

# Business Strategy | At a Glance

The Otsuka group operates its business in four segments: the Pharmaceutical Business, the Nutraceutical Business, the Consumer Products Business, and Other Businesses.

## Pharmaceutical Business



- | Therapeutic drugs
- | Diagnostics
- | Clinical nutrition
- | Medical devices

## Nutraceutical Business



- | Functional beverages and foods
- | OTC Products and quasi-drugs
- | Cosmetics\*

\* Cosmetics: cosmetics + medicine

## Consumer Products Business



- | Beverages
- | Foods
- | Wine

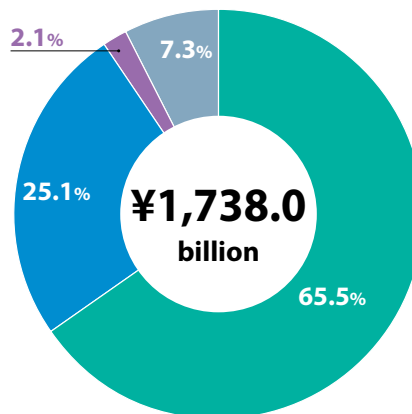
## Other Businesses



- | Chemicals
- | Fine chemicals
- | Warehouse and distribution
- | Packaging
- | Electronic equipment

### Revenue\*

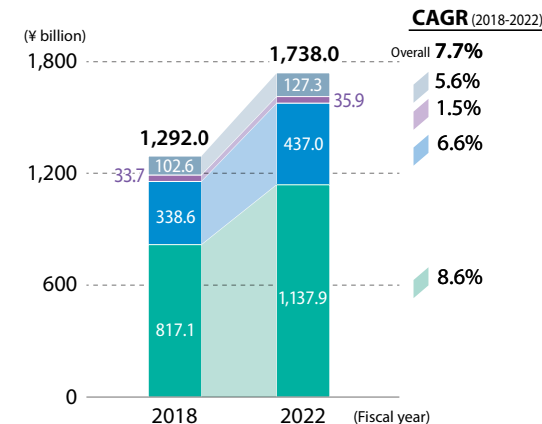
Business Segment (Fiscal 2022)



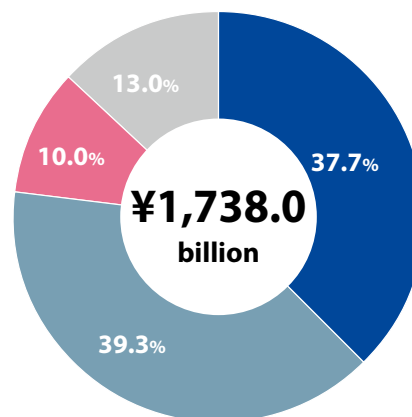
\* Revenues from sales to external customers

### Revenue and CAGR

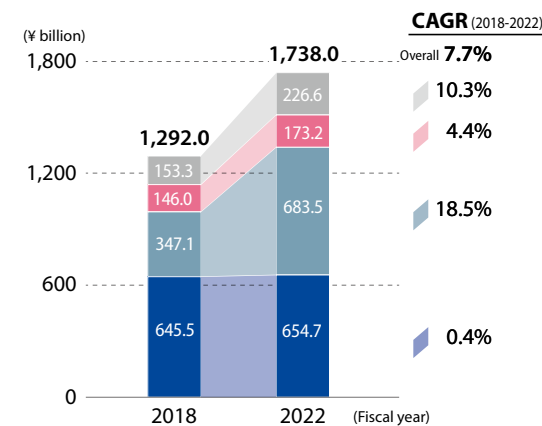
Business Segment



By Region (Fiscal 2022)



By Region



Business Strategy

Pharmaceutical Business

<https://www.otsuka.com/en/rd/business/pharmaceuticals/>

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Strategic Framework of the Third Medium-Term Management Plan

- Maximize Values of Existing Businesses
- Challenge New Frontiers that “Only Otsuka Can Do”
- Generate Innovation From Creative and Diverse Research Platforms

Performance Targets

Final year: fiscal 2023's  
 Revenue plan: 1,080 billion yen (already reached)  
 Business profit plan: 145.0 billion yen (already reached)

Results during the Plan

- Four Global Products achieved the revenue plan for the final year, FY2023, in FY2021
- Products, pipeline: added 37 products

Fiscal 2022 Initiatives

The strategic framework of the Third Medium-Term Management Plan is to maximize the value of existing businesses, take on challenges in new areas by doing what only Otsuka can do, and generate innovation from creative and diverse research platforms.

In 2022, we were able to increase sales mainly of our four Global Products, *ABILIFY MAINTENA*, *REXULTI*, *Samsca/JINARC/JYNARQUE*, and *LONSURF*, which we positioned as growth drivers in this business. As a result, we achieved the sales plan of 1,080.0 billion yen for fiscal 2023 in the Third Medium-Term Business Plan one year ahead of schedule, with the Pharmaceutical Business sales totaling 1,137.9 billion yen. Business profit also achieved the fiscal 2023 plan of 145.0 billion yen one year ahead of schedule, reaching 151.9 billion yen.

Progress of the Four Global Products

For the four Global Products, the expansion of overseas areas and indications for all four, as well as efforts to raise awareness of the convenience of the formulations contributed, with revenue of 619.2 billion yen in fiscal 2022, up 26.4% from the previous year. We achieved the target of 480 billion yen for the final year of the Third Medium-Term Management Plan in fiscal 2021, and business continued to grow significantly in fiscal 2022.

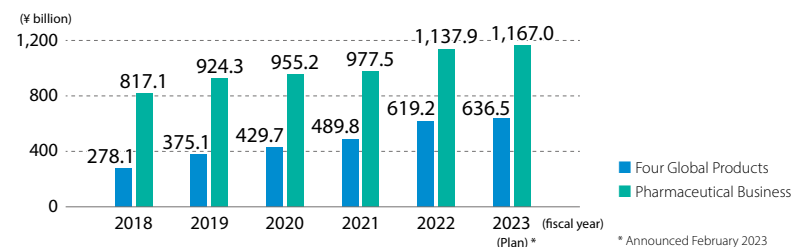
Revenue



Business Profit



Pharmaceutical Business: Progress in Revenue



(¥ billion)	FY 2021 revenue	FY 2022 revenue	Year-on-year	FY 2023 revenue plan*	Growth rate
<i>ABILIFY MAINTENA</i>	130.3	165.4	+26.9%	178.5	+7.9%
<i>REXULTI</i>	121.1	169.1	+39.7%	195.0	+15.3%
<i>Samsca/JINARC/JYNARQUE</i>	192.4	227.2	+18.1%	200.5	-11.8%
<i>LONSURF</i>	46.1	57.5	+24.8%	62.5	+8.7%
Total	489.8	619.2	+26.4%	636.5	+2.8%

\* Announced February 2023

## Business Strategy Pharmaceutical Business

### ABILIFY MAINTENA

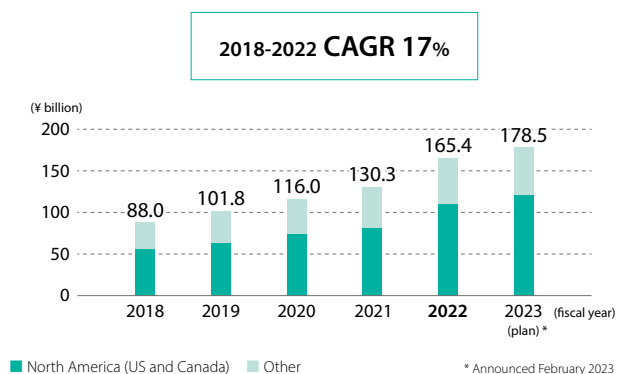
#### aripiprazole | Antipsychotic long-acting injectable

In fiscal 2022, U.S. sales significantly increased atop growth in prescriptions, mainly due to promoting the efficacy of the product for bipolar disorder and schizophrenia patients, who have problems adhering to drug regimens, as well as an increase in face-to-face detailing activities, and the impact of exchange rate fluctuations. In Japan, sales were solid mainly due to the addition of an indication for the suppression of recurrence and relapse of mood episodes in bipolar I disorder in September 2020. Also in Europe, sales increased, particularly in major markets.

In April 2023, aripiprazole 2-month long-acting injectable received marketing approval from the FDA in the U.S. under the product name *ABILIFY ASIMTUFI* for the treatment of schizophrenia and bipolar I disorder.



Revenue of *ABILIFY MAINTENA*



### REXULTI

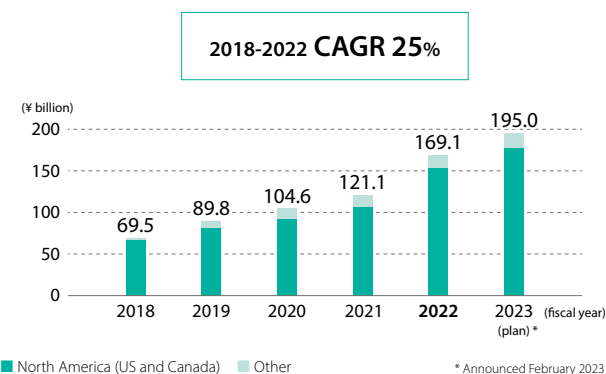
#### brexpiprazole | Atypical antipsychotic

In fiscal 2022, in the U.S., where antipsychotic agent *REXULTI* is sold as adjunctive therapy in major depressive disorder and a treatment for schizophrenia, prescriptions grew and sales significantly increased, mainly due to the use of direct-to-consumer advertising, and an increase in face-to-face detailing activities, as well as the impact of exchange rate fluctuations. In Japan, sales were solid with the launch of orally disintegrating tablets in November 2021, increasing convenience, and stronger information provision activities.

Currently, multiple clinical trials are underway to further contribute to unmet therapeutic areas in psychiatric and neurological disorders, and in May 2023, the U.S. FDA approved an additional indication for the treatment of agitation associated with dementia due to Alzheimer's disease. With this approval, the agent became the first antipsychotic to be approved for this indication in the United States.



Revenue of *REXULTI*



## Business Strategy Pharmaceutical Business

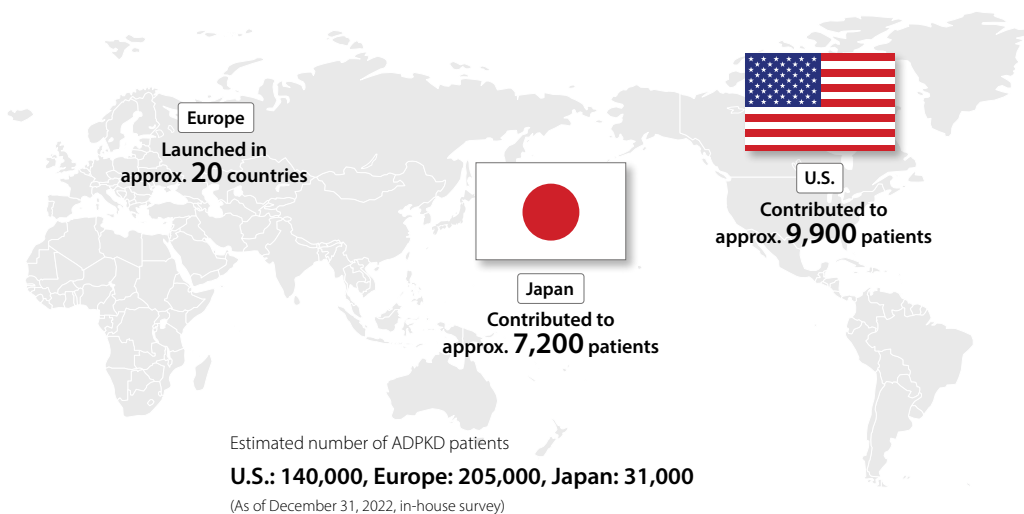
### Samsca/JINARC/JYNARQUE

#### tolvaptan | V2-receptor antagonist

In fiscal 2022, in Japan, where the drug is sold as treatment for fluid retention in patients with heart failure and hepatic cirrhosis, ADPKD and another condition, sales decreased due to the impact of the switch to generics for the treatment for fluid retention in patients with heart failure and hepatic cirrhosis. In the U.S., where the drug is sold as a treatment for hyponatremia, and in Europe, where the drug is sold as a treatment for hyponatremia caused by syndrome of inappropriate antidiuretic hormone secretion (SIADH), generics were launched after the expiry of the exclusive sales period.

For JINARC/JYNARQUE, in the U.S., the number of prescriptions for ADPKD increased mainly due to continued efforts to raise awareness of the disease and provide information about clinical data, as well as the impact of exchange rate fluctuations.

#### Global operation as an ADPKD drug



### LONSURF

#### trifluridine/tipiracil | Anticancer agent

In 2022, in the U.S., sales increased because the use of oral anti-cancer agents has been recommended since the spread of COVID-19<sup>1,2</sup>, and there also was the impact of exchange rate fluctuations. Prescriptions continued to be solid.

Globally, as of December 31, 2022, the drug had been approved in 100 countries and regions for the treatment of unresectable advanced or recurrent colorectal cancer, and prescriptions are increasing. Furthermore, the results of the SUNLIGHT study in patients with unresectable advanced or recurrent colorectal cancer showed that LONSURF plus bevacizumab extended the primary endpoint of overall survival versus LONSURF alone, and the application was accepted for priority review by the US FDA in April 2023.

The number of approved countries and prescriptions for the treatment of unresectable advanced or recurrent gastric cancer is expanding, contributing to the treatment of cancer patients worldwide, especially in Japan, the United States, and Europe.

1. Pelin Cinar et al., Safety at the Time of the COVID-19 Pandemic: How to Keep our Oncology Patients and Healthcare Workers Safe. J Natl Compr Canc Netw, 2020 Apr 15;1-6.  
 2. ASCO. COVID-19 Patient Care Information, Cancer Treatment and Supportive Care. <https://www.asco.org/covid-resources/patient-care-info/cancer-treatment-supportive-care>, Accessed 20 January 2023

#### ● From the field for total healthcare

##### SUNLIGHT test opens up the possibilities of LONSURF

The SUNLIGHT study is a global Phase 3 comparative study comparing LONSURF monotherapy (“monotherapy”) with the combination of LONSURF and bevacizumab (“combination therapy”) in patients with unresectable advanced or recurrent colorectal cancer after two prior therapies. The study is being conducted jointly by Taiho Oncology, Taiho’s U.S. subsidiary, and its partner, Servier. Although it was a difficult study conducted during the COVID-19 pandemic, Taiho Pharmaceutical worked closely with both companies, sharing LONSURF development experience and discussing study design and problem-solving during implementation, which led to the success of the study. The results of the study showed that the combination therapy significantly extended overall survival and progression-free survival, and reduced the risk of death and cancer progression by 39% and 56%, respectively, compared to monotherapy, and confirmed the safety of combination therapy.

Because LONSURF is an oral drug, patients can receive treatment while going about their daily lives, potentially allowing them to maintain their quality of life. We believe that these results will enable LONSURF to make an even greater contribution to patients and their families around the world who are undergoing cancer treatment.



**Taizo Hasegawa**  
 Product Chair (TAS-102)  
 Project Manager  
 Clinical Development I Dept.  
 Taiho Pharmaceutical

## Business Strategy Pharmaceutical Business

### Business Strategy for FY2023

#### ■ Steady execution of trials in late-stage development projects and further expansion of the pipeline

The Otsuka group focuses its research and development efforts in the areas of psychiatry and neurology, and oncology and cancer-supportive care, and it also works on unmet medical needs in cardiovascular and renal diseases.

In line with the key investment areas of the Third Medium-Term Management Plan, we are strengthening our products and pipeline by investing in areas that generate synergies with our existing management assets, and have added a total of 37 products and projects over the past four years. We will further expand our pipeline to drive growth in 2030 and beyond.

#### ■ Track record of strategic investments

Major Investment Areas	Main Results
<ul style="list-style-type: none"> <li>• Strengthening of products and pipeline in psychiatry and neurology</li> </ul>	<ul style="list-style-type: none"> <li>• Established a center in the U.S. to develop strategies for drug discovery to commercialization</li> <li>• Tied up with Sumitomo Pharma Group</li> <li>• Introduced CT-152</li> <li>• Started clinical trial for OPC-214870</li> </ul>
<ul style="list-style-type: none"> <li>• Strengthening of products and pipeline with a focus on Japan</li> </ul>	<ul style="list-style-type: none"> <li>• In-house development and start of clinical trials on a total of 14 projects, such as ASTX030, TAS0953, OPC-415, and OPF-109</li> <li>• Twelve products introduced, such as R-Ketamine, Bempedoic acid, Voclosporin, and TAS6417</li> <li>• Eleven products approved, including AJOVY, Entresto, Moizerto, SAMTASU, Jeselhy</li> </ul>
<ul style="list-style-type: none"> <li>• New technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Regenerative medicine</li> <li>• Promoted open innovation</li> </ul>

#### ■ Psychiatry and Neurology

In the area of psychiatry and neurology, we have a portfolio of products and products with high potential for schizophrenia, bipolar disorder, and major depressive disorder. These mental illnesses develop from childhood to adulthood and interfere with social, occupational, and academic life. 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.

The causes and mechanisms are not fully understood, which makes the discovery of new drugs extremely difficult. Hence, many psychiatric and neurological disorders are still left without an established satisfactory treatment. 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 in this area.

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

#### ■ Oncology

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

Taiho Pharmaceutical's broad product portfolio is supported by its proprietary drug discovery platform technologies, including the biochemical modulation technology<sup>1</sup> it has continued to develop throughout its history, the Cysteinomix Drug Discovery Platform<sup>2</sup> that enables specific covalent modification of therapeutic targets, and the fragment-based drug discovery<sup>3</sup> platform established by Astex Pharmaceuticals. One example is *LYTGOBI*, which was discovered using the Cysteinomix Drug Discovery Platform. It has been granted Breakthrough Therapy Designation by the U.S. FDA. In October 2022, the FDA also accepted the New Drug Application of futibatnib under priority review. Likewise, *Jeselhy* was approved by Japan's Ministry of Health, Labour and Welfare for the indication of gastrointestinal stromal tumors that have progressed after chemotherapy. Taiho Pharmaceutical is also accelerating its drug development to resolve unmet needs, collaborating with partner companies. Furthermore, it looks for opportunities for collaboration with promising startups through corporate venture capital, thereby expanding its development pipelines in cancer immunotherapy and other areas, and acquiring innovative drug discovery platform technologies.

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

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

1. Technology to control the pharmacokinetics of anticancer drugs such as 5-FU by other drugs to enhance their efficacy and reduce their side effects.  
 2. Platform for discovering compounds that specifically form a covalent bond with reactive amino acid residues (mainly cysteine residues) of protein as potential drug target proteins.  
 3. 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.

## Business Strategy Pharmaceutical Business

### ■ Cardiovascular and Renal System

In the cardiovascular and renal area, in addition to *SAMSCA/JINARC/JYNARQUE*, we are actively making growth investments, such as by developing *VIS649* which is under development for IgA nephropathy, and have an in-licensing agreement from Aurinia regarding voclosporin. Also, combining our expertise in pharmaceuticals and medical device technologies, we develop medical devices that are minimally invasive and less impactful on the body. In 2021, we launched the *BioMimics 3D* Vascular Stent System in Japan. Meanwhile, *RADIANCE-II*, our ultrasound renal denervation system, a revolutionary treatment method for patients with high blood pressure where existing treatments have proved ineffective, was granted Breakthrough Device Designation by the U.S. FDA. The treatment bears the CE mark\* in Europe, and clinical trials are under way in Japan, too. With these novel drug discovery technologies and devices, we aim to create first-in-class products.

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

### ● From the Field for Total Healthcare

#### Pioneering OMD's Vision for Therapeutic Devices – Hypertension Therapy with Ultrasound Renal Denervation

I joined the Otsuka-ReCor Medical team at the start of 2023. With more than 20 years of experience in the medical device industry, harmonizing process, people and technology with the goal of profitable business growth, I aim to build the global commercial business for the Paradise™ Ultrasound Renal Denervation (uRDN) System while continuing to focus on innovation.

Hypertension is the number one cause of global disease burden and is estimated to affect over a billion people globally. The Paradise uRDN System is designed to provide an adjunct therapy option for those patients who remain with uncontrolled hypertension despite being on standard-of-care medications and following lifestyle adjustments.

Following completion of three successful randomized clinical trials in the U.S. and Europe, submission to the U.S. FDA for approval, and impactful publications in *JAMA* and the *Lancet*, we look forward to placing this therapy into physicians' hands as soon as possible—to improve patients' lives and reduce the long-term impact of uncontrolled hypertension.



**Lara Barghout**  
ReCor Medical, Inc.  
President and CEO

### ■ Anti-Tuberculosis Drug Research and Development

#### Delamanid is improving global health. One of the first new TB drugs in 40 years “If nobody does it, Otsuka must do it.”

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

#### Next-generation TB drug candidate, OPC-167832(Generic name: quabodepistat)

Otsuka Pharmaceutical is conducting research into anti-tuberculosis drugs that will follow delamanid. The latest development is a compound called OPC-167832, which as of 2022 is undergoing Phase II trials in South Africa to confirm its safety and efficacy. OPC-167832 kills TB bacteria through a mechanism that inhibits the activity of enzymes that are essential for synthesizing mycobacterium tuberculosis cell walls. Because its mechanism of action differs completely from those of existing anti-tuberculosis drugs, including delamanid, it is expected to be effective as a treatment for various strains of TB. In developing the drug, we received grants from the Bill & Melinda Gates Foundation, which has cited elimination of TB worldwide as one of its top priorities, to advance clinical trials. We will continue engaging in TB R&D with the aim of establishing innovative treatment methods.





## Business Strategy

# Nutraceutical Business

<https://www.otsuka.com/en/rd/business/nutraceuticals/>

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### Strategic Framework of the Third Medium-Term Management Plan

- Create New Concepts Keeping an Eye on Changes in the Environments
- Challenge to New Categories and New Areas
- Continuous High Profit Structure

### Performance targets

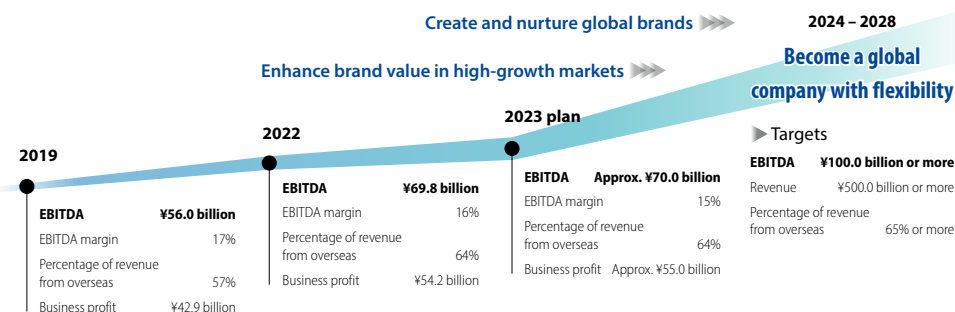
Final year: fiscal 2023's  
 Revenue plan: ¥450.0 billion  
 Business profit plan: ¥65.0 billion

### Results during the Plan

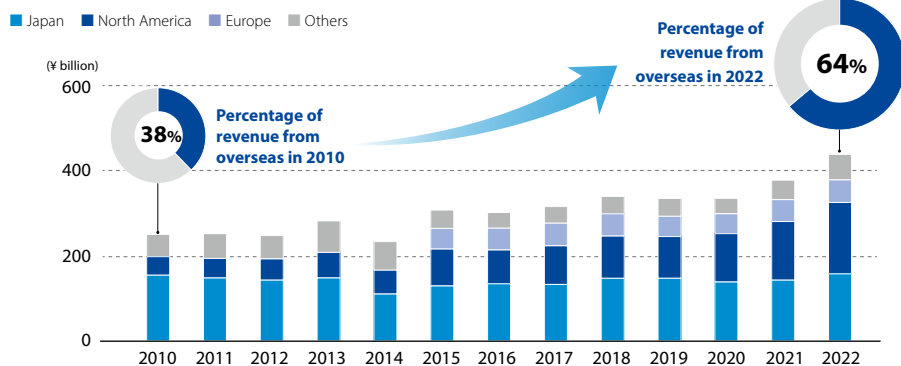
- Maintained stable, high profitability and had record-high revenue and business profit in FY2022
- Had sales revenue of 100 billion yen for *Nature Made* in FY2021, well ahead of the original plan, and it continues to grow

## Aim and Progress of the Third Medium-Term Management Plan

Aim to further expand business scale and improve profitability by establishing brands in high-growth markets



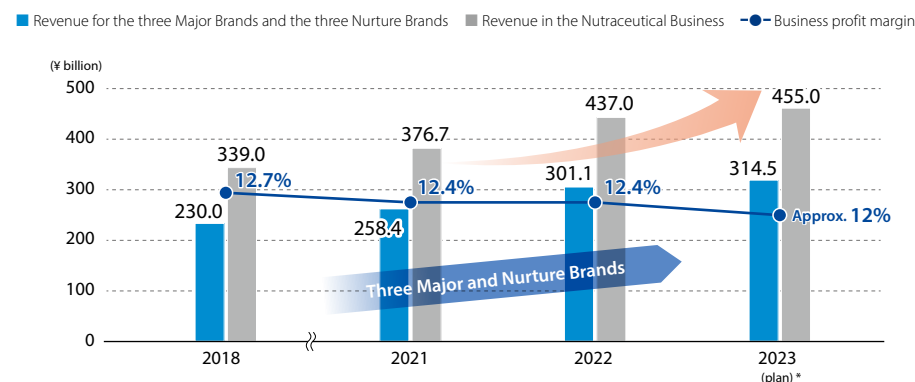
### Accelerating Global Expansion—Trends in Overseas Revenue



Notes: For the fiscal year ended December 31, 2014, figures for the nine-month period from April 1 to December 31, 2014 are noted due to a change in the fiscal year end. European revenue prior to 2014 is included in Other Businesses.

In the Third Medium-Term Management Plan, we plan to achieve strong growth in the three Major Brands: *POCARI SWEAT*, *Nature Made*, and *Nutrition & Santé*, as well as in our three Nurture Brands: *Daiya*, *EQUELLE*, and *BODYMAINTÉ*. In addition, by creating new concepts in anticipation of environmental changes, taking on the challenge of developing new categories and areas, and accelerating global expansion, we are working to maintain a high profit margin structure that will ensure a business profit margin of 10% or more on an ongoing basis. Despite the impact of soaring raw material prices and energy costs in 2022, the growth of *POCARI SWEAT* in each country and region and the strong performance of *Nature Made* and other supplements contributed to the increase in revenue. As a result, we achieved record-high revenue and business profit, and grew to one of the highest levels of profitability in the industry, and we will work to further expand our business, including the early achievement of 200 billion yen in supplement sales from 2023 onward. Furthermore, in addition to accelerating the growth of Nurture Brands that will support our future business, we will focus on new business fields such as women's health and plant-based foods.

### Revenue During the Third Medium-Term Management Plan



1. Three Major Brands: *POCARI SWEAT*, *Nature Made*, and *Nutrition & Santé* products, Three Nurture Brands: *Daiya*, *EQUELLE*, and *BODYMAINTÉ*  
 2. Announced February 2023

## Business Strategy Nutraceutical Business

### Three Major Brands

#### POCARI SWEAT

##### Aiming to maximize value in the global market

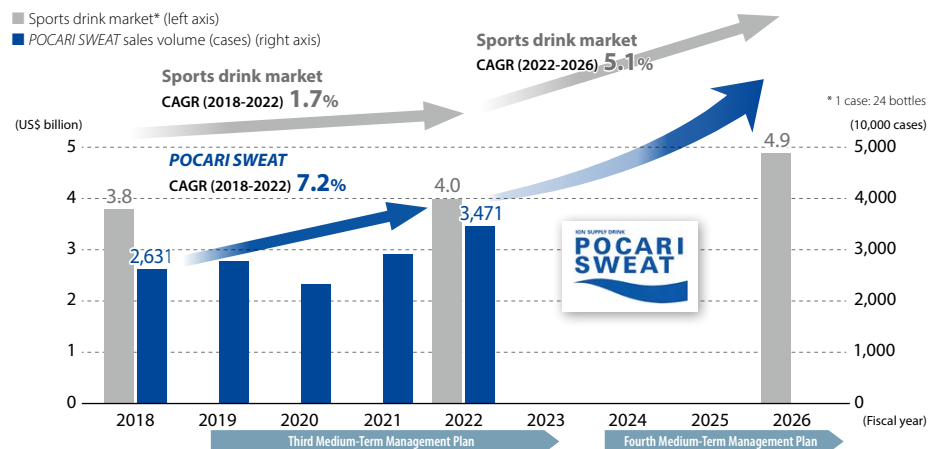
The Asia-Pacific (excluding Japan) sports drink market grew at a low CAGR of 1.7% from 2018 to 2022, because the spread of COVID-19 limited consumer activity. Against this backdrop, the POCARI SWEAT, a water and electrolyte supplement drink, grew at a CAGR of 7.2% from 2018 to 2022 in the region, exceeding the market growth rate, due to awareness-raising activities and market development tailored to conditions in each region.

In response to growing health consciousness around the world, we are strengthening our global sales structure in order to expand into new areas where demand for health drinks is expected to grow. Particularly in the growth countries and regions of Asia, we are working to further expand the scale of our business.

Furthermore, in Japan, in addition to educational activities to convey the importance of fluid and electrolyte replenishment, we also provide operational support for both infection control and heat stroke prevention at Interhigh, national high school athletic meets, and national junior high school athletic meets.

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.

##### Sports drink market and POCARI SWEAT sales volume results (Asia-Pacific, excluding Japan)



\* Passport from Euromonitor international

#### Nature Made

##### Expanding mainly in the U.S. based on brand strength and high reliability in quality

Launched in 1971 by Pharmavite LLC, a California-based corporation engaged in supplement-specific research and development, Nature Made is the No. 1 supplement brand<sup>1</sup> sold in U.S. stores. Sales of Nature Made in Japan began in 1993, and the brand has continued to grow by offering a range of high-quality products designed and manufactured for Japanese consumers. As a pioneer, Nature Made leads the Japanese supplement market, with its Multiple Vitamin and Mineral supplements and vitamin D supplements ranking No. 1 for in-store sales in their respective market categories.<sup>2</sup>



In 2022, we rolled out aggressive marketing activities, including the launch of a new product, wellblends, and Nature Made was selected as the most well-known and popular VMS<sup>4</sup> brand in the United States according to YouGov's Best Brands Ranking 2022<sup>3</sup>.

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 January 1, 2023. ©2022 Information Resources Inc.  
 2. INTAGE SRI Multivitamin / Vitamin D markets, cumulative market share by brand for January–December 2022  
 3. <https://today.yougov.com/topics/technology/articles-reports/2022/11/16/globalbestbrand-rankings-2022-us>  
 4. VMS: Vitamin, mineral, supplement



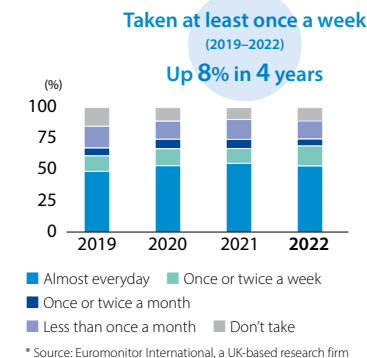
##### Growing Needs for Dietary Supplements in the U.S.

In the United States, the spread of COVID-19 has triggered a remarkable increase in health awareness. Market research has also shown an increase in the percentage of respondents who say they take supplements almost every day, suggesting that health awareness is on the rise.

The increasingly demanding U.S. dietary supplement market has continued to expand at a CAGR of 4.7% over the past five years.\*

To accurately reflect this need in our business development and to expand our production base, we will invest more than \$200 million to build a new plant in Ohio, which will begin production by the end of 2024.

##### Results of the Survey Frequency of use of Supplements and Vitamins in the U.S.





## Business Strategy Nutraceutical Business

### ■ Nutrition & Santé

#### Expand e-commerce adapted to food service<sup>1</sup> and new lifestyles

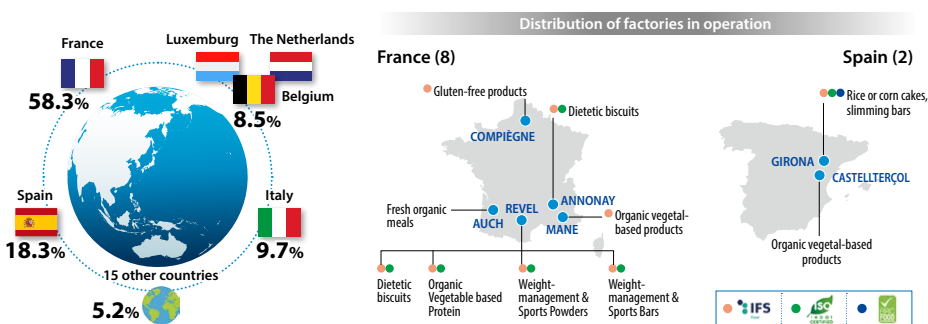
Nutrition & Santé (N&S) was founded in 1972, and is a pioneer in European health food manufacturing. “Santé” means “health” in French, so the company’s objective is to provide better nutrition to keep consumers healthy. N&S has 10 factories, and offices in France, Belgium, the Netherlands, Italy, Spain, and Portugal.

In 2022, although local-currency sales decreased mainly due to the impact of stalled growth in the high value-added organic food market<sup>2</sup>, etc. accompanying a rapid rise in inflation in Europe and supply chain disruptions, Japanese yen-based sales increased due to the effect of the exchange rate.

Going forward, we will keep aiming for sales growth by expanding food service and e-commerce.

<sup>1</sup> Services for providing meals to public institutions, schools, etc.  
<sup>2</sup> IRI France Grocery Retailers - Organic food category Retail Sales, 2022 Jan-Dec

#### Nutrition & Santé S.A. Overseas Sales Regions and Sales Share



#### HEALTHY NUTRITION

#### PLANT-BASED NUTRITION

#### ACTIVE NUTRITION

### Three Nurture Brands

#### ■ BODYMAINTÉ

#### Contains plant-derived lactobacillus B240.

#### Work to expand product recognition and drinking occasions

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

Although revenue from *BODYMAINTÉ* declined in 2022, we will continue to strengthen our efforts to promote the product’s value and expand product recognition and drinking occasions.



#### Lactic Acid Bacteria B240

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

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

## Business Strategy Nutraceutical Business

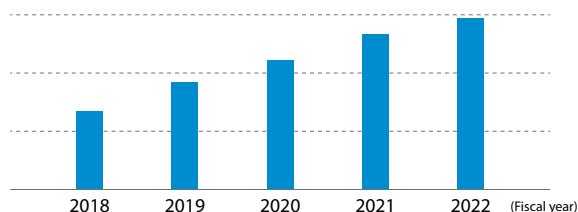
### ■ EQUELLE

#### Taking on the Challenge of a New Field: Women's Health

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 their quality of life. Otsuka Pharmaceutical also provides a broad range of up-to-date information concerning women's health, including through the Women's Healthcare Project website.

By providing science-based products and information, we aim to improve women's health literacy and contribute to a society in which all women can thrive and play an active role.

EQUELLE sales\*



CAGR 22% (2018-2022)

\* Source: company material

#### 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.



### ■ Daiya

#### Plant-based cheese and pizza, mainly in North America.

Daiya Foods, a North American developer, manufacturer, and marketer of plant-based foods, develops high-quality, creative products, such as cheese substitutes, dressings, and desserts made from plant-based ingredients. The company's products are widely supported not only by vegetarians and those with food allergies, but also by health-conscious people, especially millennials.

The North American market for plant-based substitutes continues to grow, and in 2022, revenue decreased on a local currency basis due to an increasingly competitive environment in the milk substitute cheese market, but increased on a Japanese yen basis due to foreign exchange effects. We will continue to expand our product lineup by leveraging our proprietary technologies and expand distribution.



#### ● From the field for total healthcare

At Daiya, we believe in our purpose to pioneer plant-based breakthroughs that delight people and planet.

Since joining Otsuka in late 2017, together we have been collaborating and investing on many projects including "food cultures exploration" to create next generation cheese and other winning long term growth strategies.

Accelerating this growth is fueled by building a world class facility, operational excellence, focusing the product portfolio on plant-based cheese and other cheesy foods while leveraging food science, technology and strategic partnerships within Otsuka and across Industry/Academia R&D.

We are reimagining the "art of cheese making" using traditional fermentation techniques and plants which will lead the marketplace in 2023 with next generation plant-based cheese featuring core ingredients like Oats.

These products will significantly close the gap to dairy cheese while positioning Daiya as the clear leader in plant-based cheese category.

Daiya innovation and consumer marketing teams will also launch great tasting and renovated pizza and mac'n'cheese products in 2023 while repositioning the overall brand to drive more consumers to Daiya.

Daiya and Otsuka aspire to positively change how the world eats benefiting people and planet one plant-based meal at a time.



**Michael Watt**  
CEO  
Daiya Foods

## Business Strategy

# Consumer Products



### Third Medium-Term Management Plan Initiatives

- Nurture major brands and expand brands
- Take on the challenges of new categories
- Increased production efficiency

### Results during the Plan

- Launched new product under the main brand *Bon Curry* and relaunched *MY SIZE*
- Developed *ZERO MEAT*, a plant-based food derived from soybeans that does not contain animal ingredients.

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

Otsuka Foods aims to develop products that can bring people health, and beyond that, joy and happiness, based on the four keywords of "taste, safety, security, and health" in our research and development. We will use our unique ideas and development capabilities to continue to create products that are needed by the world, and contribute to the diversifying needs of our customers and solve various issues through the dinner table.

## Strategies for the Consumer Products Business

Otsuka Foods' food category includes the mainstay *Bon Curry* and *MY SIZE* retort pouch categories, as well as plant-based categories such as *Mannan Hikari* and *ZERO MEAT*.

We assume that the retort pouch food market will continue to expand in the future due to changes in the external environment surrounding the business and the living environment of consumers, such as the declining population in Japan, the increasing number of single-person households and individual meals, the growing number of two-income households, and the increasing number of natural disasters.

In the area of *Bon Curry*, a leading retort-pouch food, we proposed new products such as *Bon Curry Cook* for use in arranged cooking and *Bon Curry Veggie* to meet the needs of diversifying diets. In addition, in view of the aging population and growing health consciousness, we will contribute to health care at the dinner table by proposing health-conscious retort pouch products with *MY SIZE* and expanding sales of *Mannan Hikari*, which cuts calories and sugariness by simply cooking rice with it.

We have also developed *ZERO MEAT*, a soy-based food that uses no animal ingredients to address global food and environmental issues, and it is currently being adopted by both B2C and B2B companies.

## Major products

*Bon Curry* was created in 1968 as the world's first commercially available retort food based on the concept of "one serving of curry that can be prepared just by heating it in hot water, a fool proof way of cooking curry."

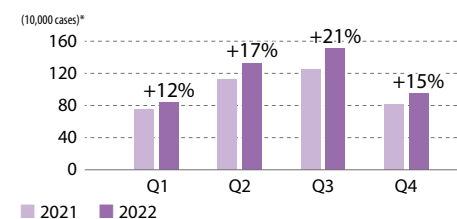
In 2023, we will celebrate the 55th anniversary of the launch of our retort-pouch curry brand, which has been recognized by Guinness World Records™ as the world's longest-lasting retort-pouch curry brand (for the year 2022). We will continue to nurture the brand as a brand loved by all.

*MY SIZE* is a series of 100 kcal retort-packed foods developed based on the concept of "meals should also come in small sizes." The series features easy-to-understand calorie labels, a salt content of less than 2g, a full lineup with a wide range of menu items, a rich, full-bodied flavor, and easy preparation in a microwave oven, and is used by many people for daily diet management.

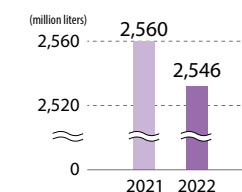


While the Japanese market for carbonated beverages declined slightly in 2022, the sales volume of *MATCH* increased by double digits (+17% year-on-year), thanks to the promotion of "Get a day's worth of vitamins in one bottle," and the addition of seasonal products, as well as the continuation of jelly-type products.

### Sales of MATCH



### Carbonated Soft Drink Market in Japan



Source: Euromonitor International, a UK-based research firm



## Business Strategy

# Other Businesses



### Third Medium-Term Management Plan Initiatives

#### Otsuka Chemical

Strengthening of in-house materials and technologies by area

#### Otsuka Warehouse

Strengthening of a common platform by linking logistics data

### Results during the Plan

#### Otsuka Chemical

Strengthened the foundation for automotive-related products and prepared to launch a contract research and development business for medium-molecule pharmaceuticals

#### Otsuka Warehouse

Expanded the number of companies participating in the common platform

Otsuka's diversified operations include a chemical business that supplies various materials in the fields of automobiles, electrical and electronic equipment, and housing; a transportation and warehousing business that aims for environmentally friendly logistics, mainly for Otsuka group pharmaceuticals, foods, and beverages; and an electronic equipment business that supports the development of leading-edge technologies.

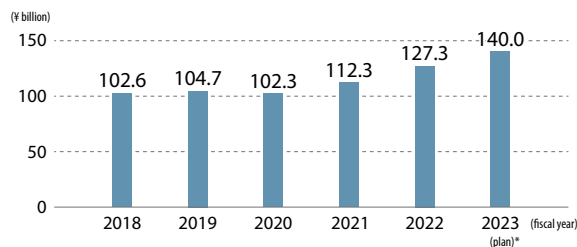
## Otsuka Chemical

With materials at the core, Otsuka Chemical is engaged in the development of a wide variety of high value-added materials that meet the needs of the automotive, electrical and electronics, housing, and pharmaceutical industries. Otsuka Chemical does not limit itself to materials proposals, but also works to propose solutions from a global perspective to a wide range of industries.

### FY2022 Initiatives and FY2023 Business Strategy

In the automotive field, we increased production capacity at our plants in the U.S. and China in response to the growing adoption of Terracess friction material for environmentally friendly brake pads for automobiles. In the Films business, we expanded our product lineup of functional films, such as anti-reflective films, for further growth in smartphone and in-vehicle display applications. Furthermore, based on our chemical

#### Consolidated revenue



\*Note: Announced February 2023

technologies in the organic, inorganic, and polymer fields, we are proposing solutions in the fields of high-speed communications and semiconductor manufacturing applications.

In the manufacture of APIs and intermediates for pharmaceuticals, we are taking on the challenge of the business of research and development by contract for medium-molecule drugs using new flow synthesis technology, using know-how and technology cultivated in the manufacture of small molecule drugs.

We will continue to contribute to the global environment and enrich people's lives by creating unique materials through unique chemistry that combines various elemental technologies in the inorganic and organic fields, and by giving shape to this power.



Otsuka Chemical America (titanate manufacturing plant)



SynCrest Inc., a joint venture with Yokogawa Electric Corporation (a plant for the manufacture of bulk pharmaceuticals for medium-molecule drugs)

## Otsuka Warehouse

Otsuka Warehouse provides optimal logistics solutions. This includes working with external manufacturers to promote joint distribution, with a focus on the Otsuka group's pharmaceuticals, beverages and food products, and daily necessities. We are building a connected logistics system that connects people and goods through consistent data linkages to manufacturers and wholesalers by making full use of IT technologies such as ID transportation that makes delivery operations visual and digitized ID warehouses. By doing so, we aim to promote paperless operations, environmental friendliness, and reforms in work styles.



Work in the warehouse using digital devices



Paperless office through data linkage