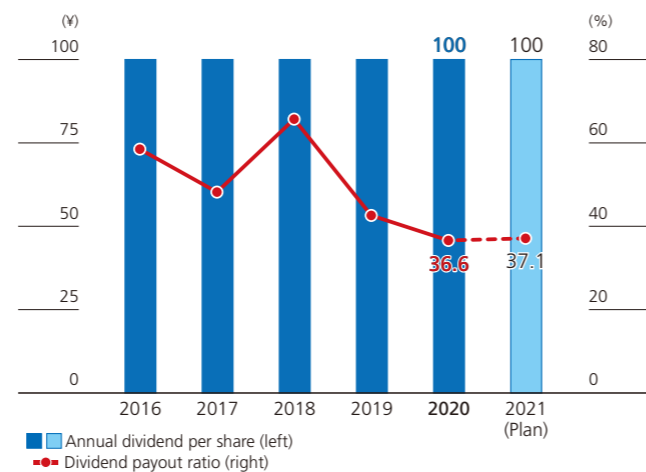
CO₂ emissions, CO₂ emissions per sales



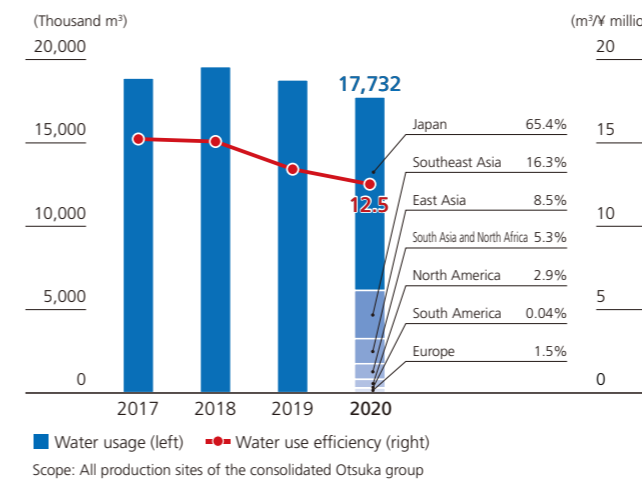
Total Assets, Ratio of Equity Attributable to Owners of the Company to Total Assets



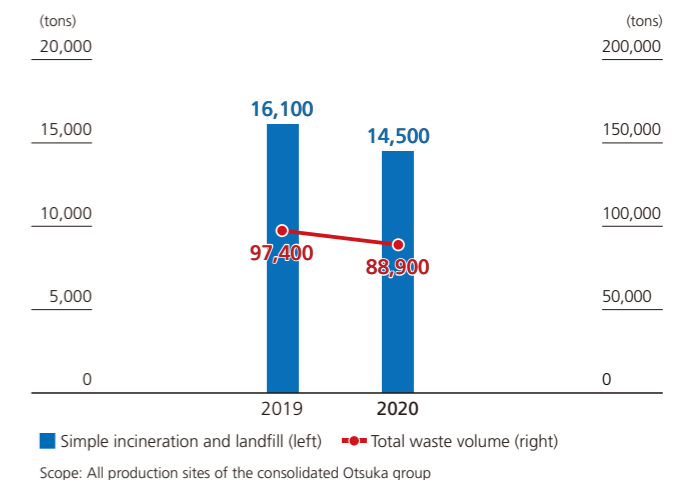
Annual Dividend per Share, Dividend Payout Ratio



Water Usage, Water Use Efficiency



Simple Incineration and Landfill Volume, Total Waste Volume



Main Data

With effect from fiscal 2016 (ended December 31, 2016), Otsuka adopted International Financial Reporting Standards (IFRS). Information for fiscal 2015 (ended December 31, 2015) is also presented in line with IFRS.

Item ¹	(Unit)	J-GAAP				IFRS						(Unit)	IFRS
		2012.3	2013.3	2014.3	2014.12 ⁵	2015.12	2016.12	2017.12	2018.12 ⁶	2019.12	2020.12		2020.12 ⁷
Results of Operations													
Revenue	(¥ billion)	¥1,154.6	¥1,218.1	¥1,452.8	¥1,224.3	¥1,427.4	¥1,195.5	¥1,240.0	¥1,292.0	¥1,396.2	¥1,422.8	(US\$ million)	\$13,744
Selling, general and administrative expenses ^{2,3}	(¥ billion)	457.4	462.2	563.4	508.6	617.5	519.5	531.4	552.8	557.6	562.4	(US\$ million)	5,433
Business profit before R&D expenses	(¥ billion)					369.8	285.7	305.4	313.8	403.0	433.7	(US\$ million)	4,190
Ratio of business profit before R&D expenses to revenue	(%)					25.9	23.9	24.6	24.3	28.9	30.5	(%)	30.5
R&D expenses ³	(¥ billion)	159.2	192.4	249.0	172.9	199.6	152.6	174.0	192.9	215.8	216.8	(US\$ million)	2,095
R&D ratio	(%)	13.8	15.8	17.1	14.1	14.0	12.8	14.0	14.9	15.5	15.2	(%)	15.2
Business profit ⁴	(¥ billion)					170.2	133.1	131.4	120.9	187.2	216.9	(US\$ million)	2,095
Business profit margin	(%)					11.9	11.1	10.6	9.4	13.4	15.2	(%)	15.2
Operating profit	(¥ billion)	148.7	169.7	198.7	196.5	148.9	101.1	104.2	108.3	176.6	198.6	(US\$ million)	1,918
Operating profit margin	(%)	12.9	13.9	13.7	16.1	10.4	8.5	8.4	8.4	12.6	14.0	(%)	14.0
Profit attributable to owners of the Company	(¥ billion)	92.2	122.4	151.0	143.1	102.0	92.6	112.5	82.5	127.2	148.1	(US\$ million)	1,431
Financial Position													
Total assets	(¥ billion)	¥1,666.8	¥1,779.2	¥2,028.4	¥2,178.2	¥2,575.3	¥2,478.3	¥2,480.3	¥2,477.4	¥2,581.3	¥2,627.8	(US\$ million)	\$25,385
Total equity	(¥ billion)	1,222.8	1,325.1	1,510.8	1,658.6	1,727.4	1,738.4	1,822.0	1,732.3	1,795.4	1,883.4	(US\$ million)	18,194
Ratio of equity attributable to owners of the Company to total assets	(%)	72.5	73.7	73.2	74.7	66.0	69.0	72.3	68.8	68.4	70.5	(%)	70.5
ROE	(%)	7.8	9.7	10.8	9.2	6.1	5.4	6.4	4.7	7.3	8.2	(%)	8.2
Cash Flows													
Net cash flows from operating activities	(¥ billion)	¥ 147.6	¥ 119.3	¥ 226.5	¥ 88.5	¥ 257.9	¥ 142.0	¥ 102.8	¥ 135.8	¥ 192.6	¥ 232.8	(US\$ million)	\$ 2,249
Net cash flows from (used in) investing activities	(¥ billion)	(107.6)	(91.2)	(108.5)	(28.7)	(422.6)	(135.1)	(40.1)	(93.3)	(52.3)	(99.9)	(US\$ million)	(965)
Free cash flows	(¥ billion)	40.0	28.1	117.9	59.9	(164.7)	6.9	62.8	42.5	140.4	133.0	(US\$ million)	1,285
Dividends													
Annual dividend per share	(Yen)	¥ 45	¥ 58	¥ 65	¥ 75	¥ 100	¥ 100	¥ 100	¥ 100	¥ 100	¥ 100	(US\$)	\$ 0.97
Dividend payout ratio	(%)	27.2	26.1	23.4	28.4	53.1	58.5	48.2	65.7	42.6	36.6	(%)	36.6
Common Stock, Stock Price													
Number of shares outstanding at year-end	(Thousand shares)	557,836	557,836	557,836	557,836	557,836	557,836	557,836	557,836	557,836	557,836	(Thousand shares)	557,836
Stock price at year-end	(Yen)	¥ 2,450	¥ 3,300	¥ 3,087	¥ 3,617	¥ 4,317	¥ 5,093	¥ 4,948	¥ 4,493	¥ 4,883	¥ 4,418	(US\$)	\$ 42.68
Number of Employees⁸													
Total	(Persons)	24,595	25,330	28,288	29,482	31,940	31,787	32,817	32,935	32,992	33,151	(Persons)	33,151
Japan	(Persons)	13,808	13,732	14,116	14,285	14,082	13,909	13,880	13,757	13,356	13,319	(Persons)	13,319
Outside Japan	(Persons)	10,787	11,598	14,172	15,197	17,858	17,878	18,937	19,178	19,636	19,832	(Persons)	19,832

1. Line items are based on IFRS.

2. SG&A expenses under J-GAAP are presented as total expenses less R&D expenses. The Company believes that this information is useful to investors in comparing the Company's financial results under J-GAAP with those under IFRS.

3. Excluding impairment losses

4. Business profit = Revenue - Cost of sales - Selling, general and administrative expenses + Share of profit of associates - R&D expenses

5. Due to a change in the consolidated fiscal year, fiscal 2014 (ended December 31, 2014) was a transitional period covering the nine months from April 1 to December 31, 2014.

6. As of December 31, 2019, the Company finalized provisional accounting treatments for business combinations. This is reflected in the presentation of figures for the year ended December 31, 2018.

7. Calculated at ¥103.52 = US\$1.

8. Number of employees including Otsuka Holdings Co., Ltd. and its subsidiaries

Corporate Information and Global Network

Corporate Profile

(As of December 31, 2020)

Company Name	Otsuka Holdings Co., Ltd.
Established	July 8, 2008
Capital	¥81.69 billion
Head Office	2-9 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo 101-0048, Japan
Tokyo Headquarters	Shinagawa Grand Central Tower, 2-16-4 Konan, Minato-ku, Tokyo 108-8241, Japan
Telephone	+81-3-6717-1410
Number of Employees	111 (Consolidated: 33,151)
Business Description	Control, management and related activities with respect to the Company's subsidiaries and affiliates operating in pharmaceutical, nutraceutical, consumer product, and other businesses

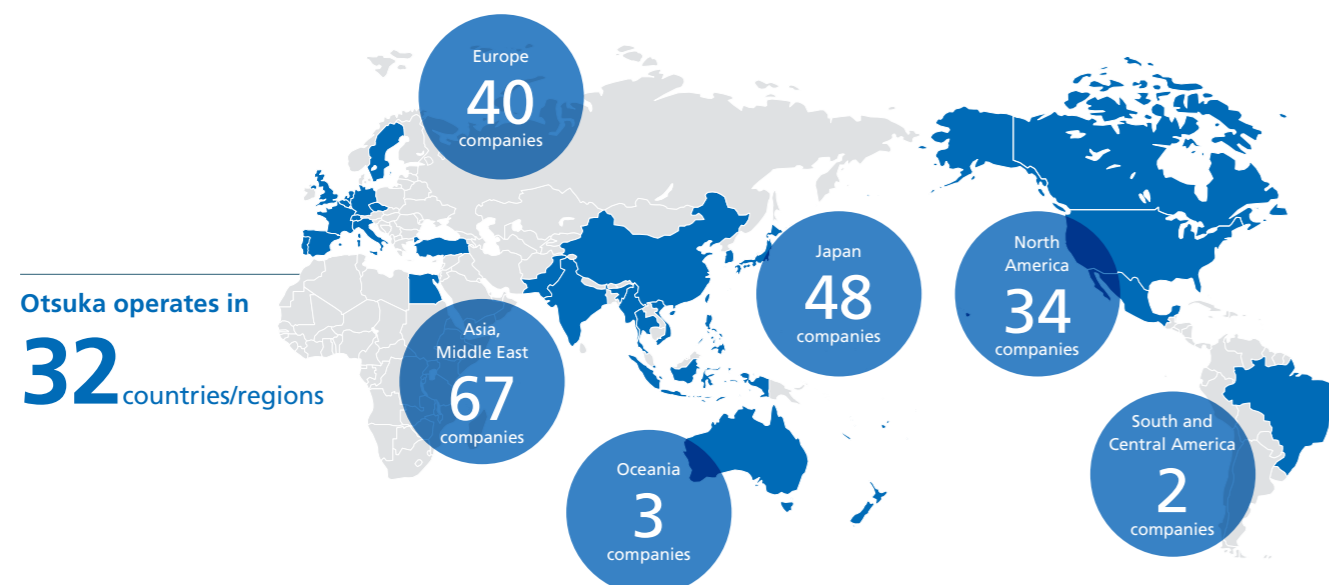
Company Organization

(As of April 1, 2021)



Global Network

(As of December 31, 2020)



Group Structure and Overview of Main Operating Companies



Otsuka Group Corporate Philosophy

Otsuka-people creating new products for better health worldwide

Overview

The Otsuka group of companies, whose origins date back to 1921, aims to contribute to the health of people around the world. It aims to do so through two main pillars: the pharmaceutical business for the diagnosis and treatment of diseases and the nutraceutical*1 business to support the maintenance and promotion of everyday health.

The company's culture, summarized in a few words as, "Ryukan-godo" (by sweat we recognize the way), "Jissho" (actualization) and "Sozosei" (creativity), have been fostered by successive Otsuka leaders. These are emphasized by our 47,000*2 employees across 194 group companies in 32 countries and regions who strive to create and market unique products and services.

*1. Nutraceuticals: nutrition + pharmaceuticals *2. As of end of December, 2020. Otsuka Holdings and subsidiaries and affiliates.

Organizational Structure



Otsuka Pharmaceutical Co., Ltd.

A total healthcare company supporting well-being for the whole body, from the treatment of diseases to the promotion of everyday health

Under the corporate philosophy "Otsuka-people creating new products for better health worldwide," the Otsuka Pharmaceutical operates with two core businesses: the Pharmaceutical Business, which supports from diagnosis to treatment of diseases, and the Nutraceutical Business, which helps people maintain and improve day-to-day health.

Otsuka Pharmaceutical Factory, Inc.

Original company of the Otsuka group, and a leader in IV solutions in Japan with more than 70 years of experience in the field

Based on its management vision of being "The Best Partner in Clinical Nutrition," Otsuka Pharmaceutical Factory creates innovative products that meet a variety of needs, including pharmaceuticals, medical devices, oral rehydration solutions and other medical foods, and OTC pharmaceuticals. The company operates globally, with a focus on Japan and the rest of Asia.

Taiho Pharmaceutical Co., Ltd.

A pioneer of oral anticancer agents in Japan for half a century

Taiho Pharmaceutical is an R&D-driven specialty pharma focusing on the fields of oncology, allergy and immunology, and urology. Its corporate philosophy is "We strive to improve human health and contribute to a society enriched by smiles." In the oncology field in particular, Taiho Pharmaceutical is known as one of the leading companies in Japan, actively promoting globalization as well. In its consumer healthcare business, Taiho Pharmaceutical strives to research and develop novel and unique products by continuing to identify people's real needs and meeting them precisely.

Otsuka Warehouse Co., Ltd.

Contributing to people's health worldwide in the field of logistics

Since its founding, Otsuka Warehouse has developed businesses with an emphasis on pharmaceutical and food product logistics. This includes constructing a common distribution platform for the Otsuka group's three core categories: pharmaceuticals, foods and beverages, and daily necessities. In recent years, Otsuka Warehouse has been working to extend its logistics solutions to outside the group.

Otsuka Chemical Co., Ltd.

Otsuka Chemical creatively gives shape to the power of materials together with its customers.

With materials at the core of its operations, Otsuka Chemical aims for continuous technological innovation that leads to the creation of products that enable higher standards of living. Otsuka Chemical provides products to global markets in automotive, electrical and electronic equipment, housing, and healthcare areas through its main segments of the hydrazine business, the Advanced Polymer Materials business, the inorganic and composite materials business, and the pharmaceutical intermediates and active pharmaceutical ingredient (API) business.

Otsuka Foods Co., Ltd.

Creating high-value-added products that offer new dietary lifestyles since 1955

At Otsuka Foods, our motto is "the company begins with people and food begins with spirit." With this in mind, all of our employees bring a spirit of food focused on deliciousness, safety, peace of mind and better health to our businesses. Today, the social landscape is changing dramatically, with super-aging societies; health, environmental, and population issues; and many other issues. Leveraging its brand, Otsuka Foods will continue to pursue solutions that address this kind of social change by creating and providing products that customers need, seeking to contribute to the people of the world.

Otsuka Medical Devices Co., Ltd.

Developing innovative treatment methods and creating new value

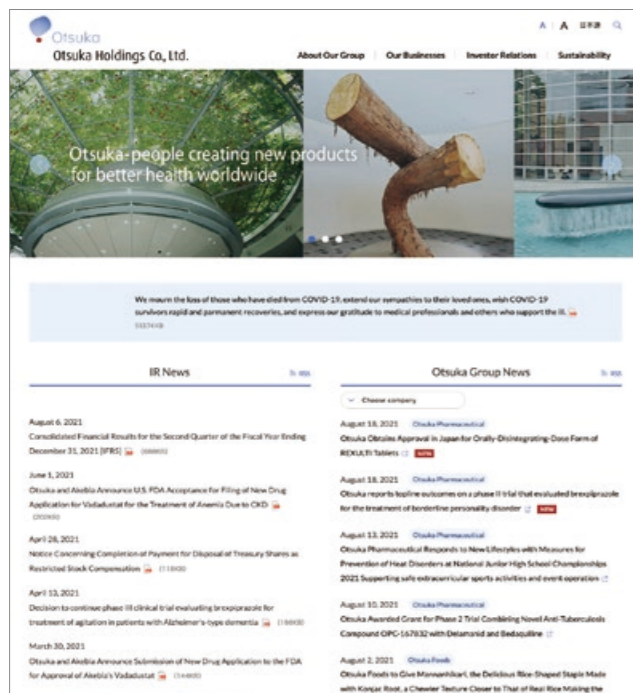
Since its establishment in February 2011, Otsuka Medical Devices Co., Ltd. has focused on developing unique solutions that improve the health and well-being of patients whose medical needs and conditions cannot yet be fulfilled by existing treatment methods. To achieve our aspiration of becoming a pioneer in the medical device industry, we combine global R&D efforts with the technology and drug discovery know-how inherent within the Otsuka group's heritage.

Disclosure by the Otsuka Group

The Otsuka group provides an overview of financial and non-financial information through this integrated report. Visit the Otsuka Holdings website for additional information, including consolidated financial statements, financial results presentations and supplementary documents, and information about research and development.

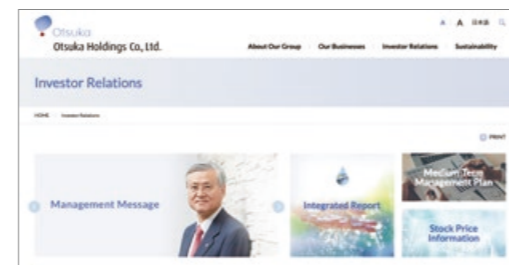
Website

<https://www.otsuka.com/en/>



Investor Relations

<https://www.otsuka.com/en/ir/>



The Otsuka group's Sustainability

<https://www.otsuka.com/en/csr/>



About the Integrated Report

Beginning with the fiscal 2017 edition, Otsuka Holdings has combined its Annual Report and CSR Report into a single integrated report that brings together financial information and non-financial information. We hope it deepens stakeholders' understanding of the group in its aim to become an indispensable contributor to people's health worldwide.

Reporting Period

Fiscal 2020 (January 1, 2020 to December 31, 2020);

Note that certain information from January 2021 onward is also included.

Scope of Reporting

In principle, this report covers Otsuka Holdings Co., Ltd. and its subsidiaries. Where the scope of activities or data is narrower, details are noted.

Guidelines Referenced

- International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)
- GRI Sustainability Reporting Standards, Global Reporting Initiative (GRI)
- ISO 26000
- Environmental Reporting Guidelines 2018, Ministry of the Environment
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry,
- Other guidelines



Precautions Regarding Forward-Looking Statements

This integrated report summarizes the operating and financial results of the Otsuka group (Otsuka Holdings Co., Ltd. and its subsidiaries) for fiscal 2020 (January 1, 2020 to December 31, 2020). The report contains forward-looking statements and forecast pertaining to plans, projections, strategies, and performance for the Otsuka group of companies. These statements are based upon current analysis and beliefs in light of the information available on the issuing date of the report. Actual results may therefore differ due to the risks and uncertainties that may affect Otsuka group operations.

Medical information

In this integrated report, for the sake of readability a unified brand name is used when a product has different brand names in different countries or regions. Therefore, these products may not be available in all countries, or may be available under different brand names, for different indications, in different dosages and strengths.

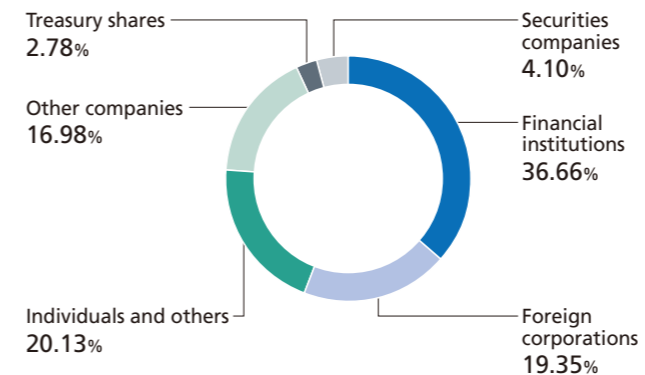
Please note that the information regarding pharmaceutical products (including products under development) is not intended for advertising or promotional purposes, or as medical advice.

Stock Information

(As of December 31, 2020)

Number of shares authorized	1,600,000,000 shares
Number of shares issued	557,835,617 shares
Number of shareholders	72,774

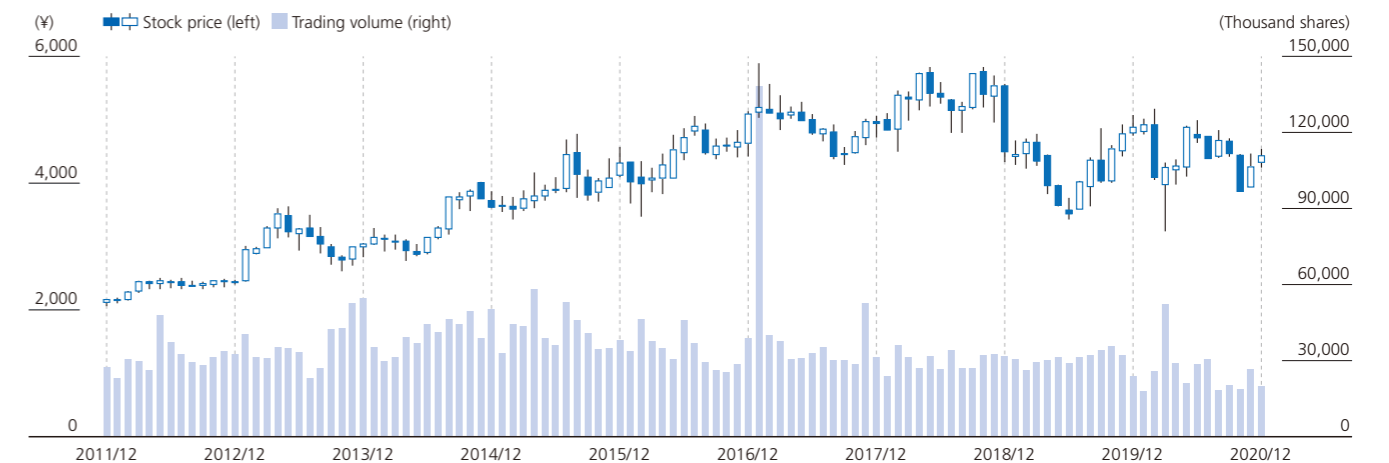
Stock Distribution



Maximum/Minimum Stock Price and Volatility by Year

Fiscal	Maximum stock price (¥)	Minimum stock price (¥)	Volatility (%) (standard deviation)
2020	5,158	3,224	32.51
2019	5,072	3,434	27.61
2018	5,832	4,331	29.07
2017	5,895	4,290	14.20
2016	5,139	3,467	17.69
2015	4,774	3,433	20.22
2014	4,019	2,773	19.24
2013	3,630	2,454	27.09
2012	2,512	2,100	9.89
2011	2,252	1,737	13.77

Stock Performance



Principal Shareholders (Top 10)

Name of Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
The Nomura Trust and Banking Co., Ltd.	57,827	10.66
Otsuka Founders Shareholding Fund Trust Account		
The Master Trust Bank of Japan, Ltd. (trust account)	49,826	9.18
Custody Bank of Japan, Ltd. (trust account)	23,823	4.39
Otsuka Estate Co., Ltd.	23,296	4.29
Otsuka Group Employee Shareholding Fund	13,116	2.41
The Awa Bank, Ltd.	10,970	2.02
JP MORGAN CHASE BANK 385632	7,850	1.44
Otsuka Asset Co., Ltd.	7,380	1.36
JPMorgan Securities Japan Co., Ltd.	6,965	1.28
Custody Bank of Japan, Ltd. (trust account 5)	6,595	1.21

(Notes) 1. Number of shares held is rounded down to the nearest thousand.
 2. Although the Company holds 15,499,157 of its own shares, treasury shares are excluded from the above list.
 3. Shareholding ratio is calculated after treasury shares are deducted.
 4. Japan Trustee Services Bank, Ltd. merged with Trust & Custody Services Bank, Ltd. and JTC Holdings, Ltd. on July 27, 2020 and changed its trade name to Custody Bank of Japan, Ltd.

Total Shareholders' Return

Fiscal	2016	2017	2018	2019	2020
Otsuka Holdings	120.3%	119.2%	111.0%	122.4%	113.9%
Comparison: TOPIX Total Return Index	100.3	122.6	103.0	121.7	130.7

For Life .

Realizing
the hidden power
within.



HUNDRED YEAR
OTSUKA QUALITY



Otsuka

Otsuka Holdings Co., Ltd.

COMMUNICATION
ON PROGRESS



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



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