



Otsuka-people creating new products
for better health worldwide

Integrated Report 2022

Otsuka Holdings Co., Ltd. For the year ended December 31, 2022



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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

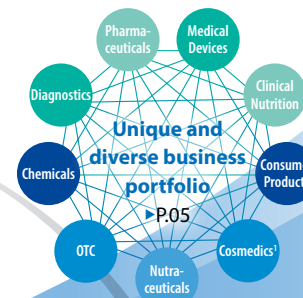
Essence of Management(Our Corporate Culture)



Otsuka's Vision as a Total Healthcare Company

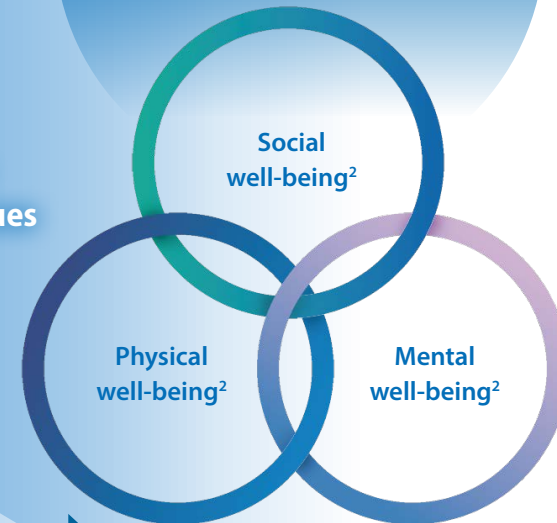
As a total healthcare company, the Otsuka group will create innovative products and contribute to the health of people around the world by focusing on two core businesses: the Pharmaceutical Business, which addresses unmet medical needs, and the Nutraceutical Business, which satisfies yet to be imagined needs.

What only Otsuka can do



Goal
To become an indispensable contributor to people's health worldwide

Developing businesses to address social issues



What we can achieve

Providing value **Bringing health to people worldwide**

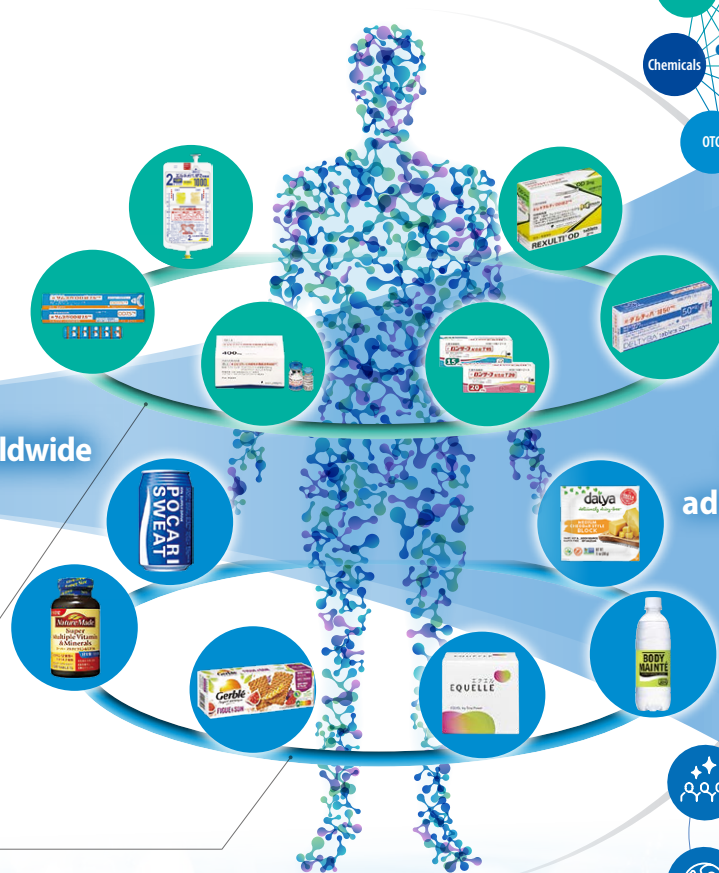
Total Healthcare

Pharmaceutical Business

Unmet medical needs

Nutraceutical Business

Yet to be imagined needs



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

Continuing to be a part of life

Along with our desire to contribute to people's health worldwide, we are continuing to be there for people in every aspect of their lives by providing products and services that help solve social issues.



Always in the middle of the family: *Bon Curry*

Since its birth as the world's first commercially available retort curry, *Bon Curry* has continued to evolve, such as getting a microwavable box, and introducing Japan-grown vegetables as ingredients, it keeps pace with the times and family time.



More than 20 countries and regions worldwide: *POCARI SWEAT*

Situations in which the body loses water occur in a variety of settings, regardless of the era and national borders. We are working to raise awareness of the importance of hydration in more than 20 countries and regions around the world.



For the generation busy with work, housework, and childcare: *Tiovita Drink*

"Aijou-ippou." (A Bottle of Thoughtfulness) This is our slogan. We continue to be there for people's "today" when they need to take a breather, or when they want to express their gratitude or affection to their loved ones.



Balanced nutrition: *Calorie Mate*

Calorie Mate, a nutritionally balanced food, supports people's activities in all situations, such as when they cannot eat breakfast, during sports, getting some nutrition while studying or working, and reserves for disasters.



A friendly choice for your body, your mind, and the future of the planet: *Zero Meat*

Zero Meat is a processed soybean food that is also sustainable to come to terms with global environmental impact. Although it is very satisfying, it is made from vegetable ingredients and is very healthy. We developed this product so that people could enjoy soybean meat every day.



Women's health & beauty: *EQUELLE*

The period of physical and mental changes that occur with aging is called menopause. Equol, an ingredient derived from soybeans, contained in *EQUELLE* calms such changes unique to women.



Physical Condition: *BODYMAINTÉ*

In *BODYMAINTÉ* products, lactic acid bacterium B240 is combined with other ingredients to support good physical condition who are engaged in strenuous daily activities such as exercise and work.

* Lactic acid bacteria isolated by Tokyo University of Agriculture and confirmed effective by Otsuka Pharmaceutical



Cosmetics (cosmetics + medicine): *UL-OS*

Cosmetics were born from the concept of healthy skin. We combined various research and development on leading men's skin to health from its foundations, and created *UL-OS*.



When you're dehydrated: *OS-1*

It's important to deal with dehydration as early as possible, while it is still mild. *OS-1* is sold as a food for the sick, not a drug, so that it can be taken immediately, anywhere.



More than 120 countries and regions worldwide: Pharmaceuticals & Medical Devices

We contribute to people around the world by creating new therapeutic value and developing and providing innovative new drugs and medical devices in areas where there is an apparent but unmet medical need.



For medical institutions: IV solution multi-chamber bag system

IV solutions are Otsuka's starting point. They are used in a variety of medical departments and are indispensable to medical practice. Otsuka contributes to medical care by creating innovative IV solution products and providing a stable supply.



For the elderly and those in need of nursing care: *iEat*

We want you to always enjoy your meals, with a smile on your face. Even if you have difficulty chewing, you still want to enjoy the look of your food, smell its aroma, and enjoy its taste. We provide *iEat* nursing care meals to fulfill such wishes.

What only Otsuka can do: Otsuka's Strengths

For more information on Otsuka's strengths, click here.
<https://www.otsuka.com/en/rd/strength/>



Since Otsuka establishment in 1921, its employees everywhere have pursued business guided by our enduring corporate philosophy in order to bring health to people worldwide. Through their determination, we have developed many strengths. The six strengths described below are representative samples. Otsuka group employees utilize these and other strengths in working to maximize effects and contribute to the health of people around the world.

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



32 countries/regions

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

Through communication of our corporate philosophy and essence of management, Otsuka employees around the world work to do what only Otsuka can do to contribute to the health of people worldwide.

An unwavering quest for originality



79%¹

In-house drug discovery ratio

36 projects²

Development projects for unmet needs

We continue to take on the challenge of revolutionary products and services by striving for creativity in all value chains and always looking for opportunities to make unique Otsuka innovations.

1. In-house drug discovery ratio among late-phase development projects (Phase 3 onward)
 2. As of December 2022; unmet needs areas defined by Otsuka based on *PatientsMap2022:JP* and *PatientsMap2022:US, M3 & SSRI*

An ability to nurture enduring brands



9 Japan

3 Outside Japan

85.5%⁵

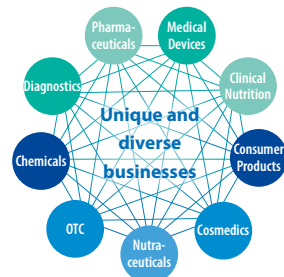
Top-share products by pharmaceutical category⁴

Share of consumers with the experience of using *POCARI SWEAT*

We are developing each product's brand by tenaciously communicating the value of our revolutionary products, and in doing so aim for sustainable growth and further enhancement of our corporate value.

4. Copyright © 2023 IQVIA. Created based on annual category totals for the past 10 years, including IQVIA MIDAS 2012 to 2022 and Otsuka research. Categories defined by Otsuka. Reprinted with permission.
 5. November 2022 survey in Japan conducted by Otsuka

A business model centered on total healthcare



We provide a variety of science-based products and services that meet the specific healthcare needs of the times in each community.

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



16³

IV solutions business overseas companies

More than **20**

Countries/Regions where *POCARI SWEAT* is available:

More than **120**

Countries/Regions where the anti-tuberculosis drug delamanid is available

We are extending our global reach by addressing social issues that differ in each country/region depending on culture, customs, and the times.

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.

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



AA-

Rating by Rating and Investment Information, Inc.

12.4%⁶

Business profit margin of Nutraceutical Business

116.7%

TSR⁷ Ten Year annualized, cumulative

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.














6. 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: 7.9%)
 7. TSR: Total shareholder return

Businesses that are Unique and Diverse

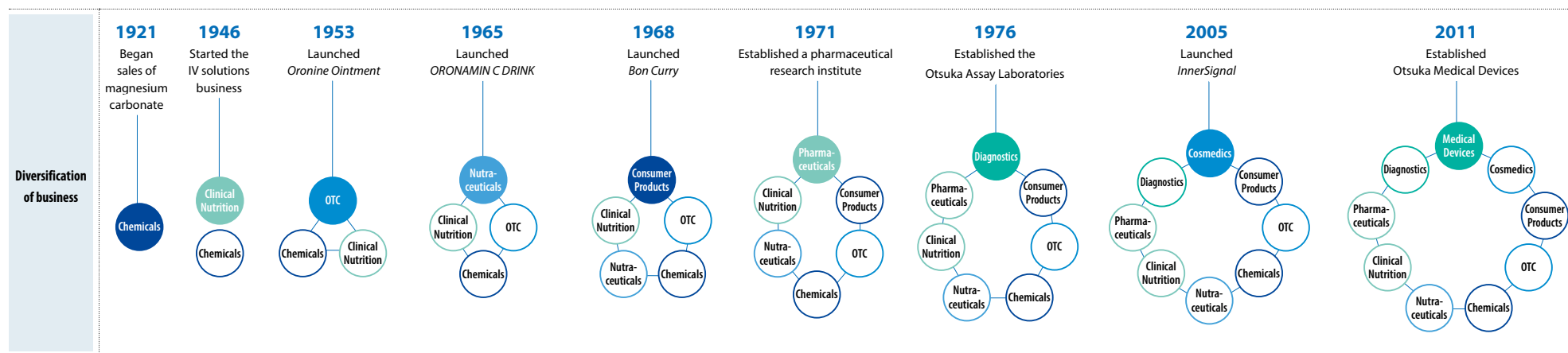
The Otsuka group has been in business for over 100 years. We have been pursuing what only Otsuka can do and group members have spurred each other on toward the goal of becoming a unique total healthcare company.

We will continue to contribute to the health of people around the world by responding to changes in the social environment and developing businesses that leverage our uniqueness hereafter while always looking ahead.

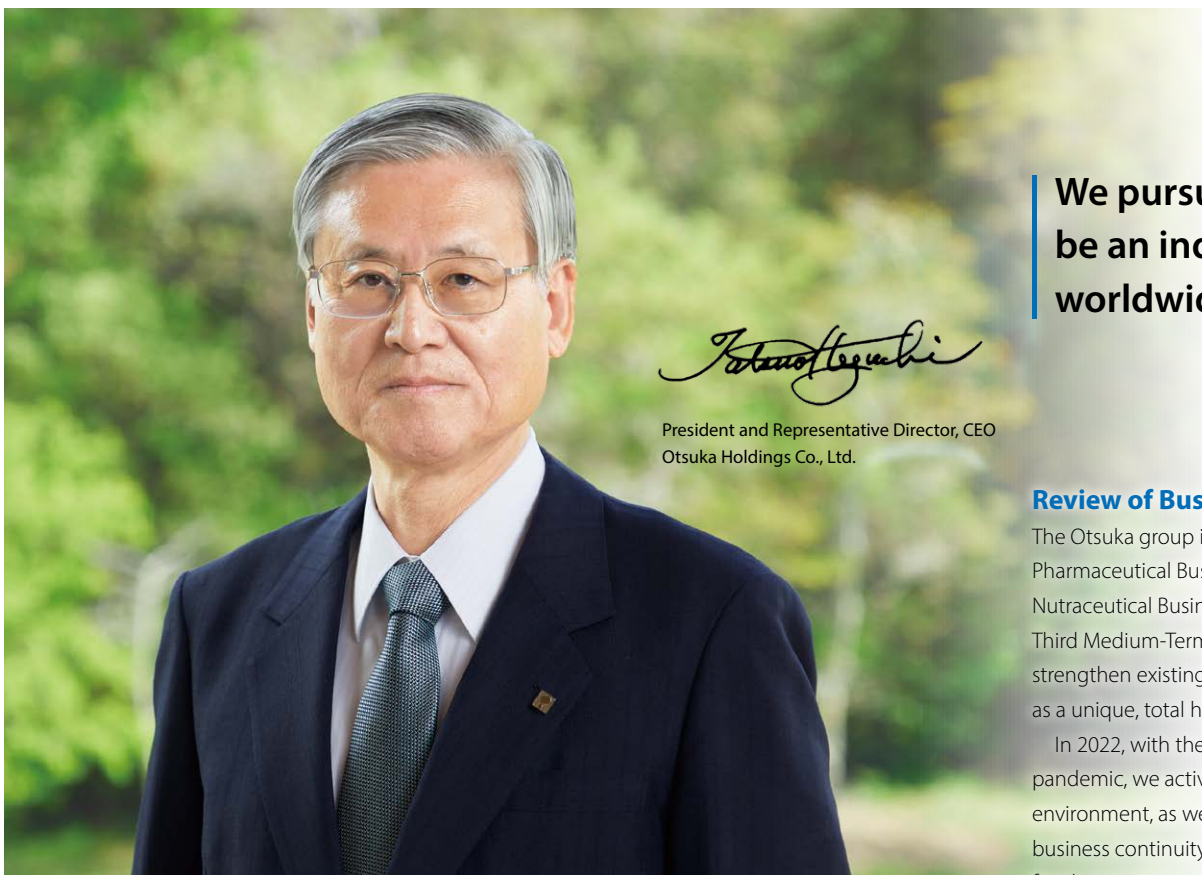
The Otsuka Approach to addressing social issues

Social issues	Issues in clinical nutrition and public health		Unbalanced diet and higher incidence of heat disorder			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			Development of retort pouch 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	ORONAMIN C	POCARI SWEAT	Calorie Mate	Bon Curry	REXULTI	LONSURF	JINARC/ JYNARQUE	Quick Navi	InnerSignal	UL-OS	BioMimics 3D
													

Diversification of business aimed at the resolution of social issues



Message from the CEO



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

We pursue the universal value of health and aim to be an indispensable contributor to people's health worldwide through innovative methods.

Review of Business and the Environment in 2022

The Otsuka group is developing its global healthcare business with two core businesses: the Pharmaceutical Business, which handles everything from diagnosis to treatment of diseases, and the Nutraceutical Business, which supports the maintenance and improvement of day-to-day health. In the Third Medium-Term Management Plan, which ends in 2023, we have been working to expand and strengthen existing businesses and create new value under the theme of advancing in the global market as a unique, total healthcare company.

In 2022, with the resumption of social activities that had been restricted due to the COVID-19 pandemic, we actively promoted marketing and sales activities, etc. that responded to the new business environment, as well as working to ensure a safe working environment for our employees and for business continuity, including building a stable product supply system. In addition, the business and fiscal environments surrounding the healthcare industry have given rise to a greater focus on treatment costs in Japan, the United States and Europe, due in part to the aging of populations, the launch of higher-priced drugs, and countermeasures against infectious diseases. Awareness of health, such as on daily preventive measures, has also been increasing.

In this business environment, in the fiscal year ended December 31, 2022, results for the Pharmaceutical Business were significantly driven by our four Global Products, including the antipsychotic drug *REXULTI/RXULTI*, while in the Nutraceutical Business, the sales of functional beverages grew and progress was made in fostering the women's health market. During fiscal year 2023 we are aiming for further growth, with record-high revenue of 1,800 billion yen, which is 100 billion yen over the Medium-Term Management Plan target, and profit of 157.5 billion yen, also a record-high.

This year marks the final year of the Otsuka group's Third Medium-Term Management Plan.

Under this plan, we have continued to provide new value along with taking on challenges in innovation, with the goal of making the breakthroughs required of a unique, total healthcare company.

We will continue to focus on what only Otsuka can do to help people around the world lead more comfortable and healthier lives, and work with our stakeholders to further co-create value and contribute to the realization of a sustainable society.

Message from the CEO

Responsibilities to Address in 2023 as CEO

Pursuing the Essence of Things through Business

Including my career as the head of a group company subsidiary, I have been involved in the management of the Otsuka group for 28 years. There is a way of thinking that I value in business, which I have gained through my experience at Otsuka. It is this: when pursuing the universal essence of things, management's perspective converge on certain elements .

I joined Otsuka Pharmaceutical in 1977, and I believe that what I have learned since then through my involvement in the development of *Calorie Mate*, product management of *POCARI SWEAT*, the restructuring of management at Pharmavite, LLC, and experience in the U.S. pharmaceutical business, are major foundations for my decision making as president. I believe that this approach is also consistent with the legacy of three generations of Otsuka founders, which I will discuss later in this report. For example, products that satisfy unmet needs often take an extremely long time to develop and promote because they do not fit into existing frameworks. However, if the product has inherent value it can be the basis for continued investment, even if it appears to be a negative investment in the short term.

We believe that failures and successes in business are themselves a mass of case studies, and that the key is to formulate a hypothesis and path to success and put them into practice. I emphasize our corporate philosophy and corporate culture, and take opportunities to talk about them with employees from time to time, because I believe that they embody the history of Otsuka's unique management perspectives, which has been proven over 100 years through the vast experiences of our predecessors, and are therefore the essence of the company. For the V²-receptor antagonist *Samsca/JINARC/JYNARQUE*, one of the Otsuka group's current major products, we had the challenge of joint clinical trials in Japan, the United States, and Europe, and it was launched after more than a quarter of a century of repeated

trial and error. This was a product that took a particularly long time to develop, and it was also an attempt to see if we could replicate the methodology of the successful development of the antipsychotic drug *ABILIFY* in the cardiovascular and renal fields. For the ADPKD indication, we had obtained approval in Japan and Europe, but approval in the U.S. was taking a lot of time and there was a difference of opinion within the company as to whether or not to continue with the additional clinical trials. I chose to complete them.

Otsuka had the experience of pioneering the new field of nutritionally adjusted foods, based on our belief that such products would definitely benefit people's health. The Otsuka group has a product called *Calorie Mate* that when launched was not well accepted in the market. However, the company had a certain "health obsession," and confidence in the proof of *Calorie Mate's* inherent value based on science. This was why Otsuka persevered in its efforts to enable its success. Similarly, obtaining the approval for *Samsca/JINARC/JYNARQUE*, was based on the belief that this medicine would definitely contribute to the health of people worldwide.

After completing additional studies and receiving approval, *Samsca/JINARC/JYNARQUE* grew into a blockbuster and is now a mainstay of the four Global Products that drive the Otsuka group's performance.

Three Theams to Be Addressed in 2023

The following are three themes the Otsuka group is emphasizing in 2023 to continue to grow sustainably in the future.

The first is to bring the Third Medium-Term Management Plan to completion, since this is its final year. The second is to prepare for the Fourth Medium-Term Management Plan. The third is to decisively invest in long-term management resources, namely human resource development, new technologies and new science, in order to achieve Otsuka's Vision for the next 100 years.

Regarding the completion of the Third Medium-Term Business Plan, in the Pharmaceutical Business, we will continue to expand revenue centered on our four Global Products, and we will also work to develop more global products. For example, the antipsychotic *REXULTI/RXULTI*, which is currently available in 60 countries and regions, completed clinical trials and was approved as the first drug in the U.S. to address the agitation associated with dementia due to Alzheimer's disease in May 2023. The reduction of agitation not only reduces the burden on patients, but also addresses the significant physical and mental health needs of the people around them, their caregivers and family members, who have endured problems.

Also, in medical devices, we are seeking approval for an ultrasound renal denervation system that will address unmet needs in the treatment of hypertension. This system is a minimally invasive device that

Essence of Management



Message from the CEO

lowers blood pressure by cauterizing the renal sympathetic nerves involved in blood pressure and suppressing their hyperactivity. If approved, it would be the first medical device in the world to address the issue related to adherence for this condition, which is an unmet need for treatment that, on the face of things, is being met, but in fact, is not.

In the Nutraceutical Business, we will focus on establishing a presence in the consumer healthcare market by accelerating global expansion, taking on challenges in new fields, and implementing efficient management strategies. In the healthcare market, sales of supplements such as *Nature Made* and *EQUELLE* and cosmetics such as *InnerSignal* have been strong, thanks to the promotion of strategies that accurately grasp the needs of growing health consciousness and women's activities. For *Nature Made*, a new U.S. plant and research center is being established to meet demand in the U.S. market, which has grown significantly during and after the COVID-19 pandemic.

I believe that the landing point of the Third Medium-Term Management Plan is to demonstrate in a more concrete form the concept of providing total healthcare solutions through innovation, with these two businesses as the major pillars.

The second theme to be realized in 2023 is preparation for the Fourth Medium-Term Management Plan. Both the business environment and the group's structure have changed significantly since the previous plan was formulated. In addition, demands from various stakeholders to resolve issues related to the realization of a sustainable society are increasing. Against this backdrop, we have begun preparations to maximize the corporate value of the group as a whole, based on the risks and opportunities that can be anticipated during the period of the Fourth Medium-Term Management Plan.

The third theme is the development of human resources, a long-term management resource, and investment in new technologies and new science, to achieve Otsuka's Vision. In particular, I consider human resources to be the core of management resources. Today, the Otsuka group is a conglomerate with 196 group companies, including subsidiaries and affiliates, and approximately 47,000 employees, operating around the world. If we intend to create long-term value in the healthcare field, it will be essential to enhance individual capabilities and maximize the group synergies brought about by our human capital in Japan and overseas.

In 2022, Otsuka Pharmaceutical established the Osaka Research Center for Drug Discovery, which incorporates cutting-edge science and technology. Success in drug discovery innovation depends not only on internal resources, but also on the ability to network freely with external parties. In addition, global businesspeople are required to have an understanding of differences due to cultural differences among countries. Otsuka will continue its efforts to realize its vision by fostering world-class human resources, starting with outstanding researchers, and by investing in the creation of an environment for human resource development.



The Essence of Otsuka's Management, Built over Three Generations

As we develop our business by leveraging the Otsuka group's worldwide network, along with human resource development, we focus on passing on the unique qualities of the Otsuka group. If a tree tries to grow by spreading its branches and leaves, and that tree's roots and foundation are not solid, that growth cannot be supported. What is the foundation of the tree, for the Otsuka group? It is the essence of our management, the case studies of our predecessors, which is summed up in the words Ryukan-godo, (by sweat we recognize the way), Jissho (actualization), and Sozosei (creativity) as advocated by successive generations of leaders.

The phrase Ryukan-godo was coined by Busaburo Otsuka, founder of the Otsuka group, to guide the way to the truth: "You can only understand the essence and truth of things by making your own efforts, sweating, and putting them into practice." The essence found in the process of steady and dedicated effort led to the foundation of the business. The word Jissho was left by Masahito Otsuka, the second leader of the company, and means "to formulate a hypothesis, try it, and make it happen." He dug deeply into people's needs, formulated hypotheses, put them out into the world, and satisfied people; in short, he proved the hypotheses. The word Sozosei was coined by Akihiko Otsuka, our third leader. Akihiko consistently talked about innovation and creativity based on his belief that in order to be globally competitive, we must develop innovative products by taking on difficult challenges that other

Message from the CEO

companies are not tackling. This led to the creation of groundbreaking new drugs such as *ABILIFY*, as well as products that created new categories such as *POCARI SWEAT* and *Calorie Mate*. These three words form the basis of the unique qualities of the Otsuka group, and as the unshakable root of the tree that runs through all of our business activities, they unify the direction of all Otsuka group employees and serve as the foundation of our way of thinking.

While the Otsuka group is now gaining internationality and diversity, with sales outside Japan sales now accounting for more than 60 percent of total sales, it is becoming even more important to instill and pass on the unique qualities of our corporate culture. Even as our business expands and grows, and the number of companies in our group increases, we will continue to promote understanding of our corporate culture as the root of the Otsuka group and ensure that our philosophy is thoroughly understood.

To Create Value as a Total Healthcare Company

After the 100th Anniversary Year

The Otsuka group celebrated its 100th anniversary in September 2021, and the year through August 2022 was designated as the anniversary year of the 100th anniversary, and an opportunity for all Otsuka group employees to come together to learn about the group's history and create the group's future. A variety of events were held, among them, the implementation of a program for employees throughout the Otsuka group to think about new value to be created by the group for the next 100 years. This helped us reaffirm what we value as Otsuka, and, through discussions between management and employees, helped them deepen their understanding of the corporate philosophy and culture.

The global situation is ever-changing, starting with the long-term impact of the COVID-19 pandemic from 2020. In addition, geopolitical risks and the resulting multifaceted risks to supply chains are becoming more serious, costs are rising, and global environmental issues are piling up. Along with these, the rapid evolution of science and technology, such as new drug discovery modalities like mRNA, artificial intelligence (AI) like GPT, and investment in the development of quantum computers, requires a constant reassessment of risks and opportunities in our business. In these times of extreme uncertainty, the universal desire of people is for physical and psychological stability, particularly the desire for health of both the mind and body, and happiness and satisfaction, or in other words, the well-being that is the framework for the expanded traditional concept of healthcare. This is deeply connected to total healthcare.

As mentioned earlier, universal things have an essence. If people's wishes are universal, then the value called *health* that the Otsuka group pursues is also universal. This is why the Otsuka group's strength lies

in its ability to commit to people's health worldwide in one form or another, even when the business environment changes dramatically, and the diversity of its business portfolio is also a strength in its ability to respond to changes in the environment.

The Otsuka group's business model is reflected by a diagram showing nine areas: pharmaceuticals, clinical nutrition, diagnostics, medical devices, OTC drugs, nutraceuticals, cosmetics, consumer products, and chemicals (▶P.02). The diagram simply illustrates how the interaction of each of these businesses with one another is the source of the Otsuka group's strengths.

The products and services handled by the Otsuka group are based on solid scientific evidence. For example, *POCARI SWEAT* is not just a drink; its development concept was "a sweat beverage," which is derived from the concept of the IV solutions business in relation to intracellular and extracellular fluids. In this way, the inherent value and scientific principles discovered in the Pharmaceutical Business are thoroughly verified in order to horizontally expand and reproduce them in other businesses, and are introduced to the world with the conviction that they are useful for health.

Total Healthcare that Seeks to Encompass Care for Every Person in the World

When you think about it, Otsuka group products support people's health in a variety of ways. For example, the essence of the Otsuka group's total healthcare business model is actually quite simple from a lifestyle perspective. In everyday life, people drink *POCARI SWEAT* to replenish their fluids. If you get sick, you receive treatment through intravenous fluids or medicine. Missing nutrients are supplied with supplements. Our business is diverse, but we focus our attention on individuals. We are there for one person's life, taking care of that person's "health" in every situation throughout his or her life. This is the *raison d'être* of our total healthcare company, with its broad range of business from treatment, to prevention, and health maintenance, and Otsuka's goal is to thoroughly support each person's health from physical, mental, and social aspects.

Our theme for the next 100 years is to continue to create new value and to strengthen our structure as a total healthcare company to achieve this goal. To achieve this, we intend to enhance our portfolio and strengthen our system for developing innovative products and services. The Otsuka group will continue to be a provider of total healthcare that accompanies people in all walks of life, with a wide range of companies and diverse employees working together and combining their respective abilities. We will continue to embody our corporate philosophy of "Otsuka-people creating new products for better health worldwide"; the cornerstone of the Otsuka group. By continuing to create new value, we will work together with our stakeholders to create corporate value as an indispensable company for the next 100 years.

We look forward to your continued support and encouragement.

The Value Creation Process

Society's needs

High quality and stable product supply

Unmet needs

Diverse work styles

Access to medicine

Creating a system for realizing healthy lifestyles

ESG

INPUTS

FY 2022

Financial Capital

- Sound financial structure
- Total capital: ¥2,262.5 billion
- Cash and deposits: ¥471.6 billion

Manufacturing Capital

- Number of manufacturing sites: 51 in Japan, 122 overseas
- Capital expenditures: ¥139.3 billion

Intellectual Capital

- Number of projects in progress: 67
- R&D expenditures: ¥275.2 billion
- R&D sites: 24 in Japan, 18 overseas
- In-house drug discovery ratio: 79%

Human Capital

Qualitative

- A well-developed human resources education program (program to develop management human resources, rank-specific training, selective training, etc.)
- Strengthened health management

Quantitative

- Total training hours: 103,586 (In Japan: 16 companies, overseas: 4 companies)

Social and Relationship Capital

- Social issue-driven global deployment through our core business processes
- Overseas companies engaged in IV solutions business: 16 Countries/Regions where *POCARI SWEAT* is available: More than 20 Countries/Regions where *DELTYBA* is accessible: More than 120
- Persevering ability to nurture brands
- Top-share products by pharmaceutical category: 9 in Japan, 3 overseas
- Brand strength of NC products
- Share of consumers in Japan who have had *POCARI SWEAT*: 85.5%
- Partnerships with the 47 prefectures of Japan
- Suppliers implementing self-assessment questionnaire (SAQ): 597 (577 in Japan, 20 overseas)
- Explanatory briefings held for suppliers: 583

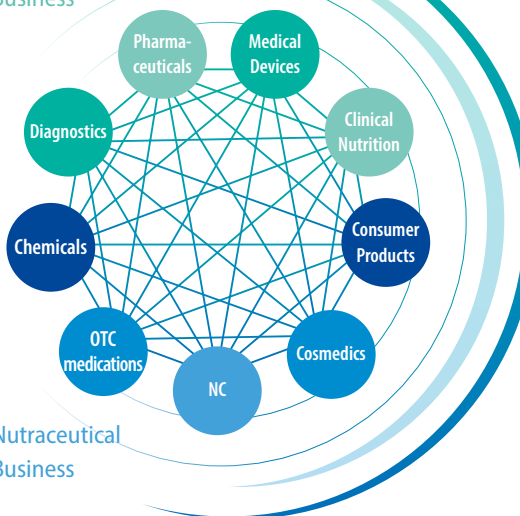
Natural Capital

- Total energy consumption: 364,000 kℓ
- Water consumption: 18,500 thousand m³

Business Model

Unique total healthcare company

Pharmaceutical Business



Nutraceutical Business

The Otsuka Group's Approach to Sustainability ▶ P.15

Corporate Philosophy

Otsuka-people creating new products for better health worldwide

Ryukan-godo

Jissho

Sozosei

The cycle of value creation

Otsuka's innovation

Diversifying needs

Changing times

Business synergies

Changes in the environment

Creating new businesses

Creating new markets

Changes in the concept of health

Otsuka's innovation is born from the interplay of unique and diverse businesses. We continue to create new value through a dynamic cycle with a foundation of a science-based approach to changing needs. We can also create new value by exploring overlapping or niche areas within our diverse businesses. In this way, Otsuka is taking on the challenge of creating new value, which is only possible as a total healthcare company.

The Value Creation Process

Outputs

Otsuka's innovation

Products and services Revenue: 1,738.0 billion yen FY2022 ▶P.28

Pharmaceutical Business
Therapeutic drugs, medical devices, diagnostics, clinical nutrition products

▶P.29

Abilify Maintena	REXULTI
Samsca/JINARC/JYNARQUE	LONSURF

Nutraceutical Business
Functional beverages and foods / OTC medications and quasi-drugs / Cosmetics

▶P.34

POCARI SWEAT	Nature Made	Gerblé

Consumer Products Business
Beverages / Foods / Alcoholic beverages

▶P.38

Bon Curry	My Size	Beverages

Others
Chemicals, fine chemicals, warehouse and distribution, packaging, and electronic equipment

▶P.39

Otsuka Chemical Co., Ltd.	Otsuka Warehouse Co., Ltd.

Outcomes

FY 2022

Financial Capital

- Strong financial and earnings base for sustainable growth
- Rating: AA-
- Ratio of equity attributable to owners of the Company to total assets: 71.7%
- TSR: 8.0% per year for the past 10 years
- Dividend: ¥100

Manufacturing Capital

- Newly established Tokushima Mima Plant
- Tokushima Itano Plant Receives Minister of Economy, Trade and Industry Award for Excellent Greening

Intellectual Capital

- New product launches: 10 (including medical devices)
- Creation of new products and initiatives to launch new products using unique new compounds, and new modalities
- Co-creation with startups with superior innovation

Human Capital

- Participants in the program to develop management human resources: 257 in total
- Percentage of female managers: 29.7% (Otsuka Holdings)
- 19 companies in the Otsuka group certified for 2022 Health and Productivity Management Outstanding Organizations
- Selected as a Nadeshiko Brand


Social and Relationship Capital

- Responding to unmet needs
- Delamanid has been provided for a cumulative total of more than 90,000 cases, with more than 120 countries/regions accessed. (The goal of providing delamanid for a cumulative total of more than 60,000 cases was achieved ahead of schedule.)
- Brand Image Survey (US): name recognition and popularity ranking* (VMS): No. 1 (Nature Made)
- Agreements with communities that leverage cooperation in the Nutraceutical Business and the Pharmaceutical Business


* <https://today.yougov.com/topics/technology/articles-reports/2022/11/16/global-best-brand-rankings-2022-us>

Natural Capital


- Amount of renewable energy introduced: 249,000 t-CO₂
- Launch of PET bottles made using recycled materials
- Selected for the CDP Climate Change A-List



Tokushima Mima Plant



SynCrest Corporation Naruto Plant



Training conducted by President Higuchi

Impacts

Consumers, patients, and healthcare professionals

Promote research and development to solve unmet needs

- Contributing to the extension of healthy life expectancy
- Providing new health value
- Contributing to unmet needs

Shareholders and investors

Securing funds for investment in future growth and shareholder returns

- Returning profits, continuing to grow

Employees

Creating a system for continuous human resource development that also responds to changes in society and the times

- Creating a safe and comfortable place to work, both mentally and physically

Suppliers

Fair, equitable, and transparent procurement and building good relationships with suppliers

- Businesses grow and develop together

Local communities and society

Promote business activities aimed at sustainability for both society and the planet

- Contribute to a sustainable, healthy society, and extended healthy life expectancy
- Contributing to the development of regional economies

Original Value Creation and Our Business Structure

Sources of original value creation

The Otsuka group is engaged in a diverse range of healthcare-related businesses, centered on the Pharmaceutical Business and the Nutraceutical Business. The overlap of diverse businesses makes it possible to create original products and value, contributing to the health of people around the world with unique total healthcare products and services as only Otsuka can. This section describes the value creation that results from the overlap of the Otsuka group's diverse businesses and the business structure that serves as the foundation for this value creation.

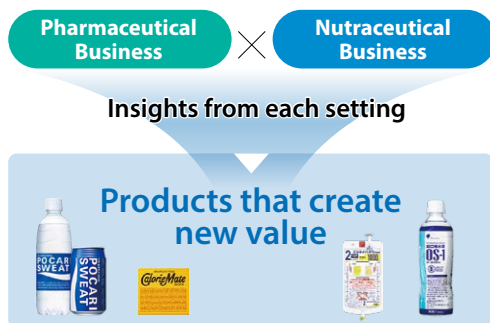
Create new value by leveraging synergies from the overlap of diverse businesses

In product development, Otsuka leverages its strength in having diverse businesses around the world to apply insights gained from one business to another and develop new products and services that address as yet unmet needs. This Otsuka group business model has been passed down through the generations to its product developers, who continue to create new value-creating products and services today.

“ **Nutraceuticals:**
a word created from “**Nutrition**” and “**Pharmaceuticals.**” ”

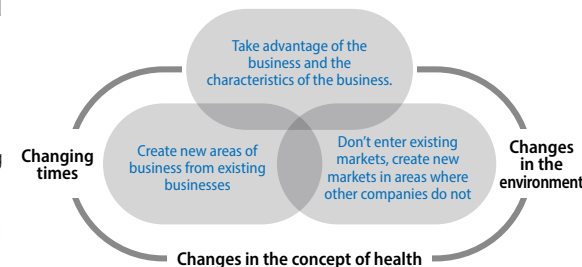
Since establishing the first private-sector clinical exercise and nutrition laboratory in 1984, the Nutraceutical Business has developed products based on thorough scientific evidence. The business name, made of “nutrition” + “pharmaceuticals,” is a clear indication of Otsuka's unique sense of responsibility and commitment to delivering products that are beneficial to health.

Calorie Mate was developed as a clinical nutritional food alternate to intravenous drips, taking advantage of Otsuka Pharmaceutical's accumulated technology and expertise in nutritional products. Products created from an unprecedented perspective by leveraging insights gained from different business settings have the innovative potential to create a market.



Facing changes in the social environment and needs, and developing new possibilities

The Otsuka group develops products and services that meet diversifying needs around the world by collaborating with group companies in Japan and overseas. Also, the group strives to improve its drug discovery and development capabilities on a global level by sharing expertise and cutting-edge technologies through



collaboration and alliances not only among group companies, but also with external organizations.

The Paradise™ Ultrasound Renal Denervation System, which was submitted for approval to the U.S. FDA in 2022, was developed as a product that provides a new treatment option for the hypertension using medical devices to address the needs of patients who do not respond adequately to existing drugs and therapies. This is one of the new initiatives created through synergies between the pharmaceutical and medical device businesses of the Otsuka group.

By focusing on what only Otsuka can do, and by taking on challenges without being bound by precedent, we continue to create new value in the healthcare field.

Contribute to the realization of a sustainable society through our business activities

A sustainable society is achieved through a combination of various areas of “health.” With climate change becoming a major social issue, the Otsuka group has set “Environment [Healthier Planet]” as a material issue, and is working to resolve this issue through its business.

Otsuka Foods is accelerating the development of plant-based food products, such as *Zero Meat*. In 2022, Otsuka Pharmaceutical began selling *POCARI SWEAT* in reusable returnable bottles using the Loop circular shopping platform.

By combining the know-how derived from our diverse businesses with new technologies, we will contribute to the realization of a sustainable society.



Original Value Creation and Our Business Structure

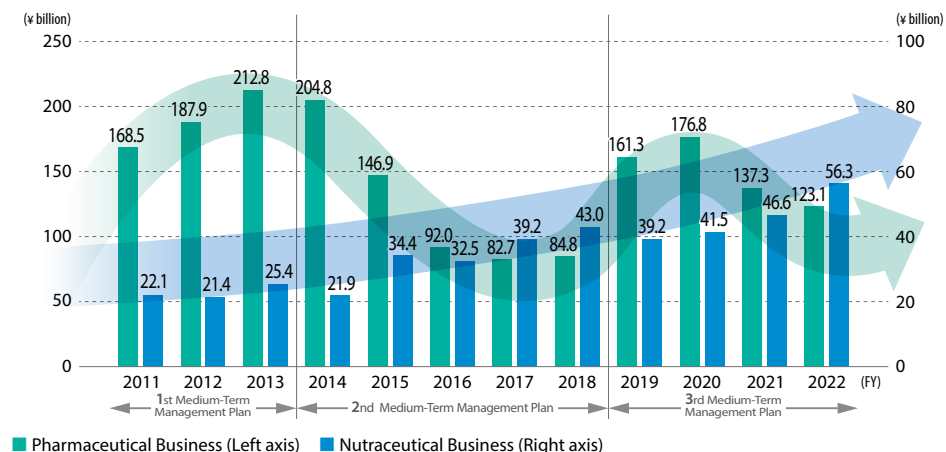
A business structure that brings sustainable growth in corporate value

Stable revenue base through diverse businesses

Otsuka group not only allocates resources based on the portfolios within the medical and nutraceutical business segments, but also implements a dual management approach in which the two businesses mutually support each other through cash generated by each and personnel exchanges between the businesses. Prior to the 1990s, the main earnings driver for the group was the nutraceutical business. In addition to providing information on pharmaceutical products, the medical representatives at that time supported the growth of the group by cooperating in the group's business activities beyond their role, including involvement in the installation of vending machines at medical institutions. The profits generated by the nutraceutical business supported R&D investments in the medical business, resulting in products that are used around the world, such as the antipsychotic *ABILIFY*, which was launched in 2002. In the 2010s, cash earned from *ABILIFY*, the earnings of which was at its maximum, was invested in the development and sales expansion of the four Global Products following *ABILIFY*, as well as in organic growth investments in the nutraceutical business.

While the medical business is a major driver of Otsuka group's revenue, it is also affected by fluctuations in revenue and profit due to the expiration of exclusivity periods and uncertainty due to the

Operating profit of the medical and nutraceutical businesses



For the fiscal year ended December 31, 2014, figures for the nine-month period from April 1 to December 31, 2014 are shown due to a change in the fiscal year end.

low probability of success. The nutraceutical business has continuously achieved a business profit margin of 10% or more by creating many long-selling brands and as a result, the group as a whole has stable growth due to both of these businesses.

Multifaceted business foundation capable of responding to rapid changes in the environment

Diversified business development plays an important role in dispersing risks while continuously increasing corporate value. For example, changes in the healthcare business environment, such as the suppression of medical costs and drug price reductions (risk), can be viewed as opportunities for the nutraceutical business, such as increased health awareness and the spread of self-medication. Our unique business foundation as a total healthcare company enables us to respond to rapid changes in the environment surrounding our business and to try a variety of new things with an eye to the future.

Governance to create synergistic value from diverse businesses

Spreading the corporate philosophy and essence of management

The size of the group, with 196 affiliated companies, is a source of diversity and innovation. At the same time, one of the challenges is to ensure consistency with the overall management vector on a sustained basis in the face of differing market environments, cultures, perspectives, and values. The Otsuka group continuously implements a variety of educational activities to ensure that the corporate philosophy is understood and permeates the work of each and every employee worldwide. In addition, top management proactively communicates the corporate philosophy and the essence of management passed down from successive generations of managers to employees. ▶P.49

Governance structure and global portfolio management

Otsuka Holdings' Board of Directors consists of several directors who also serve in management positions at operating companies. Through prompt communication and close collaboration, the Board promotes optimal investment strategies for the entire Otsuka group and corporate strategies to maximize synergies. In addition, outside directors appointed from a diverse range of human resources with expertise in various industries and markets participate in the operation of the Board of Directors from an independent standpoint. ▶P.64

Risks and Opportunities

In identifying material issues for the Otsuka group, we analyzed and evaluated risks and opportunities for the group based on changes in the internal and external environment. We will continue to examine risks and opportunities, reflecting them in our initiatives to address each of the material issues we face and to promote our activities.

External environment	Risks	Opportunities	Response (specific initiatives)
<ul style="list-style-type: none"> Intensifying competition in core areas 	<ul style="list-style-type: none"> Delay or cancellation of R&D Shortening of exclusive license periods Emergence of competing products 	<ul style="list-style-type: none"> Responding to unmet needs with Otsuka's unique drugs created from our originality, which is free from fixed ideas 	<ul style="list-style-type: none"> Enhancing the pipeline in priority areas ▶P.32 Expanding the range of development items Properly managing the portfolio by appropriately reviewing the R&D policy
<ul style="list-style-type: none"> Changes such as in the business environment after an acquisition or forming an alliance Changes in potential needs of consumers Increased awareness of self-medication, prevention, and daily health 	<ul style="list-style-type: none"> Failure to generate synergies due to insufficient due diligence of partners or acquired companies Insufficient business management when engaging in an alliance or following an acquisition Failure of products to address customer needs 	<ul style="list-style-type: none"> Expanding the group's capabilities through prudent and purposeful strategies and post-merger integration, etc., and strengthening its ability to innovate through increased diversity Further developing social issue-driven business 	<ul style="list-style-type: none"> Conducting careful due diligence of target companies and assets Stronger business monitoring when engaging in an alliance or after an acquisition Monitoring and analyzing macro and micro trends Optimizing strategy from a long-term perspective based on product and regional characteristics Cooperating between relevant departments on effectively collecting and analyzing information, and strategizing
<ul style="list-style-type: none"> Global talent shortage 	<ul style="list-style-type: none"> Failure to secure sufficient human resources to execute high-level strategy Failure to develop talent 	<ul style="list-style-type: none"> Creative products and marketing based on scientific evidence in the Nutraceutical area 	<ul style="list-style-type: none"> Identifying and developing the next generation of human resources by establishing a program to develop management human resources ▶P.50 Promoting diversity and inclusion based on the Otsuka Group Global Code of Business Ethics, and providing relevant systems and mechanisms ▶P.51
<ul style="list-style-type: none"> Occurrence of fraud cases, such as discrepancies between applications for approval and actual manufacturing conditions 	<ul style="list-style-type: none"> Instability of supply and loss of brand value and credibility due to sales discontinuation or recall due to quality problems or non-compliance with related laws and regulations. 	<ul style="list-style-type: none"> Developing human resources based on our unique corporate culture and philosophy 	<ul style="list-style-type: none"> Ensuring manufacturing and quality control in compliance with regulations in each country ▶P.55 Periodically verifying and evaluating quality assurance systems at contract manufacturers and raw material suppliers
<ul style="list-style-type: none"> Increased awareness of the importance of supply chain transparency Supply chain fragmentation due to geopolitical risks, etc. 	<ul style="list-style-type: none"> Major non-compliance or misconduct (e.g., relating to human rights, labor, the environment, corruption) in the supply chain Unstable material procurement and supply 	<ul style="list-style-type: none"> Advancing innovation and globalization through promotion of diversity and inclusion Transitioning to decarbonization through planned introduction of renewable energy 	<ul style="list-style-type: none"> Implementing the Otsuka Group Procurement Policy and Otsuka Group Sustainable Procurement Guidelines ▶P.54 Conducting due diligence when selecting suppliers Operating an ongoing monitoring system Diversifying procurement sources, such as by using multiple suppliers, and securing alternative raw materials Securing appropriate inventory and spreading production across multiple manufacturing sites
<ul style="list-style-type: none"> Climate change 	<ul style="list-style-type: none"> Risks related to laws and regulations, such as the introduction of a carbon tax Changing needs for products and services due to the transition to a decarbonized society 	<ul style="list-style-type: none"> Developing products adapted to environmental changes and that contribute to environmental protection 	<ul style="list-style-type: none"> Building a structure (e.g., establishing committees) for addressing environmental issues ▶P.58 Setting 2028 and 2030 targets for material environmental issues and promoting initiatives to achieve them ▶P.57 Joining the RE100 Initiative ▶P.60 Pursuing efficient and highly effective action through acquisition of ISO 14001 integrated certification (for environmental management systems)
<ul style="list-style-type: none"> Pandemics and major natural disasters 	<ul style="list-style-type: none"> Suspension of plant operations, etc., loss of human resources, and interruption or delay of product development due to a pandemic or major natural disaster 	<ul style="list-style-type: none"> Developing products that meet the lifestyle changes and increased health awareness caused by the pandemic Providing digitally-enabled healthcare products 	<ul style="list-style-type: none"> Formulating business continuity plans, including ongoing review and improvement Conducting regular drills and exercises Thorough implementation of COVID-19 pandemic prevention measures
<ul style="list-style-type: none"> Promotion of DX 	<ul style="list-style-type: none"> Decline in competitive ability due to slow or insufficient digital transformation 		<ul style="list-style-type: none"> Adopting state-of-the-art technologies, conducting proof-of-concept demonstrations and practical application Improving literacy and skills group-wide through seminars and information sharing ▶P.50

The Otsuka Group's Approach to Sustainability

The Otsuka group has determined its material issues to be society (health, people, quality in all we do), environment (carbon neutrality, circular economy, water neutrality), and governance, and worked as a group to achieve its medium-term goals.



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.

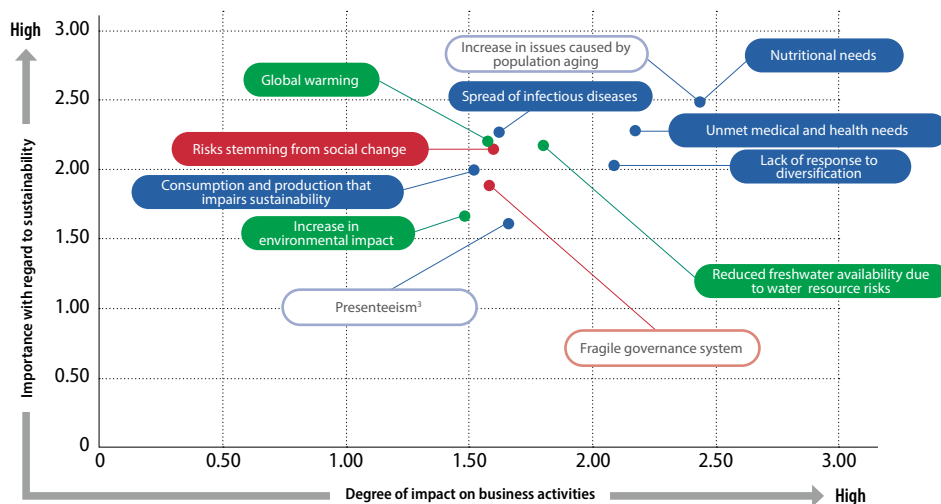
Issues were then discussed by the Sustainability Promotion Committee¹ and approved at the Otsuka Holdings Board of Directors meeting.

¹ 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.

- 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

Map of Social Issues²


























We compiled a list of social issues relevant to the Otsuka group's businesses and created a map of social issues considering their importance in terms of sustainability and degree of impact on business activities.



² Issues printed in colors are the nine priority social issues

³ A situation in which, despite coming in to work, productivity does not increase due to the employee's poor mental and physical condition

Materiality (Material Issues)

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 Increase in issues caused by population aging 	<ul style="list-style-type: none"> • Contribution to the resolution of unmet needs • Eradication of tuberculosis • Creation of a system for the realization of healthy lifestyles • Healthy life extension 	<ul style="list-style-type: none"> • Promotion of R&D for unmet needs • R&D of anti-tuberculosis 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 Presenteeism¹ ⑥ Lack of response to 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 • Health and productivity 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 "Consumer-oriented management" 	
 Environment (Healthier Planet)	 Carbon Neutrality²	<ul style="list-style-type: none"> ⑧ Global warming 	<ul style="list-style-type: none"> • 2028 target: Reduce 50% in CO₂ emissions compared to 2017 	<ul style="list-style-type: none"> • Reduce CO₂ emissions throughout the value chain 	  
	 Circular Economy³	<ul style="list-style-type: none"> ⑨ Environmental load increase 	<ul style="list-style-type: none"> • 2028 target: Reduce 50% in simple incineration and landfill disposal compared to 2019 • 2030 target: 100% 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 sustainability for both society and the earth 	  
	 Water Neutrality⁴	<ul style="list-style-type: none"> ⑩ Reduced freshwater availability due to water resource risks 	<ul style="list-style-type: none"> • 2028 target: Expand the plant water management program to all locations globally • 2028 target: Develop a water use strategy for business locations in water-stressed areas 	<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 		

1. A situation in which, despite coming in to work, productivity does not increase due to the employee's poor mental and physical condition
 2. To reduce CO₂ emissions from business activities to substantially zero (calculated by subtracting uptake from emissions)
 3. To establish an economic system that recycles resources by reusing waste discharged from business activities as new raw materials
 4. To reduce the impact of water intake and discharge from business activities on water resources to zero

Fiscal 2023 Goals and Fiscal 2022 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	FY2023 Goals	FY2022 Progress
1	<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 needs <ul style="list-style-type: none"> New development projects: 17 projects¹ Late-phase development projects advancing to the next phase: 27 projects
2	<ul style="list-style-type: none"> Provide delamanid for more than 60,000 cases Supply DELTYBA (generic name: delamanid) for pediatric patients Launch a clinical trial for new treatment regimen Increase access to delamanid by collaborating with partners 	<ul style="list-style-type: none"> Continued participation in Pan-TB collaboration and accelerated the development of new TB treatment regimen Delamanid supplied through the Global Drug Facility (GDF) of the Stop TB Partnership and alliance partners Continued participation in the Global Health Innovative Technology Fund (GHIT Fund)
3	<ul style="list-style-type: none"> Challenge new categories and new areas Create new systems and reinforce existing systems for the realization of healthy lifestyles Create new concepts and products keeping an eye on changes in environments 	<ul style="list-style-type: none"> Executed comprehensive cooperation agreements on health with all 47 prefectures in Japan and other local governments, and promoted collaboration in health and other fields Raised awareness of proper hydration and electrolyte replenishment Continued to hold Women's Health Seminars More than 30 years of publishing the Otsuka Health Comic Library
6	<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 the times Further promote and instill diversity as a source of innovation Build new systems to maintain more comfortable working environments 	<ul style="list-style-type: none"> Cumulative total participants in the executive human resource development programs of Otsuka Global Academy (OGA): 257² Opened employee training facility Implemented employee participation program
7	<ul style="list-style-type: none"> Suppliers implementing self-assessment questionnaire (SAQ): 196 Pursuing sustainability at all levels of the value chain Sustainable procurement Conduct supplier briefings For 160 suppliers Original goal: Over 30 times/companies by fiscal 2023 	<ul style="list-style-type: none"> Number of companies implementing SAQ: 597 (577 in Japan, 20 overseas) Number of companies participating in on-demand information sessions for suppliers: 583 Stable supply of products during the COVID-19 pandemic Held a group-wide Global Quality, Production, Supply chain and Environment Meeting
8	<ul style="list-style-type: none"> Reduce CO₂ emissions by introducing renewable energy and maximizing energy efficiency Reduce CO₂ emissions throughout the value chain 	<ul style="list-style-type: none"> Established an integrated energy service system to centralize energy management in Japan
9	<ul style="list-style-type: none"> Reduce environmental impact through enhanced resource efficiency Promote business activities that aim for social and environmental sustainability 	<ul style="list-style-type: none"> Expanded sales of PET bottles using recycled PET resin Promoted horizontal recycling of PET bottles
10	<ul style="list-style-type: none"> Analyze and ascertain risks regarding sustainable water usage Ensure effective use and management of water resources 	<ul style="list-style-type: none"> Implemented water source management programs at three sites
12	<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"> Carried out activities for directors to raise effectiveness Board of Directors meeting attendance rate: 100% Implemented the Otsuka Group Global Anti-Fraud Policy Establish the Otsuka Group Global ERM⁶ Policy Establish the Otsuka Group's Global ERM Implementation Guidelines.

1. Cumulative total since 2019

2. As of December 31, 2022

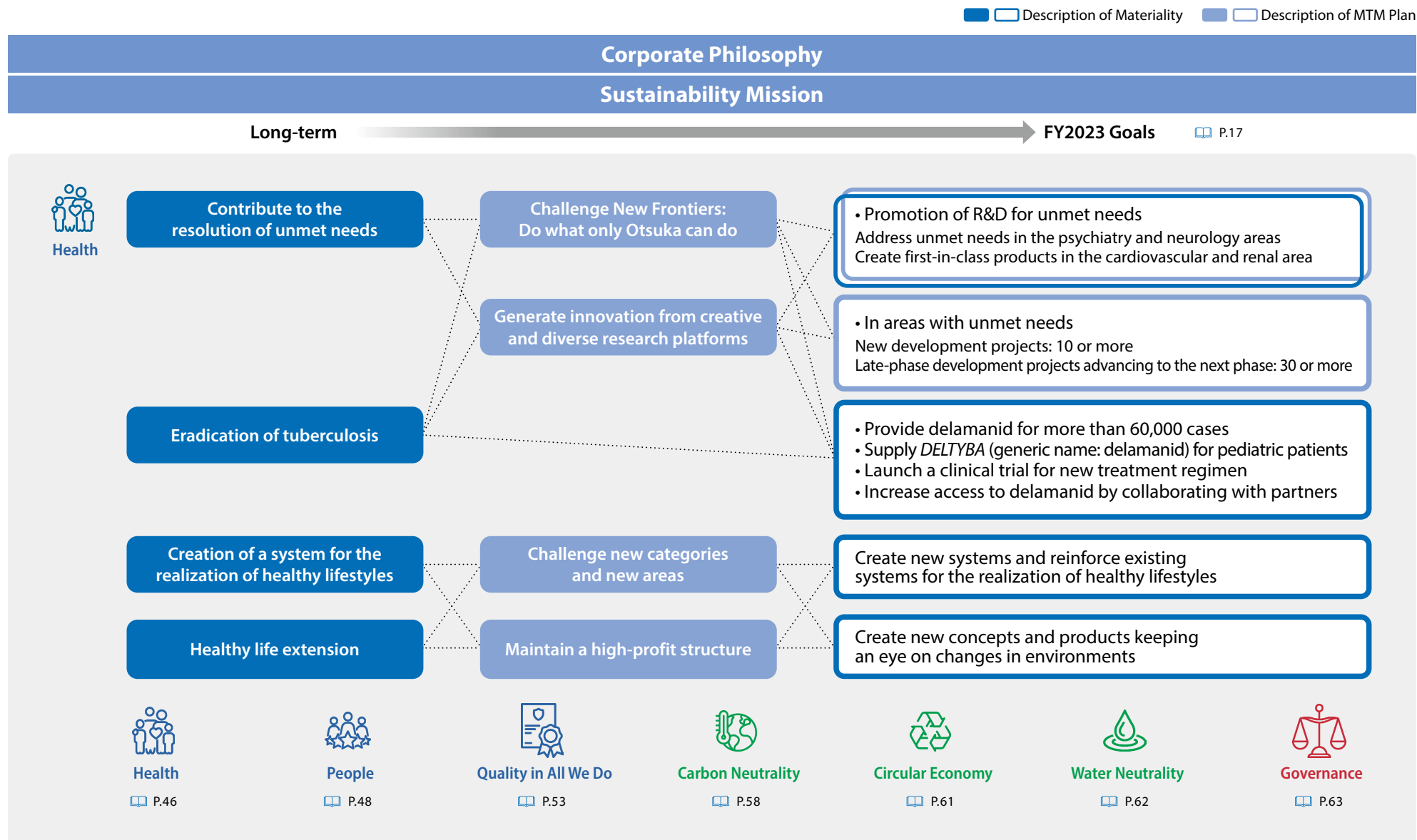
3. From 20 companies (16 in Japan, 4 overseas) * For more details, see page 27.

4. PT Otsuka Indonesia, PT Amerta Indah Otsuka, PT Widatra Bhakti, and PT Lautan Otsuka Chemical

5. Includes carbon-neutral electricity utilizing certificates equal to renewable energy that does not emit CO₂

6. ERM: Enterprise Risk Management

Relationship between Materiality and the Medium-Term Management Plan



Toward the Next Medium-Term Management Plan



We will Create New Value through Synergies among Group Companies.

Looking back on 2022

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

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

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

2023 Initiatives

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

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

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

Otsuka Group Management Supporting Growth Strategies

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

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

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

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



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

Under the corporate philosophy of “Otsuka people creating new products for better health worldwide,” the Otsuka group has formulated medium-term management plans with the aim of becoming an indispensable contributor to the people’s health worldwide as a total healthcare company.

Based on Otsuka’s DNA of “*Ryukan-godo*,” “*Jissho*,” and “*Sozosei*,” we will continue contributing to society and achieving sustainable growth through “what only Otsuka can do.”

Review of past medium-term management plans

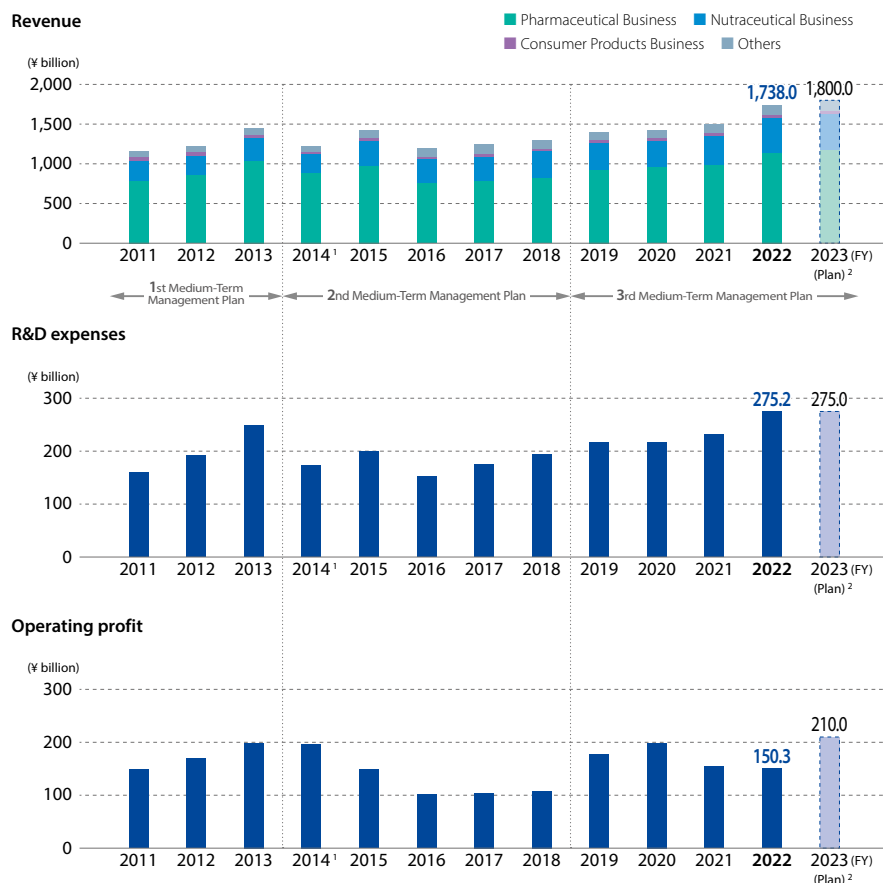
	The First Medium-Term Management Plan (FY 2011-FY 2013)	The Second Medium-Term Management Plan (FY 2014 - FY 2018)	The Third (current) Medium-Term Management Plan (FY 2019 - FY 2023)
Gist of the Medium-Term Management Plan	Three years to establish a world-class structure as a global healthcare company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

* Announced February 2023

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

Results

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

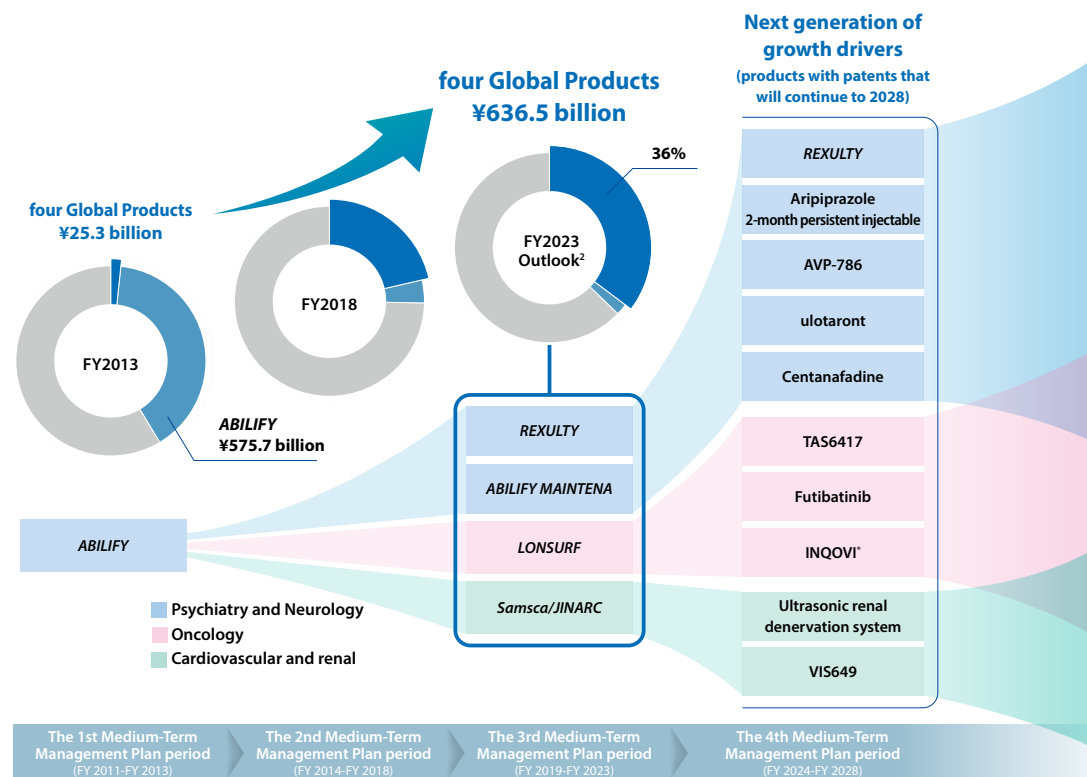


1. For 2014, figures used are for the nine-month period from April 1, 2014 to December 31, 2014 due to a change in the fiscal year end.
2. Announced February 2023

Developing the next generation of growth drivers

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

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



Message from the CFO



Progress in the Middle Year (Fiscal 2022) of the Third Medium-Term Management Plan

Although our business was impacted by a variety of external factors that were not anticipated when the Third Medium-Term Management Plan was planned such as the COVID-19 pandemic, significant increase in raw material and energy costs, and exchange rate fluctuations, we were able to overcome these issues by making the best use of our strengths as a unique total healthcare company that operates diverse businesses, including the Pharmaceutical Business, which is from diagnosis to treatment, and the Nutraceutical Business, which is maintaining and improving day-to-day health.

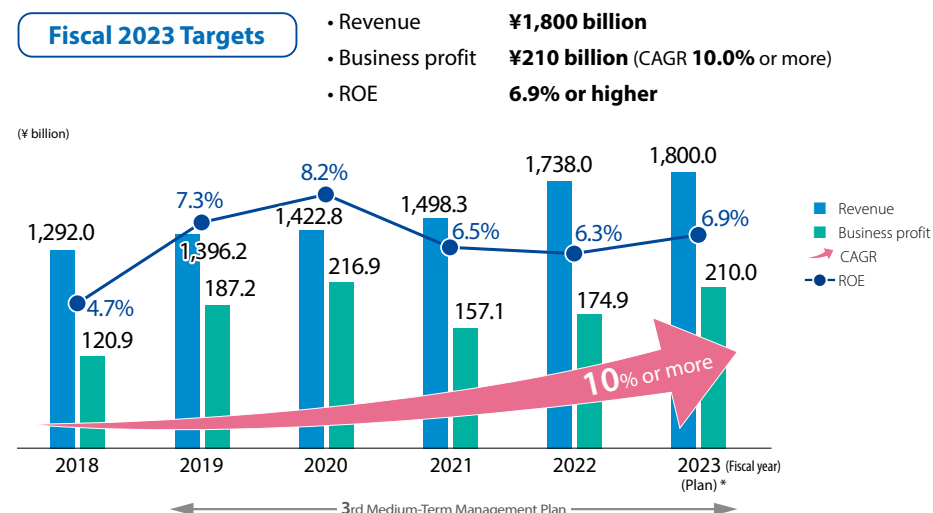
We achieved revenue of 1,738.0 billion yen for the year, up 16.0% from the previous year as a result of the increase in revenue from four Global products of Pharmaceutical segment, three Major Brands and three Nurture Brands of Nutraceutical Business segment as well as revenue from other business segments. Business profit increased significantly to 174.9 billion yen, up 11.3% from the previous year, by controlling SG&A expenses as planned while securing aggressive R&D expenses, and we are confident that we will achieve our goal for fiscal 2023, the final year of the Third Medium-Term Management Plan. Going forward, we will continue to closely monitor the impact of the external environment, such as financial instability and exchange rate fluctuation risks on our business, and to respond in a timely and flexible manner so that we aim to achieve the goals of the Medium-Term Management Plan.

Establishing a stable financial framework will make us continue doing “what only Otsuka can do,” which would support driving innovation and eventually result in contribution to society.

Progress in the Third Medium-Term Management Plan

Overview of the Plan

The period of the Third Medium-Term Management Plan is positioned as a five-year growth phase to “Advance in the Global Market as a Unique Total Healthcare Company.” In the Pharmaceutical Business and the Nutraceutical Business, we will maximize existing business value and create new value, and conduct business management with a corporatwide awareness of capital cost, and thereby maintain sustainable growth while at the same time making investments for growth and ensuring returns to shareholders.



* Announced February 2023

Message from the CFO

Plan for Fiscal 2023

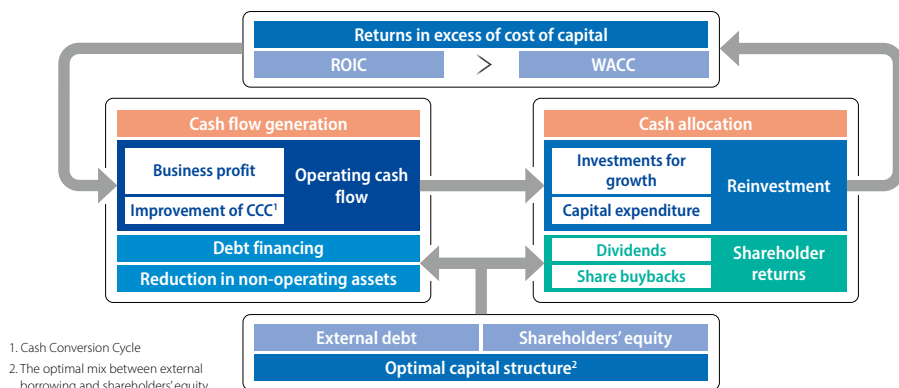
In the final year of the Medium-Term Management Plan, we target a revenue of 1.8 trillion yen in 2023, the highest in our history, and a year-on-year increase of 62 billion yen, thanks to the growth of the four Global Products and the Nutraceutical Business. With regard to the four Global Products, we achieved our sales plan of 480 billion yen for the final year of the Medium-Term Management Plan two years ahead of schedule, and we are now aiming for a new revenue target of 636.5 billion yen. In the Nutraceutical Business, *POCARI SWEAT* is also growing faster than the market growth rate, especially in Asia, and further expansion of sales areas is underway. *Nature Made* continues to grow, achieving revenue of 100 billion yen in 2021, ahead of the initial plan.

Although SG&A expenses will increase due to aggressive growth investments in new products and new areas and higher co-promotion expenses, business profit is projected at 210.0 billion yen, a 35.1 billion yen increase from the previous year due to higher sales and lower ratio of SG&A on already-launched products. Even in the midst of a drastically changing external environment, we aim to achieve growth beyond the Third Medium-Term Management Plan by demonstrating our true value as a unique total healthcare company.

Cash Flow

Despite various external factors, during the period of the Third Medium-Term Management Plan, we have been generating stable operating cash flow as a result of favorable business profit compared to what was originally planned and efforts to improve efficiency in assets. We also issued corporate bonds for the first time and diversified our funding sources. The generated cash has been allocated to research and development activities on existing products and new pipelines and to investment for future growth including capital expenditures in countries with rapid sales increases to implement “Existing Business Value Maximization and New Value Creation,” and part of it has been secured as internal reserves. It was intended for the purpose of

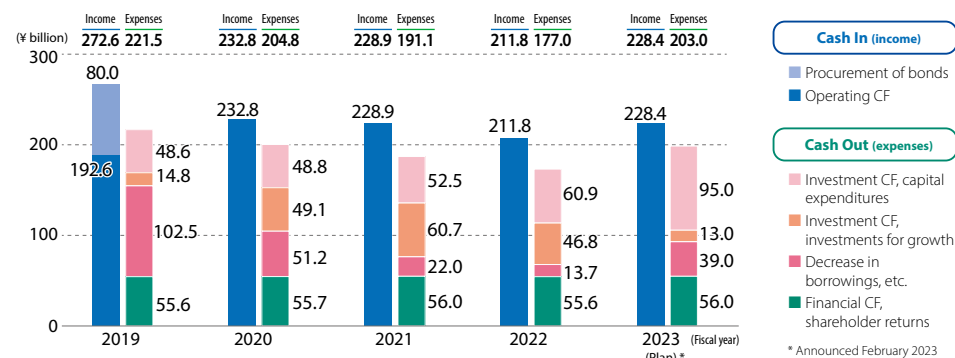
Framework of Financial Strategies



1. Cash Conversion Cycle
2. The optimal mix between external borrowing and shareholders' equity

investment for future growth, reduction of borrowings in anticipation of upward trend of interest rates, and mitigation of cash procurement risks due to uncertain conditions in the financial markets. In fiscal 2023 there are two important upcoming milestones in the Pharmaceutical business: *REXULTI*, which was approved in North America in May for the treatment of agitation associated with dementia due to Alzheimer's disease, and the expected approval of the ultrasound renal denervation (uRDN) system, and we have now secured funding. We will continue to invest flexibly in response to growth opportunities, while balancing cash allocation to return profits to shareholders as profit increases.

Cash Flow



Measures for Enhancing Corporate Value

(1) ROIC Management

Our policy for the Third Medium-Term Management Plan is to embed a commitment to "Business management with a corporatewide awareness of capital costs" throughout the group to focus on: "Existing Business Value Maximization and New Value Creation" in our two core businesses, Pharmaceuticals and Nutraceuticals. This commitment will lead to maximizing cash returns from existing businesses, allocating the generated cash to reinvestments in future growth areas, and to appropriately making stable and ongoing shareholder returns.

The period of the Third Medium-Term Management Plan is positioned as a period for "Business management with a corporatewide awareness of capital costs," with the weighted average cost of capital (WACC) set at 5.5% for the Otsuka group as a whole, so as to secure stable returns from business operations that exceed the cost of capital. Currently, we are focusing on the penetration of ROIC management, and have begun ROIC-conscious investment planning and programming throughout the Group. We believe that embedding a commitment to ROIC management is an important measure not only for improving short-term capital efficiency, but also for increasing corporate value over the medium to long term. We believe that building a stable financial foundation to continue practicing Otsuka's corporate culture of "what only Otsuka can do" from a financial perspective will lead to contributions to society through the creation of innovation. Specific individual practices and fiscal 2023 initiatives are described on the next page and beyond.

Message from the CFO

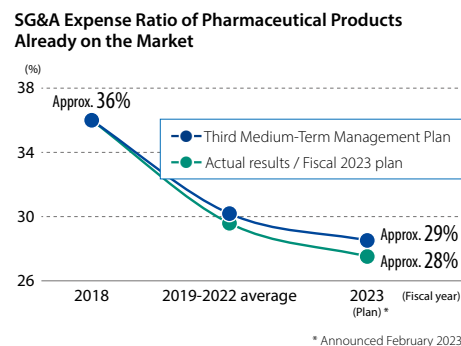
Maximizing Revenues from Existing Businesses

As part of our initiative for "Existing Business Value Maximization and New Value Creation," which is the framework of our Third Medium-Term Management Plan, we will maximize revenues from our two core businesses: Pharmaceutical and Nutraceutical. In the Pharmaceutical Business segment, in addition to further increasing revenue from the four Global Products we will be allocating appropriate human capital and expenses to maximize revenue from the IV solutions business and other therapeutic drugs. Also, to maximize the value of existing products, and as we diversify our products and pipelines, we are licensing out development and marketing rights and increasing royalty income. In the Nutraceutical Business segment, we will accelerate growth by further expanding the business of the three Major Brands, and increasing awareness of the product value of the three Nurture Brands. We will not only promote brand value, but also we will expand business in areas newly entered during the Third Medium-Term Management Plan.

Cost Efficiency in Existing Businesses

As for launched pharmaceutical products, we have set a target for the selling, general and administrative expense (SG&A) ratio and are practicing to make efficient use of costs by carefully controlling expenses. We already achieved the target of 29% for the final year of the Third Medium-Term Management Plan in FY2022, and are aiming for further improvement for FY2023.

In the Nutraceutical Business, amid aggressive investment by competitors, we are aiming for efficient, disciplined control of costs through a unique method of increasing awareness of the product value.

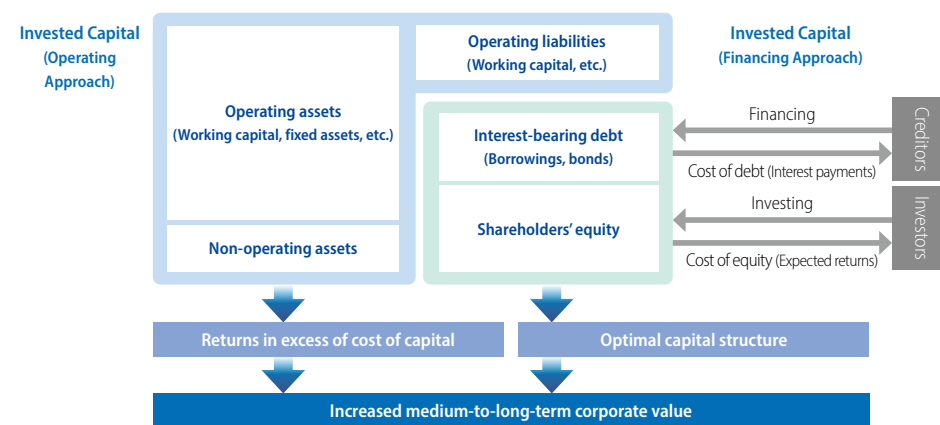


A Close Eye on the Balance Sheet

As for assets from the perspective of invested capital, we will emphasize efficient management of operating assets, strive to maintain appropriate inventory levels, control working capital, strengthen management of fixed assets, and promote periodic verification and reclassification of cross-shareholdings. Meanwhile, we will continue to address the issue of non-operating assets, either by finding ways to make effective use of them in our businesses or by selling them off.

From the financing perspective, we will stabilize our financial base so that it is not affected by financial instability, and improve capital efficiency by reducing interest-bearing debt. If external financing is required, we will do so on a case-by-case basis based on a comprehensive assessment of the cost and time required to access the funds, balance in terms of debt-to-equity ratio and other metrics, and credit rating. In this way, we will ensure the optimal balance between interest-bearing debt and shareholders' equity in our capital structure.

ROIC Management from an Invested Capital Perspective



2023 Initiatives

Fiscal year 2023 is an important year as we are to achieve the target of the final year of the Third Medium-Term Management Plan and it is positioned as a transition period to the next Medium-Term Management Plan. We are preparing to further enhance ROIC management for more effectiveness in the Fourth Medium-Term Management Plan. In FY2023, in addition to maximizing revenue, we will continue to work on further cost efficiency, improvement on the analysis of each business and product, consideration of management indices suitable for the Otsuka group in the future, and efficient asset and liability management with an awareness of the balance sheet. We will also work on the development of KPIs linked to the ROIC tree in preparation for the implementation of ROIC management in the Fourth Medium-Term Management Plan.

(2) Framework of Financial Strategies to Support New Value Creation

Corporate Department Initiatives

We support the enhancement of corporate-wide initiatives to strengthen governance in each region—Japan, North America, Europe, Asia, and China—we are also looking to expand shared services, strengthen our IT platform, promote intragroup financing, and increase efficiency of procurement functions. One example of intragroup financing is the implementation of a cash management system. Increasing the effective use of funds within Otsuka group companies across regions is helping to reduce the need for external borrowing, and interest payments, contributing to our ability to generate cash.

Message from the CFO

Corporate Department Initiatives in Each Region

Initiatives in each region	
Japan	Established Otsuka Business Support in 2019. Standardization and efficiency initiatives in human resources, IT, and accounting.
North America	Standardization and efficiency initiatives in human resources, procurement, finance, and IT, centered on Otsuka America, Inc.
Europe	Established Otsuka Holdings Europe GmbH in Germany in 2021; standardization and efficiency initiatives in human resources, finance, audit, compliance, legal, and tax operations
Asia	Standardization and sharing initiatives for finance, IT, and accounting work processes, and promoted shared services
China	Efficiency initiatives for human resources, finance, IT, audit, and compliance work processes, centered on Otsuka (China) Investment Co., Ltd.

Source of Funds for Investments for Growth

In principle, investments for growth are funded through the reinvestment of cash returns generated from businesses, and funds within the Otsuka group are effectively used across business segments, using funds from the cash management system in Japan, North America, and China. Where external procurement of cash is required, we are always prepared to implement the full range of options, including commercial paper, corporate bonds, bank loans, and share issues. To ensure our ability to act in a timely manner on business opportunities when they arise, we are prepared for the risk that financial uncertainty in the market may cause some procurement methods to become unavailable.

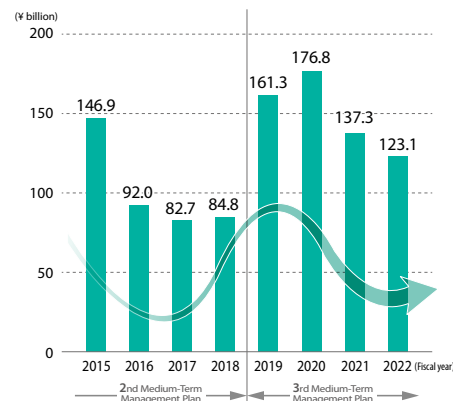
Allocation of Funds for Investments for Growth

At the Otsuka group, we see investment as a vehicle for pursuing innovation that enables us to contribute to society. The Group uses cash generated from the organic growth of existing businesses and allocates funds to the prioritized project that will contribute to the future growth of the Otsuka group as a whole with its two core businesses, Pharmaceuticals and Nutraceuticals. For example, in the Pharmaceutical Business segment, we are not only making sustained R&D investments to strengthen our products and pipeline in the priority areas of psychiatry and neurology, oncology, and cardiovascular and renal diseases, but we are also offering uRDN therapy, a new approach in the medical device business. In the Nutraceutical Business segment, in addition to investments to expand sales channels to new areas, we are investing in building brands by increasing awareness of the product value of our three Nurture Brands and in strengthening our supply chain.

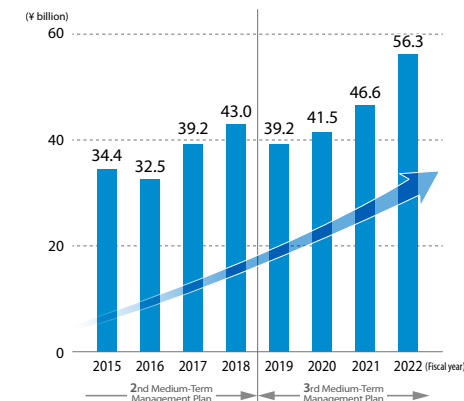
Financial Stability through Conglomerate Management

It is generally considered that the pharmaceutical business is highly volatile because revenues tend to decline sharply after the expiration of the exclusivity period (“Patent Cliff”). In order to mitigate the impact of this volatility, the companies are required to continue to bring in new pipelines to be launched in the market by continuous investment in R&D. However, the success in this process is not guaranteed regardless of the amount of cash invested. Otsuka group has been able to support this investment process with cash stably generated not only from Pharmaceutical business but also from other business segments particularly Nutraceutical business. We believe that managing diverse business segments is helping us to make robust plan on cash demands and supplies as well as creating synergies for innovation across business segments.

Operating Income in the Pharmaceutical Business



Operating Income in the Nutraceutical Business



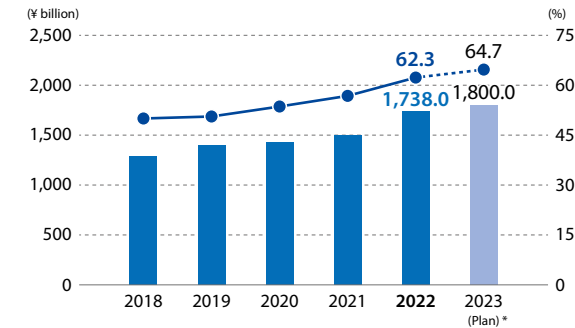
(3) Shareholder Returns Policy

While our basic policy for shareholder returns is to make dividend payouts stably and continuously, we carefully consider the amount of dividends, comprehensively weigh issues such as appropriate levels of retained cash for investments for growth, maintain a solid financial standing, and achieve the optimal capital structure.

During the period of the Third Medium-Term Management Plan, earnings fluctuated due to various external factors, but our operating cash flow was stable and we were able to continue stable dividend payouts. We will be considering additional shareholder returns after performing a thorough analysis of internal reserves and cash balance at the end of the Third Medium-Term Management Plan and investments for growth for the Fourth Medium-Term Management Plan.

Financial and Non-Financial Highlights

Revenue and Percentage of Overseas Revenue

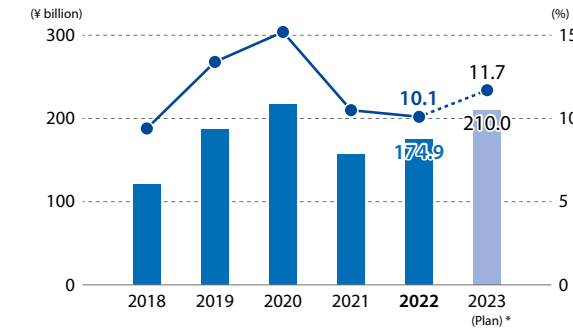


■ Revenue (left) ● Percentage of Overseas revenue (right)

Revenue continues to grow in all segments, especially in the four Global Products of the Pharmaceutical Business and the three Major Brands and three Nurture Brands of the Nutraceutical Business.

The percentage of overseas revenue has been increasing yearly, especially with the growth in North America.

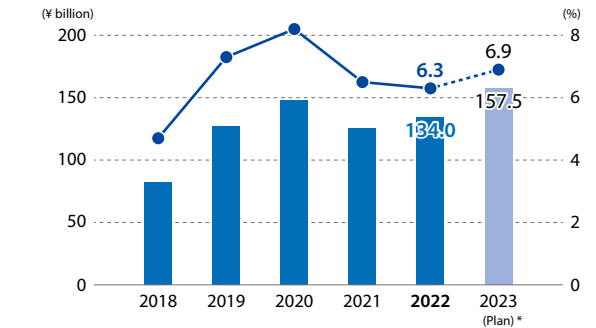
Business Profit, Business Profit Margin (Percentage of Revenue)



■ Business profit (left) ● Business profit margin (right)

Business profit was affected by higher raw material and energy costs, as well as by the COVID-19 pandemic, but increased due to sales growth, as well as stronger sales efforts and control of SG&A expenses.

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

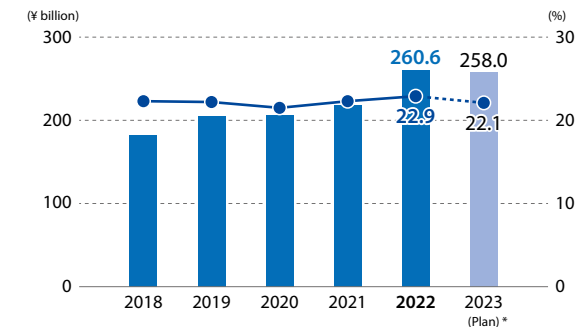


■ Profit attributable to owners of the Company (left) ● Return on equity attributable to owners of the Company (ROE) (right)

ROE for the 2023 plan is expected to be 6.9%, an increase of 0.6% over the previous year. By conducting business management with a corporate-wide awareness of capital cost, we aim to improve capital efficiency and achieve more than the plan.

Pharmaceutical Business

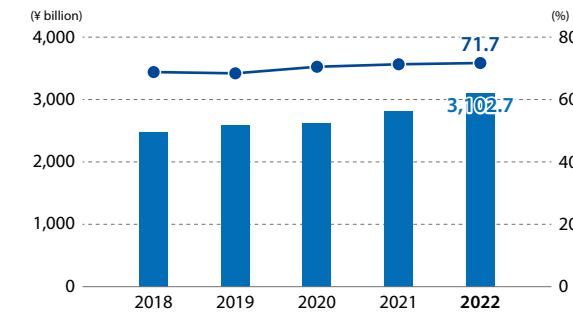
R&D Expenses, R&D Ratio (Percentage of Revenue)



■ R&D expenses (left) ● R&D ratio (right)

In anticipation of growth from the 4th Medium-Term Management Plan, we are continuing to invest in R&D at a high level, focusing on next-generation growth drivers to strengthen our products and pipeline in our priority areas of psychiatry and neurology, oncology, and cardiovascular and renal disease.

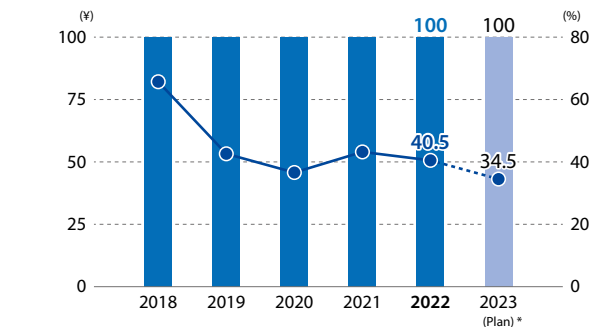
Total Assets, Ratio of Equity Attributable to Owners of the Company to Total Assets



■ Total assets (left) ● Ratio of equity attributable to owners of the Company to total assets (right)

Assets have increased due to aggressive overseas business development as well as the impact of the yen's depreciation. The ratio of equity attributable to owners of the parent company has remained stable, financially.

Annual Dividend per Share, Dividend Payout Ratio



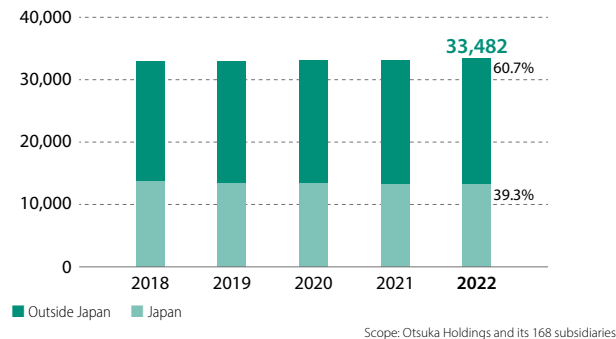
■ Annual dividend per share (left) ● Dividend payout ratio (right)

Our basic policy for shareholder returns is to pay stable dividends in line with profit growth. We will consider further shareholder returns taking into account the results of the 3rd Medium-Term Management Plan, as well as growth investments and financial conditions from the 4th Medium-Term Management Plan.

* Announced February 2023

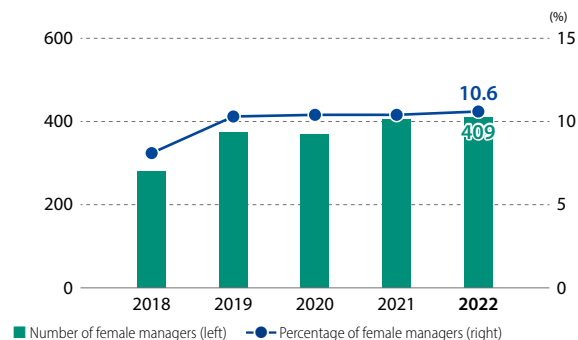
Financial and Non-Financial Highlights

Number of Employees



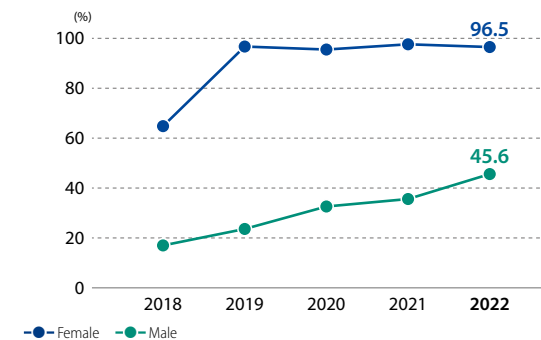
Sixty percent of our employees are active overseas and we are promoting global expansion.

Number of Female Managers, Percentage of Female Managers¹



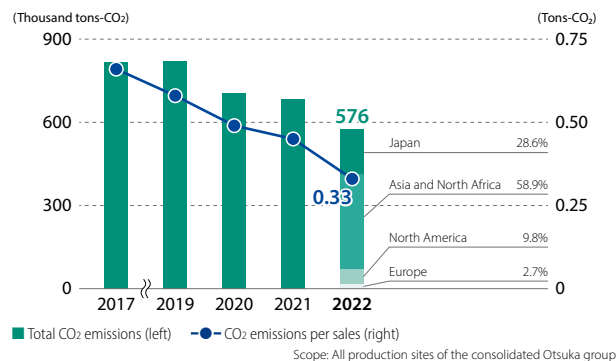
The percentage of female managers is increasing due to measures to promote the activity of women.

Number of Employees Taking Parental Leave²



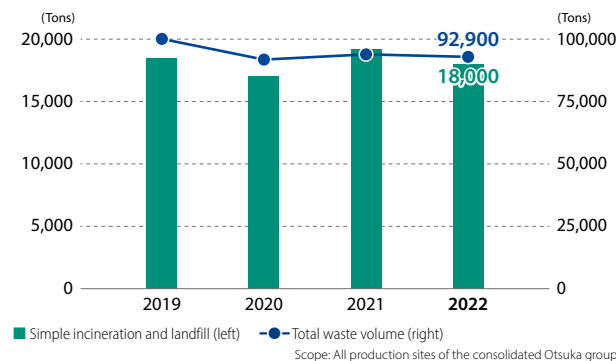
Seminars to encourage employees to change their attitudes, and the implementation of a new system to encourage male employees to take parental leave, have led to an increase in the take-up rate.

CO₂ Emissions, CO₂ Emissions per Sales



CO₂ emissions were reduced by 15.5% from the previous year by installing CO₂-free electricity and solar power generation equipment so we use renewable energy, and by maximizing energy use efficiency with the installation of a cogeneration system and fuel conversion.

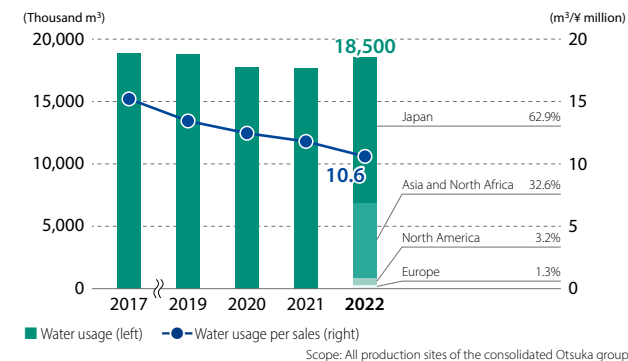
Simple Incineration and Landfill Volume, Total Waste Volume



Total global emissions were down 1.1% from the previous year, while simple incineration and landfill emissions were down 2.7% from 2019.

* Figures have been revised due to a review of waste data.

Water Usage, Water Usage per Sales



Global water consumption increased 4.2% from the previous year due to factors such as restarts of plants in Japan, while unit water sales decreased 30.3% from 2017.

1,2. Scope: (Fiscal 2017–2018) Six companies: Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Warehouse, Otsuka Chemical, and Otsuka Foods
 (Fiscal 2019) Nine companies: the six companies above plus Otsuka Pharmaceutical Development & Commercialization, Otsuka America Pharmaceutical, and Pharmavite
 (Fiscal 2020) Eleven companies: the nine companies above plus Otsuka Holdings and Otsuka Medical Devices
 (Fiscal 2021) Nineteen companies: the eleven companies above plus Otsuka Electronics, Otsuka Techno, Okayama Taiho Pharmaceutical, Otsuka Packaging Industries, Otsuka Ohmi Ceramics, Higashiyama Film, Otsuka Wellness Vending, and JIMRO
 (Fiscal 2022) Twenty companies: the 19 companies above and Otsuka Pharmaceutical Europe (applies only to parental leave)
 2. Scope: only the Japanese companies among those aforementioned

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

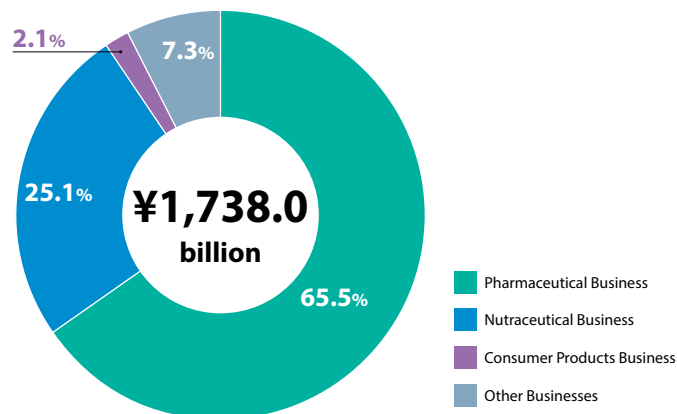
Other Businesses



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

Revenue*

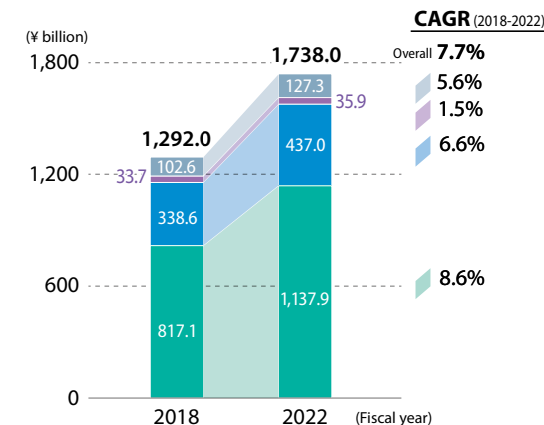
Business Segment (Fiscal 2022)



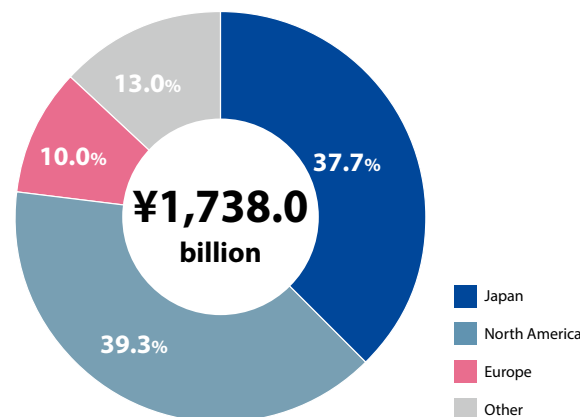
* Revenues from sales to external customers

Revenue and CAGR

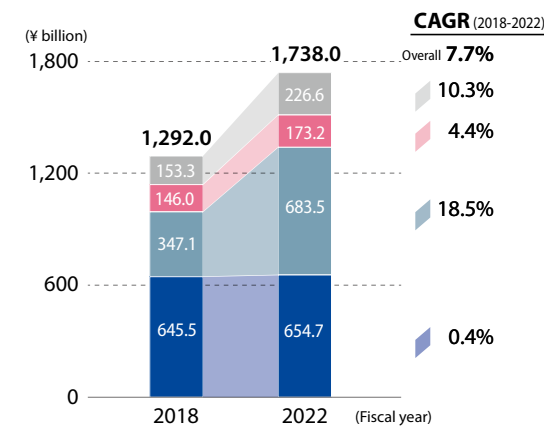
Business Segment



By Region (Fiscal 2022)



By Region



Business Strategy

Pharmaceutical Business

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

📖 Please see p. 17



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.

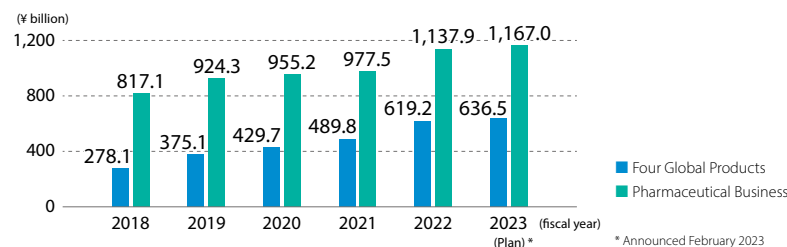
Revenue



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

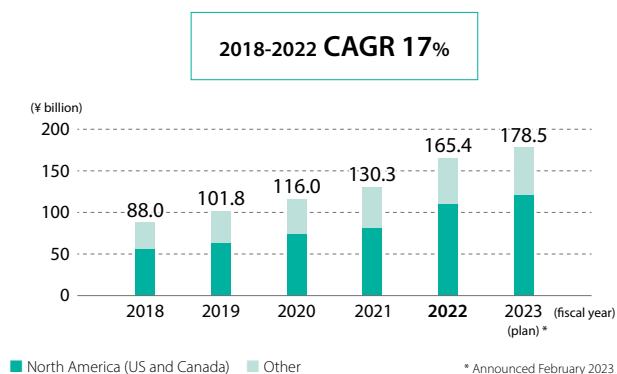
aripiprazole | Antipsychotic long-acting injectable

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

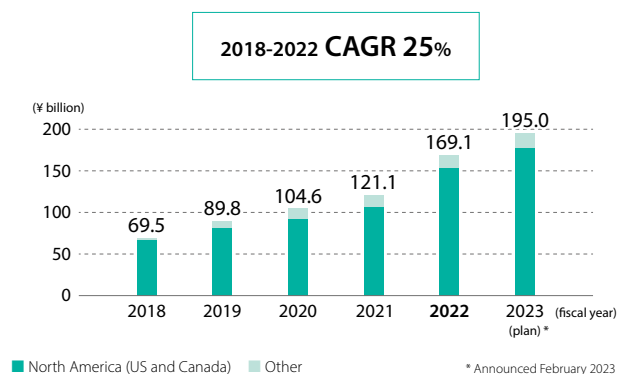
brexpiprazole | Atypical antipsychotic

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

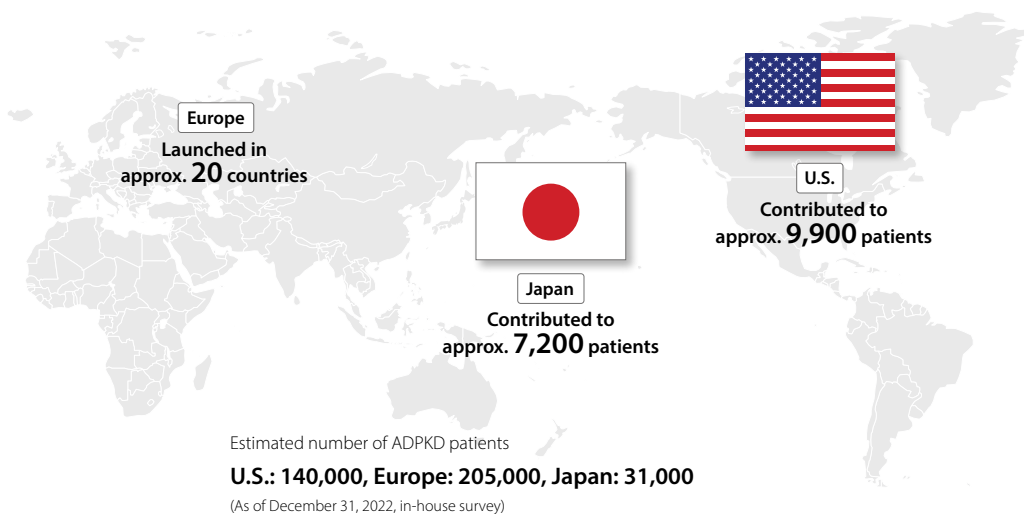
Samsca/JINARC/JYNARQUE

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 COVID19^{1,2}, 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"> • Strengthening of products and pipeline in psychiatry and neurology 	<ul style="list-style-type: none"> • Established a center in the U.S. to develop strategies for drug discovery to commercialization • Tied up with Sumitomo Pharma Group • Introduced CT-152 • Started clinical trial for OPC-214870
<ul style="list-style-type: none"> • Strengthening of products and pipeline with a focus on Japan 	<ul style="list-style-type: none"> • In-house development and start of clinical trials on a total of 14 projects, such as ASTX030, TAS0953, OPC-415, and OPF-109 • Twelve products introduced, such as R-Ketamine, Bempedoic acid, Voclosporin, and TAS6417 • Eleven products approved, including AJOVY, Entresto, Moizerto, SAMTASU, Jeselhy
<ul style="list-style-type: none"> • New technologies 	<ul style="list-style-type: none"> • Regenerative medicine • Promoted open innovation

■ 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 technology¹ it has continued to develop throughout its history, the Cysteinomix Drug Discovery Platform² that enables specific covalent modification of therapeutic targets, and the fragment-based drug discovery³ 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/>

📖 Please see P.17



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

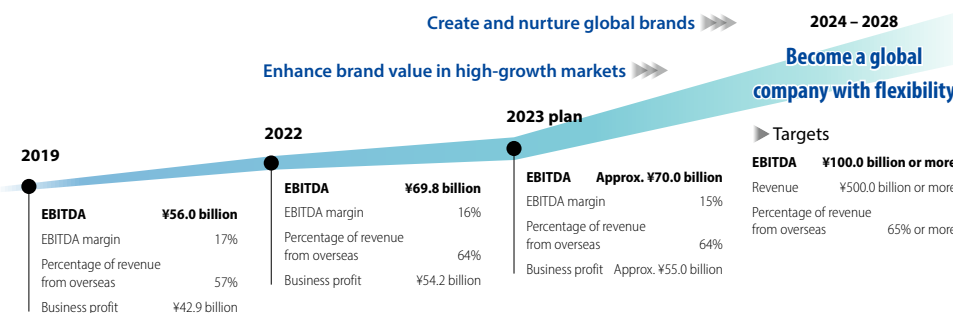
Final year: fiscal 2023's
 Revenue plan: ¥450.0 billion
 Business profit plan: ¥65.0 billion

Results during the Plan

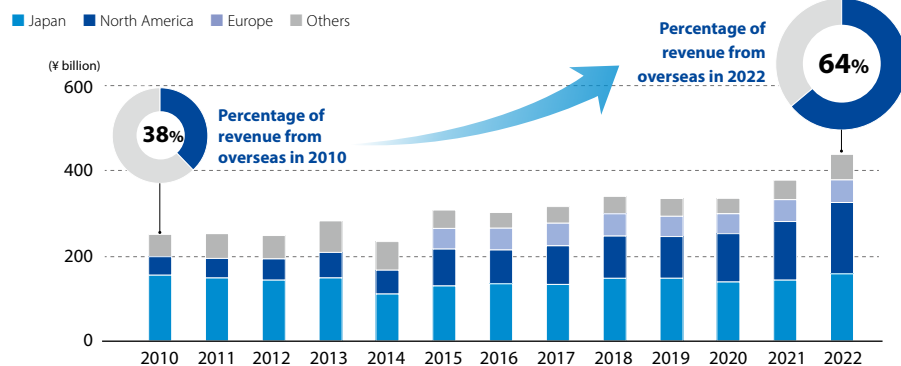
- Maintained stable, high profitability and had record-high revenue and business profit in FY2022
- Had sales revenue of 100 billion yen for *Nature Made* in FY2021, well ahead of the original plan, and it continues to grow

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



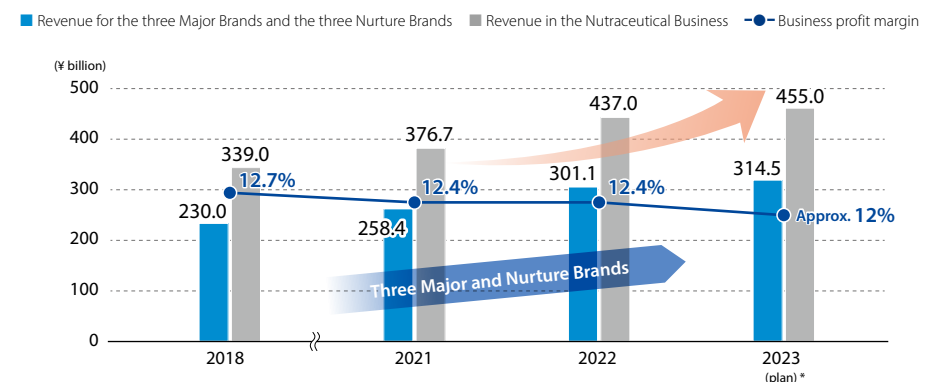
Accelerating Global Expansion—Trends in Overseas Revenue



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

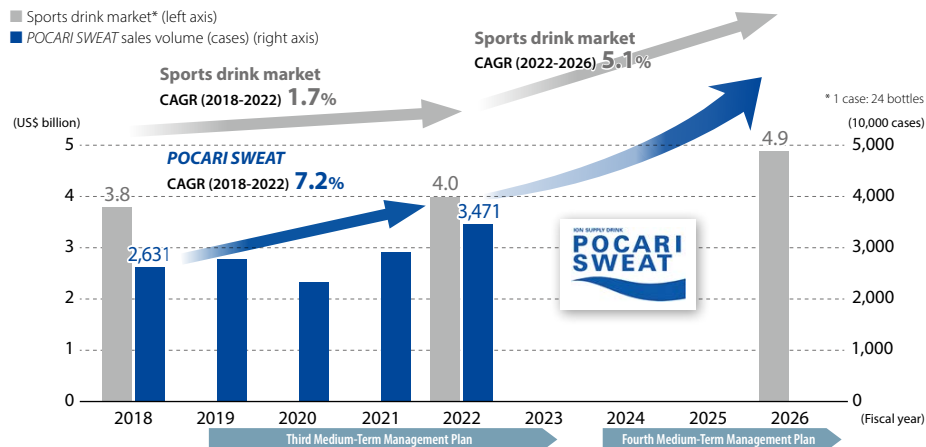
The Asia-Pacific (excluding Japan) sports drink market grew at a low CAGR of 1.7% from 2018 to 2022, because the spread of COVID-19 limited consumer activity. Against this backdrop, the POCARI SWEAT, a water and electrolyte supplement drink, grew at a CAGR of 7.2% from 2018 to 2022 in the region, exceeding 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 brand¹ sold in U.S. stores. Sales of Nature Made in Japan began in 1993, and the brand has continued to grow by offering a range of high-quality products designed and manufactured for Japanese consumers. As a pioneer, Nature Made leads the Japanese supplement market, with its Multiple Vitamin and Mineral supplements and vitamin D supplements ranking No. 1 for in-store sales in their respective market categories.²



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 VMS⁴ brand in the United States according to YouGov's Best Brands Ranking 2022³.

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



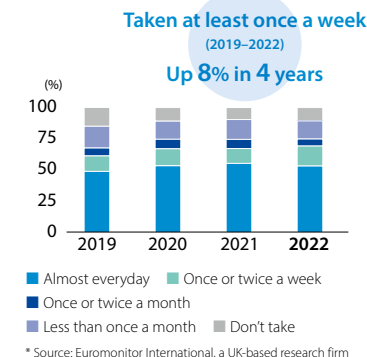
Growing Needs for Dietary Supplements in the U.S.

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 service¹ and new lifestyles

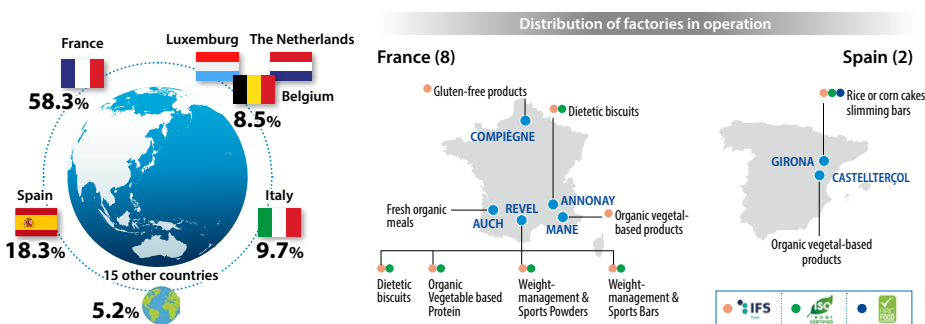
Nutrition & Santé (N&S) was founded in 1972, and is a pioneer in European health food manufacturing. “Santé” means “health” in French, so the company’s objective is to provide better nutrition to keep consumers healthy. N&S has 10 factories, and offices in France, Belgium, the Netherlands, Italy, Spain,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

In 2022, although local-currency sales decreased mainly due to the impact of stalled growth in the high value-added organic food market², 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.

1. Services for providing meals to public institutions, schools, etc.
2. 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

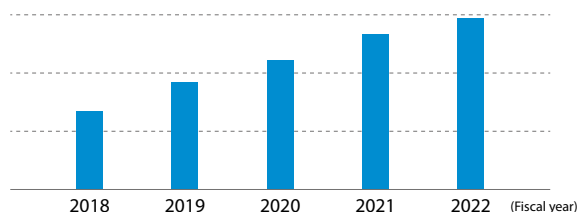
■ EQUELLE

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*



* 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."

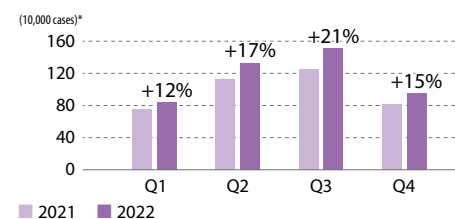
In 2023, we will celebrate the 55th anniversary of the launch of our retort-pouch curry brand, which has been recognized by Guinness World Records™ as the world's longest-lasting retort-pouch curry brand (for the year 2022). We will continue to nurture the brand as a brand loved by all.

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.

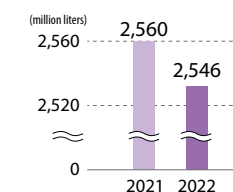


While the Japanese market for carbonated beverages declined slightly in 2022, the sales volume of *MATCH* increased by double digits (+17% year-on-year), thanks to the promotion of "Get a day's worth of vitamins in one bottle," and the addition of seasonal products, as well as the continuation of jelly-type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

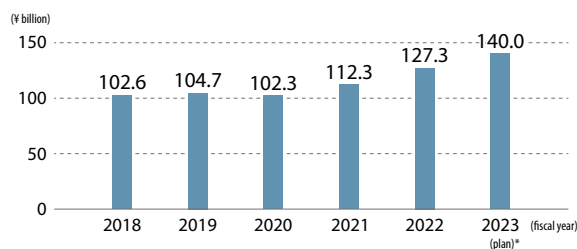
Otsuka Chemical

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

R&D to Support Our Business

Our R&D Organization

Fiscal 2022 Results
Pharmaceutical Business R&D Expenses
260.6 billion yen

Fiscal 2022 Results
In-house drug discovery ratio¹
79%

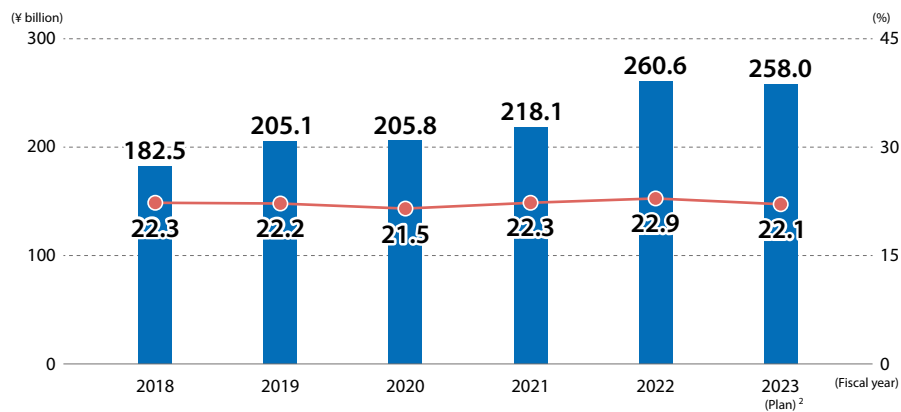
1. Among late-stage development projects (Phase 3 and beyond) percentage of Otsuka drugs discovered in-house

Fiscal 2022 Results
Percentage of Pharmaceutical Business R&D Expenses
22.9%

In order to research and develop innovative products that contribute to curing diseases and support good health, the Otsuka group has established a network of domestic and overseas group research institutes and is engaged in diverse drug discovery research under a global structure.

The Otsuka group's strength lies in its unique and diverse research base, and it will organically integrate its drug discovery research base, mainly small molecules accumulated through years of new drug research, with cutting-edge technologies to create innovation through a value creation process based on "Ryukan-godo," "Jissho," and "Sozosei."

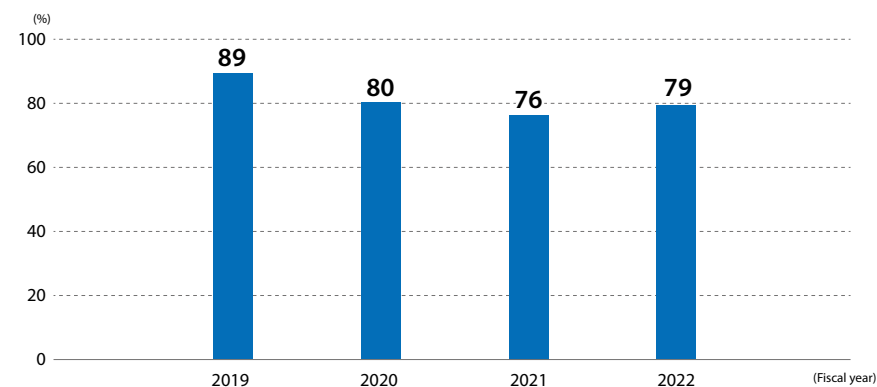
Pharmaceutical Business R&D Expenses and Ratio of R&D Expenses to Revenue



■ R&D expenses ● Ratio of R&D expenses to revenue

2. Announced February 2023

Percentage of In-house drug discovery¹



R&D to Support Our Business Representative Research Institutes for the Pharmaceutical Business

Astex

Astex, which conducts fragment-based drug discovery of small molecule compounds for oncology and psychiatric and neurological disorders, has created anti-cancer drugs such as *Kisqali*¹, *Balversa*² and *INQOVI*. Furthermore, in addition to drug design based on protein structure analysis using cryo-electron microscopy, Astex is working to create innovative drugs through target and mechanism analysis using quantum computers.

1. A product sold by Novartis
2. A products sold by Janssen Biotech



Visterra

Visterra, with its strength in antibody drug discovery, has made steady progress in its clinical development since joining the Otsuka group in 2018, including the start of Phase 3 studies for VIS649 and Phase 1 studies for VIS171 in immune-mediated and renal diseases where treatment satisfaction has been low. The proprietary Hierotope[®] platform enables the design of antibody drugs for many biological substances by calculating and predicting protein-antibody binding. As part of Otsuka Pharmaceutical's Open Innovation Strategy, the company is collaborating with universities and hospitals in the Boston area.



Otsuka Pharmaceutical Tokushima Research Center for Drug Discovery

The Tokushima Drug Discovery Research Center has provided new therapeutic agents such as *REXULTI* and *SAMSCA/JINARC/JYNARQUE* for the areas of psychiatric and neurological diseases, and cardiovascular and renal diseases that were not being met by existing therapeutic agents. We continue to conduct research activities focusing on drug discovery approaches with small molecules,



both phenotypic drug discovery and targeted drug discovery, utilizing the experience we have accumulated. We also conduct safety and pharmacokinetic studies to advance our products to clinical trials (investigational new drugs).

Taiho Pharmaceutical Discovery and Preclinical Research Division (Tsukuba Area)

At the Tsukuba Area research facility, we are taking on the challenge of creating bold new drug candidate compounds, in the same vein as futibatinib and pimitespib, with superior efficacy and safety, mainly in the fields of oncology and immunology. In addition to our proprietary drug discovery platforms, such as the Cysteinomix Drug Discovery Platform and the RAS Drug



Discovery Platform, we are actively working to improve and expand our drug discovery platform technologies, including the introduction of robotics technology to increase and accelerate research productivity and the use of artificial intelligence (AI) in the search for drug targets and compound design.

Otsuka Pharmaceutical Osaka Research Center for Drug Discovery

The Osaka Research Center for Drug Discovery is engaged in research centered on biologics drug discovery, with *OPC-415* (MMG49 CAR-T cells), a gene-cell therapy development product, at the forefront, through collaboration with external organizations in Japan and overseas. In addition, the Center has a facility for




























biologics process development research and a dedicated facility equipped with a cryo-electron microscope with the world's highest resolution and high throughput. While continuing with small molecule drug discovery, which has been our strength, we are conducting drug discovery research that incorporates immunology, organoids, and digital technology.

Product Development Pipelines

Major Development Progress in 2022

Product	Indication	Country/Region	Progress
Psychiatry and neurology			
brexpiprazole weekly formulation	Schizophrenia	Japan	Started Phase 3
brexpiprazole	Schizophrenia	China	Filed
aripiprazole 2-month long-acting injection injectable	Schizophrenia	U.S. and Europe	Filed
	Bipolar I disorder	U.S.	Filed
centanafadine	major depressive disorder	U.S.	Started Phase 2
ulotaront	Adjuvant treatment for major depressive disorder	U.S.	Started Phase 2 and 3
	Generalized anxiety disorder	Japan and U.S.	Started Phase 2 and 3
Oncology			
futibatinib	Intrahepatic bile duct cancer	U.S.	Approved
	Cholangiocarcinoma	Europe	Filed
	Bile duct cancer	Japan	Filed
pimipitespib	Gastrointestinal stromal tumor exacerbated after cancer chemotherapy	Japan	Approved
zimberelimab + pimipitespib	Solid tumors	Japan	Started Phase 1
zimberelimab + pamufetinib	Solid tumors	Japan	Started Phase 1
zipalartinib	Non-small cell lung cancer with epidermal growth factor receptor exon 20 insertion mutation	U.S. and Europe	Started Phase 1 and 2
ASTX727	Acute myeloid leukemia	Europe	Filed
fosnetupitant	Nausea and vomiting associated with administration of antineoplastic agents	Japan	Approved
Cardiovascular and renal system			
OPC-61815	Fluid retention in heart failure	Japan	Approved
sibeprenlimab	Immunoglobulin A (IgA) nephropathy	Japan, U.S., and Europe	Started Phase 3
voclosporin	Lupus nephritis	Europe	Approved
Ultrasonic renal denervation system	Uncontrolled hypertension	U.S.	Filed
Other categories			
TAS5315	Chronic idiopathic urticaria	Japan	Started Phase 2
quabodepistat	Tuberculosis	U.S.	Started Phase 2

Materiality (Material Issues) [Reprinted from p. 16]

Materiality	Social Issues	Our Goals	Our Activities	Related SDGs	
 Society (Healthier Society)	 Health	① Unmet medical and health needs ② Spread of infectious diseases ③ Nutritional needs ④ Increasing aging issues	<ul style="list-style-type: none"> Contribute to unmet needs solutions Eradication of tuberculosis Creation of a system for the realization of healthy lifestyles Healthy life extension 	<ul style="list-style-type: none"> Promotion of R&D for unmet needs R&D of anti tuberculosis 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	⑤ Presenteeism ¹ 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 Health and productivity management 	   
	 Quality in All We Do	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 "consumer-oriented management" 	
 Environment (Healthier Planet)	 Carbon Neutrality²	⑧ Global warming	<ul style="list-style-type: none"> 2028 target: Reduce 50% in CO₂ emissions compared to 2017 	<ul style="list-style-type: none"> Reduce CO₂ emissions throughout the value chain 	     
	 Circular Economy³	⑨ Environmental load increase	<ul style="list-style-type: none"> 2028 target: Reduce 50% in simple incineration and landfill disposal compared to 2019 2030 target: 100% 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 sustainability for both society and the earth 	
	 Water Neutrality⁴	⑩ Reducing freshwater availability due to water resource risks	<ul style="list-style-type: none"> 2028 target: Expand the plant water management program to all locations globally 2028 target: Develop a water use strategy for business locations in water-stressed areas 	<ul style="list-style-type: none"> Understanding water resource risks Management and effective use of water resources 	
 Governance	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"> Strengthening corporate governance Thorough compliance Risk identification, evaluation and management 		

1. A situation in which, despite coming in to work, productivity does not increase due to the employee's poor mental and physical condition
 2. To reduce CO₂ emissions from business activities to substantially zero (calculated by subtracting uptake from emissions)
 3. To establish an economic system that recycles resources by reusing waste discharged from business activities as new raw materials
 4. To reduce the impact of water intake and discharge from business activities on water resources to zero

Message from the Director in Charge of Sustainability



What is Our Contribution to a Sustainable Society as a Total Healthcare Company?

Sustainability Issues, and Initiatives to Address Them

The Otsuka group currently consists of 196 companies, and has operations around the world. While the diversity created by our global expansion is a source of new ideas and innovation, we also recognize the need to be aware of different markets, social environments, cultures, perspectives, and values, and to adapt from time to time to changes in how we view and execute our business. For the Otsuka group to continue being a company that is needed by its stakeholders, we believe it is important to share and enhance that awareness and discipline in various areas, what is otherwise called group governance. We also believe that one of the issues of group governance is to ensure the consistency of the overall management vector under the corporate philosophy, and we will build a system to clarify the scope and responsibilities of each group company while overseeing the overall strategy.

Investment in Human Capital is Essential for Long-Term Value Creation

The Otsuka group is currently formulating its Fourth Medium-Term Management Plan, which will begin in 2024. We recognize that the formulation of a human resource strategy linked to the management strategy is also an important issue, and are considering incorporating this into the medium-term management plan so that it can be presented both internally and externally.

Currently, we are placing particular emphasis on the development of management personnel who fully understand our corporate culture and philosophy, and who can execute our strategies. We believe that the next generation of leaders needs to have a global perspective, creativity, the ability to proactively build internal and external networks (humanity), and a proven track record. With this in mind, Otsuka Holdings has a program to develop global management personnel. Under the active commitment of CEO Higuchi, 60 participants from Otsuka group companies in Japan and overseas participate in the program each year to learn and discuss the type of human resources and business skills required of management personnel, based on the leadership of the company's leaders and Otsuka's unique way of looking at business. We hope that these employees, who have been directly trained by top management, will eventually develop into management talents who will lead Otsuka in cooperation with other group companies.

At the same time, we must improve the responsiveness of the entire group and continue to provide new value to the market through innovation. To develop human resources with the ability to respond to change, which is the source of this value creation, Otsuka group companies also conduct human resource development programs. For example, Otsuka Pharmaceutical is implementing a human resources development training program for employees aiming for global careers. Taiho Pharmaceutical plans to turn its program for developing female management personnel into a program for global management personnel development. In addition, Otsuka Pharmaceutical Factory conducts rank-based training and selective training programs, and plans medium- to long-term programs to develop personnel to take charge of divisions. Otsuka America Pharmaceutical, Inc. also provides experiential training for senior leaders in a wide range of roles to accelerate the development of their abilities.

Human resource development takes time to produce results. On the other hand, the more long-term the strategy is, the more important it is to have a foundation of values that does not change over time, in other words, a corporate culture and philosophy. We recognize that one of the important elements of human resource development is to pass on to the next generation the philosophy that forms the basis of our business development through the ideas and accumulated case studies of our predecessors, and that this is also an important duty. ▶P48-52

Message from the Director in Charge of Sustainability

Activities in the Sustainability Promotion Committee

The Otsuka group established the Otsuka Group Sustainability Promotion Committee in 2018 based on the belief that efforts to achieve sustainability are an integral part of the business itself. Representatives from procurement, quality, human resources, environment, and compliance, etc. from each company participate in the committee to promote Otsuka group sustainability throughout the organization. Sustainability promotion activities are carried out while sharing information on initiatives, issues, and future plans in line with the Otsuka group's overall material issues.

We also conduct activities in each area by defining issues. For example, we consider sustainable procurement as one of our material issues, and in addition to the four areas of the United Nations Global Compact (UNGC) (human rights, labor, environment, and anti-corruption), we hold quarterly meetings to discuss the progress of our initiatives and share issues to strengthen our efforts for stable supply in response to natural disasters and geopolitical risks. ▶P.54

Commitment to Quality that has not Changed Since the Company's Founding

Our commitment to quality is another important principle that has remained unchanged since our founding. "Quality in all we do" at Otsuka is a theme that we pursue at all stages of the value chain, and we believe that it is a never-ending issue that the entire Otsuka group must work together to achieve. With this in mind, in February 2023 we held a joint global conference across the Group on quality, production, supply chain, and the environment, areas which had previously been discussed in separate conferences.

By sharing the activities of not only one's own division but also those of related divisions and having opportunities for discussions that transcend each area, we will deepen mutual understanding and further strengthen collaboration to improve the quality of the entire group. ▶P.53-55

Toward the 2050 Environmental Vision "Net Zero"

The Otsuka group has adopted "Net Zero" as its environmental vision for 2050, which is to reduce the environmental impact of all of its business activities to zero. In light of the nature of the Group's business, we have identified three environmental issues that are particularly relevant. These are carbon neutrality, circular economy, and water neutrality. We have designated these as our

environmental material issues, and have set medium-term goals for 2028 and 2030, and all group companies are working to achieve these goals.

With respect to carbon neutrality, in 2021 we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and are promoting disclosure of climate change-related risks and opportunities as recommended by the TCFD. In addition, in 2022 we joined the international initiative RE100, which aims for 100% renewable energy for electricity used in business activities. Furthermore, we have established and begun operating an integrated energy service system to manage energy use across the group in Japan. Operations began in Shikoku, where many of our business sites are located, and we plan to expand the scope of operations in the future with the aim of more efficiently procuring electricity and increasing the utilization rate of renewable energy. Overseas, in addition to the introduction of CO₂-free electricity at all of our production sites in Indonesia, we have also introduced large-scale solar power generation facilities in India.

With respect to circular economy, the group has a plastic policy, which calls for 100% use of recycled and plant-derived raw materials globally by 2030 for PET bottles used by the group, and expanded the initiative overseas in 2022. In addition, PT Amerta Indah Otsuka, a subsidiary in Indonesia, is working with local governments and residents in the vicinity of its plants to form habits of awareness about environmental considerations and to support the creation of communities that can independently handle waste disposal and waste management. ▶P.57-62

Mission as a Total Healthcare Company

As a total healthcare group, we believe that our greatest mission is to contribute to social issues related to people's health, and we continue to take on the challenge of solving still unmet medical and health needs.

Health, which Otsuka pursues, is a very simple and essential value. Otsuka's pursuit of health is a very simple and essential value. To be healthy, one must avoid getting sick, and if one does get sick, get better as quickly as possible. By pursuing these values through our two core businesses, the Pharmaceutical Business and the Nutraceutical Business, we aim to become an indispensable contributor to people's health worldwide. The Otsuka group's raison d'être is to be a company that continues to provide products, services, and information to address all unresolved and yet-to-be-identified healthcare needs, such as tuberculosis, one of the world's three major infectious diseases, and women's health issues arising from changes in life stages. We will continue to view various health-related issues as business opportunities and contribute to the realization of a sustainable society through our business activities. ▶P.46-47

Sustainability Management Structure

https://www.otsuka.com/en/csr/hd_activity/promotion.html



Society | Health

For more details about Pharmaceutical Business ~Initiatives to Address Unmet Medical Needs~

<https://www.otsuka.com/en/csr/society/health/pharmaceutical.html>



Pharmaceutical Business ~Initiatives to Address Unmet Medical Needs~

Basic Policy

Good health is a universal desire. At the Otsuka group, we work every day to help healthcare professionals around the world prevent and treat illness, and to help ordinary people maintain and improve their health. Numerous challenges remain, including protracted infectious disease outbreaks, underdeveloped medical infrastructure, and insufficient effective treatment options. We approach these issues by considering what it is that only Otsuka can do, with a particular focus on working to address unmet medical needs.

Tuberculosis (TB), one of the world's three major infectious diseases, is one of the most important areas of unmet medical needs, and various efforts are underway to eradicate it.

Targets for FY 2023 and progress in the current fiscal year

- Provide delamanid for more than 60,000 cases: provided for more than 90,000 cases so far
- Launch pediatric formulation of Deltiva: started providing it in June 2022
- Initiate clinical trials for new therapeutic regimens: agreement signed in August 2022 for collaboration in clinical trials.
- Expand access to delamanid in collaboration with partners: providing delamanid from GDF and alliance partners

Expanding access to patients worldwide by collaborating with partners

TB is one of the world's three major infectious diseases, along with HIV/AIDS and malaria. In 2021, there were more than 10 million cases and 1.6 million deaths worldwide, and with this large number of deaths, it is a disease for which treatment opportunities are very much desired. Against this backdrop, Otsuka Pharmaceutical created the TB drug delamanid after more than 40 years of research and development. And by working with the Global Drug Facility (GDF) of the Stop TB Partnership, an organization that enables sustainable procurement in developing countries, such as in Africa and Asia, where many patients live, we have brought about local access to TB drugs and diagnostics. Other initiatives include participation in the Global Health Innovative Technology Fund (GHIT Fund), a public-private partnership established in Japan to fight infectious diseases worldwide; cooperation with programs run by organizations such as Médecins Sans Frontières; securing support from the Bill & Melinda Gates Foundation to develop new TB treatments; and alliances with global companies with strengths in public health in regions where we do not have a presence. We are working to contribute to the health of people worldwide through activities that involve many stakeholders.

Otsuka Pharmaceutical is working to establish a system for sustainable drug supply at appropriate prices so that people around the world can access delamanid when they need it, regardless of the socioeconomic conditions or income level of the countries in which they live. This multifaceted approach has seen use of delamanid expand to more than 120 countries/regions by the end of 2022, with enough doses shipped since 2016 to treat more than 90,000 cases. In September 2021, we also received approval from the European Commission for a dispersion formulation for pediatric use and began supplying it in 2022 through GDF.

Indonesia's efforts to eliminate TB

PT Amerta Indah Otsuka, Otsuka Pharmaceutical's Indonesian subsidiary, launched a project in July 2022 with the six Indonesian companies of the Otsuka group and two companies that have endorsed the project, with the aim of eradicating TB in the workplace and eliminating prejudice and discrimination against patients.



According to the World Health Organization (WHO), as of 2021, Indonesia has the second highest number of TB patients in the world after India, with an estimated 969,000 patients and 144,000 deaths annually. However, prejudice against TB patients in Indonesia persists and there is a lack of awareness that TB is a curable disease. The project is working to (1) eradicate TB, (2) create an environment free from prejudice and discrimination against TB patients, (3) treat TB patients, (4) identify TB patients, (5) improve nutrition to prevent infection, and (6) provide treatment support for early treatment. To date, 7,200 people from the 8 companies participating in the project and are working to prevent infection.

Battling Antimicrobial Resistance (AMR*)

Otsuka Pharmaceutical formulated the Responsible Access Program to prevent the outbreak of delamanid-resistant TB and to promote proper use of the drug.

Our stewardship achievements, such as efforts to educate about the proper use of delamanid and increase global access to it, and conducting ongoing research and development into drug-resistant TB, are acknowledged in the AMR Benchmark, a survey of global pharmaceutical companies conducted by the Access to Medicine Foundation, which is funded by the U.K. and the Netherlands' governments.

* AMR (Antimicrobial resistance)

Society | Health

For more details about our yet-to-be-imagined needs initiatives, visit:

<https://www.otsuka.com/en/csr/society/health/nutraceutical.html>



Nutraceutical Business ~Initiatives for Yet-To-Be-Imagined Needs~

Basic Policy

The advance of medical technology and improvement in public health has seen the average lifespan increase worldwide. However, new health challenges have also emerged, such as declining birthdates, aging populations, and the rise of lifestyle-related diseases. At the Otsuka group, our Nutraceutical Business pursues a range of initiatives aimed at supplying the world with products that help people maintain and improve their health. These initiatives include the development of innovative products that combine scientific evidence with the Pharmaceutical Business's accumulated expertise, and ongoing health awareness programs aimed at tackling challenges related to access to nutrition.

Targets for FY 2023 and progress in the current fiscal year

- Targets:**
- Develop new categories and areas
 - Create new mechanisms and strengthen existing mechanisms to realize healthy lifestyles
 - Create new concepts and new products in anticipation of environmental changes
- Progress:**
- Continuing to hold women's health seminars

Contributing to Total Healthcare for Women

Otsuka Pharmaceutical continues to research topics relating to women's health and actively develop products. In addition to *EQUELLE* and *EQUELLE Gelée*, which contain equol (an ingredient that supports women's health and beauty at a time when aging brings physical and mental changes), Otsuka Pharmaceutical released *tocoelle* in 2021, which emerged from R&D focused on premenstrual symptoms. Furthermore, Taiho Pharmaceutical launched *BUP-4 LADY*, which aims to improve the day-to-day lives of women with urinary urgency. In 2021, the Otsuka group acquired Uqora, a U.S. provider of products for women's urinary health. We are increasing our portfolio to support women's health.

open to male employees. In addition, all female employees under the age of 30 who wish to be checked for cervical cancer viruses can do so at no cost, leading to early detection and early treatment of cervical cancer.

Recognized for Our Commitment to Women's Health

In February 2023, at the 8th ACAP Consumer-oriented Activity Awards, organized by the Association of Consumer Affairs Professionals (ACAP) Conference, Otsuka Pharmaceutical received the Consumer-oriented Activity Award in recognition of its initiatives to improve literacy in women's health.



Building Awareness of Women's Health

Otsuka Pharmaceutical strives to support women in leading active, healthy lives, and knows the importance of building understanding of the changing health needs of women throughout life, and of arming individuals with the knowledge they need to make choices that are right for them. We provide a variety of information in this regard. Since 2015, we have held Women's Health Seminars throughout Japan. Furthermore, we launched the Otsuka Advanced Training for Healthy Aging Supporters (OATHAS) program to assist pharmacies and pharmacists in supporting the health of their local communities. This program is both a source of essential knowledge and an opportunity for hands-on practical experience. Other measures include webpages that offer insights into women's health, including the Women's Health Promotion Project, KONENKI. Lab (with content on menopausal health issues), and PMS LABORATORY, through which we offer day-to-day health support for women of all ages. In addition, the Otsuka Pharmaceutical health insurance association has had a women's health consultation service by an occupational gynecologist since 2022. In addition, to create a more comfortable working environment for women, the Otsuka Pharmaceutical health insurance association holds women's health seminars that are also



From the Field for Total Healthcare

Otsuka Pharmaceutical Women's Health Promotion Project Team Members

With the mission of fostering thinking about women's health in everyday life, we are providing information and conducting educational activities by utilizing the knowledge gained through research and development in the field of women's health.

A woman's mind and body are affected by female hormones, which come in large waves from month to month, and even throughout her life. However, female hormones are important partners in supporting health and beauty. That is why I want you to know about the function of female hormones. We are convinced that improving health literacy will increase the number of women who cope without holding back or giving up, and we are helping women lead vibrant lives and perform by conducting on-site seminars and providing a variety of material.

Going from an era of being at the mercy of female hormones to an era of controlling them, the Women's Health Promotion Project will work with each individual to help them live a daily life in which they can look forward to their own life in their own way, beautifully and comfortably.



Society  People

For more details about our health and productivity management initiatives, visit:
<https://www.otsuka.com/en/csr/society/people/health.html>



Health and Productivity Management

Basic Policy

The Otsuka group believes that the health and vitality of each and every employee is essential to the realization of its corporate philosophy. Each group company has established a Health Declaration to help employees maintain and improve their health. To fully demonstrate their abilities and individuality and play an active role, employees themselves strive to maintain and improve their health, as well as working to improve their work environment.

Targets for FY 2023 and progress in the current fiscal year

- Targets:**
- Build new systems to make more comfortable working environments
- Progress:**
- Established a women's health consultation service
 - Women's health seminars
Number of participants: about 5,700

Promoting Health and Productivity Management

Health and Productivity Management

The Otsuka group recognizes that the health and vitality of each and every employee is essential to the realization of its corporate philosophy, and therefore, under the leadership of the executive deputy president and executive director of Otsuka Holdings, who is responsible for overall health and productivity management, the Otsuka group's health insurance association in Japan, called Otsuka Pharmaceutical health insurance association, health and productivity promotion managers at each group company, and specialist staff such as industrial physicians and nurses work together to maintain and enhance the health of employees and their families. The Board of Directors also oversees issues related to health maintenance and promotion, as well as the targets and progress of these initiatives. The group is engaged in a variety of activities, such as health seminars and exercise programs, to improve the health literacy of employees by utilizing the various health information and assets owned by the group. In fiscal 2022, we implemented initiatives such as women's health, improving health literacy, and promoting the cessation of smoking.

Improving Health Literacy

Otsuka Pharmaceutical health insurance association launched a cafeteria plan in 2023, under which points are awarded for such things as getting health checkups or physical examinations, and participating in health seminars, and employees are free to select and use the points awarded as a benefit package. In addition, Otsuka Pharmaceutical is working with other group companies to create and distribute health articles, such as "Healthy Alcohol Drinking Habits," to help employees and their families maintain and improve their health. As part of its disease prevention efforts, Otsuka Pharmaceutical also conducted

in-house surveys on headaches and atopic dermatitis, and held seminars in which experts gave lectures on topics relevant to the situation within the company as revealed by the survey results.

Otsuka Pharmaceutical health insurance association offers a smoking cessation support program, which provides a short-term smoking cessation experience using a smoking cessation medicine. Support e-mails are sent out during the program period, and information on quitting smoking is also provided for six months after the program ends. In addition, with the goal of achieving zero smoking among employees by 2023, Taiho Pharmaceutical has implemented various measures, such as not hiring smokers and making whether or not one smokes one of the factors considered when appointing someone to a position or promoting someone to a managerial position, and the smoking rate dropped from 15% in June 2020 to 5.6% in May 2022.

Initiatives to Improve Employee Engagement

In an effort to create a better organizational climate, we conduct regular employee satisfaction surveys at several of our domestic and overseas companies. The results are fed back to the company, and personnel interviews are conducted with employees to promote a better work environment.

From the Field for Total Healthcare

Virtual Run Project: POCARI SWEAT RUN

Otsuka Pharmaceutical Singapore has a virtual run project that can be participated in from anywhere in the world using a smartphone app, and employees in Japan have been participating since 2021. Among the employees who have participated, the number who habitually exercise increased from 59% to 87%, so the project is not only serving as an opportunity to create an exercise habit, but also promotes communication among group employees in Japan and overseas.



External evaluation

Corporations with excellent health management
 19 companies of the Otsuka group
 (Includes large, medium, and small-sized corporations)



Japan Sports Agency
 Sports Yell Company
 Otsuka Pharmaceutical (Bronze certification), Taiho Pharmaceutical



Society People

For more details about our human resource development initiatives, visit:
<https://www.otsuka.com/en/csr/society/people/training.html>



Human Resource Development

Basic Policy

Throughout history, innovation has always been generated by people. At the Otsuka group, we strive to attract talented personnel, develop their individual abilities on an ongoing basis, and enable them to fulfill their potential. This enables us to continuously generate innovation. In addition, we intend to continually drive innovation by actively promoting communication and engagement both inside and outside the group and by building networks that transcend job category and field that are not bound by a stereotype.

Targets for FY 2023 and progress in the current fiscal year

- Targets:**
- Further embedding corporate culture and philosophy in employees
 - Creating a system for continual human resource development that also responds to changes in society
- Progress:**
- Established an employee training facility and implemented an employee participation program there.
 - Participants in the executive human resource development program: 257 in total
 - Total training hours: 103,586/year
- * Note: Time spent on developing the next generation of leaders, management training, rank-specific training, evaluator training, new hire training, etc. (excluding training related to practical work)
 * Employees of 16 companies in Japan + 4 companies overseas

Human Resource Development Based on Our Unique Corporate Culture and Philosophy

As we expand our business around the world, it is essential to have personnel who have a deep understanding of our corporate culture and philosophy and who can execute our strategies on the global stage. We are required to respond to a variety of changes, including the new changes in society triggered by the spread of COVID-19 and the escalation of geopolitical risks. Against this backdrop, the Otsuka group is striving to develop human resources in which each and every employee can try new things without fear of failure and enhance their diverse individual capabilities.

In FY2022, we also focused on human resource development through the Otsuka group's 100th anniversary initiatives. We also implemented a variety of initiatives, focusing on the development of next-generation management personnel, global human resources, and digital human resources, as well as providing learning opportunities to enhance individual capabilities.

Further Embedding Corporate Culture and Philosophy - Human Resource Development through 100th Anniversary Initiatives

In September 2021, the Otsuka group celebrated its 100th anniversary. In line with this, the year beginning September 2021 was designated as the 100th Anniversary Year, and the entire group engaged in a variety of initiatives as an opportunity to learn from its history and create its future.

As part of this effort, Otsuka opened a 100th anniversary facility (employee training facility) in Tokushima, the birthplace of the Otsuka group. The facility consists of an exhibition building for experiencing Otsuka's culture and a training building for creating the future, and will be used as a place to develop the human resources who will lead Otsuka in the future. In addition, program called Go for 2050/DISCOVER NEW HEALTH was held for global Otsuka group employees, inviting them to submit their ideas for Otsuka's next 100 years, and many participated.

In August, the final month of the 100th Anniversary Year, the teams that submitted unique Otsuka concepts that passed the final selection process gave presentations at the 100th anniversary facility, and these were broadcast live to Otsuka group employees around the world. The 100th anniversary initiatives provided an opportunity for each and every employee to look to the future and seriously consider and act on new health care, and group employees around the world were united in taking a new step forward.



The 100th anniversary facility (employee training facility)

Essence of Management(Our Corporate Culture)



Society People

For more details about our human resource development initiatives, visit:
<https://www.otsuka.com/en/csr/society/people/training.html>



Human Resource Development

Mechanisms for Developing Human Resources that Generate Innovation

Development of Management Personnel and Global Leaders

With the aim of continually identifying human resources to support sustainable growth and develop global management talent, Otsuka Holdings implements a unique human resource development program for employees worldwide and collaborates with external organizations to develop human resources more effectively. Under the commitment of Otsuka Holdings senior management, participants learn about and discuss the human resources and business skills that will be required of management personnel in the future, based on past Otsuka leaders and the way Otsuka sees its unique business. As part of this program, a training camp hosted by the president is held nine times a year, and participants are also sent to 18 overseas business schools in six countries to discuss global management from various perspectives. Each year, approximately 60 participants are selected from the various group companies, and by the end of 2022, the eighth year of the program, a total of 257 people have participated in the program.



Training camp hosted by the president

Improvement of Individual Skills

To further promote innovation and globalization, we offer a variety of training and self-learning tools. For example, to develop global human resources, since 2020, the Otsuka group has been providing a common learning platform, GEL, for group employees in Japan and overseas to learn business skills. Messages from Otsuka group management are shared on the platform. In addition, the Otsuka group provides opportunities for employees around the world to learn together through unique initiatives such as the GEL Café, an online social gathering, and webinars are held to promote communication.

We also focus on the development of human resources adept in the Digital Era with the aim of enhancing the skills needed for daily work. We offer seminars on digital skills and design thinking for all employees, learning tools that allow them to study according to their own skills, and training programs to strengthen their expertise. The Otsuka group also shares best practices within the group, including management, and works together to accumulate and replicate successful know-how, leading to improved operations and the creation of new innovations. In addition, the Otsuka group selects and conducts training as needed based on the business strategies and challenges of each company in accordance with its diverse business operations. For example, Otsuka Pharmaceutical offers a variety of

training programs for employees aiming for global careers. Open training for young employees provides an opportunity to learn from employees working globally about the mindset involved in global business, cross-cultural communication, and specific job duties. In addition, training for employees scheduled for an overseas posting is conducted for a year to prepare them for their posting and build a network among the members. Taiho Pharmaceutical also plans to develop its program for fostering female management personnel into a global management personnel development program to foster a diverse range of candidates. Otsuka Pharmaceutical Factory has been conducting rank-based training and selective training, and plans to implement a medium- to long-term program to develop personnel to take charge of divisions in the future. Otsuka America Pharmaceutical, Inc. offers a structured learning experience that provides accelerated development to senior leaders for roles of increased scope and complexity. This inclusive learning journey is focused on the self, others and business and provides an opportunity to increase emotional connectedness to our Otsuka culture, our purpose, and our patients.

Item	Major initiatives	Number of participants/Total time
Developing Global Human Resources	Provision of Global e-Learning Platform ¹ as a common learning platform for employees around the world	Total number of participants: 6,650 Number of companies in Japan and overseas: 87 Employees from 29 countries and regions
Cross-group development of digitally-capable human resources	<ul style="list-style-type: none"> AI Forum, a study group primarily for management Training for data scientists Providing learning tools (e-learning) according to one's skills 	Training for data scientists: once a year Note: FY2022 Topic: Quantity and Quality of Data Total number of participants: 1,520 Total time of training: about 9,470 hours Number of companies in Japan: 8
Human resource development at each company in line with its industry and business type	Training tailored to each company's business strategies and issues, in addition to rank-specific and mandatory training.	Number of programs: 548 Number of times held: 1,571 Total time of training: 103,586 hrs/year ² Number of companies in Japan: 16, overseas: 4

¹ Harvard ManageMentor, operated by Harvard Business School Publishing Corporate Learning, is used.
² Time spent on development of the next generation of leaders, management training, rank-specific training, evaluator training, new hire training, etc. (excluding training related to practical work)

Global Improvement of Organizational Strength and Human Resource Strength

Beginning in 2020, Otsuka group companies have been gradually introducing a system to centrally manage personal information, including employee goals and evaluations, training, and the selection, promotion, and development of outstanding employees. As of June 2022, more than 10,000 Otsuka group employees are using the system to maximize human resource development and organizational capabilities.

Society | People

For more details about our diversity & inclusion initiatives, visit:

<https://www.otsuka.com/en/csr/society/people/diversity.html>



Diversity & Inclusion

Basic Policy

The Otsuka group actively promotes diversity and inclusion, believing that a diverse workforce will lead to greater innovation, globalization, and innovative product development. Therefore, as a company that constantly pursues innovation, we strive to create a workplace environment that is rich in diversity.

Targets for FY 2023 and progress in the current fiscal year

- Targets: • Further promote and instill diversity as a source of innovation
- Progress: • Proportion of female managers: 29.7% (Otsuka Holdings)
- Percentage of male employees taking parental leave: 45.6%

Promoting Diversity & Inclusion

Diversity and inclusion promotion teams at each company play a central role in promoting diversity and inclusion by collaborating within the group and implementing initiatives at each company, such as formulating group-wide systems, planning seminars, and holding regular meetings to share good practice examples of diversity at each company. In addition, each group company has an *Ikubosu* Declaration¹.

1. A boss who can nurture subordinates, the organization, and society, while also nurturing himself/herself at work and outside of work (data from the Ikumen Project Secretariat, Ministry of Health, Labor and Welfare).

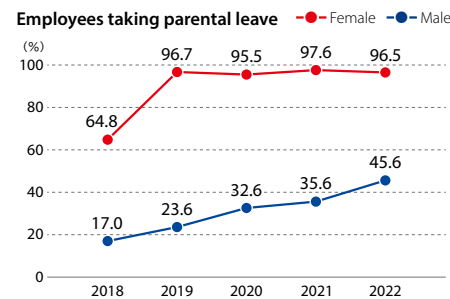
Activities of a Diverse Workforce

The Otsuka group supports the activities of a diverse workforce by recognizing the promotion of women, support for balancing work and one's private life (childcare, nursing care, illness), and creating a comfortable work environment for various people, such as LGBTQ, as issues in diversity and inclusion. We hold *Ikubosu* seminars and introduce case studies of role models as a way to raise employee awareness.

In addition, Otsuka Pharmaceutical pursues a comfortable work environment through such activities as WING, a voluntary cross-organizational study group that identifies issues and discusses solutions to improve the company. In 2022, the ninth year of the program, 35 employees participated in WING. To enable employees to raise children with peace of mind, the member of WING have created a Maternity and Parental Leave Planning Sheet that all employees can use to promote further communication with their supervisors, and they are rolling out the content of the discussions within the company.

These group-wide and company-specific efforts have also led to an increase in the number of male employees taking parental leave.

In addition, each company is promoting other initiatives to promote proper understanding of LGBTQ issues, such as holding in-house seminars and establishing in-house consultation services.



Note: See P27 for scope of the data.

Supporting Diverse Work Styles

We have established a Family Smile Support System² and a Work Interval System to support diverse work styles at each stage of life. In addition, we have created a comfortable work environment, such as by having an on-site daycare center where employees can continue their work with peace of mind.

2. Revised the existing telework system to be more flexible.

External evaluation

- Platinum Kurumin (Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical)
- Kurumin (Otsuka Pharmaceutical, Otsuka Foods, Otsuka Warehouse, etc.)
- Eruboshi (Level 3) (Otsuka Chemical)
- MONISU Certification Certified (Heartful Kawauchi)
- Tomonin (Otsuka Pharmaceutical, Otsuka Warehouse, Taiho Pharmaceutical)
- Cancer Ally Awards 2022 (Taiho Pharmaceutical)
- Nadeshiko brand (Otsuka Holdings, Otsuka Pharmaceutical)



From the Field for Total Healthcare

Otsuka America Pharmaceutical Inc. and Otsuka Pharmaceutical D&C Inc.

The Diversity, Equity, and Inclusion (DE&I) Office was created in 2021 and we have short-term and long-term goals based on the nature and cycle of our business operations. The DE&I strategy has three pillars: workforce, workplace, and marketplace. For example, HR embedded DE&I best practices into its recruitment and hiring processes such as broadening the network of colleges/universities at which new employees are recruited. It is important to continue to pursue diversity, equity, and inclusion at Otsuka because employees are our most important asset. A good employee experience leads to the delivery of a great patient experience and positions the company to fully deliver on its mission (creating new products for better health worldwide) and its patient promise: people serving people.



Sabrina Mays Diagne
Senior Director and Otsuka Diversity, Equity & Inclusion Officer

Society Human Rights

For more details about our human rights initiatives (including our human rights policy), visit: https://www.otsuka.com/en/csr/society/people/human_rights.html



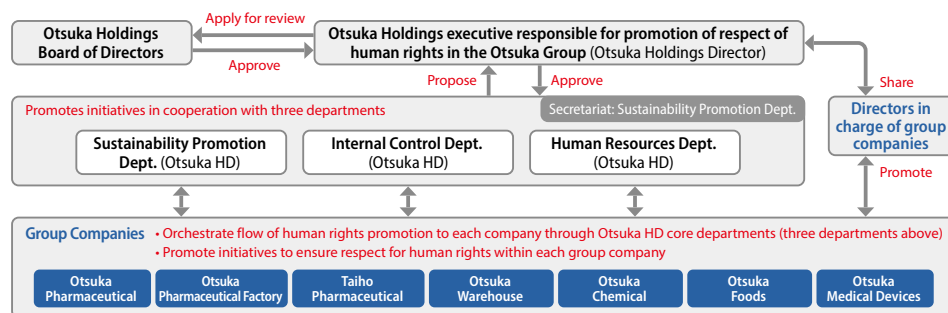
Basic Policy

The Otsuka group aims to maximize our unique assets and skills as a global healthcare company in keeping with our corporate philosophy, "Otsuka-people creating new products for better health worldwide". We recognize that respect for human rights in every aspect of our business activities must be the premise upon which we build to meet the expectations of our stakeholders, create new value, and contribute to the health and wellbeing of people all over the world as we continue to grow sustainably. Based on the Otsuka Group Global Code of Business Ethics, which outlines our commitment to integrity in all of our business activities, we have established the Otsuka Group Human Rights Policy to guide our efforts to promote human rights initiatives on a group-wide basis.

Human Rights Promotion Framework

Human rights initiatives are necessary in various areas. In the Otsuka group, three departments—the Internal Control, Human Resources and Sustainability Promotion Departments—cooperate to promote initiatives for respecting human rights, under the Otsuka Group Human Rights Promotion Leader (an Otsuka Holdings Director).

Promotion Framework

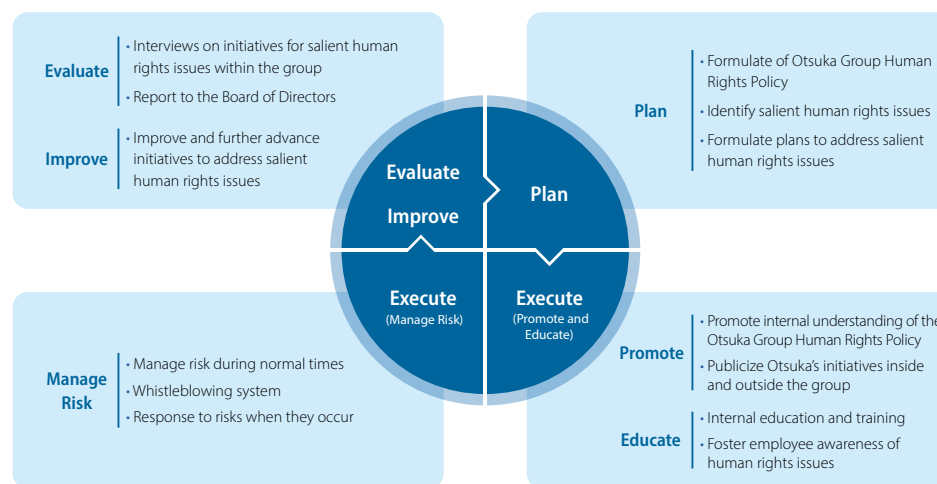


Human Rights Due Diligence

To fulfill our responsibility regarding respect for human rights, the Otsuka group identifies salient human rights issues related to our business operations, and we continually perform due diligence to prevent and mitigate any impact, as outlined in the United Nations Guiding Principles on Business and Human Rights.

Human rights due diligence in the Otsuka group refers to the entire process of the PDCA (plan-check-do-act) cycle outlined below, which is repeated as part of this ongoing process to resolve salient human rights issues for the Otsuka group. Moreover, we hold regular internal interviews to determine risks to human rights and have established a framework enabling a continuing response to these risks throughout the group.

PDCA Cycle for Promoting of Respect of Human Rights



Education and Awareness-Raising for Management and Employees

- We are working to raise awareness throughout the group through ongoing educational activities and training.
- Provide annual education for all employees of group subsidiaries based on the Otsuka Group Code of Business Ethics.
 - Provide annual education for all employees of group subsidiaries guided by the Otsuka Group Human Rights Policy.
 - Conduct internal training on bullying and harassment for management and employees at each group company.
 - Conduct training that incorporates units on human rights as part of personnel training.
 - Raise awareness within the group using in-house newsletters and other educational materials.

Supply chain transparency initiatives [Details on P.54](#)

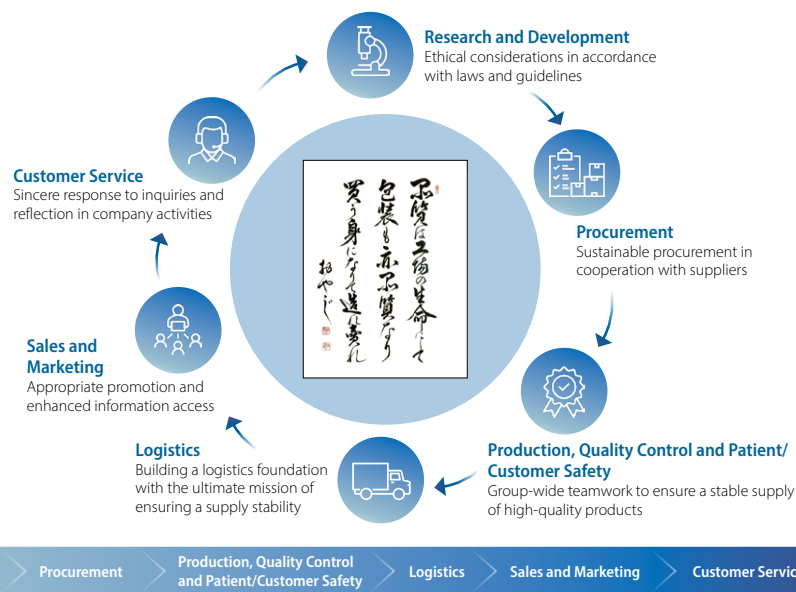
Society | Quality in All We Do

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



Basic Policy

To help build a sustainable society, the Otsuka group is 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.



Fields	The Aspiration of Field-Specific Quality in All We Do
Research and Development	Ethical Considerations in Accordance with Laws and Guidelines We comply with all relevant laws and guidelines while diligently upholding bioethics and scientifically valid methodologies from the viewpoints of preservation of the environment and safety management.
Procurement	Sustainable Procurement in Cooperation with Suppliers We are a signatory to the United Nations Global Compact (UNGC) and support the four UNGC areas of human rights, labor, environment, and anti-corruption as universal values. Based on our corporate philosophy, we promote sustainable procurement in cooperation with our suppliers and conduct activities under the Otsuka group Procurement Policy to enhance our corporate value and contribute to society.
Production, Quality Control and Patient/Customer Safety	Group-wide Teamwork to Ensure Stable Supply of High-Quality Products Based on the belief that a stable supply of high-quality products contributes to a sustainable society, we pursue quality that meets the trust of our customers in accordance with the characteristics of our businesses, pharmaceuticals, foods, chemical products, and cosmetics, and others. We believe it is important to develop human resources that transcend departmental boundaries and to build an evolving quality assurance system that responds flexibly to changes in the environment in cooperation with related companies, and to take proactive initiatives to reduce quality risks and contribute to the stability of the supply chain.
Logistics	Building a Logistics Foundation with the Ultimate Mission of Ensuring Supply Stability As a company that handles life-related products such as pharmaceuticals, foods, and beverages, we maintain strict quality control and management in distribution, and actively promote measures to maintain a stable supply even in emergency situations such as disasters. In addition, by introducing IT technology into various operations related to distribution, we are improving quality as well as work efficiency.
Sales and Marketing	Appropriate Promotion and Enhanced Information Access We have established a Code of Practice that builds on the International Federation of Pharmaceutical Manufacturers & Associations' Code of Practice and the Japan Pharmaceutical Manufacturers Association's Promotion Code for Prescription Drugs. In addition to complying with these codes, Otsuka group companies also observe industry rules such as the Guidelines for Provision of Sales Information on Prescription Drugs and conduct sales and marketing activities responsibly and with a high level of ethics. We have an expert panel, comprising members drawn from multiple departments, to perform reviews of marketing plans and sales promotion materials.
Customer Service	Sincere Response to Inquiries and Reflection in Company Activities Considering consumer rights as an important human rights issue, we place importance on dialogue with all stakeholders to make appropriate decisions. To promote consumer orientation as a corporate social responsibility, we conduct activities under the Declaration of Consumer-Oriented Commitment.

“Quality is vital in a factory and so is packaging. We have to manufacture and market, putting ourselves in the consumer’s position.”

These are the words of Busaburo Otsuka, the founder of the company, who was called “Oyajisan” (meaning old man), was also a superior calligrapher with a pen name of “Otsuka Geppo.” In 1946, when the company began manufacturing and selling injection drugs, he wrote, “This is something that all people engaged in manufacturing, transportation, and sales should do.” Today still, these principles are on display at the Otsuka group’s manufacturing sites and other facilities, conveying our philosophy of “Customers First” and “Quality First.”

All employees of the Otsuka group will remain true to this philosophy, and now as in the past, our responsibility as a health-related company will always be to think of customers and quality first.

Society | Quality in All We Do

For more details about our procurement initiatives, visit:

<https://www.otsuka.com/en/csr/society/quality/procurement.html>



Procurement

Basic Policy

The Otsuka group signed the United Nations Global Compact (UNGC) in 2016 and supports the four UNGC areas of human rights, labor, environment, and anti-corruption as universal values, and promotes sustainable procurement initiatives based on its corporate philosophy to enhance corporate value and contribute to society. The Otsuka Group Procurement Policy is the basis for the Group's activities.

Targets for FY 2023 and progress in the current fiscal year

- Targets:** • Hold briefings for 160 companies, Number of companies to be conducting SAQ: 196
- Progress:** • Briefings held for 583 companies, Number of companies that conducted SAQ: 597

* Having achieved our initial targets early, we are now pushing for even higher targets.

Otsuka group launched a project to strengthen sustainable procurement

Otsuka group companies have, as a general rule, long conducted due diligence on new suppliers and risk assessments of key raw materials, clarified possible risks, and implemented measures such as purchasing from multiple suppliers. In 2022, the Otsuka Group launched the Otsuka Group Sustainable Procurement Project¹, headed by the director in charge of sustainability at Otsuka Holdings, and in addition to the four existing UNGC areas, the Group launched a Group-wide effort to ensure stable procurement in response to natural disasters and geopolitical risks.

The project holds quarterly meetings to discuss the progress of initiatives and share issues, and promotes sustainable procurement. In addition, Otsuka Holdings and five Otsuka group companies announced that they submitted a declaration of partnership building² to the government to build trust with supplier companies.

1. Directors, procurement and IT staff from Otsuka Holdings, Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, Otsuka Foods, Otsuka Techno, EN Otsuka Pharmaceutical, and Otsuka Packaging participated.

2. This is a declaration aimed at building new partnerships by promoting collaboration, coexistence, and co-prosperity with supply chain business partners and value-creating businesses. Otsuka Holdings (November 2022), Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Foods, and Otsuka Chemical (February 2023) have made announcements

Promoting Sustainable Procurement across the Group

The subcommittee of the Sustainable Procurement Project is promoting procurement activities that take into consideration the four areas of UNGC together with our partners in the procurement side of the supply chain. To maintain stable procurement of raw materials and stably supply products to be able to continue contributing to people's health into the future, we always consider what we should do as a procurement department and try to make efforts to achieve benefits for us, our customers, and society, through close discussions with our partners to solve problems. We are very grateful to our suppliers for their understanding and cooperation in our sustainable procurement activities and for helping us to build good relationships with them.



Yuki Kato
Supply Chain Services
Supply Chain Management
Taiho Pharmaceutical

Initiatives to Promote Sustainable Procurement

The Otsuka Group Sustainable Procurement Project conducts training for procurement staff, holds explanatory meetings for its primary suppliers of direct materials, implements the Sustainable Procurement Self-Assessment Questionnaire (SAQ)³, and carries out activity status checks³ to ensure that procurement activities take the four UNGC areas into consideration.

3. Eight Otsuka group supplier companies: Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, Otsuka Foods, Otsuka Techno, EN Otsuka Pharmaceutical, and Otsuka Packaging

Item	Results	2022 initiatives
Procurement staff training	New + Existing staff, 58 in total	Learn about issues in the four UNGC areas based on the Global Compact Network Japan's (GCNJ) CSR Procurement SAQ.
Sustainable procurement briefing	Suppliers in Japan: 583 companies Consented: 583 companies	Provided on-demand e-learning training on the Otsuka Group Procurement Policy, Otsuka Group Sustainable Procurement Guidelines, and Otsuka Group Environmental Vision 2050, as well as on the Guidelines on Respecting Human Rights in Responsible Supply Chains, etc. Obtained consent from supplier companies that understood the above content and agreed to cooperatively promote sustainable procurement.
Sustainable procurement SAQ	Suppliers worldwide: 597 companies (in Japan: 577, overseas: 20)	In addition to GCNJ's CSR Procurement SAQ, a Human Rights SAQ and an Environmental SAQ were independently developed based on the Otsuka group's business activities. In addition, a review of the survey results and risk identification were also conducted.
Confirmation of activities	Telephone interviews: 112 companies Web interviews: 13 companies	Telephone interviews were conducted with 112 suppliers to understand their actual activities. Web interviews were also conducted with 13 companies for deeper dialogue. We were able to confirm activities and understand suppliers' status more deeply.

Society | Quality in All We Do

Production, Quality Control and Patient/Customer Safety

Basic Policy

At the Otsuka group, we believe that providing a stable supply of high-quality products is part of our contribution to a sustainable society. Accordingly, we seek to make the most effective use of the characteristics of our businesses, which include pharmaceuticals, foods, chemical products, and cosmetics, in the quest for a level of quality that justifies customers' faith in us.

Held a Group-Wide Global Quality, Production, Supply Chain, and Environment Meeting

As our business grows and our products and sales areas expand, we held a group-wide global conference in February 2023 to deepen mutual understanding and strengthen cooperation among the various departments in the value chain.

Under the theme of "Our value - Thinking at milestones," 156 participants from 15 countries/regions shared their approaches and issues with each other regarding mechanisms to support stable supply, value creation for the future, and meeting new social needs.



Production Division

The Chemistry, Manufacturing and Control¹ (CMC) Headquarters established in April 2022 by Otsuka Pharmaceutical's Pharmaceutical Business Division, aims to deliver high-quality pharmaceutical products to patients faster by establishing an integrated R&D system for active pharmaceutical ingredients and formulations, thereby seamlessly promoting the process from pre-clinical studies to commercialization. In addition to supporting stable production and supply in terms of technology, we pursue the maximization of product value by making full use of CMC technology, including the addition of new dosage forms. The Otsuka Group also works to leverage its strengths through personnel exchange and training that transcends departmental boundaries, collaboration within the Otsuka group, and regular sharing of information on technology and other topics.

¹ Chemistry, Manufacturing and Control of APIs and formulations

Quality Division

The Otsuka group's Quality and Safety Management Division has a safety management system tailored to the characteristics of its pharmaceutical, food, chemical, and cosmetics businesses. In addition to complying with the laws of each country, the division is responsible for quality control based on good quality practices and good pharmacovigilance practices in manufacturing and marketing, and also post-marketing safety control, reporting to regulatory authorities, and maintenance and revision of various documents. In 2023, Otsuka Pharmaceutical will also newly acquire manufacturing and marketing operations for medical devices, and has made changes to its management system to further contribute to

For more details about our Production initiatives, visit:

<https://www.otsuka.com/en/csr/society/quality/production.html>

For more details about our quality and safety initiatives, visit:

https://www.otsuka.com/en/csr/society/quality/safety_management.html



patients. In safety management, which involves the exchange of information throughout the Group and the constant collection and evaluation of product safety, we have established a system that can be implemented globally throughout the Group, and are working to promptly provide the results to medical institutions and other parties. From the viewpoint of quality assurance of products supplied globally, we are also collaborating in auditing raw material vendors across the group, sharing quality-related information with our companies around the world, and collaborating to ensure a stable supply.

(For reference) GQP: Good Quality Practice GVP: Good Vigilance Practice PV: Pharmacovigilance

2022 ICH Award – Contributions to the Review of ICH Guidelines.

ICH (International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use) is an international council established in 1990 by pharmaceutical regulatory authorities and industry associations in Japan, the United States, and Europe. It promotes the development and marketing of new drugs with high safety, efficacy, and quality, and the continued availability of new treatments for patients through the harmonization of technical and regulatory guidelines on a global scale. Currently, 20 organizations worldwide are members, and 36 organizations including WHO and IFPMA participate as observers. The ICH Award was newly established in 2022 to recognize experts who have made significant contributions to the review of ICH guidelines, and 12 people received the award in the first year. From Japan, three winners from the regulatory side and two from the industry side, including from Otsuka Pharmaceutical, were recognized for their important leadership and sustained contributions to the ICH working groups.

ICH guidelines are tools for obtaining and using the data necessary to deliver better new medicines to patients and medical facilities around the world as quickly as possible, in a scientific and ethical manner. I have been involved in ICH activities since 2010, and as a topic leader of the working group, I have been involved in the development of guidelines² and Q&As in several quality areas based on Otsuka Pharmaceutical's practices. Currently, I am also involved in the development of training materials to educate about and disseminate the guidelines, and am working to ensure that the guidelines are used appropriately in each country.



Tomonori Nakagawa
Associate Director, Department of Strategic Management
CMC Headquarters, Otsuka Pharmaceutical

² "Development of Drug Substance," "Manufacturing and Quality Control," "Pharmaceutical Lifecycle Management", and "Quality Risk Management"

Society | Quality in All We Do

For more details about our Customer Service initiatives, visit:

www.otsuka.com/en/csr/society/quality/consumer-orientation.html



Customer Service

Basic Policy

We recognize that respecting consumer rights is an important human rights issue. Our Declaration of Consumer-oriented Commitment, made in October 2018, establishes basic policies regarding our commitment to our social responsibilities as a corporation, which we fulfill by pursuing consumer-oriented management and making appropriate decisions that are based on dialogue with all stakeholders.

System to Promote Management Based on Customer Feedback

Each Otsuka group company has established dedicated contact centers for receiving inquiries from patients, medical professionals, and consumers, and provides appropriate training to those taking the feedback. The status of consultations is reported to the relevant departments and management at each company, and feedback and suggestions on products are used to make improvements and refinements.

Since 2008, we have held Group Customer Service Liaison Meetings annually under the supervision of Otsuka Holdings directors. Meetings are attended by representatives of companies from the Pharmaceutical Business, Nutraceutical Business, Consumer Products Business, the daily necessities and e-commerce categories, as well as from other relevant departments. The various companies report on their customer service activities and initiatives for greater consumer orientation, thus fostering our consumer-oriented corporate culture. We have contracted with a lawyer specializing in consumer affairs and a mental health counselor to improve the quality of consumer affairs and to maintain and promote the workplace environment throughout the Group. In addition, since December 2022, the Otsuka group has been holding monthly skill-improvement information exchange meetings, inviting outside experts and other lecturers to promote the improvement of customer response skills throughout the group.

The Otsuka Group Customer Service Liaison Meeting, Now in its 15th Year

Since the Otsuka group handles a wide variety of products, we feel that our strength lies in our ability to share various customer response case studies throughout the group. I served as the secretary of the 28th liaison meeting held in the fall of 2022, which was attended by 33 people from related departments in addition to the managers of the customer service departments of 10 group companies and 15 contact centers, who listened to a lecture by an outside lecturer and participated in group work using case studies. We have been exchanging information with the customer service departments of each company through group chats on a regular basis. We will continue to promote consumer-oriented management with the cooperation of the group's customer service departments.



Kazuhiko Sawada
Intravenous Drug DI Center,
Center Director
Quality Assurance Division
Otsuka Pharmaceutical Factory

Patient-Centricity for Drug Development Based on the Patient's Voice

Patient-centricity means that the medical institutions, regulatory authorities, and pharmaceutical companies surrounding patients always put the patient at the center of their actions, focusing on the patient, and ultimately respecting the patient's own judgment to the greatest extent possible. Otsuka Pharmaceutical's Headquarters of Clinical Development formed a task force in 2020, and it is working on a daily basis.

Formed a Task Force to Promote Patient-Centricity Activities

The Headquarters of Clinical Development conducts patient-centricity activities with the aim of developing drugs based on the opinions of patients. Through activities to obtain opinions on the content of the clinical trial consent document from general patients, and through interaction with employees who work at Heartful Kawauchi, a special subsidiary of Otsuka Pharmaceutical, who suffer from mental illness, and the employees who support them, we have been able to improve mutual understanding and expand the capability of our development work. We will continue to promote this activity in the hope that it will contribute to patient-centric drug development.



Atsuko Hara
Manager
Department of Clinical Development
Coordination,
Talent Development (Training)
Otsuka Pharmaceutical Headquarters
of Clinical Development

Community Inclusion Promotion Department to Support the Resolution of Unmet Needs Faced by the Community

Otsuka Pharmaceutical's Pharmaceutical Business Division promotes support activities that only a total healthcare company can provide to address local health issues.

Promoting Activities that Connect Stakeholders to Solve Local Health Issues

The Community Inclusion Promotion Department listens to the voices of local governments, medical professionals, educational institutions, and others regarding the unmet needs of the community, and provides support in connecting various stakeholders. For example, in the area of disaster medicine, we connect local governments, pharmacy associations, and disaster base hospitals with experts to provide comprehensive programs to learn about disaster medicine supply systems, drug triage skills at relief centers, and even mental health care, and we also help train pharmacists who can work in disaster medical care settings.



Shigetaka Yamada
General Manager, Community
Inclusion Promotion Dept.
Otsuka Pharmaceutical,
Pharmaceutical Sales Division

Environment | 2050 Environmental Vision

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



Toward Our 2050 Environmental Vision, "Net Zero"

As a total healthcare company, the Otsuka group will work diligently to reduce its impact on the global environment and contribute to the realization of a sustainable society that continues into a healthy future. We will strive to achieve our medium-term targets for the environment and our 2050 environmental vision, Net Zero.

Sustainability Mission

Contribute to a healthier and more sustainable society, while simultaneously achieving growth

Carbon Neutrality

2028 target
50% reduction in CO₂ emissions compared to 2017

Circular Economy

2028 target
50% reduction in simple incineration and landfill disposal compared to 2019

2030 target
100% recyclable materials in our PET bottles and use of plant-based materials

Water Neutrality

2028 target
Expand the plant water management program to all locations globally
Develop a water use strategy for business locations in water-stressed areas



Materiality (Material Issues)	Social Issues	Our Goals	Our Activities
Carbon Neutrality¹	Global warming	2028 target 50% reduction in CO ₂ emissions compared to 2017	<ul style="list-style-type: none"> Reduce CO₂ emissions throughout the value chain Reduce environmental impact by improving resource efficiency
Circular Economy²	Environmental load increase	2028 target 50% reduction in simple incineration and landfill disposal compared to 2019 2030 target 100% recyclable materials in our PET bottles and use of plant-based materials	<ul style="list-style-type: none"> Promote business activities aimed at sustainability for both society and the earth
Water Neutrality³	Reduced freshwater availability due to water resource risks	2028 target <ul style="list-style-type: none"> Expand the plant water management program to all locations globally Develop a water use strategy for business locations in water-stressed areas 	<ul style="list-style-type: none"> Understanding water resource risks Management and effective use of water resources

1. To reduce CO₂ emissions from business activities to substantially zero (calculated by subtracting uptake from emissions)
 2. To establish an economic system that recycles resources by reusing waste discharged from business activities as new raw materials
 3. To reduce the impact of water intake and discharge from business activities on water resources to zero

Environment | Carbon Neutrality

For more details about our Carbon Neutrality, visit:

<https://www.otsuka.com/en/csr/environment/climate.html>



Carbon Neutrality

Basic Policy

Aiming to create a healthy future as a total healthcare company, the Otsuka group established 2050 Environmental Vision, "Net Zero," with the aim of reducing the total environmental impact across all its business activities to zero. As global efforts to realize a decarbonized society accelerate, the Otsuka group is committed to reducing greenhouse gas emissions throughout its business value chain in accordance with the international targets and indicators set forth in the Paris Agreement, with the aim of achieving a sustainable society.

Disclosure in line with TCFD recommendations

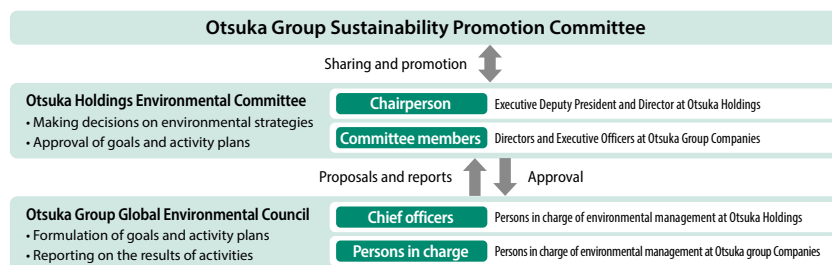
In October 2021, Otsuka Holdings announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We are disclosing information in line with the disclosure framework ("Governance," "Strategy," "Risk Management," and "Targets and Indicators") regarding the financial impact of and response to climate change-related risks and opportunities, as recommended for disclosure by the TCFD. We will continue to deepen our efforts based on the results of scenario analysis and expand our disclosures.



Governance

The Otsuka Holdings Environmental Committee comprises the executive deputy president and director of Otsuka Holdings, group company directors, and executive officers. The committee is responsible for making decisions on key challenges relating to climate change. Furthermore, resolutions on matters relating to group-wide direction are shared with each company following approval by the Board of Directors. These matters are communicated to each company in the form of Otsuka group policies and incorporated into specific action plans. In 2022, the Board of Directors approved revised targets for each material issue to further strengthen our environmental efforts through our business operations to achieve a sustainable society.

Otsuka Group Environmental Management System



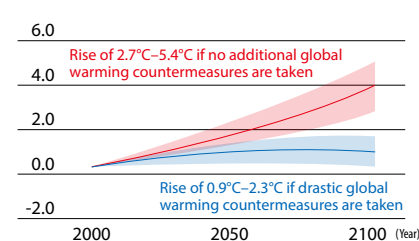
Strategy

The Otsuka group has Net Zero as its environmental vision for 2050, which aims to reduce the environmental impact of all its business activities to zero. In addition to reducing CO₂ emissions in the group's business activities, the group aims to reduce the environmental impact of its entire supply chain to zero. In 2021, the Otsuka group also conducted a primary analysis to identify and assess risks that could have a significant financial and strategic impact on climate change. Recognizing that a sustainable society requires proactive decarbonization efforts to address climate change, the Otsuka group is developing strategies in line with TCFD recommendations.

Scenario Analysis

We analyzed business risks and opportunities under the 2°C and 4°C climate change scenarios below, which are related to scenarios indicated by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), and examined adaptation measures and financial impacts. We will continue to examine risks and opportunities and expand our scenario analysis.

Change in Global Mean Surface Temperature*



4°C Scenario

A scenario in which development is dependent on fossil fuels and climate change measures are not introduced. Rising temperatures cause an increase in natural disasters, negative impact on crops, and loss of biodiversity.

Below 2°C Scenario

A scenario in which development is sustainable and climate change measures are proactively implemented to keep the temperature rise below 2°C. Measures to achieve a decarbonized society are enhanced, including the introduction of CO₂ emissions regulations and expansion of the renewable energy market.

[Main Scenarios Referenced]
 • IEA World Energy Outlook 2020 (Sustainable Development Scenario, Stated Policy Scenario)
 • IPCC (RCP2.6, RCP8.5)
 • OECD-FAO Agricultural Outlook 2021-2030
 * Based on the Ministry of the Environment's Japanese translation of Summary for Policymakers, Working Group II Report, Fifth Assessment Report published by the IPCC

Environment | Carbon Neutrality

Carbon Neutrality

Category	Contents	Business/Financial Impacts		Our Response/Resilience	
		Below 2°C	4°C		
Transition Risks	Policies and regulations	• Increased costs due to tightened regulations such as carbon pricing	Large	Large	• Introduction of internal carbon pricing • Introduction of CO ₂ -free electricity
	Market	• Steep rise in renewable energy prices • Steep rise in energy prices	Large	Large	• Introduction of solar power generation systems including mega solar power systems • Improving energy efficiency through energy saving and fuel conversion
	Reputation	• Reputation risk and investment-related risk associated with inadequate response to climate change and water resource risks	Large	Medium	• Investment in environmental facilities in Japan and overseas
Physical Risks	Acute	• Risks of damage to production and other facilities due to intensification of extreme weather, and cost increases to prepare for extreme weather events • Risks in raw material procurement such as disruption to supply chains and stable procurement	Medium	Large	• Decentralized production of major products • Formulation, disclosure, and sharing of procurement policies and guidelines with suppliers • Strengthening communication with our supply chains (expanding the number of suppliers that are subject to our supply chain questionnaires, improving and enhancing contents of the questionnaires, and holding discussions)
	Chronic	• Increased energy costs associated with temperature rise • Effects of climate change on drug discovery using crop and other natural products	Large	Large	• Systematic renewal of facilities
Opportunities	Resource efficiency	• Reduction of operating costs through the introduction of highly energy-efficient equipment	Large	Medium	• Collection of information on new technologies (such as membrane water treatment technology that does not require steam) and examination of introduction of such technologies in a timely manner
	Energy sources	• Reduction of energy procurement risk due to proactive introduction of renewable energy	Large	Small	• Introduction of internal carbon pricing • Collection of information on next-generation energy sources (such as hydrogen and ammonia) and examination of introduction of such sources in a timely manner
	Products and services	• Increased revenue from increased demand for products that mitigate or address climate change (e.g., products for preventing heat stroke and the spread of infectious diseases)	Large	Large	• Formulation of the Otsuka Group Plastic Policy (in 2020) that aims at reducing reliance on fossil fuel-derived materials • Examination of introduction of recycled PET resin or plant-based bio-PET resin for PET bottle beverage containers • Examples: Expand sales of products for preventing heat stroke, and expand sales of products with low environmental impact throughout their lifecycles
	Market	• Increased revenue from expansion into new market categories with products that address climate change	Medium	Medium	• Development of products that mitigate or address climate change (e.g., plant-based products)
	Resilience	• Strengthening business continuity planning (measures against disasters and supply chain disruptions)	Medium	Large	• Strengthening of promotion of energy saving and renewable energy through internal carbon pricing • Business continuity plan measures at manufacturing sites (anti-seismic measures and measures against flooding)

Assessment of business/financial impacts Large: One billion yen or more (equivalent to 1% of operating income assuming a minimum operating income of 100 billion yen) Medium: From negligible to less than one billion yen Small: Negligible

The Otsuka group aims to contribute to the realization of a decarbonized society by expanding the introduction of renewable energy sources in Japan and overseas, promoting more efficient energy use, and creating synergies through collaboration among group companies. We are also working on the formulation of a sustainability and environmental strategy in the next medium-term management plan.

Risk Management

The Otsuka group identifies and assesses risks related to climate change that could have a significant financial impact or impact on business strategies. Items identified as important in the risk assessment are approved by the Otsuka Holdings Board of Directors and shared with other Otsuka group companies as the group's response policy, aiming for management that mitigates climate-related risks group-wide.

Metrics and Targets

The Otsuka group has set targets for each material issue under its Net Zero 2050 environmental vision, which aims to reduce the environmental impact of all its business activities to zero. In terms of mitigation measures to curb emissions of greenhouse gases that cause global warming and adaptation measures to prepare for the effects of climate change, the group has set a target of reducing CO₂ emissions by 50% by 2028 (compared to 2017 levels), and is promoting activities aimed at decarbonization, including participation in the RE100 program. The Otsuka group will continue to work proactively to achieve its medium-term targets, leveraging synergies through collaboration among group companies.



Carbon Neutrality



Circular Economy



Water Neutrality

Targets	• 2028 target: Reduce 50% in CO ₂ emissions compared to 2017	
Fiscal 2022 Results	CO ₂ emissions reductions through introduction of renewable energy	CO ₂ emissions
	249,000 t-CO₂	576,000 t-CO₂
Targets	• 2028 target: Reduce 50% in simple incineration of waste and landfill disposal compared to 2019 • 2030 target: 100% content of recycled and plant-based materials in our PET bottles	
Fiscal 2022 Results	Total waste volume	Simple incineration and landfill disposal volume
	92,900 t	18,000 t
Targets	• 2028 target: Expand the plant water management program to all locations globally • 2028 target: Develop a water use strategy for business locations in water-stressed areas	
Fiscal 2022 Results	Water usage	Water intensity per unit of sale
	18.50 million m³	10.64 m³/¥ million

(Calculated based on the performance of all manufacturing sites in the consolidated Otsuka group)

Environment | Carbon Neutrality

Carbon Neutrality

On the CDP Climate Change A-List, the highest rating

Otsuka Holdings made the 2022 CDP Climate Change A-list, the highest ranking in the climate change study. The Otsuka group's climate change initiatives and performance, as well as its extensive information disclosure, were recognized as being at the level of an international leader. In Japan, 74 companies were selected for the Climate Change A-List.



External Evaluation

Inclusion in ESG Investment Indexes



FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index



S&P/JPX Carbon efficient index

Initiatives to Introduce Renewable Energy and Maximize Energy Use Efficiency

In 2022, the Otsuka group brought forward its climate change targets from 2030 to 2028, and further revised its SCOPE 1 and 2 targets upward from 30% (compared to 2017) to 50% (compared to 2017). The group is also a member of RE100, an initiative that aims to achieve 100% renewable energy for all electricity used. To achieve this goal, the group is working to maximize the efficiency of energy use throughout the group by supplying highly efficient energy to group companies, such as by introducing CO₂-free electricity, utilizing renewable energy through the installation of solar power generation equipment, and through cogeneration systems¹. In Japan, we have completed the switch to 100% renewable energy-derived electricity for all electricity purchased from external sources at all 23 factories and offices of five companies in the Group², and renewable energy now accounts for approximately 61% of the total electricity purchased. In April 2022, four Group companies³ introduced CO₂-free electricity in Indonesia, reducing annual emissions by approximately 103,500 t-CO₂, or 60% of total emissions in Indonesia. In India, a large-scale solar power generation facility was introduced in June 2022, which is expected to reduce annual CO₂ emissions by approximately 14,500 t-CO₂.



Otsuka Chemical (India)

1. A system that uses natural gas, LP gas, etc. as fuel to generate electricity by means of an engine, turbine, fuel cell, etc., and simultaneously recovers the waste heat generated during the process, thereby utilizing heat and electricity without waste.
 2. Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, Otsuka Foods
 3. PT Otsuka Indonesia, PT Amerta Indah Otsuka, PT Widatra Bhakti, PT Lautan Otsuka Chemical

Establish and Promote Integrated Energy Services

The Otsuka group has established an Energy Support Department (ES Department) within Otsuka Business Support to pursue the best energy mix⁴ in the Otsuka group as well as to expand the use of renewable energy by centralizing energy management in Japan and building an advanced supply and demand management system. In April 2022, five Group companies² in the Shikoku area, where many of the Group's production facilities are located, began procuring renewable energy power from power generators and other sources and supplying it to Group business sites.

In April 2023, we expanded our energy supply in the Shikoku area to include affiliated companies and employee benefit facilities, as well as newly adding facilities in the Tohoku, Hokuriku, and Kanto areas. The ES Department will continue to work on both contributing to business growth and improving environmental issues, aiming to further expand energy supply to group companies in the future.

4. Pursue optimization of power supply configuration in consideration of environmental friendliness, economic efficiency, and stability of supply

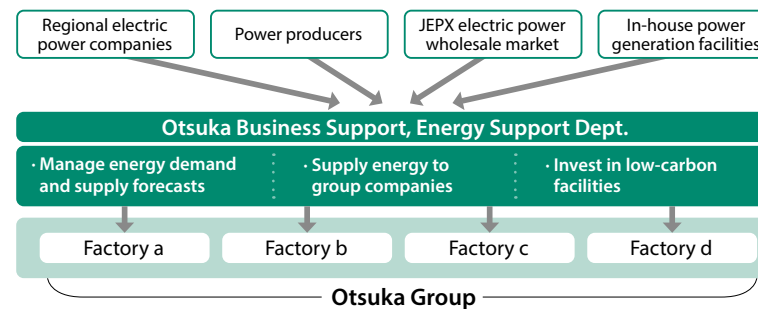
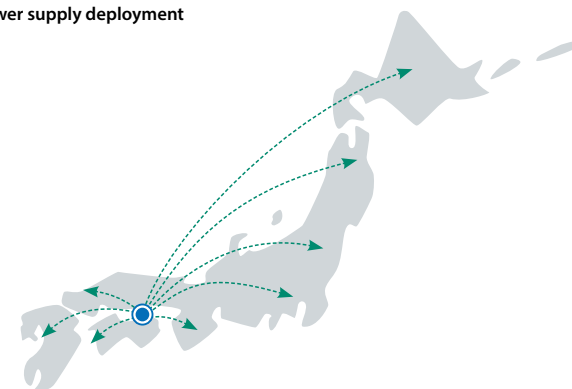


Image of power supply deployment



Environment | Circular Economy

For more details about our Circular Economy initiatives, visit:
<https://www.otsuka.com/en/csr/environment/resource.html>



Circular Economy

Basic Policy

In line with global trends, for us to be able to create a more sustainable society and achieve sustainable corporate growth, we must shift to a circular economy-type business model whereby we can achieve growth without having a serious impact on the environment. We regard the use of materials derived from fossil resources and waste discharge to the natural environment as environmental impacts that must be reduced to zero. We are committed to eliminating materials derived from fossil resources and achieving zero waste* as our vision. We will also continue to increase the efficiency of resource use throughout the value chain and build a harmonious and sustainable relationship with resources, including bioresources.

* Approach to reduce waste discharge (simple incineration and landfill disposal) to the natural environment to zero and use all resources effectively

Initiatives toward Zero Waste

The Otsuka group regards discarded raw materials and other resources as “resources” and aims to achieve zero-waste by effectively using them for recycling and reuse, and has set a goal of reducing simple incineration and landfill by 50% by 2028, compared to 2019. To achieve this goal on a global basis, we are working with each group company to resolve issues.

	Fiscal 2019 Results	Fiscal 2022 Results		2028 Targets
			Compared with 2019	
Simple Incineration and Landfill Volume	18,500t	18,000t	-2.7%	50% reduction

PET Bottle Resource Recycling

The majority of the plastic containers and packaging handled by the Otsuka group are PET beverage bottles. In 2020, the Otsuka group established the Otsuka Group Plastic Policy, and set a target of 100% recycled and plant-derived raw materials in PET bottles globally by 2030.

The Otsuka group has been working to reduce the amount of plastic used in its products for some time by reducing the weight of plastic containers and packaging, as well as through label-less product initiatives. PET bottles made from recycled PET resin are used in Japan for products such as *POCARI SWEAT*, *POCARI SWEAT ION WATER*, *Amino-Value*, and *CRYSTAL GEYSER*. Overseas, PT Amerta Indah Otsuka in Indonesia began selling *POCARI SWEAT* in a PET bottle container that uses 30% recycled PET resin, in August 2022.

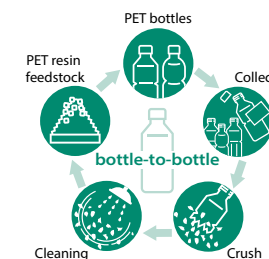
Otsuka group Plastic Policy

<https://www.otsuka.com/en/csr/environment/plastic.html>



Promoted “bottle-to-bottle” (horizontal) PET bottle recycling

The Otsuka group promotes recycling of plastics, primarily “bottle-to-bottle” (horizontal) recycling, in which used PET bottles are recycled back into PET bottles. In November 2022, Otsuka Pharmaceutical signed a comprehensive collaboration agreement with Altec Corporation and Japan Power Bottlers Co. that covers the collection, manufacture, and sale of PET bottles. In February 2023, we also concluded a three-way partnership agreement for resource recycling with Naruto City, Tokushima Prefecture, and Toyota Tsusho Corporation. We will continue to promote alliances with governments, municipalities, and business partners to realize a sustainable recycling-oriented society.



POCARI SWEAT is now available on Loop, a circular shopping platform.

As part of our efforts to reduce resources through reuse, we have developed a container that meets strength and quality standards suitable for the reuse model, and have been selling 250 ml *POCARI SWEAT* returnable bottles through the Loop recycling-oriented shopping platform since July 2022. The Otsuka group will continue to take on various approaches and challenges, and the group as a whole will work toward the realization of a recycling-oriented society.



Environment Water Neutrality

For more details about our Water Neutrality, visit: <https://www.otsuka.com/en/csr/environment/water.html>



Water Neutrality

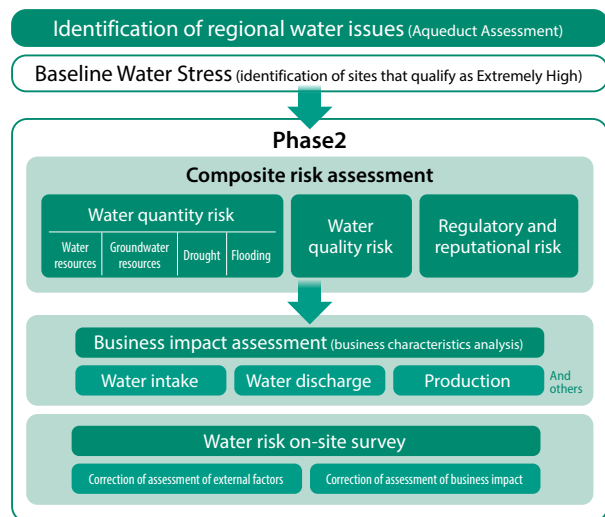
Basic Policy

Since its establishment, the Otsuka group's operations have had a deep connection to water, a resource essential to life. Through products that use water as a raw material, we have actively contributed not only to the treatment and prevention of diseases, but also the maintenance and promotion of health. We therefore recognize the importance of water to us as a resource, and consider its conservation to be a critical global issue. Moreover, water resources are unevenly distributed across different countries and regions, each of which faces different risks. We cooperate with all stakeholders, and conduct ongoing water conservation initiatives from intake to discharge (including cultivation of water resources, conscientious use and clean return), in the aim of sustainable water use.

Considering environmental risks in each region is also important for sustainable growth in the diverse business models of the Otsuka group operating around the world. Aqueduct, a water risk assessment tool developed by the World Resources Institute (WRI), was used to evaluate the Otsuka group's production sites. The assessment found that seven factories in the United States, India, and Spain were classified as "Extremely High" in terms of Baseline Water Stress¹.

Otsuka group's water consumption in 2022 was 18,500,000 m³, of which 5% is from water-stressed areas, and at this point we have confirmed that there is no risk to our business activities. We will continue to examine the details of the risks at these factories together with the local subsidiaries and proceed with further investigations (Phase 2).

¹ This means a shortage of water demand by humans and ecosystems relative to the amount of available water resources. It includes not only water scarcity, but also water quality and access to water.



Water intake by area (1,000 m³)

	Municipal water, industrial water	River water	Groundwater
Japan	10,399	96	1,134
Asia, North Africa	3,264	0	2,755
North America	390	0	201
Europe	220	2	26

From the Field in Indonesia for Total Healthcare

Contributing to nurturing the global environment together with local communities

In September 2022, PT Amerta Indah Otsuka signed an agreement with the Ministry of Environment and Forestry regarding the OTSUKA BLUE PLANET sustainability program for local governments and residents around the factory, and is promoting the following three programs.

- 1 Eco-Village Project: Support for the creation of a community capable of waste disposal and waste management.
- 2 Eco-Blue School Project: Fostering a school community that makes recycling resource separation a habit and implements continual management of plastic bottle disposal.
- 3 Eco Bottle Project: Production and sale of POCARI SWEAT PET bottles made from recycled PET resin*.

Environmental problems are becoming serious because the custom of throwing garbage in the garbage can has not taken root and local governments do not have a system in place for waste disposal and management. Through this program, we would like to work together with local people to preserve the environment in Indonesia, and we would like to work in cooperation with the government and local authorities.

* Uses 30% recycled PET resin



Sudarmadi Widodo

PT Amerta Indah Otsuka
Otsuka Blue Planet
Project Representative
HCD & Corporate
Communication Director



Garbage separation awareness seminar in Jakarta.

Governance

For more details about our governance-related initiatives, visit:

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



Corporate Governance

Basic Policy

Otsuka Holdings Co., Ltd. ("the Company") is committed to promoting the 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.

Fiscal 2023 Targets

- Strengthen corporate governance for further effectiveness
- Establish a governance structure that responds to global business development and diverse changes
- Establish a system to strengthen compliance in the group

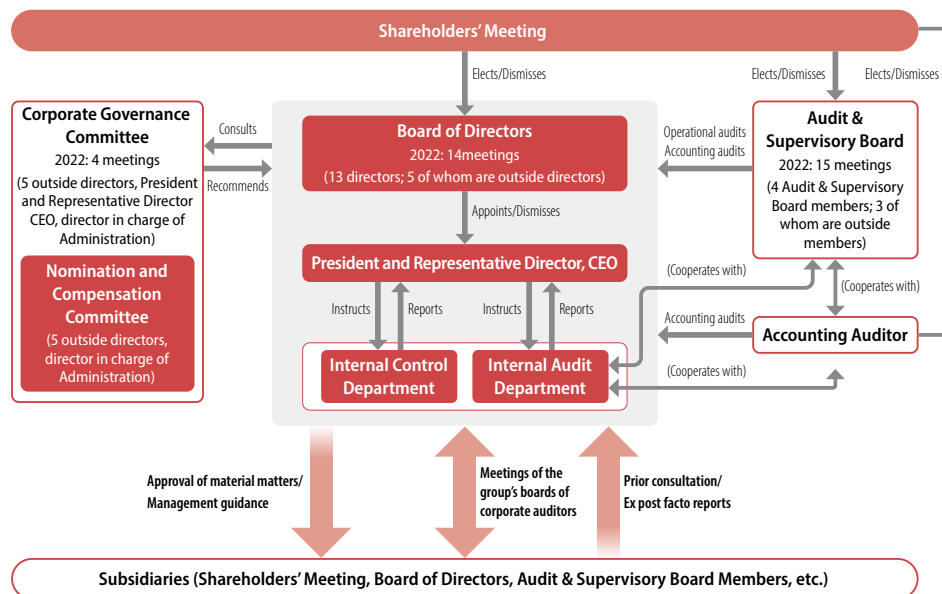
Corporate Governance Guidelines

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

Corporate Governance Report (May 30, 2023)

https://www.otsuka.com/en/csr/governance/pdf/governance_report2023.pdf

Corporate Governance Organizational Structure



Initiatives to Strengthen Corporate Governance

	Institutional design	Remuneration for directors	Other corporate governance measures
2008	Establishment of Otsuka Holdings. Term of directors set at one year. Appointment of outside Audit & Supervisory Board members begins.		
2010	Stock publicly listed in December.	Stock options as performance-linked remuneration introduced.	
2011			First Medium-Term Management Plan announced.
2013	Appointment of outside directors begins.		
2014			Second Medium-Term Management Plan announced. Otsuka Group Global Code of Business Ethics established. Otsuka Group Global Anti-Corruption Policy established.
2015			Corporate Governance Guidelines established. Internal whistleblowing system (for Otsuka Holdings and major group companies) established, with reporting to an independent body outside the Company.
2016		System for granting stock options conditional on progress with the medium-term management plan introduced.	Effectiveness of Board of Directors evaluated.
2017	Corporate Governance Committee established.		Corporate Governance Guidelines revised. 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	First female directors appointed.		Corporate Governance Guidelines revised.
2019		Stock-based compensation plan with restriction on transfer	Third Medium-Term Management Plan announced.
2020			Otsuka Group Global Policy for Conflict of Interest established.
2021	Accounting auditors changed.		Corporate Governance Guidelines revised. Otsuka Group Global Anti-Fraud Policy established.
2022	Proportion of independent outside directors increased to more than one third.		Otsuka Group Global Speak-Up Policy established. Otsuka Group Global ERM Policy established. Otsuka Group Global ERM Implementation Guidelines established.
2023	Nominating and Compensation Committee established.		Corporate Governance Guidelines revised.

Governance

Corporate Governance

Board of Directors

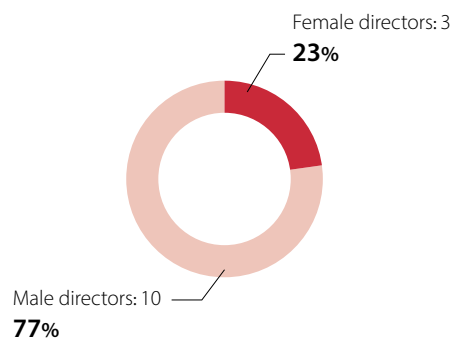
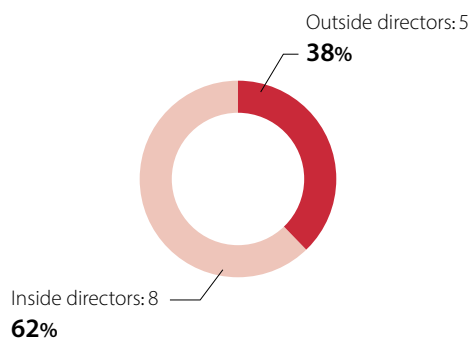
In line with the Board of Director regulations, the Board of Directors convenes regularly once a month and holds extraordinary meetings as necessary to make important business decisions and supervise the execution of operations.

The term of directors at Otsuka Holdings is set at one year to clarify executive responsibility for each fiscal year. Furthermore, the Company works to ensure the overall diversity of directors, and appoints people with the insight, expertise, and experience needed to realize and maintain appropriate and effective corporate governance. For internal directors, we comprehensively evaluate the experience, expertise, insight, and other attributes of candidates to ensure that they have the qualities needed to implement the group's corporate philosophy, Code of Business Ethics, and management strategies. For outside directors, the Company looks for individuals with a wealth of knowledge and extensive experience in various fields. The Company requires that candidates have the ability to adequately exercise management oversight functions through fair and objective monitoring, supervision, and auditing of management from a neutral and objective viewpoint.

Meetings Held in Fiscal 2022 (Average Attendance): 14 (100%)

Proportion of Outside directors: 38%

Proportion of Female directors: 23%



Director Skill Matrix

To establish an effective corporate governance structure for sustainable growth, the Company appoints Directors and Corporate Auditors with broad business experience and a wide range of highly specialized expertise and knowledge. The composition, experience, and expertise of the Company's directors are as follows.

	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.
Ichiro Otsuka	●	●	●					
Tatsuo Higuchi	●	●	●				●	
Yoshiro Matsuo					●			
Shuichi Takagi	●		●	●				
Yuko Makino				●				
Masayuki Kobayashi	●	●					●	
Noriko Tojo	●				●	●		
Makoto Inoue	●	●	●					
Yukio Matsutani							●	MD
Ko Sekiguchi			●			●		
Yoshihisa Aoki			●					
Mayo Mita						●		
Tatsuaki Kitachi				●		●		CPA

Director Selection Criteria/Independence Standards for Outside Directors

https://www.otsuka.com/en/csr/governance/governance_system.html

Please refer to the Notice of the 15th Ordinary General Meeting of Shareholders for the reasons for the election of each director.

https://www.otsuka.com/en/ir/stock/pdf/meeting/202212_01.pdf

Governance

The full text of messages from the outside directors is available on our website

https://www.otsuka.com/en/ir/management/message/outside_message.html



Corporate Governance

Major Matters Deliberated by the Board of Directors in 2022

Category	Number of times deliberated	Major reports and discussions
Business performance and plan	19	<ul style="list-style-type: none"> Monitoring of progress of consolidated results and plan Discussions on current conditions and issues regarding the performance of each operating company and business segment Monitoring of progress of Medium-Term Management Plan
Corporate governance	38	<ul style="list-style-type: none"> Identification of issues in improving the effectiveness of the Board of Directors Approval of officer election and remuneration Monitoring of subsidiary activities Confirmation of progress of measures to reinforce group governance Review of cross-shareholdings
Sustainability	3	<ul style="list-style-type: none"> Revised medium-term environmental objectives and plastics statement objectives Approval of plans to install demonstration facilities to reduce CO₂ Deliberations on promoting environmental investment globally
M&A and partnerships	9	<ul style="list-style-type: none"> Discussion on Taiho Pharmaceutical's acquisition of Cullinan Pearl and co-development agreement with Cullinan Oncology for TAS6417 Deliberations on the establishment of a joint venture company between Otsuka Chemical and Yokogawa Electric Corporation
Risk management	12	<ul style="list-style-type: none"> Approval of internal control reports, update on implementation of global training programs and on confirmation of conflicts of interest, and approval of activity reports and activity plans Annual reporting on internal whistleblowing system (whistleblowing system improvement status, number of reports and overview) and approval of action plan Approval of revision of whistleblower operation regulations Reporting on ERM monitoring activities Approval to issue Otsuka group Global ERM Policy and Implementation Guidelines Reporting on progress of initiatives to reinforce overseas crisis management Report on the reality of customer harassment and new measures to deal with customers
Financial strategy	3	<ul style="list-style-type: none"> Formulation of funding policy Discussions of new capital investments Formulation of dividend policy
IT	1	<ul style="list-style-type: none"> Reinforcement of cyber security measures

Evaluation of the Effectiveness of the Board of Directors

During January and February 2023, the Company conducted a questionnaire survey of all directors and Audit & Supervisory Board members. Results of the survey were reviewed by a company attorney, and then considered and evaluated at the Board of Directors meeting in March 2023.

Questionnaire items were 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) Operation of the Corporate Governance Committee meetings (frequency, agenda, etc.)
- (9) Overall functioning of the Board of Directors from the perspective of effectiveness

Achieving Overall Optimization while Maintaining the Uniqueness of Each Operating Company

Otsuka Holdings' Board of Directors' meetings are lively based on the philosophy of better decision-making through the free exchange of opinions among members with diverse experience and insight. Of all the discussions, opinions by outside directors probably make up about half. In one case, a proposal made by the company was improved based on the comments of an outside director, and the proposal was then put on the agenda again.

The unique innovations of group companies have been realized through the freedom and originality of each operating company to develop its own business. While these management styles should be preserved and not overly centralized, I feel it is necessary to further deepen discussions at the Board of Directors regarding the balance between the best business operations of each operating company and the best direction of the group. If Otsuka Holdings can take the initiative in advancing strategies for such things as overseas business development, while considering overall optimization, I believe that more synergies will be realized and the group as a whole will develop further.



Ko Sekiguchi
Outside Director

Governance

Corporate Governance

Corporate Governance Committee

Otsuka Holdings has had a Corporate Governance Committee since February 2017, and as a subcommittee of that committee, a Nominating and Compensation Committee since April 2023.

As an advisory body to the Board of Directors, the committee discusses the state of corporate governance at the Company, succession plans for the President and other executives, the development of management human resources, and other management issues of the group, and submits reports to the Board of Directors as necessary. The committee consists of the president, the director in charge of administration, and all outside directors (five as of the publication of this report). The president serves as the chair of the committee.

The Nomination and Compensation Committee, a subcommittee of the Corporate Governance Committee, is composed of the director in charge of administration and all five outside directors, and its chairman is elected by the outside directors. The Nomination and Compensation Committee deliberates on the following matters, and reports its deliberations and decisions to the Corporate Governance Committee, which in turn reports back to the Board of Directors.

Main Items Discussed by the Corporate Governance Committee

Corporate governance in general	<ul style="list-style-type: none"> The state of corporate governance Succession plan for the president and other senior management Development of management human resources Other group management issues
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Main Items Discussed by the Nominating and Compensation Committee

Evaluation of the president	The appropriateness and fairness of matters relating to the appointment and dismissal of directors and Audit and Supervisory Board members
Nominations	Matters related to evaluation and individual remuneration of directors, remuneration systems, levels, etc.
Remuneration	

Pursuing the value of Otsuka's unique approach with a high healthcare awareness

Otsuka Holdings provides outside directors with explanations about the businesses of each major company, such as Otsuka Pharmaceutical, and holds regular briefings on the progress of research and development, to provide us outside directors with the information we need to thoroughly discuss them at board of directors. Even so, it is difficult to look at all businesses, so to make discussions more efficient and cross-functional, it is necessary to decide on themes, such as the supply chain, ESG, and human resource development, and focus on them.

Otsuka's Pharmaceutical Business focuses on disease, while the Nutraceutical Business looks at consumers as a whole. The organic linkage between these two businesses, which operate on the same theme of "health," but in different fields, is the source of Otsuka's unique value, which cannot be found in a company specializing in prescription pharmaceuticals. I hope that Otsuka will continue to demonstrate its uniqueness with a high level of healthcare awareness in the future.



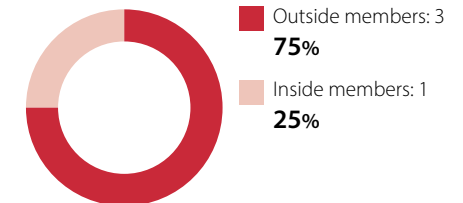
Yukio Matsutani
Outside Director

Audit & Supervisory Board

Audit & Supervisory Board members attend and express opinions at meetings of the Board of Directors, and monitor directors' performance of duties in terms of legal compliance and soundness of management through audits. To ensure the effectiveness of auditing by Audit & Supervisory Board members, systems have been established by which Audit & Supervisory Board members can interview directors and employees about the status of business execution, review internal consultation documents and other important documents pertaining to business execution, and promptly receive reports on the execution of operations when requested.

There is a Statutory Auditor's Office to assist the duties of Audit & Supervisory Board members. It convenes meetings of the Audit & Supervisory Board and is independent of directors' authority in its assistance in the duties of Audit & Supervisory Board members.

Proportion of Outside Audit & Supervisory Board members: 75%



Audit & Supervisory Board Member Skill Matrix

	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.
Yoza Toba	●			●				
Hiroshi Sugawara				●				CPA
Kanako Osawa					●			Attorney
Sachie Tsuji				●	●			CPA

Further discussion on executing strategies to maximize corporate value

In order to further advance corporate governance, I believe that we need to think about the magnitude of issues and the allocation of time for deliberations based on timing in order to better use time discussing how to maximize the corporate value of the Otsuka group. In order to achieve sustainable growth, we need to create synergies throughout the Otsuka group, which I believe can be further deepened through forward-looking initiatives.

In terms of dialogue with investors, I also feel that there is room for improvement in the dissemination of information to give them a deeper understanding of Otsuka's diverse business operations, which are the hallmark of the company. If we can come up with a management strategy that improves the asset and capital efficiency of the entire group, investors will be able to see the company's growth more clearly. I hope that the Fourth Medium-Term Management Plan, starting in the next fiscal year, will incorporate this perspective.



Mayo Mita
Outside Director

Governance

Corporate Governance

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. In addition, the Department cooperates with corporate auditors' audits and accounting audits by sharing information and cooperating with them.

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 an 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.

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.

Expect flexibility throughout the group to adapt to a drastically changing environment

The composition of the Board of Directors has an appropriate ratio of internal and external directors, and the Board operates with the fine balance of the non-overlapping expertise of each outside director. In addition, the directors involved in each of the major operating companies and the medical device business, which is expected to grow in the future, participate in the Board and I believe they share the direction of the group as a whole. I believe that further improvement of governance can be expected in the future by increasing the number of foreign and female directors in light of global expansion and business expansion in the women's health field, and by deepening cooperation with corporate auditors who have different perspectives. At the same time, in light of the current business scale and future expansion of business domains, I have advised the Otsuka group to work with a sense of urgency on a review of the Group-wide risk management system at this time, after the 100th anniversary, in order to respond flexibly to drastic changes in the business environment. The Otsuka group is a group with the awareness to flexibly adapt to the environment, and I look forward to its further evolution.



Yoshihisa Aoki
Outside Director

Emphasize dialogue with medium- to long-term investors to raise awareness of the cost of capital

The Otsuka group supports society from both inside the healthcare system, which includes medical and social insurance, and from the healthcare field, which cannot be handled completely by just the healthcare system. It has a high awareness of compliance that has been cultivated over 100 years, and an exceptional commitment to the local community that is unique to Japan's corporate governance code, and a passionate commitment to diversity. On the other hand, this boundary between inside and outside changes depending on historical background, and with the system for dealing with stakeholders in each country. But, our involvement with contributing to investors who are open to the outside world to deal with these changes is still short, and our efforts to harmonize Otsuka's character with what is required by society have only just begun. For example, I feel the need to further raise awareness of the cost of capital. As a group that always contributes to healthcare in one way or another, it is important to have a dialogue with medium- to long-term investors. Recently, the Board of Directors has been actively discussing not only business growth, but also how to express and communicate corporate value, the cost of capital, and the evaluation of investments, and I recognize the importance of being more aware of this.



Tatsuaki Kitachi
Outside Director

Governance

Remuneration for Directors and Audit & Supervisory Board Members

Basic Policy

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.

Total Amount of Remuneration for Directors and Audit and Supervisory Board Members in 2022

	Total amount of remuneration (¥ million)	Total amount by type of remuneration (¥ million)			Number of eligible officers
		Fixed remuneration	Performance-linked bonus	Share-based payment	
Directors [of which Outside Directors]	774 [51]	350 [51]	150 [—]	273 [—]	14 [5]
Audit & Supervisory Board Members [of which Outside Audit & Supervisory Board Members]	56 [32]	56 [32]	—	—	6 [5]
Total [of which Outside Directors and Outside Audit & Supervisory Board Members]	830 [83]	407 [83]	150 [—]	273 [—]	20 [10]

Includes directors and auditors who retired during 2022.

Total Amount of Consolidated Remuneration, etc. of People Whose Total Consolidated Remuneration, etc. is 100 Million Yen or More

Name	Executive classification/position	Company classification	Amounts, by type of remuneration (¥ million)				Total remuneration (¥ million)
			Fixed remuneration	Performance-linked bonus	Share-based payment	Allowance for retirement benefits, etc.	
Ichiro Otsuka	Chairman and Representative Director	Otsuka Holdings	66	33	42	—	242
	Director	Otsuka Pharmaceutical	36	18	—	—	
	Representative Director	Otsuka Pharmaceutical Factory	31	7	—	7	
Tatsuo Higuchi	President and Representative Director, CEO	Otsuka Holdings	72	36	59	—	284
	Chairman and Representative Director	Otsuka Pharmaceutical	66	33	—	—	
	Advisor and Consultant	Otsuka Pharmaceutical Factory	9	—	—	—	
	Advisor and Consultant	Otsuka Chemical	9	—	—	—	
Yoshiro Matsuo	Executive Deputy President and Director	Otsuka Holdings	48	24	34	—	128
	Executive Deputy President and Representative Director	Otsuka Pharmaceutical	20	—	—	—	
	Executive Director	Otsuka Medical Devices	2	—	—	—	
Masayuki Kobayashi	Executive Director	Otsuka Holdings	12	6	25	—	139
	President and Representative Director	Taiho Pharmaceutical	51	23	—	21	
Makoto Inoue	Executive Director	Otsuka Holdings	16	9	38	—	154
	President and Representative Director	Otsuka Pharmaceutical	64	27	—	—	

Governance

Remuneration for Directors and Audit & Supervisory Board Members

Content of Remuneration to Directors (Excluding Outside Directors)

The content of remuneration to directors (excluding outside directors) is as follows:

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"> 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 operating companies, and strengthening corporate governance. (Remuneration shall not to exceed the upper limit of remuneration resolved at the Shareholders Meeting.) Fixed remuneration is paid out equally every month.
Performance-linked bonus	Cash/ Variable	<ul style="list-style-type: none"> Remuneration is paid in a lump sum at a certain time 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. Specifically, stock is granted 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.

Non-Cash Remuneration (Restricted Stock-Based Compensation)

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 specified release conditions.

	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 consolidated 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

Note: The restricted stock allocation agreements concluded with the grantees stipulate that in certain cases, the transfer restrictions on restricted stock shall not be released and the Company shall acquire all of the restricted stock without paying compensation. For example,

- if a director of the Company retires before the end of the transfer restriction period, the Company shall acquire without paying compensation all of the director's restricted stock upon the retirement of the director, except when the Company recognizes a just reason, such as completion of the term of office or death;
- if a director retires before the end of the transfer restriction period due to a just reason, such as completion of the term of office or death, the number of shares of restricted stock to be released and the timing of the release shall be reasonably adjusted as necessary, and the Company shall acquire without paying compensation all of the shares for which it has decided that the transfer restriction is not to be released; or
- if the performance-based release conditions have not been met, the Company shall acquire without paying compensation all of the shares for which it has decided that the transfer restriction is not to be released.

For details and the latest information on corporate governance and officer remuneration, visit the Sustainability section of the Otsuka Holdings website:

<https://www.otsuka.com/en/csr/governance/officer-compensation.html>

You can also refer to the Consolidated Financial Statements

<https://www.otsuka.com/en/ir/library/securities.html>

Composition of Outside Director Remuneration

Remuneration for outside directors comprises only fixed remuneration, with no variable components based on business performance.

Composition of Audit & Supervisory Board Member Remuneration

Remuneration for Audit & Supervisory Board members comprises only fixed remuneration, with no variable components based on business performance.

Governance

Directors and Audit & Supervisory Board Members

(As of March 30, 2023)

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. Chairman and Representative Director, Otsuka Holdings Co., Ltd. (current)
Mar. 2022 Representative Director, Otsuka Pharmaceutical Factory, Inc. (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
Executive Deputy President and 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. 2022 Executive Deputy President and Representative Director, Otsuka Pharmaceutical Co., Ltd. (current) Executive Deputy President and Director, Otsuka Holdings Co., Ltd. (current)
Mar. 2023 Executive Director, Otsuka Foods Co., Ltd. (current)



Shuichi Takagi
Managing Director, CSO

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 (now 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. Executive Director, Business Portfolio Management, Otsuka Holdings Co., Ltd.
Oct. 2021 President, Otsuka America, Inc.
Mar. 2022 Managing Director (Business Strategy), Otsuka Pharmaceutical Co., Ltd. (current) Managing Director, CSO, Otsuka Holdings Co., Ltd. (current)
Feb. 2023 Chairman and Director, Otsuka America, Inc. (current)
Mar. 2023 Managing Director (Business Strategy), Otsuka Pharmaceutical Co., Ltd. (current) Executive Director, Otsuka Pharmaceutical Factory, Inc. (current)



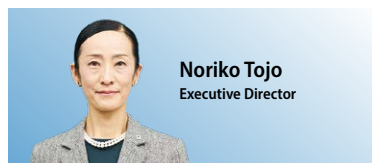
Yuko Makino
Executive Director, CFO

Profile
Apr. 1982 Joined Otsuka Pharmaceutical Co., Ltd.
Apr. 1993 Joined Deloitte&Touche LLC, Seattle Office (present day Deloitte Touche Tohmatsu LLC)
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)
Mar. 2022 Executive Director (Finance), Otsuka Pharmaceutical Co., Ltd. (current)



Masayuki Kobayashi
Executive Director

Profile
Apr. 1989 Joined The Daiwa Bank, Ltd. (now Resona Bank, Limited)
Oct. 1993 Joined Taiho Pharmaceutical Co., Ltd.
Aug. 2002 President, Taiho Pharma USA, Inc. (now 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 Nutraceutical Business Division, Otsuka Pharmaceutical Co., Ltd.
Apr. 2015 Executive Director, Pharmavite LLC
Mar. 2017 Managing Director, Nutraceutical Business, Otsuka Pharmaceutical Co., Ltd.
Sep. 2017 Executive Director, Daiya Foods Inc.
Mar. 2018 Senior Managing Director, Nutraceutical 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)

Governance

Directors and Audit & Supervisory Board Members

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 (now 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)



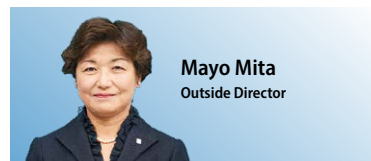
Ko Sekiguchi
Outside Director

Profile
Apr. 1973 Joined Mitsubishi Corporation
May 1990 Joined The Boston Consulting Group
Jan. 1996 General Manager of Sterrad Business Division, Johnson & Johnson Medical K. K. (now Johnson & Johnson K. K. Medical Company)
Nov. 1998 President and Representative Director, Janssen Kyowa Co., Ltd. (now Janssen Pharmaceutical K.K.)
Jul. 2009 Chairman and Director, Janssen Kyowa Co., Ltd.
Oct. 2009 Supreme Advisor, Janssen Kyowa Co., Ltd.
Jan. 2011 Representative Director, DIA Japan (now SH DIA Japan)
Apr. 2012 Outside Director, N.I.C. Corporation (now 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)



Mayo Mita
Outside Director

Profile
Apr. 1983 Joined Morgan Stanley Japan Securities Co., Ltd. (now 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)



Tatsuaki Kitachi
Outside Director

Profile
Oct. 1985 Joined Sanwa Tokyo Marunouchi Office Audit Corporation (now Deloitte Touche Tohmatsu LLC)
Apr. 1989 Registered as a certified public accountant
Jul. 1996 Partner, Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC)
Apr. 2010 Commissioner, Public Interest Corporation Commission, Cabinet Office
Oct. 2012 Leader of Advisory Development Division, Deloitte Touche Tohmatsu LLC
Nov. 2013 Member of the Board, Deloitte Touche Tohmatsu LLC
Jun. 2017 Leader of Industry Service Division, Advisory Service Headquarters, Deloitte Touche Tohmatsu LLC
Jun. 2019 Thought Leader, Deloitte Tohmatsu LLC
Sep. 2021 Special Adviser to the Governor of Kanagawa Prefecture (current)
Mar. 2022 Outside Director, Otsuka Holdings Co., Ltd. (current)

Audit & Supervisory Board Members



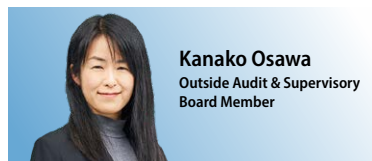
Yozo Toba
Standing Audit & Supervisory Board Member

Profile
Apr. 1979 Joined Otsuka Chemical Holdings Co., Ltd. (now Otsuka Chemical Co., Ltd.)
Jan. 1995 Director, Information Center, Otsuka Chemical Holdings Co., Ltd.
Jan. 2006 CFO, Trocelsen GmbH
May 2009 Operating Officer, Information System Department, Otsuka Chemical Holdings Co., Ltd. (now 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 (now Deloitte Touche Tohmatsu LLC)
Apr. 2002 Registered as a certified public accountant
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)



Kanako Osawa
Outside Audit & Supervisory Board Member

Profile
Apr. 1998 Registered as an attorney at law (Dai-ichi Tokyo Bar Association) Joined KAJITANI LAW OFFICES (current)
Oct. 2005 Admitted to the bar of the State of New York
Jun. 2015 Outside Director (Audit & Supervisory Committee Member), LINTEC Corporation (current)
Apr. 2021 Committee Member for Reform of Collateral Law, Legislative Council of the Ministry of Justice (current)
May 2021 Director, Japanese Association for Business Recovery (current)
Jun. 2021 External Director, TPR Co., Ltd. (current)
Mar. 2022 Outside Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (current)
Jun. 2022 Outside Audit & Supervisory Board Member, Toshiba Tec Corporation (current)



Sachie Tsuji
Outside Audit & Supervisory Board Member

Profile
Oct. 1996 Joined Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC)
Apr. 1999 Registered as a certified public accountant
Jul. 2015 Representative Director, SPLUS Corporation (now Biz-suppli Corporation) (current)
Jun. 2016 Director, Association of Certified Fraud Examiners (current)
Mar. 2021 Outside Director (Audit & Supervisory Board Member), SBS Holdings, Inc. (current)
Jun. 2021 Outside Audit & Supervisory Board Member, Shindengen Electric Manufacturing Co., Ltd. (current)
Mar. 2022 Outside Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (current)

Governance

The full text of the message is posted on our website

 https://www.otsuka.com/en/ir/management/message/outside_message.html



Messages from Outside Audit & Supervisory Board Members



Kanako Osawa

Outside Audit & Supervisory Board Member

Background

In 1998, admitted as an attorney at law. She has extensive experience in negotiating with foreign companies through this expertise as a lawyer and through work, which she utilizes in the Company's audits.

What role should Otsuka Holdings play in realizing the growth of the entire Otsuka group in an era of increasing complexity and rapid change?

Supply Chain Compliance is Now a Question of Compliance

Global supply chains are rapidly changing due to the spread of COVID-19 and the Russia-Ukraine conflict. The shift is from global supply chains that collect inexpensive goods from around the world to reduce costs to regional supply chains that ensure a stable supply of products by securing supply chains in each region. In addition, increasing awareness of human rights and other factors have raised the issue of compliance in the supply chain, and new laws and regulations are being created one after another in response to these changes.

Japanese companies are also rushing to respond, and although they have organized sustainability committees and other bodies, it is still difficult to get results for the resources allocated, due to operational issues such as a lack of a clear sense of purpose. In this situation, Otsuka Holdings' internal audits and Sustainability Promotion Committee reports are of a high quality and are written responsibly by experienced staffs, indicating that the company is devoting sufficient resources to governance and risk management. The report is also a good indication that the company is devoting adequate resources to governance and risk management.

I have been attending board meetings as an Outside Audit & Supervisory Board Member since 2022. At the Board of Directors meetings, outside directors with diverse backgrounds always express their

opinions actively based on their respective knowledge, and I feel that the executive side has the capacity to accept diverse opinions, giving me the impression that viewpoints from the outside are quite important. In order for the company to further evolve, I think it is worth considering the participation of a person with a U.S. background on the board of directors in the future, since approximately 40% of revenue comes from North America. I believe that this would bring in a more global perspective and further enhance the effectiveness of the Board of Directors.

To Grow as an Innovative Organization

The Otsuka group's corporate philosophy and vision are to contribute to the better health of people worldwide, and there is an affinity with creating shared value in the business itself. Furthermore, not only does top management regularly communicate a clear direction regarding the company's raison d'être and corporate philosophy, but employees are also highly committed, which I feel is linked to the dissemination of substantial information on sustainability-related initiatives, audits, and other activities.

However, while the philosophy and direction are clear, there appear to be certain issues with the complexity of the group's organization. With many operating companies in Japan and overseas, and some businesses are overlapping among operating companies, the group's overall business and organizational hierarchy is create a complex structure. From the perspective of an Outside Audit & Supervisory Board Member, I feel that there is room for further pursuit of a corporate organization that is rational and efficient enough to embody the corporate culture and make the most of its employees.

For example, as mentioned at the beginning of this message, regulations on corporate activities are becoming stricter in foreign countries, and compliance with soft law is also required. However, due to the scale of business and the issue of securing staff, it does not seem realistic to require all group companies to respond individually. In the future, I think it will be necessary to establish a system that allows some degree of centralized management, such as by organizing a specialized back office under the leadership of Otsuka Holdings to handle intermediate tasks such as laws, regulations, etc. By taking a flexible approach that is tailored to business and regional realities, each group company will be able to focus on its own business activities and grow into a more innovative organization.

I believe that what I, as an Audit & Supervisory Board Member, can contribute to Otsuka group's growth as a total healthcare company is to continue to ask questions from a purely outside perspective, from the standpoint of a lawyer, such as, "Is this okay? Or, why is this the way it is?" I will continue to raise questions with an awareness of the problems so that I can continue to contribute to the clarification of issues, and improve governance.



Governance

Messages from Outside Audit & Supervisory Board Members



Sachie Tsuji
Outside Audit & Supervisory Board Member

Background
Registered as a certified public accountant in 1999. She is well versed in internal control, internal auditing, and risk management and brings her experience and expertise to our audits.

Contribute to improving the quality of management from the perspective of compliance and internal control for the next 100 years

The role of auditing is to improve the quality of braking in management

I became an Outside Audit & Supervisory Board Member in 2022 and, as a certified public accountant and a certified fraud examiner, I bring expertise in areas related to internal control and compliance to my audits. What has been particularly impressive over the past year has been the number of informational opportunities. Business briefings by major operating companies, regular business reporting meetings, and monitoring meetings for each business segment often provide a lot of information that leads to lively discussions among outside directors and auditors, and this undoubtedly contributes to the corporate governance of the entire group.

Another significant feature of Otsuka's corporate philosophy is that its top management, starting with CEO Higuchi, very clearly and proactively communicates it. At various occasions, such as events commemorating the 100th anniversary of the company's founding, the top management spends a great deal of time communicating to employees in their own words, quoting "Otsuka-people creating new products for better health worldwide." I feel that having a clear vision of what the company is aiming for has a significant positive impact on the Otsuka group, which has a diverse range of operating

companies, and on the company's ability to carry out its business with a sense of unity.

If we think of actively conducting business as the gas pedal, then compliance and internal controls serve as the brakes, so to speak. In order to be able to step on the accelerator with confidence in management, good brakes are necessary. It is very easy to say "compliance is important" or "internal control is important" in normal times. It is precisely when a problem arises that you can tell how a company is dealing with compliance by the kind of discussions that take place at meetings of the board of directors and board of auditors. As one example, when something occurred at a subsidiary in 2022 that could become a future risk, the board of directors repeatedly discussed the issue with an awareness of the structural problems behind it. This sincere response demonstrated the high level of awareness of compliance and internal controls within the Otsuka group.

From a governance perspective, I believe that one of the roles of auditors is to check whether efforts are being made to improve the quality of important brakes. It is important for the entire Otsuka group, with Otsuka Holdings taking the lead, to be aware of and think about how to apply both the gas pedal and quality brakes on a daily basis.

What's Needed for Sustainable Management for the Next 100 Years

The Audit & Supervisory Board has identified the initiatives to sustainable management as one of the main audit themes for 2023. Since it is an important management theme, it is naturally a key theme in our audits as well. The Otsuka group has a strong awareness of sustainability, given its corporate philosophy of "contributing to better health" and the fact that it does business in many countries. Going forward, we will need to upgrade our efforts and explain them to our many stakeholders.

And it is important to continue to emphasize compliance in order to strengthen corporate sustainability. A compliance-oriented stance itself does not directly lead to business performance. On the other hand, failure to take action could result in a loss of trust with stakeholders. To avoid such a situation, it is important for Otsuka Holdings as well as the top management of each operating company to continue to demonstrate a serious commitment to compliance. I would like to continue to audit such efforts in cooperation with the auditors of the group companies.

I believe that a good company is one in which the people who work there are proud of their company, and by extension, the stakeholders feel that the company is indispensable. For the Otsuka group to achieve sustainable growth as a good company over the next 100 years, I would like to contribute to improving the quality of management by discussing and cooperating with other auditors and improving the quality of the brakes of compliance and internal control.



Governance

Compliance

Basic Policy

The Otsuka group seeks to earn the trust of stakeholders and to achieve sustained growth by contributing to people's health worldwide, acting in good faith and with the highest level of ethics in accordance with the corporate philosophy: "Otsuka-people creating new products for better health worldwide." That commitment is encapsulated in the Otsuka Group Global Code of Business Ethics, which outlines the standards of behavior expected of everyone involved in our work. This is reinforced with a range of global policies that reflect our behavioral standards in core areas. Regular training helps ensure that our compliance stance is thoroughly embedded into employees' thinking.

For more details about our various global policies and compliance-related initiatives, visit our website:

<https://www.otsuka.com/en/csr/governance/compliance2.html>



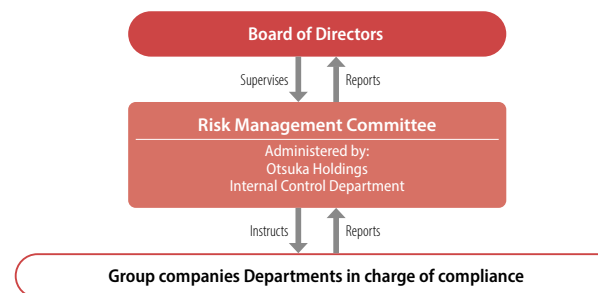
Compliance Promotion System

As a holding company whose role is to maximize the group's corporate value, Otsuka Holdings has established a system for 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, group companies report to Otsuka Holdings as necessary regarding items specified in the Affiliated Company Management Regulations, and obtain approval on relevant important items. The Board of Directors has built a group-wide risk management system, which has a Risk Management Committee (chaired by the President and Representative Director), and oversees the system's operation. The Board of Directors receives regular reports on compliance and risk management action plans and results from the Risk Management Committee. These reports and plans form the basis for discussion of issues and additional measures.

To instill thorough compliance at group companies, the Otsuka group conducts universal training based on policies such as the Otsuka Group Global Code of Business Ethics, the Otsuka Group Global Anti-Corruption Policy and the Otsuka Group Global Policy for Conflict of Interest. Training materials (available in English, French, Chinese, Korean, Indonesian, and other languages) are distributed to group companies, and executives and employees attend related training at least once annually. Depth and breadth of compliance understanding among employees is evaluated through a test during training, awareness surveys, and other measures. Trainees are required to submit a signed declaration that they will observe the regulations, and the results of training and the status of submission of declaration forms are regularly reported at meetings of the Board of Directors. The operational status of the internal

reporting systems and internal audits at group companies is likewise reported. Each group company has a compliance officer to share the status of progress of each company's compliance. In Asia, for instance, the director in charge of compliance visits companies to gather information and offer suggestions on how improvements can be made.

Compliance Promotion System



Monitoring System

The Company's Internal Audit Department reports directly to the president. The department 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 Otsuka group companies. Audit reports are submitted 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 works in cooperation with Audit & Supervisory Board members and the Accounting Auditor.

The Otsuka group operates a crisis management system that enables a swift, cohesive response if a risk event demanding an urgent response occurs in or outside Japan. When a critical or time-sensitive event does occur, the group company immediately shares information with the main operating companies and Otsuka Holdings, and the relevant departments mount a coordinated response to mitigate impact. Otsuka Holdings maintains and updates regulations, manuals, and other documentation setting out fundamental approaches to risk management and response, and enhances group-wide readiness through regular training and exercises.

Governance

Compliance

Number of participants who took global compliance training in 2022

Name of training (excerpt)	# of targeted participants	Attendance
Otsuka Group Global Code of Business Ethics	40,013*	98.5%
Otsuka Group Global Anti-Corruption Policy		
Otsuka Group Global Policy for Conflict of Interest		
Otsuka Group Global Anti-Fraud Policy		
Otsuka Group Global Speak-Up Policy		
Otsuka Group Human Rights Policy		
Otsuka Group Global Information Security Policy		
Otsuka Group Global Privacy Policy		

*The number of people covered by the Otsuka Group Global Code of Business Ethics training when it was deployed. In addition to directors and employees, the number of participants includes temporary employees.

Number of consultations received from employees, etc.

Item	2021	2022
Inquiries about internal rules, etc.	127	148
Contents related to business	138	239
Contents related to human resources, diversity, and the workplace	88	93
Others	103	100
Total*	456	580

*The number of cases reported to the Internal Control Department of Otsuka Holdings on an annual basis, covering all companies in the Otsuka group.

the process of reporting to local tax authorities will become more complex and far-reaching. 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. Also, when necessary, we make use of advance pricing agreements 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, we are strengthening cooperation with operating companies as well as securing and training capable human resources, thereby maintaining an appropriate system that enhances the group's tax compliance and reduces tax risks. Furthermore, we have established reporting obligations to the Board of Directors and the Audit & Supervisory Board regarding the abovementioned policies and processes, as well as their ongoing implementation and maintenance.

Tax Compliance

Basic Policy

The Otsuka group operates around the world and recognizes that the appropriate payment of taxes in accordance with relevant laws and regulations in each country and region contributes to the local economy in those countries and regions. The 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 globalization of business makes tax oversight more complex, but by continuously updating information and consulting tax experts where necessary, we are appropriately responding in order to minimize tax risk.

Correspondence with Tax Authorities

The Otsuka group remains committed to building constructive relationships with tax authorities in the countries and regions in which it operates. As economies become more global and digital, the Organization for Economic Co-operation and Development (OECD) and other organizations have been reviewing the basic rules of international taxation. The shift toward a system in which even enterprises without permanent facilities in a location are liable for tax on income earned in that market means that

Risk Management

Basic Policy

The Otsuka group recognizes that pursuing management efficiency and controlling the risks inherent in business activities are important to enhancing corporate value. To that end, it is vital to establish a group-wide system that enables all executives and employees to uncover, identify, and deal with risks related to their work swiftly. The Otsuka group manages risk via the initiatives outlined below under the supervision of top management.

Risk Management System

Otsuka Group introduced Enterprise Risk Management (ERM) in July 2020 to further enhance company-wide risk management at the Company and its major operating companies, including the recognition and evaluation of risks from a company-wide perspective and the prioritization of management

Governance

Risk Management

resources to control important risks. The Otsuka Group Global ERM Policy was established in 2022.

As part of ERM, we define uncertainties that could have a major impact on our ability to fulfill our corporate philosophy and achieve business strategy goals as “risks,” and have established a group-wide risk management framework and a system for risk assessment to effectively and efficiently manage significant risks faced by the group. Under this framework and system, we perform risk assessments to identify and gauge the significant risks faced by the group’s main operating companies; determine whether to mitigate, transfer, avoid, or accept risks; develop and implement risk management policies, and conduct monitoring activities on an ongoing basis.

At Otsuka Holdings, the Risk Management Committee oversees the group’s ERM as a whole. The committee participates in deliberations on significant risks and reports on them at meetings of the Board of Directors, formulates and monitors the implementation of policies for the management of significant risks, and provides instructions and support to the main operating companies when needed. The Board of Directors receives reports on committee activities, issues instructions as necessary, and oversees the efficacy of the group’s ERM structure.

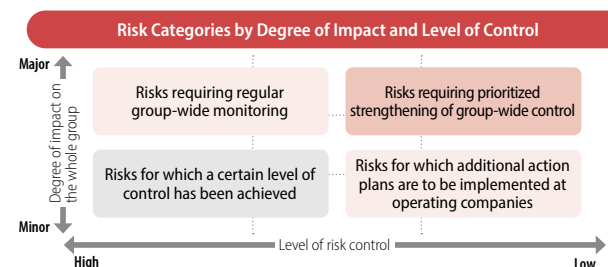
Details of Risk Management Activities

Identification of significant risks begins with the sharing of risk awareness by senior management through interviews at Otsuka Holdings and its main operating companies (top-down approach), as well as assessments of risks and controls by front-line employees (bottom-up approach). This enables us to comprehensively identify the risks that exist in the group. Each group company develops risk management policies and risk management action plans for the risks that are judged to be its significant risks, and regularly monitors and reviews the status of those risks and the progress of action plans.

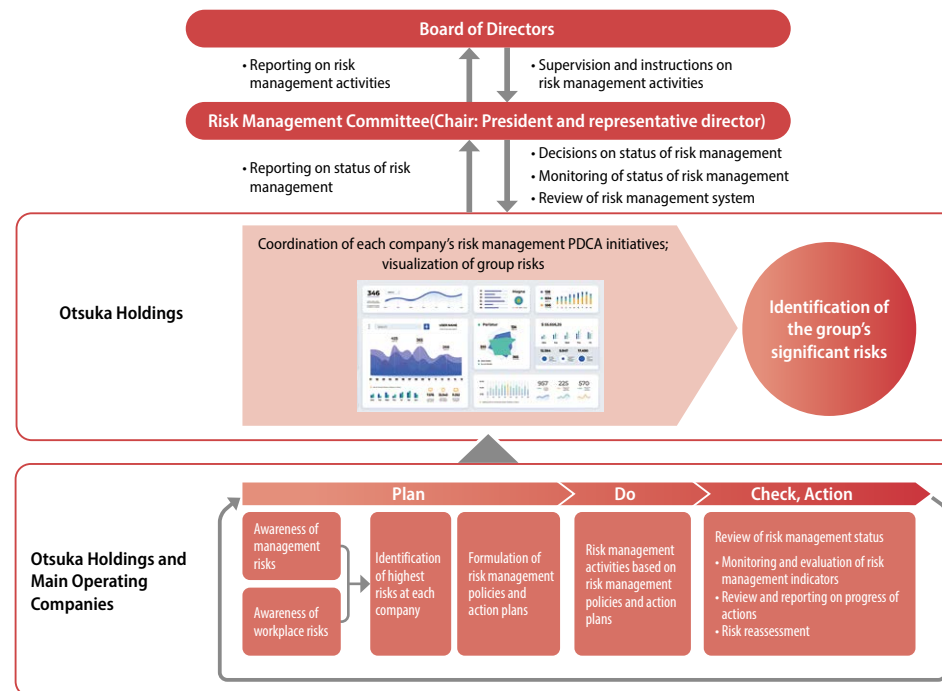
Otsuka Holdings and its main operating companies develop and implement countermeasures to each significant risk based on its characteristics and risk tolerance. Otsuka Holdings provides the necessary guidance and support to group companies, which submit reports and seek advice from Otsuka Holdings as appropriate. In these activities, the whole group coordinates closely to promote and practice ERM. Moreover, Otsuka Holdings and group companies work to prevent risks from realizing by regularly monitoring them and confirming that they are within their respective tolerance levels.

Otsuka Holdings and its main operating companies develop and implement countermeasures to each significant risk based on its characteristics and risk tolerance. Otsuka Holdings provides the necessary guidance and support to group companies, which submit reports and seek advice from Otsuka Holdings as appropriate. In these activities, the whole group coordinates closely to promote and practice ERM. Moreover, Otsuka Holdings and group companies work to prevent risks from realizing by regularly monitoring them and confirming that they are within their respective tolerance levels.

Risk Map



Risk Management System



Governance

Please visit our website for all message.

https://www.otsuka.com/en/csr/governance/risk_management.html




Risk Management

FY2022 Policy and Initiatives Based on the Policy

"Otsuka Group Global ERM Policy" has been established by developing ERM-related regulations and expanding the number of companies that have introduced ERM in 2022 in order to further strengthen the risk management system in Otsuka group. Otsuka group's ERM standards have been documented to share them throughout the group with discussion with the group companies that have already completed the introduction of ERM. In addition, the toolkit has been developed and the process has been optimized for the ERM introduction process and subsequent monitoring activities to be implemented more efficiently. For the group companies that have already introduced ERM, the feedback on monitoring activities has been provided and ERM study sessions have been conducted with the aim of strengthening risk management.

Here are some comments from the field that promoted the initiative.



Naoki Yamamoto
Manager
Internal Control Department
Otsuka Holdings

Selection and review of significant risks for the Otsuka group

We summarize the monitoring results of each group company and the progress of action plans for top risks every six months, and analyze risk trends. Furthermore, in consideration of changes in the market environment and future management strategies, we review significant risks for Otsuka group on an annual basis, and work to strengthen risk management in cooperation with the group companies.



Michael Thigpen
Director, Internal Audit
Internal Audit
Otsuka America

Incorporating ERM in strategic decisions


Aligned Enterprise Risk Management programs have been launched across our key operating companies supporting management of key risks and growth of our businesses.



Aman Sandhu
Senior Director, Head of Internal Audit & Risk
Group Internal Audit & Risk, Europe
Otsuka Holdings Europe

The role of ERM in shifting landscapes

The profile of each enterprise risk is constantly evolving due to geopolitical and regulatory changes, market disruptors such as AI and ESG commitments. Our focus has been on developing effective mitigation strategies in response.



Suhari Mukti
Vice President
PT Otsuka Indonesia

Benefit of ERM implementation

By introducing ERM, we were able to take an enterprise-level overview of the risks identified by each department and select the top risks based on impact and priority. It led to the establishment of a common recognition by management, and implemented appropriate countermeasures based on the KPIs of each department.

Significant Risks We are Aware of

Otsuka Holdings and its major operating companies have conducted company-wide risk assessments, and has identified the significant risks listed on the right, and we are implementing measures to reduce these risks.

For more details about our business risks, visit:

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



Significant Risks in Core Business Areas	Significant Risks Common to All Business Areas	
<p>Significant Risks in Pharmaceutical Business</p> <ul style="list-style-type: none"> Healthcare Cost Containment Measures Uncertainty of New Drug Development Side Effects Quality <p>Significant Risks in Nutraceutical Business</p> <ul style="list-style-type: none"> Expansion into New Categories and New Regions Food Safety and Quality (also applies to Consumer Products Business) 	<ul style="list-style-type: none"> Securing and Developing Human Resources and Instilling Corporate Culture and Philosophy Environmental Issues Supply Chain Transparency Group Governance and Management Corporate Brand Management Business Alliances and Acquisitions Digitalization 	<ul style="list-style-type: none"> Natural Disasters and Pandemics Stable Supply Soaring Raw Material Prices Patent Infringement Litigation IT Security and Information Management Global Business Operations

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	
		2012.3	2013.3	2014.3	2014.12 ⁶	2015.12	2016.12
Results of Operations							
Revenue	(¥ billion)	¥1,154.6	¥1,218.1	¥1,452.8	¥1,224.3	¥1,427.4	¥1,195.5
Selling, general and administrative expenses ^{2,3}	(¥ billion)	457.4	462.2	563.4	508.6	617.5	519.5
Business profit before R&D expenses	(¥ billion)					369.8	285.7
Ratio of business profit before R&D expenses to revenue	(%)					25.9	23.9
R&D expenses ³	(¥ billion)	159.2	192.4	249.0	172.9	199.6	152.6
R&D ratio	(%)	13.8	15.8	17.1	14.1	14.0	12.8
Business profit ⁴	(¥ billion)					170.2	133.1
Business profit margin	(%)					11.9	11.1
Operating profit	(¥ billion)	148.7	169.7	198.7	196.5	148.9	101.1
Operating profit margin	(%)	12.9	13.9	13.7	16.1	10.4	8.5
Profit attributable to owners of the Company	(¥ billion)	92.2	122.4	151.0	143.1	102.0	92.6
Financial Position							
Total assets	(¥ billion)	¥1,666.8	¥1,779.2	¥2,028.4	¥2,178.2	¥2,575.3	¥2,478.3
Total equity	(¥ billion)	1,222.8	1,325.1	1,510.8	1,658.6	1,727.4	1,738.4
Ratio of equity attributable to owners of the Company to total assets	(%)	72.5	73.7	73.2	74.7	66.0	69.0
ROE	(%)	7.8	9.7	10.8	9.2	6.1	5.4
ROA ⁵	(%)	8.7	10.3	11.0	10.0	6.2	4.6
Cash Flows							
Net cash flows from operating activities	(¥ billion)	¥ 147.6	¥ 119.3	¥ 226.5	¥ 88.5	¥ 257.9	¥ 142.0
Net cash flows from (used in) investing activities	(¥ billion)	-107.6	-91.2	-108.5	-28.7	-422.6	-135.1
Free cash flows	(¥ billion)	40.0	28.1	117.9	59.9	-164.7	6.9
Dividends							
Annual dividend per share	(Yen)	¥ 45	¥ 58	¥ 65	¥ 75	¥ 100	¥ 100
Dividend payout ratio	(%)	27.2	26.1	23.4	28.4	53.1	58.5
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
Stock price at year-end	(Yen)	¥ 2,450	¥ 3,300	¥ 3,087	¥ 3,617	¥ 4,317	¥ 5,093
Number of Employees⁹							
Total	(Persons)	24,595	25,330	28,288	29,482	31,940	31,787
Japan	(Persons)	13,808	13,732	14,116	14,285	14,082	13,909
Outside Japan	(Persons)	10,787	11,598	14,172	15,197	17,858	17,878

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 – SG&A expenses + Share of profit of associates – R&D expenses

5. ROA = Pretax profit of the fiscal year / Total assets (Average of the beginning and end of the fiscal year)

6. 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.

7. 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.

8. Calculated at ¥132.70 = US\$1.

9. Number of employees including Otsuka Holdings Co., Ltd. and its subsidiaries (As of December 31, 2022)

Main Data

Item ¹	(Unit)	IFRS						(Unit)	2022.12 ⁸
		2017.12	2018.12 ⁷	2019.12	2020.12	2021.12	2022.12		
Results of Operations									
Revenue	(¥ billion)	¥1,240.0	¥1,292.0	¥1,396.2	¥1,422.8	¥1,498.3	¥1,738.0	(US\$ million)	\$13,097
Selling, general and administrative expenses ³	(¥ billion)	531.4	552.8	557.6	562.4	622.3	724.1	(US\$ million)	5,457
Business profit before R&D expenses	(¥ billion)	305.4	313.8	403.0	433.7	389.4	450.1	(US\$ million)	3,392
Ratio of business profit before R&D expenses to revenue	(%)	24.6	24.3	28.9	30.5	26.0	25.9	(%)	25.9
R&D expenses ³	(¥ billion)	174.0	192.9	215.8	216.8	232.3	275.2	(US\$ million)	2,074
R&D ratio	(%)	14.0	14.9	15.5	15.2	15.5	15.8	(%)	15.8
Business profit ⁴	(¥ billion)	131.4	120.9	187.2	216.9	157.1	174.9	(US\$ million)	1,318
Business profit margin	(%)	10.6	9.4	13.4	15.2	10.5	10.1	(%)	10.1
Operating profit	(¥ billion)	104.2	108.3	176.6	198.6	154.5	150.3	(US\$ million)	1,133
Operating profit margin	(%)	8.4	8.4	12.6	14.0	10.3	8.6	(%)	8.6
Profit attributable to owners of the Company	(¥ billion)	112.5	82.5	127.2	148.1	125.5	134.0	(US\$ million)	1,010
Financial Position									
Total assets	(¥ billion)	¥2,480.3	¥2,477.4	¥2,581.3	¥2,627.8	¥2,820.9	¥3,102.7	(US\$ million)	\$23,381
Total equity	(¥ billion)	1,822.0	1,732.3	1,795.4	1,883.4	2,045.2	2,262.5	(US\$ million)	17,050
Ratio of equity attributable to owners of the Company to total assets	(%)	72.3	68.8	68.4	70.5	71.3	71.7	(%)	71.7
ROE	(%)	6.4	4.7	7.3	8.2	6.5	6.3	(%)	6.3
ROA ⁵	(%)	4.2	4.4	6.9	7.3	6.0	5.8	(%)	5.8
Cash Flows									
Net cash flows from operating activities	(¥ billion)	¥ 102.8	¥ 135.8	¥ 192.6	¥ 232.8	¥ 228.9	¥ 211.8	(US\$ million)	\$ 1,596
Net cash flows from (used in) investing activities	(¥ billion)	-40.1	-93.3	-52.3	-99.9	-95.3	-81.6	(US\$ million)	-615
Free cash flows	(¥ billion)	62.8	42.5	140.4	133.0	133.6	130.3	(US\$ million)	982
Dividends									
Annual dividend per share	(Yen)	¥ 100	¥ 100	¥ 100	¥ 100	¥ 100	¥ 100	(US\$)	\$ 0.75
Dividend payout ratio	(%)	48.2	65.7	42.6	36.6	43.2	40.5	(%)	40.5
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	(Thousand shares)	557,836
Stock price at year-end	(Yen)	¥ 4,948	¥ 4,493	¥ 4,883	¥ 4,418	¥ 4,169	¥ 4,305	(US\$)	\$ 32.44
Number of Employees⁹									
Total	(Persons)	32,817	32,935	32,992	33,151	33,226	33,482	(Persons)	33,482
Japan	(Persons)	13,880	13,757	13,356	13,319	13,196	13,167	(Persons)	13,167
Outside Japan	(Persons)	18,937	19,178	19,636	19,832	20,030	20,315	(Persons)	20,315

Group Structure / Global Network / Corporate Information

Philosophy



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 196 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, 2022. Otsuka Holdings and subsidiaries and affiliates.

Organizational Structure



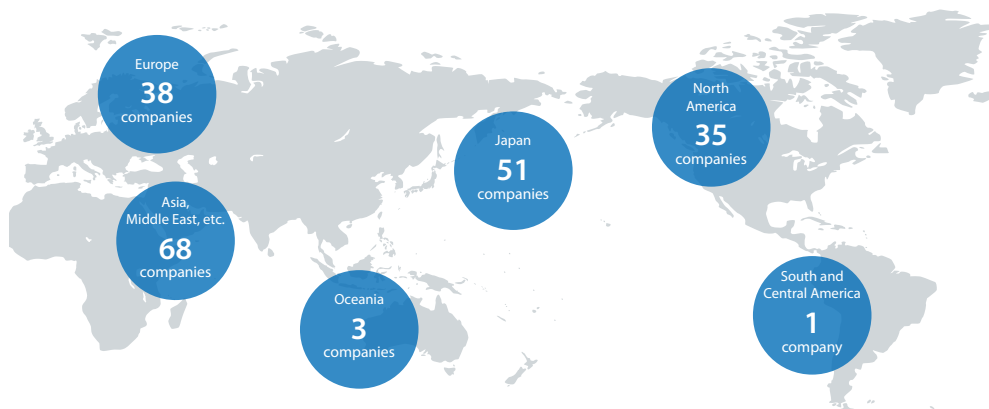
Corporate Information (As of December 31, 2022)

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	147 (Consolidated: 33,482)
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

Global Network (As of December 31, 2022)

Otsuka operates in

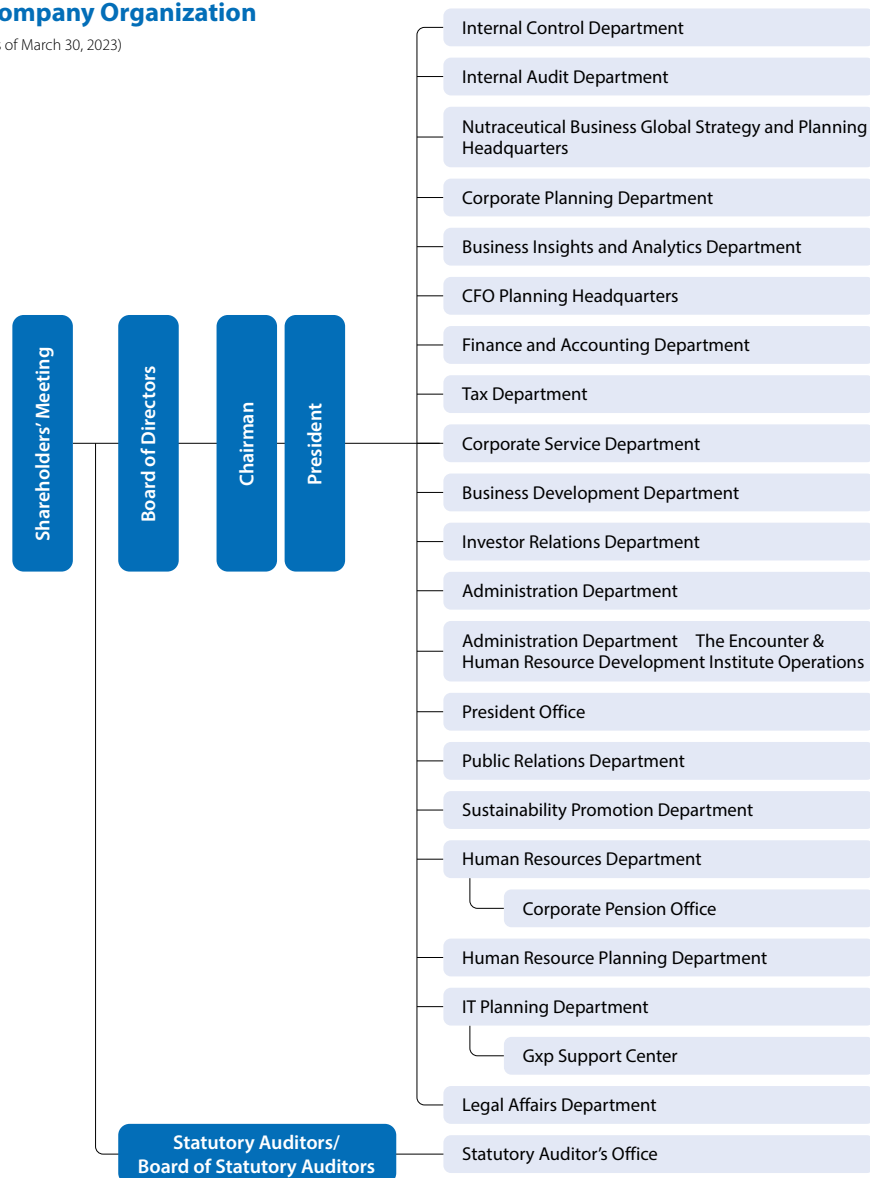
32 countries/regions **196** companies



Company Organization / Overview of Main Operating Companies

Company Organization

(As of March 30, 2023)



Otsuka Pharmaceutical Co., Ltd.	<p>A total healthcare company supporting well-being for the whole body, from the treatment of diseases to the promotion of everyday health</p> <p>Under the corporate philosophy "Otsuka-people creating new products for better health worldwide," Otsuka Pharmaceutical operates with two core businesses to benefit people's health: the Pharmaceutical Business, which provides new pharmaceuticals for the treatment of diseases, and the Nutraceutical Business, which provides products to help people maintain and improve their health.</p>
Otsuka Pharmaceutical Factory, Inc.	<p>Original company of the Otsuka group, and a leader in IV solutions in Japan with more than 75 years of experience in the field</p> <p>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.</p>
Taiho Pharmaceutical Co., Ltd.	<p>Half a century of working in the field of oncology, for patients and people worldwide</p> <p>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 create products that support a loving and affluent lifestyle with people's needs as its utmost priority.</p>
Otsuka Warehouse Co., Ltd.	<p>Contributing to people's health worldwide in the field of logistics</p> <p>Since its founding, Otsuka Warehouse has developed businesses with an emphasis on pharmaceutical and food product logistics. This includes constructing a shared platform that is tailored to the Otsuka group's three business domains—pharmaceuticals, foods and beverages, and daily necessities—and providing optimal logistics solutions through joint distribution with external manufacturers. In recent years, Otsuka Warehouse has utilized IT to achieve Connected Logistics, and is working to reform its distribution solutions.</p>
Otsuka Chemical Co., Ltd.	<p>Otsuka Chemical creatively gives shape to the power of materials together with its customers</p> <p>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 inorganic and composite materials business, and the pharmaceutical intermediates and active pharmaceutical ingredient (API) business.</p>
Otsuka Foods Co., Ltd.	<p>Delivering revolutionary products for new dietary styles since 1955</p> <p>Otsuka Foods' motto is "the company begins with people and food begins with spirit." With this in mind, everyone at Otsuka Foods brings a spirit of food focused on deliciousness, safety, peace of mind and better health to the company's business. With food and health as its main themes, the company is striving to create and propose revolutionary products that meet social needs, aiming to bring people all the joy and happiness that come with good health. In doing so, Otsuka Foods seeks to achieve sustainable growth by contributing to society.</p>
Otsuka Medical Devices Co., Ltd.	<p>Developing innovative treatment methods and creating new value</p> <p>Since its establishment in February 2011, Otsuka Medical Devices has focused on developing unique solutions that improve the health and wellbeing of patients whose medical needs and conditions cannot yet be fulfilled by existing treatment methods. To achieve its aspiration of becoming a pioneer in the medical device industry, the company combines global R&D efforts with the technology and drug discovery know-how inherent within the Otsuka group's heritage. Based on the Otsuka group's corporate philosophy—"Otsuka-people creating new products for better health worldwide"—Otsuka Medical Devices will do what it takes to offer patients new innovative treatment choices, and contribute to the health and healthcare of people across the world.</p>

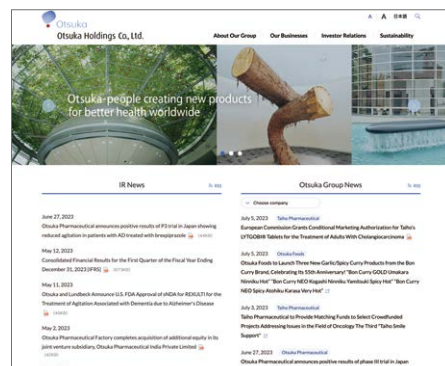
Disclosure by the Otsuka Group

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 R&D.

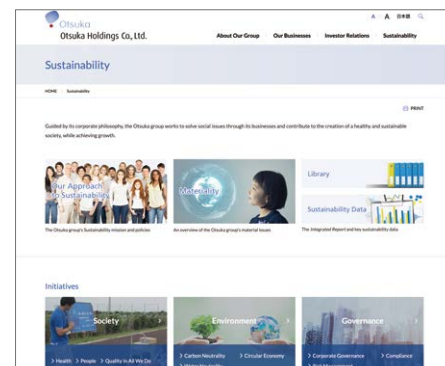
Website

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



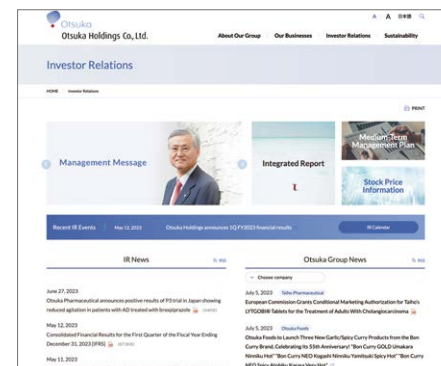
The Otsuka Group's Sustainability

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



Investor Relations

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



Library

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



Sustainability Handbook

In this handbook, we present examples of our stance and initiatives with respect to sustainability in an easily accessible format for the general public.



Environmental Report 2021

We have compiled and published a detailed Environmental Report that introduces the Otsuka group's environmental initiatives.



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 2022 (January 1, 2022 to December 31, 2022); Note that certain information from January 2023 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 Financial Reporting Standards (IFRS) Foundation
- 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 2022 (January 1, 2022 to December 31, 2022). 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.

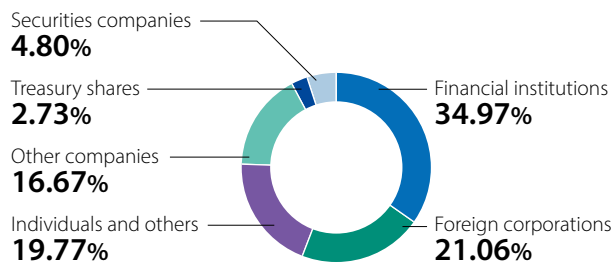
Stock Information

(As of December 31, 2022)

Stock Information

Number of shares authorized	1,600,000,000 shares
Number of shares issued	557,835,617 shares
Number of shareholders	83,097

Stock Distribution



Principal Shareholders (Top 10)

Name of Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	73,121	13.47
The Nomura Trust and Banking Co., Ltd. Otsuka Founders Shareholding Fund Trust Account	55,799	10.28
Custody Bank of Japan, Ltd. (trust account)	27,984	5.15
Otsuka Estate Co., Ltd.	23,316	4.29
Otsuka Group Employee Shareholding Fund	13,954	2.57
The Awa Bank, Ltd.	10,970	2.02
STATE STREET BANK WEST CLIENT - TREATY 505234	9,874	1.81
SMBC Nikko Securities Inc.	8,350	1.53
Otsuka Asset Co., Ltd.	7,380	1.36
JPMorgan Securities Japan Co. Ltd.	7,092	1.30

Notes: 1. Number of shares held is rounded down to the nearest thousand.
 2. Although the Company holds 15,201,916 of its own shares, treasury shares are excluded from the above list.
 3. Shareholding ratio is calculated after treasury shares are deducted.

Major IR Activities

Shareholders' Meeting

	FY2022 Results
Number of attendees at Shareholders' Meeting	101
Attendees in online livestream at Shareholders' Meeting	209
Percentage of voting rights exercised	83.78%



Shareholders' Meeting

Dialogue with analysts and institutional investors

	FY2022 Results
Individual meetings	168
Financial Results Announcement	4
Information Meeting	1
Conferences sponsored by securities firms	6



Financial Results Announcement

External Evaluation of IR Activities

Government Pension Investment Fund (GPIF)

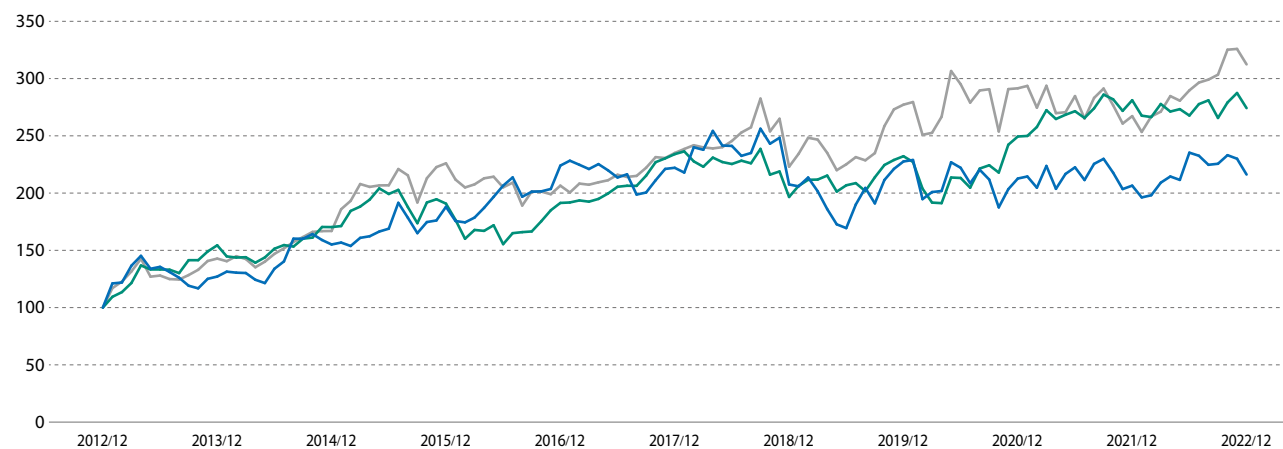
- "Most-improved Integrated Report" by Government Pension Investment Fund (GPIF)

	1 year	3 years		5 years		10 years	
		Cumulative	Annual	Cumulative	Annual	Cumulative	Annual
Otsuka Holdings	5.7%	-5.7%	-1.9%	-2.9%	-0.6%	116.7%	8.0%
TOPIX	-2.5%	18.1%	5.7%	17.2%	3.2%	174.2%	10.6%
Pharmaceutical ETF (TOPIX-17)	16.9%	12.7%	4.1%	32.9%	5.9%	212.4%	12.1%

* TSR: Total shareholder return. The total return on investment, including capital gains and dividends.
 * TSR is calculated for Otsuka Holdings based on accumulated dividends and stock price fluctuations, and for TOPIX based on a stock price index including dividends (prepared by the Company using Bloomberg data, etc.).
 * The values in the graph are indexed to the market value by TSR with the closing price data at the end of December 2012 as 100 (holding period is until the end of December 2022).

TSR*

— Otsuka Holdings — TOPIX — Pharmaceutical ETF (TOPIX-17)





Otsuka Holdings Co., Ltd.